

(J) FOREIGN TRADE

Overall Trends

Total domestic export earnings in 1969 showed a substantial decrease as compared with the preceding year. The decrease was due largely to declines in the export prices of tea and coconut products, the effects of which were aggravated by contractions in their export volumes. The strike situation in the Ports of Colombo and Trincomalee in December 1969 disrupted the normal flow of exports and was therefore a further factor affecting the level of export earnings for the year.

In 1969, the value of exports inclusive of re-exports was Rs. 1,916 million and that of imports Rs. 2,543¹ million, resulting in a merchandise trade deficit of Rs. 627 million.

Export earnings, which had been improving steadily from the low levels of 1963, declined in the years 1966 and 1967. Even in 1968, though the value of exports in rupee terms increased substantially, in terms of U. S. dollars, the declining trend begun in 1966 continued through 1968. In 1969, the value of Ceylon's exports was Rs. 119 million less than that recorded for 1968. The dollar equivalent of export earnings in 1969 was U. S. \$ 322 million and was U. S. \$ 20 million lower than for the preceding year. Thus, there has been no reversal in the declining trend observed since 1966.

The value of imports, which had decreased substantially in 1967 as compared with the preceding year, rose sharply by Rs. 435 million or 25 per cent, in 1968. The rising trend in import values continued in 1969 and the total for the year reached a peak of Rs. 2,543 million, and exceeded the previous year's level by Rs. 370 million or 17 per cent.

The total trade position at the end of 1969 registered a substantial merchandise trade deficit of Rs. 627 million—the highest trade deficit on record—as compared with a deficit of Rs. 138 million in 1968. The widening of the merchandise trade deficit in 1969 was due both to the sharp fall in total export earnings and the marked increase in import values as compared with the preceding year. The merchandise trade deficit of 1969 expressed as a percentage of total export earnings of the year amounted to no less than 33 per cent as compared with 7 per cent for 1968 and 3 per cent for 1967. Accordingly, there had been increased reliance on sources other than domestic export earnings towards meeting import expenditures. However, it must be pointed out that in so far as the composition of imports is concerned, in 1969, there has been a very noteworthy increase in the import of capital goods in accord with efforts made towards sustained economic growth. The increase in the value of 'investment goods' in the year 1969 over the preceding year was 83 per cent while the relative increase in 'consumer goods' imports in 1969 as compared with 1968 was only 6 per cent. The value of 'intermediate goods' decreased by 6 per cent.

1. The figure of aggregate imports needs to be interpreted with reservation. As pointed out in previous Annual Reports, 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 relevance especially to Government imports and to imports of rice, flour and sugar.

Suffice to note here that within the category of 'consumer goods' imports, the shares of 'textiles' and 'other consumer goods' increased while the share of 'food and drink' group declined, due largely to reduced imports of rice.¹

The total volume of all exports (as measured by the Central Bank's Trade Indices base 1967 = 100) which had shown an increase of 3 per cent in 1968 declined by 5 per cent to 98 in 1969. The average price index of all exports which revealed an improvement of 17 per cent to 117 in 1968 remained unchanged, in 1969.

The aggregate volume index of all imports (Bank's Index base 1967 = 100) which rose by 1 per cent in 1968 rose by 7 per cent to 108 in 1969. The respective volume indices of major categories of imports indicate that, while investment goods at 172 in 1969 rose sharply by 77 per cent, that of intermediate and consumer goods at 104 and 93 declined by 7 per cent and 3 per cent respectively.

The average price index of all imports at 134 was 6 per cent higher than in 1968. The average price indices of the major categories of imports showed increases in 1969. The average price index of consumer and intermediate goods rose by 5 and 4 per cent to 140 and 125 respectively, while that of investment goods at 127 rose by 10 per cent in 1969.

Ceylon's commodity terms of trade (Bank's Index base 1967 = 100) which had deteriorated to 93 in 1968 from 100 in 1967 declined to 88 in 1969.

Table II (J) 1 provides customs data on Ceylon's foreign trade.

TABLE II (J) 1
Foreign Trade 1965-69

| Year | Rupees Million | | | Index Numbers (1967=100) ² | | | | Terms of Trade |
|------|----------------------|---------------------|------------------|---------------------------------------|-------------|-------------|-------------|----------------|
| | Exports* (f.o.b.) | Imports (c.i.f.) | Balance of Trade | Volume | | Price | | |
| | | | | All Exports | All Imports | All Exports | All Imports | |
| 1965 | 1,949 | 1,474 | + 475 | 105 | 86 | 113 | 100 | 112 |
| 1966 | 1,700 | 2,028 | - 328 | 96 | 118 | 107 | 98 | 109 |
| 1967 | 1,690 | 1,738 | - 48 | 100 | 100 | 100 | 100 | 100 |
| 1968 | 2,035 | 2,173 | - 138 | 103 | 101 | 117 | 126 | 93 |
| 1969 | 1,916 | 2,543 | - 627 | 98 | 108 | 117 | 134 | 88 |

* Includes re-exports

Sources: Ceylon Customs Returns; Central Bank of Ceylon

While in 1968 the Customs data on imports of rice, flour and sugar overstated the Food Commissioner's actual imports of these commodities by Rs. 34 million, in 1969, Customs data overstated the Food Commissioner's imports by Rs. 44 million.

If the total imports for 1968 and 1969 (Customs data) are adjusted to reflect the actual imports of rice, flour and sugar received by the Food Commissioner, the value of total imports would be reduced from Rs. 2,173 million in 1968 to Rs. 2,139 million and Rs. 2,543 million in 1969, to Rs. 2,499 million. On the basis of import data so adjusted, the value of imports in 1969 exceeded the previous year's level by Rs. 360 million or 17 per cent.

1. For a detailed account of these movements vide pages 233 and 234.
2. Revised Indices

On the basis of data adjusted for Food Commissioner's actual imports, the merchandise trade deficit for 1968 will be reduced to Rs. 104 million from Rs. 138 million and that for 1969 will be reduced from Rs. 627 million to Rs. 583 million.

Exports

The reduction in export earnings of Rs. 119 million in 1969 was due largely to substantial decreases in export earnings from tea, the three major coconut products and re-exports, the effects of which were to some extent offset by increases in export receipts from rubber and other domestic exports. Table II (J) 2 reveals the composition of exports and their relative percentage shares in the total of export earnings.

TABLE II (J) 2
Composition of Exports 1965-69

| Commodity | Value in Rupees Million | | | | | Percentage of total exports | | | | |
|-----------------------------|-------------------------|-------|-------|--------|-------|-----------------------------|------|------|------|------|
| | 1965 | 1966 | 1967 | 1968 | 1969 | 1965 | 1966 | 1967 | 1968 | 1969 |
| Tea .. | 1,210 | 1,027 | 1,061 | 1,162 | 1,062 | 62 | 60 | 63 | 57 | 55 |
| Rubber .. | 304 | 337 | 282 | 331 | 431 | 16 | 20 | 17 | 16 | 22 |
| 3 Major Coconut Products .. | 275 | 196 | 167 | 331 | 221 | 14 | 12 | 10 | 16 | 12 |
| breakdown of which | | | | | | | | | | |
| (a) Copra .. | 49 | 25 | 18 | 34 | 26 | 3 | 2 | 1 | 2 | 1 |
| (b) Coconut oil .. | 144 | 108 | 88 | 133 | 108 | 7 | 6 | 5 | 7 | 6 |
| (c) Desiccated Coconut .. | 82 | 63 | 61 | 164 | 87 | 4 | 4 | 4 | 8 | 5 |
| Other domestic exports .. | 127 | 116 | 121 | 152 | 161 | 6 | 7 | 7 | 8 | 8 |
| Total domestic exports .. | 1,916 | 1,676 | 1,631 | 1,976* | 1,875 | 98 | 99 | 97 | 97 | 98 |
| Re-exports .. | 33 | 24 | 59 | 60 | 41 | 2 | 1 | 3 | 3 | 2 |
| Total .. | 1,949 | 1,700 | 1,690 | 2,035 | 1,916 | 100 | 100 | 100 | 100 | 100 |

Source: Ceylon Customs Returns.

* Export earnings have been rounded off to the nearest million.

Tea

Production

Tea production in 1969 at 484 million pounds was 12 million pounds lower than the output in 1968. When compared with 1967, production in 1969 was lower by 3 million pounds. The lower level of production in 1969 was mainly due to adverse weather conditions experienced in the second and fourth quarters and to finer plucking.

Production in the first nine months of the year recorded an increase of 9 million pounds over the corresponding period of 1968. This increase was wiped out and the total position for the year recorded a deficit of 12 million pounds owing to the heavy and widespread rains experienced in the fourth quarter. Output of all three elevational groups declined as seen in the table II (J) 3.

Table II (J) 3
Tea Production by elevational categories and their
percentage shares in total

| Elevational Category | 1968 | | 1969 | | Absolute change in 1969 over 1968 |
|----------------------|--------|-------|--------|-------|--------------------------------------|
| | Volume | % | Volume | % | |
| High grown | 189.7 | 38.3 | 187.2 | 38.7 | — 2.5 |
| Medium grown | 178.4 | 36.0 | 170.9 | 35.3 | — 7.5 |
| Low grown | 127.5 | 25.7 | 126.1 | 26.0 | — 1.4 |
| Total | 495.6 | 100.0 | 484.2 | 100.0 | — 11.4 |

(Million lbs.)

Source: Tea Control Department.

Exports

The volume of tea exported in 1969 at 445 million pounds decreased by 15 million pounds. The decrease in export volume can be attributed partly to the lower level of production in the year and partly to the prolonged strike situation in the Ports of Colombo and Trincomalee. Non-availability of shipping space in the last quarter of the year may have also contributed towards the shortfall in the quantity exported.

The quantity of tea offered for sale at the Colombo Auctions in 1969 increased by 18 million pounds to 387 million pounds, while the quantity shipped direct to the London Auctions was 88 million pounds in 1969, as against 111 million pounds in 1968. The high level of stocks in the United Kingdom, which on an average amounted to about 185 million pounds, as well as the grant of a rebate for teas sold at the Colombo Auctions were factors responsible for the decrease in the quantity exported to the London Auctions. Table II (J) 4 provides data in respect of production, exports, the quantity offered at the Colombo Auctions and volume shipped direct to the London Auctions as well as the volume of sales effected under private treaty.

TABLE II (J) 4
Production, Exports, Quantities sold at the Colombo Auctions and
Quantities shipped to London Auctions

(Million lbs.)

| 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 | 480 | 369 | 110 | 5 |
| 1968 | 496 | 460 | 446 | 369 | 111 | 5 |
| 1969 | 484 | 445** | 417 | 387 | 88 | 5 |

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

* Private sales of tea came into operation on 1st March, 1967.

** Includes Instant tea.

Exports by destination

The United Kingdom was again by far the best customer for Ceylon tea. The United States of America came second, while Australia, Iraq and the Union of South Africa were the next most important buyers. Table II (J) 5 provides a country classification of exports for 1968 and 1969 together with their percentage shares of total tea export volume.

TABLE II (J) 5**Country classification of Tea Exports and percentage shares**

| | Volume of Tea Exports (mn. lbs) | | Percentage of Total Volume | |
|--------------------------------|------------------------------------|-------|-------------------------------|-------|
| | 1968 | 1969 | 1968 | 1969 |
| United Kingdom | 162.5 | 131.3 | 35.3 | 29.5 |
| United States of America | 30.0 | 45.4 | 6.6 | 10.2 |
| Australia | 36.0 | 34.0 | 7.8 | 7.6 |
| Iraq | 42.0 | 33.2 | 9.1 | 7.5 |
| Union of South Africa | 31.0 | 27.3 | 6.7 | 6.1 |
| Other countries | 158.7 | 174.0 | 34.5 | 39.1 |
| Grand Total | 460.2 | 445.2 | 100.0 | 100.0 |

Source: Ceylon Customs Returns.

Colombo Auctions

The average net price of all teas sold at the Colombo Auctions in 1969 at Rs. 1.53 per pound registered a sharp fall of 22 cents per pound or 13 per cent when compared with 1968. The decline in tea prices, which set in towards December 1968, continued its downward trend through the first two quarters of 1969, and reached the lowest level in June, when the monthly average net price of all teas dropped to Rs. 1.25 per pound. The third quarter of the year saw a reversal of the downward trend in prices when the average net price of all teas for the quarter at Rs. 1.54 per pound showed an increase of 19 cents per pound over that of the preceding quarter. The improvement in prices witnessed in the third quarter of the year was mainly due to the improvement in the quality of teas from both Dimbula/Dickoya and Uva/Udapussellawa districts and to the smaller quantity offered for sale. Active participation and resultant purchases by the Department of Commodity Purchase and the fixing of a minimum price for tea of Re 1 per pound by the Tea Controller to qualify for the tea export duty rebate also contributed to a recovery in market prices. The average net price for the fourth quarter of 1969 at Rs. 1.64 per pound was 10 cents per pound higher than that of the preceding quarter. Table II (J) 6 provides data on production, exports and prices of tea.

TABLE II (J) 6
Tea Production, Exports and Prices 1965-1969

| Year | Production Mn. lbs | Exports | | Average Colombo Auction Net Price Rupees per pound | | | |
|------------------|-----------------------|----------------------|-------------------------------|---|-----------------|--------------|-------------|
| | | Quantity Mn. lbs. | F.o.b. Price Rs. per lb | High grown | Medium grown | Low grown | All Teas |
| 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 |
| 1968 | 496 | 460 | 2.52 | 1.93 | 1.67 | 1.63 | 1.75 |
| 1969 | 484 | 445 | 2.39 | 1.80 | 1.40 | 1.38 | 1.53 |
| 1968 1st Quarter | 109 | 108 | 2.48 | 1.97 | 1.67 | 1.61 | 1.75 |
| 2nd Quarter | 157 | 89 | 2.51 | 1.92 | 1.67 | 1.69 | 1.76 |
| 3rd Quarter | 91 | 156 | 2.52 | 1.97 | 1.73 | 1.67 | 1.79 |
| 4th Quarter | 139 | 107 | 2.58 | 1.86 | 1.60 | 1.58 | 1.68 |
| 1969 1st Quarter | 124 | 118 | 2.47 | 1.89 | 1.44 | 1.42 | 1.58 |
| 2nd Quarter | 149 | 127 | 2.40 | 1.57 | 1.18 | 1.31 | 1.35 |
| 3rd Quarter | 93 | 123 | 2.27 | 1.88 | 1.45 | 1.30 | 1.54 |
| 4th Quarter | 118 | 76 | 2.44 | 1.88 | 1.58 | 1.48 | 1.64 |

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

Tea Export Duty Rebate Scheme

The Government revised the existing export duty rebate of 5 cents per pound payable on all teas sold at the Colombo Auctions to grant a payment of 15 cents per pound with effect from the sale of 5th May in respect of medium and low grown teas. The rebate payable to high-grown teas remained unchanged at 5 cents per pound. As market prices fell to new low levels in the succeeding months, a new sliding scale of rebate was adopted, effective from the sale of 9th June, under which the lower-priced teas received an increased rebate than higher priced teas. Teas that fetched Re 1 per pound and above were eligible for the rebate. This qualification was introduced with a view to discouraging the production of poor quality teas. Teas manufactured from bought leaf qualified for the rebate at 90 cents per pound. Two modifications were introduced with effect from 6th September. Firstly, the rebate on high grown teas was fixed at 5 cents per pound and secondly the lower limit of 90 cents for bought leaf manufacture was raised to Re 1 per pound.

Table II (J) 7 gives particulars of the amounts paid as rebate on a total poundage of 358 million arrived at as follows-

TABLE II (J) 7
Tea Export Duty Rebate Scheme, Colombo Auctions 1969

| | Quantities on which the rebate was paid (pounds) | Value of rebate paid (Rupees) |
|--------------|--|-------------------------------------|
| High-grown | 122,648,747 | 8,277,058 |
| Medium-grown | 122,609,104 | 12,867,015 |
| Low-grown | 112,755,471 | 13,351,952 |
| Total | 358,013,322 | 34,496,026 |

Source: Tea Control Department.

London Auctions

The average price of all teas sold at the London Auctions in 1969 at 3sh. 8. 11d. per pound was 3.52 d. per pound lower than that in 1968 and 5.70d. per pound than that in 1967. The factors which contributed to the fall in tea prices in U. K. in 1969 were the higher level of stocks up to August,¹ the increased availability of poorly manufactured plain liquoring teas, and selective buying in the U. K. market. Table II (J) 8 provides data on quantities of tea sold at the London Auctions by countries of origin and the average prices realised.

TABLE II (J) 8
Quantities of Tea sold at the London Auctions by Countries of Origin and their average prices

| Countries | Quantities sold at the London Auctions (Mn. lbs.) | | | | Average Prices (Sh. d. per lb) | | | |
|-------------------|---|-------|-------|-------|--------------------------------|--------|---------|---------|
| | 1966 | 1967 | 1968 | 1969 | 1966 | 1967 | 1968 | 1969 |
| 1. North India .. | 141.3 | 113.3 | 131.4 | 133.1 | 4-4.14 | 4-5.71 | 4-0.66 | 3-9.25 |
| 2. South India .. | 20.0 | 12.1 | 15.5 | 10.9 | 3-5.04 | 3-6.48 | 3-6.26 | 2-10.44 |
| 3. All Ceylon .. | 107.1 | 96.2 | 103.9 | 94.5 | 4-2.88 | 4-4.33 | 4-1.30 | 4-0.51 |
| 4. All Africa .. | 57.5 | 56.0 | 72.9 | 77.4 | 3-6.06 | 3-4.60 | 3-8.12 | 3-2.88 |
| 5. Total .. | 337.0 | 284.3 | 328.4 | 320.5 | 4-0.86 | 4-1.81 | 3-11.63 | 3-8.11 |

Source: The London Tea Brokers' Association.

The average price of all grades of Ceylon teas sold at the London Auctions in 1969 at 4sh. 0.51d. per pound fell by 0.79d. per pound below that of 1968 and 3.82d. per pound below that of 1967. Nevertheless, for the second year running Ceylon tea prices recorded the highest annual average price.² The steepest fall was witnessed in the low grown category, whose price in 1969 fell by as much as 6.30d. per pound. Medium grown declined by 2.71d. per pound, while high grown recorded a marginal increase of 0.98d per pound. The decline in the prices of low grown and medium grown teas can be attributed to the plainness in quality of both categories of tea offered and reduced demand for such teas.

Total tea production in the major producing countries in 1969 amounted to 1,628 million pounds registering an increase of 3 million pounds over that of 1968.³

Instant Tea

The manufacture of Instant Tea in 1969 at 300,572 pounds showed an increase of 3,550 pounds or 1.2 per cent over 1968.⁴ The output of instant tea in 1967 was 93,683 pounds. Customs Returns record that 312,437 pounds of

1. Stocks in U. K. in August 1969 were 183.7 million pounds as against 146.4 million pounds in 1968. Stock level in December 1969 was 153.1 million pounds as against 195.8 million pounds. The reduction in stocks was marked between 1968 and 1969 as well as between August 1969 and December 1969. (Source: Tea Market Reports - Tea Brokers' Association, London).
2. The price differential between Ceylon teas (average of all grades) and Kenyan tea narrowed in 1969. Whereas in the preceding year the price differential was 0.59d. per pound in favour of Ceylon, in 1969 this narrowed to 0.33d. per pound in favour of Ceylon.
3. John, Keell, Thompson, White Ltd. Weekly Tea Market Report of March 17, 1970.
4. Data obtained from the Tea Control Department.

instant tea valued at Rs. 3.9 million were exported in 1969. Exports to the United Kingdom amounted to 236,892 pounds or 76 per cent of total exports, while exports to the Federal Republic of Germany and Australia were 37,162 pounds and 22,959 pounds, respectively.

Packeted Tea Exports

The export of tea in packets, which increased by 7.7 million pounds to 9.4 million pounds in 1968, showed a further increase of 5.8 million pounds in 1969. The increased volume of packaged tea exports may have been stimulated by the concession of a reduced export duty. The export duty on packaged tea was reduced by 15 cents per pound in May 1968 to 25 cents per pound. The value of packaged tea exports has increased steadily from Rs. 12.0 million (1967) to Rs. 29.4 million (1968) and Rs. 37.3 million in 1969. The demand for packaged teas originates from countries where there is no firmly established tea packaging industry. Over 75 per cent of packaged tea exports in 1969 were destined to Middle Eastern countries.

International Tea Agreement

A Conference of tea producing countries was held in Mauritius in July 1969 to decide on what joint action should be taken by the tea producing countries to arrest the continuing decline in prices in the world tea markets. The decline in tea prices was associated with conditions of over-supply and the necessity for an international agreement to prevent excessive supplies from coming into the market was stressed. The expert group recommended to the respective governments that, from the projected volume of black tea exports in 1970, 90 million pounds should be curtailed leaving 1,311 million pounds to be allocated among 16 exporting countries. This cut back in exports is expected to halt the price decline and attain the London Auctions average price of 1968.

In terms of an agreement reached in Mauritius, the two producing countries India and Ceylon received a joint quota of 928 million pounds of tea for 1970. Ceylon's share will be determined through joint consultation with India.

Rubber

Production

Rubber production in 1969 amounted to 332 million pounds registering an increase of 5 million pounds or 1 per cent over 1968. However, this increase is low compared to annual increases achieved in the preceding years. Output in May was severely affected by widespread torrential rains reducing production by as much as 14 million pounds. Even though production upto the end of October increased by 25 million pounds (9.6 per cent) over 1968, the spells of bad weather experienced in both November and December affected tapping operations to reduce the increase in output to a nominal 5 million pounds.

The increase in production was confined largely to crepe rubber which rose by 5.0 million pounds, while sheet rubber output declined fractionally by 0.4 million pounds.

Consumption

The local consumption of rubber which increased by 1.3 million pounds in 1968, increased further by 0.6 million pounds to reach 7.8 million pounds in 1969. Domestic consumption amounts to 2.3 per cent of production.

Exports

The volume of rubber exported, which increased by 37 million pounds in 1968, decreased by 13 million pounds to 315 million pounds in 1969. The reduction in export volume in 1969 may be attributed partly to production movements enumerated above and partly to the 'go slow' in the Port and subsequent strike in the month of December causing delays in effecting shipments.¹ Exports of sheet rubber and crepe (all varieties) decreased by 10 million pounds and 3 million pounds, respectively. There was no export of latex in 1969.

Table II (J) 9 provides data on production, exports and prices of rubber in recent years.

TABLE II (J) 9
Rubber Production, Exports and Prices

| Year | Production Mn. lbs. | | | Exports Mn. lbs. | | | F. O. B. Price Rs. per pound | | | Colombo Market Price Rs. per pound | |
|---------|------------------------|-------|-------|---------------------|-------|-------|---------------------------------|-------|------|--|--------------------------|
| | Sheet | Crepe | All | Sheet | Crepe | All | Sheet | Crepe | All | RSS No. 1 | Latex Crepe No. IX |
| 1965 | 146.3 | 113.1 | 260.8 | 150.8 | 115.1 | 266.8 | 1.21 | 1.05 | 1.14 | 0.91 | 1.00 |
| 1966 | 170.7 | 116.7 | 288.8 | 180.1 | 117.8 | 298.4 | 1.19 | 1.05 | 1.13 | 0.89 | 1.00 |
| 1967 | 187.5 | 126.5 | 315.7 | 163.3 | 127.4 | 290.9 | 1.04 | 0.89 | 0.97 | 0.79 | 0.88 |
| 1968 | 195.0 | 131.2 | 327.9 | 189.7 | 137.8 | 328.3 | 0.98 | 1.04 | 1.01 | 0.88 | 1.11 |
| 1969 | 194.6 | 136.3 | 332.4 | 179.7 | 135.1 | 314.8 | 1.34 | 1.41 | 1.37 | 1.04 | 1.16 |
| 1st Qr. | 50.3 | 34.3 | 85.0 | 54.1 | 43.5 | 97.6 | 1.15 | 1.32 | 1.23 | 1.00 | 1.17 |
| 2nd Qr. | 36.6 | 25.5 | 62.5 | 51.1 | 28.3 | 79.4 | 1.29 | 1.37 | 1.32 | 1.05 | 1.17 |
| 3rd Qr. | 55.6 | 39.7 | 95.7 | 27.4 | 32.3 | 59.7 | 1.43 | 1.50 | 1.47 | 1.10 | 1.22 |
| 4th Qr. | 52.1 | 36.6 | 89.3 | 47.2 | 30.9 | 78.1 | 1.54 | 1.48 | 1.52 | 1.00 | 1.10 |

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

Exports by Destination

Customs data record that the People's Republic of China was Ceylon's principal buyer in 1969 absorbing 158 million pounds (50 per cent of total rubber exports) as compared with 183 million pounds in 1968 (56 per cent of total rubber exports). Table II (J) 10 provides a country classification of exports for 1968 and 1969 together with percentage shares.

1. The total quantity of 315 million pounds of rubber exported in 1969 is on the basis of entries passed for exports. The actual quantity shipped in the twelve month period January to December, 1969 was 316 million pounds.

TABLE II (J) 10

Country Classification of Rubber Exports and Percentage Shares

| | Volume (Mn. lbs) | | Percentage of Total | |
|---------------------------------|------------------|-------|---------------------|-------|
| | 1968 | 1969 | 1968 | 1969 |
| People's Republic of China .. | 182.7 | 157.6 | 55.7 | 50.1 |
| U. S. S. R. | 18.4 | 23.2 | 5.6 | 7.4 |
| Germany, Federal Republic of .. | 20.0 | 20.3 | 6.1 | 6.4 |
| U. S. A. | 22.7 | 18.0 | 6.9 | 5.7 |
| Poland | 11.8 | 14.3 | 3.6 | 4.5 |
| Rumania | 10.4 | 13.4 | 3.2 | 4.3 |
| Japan | 11.0 | 9.0 | 3.3 | 2.9 |
| Other Countries | 51.3 | 59.0 | 15.6 | 18.7 |
| Total | 328.3 | 314.8 | 100.0 | 100.0 |

Source: Ceylon Customs Returns.

Market Price Movements

In the Colombo Market, the average price of R. S. S. No. 1 followed a steady upward trend during the first eight months of 1969 (with the exception of a temporary fall of 3 cents per pound recorded in May) to reach the highest price for the year at Rs. 1.12 per pound in August. Thereafter, the market price declined successively in September, October and November to reach a low of 97 cents, but picked up in December to average Rs. 1.01 per pound for the month. The annual average price of R. S. S. No. 1 in 1969 increased by 16 cents per pound to Rs. 1.04 per pound as compared with 1968. The annual average price of Latex crepe No. IX in 1969 increased by 5 cents per pound to Rs. 1.16 per pound when compared with 1968.

In the International Markets, prices of natural rubber followed a steady upward trend during the first eight months of 1969, but recorded declines during the next two months. The improvement in prices in the first half of the year has been attributed to nervous short-covering, following unrest in West Malaysia, as well as to currency uncertainties. The annual average price of spot R. S. S. No. 1 rubber in the London market increased by 6.36d. per pound to 2sh. 1.13d. per pound. In the Singapore market the annual average f. o. b. price of sheet rubber at 69.71 straits cents per pound was 16.67 straits cents per pound higher than the 1968 annual average. The world position for natural and synthetic rubber in 1969 as compared with 1968 is given in Table II (J) 11.

TABLE II (J) 11

**World Supply, Consumption and Stocks of Natural
and Synthetic Rubber**

| | | Long Tons | | | |
|-------------------------------|-------|-----------|-----------|-----------|-----------|
| | | Natural | | Synthetic | |
| | | 1968 | 1969 | 1968 | 1969 |
| Supply (Jan-Oct) | .. .. | 2,165,000 | 2,337,500 | 3,252,500 | 3,655,000 |
| Consumption (January-October) | .. | 2,292,500 | 2,385,000 | 3,222,500 | 3,545,000 |
| Stocks ¹ | .. .. | 835,000 | 895,000 | 712,500 | 845,000 |

Source: The Public Ledger, January 31st, 1970

The Rubber Statistical Bulletin, November 1969.

1. As at end of October.

Coconut Products

In the world market, prices of lauric oils beginning January 1969 followed a downward drift till May 1969 due to heavy pressure of supplies from the Philippines and Indonesia. Prices of Philippine copra reached the lowest level for the year in May 1969, when the monthly average c.i.f. price of Philippine copra in the European market was \$ 185 per ton. Active competition between the West and Eastern European consumers for the limited supply contributed to an upward movement in prices in the third and fourth quarters of 1969.

Coconut oil in the world market followed the trend witnessed for copra, with a sharp improvement in price in December 1969. The price increases in coconut oil were in some measure due to the fact that expectations entertained early in the year in respect of an improvement in supplies were not realised. Parenthetically, it may be noted that world estimates for 1969 indicated "for copra and coconut oil combined a reduction in world net export availability by 55,000 tons oil basis and for palm kernels and kernel oil together only a small relative increase of 18,000 tons oil basis, both compared with the availability of last year".¹

Colombo Market

In 1969, the prices of coconut products (copra, oil and desiccated coconut) in the Colombo market followed the pattern in the world market with a downward movement till the end of July 1969. While prices of copra and oil showed a moderate improvement in the period August 1969 to December 1969, desiccated coconut prices however picked up only in November and continued into December. The Colombo market prices in the last quarter of 1969 failed to reflect the sharp upward movements witnessed in the world copra market which prompted State intervention. It was only after the Department of Commodity Purchase, a state organisation, entered the copra market that market prices

1. Oil World, Nov 1969 p. 10

revealed a tendency to increase. In December 1969 the market prices of copra, coconut oil and desiccated coconut were higher than those prevailing in the first and second quarters of 1969.

Copra

The total quantity of copra sold at the Ceylon Coconut Board Sales Room in 1969 amounted to 530,462 candies (132.6 th. tons) - 85,923 candies (21.5 th. tons) more than the offerings in 1968. The monthly average price of estate No. 1 Copra in the Colombo market which stood at Rs. 273.07 in January 1969 declined continuously, and reached Rs. 207.10 the lowest average price for the year in July 1969. The annual average price of estate No. 1 copra for 1969 at Rs. 237.88 per candy fell by Rs. 18.12 per candy below that of 1968.

Coconut oil

Coconut oil prices in the Colombo market, which followed closely the trend of copra prices, registered successive increases from August 1969 to December 1969. A sharp increase in market price was noted during December 1969, thus maintaining the direction of the price movement. Yet it failed to reflect fully the magnitude of increase which was apparent in the London market in December 1969, owing to lack of buying interest and speculation in respect of a price decline. The annual average Colombo market price of coconut oil at Rs. 1,454.47 per ton showed a decline of Rs. 58.56 per ton below the 1968 annual average price.

Desiccated Coconut

In the case of desiccated coconut, the decline in price which started in January 1969 continued up to October 1969. During November and December prices showed significant improvements following closely the seasonal pattern of demand and heavy purchases for forward shipment. The annual average price for 1969 at Rs. 0.58 per pound was Rs. 0.21 per pound lower than the annual average price for 1968.

Exports

The aggregate volume of exports of the three major coconut products in 1969 (Bank Indices) declined by 18 per cent. In terms of their nut equivalent, the total volume of coconut exports of the three major items in 1969 amounted to 896 million nuts, as compared with 1096 million nuts in 1968.¹ Low export

1. The decline in volume of coconut exports in 1969 has been adduced to speculation and holding of stocks by shippers in the fourth quarter in anticipation of a possible decline in the London c.i.f. price of Philippine copra in the quarter following and a resultant reduction in export duty locally. Firm data in respect of stocks are not available to confirm or refute this statement. Total licences issued in respect of exports by the Ceylon Coconut Board exceed the volume exported and may be regarded as a rough indicator of what exports would have been. Comparative data in respect of licences issued by the Coconut Board and quantities exported as recorded in the Customs Returns for the years 1967, 1968 and 1969 are given below:

| | | Th. Tons. | | | | | |
|----------------------------------|----|-----------------|----------------|-----------------|----------------|-----------------|----------------|
| | | 1967 | | 1968 | | 1969 | |
| | | Licences issued | Actual exports | Licences issued | Actual exports | Licences issued | Actual exports |
| 1. Coconut Oil | .. | 68.9 | 66.7 | 62.1 | 63.1 | 64.2 | 55.2 |
| 2. Copra | .. | 16.8 | 15.8 | 22.0 | 21.3 | 19.2 | 19.1 |
| 3. Desiccated coconut | .. | 46.9 | 46.3 | 68.4 | 69.1 | 52.5 | 50.9 |
| Total | .. | 132.6 | 128.8 | 152.4 | 153.5 | 135.9 | 125.2 |
| Nut equivalent (Million nuts) | .. | 967.4 | 940.5 | 1086.6 | 1095.7 | 979.8 | 895.6 |

Source: Ceylon Coconut Board
Ceylon Customs Returns

volumes, coupled with low export prices, resulted in export earnings from coconut products decreasing by Rs. 110 million from Rs. 331 million in 1968 to Rs. 221 million in 1969. Export volumes and prices (f. o. b.) of all three products registered declines of varying magnitude in 1969 as compared with 1968.

Table II (J) 12 gives data on export volumes and export prices of the three major coconut products.

TABLE II (J) 12
Major Coconut Products - Exports: Volume & Prices
1965-1969

| 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 pound |
| 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 |
| 1968 | 1,261 | 425 | 1,382 | 1,096 | 2,108.80 | 396.25 | 1.06 |
| 1969 | 1,103 | 381 | 1,018 | 896 | 1,953.00 | 341.29 | 0.77 |

Source: Ceylon Customs Returns.

Exports by destination

Copra

India, which continued to be the principal market for Ceylon copra in 1969 absorbed 52 per cent of exports as against 56 per cent in 1968. Pakistan replaced U. S. S. R. as the second largest market for Ceylon copra with imports amounting to 99 thousand cwts. or 26 per cent. U. S. S. R. imported 78 thousand cwts., i. e., 21 per cent.

Coconut Oil

As in the preceding year, in 1969 too, the Union of Soviet Socialist Republics continued to be the largest single buyer of Ceylon Coconut Oil, absorbing 320 thousand cwts. or 29 per cent of the total volume exported. The People's Republic of China purchased 274 thousand cwts. or 25 per cent as compared with 150 thousand cwts. or 12 per cent in 1968. Pakistan, Italy, Canada and the United Arab Republic were the next most important buyers.

Desiccated Coconut

The United Kingdom continued to be the principal market for desiccated coconut in 1969, importing 332 th. cwts. or 33 per cent of total exports. The Federal Republic of Germany purchased 128 th. cwts. or 13 per cent in 1969, while the G. D. R., Netherlands and Spain were the next most important buyers.

Other Domestic Exports

The total value of other domestic exports at Rs. 161 million in 1969 increased by Rs. 9 million or 6 per cent as compared with values attained in 1968. The enhancement in export earnings was largely the result of an increase of 5 per cent in average export price, which was strengthened by a increase of 2 per cent in their export volume (Bank Indices). The stimulus to higher export earnings from other domestic exports can be associated with the continued operation of the Foreign Exchange Entitlement Certificate Scheme introduced in May 1968. With effect from June 1969, foreign exchange earned from minor export commodities qualified for a premium payment of 55 per cent of foreign exchange earned in rupee terms. Although the premium payment was increased from 44 to 55 per cent, export duties which had hitherto been specific on major items were changed to an ad valorem basis in August 1969. The new rates of duties which range from 10 to 40 per cent ad valorem were imposed to syphon off part of the profits accruing to shippers. The higher rates of export duties levied on these commodities and their incidence, to the extent these favoured domestic consumption and the strike situation in the Ports of Colombo and Trincomalee in December, may have contributed to the decrease in the volume of minor export products. Table II (J) 13 provides data on export volumes, export values and average f. o. b. prices of selected minor export commodities.

Table II (J) 13 covers approximately 90 per cent of the total value of exports of the group 'other domestic exports' recorded for 1969, as compared with 92 per cent in 1968 while Table II (J) 14 provides data on Colombo market price movements.

The FEEC Scheme has been in operation since May 1968, a little over one and a half years. Sufficient time has not elapsed for the incentives provided by the FEEC Scheme to produce any marked structural changes in the economy. The FEEC Scheme and its consequential effects on increased producer prices and resultant favourable movements in the profitability of operations may have initiated a course of rationalisation and export orientation which is still in its formative stages. The export performance of other domestic exports in 1969, particularly the volume response to higher producer prices must be viewed in the context of the several economic and institutional hurdles that have to be overcome as a pre-condition to attaining the desired stage of rationalised export oriented production.

Suffice it to note here that, in the case of most primary production, the immediate response of output to price movements is nearly always sluggish and hardly ever spectacular, because of difficulties encountered in increasing production in the short period. Time lags in the transmission of incentives to producers,

TABLE II (J) 13

Export Volumes, Export Values and Average f. o. b. Prices of Selected Minor Export Products.

| | | Unit of Quantity | Volume | | | | Value (Rs. million) | | | | Average f. o. b. priced (Rs. per unit) | | | |
|--|----|------------------|--------|--------|--------|-------------------------|---------------------|-------|-------|-------------------------|--|---------|---------|-------------------------|
| | | | 1967 | 1968 | 1969 | % change 1969 over 1968 | 1967 | 1968 | 1969 | % change 1969 over 1968 | 1967 | 1968 | 1969 | % change 1969 over 1968 |
| Coconut Products Group | | | | | | | | | | | | | | |
| Coir fibre - bristle | .. | Th. cwt. | 538.0 | 563.0 | 506.7 | - 10.1 | 22.0 | 25.6 | 24.6 | - 3.9 | 40.94 | 43.35 | 48.63 | + 12.2 |
| Coir fibre - mattress | .. | " | 1065.0 | 1260.3 | 1180.3 | - 6.3 | 19.4 | 25.5 | 25.4 | - 0.4 | 18.24 | 20.23 | 21.67 | + 7.1 |
| Coconut shell charcoal | .. | " | 273.0 | 319.1 | 385.2 | + 20.7 | 4.9 | 5.2 | 3.4 | - 34.6 | 18.02 | 16.34 | 8.90 | - 45.5 |
| Fresh Coconuts | .. | Mn. nuts | 10.2 | 7.6 | 10.3 | + 35.5 | 3.1 | 3.3 | 4.2 | + 27.3 | 0.30 | 0.44 | 0.41 | - 2.3 |
| Spices Group | | | | | | | | | | | | | | |
| Cinnamon quills | .. | Th. cwt. | 52.8 | 61.8 | 65.9 | + 6.6 | 29.8 | 32.9 | 33.8 | + 2.7 | 564.71 | 531.79 | 513.33 | - 3.5 |
| Cinnamon chips | .. | " | 7.9 | 16.6 | 21.6 | + 30.1 | 1.2 | 2.3 | 4.1 | + 78.3 | 153.27 | 141.30 | 191.11 | + 35.3 |
| Pepper | .. | " | 2.0 | 16.2 | 17.9 | + 10.5 | 0.4 | 2.4 | 3.1 | + 29.2 | 215.21 | 146.53 | 173.12 | + 18.1 |
| Cardamoms | .. | " | 2.4 | 2.5 | 3.2 | + 28.0 | 3.3 | 4.1 | 7.3 | + 78.0 | 1341.65 | 1639.22 | 2297.00 | + 40.1 |
| Cloves | .. | " | 0.8 | 1.0 | 4.6 | + 360.0 | 0.1 | 0.1 | 2.8 | + 2700.0 | 104.24 | 130.22 | 617.35 | + 374.1 |
| Minerals Group | | | | | | | | | | | | | | |
| Natural Graphite | .. | " | 204.1 | 212.6 | 224.8 | + 5.7 | 6.7 | 7.8 | 8.3 | + 6.4 | 32.83 | 36.91 | 36.78 | - 0.4 |
| Ilmenite | .. | " | 1764.4 | 1455.0 | 1667.2 | + 14.6 | 1.5 | 2.6 | 4.1 | + 57.7 | 0.86 | 1.78 | 2.45 | + 37.6 |
| Other Agricultural Products | | | | | | | | | | | | | | |
| Cocoa beans | .. | " | 23.2 | 34.8 | 25.4 | - 27.0 | 4.1 | 7.3 | 7.0 | - 4.1 | 178.36 | 211.16 | 273.43 | + 29.5 |
| Unmanufactured tobacco | .. | Mn. lbs. | 0.9 | 1.3 | 0.7 | - 46.2 | 2.8 | 5.1 | 2.9 | - 43.1 | 3.00 | 3.81 | 4.04 | + 6.0 |
| Citronella oil | .. | Th. lbs. | 337.7 | 297.8 | 402.6 | + 35.2 | 0.8 | 1.2 | 1.8 | + 50.0 | 2.44 | 3.99 | 4.57 | + 14.5 |
| Cinnamon Leaf Oil | .. | " | 43.5 | 79.2 | 93.9 | + 18.6 | 0.5 | 0.8 | 1.0 | + 25.0 | 10.34 | 10.51 | 10.29 | - 2.0 |
| Fatty Acids Group | | | | | | | | | | | | | | |
| Glycerol | .. | Th. cwt. | 21.8 | 24.8 | — | — | 2.0 | 1.9 | — | — | 89.65 | 78.61 | — | — |
| Glycerine | .. | Th. cwt. | — | 21.0 | 21.5 | + 2.4 | — | 2.0 | 1.2 | - 40.0 | — | 93.16 | 57.20 | - 38.6 |
| Manufactured Products Group | | | | | | | | | | | | | | |
| Leather tanned | .. | " | 7.7 | 10.1 | 11.6 | + 14.9 | 1.6 | 1.8 | 3.2 | + 77.8 | 202.65 | 180.02 | 275.76 | + 53.2 |
| Leather of goat | .. | " | 2.5 | 3.3 | 0.4 | - 87.9 | 0.9 | 1.1 | 0.2 | - 81.8 | 344.52 | 338.23 | 397.97 | + 17.7 |
| Precious & semi-precious stones | .. | Th. carats | 24.9 | 196.0 | 136.6 | - 30.3 | 3.4 | 2.0 | 0.5 | - 75.0 | — | — | — | — |
| Jewellery and goldsmiths' ware | .. | — | — | — | — | — | 2.3 | 1.2 | 1.0 | - 16.7 | — | — | — | — |
| Clothing of textiles | .. | Th. doz. | 3.7 | 32.3 | 110.3 | + 70.7 | — | 4.2 | 3.3 | - 21.4 | — | — | — | — |
| Footwear of Rubber, Leather | .. | " | 5.0 | 10.4 | 29.0 | + 178.8 | 0.1 | 0.3 | 1.5 | + 400.0 | 29.99 | 28.78 | 53.38 | + 85.5 |
| Total value of above items | .. | | | | | | 110.9 | 140.7 | 144.7 | + 2.8 | | | | |
| Total value of all minor export products | .. | | | | | | 121.2 | 152.2 | 161.2 | + 5.9 | | | | |
| Percentage of coverage | .. | | | | | | 91.5 | 92.4 | 89.8 | | | | | |

Source: Ceylon Customs Returns

TABLE II (J) 14
Average Colombo Market Prices of Selected Minor Export Commodities

| Rupees per unit | | | | | | | | | | | | | | | | | | |
|-------------------------------------|------------------|-------------|--------|--------|-------------|--------|--------|-------------|--------|--------|-------------|--------|--------|----------------|--------|--------|-------------------|----------------|
| ITEM | Unit of Quantity | 1st Quarter | | | 2nd Quarter | | | 3rd Quarter | | | 4th Quarter | | | Annual Average | | | Percentage change | |
| | | 1967 | 1968 | 1969 | 1967 | 1968 | 1969 | 1967 | 1968 | 1969 | 1967 | 1968 | 1969 | 1967 | 1968 | 1969 | 1968 over 1967 | 1969 over 1968 |
| Cocoa ¹ | .. (Cwt) | 234.52 | 195.87 | 387.30 | 207.29 | 236.18 | 374.77 | 193.25 | 294.34 | 388.83 | 181.29 | 311.17 | 318.04 | 204.09 | 259.39 | 367.24 | +27.10 | +41.58 |
| Cinnamon Quills ² | .. (lb.) | 5.21 | 4.71 | 6.00 | 4.86 | 5.05 | 5.43 | 4.79 | 5.03 | 5.32 | 4.50 | 5.42 | 5.30 | 4.84 | 5.05 | 5.51 | + 4.34 | + 9.11 |
| Cinnamon Chips ³ | .. (Candy) | 228.57 | 287.25 | 511.04 | 241.46 | 397.08 | 476.13 | 276.91 | 494.88 | 443.75 | 281.59 | 616.67 | 301.54 | 257.13 | 448.97 | 433.11 | +70.72 | - 3.53 |
| Cardamoms ⁴ | .. (lb.) | 11.94 | 14.28 | 25.91 | 9.36 | 17.01 | 30.34 | 9.54 | 20.00 | 28.99 | 11.27 | 21.08 | 28.79 | 10.53 | 18.09 | 28.51 | +71.79 | +57.60 |
| Citronella oil ⁵ | .. (lb.) | 2.14 | 3.07 | 6.05 | 2.16 | 3.74 | 7.07 | 2.31 | 4.65 | 5.85 | 2.50 | 5.48 | 6.30 | 2.28 | 4.23 | 6.31 | +85.53 | +49.17 |
| Papain White | .. (lb.) | 7.22 | 17.51 | 18.60 | 9.02 | 18.56 | 13.81 | 11.01 | 19.37 | 16.39 | 12.92 | 19.43 | 13.44 | 10.04 | 18.72 | 15.56 | +86.45 | -16.88 |
| Papain Brown | .. (lb.) | 4.08 | 8.12 | 10.14 | 4.72 | 10.13 | 6.73 | 5.72 | 11.08 | 8.63 | 6.26 | 10.36 | 8.83 | 5.20 | 9.92 | 8.58 | +90.77 | -13.51 |
| Coir Mattress ⁶ | .. (cwt.) | 10.97 | 11.68 | 20.71 | 10.88 | 14.36 | 20.05 | 10.60 | 19.25 | 17.20 | 10.78 | 21.34 | 15.41 | 10.81 | 16.66 | 18.34 | +54.12 | +10.08 |
| Coir Fibre Bristle ⁷ | .. (cwt.) | 32.14 | 30.71 | 47.63 | 28.40 | 36.75 | 47.11 | 27.54 | 44.31 | 42.59 | 27.90 | 49.64 | 40.00 | 29.00 | 40.35 | 44.33 | +39.14 | + 9.86 |
| Coconut Fresh Nuts ⁸ | .. (Thousand) | 207.53 | 246.58 | 275.88 | 182.50 | 248.42 | 222.04 | 184.67 | 264.96 | 186.46 | 229.96 | 260.50 | 228.33 | 201.17 | 255.12 | 228.18 | +26.82 | -10.56 |
| Coconut Shell Charcoal ⁹ | .. (ton) | 277.64 | 331.46 | 153.63 | 333.46 | 272.08 | 132.38 | 404.67 | 190.67 | 125.96 | 388.59 | 167.25 | 131.42 | 351.09 | 240.37 | 135.85 | -31.54 | -43.48 |

Sources: Weekly Sundry Produce Market Reports,
The Ceylon Chamber of Commerce Weekly Price List.

1. Estate No. 1
2. Fine/0000
3. Loose at buyer's stores, sifted free from sand and dust
4. Green Estate No. 1
5. Ex-sellers stores
6. Quality No. 1
7. 3 Tie
8. Medium
9. In buyer's bags

gestation lags in increasing production of annual crops, difficulties of increasing capacity where the interval between planting and cropping extends over several years are factors which should be noted. Besides the availability of credit facilities, the cost of such borrowing to undertake capital expansion, awareness of alternative investment opportunities in export lines, the presence or otherwise of marketing facilities as well as entrepreneurial expectations all bear cogently on final performance.

An enhanced flow of export volumes can be expected (when viewed in the context of circumstances surrounding production) only after the elapse of a sufficiently long period and that too provided, action is co-ordinated and oriented to widening the 'bottle-necks' impeding production. The modest yet noteworthy increases in export volumes, where these have been achieved without any undue diversion of availabilities from the home market and/or a reduction in home consumption, as for instance in export commodities such as cinnamon, cardamom, pepper and citronella oil, manufactured garments, and footwear of rubber and leather, may indicate broadly, a loosening of some of the impediments which may have retarded their expansion. The provision of a direct monetary incentive by way of a premium payment and the facility afforded thereby for effecting longer term improvements through improved profitability are likely to influence the course of resource allocation and encourage further the exports of minor crops in years to come.

Imports¹

As mentioned in page 216 the sharp increase of Rs. 370 million in the total value of imports in 1969 (Customs Data) when adjusted for the over valuation of Food Commissioner's imports is reduced to Rs. 360 million.

Table II (J) 15 gives the factual position after adjusting the Customs data for Food Commissioner's actual imports of rice, flour and sugar:-

TABLE II (J) 15
Customs data adjusted for Food Commissioner's Imports

| | Value in Rupees Million | |
|----------------------------|-------------------------|-------|
| | 1968 | 1969 |
| 1. Consumer goods .. | 1,113 | 1,174 |
| of which .. | | |
| A. Food and Drink .. | 955 | 932 |
| (i) Rice .. | 345 | 211 |
| (ii) Flour .. | 218 | 230 |
| (iii) Sugar, refined .. | 91 | 142 |
| B. Textiles .. | 77 | 122 |
| C. Other consumer goods .. | 81 | 120 |
| 2. Intermediate goods .. | 629 | 592 |
| 3. Investment goods .. | 383 | 700 |
| 4. Unclassified Imports .. | 14 | 33 |
| 5. Total Imports .. | 2,139 | 2,499 |

1. Hitherto Customs Statistics on imports have been compiled on SITC. With effect from January 1969 import statistics are compiled on BTN. However, to facilitate comparison of data with the preceding year, BTN statistics have been reclassified to fit in with the corresponding SITC. Errors, if any, will be negligible.

The Food Commissioner's actual aggregate imports of rice, flour and sugar in 1969 at Rs. 583 million decreased sharply, resulting in a foreign exchange saving of Rs. 71 million as compared with the preceding year. Whereas the value of his imports of flour at Rs. 230 million and sugar at Rs. 142 million exceeded the previous year's imports as recorded by him by Rs. 12 million and Rs. 51 million, the value of rice imports at Rs. 211 million, registered a fall of Rs. 134 million.

Table II (J) 16 shows the volumes, values and the average c. & f. prices of Food Commissioner's and Customs recorded imports of rice, flour and sugar in respect of the years 1968 and 1969.

TABLE II (J) 16

Customs Entries and Actual Imports of Rice, Flour and Sugar

| | Food Commissioner's Data | | | | Customs Data | | | |
|---|--------------------------|--------|---------------|-------|--------------|--------|---------------|-------|
| | 1968 | 1969 | Change | | 1968 | 1969 | Change | |
| | | | Abso- lute | % | | | Abso- lute | % |
| Rice | | | | | | | | |
| Quantity : Th. tons .. | 344 | 260 | - 84 | -24.4 | 364 | 304 | - 60 | -16.5 |
| Value : Rs. Mn. .. | 345 | 211 | -134 | -38.8 | 341 | 257 | - 84 | -24.6 |
| C. & F. Price : Rs. per ton .. | 1003.44 | 811.18 | -192.26 | -19.2 | 936.84 | 846.51 | - 90.33 | - 9.6 |
| Flour | | | | | | | | |
| Quantity : Th. tons .. | 359 | 388 | + 29 | + 8.1 | 422 | 409 | - 13 | - 3.1 |
| Value : Rs. Mn. .. | 218 | 230 | + 12 | + 5.5 | 250 | 255 | + 5 | + 2.0 |
| C. & F. Price : Rs. per ton .. | 607.90 | 591.94 | - 15.96 | - 2.1 | 592.52 | 624.38 | + 31.86 | + 5.4 |
| Sugar | | | | | | | | |
| Quantity : Th. Tons .. | 220 | 308 | + 88 | +40.0 | 242 | 265 | + 23 | + 9.5 |
| Value : Rs. Mn. .. | 91 | 142 | + 51 | +56.0 | 97 | 115 | + 18 | +18.6 |
| C. & F. Price : Rs. per ton .. | 413.25 | 459.93 | + 46.68 | +11.3 | 401.82 | 436.02 | + 34.20 | + 8.5 |
| Total value of rice, flour and sugar : Rs. Mn. .. | 654 | 583 | - 71 | -10.9 | 688 | 627 | - 61 | - 8.9 |

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

Rice:

The sharp decline in the value of imports of rice and the consequent savings in foreign exchange in 1969 was largely the result of a decrease of 84 thousand tons or 24 per cent in the volume of imports, the effect of which was strengthened by a fall of Rs. 192 per ton in the average c. & f. price. The lower volume of rice imports in 1969 was due largely to the successful steps taken on the production front which resulted in an increase in the local output of rice¹. The decrease in the average c. & f. price of rice was in keeping with the trend of lower prices which prevailed in the world markets and was the result of good harvests and consequent increases in supplies in producing countries.

Flour:

The increase of Rs. 12 million in flour imports is the outcome of an increase of 29 thousand tons in the quantity imported, the effect of which was partly offset by a fall of Rs. 16 per ton in the average c. & f. price. The

1. Domestic rice production in 1969 is estimated to be 941,230 tons as compared with 922,857 tons in 1968.

comparatively small increase in flour imports in 1969 was for the purpose of replenishing stocks. The reduction in average c. & f. price of flour was in keeping with the trend of lower world market prices.

Sugar:

The increase of Rs. 51 million in the import value of sugar in 1969 over 1968 was due partly to a sharp expansion of 88 thousand tons in import volume and partly to a rise of Rs. 47 per ton in the average c. & f. price. The increase in the average price of sugar was in keeping with the trend of higher prices that prevailed in international markets with the operation of the International Sugar Agreement, effective 1st January, 1969.

Table II (J) 17 provides a classification of imports by major categories and commodities or groups of commodities, as given in the Customs Returns.

The increase in the value of imports of Rs. 370 million (Customs Data) for 1969 has been concentrated in the 'consumer' and 'investment goods' categories, while imports of 'intermediate goods' registered a decrease. The significant movements within the three groups have been as follows.

Consumer goods:

The increase of Rs. 71 million in the value of imports of 'consumer goods' has been confined to 'textiles' and 'other consumer goods' sub-groups. The value of imports of 'food and drink' items at Rs. 976 million in 1969 however recorded a decrease of Rs. 13 million below 1968. Import expenditures on 'meat and fish' and 'food other' (which includes grain, pulses and curry stuffs) recorded substantial increases, the former increasing by Rs. 17 million and the latter by Rs. 20 million as compared with 1968. Import expenditures on dried chillies were reduced from Rs. 34 million in 1968 to Rs. 26 million in 1969 resulting in a foreign exchange saving of Rs. 8 million and was made possible by increased local production of chillies.

Intermediate goods;

In the 'intermediate goods' category, the value of imports of 'petroleum products' amounted to Rs. 156 million and made possible a reduction in outlay of Rs. 40 million as compared with 1968. The decrease in the value was due both to a contraction of 8 million gallons in the quantity imported and to a fall of 10 cents per gallon in the average c. i. f. price. The volume of petroleum products imported in 1969 amounted to 357 million gallons and their average c. i. f. price per gallon was 42 cents. The lower c. i. f. price resulted from increased purchases from Middle Eastern countries, India and Japan. Lower freight paid on petroleum products from Middle Eastern countries and India and the lower c. i. f. price paid for kerosene oil from Japan accounted for this decrease. Accordingly the change over to Middle Eastern sources of supply has resulted

TABLE II (J) 17
Imports by Major Categories and Commodities or Groups of Commodities - 1965-69

| | Value in Rupees Million | | | | | Percentage of total Imports | | | | |
|---|-------------------------|-------|-------|-------|-------|-----------------------------|-------|-------|-------|-------|
| | 1965 | 1966 | 1967 | 1968 | 1969 | 1965 | 1966 | 1967 | 1968 | 1969 |
| 1. Consumer Goods | 779 | 1,161 | 931 | 1,147 | 1,218 | 52.8 | 57.2 | 53.6 | 52.8 | 47.9 |
| of which | | | | | | | | | | |
| A. Food and Drink | 604 | 956 | 783 | 989 | 976 | 41.0 | 47.1 | 45.1 | 45.5 | 38.0 |
| (i) Rice | 144 | 367 | 211 | 341 | 257 | 9.8 | 18.1 | 12.1 | 15.7 | 10.1 |
| (ii) Flour | 98 | 113 | 229 | 250 | 255 | 6.6 | 5.6 | 13.2 | 11.5 | 10.0 |
| (iii) (a) Sugar: refined | 71 | 103 | 74 | 97 | 115 | 4.8 | 5.1 | 4.3 | 4.5 | 4.5 |
| (b) Sugar: other (i.e. sakkarai, jaggery and sugar candy) | 1 | 2 | ... | ... | ... | 0.1 | 0.1 | ... | ... | ... |
| (iv) Milk and Milk products | 77 | 77 | 66 | 74 | 52 | 5.2 | 3.8 | 3.8 | 3.4 | 2.0 |
| (v) Meat, fish and eggs | 61 | 101 | 56 | 70 | 87 | 4.1 | 5.0 | 3.2 | 3.2 | 3.4 |
| of which (a) Fish dried (excluding maldivian fish but including dried prawns) | 43 | 75 | 44 | 58 | 69 | 2.9 | 3.7 | 2.5 | 2.7 | 2.7 |
| (b) Fish, other | 13 | 19 | 9 | 11 | 17 | 0.9 | 0.9 | 0.5 | 0.5 | 0.7 |
| (c) Meat and meat preparations | 5 | 4 | 3 | 1 | 1 | 0.3 | 0.2 | 0.2 | ... | ... |
| (d) Eggs | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| (vi) Food, other | 124 | 170 | 126 | 125 | 145 | 8.4 | 8.4 | 7.2 | 5.8 | 5.7 |
| of which (a) Potatoes | 18 | 24 | 7 | ... | ... | 1.2 | 1.2 | 0.4 | ... | ... |
| (b) Grams and pulses | 39 | 64 | 53 | 56 | 78 | 2.6 | 3.1 | 3.0 | 2.6 | 3.1 |
| (c) Onions | 21 | 20 | 19 | 17 | 17 | 1.4 | 1.0 | 1.1 | 0.8 | 0.7 |
| (d) Chillies | 30 | 43 | 29 | 34 | 26 | 2.0 | 2.0 | 1.7 | 1.6 | 1.0 |
| (vii) Drink and manufactured tobacco | 2 | 2 | 2 | 2 | 4 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 |
| B. Textiles (including clothing) | 107 | 119 | 73 | 77 | 122 | 7.3 | 5.9 | 4.2 | 3.5 | 4.8 |
| C. Other Consumer Goods | 68 | 86 | 75 | 81 | 120 | 4.6 | 4.2 | 4.3 | 3.7 | 4.7 |
| of which—(i) Motor cars | 3 | 3 | 10 | 7 | 13 | 0.2 | 0.1 | 0.6 | 0.3 | 0.5 |
| (ii) Watches and clocks | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| (iii) Radio receivers | 1 | ... | ... | 3 | 1 | 0.1 | 1 | ... | 0.1 | ... |
| (iv) Rubber tyres and tubes | 7 | 5 | 4 | 3 | 22 | 0.5 | 0.2 | 0.2 | 0.1 | 0.9 |
| (v) Medicinal and pharmaceutical products | 21 | 35 | 22 | 23 | 32 | 1.4 | 1.7 | 1.3 | 1.1 | 1.3 |
| 2. Intermediate Goods | 414 | 470 | 441 | 629 | 592 | 28.1 | 23.2 | 25.4 | 29.0 | 23.3 |
| of which—(i) Fertilizers | 88 | 91 | 80 | 110 | 66 | 6.0 | 4.5 | 4.6 | 5.1 | 2.6 |
| (ii) Petroleum products | 109 | 130 | 112 | 196 | 156 | 7.4 | 6.4 | 6.4 | 9.0 | 6.1 |
| (iii) Coal | 10 | 3 | 9 | 4 | 4 | 0.7 | 0.1 | 0.5 | 0.1 | 0.2 |
| (iv) Chemical elements and compounds | 30 | 36 | 38 | 45 | 66 | 2.0 | 1.8 | 2.2 | 2.1 | 2.6 |
| (v) Dyeing, tanning and colouring materials | 9 | 13 | 10 | 15 | 14 | 0.6 | 0.6 | 0.6 | 0.7 | 0.6 |
| (vi) Tea and other chests | 12 | 18 | 9 | 10 | 13 | 0.8 | 0.9 | 0.6 | 0.5 | 0.5 |
| (vii) Paper and paperboard | 28 | 50 | 41 | 37 | 55 | 1.9 | 2.5 | 2.4 | 1.7 | 2.2 |
| (viii) Yarn and thread | 41 | 42 | 45 | 71 | 80 | 2.8 | 2.1 | 2.6 | 3.3 | 3.1 |
| (ix) Unmanufactured tobacco | 9 | 8 | 6 | 10 | 6 | 0.6 | 0.4 | 0.3 | 0.5 | 0.2 |
| 3. Investment Goods | 261 | 361 | 330 | 383 | 700 | 17.7 | 17.8 | 19.0 | 17.6 | 27.5 |
| of which—(i) Building materials | 54 | 70 | 48 | 95 | 99 | 3.3 | 3.4 | 2.8 | 4.5 | 3.9 |
| of which—(a) Cement | 17 | 20 | 9 | 17 | 14 | 1.2 | 1.0 | 0.5 | 0.8 | 0.6 |
| (ii) Transport equipment | 96 | 116 | 89 | 80 | 213 | 6.5 | 5.7 | 5.1 | 3.7 | 8.4 |
| (iii) Machinery and equipment | 100 | 162 | 175 | 195 | 368 | 6.8 | 8.0 | 10.1 | 9.0 | 14.5 |
| 4. Total (Items 1, 2 and 3) | 1,454 | 1,992 | 1,702 | 2,159 | 2,510 | 98.6 | 98.2 | 97.9 | 99.4 | 98.7 |
| 5. Unclassified imports | 20 | 36 | 36 | 14 | 33 | 1.4 | 1.8 | 2.1 | 0.6 | 1.3 |
| 6. Total Imports | 1,474 | 2,028 | 1,738 | 2,173 | 2,543 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Ceylon Customs Returns.

in average c. i. f. price registering a decrease.¹ Import values of 'fertilizers' in 1969 registered a decrease of Rs. 44 million as compared with 1968. The volume of fertilizer imports in 1969 contracted by 123 thousand tons, the effect of which was strengthened by a fall of Rs. 21 per ton in the average c. i. f. price.²

Investment Goods:

The sharp expansion in the value of imports was shared by all sub-groups viz. 'building materials,' 'transport equipment' and 'machinery and equipment.' The largest increase occurred in the 'machinery and equipment' sub-group imports of which increased by Rs. 173 million. The liberalization of imports, under the current OGL Scheme provided the incentives and the scope for facilitating additional imports and should help to quicken the tempo of capital formation in years to come.

Developments in the Port of Colombo.

The total volume of cargo handled by the Port of Colombo during 1969, at 3,026,105 shipping tons, registered a fall of 48,642 shipping tons as compared with 1968. This decline in the volume of cargo handled was due to the strike situation experienced in the Port of Colombo during the second half of 1969. The volume of import cargo declined by 80,744 shipping tons, while the volume of export cargo increased by 32,102 shipping tons as compared with 1968.

Particulars of the tonnage handled by the Port of Colombo in each quarter of 1969 as compared with the corresponding quarter of 1968 are given in Table II (J) 18.

TABLE II (J) 18

Import and Export Cargoes handled by the Port of Colombo

| | | | | Shipping tons | |
|-------------|----|-----------|-----------|---------------|-------|
| | | 1968 | 1969 | change | |
| | | | | Absolute | % |
| 1st Quarter | .. | 758,681 | 861,600 | +102,919 | +13.6 |
| 2nd Quarter | .. | 698,433 | 780,538 | + 82,105 | +11.8 |
| 3rd Quarter | .. | 799,745 | 763,337 | — 36,408 | — 4.6 |
| 4th Quarter | .. | 817,888 | 620,630 | —197,258 | —24.1 |
| Year | .. | 3,074,747 | 3,026,105 | — 48,642 | — 1.6 |

Source: Port (cargo) Corporation.

The total demurrage paid in 1969 at £486,989 was £331,011 less than in 1968.

The Annual Report for 1967 referred to the freight surcharges imposed following the closure of the Suez Canal in June 1967. These surcharges continued to be in operation in 1969.³

1. Suffice to note that customs data vary from figures supplied by the Petroleum Corporation as the former include imports of bunker fuel oil by the Oil Companies. Actual imports of petroleum products in 1969, by the Ceylon Petroleum Corporation amounted to 324 million gallons valued at Rs. 121.7 million, compared with 214 million gallons valued at Rs. 113.2 million imported during 1968. Of this total, imports of Gasoline, Gas oil, Industrial Diesel Oil and Fuel Oil during the year at Rs. 79.6 million amounted to 172 million gallons while imports of crude oil at Rs. 42.1 million amounted to 152 million gallons. There had been no imports of crude oil in 1968. Calculation of a c.i.f. unit price as a flat rate is not appropriate as crude oil prices differ widely from prices of finished petroleum products.
2. Actual imports of Fertilizer by the Ceylon Fertilizer Corporation in 1969 amounted to 161 thousand tons valued at Rs. 51 million as compared with 238 thousand tons valued at Rs. 74 million in 1968.
3. Central Bank Annual Report 1967, page 164.

The following changes were introduced in the basic freight rates during 1969:

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

1.2.69 - A general freight increase of 10%.

24.2.69 - Freight on mattress fibre in bales was reduced from \$ 33.00 to \$ 31.00 per 40 cu. ft.

15.5.69 - Freight on mica scrap in bags was reduced from \$ 36.75 to \$ 32.50 per 20 cwt.

(ii) **Ceylon/Canada (Atlantic Ports)**

.4.69 - A general freight increase of 10% was made, except for tea which was increased by 8%.

1.7.69 - Freight on desiccated coconut was increased by 5%, while in September 1969, rate on coconut oil in bulk was reduced from Canadian \$ 39.75 to \$ 34.50 per 20 cwt.

(iii) **Ceylon/U.K. and Continent**

13.11.69 - Freight rate on tea from Ceylon to U.K. and Continent was reduced from \$ 30.35 to \$ 28.85 per 40 cu. ft. (The most significant feature of this reduction was the narrowing of the differential between Colombo and Calcutta for the first time in well over 40 years).

24.11.69 - Freight rate on mica was reduced from \$24.35 to \$ 23.65 per 20 cwt.

(iv) **Ceylon - Persia - Arabian Gulf Conference.**

7.5.69 - A surcharge of \$ 4.00 was levied in addition to its usual charge of \$ 14.90 per ton on freight from Ceylon to Basra harbour and also a surcharge of \$ 3.25 above its usual rate of \$ 13.90 per ton from Ceylon to Khoramshahr Harbour.

Pattern of Trade

In 1969 the value of Ceylon's exports to the principal monetary areas and regions with the exception of the ECAFE region recorded decreases. Exports to the ECAFE region however recorded an increase. Imports from all monetary areas and regions on the other hand registered increases. The pattern of trade by principal monetary areas and regions is given in Table II (J) 19.

TABLE II (J) 19

**Ceylon's International Trade in Merchandise
by Monetary Areas and Regions**

Rupees Million

| | Total Exports f.o.b. | | Total Imports c.i.f. | | Balance of Trade | |
|------------------------------------|-------------------------|---------|-------------------------|---------|------------------|---------|
| | 1968 | 1969 | 1968 | 1969 | 1968 | 1969 |
| Sterling Area | 863.9 | 745.5 | 761.2 | 974.2 | + 102.7 | - 228.7 |
| Dollar Area | 218.9 | 202.0 | 235.9 | 247.2 | - 17.0 | - 45.2 |
| Others | 893.5 | 934.9 | 1,176.0 | 1,322.0 | - 282.5 | - 387.1 |
| Commonwealth Countries .. | 813.6 | 695.3 | 788.7 | 997.4 | + 24.9 | - 302.1 |
| Foreign Countries .. | 1,162.7 | 1,187.1 | 1,384.4 | 1,546.0 | - 221.7 | - 358.9 |
| European Economic Community .. | 195.3 | 174.1 | 259.9 | 325.2 | - 64.6 | - 151.1 |
| European Free Trade Association .. | 504.9 | 391.1 | 354.9 | 486.9 | + 150.0 | - 95.8 |
| ECAFE Region .. | 492.1 | 520.6 | 952.7 | 1,005.4 | - 460.6 | - 484.8 |

Source: Ceylon Customs Returns.

The changes shown in the Table above largely reflect:

- (a) decreases in exports to Australia Rs. 22 million, Union of South Africa Rs. 15 million, Canada Rs. 13 million, Netherlands Rs. 11 million and Japan Rs. 10 million.
- (b) increases in imports from United Kingdom Rs. 124 million, the German Democratic Republic Rs. 84 million, Japan Rs. 70 million, India Rs. 60 million, Yugoslavia Rs. 48 million, Federal Republic of Germany Rs. 45 million, and U. S. A. Rs. 41 million.
- (c) increases in exports to People's Republic of China Rs. 45 million, German Democratic Republic Rs. 13 million, U. S. A. Rs. 10 million and U. A. R. Rs. 10 million.
- (d) decreases in imports from Thailand Rs. 66 million, U. S. S. R. Rs. 46 million, Burma Rs. 30 million, Australia Rs. 21 million and U. A. R. Rs. 10. million.

Trade with the People's Republic of China.

In 1969, there was a marked increase in the turnover of Ceylon's trade with the People's Republic of China. Imports from China increased by Rs. 36.5 million over 1968 while, exports at Rs. 240.3 million showed an increase of Rs. 45.8 million. The merchandise trade deficit for 1969 was narrowed by Rs. 9 million from Rs. 51 million in 1968 to Rs. 42 million in 1969. Table II (J) 20 provides a commodity classification of trade with the People's Republic of China.

TABLE II (J) 20

The value of Trade with China — 1969

| | | | | | Rupees Million | | |
|-------------------------|----|----|----|----|----------------|--------|-----------------|
| | | | | | 1968 | 1969 | Absolute Change |
| Exports | | | | | | | |
| Rubber | .. | .. | .. | .. | 179.7 | 213.0 | + 33.3 |
| Coconut Oil | .. | .. | .. | .. | 14.9 | 27.3 | + 12.4 |
| Other | .. | .. | .. | .. | — | — | — |
| Total | .. | .. | .. | .. | 194.5 | 240.3 | + 45.8 |
| Imports | | | | | | | |
| Rice | .. | .. | .. | .. | 181.9 | 207.7 | + 25.8 |
| Textiles | .. | .. | .. | .. | 26.6 | 32.4 | + 5.8 |
| Dried Chillies | .. | .. | .. | .. | 12.0 | 13.0 | + 1.0 |
| Textile Yarn and thread | .. | .. | .. | .. | 1.9 | 4.9 | + 3.0 |
| Pulses | .. | .. | .. | .. | 3.6 | 3.7 | + 0.1 |
| Tea Chests | .. | .. | .. | .. | 0.5 | 1.1 | + 0.6 |
| Other | .. | .. | .. | .. | 18.9 | 19.1 | + 0.2 |
| Total | .. | .. | .. | .. | 254.4 | 281.9 | + 36.5 |
| Balance of Trade | | | | | | | |
| | .. | .. | .. | .. | - 50.9 | - 41.6 | — |

Source: Ceylon Customs Returns.

The increase in the value of Rubber exports was due entirely to a rise of Rs. 0.37 per pound in the f. o. b. price of rubber, since the volume of rubber exports in 1969 decreased by 14 per cent to 158 million pounds. The increase of Rs. 12.4 million in the exports of coconut oil in 1969 resulted from a volume expansion of 124 thousand hundred weights and a price rise of Rs. 10.80 per ton f. o. b. Rice imports at Rs. 208 million in 1969 accounted for 74 per cent of the value of imports from this country.

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

The turnover of Ceylon's trade with the U. S. S. R. and Eastern Europe increased significantly in 1969, almost entirely in respect of imports, which rose by Rs. 71 million or 39.4 per cent. Correspondingly the trade deficit of Rs. 86.2 million represented a deterioration of Rs. 69.2 million from the position as in 1968. The value of Ceylon's trade in the region increased from 8 per cent of its total foreign trade in 1968 to 12 per cent in 1969. Table II (J) 21 gives details by country and commodity.

The U. S. S. R. continued to be Ceylon's principal customer, accounting for about 54 per cent of total exports to the region. The value of rubber exports showed a marked increase in 1969, displacing in importance coconut oil, which was the principal export commodity in 1968. Exports to countries in the region, other than the U. S. S. R. were confined largely to rubber and coconut oil.

The G. D. R., Yugoslavia, U. S. S. R., and Poland were the principal suppliers of imports in 1969 and accounted for 84 per cent of the total import from the region. Imports from the G. D. R increased substantially from

TABLE II (J) 21
The Value of Trade with U.S.S.R. & Eastern Europe

| Rs. Million | | | | | | | | | | | | | | | | | | |
|---------------------------------|----------|-------|----------------|-------|--------|--------|---------|--------|--------|-------|---------|-------|------------|--------|----------|--------|--------|--------|
| | Bulgaria | | Czechoslovakia | | G.D.R. | | Hungary | | Poland | | Rumania | | Yugoslavia | | U.S.S.R. | | Total | |
| | 1968 | 1969 | 1968 | 1969 | 1968 | 1969 | 1968 | 1969 | 1968 | 1969 | 1968 | 1969 | 1968 | 1969 | 1968 | 1969 | 1968 | 1969 |
| (i) Total Exports .. | 0.03 | 1.99 | 3.86 | 3.60 | 12.15 | 13.61 | 2.36 | 1.37 | 27.44 | 27.21 | 13.92 | 19.70 | 8.62 | 7.37 | 94.35 | 89.49 | 162.73 | 164.34 |
| of which | | | | | | | | | | | | | | | | | | |
| Tea .. | — | — | ... | ... | ... | 0.14 | 0.15 | 0.21 | 8.32 | 6.83 | — | ... | 0.11 | 0.08 | 14.06 | 14.42 | 22.64 | 21.68 |
| Rubber .. | — | 1.34 | 0.24 | 1.16 | — | — | 0.12 | — | 11.36 | 18.35 | 10.08 | 15.90 | 2.71 | 1.34 | 0.55 | 35.32 | 45.06 | 73.41 |
| Three major Coconut products .. | — | — | 3.01 | 1.09 | 12.14 | 12.38 | 2.02 | 1.16 | 7.02 | 0.99 | 2.56 | 1.99 | 4.30 | 4.20 | 51.37 | 36.19 | 82.42 | 58.00 |
| (ii) Total Imports .. | 5.23 | 1.06 | 7.05 | 13.34 | 1.42 | 84.62 | 3.52 | 11.38 | 33.97 | 23.42 | 28.28 | 15.05 | 3.42 | 51.00 | 96.87 | 50.70 | 179.76 | 250.57 |
| of which | | | | | | | | | | | | | | | | | | |
| Sugar .. | 5.10 | — | — | 3.68 | — | 12.89 | — | 1.16 | 21.41 | 7.68 | — | 5.52 | — | 45.53 | 34.10 | 18.57 | 60.61 | 95.03 |
| Machinery .. | 0.08 | 0.05 | 0.83 | 3.44 | 0.09 | 40.89 | 0.25 | 0.13 | 2.31 | 0.52 | 0.02 | 1.72 | 0.94 | 2.84 | 0.70 | 0.73 | 5.22 | 50.32 |
| Textiles .. | — | 0.47 | 3.58 | 3.61 | — | 0.09 | 0.47 | 0.86 | 7.18 | 10.92 | 0.30 | 0.53 | — | — | 3.27 | 3.44 | 14.80 | 19.92 |
| Tea Chests .. | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 8.62 | 11.62 | 8.62 | 11.62 |
| Iron & Steel .. | — | — | 0.04 | 0.43 | 0.12 | 0.75 | — | ... | 0.61 | 1.30 | — | — | 0.23 | 0.43 | 2.43 | 0.81 | 3.43 | 3.72 |
| Petroleum | | | | | | | | | | | | | | | | | | |
| Products .. | — | — | — | — | — | — | — | — | — | — | 24.69 | 3.14 | — | — | 36.44 | 3.25 | 61.13 | 6.39 |
| Cement .. | — | — | — | — | — | — | — | — | — | — | 0.74 | — | — | — | 6.39 | 5.47 | 7.13 | 5.47 |
| Balance of Trade (i)—(ii) .. | -5.20 | +0.93 | -3.19 | -9.74 | +10.73 | -71.01 | -1.16 | -10.01 | -6.53 | +3.79 | -14.36 | +4.65 | +5.20 | -43.63 | -2.52 | +38.79 | -17.03 | -86.23 |

Source: Ceylon Customs Returns.

Rs. 1.4 million in 1968 to Rs. 84.6 million in 1969. Machinery and mechanical appliances were the main items of import, and accounted for 48 per cent of total imports. The value of imports (mostly sugar) from Yugoslavia increased by Rs. 47.6 million in 1969, whereas imports from the U. S. S. R. decreased by approximately the same amount.

Bilateral Clearing Accounts

Table II (J) 22 gives the net aggregate quarterly position of bilateral clearing accounts maintained in terms of the Payments Agreements concluded by Ceylon with the People's Republic of China, U. S. S. R. and certain countries in Eastern Europe and the Middle East.

The end of year position for 1969 indicates that the amounts due from Ceylon decreased by Rs. 15.8 million as compared with the end of year position for 1968.

TABLE II (J) 22
Bilateral Clearing Accounts
Net Aggregate Quarterly Position of Accounts 1968-69

| Net position at end | | | China, U.S.S.R. and other Eastern European countries* | | Middle East countries | | Total | |
|---------------------|-----------|-------|---|-------|--------------------------|-------|--------|-------|
| | | | Credit | Debit | Credit | Debit | Credit | Debit |
| 1968 | March | .. .. | 146.8 | — | 0.9 | — | 147.7 | — |
| | June | .. .. | 132.2 | — | — | 2.2 | 130.0 | — |
| | September | .. .. | 163.9 | — | — | 5.9 | 158.0 | — |
| | December | .. .. | 183.1 | — | — | 2.4 | 180.7 | — |
| 1969 | March | .. .. | 175.7 | — | — | 9.7 | 166.0 | — |
| | June | .. .. | 130.5 | — | — | 10.3 | 120.2 | — |
| | September | .. .. | 134.5 | — | — | 6.1 | 128.4 | — |
| | December | .. .. | 169.4 | — | — | 4.5 | 164.9 | — |

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).

Developments in Commercial Policy

Export Control

(a) From January 7, 1969, private sales of tea outside the auctions were permitted for shipment to the Republic of Ireland, the Federal Republic of Germany, Italy, France, Netherlands and Luxembourg. This was in addition to private sales of tea to U. S. A. and Canada. (Ceylon Government Gazette No. 14, 835/3 of 1969).

(b) From August 1, 1969, private sales of tea outside the auctions were permitted for shipment to all countries. (Ceylon Government Gazette No. 14, 864/1 of 1969).

Import Control

The Import Control Arrangements which came into operation in May 1968 continued to be in force during 1969 with a further relaxation in control. The items transferred from the 'B' Category group to the OGL list are contained in Gazette Nos. 14, 836/5 of 16. 1. 1969 and 14, 844/7 of 13. 3. 1969.

Foreign Exchange Budget

The foreign exchange budget as an instrument of resource allocation covering approximately four-fifths of total imports continued to be in operation in 1969. No major change has taken place in the administrative machinery for foreign exchange budgeting. The institutional framework for the formulation and administration of the foreign exchange budget continues as before, except that approximately 45 percent of imports (after the transfer of Government Departments and state corporation imports to category 'B') is now in the foreign exchange entitlement certificate market.

In 1969 all import allocations were released on an annual basis except those for other food stuffs, drugs, fertilizers, textiles, cement, direct user and trade quota items. However, as a result of heavy import payments during the first half of 1969, and later, the fall in tea prices and the consequent decline in Ceylon's external reserves, it was found necessary to phase the issue of licences for trade quota and direct user items in the second half as well as to bring all imports of Government Departments, excluding those of the Food Commissioner under licence control from June, 1969.

The foreign exchange entitlement certificate scheme introduced in May 1968 continued to be in operation in 1969. The price of the foreign exchange entitlement certificate which was at Rs. 44 per certificate of a face value of Rs. 100 was increased to Rs. 55 per certificate of a face value of Rs. 100 with effect from 18th June, 1969.

Following the announcement made in the budget speech for the financial year 1969-70 most imports of Government Departments and Corporations, were transferred from Category 'A' to Category 'B' with effect from 1st October 1969.

Items which could be imported under Open General Licences were revised in the year under review to include several new items. All other imports, classified in the B category, require licences issued by the Controller of Imports and Exports or the Ministry of Industries and Fisheries. Table II (J) 23 provides data on licences issued in 1968 and 1969.

The total value of licences issued for imports in 1969 (inclusive of letters of credit opened for the import of OGL items) amounted to Rs. 2,765 million and was Rs. 21 million lower than the value of licences issued in 1968. This decrease in the value of licences was mainly confined to the reduction in the value of category A. It should be noted that the figure of Rs. 2,765 million

includes Rs. 374 million for which Letters of Credit were opened in 1969. In addition a further Rs. 203 million worth of OGL imports for which L.Cs were opened in 1968 were also carried forward into 1969.

In 1969 licences issued to A category imports amounted to Rs. 1,740 million or 63 per cent of the total value of licences issued, while in the case of B category it amounted to Rs. 1,025 million or 37 per cent.

TABLE II (J) 23

Import Programmes 1969 & Comparative Data for 1968

| Rupees Million | | | | | | | | |
|--|-----------------|------|------------|------|--|-----------|-------------|------|
| | Licences issued | | | | B Category Letters of Credit opened on OGL items | | Grand Total | |
| | A Category | | B Category | | 1968 | 1969 | 1968 | 1969 |
| | 1968 | 1969 | 1968 | 1969 | | | | |
| 1. Food Commissioner's imports (a) .. | 704 | 646 | — | — | — | — | 704 | 646 |
| 2. Textiles .. | 44 | — | 26 | 89 | — | — | 70 | 89 |
| 3. Fertilizers .. | 132 | 99 | — | — | — | — | 132 | 99 |
| 4. Petroleum Products .. | 131 | 89 | 1 | 72 | — | — | 132 | 161 |
| 5. Cement .. | 13 | 1 | 14 | 21 | — | — | 27 | 22 |
| 6. Drugs (private sector) .. | 19 | 22 | — | — | — | — | 19 | 22 |
| 7. Government depts. (b) .. | 222 | 217 | — | 19 | — | — | 222 | 236 |
| 8. Direct User items .. | 50 | 29 | 27 | 37 | 168 | } | 657 | } |
| 9. Other Foodstuffs .. | 270 | 216 | 33 | 16 | | | | |
| 10. Other trade quota items .. | 100 | 29 | 9 | 76 | | | | |
| 11. State Corporations not under the Ministry of Industries & Fisheries .. | 164 | 198 | 4 | 9 | 135 | } 374 (c) | 823 | 1490 |
| 12. Corporations under the Ministry of Industries & Fisheries .. | 92 | 125 | 38 | 70 | | | | |
| 13. Private sector Industries .. | 217 | 70 | 173 | 241 | | | | |
| Total .. | 2158 | 1740 | 325 | 651 | 303 | 374 | 2786 | 2765 |

Source: Ministry of Planning and Economic Affairs.

(a) Represents actual imports.

(b) Represents the sum of indents forwarded to the Crown Agents, letters of credit opened and licences issued to private importers for imports on behalf of Government Departments upto July 1969, thereafter only licences issued.

(c) Includes Rs. 203 million for which letters of credit were opened in 1968. This is a provisional figure subject to revision

Commodity Aid

The aggregate value of commodity aid arrivals, provided by nine countries,¹ under the five programmes in 1969 amounted to Rs. 300 million representing an increase of Rs. 25.85 million of total aid received in 1968. The details are set out in Table II (J) 24.

1. Australia, Federal Republic of Germany, India, Japan, France, U. K., U. S. A., Canada and Denmark.

TABLE II (J) 24
Commodity aid Programme - Arrivals 1969

| Rupees Million | | | | | | | | | | | | | |
|------------------------------|--------------------------------|------|-------|--------|------|--------|---|------|-------|-------|-------|--------|-------------|
| Countries | Consumer goods under programme | | | | | | Intermediate & Investment goods under programme | | | | | | Grand Total |
| | I | II | III | IV | V | Total | I | II | III | IV | V | Total | |
| Australia .. | - | - | - | 4.44 | - | 4.44 | - | - | 0.04 | 0.59 | - | 0.63 | 5.07 |
| Germany, Fed. Republic of .. | - | - | - | 1.41 | 4.33 | 5.74 | - | 0.62 | 3.93 | 13.27 | 8.09 | 25.91 | 31.65 |
| India .. | - | - | - | - | - | - | - | - | 21.06 | - | - | 21.06 | 21.06 |
| Japan .. | - | - | 0.04 | 5.93 | - | 5.97 | - | - | 7.46 | 16.70 | - | 24.16 | 30.13 |
| France .. | - | - | - | 1.70 | 3.79 | 5.49 | - | 1.52 | - | 10.56 | - | 12.08 | 17.57 |
| U. K. .. | - | 0.38 | 0.06 | 14.27 | - | 14.71 | - | 3.56 | 6.76 | 24.35 | 8.38 | 43.05 | 57.76 |
| U. S. A. .. | 3.91 | 2.38 | 32.35 | 78.15 | - | 116.79 | 1.82 | 1.33 | - | - | - | 3.15 | 119.94 |
| Canada .. | - | - | - | - | - | - | - | - | 6.29 | 6.69 | - | 12.98 | 12.98 |
| Denmark .. | - | - | - | - | - | - | - | - | - | - | 3.85 | 3.85 | 3.85 |
| Total .. | 3.91 | 2.76 | 32.45 | 105.90 | 8.12 | 153.14 | 1.82 | 7.03 | 45.54 | 72.16 | 20.32 | 146.87 | 300.01 |

Source: Ministry of Planning and Economic Affairs.

The major share of the aid arrivals in 1969 totalling Rs. 153.14 million consisted of consumer goods, while Rs. 146.87 million consisted of intermediate and investment goods. The highest proportion of aid arrivals in 1969 totalling Rs. 178.06 million was under the fourth programme, while arrivals under the first, second, third and fifth programmes were Rs. 5.73 million, Rs. 9.79 million, Rs. 77.99 million, and Rs. 28.44 million respectively.

TABLE II (J) 25
Aid Arrivals in 1969—Commodity Wise

| Commodities | | | Value Rs. Mn. | Percentage shares |
|---|-----------|-----------|------------------|----------------------|
| Intermediate & Investment Goods | | | | |
| Fertilizer .. | .. | .. | 61.56 | 20.5 |
| Industrial raw materials and machinery .. | .. | .. | 6.85 | 2.3 |
| Tractors and Spares .. | .. | .. | 11.91 | 4.0 |
| Other machinery and spares .. | .. | .. | 11.76 | 3.9 |
| Commercial vehicles .. | .. | .. | 32.73 | 10.9 |
| Building materials .. | .. | .. | 0.05 | ... |
| Engineering Stores .. | .. | .. | 2.52 | 0.8 |
| Paper and Newsprint .. | .. | .. | 8.81 | 2.9 |
| Marine Engines .. | .. | .. | 0.53 | 0.2 |
| Other Imports of Government Departments and Corporations .. | .. | .. | 2.63 | 0.9 |
| Other equipment for private sector .. | .. | .. | 1.11 | 0.4 |
| Motor Spares .. | .. | .. | 3.76 | 1.3 |
| Fishing nets .. | .. | .. | 1.77 | 0.6 |
| Sugar Cultivation equipment .. | .. | .. | 0.63 | 0.2 |
| Motor Cycles .. | .. | .. | 0.25 | 0.1 |
| Total .. | .. | .. | 146.87 | 49.0 |
| Consumer Goods | | | | |
| Wheat flour .. | .. | .. | 137.35 | 45.8 |
| Textiles .. | .. | .. | 5.93 | 2.0 |
| Tyres and Tubes .. | .. | .. | 1.74 | 0.6 |
| Drugs .. | .. | .. | 7.73 | 2.6 |
| Others .. | .. | .. | 0.39 | 0.1 |
| Total .. | .. | .. | 153.14 | 51.0 |
| Grand Total .. | .. | .. | 300.01 | 100.0 |

Source: Ministry of Planning and Economic Affairs.

Table II (J) 25 shows the value of the aid arrivals in 1969 classified according to commodities. Chief items of arrivals under the intermediate and investment goods group consisted of fertilizers Rs. 61.56 million, commercial vehicles Rs. 32.73 million, tractors and spares Rs. 11.91 million. Aid financed imports of other machinery and spares amounted to Rs. 11.76 million and paper and newsprint Rs. 8.81 million. Under the consumer goods group aid imports of wheat flour amounted to Rs. 137.35 million and textiles Rs. 5.93 million.

Tariffs

Export Duties

3. 8. 1969¹

The fixed export duties on the following export commodities were replaced by ad valorem duties.

| Export commodities | Export duty which was abolished on 2.8.69 | Ad valorem rate of export duty effective from 3.8.69 |
|----------------------------|---|--|
| Cocoa (raw) | Rs. 30 per 100 lbs | 40% of true f.o.b. Colombo value |
| Cardamoms (with shells) | Rs. 100 per 100 lbs. } | 40% of true f.o.b. Colombo value |
| Cardamoms (without shells) | Rs. 200 per 100 lbs. } | 30% of true f.o.b. Colombo value |
| Coir fibre (bristle) } | Re 1/- per cwt. plus 6% of the f.o.b. value | 20% of true f.o.b. Colombo value |
| Coir fibre (mattress) } | 50 cents per lb. | 10% of true f.o.b. Colombo value |
| Cinnamon quills | Duty free | 10% of true f.o.b. Colombo value |
| Cinnamon chips | Duty free | 10% of true f.o.b. Colombo value |
| Citronella oil | Duty free | 25% of true f.o.b. Colombo value |
| Graphite | Duty free | |

1.11.69²

Export duty on tea (excluding instant tea, tea in packets, and tea in bags) was reduced by Re. 1 per 100 pounds from Rs. 40/- to Rs. 39/-.

Export duty on tea in packets (net weight shall not exceed 2.20 pounds or 1 kilogram) and tea in bags (net weight shall not exceed 12 ounces or 240 grams) with the words "Pure Ceylon Tea Packed in Ceylon" was reduced by 1 cent per pound from 25 cent per pound to 24 cents per pound.

Import Duties

Changes made in import duties in 1969 are contained in Gazette Notification Nos. 14,839/6 of February 5, 1969 and 14,853/2 of May 10, 1969.

1. The Ceylon Government Gazette Extraordinary No. 14,864/8 of August 2, 1969.

2. The Ceylon Government Gazette Extraordinary No. 14,877/1 of October 24, 1969.

Trade Agreements ¹

People's Republic of China

A protocol relating to the exchange of commodities for the year 1970, in terms of the Trade and Payments Agreement signed with the People's Republic of China on 6th November 1967, was signed on 22nd October, 1969. In terms of this protocol the two countries agreed to exchange exports from each country to an approximate value of Rs. 174 million, with specific commitments of 41,000 metric tons of sheet rubber of an approximate value of Rs. 124 million on the part of Ceylon and 200,000 metric tons of rice of approximately the same value on the part of China.

1. Besides the protocol to the Trade and Payments Agreement with the People's Republic of China discussed in this section, Ceylon continued to have Trade and/or Payments Agreements with a number of other countries.