from adopting an energy development program based on exploitation of commercial nuclear power, although Sri Lanka does possess thorium, the fissile material India is pioneering as a fuel for commercial nuclear reactors.

If Jayawardene's energy planning looks bad, there is general unanimity that his industrial policy is even worse. Until 1977, Sri Lanka's manufacturing sector consisted largely of import-substitution industries protected by high tariffs and subject to strict import and foreign exchange controls. Jayawardene quickly removed the controls and opened the economy up, but he had no programmatic concept of what type of investment was needed for sound economic development. The basic engineering and manufacturing sector, the key to increased agricultural output, was virtually ignored. Petroleum and chemical products, which account for 50% of total output, and food and beverages, which account for 20% of total output, continue to dominate the industrial sector. In addition, goaded by the export-promoting IMF, Jayawardene has introduced a gimmick to make foreign exchange by exploiting cheap labor.

Jayawardene's gimmick, a trick tried unsuccessfully by many developing nations in recent years, is to create so-called Investment Promotion Zones under the authority of the Greater Colombo Economic Commission. The purpose was to attract foreign investments by making cheap labor available. This would provide employment to 25,000 Sri Lankans at a meager wage, on the one hand, and generate foreign exchange by selling the assembled products on the other. But devaluation of the rupee, which increased import costs, and a glut of similar products from other developing nations on the world market, turned Jayawardene's plan into a cruel fantasy. The nation's workforce, meanwhile, remains as unskilled as before.

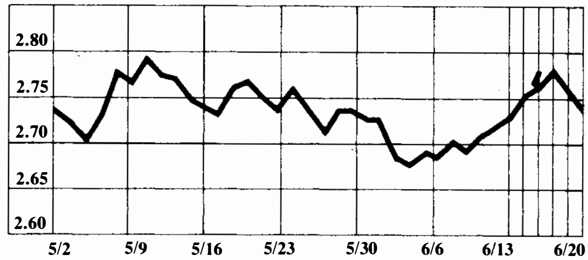
The real danger signals

The increasing trade imbalance and decreasing development financing have already created a large cadre of unemployed and discontented workers. Among the elite, there is a fear that if the government continues failing to meet expectations of better living standards and more jobs, the country will be torn apart. Their fear is well founded upon the experience of the 1971 riots, when the trade union militants joined hands with the extreme left and forced the former regime to call in foreign troops to suppress the armed insurgency.

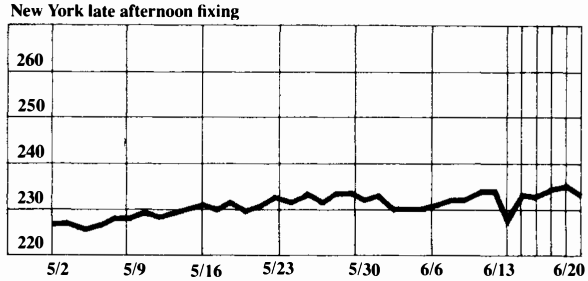
The 1983 July riots between the Tamil secessionists and chauvinist Sinhalese have already had a direct effect on the economy. The "quick buck" tourism is not, however, the only victim. The greater problem arose with the uncertainty that foreign investors have faced since then. The 1983 riots have put at least 100,000 workers out on the streets as 17 factories around the Colombo region ground to a halt. There are indications, further, that some private Indian capital will be withdrawn from Sri Lanka in light of the increasing financial risk.

Currency Rates

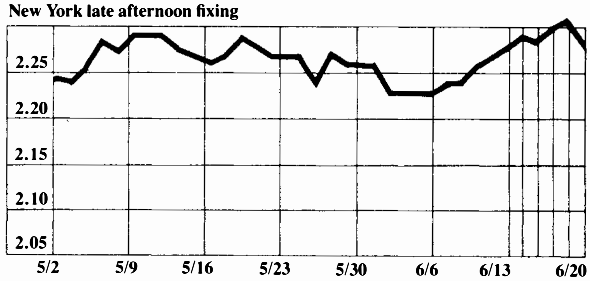
The dollar in deutschemarks
New York late afternoon fixing



The dollar in yen
New York late afternoon fixing



The dollar in Swiss francs
New York late afternoon fixing



The British pound in dollars
New York late afternoon fixing