

NEWS

GSP+ loss irrelevant claims Rajapakse

SRI Lanka's President shirked off the loss of the GSP+ concession in his New Year's message, stating that the Sri Lankan Government would not submit to "strategic interference" from foreigners.

The President's statement was directed at the European Union, who last month decided to withdraw Sri Lanka from the GSP+ program.

"We will not be held back by threatened economic sanctions or withdrawn trade concessions by those who seek strategic interference in the national affairs of Sri Lanka," said President Mahinda Rajapakse.

"I wish to firmly assure all local export industries that my Government will safeguard their industries with the measures necessary to support them," Rajapakse added, addressing the Organisation of Professional Associations recently, as the news left many in the industry worried.

Rohan Masokorala of Sri Lanka's Joint Apparel Association Forum commented that many buyers needed stability in order to be secure when placing orders for the future.

"We could lose buyers," he said, citing that the industry is very concerned. "As a result we could have serious problems to carry on the industry the way we are doing right now."

The GSP+ program allows Sri Lanka to export over 7,200 items to the EU duty free, it being the only country in South Asia to have this privilege.

It is estimated to save the industry an estimated \$150 million.

Companies such as Marks & Spencer's have benefitted from this the most, allowing them to import low cost garments into their European stores tax free.

If the GSP+ program is withdrawn, it is likely that these companies will move their factories elsewhere.

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, followed by remittances of \$3 billion and tea exports of \$1.2 billion.

Before the GSP+ program was in place, the USA was the biggest buyer of Sri Lankan goods. Now the European Union is the largest export market for Sri Lanka accounting for 36% of all exports.

Meanwhile, Minister of Export Development and International Trade, Prof G L Peiris, threatened to sue the European Commission if the concession is withdrawn.

Peiris said withdrawing the program would be a "human rights violation", ironically as GSP Plus is being withdrawn due to Sri Lanka's failing human rights record.

The Minister called the suspension a "conspiracy" by the Western nations, singling out EU's External Relations Commissioner Benita Ferrero-Faldner as someone who urged the government to stop the war.

He went on the claim that "the West wants to take revenge".

"If they don't provide us with the GSP Plus facility, the government will resort to legal action and also look for alternate action," he said.

"We are now exploring the possibility of alternate measures to overcome a crisis situation."

The issue of the GSP+ program has become highly publicised as the country's Presidential elections draw close.

The main opposition UNP leader, Ranil Wickremasinghe pledged that if his candidate was elected, he would ensure that the concession would be reinstated.

He criticised the current government's handling of the issue, as he addressed an election rally in support of General Sarath Fonseka.

Sri Lanka's admission into the GSP+ program has been under review since October 2008, after increasing pressure on the EU to investigate human rights abuses.

Since then, investigators have been refused entry into the country and categorically rejected by the Sri Lankan Government.

The year-long European Commission probe concluded that the Sri Lankan government was in breach of commitments on human rights and good governance that come with the preferential trade status.

The EU probe also found that Sri Lanka contravened three UN human rights conventions - the International Covenant on Civil and Political Rights, the Convention against Torture and the Convention on the Rights of the Child.

The GSP+ scheme is set to be ratified next month, with suspension coming into force 6 months later.



The proposed Hambantota port being built by Chinese firms is one of many major infrastructure projects in Sri Lanka's south and west being financed by China and other foreign governments

India, China pledge further aid to Sri Lanka

SRI Lanka has turned increasingly towards non-Western countries for aid as Western governments push the Sri Lankan state for greater accountability and responsibility.

In the past week alone, Sri Lanka has received pledges from China and India, following earlier aid packages and assistance from Iran, Libya and Myanmar.

Sri Lanka is set to gain \$410 million from China towards funding major infrastructure projects, such as an international airport in Mattala.

On a three day visit to China, Sri Lankan officials signed three framework agreements, along with an annual granting agreement, worth \$7 million.

Colombo has been increasingly relying on China for help in funding many major projects and for aid.

The amount they received from China rose sharply from a few million dollars in 2005, to almost \$1 billion dollars last year, topping Japan as the country's biggest donor.

In stark contrast, the USA gave only \$7.4 million in aid, while Britain gave merely £1.25 million.

This follows Sri Lanka's trend of turning their back on Western nations for support.

China has become Sri Lanka's biggest arms supplier, with Sri Lanka purchasing \$37.6 million

worth of Chinese ammunition and ordnance for its army and navy, according to Jane's Defence Weekly.

This was brought through Lanka Logistics & Technologies, a company co-headed by Gotabhaya Rajapakse, brother to President Mahinda Rajapakse.

In addition, Stockholm International Peace Research found that Beijing also supplied the Sri Lankan Air Force with six F7 jet fighters, for use during the civil war.

China has also been heavily involved in the construction of a state-of-the-art port to be built at Hambantota, President Rajapakse's hometown at the Southern coast of the island.

The construction work has been taking place since 2007 and is set to cost an estimated \$1 billion.

Analysts have commented that China may set up a naval base at the upcoming port.

"For China, Hambantota is a commercial venture, but it's also an asset for future use in a very strategic location," Major-General (Retd) Dipankar Banerjee of the Institute of Peace and Conflict Studies in Delhi said.

Meanwhile, India extended a \$185 million line of credit for the construction of a northern railway line, which is part of a larger package worth \$425 million.

"India remains committed to continuing its assistance to Sri Lanka as it undertakes the important and challenging task of reconstructing the Northern Province," the High Commission of India said in a statement.

This follows a 2004 agreement with India, where they contributed towards reconstruction of a railway line in the south which was damaged in the Asian tsunami.

Tamil analysts have commented that while railways in the south where repaired within months of damage, areas within the traditional Tamil homeland which were hit by the tsunami are still being neglected.

Work is expected to begin in the first quarter of 2010, P Wijesekara, general manager of the state-run railways said.

"We are still negotiating with the China Railway Number Five group," Wijesekara said, as Sri Lanka is also looking to China to help finance the project.

President Rajapakse's regime has been increasingly adopting an anti-Western stance, since the intensification of the civil war and its bloody climax in May 2009, amid allegations of war crimes and human rights violations.

Sri Lanka has increasingly turned to India, China, Iran, Libya, Myanmar and Pakistan for support, both financial and moral.