



**SRI LANKA
THE NEW GROWTH
CENTRE IN ASIA**

**ADDRESS OF THE HON. R. PREMADASA
PRIME MINISTER OF SRI LANKA
TO THE ASIA SOCIETY, NEW YORK,
ON 23RD OCTOBER 1985**

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Mr. Chairman, Ladies and Gentlemen,

I am happy to have had the opportunity of addressing the Asia Society during my short stay in New York. Yours is an Association devoted to the promotion of greater understanding and co-operation between peoples of the United States of America and Asia. I see both Corporate Executives and Public Sector representatives present here. I am sure you

are keen to know about the present situation in Sri Lanka. Therefore, I would like to first deal with the terrorist problem in Sri Lanka before I get on to my subject today – Sri Lanka, the New Growth Centre in Asia.

You are aware, that our Government, since it came into office in 1977, has taken meaningful steps to consolidate our political independence and to achieve our

development objectives. Hitherto we were mainly concerned with the eradication of poverty and the improvement of the quality of life of our people. In a short span of eight years since 1977 we have made great strides. During the period 1978 to 1984 we have maintained an average growth rate of 6.1 per cent per year. We have made a determined effort to hold down the rate of inflation. Indeed, we have succeeded in doing so. Our rate of inflation which had increased to an alarming 30 per cent per annum in 1980 has been brought down to 7 per cent. Unemployment has dropped from 26 per cent in 1977 to 12 per cent currently. During the last eight years we have invested heavily in massive projects such as Mahaweli Development, Free Trade Zone, Housing and Urban Development. We have also concentrated on the development of the infrastructure such as Power, Irrigation and Water Supply.

Today, we are faced with the tragic prospect of having to divert our meagre resources and energies to combat terrorism. It has been said that this insurgency is being waged in order to win ethnic and human rights – to oppose discrimination. This is only false propaganda. It is only now that the world is realising the true objectives of the terrorists.

For what purpose is this insurgency? For what purpose is this violence? For what purpose is this destruction of valuable property and precious human life? Is it for the purpose of gaining any ethnic rights? Is it for the purpose of ensuring any fundamental rights?

Since the United National Party came into office the language rights of the Tamil speaking people have been ensured through legislation. Fundamental human rights have also been guaranteed by the

new Constitution and made justiciable. Administration has been decentralised through the system of District Ministries and Development Councils. Peoples' participation in the development process is being obtained through 4,500 Gramodaya Mandalayas – the grass root level Parliaments of the people.

It is to settle further grievances, if any, that our President convened an All-Party Conference. If the terrorists were genuinely concerned with ethnic and human rights, at least at that point they should have suspended their violent activities. But what did they do? Instead they accelerated their destructive process. They are not only killing innocent Sinhalese but also Muslims, Burghers and Tamils as well. The objectives of the terrorists are very clear. They are waging this war to destabilise and destroy our country.

We should not forget that there are external forces who are helping the terrorists; funding them and sheltering them. This is a deep-seated conspiracy to overthrow a democratically elected Government and establish dictatorial rule. They have loudly declared that they do not believe in consultation – that they only believe in confrontation. They do not believe in the ballot. They only believe in the bullet. The vast majority of the Tamil speaking people uphold the unity, sovereignty and territorial integrity of Sri Lanka. The misguided elements are just a small fraction of the Tamil speaking people. I would like to assure you that we would use all our resources at our command to bring back normalcy to our motherland.

Terrorism today is an international phenomenon. It is raising its ugly head in all parts of the world. The world is getting sharply divided into two groups – the group that stands for democratic ideals and

the group that is fostering terrorism to achieve their ends. There is no opportune moment than this for all the democratic nations and countries in the world to unite, to close ranks and to join hands to demolish and destroy terrorism, whether it be national or international.

Mr. Chairman,

Despite all these tremors, trials and tribulations we are steadily on our way to achieve progress and prosperity both materialistic and spiritual. The hallmark of our success lies in the open economic policies that have been vigorously pursued during the last eight years. We have been able to transform a stagnant economy to a vibrant economy full of life and vitality. The policy of freeing imports from restrictive tariffs and direct controls has ensured the availability of goods and services essential for consumption and investment.

The public sector development programmes are being oriented to the establishment of the necessary infrastructure which is an essential prerequisite for sustained growth. As a matter of policy the public sector will not embark on any new projects which the private sector can do better. For that matter we are examining the possibilities of privatising public enterprises so that they can be made commercially viable. In exports we still have to rely heavily on the expansion of the primary export commodities of the plantation sector. At the same time we are giving every encouragement to the development of value-added non-traditional exports, so that, we could tide over our balance of payments difficulties while allowing for the expansion of the economy.

Last year, Sri Lanka benefited significantly from an improvement in her terms of trade both on account of attractive prices for our

tea and some amount of stability in the prices of imports. Another noteworthy feature was the large increase in exports of industrial goods. For the next five-year period of 1985 to 1989 we have projected a 5.8 per cent average annual increase in G.D.P. We are aware that we would need a higher rate of economic growth coupled with more labour intensive technologies to clear the backlog of unemployment, while accommodating around one hundred and twenty five thousand new entrants into the labour force each year.

The total investment envisaged during the period 1985 to 1989 is Rs. 290 billion. Of this the public sector is expected to invest Rs. 155 billion and the private sector Rs. 135 billion. It is also envisaged that the private sector share of the total investment would be around thirteen per cent of G.D.P. in 1989 which will be slightly above the share of public sector investment. The

foreign financing component will be reduced from sixty five per cent in the last seven years to around forty eight per cent in the next five years.

Therefore, if we are to achieve our development objectives and our growth targets for the next five years ; we will have to rely heavily on the expansion of trade, foreign investment, transference of appropriate technology and sound management expertise. We need appropriate technologies to develop and upgrade agricultural and industrial productivity. We have to upgrade the other sectors of our economy such as trade, transport and services to meet the standards of the developed world.

Exports are an important determinant of Sri Lanka's economic growth contributing one-third of the G.D.P. ; one-fourth of employment and one-fifth of Government revenue. A change in the export prices will

have serious repercussions on all the major sectors of our economy. We are critically dependant on our export earnings for almost all our investment goods and a substantial proportion of essential consumer goods. For that matter our survival as a democracy, wedded to free enterprise depends on stable prices as well as expansion of exports. We are moving away from our dependence on primary export earnings to a more diversified basket of exports. In 1977 primary commodities accounted for sixty seven per cent of Sri Lanka's exports and today this share has been reduced to forty six per cent.

Our total international trade – both imports and exports was US \$ 2.9 billion in 1983 and US \$ 3.3 billion in 1984. However, the over-all balance of trade deficit has been unmanageable. For example in 1984 our exports amounted to

US \$ 1.4 billion while the imports were US \$ 1.9 billion leaving a deficit of US \$ half a billion.

I am happy that our bilateral trade with the United States is increasing. From 1983 to 1984 it increased from a total of US \$ 295 million to US \$ 452 million. We are pleased that the balance of trade is in Sri Lanka's favour. The United States is also the foremost export market for Sri Lanka accounting for twenty per cent of our total exports in 1984. Our trade development institutions observe that many Sri Lankan products have a competitive potential. For example, our processed food products, rubber based goods and assembly industries could afford distinct opportunities for United States business ventures.

Since 1977 we have exposed our export oriented business sector to the United States market through market surveys,

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product development exercises, sales missions and trade fairs. Our bilateral trade relations have improved. There is an increase in all exports, greater private foreign investment and a noticeable increase in the two-way flow of business people.

There is a continuing need to upgrade the competitive capabilities of our business enterprises. The assistance of the United States business sector to improve our business skills in such areas as management research and development, packaging, productivity, quality standards and marketing would be welcome. I am happy that the United States is assisting Sri Lankan business to help develop the Sri Lanka Business Development Centre and joint ventures through the Joint Agricultural Consultative Committees of the two countries.

I am happy to state that Sri Lankan exports to the United States are enjoying tariff concessions. Approximately four per cent of our exports to the United States are benefited. Quite frankly we have also initially benefited from the United States protectionist policy which particularly restricted imports from the Far East Asian countries. This policy initially stimulated the growth of our export oriented ready-made garment manufacturing industry. However, today these trade barriers and the imposition by the United States of countervailing duties on our garments have adversely affected the growth of our garment industry.

We appreciate that the United States authorities have a responsibility to help their own domestic industry. We believe that the United States should also consider the external implications of such measures. They can have far reaching consequences

for small developing countries such as Sri Lanka. We have opted to follow a path of economic development based on democratic ideals and institutions. Therefore we need some amount of cushioning and understanding until we are able to stand on our own feet.

Mr. Chairman,

Now I would like to turn my attention to another high priority area in our development strategy. We are extremely interested in attracting private foreign investment to Sri Lanka. We offer many attractions including a package of incentives which is said to be one of best available to any foreign investor.

We have a natural locational advantage. We are located in the Indian Ocean equidistant between Europe on the one hand and the Far East on the other. We are also in close proximity to the booming

markets of South East Asia, the expanding markets of Africa and the oil rich markets of the Middle East. Hence Sri Lanka offers a highly competitive location for American business to expand their operations in and around the growth centres of the future.

The highly literate yet inexpensive labour force is another important and compelling reason why you should consider investing in Sri Lanka. We have a very high literacy rate of eighty four per cent. The work force can be easily trained in complex skills to achieve high productivity levels within a short period of time.

We have also placed a great deal of importance in creating a sound financial environment. A large number of foreign banks have opened branch offices in the country. Among them are three American banks – The Bank of America, The Citi Bank and the American Express International. Recent studies conducted by an American

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firm have shown that cost structures in Sri Lanka could be almost one hundred per cent cheaper for American investors in certain electronic industries, rubber based industries, toys, handicrafts and in electronic appliance assembly operations.

We are conscious of the fact that at the present stage of our development we require not only a large injection of foreign capital but also technology, scientific management and access to foreign markets. The Greater Colombo Economic Commission (G.C.E.C.) provides all the facilities and incentives normally available in a Free Trade Zone (FTZ) anywhere in the world. The administrative structure is geared to the smooth and speedy implementation of projects. The infrastructure facilities are very well developed to meet the requirements of modern industry. The Foreign Investment Advisory Committee (FIAC) too offers an

equally attractive package of incentives. These would include tax holidays, duty free imports of raw materials and other facilities and incentives. The Investment Protection Agreements with practically all the industrialised countries guarantee your investment and ensure the repatriation of profits.

At this stage you would no doubt like to ask me a question. What has Sri Lanka achieved in attracting foreign investment? In fact in the past six years we have established a record unparalleled in the recent history of our country. Since 1977 four hundred and seventy nine foreign investment projects are operating in the country. The total value of investments realised during this period exceeds US \$ 790 million. During the thirty-year period from 1947 to 1977 we had barely approved a hundred foreign investment

projects and the actual investment at current prices would not have exceeded US \$ 50 million.

Mr. Chairman,

Certainly we have made a breakthrough. Sri Lanka today is one of the attractive venues for investment among the

developing countries. Sri Lanka is therefore amply qualified to be called the New Growth Centre in Asia.

I thank you.

A handwritten signature in black ink, appearing to be 'M. Chandana', written above a horizontal line.