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Central Bank Governor Cabraal calls for OECD to reflect Sri Lanka's improved conditions in country ratings

Sri Lanka's Central Bank Governor Ajith Nivard Cabraal has called on the Organization for Economic Cooperation and Development (OECD) to reflect Sri Lanka's improved conditions in their country ratings.

In an address to the European Institute for Asian Studies (EIAS) on the theme "Sri Lanka's Economic Resurgence and Future Prospects", held in Brussels on Tuesday (8 March 2011), the Governor described the current OECD overall rating of Sri Lanka, as being a constraint to facilitate businessman of the OECD countries to trade with and invest in the country, due to the higher risk premiums in obtaining credit insurance. The Governor said that in his meetings in Brussels with Belgian authorities, he had also made representation to make this adjustment.

Governor Cabraal who described Belgium as having been an "early bird" in availing of the new economic opportunities that had opened up in Sri Lanka since the end of the conflict, noted that its 50 member business delegation to Sri Lanka in November 2010, the revision of the short-term political risk rating on Sri Lanka substantially, and relaxation of the travel advisory, had shown tangible results in boosting Belgian trade, investment and tourism with Sri Lanka. He hoped other OECD countries would emulate this, and mutually benefit from Sri Lanka's economic resurgence.

In his wide ranging address, Governor Cabraal emphasized that the current pace of economic development in Sri Lanka was not fortuitous. He said more than two years before terrorism was defeated in May 2009, the Government of President Mahinda Rajapaksa had set the stage for the economic resurgence that followed, by placing the economic fundamentals of Sri Lanka on a correct footing. The reduction of the budget deficit, inflation, unemployment, and high economic growth had helped the country in taking full advantage of the peace dividend which followed. Unlike many other countries which were unable to bounce back following a period of conflict as the conflict had sapped their energies, Sri Lanka was well positioned to take off, due to the prudent fiscal and monetary policies adopted by the Government. This had been reflected in the vote of confidence received by the Government in successive elections held since the conflict ended.

The Governor who detailed the current economic status of Sri Lanka and the mega projects being undertaken by the Government in constructing ports, airports, highways, hotels and power, said high priority was being given to development of the Northern and Eastern provinces, where very little development had taken place over the last 30 years due to terrorism. Having resettled over 95% of those who had been originally displaced and helping in providing them livelihoods through encouragement given to individuals as well as through the private sector, the Government had already invested several billion US dollars over the past 3 years with a view to rejuvenate the economy in these areas. He said the increasing economic opportunities and the decline in poverty levels, would serve as an important catalyst in ensuring reconciliation.

Questioned as to the economic impact following the withdrawal of the EU-GSP+ tariff concessions in August 2010, the Governor Cabraal said Sri Lanka had prepared for this eventuality over time and consequently the impact of its loss has been minimal. He said the exaggerated fear that it would lead to massive job loss and reduction of exports had not materialized. In fact, trade to the EU countries had grown by 38% in the last 4 months of 2010. He said Sri Lankan products no longer needed concessions to compete in the international market, and was fully capable of doing so on the basis of its quality and improved productivity.

The Governor noted that Sri Lanka had succeeded in drawing investments from all parts of the world and that different countries have shown different appetites in the manner in which it wanted to engage the Sri Lankan economy. He said while around 75% of the 2 billion dollar investment in the government international bonds had been by funds from the US and EU countries, over 1 billion dollars had been invested by Malaysia in the telecommunication sector, while around 800 million dollars had been loaned by China towards the power and ports sector, and hundreds of millions of dollars had been invested by India in building the railways and oil exploration.

Earlier in the day, Governor Cabraal met with Mr. Guy Quaden, Governor of the National Bank of Belgium and Mr. Dirk Achten, Secretary General of the Ministry of Foreign Affairs of Belgium, as well as other senior officials from the economic sector of Belgium. H.E. Ravinatha Aryasinha, Sri Lanka’s Ambassador to Belgium, Luxembourg and the EU, .Mr.

C.J.P.Siriwardana, Assistant Governor, Mr. D.M.Rupasinghe, Director/Financial Intelligence Unit of Sri Lanka and Mr. R.D.S. Kumararatna, Minister (Economic & Commercial) were associated with Governor Cabraal at these meetings.

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