

(B) FOREIGN TRADE***Overall Trends**

Table II B-1 gives aggregate data in regard to Ceylon's foreign trade.

TABLE II B-1
Foreign Trade, 1959-62

Period	Rupees Million			% Ratio of Exports to Imports
	Exports (f.o.b.)	Imports (c.i.f.)	Balance of Trade	
1959	1,754	2,005	-251	87
1960	1,832	1,960	-128	93
1961	1,733	1,703	+ 30	102
1962	1,808	1,660	+148	109

1. Including re-exports.

Source: Ceylon Customs Returns.

In 1962 the value of exports at Rs. 1,808 million increased by 4.3 per cent over the previous year, while the value of imports at Rs. 1,660 million reflected a decline of 2.5 per cent. The trade balance, which had shown a small surplus of Rs. 30 million in the previous year, consequently improved to Rs. 148 million. The ratio of imports covered by exports also improved from 102 per cent to 109 per cent during this year.

The increase in export receipts was accounted for wholly by an increase in the total volume of exports, the Central Bank's index of which rose to 115 from 107 in the previous year. Indeed, average export prices declined slightly in 1962, the Bank's index of these prices falling to 93 from 95 in 1961, thus continuing the downward trend which had set in in the latter year. The decline, however, was much less sharp than that experienced in 1961, when the index had declined by nine points from its level in the previous year.

Table II B-2 gives the composition of exports.

TABLE II B-2
Composition of Exports

Commodity	Value Rs. Mn.				Percentage of Total Exports			
	1959	1960	1961	1962	1959	1960	1961	1962
Tea	1046	1096	1115	1149	59.6	59.8	64.3	63.6
Rubber	298	378	260	290	17.0	20.7	15.0	16.0
3 major coconut products	244	184	202	227	13.9	10.0	11.7	12.6
Other domestic exports	104	117	104	100	6.0	6.4	6.0	5.5
Total domestic exports	1692	1775	1681	1766	96.5	96.9	97.0	97.7
Re-exports	62	57	52	42	3.5	3.1	3.0	2.3
Total	1754	1832	1733	1808	100.0	100.0	100.0	100.0

Source: Ceylon Customs Returns.

*The data in this section, unless otherwise indicated, are derived from the Ceylon Customs Returns.

Each of the three major export commodities contributed significantly to the increase in export receipts. Receipts from tea increased by Rs. 34 million and, as in the preceding years, this was accounted for entirely by the quantity exported, which expanded by 26 million pounds (6 per cent). In conformity with a trend that has been consistently in evidence since 1956 the average f.o.b. price of all teas continued to decline further in 1962, and, at Rs. 2.54 per pound, fell short of the previous year's level by as much as 8 cents per pound—the sharpest decline since 1958.

Receipts from rubber increased by Rs. 30 million. The quantity of rubber exported expanded by 27 million pounds (13.7 per cent) and accounted entirely for the increase in receipts, the average f.o.b. price per pound of rubber declining by 3 cents per pound as compared with the previous year.

Receipts from the three major coconut products increased by Rs. 25 million. An expansion in the total quantity exported by 12 per cent (the Central Bank's index of volume rising from 154 to 173, the highest point hitherto reached) accounted largely for this increase. The average price of these products rose by 2½ per cent as compared with the previous year, the Bank's index of these prices moving from 80 to 82.

Notwithstanding the measures adopted during July, September and October of the year to intensify quantitative import restrictions and extend the area of individual licensing control and also the widespread increases in import duties introduced during July and August, the value of aggregate imports declined only slightly (viz., by Rs. 43 million) as compared with the previous year. The volume of imports, according to the Central Bank's index of volume of all imports, increased by 1.1 per cent, the Bank's index rising by one point to 92. The separate indices for the major categories of imports show that, while investment goods and intermediate goods increased in volume by 13.7 per cent and 11.0 per cent respectively, the volume of consumer goods declined by 6.0 per cent. Within the consumer goods category, the sharpest decline was in the 'other consumer goods' group, viz., 8.2 per cent, while 'food and drink' and 'textiles' declined by 6.2 per cent and 1.3 per cent respectively.

The increase in volume was, however, more than offset by a decline in the average price of imports by 5.9 per cent, the Bank's index of this price falling to 95 from 101 in the previous year. Indeed, all three major categories of imports registered declines in price. The sharpest decline was in the case of investment goods, the separate index of which fell from 112 to 92 (17.9 per cent), while the declines in the case of intermediate goods and consumer goods were more moderate, viz., 4.5 per cent and 2.0 per cent respectively. Within the consumer goods category, the sharpest decline was in the price of 'textiles,' viz., 6.3 per cent, the 'food and drink' and 'other consumer goods' groups registering declines of 1.0 per cent and 4.2 per cent respectively.

Since the indices of export and import prices registered declines of approximately 2.1 per cent and 5.9 per cent respectively, the index of the terms of trade at 98 reflected an improvement of approximately 4.3 per cent.

Statistics of foreign trade are given in Tables 32 to 36 in Appendix II.

Exports

Tea

Table II B-3 gives data on production, exports and prices of tea.

TABLE II B-3
Tea-Production, Exports and Prices

Year	Production	Exports		Average Colombo Auction Price per lb.			
	Quantity	Quantity	F.o.b Price per lb.	High Grown	Medium Grown	Low Grown	All Teas
	Mn. lbs.	Mn. lbs.	Rs. cts.	Rs. cts.	Rs. cts.	Rs. cts.	Rs. cts.
1955	380	362	3.30	2.34	2.04	2.40	2.24
1956	376	348	3.00	2.50	1.96	1.88	2.16
1957	398	368	2.78	2.05	1.61	1.88	1.86
1958	413	411	2.75	2.11	1.51	1.48	1.73
1959	413	384	2.72	2.13	1.69	1.67	1.85
1960	435	410	2.67	2.03	1.75	1.83	1.88
1961	455	426	2.62	1.99	1.72	1.74	1.83
1962	467	452	2.54	2.02	1.61	1.56	1.75

Sources: *Ceylon Customs Returns,*
Colombo Tea Brokers' Association,
Administration Reports of Tea Controller.

In 1962 production of tea expanded by 12 million pounds or 2.6 per cent, a rate of growth that was less rapid than during the two preceding years. The volume of exports expanded much faster. Prices, however, continued to be unsatisfactory. The average price of all teas at the Colombo Auctions declined by 8 cents (4.4 per cent), a sharper fall than in the previous year. Indeed, with the exception of the last quarter of the year, when it was noticeably higher, the average price realized in each quarter was much lower than during the corresponding period of the previous year. However, the behaviour of prices of the three grades of tea was not uniform. The average price of high grown improved slightly by 3 cents (1.5 per cent) over the year. Prices reached a peak in March, fell steeply to June, rose somewhat rapidly to September, with the seasonal improvement in quality, and tailed off towards the end of the year. The average price of medium grown fell by 11 cents (6.4 per cent) over the year, while that of low grown fell even more sharply, viz., by 18 cents (10.3 per cent). The prices of these two grades of tea were depressed for the most part of the year. Two factors which contributed to this depression in price were the reduction in April, 1962 in the Indian export duty on tea from 44 naya paise per kilogram to 25 naya paise per kilogram, which appeared to affect adversely the prices of all but the best of Ceylon's teas, and the difficulties experienced in some of the Middle Eastern markets, e.g. Iran, particularly in regard to the necessity to expand trade with those countries on the basis of more or less strictly reciprocal deals. These prices, however, received a temporary stimulus during the last quarter, with the strike of Pakistani crews on the Brahmaputra river and, later, the tension caused by the Sino-Indian border dispute, factors which tended to disrupt the flow of North Indian teas to Calcutta.

The Sino-Indian dispute caused prices to advance in all the international markets towards the end of the year. In the London Auctions demand was strongest for the plain teas, the prices of which rose sharply. Medium teas were also in good demand but the advance in price was less sharp. The better quality Ceylon teas, however, were less affected by this dispute and generally followed quality. The average price of Ceylon teas at these auctions was even below the average price of all teas in some of the latter months of the year, a most unusual occurrence.

Provisional data indicate that while production in Ceylon and Africa increased during 1962, production in Northern India declined appreciably. Total imports into the United Kingdom increased slightly (by approximately 2 million pounds)* over the previous year. It is likely that the surplus of production available for carry over into 1963 will not be large. Nonetheless, from the standpoint of the Ceylon industry, quality must remain an important determinant of satisfactory prices.

Rubber

Table II B-4 gives data on production, exports and prices of rubber.

TABLE II B-4
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
1961	215	197	1.32	1.01
1962	229	224	1.29	0.98

Sources: *Administration Reports of the Rubber Controller,*
Ceylon Customs Returns,
Colombo Rubber Traders' Association.

Production of rubber, which had declined by 3 million pounds (1.4 per cent) in 1961, increased by 14 million pounds (6.5 per cent) in 1962. Exports increased faster in contrast to the sharp decline experienced during the previous year. The average Colombo market price for R.S.S. No. 1 rubber reached its lowest level since 1950, declining by 3 cents (3.0 per cent) over the previous year. The international market for rubber was for the most part characterized by dull conditions, although from time to time it reacted with nervousness and uncertainty to particular events including announcements regarding United States stockpile disposals and developments in the international political situation. Prices improved appreciably early in the year, due to the tension between the Dutch and Indonesians over West Irian (West New Guinea) and to sustained heavy purchases presumably by Russia. Thereafter, prices tended to decline steadily, and during the early part of June

*The Tea Market Report of the Tea Brokers' Association of London, dated February 1, 1963.

reached their lowest level since 1958. The slump in the United States stock markets, the easing of tension over Laos, the continuing uncertainty regarding stockpile disposals, and the increasing challenge posed by synthetic rubbers were all factors that influenced this situation. Prices improved noticeably during the last quarter, however, thanks largely to the crisis over Cuba and the Sino-Indian dispute. The improvement in prices, in fact, tended to outlive the tension caused by these events.

The big fact confronting the natural rubber industry is the prospect of intensified competition from the synthetic product in the years ahead. The increasing versatility of the new synthetic rubbers is undoubtedly reducing the area in which natural rubber has hitherto had a unique application. Competition, therefore, is likely to be the principal determinant of the relative shares of the two products in the future total demand for rubber. While price must constitute the foremost element of competition, other factors, such as uniformity and cleanliness of material and packing and presentation of product, are of considerable importance, and there appears to be growing evidence that in this regard natural rubber compares unfavourably with synthetic. Estimates made by the International Rubber Study Group indicate that during 1962 world production of synthetic rubber at 2,225,000 tons exceeded slightly world production of natural rubber, which amounted to 2,110,000 tons. World consumption of the former at 2,138,000 tons was, however, somewhat behind that of natural rubber, viz., 2,190,000 tons. Preliminary estimates also suggest that for 1963 world consumption as well as production of synthetic rubber are likely to exceed those of natural rubber. Indeed, consumption of natural rubber is expected to decline slightly as compared with 1962.*

Coconut Products

Table II B-5 gives data on exports and prices of the major coconut products.

TABLE II B-5

Major Coconut Products-Exports: Volumes and Prices

Year	Copra		Coconut Oil		Desiccated Coconut	
	Quantity Th. cwts.	F. O. B. Price Rs. per cwt.	Quantity Th. cwts.	F. O. B. Price Rs. per cwt.	Quantity Th. cwts.	F. O. B. Price Rs. per cwt.
1955 ..	1,367	41.90	1,945	58.26	1,157	47.36
1956 ..	1,155	42.43	1,698	58.42	1,275	50.86
1957 ..	695	47.95	1,081	62.80	978	56.08
1958 ..	554	52.97	887	69.80	1,135	63.72
1959 ..	852	60.52	1,389	84.41	1,050	71.45
1960 ..	583	55.23	1,110	71.83	1,099	65.23
1961 ..	1,100	43.47	1,837	58.16	967	49.23
1962 ..	1,448	40.74	2,043	54.97	981	57.23

Source : Ceylon Customs Returns.

*Natural Rubber News, December 1962, p. 1.

The volume of exports of copra and coconut oil, which had expanded by 88.7 per cent and 65.5 per cent respectively during 1961, continued to expand in 1962 though the respective rates of expansion (viz., 31.6 per cent and 11.2 per cent) slowed down considerably. The volume of exports of desiccated coconut showed a slight expansion of 14,000 cwts. (1.4 per cent) in contrast to the sharp decline experienced in the previous year. The price of copra improved fairly steadily during the early part of the year, but suffered a decline towards the middle of the year, due largely to the curtailment of import licences in India and an increase in the Indian import duty on this commodity as well as to the pressure of a seasonal increase in supplies. Prices recovered during the last quarter, as a result of anticipated short crops in some of the producing countries and a relative scarcity of supplies of coconut oil in world markets. The f.o.b. price of copra, however, declined by 6.3 per cent on the average as compared with the previous year. The price of coconut oil moved in general sympathy with that of copra, receiving a measure of support from the considerable local purchases made by China and the U.S.S.R. during the course of the year. The average f.o.b. price of coconut oil fell by 5.5 per cent over the previous year. The price of desiccated coconut, on the other hand, staged a sharp recovery from the depressed level that obtained during 1961, thanks partly to the efforts made both by the Government and the industry to ensure the enforcement of rigorous standards of hygiene in the production of this commodity. The average f.o.b. price of desiccated coconut rose by as much as 16.3 per cent over that of the previous year.

Sharp increases in world production of fats and oils during 1960/61 and 1961/62 and the stagnation of world net import requirements during that period were the principal causes of the general depression in the prices of vegetable oils, including coconut oil, that obtained in 1962. A further disconcerting factor in the recent years has been the increasing inroads made by fish oils, butter, lard and tallow into the total international market for fats and oils, particularly in the industrially advanced countries where the sale of some of these commodities has been often subsidized.

Imports

Table II B-6 gives a breakdown of selected imports by major categories and commodities or groups of commodities.

TABLE II B-6

**Selected Imports by Major Categories and Commodities
or Groups of Commodities, 1959-1962**

Description	Value Rs. Mn.				Percentage of Total Imports			
	1959	1960	1961	1962	1959	1960	1961	1962
1. Consumer Goods								
A. Food and Drink								
(i) Rice	283	242	217	195	14.1	12.3	12.7	11.7
(ii) Flour	106	65	70	71	5.3	3.3	4.1	4.3
(iii) Sugar	75	79	78	58	3.7	4.0	4.6	3.5
(iv) Milk and milk products	76	70	65	74	3.8	3.6	3.8	4.5
(v) Meat, fish and eggs	94	111	72	56	4.7	5.7	4.2	3.4
(vi) Gram, pulses and curry-stuffs	92	102	104	111	4.6	5.2	6.1	6.7
(vii) Other food	60	70	56	60	3.0	3.6	3.3	3.6
(viii) Drink and manufactured tobacco	14	14	9	5	0.7	0.7	0.5	0.3
B. Textiles (i.e. All items of textiles including clothing but excluding yarn and thread) ..	189	207	183	161	9.4	10.6	10.7	9.7
C. Other Consumer Goods								
(i) Motor cars	50	53	8	2	2.5	2.7	0.5	0.1
(ii) Watches	16	29	—	—	0.8	1.5	—	—
(iii) Radio receivers, complete	10	12	3	1	0.5	0.6	0.2	0.1
(iv) Rubber tyres and tubes	25	20	21	24	1.2	1.0	1.2	1.4
(v) Medicinal and pharmaceutical products	32	32	27	25	1.6	1.6	1.6	1.5
2. Intermediate Goods								
(i) Fertilisers	61	58	57	60	3.0	2.9	3.3	3.6
(ii) Petroleum products	132	118	126	125	6.6	6.0	7.4	7.5
(iii) Coal	11	17	9	9	0.5	0.9	0.5	0.5
(iv) Unmanufactured tobacco	11	11	13	10	0.5	0.6	0.8	0.6
(v) Yarn and thread	21	25	23	22	1.0	1.3	1.4	1.3
(vi) Paper and paperboard	34	39	33	32	1.7	2.0	1.9	1.9
(vii) Chemical elements and compounds	13	15	15	16	0.6	0.8	0.9	1.0
(viii) Dyeing, tanning and colouring materials	13	12	11	15	0.6	0.6	0.6	0.9
3. Investment Goods								
(i) Building materials	72	80	71	78	3.6	4.1	4.2	4.7
(ii) Transport equipment	36	25	23	16	1.7	1.3	1.4	1.0
(iii) Machinery and equipment	30	25	21	17	1.5	1.3	1.2	1.0
4. Total of Items Listed Above	1,556	1,531	1,315	1,243	77.6	78.1	77.2	74.9
5. Other Imports	449	429	388	417	22.4	21.9	22.8	25.1
6. Total Imports	2,005	1,960	1,703	1,660	100.0	100.0	100.0	100.0

Source: Ceylon Customs Returns.

The value of total imports in 1962 declined by Rs. 43 million or 2.5 per cent over the previous year. In the 'Food and Drink' group of the Consumer Goods category the value of the three major state imports of rice, flour and sugar, which are not subject to quantitative licensing control and which accounted for Rs. 324 million (19.5 per cent) of total imports, declined by Rs. 41 million or 11.2 per cent. The following data illustrate the change in regard to imports of these commodities:

				Quantity (Q)	= Th. Tons
				Value (V)	= Rs. Million
				Price, C & F (P)	= Rs. per Ton
		1961	1962	Absolute Change	Percentage Change
Rice—	Q	462	404	— 58	— 12.6
	V	217	195	— 22	— 10.1
	P	470.80	482.60	+ 11.80	+ 2.5
Flour—	Q	171	173	+ 2	+ 1.2
	V	70	71	+ 1	+ 1.4
	P	407.80	413.00	+ 5.20	+ 1.3
Sugar—	Q	200	168	— 32	— 16.0
	V	78	58	— 20	— 25.6
	P	387.40	346.20	— 41.20	— 10.6

Source: Ceylon Customs Returns.

Among the other items in this group, imports of 'meat, fish and eggs' and 'drink and manufactured tobacco' declined sharply by Rs. 16 million (22.2 per cent) and Rs. 4 million (44.4 per cent) respectively, while imports of 'milk and milk products' increased appreciably by Rs. 9 million (13.8 per cent). Imports of textiles other than yarn, which still account for a considerable proportion of total imports, declined by Rs. 22 million (12.0 per cent). In the 'Other Consumer Goods' group imports of motor cars and radio receivers, which continue to be subject to prohibitive restrictions, declined further from the already low levels of 1961. Imports of rubber tyres and tubes increased by Rs. 3 million (14.3 per cent), notwithstanding the fact that these were brought under individual import licensing control on July 26, 1962. In the category of 'Intermediate Goods' imports of 'dyeing, tanning and colouring materials' expanded sharply by Rs. 4 million (36.4 per cent), while imports of unmanufactured tobacco declined by Rs. 3 million (23.1 per cent). There were no significant changes, as compared with the previous year, in imports of fertilizers, petroleum products and coal, items which continued to be freely importable under Open General Licence. In the 'Investment Goods' category, there were rather sharp declines in imports of 'transport equipment' and 'machinery and equipment', viz., Rs. 7 million (30.4 per cent) and Rs. 4 million (19.0 per cent) respectively, while imports of 'building materials' rose by Rs. 7 million (9.9 per cent). Unspecified imports, falling within the residual category of 'Other Imports', increased by Rs. 29 million (7.5 per cent).

Pattern of Trade

Table 36 in Appendix 11 gives the pattern of trade by principal monetary areas and regions.

Of the major monetary areas, the Sterling Area continues to account for a little over one-half of both total exports and total imports. In 1962 these shares amounted to 55.7 per cent and 54.5 per cent respectively. Exports to the area at Rs. 983.8 million increased by Rs. 26.6 million, while imports from the area amounted to Rs. 905.1 million, a decrease of Rs. 50.7 million. The balance of trade with the area showed a surplus of Rs. 78.7 million, an improvement of Rs. 77.3 million over the previous year. Exports to the Dollar Area declined by Rs. 9.8 million to Rs. 237.9 million, exports of coconut oil declining by Rs. 10 million. Imports from the area declined more sharply, viz., by Rs. 48.1 million, to Rs. 62.0 million, due in the main to a decline in imports of sugar from Cuba by Rs. 31.3 million. The recurrent surplus of trade with this area amounted to Rs. 175.9 million, an improvement of Rs. 38.3 million over the previous year.

The Commonwealth's share of Ceylon's exports amounted to Rs. 940.7 million in 1962, increasing by Rs. 22.4 million in absolute terms over 1961. As a proportion of total exports, however, it declined slightly to 53.3 per cent from 54.6 per cent in the previous year. Imports from the Commonwealth declined by Rs. 61.6 million to Rs. 718.6 million in 1962. Their share in total imports also declined by 2.5 per

cent to 43.3 per cent. Ceylon's favourable balance of trade with the Commonwealth amounted to Rs. 222.1 million, an increase of Rs. 84.0 million over the previous year.

Exports to the European Economic Community increased by Rs. 7.8 million to Rs. 154.8 million, due in the main to exports of coconut oil which increased by Rs. 6.1 million to Rs. 27.2 million. The Community's share of total exports at 8.8 per cent showed little change as compared with the previous year. Imports from the Community amounted to Rs. 174.9 million, a decline of Rs. 4.1 million, while the Community's share of total imports at 10.5 per cent remained unchanged as compared with 1961. The adverse balance of trade with the Community improved by Rs. 11.9 million to Rs. 20.1 million. Exports to countries of the European Free Trade Association amounted to Rs. 544.6 million, an increase of Rs. 37.1 million over the previous year. Imports from these countries declined by Rs. 10 million to Rs. 391.6 million. The balance of trade showed a surplus of Rs. 153 million, an improvement of Rs. 47.1 million.

Exports to countries of the ECAFE region increased by Rs. 63.9 million to Rs. 293.9 million. The share of these countries in total exports amounted to 16.6 per cent, an increase of 3 per cent over the previous year. The three principal customers of the region, viz., China, India and Japan, accounted for 45.3 per cent, 21.5 per cent, and 12.0 per cent respectively of total exports to the region. Imports from the region amounted to Rs. 723.5 million, a decline of Rs. 9.1 million as compared with the previous year. There was little change, however, in the region's share of total imports, which amounted to 43.6 per cent. The three principal suppliers were Burma, Japan and India, which accounted for 26.1 per cent, 25.1 per cent and 22.5 per cent respectively of total imports from the region. Ceylon's trade with the region accounts for the largest adverse balance with any major region or monetary area. In 1962 this balance was of the order of Rs. 429.6 million, and represented an improvement of Rs. 73.0 million over the previous year.

There was a considerable expansion in Ceylon's trade with China in 1962 as compared with the previous year. The value of exports rose sharply by Rs. 50 million, while that of imports rose by Rs. 6 million. The increase in exports was accounted for almost wholly by exports of rubber, which increased by Rs. 56 million. Exports of copra declined by Rs. 7 million, while those of coconut oil were slightly higher than last year. The trade surplus at Rs. 92 million improved by Rs. 44 million as compared with the previous year.

The protocol for 1962, concluded in terms of the Trade and Payments Agreement with the People's Republic of China and providing the basis of trade between the two countries during the year, contained specific commitments for the sale of 31,000 metric tons of rubber to China and the purchase of 200,000 metric tons of rice from that country.

Table II B-7 gives data in regard to Ceylon's trade with China.

TABLE II B-7
Trade with China

Year	Exports		Imports*		Balance of Trade Rs. Mn.
	Value Rs. Mn.	Percentage of total domestic exports	Value Rs. Mn.	Percentage of total imports	
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
1961	83	4.9	35	2.0	+ 48
1962	133	7.5	41	2.5	+ 92

Source: Ceylon Customs Returns.

*Exclude rice of Burma origin supplied under the Trade and Payments Agreement with China.

Trade with the U.S.S.R. and other Eastern European countries also increased during 1962 as compared with the previous year. Exports increased by Rs. 8.7 million, while imports increased sharply by Rs. 38.5 million. The balance of trade with the region recorded a deficit of Rs. 3.2 million, the first deficit since 1958.

Table II B-8 gives data on Ceylon's trade with this region.

TABLE II B-8
Trade with U.S.S.R. and Eastern Europe*

Year	Exports		Imports		Balance of Trade Rs. mn.
	Value Rs. mn.	Percentage of total domestic exports	Value Rs. mn.	Percentage of total imports	
1956	1.3	0.08	8.0	0.49	— 6.7
1957	6.5	0.41	10.6	0.59	— 4.1
1958	24.7	1.49	9.2	0.54	+ 15.5
1959	28.4	1.68	23.8	1.19	+ 4.6
1960	58.1	3.27	21.8	1.11	+ 36.3
1961	78.4	4.67	51.8	3.04	+ 26.6
1962	87.1	4.93	90.3	5.44	— 3.2

Source: Ceylon Customs Returns.

*Bulgaria, Czechoslovakia, German Democratic Republic (Eastern Germany), Hungary, Poland, Rumania and Yugoslavia.

Ceylon's principal customers were the U.S.S.R. and Poland, which accounted for Rs. 36.5 million (41.9 per cent) and Rs. 32.0 million (36.7 per cent) respectively of total exports to the region. However, exports to the U.S.S.R. declined by Rs. 8.6 million as compared with the previous year. Exports of rubber to that country declined sharply by Rs. 35.4 million, while those of tea increased to Rs. 19.4 million from Rs. 1 million in 1961. The principal export to Poland was rubber, which increased by Rs. 13.5 million.

The U.S.S.R. and Poland were also the principal suppliers of goods, accounting for Rs. 34.0 million (37.7 per cent) and Rs. 27.3 million (30.2 per cent) respectively of total imports from the region. Imports from Czechoslovakia amounted to Rs. 12.1 million, and were more or less at the level of the previous year. Imports from the U.S.S.R. expanded sharply by Rs. 24.5 million. The principal factor in this expansion was the importation, for the first time from this source, of petroleum products to the value of Rs. 14.6 million. Imports from Poland increased by Rs. 3.1 million. Sugar accounted for Rs. 18.9 million and was, as in the case of the previous year, the principal import.

Ceylon's trade with China and the U.S.S.R. and other Eastern European countries was financed through bilateral clearing accounts, maintained in terms of the payments agreements concluded with those countries. The following table indicates the net aggregate quarterly position of these accounts and also of accounts in favour of the United Arab Republic, Syria and Iran, with which countries similar payments arrangements were in force:

TABLE II B-9
Bilateral Clearing Accounts

Net Aggregate Quarterly Position of Accounts, 1959-62

Rupees Million

Net Position at end	China, U.S.S.R. and other Eastern European countries 1		Middle East Countries ²		Total	
	Credit	Debit	Credit	Debit	Credit	Debit
1959 March ..	10.3				10.3	
June ..		4.5				4.5
September ..	22.2				22.2	
December ..		11.7				11.7
1960 March ..		18.9				18.9
June ..		2.6				2.6
September ..		13.3				13.3
December ..		26.5				26.5
1961 March ..		39.4				39.4
June ..		25.5		1.7		27.2
September ..	11.8			1.9	9.9	
December ..	10.6			5.4	5.2	
1962 March ..		6.9		7.0		13.9
June ..		42.8		10.7		53.5
September ..		22.3		10.8		33.1
December ..		7.3		5.4		12.7

Source: Central Bank of Ceylon.

1. Bulgaria, Czechoslovakia, German Democratic Republic (Eastern Germany), Hungary Poland and Rumania.
2. United Arab Republic, Iran and Syria.

Note:—Credit = Due from Ceylon.

Debit = Due to Ceylon.

Developments in Commercial Policy

Import Control

The year 1962 witnessed a further intensification of import restrictions, occasioned by the continuing balance of payments difficulties and the unsatisfactory position of external reserves. At the beginning of the year, imports subject to individual import licensing amounted to approximately Rs. 287 million in terms of imports during 1961 or 17 per cent of imports of that year.

The following table illustrates developments in import licensing control as a result of the principal measures adopted during the course of the year:

TABLE II B-10

Import Control

Coverage¹ of Individual Import Licensing Arrangements, 1962

	Value in Terms of Imports during				Absolute Change Rs. mn.
	1961		1962		
	Rs. mn.	% of Total Imports	Rs. mn.	% of Total Imports	
January 1, 1962					
Approximate coverage of restrictions as at beginning of year	287	17	205	12	-82
(a) Items other than textiles	246	14	168	10	-78
(b) Textiles ²	41	2	37	2	-4
February 8, 1962					
Import Control Notice No. 4/62—21 items including fruits preserved, barbed wire, paper printing, paper writing, French polish and towels	15	1	11	1	-4
July 26, 1962					
(i) Import Control Notice No. 28/62—Textiles of any description previously not under licence	165	10	146	9	-19
(ii) Import Control Notice No. 29/62—Rubber tyres and tubes	21	1	24	1	+3
September 15, 1962					
Import Control Notice No. 37/62—47 miscellaneous items including bakery products, cheese, margarine, ice-cream cones, floor tiles, electric lamps, bangles and beads, cigarette lighters and joss sticks	17	1	21	1	+4
Total coverage of restrictions prior to October 10, 1962	505	30	407	25	-98
October 10, 1962					
Import Control Notice No. 44/62. This Notice brings under individual licensing control all imports with the exception of the following, which continue to be under Open General Licence: (i) Foodstuffs, (ii) Petroleum, (iii) Fuel, (iv) Fertilizers and (v) Drugs included in Ceylon Hospitals' Formulary.					
Total coverage of restrictions as of October 10, 1962	811	48	807	49	-4

1. Calculation of coverage is necessarily approximate inasmuch as Customs data do not always lend themselves to identification of particular items of imports (often of relatively small magnitude or classified differently) selected for restriction.
2. The bulk of imports included in the category of textiles was not subject to individual licensing control, provided the unit price of imports did not exceed a specified value.

It will be seen that the range of imports covered by the restrictions that obtained prior to October 10, 1962, when all items of imports (with the exception of the five items of Foodstuffs, Petroleum, Fuel, Fertilizer and Drugs) were brought under individual licensing control, was, in terms of the value of 1961 imports, equivalent to approximately Rs. 505 million or 30 per cent of the value of imports of that year. In terms of 1962 imports the corresponding coverage was approximately Rs. 407 million or 25 per cent of total imports during the year. The value of imports covered by these restrictions was less by Rs. 98 million in 1962 than in the previous year. The restrictions introduced on October 10, 1962 increased sharply the area of coverage, which now amounted, in terms of 1961 and 1962 imports, to Rs. 811 million and Rs. 807 million respectively or 48% and 49% of the total value of imports of those respective years.

The measures adopted in July, September and October 1962, were estimated to effect an annual foreign exchange saving of approximately Rs. 100 million, and their full effect would no doubt be felt in 1963. In the absence of comprehensive data, it is difficult to assess with any great degree of accuracy their impact on actual imports during 1962. In the first place, quotas are not announced in respect of every item brought under individual licence. Secondly, Customs statistics do not always lend themselves to identification of the particular items (often of relatively small magnitude or differently classified) selected for quantitative restriction. There does, however, appear to be evidence that in the case of some of the items concerned, licensing action has been considerably offset by abnormally large orders for goods placed by importers in anticipation of restrictions.

Tariffs

Export Duties—With the exception of the duty on coconut poonac, which was increased from Rs. 25/- per ton to Rs. 75/- per ton with effect from October 18, 1962, no adjustments were made in the existing duties on export products. However, towards the close of the year the Government was giving active consideration to proposals for the introduction of a sliding scale of export duties for copra, coconut oil, desiccated coconut and fresh coconuts.¹

1. A sliding scale of export duties for these products was introduced on January 7, 1963. This scale, in terms of which duties are levied having regard to the average London c.i.f. price of Straits (i.e. Singapore) coconut oil as estimated and notified by the Principal Collector of Customs in respect of any week commencing on Monday, provides for the following minimum duties:—

Where estimated London c.i.f. price of Straits (i.e. Singapore) Coconut oil	Duty per ton of copra	Duty per ton of coconut oil	Duty per ton of desiccated coconut	Duty per 1000 fresh coconuts
	Rs. cts.	Rs. cts.	Rs. cts.	Rs. cts.
is below £65	115·00	nil	nil	28·75
is £65	115·00	nil	nil	28·75
is more than £65 but not more than £66	117·73	4·44	3·77	29·43

The maximum duties on these products, payable when the estimated c.i.f. price in question is £147 or more, are Rs. 462·30, Rs. 564·37, Rs. 479·26 and Rs. 115·58 respectively.

Import Duties—The budget proposals of July 26, 1962 included selective increases in import duties on a large number of items, the imports affected accounting for approximately Rs. 140 million of imports during 1961 or 8 per cent of the value of imports during that year. On August 3, 1962, following the withdrawal of the sales tax introduced a few days earlier, duties were increased by 20 per cent on all imports other than food for human consumption excluding drink, dangerous petroleum, kerosene oil, crude petroleum and those items which were affected by the increases announced on July 26, 1962. This increase affected imports which accounted for approximately Rs. 863 million of imports during 1961 or 51 per cent of that year's imports. Both increases were part of the corrective measures taken to curtail domestic monetary expansion and restrain demand, including the demand for imports.

On February 7, 1962, a concessionary flat rate of duty of $7\frac{1}{2}$ per cent Preferential and $17\frac{1}{2}$ per cent General was introduced on imports of "raw materials, industrial machinery and equipment, components, integral parts and parts thereof", which were certified by the Director of Development as being in his opinion essential for local industrial development.

Trade Agreements

The following trade agreements were concluded during the course of the year:

January 12, 1962—A payments arrangement was concluded with the German Democratic Republic (Eastern Germany) valid till April 22, 1963, but renewable thereafter for further periods of one year each. It provided for a reciprocal swing credit of £40,000.

February 16, 1962—A protocol was concluded to the Trade and Payments Agreement signed with the United Arab Republic on December 23, 1960. It provided, among other matters, for the deletion of the stipulations concerning the Syrian region in the original agreement and for a revised list of exports from the United Arab Republic. The amount of the reciprocal swing credit was also raised from £250,000 to £350,000.

February 18, 1962—Trade and payments agreements were concluded with Iran. In terms of the trade agreement Ceylon was to export to Iran tea to the value of £1,000,000 and to import from that country cummin seed, pulses, dried fruit and asphalt to the value of £500,000. The payments agreement provided for a reciprocal swing credit of £100,000. Both agreements were to be valid for one year from the date of ratification.

February 22, 1962—An agreement, effective from January 1, 1962, was concluded with the U.S.S.R. relating to mutual deliveries of goods during the period 1962-64. These deliveries would be effected in terms of the provisions of the Trade and Payments Agreement of February 8, 1958. The agreement was accompanied by an exchange of letters, which provided in principle for the establishment of a regular shipping service between the two countries.

February 23, 1962—Letters were exchanged with the Democratic People's Republic of Korea, providing for the development of trade relations between the two countries on the basis of reciprocal most-favoured-nation treatment. The arrangement was to be valid initially for one year, but contained provision for automatic extension for further periods of one year each.

May 16, 1962—Letters were exchanged with the Government of Italy, extending for a further period of one year the validity of the trade agreement concluded on April 23, 1957.

September 22, 1962—Letters were exchanged with the Government of the Union of Burma, providing for the importation from Burma during 1963 of 225,000 tons of rice and also a further 25,000 tons at Burma's option, in terms of the Trade Agreement of September 25, 1959. It was also agreed that Burma would increase its imports of Ceylonese products during this period.

October 3, 1962—A trade and payments agreement was concluded with the People's Republic of China for a period of five years beginning January 1, 1963, replacing the earlier agreement for a similar period which ceased to be valid at the end of 1962. The agreement provided for the conclusion, before the end of October each year, of a protocol specifying the commodities to be exchanged during the following year. The protocol for the year 1963, signed on the same date, envisaged exports from each country to the value of approximately Rs. 110 million, with specific commitments of 33,000 metric tons of rubber of an approximate value of Rs. 87 million, on the part of Ceylon, and of 200,000 metric tons of rice of approximately the same value, on the part of China. There was also signed on the same date an agreement on economic and technical co-operation between the two countries, which provided for the grant of economic and technical aid by China to the value of Rs. 50 million over five years beginning January 1, 1963. The grant would be given in the form of goods.

December 23, 1962—Letters were exchanged with the Government of India setting out arrangements for trade in items of special interest to the two countries during 1963. These arrangements included the supply by India, on a deferred payment basis and to a value of Rs. 50 million, of railway equipment, telephone equipment and such other approved capital goods as might be required by Ceylon.