REGULATION OF TEXTILE IMPORTS UNDER THE INDUSTRIAL PRODUCTS ACT

Note by the Ceylon Delegation

Import licences issued under the Industrial Products Act are a complete authority to the customs administration to allow the import of the quantity of the regulated product specified in the licence. In issuing licences for the import of sarong and saree cloth, the licence does not specify the tariff item of imports, but only gives a description or the trade name of the particular type of piecegoods licensed. The customs administration decide by an inspection of the consignment in what particular category of the tariff that consignment would correctly be classified.

The past release in respect of sarong cloth relates to seven tariff items of piecegoods (see W.13/23, page 2). Administratively it is impossible to determine in advance what proportion of the piecegoods proposed to be imported would eventually be converted into sarongs. If the protection of the local industry is to be realistic it is necessary that all seven items of piecegoods should be brought within the scope of the control as it is not possible to predict what proportion of these would later be converted into sarongs.

Quite obviously, the control cannot operate on volunteered declarations from importers that piecegoods they intend to import are intended exclusively for conversion locally into sarees and sarongs. Such a declaration would carry an obligation to purchase a proportion of the local sarongs, which could readily be avoided by making no end-use declaration of convertibility.

It is precisely for this reason that the protection intended for sarongs and the proposed release for saree cloth had to encompass a much larger import basket, covering a range of seven categories of piecegoods as well.

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1 652-02.01, 652-02.02, 652-02.03, 652-02.04, 652-02.05, 652-02.99, 653-05.
For practical purposes the enlargement of this import basket does not restrict the entire range of the imports of the seven piecegoods. While admittedly the span of the control does have an impact on this wider range of piecegoods, the actual volume of imports under regulation would be directly related to those quantities of the local product available for disposal. By adjusting the standard ratio to such a level which would permit the disposal of the local product, it is possible to allow very substantial quantities of piecegoods to be imported into the country bearing only a nominal obligation to effect a local purchase. If imports are in excess of the permissible volume calculated on the standard ratio, and there is an actual insufficiency of local product available to satisfy the standard ratio, the administration would be obliged to permit the excess of imports to be released without the obligation to purchase the local product.

In the administration of a release covering a basket group of items an important principle of selectivity is recognized. Thus, in the notification published under Section 9 on sarees and saree cloth in the Gazette of 27 August 1956, six items of sarees and all seven items of piecegoods are basketed together and shown on the import side, against which any one of the eleven grades in a similar basket of local sarees could be purchased in the specified ratio.

This principle of selectivity gives complete freedom to the importer to decide the make-up of his statutory local purchases in the way most advantageous to him, and thereby the hardship that would be caused if imports were statutorily restricted to the exact corresponding local product not handled by the importer would be minimized.

In Ceylon's proposal for a combined release covering all items of cotton textiles, sarong and saree cloth, this principle of selectivity will be used so as to permit an importer of any item in the enlarged import basket to select such items of cotton textiles, sarong and saree cloth as he could advantageously handle in his business organization. Moreover, a natural consequence of such a device would be to depress the maximum standard ratios already sanctioned for sarongs, sarees and cotton textiles, and thereby considerably assist in the flexibility of imports to the maximum advantage of the trade. For instance, in 1958 the anticipated output of sarongs, sarees and thirteen items of cotton textiles totals 26 million yards. The total volume of imports anticipated in 1958 on sarongs, sarong cloth, sarees, saree cloth and piecegoods covering nineteen tariff items is estimated at 136.4 million yards. If each release were operated individually, importers of five textile items common to all three releases would be trebly penalized. On the other hand, the basket proposal means that in the marketing of 26 million yards of sarongs and sarees, an aggregate of 136 million yards (1958 estimate) could be set off, causing considerable depression of the standard ratio to 1:5. The standard ratios sanctioned by the CONTRACTING PARTIES of these three items were sarongs, 3:1, sarees, 2:1 and cotton textile items, 2:1.