THE MINERAL INDUSTRY OF

SRI LANKA

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The country's gross domestic product (GDP) grew only by 4.5% in 1998. Inflation was contained at about 8%. The Sri Lankan rupee slid almost 11% against the U.S. dollar. Defense spending of $860 million, as a result of the civil war against the Tamil Tiger rebels, accounted for a quarter of federal budget and 6% of GDP. A bloated public service and the pension bill accounted for one-half of the Government's spending (Far Eastern Economic Review, 1999, p. 199). Proceeds from the Government's privatization program had been contributing substantially to the budget and helping to retire part of the public debt.

A free-trade agreement with India, aiming to abolish tariffs on products traded between the two countries, raised Sri Lankan hopes for greater access to its neighbor's vast market and for more foreign investment. Exports of gems and jewelry from the country decreased nearly 20% to $48.3 million. Sri Lanka's major imports were consumer goods.

Sri Lanka's mineral resources are mainly industrial minerals, of which ceramic raw materials, fertilizer minerals, gemstones, graphite, and mineral sands are most abundant. However, the country is not a major producer of mineral commodities. *(See table 1.)* No economic deposits of metallic minerals or oil reserves have been found.

In 1998, cement consumption was around 2 million metric tons (Mt). Sri Lanka was dependent on imports of clinker (500,000 metric tons (t)), bulk (500,000 t), and bagged (500,000 t) cement. The sole operating clinker cement manufacturing works is owned by Puttalam Cement Co. at Puttalam, which is in turn controlled by Holderbank of Switzerland. The plant's KHD kilns were capable of producing 500,000 metric tons per year (t/yr) of clinker. The company was reported to be in the process of installing a 500,000-t/yr bagging facility at the port of Galle. Lanka Cement Co. Ltd. planned to rebuild the Kankesanturai Jaffna cement works at a cost of $75 million. Ruhnu Cement Co. Ltd., owned by Yashoda Industries of Japan, operated a single grinding plant at Galle with a capacity of 240,000 t/yr, while Tokyo Cement (Mitsui) operated a 250,000-t/yr clinker grinding facility at Trincomalee.

The country's two largest operating mines are state-owned. Bogala Graphite Lanka Ltd. had a capacity of 5,000 t/yr of graphite consisting of 80% to 99% carbon sold as lumps, chips, and powders. Kahatagaha Graphite Lanka Ltd. produced 4,000 t/yr of graphite with 90% to 99% carbon.

A consortium of foreign mining companies ran into opposition by Sri Lankans who were against a Government plan to award a phosphate rock mining concession near the central town of Eppawala to the consortium. The partners in the consortium included Freeport-McMoRan Resources Partners, IMC Agrico, both of the United States, and Tomen Corp. of Japan. Freeport-McMoRan/IMC Agrico would receive 65% of the mine's equity, Tomen 25%, and Lanka Phosphates Ltd. 10% at no cost. The 168-square-kilometer site had proven reserves of more than 25 Mt of phosphate rock (Mining Engineering, 1998). The consortium would pay a royalty of 5.5% of the value of the phosphate rock mined.

The Government approved several large infrastructure projects worth $2 billion for the southern region. One project would be the development of the new town of Ruhunupura where an oil refinery was to be built. Chenzhou Engineering Group of China would build the new refinery.

The country's demand for power was far in excess of supply, and power consumption was forecast to grow at 10% per year (Washington Times, 1999). Sri Lanka was trying to lessen its dependence on the predominant hydroelectric powerplants in favor of a mixed hydrothermal system, such as combined cycle, conventional oil, and coal-fired powerplants. The Government earmarked more than $310 million in federal funds for investment in the power sector. AES Corp. of the United States would develop a 160-megawatt combined-cycle powerplant at Kelanitissa at a cost of $120 million. The company would build, own, and operate the powerplant for 20 years, after that it would sell the electricity to the Government.

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Major Sources of Information

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TABLE 1
SRI LANKA: PRODUCTION OF MINERAL COMMODITIES 1/

(Metric tons unless otherwise specified)

Commodity 2/		1994	1995 e/	1996	1997 e/	1998 e/
Cement, hydraulic	thousand tons	925	900	905 e/	910	920
Clays:						
Ball clay		16,085	17,100 3/	14,100	16,750 3/	17,000
Kaolin e/		7,500	16,000 3/	7,700 3/	19,900 3/	20,000
Brick and tile clay e/		7,800	8,000	8,000	7,900	8,000
Clays for cement manufacture e/		500	550	600	650	700
Feldspar, crude and ground		12,280	7,500 3/	11,200	14,950 3/	15,000
Gemstones, precious and semiprecious, other than diamond e/	value, thousands	$60,300	$61,000	$62,000	$62,500	$63,000
Graphite, all grades		2,946	8,000 3/	5,618	5,127 3/	5,000
Iron and steel, metal, semimanufactures		55,117	50,000	53,000 e/	52,000	55,000
Mica, scrap		200 e/	6,350 3/	2,400	3,500 3/	4,500
Petroleum refinery products:						
Gasoline	thousand 42-gallon barrels	1,582	1,600	1,825 r/	1,850 r/	1,900
Jet fuel	do.	488	500	365 r/	400 r/	450
Kerosene	do.	1,488	1,500	1,460 r/	1,500	1,550
Distillate fuel oil	do.	4,495	4,500	4,380 r/	4,400 r/	4,500
Residual fuel oil	do.	3,868	3,800	5,475 r/	5,500 r/	5,400
Other	do.	464	500	1,825 r/	1,800 r/	1,850
Refinery fuel and losses	do.	400 e/	450	730 r/	750 r/	700
Total	do.	12,785	12,850	16,060 r/	16,200 r/	16,350
Phosphate rock		32,313	29,500 3/	34,000	29,600 3/	30,000
Rare-earth metals, monazite concentrate, gross weight e/		200	200	200	200	200
Salt		56,162	60,000	65,000 e/	65,000	70,000
Stone:						
Limestone	thousand tons	670 e/	746 3/	813	901 3/	950
Quartz, massive		1,200 e/	4,600 3/	7,300	9,350 3/	10,000
Titanium concentrate, gross weight:						
Ilmenite		60,445	49,655 3/	62,810	18,970 3/	20,000
Rutile		2,410	2,697 3/	3,532	2,970 3/	3,000
Zirconium, zircon concentrate, gross weight		22,310	21,971 3/	15,863	12,450 3/	12,500

e/ Estimated. r/ Revised.

1/ Table includes data available through May 21, 1999.

2/ In addition to the commodities listed, crude construction materials, such as sand and gravel, and varieties of stone presumably are produced, but available information is inadequate to make reliable estimates of output levels.

3/ Reported figure.