In the negotiations for the General Agreement and in the Review Session of the GATT, the underdeveloped countries urged for the recognition of their need for special concessions for facilitating their economic development. They contended that their development is in the ultimate interest of the developed countries, too, and it is the best method of promoting the objectives of the GATT. The development of the underdeveloped countries would expand world trade. As a method of expanding world trade, it is better than the reduction in tariffs and other trade barriers. The underdeveloped countries, however, did not succeed in persuading the advanced countries in providing the former with sufficient concessions for development. The special concessions granted to underdeveloped countries are contained in Article XVIII of the General Agreement dealing with governmental assistance to economic development. This is the longest of all the articles in the Agreement. It was thoroughly revised at the ninth session and in its revised form it came into force in October 1957. Let us briefly examine the provisions of this Article.

The contracting parties recognise that the progressive development of their economies, particularly of those contracting parties the economies of which can only support low standards of living and are in the early stages of development, will facilitate the achievement of the objectives of the Agreement. (1) They further

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(1) Article XVIII, 1.
recognise that the implementation of the development programmes by such contracting parties may require protective or other measures affecting imports and that such measures are justified to the extent that they facilitate the achievement of the objectives of the Agreement. (2) The Agreement provides certain special facilities, contained in Sections A to D of this Article, for such economies. (3) Sections A to C apply to those economies which can only support low standards of living and are in the early stages of development. Thus a country is required to fulfil two conditions for qualifying for the use of the provisions laid down in Sections A to C of this Article. Firstly, it should be underdeveloped in the sense that there are resources which have not yet been tapped and secondly it should have a low standard of living. A country having a low standard of living but scanty untapped resources (e.g., Japan) cannot avail of the provisions of these sections. Similarly, a country having vast untapped resources but enjoying a high standard of living (e.g., Australia) cannot have recourse to these provisions. The expressions 'low standard of living' and 'early stages of development' are very vague and can be interpreted differently by different parties. The Agreement does not specify any level of per capita income to determine whether or not a country is having a low standard of living. Similarly, the Agreement does not lay down any criterion for determining whether or not a country is in the early stages of development. The Panel appointed to consider Ceylon's application in 1958 assessed the standard of living by the gross national product per head of population. (4) It estimated

(1) Article XVIII, 2.

(2) Article XVIII, 4.

(4) GATT, basic instruments and selected documents, Sixth Supplement (Geneva, 1959) 13.
Ceylon's national product per capita in 1955 at $12. Ceylon's national product per capita, though higher than that of countries like Burma and India, was lower as compared with that of Greece, Cuba and the Dominion Republic and substantially below that of industrialized countries in Western Europe. For deciding whether or not a country was in the early stages of development the Panel took as a general indication the share of manufacturing, mining, and construction in the gross national product. (5) In the case of Ceylon, this share (including mining which is a primary industry) was about 10 per cent which was lower than that in Burma and Greece and substantially lower than that in industrial countries. Section D applies to the contracting parties which are in the process of development but do not come under paragraph 4(a) of this Article i.e. countries having untapped resources but enjoying a high standard of living. Let us first consider the provisions contained in Sections A to C applying to the contracting parties which come under paragraph 4(a) of this Article i.e. the contracting parties the economies of which can support low standards of living and are in the early stages of development.

Section A. This section provides that if a contracting party coming under the scope of paragraph 4(a) of this Article realises the necessity of withdrawing or modifying a concession to promote the establishment of a particular industry with a view to raising the general standard of living of its people, it should inform the Contracting Parties accordingly and enter into negotiations with any contracting party with whom this concession was initially negotiated, and with any other contracting party determined by the

(5) Ibid., 13.
Contracting Parties to have a substantial interest in the concession. If agreement is reached between the concerned contracting parties, they shall be free to modify or withdraw concessions to give effect to the agreement, including any compensatory adjustments involved. (6) If agreement is not reached between the concerned contracting parties within sixty days, the contracting party proposing to modify or withdraw the concession may refer the matter to the contracting Parties. (7) The Contracting Parties are required to examine the matter promptly. If they find that the contracting party proposing to modify or withdraw the concession has made every effort to reach an agreement and has offered adequate compensation, it shall be free to modify or withdraw the concession provided it simultaneously gives effect to the compensatory adjustment. If the contracting Parties find that the contracting party proposing to modify or withdraw the concession has not been able to offer adequate compensation in spite of its best efforts, it shall be free to modify or withdraw the concession. This provision safeguards the contracting party desiring to withdraw concessions against the dictation of unreasonable terms by the contracting parties substantially interested in the concerned concession. (8) If the consent of the concerned contracting parties is necessary, these may take an undue advantage of the helplessness of the contracting party desiring to withdraw the concession by demanding too high a price in the form of concessions.

(6) Article XVIII, 7(a).
(7) Article XVIII, 7(b).
(8) T.T. Krishnamachari, Lok Sabha Debates, 7 (1955) col. 14571.
on other products for giving consent to the desired modifications in the bound tariffs. Under the present arrangements, the contracting party desiring to modify tariffs on certain bound items need not offer concessions which are more than the reasonable ones or more than what it can afford. In case action is taken without reaching agreement with the concerned contracting parties, however, these are free to modify or withdraw substantially equivalent concessions initially negotiated with the contracting party which has taken the action. GATT, thus, permits retaliation or reprisal which is not a very pleasant thing. Retaliation may not only create misunderstanding but also lead to greater complications. (9) Retaliation under GATT, however, differs from ordinary retaliation. Firstly, retaliation under the GATT is the last resort and not the first measure; before retaliatory action, attempts are to be made to settle the matter through negotiations. Secondly, retaliation under GATT is regulated by the Contracting Parties while retaliation in the ordinary course is unregulated.

The developing countries have not used the above mentioned provisions of Section A of the revised Article XVIII. This might be because of the fact that instead of resorting to the special procedures of Section A, they found it possible to wait until three-year period of validity of the schedules expired. A number of developing countries which have had to raise bound duties for fiscal or developmental purposes have found it necessary to do so on an across-the-board basis and have, therefore, found it easier to seek a waiver under Article XXV. The developing countries

(9) M.R. Gurupadaswamy, Lok Sabha Debates, 7 (1955) col.14483.
have also used the provisions of Article XXV when they felt the necessity of imposing surcharges on imports of bound products for balance of payments purposes. Many underdeveloped countries have preferred, although this is more complicated, to modify tariff concessions under Article XXVIII;4 this probably results from the continuance of a practice which was necessary before the revision of Article XVIII.

Section B. The Contracting Parties recognise that the contracting parties coming within the scope of paragraph 4(a) of this Article tend to experience balance of payments difficulties during the rapid process of development. (10) Keeping this in view, they permit a contracting party coming within the scope of paragraph 4(a) of this Article to apply quantitative import restrictions for safeguarding its external financial position and for ensuring adequate reserves for the implementation of the development programmes. (11) The underdeveloped countries can apply quantitative restrictions when the monetary reserves are inadequate in relation to their development plans while the developed countries can do so only when their monetary reserves are very low. The import restrictions instituted, maintained or intensified shall not exceed those necessary to forestall the threat of, or to stop, a serious decline in its monetary reserves or to achieve a reasonable rate of increase in reserves in case of a contracting party with inadequate monetary reserves. In appraising the reserves of a contracting party, due regard shall

(10) Article XVIII, 8.

(11) Article XVIII, 9.
be paid to any special factors which may be affecting the reserves or the need for reserves including the special external credits or other resources available to it and the need to provide for the appropriate use of such credits or resources. Import restrictions are almost indispensable for underdeveloped countries. If the import of luxury and inessential goods is not restricted, the few rich in these countries will spend a large part of their income on the importation of such goods. This will lead to a frittering away of the precious foreign exchange resources on luxury and inessential goods. Restrictions on the importation of luxury goods are essential if the limited foreign exchange resources are to be used for the importation of machinery, technical know-how and essential raw materials required for the development programmes. (12)

The underdeveloped countries specialising in primary products experience wide fluctuations in their balance of payments owing to fluctuations in production and prices of their exports. If the restrictions are permitted only when the balance of payments difficulties are actual or threatened, there would occur violent fluctuations in their trade policy. This has been the experience in the past. Such fluctuations in trade policy are injurious to world trade. (13) The underdeveloped countries, therefore, should be permitted to restrict imports even in periods during which the balance of payments difficulties are neither actual nor threatened, so as to enable them to conserve foreign exchange resources needed during periods in which foreign exchange receipts decline considerably.

In the application of import restrictions, the contracting parties are permitted to practise discrimination between different products or classes of products in such a way as to give priority to the importation of those products which are more essential for the development programme. (14) This provision is subject to the condition that the restrictions will not be applied in a way which unnecessarily damages the commercial or economic interests of any other contracting party, or which unreasonably prevents the importation of any description of goods in minimum commercial quantities the exclusion of which would impair regular channels of trade, or which prevents the importation of commercial samples or compliance with patent, trade mark, copy right or similar procedures.

Restrictions on the importation of inessential goods for safeguarding the balance of payments position provide protection to domestic industries producing such goods. This encourages a shift of resources from industries producing essential goods to those producing inessential goods. A considerable amount of foreign exchange may be frittered away for the importation of machinery required for the production of non-essential goods. This will adversely affect the rate of economic development of the underdeveloped countries. (15) Such adverse effects can be avoided by controlling investment in the production of non-essential goods.

In carrying out its domestic policy, the concerned contracting party is required to pay due attention to the need for restoring equilibrium in its balance of payments on a sound and lasting basis.

(14) Article XVIII, 10.
and to the desirability of assuring an economic employment of productive resources. Further, it is required to progressively relax any restrictions applied under this section as conditions improve, maintaining them only to the extent necessary under the provisions of paragraph 9 of this Article and to eliminate these as soon as the conditions do not justify their maintenance. No contracting party is required to withdraw or modify restrictions on the ground that a change in its development policy would render such restrictions unnecessary. This provision is meant to avoid any interference in the internal affairs of any contracting party. When the internal policies give rise to problems of an international character, there seems, however, some justification for permitting the Contracting Parties to take interest in such internal policies.

Any contracting party instituting new restrictions or substantially intensifying the existing restrictions is required to consult immediately both the Contracting Parties as to the nature of its balance or payments difficulties, the available alternative methods of correcting these, and the possible effect of these on the economies of other contracting parties. If circumstances permit, the contracting party should consult before applying the measures. (16)

The Contracting Parties shall review all restrictions applied under this Section on a date to be decided by them. Beginning two years after that date, the contracting parties applying restrictions under this Section are required to enter into consultations of the above mentioned nature, with the Contracting Parties at intervals of approximately, but not less than, two years according to a programme.

(16) Article XVIII, 12.
to be drawn up each year by the Contracting Parties. This provision is subject to the condition that no such consultation shall be held within two years after the conclusion of a consultation of a general nature under any other provision of this paragraph.

Consultations with the Contracting Parties required by the contracting parties applying quantitative restrictions for balance of payments purposes are more frequent in the case of developed countries than in the case of underdeveloped countries. Developed countries are required to consult annually while underdeveloped countries are required to do so only once after two years. If, in course of above mentioned consultations with a contracting party, the Contracting Parties find that the restrictions are inconsistent with the relevant provisions, they shall point out the nature of the inconsistency and may advise suitable modifications. In case, the consultations lead the Contracting Parties to determine that the restrictions are being applied in a manner involving an inconsistency of a serious nature and that damage to the trade of any contracting party is caused or threatened thereby, they shall so inform the contracting party applying the restrictions and recommend suitable modifications to bring the restrictions in conformity with the provisions of the Agreement within a specified period of time. If the contracting party does not carry out the suggested modifications within the specified period of time, the Contracting Parties are authorised to release the adversely affected contracting party from such obligations as they decide to be appropriate in the circumstances. If a contracting party against which action has been taken finds that the release of obligations authorised by the Contracting Parties adversely affects the
execution of its development programme, it shall be free, not later than sixty days after such action is taken, to withdraw from the Agreement by giving sixty days' notice to the Executive Secretary to the Contracting Parties. The Contracting Parties shall pay due consideration to the factors mentioned in paragraph 2 of this Article in acting under this paragraph. Determinations under this paragraph should be rendered promptly and, if possible, within sixty days of the initiation of the consultations.

In compliance with the above stated provisions of Section B of Article XVIII, the developing countries applying quantitative restrictions have held consultations with the Contracting Parties every two years. In these consultations, they have endeavoured to justify the import restrictions maintained by them in the light of their over-all developmental needs and requirements. Though questions have been raised and views exchanged in respect of restrictions or prohibitions imposed on imports of individual items or on discriminatory effects of bilateral trading arrangements entered into by individual developing countries, it is not clear that any specific changes in the import policies of these countries have had to be affected as a result of such criticism. The GATT consultations have probably reinforced the general pressure exerted by the International Monetary Fund favouring discipline in financial and monetary policies in developing countries rather than reliance on import restrictions and bilateral trade and payments agreements.

The Contracting Parties recognise that the provisions of the Agreement supplemented with the additional facilities provided for in Sections A and B of this Article will normally be sufficient to enable the contracting parties to meet the requirements of their
economic development. Special procedures are provided in Sections C and D of this Article to deal with cases in which no measure consistent with those provisions is practicable to permit a contracting party in the process of economic development to grant governmental assistance required to promote the establishment of particular industries with a view to raising the general standard of living of its people. (17)

Section C. This Section provides recourse to any contracting party coming within the scope of paragraph 4(a) of this Article which finds that governmental assistance is required for promoting the establishment of a particular industry with a view to raising the general standard of living of its people but no measure consistent with the other provisions of the Agreement is practicable to achieve this objective. (18) The expression 'establishment of particular industries' covers not only the establishment of a new industry, but also the establishment of a new branch of production in an existing industry and the substantial transformation of an existing industry, and the substantial expansion of an existing industry supplying a relatively small proportion of the domestic demand. (19) The contracting party concerned should notify the Contracting Parties of the special difficulties faced by it in achieving the objective referred above and indicate the specific measures it intends to introduce in order to remedy these difficulties. (20) It should not introduce the measure before the

(17) Article XVIII, 3.
(18) Article XVIII, 13.
(19) Ad. Article XVIII, paragraphs 2, 3, 7, 13, and 22.
(20) Article XVIII, 14.
expiration of the time-limit provided in paragraph 15 or 17. In case the measure affects the import of a product which is the subject of a concession, it should not introduce the measure till it has obtained the concurrence of the Contracting Parties in accordance with the provisions of paragraph 18. (21) If the industry receiving assistance has already started production, the contracting party is permitted, after informing the Contracting Parties, to execute the measures necessary to prevent, during that period, the import of the product or products concerned in quantities larger than the normal ones. If, within thirty days of the notification of the measure, the contracting party proposing to introduce the measure receives no notice from the Contracting Parties for consultation with them, it shall be free to deviate from the relevant provisions of the other Articles of the Agreement to the extent necessary to execute the measure. (22) In case, it receives a request for consultation from the Contracting Parties, it should consult with them regarding the purpose of the proposed measure, regarding the alternative measures available under the Agreement and regarding the possible effect of the proposed measure on the commercial and economic interests of other contracting parties. If such consultations lead the Contracting Parties to determine that no alternative measure consistent with the other provisions of the Agreement is practicable for achieving this objective and they agree to the proposed measure, the contracting

(21) In case of bound items, the permission to unilaterally institute quantitative restrictions for purposes other than balance of payments would be unjustified because it would nullify the value of tariff concession.

(22) Article XVIII, 15.
party concerned shall be released from its obligations under the relevant provisions of the other Articles of the Agreement to the extent necessary to execute the measure. (23)

If the proposed measure affects a product which is the subject of a concession, the contracting party proposing the measure should enter into consultations with any other contracting party with which the concession was initially negotiated, and with any other contracting party determined by the Contracting Parties to be substantially interested in it. (24) The Contracting Parties shall agree to the measure if they determine that no alternative measure consistent with the other provisions of the Agreement is practicable for achieving the objective. This provision is subject to the condition that the Contracting Parties are satisfied:

(a) that agreement has been reached between the contracting parties concerned as a result of the above mentioned consultations, or
(b) if no agreement is reached within sixty days, the contracting parties are adequately safeguarded. The contracting party resorting to this Section shall thereupon be released from its obligations under the relevant provisions of the other Articles of the Agreement to the extent necessary to permit it to apply the measure.

The restrictions imposed for safeguarding the balance of payments position under the relevant provisions of the Agreement may provide incidental protection to certain industries in their initial stages and thereby facilitate their establishment. (25) The

(23) Article XVIII, 17.
(24) Article XVIII, 18.
(25) Article XVIII, 19.
contracting parties are permitted to resort to the provisions and procedures of this Section for introducing a measure concerning the promotion of such industries. This provision is subject to the condition that the contracting party shall not apply the proposed measure without the concurrence of the Contracting Parties.

Nothing in the preceding paragraphs of this Section shall authorise any deviation from the provisions of Articles I, II and XIII of the Agreement. (26) Further, the provisions to paragraph 10 of this Article shall also be applicable to any restriction under this Section.

Any contracting party substantially affected by the introduction of a measure under paragraph 7 of this Article may suspend, not later than six months, after giving sixty days' notice, substantially equivalent concessions or other obligations under the Agreement towards the contracting party resorting to this Section. (27) This is subject to the provision that such suspension is not disapproved by the Contracting Parties. Any such contracting party will provide adequate opportunity for consultation in accordance with the provisions of Article XXII of the Agreement.

So far only one contracting party has invoked the provisions of Section C. This is probably because the developing countries experiencing balance of payments difficulties prefer to seek authority for maintaining restrictions under Section B. Provisions of Section B are not only less complex but also less costly because they do not involve the risk of equivalent concessions being

(26) Article XVIII, 20.

(27) Article XVIII, 21.
withdrawn or of compensation having to be given. Further, consultations under Section B are after every two years instead of annual under Section C. There have been complaints that the use of Section C involves elaborate and time-consuming procedures in the course of which detailed justification for the use of quantitative restrictions has to be furnished to the Contracting Parties. In 1958, Ceylon found it difficult to persuade the Contracting Parties that the measures proposed under Section C would benefit the country. (28)

Section D. If any contracting party coming within the scope of sub-paragraph 4(b) of this Article wants, for the development of its economy, to introduce a measure of a nature described in paragraph 13 of this Article for the establishment of a particular industry may apply to the Contracting Parties for approval of such measure. (29) At the receipt of application, the Contracting Parties are required to consult promptly with such contracting party. In reaching their decision, they shall be guided by the considerations laid in paragraph 16. If the Contracting Parties agree to the proposed measure, the contracting party concerned shall be released from its obligations under the relevant provisions of the other Articles of this Agreement to the extent necessary to permit it to apply the measure. If the proposed measure affects a product which is the subject of a concession, the provisions of paragraph 18 shall be applied.

(28) GATT, Basic Instruments and Selected Documents, Eighth Supplement (Geneva, 1960) 90.

(29) Article XVIII, 22.
The provisions of Section D, providing for special concessions for non-industrialised countries, have never been invoked. This is probably because countries like New Zealand and South Africa apply quantitative restrictions for balance of payments purposes. Other countries (e.g. Australia) have preferred to use tariffs, rather than quantitative restrictions provided for in Section D, to protect their infant industries.

The Contracting Parties are required to review annually all measures applied under Section C and D of this Article. (30)

The Contracting Parties recognise that the export earnings of contracting parties coming within the scope of paragraph 4(a) and 4(b) of this Article, and which depend on exports of a small number of primary commodities may be seriously reduced by a decline in the sale of such commodities. (31) If the measure introduced by another contracting party seriously affects the export of primary commodities by such a contracting party, it may resort to the consultation provisions of Article XXII of this Agreement.

The provisions of the Havana Charter for the International Trade Organization relating to the development of the underdeveloped countries are much more emphatic than those of the GATT. One of the objectives of the Havana Charter is "To foster and assist industrial and general economic development, particularly of those countries which are still in the early stages of industrial development, and to encourage the international flow of capital for productive investment." (32) Article 8 of the Havana Charter

(30) Article XVIII, 6.
(31) Article XVIII, 5.
(32) Havana Charter, Article 1, 2.
The members recognise that the productive use of the world's human and material resources is of concern to and will benefit all countries, and that the industrial and general economic development of all countries, particularly of those in which resources are yet relatively undeveloped, as well as the reconstruction of those countries whose economies have been devastated by war, will improve opportunities for employment, enhance the productivity of labour, increase the demand for goods and services, contribute to economic balance, expand international trade and raise levels of real income. (33)

The Charter further states:

Members shall co-operate with one another, with the Economic and Social Council of the United Nations, with the Organization and with other appropriate inter-governmental organizations, in facilitating and promoting industrial and general economic development, as well as the reconstruction of those countries whose economies have been devastated by war. (34)

Article II of the Charter recognises that "Progressive industrial and general economic development, as well as reconstruction, required among other things adequate supplies of capital funds, materials, modern equipment and technology and technical and managerial skills." It contains provisions for the stimulation of the provision and exchange of these facilities. In Article 13 "The Members recognise that special governmental assistance may be required to promote the establishment, development or reconstruction of particular countries or branches of agriculture, and that in appropriate circumstances the grant of such assistance in the form of protective measures is justified." Article 15 states "The Members recognise that special circumstances, including the need for

(33) Havana Charter, Article 8.
(34) Havana Charter, Article 10, 1.
economic development or reconstruction, may justify new preferential agreements between two or more countries in the interest of the programme of economic development or reconstruction of one or more of them." It contains provisions for permitting the establishment of tariff preferences for economic development and reconstruction.

The underdeveloped countries have expressed dissatisfaction with the provisions of Article XVIII and urged for a positive action by the GATT for facilitating their development. Israel Gul-Edd states:

What Article XVIII allows to-day is that while these new industries are developing, quantitative restrictions may be imposed against imports of competitive goods from other countries. Moreover, they are permitted to modify or withdraw a concession included in the schedule of the country i.e. a concession previously granted by the country in tariff negotiations within GATT. What the paragraph did not do and still does not do is consider the necessity for positive assistance to exports as distinct from protection against imports. In other words, while the section recognises that countries 'which can only support low standards of living and which are in the early stages of development' have special problems, the solutions proposed by the Article do not seem to have been adequate to meet the problems in the eyes of the less developed countries who have thus far shown their opinion of Article by studiously ignoring it. (35)

The special concessions granted to underdeveloped countries in Article XVIII have not been significantly availed of by the underdeveloped countries. The provisions of this Article have been invoked only by Cuba, India, Haiti and Ceylon. The first three countries have invoked the Article only once and that too in the early days of the Agreement viz. 1949-50. A comparison of

the measures invoked by Ceylon before and after 1950 shows no difference in the nature of the concessions requested, in the method of treatment by the working parties appointed, and in the broad rules governing their decisions. (36) This leads to the conclusion that the revision of Article XVIII for which the underdeveloped countries fought so bitterly has not been of much use to them in actual practice. Stated below are the cases in which the provisions of this Article have been invoked by the underdeveloped countries.

**Cuba.** In 1949, Cuba requested for a waiver to fix an annual import quota for fibres of sisal and heniquen. The object was to expand local cultivation and production. The Cuban representative maintained that to sustain the confidence of investors and planters and to ensure the continued development of this branch of agriculture it was necessary to protect production from external competition for a period of ten years, during the first part of which the use of quantitative restrictions would be essential. The requested waiver was granted in August 1949. (37)

**India.** India requested for a release to prohibit the import of grinding wheels and segments of the types, qualities and sizes which could be produced locally. The object was to develop the industry which was established in March 1939 but had been retarded by the abnormal war conditions. The proposed measure was in force on 1 September 1947 and notification had been given to the

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Contracting Parties before 10 October 1947. The measure was non-discriminatory in nature and India had not assumed an obligation under Article II of the Agreement in respect of grinding wheels. The period requested by India was 10 years while other members of the Working Party believed that keeping in view the past rate of expansion a much shorter period would suffice for the expansion of the industry to the estimated capacity. The Indian representative argued that the release for a longer period was necessary "to assure producers of the domestic market and to introduce further investment for the development, which would help to lower the costs of production and eventually to make the product competitive on the Indian market with foreign products." The Contracting Parties decided to permit India to reimpose the measure at any time within the next three years. (38) The period for which the measure could be maintained would be decided by the Contracting Parties at the First Session subsequent to the reimposition of the measure, in the light of facts relating to the industry, established by the Government of India at that time.

Haiti. Haiti requested for a release for establishing a monopoly by State in the purchase, production and trading of tobacco, cigars and cigarettes. (39) Import of these products was to be subject to the obtainment of a licence from the government authority which involved an element of restriction. The object of the measure was the development of a branch of agriculture viz. the production

(38) Ibid., 20 and 50-1.
(39) Ibid., 27 and 87-8.
of raw tobacco. On 27 November 1960, the requested release was granted for a period of five years.

**Ceylon.** Ceylon has an Industrial Products Act, 1949 under which the government can require an importer to buy a certain proportion of the corresponding local products as a condition to obtain licence for importing a specified quantity of the concerned product. The object of the Act is to facilitate the sale of locally manufactured products by restricting the import of industrial commodities from abroad. Ceylon obtained releases a number of times on a number of products to develop the industries locally manufacturing these. The products included plywood, leather goods, acetic acids, sharks liver, pyrodite, iron and steel, cotton and cotton bales, rubber products, paper, brassware, ink, towelling rubber footwear, cotton baniyans, dried fish, ceramics, petroleum (to establish a refinery), bicycles, batteries, accumulators, safety razor blades, sarongs, cotton-piece goods, plywood chests, corks, cycle tyres, tooth-brushes, bed-linen, electric bulbs, nails and screws, aluminium hallow-ware, artificial silk and synthetic fibres, aluminium joint, asbestos ridges, asbestos sheets, asbestos tiles, building materials of asbestos cement, unburnt non-metallic minerals, piece-goods of artificial silk and synthetic fibre etc. (40) Thus the measure was generally applied with a view to developing light manufacturing industry on a highly diversified pattern. In many cases the local raw materials were to be used. The aim was to raise the standard of living by promoting industrialization. The measures were

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(40) GATT, Basic Instruments and Selected Documents, Vol. 11 and subsequent supplements.
approved for a period ranging from three to five years. In some cases, compensatory concessions were granted to the materially affected contracting parties.