

(B) FOREIGN TRADE

Overall Trends

Table II (B) I gives aggregate data on Ceylon's foreign trade, as recorded in the Customs Returns.

TABLE II (B) I

Foreign Trade, 1959-1964

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	1,490†	+ 241	116
1964 ..	1,876	1,975	- 99	95

Source: Ceylon Customs Returns

* Include re-exports

†. Revised figure of imports for 1963.

The value of Ceylon's exports during 1964 amounted to Rs. 1,876 million, increasing by Rs. 145 million or 8 per cent as compared with the previous year. The value of imports increased much more sharply, and at Rs. 1,975 million reached the second highest level ever recorded.¹ Notwithstanding the operation during the year of stringent import licensing control, these imports exceeded the previous year's by Rs. 485 million or 33 per cent. The balance of trade, as reflected in the Customs data, recorded a deficit of Rs. 99 million. This position contrasts sharply with that of the years 1963 and 1962, when sizeable surpluses of Rs. 241 million and Rs. 148 million respectively were recorded. The percentage ratio of exports to imports declined to 95 from 116 during the previous year.

¹ The magnitude of these imports, however, needs to be interpreted with an important reservation. As pointed out in the footnote on page 38 of the Annual Report for 1963, there could be considerable difference between the value of imports actually received and cleared from the Customs in any time period and their value as reflected in the Customs entries, from which Customs statistics are derived, if there was a significant interval between the clearance of goods and the passing of the relative Customs entries. This consideration has particular relevance to Government imports, and more specifically to imports of rice, flour and sugar, which account for a considerable proportion of aggregate imports. The following are comparative figures of the total value of imports of rice, flour and sugar during 1963 and 1964, based on Customs data and on imports actually received by the Food Commissioner during this period:-

	Imports Received by the Food Commissioner	Imports Reflected in Customs Returns	Rs. Million. Difference
1963	460	322	-138
1964	557	648	+ 91

Thus Customs data, while pointing to an under-valuation of imports by Rs. 138 million

The Annual Report for 1963 had occasion to refer to the unsettled conditions in the Port of Colombo, which appeared to have had adverse effects on the flow of exports and imports during the last two months of that year. It is necessary to record that there was a very appreciable improvement in these conditions during the course of 1964.¹ The volume of export cargo handled by this Port during the year increased by 140,873 shipping tons or 30 per cent and that of import cargo by 173,803 shipping tons or 9 per cent, as compared with the previous year. In response to this improvement certain liner conferences reduced the freight surcharges they impose on cargoes consigned to Colombo.²

during 1963, suggest their over-valuation by Rs. 91 million during 1964.

If aggregate imports for 1963 and 1964, as recorded in the Customs data, were adjusted to reflect the actual imports received by the Food Commissioner, the overall position would be as follows:-

	1963	1964	Rs. Million.
Exports	1,731	1,876	
Imports (adjusted)	<u>1,628</u>	<u>1,884</u>	
Balance of Trade	<u>+103</u>	<u>— 8</u>	

On this basis, therefore, the surplus of Rs. 241 million during 1963 reduces itself to Rs. 103 million, while the deficit of Rs. 99 million in 1964 contracts to Rs. 8 million.

1. This improvement is reflected in the following statistics of cargoes handled by the Port of Colombo:-

Import and Export Cargoes handled by the Port of Colombo

	1963	1964	Shipping Tons Change	
			Absolute	%
1st Quarter	653,384	650,674	- 2,710	...
2nd Quarter	588,572	690,937	+ 102,365	+ 17
3rd Quarter	608,535	719,905	+ 111,370	+ 18
4th Quarter	562,475	666,126	+ 103,651	+ 18
Year	2,412,966	2,727,642	+ 314,676	+ 13

Source: Port (Cargo) Corporation.

2. The following are particulars of the reductions made:-

(i) United Kingdom and Continent/Colombo Conference

July 6, 1964	—	Surcharge of 50 per cent of the basic freight rates was reduced to 40 per cent.
October 15, 1964	—	Surcharge was reduced to 30 per cent.
January 1, 1965	—	Surcharge was reduced to 20 per cent.

(ii) Australia and New Zealand/Colombo Conference

- (a) Australia
September 1, 1964 — Surcharge was reduced from 35 per cent to 25 per cent on imports consigned to Colombo, and to 10 per cent on imports consigned to other ports in Ceylon.
- (b) New Zealand
September 3, 1964 — Surcharge was reduced from 35 per cent to 25 per cent on imports consigned to Colombo, and to 10 per cent on imports consigned to Trincomalee.

Table II (B) 2 gives the composition of exports.

TABLE II (B) 2
Composition of Exports

Commodity	Value in Rupees Million					Percentage of Total Exports				
	1960	1961	1962	1963	1964	1960	1961	1962	1963	1964
Tea	1096	1115	1149	1140	1142	60	64	64	66	61
Rubber	378	260	290	257	290	21	15	16	15	15
3 Major coconut products	184	202	227	198	273	10	12	13	11	15
Other domestic exports ..	117	104	100	110	137	6	6	5	6	7
Total domestic exports ..	1775	1681	1766	1705	1842	97	97	98	98	98
Re-exports	57	52	42	26	34	3	3	2	2	2
Total	1832	1733	1808	1731	1876	100	100	100	100	100

Source: Ceylon Customs Returns

The increase in export earnings is accounted for by an expansion in the aggregate volume of exports, the Central Bank's index of which at 119 shows a rise of 7 per cent. There has been no change in the average price of exports. Indeed, although the prices of individual commodities have been subject to fluctuation, there has been little or no variation in the average price of all exports over the last 4 years. During this period this price has maintained a level which is the lowest for over a decade and around 9 per cent lower than the average level of the years 1957-1960.

The increase in export earnings has been shared by all the major sources of these earnings. However, in the case of tea, the principal foreign exchange earner, the increase has been negligible, viz., Rs. 2 million or 0.2 per cent. The share of tea in aggregate earnings has declined to 61 per cent from 66 per cent in the previous year. The volume of these exports has remained unchanged, while their average f.o.b. price at Rs. 2.51 per pound shows an increase of one cent per pound.

Earnings from rubber have increased by Rs. 33 million or 13 per cent. Their share in aggregate earnings has shown no variation from that of the previous year. The volume of exports of rubber has increased sharply by 21 per cent. The average f.o.b. price of all rubber has amounted to Rs. 1.15 per pound, a decline of 8 cents per pound over the previous year.

The greatest increase in earnings has been in respect of the three major coconut products, whose total value has increased by Rs. 75 million or 38 per cent. The share of these products in aggregate earnings has increased to 15 per cent from 11 per cent during the previous year. The aggregate volume of

exports of these products has shown a sharp expansion of 34 per cent. The average f.o.b. prices of coconut oil and copra have increased by 7 per cent and 4 per cent respectively, while that of desiccated coconut has declined by 4 per cent, as compared with the previous year.

Earnings from other domestic exports have increased in the aggregate by Rs. 27 million or 25 per cent, the value of exports of coir fibre and cinnamon at Rs. 57 million and Rs. 25 million respectively increasing by 36 per cent and 29 per cent respectively. The value of re-exports, which has been declining steadily from a level of Rs. 62 million in 1959, has at Rs. 34 million shown a significant increase of 31 per cent over 1963, re-exports of bunkers expanding by Rs. 6 million or 35 per cent.

As pointed out above, the sharp increase by Rs. 485 million in the value of aggregate imports to Rs. 1,975 million, reflected in the Customs records, needs to be interpreted with reservation. The Central Bank's index of aggregate import volume, also based on these records, has risen sharply during the year, and at 105 indicates a rise of 26 points over the previous year. The separate indices for the major categories of imports show that this expansion in volume is confined to consumer goods and investment goods, the index of the former rising by 36 points to 101 and of the latter rising by 11 points to 104. The index of intermediate goods has declined by one point to 123. Within the consumer goods category, the expansion has affected all three sub-groups, viz., 'food and drink', 'textiles' and 'other consumer goods', the separate indices of which at 125, 92 and 39 respectively have risen by 40, 50 and 14 points respectively.

In 1963 the average price of imports had risen by 11 per cent. This price continued to rise during 1964, though at a much less rapid rate, the Central Bank's index of this price at 107 rising by 2 points over the previous year. The separate price indices for the major categories of imports show that, while the index of consumer goods at 116 has risen by 5 points, the indices of intermediate goods and investment goods at 82 and 96 respectively have fallen by 4 and 2 points respectively. Within the consumer goods category, the index of 'food and drink' at 115 shows a rise of 8 points, and that of 'other consumer goods' at 129 a rise of 3 points. The index of 'textiles' at 101 shows a fall of 3 points.

In 1963 Ceylon's terms of trade had suffered a deterioration of the order of 9 per cent. The year 1964 saw a further deterioration in this relationship, the Central Bank's index of the terms of trade declining by 3 points to 86, a fall of 3 per cent.

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
1964	482	456	2.51	1.93	1.58	1.49	1.68

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

In 1964 tea production amounted to 482 million pounds, registering a slight decline of 3 million pounds or less than 1 per cent as compared with the all-time record of 485 million pounds produced in the previous year. This decline, however, did not affect the volume of exports, which at 456 million pounds remained at the level of 1963.

The average price of all grades of tea realised at the Colombo Auctions during the year amounted to Rs. 1.68 per pound or the same as that of the previous year, pointing to a halt, however temporary, in the steady decline in this price that has taken place since 1955. There were significant differences in the movements of prices of the individual grades, however. While the average price of high grown at Rs. 1.93 per pound rose by 3 cents per pound and that of medium grown at Rs. 1.58 per pound by 4 cents per pound, the average price of low grown declined by 4 cents per pound to Rs. 1.49 per pound. With the exception of the second quarter, the average prices of high grown showed increases in every quarter of the year as compared with the corresponding quarter of the previous year, the increase amounting to 8 cents per pound during the last quarter. Medium grown declined in price during the first half of the year, as compared with the corresponding period of the previous year, but recovered rather sharply during the second half, average prices during the last quarter of the year rising by as much as 22 cents per pound.

Movements in the prices of low grown, as also developments in the principal market for that grade of tea, merit particular comment. The following is a comparison of the average quarterly prices realised by low grown during the year with those obtaining in the previous year:-

Average Colombo Auction Prices of Low Grown Tea during 1963-1964

	Rs. per lb.	
	1963	1964
1st Quarter	1.60	1.61
2nd Quarter	1.60	1.58
3rd Quarter	1.44	1.38
4th Quarter	1.50	1.40

While there has been little variation in these prices during the first half of the year, prices during the 3rd and 4th quarters have fallen sharply by 6 cents per pound and 10 cents per pound respectively, as compared with the corresponding quarters of the previous year. The principal factors in this decline were developments which followed the nationalization, on August 8, 1964, of the tea import trade in Iraq, who was by far the largest single buyer of our teas in the Middle East accounting for well over one half of our total exports to that region. With effect from that date, the Purchasing Board of the Government of Iraq assumed sole responsibility for the importation of tea into that country. Purchases on account of Iraq at the Colombo Auctions virtually ceased almost immediately thereafter, only to be resumed in a modest way in the early part of December 1964, by which time the Iraqi Government Purchasing Board was in a position to introduce the new organizational arrangements that were to replace the established arrangements of the private trade. The suddenness with which these events overtook the local trade caused a severe dislocation in the flow of tea into Iraq during the last quarter of the year. At the time of nationalization of imports of tea in early August, local shippers reportedly held in their stores a quantity of approximately $5\frac{1}{2}$ to 6 million pounds of tea, purchased against outstanding contracts concluded with Iraqi buyers and awaiting immediate shipment to that country. This tea, however, could not be shipped pending the resolution of questions relating to the validity of these contracts. These, and indeed the whole future of our trade in tea with Iraq, were matters which received the attention of the Government as well as the private trade during the closing months of the year. Exports of tea to Iraq, which had averaged a monthly rate of 4.7 million pounds during the first nine months of the year, dwindled to 0.7 million pounds in October and virtually ceased altogether in the following month. The repercussions of these developments on the prices of low grown teas at the Colombo Auctions were no less severe, and prices of teas specifically suited for the Iraqi market (such as, for example, the leafy B.O.P. teas) fell far more precipitously during the final quarter of the year than was suggested by the average prices of all grades of low grown tea cited above. With the re-entry of Iraq into the Colombo Auctions at the sale of December 7th, purchases were made on a modest scale and prices began to show signs of gradual recovery. However, the end of the year saw no tangible evidence of a resumption of the normal flow of exports to that country.

At the London Auctions the prices of all teas generally fared better during 1964 than in the previous year. The average price of all grades of Ceylon tea sold at these auctions during the year amounted to 4sh. 5.85d. per pound, increasing by 1.52d. per pound over the previous year. The average price of South Indian teas at 3sh. 9.87d. per pound increased even more sharply by 2.52d. per pound. On the other hand, the average price of North Indian teas at 4sh 6.62d. per pound declined by 1.08d. per pound. The average price of all teas sold at these auctions amounted to 4sh. 3.45d. per pound, a modest increase of 0.80d. per pound.¹

In the recent years there has been an approximate balance between the total world supply and absorption of tea. Available estimates indicate that total world supply of tea during 1963 amounted to 1,630 million pounds, while total world absorption of tea reached 1,643 million pounds.² World consumption thus exceeded supplies by 13 million pounds during that year. Complete statistics in respect of 1964 are still not available, but provisional data point to an increase in production in the major producing countries of around 80 million pounds over 1963.³ Although there have been declines in production of 16 million pounds in South India and of 3 million pounds in Ceylon, these have been more than offset by a sharp increase in production of 68 million pounds in North-East India and increases of lesser magnitude in Pakistan, Indonesia and Africa. Imports in 1964 into the United Kingdom, the principal consumer and re-exporter of teas, have at 537 million pounds⁴ declined by 26 million pounds over the previous year, stocks at the end of the year at 151 million pounds declining by 18 million pounds as compared with the position a year earlier.⁵ Available evidence appears to point to the emergence of a surplus of world supplies over absorption during 1964, but its magnitude is not likely to be such as to disturb overmuch the broad equilibrium between supply and demand that has prevailed in the recent years.

Nevertheless, the long-term trends of production and consumption must give cause for some concern. Unless world consumption keeps abreast of the continuing increase in the potential of production in the traditionally tea producing countries as well as the newly producing countries of East Africa and South America, the outlook for tea, and particularly for its medium and plain grades, cannot be considered reassuring.

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1. Tea Market Report No. 653 dated December 30, 1964, of the Tea Brokers' Association of London.
 2. Annual Bulletin of Statistics of the International Tea Committee, June 1964, and Supplement, December, 1964.
 3. Investors' Guardian—Tea and Rubber Mail of January 1, 1965, page 27.
 4. Tea Market Report No. 658 dated February 5, 1965, of the Tea Brokers' Association of London.
 5. Tea Market Report No. 654 dated January 8, 1965, of the Tea Brokers' Association of London.

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 of 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
1964	246	253	1.15	0.90

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

Production of rubber, which had shown only a modest increase of 2 million pounds in 1963, expanded sharply during the year and at 246 million pounds exceeded the previous year's level by 15 million pounds or 7 per cent. Increasing yields from the replanted areas now coming into production and favourable weather combined to produce this increase in output. The volume of exports expanded much faster, and at 253 million pounds was 44 million pounds or 21 per cent higher than in 1963. In the Colombo market, the average price of RSS No. 1 rubber amounted to 90 cents per pound, a decline of 3 cents per pound as compared with the previous year.

The international market for natural rubber during 1964 was for the most part characterised by dull or sluggish conditions, with particular events, such as, for example, political tension in South East Asia or variations in the USSR's purchases of rubber in the primary markets, tending to exert some influence on prices. Prices during the year, though fluctuating within narrow limits, continued to reflect the downward long-term trend. Indeed, a dampening of short-term price fluctuations, in the background of an adverse long-term trend, has been a characteristic of the international market ever since the production of synthetic rubber came to exert a decisive influence. Another factor which had a depressing effect on prices was the sharp decline in the USSR's imports during the first eleven months of the year, when they amounted to no more than 137,000 tons¹ as compared to 287,500 tons during the same period of 1963.² The average spot price of RSS No. 1 rubber in the London market for the year amounted to 1sh. 8 5/12d. per pound, a decline of

1. Unless the contrary is stated, tons in this section of the Report refer to long tons.

2. Rubber Statistical Bulletin (of the International Rubber Study Group), December 1964, page 7.

1 1/3d. per pound as compared with 1963. The fall in price in the latter year had been fractionally higher, viz., 1 9/16d. per pound. In the Singapore market the average price of this grade amounted to 68.17 Straits cents per pound, a decline of 4.25 Straits cents per pound over 1963. In the latter year the fall in price had been, as in the London market, somewhat larger, viz., 5.78 Straits cents per pound.

According to the latest available estimates of the International Rubber Study Group,¹ world production of natural rubber during 1964 has amounted to 2,205,000 tons, representing an increase of 150,000 tons or 7 per cent over the previous year. World production of synthetic rubber at 2,755,000 tons has expanded twice as fast, viz., by 315,000 tons or 13 per cent. These estimates also point to a moderate excess of supply of natural rubber (including stockpile deliveries) over consumption of 80,000 tons during the year, as compared with a deficit of 72,500 tons during the previous year. The excess of supply over consumption has been much greater in the case of synthetic rubber, amounting to 115,000 tons and exceeding the previous year's level by 15,000 tons. Furthermore, of the total increase of 310,000 tons in world consumption of all rubber, synthetic rubber has accounted for as much as 300,000 tons or 97 per cent.

Synthetic rubber is making steady inroads into usages which hitherto have been the preserve of the natural product, and the year 1964 has witnessed not only further improvements in the quality of the new high grade synthetic rubbers but also an expansion in their output and reductions in price. New capacity continues to be established in many of the industrially advanced countries (and, indeed, in developing countries as well) more or less as an adjunct to their petro-chemical installations. Apart from this, there appears to be evidence of considerable surplus capacity in the already established plants manufacturing these new synthetic rubbers, the markets for which still await full exploitation. Furthermore, there has been a decline in the recent years in imports of natural rubber into the U S S R,² pointing to an increase in synthetic rubber production in that country as well. All these developments are likely to exert a downward pressure on the price of natural rubber in the coming years.

1. International Rubber Digest, December 1964, page 76.

2. Imports into the U S S R have declined as follows:—

1961	..	363,750 tons
1962	..	345,500 tons
1963	..	292,750 tons
1964	(11 months)	137,000 tons

Source: Rubber Statistical Bulletin (I.R.S.G.),
December 1964, page 7.

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	Volume				F.o.b. Price		
	Coconut oil	Copra	Desiccated coconut	Total (in terms of nut equivalent)	Coconut oil	Copra	Desiccated coconut
	Th. cwt.	Th. cwt.	Th. cwt.	Mn. nuts	Rs. per ton	Rs. per Candy*	Rs. per lb.
1955	1,945	1,367	1,157	1,531	1,156.20	209.50	0.42
1956	1,698	1,155	1,275	1,418	1,168.40	212.15	0.45
1957	1,081	695	978	950	1,256.00	239.75	0.50
1958	887	554	1,135	890	1,396.00	264.85	0.57
1959	1,389	852	1,050	1,140	1,688.20	302.60	0.64
1960	1,110	583	1,099	976	1,436.60	276.15	0.58
1961	1,837	1,100	967	1,355	1,163.20	217.35	0.44
1962	2,043	1,448	981	1,530	1,101.60	203.70	0.51
1963	1,621	862	967	1,208	1,220.80	227.75	0.55
1964	2,351	1,162	1,080	1,618	1,308.40	237.20	0.53

Source: Ceylon Customs Returns.

* 1 Candy = 5 cwts.

In 1963 the aggregate volume of exports of the three major coconut products had declined by 21 per cent, due in large part to a fall in coconut production which had been affected by adverse weather. During 1964 there was a recovery in production, and the aggregate volume of exports of these products at 1,618 million nuts showed a sharp expansion of 34 per cent over the previous year. While the volume of coconut oil exports expanded by 45 per cent, that of copra and desiccated coconut expanded less rapidly by 35 per cent and 12 per cent respectively.

During 1963 the average f.o.b. prices of coconut oil and copra had risen by 11 per cent and 12 per cent respectively. These prices rose further in 1964, though less rapidly, the former rising by 7 per cent and the latter by 4 per cent. In the case of desiccated coconut, however, the average f.o.b. price, which had risen by 8 per cent during 1963, showed a decline of 4 per cent. These changes reflected in broad terms the trends that prevailed in the Colombo market for these products. The prices of coconut oil in this market improved steadily throughout the year, average prices during each quarter being distinctly higher than those that obtained during the corresponding quarter of the previous year. The average price for the year amounted to Rs. 1,087.69 per ton, an increase of Rs. 58.95 per ton or 6 per cent over the previous year. The prices of copra, however, while moving in general sympathy with those of coconut oil, showed a less steady tendency. While during the first half of the year these prices were appreciably lower than those obtaining during the same period of 1963, during the second half they were distinctly higher than in the second half of the latter year. The average price for the year at Rs. 167.78 per candy showed little variation from the level of the previous year. The average price of desiccated coconut at 40 cents per pound

TABLE II B 6
Imports by Major Categories and Commodities or Groups of Commodities, 1959—64

	Value in Rupees Million						Percentage of Total Imports					
	1959	1960	1961	1962	1963	1964	1959	1960	1961	1962	1963	1964
1 Consumer Goods	1,203	1,195	972	906	781	1,263	60.0	61.0	57.1	54.6	52.4	63.9
of which —												
A. Food and Drink	800	752	672	630	629	1,008	39.9	38.4	39.5	38.0	42.2	51.0
(i) Rice	283	242	217	195	192	326	14.1	12.3	12.7	11.7	12.9	16.5
(ii) Flour	106	65	69	71	60	137	5.3	3.3	4.1	4.3	4.0	6.9
(iii) a. Sugar, refined	59	65	77	56	70	185	2.9	3.3	4.5	3.4	4.7	9.4
b. Sugar, other (i. e. sakkarai, jaggery and sugar candy)	16	14	1	2	3	2	0.8	0.7	0.1	0.1	0.2	0.1
(iv) Milk and milk products	78	72	66	76	77	94	3.9	3.7	3.9	4.6	5.2	4.8
(v) Meat, fish and eggs	99	115	77	62	65	74	4.9	5.9	4.5	3.7	4.4	3.7
(vi) Gram, pulses and currustuffs	94	113	113	117	112	139	4.7	5.8	6.6	7.0	7.5	7.0
(vii) Drink and manufactured tobacco	15	14	10	5	5	3	0.7	0.7	0.6	0.3	0.3	0.2
B. Textiles (including clothing)	179	196	172	149	83	165	8.9	10.0	10.1	9.0	5.6	8.4
C. Other Consumer Goods	224	247	128	127	69	90	11.2	12.6	7.5	7.7	4.6	4.6
(i) Motor cars	50	53	8	2	2	3	2.5	2.7	0.5	0.1	0.1	0.2
(ii) Watches and clocks	19	31	3	2	...	...	0.9	1.6	0.2	0.1	...	...
(iii) Radio receivers	10	12	3	1	...	...	0.5	0.6	0.2	0.1	...	...
(iv) Rubber tyres and tubes	9	9	7	8	5	4	0.4	0.5	0.4	0.5	0.3	0.2
(v) Medicinal and pharmaceutical products	32	32	27	25	20	26	1.6	1.6	1.6	1.5	1.3	1.3
2 Intermediate Goods	396	397	383	409	372	397	19.8	20.3	22.5	24.6	25.0	20.1
of which —												
(i) Fertilizers	61	58	57	60	68	78	3.0	3.0	3.3	3.6	4.6	3.9
(ii) Petroleum products	135	124	127	126	119	93	6.7	6.3	7.5	7.6	8.0	4.7
(iii) Coal	11	17	9	9	9	12	0.5	0.9	0.5	0.5	0.6	0.6
(iv) Chemical elements and compounds	26	28	27	33	32	37	1.3	1.4	1.6	2.0	2.1	1.9
(v) Dying, tanning and colouring materials	13	12	11	15	10	12	0.6	0.6	0.6	0.9	0.7	0.6
(vi) Tea and other chests	13	13	14	16	15	15	0.6	0.7	0.8	1.0	1.0	0.8
(vii) Paper and paperboard	31	35	32	32	27	35	1.5	1.8	1.9	1.9	1.8	1.8
(viii) Yarn and thread	21	25	23	22	13	22	1.0	1.3	1.4	1.3	0.9	1.1
(ix) Unmanufactured tobacco	11	11	12	10	9	7	0.5	0.6	0.7	0.6	0.6	0.4
3 Investment Goods	389	355	339	337	324	305	19.4	18.1	19.9	20.3	21.7	15.4
of which —												
(i) Building materials	88	100	89	100	77	93	4.4	5.1	5.2	6.0	5.2	4.7
(ii) Transport equipment	146	118	100	92	100	58	7.3	6.0	5.9	5.5	6.7	2.9
(iii) Machinery and equipment	134	119	138	133	138	145	6.7	6.1	8.1	8.0	9.3	7.3
4 Total (Items 1, 2 and 3)	1,988	1,947	1,694	1,652	1,477	1,965	99.2	99.3	99.5	99.5	99.1	99.5
5 Unclassified Imports	17	13	9	8	13	10	0.8	0.7	0.5	0.5	0.9	0.5
6 Total Imports	2,005	1,960	1,703	1,660	1,490	1,975	100.0	100.0	100.0	100.0	100.0	100.0

Note: With a view to improving their coverage, the data given for most of the items in the above table in respect of the years 1959—63 (and included in previous Annual Reports) have been considerably revised.

Source: Ceylon Customs Returns

declined by 4 cents per pound or 9 per cent as compared with the previous year. In the London market the average c.i.f. price of Ceylon coconut oil amounted to £107½ per ton, an increase of £ 5 per ton or 5 per cent over 1963.

The year 1964 was a boom year for edible oils in the international markets and, while the greatest gains were made by the soft oils (principally groundnut and soya bean oils), lauric oils, including coconut oil, also benefitted from the increased demand for these oils relative to available supplies. A scarcity of marine oils, the expected decline in the output of the 1964/65 Mediterranean olive crop, and India's suspension of groundnut oil exports from July 11, 1964 have been among the important factors contributing to a strengthening of prices.

Imports

Table II (B) 6 gives a breakdown of imports by major categories and commodities or groups of commodities, as reflected in the Customs Returns.

The sharp expansion in the value of imports by Rs. 485 million¹ or 33 per cent during 1964 contrasts with the experience of the previous year, when there was a sizeable decline in imports of Rs. 170 million or 10 per cent. This expansion in imports is concentrated in the category of 'consumer goods' imports, which have expanded by Rs. 482 million or 62 per cent as compared with the year 1963. The share of consumer goods in total imports has risen sharply to 64 per cent from an average of 55 per cent during the preceding three years. Imports of 'intermediate goods' have increased moderately by Rs. 25 million or 7 per cent, but their share of total imports at 20 per cent represents a fall of 5 percentage points over the previous year. Imports of 'investment goods', on the other hand, have fallen by Rs. 19 million or 6 per cent, while their share of total imports at 15 per cent is the lowest in recent years and considerably lower than that of the previous year, viz., 22 per cent.

In the 'consumer goods' category, imports of 'food and drink' have expanded by Rs. 379 million or 60 per cent, state imports of rice, flour and sugar alone accounting in the aggregate for Rs. 326 million of this increase. The share of imports of 'food and drink' in total imports amounts to 51 per cent, as compared with an average share of 40 per cent over the preceding five years. Imports of 'gram, pulses and curriystuffs' have risen by Rs. 27 million or 24 per cent, and of 'milk and milk products' by Rs. 17 million or 22 per cent.

Imports of rice, flour and sugar warrant more specific comment. As already pointed out above, there could be a difference of considerable magnitude in any year between the Customs recorded imports of these commodities and imports actually received by the Food Commissioner. The following data illustrate this difference in respect of the years 1963 and 1964:-

1. Attention is invited to the footnote on page 47.

Quantity ... (Q) = Th. tons
 Value ... (V) = Rs. million
 Average Unit Price, C & F (P) = Rs. per ton

	Food Commissioner's Data				Customs Data			
	1963	1964	Change		1963	1964	Change	
			Absolute	%			Absolute	%
Rice — Q	510	547	+ 37	+ 7.3	397	648	+251	+ 63.2
	250	283	+ 33	+13.2	192	326	+134	+ 69.8
	490.30	517.48	+ 27.18	+ 5.5	485.11	503.91	+ 18.80	+ 3.9
Flour* — V	206	225	+ 19	+ 9.2	137	308	+171	+124.8
	85	100	+ 15	+17.6	60	137	+ 77	+128.3
	414.06	442.57	+ 28.51	+ 6.9	436.96	445.82	+ 8.86	+ 2.0
Sugar — Q	199	208	+ 9	+ 4.5	138	220	+ 82	+ 59.4
	125	174	+ 49	+39.2	70	185	+115	+164.3
	627.70	836.21	+208.51	+33.2	507.52	842.13	+334.61	+ 65.9
Total value of rice, flour and sugar ..	460	557	+97	+ 21.1	322	648	+326	+101.2

Sources: Food Commissioner's Department,
 Ceylon Customs Returns.

- Food Commissioner's data on imports of flour in 1964 are provisional.

It will be seen from these data that the Customs records, while they under-state the Food Commissioner's actual imports during 1963 by Rs. 138 million, over-state them by Rs. 91 million during 1964. In other words, had the Customs data been in complete accord with the Food Commissioner's data, the total value of imports of rice, flour and sugar during 1964 would have been Rs. 557 million instead of Rs. 648 million, and would have risen by only 21 per cent over the previous year and not by 101 per cent as is suggested by the present Customs data. Accordingly, the impact of these imports on aggregate imports for the year would have been much less than is indicated by the Customs data. Furthermore, the lack of accord between these two sources of data affects quantum and price data as well. Thus while imports of rice, flour and sugar received by the Food Commissioner during 1964 have risen in volume over 1963 by 7 per cent, 9 per cent and 5 per cent respectively, the Customs data suggest that these have increased by 63 per cent, 125 per cent and 59 per cent respectively. The calculation of average unit prices for the year is also similarly affected, and is particularly so in regard to sugar. Thus while the Food Commissioner's imports show that his average c & f prices of rice and flour have risen by 6 per cent and 7 per cent respectively during 1964, the shipments recorded in the Customs data point to smaller increases of 4 per cent and 2 per cent respectively. On the other hand, while the average c & f price paid by the Food Commissioner for sugar has risen by 33 per cent, the Customs data suggest an increase of 66 per cent.

The higher average c & f prices paid by the Food Commissioner for imports received during 1964 are, of course, a factor that accounts for a part of the increase in the value of the year's aggregate imports. In fact, had prices

remained at the levels of 1963 the value of his imports of rice, flour and sugar would have been reduced by Rs. 15 million, Rs. 7 million and Rs. 43 million respectively, making a total reduction of Rs. 65 million.

As regards the other two groups of consumer goods, imports of 'textiles',¹ show an expansion of Rs. 82 million or 99 per cent. 'Other consumer goods' have expanded by Rs. 21 million or 30 per cent, of which Rs. 6 million represents an increase in imports of 'medicinal and pharmaceutical products' by 30 per cent.

In the 'intermediate goods' category, imports of fertilizers have expanded by Rs. 10 million or 15 per cent, the average c.i.f. unit price of these imports at Rs. 12.39 per cwt. rising by Rs. 1.76 per cwt. or 17 per cent over the previous year. Other significant increases include 'paper and paperbord', an increase of Rs. 8 million or 30 per cent, and 'yarn and thread', an increase of Rs. 9 million or 69 per cent. Imports of 'petroleum products,' according to Customs data, have recorded a significant decline of Rs. 26 million or 22 per cent. The average c.i.f. unit value of these imports at 42 cents per gallon has fallen by 8 cents per gallon or 16 per cent over the previous year.

In the 'investment goods' category, imports of 'building materials' and 'machinery and equipment' have expanded by Rs. 16 million or 21 per cent and Rs. 7 million or 5 per cent respectively. Imports of 'transport equipment', however, show a sharp contraction of Rs. 42 million or 42 per cent.

Pattern of Trade

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

During 1964 Ceylon's exports to all the principal monetary areas and regions showed increases in value of varying magnitude, with the exception of the Dollar Area, exports to which declined slightly. Imports from all these areas and regions increased in value.

Exports to the Sterling Area during the year at Rs. 1,019 million increased by Rs. 29 million or 3 per cent, but the area's share of Ceylon's total exports at 54 per cent declined by 5 per cent over the previous year. Imports from this area at Rs. 941 million increased much faster, viz., by Rs. 212 million or 29 per cent. However, the area's share of total imports at 48 per cent showed a slight decline of 3 per cent. The trade surplus with the area amounted to Rs. 79 million, a sharp decline of Rs. 184 million over the previous year. Exports to the Dollar Area at Rs. 220 million declined by Rs. 2 million or 1 per cent, while imports from the area at Rs. 77 million increased by Rs. 5 million or 8 per cent. The area's shares of total exports and imports at 12 per cent and 4 per cent respectively showed slight declines as compared with the previous year. The trade surplus with the area amounted to Rs. 144 million, a decline of Rs. 8 million over 1963.

1. Import quotas issued for the years 1963 and 1964 do not appear to warrant an expansion in imports of textiles of this magnitude between these years. Presumably, part of imports received during 1963 or scheduled to be received during that year is reflected in the Customs records of the following year.

Exports to the Commonwealth at Rs. 948 million increased by Rs. 19 million or 2 per cent, while imports at Rs. 746 million increased much more sharply, viz., by Rs. 118 million or 19 per cent. The shares of the Commonwealth in total exports and imports amounted to 51 per cent and 38 per cent respectively, the former declining by 6 per cent and the latter by 10 per cent, as compared with the previous year. Ceylon's trade surplus with the Commonwealth at Rs. 202 million showed a decline of Rs. 99 million.

Exports to the European Economic Community amounted to Rs. 168 million, increasing by Rs. 11 million or 7 per cent over the previous year. Imports from the Community at Rs. 230 million expanded more sharply, viz., by Rs. 63 million or 38 per cent. The Community's shares of total exports and imports at 9 per cent and 12 per cent respectively showed little variation from those of the previous year. The balance of trade with the Community, which had shown a deficit of Rs. 9 million in 1963, deteriorated further during the year, the deficit for the year amounting to Rs. 62 million. Exports to countries of the European Free Trade Association at Rs. 547 million increased by Rs. 14 million or 3 per cent, while imports at Rs. 364 million increased more sharply by Rs. 53 million or 17 per cent. The balance of trade with these countries recorded a surplus of Rs. 182 million, a decline of Rs. 39 million over the previous year.

Exports to countries of the ECAFE region (which now includes Australia, New Zealand and Western Samoa) amounted to Rs. 428 million, while imports from the region amounted to Rs. 967 million. The region accounted for 23 per cent of Ceylon's total exports and 49 per cent of total imports. The balance of trade with the region recorded a deficit of Rs. 539 million for the year.

Trade with China

Table II (B) 7 gives data on Ceylon's trade with China.

TABLE II (B) 7
Trade with China

Year	Exports		Imports *		Balance of Trade
	Value	Percentage of total domestic exports	Value	Percentage of total imports	
	Rs. mn.		Rs. mn.		Rs. mn.
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
1964	122	6.6	204	10.3	- 82

Source: Ceylon Customs Returns.

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

During 1964 there was an appreciable increase in the turnover of Ceylon's trade with China, exports during the year increasing by Rs. 21 million or 21 per cent and imports much faster, viz., by Rs. 66 million or 48 per cent. The trade deficit, which in 1963 had amounted to Rs. 37 million, consequently widened to Rs. 82 million.

Rubber continued to be the principal export to China, exports during the year at Rs. 93.5 million increasing by Rs. 7.9 million or 9 per cent over 1963. The quantity of rubber exported amounted to 72.9 million pounds (33,055 metric tons). Exports of coconut oil amounted to Rs. 20.8 million, an increase of Rs. 5.8 million or 39 per cent over the previous year. A new item of export during the year was tea, a quantity of 3.6 million pounds of a value of Rs. 7.5 million being shipped during this period. The principal import commodity continued to be rice, imports during 1964 amounting to Rs. 130.4 million, an increase of Rs. 53.2 million or 69 per cent over the previous year. Imports of textiles, another major item of imports in the recent period, showed a sharp expansion at Rs. 43.5 million. These increased by Rs. 24.7 million (131 per cent) over 1963. Imports of sugar amounted to Rs. 18.9 million, an increase of Rs. 9.5 million (101 per cent).

The protocol for 1964, concluded in terms of the Trade and Payments Agreement with China, provided for the sale of 35,000 metric tons of sheet rubber to China and the purchase of 200,000 metric tons of rice from that country.

Trade with the USSR and Eastern Europe.

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

TABLE II (B) 8
Trade with USSR and Eastern Europe*

Year	Exports		Imports		Balance of Trade Rs. mn.	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	0.1	8.0	0.5	- 6.7	9.3	0.3
1957 ..	6.5	0.4	10.6	0.6	- 4.1	17.1	0.5
1958 ..	24.7	1.5	9.2	0.5	+15.5	33.9	1.0
1959 ..	28.4	1.7	23.8	1.2	+ 4.6	52.2	1.4
1960 ..	58.1	3.3	21.8	1.1	+36.3	79.9	2.1
1961 ..	78.4	4.7	51.8	3.0	+26.6	130.2	3.9
1962 ..	87.1	4.9	90.3	5.4	- 3.2	177.4	5.2
1963 ..	86.1	5.1	117.1	7.8	-31.0	203.2	6.3
1964 ..	159.4	8.7	158.2	8.0	+ 1.2	317.6	8.3

Source: Ceylon Customs Returns.

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

The year 1964 saw a significant expansion of Ceylon's trade with the U S S R and Eastern Europe, exports to the region rising sharply by Rs. 73.3 million or 85 per cent as compared with the previous year. Imports from the region also rose, though less steeply, by Rs. 41.1 million or 35 per cent. Ceylon's balance of trade with the region, which during the years 1962 and 1963 had recorded deficits of Rs. 3.2 million and Rs. 31.0 million respectively, showed considerable improvement with a surplus of Rs. 1.2 million.

During 1964 the U S S R continued to improve its position as Ceylon's principal customer of the region, accounting for Rs. 101.0 million or 63 per cent of total exports to the region. Exports to that country expanded by Rs. 68.1 million (207 per cent) during the year, a factor which accounted in very large measure for the sharp expansion in total exports to the region. The expansion in exports to the U S S R was in the main due to a very sharp increase in exports of rubber, which amounted to Rs. 49.1 million (as compared with exports of Rs. 0.5 million in 1963) and constituted the principal export for the year. Exports of tea at Rs. 33.2 million increased by Rs. 14.1 million (74 per cent), while those of coconut oil at Rs. 17.1 million increased by Rs. 6.1 million (55 per cent). Exports to Poland, which amounted to Rs. 31.3 million or 20 per cent of total exports to the region, increased by Rs. 9.8 million (46 per cent). As in the previous years rubber was the principal export, accounting for Rs. 25.7 million and increasing by Rs. 6.5 million (34 per cent) over the previous year. Exports to the German Democratic Republic increased sharply by Rs. 10.2 million (537 per cent) to Rs. 12.1 million or 8 per cent of total exports to the region. Exports of coconut oil amounted to Rs. 8.6 million, an increase of Rs. 7.4 million over the previous year. Exports to Rumania, which had amounted to Rs. 23.3 million in 1963, declined very sharply to Rs. 1.7 million.

The U S S R, Poland and Czechoslovakia were the principal suppliers of imports during the year, accounting for Rs. 68.8 million (43 per cent), Rs. 45.5 million (29 per cent) and Rs. 20.6 million (13 per cent) respectively of total imports from the region. Imports from the German Democratic Republic amounted to Rs. 9.2 million. As in the previous year, petroleum products constituted the principal import from the U S S R. Imports of these products amounted to Rs. 42.2 million, increasing by Rs. 15.2 million (56 per cent) over the previous year. These imports represented 61 per cent of total imports from that country and 45 per cent of imports of these products from all sources. Imports of tea chests at Rs. 7.6 million increased by Rs. 3.9 million (105 per cent) and accounted for 51 per cent of supplies of this commodity from all sources. Sugar represented the principal import from Poland, Czechoslovakia and the German Democratic Republic, accounting for Rs. 31.4 million (69 per cent), Rs. 11.8 million (57 per cent) and Rs. 3.3 million (36 per cent) respectively of total imports from those countries.

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—1964.

Rupees Million

Net position at end	China, U S S R and other Eastern European Countries *		Middle East countries **		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	—
1964 March	52.3	—	—	0.3	52.0	—
June	58.4	—	2.4	—	60.8	—
September	59.1	—	—	1.9	57.2	—
December	57.0	—	—	5.5	51.5	—

Source: Central Bank of Ceylon.

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

** United Arab Republic, Iran and Syria.

Note: Credit = Due from Ceylon.

Debit = Due to Ceylon.

Developments in Commercial Policy

Import Control

The year 1963 had witnessed a very considerable intensification of import licensing restrictions. These restrictions were further intensified during the course of 1964 and by December 15th of the year, when imports of drugs were brought under individual import licence, the system of open general licenses ceased to operate altogether. This meant that, with the exception of a few residual items of negligible importance, the incidence of individual import licensing restrictions extended to the entire range of private sector imports. Details of the more important restrictive measures introduced during the year, and also a quantitative estimation of their incidence, are given in Table II (B) 10.

TABLE II (B) 10
Import Control

Coverage of Individual Import Licensing Arrangements, 1964

	Value in Terms of Imports during								Change					
	1961		1962		1963		1964		1962 over 1961		1963 over 1962		1964 over 1963	
	Rs. mn	As % of Total Imports	Rs. mn	As % of Total Imports	Rs. mn	As % of Total Imports	Rs. mn	As % of Total Imports	Absolute Rs. mn	%	Absolute Rs. mn	%	Absolute Rs. mn	%
Approximate total coverage of restrictions as at beginning of 1964 ..	1,014	59.5	1,021	61.5	849	57.0	944	47.8	+7	+0.7	-172	-16.8	+95	+11.2
August 13, 1964														
Import Control Notice No. 15/64—Miscellaneous items of food, including poultry, natural honey, macaroni, spaghetti & vermicelli, edible nuts, dried fruits, vegetables dried, palmyrah sugar candy and feeding stuffs for animals	2	0.1	2	0.1	5	0.3	4	0.2	—	—	+3	+150.0	-1	-20.0
August 25, 1964														
Import Control Notices Nos. 16/64 and 17/64—Milk and milk products (including infants and invalids foods), butter and other dairy products	65	3.8	77	4.6	78	5.2	94	4.8	+12	+18.5	+1	+1.3	+16	+20.5
November 10, 1964														
Import Control Notice No. 21/64—Chillies (dried) and potatoes	53	3.1	59	3.6	64	4.3	72	3.6	+6	+11.3	+5	+8.5	+8	+12.5
November 25, 1964														
Import Control Notice No. 22/64—Items Nos. 1-42 of licensing schedule No. 1 that were not previously subject to individual import licence, including beans, peas, pulses, currysuffs, malt, hops and garlic	60	3.5	60	3.6	53	3.6	68	3.4	—	—	-7	-11.7	+15	+28.3
December 15, 1964														
Import Control Notice No. 25/64—Drugs	28	1.6	26	1.6	23	1.5	27	1.4	-2	-7.1	-3	-11.5	+4	+17.4
Approximate total coverage of restrictions as at end of 1964	1,222	71.7	1,245	75.0	1,072	71.9	1,209	61.2	+23	+1.9	-173	-13.9	+137	+12.8

Sources: Import Control Notices, Ceylon Customs Returns.

N. B.—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 term of 1963 imports, amounted to Rs. 223 million or 15 per cent of imports during that year. The value of these imports increased in 1964 by Rs. 42 million to Rs. 265 million, but their share of total imports during the year declined to 13 per cent. The value of imports covered by the totality of restrictions in force at the end of year amounted, in terms of 1963 imports, to Rs. 1,072 million or 72 per cent of that year's imports. The value of these imports increased by Rs. 137 million to Rs. 1,209 million during 1964, but their share of total imports of the year declined to 61 per cent.

In his Budget Speech of July 30, 1964 the Minister of Finance announced a revision of the import allocations made in the Foreign Exchange Budget for 1964. In terms of that revision, total import allocations for the year amounted to Rs. 1,846 million, of which Rs. 1,020 million (comprising the Government's direct food and non-food imports of Rs. 775 million and Open General Licence imports of Rs. 245 million) represented imports that were not subject to individual licencing control and Rs. 826 million imports that were subject to such control. These allocations were further revised later in the year.

Tariffs

Export Duties— The following changes were made in export duties during the course of the year:—

May 12, 1964 — The duty on coconut poonac was reduced from Rs. 50 per ton to Rs. 25 per ton.

August 1, 1964 — The concessionary rate of duty of 33 cents per pound, on teas sold at the Colombo Auctions and stored at Colombo and thereafter exported through the Port of Galle or the Port of Trincomalee was withdrawn, and the general rate of 35 cents per pound was made applicable to these teas.

August 1, 1964 — An ad valorem duty of 5 per cent was imposed on precious and semi-precious stones.

August 9, 1964 — A new sliding scale of duties on coconut products was introduced, replacing that which came into effect on January 7, 1963. In terms of the latter scale duties were levied having regard to the average London c. i. f. price of Straits (i. e. Singapore) coconut oil as estimated and notified each week by the Principal Collector of Customs. The new scale of duties was based on a similar estimation of prices, but the prices used for this purpose were the average London c. i. f. prices of Philippines copra. The minimum duties of this scale were as follows:—

Where the average London c. i. f. price of Philippines copra as estimated and notified by Principal Collector of Customs	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.
was below U.S. \$ 124	115-00	nil	nil	28-75
was U.S. \$ 124	115-00	nil	nil	28-75
was more than U.S. \$ 124 but not more than U.S. \$ 126	117-93	4-76	4-04	29-48

The maximum duties on these products, payable when the estimated c. i. f. price in question was U. S. \$278, were Rs. 469.58, Rs. 576.19, Rs. 489.32 and Rs. 117.39 respectively.

Import Duties— The Budget proposals for the year 1964/65 included the following increases in import duties on petroleum products, which came into effect on August 1, 1964:—

Product	Increase in duty Cents per gallon
Petrol, Super	12
Petrol, regular	10
Kerosene oil	10
Auto Diesel oil	7
Heavy Diesel oil	7
Furnace oil	1
Lubricants	20

In introducing these proposals, the Minister of Finance stated:

“These increases in import duty will be completely absorbed by the Ceylon Petroleum Corporation and will not be passed on to the consumer. The main purpose in increasing these import duties is to absorb to the Government revenue the discounts enjoyed by the Ceylon Petroleum Corporation from its present suppliers. To continue to include such discounts which are, in fact, given to the Government of Ceylon as profits of the Corporation is to present a false picture of the Corporation’s finances. The gain to Government revenue will be Rs. 15 million”.¹

Trade Agreements

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

India: Negotiations were held in January under the Indo—Ceylon Trade Agreement of October 28, 1961, for the conclusion of trade arrangements in respect of the year 1964. These arrangements provided for the export from Ceylon of 15,000 tons of copra, 5,000 tons of coconut oil and 3,000 tons of rubber. The arrangements for imports from India included the purchase of a minimum quantity of 21,000 tons of dried fish, 1,500 tons of tamarind, 40,000 cwts. of sakkara and handloom textiles to the value of Rs. 300,000.

Yugoslavia: On February 14, 1964, a protocol was signed with Yugoslavia providing for an exchange of goods between the two countries of an approximate value of £ 1 million sterling either way. This protocol was valid for one year, but might be extended for such further periods as might be mutually agreed upon. The trade provided for in this protocol, which was to be on a self-balancing basis, was in addition to the normal trade conducted under the existing trade agreement between the two countries, dated July 30, 1953.

¹ Budget Speech, 1964/65, page 56

USSR: An agreement, effective from January 1, 1965, was concluded with the U S S R on October 1, 1964, relating to mutual deliveries of goods during the period 1965-67. These deliveries would be effected in terms of the provisions of the Trade and Payments Agreement of February 8, 1958. This agreement was accompanied by an exchange of letters, which provided for an increase in the amount of the reciprocal swing credit specified in the Payments Agreement of February 8, 1958 from £ 300,000 to £ 500,000 and for an extension of the period of settlement of the balance in excess of this limit from one month to three months.

People's Republic of China: A protocol relating to the exchange of commodities for the year 1965, in terms of the Trade and Payments Agreement signed with the People's Republic of China on October 3, 1962, was signed on October 24, 1964. In terms of this protocol the two countries agreed to expand trade to an approximate value of Rs. 112 million either way. This agreement included specific undertakings for the purchase, on the part of China, of 38,000 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.

German Democratic Republic (East Germany): By an exchange of letters, which took place on December 14, 1964, a new trade arrangement was entered into with the German Democratic Republic, replacing the earlier arrangement concluded on April 22, 1961. The new arrangement, which was of the permissive type, would be initially valid for one year, but would be automatically extended for additional periods of one year. It provided for revised schedules of the goods to be exchanged between the two countries, the schedule of Ceylon's exports including some of her new industrial products. The arrangement also provided for the appointment, when necessary, of a Mixed Committee of representatives of both countries to consider problems arising from the implementation of the arrangement. Supplementing the principal letters exchanged were further letters dealing specifically with the promotion of trade during 1965.