

(J) FOREIGN TRADE

1. Overall Trends

Total domestic export earnings in 1970 showed a marked increase as compared with the preceding year and was the highest level recorded since 1968. The increase was due largely to expansion in the volumes of exports of tea, rubber and other domestic products, the effects of which were strengthened by increases in the export prices of tea and the three major coconut products.

In 1970, the value of exports inclusive of re-exports was Rs. 2,033 million and that of imports Rs. 2,313¹ million, resulting in a merchandise trade deficit of Rs. 280 million.

With the exception of the year 1968, when the value of exports in rupee terms increased substantially, export earnings had shown a declining trend since 1966. In terms of U. S. dollars, however, the declining trend begun in 1966 continued through 1968. In 1970, the value of Ceylon's exports was Rs. 117 million more than that recorded for 1969. The dollar equivalent of export earnings in 1970 was U. S. \$ 342 million and was U. S. \$ 20 million higher than that of the preceding year.

The value of imports, which began increasing in 1968 reached a peak in 1969 and exceeded the 1968 level by Rs. 370 million or 17 per cent. However, the rising trend in import values was reversed in 1970 and the total for the year decreased by Rs. 230 million or 9 per cent to Rs. 2,313 million.

The net trade position at the end of 1970 was a merchandise trade deficit of Rs. 280 million, compared to a deficit of Rs. 627 million in 1969/- the highest on record. The reduction in the adverse trade gap in 1970 was due both to a substantial increase in export earnings and a sharp decrease in import values as compared with the preceding year. The merchandise trade deficit for 1970 expressed as a percentage of total export earnings for the year was 14 per cent as against 33 per cent for 1969 and 7 per cent for 1968. To finance the trade deficit, the country had to rely on sources other than domestic export earnings.² In the composition of imports in 1970, there has been an increase in the import of 'consumer goods', while imports of 'intermediate' and 'investment goods' decreased. In 1970 consumer goods in value terms increased by 6 per cent over the preceding year. Within the 'consumer goods' category, the share of the 'food and drink' group increased, due largely to increased imports of rice, flour and sugar,³ while the share of 'other consumer goods' decreased. The value of 'intermediate' and 'investment goods' decreased by 24 per cent and 22 per cent respectively.

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.
2. Foreign aid received in 1970 under the various commodity aid programmes amounted to Rs. 322.2 million.
3. For a detailed account of these movements vide pages 238.

The total volume of all exports (as measured by the Central Bank's Trade Indices base 1967=100) which had decreased by 5 per cent in 1969 increased by 4 per cent to 102 in 1970. The average price index of all exports which remained unchanged in 1969 increased marginally by 1 per cent to 118 in the year under review.

The aggregate volume index of all imports (Central Bank's Trade Indices base 1967=100) rose by 7 per cent in 1969 and decreased by 6 per cent to 102 in 1970. The volume indices for the major categories of imports reveal that in 1970 'intermediate goods' at 86 and 'investment goods' at 116, decreased by 17 per cent and 33 per cent, respectively, while 'consumer goods' at 106 rose by 14 per cent.

The average price of all imports in 1970 continued its rising trend and the index at 140 was 4 per cent higher than in 1969. The average price indices of 'intermediate' and investment goods' in 1970 rose by 9 per cent and 17 per cent to 136 and 148 respectively, while 'consumer goods' at 139 decreased marginally by 1 per cent.

Ceylon's commodity terms of trade (Bank's Index base 1967=100) which had deteriorated in the two preceding years continued to be adverse in 1970, decreasing to 84 from 88 in 1969.

Table II (J) 1 provides data on Ceylon's foreign trade based on Customs figures.

TABLE II (J) 1
Foreign Trade 1966-70

Year	Rupees Million			Index Numbers (1967=100) ¹				Terms of Trade
	Exports* (f.o.b.)	Imports (c.i.f.)	Balance of Trade	Volume		Price		
				All Exports	All Imports	All Exports	All Imports	
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
1970	2,033	2,313	- 280	102	102	118	140	84

Sources: Ceylon Customs Returns; Central Bank of Ceylon

* Includes re-exports

1 Revised Indices

While in 1969 the Customs data relating to imports of rice, flour and sugar overstated the Food Commissioner's actual imports of these commodities by Rs. 44 million, in 1970, Customs data overstated the Food Commissioner's imports by Rs. 18 million.

If the total imports for 1969 and 1970 (Customs data) are adjusted to reflect the actual import of rice, flour and sugar received by the Food Commissioner, the value of total imports would be reduced from Rs. 2,543 million and

Rs. 2,313 million to Rs. 2,499 million and Rs. 2,295 million, in 1969 and 1970 respectively. On the basis of import data so adjusted, the value of imports in 1970 fell short of the previous year's level by Rs. 204 million or 8 per cent.

On the basis of data adjusted for Food Commissioner's actual imports, the merchandise trade deficit for 1969 will be reduced from Rs. 627 million to Rs. 583 million and that for 1970 will be reduced from Rs. 280 million to Rs. 262 million.

2. Exports

The increase in export earnings of Rs. 117 million in 1970 was due largely to increases in export earnings from tea and other domestic exports. While export receipts from rubber and the three major coconut products also increased though less markedly, earnings from re-exports decreased marginally. Table 11 (J) 2 reveals the composition of exports and their relative percentage shares in the total export earnings.

TABLE II (J) 2
Composition of Exports 1966-70

Commodity	Value in Rupees Million					Percentage of total exports				
	1966	1967	1968	1969	1970	1966	1967	1968	1969	1970
Tea ..	1,027	1,061	1,162	1,062	1,120	60	63	57	55	55
Rubber ..	337	282	331	431	440	20	17	16	22	22
3 Major Coconut Products	196	167	331	221	237	12	10	16	12	12
breakdown of which										
(a) Copra ..	25	18	34	26	23	2	1	2	1	1
(b) Coconut oil ..	108	88	133	108	116	6	5	7	6	6
(c) Desiccated Coconut ..	63	61	164	87	98	4	4	8	5	5
Other domestic exports ..	116	121	152	161	198	7	7	8	8	10
Total domestic exports ..	1,676	1,631	1,976*	1,875	1,995	99	97	97	98	98
Re-exports ..	24	59	60	41	38	1	3	3	2	2
Total ..	1,700	1,690	2,035	1,916	2,033	100	100	100	100	100

Source: Ceylon Customs Returns.

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

Tea

Production

Tea production in 1970 at 468 million pounds was 16 million pounds lower than the output in 1969 and was the lowest recorded since 1962. When compared with 1968, production in 1970 was lower by 28 million pounds. The fall in production is attributed to the "lagged" effects of reduced fertilizer application in the plantations during the latter part of 1969, to adverse weather, particularly heavy rains in the first and third quarters and to restricted cropping and better standards of manufacture in the second quarter of the year. The decrease in output was confined to high and medium-grown teas while the output of low-grown increased as seen in Table II (J) 3.

Table II (J) 3

Tea Production by elevational categories and their percentage shares in total

(Million lbs.)

Elevational Category	1969		1970		Absolute change in 1970 over 1969
	Volume	%	Volume	%	
High grown	187.2	38.7	178.8	38.2	— 8.4
Medium grown	170.9	35.3	159.2	34.0	— 11.7
Low grown	126.1	26.0	129.8	27.8	+ 3.7
Total	484.2	100.0	467.8	100.0	— 16.4

Source: Tea Control Department.

Exports

The volume of tea exported in 1970 at 460 million pounds increased by 15 million pounds over that of 1969. The volume of tea exported in December, 1969 was affected by strikes in the Ports of Colombo and Trincomalee, the backlog of which may have affected the quantity exported in 1970. The expansion in export volume, in the face of a decrease in production was possible due to running down of tea stocks. Available data indicate that stocks of manufactured tea in Ceylon decreased from 87 million pounds at the end of December, 1969 to 45 million pounds at the end of November, 1970.¹

The quantity of tea offered for sale at the Colombo Auctions in 1970 decreased by 14 million pounds to 373 million pounds, while the quantity shipped direct to the London Auctions increased by 3 million pounds to 91 million pounds. Through the medium of private sales 4 million pounds of tea were sold. The corresponding quantity for 1969 was 5 million pounds. Table II (J) 4 provides data on production, exports, the quantity offered at the Colombo Auctions and the 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
1970	468	460†	465	373	91	4

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

1. Data furnished by the Tea Control Department

Exports by destination

The United Kingdom continued to be the principal customer for Ceylon tea, increasing her share by 4.5 per cent in 1970. As in the preceding year, the United States of America was the second largest buyer, while Australia, Iraq, and the Union of South Africa were the next most important buyers. Table II (J) 5 provides a classification of exports by destination for 1969 and 1970 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	
	1969	1970	1969	1970
United Kingdom	131.3	156.1	29.5	34.0
United States of America	45.4	39.7	10.2	8.6
Australia	34.0	28.8	7.6	6.3
Iraq	33.2	28.3	7.5	6.2
Union of South Africa	27.3	25.9	6.1	5.6
Other countries	174.0	180.9	39.1	39.4
Grand Total	445.2	459.7	100.0	100.0

Source: Ceylon Customs Returns.

Colombo Auctions

The average nett price of all teas sold at the Colombo Auctions in 1970 was Rs. 1.63 per pound and was 10 cents or 6 per cent higher than in 1969. This increase was confined to High and Medium grown teas, while the Low-Growns remained unchanged at the preceding year's level. The Medium Growns at Rs. 1.58 per pound showed an increase of 18 cents and the High Growns at Rs. 1.92 per pound increased by 12 cents. The rise in tea prices which set in by middle of September 1969, continued through the first quarter of 1970 and recorded a fall at the end of the second quarter when the average nett price fell to Rs. 1.58 per pound. This was reflected both in High and Medium Grown teas when their average nett prices for the quarter dropped to Rs. 1.80 and Rs. 1.51 from Rs. 1.95 and Rs. 1.58 respectively recorded at the end of the first quarter. The Low Growns, however, remained at Rs. 1.37. This fall in the average nett price may be attributed to the seasonal decline in the quality of Dimbulla and Dickoya teas. It has been said that this season's crop was undoubtedly one of the most disappointing for many years and very little teas with marked seasonal character and flavour were available¹. Compared with the second quarter of 1969, however, the High and Medium Growns showed substantial increases. While the High Growns rose by 23 cents and Medium Growns by 33 cents, the Low Growns rose by only 6 cents. The sharp price differential highlighted here was due to the slump in tea prices in the second quarter of 1969. The improvement in the average nett price at Rs. 1.76 per pound in the third quarter of the year was due to the strong demand for select best liquoring

1. Forbes and Walker Ltd. Tea Market Report April to June, page 3.

teas from the Uva district where record prices were realised for both B. O. P.s and B. O. P. Fanning grades during August¹. A further factor responsible for the increase in price was the re-entry of USSR buyer to the Auctions. The average nett price for the fourth quarter at Rs. 1.56 per pound was lower by 20 cents and 8 cents per pound respectively, when compared with that of the preceding quarter and the fourth quarter of 1969. This decrease in the average nett price is attributed to a fall in the average prices of both High and Medium Grown teas by 44 cents and 21 cents per pound respectively as compared with the preceding quarter. The Low Grown, however, recorded an increase of 5 cents per pound. Table II (J) 6 provides data on production, exports and prices.

TABLE II (J) 6
Tea Production, Exports and Prices 1966-1970

Year	Production Mn. lbs	Exports		Average Colombo Auction Nett Price Rupees per pound			
		Quantity Mn. lbs.	F.O.B. Price Rs. per lb	High grown	Medium grown	Low grown	All Teas
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
1970	468	460	2.44	1.92	1.58	1.38	1.63
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
1970 1st Quarter	115	99	2.41	1.95	1.58	1.37	1.64
2nd Quarter	140	137	2.44	1.80	1.51	1.37	1.58
3rd Quarter	94	133	2.44	2.20	1.72	1.37	1.76
4th Quarter	119	90	2.45	1.76	1.51	1.42	1.56

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

Tea Export Duty Rebate Scheme

The tea export duty rebate scheme continued to be in operation throughout 1970 without any change. Table II (J) 7 provides particulars of the quantities on which rebate was granted and the the total payments made as rebates during 1970.

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

	Quantities on which the Rebate was paid (pounds)	The value of rebate paid (Rupees)
High-grown	118,660,510	5,933,025
Medium-grown	121,950,083	16,217,969
Low-grown	122,986,719	20,095,052
Total	363,597,312	42,246,046

Source: Tea Control Department.

Domestic Consumption

Domestic consumption of tea during 1970 is estimated at 41.6 million pounds as against 40.6 million pounds in 1969. This was nearly 8.9 per cent of the total quantity produced in 1970.

London Auctions

The average price of all teas sold at the London Auctions in 1970 at 49.71d. per pound was 5.60 d. per pound higher than in 1969 and 2.08 d. per pound more than that in 1968. The price increase at this centre was shared by all countries. The factors which contributed towards the rise in prices in the London market in 1970 were, the reduced volume of tea sold at the London Auctions, particularly of Indian and Ceylon origin; the increased availability of better quality teas following the Mauritius Tea Agreement wherein the major producing countries agreed to withhold 90 million pounds of black tea exports in 1970; the sharp decrease in the level of stocks up to August;¹ and the slump in selling values witnessed in 1969 which depressed 1969 average price. Table II (J) 8 provides data on quantities of tea sold at the London Auctions⁵ 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 (d. per lb.)			
	1967	1968	1969	1970	1967	1968	1969	1970
1. North India ..	113.3	131.4	133.1	67.1	53.71	48.66	45.25	50.91
2. South India ..	12.1	15.5	10.9	5.6	42.48	42.26	34.44	44.00
3. All Ceylon ..	96.2	103.9	94.5	80.4	52.33	49.30	48.51	51.14
4. All Africa ..	56.0	72.9	77.4	81.5	40.60	44.12	38.88	47.91
5. Total ..	284.3	328.4	320.5	237.5	49.81	47.63	44.11	49.71

Source: The London Tea Brokers' Association.

The average price of all grades of Ceylon tea sold at the London Auctions in 1970 at 51.14d. per pound showed an increase of 2.63 d. per pound over that of 1969 and 1.84 d. over that of 1968. Ceylon tea, which in the two preceding years recorded the highest annual average price was replaced by Kenyan tea in 1970². The increase in the average price was shared by all three elevational

1. Tea stocks in the U.K. which began declining in August 1969 continued to do so up to August 1970. This trend was reversed after August as tea shipments consigned to U.K. and temporarily diverted to continental ports because of the national dock strike began arriving thus leading to an improvement in the stock position and a consequent price decline towards the latter part of the year.
2. Whereas in 1969, the price differential between Ceylon teas (average of all grades) and Kenyan teas was 0.33 d. per pound in favour of Ceylon, in 1970 this position was reversed and the price differential was 1.83 d. in favour of Kenya.

categories. The largest increase was in the low grown category, whose price rose by 7.81 d. per pound. While the average price of medium grown increased by 3.39 d. per pound, that of high grown rose marginally by 0.84 d. per pound. The comparatively higher prices realised by medium and low grown in 1970 could be attributed to the fact that in 1969 their average prices were depressed due to the slump in selling values and to increased demand for such teas in 1970 following a sharp reduction in the level of stocks in the U.K.

Total tea production in the major producing countries in 1970 amounted to 1,670 million pounds; an increase of 52 million pounds over that of 1969.¹ (East African data relate to the period January to November).

Instant Tea

The quantity of Instant tea manufactured in 1970 at 248,895 pounds showed a decrease of 51,677 pounds or 17.2 per cent as compared with 1969.² The output of Instant tea in 1968 was 297,022 lbs. Customs Returns record that 236,321 pounds of Instant tea valued at Rs. 2.5 million were exported in 1970. The corresponding figures for 1969 were 312,437 pounds valued at Rs. 3.9 million. Exports to the United Kingdom amounted to 154,937 pounds or 66 per cent of total exports, while exports to the Federal Republic of Germany, Japan and Australia were 27,598 pounds, 19,423 pounds and 18,073 pounds, respectively.

Packeted Tea Exports

The exports of tea in packets, which had shown marked increases in the two preceding years, expanded further by 1.9 million pounds to 17.0 million pounds in 1970. The value of packeted tea exports from Ceylon which had shown a steady increase since 1967 continued its upward trend in the year under review and increased by Rs. 4.3 million to Rs. 41.6 million. Around 75 per cent of packeted tea exports in 1970 were destined to Middle East countries, Libya was the largest buyer of packeted tea from Ceylon accounting for 11.8 million pounds valued at Rs. 26.8 million.

International Tea Consultation

At a meeting of the F.A.O. Consultative Committee on tea held in New Delhi in November 1970, it was decided to maintain for 1971, the 1970 global export figure of 1,311 million pounds. The finalization of quotas for individual countries was deferred for the next meeting to be held in Rome. There was general agreement that both importing and exporting countries should work together to achieve long term measures to stabilise tea prices.

Consideration was given by the committee to ways of promoting higher consumption of tea and the necessity for talks with importing countries for a reduction of high tariffs and export duties on tea. Exporting countries were agreed that any increase in export supplies should just match the rise in world demand so that remunerative and equitable prices could be maintained. A decision on these matters was postponed for the next meeting.

1. John, Keel, Thompson White Ltd., Weekly Tea Market Report of February, 20, 1971.

2. Data obtained from the Tea Control Department.

Rubber Production

Production of Rubber which increased marginally by 4.6 million pounds in 1969, expanded sharply in 1970 by 18.4 million pounds or 5.5 per cent. Although tapping operations were interrupted intermittently as a result of inter-monsoonal showers, weather conditions, in general, during 1970 were favourable for the production of rubber. Another contributory factor to the increase in production was the coming into maturity of more replanted acreages in 1970.

The production of sheet rubber at 211.0 million pounds showed an increase of 16.4 million pounds or 8.5 per cent over that of 1969 and consequently contributed in a large measure to the increase in total production in 1970. Crepe rubber production, too, expanded though modestly by 2 million pounds from 136.3 million pounds in 1969 to 138.3 million pounds in the year under review.

Consumption

The local consumption of natural rubber at 8.3 million pounds or 2.4 per cent of total production in 1970 showed an increase of 0.5 million pounds over that of the previous year.

Exports

The volume of rubber exported in 1970 recorded an appreciable increase of 39.4 million pounds or 12.5 per cent when compared with 1969.¹ Shipments of rubber from the Port of Colombo moved smoothly in 1970 except in January when shippers experienced considerable inconvenience due to the prevailing strike situation

The increase in volume of rubber exports was confined largely to sheet rubber which rose by 42.0 million pounds or 24 per cent over that of 1969.

Data on production, exports and prices of rubber appear in Table II (J) 9.

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
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	332.5	179.7	135.1	314.8	1.34	1.41	1.37	1.04	1.16
1970	211.0	138.3	350.9	221.7	132.5	354.2	1.23	1.26	1.24	0.91	1.12
1970											
1st Qr.	53.6	36.8	90.8	16.5	36.0	52.5	1.48	1.33	1.38	1.00	1.07
2nd Qr.	45.1	31.1	76.6	81.2	38.1	119.3	1.32	1.27	1.31	0.92	1.09
3rd Qr.	52.6	36.1	89.2	70.3	28.7	99.0	1.17	1.23	1.19	0.86	1.14
4th Qr.	59.7	34.2	94.3	53.6	29.7	83.3	1.11	1.18	1.14	0.85	1.16

Sources: Rubber Control Department,
Ceylon Customs Returns,
Colombo Rubber Traders' Association

1. On the basis of Customs entries the total volume of rubber exported in 1970 was 354 million pounds whereas the actual quantity of rubber shipped in 1970 amounted to 340 million pounds.

Exports by Destination

The People's Republic of China continued to be the principal buyer of rubber in 1970 accounting for 187 million pounds (53 per cent of total rubber exports) compared with 158 million pounds in 1969 (50 per cent of total rubber exports).

Data on rubber exports by destination for 1969 and 1970 are presented in Table II (J) 10, along with respective percentage shares.

TABLE II (J) 10
Country Classification of Rubber Exports and Percentage Shares

Country	Volume (Mn. lbs)		Percentage of Total	
	1969	1970	1969	1970
People's Republic of China ..	157.6	186.8	50.1	52.7
Poland	14.3	26.3	4.5	7.4
Germany, Federal Republic of ..	20.3	23.0	6.4	6.5
U. S. A.	18.0	22.0	5.7	6.2
U. S. S. R.	23.2	21.9	7.4	6.2
Rumania	13.4	13.3	4.3	3.8
Japan	9.0	8.7	2.9	2.5
Other Countries	59.0	52.2	18.7	14.7
Total	314.8	354.2	100.0	100.0

Source: Ceylon Customs Returns.

Market Price Movements

The average price of RSS No. 1 Sheet Rubber in the Colombo market which was Rs. 1.05 per pound in January 1970 decreased sharply to Rs. 0.83 per pound by October 1970 in keeping with the trend of prices in the international markets. The market buoyed up in November when the price moved up by 5 cents per pound to Rs. 0.88 per pound, following improved prices in international markets, when the People's Republic of China resumed purchases. The annual average price of RSS No. 1 Sheet rubber in 1970 at Rs. 0.91 per pound represented a marked decrease of 13 cents per pound or 12.5 per cent over that of 1969. The Colombo Market price of Latex Crepe No. 1 followed the trends of RSS No. 1 with an average price of Rs. 1.09 per pound in January 1970 falling to Rs. 0.92 by October. The annual average price of Latex Crepe No. IX at Rs. 1.12 per pound showed a decrease of 4 cents per pound as compared with that of the previous year.

In the International markets, in contrast to 1969, prices of natural rubber in 1970 followed a steady downward trend and by October fell to 18 d. per pound, the lowest price recorded in London since May, 1968. The fall in prices in 1970 has been attributed mainly to the general decrease in consumption

in the face of increased production and stocks in the East. The absence of the People's Republic of China from the market from February and the rumour that the U. S. was going to resume sales of stockpiled rubber were also factors which contributed to the decline in price. The threat of stockpile releases hung over the market diminishing confidence until an official announcement was made in mid-May by the General Services Administration confirming stockpile releases at the rate of 7000 tons per month. However, with a view to arresting the decline in market prices, which had reached low levels and aiding producer countries, stockpile releases were suspended in mid-September.

The People's Republic of China showed only a minimal interest in the market until November, when she resumed purchases on a small scale. This resulted in slight improvements in prices in November and December.

The reduced consumption of natural rubber in the year under review was due mainly to the unsettled labour situation in the U. S. rubber industry, the Dunlop strike in the U. K. and a lack of buying interest and fresh orders.

In sum, the annual average price of RSS No. 1 sheet rubber in the London market at 20.3 pence per pound decreased by 4.8 pence per pound or 15 per cent as compared with the corresponding price of 1969. In the Singapore market, the annual average f. o. b. price of sheet rubber at 53.91 Strait cents per pound represented a more marked decline of 13.80 Strait cents per pound or 20 per cent over that of the previous year.

Table II (J) 11 presents data, released by the International Rubber Study Group, on world supplies, consumption, and stocks of natural rubber and synthetic rubber in 1970 as compared with the preceding year.

TABLE II (J) 11
World Supply, Consumption and Stocks of Natural
and Synthetic Rubber

	Metric Tons			
	Natural		Synthetic	
	1969	1970	1969	1970
Supply (Jan.-Sept.)	2,100,000	2,140,000	3,384,000	3,652,750
Consumption (Jan.-Sept.) ..	2,200,000	2,162,500	3,290,000	3,407,500
Stocks ¹	885,000	965,000	872,500	1,070,000

Source: Rubber Statistical Bulletin.

1. As at end of September.

Rubber Producers' Conference

In August 1970, Malaysia, Indonesia, Ceylon, Thailand, Singapore and South Vietnam grouped themselves into an Association of Rubber Producing Countries (A.N.R.P.C.). The inaugural meeting was held in Kuala Lumpur in October 1970

and the Malaysian proposal calling for a joint marketing system to enable stable and uniform prices for rubber in each producing country was accepted unanimously.

Coconut Products

In the world markets the increased demand for edible fats and oils and the continued shortage of supplies resulted in their average prices in 1970 rising to levels well above those of 1969. Prices of lauric oils were influenced by typhoon damage to coconut plantations in the Philippines, which wiped out prospects of increased production and resulted in better prices towards the end of the year.

Colombo Market

In 1970, the prices of the three major coconut products in the Colombo market followed the same trend as in the international markets. While the first half of 1970 witnessed a general decline in the average prices of copra and coconut oil as compared with those of 1969, the price of desiccated coconut, however, decreased only in the first two months. Copra prices too improved in March and April following exchange reforms in the Philippines. In the second half of 1970, however, the prices of copra, coconut oil and desiccated coconut recorded marked increases over those of 1969.

Copra

The Department of Commodity Purchase, entered the copra auctions in November, 1969 with a view to stimulating prices which had reached very low levels at that time and continued to participate in the Auctions till the end of May, 1970. The average price of copra at Rs. 235.49 per candy in May followed a downward drift till October 1970 when prices moved up on better demand and settled at Rs. 251.36 per candy in December 1970. The annual average price of copra in the Colombo market at Rs. 247.56 per candy in 1970 represented an increase of Rs. 9.68 per candy or 4 per cent when compared with the corresponding price in 1969.

The total quantity of copra sold at the Ceylon Coconut Board during 1970 amounted to 442,263 candies (110.6 thousand tons) as against 530,462 candies (132.6 thousand tons) disposed of during the previous year.

Coconut Oil

The average price of coconut oil in the Colombo market during the first half of 1970 followed a downward trend to reach a price of Rs. 1,369.25 per ton in June, 1970. The market showed signs of buoyancy around September resulting from the entry of India into the Ceylon coconut oil market after a lapse of over seven years. The annual average price of coconut oil at Rs. 1,503.71 per ton reflected an appreciable increase of Rs. 49.24 per ton or 3 per cent over that of the preceding year.

Desiccated Coconut

The Ministry of Commerce and Trade introduced a 'floor-price' scheme for desiccated coconut with effect from 5th January 1970 designed, in the main, to obtain a reasonable price for producers of desiccated coconut in

Ceylon. Initially, the price of desiccated coconut was fixed at Rs. 0.75 per pound by the Commissioner of Commodity Purchase, in consultation with the desiccated coconut millers, shippers and the Ceylon Coconut Board. The floor price scheme was, however, abandoned later and was superseded by an alternative scheme with effect from 3rd May, 1970, when the Ceylon Coconut Board formulated a procedure of publishing the price of desiccated coconut payable by shippers to the millers of desiccated coconut.

The average price of desiccated coconut which stood at Rs. 0.59 per pound in May, 1970 increased to Rs. 0.66 per pound in December, 1970. The annual average price at Rs. 0.64 per pound showed an increase of 6 cents per pound or 10 per cent over the corresponding price of the previous year.

Exports

In 1970, the total volume of exports of the three major coconut products (as measured by the Central Bank's Trade Indices 1967=100) decreased by 3 per cent as compared with a decline of 18 per cent recorded in 1969. In terms of their nut equivalent, the total volume of coconut exports during the year 1970 amounted to 874 million nuts as against a total volume of 896 million nuts in 1969. Export volumes of copra and desiccated coconut decreased by 20 per cent and 5 per cent respectively, while exports of coconut oil moved up by 30 thousand cwt., or 3.5 per cent over that of the previous year. The decrease in the total volume of exports of the three major coconut products was more than offset by appreciable increases in the average f. o. b. prices recorded by all three products during 1970. Consequently, total export earnings from the three major coconut products at Rs. 237 million reflects a note-worthy increase of 7 per cent over that of 1969.

Data on export volumes and export prices of the three major coconut products for the period 1966-70, are presented in table II (J) 12.

TABLE II (J) 12

Major Coconut Products - Exports: Volume & Prices

1966 to 1970

	Volume				F.O.B. Prices		
	Coconut Oil Th. cwts.	Copra Th. cwts.	Desiccated Coconut Th. cwts.	(Total in terms of nut equi- valent) Mn. nuts	Coconut Oil Rs. per ton	Copra Rs. per Candy	Desiccated Coconut Rs. per lb.
1966	1,457	417	930	1,071	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
1970	1,142	305	967	874	2,037.60	371.90	0.91

Source: Ceylon Customs Returns.

Exports by Destination**Copra**

India which has been the principal customer for Ceylon copra in the past few years accounted for as much as 64 per cent of the total copra exports in 1970 as against 52 per cent in 1969. Pakistan, the second largest importer of Ceylon copra absorbed 82 thousand cwt. or 27 per cent of the total volume of copra exported during 1970. Exports of copra to the U.S.S.R. at 20 thousand cwt. reflected a marked decrease of 58 thousand cwt. or 74 per cent as compared with the volume exported to that country during 1969.

Coconut oil

The U.S.S.R. continued to be the largest buyer of Ceylon coconut oil accounting for 255 thousand cwt. or 22 per cent of the total volume exported in 1970. The People's Republic of China absorbed 205 thousand cwt. or 18 per cent as compared with 274 thousand cwt. or 25 per cent in 1969. The next important buyers of coconut oil in 1970 were Pakistan, German Democratic Republic and Italy.

Desiccated Coconut

The United Kingdom, the principal customer of Ceylon desiccated coconut accounted for 348 thousand cwt. or 36 per cent of total exports as against 332 thousand cwt. or 33 per cent in 1969. The volume of desiccated coconut exports to the German Federal Republic in 1970 at 109 thousand cwt. represented a marked decrease of 19 thousand cwt. or 15 per cent as compared with the volume exported during the previous year. The German Democratic Republic, Netherlands and the Union of South Africa accounted for 75 thousand cwt. 67 thousand cwt. and 42 thousand cwt. respectively of total exports of desiccated coconut in 1970.

Other Domestic Exports

The total value of other domestic exports in 1970 at Rs. 198 million recorded a substantial increase of Rs.37 million or 23 per cent as compared with that of 1969. The enhancement in export earnings was solely the result of an expansion of 3 per cent in the volume of exports of these products, the effect of which was to some extent offset by a fall of 2 per cent in their average export price (Bank indices).

The stimulus to higher export earnings from other domestic exports can largely be associated with the continued operation of the Foreign Exchange Entitlement Certificate Scheme introduced in May, 1968. The premium continued to be 55 per cent of the foreign exchange earned in rupee terms. Exports of Naptha to Japan, a by-product of the Petroleum refining plant used in the manufacture of fertilizers, amounted to Rs. 9 million and was a further factor which contributed to the higher level of export earnings realised by other domestic exports in 1970. With a view to siphoning off a greater slice of the unusually large profit margins accruing to the exporters of natural graphite, the export duty on this product was raised to 50 per cent of the true f. o. b. Colombo value in October 1970 from the earlier rate of 25 per cent of the true f. o. b. Colombo value. As pointed out in the Annual Report for 1969, an enhanced flow of exports resulting from incentives provided by the FEEC scheme can be expected

only after a lapse of a sufficiently long period and that too provided, action is co-ordinated and oriented to eliminate the bottlenecks impeding production, 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 76 per cent of the total value of exports of the group 'other domestic exports' recorded for 1970, as compared with 90 per cent in 1969. The reduced coverage in 1970 could be attributed to the sharp increase in the value of exports of miscellaneous goods from Rs. 1.6 million in 1969 to Rs. 20.7 million in 1970, which item is excluded from this table. Table II (J) 14 provides data on Colombo market price movements.

A crop diversification subsidy scheme under the Tea and Rubber Subsidy Acts for uneconomic tea and rubber lands under which alternative crops were to be cultivated in these lands was introduced in June, 1970. Under this scheme coconut, cocoa, pasture, timber, cardamoms, pepper, nutmeg, cloves, passion fruit, pineapples, tobacco and oil palm cultivators in uneconomic tea and rubber lands of a minimum acreage specified, were to be paid varying rates of subsidy¹ per acre. These subsidies were outright grants to be paid in instalments to the cultivator. In addition a scheme to supplement the expenditure through loans obtainable from the Ceylon State Mortgage Bank is also in operation.

1. The above following provides particulars on the crop diversification subsidy scheme for uneconomic tea and rubber lands.

Crop	Subsidy per acre (in instalments)	Minimum Acreage unit to be authorised for planting	Districts generally suitable
Coconut	Rs. 800/-	1 acre	Colombo, Kandy, Matale, Galle, Kurunegala, Matara, Ratnapura, Kegalle, Badulla, Moneragala.
Cocoa	Rs. 1,200/-	1 acre	Kandy, Matale, Kurunegala, Moneragala, Kegalle, Badulla
Pasture	Rs. 500/-	2 acres	Colombo, Kandy, Nuwara-Eliya, Kurunegala, Badulla
Timber	Rs. 600/-	5 acres	Ratnapura, Colombo, Kegalle, Kandy, Matale, Nuwara-Eliya, Badulla
Cardamoms and pepper Nutmeg and cloves	Rs. 900/- each Rs. 800/- each	$\frac{1}{2}$ acre } $\frac{1}{2}$ acre }	To be considered on the basis of soil and climatic conditions. (Kandy, Matale, Ratnapura, Nuwara-Eliya and Kurunegala)
Passion fruit and pineapples	Rs. 1000/- each		
Oil Palm	Rs. 1500/- each		
Tobacco	Rs. 500/-		Matale, Kandy, Dumbara Valley, Nuwara-Eliya, Badulla and Moneragala
Any other approved crop	Rs. 500/-		

Sources: Tea and Rubber Control Department.

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. price (Rs. per unit)			
		1968	1969	1970	% change 1970 over 1969	1968	1969	1970	% change 1970 over 1969	1968	1969	1970	% change 1970 over 1969
Coconut Products Group													
Coir fibre - bristle	.. Th. cwt.	563.0	506.7	474.0	- 6.5	25.6	24.6	22.3	- 9.3	43.35	48.63	47.13	- 3.1
Coir fibre - mattress	.. ..	1065.0	1180.3	1172.6	- 0.7	25.5	25.4	24.8	- 2.4	20.23	21.67	21.16	- 2.4
Coconut shell charcoal	.. ..	319.1	385.2	583.4	+ 51.5	5.2	3.4	6.7	+ 97.1	16.34	8.90	11.53	+ 29.6
Fresh Coconuts	.. Mn. nuts	7.6	10.3	6.3	- 38.8	3.3	4.2	2.9	- 30.9	0.44	0.41	0.46	+ 12.2
Spices Group													
Cinnamon quills	.. Th. cwt.	61.8	65.9	70.0	+ 6.2	32.9	33.8	28.4	- 16.0	531.79	513.33	405.79	- 20.9
Cinnamon chips	.. ..	16.6	21.6	12.7	- 41.2	2.3	4.1	1.7	- 58.5	141.30	191.11	134.02	- 29.9
Pepper	.. ..	16.2	17.9	16.9	- 5.6	2.4	3.1	4.7	+ 51.6	146.53	173.12	279.42	+ 61.4
Cardamoms	.. ..	2.5	3.2	4.0	+ 25.0	4.1	7.3	11.3	+ 54.8	1639.22	2297.00	2838.61	+ 23.6
Cloves	.. ..	1.0	4.6	5.5	+ 19.6	0.1	2.8	4.1	+ 46.4	130.22	617.35	756.41	+ 22.5
Minerals Group													
Natural Graphite	.. ..	212.6	224.8	192.6	- 14.3	7.8	8.3	8.9	+ 7.2	36.91	36.78	46.39	+ 26.1
Ilmenite	.. ..	1455.0	1667.2	1556.2	- 6.7	2.6	4.1	4.2	+ 2.4	1.78	2.45	2.68	+ 9.4
Other Agricultural Products													
Cocoa beans	.. ..	34.8	25.4	29.9	+ 17.7	7.3	7.0	7.2	+ 2.9	211.16	273.43	240.82	- 11.9
Unmanufactured tobacco	.. Mn. lbs	1.3	0.7	0.5	- 28.6	5.1	2.9	2.2	- 24.1	3.81	4.04	4.21	+ 4.2
Citronella oil	.. Th. lbs.	297.8	402.6	426.5	+ 5.9	1.2	1.8	1.9	+ 5.6	3.99	4.57	4.48	- 2.0
Cinnamon Leaf Oil	.. ..	79.2	93.9	111.4	+ 18.6	0.8	1.0	1.1	+ 10.0	10.51	10.29	10.12	- 1.7
Fatty Acids Group													
Glycerol	.. Th. cwt.	24.8	—	—	—	1.9	—	—	—	78.61	—	—	—
Glycerine	.. Th. cwt.	21.0	21.5	24.6	+ 14.4	2.0	1.2	1.5	+ 25.0	93.16	57.20	59.20	+ 3.4
Manufactured Products Group													
Leather tanned	.. ..	10.1	11.6	13.3	+ 14.7	1.8	3.2	3.6	+ 12.5	180.02	275.76	269.78	- 2.2
Leather of goat	.. ..	3.3	0.4	...	...	1.1	0.2	...	...	338.23	397.97	—	—
Precious & semi-precious stones	.. Th. carats	196.0	136.6	184.9	+ 35.4	2.0	0.5	4.3	+ 760.0	—	—	—	—
Jewellery and goldsmiths' ware	.. ..	—	—	—	—	1.2	1.0	1.0	...	—	—	—	—
Clothing of textiles	.. Th. doz.	32.3	110.3	180.4	+ 63.6	4.2	3.3	7.8	+ 136.4	—	—	—	—
Footwear of Rubber, Leather	.. ..	10.4	29.0	31.8	+ 9.7	0.3	1.5	1.0	- 33.3	28.78	53.38	30.62	- 42.6
Total value of above items	.. ..					140.7	144.7	151.6	+ 4.8				
Total value of all minor export products	.. ..					152.2	161.2	198.5	+ 23.1				
Percentage of coverage	.. ..					92.4	89.8	76.4					

Source: Ceylon Customs Returns

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

ITEM	Unit of Quantity	Rupees per unit																
		1st Quarter			2nd Quarter			3rd Quarter			4th Quarter			Annual Average			Percentage change	
		1968	1969	1970	1968	1969	1970	1968	1969	1970	1968	1969	1970	1968	1969	1970	1969 over 1968	1970 over 1969
Cocoa 1	(Cwt)	195.87	387.30	272.08	236.18	374.77	230.00	294.34	388.83	221.75	311.17	318.04	229.88	259.39	367.24	239.19	+41.58	- 34.9
Cinnamon Quills 2	(lb.)	4.71	6.00	4.95	5.05	5.43	4.74	5.03	5.32	4.39	5.42	5.30	4.26	5.05	5.51	4.58	+ 9.11	- 16.9
Cinnamon Chips 3	(Candy)	287.25	511.04	260.07	397.08	476.13	277.54	494.88	443.75	267.45	616.67	301.54	265.04	448.97	433.11	267.52	- 3.53	- 38.2
Cardamoms 4	(lb.)	14.28	25.91	33.15	17.01	30.34	33.37	20.00	28.99	27.05	21.08	28.79	22.54	18.09	28.51	29.03	+57.60	+ 1.8
Citronella oil 5	(lb.)	3.07	6.05	5.79	3.74	7.07	5.77	4.65	5.85	6.13	5.48	6.30	6.42	4.23	6.31	6.03	+49.17	- 4.4
Papain White	(lb.)	17.51	18.60	13.81	18.56	13.81	14.99	19.37	16.39	14.98	19.43	13.44	14.35	18.72	15.56	14.53	-16.88	- 6.6
Papain Brown	(lb.)	8.12	10.14	9.25	10.13	6.73	9.87	11.08	8.63	9.25	10.36	8.83	9.25	9.92	8.58	9.40	-13.51	+ 9.6
Coir Fibre Mattress 6	(cwt.)	11.68	20.71	16.30	14.36	20.05	16.50	19.25	17.20	16.50	21.34	15.41	18.21	16.66	18.34	16.88	+10.08	- 8.0
Coir Fibre Bristle 7	(cwt.)	30.71	47.63	38.65	36.75	47.11	38.00	44.31	42.59	37.47	49.64	40.00	38.00	40.35	44.33	38.03	+ 9.86	- 14.2
Coconut Fresh Nuts 8	(Thousand)	246.58	275.88	272.67	248.42	222.04	247.79	264.96	186.46	200.84	260.50	228.33	228.71	255.12	228.18	237.50	-10.56	+ 4.1
Coconut Shell Charcoal 9	(ton)	331.46	153.63	179.17	272.08	132.38	315.58	190.67	125.96	385.67	167.25	131.42	400.42	240.37	135.85	320.21	-43.48	+135.7

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

3. Imports

As pointed out earlier, the substantial decrease of Rs. 230 million in the value of imports in 1970 (Customs data) when adjusted for the over valuation of Food Commissioner's imports is reduced to Rs. 204 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	
	1969	1970
1. Consumer goods ..	1,174	1,276
of which		
A. Food and Drink ..	932	1,051
(i) Rice ..	211	353
(ii) Flour ..	230	225
(iii) Sugar, refined ..	142	152
B. Textiles ..	122	124
C. Other consumer goods ..	120	101
2. Intermediate goods ..	592	451
3. Investment goods ..	700	546
4. Unclassified Imports ..	33	22
5. Total Imports ..	2,499	2,295

The Food Commissioner's actual aggregate imports of rice, flour and sugar in 1970 at Rs. 730 million increased sharply, resulting in an enhanced foreign exchange outlay of Rs. 147 million as compared with 1969. Whereas, the value of his imports of rice at Rs. 353 million and sugar at Rs. 152 million exceeded the preceding year's imports as recorded by him by Rs. 142 million and Rs. 10 million respectively, the value of flour imports at Rs. 225 million registered a fall of Rs. 5 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 for the years 1969 and 1970.

1. With effect from January 1969 import statistics are compiled on BTN. However, to facilitate comparison of data with the earlier years, BTN statistics have been re-classified to fit in with the corresponding SITC. Errors, if any, will be negligible.

TABLE II (J) 16

Customs Entries and Actual Imports of Rice, Flour and Sugar

	Food Commissioner's Data				Customs Data			
	1969	1970	Change		1969	1970	Change	
			Abso- lute	%			Abso- lute	%
Rice								
Quantity : Th. tons ..	260	526	+266	+102.3	304	472	+168	+55.3
Value : Rs. Mn. ..	211	353	+142	+67.3	257	318	+61	+23.7
C. & F. Price : Rs. per ton ..	811.18	671.15	-140.03	-17.3	846.51	672.70	-173.81	-20.5
Flour								
Quantity : Th. tons ..	388	369	-19	-4.9	409	419	+10	+2.4
Value : Rs. Mn. ..	230	225	-5	-2.2	255	260	+5	+2.0
C. & F. Price : Rs. per ton ..	591.94	611.44	+19.50	+3.3	624.38	621.48	-2.90	-0.5
Sugar								
Quantity : Th. Tons ..	308	240	-68	-22.1	265	279	+14	+5.3
Value : Rs. Mn. ..	142	152	+10	+7.0	115	170	+55	+47.8
C. & F. Price : Rs. per ton ..	459.93	633.71	+173.78	+37.8	436.02	608.46	+172.44	+39.5
Total value of rice, flour and sugar : Rs. Mn. ..	583	730	+147	+25.2	627	748	+121	+19.3

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

Rice

The sharp increase in the value of imports of rice and the consequent increase in the foreign exchange outlay in 1970 was solely the result of a sharp expansion of 266 thousand tons or 102 per cent in the volume of imports, the effect of which was partly offset by a fall of Rs. 140 per ton in the average c. & f. price. The doubling of the volume of rice imports in the year under review was due mainly to the decision of the Government to increase to two measures, the subsidised weekly ration of rice issued to the consumers. The decrease in the average c. & f. price of rice was in keeping with the trend of lower prices which prevailed in the international markets and was the result of good harvests and consequent increases in supplies in most rice producing countries.

Flour

The decrease of Rs. 5 million in the value of imports of flour is accounted for by a contraction of 19 thousand tons or 5 per cent in the quantity imported, the effect of which was to some extent offset by a rise of Rs. 20 per ton in the average c. & f. price. The increase in average c. & f. price of wheat flour was due both to a shortfall in production of wheat in most producing countries and to a rise in freight charges.

Sugar

The increase of Rs. 10 million in the value of imports of sugar in 1970 as compared with the year 1969 was due wholly to an increase of Rs. 174 per ton or 38 per cent in the average c. & f. price. The volume of imports, however, contracted by 68 thousand tons. The rise in the average c. & f. price of sugar was the result of higher prices that prevailed in the international markets following shortfalls in export quotas under the International Sugar Agreement and the delays in the re-distribution of short falls in export quotas.

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 decrease in the value of imports of Rs. 230 million (Customs data) for 1970 has been concentrated in the 'intermediate' and 'investment goods' categories, while imports of 'consumer goods' registered an increase. The significant movements within the three groups have been as follows.

Consumer Goods

The increase of Rs. 76 million in the value of imports of 'consumer goods' has been confined to 'food and drink' and 'textile' sub groups, while imports of 'other consumer goods' decreased by Rs. 19 million. The value of imports of 'food and drink' items at Rs. 1,069 million in 1970 revealed an increase of Rs. 93 million due mainly to amounts recorded in Customs entries relating to imports of rice, flour and sugar increasing in the aggregate by Rs. 121 million. Import expenditure on 'milk and milk products' too increased by Rs. 3 million. The value of imports of 'textiles' showed a slight increase of Rs. 2 million over the preceding year.

Intermediate Goods

In the 'intermediate goods' category, the value of imports of 'petroleum products' amounted to Rs. 58 million and revealed a sharp reduction in import expenditure of Rs. 98 million as compared with 1969. The decrease in value was due solely to a sharp contraction of 261 million gallons in the quantity imported,¹ the effect of which was partly offset by a rise of 18 cents per gallon in the average c.i.f. price. The volume of petroleum products imported in 1970 amounted to 96 million gallons and their average c.i.f. price per gallon was 61 cents. The reduction in the volume imported could be attributed to the fact that imports were mainly confined to crude oil to be refined at the Petroleum Corporation's refinery and to a large stock of the 1969 imports being held in bond at the Port of Colombo. The higher c.i.f. price resulted from increased purchases from Middle East countries, where market prices were higher than in 1969. Import expenditures on 'chemical elements and compounds' and 'paper and paperboard' decreased by Rs. 10 million each in 1970 while those on 'yarn and thread' decreased sharply by Rs. 39 million. Import outlays on 'fertilizers' in 1970, however, registered an increase of Rs. 15 million over 1969. The increase in the value of these imports was due both to an expansion of 45 thousand tons in the quantity imported and a rise of Rs. 8 per ton in the average c.i.f. price.

Investment Goods

The contraction by Rs. 154 million in the value of imports of this category, was confined to the sub-groups 'transport equipment' and 'machinery and equipment'. Imports of 'building materials' however, recorded an increase. The

1. Customs data vary from figures supplied by the Petroleum Corporation as the former included imports of bunker fuel oil by the Oil Companies. In 1970, there were no imports of refined petroleum products by the Ceylon Petroleum Corporation. The requirements of crude oil for refinement at the Petroleum Corporation's refinery was cleared from stocks imported in 1969 and held in bond at the Port of Colombo.

TABLE II (J) 17
Imports by Major Categories and Commodities or Groups of Commodities - 1966-70

	Value in Rupees Million					Percentage of total Imports				
	1966	1967	1968	1969	1970	1966	1967	1968	1969	1970
1. Consumer Goods	1,161	931	1,147	1,218	1,294	57.2	53.6	52.8	47.9	55.9
of which										
A. Food and Drink	956	783	989	976	1,069	47.1	45.1	45.5	38.0	46.2
(i) Rice	367	211	341	257	318	18.1	12.1	15.7	10.1	13.7
(ii) Flour	113	229	250	255	260	5.6	13.2	11.5	10.0	11.2
(iii) (a) Sugar, refined	103	74	97	115	170	5.1	4.3	4.5	4.5	7.3
(b) Sugar, other (i.e. sakkara, jaggery and sugar candy)	2	...	...	...	1	0.1	...	...	...	...
(iv) Milk and Milk products	77	66	74	52	55	3.8	3.8	3.4	2.0	2.4
(v) Meat, fish and eggs	101	56	70	87	68	5.0	3.2	3.2	3.4	2.9
of which (a) Fish dried (excluding maldivian fish but including dried prawns)	75	44	58	69	53	3.7	2.5	2.7	2.7	2.3
(b) Fish, other	19	9	11	17	15	0.9	0.5	0.5	0.7	0.6
(c) Meat and meat preparations	4	3	1	1	...	0.2	0.2	...	...	...
(d) Eggs	...	...	...	...	...	...	...	...	...	...
(vi) Food, other	170	126	125	145	139	8.4	7.2	5.8	5.7	6.0
of which (a) Potatoes	24	7	...	...	...	1.2	0.4	...	...	...
(b) Grams and pulses	64	53	56	78	63	3.1	3.0	2.6	3.1	2.7
(c) Onions	20	19	17	17	29	1.0	1.1	0.8	0.7	1.3
(d) Chillies	43	29	34	26	26	2.0	1.7	1.6	1.0	1.1
(vii) Drink and manufactured tobacco	2	2	2	4	3	0.1	0.1	0.1	0.2	0.1
B. Textiles (including clothing)	119	73	77	122	124	5.9	4.2	3.5	4.8	5.3
C. Other Consumer Goods	86	75	81	120	101	4.2	4.3	3.7	4.7	4.4
of which—(i) Motor cars	3	10	7	13	10	0.1	0.6	0.3	0.5	0.4
(ii) Watches and clocks	...	...	...	...	...	...	...	...	...	...
(ii) Radio receivers	...	...	3	1	1	1	...	0.1	...	...
(iv) Rubber tyres and tubes	5	4	3	22	11	0.2	0.2	0.1	0.9	0.5
(v) Medicinal and pharmaceutical products	35	22	23	32	29	1.7	1.3	1.1	1.3	1.3
2. Intermediate Goods	470	441	629	592	451	23.2	25.4	29.0	23.3	19.5
of which—(i) Fertilizers	91	80	110	66	81	4.5	4.6	5.1	2.6	3.5
(ii) Petroleum products	130	112	196	156	58	6.4	6.4	9.0	6.1	2.5
(iii) Coal	3	9	4	4	4	0.1	0.5	0.1	0.2	0.2
(iv) Chemical elements and compounds	36	38	45	66	56	1.8	2.2	2.1	2.6	2.4
(v) Dyeing, tanning and colouring materials	13	10	15	14	10	0.6	0.6	0.7	0.6	0.4
(vi) Tea and other chests	18	9	10	13	9	0.9	0.6	0.5	0.5	0.4
(vii) Paper and paperboard	50	41	37	55	45	2.5	2.4	1.7	2.2	1.9
(viii) Yarn and thread	42	45	71	80	41	2.1	2.6	3.3	3.1	1.8
(ix) Unmanufactured tobacco	8	6	10	6	3	0.4	0.3	0.5	0.2	0.1
3. Investment Goods	361	330	383	700	546	17.8	19.0	17.6	27.5	23.6
of which—(i) Building materials	70	48	95	99	119	3.4	2.8	4.5	3.9	5.1
of which— (a) Cement	20	9	17	14	7	1.0	0.5	0.8	0.6	0.3
(ii) Transport equipment	116	89	80	213	126	5.7	5.1	3.7	8.4	5.4
(iii) Machinery and equipment	162	175	195	368	276	8.0	10.1	9.0	14.5	11.9
4. Total (items 1, 2 and 3)	1,992	1,702	2,159	2,510	2,291	98.2	97.9	99.4	98.7	99.0
5. Unclassified imports	36	36	14	33	22	1.8	2.1	0.6	1.3	1.0
6. Total Imports	2,028	1,738	2,173	2,543	2,313	100.0	100.0	100.0	100.0	100.0

Source: Ceylon Customs Returns.

unusually large imports of 'transport equipment' in 1969 was for the Railway Department's dieselisation programme, an aircraft for Air Ceylon (The Trident) and buses for the Ceylon Transport Board.

4. Developments in the Port of Colombo

The total volume of cargo handled by the Port of Colombo during 1970 at 2,768,929 shipping tons, registered a sharp fall of 257,272 shipping tons as compared with 1969. The decrease in the volume of cargo handled was due to a reduced volume of imports in 1970, strikes in the Port of Colombo during the first quarter of 1970 and interruption to work caused by rain in the second and third quarters. While the volume of export cargo declined by 35,016 shipping tons that of imports decreased more sharply by 222,256 shipping tons as compared with 1969.

Particulars of the tonnage handled by the Port of Colombo in each quarter of 1970 as compared with the corresponding quarter of 1969 are given in Table II (J) 18.

TABLE II (J) 18
Import and Export Cargoes handled by the Port of Colombo

	1969	1970	Shipping tons	
			change	
			Absolute	%
1st Quarter	861,560	756,007	- 105,553	-12.3
2nd Quarter	780,538	673,648	- 106,890	-13.7
3rd Quarter	763,337	648,722	- 114,615	-15.0
4th Quarter	620,766	690,552	+ 69,786	+11.2
Year	3,026,201	2,768,929	- 257,272	- 8.5

Source: Port (Cargo) Corporation

The Annual Report for 1967 referred to the freight surcharges imposed following the closure of the Suez Canal in June, 1967 and the devaluation of the pound sterling in November, 1967.¹ These changes continued to be in operation in 1969 with certain changes in the basic freight rates.² The year 1970 witnessed general increases in freight rates ranging from 5 per cent to 12½ per cent.

The following are particulars of the general increases made in freight rates during 1970³:-

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

1.1.1970 — A general freight increase of 5 per cent to U.S.A. and Atlantic Ports.

(ii) **Ceylon/Australia Conference**

1.3.1970 — A general freight increase of 7½ per cent to Australian Ports.

1. Vide Central Bank Annual Report 1967, pg. 164.
2. Vide Central Bank Annual Report 1969, pg. 237.
3. Particulars from the Shippers' Council of Ceylon.

(iii) Ceylon/New Zealand Conference

1.4.1970 — A general freight increase of $7\frac{1}{2}$ per cent to New Zealand Ports.

(vi) Ellerman & Bucknall Steamship Co. Ltd.

1.4.1970 — A general freight increase of 5 per cent to Canada and Atlantic Ports.

(v) Ceylon/U.K. and Continental Conference

1.9.1970 — A general freight increase of $12\frac{1}{2}$ per cent to U.K., Continental and Mediterranean Ports. The freight increase on tea, however, was limited to $7\frac{1}{2}$ per cent only. In 1969, reference was made to the narrowing of the differential in freight between Colombo and Calcutta. The reduced rate of increase referred to above narrowed by a further 5 per cent the long standing differential in freight rates for tea from the two Ports.

5. Pattern of Trade

In 1970, the value of Ceylon's exports to the principal monetary areas and regions showed increases of varying magnitude. The value of imports from these areas and regions with the exception of those from the E.C.A.F.E. region registered decreases. 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.(a)		Total Imports c.i.f.		Balance of Trade	
	1969	1970	1969	1970(b)	1969	1970
Sterling Area ..	745.5	850.9	974.2	944.9	-228.7	- 94.0
Dollar Area	202.0	211.0	247.2	200.2	- 45.2	+ 10.8
Others	934.9	940.9	1,322.0	1,163.2	-387.1	-222.3
Commonwealth Countries ..	695.3	767.8	997.4	918.5	-302.1	-150.7
Foreign Countries(c) ..	1,187.1	1,235.0	1,546.0	1,389.9	-358.9	-154.9
European Economic Community(d) ..	174.1	198.8	325.2	283.7	-151.1	- 84.9
European Free Trade Association(e) ..	391.1	470.4	486.9	369.6	- 95.8	+100.8
ECAFE Region(f) ..	520.6	541.9	1,005.4	1,104.8	-484.8	-562.9

Source: Ceylon Customs Returns.

(a) Excludes ships' stores and bunkers.

(b) Excludes passenger baggage.

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

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

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

(f) Afghanistan, Australia (since 1964), Brunei, Burma, Cambodia, 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.

The changes shown in the above Table largely reflect:

- (a) Increases in exports to the United Kingdom Rs. 76 million, Japan Rs. 22 million, Poland Rs. 14 million, People's Republic of China Rs. 11 million and U.A. R. Rs. 10 million.
- (b) Decreases in imports from the United Kingdom Rs. 113 million, the U.S.A. Rs. 81 million, the German Democratic Republic Rs. 75 million, Yugoslavia Rs. 21 million, the Federal Republic of Germany Rs. 20 million, Pakistan Rs. 17 million, U.S.S.R. Rs. 11 million and Italy Rs. 10 million.
- (c) Decreases in exports to Australia and U.S.S.R. Rs. 7 million each, U.S.A. and Pakistan Rs. 6 million each and India and the Union of South Africa Rs. 4 million each.
- (d) Increases in imports from the Union of Burma Rs. 59 million, Canada Rs. 34 million, Poland Rs. 25 million, U.A.R. Rs. 18 million, Czechoslovakia Rs. 17 million, Japan Rs. 8 million, India Rs. 13 million, New Zealand Rs. 12 million, Australia Rs. 8 million and the People's Republic of China Rs. 7 million.

Trade with the People's Republic of China

Table II (J) 20 gives data on Ceylon's trade with the People's Republic of China for the period 1966-70.

TABLE II (J) 20

Trade with People's Republic of China - 1966-1970

Year	Exports		Imports		Balance of Trade Rs. mn.	Trade Turnover	
	Value Rs. mn.	Percentage of total exports	Value Rs. mn.	Percentage of total imports		Value Rs. mn.	Percentage of total trade turnover
1966	177	10.4	217	10.7	- 40	394	10.6
1967	153	9.1	185	10.6	- 32	338	9.9
1968	195	9.6	245	11.3	- 50	440	10.5
1969	240	12.5	282	11.1	- 42	522	11.7
1970	252	12.4	289	12.5	- 37	541	12.4

Source: Ceylon Customs Returns

An expansion in the turnover of Ceylon's trade with the People's Republic of China took place during the year 1970. Ceylon's exports to China increased by 5 per cent to Rs. 252 million, while imports expanded by Rs. 7 million or 3 per cent to Rs. 289 million. The trade deficit at Rs. 42 million in 1969 was reduced to Rs. 37 million in 1970. Ceylon's trade turnover with the People's Republic of China in 1970 was Rs. 541 million and accounted for 12.4 per cent of the total trade turnover of the country. This represented an expansion of approximately 1 per cent over that of 1969.

Table II (J) 21 provides a breakdown of Ceylon's trade with the People's Republic of China for the years 1969 and 1970.

TABLE II (J) 21

Trade (Commodity-wise) with the People's Republic of China
1969 - 70

				Rupees Million		
				1969	1970	Absolute Change
Exports						
Rubber	..	..	..	213.0	230.5	+ 17.5
Coconut Oil	..	..	..	27.3	20.1	- 7.2
Other	..	..	..	—	0.9	+ 0.9
Total	..	..	..	240.3	251.5	+ 11.2
Imports						
Rice	..	..	..	207.7	213.9	+ 6.2
Textiles	..	..	..	32.4	47.7	+ 15.3
Dried Chillies	..	..	..	13.0	9.0	- 4.0
Textile Yarn and Thread	..	..	..	4.9	0.2	- 4.7
Pulses	..	..	..	3.7	1.7	- 2.0
Tea Chests	..	..	..	1.1	1.0	- 0.1
Other	..	..	..	19.1	15.8	- 3.3
Total	..	..	..	281.9	289.3	+ 7.4
Balance of Trade						
	..	..	..	- 41.6	- 37.8	—

Source: Ceylon Customs Returns.

Rubber continued to be the principal export product during 1970 and exports rose by Rs. 17.5 million or by 8 per cent to Rs. 230.5 million. This increase was solely the result of an expansion in the volume of rubber exported. The total volume of rubber exports during 1970 was 186.8 million pounds as compared with 157.1 million pounds in 1969, an increase of 29.7 million pounds. Coconut oil exports showed a contraction of Rs. 7.2 million when compared with 1969 due both to a decrease in the volume and to a fall in the average f.o.b. price. The volume of Coconut oil exports in 1970 was 10.3 thousand tons (as compared with 13.7 thousand tons in 1969) while the average f.o.b. price stood at Rs. 1961.60 per ton as compared with an average f.o.b. price of Rs. 1,991.80 per ton in 1969.

The principal commodity imported from the People's Republic of China in 1970 continued to be rice. Imports of rice at Rs. 213.9 million indicated an increase of Rs. 6.2 million or 3 per cent over 1969. The value of textile imports, increased appreciably to Rs. 47.7 million, from Rs. 32.4 million in 1969. Imports of dried chillies, however, declined to Rs. 9.0 million from Rs. 13.0 million in 1969.

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

Data on Ceylon's trade with this region are presented in Table II (J) 22.

TABLE II (J) 22**Trade with U. S. S. R. and Eastern Europe***

Year	Exports		Imports		Balance of Trade Rs. mn.	Trade Turnover	
	Value Rs. mn.	% of Total exports	Value Rs. mn.	% of Total imports		Value Rs. mn.	% of Total trade turnover
1966	154	9.1	203	10.0	-49	357	9.6
1967	104	6.2	164	9.4	-60	268	7.8
1968	163	8.0	180	8.3	-17	343	8.0
1969	165	8.6	251	9.9	-86	416	12.0
1970	174	8.6	185	8.0	-11	359	8.2

Source: Ceylon Customs Returns

* Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland, Rumania and Yugoslavia.

The turnover of Ceylon's trade in 1970 with the U. S. S. R. and Eastern Europe contracted by Rs. 57 million or 13.7 per cent when compared with 1969, mainly on account of reduced imports from this region. Exports, on the other hand, at Rs. 174 million expanded by Rs. 9 million or 5.5 per cent over 1969. Correspondingly, the trade deficit of Rs. 11 million represented an improvement of Rs. 75 million from the position at the end of 1969. Ceylon's trade turnover of Rs. 359 million or 8.2 per cent in 1970 was 3.8 per cent lower than in 1969.

A commodity classification of trade with the U. S. S. R. and Eastern Europe is provided in Table II (J) 23.

The U. S. S. R. continued to be Ceylon's principal trading partner in this region in 1970 accounting for Rs. 82.3 million or 47 per cent of the total value of exports. In 1969, however, this accounted for 54 per cent. Exports to the U. S. S. R. contracted by Rs. 7.2 million when compared with that of the preceding year, mainly due to reduced exports of rubber and coconut products. The value of tea exports, however, increased by Rs. 3.8 million over the last year.

Poland was the next customer of importance in this region. She accounted for about 23 per cent of total exports to this group of countries. The value of exports to Poland at Rs. 40.7 million in 1970 represented an expansion of Rs. 13.5 million or approximately 50 per cent over that of 1969. Rubber, which has been the principal export to Poland for the past few years increased appreciably by Rs. 11.5 million or 62.5 per cent.

TABLE II (J) 23

The Value of Trade (Commodity wise) with U.S.S.R. & Eastern Europe

Rs. Million

	Bulgaria		Czechoslovakia		G.D.R.		Hungary		Poland		Rumania		Yugoslavia		U.S.S.R.		Total	
	1969	1970	1969	1970	1969	1970	1969	1970	1969	1970	1969	1970	1969	1970	1969	1970	1969	1970
(i) Total Exports ..	1.99	2.09	3.60	3.49	13.61	19.63	1.37	2.03	27.21	40.65	19.70	19.04	7.37	4.41	89.49	82.33	164.34	173.67
of which																		
Tea ..	—	0.93	...	0.23	0.14	0.09	0.21	0.19	6.83	7.25	...	—	0.08	0.17	14.42	18.20	21.68	27.06
Rubber ..	1.34	1.11	1.16	0.36	—	—	—	0.50	18.35	29.91	15.90	16.89	1.34	0.49	35.32	28.48	73.41	77.74
Three major Coconut products ..	—	—	1.09	2.25	12.38	18.52	1.16	1.33	0.99	2.85	1.99	2.15	4.20	1.75	36.19	27.36	58.00	56.21
(ii) Total Imports ..	1.06	0.54	13.34	30.41	84.62	10.01	11.38	7.59	23.42	48.35	15.05	18.11	51.00	30.47	50.70	39.79	250.57	185.27
of which																		
Sugar ..	—	—	3.68	20.84	12.89	—	1.16	—	7.68	36.37	5.52	6.75	45.53	26.95	18.57	18.17	95.03	109.08
Machinery & Parts thereof ..	0.05	0.01	3.44	2.37	40.89	8.63	0.13	0.23	0.52	0.19	1.72	2.36	2.84	0.89	0.73	3.20	50.32	17.88
Textiles ..	0.47	0.49	3.61	5.82	0.09	—	0.86	5.52	10.92	6.81	0.53	1.66	—	—	3.44	3.94	19.92	24.24
Tea Chests ..	—	—	—	—	—	—	—	—	—	—	—	—	—	—	11.62	6.59	11.62	6.59
Iron & Steel and articles thereof ..	—	—	0.43	0.19	0.75	0.14	...	...	1.30	1.27	—	2.83	0.43	1.22	0.81	1.32	3.72	6.97
Petroleum Products ..	—	—	—	—	—	...	—	—	—	—	3.14	—	—	...	3.25	...	6.39	...
Cement ..	—	—	—	—	—	—	—	...	—	—	—	—	—	—	5.47	2.91	5.47	2.91
Balance of Trade (i)—(ii) ..	+0.93	+1.55	-9.74	-26.92	-71.01	+ 9.62	-10.01	-5.56	+3.79	-7.70	+4.65	+0.93	-43.63	-26.06	+38.79	+42.54	-86.23	-11.60

Source: Ceylon Customs Returns.

The total exports in 1970 to the German Democratic Republic increased by Rs. 6.0 million or 44 per cent to Rs. 19.6 million. Exports of coconut oil to G. D. R. were Rs. 9.4 million showing a marked increase of Rs. 5.8 million or 133 per cent over the value in 1969. Although the volume of exports of desiccated coconut to G. D. R. declined by 21.7 thousand cwt., the value of exports in 1970 increased as a result of a significant rise in the average f. o. b. price which stood at Rs. 1.10 per pound as compared with Rs. 0.81 per pound in 1969.

In 1970, Rumania accounted for about 11 per cent of the total exports to this group of countries. The total value of exports at Rs. 19.0 million remained stable as compared with 1969. The value of rubber exports to Rumania at Rs. 16.9 million expanded by Rs. 1.0 million on account of an improved average f. o. b. price for rubber.

Poland, U. S. S. R., Yugoslavia and Czechoslovakia, were the principal suppliers of imports from the region during 1970, and jointly accounted for 80 per cent of the total value of imports which were Rs. 185.3 million.

The total value of imports from Poland in 1970 were Rs. 48.4 million and accounted for 26 per cent of the imports from the region, as compared with a share of 9 per cent of the total value of imports in 1969. The value of imports of sugar from Poland during 1970 increased markedly by Rs. 28.7 million to Rs. 36.4 million. The value of textile imports, however, decreased by Rs. 4.1 million. The balance of trade with Poland in 1970 showed a deficit of Rs. 7.7 million as against a surplus of Rs. 3.8 million in 1969.

Imports from the U. S. S. R. in 1970 contracted by Rs. 10.9 million to Rs. 39.8 million. A decrease in the value of imports of tea chests by Rs. 5.0 million, cement by Rs. 2.6 million, and petroleum products by Rs. 3.3 million contributed to the contraction of total import values during 1970. The balance of trade with the U. S. S. R. showed a surplus of Rs. 42.5 million in 1970 as compared with a surplus of Rs. 38.8 million in 1969.

Imports from Yugoslavia, declined by Rs. 20.5 million to Rs. 30.5 million in 1970. As shown in Table II (J) 23, imports of sugar at Rs. 27.0 million decreased by Rs. 18.5 million or 41 per cent, when compared with that of 1969, while imports of machinery too, contracted during the year under review. The balance of trade with Yugoslavia showed a deficit of Rs. 26.1 million in 1970.

The total value of imports from Czechoslovakia in 1970 due largely to the increased imports of sugar, increased markedly by Rs. 17.1 million from Rs. 13.3 million in 1969 to Rs. 30.4 million. The balance of trade with Czechoslovakia in 1970 showed a deficit of Rs. 26.9 million as against a deficit of Rs. 9.7 million in 1969.

The value of imports of sugar from the region as a whole, at Rs. 109.1 million was 64 per cent of the total value of sugar imported from all sources. Likewise, the value of cement imports from the above group of countries was 40 per cent of the total value of such imports.

Bilateral Clearing Accounts

Table II (J) 24 gives the net aggregate quarterly position of bilateral clearing accounts maintained in terms of the Payments Agreements entered into 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 1970 in Table II (J) 24 reflects that the amounts due from Ceylon decreased by as much as Rs. 99.4 million as compared with the end of year position for 1969.

TABLE II (J) 24
Bilateral Clearing Accounts
Net Aggregate Quarterly Position of Accounts, 1969-70

Net position at end		Rupees Million					
		China, U.S.S.R. and other Eastern European countries*		Middle East countries**		Total	
		Credit	Debit	Credit	Debit	Credit	Debit
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	—
1970	March	198.6	—	—	10.3	188.3	—
	June	156.1	—	—	9.2	146.9	—
	September	86.7	—	—	9.2	77.5	—
	December	74.3	—	—	8.8	65.5	—

Source: Central Bank of Ceylon

* Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland Rumania, Yugoslavia, and Democratic People's Republic of Korea.

** Syria

Credit: Due from Ceylon

Debit : Due to Ceylon

6. Developments in Commercial Policy

Export Control

From February 24, 1970 the minimum price per cwt: of mattress fibre delivered at shipper's stores was increased to Rs. 13.50 and that for all other grades of fibre excluding mattress fibre was fixed at Rs. 32.00. (Ceylon Government Gazette Extraordinary No. 14,894/4 of February 24, 1970).

Import Control

The Import Control arrangements which were brought into operation in May 1968, continued to be in force up to August 4, 1970. With effect from that date the system of Open General Licences was discontinued and all goods hitherto imported under Open General Licences were brought under a scheme of trade quotas.¹ However, all such imports were subject to the surrender of Foreign Exchange Entitlement Certificates. As a prelude to the abolition of OGL, all

1. The Ceylon Government Gazette Extraordinary No. 14,917/2 of August 4, 1970.

sales of Foreign Exchange Entitlement Certificates were suspended with effect from May 29, 1970 except where FEECs were required to retire maturing import bills or to remit foreign exchange against permits issued by the Controller of Exchange.

With regard to approved and registered industrialists, the Ministry of Industries and Scientific Research continued to issue their requirements on actual user licences.

7. Foreign Exchange Entitlement Certificates Scheme

The Foreign Exchange Entitlement Certificates Scheme introduced in May, 1968 was in operation in 1970. The price of foreign exchange entitlement certificates continued to be Rs. 55 per certificate of a face value of Rs. 100.

Following the announcement made in the Budget Speech for the financial year 1970-71 imports of books and periodicals, two wheel tractors, implements and spares and cotton yarn and raw cotton were transferred to Category 'A' and were exempted from FEECs. At the same time, imports of sugar, maize, imports of Sri Lanka Sugar Corporation, the Ceylon Transport Board and the Ceylon Electricity Board were transferred to Category 'B' and subject to the surrender of FEECs.

8. Tariffs

Export Duties

25. 10. 1970¹

Export duty on natural graphite was increased from 25 per cent to 50 per cent of the true f. o. b. Colombo value.

Import Duties

26. 10. 1970²

In order to rationalise and simplify the import tariff structure with effect from October 26, 1970 the existing import duties were revised and re-grouped into a small number of easily identifiable duty rate ranges. The new groupings were intended to foster economic growth by permitting the import of raw materials and other essential intermediate and investment goods required for development at low rates of duty while providing adequate protection to domestic industry and agriculture and helping in the progressive substitution of imports.

The new tariff schedule standardises import duties into six basic duty rate ranges. Basic consumer items that enter in to the cost of living are duty free, while basic industrial raw materials and important items of machinery for agriculture and industry carry nominal rates of duty. The standard rate of duty has been fixed at 60 per cent. The duty rates above this standard rate are designed to provide protection to domestic production and to induce the

1. The Ceylon Government Gazette Extraordinary No. 14,929/3 of October 25, 1970

2. The Ceylon Government Gazette Extraordinary No. 14,929/5 of October 26, 1970.

manufacture of components locally and promote new ventures in fields with potential for future development. The high rates of duty are confined almost wholly to non-essential and luxury items.

9. Trade Agreements¹

Ceylon entered into Trade Agreements with the following countries during the course of the year under review-

1. The United Arab Republic: 14 th February, 1970
2. The Democratic People's Republic of Korea: 21st September 1970
3. The U. S. S. R.: 2nd November, 1970
4. Pakistan: 19th November, 1970
5. People's Republic of Bulgaria: 27th November, 1970.

1. Besides the Trade Agreements mentioned in this section, Ceylon continued to have Trade and/or Payments Agreements with a number of other countries.