Article XVIII provides that a contracting party may seek authority to impose non-discriminatory protective measures for the promotion of economic development. At this Session the Government of Ceylon has applied for releases for certain petroleum products and ceramicware. The following is a summary of the statement in plenary session by Sir Claude Corea, Leader of the Ceylonese Delegation, concerning the application for petroleum products.

Sir Claude Corea said that the application related to certain petroleum products (motor spirit, kerosene oil and fuel oils). These items were not bound in the GATT schedules and the application was submitted in the terms of Section C of Article XVIII.

The reason for this proposal was that it was intended to establish in Ceylon an oil refinery which would eventually provide all Ceylon's needs of these products. The refinery when in full operation would have an output of 1,050,000 tons per annum. The refinery would begin operation in 1958 with an expected output of 900,000 tons and in ten years Ceylon's total consumption of these products would approximately reach the output of the refinery. (Sir Claude explained that aviation spirit and lubricating oil had been excluded from the application since these products would not be produced in the refinery.)

The decision to establish a refinery was, he said, the result of discussions for over two years with oil companies. The Ceylon Government had reached an agreement with the companies who had agreed to establish a refinery and undertake distribution. The capital cost would be $30 million of which the oil companies would put up 90 per cent, leaving 10 per cent for subscription through debentures by the people of Ceylon. He stressed the advantage of the scheme in introducing overseas capital.

Hitherto, he said, the Ceylon Government had been earning about 98 million rupees a year from import duties on these petroleum products - an appreciable part of the national revenue. To compensate for the loss of revenue when these imports were replaced by domestic production the oil companies had agreed to levy an excise duty on refinery products to yield an equivalent amount. In addition the oil companies agreed that the oil products would be sold at a cost comparable to that of landed products. At the start, crude oil for the refinery would be imported free of duty.
The sum total was that the Ceylon Government, without losing revenue and without substantial capital investment would be establishing a major industry, pursuant to its schemes for economic development. Once the refinery was in operation the number employed would not be very large, although it would be substantial during the construction period. The refinery would also help to establish subsidiary industries, in particular the fertilizer industry. Another benefit would be the saving of foreign exchange, amounting probably to 28 million rupees annually. Sir Claude Corea stressed, however, that the most important advantage was the introduction into Ceylon of foreign capital which would, he said, promote increased confidence and would encourage further investment.

The Government of Ceylon had given certain guarantees to the oil companies, in particular, that there would be no nationalization of the industry for an agreed period. The Government had also set low import duties of 2½ per cent for materials required for construction and had arranged certain income tax concessions.

The GATT, said Sir Claude Corea, presented the last hurdle and he asked the Contracting Parties for their sympathetic consideration of the application. The operation of the refinery required a guaranteed market for a limited number of years (ten), in order to avoid the possibility of cargoes of similar products finding their way to Ceylon. But this protection would not come into operation unless a threat of competition arose at any particular time. The Ceylon Government, therefore, applied for a release under Article XVIII in relation to certain petroleum products, which would enable the Government to impose restrictions, by quotas, on part or the whole of the imports of these products.

The Contracting Parties decided that this application should be examined in detail by the working party which is already considering the application of Ceylon relating to ceramicware.