

INVESTING IN JOBS

"Mister, you want to see a nice house?" asks a cabdriver outside a seaside Colombo hotel. It's not a question that visitors to Sri Lanka are used to hearing. But as foreign businessmen crowd in to take advantage of the government's liberal new investment laws, good housing is at a premium, and rents are rising rapidly. The influx of investment may be the best sign yet that Sri Lanka's experiment with old-fashioned, free-market capitalism is working. Although much of the country is still as poor as ever, new businesses are popping up all over the tea-, rubber- and coconut-producing island of 14.5 million, and private enterprise has comfortably settled in. Says Wickrema Weerasooria of the Ministry of Plan Implementation: "We have put a stop to socialism."

with "help wanted" ads, and Sri Lanka's graduates are finding work at home instead of emigrating. "Two years ago," says John Anthony Nazareth, a recent graduate, "one heard about most jobs by word of mouth only." Trade Minister Lalith Athulathmudali says the government intends to create half a million new jobs by 1983.

CHEAP LABOR: A second cornerstone of Colombo's economic strategy has been to encourage private foreign investment. Since a Singapore-style free-trade zone opened in Colombo last year, investment has increased substantially. The zone offers tax benefits to companies that set up facilities there, and the influx of firms into the 158-square-mile area has produced 6,000 jobs—with an additional 9,000 predicted by the end of this year. Ultimately, compa-

C. P. de Silva, a pro-UNP businessman. "And it's not just in the business community, but in the country at large."

Of course, most Sri Lankans still don't have the cash to spend on luxuries, and critics of Jayawardene say that the gap between rich and poor is widening. Maitripala Senanayake, an opposition M.P., estimates that "well under 10 per cent" of the population has benefited from Sri Lanka's lurch to the right. Even though more people are working today, the poor have been hurt by the government's decision to phase out food and oil subsidies. There will be price hikes coming in November, and Bala Tampoe, general secretary of the Ceylon Mercantile Union, warns that costlier kerosene (used for cooking in Sri Lanka) could prove "fatal to the mass of the poor."

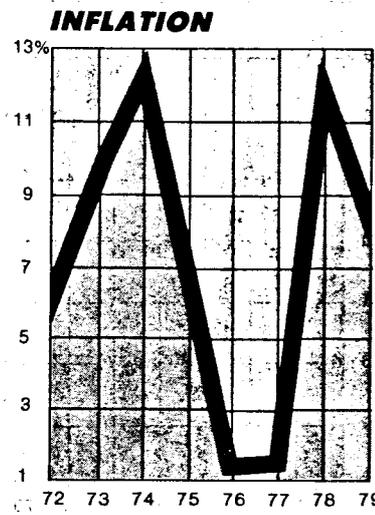
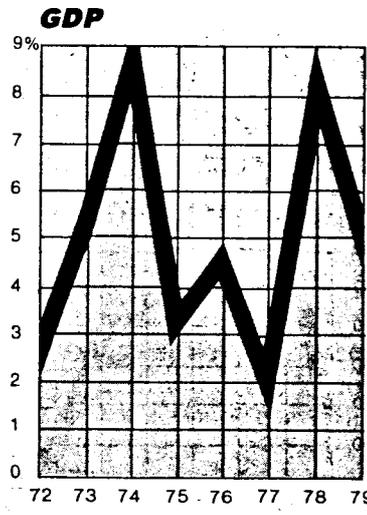
NO PANACEAS: Colombo's planners admit it will take time for the economy to adjust to higher prices. But they point out that overall inflation is still lower than in many developing countries. To cushion the poor, Colombo will start a food-stamp program and continue paying out "subsistence" unemployment benefits of 50 rupees (about \$3.30) a month—or, as one official puts it lamely, "enough to keep the poor from starvation." The government maintains that the 77 per cent of the populace living in rural areas can expect better prices for rice, vegetables and coconuts. Jayawardene intends to rely on foreign investment to bring more of the population into the work force—and not on the public-spending panacea of his predecessor.

For all his talk of capitalism, however, Jayawardene

is moving very cautiously toward a free-enterprise system. Roughly 60 per cent of the economy is still in state hands and, according to Trade Minister Athulathmudali, "we won't move much out of that." The government says it will not denationalize state corporations, although some of those companies have already collapsed under their own weight. "We have stopped the growth of the public sector," says the Planning Ministry's Weerasooria, "and all state corporations not running at a profit were closed down."

The public seems to approve. Last May, the government did surprisingly well in local elections—winning 54 per cent of the popular vote, compared with 51 per cent in the 1977 general election. Assuming that Jayawardene makes good on his promises to create more jobs in the private sector, Sri Lanka's welfare capitalism may be around for a while.

JAMES PRINGLE in Colombo



President Jayawardene

Source: Chase Econometric Associates

Many socialist reforms ordered by Sri Lanka's former Prime Minister Sirimavo Bandaranaike remain in place. But after a 1977 electoral landslide swept his right-of-center United National Party (UNP) into power, Prime Minister Junius Richard Jayawardene set about opening up the faltering economy, which grew by barely 2 per cent that year. The results have been impressive. The economy is now growing by more than 8 per cent a year, and although double-digit inflation is still a problem, popular support for the rightward shift remains high, thanks largely to Jayawardene's decision not to dismantle free health and literacy programs. "We have managed to start up an engine that was virtually shut down," says one government official.

The main goal of Sri Lanka's free-enterprise policy has been to create jobs. There are 200,000 more jobs today than in 1977, and unemployment has dropped from 1.2 million to 900,000. Newspapers are filled

with "help wanted" ads, and Sri Lanka's graduates are finding work at home instead of emigrating. "Two years ago," says John Anthony Nazareth, a recent graduate, "one heard about most jobs by word of mouth only." Trade Minister Lalith Athulathmudali says the government intends to create half a million new jobs by 1983.

Trade officials have also permitted imports to increase. The government revamped currency controls, floated the Sri Lankan rupee and eliminated excessive restrictions on foreign goods. The result, says one journalist, "is a complete change in lifestyle." Consumer products, from transistor radios to pressure cookers to motorcycles, have reappeared. Television service began for the first time this year. Staple foodstuffs like eggs, butter and sugar are abundant, and at the teeming World Market bazaar in downtown Colombo, there is plenty of imported cloth to make saris and shirts. Many of these products had been banned or rationed until 1977. "There is an atmosphere of enthusiasm and optimism," says