

G.C.E (A.L.) Supporting Seminar – 2016
Economics - Paper I
Answer Guide

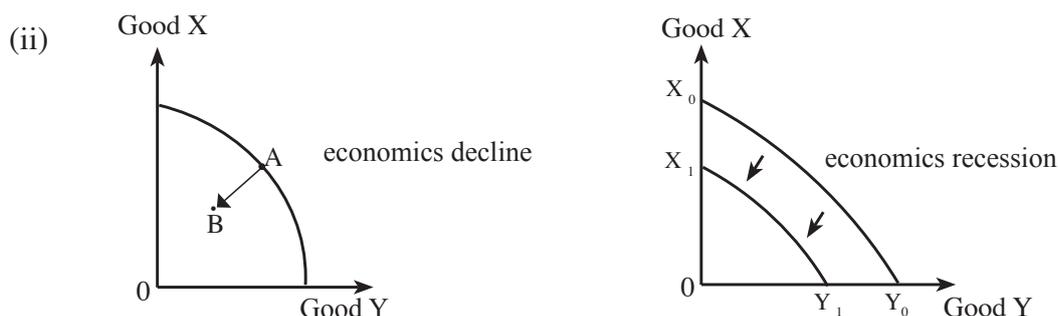
Question No.	Answer	Question No.	Answer
(1)	4	(26)	5
(2)	3	(27)	4
(3)	1	(28)	5
(4)	4	(29)	2
(5)	4	(30)	3
(6)	1	(31)	5
(7)	3	(32)	3
(8)	1	(33)	4
(9)	2	(34)	4
(10)	2	(35)	1
(11)	4	(36)	4
(12)	1	(37)	5
(13)	4	(38)	3
(14)	4	(39)	4
(15)	1	(40)	4
(16)	4	(41)	4
(17)	3	(42)	3
(18)	2	(43)	1
(19)	3	(44)	4
(20)	2	(45)	3
(21)	4	(46)	2
(22)	2	(47)	4
(23)	3	(48)	1
(24)	1	(49)	2
(25)	1	(50)	5

(100 marks with two mark for each question)

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Economics - Paper II
Answer Guide

1. (i) ★ Renewable resources – resources which get finished with the usage in the production process, but are regenerative. Eg:- forests, fishery
- ★ Non renewable resources – resources which get finished with the usage in the production process, but are not regenerative. Eg:- mineral resources

(04 marks)



- Economic decline – decrease in the real national output during a time period of such as two quarters in an economy. Level of employment gets reduced. Point of production will move towards left, further.
- Economic recession – a long term contraction in the real national output. Aggregate demand and supply of the economy may get decline, due to the decline in the potential output of the economy. Production possibilities frontier would shift to the left.

(04 marks)

(iii) A. Mechanism of coordinating the decisions related to the solving of basic economic problems

- Market economic systems
- Command (centrally planned) economic systems
- Traditional economic systems

(02 marks)

B. Ownership of resources

- Capitalist economic systems
- Socialist economic systems

(01 mark)

C. Incentive system

- Market economic systems
- Command (centrally planned) economic systems
- Traditional economic systems

(01 mark)

- (iv) • Provision of signals – provision of information by the consumers, to the producers and owners of factors in order to make their decisions.
- Provision of incentives – providing incentives to encourage the decision making parties.
- Rationing – distribution of scarce resources in the economy, among the alternative choices.

(Total 04 marks, if there are main facts only -03 marks)

- (v) Societal market economic system is an economy which is working towards the fairness in the society and individual freedom along with the market economic system. Social welfare is crucial in this economy. The objective is to improve the living conditions of the low income earners and ensure the protection from dangers and economic difficulties for everyone in the society.
Eg:- Scandinavian countries including Germany

(03 marks for the explanation, 01 mark for the example)

2. (i) • Need of the good or the service
- Purchasing power/ability to purchase
 - Plan to buy

(03 marks, 01 mark for each fact)

- (ii) A
1. Price of the inputs
 2. Price of the related goods
 3. Technology
 4. Government policies (taxes and subsidies)
 5. Expectations of the producers
 6. Number of producers



(02 marks, 01 mark for each fact)

- B. 1) Increasing opportunity cost (increase in the marginal cost with the production)
2) Change in the profit margin along with the change in price.

(02 marks, 01 mark for each fact)

- (iii) Implementing a price support system, setting a minimum price.
Deficiency payment system, through agreeing a certified price.

(02 marks, 01 mark for each fact)

Effects of a deficiency payment system

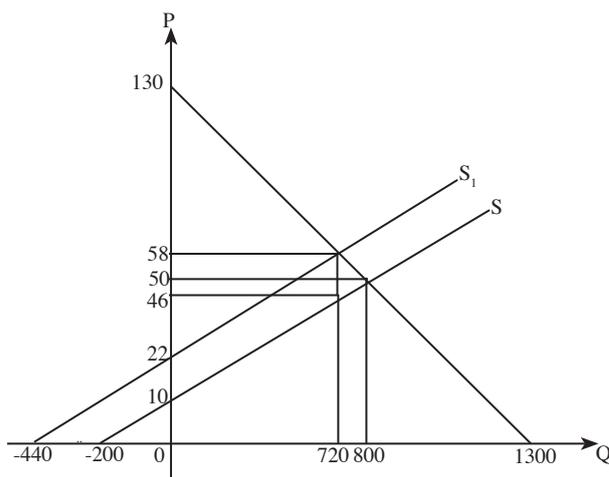
- 1) Increase in the producer surplus
- 2) Increase in the consumer surplus
- 3) Occurrence of dead weight loss
- 4) Government has to incur an expenditure
- 5) Change in the business revenue / change in the consumer expenditure
- 6) Decrease in the price which is paid by the consumer
- 7) Increase in the price which is given to the producer

Effects of a price support system

- 1) Increase in the producer surplus
- 2) Decrease in the consumer surplus
- 3) Increase in the price paid by the consumer / increase in the price gain by the producer
- 4) Dead weight loss is higher than that of in the deficiency payment system

(03 marks for any 3 effects)

(iv)



$$\begin{aligned} \text{Consumer surplus} &= \frac{(P_1 - 50) 800}{2} \\ 32\,000 &= \frac{(P_1 - 50) 400}{2} \\ 32\,000 &= 400 P_1 - 20\,000 \\ \frac{52\,000}{400} &= \frac{400 P_1}{400} \\ P_1 &= 130 \\ \text{Producer surplus} &= \frac{(50 - P_2) 800}{2} \\ 16\,000 &= \frac{(50 - P_2) 400}{2} \\ 16\,000 &= 20\,000 - 400 P_2 \\ \frac{400 P_2}{400} &= \frac{4\,000}{400} \\ P_2 &= 10 \end{aligned}$$

(02 marks for the correct diagram)

(a) ● Consumer surplus : $(130 - 58) \times 720/2$
 $= 72 \times 360 = \underline{25\,920}$ **(01 mark)**

● Producer surplus : $(46 - 10) \times 720/2$
 $= 36 \times 360 = \underline{12\,960}$ **(01 mark)**

(b) ● Government tax revenue = $\text{tax} \times \text{sales quantity}$
 $= 12 \times 720 = \underline{8\,640}$ **(01 mark)**

(c) ● Excess tax burden = $\text{tax} \times \text{change in the equilibrium quantity} / 2$
 $= 12 \times (800 - 720) / 2$
 $= 12 \times 80 / 2$
 $= \underline{480}$ **(01 mark)**

3. (i) Short run is the time period during which, the production process possess at least one fixed factor/input. Accordingly, there are two inputs as variable and fixed inputs in the short run and fixed input does not change with the output. **(02 marks)**

Long run is the time period during which, a firm is able to change all of its inputs that are used in the production process.

All the inputs in the long run are variable inputs and there is no classification of inputs as fixed and variable. **(02 marks)**

- (ii) Accounting profit can be obtained by deducting financial cost/direct cost from the total revenue of a firm. **(01 mark)**

Economic profit is the balance obtained, after deducting the opportunity cost form the total revenue of a firm. Opportunity cost of production includes both direct cost and implicit cost. **(01 mark)**

When there is implicit cost, economic profit is lower than the accounting profit. **(01 mark)**

Eg-: total revenue of a firm	=	Rs.750 000	
Direct cost	=	Rs. 300 000	
Accounting profit	=	Rs.450 000	
Implicit cost (forgone interest + forgone wages + economic depreciation + normal profits)	=	Rs.200 000	
Economic profit	=	Rs.250 000	(01 mark)

(iii) Similarities

- 1) Massive number of firms in both perfect competition and in monopolistic competition.
- 2) Free entry and free exit.
- 3) Gain only normal profits in the long run. **(01 mark)**

Dissimilarities

- 1) Homogeneous goods in perfect competition and differentiated goods in monopolistic competition.
- 2) Information can be obtained completely without any cost in the perfect competition, but in monopolistic competition information cannot be obtain completely and have to incur cost also.
- 3) Perfectly competitive firm is a price taker and monopolistic complete firms are price givers. (decides the price)
- 4) In a perfectly competitive firm, supply curve is perfectly elastic and in a monopolistic competitive firm, supply curve slopes from left to right. **(02 marks)**

(iv) Barriers for entry are, the natural or legal barriers which exist in entering to particular industry. Main barriers to entry are,

- Single ownership of raw materials and technical knowledge
- Governmental legal restrictions (licenses, patents)
- Economies of scale are with one firm and therefore, it is a barrier for the other firms to enter. **(04 marks)**

(v) (a) Should be more than Rs.40. if P = Rs.40, only normal profits can be earned. **(01 mark)**

(b) Total fixed cost = average fixed cost × cost of output

$$TFC = AFC \times Q$$

$$TFC = (ATC - AVC) \times Q$$

$$TFC = (60 - 40) \times 400$$

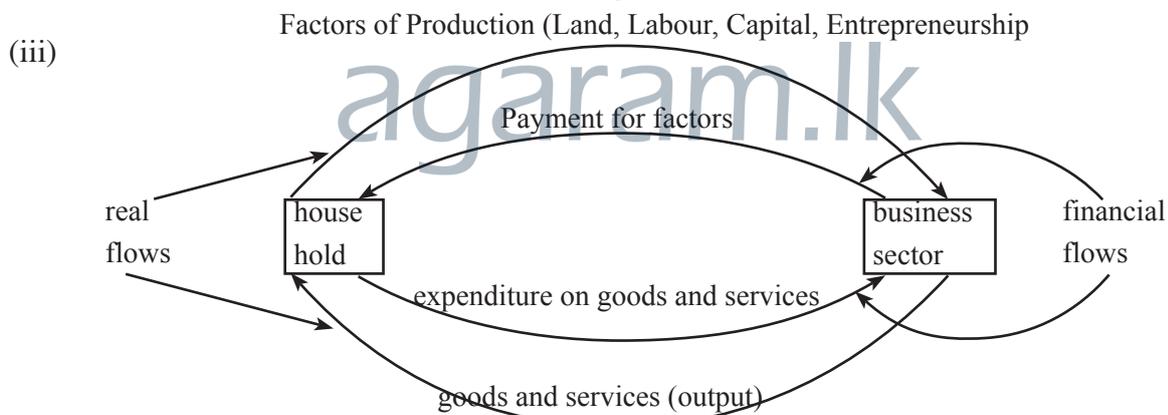
$$TFC = 20 \times 400$$

$$TFC = \text{Rs.}8000 \quad \textbf{(02 marks)}$$

(c) If the unit price of is less than Rs.20, the production should be abandoned. In order to retain in the industry, price should be equal to at least the average variable cost. **(01 mark)**

4. (i) (a) Net domestic income = gross domestic income – (net indirect taxes + capital depreciation)
 = 6000 - (100 + 600)
 = 5300 (02 marks)
- (b) Gross domestic expenditure = gross domestic product – net exports
 = 6000 - (-400)
 = 6400 (02 marks)
- (c) Gross investment = gross domestic expenditure – total consumption
 = 6400 - 3000
 = 3400 (02 marks)
- (d) National savings = disposable national income – total consumption
 = 6000 + (-200 + 300) - 3000
 = 6000 + 100 - 3000
 = 3100 (02 marks)

- (ii) 1) All the productive activities in the economy are not demonstrated by the motional income. (housewives' activities)
- 2) Informal economic activities (difficult to obtain accurate reports) are not included.
- 3) Consumptions such as idling is not entered in national income.
- 4) Environmental pollution and depreciation to environmental resources occur in the production activities are not considered.
- 5) Entire interest paid by the government for the loans are not considered as a productive income. (03 marks)



(02 marks)

Flow of income results from the flow of output and flow of expenses results from the flow of income. Value of flow of income is equal to the value of flow of output and value of flow of expenses is equal to the value of flow of expenses. (02 marks)

- (iv) All the government expenses are not included in the national income accounts. Transfer payments, interest payments made by the government are not included in the national accounts. (02 marks)
- (v) Potential output or the gross domestic product is the maximum sustainable output level which can be produced by an economy without inflationary pressures. Potential output is not the maximum output and it is the maximum level which can be sustainably maintained.

Output gap is the difference between real output and potential output.

Negative gap -: real output < potential output

Positive gap -: real output > potential output

(03 marks)

5. (i) ★ Household wealth (inventory of assets)
★ Expectations of households
★ Loans obtained by the households
★ Price level / expected inflation

(02 marks for any 2 facts)

(ii) $Y = E$

$$Y = C + I + G + (X - M)$$

$$W = J$$

$$S + T + M = I + G + X$$

(02 marks)

(No marks are given for only $Y=E$ and $W=J$)

Savings, taxes and imports are leakages in an economy. These are considered as leakages since they do not enter to the flow of expense through the flow of income and flow outside of the economy.

These reduces aggregate demand and contracts the economy.

(01 mark for naming, 01 mark for the explanation)

(iii) (a) $S = -1000 + 0.2 y_d$

$$C = 1000 + 0.8 y_d$$

$$C = 1000 + 0.8 (y - T)$$

$$C = 1000 + 0.8 (y - 100)$$

$$C = 1000 + 0.8y - 80$$

$$C = 920 + 0.8y$$

(01 mark)

$$C = 920 + 0.8 \times 5000$$

$$C = \text{Rs. } 4920 \text{ million}$$

(01 marks)

(b) $Y = C + I + G$

$$Y = 920 + 0.8y + 200 + 80$$

$$Y = 1200 + 0.8y$$

$$Y - 0.8y = 1200$$

$$Y = 1200 / 0.2$$

$$Y = \text{Rs. } 6000 \text{ million}$$

(02 marks)

(c) $APC = c / y$

$$APC = 5720 / 6000$$

$$APC = 0.95$$

(01 marks)

$$APS = S / y$$

$$= 180 / 6000$$

$$= 0.03$$

(01 marks)

$$\begin{aligned}
S &= -1000 + 0.2y_d \\
&= -1000 + 0.2(y-t) \\
&= -1000 + 0.2(y-100) \\
&= -1000 + 0.2y - 20 \\
&= \underline{-1020 + 0.2y}
\end{aligned}$$

$$\begin{aligned}
S &= -1020 + 0.2(6000) \\
&= -1020 + 1200 \\
&= 180
\end{aligned}$$

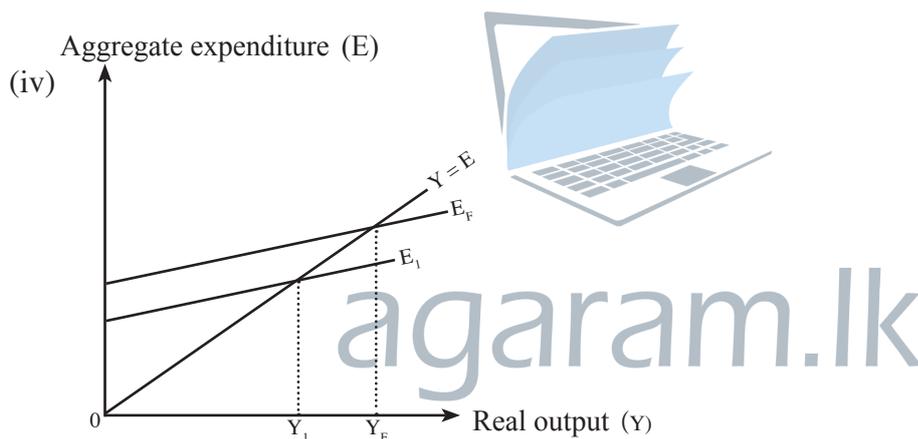
(d) $K = 1 / 1 - b$
 $K = 1 / 1 - 0.8$
 $K = 1 / 0.2$
 $K = 5$

(02 marks)

$$\begin{aligned}
\Delta Y &= \Delta G \times K \\
100 &= 20 \times 5
\end{aligned}$$

Equilibrium national income = 6000 + 100 = Rs. 6100 million

(02 marks)



(02 marks for the diagram)

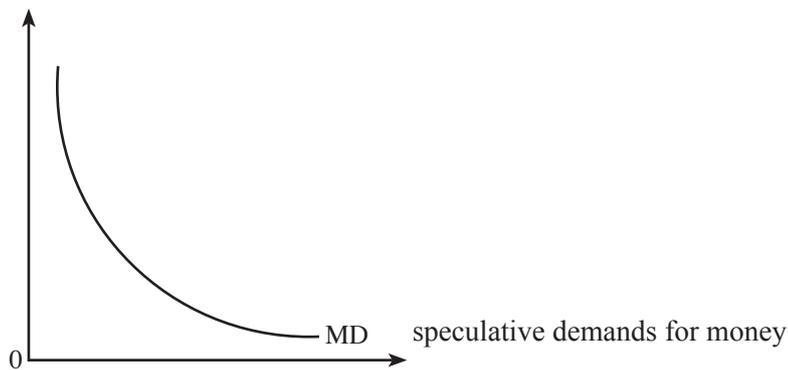
Potential output of the economy is y_f . The aggregate demand which is required to maintain that level is E_f . However, the real aggregate demand in the economy is E_1 and economy is in the equilibrium at Y_1 which is below the potential output level. There is a gap in the economy as $(Y_1 - Y_f)$. Y_1 level of output is in the left side of the production possibilities frontier.

(02 marks for explanation)

6. (i) • Money is an asset with perfect liquidity. Those are generally accepted by the public, as a medium of exchange.
- Money substitutes can be used as a medium of exchange temporarily and do not do the function of store of value. (eg -: debit cards and credit cards)
 - Near money are assets which acts as a store of value but do not act as a medium of exchange.
 - Black money are the money which cannot state the source of earning. These exist outside the money circulation and remain as money balances.

(04 marks, 01 mark for each)

(ii) Interest rate



(Diagram is not essential)

- Demand for money under speculative motive is a negative function of the interest rate. Therefore, money demand curve slopes from left to right.

(01 mark)

- Change in the opportunity cost of holding money, with the change in the interest rate/ purchase and sale of treasury bills based on speculative influences, when the interest rate change.

(01 mark for any fact)

(iii) (a) $M_1 = 500 + 1700 = 2200$

(01 mark)

$M_2 = 2200 + 600 = 2800$

(01 mark)

$M_{2b} = 2800 + 200 + 500 = 3500$

(01 mark)

(b) Base money = $500 + 300 + 200 = 1000$

Broad money supply multiplier = $2800 / 1000 = 2.8$

(01 mark)

- (iv) (a) • Maintaining excess reserves by the commercial banks

- Outflow of money from the banking system

- Demand for loans by public

- Laws and regulations by the CBSL

(02 marks for any 2 facts)

(b)

	National consumer price index	Colombo consumer index
Base year	2013=100	2006/07 = 100
Geographical coverage	All the provinces in Sri Lanka	All the urban households in Colombo district
Number of targeted households	All the households in each in every district	All the urban households in Colombo district
Number of items	407	373
Weight age	(alcohol, liquor, cigarettes are included)	(alcohol, liquor and cigarettes are not included)
-food	44.04%	41.03%
-non food	55.96%	58.97%
Number centers which collect the prices	3 centers in each district	14 centers in Colombo urban area

(04 marks)

(v) Producers' price index is used now on behalf of wholesale price index. (01 mark)

The importance is,

- Fluctuations in market prices are demonstrated through this index and can be taken accurate decisions using those trends.
- Used to value the contractual agreements, productivity analysis, business information analysis and to calculate the current price of fixed assets.
- Provides a more realistic index to calculate the GDP deflator.

(02 marks for any 2 facts)

7. (i) The inability of the market mechanism to distribute the resources efficiently, for the betterment of the society is known as market failure. (01 mark)

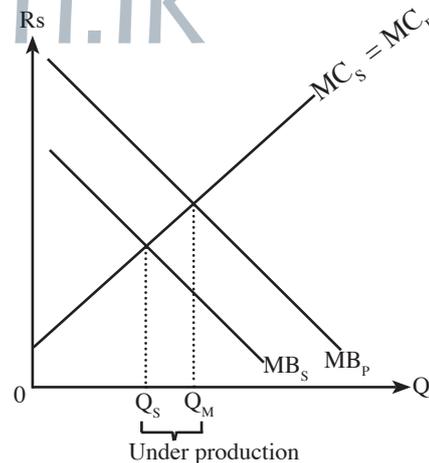
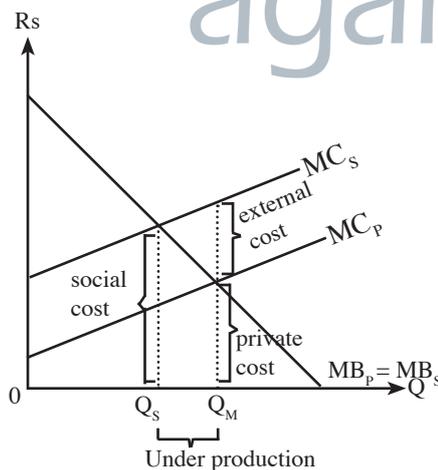
The reasons are:

- Non provision of public goods
- Externalities
- Imperfect information
- Imperfect competition
- Excessive usage of common resources
- Immobility of factors
- No fair income distribution

(03 marks for any 3 facts)

- (ii) • When there are negative externalities in the production
 • When there are negative externalities in the consumption

When there is an external cost and it is adjusted to the private cost, social marginal cost exceeds the private marginal cost. Therefore, the quantity produced in the market exceeds the socially preferable level of output. (02 marks)



(02 marks for 2 diagrams, 1 mark for each)

- (iii) • Tax incidence incurred by the person who is legally bound to pay the tax, at the moment of paying tax is known as statutory tax incidence.
 Eg:- the temporary impact on the producers' income when paying Rs.20 tax for the cigarette.
- Economic tax incidence is the influence on the real income, through the process of shifting tax.
 - According to the above example, if the price of a cigarette increases by Rs.12, after a tax of Rs.20, the real effect on producers' real income is Rs.8. it is known as actual tax burden.

- The difference between statutory tax incidence and economic tax incidence occur based on the process of shifting tax. It depends on the demand and supply elasticity of goods that are taxed.

(04 marks)

(iv) Government income as a percentage of GDP.

1978	2013	2014	2015
27.4	14.5	11.4	13

(02 marks)

- Throughout the past 4 decades the government income of Sri Lanka as a percentage of GDP has declined at a considerable rate. Following are the reasons for the decline in income.

As a percentage of GDP,

- Reduction in tax revenue
 - Entrance to free trade.
 - Weaknesses in contemporary tax reforms.
 - Difficulties in administering tax collections. This has led to the abundance of tax payment.
 - After the VAT introduced in 2005, there are more than 500 goods which have tax concessions.
 - There are more than 40 tax concessions related to income and corporate taxes. Apart from that, there are extra tax concessions for the BOI investors.
 - Purchase of goods through the internet.
 - Complexity of the tax system.
- Reduction in the income form government enterprises.

(02 marks)

- (v) (a) Balance of the current account is the amount that remains after deducting recurrent expenses from the government revenue (tax and non-tax income). **(01 mark)**
- (b) Balance in the primary account is obtained by deducting government expenses except interest for government debt, from the government revenue and grants. **(01 mark)**
- (c) Net financial deficit is the value obtained after deducting government expenses except government loan repayments, from the government revenue and grants. **(01 mark)**
- (d) If a certain ministries' funds that are given through the appropriation act got finished before the end of the budgetary year, the expenses estimate presented to the parliament by the relevant minister in order to obtain funds for the remaining period, is known as the supplementary estimate. **(01 mark)**

8. (i) • Nature of the ownership of factors
- Production techniques (technology)
 - International specialization
 - Size of the country and the location
 - Initial state of the industry
 - Government policies
 - Competition in the market
 - Product differentiation in the production process
 - Taste of production /preferen

(04 marks for any 4 facts)

(ii) Can be agreed with the statement.

- Exports of Sri Lanka are directed towards USA and European countries.

Eg-: year of 2015

country	Contribution of total exports (%)
USA	27
United kingdom	11
European union	12

- And the imports of Sri Lanka has directed towards the Asian countries.

Eg-: year of 2015

Country	Contribution of total imports (%)
India	23
China	20
Singapore	6
Japan	7

(iii) (a) Balance in the trade account = exports – imports

$$= 1200 - 1800$$

$$= -600$$

(01 mark)

(b) Balance in the service account = insurance (net) + tourism (net) + transport (net) + financial services (net) = (30 - 20) + (60 - 10) + (140 - 120) + (25 - 15)

$$= 10 + 50 + 20 + 10$$

$$= 90$$

(01 mark)

(c) Balance in the primary account = net interest and profits + employee wages (net)

$$= (5 - 25) + (7 - 12)$$

$$= (-20) + (-5)$$

$$= -25$$

(01 mark)

(d) Balance in the secondary account = remittances of the employees (net)

$$= (300 - 80)$$

$$= 220$$

(01 mark)

(iv) • Managed flexible exchange rate or the controlled exchange rate is a combination of fixed exchange rate and flexible exchange rate and is able to get the advantages of both the policies.

- Here, financial authorities decide a fixed exchange rate for the domestic money and allow it to fluctuate in a certain range.

- When it fluctuates beyond the limits, CBSL sells and purchases domestic money in the market in order to remove the depreciation and appreciation in the exchange rate.

- CBSL does not allow the exchange rate to be determined by the market forces and it intervenes to the exchange market. It is also known as a dirty floating and a clean one, since CBSL intervenes.
- Under the controlled exchange rate, interventions are made to the exchange market in the short run and in the long run exchange rate is allowed to be determined by the market forces.

(04 marks)

(v) Protectionism is, ensuring that the domestic infant industries are safer from the foreign competitive firms. World trade organization has established against the protectionism. It functions in order to open up the world trade and to disturb the tariff and non-tariff trade barriers. World trade organization is performing following functions.

(02 marks)

- Discussions to make trade agreements.
- Implementation of agreements and supervising them.
- Settling trade disputes.
- Improve the capacity of member countries.
- Informing the public.
- Provision of technological support.

(02 marks for any 2 facts)

9 (i) Following should be fulfilled by an economy which is expecting a higher economic growth.

- Maintaining macro-economic stability.
- Maintaining the savings and investment level of the economy at a higher level.
- Maintaining the interest rates at a lower level.
- Simplify the tax ratio.
- Encourage the foreign investments.
- Increasing the resources availability.
- Improving the technology.
- Development of the human resource and skills.
- Good governance.

(04 marks for any 4 facts)

(ii) Benefits of the economic growth

- Ability to gain a higher status of living
- Increase in the employment level
- Favorable impact on the government financial
- Development of businesses' confidence
- More opportunities to the public, than before

(02 marks for any 2 facts)

Costs of the economic growth

- Environment degradation
- Inflationary situations
- Disparity in the income distribution
- Reduction in the level of current consumption

(02 marks for any 2 facts)

- (iii) Development is a multi-dimensional process. Increase in the income, improved status of living, higher level of health and nutrition, prosperous cultural life, individual freedom are few aspects of development. This demonstrates that mere economic growth is not sufficient for the development. **(02 marks)**

In order to gain above mentioned aspects, it is essential to have higher level of income. It could be done only through a higher economic growth. Along with the economic growth, increase in employment and increase in the income will occur. And therefore, economic growth is a pre-condition for the development. **(02 marks)**

(iv) Demographic transition can be analyzed through three characteristics.

- Change from an unfavorable condition of higher gross birth rate, higher gross mortality rate, proportionately lower population growth rate to a favorable condition with lower gross birth rates, lower gross mortality rate and lower population growth rate.
- Change of the population age structure from pyramid structure to cylindrical structure.
- Transferred from a higher dependency ratio to an average dependency ratio. **(02 marks)**

Following are the effects of it.

- Creation of demographic dividend/benefits situation and if the working age is considered to be age 60, the benefits will be continued to year 2017.

The benefits are;

- Strengthening the household savings.
- A solution to the government financial problems, due to the reduction in government's welfare expenses.
- Can use the private and government savings for the investments.
- Increase in the expected economic growth rate.
- However, the older dependency ratio will be increased after the time period mentioned, and there will be issues such as decrease in the working age population, increase in welfare expenses and elderly people are not being protected.
- Female life expectancy is higher than the male life expectancy and leads to an increase in the female dependency and led towards an unsafe condition.

(02 marks)

- (v) During the last 3 decades, the poverty level of Sri Lanka shows a decline and still there are poverty disparities in regional and sectorial levels.

Eg:- change in the population poverty index

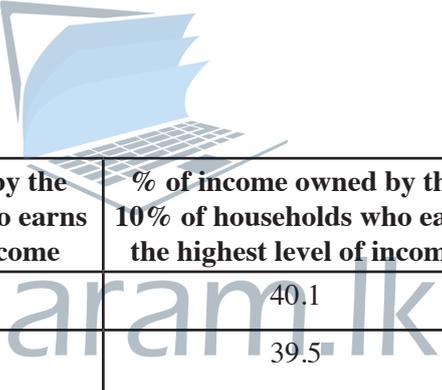
sector	1995/96	2002	2006/7	2009/10	2012/13
Sri Lanka	28.8	22.7	15.2	8.9	6.7
Urban	14.0	7.9	6.7	5.3	2.1
Rural	30.9	24.7	15.7	9.4	7.6
Estates	38.4	30.0	32.0	11.4	10.9

The province with the lowest level of poverty is the western province (2%) and the highest poverty level is in the Uva province (15.4%).

District level poverty – Colombo district 1.4% poverty and 27.8% poverty level in the Mulativu district.

During the recent decades, the income distribution disparity is at a higher level and the intensity of it has been reduced slightly.

Households' income



Year	% of income owned by the 10% of households who earn the lowest level of income	% of income owned by the 10% of households who earn the highest level of income	Gini coefficient based on the households
2006/7	1.6	40.1	0.49
2009/10	1.6	39.5	0.49
2012/13	1.5	38.0	0.48

The decline in the income disparity intensity is a reason for the declined poverty in recent decades. However, it can be observed that the broad social protection networks, poverty alleviation, welfare activities such as health and education conducted by the government has effectively contributed towards the reduction of poverty in Sri Lanka. (02 marks)

10 (i) Following are the expectations of the Sri Lankan tourism industry.

- Increase in the number of tourist arrivals to Sri Lanka
- Attracting the tourists at upper, middle and lower levels.
- Attracting the tourists who incur higher level of per person expenditure.

Challenges

- Insufficient number of hotel rooms for the expected number growth of tourists.
- Requirement of trained employees and labor migration
- Insufficient attention of world famous hotel chains, towards our country and minimum charges set on hotels in Colombo.
- Forwarding the strategic attention of tourism industry, towards the upper, middle and lower level tourists.
- Issues pertaining to the informal sectors of the industry
- Limitations to provide sufficient facilities for the tourists who arrive from china, which has a higher potential.
- Requirement of a newest innovation
- Number of days/nights spent in Sri Lanka is the same, over many years.

(04 marks for any 4 facts)

- (ii)
- Insufficient infrastructure facilities
 - Irregular electricity supply
 - Unstable government policies
 - Political instability
 - Influences of labor unions
 - Complexity in the tax system
 - Severe regulations
 - Limitations on the foreign exchange mobility

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(04 marks for any 4 facts)

(iii) Following are the sectors which has provided the highest contribution to the recent economic growth of Sri Lanka.

	As a % of the GDP in the year of 2015	
- Trade, transportation and lodging	23.5%	
- Manufacturing industries	15.7%	
- Financial, insurance, housing and real estate	12.3%	
- Professional services and other private services	11.8%	(04 marks)

- (iv)
- Massive decline in the foreign trade
 - Decline of the goods and service trade which was 89% (2000)of GDP to 54% of GDP(2013)
 - Foreign direct investments are still lower than 25% of the GDP even it has passed 5 years after the end of the war.
 - The percentage Sri Lanka had on global trade in the year of 1980 has been reduced now.
 - In the year of 2004, the value of exports as a % of GDP is 28% and in the year of 2014, it is lower than 15%.
 - The exports structure of Sri Lanka is at a very primary level.

(04 marks)

(v) As an extension to the millennium development goals, presented in the year of 2000, United Nations have presented the following sustainable development goals in the year of 2015.

There are main broad 5 fields in the sustainable development.

- Eradication of poverty from the public.
- Protecting the Earth.
- Generating prosperity.
- Establishing peace.
- Constructing a global partnership.
- In order to attain these 5 fields, there are 17 sustainable development goals which have been introduced.

Eg-:

- End poverty in all its forms everywhere
- End hunger, achieve food security and improved nutrition and promote sustainable agriculture
- Ensure healthy lives and promote well-being for all at all ages

There are 169 targets to be achieved through these goals. It is expected to achieve the targets by the year of 2030.

(04 marks)



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