

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED  
LIMITED C  
GATT/CP.4/H/3  
24 March 1950  
ORIGINAL: ENGLISH

CONTRACTING PARTIES  
Fourth Session

## WORKING PARTY H ON ARTICLE XVIII DRAFT REPORT ON THE CEYLON APPLICATION

1. The Working Party examined 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 those products in respect of which an application was made under Article XVIII at the Third Session; the particular industry was inadvertently omitted from the application made at the Third Session; the general observations on that application in paragraphs 6, 7, 8, 11 and 12 of Third Session Working Party Report GATT/CP.3/73/Rev.1, therefore also applied in the present case.
- (b) The industry and branch of agriculture affected in the present case were similar to those described in paragraph 39 of the Third Session Working Party Report referred to above;
- (c) The measure in respect of this item was non-discriminatory in nature;
- (d) Cotton Verties fell under Ceylon Customs tariff item III I 339 (cotton manufactures n.e.c.), which was included in Schedule VI of the Agreement;
- (e) The application was made with the understanding that any release granted would be subject to the same conditions as set forth in paragraph 12 of the Third Session Working Party Report.

2. It was stated that the Government of Ceylon planned to expand the acreage of cotton by another 20,000 acres during the year 1950, and that cotton verties are a product of the handloomweaving industry of Ceylon, processing domestic cotton.

[The Working Party agreed that special government assistance was required to promote the development of cotton growing and handloomweaving industry of Ceylon].

3. In the light of these statements the Working Party considered that the measure was eligible for consideration under paragraph 5 of Article XVIII of the General Agreement.

4. With respect to the provisions to paragraph 5 of Article XVIII the Working Party noted that 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 subject to certain specific limitations which they recommended. A study of the trade statistics supplied by Ceylon (GATT/CP.4/H/3) showed that the group engaged in the London negotiations 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 and considering that the document GATT/CP.4/12 had been in the hands of the contracting parties since March 1, the Working Party agreed to proceed on the assumption that all contracting parties which might be considered materially affected had had a sufficient opportunity to express their views.

5. However, in order to meet fully the requirements of the provision to paragraph 5 of Article XVIII the Working Party agreed to recommend that any release granted would 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 from a contracting party to the release.

6. The Working Party discussed the terms of the agreement reached during the negotiations between Ceylon and the materially affected contracting parties. In view of the similarity of the industries concerned with the production of sarees, sarongs and comboys for which a release has been granted for a period of 5 years, it recommends that the same period be established for cotton verties.

It agreed to the recommendations laid down 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 to domestic availability and imports for the purpose of issuing import licensing under provisions of the Industrial Products Act, and noted that in the negotiations between Ceylon and the contracting parties concerned, certain limitations have been agreed with regard to concessions to be granted and negotiations to be carried out under specified conditions.

7. The Working Party recommends that the Contracting Parties take a decision to grant a release to Ceylon in the following terms :

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DECISION TO GRANT A RELEASE TO CEYLON  
UNDER PARAGRAPH 5 OF ARTICLE XVIII

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:

- (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 a maximum of 400,000 square yards of domestic availability is 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 and
- (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:

The release shall be effective after the expiration of 30 days from the date of the present decision and in the absence of any objection under the terms of paragraph 5 of Article XVIII.