

In the organised private sector, the money wages for workers in industry and Commerce, Agriculture and Services increased by 1.3, 10 and 5 per cent respectively in 1983. These increases were lower than those in 1982. In 1983, the real wages declined by 11 per cent in Industry and Commerce and 8 and 4 per cent respectively in Agriculture and Services sectors. This contrast with an increase in real wages in 1982 in the Agriculture and Services sectors.

**TABLE 1.34**  
**Average Daily Wage Rates in the Unorganised Sector**

Unorganised Sector	Type of Labour	Daily Wage Rates		Change Rs.	Percentage Change
		1982	1983		
Paddy	Male	30.66	36.61	5.95	19
	Female	22.26	26.94	8.42	21
Coconut	Male	32.39	37.78	2.26	17
	Female	18.26	21.52	3.26	18
Rubber	Male	26.22	31.08	6.63	18
	Female	18.88	22.30	3.42	18
Tea	Male	22.17	23.81	1.64	7
	Female	15.86	16.78	0.92	6
Carpenter	Male	53.86	59.94	6.08	11
Mason	Male	52.44	58.31	5.66	11

*Source :* Country wide Data Collection System, Central Bank of Ceylon.

The behaviour of wages in the unorganised sector is monitored by data collected under the Countrywide Data Collection System of the Central Bank. This scheme collects on a regular basis information on daily wages of workers in paddy, coconut, rubber and tea cultivation in small holdings and in the construction sector.

While, nominal wages increased in all sub sectors in 1983, the sharpest increases were in the paddy and rubber sub-sectors. The daily rate of female labour in paddy increased by 21 percent, while male wages increased by 19 per cent. In rubber cultivation, male and female wages increased by 18 per cent. In the coconut and tea subsectors, female wage rates, unlike male wages, increased by a higher proportion than in 1982. In the construction sector, carpentry and masonry wages increased by a lesser rate than in 1982. Table 1.34 indicates the average daily wage rates and the changes between 1982 and 1983.

## TRADE

The gradual recovery of developed countries from the recession of the last few years and an unprecedented increase in tea and rubber prices, resulted in Sri Lanka's external trade performance showing a marked improvement in 1983.

In 1983, exports grew by 7 per cent in SDRs while for the first time since 1977, imports recorded a decline. This picture however hid certain underlying trends, which were unfavourable. Thus, while the value of exports of plantation crops showed a large increase over the previous year, much of this came from the increase in tea and rubber prices, the volume of these exports having continued to decline. The decline in the value of imports was largely due to reduced imports of petroleum and investment goods mainly ships and aircraft. In 1983, as compared with 1982, the share of consumption goods in total imports increased, while the share of investment and intermediate goods declined.

**TABLE 1.35**  
**Balance of Trade 1981 - 1983**

Value in Rupees Million  
(SDR million in brackets)

Year	Imports (a)		Exports (d)		Balance of Trade	
	Customs	Adjusted(c)	Customs	Adjusted	Customs	Adjusted
1981	35,530 (1,567)	36,582 (1,614)	20,199 (891)	21,043 (928)	-15,331 (-676)	-15,539 (-686)
1982	36,876 (1,605)	41,946 (1,826)	21,124 (919)	21,454 (934)	-15,751 (-686)	-20,492 (-892)
1983 (b)	42,021 (1,671)	45,553 (1,811)	25,183 (1,001)	25,096 (998)	-16,838 (-669)	-20,457 (-813)

Sources: Customs, Sri Lanka,

(a) Excluding Bullion & Specie.

(b) Provisional.

(c) Include values of ships & aircraft, which have not been recorded in the Customs return.

(d) Includes re-exports.

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

In 1983 too, the balance of trade recorded a deficit. According to Customs data, total expenditure on imports in 1983 was Rs. 42,021 million (SDR 1,671 million) and total earnings from exports Rs. 25,183 million (SDR 1,001 million) resulting in a trade deficit of Rs. 16,838 million (SDR 669 million) which is a decrease of 2 per cent in SDR terms over the previous year's deficit of Rs. 15,751 million (SDR 686 million). When Customs data are adjusted to present a more realistic picture, total expenditure on imports increased to Rs. 45,553 million (SDR 1,811 million) while total earnings from exports amounted to Rs. 25,096 million (SDR 998 million). The adjusted data show an increased trade deficit of Rs. 20,457 million (SDR 813 million). When compared with the previous year's adjusted trade deficit of Rs. 20,492 million (SDR 892 million), the deficit in 1983 is 9 per cent lower.

In 1983 export prices as measured by the export price index, increased by 39 per cent in contrast to a decline of 8 per cent in 1982, while the volume of exports as measured by the export volume index declined by 3 per cent as against an increase of 10 per cent in 1982. Import prices as measured by the import price index increased by 21 per cent compared to a 10 per cent increase in 1982.

**TABLE 1.36**  
**Foreign Trade 1974 — 1983**

Year	Rupees Million			Index Numbers 1978=100				Terms of Trade
				Volume		Prices		
	Exports (f.o.b.)	Imports (c.i.f.)	Balance of Trade	All Exports	All Imports	All Exports	All Imports	
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	150	119	309	38
1983(a)	25,096	45,553	- 20,457	109	180	- 165	375	44

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

(a) Provisional.  
Adjusted from 1980 onwards.

As a result of the relative price movements of exports and imports in 1983 the country's terms of trade improved by 16 per cent. This improvement was a significant development because the country's terms of trade had been deteriorating continuously since 1977.

### Exports

The earnings from exports (adjusted data) in 1983 stood at Rs. 25,096 million (SDR 998 million), showing an increase of Rs. 3,642 million (SDR 64 million) over 1982. Thus, the rate of growth of exports was 17 per cent in rupee terms or 7 per cent in SDR terms compared with similar increases of 2 per cent and 0.6 per cent respectively in the previous year. This higher rate of export growth was entirely the result of increased earnings from the export of plantation crops, mineral exports and garments exports which rose respectively by 29 per cent (18 per cent in SDRs), 32 per cent (22 per cent in SDRs) and 35 per cent (24 per cent in SDRs). However, in spite of the large increase in garments exports, earnings from industrial exports as a whole declined by 3 per cent in SDR terms. This was due solely to a drop in earnings from the export of petroleum products and other industrial goods. As a result, the share of industrial exports in total export earnings declined from 39 per cent in 1982 to 35 per cent in 1983. The share of agricultural exports in total exports increased from 54 per cent to 58 per cent and mineral exports from 4 per cent to 5 per cent.

In the category of agricultural exports, earnings from tea, rubber and coconut products increased by 31 per cent (20 per cent in SDRs), 23 per cent (12 per cent in SDRs) and 28 per cent (17 per cent in SDRs) respectively. As a result, the weight of traditional plantation crop sector in total export earnings increased from 47 per

cent in 1982 to 52 per cent in 1983. However, a disappointing feature in the agricultural export sector was the decrease in earnings (both in rupees and SDRs) from minor agricultural products which recorded substantial increases in the two previous years. Thus, the rise in the earnings from agricultural exports was due mainly to enhanced earnings from the plantation sector. In fact the contribution to total export earnings from tea alone increased from 30 per cent in 1982 to 33 per cent in 1983. Meanwhile, the value of rubber exports was higher than petroleum and became the third largest exchange earner in the merchandise account for 1983.

In the industrial goods category, earnings from petroleum products and other industrial exports declined substantially in rupees as well as in SDRs. Exports of petroleum products declined by 18 per cent in rupee terms and 25 per cent in SDRs, while other industrial exports declined by 6 per cent in rupee terms and 14 per cent in SDRs. However, these shortfalls were more than offset by a sharp increase of Rs. 1,236 million (SDR 36 million) in textile and garment exports, resulting in an increase of 7 per cent in the total earnings from industrial exports.

Nevertheless, the drop in earnings from other industrial exports, which essentially consist of non-traditional products is a matter for concern specially in view of the policies adopted for export diversification. The decline in the share of industrial exports also indicated a reversal of the trend towards a more diversified structure of exports witnessed in recent years.

The value of tea exports in 1983, amounted to Rs. 8,295 million (SDR 330 million) showing an increase of Rs. 1,953 million (SDR 54 million). This was achieved despite a sharp drop in production and in the quantity exported. While total production fell by 4 per cent to 179 million kgs. the volume of exports dropped by 13 per cent to 158 million kgs. Reflecting this drop in production, the quantity of tea sold at the Colombo Auctions declined by 8 per cent from 181 million kgs. in 1982 to 167 million kgs. in 1983. At the same time, the volume of Sri Lanka tea offered at the London Auctions too fell by 58 per cent from 3.8 million kgs. in 1982 to 1.6 million kgs. in 1983. The volume of tea exported has been declining in recent years and the volume exported this year was the lowest recorded since 1956. The volume of tea exports in 1983 showed a drop of 55 million kgs. when compared to the peak of 213 million kgs. exported in 1975.

The decline in the volume of tea exports was more than compensated by the unprecedented increase of 50 per cent (38 per cent in SDRs) in tea prices (f.o.b.). Tea prices increased from Rs. 35.03 (SDR 1.52) per kg. in 1982 to Rs. 52.52 (SDR 2.09) per kg. in 1983. (The average gross price realised for all teas at the Colombo Auctions increased by 85 per cent from Rs. 23.44 per kg. in 1982 to Rs. 43.27 per kg. in 1983). Meanwhile, the price of Sri Lanka tea at the London Auctions increased by 43 per cent from 107.46 pence per kg. in 1982 to 153.40 pence per kg. in 1983. These lucrative prices for tea were mainly due to the supply/demand imbalance which resulted from shortfalls in production and increased consumption in producing countries.

**TABLE 1.37**  
**Composition of Exports 1981—1983**

Category	Value in Rs. Million			SDR Million.			Percentage of Total Exports		
	1981	1982	1983(e)	1981	1982	1983	1981	1982	1983
1. Agricultural Exports ..	12,170	11,656	14,554	537	507	579	57.8	54.3	58.0
1.1 Tea ..	6,444	6,342	8,295	284	276	330	30.6	29.6	33.1
1.2 Rubber ..	2,889	2,323	2,852	127	101	114	13.7	10.8	11.4
1.3 Coconut ..	1,438	1,496	1,921	64	65	76	6.8	7.0	7.6
1.3.1 Kernel Products ..	1,011	1,003	1,409	45	44	56	4.8	4.7	5.6
1.3.2 Other ..	427	494	512	19	21	20	2.0	2.3	2.0
1.4 Minor Agricultural Products (a) ..	1,399	1,495	1,486	62	65	59	6.7	6.9	5.9
2. Industrial Exports (a) (b) ..	7,296	8,271	8,821	322	360	351	34.7	38.6	35.1
2.1 Textile & Garments ..	3,021	3,502	4,738	133	152	188	14.4	16.3	18.9
2.2 Petroleum Products ..	3,375	3,280	2,682	149	143	107	16.0	15.3	10.6
2.3 Other ..	900	1,489	1,401	40	65	56	4.3	7.0	5.6
3. Mineral Exports ..	792	859	1,132	35	37	45	3.8	4.0	4.5
3.1 Gems ..	633	685	940	28	30	37	3.0	3.2	3.7
3.2 Other ..	159	174	192	7	7	8	0.8	0.8	0.8
4. Unclassified (c) ..	785(d)	668	589	35	30	23	3.8	3.1	2.4
Total Exports (b) ..	21,043	21,454	25,096	928	934	998	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 and  
Ceylon Petroleum Corporation.

Conversion

1981 - 1 SDR = Rs. 22.67

1982 - 1 SDR = Rs. 22.98

1983 - 1 SDR = Rs. 25.16

( 89 )

Effective from 4th July, 1983, the export duties on all varieties of tea were increased by Rs. 1.00 per kg. above the then prevailing rates of duties of Rs. 8.00 per kg. for bulk tea, Rs. 6.50 per kg. for packeted tea, Rs. 1.00 per kg. for tea bags, Rs. 13.50 per kg. for instant tea and Rs. 8.00 per kg. for green tea.

The value of rubber exports rose remarkably by Rs. 529 million (SDR 13 million) in 1983 over 1982. The increase was due entirely to a rise in the f.o.b. price of 29 per cent from Rs. 17.68 per kg. in 1982 to Rs. 22.77 in 1983. The quantity of rubber exported however fell by 5 per cent from 131 million kgs. in 1982 to 125 million kgs. in 1983. The production of rubber in 1983 has been estimated at 135 million kgs. as against 125 million kgs. in the previous year, indicating an increase of 8 per cent.

During the year under review, the rubber trade experienced an increasing demand following the economic recovery in the industrialised countries. In addition, the INRO stock too, remained at the same level since no stocks were purchased or released in 1983. The Sri Lanka-China Trade Protocol continued in 1983 as well without any provision for barter transactions. However, exports of rubber to China, increased by more than 100 per cent over 1982. The export duty on rubber was reduced by Rs. 1.00 per kg. in June, 1983.

Earnings from the export of coconut products increased by 28 per cent (17 per cent in SDRs) to Rs. 1,921 million (SDR 76 million) in 1983. This increase was due largely to a rise of 40 per cent (28 per cent in SDRs) in the value of kernel exports. The export of coconut by-products, too, increased by 4 per cent in rupee terms, but showed a decline of 6 per cent in SDRs. The increased earnings from kernel products came from increases both in the average f.o.b. price as well as in the volume exported. The nut equivalent of exports of desiccated coconut, coconut oil and copra increased from 569 million nuts in 1982 to 582 million nuts in 1983, while the average f.o.b. price per nut rose from Rs. 1.76 to Rs. 2.42. During the year under review, the export of coconut products were brought under licensing.

While earnings from the three major export crops increased, the performance of minor agricultural exports was disappointing. The earnings from this group of commodities declined by 10 per cent in SDR terms compared to an increase of 5 per cent in the preceding year. This decrease was due mainly to declines in the exports of cinnamon, arecanuts, cardamom, sesame seeds, betel leaves and unmanufactured tobacco.

The value of industrial exports in 1983 amounted to Rs. 8,821 million (SDR 351 million) and compares with Rs. 8,271 million (SDR 360 million) in 1982, thus recording an increase of 7 per cent in rupee terms and a decrease of 3 per cent in SDRs. However, the value of exports of garments increased significantly both in rupee as well as in SDR terms, from Rs. 3,502 million (SDR 152 million) in 1982 to Rs. 4,738 million (SDR 188 million) in 1983. This resulted in an increase in its

share of the total export earnings from 16 per cent in 1982 to 19 per cent in 1983. Garment exports by the enterprises within the area of authority of the Greater Colombo Economic Commission have been estimated at around Rs. 1,836 million (SDR 73 million) in 1983.

The value of exports of the other two commodity groups in the industrial goods category viz. petroleum products and other industrial goods, declined sharply in 1983. The decline in petroleum products was 18 per cent (25 per cent in SDRs), while other industrial goods dropped by 6 per cent (15 per cent in SDRs). The closure of the Petroleum refinery in January and February 1983 for repairs and maintenance was mainly responsible for the drop in the exports of petroleum products.

Earnings from mineral exports, continued to rise from Rs. 859 million (SDR 37 million) in 1982 to Rs. 1,132 million (SDR 45 million) in 1983, registering an increase of 32 per cent (20 per cent in SDRs). This increase was due largely to enhanced earnings from gem exports which rose by 37 per cent (25 per cent in SDRs). However, this includes the re-export of diamonds which were imported for cutting and polishing.

Overall, the performance of the export sector in 1983 was more favourable than in the previous year. However, it should be noted that had it not been for the price increases in tea, rubber and coconut, the export sector would have recorded a negative growth. Thus, high export prices have compensated for a number of unfavourable trends. The volume of tea and rubber exports has continued to decline. There has also been a drop in earnings from minor agricultural crops and other industrial exports such as food, beverages, tobacco and chemical products indicating a set back to the development of non-traditional exports. The marked increase in garment exports must also be viewed in the context of the high import content of such exports and the consequent reduced potential for domestic value added.

### Imports

The total outlay on imports (adjusted data) increased to Rs. 45,553 million in 1983, as compared with Rs. 41,946 million in 1982. In rupee terms, imports increased by a lower percentage than in the previous year while in more stable SDR terms imports declined by 1 per cent. The decline in imports in SDRs reflects the decline in petroleum imports and imports of transport equipment.

The decline in the value of imports is in marked contrast to the increase of 13 per cent recorded in SDR terms in 1982. The structural changes in the composition of imports showed a shift from the pattern observed in the last few years. The share of consumer goods increased from 21 per cent in 1982 to 26 per cent in the year under review while the share of intermediate and investment goods declined from 52 per cent to 48 per cent and 28 per cent to 27 per cent respectively between these two years. The increased expenditure on consumer goods was largely the result of increased imports of sugar, and other food including milk and textiles.

The value of imports of investment goods in 1983 amounted to Rs. 12,077 million (SDR 480 million) registering an increase of 4 per cent in rupee terms over the previous year, but a decline of 5 per cent in SDRs. Expenditure on machinery and equipment, which accounted for nearly 43 per cent of investment goods and the building materials sub-group registered marked increases in 1983. The value of imports of machinery and equipment increased from Rs. 3,964 million (SDR 173 million) in 1982 to Rs. 5,261 million (SDR 209 million) in 1983, while the value of imports of building materials increased from Rs. 557 million (SDR 24 million) in 1982 to Rs. 1,177 million (SDR 47 million) in 1983. The total outlay on transport equipment, recorded a marked decline, from Rs. 5,529 million (SDR 241 million) in 1982 to Rs. 3,826 million (SDR 152 million) in 1983. This includes a total of Rs. 1,602 million (SDR 64 million) for import of ships and aircraft. The sharp decline in the value of imports of transport equipment is mainly a reflection of the bulge in the value of imports under this category in 1982 consequent to the import of five ships and two aircraft valued at Rs. 3,456 million in that year. The import of transport equipment other than ships and aircraft showed a marginal increase this year, while the import of other investment goods also increased.

Expenditure on imports of intermediate goods at Rs. 21,722 million (SDR 864 million) was marginally higher than in the previous year, while in SDR terms it decreased by 8 per cent. Import outlays on wheat grain at Rs. 2,340 million (SDR 93 million) increased by 31 per cent, while those on fertilizer and chemicals at Rs. 620 million (SDR 25 million) and Rs. 832 million (SDR 33 million) respectively, rose by 11 per cent and 14 per cent, in Sri Lanka rupees, but by much lower percentages in SDRs. The marked increase in the value of wheat imports was due partly to an increase in the volume imported and partly to an increase in the average c & f price. The value of imports of petroleum decreased from Rs. 12,274 million (SDR 534 million) in 1982 to Rs. 11,024 million (SDR 438 million) in the year under review or by 10 per cent (18 per cent in SDRs) and accounted for 51 per cent of the total value of intermediate goods imports and 24 per cent of all imports. The reduced expenditure on petroleum imports was due to declines in both the volume and the average c.i.f. price of crude oil imported. While the volume imported decreased by 23 per cent, the average c.i.f. price of a barrel of crude oil decreased from US Dollars 34 in 1982 to US Dollars 30 in the year under review.

Import outlays on consumer goods, which had declined in absolute terms in the two preceding years, recorded an increase of 35 per cent in rupee terms (23 per cent in SDRs) over the preceding year and amounted to Rs. 11,639 million (SDR 463 million) in the year under review. The increased expenditure on consumer goods was largely the result of increased outlays on food and drink and textile and clothing. While the value of imports of food and drink rose considerably from Rs. 3,561 million (SDR 155 million) in 1982 to Rs. 5,375 million (SDR 214 million) or by 51 per cent in rupee terms and 38 per cent in SDRs, that of textile and clothing increased from Rs. 2,167 million (SDR 94 million) in 1982 to Rs. 2,724 million (SDR 108 million) in 1983 which is an increase of 26 per cent in rupee terms and 15 per cent in SDRs. Expenditure on sugar more than doubled during the year under



**TABLE 1.38**  
**End - Use Classification of Imports 1981—1983**

Category	Value in Rs. Million			SDR Million			Percentage of total imports		
	1981	1982 (a)	1983 (b)	1981	1982	1983	1981	1982	1983
1. Consumer goods .. .. .	9,219	8,616	11,639	406.7	375.0	462.7	25.2	20.5	25.6
1.1 Food and drink .. .. .	4,888	3,561	5,375	215.6	155.0	213.7	13.4	8.5	11.8
1.1.1 Rice .. .. .	992	925	765	43.8	40.3	30.4	2.7	2.2	1.7
1.1.2 Flour .. .. .	28	62	108	1.2	2.7	4.3	0.1	0.2	0.2
1.1.3 Sugar .. .. .	2,826	970	1,985	124.7	42.2	78.9	7.7	2.3	4.4
1.2 Textile & Clothing .. .. .	2,334	2,167	2,724	103.0	94.3	108.3	6.4	5.2	6.0
1.3 Other .. .. .	1,997	2,888	3,540	88.1	125.7	140.7	5.5	6.9	7.8
2. Intermediate goods .. .. .	19,275	21,640	21,722	850.3	941.8	863.5	52.7	51.6	47.7
2.1 Petroleum .. .. .	9,958	12,274	11,024	439.3	534.2	438.2	27.2	29.3	24.2
2.2 Fertilizer .. .. .	1,202	560	620	53.0	24.4	24.7	3.3	1.3	1.4
2.3 Chemicals .. .. .	663	729	832	29.2	31.7	33.1	1.8	1.7	1.8
2.4 Wheat .. .. .	1,697	1,787	2,340	74.9	77.8	93.0	4.6	4.3	5.1
3. Investment goods .. .. .	7,956	11,591	12,077	351.0	504.5	480.1	21.7	27.6	26.5
3.1 Machinery and equipment .. .. .	3,876	3,964	5,261	171.0	172.5	209.1	10.6	9.5	11.6
3.2 Transport equipment (c) .. .. .	2,229	5,529	3,826	98.3	240.6	152.1	6.1	13.2	8.4
3.3 Building Materials .. .. .	525	557	1,177	23.2	24.2	46.8	1.4	1.3	2.6
4. Unclassified .. .. .	132	99	115	5.8	4.3	4.6	0.4	0.2	0.2
Total imports (d) .. .. .	36,582	41,946	45,553	1,613.8	1,825.6	1,810.9	100.0	100.0	100.0

- (a) Revised.  
 (b) Provisional.  
 (c) Include values of ships and aircraft which have not been recorded in the Customs Return.  
 (d) Adjusted.

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

review increasing from Rs. 970 million (SDR 42 million) in 1982 to Rs. 1,985 million (SDR 79 million) in 1983. This was entirely the result of a marked increase in the volume imported, the average c.i.f. price having declined. Other items which recorded increases were milk and milk products, fish products and other food. The higher outlay on textiles and garments is attributed to increased imports of textiles for use as raw materials by the garment industries both within the Free Trade Zone and outside. (All textile imports are classified as consumer goods. The share of consumer and intermediate goods in total imports is therefore subject to some modification).

No separate record of imports related to foreign aid is available as the Customs do not categorise imports by mode of payment, at the time of clearance. However, on the basis of available data on disbursements of foreign aid, aid imports which account for a substantial part of total imports could be roughly estimated.<sup>1</sup> Aid imports for the year 1983 are estimated at Rs. 9,566 million (SDR 380 million) in comparison to Rs. 7,970 million (SDR 347 million) in 1982. The share of aid imports as a percentage of total imports has thus increased from 19 per cent in 1982 to 21 per cent in the year under review.

**TABLE 1.39**  
**Volume of Major Imports in 1983**

(Metric Tons)

Month	Rice	Wheat	Sugar	Petroleum (crude oil)	Fertilizer
January	32,052	37,000	39,200	191,055	10,000
February	17,269	...	29,300	—	12,770
March	18,308	109,035	74,787	—	17,200
April	11,230	44,578	13,000	213,967	24,250
May	4,975	54,616	7,101	—	16,150
June	75	—	9,476	242,090	550
July	29,169	57,258	6,009	29,443	4,530
August	18	62,098	9,283	227,856	34,940
September	17,132	68,317	27,600	186,747	37,535
October	7,854	51,336	22,050	29,481	25,000
November	4,917	2,834	33,434	186,543	8,600
December	6,989	88,547	45,843	184,791	12,720
<b>Total(a) (b)</b>	<b>146,973</b>	<b>578,538</b>	<b>314,876</b>	<b>1,491,973</b>	<b>204,245</b>

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.

1. The value of aid imports has been arrived at by adding co-efficient of project aid to the entirety of commodity aid, food aid and IMF 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

The year 1983 saw a continuation of the policies of trade liberalisation which were introduced in 1977. While most imports were free from direct controls, growth in exports was considered a critical necessity for the continued expansion of the economy. However, in 1983 developments in the export sector seemed to indicate a setback ; there was a drop in the export volumes of both tea and rubber, while exports of minor agricultural crops also declined substantially from their levels in 1982. While these shortfalls were compensated by price increases, the need to increase production for exports in a sustainable manner cannot be overemphasised.

The country's total outlay on imports declined in 1983. The gap between imports and exports was lower than in the previous year. Of the total adjusted trade deficit of SDR 813 million in 1983, SDR 380 million was accounted for by way of aid.

The Central Bank while continuing to influence the quantity available and the direction of credit granted by credit institutions with a view to channelling available loanable funds to priority sectors also had to ensure that the overall demand for credit was maintained at a sustainable level. As in previous years export financing received priority. The details of the measures adopted for the provision of export credit are given 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 SLEDB under the guidance of the Export Development Council of Ministers was responsible for the formulation and implementation of policies relating to exports. The Board continued to give priority to the identification of constraints inhibiting the supply of exports as well as the strengthening of export services. It also actively assisted exporters in obtaining medium and long term project finance from credit institutions at concessionary terms. In 1983, a total of 159 projects were recommended for financing by the commercial banks and the Central Bank. Equity participation by the Board was approximately Rs. 17 million by the end of 1983 compared with Rs. 3.4 million at the end of 1982. Under the Export Expansion Grants Scheme which is based on increments to export earnings, Rs. 129 million was paid to exporters during the year. The total number of products under the Customs Duty Rebate Scheme was 193. In 1983, Rs. 836 million was refunded to exporters under this scheme. During the year the Duty Rebate Scheme was extended to cover the business turnover tax as well as other taxes.

Special attention was paid during the year to promote production for exports at village level in Export Promotion Villages (EPVs) Programme. Under this programme, 12 Export Production Village Companies were registered during the year. The shareholders of EPV companies are from within the particular village itself.

The National Export Development Plan covering the period 1983-1987 was completed in 1983. The plan envisages an average growth of exports of 11 per cent over this period. Investment in export development is projected at Rs. 12 billion, of which 60 per cent will come from the private sector.

The Sri Lanka Export Credit Insurance Corporation (SLECIC) continued its export promotion activities during the year under review by guaranteeing and insuring export credits. In 1983, 23 new insurance policies valued at Rs. 47.2 million were issued bringing the total at the end of the year to 232 policies. The value of such policies were Rs. 403.4 million and indicated a 13 per cent increase in value terms. At the end of 1983, 440 guarantees valued at Rs. 1,020 million were in force as against 417 guarantees valued at Rs. 963 million a year ago. These included pre and post-shipment and export performance guarantees. The guarantees issued to the garments sector in both numerical as well as value terms were the highest. The activities of the Corporation helped the exporters to be competitive in the overseas markets.

There were no significant changes in export and import control policies during the year. The major export commodities remained free of controls. However, there were certain revisions in duties, taxes and floor prices. With the addition of cinnamon quills and quillings and coconut products during the year, a total of 21 items were subject to export licences while a few items of export continued to be subject to pre-export quality inspections. In addition to the items that were subject to import licencing at the beginning of the year certain items of iron and steel and cement and machinery were brought under licence control while the import of certain fish products and newsprint was liberalized.

The export duty on tea was increased by one rupee per kg. in July with a view to siphoning off a greater share of the gain accruing to the shipper through higher international prices. However, even at the increased rate of Rs. 9.00 per kg. for bulk tea, the share absorbed by the State out of the total f.o.b. price declined leaving a substantial margin to the trade. In the second half of the year under review the ad-valorem sales tax on tea as well as the development cess on tea were increased with a view to directing a fair share of the price gain towards the long term development of the tea industry. These measures would have also reduced the potential inflationary effects of an export boom.

In the case of rubber exports a sliding scale of duties was in operation. In view of international price movements and the rising production costs, the level of duties was reduced by approximately one rupee per kilogram in June 1983, while the cess was increased from Rs. 0.85 to Rs. 1.36 per kilogram in July 1983. Rubber exports remained liberalised during the year. For coconut exports, the sliding scale of duties on the export of all kernel products continued to be in operation in order to make duties respond automatically to changes in international market prices. In addition to the sliding scale on kernel products, a fixed rate of 15 per cent duty was levied on untwisted bristle fibre.

There was a 25 per cent export duty on natural graphite and a 5 to 10 per cent duty on cinnamon. The floor prices imposed on coconut products and some minor agricultural exports were revised periodically by the respective authorities taking into consideration price movements in international markets. The price support schemes for coconut oil and desiccated coconut which were in operation at the beginning of the year became redundant when the prices of these products rose in the international market.

There was a lesser need in 1983 for reduced export duties and price support schemes than in the previous years. However, in view of the rising costs of production, the need for increased productivity in export ventures remained undiminished. Although, prices of the main export commodities have risen to unprecedented levels, there is still a need for action through international co-operation to prevent fluctuations in our export prices and in particular to arrest sharp declines in prices.

As in the recent past, import duties ranging from 5 to 500 per cent were in force during the year with a view to increasing revenue and providing adequate protection to local industries. Most of the raw material and machinery imports were subjected to 5 to 12½ per cent duty, while essential items remained free of duty at the beginning of the year. However, in February 1983 there was a general increase in the rates applicable for all items of imports. The items which were free of duty were subjected to a 5 per cent duty, while the items which were dutiable at rates of duties below 25 per cent subjected to an increase of a further 2½ per cent and the rates which were between 25 and 100 per cent were increased by another 10 percentage points. No change was made as regards the items which were dutiable at rates of 100 per cent or more. In addition to the general increase, specific revisions were also made during the year. The duty on sugar imports was reduced from Rs. 5.50 to Rs. 3.50 per kilogram in February, 1983 in order to maintain a reasonable price to the consumer, while the duty of 5 per cent on books and periodicals was removed completely in November. Import duties on certain selected items of machinery and chemicals were increased while duties on certain other items such as polyethylene plates and sheets, bars and rods of iron and steel and hormones and antibiotics were reduced.

The Presidential Tariff Commission continued its activities as an advisory body during the year making recommendations on appropriate tariff changes.

The turnover tax which was extended to imports in 1981 was continued through 1983. The importance of this tax was that it equalised the manufacturers' turnover tax on imports. Thus, the revenue element of the Customs duties was isolated to enable these duties to represent essentially the protective element. During the year under review, the turnover tax on imports of fertilizer was reduced from 4 per cent to 3 per cent and the duty on items other than petroleum, rice, wheat and wheat flour which were taxed at a rate of 4 per cent was increased to 6 per cent. The rate of 7½ per cent was raised to 10 per cent and the rates above 10 per cent increased by 5 percentage points except for sugar imports. At the same time the export development cess continued to be levied on certain items of imports and on selected exports.

The import of tea for blending, packeting and making of tea bags exclusively for export remained liberalised in 1983, subject to certain administrative regulations of the Sri Lanka Tea Board. During the year an increased volume of 557,000 kgs. of tea valued at Rs. 19.9 million was imported as against 42,000 kgs. valued at Rs. 1.3 million in 1982. A major part of the country's rice and sugar imports was handled by the Food Commissioner's Department (FCD) though the import of these items remained liberalised during the year. However, the import of wheat grain continued to be a monopoly of the FCD.

During the year 1983, 7.1 million tons of import and export cargoes were handled at the three ports under the Sri Lanka Ports Authority compared to 6.4 million tons in the previous year. A number of development projects were undertaken by the Sri Lanka Ports Authority in order to provide improved facilities at the Port of Colombo. The duty free shopping complex in Colombo sold goods valued at Rs. 846 million in 1983 compared to Rs. 885 million in 1982. Sri Lanka continued to be a member of the International Natural Rubber and International Coffee Agreements during the year and participated in the negotiations for an international agreement on tea. The total value of transactions routed through the Asian Clearing Union facility in 1983 was Rs. 4,618 million compared to Rs. 4,176 million in 1982.

### **Internal Trade**

There was no significant change in internal trade policy in 1983 and the country continued to follow policies that would ensure the free interplay of market forces to achieve the objectives of a free market economy, without the coercive intervention of authority. Thus, market interference and controls was reduced to the minimum and was exercised only to provide the framework essential to the working of a free market economy. In addition a special effort was made to eliminate scarcities of essential consumer items and bottlenecks in the distribution system to guarantee the availability of commodities at reasonable prices in the open market. The success of internal trade policy was seen during the difficult situations which followed the July disturbances.

Even though free market forces were allowed to influence trading activities, an institutional regulatory mechanism was maintained in order to monitor prices and foster acceptable trade practices. Thus, the Department of Internal Trade continued to administer the Consumer Protection Act, the Price Control Act and the Weights and Measures Ordinance in order to ensure reasonable prices and a fair distribution of essential consumer goods and also to eradicate unacceptable trade practices. During the year under review, the number of consumer articles to which the provisions of the Consumer Protection Act applied was increased to 376 while the seven items which were under price control in the previous year were reduced to three. These comprised wheat flour, bread and masoor dhal. In addition a concerted effort was made to eradicate unfair trade practices by an attempt to mobilise consumer movements through organising consumer societies, education stalls (at the Mahapola Trade Fairs) and Consumer Education Programmes (by a strengthening of the Consumer Protection Fund). During the year, the Department of Internal Trade

was able to register 147 consumer societies bringing the total number of societies to 1,514 at the end of the year under consideration. The Consumer Protection Fund, established in 1980, was credited with Rs. 974,563 during the year, while payments from the fund amounted to Rs. 258,896. In addition, the Consumer Credit Act came into force in June 1983 to regulate duties and obligations of parties involved in hire purchase agreements.

The National Prices Commission continued to be an authority for the monitoring of prices, to protect the interests of consumers, while providing necessary incentives to the producer. During the year 1983, 109 price reviews were made including those of bread, sugar, infant cereal foods and milk foods.

As in the recent past, in 1983 too the private sector continued to increase its participation in the importation and distribution of food items and groceries. This was particularly evident in the distribution of sugar and rice which was a government monopoly some years ago.

Under the liberalised trade policy State Trading Organisations (STOs) were expected to be commercially viable and to compete efficiently with the private sector. Therefore STOs attempted to diversify and expand their activities. However, strong competition from the private sector tended to depress their level of activity. According to tentative estimates the turnover of STOs was Rs. 5,910 million in 1983 compared to Rs. 4,123 million in 1982. The increased sales in 1983 is mainly a reflection of higher prices. The trading activities of certain STOs were affected by the necessity for them to maintain buffer stocks as a measure of levelling out availability of certain essential commodities. There were instances when this added to the liquidity problems that many institutions experienced. The Co-operative Wholesale Establishment (CWE) continued to maintain buffer stock of consumer items such as masoor dhal, bombay onions, coriander, dried fish and dried chillies. The volume of sugar imports by the Food Commissioner's Department (FCD) recorded a sharp increase while sales of rice by the Paddy Marketing Board (PMB) in the open market also increased by about 60 per cent in 1983.

The co-operative societies have constituted an integral part of the established network for the distribution of essential consumer items since the 2nd world war. In recent years the co-operatives attempted to adjust their trading policies and practices in the face of the strong competition from the private sector. Although new trading activities have emerged during the recent past, the co-operative sector mainly handled items distributed under the Food Stamp Scheme as well as basic consumer items such as rice, flour and sugar which have relatively low profit margins. According to estimates based on Central Bank Surveys, gross profits of the co-operatives decreased from 6 per cent in 1982 to 5 per cent in 1983 despite an increase in their turnover from Rs. 8,320 million in 1982 to Rs. 9,300 million in 1983. As this margin of profit was too low to compensate for the increased transport cost and other administrative expenses, the co-operative sector faced serious financial difficulties during the year. This was despite the availability of credit facilities from the

Food Commissioner's Department, Co-operative Wholesale Establishment, Petroleum Corporation, Salu Sala and the People's Bank. During 1983 the number of retail outlets of co-operative societies decreased to 7,690 while the number of employees remained at around 45,000.

The importance of the co-operative sector as an essential part of the national distribution system was seen during the disturbances of July 1983. Co-operative societies played a valuable role in averting shortages of basic consumer and other essential items and ensuring their equitable distribution. The service that the co-operative sector extended to consumers by expeditiously extending and intensifying their distribution and marketing network during this time is noteworthy even in the context of a liberalised economy. In the circumstances, the need to facilitate and improve their performance by providing adequate finance, training and other incentives to make them commercially viable, should receive due recognition.

## TOURISM

The tourist sector experienced a set-back in 1983 and this was principally due to factors beyond its control. Judged in terms of indicators such as the number of arrivals, earnings, hotel occupancy or employment, the performance of this sector in 1983 was sub-normal. The most glaring reason for the low level of activity was the July disturbances. In addition, the economic situation in Western Europe (which is our main tourist generating market) was still sluggish as many nations were in a state of transition from recession into recovery with no tangible benefits trickling down to Sri Lanka.

Foreign exchange earnings from tourism in 1983 slumped to become only the sixth highest foreign exchange inflow into Sri Lanka in comparison with the fourth place it occupied in 1982. Tourist arrivals in 1983 declined by 17 per cent compared with the previous year and stood at 337,342. This was the first time since 1971, that the positive trend in tourist traffic growth was reversed even though the rate of growth in tourist arrivals, has been declining over the past few years. The effect of the July disturbances on arrival figures is clearly evident by the fact that during the first six months of 1983 tourist arrivals increased by 10 per cent compared with the same period of the previous year but decreased by 45 per cent for the latter six months. However, another factor worth noting is that arrivals in June, 1983 were lower than those in the corresponding month in 1982 and this was due to the decline in the number of arrivals from India as a result of the restrictions imposed by the Indian Government on the duty-free allowance afforded to its nationals. Arrivals from Western Europe and Australasia recorded the highest negative growth rates during the year and decreased by 24 and 22 per cent respectively. Arrivals from Asia declined by 8 per cent. This was mainly due to a drop in Indian tourists by 6 per cent. Arrivals from North America dropped by 5 per cent. Arrivals from Eastern Europe however, increased by 7 per cent during the year under review. Arrivals of "excursionists" (temporary visitors staying in the country for less than 24 hours excluding travellers in transit) totalled 8,836 in 1983 compared with 6,632 in 1982 recording an increase of 33 per cent.