W A Wijewardena: Services sector growth – an unstable growth component or a sustainable wealth creator? The case of Sri Lanka

Text of the Professor Sirisena Tilakaratna Memorial Lecture - 2006 by Mr W A Wijewardena, Deputy Governor of the Central Bank of Sri Lanka, at the Center for Banking Studies, Rajagiriya, 15 December 2006.

The views expressed in this paper are those of the author and should in no way be construed as those of the Central Bank of Sri Lanka.

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I consider it a unique honour to be invited to deliver the *Professor Sirisena Tilakaratna Memorial Lecture 2006*. Four eminent authorities did the honour of delivering the same during the last four years. All of them were either his colleagues or his seniors. Against this background, a student of Professor Sirisena Tilakaratna being invited to do the honours this year is a departure from the past tradition. It is in this context that I consider it a unique honour bestowed on me.

Professor Sirisena Tilakaratna comes from the same place as I do. He was schooled in one of the leading schools of the day, namely, Taxila Central College at Horana. He belongs to the rare category of students who did their studies in English medium, but equally fluent in Sinhala as well. Because of my relationship with him, I used to visit his house very often as a kid. What attracted me most at that time was the collection of journals he, as a college student, was having in different subjects: *Free World* from the US Embassy; *Commonwealth Today* from the British High Commission; *Nawa Yugaya* from the Lake House; *Rasawahini* from the Times Group etc. I had the habit of leafing through those magazines and enjoying the titles and photographs. He did not mind our bothering him. He, in fact, encouraged us to write to the respective Missions for complimentary copies. When I entered the Vidyodaya University (now, the University of Sri Jayawardenapura) to do my undergraduate studies in management in late 1960s, Professor Tilakaratna had just returned to the island having completed his doctorate at the prestigious Queen's University in Canada. He took all our courses in economics: micro, macro, welfare economics, international finance, international trade, public finance, development economics etc. Hence, we could safely say that our whole undergraduate knowledge of economics was imparted to us by him. He had referred to all the latest text-books, meticulously prepared his notes and updated them continuously. I still recall that the students were eagerly waiting for his lectures. This was because of the comprehensiveness of the lectures and the unique method of delivery. He used to explain the technical terms again and again as and when they emerged in his lectures, until their meaning was permanently implanted in our minds. We were all benefited by his up to date treatment of the subject. When I went to the UK for my post-graduate studies in mid 1970s, it was only in the case of subjects he had covered that I did not have the so called knowledge gap.

Professor Tilakaratna was not only an academic, but also a policy advisor, manager and administrator. In early 1970s, he functioned as an advisor to the Ministry of Plantations Industry and was appointed as Chairman of the newly established Coconut Marketing Board. Unlike other academics who thought that they knew all, he had the modesty and humility to learn from industry. A big magnate in coconut industry recently related to me how he once visited a coconut factory and insisted on learning a to z of everything there. My frequent visits to him either at the Coconut Marketing Board or at his residence were intellectual and academic journeys through all aspects of and issues relating to the coconut industry. We always returned home being much wiser than before.

The university authorities too recognized his academic excellence and erudition fairly early. He was elevated, by double promotion, to the post of Professor of Economics and Head of Department at such a young age as 34. Immediately after that, he re-organized the Department of Economics, introduced a Post Graduate Diploma in Applied Social Statistics and strengthened the Department with new staff. I was one of the students who completed this Diploma in its first batch.

Professor Tilakaratna's greatest contribution to economics was his continuous upgrading of the standards of the syllabuses and examination papers in economics at the GCE (Advanced Level) Examination to be on par with international standards. New theories, trends and ideas in economics were all built into his examination structures with a time gap of only one or two years. This strategy forced students, teachers and, above all, tuition masters, to continuously update their knowledge. The failure to do so would have meant failure at the examinations. From his side, to help them, he wrote text books, appeared on the educational services of both Rupavahini and the Broadcasting

Corporation and attended frequent public and teachers' seminars. When the Central Bank broadened the definition of money supply and introduced the concept of high powered money, it took only less than two years for these new subjects to be a part of the examination paper. He confessed to us that he had to learn these concepts anew in order to handle them safely as examination material.

He was also an administrator par excellence as the Chairman of the University Grants Commission. In this position, he was able to perform his duty without fear or favour. He had the remarkable ability of effectively managing politicians, friends and even relatives who made unreasonable demands which were against the approved rules and regulations. His contributions to the nation were suddenly halted by his untimely death at the prime age of 63, an age which is relatively low for an academic. When a person dies, he is normally missed only by his family members and close relatives. But in the case of Professor Tilakaratna, he is missed by all, his colleagues, students, academics and the rest of the people in the country.

I choose an appropriate topic for my lecture, based on Professor Tilakaratna's long conviction that Sri Lanka's economy should move forward on the basis of its comparative advantage. Being a trade specialist, he always believed that any other mixture of economic policy would lead to a sub-optimal solution. He cautioned that economic policies, not supported by solid economic principles, but merely guided by narrow emotion-driven ideologies, would be non-sustainable. This led me to examine the current controversy surrounding the services sector as a viable and sustainable wealth creator for Sri Lanka.

The services sector is often quoted as a sector that does not or cannot create real wealth. This view is sometimes expressed by even mainstream economists. According to them, real wealth in a society is created only by visible products that are generated by agriculture or industry. On the contrary, the services sector which produces invisibles does not lead to any improvement of wealth on a long-term basis. Hence, any preponderant growth in the services sector over the real-good producing sectors is considered as a risk. The skepticism about the services sector would have been spawned by the inability to store the products of the sector for future use which could be considered as a symbol of wealth of a nation. Hence, its growth over and above the growth of storable product sectors would make a country dependent on the rest of the world, specifically in times of wars, disturbances to international free movement of goods etc. The underlying argument is that, if a country is self-sufficient in all its requirements, it can manage its affairs even in the worst conditions. In contrast, a country dependent on others, will have to follow a complaisant foreign policy so as not to antagonize them. It does not enjoy the freedom which self-sufficient countries have in charting their domestic and foreign policies based on national ideologies. Raymond Lim, Singapore's Minister for Transport and Second Minister for Foreign Affairs, referred to this limitation in the context of a country dependent on global trade, as "……. *not having the luxury of pursuing a foreign policy of abstract ideals*".[1] It is, however, to be noted that such freedoms should not necessarily imply higher welfare. This is because the level of welfare of a country is dependent on the quantum of wealth created and the level of real consumption and quality of life of its people. Yet, the critiques of the services sector based growth have often voiced these concerns and labeled such growth as illusive.

The examination of the economic history of countries shows that there is a set pattern of the transformation of the structure of economies. The pattern has been from agriculture to industry and then to services. This trend has been equally observed in both developed and developing economies alike. In the first stage, which covers the pre-industrial era, the almost entirety of the economic value was created by agriculture. With fast industrialization, the source of a country's economic value got shifted to industry. The wide-spread development of markets, first internally and then globally, led to the creation of a new growth sector in the form of services. This is because, the existence of an efficient services sector was necessary for further growth in both the agriculture and industry. When the natural resource endowment of countries set an effective limit on further expansion of agriculture or industry, the vacuum was filled by a sudden boom in services. Good examples of this phenomenal development from the modern era are Hong Kong and Singapore. Both these countries have been able to create wealth through rapid industrialization supported by a strong and dynamic services sector.

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1 *"Staying Relevant in the Midst of Globalisation", **Experience Singapore**, July, 2006. p.12*

Throughout its history, Sri Lanka has been a beneficiary of being an active partner in global trade. In addition to be located on a very convenient naval route, conducive policies adopted by successive rulers have been a booster to international trade, and through it, to wealth creation. The pinnacle of country's trade performance was recorded during the reign of the King Parakramabahu, the Great, in the late 12th century. The evidence suggests that it was a complete free market economy policy that was followed during this whole period. According to the Great Chronicle of Sri Lanka, *Mahavansa*, the king is recorded to have set-up the first ever export processing zone called *Antharaanga Dhuura*, bordering the present *Kalu Ganga, Bentara Ganga* and Sinharaja forest. In this zone, elephants, ivory, timber, gems, pearls and spices were processed for export to India, China and the Middle East[2]. In order to facilitate trading with many different nations, the King Parakramabahu made it mandatory for state officials to be fluent in foreign languages. During this period, Sri Lanka is reported to have functioned as a vibrant *entrepot trade centre*, the role played by Singapore in the modern world. According to some authors, Sri Lanka had simultaneously imported and exported the same commodity, such as textiles and fabrics[3]. This is considered as a very advanced form of trading known as *intra-industry trade* by modern economists. The same high profile of the country in foreign trade was continued unabated in the period afterwards. According to Dr S Arsaratnam[4], both the *Sinhala* kings and the Dutch used Arabic traders to export elephants, gems, areca nuts and spices, and import rice, textiles and other requirements in the 16th to early 18th centuries. The British period that followed the Dutch rule is marked by a continuation of the open-economy policy pursued by ancient Sinhala kings. During this period, the country continued to rely on foreign trade for wealth creation and maintaining high standards of living. Hence, the reliance on services, especially commercial services, for wealth creation was not a new policy paradigm for Sri Lanka.

Around the time Sri Lanka gained independence from the British rule, the country's GDP was distributed in the proportion of 46 percent for agriculture, 20 percent for industry and the balance 34 percent for services. The high share of both agriculture and industry amounting to about a two-third of GDP indicated the prevalence of a limit for their continued growth devoid of a vibrant and efficient services sector. This anomaly was to be gradually, and in a slow pace, corrected in the subsequent five decades. In 1960, a slight improvement in the respective shares was observed with agriculture falling to 38 percent and services rising to 45 percent. The period since then recorded a virtual stagnation of services till early 1980s when the country moved to an open economy regime. During the period from 1980 – 2005, the agriculture sector further declined in relative terms from around 28 percent to 17 percent, while the industry remained unchanged at around 25 – 26 percent. But the services sector increased its share from 43 percent in 1980 to 56 percent in 2005. In the recent past, services have been the main and the significant contributor to economic growth in Sri Lanka, pushing industry and agriculture to the second and third places, respectively. It is this phenomenal growth in the share and the contribution of services which has caused concerns for and attracted criticism by some quarters.

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2 ***Mahavansa**, Part II, Sinhala Translation by Rev. H Siri Sumangala & Batuwantudawa, (1912). Ch. 69 – p.125*

3 *H Ellawala, **The Social History of Ancient Ceylon**, (Sinhala Translation) Chapter 7 (1969)*

4 ***Dutch Power in Ceylon**, Chapters 6 and 7*

Sri Lanka's current stage of the development of the services sector can be contrasted with some selected developed countries and countries in the region. According to the World Bank data[5], between 1960 and 2004, the share of the services sector in some selected countries was as follows:

The share of the services sector

	Percent of GDP			
	1960	1980	1995	2004
UK	53	54	66	72
Australia	51	58	70	71
France	52	62	71	73
Japan	42	54	60	68
USA	58	64	72	75
Singapore	78	61	64	65
Hong Kong	62	67	83	88
China	20	21	31	35
India	30	36	41	52
Sri Lanka	48	43	52	58

The statistics show that the current level of services in Sri Lanka is more or less equivalent to the status which the services enjoyed in developed countries in 1960s. While Sri Lanka is far ahead of the two giant growth machines in the region, viz., China and India, it would not be too long for these two countries to overtake it, given their current services promoting policies.

It is also observed that the services sector has been growing in importance in all the countries during the past five decades or so. Some countries have now attained the optimal level of services above 70 percent. This indicates that the countries which are still below that level have an enormous potential for further growth. But the question posed has been whether such growth would be sustainable or not in the long run. In other words, whether it could continue to create wealth and improve the standard of living of the people.

It has also been observed that countries which generate a share of 60 percent and above from the services sector have been able to record a sustainable GDP expansion over the years. The larger share of services, as claimed by critiques, has in no way contributed to retard their growth. In fact, the preponderant growth in the services sector has helped them to improve both agriculture and the industry sectors on efficiency grounds, infusing sustainability to those two sectors as well. Hence, it can be safely concluded that a share of about 65 to 70 percent in the services sector would provide a country with immense prospects for wealth creation, provided it gains competitive advantage in the production of such services. In this context, the future growth prospects available to China are enormous, since its services sector still accounts for only 35 percent of its GDP. Both India and Sri Lanka too stand to gain on account of the leeway available for them to push the services sector's contribution to above 65 percent. Hence, it is important that they should exploit this growth potential without further delay.

Let's now turn to why Sri Lanka should exploit its growth opportunities in the services sector.

First, the widely held view that Sri Lanka is an agricultural economy and it should continue to be so in the future as well has entailed certain limitations on its future growth. This belief would have been nurtured by the historical experience of high prosperity which the country attained through agriculture, specifically through subsistence paddy farming, in both Anuradhapura and Polonnaruwa eras. In these

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5 *World Bank's **World Development Reports** for various years*

periods, when the country was subject to frequent foreign invasions, it would not have been unusual to regard food security as the number one priority of the nation. Hence, a larger share of growth, output and employment was occupied by agriculture. But today, these issues are not of grave concern to a nation open to the rest of the world. This is because international markets have developed both intensively and extensively to cater to the every possible demand of consumers. Hence, countries in the present era could easily replenish food shortages, provided they have the required purchasing power. Agriculture faces a serious man-power shortage too, because it is not the most preferred occupation by many. This is because, Sri Lanka's universal free educational system, an enviable pride among other developing nations, has been instrumental in creating a generation of educated youth with an urban ideology, based on a marked preference for white-collar jobs. Even in the predominantly agricultural areas, the trend has been the same. Consequently, it has become a nearly impossible task to keep the rural youth occupied in agricultural activities. This has made it necessary for opening new employment avenues for such youth. An additional factor has been the natural limitation for growth of agriculture due both to the slow growth in demand for agricultural products and the supply constraints of land for further extensive cultivation practices. Hence, in the beginning, agriculture may be the growth promoter, but later, its growth would slow down due to the above limitations. The global experience has been that the average rate of growth in agriculture has been less than 2 percent per annum during the last 100 years. With higher and higher numbers being added to the job market every year, agriculture has, therefore, a limitation for providing jobs for all.

Sri Lanka's agriculture sector has made its utmost contribution to create wealth and employment in the past. Its current ability to do so has been a matter for debate. With employment in agriculture being seasonal and the concentration of a large farm-based work-force on a limited extent of cultivable land, underemployment has been the natural corollary in Sri Lanka. The new evidence shows that the under-employment in agriculture in Sri Lanka is not only the highest but also on the increase. According to the *Consumer Finances and Socio-economic Survey* of the Central Bank[6], the underemployment in the agriculture sector in 1996/97 stood at 31 percent of the employed. This rose to 36 percent by 2003/04. In contrast, the underemployment in the services sector fell from 20 percent to 18 percent between the two reference periods, while that in the industry remained unchanged at 20 percent. The message conveyed by this unfavorable development is clear: remove a greater part of those employed in the agriculture sector in order to raise its efficiency and future sustainability. Hence, the appropriate policy strategy should be to raise productivity in agriculture through intensification of farming with high-yielding varieties by employing a lesser number of work-force.

Agriculture has a further limitation in the form of low productivity and low contribution to GDP. Since about a one third of the labor force is engaged in agriculture, its total output is distributed among a large number of workers. According to the World Bank data[7], the agricultural value added per agricultural worker in Sri Lanka, measured in 2000 dollars, has been $ 696 for 1989 – 91. This rose marginally to $ 737 in 2001 – 03. The comparable figures for other countries have been much higher than this: USA $ 26,105 and $ 47,566; Australia $ 26,601 and 26,957; Sweden $ 20,416 and $ 30,469; Malaysia $ 3694 and $4,571. As a result, the income of agricultural workers in Sri Lanka has been very low, keeping them below the poverty line. This has been further exacerbated by the low value addition of the agriculture sector in the economy. While the contribution of the crop sector amounts only to 14 percent of GDP, the individual contribution by the sub-crops has been negligible with tea contributing 1 percent, rubber 0.4 percent, coconut 1 percent and paddy 3 percent. Hence, even if the output of agriculture is doubled, it would not make a significant contribution to country's wealth creation.

If agriculture has its limited capacity for an accelerated growth, why not concentrate on industry? This may be a pertinent issue to be addressed at this stage. Certainly, unlike the agriculture, which is faced with the limitation of land, industry does not have any capacity or demand limitations. The non-availability of raw materials or essential inputs or even the domestic demand for the output does no longer inhibit industrial growth. With globalization of trade and services and the advancements in information and communication technology (ICT), the previous bottlenecks for industrial growth have been efficiently sorted out. In today's context, industrial outputs do not belong to a particular nation or country. They are jointly held products to which many nations or countries would have contributed. Countries with cost-advantages, driven by technology and innovation, have been able to attain

[6] ***The Consumer Finances and Socio-economic Survey Report 2003/04 – Part I****, Central Bank of Sri Lanka p. 66*

[7] ***World Development Report, 2006****, Table 3, pp 296-7*

specialization in sub-components of given final industrial products which are assembled in global factories. As reported by the World Bank[8] , the Ford Escort Motor Car which is finally assembled in the UK or Germany, had main components manufactured in 15 different countries. In the modern production processes, it has been observed that product development relating to personal computers takes place in USA. The components for them are manufactured in Taiwan. The final assembly takes place in Malaysia. The marketing is undertaken in Singapore. The inquiries relating to the products are handled by call centers in India. It, therefore, behooves developing countries like Sri Lanka to be a part of this 'global factory process' in order to raise their industrial production capacity and wealth. But the prime pre-requisite for that is the existence of a vibrant and dynamic services sector equipped with a free flow of information and capacity to impart knowledge on time. In other words, the modern industry cannot survive or sustain without services. Hence, any attempt at developing industry in isolation would drain it of a vital requirement for growth and sustenance, viz., competitive advantage.

The importance of the services sector for both industry and agriculture can be identified by examining the full-range of modern production flows. In fact, this is something which many have tended to disregard and therefore assign a lower value to services than real productions like agriculture and industry. Such a flow which should come one stage after the other in the order given, is presented in the following tabular exposition:

Modern production flows

Stage	Process	Identity
1	Basic Research	Service
2	Applied Research	Service
3	Incubation and Testing	Service
4	Commercial Development	Service
5	Planning and Financing	Service
6	**Manufacturing**	**Industry**
7	Warehousing, Transporting and Marketing	Service
8	Financing	Service
9	After-sale services and maintenance	Service
10	Continued Research and Development for Next Generation Products	Service

It is apparent that only one out of the 10 different production stages constitutes industry (or agriculture) and all others are services. If one is concerned about developing agriculture or industry, he cannot ignore all the essential service ingredients that should precede and follow the actual act of production. Since people see only the visible output, they fail to observe the full range of other services that have contributed to its creation as well as subsequent continuation. Many industrial outputs of developing countries have failed to make a mark in the international markets because of the absence of well-developed after sale and maintenance services. The Indian auto-maker, Maruti, failed to sell its fuel economy car until Suzuki of Japan stepped in with technology and after-sale services. Therefore, without the attendant services, it is not possible for either industry or agriculture to sustain itself.

Sri Lanka which is devoid of a sufficient natural resource base would find it difficult to enhance growth through industry or agriculture alone. The country's available land is limited and its population density at 293 persons per square kilometer is one of the highest. In comparison, Canada has a density of 3, USA 31, New Zealand 14, Australia 3 and Russia 9. While the latter group of countries could

[8] ***World Development Report 1987**, p.39*

conveniently move into extensive farming, Sri Lanka's choice is limited only to improved productivity through intensive cultivation. That again is through innovation which comes from services.

The second factor that would drive Sri Lanka to the services sector is the ever rising globalization of services. In the past, services which, by nature, cannot be stored, were non-tradable. Hence, there was no any prospect of selling, services beyond the borders of a country limiting its clientele to its own citizens. If any foreigner desired to avail himself of any services, he should necessarily have traveled to the country of services at great costs in terms of both time and money. This is why cross-border services were limited only to areas where foreigners could have them relatively at a low transaction cost. In this context, the services which played a prominent role in the global arena were shipping and insurance services where the service provider visited the buyer and travel, education and health services where the buyer visited the service provider. In all these areas, Sri Lanka had an upstart over other competitive countries. Sri Lanka's university system at the time of gaining independence was one of the best in the world. It also had a very reliable and high quality curative health system. For shipping services, it had the best comparative advantage by being located on a very important naval route. Its ports in Colombo and Trincomalee had the best cost-advantage. Its highly literate work-force with professional qualifications from the UK and other advanced countries could have provided the best insurance and banking services to the rest of the world. But, due to the inward orientation of the policies adopted since independence, these comparative advantages got shifted to other countries such as Singapore, Hong Kong and Australia. For Sri Lanka, it is, therefore, a story of missed opportunities.

It is too late now to lament over the failed past. What the country should do is to plan for the future, so that Sri Lanka could conveniently get itself integrated to the globalised services industry. As argued by Thomas L Friedman[9], the world has become flat and the world nations, including USA, should recognize the flattening process of the world. If a country stubbornly and arrogantly refuses to accept this fact, it stands to lose, while others continue to move forward on an accelerated high gear. India, being one such country, has identified many areas which were previously non-tradable and took action to promote them actively. The advancements in ICT through a wired globe have enabled India to do so at a rapid pace. As indicated by Friedman, business process outsourcing (BPO) coupled with such personal services as secretarial services, provision of tuition, accounting and tax advisory services, on-line medical consultancy etc. are booming in the southern part of the Indian sub-continent, creating wealth and opening new opportunities to otherwise unemployed educated youth. Though India started its ICT much later than Sri Lanka, its export of software now amounts to US $10 billion per annum. India's present plan is to raise it US $20 billion by 2010. This indicates the tremendous capacity which ICT alone would have for a country to create new wealth for its citizens. Ireland and Israel have exploited this opportunity profitably.

India's ascent to a formidable global ICT power has been mainly driven by economic reforms, establishment of a free market democracy, perseverance of some unbeatable private entrepreneurs and above all, continuous human capital development in engineering and electronic fields.[10] The last development came from the high educational standards maintained by a web of reputed state owned Indian Institutes of Technology (IITs) and permission given to private sector to set up higher learning institutes. This is definitely an eye opener for Sri Lanka. Even in the midst of growing evidence from India and elsewhere that privately owned institutes of higher learning could make a significant contribution to the globalization of education and training, Sri Lanka still keeps education as a closely-guarded relic in the public sector. As a result, its capacity to meet the demand for higher education is woefully low with one place being offered to satisfy about 16 aspirants. This has led aspiring youth to seek higher education in other countries at a high personal investment cost. Since every investment should yield commensurate returns, it also has compelled them to seek employment elsewhere. Whatever the intention, the closely protected public university education system has become a waste of scarce public resources, since only a fraction of the total registered students is reported to be in attendance in classes.[11] Hence, to gain reputation as a global centre of learning, it is necessary that the Sri Lanka's university education system should undergo a complete overhaul and reform.

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[9] ***The World Is Flat***, *Penguin Books, 2006*

[10] *For a detailed exposition, see Gurcharan Das,* ***India Unbound****, Penguin Books, 2002*

[11] *The personal experience of the author has been that university students normally tend to give priority to paid professional courses over tuition fee-free university courses. In the third and fourth years, only about a one tenth of registered students attend classes, though public money is spent on all of them.*

A further benefit which Sri Lanka could gain by promoting a global market based services sector is the possibility of narrowing the current account deficit of the balance of payments through enhanced service income. Historically, Sri Lanka is having an ever ballooning deficit in the merchandise account. With high international oil prices and rising intermediate and investment goods imports, this deficit has risen to a very high and unsustainable level of about 13 percent of GDP by 2006. Countries with such large trade deficits should perforce attempt to generate an equivalent surplus in the services account so as to finance the same. However, the surplus being generated by Sri Lanka in its services account has not been sufficient to fully off-set the trade deficit. As a result, Sri Lanka normally runs a current account deficit of 5-6 percent of GDP which has to be financed through capital flows. This level of a current account deficit, occurring year after year, is not sustainable. Given this scenario, the enhancement of the income from services by promoting the services sector would definitely help the country to have a stable balance of payments position.

What should the country do to attain the goal of having a vibrant and efficient services sector? First of all, it should invest heavily in infrastructure so as to facilitate the production of services. In this connection, the proposed international airport and the port in Hambantota and the attendant road-network would make a significant contribution to facilitate the promotion of global services. But the country should not stop there. As a top-most priority, the road network should be improved to be on par with global standards. Roads would create access to markets and reduce transaction costs. Since the services, like the visibles, should be produced at the cheapest costs to attract global customers, the maintenance of efficiency at all levels of the economy is a must. For this purpose, the country need be wired electronically covered by a reliable road network. The most important requirement for a sustainable services sector is the continuation of the development and supply of the needed human resources. The plan made by Singapore at the turn of the new millennium in this regard is a guidance for other countries. The Singaporean Ministry of Education is reported to have instructed, in 1999, all the tertiary educational institutions and universities to concentrate on courses on genetic engineering, ICT, nano-technology and entertainment so as to provide the skilled human resources needed for the future. This type of forward looking planning by country's educational institutions is also needed for the development of a vibrant services sector in Sri Lanka.

The conclusion to be drawn from the discussion so far is that Sri Lanka has missed opportunities in the past, but it need not continue to suffer in the future. It is still not too late to re-orient the economy towards the establishment of a vibrant services sector catering to the needs of the globalised industry, trade and commerce. The country's highly literate and easily trainable work-force, investments in ICT infrastructure and conducive economic reforms will pave the way for its entry to the newly emerging globalised services industry. If Sri Lanka does not acquire its position in this newly emerging global trend, as it did during the Anuradhapura and Polonnaruwa periods, it cannot be avoided to be relegated to yet another episode of missed opportunities.