

## (B) FOREIGN TRADE

## Overall Trends

Table II B-1 gives aggregate data in regard to Ceylon's foreign trade, as recorded in the Customs Returns.

TABLE II B-1  
Foreign Trade, 1959-1963

Year	Rupees Million			Percentage 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
1963 .. ..	1,731	1,500	+ 231	115

†Include re-exports.

Source : Ceylon Customs Returns.

In 1963 the value of exports amounted to Rs. 1,731 million, a decline of Rs. 77 million or 4.3 per cent as compared with the previous year. Imports during the year, however, declined much more sharply and at Rs. 1,500 million were Rs. 160 million or 9.6 per cent below their level in 1962. The balance of trade in 1963 thus recorded a very substantial improvement, viz., a surplus of Rs. 231 million as compared with a surplus of Rs. 148 million in the previous year. The ratio of imports covered by exports rose to 115 per cent, as compared with a ratio of 109 per cent for the previous year.

It must be emphasised that the situation depicted here is derived from the Customs data, which reflect the physical movement of exports and imports as recorded at the Customs when these goods are entered for export or import. There is no necessary correspondence, in point of time, between this movement of goods and the financial transactions it represents. Data in respect of these financial transactions are based on actual payments as reflected in the Exchange Control records, and, as would be evident from Section (H) on the Balance of Payments and External Assets, there could be considerable divergence between the position of the merchandise account as derived from these data and the position depicted above. The analysis in this section, unless otherwise indicated, is based on the Customs data<sup>1</sup>.

1. There could also be considerable differences between the physical movement of goods and their recorded movement, if Customs entries were not passed simultaneously with the clearance of goods or as expeditiously as possible thereafter. Such differences have been particularly pronounced in the case of Government imports (and especially food imports, which account for so large a proportion of total imports), in regard to which there is often a long interval between the clearance of goods and the passing of the relative entries. The elimination of this interval, or its reduction to negligible proportions, could enhance considerably the value of Customs data and their usefulness for purposes of economic analysis.

A factor of specific relevance to the situation in the year under review was the strike of certain grades of employees of the Port (Cargo) Corporation of Colombo, which began towards the middle of November and continued well into January 1964. In addition, certain employees of the Customs Department, both in Colombo and the other ports in the island, also went on strike during the first half of December 1963<sup>1</sup>. While labour engaged directly in the discharging and loading of import and export cargoes was barely affected by these strikes, it is evident that these strikes affected adversely the flow of exports and imports during the last two months of the year. The value of exports showed a decline of Rs. 46 million in December as compared to the average of the previous eleven months, which was more than could be accounted for on grounds of price, weather or seasonal factors. There can be little doubt that unsettled conditions in the Port of Colombo have had a deleterious effect on the country's economy.

Table II B-2 gives the composition of exports.

**TABLE II B-2**  
**Composition of Exports**

Commodity	Value Rupees Million				Percentage of Total Exports			
	1960	1961	1962	1963	1960	1961	1962	1963
Tea .. .. .	1096	1115	1149	1140	59.8	64.3	63.6	65.9
Rubber .. .. .	378	260	290	257	20.7	15.0	16.0	14.8
3 Major coconut products .. .. .	184	202	227	198	10.0	11.7	12.6	11.4
Other domestic exports .. .. .	117	104	100	110	6.4	6.0	5.5	6.4
Total domestic exports .. .. .	1775	1681	1766	1705	96.9	97.0	97.7	98.5
Re-exports .. .. .	57	52	42	26	3.1	3.0	2.3	1.5
<b>Total .. .. .</b>	<b>1832</b>	<b>1733</b>	<b>1808</b>	<b>1731</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Ceylon Customs Returns.

The decline in aggregate export earnings in 1963 is accounted for by a decline in the aggregate volume of exports, the Central Bank's index of which at 111 showed a fall of 3.5 per cent relative to the previous year. There was no change in the average price of exports, the Bank's index of this price remaining at the low level of 93 reached last year—the lowest for over a decade. Nevertheless, underlying these overall developments were variations of some importance in regard to the position of individual export commodities.

The decline in the volume of exports did not affect the principal foreign exchange earner, tea, exports of which expanded by 0.9 per cent. Receipts from tea, however, decreased by Rs. 9 million or 0.8 per cent. The average f.o.b. price of all teas continued to decline, though somewhat less sharply than during the previous year, and at Rs. 2.50 per pound was 4 cents or 1.6 per cent less than that year's level. The share of tea in total export receipts amounted to 65.9 per cent—a somewhat larger share than in the immediately preceding years.

1. On December 31, 1963 the entire membership of the Ceylon Mercantile Union struck work in support of the strikers of the Port (Cargo) Corporation.

Receipts from rubber declined by Rs. 33 million or 11.4 per cent as compared with the previous year. The quantity exported also declined, though less sharply, viz., by 6.7 per cent or 15 million pounds. The average f.o.b. price of all grades of rubber declined by 6 cents per pound or 4.7 per cent.

Receipts from the three major coconut products dropped by Rs. 29 million or 12.8 per cent. This decline is accounted for entirely by a fall in the aggregate volume of these exports, the Bank's index of which declined sharply to 136 from 173 in the previous year, a fall of 21.4 per cent. The average price of these products rose by 9.8 per cent, the Bank's index of this price rising to 90 from 82 in 1962, and offset the declines in the prices of tea and rubber.

Apart from changes arising out of possible delays in the registration of the Government's food imports, the decline in imports of the order of Rs. 160 million from their level of 1962 was substantially the result of the intensification of import licensing control. In addition to the influence of restrictions imposed during the course of 1963, the year witnessed the full impact of the severe restrictions introduced during the latter half of 1962, particularly those of July 26th, September 15th and October 10th. The Bank's index of the volume of all imports fell sharply to 79 from 92 in the previous year, a decline of 14.1 per cent. The separate indices for the various categories of imports show that the decline affected all such categories. The decline was 16.7 per cent in the 'consumer goods' group, while the declines in the 'intermediate goods' and 'investment goods' groups were 5.3 per cent and 19.8 per cent respectively. Within the 'consumer goods' group, the 'food and drink' sub-group recorded the smallest decline, viz., 5.6 per cent, while the 'textiles' and 'other consumer goods' sub-groups declined very sharply by 43.2 per cent and 44.4 per cent respectively.

The average price of imports rose by 10.5 per cent, the Bank's index of this price rising to 105 from 95 in the previous year. This development is in sharp contrast with the experience of 1962, when the average price of imports declined by 5.9 per cent, and indeed with that of the preceding three years, when this price barely showed any variation.

The Bank's indices for the various categories of imports show that all these categories were affected by the increase in prices. Of the three major groups, the 'consumer goods' group registered the largest increase, viz., 13.3 per cent. The 'intermediate goods' and 'investment goods' groups recorded increases of 1.2 per cent and 6.5 per cent respectively. Within the 'consumer goods' group, the constituent sub-groups showed even wider variations in price. While the price of 'food and drink' rose by 9.2 per cent and the price of 'textiles' showed no change, the price of 'other consumer goods' rose steeply by 37.0 per cent.

In contrast to an improvement of 4.3 per cent recorded in 1962, the year 1963 witnessed a very considerable deterioration in Ceylon's terms of trade. The Bank's index of the terms of trade declined by 9.2 per cent to 89 from 98 in the previous year—about the sharpest decline for a decade.

**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 Rs. per lb.			
	Quantity	Quantity	F.o.b. Price	High	Medium	Low	All
	Mn. lbs.	Mn. lbs.	Rs. per lb.	Grown	Grown	Grown	Teas
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
1963 .. ..	485	456	2.50	1.90	1.54	1.53	1.68

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

In 1963 tea production increased by 18 million pounds or 3.9 per cent, as compared to a rate of increase of 2.6 per cent during the previous year. Exports, however, expanded by only 4 million pounds (0.9 per cent). The rate of expansion compared unfavourably with that of 1962, viz., 6.1 per cent, and indeed with those of 1961 and 1960, viz., 3.9 per cent and 6.8 per cent respectively. Prices continued to be unsatisfactory, the average annual prices of all grades of tea sold at the Colombo Auctions declining by 7 cents per pound or 4 per cent as compared with 1962. This decline affected all the three principal grades of tea. High grown declined most, viz., by 12 cents per pound or 5.9 per cent, while medium grown and low grown declined by 7 cents per pound (4.3 per cent) and 3 cents per pound (1.9 per cent) respectively. The average price of high grown declined in every quarter of the year as compared with the corresponding quarter of 1962. Medium grown showed a modest improvement during the first quarter, but thereafter registered a progressive decline. Low grown appeared to have fared best, as compared with the corresponding quarters of the previous year, average quarterly prices improving slightly during the first half of the year, and declining less sharply during the second half than in the case of the other two grades. The fall in the average prices of each grade of tea in the third and fourth quarters of the year reflects in some measure the increasing pressure of local supplies as well as seasonal variations in quality. Nevertheless, there does appear to be evidence that the entry into the market of plain teas, of poor leaf appearance or unattractive liquor and not sufficiently well made, has also had on occasion a depressing effect on prices.

At the London Auctions the average price of Ceylon teas sold during the year, at 4s. 4.33d. per pound,<sup>1</sup> declined by 3.60d. or 6.4 per cent as compared with 1962, while the average price of North Indian teas sold at these auctions during the same period, at 4s. 7.70d. per pound, declined much more sharply, viz., by 4.90d. or 8.1 per cent. The average price realised on all teas amounted to 4s. 2.65d. per pound, and registered the least decline viz., 3.15d. or 5.9 per cent.

In the recent years the supply of, and demand for, tea have been in near balance in the international markets. In 1962 world supplies amounted to 1,637 million pounds.<sup>2</sup> World consumption accounted for 1,629 million pounds, leaving an excess of supplies over absorption of 8 million pounds. Complete production data in respect of 1963 are still not available, but the indications are that world production in this year will exceed that of 1962. There have been short-falls in production in North-East India and Indonesia, but these have been made good by increases in output in South India, Ceylon and (to a lesser extent) East Africa. Imports during the year into the United Kingdom, the principal consuming country, amounted to 563 million pounds,<sup>3</sup> an increase of 6 million pounds over 1962. It is likely that the excess of supplies over absorption will be larger in 1963 than in 1962 but, perhaps, not sufficiently large to upset the present broad equilibrium of supply and demand.

Nevertheless, viewed in long term perspective, the potential of production is undoubtedly increasing both in the traditionally tea producing countries of Asia and in the newly producing areas of East Africa and South America. Unless, therefore, world consumption keeps pace with increasing output the prospect of over-production, particularly of plain teas, may well be a factor of importance in the future. In these circumstances, if Ceylon is to maintain her position and competitiveness in the world's markets, concentration on productivity, in the sense only of low unit costs and high yields, may not by itself provide an adequate answer. Emphasis on quality and on good, well made teas, irrespective of the elevations at which they are produced, will also need to be an important objective.

### *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
1963 .. ..	231	209	1.23	0.93

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

1. Tea Market Report No. 604 of December 20, 1963 of the Tea Brokers' Association of London.
2. Supplement to Annual Bulletin of Statistics (June 1963) of International Tea Committee.
3. Tea Market Report No. 609 of January 31, 1964 of the Tea Brokers' Association of London.

Production of rubber during 1963 expanded by 2 million pounds or 0.9 per cent as compared with the previous year. This slight expansion, which compared unfavourably with the previous year's increase of 6.5 per cent, is in some measure due to adverse weather conditions which affected production, particularly during the latter half of the year. The quantity exported during the year, on the other hand, declined by 15 million pounds or 6.7 per cent. During 1962 this quantity had expanded by 13.7 per cent. In the Colombo market, the average price of R.S.S. No. 1 rubber for the year reached a low level of 93 cents per pound, the lowest after 1958. The decline in price over 1962 was 5 cents per pound or 5.1 per cent.

The Colombo rubber market was characterized by dull and depressed conditions for the most part of the year, with prices declining generally, though at times somewhat erratically, during the period. Particular events, however, tended to exert some influence on this general situation. The signing of the partial nuclear test ban treaty by the major powers towards the middle of the year did tend to ease prices. The reduction by 2 U.S. dollar cents per pound in the price of Cis-Polybutadiene synthetic rubber made at the end of April, and further reductions in the prices of two other synthetic rubbers announced in September of the year, also had a depressing effect on the price of natural rubber. On the other hand, certain other factors, viz., political tension between the newly established State of Malaysia and Indonesia and periodical Russian purchases of natural rubber in the primary markets, tended to strengthen otherwise sagging prices.

According to the latest available estimates<sup>1</sup> of the International Rubber Study Group world production of synthetic rubber, at 2,390,000 tons, has exceeded, for the second successive year, world production of natural rubber at 2,100,000 tons. These estimates suggest further that world consumption of synthetic rubber, at 2,317,500 tons, has also outpaced, for the first time, world consumption of natural rubber which is estimated at 2,200,000 tons. Moreover, with the increase in synthetic plant capacity in many of the industrialized countries in the wake of their expanding oil refining and petro-chemical industries, increasing quantities of the new stereo rubbers, substitutable for natural rubber in a wider range of applications than ever before, are being made available on a commercial scale to consumers in these countries.

The low prices realized for natural rubber in the international markets during the last three years and their relative stability, compared to the wide fluctuations of the past, are in large measure the outcome of this increasingly formidable competition from the synthetic product. Indeed, these tendencies are likely to gain greater momentum in the future and the price of natural rubber may even fall further, depending on the ability of producers of synthetic rubber to reduce their costs of production and effect further improvements in the technical properties of their product. Future prices may, nevertheless, well prove to be more stable, since factory output of synthetic rubber could, unlike in the case of the plantation product, be readily adjusted to changes in demand.

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1. International Rubber Digest, January 1964, page 98.

*Coconut Products*

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

**TABLE II B-5**  
**Major Coconut Products-Exports: Volume and Prices**

Year	Copra		Coconut Oil		Desiccated Coconut	
	Quantity Th. cwt.	F.o.b. Price Rs. per cwt.	Quantity Th. cwt.	F.o.b. Price Rs. per cwt.	Quantity Th. cwt.	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
1963 ..	862	45.55	1,621	61.04	967	62.09

*Source: Ceylon Customs Returns.*

As noted earlier, the aggregate volume of exports of the three major coconut products declined sharply during the year. This decline reflected a shortfall in coconut production, which was due in the main to adverse weather conditions. Exports of the three products were not uniformly affected, however. Copra suffered the sharpest decline, viz., 40.5 per cent (586,000 cwts.), while exports of coconut oil fell by 20.7 per cent (422,000 cwts.). The decline in exports of desiccated coconut was negligible, viz., 1.4 per cent (14,000 cwts.).

The prices of these three products showed a marked improvement over those of the previous year, the average f.o.b. prices per cwt. of copra, coconut oil and desiccated coconut rising by 11.8 per cent (Rs. 4.81), 11.0 per cent (Rs. 6.07) and 8.5 per cent (Rs. 4.86) respectively. In the Colombo market, both copra and coconut oil opened the year with a firm outlook and with prices well above those obtaining a year earlier. Indeed, prices in every quarter of the year continued to maintain this relative improvement, the reduced availability of supplies, as compared with the corresponding quarters of 1962, lending considerable support to prices. From September the prices of both commodities rose more sharply, this improvement lasting till about the end of the year, when prices tended to decline.

The year ended with Estate No. 1 copra realising an annual average price of Rs. 168.12 per candy, an improvement of Rs. 19.36 or 13.0 per cent over 1962. The average price of coconut oil for the year amounted to Rs. 1,028.74 per ton, an increase of Rs. 133.19 or 14.9 per cent over 1962.

These prices reflected the salient trends of supply and demand prevailing in the international markets for oilseeds, oils and fats. In the London market, Ceylon coconut oil realized an average c.i.f. price of £102.62 per ton for the year, representing an increase of £11.96 or 13.2 per cent as compared with 1962. In 1963 a very moderate decline in world production of soft oils, due to a drastic reduction in olive oil supplies in the Mediterranean region, led to a general firming of the prices of edible vegetable oils early during the year. There was an increase in European demand to compensate for the shortfall in olive oil production, and the price increase affected particularly soyabean oil, the major soft oil. However, prices tended to ease thereafter, with large and rising stocks of soyabean oil in the United States, heavy supplies of West African groundnuts, and unusually large exports of sunflower seed oil from the U.S.S.R. and of groundnut oil from India during the first half of the year. In the last quarter of the year the prices of most vegetable oils showed sharp increases, following speculation that the U.S.S.R.'s purchases of wheat in the United States would lead to purchases of vegetable oils as well, in view of the reported shortfall in sunflower seed and other oilseed production in the countries of the Eastern European bloc. The latter purchases failed to materialize, however, and prices reacted adversely towards the close of the year.

Particular factors also affected the supply of, and demand for, copra and coconut oil. The low level, for the most part of the year, of European stocks of these products (which had been run down considerably during 1962) helped sustain prices, especially in the wake of reports that adverse weather was affecting coconut production in the Philippines. The suspension, later in the year, of Indonesian exports of copra to Malaysia, and the consequent ban imposed by Malaysia on exports of copra and coconut oil, also had a favourable effect on prices. However, by the year-end there appeared to be evidence that the reports of adverse weather affecting production in the Philippines were being falsified by actual events, and that exports from that country had, in fact, increased during the closing months of the year. This fact, together with the rising level of European stocks, tended to depress prices.

## Imports

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

The decline in total imports during 1963 by Rs. 160 million or 9.6 per cent was much sharper than that of 1962, when imports fell by Rs. 43 million or 2.5 per cent. In the 'Food and Drink' group of the 'Consumer Goods' category, the aggregate value of the three major state imports of rice, flour and sugar, which



**TABLE II B-6**  
**Selected Imports of Major Categories and Commodities or Groups of Commodities, 1959-63**

	Value in Rupees Million					Percentage of Total Imports				
	1959	1960	1961	1962	1963	1959	1960	1961	1962	1963
<b>1. Consumer Goods</b> .. .. .	<b>1,136</b>	<b>1,110</b>	<b>908</b>	<b>848</b>	<b>752</b>	<b>56.7</b>	<b>56.6</b>	<b>53.3</b>	<b>51.1</b>	<b>50.1</b>
of which—										
A. Food and Drink .. .. .										
(i) Rice .. .. .	283	242	217	195	192	14.1	12.3	12.7	11.7	12.8
(ii) Flour .. .. .	106	65	70	71	60	5.3	3.3	4.1	4.3	4.0
(iii) Sugar .. .. .	75	79	78	58	71	3.7	4.0	4.6	3.5	4.7
(iv) Milk and milk products .. .. .	76	70	65	74	76	3.8	3.6	3.8	4.5	5.1
(v) Meat, fish and eggs .. .. .	94	111	72	56	62	4.7	5.7	4.2	3.4	4.1
(vi) Gram, pulses and currysuffs .. .. .	92	102	104	111	110	4.6	5.2	6.1	6.7	7.3
(vii) Drink and manufactured tobacco .. .. .	14	14	9	5	5	0.7	0.7	0.5	0.3	0.3
B. Textiles (i.e. all items of textiles including clothing but excluding yarn and thread) .. .. .	189	207	183	161	93	9.4	10.6	10.7	9.7	6.2
C. Other Consumer Goods .. .. .										
(i) Motor cars .. .. .	50	53	8	2	2	2.5	2.7	0.5	0.1	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	23	1.2	1.0	1.2	1.4	1.5
(v) Medicinal and pharmaceutical products .. .. .	32	32	27	25	21	1.6	1.6	1.6	1.5	1.4
<b>2. Intermediate Goods</b> .. .. .	<b>370</b>	<b>380</b>	<b>359</b>	<b>370</b>	<b>346</b>	<b>18.5</b>	<b>19.4</b>	<b>21.1</b>	<b>22.3</b>	<b>23.1</b>
of which—										
(i) Fertilizers .. .. .	61	58	57	60	68	3.0	2.9	3.3	3.6	4.5
(ii) Petroleum products .. .. .	132	118	126	125	117	6.6	6.0	7.4	7.5	7.8
(iii) Coal .. .. .	11	17	9	9	9	0.5	0.9	0.5	0.5	0.6
(iv) Unmanufactured tobacco .. .. .	11	11	13	10	6	0.5	0.6	0.8	0.6	0.4
(v) Yarn and thread .. .. .	21	25	23	22	13	1.0	1.3	1.4	1.3	0.9
(vi) Paper and paperboard .. .. .	34	39	33	32	27	1.7	2.0	1.9	1.9	1.8
(vii) Chemical elements and compounds .. .. .	13	15	15	16	15	0.6	0.8	0.9	1.0	1.0
(viii) Dyeing, tanning and colouring materials .. .. .	13	12	11	15	10	0.6	0.6	0.6	0.9	0.7
<b>3. Investment Goods*</b> .. .. .	<b>292</b>	<b>290</b>	<b>287</b>	<b>303</b>	<b>281</b>	<b>14.6</b>	<b>14.8</b>	<b>16.9</b>	<b>18.3</b>	<b>18.7</b>
of which—										
(i) Building materials .. .. .	74	83	76	90	67	3.7	4.2	4.5	5.4	4.5
(ii) Transport equipment .. .. .	114	102	97	91	101	5.7	5.2	5.7	5.5	6.7
(iii) Machinery and equipment .. .. .	87	89	104	110	108	4.3	4.5	6.1	6.6	7.2
<b>4. Total (Items 1, 2 and 3)</b> .. .. .	<b>1,798</b>	<b>1,780</b>	<b>1,554</b>	<b>1,521</b>	<b>1,379</b>	<b>89.7</b>	<b>90.8</b>	<b>91.2</b>	<b>91.6</b>	<b>91.9</b>
<b>5. Unclassified Imports</b> .. .. .	<b>207</b>	<b>180</b>	<b>150</b>	<b>139</b>	<b>121</b>	<b>10.3</b>	<b>9.2</b>	<b>8.8</b>	<b>8.4</b>	<b>8.1</b>
<b>6. Total Imports</b> .. .. .	<b>2,005</b>	<b>1,960</b>	<b>1,703</b>	<b>1,660</b>	<b>1,500</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

*Source: Ceylon Customs Returns.*

\* The data for the years 1959-1962 have been revised to conform to the increase in coverage of this category.

are not subject to import licensing control, amounted to Rs. 323 million<sup>1</sup> or 21.5 per cent of the year's imports, as compared to a ratio of 19.5 per cent for the previous year. These imports represented a slight decline of Rs. 1 million over the latter year. Of the other items in this group, imports of 'milk and milk products' recorded an increase of Rs. 2 million or 2.7 per cent, while 'meat, fish and eggs' increased more sharply, viz., by Rs. 6 million or 10.7 per cent. Imports of 'drink and manufactured tobacco' showed no change from the level of the previous year.

Among the other two groups of consumer goods, the most noteworthy development was the very sharp decline in imports of textiles, which fell by as much as Rs. 68 million or 42.2 per cent. Indeed, this was the sharpest decline recorded for any major commodity or group of commodities. As noted earlier, the volume of these imports declined by 43.2 per cent. The proportion of textiles to total imports dropped to 6.2 per cent from an average of 10.1 per cent for the preceding four years. It may also be mentioned that 1963 was the third successive year which had witnessed a reduction in the value of imports of textiles, the reductions during 1961 and 1962 being 11.6 per cent and 12.0 per cent respectively. The volume of imports during these latter years declined, according to the Bank's indices, by 12.8 per cent and 1.3 per cent respectively.

The aggregate value of Consumer Goods declined by Rs. 96 million or 11.3 per cent as compared with the previous year. Its share in total imports, which had shown a steady tendency to decline since 1959, decreased further during 1963. It amounted to 50.1 per cent as compared with 51.1 per cent in the previous year.

In the 'Intermediate Goods' category, the decline in imports of 'yarn and thread' matched more or less the rate of decline in imports of textiles, these imports declining by 40.9 per cent or Rs. 9 million. Other sharp declines in this category comprised 'dyeing, tanning and colouring materials' and 'unmanufactured tobacco', which declined by Rs. 5 million (33.3 per cent) and Rs. 4 million (40.0 per cent) respectively. Imports of 'paper and paperboard' and 'petroleum products' declined less sharply, viz., by Rs. 5 million (15.6 per cent) and Rs. 8 million (6.4 per cent) respectively. The only increase recorded in this category is that of 'fertilizers', imports of which increased by Rs. 8 million or 13.3 per cent.

The aggregate value of Intermediate Goods declined much less sharply than that of Consumer Goods, viz., by Rs. 24 million or 6.5 per cent. Its share in total imports continued its steady increase witnessed in the recent years, amounting to 23.1 per cent as compared with 22.3 per cent in 1962.

In the 'Investment Goods' category, imports of 'transport equipment' increased by Rs. 10 million (11.0 per cent), while imports of 'building materials' declined drastically by Rs. 23 million (25.6 per cent). 'Machinery and equipment' declined by Rs. 2 million or 1.8 per cent.

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1. As explained in Footnote 1 on page 45, there could be considerable differences between the Customs data on imports of rice, flour and sugar and the Government's actual imports of these commodities during the year. Further data on the prices and costs of these commodities are given in Section (G) on Government Finance.

The aggregate value of Investment Goods declined by Rs. 22 million or 7.3 per cent as compared with the previous year. Its share in total imports amounted to 18.7 per cent and was slightly larger than that of the previous year, viz., 18.3 per cent.

### Pattern of Trade

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

Of the major monetary areas, the Sterling Area continues to account for slightly over one half of Ceylon's foreign trade. Its share of Ceylon's exports at 58.1 per cent increased by 4.3 per cent over 1962. As a supplier of imports, its share amounted to 49.2 per cent or was lower than that of the previous year by 9.7 per cent. Exports to the area at Rs. 990.9 million increased by 0.7 per cent, while imports from the area at Rs. 738.4 million declined sharply by 18.4 per cent. The trade surplus with the area amounted to Rs. 252.5 million, a sharp increase of Rs. 173.8 million over the previous year. Exports to the Dollar Area at Rs. 222.6 million declined by 6.4 per cent, while imports from the area amounted to Rs. 71.2 million, an increase of 14.8 per cent. Ceylon's recurrent trade surplus with the area at Rs. 151.4 million declined by Rs. 24.5 million as compared with the previous year.

The Commonwealth's share of Ceylon's exports amounted to 54.5 per cent, an increase of 2.3 per cent over 1962. Its share of imports at 42.6 per cent declined by 1.6 per cent. Exports to the Commonwealth amounted to Rs. 929.4 million, declining slightly by 1.2 per cent. Imports from the Commonwealth, which amounted to Rs. 638.5 million, declined much more rapidly, viz., by 11.1 per cent. Ceylon's trade surplus with the Commonwealth amounted to Rs. 290.9 million, an increase of Rs. 68.8 million over 1962.

Exports to the European Economic Community amounted to Rs. 157.2 million, an increase of 1.6 per cent as compared with the previous year. Imports from the Community, which amounted to Rs. 166.4 million, showed a decline of 4.9 per cent. The Community's share of exports and imports at 9.2 per cent and 11.1 per cent respectively increased by 4.5 per cent and 5.7 per cent respectively. Ceylon's trade deficit with the Community, which amounted to Rs. 20.1 million in 1962, was reduced to Rs. 9.2 million during the year. Exports to countries of the European Free Trade Association at Rs. 532.7 million declined by 2.2 per cent as compared with the previous year. Imports from these countries, which amounted to Rs. 321.6 million, declined much more sharply, viz., by 17.9 per cent. Ceylon's balance of trade with these countries recorded a surplus of Rs. 211.1 million, an increase of Rs. 58.1 million over the previous year.

Exports to countries of the ECAGE region, which amounted to Rs. 235.7 million, declined sharply by 19.8 per cent, the region's share of exports also declining to 13.8 per cent from 16.6 per cent during the previous year. The three principal customers of the region, viz., China, India and Japan, accounted for 42.7 per cent, 21.3 per cent and 16.5 per cent respectively of total exports to the region. Imports from the region amounted to Rs. 627.6 million, a decline of 13.3 per cent as compared with the previous year. The region's share of imports, which had amounted to 43.6 per cent in 1962, declined to 41.8 per cent during the year. The three principal suppliers were India, Burma and Japan, which accounted for 23.8 per cent, 18.0

per cent and 15.9 per cent respectively of total imports from the region. Ceylon's traditional adverse trade balance with the region amounted to Rs. 391.9 million, an improvement of Rs. 37.7 million over 1962.

### *Trade with China*

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
1963 .. ..	101	5.9	138	9.2	- 37

*Source : Ceylon Customs Returns.*

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

While there was a considerable expansion in the turnover of Ceylon's trade with China, changes in its direction were much less favourable than during the preceding two years. Exports to China, which had expanded by Rs. 50 million in 1962, declined sharply by Rs. 32 million or 24.1 per cent from the level of that year. Imports, on the other hand, which had risen by Rs. 6 million in 1962, expanded by Rs. 97 million or 236.6 per cent during the year. The balance of trade showed a deficit of Rs. 37 million, as compared with a surplus of Rs. 92 million in the previous year.

The decline in exports was accounted for almost wholly by a fall in the receipts from rubber, which at Rs. 85.6 million were lower than those of the previous year by Rs. 30.1 million. The quantity of rubber exported during the year amounted to 65.2 million pounds (29,573 metric tons). The expansion in imports was in the main accounted for by rice, imports of which amounted to Rs. 77.2 million or were larger than those of the previous year by Rs. 64.2 million. The quantity of rice imported amounted to 3,250,894 cwts. (165,155 metric tons). Imports of textiles at Rs. 17.4 million increased by Rs. 11.9 million, while imports of sugar amounted to Rs. 9.4 million, an increase of Rs. 5.9 million.

The protocol for 1963, concluded in terms of the Trade and Payments Agreement with the People's Republic of China, provided for the sale of 33,000 metric tons of rubber to China, and for the purchase of 200,000 metric tons of rice from that country.

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

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	Trade Turnover	
	Value Rs. Mn.	Percentage of total domestic exports	Value Rs. Mn.	Percentage of total imports		Value Rs. Mn.	Percentage of total trade turnover
1956 ..	1.3	0.08	8.0	0.49	- 6.7	9.3	0.28
1957 ..	6.5	0.41	10.6	0.59	- 4.1	17.1	0.50
1958 ..	24.7	1.49	9.2	0.54	+ 15.5	33.9	1.01
1959 ..	28.4	1.68	23.8	1.19	+ 4.6	52.2	1.41
1960 ..	58.1	3.27	21.8	1.11	+ 36.3	79.9	2.14
1961 ..	78.4	4.67	51.8	3.04	+ 26.6	130.2	3.85
1962 ..	87.1	4.93	90.3	5.44	- 3.2	177.4	5.18
1963 ..	86.1	5.05	117.1	7.81	- 31.0	203.2	6.34

Source: Ceylon Customs Returns.

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

While Ceylon's exports to this region declined slightly by Rs. 1 million (1.1 per cent), imports from the region expanded sharply by Rs. 26.8 million (29.7 per cent), as compared with the previous year. The balance of trade with the region, which had shown a deficit of Rs. 3.2 million in 1962, worsened by a further Rs. 27.8 million.

During 1963 Ceylon's principal customers in the region were the U.S.S.R., Rumania and Poland, these countries accounting for Rs. 32.9 million (38.2 per cent), Rs. 23.3 million (27.1 per cent) and Rs. 21.5 million (25.0 per cent) respectively of total exports to the region. As in 1962, the two major exports to the U.S.S.R. were tea and coconut oil, which accounted for Rs. 19.1 million (58.1 per cent) and Rs. 11.0 million (33.4 per cent) of total exports to that country. Receipts from tea showed barely any variation from those of the previous year, while receipts from coconut oil expanded by 18.3 per cent. Exports of rubber at Rs. 22.8 million accounted for very nearly the whole of exports to Rumania. Rubber was also the major export to Poland, accounting for Rs. 19.2 million or 89.3 per cent of total exports to that country.

The U.S.S.R., Poland and Rumania were also the principal suppliers of goods, accounting for Rs. 60.4 million (51.6 per cent), Rs. 22.6 million (19.3 per cent) and Rs. 17.3 million (14.8 per cent) respectively of total imports from the region. Imports from Czechoslovakia amounted to Rs. 10.3 million. Imports of petroleum products from the U.S.S.R. were of the order of Rs. 27.0 million and represented 44.7 per cent of total imports from that country. These imports expanded by 84.9 per cent as compared with the previous year. The other major commodity imported from the U.S.S.R. was sugar, imports of which at Rs. 15.8 million expanded by Rs. 9.0 million (132.4 per cent). Sugar was the principal commodity supplied by Poland, Rumania and Czechoslovakia during the year. Imports of this commodity from Poland and Czechoslovakia at Rs. 10.4 million and Rs. 3.7 million respectively declined sharply by 45.0 per cent and 37.3 per cent respectively, while those from

Rumania at Rs. 11.7 million expanded by 80.0 per cent. Imports of petroleum products from the last mentioned source amounted to Rs. 4.7 million, an increase of Rs. 3.2 million (213.3 per cent) over the previous year.

A noteworthy feature of Ceylon's trade with the U.S.S.R. and Eastern Europe is its gradual increase since 1956, the growth of exports showing an even steadier tendency than that of imports over these years. The share of this region in Ceylon's total turnover of foreign trade has increased from 0.28 per cent in 1956 to 6.34 per cent in 1963.

### Bilateral Clearing Accounts

Table II B-9 gives the net aggregate quarterly position of bilateral clearing accounts maintained in terms of the payments agreements concluded by Ceylon with China, the U.S.S.R. and certain other countries in Eastern Europe and the Middle East.

**TABLE II B-9**  
**Bilateral Clearing Accounts**  
*Net Aggregate Quarterly Position of Accounts, 1959-63*

Rupees Million

Net Position at end	China, U.S.S.R. and other Eastern European countries <sup>1</sup>		Middle East Countries <sup>2</sup>		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
1963 March ..		0.2		2.7		2.9
June ..	12.2		0.6		12.8	
September ..		6.5	2.1			4.4
December ..	31.1		3.1		34.2	

*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*

As stated in the Bank's Annual Report for 1962, there was a considerable intensification of import restrictions during that year. In 1963 these restrictions were further intensified, the principal restrictions being those introduced on February 27th, April 18th and December 4th. Details of these restrictive measures, and also a quantitative estimation of their significance, are given in Table II B-10.

TABLE II B-10

## Import Control

Coverage\* of Individual Import Licensing Arrangements, 1963

	Value in Terms of Imports during						Change			
	1961		1962		1963		1962 over 1961		1963 over 1962	
	Rs. Mn.	As % of Total Imports	Rs. Mn.	As % of Total Imports	Rs. Mn.	As % of Total Imports	Abso-lute Rs. Mn.	%	Abso-lute Rs. Mn.	%
Approximate total coverage of restrictions as at beginning of 1963 .. .. .	811	48	807	49	648	43	- 4	- 1	-159	-20
February 27, 1963 .. .. .										
Import Control Notice No. 11/63—Diesel oil, furnace oil, gas oil and petroleum refined (including kerosene oil and motor spirits) .. .. .	116	7	111	7	99	7	- 5	- 4	- 12	-11
April 18, 1963 .. .. .										
Import Control Notice No. 17/63—Fish, fish products and fish preparations, tinned or canned .. .. .	9	1	19	1	3	...	+ 10	+ 111	- 16	-84
December 4, 1963 .. .. .										
Import Control Notice No. 42/63—Pitch, resin, petroleum asphalt, coke of petroleum and by-products, Coal, coke and patent fuel, Lubricating oils and greases, Mineral jelly and mineral waxes, Gas (manufactured), Fertilizers (crude) and Fertilizers (manufactured) .. .. .	78	5	84	5	99	7	+ 6	+ 8	+ 15	+ 18
Approximate total coverage of restrictions as at end of 1963 .. .. .	1,014	60	1,021	62	849	57	+ 7	+ 1	-172	-17

Sources: Ceylon Customs Returns,  
Import Control Notices.

\* 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.

The aggregate value of imports covered by these major restrictions introduced during the year, if measured in terms of 1962 imports, amounted to Rs. 214 million or 13 per cent of imports during that year. Their value in 1963 declined by Rs. 13 million to Rs. 201 million or 14 per cent of the year's imports. The value of imports covered by the totality of restrictions in force at the beginning of the year (i.e. prior to the restrictions introduced during the course of the year) amounted, in terms of 1962 imports, to Rs. 807 million or 49 per cent of that year's imports. In 1963 these imports declined to Rs. 648 million or 43 per cent of the year's imports, a reduction of Rs. 159 million as compared to the corresponding imports of the previous year. Thus by the end of the year the coverage of individual import licensing arrangements had extended to approximately 62 per cent of imports, if measured in terms of 1962 imports, and to 57 per cent, if measured in terms of imports during 1963. These imports, which had amounted to Rs. 1,021 million during 1962, declined to Rs. 849 million in 1963, a reduction of Rs. 172 million or 17 per cent.

In his Budget Speech of August 1, 1963 the Minister of Finance announced the introduction of a Foreign Exchange Budget for 1963/64 and outlined the proposed outlays on the main categories of imports during this period. On account of increases in the external prices of food, a revision of these allocations was announced on February 13, 1964 by the Minister of Finance in his statement to Parliament on that day.

### *Tariffs*

*Export Duties:*—On January 7, 1963, a sliding scale of export duties was introduced for copra, coconut oil, desiccated coconut and fresh nuts, details of which were given in the last year's Annual Report. In terms of that scale, the duties levied on these products are based on 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 each week.

On January 23, 1963 the duty on coconut poonac was increased from Rs. 75 per ton to Rs. 100 per ton. Towards the close of the year, viz., on December 20th, this duty was reduced to Rs. 50 per ton.

A concessionary rate of export duty of 33 cents per pound was introduced, with effect from April 10, 1963, on teas sold at the Colombo Auctions and stored at Colombo, and thereafter exported through the ports of Galle and Trincomalee.

With effect from October 7, 1963, the export duty on crude glycerine was reduced to Rs. 6.50 per 100 pounds.

*Import Duties:*—The import duty on raw cotton was abolished with effect from April 16, 1963.

With the introduction of the Budget for the financial year 1963/64, import duties were increased on a very wide range of imports and made effective from August 1, 1963. In the case of luxury or otherwise inessential goods duties were raised to very high levels, and were in many instances of the order of 200 per cent or 300 per cent. The goods affected included washing machines, refrigerators, floor-polishers, tape recorders, carpets and luxury bathroom fittings. The duty on super grade petrol was raised by 10 cents per gallon. In addition, certain duties were increased in order to afford protection to domestically produced import substitutes.



On the other hand, duties were reduced on certain goods which affected considerably the cost of living. The duty on specified cotton piecegoods was reduced from 18 per cent Preferential and 23 per cent General to 15 per cent and 20 per cent respectively, while the duty on cotton sarees was reduced from 45 per cent Preferential and 50 per cent General to 40 per cent and 45 per cent respectively. Similar reductions were made on certain items of artificial silk piecegoods. The duty on kerosene oil was reduced from 12 cents per gallon to 8 cents per gallon.

The increases in these duties, which were estimated to yield an additional revenue of Rs. 42 million, represented in the main part of the corrective measures taken to curtail excess demand in the economy, including the demand for imports.

### *Trade Agreements*

Trade or payments agreements were concluded with the following countries during the course of the year:—

**Australia:** By an exchange of letters which took place on January 2, 1963 the trade understanding with Australia, which was originally concluded in 1958, was extended for a period of two years from the beginning of 1963. This understanding provided for the purchase by the Government of Ceylon of at least 100,000 tons of Australian flour for each of the years 1963 and 1964. Australia, for her part, was to ensure that Ceylon's exports of tea, desiccated coconut, cottage industries' products and tobacco enjoyed fair commercial access to the Australian market.

**Iran:** A Trade Agreement was concluded on January 29, 1963 valid for a period of one year from February 18, 1963. This agreement provided for the export to Iran of black tea valued at £1 million, and for the importation from that country of goods of similar value, including cummin seed, dried fruits, pulses, asphalt and dried fish. An exchange of letters, which took place on the same date, provided specifically that the Government of Iran would authorise the importation of tea in two equal instalments of £500,000 each, authorisation for the second instalment to be issued automatically after actual importation of the first instalment. The Ceylon Government was to undertake the importation of Iranian goods up to a value of £600,000 in two instalments of £350,000 and £250,000, authorisation for the second instalment to be issued automatically after the importation by Iran of the first instalment of tea valued at £500,000.

A Payments Agreement, valid for one year, was also concluded on the same date for the purpose of facilitating the implementation of the provisions of the Trade Agreement. In terms of this agreement, specified transactions between the two countries were to be routed through clearing accounts, denominated in pounds sterling, to be established with the central banks of the two countries. The agreement also provided for a reciprocal swing credit of £100,000, and for the settlement of balances in excess of that amount in a mutually acceptable currency within a period of three months.

**Maldiv Islands:** A trade understanding, effective from the date of signature and valid up to the end of 1964, was concluded with the Maldiv Islands on March 6, 1963. One of the principal provisions of this understanding was the agreement of the Maldivian Government to make available to the Ceylon Government 3,000 tons of Maldiv fish annually at specified prices. The prices were to be open for

revision in 1963. The Ceylon Government, for its part, undertook to issue licences for export to the Maldives of specified quantities of certain goods, including onions, potatoes, petroleum products, medicinal preparations and certain other items of consumer goods. In addition, an exchange of letters, which took place on the same date, provided for the release on the part of Ceylon of limited amounts of foreign exchange for imports into the Maldivian Islands, and also for purposes of education, pilgrimage, and recruitment of technical personnel. Limited overdraft facilities through local commercial banks were also to be placed at the disposal of the Maldivian Government, these being subject to approval by the Ceylon Exchange Control.

**People's Republic of China:** A Protocol relating to the exchange of commodities for the year 1964, in terms of the Trade and Payments Agreement signed with the People's Republic of China on October 3, 1962, was signed on October 10, 1963. In terms of this protocol the two countries agreed to expand trade to an approximate value of Rs. 110 million either way. This agreement included specific undertakings for the purchase, on the part of China, of 35,000 metric tons of rubber of an approximate value of Rs. 95 million, and, on the part of Ceylon, of 200,000 metric tons of rice of like value.

**Burma:** A Trade Agreement, valid for a period of three years from January 1, 1964, was concluded with Burma on November 7, 1963. The Agreement listed in separate schedules the exports of the two countries, trade in which was to be promoted in accordance with the import, export and foreign exchange regulations in force from time to time in each country. It was also accompanied by an exchange of letters, in terms of which Ceylon agreed to purchase from Burma annually for a period of three years, commencing on January 1, 1964, a quantity of rice not less than 250,000 tons. The quantity, price and quality of rice in respect of each year were to be settled by mutual agreement before December 31st of the preceding year. It was also agreed that, during the currency of the agreement, the Government of the Union of Burma would take necessary steps to facilitate the importation into that country of Ceylon products of a minimum value of Rs. 17.5 million in respect of each year.

**Democratic People's Republic of Korea:** A Payments Agreement with the Democratic People's Republic of Korea was signed on December 6, 1963, valid for a period of one year but with provision for automatic extension unless terminated. In terms of this agreement, current payments between the two countries were to be routed through clearing accounts established at the central banks of the two countries. These accounts, which were to be non-interest bearing, were to be denominated in sterling.