

NEWS ROUND UP

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Documents to execute four drug smugglers signed

President Maithripala Sirisena yesterday said that he has signed the documents for execution of four major drug smugglers but next of kin is yet to be informed and they could appeal for clemency. Addressing heads of media at the President's House in Colombo, he emphasised the danger of illicit drugs.

Pointing out that there are about 100,000 drug addicts in the country, he urged all sections of the society, including media to extend fullest support to the Government endeavours against illicit drugs.

"I have signed the death warrants," he said in response to questions but declined to name the date of the executions only saying it would be done "soon". However he acknowledged that the families of the prisoners to be executed have not been notified yet and said they have the opportunity to appeal against the execution.

Referring to the security situation and operations during the post-Easter Sunday attacks, he said that Emergency rule has been extended for another month to facilitate continuation of investigations against arrested suspects and to continue deployment of security forces for security operations to ensure safety of the citizens.

He pointed out that many embassies also sought military security. Furthermore, until the formulation of new regulations for law enforcement, it is necessary to continue with emergency laws.

"We had to declare an Emergency situation to suppress the terrorists and ensure a peaceful environment in the country. What have been enacted by gazette are clauses pertaining to suppressing terrorism only," he said.

Replying to a question, he said that the campaigns to boycott Muslim shops would not succeed and recalled that a similar campaign to shun Indian products in the past had failed. "It is very important that peace and harmony among Sinhala, Muslim and Tamil communities prevail. It is important for us to foster trust among our communities." (Daily FT)

SLASSCOM launches Sri Lanka's first AI policy framework

A draft policy framework to promote artificial intelligence (AI) in Sri Lanka was unveiled yesterday by the Sri Lanka Association of Software and Services Companies (SLASSCOM). AI, a market which is expected to exceed more than \$ 191 billion by 2024, will be introduced as a new pillar on top of the two predominantly-relied pillars which steered the IT/BPM sector's growth over the last few years – software development and finance and accounting outsourcing (FAO).

The knowledge and innovation chamber of the country will use this draft to drive, debate and discuss the opportunities and challenges of the technology to have a robust AI policy framework within the next three to six months. Speaking at the event, SLASSCOM Chairman Jeevan Gnanam said that Sri Lanka has the opportunity to "draw upon a blank canvas" with the right use of AI as the fourth industrial revolution, coupled with the increasing pace of emerging technologies, is opening up new opportunities for the country to be a driver of AI and data science in South Asia.

“We have an opportunity in the next few years to enable a vision where Sri Lanka is a model nation where AI policy has a positive impact on citizens and businesses. The goal is to apply AI to issues in different economic and social sectors that can make a real difference to the wellbeing of Sri Lankan citizens, ranging from education to healthcare, government to agriculture, skills development to policymaking. Once successful, Sri Lanka should strive to replicate these solutions as exports in other similarly placed developing countries.”

“That is why we are quite confident in saying that the many opportunities existing right now can be drawn and mapped perfectly across a blank canvass which is enabled by the fourth industrial revolution, big data and the growth in smart, connected devices. As a nation, we have the perfect opportunity to lay the solid foundation within the next three to five years to be an important thought leader in the South Asian context,” Gnanam opined at the launch of the policy framework draft.

The draft titled ‘AI Policy Framework Draft for Sri Lanka’ sets the stage for Sri Lanka as a nation to embrace AI and create the strategy for the country to seize the opportunity inherent in being an AI-driven nation while creating jobs and improving economic growth and prosperity for all citizens.

The proposed AI strategy will try to address the current shortfalls of in the ecosystem such as lesser numbers of data science graduates, low amounts of research being conducted, lack of implementation, lack of skill availability, low awareness, absence of special data laws that protect from personal information theft and lack of data sets to solve problems.

The strategy encompasses seven high level objectives which are increasing awareness and adaptation of AI in both public and private sector, introducing regulations for a level playing field for AI, Equipping society and people for the AI nation, Showcasing AI’s capabilities for the greater good, incentivising fundamental and applied research in AI, identifying niche opportunities and attracting leading global technology and AI companies to set up in Sri Lanka.

The draft also proposes a setting up of a Centre of Excellence for Artificial Intelligence either as a public-private partnership or as an independent body. A discussion amongst the main stakeholders from the public and private sector will be arranged to best showcase the way forward; the document notes down.

“A big part of the program is to discuss what the implementing body would be. In the policy document draft, we have outlined something called AISL – Artificial Intelligence Sri Lanka. The question is, do we completely trust the Government on what they are doing and form a Ministry of AI or do we keep it completely under the private sector? Or else, do we agree that it should be something in between? Perhaps a PPP or an independent think-tank.”

“This process of discussion and debate will be organised and incubated by the AI Forum within SLASSCOM in the next three to six months to ensure complete transparency as well as the implementation of the strategy and road map. The long-term view is to create an entity that is self-sustaining within three years with its executive team and has a balanced view of both the public and private sector,” Gnanam said further. (Daily FT)

No ‘imminent’ threat of another terrorist attack but problem not completely over: Army Commander

Army Commander Lt. Gen. Mahesh Senanayake yesterday told a Parliamentary committee that there is no “imminent” threat of another terrorist attack but it is also not practical to say this problem is completely over.

“We cannot give a percentage and say that the problem has been solved by this percent but given the number of arrests we have made since the attacks and the explosives we have recovered, I can say there is no imminent threat,” the Army Commander told the Parliament Select Committee (PSC) appointed to look into the Easter Sunday attacks.

The Commander also said it is not realistic to put a timeframe and say the terrorists can be defeated with a certain period of time. “We are still vigilant about the remnants of the LTTE 10 years after their defeat. Similarly, we have to be alert about this group as well,” he said.

The Commander said “lone wolf attacks” which have taken place in several countries cannot be ruled out from happening here.

“There is a possibility of what we term a ‘lone wolf attack’ taking place. Next time it might not be explosives and guns. They could use vehicles, knives, water or fire to strike. It can happen at any time in any country. The nature of a lone wolf attack is that terrorists could inflict maximum damage and destruction spending few resources,” he said.

The Commander added that there is a better coordination among the Tri-Forces and the Police intelligence officers to ensure security. “We have received the support of intelligence communities of the neighbouring countries. We are coordinating with everyone responsible to ensure that there would be no incidences,” he said.

Asked if the arrest of intelligence officers in the past few years could have led to the breakdown of security establishment, Lt. Gen. Senanayake said it is wrong to say the entire intelligence mechanism would collapse due to this.

The Army Commander also responded to queries about reports that he had come under pressure to release a suspect in Army custody by former Minister Rishad Bathiudeen saying that “no one has influenced me to release anyone under custody over the terrorism charges”.

The Commander said that the former Minister had called him thrice to inquire about a suspect by the name of Ishan Ahmed. “The Minister is known to me so are many others in Parliament. He called me personally to ask if a person by that name is in their custody. I said I did not know and that I would check and let him know. By the time he called me again, I had still not got the information. When he called me the third time, I had the information and confirmed there was a terror suspect in our custody by that name and he was taken in from Dehiwala and told him to make inquiries one-and-a-half-years later. It was a very cordial conversation,” he said.

When asked by Committee Member Field Marshal Sarath Fonseka what he meant when he said to check with in one-and-a-half-years, Lt. Gen. Senanayake said he was aware by then that the suspect was part of a network that the Army has been keeping a tab on and the usual detention time under PTA and Emergency Regulations could last up to one-and-a-half-years.

“Within 24 hours of taking such a person into custody, it is our duty to hand him or her over to the Terrorist Investigation Division (TID). Thereafter they could hold such a suspect for one-and-a-half-years. The period has now been reduced to one year. With my experience of dealing with similar cases and as per the charges, I knew he could be held for such a period of time,” he said.

Much of the Commander’s testimony yesterday was taken on camera due to the sensitive nature of the information he would divulge.

(Daily FT)

19A should be further strengthened, President's powers reduced: Dr. Wickramaratne

Dr. Jayampathy Wickramaratne, who was a member of a Cabinet committee that drafted the 19th Amendment to the Constitution, said yesterday that there should be no going back on the process set in motion to reduce the powers of the Executive Presidency.

"I agree there is a problem today with an impasse between the Executive and the Legislature but that is because the original draft of the 19th Amendment was diluted to a great extent due to pressure from the UPFA and the SLFP. The UNP did not even have a simple majority when it was passed and hence had to accommodate all parties, many changes were made," Wickramaratne told reporters.

He said that the provisions to prevent MPs from crossing over was dropped and the composition of the Constitutional Council (CC) was changed to accommodate the UPFA/SLFP MPs.

"During the Committee Stage debate of the Bill, when such changes were suggested I called Ven. (Late) Sobitha Thera who campaigned hard to introduce 19A, to ask if we should go ahead with the diluted bill. He told me; it was better pass it somehow as 'otherwise even this will not get done'."

Refuting allegations by President Maithripala Sirisena that 19A was drafted according to a NGOs agenda, Wickramaratne said the Amendment has come about as part of the election pledge of the President and was passed with the consensus of all.

"The President told me he had to go behind many SLFP MPs and even pat them on the back and call them 'machan' to get them to vote for 19A. I know he worked hard to get it passed," Wickramaratne said.

"19A is not a curse to the country. We have to strengthen this further and give more powers to the Parliament and reduce the President's powers," he said. (Daily FT)

Sri Lanka central bank makes Rs14bn hedging loss in 2018

Sri Lanka's central bank has made a 14.8 billion rupee loss on outstanding swaps which gave hedged the foreign exchange risks of banks in a quasi-fiscal activity, published accounts show.

Sri Lanka's soft-peg with the US dollar collapsed from around 152 to the US dollar to 182 to the US dollar during 2018 in the wake of two liquidity shocks generated by the central bank.

In 2018 the central bank made a 137 billion rupee profit mainly from currency depreciation and liquidity injections.

A collapse of the currency increases the rupee value of any remaining net foreign reserves.

But if there are swaps, through which forex hedging had been provided to banks or other borrowers in a quasi-fiscal activity, there is a loss.

"...[T]he Bank entered into Swap transactions with Licensed Commercial Banks (LCBs), Licensed Specialized Banks (LSBs) and Foreign Central Banks in order to maintain international stability of the Sri Lankan Rupee, to strengthen the financial system of the country and to encourage those Banks to bring foreign funds," the central bank said in accounting notes for 2018.

If the corresponding dollars had been used in currency defence, there is net loss for the central bank. In earlier years the hedging deal have also brought profits.

The central bank of Philippines, set up along the lines of Sri Lanka by the same US official collapsed partly due to swaps, analysts say.

Under Governor Indrajit Coomaraswamy however large volumes of those swaps had been wound down safely, particularly in 2017, when there was a balance of payments surplus due as credit slowed and the central bank mopped up inflows.

The rupee value of currency swaps was down to 203 billion rupees by end 2018 from 374 billion rupees in 2016.

The IMF has also urged the central bank to terminate the swaps.

In July 2018 however the central bank entered into so-called Soros-style swaps to boost reserve money and helped worsen a liquidity shock, critics have said. Similar swaps had helped bring down the Bank of Thailand during the East Asian crisis, analysts have said.

In September the central bank also sterilized a maturing swap, adding to monetary instability.

There have been calls to reform the central bank and its soft-peg to minimize monetary instability and eliminate balance of payments problems so that there is free trade and capital mobility.

Sri Lanka's economic problems started shortly after a soft-pegged exchange rate regime with a central bank which could print money to artificially control interest rates was set up.

Initially the exchange rate was held down with draconian trade and exchange controls, but after 1978, the rupee collapsed steadily with high inflation partly due to implicit real effective exchange rate targeting. (Colombo/June27/2019)
(Economy Next)

Oil prices rally on bullish US inventory report, global stocks mixed

Oil prices rallied Wednesday following a bullish US petroleum inventory report, while global stocks treaded water ahead of key US-China trade talks.

US oil benchmark West Texas Intermediate shot up nearly three percent to finish at \$59.38 a barrel, its highest close since late May after the US Energy Department said oil inventories experienced their biggest weekly drop since September 2016.

The report showed a dip in US oil production and an increase in exports, trends that helped to counter recent concerns about ebbing consumption due to the slowing global economy. Oil prices have also been boosted by rising US tensions with Iran.

Higher oil prices helped boost petroleum producers such as France's Total, Royal Dutch Shell and ConocoPhillips of the United States.

In another US energy development, Philadelphia Mayor Jim Kenney announced that Philadelphia Energy Solutions had confirmed plans to shut its refinery within the next month following two recent fires.

Officials are working to try to find another buyer, or industrial use for the plant, which employs more than 1,000 people, local media reported.

- US-China deal? -

Among stock markets, major indices were mixed, with Wall Street finishing close to flat ahead of an expected Group of 20 meeting between US President Donald Trump and Chinese President Xi Jinping that investors hope will result in progress toward resolving the two nations' year-long trade dispute.

"The market is very subdued this week, taking sort of a pause and a breather before news around the G20 and the debate on interest rates," said Nate Thooft, senior portfolio manager of Manulife Asset Management.

Analysts say a US-China deal would remove a key uncertainty dogging companies, potentially lifting growth. At the same time, an agreement could also dissuade the Federal Reserve from cutting interest rates. Expectations of that move have lifted stocks in recent weeks.

"Fed statements have been conditioned on bad things happening, with an escalation of the trade war being the main threat," said a note from Pantheon Macroeconomics. "If that is removed, we see nothing in the US economy to warrant cutting rates."

In other markets, cryptocurrency bitcoin continued to rally, climbing to \$13,661, according to Bloomberg.

- Key figures around 2050 GMT -

New York - Dow: DOWN less than 0.1 percent at 26,536.82 (close)

New York - S&P 500: DOWN 0.1 percent at 2,913.78 (close)

New York - Nasdaq: UP 0.3 percent at 7,909.97 (close)

London - FTSE 100: DOWN less than 0.1 percent at 7,416.93 (close)

Frankfurt - DAX 30: UP 0.1 percent at 12,245.32 (close)

Paris - CAC 40: DOWN 0.3 at 5,500.72 (close)

EURO STOXX 50: DOWN less than 0.1 percent at 3,442.95 (close)

Tokyo - Nikkei 225: DOWN 0.5 percent at 21,086.59 (close)

Hong Kong - Hang Seng: UP 0.1 percent at 28,221.98 (close)

Shanghai - Composite: DOWN 0.2 percent at 2,976.28 (close)

Brent North Sea crude: UP \$1.44 at \$66.49 per barrel

West Texas Intermediate: UP \$1.55 at \$59.38 per barrel

Euro/dollar: DOWN at \$1.1366 from \$1.1367 at 2100 GMT

Pound/dollar: DOWN at \$1.2685 from \$1.2689

Dollar/yen: UP at 107.78 yen from 107.20

Bitcoin - UP at \$13,661 from \$11,402
(Economy Next)

Sri Lanka bond yields fall after bill auction

Sri Lanka's rupee closed weak at 176.50/65 rupees against the US dollar in the spot market on Wednesday while bond yields plunged following a bill auction and ahead of a bond sale, dealers said.

The rupee closed at 176.40/55 against the greenback on Tuesday.

Liquidity in the overnight money market was 49.59 billion rupees.

The Central Bank mopped up 29.80 billion rupees in an overnight repo auction at 7.73 percent.

Another 10 billion rupees was drained through a term repo auction, amidst 17 billion rupees in maturities.

In the secondary market, bond yields eased with buying before a 16.5 billion rupee Treasury bill auction, following which rates plunged.

The 12-month yield in the auction fell 16 basis points to 8.70 percent from a month earlier, while 6-month yields fell 11 basis points to 8.49 percent and 3-month yield fell 14 basis points to 8.24 percent, the state debt office said.

A 125 billion rupee bond auction will be held on Thursday, issuing 5-year and 16-year maturities.

On Monday the government raised 2 billion rupees through an international sovereign bond.

A bond maturing on 15.10.2021 closed at 9.20/25 percent on Wednesday, easing from 9.33/39 percent at Tuesday's close.

A bond maturing on 15.12.2021 closed at 9.20/25 percent, down from 9.40/45 percent.

A bond maturing on 15.03.2023 closed at 9.70/80 percent, easing from 9.82/88 percent.

A bond maturing on 15.03.2024 closed at 9.85/9.95 percent, easing from 9.97/10.01 percent.

A bond maturing on 01.08.2026 closed at 10.10/15 percent, down from 10.20/24 percent.

A bond maturing on 15.01.2027 closed at 10.15/25 percent, easing from 10.26/33 percent.

A 10-year bond maturing on 01.05.2029 closed at 10.35/45 percent, falling from 10.45/52 percent.
(Economy Next)

