



EXPORT DEVELOPMENT

Export earnings have been a vital factor in determining the pace and stability of growth of Sri Lanka's economy and also the incomes and living standards of her people. The geographical location of the country, its resource endowment and size and the urgency to contain the widening resources gap have made it absolutely essential to accelerate export growth. The Government firmly upheld this view after 1977 and the policy changes introduced since then resulted in a liberalisation of trade with greater emphasis on exports and a free inflow of imports. But the measures adopted in pursuing these policies and the economic environment have not been sufficiently conducive to development of exports and achieving the interrelated goals.

A significant initial measure in the new policy objectives was the enactment of the Sri Lanka Export Development Act No. 40 of 1979 which made it a statutory requirement to prepare a National Export Development Plan. In terms of this requirement the Export Development Board initiated this work and with the assistance of specialised committees formulated a Plan to cover the period 1983 - 1987. The importance of exports and the major problems encountered by the export sector are summed up as follows in the Plan.

On the importance of exports it states "Export contribute one-third of the gross Domestic Product, one-

quarter of the employment generated and about one-fifth of Government revenue. A change in exports affects almost all the other sectors of the economy; and a decline in exports has inevitable repercussions on domestic investment, the production of consumer goods and on the revenue and expenditure of the Government. The country is critically dependent on her export earnings for almost all her requirements of investment goods and a substantial proportion of essential consumer goods

A general overview of the export sector and its significance for Sri Lanka's economy and a detailed discussion of export policies and their impact appear in the paper on the following pages.

Exports also determine to a large extent the level of activity in the modern industrial sector. Although over the years the economy has become more and more diversified and widened, exports still remain an important determinant of economic growth and have a marked impact on the general well being and living standards of the people. Sound export performance is therefore vital for the stability and the long-term development of the Sri Lanka economy. Exports are also vital for a favourable balance of payments situation. While some scope exists for import substitution, particularly in agriculture, the location, resource endowment and size of Sri Lanka limits the scope for efficient import substitution".

Drawing attention to specific problem areas in this sector the Plan makes several such forthright comments: "Two main factors affect the capability of exporting goods from a country; they are quality and costs or profitability. It is a fact that Sri Lanka has lost ground in the world markets whereas its competitors have made substantial gains even in products where Sri Lanka possesses greater natural advantages. During the last few years the cost of production in Sri Lanka has increased steadily not only increasing the price of the commodity but also reducing substantially the profit margins of producers and manufacturers. The problem has been aggravated by the rapid lowering the quality of most of its products. In addition, Sri Lanka has not been able to make any significant advance with new products or new markets.