

NEWS

Sri Lanka loses GSP+

THE member states of the European Union decided on Tuesday, February 16, to suspend trade concessions under the Generalised System of Preferences Plus (GSP+) for Sri Lanka because of violations of human-rights agreements.

The announcement will trigger suspension only after 6 months from that date, providing "Colombo a fair opportunity to get the decision reversed," and preferences could still be reinstated if, at the European Commission's suggestion, a qualified majority of member states so chose according to European media.

"We will look to work with Sri Lanka to identify concerted steps and actions which could help us to plot the course together that would enable Sri Lanka to regain GSP+," a EU diplomat is reported to have said.

Sri Lanka gains about 150 million dollars annually due to preferential tariffs, according to trade estimates. The island's clothing industry is the main beneficiary, using the tax breaks to sell to high street retailers in Europe.

The GSP+ gives 16 developing countries access to EU markets with preferential conditions in return for implementing international conventions on human rights, labour standards, sustainable development and good governance.

The decision came after an "exhaustive investigation... identified significant shortcomings in respect of Sri Lanka's implementation of three UN human rights conventions," the commission said in a statement.

The suspension of the GSP+ (Generalised System of Preferences plus) benefits will not take effect for six months "giving Sri Lanka extra time to address the problems identified," the EU executive added.

"I would like to emphasise that I hope Sri Lanka will sit with us over the next six months in order to agree upon a set of measures that will result in rapid, demonstrable and sustainable progress in relation to the human rights shortcomings we have identified," said new EU Trade Commissioner Karel De Gucht.

Sri Lanka criticised the deci-



The garment industry, which exports mainly to Europe, will be hit by the loss of GSP+ concessions

sion by European Union nations claiming that the decision refers to the situation on the ground when the country was at war against Tamil Tigers and argued that the situation has much improved since the Tamil Tigers were defeated last year. EU diplomats dispute this view and say that the problems are not all

linked to the Tamil situation.

Sri Lanka's foreign ministry said the European Union had set "unattainable targets" for the island to avoid withdrawal of trade benefits and added it will continue its dialogue with the Commission, but said discussions should be "sensitive" to the island's sovereignty.

Colombo maintains that any probe of its rights record will be a violation of its sovereignty.

According to Apparel industry sources, the main benefactors of GSP+, the withdrawal of European Union trade benefits would increase costs and erode their competitiveness.

"It will have an impact on the industry," said A Sukumaran, a clothing exporter who is chairman of the Joint Apparel Association Forum, an industry body.

"Over 50 percent of our apparel exports go to the EU. Whatever apparel qualifies for GSP Plus, costs will go up by about 10 per-

cent. Many of our buyers have told us we have to bear the extra cost."

Loss of the GSP (Generalised System of Preferences) Plus benefits would mean Sri Lankan exporters lose duty free access to EU markets and their shipments would be charged an import duty of about 9.6 percent.

Many analysts have said they fear factories would be forced to close, resulting in large-scale layoffs of workers.

According to data just released by the Central Bank, earnings from apparel exports fell eight percent to 343.5 million dollars in 2009 from the year before.

A British Tamil activist commenting on the EU decision said: "The European Union states have been reluctant to pressure Colombo to work towards a just and fair political solution to the Tamils in the North and East,"

"We hope that this time the EU moves beyond rhetoric and takes concrete action," he added.

Arrests, amnesty and reshuffles

ACCORDING Sri Lankan state media an alleged Russian style coup attempt by defeated presidential candidate General (retd) Sarath Fonseka has prompted Sri Lankan President Mahinda Rajapaksa to undertake a major purge in the top brass of the military.

Thirty seven persons including several retired Major Generals and Colonels and Brigadiers have been held in detention over their alleged involvement in the coup attempt, the government said on Friday 5 February 2010.

In addition, an undisclosed number have been "sent on compulsory retirement" because they were considered a "direct threat to national security," according to the Defence Ministry.

Sri Lankan Media Minister Anura Priyadarshana Yapa at a press briefing said the government had collected evidence that General Fonseka had plans to appoint Bolshevik committees at every state institution to carry out routine work after killing President Rajapaksa, and his brothers Gotabhaya and Basil Rajapaksa.

In addition to the arrests, a series of senior level transfers have also been effected. According to Sunday Times newspaper, most of the officers who had been transferred were close to Fonseka.

As part of the reshuffle, Major General Daya Ratnayake has

been appointed as the new Chief of Staff of the Sri Lanka Army. Ratnayake was earlier Commissioner General (Rehabilitation) under the Ministry of Defence.

Some of the commanders of the Northeast were also reshuffled with the appointments of Major General Athula Jayawardena as Security Forces Commander, Mullaitivu, Brigadier Chandana Rajaguru as Security Force Commander, Kilinochchi, Brigadier Susil Udumalgala as Security Forces Commander (East) and Major General Mahinda Hathurusinghe as Security Forces Commander, Jaffna.

A military official speaking to Sri Lankan newspaper, the Sunday Times, said it was the Army's biggest-ever purge and went beyond a 1962 shakeup following a coup attempt by volunteer officers against late Prime Minister Sirimavo Bandaranaike.

"What we just witnessed is the biggest single shakeup in the Army," a top official told the Sunday Times.

In addition to the drastic changes to the military hierarchy and purge, Sri Lanka has also embarked on a crackdown against military deserters. It was unclear if this move was linked to Sri Lanka's claims that some deserters were assisting General Fonseka with his plan to topple Rajapakse

regime.

According to Sri Lankan military, some 1,400 soldiers who were absent without leave turned up at military camps on Thursday February 4 to take advantage of an amnesty declared to coincide with Sri Lanka's national holiday marking the island's 1948 independence.

But thousands more were still listed as deserters, a military official said. "From today (Friday), the army and the police will step up search operations to arrest deserters," the official, who declined to be named, said.

Military spokesman Udaya Nanayakkara confirmed that 1,422 troops who were listed as deserters surrendered Thursday but added others were yet to respond.

In a bid to clean up its rolls, Sri Lanka's military formally discharged last October nearly 25,000 army, navy and airforce personnel who deserted at the height of fighting with Tamil Tigers. But since then more troops have left the security forces without permission.

Even though fighting has ended, the military still wants to recruit new troops to fill vacancies in the 200,000-strong army and deploy them in areas of the north and east captured from the Tamil Tigers.

Sri Lanka may miss IMF deficit target

Reuters

SRI LANKA could overshoot its 2009 budget deficit target set by the IMF for a \$2.6 billion loan, due to high post-war reconstruction costs, a central bank official said on Monday.

The IMF has set a budget deficit target of seven percent of gross domestic product for 2009, although both the global lender and the central bank have acknowledged it as a challenging one.

Government spending on

reconstruction after the end of a 25-year war in May and low revenue due to a sluggish economy were putting pressure on the deficit, Ranasinghe said.

The budget data for 2009 is expected to be announced in the central bank's annual report due in late March or early April. An IMF mission will be in Sri Lanka this week to assess December data before deciding on the third tranche of the loan.

Sri Lanka's IMF resident representative Koshy Mathai has said whether or not the IMF is flexible in a country is determined on a "case by case" basis.