

## (I) FOREIGN TRADE

**Introduction**

It is necessary to preface the following paragraphs on Foreign Trade with a word of caution in regard to the validity of Customs trade data, and particularly data on imports, as realistic and meaningful indicators of the actual movement of imports and exports during any particular year. As pointed out in the Annual Reports for 1963 and 1964, 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 data are derived, if there was a significant interval between the clearance of imports and the passing of the relative Customs entries. This consideration has particular relevance to public sector imports, and especially to imports of rice, flour and sugar, which account for a considerable proportion of aggregate imports.

Customs data suggest that imports during 1965 amounted to Rs. 1,474 million or were lower than those of the previous year by as much as Rs. 501 million. This is an inordinately low figure when compared with total payments of Rs. 1,916 million made for imports during that year (as reflected in the exchange control records), even if maximum allowance were made for factors such as lags and differences in timing associated in any particular year with the movement of goods and their related payments. The Foreign Exchange Budget for 1965, as finally revised, provided for imports of Rs. 1,970 million. It is evident that Customs data under-state very considerably the total value of imports during this year. As is explained in the following paragraphs, the extent of that under-statement, in so far as it relates to the Food Commissioner's imports only of rice, flour and sugar, has amounted to Rs. 248 million. The figure of aggregate imports of Rs. 1,474 million mentioned below must accordingly be interpreted with due reservation.

Private importers are obliged, in terms of current Customs procedures, to pass entries in respect of their imports as expeditiously as possible after the arrival of their shipments. With the increasing importance of public sector imports in the country's total imports, and these include in addition to the Food Commissioner's imports, those of the Government Storekeeper, of the Co-operative Wholesale Establishment and of other Government departments and State Corporations, it is of the utmost importance to ensure that the Customs entries in respect of these imports are completed no less expeditiously than private importers are obliged to do under existing procedures. This consideration has relevance to Government exports as well (although the problem here is admittedly less serious), and

particularly to shipments of rubber exported by the Commissioner of Commodity Purchase. Unless these procedures are suitably strengthened to achieve this objective, Customs data cannot purport to represent as close an approximation to the actual movement of goods and to their related payments as is desirable and, indeed, necessary for an adequate evaluation of the country's foreign trade.

### Overall Trends

Table II (I) 1 gives aggregate data on Ceylon's foreign trade, as recorded in the Customs Returns.

**TABLE II (I) 1**  
**Foreign Trade, 1959-1965**

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
1965 ..	1,949	1,474	+475	132

Source: Ceylon Customs Returns

\* Include re-exports.

In 1965 the value of Ceylon's exports increased by Rs. 73 million or 4 per cent as compared to an increase of Rs. 145 million or 8 per cent during 1964. The value of imports, which during 1964 had shown a sharp expansion of Rs. 485 million or 33 per cent, fell steeply and at Rs. 1,474 million declined by Rs. 501 million or 25 per cent over the previous year<sup>1</sup>. The balance of trade, as reflected in the Customs data, thus registered a surplus of Rs. 475 million as compared to a deficit of Rs. 99 million during 1964. The percentage ratio of exports to imports rose sharply to 132 from 95 during the previous year.

The Annual Report for 1964 referred to the considerable improvement in the movement of cargoes that took place in the Port of Colombo during the course of that year. The year 1965 witnessed a further marked improvement in the conditions of this Port. Notwithstanding a 9 per cent increase in the number of vessels entering the Port during this year, there was a very appreciable acceleration in the turn-round of these vessels, the average duration of their period of stay in the Port falling from 14.6 days in 1964 to 10.1 days in 1965, an

1. Reference is invited to the Introduction above.

improvement of 31 per cent.<sup>1</sup> There was also an expansion in the turnover of cargoes handled by the Port, the volume of export cargoes increasing by 67,025 shipping tons or 11 per cent and that of import cargoes by 81,124 shipping tons or 4 per cent over the previous year.<sup>2</sup>

In response to this improvement liner conferences reduced during the course of the year, and eventually eliminated altogether, the freight surcharges levied by them on cargoes consigned to Ceylon.<sup>3</sup> By the end of the year all these surcharges had been eliminated, the Port of Colombo becoming a surcharge free-Port for the first time since nationalization in 1958.

- 1 The following are particulars of the turn-round of vessels in the Port of Colombo in 1965, as compared with 1964:-

**Turn-round of general cargo vessels, 1964 and 1965**

Year	No. of vessels	Average waiting period for berth per vessel, from arrival to commencement of operations (days)	Average working period per vessel (days)	Average period of stay per vessel (days)
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1964	462	4.6	10	14.6
1965	504	2.04	8.03	10.07

Source: Port (Cargo) Corporation.

- 2 The following are particulars of the tonnage handled by the Port of Colombo during each quarter of the year, as compared with the corresponding quarter of 1964:-

**Import and Export Cargoes**

	1964	1965	Absolute	Shipping Tons Change
				%
1st Quarter	650,674	653,191	+ 2,517	+ 0.4
2nd Quarter	690,937	788,349	+ 97,412	+ 14.1
3rd Quarter	719,905	724,864	+ 4,959	+ 0.7
4th Quarter	666,126	709,387	+ 43,261	+ 6.5
Year	2,727,642	2,875,791	+ 148,149	+ 5.4

Source: Port (Cargo) Corporation.

- 3 The following are particulars of the reductions made in these surcharges:

(i) **United Kingdom and Continent / Colombo Conference**

January 1, 1965	-	Surcharge reduced to 20 per cent.
April 1, 1965	-	Surcharge increased to 30 per cent.
June 1, 1965	-	Surcharge reduced to 20 per cent.
September 6, 1965	-	Surcharge reduced to 12½ per cent.
October 25, 1965	-	Surcharge completely eliminated.

(ii) **Australia/Ceylon Conference**

August 1, 1965	-	Surcharge reduced to 20 per cent.
October 1, 1965	-	Surcharge reduced to 12½ per cent.
November 9, 1965	-	Surcharge completely eliminated.

(iii) **New Zealand/Ceylon Conference**

September 3, 1965	-	Surcharge reduced to 20 per cent to Colombo and to 10 per cent to Trincomalee.
October 6, 1965	-	Surcharge reduced to 12½ per cent to Colombo and to 5 per cent to Trincomalee.
December 1, 1965	-	Surcharge completely eliminated

(iv) **U. S. A./India, Pakistan, Ceylon and Burma Freight Conference**

July 7, 1965	-	Surcharge reduced to 30 per cent.
October 8, 1965	-	Surcharge reduced to 20 per cent.
November 4, 1965	-	Surcharge completely eliminated.

(v) **Japan/Colombo Conference**

February 15, 1965	-	Surcharge increased to 20 per cent
December 1, 1965	-	Surcharge reduced to 10 per cent.
January 1, 1966	-	Surcharge completely eliminated.

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

TABLE II (I) 2  
Composition of Exports

Commodity	Value in Rupees Million						Percentage of Total Exports					
	1960	1961	1962	1963	1964	1965	1960	1961	1962	1963	1964	1965
Tea .. ..	1096	1115	1149	1140	1142	1210	60	64	64	66	61	62
Rubber .. ..	378	260	290	257	290	304	21	15	16	15	15	16
3 Major Coconut Products .. ..	184	202	227	198	273	275	10	12	13	11	15	14
Other domestic exports .. ..	117	104	100	110	137	127	6	6	5	6	7	6
Total domestic exports .. ..	1775	1681	1766	1705	1842	1916	97	97	98	98	98	98
Re-exports .. ..	57	52	42	26	34	33	3	3	2	2	2	2
Total .. ..	1832	1733	1808	1731	1876	1949	100	100	100	100	100	100

Source : Ceylon Customs Returns

The increase in export earnings of Rs. 73 million is accounted for in the main by an expansion in the aggregate volume of exports, the Central Bank's index of which at 125 shows a rise of 5 per cent. The average price of exports which during the preceding three years had shown no variation, the Bank's index of this price remaining at 93 during this period, has risen slightly by 2 per cent.

Tea, receipts from which have increased by Rs. 68 million or 6 per cent, accounts for a major part of this increase in export earnings. The increase in receipts from tea is wholly due to an expansion in the volume exported, which has increased sharply by 9 per cent. The average f. o. b. price of tea has at Rs 2.45 per pound declined by 6 cents per pound. The share of tea in aggregate export earnings at 62 per cent has shown a slight increase over that of the previous year.

Earnings from rubber have increased by Rs. 14 million or 5 per cent. As in the case of tea, the increase in these earnings is accounted for entirely by an increase in the volume of exports of 6 per cent. The average f. o. b. price of all rubber has at Rs 1.14 per pound declined by one cent per pound over the previous year. The share of rubber in aggregate earnings has amounted to 16 per cent, a slight increase over that of the previous year.

The contribution of the three major coconut products to the increase in aggregate earnings has been negligible viz., Rs. 2 million or one per cent. A sharp contraction of 22 per cent in the aggregate volume of exports of these products has been offset by very appreciable increases in their average f. o. b. prices. While these prices in the case of coconut oil and copra have increased by 27 per cent and 25 per cent respectively, that of desiccated coconut has increased by 34 per cent. The share of these products in aggregate export earnings has declined to 14 per cent from 15 per cent during the previous year.

Earnings from other domestic exports have declined by Rs. 10 million or 7 per cent. The value of exports of cinnamon at Rs. 29 million has shown an increase of Rs. 4 million or 16 per cent, a decline in the volume of exports of 4 per cent being more than offset by an increase in their average f. o. b. price of 17 per cent. Exports of coir fibre at Rs. 50 million have declined by Rs. 7 million or 12 per cent, due to a fall of 13 per cent in the quantity exported. While the average f. o. b. price of bristle fibre has declined by 9 per cent, that of mattress fibre has increased by 14 per cent. Exports of cocoa at Rs. 4 million have fallen by Rs. 2 million or 30 per cent, their volume declining by 26 per cent and their average f. o. b. value at Rs. 157 per cwt. by 5 per cent. The value of re-exports has shown a slight fall of Rs. 1 million or 3 per cent.

According to Customs data, the aggregate value of imports for the year at Rs. 1,474 million has declined by Rs. 501 million or 25 per cent. However, as emphasized in the Introduction above, this figure of the aggregate value of imports understates very considerably the value of imports actually received during this year. For example, in the 'food and drink' sub-group of consumer goods imports the Food Commissioner's imports alone of rice, flour and sugar at Rs. 561 million have exceeded the value of Customs recorded imports of these three commodities by Rs. 248 million. The volume of intermediate goods has shown an increase as compared with the previous year, the Central Bank's index of the volume of these imports rising by 12 points to 135.

The average price of imports, which in 1963 and 1964 had risen by 10 and 2 points respectively, continued its upward trend during 1965, the Bank's index of this price at 109 rising by 2 points over the previous year. The separate indices for the major categories of imports disclose that, while the index of the price of consumer goods at 110 has fallen by 6 points and that of intermediate goods at 82 has shown no change, the index of investment goods at 132 has registered a sharp rise of 36 points. Within the consumer goods category, the separate indices for the three sub-groups show that the fall in the price of consumer goods has been confined to 'food and drink' and 'other consumer goods', indices for these categories at 108 and 121 respectively declining by 7 and 8 points respectively. The index of 'textiles' at 104 has shown an increase of 3 points.

The index of Ceylon's terms of trade had deteriorated by 9 points in 1963 and 3 points in 1964. In 1965 there was a very slight improvement in this relationship, this index rising by 2 points to 88.

# Exports Tea

Table II (I) 3 gives data on production, exports and prices of tea.

**TABLE II (I) 3**  
**Tea-Production, Exports and Prices**

Year	Production	Exports		Average Colombo Auction Net Price Rs. per lb.			
	Quantity	Quantity	F. o. b. price	High Grown	Medium Grown	Low Grown	All Teas
	Mn. lbs.	Mn. lbs.	Rs. per lb.				
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
1965 ..	503	495	2.45	1.93	1.66	1.64	1.75

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

In 1965 tea production, aided by very favourable weather conditions particularly during the last quarter of the year, reached an all time record of 503 million pounds, exceeding the previous high reached in 1963 by as much as 18 million pounds. The increase over 1964 amounted to 21 million pounds or 4 per cent. This increase in production was accompanied by a larger volume of exports, which, in fact, rose much faster, viz., by 39 million pounds or 9 per cent.

Notwithstanding the heavier weight of teas that reached the Colombo Auctions during 1965, the quantities sold increasing by 22 million pounds over the previous year, the prices realised at these auctions during this year were on the average much more favourable than those that obtained in 1964. While the average price fetched by high grown at Rs 1.93 per pound was the same as that of the previous year, the average price of medium grown at Rs. 1.66 per pound rose by 8 cents per pound. The sharpest increase in price was in the case of low grown, whose average at Rs. 1.64 per pound rose by as much as 15 cents per pound. Increased purchases by countries of the Middle East were a major factor contributing to this improvement in price. The average price of all teas increased by 7 cents per pound to Rs. 1.75 per pound. The average price of high grown showed an improvement of 5 cents per pound during the first quarter of the year, as compared to the corresponding quarter of the previous year. Prices

on the average showed no improvement during the second quarter, but increased by 4 cents per pound during the third quarter as compared with the corresponding period of the previous year. In the final quarter, however, a seasonal decline in quality and the pressure of heavy supplies, due to increased crops harvested during this period, exerted a downward trend on prices, the average price for the quarter dropping sharply by as much as 12 cents per pound. The average prices of medium grown, while following the general trend of those of high grown, fared somewhat better, these prices increasing by around 10 cents per pound during each of the first three quarters of the year. In the final quarter of the year, however, the average price fell by 6 cents per pound, in keeping with the decline in that of high grown. The average prices of low grown showed hardly any improvement during the first half of the year as compared with the same period of 1964, but improved sharply during the third and fourth quarters of the year, when those prices increased by 28 cents per pound and 33 cents per pound respectively.

At the London Auctions, however, Ceylon teas did not fare well. The average price of all grades of Ceylon tea sold at these auctions in 1965 amounted to 4sh. 3.15d. per pound, registering a decline of 2.74d. per pound over the previous year. In 1964 this price had increased by 1.52d. per pound. Although this decline in the price of Ceylon tea was accompanied by declines in the prices of North Indian and South Indian teas, which fell less sharply by 2.48d. per pound and 1.05d. per pound respectively, the prices of plain teas of some of the other producing territories, viz., the African territories, Mauritius, Malaya, Argentine and Vietnam, recorded quite substantial gains. While the quantity of North Indian teas sold at the London Auctions during this year at 157 million pounds showed no variation from that of the previous year, the quantity of Ceylon tea sold at these auctions at 120 million pounds increased by 5 million pounds. The average price of all teas sold at the London Auctions during this year at 4sh. 2.17d. per pound declined by 1.33d. per pound over 1964. The high level of stocks in the United Kingdom (these stocks at 31st December 1965 amounting to 153 million pounds<sup>1</sup> or 33 million pounds more than at the end of 1964), and an estimated decline in tea consumption in that country of 23.5 million pounds in 1965,<sup>2</sup> were important contributory factors in the decline in London prices during this year.

The International Tea Committee's estimates indicate that in 1964 world absorption of tea exceeded world supply by 47 million pounds. The Committee's projection for 1965 points to an excess of world supply over absorption of 7 million pounds, which is a relatively small figure when set against an estimated total world production of 1748 million pounds<sup>3</sup>. Thus world supply and demand for tea appears to have been more or less in approximate balance during 1965. While it appears unlikely that world production in the immediate future will expand at a rate that will upset

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1. Tea Market Report No. 703 of January 14, 1966 of the Tea Brokers' Association of London.
  2. Investors' Guardian of February 11, 1966, Page 329.
  3. Investors' Guardian of December 24, 1965, page 1491.

seriously the present rough balance between world supply and absorption, the appearance of particularly favourable weather conditions in all the major producing countries might well induce increases in supplies that could have disturbing effects on prices in the international markets. Production in the longer term, on the other hand, is expected to expand considerably, due to increased yields that are being achieved by many producing countries as well as to their re-planting and planting programmes and, unless world consumption keeps pace with such expansion, the present trend of declining prices is likely to continue into the future.

## Rubber

Table II (I) 4 gives data on production, exports and prices of rubber.

**TABLE II (I) 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. Sheet 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
1965 ..	261	267	1.14	0.91

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

Production of rubber had expanded by 15 million pounds or 7 per cent in 1964. During 1965 production amounted to 261 million pounds, representing an increase of 15 million pounds or 6 per cent over the previous year. The volume of exports, which had risen sharply by 21 per cent in 1964, amounted to 267 million pounds during 1965, an increase of 14 million pounds or 6 per cent over the previous year. In the Colombo market the average price of R.S.S. No. 1 sheet rubber at 91 cents per pound showed a slight improvement of one cent per pound over 1964.

In the international markets the prices of natural rubber in 1965 were very competitive with those of synthetic rubber from a cost standpoint. The average price of R.S.S. No 1 sheet rubber increased slightly in these markets, thus halting the trend of persistently lower prices realised for this commodity during the immediately preceding years. In the London market the average price for



spot R.S.S. No 1 sheet rubber, which had fallen on the average by around a penny per pound during the years 1962 to 1964, improved by about a penny per pound during 1965, when this price rose to 21½d. per pound from 20 19/32d. per pound during the previous year. There was a similar improvement in the Singapore market, where the f.o.b. price of this grade of rubber at 70.12 Straits cents per pound recorded an increase of 1.98 Straits cents per pound over 1964. Various factors contributed to this improvement during the course of the year, including increased imports by the USSR, rumours of sterling devaluation, political tension in South-East Asia, uncertainties regarding the availability of supplies of Indonesian rubber, and the entry of the People's Republic of China into the Singapore market late in the year.

According to the latest available estimates of the International Rubber Study Group world production of natural rubber during 1965 has amounted to 2,295,000 long tons, representing an increase of 62,500 tons or 3 per cent over the previous year. World consumption of natural rubber at 2,330,000 long tons has expanded somewhat faster, viz., by 110,000 tons or 5 per cent. World production and consumption of synthetic rubber have, however, expanded much more rapidly, production at 3,020,000 tons increasing by 217,500 tons or 8 per cent and consumption at 2,900,000 tons increasing by 180,000 tons or 7 per cent. Of the total increase of 290,000 tons in world consumption of all rubber, synthetic rubber has accounted for 180,000 tons or 62 per cent.

### Coconut Products

Table II (I) 5 gives data on exports and prices of the three major coconut products.

**TABLE II (I) 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) Mn. nuts	Coconut oil	Copra	Desiccated coconut
	Th. cwt.	Th. cwt.	Th. cwt.		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
1965 ..	1,738	819	1,041	1,270	1,661.80	296.30	0.71

\* 1 Candy = 5 cwts.

Source: Ceylon Customs Returns

During 1964 the aggregate volume of exports of the three major coconut products had shown an expansion of 34 per cent over the previous year. In 1965, however, the sharp fall in coconut production as a result of adverse weather conditions led to a steep decline in these exports, their aggregate volume declining by 22 per cent over the previous year. While exports of coconut oil and copra declined in volume by 26 per cent and 30 per cent respectively, those of desiccated coconut fell much less sharply, viz., by 4 per cent.

The average f. o. b. prices of coconut oil and copra, which had risen by 7 per cent and 4 per cent respectively during 1964, continued to rise further during the course of 1965, increasing by 27 per cent and 25 per cent respectively over the previous year and reaching their highest levels since 1960. The average f. o. b. price of desiccated coconut, which had declined by 4 per cent during 1964, staged a pronounced recovery during 1965, rising sharply by 34 per cent. These movements in f. o. b. prices reflected the trends that prevailed in the Colombo market for these products. In this market the year opened with coconut oil prices quite firm, and prices continued to rise steadily reaching peak levels towards the end of the first quarter. Prices thereafter tended to ease somewhat, but remained during the first half of the year at levels well above those that prevailed during the corresponding quarters of the previous year. Prices reached a low point in September of the year, the average for which month at Rs. 1,069 per ton was only Rs. 19 per ton below the average price realised for the whole of 1964. Prices tended to improve thereafter, and towards the close of the year showed promise of resuming the higher levels reached earlier in the year. The average price for the year at Rs. 1,268 per ton showed an increase of Rs. 180 per ton or 17 per cent over the previous year. The prices of copra moved in general sympathy with those of coconut oil, the average price of Estate No. 1 copra amounting to Rs. 204 per candy and representing an increase of Rs. 36 per candy or 21 per cent over the previous year. The prices of desiccated coconut increased steadily for the most part of the year in line with the general trend of prices of coconut oil and copra. The average price realised for the year at 52 cents per pound showed an increase of 12 cents per pound or 30 per cent over 1964.

Edible oils had a particularly prosperous year in the international markets in 1965 and lauric oils, including coconut oil, shared in this prosperity. The price of coconut oil was particularly strong during the early months of the year, due to increased demand following low stocks held by consumers at the beginning of the year and the expectation, at that time of the year, that Philippine copra production would decline by 20 per cent as a result of damage caused to coconut plantations by typhoons. There was evidence that the supply position of copra was quite tight around April when, partly also due to increased tension over developments in Vietnam, the Philippine's suspended offerings of copra altogether. However, prices tended to ease as the year developed, with supplies of copra becoming more readily available and the expectation of a good soya bean crop in U. S. A. Towards the close of the year prices of coconut oil showed signs of recovery.

## Imports

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

As emphasized in the Introduction to this Section, the aggregate value of imports of Rs 1,474 million during 1965, as recorded in the Customs data, under-states very considerably the value of imports actually received during that year. The sharp contraction in imports of Rs 501 million over 1964 that the former figure implies must, therefore, be interpreted with due reservation. This consideration accordingly needs to be borne in mind in evaluating the importance of the data, based on Customs records, in respect of 1965 imports given in Table II (I) 6

As pointed out in last year's Report, there are considerable differences between imports of rice, flour and sugar actually received by the Food Commissioner in any particular year and Customs recorded imports of these commodities for that year. The following data illustrate these differences in respect of the years 1964 and 1965:-

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

		Food Commissioner's Data				Customs Data			
		1964	1965	Change		1964	1965	Change	
				Absolute	%			Absolute	%
Rice	- Q	547	642	+ 95	+ 17.4	648	276	-372	- 57.4
	- V	283	342	+ 59	+ 20.8	326	144	-182	- 55.8
	- P	517.43	532.56	+ 15.08	+ 2.9	503.91	523.81	+ 19.90	+ 3.9
Flour	- Q	225	310	+ 85	+ 37.8	308	211	- 97	- 31.5
	- V	100	135	+ 35	+ 35.0	137	98	- 39	- 28.5
	- P	442.61	435.54	- 7.07	- 1.6	445.82	464.51	+ 18.69	+ 4.2
Sugar	- Q	208	218	+ 10	+ 4.8	220	158	- 62	- 28.2
	- V	174	84	- 90	- 51.7	185	71	-114	- 61.6
	- P	836.21	385.85	-450.36	-53.9	842.13	450.33	-391.80	- 46.5
Total value of rice, flour and sugar ..		557	561	+ 4	+ 0.7	648	313	-335	- 51.7

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

It will be seen from these data that, while in 1964 the Customs data overstate the Food Commissioner's actual aggregate imports of these three commodities by Rs. 91 million, in 1965 they under-state these imports to the extent of Rs. 248 million. The Food Commissioner's total imports of rice, flour and sugar during 1965 have at Rs. 561 million shown a slight increase of Rs. 4 million or one per cent over 1964, while the Customs data point to a sharp decline in these imports of Rs. 335 million or 52 per cent. The value of the Food Commissioner's imports of rice at Rs. 342 million in 1965 has exceeded his previous year's imports

TABLE II (I) 6.

## Imports by Major Categories and Commodities or Groups of Commodities, 1959-65.

	Value in Rupees Million							Percentage of Total Imports						
	1959	1960	1961	1962	1963	1964	1965	1959	1960	1961	1962	1963	1964	1965
1. Consumer Goods .. .. .	1,203	1,195	972	906	781	1,263	779	60.0	61.0	57.1	54.6	52.4	63.9	52.8
of which—														
A. Food and Drink .. .. .	800	752	672	630	629	1,008	604	39.9	38.4	39.5	38.0	42.2	51.0	41.0
(i) Rice .. .. .	283	242	217	195	192	326	144	14.1	12.3	12.7	11.7	12.9	16.5	9.8
(ii) Flour .. .. .	106	65	69	71	60	137	98	5.3	3.3	4.1	4.3	4.0	6.9	6.6
(iii) (a) Sugar, refined .. .. .	59	65	77	56	70	185	71	2.9	3.3	4.5	3.4	4.7	9.4	4.8
(b) Sugar, other (i.e. sakkarai, jaggery and sugar candy) .. .. .	16	14	1	2	3	2	1	0.8	0.7	0.1	0.1	0.2	0.1	0.1
(iv) Milk and milk products .. .. .	78	72	66	76	77	94	77	3.9	3.7	3.9	4.6	5.2	4.8	5.2
(v) Meat, fish and eggs .. .. .	99	115	77	62	65	74	61	4.9	5.9	4.5	3.7	4.4	3.7	4.1
of which—														
(a) Fish dried (excluding Maldivé fish but including dried prawns) .. .. .	69	85	46	26	49	52	43	3.4	4.3	2.7	1.6	3.3	2.6	2.9
(b) Fish, other .. .. .	20	20	23	30	12	17	13	1.0	1.0	1.4	1.8	0.8	0.9	0.9
(c) Meat and meat preparations .. .. .	5	6	5	5	4	5	5	0.2	0.3	0.3	0.3	0.3	0.3	0.3
(d) Eggs .. .. .	5	4	3	1	...	...	...	0.2	0.2	0.2	0.1	...	...	...
(vi) Food, other .. .. .	112	132	133	139	139	164	124	5.6	6.7	7.8	8.4	9.3	8.3	8.4
of which—														
(a) Potatoes .. .. .	18	19	20	22	26	25	18	0.9	1.0	1.2	1.3	1.7	1.3	1.2
(b) Grams and pulses .. .. .	37	42	42	45	39	51	39	1.8	2.1	2.5	2.7	2.6	2.6	2.6
(c) Onions .. .. .	18	19	21	20	22	26	21	0.9	1.0	1.2	1.2	1.5	1.3	1.4
(d) Chillies .. .. .	25	37	33	36	38	46	30	1.2	1.9	1.9	2.2	2.6	2.3	2.0
(vii) Drink and manufactured tobacco .. .. .	15	14	10	5	5	3	2	0.7	0.7	0.6	0.3	0.3	0.2	0.1
B. Textiles (including clothing) .. .. .	179	196	172	149	83	165	107	8.9	10.0	10.1	9.0	5.6	8.4	7.3
C. Other Consumer Goods .. .. .	224	247	128	127	69	90	68	11.2	12.6	7.5	7.7	4.6	4.6	4.6
of which—														
(i) Motor cars .. .. .	50	53	8	2	2	3	3	2.5	2.7	0.5	0.1	0.1	0.2	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	...	...	1	0.5	0.6	0.2	0.1	...	...	0.1
(iv) Rubber tyres and tubes .. .. .	9	9	7	8	5	4	7	0.4	0.5	0.4	0.5	0.3	0.2	0.5
(v) Medicinal and pharmaceutical products .. .. .	32	32	27	25	20	26	21	1.6	1.6	1.6	1.5	1.3	1.3	1.4
2. Intermediate Goods .. .. .	396	397	383	409	372	397	414	19.8	20.3	22.5	24.6	25.0	20.1	28.1
of which—														
(i) Fertilizers .. .. .	61	58	57	60	68	78	88	3.0	3.0	3.3	3.6	4.6	3.9	6.0
(ii) Petroleum products .. .. .	135	124	127	126	119	93	109	6.7	6.3	7.5	7.6	8.0	4.7	7.4
(iii) Coal .. .. .	11	17	9	9	9	12	10	0.5	0.9	0.5	0.5	0.6	0.6	0.7
(iv) Chemical elements and compounds .. .. .	26	28	27	33	32	37	30	1.3	1.4	1.6	2.0	2.1	1.9	2.0
(v) Dying, tanning and colouring materials .. .. .	13	12	11	15	10	12	9	0.6	0.6	0.6	0.9	0.7	0.6	0.6
(vi) Tea and other chests .. .. .	13	13	14	16	15	15	12	0.6	0.7	0.8	1.0	1.0	0.8	0.8
(vii) Paper and paperboard .. .. .	31	35	32	32	27	35	28	1.5	1.8	1.9	1.9	1.8	1.8	1.9
(viii) Yarn and thread .. .. .	21	25	23	22	13	22	41	1.0	1.3	1.4	1.3	0.9	1.1	2.8
(ix) Unmanufactured tobacco .. .. .	11	11	12	10	9	7	9	0.5	0.6	0.7	0.6	0.6	0.4	0.6
3. Investment Goods .. .. .	389	355	339	337	324	305	261	19.4	18.1	19.9	20.3	21.7	15.4	17.7
of which—														
(i) Building materials .. .. .	88	100	89	100	77	93	54	4.4	5.1	5.2	6.0	5.2	4.7	3.3
of which— (a) Cement .. .. .	22	18	22	20	13	15	17	1.1	0.9	1.3	1.2	1.2	0.8	1.2
(ii) Transport Equipment .. .. .	146	118	100	92	100	58	96	7.3	6.0	5.9	5.5	6.7	2.9	6.5
(iii) Machinery and equipment .. .. .	134	119	138	133	138	145	100	6.7	6.1	8.0	8.0	9.3	7.3	6.8
4. Total (Items 1, 2 and 3) .. .. .	1,988	1,947	1,694	1,652	1,477	1,965	1,454	99.2	99.3	99.5	99.5	99.1	99.5	98.6
5. Unclassified Imports .. .. .	17	13	9	8	13	10	20	0.8	0.7	0.5	0.5	0.9	0.5	1.4
6. Total Imports .. .. .	2,005	1,960	1,703	1,660	1,490	1,975	1,474*	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ceylon Customs Returns

\*As regards the validity of this figure as an indicator of actual imports received during 1965, attention is invited to the Introduction to this Section.

by Rs. 59 million or 21 per cent, but this fact is in stark contrast to Customs recorded imports which at Rs. 144 million point to a sharp decline of Rs. 182 million or 56 per cent. Similar discrepancies are in evidence in regard to imports of flour and sugar. While the Food Commissioner's imports of flour at Rs. 135 million have increased by Rs. 35 million or 35 per cent over the previous year, Customs data suggest considerably lower imports of Rs. 98 million, these purporting to represent a decline of Rs. 39 million or 29 per cent over the previous year. The Food Commissioner's imports of sugar at Rs. 84 million show a fall of Rs. 90 million or 52 per cent over the previous year. The Customs data, however, point to lower imports of Rs. 71 million and a fall of Rs. 114 million or 62 per cent over the previous year. These discrepancies in value between actual imports and the Customs recorded data are also reflected in the quantities and prices of these imports. While the Food Commissioner's imports of rice, flour and sugar have increased in volume by 17 per cent, 38 per cent and 5 per cent respectively during 1965, the Customs data point to movements in the opposite direction viz., declines in the volume of these imports of 57 per cent, 32 per cent and 28 per cent respectively. Similarly, while the Food Commissioner's average c and f price of rice has risen by 3 per cent and that of flour has declined by 2 per cent, Customs data point to an increase of 4 per cent in the average price of each of these commodities. The average c and f price of the Food Commissioner's imports of sugar has declined by 54 per cent. The Customs recorded data, on the otherhand, point to a fall of lesser magnitude, viz., 47 per cent.

It is evident from the above analysis that the Customs data under-state the Food Commissioner's actual imports during 1965, and that the extent of the understatement, viz., Rs. 248 million, constitutes a very large proportion of the apparent decline in aggregate imports of Rs 501 million suggested by the Customs data.

As regards other imports, actual imports of dried fish (including sprats and prawns) by the Co-operative Wholesale Establishment, which is the sole importer of this commodity, have amounted to Rs. 47 million, representing a decline of Rs. 9 million or 16 per cent over its imports during the previous year. While the quantity imported at 659, 690 cwt. has declined by 123, 539 cwt. or 16 per cent, the average c.i.f. price at Rs 71.83 cents per cwt. has shown a slight increase of 38 cents per cwt. or one per cent. Actual imports of textiles by the Co-operative Wholesale Establishment during the year have amounted to 85 million yards of a c.i.f value of Rs 72 million, the average c.i.f. price of these imports being 84 cents per yard.

Actual imports of the Ceylon Petroleum Corporation during 1965 of petrol, kerosene, diesel oil and furnace oil have amounted in the aggregate to Rs. 71 million, representing a decline of Rs. 6 million or 8 per cent over the previous year. While the total quantity of these imports at 182 million imperial gallons has fallen by 11 per cent, their average c.i.f. price at 39 cents per imperial gallon has increased by one cent per imperial gallon or 3 per cent over 1964. The Corporation's imports of lubricating oils at Rs. 10 million have declined by Rs. 2 million

or 17 per cent, their volume at 2.7 million imperial gallons showing little variation over that of the previous year. The c.i.f. price of these imports at Rs. 3. 64 per imperial gallon has fallen by 75 cents per gallon or 17 per cent.

### Pattern of Trade<sup>1</sup>

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

During 1965 Ceylon's exports to the non-Commonwealth countries, the Dollar Area, the European Economic Community and the ECAFE region recorded increases of varying magnitude, while exports to the Sterling Area, the Commonwealth and the countries of the European Free Trade Association (EFTA) declined.

Exports to the Sterling Area during the year amounted to Rs. 1,002 million, a decrease of Rs. 17 million or 2 per cent over the previous year. This area's share of Ceylon's total exports at 51 per cent also declined by 3 percentage points. Imports from the area at Rs. 685 million declined much more sharply, viz., by Rs. 256 million or 27 per cent. The area's share of Ceylon's total imports at 47 per cent fell slightly by one percentage point. The trade surplus with the area increased sharply by Rs. 238 million to Rs. 317 million. Exports to the Dollar Area at Rs. 227 million increased by Rs. 7 million or 3 per cent, while imports from the area at Rs. 64 million declined by Rs. 13 million or 17 per cent. This area's shares of total exports and imports at 12 per cent and 4 per cent respectively showed no change from those of the previous year. The balance of trade with the area recorded a surplus of Rs. 162 million, an improvement of Rs. 18 million over the previous year.

Exports to the Commonwealth at Rs. 838 million declined by Rs. 110 million or 12 per cent, while imports from this region at Rs. 598 million declined even faster, viz., by Rs. 148 million or 20 per cent. The Commonwealth's share of total exports at 43 per cent showed a fall of 8 percentage points, and its share of total imports at 41 per cent increased by 3 percentage points. The somewhat sharp decline in exports to the Commonwealth and in the share of those exports in Ceylon's total exports has been in large measure due to the fact that trade with the Union of South Africa, which is no longer a member of the Commonwealth, has been treated as part of Ceylon's trade with non-Commonwealth countries. The surplus of trade with the Commonwealth amounted in 1965 to Rs. 239 million, an increase of Rs. 37 million over the previous year.

Exports to the European Economic Community at Rs. 184 million increased by Rs. 16 million or 10 per cent, while imports from the Community at Rs. 194 million declined by Rs. 36 million or 16 per cent. The Community's share of total exports at 9 per cent showed no change from that of the previous year, but its share of total imports at 13 per cent increased slightly by one percentage

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<sup>1</sup> This account is based on Customs data.

point. The balance of trade with the Community recorded a deficit of Rs. 10 million, an improvement of Rs. 52 million over the previous year. Exports to countries of the European Free Trade Association at Rs. 518 million declined by Rs. 29 million or 5 per cent, while imports from these countries at Rs. 294 million declined much faster, viz., by Rs. 70 million or 19 per cent. The surplus of trade with these countries, which in 1964 had amounted to Rs. 182 million, increased to Rs. 224 million.

Exports to the countries of the ECAFE region (which includes Australia, New Zealand and Western Samoa) at Rs. 452 million, increased by Rs. 24 million or 6 per cent, while imports from the region at Rs. 651 million declined by Rs. 316 million or 33 per cent. The region's share of total exports at 23 per cent remained at the level of 1964, but its share of imports at 44 per cent declined by 5 percentage points.

### Trade with China

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

TABLE II (I) 7

### Trade with China

Year	Exports		Imports		Balance of Trade Rs. Mn.
	Value	Percentage of total domestic exports	Value	Percentage of total imports	
	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
1965	172	9.0	114	7.7	+ 58

Source: Ceylon Customs Returns.

According to Customs data, exports to China during 1965 amounted to Rs. 172 million, expanding by Rs. 50 million or 41 per cent over the previous year. Imports from China at Rs. 114 million declined by Rs. 90 million or 44 per cent. The balance of trade showed a surplus of Rs. 58 million.

The principal export to China continued to be rubber, exports of which during 1965 amounted to Rs. 127.3 million, an increase of Rs. 33.8 million over the previous year. Exports of tea, which in 1964 had amounted to Rs. 7.5 million, expanded sharply by Rs. 15.8 million to Rs. 23.3 million. Exports of coconut oil rose slightly to Rs. 21.2 million.

The major import continued to be rice, the protocol concluded for the year 1965 under the Trade and Payments Agreement with China providing for the importation during that year of 200,000 metric tons of this commodity against exports from Ceylon of 38,000 metric tons of rubber. Other imports included textiles (Rs. 25.3 million) and dried chillies (Rs. 4.9 million).

### Trade with the USSR and Eastern Europe

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

TABLE II (I) 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
1965 ..	174.3	9.1	172.7	11.7	+ 1.6	347.0	10.2

Source: Ceylon Customs Returns.

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

Ceylon's trade with the USSR and Eastern Europe continued during 1965 the steady expansion witnessed in the recent years, exports to the region increasing by Rs. 14.9 million or 9 per cent and imports from the region expanding by Rs. 14.5 million or 9 per cent. The balance of trade with the region showed a surplus of Rs. 1.6 million, a slight improvement over the previous year. The value of Ceylon's trade with this region, which ten years ago represented less than one per cent of Ceylon's total foreign trade, accounted for 10 per cent of that trade during 1965. As in the previous years, the USSR was Ceylon's principal customer of the region, accounting for Rs. 97.2 million or 56 per cent of total exports to the region. These exports, however, showed a decline of Rs. 3.8 million over 1964. Exports of rubber at Rs. 36.1 million declined sharply by Rs. 13.0 million (27 per cent), and those of coconut oil at Rs. 15.7 million declined by Rs. 1.4 million (8 per cent). Exports of tea at Rs. 35.3 million increased by Rs. 2.1 million (6 per cent). Exports to Poland, which amounted to Rs. 24.6 million or 14 per cent of total exports to the region, declined by Rs. 6.7 million (21 per cent). Exports of rubber, the major export, declined by Rs. 9.9 million (39 per cent), while those of coconut oil at Rs. 4.2 million fell by 0.4 million (9 per cent). Exports of tea, which had been negligible in 1964, increased to Rs. 4.1 million. Exports to



Rumania rose sharply by Rs. 19.6 million to Rs. 21.3 million. This expansion was in the main due to an increase in exports of rubber by Rs. 14.0 million to Rs. 15.2 million. Exports to the German Democratic Republic amounted to Rs. 19.6 million, an increase of Rs. 7.5 million (62 per cent) over the previous year, coconut oil and desiccated coconut accounting for nearly the whole of these exports. Exports of coconut oil at Rs. 12.0 million increased by Rs. 3.4 million (40 per cent), while those of desiccated coconut increased by Rs. 3.8 million (115 per cent). Exports to Czechoslovakia at Rs. 3.4 million declined by Rs. 1.3 million (28 per cent).

During 1965 the USSR continued to be by far the largest supplier of imports from the region, these imports at Rs. 99.9 million increasing by Rs. 31.1 million (45 per cent) over the previous year. These accounted for 58 per cent of total imports from the region. Imports of petroleum products, which as in the immediately preceding years constituted the principal import accounting for 58 per cent of all imports from the USSR, increased by Rs. 16 million (38 per cent) to Rs. 58.2 million. Imports of petroleum products from the region as a whole amounted to Rs. 66.3 million or 61 per cent of imports of this commodity from all sources. Other important imports from the USSR were sugar (Rs. 21.6 million,) tea chests (Rs. 6.0 million) and textiles (Rs. 5.4 million). Imports from Poland, which amounted to Rs. 34.3 million or 20 per cent of total imports from the region, declined by Rs. 11.2 million (25 per cent) over the previous year. Sugar was the major import representing well over half the value of imports from this country. Sugar was also the principal import from Czechoslovakia total imports from which country at Rs. 10.5 million declined by Rs. 10.1 million (49 per cent) over the previous year. Imports from the German Democratic Republic amounted to Rs. 13.8 million, increasing sharply by Rs. 4.6 million (50 per cent). Imports of fertilizer at Rs. 6.8 million rose by Rs. 4.9 million, while those of cement at Rs. 5.8 million increased by Rs. 3.3 million. Imports of cement from the region as a whole amounted to Rs. 11.8 million or 70 per cent of imports of this commodity from all sources. Imports from Rumania, which had declined by Rs. 9.0 million in 1964, increased by Rs. 4.4 million to Rs. 12.7 million. Imports of petroleum products increased by Rs. 3.6 million to Rs. 8.1 million and accounted for 64 per cent of all imports from that country.

### **Bilateral Clearing Accounts**

Table II (I) 9 gives the net aggregate quarterly position of bilateral clearing accounts maintained in terms of the payments agreements concluded by Ceylon with the People's Republic of China, the USSR and certain other countries in Eastern Europe and the Middle East,

TABLE II (I) 9

## Bilateral Clearing Accounts

Net Aggregate Quarterly Position of Accounts, 1959-1965

Rupees Million

Net Position at end	China, USSR 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	—
1965 March ..	57.9	—	—	5.0	52.9	—
June ..	12.1	—	—	8.7	3.4	—
September ..	—	46.6	—	6.6	—	53.2
December ..	—	25.3	—	5.8	—	31.1

Source: Central Bank of Ceylon.

\* Bulgaria, Czechoslovakia, German Democratic Republic (Eastern Germany), Hungary, Poland, Rumania, Yugoslavia (from March, 1965) and Democratic People's Republic of Korea (from March, 1965).

\*\* United Arab Republic, Iran (up to October, 1964) and Syria.

Note. Credit = Due from Ceylon.  
Debit = Due to Ceylon.

## Developments in Commercial Policy

## Import Control

On 15th December 1964, when imports of drugs were brought under individual import licence, the system of open general licences ceased to operate altogether. Since then, with the exception of a few residual items of negligible importance, all private sector imports have been brought within the framework of individual import licensing arrangements.

The Foreign Exchange Budget for the year 1965, as originally formulated, provided for import allocations amounting in the aggregate to Rs. 1,750 million. Some of these allocations were subsequently revised, necessitating an increase in the total allocation by Rs. 209 million to Rs. 1,959 million. The major revision concerned the Food Commissioner's imports of rice, flour, sugar and subsidiary foodstuffs, the total allocation for which was increased by Rs. 194 million. The principal reason for this increase was the need to import a larger volume of rice in view of the fall in domestic rice production, which was adversely affected by severe drought conditions. These allocations necessitated further adjustments during the course of the year and their total, as finally revised, amounted to Rs. 1,970 million. The following data represent the original allocations and their subsequent revisions :-

### Foreign Exchange Budget, 1965

Rupees Million

	1965 Original	1965 Revised	1965 Finally Revised
Food Commissioner's imports .. ..	500	694	602
Government Departments and non-industrial Corporations .. ..	150	150	214
Petroleum .. ..	130	115	115
Cement .. ..	25	25	18
Fertilizer .. ..	80	80	91
Drugs .. ..	25	25	25
Textiles .. ..	100	100	101
Manufacturing Industries .. ..	200	235	231
Subsidiary foodstuffs .. ..	280	280	309
General Trade quotas .. ..	225	225	218
Direct user Imports .. ..	35	30	46
Total .. ..	1,750	1,959	1,970 *

\* Provisional.

Source. Ministry of Planning and Economic Affairs.

### Tariffs

*Import Duties* - The Minister of Finance in his Budget Speech of August 9, 1965 announced important changes in import duties, effective from mid-night of 9th/10th August, 1965. In terms of those changes, and as a measure designed to contribute substantially to a reduction in the cost of living, import duties were totally abolished on a number of essential consumer items, viz., kerosene oil, chillies, potatoes, onions, dhall, gram and peas, wheat, oats and barley. Import duties on cotton textiles and a few items of synthetic textiles were also reduced, the reduction involving in the case of many of these items a change in the basis of these levies from ad valorem to specific duties. The old duties on synthetic textiles were completely abolished and these items merged with the group of artificial silk textiles, the duties on which were in the case of most items substantially lower. In addition, import duties were abolished on small agricultural implements, such as mammoties and alavangoes, and on sports goods. The loss of revenue resulting from these changes in import duties was estimated to be Rs. 18 million.

The Minister also announced his intention to increase the import duty on automotive diesel oil in order to re-coup the loss of revenue that would result from his decision to abolish the heavy oil motor vehicles tax with effect from January 1, 1966. The import duty on this item was accordingly increased from 25 cents per gallon to 75 cents per gallon with effect from mid-night of 26th/27th January, 1966. On the same date, import duties were also completely removed from specified types of agricultural equipment, including tractors, marine diesel engines and parts required for fishing craft, and out-board motors imported for use in the local fishing industry. The duty on rubber tyres and tubes used exclusively on agricultural tractors was reduced from 72 per cent to 50 per cent.

A further important change announced in the Budget Speech concerned the basis on which duties were levied on three important commodities, viz., textiles, iron and steel and paper. It was decided to convert the duties on certain specified items of commodities belonging to these groups from an ad valorem to a specific basis. Under a regime of import control, variations in the availability of these items had introduced an element of considerable instability into the import levies payable on these commodities, since the wholesale market values, which constituted the criterion of valuation for the assessment of ad valorem duties, invariably changed with changes in the supplies of these commodities in the domestic markets. Ad valorem levies imposed on this basis did tend to have undesirable effects, including the uncertainty confronting importers in regard to the duties payable on their prospective shipments. It was accordingly decided to impose specific duties on these commodities.

Offsetting the loss of revenue resulting from the elimination or reduction of duties referred to above, a 10 per cent surcharge on the existing rates of import duties, estimated to yield an additional revenue of Rs. 22 million, was imposed on the whole range of imports, with the exception of items of food, drugs and medicines, fertilizer, petroleum products including kerosene oil, textiles, motor spare parts, cement, agricultural machinery and implements, and items used by the export industries.

*Export Duties*— No changes were made in export duties during the course of 1965.

### *Trade Agreements*

The following trade arrangements were concluded during the course of this year :—

**India:** Negotiations were held in January under the Trade Agreement of October 28, 1961, for the conclusion of trade arrangements in respect of the year 1965. These arrangements provided in the main for the export from Ceylon of specific quantities of copra, coconut oil and rubber and for the import from India of specific quantities of dried fish, tamarind and sakkarai.

**Thailand:** A trade understanding was concluded with the Government of Thailand on May 21, 1965 with a view to promoting the expansion of trade between the two countries. The Ceylon Government indicated their desire to make annual purchases of rice from Thailand, and expressed the wish that Ceylon's exports of tea and coconut products to Thailand would expand. Ceylon was also in a position to export certain manufactured products. The Thai-Government agreed that the utmost endeavour would be made to facilitate the importation of these commodities from Ceylon.

**Maldiv Islands:** A trade understanding, initially valid up to the end of 1965 but with provision for automatic extension for periods of one year, was concluded with the Maldivian Government on August 23, 1965. In terms of this understanding, the Maldivian Government agreed to make available to the Government of Ceylon a specified quantity of Maldiv fish at agreed prices, which were open to revision. The Government of Ceylon undertook to make available for purchase by the Maldivian Government specified quantities of rice, flour and sugar. The Ceylon Government also agreed to issue licences for export to the Maldives of specified commodities, up to agreed quantities, or subject to the laws and regulations governing the issue of such licences, as the case may be.

**People's Republic of China:** A protocol relating to the exchange of commodities for the year 1966, in terms of the Trade and Payments Agreement signed with the People's Republic of China on October 3, 1962, was signed on October 12, 1965. In terms of this protocol the two countries agreed to expand trade to an approximate value of Rs. 120 million either way. This agreement included specific undertakings for the purchase, on the part of China, of 41,000 metric tons of rubber of an approximate value of Rs. 96 million, and, on the part of Ceylon, of 200,000 metric tons of rice of like value.