

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/1869

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Limited Distribution

CONTRACTING PARTIES
Twentieth Session

FOURTH ANNUAL REVIEW UNDER ARTICLE XVIII:6

Background Document for the Review

1. At the twentieth session the CONTRACTING PARTIES will carry out the fourth annual review under paragraph 6 of Article XVIII on the operation of releases granted under Sections C and D of that Article. Under Section C of Article XVIII releases have been granted to Ceylon and, in one instance, to Cuba. No action has been taken by any contracting party under Section D of Article XVIII. Since the release granted to Cuba has recently expired the present background paper describes only the operation in the past year of releases granted to Ceylon. The paper has been prepared by the secretariat on the basis of information and statements supplied by the Government of Ceylon.

Operation of releases granted to Ceylon

2. Since October 1957 when the revised text of Article XVIII came into force four releases, affecting ten categories of goods, have been granted to Ceylon. The releases have become operative for only three categories of products, which have been brought under regulation under the Ceylon Industrial Products Act No. 18 of 1949 (IPA), namely: (i) plywood chests; (ii) sarongs, sarees and cotton piece-goods; and (iii) asbestos cement products.
3. Under the releases the Government of Ceylon is authorized to regulate imports of the product or products concerned under the IPA. The IPA, in order to assist the marketing of products of new domestic industries, provides for the licensing of imports in accordance with specified ratios established between sales of the domestic product and the corresponding imported product. Regulation under the IPA is resorted to in cases where adequate protection cannot be given through the tariff. Apart from the requirement of imports not exceeding the specified ratio, imports, under the provisions of the IPA, are not subject to quantitative restrictions in the form of an overall ceiling on imports of the goods concerned.

Plywood chests¹

4. Plywood chests were first brought under regulation in 1953 under a release granted by the CONTRACTING PARTIES on 13 August 1949. The release was extended at the twelfth session of the CONTRACTING PARTIES by Decision of 28 November 1957, for a period of five years from 14 March 1958 (BISD 6/S, page 16).

¹Release granted in respect of plywood chests and shooks including fittings, other than metal fittings (tariff No. 631-02.01).

5. Under the terms of the release the standard ratio between the local product and the corresponding imported product is not to exceed the proportion of 1:4, and the domestic availability used in calculating the standard ratio should not exceed 650,000 plywood chests.

6. Since 1952, the year before plywood chests were brought under regulation of the IPA, there has been a steady increase in production, aided by schemes of expansion and re-organization. There has, however, been no significant reduction in imports because of increased demand for tea chests consequent on increased production of tea. The local factory has diversified its production programme and greater attention has been paid to the manufacture of plywood flush doors and plywood veneers for the manufacture of furniture.

7. There has been no change in the price of locally made chests (see below) or in the standard ratio of 1:4 since the last review under Article XVIII:6, in December 1961.

8. The release is due to expire on 13 March 1963. Alternative methods of protection are under consideration.

9. The table below summarizes information on developments in production, prices and consumption over the period 1953 to June 1962:

Year	Production	Production index 1952=100	Prices of domestically produced ply- wood chests (without linings) each Rs. cts.	Prices of imported plywood chests c.i.f. (without lining) each Rs. cts.	Consumption (imports + local production)	Standard ratio applied (local: imports)
1953	182,192	102	6.45	5.28		1:5
1954	336,973	189	6.25	5.80		1:5
1955	325,327	182	6.00	4.89		1:5
1956	358,399	201	-	5.29		1:7
1957	379,588	213	5.90	5.77		1:7
1958	343,885	193	5.90	5.60		1:7
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 ¹
1961	564,000	316	5.90	4.45	3,508,526	1:5
1962*	273,447	-	5.90	4.88	2,398,288	1:4

(*January/June)

¹1:4 from 26 June 1961.

Asbestos cement products¹

10. At the sixteenth session of the CONTRACTING PARTIES, a release was granted to Ceylon by Decision of 4 June 1960, to apply the IPA on certain asbestos cement products. The release was granted for a period of three years with a maximum standard ratio of five local to one imported (BISD 9/S, pages 22 and 23).

11. Asbestos cement products were brought under regulation under the IPA on 20 July 1960 with an initial standard ratio of five local to one imported. This ratio was adopted to enable the disposal of a large accumulation of unsold stocks. After the disposal of this accumulated stock the ratio was reduced to two local to one imported on 23 February 1962. Control under the IPA was revoked on 10 August 1962 and substituted by import control.

12. The following table summarizes information on production, imports and sales under the IPA:

Year	Description	Unit	Production	Imports	Sales under the IPA
1961	Asbestos sheets	Sq. ft.	16,577,000	4,800	24,000
	Asbestos ridges	tons	96	-	-
1962 Jan/ June	Asbestos sheets	Sq. ft.	8,350,000	665,700	64,060
	Asbestos ridges	tons	45	-	-

13. Prices have remained unchanged since the introduction of control at 33 cts. wholesale per square foot of flat sheets and 62 cts. per square foot for semi-corrugated sheets.

Sarongs, sarees and cotton piece-goods

14. At the thirteenth session of the CONTRACTING PARTIES, by Decision of 22 November 1958, 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 sarongs, sarees and piece-goods, whether of cotton or of any

¹Release granted in respect of asbestos ridges, sheets, tiles and building materials of asbestos cement of unfired non-metallic minerals. (Tariff items 661-09.01, -09.02, -09.03, -09.99.)

mixed materials including artificial mixtures (BISD 7/S, pages 25 to 27). At the fifteenth session of the CONTRACTING PARTIES, the release was extended by Decision of 20 November 1959, to include one additional item, sarees (BISD. 8/S, pages 21 and 23). In operating the release, Ceylon exempted from regulation under the IPA thirteen specified piece-goods on which Ceylon had granted tariff concessions. At the sixteenth session of the CONTRACTING PARTIES, Ceylon applied for the right to regulate imports of three of these exempted piece-goods namely: crepe, satin and haircord. This application was granted by Decision of 23 September 1960, after consultations had been concluded under paragraph 18 of Article XVIII (BISD 9/S pages 23 and 24). The list of items covered by the release is set out in Annex I.

15. The standard ratio instituted when these products were subjected to regulation under the IPA was one local to five imported. On 27 June 1962, the ratio was reduced to one local to eight imported. This was possible as the stockpile of handloom sarongs had been considerably reduced.

16. For the purpose of conserving foreign exchange, the import of textiles valued at over Rs. 2 per yard was banned with effect from 25 January 1962. The effect of this was to reduce imports of textiles made of synthetic fibres but imports of cotton piece-goods actually increased. Further restrictions on imports of textiles were introduced on 26 July 1962 in order to reduce the drain on foreign exchange reserves. At that time, imports of all textile materials were brought under licence and imports were restricted to 75 per cent of imports in the previous year (see L/1824, BOP/17 and L/1847).

17. The release is due to expire on 27 August 1963. There is no immediate prospect of discontinuing control under the IPA. Alternative measures of protection are under consideration.

18. Tables showing imports of textiles regulated under the IPA and total sales of textiles under the IPA are set out in Annex II.

ANNEX I

Products Covered by the Release on Sarongs,
Sarees and Cotton Piece-Goods

<u>Description</u>	<u>Tariff item No.</u>	
1. Manufactures of artificial silk and synthetic fibre, sarongs	841-05.04	
2. Manufactures of artificial silk and synthetic fibre, sarees	05.03	
3. Manufactures of cotton sarongs, mill made	05.14	
4. Manufactures of cotton sarongs, handloom	05.15	
5. Manufactures of mixed material, sarongs mill made	05.22	
6. Manufactures of mixed material, sarongs handloom	05.23	
7. Manufactures of cotton, camboys mill made	05.10	
8. Manufactures of cotton, camboys handloom	05.11	
9. Manufactures of cotton sarees, mill made	05.12	
10. Manufactures of cotton sarees, handloom	05.13	
11. Manufactures of mixed materials, sarees mill made	05.20	
12. Manufactures of mixed materials, sarees handloom	05.21	
13. Bed linen	ex 656-04.99	
14. Cotton piece-goods, bleached	ex 656-02.01)	Only insofar 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
15. Cotton piece-goods, dyed	ex 652-02.02)	
16. Cotton piece-goods, colour woven	ex 652-02.03)	
17. Cotton piece-goods, printed	ex 652-02.04)	
18. Cotton piece-goods, others	ex 652-02.99)	

<u>Description</u>	<u>Tariff item No.</u>
19. Piece-goods of cotton mixed with less than 50 per cent of other materials	ex 652-02.05) Only those of satin,) haircord, crepe
20. Piece-goods of artificial silk and synthetic fibre including any admixtures where the artificial silk content is not less than 50 per cent in weight n.e.s.) (Georgette crepe,) oriental crepe, sheer) crepe, flat crepe, ex 653-05) pearl crepe, beauty) crepe, Crêpe de chine)) insofar as they can be) cut into sarongs and) sarees

ANNEX IIA. Imports of Textiles Regulated Under the IPA
During the Period 1955-(June)1962

1	2	3	4	5	6
<u>Piece-goods</u>	<u>Sarees</u>	<u>Camboys</u>	<u>Sarongs</u>	<u>Total</u>	
652-02.01	841-05.03	841-05.10	841-05.04	1	Bed-table-toilet-
.02	.12	.11	.14	through	kitchen and other
.03	.13		.15	4	linen
.04	.20		.22		656-04.99
.05	.21		.23		
<u>.99</u>					
653-05.00					

	<u>(1-5) Million yards</u>					<u>Million dozen</u>
						<u>1 dozen = 24 yards</u>
1955	108.61	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	124.6	6.13	1.5	6.74	138.98	.15
1960	124.1	9.4	1.5	5.0	140.0	.14
1961	115.6	12.7	0.9	3.0	132.0	0.1
1962						
(Jan./	64.3	6.0	0.2	0.7	71.2	.01
June)						

B. Total Sales of Textiles Under the IDA

Year	Sarongs Million yards	Other textiles Million yards	Total Million yards
1953	0.8	-	0.8
1954	1.4	-	1.4
1955	2.0	-	2.0
1956	3.7	-	3.7
1957	2.5	-	2.5
1958	3.1	-	3.1
1959	10.3	5.7	17.0
1960	17.6	6.0	23.0
1961	18.8	3.1	22.0
1962	12.4	-	12.4
January/June			