

SRI LANKA GAINS AS CHINA PROSPERS

China, a sleeping giant in the 19th century, became the economic giant in the 20th century and has now surpassed Japan to become the second largest economy behind United States, which is currently experiencing a double-dip recession.

According to financial experts, China is expected to forge ahead in a matter of decades to be the leading economic power in the world. It is the fastest growing major economy with an average growth rate of 10% over the past 30 years. Its per capita income was at \$6,567 in 2009. It has overtaken US as the world's largest market for passenger vehicles, and Germany to become the world's largest exporter.

China's economy is heavily dependent on exports and investment and, according to analyses; it is essential for China to encourage greater domestic consumption.

China is the world's largest and populous country with just over 1.3 billion people as of mid-2008 though the population growth has been slowed down by the one child policy.

Population increases have occurred mostly in rural China and it is likely that rural folk would crawl to urban locations for employment though it may pose a few problems for the government. However, the prosperity now attained by China would flow on to the rural areas, strengthening and increasing domestic consumption.



Capitalism also became too pronounced when China regained control of the thriving British colony, Hong Kong. China allowed Hong Kong to retain its capitalistic structure of the economy, making one country with two separate economies. The mainland was conscious of the potential gains that would accrue as it too was gradually switching on to a market economy.

The ordinary citizens, realizing the signs of a spurt in the economy, raised their aspirations and hopes for rapid

ways. The ruthless civil war devastated the economy of the country and the unity that prevailed among the major races.

Sri Lanka's ties with China are as old as the country's history. Roman historian and naturalist Pliny's reference to Sri Lankan links with China had been made as early as the fourth century and the visit of the Chinese Buddhist monk Fa-hien (5th century A.D.) to Sri Lanka to acquire Buddhist scriptures are eloquent testimony to the age-old links with China.

Rajapaksa visited China to celebrate the 50 years of diplomatic ties with China and signed an Agreement of Cultural Cooperation.

Sri Lanka granted China an exclusive economic zone on the lines of SEZ to attract more investment from China. The Hong-Kong based Chinese company; Huichen Investment Holdings Ltd will invest \$28 million to develop the zone located in Mirigama.

Since 2006, the Chinese government has provided Sri Lanka \$3.04 billion in financial assistance for the freeway connecting Katunayaka airport to Colombo, railway extension from Matara to Kataragama, Norochcholai Coal Power Plant, Hambantota Port Development Project and a Building Centre for the Performing Arts in Colombo.

China has now become Sri Lanka's largest aid donor replacing the traditional donors from Europe and the West.

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Modern day ties started with the Rubber-Rice pact signed in 1952 between the two countries that provided a large market for Sri Lanka's rubber and Sri Lanka was also able to get rice produced in China at a lower price. In 2007, President Mahinda



In so short a period of 30 years, China's GDP has increased from \$147.3 billion in 1978 to about \$5 trillion. This was mainly due to the transformation of the Mao-era planned economy to Deng's market economy in clearly defined three phases.

In the first phase, decollectivisation of agriculture, opening the door for foreign investment and permitting entrepreneurs to set up private business took place. In the second phase, privatisation of state-owned enterprises, liberalization of prices and decentralization of state control occurred *Sri Lanka's ties with China are as old as the country's history. Roman historian and naturalist Pliny's reference to Sri Lankan links with China had been made as early as the fourth century and the visit of the Chinese Buddhist monk Fa-hien (5th century A.D.) to Sri Lanka to acquire Buddhist scriptures are eloquent testimony to the age-old links with China.*

while intensification of privatisation, liquidation of banking, oil and telecommunication sectors and selling them to private enterprise happened in the third and the final phase.

Communist China's economy slipped into an economic quagmire due to Marxist ideologies. It was mainly Deng Xiaoping and his successors who systematically dragged it out by resorting to a market economy and to a dominant place, which China occupies today.

economic progress. They supported their pragmatic, capable and resolute leaders vigorously as they clamoured for a rich, prosperous and strong country in one voice.

Though there were a few changes in the leadership, the leaders chosen from a pack of successors in place as competent, educated and resourceful, always placed economic development of the country at the top of their agenda.

It was in the early 1980s under Deng Xiaoping that the central government founded Special Economic Zones (SEZs). The most successful SEZ, Shenzhen, has miraculously developed from a small village into a city with a population of over 10 million within 20 years.

SEZs are developmental zones established to encourage foreign investment in China, to create much-needed jobs, technical knowledge and tax revenues in return for significant tax concessions at the start of operations and over a number of years.

Following the tremendous success of Shenzhen, SEZs have been set up in Guangdong, Fujian and Hainan provinces and at Hunchun and at Pudong (Pudong Development Zone) in Shanghai.

A few other countries such as Brazil, India, Iran, Jordan, Kazakhstan, Pakistan, the Philippines, Poland, Republic of Korea, Russia, Ukraine, United Arab Emirates, Cambodia and North Korea, have established SEZs in their countries, taking the resounding success of Shenzhen SEZ as a glowing example.

China has become a strong supporter of Sri Lanka and helped it to suppress the 30-year old struggle with the terrorists in many

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