

COUNTRY REPORT OF SRI LANKA

A. Introduction

1. Early times

Historical evidence suggests that, in the 15th century Arab traders made Colombo, the centre of their trading activities in the Indian Ocean. A century later, the Portuguese fortified it and enhanced its importance as the most popular emporium in the East. During the Dutch period (1658-1796) a further enhancement of Colombo's importance was seen. Nevertheless, it was under the British with the extension of their sovereignty over the whole island, that Colombo received the greatest impetus for its rise to eminence in the Indian Ocean region.

In the 19th and 20th Centuries, Colombo was the funnel through which almost whole of the trade of the country flowed.

In the latter half of the 19th Century, Colombo was an open and dangerous roadstead which provided some shelter to occasional ships. But by 1910, it became the third leading Port in the British Empire and the 7th busiest Port in the World. With the expansion of the British Empire and the growth in Internal Trade, the Port of Colombo became important not only from a commercial but also from a strategic point of view. It commanded the gateway to the East.

Part of the story of the Colombo Port is straightforward. From the early nineteenth century Colombo had been the main outlet for Ceylon's exports and as these exports grew, so did the demands on the Port of Colombo. The reasons for Colombo's pre-eminence in this respect are to be found in the internal geography of Ceylon. The major Ceylonese exports of coffee, tea and later rubber were grown in the wet zone area that was served more economically by Colombo than by either Galle or Trincomalee. During Portuguese times, cinnamon, then the main export, had been grown in the vicinity of Colombo and therefore Colombo became its chief outlet.

Late 19th and the early 20th centuries saw not only a dramatic growth in international trade but also technological changes in inland and maritime transportation. In Asian waters, this was signalled by a network of artificial ports. Although most of these ports performed a mixture of functions, each port assumed importance in one or two specialized functions. Bombay and Calcutta, for instance grew as inlets to and outlets from vast hinterlands. On the other hand, Hong Kong and Singapore developed as great entrepots.

Colombo hardly had the necessary conditions to specialize in any one of the functions mentioned above. Colombo's claim to eminence, however, lay in the strategic position that she enjoyed in the sea routes in the Indian Ocean, to serve as a port of call for fuelling and other shipping services. But to take advantage of this position Colombo had to provide the port facilities and shipping services in such a manner so as to conform to the basic economic dictum that a ship in the harbour earns no income to the owner. Thus from the very inception, a quick turn round of ships was the guiding principle in the port improvement programmes at Colombo.

However, during the inter-war years, the coming of faster oil burners and competition from the neighbouring ports threatened to undermine the premier position that Colombo thus attained as a port of call.

It is said that the shipping at Colombo was more affected by the ebb and flow of shipping passing through the Suez Canal than by the vicissitudes of Ceylon's commodity trade.

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Thanks to some huge investments, made by Japan, Port of Colombo, by 1993 had reached the 28th position among the world league of container ports from the 138th position it occupied in 1979 and latterly to the 26th position.

2. Decline of galle as a port

In the 1850s when the steamers were first introduced to the shores of Sri Lanka, they were not larger than the sailing vessels of the time. But in the sixties not only were sailing vessels being rapidly displaced by steamers in Sri Lanka's trades but the size and draft of the latter too began to increase. Therefore Galle, because of the sub-merged rocks in and at the entrance to the harbour appeared to be a trap rather than a place of safe anchorage. Casualties to shipping consequently, were many and prevented, Galle's, reputation as a major port of call in the Indian Ocean.

Sri Lanka being an Island in the Indian Ocean close to India and centrally located in respect of Asia, the Far East, the Middle East, Africa, and Australia, is unique in respect of the contribution that could be made to the maritime transport industry, globally.

The central location of Sri Lanka has advantages to the logistics of transshipment activities, and as such, has imposed its importance in international maritime activities. The trends towards larger vessels, enhances the coordination logistics, accentuating the value of the geographic location of Sri Lanka and the contribution that could be made towards cost effective maritime transport, centred on Colombo as a transshipment base.

3. Current status of maritime transport services

Sri Lanka has a number of Commercial Ports and a National Merchant Shipping Fleet that provides services to the Maritime Transport Industry. Ancillary services including Ship Repair, Ship Building, Bunkering Services, Salvage and Towage, Ship Chandelling and Off Shore Supplies, Cruise Shipping and Marinas and Ship Management are available. Multi-country consolidation, Entrepot Trade and Bulk Shipping are also services provided in Sri Lanka.

B. Ports

Sri Lanka has three major commercial ports viz. Colombo, Galle and Trincomalee. Additionally, Kankasanturai is a Port that serves coastal shipping. New Ports are being planned in Oluvil in the East coast and Hambantota in the South.

The capacities of the three major Ports are reflected in the throughput figures for the year 2001 as detailed below:

	Colombo	Galle	Trincomalee
Ship arrivals	3,570	117	224 Nos.
Cargo loaded	9,043,954	1,363	312,718 tons
Cargo discharged	15,697,029	661,069	1,346,500 tons
Total cargo handled	24,740,983	662,432	1,659,218 tons

Of the total cargo handled the liquid bulk loaded and discharged in the Port of Colombo are as follows:

Liquid bulk loaded	79,774 tons
Liquid bulk discharged	3,528,726 tons
Total liquid bulk handled	3,608,500 tons

Of the total cargo handled, containers are handled in the Port of Colombo. Details of container handling for the year 2001 are as follows:

Imports	268,565 TEU
Exports	262,994 TEU
Transshipment	1,157,893 TEU
Re-stowing	37,153 TEU
Total	1,726,605 TEU

The Port of Colombo has two container terminals, the Jaye Container Terminal (JCT) with four berths for mainline vessels and two berths for feeder vessels and the South Asia Gateway Terminals (SAGT) with three berths. The details are as follows:

JCT	Berth 1	Berth 2	Berth 3	Berth 4
Length metres	300	300	320	320
Depth metres	13	13	15	15
Yard Area hectares	10.8	9.9	15.4	9.4
Quay cranes	3PP*	3PP*	3SPP*	+66+3SPP*
Transfer Cranes	9	9	9	9
Terminal tractors and Trailers		160 total		
Capacity TEU's	350,000	350,000	400,000	400,000

*PP – Post Panamax, SPP – Super Post Panamax.

The Feeder Berths are of length 170 metres and 180 metres respectively in the North and South Berths and of 9 metres depth. The South feeder berth is equipped with two Post Panamax Container cranes:

SAGT	Berth 1	Berth 2	Berth 3
Length metres	340	310	290
Depth metres	15	15	15
Yard Area Hectares	20 total		
Quay cranes	9 total comprising 6 SPP* + 3 PP*		
Transfer Cranes	28 total		
Terminal Tractors and Trailers	50		
Capacity	1,000,000 TEU's		

The first berth is due to be commissioned in 2002, while the second and third berths are due to be commissioned in 2003 and 2004 respectively.

The Port of Colombo is well equipped to handle both bulk and breakbulk cargo. A specially designed tanker berth handles upto 60,000 DWT vessels that discharge oil through a network of submarine pipe lines. An SPBM facility outside the harbour handles the large crude oil carriers.

Currently the provision of additional facilities for container handling activities are under construction in the Northern end of the Harbour, the Unity Container Terminal. Additionally provision of twelve deep draft berths are being planned outside the Harbour to cater for the shortfall.

Corporatization of the JCT is also being undertaken as a means to ensure greater efficiency and productivity.

The Ports of Galle and Trincomalee serve as regional Ports. Galle has three berths at 8.9 metres depth catering to 8,000 DWT vessels handling food as well as industrial material for the cement industry. Trincomalee has dedicated berths for the industries located in the Port and a common user alongside berth to handle 40,000 DWT vessels with a depth of 13 metres is nearing completion.

The Port of Oluvil designed to handle 5,000 DWT vessels and small craft is envisaged to serve the districts linked to it including Batticaloa, Monaragala and Badulla. It is awaiting funding arrangements for construction.

The Port of Hambantota is at the feasibility stage to assess its potential.

C. Ancillary services

Ship repair and ship building activities are conducted by the Colombo Dockyard Limited (CDL) which has four dry docks ranging in size up to a handling capacity of 100,000 DWT vessels. The Ports in Galle and Trincomalee have basic slipway facilities for boat repair work.

The CPC has the exclusive rights in handling bunkering activities. At present the volumes of bunkering activities is low.

Ship chandelling and off shore supplies activities are supported by bonded store facilities available in the Port of Colombo.

Presently Cruise ships touch the Port of Colombo for bunkers and yachts frequent the Port of Galle. Further improving these activities by providing necessary facilities has been under consideration in the drawing up of Master Plans for Port development activities.

D. Shipping

During the 1970's, the trend of protectionist measures adopted by Developing Countries to overcome the control of liner shipping conferences, resulted in the creation of the Ceylon Shipping Corporation (CSC). The CSC acquired 8 ships. In the 1980's the CSC containerized its fleet ahead of its neighbours India, Pakistan and Bangladesh contributing to the development of the Colombo Ports efforts to become a hub port in the region.

With the Liberalization of shipping in the late 1980's, and the rescission of the Central Freight Bureau's (CFB) export cargo allocation functions, the CSC was ill equipped to deal with the intense competition that was suddenly forced upon it resulting in near collapse of the CSC.

Apart from the state owned CSC several companies own and operate vessels under the Sri Lankan Flag. Of these most operate only one or two vessels except Mercantile Shipping which is a joint-venture company with equity participation by German collaboration.

E. Port sector

In the development of Ports, the Policy Statement envisages that Colombo will be developed to maintain the Hub Port status it has enjoyed in the South Asian region. Galle is to be developed as a multipurpose Port that could meet the regional requirements in shipping including coastal shipping activities. Kankasanturai will be a regional Port catering to coastal shipping activities for the transport of essentials required in the region. Trincomalee is identified as a Port with a vast potential for the fostering many activities including, commercial shipping and cargo handling, industrial port activities, Ship repair and ship building activities, Cruise and Marina activities for tourism.

Government is also encouraging private sector participation in the financing and operation of Port related infrastructure with public sector participation where necessary and feasible.

F. Shipping sector

In the shipping sector the Government contributes to the new liberalized environment prevailing in the shipping sector. The CFB is being restructured to handle the functions of research, compilation of statistics and for intervention in conflict resolution. To ensure that shipping services in and out of Sri Lanka are fair and competitive and thus strengthening the position of shippers, the shippers council and the freight forwarders Association will be strengthened. Development of multi-modal transport by the facilitation of related work is identified.

As a policy to strengthen the National Carrier, the CSC will be encouraged to get involved in joint-ventures with foreign collaborators on a commercial basis in areas such as feeder services. Barge services, passenger transport, ferry services etc.

To promote a good network of feeder lines promotional packages directed at encouraging feeder operators to increase volumes of containers brought to Colombo is highlighted in the policy document. The CSC will also be encouraged to handle feeder activities.

G. Container operations

Enhancing productivity in container handling by enhancing equipment capabilities and uplifting employee dedication and skills has been stressed. Towards achieving these ends corporatization of the JCT is identified as a priority project. Establishing an independent port regulator is also identified as an important requirement.

Development of off dock facilities such as Inland Container Depots to ease the congestion within the Port has been noted.

The Government will also encourage and develop multi country consolidation and entrepot trade on a large scale. Affording these activities pioneering status for special tax and other concessions is also noted so as to be a catalyst towards attracting the high risk transshipment containers by making them captive.

H. Liberalization in historical perspective

How old is liberalization in the history of Merchant Shipping? When did it start? How was it before liberalization? These are some of the questions that one should examine before coming to the question of liberalization itself. "The Commercial History of Shipping" by Thorsten Rinman and Rigmor Brodefors deals with this subject extensively as follows.

"England was steadily developing into a naval power and the English began to exploit their position of power by means of protectionist legislation. Thus in 1646 they adopted their first Navigation Act, under which all commerce to and from the plantations in Virginia, Bermuda, Barbados and elsewhere in America was reserved exclusively for English vessels. In that way the basic conditions were created for the extensive British maritime trade with the West Indies."

"In October 1651 Cromwell introduced his expanded Navigation Act which included stipulations that only English vessels should be allowed to compete for cargoes from all over the world bound for England, Ireland and the English plantations overseas. English imports were only allowed to be carried by vessels built in England, owned by Englishmen and on which the master and at least 75 per cent of the crew members were Englishmen."

"After the end of the Second World War, the Allies were very anxious to protect their market interests. The basic principle was that the shipping companies should return to their former fields of operation at approximately the same strength as in 1938-39. The available world tonnage was therefore pooled in a common organization in which the supply of shipping was internationally regulated according to need."

I. American Marshall Aid

"Another factor that started a development of major significance for trade and shipping for decades ahead was the American Marshall Aid. In the summer of 1947 the American Secretary of State George Marshall presented a plan under which war-ravaged Europe was to be reconstructed with money from the United States. This money was to be allocated to the industries and governments of Europe in the form of grants and loans. This gigantic plan began to be put into operation in the spring of 1948 with an unprecedented rebuilding programme for the cities and industries of Europe. The Marshall Aid enabled

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the economies of the war-ravaged countries to be recognized, West Germany to be reconstructed and the foundations to be laid for the West German miracle.”

“A measure of the extent of Marshall Aid is the fact that the commodities shipped from the USA to Europe during the late 40s under the terms of Marshall Aid kept 20 per cent of the world merchant fleet employed. The stipulation that, in accordance with American regulations, at least 50 per cent of these commodities should be shipped on American vessels had a very severe effect on Scandinavian liner shipping, in particular that of Sweden which had a high capacity on the North Atlantic routes during that period. The governments of the European countries collaborated in ensuring that the correct proportion of cargoes was allocated to American ships. This encouraged the European governments to reserve for their own countries as much as possible of the remaining freight which was available for open competition. In this way many cross traders were forced out of the market.”

“Adopting US protectionism as a model the countries of South America’s eastern sea bord then embarked on a very thorough policy of maritime protectionism. By means of expensive freight reservation cargoes were obtained for their own growing merchant navies.”

“One might say that the 50/50 rule of Marshall Aid with regard to general cargo formed the thin end of the discriminatory wedge that was driven into maritime world trade.”

“In 1963 the Soviet Union entered the market for large grain purchases. President Kennedy nevertheless declared that the USA would sell wheat to the Soviet Union on condition that at least 50 per cent of the grain transports would be carried out with American vessels. These grain transports affected the markets and on the route from the US Gulf Coast to the continent of Europe the rate was US\$ 8.25. The Liberty ships that sailed under the American flag and carried out the transports reserved by the US government for over \$ 20 per ton.”

J. Pool agreements

“By 1971 a pool agreement was already being prepared between the container carriers engaged in the North Atlantic traffic. The background to the pool agreement was an intensive freight war. As a direct consequence of the freight war Moore-McCormack’s North Atlantic line was closed down. The American shipping companies received very high freight rates for the military cargoes and preferential cargoes shipped out from the USA to Europe. These profitable commodities represented 84 per cent of the East bound cargo volume on American vessels. The American shipping companies then undercut the cargoes bound for the USA. The East bound traffic, on the whole, paid higher freights than the West bound and for that reason a statement was again demanded from the container carriers by the Federal Maritime Commission in the USA.”

“Under the pool agreement of 1971 in respect of the North Atlantic Sea-Land was allocated 17.5 per cent of the overall cargo volume. The United States Line received the same proportion. The Atlantic Container Line was allocated 20.5 per cent, Hapag-Lloyd 14.2 per cent, Seatrain 11.25 per cent, Dart 10.6 per cent and American Export Lines 8.5 per cent.”

“The re-organization of Liner traffic in the main Liner trades thus happened first in respect of the North Atlantic but by 1971 the turn had come to Australia and New Zealand and after that the traffic to the Far East was containerized.”

“In the USA the Justice Department and the Department of Commerce demanded in 1974 that the plans for a pool with regard to the liner traffic across the North Atlantic should be abandoned. This pool was considered to be in conflict with the American anti-trust law.”

“In the autumn of 1978 President Carter used his veto to stop a proposal for a law to regulate the activities of the Liner conferences. In return the European shipping companies agreed to submit certain documents. The Liner companies’ discount system on the North Atlantic routes had for a long time

worried the American law makers. The US Justice Department had demanded that the European shipping companies should hand over all cargo documents. The European shipping companies refused, on the grounds of recently passed legislation, to submit such documents.”

“In 1979 the Grand Jury case was determined and the North Atlantic shipping companies were fined for having held policy discussions on the setting of freight rates.”

“In 1972 the Soviet Union and the United States concluded a maritime agreement which involved a division of liner transportation between the two countries on a 50-50 basis. A similar division in respect of bulk cargoes, however, also left a considerable share to cross traders.”

One could see from what is set out above European and American shipping companies had flourished for centuries under the protectionist legislation of their countries. Today those companies are capital rich and can be called technological super powers in the maritime transportation industry. The under developed world is therefore at the total mercy of the whims and fancies of these companies. Liberalization will bring the weak and strong to compete on equal terms. Therefore liberalization for the Third World countries must be troubled with equity.

K. Sri Lanka and liberalization

Central Freight Bureau Act was passed in 1973. Under this enactment booking of freight space in respect of goods, produce and merchandise of what ever class or description for ships from any port in Sri Lanka to any destination out side Sri Lanka was centralized. By late 1980s Sri Lanka suspended the operation of this Act and liberalized the freight business from Government hands. The consequences of this liberalization was hardest felt by the national carrier of Sri Lanka. Shipping Corporation which had nearly 14 vessels could not face the competition from bigger Lines. It stoped it's voyages to Europe. Shipping Corporation started sustaining heavy losses. This resulted in selling almost all their vessels except for two small vessels which is used today for feeder services in this region.

L. Liberalization of shipping agency business

Some where in 1992 Government decided to liberalize the shipping agency business. Two Gazettes Notifications issued on the 24th and 26th of June 1992 allowed foreign principals to acquire 40 per cent shares in the shipping agency business. Bureau of Overseas Investment was given authority to increase this 40 per cent share holding even to a higher extent. At this time Ceylon Association of Steamer Agents took up this matter with the political leadership of the country. This is what they stated at that time.

“Shipping Lines are largely Foreign Companies earning their profits from liner operations, mainly transport of goods by sea, while Agents in this country earn only by providing services within the country. Hence, the nature of the business warrants that it be reserved for Sri Lankans.”

M. Drain on foreign exchange

“The recent decision to permit foreign investments in the Shipping Agency Business will result in 40 per cent of the profits of this business being repatriated which would be a net loss of foreign exchange to the country. The annual revenue of the Shipping Agency Companies is in the region of Rs 500 million. At least 40 per cent of this would be drained out as a result of the new decision of the Government. One has to consider whether the country at its present state, could afford such an outflow of foreign exchange. The net foreign exchange loss to the country is the most convincing argument as to why present proposal should not be implemented.”

“No foreign expertise or technical know-how is necessary for the Shipping Agency business. In fact, the locals in the business would have to educate the foreign expatriates who would be sent here to monitor the functioning of Joint-Venture Shipping Agencies on business and local conditions etc.”

“The Shipping Agency business is buoyant and virile. It requires no injection of foreign capital. In fact, this business is conducted with very little capital.”

N. Principal – agent relationship

“This proposal raises a fundamental issue. The foreign Principal becomes a minority 40 per cent shareholder with his own Agent in the new Joint-Venture Company. The agency business which the local Agent conducted solely by himself, now gets transferred to the new Joint-Venture Company. Thus, the Principal becomes his own agent. This anomaly will upset the Principal/Agent relation ship as it is normally understood in commercial practices.”

“The principal, though the minority partner, will call the tune. The local Agent preferring some profit to nothing, would look up to the Principal’s charity. The foreign Principal will seek every possible way to minimize local profits, enabling his share to increase, which could mean the repatriation of the maximum possible foreign exchange out of the country. The Shipping Agent will be helpless in this situation even though he may own 60 per cent of the shares as he is entirely dependent on the Principal’s business. The local Agent would thus be compelled to play a subservient role.”

“Presently the Sri Lankans are very careful to ensure strict compliance with the Exchange Control Regulations, but the foreign investor will be inclined to be less respectful of these laws. There are instances, where Agents have quoted regulations to avoid attempts by the Principal to exploit the Agent.”

O. JVC only a cost centre

“Having set up a Joint-Venture Company the Principal will do his best to transfer on to it as much as possible of his costs of the operation. For instance, certain costs which up to now he has been incurring in his home base as Principal would be transferred to the Joint-Venture. The Colombo Office will thus function as a mere cost centre. The final profit earned by the Joint-Venture would therefore be reduced. This will result in a reduction in the Income Tax and Turnover Taxes that would become payable.”

“The Principal as a shareholder would want the books maintained to show minimum profits, thereby reducing the profits due to the local partner as well as the taxes due to Government.”

“This move has passed on, to the effective control of a foreign Principal, a business which was extremely efficiently handled by the Sri Lankan entrepreneurs. The Sri Lankan partner, who is the weaker, would find the control of the business not in his hands.”

“Under the proposed system, Principals will make available their Agencies to those locals who could guarantee maximum discounts and rebates for services rendered than they now receive. They would not be concerned with the loss of foreign exchange to our country as a result.”

“If the Principals are now given the powers of a shareholder too in the Agency business, the local entrepreneur will be ruthlessly throttled.”

Many years after this liberalization the Government had to call for monitoring reports to prevent frequent violations of foreign exchange laws. It is the unanimous view of all joint-venture local shipping agents that these joint-ventures have now become cost centres for their principals. Bunker Liberalization is another area in which Sri Lanka has committed itself to liberalization.

P. Shippers and their problems

Shipper’s Council of Sri Lanka had been insisting that the UN Liner Code of Conduct is being flagrantly violated by various shipping lines. Their main grievances can be listed as follows:

1. That freight increases are made repeatedly without adhering to any conditions set out in Article 14 of the Line Code. These arbitrary *ad hoc* freight increases affects their export pricing.

2. Under Article 12 (1) “(a) Freight rates shall be fixed at a low a level as is feasible from the commercial point of view and shall permit a reasonable profit for ship owners; (b) The cost of operations of conferences shall, as a rule, be evaluated for the round voyage of ships, with the outward and inward directions considered as a single whole. Where applicable, the outward and inward voyage should be considered separately.” In other words there must be an equal freight rate between two destinations. As an example given it is said that freight rate from Colombo to London is at least 30 per cent more than the freight rate of a TEU from London to Colombo. They also maintain that this is so even though the outward cargo to UK is more than inward cargo from UK to Colombo.
3. Under Article 11 it is specifically stated that there shall be consultations on matters of common interest between a conference, shipper’s organizations, representatives of shippers and, where practicable, shippers, which may be designated for that purpose by the appropriate authority if it so desires.

“The following matters, *inter alia*, may be the subject of consultation:

- (a) Changes in general tariff conditions and related regulations;
 - (b) Changes in the general level of tariff rates and rates for major commodities;
 - (c) Promotional and/or special freight rates;
 - (d) Imposition of, and related changes in, surcharges;
 - (e) Loyalty arrangements, their establishment or changes in their form and general conditions;
 - (f) Changes in the tariff classification of ports;
 - (g) Procedure for the supply of necessary information by shippers concerting the expected volume and nature of their cargoes; and
 - (h) Presentation of cargo for shipment and the requirements regarding notice of cargo availability.”
4. Frequent surcharges without any notice is causing concern among shippers councils in Sri Lanka as well as in the region. Their complaint is these surcharges which are levied to cover sudden increases in cost that once increased had remained even though the cause of its imposition had disappear. Article 16 of the Liner Code dealing with the surcharges state as follows:

“Surcharges imposed by a conference to cover sudden or extraordinary increases in costs or losses of revenue shall be regarded as temporary. They shall be reduced in accordance with improvements in the situation or circumstances which they were imposed to meet and shall be cancelled, subject to article 16, paragraph 6, soon as the situation or circumstances which prompted their imposition cease to prevail. This shall be indicated at the moment of their impositions, together, as far as possible, with a description of the change in the situation or circumstances which will bring about their increase, reduction or cancellation.”

Shipper’s Council in Sri Lanka as well as Asia takes up a strong position on the imposition of Terminal Handling Charges as a recovery of cost when in fact it should be a part of FOB cost according to them.

Therefore any liberalization of maritime transport and any framing of new regulations should take in to consideration, concerns, aspirations and problems of the developing and Third World countries.

Q. Objectives of WTO and GATS

In the objectives of the agreement establishing WTO states as follows:

“Recognizing that their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production and trade in goods and services, while allowing for the optimal use of the world’s resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development.”

GATS in spelling out its objectives states as follows:

“Desiring to facilitate the increasing participation of developing countries in trade in services and the expansion of their service exports including, *inter alia*, through the strengthening of their domestic services capacity and its efficiency and competitiveness;

Taking particular account of the serious difficulty of the least-developed countries in view of their special economic situation and their development, trade and financial needs”.

These are noble objectives which all nations have accepted. Unfortunately in the past the complaint of the developing and under developed nations had been that laws, rules, regulations favourable to develop nations only had been implemented while those that are relevant to the under developed world had remain without proper implementation. UNCTAD Liner Code of Conduct is a case in point sighted most often who had faced arbitrary treatment at the hands of the Liner Conferences. Therefore it is important that an effective implementation body is established with the consultative mechanism which can review the grievances of the developing as well as under developed countries.

R. Liberalization of maritime transport services

Sri Lanka’s current status of maritime transport services, and the National Policy statement on Ports and Shipping together with the experiences gained highlight sentiments expressed by the Sri Lankan representative at the World Trade Organization Ministerial Conference in Doha 9th to 13th of November 2001.

Highlighting trade, it was stated that “Sri Lanka recognizes that a strengthened rule based multilateral trading system is important for free and fair trade and a robust world economy is a prerequisite for all countries to benefit from growth in international trade in particular developing countries like Sri Lanka, whose external trade contributes 68 per cent to GNP. Therefore we reaffirm our commitment to rule based multilateral trading system. However, we share the view that imbalances and asymmetries do exist in a multilateral trading system and that developing countries have not shared the benefits in an equitable manner in the purported growth in international trade”.

The same has taken place in the sphere of liberalization where National Carriers have been reduced to near extinction, and assets have been leased out at unrealistically low values that will ultimately affect the economy of the country and its political stability.

Considering the above, and the commitment made to follow the international trends and regulatory impositions, it would be important to have an opening to renegotiate agreements that have been found drastically lopsided, specially in the interest of the countries economy and political stability.