

TRADE AND TOURISM

The developments in the external trade sector were favourable in 1987 as compared with the previous year. The value of exports rose by 4 per cent in SDR terms as against a decline of 21 per cent in 1986. On the other hand, expenditure on imports dropped by 4 per cent over 1986. Consequently, the deficit on trade account decreased by 18 per cent in 1987 as compared with the deficit in the previous year. This was the second consecutive year when the trade deficit declined.

The growth of the export sector was largely on account of higher earnings from garments and gems. Earnings from agricultural exports too increased by 11 per cent in Rupee terms, but declined by 5 per cent in SDR terms. The decline in agricultural exports in real terms was entirely due to reduced export volumes as the prices of tea, rubber and coconut products in real terms increased in 1987.

According to provisional customs data, the import outlay at Rs. 59,750 million (SDR 1,568 million) and export earnings at Rs. 39,861 million (SDR 1,046 million), resulted in a trade deficit of Rs. 19,889 million (SDR 522 million) in 1987. This compared with the previous year's deficit of Rs. 17,189 million (SDR 523 million). When customs data are adjusted for lags and other factors pertaining to recording, total imports are valued at Rs. 60,517 million (SDR 1,588 million) while total exports added to Rs. 41,133 million (SDR 1,080 million). Accordingly, the adjusted data resulted in a trade deficit of Rs. 19,384 million (SDR 509 million), compared with a deficit of Rs. 20,487 million (SDR 623 million) in 1986, showing a decrease of 18 per cent in SDR terms.

TABLE 1.28

Balance of Trade 1985 - 1987

Rs. Million (SDR Million in brackets)

Year	Imports(a)		Exports(b)		Balance of Trade	
	Customs	Adjusted	Customs	Adjusted	Customs	Adjusted
1985 ..	49,069 (1,776)	54,049 (1,956)	35,035 (1,268)	36,207 (1,311)	- 14,034 (- 508)	- 17,843 (- 646)
1986 ..	51,282 (1,559)	54,539 (1,638)	34,092 (1,036)	34,072 (1,036)	- 17,189 (- 523)	- 20,487 (- 623)
1987(c) ..	59,750 (1,568)	60,517 (1,588)	39,861 (1,046)	41,133 (1,080)	- 19,889 (- 522)	- 19,384 (- 509)

- (a) Excluding Bullion and Specie
- (b) Includes re-exports
- (c) Provisional

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

The average prices of exports were favourable in 1987 as compared to those realised the previous year. The improvement was more than sufficient to off-set adverse effects of the rise in import prices, resulting in an improvement in the terms of trade. As measured by the trade indices, the average export prices rose by 16 per cent in 1987, while the import prices increased by 13 per cent. The relative movements in prices resulted in an improvement in the terms of trade by 3 per cent, the index rising from 111 in 1986 to 114 in 1987.

TABLE 1.29
Foreign Trade 1979 - 1987

Year	Rupees Million			Index Numbers 1981=100				
	Exports* (f.o.b.)	Imports* (c.i.f.)	Balance of Trade	Volume		Prices		Terms of Trade (b)
				All Exports	All Imports (b)	All Exports	All Imports (b)	
1979 ..	15,286	22,560	- 7,275	89	94	82	68	121
1980 ..	17,595	33,942	- 16,347	95	111	92	86	107
1981 ..	21,043	36,583	- 15,540	100	100	100	100	100
1982 ..	21,454	41,946	- 20,492	105	100	98	104	94
1983 ..	25,096	45,558	- 20,461	99	110	125	109	115
1984 ..	37,347	47,541	- 10,194	116	114	160	114	140
1985 ..	36,207	54,049	- 17,843	120	109	142	123	115
1986 ..	34,072	54,559	- 20,487	128	124	126	114	111
1987(a) ..	41,133	60,517	- 19,384	130	127	146	129	114

* Adjusted data from 1980 onwards.

(a) Provisional

(b) Revised.

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

Exports

According to adjusted data, the value of exports in 1987 amounted to Rs. 41,133 million (SDR 1,080 million) compared to Rs. 34,072 million (SDR 1,036 million) in 1986, showing increases of 21 per cent in Rupee terms and 4 per cent in SDR terms. This was a significant improvement when compared to a decline of 6 per cent (21 per cent in SDR terms) recorded in 1986. The increased earnings in 1987 were mainly due to higher receipts from industrial and mineral exports. While the value of industrial exports rose from Rs. 15,878 million (SDR 483 million) in 1986 to Rs. 20,004 million (SDR 525 million) in 1987, that of mineral exports increased from Rs. 1,182 million (SDR 36 million) to Rs. 1,759 million (SDR 46 million) over the two years.

TABLE 1.30
Composition of Exports 1985 - 1987

Category	Value in Rs. Million			SDR Million			Percentage of Total Exports		
	1985	1986	1987(d)	1985	1986	1987	1985	1986	1987
1. Agricultural Exports	19,026	15,764	17,437	689	479	458	52.5	46.3	42.4
1.1 Tea	12,003	9,253	10,654	435	281	280	33.1	27.2	25.9
1.2 Rubber	2,566	2,622	2,929	93	80	77	7.1	7.7	7.1
1.3 Coconut	3,093	2,389	2,140	112	73	56	8.5	7.0	5.2
1.3.1 Kernel Products	2,383	1,609	1,423	86	49	37	6.6	4.7	3.4
1.3.2 Other	710	780	717	26	24	19	1.9	2.3	1.8
1.4 Minor Agricultural Products (a)	1,365	1,500	1,714	49	46	45	3.8	4.4	4.2
2. Industrial Exports (a) (b)	14,295	15,878	20,004	517	483	525	39.5	46.6	48.6
2.1 Textile and Garments	7,960	9,629	12,897	288	293	339	22.0	28.3	31.4
2.2 Petroleum Products	3,877	2,358	2,592	140	72	68	10.7	6.9	6.3
2.3 Other	2,458	3,891	4,515	89	118	118	6.8	11.4	10.9
3. Mineral Exports	864	1,182	1,759	31	36	46	2.4	3.5	4.3
3.1 Gems	561	755	1,447	20	23	38	1.6	2.2	3.5
3.2 Other	303	427	311	11	13	8	0.8	1.3	0.8
4. Unclassified (c)	2,021(e)	1,249	1,933(e)	73	38	51	5.6	3.7	4.7
Total Exports (b)	36,207	34,072	41,133	1,311	1,036	1,080	100.0	100.0	100.0

(a) Selected items.

(b) Adjusted.

(c) Includes re-exports.

(d) Provisional.

(e) Includes export of an aircraft.

Conversion

1985 : 1 SDR = Rs. 27.63

1986 : 1 SDR = Rs. 32.90

1987 : 1 SDR = Rs. 38.10

Sources: Customs, Sri Lanka,
Ceylon Petroleum Corporation.

The most disappointing feature of Sri Lanka's export performance in 1987 was a sharp decline in the export volumes of major agricultural commodities. As a result, earnings from agricultural exports declined by 5 per cent in real terms, falling from SDR 479 million in 1986 to SDR 458 million in 1987, despite an improvement in average real export prices. However, in Rupee terms, the earnings from agricultural exports increased by 11 per cent, rising from Rs. 15,764 million to Rs. 17,437 million.

The value of tea exports amounted to Rs. 10,654 million (SDR 280 million) in 1987, compared with Rs. 9,253 million (SDR 281 million) in 1986. This represents an increase of 15 per cent in Rupee terms, but a marginal decline in SDR terms; entirely due to a reduction in export volume of 3 per cent from 208 million kgs. in 1986 to 201 million kgs. in 1987. In contrast, the average export price in SDR terms rose by 3 per cent to SDR 1.39 per kg, although the improvement in Rupee terms, was 19 per cent, to Rs. 52.97 per kg.

Reflecting both favourable price trends as well as the movements of the exchange rate in 1987, the average price at the Colombo Tea Auctions rose by 28 per cent, to Rs. 39.30 per kg. However, the average price of Sri Lanka teas at the London Auctions dropped by 9 per cent, falling from 115.67 pence per kg. to 105.21 pence per kg.

There was a sharper decline in the volume of rubber exports by 4 per cent to 106 million kgs. in 1987. However, the average export price (f.o.b.) rose marginally by 1 per cent (16 per cent in Rupee terms), to SDR 0.73 per kg. (Rs. 27.63 per kg.). As a result, there was a decline of 4 per cent in export earnings in SDR terms, but an increase of 12 per cent in Rupee terms.

The export earnings from all coconut products decreased even sharper by 23 per cent (10 per cent in Rupee terms), from Rs. 2,389 million (SDR 73 million) in 1986 to Rs. 2,140 million (SDR 56 million) in 1987. This was largely due to a significant decline in the value of kernel products exports, of 24 per cent (12 per cent in Rupee terms), to Rs. 1,423 million (SDR 37 million) in 1987. Volume of exports was almost reduced by half—from an equivalent of 1,105 million nuts in 1986 to 538 million nuts in 1987. The reduction in the volume of exports more than off-set the favourable impact of a significant price increase of 57 per cent (81 per cent in Rupee terms), from Rs. 1.46 per nut (SDR 0.044 per nut) in 1986 to Rs. 2.64 per nut (SDR 0.069 per nut) in 1987. Earnings from the export of coconut by-products fell by 21 per cent (8 per cent in Rupee terms), to Rs. 717 million (SDR 19 million) in 1987.

The value of minor agricultural exports stood at Rs. 1,714 million (SDR 45 million) in 1987, as against Rs. 1,500 million (SDR 46 million) in 1986, showing an increase of 14 per cent in Rupee terms but a marginal decline in SDR terms. Notable decreases in earnings were recorded in coffee, cloves and cardamoms, while pepper, cinnamon, fruits, cashewnuts and sesame seeds recorded substantial increases.

TABLE 1.31
End-Use Classification of Imports

Category	Value in Rs. Million			SDR Million			Percentage of Total		
	1985	1986 (a)	1987(b)	1985	1986	1987	1985	1986	1987
1. Consumer goods ..	10,462	12,256	13,804	378.7	372.5	362.3	19.4	22.5	22.8
1.1 Food and drink ..	5,906	6,746	7,451	213.8	205.0	195.6	10.9	12.4	12.3
1.1.1 Rice ..	1,089	1,052	681	39.4	32.0	17.9	2.0	1.9	1.1
1.1.2 Flour ..	206	90	96	7.5	2.7	2.5	0.4	0.2	0.2
1.1.3 Sugar ..	1,985	1,764	2,385	71.8	53.6	62.6	3.7	3.2	3.9
1.2 Other ..	4,556	5,510	6,353	164.9	167.5	166.7	8.4	10.1	10.5
2. Intermediate goods (e) ..	29,331	28,618	34,619	1,051.7	869.9	908.6	54.2	52.4	57.2
2.1 Petroleum ..	10,986	6,293	8,716	397.6	191.3	228.8	20.3	11.5	14.4
2.2 Fertilizer ..	1,579	1,282	1,074	57.2	39.0	28.2	2.9	2.4	1.8
2.3 Chemicals ..	902	1,587	1,559	32.6	48.2	40.9	1.7	2.9	2.6
2.4 Wheat ..	2,765	2,371	2,147	100.1	72.1	56.3	5.1	4.4	3.5
2.5 Textile and Clothing (e) ..	3,799	6,353	8,086	137.5	193.1	212.2	7.0	11.5	13.4
3. Investment goods ..	10,387	10,556	11,332	376.0	320.9	297.4	19.2	19.4	18.7
3.1 Machinery and equipment ..	4,769	5,828	6,639	172.6	177.1	174.2	8.8	10.7	11.0
3.2 Transport equipment ..	2,499 (c)	1,457	1,418	90.5	44.3	37.2	4.6	2.7	2.3
3.3 Building Materials ..	899	907	709	32.5	27.6	18.6	1.7	1.7	1.2
4. Unclassified ..	3,868	3,129	762	140.0	95.1	20.0	7.2	5.7	1.3
Total Imports(d) ..	54,049	54,559	60,517	1,956.4	1,658.4	1,588.3	100.0	100.0	100.0

(a) Revised

(b) Provisional

(c) Includes value of ships and aircraft which have not been recorded in the Customs Returns

(d) Adjusted.

(e) Textile and clothing imports previously classified as consumer goods

are now being classified as intermediate goods

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.

Earnings from industrial exports rose significantly by 9 per cent (26 per cent in Rupee terms), increasing from Rs. 15,878 million (SDR 483 million) in 1986 to Rs. 20,004 million (SDR 525 million) in 1987. With this increase, the share of industrial exports in total exports rose to 49 per cent, thus further consolidating the success achieved in 1986 when industrial exports exceeded the value of agricultural exports which held the dominant position until then. This increase was largely reflected in the value of textile and garment exports which rose by as much as 16 per cent (34 per cent in Rupee terms), from Rs. 9,629 million (SDR 293 million) in 1986 to Rs. 12,897 million (SDR 339 million) in 1987. Earnings from other industrial exports of SDR 118 million were at about the same level as in the previous year, although there was an improvement of 16 per cent in Rupee terms, to Rs. 4,515 million. This compared adversely against the substantial increase of 33 per cent in 1986. The slower growth of earnings in 1987 was largely due to reduced receipts from fish products, chemical products, mechanical and electrical appliances. The value of petroleum products declined by 5 per cent in SDR terms, although there was an increase of earnings in Rupee terms by 10 per cent to Rs. 2,592 million in 1987.

In 1987, mineral exports recorded an impressive growth rate of 29 per cent (49 per cent in Rupee terms), rising from Rs. 1,182 million (SDR 36 million) to Rs. 1,759 million (SDR 46 million). This was entirely due to higher earnings from gem exports, which rose by 65 per cent (92 per cent in Rupee terms) from Rs. 755 million (SDR 23 million) in 1986 to Rs. 1,447 million (SDR 38 million) in 1987. The growth in earnings reflected increases in both the volume as well as the prices of gem exports. While the export volume rose from 4.9 million carat in 1986 to 5.4 million carat in 1987 or by 10 per cent, the average f.o.b. price increased by 73 per cent from Rs. 154 per carat to Rs. 267 per carat over the same period. The principal export markets were Thailand, Hong Kong and Japan.

Imports

According to adjusted customs data, the total outlay on imports amounted to Rs. 60,517 million (SDR 1,588 million) in 1987, compared with Rs. 54,559 million (SDR 1,658 million) in 1986. This represented a decrease of 4 per cent in SDR terms, though an increase of 11 per cent was observed in Rupee terms. The decrease was largely reflected in the imports of consumer goods and investment goods.

The composition of imports underwent further change in 1987. While the share of consumer goods imports rose marginally from 22.5 per cent in 1986 to 22.8 per cent in 1987, the share of intermediate goods which had declined from 54 per cent in 1985 to 52 per cent in 1986, increased sharply to 57 per cent in 1987. This was entirely due to increase in the shares of petroleum imports from 11 per cent to 14 per cent and in textiles and clothing imports from 11 per cent to 13 per cent. Meanwhile, the share of investment goods at 19 per cent remained basically as the same level as in the previous year.

Total outlay on the import of investment goods in 1987 amounted to Rs. 11,332 million (SDR 297 million), showing a decrease of 7 per cent in SDR terms and a non

modest increase of 7 per cent in Rupee terms over the previous year's outlay of Rs. 10,556 million (SDR 321 million). However, imports of building materials at Rs. 709 million (SDR 19 million) and transport equipment at Rs. 1,418 million (SDR 37 million) dropped sharply by 22 per cent (33 per cent in SDR terms) and 3 per cent (16 per cent in SDR terms), respectively. Meanwhile, the value of machinery and equipment imports dropped marginally by 2 per cent in SDR terms, but increased by 14 per cent in Rupee terms.

The expenditure on intermediate goods imports amounted to Rs. 34,619 million (SDR 909 million) in 1987 compared to Rs. 28,618 million (SDR 870 million) in 1986, showing an increase of 21 per cent (4 per cent in SDR terms). However, the import outlays on intermediate goods such as fertilizer, wheat grain and chemicals decreased considerably in 1987. While the value of fertilizer imports decreased by as much as 16 per cent (28 per cent in SDR terms), that of wheat grain and chemicals dropped by 9 per cent (22 per cent in SDR terms) and 2 per cent (15 per cent in SDR terms), respectively. However, these decreases were largely offset by an increase of 20 per cent (39 per cent in Rupee terms) in the value of petroleum imports, rising from Rs. 6,293 million (SDR 191 million) in 1986 to Rs. 8,716 million (SDR 229 million) in 1987. This reflected increases both in the average price as well as in the volume of crude oil imports in 1987. While the import volume increased from 12.1 million barrels in 1986 to 13.1 million barrels in 1987, the average import price rose from SDR 13 per barrel to SDR 14 per barrel. Another noteworthy change was the increase in the value of textiles and clothing imports which rose from Rs. 6,353 million (SDR 193 million) in 1986 to Rs. 8,086 million (SDR 212 million) in 1987. Such imports were largely for meeting the requirements of the garments industry.

TABLE 1.32
Volume of Major Imports in 1987

					Metric Tons
Month	Rice	Wheat	Sugar	Petroleum (Crude Oil)	Fertilizer
January	10,064	49,183	11,438	125,752	49,893
February	10,044	61,690	18,480	63,283	19,655
March	—	33,277	72,450	156,200	37,302
April	19,938	52,423	69,501	186,077	28,538
May	6	48,978	18,237	154,034	14,056
June	17	52,500	9,933	154,016	6,630
July	2,885	46,539	30,786	153,441	22,883
August	14,016	54,000	22,802	154,285	6,692
September	155	—	34,121	158,303	29,984
October	12,975	125,032	29,482	158,052	14,187
November	12,552	—	201	158,046	36,242
December	30,197	55,000	58,765	157,364	35,697
Total(a)	112,849	578,622	376,246	1,778,853	301,769

(a) Adjusted.

Sources: Customs, Sri Lanka,
Ceylon Petroleum Corporation,
Ceylon Fertilizer Corporation and
other major importers of fertilizer,
Central Bank of Sri Lanka.

Expenditure on consumer goods imports rose by 13 per cent in Rupee terms from Rs. 12,256 million in 1986 to Rs. 13,804 million in 1987, but in SDR terms such imports dropped by 3 per cent from SDR 373 million to SDR 362 million. The decline in SDR terms was reflected in all categories of consumer goods imports. In particular, the imports of food and drink dropped by 5 per cent from SDR 205 million to SDR 196 million, largely on account of the sharp fall in rice imports, from SDR 32 million in 1986 to SDR 18 million in 1987. However, it should be noted that within this category the outlay on sugar imports rose by 17 per cent, to SDR 63 million in 1987, owing to increases in both the average price as well as the import volume. The value of other consumer goods imports too dropped marginally from SDR 168 million in 1986 to SDR 167 million in 1987, due mainly to decreased imports of pharmaceuticals, radio receivers and television sets.

Foreign Trade Policy

The liberalized trade policy introduced in 1977 continued to be in operation during 1987, with further revisions in tariffs and export promotion policies.

Following the liberalization of textile imports in November, 1985 import duties were reduced further in 1987 to a level of 60 per cent of the c.i.f. value with a minimum duty of Rs. 30 per square metre for synthetic textiles and Rs. 15 per square metre for cotton textiles. Previously, the duty was the higher of 100 per cent of the import c.i.f. value or Rs. 40 per square metre for synthetic textiles and Rs. 25 per square metre for cotton textiles.

However, the duty on wheat grain imports which increased from 5 per cent to 10 per cent in 1985, was raised again to 20 per cent in 1987. These increases were on the lines proposed by the Presidential Tariff Commission in order to provide protection to local paddy farmers.

In addition, the maximum import duty on any category of imports was fixed at 60 per cent, while a minimum duty of 5 per cent was imposed on all imported items except fertilizer, books, dried fish and a few other imports permitted free of duty.

On the export front, export duties on all minor agricultural products and marine products were abolished. In the case of traditional exports, the export duty on bulk tea and packeted tea was reduced by Rs. 1.50, from Rs. 5.00 per kg. to Rs. 3.50 per kg. and from Rs. 3.50 per kg. to Rs. 2.00 per kg., respectively.

In addition to removing existing duties on minor agricultural products and marine products, the export licensing requirements on a number of non-traditional products such as marine products, vegetables, meat, cinnamon, cashewnuts were abolished.

In the international markets, protectionist policies continued to be in force in the USA, Canada and European markets on textiles, garments and leather products. In the case of Sri Lanka's exports, these protectionist policies were applicable to gar-

ment exports which continued to be subject to quota restrictions operated by the USA, EEC, Canada, Norway, Sweden and Finland.

The International Natural Rubber Agreement (INRA) expired in October, 1987. At the discussions held in Geneva, it was agreed by producer and consumer nations to sign a new agreement.

Internal Trade

With the liberalization of trade in 1977, the internal trade policy was aimed at giving a greater role to market forces in trading activities. In keeping with this objective, state intervention was maintained at a minimum level in order to foster competition and to prevent the creation of trade monopolies. Wider private sector participation was encouraged in wholesale, retail and other activities by reducing the scale of operations of state trading enterprises.

The Fair Trading Commission was established on 1st August, 1987, and replaced the National Prices Commission. The new commission has powers to deal with monopolies, mergers and anti-competitive practices, in addition to being responsible for the formulation and implementation of national pricing policies. During the year under review, a total of 52 price reviews were carried out by the Commission as against 56 in the previous year. In addition, the Commission also examined complaints referred to it on the distribution of milk powder and supply of aluminium foils.

As in the previous years, attention was paid to increasing consumer awareness by organising 'Mahapola Trade Fairs' and consumer societies. In 1987, 4,484 new consumer societies were formed, while 14 Mahapola Trade Fairs were held in various parts of the country.

The State Sector Trading Organisations (STOs) continued to diversify their trading activities in order to be more competitive with the private sector and to be commercially viable in the new trading environment. The Co-operative Wholesale Establishment (CWE) played a vital role in the supply of food and other essential commodities to the general public by maintaining buffer stocks of essential commodities in the context of the security situation in some parts of the country.

The role of the co-operative societies in internal trade was mainly confined to the distribution of basic food items such as rice, flour, sugar and other consumer goods under the Food Stamp Scheme. However, the vital importance of co-operative societies has been evident during periods of crisis or internal disturbances, when distribution of essential commodities was disrupted.

TOURISM

The continued civil disturbances in the Northern and Eastern regions prevented the revival of the tourist industry as anticipated. Consequently, the number of tourist arrivals in 1987 dropped to its lowest level since 1978.

Total tourist arrivals during 1987 at 182,620 recorded a decline of 21 per cent over the arrival in the previous year which was 230,106. This was 55 per cent lower when compared with the highest level of tourist arrivals of 407,230 recorded in 1982. Accordingly, the tourist industry can be identified as one of the most severely affected industries by the escalation of civil disturbances since 1983.

TABLE 1.33
Tourism Statistics 1986 - 1987

Item	1986	%Change over 1985	1987	%Change over 1986
1. Tourist Arrivals ...	230,106	- 10.6	182,620	- 20.6
2. Excursionist Arrivals ...	6,266	- 36.6	2,417	- 61.4
3. Tourist Nights ('000) ...	2,437	+ 3.0	2,414	- 0.9
4. Gross Tourist Receipts				
4.1 Rs. Million ...	2,159.9	+ 7.6	1,900.0(a)	- 12.0
4.2 US Dollar Million ...	77.1	+ 4.2	64.5	- 16.3
4.3 SDR Million ...	65.6	- 9.6	49.9	- 24.0
5. Number of Arrivals by Purpose of Visit				
5.1 Pleasure ...	216,148	- 7.6	162,782	- 24.7
5.2 Business ...	10,084	- 44.6	14,276	+ 41.6
6. Number of Arrivals by Region				
6.1 Western Europe ...	143,022	- 6.5	121,112	- 15.3
6.2 Asia ...	66,150	- 16.3	43,462	- 34.3
6.3 North America ...	9,232	- 10.9	7,166	- 22.4
7. Total Employment ...	53,479	- 2.0	53,300	- 0.3
7.1 Direct ...	22,280	- 2.0	22,200	- 0.4
7.2 Indirect ...	31,199	- 1.9	31,100	- 0.3

(a) Provisional.

Source: Ceylon Tourist Board.

The decline in tourist arrivals was distributed among all main regions of tourist arrival, except for the Eastern European region, from where an increase of 14 per cent in arrivals was recorded. Although Western Europe continued to be the principal market accounting for 66 per cent of total tourist arrivals, it recorded a decline of 15 per cent in arrivals, from 143,022 in 1986 to 121,112 in 1987. The arrivals from India dropped by 54 per cent owing to the closure of the Talaimannar ferry boat service for security reasons and the continued application of stringent regulations with regard to duty free import allowances granted to Indian Nationals returning from Sri Lanka. As a result, tourist arrivals from Asia, which is the second largest market, dropped by 34 per cent in 1987. Arrivals from other major regions such as North America and Australasia decreased by 22 per cent and 23 per cent, respectively.

The gross foreign exchange earnings from tourism in 1987 as estimated by the Ceylon Tourist Board at Rs. 1,900 million (SDR 50 million) fell by 24 per cent in SDR terms. When compared with the highest level of exchange earnings of SDR 133 million in 1982, the earnings declined by as much as 62 per cent in 1987.

As the tourist arrivals continued to decline further in 1987, the employment opportunities in the tourist industry too continued to fall during 1987. However, due to the opening of two new hotels, one in Colombo and one in Kandy, the total number employed in the sector was estimated to have declined only marginally from 53,479

in 1986 to 53,300 in 1987. Of the total employed in the sector in 1987, approximately 22,200 were employed in the industry directly, while about 31,100 were employed in ancillary sectors.

In 1987, 128 graded hotels were in operation with a room capacity of 9,921. This was a 2 per cent decrease when compared with 131 graded hotels in operation in 1986. The number of units in the supplementary accommodation sector decreased from 106 in 1986 to 104 in 1987, reducing the total room strength from 1,187 to 1,172. The utilisation of capacity in tourist hotels continued to be well below desirable levels. The average room occupancy in graded hotels decreased from 32.9 per cent in 1986 to 31.5 per cent in 1987.

As in the previous year, hotels in the Northern and Eastern Coast remained unutilised. Ancient Cities region experienced very low occupancy levels while Colombo City, the Greater Colombo and South Coast regions maintained moderate occupancy levels.

The relief measures granted by the government to the hotel industry since late 1983 continued to be in operation throughout 1987. Some of these measures included the extension of the moratorium on debt repayment until March, 1989 with 100 per cent re-scheduling of loans and the interest free loan facilities to meet the working capital need of the affected hotels.