STATEMENT OF CEYLON DELEGATION ON COTTON SARONGS

1. The sarong industry is a traditional one. It began as a part-time occupation of agricultural workers who found it convenient to supplement their agricultural income with handloom production during seasonal harvests.

2. The industry languished for want of official recognition which was only possible in 1932 when a change in the constitution assigned the subject of industries and industrial development to a separate ministerial portfolio.

3. One of the first tasks of this ministry was to concentrate on the development of prevailing cottage industries. The handloom industry was singled out for that purpose. Official support for the industry took the form of supply of hand looms on hire purchase at low rates of interest and the provision of peripatetic parties to instill into the handloom weaver the new technique of production. These training centres were later encouraged to organize themselves into pocket editions of workshops where the trained weaver could capitalize his knowledge and retain the benefits of profits on a modest commercial scale.

4. Prior to World War II, estimates of the number of hand looms were 12,000. Allowing three persons per loom in each village family, this alone would account for a population of 36,000 persons actively engaged in textile manufacture of which sarongs constituted the main article.

5. The preference for sarongs is mainly due to its choice as the garment by the lower income groups. Subsidiary articles of production include the usual groups of domestic linen.

6. During World War II this industry was in a position to thrive, but suffered a setback later due to shortages in the finer counts of yarn which compelled Ceylon to bargain with other producing countries for her yarn needs. Among the suppliers, were expensive dollar sources. Following the liberalization of imports, the local handloom production found itself in unequal competition with the cheaper imported mill product, which was partly due to the high initial cost in the purchase of yarn. A good part of the looms fell to disuse and at the moment, the industry can only count 3,750 hand looms in active production, concentrating on sarong manufacture. The potential of the sarong industry does not take its measure from the existing hand looms. Encouraged by the Government part of the former handloom population have been persuaded to introduce modest mechanization by installing semi-automatic power looms. Moreover, there are four major power-loom factories in the conventional sense employing 1,456 workers and with the capital investment of 4,550,000, which alone are capable of producing 7,000,000 sq. yds. of textiles. Together with the handloom and other units the total production of textiles may be taken as 21,000,000 sq. yds. of which 5,000,000 sq. yds. would represent the potential in sarongs alone.
7. The average yardage of a sarong is three and a half and the production figures since control was first introduced is: - For mills, 453,616 sarongs per annum, and for hand looms, 677,835 sarongs per annum.

8. The maximum domestic availability in sarongs fixed by the Contracting Parties when a release was obtained for the control on sarongs was 3.2 million sq. yds., or 1 million sarongs.

9. Against this potential of production, there is a substantial volume of trade in imported sarongs. In 1952, 345,650 sarongs, and in 1953, 419,774 and in 1954 up to the end of August, 404,658 sarongs were imported. Converted into sq. yds. so as to afford a ready comparison with the domestic availability fixed by the Contracting Parties the corresponding imports were, 1952 - 1,143,362 sarongs; for 1953 - 1,363,262 sarongs; for 1954 - 1,315,145 sarongs.

10. The bulk of these imports originate from India and Japan. The average c.i.f. price of the imported Indian sarong is approximately Rs.6, but in spite of this low price, these sarongs are retailed at prices ranging from Rs.10.25 for the grade of sarong known as 80 by 80 and Rs.7.25 for the coarser counts. Superior grades are priced at Rs.13 to 15. By comparison, the local sarongs are Rs.11 for the superior grade falling to Rs.8.75 for a grade 3 sarong. Mill sarongs, made locally are priced at Rs.3.25 for the best grade and Rs.2.25 for the cheapest grade.

11. I should explain that the reason for the disparity in prices between the hand loom and the mill sarong is largely due to the use by the hand looms of double counts, thereby guaranteeing for the consumer more durable and better sarongs than the mill competitor.

12. The sarong industry is based on the availability of local cotton of which at present there is an acreage of nearly 20,000 acres. Proposals are under consideration to expand this production with the help of foreign capital. It is useful to mention here that private capitalists (including foreign capital) are planning to establish a large-scale spinning mill with a capacity of 10,400 spindles and an output of 760,000 lbs. per year to feed the hand-loom industry.

13. The momentum gained by the sarong industry since the release was granted by the Contracting Parties is still a long way from reaching its full potential. It would be fatal to this industry, if the initial benefits of control now given, were to be called to an abrupt halt before the industry has had a chance of establishing itself.

14. A question may arise why this industry cannot survive on its own merits in the face of competition from imported sarongs. I have here to repeat what I have stated earlier - that, in Ceylon, there is firmly established a strong vein of consumer resistance which is extremely hesitant to shift its ground from past support to imported goods in preference for local production in spite of advantages of quality. This movement is openly encouraged by a group of importers who operate on the well-known principle of house-to-house transactions.
In such a commercial setup, an exporter from abroad has a dual personality, operating in more than one territory. At the receiving end, his personality may take the form of an immediate family connection or a trusted agent. In this way, the importer in Ceylon would obtain his goods at house prices, and he could re-sell them at close approximations to current market prices. The price margin is so favourable that he can afford to undercut the local product to the detriment of the industry.