

THE MINERAL INDUSTRY OF SRI LANKA

By Chin S. Kuo

Sri Lanka's economy suffered from record high defense expenditures and a prolonged drought in early 1996. The country's hydroelectricity-dominated power system experienced brownouts, which in turn affected industrial production. Capital investment and plant expansion were put on hold by the industries. The gross domestic product (GDP) growth rate slowed to 3.7%, down from 5.5% in 1995. The Government held its budget deficit to around 10% of the GDP. The Government's economic policy recognized the private sector as the main engine of growth. Terrorist strikes by the separatist Tamil Liberation Tigers created fear among both investors and tourists. Nevertheless, major multinational companies, such as Caltex of the United States and Daewoo and Samsung of the Republic of Korea, were operating in the country.

The Government reviewed its list of restricted investments with the aim of further liberalizing foreign investments and planned to recommend removing foreign investment restrictions in banking, insurance, finance, and the production and distribution of power. Several state-owned mining companies were privatized and joint-venture companies with foreign investors were formed.

The country is known for its precious and semiprecious gemstone production and jewelry industry and is one of the significant exporters in the world. Among the colored gemstones that were produced in Sri Lanka were beryl, chrysoberyl, garnet, ruby, sapphire, spinel, topaz, tourmaline, and zircon.

Graphite was one of the major industrial minerals produced in the country. Kahatagaha Graphite Lanka Ltd. produced more than 3,500 metric tons per year (t/yr) of high-grade graphite. Mining and Mineral Development Corp. produced about 8,500 t/yr of graphite from three mines at Bogala, Kahatagaha, and Kalangaha.

The country's coast contains mineral sands rich in ilmenite, monazite, rutile, and zircon. Ceylon Mineral Sands Corp. processed 300,000 t/yr of mineral sands. Sri Lanka produced more than 60,000 t/yr of ilmenite and 4,000 to 5,000 t/yr

of rutile, most of which were exported. Two Australian companies, Consolidated Rutile and Renison Goldfields Consolidated, were granted licenses to explore for deposits of mineral sands.

Korea Heavy Industries & Construction Co. of the Republic of Korea planned to win a 90% interest in the country's only significant steel producer, Ceylon Steel Corp., which was being privatized by the Government. Ceylon Steel operates an electric-furnace steelplant making bar, rod, and wire products. The Korean company intended to carry out a feasibility study for a new coastal steelworks. Together with its bid for Ceylon Steel, the company was prepared to spend \$150 million in steelmaking in Sri Lanka. The company also proposed a series of other investments, including an oil refinery and a powerplant for a total outlay of \$600 million.

KHD Great Britain, a subsidiary of Klockner Humboldt Deutz of Germany, signed the country's first private power agreement with the Ceylon Electricity Board. KHD would build a 51-megawatt diesel powerplant, due to come on-stream in 1997. The \$62 million project would be partly financed by the World Bank and the Commonwealth Development Corp. of the United Kingdom.

Major Sources of Information

Ceylon Petroleum Corp.
P.O. Box 634, 113 Galle Road
Colombo 3, Sri Lanka
Geological Survey and Mines Bureau
4 Galle Road
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/

(Metric tons unless otherwise specified)

Commodity 2/		1992	1993	1994	1995 e/	1996 e/
Cement, hydraulic	thousand tons	817	676	925	900	905
Clays:						
Ball clay		18,558	21,017	16,085	17,100 r/ 3/	14,100 3/
Kaolin		6,759	7,000 e/	7,500 e/	16,000 r/ 3/	7,700 3/
Brick and tile clay e/		75,000	7,722 3/	7,800	8,000	8,000
Clays for cement manufacture e/		300	400	500	550	600
Feldspar, crude and ground		7,524	8,000 e/	12,280	7,500 r/ 3/	11,200 3/
Gemstones, precious and semiprecious, other than diamond e/	value, thousands	\$58,000	\$60,000	\$60,300	\$61,000	\$62,000
Graphite, all grades		3,307	5,163	2,946	8,000 r/ 3/	5,618 3/
Iron and steel, metal, semimanufactures		53,811	39,015	55,117	50,000	53,000
Mica, scrap e/		200	200	200	6,350 r/ 3/	2,400 3/
Petroleum refinery products:						
Gasoline	thousand 42-gallon barrels	957	1,390	1,582	1,600	1,700
Jet fuel	do.	553	724	488	500	550
Kerosene	do.	985	1,464	1,488	1,500	1,500
Distillate fuel oil	do.	2,700	3,980	4,495	4,500	4,600
Residual fuel oil	do.	4,383	3,753	3,868	3,800	3,900
Other	do.	471	240	464	500	480
Refinery fuel and losses	do.	428	461	400 e/	450	440
Total	do.	10,477	12,012	12,785	12,850	13,170
Phosphate rock		26,010	35,681	32,313	29,500 r/ 3/	34,000 3/
Rare-earth metals, monazite concentrate, gross weight e/		200	200	200	200	200
Salt		121,875	43,344	56,162	60,000	65,000
Stone:						
Limestone	thousand tons	600 e/	650 e/	670 e/	746 r/ 3/	813 3/
Quartz, massive		1,130	1,133	1,200 e/	4,600 r/ 3/	7,300 3/
Titanium concentrate, gross weight:						
Ilmenite		33,283	76,930	60,445	49,655 r/ 3/	62,810 3/
Rutile		2,741	2,643	2,410	2,697 r/ 3/	3,532 3/
Zirconium, zircon concentrate, gross weight		13,368	14,401	22,310	21,971 r/ 3/	15,863 3/

e/ Estimated. r/ Revised.

1/ Table includes data available through July 7, 1997.

2/ 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.

3/ Reported figure.