

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

W.13/18  
31 October 1958

Limited Distribution

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CONTRACTING PARTIES  
Thirteenth Session

Original: English

Panel on Article XVIII

## NOTIFICATIONS BY CEYLON UNDER ARTICLE XVIII

### Further Request by the Ceylon Delegation

Prior to the Eleventh Session, the releases granted to Ceylon under Article XVIII stipulated the maximum quantity of the local product which could be marketed each year under the Industrial Products Act.

At the Eleventh and Twelfth Sessions, the releases granted to Ceylon added a new limitation by pegging the maximum limit up to which imports could be restricted. This limitation is called the maximum standard ratio (see BISD, Fifth Supplement, pp. 30-31 and BISD, Sixth Supplement, pp. 14-17).

As Ceylon is an applicant for two new releases at the current Session of the CONTRACTING PARTIES, she takes this opportunity of submitting that there is no practical advantage in combining those two limitations in the releases to be granted on the basis of these new notifications.

In the operation of the standard ratio, the volume of disposals of the domestic product under the Industrial Products Act is automatically determined by the volume of imports. The domestic availability is thus an integral part of the standard ratio, and so long as one of those two factors is limited in the release, the other is inextricably involved.

In the context of Article XVIII, it would appear to be desirable if future releases granted under this Article only recognized the need to peg the standard ratio. One of the criteria to be followed in applying a permissible quantitative restriction is that it should:

- (a) avoid unnecessary damage to the commercial and economic interests of any other contracting party, and
- (b) not prevent unreasonably the importation of any description of goods in minimum commercial quantities whose exclusion would impair regular channels of trade (see first proviso to paragraph 10 - Article XVIII).

The essential ingredient in this proviso is not the freezing of domestic availability, to a stipulated maximum, but the removal of a total barrier to imports. The pegging of domestic availability would be a denial of the very objectives for which the GATT was framed. Increased output creates better living standards and ensures fuller employment. These are two objectives to which the contracting parties are pledged. It would be in negation of these very objectives if a release granted under Article XVIII limited the volume of disposals to a specified maximum. The interests of the contracting parties are adequately secured by stipulating only a maximum standard ratio.

In conducting the first annual review provided for in Article XVIII: 6 concerning the measures in which the CONTRACTING PARTIES concurred at their Twelfth Session, the Ceylon Government proposes that the opportunity be taken by the CONTRACTING PARTIES to amend each of the past releases by the excision of all limitations on the maximum domestic availability. The items concerned are:

- (a) cotton sarongs, including sarong cloth;
- (b) tea and other chests, including fittings and shooks;
- (c) crown corks;
- (d) pneumatic rubber tyres and tubes for pedal cycles; and
- (e) cotton piece goods (fourteen items).