

In the organised private sector, the minimum wages of workers in tea, rubber and coconut sectors, rose by 13 per cent in 1982 compared to a marginal decrease of 0.2 per cent in 1981. The minimum wages of workers in industry and commerce increased by 12 per cent against an increase of 13 per cent in 1981. The combined minimum wage rate index for the organised agricultural, industrial and commercial sectors increased by 13 per cent when compared with a marginal increase of 1 per cent in 1981.

The real wages of workers in agriculture which dropped by 16 per cent in 1981, showed an increase of 2 per cent in 1982. In the case of industrial and commercial sector employees the real wage rate increased by 1.5 per cent as against the decrease of 5 per cent recorded in 1981.

Information collected under the Central Bank's Country-Wide Data Collection System indicates significant increases in wages in the unorganised sector. The average daily wage rates in the unorganised sector for 1981 and 1982 are given in Table 1.32.

In the unorganised sector such as in tea, rubber, coconut and paddy cultivation and in building construction all island daily wage rates of male and female workers increased in 1982 in respect of all categories. In paddy farming the average daily wage rate in 1982 showed an increase of 10 per cent for male workers while the wage rate of a female worker in 1982 increased by 12 per cent when compared with that of the previous year. This represents a continuation of the increasing trend in the wage rates in paddy farming observed since 1979. The daily wage rate for male workers in the tea, rubber and coconut cultivation sectors too increased. The increase in the case of workers in the coconut cultivation sector was the most pronounced while that for the rubber sector showed the lowest increases. The all island daily average wage rates in 1982 for master carpenters and masons showed an increase of 15 per cent and 14 per cent, respectively, when compared with those for the previous year.

TRADE

The continued recessionary conditions in developed countries made their impact felt markedly on the country's exports. The rate of growth of exports in SDR terms was only 0.6 per cent in 1982 as compared to a 13 per cent growth in 1981. On the other hand, imports grew at a faster rate of 13 per cent in 1982 as against a 2 per cent growth registered in 1981. The higher rate of growth of imports in 1982 was very largely due to the purchase of ships (SDR 44 million) and aircraft (SDR 107 million) during the year, which resulted in a bulging of investment goods imports for the year. The higher growth of imports in 1982 has therefore to be viewed in this context.

TABLE 1.33
Balance of Trade 1980 — 1982

Value in Rupees Million
(SDR Million in brackets)

Year	Imports (a)		Exports (d)		Balance of Trade	
	Customs	Adjusted	Customs	Adjusted	Customs	Adjusted
1980	33,637 (1,563)	33,942 (1,577)	17,273 (803)	17,595 (818)	- 16,364 (- 761)	- 16,347 (- 760)
1981	35,530 (1,567)	36,582(c) (1,614)	20,199 (891)	21,043 (928)	- 15,331 (- 676)	- 15,539 (- 685)
1982(b)	36,876 (1,605)	41,946(c) (1,826)	21,124 (919)	21,454 (934)	- 15,751 (- 686)	- 20,492 (- 892)

(a) Excluding Bullion and Specie.

(b) Provisional.

(c) Include values of ships and aircraft which have not been recorded in the Customs Return.

(d) Includes re-exports.

Sources: Customs, Sri Lanka,
Food Commissioner's Department,
Ceylon Fertilizer Corporation and
other major importers,
Ceylon Petroleum Corporation,
State Gem Corporation,
Air Lanka Limited,
Ceylon Shipping Corporation.

According to provisional Customs data, total imports and exports for the year 1982 at Rs. 36,876 million (SDR 1,605 million) and Rs. 21,124 million (SDR 919 million) respectively, resulted in a trade deficit of Rs. 15,751 million (SDR 686 million). This represents a marginal increase over the previous year's deficit of Rs. 15,331 million (SDR 676 million). When Customs data are adjusted to present a more realistic picture, total expenditure on imports amounted to Rs. 41,946 million (SDR 1,826 million) and total earnings from exports Rs. 21,454 million (SDR 934 million); resulting in an increased trade deficit of Rs. 20,492 million (SDR 892 million) for the year. The adjustments made to the Customs data on imports were largely on account of ships and aircraft that were imported during the year. As a result, the trade deficit for 1982 turned out to be substantially higher than the adjusted trade deficit for the year 1981 which was Rs. 15,539 million (SDR 685 million). According to adjusted data, the rate of growth of exports for the year 1982 was less than 2 per cent in Rupee terms and one-half of 1 per cent in more stable SDR terms. On the other hand, imports grew at a faster rate of 15 per cent in Rupee terms and 13 per cent in SDR terms.

The prices of imports as measured by the import price index, increased by 10 per cent in 1982 compared to a 30 per cent increase recorded in 1981, while the volume of imports as measured by the import volume index showed an increase of 2 per cent. In the case of exports, the volume of exports as measured by

the export volume index rose by 10 per cent, while export prices as measured by the export price index declined by 8 per cent in 1982. The end result of the relative price movements of imports and exports in 1982 was a deterioration of 17 per cent in the country's terms of trade during the year. In the two preceding years viz. 1981 and 1980 the terms of trade deteriorated by 21 per cent and 19 per cent, respectively. Thus, the persistently adverse terms of trade experienced by the country in recent years continued into 1982 as well.

TABLE 1.34
Foreign Trade 1973—1982

Year	Rupees Million			Index Numbers 1978=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	
1973	2,617	2,715	- 98	103	60	20	24	82
1974	3,471	4,554	- 1,083	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	- 1,481	100	100	100	100	100
1979	15,273	22,560	- 7,287	101	123	109	152	72
1980	17,595	33,942	- 16,347	99	140	126	217	58
1981	21,043	36,582	- 15,539	102	145	129	282	46
1982*	21,454	41,946	- 20,492	112	148	119	309	38

* Provisional.

Adjusted from 1980 onwards.

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

Exports

The earnings from exports (adjusted data) in 1982 were Rs. 21,454 million (SDR 934 million) compared to earnings of Rs. 21,043 million (SDR 928 million) in 1981, registering an increase of Rs. 411 million (SDR 6 million). The rate of growth of exports has thus been a disappointing 2 per cent in Rupee terms and 0.6 per cent in SDR terms. The earnings from industrial exports recorded a 12 per cent increase while those from agricultural exports declined by 4 per cent in SDR terms. Following the pattern in recent years, the share of agricultural exports in total exports declined to 55 per cent in 1982. The corresponding share in 1981 was 58 per cent. On the other hand, the share of industrial exports increased from 35 per cent in 1981 to 39 per cent in 1982, while that of mineral exports remained unchanged at 4 per cent.

The decline in the share of agricultural exports was the result of total earnings from this source decreasing by 4 per cent in SDR terms. This was largely the result of reductions in earnings from tea and rubber by 3 per cent and 20 per cent, respectively. There was, however, a 16 per cent increase in the earnings from minor agricultural products and a marginal increase in the earnings from the export of coconut products. Along with the reduction in the share of agricultural exports, the relative

significance of the traditional plantation crop sector in total exports also decreased from 51 per cent in 1981 to 47 per cent in 1982. For the first time in recent history this sector accounted for less than one half of total earnings. Thus, while the share of industrial exports increased, the increase was more on account of a drop in earnings from the traditional exports rather than to a faster rate of growth of the industrial exports. In this sense, diversification as indicated by the increasing share of industrial exports in total exports is somewhat less encouraging. A welcome feature however is that the export earnings from minor agricultural products continued to increase and their total exceeded the level of earnings from coconut products in 1982. Tea continued to be the principal item of export, accounting for 30 per cent of total exports.

TABLE 1.35
Composition of Exports 1980 — 1982

Category	Value in Rs. Million			SDR Million			Percentage of Total Exports		
	1980	1981	1982 (e)	1980	1981	1982	1980	1981	1982
1. Agricultural Exports ..	10,873	12,170	11,806	505	537	514	61.7	57.8	55.0
1.1 Tea ..	6,170	6,444	6,342	287	284	276	35.1	30.6	29.6
1.2 Rubber ..	2,590	2,889	2,323	120	127	101	14.7	13.7	10.8
1.3 Coconut ..	1,234	1,438	1,496	57	64	65	7.0	6.8	7.0
1.3.1 Kernel Products ..	754	1,011	1,003	35	45	44	4.3	4.8	4.7
1.3.2 Other ..	480	427	494	22	19	21	2.7	2.0	2.3
1.4 Minor Agricultural Products (a) ..	879	1,399	1,645	41	62	72	5.0	6.7	7.6
2. Industrial Exports (a) (b) ..	5,814	7,296	8,271	270	322	360	33.0	34.7	38.5
2.1 Textile and Garments ..	1,826	3,021	3,502	85	133	152	10.4	14.4	16.3
2.2 Petroleum Products ..	3,123	3,375	3,280	145	149	143	17.7	16.0	15.3
2.3 Other ..	865	900	1,489	40	40	65	4.9	4.3	7.0
3. Mineral Exports ..	805	792	859	37	35	37	4.5	3.8	4.0
3.1 Gems (b) ..	664	633	685	31	28	30	3.8	3.0	3.2
3.2 Other ..	141	159	174	6	7	7	0.7	0.8	0.8
4. Unclassified (c) ..	103	785(d)	518	5	35	23	0.6	3.8	2.5
Total Exports (b) ..	17,595	21,043	21,454	818	928	934	100.0	100.0	100.0

(a) Selected items revised to provide a greater coverage.

(b) Adjusted.

(c) Include re-exports.

(d) Include Rs. 458 million (SDR 20 million) worth of exports as revised by Customs in 1982 for which breakdown is not available.

(e) Provisional.

Sources: Customs, Sri Lanka,
State Gem Corporation,
Ceylon Petroleum Corporation.

Conversion: 1980 - 1 SDR = Rs. 21.51
1981 - 1 SDR = Rs. 22.67
1982 - 1 SDR = Rs. 22.98

The increase in the earnings from industrial exports was the result of higher earnings from textile and garments exports and other industrial exports of 14 per cent and 63 per cent, respectively. There was, however, a 4 per cent decline in the earnings from petroleum products, largely a result of the local utilization by the State Fertilizer Manufacturing Corporation of the usual exportable surplus of naphtha. An encouraging sign on the industrial export front is the increase in the share of "other industrial exports" which has recorded an impressive performance in 1982. This category consisting essentially of non-traditional exports such as, animal feed, chemical products, footwear, articles of leather, rubber and wood, wall tiles and mechanical appliances, has increased its share in total export earnings from 4 per cent to 7 per cent or from SDR 40 million to SDR 65 million.

The value of tea exports in 1982 amounted to Rs. 6,342 million (SDR 276 million). It declined both in Rupee terms as well as in SDR terms, the latter decline being 3 per cent below 1981. The total production of tea dropped by over 10.6 per cent to 188 million kgs. Largely, reflecting this drop in production, the volume of teas sold at the Colombo Auctions declined by 9 per cent to 181 million kgs., while Sri Lanka teas sold at the London Auctions also declined from 10 million kgs. in 1981 to 4 million kgs. in 1982. The decline in the total volume of exports, however, was marginal. Total exports in 1982 was 181 million kgs. as compared to 183 million kgs. in 1981. The total volume of tea exports has been declining in recent years. The highest volume of tea exports recorded was in 1975 when it reached 213 million kgs.

Of the total tea exports during the year, 81 per cent was shipped in bulk form. The average f.o.b. price of tea from Sri Lanka in 1982 at Rs. 35.03 per kg. (SDR 1.52) showed a marginal decline compared to the price realized in the preceding year. The average gross price at the Colombo Auctions, however, increased significantly by 30 per cent from Rs. 18.10 per kg. in 1981 to Rs. 23.44 per kg. in 1982. The rise in the Colombo Auction price for the year is largely explained by the reduced export duty on tea applicable during 1982 as compared to the previous year. The price of Sri Lanka tea sold at the London Auctions at 107 pence per kg. also showed an increase of 14 per cent over the price realized in 1981, but was volume-wise too small to make a significant impact on the average f.o.b. price for the year. Export duties on all varieties of tea, in bulk (Rs. 8.00 per kg.), packeted (Rs. 6.50 per kg.), tea bags (Rs. 1.00 per kg.), instant tea (Rs. 13.50 per kg.) and green tea (Rs. 8.00 per kg.) remained unchanged during 1982.

Earnings from the export of rubber during the year under review at Rs. 2,323 million (SDR 101 million), showed a decline of 20 per cent from those of the previous year. Both the volume exported as well as the average export price decreased. Production of rubber in 1982 is estimated at 125 million kgs.; an increase of only 1 million kgs. over the 1981 production. The volume of exports declined from 133 million kgs. in 1981 to 131 million kgs. in 1982, while the average f.o.b. price declined by 19 per cent from Rs. 21.80 per kg. (SDR 0.96) in 1981 to Rs. 17.68 per kg. (SDR 0.77) in 1982. During the year, the stocks of rubber at various points of the trade continued to remain at relatively low levels.

The rubber trade was faced with serious problems during the year owing to the low prices that prevailed in the international markets, the result of a general slack in demand following the recession in industrialised countries. In addition, world rubber stocks remained at a very high level, around 40 per cent of the world's annual production. The International Natural Rubber Organisation (INRO) which came into existence in 1981, intervened in the markets by purchasing upto 260,000 tons of natural rubber during 1982. The buffer stock operations of the INRO helped to some extent in arresting the price declines, but prices failed to improve due to the prevailing gloomy conditions of the world economy. Moreover, the Sri Lanka-China Trade Protocol for 1982 did not provide for any barter transactions and hence the absence of any provisions for the purchase of a specified quantity of rubber by the People's Republic of China. As a result, rubber exports to the People's Republic of China which were 35.2 million kgs. valued at Rs. 809 million in 1981 declined to 8.2 million kgs. valued at Rs. 139 million in 1982. There was no change in the export duty on rubber during the year.

The value of exports of coconut products in 1982 increased marginally to Rs. 1,496 million (SDR 65 million). The increase was wholly due to a rise in the value of coconut by-products, while the value of exports of coconut kernel products declined. The fall in the value of coconut kernel products occurred inspite of the fact that there had been an impressive 42 per cent increase in the export volume, helped by a significant increase in production. In terms of nut equivalent, the volume of exports of desiccated coconut, coconut oil and copra increased substantially from 401 million nuts in 1981 to 569 million nuts in 1982. However, the prices for coconut products in the international markets were not favourable during the year due mainly to the increased availability of cheap edible oils. Earnings from the export of coconut oil and copra recorded increases, while those from desiccated coconut declined. The average export prices of coconut kernel products declined markedly from Rs. 2.52 per nut in 1981 to Rs. 1.76 per nut in 1982. Thus, the significant increase in export volume has helped in a big way to sustain the earnings from the export of coconut products in 1982. The export of coconut products continued to remain liberalised during the year. However, as mentioned elsewhere in this report, towards the latter part of the year, price support schemes had to be introduced for coconut oil and desiccated coconut in order to prevent the collapse of the export market.

While the export performance of the three major crops has been disappointing, the export earnings from minor agricultural crops showed welcome signs of improvement. They amounted to Rs. 1,645 million (SDR 72 million) in 1982, compared to Rs. 1,399 million (SDR 62 million) in 1981, showing an increase of 16 per cent in SDR terms. The export earnings from coffee, arecanut, sesame seeds, betel leaves, papain, fresh vegetables and fruits increased while those from cashewnuts, pepper, cinnamon, cloves, cardamom, tobacco and oil seeds declined. Export prices of these products, however, were relatively favourable.

Earnings from industrial exports increased significantly from Rs. 7,296 million (SDR 322 million) in 1981 to Rs. 8,271 million (SDR 360 million) in 1982 recording an increase of 12 per cent in SDR terms. Despite the quota restrictions

imposed by the developed countries, the value of textile and garments exports continued to increase, rising from Rs. 3,021 million (SDR 133 million) in 1981 to Rs. 3,502 million (SDR 152 million) in 1982. The share of textile and garments exports in total export earnings for 1982 was 16 per cent. Garments exports by the enterprises coming within the purview of the Greater Colombo Economic Commission have been estimated to be around Rs. 1,300 million (SDR 57 million).

In contrast to the trend which prevailed in the recent past, the earnings from the export of petroleum products, mainly marine bunkers, aviation fuel, naphtha and fuel oil declined from Rs. 3,375 million (SDR 149 million) in 1981 to Rs. 3,280 million (SDR 143 million) in 1982, due largely to a lower volume of export of naphtha in 1982. The lower volume of export was the result of a large volume of naphtha being utilized locally by the State Fertilizer Manufacturing Corporation in the production of urea. The net foreign exchange earnings from the export of textile and garments and petroleum products were much lower than the net earnings from other exports (i.e agricultural and mineral exports) since the import content of textile and garments and petroleum exports was fairly high. Apart from these two items, the value of other industrial exports increased very significantly by 63 per cent from Rs.900 million (SDR 40 million) in 1981 to Rs. 1,489 million (SDR 65 million) in 1982, expanding its share of the total export earnings from 4 per cent in 1981 to nearly 7 per cent in 1982.

Earnings from mineral exports increased from Rs. 792 million (SDR 35 million) in 1981 to Rs. 859 million (SDR 37 million) in 1982, while earnings from the export of gems at Rs. 685 million (SDR 30 million) showed an increase of Rs. 52 million. However, the latter includes the export of diamonds which were imported for cutting and polishing before re-export.

The overall performance of the export sector in 1982 was somewhat disappointing. The rate of growth was even less than 1 per cent as against expectations of around 11 per cent. In the context of the existence of a large number of incentives, the stagnant position of the export sector was a matter for concern. The export volumes of the two major export commodities declined, while their export prices too were unfavourable. Though significant improvements were evident in the volume of exports of coconut kernel products, the price trends were such that the country was unable to obtain the maximum benefit. The increase in the value of gem exports resulted from the re-export of diamonds. The situation is best illustrated by the fact that had it not been for such re-exports of diamonds and garments, the earnings of which are recorded on a gross basis (inclusive of their high import content) the export sector would have recorded a negative growth in 1982. These trends appear to underline the urgency of some corrective measures to be taken to improve export performance. The improvements shown in the sectors of minor agricultural exports and other industrial exports, which could be considered as possible target areas for more concentrated attention, were encouraging.

Imports

Total expenditure on imports (adjusted data) for the year 1982 amounted to Rs. 41,946 million (SDR 1,826 million) showing an increase of Rs. 5,364 million (SDR 212 million) or 13 per cent in SDR terms. The expenditure on imports in 1981 was Rs. 36,582 million (SDR 1,614 million) and in that year, the rate of growth was only 2 per cent in SDR terms. The higher value of imports in 1982 was accounted for entirely by increased petroleum imports under the intermediate goods category and of ships and aircraft under the investment goods category. The value of imports other than ships and aircraft increased by Rs. 1,908 million (SDR 83 million), indicating a growth of 4 per cent. Earnings from exports accounted for only 51 per cent of the expenditure on imports. The prices of imports as measured by the import price index rose by 10 per cent, while the volume of imports as indicated by the import volume index increased by 2 per cent. In the computation of the import indices, the imports of ships, aircraft and the increased level of petroleum imports have been excluded as these data have not been recorded in the Customs Returns.

The structural changes in the composition of imports observed in the recent past continued in the year under review, with the combined share of investment and intermediate goods recording a further increase. The share of consumer goods in the total imports declined from 25 per cent in 1981 to 21 per cent in the year under review or by 4 percentage points. While the share of intermediate goods imports too declined marginally from 53 per cent to 52 per cent, that of investment goods increased substantially from 22 per cent in 1981 to 28 per cent in the year under review. The substantial increase in the imports of transport equipment (ships and aircraft) expanded the share of the investment goods category, while reducing the shares of the other two categories of imports.

The value of imports of investment goods during the year under review at Rs. 11,591 million (SDR 505 million) showed an increase of 44 per cent over the value of Rs. 7,956 million (SDR 351 million) recorded in the preceding year. The expenditure on imports of transport equipment increased from Rs. 2,229 million (SDR 98 million) in 1981 to Rs. 5,529 million (SDR 241 million) in 1982. Of this sum, Rs. 999 million (SDR 44 million) was for the import of five ships, while Rs. 2,457 million (SDR 107 million) was for the import of two aircraft. Nearly one half of the investment goods imports were transport equipment and its share in the total imports was 13 per cent. The import of machinery and equipment and building materials increased marginally, while their shares in total imports declined. The import of other investment goods, however, showed an increase.

The value of imports of intermediate goods during the year under review at Rs. 21,640 million (SDR 942 million) showed an increase of 11 per cent over the value of Rs. 19,275 million (SDR 850 million) registered in the preceding year. However, the share of intermediate goods in total imports declined from 53 per cent to 52 per cent in the year under review. The expenditure on petroleum increased from Rs. 9,958 million (SDR 439 million) in 1981 to Rs. 12,274 million (SDR 534 million) in 1982 or by 22 per cent, and accounted for 57 per cent of the value of intermediate goods imports and 29 per cent of all imports. It is noteworthy that out of the total export earnings

in 1982, 57 per cent was spent on petroleum imports alone. The expenditures on wheat and chemicals at Rs. 1,787 million (SDR 78 million), and Rs. 729 million (SDR 32 million) respectively, showed marginal increases while that on fertilizer declined to Rs. 560 million (SDR 24 million)—less than half of last year's imports. This decline is attributed in part to the manufacture of urea by the State Fertilizer Manufacturing Corporation.

TABLE 1.36
End—Use Classification of Imports 1980—1982

Category	Value						Percentage of Total Imports		
	Rupees Million			SDR Million					
	1980	(a) 1981	(b) 1982	1980	1981	1982	1980	1981	1982
1. Consumer Goods	10,158	9,219	8,601	472.1	406.7	374.3	29.9	25.2	20.5
1.1 Food and drink	6,408	4,888	3,546	297.8	215.6	154.3	18.9	13.4	8.4
1.1.1 Rice	882	992	925	41.0	43.8	40.3	2.6	2.7	2.2
1.1.2 Flour	1,825	28	62	84.8	1.2	2.7	5.4	0.1	0.1
1.1.3 Sugar	2,026	2,826	955	94.2	124.7	41.6	6.0	7.7	2.3
1.2 Textile and Clothing	1,721	2,334	2,167	80.0	103.0	94.3	5.1	6.4	5.2
1.3 Other	2,029	1,997	2,888	94.3	88.1	125.7	6.0	5.5	6.9
2. Intermediate Goods	15,522	19,275	21,640	721.4	850.3	941.8	45.7	52.7	51.6
2.1 Petroleum	8,090	9,958	12,274	376.0	439.3	534.2	23.8	27.2	29.3
2.2 Fertilizer	1,339	1,202	560	62.3	53.0	24.4	3.9	3.3	1.3
2.3 Chemicals	544	663	729	25.3	29.2	31.7	1.6	1.8	1.7
2.4 Wheat	575	1,697	1,787	26.7	74.9	77.8	1.7	4.6	4.3
3. Investment Goods	8,144	7,956	11,591	378.5	351.0	504.5	24.0	21.7	27.6
3.1 Machinery and Equipment	4,212	3,876	3,964	195.8	171.0	172.5	12.4	10.6	9.5
3.2 Transport Equipment(c)	2,421	2,229	5,529	112.5	98.3	240.6	7.1	6.1	13.2
3.3 Building Materials	610	525	557	28.4	23.2	24.2	1.8	1.4	1.3
4. Unclassified	118	132	114	5.5	5.8	5.0	0.3	0.4	0.3
Total Imports (d)	33,942	36,582	41,946	1,577.5	1,613.8	1,825.6	100.0	100.0	100.0

Sources: Customs, Sri Lanka,
Food Commissioner's Department,
Ceylon Fertilizer Corporation and
other major importers,
Ceylon Petroleum Corporation,
Air Lanka Limited,
Ceylon Shipping Corporation.

The value of imports of consumer goods during the year under review at Rs. 8,601 million (SDR 374 million) showed a reduction of 8 per cent from the value of Rs. 9,219 million (SDR 407 million) registered in the preceding year. In 1981 and 1982 consumer goods imports declined in absolute as well as in relative terms. The relative share of this category declined from 25 per cent to 21 per cent in 1982 or by 4 percentage points. The expenditure on food and drink decreased from Rs. 4,888 million (SDR 216 million) to Rs. 3,546 million (SDR 154 million) or by 28 per cent, while the amount spent on rice also declined marginally. The expenditure on sugar according to adjusted data decreased substantially from Rs. 2,826 million in

1981 to Rs. 955 million in 1982. The decline in the value of sugar imports was due both to lower import prices, as well as a reduction in the volume of imports. The value of imports of textile and garments also declined marginally, while that of other consumer goods increased.

TABLE 1.37
Volume of Major Imports in 1982

(Metric tons)

Month	Rice	Wheat	Sugar	Petroleum (Crude Oil)	Fertilizer
January ..	—	21,000	3,852	240,565	11,089
February ..	—	32,000	11,080	213,282	...
March	66,458	5,143	29,351	16,044
April ..	—	—	5,225	234,080	20,005
May ..	19,398	72,387	30,375	29,451	5,081
June ..	9,301	28,350	9,163	257,776	10,001
July ..	14,316	115,314	10,900	190,852	19,023
August ..	18,458	—	6,400	58,879	21,018
September ..	5,897	—	15,451	244,790	15,699
October ..	—	—	12,550	60,895	5,449
November ..	18,407	—	1,000	351,193	...
December ..	13,558	...	8,965	29,429	17,306
Total(a) (b) ..	173,254	494,850	133,518	1,940,543	180,035

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

(a) Adjusted.

(b) Monthly data may not add up to the annual total due to subsequent adjustments.

No separate record of aid imports is available, as imports are not categorised by mode of payment by the Customs at the time of clearance. However, on the basis of available information on foreign aid, aid imports which account for a substantial part of total imports could be estimated.* On this basis, aid imports for the year 1982 were estimated at Rs. 7,194 million (SDR 313 million), in comparison to Rs. 5,940 million (SDR 262 million) in 1981. The share of aid imports as a percentage of total imports has increased from 16 per cent in 1981 to 17 per cent in 1982.

* The value of aid imports has been arrived at by taking 75 per cent of project aid plus the entirety of commodity aid, food aid and I. M. F. Trust Fund loans. The estimate of aid is based on records maintained by the External Resources Division of the Ministry of Finance and Planning.

Foreign Trade Policy

There has been no significant change in the foreign trade policy in 1982 and the country continued to operate the liberalised trade policies introduced in 1977 as an important element of the programme for economic expansion. Assistance was given to both traditional and non-traditional exports and for diversifying export structure. In addition, processing of raw materials with a view to increasing domestic value added in exports, received the attention of the authorities during the year. However, the developments observed in the export and import sectors in 1982 were not very encouraging, in contrast to the experience of the preceding year. The rate of export growth declined considerably, though a higher level of export performance was a prime necessity in sustaining the outward looking growth strategy. At the same time, a faster rate of growth of imports was experienced in 1982, in contrast to the marginal rate of growth recorded in 1981. As in other years, foreign resources were used in filling the gap between imports and exports. The continuing and widening trade gap is a matter for considerable concern.

Credit availability was considered as one of the key determinants of the level of trade activities in the country ; hence the Central Bank intervened to influence the quantity and direction of credit granted by credit institutions with a view to channelling the available credit to priority sectors, whilst at the same time maintaining the overall demand at a sustainable level. Commercial banks were requested to continue to exercise restraint in granting credit except for priority sectors, export financing being the first priority. The details of measures adopted regarding the provision of export credit are presented in the section on Money and Banking in this report.

The Sri Lanka Export Development Board (SLEDB) continued its activities as the leading institution in the formulation of export promotion policies. The Board under the guidance of the Export Development Council of Ministers was responsible for the formulation and implementation of policies in respect of exports. The Advisory Committee appointed by the Board for the preparation of a National Export Development Plan completed most of its work during the year. The Board had assisted exporters in obtaining medium and long term capital, while the Board itself participated in 3 manufacturing projects with an equity capital of Rs. 3.4 million. The Customs Duty Rebate Scheme was extended to another 50 products bringing the total number of products to 212. The amount refunded as rebates in 1982 was Rs. 703 million compared to Rs. 500 million in 1981. Of the total amount refunded in 1982, Rs. 610 million were paid to garments exporters. Under the Export Expansion Grant Scheme which is based on increments to export earnings, a total sum of Rs. 114 million has been paid as grants to exporters; of which the biggest share of 39 per cent, was paid to garments exporters. The concept of production for export at village level was continued successfully at two villages with the assistance of private companies.

Five sessions of the exporters' forum were held during the year under review to develop mutual understanding between exporters and officials. This has helped to prevent disincentives and impediments being placed in the way of exporters and

to focus attention on matters relevant to export promotion. The Product Management Division of the Board has planned programmes of product development for selected products such as rubber, tea, coconut, horticultural products, readymade garments, light engineering and assembly industry, gems and jewellery, handlooms and marine products. The buyer/seller meetings and the trade and shipping information service helped to find markets for exportable products.

During the year under review, the Sri Lanka Export Credit Insurance Corporation (SLECIC) continued its activities in the promotion of exports by guaranteeing and insuring export credits. In 1982, 28 new insurance policies were issued while 7 policies lapsed. The total value of the policies at the end of the year was Rs. 356 million as against Rs. 285 million a year ago. This helped the exporters to find new markets and new buyers abroad, due to the competitive terms which they were able to offer under the assistance of SLECIC. At the end of 1982, 417 guarantees valued at Rs. 963 million were in force, as against 357 guarantees valued at Rs. 749 million, a year ago. These include pre and post shipment and export performance guarantees. As in the previous years, the incentives granted to exporters under the Inland Revenue Act continued during the year 1982. The manufacture of goods for export continued to be exempted from turnover tax.

There has been no significant change in the export and import control policies during 1982 other than duty changes on a small number of items ; all the major exports remained free of controls while 19 items were subject to licensing. As far as imports were concerned, the import of newsprint was brought under licensing during the year. This was in addition to the items that were under licence at the beginning of the year. However, certain exports continued to be subjected to pre-export quality inspections. The rubber export trade remained free to the private sector. Export duties on tea and rubber remained unchanged during the year. The sliding scale of duties on the export of all coconut kernel products continued in operation to make duties respond automatically to changes in international market prices. Under the sliding scale of export duties, when the estimated f.o.b. value per metric ton of coconut oil, as computed by the Principal Collector of Customs, was less than Rs. 13,100—which is the minimum price for duty purposes—no duty was payable on exports of coconut oil, while the duties payable on a metric ton of copra and desiccated coconut would be Rs. 7,250 and Rs. 3,500 respectively. The export duty of Rs. 1,000 per 1,000 fresh coconuts was reduced to Rs. 500 per 1,000 fresh nuts during the year. Under the sliding scale of duties introduced in 1982, the minimum duty payable on a metric ton of coconut expeller poonac was Rs. 300, while the duty on untwisted bristle fibre was fixed at 15 per cent of the f.o.b. value. On account of the slump in coconut oil prices in the international markets, a price support scheme for coconut oil was introduced in April, 1982. In addition to the above, under the price support scheme for desiccated coconut (DC) introduced in September, 1982, a subsidy of Rs. 1,000 per ton was paid to millers in respect of DC produced for export. This was revised to Rs. 2,000 per metric ton in November, 1982. There was a 25 per cent export duty on natural graphite and 5-10 per cent duty on cinnamon, despite serious problems faced by the cinnamon trade, during 1982, due

to payment problems in Mexico. Reduced duties and price support schemes were necessary inspite of a large number of general incentives, in order to assist the producer in the context of declining prices and rising production costs. However, it is important that in view of the rising costs of production, productivity in export ventures have to be increased as continued dependence on price support schemes, duty reductions and changes in the rates of exchange are not viable in the long run. Action also needs to be pursued to arrest sharp declines in prices and to obtain better prices, at least in line with the rate of world inflation for our export commodities, which would involve vigorous international co-operation, especially among the producers.

As in the preceding year, import duties ranging from 5 to 500 per cent were in force during the year under review aimed at achieving two major objectives, namely, an increase in revenue and a measure of protection to local industries. However, a large number of raw materials and machinery were subjected only to a 5 per cent import duty during the year, as against 12½ per cent for most of 1981. On the other hand, import duties on certain selected items such as bicycles, paper products, printing ink, perfumes, soap and roofing tiles were increased. The import duty on sugar was increased from Rs. 4.00 to Rs. 5.50 per kg. in September, 1982 with a view to guaranteeing a fair margin of profit to the local producers of sugar, while at the same time maintaining a reasonable retail price to the consumer and a reasonable profit margin to the importer. The Presidential Tariff Commission continued as an advisory body, making recommendations on appropriate tariff measures.

The importance of evolving a rational tariff structure based on effective protection was stressed in the Annual Report for 1981. In the year under review certain duty changes were effected on an ad-hoc basis. However, a comprehensive review of the entire tariff structure to ascertain the need for and the desired level of tariffs, and on the other hand, the consequences of protection and a possible misallocation of resources would certainly be in the interests of long-term development objectives.

The Turnover Tax which was extended to imports in 1981 continued to operate during the year under review. An important feature of this tax was that it equalised the rates of manufacturers' Turnover Tax levied on imports. Thus the revenue element in the Custom duties was isolated to enable these duties to represent essentially the protective element. The three basic rates of the turnover tax applicable on imports were 2 per cent, 5 per cent and 10 per cent. Agricultural imports, building materials, food imports, fishing boats, cotton textiles, petroleum products, pharmaceuticals and other manufactured items were taxed at the lowest level rate. The export development cess continued to be levied on certain imports and selected exports.

The import of tea for blending, packeting and making of tea bags exclusively for export remained liberalised during the year, subject to certain administrative regulations of the Sri Lanka Tea Board. During the year, a total of 42,000 kgs. of tea valued at Rs. 1.3 million was imported as against 44,000 kgs. valued at

Rs. 1.3 million in 1981. While the import of rice and sugar remained liberalised, a major part of the country's rice imports was handled by the Food Commissioner's Department (FCD). However, the private sector participated in a big way in the sugar import trade, causing a sharp reduction in the quantity of sugar imported by the FCD from 168,000 metric tons in 1981 to 12,000 metric tons in 1982. The Duty Free Shopping Complex in Colombo which was opened for the benefit of tourists, diplomatic personnel, foreign personnel employed in development projects and incoming residents of Sri Lanka, handled goods valued at Rs. 885 million in 1982.

During the year 1982, 2.4 million tons of import cargoes and 1.5 million tons of export cargoes were handled at the three ports, compared to 2.4 million tons and 1.3 million tons, respectively handled in 1981. Approximately 26 per cent of the total cargo handled was containerised, compared to 18 per cent in 1981. Improved facilities were made available at the Port of Colombo, to handle containerised cargo.

Sri Lanka contributed Rs. 136 million to the buffer stock fund of the International Rubber Agreement in 1982. In terms of the Agreement, the buffer stock manager intervened in the markets and purchased around 260,000 tons upto the end of the year providing some measure of price support. As in the previous year, tea exporting countries including Sri Lanka met several times in 1982 and also consulted the importing countries on the possibility of an International Agreement on Tea. Under the International Coffee Agreement to which Sri Lanka obtained membership in 1981, the country received an increased export quota of 72,000 bags or 4,320 metric tons for the 1982/83 Coffee Year. A new 5 year agreement between Sri Lanka and China was signed in 1982. It is of a general nature, granting most favoured nation treatment and providing payments for transactions in convertible currencies. However, Sri Lanka's exports to China declined from Rs. 860 million in 1981 to Rs. 175 million in 1982, while imports from China increased from Rs. 686 million to Rs. 872 million. The total value of transactions routed through the Asian Clearing Union facility at Rs. 4,176 million revealed a decrease of Rs. 180 million from that of the previous year.

Internal Trade

In keeping with the general policy of liberalisation introduced in 1977, an internal trade policy aimed at achieving a 'free market' economy was continued in 1982, by permitting trade to be guided essentially by market forces. Free competition in the market was expected to safeguard the interests of both the consumer as well as the producer. Therefore, an environment for greater competition in trade between the state sector and the private sector had to be created not only by allowing the private sector to enter the trade in many fields which happened to be the monopolies of state organisations but also by removing rigid controls to permit the free interplay of market forces. Hence, market interference by the authorities was restricted to the barest minimum and was exercised in an acceptable manner without distorting the price mechanism and through free market instruments such as buffer stock operations. It was generally confined to improving consumer awareness and resistance, and the use of moral suasion as in the previous year.

In the interests of the consumer, the state sector continued to retain the authority to import certain essential commodities such as chillies, onions and potatoes. These commodities were permitted to be imported by state organisations only in limited quantities to overcome temporary shortfalls in domestic production specially during off-seasons. However, the volumes of these commodities imported by the Co-operative Wholesale Establishment (CWE) increased substantially in 1982 leading to a greater stability in their prices.

On the other hand, some form of institutional regulatory mechanism was necessary to promote fair competition and to maintain fair trade practices and equitable distribution of goods, specially, at a time when controls have been removed. Thus, a constant and close watch on the open market trade activities was maintained by the Department of Internal Trade and the National Prices Commission, through the administration of the Consumer Protection Act, the Control of Prices Act and the Weights and Measures Ordinance. Under the Consumer Protection Act, eight new directives were issued to traders and forty new items were brought under the provisions of the Act. During the year, 118 new Consumer Societies were established to promote consumer awareness and restrict malpractices in trade. The total number of societies at the end of the year were 1,368. Further, 'District Consumer Society Federations' were established in each of the 24 districts. The Consumer Protection Fund established in 1980 to finance consumer education programmes was credited with Rs. 300,350 during the year, while payments from the Fund amounted to Rs. 269,580. In addition, consumer education stalls at the Mahapola Trade Fairs were organised, as in previous years, to promote consumer education and link trade between rural and urban areas. In 1982, a new legislation termed 'Consumer Credit Act' was enacted with a view to defining and regulating the duties of parties to a hire purchase agreement. The major objective being the protection of the consumer under such an agreement.

During the year under review, the role of the National Prices Commission in monitoring prices appeared to have been even less important than in the previous year. The number of price reviews made by the National Prices Commission decreased to 87 in 1982 from 103 in 1981. However, basic commodities such as wheat flour, bread, masoor dhal, infant cereal foods, Lakspray and Milk Board products continued to be under price control.

Under the liberalized trade policy, the state trading corporations were expected to compete vigorously with the private sector in order to be commercially viable and efficient. As expected, many of these institutions switched over to new fields of business, from their traditional business lines, in order to function as commercially viable units under the new economic environment. Greater emphasis was placed on export oriented activities, and the purchase of locally manufactured products, aimed at helping the local producer and promoting national development. However, in spite of these efforts most of the corporations continued to record a reduced turnover this year too, due mainly to severe competition from the private sector. According to the provisional estimates, the total turnover of the 11 trading corporations in 1982 amounted to Rs. 4,315 million indicating a drop of 7 per cent below the turnover of Rs. 4,640 million recorded in 1981.

The activities performed by the co-operative societies and the Food Commissioner's Department (FCD), in the internal trade of the country underwent drastic changes under the liberalized system of trade. Due to the increased availability of goods at competitive prices (in the open market), the dependence of the consumers on co-operatives for their day to day needs was no longer a necessity. This could be seen from the marked decrease in the turnover of the co-operatives from Rs. 9,870 million in 1981 to Rs. 8,320 million in 1982, a fall of 16 per cent. Yet, a majority of the low income earners preferred to use co-operatives as the major source of supply for their needs, since the co-operatives handled the bulk of the items distributed under the Food Stamp Scheme. In 1982 the co-operative societies continued to handle the Food Stamp Scheme. According to estimates based on a Central Bank Survey, despite a reduction in the turnover, the co-operative sector was able to achieve an increased margin of 6 per cent in 1982 as against 4 per cent in 1981 over the costs of its purchases.

The private sector continued to play a major role in the distribution of essential items such as rice, flour, bread and sugar in 1982. During the year, the private sector was able to handle the bulk of the trade in locally produced rice and sugar. The volume of imports of sugar by the Food Commissioner's Department decreased by more than 94 per cent, while the FCD's purchases of rice from the Paddy Marketing Board (PMB) decreased by 87 per cent in 1982. At the same time, the purchase of paddy by the PMB from producers declined by 34 per cent. This reveals the major role played by the private sector in the rice and sugar trade. However, FCD continued to be the sole importer of wheat grain for milling at the Prima Mills and was the sole distributor of wheat flour.

TOURISM

Despite stagnant economic conditions prevailing in Western countries, the main markets of tourism, adversely affecting the growth in world tourism, Sri Lanka's tourist industry was ranked as the fourth largest contributor of foreign exchange inflows in 1982. The industry also continued to sustain the growth in employment opportunities in the country.

The total number of tourist arrivals in the country during 1982 amounted to 407,230 representing an increase of almost 10 per cent over the preceding year. Following the trend observed during the previous year, the rate of growth of tourist traffic achieved this year indicated a further decline. 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) totalled 6,632 indicating a drop of 14 per cent over the corresponding figure of 1981.

Total nights spent by tourists in the country in 1982 amounted to 4,064,155. This was an increase of 4 per cent above the figure registered during the previous year. The total number of tourist nights, which is a better indicator of the volume of the tourist traffic, has increased at a lower rate than that of the tourist arrivals of the current year. Average duration of stay of a tourist which reached a peak of 11.1 days in 1979 has declined gradually to 10.0 in 1982.