1973 CONSULTATION UNDER ARTICLE XVIII:12(b) WITH SRI LANKA

Statement Submitted by Sri Lanka under the New Procedures for Consultation 1

1. Legal and administrative basis of import restrictions

   The present legal basis for the control of imports is the Imports and Exports (Control) Act No. 1 of 1969. Under this Act the Government has the power to prohibit or restrict the importation of any goods and to prescribe any conditions relating to imports and exports. The import controls enforced under this Act are designed to permit the maximum value of imports consistent with the need to safeguard the country's overall foreign exchange reserves.

   Import policy is formulated by the Ministry of Foreign and Internal Trade in consultation with the Ministry of Planning and Employment, subject to the approval of the Cabinet. The Minister of Foreign and Internal Trade is empowered under the Act to issue regulations in conformity with the objects and purposes of the Act. The responsibility for administering the regulations rests with the Department of Import and Export Control, which is a department under the Ministry of Foreign and Internal Trade.

   Details of import policies, licensing procedures and any changes thereof are published in the Ceylon Government Gazette.

2. Methods used in restricting imports

   On 6 May 1968 the Government of Sri Lanka introduced a Foreign Exchange Entitlement Certificate Scheme (FEECS). Under this Scheme the Central Bank issues through the Commercial Banks, FEECS to exporters of all goods and services (other than the major exports and for invisible receipts) and including tourist receipts. The certificates are transferable and have a market value, because the holders of the certificates are entitled, subject to import and export control requirements, to purchase foreign exchange from Commercial Banks at their selling rates, on surrender of certificates of equivalent face value, for the payment of certain items of imports and other remittances.

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The object of the FEEC Scheme was to provide a cash incentive to selected exports and invisible transactions and to impose an additional rupee cost on selected imports and invisible payments. The present value of the certificate is 65 per cent of the face value.

A significant change in the FEEC Scheme occurred with the assumption of office by the present Government in May 1970. One of its immediate actions was to suspend the Open General Licence Scheme pending a review of the foreign exchange position. As there was no likelihood of any appreciable improvement in Sri Lanka's balance-of-payments position in the immediate future, the Open General Licence Scheme was abolished vide Import Control Notice 18/70 appearing in Gazette No. 1497/2 of 4 August 1970 - and imports made under this facility were brought under the individual import licence system.

A further change was introduced in the first budget of the present Government when the import of books and periodicals, two-wheel tractors, implements and spares and cotton yarn and raw cotton were transferred to Category 'A' (see below) and the imports of sugar, maize and the imports of the Sri Lanka Corporation, the Ceylon Transport Board, and the Ceylon Electricity Board, were transferred to Category 'B'.

After 10 November 1972, as a result of the Budget Proposals, the import of all items (including those imported by all institutions) were made subject to the requirement to surrender FEECS except those items given in Annex A.

All imports involving the payment of foreign exchange are now divided into two categories - Category 'A' Imports and Category 'B' Imports.

(i) Category 'A' Imports: Imports for which foreign exchange is released against import licences which need not be supported by FEECS (Annex 'A').

(ii) Category 'B' Imports: Imports for which foreign exchange is released against individual import licences, which should be supported by FEECS (Annex 'B').

For licensing purposes, imports are classified as follows:

1. Imports for the trade under Trade Quota Items.
2. Imports by Government Departments and Corporations.
3. Imports on Direct User licences. These are normally issued to individuals, institutions and firms but not those registered with the Ministry of Industries as manufacturing institutions.
4. Imports on Actual User licences issued by the Ministry of Industries to manufacturing corporations and other private manufacturing institutions.
3. Basis of issuing allocations to trade of items listed under Categories 'A' and 'B'

Registered importers are issued quota allocations twice a year for items falling under Category 'A' and 'B' on the basis of past imports. The base period is 1959 to 1961 for the majority of commodities, while for items like foodstuffs and drugs, the base period is 1962-1964. Firms or individuals who have made imports of commodities for which they may apply to be registered as quota holders have to establish that they have imported the identical commodities during the base period. An importer is allowed a quota on the basis of his best year's imports. For those items which were previously under the quota system, the basis of allocation is the imports effected during the Open General Licence period.

The amount of the quota allowed during a particular half year is dependent on the decision made by the Foreign Exchange Budget Committee. Based on the quantum of exchange allowed for a particular group of commodities, an importer is issued a licence covering a particular range of commodities based on a generic description. The quotas issued are global except for imports under foreign aid for which specific licences may be issued for imports from particular countries granting the aid. No imports are allowed from Rhodesia.

4. Ceylonization of trade

A new policy for the Ceylonization of trade came into force at the beginning of 1968. Under this policy, certain percentage cuts are made on the import allocations of non-Ceylonese importers issued every half year. The "savings" effected by the first cuts were used to step up to minimum economic limits the quota of Ceylonese importers who received very small allocations. Savings effected on subsequent cuts were used to help displaced Ceylonese importers, and finally the newcomer Ceylonese were helped, after verification of their bona fides, and ability to carry on import business.

5. Bilateral agreements

Sri Lanka has Trade and Payments Agreements with the following countries: Bulgaria, China, Czechoslovakia, German Democratic Republic, Hungary, Democratic Peoples Republic of Korea, Poland, Romania, Syria and the USSR. She has trade agreements with the Arab Republic of Egypt and Iraq.

6. State trading

The Government, through the Food Department is the sole importer of rice, flour, sugar and masoor dhal. The following State Corporations have also the monopoly of the import of items indicated:

(a) Eastern Paper Mills Corporation - Newsprint, paper and paperboard items. Imports on actual user's licences are also channelled through the Corporation.
(b) Weaving Supplies Corporation - Cotton yarn, dyes and chemicals for the textile industry.

(c) Oils and Fats Corporation - Foodstuffs for animals and maize.

(d) Paranthan Chemicals Corporation - Caustic soda.

(e) Ceylon Fertilizer Corporation - Most fertilizers with a few exceptions.

(f) Ceylon Fisheries Corporation - Fishing nets, lines and fishing gear.

(g) Milk Board - Full cream milk powder and malted milk.

(h) Ceylon Petroleum Corporation - Petroleum products including crude oil, aviation fuels, and lubricants; automotive and industrial lubricants, brake fluids, paraffin and match waxes, petrolatums.

(i) Co-operative Wholesale Establishment - Canned fish, dried fish, and other subsidiary foodstuffs; and other sundry items.

(j) Sri Lanka State Trading (Textile) Corporation - Cotton and other fabrics, cotton thread, cordage.

(k) Sri Lanka State Trading (General) Corporation - Hardware, photographic equipment, plywood chests, miscellaneous items.

(l) State Flour Milling Corporation - Wheat (whole).

(m) Sri Lanka Tobacco Industries Corporation - Beedi leaves.

(n) Ayurvedic Drugs Corporation - Ayurvedic drugs (partial monopoly).

(o) State Pharmaceuticals Corporation - Western Drugs and Pharmaceuticals (partial monopoly).

(p) Sri Lanka State Trading (Tractor) Corporation - Tractors, implements and spares.

(q) Building Materials Corporation - Building materials.

(r) Paddy Marketing Board - Paddy Milling Machinery and spares.

The Government and State Corporations have the monopoly of the import of these items in order to secure adequate supplies on the most favourable terms and to ensure fair distribution.
7. Effects of restrictions

Licences issued for Category 'A' items for 1971 and 1972 were as follows:

<table>
<thead>
<tr>
<th>'A' Category</th>
<th>1971 (Rs million)</th>
<th>1972 (Rs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free exchange</td>
<td>796</td>
<td>722</td>
</tr>
<tr>
<td>Commodity aid</td>
<td>166</td>
<td>222</td>
</tr>
<tr>
<td>Project and other aid</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Suppliers' credit</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>981</strong></td>
<td><strong>959</strong></td>
</tr>
</tbody>
</table>

Licences issued for Category 'B' items for 1971 and 1972 were as follows:

<table>
<thead>
<tr>
<th>'B' Category</th>
<th>1971 (Rs million)</th>
<th>1972 (Rs million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free exchange</td>
<td>1,195</td>
<td>1,187</td>
</tr>
<tr>
<td>Commodity aid</td>
<td>176</td>
<td>141</td>
</tr>
<tr>
<td>Project and other aid</td>
<td>91</td>
<td>137</td>
</tr>
<tr>
<td>Suppliers' credit</td>
<td>54</td>
<td>52</td>
</tr>
<tr>
<td>Open General Licence items</td>
<td>16</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL VALUE</strong></td>
<td><strong>1,532</strong></td>
<td><strong>1,517</strong></td>
</tr>
</tbody>
</table>
ANNEX 'A'

'A' Category Imports

(a) Food imports

- Rice
- Wheat
- Flour
- Grain
- Infant milk foods
- Dried fish
- Masoor dhal
- Coriander and cummin seed

(b) Other imports

(i) Fertilizers
- Books
- Magazines
- Newspapers
- Periodicals
- Maps and charts
- Two-wheeled tractors and implements
- Spares for two-wheeled tractors
- Western drugs

(ii) Raw materials
- Packing materials
- Machinery
- Equipment and spares required for the manufacture or processing of the following:
  1. Fertilizer
  2. Wheat flour
  3. Infant milk foods

(iii) Currency notes and coins imported by the Central Bank of Ceylon and Commercial Banks operating in Sri Lanka.
ANNEX 'B'

'B' Category Imports

Q.I.
7  Napthalene
7A  Agre Chemicals
8  Chemicals, Miscellaneous
11  Printers ink
60  Explosives (other than cartridges and fireworks)
13  Tea and other plywood chests and panels excluding metal fittings
14  Paper and paper boards
14A  
15  
63  Hose pipes and piping wholly or mainly of rubber
63C  Other rubber fabricated materials
67  Cork manufactured (including cork seeds and cork stoppers)
72C  Cotton thread, bleached, dyed or mercerized
75  Elastic fabrics and webbing
77  Fishing nets (including lines)
80C  Cotton webbing, non-sterile
80D  Cotton wicks for lamps, lighter, stoves
26A  Footwear, exclusively for sports
97  Musical instruments and parts thereof (excluding pianos, gramophones, record players and tape recorders)
98  Buttons, studs and buckles including hooks and eyes (except those of precious metals and of precious stones)
99D  Parts of fountain pens (except caps) and refills for ball point pens
100  Office supplies (other than paper, pens, pencils, pins and clips and office machines)
144  Printer's materials
149  Vacuum flasks - only refills
30  Insulated cables and wires for electricity
31  Radio spares (excluding cabinets for maintenance and repairs)
Q.I.

102 A  Dry cell batteries, other than battery packs and standard torch cells
102 B  Batteries, other than dry cell
103    Splash proof accumulators and batteries for motor vehicles
        (other than for cars, lorries, vans and wagons)
105 B  Parts of electric appliances and apparatus (domestic) for
        maintenance and repairs
107 A  Parts of electric fans for maintenance and repairs (other than
        blades)
111 A  Public address systems
112    Parts of refrigerators (excluding cabinets) for maintenance and
        repairs
114    Chimneys and globes for lamps and lanterns
116    Sanitary and plumbing fixtures and fittings including plumbing
        metal caps excluding enamel chamber pots, wash basins, squatting
        pans, commodes and cisterns)
118    Hume pipes, draining pipes and earthenware pipes
118    Abrasive clothes and papers and similar materials
141    Spare parts of stoves and cookers (non-electric)
133 C  Wire nails and wood screws
142 F  Guns, breach loading single barrel
151    Engineering stores (excluding irrigation pumps)
157    Parts of printing and book binding machinery
158    Handloom textiles and weaving accessories
163    Inboard and outboard marine engines and parts thereof
165    Atomisers, sprayers and equipment (and parts thereof) for insect
        and pest control
167 A  Rice huller spares for repairs and maintenance
166    Parts of sewing machines (excluding needles) for maintenance
        and repairs
173    Petroleum products
20-21  Textiles
Q.I.

46 Canes and rattans

171 Gas, manufactured

3 and 4 Inorganic and organic chemicals, other than caustic soda, chlorine and camphor

9 Textile dyes, binders and fixtures

56 Adhesive plaster, plaster of paris, first-aid outfits, dressing (adhesive, medicated or antiseptic) other than surgical cotton wool and bandages

16 to Pneumatic tyres and tubes for motor-cars, lorries, buses and trucks, motor vehicles and for cycles other than tyres and tubes of size 28" x 1 1/2 and 26" x 1 3/8"

64 Hygienic, medical and surgical articles of rubber (including ice bags, oxygen bags, preventives and syringes)

64 A Feeding bottles

70 Stencils for use with duplicating machines

79 Incandescent mantles

22 Photographic chemicals and chemical products for use in photography

22 A Photographic films, paper and plates (other than X-ray films, litho-films and plates for printing work)

22 B X-ray films, and plates for printing work

22 C Sensitized duplicating (0.075) paper

22 Newspapers and periodicals (1.6)

93 A Clinical thermometers

27 Spare parts for cars, lorries, vans and wagons (excluding chassis and engines)

28 Spare parts for motor cycles and scooters (excluding frames and engines)

104 B Torch bulbs

104 C Photo flash bulbs

104 D Electric lamp bulbs (other than of 15 watts with standard bayonet cap suitable for 220 to 250 volts)

161 A Parts of cycles (non-motorized)

34 Base metals, iron and steel including sheets, plates, bars, wires (other than barbed wire), tubes, pipes and fitting for tubes and pipes
35 Base metals, non-ferrous, including sheets, plates, bars, wires, tubes, pipes and fittings for tubes and pipes but excluding aluminium foils and lining and solder lead
120 Window glass
121 Plate glass
142 D Electrodes for welding and welding rods
152 to 154 Four-wheel tractors, implements and spares
152 A Earth moving tractors, implements and spares
164 Stationary internal combustion (diesel and semidiesel) engines below 90 HP and parts
43 B Fire clay
49 Linseed oil
168 Blown asphalt
62 Machine leather belting
65 Machine belting in the length (vulcanized rubber)
71 Toilet paper
78 Machine belting of textile materials
80 A Insulating materials silicate of cotton
80 E Hose pipes and piping
26 Sports goods (other than apparel, footwear, volley balls and parlour games)
93 Surgical, medical and dental instruments and appliances and parts thereof and clinical thermometers
93 A Clinical thermometers
94 Measuring controlling and scientific (excluding school mathematical instrument sets) instruments
143 Artist's materials (excluding paints and brushes)
12 Artist colours, water colours, etc.
110 Electric torches
108 Lamps and lanterns (kerosene oil) and parts thereof excluding incandescent mantle
117 Refractory bricks and other refractory construction materials including fire cement
118 A Polishing wheels and stones
Manufactures of asbestos (other than building materials including packing, fibrous fillers, insulation and jointing)

Bricks, tiles and other construction materials of cast or pressed glass

Implement and tools (other than agricultural) including engineer's tools, saws, sawblades, files and rasps

Wire cables, ropes, plaited bands, slings and other similar articles of iron and steel, uninsulated

Wire fencing, wire grills

Wire mesh and expanded metal excluding barbed wire, iron and steel and non-ferrous

Needles and pins of base metals (excluding hair-pins, hair-curlers and hair-grips)

Door and window fitting

Fittings (including hinges, locks, padlocks locks and keys, fittings including hinges, locks and keys for furniture, trunks, suit-cases and boxes)

Razors (excluding blades)

Hair clippers and scissors

Chains, black galvanized, iron and steel

Seals and stoppers of base metals

Springs, steel

Miscellaneous machinery and apparatus (electric and non-electric) (c) and spares

Typewriters, complete and parts thereof

Accounting, book-keeping, calculating and other office machines (including cash registers and dictaphones) and parts thereof

Weighing machines (excluding laboratory scales) complete and parts thereof

Waxes, polishes, pastes, powder and similar preparations for polishing, and preserving leather, wood, metal, glass or other materials (other than french polish, car polish and wash polish for shoe, furniture and floor)

Hospital sheeting and mackintosh sheeting of rubber

Yarn and thread of wool and hair

Cordage, cables, ropes, twines and similar manufactures of textile materials
81 A  Fabrics of jute (jute hessian)
82          Tarpaulins and sails
84          Estate cumbilies
85          Woollen clothing, used (second-hand)
92          Parts of photographic and cinematographic apparatus and appliances for maintenance and repairs
96          Phonograph (gramophone) records and recorded tapes
96 A        Magnetic recording tapes
99 B        Jeweller's brushes
104         Fluorescent tubes (excluding fittings)
105 A       Electric smoothing irons complete parts thereof
107         Electric apparatus for medical purposes and radiological apparatus, complete and parts thereof
111         Electric lighting accessories, plugs, holders and adapters (other than 3 pin plugs and bases of 5 amperes, C.G. Lamp holders and ceiling roses)
109         Lamps and lanterns (other than electric) pressure type and parts thereof
142 C       Flat smoothing irons (non-electric)
167 B       Parts for lawn-mowers
F 20        Sage and arrow-root flour
F 26 A      Sultanas and raisins
F 15        Barley
F 7         Malted milk
F 8         Butter
F 11        Yeast and baking powder
F 18        Pulses, excluding masoor dhall
F 19        Garlic
F 22        Fennel seed, mathe seed and turmeric
F 17        Bombay onion
F 26        Dates
D 2         Ayurvedic drugs
D 3         Veterinary drugs
101         Slate pencils and school chalks
146         Surgical belts and safety belts
<table>
<thead>
<tr>
<th>G.I.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>148</td>
<td>Hearing aids and parts thereof</td>
</tr>
<tr>
<td>150</td>
<td>Artificial dentures, limbs and eyes</td>
</tr>
<tr>
<td>128</td>
<td>Scientific glassware</td>
</tr>
<tr>
<td>37</td>
<td>Alavangoos, forks, knives or saws for budding pruning or tapping, pick axes, sickles, hand tools (other than mammotics) and implements for agricultural use</td>
</tr>
</tbody>
</table>