

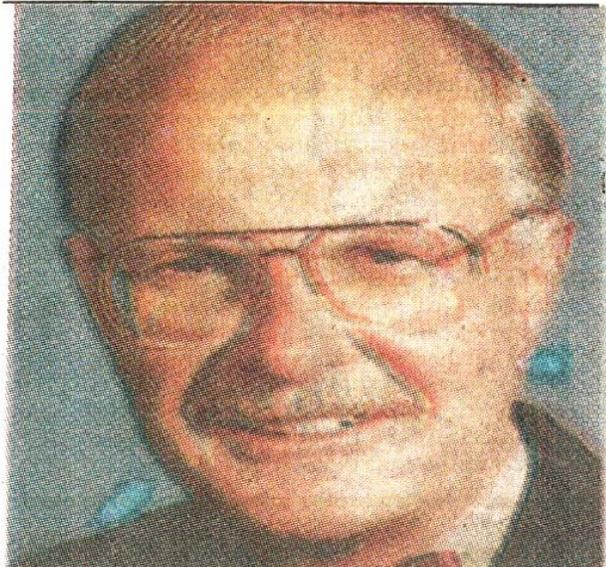
## VESTED INTERESTS AND BEING BUSINESS-LIKE

*The Sunday Leader* last week carried an exclusive *expose'* of a very high level classified communication from Peter Burleigh, the then US Ambassador in Colombo to the US Secretary of State Madeleine Albright. This high level official communication had been copied to the US Department of Commerce in Washington and in addition had been copied to the American Embassies and Consulates in Mumbai (Bombay), Kathmandu, Chinnai (Madras), Islamabad, Dhaka, New Delhi and Karachchi.

Such high level official communication was giving cover to a letter dated May 20, 1997 written by the then US Ambassador Peter Burleigh to the Minister of Foreign Affairs, Lakshman Kadirgamar. The text and tone of such official communication to the highest level in the US Administration on Foreign Affairs, addressed directly to the US Secretary of State, Madeleine Albright, with copies to the US Embassies and Consulates significantly in the SAARC Region, underscores the serious concerns, anxieties and apprehensions, that the US Embassy in Colombo had, in relation to the subject of US investments into Sri Lanka, based upon several specific instances and cases.

### US EMBASSY COMMUNICATION

**Would we not be fooling  
ourselves and letting the  
country slide with such  
bungling? The mere holding of a  
brief for Minister Kadirgamar  
by 'vested interests'  
will not make the current  
issues disappear**



**Burleigh — Gave considered opinion**

The text of such high level official communication from the US Embassy to the US Secretary of State had been:—

" To Secretary of State, Washington DC"

"1. The past month has been a notably bad one for U.S. business interests in Sri Lanka. Apart from the demise of the Evans International project to rebuild Colombo's bomb-damaged financial district, several other U.S. companies have suffered significant setbacks or problems. In all of these cases the source of the problem can be identified as some entity of the government of Sri Lanka. Embassy is engaging with relevant officials in all of these cases to try to resolve the problems or, at a minimum, ensure that U.S. companies are being treated fairly."

"2. To underscore our concern over the manifold difficulties being experienced by U.S. companies here, Ambassador wrote on May 20 to Foreign Minister Lakshman Kadirgamar to alert him to these difficulties and ask for his help in resolving them. Ambassador intends to follow up with a personal meeting with the Foreign Minister to pursue the matter."

"3. Text of the letter from Ambassador Burleigh to Foreign Minister Kadirgamar follows;

Begin Text:— *[Letter dated May 20, 1997 from US Ambassador Peter Burleigh to Foreign Minister Lakshman Kadirgamar fully quoted]* — End Text.

"4. Embassy will report in due course any subsequent developments in each of these cases, and on any response provided by the Foreign Minister."

" Burleigh —  
American Embassy, Colombo "

### **ISSUES HIGHLIGHTED**

The problematic issues in the recent months concerning American investments into Sri Lanka had been specifically identified by US Ambassador Peter Burleigh in his said letter dated May 20, 1997 to Foreign Minister, Lakshman Kadirgamar, as follows:

1. Indamer Co. Pvt Ltd. a 100% US company is said to have had a contract signed on March 13, 1997 for the supply of 4 Beach-King Aircraft to the Air Force and the contract subsequently cancelled on May 16, 1997, with the US Company, as a consequence seeking legal redress in Court.
2. American Express Travel Services Inc., one of the world's largest travel agencies, which had been functioning in Sri Lanka since January 1994 is said to have been recently informed, that unless a tourist license is obtained within 2 months, they would have to cease operations, though they had been told previously, that such license would not be required and such ultimatum is said to have caused jeopardy to their vouchers being accepted locally by airlines for issuance of air tickets.

3. Evans International is said to have signed a contract for the rehabilitation of the bomb blasted devastated Fort area, with a government sponsored company, Centrepoint Colombo Ltd., with a letter of comfort from the Ministry of Finance dated November 11, 1996 confirming the Government's intention to proceed with the project, on the basis of a state guarantee for a US Exim Bank Loan, with a US Technical Assistance Agreement already having been put in place. On the basis of such holding out, Evans International is said to have incurred substantial costs in preparing for this project, which, however, had subsequently been cancelled.
4. Lanka Internet, with substantial US investment, had been the first internet service provider in Sri Lanka, for which service, Sri Lanka Telecom is said to have leased dedicated circuits to Lanka Internet. The price charged to Lanka Internet is said to have been substantially higher than that charged to other subsequent Internet service providers. In the background of seeking resolution on this, Lanka Internet is said to have been notified that their service would be disconnected from May 26, 1997.
5. IBM World Trade Corporation is said to have been issued a letter of award on January 4, 1996 communicating the Cabinet Decision, on their successful proposal on a open tender for the computerisation of the Department of Immigration & Emigration. However, the Department of Immigration & Emigration is said to have not taken action to proceed with the contract and had not offered any explanations, notwithstanding clarifications sought.

#### **TRANSPARENCY AND UNFAIR TREATMENT ?**



**Kadirgamar — Resorting to camouflage?**

The above cases had been highlighted by Ambassador Peter Burleigh as current examples of problematic difficulties encountered by US investors into Sri Lanka, in his letter dated May 20, 1997 to Foreign Minister Lakshman Kadirgamar, which letter had inter-alia, stated:— "These problems are current examples of difficulties -- some apparently terminal; others hopefully not -- that American Companies are having in doing business with Governmental entities. While each case involves different problems and issues, each reflects a lack of transparency and clear communication as well as a peremptory attitude, even in cases of signed contracts and official communications from senior government officials. With serious problems like these arising so frequently, it is very difficult for me in good conscience to advise US Companies that the trade and investments climate in Sri Lanka is uniformly positive."

Ambassador Peter Burleigh in his official communication to the US Secretary of State had specifically stated, that " ..... In all these Cases the source of the problem can be identified as some entity of the government of Sri Lanka". Ambassador Burleigh in his letter to Foreign Minister, Lakshman Kadirgamar had stated; "each case reflects a lack of transparency and clear communication, as well as a peremptory attitude, even in cases of signed Contracts....."

It is abundantly clear, that the US Embassy in Colombo had identified these cases as serious problems and had raised the issue of at least ensuring, in the minimum, that US Companies are being treated fairly. The US Embassy has stated that it is very difficult in the given circumstances, to advise US Companies that the trade and investment climate in Sri Lanka is uniformly positive. That is the loud and clear signal and the bottom line.

### **US EMBASSY – CONSIDERED OPINION**

Such clear signal and bottom line in essence had not only been in a high level communication to the US Secretary of State Madeleine Albright, but more significantly, it had been copied to US Embassies and Consulates in the SAARC countries. It would only be naive and foolhardy to consider, that such considered assessment by the US Embassy in Colombo, on doing business in Sri Lanka and such communication to US Embassies and Consulates in SAARC countries, is of no serious consequence and significance, particularly moreso, when it is well known, that particularly India and Pakistan are at present liberalising their economies and are earnestly endeavouring to mobilise foreign investments to develop their economies, for which they already enjoy a positive handicap in large domestic markets.

In such disturbing circumstances, could one with any sense of responsibility and understanding of foreign investment promotion, brush aside such high level considered official communication, merely as "a lot of hot air" and "strong letters", without diligently addressing the specific issues raised and resolving them in a pragmatic business like manner in the interest of the country ? On the contrary, ought not such foreign investments have been handled in a more professional manner and in a business like way akin to international business practices ? Surely, Ambassador Burleigh would not have made such high level communication and circulated it in such manner, unless he had given serious consideration to the subject he had dealt with.

Foreign Minister Lakshman Kadirgamar is quoted in *The Sunday Times* of October 12, 1997 as having stated "People write strong letters and then they sort it out". That most certainly is not a pragmatic business like answer. The high level communication from the US Ambassador to the US Secretary of State, on the several issues raised, reveal prima-facie material, that ought to be of grave concern to those seeking to promote the mobilisation of foreign investments into Sri Lanka.

Foreign Minister Lakshman Kadirgamar of course is quite well known to have written strong letters and later petered out. On March 22, 1995 Minister Kadirgamar wrote to his Cabinet colleagues thus; - "I would strongly press on my colleagues, with respect, the fundamental desirability of making clear to the private sector, both local and foreign, that this government means what it says that it will not tolerate malpractice in the market and that it will not condone and perpetuate [or to use a colloquial expression white-wash] malpractice where it had occurred. What had occurred in the Puttalam Cement Affair is a gross and calculated fraud on the government and people of this country. This Cabinet must not condone it in the name of trying to

placate the stock market. In the long run, stock exchange and a private sector stimulated by dubious means will again fall into disrepute, to the detriment of the national interest, as it did under the previous regime" - The whole country is well aware of what the outcome was, quite regardless of such written word.

### **IS IT A BUSINESS LIKE RESPONSE ?**

Surely, ought not such high level communication by the US Ambassador, circulated in the SAARC Countries, cautioning in no uncertain terms investments into Sri Lanka, be of serious concern to the Chairman & Director General BOI, Thilan Wijesinghe — not only on the specific issues raised, but also as to how such issues ever came to be complained of ? Would it not be the BOI's duty and responsibility to ensure that there is a proper professional handling of US investments or for that matter any other investments into Sri Lanka ? Foreign Minister Lakshman Kadirgamar himself has been known to have dabbled in foreign investment promotion missions overseas. Surely, is this the way to do business, international business at that, wasting everyone's time and efforts ?

Ambassador Peter Burleigh is held in very high esteem in the present Clinton administration. Peter Burleigh today is No. 2 in the US permanent delegation to the United Nations. Not only should Ambassador Peter Burleigh's expressed concerns ought to have been addressed promptly, in a responsible, business like and responsive manner, but also, should not positive endeavours have been made to regain the confidence of the US Embassy in Colombo, so that a further communication could have been made by the US Embassy, not only to the Secretary of State Madeleine Albright, but also to the US Embassies and Consulates, in the SAARC countries, retracting the damage caused by the earlier communication and positively encouraging US investments into Sri Lanka ? Ambassador Peter Burleigh's official communication states, that the Embassy will report in due course any subsequent developments.

The intelligent reading public would no doubt understand and appreciate the serious concerns arising from the above, vis-a-vis the mobilisation of US investments for the country's progress and development towards a liberalised economy. Such concerns expressed by the US Embassy would not only have a bearing on US investments, but also on other serious foreign investors of repute as well. Would it not only be naive and foolhardy to think otherwise?

### **WHY THIS CAMOUFLAGE ?**

Given the background and such serious concerns, *The Sunday Times* in its lead story on the front page on October 12, 1997, inter-alia stated: "... government leaders believe is a campaign in a small section of the media to project that Colombo-Washington relations have taken a nose dive .... Government sources said yesterday that a 'campaign by vested interests' to create an impression that US-Sri Lanka relations were on a low ebb has 'miserably misfired'. These sources said attempts had been made to create a 'grossly distorted' impression using letters leaked by these 'vested interests'".

*The Sunday Leader* exposures have nothing to do with US-Sri Lanka relations per se. This is an issue of considered negative opinion, based upon specific cases and not on conjecture and mere speculation, by the US Embassy forwarded to the US Secretary of State and circulated to the US Embassies and Consulates in the SAARC Countries, positively discouraging in no uncertain terms, US investments into Sri Lanka, raising issues of transparency and fairplay.

*The Sunday Leader* leaves it to the intelligent reading public to draw their own conclusions, as to whether such a matter of such serious concern and ramifications could be relegated to the "dust bin" as it were and so camouflaged ? Foreign Minister Lakshman Kadirgamar would have to bite the bullet, as it were, and respond earnestly and cause corrective action to be taken in a pragmatic and business like manner, rather than having a junior writing "tommy rot" to camouflage and make belief ! Would we not be really naively fooling ourselves and no one else, and letting the country slide with such inept bungling ?

Minister Kadirgamar on January 19, 1996 wrote to the President of this country thus; - "I repeat that I am deeply troubled. Those of us who wish to see that at least the basic tenets of honest government are observed by our government cannot rest content until this matter is fully investigated." Ironically, a much more serious issue pertaining to US investments into Sri Lanka and concerning national interest, regretfully appears to be of not much concern to Foreign Minister, Lakshman Kadirgamar.

*The Sunday Leader* considers it most apt and appropriate to quote the principles of public life, that had been set out in the Lord Nolan Committee Report on standards in public life, presented to the British Parliament in May 1995.

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