

TRADE AND TOURISM

The performance of the external trade sector in 1991 was somewhat unfavourable with the trade account deteriorating considerably, due to both a sluggish growth in exports and a large increase in imports. This was a reversal of the trend observed during the last three years when the trade deficit showed continuous improvement. The value of merchandise exports grew marginally by 2 per cent in SDR terms in 1991 as compared with an impressive growth of 20 per cent in 1990. Meanwhile, the outlay on imports rose by 13 per cent, compared with the 14 per cent growth observed in 1990. Accordingly, the trade deficit deteriorated by 48 per cent to SDR 747 million from SDR 519 million in 1990. At the same time, the ratio of export earnings to import payments declined to 66 per cent in 1991 from 74 per cent in 1990.

The disappointing performance of exports was largely attributable to depressed tea prices, less spectacular growth of industrial products, excluding garments, and a significant drop in the exports of gems and diamonds. The overseas demand for export products generally remained depressed due to the recessionary conditions in the industrial countries. In addition, tea and rubber markets were particularly affected due to the inability of Iraq to enter the market and reduced purchases by the Eastern European countries and Russia. The aggregate export earnings from plantation crops dropped by 13 per cent in 1991. Export earnings from petroleum products, gems, diamonds and other mineral products also dropped by 21 per cent, 22 per cent, 23 per cent and 60 per cent, respectively in 1991. However, increased earnings were recorded in textiles and garments, other industrial exports and minor agricultural crops which contributed to generate a marginal growth in overall export earnings during the year. The growth of import demand remained high largely due to the high level of liquidity in the economy and increased investment activities.

According to provisional Customs data, the import outlay at SDR 2,258 million (Rs. 127,831 million) and export earnings at SDR 1,453 million (Rs. 82,225 million), resulted in a trade deficit of SDR 806 million (Rs. 45,606 million) in 1991. However, when Customs data are adjusted for lags and other factors pertaining to recording, total imports amounted to SDR 2,237 million (Rs. 126,643 million) and exports to SDR 1,491 million (Rs. 84,378 million). Accordingly, the adjusted data reflected a trade deficit of SDR 747 million (Rs. 42,264 million), compared with the deficit of SDR 519 million (Rs. 28,248 million) in 1990.

TABLE 1.37
Performance of External Trade 1989 - 1991

Year	Growth rates		Trade Indices (1985 = 100)			Ratio
	Exports	Imports	Export Prices	Import Prices	Terms of trade	Exports/Imports
1989	10.7	4.6	150.7	164.8	91.4	0.70
1990	20.1	14.0	183.0	209.4	87.4	0.74
1991 (a)	2.0	13.0	186.4	217.5	85.7	0.67

(a) Provisional

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

The average prices of exports, with the exception of three major coconut products, textile and garments, precious and semi-precious stones were not favourable in 1991, as compared to those in the previous year. The overall export price index rose by 1.9 per cent in rupee terms reflecting the combined effect of a 3.8 per cent drop in the prices of agricultural products, a 10.0 per cent increase in the prices of industrial products and a 5.3 per cent rise in the prices of mineral exports. On the other hand, the increases recorded in transport equipment, fertilizer and textile and clothing were largely offset by the decreases in the average prices of petroleum, chemicals and wheat. The overall import price index rose by 3.9 per cent in rupee terms showing the total effect of a 2.2 per cent drop in the prices of intermediate goods and the increases in consumption goods and investment goods by 3.8 per cent and 10.2 per cent respectively. These price developments resulted in a marginal deterioration of the terms of trade by 1.9 per cent in 1991.

TABLE 1.38
Exports, Imports and Balance of Trade 1980 - 1991

Rs. Million (SDR Million in brackets)

Year	Customs Data			Adjusted Data		
	Exports (a) f.o.b.	Imports (b) c.i.f.	Balance of Trade	Exports	Imports	Balance of Trade
1980	17,388 (808)	33,637 (1,563)	-16,249 (-755)	17,595 (818)	33,942 (1,577)	-16,347 (-760)
1981	20,199 (891)	35,530 (1,567)	-15,331 (-676)	21,043 (928)	36,583 (1,614)	-15,540 (-686)
1982	21,124 (919)	36,876 (1,605)	-15,751 (-686)	21,454 (934)	41,946 (1,826)	-20,492 (-892)
1983	25,183 (1,001)	42,021 (1,670)	-16,838 (-669)	25,096 (998)	45,558 (1,811)	-20,461 (-813)
1984	37,006 (1,419)	46,913 (1,799)	-9,908 (-380)	37,347 (1,432)	47,541 (1,823)	-10,194 (-391)
1985	35,035 (1,268)	49,069 (1,776)	-14,034 (-508)	36,207 (1,311)	54,049 (1,956)	-17,843 (-646)
1986	34,092 (1,036)	51,282 (1,559)	-17,189 (-523)	34,072 (1,036)	54,559 (1,658)	-20,487 (-623)
1987	39,861 (1,046)	59,750 (1,568)	-19,889 (-522)	41,133 (1,080)	60,528 (1,589)	-19,396 (-509)
1988	47,092 (1,101)	70,320 (1,645)	-23,228 (-543)	46,928 (1,098)	71,030 (1,661)	-24,102 (-564)
1989	55,511 (1,202)	75,353 (1,631)	-19,842 (-430)	56,175 (1,216)	80,225 (1,737)	-24,050 (-521)
1990	76,624 (1,408)	105,559 (1,940)	-28,936 (-532)	79,481 (1,461)	107,729 (1,980)	-28,248 (-519)
1991	82,225 (1,453)	127,831 (2,258)	-45,606 (-806)	84,378 (1,491)	126,643 (2,237)	-42,264 (-747)

(a) Includes value of re-exports

(b) Excludes bullion and specie

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

Conversion rates: 1990 - 1SDR = Rs. 54.4216
1991 - 1SDR = Rs. 56.6101

EXPORTS

Adjusted Customs data indicated a 2 per cent growth in total export earnings to SDR 1,491 million (Rs. 84,378 million) in 1991 from SDR 1,461 million (Rs. 79,481 million) in 1990. The decreases in earnings from agricultural and mineral exports largely undermined the growth in the export sector offsetting the positive impact of increased earnings from industrial exports. The earnings from industrial exports rose by 17 per cent compared with an impressive growth of 24 per cent in 1990. The expansion in industrial exports was largely attributable to a 27 per cent growth in textile and garments exports. Meanwhile, earnings from mineral exports dropped markedly by 30 per cent as against a 10 per cent increase in 1990. Following the same trend, earnings from agricultural exports decreased by 12 per cent as against an 11 per cent growth in 1990.

Industrial exports continued to be the major category of exports, increasing its share further from 52 per cent in 1990 to 60 per cent in 1991. Conversely, the share of agricultural exports which accounted for three-fourths of total export earnings in 1977, dropped further to 31 per cent in 1991 from 36 per cent in 1990. Meanwhile, the share of mineral exports also fell from 4 per cent to 3 per cent between the two years. As a single item, textiles and garments, which became the largest export item in 1986, continued to maintain the lead position increasing its share further from 32 per cent in 1990 to 39 per cent in 1991.

Tea

Among agricultural exports, tea continued to be the major product accounting for 21 per cent of the total export earnings in 1991. The value of tea exports declined by 13 per cent, from SDR 364 million (Rs. 19,823 million) in 1990 to SDR 316 million (Rs. 17,867 million) in 1991, due to decreases in both the export volume and prices. Despite increased production, the volume of tea exports dropped by 2 per cent, from 216 million kgs. in 1990 to 212 million kgs. in 1991. Meanwhile, the average export price of tea dropped by 12 per cent, from SDR 1.69 per kg. (Rs. 91.78 per kg.) in 1990 to SDR 1.49 per kg. (Rs. 84.12 per kg.) between the two years. The decline in tea prices was mainly due to an increase in global supply, the decrease in demand due to the recessionary conditions in some industrialized countries and reduced purchases by Egypt, Iraq (consequent to U.N. Sanctions following the Gulf War), the Eastern European countries and Russia.

Rubber

The value of rubber exports fell further by 18 per cent, from SDR 57 million (Rs. 3,080 million) in 1990 to SDR 47 million (Rs. 2,641 million) in 1991 due to decreases in both the export volume and prices. The volume of rubber exports declined by 13 per cent, from 87 million kgs. in 1990 to 76 million kgs. in 1991, while the average export price decreased by 6 per cent, from SDR 0.65 per kg. (Rs. 35.50 per kg.) in 1990 to SDR 0.61 per kg. (Rs. 34.57 per kg.) in 1991. The market for natural rubber was affected by slack global demand as the growth in the car industry was hampered by the recession in industrial countries. The situation was further aggravated by the political changes and accompanying economic problems faced by some of Sri Lanka's traditional buyers in Eastern Europe. Of the total earnings from rubber, sheet rubber accounted for 49 per cent while Latex Crepe represented 34 per cent. Scrap Crepe and Sole Crepe accounted for 12 per cent and 4 per cent, respectively.

Coconut

Total earnings from coconut products dropped by 10 per cent, from SDR 51 million (Rs. 2,773 million) in 1990 to SDR 46 million (Rs. 2,619 million) in 1991, owing to a substantial decline of 28 per cent in the nut equivalent of export volume, from 508 million nuts to 367 million nuts. Meanwhile, the average export price per nut equivalent increased by 29 per cent to SDR 0.09 per nut in 1991. There was a short-supply of coconut products in the world market due to a sharp decline in production in the Philippines which is the major coconut exporter. However, the price increase was not sufficient to offset the adverse impact of the short-fall in the export volume, resulting in a reduction in earnings. The value of export earnings from coconut by-products also recorded a decline. The decrease was reflected in the exports of coir fibre bristles and coir fibre mattress.

Minor Agricultural Products

The performance of the minor agricultural products sector showed a marginal improvement in 1991. The value of these exports rose by 2 per cent, from SDR 59 million (Rs. 3,199 million) in 1990 to SDR 60 million (Rs. 3,409 million) in 1991. However, the share of minor agricultural products in total exports remained more or less at the same level of 4 per cent as in the previous year. Of all minor agricultural products, cinnamon alone accounted for 42 per cent of total earnings in this category in 1991. Significant increases were recorded in the earnings from unmanufactured tobacco, pepper, coffee, cashewnut, arecanut and fruits. The increase in export earnings from cashewnut, unmanufactured tobacco and arecanut was largely attributable to improved international prices, while higher earnings from coffee, cinnamon, pepper and fruits were attributable to larger export volumes.

Industrial Exports

The value of industrial exports amounted to SDR 896 million (Rs. 50,736 million) in 1991, as compared with SDR 763 million (Rs. 41,510 million) in 1990, showing an increase of 17 per cent. The increase recorded in textile and garment exports was the major contributory factor for the growth in industrial exports. Textile and garment exports rose by 27 per cent, from SDR 462 million to SDR 588 million, between the two years, while the combined value of other industrial products such as leather and rubber products, chemical products, and food beverages and tobacco increased by 10 per cent. Meanwhile, the value of petroleum exports declined by 21 per cent, from SDR 73 million to SDR 58 million in 1991 and that of diamond exports declined by 23 per cent, from SDR 65 million in 1990 to SDR 50 million in 1991.

Mineral Exports

Earnings from mineral exports, which showed an improvement last year, suffered a setback, recording a 30 per cent decline, from SDR 64 million (Rs. 3,484 million) in 1990 to SDR 45 million (Rs. 2,563 million) in 1991. This was largely reflected in gem exports which decreased by 22 per cent, from SDR 54 million (Rs. 2,933 million) to SDR 42 million (Rs. 2,358 million). The value of other mineral exports which includes metallic ores, iron pyrites and natural graphite also fell from SDR 10 million to SDR 4 million between the two years.

TABLE 1.39

Composition of Exports 1989 - 1991

Category	Value in Rs. Million			SDR Million			Percentage of Total Exports		
	1989	1990	1991(d)	1989	1990	1991	1989	1990	1991
1. Agricultural Exports	22,049	28,886	26,537	477	531	469	39.2	36.3	31.5
1.1 Tea	13,664	19,823	17,867	296	364	316	24.3	24.9	21.2
1.2 Rubber	3,112	3,080	2,641	67	57	47	5.5	3.9	3.1
1.3 Coconut	2,865	2,783	2,619	62	51	46	5.1	3.5	3.1
1.3.1 Kernel Products	1,920	1,842	1,769	42	34	31	3.4	2.3	2.1
1.3.2 Other	945	941	850	20	17	15	1.7	1.2	1.0
1.4 Minor Agricultural Products (a)	2,408	3,199	3,409	52	59	60	4.3	4.0	4.1
2. Industrial Exports (a) (b)	28,470	41,510	50,736	616	763	896	50.7	52.2	60.1
2.1 Textiles and Garments	17,631	25,163	33,261	382	462	588	31.4	31.6	39.4
2.2 Petroleum Products	2,242	3,974	3,289	49	73	58	4.0	5.0	3.9
2.3 Other	8,597	12,374	14,185	186	227	250	15.3	15.5	16.8
3. Mineral Exports	2,693	3,484	2,562	58	64	45	4.8	4.4	3.0
3.1 Gems	2,204	2,933	2,358	48	54	42	3.9	3.7	2.8
3.2 Other	489	551	204	11	10	4	0.9	0.7	0.2
4. Unclassified (c)	2963(e)	5,601	4,543	64	103	80	5.3	7.1	5.4
Total Exports (b)	56,175	79,481	84,378	1,216	1,461	1,491	100.0	100.0	100.0

(a) Selected Items

(b) Adjusted

(c) Includes re-exports

(d) Provisional

(e) Includes export of a ship

Conversion Rates: 1989 - 1 SDR = Rs. 46.1874

1990 - 1 SDR = Rs. 54.4216

1991 - 1 SDR = Rs. 56.6101

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

IMPORTS *

According to adjusted Customs data, the total expenditure on imports amounted to SDR 2,237 million (Rs. 126,643 million) in 1991 compared with SDR 1,980 million (Rs. 107,729 million) in 1990 recording an increase of 13 per cent. The higher values were recorded mainly in imports of consumer goods such as food other and other consumer goods, intermediate goods such as textiles and clothing and paper and paper boards categories, and investment goods such as transport equipment and machinery.

The composition of imports also changed somewhat in 1991. The share of investment goods rose from 22 per cent to 24 per cent, while that of intermediate goods declined from 52 per cent to 51 per cent between the two years. The share of consumer goods remained at 26 per cent in 1991, the same as in the previous year.

Consumer Goods

The import outlay on consumer goods rose by 10 per cent, from SDR 522 million (Rs. 28,420 million) in 1990 to SDR 572 million (Rs. 32,357 million) in 1991. The increase was reflected largely in the expenditure on other consumer goods which recorded a growth of 17 per cent. Import outlay on food and drinks increased marginally by 3 per cent.

A significant feature in the imports of the food and drink category in 1991 was the decline in expenditure on all three major food items. viz. rice, flour and sugar. The value of rice imports showed a 13 per cent decrease from SDR 32 million (Rs. 1,758 million) in 1990 to SDR 28 million (Rs. 1,589 million) in 1991, mainly due to a drop in the volume by 39,000 metric tons between the two years. Wheat flour imports which recorded a more than seven-fold increase in 1990 dropped to a negligible level in 1991 mainly due to a decline in import volume, from 129 thousand metric tons in 1990 to 43 thousand metric tons in 1991. The drop in wheat flour imports was, however, partly offset by increased wheat grain imports for domestic milling. Although the volume of sugar imports increased by 53,108 metric tons, the expenditure on sugar imports dropped by 5 per cent, from SDR 95 million (Rs. 5,173 million) to SDR 91 million (Rs. 5,139 million) between the two years mainly due to lower international prices.

The increased import outlay on the food and drink category was mainly a reflection of the increases recorded in milk and milk products and other food items. Expenditure on milk and milk products increased by 14 per cent, from SDR 44 million (Rs. 2,367 million) in 1990 to SDR 49 million (Rs. 2,796 million) in 1991, while that on other food items rose by 54 per cent, from SDR 59 million (Rs. 3,200 million) to SDR 91 million (Rs. 5,135 million) between the two years.

In the other consumer goods category, higher growth rates were recorded in radio receivers and television sets, and other consumer goods which increased by 33 per cent and 37 per cent, respectively in 1991. Major decreases in import expenditure were reflected in motor cars and cycles, and rubber tyres and tubes, which dropped by 25 per cent and 10 per cent, respectively.

* Figures for 1990 are different from the published figures in the 1990 annual report due to the re-classification of imports.

TABLE 1.40
END-USE CLASSIFICATION OF IMPORTS 1989 - 1991

Category	Value in Rs. Million			Value in SDR Million			Percentage of Total Imports		
	1989 (a)	1990 (d)	1991 (b)	1989	1990	1991	1989	1990	1991
1. Consumer Goods	20,962	28,420	32,357	453.8	522.2	571.6	26.1	26.4	25.6
1.1 Food and Drink	13,136	15,624	16,749	284.4	287.1	295.9	16.4	14.5	13.2
1.1.1 Rice	3,397	1,758	1,589	73.5	32.3	28.1	4.2	1.6	1.3
1.1.2 Flour	175	1,387	1	3.8	25.5	0.0	0.2	1.3	0.0
1.1.3 Sugar	4,326	5,173	5,139	93.7	95.1	90.8	5.4	4.8	4.1
1.1.4 Other	5,238	7,306	10,020	113.4	134.2	177.0	6.6	6.8	7.8
1.2 Other	7,826	12,796	15,608	169.4	235.1	275.7	9.8	11.9	12.4
2. Intermediate Goods	45,255	55,757	64,265	979.8	1,024.6	1,135.2	56.4	51.8	50.7
2.1 Petroleum	8,376	14,372	12,887	181.3	264.1	227.6	10.4	13.3	10.2
2.2 Fertilizer	1,755	2,958	2,430	38.0	54.3	42.9	2.2	2.7	1.9
2.3 Chemicals	2,117	4,754	3,643	45.8	87.3	64.3	2.6	4.4	2.9
2.4 Wheat	4,964	3,791	3,303	107.5	69.7	58.3	6.2	3.5	2.6
2.5 Textile & Clothing (d)	9,981	13,454	20,611	216.0	247.2	364.1	12.4	12.5	16.3
2.6 Other	18,062	16,428	21,391	391.0	301.9	377.9	22.6	15.4	16.8
3. Investment Goods	12,018	23,412	29,792	260.2	430.2	526.3	15.0	21.7	23.5
3.1 Machinery & Equipment	6,278	9,885	11,881	135.9	181.6	209.9	7.8	9.2	9.4
3.2 Transport Equipment	1,833	4,537	7,607	39.7	83.4	134.4	2.3	4.2	6.0
3.3 Building Materials	991	6,365	6,840	21.5	116.9	120.8	1.2	5.9	5.4
3.4 Other	2,916	2,625	3,464	63.1	48.2	61.2	3.6	2.4	2.7
4. Unclassified	1,990	139	229	43.1	2.5	4.0	2.5	0.1	0.2
Total Imports (c)	80,225	107,729	126,643	1,736.9	1,979.5	2,237.1	100.0	100.0	100.0

(a) Revised.

(b) Provisional.

(c) Adjusted.

(d) Figures for 1990 are different from the published figures in the 1990 Annual Report due to the reclassification of imports.

Sources: Customs, Sri Lanka;
Food Commissioner's Department;
Co-operative Wholesale Establishment;
Ceylon Fertilizer Corporation &
other major importers of fertilizer;
Ceylon Petroleum Corporation;
Central Bank of Sri Lanka.

Intermediate Goods

Expenditure on the import of intermediate goods amounted to SDR 1,135 million (Rs. 64,265 million) in 1991 showing an 11 per cent rise over the previous year. Major increases were recorded in textile and clothing which rose by 47 per cent, from SDR 247 million (Rs. 13,454 million) in 1990 to SDR 364 million (Rs. 20,611 million) in 1991, and in other intermediate goods which rose by 29 per cent, from SDR 302 million (Rs. 16,428 million) to SDR 378 million (Rs. 21,391 million). The import outlay on petroleum, fertilizer and chemical products declined by 14 per cent, 21 per cent and 26 per cent, respectively in 1991 in contrast to increases of 46 per cent, 43 per cent and 31 per cent, respectively in 1990. The drop in expenditure on crude oil was the combined outcome of a decline in import volume by 153,344 metric tons and a drop in crude oil prices following the settlement of the Gulf crisis. The decline in import outlay on fertilizer was largely explained by a decrease in the import volume by 146,082 metric tons during the year.

Investment Goods

The outlay on investment goods imports increased by 22 per cent, from SDR 430 million (Rs. 23,412 million) in 1990 to SDR 526 million (Rs. 29,792 million) in 1991. This was mainly reflected in a 61 per cent increase in expenditure on transport equipment, from SDR 83 million (Rs. 4,537 million) to SDR 134 million (Rs. 7,607 million), and a 16 per cent increase in the importation of machinery, from SDR 182 million (Rs. 9,885 million) to SDR 210 million (Rs. 11,881 million) between the two years.

TABLE 1.41

Volume of Major Imports in 1991

Metric tons					
Month	Rice	Wheat	Sugar	Petroleum (Crude Oil)	Fertilizer
January	19	—	18,370	126,147	46,251
February	10,940	52,080	34,089	87,502	7,630
March	7,142	52,132	26,935	120,953	21,865
April	152	3,178	41,491	62,112	35,960
May	46	104,527	29,959	170,282	12,100
June	11,873	57,185	26,500	128,109	13,515
July	102	—	38,486	61,802	13,100
August	26,350	104,998	24,828	122,779	82,790
September	5,268	107,100	32,229	183,973	55,629
October	22,273	88,394	27,825	183,990	30,027
November	11,260	47,488	26,737	127,318	19,700
December	37,537	52,500	30,983	250,555	20,020
Total (a)	132,962	669,582	358,432	1,625,522	358,587

(a) Adjusted

Sources: Customs, Sri Lanka;
Co-operative Wholesale Establishment;
Ceylon Petroleum Corporation;
Ceylon Fertilizer Corporation
and other major importers of Fertilizer.

INTERNAL TRADE

In line with the liberalized trade policies pursued since 1977, the internal trade policy was focussed on encouraging private sector participation in wholesale and retail trade in goods and services.

The Fair Trading Commission (FTC) which was established in August, 1987 continued to work in the formulation and implementation of a national pricing policy and in controlling of anti-competitive trade practices. The functions of the FTC changed substantially with the amendment to the FTC Act No. 01 of 1987 by the provisions of the Industrial Promotion Act No. 46 of 1990, effective 1st January, 1991. Accordingly, the price supervision functions previously carried out by the Commission ceased. In the year 1991, a range of over 1,500 varieties of pharmaceutical drugs have been included as price regulated items, in addition to wheat flour and bread. The Commission investigated the cases of unreasonable price increases. Moreover, with its initial objective of preventing anti-competitive practices, the Commission also examined three mergers/acquisitions and carried out one investigation on conditional sales.

The activities of the Co-operative Wholesale Establishment (CWE) were confined mainly to the importation of essential food items. Instead of maintaining large buffer stocks, the CWE held stocks on a replenishment basis to meet the market demand. In addition, the CWE purchased local agricultural products at its temporary purchase points in major producing areas.

The Commodity Purchases Department (CPD) which deals with the purchase of RSS rubber continued to play an important role as a price determining agency in the field. Based on the prices in the leading foreign markets, the prices were fixed daily as a guideline to private traders for their purchases of RSS rubber. The CPD maintained fourteen purchasing centres in major rubber growing areas and a central store in Colombo for categorization and preparation of rubber for the international market.

With a view to enhancing consumer awareness of production, distribution and marketing, Consumer Protection Societies were established by the Department of Internal Trade on a voluntary and village level basis. Accordingly, a total of 2,555 societies were operating as at end 1991. Moreover, as an innovative project, 479 School Consumer Protection Societies were established during the year as a programme on consumer education.

FOREIGN TRADE POLICY

Tariffs

In view of the depressed international commodity prices, the export duties applicable to plantation sector products were revised downwards as a relief measure during the year. Accordingly, the ad valorem tax on tea was reduced from 50 per cent to 40 per cent during the year. Duty rates applicable after the revision in March 1991 to bulk tea, packeted tea, tea bags and instant tea were Rs. 1/-, .50 cts., .25 cts., and Rs. 6/-, respectively. At the same time, the export cess on tea was also reduced from Rs. 3.50 to Rs. 2/-

in July, 1991. Tax rates on rubber were reduced from 50 per cent to 30 per cent in October, 1991 and the tax free threshold for the levy of duty on coconut oil was increased to Rs. 25,000/- from Rs. 20,000/-, while the tax rates were also reduced from 50 per cent to 40 per cent. The minimum specific duties on copra and desiccated coconut were also reduced by Rs. 1,000/- per metric ton.

Import and Export Control

At present, most commodities, except some specified items, can be imported without obtaining specific licenses from the Controller of Imports and Exports. The import control regulations were amended slightly during the year. The importation of Caustic Soda was liberalized. The exemptions of LC requirements for the import of goods for personal use and the importation of raw materials for 100 per cent export oriented industries registered under the manufacture-in-bond scheme continued to operate in 1991.

The export of natural graphite was exempted from licence requirements in 1991. Accordingly, only 11 items now require export licenses from the Controller of Imports and Exports.

Freight Rates

Freight rates for some commodities, especially for tea and garments, continued to decline during the first few months of the year with increased competition among the shippers after the liberalization of shipping services in 1990. However, this trend in freight rates reversed towards the latter part of the year. Consequently, freight rates on garments to the USA increased in a range of 3 per cent to 5 per cent, while that on tea increased by 4 per cent. Moreover, freight rates on tea and garments to the UK and the continent rose by 4 per cent and 2 per cent, respectively. Freight rates on desiccated coconut to the UK and to the continent rose by 16 per cent and 11 per cent, respectively, during 1991.

Incentives to Exports

As elements of the strategy towards stimulating export led growth, several financial, fiscal and other institutional support services to exporters continued to operate during 1991, with particular emphasis on encouraging non-traditional exports.

With the objective of preventing the diversion of resources from the export sector, the effective protection available to the import competing sector vis-a-vis the export sector was further lowered by introducing a four band tariff system in November, 1991. Moreover, GCEC status was also granted to certain local industries with a minimum investment of Rs. 10 million on the condition that over 90 per cent of such an industry's output would be exported. In the case of agricultural crops, the minimum exporting limit is 75 per cent. The incentives offered under this scheme included a five year tax holiday, duty free access to imported goods, machinery and equipment, foreign currency loans, permission to maintain foreign currency accounts and provision of infrastructure facilities. Moreover, the Export Development Board (EDB) continued to assist exporters by implementing fiscal incentive schemes such as the duty rebate scheme, the manufacture-in-bond scheme and the Duty Free Clearance of Machinery Scheme. During the year under review, the Duty Rebate Committee (DRC) fixed 373 company-wise rates

for garments and industrial products. The EDB also issued 100 certificates under the manufacture-in- bond scheme and 1,186 certificates under the Duty Free Clearance of Machinery Scheme (a tariff exemption scheme).

With effect from October, 1991 tea exporters were allowed off-shore banking facilities. This facility was also extended to other exporters for the purpose of financing their import requirements. Accordingly, tea exporters were permitted to obtain credit facilities from FCBUs up to a period of 3 months for the purpose of financing their pre-shipment requirements upto 75 per cent of the invoice value. In addition, all exporters were made eligible for FCBU loans for the purpose of financing the import of foreign inputs required to execute their export orders.

The Export Development and Investment Support Scheme (EDISS) was in operation in 1991 as a performance oriented financing scheme. Under this scheme, payments were made on a percentage basis on the value of exports. 75 per cent of this payment was in the form of certificates which were encashable against export oriented projects acceptable to the EDB. Under this scheme, cash payments to the value of Rs. 244 million were made in 1991.

With a view to providing financial assistance to Small Scale Export Oriented manufacturers, a loan scheme was established by the EDB at a concessional rate of 7 per cent. Under this scheme, a maximum of Rs. 100,000 is provided for each enterprise and 14 projects have benefited from the Scheme in 1991.

Trading Arrangements

The number of participating countries in the Global System of Trade Preferences (GSTP), which came into force in 1989, increased to 36 in 1991. Under this agreement, which was concluded among developing countries to promote trade among themselves, Sri Lanka is obliged to afford preferential tariff treatment with respect to 24 items imported from member countries and in return is to be favoured with similar treatment for 23 items of export from Sri Lanka. Sri Lanka also continued to enjoy preferential tariff treatment under the Generalized System of Preferences (GSP) and the Bangkok Agreement.

The Sri Lanka-Swedish Bilateral Agreement regulating the export of certain types of textile products, which was concluded on 22nd June 1988, became inoperative on 1st August, 1991 following the Swedish government's decision to liberalise the import of textiles. There was no progress made in respect of the International Rubber Agreement and the proposed International Tea Agreement during the year.

Trade Relations

During the year, the 5th Session of the Sri Lanka/Pakistan Joint Committee for Economic Co-operation, the 3rd Session of the Sri Lanka/Maldives Joint Committee for Economic and Technical Co-operation and the 2nd Session of the Sri Lanka/Bangladesh Joint Committee for Trade and Economic Co-operation were held. At these sessions, bilateral trade between Sri Lanka and the respective countries were reviewed and the ways and means through which economic co-operation between these countries and Sri Lanka could be enhanced, were discussed. At the meeting between Sri Lanka and Paki-

stan, a loan agreement providing a line of credit for a sum of US \$ 5 million for the purchase of Pakistani goods was signed. An agreement was concluded in July, 1991 establishing a Sri Lanka/India Joint Commission and under the umbrella of the Commission, the first session of the Sri Lanka/India Sub-Commission on Trade, Finance and Investment met during October, 1991. During the year, Sri Lanka also signed an agreement with Egypt to purchase rock phosphate in order to resolve the bilateral Balance of Trade problem with that country.

TOURISM

The tourist industry which showed remarkable recovery in 1990, continued to expand during the year under review. The total tourist arrivals in 1991 at 317,703 recorded an increase of 7 per cent over 1990. The number of nights spent by the tourists during the year under review amounted to 3,336,000 reflecting a growth of 9 per cent.

Tourist arrivals from all major regions, except Asia, recorded increases in 1991. As in the past, Western Europe continued to maintain its position as the leading market accounting for 60 per cent of the total arrivals compared with 57 per cent in the previous year. The tourist arrivals from Western Europe in 1991 at 192,054 recording an increase of 13 per cent over 1990. Increases in tourist arrivals were observed from all major Western European countries, except Austria, Spain and Italy which recorded decreases in arrivals. However, arrivals from the Asian market, the second largest, which was responsible for 34 per cent of total arrivals in 1990 recorded a drop in its share to 30 per cent in 1991. In contrast to the impressive growth of 53 per cent in 1990, the arrivals from Asia declined by 3 per cent in 1991 mainly due to decreases in arrivals from Hong Kong (70 per cent), Singapore (20 per cent), Thailand (13 per cent) and from Indonesia (11 per cent). Meanwhile, arrivals from Australasia and North America grew by 9 per cent and 19 per cent, respectively. Arrivals from Eastern Europe recorded a significant decrease of 37 per cent during the year, reflecting the impact of political transformation and accompanying economic problems in Eastern European countries. The gross foreign exchange earnings from tourism have been estimated at Rs. 6,463 million (SDR 114 million) in 1991 recording an increase of 26 per cent (23 per cent in SDR terms) over the earnings in the preceding year.

The total employment provided by the tourist industry in 1991 has been estimated at 64,800 which was higher by 8 per cent over the previous year. This comprised of 27,000 direct employment and 37,800 indirect employment in ancillary sectors.

The number of hotel units in the graded accommodation sector expanded from 120 in 1990 to 122 in 1991. As a result, the total room capacity increased marginally by 1 per cent from 9,556 rooms to 9,679 rooms during the year. The annual room occupancy rate in the graded accommodation sector increased marginally from 47 in 1990 to 48 in 1991, while the number of units in the supplementary accommodation sector also increased from 96 to 109 between the two years.

TABLE 1.42
Tourists Statistics 1990 – 1991

Item	1990	% change over 1989	1991	% change over 1990
1. Tourist Arrivals	297,888	+ 61.3	317,703	+ 6.7
2. Excursionist Arrivals	3,954	- 2.7	2,665	- 32.6
3. Tourist Nights ('000)	3,068	+ 55.7	3,336	+ 8.7
4. Gross Tourist Receipts				
4.1 Rs. Million	5,143	+ 87.7	6,463(a)	+ 25.7
4.2 US Dollars Million	129	+ 69.7	156	+ 20.9
4.3 SDR Million	93	+ 56.8	114	+ 22.6
5. Number of Arrivals by Purpose of Visit				
5.1 Pleasure	277,722	+ 63.2	310,714	+ 11.9
5.2 Business	15,250	+ 29.5	5,719	- 62.5
6. Number of Arrivals by Region				
6.1 Western Europe	169,294	+ 66.1	192,054	+ 13.4
6.2 Asia	100,004	+ 52.8	96,654	- 3.3
6.3 North America	8,084	+ 38.3	9,615	+ 18.9
6.4 Eastern Europe	7,562	+ 66.4	4,755	- 37.1
6.5 Australasia	8,914	+ 121.7	9,747	+ 9.3
6.6 Other	4,030	+ 34.9	4,878	+ 21.0
7. Total Employment	60,000	+ 25.0	64,800(a)	+ 8.0
7.1 Direct	25,000	+ 25.0	27,000	+ 8.0
7.2 Indirect	35,000	+ 25.0	37,800	+ 8.0

(a) Provisional

Source: Ceylon Tourist Board.
Central Bank of Sri Lanka