

## (b) Foreign Trade

*Overall trends*

In 1960 the value of exports was Rs. 1,832 million. This figure was Rs. 78 million more than in 1959 and was higher than in any post war year except the two previous boom years 1951 and 1955. The value of imports fell in 1960 to Rs. 1,960 million from the record level of Rs. 2,005 million reached the year before. An adverse balance of trade persisted in 1960 but the amount contracted from Rs. 251 million in 1959 to Rs. 128 million.

The improvement in the performance of exports was due to a substantial increase in volume (5 per cent); there was no change in the export price index. In the case of imports the decline in the value of imports was also due to a contraction in volume (4 per cent); the import price index remained unchanged. In 1960 the terms of trade remained the same as in 1959.

TABLE II—16

*Composition of Exports*

Commodity	Value in rupees million			Percentage of total exports		
	1958	1959	1960	1958	1959	1960
Tea .. .. .	1,132	1,046	1,096	66.2	59.6	59.8
Rubber .. .. .	258	298	378	15.1	17.0	20.7
3 major coconut products .. .. .	164	244	184	9.6	13.9	10.0
Other domestic exports .. .. .	97	104	117	5.7	6.0	6.4
<b>Total domestic exports .. .. .</b>	<b>1,651</b>	<b>1,692</b>	<b>1,775</b>	<b>96.6</b>	<b>96.5</b>	<b>96.9</b>
Re-exports .. .. .	59	62	57	3.4	3.5	3.1
<b>Total .. .. .</b>	<b>1,711</b>	<b>1,754</b>	<b>1,832</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

*Source : Ceylon Customs Returns.*

The factors which accounted for the changes in export value in 1960 as compared to 1959 were quite diverse. In the case of tea there was a marked increase (7 per cent) in the volume of exports. The price of tea (annual average) declined slightly, continuing the slow downward trend that first appeared after the boom prices of 1955. In each of the last three years the price of tea has fallen by a little over 1 per cent. The contribution of rubber to export receipts in 1960 increased by Rs. 80 million as against an increased contribution of Rs. 50 million from tea. The increase in export receipts from rubber was due to a rise in price (11 per cent) and an increase in volume (14 per cent). The value of exports of the three major coconut products declined in contrast by Rs. 60 million as a result of falls both in the amount exported (13 per cent) and in price (13 per cent).

The price of tea is less sensitive to fluctuations in the level of industrial activity abroad than the price of rubber. A moderate increase in local tea production was absorbed in the world's markets with only a slight reduction in price. In contrast, with the slowing down of industrial activity abroad the price of rubber began to decline by the end of the first half of 1960. By December, 1960, it had fallen by 23 per cent below the peak price fetched at the beginning of the year. The movement of prices of coconut exports was even more significant. Here the situation created by a decline in industrial activity abroad was aggravated by an increase in

world supplies of coconut products as well as of other competitive fats and oils. In the two preceding years coconut prices had moved rapidly upwards due both to shortages of coconut oil supplies and to increased demand abroad. By the end of 1959, these had reached high and remunerative levels. The first months of 1960, however, saw the beginning of a severe deterioration of prices. These continued uninterruptedly. By the end of the year prices were over 29 per cent below the levels obtaining at the beginning of the year.

The combined result of these movements in export prices resulted in the export price index in 1960 remaining the same as in 1959; the deterioration in the prices of export commodities in the latter part of the year offset completely the high prices ruling earlier.

The substantial improvement in export volumes (by 5 per cent) was inadequate to sustain the import requirements of 1960, and resulted in an adverse trade balance of Rs. 128 million. The value of imports in 1960 continued at a very high level and was only short by Rs. 45 million of the record figure attained in 1959. The volume of imports which had increased by 12 per cent in 1959 declined by a little over 4 per cent in 1960. But up to the third quarter of 1960 there were no indications that the volume of imports would drop below the level of 1959. On the contrary the indications were that this level could be exceeded by a considerable margin. Thus during the third quarter the volume of imports was already running at a rate about 12 per cent above the annual rate in 1959. In certain categories of imports, in particular the consumer goods group such as textiles and other consumer goods, the volumes of imports gave considerable support to the belief that substantial stocks were being built up. Tariff measures, import and credit restrictions introduced towards the end of the third quarter, however, resulted in the marked diminution of these categories of consumer goods imports. In the final quarter of the year the category most affected by these measures viz., "other consumer goods" contracted by 39 per cent.

While export prices reacted quickly, and particularly so in the case of rubber, to a slowing of industrial activity abroad, there was no compensatory fall in the price of imported goods. The price index for all imports in fact remained unchanged. The import price index for the consumer goods category fell by a little less than 1 per cent. There was a slight increase in the capital goods group.

### *Exports*

Statistics of value, volume and price are given in tables 27 to 31 in Appendix II.

*Tea.*—Tea production in Ceylon increased markedly in 1960 to reach the record figure of 435 million pounds following upon two previous years during which tea production had already achieved a very high level. The amount of tea exported during the year also increased.

Provisional data so far available appear to indicate that world production of tea in 1960 was fractionally less by about the order of 1 per cent in 1960 as compared with 1959; the expansion in production in Ceylon was exceptional and was offset by contractions in production in most of the other major producing countries. Indeed this diminution in global production and exports appeared to have a slightly favour-

able effect on average tea prices in the world markets. Thus in London, prices of all teas in 1960 were 4 cents higher than in the preceding year. Imports for consumption in the major importing countries have been well maintained and in the U.K. imports increased somewhat over the level of the previous year.

The average f.o.b. price of Ceylon tea declined from Rs. 2.72 per pound in 1959 to Rs. 2.67 per pound in 1960. However, the average Colombo auction price of all teas increased from Rs. 1.85 per pound in 1959 to Rs. 1.88 per pound in 1960. This improvement was partly a result of the impact of the *ad valorem* duty on the lower priced teas particularly those in medium grown and low grown categories. In contrast the Colombo auction price per pound of high grown teas declined from Rs. 2.13 in 1959 to Rs. 2.03 in 1960 as the higher priced teas attracted a higher aggregate duty.

TABLE II- 17

*Tea Exports—Quantities and Prices*

Year	Exports		Average Colombo auction price per lb.			
	Quantity	F.O.B. price per lb.	High grown	Medium grown	Low grown	All tea
	Mn. lbs.	Rs. cts.	Rs. cts.	Rs. cts.	Rs. cts.	Rs. cts.
1955 .. ..	362	3.30	2.34	2.04	2.40	2.24
1956 .. ..	348	3.00	2.50	1.96	1.88	2.16
1957 .. ..	368	2.78	2.05	1.61	1.88	1.86
1958 .. ..	411	2.75	2.11	1.51	1.48	1.73
1959 .. ..	384	2.72	2.13	1.69	1.67	1.85
1960 .. ..	410	2.67	2.03	1.75	1.83	1.88

Sources : Ceylon Customs Returns ;  
Colombo Tea Brokers' Association.

*Rubber.*—In 1960 the production of rubber in Ceylon rose to 218 million pounds indicating a 6 per cent increase over the level of production achieved in the previous year. Increases in production following upon the replanting scheme which has now been in progress for eight years have not been substantial since a larger part of the area replanted is not yet in production. Indeed, in 1960 the output of rubber was still short of the amount produced in 1958.

The world price of rubber which began to improve towards the middle of 1958 rose nearly continuously till about the end of 1959. The rise in the price was checked only temporarily by sales from the stockpiles of the major consuming countries. During the course of 1959 and 1960 prices continued to be quite buoyant till about the end of the second quarter of 1960. Thereafter, a sharp decline in prices commenced and this trend continued nearly without interruption till the end of the year. The break in prices coincided with the change in the tempo of industrial activity in the major industrial countries in the world. Moreover, data of the consumption of rubber have reflected this change in industrial activity. Thus in

the U.S.A. the consumption of natural rubber in the third quarter was only 76 per cent of the consumption in the corresponding quarter of the previous year. The price of rubber had in earlier years received considerable support from the purchases of the Eastern European countries and China. In 1960, however, the diminution in purchases by the U.S.A. and Western Europe was accompanied by a decline in the purchases by Eastern Europe and China. Provisional figures indicate that the consumption of natural rubber in the last group of countries declined by 15 per cent in 1960.

These changes in world supply and demand conditions were reflected in Ceylon's f.o.b. unit prices for rubber. Thus after an increase in price during the first few months of the year, the price of rubber declined continuously from May onwards. The fall in the price of rubber was followed by a reduction in the export duty. The export duty on rubber which was raised to 38 cents per pound in November, 1959, was reduced to 30 cents per pound in November, 1960, with the fall in prices.

TABLE II—18

*Rubber—Production, Exports and Prices*

Year	Production Mn. lbs.	Exports Mn. lbs.	F.o.b. price Rs. per lb.	Colombo Market price for R.S.S. No. 1 Rs. per lb.
1955	210	222	1.58	1.28
1956	214	193	1.52	1.45
1957	220	209	1.44	1.16
1958	224	207	1.25	0.93
1959	205	206	1.45	1.25
1960	218	235	1.61	1.24

Source : Ceylon Customs Returns.

*Coconut Products.*—The contraction in the world production of coconuts which first began early in 1957 continued throughout 1958 till nearly the end of 1959. By 1960, however, the supply pattern had undergone a marked improvement and Malayan and Philippine copra and oil were becoming increasingly available in the world's markets. The increase in supply of coconuts coincided with the general increase in the availability of the world's fats and oils, particularly of soyabean oil. The demand for these products, however, in 1960 did not appear to increase by any significant margin. Consequently the price of coconut products which had been sustained previously at high levels dropped rapidly throughout the year. The Central Bank's trade indices for the three major coconut products indicate that the export price index for this group was 128 (1948 = 100) for the first quarter of 1960 but dropped continuously (by 28 per cent) to 92 in the last quarter of 1960. In 1960, as compared with 1959, the fall in the price of coconut oil was sharpest; the declines in the prices of copra and desiccated coconut were proportionately less, and whereas the amount of coconut oil exported contracted, there was an increase of 5 per cent in the amount of desiccated coconut exported.

The marked declines in the prices of coconut products were accompanied by a decline in the volume of exports. The Central Bank trade indices indicate that the export volume for 1960 was 109 (1948=100) whereas in the previous year it was 125, a decline of 13 per cent. The reductions in prices of coconut products were quite large and although the volume of exports, in 1959 recovered from the abnormally low levels prevailing in the two previous years, in 1960 it again relapsed.

TABLE II—19

*Major Coconut Products—Exports—Quantities and Prices*

Commodity	1958		1959		1960	
	Quantity	F.o.b. price	Quantity	F.o.b. price	Quantity	F.o.b. price
	Th. cwts.	Rs. per cwt.	Th. cwts.	Rs. per cwt.	Th. cwts.	Rs. per cwt.
Copra .. .. .	554	52.97	852	60.52	583	55.23
Coconut oil .. .. .	887	69.80	1,389	84.41	1,110	71.83
Desiccated coconut .. .. .	1,135	63.72	1,050	71.45	1,099	65.23

Source : Ceylon Customs Returns.

*Imports*

The composition of imports is given in the table below :—

TABLE II—20

*Composition of Imports*

	Value in Rs. Million			Percentage of total imports		
	1958	1959	1960	1958	1959	1960
<b>Food, Drink and Tobacco —</b> ..	<b>715</b>	<b>812</b>	<b>765</b>	<b>41.6</b>	<b>40.5</b>	<b>39.0</b>
of which :—						
Rice .. .. .	238	283	242	13.9	14.1	12.3
Flour .. .. .	67	106	65	3.9	5.3	3.3
Sugar .. .. .	87	75	79	5.1	3.8	4.0
Dairy products .. .. .	58	83	76	3.4	4.1	3.9
Fish products .. .. .	92	89	105	5.4	4.4	5.4
Curry stuffs .. .. .	35	39	52	2.0	1.9	2.7
<b>Raw Materials and Manufactures—</b>	<b>1,002</b>	<b>1,193</b>	<b>1,195</b>	<b>58.4</b>	<b>59.5</b>	<b>61.0</b>
of which :—						
Petroleum products .. .. .	125	134	122	7.3	6.7	6.2
Fertilizers .. .. .	47	61	58	2.7	3.0	3.0
Cement .. .. .	13	22	18	0.8	1.1	0.9
Iron and steel .. .. .	68	85	88	4.0	4.2	4.5
Machinery .. .. .	89	107	92	5.2	5.3	4.7
Textiles .. .. .	160	147	154	9.3	7.3	7.9
Chemicals, drugs, dyes and colours .. .. .	42	56	59	2.4	2.8	3.0
Transport equipment :						
Motor cars .. .. .	36	50	53	2.1	2.5	2.7
Other .. .. .	71	127	101	4.1	6.3	5.2
Paper and cardboard .. .. .	29	34	39	1.7	1.7	2.0
<b>Total Imports .. .. .</b>	<b>1,717</b>	<b>2,005</b>	<b>1,960</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source : Ceylon Customs Returns.

The swift rise in the volume of imports which occurred in 1959, (by 12 per cent) was arrested in the course of 1960. There were even some indications at the close of that year that the level of imports was declining. Over the year as a whole, the volume of imports declined by a little over 4 per cent and this decline was reflected in about equal proportions in the consumer and the capital goods categories.

Though over the year as a whole the volume of consumer goods dropped, the earlier months of the year did not indicate any trends towards a contraction in the volume of consumer imports. In fact it did appear that anticipatory building of stocks was taking place rapidly, particularly in the "other consumer goods" category. Thus in the first quarter of 1960 these imports were running at a rate 42 per cent above the level of the previous year. Later in the year the value of these imports declined but a swift fall took place only in the fourth quarter of the year when the combined effect of tariff, import and credit restrictions were beginning to have their impact. Thus during the fourth quarter of the year the volume of this category of imports had dropped to less than half the level of the first quarter. A select group of imports was subject to credit restrictions additionally. These are listed in Appendix I—B. For the period January to August, 1960, the annual rate of imports of these items was Rs. 141 million, however, by December the impact of the restrictions had reduced these imports to an annual rate of Rs. 54 million. The volume of capital goods imported remained at a high level though it declined a few percentage points from the level attained during the previous year.

The volume of food and drink imports in 1960 was 6 per cent less than in 1959 and in the case of textiles the decline of 1959 was repeated during 1960.

Over the year as a whole the value of all imports fell from Rs. 2,005 million to Rs. 1,960 million in 1960. As indicated in the table above the proportion of raw materials and manufactures to total imports rose again continuing the trend of previous years. There was, however, a marked reduction in the value of rice and flour imports, which fell from Rs. 389 million in 1959 to Rs. 307 million during 1960. This reduction followed upon a considerable increase of these imports in 1959. A significant increase in 1960 was the change in the value of imports of fish products which rose by Rs. 16 million to Rs. 105 million.

A satisfactory feature of the import pattern was that the value of capital goods imported remained substantially at the high level reached in 1959. Thus in 1959 imports of fertilizers, cement and iron and steel were valued at Rs. 61 million, Rs. 22 million and Rs. 85 million respectively, and in 1960, the corresponding figures were Rs. 58 million, Rs. 18 million and Rs. 88 million.

*Pattern of Trade*

Table 31 in Appendix II gives the pattern of trade by the principal regions and monetary areas.

As in previous years, the *Sterling Area* remained the major trading partner in 1960 accounting for approximately 52·2 per cent of Ceylon's exports and 53·8 per cent of imports. The customary trade deficit which Ceylon has with this area re-appeared in 1959 and continued in 1960, though the amount (Rs. 96·8 million) was less than in 1959 (Rs. 177·9 million). The reduction in the deficit was due to an expansion in the value of exports and a diminution in the value of imports. Thus exports of tea increased by Rs. 54 million and imports of vehicles and machinery fell by Rs. 46 million.

The customary trade surplus with the *Dollar Area* improved substantially from Rs. 104·1 million in 1959 to Rs. 161·7 million in 1960. This improvement was the result of a contraction in the value of imports from Rs. 158·1 million in 1959 to Rs. 95·8 million in 1960. The value of exports fell by a very small margin (Rs. 4·7 million). The fall in the value of imports was due to a marked reduction of food imports from the dollar area. Thus imports of rice, flour and " other food " declined by Rs. 24·6 million, Rs. 39·7 million and Rs. 11·3 million respectively. Earlier in 1959, imports of rice and flour had risen to high levels, as these were then made available under special assistance programmes. Imports of manufactures increased somewhat (by Rs. 6 million).

In 1960, Ceylon's trade with *European Economic Community* reflected the growing importance of this area as a source of imports. Imports from the E.E.C. have risen steadily from Rs. 50·8 million in 1950 to Rs. 197·2 million in 1960. Exports to this area, however, have not shown a consistent pattern. In 1960, the value of exports was Rs. 181·4 million and in 1950 Rs. 194·1 million, but during this period the value of exports rose steeply in 1951 (to Rs. 314·7 million) when heavy purchases of rubber were made at high prices. The decline (of Rs. 22·8 million) in the value of exports in 1960 as compared with 1959, was due to the reduction in the exports of coconut oil to Germany, which fell from Rs. 20·1 million in 1959 to Rs. 0·1 million in 1960.

Ceylon's trade with *China* is carried on under a trade and payments agreement. The protocol relating to the exchange of commodities between Ceylon and China in 1960 provided for the export of 17,000 metric tons of rubber and the import of 160,000 metric tons of rice. Each of these items was valued at Rs. 64 million. The protocol also provided for the export and import of additional items. The table below gives particulars of Ceylon's trade with China.

TABLE II—21

*Ceylon's Trade with China*

	Exports		Imports		Balance of trade (Rs. Mn.)
	Value (Rs. Mn.)	Percentage of total domestic exports	Value (Rs. Mn.)	Percentage of total imports	
1955 .. .. .	121	6.5	80	5.3	+41
1956 .. .. .	182	11.0	134	8.2	+48
1957 .. .. .	167	10.5	84	4.6	+83
1958 .. .. .	78	4.7	152	8.8	-74
1959 .. .. .	78	4.6	150	7.5	-72
1960 .. .. .	121	6.6	132	6.8	-12

Source : Ceylon Customs Returns.

In 1960 the value of exports (Rs. 120.6 million) was substantially higher than in 1959 (Rs. 77.7 million). This increase was due to greater exports of rubber in 1960 (38.9 thousand metric tons); in 1959 rubber exports amounted to only 23.7 thousand metric tons. Imports from China declined from Rs. 150.0 million in 1959 to Rs. 132.4 million in 1960. The decline was due largely to a fall in the amount of rice imported. Imports other than rice included textiles and certain foodstuffs. Imports of textiles from China have increased again in 1960 and now China is the third largest supplier of textiles to Ceylon ranking after Japan and India.

The Trade and Payments Agreements concluded with the U.S.S.R. and other *East European Countries* continued to operate during the year. In 1960, exports to these countries amounted to 3.0 per cent of Ceylon's total exports, and constituted predominantly of rubber which accounted for Rs. 47.8 million out of the total value of exports which amounted to Rs. 55.6 million. There was a notable increase in the purchase of rubber by the U.S.S.R. from Rs. 22.0 million in 1959 to Rs. 31.8 million in 1960. Rumania which had purchased no rubber in 1959 accounted for Rs. 14.8 million of rubber exports. Exports to other countries viz., Czechoslovakia, Bulgaria, Hungary and Poland were negligible. The value of imports from this area declined slightly (from Rs. 23.4 million in 1959 to Rs. 21.4 million in 1960). Imports from the U.S.S.R. increased somewhat. Eastern European countries continued to supply a very small proportion (1.1 per cent) of Ceylon's total import requirements.

TABLE II—22

*Trade with U.S.S.R. and Eastern Europe*

Year	Exports		Imports		Balance of trade
	Value (Rs. Mn.)	Percentage of total domestic exports	Value (Rs. Mn.)	Percentage of total imports	
1956 .. .. .	1.3	0.08	7.6	0.47	- 6.3
1957 .. .. .	6.5	0.41	9.9	0.55	- 3.4
1958 .. .. .	24.7	1.49	8.7	0.51	+16.0
1959 .. .. .	27.3	1.56	23.4	1.16	+ 3.9
1960 .. .. .	55.6	3.04	21.4	1.09	+34.2

Source : Ceylon Customs Returns.