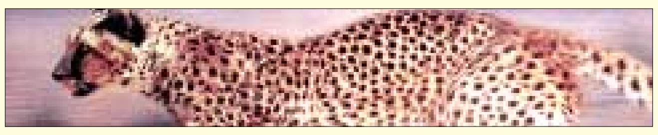


Ethiopia Page 2

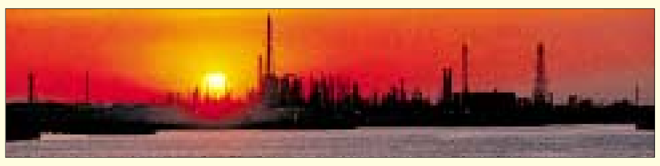
Spectacular landscapes, together with its rich history, culture and wildlife, make this undiscovered land prime vacation territory

Sri Lanka Page 5

Wealth-creation and the spread of prosperity are the keys to building a stable and balanced society

Egypt Page 7

Government reforms are bearing fruit as foreign investors regain their confidence



Our World

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DECEMBER 12, 2002

ETHIOPIA U.S. has important role in maintaining stability

Diligent promotion aims to tackle negative perceptions

■ Ethiopia is working hard to build a better image to attract the investment it so desperately needs. The business-friendly administration in Addis Ababa is working hard to promote the country as one of Africa's big opportunity areas. With a population over 60 million, and a wealth of natural resources, it has plenty to offer.

Yet many still know Ethiopia only for famine and starvation, a place of natural disasters. The two-and-a-half-year conflict with neighboring Eritrea, which ended peacefully in December 2000, was another major setback.

The U.S. has been a strong supporter of the east African country during times of need, when recurrent droughts have raised the spectre of famine and mass displacement. It is still helping in the fight against starvation and poverty, as well as assisting in the development of local institutions and the democratization process through USAID and other organizations.

The current food crisis could be worse than the 1984 famine that killed nearly a million. USAID has pledged more than 60,000 tonnes of food for Ethiopia, enough to feed more than 4.5 million people for a month.

But, in spite of the problems, things have moved on, says the country's President, Girma Woldegiorgis. New investment legislation has been drawn up, mass privatization of state businesses is under way and there is a heavy emphasis on transparency. It is time the rest of the world altered its perceptions of the country accordingly.

"Ethiopia is getting back on its feet," he says. "It is time to work. We are not hibernating any more, we are out to sell Ethiopia."

Now there is a new role for the U.S. to play, one in which the private sector helps to bring capital, know-how and sustainable development to the country. The African Growth and Opportunities Act, enabling duty free exports to the U.S. market, is a welcome policy, he says.

President Woldegiorgis adds that the Ethiopian private sector is growing fast, but lacks the financial muscle to thrive. The support of foreign investors is therefore an important instrument in the country's economic development.

"Our policy is to make the country as attractive as possible, in terms of incentives to foreign investors," he says. "We are aware that there is competition within the continent, and we are willing to give all the incentives to attract them to Ethiopia."

Addis Ababa already maintains a high international profile as the diplomatic capital of Africa. It is home to the Organization of African Unity and the UN's Economic Commission for Africa, as well as a number of NGOs. It is also a force for stability in the still-troubled Horn of Africa region, where Somalia remains unsettled and largely ungoverned.

Private sector is growing fast, but lacks the financial muscle to thrive

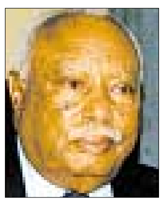
Minister of Foreign Affairs Seyoum Mesfin says U.S. support in the area of peace and security is vital. Ethiopia is playing a key role in the region by containing the unrest between warlords competing for power in Somalia, with which it shares a long land border. "We definitely need strong support from the U.S.," he says. "This is a prerequisite for political and economic development."

Mr. Mesfin spends much of his time traveling the world promoting Ethiopia's new image, and believes the 500,000 Ethiopians living in the U.S. can play a meaningful part. Only by shifting attitudes can the government hope to persuade more people, including tourists, to come to the country – one of Africa's oldest civilizations.

In 2003, Ethiopia celebrates 100 years of diplomatic relations with the U.S. and it is the right time for Americans to take stock of the relationship, says Mr. Mesfin.

"Ethiopia is in need of generous assistance from the U.S. government, its people and the NGO communities. But we want to see an end to this dependency on foreign assistance. Our call is for a strategic alliance and partnership on a sustainable basis."

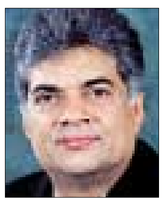
IN QUOTES



Girma Woldegiorgis

President of Ethiopia

" It is time to work. We are not hibernating any more, we are out to sell Ethiopia"



Ranil Wickremesinghe

Prime Minister of Sri Lanka

" My government has received considerable encouragement from Washington"

Hosni Mubarak

President of Egypt

" Egyptian-U.S. relations are excellent and there is strategic cooperation in all domains"

SRI LANKA Foreign investors and tourists are beginning to return

Peace talks herald a new era

■ Now is perhaps the most critical time in the history of Sri Lanka. After two decades of debilitating civil warfare that cost the lives of some 65,000 people, the country has a real chance for a lasting peace. A ceasefire agreement has held since February this year and the latest round of peace talks in Bangkok this November went smoothly – everyone is keeping their fingers crossed.

The ethnic conflict between the Tamil Tiger forces (LTTE), based in the northern part of the island, and the government of the south, has affected the Sri Lankan economy and its people for years, and has been a major brake on development.

On July 24 last year, the country was rocked by the LTTE's attack on its main airport, just north of the capital Colombo, which killed innocent civilians and destroyed both commercial airliners and military aircraft. In 2001, Sri Lanka posted its first ever negative gross domestic product growth rate of -1.3 percent.

Then an election and a change in government in December of that year strengthened moves towards peace. Now, says Tyronne Fernando, Minister of Foreign Affairs, it is the new administration's responsibility to make the peace accord stick. "The people are war weary," he says. "They want to get on with uniting the country and creating jobs for themselves, getting into the mainstream of political life."

There is no doubt that the new government has popular support, and the backing is from both sides – the Sinhalese in the south, as well as the Tamils in the north. In September, a peace rally brought Colombo to a standstill. The country wants to bury the past and go forward.

The peace is starting to bear fruit. Foreign investors are beginning to return to the country. So, too are the international tourists who provided Sri Lanka with much of its hard currency. The U.S. government – a keen supporter of the peace process – has relaxed its travel advice. The ports and airports are back to operating at normal levels.

There is a new sense of responsibility in government. This includes a commitment to crack down on the mismanagement and bad governance that plagued previous regimes. While the peace talks take center stage, there is also talk of reconstruction to heal old wounds. Those in power know the importance of creating opportunities for all people in securing a longer term peace.

Mr. Fernando – who will be a candidate for the UN secretary-general's post in 2006 – says the U.S. can continue to play a meaningful role in future development, in terms of trade and investment. Sri Lankan business delegations recently visited the U.S. to promote opportunities; senior Sri Lankan politicians, including the Prime Minister Ranil Wickremesinghe, have been welcomed at the White House. "We need your investment, we need your tourists and your trade," he says. "Nothing more – we are not asking for handouts."

During the visit the Prime Minister asserted the importance of Sri lanka's good relations with America. "With a rational approach to policy and the support we are receiving from major countries such as the U.S., I believe we will move ahead," he says. "My government has received considerable encouragement from Washington and our relations with America are as good as they could be."

A lasting peace will offer the chance to create a more affluent society

EGYPT Diversification is key to economic development

Following the middle way

■ There are few countries in the world that are currently strategically more important to the U.S. than Egypt, given its close proximity to the Middle East, Europe and Africa. President Hosni Mubarak, the country's reformist leader, has become an enduring source of support to Washington in recent years, before and after the events of 9/11. The size of the country – with a population close to 70 million – makes it a powerful regional ally.

In today's unpredictable climate, modern Egypt is a prime example of stability and continuity, where the government has chosen the middle path: nurturing links with the West, but responsive to the needs of traditional Islamic groups at home. Security, however, remains an ongoing issue as Egypt confronts the threat of militancy within its borders.

Against this maturing political association, the U.S. has supported President Mubarak's efforts to transform the Egyptian economy, which remains largely state-controlled and heavily dependent on receipts from the tourism sector and oil and gas, both highly volatile businesses. Toll revenue from ships using the Suez Canal remains another primary source of hard currency.

Certainly, the potential of the Egyptian market is huge – Cairo itself is the largest city in Africa – yet much of the country remains underdeveloped and many of its people poor.

Diversification into new areas – such as natural gas and petrochemicals – has been a key element of the government's sweeping economic agenda. Enormous strides have been taken to reform the public sector, crack down on corruption and create the right conditions for the free market to prosper.

Taking major industries out of state hands – such as the privatization of all three major cement companies to foreign and local investors – has been another important thrust of the Egyptian strategy. This liberalization policy has ushered in more foreign investment, enhancing the link between the local and the global economy. Interest in certain sectors, especially oil, natural gas and industrial establishments, remains very strong. There has also been a flood of investment in the rehabilitation and expansion of the country's infrastructure: its roads, railroads, airports and sea ports.

ENI

The Egyptian government aims to expand the hydrocarbons sector into the new areas of natural gas and petroleum

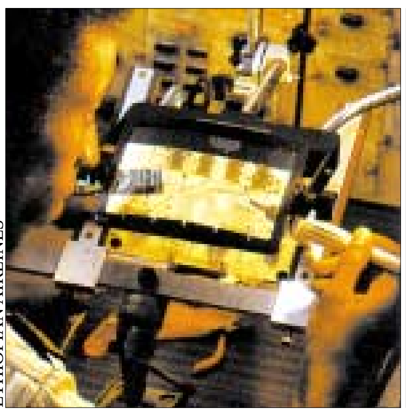
Though Egypt has been hit by perceptions of risk that have frightened off some tourists and potential investors, its fundamentals are sound. Since the late 1990s, gross domestic product growth has hovered consistently at around five percent – a measure of the present regime's success in managing the macroeconomic environment. There has also been an ongoing social reform program to improve education and health and alleviate hardship. The creation of jobs for the country's large pool of human talent remains one of the principal goals in the road to development.

ETHIOPIA

Land prepares to realize its tremendous potential

A determined and reforming pro-business administration promises international investors a secure home for their capital

■ The challenges facing Ethiopia are immense, yet there is a firm resolve common among key figures in the government to turn things around. In the capital, Addis Ababa, signs of a new-found optimism are clearly evident. The new state-of-the-art terminal at Bole International Airport is an impressive gateway to the country; the luxurious Sheraton Addis is one of the finest hotels in Africa. Infrastructure across Ethiopia is being improved; policies and regulations are being fine-tuned.


ETHIOPIAN AIRLINES


MIDROC

The government is unlocking the potential in its human resources

Conflict with Eritrea led to a slowdown but the economy is now starting to regain momentum. Gross domestic product (GDP) growth is expected to come in at around 6.7 percent this year. Crucially, Ethiopia is able to offer a secure environment for investors, says Prime Minister Meles Zenawi. “We hope that investors are now confident that peace is here to stay and that they understand the government means business,” he says.

There is certainly huge potential, in terms of natural resources and the abundance of human talent, but there are also tight financial constraints. Diversification is a priority. Ethiopia is especially keen to add value to agriculture, modernizing and developing its coffee, cotton and sugar output. “Our objective is to move from agriculture to agro-processing industries and labor-intensive industries,” adds Mr. Zenawi.

Other important investment areas include the development of the country’s minerals and water resources – Ethiopia has the potential to be a major exporter of hydroelectric power to the east African sub-region. Tourism is another priority, given the country’s rich history and plethora of unique religious and heritage sites.

As well as improvements to infrastructure, both to facilitate business and to attract greater numbers of foreign tourists, the government is developing its human resources. By 2004 there will be eight universities, up from one in 1994, and primary school education is now available to 60 percent of the population, against 20 percent a few years ago.

Taking education to the rural communities is a major step in promoting agricultural development and modernization, argues Adissu Leggesse, Minister of Rural Development. He believes that unless farmers get a basic education it will not be possible to introduce new technologies. The development of the agricultural sector, which provides a living for the vast majority of people, is absolutely crucial. “Our problem is that we have no capital, we have no modern technology, but we have the labor and a fertile land,” he says. “Unless we exploit these, we will not be able to reduce poverty.”


MELES ZENAWI
Prime Minister


SUFIAN AHMED
Minister of Finance


GETACHEW BELAY
Minister of Revenue

In the financial sector, there has been significant progress as a result of the government’s broad liberalization program. In insurance and banking, for example, Ethiopia is now open to the outside world.

Sufian Ahmed, Minister of Finance and Economic Development, says the financial services sector is now driven by competition. “The more competitors you have, the better the services will be,” he says.

Today, there are four private banks and about the same number of insurance companies. “They have taken a large market share and improved the entire industry by introducing new products and a new approach,” he adds. The outlook for the sector is promising.

Ethiopia has made significant headway in bringing the macroeconomy into line with low inflation and greater fiscal stability. There is transparency, too, with the big banks opening their books to international accounting firms. This benign financial environment underpins the government’s drive to attract more foreign direct investment to the country. Here, detailed policies and incentives have been put in place to make the country as competitive as possible.

A major overhaul of the tax system is nearing completion as well, overseen by the newly-formed Ministry of Revenue – until a year ago just a department within the Finance Ministry. The objective is to improve the efficiency of tax and customs revenue collection and to implement a new value-added tax, as of January 2003.

Getachew Belay, the Revenue Minister, says that the aim is to place Ethiopian tax revenues on a par with the rest of the continent as well as to restore confidence in the system among businesses and other taxpayers.

“If you look at the tax/GDP ratio, Ethiopia has one of the lowest in the world,” he says. “I know in countries like the U.S., or any developed country, it goes beyond 40 percent, sometimes 50 percent. Even in most African countries, the tax/GDP ratio is more than 20 percent, but in Ethiopia it is only about 13 percent.”

The fundamental reform of the tax system, which started in 1999, will include the launch of a new IT system that will issue personal identification numbers to all taxpayers. The network will connect all collection offices across the country, both federal and regional, and there are plans to link it with customs houses and the banks. “This tax law really encourages trade and investment in Ethiopia,” says Mr. Belay.

For businesses, the corporate profit tax has also been cut from 35 percent to 30 percent, comparable to more favorable tax regimes elsewhere in Africa.

INVESTMENT/ Agency works to refine legislation

One-stop shop steers a path to opportunity

■ Business is changing fast in Ethiopia. Just 10 years ago, there were virtually no private companies in the country. Today, foreign investors are embraced, a gesture of the goodwill and openness of the current pro-business regime. Attracting foreign direct investment (FDI) is a major priority of the government.

The successful sale of around 200 former state-owned entities to a mix of foreign and local private investors is an important sign. The issue of clear and consistent investment legislation, coupled with greater transparency and guarantees, has been a decisive factor.

When a foreign company first arrives in Addis Ababa, the chances are it will head straight for the offices of the Ethiopian Investment Authority (EIA), established in 1992 to provide a full range of investor support services. A one-stop shop investment center, the organization has steered a new breed of companies into Ethiopia, flagging opportunities in agriculture, horticulture and textiles manufacturing, as well as other industries, such as mining, tourism, construction, education and consultancy. “We want to inform foreign investors about the program Ethiopia has developed to attract as much FDI as possible,” explains the EIA’s General Manager, Abi Woldemeskel.


ABI WOLDEMESKEL
General Manager of Ethiopian Investment Authority

Political and social stability, as well as a more predictable macroeconomic climate, have helped the authority to promote Ethiopia on the world investment map. With a domestic market of around 60 million people, and a regional one in excess of 300 million, there is ample scope for local sales. Through the African Growth and Opportunities Act (AGOA), there is also huge potential for exporting products to the U.S. duty- and quota-free.

As well as selling Ethiopia, the EIA is also involved in refining investment legislation, to identify bottlenecks in the system. This has resulted in further improvements to the 1996 investor code. Mr. Woldemeskel says that the emphasis is on making things as comfortable as possible for investors – it has removed restrictions on expatriate employees and capital entry requirements, for example – and in making Ethiopia a competitive destination for private capital. “We have to identify all the policy and operational constraints that exist in the country and propose to the government the ways and means of addressing these problems,” he adds.

This responsiveness is evident in other areas, too. The EIA approves all investment proposals and issues licenses within 10 days; it also approves all expatriate posts in the country and issues relevant work permits.

Outside the capital, there are a number of other local offices coordinating investments into the regions. The Investment Office of Oromia is responsible for channeling investment flows into the Oromia region, the largest and most highly populated area, located in the heart of the country and bordering Kenya and Sudan.

According to General Manager Mohammed Hussein, Oromia has significant potential in agriculture, mineral resources, tourism, water and hydro power. Agriculture dominates the local economy, accounting for 87 percent of all employment. Mr. Hussein is particularly keen to see investors add value to this sector and modernize production.

With a population of nearly 24 million, there is an abundant labor supply. Indeed, Ethiopia’s diligent, trainable and low-cost labor force, is a major competitive advantage – Oromia's infrastructure and road network is also above average for the country.

The privatization initiative continues to present opportunities to both foreign and local private sector operators. Though the government is open to foreign investment in the privatization process, it is also looking for a commitment to the long-term development of the country. It is naturally keen therefore to see more joint ventures between foreign and local partners, rather than outright sales.

Mr. Woldemeskel says that it is high time foreign attitudes to Ethiopia changed. “Ethiopia is completely changing and the perceptions of the international community about Ethiopia should be changing too,” he says. His advice to prospective investors is simply to come and see the changes for themselves. “Seeing is believing,” he points out.

INSURANCE

Sector looks to dominant player

■ Ethiopian Insurance Corporation (EIC), as the dominant player in the local market, has a responsibility to help the formative financial services industry grow, says its acting Managing Director, Tewodros Tilahun. Despite the new pressure of competition after enjoying a long monopoly, the company knows it must act responsibly to nurture public confidence in the overall insurance market.

Mr. Tilahun says that the Ethiopian insurance sector still has a long way to go and has not developed as quickly as expected following the introduction of private competition. EIC is working to encourage more progress.

“EIC contributes to the development of the sector,” he says. “It spends a lot of money to develop the market, especially with regard to life insurance.”

With 24 branches throughout the country, the company still retains more than 50 percent of the market and has regained its position after a slight dip following the introduction of new operators. It is looking at expansion across the region and has already established its first presence in Djibouti. Its corporate client list includes the cream of Ethiopian business – Ethiopian Airlines, Ethiopian Shipping Lines and Ethiopian Electric Power Corporation.

Mr. Tilahun thinks that people have started to realize the strengths of EIC, both in financial terms, and in its 26 years of experience serving the local market. “The clients are coming back and our market share is rising up to 53 percent again,” he says. “It made us realize that we have to improve our services in order to win the battle against the private insurance companies. So we aim to continually improve our services, especially in our claims department.”

Among the areas of business EIC is involved in are motor insurance, fire cover, work-related compensation and aviation. It has a strong and diversified portfolio of investments both at home and abroad. This year, turnover jumped by 36.9 percent on the previous year, testimony to the company’s successful strategy.

The challenge now is to develop the market and to grow with it, says Mr. Tilahun. “Our problem comes from the fact that we were a monopoly company,” he says. “The management needs to evolve, the attitudes need to change. Everybody should realize that we have to be selected because of our good services.”

TRANSPORT / Landlocked nation seeks to improve global access

Reaching beyond its borders

■ As a landlocked state, Ethiopia relies on its airports and close links with its neighbors for access to the outside world. The government is determined to improve infrastructure links in all areas, to further open up the economy to international trade and investment.

The new flagship terminal at Bole International Airport in Addis Ababa is the first thing most visitors to the country will see. The ultra-modern glass structure dominates the skyline of the Bole area, a fitting emblem of the progress this country has made in rejuvenating its air transport facilities.

The $123 million terminal is part of a broad redevelopment initiative of airport facilities across the country. Bole now boasts an extended runway, plus numerous other features for both aviation customers and passengers alike. In the first phase, capacity will be increased to 1,870 passengers per hour, rising to 2,900 at a later date.

As well as improvements to services, the Ethiopian Civil Aviation Authority is committed to providing the very best in safety and security measures for airliners and passengers. The national flag carrier, Ethiopian Airlines, is also upgrading its fleet with 12 new aircraft from Boeing.

On the ground, there are moves to develop internal transportation systems, both on the roads – still the major carrier of both freight and people – and on the railroads. This could lead to private sector operators taking over the sole railway linking Addis Ababa with Ethiopia's main trading port in neighboring Djibouti.

Chemin de Fer Djibouto-Ethiopien, the state rail company that operates the line, built more than 100 years ago by the French, needs fresh capital. Abraha Habtegzi, General Manager, says that little has changed in terms of modernization and improvement. As a result, the railway supports just seven percent of the country's import-export trade, losing out to the road haulage companies.

AMBACHEW ABRAHA

Managing Director of Ethiopian Shipping Lines

"This is probably the only country in the world where railway transport is more expensive than any other means of transportation such as trucks," says Mr. Habtegzi. "The railway should be the cheapest means of transport, and the safest. It means nobody pays attention to customers, to costing, to pricing, to marketing."

A new marketing campaign is under way and there are plans to halt the serious ills that have plagued the system. Mr. Habtegzi believes that it can easily raise its share of the three million tonnes of annual import traffic to 10 percent. "We have many examples of clients that are not satisfied with the road transport and want to use the railway, but they were not aware of the services that we could provide them – this is going to change," he says.

The relationship with the port of Djibouti, now under foreign management in Dubai, is vital to Ethiopia's logistics, with some 90 percent of the country's trade transported by sea.

Ethiopian Shipping Lines, the national sea carrier, aims to improve links between the coast and the interior. There is a proposal to build a dry port in Djibouti with a connecting rail link to Ethiopia.

The war with Eritrea has presented difficulties, but Ambachew Abraha, Managing Director of Ethiopian Shipping Lines, says the company has successfully re-oriented itself away from Eritrea, utilizing Djibouti as the primary coastal outlet for Ethiopian trade.

"We had to adjust ourselves in a very short period of time," he says. "Today we are operating smoothly again."

The shipping company maintains a sharp competitive edge servicing local customers from door-to-door. It is also committed to improving its fleet and complying with all international maritime regulations, and supports a strong in-house training program for all staff. "We are very close to our customers," says Mr. Abraha. "We are based here in Addis Ababa and can ensure quality service to 90 percent of our customers."

INDUSTRY

Private sector requires venture funding to kick start expansion

■ The private sector is the driving force behind the growth of Ethiopian industry in recent years. In the past eight years or so, the contribution of the private sector to the country's total exports has risen from around 19 percent to more than 90 percent today. The government has recognized that private capital must play a vital role in the transformation of the economy. It is also convinced that diversification into new areas is of fundamental importance.

MIDROC

Pharmacure is creating a state-of-the-art manufacturing facility

Fantaye Biftu, Minister of Industry, says the private sector is growing fast, but is still not big enough. There is a need for private sector involvement in all areas of the economy, from tourism to manufacturing to farming. "We are encouraging diversification, though it is not easy," he says.

In the agriculture sector, there is a need to develop the production of traditional crops, such as coffee, and to broaden the range of agro-industrial output by diversifying into other areas. "We know it is not easy to tell a farmer one day to produce coffee and the following day to actually explain to him that the coffee he produced is not going to be sold and that he should move to oil seeds."

A prime example of one of Ethiopia's thriving modern-day firms is Pharmacure, a subsidiary of Midroc, owned by Sheikh Mohammed Al-Amoudi. The company, headed by its General Manager, Abennet Meskel, was established in 1998 to fill a need for affordable pharmaceutical products in the country. Ethiopia, like other developing countries, depends largely on imports for its basic pharmaceutical needs.

The company is in the middle of a multi-million dollar project to create a state-of-the-art manufacturing facility that will produce a range of drugs, intravenous fluids and other healthcare products.

Phase one, with a capacity of 10 million intravenous units per year – enough for Ethiopian demand and offering potential for export – is already complete; phase two, for the production of over 80 different items in six dosage forms, is now under way. The firm is working with international partners GlaxoSmithKline and Bovis Land Lease on the second phase.

Ambassador Irvin Hicks is a senior advisor to Midroc and Pharmacure. He says the project is essentially about making Africa well. "The idea is to provide world-class health products for Ethiopia and other countries in Africa," he says. "We are committed to providing the country of Ethiopia with internationally-recognized health-care at an affordable price."

The Pharmacure project is a symbol of what can be achieved in Ethiopia by the private sector. Certainly, Mr. Hicks believes the country offers good returns for other investors. It is also largely free of the corrupt practices that plague many African states. "Return on investment is good, the labor force is cheap and the people are keen to learn as much as they can," he adds.

The need for foreign investment is vital if local companies are to achieve their true potential. Mugher Cement Enterprise, for example, is operating at full capacity, up to 900,000 tonnes of cement per year. The company, created by an East German firm 45 years ago, now employs 1,300 people and has a turnover equivalent to about $11 million, but is looking to expand. There is potential for export, but at the moment, Mugher cannot keep up with local demand.

BASSO ASSEFA

General Manager of Mugher Cement Enterprise

Basso Assefa, Mugher's General Manager, says a feasibility study has been carried out on building an additional $150 million plant that could double capacity, but he says that even this achievement is simply not enough.

"We are going to double the capacity, but it would just be sufficient for the local market," he says. "That is what the market tells us."

The problem is raising finance to kick-start the expansion. Mr. Assefa is in talks with a number of local investors about the scheme, although he would also like to draw in foreign involvement. "We would like to have foreign investors who would bring in more than funds," he says. "It would be good to share know-how and the technology as well."

The privatization of state-owned companies is another crucial part of the equation in encouraging more private sector-led development. A former General Manager of Mugher, Gizaw T/mariam, who helped turn the company around 10 years ago, is now head of the Public Enterprises Supervising Authority, which is actively involved in the sale of outstanding state companies.

The Metahara Sugar Enterprise is in a similar position to Mugher. Success at home means there is a need to grow, but there is also a requirement for external investment to help finance expansion.

There is a plan to double capacity at the factory from 5,000 tonnes to 10,000 tonnes of cane per day. Metahara is also looking to develop the land around the factory in support of the farming communities that supply it.

General Manager Sufian Ibrahim is convinced that Ethiopian sugar could ease the dependency on coffee growing. He says the company could become a major sugar exporter if it receives the support it needs. "We believe that if foreign investors come and invest with us, it would, in the first place, be a good business opportunity, and, second, they would improve the standard of living of the farmers around the plant."

ENERGY / Infrastructure improvements aim to boost the sector

Doors are open to exploration

■ Though energy and mining represent just a fraction of the national economy today, Ethiopia's wealth of natural resources suggests this picture will alter considerably.

The government refined its investment laws several times during the 1990s to entice more foreign oil, gas and mineral exploration firms to the country to unlock this enormous potential.

Ethiopia has a long history in mining – gold mining, for example, dates back to Biblical times. In the modern era, however, Soviet influence largely excluded Western exploration. Now, the door is again wide open to international mining companies to search for platinum, tantalum, base metals and, of course, gold. A number of South African, Canadian, Saudi Arabian and Norwegian firms are already present, but the government is keen to see more U.S. companies take an interest.

According to Mohamoud Dirir, the Minister of Mines, improving the outside world's perception of Ethiopia is a key factor in attracting foreign private capital. "A better image on the international scene is really important for Ethiopia," he says. "It will complement the policy of the government, which is to invite a lot of investors. We want to follow the Western model."

Ethiopia is currently producing a number of industrial minerals. The National Mining Corporation, a subsidiary of Midroc, is one local operator involved in producing marble, granite and limestone throughout the country. Much of its output is sold to Midroc for use in building projects, though it is also exporting dimension stone (which can be quarried for blocks or slabs and meet specifications for size and shape) to neighboring states.

The country offers great prospects for oil and gas exploration. A number of known deposits of hydrocarbons have already been identified, such as the Calub gas field, though they remain undeveloped. U.S. and other investors are examining proposals to develop Calub, utilizing the gas for power generation and industrial projects.

Presently, oil investment in Ethiopia is mainly confined to downstream activities. One of the country's largest operators in petroleum distribution and marketing is Shell Ethiopia, which has been in operation for around 50 years. It recently acquired the local network of regional player Agip – alongside its operations in Uganda, Kenya, Eritrea and the Côte d'Ivoire – to make it the largest retailer in the whole of Africa.

Shell Ethiopia's Country Chairman Tadesse Tilahun says his priority is to bring Shell's standards to Ethiopia. "It is a challenge to operate in Africa because as Shell we have to maintain our global standard," he says. "There are no double standards."

The company has invested heavily in its retail network and in improving environmental performance. It is also committed to improving road safety standards. "Road transport in Ethiopia is a big challenge," says Mr. Tilahun. "Safety is paramount, so we have our own driving academy where we actually train drivers in safe driving and avoiding accidents."

The Ethiopian Petroleum Enterprise is the sole supplier of oil products to the three main retail operators in the country. It buys refined oil products on the international markets and stores them in Djibouti using the local facilities of Shell, Mobil and TotalFinaElf, though it used to operate its own refinery in Eritrea.

General Manager Yigzaw Mekonnen says the key challenge facing his organization, and indeed Ethiopia, is in securing more options in terms of port utilization.

"The continuity of supplying petroleum products is one point we are focusing on today," he says. "We can't just rely on one port." Among the options are Kenya, Sudan and Somalia, though, in each case, the investment needed to upgrade infrastructure would be considerable.

Mr. Mekonnen says his company is open to working with foreign investors in the future and that there are plenty of opportunities on offer. It is looking to support the distribution of its products more closely within Ethiopia – currently, the retailers transport the products themselves from Djibouti – utilizing strategic depots throughout the country. "We will continue importing, we will continue serving the nation," he says, "but with more efficiency."

Oil and gas development bodes well for the future development of the electricity sector, too, diversifying the country's resources base away from hydro, which dominates power generation. With its enormous hydro potential – estimated at 30,000 MW – the country could one day become a major exporter of power to other states. At present, it only utilizes about two percent of this total.

State-owned Ethiopian Electric Power Corporation is factoring this into its long-term strategic development plans. According to Chairman Mihret Debebe, the potential to export is highlighted in the corporation's 25-year masterplan. A rural electrification program and the raising of overall generating capacity are the other major objectives.

"A major focus is the infrastructure link between countries," he says. "Ethiopia has a big potential to export power up to north Africa, or to the Mediterranean countries."

TOURISM / First-class facilities await the visitor with a taste for history

Landscape, culture and wildlife are just some of the draws

■ It is something of a wonder that Ethiopia's tourism potential is still so little known. The spectacular varied landscapes, including the source of the Blue Nile, and the rich history, culture and wildlife, make it prime vacation territory.

Those who have discovered Ethiopia would probably like to keep the secret to themselves, but the message is starting to filter through. Tourism is now one of the most important sources of foreign exchange for Ethiopia, after coffee exports and other cash crops.

JEAN-PIERRE MANIGOFF

General Manager of Sheraton Addis

According to Jean-Pierre Manigoff, General Manager of the Sheraton Addis, one of the Africa's premier hotels, visitors will find landscapes comparable to Kenya, and awe-inspiring historical sites akin to Egypt. He believes that the country offers the best of both worlds to foreign tourists.

The main starting point is likely to be Addis Ababa – which means 'new flower' in Amharic – one of Africa's largest inland cities, with a population over three million. Looking down over the city from the heights of Entoto Natural Park is one of the highlights of any visit to Ethiopia.

The National Museum contains skeletal remains that date back around four million years and which caused a radical rethink of the timescale for mankind's development after their discovery.

Addis Ababa offers some of the most luxurious accommodation in the whole of Africa. Indeed, from its spectacular hilltop setting overlooking the city, the Sheraton Addis has been called one of the continent's most beautiful hotels.

Distinctive architecture embodies the finest elements of Ethiopian culture and contemporary design, while an enchanting courtyard, cascading pools and fountains create a haven of tranquillity.

The Sheraton Addis, a subsidiary of Midroc, run by Sheikh Mohammed Al-Amoudi, opened in 1998. The hotel, just six miles from Bole International Airport, boasts 291 guest rooms, 33 suites and four villas. It also offers complete business services and nine meeting rooms to accommodate up to 1,730 people. There are five restaurants, six bars and even a nightclub. Addis Ababa's high-profile diplomatic standing means that the hotel has largely catered to a business clientele – although tourists are, naturally, very welcome, says Mr. Manigoff.

Outside the capital, evidence of Ethiopia's rich history is ubiquitous. Many visitors are keen to trace the historic route in the land that was once known as Abyssinia, one of the great kingdoms of the ancient world, ruled by the Queen of Sheba.

The small town of Axum, the country's holiest city, with its huge granite monoliths, or steles, illustrates some of this ancient splendor. One of the remaining steles, though broken, is regarded as the largest monolith in the world. The town, which dates back 2,000 years, is home to a number of other famous religious sites.

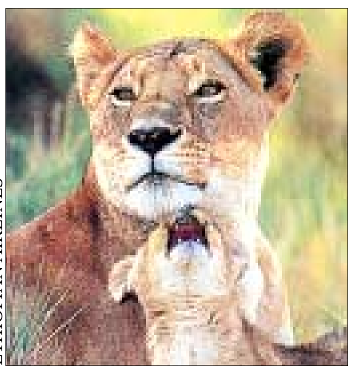
Religion has always been a major influence in Ethiopia – indeed, few countries in Africa possess such religious diversity. The largest religious group is the Ethiopian Orthodox Church, followed by Sunni Muslims and those with traditional beliefs.

The wonderful rock-hewn churches of Lalibela, a key holy city for European Christians, are another major attraction. About 150 miles south east of Axum, the 11 churches are remote, but well worth the effort. The carefully-crafted churches, carved out of bedrock, have been described as the eighth wonder of the world.

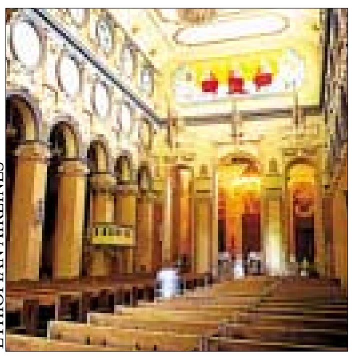
Other highlights include the beautiful Lake Tana, the country's largest lake, covering 1,389 square miles, and the Blue Nile Falls near Bahar Dar. Known locally as Tis Isat, where the Blue Nile plunges into one of the world's greatest canyons, the thunderous cascade of water creates vast, misty rainbow arches reaching into the sky.

A little to the north of the Blue Nile Falls lies the historic city of Gondar, capital of Ethiopia from 1632 until 1886, and still home to impressive 17th century castles and other landmarks.

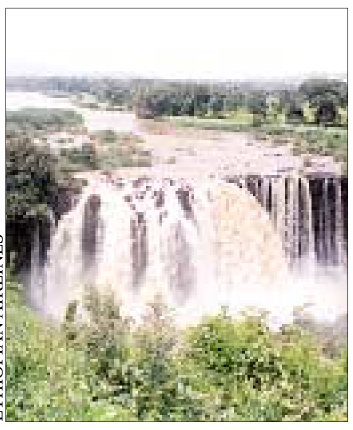
Ethiopia is the perfect place to see wildlife – the country has more than 850 recorded species of birds, for example. In addition to Entoto, other national parks include the Simien Mountains, Bale Mountains, Abiyata-Shala and Nechi Sar.



ETHIOPIAN AIRLINES



ETHIOPIAN AIRLINES



ETHIOPIAN AIRLINES

Top: Ethiopia boasts abundant wildlife; middle: interior of rock-hewn church at Lalibela; bottom: Blue Nile falls

The Sheraton Addis has been described as one of the most beautiful hotels on the African continent

SRI LANKA

Peace process is essential in order to build a stable and productive society

■ For its peace process to work, Sri Lanka must act fast to include all its citizens, both north and south, in the mainstream economy. This means repairing infrastructure, creating jobs, and even removing leftover mines from farming land. Only through wealth-creation and the improvement of prosperity on the fringes can Sri Lanka hope to build a stable and balanced society.

The government has launched an initiative called 'Regaining Sri Lanka' to coordinate the reconstruction and development process. It offers a carefully constructed and workable strategic approach towards economic development. It is also intended to boost investor confidence.

The intention is to move away from the mismanagement of the past, creating a more transparent and open environment that will prove attractive to investors. The government wants to remove barriers to investment and productivity, add value to local enterprises, and make the country an important air and maritime transport hub.

Above all, the initiative means ensuring strong rates of growth for the foreseeable future. Kickstarting the economy as quickly as possible is a top priority for the country's leaders.

Prime Minister Ranil Wickremesinghe is well aware that Sri Lanka does not have the luxury of time. "Economic reconstruction and development of the affected areas will be a deciding factor in sustaining the momentum of political negotiations," he says. "Development is part of the healing process in a wounded, divided society. The pressing day-to-day problems of the people need to be settled as early as possible."

Certainly, 2002 was a much better year for Sri Lanka than the previous one. GDP growth is expected to recover to around 3.5 percent – a platform on which to build in the coming years.

KAIRSHAP CHOKSY

Minister of Finance

The Prime Minister himself has been well received in the U.S. during two official trips to New York and Washington. During his July visit he met with President George W. Bush, the highest-level official meeting in the history of U.S.-Sri Lankan relations.

The U.S. is the main destination for Sri Lankan exports, especially in the garments sector. Both countries are currently examining the possibility of a free trade agreement.

The peace negotiations themselves are complex and will take time. But evidence of a commitment to change, and improvements in the lot of the people will go a long way to rebuild trust. Mr. Wickremesinghe says that 'Regaining Sri Lanka' is much more than a slogan. It is a practical strategy in which the international community can participate.

As well as enticing more tourists back to its shores – tourism has been a key industry for many years – it aims to attract foreign investors in new areas, such as IT and services. The privatization process is one way in which the country hopes to realign its economy along free market lines, as well as generate increased levels of foreign investment. It is also a solution to the country's sizable public debt, which is greater than the government's revenues last year. As Mr. Wickremesinghe points out, growth in Sri Lanka will be "good for everyone".

His Finance Minister, Kairshap Choksy, admits that the peace process has boosted confidence in the country, but the challenge is to maintain it and maximize the opportunities it presents. "The ceasefire has so far held well," he says. "We now want to build on the success we have achieved so far by coming to a negotiated settlement with the LTTE. That is the first and the major challenge we have."

Over the next few years, Mr. Choksy foresees that the development of neglected rural areas will be crucial. This means greater access to education, electricity and other services to some of the country's poorest people. The end of hostilities will free public money for such projects.

At the same time, Sri Lanka aims to regain the confidence of the international donor community, including the International Monetary Fund. This in turn, means sticking with structural reforms, slashing bureaucracy and creating a free market. De-regulation has been implemented in areas such as customs and tax administration, labor laws are being amended and transparency is being re-infused into all governmental activities. It is a period of quite dramatic change.

The role of the international community will be vital if Sri Lanka is to get back on its own two feet. The government has negotiated foreign donor assistance to improve its sea ports and highways. There is an urgent need to restore transport links between the north and the south, although the free movement of people is already permitted.

The government has launched an initiative called 'Regaining Sri Lanka' to coordinate the reconstruction and development process

Mr. Choksy says the stimulation of economic growth is two-pronged. "Firstly, to build up confidence in the consistency of the government's economic policies and to show that the policies are executed with transparency. On this the new government has been particularly strong."

The second factor involves specific direct measures. "We have removed capital gains tax, and we have not imposed the newly established debits tax on capital transactions," he says.

"Treasury bonds are being made available through the Central Bank and marketed by commercial banks. Regulations applicable to the stock exchange and public-quoted institutions are being modernized and brought into line with internationally-accepted norms."

These are the measures that will help transform Sri Lanka's financial standing in the international community. "Spectacular and overnight recovery of the economy cannot be expected in the backdrop of the past," says Mr. Choksy. "But a definite start has been made which will give positive results in 2003 and 2004."

PRIVATIZATION / Divestment program offers major opportunities for bold foreign investors

Government seeks high-quality partners in drive for growth

■ Foreign direct investment (FDI) is an essential part of Sri Lanka's strategy for growth. Investor confidence has returned since the traumatic airport attack in 2001, but there is still a need to get the message across to foreign companies that now is the right time to take a look.

The outlook is already promising. The Board of Investment (BoI) hopes to see an unprecedented $300 million in investment for 2002. Hot investment areas include the IT sector and the garment industry. Much of this, though, will be investment from local firms and established foreign operators. The BoI wants to see more new companies taking the plunge.

The government's ongoing privatization initiative has already recorded some impressive results, attracting foreign investors from far and wide, but there are significant opportunities ahead with the sale of more state-owned entities. The liberalization of all parts of the economy, from petroleum marketing through to the state lottery – offers ample scope for business.

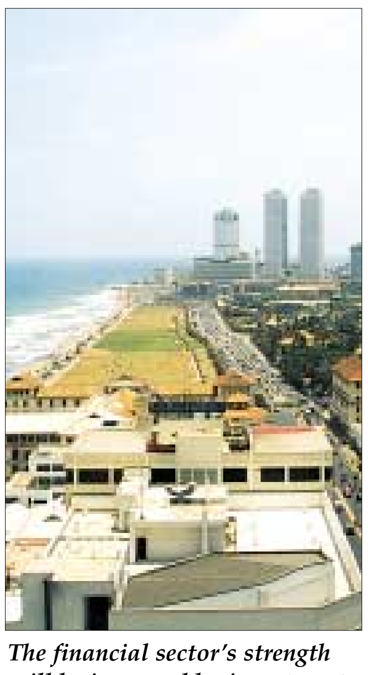
The financial sector is already well-developed and competitive in Sri Lanka, but the privatization initiative is expected to strengthen it further.

State-owned Sri Lanka Insurance Corporation, for example, – the largest insurer in the country – is competing head on with a number of private operators. It is slated for full privatization, which represents a major opportunity for foreign operators in the industry. The government is looking to divest up to 90 percent of the company, appointing a core investor, and issuing the remaining 10 percent to the corporation's employees.

Chrisantha Perera, Chairman, says only the best applicants need apply, as the aim is to add value to the corporation. "The government would like to have a strategic investor coming into this financially strong service industry," he says. "The correct party obviously has to be someone who has the right professional knowledge of insurance."

Seylan Bank, an indigenous concern set up in 1988, is an example of how far the private sector financial institutions have come. The bank – owned by the Ceylinco group of companies – achieved a remarkable 219 percent growth in net profits during 2001, testimony to its successful strategy. It has an aggressive expansion program under way that has resulted in investment in areas such as IT and human resources.

Rohini Nanayakkara, Seylan's Chief Executive Officer, says the banking sector is one of the most dynamic in the country, and within it she wants Seylan Bank to be the best. "We are very open to change, to progress, and to being the most modern and innovative bank in Sri Lanka," she says.



The financial sector's strength will be increased by investment

The company's commitment to improved customer service has been welcomed – it has been described as the most caring and trusted bank in the country. Seylan is continuing to develop its retail and commercial activities, while looking to form relationships with foreign institutions and potential investors.

According to Dr. P. B. Jayasundera, chairman of the Public Enterprises Reform Commission (PERC), which advises the government on privatization matters, the U.S. is becoming an increasingly important port of call in the search for new investment. As the country's major trading partner, it is a natural place to seek FDI. He also believes that Sri Lankan businesses can learn from U.S. firms, as well as benefit from their financial muscle, in areas such as corporate governance.

CEYLINCO / Conglomerate creates wealth through micro-credit

Group creates a social stir

■ One of Sri Lanka's largest and oldest private companies, Ceylinco Consolidated – headed by its Chairman, Deshamanya Lalith Kotelawala – is moving away from ordinary business principles to address some of the country's most pressing issues, especially helping the poor.

The Ceylinco group – which boasts more than 100 distinct companies, spanning virtually every industry sector from cement through diamonds to security services – is showing its caring side. The group, whose core business is financial services – Ceylinco is derived from Ceylon Insurance Company – is using its influence and technical expertise to create positive ripples in the social arena.

Mr. Kotelawala is behind Ceylinco Grameen, a credit institution set up to make a real impact in improving the standard of living for Sri Lanka's less privileged. The organization, which relies on donations, issues micro-credit – initially worth the equivalent of up to $50 – to those people with no assets, in order to help them carve a living out of nothing. It is based on a concept first employed in Bangladesh in 1976.

Since its inception, Ceylinco Grameen has processed around 5,000 applications, allowing an estimated 18,000 people to support themselves for the first time, mobilizing just half a million dollars. The organization makes the money go a long way.

In addition to providing small loans Ceylinco Grameen offers guidance on how to use the money and how to create new opportunities for self-employment. The company also addresses other problem areas of the poor, such as housing, children's education and business development.

Mr. Kotelawala believes that the idea could eventually solve many of Sri Lanka's economic problems by increasing employment. "I've made it my mission to develop the Grameen banking system to allow businesses to employ more people."

Ceylinco Grameen is looking to benefit from overseas donations particularly from Sri Lankans living abroad. The Ceylinco group itself is well established in the international field. In the U.S., the company has a number of joint ventures encompassing technology and diamond cutting. In all, the group has more than 350 offices throughout the world and employs more than 21,000 people.

DESHAMANYA LALITH KOTELAWALA

Chairman of Ceylinco Consolidated

Mr. Kotelawala is also helping in the reconstruction and development of Jaffna in the north of the country as part of the peace effort. In 1996, he was nearly killed by a bomb blast in Colombo. Now, he says, he is "fighting for peace" as a prerequisite for long-term development in the country.

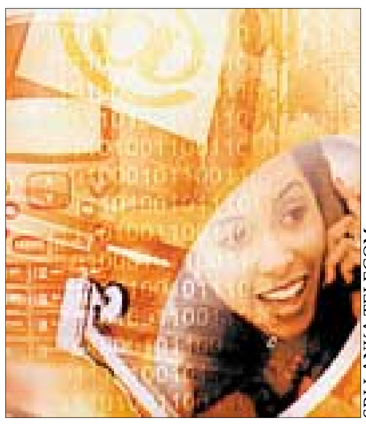
Certainly his faith in the Ceylinco Grameen initiative is paying off. As well as improving the lives of thousands of people immediately, the scheme looks viable long-term, with high recovery rates allowing new loans to more people.

Loans are predominantly targeted at women, the focal point of family life. The scheme has succeeded through a combination of Mr. Kotelawala's shrewd business acumen, and a desire to see greater social equality.

"The recovery rate is 104 percent due to the early repayment of some of the loans," says Mr. Kotelawala. "There is no commercial bank that has this recovery rate. This is amazing. "

The commercial side of Ceylinco goes on. In 1998, Mr. Kotelawala himself inaugurated an 18-storey and 16-storey twin tower complex called Ceylinco Seylan Towers, now the headquarters of the popular Seylan Bank. They remain important landmarks on the Colombo skyline. The group's various businesses all continue to make money.

But, at 63 years of age, Mr. Kotelawala is determined to see more put back into the community. "I tell our group, the top people and the staff: 'There must be a reason for your business success, there must be a reason for your existence as a bank, as an insurance company. You must have a reason. The reason is that society must be better off because you are there.'"



SRI LANKA TELECOM

IT AND TELECOMS / Schools fill the shortfall of trained personnel

Software entrepreneurs rely on raw talent and a drive to succeed

■ The IT sector holds great promise for Sri Lanka. As a small country it may not have the manpower of neighboring India, which has developed into a hugely successful software and data processing center in recent years. But there is ample scope to capitalize on the abundant raw talent that exists and Sri Lanka's natural leaning toward technology.

The high level of human resources makes Sri Lanka an ideal base for the development of value-added services in the technology sector. The nation's schools are now turning out more young IT professionals, helping to fill the shortfall in trained personnel. The proximity to the Indian IT capital, Bangalore, just an hour's flight away, is another major draw.

MILINDA MORAGODA

Minister of Economic Reform, Science and Technology

TONY WERESINGHE

CEO of Millennium Information Technologies

Though the sector is still relatively under-developed, the government recognizes the role it can play in the development process. For a relatively educated and literate population with high expectations, IT presents an opportunity for ordinary people to fulfill their economic potential, given the right opportunities.

The country's highly-respected Minister for Economic Reform, Science and Technology, Milinda Moragoda, is a firm believer in the future of the Sri Lankan IT sector. "We have the human resources, but it is converting that into real economic growth that is the challenge," he says.

A former investment banker – and also a key negotiator in the peace process – Mr. Moragoda certainly has the respect of the business community. The stable political situation, together with the necessary reforms, will help the country to develop, he says, but there is still much to do, including further deregulation of the telecoms industry. This means a secondary privatization of Sri Lanka Telecom, whose performance has improved considerably since an initial 35 percent of shares were sold off to the private sector.

It also means improving access to technology and laying the groundwork for wider participation. The government has put together an IT road map to plot the future direction of the industry. There is now a vision to remove all the impediments to taking technology to the rural areas, "and more or less to do with IT what was done with the apparel industry," according to Mr. Moragoda.

There are already pioneers showing what can be done with the right attitude, commitment and hard work.

Millennium Information Technologies, founded in 1996, works in the development of high-volume, online transaction processing systems and IT solutions, specializing in the financial and telecoms markets. In six years, the company has grown from just a handful of people to more than 220, based in Sri Lanka and overseas, including the U.S. This year the company is again expected to grow by some 30 to 40 percent.

Millennium IT has shown that Sri Lankan companies can compete with the very best in the world. In a competitive market, it has secured a number of lucrative and prestigious contracts in the U.S., including supplying in-house designed software and systems to the Boston Stock Exchange. This deal alone – the first time a Sri Lankan technology company has won such a high-profile award – guaranteed the company exposure throughout the IT world.

Tony Weresinghe, Chief Executive Officer and Managing Director, says winning the Boston contract was not easy, given the natural prejudices against firms from less developed countries. From an initial 27 international vendors, the list was whittled down to four, at which point the company was told it had not been selected.

But Millennium IT refused to give up and Mr. Weresinghe says the stock exchange agreed to take a closer look at what the company had to offer, before it eventually awarded the work to Millennium. Since then, things have changed dramatically.

"All doors opened," he says. "No one believed us until we started doing some pilot projects for them. The word has spread now. We have won some three or four major projects in the U.S. and people are looking at us very seriously."

Millennium has invested in its own state-of-the-art research and design facilities, in the campus-style of Silicon Valley, outside Colombo. The center has a fiber-optic backbone and every modern and social amenity. Mr. Weresinghe says visitors are amazed. "We built a creche, so young mothers could come to work without a problem. There is a gym, a swimming pool, all self-contained on 16 acres of land."

Mr. Weresinghe hopes that it will be the first of many such facilities built by indigenous IT companies in the area and supported by the government.

The intention is to take the company public – probably in the U.S. – by 2005. "Our goal is to put Sri Lanka on the map as an engineering nation. Little by little in the U.S. we are becoming known for technology. So we're happy to be pioneers in that."

PORTS AND AIR / Huge strides have been made in efficiency

Aiming at international status

■ The improvement of the country's transport infrastructure is a top priority. It is also a sign of confidence in the reconciliation process.

In the air transport sector, the shockwaves from the July 2001 attack on the airport in Colombo have died down. There are now plans to transform the airport – with a capacity of 3.4 million passengers a year – in readiness for an influx of new tourist arrivals and increased cargo operations.

Colombo international airport will undergo a $2.5 billion transformation to become a hub for the South Asian region

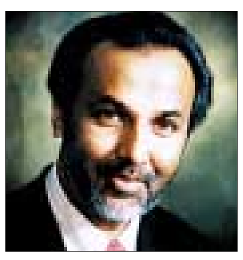
Tilak Marapana, Minister of Defense, Transport and Aviation, says that Colombo airport is now entirely safe and there are big plans for the future. "With peace, if we succeed in attracting tourists and improving our economy, we hope to turn Sri Lanka into a hub for the region," he says.

As well as improvements to security, there are plans to build a second runway within the next few years, and an open skies agreement has been signed with the U.S. Four domestic airports are also to be built throughout the country.

State-owned Airport and Aviation Services is the company that operates Colombo's international airport. It was hit hard by the attacks last year, but a recovery is under way, according to Chairman Hemasiri Fernando.

HEMASIRI FERNANDO

Chairman of Airport and Aviation Services



RAUFF HAKEEM

Minister of Port Development and Shipping

Though the financial position of the company was damaged after the attacks – the airport waived landing fees, its major source of revenue, for six months in order to entice airlines back – things are looking more promising.

Mr. Fernando – who took over six months after the airport attack – says airlines are back and bringing in increasing numbers of tourists and business people. "We have overcome almost all the difficulties and we are now on the right path to take off," he says. "We are pretty sure the next two years are going to be good for us."

The company is responsible for the expansion of the airport in line with the government's wish to turn it into a hub for the South Asian region. It is planning a $2.5 billion transformation that will entail not just a new runway, but the creation of a new terminal to handle projected increases in passenger traffic. It will also include the expansion of the current terminal building, new aero-bridges and aircraft parking bays.

The same pattern can be identified in the ports sector, where expansion is under way in readiness for an anticipated rise in cargo volumes.

Once again, Sri Lanka is keen to develop Colombo – with an annual capacity of more than 1.6 million TEUs (tonne equivalent units) – as a regional hub for the maritime trade. Colombo's strategic location is a key advantage.

Rauff Hakeem, Minister of Port Development and Shipping, believes that in five years the country can move beyond local volumes to achieve an international status. A new marketing unit has been established and more competitive rates have been introduced. Several new shipping lines now use Colombo as a result of this intensive promotional campaign.

"Visit us to see the advantages and mutual benefits of working with us. Experience the place. It's a wonderful country to do business with," urges Mr. Hakeem.

Colombo's port has made huge strides in terms of financial standing and operational efficiency. Average container moves per hour have been dramatically increased from 35 to 90, while the workforce – which is being cut from 17,000 employees to 11,000 – is responding well. The port hopes to satisfy stringent U.S. security standards – 60 percent of Sri Lanka's industrial exports go to the U.S. – by installing state-of-the-art scanning and other facilities. The minister says security is already excellent and cargo volumes have reached the same levels prior to the airport attack, which raised maritime insurance premiums.

But there is an urgent need for expansion if the port at Colombo, which is expected to reach capacity by 2005, is to achieve its regional objectives. Trade is rising sharply, despite additional war risk cover, with container volumes at Colombo jumping 8.4 percent during the second quarter of this year, against the first quarter.

The Sri Lankan Ports Authority is coordinating the upgrade and extension of existing facilities at Colombo, including the deepening of the harbor to allow larger ships to come in. Parakrama Dissanayake, Chairman, says the joint capacity of the Jaya Container Terminal and the South Asia Gateway Terminal will be 3.4 million TEU by the end of next year, which will cater for demand until around 2006-07. After that, there is the development of the Colombo South port, which could double capacity again in another five years. "We are always conscious of the need to enhance capacity in keeping abreast of the demand trends," he says.

Sri Lanka is also looking at other options. A Canadian company is conducting a feasibility study on the creation of a new industrial port in the southern town of Hambantota, a few miles from one of the Indian Ocean's main shipping routes, and there are also possibilities for expansion at Galle on the southwest coast, which is currently regarded as a feeder port.

ENERGY / Power-sharing agreement promises radical shake-up

Consumers will win price war

■ The government's liberalization program is likely to result in greater competition, more responsive pricing and higher levels of customer service.

The shake-up of the electricity sector is, in part, a response to the immense challenges Sri Lanka faces in rehabilitating and extending its grid from south to north and in meeting the demand for energy, which is increasing at a rate of 10 percent a year.

The Ceylon Electricity Board – the state power company – is in the process of a restructuring program that will ultimately result in it being split into four distinct entities. This will pave the way for more foreign investment in key areas like power generation.

Work is also under way to restructure the local oil market, including Ceylon Petroleum Corporation (CPC), the country's sole importer and producer of petroleum products. The government is to make CPC a government-owned public company, rather like Sri Lankan Airlines.

In essence, CPC will divide its operations into three, making room for two new competitors. One will be Indian Oil Corporation, the other an internationally-known oil and gas player.

At present, the organization manages 1,000 gas stations throughout the country. These will be divided equally among the three. CPC will continue to operate its existing refinery, which has a capacity of 55,000 barrels a day, while another organization will be introduced to manage the remaining oil infrastructure. An independent regulator will monitor the new-look industry.

Daham Wimalasena, CPC's Chairman and Managing Director, says that the main beneficiary will be the customer. "We will start on an equal and level playing field but after that there will be a price war, a service war, and we are hoping that ultimately the consumer will benefit," he says.

With the changes, CPC will be relieved of its heavy debt burden, allowing it to pay more attention to the upstream sector, which has started to generate interest abroad.

While some exploration work has been done in the north, off Jaffna, the most prospective areas are now seen offshore in the south, just to the north of Colombo.

During the past year, CPC has been gathering and re-working existing geological data to prepare for a licensing round likely in 2003. It is expected to host a series of roadshows to generate interest among exploration firms.

Mr. Wimalasena says it is an exciting time, and he believes CPC can rise to the challenge. "One has to completely change one's mindset. We will have to compete, we will have to provide better services – all that is now being done."

EGYPT

Bold economic and social reforms are pushing forward development, assisted by President Mubarak's ongoing commitment to liberalization and greater transparency

Weathering the global storm through diversification and careful investment

ENI

Gas exploration is a thriving business, and the Cairo government has signed a series of agreements to supply neighboring countries

■ The Egyptian economy has rebounded. After a prolonged growth spurt averaging five percent over the previous five years, 2001 marked something of a difficult time for Egypt, hit by the general downturn in world trade and a slump in tourism numbers following 9/11. But in 2002, there are clear signs that the country has weathered the storm and that the government's reforms are once again beginning to bear fruit. Crucially, foreign investors are starting to regain confidence.

The transformation of the Egyptian economy has certainly not gone unnoticed. In October, the President of the World Bank, James Wolfensohn, was upbeat about the prospects for the country and praised the government's bold economic and social reform strategy.

There is still a great deal of work to do. Tourism has long been the bedrock of the Egyptian economy, with visitors drawn from all over the world to the unique and spectacular attractions dotted along the River Nile. It is still an important source of hard currency and jobs but there is a new momentum driving this north African country.

In the state offices in Cairo – just a stone's throw away from the country's most famous pyramids – the talk is now of diversification and development. Key issues include tackling unemployment, improvements to education and health services, and the need to upgrade infrastructure and crack down on corruption.

SAMEH FAHMY

Minister of Petroleum

There is clear progress on all these fronts. President Hosni Mubarak has brought his country into the modern age with a commitment to liberalization, which has resulted in the sale of many former state-owned companies. Larger privatizations, including the state utilities, are also on the agenda. There is massive investment going into the country's roads, airports and sea ports. There is also greater transparency, which breeds trust and creates confidence.

A central part of the diversification strategy is the dash for gas. With a steady drop in oil revenues in recent years, Egypt has set its sights on unlocking the value of its vast and rapidly growing natural gas reserves to boost the economy. Currently, proven reserves of natural gas stand at some 58.5 trillion cubic feet, while a further 70 trillion cubic feet are expected to be added with ongoing exploration. There is increasing interest in Egypt's deepwater Nile Delta area following the extraordinary success of a number of international energy firms in recent years, including Shell.

Gas export schemes are the largest ongoing projects in Egypt today. Cairo has signed an agreement to export natural gas to Jordan, Syria and Lebanon via a series of pipelines. Before then, it is set to become a major exporter of liquefied natural gas (LNG) to European markets with the establishment of a number of integrated plants on the Mediterranean coastline. Work has already started on plants in Damietta and Edko, with first production scheduled for 2004.

Sameh Fahmy, Minister of Petroleum, says that 12 countries have lodged requests to import Egyptian natural gas, although there is stiff competition for the European marketplace from other north African and Middle Eastern suppliers, and even Russia.

"All those projects and activities stand as a landmark of the excellent cooperation we have with our partners," he says. "The driving force of this cooperation is transparency and the full understanding of our objectives, all of which we anticipate achieving in a win-win context."

Egypt is also looking to develop its domestic gas market, where consumption is rising rapidly. It currently stands at three billion cubic feet a day, compared with 2.3 billion in early 2000. The figure is expected to rise to five billion in a little over a decade. As well as industrial applications and power generation, there are a number of gas stations in the capital selling compressed natural gas to automobiles.

The petrochemicals industry is being developed alongside the natural gas sector. The Petroleum Ministry has prepared a masterplan that identifies the need for 14 production plants at a cost of $10 billion over the next 20 years. These would have the potential to generate $7 billion in sales every year, much of it through exports.

SOKHNA PORT

Deep-sea facility stands up to the best the world can offer

■ The state-of-the-art port at Sokhna – about 25 miles south of Suez, on the Red Sea coast – is a glimpse of where Egypt is heading. A flagship project in the government's rejuvenation of the transport sector, this modern maritime and logistics facility boasts some of the foremost technologies available in the world, including x-ray inspection systems supplied by a U.S. company that are capable of penetrating 10 inches of solid steel.

Spread over an area of 50 acres, it is the first electronically-run port in Egypt, with a capacity of more than eight million tonnes of goods. This figure could rise to 90 million tonnes by 2020, according to forecasts.

The port, which is managed by Sokhna Port Development Company (SPDC), is expected to revolutionize shipments and processing through Egypt, slashing waiting times from up to a month to just one day, or even an hour.

Established on a build, operate, transfer (BOT) basis, the facility is a good example of the government's blossoming relationship with the private sector. The operator, under a 25-year concession contract, is SPDC – majority-owned by Egyptian Container Handling Company (one of the country's first private stevedoring firms), together with investors including its partner, Stevedoring Services of America. The infrastructure around the port is being developed by the government.

Captain Ossama Al-Sharif, SPDC's President and Chief Executive Officer, and the main architect behind the initiative, says that the new facility – which opened in October 2002 – has been designed to compete with the best ports in the world.

He adds that the port leapfrogs existing maritime operations in Egypt in terms of efficiency and competitiveness.

"We are not comparing ourselves to the other Egyptian ports, but to the highest developed ports, like Rotterdam, Singapore and Jebel Ali," he says. "We want to be an international port, not just a local one. This will help us in the international arena, as it will be a showcase for Egypt."

SOKHNA

Sokhna is the first electronically-run port in Egypt, with a current capacity of eight million tons a year and a potential of 90 million

Sokhna offers deep sea port facilities for the handling of liquid and dry bulk, containers, breakbulk and general cargo.

The objective is to become the major port south of the Suez Canal, serving the import and export needs of the Suez Special Economic Zone, a major national development hub, the Greater Cairo region and the region south of Suez along the Red Sea.

Over time it is expected to be a magnet for industry and investment, particularly export-related schemes – attracting new businesses to the region, and serving as a catchment area for the capital, just an hour's drive away.

Some investors have already chosen Sokhna. There is talk of an American fertilizer project and a Kuwaiti-financed paperboard export plant that will create 500 new jobs in the area. Mr. Al-Sharif believes that Egypt's location is a major attraction for investors, and that ultra-modern facilities such as those at Sokhna, located on one of the world's busiest shipping routes, can help bring added value to the economy.

He also thinks the port is encouraging new investors to take a closer look at the region. A business support center has been set up to connect potential investors with the relevant legal advisors, accountants and human resources companies. "We want to filter out all the obstacles that they might find in the system," he says.

An integral part of the planning process has been the need for co-ordination of the community around the port. This means not only industrial development, but also the city that grows with it – the houses, schools and training establishments.

Mr. Al-Sharif says this reflects what has happened elsewhere in the world. "All over the world, ports have developed from being simply an interface between seaborne cargo and land cargo, to developed commercial and trading centers," he says.

Transport is a major aspect of the government's policy and Sokhna is well placed to serve as a model for future developments. Yet Mr. Al-Sharif warns that unless it is well-managed, incorporating the latest technology, equipment and training, it will not succeed. "I don't think there is any country in the Middle East that could compete with the potential of Egypt, but we need the right people, resources and facilities – and the right decisions," he says. "That's what we are trying to create here."

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