## THE MINERAL INDUSTRY OF

# SRI LANKA

# By Chin S. Kuo

The effects of 18 years of civil war between the Government and the separatist forces have crippled Sri Lanka's economy in which the total national debt came close to the value of gross domestic product (GDP). The country spent almost 50% of its revenue to service its debts. Prolonged drought, high oil prices. and an electricity crisis also had impact on the economy. The real GDP growth rate declined by 1.3%, the lowest level in a decade, and the GDP was estimated to be \$16.3 billion. The budget deficit was 10.5% of GDP. State-owned companies, including oil and electricity monopolies, carried huge losses. The International Monetary Fund urged the Central Bank to liberalize financial markets, stabilize interest rates, and preserve foreign exchange reserves. The country's textile industry was hit hard by an economic downturn in the United States, which was its main market. Sri Lanka recorded a rare trade surplus in February 2001 with an export increase of 19.5% and an import decrease of 15% compared with that of 2000 owing to the free float of the local currency (Far Eastern Economic Review,

The major mineral commodities produced in the country were colored gemstones and graphite. Production of ilmenite and rutile ceased in 1999. The mineral industry also included the mining of phosphate rock, industrial clays, and feldspar. Mineral sands processing had been inactive, but there were plans to revive the operations. Sri Lanka is poor in mineral fuels, importing virtually all crude oil to meet its needs. Most metals and industrial minerals except cement and construction materials, which were produced domestically, were also imported.

Lanka Minerals Sands Ltd. was to construct two new mineral sands processing plants at Kegalle and Hambantota at a cost of \$425,000. One of the plants at Hambantota would process garnet sands, which have been discovered along the southern coastline stretching from Dickwella to Hambantota. The second plant at Kegalle would process zircon sands. Lanka Minerals Sands' predecessor, Ceylon Mineral Sands Corp., processed ilmenite, rutile, and zircon prior to 1999 (Mining Journal, 2001a).

The Government planned to liberalize the petroleum, energy, and water sectors. A draft of the Petroleum Resources Act was prepared in 2001 and would be considered by a Cabinet committee during the first half of 2002. Ceylon Petroleum Co. and TGS-NOPEC Geophysical Co. acquired about 1,200 kilometers of nonexclusive deepwater seismic data in the Gulf of Mannar between Sri Lanka and India in June 2001. This was the country's first marine seismic survey in 20 years. The

Government planned to launch a licensing round in early 2002 covering the Gulf of Mannar and southern Cauvery basin (Oil & Gas Journal, 2001).

A working group of the National Development Council urged the Government to proceed with the 300-megawatt Norochcholai coal and power project to avert a future electricity crisis. The working group recommended that the plant be commissioned and generating power by January 2006 with a possible expansion to be carried out by 2010 (Mining Journal, 2001b)

In October 2001, the Asian Development Bank (ADB) approved a \$10 million loan for a modernization project to increase the efficiency and competitiveness of the port at Colombo. In addition, the ADB was to prepare an investment project to develop Colombo's South Harbor. The project was due to be completed by August 2003 and would cost \$14.4 million (Far Eastern Economic Review, 2002).

#### **References Cited**

Far Eastern Economic Review, 2001, Economic monitor: Far Eastern Economic Review, v. 164, no. 16, April 26, p. 52.

Far Eastern Economic Review, 2002, Sri Lanka, *in* Asia 2002 yearbook: Far Eastern Economic Review, p. 194-197.

Mining Journal, 2001a, Garnet sands processing for Sri Lanka: Mining Journal, v. 337, no. 8643, July 20, p. 46.

Mining Journal, 2001b, Sri Lankan power needs: Mining Journal, v. 337, no. 8663, December 7, p. 434.

Oil & Gas Journal, 2001, Exploration and development: Oil & Gas Journal, v. 99, no. 26, June 25, p. 44.

### **Major Sources of Information**

Ceylon Petroleum Corp.

P.O. Box 634

113 Galle Rd.

Colombo 3, Sri Lanka

Geological Survey and Mines Bureau

4 Galle Rd.

Colombo, Sri Lanka

Lanka Ceramic Ltd.

Colombo, Sri Lanka

State Gem Corp.

Colombo, Sri Lanka

State Mining and Mineral Development Corp.

Colombo, Sri Lanka

 $TABLE \ 1 \\ SRI \ LANKA: \ PRODUCTION \ OF MINERAL \ COMMODITIES \ 1/\ 2/ \\$ 

(Metric tons unless otherwise specified)

Commodity 3/	1997	1998	1999	2000	2001
Cement, hydraulic thousand tons	965	874	976	1,008	1,010
Clays:					
Ball clay	20,100	24,478	26,678	27,525	24,846
Kaolin	15,800	11,110	12,573	12,230	9,403
Brick and tile clay e/	7,900	8,000	8,100	8,100	8,000
Clays for cement manufacture e/	650	700	750	800	850
Feldspar, crude and ground	25,700	25,274	26,012	28,638	27,438
Gemstones, precious and value, thousands	\$62,500 e/	\$20,130	\$270,442	\$71,774	\$57,530
semiprecious, other than diamond:					
Cats eye carats	NA	24,000	48,384	48,000	NA
Ruby do.	NA	13,900	11,300	15,800	NA
Star ruby do.	NA	NA	11,600	5,400	NA
Sapphire do.	NA	187,500	155,400	173,700	NA
Star sapphire do.	NA	NA	298,400	280,500	NA
Other do.	NA	NA	12,429,800	6,426,300	NA
Graphite, all grades	5,400	5,910	4,592	5,902	6,585
Iron and steel, metal, semimanufactures e/	52,000	55,000	54,000	54,000	51,000
Mica, scrap	3,700	2,800	1,425	1,491	1,161
Petroleum refinery products: e/					
Gasoline thousand 42-gallon barrels	1,850	1,900	1,950	2,000	2,000
Jet fuel do.	400	450	500	550	600
Kerosene do.	1,500	1,550	1,500	1,550	1,500
Distillate fuel oil do.	4,400	4,500	4,600	4,700	4,800
Residual fuel oil do.	5,500	5,400	5,300	5,300	5,200
Other do.	1,800	1,850	1,900	1,950	2,000
Refinery fuel and losses do.	750	700	720	700	680
Total do.	16,200	16,400	16,500	16,800 r/	16,800
Phosphate rock	29,635	37,600	31,990	34,443 r/	35,770
Rare-earth metals, monazite concentrate, gross	200	200	200	r/	
weight e/					
Salt	65,000 e/	82,483	107,245	70,107 r/	130,272
Stone:					
Limestone thousand tons	901	738	683	682	819
Quartz, massive	11,500	10,884	14,553	13,236	15,731
Titanium concentrate, gross weight:					
Ilmenite	17,970	34,118			
Rutile	2,970	1,930			
Zirconium, zircon concentrate, gross weight	12,450	8,814			

e/ Estimated. r/ Revised. NA Not available. -- Zero.

<sup>1/</sup> Table includes data available through September 17, 2002.

<sup>2/</sup> Estimated data are rounded to no more than three significant digits; may not add to totals shown.

<sup>3/</sup> In addition to the commodities listed, crude construction materials, such as sand and gravel, and varieties of stone presumably are produced, but available information is inadequate to make reliable estimates of output levels.