

SRI LANKA

GENERAL INFO

Sri Lanka is located off the southeast coast of India, in the Indian Ocean. It has an area of 65,610 sq. km. The population of 17.5 million, is growing at the rate of 1.8% per annum, and is composed of Sinhalese(74%), Tamils (17%), and Moors(7%). 69% of the population is Buddhist, 8% Christian, and 7% Moslem. The official languages are Sinhalese and Tamil, with English being a link language.

Ruled by the British from 1796, and previously by the Portuguese and the Dutch, Sri Lanka achieved independence in 1948 under its previous name of Ceylon.

POLITICAL AND ECONOMIC SITUATION

Sri Lanka is a parliamentary republic with a political tradition of vigorous party democracy. It was one of the first countries in the world to give women the vote (in 1931) and voter turnout at elections has usually been between 80% and 90%. Sri Lanka has an unbroken tradition of democratically elected governments, usually oscillating at each election between the Sri Lanka Freedom Party and the United National Party. The UNP have been in power since 1977, with the most recent elections occurring in February 1989. The Prime Minister is D. B. Wijetunge and the President is Ranasinghe Premadasa.

During the last decade, tension between the Sinhalese and the Tamil ethnic groups has grown increasingly violent. An accord between the Indian and Sri Lankan governments in July 1987 led to the deployment of an Indian Peacekeeping Force(IPKF) in the North and East of the country aimed at disarming the guerrillas seeking the establishment of an independent Tamil State. The IPKF has achieved only partial success in meeting this objective.

Liberalization of Sri Lanka's trade policies began in 1977 when the previous UNP government came to power. The increasing incidence of ethnic violence since 1983 has taken its toll on the Sri Lankan economy. The nation's security problems have lowered productivity, increased the fiscal deficit, and aggravated external financial troubles. These difficulties are further exacerbated by long term structural economic problems, recent drought and floods, and some unfavorable external factors.

With a Per Capita Income of \$360 U.S., Sri Lanka has an essentially subsistence agricultural economy, based on wet and dry land rice production. In 87/88 GDP was \$6.5 bn U.S. a year, with real growth at 4.0%. Recent events have led to foreign debt reaching \$4.7 bn U.S., with debt servicing accounting for 23% of current account receipts. Tea has traditionally been the major foreign exchange earner, followed by rubber, coconut, spices, and gems. Sri Lanka is currently running a trade deficit of \$600 million U.S. a year.

Sri Lankan efforts to stimulate foreign investment have achieved some limited success despite the negative impact of the communal violence. The Export Processing Zone contains approximately 100 plants ranging from textiles and agro-based products to electrical appliances and rubber goods, and employs more than 26,000 workers.

Japan, the U.S.A., the U.K. and W. Germany are the main trading partners, however the appreciation of the yen is having some effect on the competitiveness of Japanese goods.