

(J) FOREIGN TRADE

1. Major Developments

The foreign trade of Ceylon contracted in 1971. As shown in Table II (J) 1 a small decline in exports was accompanied by a much larger fall in imports. According to Customs data, between 1970 and 1971, the value of total exports, declined by Rs. 86 million from Rs. 2,033 million to Rs. 1,947 million. On the other hand, imports fell by Rs. 327 million from Rs. 2,313 million to Rs. 1,986 million. Thus, on the basis of Customs data, the trade deficit of Rs. 39 million in 1971 represented a substantial improvement over the deficit of Rs. 280 million in the preceding year.¹ It must, however, be emphasised that the improvement in the balance of trade was less the product of economic growth, than the result of a forced cut-back in imports to a level consistent with Ceylon's foreign exchange situation.

TABLE II (J) 1
Foreign Trade 1967-71

Year	Rupees Million			Index Number (1967 = 100)				Terms of Trade
	Exports* (f.o.b.)	Imports (c.i.f.)	Balance of Trade	Volume		Prices		
				All Exports	All Imports	All Exports	All Imports	
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
1971	1,947	1,986	- 39	99	90	117	150	78

Sources: Ceylon Customs Returns
Central Bank of Ceylon

* Include re-exports but see the footnote.

1 This report leans heavily on Customs statistics, the main official source of data on foreign trade. Some information is also available to the Central Bank from other sources, e.g. the Food Commissioner, the Rubber Controller etc. The comparison of such information with Customs data has often revealed discrepancies, which can be attributed to the time lags in the recording of exports and imports by Customs. These discrepancies have tended to narrow down in recent years on the adoption of appropriate remedial measures, but a new source of large discrepancies has arisen from the trading activities of the Ceylon Petroleum Corporation. For example, in 1971, the export earnings from Bunkers as recorded by the Customs amount to only Rs. 3.0 million, whereas figures supplied by the Corporation show that these earnings were as high as Rs. 86.5 million. On the imports side as against the Customs figure of Rs. 26 million, the Corporation is known to have imported products to the value of Rs. 164 million. Similar, but smaller, discrepancies are observed for 1970. Thus, in assessing developments in foreign trade, account must be taken at least of the known discrepancies between Customs data and those available from the institutions directly involved in the transactions. When such adjustments are made, the following picture emerges -

	1970	1971	Change
Exports - Rs. million	2,051	2,019	- 32
Imports - Rs. million	2,367	2,115	-252
Balance of Trade Rs. million	- 316	- 96	+220

Price changes magnified the real impact on the economy of the reduction in import outlays. While the import outlays decreased by 14.1 per cent, the import volume contracted by 11.8 per cent. The restriction of imports affected both consumer and investment goods, with the latter bearing a proportionately larger share of the cuts.¹ Compared with 1970, the value of imports of consumer goods decreased by 12.2 per cent while that of investment goods fell by 23.3 per cent.

The main cause of the fall in export earnings was the decline in the volume exported. According to the Bank's trade indices (1967=100) the fall in volume amounted to 2.9 per cent over the level of the previous year. The price decline was confined to 0.9 per cent. The fall in volume was primarily in rubber, and it can be attributed to the temporary disruption of production during the civil disturbances in April-May.

Ceylon's terms of trade, which persistently deteriorated during the three preceding years, continued on its unfavourable course. At the end of the year the index (1967=100) registered 78 as against 84 at the beginning of the year - a decline of 7 per cent. The adverse movement in the terms of trade was attributable (as in the past few years) mainly to a rise in import prices.

2. Exports

The reduction in export earnings in 1971 was due largely to a sharp decrease in export earnings from rubber, the effect of which was to some extent offset by increases in export earnings from tea and the three major coconut products. Table II (J) 2 reveals the composition of exports and their relative percentage shares in the total export earnings.

TABLE II (J) 2
Composition of Exports 1967-71

Commodity	Value in Rupees Million					Percentage of total exports				
	1967	1968	1969	1970	1971	1967	1968	1969	1970	1971
Tea	1,061	1,162	1,062	1,120	1,145	63	57	55	55	59
Rubber	282	331	431	440	307	17	16	22	22	16
3 Major Coconut Products	167	331	221	237	276	10	16	12	12	14
breakdown of which										
(a) Copra	18	34	26	23	24	1	2	1	1	1
(b) Coconut oil	88	133	108	116	149	5	7	6	6	8
(c) Desiccated Coconut	61	164	87	98	103	4	8	5	5	5
Other domestic exports	121	152	161	198	202†	7	8	8	10	10
Total domestic exports*	1,631	1,976	1,875	1,995	1,930	97	97	98	98	99
Re-exports	59	60	41	38	17	3	3	2	2	1
Total	1,690	2,035	1,916	2,033	1,947	100	100	100	100	100

Source: Ceylon Customs Returns.

* Please see the footnote on page 214.

† The total value of other domestic exports when adjusted for the actual exports of the Ceylon Petroleum Corporation in 1971 amounts to Rs. 190 million, representing a fall of Rs. 8 million as compared with 1970.

1 According to Customs data the intermediate goods imports too declined substantially, but, after adjustment for under-recording of petroleum imports, there was in fact an increase of Rs. 3 million.

Tea

Production

Table II (J) 3 provides data on tea production by elevational category. In 1971, tea production amounted to 480 million pounds. This was 12 million pounds or 2.5 per cent higher than the quantity produced in 1970, but was still below the 1969 level by 4 million pounds. The rise in production was due to the favourable weather conditions experienced in the tea growing areas, particularly during the second half of the year. The increase was confined to high and medium grown teas, the output of which rose by 7.6 million and 8.3 million pounds, respectively. Production of low grown fell by 3.6 million pounds.

Table II (J) 3
Tea Production by Elevational Category

	1970		1971		Absolute change in 1971 over 1970
	Volume (Mn. lbs)	%	Volume (Mn. lbs)	%	
High grown	178.8	38.2	186.4	38.8	+ 7.6
Medium grown	159.2	34.0	167.5	34.9	+ 8.3
Low grown	129.8	27.8	126.2	26.3	- 3.6
Total	467.8	100.0	480.1	100.0	+ 12.3

Source: Tea Control Department.

Effect of Civil Disturbances on the Tea Industry

The outbreak of civil disturbances in April 1971 interfered with the smooth working of the tea industry for a short period. The insurgent activities, the declaration of a state of emergency and the enforcement of a curfew disrupted communications and transport facilities between planting areas and Colombo. Adverse effects were minimised by the use of the national broadcasting services to keep estates informed of ex-estate deliveries and other details regarding Colombo auctions. The tea trade (broadly defined to include planting, manufacture, production, sales, storage and shipping) was declared an essential service under the Emergency regulations. No precise estimate of the damage to output from the civil disturbances is available; but judging by the total output in 1971 it can be considered negligible.

Exports

Despite the increase in production witnessed during the year, the volume of tea exported in 1971 of 458¹ million pounds was lower by 2 million pounds or 0.4 per cent.

1 The figure is strictly not comparable with that for 1970 as the two are from different sources. Upto September 1970, the export figures were based on the Customs entries while from October 1970 the figures are based on the Ship's Provisional Manifest, the most authentic source of the volume loaded to a ship.

Offerings at the Colombo auctions during 1971 at 393 million pounds increased by 20 million pounds or 5.4 per cent compared with that of 1970. In all, 47 sales were held during the year as against 49 during 1970. Through the medium of private sales 5 million pounds of tea were sold as against 4 million pounds in 1970. The quantity shipped direct to the London Auctions fell by 18 million pounds to 73 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			
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
1971	480	458*	458	393	73	5

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

* Includes instant tea.

Exports by Destination

A significant feature in the country-wise distribution of exports was the diversion of tea from the U. K. to other markets, in particular, Pakistan. The absolute quantity of tea exported to U.K fell from 156.1 million pounds in 1970 to 103.4 million pounds in 1971. This resulted in the proportion of tea absorbed by U. K. falling to 22.6 per cent, as compared with an average of over one-third in most preceding years. At the same time, Pakistan, which prior to 1971 imported a negligible quantity of Ceylon tea, emerged as a large-scale buyer. In 1971, she absorbed 29.4 million pounds, representing 6.4 per cent of Ceylon's total exports. As a result, Pakistan displaced the Union of South Africa as the fifth largest buyer of Ceylon tea. The quantity of tea exported to the United States of America and Iraq, who were the second and third largest of the buyers, also increased significantly. Table II (J) 5 provides a classification of exports by destination for 1970 and 1971 together with their percentage shares.

TABLE II (J) 5

Country Classification of Tea Exports and percentage shares

	Volume of Tea Exports (mn. lbs)		Percentage of Total Volume	
	1970	1971	1970	1971
United Kingdom	156.1	103.4	34.0	22.6
United States of America	39.7	49.9	8.6	10.9
Iraq	28.3	43.2	6.2	9.4
Australia	28.8	32.5	6.3	7.1
Pakistan	0.7	29.4	0.2	6.4
Union of South Africa	25.9	26.8	5.6	5.9
Other countries	180.2	172.5	39.2	37.7
Grand Total	459.7	457.7	100.0	100.0

Source: Ceylon Customs Returns.

Colombo Auctions

The average annual price of all teas increased by 18 cents (or 11 per cent) during the year 1971. Differentiated by elevational category, this increase was sustained mainly by the buoyancy of the sub-market for low-growns, and, to a much lesser extent, mid-grown tea: the respective average prices showing up 38 cents (or 28 per cent) and 14 cents (or 9 per cent) better compared with those achieved in 1970. The high growns, however, showed only a very marginal increase of 2 cents (or 1 per cent).

The improved price trends of the mid and low grown varieties of tea are, inter-alia, attributable to three reasons-

1. The state of unrest in the tea producing areas of Pakistan paved the way for the entry of Pakistan as a major buyer.
2. The substantially increased volume, and regularity, of purchases by Iraq.
3. The short-run inflexibility of tea supplies.

It is noteworthy that the prices fetched by mid and low-growns are the highest averages recorded over the last 10 years. Further, compared with previous years, a distinctive feature of price movements in 1971 was the failure of high growns to share the prosperity of mid and low-growns. Not only was the price differential between high and low-growns considerably narrowed down, but towards the end of the year the average price of low-growns in fact exceeded that of high-growns. The quarterly movements in the prices of the three categories of tea, along with data on production and exports, are detailed in Table II (J) 6.

TABLE II (J) 6
Tea Production, Exports and Prices 1967-1971

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
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
1971	480	458	2.50	1.94	1.72	1.76	1.81
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
1971 1st Quarter	113	102	2.29	2.35	1.72	1.59	1.80
2nd Quarter	139	119	2.51	1.84	1.66	1.73	1.75
3rd Quarter	105	119	2.56	1.99	1.75	1.80	1.85
4th Quarter	123	117	2.62	1.85	1.73	1.94	1.83

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

London Auctions

At the London Auctions the average price of teas from all producing countries declined by 2.42 pence to 43.25 pence per kilo. All three major suppliers to the London Auctions, Ceylon, India (North and South), and Africa felt the unfavourable price movements, but Ceylon teas were less affected than the North Indian. The price decline of North Indian teas occurred in the face of a sharp increase in quantities consigned to London, caused largely by the late arrival of the 1970 crop following labour disputes at the Port of Calcutta. The price decline of Ceylon teas as well as African teas was despite a drop in the respective quantities consigned to London. Much of Ceylon's loss is likely to have been occasioned by intensive competition from the North Indian crops. The failure of tea prices at the London Auctions to move in sympathy with those of Colombo does demonstrate the weakness of the linkages between the two markets. Detailed quantity and price data are set out in Table II (J) 7.

TABLE II (J) 7
Quantities of Tea sold at the London Auctions by country
of origin and average prices

Countries	Quantities sold at the London Auctions (Mn. Kgs.)				Average Prices (New pence per Kg.)			
	1968	1969	1970	1971	1968	1969	1970	1971
1. North India ..	59.6	60.4	30.4	54.5	44.69	41.56	46.77	42.14
2. South India ..	7.0	5.0	2.5	2.0	38.81	31.63	40.42	39.90
3. All Ceylon ..	47.1	42.9	36.5	32.2	45.28	44.55	46.98	45.33
4. All Africa ..	33.0	35.1	37.4	35.2	40.52	35.71	44.00	43.01
Kenya ..	11.2	13.2	14.2	12.4	44.74	44.25	48.66	47.25
Uganda ..	3.3	5.0	3.2	3.8	39.48	36.76	46.84	43.64
Tanzania ..	4.6	4.6	5.0	5.0	42.51	39.89	48.49	45.39
5. Total ..	148.9	145.4	108.7	125.0	43.58	40.51	45.67	43.25

Source: The London Tea Brokers' Association

Instant Tea

Though the quantity of instant tea manufactured in 1971 (399,202 pounds) showed an increase of 150,307 pounds or 60.4 per cent over 1970, it represented only a 32.8 per cent increase over 1969. Customs returns indicate that 266,217 pounds of instant tea valued at Rs 2.8 million were exported in 1971. The corresponding figures for 1970 were 236,321 pounds valued at Rs 2.5 million. Exports to the U.K. amounted to 104,040 pounds or 39 per cent of the total, while exports to the Federal Republic of Germany were 79,678 pounds or 30 per cent and Australia 70,059 pounds or 26 per cent respectively.

International Tea Consultations

At a meeting of the FAO Consultative Committee on tea held in Rome in September 1971, a global export figure of 1,604.1 million pounds for the 15 month period from 1 January, 1971 to 31 March, 1972 was agreed, and the country quotas for the above period were also negotiated. India and Ceylon were allocated a joint export quota of 1115.5 million pounds for the period. Although the possibility of a long-term agreement was canvassed, no final decision was taken.

Tea Export Duty Rebate Scheme

The Tea Export Duty Rebate Scheme continued to be in operation throughout 1971, subject to certain changes in the sliding scaled. Four changes were effected as from the sales of 4th April, 1971, 16th June, 1971, 1st November, 1971 and 20th December, 1971. From 20th December, 1971, the lower qualifying limit was raised from Rs 1.30 to Rs 1.35 and the upper limit was reduced from Rs. 2.00 to Rs 1.85. In addition, the maximum rebate payable to low and mid-grown teas was reduced to 10 cents as against the earlier 17 cents. Table II (J) 8 provides particulars of quantities on which the rebate was granted and the total payments made during 1971.

TABLE II (J) 8
Tea Export Duty Rebate Scheme, Colombo Auctions - 1971

	Quantities on which the Rebate was paid (pounds)	The value of rebate paid (Rupees)
High-grown ..	104,761,423	4,862,845
Medium-grown ..	130,402,805	14,535,441
Low-grown ..	103,551,973	11,438,248
Total ..	338,716,201	30,836,534

Source: Tea Control Department.

Rubber

Production

Rubber production in 1971 is estimated at 312 million pounds, as compared with 351 million pounds in the previous year, reflecting a decrease of 39 million pounds or 11 per cent. The contributory factors that marred a higher level of production in 1971 were bad weather, which interrupted tapping operations, and

the disturbances which erupted in April. Out of the three major export crops, rubber was probably the most affected by the disturbances; some of the areas of intense insurgent activity were under rubber.

The production of sheet rubber at 175.8 million pounds recorded a decrease of 35.2 million pounds when compared with that of 1970. The decrease in the production of crepe rubber, however, was less marked.

Consumption

Local consumption of rubber in 1971 at 11.2 million pounds represented an increase of 2.9 million pounds or 35 per cent over 1970. As a percentage of total production, domestic consumption accounted for only 3.6 per cent.

Exports

Customs data indicate a decrease of exports by 69 million pounds or 19.5 per cent over 1970. Of this, 42 million pounds are accounted for by the fall in production and increase in domestic consumption, while a further 19 million pounds represent under-recording of exports by Customs.¹

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
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
1971	175.8	134.7	311.8	156.0	129.1	285.2	0.98	1.19	1.08	0.79	1.13
1971											
1st Qr.	46.0	28.7	75.0	51.9	43.4	95.3	1.00	1.22	1.10	0.81	1.13
2nd Qr.	46.1	32.6	79.0	39.4	28.2	67.5	1.01	1.19	1.09	0.85	1.26
3rd Qr.	38.9	29.2	68.3	45.3	28.2	73.4	0.95	1.23	1.06	0.78	1.23
4th Qr.	44.7	44.3	89.4	19.5	29.3	48.9	0.91	1.12	1.03	0.74	0.92

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

Prices

Table II (J) 10 depicts trends in world supply, consumption and stocks of natural and synthetic rubber.

¹ According to Customs data the total volume of rubber exported in 1971 was 285 million pounds; however, on the basis of the Rubber Controller's records the volume of actual shipments of rubber in 1971 amounted to 304 million pounds.

TABLE II (J) 10

World Supply, Consumption and Stocks of Natural
and Synthetic Rubber

Metric Tons

	Natural Rubber		Synthetic Rubber	
	1970	1971	1970	1971
Supply (Jan.-Sept.)	2,136,000	2,204,000*	3,670,000	3,752,500
Consumption (Jan.-Sept.) ..	2,217,500	2,227,500	3,460,000	3,720,000
Stocks (at end of Sept) ..	967,500	1,062,500	1,055,000	1,135,000

Source: Rubber Statistical Bulletin.

* Does not include U.S. Government stockpile releases in certain months as data are not available.

World trends in the production and consumption of rubber continued on their course in 1971. Supplies increased; so, too, did consumption. But supplies coming on to the market continued to outstrip consumption requirements. Although the rate of consumption rose faster than supplies between January/September 1970 and January/September 1971, the increase was mainly in the consumption of synthetic rubber which further increased its share in total consumption from 60.9 to 62.5 per cent.

World price trends, however, continued to be affected by ad hoc factors of local origin sometimes operating singly and at other times in conjunction with others. World prices on the whole followed a downward course during the year and the following are some of the more important of the factors which acted to depress the market for natural rubber:

- (1) Continued anxiety in the U. S. A. over the anticipated dock situation in the Western, Eastern and Gulf Coasts which may have induced some degree of substitution of synthetic to natural rubber and the postponement of natural rubber import orders.
- (2) U. S. stockpile releases during the second half of the year, to which natural rubber prices are particularly sensitive.
- (3) A general slowing down of growth in the major industrialised countries, coupled with the uncertainty among most rich countries of their export prospects as a result of the currency realignments following the effective devaluation of the U. S. Dollar and the imposition of a temporary surcharge on U. S. imports in August, caused some erratic market behaviour.
- (4) Absence of certain major consumers from the markets at certain times of the year. For instance, during the first half of 1971, the People's Republic of China imported only 2,077 tons of rubber from Malaysia compared with 38,850 tons in the same period in 1970.

Some relief resulted through intervention by the Malaysian Rubber Fund Board; similarly, with the signing of the trade agreement between the Malaysian Government and the Government of the People's Republic of China, under which China agreed to buy 40,000 tons. However, the importance of these factors must be discounted in the context of a price fall of 4.36 new pence (or 23.4%) per kilo of R.S.S. No. 1 in the London market (i.e. from an average of 18.65 new pence in 1970 to an average of 14.29 new pence in 1971) and 22.83 Strait cents (or 18.7%) of R. S. S. No. 1 in the Singapore market (i.e. from an average of 123.28 Strait cents in 1970 to an average of 100.45 Strait cents in 1971).

Ceylon's rubber prices followed world trends. The average price of R.S.S. No. 1 in the Colombo market moved erratically down from Rs. 0.84 per lb. in January 1971 to Rs 0.76 per lb. in August 1971. The average annual price of R.S.S. No. 1 in 1971 at Rs 0.79 per lb. reflects a marked decrease of Rs. 0.12 per lb. or 13 per cent over that of 1970.

Latex Crepe 1X felt the unfavourable price trend only from July onwards when the average monthly price slumped from Rs. 1.30 in June to Rs. 0.83 at the end of the year. The price averaged for the year, however, showed a slight increase of one cent compared with the 1970 average, resulting from good prices prevailing in the earlier part of the year due to a temporarily tight spot position.

Exports by Destination

As in 1970, the People's Republic of China was the principal customer for rubber, accounting for 45 per cent of the volume exported. In absolute terms, however, the quantity shipped fell by 31 per cent to 128.9 million pounds.

Data on the volume of rubber exports by destination are presented in Table II (J) 11 along with the respective percentages.

TABLE II (J) 11

Country Classification of Rubber Exports and Percentage Shares

Country	Volume (Mn. lbs)		Percentage of Total	
	1970	1971	1970	1971
People's Republic of China ..	186.8	128.9	52.7	45.2
Germany, Federal Republic of ..	23.0	22.1	6.5	7.7
U. S. S. R. ..	21.9	20.4	6.2	7.2
U. S. A. ..	22.0	18.9	6.2	6.6
Poland ..	26.3	18.2	7.4	6.4
Rumania ..	13.3	10.9	3.8	3.8
Japan ..	8.7	5.4	2.5	1.9
Other Countries ..	52.2	60.4	14.7	21.2
Total ..	354.2	285.2	100.0	100.0

Source: Ceylon Customs Returns.

The Association of Natural Rubber Producing Countries (ANRPC)

The Association of Natural Rubber Producing Countries had discussions with a view to achieving a closer integration among the rubber markets of S. E. Asia which would, inter alia, enable the region to evolve a joint marketing policy. The objective of such collective action is to secure stable and remunerative prices for natural rubber.

Coconut Products

Exports

The value of export earnings from the three major coconut products increased by 16 per cent as compared with an increase of 7 per cent in 1970 due primarily to a volume expansion.

The quantity of coconut exports on a nut equivalent basis increased by 15.6 per cent from 874 million nuts in 1970 to 1,010 million nuts in 1971. This was, however, well below the peak level of 1968. Product-wise, the volume of coconut oil exports increased by 20.7 per cent to 1,378 thousand cwts., copra by 12.8 per cent to 344,000 cwts and desiccated coconut by 7.9 per cent to 1,043,000 cwts. The f.o.b. value of copra and desiccated coconut decreased by 6.0 per cent and 3.3 per cent respectively. The f.o.b. price of coconut oil however, increased by 5.1 per cent.¹

General Price Trends

The decline in prices which set in from early 1971 continued virtually unchecked throughout the year. The average London market price of £172 per ton of coconut oil which had prevailed in January 1971 declined to £140 in June, and despite a recovery in the months of July and August, eventually reached £127 at the end of the year. Copra prices followed a similar trend, the fall in prices amounting to 32.3 per cent as between January and December. The slump in coconut oil and copra prices was the inevitable outcome of a large increase in world production of coconuts, induced by favourable weather conditions in the principal coconut growing areas. Exports of copra from the Philippines, the world's major supplier, are estimated to have increased by 66 per cent and exports of coconut oil by 21 per cent. Prices in the Colombo market moved in sympathy with world trends. The year-end prices of coconut oil, copra and desiccated coconut evidenced decreases of 6.5 per cent, 13.9 per cent and 9.4 per cent respectively. For the year as a whole the prices averaged out at Rs. 213 per candy of copra, Rs. 1,407 per ton of coconut oil and 58 cents per lb. of desiccated coconut.

Copra

The quantity of copra exported increased by 12.8 per cent from 305,000 cwts. in 1970 to 344,000 cwts. in 1971. The monthly average market price of Rs. 251 per candy in January 1971 fell to Rs. 205 in June, and after recovering to

1. The f.o.b. price of coconut oil which is derived from Customs data, needs to be accepted with certain reservations. The increase in the f.o.b. unit value is not consistent with the almost continuous decline in prices both in markets in Ceylon and elsewhere.

Rs. 212 in July fell steadily to reach Rs. 175 per candy in December. In a background of general world over-production, restricted purchases of copra by India, Ceylon's major buyer, further acted to depress prices.

Coconut Oil

The volume of coconut oil exports increased by 20.7 per cent from 1,142 thousand cwts. to 1,378 thousand cwts. Movements in the price of coconut oil in the Colombo market ran parallel to world prices. Starting at a level of Rs. 1,543 per ton in January 1971, the price declined steadily (with a partial recovery in July/August) to reach Rs. 1,251 in December.

Desiccated Coconut

The exports of desiccated coconut increased by a smaller percentage (7.9 per cent) than copra or coconut oil. Prices of desiccated coconut, too, followed trends in international coconut markets. The January price of 65 cents per lb. fell to 52 cents in April, and after recovering to 67 cents in August, continued on its downward course to reach 55 cents in December.

Data on export volumes and export prices of the three major coconut products for the period 1967-1971 are presented in Table II (J) 12 below-

TABLE II (J) 12

Major Coconut Products - Exports: Volume & Prices 1967 to 1971

	Volume				F.O.B. Prices		
	Coconut Oil Th. cwts.	Copra Th. cwts.	Desiccated Coconut Th. cwts.	Total (in terms of nut equivalent) Mn. nuts	Coconut Oil Rs. per ton	Copra Rs. per Candy	Desiccated Coconut Rs. per lb.
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
1971	1,378	344	1,043	1,010	2,142.40	349.72	0.88

Source: Ceylon Customs Returns.

Exports by Destination

Copra

India, which absorbed as much as 64 per cent of Ceylon's copra exports in 1970, accounted for only 38 per cent during 1971. Pakistan imported a larger share of copra in 1971 than in 1970, accounting for approximately 33 per cent of Ceylon's total copra exports. The next important buyer was the U.S.S.R. which purchased 87 thousand cwt., of copra in 1971.

Coconut Oil

The People's Republic of China became the largest buyer of Ceylon's coconut oil in 1971 dislodging the U. S. S. R. to second place. China increased her purchases to 510 thousand cwt., from 205 thousand cwt., thereby accounting for

37 per cent of Ceylon's exports. The U.S.S.R., although displaced to the second place absorbed a larger volume of coconut oil exports in 1971. Her imports increased by 51 per cent to 386 thousand cwt.

Desiccated Coconut

The United Kingdom maintained her position as the principal customer of Ceylon's desiccated coconut. She imported approximately 351 thousand cwt. or 34 per cent of total desiccated coconut exports as against 348 thousand cwt. in 1970. The Federal Republic of Germany accounted for 11 per cent of total exports importing 113 thousand cwt. of desiccated coconut in 1971. The next important buyers were the German Democratic Republic, Netherlands and France, which absorbed 8 per cent, 6 per cent and 5 per cent, respectively.

Minor Exports

After three years of continuous growth, export proceeds of minor products declined in 1971, albeit slightly. By broad product groups, declines occurred in the spices, minerals and manufactured products groups, while other groups, particularly coconut products and other agricultural products, showed enhanced earnings. The fortunes of a few commodities explain the movements in aggregate values in large part, naptha, residual fuel oils, cardamoms, cloves and pepper registered a cumulated shortfall of Rs. 24.4 million in 1971 as compared with their earnings in 1970. However, value increases recorded for minor coconut products (coir fibre-bristle, coir fibre-mattress, coconut shell charcoal, fresh coconuts) and fatty acids amounting to Rs. 14.4 million during 1971 limited the overall decline in export proceeds to Rs. 8 million as compared with 1970.

A volume contraction rather than a general price decline has been the causal factor for the fall in total earnings from minor exports. Cloves, pepper, graphite, naptha and residual fuel oils are instances of significant volume decreases. But, apart from minor coconut products and fatty acids, all other volume increases recorded were not such as to make any noteworthy impression on overall earnings.

Stable or increased unit f.o.b. prices and a higher all-round volume of exports of all minor coconut products resulted in earnings rising to Rs. 68.9 million in 1971 from the 1970 level of Rs 56.7 million. As a group they fared best, and in a background of an overall decline in earnings from all minor exports, this improved performance increased the importance of this group from somewhat over a quarter in 1970 to over a third in 1971. While nut output is the ultimate determinant of the volume of minor products turned out, the favourable prices fetched by these non-traditional products in the external market in a situation where prices for the traditional coconut products the world over were disappointing, suggest the need for a continued drive towards achieving maximum levels of efficiency in production processes.

The spices group turned out the most disappointing export performance. In each of the two previous years its contribution exceeded Rs. 50 million and represented over a quarter of all earnings from minor exports. In 1971, however,

earnings declined to Rs. 33.9 million while its importance was reduced to a sixth of total earnings. Pepper very nearly disappeared as a minor export when the volume dropped to a paltry 900 cwts. from the level of 16,900 cwts. reached in 1970 and 17,900 cwts. in the year previous to that. This was presumably due to a large scale diversion of the output to the domestic market consequent to the shortage of chillies and the resultant demand pressure on substitutes. (Incidentally, instances such as these are short-term factors which run counter to the basic strategy of import substitution: foreign exchange saved by restricting the import of one commodity can be offset to some extent by foreign exchange lost through reduced exports of another which is attracted away from the export to the domestic market). The preference of the domestic to the foreign market despite a near doubling of the f.o.b. export price of pepper is a measure of the pull of domestic demand.

As pepper, cloves, too, tended to disappear from the export scene. But unlike in pepper, no reasons for a greatly enhanced local consumption are apparent. In the unlikelihood of cloves being used as a substitute for another product, local consumption trends and export data are not adequate to explain the entirety of the domestic product. The fact that offerings at the Colombo Auctions too, have declined sharply despite the prevalence of scarcity prices points to an unexplained gap between the production of cloves and the amounts consumed locally and exported.

Cardamom export is one instance where a price fall rather than a volume fall has caused a decline in proceeds. A possible reason for lower prices is the revival of the Indian production.

In the minerals group, the lower production of graphite was due to a dislocation suffered during the civil disturbances in the early part of the year. Increased prices, however, helped maintain earnings. Exports of naptha and residual fuel oils, by-products of the petroleum refinery, declined to half the levels recorded for 1970. Inevitably, earnings, too, fell sharply.

Among other agricultural products, exports of unmanufactured tobacco, up from Rs. 2.2 million in 1970 to Rs. 6.9 million in 1971, caused mainly by a trebling of volume, showed the most noteworthy movement. The volume of cocoa exports was maintained, but the fall in export prices in line with trends prevailing in London reduced earnings from Rs. 7.2 million in 1970 to Rs. 6.2 million in 1971.

Exports of leather-based industries (footwear, tanned leather) have shown a steady volume and value increase between 1969 and 1971 with prices, on the whole, steady. However, textiles, the single most important item in the broad category of manufactured products, turned in a markedly lower export volume. But favourable prices prevented this drop from affecting total proceeds.

Table II (J) 13 provides data on export volumes, values, and average f. o. b. prices of selected minor export commodities while Table II (J) 14 provides data on the Colombo market price movements of certain of the minor export products between 1969 and 1971.

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)			
		1969	1970	1971	% change 1971 over 1970	1969	1970	1971	% change 1971 over 1970	1969	1970	1971	% change 1971 over 1970
Coconut Products Group													
Coir fibre - bristle	Th. cwt.	506.7	474.0	534.1	+ 12.7	24.6	22.3	27.2	+ 22.0	48.63	47.13	51.01	+ 8.2
Coir fibre - mattress	"	1180.3	1172.6	1307.2	+ 11.5	25.4	24.8	27.2	+ 9.7	21.67	21.16	20.83	- 1.6
Coconut shell charcoal	"	385.2	583.4	629.9	+ 8.0	3.4	6.7	10.7	+ 59.7	8.90	11.53	17.06	+ 48.0
Fresh Coconuts	Mn. nuts	10.3	6.3	8.6	+ 36.5	4.2	2.9	3.8	+ 31.0	0.41	0.46	0.45	- 2.2
Spices Group													
Cinnamon quills	Th. cwt.	65.9	70.0	72.6	+ 3.7	33.8	28.4	25.1	- 11.6	513.33	405.79	353.16	- 13.0
Cinnamon chips	"	21.6	12.7	15.3	+ 20.5	4.1	1.7	2.2	+ 29.4	191.11	134.02	146.23	+ 9.1
Pepper	"	17.9	16.9	0.9	- 94.7	3.1	4.7	0.7	- 85.1	173.12	279.42	749.21	+ 168.1
Cardamoms	"	3.2	4.0	3.7	- 7.5	7.3	11.3	5.8	- 48.7	2297.00	2838.61	1581.78	- 44.3
Cloves	"	4.6	5.5	0.2	- 96.4	2.8	4.1	0.1	- 97.6	617.35	756.41	354.28	- 53.2
Minerals Group													
Natural Graphite	"	224.8	192.6	152.6	- 20.8	8.3	8.9	9.0	+ 1.1	36.78	46.39	59.10	+ 27.4
Ilmenite	"	1667.2	1556.2	1731.1	+ 11.2	4.1	4.2	4.7	+ 11.9	2.45	2.68	2.69	+ 0.4
Naptha	Th. M. Ton	—	115.4	77.2	- 33.1	—	11.2	6.0	- 46.4	—	97.10	78.18	- 19.5
Residual Fuel oils	"	—	161.1	35.0	- 78.3	—	8.2	2.5	- 69.5	—	51.00	71.34	+ 39.9
Other Agricultural Products													
Cocoa beans	Th. cwt.	25.4	29.9	30.1	+ 0.7	7.0	7.2	6.2	- 13.9	273.43	240.82	205.57	- 14.6
Unmanufactured tobacco	Mn. lbs	0.7	0.5	1.5	+ 200.0	2.9	2.2	6.9	+ 213.6	4.04	4.21	4.47	+ 6.2
Citronella oil	Th. lbs.	402.6	426.5	417.6	- 2.1	1.8	1.9	2.1	+ 10.5	4.57	4.48	5.06	+ 12.9
Cinnamon Leaf Oil	"	93.9	111.4	123.7	+ 11.0	1.0	1.1	1.0	- 9.1	10.29	10.12	8.18	- 19.2
Fatty Acids Group													
Fatty Acids	Th. cwt.	10.9	20.9	128.4	+ 514.3	0.9	1.8	4.0	+ 122.2	80.60	85.81	31.47	- 63.3
Glycerine	Th. cwt.	21.5	24.6	27.5	+ 11.8	1.2	1.5	1.7	+ 13.3	57.20	59.20	61.93	+ 4.6
Manufactured Products Group													
Leather tanned	"	11.6	13.3	14.9	+ 12.0	3.2	3.6	4.1	+ 13.9	275.76	269.78	272.90	+ 1.2
Precious & semi-precious stones	Th. carats	136.6	184.9	n. a.	—	0.5	4.3	3.4	- 20.9	—	—	—	—
Jewellery and goldsmiths' ware	"	—	—	—	—	1.0	1.0	0.3	- 70.0	—	—	—	—
Clothing of textiles	Th. doz.	110.3	180.4	118.0	- 34.6	3.3	7.8	7.0	- 10.3	—	—	—	—
Footwear of Rubber, Leather	"	29.0	31.8	37.0	+ 16.4	1.5	1.0	1.1	+ 10.0	53.38	30.62	30.18	- 1.4
Total value of above items						145.6	172.8	162.8	- 5.8				
Total value of all minor export products						161.2	198.5	190.2	- 4.2				
Percentage of coverage						90.3	87.1	85.6					

Source: Ceylon Customs Returns adjusted for exports of the Ceylon Petroleum Corporation.

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	
		1969	1970	1971	1969	1970	1971	1969	1970	1971	1969	1970	1971	1969	1970	1971	1970 over 1969	1971 over 1970
Cocoa 1 ..	(Cwt)	387.30	272.08	233.11	374.77	230.00	265.28	388.83	221.75	240.33	318.04	229.88	159.63	367.24	239.19	228.30	- 34.9	- 4.6
Cinnamon Quills 2 ..	(lb.)	6.00	4.95	4.46	5.43	4.74	3.91	5.32	4.39	3.72	5.30	4.26	3.40	5.51	4.58	3.87	- 16.9	- 15.5
Cinnamon Chips 3 ..	(Candy)	511.04	260.07	273.71	476.13	277.54	303.75	443.75	267.45	277.50	301.54	265.04	291.04	433.11	267.52	286.50	- 38.2	+ 7.1
Cardamoms 4 ..	(lb.)	25.91	33.15	20.54	30.34	33.37	14.86	28.99	27.05	12.72	28.79	22.54	12.15	28.51	29.03	15.07	+ 1.8	- 48.1
Citronella oil 5 ..	(lb.)	6.05	5.79	6.89	7.07	5.77	7.25	5.85	6.13	6.62	6.30	6.42	7.06	6.31	6.03	6.96	- 4.4	+ 15.4
Papain White ..	(lb.)	18.60	13.81	12.32	13.81	14.99	13.63	16.39	14.98	15.19	13.44	14.35	20.73	15.56	14.53	15.47	- 6.6	+ 6.5
Papain Brown ..	(lb.)	10.14	9.25	9.88	6.73	9.87	11.58	8.63	9.25	13.30	8.83	9.25	17.43	8.58	9.40	13.05	+ 9.6	+ 38.8
Coir Fibre Mattress 6 ..	(cwt.)	20.71	16.30	19.87	20.05	16.50	20.47	17.20	16.50	20.44	15.41	18.21	18.62	18.34	16.88	19.85	- 8.0	+ 17.6
Coir Fibre Bristle 7 ..	(cwt.)	47.63	38.65	37.60	47.11	38.00	39.43	42.59	37.47	41.99	40.00	38.00	43.50	44.33	38.03	40.63	- 14.2	+ 6.8
Coconuts Fresh 8 ..	(Thousand)	275.88	272.67	257.13	222.04	247.79	224.33	186.46	200.84	218.25	228.33	228.71	245.00	228.18	237.50	236.18	+ 4.1	- 0.6
Coconut Shell Charcoal 9 ..	(ton)	153.63	179.17	459.25	132.38	315.58	458.13	125.96	385.67	451.58	131.42	400.42	403.33	135.85	320.21	443.07	+ 135.7	+ 38.4

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

Export Incentives and the FEEC Scheme

One of the objectives of the Foreign Exchange Entitlement Certificate Scheme is to provide price incentives for enhanced exports. A fairly dramatic response during the initial stages of the operation of this scheme was noted. Presumably, this was due to fuller use of existing capacity and diversion of products away from home to the export market. Growth since then has been disappointing. Partly, this may be due to the time lag involved between investment in new capacity, stimulated at the commencement of the FEEC Scheme and production, which in agriculture is generally longer than in manufacturing industry, and partly, too, to certain factors which offset the incentive effect of the scheme; among them the increased attraction of the domestic market as a result of import restrictions (e.g. pepper, textiles), and increased export duties on items like cocoa, graphite deserve mention.

The Crop Diversification Subsidy Scheme

The Crop Diversification Subsidy Scheme was introduced in 1970¹ under the Tea and Rubber Subsidy Acts for the cultivation of alternative crops on uneconomic tea and rubber lands. The scheme continued in force during 1971. It was extended to cover the cultivation of mulberry and lemon grass under which a subsidy of Rs. 500 per annum was paid in three instalments provided that cultivation —

- (1) was in place of uneconomic tea and rubber lands; and
- (2) conformed to provisions relating to minimum acreages.

Permits were issued for the planting of 3,912 acres of uneconomic tea and 1,854 acres of uneconomic rubber lands with alternative crops in 1971. Of the acreages for which permits have been issued, the first and second instalments of the subsidy have been paid for 1,495 acres of tea and 549 acres of rubber lands. The total subsidy paid up to end-December 1971 on 1495 acres of tea lands was Rs. 462,000, while that on 549 acres of rubber lands was Rs. 396,615. The following table provides data on the acreages under respective commodities for which permits were issued up to end, December 1971 and those parts on which the first and second instalments have been paid.

¹ For details see Annual Report 1970 pg. 234

TABLE II (J) 15

**The Crop Diversification Subsidy Scheme - Acreage
replanted and subsidies paid**

	Uneconomic Tea Lands		Uneconomic Rubber Lands	
	Permits issued (acres)	Acreage on which 1st & 2nd instalments have been paid	Permits issued (acres)	Acreage on which 1st & 2nd instalments have been paid
Coconut ..	979	349	1,025	291
Cocoa ..	179	103	236	—
Cardamoms ..	235	110	51	15
Cloves ..	236	97	62	10
Nutmegs ..	18	—	40	3
Pepper ..	332	141	41	11
Pineapple ..	101	—	64	11
Passion Fruit ..	130	7	64	8
Pasture ..	152	53	32	—
Timber ..	661	61	39	—
Rubber ..	889	574		
Oil Palm ..	—	—	200	200
Total	3,912	1,495	1,854	549

Sources: Tea & Rubber Control Departments.

3. Imports

According to Customs statistics the total value of imports decreased by Rs. 327 million in 1971, but when adjustments are taken into account, the decrease amounts to only Rs. 252 million. Table II (J) 16 presents a classification of imports after adjusting Customs data to reflect the actual values of the items imported by the Food Commissioner and the Ceylon Petroleum Corporation. Data on an unadjusted basis are given in Table II (J) 18.

TABLE II (J) 16

**Customs data adjusted for Food Commissioner's and
Ceylon Petroleum Corporation's Imports**

	Value in Rupees Million	
	1970	1971
1. Consumer goods ..	1,276	1,127
of which		
A. Food and Drink ..	1,051	909
(i) Rice ..	353	188
(ii) Flour ..	225	208
(iii) Sugar ..	152	239
B. Textiles ..	124	103
C. Other consumer goods ..	101	115
2. Intermediate goods ..	523	526
3. Investment goods ..	546	419
4. Unclassified Imports ..	22	43
5. Total Imports ..	2,367	2,115

Table II (J) 16 shows that the brunt of the import reductions were borne by consumer goods and investment goods. The value of consumer goods fell by Rs. 149 million while that of investment goods fell by Rs. 127 million. Proportionately, however, the impact was much greater on investment goods; they fell by 23 per cent as compared with a reduction of only 12 per cent in consumer goods. These statistics reflect the relative inflexibility of Ceylon's requirements of consumer and intermediate goods and the inevitability of investment goods having to be sacrificed when, under balance of payments pressure total import expenditure has to be restricted.

Consumer Goods

Out of the reduction of Rs. 139 million in the value of consumer goods, Rs. 95 million was accounted for by a reduction in the total expenditure on rice, flour and sugar imports. In fact, expenditure on rice imports alone declined by Rs. 165 million, but this saving was offset to the tune of Rs. 87 million by increased outlays on sugar imports. Table II (J) 17 sets out the data on rice, flour and sugar imports, both according to Customs entries and Food Commissioner's records.

TABLE II (J) 17

Customs Entries and Actual Imports of Rice, Flour and Sugar

	Food Commissioner's Data				Customs Data			
	1970	1971	Change		1970	1971	Change	
			Abso- lute	%			Abso- lute	%
Rice								
Quantity : Th. tons ..	526	334	- 192	- 36.5	472	290	- 182	- 38.6
Value : Rs. Mn. ..	353	188	- 165	- 46.7	318	195	- 123	- 38.7
C. & F. Price : Rs. per ton ..	671.15	563.11	- 108.04	- 16.1	672.70	673.78	1.08	+ 0.2
Flour								
Quantity : Th. tons ..	369	330	- 39	- 10.6	419	318	- 101	- 24.1
Value : Rs. Mn. ..	225	208	- 17	- 7.6	260	206	- 54	- 20.8
C. & F. Price : Rs. per ton ..	611.44	630.79	+ 19.35	+ 3.2	621.48	649.93	+ 28.45	+ 4.6
Sugar								
Quantity : Th. Tons ..	240	283	+ 43	+ 17.9	279	287	+ 8	+ 2.9
Value : Rs. Mn. ..	152	239	+ 87	+ 57.2	170	243	+ 73	+ 42.9
C. & F. Price : Rs. per ton ..	633.71	844.65	+ 210.94	+ 33.3	608.46	845.87	+ 237.41	+ 39.0
Total value of rice, flour and sugar : Rs. Mn. ..	730	635	- 95	- 13.0	748	644	- 104	- 13.9

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

Rice

The reduction in expenditure on rice imports resulted mainly from a sharp fall in the quantity; it was also, however, assisted to a significant extent by a fall in prices. In 1970, the volume of rice imports ran at a high level owing partly to the higher level of consumption expected from the increase in the ration, and partly from the need to build up stocks in order to ensure a smooth flow of supplies on the ration. The latter represented a once-for-all demand which disappeared in 1971. Ceylon's import requirements also decreased substantially

TABLE II (J) 18
Imports by Major Categories and Commodities or Groups of Commodities - 1967-71

	Value in Rupees Million					Percentage of total Imports				
	1967	1968	1969	1970	1971	1967	1968	1969	1970	1971
1. Consumer Goods	931	1,147	1,218	1,294	1,136	53.6	52.8	47.9	55.8	57.2
of which										
A. Food and Drink	783	989	976	1,069	918	45.1	45.5	38.0	46.1	46.2
(i) Rice	211	341	257	318	195	12.1	15.7	10.1	13.7	9.8
(ii) Flour	229	250	255	260	206	13.2	11.5	10.0	11.2	10.4
(iii) (a) Sugar, refined	74	97	115	170	243	4.3	4.5	4.5	7.3	12.2
(b) Sugar, other (i.e. sakkarai, jaggery and sugar candy)	...	...	...	1	1	...	...	...	...	0.1
(iv) Milk and Milk products	66	74	52	55	47	3.8	3.4	2.0	2.4	2.4
(v) Meat and fish	56	70	87	68	72	3.2	3.2	3.4	2.9	3.6
of which (a) Fish dried (excluding maldivian fish but including dried prawns)	44	58	69	53	52	2.5	2.7	2.7	2.3	2.6
(b) Fish, other	9	11	17	15	19	0.5	0.5	0.7	0.6	1.0
(c) Meat and meat preparations	3	1	1	...	1	0.2	...	...	...	0.1
(vi) Food, other	126	125	145	139	96	7.2	5.8	5.7	6.0	4.8
of which (a) Potatoes	7	...	...	...	4a	0.4	...	...	...	0.2
(b) Gram and pulses	53	56	78	63	45	3.0	2.6	3.1	2.7	2.3
(c) Onions	19	17	17	29	1	1.1	0.8	0.7	1.3	0.1
(d) Chillies	29	34	26	26	30	1.7	1.6	1.0	1.1	1.5
(vii) Drink and manufactured tobacco	2	2	4	3	2	0.1	0.1	0.2	0.1	0.1
B. Textiles (including clothing)	73	77	122	124	103	4.2	3.5	4.8	5.3	5.2
C. Other Consumer Goods	75	81	120	101	115	4.3	3.7	4.7	4.3	5.8
of which—(i) Motor cars	10	7	13	10	7	0.6	0.3	0.5	0.4	0.4
(ii) Watches and clocks	...	...	...	...	...	...	...	...	...	...
(iii) Radio receivers	...	3	1	1	1	...	0.1	...	...	0.1
(iv) Rubber tyres and tubes	4	3	22	11	11	0.2	0.1	0.9	0.5	0.6
(v) Medicinal and pharmaceutical products	22	23	32	29	34	1.3	1.1	1.3	1.3	1.7
2. Intermediate Goods	441	629	592	451	388	25.4	29.0	23.3	19.5	19.5
of which—(i) Fertilizer	80	110	66	81	59	4.6	5.1	2.6	3.5	3.0
(ii) Petroleum products	112	196	156	58	26	6.4	9.0	6.1	2.5	1.3
(iii) Coal	9	4	4	4	4	0.5	0.1	0.2	0.2	0.2
(iv) Chemical elements and compounds	38	45	66	56	66	2.2	2.1	2.6	2.4	3.3
(v) Dyeing, tanning and colouring materials	10	15	14	10	11	0.6	0.7	0.6	0.4	0.6
(vi) Tea and other chests	9	10	13	9	20	0.6	0.5	0.5	0.4	1.0
(vii) Paper and paperboard	41	37	55	45	48	2.4	1.7	2.2	1.9	2.4
(viii) Yarn and thread	45	71	80	41	40	2.6	3.3	3.1	1.8	2.0
(ix) Unmanufactured tobacco	6	10	6	3	4	0.3	0.5	0.2	0.1	0.2
3. Investment Goods	330	383	700	546	419	19.0	17.6	27.5	23.5	21.1
of which—(i) Building materials	48	95	99	119	118	2.8	4.5	3.9	5.1	5.9
of which—(a) Cement	9	17	14	7	3	0.5	0.8	0.6	0.3	0.2
(ii) Transport equipment	89	80	213	126	76	5.1	3.7	8.4	5.4	3.8
(iii) Machinery and equipment	175	195	368	276	200	10.1	9.0	14.5	11.9	10.1
4. Total (Items 1, 2 and 3)	1,702	2,159	2,510	1,991	1,943	97.9	99.4	98.7	99.0	97.8
5. Unclassified imports	36	14	33	2	22	2.1	0.6	1.3	1.0	2.2
6. Total Imports	1,738	2,173	2,543	2,313	1,986	100.0	100.0	100.0	100.0	100.0

(a) Seed potatoes (b) Includes Rs. 21 million worth of Passenger baggage.

Source: Ceylon Customs Returns

in 1971, owing to the larger quantity of rice purchased domestically through the Guaranteed Price Scheme. These factors accounted for the reduction in the quantity of rice imports by 36.5 per cent to 334,000 tons. Average import price also declined by 16.1 per cent to Rs. 563.11 per ton as a result of the easier supply position of rice following good harvests in most of the major rice producing countries of the world.

Flour

As compared with 1970, the decrease of Rs. 17 million in the value of flour imports was the net result of a reduction of quantity imported by 39,000 tons or 10.6 per cent and an increase in the average C & F price by Rs. 19 per ton or 3.2 per cent. The landed cost of flour was affected by a rise in freight charges, which was brought about partly by the appreciation of European currencies against the U. S. dollar and partly by a scramble for shipping space to move grain from U.S. ports before the dock strike began in October, 1971.

Sugar

The substantial increase of Rs. 87 million or 57.2 per cent in the value of sugar imports was the combined result of an increase in volume of 17.9 per cent and an increase in price of 33.3 per cent. While it is true that sugar requirements of Ceylon are steadily increasing (because of the increase in population) importance should not be attached to the year-to-year changes in the volume of imports, which are affected by the irregularity and size of shipments. The increase in price was, however, more significant. In 1971, world price of sugar, although fluctuating within a wide range, was consistently higher than in 1970. The factors that underlay the strong upward bias in price movements was the expected and actually realised shortfall in Cuban production, poor harvests in Eastern Europe and the conflict between India and Pakistan. Towards the end of 1971, speculative buying, induced by expectations of a tight supply situation, pushed prices to the highest levels reached since 1964. The activities of the International Sugar Organisation helped raise the average level of prices, but it was singularly unsuccessful in stabilising prices. The fact that as late as October 1971, the International Sugar Organisation agreed on cuts in export quotas to arrest a possible decline in prices underscores the difficulties in forecasting prices as only three months later prices nearly doubled.

Other Food Imports

Import expenditure on food items other than rice, flour and sugar, decreased sharply from Rs. 262 million in 1970 to Rs. 215 million in 1971. This was mainly due to a virtual disappearance of onion imports the outlay on which was scaled down from Rs. 29 million in 1970 to Rs. 1 million in 1971 in line with the Government's strategy of import substitution in agriculture. Expenditure on gram and pulses also decreased from Rs. 63 million to Rs. 45 million.

Textiles and other Consumer Goods

Imports of textiles decreased from Rs. 124 million to Rs. 103 million, but imports of other consumer goods increased from Rs. 101 million to Rs. 115 million. Half the increase in the latter group was on account of medicinal and pharmaceutical products.

Intermediate goods

Customs data for this group of commodities need to be modified to take account of the under-recording of petroleum imports. When such adjustments are made, the total value of imports of intermediate goods shows hardly any change: they amounted to Rs. 526 million in 1971 as against Rs. 523 million in 1970. Within this group, however, there were significant changes. The value of petroleum imports increased by Rs. 33 million, tea and other chests by Rs. 11 million and chemicals by Rs. 10 million. These increases were offset by reductions of Rs. 22 million in imports of fertilizers, and Rs. 34 million in miscellaneous intermediate goods.

Investment goods

The value of imports of Investment goods fell by Rs. 127 million (23.3 per cent) to Rs. 419 million in 1971. Imports of building materials were virtually unchanged. The categories that were most affected were transport equipment, whose value fell from Rs. 126 million to Rs. 76 million, and imports of machinery and equipment which declined from Rs. 276 million to Rs. 200 million. These decreases reflect the tighter level of import restrictions which prevailed in 1971.

4. Cargo handled at the Ports

The total volume of cargo handled at the three ports, Colombo, Trincomalee and Galle decreased by 6.4 per cent to 2,917,042 shipping tons reflecting the contraction in Ceylon's foreign trade. The Port of Colombo was relatively less affected; cargo handled here decreased by only 3.4 per cent. Particulars of the tonnage handled by the Colombo Port in each quarter of 1971 as compared with corresponding quarters of the previous year are given in Table II (J) 19.

TABLE II (J) 19.

Import and Export Cargoes handled by the Port of Colombo

		1970	1971	Shipping tons change	
				Absolute	%
1st Quarter	..	756,007	690,574	- 65,433	- 8.7
2nd Quarter	..	673,648	665,967	- 7,681	- 1.1
3rd Quarter	..	648,722	648,516	- 206	- 0.03
4th Quarter	..	690,552	671,080	- 19,472	- 2.8
Year	..	2,768,929	2,676,137	- 92,792	- 3.4

Source: Port (Cargo) Corporation

Freight Rates

In a background of steadily worsening balance of trade, Ceylon has had to bear in recent years the additional burden of frequent increases in freight rates. The year 1971 witnessed a continuation of this trend, with general increases of 10-15 per cent being introduced by Conference Lines as detailed below.

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

- 4.1.71 - a London Port surcharge of 15 per cent was imposed on exports
- 1.4.71 - London Port surcharge on imports reduced to 15 per cent and that on exports reduced to 12 per cent and transferred to consignees.
- 1.9.71 - a general freight increase of 15 per cent to U.K. Ports and $12\frac{1}{2}$ per cent to Continental Ports.
- 27.9.71 - a currency adjustment surcharge of $12\frac{1}{2}$ per cent to the U.K. and continent.

(ii) Ceylon/U.S.A. Conference

- 15.1.71 - a general freight increase of 10 per cent to U.S.A. and Atlantic Ports.

(iii) Ceylon/Australia Conference

- 15.2.71 - a general freight increase of 15 per cent to Australian Ports.

(iv) Ceylon/New Zealand Conference

- 1.2.71 - a general freight increase of 15 per cent to New Zealand Ports.

(v) Bank Line (Ceylon/South Africa)

- 1.2.71 - a general freight increase of $12\frac{1}{2}$ per cent.

(vi) Ceylon/Straits/China/Japan Agreement

- 1.1.71 - a general freight increase of $7\frac{1}{2}$ per cent.

(vii) Ceylon/Canada Lines

- 1.6.71 - a general freight increase of 10 per cent.

5. Pattern of Trade

Table II (J) 20 depicts the pattern of Ceylon's trade by principal monetary areas and regional groups. The contraction in Ceylon's foreign trade was felt mainly in the Sterling area. Imports from the Sterling area, however, fell more than exports, resulting in the trade deficit of Rs. 94.0 million in 1970 turning into a surplus of Rs. 42.2 million in 1971. Exports to the Dollar area increased slightly while imports fell by nearly one-third. Exports to the European Economic Community declined by Rs. 33.6 million while imports increased by Rs. 7.7 million. In the ECAFE region exports increased by Rs. 18.1 million, but imports declined by Rs. 184.7 million.

TABLE II (J) 20

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

Rupees Million

	Total Exports f.o.b.(a)		Total Imports c.i.f.		Balance of Trade	
	1970	1971	1970(b)	1971	1970	1971
Sterling Area	850.9	779.7	944.9	737.5	- 94.0	+ 42.2
Dollar Area	211.0	226.1	200.2	141.2	+ 10.8	+ 84.9
Others	940.9	932.5	1,163.2	1,106.9	- 222.3	- 174.4
Commonwealth Countries ..	767.8	705.3	918.5	773.1	- 150.7	- 67.8
Foreign Countries(c) ..	1,235.0	1,233.0	1,389.9	1,212.5	- 154.9	+ 20.5
European Economic Community ..	198.8	165.2	283.7	291.4	- 84.9	- 126.2
European Free Trade Association ..	470.4	351.1	369.6	305.9	+ 100.8	+ 45.2
ECAFE Region ..	541.9	560.0	1,104.8	920.1	- 562.9	- 360.1

Source: Ceylon Customs Returns.

(a) Excludes ships' stores and bunkers

(b) Excludes passenger baggage

(c) Countries outside the Commonwealth

The main changes in the trade with individual countries are as follows-

- (a) Decrease in exports to the United Kingdom Rs. 122 million, the People's Republic of China Rs. 72 million, Poland Rs. 14 million, India Rs. 11 million, Canada Rs. 8 million, Federal Republic of Germany, Italy and the Union of South Africa Rs. 7 million each.
- (b) Decreases in imports from the People's Republic of China Rs. 128 million, the United Kingdom Rs. 83 million, Poland Rs. 33 million, the United States of America Rs. 31 million, Canada Rs. 29 million, Japan and Czechoslovakia Rs. 25 million each, India Rs. 18 million, Iran Rs. 16 million and Yugoslavia Rs. 4 million.
- (c) Increases in exports to Pakistan Rs. 68 million, Iraq Rs. 44 million, the U.S.A. Rs. 20 million, Australia Rs. 19 million, U.S.S.R. Rs. 15 million and the U.A.R. Rs. 5 million.
- (d) Increases in imports from the U.S.S.R. Rs. 24 million, France Rs. 14 million; the Union of Burma Rs. 10 million, Belgium, Pakistan, German Democratic Republic and Thailand Rs. 9 million each.

Trade with the People's Republic of China

The trade turnover with the People's Republic of China in 1971 decreased sharply by Rs. 199 million or 37 per cent on the 1970 level. Imports declined to a much larger extent than exports. A fall of Rs. 71 million in exports was accompanied by a fall of Rs. 128.2 million in imports. Thus, the balance of trade turned into a surplus of Rs. 20 million as compared with a deficit of Rs. 37.8 million in 1970.

The fall in the value of imports was caused principally by a decline of 53.5 per cent in the purchases of rice, the main import from China. This in turn was due to the lower requirement of rice imports in 1971 consequent to the availability of stocks built up in the preceding year and larger procurements under the Guaranteed Price Scheme. Increased purchases of textiles and chillies offset to a small extent the reduction of rice imports

The fall in the value of exports was the result of a greatly reduced volume of rubber shipments combined with a fall in world prices of rubber. As compared with 1970 the decline in volume was 30 per cent; in terms of value it was as much as 45 per cent. This was mitigated to some extent by an increase in both the volume and value of coconut oil exports. As compared with 1970, the volume increase was 149 per cent, while the value increase was 161 per cent.

Table II (J) 21 gives data on Ceylon's trade with the People's Republic of China for the period 1967-71 while Table II (J) 22 provides details of the values of commodities traded in 1970 and 1971.

TABLE II (J) 21
Trade with People's Republic of China - 1967-1971

Year	Exports		Imports		Balance of Trade Rs. mn.	Trade Turnover	
	Value Rs. mn.	Percentage of total exports	Value Rs. mn.	% of total imports		Value Rs. mn.	% of total trade turnover
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
1971	181	9.4	161	8.1	+ 20	342	8.7

Source: Ceylon Customs Returns

TABLE II (J) 22
Trade (Commodity-wise) with the People's Republic of China 1970 - 71

					Rupees Million		
					1970	1971	Absolute Change
Exports							
Rubber	..	..	..	..	230.5	127.9	- 102.6
Coconut Oil	..	..	..	..	20.1	52.5	+ 32.4
Other	..	..	..	..	0.9	0.1	- 0.8
Total	..	..	..	..	251.5	180.5	- 71.0
Imports							
Rice	..	..	..	..	213.9	81.0	- 132.9
Textiles	..	..	..	..	47.7	56.2	+ 8.5
Dried Chillies	..	..	..	..	9.0	11.5	+ 2.5
Textile Yarn and Thread	..	..	..	..	0.2	0.1	- 0.1
Pulses and Spices	..	..	..	..	3.8	0.9	- 2.9
Tea Chests	..	..	..	..	1.0	1.4	+ 0.4
Other	..	..	..	..	13.7	10.0	- 3.7
Total	..	..	..	..	289.3	161.1	- 128.2
Balance of Trade					- 37.8	+ 19.4	-

Source: Ceylon Customs Returns

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

Table II (J) 23 provides data on Ceylon's trade with the above region.

TABLE II (J) 23

Trade with U. S. S. R. and Eastern Europe* 1967-1971

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
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
1971	180	9.3	151	7.6	+ 29	331	8.4

Source: Ceylon Customs Returns

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

The total trade turnover in 1971 with the U.S.S.R. and Eastern Europe contracted further by Rs 28 million or 8 per cent over 1970, due mainly to reduced imports from the region; the higher value of exports was not sufficient to offset the decrease in value of imports in 1971. The total trade with this region as a percentage of the total trade turnover of Ceylon remained at 8 per cent as in 1970.

A commodity classification of trade with the U.S.S.R. and Eastern Europe is provided in Table II (J) 24.

The U.S.S.R. which accounted for 47 per cent of the total value of exports to the above region absorbed a larger share of 54 per cent in 1971. While Ceylon's exports to Bulgaria, Czechoslovakia, G.D.R., Hungary, Yugoslavia registered increases in 1971, exports to Poland and Rumania indicated decreases over 1970. The value of exports of rubber to Czechoslovakia and G.D.R., in particular, recorded substantial increases in 1971 over the previous year. It is also significant to note that the value of exports of the three major coconut products to the U.S.S.R. in 1971 at Rs 46 million reflected a marked increase of 70 per cent over 1970.

The total value of imports from the U.S.S.R. and Eastern Europe in 1971 contracted by Rs 34 million as compared with 1970. The U.S.S.R., the major trading partner of the region, increased her share to 42 per cent in 1971 from 36 per cent in 1970. Imports from Bulgaria, Czechoslovakia, Hungary, Poland, Rumania and Yugoslavia recorded decreases over 1970; however, imports from the G.D.R. increased due mainly to the import of sugar in 1971 to the value of

TABLE II (J) 24
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	
	1970	1971	1970	1971	1970	1971	1970	1971	1970	1971	1970	1971	1970	1971	1970	1971	1970	1971
(i) Total Exports ..	2.09	6.12	3.49	4.84	19.63	21.49	2.03	3.27	40.65	27.29	19.04	14.00	4.41	5.76	82.33	97.16	173.67	179.93
of which ..																		
Tea ..	0.93	—	0.23	0.11	0.09	0.10	0.19	—	7.25	7.55	—	—	0.17	0.02	18.20	15.42	27.06	23.20
Rubber ..	1.11	0.03	0.36	2.51	—	7.42	0.50	—	29.91	16.67	16.89	10.76	0.49	0.97	28.48	28.95	77.74	67.31
Three major Coconut products ..	—	1.70	2.25	1.53	18.52	13.40	1.33	2.62	2.85	2.10	2.15	2.67	1.75	1.64	27.36	45.73	56.21	71.39
(ii) Total Imports ..	0.54	0.44	30.41	5.32	10.01	18.94	7.59	4.05	48.35	15.13	18.11	17.87	30.47	25.54	39.79	63.95	185.27	151.24
of which ..																		
Sugar ..	—	—	20.84	—	—	17.50	—	—	36.37	—	6.75	—	26.95	24.50	18.17	32.91	109.08	74.91
Machinery & Parts thereof ..	0.01	—	2.37	0.89	8.63	0.56	0.23	0.03	0.19	0.16	2.36	8.16	0.89	0.38	3.20	3.37	17.88	13.55
Textiles ..	0.49	—	5.82	3.71	—	—	5.52	3.17	6.81	7.22	1.66	2.73	—	—	3.94	2.33	24.24	19.16
Tea Chests ..	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6.59	6.12	6.59	6.12
Iron & Steel and articles thereof ..	—	—	0.19	0.12	0.14	0.14	—	—	1.27	3.06	2.83	0.60	1.22	0.21	1.32	13.89	6.97	18.02
Petroleum Products ..	—	—	—	—	—	0.01	—	—	—	—	—	—	—	—	—	0.03	—	0.04
Cement ..	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2.91	0.10	2.91	0.10
Balance of Trade (i)—(ii) ..	+1.55	+5.68	-26.92	-0.48	+ 9.62	+ 2.55	-5.56	-0.78	-7.70	+12.16	+0.93	-3.87	-26.06	-19.78	+42.54	+33.21	-11.60	+28.69

Source: Ceylon Customs Returns.

Rs 17.50 million. The value of sugar imports from the U.S.S.R., too, increased by as much as 81 per cent over 1970. In sum, the balance of trade with the above region in 1971 recorded a surplus of Rs 29 million as against a deficit of Rs 12 million in 1970.

Bilateral Clearing Accounts

The net aggregate quarterly position of bilateral clearing accounts maintained in terms of the Payments Agreements concluded by Ceylon appears in Table II (J) 25 below.

TABLE II (J) 25
Bilateral Clearing Accounts
Net Aggregate Quarterly Position 1970-71

Net position at end of		China, U.S.S.R. and other Eastern European countries*		Middle East/ Syria		Total	
		Credit	Debit	Credit	Debit	Credit	Debit
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	—
1971 March	.. ..	24.2	—	—	8.8	15.4	—
June	.. ..	—	39.3	—	6.0	—	45.3
September	.. ..	—	42.8	—	2.2	—	45.0
December	.. ..	—	37.3	—	2.3	—	39.6

Source: Central Bank of Ceylon

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

Credit: Due from Ceylon

Debit: Due to Ceylon

The end of year position for 1971 reflects an improvement of Rs,105.1 million, which converted a deficit of Rs 65.5 million at the end of 1970 to a surplus of Rs 39.6 million.

6. Developments in Commercial Policy

Export Control

The Export Regulations 1969¹ under the Imports and Exports (Control) Act No. 1 of 1969, were amended² to permit exports of tea, without a licence, to any country other than Bulgaria, People's Republic of China, Czechoslovakia, German Democratic Republic, Hungary, Poland, Rumania, U.S.S.R., Yugoslavia, and the United Arab Republic.

Import Control

The system of trade quotas which replaced open general licences in August, 1970 continued to be in force during 1971.

¹ See Gazette Extraordinary No. 4866/2 of August 9, 1969

² See Gazette Extraordinary No. 14963/7 of June 25, 1971

7. Foreign Exchange Budget

The foreign exchange Budget as an instrument of resource allocation continued to be in operation in 1971. No major change has taken place in the administrative machinery for foreign exchange budgeting. Approximately 60 per cent of imports (based on licences issued in 1971) were in category 'B' and subject to the surrender of Foreign Exchange Entitlement Certificates. The sources of finance were export receipts of 1971, commodity aid arrivals expected in 1971 (including the spill-over of aid negotiated in the period 1965 to 1970), project aid, drawings from I. M.F. and Suppliers' and other short term credits.

The Foreign Exchange Entitlement Certificates scheme introduced in 1968 was in operation in 1971. The price of the certificates continued to be Rs 55 per certificate of a face value of Rs 100.

8. Commodity Aid

The aggregate value of commodity aid arrivals, provided by twelve countries¹, under the seven programmes in 1971 amounted to Rs 324 million representing an increase of Rs 2 million over the total aid received in 1970. The details of aid received from the donor countries classified into consumer, intermediate and investment goods are set out in Table II (J) 26.

The major share of aid arrivals in 1971 totalling Rs 178.42 million consisted of intermediate and investment goods, while the balance Rs 145.57 million consisted of consumer goods. The highest proportion of aid arrivals in 1971, totalling Rs 164.57 million, was under the sixth programme while the aggregate arrivals under the fourth, fifth and seventh programmes were Rs 157.29 million, respectively. Aid arrivals under the first, second and third programmes were negligible. Table II (J) 27 provides a breakdown of aid imports received in 1971 by commodities.

Within the intermediate and investment goods categories the main aid imports consisted of fertilizer (Rs 63.97 million), motor spares (Rs 20.14 million) tractors, implements and spares (Rs 19.58 million), industrial raw materials (Rs 17.25 million) and commercial vehicles (Rs 12.92 million). Aid financed imports of machinery and spares amounted to Rs 10.61 million and newsprint to Rs 7.44 million.

Under the consumer goods group, aid imports of wheat flour amounted to Rs 87.58 million, rice Rs 24.59 million, textiles Rs 22.24 million and tyres and tubes Rs 10.74 million. The source of rice and textile imports was the People's Republic of China.

¹ For the list of countries see Table II (J) 26

TABLE II (J) 26
Commodity Aid Programme - Arrivals 1971

Rupees Million

Countries	Consumer Goods Under Programme								Intermediate & Investment Goods Under Programme								Grand Total
	I	II	III	IV	V	VI	VII	Total	I	II	III	IV	V	VI	VII	Total	
Australia	—	—	—	—	—	4.70	—	4.70	—	—	—	—	—	1.29	—	1.29	5.99
Canada	—	—	—	0.01	—	—	17.89	17.90	—	—	0.01	0.12	0.23	14.27	—	14.63	32.53
China, People's Republic of	—	—	—	—	—	46.82	—	46.82	—	—	—	—	—	—	—	—	46.82
Denmark	—	—	—	—	—	—	—	—	—	—	—	—	2.55	—	—	2.55	2.55
France	—	—	—	1.20	1.86	0.13	—	3.19	—	0.67	—	4.38	9.09	—	—	14.14	17.33
Germany, Federal Republic of	—	—	—	—	0.42	5.78	—	6.20	—	—	—	—	5.33	0.33	—	5.66	11.86
India	—	—	—	—	—	—	—	—	—	—	0.78	—	11.82	—	—	12.60	12.60
Italy	—	—	—	—	—	—	—	—	—	—	—	5.20	—	—	—	5.20	5.20
Japan	—	—	—	—	0.32	3.98	—	4.30	—	—	—	—	9.10	30.38	—	39.48	43.78
Sweden	—	—	—	—	—	—	—	—	—	—	—	—	—	—	9.40	9.40	9.40
United Kingdom	—	—	—	—	0.70	17.51	—	18.21	—	—	—	4.50	10.11	39.38	12.79	66.78	84.99
United States of America	—	—	0.10	—	44.15	—	—	44.25	0.01	0.56	—	—	6.12	—	—	6.69	50.94
Total	—	—	0.10	1.21	47.45	78.92	17.89	145.57	0.01	1.23	0.79	14.20	54.35	85.65	22.19	178.42	323.99

Source: Ministry of Planning & Employment.

TABLE II (J) 27
Aid Arrivals in 1971 - Commodity-wise

Commodities			Value Rs. Mn.	Percentage Shares
Intermediate & Investment Goods				
Fertilizer	..	..	63.97	19.7
Motor spares	..	..	20.14	6.2
Tractors, Implements and spares	..	..	19.58	6.1
Industrial raw materials	..	..	17.25	5.3
Commercial vehicles	..	..	12.92	4.0
Machinery and spares	..	..	10.61	3.3
Newsprint	..	..	7.44	2.3
Electrical Equipment	..	..	5.08	1.6
Steel sheets	..	..	3.74	1.2
Aluminium sheets	..	..	2.92	0.9
Base metal	..	..	2.91	0.9
Engineering stores	..	..	1.99	0.6
Fishing nets	..	..	1.62	0.5
Marine Engines	..	..	1.33	0.4
Mammories	..	..	1.26	0.4
Locomotives	..	..	0.90	0.3
Seed potatoes	..	..	0.84	0.3
Ticket machines	..	..	0.76	0.2
Motor cycles	..	..	0.67	0.2
Bus Body Building materials	..	..	0.65	0.2
Steel Rail and accessories	..	..	0.49	0.2
Steel safes	..	..	0.41	0.1
Telecommunication Equipment	..	..	0.38	0.1
Pipes and Fittings	..	..	0.36	0.1
Motor Cycle and Scooter spares	..	..	0.12	..
Building materials	..	..	0.07	..
Imports of Government Departments	..	..	0.61	..
Total	..	..	178.42	55.1
Consumer Goods				
Wheat Flour	..	..	87.58	27.0
Rice	..	..	24.59	7.6
Textiles	..	..	22.24	6.9
Tyres & Tubes	..	..	10.74	3.3
Drugs	..	..	0.42	0.1
Total	..	..	145.57	44.9
Grand Total	..	..	323.99	100.0

Source: Ministry of Planning and Employment

Trade Agreements

In 1971, Ceylon entered into a Trade and Payments Agreement with the German Democratic Republic and a Trade Agreement with Iraq in addition to the annual trade protocol with the People's Republic of China.

The agreement signed with the German Democratic Republic will remain valid until the end of 1975 while that entered into with the Republic of Iraq will be valid for a period of five years.

According to an exchange of letters with Yugoslavia in November 1971 the two countries will endeavour to purchase goods from each other to the value of U.S. \$ 4 million during 1972.