

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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CONTRACTING PARTIES  
Twenty-Fifth Session

## CEYLON - INCREASES IN BOUND DUTIES

### Report by the Working Party

1. The Working Party was appointed by the CONTRACTING PARTIES on 19 November 1968 to examine the report submitted by the Government of Ceylon relating to its increases in bound duties and to report to the CONTRACTING PARTIES.
2. The Working Party met on 20 and 22 November 1968. It had before it the request by the Government of Ceylon (L/3079) for a waiver to replace the waiver of 21 January 1967<sup>1</sup> and the Annexes thereto in which detailed information was given on the changes in the duties on products bound in Parts I and II of Schedule VI - Ceylon.
3. The Working Party noted that the CONTRACTING PARTIES by Decision of 10 April 1961 had waived the provisions of paragraph 1 of Article II of the General Agreement 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 further noted that the Decision of 10 April 1961 had been renewed, with certain modifications, by Decisions of 15 November 1962 and 25 March 1965 and that by Decision of 21 January 1967 the Government of Ceylon was allowed to maintain until 31 December 1968 the temporary duty increases specified in the previous Decisions and certain additional increased duties put into effect on 9 August 1965 and on 29 July 1966, all of which were specified in the Annex to the Decision of 21 January 1967.
4. The representative of Ceylon recalled that his Government had to a great extent relied on quantitative restrictions in order to curb imports but it had found that the system of restrictions was unnecessarily cumbersome and it had decided to revert to the extent possible to systematic forms of tariff protection. A comprehensive tariff reform was therefore being undertaken with the aim of rationalizing the whole tariff structure. A part of the reform was the introduction of the Brussels Tariff Nomenclature. Two of the main principles behind the new tariff were that duties on goods essential for the implementation of the Development Plan should be low - or that such goods should be imported duty free - while duties on goods of which there was a competing domestic production should be high.

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<sup>1</sup>BISD, 15th Supplement, page 76.

5. Referring to the tables reproduced on pages 3 and 5 of document L/3079, the representative of Ceylon stressed that of the total of 122 items and sub-items in the most-favoured-nation section of the Schedule of Ceylon, there were eighteen items where the rates presently applied were at the bound level and fifty-nine items where these rates were below the bound level. For forty-five items and sub-items, the present rates were above the bound level and for those items Ceylon would require a Decision by the CONTRACTING PARTIES in order to regularize the position. While imports in 1967 of items the duties on which had been reduced below the bound level amounted to Cey Rs 101 million, imports of items the duties on which were above the bound level amounted to Cey Rs 72 million. The corresponding figures for forty-seven items and sub-items in the preferential section of the Schedule were: eight items where the rates were at the bound level, thirty-four items where the rates had been reduced below the bound level and five sub-items where the rates had been increased above the bound level. In 1967 imports of items where the present rates were above the bound level amounted to Cey Rs 2.5 million while imports of items the present duties on which were below the bound level amounted to Cey Rs 47 million.

6. With regard to margins of preference the representative of Ceylon explained that the document (L/3079) submitted by Ceylon contained a factual error on page 3 to the effect that the margins of preference had been bound. Consequently the document erroneously contained on page 7 a request for the inclusion in the waiver of twenty-five items in which the margins of preference had been reduced. A waiver from the provisions of Article I of GATT was as a matter of fact only required for three sub-items (85.01, motors) where the margins of preference had been increased.

7. Summing up, the representative of Ceylon said that his Government requested a single waiver that would allow it to maintain for a two-year period, during which the tariff reform would be concluded, the rates increased above the bound level on forty-five items and sub-items in the most-favoured-nation section and on five sub-items in the preferential section of the Ceylon Schedule, as well as the increased margins of preference on three sub-items. He said that there were distinct possibilities that in the course of the tariff reform some of the rates increased above the bound level would be brought back to that level. Furthermore, his Government would endeavour to restore to their original level the increased margins of preference.

8. A member pointed out that the number of items, and the trade coverage, was considerably larger in respect of items where the rates had been reduced below the bound level than in respect of items where the rates had been increased above the bound level. Even if there might be countries the export interests of which were concentrated on items falling in the second category, it seemed to him that the present position was rather favourable for the contracting parties as a whole and he supported the request for a waiver.

9. Another member, while supporting the request for the waiver, said that he expected that certain problems arising in his country's trade relations with Ceylon resulting from the measures taken would be settled bilaterally between the two countries.

10. Members said that, while supporting in general the waiver request, they felt that the waiver should contain provisions concerning renegotiations to be undertaken by Ceylon under Article XXVIII of the General Agreement as soon as the tariff reform had been finalized and the duties had acquired a permanent character so as to settle the tariff problem of Ceylon in accordance with normal GATT procedures. In these negotiations the principles of Part IV would be taken fully into account. They further proposed that the Government of Ceylon should be requested to report to the twenty-sixth session of the CONTRACTING PARTIES on the progress of the tariff reform and to conduct the necessary renegotiations before the expiry of the waiver. The representative of Ceylon said that such a procedure would be acceptable to his Government.

11. Taking into account the views expressed in the course of the deliberations the Working Party has prepared the following draft decision which it submits to the CONTRACTING PARTIES.

CEYLON - INCREASES IN BOUND DUTIES

Draft Decision

Considering that the CONTRACTING PARTIES on 10 April 1961 waived, subject to certain 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 increases in certain specified customs duties bound in Schedule VI; and that since that date the same provisions have on a number of occasions been waived in respect of some of these and other duties bound in Schedule VI;

Considering that the latest of the aforementioned Decisions will lapse on 31 December 1968;

Considering that the Government of Ceylon is carrying out a reform of its customs tariff with the aim of better adapting it to the financial, fiscal and developmental needs of the national economy;

Considering that in the course of the tariff reform, which has, inter alia, resulted in the adoption of the Brussels Nomenclature, the Government of Ceylon has already reduced a number of duties, both bound and unbound;

Considering, however, that the Government of Ceylon continues to collect on a number of products customs duties which are higher than the duties bound in Schedule VI, although they are, according to information supplied by the Government of Ceylon, outweighed by the duty reductions already put into effect;

Considering further that in the case of three sub-items certain modifications of duties in Part I and in Part II of Schedule VI have resulted in margins of preference which are higher than those existing on 10 April 1947;

Taking note of the desire of the Government of Ceylon to complete as soon as possible the process of reform of its tariff so as to be able to rely on it as a more effective instrument of commercial policy;

Taking note that if by the time the tariff reform is completed, there remain in force duties higher than those bound in Schedule VI the Government of Ceylon is prepared to take the appropriate steps to renegotiate any such duties; and that it is considering the reduction as soon as possible of the increased margins of preference to the level of 10 April 1947;

The CONTRACTING PARTIES, acting pursuant to the provisions of paragraph 5 of Article XXV and in accordance with the procedure adopted by them on 1 November 1956,

Decide to waive the provisions of paragraph 4 of Article I and of paragraph 1 of Article II of the General Agreement to the extent necessary to permit the Government of Ceylon to maintain in effect (a) the increased duties specified in Annex A attached to this Decision, and (b) the increased margins of preference specified in Annex B; subject to the following terms and conditions:

1. The Government of Ceylon will, not later than 1 October 1969, inform the CONTRACTING PARTIES of the final results of the tariff reform in so far as they affect Ceylon's obligations under Articles I and II of the General Agreement.
2. If by 1 October 1969 Ceylon still maintains in effect duties which are higher than those specified in Schedule VI, it shall enter into negotiations or consultations with interested contracting parties under the procedures of paragraphs 1 to 3 of Article XXVIII.
3. Pending the entry into force of the results of the negotiations or consultations referred to in the previous paragraph, or the unilateral abolition of the duty increases, the contracting parties will be free to suspend concessions initially negotiated with Ceylon to the extent that they consider that adequate compensation, bearing in mind the provisions of Part IV of the General Agreement, is not provided within a reasonable time by the Government of Ceylon (subject to the right of any third contracting party having a principal supplying interest or a substantial interest therein to withdraw substantially equivalent concessions initially negotiated with such other contracting parties).
4. This Decision shall be valid until Ceylon shall have made the necessary arrangements, including the completion of the negotiations mentioned above, to bring the application of its customs tariff into conformity with the provisions of Articles I and II, or, at the latest until 31 December 1970.

ANNEX A

PART I - Most-Favoured-Nation Tariff

| Tariff Item<br>Number | Description of Products  | Bound<br>Rate                      | Waiver<br>Rate           |
|-----------------------|--|------------------------------------|--------------------------|
| 08.04                 | Currants   | Rs.1.25 per cwt<br>plus 5% ad val. | 60%                      |
| 15.07                 | Oilve oil  | 10%                                | 100%                     |
| 22.01                 | Mineral waters   | 20%                                | 33%                      |
| 22.01                 | Aerated water  | 20%                                | 33%                      |
| 27.10                 | Grease, mineral  | 17½%                               | 30%                      |
| 27.10                 | Lubricating oil, petroleum (refined)   | Rs.0.85 per gal.                   | Rs.2.10 per<br>imp. gal. |
| 27.14                 | Petroleum asphalt including petroleum<br>bitumen                               | Rs.1.10 per cwt.                   | Rs.2.25 per-cwt.         |
| 27.15                 | Natural asphalt including natural<br>bitumen                                   | Rs.1.10 per cwt.                   | 20%                      |
| 30.03                 | Patent medicines except quinine<br>preparations                                | 17½%                               | 25%                      |
| 31.03                 | Superphosphates  | 10½%                               | 12½%                     |
| 31.04                 | Muriate of potash (potassium chloride)   | 10½%                               | 12½%                     |
| 33.01                 | Ylang-ylang oil, vetyver oil and<br>geranium oil                               | 15% + 10% surcharge                | 30%                      |
| 32.09                 | Aniline dyes for dyeing etc.   | 17½%                               | 30%                      |
| 44.13                 | Ceiling Boards, conifer  | 30%                                | 210%                     |
| 44.13                 | Flooring Boards, conifer   | 30%                                | 210%                     |
| 44.13                 | Wood and timber, non-conifer, prepared<br>n.e.s. (ceiling and flooring boards) | 30%                                | 210%                     |
| 47.01                 | Mechanical and chemical wood pulp  | 17½%                               | 30%                      |
| 48.01                 | Paper, wrapping-tissue   | 32½%                               | 100%                     |
| 48.01                 | Common packing and wrapping paper<br>- other kraft paper                       | 32½%                               | 50%                      |

PART I - (Continued)

| Tariff Item<br>Number | Description of Products   | Bound<br>Rate | Waiver<br>Rate |
|-----------------------|---|---------------|----------------|
| 68.02                 | Marble slabs and monuments  | 50%           | 105%           |
| 71.14                 | Gold and silver plated table and<br>kitchen knives, forks - other   | 37½%          | 300%           |
| 71.14                 | Gold and silver plated cutlery n.e.s.   | 37½%          | 300%           |
| 82.13                 | Cutlery, n.e.s.   | 37½%          | 50%            |
| 82.13                 | Cutlery - other   | 27½%          | 50%            |
| 82.13                 | Other cutlery   | 37½%          | 50%            |
| 82.14                 | Table and kitchen knives, forks and<br>spoons etc. - cutlery  | 27½%          | 35%            |
| 83.02                 | Hinges, iron and steel  | 32½%          | 60%            |
| 83.07                 | Parts of lamps other than chimneys,<br>globes and shades - incandescent   | 45%           | 60%            |
| 83.07                 | Lighting fixtures of all materials,<br>other incandescent lamp and lanterns -<br>other than iron and steel                      | 35%           | 60%            |
| 83.07                 | Lamps and lanterns, except electric,<br>complete, other - pressure type -<br>incandescent                                       | 45%           | 60%            |
| 84.28                 | Agricultural machinery and appliances<br>n.e.s. complete<br>other (agricultural machinery) - complete<br>A. Incubators, poultry | 22%           | 50%            |
| 84.28                 | Agricultural machinery and appliances<br>n.e.s. parts<br>Parts of other agricultural machinery<br>A. Incubators, poultry        | 22%           | 50%            |
| 84.51                 | Typewriters, complete   | 17½%          | 30%            |
| 84.55                 | Typewriters, parts  | 17½%          | 20%            |
| 85.01                 | Transformers and converters, n.e.s. of<br>20 amperes and over carrying capacity -<br>complete and parts<br>B. Other             | 15%           | 30%            |

PART I - (Continued)

| Tariff Item<br>Number         | Description of Products  | Bound<br>Rate | Waiver<br>Rate |
|-------------------------------|--|---------------|----------------|
| 85.01                         | Generators, alternators, dynamos and<br>exciters, complete and parts<br>B. Other                     | 20%           | 30%            |
| 85.01                         | Motors below 1 H.P. - complete and parts<br>B. Other   | 15%           | 30%            |
| 85.01                         | Motors 1 - 5 H.P. - complete and parts<br>B. Other   | 15%           | 30%            |
| 85.01                         | Motors 5 H.P. and over - complete and<br>parts<br>B. Other   | 15%           | 30%            |
| 85.15                         | Wireless goods and apparatus and parts<br>thereof for assembly of complete sets<br>for receiving     | 17½%          | 70%            |
| 85.15                         | Wireless goods and appliances and parts<br>thereof for assembly of complete sets<br>for transmission | 17½%          | 70%            |
| 90.17                         | Surgical and dental instruments  | 15%           | 30%            |
| 90.23 )<br>90.24 )<br>90.26 ) | Scientific instruments, other, complete<br>and parts   | 15%           | 30%            |
| 92.01 )<br>92.10 )            | Pianos and piano-playing mechanisms<br>and parts thereof   | 25%           | 40%            |
| 92.10                         | Musical instruments n.e.s. parts<br>thereof  | 25%           | 40%            |



PART II - Preferential Tariff

| Tariff Item<br>Number | Description of Products  | Bound<br>Rate | Waiver<br>Rate |
|-----------------------|--|---------------|----------------|
| 84.28                 | Agricultural machinery and appliances<br>n.e.s. complete<br>Other (agricultural machinery) -<br>complete<br>A. Incubators, poultry | 12%           | 40%            |
| 84.28                 | Agricultural machinery and appliances<br>n.e.s. parts<br>A. Incubators, poultry  | 12%           | 40%            |
| 85.01                 | Motors below 1 H.P., complete and<br>parts<br>B. Other   | 10%           | 20%            |
| 85.01                 | Motors 1 - 5 H.P., complete and parts<br>B. Other  | 10%           | 20%            |
| 85.01                 | Motors 5 H.P. and over, complete and<br>parts<br>B. Other  | 10%           | 20%            |

ANNEX B

Increased Margins of Preference

| Tariff Item<br>Number | Description of Products                                    | Original<br>Margin | Waiver<br>Margin |
|-----------------------|--|--------------------|------------------|
| 85.01                 | Motors below 1 H.P. - complete and<br>parts<br>B. Other    | 5%                 | 10%              |
| 85.01                 | Motors 1 - 5 H.P. - complete and parts<br>B. Other         | 5%                 | 10%              |
| 85.01                 | Motors 5 H.P. and over - complete and<br>parts<br>B. Other | 5%                 | 10%              |