

File 2
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COUNTRY: Ceylon/China

CIA

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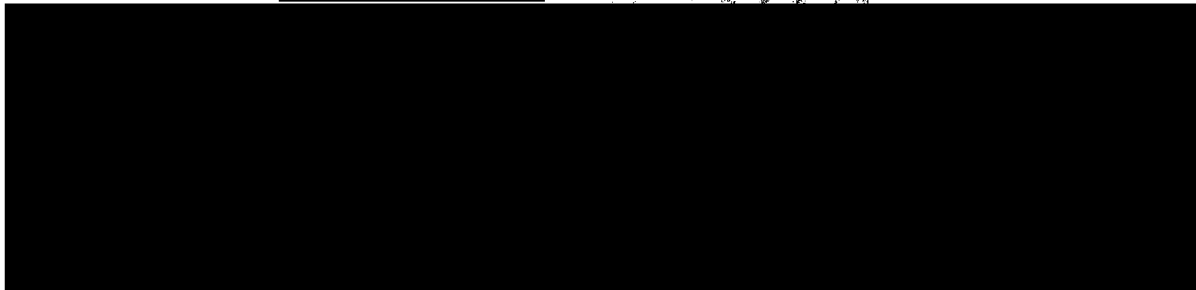
SUBJECT: Trade Pact Revision Due/Economic Conditions

DATE

DATE ACQUIRED:

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DATE OF INFORMATION:



1. "The trade pact with Communist China which falls due for a price revision shortly, poses a problem. With the increase in local production of rice and the availability of rice at much cheaper prices elsewhere, Ceylon intends asking for less rice at lower prices from China, which in turn may ask for a sizable reduction in rubber prices.
2. "No alterations in taxes, a few changes in customs duties, approximately balanced budget and no deficit financing are the salient features of Ceylon's budget for 1954-55 [October-September]. The island's economy is now in a healthier state. The country's external assets, which had been falling at an alarming rate, have risen by nearly 80 million; there is improvement in the terms of trade; and the country's financial resources have been enlarged by foreign loans."

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