A Ministry of State Publication



SRI LANKA BACK IN BUSINESS 322,330,42

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FOREWORD

"Sri Lanka-Back in Business"

The ethnic disturbances which shattered the peace of Sri Lanka in July of 1983 caused considerable damage to its social fabric and its economic structure. While relief measures were instituted without delay to provide succour to the victims of the disturbances, government, at the same time set about the task of resuscitating the national economy.

The human problem of housing and caring for nearly 100,000 persons affected by the disturbances and translocating many of them was handled by a newly created organisation with the fullest backing of unlimited funds and high level government personnel. This operation was carried out in the subsequent months with very substantial support both from several governments and from a large number of international non-government agencies.

At the same time another institution was created for the rehabilitation of properties and industries with the specific tasks of repairing and restoring affected properties and rehabilitating affected industries and businesses. This institution was also given regulatory powers to ensure that tenancy rights of persons affected by the disturbances were not prejudiced and that their properties would not be the subject of speculative transactions.

Early estimates showed losses sustained by the economy at Rs. 3 billion to Rs. 4 billion (\$ 120-160 million) of which Rs. 1.75 billion (\$ 70 million) was the replacement cost of damaged industrial plant and machinery.

The damage resulting from these disturbances both in terms of human misery and in the cost of physical

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destruction was more than Sri Lanka could afford. The cost would be even greater if the world began to accept that social and political stability in Sri Lanka had collapsed. Indeed the heavy media exposure of the July disturbances in many capitals of the world and the continuing propaganda of the dissident groups whose violent politics provoked the reactions of July may well tend to enhance this belief.

This publication does not carry claims by government on the restoration of political and social stability; it does not carry the views of local businessmen anxious to re-establish trading connections or of entrepreneurs desirous of inviting foreign investment. It carries a sober appraisal of the situation by the leading Banks in the country and by a few business houses to whom credibility abroad is at least as important as goodwill at home.

The Department of Information sought from a number of selected business houses in the country their views on the following aspects of the economy:

- the current status of their own business;
- the degree of stability achieved so far in the business sector subsequent to the July disturbances;
- the expectations for the growth of the economic sector in the immediate future.

The request was addressed to the banks operating in the country as well as to a selected number of industries carrying a substantial proportion of foreign investment.

Their replies which are published here represent the views of responsible business institutions. In each case the relevant section of the reply is published in full without amendment. The only State institutions whose views were sought were the two largest banks in the country, the bank of Ceylon, and the People's Bank.



BANK OF CREDIT AND COMMERCE INTERNATIONAL

52 MUDALIGE MAWATHA FORT COLOMBO SRI LANKA

The July incident which took place in this country was unexpected but the happenings were not unusual in Sri Lanka as a 3rd World Country. Of course, it had impact on the economy of the country but the impact was not as much as was expressed through western media. The impact was in two forms:

- (a) Damage to immovable property
- (b) Destruction of normal business activity in the country but mainly it was confined to Colombo City.

We, as one of the leading Foreign Banks in Sri Lanka have a major share of business both imports and exports. After the July incident, in the months of September and October, 1983 there is visible increase in business through our bank. This shows definitely the restoration of business activities as a result of stability and confidence in econimic sector of the country.

Almost all business houses have started functioning normally and the stability achieved within a short span of two months is much more than expectations. After such a destruction an upward trend in business activity shows the confidence, vigor and non communal feelings among the business community. This also proves that what happened in July was purely a temporary out-come of emotional feelings and nothing was pre-planned as has been expressed by foreign media.

In my personal opinion during the year 1984, the business would grow by more than 30-40% the reason being re-building of immovable property. filling gaps in the

business activity during the period of disturbances, and the normal growth of business activities in the country due to Government Free Economic Policies.

KHALIL A. ZOBAIRI Regional Manager



P. O. Box 300.

It appears that the current status of business is at Similar levels now as before the disturbances occurred. We are still awaiting the outcome of Insurance Payments for many of our clients. These payments will determine the ability of our clients to re-start operations. Many others have been indirectly affected because of the late payments and destroyed accounting records.

There does appear to be a return to the stable processes within the business sectors. We understand the distribution system and wholesale market operations were somewhat disjointed but major efforts by the government has avoided any major problems. The growth of the economic sector is expected to return to normal and has shown very positive signs of limited but substantial growth in some areas.

Construction and related services should show marked improvement. Tourism and related services will probably return to normal by December, 1983 and possibly increase in 1984 over 1983 levels.

EDWARD A. BAER Vice President & Manager

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You will be happy to note that the Bank of Ceylon has once again resumed its momentum after a brief slack period between the latter part of July and early August. We have been working towards a projected target and there is every indication that we should be able to achieve the target at the close of the year.

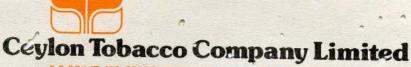
I am also happy to inform you that the business sector Particularly the trading sector has almost reached near normal levels of trade and that the new-comers to the trade are eagerly coming forward to claim a stake in the business world apparently because they are quite satisfied that the outlook is very favourable for expanding trade and commerce within the framework of the open economy that exists today.

In so far as the affected industries are concerned we are greatly encouraged by the number of applicants who have been approaching us for facilities to resume operations and already some of them are gearing their operational activities with the assistance provided by our Bank. The agricultural sector has not suffered serious setbacks although some agro-industries such as oil milling did suffer a temporary setback. All indications are that by mid 1984 most afected industries should be functioning at normal capacity levels.

28th October, 1983

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N. WIJEWARDENE Chairman



P O BOX 10 108 GEORGE R DE SILVA MAWATHA COLOMBO 13 SOLLANCA
TELEPHONE HEAD OFFICE 34231-5 FACTORY 34265-7 CABLES TOBACCO COLOMBO TELEX: 21316 TOBACCO CE

Work in our factories—Colombo Factory and Tobacco Leaf processing Plant in Kandy returned to full production within ten days of the commencement of the disturbances. In addition to the two usual shifts, in our Colombo Factory, a limited third shift has also been established to accelerate stock build up. Where sales are concerned, normal distribution is taking place throughout the country.

Stable conditions have been achieved in the business sector.

The outlook for growth of the economic sector in the immediate future is good, subject to the provisions of the Government budget in November and also if there is no repetition of the recent civil disturbances.

D. E. WEERASINGHE Marketing Director



P. O. Box 325 Cable: DUBANK Telex: 21724 DUBANK CE Telephone: 33719/28916/32821

Date_____

The volume of daily business handled by us which dropped after the recent disturbances is gradually returning to normal.

Most of our customers in the Pettah area from where the bulk of our business comes have apparently not vet resumed business on the normal scale. Letters of Credit for instance are not being opened as much as before as some customers appear to be yet watching the situation awaiting more stable conditions.

We except the economy to return to normal with increasing momentum in the next 3–6 months with the advent of national restive seasons in December and April next, when the periodical supply and demand of consumer goods generally reach their peak levels. The export sector should reach their peak levels. The export sector should also pick-up appreciably during this period with the turn around in the world-wide recession.

MB. S. SAMBANDAM Chief Manager

TELEGRAMS: SEBROF TELEPHONE: 27961-7 TELEX: 21484 SEBROF

SHARE, EXCHANGE TEA, RUBBER, PRODUCE AND GEM

FORBES & WALKER LIMITED

29, BRAYBROOKE STREET

8-0. BOX 60

- COLOMBO 2



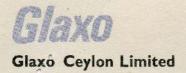
Enclosed herewith are some brief notes covering the Tea, Rubber and Coconut trade, which are our three main areas of broking activity. A comprehensive report compiled by us covering the Tea Industry following the recent disturbances is also sent herewith.

Dealing with the specifics requested for, in your letter, we would like to comment as follows:

- (a) The business activity of Forbes & Walker Ltd. was in no way adversely affected due to the recent disturbances.
- (b) On a broad perspective, we do not think the business sector was seriously affected due to the recent disturbances, other than possibly the Tourist Industry and a certain component of the industrial sector. Here too however, a generally stable conditions is being reached rapidly.
- (c) Our expectations for the growth of the economic sector in the immediate future has not in any way been clouded by the recent disturbances. We continue to view the economic futute of our country optimistically in the light of the present open economic policy of the Government. We therefore, confidently look forward to a continued growth of

the economic sector, although any recurrences of the problems we experienced in July, could well create a set back to our expectations.

CHRISANTHA PERERA Director



Head Office, Salos, Accounts & Supplies: 22 2/1—2/8 Sir Baron Jayatilaka Mawatha 2nd floor Hongkong & Shanghai Bank Building Colombo I Telephone: 28915 28733 & 26597 Cable: Glaxolabs Colombo

Factory & Finished Goods Warehouse: 680 Galle Road Ratmalana Telephone: 716341-2

Our business has been only marginally affected by the recent civil strife, and this is due to the fact that a number of our customers' premises have been destroyed. I would expect this to be a temporary phenomenon since it is unlikely that the demand for consumer goods will decline. This demand will therefore eventually by ratisfied by the emergence of the new links in the distribution chain.

The business sector viewed as a whole remains stable basically for the same reason given above i.e., demand is not diminished. The capability to supply demand due to a few Manufacturing Units ceasing operation might be diminished, but this too is likely to be a temporary phenomenon.

It is unlikely that the recent strife by itself taken in isolation will change the growth pattern. What is likely to change this pattern are factors like Government stability and the economic visibility of the country. It is probably too early to say whether these factors will be affected in the middle to longer term.

C. M. PIACHAUD Director/General Manager

1st November, 1983



DEFICE OF SEGENERAL MANAGER

P. O. BOX: ND. 290
COLOMBO, SRI LANKA.
TELEGRAMS: GRINDLAY COLOMBO
TELEX: 21130 & 21521 COLOMBO
TEL: \$166.55 32 24521

Further to my letter of 2 November, 1983, I am pleased to add the following comments about the status of our business in Sri Lanka following the recent disturbances in the country.

Immediately after the recent disturbances we estimated that about 10% of our lendings had been to Companies whose businesses and properties had been directly damaged in some way during the disturbances. As time progressed this percentage has reduced to a present level of about 2% of our portfolio. It is likely that this will be reduced further when additional insurance monies are received. We have been surprised by the remarkable ability shown by our affected customers to recommence their operations and the use of insurance receipts has been used in rebuilding their business.

The troubles did have an immediate impact on overall trading patterns but most of the trade recovered remarkably well in a time span shorter than expected and we are now beginning to see a fairly positive movement towards stability. Whilst it is still too early to fully assess the long term effects we are monitoring the situation carefully and are quietly confident about the future providing the present economic and political stability continues.

As regards the Country's economic growth in the medium term it is our belief that given this continued stability the growth rate would be only slightly lower than in the past 5 years, pernaps 4 to 5% p.a. but we expect to see continued growth in the import and export business sectors.

Grindlays Bank has a long history in Sri Lanka and has been and will continue to be closely involved with the economic development of the Country. We look upon our substantial presence in Sri Lanka as an important part of our international banking network.

The achievements of the past few years have produced considerable expansion in the financial and commercial sectors and this achievement is all the more remarkable when viewed against the background of world recession.

The economy of Sri Lanka is certainly going through a challenging period at present but we view our recent major investment in a new office complex as a vote of confidence in the business and economic future of the Country and look forward to participating in this development process.

D. R. SMITH General Manager in Sri Lanka

16th November, 1983



್ಷಣಾಣ ವ್ಯಾಪ್ತ್ ಪ್ರತಿ ಕ್ರಿಕ್ಟ್ರಿಕ್ಕ್ Habib Bank A. G. Zurich

HADIO DANK A. G. ZUNCH

Due to July events business in August was very slack. In September it gradually started picking up. With October business figure before us, we are pleased to inform that the activities have increased compared to the last two months and we feel that to the greater extent business activities have come back to normal.

Business stability has returned back so fast that we feel the vacuum in some corner is ver insignificant. This we can say from the confidence people have and their endeavourance to achieve the level of business volume which was prior to 25th July.

Our expectations are that the growth in the economic sector would be satisfactory, keeping in view of the efforts made by the Government, Public and Private sector at all levels to regain the time lost.

We are confident of the stable growth of the economy of Sri Lanka. Keeping in mind Sri Lanka's capabilities, and its potentials, our Bank Management, even after July events, applied to the Government to give us permission to open few more branches in Sri Lanka.

> MOHAMED HAROON AHAMED Vice President

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The Hongkong and Shanghai Banking Corporation

Incorporated in Hong Kong with limited liability

P O Box 73 24 Sir Baron Jayatilaka Mawatha Colombo 1 Sri Lanka

As far as this bank is concerned, inward remittances from Sri Lankans employed abroad are now back to normal. However, I have not seen any significant improvement in respect of the tourist sector.

I shall inform you as soon as I notice an upward trend in this sector.

R. THAMEJAH Manager Sri Lanka

18th November, 1983



IBM. World Trade Corporation (Incorporated in U.S.A. with limited liability)

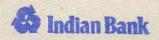
P. O. Box 272, 2nd Floor-Leeland Building, Galle Face Colombo 3, 5ti Lanka, Telephone: 29365, 24015, 24740 Telex: 21185 Cable; INBUSMACH COLOMBO

We wish to state the IBM Sri Lanka's bus ness is progressing satisfactorily and we expect the demand for information products in Sri Lanka to increase. We are confident that the information products sector will remain stable and Sri Lanka will continue to look to IBM for information products. From all indications, there will still be strong interests in IBM Products and IBM Sri Lanka will continue to contribute to the country's productivity.

H. K. VOHRA

Manager of Operations
IBM Sri Lanka

8th November, 1983



WHOLLY OWNED BY GOVT OF INDIA!

P O. BOX 824. 09, 91 & 93. MAIN STREET COLOMBO 11. (SRI LANKA) TELEGRAPHIC ADDRESS: "DAITOA"
TELEPHONE NOS: 23402 & 23403
MANAGER: 280240
TELEX: 21348

DEPT | REE

Following the incidents in July, there was drastic drop in our business and everything appeared gloomy. but during the last three months, the scene has been changing, and the business is gradually returning to normal. Most of the affected business people have either restarted business or they are in the process of doing so. Things will definitely return to normal, provided law and order situation remains normal. The very fact that affected people have come back to business, shows their faith in the present economic policies and restoration of their confidence.

But the big question is, how do we get back the confidence of foreign investors and tourists? Once this is done, economic recovery will not take much time.

M. G. GOEL Chief Manager

Indian Overseas Bank

Cable Address: UVERSESANK Colombo Telex: 21287 OVERIND CE 21915 IOBER CE Fel: 2442214 37900

Our Business is slowly improving. There is record percentage of improvement in the turnover of the various departments of our bank, especially the export oriented transaction are on the high side compared to other departmental work.

There is a sluggishness in our recovery position due to business dealing being restricted on cash terms. However, credit sales also are being offered which means the stability in the business sector is on its onset. No doubt by December the business sector will be in its stability as it was earlier prior to ethnic problems.

The free economic policies of the government will automatically keep moving the wheels of accelerated activities and it is beyond doubt that the economic sector will be back in its growth phase immediately provided liberal physical policies and intergrated tax structure are adopted. The Insurance Corporation should settle the claims from the business community so that the economy will not be crippled by paucity of funds. More foreign investments will no doubt bring back the economy into its equilibrium.

V. Palaniappan Manager

LEVER BROTHERS (CEYLON) LIMITED

P. O. Box 283, Colombo, Sri Lanka

Telephone: 2 4 2 8 1-8 Cables: "LEVERBRO" COLOMBO Offices and Factory: 258, Grandpass Road, Colombo 14

I can confirm the the general level of our business operations is running as normal. You may know that some of our suppliers of raw and packaging materials were affected by the disturbances, but in all cases we have managed to find alternative sources.

With regard to the future, we have made no changes to our investment plans. We have been in business in Sri Lanka for some forty years and hope to be here still in forty years from now!

T. G. S. MAXWELL Chairman & Managing Director



P. O. BOX 396 98 CHATHAM ST.

After meeting our many existing clients and specially those who are affected in the July disturbances, I am glad to say that the majority of them have started their normal business operations and our affected customers too have been in a position to repay accumulated liabilities neld up due up to the July disturbances.

I am positive that in the near future more business activities will be back to normal and stability will be achieved. In all cases I am very optimistic that in the coming year business activities will be becoming as in the past.

M. Zahiruddin Chief Manager



OVERSEAS TRUST BANK LIMITED

(INCORPORATED IN HONG KONG)

P. O. BOX 835, 39, BRISTOL STREET, COLOMBO-1. CABLE: UMAYTRUST COLOMBO. T'PHONE: 547655-59 TELEX: 21489 OTBSL CE 8 21927

As our business is a reflection of the activity taking place in the overall business community, I would say that it has been on the sluggish side due to the poor cash flow situation during August, and September. However, there is a gradual upward trend in many areas of commercial activity during October, resulting in an improved position. This trend is expected to continue at a faster pice by the end of the year.

The affected industries and business have resumed operations, albeit on a smaller scale, and they are expected to gain full momentum by March, 1984.

Growth of the economic sector will be much slower than in the past but we expect a steady upward trend within the next six months or so.

Y. C. Desai Manager

27th October, 1983

மக்கள் வங்க මහජන බැංකුව

PEOPLE'S BANK

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HEAD OFFICE 27841 (6 authorit) CUISO Gent ty REF.			று. 60. த இப். P. O. BOX 728 கொழும்பு COLOMBO

In so far as the People's Bank is concerned, the tempo of economic activity as measured by loans, advances and facilities accorded to the business community, has shown a very satisfactory rising trend. The latest available data as at 02.11.83 reveals a truly heartwarming performance.

02.11.1982 - Rs. 8.6 billion (Loans and Advances) 02.11.1983 - Rs. 10.1 billion (Loans and Advances)

Savings activity has likewise shown an equally impressive advancement.

November 1982 total deposits Rs. 8.2 billion. the corresponding figure for 1983, Rs. 9.3 billion.

These figures amply underline the fact that the disturbances of July 1983 have had no adverse bearing on commercial banking operations of the People's Bank.

Dr. S. T. G. Fernando Chairman

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Nestlé Lanka Ltd

P.O. BOX NO. 189, 440, DARLEY ROAD, COLO., BO 10. TEL: 94295-6-7. T'GRAMS: CEYNFO COLOMBO, TEL. X: 21155

YOUR REF

OUR REF: JM:HR:223

DATE: 28th October, 1983.

The current state of business reflects a steady recovery from the low point reached during the mid-year disturbances and we anticipate that the previous strong momentum will be reached by year end. While the commissioning of our principal manufacturing project has been delayed by two months or so because of disruption of subcontracts, etc., the major problem we face is the restoration of the long established distribution channels based on credit. As most of our products go down to almost all economic levels through an intricate system of credit built up over the years. This is not possible to overcome very rapidly but provided law and order is guaranteed and full confidence is restored in the minds of the business sector, this will reestablish itself rapidly.

Considering the degree of disturbances in some areas the pace of speed with which stability has been achieved is commendable. Accelerated settlement of insurance claims to rebuild and a responsible acceptance of the role of the various sectors in the overall business will hasten the process further.

We except the overall growth of the economic sector in the near future to recover, even though at a slightly lower pace than was prevalent just before the disturbances. Much will however depend on the agricultural and plantation sectors recovering and the approach the various development sources take to the problem, coupled with internal security to provide the framework within which the above can work effectively.

J. MISRA Chairman

28th October, 1983

Sales Office: 40 4/1, Church Street, Colombo I. Telephone:- 21726-7 & 26044

Reckitt & Colman of Ceylon Limited

(INCORPORATED IN CEYLON)

"We manufacture and market a wide range of consumer products. The current position is that despite disruptions to the distribution network, our sales have come back to normal after a significant decline especially in the month of August. We are also quite surprised at the rapidity with which the distribution trade is returning to normalcy. As for the future we are optimistic of having good a year in 1984 provided, of course there are no untoward incidents."

F. R. Samaraweera Managing Director

28th October, 1983



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