

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

W.13/23

1 November 1958

Limited Distribution

CONTRACTING PARTIES
Thirteenth Session

Panel on Article XVIII

NOTIFICATIONS BY CEYLON AND FIRST ANNUAL REVIEW UNDER ARTICLE XVIII

Note by the Ceylon Delegation

At the Twelfth Session, the Government of Ceylon was granted a release to enable it to apply the Industrial Products Act on fourteen items of cotton textiles, and at the same Session Ceylon also obtained the CONTRACTING PARTIES' approval of a re-definition of an earlier release granted on cotton sarongs, by broadening its scope so as to include sarongs of mixed materials and a variety of piecegoods (of cotton, synthetic fibres and admixtures) which could be cut into sarongs (vide Decision of the CONTRACTING PARTIES of 28 November 1957 in BISD, Sixth Supplement, pages 14-16).

At the present Session the Ceylon delegation has made a notification for the broadening of the scope of the release granted at the Eleventh Session (see BISD, Fifth Supplement, page 31) on cotton sarees, so as to include such competing items as cambays, sarees made of mixed materials, cotton piecegoods and piecegoods of synthetic fibres (see L/878/Rev.1).

The cumulative effect of these releases would give Ceylon the right to regulate nineteen tariff items of textiles. An analysis of these tariff items would show that:

- (a) five of the twelve items of cotton sarongs and sarong cloth are common to cotton textiles, and seven are common to saree and saree cloth;
- (b) five of the six items of cotton textile groups are common to sarees and saree cloth, and five are common to sarongs and sarong cloth;
- (c) seven of thirteen items of saree and saree cloth are common to sarongs and sarong cloth and five are common to cotton textile items.

The following table shows the distribution of products covered by previous and proposed releases among the various tariff items:

Tariff item	13 items of Cotton Textiles	Sarongs and Sarong Cloth	Sarees and Saree Cloth	Import Value in 1957 Million Rupees
652 - 02.01	X	X	X	25.4
652 - 02.02	X	X	X	23.7
652 - 02.03	X	X	X	4.3
652 - 02.04	X	X	X	29.5
652 - 02.05		X	X	0.5
652 - 02.99	X	X	X	1.1
653 - 05		X	X	46.4
656 - 04.99	X			2.0
841 - 05.04		X		1.0
841 - 05.10			X	-
841 - 05.11			X	4.3
841 - 05.12			X	0.6
841 - 05.13			X	3.4
841 - 05.14		X		-
841 - 05.15		X		7.5
841 - 05.20			X	-
841 - 05.21			X	3.2
841 - 05.22		X		-
841 - 05.23		X		-

Total of above Rs. 152.9 million

Total import of fabrics of all kinds and apparel Rs. 172.5 million

The Ceylon delegation, in view of the considerable overlapping of some tariff items in the three releases, proposes that for the sake of administrative convenience, all these releases be grouped under a re-defined blanket release affecting the cotton textile industry, with special reference to sarongs, sarees and cotton piecegoods.

The proposed modification is calculated to dilute very considerably the direct impact of the control by spreading its effect over a larger basket of imported goods, and thereby minimizing the effect on the trade of materially affected contracting parties in these items. The effect of the measure on trade would be much less than if the releases were directly operated on the imports of the notational equivalent of the corresponding local product.

Thus: in the case of cotton sarongs, imports in 1957 were 4.8 million yards. The maximum domestic availability authorized was 8.5 million square yards.

At present the off-take of sarongs from local looms is 8.5 million yards. If the maximum standard ratio of three local to one imported were applied on sarongs, it would tend to limit imports to one-third of 8.5 million yards, or 2.8 million yards. By enlarging the import basket on sarongs to a wide range of substitutes like:

- (a) sarongs of mixed materials 1.1 million yards, and
- (b) sarong cloth (piecegoods of cotton,
or of silk, and mixtures thereof) 116.0 million yards,

the gross import basket dilates to 121.9 million yards, and confers a high degree of fluidity on importers to determine the relative volume of trade in sarongs over total imports of other items in the dilated import basket.

This freedom to determine import volumes is a feature which the earlier notational releases did not confer, and would now contribute very materially towards softening the direct impact of a release on a domestic product whose productive level is a substantial proportion of the trade in the imported equivalent.

In the current application on sarees, imports of cotton sarees in 1957 were 3.53 million yards. The proposal to broaden the scope of the imported cotton saree to include:

- (a) camboys 2.97 million yards
- (b) saree cloth (piecegoods of cotton or
of silk and mixtures thereof) 116.00 million yards

would increase the import basket to 124.9 million yards, against a maximum domestic availability of 2 million yards.

The proposal by Ceylon resolves itself into aggregating the total of the releases on sarongs, sarees and cotton textiles which amounts to a combined maximum domestic availability of 70.5 million yards by 1962, and permitting any one of these items domestically produced to be set off against any one of the items in the enlarged import basket which in 1957 totalled 130.8 million yards.