

Export Development Board

The Sri Lanka Export Development Board, usually known as EDB, is the Sri Lanka's premier state organization for promotion and development of exports and was established in 1979 under the Sri Lanka Export Development Act No. 40. As the national body responsible for the promotion, development, and facilitation of Sri Lanka's exports, the Sri Lanka Export Development Board provides know-how and assistance and facilitates the effective coordination of all state and private sector organizations, associations, industries and manufacturing enterprises and individuals involved, in exporting our high quality products and services to markets all over the world.

Over the past 30 years, since its inception, the EDB has developed and implemented a comprehensive policy package to assist selected nascent export industries. This package includes specific incentives, as well as various measures to remove supply constraints and other related problems faced by exporters. In addition, a number of programmes were implemented for enhancing export strategies, fostering existing markets and entering into new markets with the objective of expanding the base for Sri Lankan exports around the world. The EDB continues to focus on developing and supporting Sri Lanka's export capabilities and reinforcing competitiveness on the global stage.

The Board functions under the Ministry of Export Development & International Trade and consists of sixteen

members, including the Secretaries of Ministries represented in the Export Development Council of Ministers (EDCM), the CEO of the Board of Investment (BOI) and six members from private sector enterprises (representing industry, business, commerce, finance and other relevant fields), appointed by the Minister in Charge.

The Chairman, who is the Chief Executive Officer, is assisted by a Director General, supported by several divisions, each headed by a Director.

Sri Lanka Export Development Board is the premier state organization responsible for the promotion & development of exports from Sri Lanka. The main functions of the Board are :

- Assisting in improving of the macro and micro economic environment vis a vis the development of exports, in association with the relevant state

THE VISION of the EDB is "Make Sri Lanka to be the most sought after destination for global sourcing". And the **Mission** of the EDB is "To be the leading catalyst organization for Sri Lankan exports by facilitating the development and promotion of products and services for exports in a professional manner to enhance the global competitiveness of Sri Lankan exporters thereby maximizing foreign exchange earnings to achieve economic prosperity".

and private sector agencies and by making policy recommendations.

- Formulating and implementing the National Export Development Plan and sectoral development plans, in association with the relevant state and private sector agencies.
- Function as the Executive Arm of the Export Development Council of Ministers (EDCM).
- Providing exporters with a viable overseas market environment by active participation in trade negotiations and relevant follow-up activities.
- Conducting market research / surveys and identifying market opportunities for Sri Lankan products and services.
- Implementation of supply development programmes in areas including technical, quality and packaging development, in order to assist exporters / potential exporters to improve / increase the competitiveness of exports.
- Formulating and implementing integrated product development and market development programmes, in order to expand existing markets and support exporters / potential exporters entry into new markets.
- Promoting exports by virtue of EDB's physical presence overseas.
- Implementing export development programmes for small & medium enterprises (SMEs) in order to increase the awareness of the export potential of the SME Sector and to encourage and assist SMEs in export marketing.
- Providing up-to-date information on markets, products, tariffs, regulations, international commodity prices, national / international trade statistics,

as well as Online access to international data bases, access to inhouse trade publications Provision of audio visual support material to exporters, and production of video films on selected export sectors.

- Supporting exporters and potential exporters to conduct their business more effectively, with the use of information and communication technology.
- Assisting the export sector to achieve trade efficiency by helping them resolve their problems, constraints in association with related agencies.
- Assisting in improvement of export support services in coordination with other service-providers.
- Working with international trade promotion organisations as well as other local trade support organisations, with the objective of assisting exporters and potential exporters in the development of business opportunities in the world market.
- Implementing human resource development / training / awareness programmes for exporters, potential exporters and related personnel with the objective of helping them acquire / enhance their skills in technology, productivity, financial / general management, export marketing, etc.

EXPORTABLE PRODUCTS OF SRI LANKA AGRICULTURE PRODUCTS

At independence Sri Lanka inherited a classic open economy with dualist features-a modern plantation sector and a subsistence agriculture sector. For the next three decades, and trade policy bounced back and forth between closed, inward looking policies and open

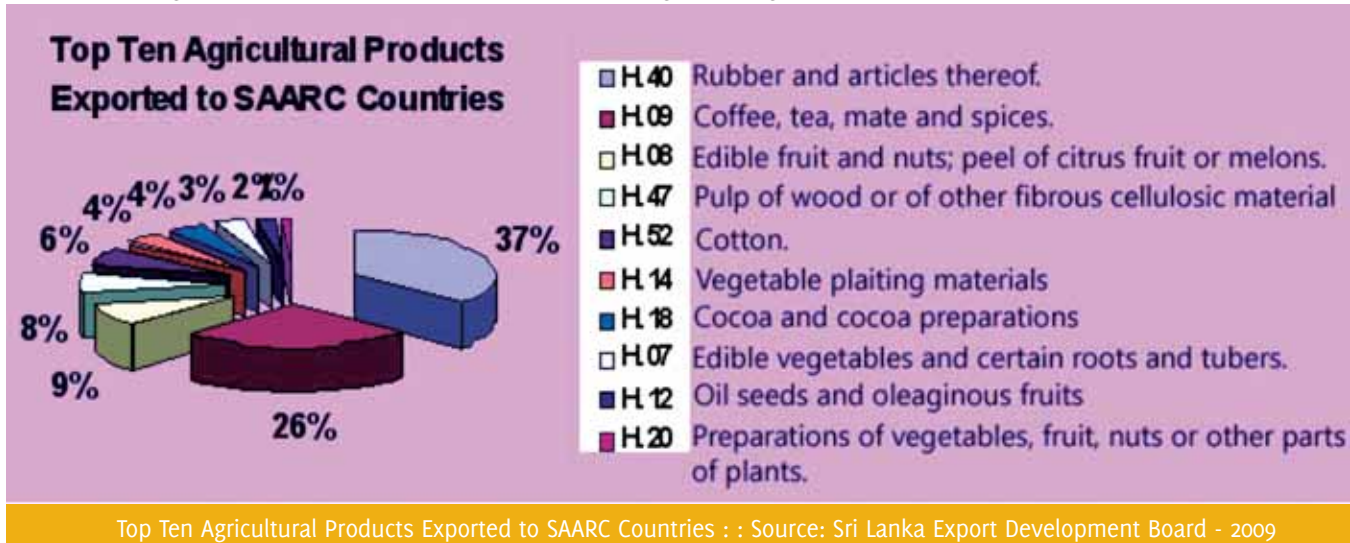
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economic policies. From 1977, till today Sri Lanka has gradually been opening up its economy. Over the past sixty two years, the composition of exports changed from domination by the agricultural sector to domination by the industrial sector. However the composition of exports has not changed much during the last ten years and is concentrated in two major products. Exports markets too are concentrated in a few trade economies in the West. Origins of imports are relatively diversified, but more concentrated in the Asian region.

When considering exports to SAARC countries it amounted to US\$ 440.5 Mn from total exports of the country accounting for 6.2% of the total exports to the world. There has been a gradual decrease in total exports to SAARC countries during the last 5 years but there is a considerable improvement in agricultural exports during 2005-2008.

However, in 2009 there is a slight decrease in agricultural exports to SAARC countries but considering overall performance from 2005-2009 of agricultural exports, there has been a significant increase in share of

The top 10 agricultural products to the SAARC countries are given in Figure 1 below:



agricultural exports from 16.9 in 2005 to 37.61 in 2009.

From the agricultural exports, the major share of exports was from rubber and articles thereof contributing US\$ 59 Mn in the year 2009.

From the above top 10 agricultural products exported to SAARC countries the highest growth rate has shown by the HS No. 18 category cocoa and cocoa preparation which recorded a 91% growth rate during last 5 years.

From Coffee, Tea and Spices export product sector, Cinnamon has shown the highest growth rate (14.47%) and the highest contribution was made by exports of Pepper (US\$ 16 Mn) and Cloves (US\$ 11 Mn) respectively. Tea has been the third highest export earner of the sector. From Edible Fruit and Nut product sector, Coconut exports have recorded the highest export value of the sector accounting for US\$ 10 Mn. in the year 2009.

From the country wise analysis of exports to SAARC countries, the major export destination has been India (US\$ 102 Mn) while Pakistan (US\$ 47 Mn) and Bangladesh and Maldives recorded US\$ 9 Mn of exports becoming second and third

export destination of Sri Lankan products respectively in 2009. Average growth rates of exports of top 10 product sector stated above to India has been 15% while Pakistan and Bangladesh recorded 6% and 13% respectively, in the year 2009.

In the year 2009, exports to Nepal and Afghanistan has been very minimal recording US\$ 0.17 Mn. and US\$ 0.1 Mn respectively. Export to Bangladesh and Maldives has been fluctuating during the period 2005-2009 with the highest export volume for Bangladesh in 2008 US\$ 9 Mn and exports of US\$ 11 Mn to Maldives in the same year.

There are potentials for increased exports of Rubber and Articles thereof, Coffee, Tea and Spices, Edible Fruit and Nuts, Pulp of Wood or of other Fibrous Cellulosic Material product sectors which has recorded steady export volumes from 2005-2008 for which Sri Lanka and SAARC countries will mutually benefit.

INDUSTRIAL PRODUCTS THE SRI LANKAN APPAREL INDUSTRY

The apparel sector of Sri Lanka is one of the most significant and dynamic contributors to Sri Lanka's overall economy. The industry has grown over

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the past three decades to become the primary export earner and the largest single employer of the manufacturing sector, employing over 270,000 people directly and almost 1 million indirectly. Wide ranges of apparel products including branded names are being manufactured and catered to the international market.

A US \$ 3.5 billion industry, Sri Lanka apparel contributes to 45% of the country's total exports. Sri Lankan apparel exports were mainly destined for two markets i.e. the USA and EU. The value of apparel exports to its member SAARC countries from Sri Lanka during the year 2009 is around Rs. 800 Mn.. The duty concessions granted under the FTAs with India and Pakistan offers more trade opportunities for Sri Lankan apparel exports.

The industry has been positioned as a socially responsible and preferred destination for apparel sourcing. Sri Lanka is also the only outsourced apparel manufacturing country in Asia which has ratified all 27 International Labour Organisation (ILO) core conventions. It stands out as a reliable source that pays fair wages to its workers while discouraging sweatshops and child labour in its businesses.

Sri Lanka also has an excellent reputation for abiding by the regulations of the World Trade Organization (WTO). Sri Lanka does not subsidize or provide export rebates and no complaints of anti dumping or countervailing duties have ever been imposed against Sri Lanka.

On the environmental aspects, Sri Lanka Apparel supports many initiatives focused on minimizing its impact on nature. Every effort is being made to create sustainable growth by protecting the environment, both at the workplace and in the community. International standards of recycling, effluent treatment

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and waste management practices are followed to run the operations at optimum environmental efficiency.

The value of industry's inherent best practices and strong ethical thinking positioned the industry on an ethical sourcing platform under the theme 'Garments Without Guilt'. Ethical manufacturing is a way of life for Sri Lanka.

RUBBER PRODUCTS INDUSTRY

Sri Lanka Pioneered the Asian Rubber Industry in 1876 with planting of rubber trees at a place called Henarathgoda and even today Sri Lanka Boasts of having the oldest research institute in Asia. Having an ideal climate for growing rubber, the industry is well assured of a continuous supply of raw materials its manufacturing industry.

The rubber export industry could

consider in two different broad areas, mainly export of Natural Rubber Products and manufactured products.

Although natural rubber takes a major share in exports to the SAARC Region, Rubber Products such as Tyres, Tubes, Carpets, Hot Water Bottles, Auto Parts, Gloves Rubber Bands and Industrial Components makes it's way to sophisticated markets such as USA, Germany, France, Italy, Belgium, Switzerland, Japan, etc.

Taking into consideration the exports of rubber products to the SAARC Region, Sri Lanka has exported sheet Rubber to a value of US\$.8 Mn. Sri Lanka also export Block Rubber, Gloves, Crepe Rubber and Footwear to the SAARC Region. The total export value to the SAARC amounts to US\$.59.68 Mn.

Sri Lanka enjoys Free Trade Agreements with India and Pakistan in the SAARC Region. A Trade Agreements (SAFTA) is also underway with the regional countries although it has been already signed, the agreement will be implemented totally and completely in 2016 .

BOAT BUILDING INDUSTRY

The Boat building industry in Sri Lanka is relatively new industry , earlier this industry was confined to day boats and fishing vessels. When the tsunami hit the country in 2004 a large number of boats were destroyed and a big demand for boats arised within the country paving the way to a thriving boat building industry.

Boat Building Industry recorded a steady growth of exports over the past three years. Sri Lanka's boat building technicians are highly skilled and have a good demand in the international market. About 10 boat building

companies concentrated on the export market and it paid rich dividends. There are many opportunities for these companies in the SAARC region countries such as Maldives, Pakistan, India and Bangladesh & European Region countries such as Netherlands, UK,

For the past 30 years this industry was working in an environment where 2/3 of the coastal belt with virgin beaches were inaccessible and restrictions on use of high powered engines in boats specially leisure and pleasure crafts. Hence the country reaching the normalcy in year 2009 barriers to the growth of this industry are slowly but steadily diminishing. This indeed is a very good sign for not only the existing entrepreneurs of boating industry but also for the new comers to invest in the industry and secure a good future for the industry. A conducive environment is also prevailing for the development of this sector through the tourism industry in the country.

CERAMIC INDUSTRY

The Ceramics industry is composed of three major segments: Tableware, Ornamental ware such as figurines, decorations and kitchen ware Tiles, including wall tiles and floor tiles.

The industry with approximately 15 companies in operation provides direct employment to about 5500 skilled persons in total. The quality of Sri Lankan ceramics is equal to or better than that of any Asian competitor and is comparable to that produced anywhere in the world. The ceramics export industry has a very high value addition on the imported content and being over 60% ranks high amongst the locally manufactured export products.

Sri Lanka's ceramic industry is fortunate to enjoy an abundance of raw materials, available at a very reasonable

cost. The excellent quality and purity of these materials contribute to the high standard of the products, which are now of international repute. Most manufacturers in Sri Lanka are equipped with the latest equipment and machinery. Modern manufacturing techniques and quality assurance methods allow for efficient and cost effective production. Great emphasis is placed on quality control. On-line quality control is followed by a final quality audit, with each piece being checked by qualified and experienced personnel.

The other distinct advantage enjoyed by Sri Lanka is the availability of a highly skilled and literate workforce at very competitive wage rates.

IT/ BPO INDUSTRY

Sri Lanka is fast emerging as a niche global sourcing destination for IT and BPO services. With an export revenue of US\$ 230 million in 2008, the IT/BPO industry now takes the position of the fifth largest exporter of Sri Lanka with a high future growth potential. The EDB has identified the IT/BPO industry as a forerunner sector in achieving high foreign exchange earnings & creating employment opportunities.

■ The strengths of the IT/BPO Industry

Sri Lanka was ranked 16th in the world in 2009 for its attractiveness as a global IT/BPO sourcing destination in the renowned AT Kearney Global Services Location Index (GSLI), which rates countries based on their attractiveness for IT/BPO. Sri Lanka's GSLI ranking steadily increased from 29th position in 2007 to 16th position in 2009. Colombo has been recognized as a global centre of excellence for Finance and Accounting, with Global Services Magazine ranking the city 5th in the world.

■ Future potential for the IT/BPO Industry

The world-wide addressable market for IT/BPO off shoring has been estimated at \$330 billion. However, only a small percentage of this market is exploited world-wide. With the government's commitment by setting the target for ICT/BPO to become the country's largest revenue earner within the next five years, the aim of the industry is to reach target revenue of US\$ 2 Billion and employee base of over 100,000 people in the next 5 years.

PROFESSIONAL SERVICES SECTOR

Knowledge-based Professional Services marketed directly or through off shore back office operations offer high growth market opportunities. Services are being produced in the locations that are able to deliver the lowest cost and the highest quality product. In this context, Sri Lanka has a competitive edge over advanced economies because companies with equivalent professional qualifications and skills could have price advantage over those offered by similar companies in advanced economies.

However, the competitiveness of

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companies exporting services in developing economies such as Sri Lanka depends mainly on the following major factors :

Present Status of Development of the Sector –

Business and Professional Services that are either exported at present or could be exported from Sri Lanka are as follows:

Direct Exports

Software development for client needs, Data entry services, Printing Services, Project formulation, financial systems development and management. Accountancy services (online transmission in digitized format), Music & Videos (online transmission in digitized format), Medical and healthcare services (advisory and online services), Engineering services Educational services (Borderless education using ISDN technology), Architectural services, Skilled Manpower services

Indirect Exports (home based)

Ship repair services, Bunkering services, Tourism related services (Health tourism, recreational facilities etc.) Educational services, Courier services, Stock brokering (online transmission), Film location services.

There are over 20 engineering and architectural firms which are engaged in the provision of the following services overseas.

■ Civil Engineering Services

Geo technical work, Construction of buildings – eg. Hospitals, Landscaping

Overseas employment of both unskilled and skilled Sri Lankan workers is a major foreign exchange earner at present. There is scope for value addition to certain manpower services that are exported.

and pond construction, Dam building, Construction of railways, Irrigation projects, Waste treatment, Rural development work

■ Electrical Engineering Services

Electrical power generation (hydropower and thermal power) Energy management, Designing, installation and commissioning of electrical power distribution systems Supply, installation and commissioning of lighting protection systems Automation with programmable logic controllers, transducers, etc.

■ Architectural Services

Designing of building complexes

Comparative advantage Sri Lanka has over other economies

- Academic & Professional educational standards in Sri Lanka are considered to be high. There are several international schools, which provide educational services to foreign students and borderless education utilizing ISDN technology has also commenced.
- There is a highly qualified and competent resource base of accountants and also engineers (including those in the IT field). Many are successfully employed overseas. There is scope to develop accounting services, especially on line accounting services in digitized format.
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