

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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LIMITED  
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## RESTRICTIONS BY CEYLON ON IMPORTS FROM THE DOLLAR AREA

(Note by the Ceylon Delegation to be read in conjunction with the Statement submitted by the United Kingdom concerning the Sterling Area)

Ceylon has normally a favourable balance of payments with the dollar area but occasionally it has been in deficit in dollars. As a member of the sterling area, Ceylon has contributed, in common with other members, its surplus dollar earnings to the central reserves of the group.

The following table sets out the balance of payments between Ceylon and the dollar area since 1947:-

### Ceylon's balance of payments with the Dollar Area

	<u>1947</u>	<u>1948</u>	1st Qr. \$ million.	<u>1949</u> 2nd Qr.	3rd Qr.	4th Qr.
Imports f.o.b.	49	23	5	5	9	5
Other	8	6	1	2	3	-
Exports f.o.b.	55	64	14	10	9	12
Other	-	-	1	-	-	1
Deficit	2	-	-	-	3	-
Surplus	-	35	9	3	-	8

It should be noted that the above estimates, which have been compiled from data available in Ceylon, may not necessarily agree with the estimates supplied by the United Kingdom authorities as the coverage and the source of the data differ in certain respects. Ceylon was deficit in dollars in 1947 when the balance of payments with the dollar area was adverse by \$ 2 million. But Ceylon had a favourable balance of \$ 35 million in 1948. The surplus of \$ 9 million realised in the first quarter of 1949 was at the quarterly rate of the previous year; however, it declined to \$ 3 million in the second quarter. The agreement reached by the Conference of Commonwealth Finance Ministers held in London in July 1949 to restrict imports from the dollar area during 1949/50 to 75 per cent of the level in 1948 anticipated this recessive trend in the balance of payments. The attached table compares dollar imports into Ceylon during 1949/50 with those in 1948 and shows the extent to which they were affected by import restrictions introduced after July 1949. As a combined result of the cuts on dollar imports and of the revival of export prices after devaluation, the balance of payments with the dollar area improved in the fourth quarter when a surplus of \$ 8 million was recorded.

With the establishment of the Central Bank of Ceylon, the Ceylon Government's policy is to build its own independent gold and dollar reserve to strengthen its currency, and partly because of this policy and partly because of Ceylon's membership of the sterling area, Ceylon has continued to restrict dollar imports although its balance of payments with the dollar area has been favourable since devaluation.

STATISTICAL SERVICE OF THE BUREAU OF ECONOMIC ANALYSIS, (1942-49) 2-2-49 (REV. 1-2-49)

VALUE IN \$ MILLE

COMMODITY	1948				Total	Increase or Decrease over 1948
	1st quarter	2nd quarter	3rd quarter	4th quarter		
1. Food, drink and tobacco						
(a) Grain and flour	-	-	-	3.75	3.75	+ 3.75
(b) Other food and drink	2.52	.59	.25	1.31	6.18	+ 3.86
(c) Narcotics	.70	.15	.05	.33	.57	- .13
2. Raw Materials (unmanufactured)*	.65	.12	.06	.09	.55	- .10
3. Articles mainly manufactured						
(a) Machinery	1.93	.54	.62	.58	2.87	+ .94
(b) Cotton manufactures	10.94	1.29	.08	.04	3.35	- 7.61
(c) Chemicals, drugs, dyes etc.	1.22	.54	.16	.12	1.15	- .07
(d) Vehicles	1.58	.33	.13	.15	1.21	- .37
(e) Rest including miscellaneous**	6.41	1.16	.52	.46	5.79	- 2.62
TOTAL	25.75	4.72	1.87	6.61	23.38	- 2.37

\*This Class consists of mining and quarry products, wood and timber, seeds and nuts for oil, oil fats and resins and miscellaneous raw materials.

\*\*This class consists of Earthenware, glass abrasives etc. iron and steel manufactures, non-ferrous metals, cutlery, hardware, instruments etc.; electrical goods, manufactures of textile materials other than cotton, wool, silk and satin and mixed materials; apparel, oils, fats and resins; paper and cardboard, rubber manufactures; and miscellaneous manufactures.