NEWS

'Sri Lanka's stand not helpful' - EU Ambassador

WITH news emerging that Sri Lanka may still be able to hold on to the GSP+ concessions, EU Ambassador to Sri Lanka Bernard Savage warned that there are still issues to be overcome.

"I reiterate my position that Sri Lanka's stand of non-cooperation is not going to be helpful," said Savage, following an increasing sense of confidence in Sri Lanka, that they may retain the GSP+ benefits.

"It is likely to be extended with a negative recommendation," Reuters reported earlier, quoting a diplomat briefed on the EU's internal discussions.

"There would then be some targets for Sri Lanka to meet," the anonymous source also added.

Sri Lanka has twice refused to co-operate with the EU, whilst they were investigating the possibility of withdrawing the programme from the island.

When the EU tried to send a team to investigate allegations of human rights abuses in 2008, Sri Lanka refused to allow them entry into the country.

Colombo also refused to respond to a damning 130-page report by the EU detailing human rights abuses, which indicated a possible cancellation of the concession.

Sri Lanka's Ambassador to EU and Belgium Ravinatha Ariyasinghe told the EU Parliament that "the government had not accepted the process of GSP+ investigation and a request for EU experts to visit Sri Lanka as a matter of principle, as it was felt inappropriate and unnecessary and the Government was not willing to compromise on its sovereignty."

"The process of obtaining the concessions is well known to the Lankan government," commented Mr Savage, adding "we wish Sri Lanka very well" in its bid to obtain the GSP+ concession.

There has been increased pressure on the EU to cease the GSP+ scheme to Sri Lanka.

The Economist criticised Sri Lanka's participation in the concession scheme in the 3rd of September edition, whilst the Times newspaper also published a damning letter on their website.

The letter severely criticised the Sri Lankan Government stating that "it would be a flagrant abuse of the GSP Plus facility if the commission were to extend it under these conditions."

It was signed by former director of the Catholic Overseas Development Charity (CAFOD) Julian Filochowski, Professor of Peace Studies at Coventry University Andrew Rigby, Senior Vice President of the Salzburg Global Seminar, former Director of Communications in the Executive Office of the UN and former lead writer for the Financial Times Edward Mortimer, former Secretary of State for International Development and current MP for Birmingham Ladywood Clare Short, and MP for Leeds West John Battle.

US group Tamils Against Genocide (TAG) also submitted a letter to the Chairperson of Human Rights Sub-commission of the European Union, calling for the EU to terminate the concession.

The letter was supported by documents from Prof. Francis Boyle of the Illinois College of Law, the model indictment for genocide against Major Gen. Fonseka and Sri Lanka's Defence Secretary Gotabhaya Rajapakse, and court documents filed against IMF loan to Sri Lanka.

"If the EU were to continue its preferential tariff arrangement for Sri Lanka, it would be actively facilitating and supporting Sri Lanka in its crimes, and funding the forced detention of civilians, the expansion of the oppressive security apparatus, and the ethnic cleansing of traditional Tamil areas," stated TAG's letter.

Following these reports, the Sri Lankan Government has been working at full steam in order to try and secure the concession.

"The government is working on a National Action Plan to develop human rights and guarantee the rights of all Sri Lankans. This is in its draft stages," Mahinda Samarasinghe, Minister of Disaster Management & Human Rights said.

"The Action Plan will facilitate Sri Lanka's commitments to secure (EU) GSP Plus (trade concessions) and other international commitments," continued Samarasinghe.

Opposition UNP MP Lakshman Kiriella alleged that the Rajapakse administration had even sent a delegation of religious leaders to the EU in order to try and plead for the concession to continue.

"The Government had boasted publicly that it would secure the concession without a problem but is secretly making a valiant effort to get it," he added.

Sri Lanka's textiles industry has many large factories, but work is also farmed out to poor women in rural areas who work in appalling conditions and get little reward for their efforts.

President Mahinda Rajapakse recently appointed a team of four ministers to try and win over the EU and removed S Rannugge from his post as secretary in Sri Lanka`s Export Development and International Trade Ministry.

Rannugge had earlier commented that it was "very unlikely" that Sri Lanka would be able to keep the GSP+ concessions.

The Sunday Times reported that the Rajapakse administration would be willing to offer a subsidy to international garment buyers if GSP+ was lost.

"We will provide the difference between the earlier price and the new price. That means if a buyer has to pay an extra Rs 10 per piece, we will reimburse this amount," the newspaper quoted one official as saying.

Sri Lanka's textile industry netted a record $3.47 billion from EU markets last year, making it the country's top source of foreign exchange.

The EU is set to pass the final report on Sri Lanka and the GSP+ tariff to the Commissioners on October 15th. It will then be voted upon.

Sri Lanka suppresses IMF agreement documents

THE Sri Lankan Government has refused to release documents detailing the underlying basis of the IMF loan to Sri Lanka, but has started to comply with those terms. The USD2.6 billion standby loan to Sri Lanka was granted earlier this year.

The Government released the memorandum of economic policies and technical memorandum of understanding, yet the staff report was not released.

This is the report that provides details of the reasoning and rationale behind granting the IMF loan, insiders said.

IMF mission Chief Brian Aitken told reporters in Colombo that "publishing that report is the prerogative of the government".

"You have to direct that question to the government, because it is their decision to publish. It is not our decision."

The IMF's annual country report on Sri Lanka from last year has also been suppressed, contrasting with that of countries such as Pakistan, where the Pakistani Government have released all documents.

The reports can actually be obtained by representatives of foreign governments that form the executive board of the multilateral lender. But they are not available to the public, without authority from the Government.

After the first loan instalment of $322.2 million was paid in July, the second is awaiting approval from the IMF executive board.

Meanwhile, Sri Lanka is beginning to comply with the terms of the IMF loan, press reports said, even as they reiterated the Sri Lankan government's claims earlier this year that there were no conditions.

In return for the IMF loan, Sri Lanka agreed to reduce its budget deficit to 5 percent of gross domestic product by 2011, from 7 percent this year, and maintain flexibility in the exchange rate in order to build foreign reserves to cover 3 1/2 months of imports and bolster the economy.

The Central Bank of Sri Lanka issued an official statement on October 8 stating that "the key targets and structural benchmarks as agreed with the IMF at the end of September 2009 were comfortably achieved by Sri Lanka."

The statement went on to reassure the public that "This follows the successful achievement of the targets set for July 2009 as well."

The Sunday Times newspaper questioned what the targets "agreed with the IMF" were, citing an earlier comment by the government that there were no conditions on the IMF loan.

Separately Sri Lanka's central bank kept its benchmark interest rate unchanged at a three-year low, failing to follow through on a suggestion that rates could be cut.

Governor Nivard Cabraal had said the central bank has room to cut interest rates if inflation remains "persistently low" but there was no cut in rates.

"With inflation low, the central bank can afford to cut rates," said Danushka Samarasinghe, research manager at Asia Securities Ltd. in Colombo.

Consumer prices will probably climb between 3 percent and 5 percent this year, and inflation may accelerate to between 5 percent and 6 percent in 2010, Cabraal said October 6.

The International Monetary Fund said on Sept. 22 it's "cautiously positive" on the island nation's prospects as it reviews the economy for the release of a second payment in its $2.6 billion loan package to Sri Lanka.

The outlook on Sri Lanka's long-term foreign and local currency issuer default ratings was revised to stable from negative at Fitch Ratings on October 9. Fitch affirmed the country at B+.