

The minimum wage rate indices for government employees and workers in trades covered by Wages Boards which measure wage movements in the organised sector are given in Table 1.28.

The wage rate indices for government employees (excluding school teachers) increased by 14.3 per cent in 1984 compared to 14.9 per cent in 1983. As in the previous year, wages of minor employees rose at the highest rate (15.3 per cent) although this was less than the corresponding increase in 1983. The wages of non-executive officers and government teachers increased by 13.1 per cent and 12.4 per cent respectively.

The money wages of workers in Wages Boards Trades increased by 18.8 per cent in 1984 compared to 7.4 per cent in the previous year. The increase was mainly due to the revision of wages in the plantation sector in April, 1984. Money wages of workers in agriculture alone rose by 25.9 per cent as compared to 9.7 per cent in the previous year. Workers in industry and commerce and service workers received wage increases of only 3.2 per cent and 1.1 per cent, respectively in 1984. The corresponding increases for the previous year were 1.3 per cent and 4.8 per cent, respectively. Accordingly, it may be concluded that, with the exception of plantation workers, wage increases in other trades covered by Wages Boards were moderate in 1984.

The real wage rate indices for government employees indicate that real wages for all government employees (excluding government school teachers) declined by 2.2 per cent, in 1984. For government school teachers, the decline was 3.9 per cent. The real wages of workers in Wages Boards Trades increased by 1.5 per cent due to the wage increase in the plantation sector. For agricultural workers alone, the real wage increase amounted to 7.6 per cent. Real wages for workers in Industry and Commerce and workers in Services deteriorated by 11.6 per cent and 13.6 per cent, respectively in 1984.

TRADE

There was a marked improvement in the country's international trade performance in 1984, which resulted largely from the remarkable improvement in the prices of tea in the international markets, the relatively favourable prices for rubber and coconut and the significant growth in earnings from industrial exports. Export earnings increased by 44 per cent in SDR terms in 1984, as against the increase of 7 per cent in the previous year.

At the same time, the outlay on imports in 1984, was only slightly higher (0.6 per cent in SDR terms) than in 1983, when imports declined by one per cent. The value of imports of consumer goods, declined by 8 per cent while that of intermediate goods increased by 5 per cent mainly because of higher outlays on fertilizer. Total imports of investment goods declined by 3 per cent. However, the decline in imports of investment goods reflected the large outlay on ships and aircraft in 1983. Imports of investment goods other than ships and aircraft recorded an increase of 4 per cent.

TABLE 1.29
Balance of Trade 1982 - 1984

Rs. million (SDR million in brackets)

Year	Imports (a)		Exports (d)		Balance of Trade	
	Customs	Adjusted(c)	Customs	Adjusted	Customs	Adjusted
1982	36,876 (1,605)	41,946 (1,826)	21,124 (919)	21,454 (934)	-15,751 (-686)	-20,492 (-892)
1983	42,021 (1,670)	45,558 (1,811)	25,183 (1,001)	25,096 (998)	-16,838 (-669)	-20,461 (-813)
1984 (b)	46,913 (1,799)	47,541 (1,823)	37,005 (1,419)	37,347 (c) (1,432)	-9,908 (-380)	-10,194 (-391)

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) Include re-exports.

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

The breakdown of imports by sector shows that the share of consumer goods in total imports declined from 26 per cent in 1983 to 23 per cent in 1984, while that of intermediate goods increased from 48 per cent to 50 per cent. The share of investment goods too declined marginally from 27 per cent to 26 per cent.

The higher rate of growth of exports and the marginal growth in imports resulted in a much smaller deficit in Sri Lanka's balance of trade in 1984. According to Customs data, total imports amounted to Rs. 46,913 million (SDR 1,799 million) and exports to Rs. 37,005 million (SDR 1,419 million). This resulted in a trade deficit of Rs. 9,908 million (SDR 380 million) which was 43 per cent lower, in SDR terms, than the previous year's deficit of Rs. 16,838 million (SDR 669 million). However, when Customs data are adjusted for lags and other factors such as recording, total imports were Rs. 47,541 million (SDR 1,823 million) while total exports Rs. 37,347 million (SDR 1,432 million). Thus, the adjusted trade data show a deficit of Rs. 10,194 million (SDR 391 million) in 1984 as compared to Rs. 20,461 million (SDR 813 million) in 1983. This deficit is 52 per cent lower, in SDR terms, than in the previous year.

The relative movements of prices of exports and imports resulted in a further improvement in Sri Lanka's terms of trade in 1984. Export prices as measured by the Export Price Index increased by 25 per cent compared with the increase of 39 per cent in the previous year, while the increase in the prices of imports as measured by the Import Price Index was 11 per cent as against a 21 per cent increase experienced in the previous year. These favourable price trends resulted in a substantial improvement of 14 per cent in Sri Lanka's terms of trade, which followed the improvement of 16 per cent in 1983.

TABLE 1.30
Foreign Trade 1975 - 1984

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	
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	25,096	45,558	- 20,461	109	180	165	375	44
1984(a)	37,347	47,541	- 10,194	127	185	207	415	50

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

(a) Provisional
Adjusted from 1980 onwards.

Exports

Earnings from exports (adjusted data) increased from Rs. 25,096 million (SDR 998 million) in 1983 to Rs. 37,347 million (SDR 1,432 million) in 1984. Thus, exports increased by 49 per cent, in rupee terms, and 44 per cent, in SDR terms, compared with increases of 17 per cent and 7 per cent respectively, in 1983. There were increases in all categories of exports, other than minor agricultural crops and gems. The major influence on this increase was the performance of plantation crops and industrial exports which rose by 62 per cent (56 per cent in SDR terms) and 43 per cent (38 per cent in SDR terms) respectively, over 1983. As a result of increased earnings from plantation crops, the share of agricultural exports in total export earnings increased from 58 per cent in 1983 to 60 per cent in 1984. This was despite the decrease in earnings from minor agricultural crops. The share of industrial exports declined from 35 per cent in 1983 to 34 per cent in 1984, despite a significant increase in absolute earnings from these exports. The decline in the share of industrial exports was entirely a reflection of increased earnings from plantation crops. The reduced earnings from the export of gems resulted in a decline in earnings from mineral exports both in absolute and relative terms.

The export performance of the three major plantation crops was very impressive in 1984. Earnings from tea, rubber and coconut increased by 90 per cent (83 per cent in SDR terms), 16 per cent (12 per cent in SDR terms) and 10 per cent (6 per cent in SDR terms), respectively, over the previous year. As a result, the increase in their total export earnings rose from 52 per cent in 1983 to 57 per cent in 1984. Tea exports alone accounted for 42 per cent of the value of total exports as compared with 33

per cent in 1983. However, minor agricultural exports performed disappointingly. These exports which had declined in both rupee and SDR terms in 1983, recorded a further decline in 1984 as well.

There was a large expansion in industrial exports in 1984. Earnings from textile and garments, the largest item in this category, increased by 59 per cent (54 per cent in SDR terms) in 1984, compared with 35 per cent (24 per cent in SDR terms) in 1983. At the same time, earnings from both petroleum and other industrial products which declined in 1983 increased significantly by 23 per cent (18 per cent in SDR terms) and 26 per cent (21 per cent in SDR terms) respectively, in 1984. As a result, total earnings from industrial exports rose by 38 per cent in SDR terms compared to a decline of 3 per cent in the previous year.

Total earnings from mineral exports declined by 27 per cent (29 per cent in SDR terms) from Rs. 1,132 million (SDR 45 million) in 1983 to Rs. 832 million (SDR 32 million) in 1984. This was solely due to the decline in gem exports from Rs. 940 million (SDR 37 million) in 1983 to Rs. 617 million (SDR 24 million) in 1984. However, part of this decline was offset by other mineral exports which rose from Rs. 192 million (SDR 8 million) in 1983 to Rs. 215 million (SDR 8 million) in 1984.

The value of tea exports amounted to Rs. 15,764 million (SDR 604 million) in 1984, showing an increase of Rs. 7,469 million (SDR 275 million) over 1983. The increase in the international price of tea which began in mid 1983 due to lesser export availability and increased consumption, particularly in producer countries, continued during 1984. The average f.o.b. price of a kilogram of tea increased by 47 per cent (42 per cent in SDR terms) from Rs. 52.52 (SDR 2.09) in 1983 to Rs. 77.20 (SDR 2.96) in 1984. At the same time, the average gross price of all teas sold at the Colombo Auctions increased by 45 per cent from Rs. 43.27 per kilogram to Rs. 62.79 per kilogram. This can be compared with the price increase of 61 per cent for Sri Lanka teas at the London Auctions from 153.40 pence per kilogram in 1983 to 247.41 pence per kilogram in 1984.

The volume of tea sold at the Colombo Auctions increased by 22 per cent from 167 million kilograms in 1983 to 203 million kilograms in 1984. The amount of Sri Lanka tea offered at the London Auctions also rose from 1.6 million kilograms to 2.6 million kilograms. The increase in the volume of tea exports in 1984 was a reversal of the declining trend of exports observed in recent years. It was, nevertheless, lower than the peak of 213 million kilograms exported in 1975.

The value of rubber exports rose by 16 per cent (12 per cent in SDR terms) from Rs. 2,852 million (SDR 114 million) in 1983 to Rs. 3,301 million (SDR 127 million) in 1984. This was mainly due to a rise in the average f.o.b. price from Rs. 22.77 per kilogram in 1983 to Rs. 26.16 per kilogram in 1984. The volume of rubber exports increased by 1 million kilograms to 126 million kilograms in 1984.

TABLE 1.31
Composition of Exports 1982—1984

Category	Value in Rs. Million			SDR Million			Percentage of Total Exports		
	1982	1983	1984(d)	1982	1983	1984	1982	1983	1984
1. Agricultural Exports ..	11,656	14,554	22,542	507	579	864	54.3	58.0	60.3
1-1 Tea ..	6,342	8,295	15,764	276	330	604	29.6	33.1	42.2
1-2 Rubber ..	2,323	2,852	3,301	101	114	127	10.8	11.4	8.8
1-3 Coconut ..	1,496	1,921	2,118	65	76	81	7.0	7.6	5.7
1-3-1 Kernel Products ..	1,003	1,409	1,553	44	56	59	4.7	5.6	4.2
1-3-2 Other ..	494	512	565	21	20	22	2.3	2.0	1.5
1-4 Minor Agricultural Products (a) ..	1,495	1,486	1,358	65	59	52	6.9	5.9	3.6
2. Industrial Exports (a) (b) ..	8,271	8,821	12,591	360	351	483	38.6	35.1	33.7
2-1 Textile & Garments ..	3,502	4,738	7,535	152	188	289	16.3	18.9	20.2
2-2 Petroleum Products ..	3,280	2,682	3,288	143	107	126	15.3	10.6	8.8
2-3 Other ..	1,489	1,401	1,768	65	56	68	7.0	5.6	4.7
3. Mineral Exports ..	859	1,132	832	37	45	32	4.0	4.5	2.2
3-1 Gems ..	685	940	617	30	37	24	3.2	3.7	1.6
3-2 Other ..	174	192	215	7	8	8	0.8	0.8	0.6
4. Unclassified (c) ..	668	589	1,382(e)	30	23	53	3.1	2.4	3.7
Total Exports (b) ..	21,454	25,096	37,347	934	998	1,432	100.0	100.0	100.0

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

(b) Adjusted.

(c) Include re-exports.

(d) Provisional.

(e) Includes export of an aircraft.

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

Conversion

1982 - 1 SDR = Rs. 22.98

1983 - 1 SDR = Rs. 25.16

1984 - 1 SDR = Rs. 26.08

Earnings from the export of all coconut products increased by 10 per cent (6 per cent in SDR terms) to Rs. 2,118 million (SDR 81 million) in 1984. Exports of kernel products increased from Rs. 1,409 million (SDR 56 million) in 1983 to Rs. 1,553 million (SDR 59 million) in 1984, while exports of by-products rose from Rs. 512 million (SDR 20 million) to Rs. 566 million (SDR 22 million). However, the volume of exports of kernel products declined sharply from 582 million nuts in 1983 to 327 million nuts in 1984. Thus, the rise in earnings from kernel products was entirely the result of the high f.o.b. price which rose from Rs. 2.42 per nut in 1983 to Rs. 4.75 per nut in 1984.

The only setback in the performance of agricultural exports was the drop in earnings from exports of minor agricultural crops by a further 12 per cent in SDR terms following a drop of 10 per cent in the previous year. The decline was mainly due to the reduced earnings from cloves, vegetables, sesame seeds, cashew nuts and essential oils.

The value of industrial exports amounted to Rs. 12,591 million (SDR 483 million) in 1984, compared to Rs. 8,821 million (SDR 351 million) in 1983, thus showing an increase of 43 per cent (38 per cent in SDR terms). Earnings from textiles and garment exports rose from Rs. 4,738 million (SDR 188 million) to Rs. 7,535 million (SDR 289 million), and those of petroleum products increased from Rs. 2,682 million (SDR 107 million) to Rs. 3,288 million (SDR 126 million) between these two years.

The increased earnings from garment exports was a result of both price and volume increases. The share of garment exports in total exports rose further from 19 per cent in 1983 to 20 per cent in 1984. Garment exports by the enterprises of the Greater Colombo Economic Commission have been estimated at Rs. 2,687 million (SDR 103 million) in 1984.

Overall, the growth of the export sector was the highest recorded in recent years. However, as mentioned in previous Annual Reports, the declining trend in minor agricultural exports is a matter for concern. The same can be said of the sharp decline in earnings from gem exports.

Imports

The total outlay on imports (adjusted data) amounted to Rs. 47,541 million (SDR 1,823 million) in 1984, compared to Rs. 45,558 million (SDR 1,811 million) in 1983. Thus, the imports increased by 4 per cent, in rupee terms, as against the increase of 9 per cent in the previous year. However, in SDR terms, imports showed a marginal increase of 0.6 per cent compared to a decline of 1 per cent in 1983. The increase in imports came entirely from intermediate goods.

The structural composition of imports showed significant changes over the previous year. The share of intermediate goods increased from 48 per cent in 1983 to 50 per cent in 1984, while that of consumer and investment goods declined from 26 per cent to 23 per cent and 27 per cent to 26 per cent respectively, between these two years. The decline in expenditure on consumer goods was largely due to the decrease in imports of rice, sugar, milk foods and consumer durables.

TABLE 1.32

End — Use Classification of Imports

Category	Value in Rs. Million			SDR Million			Percentage of Total		
	1982	1983(a)	1984(b)	1982	1983	1984	1982	1983	1984
1. Consumer goods ..	8,616	11,639	11,052	375.0	462.7	423.8	20.5	25.5	23.2
1.1 Food and drink ..	3,561	5,375	4,986	155.0	213.7	191.2	8.5	11.8	10.5
1.1.1 Rice ..	925	765	197	40.3	30.4	7.5	2.2	1.7	0.4
1.1.2 Flour ..	62	108	28	2.7	4.3	1.1	0.2	0.2	0.1
1.1.3 Sugar ..	970	1,985	1,346	42.2	78.9	51.6	2.3	4.4	2.8
1.2 Textile & Clothing ..	2,167	2,724	2,974	94.3	108.3	114.0	5.2	6.0	6.3
1.3 Other ..	2,888	3,540	3,092	125.7	140.7	118.6	6.9	7.8	6.5
2. Intermediate goods ..	21,640	21,727	23,749	941.8	863.7	910.7	51.6	47.7	50.0
2.1 Petroleum ..	12,274	11,024	10,681	534.2	438.2	409.6	29.3	24.2	22.5
2.2 Fertilizer ..	560	625	1,103	24.4	24.8	42.3	1.3	1.4	2.3
2.3 Chemicals ..	729	832	1,028	31.7	33.1	39.4	1.7	1.8	2.2
2.4 Wheat ..	1,787	2,340	2,471	77.8	93.0	94.8	4.3	5.1	5.2
3. Investment goods ..	11,591	12,077	12,170	504.5	480.1	466.7	27.6	26.5	25.6
3.1 Machinery and equipment ..	3,964	5,261	5,335	172.5	209.1	204.6	9.5	11.6	11.2
3.2 Transport equipment (c) ..	5,529	3,826	3,031	240.6	152.1	116.2	13.2	8.4	6.4
3.3 Building materials ..	557	1,177	727	24.2	46.8	27.9	1.3	2.6	1.5
4. Unclassified ..	99	115	570	4.3	4.6	21.8	0.2	0.3	1.2
Total imports(d) ..	41,946	45,558	47,541	1,825.6	1,811.1	1,823.0	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 Returns.

(d) Adjusted.

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

The expenditure on imports of investment goods in 1984, amounted to Rs. 12,170 million (SDR 467 million), showing an increase of about 1 per cent, in rupee terms, over 1983, but a decline of 3 per cent, in SDR terms. However, when imports of ships and aircraft are excluded the value of investment goods increased by 7 per cent (4 per cent in SDR terms) over the previous year. The import outlay on building materials and transport equipment declined markedly by 38 per cent (40 per cent in SDR terms) and 21 per cent (24 per cent in SDR terms) respectively, while imports of machinery and equipment increased marginally by 1 per cent, in rupee terms. The import of other investment goods increased markedly by 70 per cent (64 per cent in SDR terms) from Rs. 1,813 million (SDR 72 million) in 1983 to Rs. 3,077 million (SDR 118 million) in 1984. The import of transport equipment declined by 21 per cent. This was despite the import of aircraft valued at Rs. 931 million (SDR 36 million) in 1984, which would have inflated imports in this category.

Expenditure on imports of intermediate goods increased by 10 per cent (6 per cent in SDR terms) from Rs. 21,727 million (SDR 864 million) in 1983 to Rs. 23,925 million (SDR 917 million) in 1984. Import outlays on wheat grain at Rs. 2,471 million (SDR 95 million), showed an increase of 6 per cent (2 per cent in SDR terms), while those on fertilizer and chemicals at Rs. 1,103 million (SDR 42 million) and Rs. 1,028 million (SDR 39 million) rose by 76 per cent (71 per cent in SDR terms) and 24 per cent (19 per cent in SDR terms) respectively, over the previous year. The increased value of wheat imports was entirely a result of a rise in the average c. & f. price.

The value of petroleum imports which had declined by 10 per cent (18 per cent in SDR terms) in the previous year, dropped by a further 3 per cent (7 per cent in SDR terms) in 1984 to Rs. 10,681 million (SDR 410 million) from Rs. 11,024 million (SDR 438 million) in 1983. As a result, the share of petroleum imports in total intermediate goods imports declined from 51 per cent to 45 per cent between these two years. The decreased expenditure on petroleum imports was due to lower prices and reduced imports of refined products.

Import expenditure on consumer goods which increased by 35 per cent (23 per cent in SDR terms) in 1983, declined by 5 per cent (8 per cent in SDR terms) in 1984 to Rs. 11,052 million (SDR 424 million) from Rs. 11,639 million (SDR 463 million). This decline was mainly due to reduced expenditure on food and drink (rice, sugar and milk products) and other consumer goods, including radio receivers and television sets. Expenditure on sugar imports declined sharply by 33 per cent (35 per cent in SDR terms) from Rs. 1,985 million (SDR 79 million) in 1983 to Rs. 1,346 million (SDR 52 million) in 1984 due to declines in both volume and price. However, the value of textile and clothing imports rose by 9 per cent (5 per cent in SDR terms) from Rs. 2,724 million (SDR 108 million) in 1983 to Rs. 2,974 million (SDR 114 million) in 1984. This reflected increased imports for use in garment industries.

TABLE 1.33
Volume of Major Imports in 1984

Metric Tons					
Month	Rice	Wheat	Sugar	Petroleum (crude oil)	Fertilizer
January	14,123	60,763	4,162	126,221	40,211
February	4	—	10,841	155,734	5,700
March	12,405	63,600	27,600	158,038	32,134
April	15	61,341	16,430	157,544	25,423
May	8,036	85,826	17,500	63,196	43,123
June	3,602	53,486	17,700	156,981	—
July	59	30,000	11,500	188,424	37,300
August	69	55,730	37,070	157,451	41,462
September	35	56,000	60,026	31,450	36,037
October	46	—	23,235	315,504	33,280
November	19	60,000	10,003	159,086	11,180
December	35	44,444	27,300	63,928	26,875
Total (a) (b)	38,448	571,190	263,367	1,733,557	327,625

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 imports financed by foreign aid is available, as the Customs do not categorise imports by mode of payment. However, aid imports could be roughly estimated from data on disbursement of foreign aid. On this basis, aid imports for the year 1984 are estimated at Rs. 10,319 million (SDR 396 million) in comparison to Rs. 9,559 million (SDR 379 million) in 1983. Thus, the share of aid imports in total imports increased from 21 per cent in 1983 to 22 per cent in 1984.

Foreign Trade Policy

There was no significant change in the foreign trade policy in 1984, and the policy guidelines introduced in 1977 continued in operation. Therefore, while most imports remained free of controls, the emphasis was on expanding both traditional and non-traditional exports. The large increase in exports and the stemming of import growth, are evidence of the success of these policies. In the case of imports, there is little doubt that the monetary policies aimed at restricting non-essential imports have been particularly effective. While the overall performance of the export sector has been encouraging, there have also been some changes in the structure of exports in 1984, affecting exports other than agricultural exports. Thus, both exports of textile and garments and other industrial goods recorded large increases. However, some of the potential growth areas in the export sector such as minor agricultural exports and gem exports have remained stagnant. The need for urgent policy initiatives to revitalise these sectors is therefore evident.

Import policy aims chiefly at ensuring the availability of goods and services for essential consumption and investment under the liberalised regime. The increase in the share of intermediate goods and the decline in the share of non-essential consumption goods indicate that policies have helped to bring about an improved allocation of resources.

Monetary policy has been complementary to foreign trade policy, channelling the available funds to priority sectors at a level sufficient to achieve targeted real growth and price stability. The details of monetary policy measures affecting foreign trade are given in the section on Money and Banking in this report.

The Sri Lanka Export Development Board (SLEDB), as the leading organisation in the export promotion drive, continued its activities of providing incentives to exporters, with the objective of expanding exports and changing its structure. The SLEDB, under the guidance of the Export Development Council of Ministers, was responsible for the formulation and implementation of policies relating to exports. In order to implement the National Export Development Plan more efficiently the SLEDB took steps to form six sectoral task forces. An advisory committee was also established to co-ordinate the work of these sectoral task forces. The Board made a number of recommendations relating to tax incentives for the export sector and these recommendations were incorporated in the Inland Revenue Amendment Bill in April, 1984. Steps were also taken to provide relief through the Export Development Grants Scheme to exporters who had been affected by exchange rate changes. The Board continued to assist exporters in obtaining medium and long term finance at concessionary terms.

Production for export at village level in the Export Production Villages (EPVs) continued in 1984. In these EPVs, the rural producers are trained and organised to supply goods, particularly those with a high domestic value added for export. In 1984, a total of 13 EPV companies was registered, bringing the total number of companies to 25.

During the year under review, the Sri Lanka Export Credit Insurance Corporation (SLECIC) continued to assist exporters by guaranteeing and insuring export credit. These guarantees included three types : pre-shipment, post-shipment and export performance guarantees.

There were no important changes in export and import control policy in 1984, other than a few revisions in licence control. Among these, the import of outboard marine engines (above 25 horsepower), retreated tyres, fungicides, weed killers, pesticides and certain synthetic fibres were brought under licence control, while the import of sugar, dates and large onions was liberalised.

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.

The export of cinnamon quills and quillings to all countries other than Mexico was liberalised in 1984. All major export commodities remained free of controls. However, a few export items continued to be subject to pre-export quality inspection.

In 1984, export duties were revised with the aim of providing higher producer margins and of increasing the incentive to invest. Export duties on tea were reduced in order to increase the producer margin as well as to make Sri Lanka tea more competitive among other producers. A Stabilisation Fund was also proposed in the Government Budget, with a view to siphoning off a part of the extra revenue collected from export taxes in periods of high prices and providing assistance to producers in periods when prices are low.

Export duties on rubber were reduced in view of declining international prices and increasing costs of production in the rubber industry. In order to provide further relief to rubber producers, the reference price for the sliding scale of duties was changed from the RSS I to RSS II price.

For coconut products, the sliding scale of duties continued to be in operation in respect of the export of all kernel products in order to make duties respond automatically to changes in international prices. However, the tax free threshold price for kernel products was raised from Rs. 13,100 to Rs. 20,000 per metric ton for coconut oil in November, 1984 while the rate of tax was fixed at 50 per cent of the surplus above the threshold price. As in the case of tea, a Stabilisation Fund for coconut too was proposed to be established by the Government. The floor price on desiccated coconut was revised upward twice during the year while that on coconut oil was removed in December, 1984.

A comprehensive review of the tariff structure was carried out by the Presidential Tariff Commission. The revisions of import duty recommended by the Commission were aimed at providing incentives to production and adequate protection to local industry. Thus, import duties on certain categories of intermediate goods (mainly fertilizer, cement clinker and chemicals) were removed completely, while duties on other categories of investment and intermediate goods (machinery, motor vehicles iron and steel etc.) were reduced substantially. Duties on consumer goods such as medicines, infant milk foods, printed books etc. were also removed. Higher duties were recommended in respect of products which were competitive with local industry (full cream milk powder, rice, sugar, sanitaryware etc.). Based on the recommendations of the Presidential Tariff Commission, a more rational structure of import duties was introduced in November, 1984.

The turnover tax which was extended to imports in 1981, also continued to operate in 1984. An important change was the removal of the turnover tax on import of machinery in cases where such machinery is used in industries exporting 50 percent or more of output.

Sri Lanka continued to be a member of the International Natural Rubber Agreement and International Coffee Agreement during the year and participated in negotiations for an agreement on tea.

Internal Trade

In keeping with internal trade policy followed in the previous years, market interventions were kept at a minimum so as to avoid distortions in the working of the price mechanism. Internal trade policy was aimed at making essential requirements available at reasonable prices. However, some form of institutional regulatory framework continues, in order to maintain fair competition and acceptable trade practices. To this end, the Department of Internal Trade exercised its regulatory activities through the Consumer Protection Act, the Price Control Act and the Weights and Measures Ordinance.

Attention was paid to increasing consumer awareness by organising 'Mahapola Trade Fairs' and consumer societies. During the year under review, 600 new consumer societies were formed, while 18 'Mahapola Trade Fairs' were held in various parts of the country.

Wheat flour, bread and mashoor dhal (red lentils) remained under price control in 1984. The National Prices Commission carried out 76 price reviews in 1984 compared to 109 in 1983. During the year 1984, draft legislation was also prepared to enlarge the scope of the Commission with responsibility for the control of monopolies, mergers and anti-competitive practices.

The State Sector Trading Organisations (STOs) continued to compete with the private sector in order to be commercially viable in the new trading environment. Despite breaking into new lines of activity STOs found that competition from the private sector reduced their levels of activity. The Co-operative Wholesale Establishment (CWE) and the Marketing Department (MD) were important organisations in maintaining stability of consumer prices and ensuring availability and fair distribution of essential commodities. In particular, the reorganisation of the MD had an important influence on reducing prices of consumer items, including vegetables. In 1984, the MD played a more dynamic role in helping to keep down consumer prices. The operation of a buffer stock by the CWE was also a factor that helped to maintain availability of important consumer items and keep prices of essential commodities stable.

The role of the co-operative societies in internal trade has now become one of mainly ensuring distribution of basic food items such as rice, flour, sugar and other consumer items under the Food Stamp Schemes. Accordingly, their profits continued to be low. However, the vital importance of the co-operative societies has been evident during periods of crises or internal disturbance, when the efficient distribution of essential commodities throughout the country became an urgent necessity. Internal trade policy should therefore aim at making co-operative societies viable by provision of finance or other facilities to them.

TOURISM

Activity in the tourist industry in 1984, indicated a partial recovery from the setback experienced in 1983. The main performance indicators such as tourist arrivals, number of tourist nights, room occupancy and earnings, showed that a