

THE MINERAL INDUSTRY OF

SRI LANKA

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Sri Lanka's gross domestic product in real terms rose by 7% in 1994. Increases in investment, boosted by a growth in national savings and foreign capital inflows and in value-added products in the manufacturing sector were contributing factors. The private sector, which constituted the majority of industrial production, played a significant role in the country's economic growth. Mineral products scored a large increase in output. Inflation was running at 11.5%.

The country's export earnings primarily came from coconut, industrial products, minerals, rubber, tea, and minor agricultural crops. Of the minerals exported, precious and semiprecious gemstones contributed significantly to foreign exchange earnings and accounted for 8% of Sri Lanka's total exports. The primary markets were Europe, Japan, and the United States. Earnings from mineral exports rose by 23%. The value of petroleum product exports also increased. Imports increased moderately, dominated by consumer goods. In 1994, the trade deficit shrank slightly.

The Government's policy was to encourage private, both domestic and foreign, development of the mineral industry. The Government reportedly planned to offer investment incentives to foreign companies to increase mineral and oil exploration. The Government approved the establishment of a free trade zone in Trincomalee for foreign investment projects. The 240-hectare site selected is close to the town and the harbor. The harbor and the main road would be rehabilitated and the town water supply would be extended.

The Government was attempting to liberalize and modernize investment in the mineral sector. One measure provided specifically for equal access and status to all qualified applicants for mineral exploration and exploitation, except gems and hydrocarbons, on a first-come, first-considered basis. The Geological Survey and Mines Bureau was given the task of implementing and coordinating a balanced Government initiative to promote and improve local and international mineral development in the country within a modern socio-economic and environmental framework.

A package of incentives to boost the gem and jewelry industry was approved by the Government. The incentives included liberalization of procedures as well as abolition of import duties, statutory surcharges, and taxes. These measures were expected to increase growing gem and jewelry exports. The Government planned to make Sri Lanka an international center for gems and jewelry. A bank would be set up to extend financial assistance to prospective exporters

of gems and jewels. Import duties of 38% on rough stones were abolished and those on cut and polished gemstones were to be reduced to 10%. Import duties on equipment and machinery used in the gem and jewelry industry also would be reduced to 10%. An import duty of 10% was levied on gold.

The country's mineral industry was controlled by the Government. In 1994, under the privatization program, one of the three state-owned mines was sold to the private sector. The new company actively sought joint-venture partners to share technology and equity.

Sri Lanka was best known for its medium-scale, high grade deposits of mineral sands, graphite, and phosphate rock, as well as a wide range of high-quality industrial minerals suitable for ceramics and refractories. Graphite was the country's principal mineral and export commodity. The Mining and Mineral Development Corp. operated three mines at Bogala, Kahatagaha, and Kalangaha and produced 9,000 metric tons per year (mt/a) of graphite. The Bogala Mine was the largest and was 51% owned by the Government. Graphite was sold to Germany, Japan, the United Kingdom, and the United States. Graphite exports to the United States during 1994 were 411 metric tons valued at \$286,500.² Under a modernization program to improve efficiency, machinery and equipment worth \$210,000 were on order for the mine.

Mineral sands were produced in significant quantities. The Ceylon Mineral Sands Corp. processed 300,000 mt/a of sands to recover ilmenite, zircon, and rutile; most of them were exported.

The Government planned to build three coal-fired powerplants at a total cost of \$1.2 billion during the next decade to generate 900 megawatts (MW) of electricity. The plants would be near Trincomalee, at Mawella, and at a west coast site yet to be decided. Each plant would cost \$400 million and have two 150-MW generators. The first was the Trincomalee powerplant, which was to come on-line in 1998. Coal would have to be imported because the country does not produce any. Sri Lanka had a total generating capacity of 1,400 MW, 80% of which was hydroelectric power and the rest from diesel plants. Power demand had steadily increased by 9% to 10% per year.

Biwater Hydro Ltd. of the United Kingdom was planning to build seven small hydropower plants generating 40 MW at a cost of \$69 million. Strothert Power Corp. of Canada

would construct two hydropower plants generating 9.4 MW at a cost of \$21.7 million. MAN B&W Diesel AG of Germany was awarded a \$37 million contract to build a 40-MW diesel powerplant at Sapugaskande. These projects represented the first foreign investments in Sri Lanka's

infrastructure.

¹Text prepared July 1995.

²Where necessary, values have been converted from Sri Lankan rupees (SLR) to U.S. dollars at the rate of SLR49.67=US\$1.00 for 1994.

TABLE 1
SRI LANKA: PRODUCTION OF MINERAL COMMODITIES 1/ 2/

(Metric tons unless otherwise specified)

Commodity 3/	1990	1990	1992	1993	1994 p/
Cement, hydraulic thousand tons	400 e/	400 e/	817	676	925
Clays:					
Ball clay	27,700	25,000 e/	18,600	21,000	16,100
Kaolin	7,730	7,740	6,760	7,000 e/	7,500 e/
Brick and tile clay e/	60,000	75,000	75,000	7,720 4/	7,800
Clays for cement manufacture e/	12,500	320 4/	300	400	500
Feldspar, crude and ground	9,700	9,910	7,520	8,000 e/	12,300
Gemstones, precious and semiprecious, other than diamond e/ value, thousands	\$14,000	\$57,000	\$58,000	\$60,000	\$60,300
Graphite, all grades	5,470	6,380	3,310	5,160	2,950
Iron and steel: Metal: Semimanufactures	33,400	47,700	53,800	39,000	55,100
Mica, scrap e/	200	200	200	200	200
Petroleum refinery products:					
Gasoline thousand 42-gallon barrels	5,460	1,170	957	1,390	1,580
Jet fuel do.	805	722	553	724	488
Kerosene do.	1,330	1,170	985	1,460	1,490
Distillate fuel oil do.	4,350	3,450	2,700	3,980	4,500
Residual fuel oil do.	--	3,800	4,380	3,750	3,870
Other do.	620	1,030	471	240	464
Refinery fuel and losses do.	630	464	428	461	400 e/
Total do.	13,200	11,800	10,500	12,000	12,800
Phosphate rock	32,600	19,700	26,000	35,700	32,300
Rare-earth metals: Monazite concentrate, gross weight e/	200	200	200	200	200
Salt	53,000	52,900	122,000	43,300	56,200
Stone:					
Limestone thousand tons	642	621	600 e/	650 e/	670 e/
Quartz, massive	1,300	978	1,130	1,130	1,200 e/
Titanium concentrate, gross weight:					
Ilmenite	66,400	60,900	33,300	76,900	60,400
Rutile	5,460	3,090	2,740	2,640	2,410
Zirconium: Zircon concentrate, gross weight	19,700	26,100	13,400	14,400	22,300

e/ Estimated. p/ Preliminary.

1/ Previously published and 1994 data are rounded by the U.S. Bureau of Mines to three significant digits; may not add to totals shown.

2/ Table includes data available through July 20, 1995.

3/ In addition to the commodities listed, crude construction materials such as sand and gravel and varieties of stone presumably are produced, but available information is inadequate to make reliable estimates of output levels.

4/ Reported figure.