

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/35/Add.5

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Limited Distribution

## APPLICATION BY CEYLON UNDER ARTICLE XVIII

### Report Submitted by the Delegate of Ceylon On the Working of Industrial Products Act No. 10 of 1949\*

In every case in which it is proposed to invoke the provisions of the Act, the Minister is required to consult the Industrial Products Regulation Board. The Import Trade is represented on this Board. In addition, the Controller, the Industrial Products Regulation Board and the Minister freely consult that segment of the Import Trade which may be affected by the regulation of any particular commodity. For instance, if it is proposed to regulate the import of steel sections, importers of this commodity are freely consulted. It is fully realised that the object of the Act, which is to promote and establish distribution facilities for local products, cannot be achieved without the active co-operation of the trade concerned. Experience has shown that given this co-operation satisfactory distribution can be achieved.

Of the releases obtained in 1949, the Act has been applied to three items only, viz: rolled steel sections, glass tumblers and cotton sarongs. An account has already been given of the application of the Act to rolled steel sections. Glass tumblers were declared a regulated product on 1 September 1951, and a ratio of one local to three imported was fixed. The price of local half-pint tumblers was fixed at Rs. 3 per dozen. Although chimneys and bottles were also covered by the release, these articles were not subject to regulation. Sales under the Act up to the end of September 1952 were 29,998 dozen while imports for the same period were 89,905 dozen. Since 18 September, 1952, only half-pint plain tumblers are subject to control. Under the protection of the Act the production of glass tumblers has increased by 20 per cent and the local, privately-owned glass factory has increased the capacity of its plant and installed a new tank furnace. It has also adopted improved methods of minimising breakages. The Government factory has also been re-organised and modern plant, which is on order, will shortly be installed. It is felt that as a result of the operation of the Act, the public has begun to realise that there is a comparable grade of local glass tumbler which is competitive in price and quality.

Cotton sarongs were brought under the operation of the Act on 15 October 1952 only and the ratio fixed is one local to four imported.

No information is yet on hand regarding the three items Towels and Towelling, Rubber Footwear and Cotton Banians, which have been brought under control in anticipation of release. This information will be made available to the Working Party as soon as possible.

It will perhaps be useful to examine the reasons why 10 of the 13 items for which a release was given in 1949 have not been brought under the operation of the Act.

This examination will give some idea of the considerations that govern decisions of the Government of Ceylon when proposals are made to apply the Act to various locally produced commodities.

a) Plywood panels and ornamental plywood - Tariff Item Nos. ExIII U 492 and Ex III H 336 - were given a release in 1949 but they still have not been brought under control under the Act because the quantity of domestic production of these panels does not justify the fixing of a ratio in terms of the Act. Meanwhile the United States continues to enjoy a compensatory tariff concession in terms of paragraph 5 of Article XVIII.

b) Leather goods - Tariff Item Nos. III N 384(ii) and III Q 430 - were not brought under the operation of the Act because of a change in Government policy in using an appreciable amount of imported uppers for leather footwear. Meanwhile a leather expert has been employed by the Government to recommend a re-organisation of the factory involving the use of domestic hides and the employment of improvements in the tanning process and greater mechanisation. It is hoped that once the trade gets used to the locally produced shoe it may be possible that distribution can be effected without invoking the Act.

c) Volley Balls - Tariff Item No. Ex III U 536(ii) - This item was not brought under control because due to continuing support from the schools no sales problem was experienced. Control was, therefore, considered unnecessary.

d) Acetic Acid - Tariff Item No; III O 391(i) - and Wood Preservatives - Tariff Item No. Ex III O 308 - were not brought under control due to cessation of production and the decision of the Government to close down the existing factory. A modern plant is to be set up shortly and it is hoped that the assistance of the Act will not be required for this plant.

e) Similarly, in the case of Shark Liver Oil - Tariff Item No. III O 403 - steps are being taken to modernise and increase the capacity of this industry as part of the Government's plans for improving the fishing industry. The present output does not justify control.

f) Pyrodite - Tariff Item No. III O 400 - Sales of pyrodite, which is a product of pyrethrum, were sufficiently encouraging after 1949 to dispense with protection.

g) Rubber products - Tariff Item Nos. Exx III T 476 and III T 479(ii) - (Rubber soles and heels, erasers, brake blocks, car accessories, hose pipes, tubing, water bags, toys, playballs, balloons, rickshaw tyres). None of these items were made subject to regulation because the trade were able to distribute and dispose of their products without the assistance of the Act.

h) Paper - Tariff Item Nos. III R 451 and III R 454(i) - was not brought under control because the Government decided to reorganise the paper factory and to install an entirely new plant. It is not likely that the new factory will require protection under the Act.

i) Brassware - Tariff Item No. Ex III D 284 - was not brought under control as local producers found that due to the general scarcity of alloys and non-ferrous metals they did not experience a sales problem.

j) Ink - Tariff Item No. Ex III O 539 - was not brought under control because producers were unable to standardise their product to the satisfaction of the Industrial Products Regulation Board. Producers have been told that until this is done the Government is not prepared to give them protection.

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\* This report was originally issued as a working paper (W.7/52). In view of its value as a permanent record the Working Party dealing with the Ceylon Application has requested that it be reissued under the present symbol.