

EXPORT DEVELOPMENT; THE PATH FOR SUSTAINABLE DEVELOPMENT

Mr. Rohantha Athukorala
Chairman, Export Development Board(EDB)

Vision for Sri Lanka Export Business

"To make Sri Lanka a country of export excellence through an entrepreneurial culture which is ethically right and a strong competitor in the international market committed to sustainable economic growth."

Industry Insights

- ★ World class manufacturer of apparel brands (Brand Name : Triumph International)
 - South Asia's largest exporter of intimate wear (Brand Name : Victoria Secrets)
 - 11 countries in the 2004 Olympics used swimwear manufactured by Sri Lanka (Brand Name : Speedo).
- ★ World largest exporter of tea.
 - One of the 7 leading brands in the world is from Sri Lanka (Brand name Dilmah).
- ★ 70% of the world exports of Cinnamon is from Sri Lanka [11,400MT - (2004)].
- ★ Sri Lanka produces world's best Sapphires in the world (Lady Diana's ring had a Sapphire from Sri Lanka).
- ★ This year Hollywood Oscar recipients will be served with Sri Lankan ceramic wear.
- ★ A brand of paper manufactured with elephant dung won the "Social Responsibility Award - 2005" by the US Apparel Industry.

Export Performance - 2001 - 2005 (Jan. - Feb.)

	2001	2002	% Grw.	2003	% Grw.	2004	% Grw.	2005	% Grw.
Agricultural Products	1022.3	1010.27	-1.17	1053.48	4.27	1147.51	8.92	198.20	7.47
- Tea	689.8	659.6	-4.37	683.3	3.59	738.91	8.13	127.91	10.98
- Natural rubber	23.7	26.3	10.97	38.4	46.0	51.17	33.25	8.17	-27.95
- Coconut	77.2	78.7	1.94	88.3	12.19	107.46	21.69	13.97	-20.80
- Spices	65.4	94.74	44.86	70.44	-25.64	74.68	6.01	17.45	62.63
- Other export crops	65.4	67.66	3.45	73.86	9.16	81.49	10.33	14.32	30.06
- Marine products	100.8	83.27	-17.39	99.18	19.10	93.8	-5.42	16.38	-11.17
Industrial Products	3680.3	3618.59	-28.84	3928.67	8.56	4501.29	14.57	753.41	15.56
- Textiles and garments	2538.5	2417.25	-4.77	2567.04	6.19	2797.48	8.97	469.59	11.96
- Manufactures	807.1	837.57	3.77	984.25	17.51	1230.73	25.04	211.92	44.57
Food bev. & tobacco	28.2	37.3	32.26	50.55	35.52	75.07	48.50	16.54	48.74
Leather finished prod.	117.5	64.79	-44.85	37.12	-42.70	29.45	-20.66	4.52	23.84
Wooden prod.	10.8	12.9	19.44	19.40	50.38	28.18	45.25	4.08	42.16
Paper products	20.5	24.97	21.80	29.37	17.62	26.61	-9.39	4.94	49.70
Rubber prod.	172.9	182.46	5.52	231.29	26.76	283.09	22.39	55.09	47.81

	2001	2002	% Grw.	2003	% Grw.	2004	% Grw.	2005	% Grw.
Chemicals & plastic products	61.1	67.83	11.01	78.19	15.27	103.38	32.21	18.32	35.80
Electrical & electronic prod.	137.9	108.09	- 21.61	149.37	38.19	186.56	24.89	13.59	-50.44
Mechanical products	15.25	8.42	- 44.78	8.45	0.35	11.27	33.37	12.46	529.29
Ceramics & porcelain prod.	42.4	42.25	- 0.35	39.87	- 5.63	46.82	17.43	6.73	7.34
Footwear	32.7	19.2	- 41.28	20.7	7.81	12.88	- 37.77	2.49	-25.0
Toys, games & sports requisites	28.4	26.52	- 6.61	25.04	- 5.58	31.54	25.95	5.19	36.22
Other Manufactur es	139.5	242.86	74.09	294.9	21.42	395.88	34.24	67.96	111.78
- Diamonds, gems & jewellery	266.7	290.58	8.95	312.14	7.41	373.48	19.65	52.8	- 27.88
- Petroleum prod.	68.0	73.19	7.63	65.24	- 10.86	99.6	52.06	19.09	49.61
Others & re-exports	115.4	76.09	- 34.06	148.76	95.5	108.44	- 27.10	34.29	67.0
GRAND TOTAL	4817.0	4699.10	-2.4	5130.97	9.19	5757.24	12.20	985.90	16.30

Source : Sri Lanka Customs & Central Bank.

Objectives

- i) Achieve a US\$ 9 Bn in exports by end 2007.

- ii) Position the export industry as "Sri Lanka for ethically manufactured products and services."

Strategy

- Backwardly integrate the apparel sector and make "Sri Lanka achieve an excellence as a producer of high end apparel to world with value addition exceeding 60%.
- Drive the rubber industry by developing the high value natural rubber and finished product segments.
- Focus penetration of the tea industry towards South Asian market and value added products with branding.
- Penetrate the European market with value added Cinnamon.
- Develop a value added gem and jewellery business and make Sri Lanka a hub in South Asia for high value gems and jewellery products and the "Sapphire Capital" of the world.
- Create a culture of exports in the country for SME development.
- Build a support system for a strategic development of the SME sector.
- Establish linkages between the export sector and research / training institutions and the University system to increase competitiveness of export industries.
- Build industry standards to ensure Sri Lankan export products meet global standards.

Resolution of Key Issues

	Issue	Way Forward
5.1	Public Learning in policy issues	Launch of "Samatha Piyasa" by EDB (One stop shop of Business solutions). Launch of "Kawaya" on mobile regional problem solving.
5.2	High rates on collateral	Launch of the SME Bank with an interest component of 6 - 7% is envisaged.
5.3	Low level of technology and managerial skills	Launch of "Dahas Diriya" scheme. Introduction of Advanced Technology Scheme. Launch of "Ekamuthu" (Integrated Agriculture Model Farm Project).
5.4	Lack of market information and marketing skills	Revamping of the strategic sectors on product / brand management in the Export Development Board.
5.5	Current labour legislation	Termination of Labour Legislation Act (1971).
5.6	Inadequate logistical network	Efficient utilization of Railways for commercial, logistical activities for handling cost reduction.

Case in point - Taiwan

Characteristics

- Entrepreneurial Spirit
- Flexibility and speed
- Specialization and cooperation
- Industrial cluster effect
- Mutual trust

Directions

- 1) Improve operating environment.
- 2) Promoting mutual trust / assist growth efforts.

Key Project

Opportunity in Sri Lanka for Funding

- 1) Positioning of Sri Lanka as a country exporting ethically manufactured products / services. HYPOTHESIS (Done)
Second Opinion (To be done)
Hardware Development (US\$ 0.5 Mn approx. 1)
- 2) Establish state of the art National Packaging Centre. US\$ 2.0 Mn (See Annex I)

The objective of this project is to improve packaging standards in Sri Lanka and to promote a better understanding of their role in national and international; human resource development in the packaging industry, environmental protection, promotion and preservation of products to meet our needs.

- 3) Apex Body for Quality Certification. US\$ 5 Mn (See Annex II)

Establishment of effective and efficient procedures for assessment of conformity to technical and standards that are essential to support industry and trade and enhance national performance.
- 4) Replanting low-yielding tea areas for productivity enhancement. US\$ 10 Mn. (See Annex III)

Accelerate the pace of the re-planting programme for tea in the country with high-yielding varieties in order to increase the productivity in the tea plantation sector.

- 5) Upgrading tea-manufacturing units in the country to meet the new Food Safety Laws. US\$ 10 Mn (See Annex IV)

Upgrading of the tea-manufacturing units in country to meet the new Food Safety Laws introduced by the tea importing countries such as the European Union.

Key Project	<u>Opportunity in Sri Lanka for Funding</u>
--------------------	--

- | | | |
|----|--|------------|
| 6) | Setting up testing laboratories for Crepe Rubber quality management. | US\$ 1 Mn. |
|----|--|------------|

Sri Lanka has launched "Lankaprene" as a premium grade crepe rubber manufactured under carefully controlled processing conditions. It is expected that "Lankaprene will fetch a premium of 30% over traditional latex crepe rubber in the international market. In order to achieve the above it is essential that "Lankaprene" is produced keeping to highest quality requirements and equip every "Lankaprene" producing factory with its own testing facilities.

- | | | |
|----|------------------------------------|------------|
| 7) | Cinnamon Peeling Training Centres. | US\$ 1 Mn. |
|----|------------------------------------|------------|

Sri Lanka is the largest single exporter of true cinnamon in the world having more than 70% share of the world market. Sri Lanka also accounts for nearly 2 /3 of the global output. In spite of new cultivation undertaken during the past 5 years to increase the supply capacity in keeping with the demand, due to shortage of trained cinnamon peelers a considerable amount of cinnamon is lost in production. To overcome this situation it has been proposed to establish 2 Cinnamon Peeling Centres in the production areas of the country. The Centres will undertake to train unemployed youth to be developed into professional cinnamon peelers.

- | | | |
|---|---------------------------------|-------------|
| 8 | Agricultural sector Model Farms | US\$ 10 Mn. |
|---|---------------------------------|-------------|

50 Model farms to be established under this project. This project to be implemented through private sector investors for production, processing and marketing of selected agri products in identified zones.

- | | | |
|----|---|------------|
| 9) | Modern analytical laboratory facility for testing | US\$ 1 Mn. |
|----|---|------------|

Key Project

and analyzing agro and fishery products for export.

Around 20% of Sri Lanka's exports per annum is from the export of agricultural and fisheries. One of the major constraints in export expansion of these products has been identified as insufficient laboratory facilities. Therefore to overcome this it is proposed to set up fully-equipped modern analytical laboratory.

10. Expansion of services Ingrin Institute of Printing and Graphics

