

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Limited Distribution

CONTRACTING PARTIES
Nineteenth Session

THIRD ANNUAL REVIEW UNDER ARTICLE XVIII:6

Background Paper¹

1. Paragraph 6 of Article XVIII provides for an annual review of all measures applied pursuant to the provisions of Sections C and D of the revised Article XVIII. The Second Annual Review under Article XVIII:6 was carried out during the sixteenth session of the CONTRACTING PARTIES held during May and June 1960.² The Third Annual Review was to be undertaken at the eighteenth session but for practical reasons was postponed until the nineteenth session.

2. The revised text of Article XVIII came into force in October 1957. Since that time a number of releases have been granted to the Government of Ceylon and one release has been granted to the Government of Cuba, under the provisions of Section C of the Article (no action under Section D of the Article has been taken by any contracting party). A complete list of such releases is given in Annex I.

A. OPERATION OF RELEASES GRANTED TO CEYLON

3. Of the releases granted to Ceylon (see list in the Annex), the only items which have been brought under control under the Industrial Products Act are:

Plywood chests	(item under (a) in the list)
Sarongs, sarees and cotton piece-goods	(items under (f) in the list)
Asbestos cement products	(item under (j) in the list)

¹This document incorporates information newly received from the authorities of Ceylon. It supersedes the previous provisional document L/1593.

²See BISD, Ninth Supplement, pages 101 and 104.

Plywood chests

4. Plywood chests were first brought under regulation under the Industrial Products Act on 13 March 1953 under a Release granted by the CONTRACTING PARTIES on 13 August 1949. At the twelfth session of the CONTRACTING PARTIES, in the autumn of 1957, the Release was extended for a period of five years, expiring in March 1962. The maximum standard ratio was fixed at 1 local to 4 imported. The maximum domestic availability assigned with respect to this release authorizes total sales of 652,000 domestically-produced chests each year.

5. As shown in the table below, production of plywood chests has shown significant increases since the Release was first granted. However, while the local product, on account of its greater strength and resistance to borer attack, is considered to possess advantages over imported plywood chests, prices of domestically-produced plywood chests continue to be above the landed cost of imported chests. The economies from the introduction of more efficient production techniques made possible by increased production, however, have largely been offset by significant increases in wage payments per worker.

Year	Production	Production Index 1952= 100	Prices of domestically-produced plywood chests (without lining) each	Prices of imported plywood chests c.i.f. (without lining) each	Consumption (Imports + local production)	Standard ratio applied (local imports)
			Rs.cts.	Rs.cts.		
1952	178,359	100				
1953	182,192	102	6.45	5.28		
1954	336,973	189	6.25	5.80		
1955	325,327	182	6.00	4.89		
1956	358,399	201	-	5.29		
1957	379,588	213	5.90	5.77		
1958	343,885	193	5.90	5.60		
1959	415,453	233	5.90	4.98	3,433,927	1:7
1960	465,000	261	5.90	4.57	3,332,463	1:7*
1961 (January-June)	272,000	-			1,740,932	1:5**

* 1:5 from 5 November 1960.

** 1:4 from 26 June 1961.

6. The production of tea chests continues to be the main line of the plywood factory. Due to increases in production it became necessary in 1961* to increase the standard ratio to the maximum of 1 local to 4 imported authorized under the Release.

7. The marketing facilities under the Industrial Products Act provide the only satisfactory method of establishing this industry in a climate of continued resistance from trade and consumers. It is considered, therefore, that it is not possible at present to discontinue regulations of plywood chests under the Industrial Products Act.

Sarongs, sarees and cotton piece-goods

8. At the thirteenth session of the CONTRACTING PARTIES, Ceylon obtained a Release to protect its domestic sarong, saree and cotton piece-goods industry, by merging in one common import bracket nineteen items of sarong, saree and piece-goods, whether of cotton or of any mixed materials, including artificial mixtures. By action of the Ceylon Government, one additional tariff item (841-5-3, certain sarees) was made subject to regulation under the Industrial Products Act in January 1959. A Release sanctioning the regulation of this item under the Release of 22 November 1958, was granted by the CONTRACTING PARTIES at their fifteenth session by Decision of 20 November 1959.

9. Following negotiations with a number of contracting parties, Ceylon, in applying the Release of 22 November 1958, exempted thirteen specified items of piece-goods, which were bound under the GATT in Ceylon's tariff, and were, at first, considered not to be in direct competition with domestic products. At the sixteenth session of the CONTRACTING PARTIES in June 1960, Ceylon applied to include three grades of piece-goods of these exempted items, namely crepe, satin and hair cord, under the list of textile items regulated under the Industrial Products Act. This application was granted after completion of negotiations under paragraph 18 of Article XVIII between Japan and Ceylon (also see Council Decision of 23 September 1960, BISD, Ninth Supplement, pages 23 and 24).

10. Imports of the twenty tariff items subject to regulation under the Industrial Products Act since 16 January 1959, in 1959 (full year) amounted to 143 million yards and to 140 million yards in 1960. Domestic production of mill-made textiles increased from 8 million yards in 1959 to 11.2 million yards in 1960. Production in handloom and powerloom textiles increased from 14 million yards in 1959 to 17.4 million yards in 1960. Further details on trade and production figures for items covered by the Release are given in Annex II.

11. The present standard ratio is 1 local to 5 imported. No change in this ratio is expected. In order to dispose of accumulated stocks of handloom sarongs as rapidly as possible, protection of mill-made textiles under the Industrial Products Act has temporarily been suspended. There is however no prospect of relaxing control under the Industrial Products Act in the immediate future until the local product becomes firmly established in the market.

* 1:4 from 26 June 1961.

Asbestos cement products

12. At the sixteenth session of the CONTRACTING PARTIES a Release was granted for Ceylon to apply the Industrial Products Act on certain grades of asbestos cement products. The Release was granted for a period of three years from the date on which these products were first brought under regulation under the Industrial Products Act (BISD, Ninth Supplement, pages 22 and 23). Asbestos cement products were first brought under control under the Industrial Products Act on 20 July 1960, with an initial standard ratio of 5 local to 1 imported, i.e., the maximum standard ratio approved by the CONTRACTING PARTIES in the Release.

13. The application of the maximum standard ratio permitted under the Release was considered necessary to permit the disposal of large unsold stocks of asbestos cement products under the marketing facilities of the Industrial Products Act.

14. Domestic production of asbestos cement products covered by the Release increased from 196,000 cwts. in 1959 to 259,000 cwts. in 1960. Domestic prices have remained constant since the date these products were brought under control at 33 cents (wholesale) per sq.ft. for flat sheets and 62 cents per sq.ft. for semi-corrugated sheets. The first effect of the application of the Industrial Products Act has been to discourage imports. Too little time has, however, elapsed since the coming into force of this measure to evaluate the final effects of Industrial Products Act control on the level of imports.

15. No change in the standard ratio of 5 local to 1 imported is at present envisaged.

B. OPERATION OF RELEASES GRANTED TO CUBA

16. It is understood that import restriction of henequen and sisal has been continued in Cuba.

Annexes

- I List of Releases granted under Section C of Article XVIII (revised).
- II Data on Ceylon Textile Industry and Imports.

ANNEX I

List of Releases granted under Section C of Article XVIII (Revised)

A Ceylon

Description	Tariff Number	Release granted by Decision of: (subject to the terms and conditions set out in ...)	Expiration date of the Release	Release Operative
(a) <u>Tea chests</u>		28 Nov.1957 (BISD Sixth Suppl. p. 16)	13 March 1963	Yes
Tea- and other chests and shooks including fittings other than metals	631-02.01			
(b) <u>Crown Corks</u>		"	three years ¹	No
Crown Corks	699-29.04			
(c) <u>Rubber Tyres</u>		"	" "	No
Pneumatic rubber tyres for pedal cycles	629-01.04			
Pneumatic rubber tubes for pedal cycles	629-01.22			No
(d) <u>Toothbrushes</u>		22 Nov.1958 (BISD Seventh Suppl.p.25)	five years ¹	No
Toothbrushes	ex 899-13.99			
(e) <u>Electric Light Bulbs</u>		" (p.26)	three years ¹	No
Electric bulbs for household use other than torch bulbs, 15 to 100 watts	ex 721-03.03			
(f) <u>Textiles</u>				
(i) <u>Textile Manufactures</u>				
Bed linen	ex 656-04.99	22 Nov.1958 (BISD Seventh Suppl. pp.26 and 27)	27 Aug. 1963	Yes

¹ ... years from the date on which the product was first brought under regulation under the Industrial Products Act (I.P.A.)

Description	Tariff Number	Release granted by Decision of: (subject to the terms and conditions set out in ...)	Expiration date of the Release	Release Operative
Manufactures of artificial silk and synthetic fibre - sarongs ¹	841-05.04	22 Nov.1958 (BISD Seventh Suppl. pp.26 and 27)	27 Aug. 1963	Yes
Manufactures of artificial silk and synthetic fibre - sarees	841-05.03	20 Nov.1959 (BISD Eighth Suppl. p.22)	" " "	Yes
Manufactures of cotton sarongs - mill-made	845-05.14	22 Nov.1958 (BISD Seventh Suppl. pp.26 and 27)	" " "	Yes
Manufactures of cotton sarongs - handloom	841-05.15	"	" " "	Yes
Manufactures of mixed material, sarongs - mill-made ¹	841-05.22	"	" " "	Yes
Manufactures of mixed material, sarongs - hand loom ¹	841-05.23	"	" " "	Yes
Manufactures of cotton camboys, mill-made	841-05.10	"	" " "	Yes
Manufactures of cotton camboys, handloom	841-05.11	"	" " "	Yes
Manufactures of cotton sarees, mill-made	841-05.12	"	" " "	Yes
Manufactures of cotton sarees, handloom	841-05.13	"	" " "	Yes
Manufactures of mixed materials, sarees, mill-made ¹	841-05.20	"	" " "	Yes
Manufactures of mixed materials, sarees, handloom ¹	841-05.21	"	" " "	Yes

¹ For particulars see text of the Release.

Description	Tariff Number	Release granted by Decision of: (subject to the terms and conditions set out in ...)	Expiration date of the Release	Release Operative
(ii) Products falling within the following tariff description (in so far as they can be cut into sarees or sarongs or correspond to the following items: grey cloth, drill, shawls poplin, long cloth, dothies, sheeting, casement, shirting, tussore, ticking and gingham).				
Cotton piece goods (bleached)	ex 656-02.01	22 Nov.1958 (BISD Seventh Suppl. pp.26 and 27)	27 Aug. 1963	Yes
Cotton piece goods (dyed)	ex 652-02.02	"	" " "	Yes
Cotton piece goods (colour woven)	ex 652-02.03	"	" " "	Yes
Cotton piece goods (printed)	ex 652-02.04	"	" " "	Yes
Cotton piece goods (others)	ex 652-02.99	"	" " "	Yes
(iii) Products of the following three grades of material: Satin, Hair cord, Crepe (Georgette crepe; Oriental crepe, sheer crepe, lat crepe, pearl crepe, beauty crepe, Crèpe de Chine) in so far as they can be cut into sarongs or sarees, falling within the following tariff description (BISD Ninth Suppl. pp. 23 and 24):				
Piece goods of cotton mixed with less than 50% of other materials	ex 652-02.05	22 Nov. 1958 BISD Seventh Suppl. p.27 (as amended); BISD Ninth Suppl. pp. 23 and 24.	27 Aug. 1962	Yes
Piece goods of artificial silk and synthetic fibre including any admixtures where the artificial silk content is not less than 50% in weight n.e.s.	ex 653-05	"	" " "	Yes

Description	Tariff Number	Release granted by Decision of: (subject to the terms and conditions set out in ...)	Expiration Date of the Release	Release Operative
(g) <u>Nails and screws</u>				
Nails and screws other than wire nails of iron and steel	ex 699-07.02	20 Nov.1959 (BISD Eighth Suppl. pp. 21 and 22)	five years ¹	No
Nails and screws, brass and alloys of copper	ex 699-07.10	"	" "	No
(h) <u>Aluminium hollow-ware</u>				
Aluminium hollow-ware, domestic	699-14.01	"	three years ¹	No
(i) <u>Aluminium foil</u>				
Aluminium foil - aluminium lining used in tea packing	ex 684-02.01	4 June 1960 (BISD Ninth Suppl. pp. 22 and 23)	two years ¹	No
(j) <u>Asbestos cement products</u>				
Asbestos ridges	661-09.01	"	19 July 1962	Yes
Asbestos sheets	661-09.02	"	" " "	Yes
Asbestos tiles	661-09.03	"	" " "	Yes
Building materials of asbestos cement of unfired non-metallic minerals	661-09.99	"	" " "	Yes

B Cuba

Heneguen and Sisal

Heneguen and sisal, raw or manufactured but not spinned, including scrap	57-04.01	4 June 1960 (BISD Ninth Suppl. pp. 25 and 26)	9 August 1962	
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¹... years from the date on which the product was first brought under regulation under the Industrial Products Act.

ANNEX IIData on Ceylon Textile Industry and ImportsLocal Production (in million of yards)

Unit	1959		1960	1963		1966	
	Min.	Max.		Min.	Max.	Min.	Max.
Handloom	13	13	16.33	30	30	30	30
Powerloom	1	1	1.07	8	8	8	23
Wellawatts Mills	8	8	11.2	16	16	16	16
National Textile Corporation Mills	0	0	0	10	14	25(a) or 40(b)	35(a) or 56(b)
Private Unit	0	0	0	0	0	15	15
	22	22	28.6	64	68	94(a) or 109(b)	119(a) or 140(b)

Note: (a) Commissioning a 15 million yards (2 shifts) capacity mill.

(b) Commissioning a 30 million yards (2 shifts) capacity mill.

'Minimum' production on two shifts working.

'Maximum' production on three shifts working.

The domestic availability at the end of 1960 was estimated at 41.2 million yards which includes 12.63 million yards backlog of unsold stocks of handloom textiles.

Imports of Textiles 1955-1961 (January-June)

Piece-goods
(million yards)
652-02 and 653-05

Year	Cotton piece-goods 652-02						With less than 50% of other material .05	Total 652-02	Fabrics of synthetic fibre and spun glass 653-05	Total 652-02 and 653-05
	Bleached .01	Dyed .02	Colour woven .03	Printed .04	Other .99	Total				
1955	19.2	18.1	3.1	25.4	.6	66.4	2.0	68.4	40.2	108.6
1956	21.9	19.8	4.5	36.3	.7	83.4	.6	83.9	42.3	126.2
1957	21.4	17.3	3.4	31.4	.6	74.1	.3	74.4	41.6	115.9
1958	23.7	17.1	2.9	44.2	.5	88.5	.2	88.6	60.0	148.7
1959	19.9	16.3	2.7	30.7	.9	70.5	.2	70.7	53.9	124.6
1960	17.0	20.3	3.5	34.2	.8	75.8	.2	76.6	48.1	124.1
1961 (Jan.-Jun.)	11.4	11.2	2.0	19.4	.8	44.8	.1	44.9	14.4	59.3

Sarees, Camboys, Sarongs
(million yards)
841-05

Year	Sarees					Total Sarees	Camboys		Total Camboys
	.03	.12	.13	.20	.21		.10	.11	
1955	.4	.7	2.2	.06	1.3	4.7	-	2.4	2.4
1956	.6	.9	3.0	.001	2.1	6.6	..	3.2	3.2
1957	.7	.6	2.9	.001	2.4	6.6	-	3.0	3.0
1958	1.0	.5	2.3	.006	1.2	5.0	-	2.2	2.2
1959	1.3	.7	2.7	.03	1.4	6.13	.1	1.4	1.5
1960	3.1	1.9	2.5	.005	1.9	9.4	.6	.9	1.5
1961 (Jan.-Jun.)	2.6	1.7	0.6	-	.4	5.3	.2	.3	.5

Year	Sarongs					Total Sarongs	Total 841-05
	.04	.14	.15	.22	.23		
1955	.3	.04	7.6	.006	2.2	10.0	17.1
1956	.9	.008	8.0	..	.07	9.0	18.8
1957	1.1	.006	4.8	-	-	5.9	15.5
1958	1.5	.2	4.3	.02	.04	6.1	13.3
1959	.02	.02	6.7	-	-	6.74	14.37
1960	.04	-	5.0	-	-	5.04	15.94
1961 (Jan.-Jun.)	.3	.4	1.0	-	-	1.7	7.5

Summary

Year	Piece-goods	Sarees	Camboys	Sarongs	Total	Bed-linen
	652-02.01 .02 .03 .04 .05 .99 653-05 (mill.yds.)	841-05.03 .12 .13 .20 .21 (mill.yds.)	841-05.10 .11 (mill.yds.)	841-05.04 .14 .15 .22 .23 (mill.yds.)	Piece-goods Sarees, Camboys Sarongs. 652-02 653-05 841-05 (mill.yds.)	Table-linen Toilet-linen and Kitchen-linen -Other 656-04.99 (mill.doz.; one dozen = 24 yards)
1955	108.6	4.7	2.4	10.0	125.7	.231
1956	126.2	6.6	3.2	9.0	145.0	.06
1957	115.9	6.6	3.0	5.9	131.4	.11
1958	148.7	5.0	2.2	6.1	162.0	.1
1959	124.5	6.13	1.5	6.74	138.97	.15
1960	124.1	9.4	1.5	5.0	140.0	.14
1961 (Jan.-Jun.)	59.3	5.3	.5	1.0	66.8	.6

TOTAL SALES

(Under the Industrial Products Act)

Year	Sarongs (yds.)	Other Textiles (yds.)	Total (yds.)
1953	845,495	-	845,495
1954	1,392,326	-	1,392,326
1955	2,025,210	-	2,025,210
1956	3,685,689	-	3,685,689
1957	2,522,571	-	2,522,571
1958	3,125,692	-	3,125,692
1959	10,327,199	6,690,822	17,018,021
1960	17,591,833	5,999,679	23,591,512
1961 (Jan.-Jun.)	9,843,701	3,156,235	12,999,936