A Brief Report on the Business Environment of Trincomalee Town

Produced by Michael Calavan and staff of The Asia Foundation, Colombo

The Asia Foundation

Australian Government Aid Program
Political-Economy Profiles

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Introduction

Now in its second phase, The Asia Foundation’s Local Economic Governance (LEG) program aims to directly improve economic governance practices in 15 towns in five of the nine provinces in Sri Lanka. LEG facilitates discussion between the public and private sectors, which in most cities are historically uncoordinated at best, and at worst mired in disputes over regulations and services, by convening local government officials, businesspeople, and citizens to address how to improve commerce and trade. LEG focuses on the capacity of LAs to support economic growth while encouraging the private sector to take the lead in pursuing opportunities to create jobs, increase profits, and expand the critical revenue base for LAs. The Public-Private Dialogues (PPDs) established in partner LAs by the first phase of LEG resulted in the identification and prioritization of issues, and the joint design and implementation of innovative and replicable solutions, such as improved physical infrastructure, or rationalized processes to help bring businesses into regulatory or tax compliance.

To complement and measure these achievements, LEG introduced the profiling of private sector-local government relations and interaction through a rapid appraisal in LEG towns. The method was semi-structured, in-depth interviews with a representative cross-section of the business community, capturing the prevailing status of the business climate, its “business-friendly” and “unfriendly” attributes. By interviewing the same 12-18 business-owners at intervals, the profiles will provide a baseline for LEG’s progress in strengthening public-private relationships and economic growth. The profiles will be used to develop a survey instrument for a survey, using quantitative methods. The surveys will arrive at a numerical scale and data used to make comparisons among communities in a particular year and to track a single location over time. The reports will generate discussion in the partner communities as well as at the national level about what steps government can take to improve the local business environment.

Both the PPDs and profiles identify micro and macroeconomic issues by clarifying the challenges and interests of businesspeople. But PPDs are highly structured, action-oriented, susceptible to dominance by certain voices, and often geared toward a specific consensus-based outcome. While PPDs can secure the momentum and interest for both long-term partnerships and short-term ‘quick wins,’ the open-ended and individualized format of the profiles adds nuance, identifying concerns and insights that may not come forward in a facilitated group session. Under the comfort of anonymity and free of the sense of ethnic or political obligations, respondents state their level of agreement or disagreement on 10 statements about the local economy. These interviews, lasting 45 minutes to an hour, enable not just yes or no answers, but informative explanations. By inviting feedback and analysis on a range of economic subjects, the profile allows the respondents to step outside their traditional roles, speaking not only as an expert or advocate regarding issues specific to their business, but also to greater trends, future prospects, and the status of the community as a whole.

The profiles allow LEG consultants and field staff to collect detailed information in just a few days, capturing the distinctiveness of the locality in a way that a formal quantitative survey, using random sampling and a predetermined range of answers, would not. The open-ended nature of the profiles is more appropriate in situations where limited knowledge of the local context inhibits the creation of a truly useful standardized instrument, but one which we are working toward. Panelists who are interviewed have been known to actually change their positions during the discussion. In this sense, the profiles reveal the short-comings of traditional surveys in documenting such dynamics.

While the Foundation works with local partners to purposefully identify panelists and ensure appropriate representation of female business-owners and the variety of industries, a third of interviews are ad hoc, increasing the opportunity for previously untapped perspectives. For respondents familiar with LEG, the profiles
confirm the value of their participation and demonstrate the Foundation’s continued engagement. In contrast, the spontaneous interviews pique new interest and optimism for collaboration. For example, during one interview, a shop owner accused the local Chamber of Commerce of a lack of openness, and observed that notifications from the LA were frequently not in Tamil. Though he complained about the responsiveness of these groups, the conversation appeared to heighten his interest in engaging with both his peers and the LA to advocate for his rights—while also highlighting for the Foundation issues that may not have been captured by traditional methods. Another respondent drove home the differing conditions in Colombo by presenting first-hand documentation of the length of time required to secure a business license in the capital (half an hour) versus his city (two months), information which he may not have felt comfortable pressing in a meeting with government, but which speaks to an explicit aim of LEG: to improve the business environment in localities outside of the Western Province, which enjoys disproportionate growth and investment compared to the rest of the country.

Though the BEBs conducted to date have already enlightened program staff on whether a city is progressing, stagnating, or declining, and the contributory factors, the real value of the profile will be shown in the coming months. One purpose of the profiles is to provide Sri Lankan policymakers with timely, accurate information about the sub-national business environment, pinpointing common challenges that should be addressed island-wide. But the most valuable outcome of the findings, when disseminated to Local Authorities and private sector partners, will be the resulting new discussions and cooperative initiatives aimed at streamlined and supportive local government services, innovative partnerships, and other, perhaps unanticipated, challenges and opportunities for inclusive economic growth.
SECTION 1—Methodology

As part of this series, we have prepared political-economy profiles of 15 towns. In alphabetical order, they are:

- Ampara
- Badulla
- Bandarawela
- Batticaloa
- Galle
- Hambantota
- Jaffnā
- Kalmunai
- Kandy
- Mannar
- Matale
- Matara
- Nuwara Eliya
- Trincomalee
- Vavuniya

In the 15 interviews in Trincomalee that comprise this profile, business and local government leaders were asked to elaborate on why they agreed or disagreed with 10 broad statements:

- There is observable economic growth
- Existing businesses are expanding
- New businesses are being established
- Opportunities to expand or start new businesses are increasing
- The people in Trincomalee are more prosperous
- Businesses are trying for more positive influence on government
- The MC is taking practical steps to improve business
- The government policies that affect business operations are improving
- The basic resources needed to run a successful business are improving
- The long-term outlook for business in Trincomalee is promising

We have not tried to attach numerical scores for each of the ten components because of the small sample sizes. We want to discourage the temptation to draw comparison between towns based on these small samples. The statements below represent the opinions of 15 business people selected as panel members in Trincomalee. The information must be interpreted with some care; the samples are not large enough to use as the basis for generalizations. However, they do offer a useful snapshot of the psychological state and institutional setting of Trincomalee business at a point in time, in this case July 2011. Later, when qualitative observations are used in conjunction with survey data, they can provide rich, comparative insights into the business environment.

Asia Foundation staff have made every effort to present opinions and information gathered during interviews accurately. However, we cannot guarantee that all information provided by panelists is accurate, or that their opinions are internally consistent. We can vouch for their strong commitment to providing their views as openly and accurately as possible.

These individuals include: owners and managers of retail shops and service providers—groceries, jewelers, clothing and textiles, electronics, mobile phones, photographic and printing services, beauty shops, furniture, training institutes, and private schools; small-scale manufacturers—handicrafts, food products, garments, mechanical products; wholesalers—of agricultural commodities, food products, and beverages; and others—bank managers, contractors.
SECTION 2—Panelist Observations

1. “There is observable economic growth in this community.”

Panelists professed two differing views in their responses regarding this issue. Two thirds agreed or strongly agreed with the statement. One third disagreed or strongly disagreed. Their observations varied from explanations of why there is growth in the town to observations on results. Notable observations by panelists included:

- The war is over, tourist arrivals are increasing.
- “Now we have a free hand, with no interference from the Army or the militants.”
- There is observable economic growth—bus stand, market, new houses, small and large businesses, industries, roads.
- “There are new hotels from foreign investment, some from the Diaspora.”
- “Outsiders are investing and the benefits are going to them.”
- The businesses are “very dark.”

Those agreeing with the statement offered an extensive list of 1) supportive conditions for growth: new infrastructure, notably inter-city highways; easier, quicker transport from suppliers in Colombo and to customers in the region; the end of security checkpoints, thus saving personnel costs [less time on the road] and reducing damage to goods [as trucks were repeatedly unloaded and reloaded]; increasing agricultural production [including specialty crops such as hybrid maize]; increased competition among firms; lower interest rates; and cited 2) specific examples of growth: a rice and spice trading firm that has increased turnover; a printing business that is thriving, despite the fact that many firms still send their printing jobs to Colombo; lower vehicle hire rates due to competition [and despite higher fuel costs]; there is “night life” with more people in the streets; many buildings are under construction.

Those disagreeing with the statement offered both 1) general and specific explanations for why growth has been inhibited: government salaries are insufficient for making extensive consumer purchases; IDP families that were customers for some goods have departed from the area; local impacts of the global economic crisis; limits on fishing making it difficult for local residents to purchase a trawler or obtain daily passes; administrative barriers to access construction materials such as stone, sand, and gravel.

In the absence of timely, readily available data on the local economy, business people must make their own judgments. Given that they operate in different sectors of the local economy and run more- or less-successful firms, it is not surprising that their perceptions vary widely. We can also assume their answers reflect individual personality attributes, essentially whether they perceive the glass as half-full or half-empty.

2. “Existing businesses in this community are expanding.”

Panelists were broadly in agreement in their responses to this statement. Four fifths agreed or strongly agreed. Some responses were highly personal, while others addressed the general situation. Notable observations by the panelists included:

- A hotel owner is refurbishing old rooms and adding 20 new ones.
- “My printing business has expanded; I bought new machinery and increased my staff from six to 27.”
- A beer and cleaning products distributor increased business by 28% in 2009 and a further 10% in 2010.
- “Unfortunately, in our case expansion hasn’t brought better business.”
- A jeweler has fewer customers and asks: “How can I expand my business?”
- A construction firm is losing business and the government requests bids for very large project packages, making it difficult for local firms to compete.

Those agreeing with the statement offered, in addition to those listed above, several 1) specific examples of business expansion: purchase of a new warehouse for a stationery and fancy goods shop; addition of a new product—chili paste with banana blossoms—at a food processing plant; farmers who are buying tractors; a catering firm that began selling pre-paid phone cards. Panelists also listed 2) business sectors in which expansion can be noted: hardware, computer shops, textiles, electronics, hotels, catering, pawn brokers,
jewelers, phone centers, motorcycle tires, and fish stalls. They also mentioned: the TV cable company and an international school.

The few disagreeing with the statement or choosing to “neither agree or disagree” offered 1) counter examples of business stagnation or decline: a jewelry shop with fewer customers; a construction business that attempted to operate a stone mill, but failed because it was unable to obtain a quarrying permit; three main roads where it was claimed no businesses have expanded. The doubters also added 2) more general observations: those with remittance income find a better range of consumer goods in Dambulla, Kurunegala, or Colombo; outsiders are the main beneficiaries of growth, thus able to expand; IT training businesses face problems because potential customers still prefer to go to Colombo.

Despite reservations expressed by a few panelists, there can be little doubt that Trincomalee businesses are expanding.

3. “New businesses are being established in this community.”

Panelists were broadly in agreement in their responses regarding this issue. Nearly three quarters agreed or strongly agreed with the statement. Only one fifth disagreed. Their observations covered personal experiences, general observations on new businesses, and conditions that are favorable to starting businesses. Notable observations by the panelists included:

- “I started a successful communication business at the bus stand.”
- “I started a new bakery two months ago. All twelve employees are female.”
- Hotels that were closed down years ago are being refurbished and reopened.
- A rice mill that was closed down during the war has been restarted.
- Many new businesses belong to “outsiders.”
- “When we go to find out who’s starting a new hotel, it’s Basil or somebody.”

In addition to personal experiences listed above, panelists offered 1) a catalogue of new businesses that are branches of national companies: financial firms [banks, finance companies, leasing companies, insurance agents]; and retailers such as Food City [supermarket], Brown & Company [agricultural machinery], and Damro [furniture]. They also listed 2) numerous other new, independent businesses: some connected to the fishing industry, including fish canneries, seafood canneries, and ice factories; some related to agriculture, such as rice mills and a vegetable cannery; some related to tourism, such as hotels and guest houses; some in small-scale handicrafts, such as wood carving, pottery, ribbons and embroidery, and sweet making; and a miscellaneous category including garments and building construction. Panelists also mentioned 3) planned activities: a new “bakery institute” [offering two week and three month courses].

The one fifth of panelists who disagreed with the statement didn’t deny the existence of new businesses, but questioned their 1) relevance to the local economy: factories established outside the Urban Council boundary; businesses belonging to “outsiders”; shopkeepers planning to sell off their businesses.

It is indisputable that new businesses are being established in Trincomalee. It is appropriate for local business owners and managers to assess the role of those firms in building a sustainable, local business environment.

4. “Opportunities to expand new businesses and start new ones are increasing in this community.”

Panelists were broadly in agreement in their responses regarding this issue. One third strongly agreed with the statement and nearly all the rest agreed. Most have given some thought to this issue and some appear to have their eye on specific business opportunities. Notable observations by panelists included:

- Financial institutions are freely lending funds at low interest.
- Agriculture and fishing are good bases for new industry.
- Trinco has under-employed human resources; for English speakers there are opportunities in business processing outsourcing, software writing, and web design.
- There is a need for hotel/tourism training; one batch has already been trained locally.
- “Opportunities are always there. Competing is the problem. Outsiders have political support.”
• “We shouldn’t be too excited about the hotel industry. It may take three to four years for full development of tourism.”

Those in agreement with the statement noted several pre-conditions essential for success of innovative businesses. Some are 1) already in place: banks actively seeking customers; skilled workers; raw materials; removal of restrictions on fishing; foreign and domestic tourist arrivals. Others are 2) still needed: development of the harbor; training for farmers on new technologies and machinery; high value agricultural production under “forward purchasing contracts”; investments by returnees from the Diaspora. Panelists then offered 3) an extensive catalogue of business opportunities: hygienic, high quality restaurants; guest houses; tourist hotels; luxury transport services for tourists; fish, fruit, vegetable, and dairy processing; beauty parlors; a petrol station with repair facilities for heavy vehicles; and boat services/sea tours. They also offered 4) general comments: people’s confidence in the President will aid investment and consumer spending; each business sector needs “conscious efforts” to improve; women should be trained in masonry, carpentry, and construction.

The few panelists disagreeing with the statement mixed 1) pessimism with caution: the government has no proper plan for business development; farming and fishing are now dominated by Sinhalese business people; fertile farm lands have been encroached by the military; Tamils have little money to expand or start businesses; we shouldn’t expect tourism to develop too quickly.

Overall, Trincomalee business people appear to be optimistic and attentive to their environment. However, the suspicion and resentment many Tamils feel toward Sinhalese “outsiders” deserves close attention both from business and local government leaders.

5. “The people of this community are more prosperous.”

Panelists professed two differing views regarding this issue. Three fifths disagreed or strongly disagreed, while about a quarter suggested the evidence is mixed by choosing to “neither agree or disagree.” It was in response to this statement that the importance [or unimportance] of remittances from overseas family members was most often mentioned. Notable observations included:

- Trincomalee is a comparatively poor community.
- “All the people are suffering by paying more for daily needs and food.”
- Many people, farmers and fisher folk, have seasonal, unreliable incomes, and thus have cautious, seasonal spending patterns.
- “In our college, people are unable to pay their fees.”
- Daily earning people are “earning well” and “dressing well.” In effect, they are prosperous.
- “As the people are prosperous, we are earning well in the grocery business.”

Panelists who disagreed with the statement suggested 1) several causes of poverty in their town: seasonal, unreliable earnings in agriculture and fishing; government salaries are insufficient to cover the expanses of daily life; recent floods that destroyed crops; careless use of credit cards and increasing debt; people being displaced from their livelihoods by outsiders; and 2) the results: people pawn their goods; children are removed from private schools; people who are “outwardly prosperous” but have limited income; they stop purchasing luxury goods.

Those who agreed that people are more prosperous cited 1) sources of prosperity: civil servants are relatively well paid; some people receive remittances from the Diaspora; new businesses—fish canneries, furniture shops, super markets, leasing companies, agricultural equipment suppliers—have created reasonably well-paid jobs. They also offered 2) general comments: Tamils are better off; Muslims are next; poor people are the largest part of the local population; Trinco is a comparatively poor community.

Business people rely on a variety of evidence to judge whether or not their fellow citizens are prosperous. The intense responses of many panelists suggest that business people take a substantial interest both in the buying power and welfare of their fellow citizens.
Panelists professed three differing views regarding this statement. About one quarter agreed and an equal number disagreed. In general, the small group that agreed on this issue had direct knowledge of policy discussions within business organizations or of dialogues between business people and government officials. Those who disagreed generally denied specific knowledge of policy efforts. The substantial number choosing to “neither agree or disagree” typically balanced their sense that such efforts are essential against the pessimistic assumption that most efforts will fail. Notable observations by panelists included:

- There have been dialogues with ministers and senior officials through the Business for Peace Alliance, but with little actual response.
- The Urban Council has little actual power. The District Secretary and Governor are retired military men who say to local officials “you just sign.”
- There is prejudice in enforcing laws along party lines.
- Unlike other districts, there is no District Entrepreneurs’ Forum in Trincomalee.
- “I pay duties on a vehicle purchase. Government servants, ministers, and big businesses don’t.”
- Some advocacy efforts are being made by the Chamber, but not enough.

Panelists offered varied initial responses to the statement, ranging from agreement, to “neither agree or disagree,” to disagreement. However, in explaining those responses, most made similar observations: Identifying issues and organizing advocacy efforts are potentially important activities. However, when district and provincial administration remain under virtual military control, such efforts can make little headway. As a result, administration may be arbitrary, policies may be interpreted unfavorably to business, and those with personal or political ties to administrators may receive favors.

Panelists, generally quite optimistic about other aspects of local business—overall growth, availability of opportunities—have little confidence that they can shape the business environment at this time.

7. “The UC is taking practical steps to improve the business environment.”

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- Some advocacy efforts are being made by the Chamber, but not enough.

Those disagreeing with the statement criticized 1) particular services: stinking drains; inadequate garbage collection, potholed streets; poor street lighting [slow replacement of burned out bulbs]; inadequate parking; inattention to management of the city market [wholesalers allowed to make retail sales, pavement sellers blocking convenient entry]; 2) poor policy implementation: the assessment tax arbitrarily raised an estimated tenfold; slow approval of a hotel renovation; favoritism in allocating market stalls; poor overall management of the market; “negative” actions against those who are negligent in paying taxes; and 3) overall weakness: inability to play a proactive role; lack of knowledge of business; undue influence from provincial and district administrators; and loss of former responsibilities to external agencies—water to the Water Board, electricity to the Ceylon Electricity Board, etc.
The smaller group that agreed with the statement noted 1) improved services: garbage collection; construction of parking spaces; a beautiful library; and gave 5) approval for: planning and implementing a new market and bus stand; providing alternate selling spaces for pavement hawkers.

In Trincomalee, as in most towns, the Urban Council gets mixed reviews. There will probably be some value, for both sides, for the UC to invite business representatives to participate in the annual budgeting process. A better understanding by businesses of financial and administrative constraints on the UC, and guidance [and fuller payment of taxes] from the business community will help the Council to undertake targeted reforms.

8. “The government policies that affect business operations in this community—laws, regulations, procedures, safety and security—are improving.”

Panelists professed two differing views regarding this issue. Two fifths agreed and nearly half disagreed or strongly disagreed. Most referred to specific government policies or programs, and opined that they are working well or poorly, or noted that “nothing happened.” Notable observations by the panelists included:

- The government is developing the North and East; there are some benefits and opportunities.
- The government is making good policies, but Trincomalee District is militarized and not supportive.
- The Tourism Ministry is distributing information about Trincomalee worldwide.
- “The government says ‘development, development, development,’ but the only development has been resettlement of Sinhalese people.”
- There has been some tax relief for small and medium businesses.
- “The rules on business registration at the Divisional Secretariat remain inconvenient and time consuming.”

Panelists disagreeing with the statement complained about 1) lack of information on government policies: “They don’t consult with us or inform us”; price controls are enforced without a clear explanation of their purpose. They also criticized 2) heavy handed enforcement: public health inspectors make arbitrary decisions [e.g., butter must be shipped in refrigerated trucks]; the annual liquor license fee is abruptly raised from Rs.75,000 to Rs.200,000; a small firm is unregistered because the owner of its leased premises lacks a title document; if weights of bakery items are not displayed correctly, inspectors file legal charges immediately without allowing corrective measures. One panelist lamented that “There is a lack of dignity in how they treat us.” Finally they cited cases of 3) favoritism: a poultry industry is supported because its owner is a government supporter; tourism development is being dominated by the military; local construction firms are unable to bid on contracts due to lack of timely information.

Panelists agreeing with the statement enumerated 1) government support programs: construction of major national highways in the East; improvements in Trincomalee harbor; incentives and subsidies for industrial development; provision of land for the Vendol and Tristar factories.

Panelists readily perceive the benefits of peace and major infrastructure programs for business. Many are less convinced about the value of the current regulatory framework.

9. “The basic resources needed to run a successful business in this community—roads, banks, transportation, parking and traffic management, street lighting, phone and internet services, electricity, water—are improving.”

Panelists were broadly in agreement in their responses regarding this issue. Two thirds agreed or strongly agreed with the statement. Virtually all panelists singled out at least one or two basic resources for praise, and at least one that still needs improvement. Those that noted roughly equal numbers of satisfactory and unsatisfactory services chose to “neither agree or disagree.” Notable observations by panelists included:

- “Internet speeds are still slow, but the service is there.”
- Phone services have improved rapidly due to competition.
- The Urban Council “has done okay” in providing parking near the market, bus stand, etc.
• The Divisional Secretariat is raising barriers to procuring bank loans by delaying issue of key documents.
• “Trinco is becoming more like Colombo. Now we have all the facilities.”

Those who agreed with the statement had 1) particular praise for: the internet [“I can now order machinery directly from abroad.”]; phone service [now being expanded into rural areas]; major road construction [“Two years ago we needed nine hours to go to Colombo. Now we need as little as five.”]; and the banks. They 2) also mentioned: transport services; parking; electricity; and traffic management.

Interestingly, panelists disagreeing with the statement 1) singled out some of the same services for criticism: electricity [users need to be warned of power outages in advance]; transport [there is no “proper” bus and train service]; roads [those in town should be expanded or made one way]; water [many homes and businesses lack connections and must rely on wells or tank storage, a major hindrance to development of industries and hotels].

Collectively, panelists are pleased with recent advances in the basic resources needed to run their businesses. But most recognize that further improvements are needed to sustain business growth.

10. “The long-term outlook for business in this community is promising.”

Panelists were broadly in agreement on this issue. Virtually all either agreed or strongly agreed and responded to the statement with considerable interest, laying out their analyses and [substantial] areas of optimism and [occasional] doubts in some detail. Notable observations by the panelists included:
• Trinco will be a ‘metro city’ in 2030. The Urban Development Authority has a plan.
• “In the future I will become a good business lady.”
• “Yes, I would advise a friend or family member to start a business here.”
• “We need full implementation of the 13th and 19th constitutional amendments, allowing communities to aggressively pursue development.”
• “We can develop slowly, not dramatically.”
• “It’s in the hand of God.”

Several panelists concurred on 1) the basic underpinnings of long-term development in Trinco: tourism [hotels under construction or renovation]; agriculture [more land under cultivation, but greater efficiency needed]; fishing [boats purchased, ice factories established]. They also noted 2) positive signs for a promising future: businesses staying open into the evening; business premises being expanded from one story to two or three; bank loans available at lower interest; outside investors, including foreign firms, coming; and the need for 3) additional inputs: a free trade zone [e.g., for garment factories]; training to upgrade the workforce [e.g., for middle management positions]; healthy private/public partnerships; supportive roles for the police, military, and government officials; the return of investors from the Diaspora.

Trincomalee’s business community is optimistic, but thoughtful, about the future. A positive view of the future is a resource no less important than farm land, fisheries, banks, and foreign investors in building a strategy for sustainable development.
SECTION 3—Asia Foundation Comments

In the future, when constructing a quantitative measure or index of the business environment in secondary cities, for purposes of comparison, we may want to employ the use of tiers. This is because a few points of difference should not be considered important, but assignment to the same or different tier should be noted. For example, seven of the towns are in provinces that were most severely affected by the war, and are now proceeding through roughly equivalent recovery processes. It is only where communities are separated by one or two tiers that substantial psychological and institutional differences should be inferred. Asia Foundation consultants and staff members who participated in interviews in Badulla and Bandarawela, for example, can attest to such differences. The two towns are in the same district and separated by a brief one hour drive. But the content and tone of panelist responses varied dramatically. Bandarawela business people were almost invariably upbeat and enthusiastic, while those in Badulla were inclined to be pessimistic and cynical. The contrast between Bandarawela and Matale, four tiers apart, is even more dramatic.

It is striking that respondents in three towns located well outside the war zone—Galle, Matale, and Badulla—were generally less positive in their outlook, while those towns more directly affected by fighting and militarism—Jaffna, Mannar, Vavuniya, Batticaloa, Ampara, Kalmunai, Trincomalee—were more upbeat. Lacking an obvious break in the routine of managing their businesses, perhaps panelists in Galle, Matale, and Badulla were inclined to focus on their own problems and on shortcomings in their community. Panelists in the Northern and Eastern towns had experience of a clear “line in the sand.” They described the end of the war as a fundamentally important turning point for business and daily life. Compared to the recent past, there are broad opportunities to invest and innovate. This optimism and “sense of the possibilities” is a positive resource, one that can be harnessed in planning and implementing a comprehensive development strategy. In contrast, towns lacking a clear “line in the sand”—such as Galle, Matale, and Badulla—need to build such support. A preliminary strategy is needed to help business people and government officials to discover their “sense of the possibilities.”

Trincomalee has a beautiful location on one of Sri Lanka’s finest natural harbors, has a recovering tourism industry, and is the provincial capital of the Eastern Province. The future should be bright. However, to a greater extent than other towns so far covered by the political-economy profiles, Trinco is still subject to a degree of military rule. While freedom of movement and action have largely been restored to daily life, panelists noted that senior administrators, notably the Governor and District Secretary, are retired military men.

Panelists in Trincomalee gave high marks in their responses to two statements. These numbers imply a substantial level of optimism in the business community, despite frustration with some administrative actions:

- **Opportunities to expand or start new businesses are increasing**: Panelists were hopeful about future business prospects, and typically envision new firms established on a tripartite base of agriculture, fisheries, and tourism. They were upbeat as they mentioned numerous opportunities in these sectors. However, their observations also revealed underlying anxiety and suspicion. They fear that many opportunities will be claimed by “outsiders,” particularly Sinhalese investors.

- **The long-term outlook for business in Trincomalee is promising**: Panelists cited sound reasons for optimism—new firms, expanded businesses, shops remaining open into the evening hours. But it is worthy of note that panelists in Batticaloa and Kalmunai were even more optimistic. Panelists in the East are clearly still in a post-war expansion mode, and are deeply appreciative of the personal and business benefits that flow from peace, free movement, and autonomous decision-making. In any case, their optimism is an important resource for future development.

Panelists gave low marks in relationship to one statement:

- **The people in Trincomalee are more prosperous**: In general, panelists demonstrated they have given considerable thought to issues of poverty and prosperity. Some reasons for this are fairly obvious. Merchants observe people spending [or not spending] money every day. And profits in many businesses
fluctuate with shifts in the welfare of ordinary citizens. But panelist observations seem to extend well beyond self-interest. It is notable that in seven of the eight communities so far included in the Barometer survey, the predominant response to this statement has been to disagree. The “easy” response for panelists would have been to assert that all their fellow citizens are well-to-do. The fact that they frequently choose to disagree suggests there is a genuine concern for the welfare of others. Several observations about job creation, unemployment, and underemployment give further proof that this concern exists.

Two issues rose spontaneously during the course of interviews in Trincomalee:

*The arrival of “outsiders”: Several panelists expressed their fears that local businesses are losing out to outside investors and owners. Often they noted that these “outsiders” are Sinhalese business people from the Western, Southern, or Central provinces. There were clearly overtones of ethnic resentment in their comments. But other emotions can also be detected. Indigenous business people feel their survivors’ rights have been ignored, that it is fundamentally unfair that they are being outdone by individuals and firms that did not share the dangers and difficulties of conducting business in war-time. Panelists also alleged the presence of political favoritism in awarding construction contracts, providing bank loans from government-supported programs, and allocating government land for factory space.

*The mixed benefits of remittances from abroad: Many panelists noted that local residents, notably Tamil families, receive regular remittances from family members abroad in Europe, North America, Australia, or the Middle East. In large part they mentioned this as a fundamental element of the local economy. The funds ensure the prosperity of some families, and are sometimes the source of business investments. But some panelists made an additional point. They suggested that the availability of the funds have fostered dependency, outright laziness, and frivolous expenditure. The implication is that more careful expenditure of the funds—e.g., for advanced education, establishing businesses, or building a financial portfolio—would benefit both the affected family and the wider community.