

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/35/Add.3

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Limited Distribution

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APPLICATION BY CEYLON FOR RELEASE UNDER ARTICLE XVIII

Addendum to Information supplied by Ceylon

The following information has been supplied by the Ceylon Delegation to supplement that contained in L/35/Add.1 and Add.2.

Towels and Towellings

From information since received, we find that we have made an error in the Tariff Item relating to towels and towelling. The correct tariff items are:-

- 489 Mill-made Turkish towels,
- 490 Mill-made Turkish towelling,
- 495 Towels shown, to the satisfaction of the P.P.C., to have been imported by and for use in hotels and rest houses, approved by the Director of the Tourist Bureau;
- 498 Towels and towelling N.E.S.
- 515 Towels and Towelling N.E.S. (except mill-made Turkish towels and towelling)
- (EX 483 Cotton manufactures other than admixtures of any other material N.E.S., does not refer to towels and we wish therefore to omit it from our list.)

Such omission means that there are no "Bound" items in this group and therefore the release for this group will have to be considered under paragraph 7(a)(iii) of Article XVIII.

In (L/35/Add.2) information has been supplied showing the developmental plans for this industry.

This item was brought under the control of the Act in July 1951 and all the tariff items enumerated above will be affected by the Order. The reason for controlling mill-made towels and towelling including Turkish is because they compete directly with the local handloom towels and towelling. Limitation of control to imported handloom towels and towelling will not solve the problem of the local industry. CONTRACTING PARTIES can be assured that it has been found possible to identify comparable grades and sizes and types of imported mill-made towels. It is the view of those who administer this particular Order that the difference in manufacture (mill-made V.X., hand made) does not prevent identification of comparable types of towels.

The following prices will show how it is possible to identify the imported and the domestic products:

- Indian Honey Comb:	24" X 45"	Rs. 42	per dozen
- Local handmade:	24" X 45"	Rs. 24	" "
- Indian Turkish:	24" X 45"	Rs. 42	" "
- Local Turkish:	24" X 45"	Rs. 42	" "
- Indian Turkish:	28" X 54"	Rs. 60	" "
- Local Turkish:	28" X 54"	Rs. 60	" "
- Indian mill-made	24" X 48"	Rs. 22	" "
- Local handloom of comparable quality and size			Rs. 20.40 per dozen.

The principal problem that faced the Industry and which compelled the Government to apply the Act to towels and towelling was the accumulation of stocks. Accurate figures of accumulation are not available as stocks are widely scattered and held by cottage weavers. A rough estimate of accumulations on the eve of control was over 150,000. This explains why, when the Act was first applied the ratio was fixed at 5 domestic to 1 imported. Since then domestic stocks have begun to circulate so promisingly that on 3 September 1952 the ratio was revised and is now 2 domestic to 1 imported. Under this reduced ratio importers have greater latitude to import those grades and types of towels for which there is a demand which cannot be met by local products. The maximum quantity of domestic availability for purposes of calculating the standard ratio may be fixed at 250,000.

Rubber Footwear

It should be noted that the domestic production of this item includes:

- shoes with canvas or cloth uppers;
- waterproof rubber lacing shoes;
- rubber slippers and sandals;
- all rubber shoes, sandals, with rubber soles and heels.

The import figures given in (L/35/Add.1) refer only to canvas rubber-soled boots and shoes. These figures do not include slippers and sandals, etc. These kinds of rubber footwear are separately itemised as 548 "Slippers and sandals". Imports of this item appear to be included in the Customs Returns under the following heading: "Manufactures of Rubber N.E.S.". The following are the figures:

	Quantities entered for home con- sumption.	Values of total imports
- United Kingdom cwt	1,557	350,090
- India "	151	151
- Czechoslovakia "	463	41,220
- Germany "	106	34,052
- Holland "	8	2,096
- U.S.A. "	20	1,505
Grand Total	<u>2,306</u>	<u>451,754</u>

The prices of principal grades as against standard imported grades are as follows:

- Domestic rubber canvas shoes: Rs. 30.- to Rs. 81.- per dozen
- Imported rubber canvas shoes: Rs. 36.- to Rs. 84.- " "
- Domestic slippers and sandals: Rs. 33.- per dozen
- Imported slippers and sandals: Rs. 56.- " "

Proposals have been made by the largest single manufacturer of footwear to set up a public corporation which will buy up the Government leather factory and organize combined production of leather and rubber footwear. The maximum quantity of domestic availability of all types of shoes should be 50,000 pairs.

Cotton Banians

The first factory commenced production in 1941 with an output of 3,640 dozen. By 1943, it had increased its output to 27,673 dozen. This factory secured a contract to supply banians to the United Kingdom War Office, destination Eastern Group Supply Council, India. Encouraged by the success of this firm, other concerns set up in production between 1943 and 1945. But by this time yarn supplies had become difficult and although factories had potential capacity of their post-war production, there was a cut back as the following figures will show. To add to the difficulties, the contract with the Eastern Group Supply Council ceased in 1944. Production was staggered between the various units so as to prevent their complete stoppage.

1944,	17,387
1945,	15,447
1946,	19,513
1947,	19,929
1948,	18,320.

In 1948, the Government was able to re-organize the collection and distribution of local and imported yarns supplies for this particular industry and in the result, the units established during the war, and which were unable to use to the full their installed capacity came strongly into production. The following figures reflect this development:

1949,	35,991
1950,	70,577
1951,	77,594.

The potential output of these factories is 300,000 dozen, but during the period of 3 years, for which release is sought, the maximum quantity of domestic availability suggested for purposes of calculating the ratio is 200,000 dozen. This corresponds with the normal average annual imports which is estimated at approximately 220,000 dozen and explains how the present ratio of 1 to 1 has been fixed as from 1 May 1952.