

NEWS ROUND UP

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New laws in Sept. to improve CB independence: Eran

The Government plans to bring in new laws in September to enhance the scope and the independent decision-making ability of the Central Bank to further regulate the banking and the non-banking sectors, a top official said yesterday.

State Minister of Finance Eran Wickramaratne, referring to ETI Finance in Parliament on Tuesday, held CBSL has played its role in supporting the struggling company to find an investor who has invested \$ 70 million, which was used to pay back 30% of deposits. He also said the Government will introduce fresh laws in September to strengthen the Central Bank, but did not give details. Earlier this week, Wickramaratne said the Finance Ministry was planning to gazette the proposed amendments to the Monetary Law Act (MLA), which will also strengthen the independence of the Central Bank to maintain strong macroeconomic fundamentals.

According to the State Minister, the deposit insurance scheme of the CBSL will only cover up to Rs. 600,000 of deposits. "ETI was dissolved through the CBSL, and not by giving it to a private party known to the Minister of Finance. Investors for ETI was brought through the CBSL. The initial investment was \$ 70 million, and it was used to pay 30% of the deposits. The balance deposits cannot be paid using taxpayers' money. The CBSL is now holding a discussion about the two remaining companies. In the absence of finding an investor for those, the balance can only be settled by selling the assets," he said.

Wickramaratne, rejecting Opposition charges of driving the economy into the doldrums during the past four years, said: "There is no economic collapse. If you talk about the fall of finance companies such as Ceylinco, they collapsed not during the current Government, but the previous Government. These are private companies, and the Government should not be blamed for the collapse. Any business can collapse at any time. People deposit money based on their private assessments to deposit money in these organisations. There is a risk when you deposit money in any institution, and the return is decided based on this risk. The interest paid by the banks is less due to low risk. When it comes to other financial institutions the interest rate is high." (Daily FT)

Exports up 11.4% to \$ 8.5 b in 1H; may miss full year target of \$ 20 b

Despite global and local challenges, Sri Lanka's merchandised and service exports have risen by 11.4% to \$ 8.5 billion in the first half of this year, prompting the Government to attribute it to a series of development efforts and assure further support. Releasing the latest yet provisional data, Development Strategies and International Trade Minister Malik Samarawickrama said yesterday that export sector performance was commendable, though he admitted there is significant scope for higher value. "The 11.4% growth, despite the impact of the October 2018 undemocratic constitutional coup, and the Easter Sunday tragedy, as well as global challenges, is very satisfactory. For the first time, three months of 1H 2019 - January, March and June - have produced over \$ 1 billion worth of merchandised exports. We had originally set an ambitious \$ 20 billion target for 2019, but we may miss it and end up at around \$ 18.5 billion, which will be still higher than the \$ 16 billion achieved last year," Samarawickrama said.

He noted that compared with \$ 13.9 billion combined exports in 2016, the estimated figure for 2019 will reflect a 33% growth.

"The previous regime didn't give much emphasis for exports, but focused on the domestic development, forcing exports to languish at 11% of GDP. With the current Government's efforts, this year it is estimated to rise to 18-20%. Ideally, exports need to move to \$ 28 billion by 2022, and \$ 35 billion in the medium-term, and we have taken a host of initiatives towards this," Samarawickrama added, speaking at the briefing along with Deputy Minister Nalin Bandara, EDB Chairperson and Chief Executive Indira Malwatte, National Chamber of Exporters CEO Shiham Marikar, and Sri Lanka Shippers Council Chairman Chrisso de Mel.

“Sri Lanka needs to boost exports and Foreign Direct Investments, to get out of the debt trap triggered off by the previous regime. We cannot go on borrowing to pay our debt,” the Minister emphasised, adding that the liberal market-oriented policies of the current Government will accelerate the development process, and open new vistas for investment, exports and business opportunities.

He said that broadening and deepening of the current Free Trade Agreements (FTAs), and the new FTAs with developing Asian nations, will enable access to a market of over 3 billion people. These FTAs can increase Sri Lanka’s competitiveness, and the private sector must strongly support these initiatives.

“The Government is also actively engaged in reviewing the existing ecosystem in doing business in Sri Lanka, with a view to facilitating local entrepreneurship through the implementation of the Ease of Doing Business, the National Export Strategy (NES), and the Export Market Access Program,” he said.

Samarawickrama said that the NES, developed via multi-stakeholder input and support from the European Union and the International Trade Centre (ITC), Geneva, is focused on enhancing the performance of sectors such as boat-building, electrical and electronic components, processed food and beverages, IT/BPM, and wellness tourism.

EDB Chief Malwatte said that despite external and domestic challenges, the export community was undeterred and the first half performance was a good testimony. “The export performance is benefitting from greater public-private sector collaboration, resolution of issues via the Exporters Forum, as well as support from the weekly Development Secretaries deliberations,” she added. (Daily FT)

Finance Minister orders Customs investigation into waste containers

Finance Minister Mangala Samaraweera yesterday ordered Customs to conduct an investigation into the import of containers containing clinical waste to Sri Lanka, and said he stands ready to take legal action against those

Finance Minister Mangala Samaraweera responsible.

Issuing a statement, the Finance Ministry said Samaraweera has ordered Customs Director General P.S.M Charles to conduct an investigation into more than a hundred containers that arrived in the Colombo Port, containing clinical waste.

Some of these containers were subsequently released and sent to the Katunayake Export Processing Zone.

“If any country is importing waste material, it can only be done so with permission from environmental protection agencies, which in Sri Lanka is the Central Environmental Agency (CEA). Therefore the Finance Minister has instructed Customs to conduct an investigation and submit a report on the waste containers imported to Sri Lanka. The Finance Minister is prepared to take the toughest legal action against those responsible,” the statement said. (Daily FT)

Gota to bank on obscure tax report to secure candidacy?

Reports that Gotabaya Rajapaksa's name does not appear on the US government's quarterly list of citizens who have renounced their American citizenship have cast a calculated doubt on the former Defence Secretary's Presidential ambitions.

Gotabaya Rajapaksa

On 13 May, the US inland revenue agency, the Internal Revenue Service (IRS), filed a "quarterly publication of individuals who have chosen to expatriate", or give up American citizenship, as required by the US tax laws. Rajapaksa's name did not appear on this form, sparking confusion as to whether or not he remains a US citizen.

The confusion has roots in the former Defence Secretary's own wildly conflicting statements on the topic over the years. On 5 July 2015, in a television interview, he claimed that he had handed in documents to renounce his US citizenship. Then, outside the Katunayake Airport on 13 February 2018, he stated he was still a US citizen, and therefore unable to take oaths as Prime Minister.

Outside the FCID on 25 June 2018, Rajapaksa claimed he was "taking steps" to renounce his US citizenship. Outside the Permanent High Court at Bar on 19 October 2018, he claimed "there is no problem with regard to my citizenship, and I can revoke it whenever I want to."

Answering questions outside the Opposition Leader's office on 23 March 2019, he said "I have done what is necessary." Later in March, newspaper columnists loyal to Rajapaksa reported that Rajapaksa had renounced his US citizenship, before retracting those claims in April shortly thereafter.

On 12 April 2019, Rajapaksa again stated he was yet to hand in his papers to renounce his citizenship. This was in contrast to a media statement by his spokesman Milinda Rajapakshe on 19 April this year, which claimed that the former Defence Secretary had handed in his papers in March 2019.

The most reliable claim so far is evidence filed by Rajapaksa's lawyers in the Central District Court of California, where the former Defence Secretary faces a civil trial for the murder of Lasantha Wickrematunge, brought by the slain journalist's daughter Ahimsa, who alleges he was the mastermind of the assassination.

In a response to that lawsuit, Rajapaksa's attorneys stated that the papers for relinquishing his US citizenship were indeed finally handed over to the US Embassy in Colombo on 17 April 2019, 10 days after he was served summons in the murder case, at a supermarket car park in California.

The question of whether Rajapaksa remains a citizen of the United States is critical to his proposed Presidential candidacy. The former Defence Secretary sought early retirement from the army in 1991 to migrate to the United States on a green card, where he became a citizen in 2003, losing his Sri Lankan citizenship.

He was granted dual-citizenship in Sri Lanka a few days after his brother Mahinda Rajapaksa was elected President in November 2005, allowing him to become the country's Defence Secretary and enter into defence agreements with the United States.

But due to the Constitution barring a Sri Lankan who is also "a citizen of any other country" from contesting or assuming the Presidency, Rajapaksa must prove that he has lost his US citizenship before his Presidential ambitions can be realized.

With the renunciation process in the United States being a lengthy one, unlikely to formally conclude before Presidential Elections in Sri Lanka, sources close to Rajapaksa say that he is banking on the next quarterly IRS publication of persons who have chosen to renounce their US citizenship, in order to prove that he is no longer a dual citizen.

Officials familiar with the quarterly IRS filing told Daily FT that it is inevitable that Rajapaksa's name will be present on the next quarterly filing due to be released in mid-August, listing those who have sought to renounce US citizenship between 1 April and 30 June this year.

The reason is that this filing is not made by the State Department, the US foreign affairs arm that handles matters of citizenship, but instead by the US Treasury, for the purposes of collecting taxes from those seeking to leave the US.

Even though next month's anticipated filing is likely to carry the name of the former Defence Secretary, given that he has told a US court that he sought to renounce his citizenship in April, the document will not serve as evidence that Rajapaksa is no longer a US citizen. This fact can only be proven by a certificate of renunciation of US citizenship, which may still be months away. (Daily FT)

CEAT invests Rs. 350 m for upgrade to roll out new radial tyre range

Leading tyre brand CEAT has unveiled a new series of radial tyres in Sri Lanka following an investment of Rs. 350 million to further upgrade the quality of a product category that had already captured a dominant 33% share of the market.

The improvements, achieved with the installation of new state-of-the-art machinery and the use of new compounds with advanced polymers and new tread patterns, translate to lower tyre noise and vibration and better handling with shorter braking times, the company said.

The upgraded tyres have been independently tested and assigned an NVH (Noise, Vibration, Harshness) Index score of 7.5, certifying they are on par with two of the world's top radial tyre brands that are household names, leading tyre dealers were told at a launch event in Colombo.

"This investment in product improvement is a demonstration of our commitment to our brand slogan – Never Stop Moving – and to the passenger car and SUV category where comfort and safety are key parameters," CEAT Kelani Holdings Managing Director Ravi Dadlani said. "Our radial tyres are already the highest-selling brand on the market, but we are not content to rest on our laurels. At CEAT, product improvement is an on-going process and never stops."

CEAT Kelani has initially launched 11 popular sizes of passenger car radials tyres in the NVH improved series, and plans to extend the process to many more sizes in the future, Dadlani said. The sizes in which the new tyres are currently available are 145/80 R12, 155/65 R13, 155/80 R12, 165/80 R13, 185/65 R14, 205/55 R16, 205/60 R16, 185/70 R14, 195/65 R15, 175/65 R15 and 185/60 R15.

The key performance parameters that were identified for improvement when setting out on this project were reduction of tyre noise when driving, reduction of vibration emanating from the tyre resulting in an even more comfortable driving experience, and the improvement of steering response of vehicles through tyre flexibility, contributing towards shorter braking distance, tyre stability on sudden braking, and improved grip on roads.

Technically advanced polymer with improved green filler (high silica-silane) compound was used in the manufacturing of the new tyre treads. The benefits delivered by this advanced compound are

augmented grip and traction, low rolling resistance, better response, low noise emission and a smoother ride with no reduction in the expected mileage.

CEAT Kelani acquired a new Auto Squeeze Calendar Assembly with Programmable Logic Control (PLC) for guided control of the squeeze assembly process with an auto chaffering application from MESNAC, a global leader in rubber machinery; an Auto Ply Cutter with advanced PLC and an auto splicing mechanism from one of the best equipment manufacturers in Taiwan and a Cap Strip Application with auto belt centring devices. These technologies assure better uniformity and consistency in process and construction, contributing to a reduction in vibration and improved performance characteristics.

The new tyres are manufactured at CEAT Kelani's radial manufacturing facility that was initially set up in 2006 to produce tyres for passenger cars, SUVs and vans. A portion of the Rs. 3 billion in new investments announced by CEAT Kelani Holdings last year was earmarked to increase passenger car radials, van and SUV radial tyre production from a current 500,000 tyres a year to 850,000 a year.

CEAT Kelani's manufacturing operations in Sri Lanka encompass the radial, commercial, motorcycle, three-wheeler and agricultural vehicle segments. The brand accounts for market shares of 33% in the radial segment, 52% in the truck/light truck tyre category, 50% in the three-wheeler tyre segment, 30% in the motorcycle tyre segment and 72% in the agricultural vehicle tyre category. The company exports about a third of its production to 16 countries in South Asia, the Middle East, Africa and the Far East. (Daily FT)