

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/35

30 September 1952

Limited Distribution

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## APPLICATION BY CEYLON FOR RELEASE UNDER ARTICLE XVIII

1. By a telegram dated 12 September the Government of Ceylon advised that it wished to extend the operation of the Industrial Products Act to certain products other than those to which the Contracting Parties gave consideration at the Third Session, and requested that an additional item be placed on the Agenda of the Seventh Session under which it would apply for a release under Article XVIII. In submitting the attached memorandum, which was received by the secretariat on 30 September, the Ceylon Government explains that this will serve as an introductory document and that information along the lines of the questionnaire contained in Annex C of GATT/CP.3/60/Rev.1 will be furnished during the Seventh Session.
2. Paragraph 10 of Article XVIII requires the Contracting Parties to advise an applicant contracting party, at the earliest opportunity but ordinarily within fifteen days after receipt of an application under the provisions of paragraph 7 or 8, of the date by which it will be notified whether or not it is released from the relevant obligation. In this case, the fifteen-day period will presumably begin with the receipt of a formal application accompanied by the detailed information which is considered by the Contracting Parties to be essential for the making of a decision and which is set out in the questionnaire referred to above.
3. As the Ceylon Government has requested that this matter be placed on the Agenda of the Seventh Session, and as the attached memorandum is in the nature of an advance notice in support of that request, the intersessional procedure adopted at the Third Session, as set out in Section H of GATT/CP.3/60/Rev.1, will not come into play, and the Contracting Parties will have to determine how to deal with the application.

MEMORANDUM BY THE GOVERNMENT OF CEYLON

dated 25 September 1952

1. The Contracting Parties to GATT, at their Third Session held at Annecy in August 1949, were good enough to approve an application by the Government of Ceylon under Article XVIII, paragraph 7, of the GATT for a release to operate the Industrial Products Act No. 18 of 1949 of the Ceylon Parliament in respect of certain items of goods.<sup>1</sup> By an oversight, several essential items were not included in that application.

2. The Government of Ceylon now desires to apply the provisions of the Industrial Products Act to:

- (i) towels and towelling;
- (ii) rubber footwear;
- (iii) cotton banians;
- (iv) paints;
- (v) varnish;
- (vi) French polish
- (vii) dried fish;
- (viii) tortoise-shell ware.

3. That it has already taken action to bring items (i) to (iii) under the Act was entirely due to an urgency created by the following circumstances:

(i) Towels and towelling. The manufacture of handloom textiles is one of Ceylon's traditional Cottage Industries, on which a substantial portion of the rural population depend for their subsistence. As a result of the gradual removal of the difficulties connected with the importation of goods from abroad following the cessation of hostilities of World War II, the local industry languished for a considerable time until it was faced with extinction towards the year 1950, with a large number of the looms remaining idle and most of the weavers thrown out of employment. It was to meet this situation that the Government invoked the provisions of the Act in July 1951 to facilitate the sale of local towels and towelling.

(ii) Rubber footwear. In 1951, four established factories were in danger of having to close down owing to severe competition from imported rubber footwear. The Ceylon market, which consumed about 350,000 pairs of a particular type of footwear, is the main outlet for the products of these factories which have a total potential production of over 1,000,000 pairs per annum. The locally produced rubber shoes were being ousted from the home market, although the local product compared favourably with the imported article in the

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<sup>1</sup> See GATT/CP.6/73/Rev.1

matter of quality and price, because the established distributing channels, with vested interests in the imported product, continued to push the sales of those products in the local market in preference to the locally manufactured articles. As the Industrial Products Act has been devised for just such an eventuality, rubber footwear was declared a regulated product with effect from 20 September 1951.

(iii) Cotton banians (i.e. vests). The conditions which prevailed in the local banian manufacturing industry prior to the declaration of cotton banians a regulated product with effect from 1 May 1952 were similar to those which confronted the rubber footwear manufacturers during the early part of 1951. Five factories, with a potential output of over 350,000 dozen a year, were almost at a standstill, resulting in acute unemployment of the workers in those factories. For the same reasons stated with reference to rubber footwear, they were unable to put through sales, although their products were as good in quality and as reasonable in price as some of the imported banians.

4. Paints, varnish and French polish. Paints, varnish and French polish of acceptable standards of quality are manufactured in Ceylon, but owing to competition from the imported products, the output is presently limited to 8 per cent of the island's consumption in the case of paints and 34 per cent in the case of varnish and French polish, although the existing factories are able to meet the full requirements of the country in varnish and French polish and produce 25 per cent of the total consumption of paints. With increased production and rapid sales the local manufacturers will be in a position to reduce the present costs of production and bring their prices into line with the imported products.

5. Dried fish. The dried fish produced in Ceylon is of a very superior quality, although large quantities of inferior grades of this commodity are imported into Ceylon owing to insufficient local production. With the expansion and the mechanisation of the local fishing industry, it is anticipated that there will be a large surplus of fish that will have to be cured or dried. In fact, steps have already been taken for the processing of this surplus with a view to making it available for consumption in the form of dried fish. As there is an abundant supply of fish round about Ceylon, the local industry will be able to meet, in the very near future, a substantial part of the island's requirements of dried fish.

6. Tortoise-shell ware. Ceylon's curios made out of ebony and tortoise-shells are famous all over the world, but perhaps it is not equally well known that Ceylon craftsmen make high-class spectacle frames and cigarette cases from tortoise shells. A high degree of skill and expert attention go to the manufacture of these products and consequently their prices are higher than the imported synthetic frames and cases which are of less durability. Today this ancient industry, on which several families in Ceylon depend exclusively for their livelihood, is threatened with extinction owing to the influx of cheap frames and cases of synthetic material.

7. It would be observed that the Government of Ceylon has so far not taken advantage of applying the provisions of the Act to nine items of cotton textiles and twelve items of rubber goods, despite the release granted by the Contracting Parties to operate the Act in respect of all these items.

8. The Government of Ceylon will appreciate and shall be grateful for a release in respect of the following eight items, viz. towels and towelling, rubber footwear, cotton banians, paints, varnish, French polish, dried fish and tortoise-shell ware.