

SRI LANKA

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There was no end to the 16-year civil war in sight, and the cost of fighting Tamil separatists in northern and eastern Sri Lanka remained high. In 1999, the Government budgeted \$662 million for defense. The budget deficit reached 7.8% of the gross domestic product (GDP). Economic growth in terms of GDP was expected to be 4%. Inflation was estimated at 6%. The depreciation of the Sri Lankan rupee against the U.S. dollar was 5.8% in 1999 compared to its value in 1998 (Far Eastern Economic Review, 1999).

Sri Lanka's industries were mostly heavily labor intensive and continued to suffer a downturn. Mining and quarrying accounted for only 2.5% of the GDP in 1997 (Washington Times, 1999). The country's mineral resources consisted of clay, gems, graphite, limestone, mineral sands, and phosphate rock. Its main export earners were agricultural products, coconut, minerals and gems, rubber, tea, and textiles and clothing. The principal export markets were Australasia, Germany, Japan, the Middle East, the United Kingdom, and the United States. The gem and jewelry industry expected a strong recovery with export growth of 10% to 15% in 1999. The country's major import items were consumer and intermediary goods and textiles and clothing. The principal sources of imports were Hong Kong, India, Japan, the Republic of Korea, Singapore, Taiwan, and the United States. The trade deficit for the first 6 months of 1999 shrunk to \$584.3 million compared with that for the same period in 1998.

A free-trade agreement with India raised Sri Lankan hopes for greater access to its neighbor's vast market and for more foreign investment from India. The pact aimed to abolish tariffs on products traded between the two countries. The Government reduced steel billet import duties from 10% to 5% and rebar duties by 5% to 30% (Metal Bulletin, 1999).

In 1999, 14 steel mills were operating in Sri Lanka with a combined capacity of 360,000 metric tons per year (t/yr) of various types of reinforcing bars. The local market for these products totaled 180,000 t/yr. Two projects to install new rolling mill capacity fed by their own meltshops entered into an oversupplied market. Bhuwalka Steel Industries planned a 30,000-t/yr operation to make twisted rebar and wire rod. GTB Steel Ltd. was building a 50,000-t/yr plant and had an agreement with Tata Iron & Steel Co. Ltd. of India to produce Tempcore control-cooled bars. These two new projects were due to start up in 2000; their capital costs were about \$5 million each. Ceylon Heavy Industries & Construction, the country's largest steel mill, produced between 60,000 and 70,000 metric tons (t) of bars in 1999. Melbourne Metals Ltd., which was owned by Lydel of Australia (80%), started up a 36,000-t/yr rolling mill for twisted rebar, flat bar, and round

bar in July 1998. A 60,000-t/yr meltshop with induction and crucible furnaces started up at the end of 1999. The company planned on commissioning its 36,000-t/yr mill for angles in February 2000 and a 60,000-t/yr mill for the production of I-beam and C- and U-channels later. Hiat Steel's meltshop and rolling mill capacity was 18,000 t/yr (Metal Bulletin, 1999).

About 1 million metric tons of cement was produced by three local companies for the domestic market in 1999. Demand for cement was 3 million metric tons per year (Mt/yr), any deficit was met by imports. A partnership between Larsen & Toubro (L & T) of the United States and Ceylinco Consolidated, one of Sri Lanka's largest industrial groups, completed a new bulk cement terminal in Colombo in October (International Bulk Journal, 1999). L & T planned to deliver cement by sea to Colombo from its 5.2-Mt/yr-capacity Pipavav Port-based cement plant in Gujarat, India, by using vessels capable of carrying loads of 17,000 t. Cement would be transhipped by road and taken to the bulk terminal. L & T had already established a distribution network throughout Sri Lanka. In January 1999, Gujarat Ambuja Cement Ltd. of India planned to build a \$30 million cement plant with a capacity of 1 Mt/yr at a greenfield site near Colombo. Construction was due to be completed in 2003.

The Government planned to sell its 50.01% interest in Bogala Graphite Lanka Ltd. through privatization to an investor with experience in mining and processing graphite (Mining Journal, 1999). The eventual divestment was expected to be carried out through a voluntary offer to all shareholders according to the country's takeover and merger code. The company operated Sri Lanka's largest graphite mine at Bogala.

The country placed less dependence on its predominantly hydroelectric generating system in favor of a mixed hydrothermal system. More than \$310 million in Government funds was earmarked for investment in the power sector. Power demand was forecast to grow at a rate of 10% per year. The Government was interested in foreign investment in combined cycle, conventional oil, and coal-fired powerplants on a build/own/operate basis. AES of the United States and Hayleys Group of Sri Lanka finalized a deal in April to build a 162-megawatt-capacity combined cycle powerplant at a cost of \$120 million. The powerplant would be located at Kelanitissa. AES was to build, own, operate, and transfer the powerplant concession that would be valid for 20 years, with the power being sold to the national grid.

References Cited

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International Bulk Journal, 1999, Colombo gets terminal: International Bulk Journal, September, p. 15.
Metal Bulletin, 1999, Sri Lankan mills up in arms at government: Metal Bulletin, no. 8394, July 19, p. 20.
Mining Journal, 1999, Bogala Graphite to be privatized: Mining Journal, v. 333, no. 8560, December 3, p. 450.
Washington Times, 1999, A special international report on Sri Lanka: Washington Times, February 3, p. 1.

Major Sources of Information

Ceylon Petroleum Corp.
P.O. Box 634, 113 Galle Road

Colombo 3, Sri Lanka
Geological Survey and Mines Bureau
4 Galle Road
Colombo, Sri Lanka
Lanka Ceramic Ltd.
Colombo, Sri Lanka
State Gem Corp.
Colombo, Sri Lanka
State Mining and Mineral Development Corp.
Colombo, Sri Lanka

TABLE 1
SRI LANKA: PRODUCTION OF MINERAL COMMODITIES 1/ 2/

(Metric tons unless otherwise specified)

Commodity 3/		1995	1996	1997	1998	1999
Cement, hydraulic	thousand tons	894 r/	928 r/	965 r/	874 r/	976
Clays:						
Ball clay		17,100	14,100	15,800 r/	11,110 r/	12,573
Kaolin		16,000	7,700	20,100 r/	24,478 r/	26,678
Brick and tile clay e/		8,000	8,000	7,900	8,000	8,100
Clays for cement manufacture e/		550	600	650	700	750
Feldspar, crude and ground		7,500	11,200	25,700 r/	25,274 r/	26,012
Gemstones, precious and semiprecious, other than diamond e/	value, thousands	\$61,000	\$62,000	\$62,500	\$20,130 r/	\$5,490
Graphite, all grades		8,000	5,618	5,400 r/	5,910 r/	4,592
Iron and steel, metal, semimanufactures e/		50,000	53,000	52,000	55,000	54,000
Mica, scrap		6,350	2,400	3,700 r/	2,800 r/	1,425
Petroleum refinery products: e/						
Gasoline	thousand 42-gallon barrels	1,600	1,825 4/	1,850	1,900	1,950
Jet fuel	do.	500	365 4/	400	450	500
Kerosene	do.	1,500	1,460 4/	1,500	1,550	1,500
Distillate fuel oil	do.	4,500	4,380 4/	4,400	4,500	4,600
Residual fuel oil	do.	3,800	5,475 4/	5,500	5,400	5,300
Other	do.	500	1,825 4/	1,800	1,850	1,900
Refinery fuel and losses	do.	450	730 4/	750	700	720
Total	do.	12,900	16,060 4/	16,200	16,400	16,500
Phosphate rock		29,500	34,000	29,635 r/	37,600 r/	31,990
Rare-earth metals, monazite concentrate, gross weight e/		200	200	200	200	200
Salt		60,000 e/	65,000 e/	65,000 e/	82,483 r/	96,709
Stone:						
Limestone	thousand tons	746	813	901	738 r/	683
Quartz, massive		4,600	7,300	11,500 r/	10,884 r/	14,553
Titanium concentrate, gross weight:						
Ilmenite		49,655	62,810	17,970 r/	34,118 r/	--
Rutile		2,697	3,532	2,970	1,930 r/	--
Zirconium, zircon concentrate, gross weight		21,971	15,863	12,450	8,814 r/	--

e/ Estimated. r/ Revised. -- Zero.

1/ Table includes data available through August 10, 2000.

2/ Estimated data are rounded to no more than three significant digits, may not add to totals shown.

3/ 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.

4/ Reported figure.