

VOLUME 6 NUMBER 4

# FIRST

4TH QUARTER 1992



*Forum for decision-makers*



# FIRST

MEMORANDUM

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## A prescription for growth

'YES, THE ECONOMY IS IN A MESS. BUT AT LEAST IT'S our own mess now, and we can do something about it'. These remarks by a senior industrialist sum up the bleak determination to go-it-alone, to look after British interests first, which has come to the fore since the pound made its unceremonial exit from the ERM. It also contains more than a trace of schadenfreude over the problems being faced by our European neighbours struggling to keep their currencies in line with the deutschemark. With each successive realignment of currencies the framework of ERM is being stretched to breaking point. To many Britons this provides a grim satisfaction.

It also betokens a retreat into a narrow particularism; and in this respect, British industrialists and politicians are by no means unique. The spectacle of French farmers and Ministers holding out against an EC agreement which would allow the Uruguay Round of GATT to go forward is perhaps the most vivid example of how particular interests can threaten the general good. For on the successful implementation of what US and EC representatives have negotiated depends the future of global free trade. It matters as much to developing economies such as Sri Lanka or The Philippines (both featured in this issue) as the G7 nations. And whether or not one accepts estimates that GATT would add 1 per cent or \$200 billion to world trade, the alternative is too horrible to contemplate – protectionism, trade wars, and a diminution of wealth all round.

The progress of international agreements – whether to liberalise world trade or create a single trading bloc within Europe, North America or the Far East – depends on a broad consensus over long-term goals. That, if you like, is agreeing on strategy; and at this level there is still a large measure of international agreement. But the process also depends on maintaining the political momentum to achieve these objectives. Here one enters the realm of tactics; and particularly during a recession it is difficult to balance the long-term strategy against the need to play any number of tactical cards to keep one's home constituency happy. All agree on the overall princi-

ple, but each demands special treatment.

The current danger is that tactics will get the better of strategy; that in stoking up or pandering to particularist sentiments the goals of freeing up world trade or creating a more integrated and equitable Single Market will gradually drop down the agenda. The development and enlargement of the European Community may seem a low priority to a British businessman with his back to the wall, or indeed to his French counterpart finding himself undercut by cheaper British or Italian imports. If the 'we have nothing to lose' attitude exemplified by French farmers spreads to leaders of business and more politicians, then the outlook is very bleak indeed.

Recovery in Europe is essential to recovery in Britain. Here, at least, there is some convergence of views between Mr Lamont's giving priority to capital projects and M. Delors' 'growth initiative', though the former has quite rightly insisted that investment in public works should be accompanied by anti-inflationary controls. But if such a 'spend for growth' strategy is to succeed then the budgets allocated must be on an appropriate scale.

Nowadays many former 'free-marketeers' are calling for some form of 'growth strategy'. But even Mr Lamont's version implies a fundamental shift in economic philosophy, from the old free market principles to a new form of thinly-disguised Keynesianism coupled with wage controls. Again one searches for a clearly-spelled out strategy rather than a series of temporary expedients.

If indeed the untrammelled free market/demand side economics espoused during the eighties prove to be a fair-weather system only, then it is time to review the basic principles underlying current economic policies. Within Europe, there is (apart from the Bundesbank) a clear shift towards public spending as a way out of recession. What now exists in terms of exchange rate policy is not a two-speed but a five- or ten-speed Europe; what is needed to pull it out of recession is a concerted growth strategy. Perhaps the time has come to switch over from the troublesome five-speed and get on the mountain bike. ■

# FIRST

4th QUARTER 1992

VOLUME 6 NUMBER 4



**FEATURE ARTICLE**  
H.E. President Ranasinghe Premadasa, is President of Shri Lanka. He has been instrumental in establishing stability and prosperity for his people. On page 123 he explains his plans for the future.

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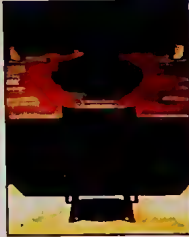
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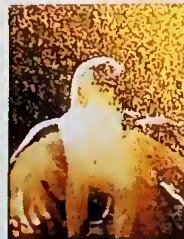
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'Consistency and  
predictability will be  
the hallmarks of my  
administration'



**FIRST**

# SHRI LANKA

*Moving towards becoming a newly industrialised country*



PICTURE SARAH MURRAY

**S**HRI LANKA (FORMERLY CEYLON) IS AN island in the Indian Ocean 50km off the southern tip of India.

Known throughout the world for her tea, spices and gems while being a popular travel destination, Shri Lanka is now identified as one of the strongest centres for economic growth in Asia.

Under a liberalised economy there are virtually no state controls over investment. Restrictions on banking and foreign exchange have been removed along with duties on imports of machinery and raw material.

The greater Colombo Economic Commission (now the Board of Investments of Shri Lanka) is the sole authority for

SHRI LANKA HAS  
RECENTLY BEEN  
ADOPTED AS THE  
OFFICIAL SPELLING  
OF THE COUNTRY

foreign direct investment (FDI) and with government approval procedures having been simplified, in most cases evaluation takes place and approvals are granted within seven working days.

Having embarked on a programme of economic restructuring with the active participation of the private sector, the government of Shri Lanka has encouraged the creation of export-led industries responsive to international demand.

With 1992 being declared as 'the year of exports' which has now been extended to a 'decade of exports', Shri Lanka has moved steadily towards a market-oriented economy and one that has proved to be an engine of growth.



# A campaign for exports

By H.E. PRESIDENT RANASINGHE PREMADASA

*Shri Lanka's Year of Exports and events marking it will help persuade foreign investors that the country has plenty to offer*

THE YEAR 1992 HAS BEEN DECLARED AS THE Shri Lanka Year of Exports and the period from 1992 to 2001 as the Decade of Exports. The objective is to make a sustained effort to expand exports until the planned targets are met. Shri Lanka is a small country with a small market (17.2 Million people) and limited natural resources. Shri Lanka, therefore, has no alternative but to be outward oriented and to emphasise the exporting of goods and services to international markets. Although there are other sources of foreign exchange earnings, such as tourism and remittances by Shri Lankans working abroad, exports of goods and services are considered a more stable source.

Shri Lanka has made several notable gains in the field of exports during the past few years. The overall rate of growth of exports in real terms in the period since 1989 has been 10 per cent. Non-traditional areas are textiles and garments, and manufactured products.

This export performance, however, needs to fit into our main objectives. Poverty alleviation is the major objective of my government. Poverty is due primarily to unemployment which has been reduced to about 11 per cent from a high level of about 25 per cent. If the country is to reduce unemployment to about 5 per cent in the medium term, the economy has to grow by about 9 per cent. If we are to achieve the status of a Newly Industrialised Country within the next decade, the economy will have to grow at a faster pace. As in the case of the East Asian Newly

Industrialised Countries, the major contribution to such a rate of growth will have to come from the export sector. The growth of 10 per cent in exports during the past few years is not adequate. Exports will have to grow at a much higher rate.

Employment generation from these programmes should be widespread. In order to help in this effort, I have decided to promote the establishment of industrial units throughout the country. A start has been made with the 200 Garment Factory Programme. We have already set up a National Steering Committee to work out policies, strategies and action plans to achieve these objectives and targets.

One of the strategies that will have to be adopted in the decade of exports is investment promotion. Shri Lanka has achieved an average rate of economic growth of about 4 per cent in the past few years by investing about 23 per cent of



**H.E. PRESIDENT RANASINGHE PREMADASA** was educated at Lorenz College and St Joseph's College, Colombo. He was elected to the Colombo Municipal Council in 1950 and became its deputy mayor in 1955. Elected to Parliament in 1960, he served as Minister of Local Government in the late 1960s and as Prime Minister, Minister of Local Government, Housing and Construction and Minister of Highways in 1977. He became Prime Minister in 1978 and was elected as Executive President of Shri Lanka in 1989.

her Gross Domestic Product (GDP). The rate of investment that will be required to create investment capacities required for a higher rate of economic expansion of about 9 per cent is estimated to be around 46 per cent of GDP. The country's entrepreneurs/exporters are also confronted with a number of other constraints, such as inadequacy of market access, non-availability of modern technologies and insufficiency of trained manpower. Undoubtedly one of the ways in which these constraints could be relieved is by attracting foreign investors. The government has, therefore, extended both foreign and local investors a package of incentives. I am happy to record that we have had an enthusiastic response to these measures.

Not all investors, particularly the local investors, will be able to export their goods and services readily. Investors, particularly the small and medium scale entrepreneurs, would have to be assisted in their efforts to secure markets and develop/adapt products to suit market requirements. The big investor/exporter could help the small producer to solve these problems. This is, in fact, a social responsibility on the part of the big investor/exporter.

It is not only marketing help that is needed by producers in the provinces. The government agencies concerned with supply development, those responsible for provision of infrastructure facilities and manpower development as well as the banks have to play an important role, during the decade of exports, in

translating plans to factories and work places on the ground.

The private sector will serve as the main engine of growth. The state will take necessary measures to maintain a macro-economic climate that is conducive to export expansion, provide the infrastructure facilities and maintain order and stability. The state will also perform the role of the catalyst while reducing government interventions by way of procedures and documentation to the minimum.

Government agencies concerned have organised a series of events to mark the Year of Exports followed by a Decade of Exports. The grand-finale of the programme for the Year of Exports is the Shri Lanka Expo which is scheduled to be held in November (18th to 22nd) 1992.

I extend a warm welcome to all foreign investors, buyers and others to visit this fair and see for themselves what the country has to offer. I am sure they will find that Shri Lanka is still a paradise in more ways than one.



# Reviving investor confidence

By **HON D. B. WIJETUNGA**

PRIME MINISTER AND MINISTER OF FINANCE

*Reforms which are part of policies leading to a market-oriented economy have given the banking sector a new level of sophistication*

**T**HE ECONOMIC AND political changes that have taken place since 1977 are a complete breakaway from previous ideological underpinnings. A comprehensive package of reforms consisting of the unification of exchange rates, adoption of flexibility on exchange rate management, liberalisation of the trade and payments regime, relaxation of administrative and price controls and liberal tax incentives have been implemented in order to boost economic growth.

The adoption of a market-oriented policy framework exposed Shri Lanka to new facets of banking. Thus a salient feature in the development of the post-1977 commercial banking scenario was the practice of encouraging foreign banks, to open branches in Shri Lanka. Accordingly, several internationally reputed foreign banks, such as Banque Indosuez, American Express International Banking Corporation, Algemene Bank Netherlands and Citibank, opened branches in Shri Lanka. At the end of July 1992, there were 24 banks operating in Shri Lanka, of which 18 were classified as 'Foreign Bank branches'.

In the domestic front too, banking sector expansion has been evident in recent years. With increased and diversified economic activity, the domestic private sector has also participated in banking development. In 1987 a newly incorporated local bank, Sampath Bank Limited, commenced operations. This was soon followed by another locally incorporated bank - Seylan Bank Limited - which commenced operations in 1988. These two banks expanded their branch network in most urban centres

over a short span of time.

In the context of liberalised economic policies there was also a need for an active financial system to finance new economic activities and facilitate the portfolio management of a growing entrepreneurial community. In order to facilitate and encourage such investment the two state banks initiated the establishment of merchant banks. The buoyant economic activities sustained in the early 1980s also necessitated the further expansion of institutional facilities for long term-lending. Thus the National Development Bank (NDB) was established in 1979 to produce long-term funds for the development of industrial, agricultural and commercial activities.

The list of long-term lending institutions includes the Development Finance Corporation of Ceylon, State Mortgage and Investment Bank and National Housing Development Authority, Housing Development Finance Corporation. The emergence of these institutions reflect the need to cater for the special sectoral financing requirements for capital formation.

There have been several noteworthy features in the

development of the banking and financial sectors in the post-1977 era, aside from those enumerated. With a view to promoting off-shore banking services, foreign currency banking operations were introduced in mid-1979. Thus, commercial banks were permitted to operate Foreign Currency Banking Units (FCBUs) separate from their domestic operations. These units provided much-needed facilities to non-residents and enterprises established under the Greater Colombo Economic Commission (GCEC) which is the apex organisation for promoting foreign private investment in Shri Lanka. The introduction of off-shore banking was also conducive to promoting international money market transactions in Colombo.

As a new money market instrument, the Non-Resident Foreign Currency Account (NRFC) was introduced and attractive concessions were made available under the scheme. The NRFC accounts, which are non-taxable, are free from exchange regulations.

Commercial banks also commenced the issue of Certificates of Deposit (CDs) which formed a novel money market instrument. CDs are issued as bearer

bonds and are freely transferable. The American Express Bank was the first to issue CDs in Shri Lanka to attract undeclared money into the banking system. More recently, commercial banks have also been permitted to open Resident Foreign Currency Accounts (RFCA) with a view to attracting undeclared earnings.

Commercial banks have also innovated high yield deposit schemes or money market accounts to mobilise deposits on a large scale. These deposits with short maturities offer preferential rates of interest linked to inter-bank call money market. Banks have also introduced negotiable savings certificates of various denominations.

As a corollary to the innovation taking place in the banking sector, commercial banks have also diversified their customer services. Twenty-four-hour automated teller machines (ATMs) have been introduced by banks, providing current and savings account holders such as cash deposits and withdrawals. The implementation of an automated cheque clearing system in 1988 by the Central Bank has also facilitated the rapid clearance of cheques. In order to improve the loan operations of commercial banks, debt recovery legislation was also introduced in 1990 followed by the establishment of a Credit Information Bureau.

With a view to promoting the banking habit and mobilising rural savings, commercial banks, particularly the state banks and the regional rural development banks, have adopted new mechanisms such as mobile banking services and saving schemes for school-going children. Some of these new instruments are linked to rural >



**THE HON DINGIRI BANDA WIJETUNGA** has been Prime Minister of Shri Lanka since March 1989. He is, in addition, Minister of Finance, Minister of Labour and Vocational Training and State Minister of Defence. He has been a government official prior to entering politics in 1946. He has held a large number of ministerial posts in Shri Lanka covering among others, Agriculture and Posts & Telecommunications.

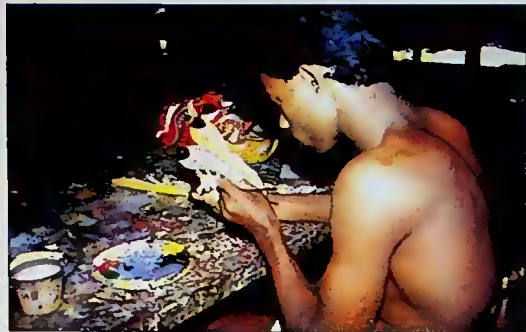
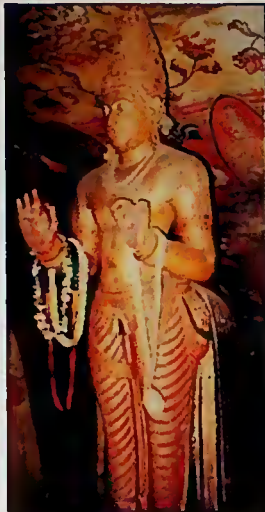


economic activities. The discounting of local bills and group-lending schemes have enabled rural producers to overcome collateral problems as they borrow on the strength of group responsibility.

The National Insurance Corporation (NIC) was established in 1979 with a view to demonopolising the insurance business and encouraging healthy competition in the insurance industry. In line with other policies of liberalisation, in 1985, the insurance business was opened to the local private sector expanding the scope of private sector activities. Accordingly, three private insurance companies have emerged since 1989: the Ceylon Insurance Company, the Union Assurance Limited and CTC Eagle Insurance Company Limited. The insurance business also marked another progressive step in 1978 with the establishment of the Shri Lanka Export Credit Insurance Corporation (SLECIC). SLECIC was established to provide insurance facilities to cover exporters against commercial and non-commercial risks as well as to provide guarantees in respect of export finance facilities obtained by exporters.

Banking and financial institutions in Shri Lanka not only operate in the commercial sector engaged in traditional banking but also provide a wide range of facilities for the development of the poorer segment of the population. Accordingly, various rural credit schemes have been implemented by commercial banks with the help of the Central Bank to provide credit facilities to the rural sector. Towards this end, participating banks such as the Bank of Ceylon, People's Bank, Hatton National Bank and the Regional Rural Development Banks have been provided with refinance facilities from the Central Bank.

Shri Lanka's banking and insurance industry, which has passed through several stages of development since the beginning of the plantation economy, has reached a stage of sophistication at present, providing facilities for functioning



Shri Lanka is blessed with a multitude of attractions not least of which is the warmth and friendliness of its people

*The economic and political changes that have taken place since 1977 are a complete breakaway from previous ideological underpinnings and constitute the foundation for self-sustaining economic growth*

of a modern economy. The banking and financial institutions consist of a Central Bank with a string regulatory powers and a large number of foreign and domestically owned commercial banks with a wide branch network spread over the country. The country's banking system is further complemented with equally strong insurance

companies and development banks. The banking and financial institutional framework is further backed by the recently developed stock market which plays a catalytic role in the capital market development.

A shedding of anachronistic ideologies of a regulated, centrally directed, mixed economy of facets of these and enthron-

ing in their place of the competitive spirit and market-oriented factor allocations has made it possible to bring back investor confidence to the country. The policies pursued post-1977, and further sharpened since 1988, will constitute the foundation for a buoyant, self-sustaining, economic growth process.



# Moving in the right direction

By DELERINE MUNZEER

GUEST EDITOR

*Shri Lanka is optimistic it may achieve the status of a Newly Industrialised Country by the turn of the century*

**S**HRI LANKA (FORMERLY Ceylon) is an island in the Indian Ocean 50 km. (31 miles) off the southern tip of India. With a land area of 65,610 square kilometres (25,325 square miles), Shri Lanka has a population of 17 million people who speak several languages. The official languages are Sinhala and Tamil with English being widely used as the medium of communication in the commercial circles.

The population is made up of four main ethnic groups – The Sinhalese comprise 74 per cent, indigenous Tamils 12.6 per cent, Tamils of recent Indian origin 5.5 per cent and 7.1 per cent of Moors. Besides these 0.8 per cent of the population comprises Burghers (Dutch and Portuguese ancestry), North Indian communities and Europeans.

Buddhism is the religion of the majority. While 69.3 per cent are Buddhists, Hindus account for 15.5 per cent, Muslims 7.6 per cent and Christians 7.5 per cent of the population.

Traditionally known throughout the ages for her aromatic tea, spices and gems, Shri Lanka is a land where recorded history spans 25 centuries. The island's early rulers created one of the most advanced hydraulic civilizations and some of the best cities built in mediaeval times. The arrival of the Portuguese conquistadors in 1505 was followed by the Dutch in 1648. British rule began in 1796 and lasted until 1948 when political independence was regained. Shri Lanka is now a sovereign republic with an Executive President, a democratically elected Parliament and a Cabinet of Ministers.

The capital of Shri Lanka is Sri Jayawardenapura Kotte with

the commercial capital being Colombo.

#### ■ Monetary System

The decimal currency of the Shri Lankan rupee is divided into 100 cents. Shri Lanka has a unified rate for foreign currency which floats in response to basic exchange market developments.

#### ■ Agriculture

The implementation of the accelerated Mahaweli River Development Programme increased agricultural production and enhanced the generation of hydro-electricity.

A wide variety of crops ranging from tropical to semi-temperate are grown on about one-third of the island's 25,325 square miles of land.

The country's mineral resources include graphite, precious and semi-precious gemstones, phosphate, illmenite rutile and limestone.

There are no marked seasons. The average mean temperature along the coast is 26.7°C (80°F) and 19.17°C (66.50°F) in the hill country.

#### ■ Economic Infrastructure

The country has a well-developed economic infrastructure. Main highways and railways connect Colombo to the rest of the island with over 25,000 kilometers of road and 1400 kilometers of rail.

Strategically placed on the trade routes of the world, The Port of Colombo is a well-developed transshipment hub for containerised cargo in South Asia, ranking 25th in the world. The Trincomalee Port is a large natural harbour while the southern port of Galle is being developed into an international port.

Under a liberalised economy there are virtually no state controls over investment. Restrictions on banking and

foreign exchange have been removed and so have duties on imports of machinery and raw materials. Government approval procedures have also been simplified.

The Greater Colombo Economic Commission (GCEC) acts as a 'one-stop-shop' for investors providing information and guidance from the point of submission of an application right through to expansion units after start-up. Investors are given a package of incentives which includes attractive tax holidays and concessions. The three Export Processing Zones already in operation at Katunayake (25 kilometers from Colombo), Biyagama (24 kilometers from Colombo) and Koggala (120 kilometers South of Colombo) provide direct employment to 84,600 people and indirect employment to a further 200,000.

#### ■ Economic Policies

As part of the government's drive to make Shri Lanka a Newly Industrialised Country (NIC) by the year 2,000, 1992 has been declared as The Year of Exports which has recently been extended to the Decade of Exports. In line with this effort the nation's first export trade fair, Shri Lanka Expo '92, will be held in Colombo from the 18th to 22nd November this year, providing a show-case for the country's state-of-the-art products.

A large influx of tourists from both the traditional market in western Europe and the emerging market in east Asia has helped the Ceylon Tourist Board reach its target of 320,000 tourist arrivals for last year. The 1992 target of 550,000 is well within reach. Twenty-four new hotel projects have been approved this year with the demand being highest

on the coastline because of the expanse of beach. A Master Plan is underway to develop the four major resort areas and identify other suitable resort areas.

Most major international hotel chains are represented. These include the Colombo Hilton, the Hotel Ceylon Inter-Continental and the Ramada Renaissance Hotel.

#### ■ Economic Performance

Private sector inputs through investment of capital, technology and management resources have contributed to Shri Lanka's economic resurgence, resulting in two years of the highest GDP growth in more than a decade.

The economy has managed to keep this growth rate steady including a current account surplus of US\$ 71.8 million. The country's foreign debt is now on its way to becoming under control with this year's debt service ratio down to 50 per cent from last year.

Shri Lanka has moved steadily towards a market-oriented economy with a minimum of exchange and import controls, reduced tariffs, privatisation of public enterprises and an export-led industrialisation strategy. The private sector has shown consistent and progressive growth over the years and the industrial exports which accounted for 52 per cent of total exports in 1990 have overtaken traditional agricultural exports.

Shri Lanka's high quality of life, good economic infrastructure, its package of incentives for foreign investment and the present thrust towards an export-oriented economy augers well for the island achieving the status of a Newly Industrialised Country by the turn of the century. ■



# Still a land of prosperity

By **HON RANIL WICKREMESINGHE, MP**

MINISTER OF INDUSTRIES, SCIENCE AND TECHNOLOGY

*Shri Lanka is rapidly regaining its ancient position as one of the strongest centres of economic growth in Asia*

**A**NCIENT TRAVELLERS described Shri Lanka – called Serendib, Taprobane and Ceylon at various times – as a land of great prosperity and infinite charm, as its hallowed name signifies – the resplendent isle. By the middle of the 20th century, its living standards were only second to Japan's in Asia. Since then, four decades of inward-looking policies have slowed economic growth, but heavy investments in social welfare have led to impressive social gains. However, these policies were inadequate to absorb the growing work force, and hence, Shri Lanka has adopted open free market policies since 1977 in order to encourage strong economic growth. This has doubled the rate of growth and Shri Lanka is once again emerging as a leading growth centre in Asia.

A senseless fratricidal conflict had dampened Shri Lanka's progress somewhat in recent times, but the damage has been contained to a small part of the island and an early end to the conflict is foreseeable.

## ■ Region

Shri Lanka is one of the most strategic locations in the world and as a result it has been a centre for world commerce and military operations from time immemorial. Today, it straddles trade routes between Europe and the east, the oil transport routes to the east and is a gateway to the vast South Asian region where half the world's population lives.

The recent progress towards a South Asian Preferential Trade Area (under SAARC) offers exciting prospects of an enormous market. Colombo is one of the best ports in Asia and a natural centre for international

communications. Development of the ports of Galle and Trincomalee and a second international airport are being planned. Electronic and communications industries are emerging strongly and the telecommunications system is being upgraded to international standards.

The shipping industry is fully open and liberalised. A comprehensive financial system with offshore banking facilities and the opening of the Colombo Stock Exchange to foreign investment offers exciting prospects for the development of a regional financial centre.

## ■ People

Shri Lanka is a land of 17 million people with the highest standard of literacy (85 per cent), life expectancy (71 years) and per capita income (US\$465) in the region. The world has been fascinated by Shri Lanka's social achievements, which are usually associated with much higher income levels. More than half of the population is young. The labour is relatively cheap, and highly trainable and productive. It is said that the greatest asset of Shri Lanka is its labour force.

## ■ Agriculture

Agriculture continues to be the main livelihood of the people, with most land under cultivation of coconut, rice, tea, rubber, cocoa, sugar cane, spices and fruits. Highly productive soils combined with the heavy rainfalls from two tropical monsoons and an extensive irrigation network in the drier areas combine to yield a large variety of tropical products of an outstanding quality. Thus, Shri Lanka's agricultural produce generally has fetched premium prices in world markets. Although there are limitations on land ownership (50 acres), larger scale commercial farming combined with out-grower systems are being encouraged.

## ■ Fisheries

The next landfall south of Shri Lanka is the Antarctic and the vast and fertile Indian Ocean lies in between. Shri Lanka's territorial boundaries extend to 200 miles, encompassing vast fertile fishing grounds, which are yet to be fully exploited. The annual recorded fish catch is only 200,000 metric tonnes (of which a fifth comes from inland fishery), which is only a fraction of the potential. Export of edible fish and crustaceans is

a growing industry.

## ■ Industry

Industrial products have emerged as the major exports of Shri Lanka in recent times, Rs.50 billion as against agricultural exports of Rs.27 billion. Textile and garment exports accounted for Rs.33 billion, reflecting a remarkable growth in a short period, despite protectionism abroad. Mineral exports (such as gemstones, ilmenite, rutile and graphite) were Rs.3 billion. Ceramic, porcelain ware and granite, too, have emerged as a growth sector. A large phosphate deposit (90 million tons) awaits exploitation. Out of 140 varieties of gemstones in world trade, 55 are found in Shri Lanka.

The government is now actively promoting export oriented industry, based on local as well as imported raw materials. The Greater Colombo Economic Commission as the single investment authority offers some of the best incentives in Asia for foreign and local investment, especially industrial locations in several export processing zones.

## ■ Services

Shri Lanka is one of the earliest countries in the region to exploit its salubrious climate, excellent beach resorts, exotic fauna and flora, ancient cities and warm hospitality of the people, to promote tourism. Tourist arrivals were 317,000 in 1991 with annual anticipated growth of over 10 per cent. There are currently 151 hotels in the country with 10,800 rooms, and new capacity is constantly being created. Although one of the cheapest tourist destinations in the region, earnings from tourism were Rs.5 billion in 1991. ▷



**HON RANIL WICKREMESINGHE** was educated at the Royal College, Colombo, where he studied law. He first became a Member of Parliament in 1977. Since then, his posts have included that of Deputy Minister for Foreign Affairs, Minister of Youth Affairs and Employment, Minister of Education, Deputy Minister of Manpower Mobilisation and Minister of Industries.



### ■ Energy

Of the total energy consumption in Sri Lanka, 69 per cent is met by bio-mass, of which firewood is the main component. Of the rest, 20 per cent is met by imported petroleum and 11 per cent by electricity. Due to its location and climate, solar power has great potential, if technology can make supply cheaper. The main source of industrial, commercial and domestic energy is electricity. Sri Lanka's terrain indicates a hydro-power potential of around 2300MW, of which 1,018MW has already been developed. The back-up thermal capacity is 272MW. Future electricity generation has been opened to the private sector as well. Meanwhile, reforestation for fuel wood supply is being actively encouraged.

### ■ Finance

Sri Lanka has a well-developed financial system. There are 23 commercial banks of which 17 are international banks. Two state-owned banks, which dominate the scene with 70 per cent of the business, are being restructured. The financial sector reforms will ensure a level playing field thereby enabling greater private sector involvement. Long-term credit facilities are provided by six development finance institutions. There are 24 finance companies engaged in hire purchase business and three leasing companies. Insurance business

has been liberalised with two state-owned companies competing with three private companies and an export credit insurance company. Seven money brokers are active in the inter-bank market and 11 stock brokers operate in the growing Colombo Stock Exchange, where 170 companies are being quoted. A Securities and Exchange Commission oversees the operations of the Stock Exchange. Several unit trusts and venture capital companies have been formed recently.

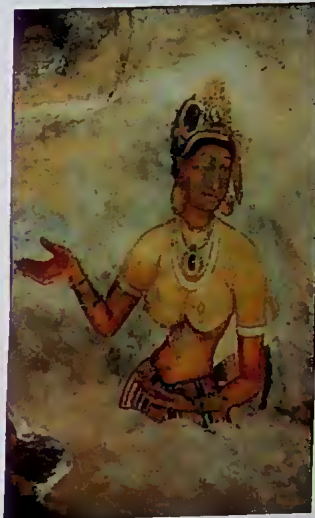
### ■ Conclusion

Sri Lanka is rapidly emerging as a growth centre in Asia, ever since the economy was liberalised in 1977, and the processes accelerated since 1989. It is the freest economy in the region and possesses an adequate infrastructure, which is being speedily improved to create new investment opportunities. Many investors have confirmed that they have had least bureaucratic and other delays in setting up business, which is borne out by the fact that foreign investment is increasing rapidly. A long tradition of parliamentary democracy, based on the universal suffrage since 1931 has produced reasonable political stability. The major political parties are convinced that, as a small island nation, Sri Lanka has to be an open and free economy. That gives long term stability in economic policies. **F**

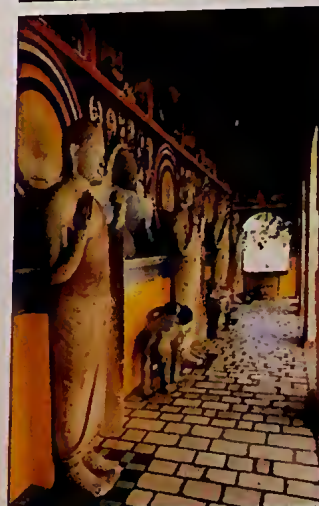
*Sri Lanka is rapidly emerging as a growth centre in Asia, ever since the economy was liberalised in 1977*



Sri Lanka is one of the first countries in the South Asian region to exploit its natural heritage by promoting tourism



Some of the earliest known stone wall paintings have been found in the remains of ancient temples





# Stepping stone to South Asia

By **LAKSHMAN R. WATAWALA**

DIRECTOR-GENERAL, GREATER COLOMBO ECONOMIC COMMISSION

*Shri Lanka is rapidly regaining its ancient position as one of the strongest centres of economic growth in Asia*

**A**T NO OTHER PERIOD IN economic history has the trend towards global market integration been so strong. Increasing economic interdependence and disintegrating barriers to the free flow of information, money and technology are accelerating the trend towards global economic integration. Foreign investment emerges as an important influence in the trend towards globalisation.

Most governments, particularly capital-starved, Third World nations welcome foreign Direct Investments (FDI). Shri Lanka is no exception. Since the late 1970s, the government of Shri Lanka has placed special emphasis on creating a business environment conducive to the development of private enterprise and the promotion of direct foreign investment. With this in view, the Greater Colombo Economic Commission (GCEC) was established by an Act of Parliament in January 1978.

The GCEC is the sole authority for FDI approval in Shri Lanka. Foreign investment is permitted in almost all sectors of the economy with only five types of activities being reserved exclusively for Shri Lankans.

Government intervention in the sphere of business is kept to a minimum and approvals for foreign investment are often automatic. In most instances, a cursory evaluation takes place and approvals are granted within seven working days. Detailed evaluation takes place only when fiscal and financial incentives are requested by an investor and in the case of 14 industrial sectors (such as mining and processing of non-renewable natural resources or

exports are under quota).

For investments which are eligible for incentives, approval is granted within four working weeks. The grant of incentives is largely dependent on the characteristics of the project — emphasis is placed on projects in the spheres of agriculture and industry which contribute to the export thrust and on areas of economic activity which are targeted by the government for development.

In a global situation where policies of integration bring increased economic and political stability, the appeal of the developing world as an investment location is growing. Among the developing world, Shri Lanka, with a school enrolment rate of 100 per cent, literacy rate of 88 per cent and life expectancy of 71 years, stands out as a model in human development with a competitive edge over her neighbours in the region. Other factors which influence the international investor include:

- Low cost, easily trainable labour: wage rates are 50 per cent lower than those of the Association of South East Asian Nations (ASEAN). Shri Lankan workers are known for their manual dexterity, rapid

assimilation of new skills and ready acceptance of commands from superiors. Productivity ranks on par with countries of the ASEAN region, while literacy and ability to master skills is estimated as being equal to Hong Kong and Taiwan. Labour problems are negligible and are easily settled through joint Consultative Committees which are set up in EPZ industries and which are increasingly being accepted outside as well.

- A hub of trade from mediaeval times: the Port of Colombo now uses sophisticated computerised equipment for fast turn-around and is capable of handling fourth generation vessels. Listed among the top 25 ports in the world by Lloyds of London, Colombo is the leading transshipment port of the region. The Port of Galle in the south of Shri Lanka is being developed with Japanese assistance, while procedures and facilities at Colombo's International Airport, have been streamlined.

- The government's recently implemented programme of expansion and modernisation of the country's telecommunication system: private sector companies have been invited to participate in the development

of the system island-wide on a BOT, enabling private companies such as Singapore Telecom to provide ancillary information transmission systems and computer-based link-ups nationally and internationally. Considerable attention has been given to the generation and distribution of electric power while an extensive network of well maintained roads links most major cities. Unlike other countries in Asia, Shri Lanka has no traffic congestion to speak of. To prevent such problems from occurring, developers are invited to assist in the construction of tollroads and multi-storied car parks.

- Shri Lanka's three Export Processing Zones: these have been developed to international standards with low cost, land well suited to construction, a reliable power supply, adequate water, sophisticated security systems and modern telecommunications services, which include international direct dialling, telex and facsimile. Customs, government agencies, banks and freight forwarding agencies are also located within the zones. Last year the entire island was declared an EPZ to facilitate establishment of industries throughout the country.

For such projects, central government officials liaise with provincial authorities to ensure the speedy acquisition of land, electricity, telecommunications and all other facilities needed for the implementation of a project. To further help foreign investors who are not familiar with the legalities and procedures of establishing a project, the GCEC operates a 'One-Stop-Shop' Business and Investment Centre. Officers in this centre assist the investor from the point of initial ▷



**LAKSHMAN R. WATAWALA**, an accountant by profession, has held several posts in the public and private sector of Shri Lanka, and has represented the country overseas on several occasions. Positions he has held include that of president of the Institute of Chartered Accountants of Shri Lanka and vice-president of the South Asian Federations of accountants. He was formerly chairman of the People's Bank.



# A resilient economic base

By Dr LLOYD FERNANDO

STATE SECRETARY, MINISTRY OF POLICY PLANNING AND IMPLEMENTATION

*Policy reforms have freed the once stagnant Shri Lankan economy, allowing it to respond to international market forces*

**O**UR ECONOMY HAS shown resilience and dynamism in the face of great odds during the past decade. We must now make it more dynamic and responsive to the people's needs. We must make it grow faster and eliminate the scourge of poverty by the year 2000. We must provide avenues of employment to all our people, ensure for them the basic necessities of life and provide opportunities for developing and further utilising their talents.

## ■ The New Economy

Since 1977, our economy has undergone much change. It has moved from an inward oriented, stagnant and vulnerable economy, into one which is more responsive to international demand, vibrant and resilient. The policy reforms introduced to unshackle market forces, motivate the private sector and develop the necessary infrastructure, stood us in good stead even in the dark days of the terrorist onslaught between 1988-89. This success has strengthened our resolve and we shall implement, even more vigorously, our plans to restructure the economy and assist the private sector to perform its role as an engine of growth.

The recent upsurge of the Colombo Stock Market reflects the confidence of private investors, local and foreign, in the growth potential of our economy. The private sector need no longer depend solely on loan capital to expand business. The Stock Market could provide an increasing share of the necessary capital. If recent activity in the stock exchange is an indicator, Colombo is destined soon to become an important financial centre in Asia.

We will invite foreign investment to supplement our capital, develop our technology base and managerial skills and provide us with access to international markets. We welcome foreign investors as partners in progress, working together on a solid foundation of mutual benefit. We will provide them with a guarantee of safe repatriation of capital and profits, a sound economic environment, a strong infrastructure and, most important, a rich human resource base.

Our foreign investment procedures have been streamlined and our capacity to deal expeditiously with the requirements of foreign investors much enhanced. The Export Processing Zones in Katunayake and Biyagama have been exceedingly successful in attracting foreign investment, increasing exports and generating employment opportunities. The Koggala EPZ attracted investors even before all the planned infrastructure could be put in place. We must, however, diversify investment and promote new lines of internationally competitive production, based on our natural resources, as well as on the capacity of our people to learn and apply new skills.

We will strengthen our human resources. We will build on the achievement of the past with regard to the physical quality of life of our people. The primary health care programmes will be improved and curative services strengthened. We will make our widespread educational system more meaningful by gearing it to the needs of a diversified production base. The challenge is to develop our human resource capacity to respond quickly to the skills and requirements of competitive technology.

We will continue to build our infrastructure. We will invest in our roads, telecommunications, power and energy, and water supply schemes. We will build, restore, rehabilitate and maintain our irrigation systems to help farmers reap the benefits of our rich land. In this massive task of developing our infrastructure, we will seek and welcome international assistance. But that is only until we are able, in the near future, to manage on our own.

Our public enterprises have, in general, been a heavy drain on the Treasury and a waste of our valuable productive resources. They will not remain so. Our peoplistation pro-

gramme has not only removed the economic burden of an unviable public sector, but has also helped broad-base the ownership of capital and motivate the workforce through their participation in this ownership.

## ■ Public Administration

We are also continuing with our programme of restructuring public administration to make it small but efficient, so it will become more responsive to the needs of the people and facilitate economic growth.

The public administration apparatus has grown completely out of proportion to the needs of the country and has become unwieldy and inefficient. We must define the function of each public institution in terms of its expected contribution to public welfare, streamline procedures and cut down waste and delays. In the final analysis this means determining clearly the task of each individual officer, training them for that purpose and motivating them to use their skills fully for the benefit of our society. This, in essence, is the programme that has been launched for the restructuring of the public administration.

## ■ Agriculture

Agriculture is still the mainstay of our economy. It contributes almost one-fourth of our national income and employs more than two-fifths of the labour force. It earns about one-third of the country's foreign exchange receipts through exports. However, the performance of agriculture in the past few years has been sluggish. Adverse climatic conditions are partly to blame, but the fundamental problem lies with low productivity.

In the past, the plantations sector provided almost the



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### Stepping stone to South Asia (Continued)

inquiry through all formalities necessary for the approval of a project, to obtaining of utilities, the export of goods and even in plans for expansion.

- Location: while it provides easy access to the markets of Europe, South Asia, the Middle East, Africa and South East Asia, its geographical position allows Sri Lanka to be sufficiently distanced as to ensure that production units are relatively unaffected by political or social upheavals in the region.

Straddling the time zones of East and West, Sri Lanka is linked by SEA-ME-WE and satellite communication and is therefore ideal for the financial and communications industry. It is also an excellent location for small and medium-scale manufacturers of light industrial goods, electronic and electrical components, who are globalising operations by moving to low cost locations, where they can service larger manufacturers already based in the Asia-Pacific region.

- Sri Lanka's life style: the cost of living is far below that of most countries. Housing and hotel rates are cheap, yet five-

star luxury is found in most modern cities. International schooling and courses are available, food is plentiful and tasty, the climate is tropical all year round with temperature variations from 15°C or below, to 30°C, depending on location. Places of historical and cultural interest as well as those suitable for recreation abound. In short it is an environment where occupational stress is minimal.

- Sri Lanka's investment environment: the economy, which was thrown open a decade-and-a-half ago, is now the most liberalised in South Asia. Businessmen and government officials are all geared towards an efficient business environment. Procedures in every aspect of business have been streamlined.

The enthusiastic response of foreign investors to the liberalisation measures and additional tax incentives introduced by the government is exemplified by the dramatic rise in the number of projects approved in 1991 and 1992. Project approvals rose sharply from 114 in 1990, to 230 in 1991, and from January to July 1991/1992 from 109 to 206. The dramatic

upsurge in the inflow of foreign investment to Sri Lanka from US\$55 million in 1990 to US\$385 million in 1991 (an almost 700 per cent increase) continued in 1992 with foreign investment in the first seven months of the year being in the region of US\$138 million, representing a 169 per cent increase over the corresponding period in the preceding year.

The booming stock market is another impressive index of business confidence in Sri Lanka. More than 50 international regional and country investment funds are authorised to invest. Turnover in 1991 increased more than 300 per cent, making Sri Lanka one of the fastest growing bourses in Asia. The government's privatisation programme has been a further draw, with 60 key state-owned enterprises being put up for privatisation. The programme has drawn interest from investors such as Mitsubishi and C. Itoh of Japan and Keppel of Singapore.

In recognition of Sri Lanka's potential, the international journal 'Corporate Location' has named Sri

Lanka as one of the top 10 and only South Asian country in the 'World's Emergent Locations', the only other contender in the entire Asian region being Indonesia. Significantly, the World Export Processing Zones Authority (WEPZA) for the first time has selected a South Asian nation as venue for its Annual conference of Free Zones in mid-November 1992, and has chosen Sri Lanka.

Many far-sighted multinationals such as Nestles (food products), Bata (footwear), Pacific Dunlop/Ansell (rubber-based products), Singer (home appliances), Noritake (Ceramicware), Mitsui (civil construction and trading), FDK (electronics), Singapore Telecom (communications), have already made Sri Lanka their base for operations. As a member of the South Asian Association for Regional Cooperation (SAARC), Sri Lanka, with its lack of bureaucracy and its booming economy, is looked upon as an ideal location for and stepping stone to the one billion population of the increasingly accessible South Asian markets. □

### A resilient economic base (Continued)

entire surplus required for investment in our roads, railways, port, irrigation, power, telecommunications, health and education.

Today, its contribution to total investment in the economy is marginal. World market trends in respect of primary commodities have also affected the prices of tea, rubber and coconut. But the main reason for the poor performance is the low yields from the land, which not long ago gave us a competitive edge internationally in the production of these commodities. The land reforms of the 1970s unfortunately disturbed a well-established system of management of our plantations. We aim to restore the efficiency of management and increase yields of the land which are still suitable for tea, rubber and coconuts; and diversify production on marginal lands into alternative better yielding crops.

Our non-plantation agriculture has a great responsibility to bear. The people expect cheap food. The farmers expect higher income. The country needs export earnings. All these can be achieved simultaneously from agriculture, only if we increase productivity and reduce unit costs of production. We must also develop an efficient system of storing and marketing, to cut down post-harvest losses and bring the produce quickly to the market place. Following a great historical tradition, we opened up new land in the dry zone. We have built new dams and constructed new irrigation canals for this purpose. We have rebuilt and rehabilitated old canals. The Mahaweli, Uda Walawa and Gal Oya are only some of the most striking examples of these efforts, from which hundreds of thousands of farmers have benefitted. However, farmers in our coun-

try need more than water to enhance their incomes and contribute to national welfare from their small plots of land.

Our farmers need greater access to credit. They need knowledge of more productive cultivation methods and better post-harvest technologies. They need market information to decide what is more profitable to be grown in their land. They need facilities to market their produce.

Government institutions are being geared increasingly to provide this assistance. However, the time has come to motivate the organised private sector to play its role in assisting farmers for mutual benefit. The future lies in the speed with which we forge the necessary links between the small producer and the big investor through nucleus estates and outgrow systems to achieve higher productivity in agriculture.

### Our Industrial Future

Industry has been the most dynamic sector of our economy in the past decade. The performance and potential of this sector has inspired us into launching with confidence bold new policies that will have far-reaching effects on our economic and social structure. Were it not for the poor performance of the public manufacturing enterprises, the contribution of the industrial sector would have been much greater. But the peoplistation programme should effectively resolve that problem.

What is now important is to inspire the private sector to diversify into new industries that will use our international competitive advantages. We shall encourage that private sector to launch new industries based on our agriculture, our mineral resources and above all on the potential skills and creativity of our people. □



# New communications direction

By **HON A.M.S. ADIKARI**

MINISTER FOR POSTS AND TELECOMMUNICATIONS

*As the exchange of information becomes more international, Shri Lanka must take steps to upgrade its telecommunications network*

**T**HE WORLDWIDE EVOLUTION of information is creating stronger links among national economies. This, in turn, is creating a demand for unlimited facilities for global communications. We in Shri Lanka are no exception to these worldwide trends and will have to face the challenges for the future.

With the election of the present government into office in 1989, meaningful steps were taken to develop the economy of the country. Some of these were to attract foreign investment for export-oriented industries. We have fully understood the role played by communications in the development of the economy of the country.

In keeping with this policy the government also took steps to liberalise telecommunication services in Shri Lanka. Accordingly, the Shri Lanka Telecom Act No. 25 of 1991 provided the structure for deregulation of telecommunication services in Shri Lanka, the basic objective being to meet the customer needs in the rapidly changing communication environment in the world in general and in Shri Lanka in particular. This also provided the opportunities for the private sector to join hands with the state sector to develop the communication infrastructure of the country.

Today many private sector enterprises have come forward to provide value added telecommunication services such as data communications, cellular mobile radio and pay phones, which are considered vital for the business sector. The government is committed to fulfilling the needs of the customer who is demanding the most modern and technologically advanced communication systems and facilities.



WORLDWIDE TELECOMMUNICATIONS CREATE STRONGER ECONOMIC LINKS

Towards fulfilling these needs for telecommunications services, the government has embarked on a development programme to upgrade the communication network of the country. A five-year development programme was launched to achieve the following:

- Provision of an additional 20,000 direct exchange telephone lines islandwide by the year end, 1995.
- Improvement of the local trunk transmission network to cover the whole country by the year end, 1994.
- Development of the local cable network to provide

55,000 additional lines in the Greater Colombo Area by the year end, 1994.

- Provision of a new digital satellite earth station and a modern international telephone gateway switch by the year end, 1994.
- Investing in the South-East Asia Middle East-Western Europe Cable System to provide 500 additional international circuits.

Hence the government is committed to investing approximately US\$300 million towards the development of telecommunications infrastructure for the next three years.



**HON A. M. S. ADIKARI** was educated at St Joseph's College, Anuradhapura, Vadamarachchi Central College, Karaweddy and Jaffna College. He has attended many seminars overseas, including a meeting with World Bank officials in Washington and a study tour in China and Malaysia on land and irrigation management. Since 1974 he has been a member of the United National Party Working Committee.

Towards achieving the targets of the five year development plan, Shri Lanka has been successful in obtaining financial assistance from international lending institutions such as the World Bank, the Asian Development Bank and the Overseas Economic & Corporation Fund of Japan.

With rapid development on the economic front, we are further committed to developing communications infrastructure in Shri Lanka. Towards this end, government is committed to attracting foreign investment for the development of the telecommunication infrastructure. Accordingly, steps were taken recently to invite proposals from the private sector to install a minimum of 200,000 telephone lines before the year end, 1993.

The keen interest shown by international telecommunication investors towards submission of proposals has been most encouraging. It has proved beyond doubt that Shri Lanka has been accepted internationally as a viable and safe place for development and a potential area for investment. Accordingly, the government has taken a policy decision to encourage public-private partnerships for the rapid development of the telecommunication sector. It is in this context that Shri Lanka looks for the future to achieve the objective of the provision of basic telecommunication services on 'demand' before the year end, 1995.

Shri Lanka looks forward towards the 21st century with a clear vision of rising as a proud nation among the world community with ultra-modern telecommunication facilities which fulfill the aspirations of its people.



# Bright future for tourism

By **HON S. THONDAMAN**

MINISTER OF TOURISM AND RURAL INDUSTRIAL DEVELOPMENT IN SHRI LANKA

*Its natural beauty, climate, culture and historical attractions make  
Shri Lanka an ideal holiday destination*

**S**HRI LANKA EMERGED AS a holiday destination when a consortium of experts from Hawaii prepared a Master Plan for Tourism in 1966. The plan gave the guidelines and directions which helped Shri Lanka to step into the world's fastest growing industry – tourism.

The guidelines laid emphasis on developing hotel plants together with other ancillary facilities identifying areas for development of the tourist industry. With the guidelines set out in the Master Plan, the government of Shri Lanka gave tourism a niche in the overall development plans of Shri Lanka's economy.

In 1966 the visitor arrivals to Shri Lanka stood at around 19,000. The potential for investment in the tourist industry is enormous. Resorts around the coast of Shri Lanka – one of the country's major tourist attractions – and the development of the hill country, cultural areas and game parks can be considered as prime areas for investment. The other areas are golf courses, entertainment and recreational centres, water sports facilities and speciality restaurants. The development of inland waterways, domestic air services, transportation, hydrofoil services and the establishment of son-et-lumiere displays are untapped areas which will be attractive to the foreign investor.

In the past, the accent on tourist development has been mainly in establishing hotel rooms; however, the time is now ripe to explore and provide other facilities that are lacking.

The largest market for Shri Lanka is western Europe, with Germany for several years in generating the largest segment of visitors to the country. The

other countries of significance are the UK, France, Italy, Belgium, Japan; in South Asia, India and Pakistan; and in Australasia, Australia. The other countries of growing visitor arrivals are the USA, Austria, Korea, Thailand, Singapore, Hong Kong, China and Taiwan. Potential investors could gauge the demand for Shri Lanka as a destination from among those countries mentioned and determine which has great growth potential in the years ahead.

In 1990, an increase of 60 per cent of visitor arrivals, as compared with the previous year, was achieved. An increase of 6 per cent in 1991, despite the constraints of the Gulf crisis, was achieved. The total visitor arrivals in 1991 was 317,000. The first eight months of 1992 recorded a 33 per cent growth of tourist arrivals over 1991. The projection of tourist arrivals by the year 2000 has been forecast at around 1.5 million. By that time 15,000 hotel rooms will have been added to the existing capacity of 10,000 rooms. Some 92 per cent of visitors come to Shri Lanka on holiday, while 5 per cent come for business.

Sun and sand, together with a culture which has a history of

2,500 years, are the main attractions. Shri Lanka is blessed with a multitude of attractions which include hill country, with verdant tea gardens, flora and fauna and warm friendly people. The country has been described as an 'Island Paradise'. Around 33 per cent of arrivals are repeat-visitors suggesting that the country has vast potential for further development as a holiday destination.

The government has opened the doors to foreign investment with a wide-ranging package of fiscal and monetary incentives for tourist infrastructure development by extending concessions on new hotel construction as tabled below.

- Five-year tax holiday (exempt from income tax, corporate tax, dividend tax).
- Income tax of 2 per cent in turnover up to five years.
- Duty free import of certain specified items.
- No limit on foreign equity holdings and free transferability of shares.
- No tax on transfers of capital and proceeds of liquidation.
- Tax-free income of expatriates during company tax holiday.

In addition, liberal concessions are extended to investments made in the tourist ancillary sectors which have been indicated as areas for development. Employment of expatriate staff is permitted. While encouraging joint venture proposals, any investor wishing to hold a 100 per cent ownership is permitted. Foreign investors are also extended financial support by development banks in Shri Lanka who undertake projects as joint ventures with Shri Lankan counterparts.

With a vibrant Stock Exchange, the hotel industry shares are always at a premium, and several foreign buyers have acquired ongoing hotel properties and are reaping good results. There is a wealth of manpower – skilled and unskilled, with low labour costs. English is widely spoken and understood, and many Shri Lankans speak languages such as German, French, Italian and Japanese.

International hotel chains – Hilton, InterContinental, Ramada Renaissance, Meridien, Oberoi, and Taj Groups of India operate hotels in Shri Lanka. Shri Lanka is served by several international airlines with the national carrier, Air Lanka, serving as the largest airline in bringing visitors to the country.

The scope is wide open for investment in the tourist sector. Government will give every encouragement and assistance to any foreign investor wishing to invest in Shri Lanka in promoting and developing the tourist sector. Investors are welcome to visit Shri Lanka and explore the vast potential available. This will convince anyone that Shri Lanka is the best bet for tourism investment in Asia. ■



**HON S. THONDAMAN**, who came to Ceylon the first time in 1924, has been active in politics for over 50 years. He championed the cause of the plantation workers of Shri Lanka, representing them in the Legislature for 30 years. He has been a Cabinet Minister for 15 years and was appointed Minister of Rural Industrial Development in 1978 and 1990. He was educated at St Andrews College, Gampola.