CONSULTATIONS UNDER ARTICLE XIV:1(g)

As relevant for the CONTRACTING PARTIES in connexion with their consultations with Ceylon under Article XIV:1(g), the Fund has advised that the Government of Ceylon has consulted with the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of the transitional arrangements of Ceylon. The results of this 1956 consultation are as follows:

"1. The Government of Ceylon has consulted with the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of its transitional arrangements.

"2. Ceylon had a satisfactory balance of payments surplus in 1955, principally because of the high world prices for rubber and tea. International reserves increased considerably during the year. Principally because of the decline in the prices of rubber and tea, the balance of payments surplus has substantially declined and may be eliminated in 1956.

"3. Ceylon has been following sound fiscal and monetary policies. Prices have been stable. A significant deficit in the budget is anticipated for the fiscal year beginning October 1, 1956. It is assumed that any expansionary pressures from this source will be offset by other measures if needed to maintain monetary stability.

"4. The Fund welcomes the recent measures taken by Ceylon to relax restrictions and reduce discrimination. The Fund notes that bilateralism is not an important feature of Ceylon's exchange policy but suggests that Ceylon keep under review its need for continuing reliance on bilateral arrangements. The Fund believes that there is scope for a simplification of Ceylon's licensing system and for further reduction in discrimination.

"5. In concluding the 1956 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Ceylon."