

High Commissioner's National Day Message

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 solution based on consensus. Sri Lanka's foreign policy is deeply committed to the principles of the UN Charter and the Non-Aligned Movement. We want to maintain friendly relations with all countries. The past year has seen Sri Lanka forging closer links with her neighbours in South Asia. Sri Lanka successfully hosted the Sixth SAARC Summit in Colombo and has assumed the Chairmanship of SAARC. A number of important decisions were taken at the Summit covering vital areas of regional concern such as poverty alleviation, the environment, shelter, the suppression of terrorism, child welfare and trade, manufactures and services. The Summit also decided to work towards the establishment of a South Asian Preferential Trade Area (SAFTA) by 1997. Sri Lanka also hosted the Fifth South Asian Federation (SAF) Games in Colombo. There was greater participation than in previous Games and higher standards were achieved by the participants. Sri Lanka's sportsmen and sportswomen performed extremely well and we were second in the overall competition. The SAF Games were held in a very cordial atmosphere and brought together the young people of our region in a spirit of friendly rivalry, demonstrating the value of people to people contact that SAARC wishes to promote.

Sri Lanka continues to maintain very close ties with Bangladesh. Prime Minister Begum Khaleda Zia paid a state visit to Sri Lanka in the first week of November. She also attended the Sixth SAARC Summit in Colombo on 21st December 1991. Sri Lankan Foreign Minister Harold Herat visited Bangladesh in mid September 1991 in connection with the SAARC Summit preparations. The visits of Begum Khaleda Zia to Sri Lanka generated great enthusiasm and goodwill in Sri Lanka. The presence in Sri Lanka of the Bangladesh leader evoked a spontaneous demonstration of affection for the Bangladeshi people. President Premadasa and Prime Minister Begum Khaleda Zia decided to

strengthen economic co-operation between the two countries. They also discussed ways and means of making SAARC more effective as well as questions relating to the Sixth Summit. Co-operation between Sri Lanka in the political field was also evident in the prominent role that Sri Lankans played as members of the SAARC and Commonwealth Observer Groups that were present in Bangladesh during the Parliamentary elections held in February 1991. As a reciprocal gesture, three observers from Bangladesh participated in the Local Government elections held in Sri Lanka in May last year.

The Second Session of the Bangladesh/Sri Lanka Joint Committee for Economic Co-operation held in Dhaka in the 1st week of September 1991 reviewed the existing bi-lateral co-operation and explored new areas of co-operation. The meeting decided to promote closer economic co-operation in fields covering trade, industry, tea industry, agriculture, shipping, civil aviation, tourism, culture and technical co-operation. The Bangladesh and Sri Lanka delegations also recommended that a ministerial level meeting of the Joint Committee be held in Colombo in early 1992. Following the Joint Committee meeting, the national airlines of both countries are giving careful consideration to the establishment of a direct air link between Dhaka and Colombo. In the field of economic collaboration, special mention must be made to the contribution made by Sri Lankan nationals in Bangladesh particularly in the garments industry and certain development projects.

On this auspicious day, we invite our brothers and sisters in Bangladesh to celebrate with us. My dear friends, in a world which is witnessing dramatic changes, let us work together to promote the welfare of our people through closer co-operation between Bangladesh and Sri Lanka. My dear fellow countrymen, let us dedicate ourselves afresh to serve our motherland.
 May all beings be happy.

Shri Lanka's Bright Economic Future

THE Island Republic of Sri Lanka is telling the world — and in particular those with money to invest — that it has a resilient economy, a strong currency and a bright future.

The economy of Sri Lanka has been amazingly resilient, with the real growth of gross domestic product in 1990 being 6.2 per cent. This was despite the Gulf crisis which led to repatriation of thousands of Sri Lankans working in Kuwait

ment means "profits for you, development for us". One indication that investors are taking Sri Lanka seriously is the decision of AT&T, the giant American telecommunication company, to install one of its latest transportable communication containers as an additional overseas exchange in Colombo in October last year. Confidence in the country's future has led to a surge of investments in industries. Prices of shares soared at the

average investment of about 32 per cent of GDP is required, about 9 per cent more than the average over the last five years. To achieve this, the government has been working closely with the World Bank and the International Monetary Fund for an improvement in fiscal and monetary balances, the privatization of publicly owned commercial enterprises, the restructuring of the public administration and the provision of incentives for private industrial investment.

One of the major tasks has been to dismantle exchange controls and other constraints and to move towards a convertible rupee. In an island where imports play a key role, the task is a delicate one, especially as prices of essential goods must not be allowed to rise dramatically.

The Secretary to the Ministry of Finance, R. Paskaralingam, says there are certain issues that have to be finalised before relaxing exchange controls. He identifies two of these as ensuring that there are adequate funds for defence and controlling how much Sri Lankans may take overseas. He says the government anticipates an increase in outflow of foreign cash when exchange controls are lifted, but judging from the experience of other countries, "this happens only for two or three months".

The IMF, meanwhile, provided Sri Lanka with \$ 455 million in September as balance of payments support through its enhanced structural adjustment facility.

The government has also begun to reduce expenditures to provide more resources for private investment, and as earlier expected the budget in mid-November 1991 provided a maximum income tax of 35 per cent as an inducement for investment, while widening the tax base of direct and indirect taxes and improving the efficiency of the tax administration.

The civil service is being streamlined. A freeze on new recruitment is in force, and government cadres will be reduced by 15 per cent to 20 per cent over the next five years. State-owned commercially oriented ventures are being divested through "peoplistation".

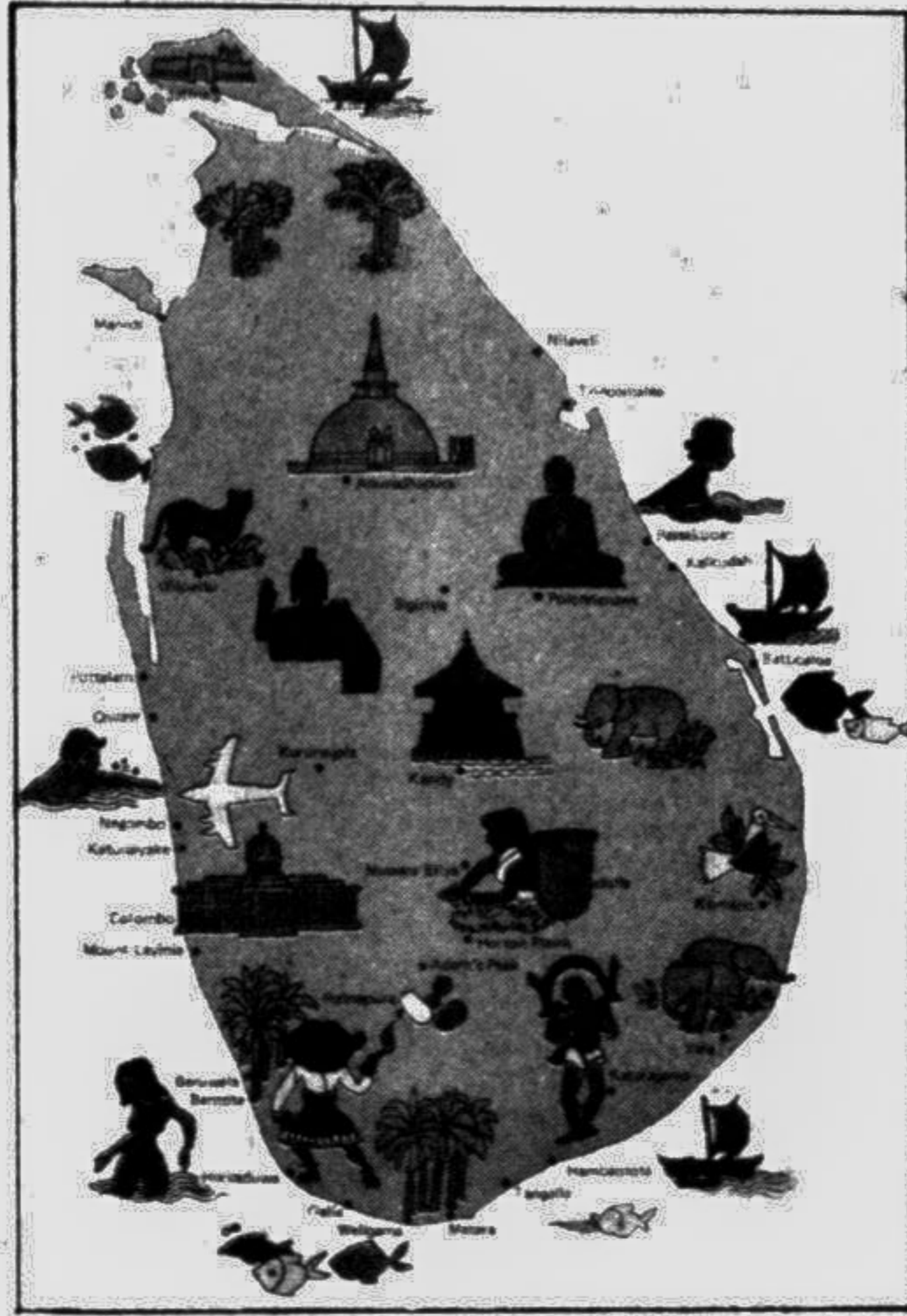
Another major policy decision has been to strengthen the infrastructure develop-

ment of the country. Foreign investment is being invited for the improvement of roads, electricity, water supply and telecommunications. Other projects include the building of a second international airport, modernisation of the Port of Galle, construction of a highway from Colombo to Galle in the south, extension of the

railway line from Matara in the south to Kataragama and a highway from Colombo to the international airport at Katurayake.

The aid sought at the Aid-Lanka meeting in Paris in February organised by the World Bank/IMF with a consortium of donors amounts to \$1 billion. The government is also looking at the restructuring of its vast plantations and the commercialisation of state-owned banks.

The government has had endorsement of its economic policies at recent provincial council elections, in which it swept the polls in many areas of the country, an encouraging sign for the success of its programme. The minister of industries, Ranil Wickremasinghe, confidently predicts that "when we conclude our process of liberalisation, Sri Lanka will have one of the best investment environments in this part of the world."



and Iraq. The suspension of exports to Iraq, one of the main buyers of Ceylon tea, led to lower prices. The growth recorded in 1990 was a big jump from the dismal 2.1 per cent growth rate during 1987-89, due mainly to adverse weather conditions and terrorist problems in parts of the island. The prospects for the medium term ahead look bright with growth projections indicating an average growth rate of 5.8 per cent in the next five years.

The Sri Lankan government is determined to attract foreign investment in all fields, except for a small area reserved for Sri Lankans. The island's investment authority, the Greater Colombo Economic Commission (GCEC), held an investment seminar in Colombo last November which attracted about 250 potential investors. Held in cooperation with United Nations development agencies, the seminar was part of a drive to attract investment to the island. President Ranasinghe Premadasa, who has helped steer the island towards a free market economy with pragmatic policies, believes that foreign invest-

Colombo Stock Exchange, especially of blue-chip companies, and in recent months, every new share or rights issue has been oversubscribed. In October 1991 the biggest ever deal of the stock exchange occurred when 15.3 million 10 rupee shares of Lanka Milk Foods Ltd were sold for 34.50 rupees each. The state-owned Cooperative Wholesale Establishment was divesting itself of its controlling interest of 51 per cent as part of the government's policy of privatization. Bonlac of Australia, the New Zealand Dairy Board and a consortium of Dutch investors bid for the company, which claims to have the largest and best milk packaging plant in Asia, but the successful bidder was a Sri Lankan company, the Stassen Group.

The Sri Lankan Government has introduced a new programme known as "peoplistation" under which 10 per cent of the shares of state-owned enterprises are given to the workers, the controlling interest of up to 60 per cent is sold to corporate investors through tenders and 30 per cent is sold to the public through a share issue. The preliminary concern of the government is that each State enterprise, which is peopled, should be expanded and developed after peoplistation. It is with this end in view that the majority tranche of shares are being offered for sale to corporate investors who have the necessary financial capability, technology and market access to expand the enterprise. Ceylon Oxygen, two textile factories and a porcelain factory have already been disposed of and there are about 40 more on the list including three five star hotels. President Premadasa says that the policy of his government is to have a "share-owning democracy". If the number of people who are playing the share market game today is an indication, the island is certainly moving towards that ideal.

The ripple effect of the new economic policies and the growth of interest in Sri Lanka has created a greater demand for airline seats and has led Air Lanka to order five new air buses. LTU of Germany, UTA of France, Emirates, Gulf Air, Royal Jordanian, Saudi and Singapore Airlines have increased the frequencies of their flights to Colombo. Air Lanka has begun flights to a number of new destinations, including Jeddah, Helsinki and Brussels, and has introduced a second flight to Australia.

The Need for Foreign Investment

Though an average growth rate of 5.5 per cent is predicted in the next five years, this may be inadequate to meet the demands for jobs and improve income levels. With per capita income currently at \$418 and unemployment at 18 per cent, the GDP must grow at an average of 8 per cent in real terms over the next decade if per capita income is to be doubled and unemployment reduced to about 6 per cent. The government's view is that since it is difficult to raise national savings levels of about 16 per cent, the key to development is in the inflow of private foreign investment. Economists estimate that an



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