

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED
LIMITED C
GATT/CP.4/32
24 March 1950
ORIGINAL: ENGLISH

CONTRACTING PARTIES
Fourth Session

REPORT OF WORKING PARTY H ON THE CEYLON
APPLICATION UNDER ARTICLE XVIII IN RESPECT
OF COTTON VERTIES

1. The Working Party took note of paragraph 3 of the Report on the Results of the Negotiations conducted by Ceylon in London under paragraph 5 of Article XVIII (GATT/CP.4/12) which set forth the terms of agreement reached in the negotiations regarding the release requested by Ceylon in respect of cotton verties, together with a letter from the Ceylon delegation, giving further information in support of the request (GATT/CP.4/H/2). The Working Party also noted the following statements made by the Ceylon representative in the course of the discussion:

- (a) It was the intention of the Ceylon Government to apply the Industrial Products Act to Cotton Verties on the same basis as it would be applied to those products in respect of which an application was made under paragraph 5 of Article XVIII at the Third Session; the particular item, cotton verties, was inadvertently omitted from the application approved at the Third Session; the general observations on that application in paragraphs 6, 7, 8, 11 and 12 of the Third Session Working Party Report (GATT/CP.3/73/Rev.1) were relevant in the present case;
- (b) The measure, when applied in respect of this item, would be non-discriminatory;
- (c) Cotton Verties fell under Ceylon Customs tariff item III I 339 (cotton manufactures n.e.s.), which was included in Schedule VI of the General Agreement on Tariffs and Trade; and
- (d) The application was made subject to the understanding that any release granted would be subject to the same conditions as set forth in paragraph 12 of the Report GATT/CP.3/73/Rev.1.

2. It was stated that the industry and branch of agriculture affected in the present case were similar to those described in paragraph 39 of the Report GATT/CP.3/73/Rev.1, and that the Government of Ceylon planned to expand the acreage of cotton by another 20,000 acres during the year 1950. The Working Party agreed that, in the existing circumstances, special governmental assistance was justified for the promotion of the development of cotton growing and the handloom weaving industry of Ceylon.

3. In the light of these statements the Working Party considered that the proposed measure was eligible for consideration under paragraph 5 of Article XVIII of the General Agreement.
4. With respect to the proviso to paragraph 5 of Article XVIII the Working Party noted that, subject to certain specific limitations and conditions as set out in paragraph 3 of the Report GATT/CP.4/12, the contracting parties participating in the London Negotiations had stated that they would not seek further negotiations on the item if a release were granted. The trade statistics for the years 1948 and 1949 supplied by Ceylon (GATT/CP.4/H/2) showed that the parties to the London negotiations, together with members of the present Working Party, had included all the contracting parties which supplied any substantial part of Ceylon's imports under Customs tariff Item III I 339, which covered all "cotton manufactures n.e.s." and under which Cotton Verties fell. On these grounds the Working Party agreed to proceed on the basis that all contracting parties which might be determined to be materially affected had had a sufficient opportunity to express their views.
5. However, in order to meet fully the requirements of the proviso to paragraph 5 of Article XVIII, the Working Party agreed to recommend that any release granted should be effective only after the expiration of a period of 30 days from the day on which it was granted and in the absence during that period of any objection to the release from a contracting party claiming to be materially affected.
6. The Working Party discussed the terms of the agreement reached during the negotiations between Ceylon and the parties to the London negotiations. In view of the similarity between the industries concerned and the production of sarees, sarongs and camboys for which a release had been granted for a period of 5 years, it agreed to recommend that an equal period be established for cotton verties.
7. It agreed to the recommendations made in the report (GATT/CP.4/12, paragraph 3) that the figure of 400,000 square yards be used as the maximum quantity of domestic availability in calculating the standard ratio between such quantities of domestic availability and imports for the purpose of issuing import licences under the provisions of the Industrial Products Act, and noted that in the negotiations between Ceylon and the contracting parties concerned, certain limitations had been agreed with regard to concessions to be granted and negotiations to be carried out under specified conditions.
8. The Working Party recommends that the Contracting Parties take a decision to grant a release to Ceylon in the following terms :

DECISION TO GRANT A RELEASE TO CEYLON
UNDER PARAGRAPH 5 OF ARTICLE XVIII
IN RESPECT OF COTTON VERTIES.

The CONTRACTING PARTIES

DECIDE to grant a release under paragraph 5 of Article XVIII to Ceylon from its obligations under Article XI in respect of cotton verties, for a period of 5 years, subject to the following limitations and conditions :

- (1) in calculating the standard ratio between domestic availability and imports for the purpose of regulating imports of cotton verties under the provisions of the Industrial Products Act, Ceylon shall ensure that the figure of 400,000 square yards of domestic availability be the maximum quantity used;
- (2) the concessions set out in paragraph 2 (b) of the Report on the Results of Negotiations (GATT/CP.4/12) and the procedure for bringing them into effect ~~in respect of the United States~~ shall be applied by Ceylon in respect of Cotton Verties;
- (3) India will be free to negotiate compensatory concessions in respect of Verties in accordance with the provisions set out in paragraph 2 (a) of the said Report; and
- (4) the release shall become effective after the expiration of 30 days from the date of the present decision and in the absence of any objection from a contracting party claiming to be materially affected under the terms of paragraph 5 of Article XVIII.

The compensatory concerns w.r. with the U.S.

