

## (K) FOREIGN TRADE

## 1. Major Developments

According to Customs records, the value of total exports in 1972 was Rs. 1,942 million and that of imports Rs. 2,045 million. This resulted in a merchandise trade deficit of Rs. 103 million as against a deficit of Rs. 39 million in 1971. Compared with the preceding year, the value of exports was lower by Rs. 5 million and that of imports higher by Rs. 59 million. Table II (K) 1 below provides data on Sri Lanka's foreign trade on a comparable basis for the last five years.

TABLE II (K) 1  
Foreign Trade 1968-72

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	
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
1972	1,942	2,045	- 103	97	88	118	157	75

Sources: Customs, Sri Lanka.  
Central Bank of Ceylon

\* Include re-exports

However, the above figures, which are derived from data supplied by the Customs, suffer from some serious drawbacks. Trade data are compiled by the Customs from export and import entries. Apart from tea, where the date of sailing of the vessel is regarded as the date of export, the "date" of a particular export or import is regarded as the date on which payment of duty is made, or, in instances where there is no duty payable, the date on which the relevant entry is passed. Thus, the recorded "date" of an export has no relevance whatsoever to the actual date of export as a number of large exporters enjoy the facility of paying duties and submitting export entries subsequent to the actual date of export. In a number of instances, a considerable amount of time elapses between these two events. The position is almost identical in the case of imports and in addition, import entries for certain items of imports that come through the parcel post (chiefly books) and which are generally not dutiable, are not passed. Regarding bunkers, the procedure followed by the Customs is such that it has always resulted in the under-recording of these re-exports as regards both quantity and value.

On account of the above reasons the Customs data contained in Table II (K) 1 have been adjusted in Table II (K) 2, for actual imports by the Food Commissioner, (by far the most important importer in Sri Lanka), imports of crude oil by the Petroleum Corporation, imports of passenger baggage, re-imports and

“non-commercial” imports of motor vehicles (where no foreign exchange is involved in the import) and for imports of other items where more reliable statistics are available. Likewise, export earnings from gems and from bunkers have been adjusted with the aid of statistics submitted by the State Gem Corporation and the Petroleum Corporation.

**TABLE II (K) 2**  
**Adjustments to Trade Data**  
(Figures in millions of Rupees)

	1971		1972	
	Imports	Exports	Imports	Exports
1. Difference between Food Commissioner's and Customs data re imports of rice, flour and sugar ..	- 2.0	—	13.0	—
2. Difference between Petroleum Corporation's and Customs data re imports of crude oil ..	138.0	—	149.0	—
3. Deduction for 'non-commercial' imports of motor vehicles and personal baggage and for re-imports ..	- 25.6	—	- 12.0	—
4. Other errors and omissions on imports ..	3.4	—	4.0	—
5. Difference between Petroleum Corporation's and Customs data re bunkers ..	—	80.3	—	67.8
6. Difference between Petroleum Corporation's and Customs data re fuel exports ..	—	11.7	—	2.5
7. Difference between Gem Corporation's and Customs data re exports of gems ..	—	—	—	3.4
8. Total 1 - 7 above ..	113.8	92.0	154.0	73.7
9. Adjusted trade data as derived from Table II (K) 1 and 8 above ..	- 21.8		- 80.3	

Sources: Customs, Sri Lanka; Food Commissioner; Petroleum Corporation; State Gem Corporation; Import and Exchange Control Departments.

The adjusted trade figures give a deficit of Rs. 183 million for 1972 as against a deficit of Rs. 61 million in 1971; the unadjusted trade figures reveal a similar trend. Although import volume in 1972 was lower than in 1971 due to further restrictions on imports, yet it was insufficient to prevent a deterioration in the balance of trade.

According to both sets of data (adjusted and unadjusted), export earnings in 1972 decreased in comparison with those of the two preceding years. As in 1971, the main reason for the fall in export earnings was a contraction in the volume exported (Table II (K) 1).

Export prices improved in 1972 relative to the previous year as a result of an increase in the f.o.b. price of tea.<sup>1</sup> Despite this, not only did Sri Lanka's export earnings, expressed in terms of local currency, fall in 1972, but there was a still greater fall in the value of her exports in terms of the world's major 'convertible' currencies on account of currency realignments during the course of the year.

In the case of imports, prices rose further, resulting in a higher level of import expenditure, despite increased trade restrictions reducing the quantity of imports. The increased expenditure on imports in Rupee terms, was also in part due to the currency realignments during the course of the year.

Sri Lanka's terms of trade continued to decline, as in the previous five years, but the decline was marginal, due mainly to an improvement in the f.o.b. price of tea.

## 2. Exports

Table II (K) 3 below gives details of export earnings from the major export products for the past five years on the basis of unadjusted customs data.

TABLE II (K) 3  
Composition of Exports 1968-72

Commodity	Value in Rupees Million					Percentage of total exports				
	1968	1969	1970	1971	1972	1968	1969	1970	1971	1972
Tea	1,162	1,062	1,120	1,145	1,154	57	55	55	59	60
Rubber	331	431	440	307	265	16	22	22	16	14
Coconut Products	334	225	240	280	266	16	12	12	14	14
breakdown of which:										
(a) Copra	34	26	23	24	52	2	1	1	1	3
(b) Coconut oil	133	108	116	149	132	7	6	6	8	7
(c) Desiccated Coconut	164	87	98	103	78	8	5	5	5	4
(d) Fresh nuts	3	4	3	4	4	...	...	...	...	...
Other domestic exports	149	157	195	198	238	7	8	10	10	12
Total domestic exports	1,976	1,875	1,995	1,930	1,923	97	98	98	99	99
Re-exports	60	41	38	17	18	3	2	2	1	1
Total	2,035	1,916	2,033	1,947	1,942	100	100	100	100	100

Source: Customs, Sri Lanka

Details of exports in 1972 and other aspects related to exports are discussed below.

## Tea Production

Tea production in 1972, at 471 million pounds, was 9 million pounds less than in 1971 (Table II (K) 4) and 32 million pounds less than the quantity produced in the peak year of 1965. Moreover, partly on account of price trends, production contracted least in the case of low grown teas and most in respect of high grown teas.

<sup>1</sup> See infra 200.

The fall in the volume of production in 1972 is principally attributed to the severe drought in the months of February and March. Production in these two months declined by 19 million pounds relative to the same period in 1971. It is also significant that fertilizer consumption in the tea plantation industry has declined from 116.4 thousand tons in 1970 and 118.8 thousand tons in 1971 to 99.3 thousand tons in 1972.

The replanting subsidy and the tax concessions seem to have been insufficient to maintain the rate of replanting with V. P. high yielding varieties. Thus, the annually registered replanted area has declined from 6,857 acres in 1970 to 6,640 acres in 1971 and 6,418 acres in 1972. This is in contrast to the target of an annual replanted area of 7,500 acres envisaged in the Five Year Plan.

**Table II (K) 4**  
**Tea Production by Elevational Category**

	1971		1972		Absolute change in 1972 over 1971
	Volume (Mn. lbs)	%	Volume (Mn. lbs)	%	
High grown .. ..	186.4	38.8	179.4	38.1	- 7.0
Medium grown .. ..	167.5	34.9	165.2	35.1	- 2.3
Low grown .. ..	126.2	26.3	126.0	26.8	- 0.2
<b>Total .. ..</b>	<b>480.1</b>	<b>100.0</b>	<b>470.6</b>	<b>100.0</b>	<b>- 9.5</b>

Source: Tea Control Department.

## 2. Exports

Export earnings from tea, at Rs. 1,154 million in 1972, were higher by Rs. 9 million or by 0.8 per cent over that of 1971. This was despite a fall of 27 million pounds (or 6.1 per cent) in the volume exported relative to the previous year. It was entirely due to a rise in the f.o.b. unit price by 21 cents per lb. (or by 8.2 per cent) over the average price for 1971.

Table II (K) 5 gives data on production, export volume and the disposal of tea through the Colombo auctions, London auctions and 'private' sales. Although tea production had fallen in 1972 by 9 million lbs. relative to 1971\* the quantities sold at the Colombo auctions fell only by 2 million lbs., while private sales decreased by 1 million lbs. On the other hand, the quantity shipped to the London auctions was only 54 million lbs. compared to the 111 million lbs. exported in 1968. This is to be explained by the relative "attractiveness" of prices fetched in the Colombo Market.

\* See footnote on page 199.

TABLE II (K) 5

Production, Exports, Quantities sold at the Colombo Auctions and  
Quantities shipped to London Auctions

(Million lbs.)

Year	Production	Exports Customs Data <sup>1</sup>	Quantity offered for sale at the Colombo Auctions	Quantity shipped direct to London Auctions	Private Sales
1967	487	478	369	110	5
1968	496	460	369	111	5
1969	484	445*	387	88	5
1970	468	460*	373	91	4
1971	480	443*	393	73	5
1972	471	416*	391	54	4

Sources: Administration Reports of the Tea Controller;  
Customs, Sri Lanka;  
Colombo Tea Brokers' Association.

1. Based on figures extracted from Customs Entries

\* Includes instant tea.

### Exports by Destination

Continuing the trend mentioned in the Annual Report for 1971, the importance of U. K. as a market for Sri Lanka's tea continued to diminish further during the year. The volume of tea exported to U.K. fell in 1972 to 74.3 million lbs. from the 103.1 million lbs. and 156.1 million lbs. exported in 1971 and 1970 respectively. Tea exports to U.K. through purchases at the Colombo auctions have fallen from 65 million lbs. in 1970 to 30 million lbs. in 1971 (a fall of 53.8 per cent), and to 20 million lbs. in 1972 (a fall of 33.3 per cent). The consignments of tea shipped to the London auctions declined from 91 million lbs. in 1970 to 73 million lbs. in 1971 (a fall of 19.8 per cent) and to 54 million lbs. in 1972 (a fall of 26.0 per cent on the previous year's figure). There are probably two main reasons for this trend. Due to changes in consumption patterns, total imports of tea by U.K. have declined from 252.7 thousand metric tons in 1970 to 226.3 and 212.2 thousand metric tons in 1971 and 1972 respectively. The average selling price of teas at the London auctions has also fallen from 45.67 new pence per kilogram in 1970 to 43.25 new pence in 1971 and to 42.24 new pence per kilogram in 1972. Although tea imports from Sri Lanka and India to the U. K. have fallen appreciably in the past few years,<sup>1</sup> imports from the African countries were 73.4 thousand metric tons in 1972 as against 61.4 thousand metric tons in 1971. African producers have increased supplies despite falling prices (see Table II (K) 8 below) because of relatively low costs of production. Other possible factors that have contributed to increased supplies of African teas are that tea bags are becoming more widely used in U.K., as well as the 'close' commercial and financial links between some African producers and large tea distributing combines in U. K. However, fortunately for Sri Lanka's tea industry in 1972, the increased demand from Pakistani buyers, who stepped up

1. Tea Brokers' Association of London.

their purchases from this country to 49.9 million lbs. from 28.2 million lbs. in 1971 and 0.7 million lbs. in 1970, has been a favourable and moderately off-setting influence. Pakistan thus became our second most important buyer in 1972. Among exports to other selected important markets (Table II (K) 6), only those of Libya, EEC and UAR increased, while exports to USA (the third largest buyer in 1972), Iraq and Australia, fell.

TABLE II (K) 6

## Country Classification of Tea Exports and percentage shares

	Volume of Tea Exports (Mn. lbs)		Percentage of Total Volume	
	1971	1972	1971	1972
United Kingdom .. ..	103.1	74.3	23.3	17.8
United States of America .. ..	44.5	37.3	10.0	8.9
Iraq .. ..	41.3	31.7	9.3	7.6
Australia .. ..	32.5	22.3	7.4	5.4
Pakistan .. ..	28.2	49.9	6.4	12.0
Union of South Africa .. ..	23.9	22.3	5.4	5.4
United Arab Republic .. ..	21.4	22.8	4.8	5.5
Libya .. ..	19.9	27.2	4.5	6.5
Union of Soviet Socialist Republics .. ..	4.4	...	1.0	...
E. E. C. .. ..	10.7	11.1	2.4	2.7
Other countries .. ..	113.1	117.3	30.0	34.7
Grand Total .. ..	443.0	416.2	100.0	100.0

Source: Customs, Sri Lanka.

## Colombo Auctions

The quantity offered for sale at the Colombo auctions remained almost static despite a fall in the crop, reflecting at least in part, the diminishing importance of U.K. as a market. The net sale average price<sup>1</sup> at the Colombo tea auctions rose by 8 cents per lb. over the figure for 1971 (Table II (K) 7).

The net sale average price for teas of all elevational categories increased in 1972 relative to 1971, with low grown doing best, followed by medium grown which sold at a net sale average price eight cents higher than in 1971. High grown increased in price by only five cents per pound over the net sale average price for 1971.

The chief explanation for the above price trends lies in the change in the relative importance of a number of Sri Lanka's major tea buyers. The decrease in supply in the months of February and March also appears to have influenced prices somewhat in the first and second quarters, particularly in the context of the increased demand from Pakistan, while the re-linking of the Rupee with the Pound Sterling contributed in some measure to the high prices obtained in the second quarter of 1972.

1. i.e. the gross price less the tax of 50 per cent on the difference between the gross price and Rs. 1.85 payable to the government on teas fetching over Rs. 1.85 per lb. (revised in the Budget to Rs. 2.00 per lb.)

TABLE II (K) 7

## Tea Production, Exports and Prices 1968-1972

Year	Production Mn. lbs	Exports		Average Colombo Auction Net Price (Rupees per pound)			
		Quantity Mn. lbs.	F.O.B. Price Rs. per lb	High grown	Medium grown	Low grown	All Teas
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	443*	2.56	1.94	1.72	1.76	1.81
1972	471	416	2.77	1.99	1.80	1.89	1.89
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
1972 1st Quarter	94	104	2.75	2.07	1.83	1.90	1.93
2nd Quarter	145	91	2.85	1.95	1.85	1.99	1.93
3rd Quarter	104	119	2.71	2.00	1.78	1.88	1.89
4th Quarter	128	102	2.77	1.94	1.70	1.78	1.81

\* As revised by the Customs

Sources: Administration Reports of the Tea Controller;  
Customs, Sri Lanka; Colombo Tea Brokers' Association

## London Auctions

In the context of a contracting market for tea in U.K.<sup>1</sup> the total quantity sold at the London auctions fell significantly in 1972 relative to 1971, (Table II (K) 8). However, the volume of teas consigned from Sri Lanka and, to a lesser extent, India, fell very substantially due to the "unattractiveness" of the London auctions in comparison with domestic auctions. In contrast, the African countries consigned far more tea to the London auctions in the face of a more than average fall in prices for their teas.

Although prices in the U.K. rose steeply in 1972, the average price of all teas at the London auctions fell in 1972 when compared with both 1971 and 1970. The prices fetched by Sri Lanka and North Indian teas were, however, fractionally higher than those realized in 1971. The slightly better price of Sri Lanka teas could be partly explained in terms of the very low volume consigned to the London auctions. Also, in keeping with seasonal trends, high prices were recorded in May, June and December.

TABLE II (K) 8

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.)			
	1969	1970	1971	1972	1969	1970	1971	1972
1. North India ..	60.4	30.4	54.5	40.6	41.56	46.77	42.14	42.87
2. South India ..	5.0	2.5	2.0	1.4	31.63	40.42	39.90	37.88
3. Sri Lanka ..	42.9	36.5	32.2	22.0	44.55	46.98	45.33	45.47
4. All Africa ..	35.1	37.4	35.2	46.1	35.71	44.00	43.01	40.49
of which -								
Kenya ..	13.2	14.2	12.4	20.6	44.25	48.66	47.25	43.56
Uganda ..	5.0	3.2	3.8	5.2	36.76	46.64	43.64	40.97
Tanzania ..	4.6	5.0	5.0	5.8	39.89	48.49	45.39	41.71
5. Total ..	145.4	108.7	125.0	112.7	40.51	45.67	43.25	42.24

Source: The London Tea Brokers' Association.

#### Tea in packets

Export earnings from packeted teas in 1972 at Rs. 102.4 million were higher by Rs. 41.8 million over the figure for the previous year while in volume terms the exports were 32.4 and 22.7 million pounds for the respective years.

As in the past, Libya was the most important purchaser of packeted tea accounting for 75 per cent of Sri Lanka's export earnings from this product. Exports to Saudi Arabia, Kuwait and Lebanon were substantial.

#### Instant Tea

Production of instant tea in 1972 fell by 36.2 per cent to 254,492 lbs. mainly due to difficulties experienced in production. Exports decreased to 235,804 lbs. from 266,217 lbs. in 1971 and in value terms a fall of Rs. 0.6 million was registered.

The principal markets for this product in 1972 were the United Kingdom (79.4 per cent), the Federal Republic of Germany (8.8 per cent) and Australia (4.9 per cent).

#### International Tea Consultations.

At the FAO Consultative Committee Meeting held in September 1972 global quotas were fixed for the 12 month periods ending 31st March 1973, 1974 and 1975<sup>1</sup> at 619, 645 and 670 thousand metric tons respectively. The allocation for Sri Lanka was 208.6 thousand metric tons for 1972/73 and 214.2 thousand metric tons for 1973/74.

#### Tea Export Duty Rebate Scheme

This scheme, whereby a rebate on export duty is granted on teas that fetch low prices at the Colombo auctions, was continued in 1972 with some modifications. On 11th November 1972 the maximum rebate payable was increased from 10 cents to 15 cents for low and mid-grown teas selling below Rs. 2 per lb. and from 5 cents to 10 cents in the case of high-grown teas for the same price range.

1. Provisionally fixed



Table II (K) 9 below gives details of the rebates allowed in respect of each elevational category of tea.

TABLE II (K) 9

**Tea Export Duty Rebate Scheme, (Colombo Auctions) and  
Taxes collected from the Tea Industry - 1972**

	Quantities on which the Rebate was paid (pounds)	The value of Rebate paid (Rupees)	Export duty collected (Rupees)	Revenue from Ad Valorem Sales Tax (Rupees)
High-grown ..	42,124,464	2,186,484	n. a.	n. a.
Medium-grown ..	64,101,230	4,692,223	n. a.	n. a.
Low-grown ..	41,448,069	3,064,142	n. a.	n. a.
Total ..	147,673,763	9,942,849	163,338,821	46,487,725

Sources: Tea Control Dept. Customs, Sri Lanka,  
Commissioner of Tea Exports

### The Ad-Valorem Sales Tax

The ad-valorem sales tax through which the government obtains fifty per cent of the difference between the gross selling price and a "minimum price" was continued during the year. The "minimum price" was, however, raised to Rs. 2.00 per pound in the Budget of 10<sup>th</sup> November from Rs. 1.85 per pound, to give a measure of relief to producers.

### Rubber

#### Production and Exports

Production of Rubber in 1972 fell marginally below the level in 1971, whereas exports rose slightly above the level in 1971 (Table II (K) 10). Compared to the corresponding figures for 1970, however, exports fell by 20 per cent and production by 12 per cent. In 1971, production and exports were significantly below the previous year, due mainly to the civil disturbances in April and May. But the setback in 1972 to the rising trend up to 1970 was due-apart from weather conditions-to factors such as low prices and reduced application of manure. The latter appears to have offset increases in output from high yields in replanted areas. By 1966, a total of 240,919 acres, comprising more than one-third the total acreage under rubber, had been replanted and would have come into bearing in 1972.

The low prices that prevailed during the greater part of the year, and especially in the first 4 months, when the average monthly price of RSS I in the Colombo market ranged between 72 and 74 cts. a pound, affected the marginal producers in particular, adversely. Although exports in 1971 and 1972 were approximately 285 mn. lbs., exports in the period June - September 1972 were only 79 million pounds, while 97 million pounds were exported during the same period in 1971. It may be inferred, on account of the inevitable time-lag between production and exports that low prices between January and April 1972 led to lower production and relatively favourable prices ranging from 80 to 84 cts.

per lb. for RSS I at the Colombo market resulted in higher production in 1971. Production therefore appears to have responded to price changes when prices were low and it is likely that marginal rubber lands, especially those of small-holders, were temporarily abandoned.

The Government announced a Guaranteed Price Scheme for producers of RSS I and II—the prices being 81 cts per lb. and 74 cts per lb. for RSS I and RSS II respectively sold in Colombo, and 80 cts per lb. and 73 cts per lb. respectively when sold in outstations. This Scheme came into effect from 1st September 1972 “in order to prevent rubber producers from neglecting or abandoning their holdings”.

Fertilizer application was reduced from 21.4 thousand tons in 1970 to 16.2 thousand tons in 1971 and further to 11.6 thousand tons in 1972.

The acreage replanted in 1972, at 8,722 acres, has fallen short of the target of 15,000 acres per annum envisaged in the Five Year Plan.

Domestic consumption of rubber amounted to 4.4 per cent of total production in 1972, representing an increase of 21.4 per cent in comparison with the 13.6 million pounds consumed locally in 1971.

11.2

TABLE II (K) 10

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
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
1972	184.0	122.5	309.4	164.6	119.3	285.7	0.90	0.97	0.93	0.81	0.89
1972											
1st Qr.	46.6	37.1	84.4	41.1	33.2	74.7	0.90	0.98	0.94	0.73	0.74
2nd Qr.	44.6	25.2	70.5	74.7	30.1	105.3	0.90	0.93	0.91	0.78	0.84
3rd Qr.	42.2	24.4	67.3	28.9	26.6	56.0	0.87	0.96	0.92	0.82	0.88
4th Qr.	50.6	35.8	87.2	19.9	29.4	49.7	0.91	1.03	0.98	0.92	1.11

Sources: Rubber Control Department,  
Customs, Sri Lanka,  
Colombo Rubber Brokers' Association.

Prices

Price trends are primarily a reflection of international market conditions. Although consumption of natural rubber exceeded supply, and supply itself declined slightly below its level during 1971, the annual average natural rubber price continued to fall, probably owing to the increased output of synthetic rubber (Table II (K) 11). For instance, by 1972 the price of RSS I had fallen from £ 227.4 per metric ton in 1961 to £ 148.9 per metric ton in the London

market. Similarly, prices in New York during the corresponding period had declined from U. S. \$ 650.5 to U. S. \$ 402.1 per metric ton. Synthetic rubber increased its share of the total supply of rubber marginally from 63 per cent in 1971 to 64 per cent in 1972.

TABLE II (K) 11

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

	Metric Tons*			
	Natural Rubber		Synthetic Rubber	
	1971	1972	1971	1972
Supply (Jan.-Sept.) .. ..	2,210,000	2,207,500	3,722,500	3,973,000
Consumption (Jan.-Sept.) ..	2,222,500	2,312,500	3,722,500	3,952,500
Stocks (at end of Sept) ..	790,000	760,000	1,117,500	1,180,000

Source: Rubber Statistical Bulletin.

\* Latest Available Figures

Price fluctuations in the international market during 1972 were as follows.

Prices declined from January due to the general lack of demand and paucity of trade orders until April, when reports of negotiations by the People's Republic of China for purchase of the Malaysian stock-pile sparked off a flurry of buying activity and lifted the market out of the doldrums. Prospects of the U. K. dock strike, resumption of the U. S. East Coast dock strike and continued pressure on sterling influenced prices thereafter. Prices rose sharply from October to December on account of increased Russian, East European and Japanese buying. Between October and December, prices rose by 5.9 percent in New York, while in London and Singapore they rose by 16.5 per cent and 11.4 per cent respectively. Record levels were reached in December with anticipation of high prices in the new year.

Local prices automatically followed world trends. The average monthly price of RSS I rose from 72 cts/lb. in January to 94 cts/lb. in December and the price of latex crepe IX rose from 75 cts. in January to Rs. 1.19 in December. Between October and December the price of RSS I rose by 4.4 per cent and that of latex crepe by 15.5 per cent. The Colombo market price of RSS I in 1972 showed a slight increase above its level in 1971, whereas the average price of latex crepe IX declined from Rs. 1.14 in 1971 to Rs. 0.89 in 1972.

#### Exports by Destination

Table II (K) 12 below gives details of exports to major buyers of Sri Lanka's rubber.

**TABLE II (K) 12**  
**Country Classification of Rubber Exports**

Country	Volume (Mn. lbs)		Percentage of Total	
	1971	1972	1971	1972
People's Republic of China ..	128.9	118.3	45.2	41.4
U. S. S. R. .. ..	20.4	11.4	7.2	4.0
U. S. A. .. ..	18.9	15.7	6.6	5.5
Poland .. ..	18.2	11.3	6.4	3.9
Rumania .. ..	10.9	14.8	3.8	5.2
Japan .. ..	5.4	3.7	1.9	1.3
United Kingdom .. ..	4.6	10.3	1.6	3.6
E. E. C. .. ..	35.3	49.1	12.4	17.2
Other Countries .. ..	42.6	51.1	14.9	17.9
<b>Total .. ..</b>	<b>285.2</b>	<b>285.7</b>	<b>100.0</b>	<b>100.0</b>

Source: Customs, Sri Lanka

### Coconut Products<sup>1</sup>

#### Exports

Export earnings from coconut products which were Rs. 266.4 million in 1972, decreased by 4.8 per cent in relation to 1971 as compared to increases of 16.6 and 6.5 per cent in 1971 and 1970, respectively.

Since the volume of coconut exports, expressed in terms of their nut equivalent, amounted to 1,258 million nuts in contrast to the figures of 1,019 million nuts in 1971 and 880 million nuts in 1970 (vide Table II (K) 13), the shortfall in export earnings in 1972 is attributable to the fall in the overall price of coconut exports. The annual average f. o. b. price realised for coconut oil (Rs. 1,548.69 per ton) in 1972 was the lowest attained for the last 4 years, the annual average f.o.b. price for copra (Rs. 1,185.55 per ton) was the lowest for the last 7 years, and the annual average price for desiccated coconut (Rs. 0.72 per lb.) was the lowest for the last 4 years.

#### General Price Trends

The steady decline in the prices of coconut oil and copra in 1971 in the international market, as indicated by the London Commodity Market, continued in the first eight months of the year. The price of coconut oil fell from the relatively low figure of £ 118.35 per long ton in January to £ 98.00 in June and £ 91.80 in August, although prices rose fractionally thereafter to reach £ 104.00 per ton in December. The average annual price in the London Commodity Market for 1972 of £ 102.14 per long ton compares very unfavourably with £ 147.66 and £ 159.29 achieved in 1971 and 1970 respectively. The same trend prevailed in respect of the international price of copra with the average annual price for 1972 being £ 144.86 per long ton as compared with £ 191.54 and

1. By-products of the coconut industry viz., coconut shell charcoal and coconut fibres are dealt with below.

£ 198.08 for 1971 and 1970 respectively. In the case of desiccated coconut the London price for the period January–August was quite low in relation to prices in the comparable period in the two preceding years, although for the rest of the year prices were quite similar to those attained in 1971. This resulted in the annual average price for 1972 being £ 157.2 per long ton as compared with the prices of £ 186.2 and £ 188.6 realised in 1971 and 1970 respectively.

The low international market price for coconut oil and copra in the first eight months of 1972 was due to the high levels of production in competitive oils and fats in the period, as well as to the very substantial increases in exports of coconut oil and copra due chiefly to the expansion in exports from the Philippines. However, towards the end of the year the supply position of a number of competitive oils and fats was less favourable and though exports from the Philippines continued to rise substantially, prices of both coconut oil and copra began to register increases.

The Colombo Market prices for coconut oil and copra reflected the trends prevalent in the international market. Thus, the average annual price in the Colombo Market for coconut oil was Rs. 1,135/90 per long ton for 1972, which is very poor when compared with the figures of Rs. 1,406/51 and Rs. 1,503/71 for 1971 and 1970 respectively. Similarly, in the case of copra the average annual Colombo Market price was Rs. 196/30 per candy compared with Rs. 213/16 and Rs. 247/56 achieved in 1971 and 1970 respectively. In the case of desiccated coconut, however, the Colombo Market prices did not often follow the London market trends, probably because the impact of currency “re-alignments” was felt more in the case of this product than in the case of copra and coconut oil and because of scarcities of supplies in December. However, throughout the year the general trend in both the London and Colombo markets was the same. The average annual price of fresh nuts in the Colombo market, which is influenced to a greater degree by domestic rather than world market conditions, was Rs. 226 per 1000 nuts in 1972 compared with Rs. 236.18 and Rs. 237.50 for 1971 and 1970 respectively. But due to the drought conditions in the early part of the year in major coconut producing areas, the Colombo market price per 1000 nuts had risen to Rs. 263 by December.

### **Some aspects of production**

An increase in coconut production was achieved in 1972 mainly on account of favourable weather conditions in 1971 in major coconut growing areas, despite a fall in fertilizer consumption to 48.5 thousand tons from 58.6 and 64.3 thousand tons in 1971 and 1970 respectively. However, the effects of the severe drought in the first quarter of 1972 were being felt by December, so that with diminishing supply and consequently, a high price for fresh nuts for domestic consumption, export volume began to shrink. The ‘guaranteed’ price of Rs. 1,250 per ton of coconut oil offered in the Budget proposals to help stimulate exports had also little effect in achieving the desired end in December on account of the high price of fresh nuts.

**Exports by Destination****Coconut oil**

China continued to be the largest buyer, accounting for 32.6 per cent of all coconut oil<sup>1</sup> exports in volume terms and for 37.6 per cent of such exports in value terms. China bought 558 thousand cwts. of coconut oil in 1972 compared with 510 and 205 thousand cwts. in 1971 and 1970 respectively. The U. S. S. R. as in the past, was the second biggest buyer, accounting for 14 per cent of all coconut oil exports in volume terms and 15 per cent of such exports in value terms. The U. S. S. R. bought 239 thousand cwts. in 1972 compared with 386 and 255 thousand cwts. in 1971 and 1970 respectively. Other significant buyers were Canada (Rs. 17.4 million), U. K. (Rs. 8.4 million), Pakistan (Rs. 7.6 million), E. E. C. (Rs. 7.0 million) and Bangladesh (Rs. 5.3 million).

**Copra**

A significant expansion in copra exports was registered in 1972. This was due mainly to increased purchases by U. S. S. R. of 493 thousand cwts. to the value of Rs. 28.8 million. Exports to the U. S. S. R. were both volume and value wise higher than the total exports of copra for 1971. Pakistan, which bought 251.5 thousand cwts. of copra valued at Rs. 15.4 million, was the second biggest customer, while India, our once 'traditional' buyer, purchased only 115.6 thousand cwts. of copra valued at Rs. 6.47 million.

**Desiccated Coconut**

A relatively lower quantity of desiccated coconut was exported in 1972 while the U.K. bought about 34 per cent of the exports (323.6 thousand cwts. as opposed to 350.7 thousand cwts. in 1971). At the same time it is significant that the E.E.C. countries bought as much as 23 per cent of exports of this product which was a decrease of 56 thousand cwts. on the 1971 figure of 277 thousand cwts.

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1. Coconut oil is exported in bulk, cylinders and in a refined form.

**Fresh Coconuts**

Well over half of these exports went to the E.E.C. countries, with the Federal Republic of Germany, our 'traditional' buyer, accounting for nearly 31 per cent of exports.

**TABLE II (K) 13**

**Major Coconut Products; Export Volumes & Prices  
1968 to 1972**

	Volume					F.O.B. Price			
	Coconut Oil Th. cwts.	Copra Th. cwts.	Desiccated Coconut Th. cwts.	Fresh nuts Th. nuts	Total (in terms of nut equivalent) Mn. nuts 1, 2, 3, & 4	Coconut Oil Rs. per ton	Copra Rs. per Candy	Desiccated Coconut Rs. per lb.	Fresh nuts Cents per nut
	(1)	(2)	(3)	(4)					
1968	1,261	425	1,382	7,583	1,103	2,108.80	396.25	1.06	0.44
1969	1,103	381	1,018	10,332	905	1,953.00	341.29	0.77	0.41
1970	1,142	305	967	6,321	880	2,037.60	371.90	0.91	0.46
1971	1,388	344	1,043	8,567	1,019	2,142.40	349.72	0.88	0.45
1972	1,709	872	973	10,478	1,258	1,548.69	296.39	0.72	0.41

Source: Customs, Sri Lanka

**Other Agricultural and Non-industrial products**

Export earnings from other agricultural and non-industrial products in 1972, at Rupees 141.6 million were higher by Rupees 12.1 million over the figure for 1971 and by Rupees 9.8 million over the figure for 1970. The details of changes in annual volumes, values and f.o.b. prices for each product are found in Table II (K) 14.

In the coconut by-products group, which accounted for around forty-five per cent of the exports covered in Table II (K) 14, the volume exported declined relative to 1971. However, the f.o.b. prices for bristle and mattress fibres were significantly higher than the prices in recent years, while the f.o.b. price of coconut shell charcoal, a relatively unimportant item in this group, fell appreciably. Thus the overall export earnings from coconut by-products fell to Rupees 63.5 million in 1972 from Rupees 65.1 million in 1971, but were much higher than in 1970. Despite a rise in coconut production and the volume of exports in 1972 in relation to the previous year, the volume of coconut by-products exported fell noticeably. This was probably due to the lack of adequate shipping facilities for these comparatively bulky products.

In the spices group, a record volume of cinnamon quills was exported at a fractionally lower price than in 1971. However, export earnings from this product were lower than those obtained in any year in the period 1965-70. In the case of cinnamon chips too, there was a substantial increase in the volume exported in 1972, while the f.o.b. price and export earnings were the highest since 1969. The f.o.b. price of cardamons, reflecting world market conditions, were the lowest obtained since 1967, so that despite a record volume exported,

[illegible]



TABLE II (K) 14

## Non-Industrial Commodities

Value (Rs. Million)							F. O. B. Price								
1966	1967	1968	1969	1970	1971	1972	1964	1965	1966	1967	1968	1969	1970	1971	1972
17.4	22.0	25.6	24.6	22.3	27.2	28.6	57.31	52.74	43.49	40.94	43.35	48.63	47.13	51.01	56.41
20.3	19.4	25.5	25.4	24.8	27.2	28.4	18.23	20.69	18.21	18.24	20.23	21.67	21.16	20.83	22.40
3.2	4.9	5.2	3.4	6.7	10.7	6.5	9.54	9.76	12.20	18.02	16.34	8.90	11.53	17.06	12.07
29.2	29.8	32.9	33.8	28.4	25.1	26.9	484.43	582.57	620.11	564.71	531.79	513.33	405.79	353.16	349.63
1.2	1.2	2.3	4.1	1.7	2.2	3.4	128.20	130.32	161.79	153.27	141.30	191.11	134.02	146.23	160.28
4.9	3.3	4.1	7.3	11.3	5.8	5.7	837.12	1453.38	1978.56	1341.65	1639.22	2297.00	2838.61	1581.78	1356.17
1.2	0.4	2.4	3.1	4.7	0.7	0.9	146.20	197.93	199.76	215.21	146.53	173.12	279.42	749.21	391.82
0.1	0.1	0.1	2.8	4.1	0.1	0.8	104.29	164.65	138.29	104.24	130.22	617.35	756.41	354.28	395.97
5.9	4.1	7.3	7.0	7.2	6.2	5.1	165.72	157.15	139.26	178.36	211.16	273.43	240.82	205.57	165.92
—	2.8	5.1	2.9	2.2	6.9	6.9	2.53	—	—	3.00	3.81	4.04	4.21	4.47	4.57
6.2	6.7	7.8	8.3	8.9	9.0	8.8	31.48	31.05	31.30	32.86	36.91	36.78	46.39	59.10	74.72
1.1	1.5	2.6	4.1	4.2	4.7	7.1	1.24	1.48	1.36	0.86	1.78	2.45	2.68	2.69	3.96
3.9	3.4	2.0	0.5	4.3	3.4	12.3	—	57.26	63.56	—	—	—	—	—	—
1.7	2.3	1.2	1.0	1.0	0.3	0.2	—	—	—	—	—	—	—	—	—
96.3	101.9	124.1	128.3	131.8	129.5	141.6	—	—	—	—	—	—	—	—	—

Source: Customs, Sri Lanka

export earnings were only Rupees 5.7 million, and were fractionally less than earnings in 1971. As in 1971, there were very few exports of pepper as it was being used as a substitute for chillies in the domestic market. The high price of chillies made pepper exports relatively unattractive. Cloves continued to be smuggled to India<sup>1</sup> on a large scale, making legitimate exports unprofitable.<sup>2</sup>

In 1972, there was hardly any change in the volume exported of other agricultural products. Export earnings and f.o.b. prices of cocoa, reflected world market trends, and were the lowest since 1967 and 1966 respectively. The f.o.b. price, export volume and values for unmanufactured tobacco were almost the same as in 1971.

In the mineral products group, although the volume of graphite exported was the lowest for very many years, there was a very large rise in the f.o.b. export price, so that export earnings fell only by Rupees 0.2 million relative to 1971. On the other hand, exports of ilmenite registered record figures in terms of f.o.b. price, volumes and values.

In the precious stones and jewellery group, one of the highest rates of expansion in earnings (by 238 per cent) for any category of exports was registered in 1972. This was entirely due to the large increase in earnings from precious stones, which reached a record figure of Rupees 12.3 million from a meagre 3.4 million in 1971. In fact, the figure of Rupees 12.3 million itself represents an under-recording by the Customs Department,<sup>3</sup> and the true figure of export earnings as ascertained from the Gem Corporation and verified from the records of the Exchange Control Department, is higher at Rupees 15.9 million. This expansion in export earnings was due to the incentive offered on 11th of July 1972 to exporters by which they could utilize 25 per cent of their net f.o.b. export earnings from gems to import scarce 'luxury' and other goods and for foreign travel. This is borne out very clearly by the fact that while the value of precious stones exported by the Gem Corporation and the private sector in the period January-July was only Rupees 2.35 million, export earnings in the period August-December were Rupees 13.7 million.<sup>4</sup>

### Selected Industrial Exports

The total value of these industrial exports has risen marginally from Rupees 49.2 million in 1971 to Rupees 50.9 million in 1972. There has been no marked increase or especially significant changes in the pattern of industrial exports between 1972 and 1971 (vide Table II (K) 15). However, most of these exports have shown increases both in volume and value during the last few years.

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1. The Government Agent, Jaffna.

2. What was exported in 1972 was virtually all clove stems.

3. See the discussion in this matter at supra p. 197

4. Information provided by the State Gem Corporation and Exchange Control Department

Among industrial exports, relatively high earnings have been recorded for naphtha, frozen fish, shirts and other garments, residual fuel oils, animal fodder, tanned leather, fatty acids and glycerine. Exports of petroleum products commenced in 1971. Of these, the largest item, naphtha which accounts for 19.2 per cent of total selected industrial exports, declined in value by 36 per cent in 1972.<sup>1</sup> Tanned leather, animal fodder and fatty acids have also registered decreases in export earnings in 1972.

TABLE II (K) 15  
Selected Industrial Exports

Rupees Million					
	1971		1972		1972/71
	Quantity	Value (Th. Rs.)	Quantity	Value (Th. Rs.)	
Percentage change in value					
1. Food, Beverages and Tobacco					
(a) Bakery Products cwt. ..	2,900	411.7	5,189	686.4	+ 66.72
(b) Fruits tinned or bottled " ..	6,928	562.2	7,213	876.2	+ 55.85
(c) Animal Fodder " ..	384,916	6,051.5	429,552	4,061.5	- 32.88
(d) Frozen Fish " ..	—	3,536.6	—	8,908.3	+ 151.88
2. Textiles, Wearing Apparel					
(a) Cotton Batik Cloth " ..	—	152.0	—	269.8	+ 77.50
(b) Shirts and other garments No. ..	119,632	6,961.0	110,763	7,272.8	+ 4.47
3. Chemical Products					
(a) Glycerine cwt. ..	27,536	1,705.4	30,216	2,265.0	+ 32.81
(b) Fatty Acids " ..	128,427	4,042.0	n.a	3,880.9	- 3.98
(c) Soap " ..	834	107.1	2,785	325.7	+ 204.10
4. Petroleum Products					
(a) Naptha gls. ..	52,973,789	15,299.3	44,136,354	9,762.9	- 36.18
(b) Motor Spirits " ..	40,725	52.0	13,185	42.7	- 17.88
(c) Kerosene " ..	102,500	115.9	23,000	27.6	- 76.18
(d) Diesel oil " ..	63,000	82.9	6,141,514	1,320.9	+ 1493.36
(e) Lubricating oil cwt. ..	920	..	104,000	59.6	—
(f) Residual Fuel Oil " ..	18,785,202	4,665.5	34,825,319	5,189.6	+ 11.23
5. Leather, Rubber, Wood and Paper Products					
(a) Leather tanned cwt. ..	14,943	4,078.0	12,298	4,001.5	- 1.87
(b) Footwear of leather doz. ..	4,050	241.8	8,550	527.7	+ 118.23
(c) Footwear of rubber " ..	32,912	873.6	24,276	708.9	- 18.85
(d) Rubber tyres No. ..	..	..	52,038	289.4	—
(e) Other articles of rubber cwt. ..	589	115.6	1,926	337.0	+ 191.52
(f) Lumber sawn tons ..	44	55.0	1,294	59.2	+ 7.63
6. Non metallic mineral products					
(a) Ceramic materials cwt. ..	469	62.8	104	34.4	- 45.22
Grand Total ..		49,171.9		50,908.0	

Source: Customs, Sri Lanka.

1. The decline, however, is substantially less if we adopt the Petroleum Corporation figure of Rupees 12.4 million.

The most notable increase in the value of selected industrial exports between the two years took place in other articles of rubber (which increased by 191.5 per cent in 1972), soap (by 204 per cent), cotton batik cloth (77.5 per cent), lubricating oil (from a negligible amount in 1971 to Rupees 59,600 in 1972), diesel oil (by 1493.4 per cent), frozen fish (by 151.9 per cent) and leather footwear (by 118.2 per cent).

Many industrial products have shown high rates of growth in exports between 1964/65 and 1972 due to the fact that they have begun from a very low base. For instance, the export volume of tinned fruits has risen from 846 cwts. in 1966 to 7,213 cwts. in 1972 - an increase of 752.6 per cent, while during the same period their value has risen by 1,877.9 per cent. Similar increases have taken place in items such as bakery products and articles of rubber, with bakery products increasing by 2,484 per cent in value terms, while articles of rubber other than tyres have risen in volume from 1 cwt. in 1965 to 1,926 cwts. in 1972.

### 3. Imports

Customs data reveal an increase in the value of imports by Rupees 59 million in 1972 relative to 1971, whereas adjustments for imports by the Food Commissioner and the Petroleum Corporation show an increase in the value of imports by Rupees 85 million in 1972. The adjusted data are presented in Table II (K) 16 below -

**TABLE II (K) 16**  
**Customs data adjusted**

	Figures in Rupees Million	
	1971	1972
1. Consumer goods ..	1,134	1,126
of which ..		
A. Food and Drink ..	916	974
(i) Rice ..	188	142
(ii) Flour ..	212	218
(iii) Sugar ..	242	255
B. Textiles ..	103	48
C. Other consumer goods ..	115	104
2. Intermediate goods ..	526	607
3. Investment goods ..	419	438
4. Unclassified Imports ..	43	36
5. Total Imports ..	2,122	2,207

Sources: Customs, Sri Lanka  
Petroleum Corporation  
Food Commissioner

Intermediate goods and investment goods registered increases in value of approximately 15 per cent and 5 per cent respectively in 1972, while the value of imports of consumer goods declined marginally in 1972. There was no significant change in the shares in total imports of the three categories, viz. consumer goods, investment goods and intermediate goods between 1971 and 1972.

## Consumer Goods

Expenditure on the import of consumer goods declined marginally in 1972 relative to 1971, although the value of these imports in 1971 was Rupees 158 million less than in 1970 (Table II (K) 18).

According to Customs' data, imports of rice decreased by 17.4 per cent, while imports of flour decreased by 6.3 per cent. Table II (K) 17 below presents statistics on the import of rice, flour and sugar according to records maintained both by the Customs (which are based on entries passed) and the Food Commissioner. The figures obtained from the Food Commissioner are more realistic, and the following comments on imports of rice, flour and sugar are based on these figures.

### Rice

The value of rice imported in 1972 declined by Rupees 46 million mainly as a result of a reduction of 72 thousand tons in the quantity imported. The c & f. price per ton of rice for 1972 also declined by 3.3 per cent below its level in 1971. Although the price of rice in international markets was relatively low during the first half of 1972, a shortfall in supplies in important producing areas in Asia led to an upsurge in prices during the second half of the year.

### Flour

The value of imports of flour increased by Rupees 6 million, reflecting an increase in the average c. f. price by Rs. 36.47 per ton in 1972. The quantity imported, however, was lower by 6 thousand tons. Wheat prices were generally firm throughout 1972 as a result of strong international demand. Adverse weather conditions resulted in considerable crop shortfalls in 1972, and in the last few months of the year massive purchases by the U. S. S. R. and East Europe led to a steep rise in prices.

### Sugar

The value of sugar imports continued to increase despite a reduction in the quantity imported due to a substantial rise in sugar prices in 1972. The international price of sugar was high throughout 1972 resulting partly from the failure of the Cuban and Russian crops.

**TABLE II (K) 17**  
**Customs Data and Actual Imports of Rice, Flour and Sugar**

	Food Commissioner's Data (and imports of others as recorded by Customs)						Customs Data				
	1970*	1971	1972	Change 1972/71			1970	1971	1972	Change 1972/71	
				Absolute	%					Absolute	%
<b>Rice</b>											
Quantity : Th. tons .. ..	526	334	262	- 72	- 21.6		472	290	294	+ 4	+ 1.4
Value : Rs. Mn. .. ..	353	188	142	- 46	- 24.5		318	195	161	- 34	- 17.4
C. & F. Price : Rs. per ton ..	671.15	563.11	544.25	- 18.86	- 3.3		672.70	673.78	547.27	- 126.51	- 18.8
<b>Flour</b>											
Quantity : Th. tons .. ..	369	330*	324*	- 6*	- 1.8*		419	318	301	- 17	- 5.3
Value : Rs. Mn. .. ..	225	212	218	+ 6	+ 2.8		260	206	193	- 13	- 6.3
C. & F. Price : Rs. per ton ..	611.44	630.79	667.26	+ 36.47	+ 5.8		621.48	649.93	639.92	- 10.01	- 1.5
<b>Sugar</b>											
Quantity : Th. Tons .. ..	240	283*	214*	- 69*	- 24.4*		279	287	223	- 64	- 22.3
Value : Rs. Mn. .. ..	152	242	255	+ 13	+ 5.4		170	243	248	+ 5	+ 2.1
C. & F. Price : Rs. per ton ..	633.71	844.65	1168.16	+ 323.51	+ 38.3		608.46	845.87	1111.55	+ 265.68	+ 31.4
<b>Total value of rice, flour and sugar: Rs. Mn. .</b>	<b>730</b>	<b>642</b>	<b>615</b>	<b>- 27</b>	<b>- 4.2</b>		<b>748</b>	<b>644</b>	<b>602</b>	<b>- 42</b>	<b>- 6.5</b>

\* Not adjusted for imports of others.

Sources: Food Commissioner's Department,  
Customs, Sri Lanka.

**TABLE II (K) 18**  
**Imports by Major Categories and Commodities or Groups of Commodities - 1968-72**

	Value in Rupees Million					Percentage of total Imports				
	1968	1969	1970	1971	1972	1968	1969	1970	1971	1972
<b>1. Consumer Goods —</b>	<b>1,147</b>	<b>1,218</b>	<b>1,294</b>	<b>1,136</b>	<b>1,113</b>	<b>52.8</b>	<b>47.9</b>	<b>55.8</b>	<b>57.2</b>	<b>54.4</b>
of which:										
A. Food and Drink	989	976	1,069	918	961	45.5	38.0	46.1	46.2	47.0
(i) Rice	341	257	318	195	161	15.7	10.1	13.7	9.8	7.9
(ii) Flour	250	255	260	206	193	11.5	10.0	11.2	10.4	9.4
(iii) (a) Sugar, refined	97	115	170	243	248	4.5	4.5	7.3	12.2	12.1
(b) Sugar, other (i.e. sakkarai, jaggery and sugar candy)	...	...	1	1	1	...	...	...	0.1	...
(iv) Milk and Milk products	74	52	55	47	57	3.4	2.0	2.4	2.4	2.8
(v) Meat, fish and eggs	70	87	68	72	83	3.2	3.4	2.9	3.6	4.1
of which: (a) Fish dried (excluding maldivian fish but including dried prawns)	58	69	53	52	62	2.7	2.7	2.3	2.6	3.0
(b) Fish, other	11	17	15	19	20	0.5	0.7	0.6	1.0	1.0
(vi) Food, other	125	145	139	96	143	5.8	5.7	6.0	4.8	7.0
of which: (a) Gram and pulses	56	78	63	45	98	2.6	3.1	2.7	2.3	4.8
(b) Onions	17	17	29	1	...	0.8	0.7	1.3	0.1	...
(c) Chillies	34	26	26	30	24	1.6	1.0	1.1	1.5	1.2
(vii) Drink and manufactured tobacco	2	4	3	2	1	0.1	0.2	0.1	0.1	...
B. Textiles (including clothing)	77	122	124	103	48	3.5	4.8	5.3	5.2	2.3
C. Other Consumer Goods—	81	120	101	115	104	3.7	4.7	4.3	5.8	5.1
of which (i) Motor cars	7	13	10	7	11	0.3	0.5	0.4	0.4	0.5
(ii) Watches and clocks	...	...	...	...	...	...	...	...	...	...
(iii) Radio receivers	3	1	1	1	2	0.1	...	...	0.1	0.1
(iv) Rubber tyres and tubes	3	22	11	11	5	0.1	0.9	0.5	0.6	0.2
(v) Medicinal and pharmaceutical products	23	32	29	34	41	1.1	1.3	1.3	1.7	2.0
<b>2. Intermediate Goods</b>	<b>629</b>	<b>592</b>	<b>451</b>	<b>388</b>	<b>458</b>	<b>29.0</b>	<b>23.3</b>	<b>19.5</b>	<b>19.5</b>	<b>22.4</b>
of which: (i) Fertilizer	110	66	81	59	63	5.1	2.6	3.5	3.0	3.1
(ii) Petroleum products	196	156	58	26	38	9.0	6.1	2.5	1.3	1.9
(iii) Coal	4	4	4	4	1	0.1	0.2	0.2	0.2	...
(iv) Chemical elements and compounds	45	66	56	66	73	2.1	2.6	2.4	3.3	3.6
(v) Dyeing, tanning and colouring materials	15	14	10	11	14	0.7	0.6	0.4	0.6	0.7
(vi) Tea and other chests	10	13	9	20	9	0.5	0.5	0.4	1.0	0.4
(vii) Paper and paperboard	37	55	45	48	42	1.7	2.2	1.9	2.4	3.1
(viii) Yarn and thread	71	80	41	40	61	3.3	3.1	1.8	2.0	3.0
(ix) Unmanufactured tobacco	10	6	3	4	1	0.5	0.2	0.1	0.2	...
<b>3. Investment Goods—</b>	<b>383</b>	<b>700</b>	<b>546</b>	<b>419</b>	<b>438</b>	<b>17.6</b>	<b>27.5</b>	<b>23.5</b>	<b>21.1</b>	<b>21.4</b>
of which—(i) Building materials —	95	99	119	118	121	4.5	3.9	5.1	5.9	5.9
of which: (a) Cement	17	14	7	3	2	0.8	0.6	0.3	0.2	0.1
(ii) Transport equipment	80	213	126	76	107	3.7	8.4	5.4	3.8	5.2
(iii) Machinery and equipment	195	368	276	200	181	9.0	14.5	11.9	10.1	8.9
<b>4. Total (Items 1, 2 and 3)</b>	<b>2,159</b>	<b>2,510</b>	<b>2,291</b>	<b>1,943</b>	<b>2,009</b>	<b>99.4</b>	<b>98.7</b>	<b>99.0</b>	<b>97.8</b>	<b>98.2</b>
<b>5. Unclassified imports</b>	<b>14</b>	<b>33</b>	<b>22</b>	<b>43</b>	<b>36<sup>a</sup></b>	<b>0.6</b>	<b>1.3</b>	<b>1.0</b>	<b>2.2</b>	<b>1.8</b>
<b>6. Total Imports</b>	<b>2,173</b>	<b>2,543</b>	<b>2,313</b>	<b>1,986</b>	<b>2,045</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

(a) Includes Rs. 5 million worth of Passenger baggage and Rs. 2 million worth of re-imports.

Source: Customs, Sri Lanka

### Other Food Imports

Expenditure on imports of food other than rice, flour and sugar rose by around 30 per cent above its level in 1971 (vide Table II (K) 18). This arose mainly from the rise in imports of grams and pulses from Rupees 45 million in 1971 to Rupees 98 million in 1972, as well as from increases of Rs. 10 million each on milk products and dried fish (excluding maldivian fish).

### Textiles and Other Consumer Goods

While the value of imports of other consumer goods has declined marginally, imports of textiles has fallen by Rupees 55 million in 1972 due to import restrictions and higher levels of domestic production. The latter is reflected in the increase of Rs. 21 million in imports of yarn and thread.

### Intermediate Goods

Following past practice, customs statistics have been adjusted for under-recording of petroleum imports (Table II (K) 2). Imports of intermediate goods have risen from Rupees 526 million in 1971 to Rupees 607 million in 1972 (Table II (K) 16). Items which have increased substantially are petroleum products and yarn and thread (Table II (K) 18).

### Investment Goods

A marginal increase has been registered in the imports of investment goods, though the values of these imports are well below the figures for 1970 and 1969. Imports of transport equipment have risen by 41 per cent, while those of machinery and equipment have contracted by 9.5 per cent.

### 4. Cargo handled at the Ports.

The total volume of cargo handled by the ports of Colombo, Galle and Trincomalee fell by 10.2 per cent to 2,619,990 shipping tons, reflecting a contraction in Sri Lanka's foreign trade. The worst affected was the port of Galle with a fall of 43 per cent in the volume of cargo handled. The Port of Colombo was less affected with a fall of only 9.3 per cent. Particulars of the tonnage handled by the Port of Colombo during each quarter of 1972, compared with the respective quarter for the previous year, are given in Table II (K) 19.

TABLE II (K) 19

#### Import and Export Cargoes handled by the Port of Colombo

				Shipping tons	
		1971	1972	change	
				Absolute	%
1st Quarter	..	690,574	691,065	+ 491	+ 0.1
2nd Quarter	..	665,967	602,135	- 63,832	- 9.6
3rd Quarter	..	648,516	533,915	- 114,601	- 17.7
4th Quarter	..	671,080	599,318	- 71,762	- 10.7
Year	..	2,676,137	2,426,433	- 249,704	- 9.3

Source: Port (Cargo) Corporation



## 5. Freight Rates

The country's desperate balance of payments position continued to be adversely affected this year by freight rate increases, varying from 10 to 20 per cent, by practically every Conference line as detailed below. The Sri Lanka Shippers' Council played a very useful role in representing shipping interests and in bargaining with Shipping Conferences.

**(i) Ceylon/U.K. and Eire Conference - No general freight increase was made during 1972.**

- 5.1.72 - An additional Currency Adjustment Factor of 2.5 per cent was introduced as from 5th January and it continued to be in force throughout 1972, despite representations from the Sri Lanka Shippers' Council.

**(ii) Ceylon/Continental Conference - No general freight increase.**

- 5.1.72 - An additional Currency Adjustment Factor of 3.0 per cent was levied as from 5th January, 1972 and continued to be in force throughout the year.

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

- 22.8.72 - A general freight increase of 15 per cent. Simultaneously the Suez surcharge was reduced from 13 per cent to 12 per cent and the Bunker Fuel surcharge reduced from \$ 3 per ton to \$ 1.50 per ton.
- In response to representations made by the Sri Lanka Shippers' Council the general freight increase was reduced from 15 per cent to 12½ per cent with effect from 22.8.72.
- Special treatment was given for tea by increasing the rate on loose tea by only 4.2 per cent and on palletised tea by 4.5 per cent, while the rate for mattress fibre was increased by 8.5 per cent and the rate for desiccated coconut by 7 per cent for a trial period of one year.

**(iv) Ceylon/Australian Conference.**

- 1.2.72 - A general freight increase of 15 per cent as from 1st February 1972.
- 1.2.72 - A Currency Adjustment Factor of 7 per cent was levied as from 1st February, 1972.
- 1.10.72 - The Currency Adjustment Factor was reduced to 5.5 per cent as from 1st October, 1972.

**(v) Ceylon/New Zealand Conference.**

- 1.2.72 - A general freight increase of 15 per cent.
- 1.2.72 - A Currency Adjustment Factor of 2.5 per cent was levied.

- 5.1.72 - This Currency Adjustment Factor was increased to 8.57 per cent shortly afterwards, and later reduced to 7 per cent but with effect from 1st February, 1972.
- 1.10.72 - The Currency Adjustment Factor was reduced to 5 per cent.

**(vi) Ceylon/Persian/Arabian Gulf Conference.**

- 1.1.72 - A general freight increase of 10 per cent.
- 1.3.72 - A further increase of 20 per cent.
- 7.1.72 - A Currency Adjustment Factor of 8 per cent was levied and subsequently reduced to 5 per cent after discussions with the Government, with effect from 7.1.72.

**(vii) Ceylon/Straits/China/Japan Agreement.**

- 1.2.72 - A Currency Adjustment Factor of 8.57 per cent was introduced.

## **6. Pattern of Trade**

As formal international monetary areas ceased to exist in 1972, attention has to be paid to the pattern of this country's trade with trading blocs and other groups (vide Table II (K) 20). In accordance with a trend that has persisted for some time, 1972 saw quite a large fall in Sri Lanka's exports to the Commonwealth Group, while the contraction in the country's imports from these countries, though substantial, was less than in 1971. Indeed, with U.K. joining the Common Market the above trends are bound to be intensified in the future. With regard to Sri Lanka's trade with the non-Commonwealth countries, the opposite of what has been said above holds true. Whilst exports to E. E. C. declined marginally in 1972, imports from E. E. C. countries unlike in 1971, registered a substantial fall. Noteworthy contractions can also be observed in 1972 for Sri Lanka's trade with E. F. T. A. countries, Eastern European countries and the E. C. A. F. E. 'Developing' Group. In the case of the E. C. A. F. E. 'Developed' Group, while Sri Lanka's exports contracted, imports increased fractionally.

Sri Lanka's trade balance deteriorated in 1972 relative to 1971 in its trade with the Commonwealth Group, E. F. T. A. and both E. C. A. F. E. Groups, while the opposite holds true in respect of trade with E.E.C. and Eastern Europe.

The pattern of Sri Lanka's trade with its major trading partners changed significantly in 1972. Trade with U.K. continued to contract sharply. The trade turnover with U. S. S. R. fell very steeply in 1972, while the value of trade with China also dropped, particularly with regard to imports. A fall was also recorded in Sri Lanka's imports from India and exports to U. S. A., while imports from the latter country recorded a substantial increase. On the other hand, the trade turnover with Pakistan rose very substantially in 1972. A noteworthy change in Sri Lanka's balance of trade with its major trading partners was the reduction in the large deficit in trade with India by Rs. 656.

million, while there was a deterioration in the balance of trade with U. S. A. (by Rs. 79.1 million), U. K. (by Rs. 25.5 million) and U. S. S. R. (by Rs. 18.1 million). On the other hand Sri Lanka's trade balance with Pakistan and China improved quite significantly (by Rs. 28.7 million and Rs. 39.9 million respectively).

TABLE II (K) 20

**Sri Lanka's International Trade in Merchandise by Trading blocs and other Groups and selected Major Trading partners**

Rupees Million						
	Total Exports f.o.b.(a)		Total Imports c.i.f.(b)		Balance of Trade	
	1971	1972	1971	1972	1971	1972
Commonwealth Countries ..	705.3	539.0	773.1	634.9	- 67.8	- 95.9
Foreign Countries(c) ..	1,233.0	1,398.8	1,212.5	1,410.0	+ 20.5	- 11.2
European Economic Community ..	165.2	142.4	291.4	247.5	- 126.2	- 105.1
European Free Trade Association ..	351.1	285.6	304.8	254.5	+ 46.3	+ 31.1
Eastern Europe ..	180.2	118.2	151.2	81.1	+ 29.0	+ 37.1
ECAFE Region						
(a) Developing ..	366.8	239.0	661.6	493.6	- 249.8	- 254.6
(b) Developed ..	193.2	152.7	303.5	304.9	- 110.3	- 152.2
U. K. ..	332.5	273.0	247.1	213.1	+ 85.4	+ 59.9
U. S. S. R. ..	97.2	35.0	63.9	19.8	+ 33.3	+ 15.2
China ..	180.5	160.1	161.1	100.8	+ 19.4	+ 59.3
Pakistan ..	110.1	155.1	67.0	83.3	+ 43.1	+ 71.8
India ..	10.4	11.0	208.0	143.0	- 197.6	- 132.0
U. S. A. ..	164.3	139.4	101.1	155.3	+ 63.2	- 15.9

Source: Customs, Sri Lanka.

(a) Excludes ships' stores and bunkers.

(b) Includes passenger baggage and Re-imports.

(c) Non-Commonwealth Countries.

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

The total trade turnover with the People's Republic of China decreased in 1972 by Rs. 81 million or by 24 per cent, compared with that of 1971, which in turn was substantially lower than in 1970. The value of exports declined by Rs. 21 million or 12 per cent in 1972 relative to the previous year while the value of imports from China showed a steep fall of Rs. 60 million or 37 per cent over imports for 1971. Thus the balance of trade showed a surplus of Rs. 59 million compared to a surplus of Rs. 20 million in 1971. The fall in the value of imports was caused primarily by a decrease of nearly Rs. 81 million in the value of imports of rice<sup>1</sup> and textiles; on the other hand, imports of dried chillies, yarn and thread, pulses and spices and of goods under the category of "other imports" increased.

1. On the basis of Customs data China supplied 53.3 thousand tons of domestically produced rice in 1972 compared with 142.1 thousand tons in 1971.

The lower export earnings was the result of a fall in the value of rubber and coconut oil exports by 15 per cent and 5 per cent respectively.

Table II (K) 21 gives data on Sri Lanka's trade with the People's Republic of China for the period 1968-1972, while Table II (K) 22 provides details of the values of commodities traded during 1971 and 1972.

**TABLE II (K) 21**  
**Trade with People's Republic of China - 1968-1972**

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
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
1972	160	8.2	101	4.9	+ 59	261	6.5

Source: Customs, Sri Lanka

**TABLE II (K) 22**  
**Trade (Commodity-wise) with the People's Republic of China 1971 - 72**

Rupees Million			
	1971	1972	Absolute Change
<b>Exports</b>			
Rubber .. .. .	127.9	109.1	- 18.8
Coconut Oil .. .. .	52.5	49.7	- 2.8
Other .. .. .	0.1	1.3	+ 1.2
<b>Total</b> .. .. .	<b>180.5</b>	<b>160.1</b>	<b>- 20.4</b>
<b>Imports</b>			
Rice .. .. .	81.0	40.0	- 41.0
Textiles .. .. .	56.2	15.9	- 40.3
Dried Chillies .. .. .	11.5	17.1	+ 5.6
Textile Yarn and Thread .. .. .	0.1	0.9	+ 0.8
Pulses and Spices .. .. .	0.9	3.2	+ 2.3
Tea Chests .. .. .	1.4	1.2	- 0.2
Others .. .. .	10.0	22.5	+ 12.5
<b>Total</b> .. .. .	<b>161.1</b>	<b>100.8</b>	<b>- 60.3</b>
<b>Balance of Trade</b> .. .. .	<b>+19.4</b>	<b>+59.3</b>	<b>-</b>

Source: Customs, Sri Lanka

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

The total trade turnover with the U.S.S.R. and Eastern Europe during 1972 contracted by Rs. 132 million or 40 per cent compared to 1971. This was due both to a fall in value of imports from and exports to the region. Whilst the value of imports from the region fell by 70 million or 46 per cent, exports to the region fell by Rs. 62 million or 34 per cent relative to the figures for 1971.

Table II (K) 23, below provides data on imports from and exports to the U.S.S.R. and the Eastern Europe for the last five years, while Table II (K) 24 gives details of Sri Lanka's trade with these countries for 1971 and 1972.

**TABLE II (K) 23**  
**Trade with U. S. S. R. and Eastern Europe\* 1968-1972**

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
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
1972	118	6.1	81	4.0	+37	199	5.0

Source: Customs, Sri Lanka

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

The U.S.S.R. accounted for Rs. 35 million or 30 per cent of the total value of exports to the region during 1972, compared to 54 per cent during 1971. The German Democratic Republic, Poland, Rumania, Yugoslavia and Czechoslovakia, with imports from Sri Lanka to the value of Rs. 25 million, 15 million, 14 million, 13 million and 12 million respectively, were the other important buyers of Sri Lanka goods in the region.

The fall in value of exports to the region is mainly due to the decrease in purchases made by Russia. Russia, whose imports of tea from Sri Lanka were nearly Rs. 15 million in 1971, imported only a negligible quantity during 1972, while her imports of rubber from Sri Lanka were Rs. 11 million compared to Rs. 29 million in 1971. Exports of coconut products from this country to U.S.S.R. at Rs. 50 million, were higher by Rs. 4 million compared with 1971.

Imports into Sri Lanka from the region and U.S.S.R. fell sharply from Rs. 151 million and Rs. 64 million respectively in 1971 to Rs. 81 million and approximately Rs. 20 million in 1972. This was almost solely due to the contraction of expenditure on imports of sugar (by as much as Rs. 60.1 million), iron and steel products (by Rs. 11.4 million), textiles (by Rs. 10.9 million), machinery and parts (by Rs. 8.8 million), and tea chests (by Rs. 1.6 million).

**TABLE II (K) 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	
	1971	1972	1971	1972	1971	1972	1971	1972	1971	1972	1971	1972	1971	1972	1971	1972	1971	1972
(i) Total Exports ..	6.12	2.16	4.84	12.65	21.49	24.53	3.27	0.80	27.29	15.33	14.00	14.39	5.76	13.32	97.16	34.98	179.93	118.16
of which																		
Tea ..	—	—	0.11	0.25	0.10	0.24	—	—	7.55	2.26	—	—	0.02	1.41	15.42	—	23.20	4.16
Rubber ..	0.03	2.13	2.51	4.10	7.42	11.96	—	—	16.67	10.14	10.76	12.94	0.97	3.08	28.95	11.16	67.31	55.81
Coconut products ..	1.70	—	1.53	7.30	13.40	11.11	2.62	0.30 0.66	2.10	1.37	2.67	—	1.64	4.13	45.73	49.70	71.39	74.27
(ii) Total Imports ..	0.44	0.9	5.32	11.43	18.94	12.08	4.05	9.19	15.13	8.02	17.87	10.06	25.54	9.50	63.95	19.81	151.24	81.08
of which																		
Sugar ..	—	—	—	9.13	17.50	—	—	—	—	—	—	—	24.50	5.72	32.91	—	74.91	14.85
Machinery & Parts thereof ..	—	—	0.89	0.32	0.56	0.64	0.03	0.04	0.16	0.01	8.16	1.04	0.38	0.34	3.37	2.41	13.55	4.80
Textiles ..	—	0.39	3.71	0.86	—	—	3.17	1.16	7.22	3.41	2.73	0.88	—	—	2.33	1.55	19.16	8.25
Tea Chests ..	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6.12	4.57	6.12	4.57
Iron & Steel and articles thereof ..	—	—	0.12	0.11	0.14	0.35	—	—	3.06	—	0.60	0.07	0.21	2.58	13.89	3.53	18.02	6.64
Petroleum Products ..	—	—	—	—	0.01	—	—	—	—	—	—	—	—	—	0.03	—	0.04	—
Cement ..	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.10	—	0.10	—
Balance of Trade	+5.68	+1.17	-0.48	+1.22	+ 2.55	+12.45	-0.78	-8.39	+12.16	+7.31	-3.87	+ 4.33	-19.78	+3.82	+33.21	+15.17	+28.69	+37.08

Source: Customs, Sri Lanka.

**Bilateral Clearing Accounts**

The net aggregate quarterly positions of bilateral clearing accounts maintained in terms of the Payments Agreements concluded by Sri Lanka appear in Table II (K) 25 below.

**TABLE II (K) 25**  
**Bilateral Clearing Accounts**  
**Net Aggregate Quarterly Position - 1971-72**

Rupees Million								
Net position at end of			China, D.P.R. Korea, U.S.S.R. and other East European countries*		Syria		Total	
			Credit	Debit	Credit	Debit	Credit	Debit
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
1972	March	.. ..	—	72.0	—	2.6	—	74.6
	June	.. ..	—	82.7	—	2.4	—	85.1
	September	.. ..	—	70.2	—	2.6	—	72.8
	December	.. ..	—	72.3	—	2.8	—	75.1

Source: Central Bank of Ceylon.

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

Credit: Due from Sri Lanka

Debit : Due to Sri Lanka

**7. Trade Agreements**

The fifth five year Trade and Payments Agreement between the Government of the Republic of Sri Lanka and the Government of the People's Republic of China was signed on 18th December, 1972, while the annual Trade Protocols between the two countries for both 1972 and 1973 were renewed in 1972.

A Trade Agreement was also entered into between the Republic of Sri Lanka and the Government of Czechoslovak Socialist Republic. The Agreement signed with the Government of Czechoslovak Socialist Republic will remain valid for a period of 5 years from the date of its signing (i.e. 14.7.1972). According to the Protocols signed between Czechoslovakia and Sri Lanka for 1972 and 1973 the two countries have agreed to purchase goods on a scheduled list from each other to the value of Stg. £1,225,000 during 1972, while in 1973 Sri Lanka will export goods on a scheduled list to the value of Stg. £1,570,000 and import from the Czechoslovak Socialist Republic goods to the value of Stg. £1,970,000. Of these imports the value of "investment and machinery equipment" will amount to Stg. £400,000.

A Trade Agreement was entered into with Pakistan on 15th March 1972 and will remain valid for a period of an year. Under this arrangement Sri Lanka will import goods on a scheduled list to the value of Pakistani Rupees 54.55 million, while Sri Lanka will export tea to Pakistan for the same value.

Under the understanding signed for 1972 between the Government of Sri Lanka and the Government of the United Arab Republic on 7th March, 1972 the two countries committed themselves to purchase goods on a scheduled list from each other to the value of Stg. £4,200,000.

#### 8. Foreign Exchange Entitlement Certificate Scheme

As from 11th November 1972 the value of F.E.E.C.s to be surrendered for classified items of imports and earned on specified categories of exports was increased to 65 per cent of the c.i.f. and f.o.b. values respectively. Also on the same date, more imports became subject to the surrender of F.E.E.C.s. Thus except for rice, wheat (unmilled), wheat flour, fertilizers, books and periodicals, maps and charts, Western drugs, infant milk foods, two-wheel tractors and implements and spares thereof, dried fish, Mysoor dhall<sup>1</sup>, coriander and cummin seed and raw materials and packing materials for the manufacture of Western drugs, infant milk foods, wheat flour and fertilizers<sup>2</sup>, all other imports became subject to the surrender of F.E.E.C.s.

#### 9. Commodity Aid

The total value of commodity aid arrivals provided by thirteen countries<sup>3</sup>, under five of the eight programmes<sup>4</sup> during 1972, amounted to Rs. 348 million. This represents an increase of Rs. 24 million, or 7.5 per cent, over the total aid arrivals during the previous year. Details of aid received from the donor countries classified into consumer, intermediate and investment goods are given in Table II (K) 26.

The major share of aid arrivals during 1972, consisted of intermediate and investment goods (Rs. 177.19 million), whilst the balance (Rs. 171.03 million) consisted of consumer goods. The highest proportion of aid arrivals during 1972, was under the Seventh Programme (Rs. 211.02 million) while the aggregate arrivals under the fourth, fifth, sixth and the eighth programmes were Rs. 137.21 million.

The main aid imports within the intermediate and investment goods categories comprised (vide Table II (K) 27) fertilizer (Rs. 42.14 million), motor spares (Rs. 22.94 million), industrial raw materials (Rs. 20.15 million), commercial vehicles (Rs. 18.12 million) and machinery and spares (Rs. 15.86 million).

Under the consumer goods group, aid imports of wheat flour amounted to Rs. 143.91 million, rice Rs. 22.29 million and textiles and drugs Rs. 4.83 million.

1. Defined to include "whole brown lentils" and "split red lentils"

2. Included subsequently (on 16th November 1972) are imports of machinery and equipment under the Tea Factory Modernisation Scheme financed by the Asian Development Bank Loan.

3. For the list of countries see Table II (K) 26.

4. Programme one to three have been fully utilized.



TABLE II (K) 26

## Commodity Aid Programme - Arrivals 1972

Rupees Million

Countries	Consumer Goods Under Programme									Intermediate & Investment Goods Under Programme									Grand Total
	I	II	III	IV	V	VI	VII	VIII	Total	I	II	III	IV	V	VI	VII	VIII	Total	
Australia ..	—	—	—	—	—	—	6.30	—	6.30	—	—	—	—	—	—	—	—	—	6.30
Canada ..	—	—	—	—	—	—	—	10.71	10.71	—	—	—	—	—	1.65	13.39	—	15.04	25.75
China, People's Rep. ..	—	—	—	—	—	—	25.12	—	25.12	—	—	—	—	—	—	—	—	—	25.12
Denmark ..	—	—	—	—	—	—	—	—	—	—	—	—	—	1.32	—	—	—	1.32	1.32
France ..	—	—	—	—	—	—	6.72	—	6.72	—	—	—	5.37	17.17	—	5.22	—	27.76	34.48
Germany, Democratic Rep. ..	—	—	—	—	—	—	0.11	—	0.11	—	—	—	—	—	—	—	9.62	9.62	9.73
Germany, Federal Rep. ..	—	—	—	—	—	—	—	—	—	—	—	—	—	—	20.42	0.63	4.20	25.25	25.25
India ..	—	—	—	—	—	—	—	—	—	—	—	—	—	3.82	—	10.73	—	14.55	14.55
Italy ..	—	—	—	—	7.52	—	—	—	7.52	—	—	—	3.40	—	—	—	—	3.40	10.92
Japan ..	—	—	—	—	—	1.89	—	—	1.89	—	—	—	—	0.03	13.73	18.18	—	31.94	33.83
United Kingdom ..	—	—	—	—	—	—	—	—	—	—	—	—	—	6.50	21.32	16.92	—	44.74	44.74
U. S. A. ..	—	—	—	—	4.96	—	107.70	—	112.66	—	—	—	—	2.75	—	—	—	2.75	115.41
U. S. S. R. ..	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.83	0.83	0.83
Total ..	—	—	—	—	12.48	1.89	145.95	10.71	171.03	—	—	—	8.77	31.59	57.12	65.07	14.65	177.20	348.23

Source: Ministry of Planning &amp; Employment.

TABLE II (K) 27

## Aid Arrivals in 1972 - Commodity-wise

Commodities			Value Rs. Mn.	Percentage Share
<b>Intermediate &amp; Investment Goods</b>				
Fertilizer	..	..	42.14	12.1
Motor spares	..	..	22.94	6.6
Tractors, and Implements	..	..	10.12	2.9
Industrial raw materials	..	..	20.15	5.8
Commercial vehicles	..	..	18.12	5.2
Machinery and spares	..	..	15.86	4.6
Base Metal	..	..	9.96	2.9
News Print	..	..	5.23	1.5
Electrical Equipment	..	..	5.18	1.5
Engineering stores	..	..	4.30	1.2
Steel Products	..	..	4.04	1.2
Aluminium sheets	..	..	1.78	0.5
Fishing nets	..	..	0.64	0.2
Marine Engines	..	..	1.23	0.4
Mammoties	..	..	1.56	0.4
Seed potatoes	..	..	0.63	0.2
Ticket machines	..	..	1.46	0.4
Bus Body Building materials	..	..	1.49	0.4
Telecommunication Equipment	..	..	1.40	0.4
Typewriters	..	..	0.86	0.2
Photographic equipment materials	..	..	1.50	0.4
Tyres and Tubes	..	..	2.18	0.6
Radio Equipment	..	..	3.09	0.9
Building materials	..	..	0.58	0.2
Weighing Machines	..	..	0.34	0.1
Pipes and Fittings	..	..	0.18	0.1
Explosives	..	..	0.13	..
Motor cycles	..	..	0.07	..
Locomotives	..	..	0.03	..
Total	..	..	177.19	50.9
Wheat Flour	..	..	143.91	41.3
Rice	..	..	22.29	6.4
Textiles	..	..	4.72	1.4
Drugs	..	..	0.11	..
Total	..	..	171.03	49.1
Grand Total	..	..	348.23	100.0

Source: Ministry of Planning and Employment.