

**AN EMPIRICAL STUDY ON INDO-SRILANKA  
TRADE DURING THE SECOND  
TRADE LIBERALISATION REGIME  
IN SRILANKA (1977-1987).**

**THESIS SUBMITTED TO THE UNIVERSITY OF NORTH BENGAL  
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*Md. Sirazuddin Biswas.*  
(MD. SIRAZUDDIN BISWAS)

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## ABBREVIATIONS

ABD	-	Asian Development Bank
ACU	-	Asian Clearing Union
AMU	-	Asian Monetary Union
BC	-	Before Christ
CSCD	-	Committee on Studies for Co-operation in Development in South Asia.
C.I.F.	-	Cost, Insurance and Freight
CWC	-	Ceylong Workers Congress
DGCI & S	-	Director General of Commerical Intelligence and Statistics (Govt. of India).
DAC	-	Development Assistance Committee.
EEC	-	European Economic Community.
EETA	-	European Free Trade Association.
Eelam	-	a separate State
ESCAP	-	Economic and Social Commission for Asia and the Pacific.
FAO	-	Food and Agricultural Organisation
f.o.b.	-	Free on Board.
F.P.	-	Freedom Party(Srilankan)
GDP	-	Gross Domestic Product
GNP	-	Gross National Product.
GATT	-	General Agreement on Tariff and Trade.
IBRD	-	International Bank for Reconstruc- tion and Development(World Bank).

IDA	-	Industrial Development Association
ICRIER	-	Indian Council for Research on International Economic Relations.
ICSSR	-	Indian Council of Social Science Research.
IIFT	-	Indian Institute of Foreign Trade.
ILO	-	International Labour Organisation.
IMF	-	International Monetary Fund.
IPKF	-	Indian Peace Keeping Force.
JVs	-	Joint Ventures
LDCs	-	Less Developing Countries.
LTT	-	Tamil Liberation Tiger.
LTTE	-	Tamil Liberation Tigers for Eelam.
MFN	-	Most Favoured Nation
MSACs	-	Most Seriously Affected Countries.
n.a.	-	not available
n.e.s.	-	Not Elsewhere Specified.
NAM	-	Not Aligned Movement.
NEWO	-	New Economic World Order
NIP	-	New Industrial Policy
NICs	-	New Industrial Countries
NTR	-	Neutral Trade Regime(in Srilanka).
OPEC	-	Organisation of Petroleum Exporting Countries.
Rs.	-	Rupees (Indian and Srilankan)
RITC	-	Revised Indian Trade Classification
SAARC	-	South Asian Regional Co-operation.

(v)

SDR	-	Special Drawing Right.
SITC	-	Standard International Trade Classification.
SLFP	-	Srilanka Freedom Party.
T.C.	-	Tamil Congress
TDA	-	Trade Development Authority (Govt. of India)
TULF	-	Tamil United Liberation Front.
TUFAC	-	Tamil United Front Action Committee.
UN	-	United Nations (Organisation)
UNP	-	United Nation Party (Srilanka)
US	-	United States (of America)
UNCTAD	-	United Nations Conference on Trade and Development.
UNICEF	-	United Nations Childrens' Fund
UNIDO	-	United Nations Industrial Development Organisation.
USACDA	-	United States Arms Control and Disarmament Agency.
UK	-	United Kingdom
USSR	-	Union of Soviet Socialist Republic.
UAE	-	United Arab Amirates
Viz.	-	Read as namely.
\$	-	US dollars.

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## CHAPTER - I

### INTRODUCTION

#### HISTORICAL, GEOGRAPHICAL AND DEMOGRAPHICAL PERSPECTIVES :

India has some common historical, geographical and demographical links with Srilanka. India had historical, cultural and religious links with Srilanka since the 3rd Century B.C. when Great Ashoka sent the message of Lord Buddha to his friend, King Devanampiyatissa of Ceylon, through his own son, Thera Mahinda. Since then, Buddhism became a major religion in Srilanka. Srilanka's Buddhist Sinhalese and Hindu Tamils have lived together in the island over 2,000 years. There are language and the cultural relations of Tamil people living in Tamil Nadu(India) as well as the same of the inhabitants of Northern and Eastern provinces of Srilanka. Furthermore, the common experience of colonial rule over India and Srilanka have helped both the governments to understand their respective problems. The cooperation between India and Srilanka has a long history. It was recorded that the Indo-Srilanka trade relations as well as the economic relations commence sometimes prior to the 4th Century B.C.<sup>1</sup> India always tried to strengthen the economic co-operation between India and Srilanka and this has taken the form of technical assistance, deputation of experts, training facilities, economic collaborations, joint ventures, development of trade and tourism<sup>2</sup>.

The first Sinhalese migrants arrived in Ceylon, some 2500 years ago and they mixed with the aboriginal inhabitants of the island and the later migrants from the Malabar and coromandal coast of South India. Since then, they developed a distinct identity not only by language but also by religion.<sup>3</sup>

However, coming to more recent period it can be stated that the United National Party(UNP) was formed by Mr.D.S.Senanayake in 1946. Ceylon starts her existence as a newly independent state in 1948 with her first Prime Minister D.S.Senanayake. He was not only the leader of majority Sinhalese community but he was also accepted as the leader of the minority ethnic and religious groups with his concessional arrangements. However, shortly after independence Senanayake was able to persuade Ceylon Tamil leader G.G.Ponnambalam to join his Cabinet<sup>4</sup>.

The geographical location, natural resources and some other factors played an important role in the economy of Srilanka. it is a very small country in comparison to other Asian countries viz, China, India and Pakistan. Total area of Srilanka is spread over 25,332 sq.miles(65,610 sq.km.). Her length from South to North is 278 miles (447 km.) and its width from East to West is 140 miles(279 km.). It is pearl-shaped. The Up-country of Srilanka is a Central mountain, mostly over 1,200 feet in height with uneven peaks and ridges and it occupies about one fifth of the total area of the country. The

remaining low-country have various isolated rocks. The main exportable crop of Srilanka, Tea grows from up-country, which is the basic economic base of Srilankan economy. This is a wet-zone and the Jaffna Peninsula is dry land. About two-thirds of Srilanka's agricultural land is dry and its maximum area is in Jaffna. The remaining one-third land is irrigated<sup>5</sup>.

According to the Census Report 1981 total population of Srilanka is about 1,48,50,000. More than 70 percent of the total population of Srilanka are Sinhalese. Their mother language is 'Sinhala'. Large number of Sinhalese are Buddhist by religion and they concentrated in the wet-zone of the island. Traditionally, their economy depends on rice production. About 62 percent of the Srilankan people are from the coastal areas and remaining 38 percent are from the Kandyan areas. A large number of Sinhalese have migrated to the towns from the low country to the up-country. However, they still remain to be a 'low country man'. The low-country Sinhalese have benefitted both by their skills and foreign investments. Wriggins writes: "In the rural areas of Kandyan or hill-country districts, the traditional social structure, based on quasi-feudal stratification of reciprocal obligations and duties, has remained relatively in-tact. In the coastal strip, subject for many centuries to western rule the traditional social system has undergone profound alterations".<sup>6</sup>

Economic Problems

In the 1970's, the concept of New Economic World Order (NEWO) gained some reasonable momentum particularly among the poor developing countries. They found the United Nations as their appropriate forum to formulaste the demand. At the initial stasge of the Formation of the UN in 1945, it was dominated by the major victorious powers of world war II. They used to manage the UN to maintain world peace only. But over the years, the UN activities has been shifted from peace to the social and economic programmes to a large extent in the member countries. A large number of the LDCs attaining freedom after world war II, constitute the majority in the UN General Asembly. In 1974 and 1975 they first formulate the demands for the New Economic World Order at extra-ordinary session in the General Assembly. The idea of the UN General Assembly envisaged through the following resolutions:

1. Industrialisatioin in the developing countries specially in the field of their export oriented industries with co-operation from the developed countries;
- ii. Diversification and expansion in the trade structure of developing countries and to make a guarantee of stable prices of their exports of primary products;
- iii. Uniform, United and guaranteed flow of financial aids from the priviledge to the less privileged countries;
- iv. Co-operation in the field of science and technology between the developed and the developing Countries to strengthen

the technical and scientific infrastructure in the latter ;  
and

- v. Increase in food production in the developing countries through steady flow of aids including fertilizers and other agricultural inputs.

The new concept of the NEWO, however, did not get favour from the USA and other developed countries.<sup>7</sup>

In 1973 the GATT has made a formula to the attainment of "stable, equitable and remunerative prices for primary products" specially for the LDCs. But in respect of non-tariff barriers, the developed countries found increasingly reluctant for further liberalisation of trade; and the LDCs continued to have a weak bargaining position. As a result, LDCs tend to use the UNCTAD as their main forum to help solve the problem<sup>8</sup>.

The Asian Clearing Union(ACU) came into operation from 1976 with a view to solving the problems of the LDCs in Asia relating to the payments and credit arrangements. All the South Asian countries except Bhutan and Maldives have got membership of the ACU.<sup>9</sup>

The discussion of SAARC proposal was first started from 1977 when the then president Ziaur Rahman of Bangladesh made his extensive Tours to India, Pakistan, Nepal and Srilanka.<sup>10</sup> His idea however, came into being, after his assassination, with the declaration of the SAARC Summit charter on December 8, 1985 in Dhaka by the Head of the States of Seven Asian Countries.<sup>11</sup>

Indo-Srilanka trade relations have been studied within the framework of Srilanka's economic and foreign trade structure in the milieu of world economic situation for the LDCs. There are various problems of the trade co-operation between Srilanka and India and its future prospects have also been studied within the context of SAARC. Srilanka attained her independence from the British rule on 1948 and had gone through the phase of open economy policies. During this period of 1948 to 1960, the main exportable of Srilanka were Tea, Rubber and Coconuts. More than 80 percent of foreign exchange earnings were from cultivation. During this period the per-capita income of Srilanka was double than that of India and she specialised her exports on agricultural products. Srilanka concentrated her imports on food items and industrial products and her 'liberalisation trade regime' had continued during her first trade policy phases upto 1960.

During the Second phase, Srilanka had an "Interventionist" period from 1960 to 1977, and liberalisation trade regime was completely revised by the government. As a result, Srilanka's exports have declined by 9 percent over the years. The growth rate of average GDP decreased ast only 2.9 percent and asbout 24 percent of labour force became unemployed. The economy of Srilanka had been characterised by stagnant manufacturing sector, excess capacity, food shortages and inflation rates were between 15 percent to 20 percent.

And in the third phase, in 1977 the United National

Party again had returned to power in Srilanka and adopted a Trade Liberalisation Regime to return to the previous open economy. The liberalisation of trade and exchange policies, removal of price controls, encouragement of private foreign investors, technologist, skilled management and slightly increased the rates of domestic bank interest were the main characteristics of this period.

In the light of the above economic backgrounds and problems of Srilankan economy, the IndoSrilanka trade relations will be studied empirically in this thesis from 1977 to 1987. The available data as presented in the tables of the following chapters show that Srilanka has a consistent trade deficits with Indian throughout the period (except in 1977 with a positive trade balance) under study, the causes as well as the remedies of which are to be enquired into the proposed research study.

#### Short Review of the Literature on Indo-Srilanka Co-operation

In respect of Indo-Srilanka relations, it is found that most of the published books and articles have dealt with the political relations, specially with the ethnic conflicts and the role of both the governments in dealing with the problem. Only a few books and articles are available dealing with the trade and economic co-operations of India and

Srilanka. Some them have been discussed below:

- 1) K.L.Sharma, Society and Polity in Modern Srilanka, South Asian Publishers Pvt. Ltd., New Delhi, 1987.

Dr.K.L.Sharma, Professor in centre for the study of Social System, Jawaharlal Nehru University, New Delhi. He has successfully analysed the traditional social structures of Srilanka, viz, caste, class, ethnicity, village community, religion and language. Professor Sharma has discussed the new structures particularly political parties, politics, ideology, ethnic conflict, education and the change of Srilanka after independence. There is a relationship between Buddhims, Sinhala language and politics in Srilanka. The author raises some important questions regarding present ethnic conflict. This book provides detailed the back-ground of Srilankan ethnic conflict.

2. B.B.Maheshwari, India & Srilanka : Economic Relations , Agam Prakashan, Delhi, 1987.

Dr.B.B.Maheshwari has discussed the bilateral economic relations between India and Srilanka which are socially, culturally and politically linked. The historical, cultural and religious links date back to the 3rd century B.C. when Ashoka the great sent the message of Buddha to Srilanka. The Sinhalese and Tamils have lived together in the island over 2000 years. Indo-Srilanka trade relations commenced sometimes prior to the 4th century B.C. This book emphasises to highlight

the productive activities of the Indian-Tamils in Srilanka's economy. The minority problems in Srilanka had an adverse bearing on the two countries and it soured the Indo-Srilanka economic relations. Dr. Maheshwari analysed the favourable and unfavourable links between India and Srilanka. He has identified the areas within which two countries can co-operate each other in trade and joint venture.

3. Bhabani Sengupta (edited) Centre for Policy Research, New Delhi, SAARC-ASEAN : Prospects and Problems of Inter-regional Co-operation, South Asian Publications, New Delhi, 1988.

In 1980's the Seven South Asian Countries have started to come closer the gap of understanding has a tendency to narrow down. The creation of SAARC has taken the opportunity of inter-regional linkage between the two Asian regions. The SAARC and the ASEAN Countries have built academic institutions, chamber of commerce and industry.

4. S. Sureshvaran and Yvonna-Schokman - Srilanka: Trade Relations. Regional Economic Co-operation in Asia : Bangladesh, India, Pakistan & Srilanka, (Charan D. Wadhwa ed. Allied Publishers Pvt. Ltd. New Delhi, 1987.

The paper discussed Srilanka's trade relations with foreign countries in a broad perspectives with special reference to South Asian Countries. He used several sophisticated statistical tools in analysing trade data and discussed about the composition of trade in some broad disaggregative levels in details. This book highlights some

potential areas of trade and economic co-operations among the SAARC countries.

5. Promod Kumar Mishra - South-South Co-operation: SAARC Perspective. Netaji Institute for Asian Studies, Calcutta, 1990.

The genesis of South-South Co-operation in South Asia region with special reference to the Dhaka SAARC Summits has been discussed in this book. The author emphasises on creation of a common pool of all available formation within the region including Srilanka and India for the sake of collective self-reliance in the economic spheres.

6. Malcom S. Adiseshiah (ed.) - Regional Economic Arrangements. Lancer International, New Delhi, 1989.

This is a unique compilation of the articles of some renowned academicians of India and abroad. Mr. Abul Hassan, Mr. Tarlok Singh and Mrs. Leela Ponnappa have discussed scholarly in their articles relating to the SAARC.

7. A Jayaratham Wilson & Dennis Dalton (ed.) - The States of South Asia : Problems and National Integration. Vikas Publishing House Pvt. Ltd., New Delhi, 1982.

The Sinhalese - Tamil Rift in Srilanka - C.R. de Silva.

Mr. C.R. de Silva has discussed the ethnic problems from the perspectives of socio-political angle. After independence in 1948 how the first Srilanka Prime Minister

Mr.D.S.Senanayake accepted as the leader by both the Sinhalese and the Tamils. He traces how the ethnic conflict arises among both Sinhalese and Tamils from the colonial period. He also discussed the problems of citizenship of Indian Tamils in Srilanka before 1948. The present ethnic tensions among the different groups in Srilanka has worsened the economic growth of the country.

8. Asian Survey, University of California Press, Berkley, USA:  
(Asian Survey, Vol.XX, No.9, Sept. 1980).

a) "Continuity and Change in Srilanka's Foreign Policy:1974-1979". S.U.Kodikara.

The article analyse the policies and alignments of the SLFP and UNP governments. Non-alignment was the basic focus of the foreign policy of both governments with a minor changes by present UNP administration. The UNP build up a closed relation to western bilateral and multilateral interdependence and tendency go grow a South-South Co-operation. There are some differences in foreign policy orientation between the two administrations. Mr.Bandarnaike government was basically anticapitalist and antiwestern and based on the forms of State Control and monopolies, import substitution, foreign exchange restrictions and emphasis on decentralisation of incomes. On the other hand, Jayawardene's administration took a liberal policies on State controls and monopolies, import and exchange control restrictions, and generally brought about greater

competition between the private and public sectors. Therefore, the economic structure of Srilanka is closer to the industrialised Western Countries, such as - Hongkong, Taiwan, South Korea and Singapore.

- b. "Economic Policies and trends in Srilanka". N.Bala Krishnan.

Mr.N.Bala Krishnan discussed the economic policies of UNP government came into power after the victory of July 1977 general election. This book discusses how the government has taken a liberalisation policies and has enlarged the free market sector of the economy by reforming the exchange rate, import liberalisation, to encourage the export oriented industries, higher price of petroleum products and imported capital goods boosted the prices and costs in the current year which have the serious implication on domestic prices.

- c. "Recent Developments in Sinhala - Tamil Relations", W.I.Siriweera.

Mr.W.I.Siriweera has discussed the ethnic problems from 1976, when the demand for 'Tamil Eelam' ( a separate state) increased by the Tamil United Liberation Front(TULF). he analysed the problems from different angles, such as, whether the Tamil wanted their freedom or is it a problem of unemployment, education of Tamil, Sinhalese and Muslims of

Srilanka. This book discusses how the government has faced the violent problems and how the struggle of Tamils was carried out not only within the country but also outside. He also discussed the development of Tamil politics and acts of terrorism, robberies, cold blooded murders which took place in the northern peninsula. The President Jayawardene tackled the situation with a concessional announcement for Tamils. His intention was to appoint a 'Presidential Commission' to work out the solution of Tamil problems in 1979.

c. "Srilanka's New Constitution". W.A.Wiswa Warnapala.

Mr.W.A.Wisa Warnapala discussed how the UNP government has changed the Srilankan Constitution after assuming the power in 1977. The UNP government to introduce a Unique Constitution but the author of the constitution were not so interested. The constitution had changed on the basis of the political tradition established in last four decades and on the features of three main political systems - Britain, U.S.A. and France.

9. "World Development, Vol.16, No.10, pp.1143-57" , Printed in Great Britain, October, 1988 - Pergamon Press, Oxford, U.K.

"Foreign Trade and Economic Development: Srilanka's Experience"  
Sarathrajapatirana, World Bank, Washington, D.C.

In the last four decades, Srilanka had gone through three major policies of trade. In the first, it has an open economy that specialised in the export of Tea, Rubber and

coconut since independence. In the second, which commenced in 1960. Trade were restricted by imposing low export duties and import tariffs. This continued until 1977, when a Trade liberalisation policies were taken by the UNP government. Srilanka provides a trade regime that emphasises competition between private and public sectors for the allocation of resources and growth. An important lessons can be taught from this liberalisation policies.

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"The cultural Dimension of Tamil Separatism in Srilanka".  
Bryan Pfaffenberger.

The Ceylong Tamils lived in Srilanka since severn hundred years. They fought for their culture, nation and identity. Tamils were suffering in the Sinhala - dominated regime. the bitterness between the Sinhalese and the Tamils are increasingly taking a shape of communal riots like 1977 and 1981 and it may encourage the campaign for the partition of Srilanka.

11. Modern Asian Studies, Vol.12, part 3, July-1978, Camdbridge University Press, Betly House, 200 Euston Road, Longon - NW1 - ZDB. "Ethnic Conflict in Srilanka and Sinhalese Perspectives : Barriers to Accommodation" - Michael Roberts. University of Adelaide.

This is the story analysing the different Socio-political causes of ethnic conflict in Srilanka. The

geopolitical factors of population distribution in Srilanka are different from India and it compares with Northern Ireland, Cyprus and Lebanon. Neither the Tamil nor the Sinhalese have the foreign military technology for their civil war. The conflict has retarded of industrial progress of the country.

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"Ethnic Conflict in Srilanka". India's Role and Perception ;  
P.Venkateshwar Rao.

Mr.P.V.Rao has discussed the ethnic problems after 1980's. Historically and culturally the Tamils of Srilanka and the Tamils of India are close to each other. The Indian Tamils migrated from Indian state Tamil Nadu. India has taken initiative to solve the ethnic problems by Srilanka's acceptance of 'good offices'. The Indian government led by Mr.Rajiv Gandhi no doubt made an important effort by restraining Tamil Militant activity in India. The Indo-Srilanka agreement on 1987 was successful neither in bringing about political settlement, nor in bringing down the ethnic tension.

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Dr.A.Kapur has pointed out an evolution of power relations in the subcontinent from the day of East India company to the present.

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"Srilanka's Ethnic - Conflict". The Indo-Srilankan Peace Accord. Ralph, R.Premadas and S.W.R.De. A.Samara Singhe.

Mr.Premdas and Samara Singhe have discussed in this article the 1987 Indo-Srilanka accord is a first step to establish a durable peace. But it is not containing a long-term solution of the future problems.

15. Asian Survey, Vol.XXIX, No.7, July 1989. "The Continuing Crisis in Srilanka". The JPV, the Indian troops and Tamil Politics. Shelton, U.Kodika.

Mr.S.U.Kodika has discussed that the Indo-Srilanka aAgreement, 1987 was intended to bring peace in the island. Unfortunately, the Indian army have killed many civilians in Jaffna. The North-East Provincial Council passed a resolution condemning the IPKF and the President's request that the Indian troops be withdrwan.

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After the 1987 Accord, the Tamil have come to realise that the India did not meet their expectation. Both Tamil and Sinhalese opposed the accord. If they solve their problems without external support is the best interests both the Tamils and of Srilanka itself.

Objective of the Study:

The main objective of this thesis is made to find out the answers to some specific questions, such as :

(i) Under what economic and foreign trade structures of Srilanka, the Indo-Srilanka trade was in operations during 1977-1987 period ?

(ii) Why is Srilanka facing a consistent trade deficits with India during the period and what are the possible remedies?

(iii) Is there any potential gains in Indo-Srilanka trade with some Selected Commodities ?

(iv) What are the future potentialities ?

(v) Is there any future prospects for a better performance of Indo-Srilanka trade within the context of SAARC in the face of self-defeating ethnic conflicts in Srilanka ?

Data Source : Some standard National and International data-base publications will be the main data source of the thesis.

Data relating to the economy of Srilanka and the economic relations of the SAARC countries will be drawn from various statistical publications of the UN, IMF, World Bank and the like other International agencies. In Indo-Srilanka bilateral - trade, statistical data supplied by the DGCI & S - Calcutta, will be used. Different books and journals of outstanding standards may also be used as data source - wherever necessary.

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CHAPTER II

THE ECONOMY OF SRILANKA

Statement of the Problem

The developing economy of Srilanka has a unique position in South Asia region. She has a shared legacy of colonial dominance in the past with India; and attained the political independence in 1948 from the British rule. At that time her per-capita income was the highest among the other South Asian Countries and was the third highest in whole Asia just after Japan and Malayasia<sup>1</sup>. Srilankan economy was export-biased and remained open for the first phase after independence from 1948 to 1960. Her exports were specialised in three main crops, viz. tea, rubber and coconuts. The UNP govt. in power from 1947 to 1956 adopted the policy of export-led growth with minimal intervention and was committed to pursuing policies to exploit fully its comparative advantage. She was able to continue a Neutral Trade Regime until 1960. During 1948-1960 period her average growth rate of GDP was 5 percent and in 1960 she maintained a per capita income of \$152 which was almost double than that of India in that particular year.<sup>2</sup> While Srilanka was specialised on traditional agro-based exports, she concentrated her imports specially on food items and industrial products.

Srilanka was in an interventionist period from 1960 to 1977 when the Neutral Trade Regime was drastically revised

specially from 1956 after the assumption of power by SLFP dominated coalition government. In contrast to the previous open economy, an inward oriented restrictive and import substitution led industrial economy got favour from the ruling party. Result was that Srilanka had trade deficits from 1956 to 1976 period. Her export share in total world exports during 1960 to 1977 declined from 0.36 percent to only 0.07 percent. Her average propensity to export (export to GDP) declined from 28 percent to 19 percent over the same period. Average GDP growth rate over 1970-1977 period stood at only 2.9 percent consequently, about 24 percent of labour force became unemployed by 1977. The economy was then characterised by stagnant manufacturing sector, excess capacity, food shortages and inflation rates in the range of 15 percent to 20 percent.<sup>3</sup>

From 1974 she had been listed by the UNO as the Most Seriously Affected Country (MSA).<sup>4</sup>

In 1977, the UNP government returned to power in Srilanka and pledged to adopt again a Trade Liberalisation Regimes. This government tried to adopt the previous policy of liberalisation. She got her special encouragement from the impressive performance of the NICs like Korea, Hongkong, Taiwan and Singapore. She implemented a Trade liberalisation package in 1977 including the following :-

1. Liberalisation of trade and exchange policies, accompanied by an exchange rate and tariff reform.

- ii. Removal of some price controls.
- iii. Adoption of measures to encourage foreign private direct investment, thereby adding to scarce domestic capital, technology and managerial skills.
- iv. Domestic bank interest rates were permitted to increase sharply.<sup>5</sup>

Some Structural Aspects of Srilankan Economy:

The basic characteristics of the Srilankan economy during 1977 to 1987 may be viewed from the Sectoral distribution of GDP as depicted in Table-2.1. It shows the share of primary Sector<sup>6</sup> as 26.9 percent on average. The range of the shares for this particular sector over years of reference being 23.9 percent to 30.2 percent. But this shows somewhat declining trend over the period.

Unlike other developing countries Srilanka's share of Secondary Sector<sup>7</sup> in the GDP is almost the same at 26.7 percent on average for the same reference period. It indicates the importance of industrial base of the economy. This is nearly equal to the agricultural sector. This peculiar position of the primary and secondary sectors - placed Srilanka in an unique position vis-a-vis other developing economies.

On the other hand, the service(Tertiary) Sector<sup>8</sup> in Srilanka has been flourishing as the dominant sector in the economy. Its over all share on average is as high as 46.3 percent with somewhat increasing trend.

Table-2.1

Sectoral Distribution of GDP in Srilanka(in.%)

<u>Year</u>	<u>Sectors</u>	<u>Primary</u>	<u>Secondary</u>	<u>Tertiary(service)</u>
1977		30.2	30.2	39.6
1978		28.5	28.5	43.0
1979		28.8	27.3	43.9
1980		27.6	28.5	43.9
1981		28.2	27.3	44.5
1982		27.1	25.5	47.4
1983		26.8	24.7	48.5
1984		26.1	25.9	48.0
1985		25.2	26.0	48.8
1986		23.9	25.0	51.1
1987		24.0	25.1	50.9
Annual Average		26.9	26.7	46.3

Source: UN Statistical year book for Asia and the Pacific - 1988 & 1991.

However, the intersectoral relationship established in Srilankan economy may be analysed from Table-2-2. To understand the relationship, the elasticities of tertiary Sector output with respect to primary(or secondary) sector outputs are calculated as follows.<sup>9</sup>

$$E \text{ or } e = \frac{\text{Annual growth rate in Tertiary Sector}}{\text{Annual growth rate in Primary(or Secondary)Sector}}$$

The value 'E', i.e., the elasticity of tertiary sector output in respect of primary sector output stands at 1.6, which indicates that a 1% increase in primary sector is followed by the increase of 1.6 percent in the tertiary sector. Similarly, the value of 'e', i.e., the elasticity in tertiary sector output in respect of Secondary Sector out put stands at 1.6. So, it also indicates a 1 percent increase in the Secondary Sector is accompanised to the same 1.6 percent increase in the tertiary sector.

## Elasticity of Tertiary Sector : 1977-1987

year	Value in Billion Rupees			Annual growth Rate in %			E(7/5)	e(7/6)
	Primary	Secondary	Tertiary	Primary	Secondary	Tertiary		
1	2	3	4	5	6	7	8	9
1977	11.1	11.2	14.6	n.a	n.a	n.a	-	-
1978	12.6	12.7	19.2	13.6	13.4	31.5	2.3	2.4
1979	15.8	14.9	24.1	25.4	17.3	25.5	1.0	1.5
1980	18.8	19.5	30.0	19.0	30.9	24.5	1.3	0.8
1981	23.9	23.0	37.6	27.1	17.9	25.3	0.9	1.4
1982	26.4	24.8	46.3	10.5	07.8	23.1	2.2	2.9
1983	38.9	29.4	57.9	47.3	18.5	25.0	0.5	1.4
1984	38.5	38.1	70.0	-01.0	29.6	20.9	-	0.7
1985	39.7	41.1	76.9	03.1	07.9	09.9	3.2	1.3
1986	41.2	43.0	88.0	03.8	04.6	14.4	3.8	3.1
1987	45.4	47.4	96.1	10.2	10.2	09.2	0.9	0.9
		Annual Average		15.9	15.8	20.9	1.6	1.6

Source: UN Statistical year Book for Asia and the Pacific 1988 & 1991

Note: n.a.= not available.

Though both the primary and secondary sectors in Srilankan economy have got same importance, the developing nature of the economy stresses more importance on primary sector as the key to development strategy. So to have an overview on the agriculture in Srilanka Table-2.3 and Table-2.4 may be analysed. Table-2.3 shows the land use in Srilanka during 1977 to 1987. It is evident the lion's share of total land area under agricudlture is about 49.2 percent. The land reforms of 1972 and 1975<sup>10</sup> thus have some visible impacts on the use of acreage as is visible upto 1985. Of the agricultural land are "Arable land and land under permanent crops" have a total acreage of 24.6 percent on an average.

An important feature in Srilankan agriculture is that only 6.3 percent agricultural land came under irrigation system during the reference period. Inspite of Mahaweli Ganga Development Programme a total 18.3 percent agricultural and land remain unirrigated .

"Forest and woodland" has covered 26.3 percent of land area in Srilanka, whereas the average shasre of "permanent medows and pastures" and "other land" constituted, on average, 5.1 percent and 19.3 percent land area in Srilanka.

The Srilankan agriculture is earmarked for its plantation and rice cultivation. From table 2.4 it is evident that 17 percent of total agricultural land area, for the period 1977 to 1987 was covered by rice cultivation. For plantation of tea and rubber (the main exportables of Srilanka) use 5.7 percent and 4.9 percent of total agricultural land. Other

principal crops, viz, "Cassava", "Maize", "Millet" and "Sweet Potatoe" cover 1.4 percent , 0.6 percent, 0.5 percent and 0.4 percent agricultural land area in Srilanka.

As regards to foreign trade sector in Srilankan economy the share of total turnover in GDP for the reference period of 1977 to 1987 is about 28 percent. It is evident from Table-2.5 such shares were the highest at 36.4 percent both in 1979 and 1980, the lowest being 21.2 percent in 1986. So, more than  $\frac{1}{4}$ th percent of the GDP in Srilanka is represented by her foreign trade during that period indicating some positive impact of her trade liberalisation policy.

Table-2.3

Land use in Sri Lanka ( in %) : 1977-1987

Land Description	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	Av.
1. Agricultural area												
a. Arable land & land under permanent Crops.	24.8	24.9	24.9	24.9	25.0	25.2	25.3	25.4	25.4	22.6	22.6	24.6
b. Irrigated Land.	5.6	6.2	6.1	6.1	6.3	6.0	6.2	6.3	6.7	7.3	6.3	6.3
c. Unirrigated land.	19.1	18.7	18.8	18.8	18.7	19.1	19.0	19.0	18.7	15.3	16.3	18.3
	49.5	49.8	49.8	49.8	50.0	50.3	50.5	50.7	50.8	45.2	45.2	49.2
2. Permanent meadows & pastures.	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.2	5.2	5.1
3. Forest & Wood land.	27.7	27.6	27.6	27.6	27.6	27.5	27.5	27.5	27.4	20.9	20.9	26.3
4. Other Land.	17.7	17.5	17.5	17.4	17.3	17.1	16.9	16.7	16.7	28.7	28.7	19.3

Source: UN Statistical year Book for Asia and the Pacific 1988 &amp; 1991 .

Table-2.4

Share of area under principal crops in total agricultural area(in %).

Principal Crops	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	AV.
Rice	15.6	16.9	16.3	16.9	17.2	15.2	15.8	17.9	17.4	19.6	18.0	17.0
Maize	.6	.6	.4	.4	.6	.6	.6	.7	.7	.9	.9	.6
Millet	.9	.8	.6	.6	.5	.5	.5	.4	.3	.6	.3	.5
Cassava	2.2	1.7	1.3	1.2	1.3	1.4	1.3	1.3	1.2	1.4	1.2	1.4
Sweet Potatoes	.6	.5	.4	.3	.4	.4	.3	.4	.3	.4	.3	.4
Tea	5.7	5.7	5.7	5.7	5.7	5.6	5.5	5.2	5.3	6.7	5.9	5.7
Rubber	n.a.	n.a.	n.a.	5.2	4.8	4.7	4.7	4.7	4.6	5.4	5.3	4.9

Source: UN Statistical year Book for Asia and the Pacific and 1988 and 1991.

Note: N.a.= not available.

To have a better look into the openness of her economy it is seen from Table-2.6 that as high as 16.6 percent (on average) of her GDP during the same reference period is represented by her imports alone. Such shares of imports in GDP during the period have shown the highest and lowest values at 24.1 percent and 12.9 percent in 1980 and 1984 respectively. It shows her high average propensity to import.

On the other hand, Srilanka's share of exports in her GDP as shown in Table-2.7 during the same reference period from 1977 to 1987 stood at 10.6 percent (on average) varying between the highest and lowest values of 17.6 percent and 8.2 percent in 1977 and 1986 respectively.

Table-2.5

Share of Srilanka's Trade turnover in G.D.P.

<u>Year</u>	<u>Share in %</u>
1977	33.6
1978	35.4
1979	36.4
1980	36.4
1981	27.0
1982	26.2
1983	23.1
1984	23.0
1985	23.3
1986	21.2
1987	22.9
<u>Average</u>	<u>28.0</u>

Source: (1) IMF - Direction of Trade Statistics Year Book (various issues)  
(2) IMF - Exchange Arrangements and Exchange Restrictions, Annual Report - 1989.

Table-2.6

Share of Srilanka's Imports in GDP.

<u>Year</u>	<u>Share in %</u>
1977	16.0
1978	18.6
1979	21.7
1980	24.1
1981	17.4
1982	16.7
1983	14.6
1984	12.9
1985	13.8
1986	13.0
1987	13.9
<hr/> Average	<hr/> 16.6

Sources: (i) IMF - Direction of Trade Statistics Year Book  
(various issues)

(ii) IMF - Exchange Arrangements and Exchange Restrictions; Annual Report - 1989.

Table-2.7

Share of Srilanka's Exports in GDP.

<u>Year</u>	<u>Share in %</u>
1977	17.6
1978	16.8
1979	14.7
1980	12.3
1981	9.6
1982	9.5
1983	8.5
1984	10.1
1985	9.5
1986	8.2
1987	9.0
<u>Average</u>	<u>10.6</u>

Sources: 1. IMF-direction of Trade Statistics Year Book  
(Various issues)

2. IMF - Exchange Arrangements and Exchange Restrictions,  
(Annual Report-1989).

The export and import performances in Srilanka during the reference period, therefore, have created some structural imbalance in the foreign trade sector. These imbalances coupled with most ambitious developmental programmes during the period invited a large amount of foreign capital in the form of foreign aids representing Srilanaka's external debts. The available data as presented in Table-2.8 shows that US \$ 114.3 million of interests were made during the period between 1980 to 1987. During the same period the average principal and down payment stood due at US \$ 100.4 million resulting into the total debt - service, on average, at US \$ 214.6 million. During the same period the average export earnings of Srilanka was US \$1151.6 million. So the debt service ratio during the reference period stood at 18.4 percent (on average) indicating a moderate degree of debt - service burden for Srilanka as per World Bank Standard. But the future danger lies in the high compound growth rates in respect of interest payments, amortisations and total debt service burdens which have been round at 10.7 percent, 19.0 percent and 14.76 percent respectively, whereas growth rate for export earnings was only 2.8 percent with such a low rate of growth in export earnings, it is not possible to meet the debt burden for Srilanka.

Table-2.8

Debt Service Burden of Srilanka(1980-87)

Year	Interest (million US \$ )	Principal & Down Payment (million US\$)	Total Debt Service (million US \$)	Total Export Earning (million US \$)	Debt Ser- vice Ratio (in %)
1980	69.0	51.2	120.2	1042	11.5
1981	85.0	46.5	131.5	1044	12.6
1982	96.0	75.1	171.1	1015	16.8
1983	116.0	74.0	190.0	1066	17.8
1984	125.0	91.0	216.0	1454	14.8
1985	132.0	111.0	243.0	1191	20.4
1986	135.0	148.0	283.0	1099	25.7
1987	156.0	206.0	362.0	1302	27.8
Average	<u>114.3</u>	<u>100.4</u>	<u>214.6</u>	<u>1151.6</u>	<u>18.4</u>
Compound growth rate over 8 years.	10.7	19.0	14.76	2.8	

- Sources: 1) Asian Development Bank - Key Indicators of Developing and Pacific Countries.  
2) UN Statistical Year Book for Asia and the Pacific-1991.

SUMMARY :

After independence, Srilanka has gone through three major trade policy phases. In the first, after 1948, the economy was relatively open. In the Second, which commenced in 1960, a Neutral Trade Regime biased against export was initiated. And in the third since 1977 a strong Liberalisation efforts were made.

During the first phase after independence her exports were specialised in three main crops, viz, tea, rubber and coconuts. Srilanka was able to continue a neutral trade regime until 1960. The per-capita income of Srilanka was double than that of India while she specialised on traditional agro-based exports and concentrated her imports on food items and industrial products.

In the Second phase, Srilanka was in an interventionist period from 1960 to 1977, when the neutral trade regime was drastically revised. As a result, her exports during this period declined from 0.36 percent to only 0.07 percent and her average propensity to export declined from 28 percent to 19 percent over the same period. Average GDP growth rate stood at only 2.9 percent and about 24 percent of labour force became unemployed. The economy was then characterised by a stagnant manufacturing sector, excess capacity, food shortages and high inflation. Srilanka has been listed as one of the most seriously affected country (MSA) by the UNO.

And in the third phase, Srilanka again adopted a Trade Liberalisation Regimes to return to the previous open economy. Liberalisation of Trade and exchange policies, removal of price controls, encourage foreign investment, technology and managerial skills and slightly increased the domestic bank interest rates were the characteristics of this period.

In Sectoral distribution of GDP, the share of primary sector was 26.9 percent (on average) and the share of Secondary Sector was almost the same at 26.7 percent (on average). It indicates the importance of industrial base of the economy to the same equal level as the agricultural sector. On the other hand, the service(tertiary) sector has been flourishing as the dominant sector of the economy and its overall share on average was 46.3 percent with an increasing trend. The elasticity of primary and Secondary Sectors output in respect of tertiary sector output are 1 and 1.6.

The developing nature of the economy of Srilanka stresses more importance on the primary sector as basic source of development. The agricultural land was 49.2 percent of the total land area during the reference period. Of the agricultural land area Arable land and land under permanent Crops' have a total acreage of 24.6 percent on an average. The Srilankan agriculture is earmarked for its plantation and rice cultivation. About 17 percent land was covered by rice cultivation, 5.7 percent and 4.9 percent of total agricultural land were under tea and rubber plantation.

The foreign trade sector in Srilankan economy is very important. But it has a slow rate of growth. As regards to debt - service there are various dangerous trends. It seems that if Srilanka fails to improve her performance in the export sector, she might face the problem of what is generally known as 'debt traf'.

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3. Ibid.
4. Poorest of the poor: A Glossary Third World Quarterly - Vol.4, No.1, p.144, January 1982, London.
5. Raja Patirana, Sarath - op.cit.
6. Primary Sector includes - agriculture, hunting, forest tree & fishing; mining & querrying.
7. Secondary Sector includes - Manufacturing; Electricity, gas & water, and construction.
8. Tertiary(Service) Sector includes - wholesale & retail trade, restaurants & hotels, transport, storage & communication; finance, insurance, real estate & business services; and community, social & personal services.
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### CHAPTER III

#### FOREIGN TRADE OF SRILANKA

Srilanka being an Island developing Country has been regarded as one of the Most Seriously Affected Countries (MSAs) by the UN - General Assembly in 1974<sup>1</sup>. She has been characterised by her low - per capita income, sharp increase in the import cost of essentials relative to export earnings, comparative inelasticity of export incomes and unavailability of exportable surplus. As an Island developing country she suffers from some acute problems like low-resource endowment, natural disaster, low level of foreign exchange reserves, adverse impact of higher transportation and transit costs and a higher dependence on foreign imports.<sup>2</sup>

All these problems coupled with the ethnic conflict crept out in the recent years made the economy vulnerably incompetent in the external markets. Her exports as percentage to world exports, on average, for the reference period of 1977 to 1987 was only 0.06 percent as revealed in Table-3.1. Such percentage share, (on average) for her imports was slightly high earlier but not more than 0.09 percent. Her trade - turnover as percentage to world trade - turnover for the period, (on average) was registered by only 0.08 percent. This has made her a mere price - taker in the international trade transactions like most of the other LDCs - who suffers from severe price fluctuations for their export earnings and deteriorations in their terms of trade during the period under study.

She had a positive trade balance only in 1977, value being 655 million rupees (in dollar terms it was 60 million US \$) as shown in Table-3.2. From 1978 to 1980, her balance of trade had shown an increasing trend due to higher values of imports in comparison to her exports. Thereafter, her export performance has improved and her adverse balances of trade from 1981 to 1984 had shown in a declining trend. Thereafter, her adverse trade balances start rising upto 1987 due to increase in imports. thus, the average adverse balance of trade for the 11 years from 1977 to 1987 stood as 12,117 million rupees. (In dollar terms it is 570 million US dollars).

The trade liberalisation-regime during the period in Srilanka helped to a great extent in developing an open economy. Her exports to GDP(on average) during the period was 23.25 percent as has been shown in Table3.3. Share of such imports stood as high as 34.44 percent(on average) during the same reference period. Thus, some 57.69 percent of the GDP(on average) during same reference period was covered by trade turnover in Srilanka. In this relationship within the economy had registered growth rates of 17.7 percent, 23.2 percent and 20.6 percent respectively for her exports, imports and trade turnover, vis-a-vis the growth rate of GDP at 16 percent.

To have an indepth study into the performances in export and import sectors and her balance of trade position, composition of exports and imports and also direction of trade will be discussed in the following pages.

Table-3.1

Srilanka's share in World Trade: 1977-1987(values in million of US Dollars)

Year	World Exports	World Imports	World Trade turn-over	Srilanka's Exports	Srilanka's Imports	Srilanka's Trade turnover	Srilanka's Exports as % to world Exports	Srilanka's Imports as % to world Imports	Srilanka's Trade turn-over as % to world Trade Turn over
(1)	(2)	(3)	(4) (2+3)	(5)	(6)	(7) (5+6)	(8)	(9)	(10)
1977	1043500	1071100	2114600	725.2	656.3	1381.5	0.07	0.06	0.06
1978	1203200	1246333	2449200	873.8	963.7	1837.5	0.07	0.08	0.08
1979	1525800	1568300	3094100	978.1	1449.0	2427.1	0.06	0.09	0.08
1980	1867300	1927400	3794700	1039.1	2035.1	3074.2	0.06	0.11	0.08
1981	1832800	1906700	3739500	1023.8	1856.6	2880.4	0.06	0.10	0.08
1982	1702100	1796700	3498800	1033.0	1812.9	2845.9	0.06	0.10	0.08
1983	1678400	1736400	3414800	1053.8	1794.8	2848.6	0.06	0.10	0.08
1984	1778300	1848100	3626400	1435.6	1845.6	3281.2	0.08	0.10	0.09
1985	1795100	1892400	3687500	1264.9	1831.8	3096.7	0.07	0.10	0.08
1986	1992500	2079600	4072100	1162.7	1829.4	2992.1	0.06	0.09	0.07
1987	2353300	2433000	4786300	1334.3	2056.4	3390.7	0.06	0.08	0.07
						<u>Average</u>	<u>0.06</u>	<u>0.09</u>	<u>0.08</u>

Source: IMF - Direction of Trade Statistics Year Book(various issues).

Table-3.2

Balance of Trade Position of Srilanka: 1977-1987

<u>Value in Million</u> <u>rupees :</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Average</u>
Imports (c.i.f.)	5983	14687	22560	33637	35530	36876	42020	46913	49069	51282	59750	
Exports(f.o.b.)	6638	13206	15286	17388	20199	21124	25183	37006	35035	34092	39861	
Balance	655	-1481	-7274	-16249	-15331	-15752	-16837	-9907	-14034	-17190	-19889	-12117
<u>Value in million</u> <u>US Dollars:</u>												
Imports(c.i.f.)	703	940	1448	2035	1849	1771	1787	1845	1874	1793	2029	
Exports(f.o.b.)	763	846	981	1042	1044	1015	1066	1454	1191	1099	1302	
Balance	60	-90	-467	-993	-805	-756	-721	-391	-683	-694	-727	-570

Source: - UN Statistical Year Book for Asia and the Pacific: 1988 & 1991.

Table-3.3

## Share of Exports, Imports and Trade Turn-over in GDP in Srilanka

Year	Exports (million Rs.)	Imports (million Rs.)	Trade Turn Over(million Rs.) (2+3) (4)	GDP (million Rs.) (5)	Exports to GDP(%) (6)	Imports to GDP(%) (7)	Trade Turn over to GDP (%) (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1977	6638	5983	12621	36912	17.98	16.21	34.19
1978	13206	14687	27893	44562	29.63	32.96	62.59
1979	15286	22560	37846	54920	27.83	41.08	68.91
1980	17388	33637	51025	68388	25.42	49.18	74.61
1981	20199	35530	55729	84527	23.90	42.03	65.93
1982	21124	36876	58000	97528	21.66	37.81	59.47
1983	25183	42020	67203	119202	21.12	35.25	56.38
1984	37006	46913	83919	147344	25.11	31.84	56.95
1985	35035	49069	84104	157763	22.21	31.10	53.31
1986	34092	51282	85374	172440	19.77	29.73	49.51
1987	39861	59750	99611	188822	21.11	31.64	52.75
Average	<u>24092</u>	<u>36209</u>	<u>60302</u>	<u>106582</u>	<u>23.25</u>	<u>34.44</u>	<u>57.69</u>
Growth rate(g)	<u>17.7</u>	<u>23.2</u>	<u>20.6</u>	<u>16.0</u>			

Source: i) UN Statistical Year Book for Asia and the Pacific - 1988 & 1991.

ii) IMF - Exchange Arrangements, and Exchange Restrictions, Annual Report-1989.

Composition of Exports:

It is reported that half of the LDCs of the World earn over 50 percent of their export receipts from a single commodity and about 75 percent of them earn 60 percent or more of their export receipts from no more than three primary products.<sup>3</sup> In case of Srilanka, such primary products are Tea, Rubber and Coconut.<sup>4</sup>

The degree of commodity concentration of Exports and Imports of Srilanka as measured by Gini-Hirschman Co-efficient of concentration has been shown in Table-3.4.

The Co-efficients of Commodity - Concentration of exports and imports are, however, defined as follows:<sup>5</sup>

$$1. \quad C_{xt} = 100 \sqrt{\sum_{i=1}^n (x_{it}/x_t)^2}$$

Where  $C_{xt}$  = Co-efficient of commodity concentration exports.

$x_{it}$  = Value of exports of commodity 'i' in year 't'.

$x_t$  = Total export earnings during year 't'.

$$ii. \quad C_{mt} = 100 \sqrt{\sum_{i=1}^n (m_{it}/m_t)^2}$$

Where,  $C_{mt}$  = Co-efficient of Commodity Concentration of imports.

$m_{it}$  = Value of imports of Commodity 'i' in year 't'.

$M_t$  = Total import payments - during year 't'.

If the export or import consist of only one commodity, the value of these co-efficient will be the highest at 100, the lowest value of either co-efficient will be  $100/\sqrt{n}$ , where 'n' is the number of the classified commodities recognised.

It is evident from table-3.4 that the commodity concentration of Srilanka's exports by 1-digit-SITC varied between the highest at 67.87 in 1977 and the lowest at 34.10 in 1986 as against the maximum and minimum possible values of 100 and 31.64 respectively. It indicates a gradual diversification in the composition of Srilanka's exports.

On the other hand, her commodity concentration of imports by 1-digit SITC varied the highest at 57.98 in 1987 and the lowest at 42.88 in 1985 as against the same maximum and minimum possible values.

The gaps in the commodity concentration of exports and imports as measured by the ratio  $C_x/C_m$  are found comparatively low in the late years from 1986 and 1987 indicating some positive developments in industrialisation and diversification of the economy as well.

As regards to the primary and Manufacture exports of Srilanka during the reference period of 1977 to 1987, it is found from Table-3.5 that 73.4 percent of her average exports were of primary goods. So the average share of her exports of manufacturers were only of 24.7 percent.

The composition of exports at the aggregate 1-digit SITC level as shown in Table-3.6 reveals that "Food and live

animals(SITC-0)" is the main export category having the highest percentage share (on average) of 46.6 percent during the period. But it shows an almost declining tendency over years. The Second highest share in exports were found for "Crude materials inedible, except fuel(SITC-2)". Its average share for the period was 16.8 percent with a declining trend. The third important export category was the "Miscellaneous manufactured articles (SITC-8)" with average share of 16.5 percent. It has, however, shown a most promising increasing trend over the same reference period. With its lowest percentage share of 2.4 percent in 1977 it has reached through an uninterrupted increase to the highest at 29.7 percent share in 1987. The other two important export categories were the "Mineral fuels, lubricants and related materials (SITC-3)" and "Manufactured goods classified by materials (SITC-6)" with average share of 9.3 percent and 5.6 percent respectively. The remaining export categories by 1-digit SITC have shown very low percentage shares.

Table-3.4

Commodity Concentration of Srilanka's Exports  
and Imports by 1-digit SITC.

<u>Year</u>	<u>cx</u>	<u>cm</u>	<u>cx/cm</u>
1977	67.87	48.81	1.39
1978	66.25	44.96	1.47
1979	55.89	44.04	1.27
1980	53.88	44.70	1.20
1981	52.12	44.04	1.18
1982	50.34	46.15	1.09
1983	52.04	44.56	1.17
1984	57.42	43.98	1.30
1985	51.97	42.88	1.21
1986	34.10	44.09	0.77
1987	50.66	57.98	0.87

Max. = 100

Min. = 31.64

Source: UN Statistical Year Book for Asia and  
the pacific.

Table-3.5

Srilanka's Primary and Manufactured goods Exports :  
1977-1987(in %)

<u>Year</u>	<u>Primary Goods Exports(SITC:0-4)</u>	<u>Manufactured Goods Exports(SITC:5-8)</u>
1977	87.2	5.8
1978	92.0	7.6
1979	86.9	12.8
1980	83.6	16.1
1981	77.8	21.8
1982	73.5	26.1
1983	71.8	27.9
1984	72.8	27.0
1985	67.5	32.1
1986	56.9	42.9
1987	48.3	51.5
<hr/> Average	<hr/> 73.4	<hr/> 24.7

Source: UN Statistical Year Book for Asia and the Pacific 1988 & 1991.

Table-3.6

## Srilanka's Exports by SITC Sections(in %) : 1977-1987

SITC Code	Description	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	Av.
0	Food and live animal	63.6	60.9	49.1	45.3	43.7	41.7	43.7	50.9	43.1	35.8	34.6	46.6
1	Beverages and Tobacco	.2	.2	.5	.3	.4	.2	.2	.2	-	-	.3	0.3
2	Crude materials, inedible, except fuel.	22.3	24.7	21.4	19.8	18.5	16.0	15.1	11.8	11.0	12.1	12.5	16.8
3	Minerals fuels, lubricants and related materials	.4	6.0	12.5	17.9	14.2	13.9	10.9	9.0	10.7	6.9	.3	9.3
4	Animal and Vegetable oils & fats.	.7	.2	3.4	.3	1.0	1.7	1.9	.9	2.7	2.1	.6	1.4
5	Chemicals -	2.4	1.7	.5	.5	.5	1.1	.6	.5	.8	.8	2.3	1.1
6	Manufactured goods classified by materials	.8	1.0	4.5	4.3	3.5	5.7	5.9	3.6	5.2	9.5	17.8	5.6
7	Machinery and Transport equipments	.2	.2	.3	.6	2.5	2.0	1.3	1.4	2.6	3.3	1.7	1.5
8	Misc. manufactures articles.	2.4	4.7	7.5	10.7	15.3	17.3	20.1	21.5	23.5	29.3	29.7	16.5
9	Misc. Transactions & commodities, n.c.s.	6.8	.1	.1	.1	.1	.1	.1	.1	-	-	-	0.9

Source: UN Statistical year Book for Asia and the pacific 1988 & 1991.

UNCTAD estimates relating to Srilanka's export structure by main categories and by selected commodity group have been presented in Table-3.7 and Table-3.8. From table 3.7, it is noted that the export category of "All food items" have the highest export share in her total exports to world at 3-digit SITC level. The average share of this particular export category for the period 1977 to 1987 (on average) was as high as 52.18 percent. The second highest export category at 23.87 percent (on average) was of "Manufactured goods". Of the 23.87 percent average manufactured goods export of "other manufactured goods (SITC-6+8 less 68)" has the maximum share of 21.72 percent (on average). The other two most important main categories of exports were "Agricultural raw materials" and "Fuels" with average percentage shares of 14.32 percent and 9.33 percent respectively.

The export structure by Selected Commodity group as shown in table-3.8 that only two Selected commodity groups, viz, "Textile fibres, yarn and clothing" and "petroleum products" have shown the higher average percentage shares for the same reference period of 1977 to 1987 as 18.53 percent and 8.65 percent respectively. The "Textile fibres, yarn and clothing" exports have shown a continuous increasing trend throughout the period. Whereas, the export of "petroleum products" have shown a slow increasing trend from 1977 to 1980 and thereafter it's decline is sharp from 15.40 percent in 1980 to 4.90 percent in 1987. The other Selected Commodity groups as presented in table-3.8 have a small percentage share of less than unity.

Table-3.7

## Export structure of Sri Lanka by main Categories (in %): 1977-1987

Year	SITC(3 digit Level) Total value (milli- (on of dollar)	All food items 0+1+22+4	Agricul- tural raw materials less(22+27 + 28)	Fuels (3)	Ores & Metals (27+28 68)	Manufac- tured goods 5 to 8 less (-68)	Of which:			Unallo- cated
							Chemical products (5)	Other mfgd. goods(6+8) less 68	Machinery equipment (7)	
1977	760.3	65.21	16.78	0.38	4.96	5.87	2.43	3.24	0.19	6.80
1978	843.9	63.75	17.98	5.88	4.80	7.46	1.66	5.61	0.18	0.14
1979	977.7	54.25	19.39	9.69	4.15	12.41	3.39	8.77	0.26	0.10
1980	1043.0	47.00	18.10	17.90	20.80	16.00	0.60	15.10	0.40	0.10
1981	1007.5	47.51	17.14	12.88	0.82	21.54	1.81	19.26	0.47	0.12
1982	994.8	46.00	13.90	13.14	0.86	26.03	2.20	23.27	0.56	0.07
1983	1051.8	47.10	13.80	9.31	0.81	28.90	1.98	26.22	0.70	0.08
1984	1435.5	52.84	10.78	8.79	0.91	26.60	0.82	25.24	0.54	0.68
1985	1246.2	47.40	9.80	11.00	1.10	30.60	0.80	29.30	0.60	0.10
1986	1159.2	39.40	10.50	7.00	1.60	41.40	0.90	39.70	0.80	0.10
1987	1328.0	36.50	9.40	6.70	1.30	45.80	0.90	43.20	1.70	0.40
<u>Average</u>	<u>1077.08</u>	<u>52.18</u>	<u>14.32</u>	<u>9.33</u>	<u>2.01</u>	<u>23.87</u>	<u>1.59</u>	<u>21.72</u>	<u>0.58</u>	<u>0.79</u>

Source: UNCTAD - Hand Book of International Trade and Development Statistics  
(various issues)

Table-3.8

## Export Structure of Sri Lanka by Selected Commodity Group(in %): 1977-1987

Year	Cereals 04	Crude & mfd.fer-tilizers 271+56	Crude Petro- lium 331	Petroleum products 332	Medical & pharmaceu- tical pro- ducts 54	Textile Fibres yarn & clothing 26+65+84	Metal & metal manu- factures 67+68+69	Machinery		Trans- port- equipment 73
								Non Electrical 71	Elec- trical 72	
1977	0.48	0.00	0.00	0.38	0.01	4.30	0.03	0.08	0.03	0.07
1978	0.22	0.01	0.00	5.88	0.01	5.57	0.04	0.13	0.02	0.04
1979	0.18	0.00	0.01	9.68	0.02	9.40	0.05	0.13	0.01	0.11
1980	n.a	n.a.	n.a.	15.40	n.a.	12.90	0.10	0.20	0.10	0.20
1981	0.04	0.00	0.00	12.87	0.01	17.54	0.07	0.19	0.15	0.13
1982	0.02	0.69	0.00	13.14	0.03	18.94	0.11	0.23	0.22	0.11
1983	0.04	0.01	0.00	9.31	0.05	21.25	0.25	0.21	0.30	0.18
1984	0.03	0.00	0.00	8.79	0.02	22.23	0.19	0.27	0.13	0.15
1985	n.a.	n.a.	n.a.	9.00	n.a.	25.10	0.30	0.04	0.10	0.10
1986	n.a.	n.a.	n.a.	5.80	n.a.	31.50	0.40	0.05	0.10	0.10
1987	n.a.	n.a.	n.a.	4.90	n.a.	35.10	0.50	0.03	0.20	0.10
<u>Average</u>	<u>0.14</u>	<u>0.101</u>	<u>0.0014</u>	<u>8.65</u>	<u>0.021</u>	<u>18.53</u>	<u>0.185</u>	<u>0.207</u>	<u>0.123</u>	<u>0.117</u>

Source: UNCTAD - Hand Book of International Trade and Development Statistics( various issues)

Note: n.a. = not available

### Composition of Imports

Imports of a country depend on the developmental needs within the economy. Srilanka being a developing country depends to a large extent on external supplies of primary and manufactured goods. During the reference period of 1977 to 1987 imports of 52.5 percent (on average) were manufactured goods. And 46.7 percent of her imports (on average) during the same reference period were primary goods as shown in Table-3.9. A break-up of her imports structure at 1-digit SITC level has been depicted in Table-3.10. It shows that the "Machinery and transport equipments(SITC-7)" has the highest share of her imports (on average) being 24.5 percent. The imports of "Mineral fuels, lubricants, related materials(SITC-3)" have the Second highest average import share of 23.1 percent. The Third highest average import share is noted for the imports of "Food and live animals(SITC-0)". Its average import share is so high as 20.8 percent. "Manufactured goods classified by materials(SITC-6)" has shown the fourth highest average share of 19.4 percent. The other imports have comparatively small percentage shares. So it reflects the stages of economic and industrial developments within the period concerned. To confirm the proposition we may have an over-view on the UNCTAD estimates presented in Table-3.11 and Table-3.12.

From the Table-3.11 it is noticed that the highest 55.17 percent of Srilanka's imports (on average) from 1979 to

1987 were of "Manufactured goods". Of the manufactured goods "Machinery equipments" and "other manufactured goods" have almost the same average percentage shares of 23.36 percent and 23.22 percent respectively. "Fuel" constitutes the Second highest average percentage share of 21.47 percent in her total import structure during the period. The Third main is "All food" whose average percentage share was found as at 18.29 percent.

As regards her import structure by Selected Commodity group the following five commodity groups, viz., (i) "Crude Petroleum", (ii) "Textile fibres, yarn and clothing", (iii) "Non-electric machinery", (iv) "Transport equipment", and (v) "Cereals" are found most important importables. Their average percentage of shares from 1979 to 1987 were to the tune of 17.93 percent, 11.06 percent, 9.70 percent, 7.84 percent and 7.72 percent respectively. The other groups of imports have comparatively lower percentage shares.

Table-3.9

Srilanka's primary and Manufactured Goods Imports: 1977-1987

(in %)

<u>Year</u>	<u>Primary Goods</u> <u>Imports</u> (SITC: 0-4)	<u>Manufactured</u> <u>Goods Imports</u> (SITC: 5-8)
1977	66.4	32.4
1978	49.3	49.6
1979	43.3	55.8
1980	46.3	53.2
1981	46.4	53.2
1982	45.9	53.5
1983	43.0	56.5
1984	42.9	56.5
1985	44.2	55.3
1986	32.3	67.4
1987	54.0	44.2
<u>Average</u>	<u>46.7</u>	<u>52.5</u>

Source: UN Statistical Year Book for Asia and the  
Pacific - 1988 & 1991.

Table-3.10

Srilanka's Imports by SITC Sections(in %) : 1977 to 1987

SITC Code	Description	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	Av.
0 -	Food and live animals	39.0	29.2	22.7	20.0	18.9	12.2	16.4	14.0	19.0	16.8	20.5	20.8
1-	Beverages and Tobacco	0.3	0.3	0.2	0.2	0.2	0.3	0.3	0.4	0.3	0.4	1.1	0.4
2-	Crude materials, inedible, except fuel -	2.4	3.2	2.6	1.6	2.0	1.9	2.1	2.0	2.5	2.0	-	2.2
3-	Mineral fuels, lubricants, related materials	24.1	16.5	17.5	24.3	25.0	31.3	23.8	25.7	21.8	12.6	31.2	23.1
4-	Animal and Vegetable oils and fats.	0.6	0.1	0.3	0.2	0.3	0.2	0.4	0.8	0.6	0.5	1.2	0.5
5-	Chemicals	6.5	7.8	8.4	8.3	8.3	6.8	6.7	8.3	9.1	11.1	-	8.1
6-	Manufactured goods classified by materials	12.7	15.8	20.3	17.4	18.9	19.1	19.8	19.7	21.7	28.9	-	19.4
7-	Machinery and transport equipments.	12.0	23.8	24.8	24.9	22.7	23.7	26.2	24.3	20.6	22.6	44.2	24.5
8-	Miscellaneous manufactures articles-	1.2	2.2	2.3	2.6	3.3	3.9	3.8	4.2	3.9	4.8	-	3.2
9-	Misc. Transactions and commodities n.e.s.	1.3	0.9	0.7	0.3	0.4	0.3	0.3	0.4	0.4	0.1	1.6	0.6

Source: UN Statistical Year Book for Asia and the Pacific - 1988 & 1991.

Table-3.11

## Imports structure of Sri Lanka by Main Categories(in %) : 1977-1987

Year	Total value (million dollars)	All food (%)	Agricul- ture raw materials (%)	Fuel(%)	Ores & metals (%)	Mfgd. goods (%)	Of which			Unallocated (%)
							Chemical goods(%)	Other mfgd. goods(%)	Machinery equipt.(%)	
1977	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1978	n.a.	n. a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1979	1449.1	23.31	2.16	17.55	5.55	50.76	8.30	17.65	24.80	0.66
1980	2035.4	20.40	1.10	24.30	1.60	52.30	8.40	19.10	24.90	0.30
1981	1803.8	19.36	1.55	24.98	4.77	48.93	8.33	17.79	22.81	0.41
1982	1769.9	12.82	1.50	31.36	3.94	50.12	6.83	19.76	23.52	0.26
1983	1788.4	17.17	1.50	23.87	3.85	53.29	6.76	20.87	25.66	0.31
1984	n.a.	n.a.	n.a	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1985	1786.3	20.00	1.90	21.80	1.40	54.60	9.20	24.80	20.60	0.40
1986	1831.6	17.70	1.60	12.60	1.40	66.60	11.10	32.80	22.60	0.10
1987	2021.3	15.60	1.90	15.30	1.60	64.80	9.80	33.00	22.00	0.90
Average (8 yrs.)	1810.7	18.29	1.65	21.47	3.01	55.17	8.59	23.22	23.36	0.42

Note: n.a.= not available

Source: UNCTAD - Hand Book of International Trade and Development Statistics(Various issues)

Table-3.12

## Import structure of Sri Lanka by Selected Commodity Group (in percents): 1977-87

Year	Cereals (%)	Crude & mfgd. ferti- zers (%)	Crude petro- leum (%)	Petro- leum product (%)	Medical & Pharma- ceutical products (%)	Textile fabrics yarn & clothing (%)	Metal & metal manu- fac- tures (%)	Machinery		Transport equipments (%)
								non- electrical (%)	Electri- cal (%)	
1977	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1978	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1979	13.21	3.03	13.90	3.61	1.07	10.32	7.37	10.91	4.23	9.67
1980	9.60	4.10	21.70	2.50	0.70	6.90	6.70	11.10	4.70	9.10
1981	8.25	3.51	22.25	2.68	0.52	9.18	6.53	9.46	6.10	7.25
1982	5.59	1.60	27.59	3.59	0.94	9.02	6.23	9.21	6.57	7.74
1983	6.60	1.54	16.81	6.83	0.94	9.40	6.97	10.00	8.12	7.54
1984	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1985	8.50	3.10	19.30	2.30	1.20	10.90	6.30	8.10	5.20	7.30
1986	6.20	2.30	10.10	2.40	1.60	15.50	7.90	9.20	6.30	7.10
1987	3.80	2.20	11.80	3.40	1.40	17.30	6.60	9.60	5.40	7.00
Average (8 yrs)	7.72	2.67	17.93	3.41	1.05	11.06	6.82	9.70	5.83	7.84

Note: n.a. = not available

Source: UNCTAD - Hand Book of International Trade and Development Statistics (various issues)

Direction of Trade

Direction of Trade of a Country has two facets, first, the direction of imports from and second, the direction of exports to. In case of Srilanka the direction of her imports and exports in percentage terms for the period of 1977 to 1987 have been shown in Table-3.13. It shows that both the imports and exports were in the highest values with the ESCAP region. 50.2 percent of average imports and 23.7 percent of average exports were destined from and to the ESCAP region. Similarly, Western Europe was the Second important region for Srilanka's imports and exports during the same reference period. Average percentage share of Srilanka's imports from Western Europe and exports to the same were 21.3 percent and 22.9 percent respectively. The North & Central America have got the third important position for Srilanka's trade relations. It is noticed that only 8.6 percent average imports of Srilanka were from North & Central America. Whereas, 18.8 percent of her exports went to that region during the same period. Eastern Europe and USSR as the source of Srilanka's direction of trade have shows the lowest percentage shares in imports and exports. The most remarkable feature was that only 7.8 percent of imports(on average) were from SAARC region. Such shares for exports to SAARC region were only 6.4 percent during the period under consideration.

Table-3.13

Srilanka's Direction of Trade(in percent): 1977-1987.

A. Imports from:	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	Average
ESCAP -	50.3	44.4	51.5	41.0	47.5	54.1	59.8	45.5	52.1	52.7	52.8	50.2
SAARC -	10.9	10.2	12.7	6.5	5.2	5.2	7.3	7.0	6.4	7.9	6.7	7.8
North & Central America -	10.4	9.8	6.8	5.7	7.8	7.7	8.6	10.4	9.5	8.2	9.9	8.6
Western Europe	20.2	28.0	24.6	25.2	18.0	19.9	21.1	18.4	18.5	19.2	21.0	21.3
Estrn. Europe & USSR	4.2	4.9	2.7	1.2	.6	0.4	0.5	0.6	0.8	1.4	0.8	1.6
B. Exports to:												
ESCAP	34.9	30.5	25.8	23.3	26.3	23.8	21.0	17.7	19.3	19.3	18.8	23.7
SAARC	9.9	6.3	6.3	7.0	8.8	8.1	6.3	4.5	4.2	5.0	4.0	6.4
North & Central America	11.0	10.0	13.4	13.7	17.5	16.5	19.5	22.3	24.9	28.5	29.0	18.8
Western Europe	25.5	22.2	25.5	22.9	21.4	24.0	22.0	17.4	20.6	26.1	24.2	22.9
Eastern Europe & USSR	4.6	6.5	5.0	4.2	3.9	4.6	4.9	6.2	4.3	3.0	3.2	4.6

Source: UN Statistical Year Book for Asia and the Pacific: 1988 & 1991.

SUMMARY

The economy of Srilanka is quite weak and import dependent in the international market. Her exports as the percentage to world exports for the reference period 1977-1987 was only 0.06 percent on an average. This has made her a mere price-taker in the international trade transactions like most of other LDCs - who suffer from Severe price fluctuations for their export earnings and deteriorations in their terms of trade during the period under study.

She had negative trade balances from 1978 to 1987 except 1977 with a positive trade balance. The average adverse balances of trade for the 11 years stood at 12,117 million rupees. In dollar terms it is 570 million US dollars. Her exports to GDP on average during the period was 23.26 percent and share of such imports stood at 34.44 percent. Persistent deficits in her trade balances were due to the fact that her merchandise and invisible exports are always less than their corresponding imports. Her major primary and manufacture export items like Tea, rubber and coconut were 73.4 percent (on average) which lost its position in trading with the partner countries.

In direction of trade of Srilanka both imports and exports were in the highest values with the ESCAP region, the Western Europe was the Second and the North & Central America have got the third important position for her trade relations. The most remarkable features were that the share of imports and exports to SAARC region had shown a very low percentage.

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CHAPTER - IV

ETHNIC CONFLICT AND INDO-SRILANKA RELATIONS

The word "ethnos" - means nation from which the word ethnicity originates. However, it does not refer to as nation-hood. Ethnicity is defined as a collectivity of a distinct nature in terms of its race, descent and culture<sup>1</sup>. Urmila Phadnis defines ethnicity as a social Collectivity which possesses, and is aware of, its distinctiveness by virtue of certain shared historical experience as well as some objective attributes such as race, tribe, language, religion, dress, diet, etc. - a combination of which endows it with a differentiated character vis-a-vis other groups as they perceive it and it perceives them.<sup>2</sup>

Ethnic conflicts in Srilanka have a strong economic dimension. It is not that Sinhalese as a class are undifferentiated or for that matter the Tamilians are also differentiated on economic lines. Both have vertical as well as horizontal divisions and other communities have also do have such distinctions. Phodnis has formulated several significant questions for a better understanding of the ethnic problems. These are as follows:

- (i) In the multi-ethnic societies, why is it that ethnic demands and competition entail some groups and not others ?
- (ii) What are the conditions under which ethnicity of a particular group progressively become demanding and competitive?

- iii) Under what situation does an ethnic community assert its status as a 'nation' and what are the requirements for its success ?
- iv) What changes occur in the various components of ethnic groups and in its boundary delineation in the processes of groups-community nationality formation ?
- v. Under what conditions does ethnicity impede or/and facilitate the processes of state - building and state-centric nation-building ? And how ?<sup>3</sup>

Socio-political genesis of the Ethnic conflicts.

The bone of present ethnic conflicts is sharing of power and privileges between the literates and elites of Sinhalese and Tamils. The Sinhalese claim to have a link with the pre-colonial sinhalese - Kingdoms, hence their legitimacy for lions' share in the cake and a decisive hand in its distribution. Srilanka's Sinhalese face has become brightened since 1956. Religion and language have strengthened "Sinhalization" in Srilanka. The sinhalese claim that they are original Settlers and they were the ruling 'race' in the pre-colonial period. Since English was to replaced by Sinhala after independence. So was the case with regard to removal of the English-educated ruling elite by the sinhalese elites having their roots in Srilanka's cultural moorings.<sup>4</sup> Table-4.1 shows that the low country sinhalese were 43 percent in 1946 and it was 42.9 percent, 42.2 percent and 42.8 percent in 1953, 1963 and 1971 respectively. The Kandyan sinhalese were 26

percent in 1946 and it was 26.5 percent, 28.8 percent and 29.1 percent in 1953, 1963 and 1971 respectively. The percentage of Kandyan Sinhalese slightly increased after 25 years but the percentage of low country sinhalese did not increase. The percentage of Srilankan Tamils were 11 percent in 1946 and it was 10.9 percent, 11 percent and 11 percent in 1953, 1963 and 1971 respectively. The percentage of Srilankan Tamils were the same. But the percentage of Indian Tamils were 11.7 percent in 1946 and it was 12 percent, 10.6 percent and 9.4 percent in 1953, 1963 and 1971 respectively. The percentage of Indian Tamils slightly increased in 1953 but after that it decreased by 2.6 percent for the last 18 years. The percentage of Indian Moors and other communities decreased but the Srilankan Moors slightly increased.

"Srilanka is no doubt a masaic of ethnic, religious and social groups"<sup>5</sup>. The Ceylon Tamils saw in the prospect of Sinhala becoming the national language a threat to their culture, their identity and their economic status. It made them frightened. They were forced to demand recognition of Tamil as a national language too, whereas previously they had been content to have English as a 'link' language.<sup>6</sup>

Initially only 6 to 8 percent of Sinhalese were educated in English. Most of the jobs went to those who were educated in English. Once Mrs. Bandaranaike with a sense of satisfaction said that the 10 percent of the people could get 90 percent of jobs as they knew English and 90 percent of the

people had to content with 10 percent of jobs.<sup>7</sup> More than 90 percent of the Sinhalese did not understand their official language, viz, English. The Table-4.2 shows that 80.8 percent of the population of Srilanka spoke only one language. Little less than 60 percent spoke only sinhala, little more than 20 percent spoke only Tamil, 10 percent spoke both sinhala and Tamil and another little less than 10 percent spoke both either sinhalese and English or Tamil and English, or Sinhalese, Tamil and English.

Table-4.1

Population of Srilanka by Ethnic Groups, Census Years (in '000s and %)

<u>Ethnic Groups</u>	<u>1946</u>	<u>Percent</u>	<u>1953</u>	<u>Percents</u>	<u>1963</u>	<u>Percents</u>	<u>1971</u>	<u>Percents</u>
All Ethnic Groups-	6,657	100.00	8,098	100.00	10,582	100.00	12,711	100.0
Low Country Sinhalese-	2,903	43.0	3,470	42.9	4,470	42.2	5,446	42.8
Kandyan sinhalese	1,718	26.0	2,147	26.5	3,043	28.8	3,701	29.1
Srilankan Tamils-	734	11.0	885	10.9	1,165	11.0	1,416	11.0
Indian Tamils -	781	11.7	974	12.0	1,123	10.6	1,195	9.4
Srilankan Moors	374	5.6	464	5.7	627	5.9	824	6.5
Indian Moors	36	0.5	47	0.6	55	0.5	29	0.2
Burghers and Eurasians-	42	0.6	46	0.6	46	0.5	44	0.3
Malays -	43	0.4	25	0.3	33	0.3	42	0.3
Others (including Europeans and Veddhas)	49	0.6	40	0.5	20	0.2	14	0.1

Source: Sharma, K.L.: "Society and polity in Modern Srilanka", South Asian Publishers Pvt. Ltd., New Delhi, 1987, Table-3.1 (Source: Department of Census and Statistics, population of Srilanka, 1974 and Statistical Pocket Book, 1973, Colombo).

Table-4.2

Language spoken by Srilankan population  
(Three years of age and over - 1953)

Language/Languages spoken	Number in thousand	Percentage of Population
Sinhalese only -	4,290	59.0
Tamils only	1,570	21.6
English only -	14	0.2
Sinhalese and Tamils	719	9.8
Sinhalese and English-	308	4.2
Tamil and English	147	2.0
Sinhalese, Tamil and English -	234	3.2
	<u>7,282</u>	<u>100.0</u>

Source: Robert N.Kearney, Ibid. Kearney's Source is: Ceylon, Department of Census and Statistics, Census of Ceylon, 1953, Vol. III, Part I (Colombo: Government Press, 1960) Table-17

To sum up the above two tables show that the Sinhalese Community comprises nearly 70 percent of the total population of Srilanka. The Tamils both Srilankan and Indian are 22 percent of the total population and their language is Tamil and pursue Hinduism. The other minority communities are Muslims, Christians and Dutch. The majority Community of Srilanka are Buddhist and spoke sinhala. The present ethnic

conflict in Srilanka has its origin in the distrust between Sinhalese majority and Tamil minority, between Buddhist and Hindus, and between Sinhala speaking and Tamil speaking people in the society of Srilanka.

After the death of Mr.S.W.R.d.Bandarnaike, the Government of Mrs.Bandaranaike had taken an attempt to implement the "only sinhala policy" of 1956 in the administration of the government. the Buddhist and Sinhalese pressurised the government to declaration of 'Internal Emergency' and reduce the facilities to the Tamils. Thus for example, the percentage of Tamil students admitted to the medical and engineering courses fell from 48.3 percent of the total in 1969 to 24.4 percent in 1973, and to 14.2 percent in 1975. This led to considerable frustration and disappointment among Tamil Youth in Jaffna. They were among the various groups who put pressure on the Tamil leadership to opt for a separate Tamil state.<sup>8</sup> Land settlement has been also a burning issue in the ethnic conflicts in Srilanka.

Violence and Communal Unrest in Srilanka since 1960 have been largely due to the language tangle and Tamils were adversely affected by the policies and programmes of Sinhalese.

'Sir Ivor Jennings' had published 'The Constitution of Ceylon' in 1949. The following are the provisions in the constitution regarding the official language:

- (i) The official language of Srilanka shall be Sinhala as provided by the official language Act. No.33 of 1956.

(ii) The use of the Tamil language shall be in accordance with the Tamil Language (special provisions) Act, No.28 of 1958. The Legislation regarding the Tamil Language shall be subordinate as it would not be treated as a constitutional provision.

(iii) The National Language of Srilanka shall be Sinhala and Tamil.

(iv) All law shall be enacted or made in Sinhala .

(v) There shall be Tamil translation of every law so enacted or made.

(vi) The language of Courts and Tribunals and other institutions shall be Sinhala throughout Srilanka. However, in the Northern and Eastern Provinces and in proceedings before quazis under the Muslim marriage and Divorce Acts, Parties, applicants and persons can submit their pleadings, applications, motions and petitions in Tamil and also participate in proceedings in Tamil. A translation in Sinhala may be provided for official record. A person or applicant has a right to demand a document in any one of the two languages.<sup>9</sup>

As a result, the language problem became a major political issue of ethnic Conflicts. After the acceptance of Sinhalese as the official language the people of other languages were deprived and it made a wide gap between the elite and the masses of Srilanka.

Politics and Ethnic Conflicts:

It is evident that the present ethnic conflicts in Srilanka is entangled in Sinhalese - Tamil - Conflict. The United National Party (UNP) defeated the Srilanka Freedom Party (SLFP) in 1965 general election, and again the SLFP came to power in 1970 defeating its rival UNP. The Tamil Congress (TC), the Federal Party and Ceylon Workers Congress (CWC) were formed to struggle for the interests of Tamils. In May, 1973 a Tamil United Front Action Committee (TUFAC) under the Chairmanship of S.J.V. Chelvanayakam was formed with a Rising Sun Flag. The Committee called for a boycott of the celebration of Republic Day and decided to draft a constitution for a separate state.<sup>10</sup> Jupp observes that this was the most dangerous tactic of all.<sup>11</sup> The CWC and other Tamil politicians joined hands with the FP and the TC, and they formed the Tamil United Liberation Front (TULF) in 1975, which is spearheading the Tamil agitation in Srilanka at present. The TULF came out openly and unambiguously in support of a separate state for the Tamil speaking areas of the Northern and Eastern provinces. The leadership of TULF is in the hands of the educated unemployed Tamil youths. Few Tamils remained in two major political parties the UNP and the SLFP - while the chief Tamil political organisation, the TULF, campaigning for a separate state for the Tamils, obtaining a very large measure of support from the Tamils of the northern and north-eastern parts of the country at the general election of 1977.<sup>12</sup> The TULF emerged the leading opposition party in 1977 general election

and the UNP came to the power. The TULF fought the election on the issue of "Eelam". As a result, a communal riot followed the election in August 1977. Thousands of Tamils were killed, burning of houses and stores, looting of property and killing of Tamils were done on a large scale by the educated youth of Sinhalese with the help of Sinhalese policemen and their slogans were : 'Do not Loot but kill the Tamils'.

#### Demand for the Tamil Eelam

The TULF manifesto declared the 'Eelam' to be a 'Scientific Socialist State' free of exploitation. However, its full explication was not worked out. Private enterprise was allowed within certain lawful limits.<sup>13</sup>

The protagonist of Eelam observe: 'Eelam does not mean partition or separation; it means the restoration and restitution of the ancient Tamil Kingdom whose death-knell was struck by the Portuguese in 1621'.<sup>14</sup>

The TULF made a very strong demand for 'Eelam' first time in Voddukodai in May, 1976. The bitterness between Tamils and Sinhalese increased. The government officials were murdered allegedly by the "Tamil Liberation Tigers", (LTT-a youth wing of TULF). However, the TULF denied not only this charge, but also the existence of the 'Liberation Tiger'. In fact, TULF held the government responsible for all the killings. The elite from among the 'Jaffna Tamils' made the demand for the creation of 'Eelam'. However, the CWC and the plantation labour force have not supported the demand for 'Eelam'. The Muslims

also have not supported the demand. The government have been rather appreciative of the Muslim Community in Srilanka.<sup>15</sup>

Jayewardene became Prime Minister in 1977 before election of the President in 1978. The riots in 1977 were followed by another in 1981. In 1983, again communal riots took place. Since 1983 no ends seems to be in sight as guerrilla tactics have been almost a routine affairs on the part of the police and para-military forces as well as by the Tamil Tigers.<sup>16</sup>

The Ethnic Composition of Srilanka has been presented in Table-4.3. According to the Census of 1981 the percentage of Sinhalese are 74 percent. The percentage of Srilankan Tamils are 12.6 percent. After repatriation of maximum number of Indian Tamils, it reconstituted only 5.5 percent of the total population of Srilanka. The percentage of Moors are 27.1 percent. The Burghers, Malays and others are less than 1 percent of the total population of Srilanka.

The Table-4.4 represents the Religion in Srilanka from the Census report of 1981. The maximum number of Buddhists are Sinhalese and they speak in Sinhala language. Their percentage is 69.3 percent of total population of Srilanka. The percentage of Hindus are 15.5 percent including the Srilankan and Indian Tamils and they speaks in Tamil. The Muslims are 7.6 percent of the total population including the Ceylon moors, Tamil Muslim and Malays and they speak Tamil, English and Sinhalese. Only 7.5 percent of total population are Christians and they speak in English, Sinhalese and Tamils.

The distribution of Tamils according to the 1981 census is given below in Table-4.5. The Tamils of Srilanka calimed the Northern and Eastern provinces - Jaffna, Mannar, Vivuniya, Batticaloa, Mallaithivu and Trincomalee districts, majority of people are Tamil. The Jaffna, Mallaithivu and Batticoloa districts have the highest percentage of Tamils, such as 95.3 percent, 76 percent and 70.8 percent respectively. In the above six districts the Srilankan Tamils are not only in large numbers, but they are also numerically preponderant in many professions.

Table-4.3

Ethnic composition of Srilanka.

<u>Sl.No.</u>	<u>Community</u>	<u>Population</u> (in '000s)	<u>Percentage</u>
1.	Sinhalese	10,986	74.0
2.	Srilankan Tamils	1,872	12.6
3.	Indian Tamils	825	5.5
4.	Srilankan Moors	1,057	7.1
5.	Burghers	38	0.3
6.	Malays	43	0.3
7.	Others	29	0.2
Total:		<u>14,850</u>	<u>100.0</u>

Source: - Maheshwari, 8.8, India and Srilanka: Economic Relations; Agam Prakashan, Delhi, 1987  
p.158 (Census of Srilanka-1981)

Table-4.4

Religion in Srilanka(in percents)

<u>Sl.No.</u>	<u>Community and Religion</u>	<u>% of population</u>
1.	Buddhist (Sinhalese) -	69.3
2.	Hindus(Srilankan Tamils and Indian Tamils)-	15.5
3.	Muslims(Ceylon Moors, Tamil Muslims and Malays)-	7.6
4.	Christians(Srilankan Tamils, Sinhalese, Indian Tamils and Burghers)	7.5

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Source: Sharma, K.L. : "Society and Polity in Modern Srilanka", South Asian Publishers Pvt. Ltd., New Delhi, 1987, Table-7.5.

Table-4.5

Distribution of the Tamils in Srilanka

<u>District</u>	<u>Tamil population ( percent)</u>
Jaffna	95.3
Mannar	50.6
Vanuniya	56.8
Batticaloa	70.8
Mallaithivu	76.0
Trincomalee	33.8

Source: Sharma, K.L. : "Society and polity in Modern Srilanka", south Asian Publishers Pvt. Ltd. New Delhi, 1987, Tab-7.6

The Present Ethnic Violence and Indo-Srilanka Relations.

The four years bloody - Civil war started in May 1983 had devastated The Republic of Srilanka, causing atleast 6,000 casualties, costing some 15 billion Srilankan rupees( US \$ 500 million) annually and 8,000 prisoners are in prison.<sup>17</sup> The Tamils of India and the Tamils of Srilanka were close to each other due to their historical, cultural and geopolitical relations. So, the India's role in Srilanka's ethnic conflicts needs to be understood in this respect. India's External Affairs Minister P.V.Narasimha Rao was sent to Srilanka on July 29 to obtain information about the crisis by the Prime Minister Indira Gandhi. Mr.Narasimha Rao was visiting the island and informed his Prime Minister that the situation was serious and Srilankan government had failed to control the ethnic violence and sought military assistance from the United States, Britain, Pakistan and Bangladesh to meet the crisis. Gopalaswamy Parthasarathy, was a diplomat who plays a significant role during the early period as a mediator between the India, Srilanka and the TULF leader. Parthasarathy prepared a formula as a basis of talk between the Tamils and Sinhalese. Mr.Jayawardene rejected the formula and said that India has no role in settling the Tamil problem.<sup>18</sup> Mrs. Gandhi time and again strongly expressed her objection to Srilanka seeking any foreign help. Indo.Srilanka relations deteriorated as the Sinhalese leaders exhibited growing impatience with India.

The Srilanka charged India with harbouring Tamil 'terrorists' in Tamilnadu. Indira Gandhi's strategy appeared to be to use the militants 'to harass Colombo only to the extent of forcing it to reach an agreement acceptable to New Delhi.<sup>19</sup> Pakistan and Israel are the two countries that actively helped Srilanka in its fight against the Tamil militants.

After Rajiv Gandhi succeeded his mother as Prime Minister, Indo-Srilanka relations showed some improvement. 'Ramesh Bhandari' replaced G.Parthasarathy as the Prime Minister's special mediator. The Bhandary Mission succeeded in obtaining a peace package from Srilanka and a summit meeting had been arranged between Rajiv Gandhi and Jayewardene in June 1985 and produced some positive result. The new round of talks began in Thimpu, Bhutan, were held on July 8-17, with all the Tamil groups. At the same time Srilankan Security Forces had killed about 400 Tamil civilians and Jawewardene government was busy in procuring arms from foreign sources and expanding its army.<sup>20</sup> The Finance Minister informed Srilankan Parliament in June 1986 that the United States had cut down its annual aid package by half due to the effective Tamil lobby in Washington.<sup>21</sup>

The Indian Internal Security Minister P.Chidambram succeeded to a certain extent in accepting the Srilankan government for a provincial council in June 1986. These proposals did not seriously differ from the Parthasarathy's formula. The outright rejection of the Colombo proposals very

much annoyed the Indian government. But India tried to create a better climate for the forth-coming Rajiv-Jayewardene meeting at SAARC(South Asian Association for Regional Cooperation) Summit to be held in Bangalore on November 1986. The LTTE leader, Prabhakaran and his aid have agreed to the provincial council proposal if Jayewardene offered more concessions. At Bangalore Srilanka offered Prabhakaran the Chief Ministership of northern Jaffna province. Prabhakaran as well as the Tamil militants rejected it outright and the TULF leader, Amritalingam disputed the creation of a separate province for Sinhalese in Tricomalee.<sup>22</sup>

In the end of 1987, the Srilankan ethnic conflicts deteriorated. On January 1, 1987, the LTTE started to take over the civil administration in the north by its military control. Its plan to register motor vehicles, organise traffic police and open a Secretariate was seen by Colombo as unilateral declaration of Independence. The Srilankan government imposed a ban on supply of fuel and essential commodities to the Jaffna and take military action both in the north and east. About 200 civilians were killed in the east and more in the other northern towns.<sup>23</sup>

Srilanka refused the Rajiv demand to stop the military action against the Tamils; they also refused to lift the economic blockade of Jaffna. Once again Mr.Gandhi conveyed the LTTE position to Colombo and appealed lifting of Jaffna blockade. Jayewardene declared ten day cease fire on April 10, conditionally, "Jaffna must be recaptured", and the

Civilian Casualties "Can not be helped".<sup>24</sup> Jayewardene was determined to pursue the military campaign and said that his government had decided to fight the militants until "either they win or we win."<sup>25</sup> India condemned Srilanka on May 28 for heavy casualties of civilian and killing about 500 Tamils in Jaffna. The Indian Prime Minister once again warned Colombo "to desist from a military occupation of Jaffna".<sup>26</sup> On June 3, Colombo rejected the relief supplies of 19 fishing boats flying 'Red Cross Flag', Flotilla's entry into the Lankan territorial waters. India once again warned Srilanka and took a drastic action on June 4, five Indian Air Force planes entered Srilanka's air space escorted by Mirage 2000 Fighter jets and dropped relief supplies in/over Jaffna. However, Colombo ceased military operations and lifted the six-month old embargo.<sup>27</sup>

#### The Indo-Srilanka Peace Accord

On 29 July 1987, an Accord was signed in Colombo between Rajiv Gandhi of India and Junius Jayewardene of Srilanka embodying the following is the principal feature :-

- i. an immediate ceasefire to be effective within 48 hours after signing the agreement;
- ii. with surrender of arms by Tamil militants; and
- iii. withdrawal of the Srilankan army to its barracks within 72 hours of the ceasefire; and
- iv. combination of northern and the eastern provinces into single administrative unit ;  
with an elected provincial council ;

- v. one governor, one chief minister and one board of ministers;
- vi. a referendum to be held before December 1988 to decide whether northern province should be merged with the eastern province; and
- vii. election to be held under Indian observation before December 1987 to the northern and eastern provincial council.<sup>28</sup>

It should be noted that the agreement is only a bilateral one between India and Srilanka, the Tamils did not sign it.

On request by the Srilankan government to enforce the agreement to offer troops as well as arms and military training to Srilanka. By early 1988, more than 60,000 Indian peace keeping Force (IPKF) entered in Srilanka to collect arms from the militants and to maintain law and order.<sup>29</sup> However, the LTTE made only a token surrender to the IPKF. Prabhakaran complained that the July agreement fell far short of their political objective and continued to talk about 'Tamil Eelam'.<sup>30</sup> The undisciplined behaviour of the IPKF angered the Jaffna Tamils 'boys' and it had failed to protect Tamil lives from Sinhalese attacks. In the end, a significant percentage of Tamil people did not accept the terms of the agreement.<sup>31</sup> 'But within three months, the India's soldiers had changed from "garlanded heroes" to the hated tormentors of the Tamil. The soldiers swept through Jaffna peninsula in an operation against the tigers, which killed some 2,000

civilains, damaged 50,000 buildings, and sent 2,00,000 refugees searching for shelters.<sup>32</sup> The anti-Indian Sentiment can be understood from the Jaffna Tamils reinterpretation of the IPKF (Indian Peace Keeping Force) as 'Innocent people killing Force'. Not only the Tamils but also the Sinhalese were hanging black flags in protest at the accord.<sup>33</sup> After one year struggle the LTTE refused to accept the conditions laid down by the IPKF, so the prospects for implementing the agreement remained quite poor.

In the ultimate analysis, India's mediation neither succeeded in bringing a political settlement of Sinhalese - Tamil Conflicts, nor succeeded in bringing down the ethnic tensions. The 1987 Indo-Srilanka Agreement should be viewed only as a first step in direction towards a durable peace. The merits of the agreement once again reaffirmed India's role as the manager of South Asian Crisis.

SUMMARY

India and Srilanka have political, historical, cultural and religious links date back to the 3rd century B.C. The present ethnic conflicts have a strong economic dimension, share of power and privileges between the literates and elites of Sinhalese and Tamils. Religion and language have strengthened the problem.

The Sinhalese community nearly 70 percent and Tamils both Indian and Srilankan are 22 percent of the total population. The 10 percent of the people got 90 percent of the jobs, they knew english as their official language. The ethnic conflict has its origin in the distrust between Sinhalese majority and Tamil minority, between Buddhist and Hindus.

The Tamils were strongly opposed to the violence and communal riots since 1960. Sinhalese being accepted as the official language, the people of other language were deprived and it made a wide-gap between the elite and masses of Srilanka. The present ethnic conflict in Srilanka is entangled in Sinhalese - Tamil - Conflict.

The present bloody ethnic conflict which started in May 1983 causing an estimated annual cost of some US \$ 500 million per annum has some adverse effects on trade and economic development of Srilanka. This give rise to some extent of bitterness in Indo-Srilanka relations in the recent

years due to relevant significance of historical, cultural and geographical close relations of the Indian Tamils; with the Tamils in Srilanka. To help solve the problem, after a long and painstaking process of negotiations between the two governments of India and Srilanka, a 'Peace Accord' has been signed on July 29, 1987. The future events, however, would show the efficacy of the accord.

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CHAPTER VINDIA'S EXPORT TRADE WITH SRILANKA

A country generally exports, in normal course, those commodities in which she has comparative advantages in producing the same with the available factor endowments within the economy. Since exports are the sound source of foreign exchange to finance the imports of the reporting country and to meet the developmental needs in some particular years it requires proper planning as to what surplus exportables should be kept aside for a particular trading partner. To cope with the growing expectations of the people of India and Srilanka especially after their independence from British dominance after the Second World War, both the countries tried to develop a more diversified trade and economic structure through plannings. This gave rise to competitiveness, to a large extent mainly in their foreign trade sectors, of both the countries. So, India has to face competition with Srilanka in respect of her exports in tea, coffee, rubber and marine products, the main export items of Srilanka in her global trade relations. But since Srilanka is a least developed island country with geographic proximity and historic as well as cultural affinity with India she has to depend still now to large extent for the manufacture imports from the comparatively diversified economy of India.

A detailed investigation reveals the following :

India's exports to Srilanka a variety of products. There are two reasons. First, due to comparatively a diverse economy of India, she has a scope to offer a large variety of products to Srilanka; and Second, the economy of Srilanka is least developed and is highly dependent on imports.<sup>1</sup>

India's export share in Srilanka's total imports during 1977 to 1987 period has been shown in Table-5.1. It shows the highest percentage of 10.35 in 1979 placing India as the second largest exporter to Srilanka in the particular year.<sup>2</sup> But the position became dim in the next years. It became the lowest at 4.02 percent in 1982. if we consider the percentage share of Srilanka's imports in total exports of India during the same reference period the picture will become more gloomy. It shows the highest share at 1.95 percent in 1979, and the lowest at 0.65 percent in 1977 and also after a decade in 1987, as revealed in Table5.2.

Degree of India's exports share in Srilanka's total imports during two distinct periods has been shown in Table-5.3. Distinction of the periods, however, has been made as :-

- (i) pre-ethnic conflict period covering the years 1977-1982 and
- (ii) Ethnic conflict period covering the years 1983-1987. It shows that India's export volume to Srilanka has been declined to a considerable limit from an average of 6.36 percent during pre-ethnic conflict period to 4.99 percent during ethnic conflict period under review.

So, the ethnic conflict in Srilanka has an adverse impact on India's export trade with Srilanka.

Table-5.1

Share of India's Exports in total Imports of Srilanka(1977-1987

<u>Year</u>	<u>Share in percent</u>
1977	5.96
1978	8.96
1979	10.35
1980	4.75
1981	4.13
1982	4.02
1983	6.43
1984	6.04
1985	4.08
1986	4.33
1987	4.06

Source: IMF - Direction of Trade Statistics Year Book  
(various issues)

Table-5.2

Share of Srilanka's Imports in total Exports of India(1977-1987

<u>Year</u>	<u>Share in percent</u>
1977	0.65
1978	1.30
1979	1.95
1980	1.28
1981	0.94
1982	0.85
1983	1.18
1984	1.05
1985	0.74
1986	0.77
1987	0.65

Source: IMF Direction of Trade Statistics Year Book  
(various issues)

Table-5.3

Degree of India's Exports share in Srilanka's Total Imports  
during two distinct periods.

<u>Periods</u>	<u>Years covered</u>	<u>Average % of share of - India's Exports to total Imports of Srilanka.</u>
1.Pre-ethnic Conflict Period.	1977-1982	6.36
2.Ethnic Conflict period.	1983-1987	4.99

Source: IMF-Direction of Trade Statistics Year Book  
(various issues).

Composition to India's Exports to Srilanka

As regards India's primary and manufactures exports to Srilanka during the reference period it is revealed in Table-5.4 that 30.60 percent and 49.66 percent of total exports to Srilanka were informed of primary and manufactured goods. But though the manufactures have shown the highest percentage share on average, its compound growth rate was the lowest at 6.10 percent as against 11.25 percent for primary exports. Further, it is shown in the table that the manufactures were always in excess of primary exports throughout the period under review except in 1984 and 1985, in both value and percentage terms. It is also revealed that the primary exports were highest at 57.77 percent in 1984 and the lowest at 22.58 percent in 1977, values were being Rs.58.67 crores(I.C.) and Rs.8.79 crores(I.C.) respectively. On the other hand, manufactures exports to Srilanka for the same reference period have a highest percentage share of 77.34 percent in 1977 and the lowest at 42.20 percent in 1984, values were being Rs. 30.10 crores(I.C.) and Rs. 42.87 crores (I.C.) respectively.

It is shown from the above table when the manufactures exports attained the highest percentage, the primary exports were lowest percentage in 1977, but in 1984 the trend was opposite i.e. primary exports attained highest percentage and manufactures exports were lowest percentage. The co-relation exist between the primary and manufactures export of India to Srilanka during the period were positively moderate.

Table- 5.4

Primary and Manufactures Exports of India to Srilanka.

<u>Year</u>	<u>Primary Exports - RITC</u> <u>(0-4)(in Crores of Indian</u> <u>Rupees)</u>	<u>Manufactures Exports - RITC</u> <u>(5-8)in Crores of Indian</u> <u>Rupees)</u>
1977	8.79 (22.58)	30.10 (77.34)
1978	13.17 (24.33)	40.93 (75.61)
1979	30.70 (34.68)	57.79 (65.27)
1980	30.62 (33.35)	61.18 (66.62)
1981	23.89 (29.67)	56.57 (70.28)
1982	12.08 (23.35)	39.64 (76.60)
1983	32.30 (39.23)	50.05 (60.75)
1984	58.67 (57.77)	42.87 (42.20)
1985	68.91 (54.34)	57.88 (45.64)
1986	29.09 (36.12)	51.44 (63.86)
1987	28.40 (32.92)	57.80 (66.99)
a =	30.60 (35.30)	49.66 (64.65)
g=	11.25	6.10
r=	+0.45	

Note: i) Figure in the parenthesis reveal percentages to the total exports including RITC-9.  
 ii) a= Annual average.  
 iii) g= Annual Compound growth rate. (iv) r = Correlation.  
 Source: DGCI & S - Calcutta - Statistics of Foreign Trade of India by Countries - Vol.I-March(Various issues)

Composition of India's Exports by Aggregate 1-digit  
level Trade Classifications.

India's visible exports by 1-digit RITC sections have been presented in Table-5.5. It shows the following:-

(a) Export of "Food and live animals chiefly for food (RITC Section-0)".

This category of Indian exports to Srilanka attained the second largest position at average percentage of 28.74 percent for the period under review. It's lowest value was found at Rs.6.84 Crores(I.C) in 1982 and the highest value at Rs.59.55 Crores (I.C) in 1985.

(b) Export of "Beverages and Tobacco "(RITC Section-1)" :  
India's exports of Beverages and Tobacco to Srilanka were in negligible amounts. Average being 0.20 percent.

(c) Export of "Crude Materials, inedible, except fuels(RITC Section-2)" :

Crude materials exports of India to Srilanka have attained fifth position in volume over years. It's percentage share on average was 5.78 percent.

(d) Exports of "Mineral fuels, Lubricants and related materials (RITC Section-3)":

This type of exports were found very negligible in terms of value over years.

(e) Exports of "Animal and Vegetable oils, fats and waxes (RITC Section-4)":

This category of export have the lowest negligible figures with 0.02 percent on average.

(f) Exports of "chemical and related products, n.e.s., -(RITC Section-5)":

Chemical exports of India to Srilanka have been found one of the major exports categories. It attained the fourth largest position on the export list showing average share of 8.68 percent. From a minimum of Rs.2.89 Crores(I.C) in 1977, it reached progressively to the highest at Rs.11.85 Crores(I.C) in 1987, the percentage were being 7.42 percent and 13.73 percent respectively.

(g) Exports of "Manufactured goods classified chiefly by materials-(RITC Section-6)":

This is one of the most important export category of India to Srilanka having third largest position with average share of 20.45 percent. The range of its exports values were Rs.8.49 crores(I.C) to Rs.21.08 Crores(I.C) for the period 1977 to 1987.

(h) Export of "Machinery and Transport equipments-(RITC Section 7)":

Indian exports of machinery - and Transport equipment to Srilanka have got the first position on export list with average share of 33.46 percent, average value being Rs.25.96 Crores(I.C).

Its values varied between Rs.13.53 Crores(I.C) to Rs.36.02 Crores(I.C) for the reference period.

(i) Exports of "Miscellaneous manufactured articles - (RITC-Section-8)":

Miscellaneous manufactured exports to Srilanka have one of the lowest shares of 2.06 percent over years.

(j) Export of "Commodities and Transactions not classified elsewhere in the SITC (RITC-Section-9)":

Exports of such items were always below the level of Crore of Indian rupees and hence negligible.

Table-5.5

India's Visible Exports to Srilanka by RITC Sections  
(Value in Crores of Indian Rupees)

RITC/Yr.	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	Average
0	7.80 (20.04)	11.19 (20.67)	29.95 (33.83)	23.44 (25.53)	16.29 (20.24)	6.84 (13.22)	28.78 (34.94)	49.00 (48.24)	59.55 (46.96)	21.56 (26.77)	22.20 (25.73)	25.15 - (2) (28.74)
1	.24 (0.62)	.25 (0.46)	.02 (0.02)	- -	.01 (0.01)	- -	.01 (0.01)	- -	.23 (0.18)	.16 (0.20)	.05 (0.06)	.12 (0.20)
2	.74 (1.90)	1.11 (2.05)	.72 (0.81)	2.08 (2.27)	7.56 (9.39)	5.22 (10.09)	3.34 (4.06)	9.67 (9.52)	9.12 (7.19)	7.36 (9.14)	6.14 (7.11)	4.83 - (5) (5.78)
3	- (-)	.61 1.13	.01 (0.01)	5.08 (5.53)	.01 (0.01)	.01 (0.02)	.17 (0.21)	- -	- -	- -	- -	0.98 (1.15)
4	.01 (0.02)	.01 (0.02)	.01 (0.01)	.02 (0.02)	.02 (0.02)	.01 (0.02)	.01 (0.01)	.01 (0.01)	.01 (0.01)	.01 (0.01)	.02 (0.02)	0.01 (0.02)
5	2.89 (7.42)	4.14 (7.65)	5.30 (5.99)	5.09 (5.54)	5.05 (6.27)	6.48 (12.52)	7.63 (9.26)	7.38 (7.26)	7.72 (6.09)	11.04 (13.71)	11.85 (13.73)	6.78 - (4) (8.68)
6	13.10 (33.65)	13.75 (25.40)	18.67 (21.08)	21.08 (22.96)	13.93 (17.31)	12.32 (23.81)	8.49 (10.31)	13.01 (12.81)	17.05 (13.45)	18.39 (22.83)	18.44 (21.37)	15.29 - (3) (20.45)
7	13.53 (34.75)	22.16 (40.94)	32.35 (36.53)	34.03 (37.06)	36.02 (44.75)	19.25 (37.20)	31.53 (38.27)	20.57 (20.25)	31.27 (24.66)	19.91 (24.72)	24.96 (28.92)	25.96 - (1) (33.46)
8	0.59 (1.52)	.88 (1.62)	1.48 (1.67)	.98 (1.06)	1.57 (1.95)	1.59 (3.07)	2.40 (2.91)	1.91 (1.88)	1.83 (1.44)	2.09 (2.60)	2.56 (2.97)	1.63 (2.06)
9	.03 (0.08)	.03 (0.06)	.04 (0.05)	.03 (0.03)	.04 (0.05)	.03 (0.05)	.02 (0.02)	.03 (0.03)	.02 (0.02)	.02 (0.02)	.08 (0.09)	.03 (0.05)
Total:	38.93	54.13	88.55	91.83	80.50	51.75	82.38	101.58	126.80	80.54	86.30	80.78

Note: Figures in the Parenthesis reveal the percentages to total.

Source: DGCI & S Calcutta - Statistics of Foreign Trade of India by Countries - Vol.I(various issues).

Composition of India's Exports by Disaggregate  
2-Digit level Trade Classifications.

To have an analytic view on the composition of Indian exports to Srilanka at disaggregate level have been presented in the subsequent tables.

(i) Table-5.6 shows India's exports to Srilanka by main categories under RITC Section-0 :

"Sugar, Sugar preparation and honey", "Coffee, Tea, Cocos, spices and manufactures thereof", "Vegetables and fruits", "Fish, Crustaceans and molasses and preparation thereof", "Cereal and cereal preparations", "Feeding staff for animals", are the first six important main categories of Indian exports to Srilanka with average export values of Rs.1,146.08 lakhs(I.C), Rs.496.77 lakhs(I.C), Rs.493.82 lakhs(I.C), Rs.366.99 lakhs(I.C), Rs. 112.73 lakhs(I.C) and Rs. 110.40 lakhs(I.C) respectively. Other main categories have shown lower values.

(ii) Table-5.7 shows India's exports to Srilanka by main categories under RITC Section 11: :

Here only two main categories have been found on the export list. The most important category is "Tobacco and Tobacco manufactures", with an average value of Rs.12 lakhs(I.C).

(iii) Table-5.8 shows India's exports to Srilanka by main categories under RITC Section- 2 :

"Textile fibres" and "Crude animal and vegetable

materials", were the main two categories of Indian exports to Srilanka during the period with average values of Rs.277.02 lakhs(I.C) and Rs.181.78 lakhs(I.C) respectively. Other important items under this section were "Crude fertilizers and crude minerals", "metalliferous ores and metal scrap", and "Oil-seeds and oleaginous fruits".

(iv) Table-5.9 shows India's exports to Srilanka by main categories under RITC Section-3 :

Under this section, only two main categories of Indian exports were found visible, viz, "petroleum, petroleum products and related materials and "Coal, Coke and briquettes with average values of Rs.89.08 lakhs(I.C) and Rs.27.63 lakhs(I.C) respectively.

(v) Table-5.10 shows India's exports to Srilanka by main categories under RITC Section-4 :

Only three main categories of Indian exports have been found under this section with very negligible amounts. Among this "fixed vegetable oils and fats" are the only important category having average value of Rs.0.89 lakhs(I.C).

(vi) Table-5.11 shows India's exports to Srilanka by main categories under RITC Section-5 :

"Medical and Pharmaceutical Products" under this section have shown the highest export values for India to Srilanka, value being Rs.448.95 lakhs(I.C). The next important

categories are "Inorganic Chemicals" "Dying, Tanning and Colouring materials", "Artificial resins, plastic materials and cellulose, esters and ethers" and "Chemical materials and products, n.e.s.", having average exports values of Rs.86.45 lakhs(I.C), Rs.54.52 lakhs(I.C), Rs.48.09 lakhs(I.C) and Rs.32.33 lakhs(I.C) respectively.

(vii) Table-5.12 shows India's exports to Srilanka by main categories under RITC Section-6 :

Under this section, the first four most important exports categories to Srilanka from India were "Textile yarn, fabrics, made up articles, n.e.s., and related products", "Manufactures of metals n.e.s.", "Iron and Steel" , and "Non-ferrous metals", having average exports values of Rs. 656.47 lakhs(I.C), Rs. 291.19 lakhs(I.C), Rs. 133.40 lakhs (I.C) and Rs.128.88 lakhs(I.C) respectively. Other categories of exports under this section have shown very small values.

(viii) Table-5.13 shows India's exports to Srilanka by main categories under RITC Section-7 :

"Road vehicles" exports of India to Srilanka have been attained the highest values under the section. From the lowest Rs.470.15 lakhs(I.C.) in 1978 it reached to the apex at Rs.2,119.48 lakhs (I.C), in 1980, average being Rs.1,396.18 lakhs(I.C) for the reference period. In descending order the other five main categories with higher values were of "Machinery

specialised for particular industry" (average Rs.403.18 lakhs), "Electrical machinery, apparatus and appliances n.e.s. and electric parts thereof" (average Rs. 260.68 lakhs), "power generating machinery and equipment" (average Rs.197.37 lakhs) and "general industrial machinery and equipment n.e.s., and machine parts n.e.s., (average Rs.183.67 lakhs).

(ix) Table-5.14 shows India's exports to Srilanka by main categories under RITC Section-8 :

Under this section, the most important category of exports of India to Srilanka was "Miscellaneous manufactured articles n.e.s.", with average value of Rs.83.03 lakhs (I.C). Other important items with lesser values were "Photographic apparatus, equipments and supplies and optical goods n.e.s., watches and clocks", - "Professional, Scientific and Controlling instruments and apparatus n.e.s., "Sanitary, plumbing, heating and lighting fixture and fittings n.e.s.", "outer garments - men's and boys' of Textile fabrics".

Table-5.6

## India's Exports to Srilanka by main Categories under RITC Section: - 0

(Value in the lakh of Indian rupees)

Commodity Description	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	Average
Live animals chiefly for food	.16	.19	-	-	-	-	-	.35	-	-	-	0.23
Meat and meat preparations	.11	-	.10	.21	16.00	3.81	-	.16	-	-	-	3.40
Dairy products and birds eggs	9.57	9.50	11.44	4.13	14.11	-	.02	-	11.44	43.58	14.91	13.19
Fish, crustaceans & molasses and preparation thereof	112.77	262.59	210.43	128.62	128.72	28.57	227.09	618.69	1026.37	703.29	589.71	366.99 - 4
Cereal and cereal preparations-	26.51	13.51	249.36	198.22	102.96	104.87	169.56	116.66	100.54	54.90	102.99	112.73 - 5
Vegetable and fruits	20.94	71.26	199.59	305.38	303.83	207.47	289.54	391.27	1754.05	1098.08	790.57	493.82 - 3
Sugar, sugar preparations and honey	571.48	402.26	1842.23	2341.64	789.97	.18	1196.25	3314.67	995.94	-	6.22	1146.08 - 1
Coffee, Tea, Cocos, Spices and manufactures thereof	29.67	331.98	454.61	346.19	190.84	199.27	904.52	494.36	1733.85	605.87	173.30	496.77 - 2
Feeding stuff for animals (not including unmilled cereal)	8.21	19.00	6.84	14.30	73.44	81.01	84.95	159.62	323.49	87.83	355.69	110.40
Miscellaneous edible products and preparations-	.68	9.54	20.43	5.40	9.31	8.83	6.30	6.07	9.75	2.54	6.27	7.74

Source : DGCI &amp; S - Calcutta - Statistics of Foreign Trade of India by countries - Vol. I (Various issues)

Table-5.7India's Exports to Srilanka by main Categories under RITC Section : 1(Value in the lakh of Indian rupees)

<u>Commodity Description</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Av.</u>
Berverages -	-	.92	1.75	-	-	-	.61	-	-	-	.78	1.02
Tobacco and Tobacco manufactures	24.34	13.98	-	-	1.34	.09	-	-	24.19	15.81	4.25	12.00

Source: DGC I &amp; S - Calcutta - Statistics of Foreign Trade of India by Countries - Vol.I.

(various issues)

Table-5.8

India's Exports to Srilanka by main Categories under RITC Section:-2  
(Value in the lakh of Indian rupees)

<u>Commodity Description.</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Average</u>
Oilseeds and oleaginous fruits	.45	.46	1.60	.38	1.33	.27	.46	.66	13.98	10.70	.77	2.82
Erude rubber(including synthetic and reclaimed).	.16	.54	.43	.25	-	-	-	.08	-	.42	.08	0.28
Cork and wood -	1.52	1.05	.85	.32	-	-	.02	-	-	.05	-	0.64
Textile fibres(other than wool tops) and their wastes -	.18	-	.10	85.45	632.24	342.30	210.68	652.64	426.95	160.48	259.13	277.02
Crude fertilisers and crude minerals(excluding coal, petroleum and precise stone	9.73	13.28	14.68	31.18	38.67	45.40	16.70	20.27	52.84	20.80	36.20	27.25
Metalliferous ores and metal scrap	.54	.16	.07	-	.14	-	.08	.05	-	203.42	.09	25.57
Crude animal and vegetable materials n.e.s. -	61.86	100.38	54.03	90.81	83.56	134.02	105.74	293.00	417.75	340.47	317.97	181.78

Source: OGCI & S - Calcutta - Statistics of Foreign Trade of India by Countries-Vol.I(various issues).

Table-5.9India's Exports to Srilanka by main Categories under RITC Section:-3

(value in the lakh of Indian rupees)

<u>Commodity Description</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Average</u>
Coal, coke and briquettes	-	37.81	-	-	-	-	17.47	-	-	-	-	27.63
Petroleum, Petroleum products and related materials -	.07	23.20	.96	508.09	.91	1.23	-	-	-	-	-	89.08

Source: DGCI &amp; S - Calcutta - Statistics of Foreign Trade of India by countries - vol.I( various issues)

Table-5.10

India's Exports to Srilanka by main Categories under RITC Section:- 4  
(Value in the lakh of Indian Rupees)

<u>Commodity Description</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Avera</u>
<u>Animal oils and fats -</u>	-	-	-	.01	-	-	-	-	-	-	.06	0.03
Fixed vegetable oils												
fats	.65	1.40	.99	1.7	.93	.44	.72	.55	.42	.88	1.65	0.89
Animal and vegetable oils and fats, processed and waxes and animal or vegetable origin-	-	-	.36	.35	1.05	.58	.27	.40	1.06	.42	.05	0.50

Source: OGC I & S - Calcutta - Statistics of Foreign Trade of India by countries- Vol.I( various issues).

Table-5.11

India's Exports to Srilanka by main Categories under RITC Section-5

<u>Commodity Description</u>	<u>(Value in the lakh of Indian rupees)</u>											
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Average</u>
Organic Chemicals	60.61	4.28	9.39	16.90	10.53	18.96	14.56	20.88	10.74	9.34	32.01	18.93
Inorganic Chemicals	-	68.34	87.23	65.04	71.54	132.49	80.19	109.44	77.97	73.20	99.10	86.45
Dying, Tanning and Colouring materials	17.70	75.23	59.78	56.44	50.40	43.77	59.47	35.71	46.07	74.26	80.85	54.52
Medicinal and Pharmaceutical products -	151.26	162.73	282.41	264.08	267.12	367.21	557.06	527.22	589.27	901.58	868.55	448.95
Essential oils and perfumed materials, Toilet polishing, cleansing preparation -	2.62	2.41	3.08	8.53	5.73	8.38	5.55	5.96	9.33	14.91	37.22	9.43
Fertilizers manufactured	-	.02	-	-	.18	-	-	-	-	-	.03	0.08
Explosive and Pyrotechnique products -	-	11.47	18.58	11.68	6.49	.05	1.22	.27	-	1.68	.03	5.72
Artificial resins, plastic materials and cellulose esters & ethers.	29.51	56.89	39.00	47.05	51.11	32.93	9.95	9.85	11.09	11.48	37.09	48.09
Chemical materials & products n.e.s.	26.95	32.65	30.34	38.95	41.60	44.48	35.21	29.77	27.96	17.90	29.79	32.33

Source: DGCI & S - Calcutta-Statistics of Foreign Trade of India By Countries-Vol.I(various issues).

Table-5.12

India's Exports to Srilanka by main Categories under RITC Section-6  
(Value in the lakh of Indian rupees)

<u>Commodity Description</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Average</u>
Leather, leather manufactures n.e.s. and dressed furskins-	10.09	.31	2.02	1.51	11.49	3.17	44.19	82.72	53.49	7.12	72.85	26.27
Rubber manufactures n.e.s.	13.49	31.28	56.84	26.38	25.33	21.03	12.79	27.21	26.86	36.52	103.13	34.62
Cork and wood manufactures(excluding furnitures -	14.80	82.89	76.58	43.62	170.75	93.19	4.50	13.88	6.99	.88	1.58	46.33
Paper, paper board and articles of paper pulp of paper, or of Paper board.	43.57	55.92	73.93	11.91	13.49	7.84	4.59	4.37	5.81	4.37	3.03	20.80
Textile yarn fabrics made up articles n.e.s. and related products	674.66	469.14	702.62	361.82	526.90	444.41	223.81	325.39	1073.61	1309.76	1109.09	656.47
Non-metallic minerals manufactures n.e.s.	73.38	71.42	97.03	145.14	123.92	102.92	89.62	69.53	51.68	88.54	112.29	93.22
Iron & Steel	292.16	290.43	255.30	83.99	115.18	32.93	96.07	42.57	87.49	83.02	88.22	133.40
Non-Ferrous metals-	54.24	190.54	74.12	160.44	79.97	272.99	65.21	70.69	117.86	109.28	222.39	128.88
Manufactures of metals n.e.s.	90.73	186.42	528.67	273.80	326.22	253.78	308.11	664.65	284.67	154.79	131.06	291.19

Source: DGCI & S - Calcutta-Statistics of Foreign Trade of India by Countries - Vol.I( various issues).

Table-5.13

## India's Exports to Srilanka By main Categories under RITC Section-7

(Value in the lakh of Indian rupees)

Commodity Description	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	Average
Power generating machinery & equipments -	339.43	172.00	185.24	206.00	229.32	252.22	167.25	188.03	127.54	147.28	156.81	197.37
Machinery specialised for particular industries -	138.31	133.72	299.81	299.05	456.24	325.69	446.07	237.73	1299.06	399.24	400.11	403.18
Metal working machinery	875.00	38.16	178.97	137.89	129.42	98.22	115.74	73.17	37.18	37.99	60.50	162.02
General industrial machinery & equipment n.e.s. and machine parts n.e.s.	-	127.29	253.51	180.56	217.80	193.79	185.33	242.08	216.38	134.47	85.50	183.67
Office machine and automatic data processing equipment.	-	4.16	13.66	18.11	16.50	12.82	4.20	5.96	10.29	15.17	6.50	10.74
Telecommunication and sound recording apparatus and equipment.	-	2.71	12.69	47.00	66.26	5.15	11.46	2.35	6.30	5.30	5.35	16.46
Electrical machinery, apparatus & appliances n.e.s. and electric parts thereof (including non elec. counter parts n.e.s. of elec. house hold type equipments).	-	172.10	358.88	321.84	334.25	160.72	521.39	309.44	242.98	102.55	82.61	260.68
Road vehicles (including air cushion vehicles)-	-	470.15	1926.45	2119.48	1926.05	859.17	1690.02	989.61	1174.65	1133.90	1672.36	1396.18
Other Transport equipment	-	95.30	5.24	73.33	228.04	17.41	11.61	18.84	12.22	15.00	23.10	50.01

Source: DGCI &amp; S - Calcutta-Statistics &amp; Foreign Trade of India by countries-Vol.I(various issues)

Table-5.14

## India's Exports to Srilanka By main Categories under RITC Section-8

(Value in the lakh of Indian rupees)

<u>Commodity Description</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Average</u>
Sanitary, plumbing, heating and lighting fixture and fittings n.e.s.	3.44	7.22	5.51	9.90	26.11	19.78	16.02	11.09	27.09	44.02	32.35	18.32
Furniture and parts thereof	.13	2.05	4.97	2.16	3.86	1.26	1.50	1.81	1.13	.17	.56	1.78
Travel goods, handbags and similar containers.	.68	.28	1.21	.09	.87	.08	1.45	.89	.74	.45	.16	0.63
Outer garments men's and boys' of textile fabrics (other than knitted or crochated goods)	14.18	4.55	9.34	10.79	6.22	7.88	7.08	23.03	21.17	22.18	17.55	13.09
Foot ware -	2.76	.40	.09	.12	-	.33	1.64	.72	.72	1.56	.25	0.86
Professional, Scientific and controlling instruments and apparatus n.e.s.	-	18.44	11.80	9.15	16.17	13.89	14.67	16.27	16.90	12.66	53.23	18.32
Photographic apparatus, equipment and supplies and optical goods n.e.s. watches and clocks -	-	13.09	8.55	20.61	46.00	42.51	46.27	46.99	26.69	17.12	35.50	30.33
Misc. manufactured articles n.e.s.	19.59	50.73	106.97	44.91	59.13	73.20	151.53	90.78	88.45	111.19	116.86	83.03

Source: DGCI &amp; S - Calcutta-Statistics of Foreign Trade of India by Countries - Vol.I(various issues)

Commodity Intensity of India's Export Trade with  
Srilanka( 1977-1987).

To compute India's commodity Intensity of export trade with Srilanka we have used the following formula.<sup>3</sup>

$$\frac{X_{ij}^h}{X_{ij}} \quad / \quad \frac{M_j^h}{M_j}$$

Where,  $X_{ij}^h$  = India's exports of particular commodities by SITC Section to Srilanka.

$X_{ij}$  = India's total exports to Srilanka.

$M_j^h$  = Srilanka's imports of particular commodity by SITC Section from all sources of supply

$M_j$  = Srilanka's Total imports.

Such indices are expected to reveal the extent to which India's exports had met the pattern of Srilanka's import demand.

Commodity Intensity indices of India's export Trade with Srilanka have been presented in Table-5.15.

It shows average indices at 1-digit SITC Section for the first five commodity groups indicating higher export potentialities as :

(i) Crude materials, inedible, except fuel (SITC-2).

(ii) Food and live animals (SITC:-0)

(iii) Machinery and Transport equipment (SITC: -7)

(iv) Manufactured goods classified by material (SITC:-6)

(v) Chemicals (SITC:-5).

It follows from the above investigations that the composition of India's export to Srilanka is good. India was able to meet the requirements of Srilanka's imports for the above five selected categories having higher commodity intensity except 'machinery and transport equipment'. India could meet the demand for machinery and transport equipment partially.

After the formation of SAARC, India has a surplus trade balances with the SAARC countries except Pakistan. Srilanka's important four trading partners of SAARC countries are India, Pakistan, Bangladesh and Maldives. Srilanka has consistent trade deficit with India during the entire reference period. But she has a surplus trade balance with other three countries. While she has overall trade deficit with the SAARC countries.

Table-5.15

## Commodity Intensity of India's Export Trade with Srilanka(1977-1987)

SITC Section	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	Average	Potentiality Rank
0	0.51	0.71	1.49	1.28	1.07	1.08	2.13	3.45	2.47	1.59	1.26	1.55	2
1	2.07	1.53	0.10	-	0.05	-	0.03	-	0.06	0.50	0.05	0.55	7
2	0.80	0.64	0.31	1.42	4.70	5.31	1.93	4.76	2.88	4.57	-	2.73	1
3	-	0.07	-	0.23	-	-	0.01	-	-	-	-	0.10	9
4	0.03	0.20	0.03	0.10	0.07	0.10	0.03	0.01	0.02	0.02	0.02	0.06	10
5	1.14	0.98	0.71	0.67	0.76	1.84	1.38	0.87	0.67	1.24	-	1.03	5
6	2.65	1.61	1.04	1.32	0.92	1.25	0.52	0.65	0.62	0.79	-	1.14	4
7	2.90	1.72	1.47	1.49	1.97	1.57	1.46	0.83	1.20	1.09	0.65	1.49	3
8	1.27	0.74	0.73	0.41	0.59	0.79	0.77	0.45	0.37	0.54	-	0.67	6
9	0.06	0.07	0.07	0.10	0.13	0.17	0.07	0.08	0.05	0.20	0.06	0.10	8

Sources: (i) OGCI & S - Calcutta - Statistics of the Foreign Trade of India by Countries, Vol.I(various issues)

(ii)UN Statistical Year Book for Asia and the Pacific (various issues).

SUMMARY

India has to face competition with Srilanka in respect of her exports in tea, coffee, rubber and marine products, the main export items of Srilanka in her global trade relations. But since Srilanka is a least developed country with geographic proximity and historic as well as cultural affinity with India she has to depend still now for the manufacture imports from the comparatively diversified economy of India.

India's exports to Srilanka's total imports were 10.35 percent placing India as the Second largest exporter in 1979. But the position declined in the next years. The ethnic conflict has an adverse impact on India's export trade with Srilanka. It declined to a considerable limit from an average of 6.36 percent during pre-ethnic to 4.99 percent during ethnic conflict period. Srilanka's imports in the total exports of India during the reference period the picture is more gloomy.

When India's primary export to Srilanka is stagnant at about 35.30 percent, exports of manufactures stood at 64.65 percent on average. India exports a variety of commodities to Srilanka of which the following five categories have shown higher export potentialities for Srilanka.

Those are: (i) Crude materials, inedible, except fule (SITC:2); (ii) Food and live animals(SITC: 0); (iii) Machinery and Transport equipment(SITC: 7); (iv) Manufactured goods classified by materials(SITC: 6); (v) Chemicals(SITC : 5).

Notes and References:-

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2. Ibid. - p.73.
3. Reza, Sadrel - Bangladesh: The Pattern of Bilateral Trade,  
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Publishers Private Ltd., New Delhi, 1987).
4. I.C. - Stands for Indian Currency.

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"INDIA'S IMPORT TRADE WITH SRILANKA"

India's imports from Srilanka started rising from 1977 due to trade-liberalisation in Srilanka and Tariff concessions given under the Bangkok Agreement of 1976<sup>1</sup>.

The extent of India's imports from Srilanka, however, is constrained by the low imports demand of the exportables available in Srilanka. Share of India's imports in total exports of Srilanka increased from 0.17 percent in 1977 to 3.30 percent in 1980. Then it has shown a continuous decreasing trend upto 1985. Such decrease was sharp from 1984 when the share stood at only 0.87 percent. In 1986, it has shown a slight increase but in 1987 it has reached to the lowest ebb at 0.46 percent as revealed in Table-6.1.

Conversely, share of Srilanka's exports in total imports of India during the reference period 1977 to 1987 has shown a very pitiable picture in Table-6.2. It is evident from the table that Srilanka's exports to India as percentage of India's total imports are always below the level of Unity. Its miserable position has been noticed from 1984.

The degree of Srilanka's exports share in India's total imports during pre-ethnic conflict period (1977-1982) and ethnic conflict period (1983-1987) has been depicted in Table-6.3. It shows a sharp decline in Srilanka's exports to India, i.e., India's imports from Srilanka as percentage of India's total imports from 0.14 percent to 0.07 percent on

average during ethnic conflict period as compared to pre-ethnic conflict period. So, the ongoing ethnic conflict in Srilanka has had an adverse effect on Indo-Srilankā Trade flows.

Table-6.1

Share of India's imports in total Exports of Srilanka(1977-1987

<u>Year</u>	<u>Share in percents.</u>
1977	0.17
1978	0.81
1979	1.28
1980	3.30
1981	2.93
1982	2.05
1983	2.63
1984	0.87
1985	0.49
1986	1.01
1987	0.46

Source: IMF - Direction of Trade Statistics Year Book  
(Various issues)

Table-6.2

Share of Srilanka's Exports in total Imports of India(1977-1987

<u>Year</u>	<u>Share in percents</u>
1977	0.02
1978	0.09
1979	0.13
1980	0.27
1981	0.18
1982	0.13
1983	0.17
1984	0.07
1985	0.04
1986	0.06
1987	0.03

Source: IMF - Direction of Trade Statistics Year Book  
(various issues)

Table-6.3

Degree of Srilanka's Exports share in India's total  
Imports during two distinct periods.

<u>Periods</u>	<u>Years covered</u>	<u>Av. percentage share of Srilanka's Exports to total Imports of India</u>
1. Pre-Ethnic conflict Period.	1977-1982	0.14
2. Ethnic Conflict Period	1983-1987	0.07

Source.: IMF - Direction of Trade Statistics Year Book  
(various issues)

COMPOSITION OF INDIA'S IMPORTS FROM SRILANKA

Since Srilanka is a primary producing country, India's primary imports from her have a lion's share of 88.20 percent (on average) for the reference period of 1977 to 1987 as revealed in Table-6.4. Such primary imports were the highest at 98.49 percent in 1979 and the lowest at 66.15 percent in 1987, values were being Rs. 3.92 crores (I.C.) and Rs. 6.75 crores(I.C.) respectively. On the other hand, India's manufactures imports from Srilanka for the same reference period have a percentage share of 11.25 percent (on average). Manufactures imports which were the lowest at 1.51 percent in 1979 and reached to the highest percentage share at 33.36 percent in 1987. Throughout the period the average annual growth rate for primary and manufactures-imports into India from Srilanka stood at 37.68 percent and 21.48 percent respectively. The correlation established between the two as moderate degree at +0.50.

Table-6.4

Primary and Manufactures imports of India from Srilanka.

<u>Year.</u>	<u>Primary imports - RITC</u> <u>(0-4) (in crores of</u> <u>Indian Rupees)</u>	<u>Manufactures imports RITC</u> <u>(5-8) (in crores of Indian</u> <u>Rupees)</u>
1977	0.20 (83.33)	0.04 (16.67)
1978	2.17 (95.60)	0.10 (4.40)
1979	3.92 (98.49)	0.07 (1.51)
1980	4.65 (86.30)	0.75 (13.70)
1981	10.82 (94.91)	0.56 (5.00)
1982	10.99 (95.57)	0.50 (4.26)
1983	11.65 (87.60)	1.64 (12.32)
1984	29.05 (92.49)	2.30 (7.32)
1985	8.16 (86.35)	0.82 (8.78)
1986	6.73 (83.40)	1.34 (16.48)
1987	6.75 (66.15)	3.40 (33.36)
a =	8.64 (88.20)	1.05 (11.25)
g =	37.68	21.48
r =	0.50	

Note: i) Figure in the parenthesis reveal percentages to total imports including RITC-9

ii) a = Annual average,

iii) r = Correlation

iv) g = Annual compound growth rate.

Source: DGCI & S - Calcutta-Statistics of Foreign Trade of India By Countries-Vol.II; March(Various issues).

COMPOSTION OF INDIA'S IMPORTS BY AGGREGATE(1-DIGIT LEVEL)  
TRADE CLASSIFICATIONS.

India's imports from Srilanka were of very limited variety of commodities with small values. Out of which "Food and live animals chiefly for food (RITC Section-0)" and "Crude materials, - inedible, except fuels (RITC Section-2)" are the two main commodity groups whose import values(on average) have shown a rise to some crores of Indian rupees. Other commodity groups have exhibited import values less than the levels of crore of Indian rupees, on average by RITC 1-digit level. Some of them have so small values to show on the Table-6.5, and hence neglected.

a) Import of "Food and live animals - chiefly for food (RITC Section-0)" :

This category of Indian imports from Srilanka have so high proportion to total imports as 55.60 percent on average. It was the lowest at 4.17 percent (Value being Rs. 0.01 crore I.C.) in 1977 and the highest at 93.33 percent (value being Rs. 10.64 crores - I.C.) in 1981.

b) Import of "Crude materials, inedible, except fuels (RITC Section-2)" :

This kind of Indian imports from Srilanka have the second largest percentage share (on average) at 25.75 percent for the same reference period. In value terms it was the highest at Rs.3.78 Crs.I.C.(percentage being 46.84) in 1986 and the lowest at Rs.0.10 crores I.C.(percentage being 1.85) in 1980.

c) Imports of "Animal and vegetable oils, fats and waxes(RITC Section-4)" :

Indian imports of this type of commodities from Srilanka were the highest at 48.90 percent of total imports in 1978 and the lowest at 0.11 percent in 1985 by registering 12.54 percent on average for the reference period. In 1977, 1981, 1982, 1986 and in 1987 imports of such commodities failed to attain the level of crore of Indian rupees.

d) Import of "Chemical and related products(RITC Section-5)":

Only 3.14 percent(on average) of this category of goods were imported into India from Srilanka for the same period. It has reached to the level of crore of Indian rupees of the value of -1.20 crore with percentage share of 11.74 percent.

e) Import of "Manufactured goods - classified chiefly by materials(RITC Section-6)":

Of the total imports of India from Srilanka this category of imports consitituted only 5 percent on average over years. It was highest at 11.45 percent (value being Rs.1.17 crore I.C.) in 1987.

f) Import of "Machinery and transport equipment(RITC Section-7)":

Only 3.32 percent (on average) has been imported of such items from Srilanka during the reference period. Throughout the period imports of such items were always below the level of crore of Indian rupees.

g) Import of "Miscellaneous manufactured articles (RITC Section-8)".

India imported from Srilanka only 1.59 percent of this category of goods (on average) with negligible values.

Table-6.5

India's Visible Imports from Srilanka by RITC Sections  
(Value in the crores of Indian rupees)

<u>RITC/Year</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Average</u>
0	.01 (4.17)	.84 (37.00)	.80 (20.10)	4.51 (83.52)	10.64 (93.33)	8.75 (76.09)	7.24 (54.40)	24.91 (79.31)	6.79 (71.85)	2.95 (36.56)	5.67 (55.48)	6.65 (55.62)
1	-	-	-	-	-	-	-	-	-	-	-	-
2.	.19 (79.16)	.22 (9.70)	2.86 (71.87)	.10 (1.85)	.18 (1.59)	2.24 (19.48)	2.60 (19.53)	2.55 (8.12)	1.36 (14.39)	3.78 (46.84)	1.09 (10.67)	1.56 (25.75)
3.	-	-	-	-	-	-	-	-	-	-	-	-
4.	-	1.11 (48.90)	.26 (6.53)	.05 (.93)	-	-	1.82 (13.67)	1.59 (5.06)	.01 (.11)	-	-	0.81 (12.54)
5.	-	.05 (2.20)	.04 (1.00)	.08 (1.48)	.20 (1.75)	.09 (0.78)	.23 (1.73)	.79 (2.52)	.15 (1.59)	.53 (6.57)	1.20 (11.74)	.34 (3.14)
6.	-	-	-	.21 (3.89)	.25 (2.19)	.13 (1.13)	.38 (2.86)	1.26 (4.01)	.62 (6.56)	.64 (7.93)	1.17 (11.45)	0.58 (5.00)
7.	.03 (12.50)	.02 (.88)	.02 (.50)	.18 (3.33)	.08 (.70)	.08 (.70)	.71 (5.33)	.23 (.73)	.04 (.42)	.14 (1.73)	.99 (9.68)	0.23 (3.32)
8.	.01 (4.17)	.03 (1.32)	-	.27 (5.00)	.04 (.35)	.19 (1.65)	.32 (2.40)	.02 (0.06)	.02 (.21)	.02 (.25)	.05 (.49)	0.10 (1.59)
9.	-	-	-	-	.01 (.09)	.02 (.17)	.01 (.08)	.06 (.19)	.46 (4.87)	.01 (.12)	.05 (.49)	0.09 (0.86)
	<u>.24</u>	<u>2.27</u>	<u>3.98</u>	<u>5.40</u>	<u>11.40</u>	<u>11.50</u>	<u>13.31</u>	<u>31.41</u>	<u>9.45</u>	<u>8.07</u>	<u>10.22</u>	

Note: Figures in parenthesis reveal the percentages to total.

Source: DGCI & S - Calcutta - Statistics of Foreign Trade of India By Countries - Vol.II (various issues)

COMPOSITION OF INDIA'S IMPORTS BY DISAGGREGATE  
(2-DIGIT LEVEL) TRADE CLASSIFICATIONS.

Analytic view on the composition of India's imports from Srilanka at disaggregate level has been presented in the subsequent tables.

i) Table-6.6 shows India's imports from Srilanka by main categories under RITC Section-0 :

"Coffee, Tea, Cocos, Spices and manufactures thereof", "Vegetable and fruits", "Dairy products and birds eggs" and "Fish, crustaceans and molasses and preparation thereof", are the main categories of Indian imports from Srilanka with average import values of Rs. 602.37 lakhs (I.C), Rs. 74.70 lakhs(I.C), Rs. 1.73 lakhs(I.C) and Rs. 0:03 lakh (I.C) respectively.

ii) Table-6.7 shows India's imports from Srilanka by main categories under RITC Section - 2 :

"Crude rubber (including Synthetic and reclaimed)", "Crude fertilizer and Crude minerals (excluding coal, petroleum and precise stones)", Metaliferrous ores and metal scrape", "Hides, skins and furskins raw" and "Crude animal and vegetable materials n.e.s.", were the main five categories of India's imports from Srilanka during the reference period with average values of Rs.149.02 lakhs(I.C), Rs. 20.16 lakhs(I.C), Rs.12.13 lakhs(I.C), Rs. 10.09 lakhs(I.C) and Rs. 9.83 lakhs (I.C) respectively. Other important items under this section were -

"Textile fibres(other than wool tops) and their wastes(not manufactured into yarn of fabrics)," pulp and waste papers", and oilseeds and oleaginous fruits".

iii) Table-6.8 shows India's imports from Srilanka by main categories under RITC Section-4:

Here only two main categories have been found on the import list, viz. "Fixed vegetable oils and fats, " and "Animal and vegetable oils and fats", with average values of Rs.75.72 lakhs(I.C.) and Rs. 30.18 lakhs(I.C) respectively.

iv) Table-6.9 shows India's imports from Srilanka by main categories under RITC Section-5 :

"Inorganic chemicals", under this section have shown the highest values for India from Srilanka with - average import of Rs. 20.19 lakhs(I.C).

The second largest value under this section was "organic chemicals", value being Rs. 14.23 lakhs (I.C). The next important categories were "Artificial resines and plastic materials and cellulose, esters and ethers", essential oils and perfume materials, toilet polishing and cleansing preparation", "Medicinal and pharmaceutical products", "Chemical materials and products n.e.s. and "Dying, tanning and colouring materials", having average import values of Rs. 7.79 lakhs(I.C), Rs. 4.06 lakhs (I.C), Rs. 1.16 lakhs(I.C), Rs. 1.09 lakhs(I.C) and Rs.

0.99 lakhs(I.C) respectively.

v) Table-6.10 shows India's imports from Srilanka by main categories under RITC Section-6 :

Under this section, the first five imports categories to India from Srilanka were "Non metallic minerals manufactures n.e.s.", "Iron and Steel", "Non Ferrous metals", "Textile yarn fabrics, made up articles, n.e.s. and related products" and "Manufactures of metals n.e.s.", having average imports values of Rs. 19.22 lakhs(I.C), Rs. 16.83 lakhs(I.C), Rs. 10.46 lakhs (I.C), Rs. 9.25 lakhs(I.C) and Rs. 8.12 lakhs (I.C) respectively. Other categories of imports under this section has shown very small values.

vi) Table-6.11 shows India's imports from Srilanka by main categories under RITC Section-7:

"Other transport equipments", and "Electrical machinery apparatus and appliances n.e.s. and electric parts thereof(including non-electric counter parts n.e.s.) of electric household typed equipments", "Machinery specialised for particular industries", "Telecommunication and sound recording apparatus and equipments" and "General industrial machinery and equipments n.e.s. and machine parts n.e.s., having average imports values of Rs. 9.45 lakhs(I.C) , Rs. 8.28 lakhs(I.C), Rs. 4.25 lakhs(I.C), Rs. s3.59 lakhs(I.C) and dRs. 3.13 lakhs(I.C) respectively. Other catetories of imports values under this section have shown the amount less than the levels of a lakh of Indian rupees.

vii) Table-6.12 shows India's imports from Srilanka by main categories under RITC Section-8:

Under this section the most important categories of imports of India from Srilanka were "Professional, Scientific and controlling instruments and apparatus n.e.s." and "Miscellaneous manufactured articles n.e.s." with average values of Rs. 6.33 lakhs (I.C) and Rs. 3.44 lakhs(I.C) respectively. Other items with smaller values were "Photographic apparatus, equipments and supplies, and optical goods n.e.s., watches and clocks", "outer garments men's and boy's of textile fabrics".

Table-6.6

India's imports from Srilanka by main Categories under RITC Section-0  
(Value in lakh of Indian rupees)

<u>Commodity Description</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Average</u>
Dairy products and birds eggs	-	-	-	-	-	-	-	-	1.73	-	-	1.73
Fish, crustaceans and molasses and preparation thereof :	-	.01	.04	-	-	-	-	-	-	-	-	.03
Vegetable and fruits	-	-	20.13	53.17	1.22	11.22	.81	404.26	165.24	12.28	3.98	74.70
Coffee, Tea, Cocos, spices and manufactures thereof:	.96	73.27	60.00	397.59	1062.89	863.75	723.33	2086.32	512.48	282.83	562.69	602.37

Source: DGI & S - Calcutta - Statistics of Foreign Trade of India by Countries, Vol. II (various issues)

Table-6.7

## India's Imports from Srilanka by main categories under RITC Section-2

(Value in the lakh of Indian rupees)

Commodity Description	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	Average
Hides, skins and furskins raw	1.90	3.45	0.29	0.95	0.83	-	-	11.10	13.51	38.04	20.77	10.09
Oilseeds and oleaginous fruits -	-	1.50	-	-	-	-	-	-	-	-	-	1.50
Crude rubber(including synthetic and reclaimed)	-	-	277.64	0.50	-	201.07	192.08	149.78	60.14	276.79	34.18	149.02
Pulp and waste papers	-	-	-	-	5.19	2.93	0.92	-	-	0.37	-	2.35
Textile fibres(other than wool taps) and their wastes (not manufactured into yarn of fabrics).	-	-	-	-	5.36	-	1.27	-	-	1.55	-	2.73
Crude fertilizers and crude minerals(excluding coal, petroleum, and precise stones)	17.11	14.88	7.72	8.10	4.28	0.72	37.58	72.26	23.39	11.96	23.76	20.16
Metalliferous ores and metal scrap -	-	1.27	-	0.01	2.06	17.73	24.89	14.62	21.27	4.86	22.44	12.13
Crude animals and vegetable materials, m.c.s.	-	0.47	0.36	0.48	-	1.27	-	7.24	17.16	44.24	7.41	9.83

Source: DGC I &amp; S - Calcutta - Statistics of Foreign Trade of India by countries, Vol. II (various issues)

Table-6.8India's Imports from Srilanka By main categories under RITC Section-4(Value in the lakh of Indian rupees)

<u>Commodity Description</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Average</u>
<u>Fixed vegetable oils and fats -</u>	-	111.47	26.28	4.68	-	-	181.96	129.17	0.75	-	-	75.72
Animal and vegetable oils and fats -	-	-	-	-	-	-	-	30.18	-	-	-	30.18

Source: DGCI & S -Calcutta- Statistics of Foreign Trade of India By Countries - Vol.II(Various issues)

Table-6.9

## India's Imports from Srilanka By main categories under RITC Section-5

(Value in the lakh of Indian rupees)

Commodity Description	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	Average
Organic Chemicals	0.02	-	-	2.09	14.77	-	0.84	0.17	7.98	0.80	87.19	14.13
Inorganic Chemicals	-	-	-	-	-	3.84	7.54	70.50	-	-	1.76	20.91
Dying, tanning and colouring materials	-	-	0.14	-	-	-	2.23	1.37	0.20	-	-	0.99
Medicinal & Pharmaceutical Products	-	-	0.20	-	-	-	1.19	0.21	-	2.71	1.50	1.16
Essential oil and perfume materials - toilet, polishing, and cleansing preparations	0.38	4.01	2.69	6.00	4.65	5.26	3.22	4.66	4.33	3.40	6.04	4.06
Artificial resins and plastic materials and cellulose, esters and others -	-	0.92	0.74	0.13	0.05	0.26	5.87	2.14	1.08	45.28	23.24	7.97
Chemical materials and products n.e.s.-	-	-	-	-	0.04	-	1.83	-	1.27	1.21	-	1.09

Source: DGCI &amp; S-Calcutta Statistics of Foreign Trade of India by Countries; Vol. II (Various issues)

Table-6.10

India's Imports from Srilanka by Main Categories under RITC Section-6  
(Value in the lakh of Indian rupees)

<u>Commodity Description</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Average</u>
Leather, leather manufactures n.e.s. and dressed furskins-	0.06	-	-	-	-	-	-	1.22	0.77	-	1.26	0.83
Rubber manufactures n.e.s.	-	-	-	-	0.31	7.09	1.48	5.79	3.29	1.01	0.09	2.72
Paper, paper board, and articles of paper, pulp of paper or of paper board.	-	-	-	0.02	1.00	0.07	5.13	0.02	1.82	1.46	0.08	1.20
Textile yarn fabrics made up articles n.e.s. and related products -	-	-	-	-	-	0.08	-	-	18.42	-	-	9.25
Non-metallic minerals manufactures. n.e.s.-	-	-	0.01	-	-	2.75	9.87	66.86	21.11	15.36	18.60	19.22
Iron & Steel -	-	-	-	-	-	2.56	18.31	39.59	-	-	6.85	16.83
Non-ferrous metal -	-	-	-	20.24	19.11	-	2.34	0.13	-	-	-	10.46
Manufactures of metals, n.e.s.-	0.04	-	0.10	0.08	4.17	0.62	1.23	12.40	16.19	46.37	0.01	8.12

Source: DCCI & S - Calcutta-Statistics of Foreign Trade of India by Countries - Vol.II (Various issues)

Table-6.11

India's Imports from Srilanka by main categories under RITC Section-7  
(Value in the lakh of Indian rupees)

<u>Commodity Description</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Average</u>
Power generating machinery and equipment-	0.35	-	-	-	0.09	-	0.39	-	0.24	-	-	0.27
Machinery specialised for particular industries-	1.61	0.01	-	10.10	-	0.62	3.02	0.20	2.88	8.00	11.85	4.25
Metal working machinery	0.91	-	-	-	-	0.80	0.04	-	-	-	-	0.58
General Industrial Machinery and equipments. n.e.s. and machine parts u.e.s.	-	0.16	1.34	5.44	6.83	5.41	3.59	1.01	0.34	4.29	2.92	3.13
Office machine and automatic data processing equipments-	-	1.58	-	-	-	-	-	0.07	-	0.10	-	0.58
Telecommunication and sound recording apparatus and equipments -	-	-	0.06	-	0.04	-	10.67	-	-	-	-	3.59
Electric machinery apparatus and appliances n.e.s. and elec. parts thereof (including non-elec. counter parts n.e.s. of elec. household type equipments)	-	-	0.23	0.10	0.11	0.98	52.25	4.45	-	1.62	6.47	8.28
Road vehicles (including air cushion vehicles)-	-	-	-	0.26	0.27	0.14	0.21	-	0.06	0.27	3.42	0.66
Other transport equipments-	-	0.26	0.54	2.37	0.95	0.25	0.81	14.61	0.68	0.05	74.00	9.45

Source: DGCI & S-Calcutta-Statistics of Foreign Trade of India By Countries - Vol.II(Various issues)

Table-6.12

India's Imports from Srilanka By main Categories under RITC Section-8(Value in lakh of Indian rupees)

<u>Commodity Description</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Average</u>
Outer garments mens and boys		-	-	-	-	-	0.01	-	-	-	-	0.01
Professional scientific and controlling instruments and apparatus n.e.s.	-	-	-	22.22	-	0.05	14.78	0.27	0.41	-	0.55	6.33
Photographic apparatus, equipments and supplies and optical goods n.e.s watches and clocks-	-	2.70	0.24	1.27	3.68	5.69	3.21	0.75	0.66	0.26	0.64	1.91
Miscellaneous manufactured articles, n.e.s.-	0.4	0.31	0.03	3.71	0.16	13.66	13.71	0.72	0.59	1.09	3.77	3.44

Source: DGCI &amp; S-Calcutta-Statistics of Foreign Trade of India By Countries vol.II(Various issues)

COMMODITY INTENSITY OF INDIA'S IMPORT TRADE WITH SRILANKA

To "estimate commodity intensity of India's import trade with Srilanka", indices of Srilanka's commodity intensity of export trade with India have been calculated by using the same formula as used in Chapter V of this thesis. Symbolically the formula is: 2

$$\frac{X_{ij}^h}{X_{ij}} / \frac{M_{ij}^h}{M_j}$$

Where,  $X_{ij}^h$  = Srilanka's exports of particular commodity by SITC Section to India(i.e. India's imports of particular commodity by SITC Section from Srilanka).

$X_{ij}$  = Srilanka's total exports to India(i.e. India's total imports from Srilanka).

$M_{ij}^h$  = India's imports to particular commodity by SITC Section from all sources of supply.

$M_j$  = India's total imports.

Such indices, however, are expected to reveal the extent to which Srilanka's exports had met the pattern of India's import trade.

With the available data for the years 1980 to 1986, the commodity intensity indices of India's import trade with Srilanka has been depicted in Table-6.13. It shows the highest average values at 16.52 for (i) "Food and live animals(SITC:-0)" indicating highest potentialities of 1-digit level, similarly,

the other commodity groups with higher average values and greater potentialities would be the following :

- ii) Miscellaneous transactions and commodities, n.e.s.(SITC-9)
- iii) Crude materials, inedible, except fuel(SITC-2)
- iv) Animal and vegetable oils and fat-(SITC-4)
- v) Miscellaneous manufactures articles(SITC-8).

But since the SITC-9 comprises mainly the adjustment items, India's actual import potentiality lies in the commodity groups under category SITC-2, SITC-4 and SITC-8.

It follows from the above investigations that the composition of India's imports from Srilanka is very small, only three agricultural products of Srilanka, Viz. tea, rubber and coconut, have found their prime importance in her global export trade.<sup>3</sup>

And India is a stiff competitor in the international export market in trading with these items of export interest of Srilanka. India is also competing with Srilanka in their global exports in marine products.<sup>4</sup>

Moreover, most of the Indian joint ventures(JVs) operating in Srilanka are confined in the manufacturing sector and due to the competitive character of these two neighbour economies the output of such JVs got little scope of sale in Indian market.<sup>5</sup>

The low level of imports into India from Srilanka warrant a close investigation into the potential areas of India's imports from that country and to establish joint ventures with buy-back policies in some selected industries having import demand in India. This is all the more important to

bridge the wide gap of Indo Srilanka merchandise trade over years. It is more so, particularly after the formation of SAARC to strengthen the economic cooperation in the South Asia Region to help solve the basic problems of poverty, inequility illiteracy and the like of the people of the region.<sup>6</sup>

Table-6.13

Commodity Intensity of India's Imports Trade with Srilanka(1977-1987)

<u>SITC</u> <u>Sections</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Ave</u> <u>rage</u>	<u>Poten-</u> <u>tiality</u> <u>Rank</u>
0	n.a.	n a	n.a.	27.56	18.41	16.98	8.28	18.53	16.07	9.80	n.a.	16.52	1
1	"	"	"	-	-	-	-	-	-	-	-	-	
2	"	"	"	0.41	0.25	3.50	3.24	1.84	1.88	5.80	-	2.33	3
3	"	"	"	-	-	-	-	-	-	-	-	-	
4	"	"	"	0.16	-	-	2.71	0.86	0.03	-	-	0.94	4
5	"	"	"	0.14	0.18	0.11	0.19	0.18	0.11	0.50	-	0.20	7
6	"	"	"	0.22	0.11	0.06	0.14	0.23	0.34	0.37	-	0.21	6
7	"	"	"	0.23	0.05	0.04	0.27	0.04	0.02	0.06	-	0.10	8
8	"	"	"	2.96	0.19	0.81	0.98	0.03	0.08	0.07	-	0.73	5
9	"	"	"	-	3.00	5.67	2.00	3.80	18.79	0.27	-	5.59	2

Source: DGC I & S - Calcutta-Statistics of Foreign Trade of India By Countries - Vol.II, and U.N.Statistical Year Book for Asian and Pacific (various issues).

Note: n.a. = not available .

SUMMARY

India's imports from Srilanka were very low. After the Bangkok Agreement of 1976, India's imports from Srilanka started rising. India's imports in total exports of Srilanka increased from 0.17 percent in 1977 to 3.30 in 1980, then it was continuously declining upto 1987 except in 1986 during the reference period of 1977 to 1987. In terms of Srilanka's exports in total imports of India it was always below the level of Unity. India's imports from Srilanka as percentage of India's total imports were decline from 0.14 percent to 0.07 percent on an average during ethnic conflict period as compared to pre-ethnic conflict period. So, the ethnic codnflct has an adverse effect on Indo-Srilanka trade.

Srilanka has very limited capacity to offer goods of exportables to India. In fact, the importables are easily traceable from the import list of India from Srilanka. The composition of primary and manufactured goods imports into India from Srilanka was 88.20 percent and 11.25 percent respectively.

The following five categories of goods imports of India from Srilanka have shown higher commodity intensities:

- (i) Food and live animals(SITC-0);
- (ii) Miscellaneous transactions and commodities n.e.s.(SITC:9);
- (iii) Crude materials; inedible, except fuel(SITC-2);
- (iv) Animal and vegetable oils and fats(SITC-4);
- (v) Miscellaneous manufactures articles(SITC - 8).

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## CHAPTER- VII

### INDO-SRILANKA TRADE POTENTIALITIES

Trade Potentialities of two countries depend on the ability of each country that could meet their reciprocal import requirements. So, Indo-Srilanka trade potentialities depend on India's Export capacity to meet Srilanka's import requirements, and on the reverse, Srilanka's export capacity to meet India's import demand. This reciprocal export capacity to meet each others' import demand would have some positive bearing on their future trade prospects<sup>1</sup>.

Commodity intensity indices of export and import trade is designed to reveal the extent to which a given country's exports to a particular country meet the latter's import demand.<sup>2</sup>

Five Categories of Indian exportables and Srilankan exportables (at SITC-1 digit level) have already been identified. Discussions with those export potentialities with projections have been made in the following pages.

#### India's Export Potential to Srilanka

To compare India's exports to and Srilanka's imports from the world Table-7.1 and Table-7.2 have been constructed to present values of the five selected categories having higher potentialities in India's exports to Srilanka.

Table-7.1 shows the exports of five selected categories from India to the world during 1980 to 1986 at 7,400.25 million US

dollars on average ; in which 'Manufactured goods classified by materials(SITC-6)' constituted the highest percentage at 43.28 percent. "Food and live animals(SITC-0)" stood second position at 29.96 percent. The other most potential exports were of "Crude materials, inedible except fuel(SITC-2)", average percentage being 12.92 percent. shares of other selected categories are "Machinery and Transport equipment (SITC-7)", 8.67 percent and - "Chemicals (SITC-5)", 5.17 percent.

On the other hand, Srilanka's imports of five selected categories from world were 869.06 million US dollars on average for the periods 1977 to 1987 as shown in table 7.2. "Machinery and transport equipment(SITC-7)" have shown the highest potentialities of Srilanka's imports from world, average percentage being 43.35 percent. The second highest import potentialities have been shown the "Manufactured goods classified by materials (SITC-6)" with average percentage share of 36.89 percent. Chronologically, the other potential imports were of "Chemicals(SITC-5)", Crude materials inedible, except fuel (SITC-2)", and "Food and live animals(SITC-0)" with average percentage shares of 15.20 percent, 3.97 percent and 0.59 percent respectively.

It is found from the above two tables that India's exports values of those five selected categories are always above the import values of Srilanka for the same. So, it stands that India was in a position to meet all requirements of Srilanka's imports of those five selected categories except "Machinery and Transport Equipment." This is so because the higher export values

for machinery does not alone determine India's export capacity to meet 100% import need of Srilanka for that particular category<sup>3</sup>. India could, however, meet the import needs of Srilanka for "Machinery and transport equipment" partially.

On the basis of the above two tables, Table-7.3 has been prepared to show India's potential exports and Srilanka's potential imports of those five selected categories<sup>4</sup> and their projections upto the end of this century. Projections are, however, made with the help of straight line Equation by using the Method of least square.

It is visualised from table-7.3 that India's exports as well as Srilanka's imports of those five selected categories would be the value of 6,208.1 and 1,331.8 million US dollars in 1995, if the present trend prevails. At the end of this century these values would be 6,551.6 million US dollars Indian exports - and 1,526.8 million US dollars for Srilanka's imports will constitute mostly 23.3 percent of India's projected exports of those five selected categories having same trend over years. So, India is always in a advantageous position to meet Srilanka's imports demand in the past and also in the coming future.

Table-7.1

## India's Exports of Five Selected Categories to World during 1977-1987

(Million US dollars)

<u>Selected Categories/year</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Average</u>
1. Crude materials, inedible, except fuel(SITC)2	n.a.	n.a.	n.a.	1004.44	978.76	910.59	921.41	966.83	941.13	969.66	n.a.	956.12 (12.92)
2. Food and live animals (SITC-0)	-	-	-	2105.06	2426.30	2114.60	2135.57	2358.80	2107.74	2272.61	-	2217.24 (29.96)
3. Machinery and transport equipments(SITC-7)	-	-	-	648.77	780.53	645.82	545.09	633.56	569.13	669.26	-	641.74 ( 8.67 )
4. manufactured goods classified by materials(SITC-6)	-	-	-	2857.16	3261.31	2938.57	3053.05	3488.01	3117.24	3702.86	-	3202.60 (43.28)
5. Chemicals(SITC-5)	-	-	-	289.63	474.59	388.18	338.16	461.99	328.76	396.57	-	382.55 ( 5.17)
<b>TOTAL:</b>				<b>6905.06</b>	<b>7921.49</b>	<b>6997.76</b>	<b>6993.28</b>	<b>7909.19</b>	<b>7064.00</b>	<b>8010.96</b>	<b>-</b>	<b>7400.25</b>

Source: UN Statistical Year Book for Asia and the Pacific.

Note: i. Figures in the parenthesis in the last column reveal percentages to total.

ii. Dollar values derived by average annual exchange rate as provided by -

Reserve Bank of India Bulletin; June-1993.

Table-7.2

Srilanka's imports of Five Selected Categories from world during 1977-1987  
(US million dollars)

<u>Selected categories/year</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Average</u>
1. Crude materials, inedible, except fuel(SITC-2)	16.7	30.0	38.3	32.0	36.7	33.9	37.9	37.0	44.6	37.5	-	34.46 (3.97)
2. Food and live animals (SITC-0)	1.9	3.0	3.2	3.7	2.9	6.1	5.1	6.8	5.4	7.4	10.9	5.13 (0.59)
3. Machinery and transport equipment(SITC-7)	83.9	224.2	359.8	508.3	410.1	419.7	469.0	449.0	368.5	415.1	436.3	376.72 (43.35)
4. Manufactured goods Classified by materials(SITC-6)	89.5	149.5	294.7	354.3	340.7	339.2	354.7	365.2	388.3	530.3	-	320.64 (36.89)
5. Chemicals(SITC-5)	45.3	73.6	121.5	169.9	149.9	120.3	120.4	153.3	163.4	203.5	-	132.11 (15.20)
<b>TOTAL:</b>	<u>237.3</u>	<u>480.3</u>	<u>817.5</u>	<u>1068.2</u>	<u>940.3</u>	<u>919.2</u>	<u>987.1</u>	<u>1011.3</u>	<u>970.2</u>	<u>1193.8</u>	<u>447.2</u>	<u>869.06</u>

Source: UN Statistical Year Book for Asia and the Pacific.

Note: Figures in the parenthesis in the last column reveal percentage to total.

India's potential Exports and Srilanka's potential Imports  
of Five Selected categories and their projection (Million US\$)

Year	Potential		Year	Projections	
	India's Exports	Srilanka's Imports		India's Exports	Srilanka's Imports
1977	n.a.	237.3	1988	5727.2	1058.8
1978	"	480.3	1989	5795.9	1097.8
1979	"	817.5	1990	5864.6	1136.8
1980	4974.4	1068.2	1991	5933.3	1175.8
1981	5794.1	940.3	1992	6002.0	1214.8
1982	5160.5	919.2	1993	6070.7	1253.8
1983	5042.5	987.1	1994	6139.4	1292.8
1984	5723.8	1011.3	1995	6208.1	1331.8
1985	5099.6	970.2	1996	6276.8	1370.8
1986	5890.9	1193.8	1997	6345.5	1409.8
1987	n.a.	447.2	1998	6414.2	1448.8
			1999	6482.9	1487.8
			2000	6551.6	1526.8

Source: UN Statistical Year Book for Asia and the Pacific.

Note: i. The projections are made by applying the formula of "Method of least square".

ii. The equation of the line of Best Fit,

$$Y = 824.8 + 39x$$

To understand the actual bilateral position regarding the same, Table-7.4 is to be examined. It presents India's export potential to those five selected categories to Srilanka, i.e., Srilanka's import potential of the same from India during 1977 to 1987 and their projections.

It is evident from the table that if the present trend prevails, India's exports of those five selected categories to Srilanka will be only 91.4 million US dollars in 1995 and 94.9 million US dollars in 2000 A.D. which will be even less than the level actually attained in 1985 at 104.9 million US dollars. This relatively poor position for the future may be attributed to the fact that though India's potential exports to Srilanka (i.e., Srilanka's potential imports from India) had shown only 4.03 percent annual growth rate for the period 1977 to 1987 with a high dispersion values measured by standard deviation as at 22.23 million US dollars.

The wide disparity in economic developments between the two countries had caused such low performance in exploiting the trade complementarities existing between them. This will be more vivid if we see the share of India's potential exports of those five selected categories in India's total exports to Srilanka during the same period in Table-7.5. It is shown on an average 97.10 percent of India's total exports to Srilanka in their actual bilateral trade performance. The five selected categories with so high exports potentialities for India to Srilanka would fail to attain the level of 1985 at the end of this century in 2000 A.D. is a serious concern over the Indo-Srilanka trade prospects.

Table-7.4

India's Export potential of Five Selected Categories to Srilanka(i.e., Srilanka's import potential of Five selected Categories from India) during 1977-87 and their projections (Million US dollars)

<u>Potential</u>		<u>Projections.</u>	
<u>Year</u>	<u>Value</u>	<u>Year</u>	<u>Value</u>
1977	42.4	1988	84.5
1978	60.9	1989	85.2
1979	105.7	1990	85.9
1980	105.8	1991	86.6
1981	99.7	1992	87.3
1982	55.9	1993	90.0
1983	82.5	1994	90.7
1984	96.4	1995	91.4
1985	104.9	1996	92.1
1986	64.0	1997	92.8
1987	65.4	1998	93.5
		1999	94.2
		2000	94.9

g = 4.03

v = 22.23

Source: - DGCI & S-Calcutta-Statistic of Foreign Trade of India By Countries-Vol.II(Various issues)

Note: i. Dollar values derived by average annual exchange rate as provided by Reserve Bank of India Bulletin June, 1993.

ii. The projections are made by applying the formula of "Method of least Square".

iii. The equation of the line of Best Fit,  $Y = 80.3 + 7x$

iv. g = Annual compound growth rate; v. = Standard Deviation

Table-7.5

Share of India's potential Exports of Five Selected  
Categories in India's Total Exports to Srilanka  
(1977-1987)

<u>Year</u>	<u>Share in percents</u>
1977	97.77
1978	96.71
1979	98.24
1980	93.35
1981	97.95
1982	96.83
1983	96.83
1984	98.08
1985	98.35
1986	97.17
1987	96.86
-----	-----
Average	97.10

Source: DGCI & S - Calcutta-Statistics of Foreign Trade of  
India by Countries-Vol.II(Various issues)

SRILANKA'S EXPORTS POTENTIAL TO INDIA

The following five Selected Categories of commodities of Srilanka have been identified having high potentialities in trading with India : (i) "Food and Live animala (SITC-0)", (ii) "Miscellaneous Transactions and commodities n.e.s.(SITC-9)"; (iii) "Crude materials, in edible, except fuel(SITC-2)"; (iv) "Animal and vegetable oils and fats(SITC-4)", and (v) "Miscellaneous manufactured articles(SITC-8)". These commodity groups, however, have been identified with the help of commodity intensity indices<sup>5</sup>.

Table-7.6 is designed to show Srilanka's exports of those five Selected categories to world during 1977 to 1987. it shows the highest percentage share on average at 55.7 percent for "Food and live animals(SITC-0)" with average value of 497.2 million US dollars. The second highest position has been attained by "Miscellaneous manufactured articles(SITC-8)" having average percentage share as well as average value - of 22.0 percent and 196.0 million US dollars respectively. Similarly, the third commodity group with high potentiality has been shown by "Crude materials in edible, except fuel(SITC-2)". its average share is found at 19.7 percent with average value of 175.8 million US dollars. The other two commodity groups have shown some low numerical values in terms of percentage and money values.

On the other hand, Table7.7 has been designed to show India's imports of the same five selected categories from world

during 1980 to 1986. It shows the highest 35.57 percent on average for India's imports of "Crude materials, inedible, except fuel(SITC-2)" from world with average value of 1040.49 million US dollars. "Animal and vegetable oils and fats(SITC-4)" and "Food and live animals(SITC-0)" have been ranked second and third highest import potentialities with average share of 25.53 percent and 25.36 percent respectively. The fourth highest share has been noticed for "Miscellaneous manufactured articles (SITC-8)" at 12.84 percent with average value of 375.55 million US dollars. The other commodity group viz., "Miscellaneous Transactions and commodities n.e.s.(SITC-9)" has very low values.

On the basis of the respective totals of the values of the five selected categories as shown in table-7.6 and table-7.7, Srilanka's potential exports and India's potential imports of those categories<sup>6</sup> and their projections have been presented in Table-7.8. It shows that if the present trend prevails in both the countries, Srilanka's exports of those five selected categories will be of 1385.2 million US dollars in 1995 and 1538.2 million US dollars in 2,000 A.D. Such imports into India will be to tune of 4251.1 million US dollars in 1995 and 4803.6 million US dollars on 2000 A.D. So, Srilanka will be in a position to meet 31.9 percent and 32.0 percent of India's imports requirements of those five selected categories having higher imports potentialities in 1995 and 2000 A.D. respectively, if the present trend prevails.

Table-7.6

Srilanka's Exports of Five Selected Categories to world: 1977-1987(Million US dollars)

<u>Selected Categories/year</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Average</u>
1. Food and live animals (SITC-0)	483.6	502.8	482.1	475.6	453.3	422.9	466.2	741.0	548.7	426.1	466.9	497.2 (55.7)
2. Miscellaneous transac- tions and commodities (SITC-9)	51.7	1.2	1.1	1.0	1.2	0.7	0.9	1.2	-	-	-	7.4 (0.8)
3. Crude materials, inedi- ble, except fuel(SITC-2)	170.2	204.1	210.3	207.5	191.6	162.9	161.6	171.6	140.8	144.6	168.7	175.8 (19.7)
4. Animal and vegetable oils and fats(SITC-4)	5.3	2.1	33.3	3.2	10.7	17.7	20.1	12.4	35.1	25.1	8.7	15.8 ( 1.8)
5. Miscellaneous manufac- tured articles(SITC-8)	18.1	39.0	73.7	112.9	158.9	175.6	214.9	312.8	299.6	349.2	401.6	196.0 (22.0)
<b>Total :</b>	<u>728.9</u>	<u>749.2</u>	<u>800.5</u>	<u>800.2</u>	<u>815.7</u>	<u>779.8</u>	<u>863.3</u>	<u>1239.0</u>	<u>1024.2</u>	<u>945.0</u>	<u>1045.9</u>	<u>892.2</u>

Source: UN Statistical Year Book for Asia and the Pacific.

Note: Figures in the parenthesis in the last column reveal percentages to total.

Table-7.7

## India's Imports of Five Selected Categories from world: 1980-1986.

(Million US dollars)

<u>Selected Categories/Year</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Average</u>
1. <u>food and live animals</u> (SITC-0)	n.a.	n.a.	n.a.	469.26	872.44	713.04	1075.70	709.48	738.44	613.41	-	741.68 (25.36)
2. <u>Miscellaneous transac-</u> <u>tions and commodities</u> n.e.s. (SITC-9)	-	-	-	2.59	4.68	5.24	6.93	9.32	43.73	71.63	-	20.45 (0.70)
3. <u>Crude materials, inedi-</u> <u>ble, except fuel</u> (SITC-2)	-	-	-	698.02	1066.12	855.07	985.83	1086.46	1263.58	1328.37	-	1040.49 (35.57)
4. <u>animal and vegetable</u> <u>oils and fats</u> (SITC-4)	-	-	-	875.06	869.79	499.11	825.44	974.66	647.69	536.63	-	746.91 (25.53)
5. <u>Miscellaneous</u> <u>manufactured articles</u> (SITC-8)	-	-	-	261.11	314.41	324.19	403.21	355.03	421.03	549.88	-	375.55 (12.84)
<b>Total:</b>				<u>2306.04</u>	<u>3127.44</u>	<u>2396.65</u>	<u>3297.11</u>	<u>3133.95</u>	<u>3114.47</u>	<u>3099.92</u>	-	<u>2925.08</u>

Source: UN Statistical Year Book for Asia and the Pacific.

Note: i. Figures in the parenthesis in the last column reveal percentages to total.

ii. Dollar values derived by average annual exchange rate as provided by -

RBI Bulletin, June 1993.

Table-7.8

Srilanka's exports and India's potential imports of Five  
Selected Categories and their projections  
 (Million US dollars)

Potential			Projections		
Year	Srilanka's Exports	India's Imports	Year	Srilanka's Exports	India's Imports
1977	728.9	n.a.	1988	1106.2	3477.6
1978	749.2	"	1989	1142.2	3588.1
1979	800.5	"	1990	1178.2	3698.6
1980	800.2	2306.0	1991	1214.2	3809.1
1981	815.7	3127.4	1992	1250.2	3919.6
1982	779.8	2396.7	1993	1286.2	4030.1
1983	883.3	3297.1	1994	1322.2	4140.6
1984	1239.0	3133.9	1995	1358.2	4251.1
1985	1024.2	3114.5	1996	1394.2	4361.6
1986	945.0	3099.9	1997	1430.2	4472.1
1987	1045.9	n.a.	1998	1466.2	4582.6
			1999	1502.2	4693.1
			2000	1538.2	4803.6

g = 3.52 4.37

σ = 149.96 368.75

Source: UN Statistical Year Book for Asia and the Pacific.

Note: i. The projections are made by applying the formula of "Method of least square".

ii. The Equation of the line of Best Fit are:

a. Srilanka's Exports  $Y = 890.2 + 36x$

b. India's Imports  $Y = 2925.1 + 110.5x$

iii. g = Annual compound growth rate.

iv. σ = Standard Deviation.

Now, if we examine the Table-7.9 showing Srilanka's export potential of five selected categories to India (ie India's Import potential of same categories from Srilanka) and their projections upto the end of this century in 2000 A.D., we will find the real picture of their bilateral trade performance. It shows the projected values of Srilanka's potential exports at 19.4 million US dollars in 1995 and 23.4 million US dollars in 2000 A.D. It is, however, far below the level of Srilanka's actual potential exports in 1984, which was to tune of 28.2 million US dollars.

The annual compound growth rate of Srilanka's potential exports to India was 34.99 percent with a dispersion value of 7.22 million US dollars as measured by Standard Deviation.

so, the future prospects of Srilanka's potential exports to India is not bad. Its average share to Srilanka's total exports to India during 1977 to 1987 is so high as 90.19 percent as revealed in Table-7.10.

Table-7.9

Srilanka's Export potential of Five Selected Categories to India  
(i.e., India's import potential of Five Selected Categories  
from Srilanka) during 1977-1987 and their projections.  
(Million US dollars)

<u>Potential</u>		<u>Projection</u>	
<u>Year</u>	<u>Value</u>	<u>Year</u>	<u>Value</u>
1977	0.2	1988	13.8
1978	2.6	1989	14.6
1979	4.8	1990	15.4
1980	6.1	1991	16.2
1981	13.7	1992	17.0
1982	12.5	1993	17.8
1983	12.4	1994	18.6
1984	28.2	1995	19.4
1985	7.3	1996	20.2
1986	5.5	1997	21.0
1987	5.4	1998	21.8
		1999	22.6
		2000	23.4

$g = 34.99$

$\sigma = 7.22$

Source: DGCI & S - Calcutta-Statistical of Foreign Trade of India by countries - Vol.I(Various issues)

Note: i. Dollar valued derived by average annual exchange rate as provided by R.B.I. Bulletin, June 1993.

ii. The projections are made by applying the formula of "Method of least Square".

iii. The equation of the line of Best Fit,  
 $Y = 9.0 + .8x$

iv.  $g$  = Annual compound growth rate

v.  $\sigma$  = Standard Deviation.

Table-7.10

Share of Srilanka's potential Exports of Five Selected  
Categories in Srilanka's total exports to India  
(1977-1987)

<u>Year</u>	<u>Share in percents.</u>
1977	87.50
1978	96.92
1979	98.49
1980	91.30
1981	95.35
1982	97.39
1983	90.08
1984	92.71
1985	91.43
1986	83.77
1987	67.12
<u>Average</u>	<u>90.19</u>

Source: DGCI & S - Calcutta-Statistics of Foreign Trade of India  
By countries- Vol.I(various issues)

SUMMARY

It has been estimated that at the end of this century, only 23.3 percent of projected total exports of India would be sufficient to meet the entire import demand of Srilanka for five selected Categories of goods having higher commodity intensity of trade, if the present trend prevails. But conversely, Srilanka will also be in a position to meet 32 percent of India's imports requirements of those five selected categories of goods having higher commodity intensities at the end of the century. The five selected commodities are (1) "Food and live animals(SITC-0)", (2) "Miscellaneous transactions and commodities n.e.s.(SITC-9)", (3) "Crude materials, inedible, except fuel(SITC-2)", (4) "Animal and vegetable oils and fats(SITC-4)" and (5) "Miscellaneous manufactured articles(SITC-8)".

So, in reality, the projection of actual values of the reciprocal exports show that both the countries will fail to achieve the level of their exports in 1985/1984 even at the end of this century, if the present trend continues.

Notes and References:

1. Adhikary Prakash Chandra, Indo-Bangladesh Trade - A Study of its problems and prospects - an unpublished Ph.D. thesis - North Bengal University 1990.
2. a) K.Kojima, "Trade Arrangements among industrial countries Effects on Japan", in B.Balassa et al, eds. Studies in Trade Liberalisation Problems and Prospects for Industrial Countries, Baltimore, 1967.  
b) K.Kojima, "The Pattern of International Trade among Advanced Countries, "Hitosubasi Journal of Economics, - Vol.5 (1), June-1964.
3. To draw some definite inferences of the category: "Machinery and transport equipment", in addition to Comparative values (prices), the following need to be considered :
  - a) Specification and size of the machineries, and equipments,
  - b) Their qualitative descriptions, and
  - c) Technological innovations (sophistications) attached to them.  
potential
4. India's /exports and Srilanka's potential imports shown in Table-7.3 are the totals of five selected categories for each country in different years - as presented in Table-7.1 and Table 7.2 respectively.
5. See, Chapter-Vi of this thesis.
6. Srilanka's potential exports and India's potential imports shown in Table-7.8 are the total of five selected categories for each country in different years as presented in Table-7.6 and Table-7.7 respectively.

CHAPTER-VIII"FUTURE PROSPECT WITHIN THE CONTEXT OF SAARC"

The late President Zia-Ur-Rahaman of Bangladesh had taken the initiative to institutionalise the idea of South Asia Regional Co-operation when he wrote a letter in May, 1980 to the six Heads of State or governments of Bhutan, Maldives, Nepal, India, Pakistan and Srilanka proposing a Summit meetings.<sup>1</sup>

After a series of four foreign Secretaries meetings and a Ministers level meeting of the Seven South Asian countries viz., India, Bangladesh, Pakistan, Bhutan, Maldives, Nepal and Srilanka, the south Asian Association for Regional Co-operation(SAARC) has been formed at the first summit Meeting held in Dhaka from 7th to 8th December, 1985 by adopting the SAARC Charter and signing the SAARC Declaration by the Seven Heads of State or Governments.<sup>2</sup>

The SAARC Charter as adopted in Dhaka Summit in 1985 includes the following objectives for the Seven SAARC Nations.<sup>3</sup>

- i. To promote the welfare of the peoples of South Asia and to improve their quality of life ;
- ii. to accelerate economic growth, social progress and cultural development in the region and to provide all individuals the opportunity to life in dignity and to realise their full potentials ;

iii) To promote and strengthen collective self-reliance among the countries of South Asia ;

iv) To contribute to mutual trust, understanding and appreciation of one another's problem;

v) To promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields ;

vi) To strengthen co-operation with other developing countries ;

vii) To strengthen co-operation among themselves in international forums on matters of common interest ;

viii) To co-operate with international and regional organisations with similar aims and purposes.

To these ends thirteen specific areas excluding trade, energy, industry and finance were identified for beneficial regional co-operation.<sup>4</sup>

However, the inclusion of trade, energy, industry and finance within the SAARC Action plan has been voiced by the Indian delegate at the Second SAARC Summit in Bangalore and was accepted in principle.<sup>5</sup>

The same was echoed by Srilankan Premier at the Sixth SAARC Summit in Colombo.<sup>6</sup>

INDIA'S TRADE WITH SAARC COUNTRIES

Due to shared political and economic legacy of British dominance in the past, most of the SAARC countries have their higher trade links with industrial countries specially with Great-Britain.<sup>7</sup>

The percentage distribution of SAARC countries exports (including Bhutan and Maldives) has been presented in Table-8.1. It shows that the intraregional exports of the reported SAARC countries' except Nepal were in small proportion in 1980 and in 1985. Such intraregional exports have, however, been declined for all the reported SAARC countries' from 1980 to 1985 period. In case of India her exports to SAARC countries' which were 8.6 percent in 1980 had declined to 7.6 percent in 1985. Similarly, in case of Srilanka, the decline was 7.0 percent to 4.2 percent for the same reference years of 1980 and 1985.

The extra regional exports of almost all the SAARC Countries' excluding India in the highest proportions go to the developing countries as in 1980 and 1985. It is India whose largest exports go to industrial countries. Such Indian exports which were 48.7 percent in 1980 had increased to 57.7 percent in 1985. Conversely, Srilanka's exports to industrial countries which were no more than 39.6 percent in 1980 had also increased to her highest proportion at 50.8 percent in 1985. SAARC exports to the USSR and other (the then) socialist countries were in modest proportion as revealed in the table.

Similarly, the percentage distribution of SAARC countries' imports has been shown in Table-8.2. The intraregional imports of SAARC countries' were found in low proportions except Nepal in 1980 and 1985. Extra regional - imports of the SAARC countries' (excluding Bhutan and Maldives) show that India, Pakistan and Bangladesh are the three SAARC countries whose highest imports were from industrial countries. In case of Nepal and Srilanka the highest volume of imports were found originating from developing countries in 1980 and in 1985. India's maximum imports which were 46.2 percent in 1980 from industrial countries had increased to 54.4 percent in 1985. On the other hand, Srilanka's maximum imports from developing countries were 52.5 percent in 1980 had slightly declined to 50.1 percent in 1985. SAARC imports from the USSR and other Socialist countries were found very small in proportions.

India's exports to SAARC countries' which was as low as 3.6 percent in 1980 have further declined to 2.2 percent in 1985. Similarly, her imports from SAARC countries have also declined from merely 0.9 percent in 1980 to 0.7 percent in 1985. These have been confirmed by India's export and import intensity indices with the SAARC countries as presented in Table-8.3 and Table-8.4. India's export trade intensities during 1980 to 1987 with SAARC countries' have been found very low except Nepal. But these intensities with Nepal have also been found declining over years. The lowest intensity was with

Pakistan. In case of Srilanka-India's exports trade intensity indices varied between 7.6 to 12.4 with an almost declining trend.

The same picture holds good for India's import trade intensity indices with SAARC countries. In case of Srilanka such import trade intensity indices of India varied between 0.5 to 4.6 during the same reference period with declining trend.

Table-8.1

Percentage Distribution of SAARC Countries' Exports.

Country	Industrial Countries		Developing Countries		USSR & other Socialist Countries (Non Member of IMF)		SAARC Countries	
	1980	1985	1980	1985	1980	1985	1980	1985
1. Bangladesh	36.0	47.9	57.6	46.6	6.4	5.4	8.6	7.6
2. India	48.7	57.7	31.8	24.2	18.2	17.8	3.6	2.2
3. Nepal	48.4	62.4	51.6	37.6	-	-	37.8	30.5
4. Pakistan	36.4	49.5	61.3	45.4	2.3	5.2	6.2	5.2
5. Srilanka	39.6	50.8	43.8	39.0	3.2	3.2	7.0	4.2

Sosource: IMF - Direction of Trade Statistics, Year Book (various issues)

Table-8.2

Percentage Distribution of SAARC Countries' Imports

<u>Country</u>	<u>Industrial Countries</u>		<u>Developing Countries</u>		<u>USSR &amp; Other Socialist Countries (Non Member of IMF)</u>		<u>SAARC Countries</u>	
	<u>1980</u>	<u>1985</u>	<u>1980</u>	<u>1985</u>	<u>1980</u>	<u>1985</u>	<u>1980</u>	<u>1985</u>
1. Bangladesh	48.1	44.0	36.2	38.5	2.9	3.4	3.6	3.4
2. India	46.2	54.4	43.9	36.3	9.6	8.7	0.9	0.7
3. Nepal	38.9	43.8	61.1	56.1	-	-	47.9	33.1
4. Pakistan	50.1	54.8	48.3	44.2	1.5	1.0	2.3	1.5
5. Srilanka	45.5	46.0	52.5	50.1	0.8	0.7	6.5	6.4

Source: IMF- Direction of Trade Statistics, Year Book (various issues)

Table-8.3

Intensity of India's Export Trade with SAARC Countries

<u>Year</u>	<u>Bangladesh</u>	<u>Nepal</u>	<u>Pakistan</u>	<u>Srilanka</u>
1980	5.0	123.0	0.1	11.4
1981	7.1	127.0	0.1	12.4
1982	3.3	84.0	0.1	8.2
1983	2.9	84.0	0.2	11.7
1984	4.0	85.0	0.3	10.4
1985	5.3	90.0	0.5	8.2
1986	4.2	56.2	0.7	7.9
1987	n.a.	n.a.	n.a.	7.6

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Source: IMF - Direction of Trade Statistics, Year Book (various issues)

Note: n.a. = not available.

Table-8.4

Intensity of India's Import Trade with SAARC Countries

<u>Year</u>	<u>Bangladesh</u>	<u>Nepal</u>	<u>Pakistan</u>	<u>Srilanka</u>
1980	1.2	54.7	3.6	4.6
1981	3.2	53.4	3.0	4.0
1982	3.0	61.7	2.2	2.6
1983	1.0	53.3	0.9	2.8
1984	3.2	50.0	1.0	0.8
1985	3.2	30.0	1.4	0.4
1986	0.9	33.6	0.7	1.2
1987	n.a.	n.a.	n.a.	0.5

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Source: IMF - Direction of Trade Statistics, Year Book( various issues)

Note: n.a. = not available

Within this framework India's Exports to, imports from and balance of trade with SAARC Countries have been presented in Table-8.5. It shows that India's exports to all the SAARC Countries' as presented in the table have greater values than her imports, resulting into favourable balance with those countries except Pakistan. India has a consistent unfavourable trade balances with Pakistan for the reference period. As a result, India's total favourable balance of trade with those SAARC Countries' stood at the minimum of 4 million US dollars in 1981 and at the highest of 163 million US dollars in 1980.

The balance of Trade imbalances of India with SAARC Countries can be judged with her trade Reciprocity indices with those Countries as shown in Table-8.6. It shows that the highest value of "Reciprocity Indices" of India was found with Srilanka only in 1981, the value being 0.93. From 1981 to 1985, such indices have shown higher values of 0.70 to 0.73. In case of Bangladesh it was 0.72 each in 1984 and 1985 indicating a fairly high levels approaching to balanced trade level. In all other cases, the value have indicated a far below the levels of balanced trade.

Table-8.5

India's Export(X) to, Imports(M) from, and Balance of Trade(BT)

with SAARC Countries(Values in million of US dollars.

Export: f.o.b., Import c.i.f.)

<u>Country/Year</u>	<u>Srilanka</u>	<u>Nepal</u>	<u>Pakistan</u>	<u>Bangladesh</u>	<u>Total</u>
<u>1980</u>					
X	101	95	2	106	304
M	32	21	76	12	141
BT	69	74	-74	94	163
<u>1981</u>					
X	65	79	3	49	196
M	56	45	77	14	192
BT	9	34	-74	35	4
<u>1982</u>					
X	66	75	4	39	184
M	19	40	51	21	131
BT	47	35	-47	18	53
<u>1983</u>					
X	105	75	6	34	220
M	31	40	31	8	110
BT	74	35	-25	26	110
<u>1984</u>					
X	101	83	12	55	251
M	14	44	28	31	117
BT	87	39	-16	24	134
<u>1985</u>					
X	68	83	14	59	224
M	7	44	41	33	125
BT	61	39	-27	26	99
<u>1986</u>					
X	72	87	12	52	223
M	13	46	23	8	90
BT	59	41	-11	44	133
<u>1987</u>					
X	83.5	n.a.	n.a.	n.a.	
M	76.2	n.a.	n.a.	n.a.	
BT	77.3	n.a.	n.a.	n.a.	

Source: IMF-Direction of Trade Statistics, Year Book( various issues)

Note: i) Data derived from partner country wherever necessary for better representation.

ii) n.a. = not available.

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Table-8.6

Index of Trade Reciprocity of India with SAARC Countries

<u>Year</u>	<u>Srilanka</u>	<u>Nepal</u>	<u>Pakistan</u>	<u>Bangladesh</u>
1980	.48	.37	.06	.21
1981	.93	.73	.08	.45
1982	.45	.70	.15	.70
1983	.46	.70	.33	.38
1984	.25	.70	.60	.72
1985	.19	.70	.51	.72
1986	.31	.69	.69	.27
1987	.14	n.a.	n.a.	n.a.

Source: IMF-Direction of Trade Statistics, Year Book ( various issues)

Note: n.a. = not available.

SRILANKA'S TRADE WITH SAARC COUNTRIES

Among the SAARC Countries' Srilanka has greater trade relations with India and Pakistan over years. To have an overview on Srilanka's exports to, and imports from and balance of trade with SAARC Countries', Table-8.7 has been presented. It shows that she has a consistent unfavourable trade balances with India from 1980 to 1987. Such unfavourable balances with India during the period ranges from 46.7 million US dollars to 99.0 million US dollars. In case of Pakistan she had a continuous favourable balances from 1980 to 1984, value ranges from 4.3 million US dollars to 37.7 million US dollars. But from 1985 onwards she has faced unfavourable trade balances with Pakistan which was 6.5 million US dollars in 1985 has increased to 12.3 million US dollars in 1986 and further increased to 15.3 million US dollars. She has consistent favourable trade balances with Bangladesh. In all other cases she has favourable balances except in four cases, in case of Nepal and one case, in case of Maldives where she has unfavourable balances. As a net result of her higher volume of unfavourable trade balances with India she had faced consistent unfavourable balances in the SAARC region. Her trade deficits within the region was the highest at 85.9 million US dollars in 1986 and the lowest at 8.7 million US dollars in 1981.

The export and import trade intensities of Srilanka with the SAARC Countries and her trade Reciprocity indices with the same have been presented in the three consecutive Tables of

8.8, 8.9 and 8.10 respectively. Her export and import intensities were the highest with Maldives. Pakistan constituted the Second highest position in terms of export and import trade intensity indices of Srilanka over the same reference period of 1980 to 1987. All other SAARC Countries' the same indices have comparatively lower values except India in case of imports only. The Trade Reciprocity of Srilanka have shown higher values of indices with Maldives and Pakistan approaching to the level of balanced trade. In case of Maldives, she attained the level of balanced trade only in 1981 when the index value stood at 1.00. In other cases she has shown Reciprocity indices with very lower values indicating the far below levels of balanced trade position.

Table-8.7

Srilanka's Exports(X) to, Imports(M) from, and Balance of  
Trade(BT) with SAARC Countries, (Values in Million of US dollars,  
Export, f.o.b., Import, c.i.f.)

<u>Country/Year</u>	<u>India</u>	<u>Nepal</u>	<u>Pakistan</u>	<u>Bangladesh</u>	<u>Maldives</u>	<u>Total</u>
<u>1980</u>						
X	34.3	0.0	34.2	4.0	1.2	73.7
M	96.7	0.4	29.9	3.0	1.9	131.9
BT	-62.4	-0.4	4.3	1.0	-0.7	-58.2
<u>1981</u>						
X	30.0	0.0	55.5	2.7	2.0	90.2
M	76.7	0.0	17.8	2.4	2.0	98.9
BT	-46.7	0.0	37.7	0.3	0.0	-8.7
<u>1982</u>						
X	21.2	0.1	38.2	3.5	17.8	80.8
M	72.9	0.0	17.6	0.2	1.7	92.4
BT	-51.7	0.1	20.6	3.3	16.1	-11.6
<u>1983</u>						
X	27.7	0.2	29.7	4.7	4.5	66.8
M	115.4	0.0	13.5	0.6	1.8	131.1
BT	-87.7	0.2	16.2	4.1	2.7	-64.5
<u>1984</u>						
X	12.5	0.0	34.2	14.1	3.9	64.7
M	111.5	0.0	17.1	0.2	1.8	130.6
BT	-99.0	0.0	17.1	13.9	2.1	-65.9
<u>1985</u>						
X	6.2	0.1	27.3	14.5	5.2	53.3
M	74.7	4.4	33.8	0.2	4.3	117.4
BT	-68.5	-4.3	-6.5	14.3	0.9	-64.1
<u>1986</u>						
X	11.8	0.0	33.8	6.9	5.9	58.4
M	79.2	14.1	46.1	0.3	4.6	144.3
BT	-67.4	-14.1	-12.3	6.6	1.3	-85.9
<u>1987</u>						
X	6.2	0.1	31.4	10.1	6.4	54.2
M	83.5	3.0	46.7	0.2	5.4	138.8
BT	-77.3	-2.9	-15.3	9.9	1.0	-84.6

Source: IMF-Direction of Trade Statistics, Year Book(various issues).  
Note: Date derived from partner country wherever necessary for better representation.

Table-8.8

Srilanka's Export Trade Intensity with SAARC Countries

<u>Year</u>	<u>Bangladesh</u>	<u>India</u>	<u>Nepal</u>	<u>Pakistan</u>	<u>Maldives.</u>
1980	2.86	4.97	-	11.46	111.00
1981	1.82	3.12	-	17.62	93.50
1982	2.52	2.28	0.69	12.16	430.75
1983	3.38	2.86	1.29	9.18	106.75
1984	6.73	0.91	-	7.51	68.00
1985	8.55	0.53	0.51	6.93	102.75
1986	4.94	1.12	-	11.25	126.75
1987	6.76	0.55	0.39	9.83	120.00

Source: IMF - Direction of Trade Statistics Year Book( various issues)

Table-8.9

Srilanka's Import Trade Intensity with SAARC Countries

<u>Year</u>	<u>Bangladesh</u>	<u>India</u>	<u>Nepal</u>	<u>Pakistan</u>	<u>Maldives</u>
1980	3.50	11.70	5.80	10.49	232.50
1981	3.00	9.24	-	6.10	188.95
1982	0.24	8.00	-	6.88	123.29
1983	0.77	11.00	-	4.11	128.20
1984	0.21	10.41	-	6.43	126.62
1985	0.20	7.28	31.64	12.13	180.53
1986	0.36	8.36	107.04	14.84	167.60
1987	0.20	7.45	20.25	12.83	267.96

Source: IMF - Direction of Trade Statistics Year Book( various issues)

Table-8.10

Index of Trade Reciprocity of Srilanka with SAARC Countries

<u>Year</u>	<u>India</u>	<u>Nepal</u>	<u>Pakistan</u>	<u>Bangladesh</u>	<u>Maldives</u>
1980	.53	.00	.93	.86	.88
1981	.57	-	.49	.94	1.00
1982	.45	.00	.63	.12	.18
1983	.39	.00	.63	.23	.57
1984	.20	-	.67	.03	.63
1985	.16	.05	.89	.03	.91
1986	.26	.00	.85	.09	.88
1987	.14	.07	.81	.04	.92

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Source: IMF-Direction of Trade Statistics, Year Book(Various issues)

SUMMARY:

The trade of India and Srilanka within the South Asian Region are very low, within the framework of SAARC, India, Pakistan, Bangladesh and Maldives are the four important trading partners of Srilanka. She has maintained a consistent trade deficit with India for the entire reference period of 1980 to 1987 of their relations but she has maintained a consistent trade surplus with Bangladesh and she has also maintained a trade surplus with Pakistan from 1980 to 1984 and with Maldives from 1981 to 1987. Srilanka has an overall continuous total trade deficit with the SAARC Countries.

It is argued that a preferential Trading Arrangement would be the most feasible device to adopt in the South Asian Region at the present stage of regional co-operation. Reduction in Unproductive expenditure and initiation of joint ventures with India with buy back and tied imports policies are also be resorted to with a view to help solving the problems of most of the SAARC Countries, including Srilanka, to wipe-out their trade deficits with India.

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3. See ASrticle-I of the SAARC Charter.
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In Second Secretarial Meeting at kathmandu, (November 2-4, 1981) three more areas were selected, such as, 1) Transport; 2) Postal Service, and 3) Scientific and technical Co-operation. Likewise, two additional areas were selected in the third Secretarial Meeting at Islamabad (August 7-9, 1982); viz., 1) Sports, Art and Culture; and 2) Planning and Development.

The last three areas relating to terrorism, drug trafficking and abuse; and women in development have brought into the fold of SAARC by joint press release issued at the conclusion of Dhaka Summit.

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CHAPTER-IXCONCLUSION

It was recorded that the bilateral trade and commercial relations between India and Srilanka commenced prior to the 4th century B.C. India had some geographical, historical, cultural and religious links with Srilanka since the 3rd Century B.C. from the time of Great Ashoka. Srilanka is situated in the Indian Ocean. its geographical contiguity to south India and the deepness of waters to its' north are some of the reasons attributed by the historians to strong and continuous - trade relations between the two countries. India and Srilanka both were the colonies of the Britishers and attained freedom almost at the same time. The Srilankan had not struggled for freedom as Indian, but the geo-political compulsions compelled Britishers to leave Srilanka because it was not possible to rule over Srilanka by sitting in Britain. After Independence, the United National Party in power on 1948 was found closer to the western countries and was always worried about India's interference in the internal affairs of Srilanka which India never did.

The Democratic Socialist Republic of Srilanka (formerly Ceylon) is in fact a 65,610 sq.km. Island in the Indian Ocean. The climate is tropical, average temperature is 80°F. About 60 percent of the people of Srilanka is spoken in Sinhala and some people use Tamil and English, but the official language of Srilanka is Sinhalese. More than 60 percent of the population is Buddhist, about 18 percent are Tamil

(Hindus) and other important minorities are Christians and Muslims. One third of the National Income and 80 percent of foreign exchange come from the cultivation of Tea, Rubber and Coconuts. The important minerals is graphite, although there are also deposit of Iron ore, monazite, ilmenite sand, limestone and Kaolin. Cement, textile, petroleum and fertilizers are under the Public Sector industries.

In the foregoing chapters different issues of Indo-Srilanka trade have been studied within the framework of Srilanka's economic as well as foreign trade - Structure in the milieu of world economic situation for the LDCs. Indo-Srilanka future trade prospects within the context of SAARC has also been studied. There are various problems of the trade co-operation between - Srilanka and India arising mainly from the structure of both the countries.

Srilanka is still now predominantly an agricultural country. One third of her national income and three-fourth of foreign exchange derived from cultivation. Srilanka has attained the freedom from the British rule on 1948. The standard of living of the people of Srilanka has been improved but the economic structure is not in good shape because of some internal and external affairs. The population of Srilanka is rising at an unprecedented rate and the solution of the external problem is not easy to find on Srilanka's economic structure, is not much different from the ones prevailing in India, Pakistan, Nepal, Bangladesh and so many other developing countries.

Srilanka has gone through three major trade policy phases. Srilankan economy was export-biased and remain open for the first phase after independence from 1948 to 1960. During this period, Srilanka's exports have specialised in three main crops, viz., Tea, Rubber and Coconut. In this time, the per capita of Srilanka was double than that of India while she specialised on agricultural exports and concentrates her imports on food items and industrial products and her neutral trade regime was continued until 1960.

During the second phase, Srilanka was in an interventionist period from 1960 to 1977, when she has completely revised her neutral trade regime. As a result, her exports have declined from 0.36 percent to only 0.07 percent and her average propensity to export declined from 28 percent to 19 percent during the period of 1960 to 1977. The average GDP growth rate stood at only 2.9 percent and the percentage of unemployed labour force became 24 percent. The economy of Srilanka has characterised by stagnant manufacturing Sector, excess capacity of production, food shortages and inflation raste were in 15 percent to 20 percent range. Srilanka has been listed as Most Seriously Affected Countries(MSA) by the UNO from 1974.

And in the third phase, in 1977 the UNP Government again returned to power in Srilanka and pledged to adopt again a Neutral Trade Regime to return to the previous open economy. Srilanka got her special encouragement from the impressive performance of the NICs and implemented a trade liberalisation

policies. The liberalisation of trade and exchange policies, removal of price controls, encourage foreign private investment, technology and managerial skills and slightly increase in the domestic bank interest rates were the main characteristics of this period.

In the Sectoral distribution of GDP, the share of primary and secondary sectors have almost the same percentage as 26.9 percent and 26.7 percent on average respectively. It indicates that the economy has the same equal level of importance on industrial sector as well a agricultural sector. This peculiar position of primary and secondary sectors placed Srilanka in an Unique position. On the other hand, the service (Tertiary) Sector has been flourished as the dominant sector of the economy and its overall share on average was 46.3 percent with an increasing trend. The elasticity of primary and secondary sectors output in respect of tertiary sector output are 1 and 1.6. So, it also indicates that 1 percent increase in primary and secondary sectors at the same time would followed by a 1.6 percent increase in tertiary sector.

Srilanka has a developing nature of economy takes more importance on the primary sector as the basic source of development. The lion's share of total land area under agriculture as at 49.2 percent on average during the reference period of 1977 to 1987. 'Arable land and land under permanent crops' have a total acreage of 24.6 percent on average of the agricultural land area. The agriculture of Srilanka is

earmarked for its plantation and rice cultivation. 17 percent, 5.7 percent and 4.9 percent land were covered by Rice cultivation, Tea and Rubber Plantations of the total agricultural land.

The foreign trade sector in Srilankan economy has the share of total turn over in GDP for the reference period as at 28 percent on average. So, more than 25 percent of the GDP is represented by her foreign trade indicating the positive impact of her trade liberalisation policy during the reference period of 1977 to 1987. The debt service ratio stood at 18.4 percent on average indicating a moderate degree of debt service burden for Srilanka as per World-Bank standard. But the future danger lies in the high compound growth rates in respect of interest payments, amortisations and total debt service burdens. Srilanka is likely to fall in more than moderately debt straits in the future.

Being an Island developing country Srilanka suffers from some acute problems like low resources endowment, natural disaster, low level of foreign exchange reserves, adverse impact of higher transportation and transit costs and a higher dependence on foreign imports. All these problems coupled with the ethnic conflict has made the economy quite weak in competing in the external markets. Her exports as the percentage of world exports for the reference period of 1977 to 1987 was only 0.06 percent on average and her trade-turnover as the percentage to world trade turn-over was only 0.08 percent on average. This has made her a mere price-taker in the

international trade like most of other LDCs - who suffers from severe price fluctuations for their exports earnings and deterioration in their terms of trade during the reference period.

Srilanka had negative trade balances from 1978 to 1987 except 1977 with a positive trade balance of 655 million rupees and in dollar terms it was 60 million US dollars. The average adverse balance of trade of Srilanka for the 11 years from 1977 to 1987 stood as 12,117 million rupees and in dollar terms it was 570 million US dollars due to increase in imports. Her export to GDP during the period was 23.25 percent, share of such imports stood as high as 34.44 percent and the trade turn-over to GDP was 57.69 percent on average during the same reference period. The growth rates of the economy of Srilanka were 17.7 percent, 23.2 percent and 20.6 percent for her exports, imports and trade turn-over respectively, on the other hand, the growth rate of GDP was at 16 percent. The persistent deficits in Srilanka's trade balances were due to the fact that her merchandise and invisible expdorts were always less than their corresponding imports.

The composition of primary and manufactured goods exports of Srilanka were 73.4 percent and 24.7 percent respectively on average. Amongst them "Food and live animals" constitute the highest percentage all over the years with annual average of 46.6 percent. "Crude materials, inedible, except fuel", "Miscellaneous manufactured asrticles", "Mineral fuels, Lubricants, related - materials" and "Manufactured goods

classified by materials", were the next important items of Srilanka's exports with annual average of 16.8 percent, 16.5 percent, 9.3 percent and 5.6 percent respectively.

The composition of Srilanka's imports were 52.2 percent of manufactured goods and 46.7 percent of primary goods on average. Highest imports were in "Machinery and transequipment", at 24.5 percent, Second highest import were in "Mineral, fuel, lubricants, related materials," at 23.1 percent and the other three important items of imports were "Food and live animals" (20.8 percent), "Manufactured goods classified by materials" (19.4 percent), and "Chemicals" (8.1 percent) respectively.

So far direction of trade is concerned, the first five important regions are the ESCAP, Western Europe, North and Central America, SAARC and Eastern Europe & USSR from which Srilanka receiving the largest volumes of imports and also the exports of Srilanka. Both imports and exports were in the highest values with the ESCAP region as 50.2 percent and 23.7 percent on average respectively. The most remarkable feature was that the share of imports from and exports to SAARC region have shown a very low percentage.

ETHNIC PROBLEMS

India and Srilanka as the independent countries have good faith in the peaceful solution of the bilateral problems successfully. Both the countries did not encourage the interference of outside powers in their bilateral problems and this approach has helped not only in the strengthening of the relations of two countries but also prevented the problems from further complications. The present ethnic problems which have affected the bilateral relations of ~~Indo~~ and Srilanka.

The ethnic conflicts have a strong economic dimension, share of power and privileges between the Sinhalese and Tamils. The Sinhalese face has become brightened since 1956, religion and language have strengthened Sinhalisation in Srilanka and they claim that they were the original settlers and ruling race in the pre-colonial period. The percentage of Tamils and other minority communities have been decreasing over the years. 90 percent of the jobs could get the 10 percent of English knowing people. the Sinhalese community constitute about 70 percent and Tamils both Indian and Srilankan are 22 percent of the total population of Srilanka. the distrust is the main origin of the present ethnic conflict between majority Sinhalese and minority Tamils, between Buddhist and Hindus.

The Buddhist and sinhalese had pressurised the Mrs. bandaranaike's Government for declaration of internal Emergency and reduce the facilities to Tamils. the admission of Tamil students to the attractive medical and engineering courses fell

from 48.3 percent in 1969 to 14.2 percent in 1975 of the total. This led to a considerable frustration and disappointment among the Tamil Youth. But the Tamils were strongly opposed the violence and communal unrest in Srilanka since 1960. The Sinhalese being accepted as their official language the other languages were deprived and it made a wide gap between the elite and the masses. As a result, the present ethnic conflict in Srilanka is entangled in Sinhalese Tamil conflict.

The Tamil United Front Action Committee(TUFAC) was formed in May 1973 under the Chairmanship of S.J.V.Chelvanayakam with a Rising Sun Flage. The committee have boycotted the celebration of Republic day and decided to draft a constitution for a separate State. Most of the Tamil politicians have joined the United Liberation Front in 1975 and the leadership has gone into the hands of Unemployed Educated Tamil Youth. The TULF fought the General Election on the issue of Eelam(a separate State). As a result, the election followed a communal riot in 1977, looting, burning and killing of Tamils have done at a large scale by the educated youth of Sinhalese with the help of the policemen.

The Republic of Srilanka was devastated by her four years bloody civil war started in May, 1983. As a result, more than 6,000 were killed and made 8,000 political prisoners and lost about 500 million US dollars annually. The India's role in the present ethnic problem of Srilanka needs to be understood. When the Srilankan Government had failed to control the ethnic

violence and sought military help from the USA, Britain, Pakistan and Bangladesh to meet the crisis. Mrs. Indira Gandhi strongly expressed her objection to seeking any foreign help and took an initiative to solve the problem but Mr. Jayewardene rejected the Indian formula and said that India has no role in settling the Tamil Problem. Mr. Rajiv Gandhi succeeded his mother as Prime Minister, the Indo-Srilanka relations showed improvement by arranging a Summit meeting in June, 1985 and produced some positive results.

On January, 1987, the LTTE started to take over the Civil administration in the North and plan to register motor vehicles, organise traffic police and open a Secretariate was seen by Colombo as an unilateral declaration of independence. The Srilankan government drastically took the military action against the Tamils and economic blockade at Jaffna and the ethnic conflicts were going to be deteriorated into a serious situation. The India condemned for heavy casualties of civilians and once again warned Srilanka and took a drastic action on June 4. The five Indian air force planes entered into Srilanka's airspace escorted by Mirage 2000 Fighters Jets and dropped relief supplies over Jaffna and Colombo bound to cease military operation and lifted the embargo.

On July 29, 1987 the two governments of Srilanka and India signed the historic "Indo-Srilanka Agreement to establish peace and normalcy in Srilanka", which was endangered from the last few years due to severe ethnic conflict in the island

nation of Srilanka. On the request of Srilankan government more than 60,000 Indian Peace Keeping Forces entered in Srilanka to collect arms from the LTTE and to maintain law and order by early 1988. But after only three months the operation of IPKF against the Tigers, which killed some 2,000 civilians, damaged 50,000 buildings and sent 2,00,000 refugees searching for shelters. The Jaffna Tamils reinterpretation of the IPKF as innocent people killing force and even today hanging black flags in protest at the agreement and its implementation remain quite poor. Independent Tamil Politics in Srilanka is a fact of the history. The events of the next few years will be decided the future political solution of the Tamil Problems in Srilanka itself.

#### INDO-SRILANKA TRADE

Since their independence India and Srilanka have tried to develop their economic structure and foreign trade and rise the competitiveness inspite of complementarities. India has to face competition with Srilanka in the foreign trade Sectors of her exports in tea, coffee, rubber, and marine products, the main exports of Srilanka in her global trade relations. But Srilanka is a least developed country with geographic proximity, historic and cultural affinity with India. She has to depend to a large extent for the manufacture imports from the comparatively diversified economy of India.

Share of India's exports in total imports of Srilanka were 10.35 percent placing India as the second largest exporter to Srilanka in 1979, but the position became declined in the next years. Share of Srilanka's imports in total exports of India during the reference period of 1977 to 1987 the picture is more gloomy and it showed the highest share at only 1.95 percent in 1979. The ethnic conflict has an adverse impact on India's export trade with Srilanka and it declined from 6.36 percent to 4.99 percent on average during the pre-ethnic and ethnic conflict periods.

India's exports to Srilanka are of diverse in nature. When the manufactures exports attained the highest percentage, the primary exports were lowest percentage in 1977, but in 1984 the trend was opposite. Her primary exports to Srilanka was 35.30 percent on average with the compound growth rate of 11.25 percent. Whereas manufactures exports have shown annual average as high as 64.65 percent with the compound growth rate of 6.10 percent.

The most important export items of India to Srilanka under RITC Sections are identified and listed as follows :

1. RITC Section : 0

Live animals chiefly for food, meat and meat preparations, Dairy products and birds eggs, fish, crustaceans & molasses and preparation thereof; Cereal and Cereal preparations; vegetables and fruits; Sugar, Sugar preparations and honey; coffee, tea, cocos, spices and manufactures thereof; Feeding

Staff for animals(not including unmilled cereal) ;  
Miscellaneous edible products and preparations.

2. RITC Section:1

Beverages; Tobacco and tobacco manufactures.

RITC Section:2

Oilseeds and oleaginous fruits; Crude-rubber(including synthetic and reclaimed); Cork and wood; Textile, fibres (other than wool tops) and their wastes; crude fertilizers and crude minerals (excluding coals, petroleum and precious stones); Metalliferous ores and metal scrap; crude animal and vegetable materials n.e.s.

4. RITC Section:3

Coal, coke and briquettes, petroleum, petroleum products and related materials.

5. RITC Section:4

Animal oils and fats; Fixed vegetable oils and fats, Animal and vegetable oils and fat, processed and waxes and animal or vegetable origin.

6. RITC Section:5

Organic Chemicals; Inorganic-chemicals, Dying tanning and colouring materials; Medicinal and Pharmaceutical products; Essential oils and perfume materials; Toilet polishing, Cleansing preparation; Fertilizers manufactured; Explosive and pyrotechnique products; Artificial resins; Plastic materials and Cellulose esters & ethers; Chemical materials and products n.e.s.

7. RITC Section:6

Leather, leather manufactures n.e.s. and dressed furskins; Rubber manufactures n.e.s.; Cork and wood manufactures (excluding furniture); paper, paper board and articles

of paper, pulp of paper or of paper board; Textile Yarn fabrics made up articles n.e.s. and related products; Non Metallic minerals manufactures n.e.s. ; Iron and steel; Non ferrous metals; Manufactures of metals n.e.s.

8. RITC Section :7

Power generating machinery and equipments; Machinery specialised for particular industries; Metal working machinery; General industrial Machinery and equipment n.e.s. and machine parts n.e.s.; office machine and automatic data processing equipments; telecommunication and sound recording apparatus and equipment; Electrical machinery, apparatus and appliances n.e.s. and electric parts thereof(including non-electric counter parts n.e.s. of electric household type equipments); Road Vehicles(including air cushion vehicles); other transport equipment.

9. RITC Section:8

Sanitary, plumbing, heating and lighting fixtures and fittings n.e.s., Furniture and parts thereof; Travel goods, hand bags and similar containers; outer garments mens' and boys' of textile fabrics(other than knitted or crocheted goods); Foot ware; professional Scientific and controlling instruments and apparatus n.e.s.; Photographic apparatus, equipments and supplies and optical goods n.e.s. watches and clocks; Miscellaneous manufactured articles n.e.s.

With the help of commodity intensity indices five categories of export commodities of India under SITC

Section have been identified which have higher export potentialities for Srilanka. These are the following:

- i) Crude materials, inedible, except fuel(SITC:2);
- ii) Food and live animals(SITC:0);
- iii)Machinery and transport equipment(SITC;7);
- iv) Manufactured goods classified by materials(SITC:6)
- v) Chemicals (SITC: 5)

On the converse, India's imports from Srilanka, i.e., Srilanka's exports to India are at the miserable lower ebb throughout the entire reference period. This is due to the very limited exportables of Srilanka with which she has to trade in her external markets including India. Primary imports of India from Srilanka were at the highest at 88.20 percent on average and dominating the manufacture imports during the entire reference period.

From the few importables of India from Srilanka, the most important items under RITC Sections are as follows:

1. RITC Section: 0

Dairy products and birds eggs; Fish, crustaceous and molasses and preparation thereof; vegetables and fruits; coffee, tea, cocos, spices and manufactures thereof;

2. RITC Section:2

Hides, skins and furskins raw; Oilseeds and Oleaginous fruits; Crude rubber(including synthetic & reclaimed)

pulp and waste papers; Textile fibres (other than wool tops) and their wastes (not manufactured into yarn or fabrics); Crude fertilisers and crude minerals (excluding coal, Petroleum and precious stones); Metalliferous ores and metal scrap; crude animals and vegetables - materials n.e.s.

3. RITC Section:4

Fixed vegetable oils and fats; Animal and vegetable oils and fats.

4. RITC Section:5

Organic Chemicals; Inorganic chemicals; Dying, tanning and colouring materials; Medicinal and Pharmaceutical products; essential oils and perfume materials, toilet, polishing and cleansing preparations; Artificial resins and plastic materials and cellulose, esters and ethers; chemical materials and products n.e.s.

5. RITC Section:6

Leather and leather manufactures n.e.s. and dressed furskins, Rubber manufactures n.e.s.; Paper, paper board, and articles of paper, pulp of paper or of paper board; Textile yarn fabrics made up articles n.e.s. and related products; Non-metallic minerals manufactures n.e.s.; Iron and Steel; Non-Ferrous metal; manufactures of metals n.e.s.

6. RITC Section:7

Power generating machinery and equipments; Machinery specialised for particular industries; Metal working Machinery; General industrial machinery and equipments n.e.s. and machine parts n.e.s.; office machine and automatic data processing equipment; Telecommunication and sound recording apparatus and equipments; Electrical machinery and equipments and appliances n.e.s. and electric parts thereof(including non-electric counter parts n.e.s. of electric household type equipments; road Vehicles(including air cushion vehicles); Other transport equipments.

7. RITC Section :8

Outer garments mens' and boys' professional scientific and controlling instruments and apparatus n.e.s. photographic apparatus, equipment and supplies and optical goods n.e.s. watches and clocks; Miscellaneous manufactured articles n.e.s.

With the help of the commodity Intensity Indices five categories of imports of India from Srilanka having the higher import potentialities are the following :

- i) Food and live animals (SITC :0)
- ii) Miscellaneous transactions and commodities n.e.s.(SITC : 9) ;
- iii) Crude materials, inedible, except fuel (SITC : 2) ;
- iv) Animal and vegetable oils and fats (SITC : 4) ;
- v) Miscellaneous manufactures articles (SITC : 8).

India was able to meet all the requirements of Srilank's imports for the five selected categories having higher commodity intensity except for "Machinery and transport equipment". India could meet the demand for "Machinery and transport equipment" partially.

At the end of the century, 23.3 percent of India's projected exports of those five selected categories would satisfy the entire import demand of Srilanka if the present trend prevails.

Projections of the actual values of exports from India to Srilanka of five potential export categories show that at the end of this century the export value of these categories will not attain even the level of 1985 if the present trend prevails.

On the contrary, if the present trend prevails, Srilanka will be in a position to meet only 32 percent of import requirements of India for the five selected categories having higher export potentialities of Srilanka for India at the end of the century.

Projections of the actual values of Srilanka's export to India for those five selected categories show that it will not be possible to attain the level of 1984 even at the end of this century if the present trend prevails.

Within the context of South Asian Regional co-operation, it is found that the extra regional trade of SAARC countries (excluding Bhutan and maldives) is very high especially with the developed industrial countries during the period of 1980 to 1987. The intra-regional trade of the SAARC countries is

extremely low during the same reference period. However, India has a surplus trade balances with the SAARC countries except Pakistan for the period under study. She has consistent trade deficits with Pakistan throughout the period with a very minimum value.

In case of Srilanka, the four most important of her trading partners of SAARC countries are India, Pakistan, Bangladesh and Maldives. Srilanka faces a deficit balance of trade with India for the entire reference period of 1980 to 1987. She has a consistent trade surplus with Bangladesh and she has also maintained a favourable balances of trade with Pakistan from 1980 to 1984 and with Maldives from 1981 to 1987, while she has an overall continuous total trade deficit with the SAARC countries during the same reference period.

A preferential Trading Arrangement would be the most feasible device for a better economic co-operation within the SAARC region, Product by-product basis exchange of tariff and non-tariff preference are possible. In addition to this, a careful follow-up action are needed to exploit the full benefits from Bangkok Agreement and the like under ESCAP and UNCTAD; and also under ACU.

The reduction of unproductive expenditure and initiation of joint ventures with India with buy-back policies would help in particular to solve the problem of SAARC countries and to wipe out trade gaps with India.

PROSPECTS AND SUGGESTIONS

The main problems of Indo-Srilanka trade relations is the mounting trade deficits of Srilanka with India over years, and it has practically, found no way to reduce such deficits. India's exports to Srilanka are in a wide-range of commodities of diverse nature, these commodities are subject to potential gains to Srilanka due to their low import price than rest of the world. Whereas Srilanka's exports to India are limited a very low number of commodities are subject to potential loss to India due to their high price than India's imports from rest of the world. So, the problem was bristling in the light of the fact that Srilanka had nothing to offer the terms goods needed by India.

Counter trade in the form of "Import Compensation" became an important and popular device for a deficit country in the face of uncertainty and global industrial realignment to maintain growth, promoting exports and expedite economic diversification process of that country.

"Import Compensation" as an effective form of counter trade, in fact, represents and industrial counter-trade with the most common variant of buy-back arrangement.

Both the countries should try to exploit the full potentialities of Bangkok Agreement under ESCAP, Asian Clearing Union(ACU), UNCTAD, GATT and the SAARC for their mutual developments in trade, commerce and industry. Both the countries should also try to reduce the unproductive and wasteful arms race in the region by co-operating in the appropriate forums with a

view to achieving peace, the pre-requisit of their developments.

It was decided that by the exchange of deligations, Diplomates like the Prime Minister of India and the President of Srilanka to expand the mutual trade relations and economic collaborations between the old-aged related neighbour country. Some sphere were identified for Indian participation in the development of the economy of Srilanka. Rubber and forest based industries, manufactures of building materials, exploitation of marine products, housing components, electric bulbs, tubes, cutting tools and plastic products were found to be feasible. Indian consultancy services suited for these purposes.

Indian investors have been guaranteed under an investment guarantee agreement to help and encourage Indian joint ventures in the Free Trade Zone of Srilanka. Indian joint ventures with buy back policies would be the most effective resort to bring down the trade gap.

People-to-people contact, tourist-traffic between the two countries and Buddhist pilgrims now visit shrines in India in a large numbers have also been possible the free convertibility of Indian and Srilankan rupees for these tourists.

Srilanka is in a position to supply cloves, cocobeans, coconut oil, precious stones, graphite, cement as well as fertilizer and electricity for the reduction of her trade gap in coming future.

Therefore, it can be suggested that India should take aid policies for Srilanka that stimulate trade not only with India but also in other Asian countries, and it should also

provide for economic relations between the countries that would make the maximum utilisation of natural resources of both the countries.

If India and Srilanka should take an initiative to capture the world market in tea, rubber and marine products by avoiding mutual competition through common market pool. Cost benefit approach should be adopted in joint ventures and service contracts. Cheap and skilled labour forces of Srilanka should be utilised with the help of Indian technology and capital. India should also help Srilanka to promote her exports in other countries, so that the deficit trade balance with India can be solved. Some efforts should made with a good faith to avoid and solve all the problems that discourage the growth of sound bilateral relations between India and Srilanka.

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UN, National Accounts Statistics, Year Book.

UN, Economic and Social Survey for Asia and the Pacific.

UNCTAD, Hand book of International Trade and Development.

World Bank, World Development Report.

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