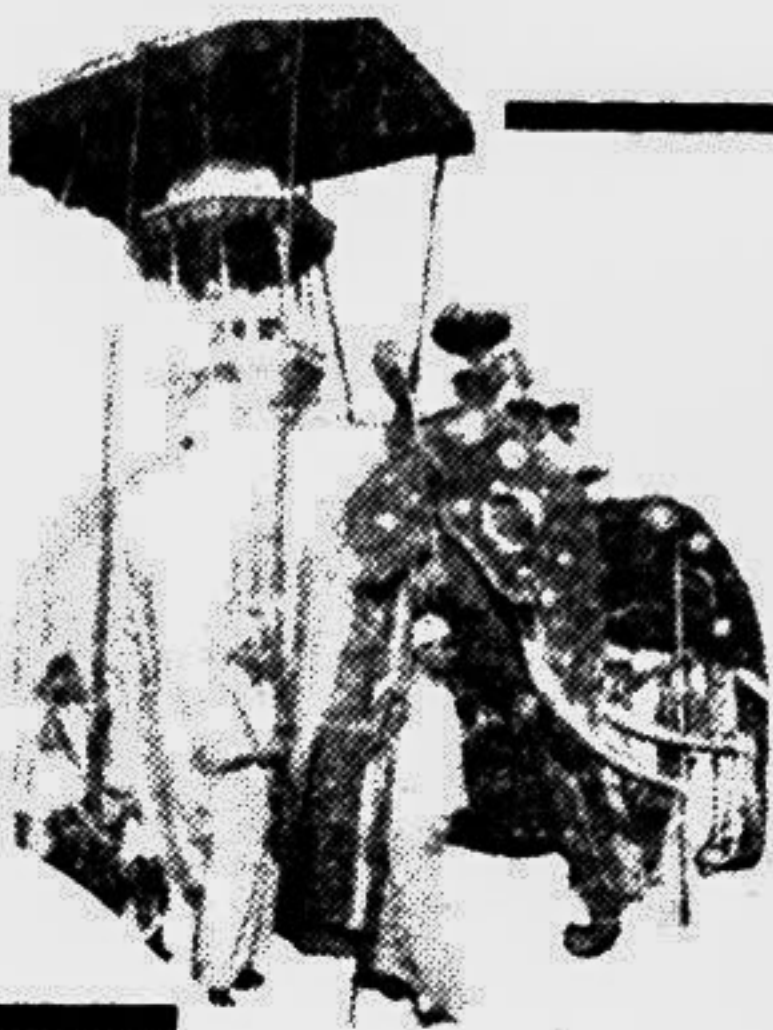
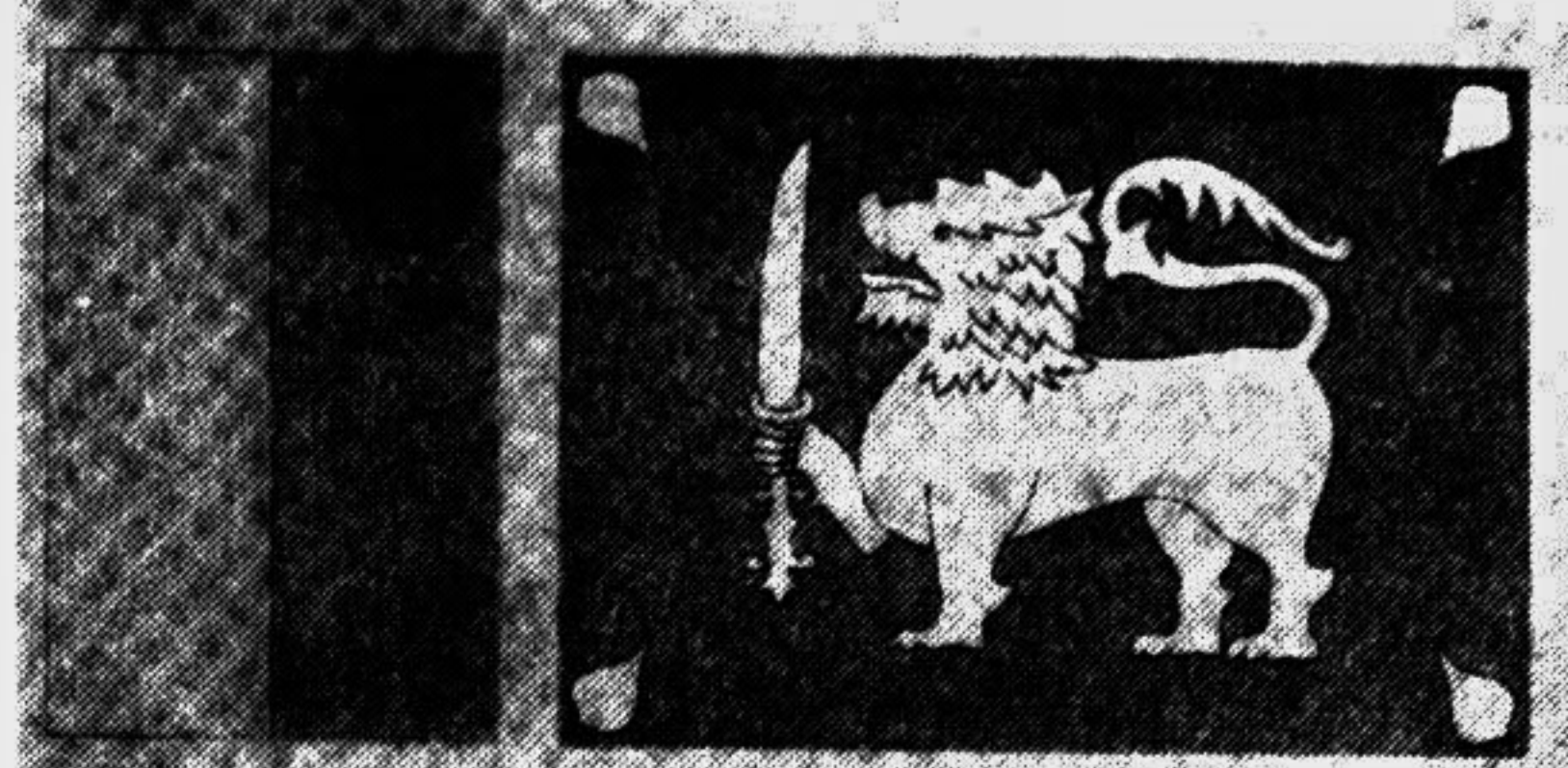




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NATIONAL DAY OF SRI LANKA



Sri Lanka : A Resilient Economy

A literate and skilled workforce, considerable natural resources and highly liberalised and market friendly economic policies give Sri Lanka the potential to be one of the most successful economies in the South Asian Region. Sri Lanka has a population of 18 million, with a low annual growth rate of about 1.4 per cent. Its per capita income of US \$ 710 (estimated for 1995) ranks it well above other countries of the region. Large investments in public health and education have brought about conditions where Sri Lanka's quality of life is nearer that of high income industrial countries. The overall literacy rate is 89 per cent. The average life expectancy at birth is 71 years. The population is relatively youthful, with 35 per cent being under 14 years of age. Nearly half the population is in the labour force. Unemployment at the end of June 1995 was around 11.9 per cent. Wages are relatively low but labour productivity is considered very high.

Sri Lanka was one of the first countries in the region to liberalise its economy. Liberalisation began in 1977, and, despite many challenges, has progressed in strengthening market friendly policies steadily since then. In 1994, Sri Lanka accepted the obligations under Article VIII of the International Monetary Fund, thereby giving a firm commitment to the international community that current (non-capital) foreign

exchange transactions are free of any restrictions. Capital account transactions too are liberally allowed. As a part of the process of liberalising capital account transactions, commercial banks have recently been granted the facility to borrow abroad within certain limits. Foreign investments are freely permitted, except in a very few sensitive areas, with no restrictions on the repatriation of profits and proceeds of invested funds. There are no taxes levied on capital gains made in the Colombo Stock Exchange. Sri Lanka is a signatory to the Multilateral Investment Guarantee Agreement (MIGA).

Economic growth (GDP) has averaged 5.5 per cent in the period 1990-1994, the major growth sectors being industries, construction, and services. Preliminary data for 1995 indicate a growth of 5.5 per cent, while a 6 per cent growth is anticipated in 1996. The traditional agricultural base of the economy has changed in the last two decades, with industries and services now accounting for 15 per cent and 52 per cent of GDP compared with 13 per cent and 47 per cent, respectively in 1974. The industrial sector is dominated by textiles and garments, food and beverages, chemical and rubber based products and leather products, while other light industries also make a significant contribution. Trade, finance and utilities are important in the services sector. The country has

been able to maintain a high investment momentum at around 26 per cent of GDP, significantly augmenting future economic growth potential. Rising and large private sector contribution in total investment and increasing foreign direct investments are the other favourable developments observed in the recent past.

The degree of openness of Sri Lanka's economy can be partly gauged by the ratio of imports and exports to GDP, which stood at 88 per cent in 1994. Approximately half of the total imports consists of intermediate goods, while investment goods and consumer goods each account for about a quarter of the total. Sri Lanka's exports, which for many decades were heavily dependent on agricultural commodities, now show a greater degree of diversity. In 1994, 74 per cent of exports were industrial goods, while agricultural commodities accounted for about 22 per cent. The growth momentum of industrial exports continued in 1995. Total exports grew by 14 per cent and industrial exports were higher by 15 per cent in the 10 month period upto October.

At the end of October 1995, Sri Lanka's gross external reserves remained at a comfortable level of about 5.4 months of imports (US \$ 1662 million).

Economic activities are expected to increase significantly in the medium term. The government has prepared a three year budgetary framework for this purpose aiming at lower inflation and faster economic growth on a sustainable basis. A powerful National Development Council has been appointed to improve the co-ordination of economic policies with the private sector. Future economic growth is to be spearheaded by the private sector, with the export sector being further encouraged by reduction of import duties and streamlining trading activities. In this regard, the Government is fully committed to the ongoing privatisation programme, in an open and transparent manner. The scope of the programme has been enormously widened by opening the energy, transport and communications sectors to participation by the private sector. A Public Enterprises Reform Commission (PERC) was appointed in 1995, specifically to expedite the privatisation programme. The success of its efforts can be seen in the recent purchases of controlling interests in the Colombo Gas Company by the Royal Dutch/Shell Group and the

Sevenagala Sugar Plantation by a Chinese investor. By the end of 1995, six of a total of 23 plantation companies to be privatised, had been placed on the market. Action is currently being taken to privatise other large public enterprises, among which are plantation companies, telecommunications, electricity and other utilities and Air Lanka, the national carrier.

A special Secretariat for Infrastructure Development and Investment (SIDI) operates under the Board of Investment (BOI) to coordinate plans for infrastructure development with private sector participation, especially in BOO-BOT firms.

While there was a slowing down of foreign capital inflows during the first half of 1995, there are signs of restoration of investor interest. There was a net inflow of US \$ 11 million dollars on account of portfolio investments from abroad during May to December 1995 as compared with a net outflow during the first four months of 1995. The Board of Investment, the one-stop-shop for all prospective investors in Sri Lanka, has signed investment agreements for approximately Rs. 10 billion (US \$ 200 million) of new investments in the first ten months of 1995, of which over 40 per cent was foreign investment. In addition, 75 new enterprises also commenced operations in this period. The government Budget for 1996, presented in November 1995, provided further incentives for investment in high technology industries in the form of tax holidays and import duty exemption of capital imports. More generous incentives were offered for very large scale investments.

Strong reforms are being made in the tax and tariff structure, aimed at improving the investment climate. A simplified three band import tariff system is now in place, with the maximum import duty payable being 35 per cent. The Government has pledged to move to a single import tariff of 15 per cent by 1998. The existing Turn-over Tax system is to be replaced by a value-added tax (a Goods and Services Tax) by mid 1996. The maximum income tax rate applicable to individuals and corporations has been reduced to 35 per cent, in keeping with the Government policy of progressively reducing direct income taxation with a view to improving the tax yield.

Despite high security related expenditures, the gov-
Continued on page 9



MESSAGE

Today Sri Lanka celebrates 48 years of independence. Although in 1948 we received what by mere outward appearance was political freedom it was only since 1956 that efforts were made to convert this freedom into a more meaningful one. These efforts have been frustrated over the past two decades or so as we experienced a distorted sense of freedom. What caused this decadence of freedom was not only the political culture of killings and terror and the suppression of democracy and human rights but we also lost our freedom by the rampant bribery, corruption and nepotism that was done in the guise of an open liberalised economic system. It must be remembered that the youth in both the North and the South took to arms demanding their rights while the large majority of the people agitate for democracy and individual freedom.

The onerous task of rectifying these mistakes and rejuvenating democracy fell on the People's Alliance Government. In the past 18 months during which we have ruled this country we have been able to quench the people's thirst for genuine democracy and freedom. In the context of the 48 years of Sri Lanka's post independence history, this short period of one-and-half years occupies a significant place. The dictatorial shadow which was cast over society resulting in the fear that a sword was hanging above one's head has been totally eradicated. Our endeavour to create an atmosphere where people can live without fear has largely been accomplished. Not only did we bring an end to the cult of violence and terror we have also proceeded to deal with the menace of bribery and corruption and to introduce new progressive measures to the heavily distorted open economy which has hitherto prevailed.

The draft legislation for the devolution of power which has been presented by the Government is not merely a measure aimed at solving the ethnic problem. It is also a measure that would consolidate democratic freedom in the country and ensure people's participation in the administration. Over the past year the most important victory for the people was the fact that we have been able to lay the foundation for greater democratic freedom and the development of civil society.

However, we cannot be content with only political freedom. As we move into the 21st century there are several other freedoms we must ensure our people in order to meet the challenges we might have to encounter in this new world. The world of the next century is not the one we live in today. Consequently, the scientific and technological revolution and also due to the unprecedented changes particularly in the field of mass communications, it is necessary that we make an attempt to view the concept of freedom within this changed context from a new dimension using novel measures of evaluation. If we are to do this it becomes imperative that we escape from the traditional thinking concerning society, the economy, politics and the distribution of power and re-orient our people to think anew on these issues.

The Human Rights Charter of the United Nations enumerates 30 inalienable rights enjoyed by the people. A man's freedom is perfected only when he is granted these natural rights. It is necessary that we evolve the capacity to develop programmes of action which ensure the equitable distribution of the liberalised economic system by adopting a more humane and democratic social order. Within such a society ones right to be free from hunger, to secure employment, to acquire land suitable for cultivation, to have access to good medical facilities and a suitable home to live in must be ensured. Only then would the freedom we have achieved be meaningful. It is only by ensuring such an environment that we could guarantee that no one can once again destroy or distort our independence.

What is needed then is a society which ensures the correct mix of political freedom including a high level of democracy, the absence of exploitation, equity and social justice along with broad based economic freedom. Let us on this day, when we commemorate our 48th National Day, dedicate ourselves to the task of laying a permanent foundation for the creation of this beautiful society.

Chandrika Bandaranaike Kumaratunga
President of Sri Lanka

Sri Lanka Excels in Vllth SAF Games at Madras

Sri Lanka fielded one of its largest contingents of some 450 athletes to the Vllth South Asian Federation (SAF) Games held at Madras from Dec. 18 to 27, 1995. The games held over 10 days had the participation of over 2,200 sports persons and 1,700 technical delegates from the seven SAARC countries - Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. The Vth SAF games, it would be recalled, was held in Colombo in 1991.

Sri Lanka won 16 gold, 25 silver and 53 bronze to finish second overall. Susantha Jayasinghe did her country proud by bagging the best female athlete award alongside India's Shitry Wilson.



MESSAGE

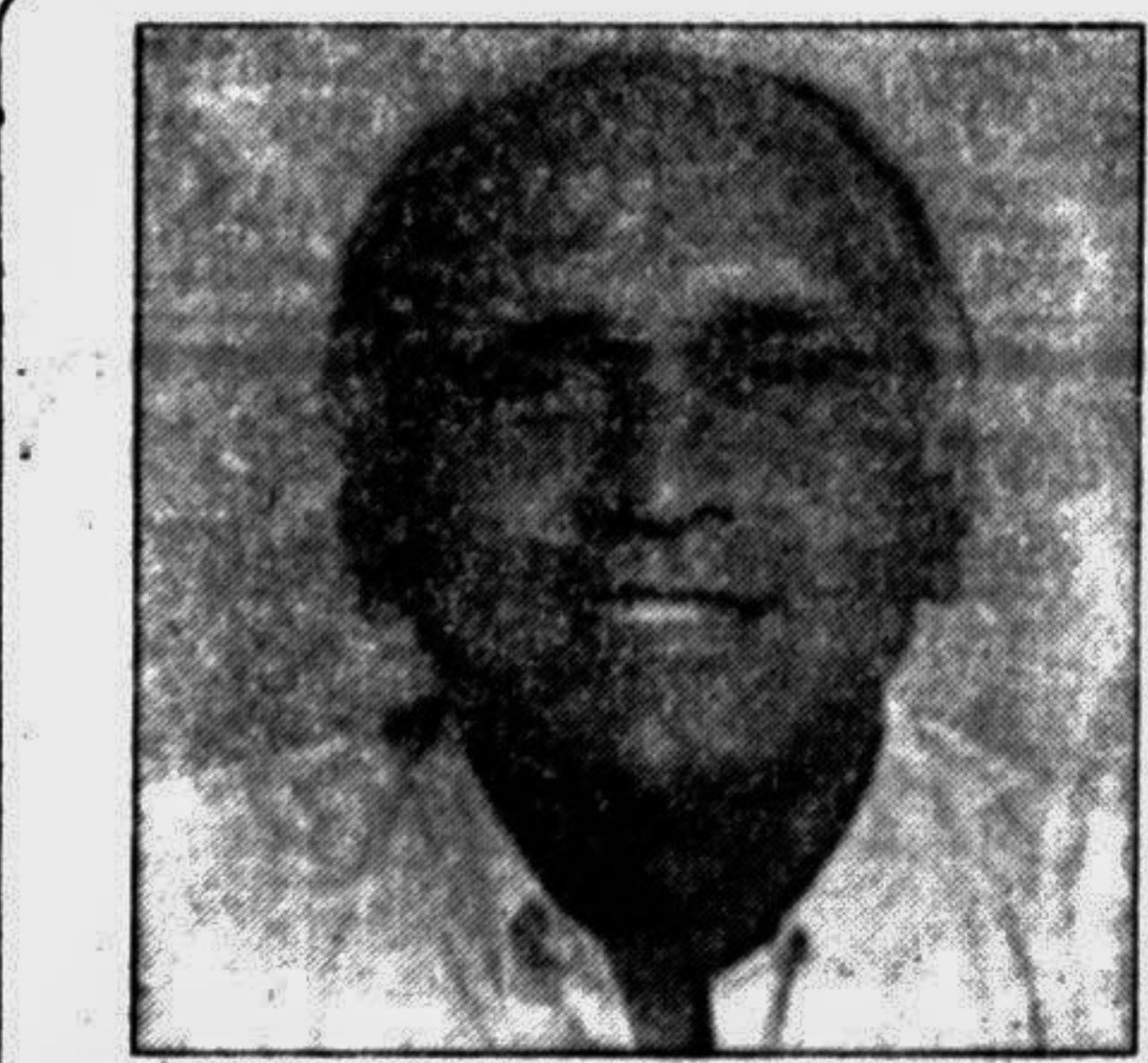
This year we celebrate in an atmosphere filled with hope and expectation, the 48th anniversary of our emergence as an independent nation. This stems from the knowledge that within a little over a year, the Peoples Alliance administration has taken significant steps to restore democracy and freedom, protect human rights, arrest the twin evils of bribery and corruption, eliminate waste and extravagance, create the much needed transparency in the activities of Government and pursue a path of economic advancement. The Peoples Alliance administration has also shown its commitment to finding a negotiated political settlement to the ethnic problem by taking certain military measures, while placing before the country a set of far reaching proposals for the devolution of power aimed at redressing the genuine grievances of the minority communities. Internationally Sri Lanka has played its role as a responsible member of the Comity of Nations with renewed vigor through a deep commitment to evolve a bi-partisan foreign policy which is responsive to the real national interests of Sri Lanka.

These measures have restored the image of Sri Lanka in the eyes of the international community in a manner that has been unprecedented in recent times. While we must rejoice and be appreciative of the goodwill and support that has been bestowed on us by friendly countries the world over, we should not be complacent and should seek to consolidate these achievements.

In this respect the coming year would be a period of testing for all of us, one in which our commitment to democracy and pluralism will necessarily be subjected to scrutiny in the eyes of the world. The focus of this attention would be now we as a people seek to reform the Sri Lankan State in a manner in which all segments of our people can live in harmony.

I wish to take this opportunity to salute the Sri Lankan expatriate community belonging to all ethnic and religious groups for the contribution they have made from a far in numerous ways in assisting the progress of their motherland. I appeal to you to use this occasion of the 1996 National Day of Sri Lanka to rededicate yourselves to the task of building a united Sri Lanka and a 'better tomorrow' for all Sri Lankans.

Lakshman Kadirgamar
Minister of Foreign Affairs



MESSAGE

The 48th Anniversary of Independence of Sri Lanka, which we celebrate today is an opportunity to look back on our achievements and the challenges ahead of us, as a nation. Our achievements in the political, economic and social sectors have been phenomenal. The social and economic indices, of literacy rate 90%, life expectancy 72 years (female), 68 years (male), population growth 1.2%, real GDP growth 6% amply signify a sustained growth during the last 48 years of independence. Our development was decelerated by the terrorist problem, during the past few years.

During the last year, President Chandrika Bandaranaike Kumaratunga extended the hand of peace to the misguided groups from the North, which was not accepted by them. They instead foisted on the Government a military offensive. The Government is committed to a political solution, and is on the path of peace. Devolution proposals are before the Parliamentary Select Committee. All peace loving Sri Lankans hope that these proposals will form the basis for peace, which could ultimately accelerate our development.

The international goodwill and support received towards the peace initiatives, made the Government's hand of peace much stronger. The support of the Bangladesh Government headed by Prime Minister H E Begum Khaleda



MESSAGE

FEBRUARY 4th 1996 marks the completion of 48 years since Sri Lanka became independent of colonial rule under the British. It is the most appropriate occasion for us as Sri Lankans to assess whether the independence we gained is meaningful and if not, to make it meaningful to further analyse what our obligations and responsibilities are.

A country can claim herself to be really independent only if there is personal freedom in regard to political, economic, social and cultural perspectives and equality between all citizens. Also unity, peace and harmony among all communities must be ensured. Division among citizens lead to destruction of a nation. It is therefore appropriate that we as sensible people with a long and proud history, rededicate ourselves with devotion and determination and in a spirit of togetherness to ensure that the freedom we obtained is really meaningful, at a time when we celebrate our independence we regained nearly fifty years ago. Considering the fact that we live in an age in which the world is a small global village as a result of the recent scientific and technological advancement man has achieved, time is ripe for man to resolve to use the scientific and technological advancement for the benefit of man himself and to build a conflict-free global environment and a global society in which peaceful co-existence and man's freedom is enshrined.

Since on great occasions of national pride, our national flag symbolically represents our nation. I appeal to you to make a special resolution, on this historic occasion to accord our national flag in its due place of honour and respect.

Let us on this moment of great pride, remember with gratitude our patriotic ancestors and distinguished leaders who sacrificed their lives to safeguard the independence and integrity of our motherland and also to usher in economic development. To symbolise this great and historic moment of pride, I appeal to you to fly our national flag on this day.

I appeal to you to consider all people inhabiting the Sri Lankan soil as true Sri Lankans and sincerely wish that the independence we gained rallying round our national flag be preserved and nurtured for a long period of time.

May the blessings of the Triple Gem be with you all.

Sirimavo RD Bandaranaike
Prime Minister of Sri Lanka

Zia towards peace in Sri Lanka, should be recorded with gratitude on this memorable occasion. Bangladesh had always been a steadfast friend and a supporter of Sri Lanka. Sri Lanka and Bangladesh enjoy excellent relations. They are steeped in a strong culture based on a common history and heritage. From ancient times, through colonial era to the present day, our two countries share common trials and tribulations. Today both countries face the challenge of uplifment of the economic conditions of the people and transforming them to partners of progress.

Both nations are active members of the SAARC, motivated by a desire to acquire better living standards for our peoples. Many initiatives had been undertaken like the poverty alleviation programmes, the SAPTA, and sharing of experiences in the economic field with this goal in perspective. Our two nations have worked together in international fora, in the non-aligned meetings, United Nations and other global meetings like the Social Summit, Women's Summit.

Bilaterally, exchange of visits commencing from mid level officers to senior officers have given both countries the opportunity to share their mutual experiences. The Chambers of Commerce & Trade have exchanged visits, which had identified possible areas of trade development. There had been official visits of Ministers to both countries like Shipping & Ports, Health, Women's Affairs and Planning. They were useful to formulate common positions at international fora and also for national development policy formulations.

The high water-mark of the official visits, was the state visit by President Chandrika Bandaranaike Kumaratunga to Bangladesh. The President chose Bangladesh as one of the countries to make the first official visit after assuming duties as President, demonstrating our strong bonds of friendship. This visit was a tremendous success that new initiatives were taken for enhancing bilateral trade between the two countries, strengthening economic ties and improving people to people contacts. On a personal note, my assumption of duties as the High Commissioner, almost coincided with my President's visit to Bangladesh, which has made my task of further strengthening our relations, that much easier.

The Sri Lankans in Bangladesh themselves are accepted as a part of the community here. They contribute to the nation-building process of Bangladesh. They help Sri Lanka in turn and also our relations.

I am happy to be the High Commissioner of a friendly country like Bangladesh. My fond salutation goes to the leadership and the people of Bangladesh, and to my compatriots on this auspicious occasion.

S B Atugoda
High Commissioner for Sri Lanka in Bangladesh