

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

W.9/14

12 November 1954

Special Distribution

CONTRACTING PARTIES

Ninth Session

Working Party 1 on Article XVIII
Applications

CEYLON APPLICATION CONCERNING READY-MADE SHIRTS

Statement made by the Ceylon Delegation on 11 November 1954
on the Shirt Industry

1. It was not till recently, that imported ready-made shirts constituted a major article of Ceylon's import trade in ready-made garments. Prior to 1928, a limited amount of shirts made their way into Ceylon to meet the needs of a small section of the people. Prices were too high to attract wide custom, and local patronage remained with the made-to-measure tailor.
2. By 1928, imports visibly increased - partly due to the additional purchasing power Ceylon gained from its exports of agricultural produce and partly from a change in the trend of public tastes. The additional wealth gave certain margins to the people to spend on what was, then, a comparative luxury - the imported ready-made shirt.
3. The trade, fully sensitive to the change in public taste, openly encouraged it by increasing both volume and variety of ready-made imported shirts. The gathering momentum of the trend saw its climax in 1953 - when some 95,648 doz. ready-made shirts saw their way into this country.

<u>COUNTRY</u>	<u>1953</u>		<u>1954 (to June)</u>	
	Quantity (doz.)	Value Rs.	Quantity (doz.)	Value Rs.
United Kingdom	1,223	62,798	266	26,343
United States	2,651	358,699	1,627	229,533
Japan	12,255	504,621	7,798	590,197
Hong Kong	66,278	2,558,537	40,518	1,324,155
India	10,492	139,449	1,292	29,303
China	455	29,109	-	-
Czechoslovakia	2,284	95,689	775	51,875
Others	-	-	-	-
TOTAL	95,648	3,653,264	52,276	2,251,408

4. Apart from imports, there still remains a substantial amount of shirts produced locally by the made-to-measure tailor. The 1946 census discloses that 12,498 persons are professionally engaged as tailors of garments and shirts. It is estimated that 1/3 of this group concentrate on shirt production, and averaging output at 2 shirts per day, the local supply is estimated at 216,600 doz. per year.

5. The current consumption of shirts (imported and local) may be placed at 350,000 doz. per year, and the per capita consumption at $\frac{1}{2}$ dozen shirts per year.

6. Local made-to-measure shirts offered opportunities to Ceylonese from small income groups to select their material from cheaper varieties of shirting than is currently available for the more expensive imported shirts. A recent market survey discloses the following price variations in imported ready-made shirt

United States	Rs. 14.00 to Rs. 17.50	each retail
United Kingdom	Rs. 8.50 to Rs. 32.50	" "
Czechoslovakia	Rs. 8.00 to Rs. 10.00	" "
Hong Kong	Rs. 4.50 to Rs. 13.00	" "

The most popular group for the average investor is the range from Rs. 8 - Rs. 10, made of standard poplin.

7. The lack of standardization in the local made-to-measure shirt, the arbitrary tailoring charges which are increasing with rising costs of labour, and the tedium of having to wait for the finished garment encouraged a pioneer group of Ceylonese, early in 1954, to open out on a pilot scale in the mechanized production of shirts. Capital investment (fixed and rolling) was Rs. 225,000; labour 65; location - eight miles from Colombo in an approved industrial zone, close enough to the main market in Colombo. Potential production is 120,000 shirts per year, single shift. In the first seven months of production, only 29,142 shirts were produced, or 40 per cent of normal, primarily due to a bottleneck in sales from lack of public support.

8. Prices of the local ready-made shirts are attractive. Based on standard sanforized poplin 4000 and 8000, these shirts are priced as follows:

1. Trubenized collar, coloured poplin	Rs. 8.70)	
2. Soft collar, coloured poplin	Rs. 7.20)	
3. Trubenized collar, white poplin	Rs. 7.70)	Less 2½% discount
4. Soft collar, white poplin	Rs. 6.20)	

9. Comparable imported shirts sell at Rs. 8 - Rs. 10 each.
10. To save this nascent industry from premature extinction before it had a chance to establish itself the Government introduced control under the Industrial Products Act on 24 September 1954. The quota for the purpose of regulating imports was ten imported to one local.
11. At that date there were in existence three other known organized units employing substantial numbers of tailors to make ready-made shirts on individual tailoring. All told, the potential of this group is estimated at 330,000 doz. per year. These units are under various degrees of re-organization for mechanizing output on the same formula as the first pioneer unit. Plant and machinery for shirt manufacture are relatively cheap, and capable of assembly under small roof-capacity without export attention. It is estimated that by June 1955 there would be in existence:
 - (1) the first pioneer shirt factory,
 - (2) three to four other shirt factories, and
 - (3) a scattered group of tailors making made-to-measure shirts, with a total annual potential of 205,000 doz. per year, of which the factories operating on the automatic principle would be responsible for 100,000 doz per year.
12. The shirt industry will, for some years, be dependent on imported shirting. The greater the prosperity of this industry, the greater will be the volume of business with foreign suppliers of shirting.
13. The outcome of this industry will be to shift the profits earned by importers of ready-made shirts to profits in shirting.
14. Imported ready-made cotton shirts come under tariff items:

Present Tariff: Ex 323-103 - garments, cotton

No. in Ceylon Schedule VI: Ex III N. 544(1) - garments, cotton.
15. The present tariff is 15 per cent general, mainly for revenue purposes.
16. Though, in theory, it would have been open to Ceylon to protect the local shirt industry by a high tariff, it would fail to solve the immediate problem. This problem is essentially one of marketing, which neither a subsidy or tariff could solve. Sales under the Industrial Products Act, by employing the quota device, are considered to be the only appropriate measure, for breaking through systematic boycott and consumer resistance to the local product. The importer is temporarily made a statutory partner in the sale of the local product, which in course of time should give him clear pointers to its suitability for his clientèle.