Application of Ceylon concerning ready-made shirts

1. The Working Party considered the part of Ceylon's application which was for a release relating to ready-made shirts. This item had not previously been the subject of a release. The representative of Ceylon described the control measure as applied to this item, as follows:

   The Industrial Products Act No. 18 of 1949, was a measure designed to facilitate the sale of locally manufactured goods by regulating the imports of similar industrial products. Under this Act an importer was obliged to obtain a licence from the Controller to authorize the importation of a specified consignment of the imported product. Before the licence was issued the importer was required to pay for a proportion, specified from time to time, of the local product at the standard price prescribed for the purpose. The "standard price", the "standard ratio" of imported to local goods and the "standard grade" of the local product were published in the Government Gazette. Ready-made shirts were brought under control of this Act on 24 September, 1954 with a standard ratio of ten imported to one locally produced shirt. The local article was the product of the first pioneer shirt factory in Ceylon, set up early in 1954 with an initial output of 10,000 dozen per year. The plant was fully mechanized and was capable of an output of 20,000 dozen per year.

2. The representative of Ceylon further informed the Working Party of the conditions of the shirt manufacturing industry in Ceylon (see Annex). On the basis of the information thus supplied by the Ceylon delegation the Working Party agreed that the proposed measure in respect of this item was eligible for consideration under the provisions of Article XVIII.

3. The Ceylon representative further explained that the control was introduced on 24 September 1954 in the belief that it was eligible for a release under paragraph 7 of Article XVIII and that justification for this control in anticipation of a release was covered by paragraph 9 of that Article.

1 For further explanation of the working of the Act the Ceylon delegation referred to paragraphs 4-6 of the Seventh Session Working Party report on pages 35-36 of Basic Instruments and Selected Documents, First Supplement.

2 See L/230/Rev.1, footnote 2.
The Ceylon Government had subsequently found that the item was one on which Ceylon had assumed an obligation under Article II, and that therefore an application had to be submitted under paragraph 5 of Article XVIII. The Ceylon Government had given serious consideration to the question of revoking the control already introduced pending a release from the CONTRACTING PARTIES, but found that the immediate consequences of such a revocation would be disastrous. The shirt industry was only in its infant stage of development and had not yet reached a substantial measure of stability. If control were revoked the market was bound to be flooded with stocks of shirts imported in anticipation of the re-introduction of the control, and control, when ultimately re-imposed, would be of no value for some time. Consequently, the Ceylon delegation could only express its regret for the oversight in imposing the measure prior to a release being sought from the CONTRACTING PARTIES and requested that any release being sought from the CONTRACTING PARTIES be made to run from the date on which the control was introduced, i.e., 24 September 1954.

4. The Ceylon delegation stated that the tariff item which covered ready-made cotton shirts was Ex 323-103 (garments - cotton) in the present Customs Tariff of Ceylon, and Ex III N.544(i) (garments, cotton) in the Ceylon Schedule as negotiated in Annecy. The application for a release was submitted pursuant to provisions of paragraph 5 of Article XVIII, and the procedures of sub-paragraph 3(b) therefore should apply.

5. The Ceylon delegation informed the Working Party that to facilitate the negotiations under paragraph 3(b), it would confine the application to cover the marketing of 50,000 doz. of locally produced shirts per year. The standard ratio would be worked out in accordance with the formula hitherto adopted, as noted in paragraph 5 of the Seventh Session Working Party Report (BISD, First Supplement, p. 35).

6. In order that negotiations can be sponsored between the applicant contracting party and the materially affected contracting parties, sub-paragraph 3(b) requires that the CONTRACTING PARTIES determine in the first instance the contracting party or parties materially affected by the proposed measure. For this purpose, the Working Party proposes that the CONTRACTING PARTIES request that the Working Party be notified as soon as possible and in any case not later than 28 November, by any contracting party which considers itself materially affected by the measure proposed by Ceylon in respect of ready-made shirts.

7. If this proposal is accepted by the CONTRACTING PARTIES, the Working Party will submit to the CONTRACTING PARTIES after 28 November its recommendation as to which contracting parties should be determined to be materially affected by the proposed measure with which negotiations should be sponsored, and as to the time schedule for such negotiations:

8. The Working Party will of course report finally to the CONTRACTING PARTIES upon completion of the negotiations sponsored pursuant to the Article XVIII:3(b).
ANNEX

Statement by the Ceylon delegation on the shirt industry

1. The manufacture of ready-made shirts by automatic processes was a new industry begun by a pioneer group of Ceylonese early in 1954. The initial output of the factory then established was planned at 10,000 dozen per year, with an ultimate potential of 20,000 dozen per year.

2. Mechanized production of shirts cheapens costs, and offers the market a standardized garment using sanforized material and adopting a trubenized collar at attractive prices.

3. Though this factory began early in 1954, it was unable to establish itself owing to traditional prejudice from consumers and the reluctance of the trade to market the local shirt. By June 1954 the position of sales was so precarious that an appeal was made to the Government to apply the Industrial Products Act to help to market the locally-made shirts. Control was introduced on 24 September 1954 with an initial ratio of ten imported to one local shirt.

4. Imports

<table>
<thead>
<tr>
<th>Country</th>
<th>1953 Quantity (doz.)</th>
<th>1953 Value Rs.</th>
<th>1954 (to June) Quantity (doz.)</th>
<th>1954 (to June) Value Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>1,223</td>
<td>62,798</td>
<td>266</td>
<td>26,343</td>
</tr>
<tr>
<td>United States</td>
<td>2,651</td>
<td>358,699</td>
<td>1,627</td>
<td>229,533</td>
</tr>
<tr>
<td>Japan</td>
<td>12,255</td>
<td>504,621</td>
<td>7,798</td>
<td>590,197</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>66,278</td>
<td>2,558,537</td>
<td>40,518</td>
<td>1,324,155</td>
</tr>
<tr>
<td>India</td>
<td>10,492</td>
<td>139,449</td>
<td>1,292</td>
<td>29,303</td>
</tr>
<tr>
<td>China</td>
<td>455</td>
<td>29,109</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Czechoslovakia</td>
<td>2,284</td>
<td>95,689</td>
<td>775</td>
<td>51,875</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>95,638</td>
<td>3,748,902</td>
<td>52,276</td>
<td>2,251,406</td>
</tr>
</tbody>
</table>

5. Prices of imported shirts

A recent market survey indicates that the better-known brands of imported shirts are sold at the following retail prices:

- United States: Rs. 14.00 to Rs. 17.50
- United Kingdom: Rs. 8.50 to Rs. 32.00
- Czechoslovakia: Rs. 8.00 to Rs. 10.00
- Hong Kong: Rs. 4.50 to Rs. 13.00

The most popular group for the average buyer is the shirts with prices ranging from Rs. 8 to Rs. 10, made of poplin.