

SRI LANKA

By a Special Contributor

Sri Lanka, an independent state since 1948, is an island covering some 65,000 km² off the south coast of India with a population of nearly 20 million. For years, the economy has been seriously hampered by the ethnic conflict between the ruling Sinhalese and the Tamil Tiger separatist movement in the north. The recent cessation of hostilities came as a great relief to the government. Nevertheless, a stable peace is still far from the government's reach, largely because of the severe differences that exist between the moderate Prime Minister and the hawkish President. The situation has been further compounded by an internal rift within the Tamil Tigers. There has been an exodus of skilled workers from Sri Lanka, and tourism, a major foreign exchange earner, did not achieve its full potential during 2003.

The government's privatisation policy has seen many companies in the mining sector embarking on joint ventures with foreign partners. However, government efforts to attract fresh foreign investment in the minerals sector have achieved only limited success. As in previous years, during 2003 the country derived most of its external income from exports of tea and ready-made garments, and remittances from the 800,000 or so Sri Lankans working overseas, mainly in the Gulf countries.

In the minerals sector, gems, precious and semi-precious stones provide important export revenues. Precious and semi-precious stones are mined from older alluvium and river gravels of Quaternary age, especially in the valleys of the Ratnapura district in the southwest of the island. Many varieties are extracted, including sapphire, ruby, chrysoberyl, beryl, spinel, garnet, zircon, aquamarine, moonstone, topaz and tourmaline and other semi-precious stones. The State Gem Corp handles the rich topaz deposits at Polwatta, near Matale in central Sri Lanka.

Sri Lanka also possesses a thriving jewellery industry and imports large quantities of diamonds and other gemstones for cutting and polishing. For some years now, domestic jewellery manufacturers have been able to improve their competitive strength in international markets, thanks in part to the scrapping of restrictions on imports of rough gems.

The privately-owned Blue Peacock Lapidary on the west coast specialises in diamonds, which are cut and polished for export markets. Blue Diamonds, which runs a large factory with about 1,000 employees, in which the Belgian company, Rosy Blue NV has a share, is also a major exporter of polished diamonds.

Sri Lanka is well endowed with mineral sands along its coastline, most notably in the vicinity of Pulmoddai in the northeast where there are high-

grade deposits of ilmenite, rutile and zircon. Since 1997, operations there have been virtually at a standstill because of the Tamil Tigers' campaign against the Sri Lankan Government. The ceasefire has spurred hopes that full-scale mining will resume by the operator, state-owned Lanka Minerals Sands Ltd. The heavy mineral content of the sands has been estimated to be as high as 70% which would make it one of the highest-grade beach sand deposits in the world. According to general manager S.A. Nandadeva, the main deposit comprises around 60% ilmenite, 8% rutile and 8-10% zircon, and the total resources in the area are estimated to contain 12 Mt of heavy minerals, sufficient to last 25-30 years at past mining rates. Sri Lanka used to produce over 60,000 t/y of ilmenite and 5,000 t/y of rutile.

Elsewhere on the island, Lanka Minerals has established two new mineral sands processing plants at a cost of US\$425,000, at Kegalle and Hambantota. One of them processes garnet sands, a pioneering effort for Sri Lanka. Garnet sands have been discovered along the southern coastline extending from Dickwella to Hambantota. The second plant, located at Kegalle, processes zircon sand.

On the southwest coast of Sri Lanka there are mineral sands containing monazite, thorium and uranium, and there are also deposits containing monazite that extend for a considerable distance offshore. The coastal stretch from Mullativu to Nilaveli contains rich deposits of heavy minerals, and Ceylon Mineral Sands Corp processes some 300,000 t/y of beach sands to obtain ilmenite, zircon and rutile, all of which are exported.

Graphite is a mineral resource with major export potential. There are three large mines, at Bogala, Kahatagaha and Kalangaha, plus a number of smaller mines. Kahatagaha Graphite Lanka Ltd has raised the output from its underground mine, which had a capacity to produce 3,500 t/y of high-grade vein graphite.

Substantial deposits of phosphate rock (reserves of at least 50 Mt) occur in the Eppawala area. They are used as feed for a 600,000 t/y capacity diammonium phosphate plant near the east coast port of Trincomalee.