

# Hoe gaat het met uw vakantieland?

## Economic growth in Sri Lanka

Since the war against the Tamil Tigers ended in 2009, Sri Lanka has been put on a steady plan in terms of stimulating the economy. During a short period of time, from 2009 to 2013, the country has successfully invested in infrastructure projects, airports and harbours. Besides, the government is putting positive effort in raising people's standard of living in the North of Sri Lanka.

The Sri Lanka tourism department has made se-

veral investments too, for instance in the beautification of the capital city of Colombo, which has seen a makeover during the last two-and-a-half years. The country's large tourist-promotion efforts are directed at emerging markets such as China, India and the Middle East. This has sparked off a growth in the amount of visitors to on average 22 percent annually, and many high-end international hotel chains have made their way into Sri Lanka.

While the world is recovering from a recession,

Sri Lanka faced a gdp increase of around six percent, and the gdp per capita increased on average with 8 percent. To ensure continuous growth in the future, Sri Lanka is investing in its energy supply and infrastructure in order to become more accessible for foreign investors. Currently, many international investors have found their ways into the further invest in this 'Wonder of Asia'. • **NILMIN NANAYAKKARA** (COLOMBO, SRI LANKA)

## A recovering Island

Recently there has been quite a lot of media attention for the strong recovery of the Icelandic economy, especially now that the crisis on the mainland of Europe is lasting longer than expected. After the meltdown in 2008, unorthodox measures were taken in Iceland to create a platform for recovery. For instance, banks in distress were not saved by the government simply because they were large, and the Icelandic crown was devalued in 2008 by 77 percent. This boosted export industries: fish exports increased and streams of tourists found their way to Iceland. Also, in recent years huge aluminium melters have been built. As the aluminium production is exported to Rotterdam, the Netherlands are now Iceland's main trade partner. In 2013, the booming tourist industry has up to now been able to rely on 700,000 visitors to generate a lot of employment. Due to this sector, the unemployment rate at present equals 4.6 percent in 2013 and the economic growth is expected to be three percent. Numbers that appear very promising. However, we need to be aware that there are as yet large problems to be overcome: there is still a rigid Stalinist capital control, no foreign currency can be obtained without a flight ticket and the transfer of foreign currency is limited by very strict rules.

• **EDWIN ZANEN** (REYKJAVIK, ICELAND)

## Bread, freedom and social justice in Egypt

In 2011, the revolution at its outset had been more economically than politically motivated. A lot of anger existed among the Egyptians due to the high food prices, high unemployment, corruption and mismanagement by the Mubarak Government.

Despite the nation's hopes for 'bread, freedom and social justice', the Egyptian economy, depending for 25 percent on tourism, has experienced the worst economic crisis since the great depression. Instead of undertaking reforms, Egypt – under the leadership of president Morsi – has relied on its wealthy neighbours for unconditional cash injections in order to import food and fuel. Qatar's recent infusion of three billion US dollars may provide temporary relief, but the unpredictability of such measures – which include Saudi Arabia's promise last week of a 500-million dollar loan – scares away investors and postpones the fiscal consolidation that is absolutely necessary for Egypt to stabilize its economy.

Last week's swift change of power is another blow to the stability and trust within the Egyptian economy. Therefore, the prospects for investments in the near future are very uncertain. Stable democratic and economic reforms are needed to restore confidence. Still, the Egyptians themselves are highly optimistic that this will occur now that it is not the army but the people who have sparked the revolution. • **WAJIB ZAKARIA** (CAIRO, EGYPT)

## A SWOT Analysis from India

We are optimistic about India's economic outlook. As we progress, we see an increase in the economic activity and growth rates which will stabilise at seven to ten percent per annum for the coming decade. Our optimism is based on a SWOT analysis. Strengths for India include a huge domestic consumption, a large base of educated English-speaking work force exporting knowledge-based services, and a growing pool of entrepreneurs. Additionally, social cost to the state is almost negligible due to our extended-family system.

However, India also has a number of weaknesses. It suffers from a population growth, corruption and a multi-layer decision-making system that are uncontrolled. Furthermore, India is confronted with a bulging petro-products import bill and growing subsidies for fertilizers, food, cooking gas, etcetera. Also, the tax net is small, and hence the Indian government imposes high indirect taxes resulting in the growth of a black parallel economy. Some opportunities India has to exploit are its young population base

as well as the huge investments in education and infrastructure, which both are important sources for overall economic growth. Besides these, India has to see to the implementation of e-governance that will ensure quick decision making, secure responsibilities and accountability, and reduce corruption.

The most important threat India faces is the emergence of new countries, like the Philippines and Vietnam, which try to 'wean away' the business that India has traditionally excelled in, while China attempts to replace India in Africa and Southeast Asia as the main trading partner. Other threats are the political instability within our realm – for instance in Pakistan, Afghanistan, Nepal and Bangladesh – and the meltdown of the western economies.

As seen from the above, the strengths and opportunities of the Indian economy outweigh and outnumber its weaknesses and the threats to it. This is the reason why we are confident that our economy will move ahead. • **SUNIRMOL GHOSH** (NEW DELHI, INDIA)

## South Africa's economy

"Only in Africa", is a refrain often heard when people from developed countries listen to news coming from our beautiful continent. Watching CNN, one might wonder how it is possible that a currency is brought down by almost 5 percent against the Greenback, during a presidential speech in support of this same currency.

This phenomenon is easily explained by looking at the hardly touchable power base of the ruling parties. In order to retain their grip on power in the face of a disgruntled nation, the ANC as most powerful party sold its soul to the powerful trade unions in the country, resulting in steadily declining productivity figures. The good news is that the ruling parties' popular support is fast dwindling, and there is hope that a more balanced political landscape will be in the offering soon. Furthermore, in South Africa we are happy to have a formidable treasure trove of commodities, some progressive institutions that do keep politicians in line to some extent, a solid physical infrastructure, and a good banking system that helped South Africa through difficult years of global economic crisis.

In conclusion, it is clear that South Africa do have a lot of challenges, but at the same time also still does have a lot going for it. • **FRIK-KIE REYNDERS** (PRETORIA, ZUID-AFRIKA)

## Hollen of stilstaan in Mexico

De meeste aandacht gaat de laatste tijd uit naar de probleemlanden in Europa en naar de spectaculaire groei van de BRIC-landen (Brazilië, Rusland, India en China). Hoewel Mexico de afgelopen jaren geen opzienbarende resultaten laat zien, is er wel degelijk reden om goed naar dit land te kijken, juist omdat er zo weinig aan de hand lijkt te zijn.

De afgelopen decennia kon men de Mexicaanse economie het best omschrijven met 'hollen of stilstaan'. Na de Tweede Wereldoorlog kende Mexico een lange periode van op imports substitutie gebaseerde grote groei, die begin jaren tachtig ten einde kwam met een crisis die een decennium lang zou duren. De neoliberale hervormingen leken in het begin van de jaren negentig hun vruchten af te werpen, maar in december 1994 stortte het systeem opnieuw in ten gevolge van de overwaardering van de aan de Amerikaanse dollar gekoppelde munt. Deze crisis was wellicht nog heviger, maar duurde minder lang: al na achttien maanden krabbelde de economie op, en werd er weer een bescheiden groei genoteerd. En nu, zeventien jaar later, is dat nog steeds zo. Het bnp is sinds 1996 jaarlijks twee à drie procent gegroeid, de inflatie is sinds 2000 stabiel op grofweg tussen de drie en zes procent – terwijl in 1995 nog een hyperinflatie van boven de vijftig procent gemeten werd.

Een van de grote uitdagingen van Mexico is de verspreiding van de economische groei. Hoewel macro-economisch gezien de cijfers prima zijn, blijft Mexico een van de landen met de grootste inkomensongelijkheid ter wereld. De linkse oppositie klaagt er terecht dat groeicijfers niets zeggen zolang een deel van de bevolking nog steeds in armoede leeft. Dat de rijkste persoon ter wereld een Mexicaan is, maakt deze situatie des te schrijnender. • **PIET KABEL** (MEXICO CITY, MEXICO)