

THE ECONOMY

Structure of Exports Diversification Continues

Sri Lanka's export earnings in 1976 illustrated the significant shift taking place, in recent years, in the country's pattern of exports. The country's dependence on the three major agricultural exports declined from about 76 per cent in 1975 to about 70 per cent of the total value of domestic exports in 1976.

Drawing attention to this trend the June 1975 issue of the *Economic Review* stated "The concerted efforts, in recent years, towards diversification of the country's export sector appear to be bearing fruit. A fourth leg, namely, that of non-traditional exports has now been added to the famed tripod of tea, rubber and coconut on which the country's economy appeared to stand unshakably over the past few decades".

The table below shows very clearly this gradual shift in the structure of our exports from about 1966. In 1966 the three major agricultural exports accounted for as much as 93 per cent of the total value of our domestic exports; while, in 1968 it went down to 89 per cent and in 1972 to 85 per cent.

In 1973 it reached 77 per cent of the total exports. 1973 was the first year when the value of our exports of gems and jewellery were being almost fully recorded officially. Also, this was the year when the price increases in petroleum products took place and our earnings from bunkers and aviation fuel doubled; while the prices of spices and other minor agricultural crops also recorded an almost 100 per cent increase. This pattern was maintained over the following three-years and in 1976 earnings from gems and jewellery (5.5% of total earnings);

textiles and textile articles (3.5%) mineral fuels (3%); fish and crustaceans (1.5%); and fruits and other food products (2%) accounted for nearly 15 per cent of the total domestic exports.

Index of All Exports

Year	Volume	Price
1967	100	100
1968	103	117
1969	98	117
1970	102	118
1971	99	117
1972	97	118
1973	98	137
1974	85	213
1975	102	199
1976	97	239

There was an all-round increase in prices of Sri Lanka's exports in 1976 but the decline in volume of the major exports deprived the country of the full benefit of the improvement in export prices. The volume of tea exports fell by 13 million kgs. or 6 per cent though earnings went up by Rs. 168 million or 8.7 per cent compared to that of 1975. Similarly in the case of rubber export volume decreased by as much as 24 million kgs. or 15 per cent but earnings increased by Rs. 236 million or 36 per cent. It was only in the case of coconut exports that there was a decline in export earnings.

A foreign trade index (see table above) compiled by the Central Bank of Ceylon, based on the Customs data, shows how in terms of volume for all exports the indices registered a 5 point decrease but in terms of price for all exports there was an increase of 40 points on the index. In 1976 prices reached their highest point on the index (239) in the 10-year period while volume-wise exports reached the same low (97) as in 1972 and for the 10-year period.

Percentage Composition of Total Exports 1966-1976

	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Tea	60	63	57	55	55	59	58	48	39	47	44
Rubber	20	17	16	22	22	16	13	23	21	17	18
Coconut products	13	10	16	12	12	14	13	6	11	10	8
Total	93	90	89	89	89	89	85	77	71	76	70

Non-traditional products	7	10	11	11	11	11	15	23	29	24	30
Total value of exports in Rs.m.	1,700	1,690	2,035	1,916	2,035	1,947	2,009	2,617	3,472	3,933	4,815