

WAGES

The wages of government employees and employees in the private sector (covered by Wages Boards regulations), decreased in real terms in 1980.

The money wages of government employees increased at a lower rate in 1980 than in 1979. The Money Wage Rate Index for technical and clerical employees rose by 10 per cent in 1980 compared with an increase of 16 per cent in the previous year. In the case of minor employees and school teachers, the increases in money wages in 1980 were 12 per cent and 9 per cent, respectively, as against increases of 21 and 15 per cent, respectively, in 1979. These increases in money wages occurred mainly owing to the salary increase of Rs. 70 per month granted in November, 1980.

Real wages¹ of government employees declined by 11.6 per cent in 1980 compared with an increase of 7 per cent in 1979 over 1978. The real wages of technical and clerical employees showed a decline of 13 per cent as against an increase of 5 per cent in 1979. The real wages of minor employees, which rose by 9 per cent in the previous year decreased by 12 per cent in 1980, while that of school teachers dropped by 14 per cent as against an increase of 4 per cent in 1979.

In the private sector, the money wages of workers in agriculture rose by 25 per cent while that of the workers in industry and commerce increased by 22 per cent. The comparable figures for 1979 were 28 per cent and 17 per cent, respectively. The combined money wage index for workers in the private sector rose by 25 per cent as against an increase of 27 per cent in the previous year.

The real wages of workers in agriculture which rose by 15 per cent in 1979 declined marginally by 0.2 per cent in 1980. Similarly the real wages of workers in industry and commerce decreased by 3 per cent in 1980 compared with an increase of 5 per cent in 1979.

TRADE

Sri Lanka's balance of trade, on the basis of Customs data, recorded a deficit of Rs. 16,364 million (SDR 761 million) in 1980, in comparison with a deficit of Rs. 7,287 (SDR 362 million) in 1979 showing an increase of 125 per cent (110 per cent in SDR terms). The major factor responsible for the adverse trade position in 1980 was a sharp increase in the value of imports which amounted to Rs. 33,637 million (SDR 1,563 million) indicating an increase of Rs. 11,077 million or 49 per cent (39 per cent in SDR terms). In contrast export earnings increased only by 13 per cent (6 per cent in SDR terms) to Rs. 17,273 million (SDR 803 million). When Customs data are adjusted for the imports and exports by certain government agencies which get recorded after a time lag the trade deficit in 1980 amounted to Rs. 15,561 million.

1. The real wages are computed by deflating money wages by the Colombo Consumers' Price Index.

TABLE 1.22
Balance of Trade 1978 - 1980

year	Imports		Exports		Balance of Trade	
	Customs	Adjusted	Customs	Adjusted	Customs	Adjusted
1978 ..	14,687 (774) (a)	15,100	13,206 (674)	13,193	-1,480 (-100)	- 1,907
1979 (b) ..	22,560	22,602	15,273	15,282	-7,287	- 7,320
..	(1,121)		(759)		(-362)	
1980 ..	33,637 (1,563)	33,360	17,273 (803)	17,799	-16,364 (-761)	-15,561

Value in Rs. Million
(SDR Million in brackets)

Sources: Customs, Sri Lanka;
Food Commissioner's Dept;
Ceylon Fertilizer Corporation;
Petroleum Corporation;
State Gem Corporation.

(a) Includes adjustments made for transactions after 15th November, 1977 at rates prevailing prior to that date.

(b) Revised

The increase in the total value of imports was largely the result of an increase of 43 per cent in import prices as measured by the Import Price Index, the effects of which were strengthened by an expansion of 14 per cent in the volume of imports. The increase in export earnings, however, was entirely due to a 16 per cent upward movement in export prices, while the volume of exports, as measured by the Export Volume Index decreased marginally by 2 per cent, when compared with the previous year.

The terms of trade deteriorated by 14 percentage points in 1980 as compared with a deterioration of 28 percentage points in 1979. The decline in terms of trade was a major factor contributing to the adverse trade balance recorded. While import prices increased by 43 per cent, the export prices increased by only 16 per cent thus resulting in a decline in the terms of trade by 19 per cent. In comparison with the other countries in the region, Sri Lanka appears to have been the worst affected. Information available indicates that although the terms of trade of countries such as Philippines and even Singapore declined, the impact has been less severe than in the case of Sri Lanka.

TABLE 1.23
Foreign Trade 1971 - 1980

Year	Rupees Million			Index Numbers (1978=100)				Terms of Trade
	Exports(a) (F.O.B.)	Imports (C.I.F.)	Balance of Trade	Volume		Price		
				All Exports	All Imports	All Exports	All Imports	
1971	1,947	1,986	— 39	104	68	17	17	98
1972	2,009	2,064	— 55	102	67	17	18	94
1973	2,617	2,715	— 98	103	60	20	24	82
1974	3,471	4,554	— 1,082	89	42	31	42	72
1975	3,933	5,251	— 1,318	107	52	29	49	58
1976	4,815	4,645	+ 170	102	57	34	44	78
1977	6,638	6,007	+ 631	94	73	55	54	102
1978	13,206	14,687	— 1,480	100	100	100	100	100
1979	15,273	22,560	— 7,287	101	123	109	152	72
1980	17,273	33,637	— 16,364	99	140	126	217	58

Sources: Customs, Sri Lanka ;
Central Bank of Ceylon.

(a) Including re-exports

In spite of these adverse movements, the structural change in the composition of imports that emerged after the 1977 reforms continued in 1980 with development oriented categories namely investment goods and intermediate goods increasing their relative shares at the expense of consumer goods. The latter decreased from 35 per cent in 1979 to 29 per cent in 1980.

Exports

Export earnings for the year 1980 amounting to Rs. 17,273 million (SDR 803 million) recorded an increase of 13 per cent over that of the previous year. However, the rate of growth in SDR terms amounted to 6 per cent which was approximately 50 per cent of the rate of growth of the previous year. Earnings from exports of tea, rubber, minor agricultural crops, and industrial exports increased in rupee value while those of coconut kernel products and gems declined. As the rate of growth of the major export crops lagged behind that of industrial exports, the relative share of the export crop sector declined from 65 per cent in 1979 to 58 per cent of total exports in 1980. However, the shares of petroleum and textiles exports increased from 13 per cent in 1979 to 17 per cent in 1980 and from 7 per cent in 1979 to 11 per cent, in 1980, respectively. The value of exports of petroleum products was higher than that of rubber which traditionally figures as Sri Lanka's second largest foreign exchange earner. Tea exports, however continued to be the principal export item accounting for 36 per cent of total value of exports.

TABLE 1.24
Composition of Exports 1978 - 1980

Category	Value Rs. Million (SDR Million in brackets)			Percentage of Total Exports		
	1978(a)	1979	1980	1978	1979	1980
1. Tea	6,401 (327)	5,722 (284)	6,170 (287)	48	38	36
2. Rubber	2,021 (103)	2,491 (124)	2,590 (120)	15	16	15
3. Coconut	1,271 (65)	1,699 (84)	1,234 (57)	10	11	7
3.1 Kernel Products	972 (50)	1,298 (65)	754 (35)	7	8	4
3.2 Other	299 (15)	401 (20)	480 (22)	2	3	3
4. Minor Agricultural Crops(b)	723 (37)	825 (41)	840 (39)	6	6	5
5. Industrial Exports (b)	1,944 (99)	3,737 (186)	5,496 (255)	15	24	32
5.1 Textile and Garments	481 (25)	1,108 (55)	1,814 (84)	4	7	11
5.2 Petroleum Products	945 (48)	1,926 (96)	2,999 (139)	7	13	17
5.3 Other	518 (26)	703 (35)	682 (32)	4	4	4
6. Gems	531 (27)	490 (24)	458 (21)	4	3	3
7. Other	315 (16)	309 (15)	485 (23)	2	2	3
Total Exports	13,206 (674)	15,273 (759)	17,273 (803)	100	100	100

Source: Customs, Sri Lanka.

(a) Revised.

(b) Selected items (Revised.)

In comparison with 1979, the value of tea exports in 1980 at Rs. 6,170 million (SDR 287 million) registered an increase of 8 per cent (1 per cent in SDR terms). The volume of tea exports however, declined marginally from 188 million kilos in 1979 to 185 million kilos in 1980, indicating that exports were maintained at the 1979 level in spite of a shortfall in production. The average f.o.b. price per kilo of tea exported from Sri Lanka in 1980 at Rs. 33.41 (SDR 1.55) showed an increase of 10 per cent in rupee terms (2 per cent in SDR terms). The quantity of teas sold at Colombo auctions declined from 188 million kilos in 1979 to 178 million kilos in 1980 or by 5 per cent. However, the quantity of Sri Lanka teas exported to London auctions remained unchanged at 12 million kilos. Sri Lanka teas sold at London auctions comprised only 6 per cent of the teas exported from Sri Lanka in 1980.

The average gross price of a kilo of tea sold at Colombo auctions increased from Rs. 12.30 in 1979 to Rs. 18.33 in 1980 or by 49 per cent, while that of Sri Lanka teas sold at London auctions declined in terms of foreign currency from 105 pence in 1979 to 92 pence in 1980. The higher prices realised at the Colombo auctions were largely the result of a reduction of Rs. 5.00 per kilo in the export duty on bulk tea which was effected in July, 1979 and partially the result of the depreciation of the Sri Lanka Rupee. Of the total tea exports, 83 per cent was shipped in bulk form. Though prices fetched were higher in 1980 than in 1979, the industry as a whole suffered from liquidity problems due to rising costs. Nearly a third of the income derived from tea was absorbed by the government by way of duties and cesses.

The value of rubber exports in 1980 at Rs. 2,590 million (SDR 120 million) indicated a marginal increase in rupee terms, but a decrease in SDR terms over the previous year. The rupee value increase was solely due to a higher export price. The average f.o.b. price improved from Rs. 19.44 in 1979 to Rs. 21.42 in 1980 or by 10 per cent, reflecting in large measure the depreciation in the exchange value of the Sri Lanka Rupee. The f.o.b. price when measured in SDR terms recorded an increase of 3 per cent. The quantity of rubber exported decreased by 7 million kilos from 128 million kilos in 1979 to 121 million kilos. Price increases were seen in the Colombo market where the annual average prices of RSS No. 1 and II increased from Rs. 9.15 to Rs. 10.62 and from Rs. 8.56 to Rs. 9.73 per kilo, respectively. In 1980, rubber stocks remained relatively high. The Chinese purchases of Sri Lanka natural rubber have shown a gradual reduction in the past few years. Therefore, it is necessary to encourage the export of sheet rubber by the private sector to other destinations in the larger interest of the industry.

The value of coconut exports in 1980 decreased by 27 per cent from Rs. 1,699 million (SDR 84 million) in 1979 to Rs. 1,234 million (SDR 57 million). The value of coconut kernel products decreased by Rs. 544 million or by 42 per cent while that of other coconut products increased by Rs. 79 million. The disappointing performance in the coconut sector in 1980 was mainly due to limitations in supply. The export volumes of the three major coconut products namely copra, coconut oil and desiccated coconut declined. In terms of nut equivalent, the volume of exports declined from 537 million nuts in 1979 to 239 million nuts or by 55 per cent in 1980. The average price of desiccated coconut - Sri Lanka's major export item among the coconut products - in 1980, declined marginally in the London market below that of the previous year. However, the f.o.b. prices and Colombo market prices increased significantly in 1980. This was partly due to the depreciation of the exchange value of the Sri Lanka Rupee during the period.

Earnings from the export of minor agricultural crops increased marginally in rupee terms from Rs. 825 million in 1979 to Rs. 840 million in 1980, but registered a decline of 5 per cent in SDR terms. Even though the prices of these products moved favourably in world commodity markets, the benefits from high export price could not be realised because of bottlenecks in supply. The export volumes of coffee, pepper, nutmeg, cardamoms, sesame seeds, betel leaves, tobacco, papain and other essential oils declined substantially while those of arecanuts, cinnamon, cloves, cashewnuts, mustard, cocoa and other seeds increased marginally. The only sector which revealed an improvement in export earnings in both Rupee and SDR terms was industrial exports, which increased from Rs. 3,737 million (SDR 186 million) to Rs. 5,496 million (SDR 255 million) or 47 per cent. Export of

processed petroleum products amounted to Rs. 2,999 million (SDR 139 million) and accounted for the major share of total industrial exports while textile and garment exports amounting to Rs. 1,814 million (SDR 84 million) accounted for 33 per cent of industrial exports. The increased earnings from petroleum exports were largely due to increases in export prices. The increased earnings from textile and garment exports were the result of both increases in price and volume. The volume of garment exports increased from 34 million units in 1979 to 52 million units in 1980. Textile exports from the Industrial Processing Zone of the Greater Colombo Economic Commission have been estimated at Rs. 470 million. The earnings from gem exports decreased in 1980 according to Customs data, though the data provided by the State Gem Corporation revealed a significant increase.

The overall performance of the export sector in 1980 was far from encouraging; in fact, somewhat disappointing. The export volumes of all export sectors with the exception of industrial exports declined. The increase in the international prices - a consequence of world inflation - resulted in export earnings showing some improvement. However, in the context of the phenomenon of deteriorating terms of trade which Sri Lanka is experiencing since 1977 a more concerted effort has to be made in order to increase the level of growth of exports while improving the fortunes of the traditional sector. In view of the near stagnant demand for tea and supply constraints impeding the growth of rubber and coconut exports, considerably greater attention has to be given towards the development of the non-traditional exports. Agro-based manufactured goods which use rubber and other minor agricultural products as raw materials may be one such area which could be developed. Given the high weightage accorded to import of capital and investment goods and the worldwide inflation which tends to keep import values continuously rising, the principal instrument for containing the widening merchandise trade deficit would appear to be a vigorous and sustained export development programme on a very broad front.

Imports

Expenditure on imports for the year 1980, amounted to Rs. 33,637 million (SDR 1,563 million) in comparison to Rs. 22,560 million (SDR 1,121 million) in 1979, indicating an increase of 49 per cent (39 per cent in SDR terms). This sharp increase in the value of imports was mainly the result of a 43 per cent increase in the Import Price Index. The volume of imports too increased by 14 per cent. However, the previously observed change in the composition of imports continued in 1980 as well. The share of consumer goods in total imports decreased from 35 per cent in 1979 to 29 per cent in 1980 while the category of intermediate goods increased its relative share from 41 per cent to 46 per cent. The share of investment goods remained unchanged at 24 per cent. In spite of sharp increases in c.i.f. prices, the government's objective of diverting more resources to investment oriented activities, thus favouring real capital formation, appears to have succeeded. However, the sharp increase in the price of crude oil was a major set-back as it pre-empted resources from other uses.

The value of investment goods imported during the year amounted to Rs. 8,141 million (SDR 378 million), indicating an increase of 49 per cent (39 per cent in SDR terms). Machinery and equipment imports accounted for over one half of total imports of investment goods while transport equipment and building

TABLE 1.25
Expenditure on Imports 1978 - 1980

Category	Value						Percentage of Total Imports		
	Rs. Million			SDR Million			1978	1979	1980
	1978	1979	1980	1978	1979	1980			
1. Consumer goods ..	5,618	7,824	9,884	287	389	459	38	35	29
1.1 Food and drink ..	4,127	4,807	6,134	211	239	285	28	21	18
1.1.1 Rice ..	689	884	756	35	44	35	5	4	2
1.1.2 Flour ..	2,192	1,691	1,788	112	84	83	15	8	5
1.1.3 Sugar ..	620	929	1,915	32	46	89	4	4	6
1.2 Textile and clothing ..	531	1,536	1,721	27	76	80	4	7	5
1.3 Other ..	959	1,481	2,029	49	74	94	7	7	6
2. Intermediate goods ..	5,591	9,143	15,495	286	454	720	38	41	46
2.1 Petroleum ..	2,403	3,912	8,090	123	194	376	16	17	24
2.2 Fertilizer ..	252	673	1,333	13	33	62	2	3	4
2.3 Chemicals ..	446	502	544	23	25	25	3	2	2
3. Investment goods ..	3,367	5,459	8,141	172	271	378	23	24	24
3.1 Machinery & equipment ..	1,846	2,900	4,212	94	144	196	13	13	13
3.2 Transport equipment ..	988	1,615	2,421	50	80	113	7	7	7
3.3 Building materials ..	150	368	610	8	18	28	1	2	2
4. Unclassified ..	110	134	118	30	7	6	1	1	1
Total ..	14,687	22,560	33,637	774	1,121	1,563	100	100	100

Source: Customs, Sri Lanka.

materials accounted for the balance. Imports of machinery and equipment increased by 45 per cent over that for the previous year while building materials and transport equipment increased by 66 per cent and 50 per cent respectively. However, a major share of increase recorded in this sector was due to an expansion in the volume imported, the effect of which was strengthened by an increase in import price. While the Import Volume Index recorded an increase of 19 per cent in the investment goods category, the price index increased by 10 per cent. The price index of the building materials recorded the highest level of increase viz. 63 per cent while machinery and equipment and transport equipment increased by 14 per cent and 10 per cent, respectively. However, increases recorded in the price indices were in rupee terms and due allowance has to be made for the depreciation in the exchange value of the Sri Lanka Rupee.

Intermediate goods accounted for the largest share of imports in the year 1980 at Rs. 15,495 million (SDR 720 million), indicating an increase of 69 per cent over that of the previous year, which was attributable to increases in both volume and prices. The price increase for intermediate goods revealed an increase of 51 per cent while the volume index increased by 53 per cent. Crude oil which increased by 80 per cent in price and 29 per cent in volume terms accounted for 47 per cent of the total expenditure on intermediate goods. Total expenditure on crude oil increased by over 133 per cent over that for the previous year. Expenditure on fertilizer also increased due to increases in price as well as in the volume of imports.

Expenditure on imports of consumer goods increased by 26 per cent from Rs. 7,824 million (SDR 389 million) in 1979 to Rs. 9,884 million (SDR 459 million) in the year under review. However, the relative share of this category decreased from 35 per cent in 1979 to 29 per cent in 1980. Expenditure on food and drink increased solely due to price increases. The Import Volume Index recorded a sharp reduction. However, prices increase by 55 per cent in terms of the Import Price Index. The decrease in volume of imports was due to a decline in the imports of rice, flour and sugar. The sharp increases in the price of sugar during the year resulted in an upward movement in the price index.

Imports of textiles increased by 12 per cent while other consumer goods inclusive of consumer durables increased by 37 per cent in value. Imports in this category which included some items which could be classified as non-essentials amounted only for 6 per cent of total imports. If medical and pharmaceutical products and tyres and tubes are excluded, the share would be less than 5 per cent of total imports.

As imports are not categorised by mode of payments, by the Customs at the time of clearance, no separate record of aid imports is available. However, aid imports which figure prominently in total imports could be approximated¹ on the basis of available data on disbursements of foreign aid. Aid imports for the year 1980 are estimated at Rs. 4,681 million (SDR 217 million) in comparison to Rs. 4,269 million (SDR 212 million) in 1979 indicating that the share of aid imports as a percentage of total imports has decreased from 19 per cent in 1979 to 14 per cent in the year under review.

On the whole, the developments in the sphere of imports indicate that the policies of the government in diverting resources to investment oriented imports have been successful in spite of a substantial transfer of foreign exchange owing

¹ The value of aid imports has been arrived at by taking 72 per cent of project aid plus the entirety of commodity aid, food aid and IMF Trust Fund loans.

to sharp increases in import prices. The increases in the volume of imports were in the development oriented categories and these were, by and large, at the expense of the category food and drink. Taking a longer view than the annual survey of developments, the trends of capital goods imports rising faster than other categories is both encouraging and cause for some uneasiness. Limited resources have to be distributed between the competing requirements of development and consumption. The precise balance in this matter is determined by the time profile of investment and flow of final output.

Foreign Trade Policy

The main features of the foreign trade policy as followed in the two previous years were the continuation of the policies of trade liberalisation and the assistance to the export sector in order to facilitate a rapid level of growth.

Sri Lanka Export Development Board (SLEDB) established in 1979 to assist in formulation and implementation of policies for development of exports, participated actively in the export promotion drive in 1980. Its activities included advise to the government on plans for development of exports, formulation of national export development programmes and monitoring their implementation, carrying out research and development on export products and export markets and provision of services required by the exporters while acting as a focal point to deal with export problems. The Board has attempted at a systematic identification of the basic constraints affecting the growth of exports in both products sector, as well as in functional areas (e.g. export finance). Products such as jewellery, white coir fibre products, tea bags and packeted tea and rubber products were given additional incentives on the basis of these studies. In this context the Board initiated programmes to provide credit for production of goods for export at reasonable cost and licences were issued for the import of raw materials used in the manufacture of jewellery for export. An Export Expansion Grant Scheme and a Presidential Export Awards Scheme were in operation to encourage exporters. The Import Duty Rebate Scheme was streamlined to facilitate prompt refunds. Financial support was given for pilot projects and for participation in international trade fairs. Feasibility studies have been undertaken for the establishment of limited liability companies with the participation of both producers and exporters to cultivate minor export crops such as cardamom and pepper and for the takeover of the operations of the canning factories, presently managed by the Department for Development of Marketing. In addition, the Export Development Board has undertaken to finance the establishment of a comprehensive research laboratory for marine products. With the assistance of the Commonwealth Secretariat, the Board initiated a programme of market development for the handloom industry and carried out surveys on the supply conditions of a number of specific products.

An Export Development Fund was established during the year for the purpose of financing the activities of the Export Development Board. An Export Development Cess levied on selected imports and exports constituted the main source of funds. The imports which were subjected to duties of 50 per cent or more were required to pay an additional 10 per cent of the duty payable while a 2 per cent cess was levied on the f.o.b. value of selected minor export crops.

Sri Lanka Export Credit Insurance Corporation (SLEVIC) actively and successfully participated in the export promotion drive in 1980, by guaranteeing and insuring export credits. The value of guarantees given in 1980 exceeded

the target and registered a 117 per cent increase over the previous year. In addition to the specific incentives given by the SLEDB and SLEIC, there were a number of incentives granted for exporters within the general framework of fiscal policy. The Inland Revenue Act provided tax holidays and investment relief, for exporters and producers for export. The export of manufactured items continued to be free from Business Turnover Tax.

At the beginning of 1980, the export of 17 items were subject to licencing and in the course of the year waste paper and paper board were brought under licence. In order to promote export of tea bags and packeted tea duties on the export of tea bag was reduced from Rs. 10.50 to Rs. 1.00 per kilo and that on packeted tea from Rs. 10.50 to Rs. 8.50 per kilo. Duties on the export of coconut kernel products too were reduced in June, 1980 in order to increase the margins available to local producers. In November, 1980 duties on rubber exports were reduced by 15 cents per kilo for all varieties at all price levels.

Import duties were revised several times during the year under review. Duties were revised downward on items such as plywood doors, sinks, wash basins, asbestos, fibrous fillers, fire proof clothing, asbestos clothing and sanitaryware for indoor use with a view to increasing the availability of these material as these were in short supply. Import duties on liquor, beedi wrapper leaves and unmanufactured tobacco were increased with the aim of increasing revenue accruing to the Government. Duties on import of electrical apparatus and parts, motor cycles other than auto-trishaws, wrist-watches, television sets and certain passenger vehicles, vans and lorries, were also increased. Import duty on synthetic yarn netting for the fishing industry was reduced with the objective of reducing the cost of materials used in the fishing industry.

A Presidential Tariff Commission was appointed in October, 1980 to provide a continuous review of import tariffs and to make recommendations on an appropriate tariff structure.

In the international arena, Sri Lanka signed the International Rubber Agreement and participated in the negotiations for an International Tea Agreement. Necessary steps were also taken to accede to the agreement on the Common Fund established under the auspices of the UNCTAD. Sri Lanka-China Trade and Payments Agreement was extended in 1980. In terms of this protocol, China agreed to buy 20,000 tons of rubber from Sri Lanka while Sri Lanka agreed to purchase 80,000 tons of rice from China in 1981. General trade understandings were signed with the Philippines and the Maldives. In regard to exports of textiles and garments, agreements were signed with the U.S. and Sweden in 1980. Trade and investment centres were set up in Denmark and in the Federal Republic of Germany. Sri Lanka also participated in a number of international trade fairs.

Internal Trade

The objective of the internal trade policy as in the case of foreign trade was to steer towards a free market system, where the price mechanism would guide the productive sectors and consumer interests, would be safeguarded by competition. Although the policy was free trade, market interference was necessary in some instances to safeguard the interests of the consumer as well as the producer. With a view to encouraging competition between the state sector organisations and the private sector, the monopolies enjoyed by several state sector organisations were withdrawn and these institutions were expected to adopt a more positive approach in developing new lines of business. However, certain essential consumer items such as dried fish, onions, chillies, matches and mammoties were imported solely

by the state sector in order to safeguard the interest of the producer. Imports of these items were made solely to cover shortfalls in local production. In order to ensure unrestricted availability of these essential commodities, while safeguarding the interests of the producer, the Ministry of Trade planned the imports of these commodities during periods of short supply. Weekly market surveys were conducted by the Department of Internal Trade and the Central Bank to ascertain the availability of essential consumer goods and the Ministry of Trade was kept informed of any scarcities of these commodities. Problems of distribution and pricing relating to trade in essential commodities were discussed at regular meetings of the Consumer Protection Committee in which the Ministry of Trade, the Central Bank and the major supply and consumer organisations are represented.

At a time when rigid controls are removed, some form of regulatory mechanism becomes necessary for trading activities to function in harmony. The Department of Internal Trade continued to administer and implement the Consumer Protection Act, the Control of Prices Act and the Weights and Measures Ordinance with a view to ensuring the fair trading practices in the field of internal trade.

In order to protect the consumer from indiscriminate price changes at the retail level, traders dealing in some 315 consumer articles coming under the purview of the Consumer Protection Act were compelled to exhibit their retail selling prices. A series of directives were also issued under the Act.

A Consumer Protection Fund was established in order to finance consumer education programmes and to assist in the development of consumer organisations. At the end of the year the total amount to the credit of the fund was Rs. 115,000. With a view to improving consumer awareness of the benefits of a free competitive market, the Department of Internal Trade organised and maintained consumer education stalls at each of the 'Mahapola Trade Fairs' and exhibitions held in 1980. The establishment of consumer societies was undertaken and 905 such societies were established by the end of the year.

TOURISM

Tourism has emerged as an important source of foreign exchange earnings, employment creation, income generation and regional development over the past decade in Sri Lanka.

Tourist arrivals during 1980 exceeded the target of 298,000 by 8 per cent and a total of ~~321,780~~ tourists visited the country in 1980, representing an increase of almost 29 per cent over the previous year's figure. The growth rate achieved this year was higher than the average annual growth rate of 22.5 per cent achieved during the past decade. However, it should be pointed out that the rate of growth of tourist traffic recorded in 1980 was less than that registered in 1979. Meanwhile, the total arrivals of "excursionists" (i.e. the temporary visitors staying in the country for less than 24 hours including travellers on cruises but excluding travellers in-transit) amounted to 8,636 in 1980, reversing a falling trend.