

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/2717

7 December 1966

Limited Distribution

CEYLON - TEMPORARY DUTY INCREASES

Extension of Waiver of 10 April 1961

Report of the Committee on Balance-of-Payments Restrictions

1. The Committee in the course of its consultation with Ceylon under Article XVIII:12(b) (see document BOP/R/2) also examined, on instructions of the CONTRACTING PARTIES (BISD, Fourteenth Supplement, page 32) and of the Council (C/M/37), the balance-of-payments aspects of Ceylon's request for a further extension of the waiver of 10 April 1961 relating to Ceylon's temporary duty increases (L/2687) and for certain amendments to the waiver in order to extend it to cover further temporary duty increases on bound items, which had been put into effect in August 1965 and July 1966 (L/2609 and L/2687/Add.1). This report should accordingly be read in conjunction with the report of the Committee contained in document BOP/R/2.
2. The Committee noted that the waiver had originally been granted by a Decision of 10 April 1961 (BISD, Tenth Supplement, page 35) and had been successively renewed, with certain modifications, by Decisions of 15 November 1962 (BISD, Eleventh Supplement, page 60) and 25 March 1965 (BISD, Thirteenth Supplement, page 21), and that it would lapse on 31 December 1966.
3. The Committee further noted that the Government of Ceylon had on two occasions, on 9 August 1965 (L/2609) and on 29 July 1966 (L/2687/Add.1), temporarily increased duties on a number of bound items beyond the level indicated in the Schedule of Ceylon or permitted under the waiver of 10 April 1961 as amended. The Government of Ceylon was now requesting, in view of Ceylon's balance-of-payments situation, that the existing waiver should be extended for a further two years and amended to cover these duty increases.
4. The CONTRACTING PARTIES, at their twenty-third session, examined the temporary duty increases of 9 August 1965. They had found, however, that in view of the short notice they were not able to carry out a careful and detailed study of the justification of the increases, and had agreed that the examination should be conducted when Ceylon would consult on its balance-of-payments restrictions and that the Council should be requested to consider any recommendations made by the Committee on Balance-of-Payments Restrictions.

5. The Council at its meeting on 17 November 1966 (C/M/57) instructed the Committee on Balance-of-Payments Restrictions to examine the temporary duty increases of 29 July 1966 in conjunction with the examination of the request for an extension of the waiver.

6. In reply, to a question the representative of Ceylon explained that his Government had, much to its regret, not found it possible for technical reasons to notify the CONTRACTING PARTIES in advance of the temporary duty increases of 9 August 1965 and 29 July 1966, which had both been parts of the budgets introduced in these two years.

7. A member of the Committee said that the balance-of-payments situation of Ceylon clearly justified restrictive measures; he asked, however, whether it was necessary to maintain the system of temporary duty increases in addition to the quantitative restrictions. The representative of Ceylon replied that both the temporary duty increases and the import restrictions had been found to be necessary in the present situation. His Government was aware that from the point of view of price stabilization duty increases were dangerous, but it had found it essential to take measures to curtail domestic demand and excessive profits. The continued discussion showed that the Committee, in view of the balance-of-payments situation of Ceylon, was clearly in favour of extending the waiver and of amending it to incorporate the temporary duty increases of August 1965 and July 1966. As regards the duration of the proposed extension, the Committee found that the two-year extension requested by the Government of Ceylon would be reasonable in the present circumstances.

8. The hope was expressed, however, that the Government of Ceylon would soon be able to remove the temporary duty increases, possibly in the context of the forthcoming review of its tariff system to which the representative of Ceylon had referred in his introductory statement.

9. A member of the Committee said that when considering the possibility of removing temporary duty increases on bound items as envisaged by the representative of Ceylon in his introductory statement, there were certain items in respect of which his government would hope that the Government of Ceylon would take particularly into account the need for a speedy removal of the increases. He had in mind the following items, which had not been included in the original waiver and the 1962 amendments:

052-01.03	Currants
641-03.02	Paper, wrapping tissue
ex 721-04.03	Wireless goods, etc. for receiving
721-04.04	Wireless goods, etc. for transmission

and the following items, the import of which would appear to be essential for development purposes:

	292-02.04	Rosin
ex	511-09.29	Inorganic gases - other, excluding chlorine
	716-03.01	Cranes, hoists, etc.
	716-03.02	Cranes, hoists, etc. - parts
ex	716-03.99	Conveying, etc. machinery
	716-11.02	Sewing machines, industrial
ex	861-03.99	Surgical instruments
ex	861-09.99	Scientific instruments

10. Another representative said that his government attached special importance to the reduction of the temporary duty increase on item ex 243-02.01 (ceiling and flooring boards, conifer) where the rate had been increased from 45 per cent ad valorem to 100 per cent on 29 July 1966.

11. In the light of the discussion and taking into account the assessment provided by the International Monetary Fund (see paragraph 2 of document ECP/R/2) the Committee recommends that the waiver be amended to include the temporary duty increases on bound items put into effect on 9 August 1965 and 29 July 1966 and that its validity be extended until 31 December 1968, subject to the relevant terms and conditions specified in the Decision of 15 November 1962, including the submission of a report one year from the date of the decision on the proposed extension.

12. The Committee has accordingly prepared the following draft decision which it submits to the Council.

ANNEX

CEYLON - TEMPORARY DUTY INCREASES

Draft Decision

Considering that the CONTRACTING PARTIES by Decision of 10 April 1961¹ waived, subject to specified conditions, the provisions of paragraph 1 of Article II of the General Agreement to the extent necessary to allow the Government of Ceylon to apply until 31 December 1962, as an emergency measure designed to overcome the existing threat to its monetary reserves while certain corrective fiscal and monetary measures were being pursued, an increase in customs duties on those items included in Schedule VI which were specified in the table annexed to the Decision, it being understood that the increased duties should be levied in a manner consistent with the provisions of Article I of the General Agreement;

Considering that the CONTRACTING PARTIES by Decision of 15 November 1962² authorized the Government of Ceylon to maintain until 31 December 1964 the increased duties specified in the Decision of 10 April 1961, except for seven items for which they had already been reduced, and waived, subject to specified terms and conditions, the provisions of paragraph 1 of Article II of the General Agreement to the extent necessary to allow the Government of Ceylon to apply until 31 December 1964, as an emergency measure designed to overcome the threat to its monetary reserves, while certain corrective fiscal and monetary measures were being pursued, a further temporary increase by 20 per cent in customs duties on those items included in Schedule VI which were specified in the table annexed to the Decision, it being understood that the additional duty should be levied in a manner consistent with the provisions of Article I of the General Agreement;

Considering that the CONTRACTING PARTIES, by Decision of 25 March 1965³, authorized Ceylon to maintain until 31 December 1966 the temporary duty increases specified in the Decision of 15 November 1962, subject to certain terms and conditions, which included the submission by Ceylon of a report one year from the date of the Decision;

Considering that the CONTRACTING PARTIES by Decision of 6 April 1966⁴ authorized the Government of Ceylon to maintain until 31 December 1966, subject to specified terms and conditions, certain duty increases made on 9 August 1965;

¹ BISD, Tenth Supplement, page 35.

² BISD, Eleventh Supplement, page 60.

³ BISD, Thirteenth Supplement, page 21.

⁴ BISD, Fourteenth Supplement, page 31.

Considering that the Government of Ceylon has made on 29 July 1966 certain duty increases on items included in Schedule VI over and above those permitted to them by the CONTRACTING PARTIES in the Decisions mentioned above, while at the same time certain temporarily increased duties were reduced;

Having consulted fully with the International Monetary Fund in accordance with Article XV:2 of the General Agreement and taken into account the assessment provided by the Fund in that consultation;

The CONTRACTING PARTIES, acting pursuant to the provisions of paragraph 5 of Article XXV of the General Agreement and in accordance with the procedure adopted by them on 1 November 1956¹,

Decide to waive, subject to the relevant terms and conditions specified in the Decision of 15 November 1962, the provisions of paragraph 1 of Article II of the General Agreement to the extent necessary to allow the Government of Ceylon to maintain until 31 December 1968 the temporary duty increases specified in that Decision and to apply until 31 December 1968 the temporarily increased duties on items included in Schedule VI put into effect on 9 August 1965 and 29 July 1966, all of which are specified in the table annexed hereto, it being understood that the increased duties shall be levied in a manner consistent with Article I of the General Agreement and that Ceylon will submit a report one year from the date of the present Decision.

¹ BISD, Fifth Supplement, page 25.

ANNEX

Part I - Most-Favoured-Nation Tariff

Tariff item No.	Description of products	Bound rate	Waiver rate
ex 111-01.01	Mineral waters	20%	37%
ex 111-01.01	Aerated waters	20%	37%
052-01.03	Currants	Rs.1/25 per cwt. plus 5% ad val.	Rs.10/- per cwt.
121-01.01	Tobacco, flue cured	Margin of Rs.2/25 per lb.	Margin of Rs.2/45
121-01.99	Tobacco, unmanufactured	Margin of Rs.2/25 per lb.	Margin of Rs.2/45
ex 243-02.01	Ceiling boards, conifer	30%	100%
243-02.01	Flooring boards, conifer	30%	100%
ex 243-03	Wood and timber, non- conifer prepared n.e.s.	30%	42%
251-02	Mechanical and chemical wood pulp	17 $\frac{1}{2}$ %	30%
272-01	Natural asphalt, including natural bitumen	Rs.1/10 per cwt.	Rs.2/30 per cwt.
292-02.04	Rosin	15%	30%
ex 313-03.99	Mineral oil - n.e.s.	22 $\frac{1}{2}$ %	30%
ex 313-04.01	Grease mineral	17 $\frac{1}{2}$ %	27%
313-04.02	Lubricating oil, petroleum refined	Rs.0/85 per gal.	Rs.1/65 per gal.
313-04.99	Lubricating oils, other	Rs.0/85 per gal.	Rs.1/52 per gal.
ex 313-05.99	Mineral jelly	20% + 10% surcharge ¹	37%
313-09.01	Petroleum asphalt including petroleum bitumen	Rs.1/10 per cwt.	Rs.2/30 per cwt.
412-05	Olive oil	10%	30%

¹The surcharge is in all cases 10 per cent of the normal rate of duty, i.e. 1.5 per cent or 2 per cent.

Tariff item No.	Description of products	Bound rate	Waiver rate
ex 413-05	Stearine n.e.s.	20% + 10% surcharge	35%
511-09.02	Hydrogen peroxide	20% + 10% surcharge	35%
511-09.03	Ammonia and ammonium compounds	20% + 10% surcharge	35%
511-09.06	Bicarbonate of soda	20% + 10% surcharge	35%
511-09.21	Inorganic gases - oxygen	20% + 10% surcharge	35%
ex 511-09.29	Inorganic gases - other excluding chlorine	20% + 10% surcharge	35%
ex 511-09.99	Inorganic compounds and chemical elements other excluding calcium carbonate	20% + 10% surcharge	35%
512-05.02	Pine oil	15%	30%
512-09.01	Naphthalene	20% + 10% surcharge	35%
512-09.07	Chloroform	20% + 10% surcharge	35%
512-09.99	Organic compounds - other	20% + 10% surcharge	35%
521-02.01	Creosote	20% + 10% surcharge	35%
531-01.01	Aniline dyes for dyeing etc.	17 $\frac{1}{2}$ %	30%
ex 533-01.99	Paint-making materials - dry colours	30%	35%
541-05.01	Penicillin and penicillin products	17 $\frac{1}{2}$ %	25 $\frac{4}{5}$ %
541-09.01	Patent medicines except quinine preparations	17 $\frac{1}{2}$ %	25 $\frac{4}{5}$ %
ex 551-01.99	Ylang-ylang oil, vetyver oil and geranium oil	15% + 10% surcharge	28%
ex 552-05.99	Glass powder	20% + 10% surcharge	32 $\frac{2}{5}$ %

Tariff item No.	Description of products	Bound rate	Waiver rate
561-02.02	Superphosphates	10 $\frac{1}{2}$ %	11 $\frac{3}{5}$ %
561-05.02	Muriate of potash	10 $\frac{1}{2}$ %	11 $\frac{3}{5}$ %
599-02.04	Insecticides	15%	18%
599-02.05	Weed killers	15%	18%
ex 599-05	Dextrine, excluding glues and gums	20% + 10% sur-charge	35%
ex 599-04.99	Dextrine, glues and gums	20% + 10% sur-charge	35%
ex 651-02.01	Receptacles, boxes and chests and shocks and fittings - plywood of a kind suited for the purpose of packing Ceylon produce for export when it is shown to the satisfaction of the POC that such articles have been imported for such purpose and are likely to be used mainly for such purposes	10 $\frac{1}{2}$ %	12%
ex 652-01	Receptacles, boxes, chests and fittings other than metal and plywood	10 $\frac{1}{2}$ %	12%
641-05.02	Paper, wrapping - tissue	32 $\frac{1}{2}$ %	60%
641-05.99	Common packing and wrapping, other Kraft paper	32 $\frac{1}{2}$ %	0.68 cents per lb.
ex 661-05.99	Marble slabs and monuments	50%	70%
ex 681-07.01	Plates and sheets including circles coated for manufacturing drums for export of Ceylon produce	17 $\frac{1}{2}$ %	21%
ex 699-16	Table and kitchen knives, forks and spoons etc. - cutlery	27 $\frac{1}{2}$ %	39%

Tariff item No.	Description of products	Bound rate	Waiver rate
ex 699-16	Gold and silver plated table and kitchen knives, forks - other	37½%	55%
699-17	Cutlery, n.e.s.	37½%	55%
ex 699-17.99	Cutlery - other	27½%	32½%
ex 699-17.99	Other cutlery	37½%	55%
ex 699-17.99	Gold and silver plated cutlery n.e.s.	37½%	55%
ex 699-18.01	Hinges, iron and steel	32½%	35%
711-05.05	Internal combustion engines, oil, complete	27½%	34%
714-01.01	Typewriters - complete	17½%	30%
714-01.02	Typewriters - parts	17½%	30%
716-05.01	Cranes, hoists and lifting machinery - complete	20%	40%
716-05.02	Cranes, hoists, etc. - parts	20%	40%
ex 716-03.05	Earth moving equipment tractors - complete and parts shown to the POC to have been imported for use in irrigation and agricultural schemes	12½%	14%
ex 716-05.90	Conveying, hoisting, excavating, road construction and mining machinery, complete and parts - other	20%	40%
ex 716-07.01	Printing and book-binding machinery - complete	27 1/4%	34%
716-07.02	Printing and book-binding machinery - parts	27½%	34%
716-11.02	Sewing machines, industrial	12½%	30%

Tariff item No.	Description of products	Bound rate	Waiver rate
ex 716.13.03	Rubber machinery for manufacture of finished rubber boots - complete	12 $\frac{1}{2}$ %	15%
716-13.04	Rubber machinery, etc. - parts	12 $\frac{1}{2}$ %	15%
716-13.20	Sugar making machinery - including parts	12 $\frac{1}{2}$ %	15%
716-13.40	Oil pressing and refining machinery - complete	17 $\frac{1}{2}$ %	30%
ex 716-13.99	Atomizers and sprayers and parts thereof, n.e.s.	20%	24%
ex 721-01.01	Transformers and converters n.e.s. of 20 amps. and over carrying capacity complete parts	15%	25%
721-01.02	Control and switchgear, comprising all gear of 20 amps. and over carrying capacities - complete and parts	20%	30%
721-01.03	Generators, alternators, dynamos etc. complete and parts	20%	30%
721-01.10	Motors below 1 h.p. complete and parts	15%	25%
721-01.11	Motors 1-5 h.p. complete and parts	15%	25%
721-01.12	Motors 5 h.p. and over - complete and parts	15%	25%
ex 721-04.03	Wireless goods and appliances and parts thereof for assembly of complete sets for receiving	17 $\frac{1}{2}$ %	62 $\frac{1}{2}$ %

Tariff item-- No.	Description of products	Bound rate	Waiver rate
ex 721-04.04	Wireless goods and appliances and parts thereof for assembly of complete sets for transmission	17½%	62½%
812-04.19	Lamps and lanterns except electric complete, other pressure type incadescent	45%	53%
ex 812-04.40	Chimneys, globes and shades for lamps - incandescent	35%	48%
ex 812-04.60	Parts of lamps, other than chimneys etc. incandescent	45%	53%
ex 812-04.99	Lighting fixtures of all materials, other incandescent lamp and lanterns - other than iron and steel	35%	70%
ex 861-03.99	Surgical and dental instruments	15%	40%
ex 861-09.99	Scientific instruments, other complete and parts	15%	40%
891-03	Pianos and piano playing mechanisms and parts thereof	25%	38%
ex 891-09	Musical instruments n.e.s. parts thereof	25%	38%
ex 899-99.02	Painters' materials (excluding paints and brushes), n.e.s. Other painters' materials except gums, oils, fats and resins	20% + 10% surcharge	37%

Part II - Preferential Tariff

Tariff item no.	Description of products	Bound rate	Waiver rate
ex 313-05.99	Mineral jelly	15% + 10% surcharge	28%
ex 413-03	Stearine n.e.s.	15% + 10% surcharge	28%
511-02	Copper sulphate	15% + 10% surcharge	25 4/5%
511-09.02	Hydrogen peroxide	15% + 10% surcharge	28%
511-09.03	Ammonia and ammonium compounds	15% + 10% surcharge	28%
511-09.05	Calcium carbide	15%	28%
511-09.06	Bicarbonate of soda	15% + 10% surcharge	28%
511-09.21	Inorganic gases - oxygen	15% + 10% surcharge	28%
ex 511-09.29	Inorganic gases - other excluding chlorine	15% + 10% surcharge	28%
ex 511-09.99	Inorganic compounds and chemical elements, other - excluding calcium carbonate	15% + 10% surcharge	28%
512-02.01	Creosote	15% + 10% surcharge	28%
512-03	Glycerine	15% + 10% surcharge	25 4/5%
512-09.01	Naphthalene	15% + 10% surcharge	28%
512-09.07	Chloroform	15% + 10% surcharge	28%
ex 512-09.99	Organic compounds - other	15% + 10% surcharge	28%
521-02.99	Tar oils and other crude chemicals from coal, petroleum and natural gas - other	15% + 10% surcharge	25 4/5%
ex 532-02	Wattle bark extract	free	7%
ex 552-03.99	Glass powder	15% + 10% surcharge	28%
ex 599-03	Dextrine, excluding glues or gums	15% + 10% surcharge	28%
ex 599-04.99	Dextrine, glues and gums	15% + 10% surcharge	28%
ex 721-01.10	Motors, below 1 H.P. - complete and parts	10%	20%
721-01.11	Motors 1-5 H.P. - complete and parts	10%	20%
721-01.12	Motors 5 H.P. and over - complete and parts	10%	20%