

**(I) FOREIGN TRADE****Overall Trends**

During the year 1967, the value of exports inclusive of re-exports was Rs. 1,690 million and that of imports Rs. 1,738 million, <sup>1</sup> resulting in a merchandise trade deficit of Rs. 48 million.

Export earnings which had shown a steady improvement from the low level reached in 1963 declined sharply by Rs. 249 million in 1966. In the year 1967, the value of Ceylon's exports amounted to Rs. 1,690 million, registering a further decline of Rs. 10 million or 0.6 per cent below the 1966 level and was the lowest figure recorded since 1957.

The value of imports, which during 1966 had shown a sharp expansion of Rs. 554 million or 38 per cent over 1965, fell substantially in 1967 and at Rs. 1,738 million declined by Rs. 290 million or 14 per cent below the previous year.

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

TABLE II (I) 1

## Foreign Trade 1960 — 1967

Year	Rupees Million			Index Numbers (1958 = 100)					
	Exports* (F.o.b.)	Imports (C.i.f.)	Balance of Trade	Volume		Price		Terms of Trade	Purchasing Power of Ex- ports
				All Exports	All Imports	All Exports	All Imports		
1960	1,832	1,960	-128	103	113	104	102	102	105
1961	1,733	1,703	+ 30	107	91	95	101	94	101
1962	1,808	1,660	+148	115	92	93	95	98	113
1963	1,731	1,490	+241	111	79	93	105	89	98
1964	1,876	1,975	- 99	119	105	93	107	86	105
1965	1,949	1,474	+475	125	77	95	109	88	106
1966	1,700	2,028	-328	114	107	90	119	76	85
1967	1,690	1,738	- 48	119	85	85	123	69	80

Source: Ceylon Customs Returns,  
Central Bank of Ceylon.

\* Includes re-exports.

- (1) The figure of aggregate imports needs to be interpreted with caution. As pointed out in the Annual Reports for 1963, 1964, 1965 and 1966, there could be considerable differences 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 Government imports, and more particularly to imports of rice, flour and sugar, which account for a considerable proportion of aggregate imports. The extent of the difference between actual imports of these three commodities and their imports as reflected in the customs recorded data is discussed at some length in the paragraphs that follow.

The total volume of exports, which had received a serious setback in 1966 expanded during the year 1967, the Central Bank's index of export volumes at 119 (Base 1958=100), showing an increase of 4 per cent over the preceding year. The average price of all exports which had shown a slight improvement during the year 1965 registered a fall of 5 per cent in 1966. During the year 1967, this falling trend was continued and the average price index of all exports declined by a further 6 per cent below the 1966 level. Thus, the shortfall in export earnings during the year 1967 was the result of a fall in the average price of all exports, the effect of which was partly offset by an increase in volume exported.

The volume of imports (as measured by the Central Bank Trade Indices, Base 1958=100) during the year 1965 was relatively low when compared with the preceding years. The year 1966, however, witnessed a sharp increase in total volume of imports, which tendency has been reversed during the year 1967. The aggregate volume index of imports (base 1958=100) at 85 indicated a fall of 21 per cent below 1966. The average price of all imports which had been rising steadily since 1962, continued its upward trend during 1967 and the Central Bank's index of all import prices at 123 indicated an increase of 3 per cent over the previous year. The sharp decline in the value of imports in 1967 is, therefore, largely the result of a marked contraction in the volume of imports, the effect of which more than offset an increase in their average price.

Ceylon's commodity terms of trade (as measured by the Central Bank Trade Indices) which had been deteriorating since 1962 registered a slight improvement in 1965. This temporary phenomenon was reversed in 1966 when the terms of trade declined sharply by 13 per cent. The terms of trade continued to be adverse during the year 1967, deteriorating from 76 (1966) to 69 (1967) i.e. by a further 9 per cent below the preceding year's level.

The purchasing power of exports i.e.  $\frac{\text{Export value index}}{\text{Import price index}} \times 100$  which had shown a marked increase during the year 1964 continued to increase in 1965. This tendency, however, was reversed in 1966, when the purchasing power of exports fell by 20 per cent. This trend continued into 1967 when the index fell by a further 6 per cent below the 1966 level.

The figure of total imports as recorded in the Customs Returns understates the value of imports actually received during 1967. While in 1966, the Customs records of imports of rice, flour and sugar, over-stated the Food Commissioner's actual imports of these commodities by Rs. 121 million, in 1967 they understated the Food Commissioner's imports of these commodities by Rs. 35 million.

If the total imports for 1966 and 1967, as recorded in the Customs data are adjusted to reflect the actual imports received by the Food Commissioner, the value of total imports in 1966 would be reduced to Rs. 1,907 million from Rs. 2,028 million and in 1967, it would be increased to Rs. 1,773 million from Rs. 1,738 million. On this basis, the value of imports in 1967 fell short of the previous year's level by Rs. 134 million or 7 per cent.

The balance of trade, as reflected in the Customs data recorded a deficit of Rs. 48 million in 1967 as against a deficit of Rs. 328 million in 1966.<sup>1</sup> On the basis of adjusted data the deficit in merchandise trade balance for 1966 will be reduced to Rs. 207 million, while the deficit for 1967 will be increased to Rs. 83 million.

(1) Vide Central Bank Annual Report for 1966 para 1, p. 152 for an explanation for the sizeable merchandise trade deficit for that year.

## Exports

The decline in export earnings of Rs. 10 million in 1967 was largely due to a decline of Rs. 55 million in export earnings from rubber and Rs. 29 million from the three major coconut products, the effects of which were partly offset by an increase of Rs. 74 million in export earnings from tea, minor export products and re-exports. Table II (I) 2 gives the composition of exports and their relative percentage shares in the total of export earnings. The decline in the total value of exports was entirely the result of sharp declines in the average f.o.b. prices of all three major export products.

**TABLE II (I) 2**  
**Composition of Exports**

Commodity	Value in Rupees Million						Percentage of Total Exports					
	1962	1963	1964	1965	1966	1967	1962	1963	1964	1965	1966	1967
Tea ... ..	1,149	1,140	1,148	1,210	1,027	1,061	64	66	61	62	60	63
Rubber ... ..	290	257	290	304	337	282	16	15	15	16	20	17
3 Major Coconut Products breakdown of which	227	198	273	275	196	167	13	11	15	14	12	10
(a) Copra ... ..	55	39	55	49	25	18	4	2	3	3	2	1
(b) Coconut Oil ... ..	112	99	154	144	108	88	6	6	8	7	6	5
(c) Desiccated Coconut ... ..	56	60	64	82	63	61	3	3	4	4	4	4
Other domestic exports	100	110	137	127	116	121	5	6	7	6	7	7
Total domestic exports	1,766	1,705	1,842	1,916	1,676	1,631	98	98	98	98	99	97
Re-exports ... ..	42	26	34	33	24	59	2	2	2	2	1	3
Total ... ..	1,808	1,731	1,876	1,949	1,700	1,690	100	100	100	100	100	100

Source : Ceylon Customs Returns.

Export earnings from tea increased by Rs. 34 million or 3 per cent in 1967 as compared with 1966. The increase in earnings was wholly due to an expansion in the volume exported. The volume of tea exports in 1967 at 478 million pounds was 37 million pounds or 8 per cent higher than the quantity exported in 1966. The average f.o.b price of tea which had registered a sharp decline in the preceding year, recorded a further decline and at Rs. 2.22 per pound was 11 cents per pound or 5 per cent lower than in 1966. The share of tea in total export earnings at 63 per cent has shown an increase of 3 per cent over that of the previous year.

Export earnings from rubber, on the other hand, declined by Rs. 55 million or 16 per cent as compared with 1966. This was due largely to a sharp decline in the average f.o.b. price of rubber, which fell by 16 cents per pound to 97 cents per pound in 1967. The effect on export value of a fall in price was strengthened by a contraction of 7 million pounds or 2 per cent in the volume of rubber exports. The volume of rubber exports in 1967 was 291 million pounds.<sup>1</sup> The share of rubber in total export earnings fell to 17 per cent from 20 per cent a year earlier.

Export receipts from the three major coconut products fell by Rs. 29 million or 15 per cent below the preceding year. This decline was partly the result of a fall of 8 per cent in their aggregate export volume and partly the result of a fall of 6 per cent in their average price (as measured by the Central Bank Trade Indices). The share of these products in the total export earnings declined to 10 per cent from 12 per cent in 1966.

(1) The total quantities of rubber actually shipped during the twelve months ended December 1967 was 298,945,207 lbs.

Earnings from other domestic exports which had declined by Rs. 11 million or 9 per cent in 1966, increased by Rs. 5 million or 4 per cent in 1967. Exports of coir fibre at Rs. 41 million has shown an increase of Rs. 3 million or 8 per cent due to an increase of 6 per cent in the volume of exports and a rise of 4 per cent in the average f.o.b. price. While the average f.o.b. price of bristle fibre declined by 6 per cent, that of mattress fibre increased marginally. The value of exports of cinnamon at Rs. 31 million showed an increase of Rs. 1 million or 3 per cent, which was wholly the result of an increase of 12 per cent in export volume, while the average f.o.b. price declined by 9 per cent. Export earnings from cocoa at Rs. 4 million recorded a fall of Rs. 2 million or 33 per cent over the preceding year. This decline was due largely to the result of a fall of 46 per cent in the volume of exports, the effect of which was partly offset by a rise of 28 per cent in average f.o.b. price. Export receipts from natural graphite at Rs. 7 million showed an increase of Rs. 1 million or 17 per cent and was partly due to an increase of 4 per cent in export volume and a rise of 5 per cent in average f.o.b. price. The value of re-exports which had been declining in the two preceding years increased in 1967. At Rs. 59 million, the value of re-exports showed a significant increase of Rs. 35 million over the previous year. This increase was due mainly to an expansion in re-exports of bunkers, which increased by Rs. 32 million.

### Tea

In 1967 tea production amounted to 487 million pounds. This was 3.4 million lbs. or about 1 per cent lower than the quantity produced in 1966. When compared with the record figure of 503 million lbs. of tea produced in 1965, however, the quantity of tea produced in 1967 was lower by 16 million lbs. or 3 per cent. The lower level of production in 1967 was due partly to adverse weather conditions experienced during the early months of the year and partly to an orientation of production to quality manufacture. Finer plucking was resorted to as a means to improving quality in order to realise better prices particularly in the high and medium high-grown categories. The shift to quality manufacture did not, however, arrest the decline in producer prices. A further contributory factor leading to a reduction in overall production has been the effect of lower producer prices on marginal output. Although this observation cannot be firmly established, it is very likely that the effect of persistently lower prices on low-grown estates in particular has been towards inducing a contraction in output. The decline in output was confined to high and low grown teas, whose output fell by 9.0 million lbs. and 6.6 million lbs. respectively. Production of medium-grown teas, however, increased by 12.1 million lbs. Table II (I) 3 provides data in respect of production, exports, the volume offered at the Colombo Auctions and the volume shipped direct to the U.K. to the London Auctions as well as volume of sales under private treaty.

The volume of tea exported in 1967 increased by 37 million lbs. or 8 per cent over that of 1966. This expansion reflected an increase of 10 million lbs. or 3 per cent in the quantity sold at the Colombo Auctions and 2 million lbs. or 2 per cent in the quantity of tea shipped direct to the U.K. to the London Auctions. Through the medium of private sales 5 million lbs. of tea were sold. Available data indicate that stocks of manufactured tea in Ceylon declined from 59 million lbs. at the end of September 1966 to 40 million lbs. at the end of September 1967.<sup>1</sup>

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(1) Tea Control Department.

**TABLE II (I) 3**  
**Production, Exports and Quantities sold at the**  
**Colombo Auctions & Quantities shipped to London Auctions**

Million Pounds						
Year	Production	Exports		Quantity offered at the Colombo Auctions	Quantity shipped direct to London	Private Sales**
		Customs Data	Actual Shipments			
1965	503	495	474	368	125	—
1966	490	441	441	359	108	—
1967	487	478	460	369	110	5

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

\*\*Private sales of tea came into operation on 1st March 1967.  
 These sales are confined to U. S. A. and Canada only.

### Colombo Auctions

The decline in the prices of tea, which began in early 1966 continued throughout that year and gained momentum during the second quarter of 1967. During the third quarter low-grown teas continued to decline while high and medium grown teas registered slight increases. The fourth quarter, however, saw substantial increases in the prices of all three elevational categories of teas. This increase in market prices can be attributed partly to the devaluation of the Ceylon rupee on 22nd November, 1967. The average nett price of all teas sold at the Colombo Auctions, which had declined by as much as 18 cts. per lb. or 10 per cent in 1966, registered a further decline of 7 cents per lb. or 4 per cent to Rs. 1.50 per pound in 1967. This decline in price was confined to high and low grown categories of teas, while medium grown teas registered a marginal increase of 1 cent per pound. In regard to high and low grown categories, there were marked differences in the degree of price declines. The average nett price of low grown teas at Rs. 1.20 per lb. registered a sharp fall of 17 cents per lb. or 12 per cent below the 1966 level, while that of high grown teas declined by 2 cents per pound or 1 per cent to Rs. 1.82 per lb. Table II (I) 4 gives data on production, exports and prices of tea.

The larger quantity of tea that reached the Colombo Auctions during 1967—the quantities sold at the Colombo Auctions increased by 10 million lbs. over the previous year's total — and reduced purchases by Iraq and U.S.S.R. were the major factors contributing to the deterioration in market prices.

The average nett price of high grown teas showed a decline of 15 cents per lb. during the first quarter of 1967, as compared with the corresponding quarter of 1966. With the close of the Dimbulla/Dickoya season prices on an average during second quarter of 1967, declined by 23 cents per lb. below the preceding quarter and by 4 cents per lb. below the corresponding quarter of 1966 to Rs. 1.66 per lb. High grown tea prices improved during the third quarter of 1967 and at Rs. 1.80 per lb. was a cent per lb. higher than that of the corresponding quarter of the previous year. In the final quarter, however, prices improved further and at Rs. 1.97 per lb. registered an increase of 15 cents per lb. over the same quarter of 1966.

**TABLE II (I) 4**  
**Tea—Production, Exports & Prices**

Year	Production	Exports		Average Colombo Auction Nett Price Rupees per lb.			
	Quantity Mn. lbs.	Quantity Mn. lbs.	F.o.b. price Rs. per lb.	High grown	Medium grown	Low grown	All Teas
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
1966 ... ..	490	441	2.33	1.84	1.46	1.37	1.57
1967 ... ..	487	478	2.22	1.82	1.47	1.20	1.50
1966 1st Quarter ...	129	111	2.42	2.04	1.61	1.62	1.76
2nd Quarter ...	146	135	2.40	1.70	1.39	1.40	1.50
3rd Quarter ...	97	119	2.24	1.79	1.43	1.27	1.50
4th Quarter ...	118	76	2.20	1.82	1.46	1.15	1.48
1967 1st Quarter ...	116	121	2.31	1.89	1.46	1.10	1.48
2nd Quarter ...	143	118	2.17	1.66	1.33	1.04	1.34
3rd Quarter ...	104	137	2.10	1.80	1.44	1.20	1.48
4th Quarter ...	124	102	2.34	1.97	1.70	1.49	1.72

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

The average price of medium grown teas following the trend of prices of high grows registered declines of almost similar magnitudes during the first two quarters of the year under review. While the average price during the first quarter fell by 15 cents per lb., during the second quarter, it declined by 6 cents per lb. In the third quarter, however, prices improved, the average price rising by 4 cents per lb. over the same quarter of last year. The fourth quarter saw a further improvement in prices with the average price rising by as much as 24 cents per lb. over the corresponding quarter of 1966 to Rs. 1.70 per lb.

Low grown teas fared adversely during the first two quarters of 1967 and their average nett prices at Rs. 1.10 and Rs. 1.04 per lb. respectively, registered declines of 52 cents per lb. and 36 cents per lb. respectively, below the corresponding quarters in 1966. This decline in prices was in the main due to restricted purchases from the Middle Eastern buyers, particularly Iraq. The Iraqi Government Purchasing Board withdrew from the Colombo market in mid-February and re-entered it only in May.<sup>1</sup> The withdrawal of Iraq from the tea market resulted in a limited demand for low grows and market prices reached a low level of 90 cents per lb. It may also be noted that the low prices which prevailed in the market resulted in heavy withdrawals of tea catalogue for sale. Although prices improved during the third quarter, yet they were 7 cents per lb. lower than that of the corresponding quarter

(1) Forbes & Walker Market Reports for the months February and May, 1967.

of the previous year. In the final quarter, however, prices improved further, the average price at Rs. 1.49 per lb. registering an increase of 34 cents per lb. over the fourth quarter of 1966 and 29 cents per lb. over the third quarter of 1967. This increase in price was largely the result of active competition for these teas from the Middle Eastern buyers following the devaluation of the Ceylon rupee.

The export duty rebate scheme, which was introduced on 25 th September 1966, with a view to rendering immediate relief to tea small-holders who were receiving low prices for their green leaf continued to operate up to 23rd November, 1967. This scheme provided for tea which fetched a gross price under Rs. 1.50 per lb. at the Colombo Auctions to be paid a rebate amounting to the difference between Rs. 1.50 and the price realised at the auctions, subject to a maximum of 35 cents per lb. With a view to discouraging the production of inferior quality teas, the rebate was not paid in respect of teas which realised a price less than 90 cents per lb. To allow time for the small-holders to improve the quality of their tea, the lower limit below which no rebate was to be paid was fixed at 70 cents per lb. for the first four weeks and 80 cents per lb. for the next four weeks. At the end of this period, it was raised to 90 cents per lb. Although the lower limit should have been raised to Re. 1/- per lb. with effect from the sale of 13th/14th March, 1967, the Government postponed implementing this decision until September in view of the hardships caused to producers whose tea prices fell in the range of 90 - 99 cents inclusive.

As a result of price improvements registered by low grown teas during the third and fourth quarters of the year, the lower limit for the payment of the rebate was raised to Re. 1/- per lb. with effect from 4th September and again to Rs. 1.30 per lb. with effect from 1st November, 1967.

To qualify for this rebate, a factory had to satisfy that it had in 1965, manufactured at least 25 per cent of its total production or 100,000 lbs. of made tea from 'bought leaf'.

Although this relief scheme was extended to include all estates, with effect from the sale of 29th November 1966, the Government withdrew the export duty rebate given to all high grown teas with effect from 18th April, 1967, with the exception of those manufactured by nine factories purchasing considerable quantities of 'bought leaf' tea. With the devaluation of the Ceylon Rupee on 22nd November, 1967 the export duty rebate scheme was withdrawn altogether with effect from 23rd November, 1967.

Table II (1) 5 gives particulars of the quantities on which the rebate was granted, the total amount paid out as rebate and the average rebate paid per pound. The periods for which data are given are indicated in column (1).

It may be noted that of a total of 335.4 million lbs. of tea sold at the Colombo Auctions in the eleven month period January to November 1967, no less than 143.3 million lbs. or 42.7 per cent qualified for the rebate. The total expenditure involved by way of rebates under this scheme during 1967 was Rs. 40.8 million, of which low grown accounted for Rs. 25.3 million or 62.0 per cent and medium grown for Rs. 13.0 million or 31.9 per cent. The average rebate paid on all teas in 1967 was 28 cents per lb. While low grown teas on an average received 29 cents per pound as rebate, medium and high-grown received 27 cents and 26 cents per pound respectively.

**TABLE II (I) 5**  
**The Tea Rebate Scheme, Colombo Auctions**

(1) Period	(2) Total Quantity sold at the Colombo Auctions	(3) Poundage subject to rebate and rebate paid											
		High—Grown			Medium—Grown			Low—Grown			Total All Teas		
		Pound- age Mn. lbs.	Amount Rs. Mn.	Average rebate paid Rs. per lb.	Pound- age Mn. lbs.	Amount Rs. Mn.	Average rebate paid Rs. per lb.	Pound- age Mn. lbs.	Amount Rs. Mn.	Average rebate paid Rs per lb.	Pound- age Mn. lbs.	Amount Rs. Mn.	Average rebate paid Rs. per lb
(a) September 25, 1966 to December 28, 1966 ...	71.2	1.5	0.4	0.24	4.2	1.1	0.27	15.0	4.5	0.30	20.7	5.9	0.29
(b) January 7, 1967 to November 12, 1967	335.4	9.9	2.6	0.26	47.9	13.0	0.27	85.5	25.3	0.29	143.3	40.8	0.28
Total (a) + (b) ...	406.6	11.4	3.0	0.26	52.1	14.1	0.27	100.5	29.8	0.30	164.0	46.7	0.29

*Source : Tea Control Department.*



During the last three months of 1966 when this scheme was in operation the total expenditure involved was Rs. 5.9 million, of which low-grown teas accounted for Rs. 4.5 million or 76.0 per cent. Thus the total cost to the Government in implementing this scheme during the 14 months during which period it was in operation amounted to Rs. 46.7 million. In all 164.0 million lbs. of the tea sold at the Colombo Auctions qualified for the rebate and the average rebate paid during the entire period amounted to 29 cents per lb.

### London Auctions<sup>1</sup>

An examination of average annual London market prices reveals that the downward drift in auction values at the London market was arrested in 1967. The average price of all teas sold at this centre at 4 sh. 1.81 d. per pound showed an increase of 0.95 d. This increase in price contrasts with a fall of 1.31 d. per pound recorded in the previous year and 1.28 d. per pound in 1965. There were marked fluctuations in the price of tea during the first half of the year and the average price of all teas sold at this centre during the first half of 1967 at 3 sh. 11.13 d. per pound registered a drop of 1.16 d. per pound below that of the corresponding period of last year. The overall decline in price during this period may be attributed largely to the plainness in the quality of teas that were offered, particularly in respect of North Indian teas, which accounted for the greater percentage of teas sold at these auctions. Although the market reaches its customary low level in June-July tea prices in 1967 continued to be low during August. The latter phenomenon has to be accounted for by the delayed arrival of the new season's crop from North India, caused by the closure of the Suez Canal in June and the consequent longer route via the Cape of Good Hope. In September, with the arrival of the new season's crop, market prices registered sharp increases. This upward trend was continued in the three months following when better quality Ceylon teas, too, were on sale. Unofficial strikes in the U.K. Ports (Liverpool and London) which began in September and which continued during October helped to sustain price improvements. The strike compelled shipping companies to divert vessels scheduled to discharge at strike bound ports to the continent and such diversions account for the reduced quantities offered at London. Although the strike ended in the latter part of October, quantities coming forward were low due to delayed arrivals of tea shipments consequent to the longer route via the Cape and the alteration in the system of printing of catalogues where warehouse weights replaced garden weights. All these factors resulted in market prices remaining high during November and December.

The average price of all grades of Ceylon tea sold at the London Auctions during the year amounted to 4 sh. 4.33 d. per pound, registering an increase of 1.45 d. per pound over the preceding year. In 1966 and 1965, however, the average London Market price for Ceylon teas had dropped by 0.27 d. per pound and 2.70 d. per pound respectively. The increase of 1.45 d. in the average price of Ceylon tea in 1967 was accompanied by increases in the average prices of North Indian and South Indian teas. The average price of North Indian teas at 4 sh. 5.71 d. per pound registered an increase of 1.57 d. per pound over the average price realised in 1966, while the price of South Indian teas at 3 sh. 6.48 d. per pound recorded an increase of 1.44 d. per pound. The prices of tea from all other producing territories, with the exception of Malawi, Argentine and Vietnam recorded increases. The decline in the prices registered by the above three countries was due probably to the quality of teas offered being inferior. Reduced availability of plain teas at this centre, particularly during the latter months of the year gave a fillip to teas from other producing countries viz, African territories, Mauritius and Malaya.

(1) This analysis is based on Weekly Tea Market Reports of the Tea Broker's Association of London, Investors' Guardians and Public Ledgers.

The total quantity of tea sold at the London Auctions in 1967 amounted to 284 million lbs.<sup>1</sup> indicating a fall of 53 million lbs. or 16 per cent below the quantity sold in 1966. This decline in volume has been shared by all the major producing countries consigning tea to this centre. While the quantities of North Indian and South Indian teas sold at these auctions during this year at 113 million lbs. and 12 million lbs. respectively, declined by 28 million lbs. and 8 million pounds respectively, quantities from Ceylon and African territories at 96 million lbs. and 56 million lbs. respectively fell short of the previous year's levels by 11 million lbs. and 2 million pounds respectively.

The level of stocks in U.K. during the first four months of 1967 was lower than during the corresponding months of 1966, but stocks were higher than in the corresponding period of 1965. In May and June 1967, however, stocks were at a higher level than in the corresponding months of 1965 and 1966. Throughout the second half of the year, tea stocks in the U.K. were noticeably lower than in the corresponding periods of 1966 and 1965. This running down of stocks was due to the high afloats position caused by the delayed arrivals of tea. Thus, at the end of the year, these stocks amounted to 135 million pounds<sup>2</sup>, or 8 million pounds less than at the end of 1966.

A further factor responsible for the rise in the average London market price has been the material improvement in the quality of the second flush teas from North India during the current season, as against the character of the flush of the previous year. This improvement in quality was due largely to favourable growing conditions, particularly the climate.

Available data on world production indicate that during 1967 tea output was 1,547 million lbs.<sup>3</sup> revealing an increase of only 6 million lbs. over 1966. This compares with an increase of 44 million lbs. in 1966. North India and Pakistan were the only producers to record increases in production, while the other major tea producing countries recorded declines. The major factor responsible for the decline in production in South India, Ceylon and East Africa was adverse weather, particularly drought. India, as a whole increased its production by 8 million lbs. while Pakistan recorded an increase of 3 million lbs.

## Rubber

The production of rubber, which had shown a marked increase of 28 million pounds or 11 per cent in 1966, expanded further by 27 million pounds or 9 per cent to 316 million pounds in 1967. The production of sheet rubber increased by 16.8 million pounds while crepe and latex increased by 9.9 million pounds and 0.3 million pounds respectively. The increase in the output was due to high yields obtained from the replanted areas now coming into bearing. The local consumption of rubber which stood at 4.9 million pounds in 1966 increased by 1.0 million pounds to 5.9 million pounds in 1967. The volume of rubber exported which rose steeply by 31 million pounds or 12 per cent in 1966, registered a fall of 7 million pounds or 2 per cent to 291 million pounds in 1967.<sup>4</sup> The quantity of sheet rubber exported at 163.3 million pounds registered a drop of 16.8 million pounds (or 9.3 per cent), while exports of crepe (all varieties) at 127.4 million pounds registered an increase of 9.2 million pounds (or 8.1 per cent) when compared with 1966.

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- (1) Tea Market Report No. 796 of December 22, 1967, of the Tea Brokers' Association of London.
  - (2) Tea Market Report No. 797 of January 5, 1968 of the Tea Brokers' Association of London.
  - (3) John, Keell, Thompson, white Ltd. Weekly Tea Market Report of March, 20, 1968.
  - (4) The total of 291 million lbs. of rubber exports is on the basis of entries passed for export. Customs data also record by way of an explanatory foot-note that the actual quantity shipped in the twelve month period January-December 1967 was 298.9 million pounds. Ceylon Customs Returns Dec., 1967. p. 695.

In the Colombo market the price of R.S.S. No. 1 followed a downward trend in 1967, following the pattern of the price movements in the world centres. The average price of sheet rubber R.S.S. No. 1 in the Colombo market which showed a persistent decline in 1966 continued to decline up to September 1967, when the average market price reached a low of Rs. 0.71 cts. per pound. The average market price showed slight improvements in both October and November. With the devaluation of the Ceylon rupee, market prices picked up and in December 1967 the average price of sheet rubber R.S.S. No. 1 increased sharply by 11 cts. per pound (or by 15 per cent) over the previous month and by 2 cents per pound (or by 1 per cent) over the average market price in December 1966. The annual average price of R.S.S. No. 1 in 1967 declined by 10 cts. per pound or 11 per cent to Rs. 0.79 cts. per lb. when compared with the annual average price in 1966.

The decline in the average price of Latex crepe No. IX which began around August 1966 continued up to October 1967, when it reached Rs. 0.82 cents per pound. The monthly average price for November showed a slight improvement, and after the devaluation of the rupee, the average price in December 1967 recorded a noticeable rise of 7 cts per pound (or by 8 per cent) over the preceding month's price; however, when compared with December 1966, this price was 7 cents per pound lower.

Table II (I) 6 gives data on production, exports and prices of rubber in recent years.

**TABLE II (I) 6**  
**Rubber: Production, Exports & 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.
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
1966	289	298	1.13	0.89
1967	316	291	0.97	0.79

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

In the international markets prices of natural rubber followed a downward trend in 1967. Among the factors which contributed to the decline in the prices of natural rubber were increased availabilities of synthetic rubber at reduced prices, frequent changes in the policy of a stock pile releases in the United States of America, labour unrest in the tyre and motor car industry in the United States of America, reduced purchases by the manufacturers in Europe and the availability of increased supplies from Indonesia. During January to November 1967 (latest data available)<sup>1</sup> the world production of synthetic rubber amounted to 3,092,500 tons as against 3,047,500 tons for the same period in 1966, while consumption for the same period in 1967 accounted for 3,037,500 tons, as against 2,970,000 tons for the

(1) Public Ledger 2nd March, 1968 p.3.

same period in 1966. The world supply of natural rubber including releases from United States stockpile for the period January to November 1967 totalled 2,315,000 tons against 2,325,000 tons for the same period in 1966, while consumption of natural rubber accounted for 2,257,500 tons in the period January to November 1967 as against 2,322,500 tons for the same period in 1966, thus reflecting a drop of 65,000 tons or 2.8 per cent in the consumption in 1967.

In the World trading centres prices of natural rubber declined steadily from the beginning of 1967, with only minor upward movements during the months of May, June and July owing to the Middle East conflict. In the London market the lowest monthly average price of 1 sh.  $3\frac{1}{2}$  d. per pound for spot R.S.S. No. 1 was recorded in September, 1967, while in the Singapore market the average monthly f.o.b. price of R.S.S. No. 1 for the month of November at 49.20 straits cents per pound was the lowest monthly average recorded for the period. The annual average price of spot R.S.S. No. 1 sheet rubber in the London market declined by  $2\frac{1}{2}$  d per pound to 1 sh.  $5\frac{5}{8}$  d. per pound. In the Singapore market the annual average f.o.b. price of this grade of rubber at 54.08 straits cents per pound registered a drop of 11.28 straits cents per pound below 1966 annual average.

### Coconut Products

In the world market, prices of edible oils which followed a downward trend in 1966, improved slightly in 1967. Among the factors which contributed to the improvements in prices were, low exports from Philippines owing to a short-fall in production, curtailed shipments of Palm kernel and Palm oil from Nigeria due to political unrest, and disruption of the movements of shipments due to the closure of the Suez Canal. In the World market improvements in the prices of copra and coconut oil during the first half of 1967 were not pronounced and price levels were lower than their corresponding prices in 1966. A marked improvement in prices for coconut products was noticed during the second half of 1967 after the closure of the Suez Canal when prices moved substantially higher than the corresponding prices in 1966.

In the Colombo market, too, prices of coconut products, showed modest recovery during the first quarter of 1967 from the low levels reached at the end of the last quarter in 1966. During the second and third quarters low demand prevailed owing to uncertainties in the movement of shipments due to the Middle East situation and Colombo market prices declined slightly. A steady improvement in prices was witnessed during the fourth quarter of 1967 due to improved world demand. The annual average price at the Colombo market for estate No. 1 copra at Rs. 198.07 per candy registered an increase of Rs. 1.91 or 1.0 per cent, while desiccated coconut at Rs. 0.49 per pound increased by two cents or 4.3 per cent, over the 1966 annual average. The annual average price of coconut oil at Rs. 1152.75 per ton registered a fall of Rs. 6.52 or 0.6 per cent below the 1966 annual average price.

In 1967 the aggregate volume of exports of the three major coconut products declined by 8 per cent below the 1966 level. The low level of export volume was mainly due to a fall in coconut production. Coconut production in 1967 was affected by drought conditions. Export volume of all three products registered declines of varying magnitudes in 1967 as compared with 1966. Volume of exports of copra at 316 thousand cwts. declined by 101 thousand cwts. or by 24.2 per cent, coconut oil at 1,334 thousand cwts. declined by 123 thousand cwts. or by 8.4 per cent. Desiccated coconut exports at 926 thousand cwts. declined marginally by 4 thousand cwts. or by 0.4 per cent as compared with 1966,

The annual average f.o.b. prices of all three products registered a fall in 1967 as compared with 1966. The annual average f.o.b. prices of copra and desiccated coconut dropped by 0.5 per cent and 1.7 per cent respectively. The annual average price of coconut oil declined steeply by 11.8 per cent below the 1966 level.

Table II (I) 7 gives data on exports and export prices of the three major coconut products.

**TABLE II (I) 7**  
**Major Coconut Products — Exports : Volume & Prices**

Year	Volume				F.o.b. Prices		
	Coconut Oil Th. Cwt.	Copra Th. Cwt.	Desiccated Coconut Th. Cwt.	Total (in terms of nut equivalent) Mn. nuts	Coconut Oil Rs per ton	Copra Rs. per Candy	Desiccated Coconut Rs per lb.
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
1966	1,457	417	930	1,017	1,489.00	294.60	0.60
1967	1,334	316	926	940	1,314.00	293.07	0.59

*Source: Ceylon Customs Returns.*

### Imports

As pointed out earlier the large contraction in imports in 1967 of Rs. 290 million needs to be interpreted with reservation. The figure of total imports understates the changes in the value of imports actually received during this year and overstates the value of imports in the preceding year. For example, in the 'food and drink' sub-group of consumer goods imports, the Customs figure of imports of rice, flour and sugar at Rs. 514 million, fell short of the value of imports of these commodities actually received by the Food Commissioner by Rs. 35 million. In the preceding year the Customs data overstated the value of these imports by Rs. 121 million. Adjusting for these differences the estimated value of imports was only Rs. 134 million lower.

Table II (I) 8 gives the factual position after adjusting the Customs data for Food Commissioner's actual imports of rice, flour and sugar,

TABLE II (I) 8

## Customs Data adjusted for Food Commissioner's Imports

	Value in Rupees Million	
	1966	1967
1. Consumer Goods ...	1,040	966
of which - ...		
A. Food and Drink ...	835	818
(i) Rice ...	266	244
(ii) Flour ...	121	234
(iii) Sugar, refined ...	75	71
B. Textiles ...	119	73
C. Other consumer goods ...	86	75
2. Intermediate goods ...	470	441
3. Investment goods ...	361	330
4. Unclassified imports ...	36	36
5. Total imports ...	1,907	1,773

On the basis of adjusted data, the total value of imports in 1967 declined by Rs. 134 million or 7 per cent below that of the preceeding year. Although, the value of imports of 'consumer goods' declined by Rs. 74 million or 7 per cent below 1966, their share in total imports at 55 per cent showed no change over the previous year. Imports of 'Intermediate' and 'investment goods' have registered declines of Rs. 29 million or 6 per cent and 31 million or 9 per cent respectively, while their shares in total imports at 25 per cent and 19 per cent respectively, remained unchanged at the preceding year's levels.

In the consumer goods category, the decline in the value of imports has been shared by the three constituent sub-groups, viz., 'food and drink' 'textiles' and 'other consumer goods'.

Table II (I) 9 illustrates the volumes, values and the average prices of Food Commissioner's and Customs recorded imports of rice, flour and sugar in respect of the years 1966 and 1967.

It will be seen from these data that in 1967, the Food Commissioner's actual aggregate imports of rice, flour and sugar have at Rs. 549 million increased appreciably by Rs. 87 million or 19 per cent over 1966. While the value of the Food Commissioner's imports of rice and sugar at Rs. 244 million and Rs. 71 million respectively, fell short of his previous year's imports by Rs. 22 million or 8 per cent and Rs. 4 million or 5 per cent respectively, the value of flour imports increased sharply and at Rs. 234 million was Rs. 113 million or 93 per cent more than in 1966.

The decline in the value of rice imports during the year under review was largely the result of a sharp fall of 113 thousand tons or 23 per cent in the volume of imports of this commodity, the effect of which was to some extent offset by a sharp increase of Rs. 102 per ton or 19 per cent in their average c. and f. prices. The volume of imports of rice in 1967 was lower than that imported in 1966 due largely to the steps taken by Government on the food subsidy front which included besides reducing by one measure the subsidised weekly ration of rice issued to the consumers, policies aimed at increasing local rice production. The sharp increase in the average c. and f. price of rice was in keeping with the trend of prices in the world markets and was the result of poor harvests and consequent shortages.

TABLE II (I) 9

## Customs entries and actual imports of rice, flour and sugar

	Food Commissioner's Data				Customs Data			
	1966	1967	Change		1966	1967	Change	
			Absolute	%			Absolute	%
<b>Rice</b>								
Quantity: Th. tons ...	494	381	-113	-22.9	682	349	-333	-48.8
Value: Rs. Mn. ...	266	244	-22	-8.3	367	211	-156	-42.5
C & F Price: Rs. per ton ...	538.45	640.80	+102.35	+19.0	537.60	603.01	+65.41	+12.2
<b>Flour</b>								
Quantity: Th. tons ...	264	517	+253	+95.8	237	505	+268	+113.1
Value: Rs. Mn. ...	121	234	+113	+93.4	113	229	+116	+102.7
C & F Price: Rs. per ton ...	458.79	453.26	-5.53	-1.2	479.00	452.74	-26.26	-5.5
<b>Sugar</b>								
Quantity: Th. tons ...	233	226	-7	-3.0	304	243	-61	-20.1
Value: Rs. Mn. ...	75	71	-4	-5.3	103	74	-29	-28.2
C & F Price: Rs. per ton ...	323.36	313.70	-9.66	-3.0	338.00	302.53	-35.47	-10.5
Total value of rice, flour and sugar: Rs. Mn. ...	462	549	+87	+18.8	583	514	-69	-11.8

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

The large increase of Rs. 113 million in the value of imports of flour is explained by an increase of 253 thousand tons or 96 per cent in the quantity imported. The average c. and f. price at Rs. 453 per ton registered a fall of Rs. 6 per ton or one per cent below the average price in 1966. The increased imports of flour in the year under review was in order to meet an anticipated increase in demand for flour following on the reduction in the subsidised weekly ration of rice in December 1966. While actual consumption of flour increased during 1967, the enhanced imports were sufficient not only to meet the increase in consumption but also to build up stocks which increased during the year by about 76,300 tons.<sup>1</sup>

The drop in the value of imports of sugar in 1967, as compared with the year 1966, was partly the result of a contraction in the volume of imports of sugar by 7 thousand tons or 3 per cent and partly the result of a fall of Rs. 10 per ton or 3 per cent in the average c. and f. price. The fall in the price of sugar is attributable to the increased availability of sugar in the international markets.

Table II (I) 10 gives a breakdown of imports by major categories and commodities or groups of commodities, as reflected in the Customs Returns.

The decline in the total value of imports of Rs. 290 million recorded in 1967 has been shared by the three major categories of imports. The largest decline was in the 'consumer goods' category, imports of which declined by Rs. 230 million or 20 per cent below the previous year's level. The share of these goods in total imports, which in the year 1966 had amounted to 57 per cent fell by 3 per cent to 54 per cent in 1967. While the import values of 'intermediate' and 'investment goods'

(1) According to approximate figures obtained from the Food Commissioner's Dept.

TABLE II (I) 10

Imports by Major Categories and Commodities or Groups of Commodities, 1961-67.

	Value in Rupees Million							Percentage of Total Imports						
	1961	1962	1963	1964	1965	1966	1967	1961	1962	1963	1964	1965	1966	1967
<b>1. Consumer Goods</b>	<b>972</b>	<b>906</b>	<b>781</b>	<b>1,263</b>	<b>779</b>	<b>1,161</b>	<b>931</b>	<b>57.1</b>	<b>54.6</b>	<b>52.4</b>	<b>63.9</b>	<b>52.8</b>	<b>57.2</b>	<b>53.6</b>
of which— A. Food and drink	672	630	629	1,008	604	956	783	39.5	38.0	42.2	51.0	41.0	47.1	45.1
(i) Rice	217	195	192	326	144	367	211	12.7	11.7	12.9	16.5	9.8	18.1	12.1
(ii) Flour	69	71	60	137	98	113	229	4.1	4.3	4.0	6.9	6.6	5.6	13.2
(iii) (a) Sugar, refined	77	56	70	185	71	103	74	4.5	3.4	4.7	9.4	4.8	5.1	4.3
(b) Sugar, other (i.e. sakkara, jaggery and sugar candy)	1	2	3	2	1	2	...	0.1	0.1	0.2	0.1	0.1	0.1	...
(iv) Milk and milk products	66	76	77	94	77	77	66	3.9	4.6	5.2	4.8	5.2	3.8	3.8
(v) Meat, fish and eggs	77	62	65	74	61	101	56	4.5	3.7	4.4	3.7	4.1	5.0	3.2
of which— (a) Fish dried (excluding maldive fish but including dried prawns)	46	26	49	52	43	75	44	2.7	1.6	3.3	2.6	2.9	3.7	2.5
(b) Fish, other	23	30	12	17	13	19	9	1.4	1.8	0.8	0.9	0.9	0.9	0.5
(c) Meat and meat preparations	5	5	4	5	5	4	3	0.3	0.3	0.3	0.3	0.3	0.2	0.2
(d) Eggs	3	1	...	...	...	...	...	0.2	0.1	...	...	...	...	...
(vi) Food, other	133	139	139	164	124	170	126	7.8	8.4	9.3	8.3	8.4	8.4	7.2
of which— (a) Potatoes	20	22	26	25	18	24	7	1.2	1.3	1.7	1.3	1.2	1.2	0.4
(b) Grams and pulses	42	45	39	51	39	64	53	2.5	2.7	2.6	2.6	2.6	3.1	3.0
(c) Onions	21	20	22	26	21	20	19	1.2	1.2	1.5	1.3	1.4	1.0	1.1
(d) Chillies	33	36	38	46	30	43	29	1.9	2.2	2.6	2.3	2.0	2.0	1.7
(vii) Drink and manufactured tobacco	10	5	5	3	2	2	2	0.6	0.3	0.3	0.2	0.1	0.1	0.1
B. Textiles (including clothing)	172	149	83	165	107	119	73	10.1	9.0	5.6	8.4	7.3	5.9	4.2
C. Other Consumer Goods	128	127	69	90	68	86	75	7.5	7.7	4.6	4.6	4.6	4.2	4.3
of which— (i) Motor cars	8	2	2	3	3	3	10	0.5	0.1	0.1	0.2	0.2	0.1	0.6
(ii) Watches and Clocks	3	2	...	...	...	...	...	0.2	0.1	...	...	...	...	...
(iii) Radio receivers	3	1	...	...	1	...	...	0.2	0.1	...	...	0.1	...	...
(iv) Rubber tyres and tubes	7	8	5	4	7	5	4	0.4	0.5	0.3	0.2	0.5	0.2	0.2
(v) Medicinal and pharmaceutical products	27	25	20	26	21	35	22	1.6	1.5	1.3	1.3	1.4	1.7	1.3
<b>2. Intermediate Goods</b>	<b>383</b>	<b>409</b>	<b>372</b>	<b>397</b>	<b>414</b>	<b>470</b>	<b>441</b>	<b>22.5</b>	<b>24.6</b>	<b>25.0</b>	<b>20.1</b>	<b>28.1</b>	<b>23.2</b>	<b>25.4</b>
of which— (i) Fertilizers	57	60	68	78	88	91	80	3.3	3.6	4.6	3.9	6.0	4.5	4.6
(ii) Petroleum products	127	126	119	93	109	130	112	7.5	7.6	8.0	4.7	7.4	6.4	6.4
(iii) Coal	9	9	9	12	10	3	9	0.5	0.5	0.6	0.6	0.7	0.1	0.5
(iv) Chemical elements and compounds	27	33	32	37	30	36	38	1.6	2.0	2.1	1.9	2.0	1.8	2.2
(v) Dyeing, tanning and colouring materials	11	15	10	12	9	13	10	0.6	0.9	0.7	0.6	0.6	0.6	0.6
(vi) Tea and other chests	14	16	15	15	12	18	9	0.8	1.0	1.0	0.8	0.8	0.9	0.6
(vii) Paper and Paperboard	32	32	27	35	28	50	41	1.9	1.9	1.8	1.8	1.9	2.5	2.4
(viii) Yarn and thread	23	22	13	22	41	42	45	1.4	1.3	0.9	1.1	2.8	2.1	2.6
(ix) Unmanufactured tobacco	12	10	9	7	9	8	6	0.7	0.6	0.6	0.4	0.6	0.4	0.3
<b>3. Investment Goods</b>	<b>339</b>	<b>337</b>	<b>324</b>	<b>305</b>	<b>261</b>	<b>361</b>	<b>330</b>	<b>19.9</b>	<b>20.3</b>	<b>21.7</b>	<b>15.4</b>	<b>17.7</b>	<b>17.8</b>	<b>19.0</b>
of which— (i) Building materials	89	100	77	93	54	70	48	5.2	6.0	5.2	4.7	3.3	3.4	2.8
of which— (a) Cement	22	20	18	15	17	20	9	1.3	1.2	1.2	0.8	1.2	1.0	0.5
(ii) Transport equipment	100	92	100	58	96	116	89	5.9	5.5	6.7	2.9	6.5	5.7	5.1
(iii) Machinery and equipment	138	133	138	145	100	162	175	8.1	8.0	9.3	7.3	6.8	8.0	10.1
<b>4. Total (Items 1, 2 and 3)</b>	<b>1,694</b>	<b>1,652</b>	<b>1,477</b>	<b>1,965</b>	<b>1,454</b>	<b>1,992</b>	<b>1,702</b>	<b>99.5</b>	<b>99.5</b>	<b>99.1</b>	<b>99.5</b>	<b>98.6</b>	<b>98.2</b>	<b>97.9</b>
<b>5. Unclassified imports</b>	<b>9</b>	<b>8</b>	<b>13</b>	<b>10</b>	<b>20</b>	<b>36</b>	<b>36</b>	<b>0.5</b>	<b>0.5</b>	<b>0.9</b>	<b>0.5</b>	<b>1.4</b>	<b>1.8</b>	<b>2.1</b>
<b>6. Total Imports</b>	<b>1,703</b>	<b>1,660</b>	<b>1,490</b>	<b>1,975</b>	<b>1,474</b>	<b>2,028</b>	<b>1,738</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source : Ceylon Customs Returns



fell short of the preceding year's levels by Rs. 29 million or 6 per cent and Rs. 31 million or 9 per cent respectively, their shares in total imports, however, registered increases of 2 per cent and 1 per cent respectively to 25 per cent and 19 per cent respectively in the year under review.

The large fall in the value of imports of 'consumer goods' is accounted for largely by reduced imports of 'food and drink' items. These imports at Rs. 783 million have declined by Rs. 173 million or 18 per cent below the 1966 level, due mainly to Customs entries relating to government imports of rice, flour and sugar declining in the aggregate by Rs. 69 million or 12 per cent. The changes in actual imports of these commodities, however, differed from the Customs entries and are set out in the subsequent paragraphs. Imports of 'milk and milk products' at Rs. 66 million have fallen by Rs. 11 million or 14 per cent below the level reached in 1966, while imports of 'meat and fish' have declined by Rs. 45 million or 45 per cent to Rs. 56 million in 1967. With regard to imports of 'food other' (which includes potatoes, grams, pulses and currustuffs) the value of imports have at Rs. 126 million recorded a fall of Rs. 44 million or 26 per cent. In this sub-group a part of the decline in the value of imports resulted from the ban on imports of potatoes introduced during May 1967. Imports of dried chillies too were reduced. These measures were adopted with a view to encouraging the local production of these items. The reduction in the value of imports of pulses during 1967 as compared with 1966 could be attributed to their reduced availability in the world markets following bad crops in Syria.

With regard to the other two sub-groups of 'consumer goods', the value of imports of 'textiles' in 1967 at Rs. 73 million registered a fall of Rs. 46 million or 39 per cent below the level reached in the preceding year. The share of 'textiles' in total imports at 4 per cent declined by 2 per cent. Imports of 'other consumer goods', on the other hand, in value terms declined less sharply and at Rs. 75 million in 1967, recorded a fall of Rs. 11 million or 13 per cent below 1966. The share of these imports in total imports at 4 per cent showed no variation over the preceding year. In the 'other consumer goods' sub-group, imports of 'medicinal and pharmaceutical products' and 'rubber tyres and tubes' declined by Rs 13 million or 37 per cent and by Rs. 1 million or 20 per cent respectively, the effect of which was to some extent offset by an increase of Rs 7 million in the value of imports of motor cars.

In the 'intermediate goods' category the value of imports of 'petroleum products' amounted to Rs. 112 million representing a fall of Rs. 18 million or 14 per cent below the preceding year's level. While the total quantity of these imports at 266 million gallons has declined by 42 million gallons or 14 per cent, their average c.i.f. price at 42 cents per gallon increased by 2 per cent over the average price in 1966. Imports of 'fertilizers' too have declined in 1967, the value of these imports at Rs. 80 million recorded a fall of Rs. 11 million or 12 per cent. The volume of fertilizer imports into the country in 1967 at 309 thousand tons indicated a fall of 17 thousand tons or 6 per cent, while their average c.i.f. price at Rs. 262 per ton fell by Rs. 21 per ton or 7 per cent. Imports of 'coal' increased by Rs. 6 million to Rs. 9 million in 1967 and 'yarn and thread' by Rs. 3 million to Rs. 45 million. Other notable changes in the category of 'intermediate goods' include declines recorded in the value of imports of 'paper and paperboard', 'tea and other chests' and 'dyeing tanning and colouring materials' by Rs 9 million or 18 per cent, by Rs. 9 million or 50 per cent and by Rs. 3 million or 23 per cent respectively.

In the 'investment goods' category imports of 'building materials' and 'transport equipment' declined by Rs. 22 million or 31 per cent and Rs. 27 million or 23 per cent respectively. Imports of 'machinery and equipment, on the other hand, showed an expansion of Rs. 13 million or 8 per cent. In the 'building materials' sub-group the value of imports of 'cement' at Rs. 9 million registered a fall of Rs. 11 million or 55 per cent below that of the preceding year, and was largely the result of a sharp contraction in their volume from 247 thousand tons in 1966 to 99 thousand tons in 1967. The average c.i.f. price of cement, however, rose by Rs. 9 per ton to Rs. 90 per ton thereby offsetting partially the effects on import value of a decline in import volume.

The total import volume as measured by the Central Bank index declined sharply during the year and at 85 (base 1958=100) indicated a fall of 21 per cent below the previous year. The separate indices for the major categories of imports show that this contraction in volume was shared by all three major categories of imports, viz., consumer goods, intermediate goods and investment goods. While the volume index of consumer goods declined by 20 per cent to 79, the indices of intermediate and investment goods fell by 14 per cent and 36 per cent respectively to 128 and 65 respectively. Within the consumer goods category the decline in volume was confined to the 'food and drink' and 'textiles' sub-groups, whose indices fell by 21 per cent to 103 and by 43 per cent to 39 per cent respectively. The index of 'other consumer goods', however, increased by 35 per cent to 35.

The average price of all imports, which had continued to rise during four preceding years, rose further during the year under review. The Central Bank's index of import prices averaged 123 during 1967 and was 3 per cent higher than in 1966. The price indices of major categories of imports show that, while the indices of consumer goods and investment goods rose by 3 per cent and 10 per cent respectively to 114 and 204 respectively, the price index of intermediate goods declined by 5 per cent to 86. Within the consumer goods category all three sub-groups registered increases in prices. The price indices of 'food and drink' and 'textiles' rose by 2 per cent and 5 per cent respectively to 110 and 101 respectively and that of 'other consumer goods' rose by 2 per cent to 135.

### **Developments in the Port of Colombo**

The Annual Report for 1966 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 1967 witnessed a further improvement in the conditions of this Port.

Notwithstanding a 2 per cent increase in the number of vessels entering the Port of Colombo during the year, there was an appreciable acceleration in the turn-round of these vessels, the average duration of their period of stay in the port declining

from 7.5 days in 1966 to 7.1 days in 1967, an improvement of 5 per cent.<sup>1</sup> The total volume of cargo handled by the Port, however, recorded a fall of 120,721 shipping tons or 4 per cent in 1967, as compared with the preceding year. The decline in the total volume of cargo handled at this Port was largely the result of a contraction of 164,997 shipping tons or 7 per cent in the volume of import cargo discharged during 1967, the effect of which was to some extent offset by an increase of 44,276 shipping tons or 6 per cent in the volume of export cargo handled during the year.<sup>2</sup> The contraction in the volume of import cargo handled in 1967 was in keeping with the sharp decline in the volume of total imports (as measured by the Central Bank Trade Indices).

1. The following are particulars of the turn round of vessels in the Port of Colombo in 1967, as compared with 1966.

**Turn round of General Cargo Vessels 1966 and 1967**

Year	Number of vessels (over 50 tons)	Average waiting period for berth per vessel from arrival to commencement of operations (days)	Average working period per ship (days)	Average period of stay per vessel (days)
1966	632	0.47	7.02	7.5
1967	644	0.39	6.75	7.1

*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 1966.

**Import and Export Cargoes**

	Shipping Tons			
	1966	1967	Change	
			Absolute	%
1st Quarter	746,429	843,299	+96,870	+13.0
2nd Quarter	774,607	720,255	-54,352	-7.0
3rd Quarter	758,044	671,137	-86,907	-11.5
4th Quarter	776,133	699,801	-76,332	-9.8
Year	3,055,213	2,934,492	-120,721	-4.0

*Source :* Port (Cargo) Corporation.

The outbreak of hostilities in the middle East in June 1967 resulted in the closure of the Suez Canal. With the closure of Suez Canal and the consequent longer route via the Cape the liner conferences, which had withdrawn all surcharges in 1965 re-imposed surcharges of varying magnitudes,<sup>1</sup> on export and import cargoes. With the devaluation of the pound sterling in November 1967, the freight rates quoted in sterling were revised and additional devaluation surcharges were imposed by them.

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(1) The following are particulars of the increases made in these surcharges.

(i) **Ceylon/U.K. and Eire Conference**

June 8, 1967 — A Cape diversion surcharge of 17½% was imposed on all imports into Ceylon.

June 13, 1967 — A Cape diversion surcharge of 17½% was imposed on all exports from Ceylon.

Sept. 5, 1967 — Cape diversion surcharge was reduced to 15% on both imports and exports.

Nov. 26, 1967 — A devaluation surcharge of 9% was imposed on all exports from Ceylon.

(ii) **Ceylon/Continental Conference**

June 8, 1967 — A Cape diversion surcharge of 17½% was imposed on all imports into Ceylon.

June 13, 1967 — A Cape diversion surcharge of 17½% was imposed on all exports from Ceylon.

Sept. 5, 1967 — Cape diversion surcharge was reduced to 15% on both imports and exports.

Nov. 26, 1967 — A devaluation surcharge of 9% was imposed on all exports from Ceylon.

(iii) **Ceylon/U.S.A. Conference**

June 12, 1967 — A Cape diversion surcharge of 25% was imposed on all imports into Ceylon.

June 13, 1967 — A Cape diversion surcharge of 20% was imposed on all exports from Ceylon.

Sept. 23, 1967 — Cape diversion surcharge was reduced to 20 per cent on all imports into Ceylon.

Nov. 1, 1967 — Cape diversion surcharge was reduced to 15% on both imports and exports.

(iv) **Ceylon/Canada (Atlantic) Conference**

July 24, 1967 — A Cape diversion surcharge of 15% was imposed on all exports from Ceylon.

(v) **Ceylon/Australia Conference**

Nov. 25, 1967 — A devaluation surcharge of 12½% was imposed on all exports from Ceylon.

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

Dec. 26, 1967 — A devaluation surcharge of 5% was imposed on all exports from Ceylon.

(vii) **Ceylon/Straits, China, Japan, Rate Agreement**

Nov. 26, 1967 — A devaluation surcharge of 16⅔% was imposed on all exports from Ceylon.

**Pattern of Trade**

During 1967 Ceylon's exports to the principal monetary areas and regions showed increases in value of varying magnitude, with the exception of the Sterling Area exports to which declined. Imports from these areas and regions with the exception of the Dollar Area and the European Economic Community, on the other hand, declined. The value of imports from the Dollar Area and the European Economic Community, however, registered increases. Table II(I) 11 gives the Pattern of Trade by Principal monetary areas and regions.

**TABLE II (I) 11**  
**Ceylon's International Trade in Merchandise**  
**by Monetary Areas and Regions**

	Rupees Million					
	Total Exports (a) f.o.b.		Total Imports c.i.f.		Balance of Trade	
	1966	1967	1966	1967	1966	1967
Sterling Area ... ..	846.4	795.3	904.2	615.8	- 57.8	+ 179.5
Dollar Area ... ..	196.3	205.6	113.1	124.0	+ 83.2	+ 81.6
Others ... ..	637.1	636.0	1,011.0	998.6	-373.9	-362.6
Commonwealth Countries	686.4	750.8	739.9	623.3	- 53.5	+ 127.5
Foreign Countries (b) ...	993.4	886.1	1,288.4	1,115.1	-295.0	-229.0
European Economic Community (c) ... ..	128.5	139.9	220.4	269.4	- 91.9	-129.5
European Free Trade Association (d) ... ..	426.3	483.7	381.8	312.5	+ 44.5	+ 171.2
ECAFE Region (e) ... ..	433.3	398.5	985.8	736.2	-552.5	-337.7

Source : Ceylon Customs Returns.

The value of exports to the Sterling Area during the year amounted to Rs. 795 million, a decrease of Rs. 51 million or 6 per cent below the preceding year. This area's share of Ceylon's total exports at 47 per cent also declined by 3 per cent. Imports from the area at Rs. 616 million declined more sharply by Rs. 288 million or 32 per cent. The Sterling area's share of Ceylon's total imports declined by 12 per cent to 35 per cent in 1967. Merchandise trade balance with the area recorded a surplus of Rs. 180 million in 1967 as against a deficit of Rs. 58 million in 1966. Exports to the Dollar Area at Rs. 206<sup>6</sup>million increased by Rs. 10 million or 5 per

(a) Exclude ships' stores and bunkers.

(b) From 1965, data include trade with Union of South Africa.

(c) Belgium, France, Germany, Italy, Luxemburg and Netherlands.

(d) Austria, Denmark, Norway, Portugal, Sweden, Switzerland and United Kingdom.

(e) Afghanistan, Australia (since 1964), Brunei, Burma, Cambodia, Ceylon, People's Republic of China, Taiwan, Malaysia (Malaya, North Borneo, and Sarawak), Hongkong, India, Indonesia, Iran, Japan, North Korea, South Korea, Laos, Mongolia, Nepal, New Zealand (since 1964), Pakistan, Philippines, Singapore, Western Samoa (since 1964), Thailand, North Vietnam and South Vietnam.

cent over 1966. Imports from the area at Rs. 124 million also recorded an increase of Rs. 11 million or 10 per cent. The Dollar Area's share of total exports at 12 per cent showed no variation as compared with 1966, while its share of total imports at 7 per cent increased marginally by one per cent. The merchandise trade surplus with the Dollar Area amounted to Rs. 82 million, which was Rs. 1 million lower than in 1966.

The value of exports to the Commonwealth at Rs. 751 million increased by Rs. 65 million or 9 per cent over the previous year, while the value of imports at Rs. 623 million declined sharply by Rs. 117 million or 16 per cent. The Commonwealth's share of total exports at 44 per cent showed an increase of 4 per cent and the share of total imports at 36 per cent declined by 2 per cent, as compared with the previous year. Ceylon's merchandise trade surplus with the Commonwealth amounted to Rs. 128 million in 1967 and contrasts with a deficit of Rs. 54 million recorded for the preceding year.

Exports to the European Economic Community amounted to Rs. 140 million, increasing by Rs. 11 million or 9 per cent over the previous year. Imports from the Community at Rs. 269 million, on the other hand, expanded more sharply by Rs. 49 million or 22 per cent. The Community's share of total exports at 8 per cent showed no change compared with that of the previous year, but its share of total imports at 15 per cent increased by 3 per cent. The balance of trade with the Community, which had shown a deficit of Rs. 91 million in 1966, deteriorated further by Rs. 38 million to Rs. 129 million during the year under review.

Exports to countries of the European Free Trade Association at Rs. 484 million increased by Rs. 58 million or 14 per cent in 1967 over the preceding year, while imports from these countries at Rs. 313 million declined by Rs. 69 million or 18 per cent. The Association's share of total exports at 29 per cent registered an increase of 4 per cent over the previous year and its share of total imports at 18 per cent fell by one per cent. The merchandise trade surplus with the Association countries, which in 1966 had amounted to Rs. 44 million increased to Rs. 171 million during the current year.

The value of exports to countries of the ECAFE region amounted to Rs. 399 million which indicated a drop of Rs. 34 million or 8 per cent below the 1966 level. The value of imports from this region, however, declined more and at Rs. 736 million was Rs. 250 million lower than in the previous year. The region's shares of Total exports and imports at 24 per cent and 42 per cent respectively, declined by one per cent and 7 per cent respectively below the previous year's levels.

### **Trade with the People's Republic of China**

The total turnover of Ceylon's trade with the People's Republic of China declined noticeably during 1967, with the value of exports declining by Rs. 24 million or by 14 per cent to Rs. 153 million, and imports declining by Rs. 32 million or by 15 per cent to Rs. 185 million as compared with the preceding year. The balance of trade showed a deficit of Rs. 32 million as against a deficit of Rs. 40 million in 1966.

Exports of rubber to the People's Republic of China, which is the principal item of export, declined from Rs. 163.6 million in 1966 to Rs. 137.8 million in 1967. The quantity of rubber exported amounted to 130.9 million pounds as against 132.9 million pounds in 1966. The value of exports of coconut oil in 1967 was Rs. 13.7 million which registered an increase of Rs. 3.9 million above the 1966 export value. There were no exports of tea during 1967, whereas in 1966 the value of tea exports amounted to Rs. 3.6 million.

Ceylon's principal import commodity from the People's Republic of China continued to be rice. The value of rice imports according to Customs data amounted to Rs. 106.1 million registering a decline of Rs. 11.4 million or 10 per cent below the 1966 imports. The protocol for 1967 under the Trade and Payments Agreement with the People's Republic of China provided for the importation of 200,000 metric tons of rice as against exports of 48,000 metric tons of sheet rubber from Ceylon. Imports of sugar from the People's Republic of China accounted for Rs. 27.5 million or 37.4 per cent of imports of this item from all sources. Imports of textiles which was one of the major import items from the People's Republic of China in recent years declined by Rs. 22.3 million to Rs. 22.6 million in 1967. Other imports included wheat flour Rs. 6.9 million, dried chillies Rs. 6.6 million and green gram Rs. 3.9 million.

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

The year 1967 witnessed a sharp decline in Ceylon's turnover of trade with the U.S.S.R. and Eastern Europe. As compared with the preceding year, the values of exports to and imports from the region at Rs. 104.0 million and Rs. 164.1 million respectively, fell by Rs. 50.3 million or 33 per cent and Rs. 38.7 million or 19 per cent respectively. Ceylon's balance of trade with the region, which had shown a deficit of Rs. 48.5 million in 1966, deteriorated further during the year, the deficit for the year 1967 amounting to Rs. 60.1 million. The value of Ceylon's trade with this region, which in the two preceding years had accounted for 10 per cent of her total foreign trade, declined by 2 per cent to 8 per cent in 1967.

As in the previous years, the U.S.S.R. was Ceylon's principal customer of the region, accounting for Rs. 57.1 million or 55 per cent of total exports to the region. The decline of Rs. 25.0 million or 30 per cent in the value of exports to the U.S.S.R. was due to declines in exports of all principal commodities. Exports of rubber, which constituted the major export for the year declined by Rs. 7.3 million or 23 per cent to Rs. 24.0 million in 1967, while exports of tea at Rs. 14.2 million fell by Rs. 7.4 million or 34 per cent. Exports of coconut oil, which had expanded sharply in 1966 registered a fall of Rs. 7.8 million or 35 per cent during the year under review. Exports of copra too declined by Rs. 1.7 million or 36 per cent below the preceding year. Exports to Poland, which amounted to Rs. 12.5 million or 12 per cent of total exports to the region, declined sharply by Rs. 12.3 million or 50 per cent below the level of exports in 1966. As in the previous years, rubber was the principal export, accounting for Rs. 6.8 million and registering a decline of Rs. 12.9 million or 65 per cent below 1966. Exports of coconut oil at Rs. 1.3 million also declined by Rs. 2.3 million or 64 per cent. Exports of tea, which amounted to Rs. 1.0 million in 1966 increased to Rs. 3.1 million during the year under review. This increase in the value of tea exports to Poland was largely the result of the barter agreement which provided for the exchange of 1,000 tons of tea valued at £ 300,000 for textiles of an equivalent value. Exports to Rumania, which had amounted to Rs. 18.0 million in 1966, increased slightly by Rs. 0.7 million or 4 per cent to Rs. 18.7 million in 1967 and accounted for 18 per cent of total exports to the region. This increase in export value was largely the result of an increase in exports of rubber by Rs. 1.7 million or 12 per cent to Rs. 16.4 million, the effect of which was partly offset by reductions in the value of exports of cocoa and coconut oil.

Exports to the German Democratic Republic declined sharply by Rs. 11.2 million or 59 per cent to Rs. 7.9 million in 1967 and accounted for 8 per cent of total exports to the region. Exports of coconut oil and desiccated coconut accounted for 99 per cent of Ceylon's exports to the German Democratic Republic during the year. While exports of coconut oil at Rs. 6.9 million declined by Rs. 5.1 million or 43 per cent below the level of exports in 1966, exports of desiccated coconut fell by Rs. 2.1 million or 70 per cent. While exports to Yugoslavia at Rs. 3.2 million increased by Rs. 0.2 million or 6 per cent, exports to Czechoslovakia and Hungary totalled Rs. 2.5 million and Rs. 1.0 million respectively in 1967, registering declines of Rs. 2.4 million or 49 per cent and Rs. 0.3 million or 23 per cent respectively. Exports to Bulgaria at Rs. 1.1 million showed no change over the previous year.

U.S.S.R. continued to be by far the largest supplier of imports from the region. Imports from the U.S.S.R. which totalled Rs. 110.3 million, recorded a fall of Rs. 5.7 million or 5 per cent below the previous year. These imports accounted for 67 per cent of total imports from the region. Imports of petroleum products, which as in the immediately preceding years constituted the principal imports accounting for 44 per cent of all imports from the U.S.S.R. declined by Rs. 25.6 million or 35 per cent to Rs. 47.2 million in 1967. Imports of petroleum products from the region, as a whole, amounted to Rs. 56.2 million or 50 per cent of total imports of these products from all sources. Imports of sugar from the U.S.S.R. at Rs. 37.2 million, in 1967 increased sharply by Rs. 27.9 million over the previous year. Other important items of imports from the U.S.S.R. were tea chests (Rs. 4.9 million), iron and steel products (Rs. 6.4 million), fertilizers (Rs. 4.1 million) and cement (Rs. 3.1 million).



Imports from Poland, which amounted to Rs. 10.1 million or 6 per cent of total imports from the region, declined more viz., by Rs. 21.9 million or 68 per cent compared with the previous year. Sugar was the major import from Poland, representing around 36 per cent of total imports from that country. Sugar was also the principal import from Bulgaria. Total imports from Bulgaria amounted to Rs. 3.8 million. Sugar imports from the region amounted to Rs. 43.3 million and represented 60 per cent of total sugar imports from all sources. Imports from Czechoslovakia amounted to Rs. 9.4 million, a decline of Rs. 6.2 million or 40 per cent. Imports from Czechoslovakia with the exception of condensed milk registered declines. Imports of condensed milk, however, registered an increase of Rs. 0.7 million to Rs. 1.2 million in 1967. Imports from Rumania, which had increased by Rs. 15.6 million in 1966, declined sharply by Rs. 14.2 million or 50 per cent to Rs. 14.1 million in 1967. This decline was largely the result of a fall of Rs. 5.0 million or 78 per cent in imports of cement. Imports of cement from the region as a whole amounted to Rs. 4.5 million or 82 per cent of imports of this commodity from all sources. Imports from the German Democratic Republic at Rs. 5.2 million showed no change over the previous year. The sharp increase of Rs. 5.2 million in the value of imports from Yugoslavia which in 1967 amounted to Rs. 7.8 million was due mainly to increased imports of non-electrical machinery, the value of which in 1967 expanded by Rs. 4.0 million. Imports from Hungary at Rs. 3.4 million registered an increase of Rs. 2.1 million over the preceding year.

### **Bilateral Clearing Accounts**

Table II (I) 12 gives the net aggregate quarterly position of bilateral clearing accounts maintained in terms of the Payment Agreements concluded by Ceylon with the People's Republic of China, the U.S.S.R. and certain countries in Eastern Europe and the Middle East.

### **Developments in Commercial Policy**

#### *Export Control*

- (a) From March 1, 1967, private sales of tea (straight lines) outside the auction were permitted for shipment to U.S.A. and Canada for a period of 6 months. The period was later extended till the end of December 31, 1967.
- (b) From May 26, 1967 exports of chanks from Ceylon were restricted to Co-operative Societies only, and henceforth no licences will be issued to individual exporters.
- (c) From August 29, 1967 restrictions were placed on the removal of milk foods from Ceylon. For infants under 15 months accompanied by a passenger only one opened 1 lb. tin of infant's milk food is allowed.

#### *Import Control*

No change was effected in the import control licensing procedure and all private sector imports continued to be within the framework of individual import licensing arrangements during 1967.

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TABLE II (I) 12

## Bilateral Clearing Accounts

## Net Aggregate Quarterly Position of Accounts 1963-67

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
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
1966 March ... ..	—	49.3	—	13.2	—	62.5
June ... ..	—	6.3	—	3.3	—	9.6
September ... ..	—	27.7	—	1.8	—	29.5
December ... ..	8.1	—	—	4.1	4.0	—
1967 March ... ..	3.3	—	—	2.4	0.9	—
June ... ..	—	2.1	—	2.4	—	4.5
September ... ..	42.7	—	—	3.8	38.9	—
December ... ..	104.3	—	—	2.4	101.9	—

Source : Central Bank of Ceylon.

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

\*\* United Arab Republic (up to November 1966), Iran (up to October 1964) and Syria.

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

## Foreign Exchange Budget

The foreign exchange budget as an instrument of resource allocation covering all items of imports continued to be in operation during 1967. In formulating the foreign exchange budget for 1967, the policy adopted was to reduce the import allocation of consumer goods other than essentials where there was a prospect of increased domestic production as for instance potatoes and to divert the foreign exchange conserved to import intermediate and capital goods needed for economic development.

The foreign exchange budget formulated for the year 1967 provided import allocations amounting to an aggregate of Rs. 2,231<sup>1</sup> million. The sources of finances were export receipts of 1967, commodity aid arrivals expected in 1967, including the spill-over of aid negotiated in 1965 and 1966. The total value of licences

(1) "Foreign Exchange Budget" issued by the Ministry of Planning and Economic Affairs, Ceylon July 1967.

issued for imports amounted to Rs. 2,055 million, about Rs. 176 million lower than the original estimate. This was due to the fact that resources for financing the budget as forecast, were not realised. The table below gives data pertaining to licences issued in 1966, the original import programmes for 1967 and the value of import licences issued in 1967.

TABLE II (I) 13

## Import Programme 1967 and Comparative Data for 1966\*

	Rupees Million		
	1966 Licences issued	1967 (Provisional)	
		Original	Licences issued
Food Commissioner's imports ...	504	597	581
Other foodstuffs ...	312	240	253
Textiles ...	124	65	65
Fertilizer ...	98	106	101
Petroleum products ...	132**	130**	152‡
Drugs ...	25	17	15
Cement ...	18	15	17
Government departments ...	166	259	157
Non-industrial corporations ...	86	101	68
Private Sector industries and fisheries ...	277)	305)	
Cottage industries and co-operatives ...	)	12)	305
Industrial Corporations ...	59	99	86
Other Trade quota items ...	241	203	185
Direct user items ...	68	83	70
Total ...	2,110	2,231	2,055

Source : Ministry of Planning & Economic Affairs

\* Provisional

\*\* Includes Rs. 35 million on a "no exchange basis" for the import of Marine and Aviation fuels.

‡ Includes Rs. 48 million on a "no exchange basis" for the import of Marine and Aviation fuels.

Major reductions in respect of the allocations for "other foodstuffs" were on items such as chillies, malted milk, Bombay onions and potatoes. The imports of potatoes were completely banned with effect from end of May 1967. The reductions in the allocations for chillies, Bombay onions and potatoes were intended to provide a fillip to local production during 1967. The reduction in the allocation for textiles from Rs.124 million in 1966 to Rs. 65 million in 1967 was effected after taking into consideration the presence of large stocks (48 million yards) ashore and afloat at the end of 1966 and in the light of the increased supply from domestic production. In the case of other trade quota items, which includes a host of items, reductions were mainly effected on consumer items on the basis of possible increase in domestic production and on the criteria of "non-essentiality" or low priority.

The following table gives the value of imports during 1967, under first, second and third foreign commodity aid programmes.

TABLE II (I) 14

## Commodity Aid Programmes—Arrivals in 1967

Rupees Million

Countries	Consumer Goods			Intermediate and Investment goods			Total			Grand Total
	Under Programme			Under Programme			Under Programme			
	I	II	III	I	II	III	I	II	III	
Australia	—	—	3.48	—	—	—	—	—	3.48	3.48
Germany, Fed. Rep. of	—	2.60	—	8.68	17.03	—	8.68	19.63	—	28.31
India	5.40	—	—	—	—	—	5.40	—	—	5.40
Japan	0.79	14.27	—	1.13	3.76	—	1.92	18.03	—	19.95
France	—	4.09	—	—	17.64	—	—	21.73	—	21.73
U.K.	—	—	—	17.59	31.06	1.91	17.59	31.06	1.91	50.56
U.S.A.	13.88	—	—	20.77	20.49	—	34.65	20.49	—	55.14
Canada	—	8.99	11.00	—	3.13	—	—	12.12	11.00	23.12
Total	20.07	29.95	14.48	48.17	93.11	1.91	68.24	123.06	16.39	207.69

Source: Ministry of Planning and Economic Affairs

Import arrivals under the commodity aid programme for 1967 amounted to Rs. 207.69 million, of which Rs. 68.24 million represented arrival under the first programme, Rs. 123.06 million under the second programme and Rs. 16.39 million under the third programme. Total value of aid received under the consumer goods group amounted to Rs. 64.50 million or 31 per cent, while in the intermediate and investment goods groups the value of aid received amounted to Rs. 143.19 million or 69 per cent of the total value of aid arrivals from all sources in 1967.

The table below shows the aid arrivals in 1967, classified according to commodities. Within Investment and Intermediate goods, the shares of fertilizers and industrial raw materials and machinery were 30.0 per cent and 29.2 per cent respectively. Within the category of aid in the form of consumer goods representing 31 per cent of the total, shares of wheat flour, textiles and tyres and tubes were 43.3 per cent, 23.9 per cent and 22.2 per cent, respectively.

## AID ARRIVALS IN 1967 — COMMODITY-WISE

Commodities	Value Rs. million	Percentage share
<b>Intermediate and Investment goods</b>		
Fertilizer...	42.96	30.0
Industrial raw materials and machinery	41.75	29.2
Tractors and spares	15.53	10.8
Other Machinery and spares	10.18	7.1
Commercial and other vehicles	7.71	5.4
Motor spares	6.98	4.9
Other imports of Govt. departments and corporations	5.86	4.1
Building materials	5.72	4.0
Engineering stores	4.47	3.1
Paper	0.94	0.7
Marine Engines	0.61	0.4
Base Metal	0.48	0.3
<b>Total</b>	<b>143.19</b>	<b>100.0</b>
<b>Consumer goods</b>		
Wheat flour	27.96	43.3
Textiles	15.42	23.9
Tyres and Tubes	14.33	22.2
Dry fish	4.43	6.9
Maize	1.40	2.2
Drugs	0.95	1.5
<b>Total</b>	<b>64.50</b>	<b>100.0</b>
<b>Grand total</b>	<b>207.69</b>	<b>—</b>

Source : Ministry of Planning and Economic Affairs.

### The Export Incentive Scheme

The Export incentive scheme administered by the Commissioner of Commodity Purchase, which came into operation on 1.12.1966 continued to operate during 1967. The industrial goods that were exported under this scheme during 1967, were antimonial lead, batteries, batik textiles, biscuits, canned fruits, cocoa liquor, confectionery, cotton seed expeller poonac, glycerine(crude), goat skin (chrome tanned), electric lamp holders, canvas shoes (rubber), shirts and leather shoes. The total foreign exchange realised by the export of the above items was Rs. 3,093,344. The non-industrial goods that were exported during 1967 under this scheme were, ekel brooms, mica, tobacco and wood carvings. The foreign exchange realised by the goods totalled Rs. 2,016,843. The table below gives the particulars of bonus vouchers issued by the Commissioner of Commodity Purchase, according to industrial goods and non-industrial goods.

**TABLE II (I) 15**  
**Particulars of Export Incentive Bonus Vouchers Issued**

	Total Foreign Exchange realised		F.o.b. Value		Value of Bonus vouchers granted	
	1966 Rs. cts.	1967 Rs. cts.	1966 Rs. cts.	1967 Rs. cts.	1966 Rs.	1967 Rs.
<b>1. Industrial Goods</b>						
Antimonial lead ... ..	71,746.66	191,191.77	67,689.75	176,339.34	13,528	36,267
Batteries ... ..	—	157,715.41	—	157,715.41	—	31,543
Batik Textiles ... ..	4,805.31	11,064.00	4,805.31	10,876.66	961	2,175
Biscuits ... ..	41,667.00	—	26,668.00	—	5,933	—
Canned Fruits ... ..	1,391.89	63,051.48	1,264.16	51,209.90	252	10,239
Cocoa Liquor ... ..	67,240.30	—	60,881.93	—	12,176	—
Confectionery ... ..	1,680.00	11,129.00	1,283.03	8,520.68	256	1,702
Cotton Seed-Expeller (Poonac) ... ..	38,627.96	10,580.07	22,685.00	5,852.89	4,877	1,170
Glycerine (Crude) ... ..	—	2,058,069.51	—	1,832,850.97	—	126,569
Goat Skin (Chrome Tanned)	169,977.34	459,668.29	162,669.92	436,841.96	32,533	88,163
Electric Lamp-holders ... ..	—	4,853.69	—	4,187.95	—	836
Rubber Canvas Shoes ... ..	25,232.41	77,899.21	23,573.27	67,786.33	4,754	13,556
Shirts ... ..	897,534.67	—	897,534.67	—	179,508	—
Leather Shoes ... ..	—	48,121.30	—	48,121.30	—	9,624
<b>TOTAL</b> ... ..	<b>1,319,903.54</b>	<b>3,093,343.75</b>	<b>1,269,055.04</b>	<b>2,800,305.39</b>	<b>253,636</b>	<b>321,844</b>
<b>2. Non-Industrial Goods</b>						
Ekel Brooms ... ..	—	2,257.00	—	1,597.00	—	479
Mica ... ..	49,651.13	45,378.50	27,707.81	28,690.92	8,311	8,606
Tobacco ... ..	—	1,890,977.54	—	1,764,170.79	—	529,245
Wood Carvings ... ..	8,034.70	78,229.49	6,918.14	77,839.84	2,075	21,268
<b>TOTAL</b> ... ..	<b>57,685.83</b>	<b>2,016,842.53</b>	<b>34,625.95</b>	<b>1,872,298.55</b>	<b>10,386</b>	<b>559,598</b>
<b>GRAND TOTAL</b> ... ..	<b>1,377,589.37</b>	<b>5,110,186.28</b>	<b>1,303,680.99</b>	<b>4,672,603.94</b>	<b>264,022</b>	<b>881,442</b>

*Source* : Department of Commodity Purchase

The total value of import licences issued on the export bonus vouchers during 1967 was Rs. 570,526. The Chief items that were imported on the licences issued were Chinaware (cups, saucers and curry dishes) Rs. 84.7 thousand, glass tumblers Rs. 54.8 thousand, cutlery (spoons, forks and knives) Rs. 30.5 thousand, spare parts for bicycles Rs. 58.4 thousand, shoe mould Rs. 16.8 thousand, electrical machinery parts Rs. 13.5 thousand, water pumps Rs. 56.0 thousand, textile weaving machinery Rs. 78.8 thousand, conveying fork trucks Rs. 33.6 thousand and tubes for toothpaste Rs. 32.0 thousand.

### Tariffs

#### Export Duties

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

- 29-3-67— Export duties on plumbago, papain (both white and brown) glycerol (including glycerine) and crude glycerine were abolished.
- 23-11-67— (a) Export duty on Tea was increased by Rs. 5 per 100 lbs. from Rs. 35.00 to Rs. 40.00.
- (b) Export duty on Cocoa (raw) was increased by Rs. 25.00 per 100 lbs. from Rs. 5.00 to Rs. 30.00.
- (c) Export duty on Cinnamon quills was increased by Rs. 35. 00 per 100 lbs. from Rs. 15.00 to Rs. 50.00.
- (d) Export duty of 3 cents per lb. on rubber of any description was imposed in addition to any duties payable under the existing sliding scale of duties.
- (e) A new sliding scale of export duties on coconut products was introduced, based on the present exchange rate of U.S. dollar.

The details of the minimum and maximum duties payable are given below :—

Where the average London c.i.f. price of Philippines Copra as estimated and notified by the Principal Collector of Customs			The export duty payable on a ton of			The export duty payable on fresh coconut per 1000 nuts shall be
			Copra	Coconut oil	Desiccated coconut	
	Rs.	cts.	Rs.	cts.	Rs.	cts.
is below	620.00	—	115.00	nil	nil	28.75
is	620.00		115.00	nil	nil	28.75
is more than	620.00	but not more than 630.00	117.93	4.76	4.04	29.48
is more than	1750.00	but not more than 1760.00 (1)	680.54	918.91	780.56	169.95

### Import Duties

11-5-67 <sup>2</sup> A concessionary rate of import duty was allowed on the imports of Agricultural implements, tractors, raw materials, industrial machinery and equipment, components and parts thereof for certain group of industries. These imports required certification by the Director of Development as being essential for local industrial development.

### Import Licensing Fees

In the budget for the financial year 1967/68, the import licensing fee of 1 per cent of the value of goods to be imported (other than textiles which is charged a licence fee of 10 per cent) was raised to 10 per cent in respect of all goods, other than milk and milk foods, infants' and invalids foods, cotton yarn, drugs and pharmaceuticals, fertilizers, kerosene, newsprint, mammoties, and other small implements for agricultural use, which continued to pay the earlier licence fee of 1 per cent. The imports of Government departments, including those of the Food Commissioner's were wholly exempted from any import licensing fee. This measure was estimated to yield an additional revenue of Rs. 80 million.

1 The maximum price range notified in the Gazette Notification

2 The Ceylon Government Gazette Extraordinary No. 14,747 of May 11, 1967

On September 4, 1967<sup>1</sup> the import licence fees on certain selected categories of goods were revised. The details of which are :—

	Licence Fee Rs.
(1) Licence to import milk and cream (including evaporated or condensed) infants' and invalids' food, cotton yarn, drugs and pharmaceuticals, fertilizers, kerosene, newsprint, mammothies and other implements for agricultural use, the value which:—	
does not exceed Rs 500	5
exceeds Rs 500 but does not exceed Rs 1,000	10
Exceeds Rs 1000, for every Rs 1000 or part thereof	10
(2) Licence to import —	
(a) Marine fuel oil, marine diesel oil, gas oil and marine lubricants which are imported exclusively for internal trade	1 per cent of the value of such goods
(b) Aviation turbo oil, aviation gazolene and aviation lubricants issued for air craft	1 per cent of the value such goods

### Trade and/or Payments Agreements<sup>2</sup>

#### People's Republic of China

A Trade and Payments Agreement was signed on November 6, 1967, with the People's Republic of China for a period of five years beginning January 1, 1968 replacing the earlier agreement for a similar period, which ceased to be valid at the end of 1967. The agreement provided for the conclusion, before the end of October each year, of a Protocol relating to commodities to be exchanged during the following year. In terms of the Protocol for 1968 signed on the same date the two countries agreed to exchange exports from each country to the value of Rs. 174 million, with specific commitments of 75,000 metric tons of sheet rubber of an approximate value of Rs. 150 million on the part of Ceylon and 200,000 metric tons of rice of approximately same value on the part of China.

#### People's Republic of Bulgaria

A protocol relating to the exchange of commodities with the People's Republic of Bulgaria on a self balancing basis for the year 1968 within the framework of the Trade and Payments Agreement signed on May 15, 1961, was signed on November 6, 1967. In terms of this protocol Ceylon was to export tea, cocoa, coconut oil, sheet rubber No. 1 and No. 2 to the value of £ 540 thousand and the People's Republic of Bulgaria to export to Ceylon wheat, engineering goods, pesticides and urea to the value of £ 540 thousand.

(1) The Ceylon Government Gazette (Extraordinary) No. 14,764/6 of September 4, 1967.

(2) Besides the Trade Agreements discussed in this section, Ceylon continued to have Trade and/or Payments Agreements with a number of other countries.



**U. S. S. R.**

On December 22nd, 1966, letters were exchanged for the mutual deliveries of goods for the year 1967 between U.S.S.R. and Ceylon, under the framework of the Agreement for mutual deliveries of commodities between U.S.S.R. and Ceylon for 1965-1967 signed on October 1, 1964.

**The Islamic Republic of Pakistan**

A protocol was signed on April 28, 1967, with the Islamic Republic of Pakistan in terms of the Trade Agreement signed in 1955, to strengthen the trade relations between the two countries. The new arrangement provides for the exchange of goods to the value of Rs. 3 million on a self balancing basis, without affecting the normal trade existing between the two countries. It is valid for a period of one year, with provision for extension for further periods, as may be mutually agreed upon between the two Governments.