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Exports**



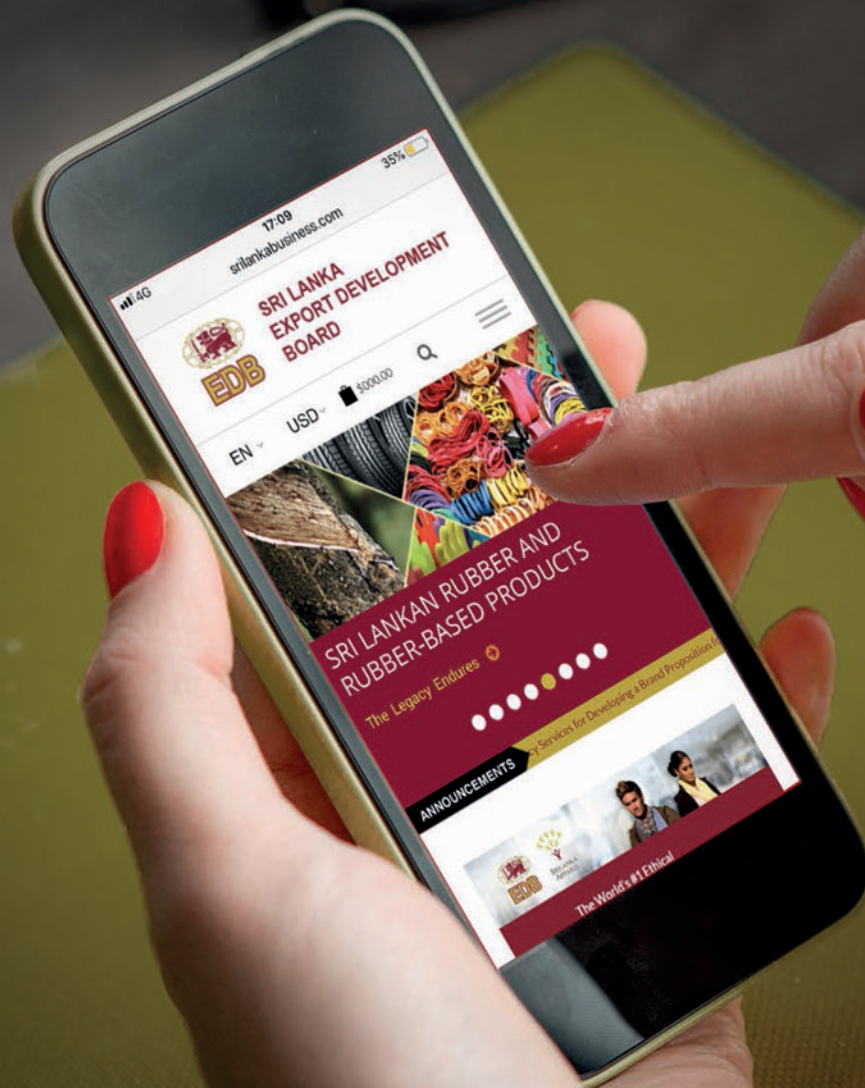
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## WELCOME

**Expanding Sri Lankan Exports**

**Sri Lanka is well-positioned to make use of the opportunities available globally in the sectors that it is presently engaged in, and also venture into identified new areas.**

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# Ayubowan!

**‘Positioning Sri Lanka in the international market place’ is the theme of the current issue of Business Lanka. Articles featured delve into the various aspects of the export industry, with focus on some of the major contributing sectors to the economy.**

This issue focuses on looking at ways of diversifying and expanding the export basket of the country. Sri Lanka is well positioned in the global market in terms of Apparel, Ceylon Tea and ICT. Yet, there are greater opportunities to garner by looking at innovation as well as value addition and also by developing new sectors. Sri Lanka has great potential to strengthen its global position by focusing on providing a conducive environment for investment as well as utilizing its many bilateral and multilateral agreements.

The articles featured draw on the experiences that each sector gained during the COVID-19 pandemic. The key attribute of all sectors was that all were functioning during the lockdown period with limited staff and precautionary measures in place, thereby showcasing Sri Lanka's resilient supply chain. With a population of 22 million, Sri Lanka was able to control the spread of COVID-19 within the country, thereby enabling the resumption of daily life.

Prabhash Subasinghe, Chairman of Sri Lanka Export Development Board, articulates his vision for the organization and emphasizes on the many opportunities and avenues available for the country. Alaina B Teplitz, US Ambassador to Sri Lanka and the Maldives speaks about strengthening bilateral ties; Sanjaya Mohottala, Director General, BOI focuses on the investment verticals and the future potential of the country. We also take a look at the progression of the market sector in terms of the past, present and future. Industry associations such as Joint Apparel Association Forum, Tea Exporters Association and Sri Lanka Association of Software and Service Companies focus on the current status of their respective industries, while companies such as Mlesna, MAS Holdings, and CodeGen reflect their positive outlook and the manner in which each have embraced the ‘new normal’.

2020 has so far been a unique year, and as we move ahead as a nation, it would be of paramount importance for all to transform and accept the changing global environment. The old methods are no longer viable, it is time to think new and be innovative.

**Sri Lanka Export Development Board**

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## BILATERAL TRADE

# US–Sri Lanka: a relationship based on a strong foundation

**Alaina B Teplitz, US Ambassador to Sri Lanka and the Maldives elaborates on the strong relationship between the two countries and clearly emphasizes that through focus and dialogue, the relationship will continue to grow. The Ambassador provided useful insights on trade between the two countries during the ‘new normal’ that is affecting all economies globally. She is confident that while it will take time, the two countries will emerge stronger, as will the rest of the world.**

## **How do you view the present status of bilateral trade between the United States and Sri Lanka?**

The two countries have a long history. Trade between the two countries can grow and definitely become more balanced. The United States is the number one destination for Sri Lankan exports. Bilateral trade is heavily weighted in Sri Lanka's favor: the United States imports around USD 2.7 billion worth of products from Sri Lanka and only exports around USD 390 million. There is definitely potential for growth both ways and we would like to see that happen.

Sri Lankan companies have benefited from friendly US trade policies, such as the General System of Preferences, that encourage fair and competitive trade. In these difficult times, our trade relationship has only grown stronger to our mutual benefit, as Sri Lanka has stepped up to manufacture masks for the United States, production that has kept factories running and workers in jobs.

## **How would the ‘new normal’ impact trade between the two countries?**

We are yet to assess what this ‘new normal’ would entail, however one area that we have significant trade around is in agriculture and animal husbandry. We have tea exports from Sri Lanka, and the imports from the United States are primarily in agriculture. This is one area that the Government has identified as a focal point for the new normal, where we try to maintain Sri Lanka's capacity in that sector. That is where our two interests align.

The United States is very strong in animal feed and animal feed products, which we export to the region. Our products would assist the sector to grow in Sri Lanka. That is an example of where the priority has shifted. Our relationship allows more expansion in this area. There is opportunity in agricultural equipment and technology to facilitate Sri Lankan products to the US. There is collaborative opportunity available for both governments.

Sri Lanka has a well-educated population and can expand the technology sector into other contexts. The United States definitely has a significant part of the economy in the tech space. We have US tech companies around the world and we also have tech companies here. There is enormous potential going forward. Certainly this lockdown experience has made it clear that tech is important for our economies. It is something that we have all come to rely on and we can improve that further in Sri Lanka.

## **The United States is Sri Lanka's largest export market. How do you foresee the trade between the US and Sri Lanka under the present economic policies of the US?**

There will be changes in the economic policies of the US similar to Sri Lanka because of the COVID-19 experience. However, trade policy will remain to have bilateral mutual opportunity. The United States





Alaina B Teplitz, US Ambassador to Sri Lanka and the Maldives.



has maintained economic policies that have effectively promoted international competitiveness and economic growth. Compared with other developed democracies, the United States has had generally low taxes, less regulation, lower levels of unionization, and greater openness to foreign trade.

There are many untapped economic opportunities that Sri Lanka can make use of in our General System of Preferences, which are under-utilized by manufacturers. Sri Lankan companies can take advantage of these business-friendly policies.

In traditional sectors such as apparel, the industry has introduced new products that are required in this post COVID-19 environment. There is potential in that space. As the sector continues to manufacture for a global consumer there will be much more of a conscience effort to diversify their supply chain. It will be a requirement to strengthen and build-in certain redundancies so that all in that sector will not be focusing on one segment alone. Sri Lanka can tap into those

opportunities and there is a conscience effort from the US on addressing some of the challenges. We will focus on and facilitate the process.

We would like to see more trade-friendly economic policies in Sri Lanka as high import tariffs and para tariffs add significantly to the cost of imports from the United States. This deprives local consumers of some of the best products the United States offers. These high tariffs also discourage competition, which ultimately affects the consumer. Through the facilitation of the availability of internationally-renowned brands would enhance the quality of local products for the benefit of both domestic manufacturers and consumers.

**What are the attributes buyers in the US associate with Sri Lankan-made goods and services?**

The people in the US think of Sri Lanka mainly in the context of Ceylon Tea. Because it has a great history of being one of the major exports from Sri Lanka. Tea has gained the confidence of US consumers.



**For US buyers looking at potential suppliers from any country, including Sri Lanka, the key factors are quality, price, and the ability to deliver on time.**

Apparel is another prime example for quality. US buyers associate a Sri Lankan product with high quality and dependable product delivery. The country's products are generally viewed as manufactured under conditions that adhere to international labor regulations and proper quality standards.

There is also the idea of Sri Lanka as a tropical and exotic island. In terms of tourism, the people in the US are looking for that exoticness in a special destination. Therefore, Sri Lanka has a niche market. US consumers associate Sri Lanka with a degree of quality, traditions that are very different and appealing so there is a brand for the country to take advantage of in the tourism sector.

For US buyers looking at potential suppliers from any country, including Sri Lanka, the key factors are quality, price, and the ability to deliver on time.

**How relevant would products such as apparel and Ceylon Tea be for the US in the new normal?**

I do not believe that the needs of the consumers will change drastically. There will be an impact on their retail choices, but the focus for example, if we take the apparel sector, it maybe re-aligned to protective gear/equipment.

Trade and business will continue. If we look at the tech sector, work is continuing as before whether it is in back-office operations or developing software. The work never stopped to begin with. The one sector that will have a much longer transition period is tourism. This will be challenging for all countries including the United States and Sri Lanka. The tourism sector will take longer to recover.

People will be definitely making discretionary choices with their income. Many people were laid-off from work because of the lockdown. That is going to take sometime to recover and there will be different purchasing choices made. We have to remain positive. There are mutually beneficial ways that we can continue to grow and I would look forward to focusing on those areas.

**What is the potential you observe to attract investments from the US to Sri Lanka, in particular for software products and IT services?**

Major US firms such as Microsoft, Oracle, Sysco, IBM, Virtusa, Dell, and others are here and looking to develop and invest in the IT sector. In its very nature the tech sector lends itself to a more diverse and distinctive workforce that focuses not only on global needs but also on the local country. One of the important aspects that needs to come out of the pandemic is more digital options; that is digital government services, commercial services or digital education. We have to develop and maintain those digital mechanisms. There is room for further growth in the technology sector and there is already an IT base in Sri Lanka.

Sri Lanka has a population that is well-educated, has the potential to provide more services domestically and provide support internationally in the IT sector. There is significant potential and US companies have been leaders in that space. We have had to grapple with some intangibles about technology in terms of privacy, intellectual property rights, and the tools that we utilize when we use technology can impact how we engage. There is an opportunity to have conversations around the issues to set up the best frameworks. Any government will be cautious when getting support in that space.

Continuing to build strong intellectual property rights protections will make Sri Lanka a competitively attractive destination in the region for IT investment. An investment climate that is predictable and transparent will attract top international firms to invest in the country, not just in IT but other sectors as well.

**Will we see further investments in other areas of services sector such as in the banking and financial services sector?**

In terms of banking and financial services there is always the opportunity but there is great

competition from countries such as Dubai and Singapore, which will make it more challenging. Sri Lanka has the opportunity since it has been developing infrastructure that is required for such business to be established in this country. But it will be challenging because the competition is more established and fierce.

**What factors do consumers in the US take into account when selecting products and purchases?**

Like consumers in any other country, US consumers want value for money and look at quality and price when making purchasing decisions. US consumers are also conscious of ethical business practices. These factors need to be considered by

both domestic and international companies when venturing into the US market. Substandard products and manufacturing operations that do not maintain facilities according to internationally appropriate labor standards are not acceptable to consumers. This is an advantage for Sri Lankan manufacturers, who are known to maintain production facilities according to required standards.

**How should Sri Lanka position and market its goods and services to the US market?**

Essentially Sri Lanka is a brand. Part of the challenge is that many in the US are not familiar with Sri Lanka in general. There would be a smaller group of people who would know Sri Lanka as Ceylon, as it is the name that is associated with tea.

The main recognition would be in tourism where people would come and experience the country. The value proposition would be more tangible to assist Sri Lanka with attributes such as labour and eco-sensitivity so that the country will be associated with value for money.

Each product category needs a carefully researched and analyzed strategy to enter the US market. There can be no uniform strategy as different products cater to diverse needs.

Dilmah tea is a leading example of how a Sri Lankan brand can be successful in international markets due to extensive research and effective marketing. In the apparel sector, MAS, Hirdaramani, and Brandix are prime examples of success in the US market. Partnerships and vertical integration to ensure uninterrupted supply are important when looking at the US market.

**With the current situation the entire global economy is in a fluid state. Overall this is concerning for all countries. How would this affect the trade between Sri Lanka and the United States?**

In terms of the global economy there is going to be a massive recovery post COVID-19 pandemic. We do not know the answers and we will have





**It is difficult for Sri Lanka to compete with mass market suppliers who have the necessary economies of scale to produce large scale at low prices. Selecting niche markets and product differentiation are some of the strategies Sri Lanka might consider.**

to wait and see. People are focusing more on their immediate needs. As such there will be an impact on trade.

The fundamentals of the US economy remain strong. Major US stock indexes rallied significantly in the first week of March as investors grew optimistic that the Federal Reserve and other central banks would soon intervene to limit the economic impact from the spread of COVID-19. According to some analysts, COVID-19 poses evolving risks to economic activity. Declining consumer confidence, potentially significant retail traffic declines and temporary store closures are developing risk factors that depend on uncertain variables.

In that future environment, daily life will continue. Each and every country is doing their best to address their economic situation. There will be a focus on supplying medical items, which needs to be fast paced. Manufacturing will resume within the United States, where there are efforts to centralize the sector. Sri Lanka has the same opportunity to enter that space not only in the US market but also the global market.

It is time to look at areas that have hindered investment and business previously. Labour reform, land reform or even the ease of registering a business that was deemed difficult before can be addressed now so that Sri Lanka can grasp on the opportunities that would soon be available. Such measures will make Sri Lanka more competitive.

The economic recovery process will continue, and the relationship between the two countries will remain. There could be domestic economic consequences that could affect other parts of the economy. Those things have to be considered because when US companies make investments, the return on investment is important. They want value for money and they want to work in a place where the rules are straightforward.

**What are the prospects you see for more Sri Lankan products to be sourced by leading US retailers?**


There are reasonably good prospects that retailers would look for Sri Lankan products. The apparel industry in Sri Lanka is very innovative. They form strong networks with buyers in the United States and offer an array of services far beyond manufacturing. They have evolved in that space in the last 20-30 years. These relationships will continue to grow strong. And, there will be new opportunities for manufacturing of products for these companies.

Sri Lanka should differentiate and innovate. It is difficult for Sri Lanka to compete with mass market suppliers who have the necessary economies of scale to produce large scale at low prices. Selecting niche markets and product differentiation are some of the strategies Sri Lanka might consider. Consistent participation in major trade shows also instills confidence in buyers. R&D is one of the most important aspects in product innovation; countries who have invested in R&D have the most success in capturing export markets, including the retail trade. The United States is the top R&D investor.

We hope to be able to make new introductions, facilitate some of these aspects going forward, and educate manufacturers in Sri Lanka about US standards in exporting to the United States. We will look at investment opportunities here and facilitate for these to grow beyond what is present.

**In conclusion, the US and Sri Lanka have a strong relationship spanning many years. Can you elaborate on the continuity of this relationship?**

We will continue the relationship by focusing on it. There is continuous dialogue between Governments, and also between the people, which is when the relationship becomes the strongest, when we communicate with each other. The relationship between Sri Lanka and the US dates back even before Sri Lanka gained Independence.

By focusing on the relationship, we can grow based on the strong foundation going forward. We intend to focus and we intend to look at areas that we can both work on. 

## FUTURE DIRECTION

# Diversification is a priority

**Prabhash Subasinghe, Chairman, Sri Lanka Export Development Board (EDB) outlines his vision and role as head of the organization. Increasing the basket of exports and imports for re-export, attracting foreign direct investment and entering new markets through trade agreements are important tasks that he intends to achieve with the ultimate objective of establishing Sri Lanka as a global brand. With the strength of his private sector entrepreneurial experience, Chairman Prabhash Subasinghe is determined to provide a robust leadership, making EDB relevant to all its stakeholders.**

**Sri Lanka's basket of exports have remained more or less the same over decades. What do you intend on doing to change this?**

As a very strong proponent of diversification of our basket of goods, I have been insisting that unless we change the basket of goods Sri Lanka is never going to increase its exports. Our strategy is to firstly use the National Export Strategy that was developed in 2018 as one of the main instruments to change the export basket. Beyond that, the EDB's role is to look at new sectors and support existing exporters to look at avenues, new areas and agencies where they can find new opportunities.

Currently, EDB is working with the BOI on Foreign Direct Investment targeting exports. We have created a joint task force between the BOI and the EDB over the last two months. We basically need knowledge and capital to change the basket of goods. To bring in that level of knowledge and capital, large investors have to

be encouraged; it can be either tier 1 investors or tier 2 investors and that can only be done through FDI. One of the first things I did by creating a joint task force between the BOI and the EDB was to set up a team to evaluate the new industries that we should consider or the industries, which have the potential to grow to be super industries or much bigger industries than what we have today. The joint task force is in operation and we have had several meetings between the BOI and the EDB. We have already looked at industries. We are in the process of looking at sub-sectors, after which we intend to meet with foreign missions to look at how best they can help us to find the respective investors, maybe tier 1 or tier 2 investors. I believe that's the path we need to go forward to change the game in exports.

For me diversification is a priority. We focus on apparel, coconut, tea and rubber which are our historical exports. The reality is, whilst those

exports can remain, we need new exports to change our export basket. Sri Lanka's contribution to GDP in terms of exports is 22 percent, which should increase to at least 30 percent. Let us look at certain other countries where the contribution to GDP from exports is 60 percent, 80 percent and even 100 percent. There are some instances where the contribution to GDP from exports is even above 100 percent. The reason they have been able to do so is by fundamentally changing their basket of goods. Thailand for example was a rice exporter for a long time. They are still exporting rice, but today machinery and electronics have become bigger export products than rice. For me it is not only the job of the EDB, but also the task of the Government of Sri Lanka to be very focused on building new industries and providing facilitation to support those industries for us to change the basket of exports.



Prabhash Subasinghe, Chairman, Sri Lanka Export Development Board.



**What will be the advantage for Sri Lanka in attracting foreign direct investment focused on re-exporting?**

Investors will only take the profits, whilst everything including employment and the support services remains in Sri Lanka. This means that the entire value addition will remain in Sri Lanka. We should promote foreign companies that are establishing their production facilities in Sri Lanka, then the country's economic ecosystem will flourish. Tier 2 investors will look at joint ventures and will look for local partners, which will create opportunities for Sri Lankan companies and investors.

**The dominant factor in discouraging FDI is that we have not had adequate facilitation. How do you hope to move forward?**

Providing a facilitating environment is not the focus of the collaboration between the BOI and

the EDB. This collaboration is about identifying new sectors or potential sectors and how we can attract investors to those sectors. Facilitating investors is BOI's responsibility and the Government of Sri Lanka. All of us should take responsibility in facilitating investment as any country can only grow with FDIs. We need to have an enabling environment to bring in foreign investment and be open to foreign investment. In addition to investment, we must facilitate their capital as well as their knowledge to be brought into the country. We can learn from others only if we let them bring in their knowledge. It is a governmental priority that all of us involved should facilitate investment to come to Sri Lanka.

**Many opine that Sri Lanka must transform itself to become a nation which exports value added products to the global market from being a supplier of primary products in order to generate the much needed foreign exchange. What are your thoughts on this?**

I look at it in two different ways. I agree that we should do value addition, but I also disagree with the notion that we should not export raw material. If we do have enough raw material and in excess, then we should export it. However, we should definitely add value as much as possible. Rubber as an industry does 95 percent of its value addition in Sri Lanka. It is one of the highest value adding industries in Sri Lanka. We also need to look at it in terms of importing material to add value and re-exporting the same. I am also a strong proponent of importing material, adding value and re-exporting like most other countries do in the region.

The apparel industry is the single biggest export sector in Sri Lanka, but they import most of their raw material. It is not considered negative to export our raw material if we have sufficient quantities. But I believe for certain we must traverse the evolutionary path of adding value and whatever the industry we need to maximize value addition as much as possible. For this



**It's going to be extremely tough in the next three months because we are going to be affected in two ways; one is through supply chain where some industries have been affected because they cannot get their material for production and for import to re-export; the second is in terms of market.**

the entire country's viewpoint needs to change, for instance, our focus on low cost labor industries must change, and we need to move towards a higher skill base along with technical knowhow. This is the transition that we need to make when we take on the path of value addition and that's what our focus should be.

**As you mentioned, since it is important to import for re-export what is the stand of the Government, given that policy focuses on protecting local farmers?**

We have to look at national interests. Holistically we should be able to import to re-export. As long as this exercise is confined to importing for re-exporting I believe it is fine as we do not have enough material in Sri Lanka. A small island with 22 million people doesn't produce enough to be a big player in the world and that's why I promote import for re-export.

In terms of spices, we need to balance the requirements with our national interest. We should not put our farmers at risk as a result of importing if that prevents them from getting a fair price. It's a case by case situation though. If our producer is unable to get a fair price because of an import, then that is something that needs to be looked at. In terms of country of origin, if something is imported, adding value and re-exporting it will not carry the stamp of Sri Lankan origin. I would want to achieve a balance between the ability to import, add value and re-export. I look at it independently with its own kind of business opportunity, versus supporting our local producers, making sure that they get a fair price and are not in danger because of the other option. I would balance both and I believe it can be achieved if you are fair, transparent and able to understand the facts.

**We depend a lot on imports for re-export as you said. Today as we are faced with the global challenge of COVID-19 what do you think its impact would be on Sri Lanka?**

The impact is going to be quite hard, but it will be more in the short term than in the long term. It's going to be extremely tough in the next three months because we are going to be affected in two ways; one is through supply chain where some industries have been affected because they cannot get their material for production and for import to re-export; the second is in terms of market. A couple of months ago everyone understood that there would be issues with supply chain as China is the largest producer supplying the whole globe, so restrictions were imminent, which meant production will not be possible. People are beginning to understand that there will be market issues as well. If consumers can't spend due to restrictions in leaving their houses to go to a supermarket, then consumption is going to drop, which will be drastic.

My personal opinion on COVID-19 is that the next few months are going to be very tough; there will be a significant drop in exports in the next few months and subsequently a little bit of stability. Today China is recovering, likewise the rest of the large regions also need to get to that point. China experienced a very bad period but they are now in the process of recovery. China has resumed manufacturing. We need Europe and the US also to go through that cycle and get back to normalcy. The coming months will be hard, most probably over the next six months the situation will get better and then we will assess our position. In the meantime, we are discussing at the Government level as to what we can do to support industries.

**Sri Lankan exports are heavily reliant on the US and European markets. What are EDB's strategies to increase trading with markets in Asia, Africa and South America?**

In terms of market development, EDB carries out many activities such as trade shows, trade facilitation, buyers' meet-ups, bringing customers to Sri Lanka and meetings with foreign missions. Despite all this, if we want a serious game changer to enter into new markets other than

**If we want a serious game changer to enter into new markets other than the US and Europe, then we need free trade agreements. We need an agreement, for example, in Asia...**

the US and Europe, then we need free trade agreements. We need an agreement, for example, in Asia; we need to be looking at the ASEAN agreement, we need a free trade agreement with China, depending on the items and the products; maybe we should be thinking about an agreement with South America as well. South America is a highly protected market that is very inward focused. Taxation in South America is high as 50 percent, 70 percent or even 200 percent. We have to take the road of free trade agreements. Sri Lanka has a fantastic location, is a small island and the policy of the new Government is non-alignment, which must be used to our advantage. At the end of the day we need help to make this country greater than what it is. We cannot do this on our own. The country needs assistance. We must garner the support of other countries in this journey. I am confident that our population of 22 million people can take our pride to the world.

**How do you think Sri Lanka's products should be positioned in the global market? What are the key unique selling points that should be marketed?**

It all depends on the market and the product. Each segment should try to be a leader in the global market. Therefore, branding and marketing become critical points. Sri Lanka is the largest producer of industrial tires in the world, a name that Sri Lanka has created historically over the years. Today everyone manufacturing industrial tires is manufacturing them in Sri Lanka. Sri Lankan origin matters today when buying industrial tires. It boils down to branding, marketing, building industries and making industries stronger. It has to be industry specific.

**Trade conflicts are a threat to global growth. Do you think that the trade tensions between China and the US that triggered sharp movements in the global equity markets, a decline in global oil prices and capital outflows from emerging markets will impact them adversely?**

I completely disagree with that. I believe it is a fantastic opportunity for countries like Sri Lanka, as there is massive capital outflow from China to other countries. A recent Mackenzie research stated that most of the funds have gone to Thailand and Vietnam in terms of investment. Sri Lanka must make use of such opportunities. Sri Lanka must also be smart to find the opportunities and maximize them. Of course there's a lot of risk because of trade wars, not just with the US and China, but also with other countries. We being a small country that is under the radar must look for opportunities and bring those investments to Sri Lanka. I look at it mainly in terms of bringing investment to Sri Lanka, which will again create exports from Sri Lanka. Secondly, existing exporters can use this as a tool to build a bigger business. I totally disagree that there is a risk for us.

**How efficient and effective is the Port of Colombo and other mechanisms related to transport and logistics helpful in the process?**

The Port is congested and that is an urgent requirement that needs to be resolved. The plan for a new terminal needs to be expedited and considered a priority. For me logistics is an important area. Logistics also comes under us and that is an area we can really improve on. We need to increase efficiencies, and when we speak of trade in particular we need to create an enabling environment for trade, where it would be easy for people to do business. I come from the private sector so I know the pain involved in doing business. There are 146 trade agencies in Sri Lanka. How can anything be done when there is such a large number? We have to make our agencies much more efficient and collaborative, and now in my present position in the State sector I am focusing on how to make things easier for exporters. I would say an enabling environment is critical. We definitely need to increase capacity at our port, and efficiencies have to be increased.





**In terms of obtaining the support of other Government institutions to facilitate the businesses of exporters, how do you intend to go forward?**

I am going to handle the pain points of all exporters. We are the lead agency to facilitate trade, so if an exporter has an issue, our agency will manage that issue and try to resolve it. We are making our trade facilitation unit much stronger than before. Right now I have 400 issues that I need to resolve. I have told every exporter to tell me their problems and my job is to resolve them. Exporters do not need to be running from pillar to post trying to resolve their issues. EDB will take the leadership in trying to resolve problems for exporters and help them to export.

**What should be the vision for EDB?**

In terms of priority, EDB has to be the core agency in developing and building exports of Sri Lanka. If I

were to add one more point in terms of priority, it would be diversification of our export basket. EDB is looking forward to be the lead agency who will diversify the Sri Lankan export basket and in achieving such aims, I believe we have done justice to our country.

**As a famed entrepreneur known as a high achiever in business, could you share your experiences?**

I have always been focused on business. I started my first business when I was 14 years old with my own accounts and general ledger. I come from a family business environment and it was business that was spoken about at breakfast, lunch and dinner, which trains you to look at business in a certain way. My father was a serial entrepreneur. He created many businesses on his own by looking at the industries and new opportunities. I learnt a lot from him in terms of being bold and confident to being

**In terms of the EDB, His Excellency the President has given very clear instructions to do our job. We have to find solutions to our issues, discuss and resolve them, but at the end of the day we are here to do a job.**

able to take chances and venture into new businesses. That's why my first business was at the age of 14 years. I ventured into the family business when I returned to Sri Lanka after my higher studies in the US. Then I moved beyond the family business to create my own businesses.

Real achievement for me is if you can do something significant for the country. I am a Sri Lankan and I live here, work here and do business here because I believe in my country and I take pride in being Sri Lankan. What's really important for me is creating the Sri Lankan brand globally. As the Head of the EDB my achievement is taking Sri Lanka to the world. We are a small country of 22 million, an insignificant number in a seven billion population, but we have intelligence and capabilities. We have enterprising young boys and girls. Therefore, we have to see how we can add value to our talent and take it to the world. For me achievement is the day I will succeed in doing that. I am a son of the soil, and I want to give back to the country. I do business because I enjoy what I do. I have accepted this position as Chairman of EDB as a matter of national cause and because I want to give back to my country.

An individual may succeed or fail in business, but the stronger people will continue to survive and build the business to be bigger and that is what I want to do. When I finish this assignment I will go back to my business to build a much more powerful global business where Sri Lanka is taken to the world.

**You have a vision carved around your role for the country. But do you have an enabling environment?**

I believe in carving out my own enabling environment. In terms of my own business it is my duty to create the enabling environment. Everyone in the private sector loves to cry about how difficult the environment is, but you need to do your job. I've been in business in Sri Lanka for 25 years. I have been successful in the private sector because when-ever there has been a barrier, I've broken it down

and moved forward. You cannot be successful if you are not in control of your own destiny. I believe in creating my own enabling environment.

In terms of the EDB, His Excellency the President has given very clear instructions to do our job. We have to find solutions to our issues, discuss and resolve them, but at the end of the day we are here to do a job. His Excellency the President has given us a mandate to do a job through this appointment. It is my role to make sure that I meet his expectations. Interacting with so many other institutions is also part of my job. In that too I have to make people understand our vision. Sri Lanka has fundamentally made the mistake historically of not having the right people in the right place. One of the best things that the current Government has done is bringing in people with experience and exposure to the right organizations. The appointments from the private sector have been fantastic. We have been provided with the right environment to do our work because people with knowledge, vision, understanding and resource capability have been brought into work.

I work very closely with the BOI and in fact I find it easy to work with the BOI. I also work very closely with our Industrial Export and Investment Promotion Ministry. Even though I might not understand Government bureaucracy, I know how to interact with them and how to get something done. At the end of the day we have been given a responsibility. I have been given a responsibility by His Excellency the President to head the EDB and to increase our exports. I have to do my job and not be looking for excuses to not do so.

**You said that upon assuming office that you want to achieve new heights in the export sector and to be catalyst for the next generation. Can you elaborate on that role you hope to pursue?**

We have very few industrialists in Sri Lanka. The country is today moving away from industry to a



country mostly focusing on services. Fundamentally, the industries are very important to a country. I look at myself in terms of business and where I am and what I have accomplished and I think it is important for our children and grandchildren in this country to follow what we are doing and also to take this country to the next level. Unfortunately, Sri Lanka has been saddled with its past and we continue to live in the past. We should not be where we are today. We should be 20 years ahead. If some of us can prove and show it is possible, I believe that is a natural example for younger people to follow.

Take the EDB as an example. I came to this organization with an open mind. How are the people going to be, will they be able to understand me and will we be able to work together were the thoughts that I had. I have a fantastic team at EDB. They understand my vision and understand what we should do. You can create change through leadership, because leadership will be followed. You need the right leadership and the right people in place either in business or in Government for a country to do better than what it is. I personally believe in

His Excellency the President. He is a non-politician. It is the first time in the history of Sri Lanka that we have a non-politician who is the President and who is disciplined. This standard of leadership creates an example for everyone else to follow and that becomes a catalyst to support our young people to grow and for them to understand what they need to do. Today, the bar is set very low because Sri Lanka is stuck in the past. I do a global business and the bar is very high. We need to be operating at that level. People need to understand that they need to step up.

**Since you are from the private sector what have been the challenges in leading a public sector organization?**

The single biggest challenge in the public sector is bureaucracy. The smart thing would be not to get caught up in the bureaucracy. There are 146 trade agencies in Sri Lanka, which makes execution difficult. I believe we from the private sector will be able to function if we can make people understand about what we want to do and get them also to be collectively responsible

for what we are doing. We have the private sector mentality because we are from such a background, which will not change just because we have come into Government. It is, therefore, the people working with us who have to change. I see that happening, which is very encouraging. I want EDB to be known as an agency where exporters can connect with when confronted with an issue. We must become relevant. I look at things much simpler without getting too much into bureaucracy or too caught in big issues. I try to focus on development, on what I can do and to get my staff to rally around me and get the key people I work with close to me. We work closely with the Ministry of Finance, the Ministry of Foreign Affairs and the Industrial Export and Investment Promotion Ministry. It is important that the people in those ministries too understand what we are doing and support us. People in Sri Lanka are very helpful. But the required direction, mission and coordination were missing for a long time. You need to take the initiative and push, to get things done. However, now things are improving significantly. ■



## INVESTMENT

# Making Sri Lanka a multi-billion-dollar industry conducive destination is our aim

**Sanjaya Mohottala, Director General, Board of Investment of Sri Lanka (BOI), provides key insight on the role of this apex body in facilitating foreign direct investment (FDI) into the country and speaks of possible ways for current avenues of development to be enhanced while exploiting emerging opportunities of growth.**

History teaches us that Sri Lanka's ability to attract international attention in trade and investment has primarily stemmed from its geographical positioning in the Indian subcontinent. We also know that other enablers varying from a skilled and an educated workforce, naturally bestowed resources, scalable infrastructure and English as a language of business have all contributed to the country earning a reputation as a key destination for foreign investment. On top of this, decades of civil unrest which made up a large chunk of its present history, have undeterred its resolve to continue to generate a positive outlook on its economic development agenda.

As a result of a new direction of policy implementation to open the country's economy in 1978, financial growth trickled in through the establishment of an export-oriented



Sanjaya Mohottala, Director General, BOI.



A pharmaceutical manufacturing plant in the Kandy Industrial Park. Pharmaceuticals is a new vertical that has great potential.

**Fundamental, therefore, to its agenda is the need for the BOI to constantly focus on promoting the country's macroeconomic attractiveness...**

economy, and today, yields an export basket of approximately USD 19.4 billion (2019) including services sector for the country. Apparel & Textile manufacturing contributes a little over USD 5.6 billion to this pie, while Tea, Rubber, ICT and Fisheries combined, contribute around another USD four billion. Nevertheless, the country is still lagging behind the global race to generate new multi-billion dollar verticals or attract industries /its fair share of FDIs to the country, and this is now the need of the hour.

Developing an eco-system to attract multiple avenues of billion-dollar industry options is now the focal thrust of the BOI's partnership agenda. To drive its traditional model of facilitator, foreign collaborative initiatives continue unhindered as before, just as public-private enterprise ventures constantly zero in on identifying the next big investment

boom for the country. To enable this, providing potential investors with access to right channels, eliminating unnecessary bureaucracy and burden for investment to kick-off at a business beneficial pace are all responsibilities that the BOI now takes very seriously.

Fundamental, therefore, to its agenda is the need for the BOI to constantly focus on promoting the country's macroeconomic attractiveness, which is powered through Government policies, incentives and labor regulations among other options, where the country provides a conducive environment for investment.

When an international investor company identifies Sri Lanka as a lucrative investment opportunity, it has occurred as a result of extensive preparation on the part of the BOI. The BOI determines the approach required to attract investments to Sri Lanka and plays an integral role in elevating Sri Lanka's stand, by coordinating with industry agencies, Government bodies, Sri Lankan missions overseas and foreign embassies in Sri Lanka to create an effective mechanism to convince potential investors. Once foreign investment companies request for setup assistance or when inquiries initially trickle in, multiple exploratory discussions are led through the BOI and channeled to corresponding parties.

The quality of service, therefore, matters most. It is easily replicable by investor hungry competing destinations who may have similar resources to offer. Therefore, we have to clearly establish the difference in the way we are handling investors to build up confidence in them to select Sri Lanka as their investment destination. This is the pivotal role that BOI must perform.



A hat manufacturing company in the Malwatta Export Processing Zone. Value addition in manufacturing would provide greater opportunities.

Currently, the strategic focus is on our Apparel, Pharma, Tire manufacturing, Agro-processing and ICT with a view to increase export revenue while enhancing value addition.

With the ground breaking of the Eravur Export Processing Zone being scheduled for first quarter of 2021, the existing businesses in the Apparel industry will get the opportunity to expand and diversify and also to expand value addition by producing their own fabric vertically. This would bring immense opportunities for Apparel manufacturers to become eligible for EU GSP Plus concessions by easily meeting its rules of origin criteria. Sri Lanka could also tap into emerging global trends such as compression fabrics, athletic-leisure wear and wearable technology and augment its core in the apparel industry and drive investment and profitability, given its globally renowned intellectual capital gained in apparel manufacturing, and its ability to now elevate production to futuristic formats.

The Pharmaceutical industry is also a core area of focus for the

Government and so is the Agro-processing industry, which is now emerging through the establishment of sector dedicated locations.

The BOI has taken steps to build a state-of-the-art Export Processing Zone in Hambantota which will be dedicated for Pharmaceutical manufacturing for both export and local market (Import Substitution). The facility will be built on 400 acres in two stages and the ground breaking is scheduled in the first half of 2021. This will be a medium to long term project, which will have a long gestation period of one to three years. Some of the European Pharma companies have already shown their interest in entering the country into the pharma sector. With all these initiatives, Pharmaceuticals will be another billion-dollar vertical in the next five to six-year period.

The main focus of the Agro-processing industry is to attract companies that are engaged in large-scale farming and food processing. Dairy sector has been identified as a key pillar in the development of the integrated agriculture food sector of Sri Lanka and initiatives have already

been taken to attract investors for 10-15 large scale dairy farms and dedicated fodder/maize farms.

Sri Lanka is also known to hold a significant share of the global tire market and is known as the solid tire capital of the world. Many global tire companies who have not yet established themselves in Sri Lanka, need to be tapped into. A more concerted effort on these companies could be encouraged to set up base in the country to manufacture products. Given the equity it has built in this area, the establishment of dedicated rubber-focused zone to attract further potential investors is another strong initiative in the pipeline.

Currently, Sri Lanka produces less than 1,000kg of rubber per hectare. However, countries such as Malaysia and Indonesia produce more than 1,600kg of rubber per acre. Certain companies have planted high yielding plant material, which has enabled greater crops. Sri Lanka too has the potential to increase its rubber production capacity. In 2014, Sri Lanka was able to increase the yield of rubber to 1,400kg with the provision of the right incentives for productivity. Once the country reaches a higher range of rubber production, capacity can be doubled. Sri Lanka has the ability to expand its footprint through exports and manufacturing of products to increase the industry's value from USD 0.9 billion to more than USD 1.5 billion within the next three years. There are many expansion opportunities with a few projects already in the pipeline. By merging all of these opportunities together, the country will be able to double this vertical over time.

With Sri Lanka's abundance of marine resources, aqua culture and seafood processing is perhaps an opportunity that is yearning for productive and sustainable





Computerized embroidery machine in a garment factory. The apparel sector utilizes new technology and innovation.

**International companies are focusing more on supply chain resilience as opposed to low cost sourcing. That creates an advantage for countries such as Sri Lanka in multiple aspects.**

exploration. India has been able to achieve immense progress in this sector, and Sri Lanka can learn from their example and build a multi-billion dollar export vertical in matter of years.

In terms of ICT, HE the President has urged for IT to be made a mandatory subject for university graduates. Each and every student needs to have undergone a basic understanding of working on a computer before graduating. With increased computer literacy, ICT is poised to open multiple avenues globally. The ICT industry has set targets to reach USD three to five billion revenue, 200,000-300,000 employment and 1,000 startups by 2025, for which the BOI can play a major role to support the industry in achieving the targets.

With HCL Technologies establishing itself in Sri Lanka, the talent pool of the country needs to be adequately skilled to exploit the opportunities on offer. Having initially assessed a requirement of 500 associates, the venture now requires over 1,500 – and hence the corresponding employment opportunities emerge as a result.

This number will increase gradually over the next three to five years to accommodate over 5,000 employees in a purpose built campus.

To grow the country from a USD 4,000 per capita income to USD 6,000 per capita, understanding the investment opportunities that the country needs to focus on is crucial at this point. It has become essential to have in place robust economic strategies to develop backward and forward integrations. In addition, a greater thrust for infrastructure development in the areas of urban and sub-urban housing, apartments, entertainment and other facilities will also be required, in order to elevate Colombo to be on par with other global cities. Apart from these areas, Sri Lanka intends to increase its tourist arrivals from 1.9 million (2019) to four million and to reach the revenue from USD 3.6 billion (2019) to USD eight billion by 2025 utilizing the country's natural endowment and its scenic beauty.

### Strengths

Meanwhile, during the past few months, we have witnessed that, the



Manufacture of pallet nets for the airline industry at the Wathupitiwala Export Processing Zone.

international companies are focusing more on supply chain resilience as opposed to low cost sourcing. That creates an advantage for countries such as Sri Lanka in multiple aspects. When an investor considers a place of resilience they look at how a country reacts to unforeseen or unexpected situations. The best example is that how Sri Lanka successfully curtailed the unprecedented COVID-19 pandemic situation which is certainly a plus point for investor confidence.

Even during the lockdown period, BOI swiftly took proactive decisions to continue operations of the factories within the zones with skeleton staff while ensuring safety of people with the support of Health Authorities as well as Police and Armed Forces. Companies that were producing critical components for ventilators and medical equipment continued their operations. Further, companies were encouraged to produce PPEs to cater to both local and international demand. None of the Export Processing Zones were closed during the period. With proactive measures and immediate actions taken by the BOI, we were

able to provide uninterrupted services to the companies and managed the crisis successfully. Speedy recovery in the business environment from the COVID-19 pandemic has created a positive image of the country's investment climate among potential investors.

Another positive attribute of the country is that Sri Lanka's cost factor is attractive, employees are much more loyal and trainable. Most companies would prefer Sri Lanka over other regional locations. Sri Lanka is well known as a livable destination with high quality of life standards. The present geopolitical changes and the country's sector focus creates a conducive environment to attract FDI. However, that does not necessarily mean that it will be easy for Sri Lanka to attract investment over the competition of regional competitors. It is believed that in the present global investment climate, the global FDI will reduce by 40 percent. There is immense competition for Sri Lanka from neighboring countries as well as countries such as the Philippines, Thailand and Indonesia. The investors

will compare Sri Lanka as opposed to another destination in terms of FDI determinants such as economic and political consistency, market access, infrastructure, and cost of production. Sri Lanka needs to identify competitive advantages of the country in terms of attracting investments to be matched with the investor and industry requirements, so that the country could be positioned well to attract the right investments. This is where I stressed the point that BOI should act differently to attract investors.

### Outlook for the future

During the first half of 2020, around USD 600 million worth of approvals have been granted for foreign investments while existing companies have shown their interest in re-investing for expansions. There are many large companies in the pipeline with a good chance of converting into actual investments in the coming months.

Sri Lanka needs to get its investment strategy and economic fundamentals right at this point, if not, the country will lose out to its





Automated fabric folding in the apparel industry. The apparel industry has the opportunity to create value addition by producing their own fabric.

**Sri Lanka is currently strong in its traditional basket of exports, but it is also the responsibility of the BOI to support the Government's initiatives to diversify and enable a greater diversity of exports.**

regional counterparts. The BOI has a vigorous task to perform in this new environment where it has to cater to the growing requirements of new investors. The role of the BOI needs to evolve so that we are not providing cookie-cutter solutions but are more proactive in our approach.

The BOI was formed with powers that were provided through forward-thinking legislation. Thus, we need to look at the organization and determine whether we are utilizing the powers vested with the BOI to play its role as the orchestrator, facilitator and instigator of investment for the country.

Sri Lanka is currently strong in its traditional basket of exports, but it is also the responsibility of the BOI to support the Government's initiatives to diversify and enable a greater diversity of exports.

Sri Lanka will attract investments with the right legislation, policies, labor laws, infrastructure and other requirements in place. We need to have a refreshing outlook with new administrative and HR policies along with digital transformation in business activities. The BOI needs

to fundamentally rethink its roles so that it achieves its primary objective of building a conducive investor environment that would support the five areas that the country intends to develop.

With a strategic location in Asia, an attractive tourism destination, large reserves of natural resources and a resilient economy, Sri Lanka still stands tall among its Asian peers amidst the current geopolitical and health crises. The role of the BOI continues to evolve in functioning as a streamlined conduit to funnel FDI into Sri Lanka. The pull however, is derived from the right macroeconomic and trade policy setting in Sri Lanka. Through the aforementioned endeavors, the country can build new verticals and expand the economy with a more proactive and an ever-increasing role played by the BOI in positioning Sri Lanka as a resilient destination for investment globally. 

**Sanjaya Mohottala**  
Director General  
Board of Investments of Sri Lanka



## MARKET SECTOR



# Overview of the market sector then, now and future

The international market place has been constantly expanding over centuries, from early traders to today's digital trading platforms. Although the world trade evolved from the era of royal kings, it started to pick up only after World War II (WW2). It is a milestone era in which many colonial countries received independence and began to build their economies. With the advancement of technology over the recent decades, global business has showed a rapid increase in terms of borderless movement of goods and services by opening up new avenues to international trade.





### The world economy after WW2

After WW2, the USA secured its position as the world's richest country, while the under-developed and developing countries were experiencing hardships in their economies. Since many foreign markets were closed during the war period, many of the countries were looking for various solutions for economic development. In this background, most of the Latin American and Asian countries initiated import-substitution industrialization strategies to develop their economies. During the 1950s, Asian countries such as Taiwan and South Korea focused on outward trade by implementing export-led growth strategies which achieved success in the long term. As part of their industrialization strategies, Asian countries opened up their economies to international trade while Hong Kong and Singapore had always remained open economies by their nature as entrepôt trading centres.

In the meantime, there was a dramatic shift towards manufactured goods by many Asian countries by moving away from primary products. Most of the countries in the region moved into industrial exports very quickly with the application of the concept of Revealed Comparative Advantage (RCA) in economics. Simultaneously, foreign direct investments were drawn to Asia by the abundance of labour which was used as a platform for exports. The liberalization of regulations relating to the inflow of foreign capital along with the strength of these Asian economies resulted in a rapid acceleration of foreign inflows. In that sense, it can be observed that developing Asia's export growth was fuelled by a combination of mutually supportive events such as industrialization, reduction in trade barriers, a more integrated global environment, and

Fifty years ago, 'globalization' did not mean much, whereas today it is important in every aspect of business.



**Currently, the world trade is largely imbalanced, with China and Germany maintaining the largest trade surplus positions.**

the growth in foreign direct investment flows to Southeast Asia and China. On the other hand, being an important player in international trade, Western countries contributed 54 percent of the world production and accounted for 68 percent of world trade.

#### **The present global market place**

Currently, the world trade is largely imbalanced, with China and Germany maintaining the largest trade surplus positions. Not only the USA and the UK, but also a number of developing and developed countries maintain large trade deficit

positions. Although many countries are striving to diversify their exports, agriculture and natural resources still represent a large share of export baskets of many developing countries (UNCTAD, 2018). Trade related to developed countries continue as an important part of international trade, especially in terms of imports. Participation in international trade varies significantly among developing regions. BRICS countries account for an important part of developing countries' trade, especially with respect to trade in intermediates and exports of consumer products. It is





Trade related to developed countries continue as an important part of international trade, especially in terms of imports.

also noticeable that the involvement of other developing country regions in world trade, both as importers and exporters, is quite limited.

Fifty years ago, 'globalization' did not mean much, whereas today it is important in every aspect of business. Globalization has been fuelled by the advancement of information technology and telecommunication by which the countries got closer to each other. On the other hand, the wide adoption of digital technologies has changed the composition of trade in services and goods and redefined intellectual property rights in trade.

The global exports of services are mainly dominated by travel, transportation, and business-related services. Although developing countries increased their share of trade in services during the last decade, developed countries remain the main exporters in all sectors except construction. Developing countries are also becoming important suppliers to international markets with regard to goods-related services as well as business and IT.

### The future digital world and international trade

With the development of digital economy, the importance of services in the global trade is expected to increase. According to the World Trade Organization, it is predicted that the share of services in trade will grow from 21 percent to 25 percent by 2030. With the arrival of 3D-printing technology, this trend is expected to continue unabated. Moreover, the regulation of intellectual property rights, data flows, and privacy as well as the quality of digital infrastructure are expected to emerge as new sources of comparative advantage.

Digital technologies such as Artificial Intelligence (AI), the Internet of Things, additive manufacturing (3D printing), and Blockchain will further reform the global trade by capitalizing the computing power, bandwidth and digital information. They are reshaping consumer behaviours by shifting purchases online through the widespread use of internet-enabled devices which provide consumers with direct access to online markets. On the supply chain side, digital technologies allow for easier entry and increased product diversity, making it easier for firms to produce, promote and distribute their products at a lower cost. It is predicted that by deploying



Digital technologies are reshaping consumer behaviours by shifting purchases online through the widespread use of internet-enabled devices.

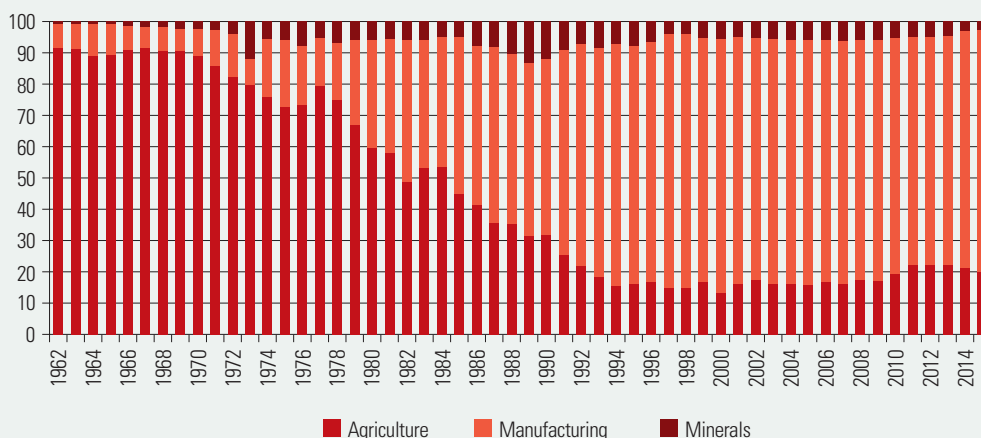
new technologies such as Artificial Intelligence and autonomous driving, the global transport cost will further decline and international trade will grow by 31- 34 percent within the next fifteen-year period (UNCTAD, 2018).

**The top five industries which will embrace 3D-printing technology are the industrial machinery, aerospace, automotive, medical/dental devices and consumer product (electronics) industries.**

In manufacturing goods, 3D-printing technology will expand the reach of digitalization to a new category of products. By making a three-dimensional solid object from a digital model, 3D printing makes

it possible to produce physical objects locally based on data files. The top five industries which will embrace 3D-printing technology are the industrial machinery, aerospace, automotive, medical/dental devices and consumer product (electronics) industries. Furthermore, it is understood that not only the goods and services but also the global payment methods will be impacted from this technological revolution. The block chain technologies and cryptocurrencies are the major developments which will process the international payments faster via encrypted ledges using real-time transaction verification. This method will eliminate the cost involved in the middle man of the trade while ensuring the safety of the transaction.

### Sri Lanka's composition of merchandise exports from 1962 – 2015 (Percentage)



Source: Estimates based on UN Commodity Trade statics and Observatory of Economic Complexity data, accessed October 2016

### Positioning Sri Lanka in the international market place

Being an island, which is strategically positioned in the Indian Ocean, Sri Lanka operated as a trading hub in the ancient world. Being situated in the middle of the maritime silk route from China to Europe, ancient Ceylon was well known for exporting and exchanging gems, pearls, elephants, ivory, textiles and spices. During the colonial era, the country was exposed to cash crops such as coffee, tea and rubber which brought 90 percent of foreign exchange to Sri Lanka when Independence was achieved in 1948. During the period of 1948 to 1976, the plantation industry continued to dominate Sri Lanka's export basket, while countries such as China, India, Malaysia and Thailand diversified their manufacturing exports through export-led manufacturing.

In 1977, Sri Lanka's closed economy shifted to an open economy and began to deal with international trade. With economic liberalization, the Government encouraged export-led industrialization by offering incentives to domestic entrepreneurs and encouraging foreign direct investments to newly established processing zones. With the new policy environment, Sri Lanka emerged as the new investment center of Asia and many multinational companies started to invest in the country. Export growth accelerated with the garment sector giving a high growth momentum to the entire sector. Identifying the importance of promoting exports, the Government made a visionary decision in establishing the Sri Lanka Export Development Board in 1979.

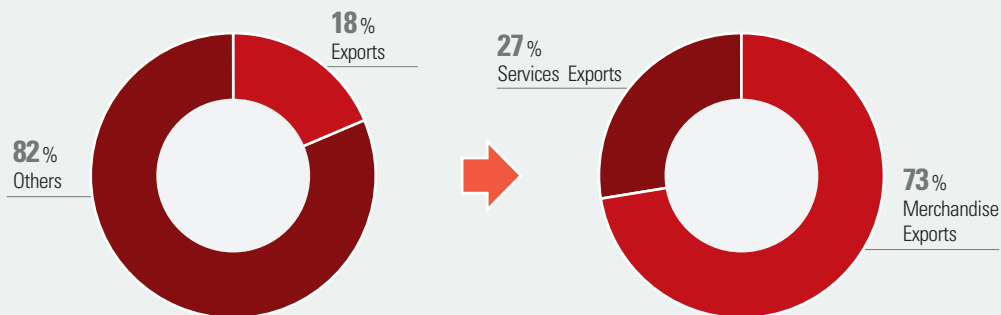
With the economic and social developments in the country, Sri Lanka's

export basket gradually changed by shifting from agricultural to industrial products. The contribution of agriculture to exports declined from 79.3 percent in 1977 to 22.8 percent in 1997, while the share of industrial exports increased from 14.2 percent in 1977 to 74 percent in 1997. However, the increased share of industrial exports was attributed mainly to the growth in the share of textile and garment exports in total exports (Kelagama, 2000). Due to the civil war and other domestic rebellions, the Government had to allocate considerable funds for defence expenditure, depriving the nation's economic growth. On the other hand, Sri Lanka lost many billion-dollar investments by dragging behind regional peers. While Sri Lanka was internally struggling with domestic crises, other Asian countries were able



## Composition of Sri Lanka's Exports in 2018

GDP 2018 - USD 88.9 Billion



to attract more foreign direct investors and secure their position in the world market.

With the advent of the digital era, the current export basket has been filled with growing service-sector exports, including ICT, BPO, KPO, that emerged during the last two decades. The implementation of the

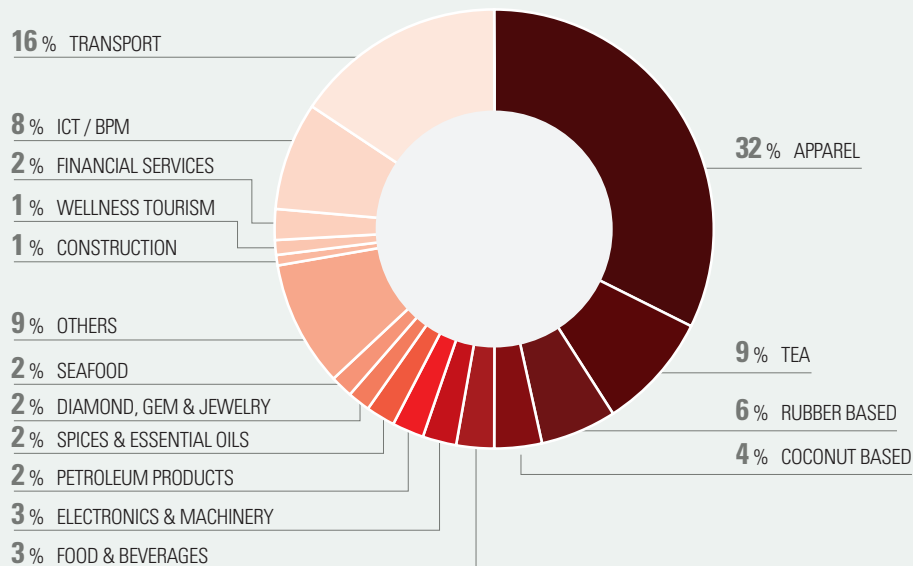
and Boat Building. Through the plan of action of 2018- 2022 of the NES, it is expected to achieve USD 28 billion in export revenue by promoting innovation and diversification.

Through the emergence of digital technology, Sri Lanka has a high potential in service export sectors such as IT – BPM. Sri Lankan IT–BPM companies have demonstrated their competitiveness internationally in terms of reasonable costs, high-quality services and an educated workforce with exceptional skills while positioning Sri Lanka as an emerging service provider in the global IT sector. Moreover, Sri Lanka has strategic advantages for the development of its Wellness Tourism sector. Since there is a clear synergy between global trends and Sri Lanka's traditional health approaches, the country has natural and traditional endowments that can be used to foster a sustainable wellness tourism value chain.

The Electronics and Electrical Component sector is another thrust sector for Sri Lanka, with the potential

## The implementation of the National Export Strategy (NES) is a key milestone in Sri Lanka's export sector which focuses on six key sectors.

National Export Strategy (NES) is a key milestone in Sri Lanka's export sector which focuses on six key sectors including the two mature sectors of ICT – BPM and Spices and Concentrates, the two emerging sectors of Wellness Tourism and Processed Food and Beverages and the two visionary sectors of Electrical and Electronic Components (EEC)



to stimulate innovation, R&D and investment in the country. It is well-positioned to benefit from the EEC industry's steadily increasing levels of manufacturing in Asia, and can contribute to the diversification and technological upgrading of Sri Lanka's exports. Positioning the country as a renowned recreational boating hub and yacht service centre for the Indian Ocean, the boating industry is a visionary sector to promote Sri Lankan exports. The country's strategic geographical location at the crossroads of the main maritime routes in South Asia, combined with the Sri Lankan boat industry's long experience, can make the country an attractive maritime hub that provides a full range of services for a boat's entire life cycle.

Being a 'Spice Island', Sri Lanka has always been renowned for its spices and its extracts or concentrates. The spices and concentrates sector plays a valued role not only in boosting export earnings but also in terms of enhancing the rural economy and social development. Processed Food

and Beverages is another booming sector in Sri Lanka which is well recognized for its high quality and having nutritional characteristics due to the excellence of local raw materials.

According to the diversification of the export basket from time to time, Sri Lanka's export destinations also gradually changed. Being in the middle of the Silk Route, ancient Ceylon maintained good trade relationships with India, South and West Asia from ancient times. With the dawn of the colonial era, Sri Lanka's major exports markets were European countries such as the UK and the Netherlands. Through the open economy, many garment manufacturing plants were established and the USA and the EU became the key export destinations for Sri Lanka's Apparel. As the global economic order evolves, it can be noticed that there is a growing potential in the emerging markets such as China, India and other ASEAN countries for Sri Lanka's exports. Therefore, it is important to pay attention in moving away from traditional markets that generate

thin margins into diversified markets to gain bigger margins and higher sales. Hence, Sri Lanka should strategically move into those markets with the aid of bilateral and multilateral agreements such as ISFTA, SAFTA and Singapore- Sri Lanka FTA.

As mentioned earlier, the global trade is in the process of graduating to a virtual trade platform where policies and regulations will play a key role. Given Sri Lanka's focus to develop innovation, it is important to strengthen the intellectual property rights and ease the process to gain patent rights within the country. Developing relevant policies and regulations in a timely manner is a must to secure Sri Lanka's position as a top-quality export destination. 



**Prasanna Jayasinghe**  
Deputy Director  
Market Development  
Division, Sri Lanka Export  
Development Board

## APPAREL INDUSTRY

# The way forward: post COVID-19 outlook

For a number of years now, apparel has been the single largest contributor to Sri Lanka's industrial exports. In 2019 Sri Lanka's Industrial Exports were USD 9,426 million from which Sri Lanka Apparel accounted for a turnover of USD 5,596 million representing 59 percent of the country's industrial exports and 46.9 percent of the total exports of the country. A Sukumaran, Chairman, Joint Apparel Association Forum (JAAF), says that at nearly USD 5.6 billion the industry has weathered a range of storms in its history and has continued to grow under challenging circumstances.



The Apparel Industry is the single largest contributor to Sri Lanka's industrial exports.



**W**e directly employ around 400,000 people and therefore represent over 15 percent of the industrial workforce. The majority of our employees are females, and in a country with a female labor force participation of 34 percent, we represent probably just under 40 percent of all females in industrial employment. Our factories are located all across the country giving us a reach into communities and regions across the landscape of the country. Sri Lanka Apparel is a major contributor to the economy of the country, bringing in significant net foreign exchange, employing large numbers across the island, uplifting communities and building better lives for our people resulting in alleviation of poverty.

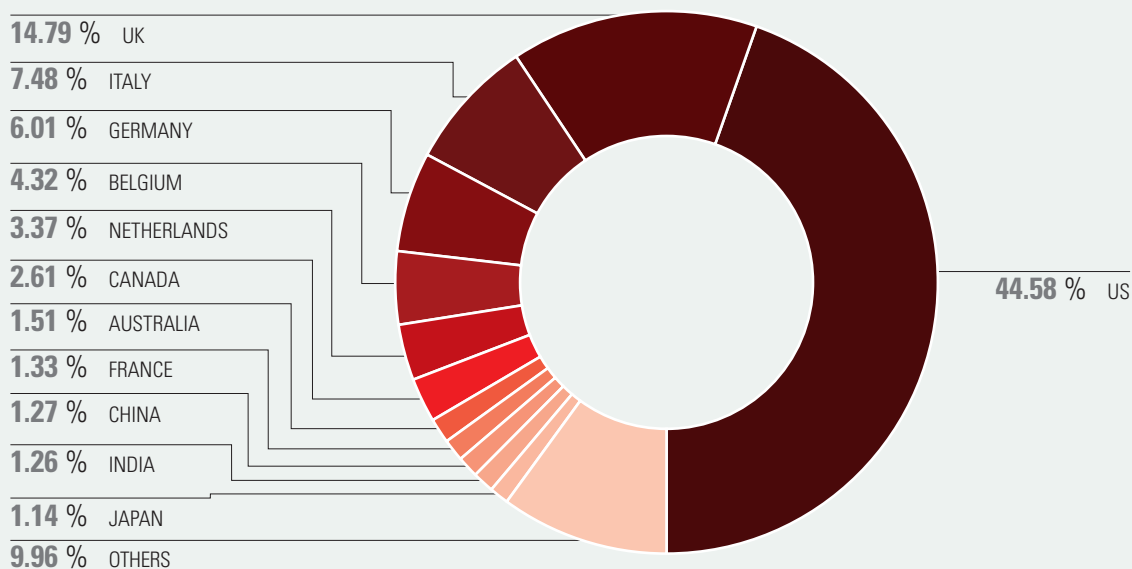
Over the years the industry has transformed itself from being a destination for contract tailoring, into a total solutions provider where our

**As manufacturers we will need to ensure that products are made in a “COVID-19 controlled, or COVID-19 free” environment and this will become a compliance requirement that the industry has to conform to.**



A Sukumaran, Chairman, JAAF

### Key Apparel Export Markets in 2019 (HS-Customs code 61, 62, and 63)



**Economies all over the world are expected to contract post COVID-19, with estimates of up to ten percent in both the US, UK and Europe which are our major markets.**

The apparel industry represents just under 40 percent of all females in industrial employment

members offer their customers a range of value added services including product design and development through state of the art innovation centers, logistics and warehousing solutions, and a host of other facilities making Sri Lanka the destination of choice for the apparel sourcing industry.

Sadly, as with every other industry, COVID-19 has had a huge impact on the apparel industry. We are thankful for the measures taken by the Government to put the country into lockdown from March 19, 2020, the results of these measures have been amply demonstrated in the relatively low numbers of both patients and fatalities. Unfortunately, this of course had an immediate impact on our exports with March being 42

percent down on last year and April representing a drop of 82 percent on last year. The industry has witnessed mass cancellation of orders, and unilateral decisions by buyers to extend payment terms both of which have a massive impact on the industry.

We are not past the worst of it, and in the near term our industry will be smaller than we have been before. Economies all over the world are expected to contract post COVID-19, with estimates of up to ten percent in both the US, UK and Europe which are our major markets. JAAF estimates that in the year 2020/2021 Sri Lanka Apparel will see a reduction of 30 percent against our annual exports of USD 5.6 billion. It's important however to point out that this reduction in the



demand for apparel globally will pick up over time, and we are confident that by 2025 we will be back to our pre COVID-19 levels of operation.

In the meantime, we need to consider the impact on our industry on the “new normal” that the post COVID-19 environment brings. All of us need to be fully aware that unless and until a vaccination is found, the danger of COVID-19 will remain. This will continue to require things like social distancing, sanitation and the related requirements that are necessary to protect the health of the wider community. As manufacturers we will need to ensure that products are made in a “COVID controlled, or COVID free” environment and this will become a compliance

requirement that the industry has to conform to. As our members are all too aware this has a massive impact on our manufacturing facilities as we need to create more space within production environments and canteens, invest in equipment for sanitation, and expand transport fleets. As responsible employers we agree that these are necessary to protect our employees. We can only hope that our competitor countries are required to put in similar precautions so that we are able to compete fairly in the international supply markets. Sri Lanka Apparel has always been at the forefront of compliance, and we envisage that we will do likewise in the “COVID-19 free” arena.

Innovation center:  
The Apparel Industry has transformed from contract tailoring into a total solutions provider including product design and development.



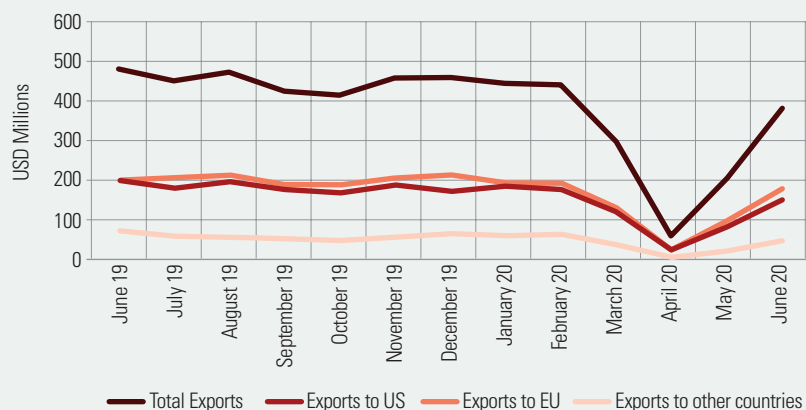
## Apparel Exports From January to June 2020 - (Cumulative)

|               | 2016 USD.<br>MN | 2017 USD.<br>MN | 2018 USD.<br>MN | 2019 USD.<br>MN | 2020 USD.<br>MN | 2019 / 2020<br>CHANGE % |
|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------------|
| US            | 1,094.78        | 1,009.00        | 1,047.00        | 1,137.87        | 830.49          | -27.01                  |
| EU            | 1,008.45        | 953.00          | 1,027.00        | 1,107.86        | 753.17          | -32.02                  |
| Other         | 310.52          | 319.00          | 321.00          | 374.57          | 251.50          | -32.86                  |
| Total Exports | 2,413.75        | 2,281.00        | 2,395.00        | 2,620.30        | 1,835.16        | -29.96                  |

Source: JAAF



## Monthly Apparel Exports from June 2019 to June 2020 in USD millions



Source: JAAF

|                | TOTAL EXPORTS | EXPORTS TO US | EXPORTS TO EU | EXPORTS TO OTHER COUNTRIES |
|----------------|---------------|---------------|---------------|----------------------------|
| June 2019      | 481.30        | 203.87        | 201.86        | 75.57                      |
| July 2019      | 452.00        | 205.00        | 184.00        | 63.00                      |
| August 2019    | 473.40        | 215.00        | 199.50        | 58.90                      |
| September 2019 | 427.00        | 192.00        | 179.00        | 56.00                      |
| October 2019   | 416.00        | 191.00        | 172.00        | 53.00                      |
| November 2019  | 459.00        | 208.00        | 191.00        | 60.00                      |
| December 2019  | 460.00        | 216.00        | 176.00        | 68.00                      |
| January 2020   | 445.71        | 196.48        | 186.70        | 62.53                      |
| February 2020  | 442.52        | 195.44        | 180.37        | 66.71                      |
| March 2020     | 299.87        | 134.09        | 124.39        | 41.39                      |
| April 2020     | 60.00         | 26.00         | 26.00         | 8.00                       |
| May 2020       | 204.78        | 99.02         | 82.94         | 22.82                      |
| June 2020      | 382.28        | 179.46        | 152.78        | 50.04                      |

Source: JAAF

Another feature of the new normal world will be the reduction of bricks and mortar stores as customers will move away from physical stores to reduce the risks of contracting COVID-19. A number of apparel brands have already indicated that they will be closing stores. Whilst there will be an impact on mall footfall, the demand for products will remain and the industry will need to

find ways of capturing that demand through e-commerce platforms. It's imperative that Sri Lanka Apparel prepares for this as our role in the supply chain of e-commerce product is going to become critical. Brands are going to want to move towards the eventual goal of B2C transactions where an order is placed online by a customer in say the USA, and the product will be



Online purchasing will increase and there will be a reduction of physical stores.

shipped directly from Sri Lanka. This is something that has always been on the cards and in the post COVID-19 world this aspect of trade will definitely be fast tracked as a key way of working. There is a lot of work that needs to be done in this arena, but given Sri Lanka's track record of adopting to new trends we believe that we can be at the forefront of this, further adding to the value proposition that we offer our customers.

We are also likely to see an increase in the digitalization of the manufacturing process, a process again which a number of technology companies are developing with our apparel manufacturers already. Digitalization will include things like three dimensional virtual fitting, electronic capturing of data, and data analysis. Most of which is currently done manually. The idea here is that we reduce the level of human intervention in the manufacturing process ensuring that product is better and delivered faster to the consumer.

Improving verticality will be a major step forward in the right direction for which the industry in collaboration with

the Governmental agencies will ensure additional volumes of fabric will be produced domestically no sooner the Eravur Industrial Park is established. Supporting the concept of domestic product substitution for imported inputs for export processing will be a key post COVID-19 strategy.

The new normal will also see the reemergence of sustainability as a key driver of the industry. Sri Lanka has set the benchmarks and we believe that COVID-19 will move the needle on this arena as this gets further up the agenda of the customer. The industry has been gearing up for this and we believe that here too we will be able to leverage Sri Lanka's track record in this area to help build a sustainable future for the industry.

For sure we will bounce back to contribute to our GDP in significant way within mid-term of two to three years. ■

**A Sukumaran**, Chairman, JAAF

## CEYLON TEA



# Sri Lanka Tea Industry moves ahead amidst challenges

Sri Lankan tea, known as Ceylon Tea is reputed for its quality and flavor. It is estimated that over 400 million cups of Ceylon Tea are consumed daily all over the world. Sri Lanka while being the largest producer of orthodox tea, currently ranks as the fourth largest tea producer and third largest exporter of tea globally, explains Ranjith Abeykoon, Secretary General, Tea Exporters Association.



Ranjith Abeykoon, Secretary General, Tea Exporters Association.





Ceylon Tea products cater to niche markets

World tea production reached 6,005 million kg in 2019, which was a growth of 1.7 percent compared to the volume of 5,912 million kg recorded in the previous year. Accordingly, nearly 70 percent of global tea production is consumed within the tea producing countries leaving about 30-32 percent for exports. China and India are the two largest tea producers of the world and together they account for 63 percent of the world tea output. Despite having a comparatively low share in global tea production, Sri Lanka (Ceylon Tea) has established itself in the global market.

Sri Lanka exports over 90 percent of its tea production and has been able to maintain the global exports share at around 16 percent. A few decades ago, the country was exporting only black tea in bulk form but today the

tea export profile has gone through significant development to cater to the changing world consumer demand.

The current product range includes black tea, green tea, instant tea, organic tea, flavored tea and RTD tea products. Sri Lanka exports a large quantity of tea packets and tea bags to add value to its tea than any other tea producing country in the world. The value added tea exports account for approximately 40 percent of the total export volume.

Tea is one of the main sources of foreign exchange earnings and source of employment in the country. Tea exports earn approximately USD 1.6 billion per annum which represents 14 percent of the total export revenue of the country. Tea industry accounts for one percent of GDP of Sri Lanka and approximately two million people directly and indirectly depend on the tea industry.



The famed tea leaf and bud

### Sri Lanka Tea Production (MT)

|          | 2017    | 2018    | 2019    | JAN - APR<br>2020 |
|----------|---------|---------|---------|-------------------|
| Orthodox | 282,662 | 277,340 | 273,907 | 65,780            |
| CTC      | 21,794  | 23,902  | 23,585  | 7,015             |
| Green    | 2,624   | 2,601   | 2,642   | 520               |
| Total    | 307,080 | 303,843 | 300,134 | 73,315            |

Source: teasrilanka.org

### Sri Lanka Tea Exports (MT)

|                | 2017    | 2018    | 2019    | JAN - APR<br>2020 |
|----------------|---------|---------|---------|-------------------|
| Bulk           | 125,629 | 122,428 | 122,844 | 35,772            |
| Tea in packets | 134,509 | 131,256 | 139,080 | 33,927            |
| Tea bags       | 21,701  | 21,578  | 22,913  | 5,998             |
| Instant Tea    | 2,122   | 2,481   | 3,071   | 911               |
| Green Tea      | 5,023   | 4,620   | 4,749   | 1,129             |
| Total          | 288,984 | 282,363 | 292,657 | 77,737            |

Source: teasrilanka.org

The Sri Lanka tea industry is currently driven by the private sector which comprises of tea growers, manufacturers, brokers and exporters/marketers. The large plantation sector accounts for about 30 percent of the national tea production while 400,000 strong tea small holders account for 70 percent of the production.

In the present environment, looking at the production side of Ceylon Tea even prior to the COVID-19 pandemic, Sri Lanka was facing challenges in production volume. The highest volume of 340 million kg was reached in 2013. Since then, production has reduced to 300 million kg, 40 million kg less than what was produced in 2013. Furthermore, at the beginning of the year the industry was impacted by a drought that saw production reduce by 10-15 percent. During the lockdown situation, smallholders and tea plantation companies continued with their operations to a satisfactory

level. Though it may have been less than usual, production has reduced compared to the last year. However, considering the challenges faced, which are not limited to Sri Lanka alone, the situation in terms of production was satisfactory.

The level of export is dependent on the production capacity. With production volume decreasing, export volumes too decreased correspondingly. Last year, export volumes were around 290 million kg. Prior to the COVID-19 pandemic, the main issue was the reduction in oil prices, which severely affected Sri Lanka's export markets as they are primarily oil producing nations such as the Middle East and Russia. With the reduction in their purchasing power, tea export volumes also reduced. Thereafter with the COVID-19 pandemic many countries introduced lockdown measures, which in turn affected

export volumes. Tea was the only sector that was performing during the COVID-19 lockdown period, because production was ongoing, exports were continuing even in small quantities and the demand for tea remained as it is consumed daily in the basic food category.

However, there were challenges due to logistical restrictions in terms of shipping and freight forwarding. In Sri Lanka, ports were functioning but below the usual capacity; at around 30-40 percent. This had an effect on exports.

The profile of major importing countries of Ceylon Tea has changed over the years. A few decades ago countries such as the UK, Egypt and Pakistan were the main buyers of Ceylon Tea but when these markets opted for less expensive CTC type teas, Sri Lanka found new buyers in the Middle East, Gulf, Russia and CIS countries who appreciate orthodox



Tea was the only sector that was performing during the COVID-19 lockdown period.

tea that has more flavor and aroma. The invention of the pyramid tea bags has allowed leaf teas to be packed in tea bags, thus allowing orthodox tea to be offered in tea bag formats as well.

**To ensure the sustainability of the tea industry, Sri Lanka will need to focus on the challenges in production... There are 35 tea producing countries in the world, which is a situation that is significantly different to the time that Ceylon Tea was established in Sri Lanka.**

The Middle Eastern countries led by Iran, Iraq, Libya, Syria, the UAE and Saudi Arabia together with Russia, Ukraine and other CIS countries now account for 75 percent of the annual Sri Lanka tea export volume. The European Union countries (eight percent), USA and Canada (four

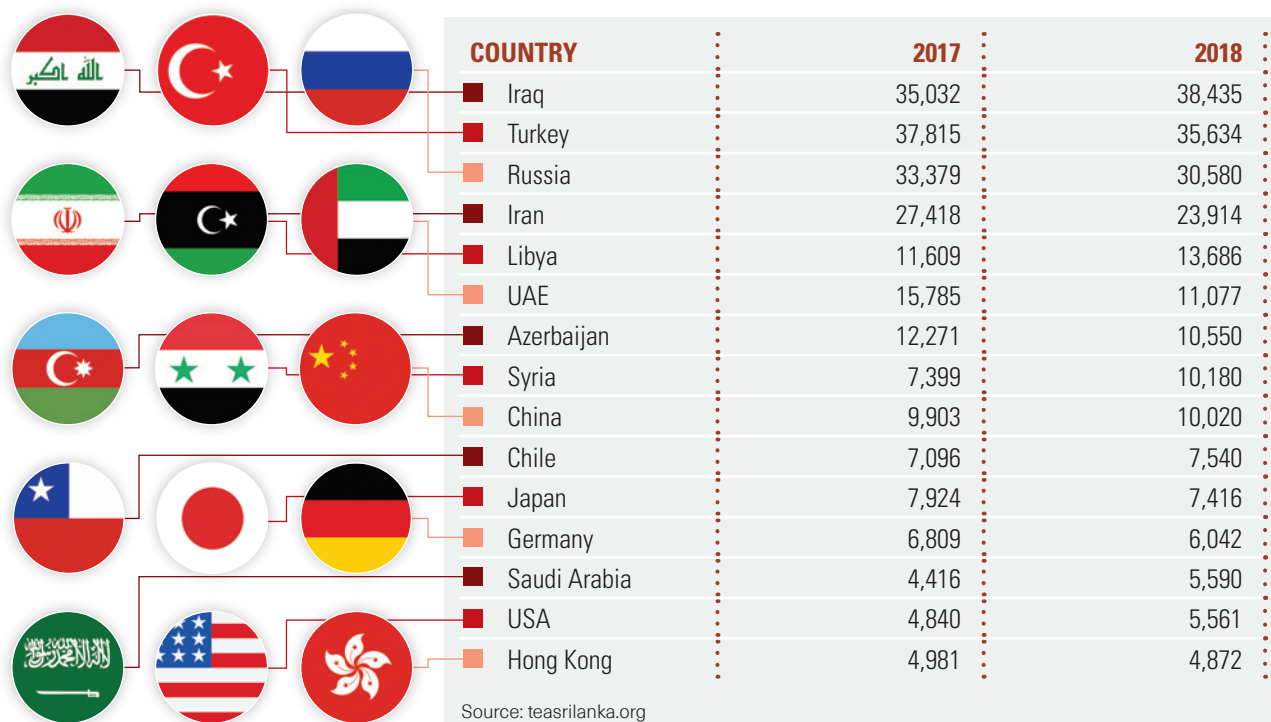
percent) and Japan/Australia (four percent) are the other key importing countries of Sri Lanka tea. In terms of individual countries, Sri Lanka exports tea to over 140 countries.

To ensure the sustainability of the tea industry, Sri Lanka will need to focus on the challenges in production. With production volumes decreasing, buyers are concerned that they will not be able to purchase the required volumes. The unavailability of skilled labor affects the quality of the tea plucked from the fields. There is immense competition for labor in the industry.

There are 35 tea producing countries in the world, which is a situation that is significantly different to the time that Ceylon Tea was established in Sri Lanka. Orthodox teas are produced also by India and Kenya. At times they produce teas which are of higher quality. Thus, the Ceylon Tea industry is facing intense competition. Sri Lanka will be required to face these



### Leading Buyers of Sri Lanka Tea in 2017 Vs 2018 (MT)



**Most Sri Lankan tea producers have also consistently promoted the adoption of strict agricultural standards and practices, particularly through the adoption of international quality certification.**

challenges in terms of ensuring the continuous supply of quality of Ceylon Tea.

Sri Lanka needs to understand the changing preferences of the global consumer as tea is the country's main agricultural export. The country's primary markets are the Middle East, Russia, CIS countries and more recently China. Ceylon Tea does not have a significant presence in the rest of the world. There is competition in this sphere and it is the end consumer that decides the future of Ceylon Tea. The Sri Lanka tea sector needs to reposition itself. Ceylon Tea is not a mass market product but a niche product. The total volume of Ceylon Tea produced is 300 million kg. An international brand sells this quantity alone in the mass market category. There is massive competition. Therefore, Ceylon Tea needs to be positioned as a quality product, which is different from other tea producing countries.

Sri Lankan tea growers and manufacturers adopt Good Agricultural Practices (GAP) and Good Manufacturing Practices (GMP) and produce tea under the highest quality and food safety standards. The tea exporting companies continually improve and upgrade to meet required technical and hygienic standards to conform to the international food safety requirements.

Most Sri Lankan tea producers have also consistently promoted the adoption of strict agricultural standards and practices, particularly through the adoption of international quality certifications such as HACCP, ISO 22000, Fair Trade, ISO 9000, Ethical Tea Partnership (ETP), UTZ, and Rainforest Alliance (RA). Thus ensuring the maintenance of extremely strict production and processing standards that ensure the safety of consumers, workers and the environment.



Sri Lanka will need to adopt new and innovative modes to enable the growth and sustainability of the tea sector.

Sri Lanka as a tea producing nation has the advantage of becoming an established tea hub. Though the Government has not been able to make a decision due to the concerns of the smallholders and tea plantation companies, since the country's production volumes have reduced, Tea Exporters see the potential of having a tea hub in Sri Lanka. The current 300 million kg volume of tea could be increased to 500 million kg. Colombo is a good location with all the required facilities. As a tea producing nation, this is a good opportunity for Sri Lanka. Dubai, is not a tea producing nation but they are a tea blending hub, and they have already captured the market. Sri Lanka will need to adopt new and innovative modes to enable the growth and sustainability of the tea sector.

The Tea Exporters Association, which was formed in 1999 focuses on promoting and protecting the common interests of members who are engaged in tea exports. With the privatization

of the nationalized tea estates in the mid-90s and the rapid expansion of privately held tea estates, resulted in the formation of the Association.

The overall aim is to support the Government and industry efforts to increase the tea export volume and revenue, policy development, provide a level playing field, enhance the competitiveness of Ceylon Tea to maximize tea export volume and revenue, promote the strong image of the Sri Lanka tea industry domestically and internationally, as well as promote Ceylon Tea with its Lion logo.

Presently the Association is focusing on working towards supporting the Government's goal of USD 20 billion export revenue with a contribution of USD 3-5 billion from the Ceylon Tea sector. [4]

**Ranjith Abeykoon**  
Secretary General  
Tea Exporters Association

## IT INDUSTRY

# Sri Lanka's position globally in the IT industry

The Sri Lankan Knowledge and Innovation services sector has achieved considerable milestones growing at an average rate of 20 percent per year to reach an estimated revenue of over USD 1.8 billion in exports services. The sector positions itself as a niche player in the global market as one of the reliable and innovative digital solution providers for small to large scale organizations and businesses around the world explains Ranil Rajapakse, Outgoing Chairman, Sri Lanka Association of Software and Service Companies (SLASSCOM).



Ranil Rajapakse, Outgoing Chairman, SLASSCOM.



Sri Lanka's knowledge and innovation services industry is the fifth largest export earner.



Sri Lanka is ranked among the Top 15 Global Outsourcing destinations by AT Kearney and ranked among Top 20 Emerging Cities by Global Services Magazine. Sri Lanka has won the 'Outsourcing Destination of the Year' accolade awarded by the National Outsourcing Association UK successively in 2013, 2014, and 2019. Sri Lanka's knowledge and innovation services industry is the fifth largest export earner for Sri Lanka in 2018.



There is a workforce of 150,000+ currently employed in the industry.

## Products and Services

SLASSCOM members are from the following service areas:



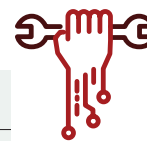
### 1) Software Products

- |  |   |   |
|--|---|---|
| <ul style="list-style-type: none"> <li>• 3D Printing</li> <li>• Access Control Security</li> <li>• Ad tech</li> <li>• AI and Machine Learning, Deep Learning, NLP &amp; Text Mining</li> <li>• Behavioral Analytics</li> <li>• Big Data Analytics</li> <li>• BOT/NLP/AI to E-Commerce extension</li> <li>• Business Support Systems</li> <li>• CRM Solutions</li> <li>• Document Management</li> </ul> | <ul style="list-style-type: none"> <li>• Document Management</li> <li>• Endpoint Security</li> <li>• Enterprise Mobile Solutions</li> <li>• Financial Services products</li> <li>• FinTech/FinReg/FinCon</li> <li>• Government Risk &amp; Compliance</li> <li>• Inventory Management</li> <li>• IT Hardware and Management</li> <li>• Knowledge Management</li> <li>• Logistic Management Systems</li> <li>• Maintenance Repair Overhaul</li> <li>• Operations Support Systems</li> </ul> | <ul style="list-style-type: none"> <li>• Payment Solutions</li> <li>• Personal Identity &amp; Data Management</li> <li>• POS</li> <li>• Product Life-Cycle Management</li> <li>• Remote Monitoring &amp; Management</li> <li>• RFID</li> <li>• Simulation</li> <li>• Smart Tech</li> <li>• Software Development/Accounting</li> <li>• Teleconferencing</li> <li>• Transport management</li> </ul> |
|--|---|---|



### 2) Software Services

- |  |   |   |
|--|---|---|
| <ul style="list-style-type: none"> <li>• Agri Tec</li> <li>• Brokerage and Financial Services</li> <li>• Data Analytics</li> <li>• Data Science/AI Products</li> <li>• Digital Media</li> <li>• E-Commerce, Real Estate Investment</li> <li>• eLearning</li> </ul> | <ul style="list-style-type: none"> <li>• Endpoint Security</li> <li>• FinTech</li> <li>• FinTech/FinReg/FinCon</li> <li>• Gamification</li> <li>• Mobile Apps</li> <li>• Mobile Content/Apps</li> <li>• Personal Identity &amp; Data Management</li> <li>• Smart Tech</li> <li>• Storage Solutions</li> </ul> | <ul style="list-style-type: none"> <li>• Training Simulation</li> <li>• Brokerage and Financial Services</li> <li>• Business Intelligence Solutions</li> <li>• Content Management Solutions</li> <li>• E-Commerce Solutions</li> <li>• Enterprise Application Solutions</li> <li>• HCM solutions</li> </ul> |
|--|---|---|



### 3) IT Services

- Android, iOS
- Any technology related industry
- Artificial Intelligence
- Augmented Reality/Virtual Reality
- Automation
- Autonomous Vehicles
- Banking and Finance
- Big Data & Analytics
- Biometrics
- Blockchain
- BOT/NLP
- Brain Computer Interface
- Digital Road Map/ IT Audits
- Digital Twin Technology
- Drones & UAV
- Edge Computing
- Financial and Business research
- Games
- Industry Specific
- IoT
- Java, iOS, Android
- Machine 2 Machine
- Magento, iOS, Android, LAMP stack
- Quantum Computing
- Robotics
- Software Solutions
- Telco Apps
- Wireless Technology



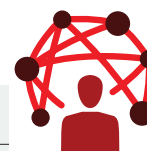
### 4) IT Consulting

- IT Training & Education
- Knowledge Management
- Management/Strategy Consulting



### 5) BPO

- Call Center Management
- Customer Care



### 6) KPO

- Audit
- Contact Center Outsourcing
- Finance & Accounts Outsourcing
- HR Services Outsourcing
- Legal Process Outsourcing
- Project Management

### Sri Lankan markets in the IT industry

SLASSCOM conducted a market prioritization survey in 2018, and based on that, the markets to focus were the Netherlands, Japan, the Nordics (Sweden & Norway), Germany, Singapore, Switzerland, Australia, the UK, and the USA.

From the market prioritization survey mentioned above, the additional new markets for product companies that were identified are New Zealand, Malaysia, Oman, South Korea, and United Arab Emirates.

### Branding of the IT industry

The Island of Ingenuity is a unified platform that represents Sri Lanka's Knowledge and Innovation sectors, whose ethos is to provide inventive solutions through proactive and flexible customer engagement.

The brand differentiates Sri Lanka's Knowledge and Innovation sector through the following approach:

- Creative and Flexible - creative solutions to industry issues with a flexible mindset.
- Nimble and Agile - more pivot-friendly to develop optimal solutions.
- Warm and Hospitable - creates a discussion and innovation-friendly environment among stakeholders.
- High EQ and Pro Individuality - fosters EQ development and provides a platform for innovators to make their voices heard.

Since its launch in Sri Lanka in February 2018 and thereafter in London in April 2018 coinciding with the business leaders' forum held alongside the Commonwealth Head of Governments Meeting, the brand has been showcased in all the



conferences, exhibitions and forums that were held in Sweden, Norway, Japan, UAE, and Australia, supported by digital marketing campaigns in social media and GDN.

### Human Resources

There is a workforce of 150,000+ currently employed in the industry according to the 2019 Workforce Survey published by ICTA. The industry vision is to grow the workforce to 200,000 by year 2022. The same has been envisioned in the Government's policy document "Vistas of Prosperity and Splendor" and there is a concerted effort by the industry and Government to increase capacity in state and non-state universities and other tertiary and vocational educational institutions. The industry plays a key role in providing insights into future

skills requirement, curriculum inputs, mentorships, and internships.

### Capacity Building

SLASSCOM works with the Government, state, and non-state universities, schools, and other stakeholders to continually scale up the skills and capacity of talent. With funding support from the Norwegian Government, its TechKids initiative introduces coding skills at school level. TechKids has reached nearly 1,500 students through classroom style coding workshops in schools and SLASSCOM member companies, weekly online coding workshops and through its newly launched online learning platform.

SLASSCOM Bridge initiative and coding boot camp are aimed at tertiary education, enabling students to secure internships on successful

The industry creates a discussion and innovation-friendly environment among stakeholders.

**The industry vision is to grow the workforce to 200,000 by year 2022. The same has been envisioned in the Government's policy document "Vistas of Prosperity and Splendor."**



**Future Skills survey and roundtable initiatives are aimed at developing skills and capacity in technologies such as AI, ML, Data Science, IoT, Drones and Robotics, and RPA.**

Colombo offers competitive tier-1 office space with world-class facilities and accessibility.



Companies continue to invest in IT modernization and digital transformation.

completion and thereafter pursue a work-study approach to obtaining a degree.

Future Skills survey and roundtable initiatives are aimed at developing skills and capacity in technologies such as AI, ML, Data Science, IoT, Drones and Robotics, and RPA to enable our Knowledge

and Innovation companies to offer products and high value services.

#### **IT Infrastructure in Sri Lanka**

Sri Lanka has reasonably developed modern infrastructure in the region. It's telecom infrastructure is world class, having multiple SEA-ME-WE high-speed connections to





## DRIFTING THE CURVE

When race car drivers approach a bend on the track, unlike ordinary drivers who slow down, they accelerate. This is known as "drifting the curve." It's all about how much momentum you have when you come out of the corner as opposed to how fast you go into the corner.

Service providers that continue to make wise investments through the inevitable demand deceleration will emerge stronger and better positioned to serve the core demand themes of digitalization and IT modernization.

**SLASSCOM** THE KNOWLEDGE AND INNOVATION CENTRE **101** ISLAND OF INGENUITY SRI LANKA

Envisaging an increase in digital adoption and new business opportunities, SLASSCOM developed the 'Drifting the Curve' industry strategy.

the West and East. With global telcos providing wireless and mobile data services, affordable and high-speed data is available islandwide. Colombo offers competitive tier-1 office space with world-class facilities and accessibility.

Sri Lanka is connected globally through frequent and convenient flight networks. Colombo is a clean and cosmopolitan city and is a very popular destination for tourists and business travelers. The country also boasts a good network of roads and highways which are rapidly being expanded.

State and non-state universities are being expanded to provide the needed human capital for industry growth. A large area in Pitipana at the suburb of Colombo is designated to develop more universities.


### Way Forward in the Current Environment

In the face of the COVID-19 pandemic, the country's Knowledge

and Innovation sector has emerged as a shining beacon of resilience and hope. Various companies in this sector have risen to the occasion and adapted their business and work models to cope with the global disruptions caused by the pandemic. Approximately 90 percent of IT-BPM companies in Sri Lanka were ready to act to ensure zero or very minimal interruptions to their regular operations.

Sri Lanka's Knowledge and Innovation services industry workforce must be commended for their receptiveness and readiness to accept the challenge of transforming the work environment, literally overnight in many cases. Sri Lankans across industries have proven that they are highly resilient and resourceful, with most having quickly adapted to the changing business landscape in the face of the COVID-19 crisis.

Envisaging an increase in digital adoption and new business opportunities, SLASSCOM developed the 'Drifting the Curve' industry strategy to build momentum and come out of the "corner" stronger. When race car drivers approach a bend on the track, unlike ordinary drivers who slow down, they accelerate. This is known as drifting the curve. It's all about how much momentum you have when you come out of the corner.

Companies that continue to make wise investments in upskilling talent, IT modernization and digital transformation during the period of inevitable demand deceleration will emerge stronger and better positioned for growth and to serve their clientele better in a post COVID-19 new norm. 

**Ranil Rajapakse**, Outgoing Chairman of SLASSCOM and Executive Vice President and Chief Operating Officer of IFS.



## TEA INDUSTRY

# Mlesna: Ceylon Tea, the COVID-19 experience



Tea plucking continued as social distancing could be maintained in the large tea fields, during the lockdown period.



**Ceylon Tea is Sri Lanka's primary agricultural export with established markets globally. The industry has faced many challenges over the years, yet, its resilient spirit which has enabled the tea sector to thrive over 150 years still remains. The COVID-19 experience is a unique one, and during the lockdown period the tea industry was one of the only sectors that continued to function. Anselm Perera, Managing Director, Mlesna and Euroscan Exports explains the manner in which the industry sustained itself during the lockdown period.**

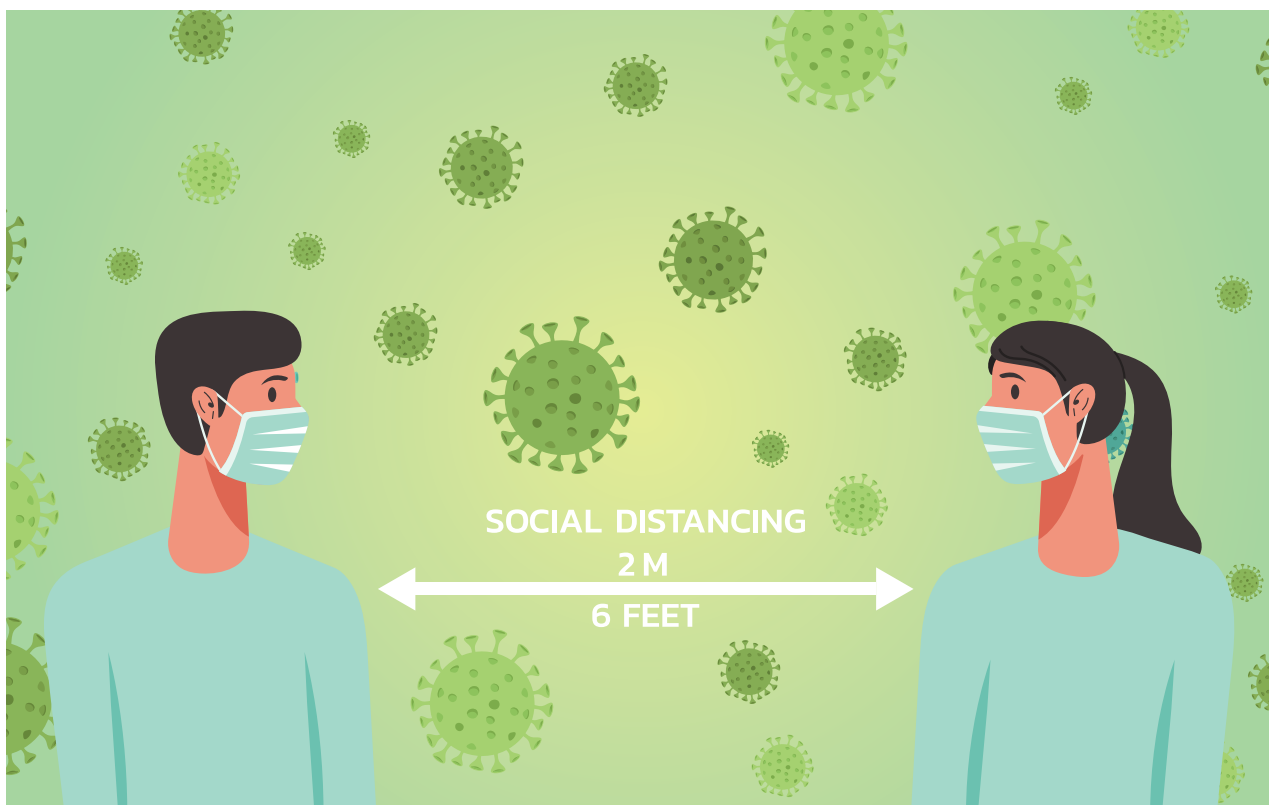


Sri Lanka is presently positioned as a sustainable destination for the tea sector, especially in the form that it can provide continuous supply. During the COVID-19 lockdown, except for one week the Tea Auction was held on an e-platform. The industry could not have the Tea Auction during the first week as the impact was too sudden. However, thereafter the auction resumed the following week. Buyers bid from the locations that they were situated in. As there was a gap, the tea was sold at a higher price. The value added exporters had a drawback because they could not ship their products during the first week as packing materials could not be brought into the country on time. The tea industry was a 100 percent sustainable industry in a sense that the lockdown did not affect the industry drastically. The workers in the factories and plantations worked. Tea plucking continued as social distancing could be maintained in the large tea fields. In that manner tea production continued.

In the factory setting employees were checked thoroughly. Thermometers were placed to conduct temperature checks, social distancing, use of sanitizer and wearing of masks were mandatory. All necessary precautions were taken. Employees had to first walk through a chlorine bath to wash their feet/shoes. They were not



Anselm Perera, Managing Director,  
Mlesna and Euroscan Exports



Above: social distancing and other precautionary measures were mandatory in the tea factories. Below: Mlesna exports value added finished products, which cannot be shipped to certain markets as yet due their respective restrictions.



allowed to wear their own shoes or clothes within the factory premises. They would first change into their sanitized uniforms. An ultra violet disinfectant system was installed to sterilize the surfaces everyday. It is a 35-40 minute process that is conducted daily in the evening after work so that the factory is fresh and clean to resume work the next day. In this manner every space was transformed as far as possible into a COVID-19 free environment. This process has not been easy, it has been very expensive and adds to our overheads but it is unavoidable.

Ceylon Tea did not get affected as much as the other sectors. We have sustained this kind of injury and managed with considerable



Every space was transformed as far as possible into a COVID-19 free environment.

**Bulk tea suppliers are continuing to sell their products. Though Russia is on lockdown we are processing a shipment but it is smaller.**

success. The main problem is that some of our markets cannot receive consignments. During the initial stages, China was on complete lockdown, as soon as they reopened we purchased packaging, which was immediately shipped to Sri Lanka. However, we could not clear the consignment on time as the Sri Lanka Port was not functioning due to the lockdown in the country and thus we had to pay heavy demurrage to the shipping line. This was a very expensive process. We had to face such challenges but we continued with our work.

Markets such as Singapore and Malaysia cannot receive goods as yet. Italy, Greece and South Korea have allowed the entry of imports.

Japan is still on lockdown; however, they are allowing the entry of bulk tea. As Mlesna is exporting value added finished goods, our products are on hold. We will be shipping our products in August so that it is received in Japan in September. Mlesna has 53 tea shops under its own brand in Japan and all were closed until recently. Business is slowly increasing however stringent guidelines are in place. There is a serious impact on all of us because costs have gone up, but prices have remained the same and the value has decreased because the customer is ordering less. There will definitely be an impact on the economy.

Bulk tea suppliers are continuing to sell their products. Though Russia





The domestic market is improving gradually.

**The COVID-19 experience has been the most challenging we have faced so far... We are very optimistic and we are hoping that business will improve by October/November 2020.**

is on lockdown we are processing a shipment but it is smaller. However, bulk tea suppliers are shipping to Russia as they are preparing for the winter months where hot tea consumption is high. The situation in Japan too will improve towards the winter months as there will be a demand for tea.

Domestic business is extremely slow. Though our outlets in the shopping malls are open and our tea centers in Kandy, St Claires, Talawakelle and Bandarawella are operating, business is limited. These business are 80 percent tourism dependent and 20 percent is from the domestic market. Sri Lankans are not purchasing as expected. During weekends the hill country tea center sees minute amounts of business



Mlesna Tea Centre at the One Galle Face Mall is open and ready for business.

but not in the scale prior to the pandemic. In terms of domestic sales for the months of March, April and May except for online sales, it has been almost zero, with sales picking up slightly in June.

Even if the industry re-aligns its strategies we cannot dismiss our staff. As in all sectors we too continue to pay salaries with deductions according to the salary levels. Production volumes are down and, quality is dependent on production volumes. As estate work was not affected there was no impact on quality. Our quantities are currently suffering as our markets are not open as yet. It is impossible to look at new markets during this time as every single country is facing this situation. All


tea companies have their traditional markets, which they are established in. It will take a little time, but we will recover.

Technology is essential during this period but for all sectors including tea to resume a semblance of normalcy money needs to circulate in the economy. Consumers are selective on their purchases and would only spend on necessities.

The COVID-19 experience has been the most challenging we have faced so far. Mlesna started its business in 1983 during the height of the conflict but we still managed to ship tea to overseas markets. Throughout a 30 year period with the prevalent conflict we were always able to bounce back after a few days. Since the end of the war, in the most recent past, the

incident that really affected the industry was the Easter Sunday attacks in 2019. We did not have any sales until October, then November and December business started picking up and in January we were starting to see results when in February 2020, the COVID-19 emerged in our region.

We are very optimistic and we are hoping that business will improve by October/November 2020. The situation is unpredictable because this is a global pandemic.

All exporters must be optimistic, we must be prepared and should not give-up. We have to be ready and confident. 

**Anselm Perera**  
Managing Director  
Mlesna and Euroscan Exports



## ENVIRONMENT

# Repositioning our identity as a waste-free nation



Repurposing our own process waste is an important principle of 'Pirisidu Lanka'. At MAS Holdings, we work on circular initiatives by converting fabric waste to yarn, to close the loop on our own operations.



**MAS Holdings takes a look at positioning Sri Lanka as a waste-free manufacturing destination that would give the country an added advantage in the global arena. Sid Amalean, Head of Sustainable Business, MAS Holdings elaborates on the initiatives taken by the Group.**



The world has changed considerably since the COVID-19 pandemic, a silent and unseen threat that crippled economies, shut down cities, and brought human lives to a standstill. Many industries have taken unprecedented hits with millions of jobs lost across the world. The fashion industry has suffered incredible losses as retailers were forced to close stores and manufacturers faced with cancellations, discounts, delayed payments, and inventory build ups.

In Sri Lanka, apparel accounted for 47 percent of export revenue in 2019 and generates employment for close to one million workers, creating significant impact on the overall health of Sri Lanka's export economy. With global customers looking to streamline and consolidate their supply chains to identify supply models that offer the best value and resilience from external shocks, the country's apparel manufacturers must make bold decisions to stabilize our core businesses and adopt innovative strategies to position ourselves and our country as partners worth investing in, in the long term.

As the dust settles on the immediate crisis, we must also remember that the existing challenges of our industry and world remain unchanged, if not made worse due to the effects of COVID-19. In fact, one of the biggest challenges within the apparel industry is the issue of waste, with over 90 million tonnes of waste generated globally in 2018.

Brands and manufacturers have been called upon to address this challenge in a sustainable manner and

customers' preference for zero-waste, recyclable and circular products are increasing. COVID-19 has also brought about a new dimension to this issue, with the widespread use of disposable, single-use personal protective equipment (PPE) used by healthcare workers, making waste a non-negotiable challenge to address within the industry.

### **A Waste-Free Sri Lanka**

Sri Lanka has the potential to set itself apart by positioning ourselves as an end-to-end waste-free manufacturing destination and by adopting innovative, long-term solutions to upcycle waste. Inspired by this vision, a small team at MAS launched the 'Pirisidu Lanka' initiative (which translates to 'Clean Lanka'), a first step towards our ambition of being a zero-waste nation by 2030.

This initiative adopts a holistic, three-phase approach that looks at creating spheres of influence around our MAS facilities to drive the concept of a waste-free nation, and encouraging communities, businesses, and other stakeholders to create their own spheres around their own operations and localities.

The first stage of the project examines our own facilities, by creating model plants that send zero waste to landfill, adopt the 7R principles and innovate new ways of value enhancing generated waste. To adopt 'Pirisidu Lanka' principles, facilities must adhere to guidelines on eliminating single-use plastics and implement viable solutions to reduce, reuse and/or recycle process waste, food waste, construction waste, e-waste, paper



Building awareness in the community by placing bins to segregate waste in public spaces such as bus stops.

and mixed waste. Facility staff will be trained on managing and value enhancing waste, and must also implement waste infrastructure within plants such as biogas and composting facilities.

The second stage of the project is to implement these principles within a five kilometer radius from our plants. Our focus is to create litter-free spaces and enable knowledge transfer within the communities by engaging community leaders who can help encourage behavior change within their own spheres of influence. At this stage, we also look to enable the growth of industries and entrepreneurs who can use waste as a raw material, and thereby create networks of waste-to-value enhancers.

The third stage involves replicating the model within and outside our industry and stakeholders, particularly through other businesses who have immense potential to create change by following the model in their own operations, encouraging

adoption among their communities and consumers. This will help increase our spheres of impact across the country, expanding the 'Pirisidu Lanka' concept through collaboration and by advocating national legislation and policy change.

Last year, we started our journey with a pilot project in Kilinochchi within our facilities and extended to the community through schoolchildren, giving them the knowledge and tools necessary to start adopting the practices within their schools and at home. To ensure the long-term sustainability of the project, we developed a model that encourages community ownership, appointing champions among schools and community leaders who can collaborate to lead projects, connecting them to external partners and other networks to provide solutions for managing and value enhancing waste.

With plans to carry out the next phase of implementation,

**Our focus is to create litter-free spaces and enable knowledge transfer within the communities by engaging community leaders who can help encourage behavior change within their own spheres of influence.**





Left and below: the Material Recovery Center in Vanni was initiated by MAS Holdings and Eco Spindles, as part of our efforts contributing to building a waste-free Sri Lanka.



we are constantly working on our own zero-waste goals to inspire innovation within MAS, while building the external movement to change behaviour at a wider scale.

### Creating Systemic Change

COVID-19 has shown us that to secure the future, we must adapt with speed, harness innovation and collaborate in order to survive. Positioning Sri Lanka with new value propositions in the international marketplace will also require similar action, where industries, competitors, and stakeholders share data, insights and strategies on how we can leverage our collective strength to weather the storm and thrive in the new normal.

"The 'Pirisidu Lanka' model too depends on the same spirit of collaboration and partnerships to ensure that we increase our spheres of influence to spread this message to all corners of the island and other countries that MAS operates in," says

Sarinda Unamboowe, Chief Executive Officer of MAS Kreeda, who helped conceptualize the 'Pirisidu Lanka' initiative. "While we are still very much at the beginning of our journey, our hope is to invite many more businesses and networks, both within and outside our industry, to replicate, adopt, and adapt the 'Pirisidu Lanka' concept to help us take this bold ambition forward."

Being able to position Sri Lanka as a zero-waste manufacturing destination will certainly give Sri Lankan apparel manufacturers an advantage against competition by addressing a challenge that is pervasive within our industry. But the benefit of a zero-waste Sri Lanka is not just an attractive proposition for manufacturers to market to our customers. It is in fact a much larger, systemic change that will strengthen Sri Lanka's image as a great place to live, work, visit and thrive. Our hope is that it will help define a new identity for our nation. 



**Sid Amalean**  
Head of Sustainable Business  
MAS Holdings



INNOVATION

# CodeGen: Accelerating Change and Transformation



**CodeGen is at the forefront of delivering high-performance solutions with home-grown brands that are highly acclaimed in the global arena. Over the past 20 years, the company has grown from strength to strength, celebrating key milestones along with exponential growth of its workforce. With over 600 highly skilled engineers, technology, and product specialists, CodeGen continues to spearhead advanced innovations that add value to the world at large with its high-value products and proprietary technology.**



Sri Lanka's and South Asia's first all-electric supercar was designed and manufactured by CodeGen.

The company is one of the largest private-sector investors in Research and Development (R&D) and Artificial Intelligence (AI) in Sri Lanka. From AI travel products that are designed to optimize the customer booking journey to autonomous and vision-based navigation algorithms, CodeGen is venturing out into emerging markets to offer innovations that matter. CodeGen is also collaborating with leading universities via an industry-academia partnership to encourage the youth to design innovations that are world-changing and practical.

CodeGen is proud of its multi-industry multidisciplinary portfolio, inspired by a hyper-creative generation. The company's focus is on industries that require critical and progressive innovations through the integration of intelligence and reasoning, coupled with scientific research. CodeGen's talent pool designs robust and sustainable solutions driven by data and advanced algorithms to optimize B2B and B2C businesses both locally and internationally.



CodeGen, state-of-the-art office premises.



## NAVIGATING 2020 AND BEYOND

CodeGen was quick to rise and drive change in industries such as education, healthcare, tourism, retail and much more during the adversities the entire world has been facing in the past few months. Swift solutions were designed and offered within the company's existing product portfolio to continue operations as usual for sectors that required support in digitalization.

### Travel Technology

TravelBox™, CodeGen's flagship travel software solution is an end-to-end business transformation platform for some of the largest blue-chip travel and tourism companies in the world. With AI driven revenue management, multi-channel distribution, advanced product procurement, third party Host- to-Host (H2H) connections and

unique packaging options, TravelBox™ is acclaimed as a leading technology provider in the global travel industry.

### AI Travel Product Suite

FLAIR; CodeGen's AI powered travel products optimize the customer online booking journey. With technologies, for example, Sentiment Analysis, Natural Language Processing, Machine Learning and Big Data; CodeGen has delivered advanced review analyzers, negotiation bots, advanced revenue management, personalization and recommendation engines to enhance the B2C engagement for travel and tourism companies worldwide.

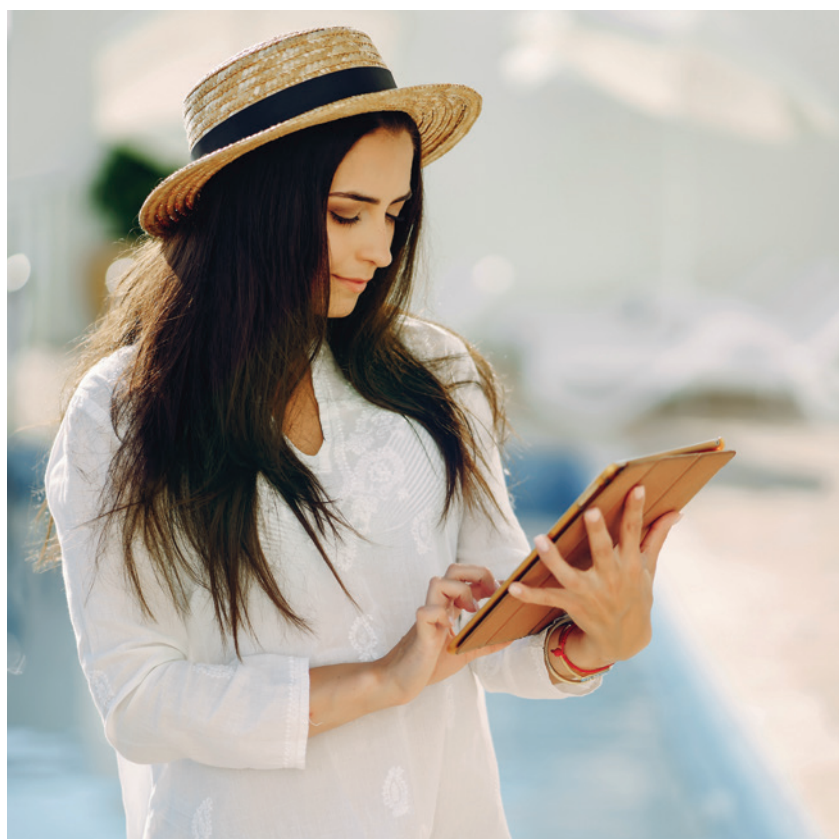
### AI Chatbot

Lia, CodeGen's AI chatbot caters to the travel and tourism sector, retail, and eCommerce industries to offer automated human-like

interactions with B2C and B2B customer segments. Lia's multi-skills enable 24/7 customer engagement, automate sales and customer care with greater conversions while reducing operational costs and optimizing processes. Lia's Context Awareness, Rich Content and Natural Language Processing capabilities make Lia one of a kind in the AI chatbot market.

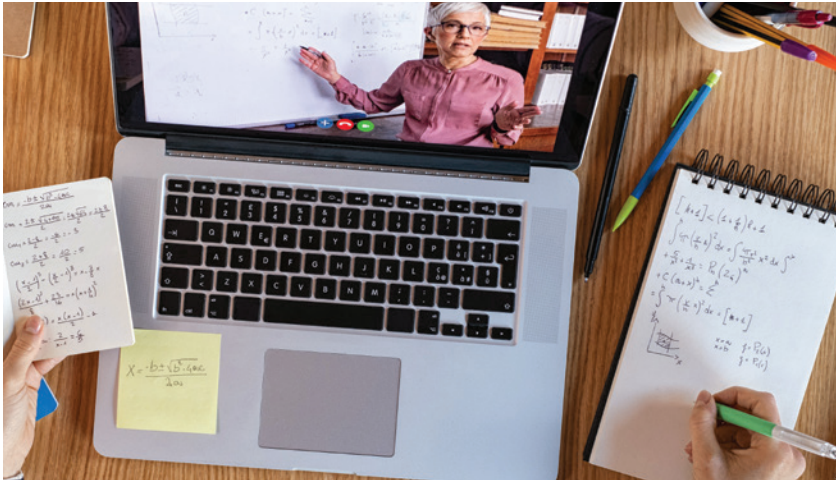
### Education Technology

Cloud Smart School, Cloud Smart Campus and XOLO Smart Classrooms are locally acclaimed brands that have transformed the educational landscape for Schools, Universities, Institutes and Tutors. Designed to facilitate a fully integrated School and Learning Management System coupled with Smart Classrooms and Virtual Classroom solutions for remote and



**CodeGen is proud of its multi-industry multidisciplinary portfolio, inspired by a hyper-creative generation. The company's focus is on industries that require critical and progressive innovations through the integration of intelligence and reasoning, coupled with scientific research.**

End-to-end travel technology solutions.



Remote distance learning solutions.



Vega EVX interior, at the Geneva International Motor Show 2020.



Transportation EV solutions.

paperless learning. This solution takes center stage to facilitate the new social norms of social distancing and remote working. With over 35,000 active users, CodeGen's education technology is a proven solution used by leading private and public schools, universities and educators focusing on problem-solving, learnability and Just-in-Time learning techniques.

### Automotive Innovations

Under Vega Innovations, Sri Lanka's and South Asia's first all-electric supercar was designed and manufactured – Vega EVX. The supercar was unveiled at the Geneva International Motor Show in March 2020. CodeGen's automotive unit specializes in vehicle component design, manufacturing, and green energy initiatives for the Electric Vehicle (EV) sector. With tailor-made technology solutions, the team is geared to offer value-added services to the global automotive industry as a technology partner.

### Transportation EV Solutions

chargeNET is an award-winning Electric Vehicle (EV) smart charging network, that was pioneered 100 percent in Sri Lanka. Fast charging, slow charging, load balancing solutions that are scalable up to 150kW are powering the e-mobility ecosystem in Sri Lanka and ChargeNet is now preparing to enter the global market.

### Agriculture Technology

AiGROW facilitates the production of leafy greens and high value export-ready vegetables in a controlled environment, grown vertically using fully and semi-automated greenhouses. CodeGen's intelligent automation technologies ensure all elements of the production line are fully optimised and monitored using IoT, robotic, image processing and data analytics. AiGROW offers modular based components for the agriculture sector and advanced water recycling, lighting, fertigation





AIGROW, agriculture technology.



AIGROW enables the growth of leafy greens and high value export ready vegetables.

systems and so much more to grow pesticide and weedicide free vegetables.

### Drone Technology


State of the art drone software engineered for specific maneuvering and techniques built for precision landing and take-off with autonomous and vision-based navigation systems. CodeGen outsources its technology and capabilities to companies that require professional and industrial drones.

### Human Intelligence HRM

Kriyo is a state-of-the-art human intelligence platform incorporating a unique set of features to augment the employer and employee journey. With remote working facilitation and social engagement, this solution is widely used during Work from Home schedules and is now offering the flexibility of a hybrid approach in HRM, where both Work from Home and Work from Office can be enabled simultaneously.

### Other Solution Capabilities

Research & Development, and engineering of Supercapacitors, Bromine Flow Battery technology, Transparent Superhydrophobic Glass prototyping, Crowd Tracing and Facial Recognition solutions are in the pipeline.

A powerhouse in design innovation, CodeGen continues to innovate, invest, and grow globally by powering 100 percent homegrown brands that are designed to deliver value, uplifting livelihoods, and advancing the future generations to take ownership of the change they can create with their talent and skills to transform tomorrow's world. 



**Peumi Rodrigo**  
Manager Marketing and  
Communications  
CodeGen International



## WELLNESS

# Sri Lanka Wellness Tourism Association formed

Practitioners in the Wellness Tourism Industry endorsed the formation of the Sri Lanka Wellness Tourism Association (SLWTA), seen as a long felt need by those actively involved in the Industry. More than 50 reputed companies from the Western Medicine Profession, Indigenous Ayurveda Practitioners and others engaged in Wellness Tourism activities such as Western Spas, Yoga and Meditation and a host of derivatives joined hands to forge the formation of the SLWTA which is expected to represent their interests with Government as well as the larger stakeholder base, notably foreign partners and clients. The meeting was held at the Sri Lanka Export Development Board.

Trevor Reckerman, Managing Director, Talisman Enterprises was elected as the Interim President. The following members were newly appointed.

**President:**

Trevor Reckerman  
– Talisman Enterprises

**Vice Presidents:**

Shelly Thenuwara  
– Tree of Life  
Shalin Balasuriya  
– Spa Ceylon  
Sudeera Kankanamge  
– Sen Wellness Sanctuary



Trevor Reckerman, SLWTA President, addressing the gathering.

**Secretary:**

Nilusha Kodituwakku  
– Ayurva Travellers

**Treasurer:**

Hashan Cooray  
– Jetwing Hotels

**Members:**

Dr Prasad Medawatte  
– Lanka Hospitals  
Geetha Karandawela  
– Barbelyn Ayurveda Resort  
Dr Sampath Puncihewa  
– Faculty of Law, University of Colombo  
Paddy Paul  
– Golden Isle Travels  
Prabhan Gunawardana  
– Hemas Hospital

SLWTA members are drawn from the Association of Private

Hospitals and Nursing Homes (APHNH), Ayurveda establishments registered with the Department of Ayurveda and Sri Lanka Tourism, Wellness Tourism Companies registered with Sri Lanka Tourism and Wellness Tourism Professional Consultants. The New Ex Co will shortly consider the primary objectives concerning industry practices including regulation governing these diverse groups in a Draft Constitution that will be adopted at the forthcoming AGM. High on their priorities are an International Symposium mooted by the Ministry of Industrial Export and Investment Promotion which recently met with the EDB and the Wellness Tourism Advisory Committee and SLWTA members to discuss the activities of the sector. 

# Spa Ceylon crosses 100 stores globally



Spa Ceylon 100<sup>th</sup> store in Lisbon, Portugal.

## Spa Ceylon opens 100<sup>th</sup> store

Spa Ceylon has reaffirmed its position as the world's largest luxury Ayurveda chain, with their 100<sup>th</sup> store recently opening in Lisbon, Portugal, followed by the 101<sup>st</sup> in Warsaw, Poland and 102<sup>nd</sup> in Bratislava, Slovakia.

Spa Ceylon's 102 branded stores and shop-in-shop outlets are located in high traffic luxury shopping malls and premium retail areas, situated in more than 50 cities in 20 countries, spanning four continents of the world. Spa Ceylon's major theatre of operation has now shifted to Europe with stores in Russia, Bulgaria, Cyprus, Croatia, Poland, Portugal, Romania, Slovakia, Switzerland and Ukraine; in addition to availability through a further 40 specialty wellness retail locations in Austria. The brand has also recently begun retail operations in the Netherlands, Norway, Greece and Lithuania.

Across Australasia, the brand operates its flagship Japanese store in the heart of Tokyo's prestigious Ginza district, with further stores in Seoul, Korea, across Malaysia and in Melbourne Australia, with operations just commencing in Hong Kong and


Taipei, Taiwan. In the Americas, their first stand-alone branded American location opened recently in the popular US Virgin Islands, in addition to selling through several American retailers on the mainland. Nearer to home, Spa Ceylon operates in India, Pakistan, Maldives and across Sri Lanka.

"Whilst acknowledging the importance of digital communication and e-commerce in the post COVID-19 era, we still believe in the strategic role of brick and mortar stores, in enabling meaningful brand contact and immersing consumers in a multi-sensory experience, highlighting our unique brand story and wellness offering", explained Shivantha Dias, Co-founder and Managing Director of Spa Ceylon.

"Given the amplified need for wellness products and services in a post-C19 era, we see greater opportunities to penetrate international markets with our proven herbal wellness prescriptives, formulated through the centuries-old science of Ayurveda", said Shalin Balasuriya, Co-founder, Spa Ceylon.

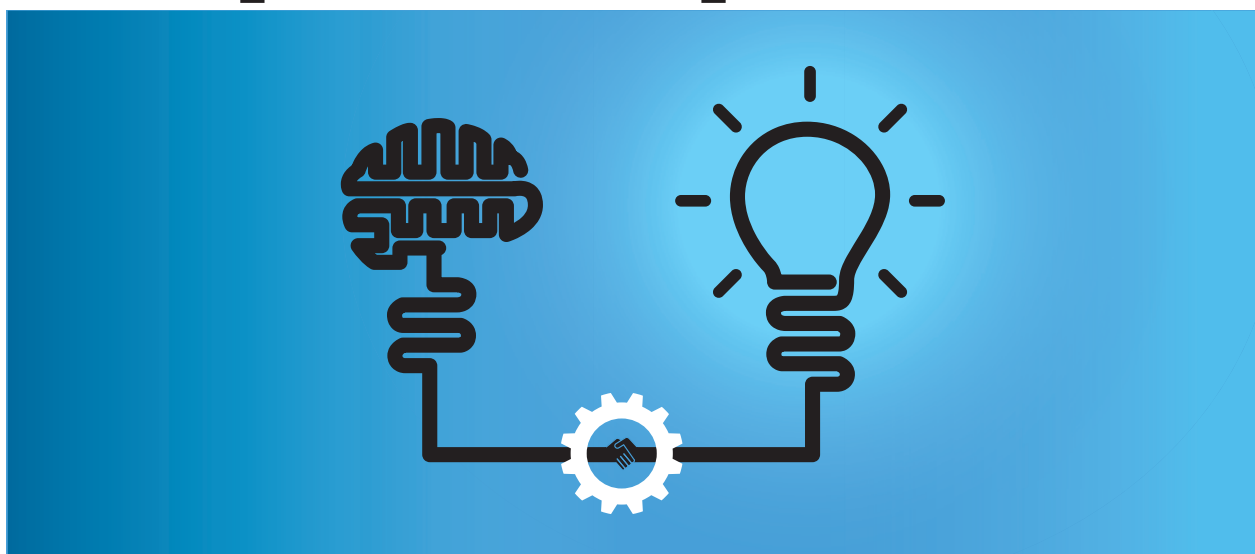
By grasping new opportunities, Spa Ceylon plans to continue their

store expansion, entering new cities and increasing coverage in current territories. Over the next 12 months, store openings in existing markets will include Lisbon, Portugal and St Petersburg and Ekaterinburg in Russia; with new market store openings and seasonal pop ups planned in London, England; Paris, France; Berlin, Germany and Vienna in Austria. Over the medium term, Spa Ceylon aims to expand to more than 40 countries, doubling their store count to 200 stores by 2023.

Spa Ceylon's seamless omni-channel marketing strategy combines uniquely curated physical and virtual stores, with Ceylon inspired design, imagery and brand content, contributing to a persuasive digital footprint. Today, the brand boasts a strong social media and digital presence, with country specific single-brand e-commerce platforms operating globally. Further expansion of the brands online reach will see the opening of dedicated Spa Ceylon flagship stores on the world's leading e-commerce sites, including China's T-Mall and Amazon USA. 

GO DEEPER

# Innovation and Entrepreneurship



Innovation and entrepreneurship are key attributes of a growing economy.

**The Government in its policy direction 'Vistas of Prosperity and Splendor', gives emphasis to people centric economic development in which entrepreneurship plays an important role.**


Innovation and entrepreneurship are key attributes of a growing economy. These two aspects are linked because it is entrepreneurs who develop novel and innovative ideas for businesses and make them a reality. The Government in its policy direction 'Vistas of Prosperity and Splendor', gives emphasis to people centric economic development in which entrepreneurship plays an important role.

The growth model of the Government focuses on promoting agriculture and fisheries to be high technology sectors and thereby become global players, which will be done through incentivizing entrepreneurs and infusing new technology to enhance production and productivity. Recognizing the importance of women to the economy, the Government also places priority on women entrepreneurs.

Youth will be encouraged by providing assistance to young inventors to become entrepreneurs.

Within the people-centric economy, the Government is also looking at introducing a tax system that would promote production within the country. Domestic entrepreneurship will be strengthened so that the people become partners in economic and development progress.

New ideas, innovation and technology will strengthen the dynamism and diversity of the various sectors in the economy, thereby enhancing industries and diversifying Sri Lanka's exports as well. Sri Lanka will be known for its value added products and services.

In the next issue of Business Lanka, we will take an in-depth look at innovation and entrepreneurship that propels economic development. 





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**Sri Lanka Export Development Board**

