

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/933

21 November 1958

Limited Distribution

CONTRACTING PARTIES
Thirtieth Session

Panel on Article XVIII

FIRST ANNUAL REVIEW UNDER ARTICLE XVIII:6

Report to the CONTRACTING PARTIES

1. In accordance with its terms of reference, the Panel has completed the first annual review provided for in paragraph 6 of Article XVIII. This review is intended to cover the measures on which releases have been granted under the revised text of Article XVIII which came into force in October 1957. The only releases which have so far been granted under these new provisions related to the measures applied by Ceylon on the products mentioned below, and covered by the Decision of 28 November 1957. The review has been made on the basis of a report submitted by the Government of Ceylon (L/881/Rev.1).

- A. cotton sarongs, including sarong cloth;
- B. tea and other chests, including fittings and shooks;
- C. crown corks;
- D. pneumatic rubber tyres and tubes for pedal cycles; and
- E. cotton piecegoods (thirteen items).

2. For each of the releases the Panel considered:

- (a) standard ratio applied in the course of the year;
- (b) the level of production, imports and prices of the domestic and imported products; and
- (c) the prospects of relaxing or eliminating the restriction or the replacement of these restrictions by alternative measures available under the Agreement.

It also discussed with the Ceylon delegation the standard ratios it intends to apply in the course of the ensuing year for the operation of the measure.

A. COTTON SARONGS, INCLUDING SARONG CLOTH

3. At the Twelfth Session, the CONTRACTING PARTIES agreed to modify the release granted on cotton sarongs on 16 November 1956 in order to extend the scope of this to include sarong cloth whether imported as piecegoods or of mixed materials

consisting either of cotton or artificial silk. A short-term release valid until 31 December 1958 was granted in respect of products falling within the tariff descriptions Ex 652-02.01 (Cotton piecegoods, bleached) and Ex 652-02.99 (Cotton piecegoods, others) in so far as they could be used for the manufacture of sarongs. The Ceylon representative stated that there were practical difficulties in evolving a satisfactory definition of sarong cloth accepted by both importers and local manufacturers. A preliminary definition was published in the Gazette of 1 November 1957 as an experiment in consultation with the customs authorities, but was eventually relaxed in favour of an alternative definition prescribing textiles, border specifications and ihas, which was given in a Government notification of 15 March 1958. The operative machinery for introducing control under the Industrial Products Act was deferred since the customs administration still experienced practical difficulties in regulating imports on the basis of the new proposed definition. The Panel took note of these difficulties when considering the proposal of the Ceylon Government to merge all the releases relating to textile items into a single one. The Panel hopes that Ceylon will be able to achieve the objectives it pursued when it applied for a release in 1956 as the result of the acceptance of this proposal by the CONTRACTING PARTIES.

4. The Panel noted that the total quantity of sarongs sold under the Industrial Products Act was far below the maximum domestic availability specified by the CONTRACTING PARTIES. The Ceylon representative stated that at the beginning of 1958 there was a large stock of unsold sarongs awaiting disposal under the Act and that at the end of the year 1957 the domestic availability was assessed at 1.95 million sarongs.

5. The maximum standard ratio permissible under the release granted at the Twelfth Session is 3 local to 1 imported. The standard ratio in force at the beginning of 1957 was 2 local to 5 imported. This ratio was changed on 10 May 1957 to 1 local to 2 imported. The initial impact of the change was to contract the volume of imports, though conceivably imports of cotton piecegoods for conversion into sarongs have increased.

6. The total domestic production of sarongs in Ceylon expanded from 4.1 million yards in 1956 to 8.2 million yards in 1957. In this increase both millmade and handloom sarongs participated. The Panel noted that there was some decline in the "standard price" of domestic sarongs fixed under the Industrial Products Act, whereas the market prices of the imported sarongs have tended to rise during the last few years. The changes in the "standard price" of domestic sarongs are not always reflected in the market prices and conversely, the rise in the prices of imported products does not necessarily correspond to any changes in the c.i.f. landed costs.

7. As regards the prospects of relaxing or eliminating the restrictive measures or the replacement of those restrictions by alternative measures available under the Agreement, the Panel took note of the statement by the Ceylon representative that it was still impractical to take advantage of any other measures than those available under the Industrial Products Act.

B. PLYWOOD CHESTS

8. At the Twelfth Session the CONTRACTING PARTIES granted to Ceylon an extension of its release in respect of plywood chests for a further term of five years expiring in March 1962. The Panel noted that the production of plywood chests has significantly increased during the last few years, from about 180,000 in 1952 to 461,000 in 1958. The maximum domestic availability specified by the CONTRACTING PARTIES was 650,000 chests.

9. The Panel noted that the standard ratio applied under the Industrial Products Act during the course of last year was below the maximum concurred with by the CONTRACTING PARTIES. The Ceylon Government proposes to apply a standard ratio of 1 : 6 during 1959 when it estimates that the local production would have reached a figure of 500,000 chests, whereas the total demand for plywood chests would be in the neighbourhood of 3.7 million.

10. The Ceylon representative stated that the quality of the local chests has improved considerably during the last few years and it now not only meets the standards of the imported products, but in some respects is even superior to the quality of the imported product in so far as the timber used in the manufacture of local chests is pre-treated for immunity against borer attack and that the bonding medium used is a plastic glue, which makes the plywood water-repellent and exceedingly strong. As regards prices, the Panel noted that whereas the market price of imported plywood chests without linings and fittings has risen from Rs.4.89 in 1955 to Rs.5.77 in 1957, the "standard price" of the local product has fallen from Rs.6.00 to Rs.5.90 during the same period.

11. As regards the prospects of relaxing the restriction or its replacement by alternative measures, the Ceylon delegation stated that in view of consumer resistance, the Ceylon Government could not yet envisage the adoption of any techniques or measures other than the Industrial Products Act.

C. CROWN CORKS

12. The Panel took note of the statement by the Ceylon representative to the effect that his Government has not yet taken advantage of the release granted by the CONTRACTING PARTIES at the Twelfth Session on crown corks in view of the fact that there has been a slight delay in the establishment of the factory.

D. PNEUMATIC RUBBER TYRES AND TUBES FOR PEDAL CYCLES

13. As in the case of crown corks, the Ceylon delegation informed the Panel that the operation of the release granted by the CONTRACTING PARTIES in respect of pneumatic tyres and tubes in the cycle industry has been deferred until such time as the industry commences its production.

E. COTTON TEXTILES

14. At the Twelfth Session, the CONTRACTING PARTIES granted a release to the Government of Ceylon to apply the Industrial Products Act to a group of thirteen items of cotton textiles for a period of five years with a maximum standard ratio of 2 local to 1 imported and a maximum domestic availability of 60 million yards. Included in this release was an item "cotton piecegoods (bleached)" in respect of which a limited release was granted (valid until 31 December 1958), to be reviewed at the Thirteenth Session.

15. The Panel noted that among the thirteen textile items, only five items of cotton textiles were brought under control on 27 August 1958:

- (a) Dhoties
- (b) Shawls
- (c) Long-cloth
- (d) Poplin
- (e) Sheeting

The standard ratio for this initial measure was 1 local to 10 imported. The Panel recognized that the period which has elapsed since this control was imposed was too short to appraise the full effects of this measure. In view of the "merger" proposal of the Ceylon Government, which the Panel is recommending to the CONTRACTING PARTIES for adoption, the Panel feels that some of the practical difficulties which came in the way of the Ceylon Government in deriving full advantage would now be alleviated.

CONCLUSION:

16. The Panel wishes to express its appreciation to the Ceylon Government for the detailed information which it has placed at the disposal of the CONTRACTING PARTIES in its annual report, and to the Ceylon representatives for the additional data that they submitted to the Panel. The Panel is of the opinion that the annual review provided for in paragraph 6 of Article XVIII serves a very useful purpose and, in particular, this annual opportunity of discussing the measures after they have been concurred in should enable the CONTRACTING PARTIES to adopt more flexible procedures in dealing with notifications under Section C of the Article in the mutual interests of the notifying country and the interested exporting countries.