
Sri Lanka

country brief

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For information or advice, ring NZTE on 0800 555 888, visit www.marketnewzealand.com, or contact your Client Manager.

key economic indicators

Economic Indicator	
Population	19,408,635 (2003 est.)
GDP PPP	US\$73.7 (2003)
GDP Growth Rate	5% (2003)
GDP Per Capita PPP	US\$3700 (2003)
Inflation	6.3% (2003)
Total Imports	US\$5.4 billion (FOB 2002)
Total Exports	US\$4.6 billion (FOB 2002)
Currency	Sri Lankan Rupee (SLR)
Exchange Rate: NZ\$	NZ\$1 = 61.98 Sri Lankan rupees (approx)
Exchange Rate: US\$	US\$1 = 98.45 Sri Lankan rupees (approx)

Source: CIA & Economist

overview

Sri Lanka gained independence from the British in 1948. The country was formerly known as Ceylon, its name changing to Sri Lanka in 1972.

For the past 20 years the country has suffered from tension and violence between the Sinhalese majority and the Tamil separatists. Tens of thousands have died in the ethnic war. Sri Lanka could have achieved higher growth rates and poverty reduction had it not been for the history of ethnic conflict.

In December 2001 a change in government brought renewed hopes for peace. Brokered by the Norwegians, this process has started and while discussions continue the cease-fire holds.

Sri Lanka has achieved modest growth of 5% in 2003 based on private sector led activities. Should the peace process come to a workable solution and give some stability, the government will need to work on improving infrastructure such as roads, hospitals and schools. In June 2003, an international donors conference in Japan, US\$ 4.3 billion was pledged in loans and grants for Sri Lanka's reconstruction and development over the next 4 years.

In 1977, Sri Lanka began the transformation from an inward looking socialist system to a market economy based on liberalised trade, exchange arrangements and foreign investment. Sri Lanka's export-oriented policies have seen a shift from a reliance on agricultural exports to an increasing emphasis on the services and manufacturing sectors. The service sector accounts for over half of GDP. Manufacturing, the fastest growing sector, is dominated by the garment industry. The agricultural sector, though decreasing in importance to the economy, still accounts for 20% of national output and employs more than one third of the workforce. The public sector remains large, with the state continuing to dominate in the financial, utilities, health and education sectors.

Sri Lanka historically has been one of the driving forces for trade liberalisation in the region. It is particularly active in the South Asian Association for Regional Cooperation (SAARC). In 1998, Sri Lanka signed a free trade agreement (FTA) with India, the first stage of which came into force

in February 2000. This will see the elimination of tariffs on a wide range of Sri Lankan exports to the Indian market by 2005 and duty free access to Sri Lanka for Indian goods by 2007.

In recent years, the government has eliminated many price controls and quotas, reduced tariff levels, eliminated most foreign exchange controls and sold over 55 state-owned companies and 20 estate-holding companies. Colombo boasts one of the most modern stock exchanges in the region, and the Sri Lankan Government offers a range of tax and other incentives to attract potential investors.

Supported by faster export growth and new infrastructure projects, the Sri Lankan economy is expected to sustain an average GDP growth around 6% in 2004-07.

However as with other countries in South Asia the market is very price sensitive. New Zealand exporters will need to ensure their products and services meet market demand. Again, as elsewhere in the region, relationship building is important. Sri Lankan private sector business people are quite 'worldly' and will be aware of alternatives on the international market.

The New Zealand dairy industry has established New Zealand as a very reputable country to do business with. All government officials will be aware of the New Zealand dairy trade and the brand image of New Zealand. Other New Zealand exporters have the ability to take advantage of this.

political

Conventionally, the country is known as the Democratic Socialist Republic of Sri Lanka. The country is divided into eight administrative provinces. The government comprises a Parliament headed by the President. In Sri Lanka the President is considered to be both chief of state and head of the government. The president is elected by popular vote for a six-year term. The last elections were held in April 2004 which re-elected Chandrika Kumaratunga as President of Sri Lanka.

imports and exports

Sri Lanka's Top Ten Exports

Sri Lanka's Top Ten Exports for the year ended December 2003	% of total exports
Garments & textiles	50.0
Tea	13.6
Diamonds & gems	4.0
Coconut products	1.7
Petroleum products	1.5
Rubber products	1.0
Other products	28.2

Source: The Economist

Sri Lanka's main export markets are USA, UK, Germany, Belgium and UAE.

Sri Lanka's Top Ten Imports

Sri Lanka's Top Ten Imports for the year ended December 2003	% of total imports
Textiles	20.4
Machinery & transport equipment	13.5
Petroleum	12.2
Consumer durables	9.6
Food and drink	8.7
Others	35.6

Source: The Economist

Sri Lanka's main import sources/ countries are India, followed by Japan, Singapore, Hong Kong and Korea.

New Zealand's Main Exports to Sri Lanka

New Zealand's Main Exports to Sri Lanka for the year ending Dec 2003	NZ\$ million
Milk powder	130.6
Butter	1.70
Electrical machinery	.95
Animal feed/ flour	.86
Heavy machinery	.55
Paper & paperboard	.47
Cheese	.46
Total all exports	140.5

Source: New Zealand Ministry of Foreign Affairs and Trade

Recent Trends

Dairy products continue to dominate New Zealand exports to Sri Lanka. The demand for dairy products is likely to remain strong because of a weak local dairy industry. Sri Lanka is a small but regular buyer of other products such as New Zealand lamb, apples, and wine. However, opportunities are likely to remain limited. Small quantities of plastic tube's, and aluminium building products are also exported to Sri Lanka.

sector opportunities

Sri Lanka's most dynamic industries are tourism, apparel, and tea. The infrastructure (airports, ports, roads, telecommunications etc) and insurance and banking sectors are set to modernise and expand. These are the sectors which offer good opportunities as Sri Lanka undergoes major re-construction and modernisation. Other potential areas of interest to New Zealand are:

Education

The demand for an overseas education is rapidly increasing. The low New Zealand fee structure and the safe environment appeals to Sri Lankan students. It should be noted that Sri Lanka is classified as a high risk market by the New Zealand Immigration Service because of the large numbers of non genuine visa applicants.

Food Technology

The demand for processed food is rapidly rising in the urban markets. Sri Lankan technology in this sector is limited. The food processing and packaging industry is aware of New Zealand expertise and there is excellent potential in this sector.

Consultancy and Infrastructure Development

Sri Lanka is a significant recipient of World Bank and Asian Development Bank funding. Good opportunities for New Zealand consultancy services, and relevant construction material to supply the rebuilding of infrastructure. New Zealand expertise has a strong reputation. Consulting opportunities also exist in the tourism and environment sectors.

Engineering Goods

Good opportunities exist in defence, telecommunications, security and agritech equipment.

Dairy Products and Equipment

New Zealand quality and expertise in dairy product and technology is acknowledged. The local industry is, however, small.

Horticultural Products

The demand for imported fruit is increasing because of the perceived higher quality of imported fruit. It is, however, a price sensitive market. Much imported product is merchandised into the tourist hotels servicing tourists from Europe.

Telecommunications/electronics and Information Technology

There is excellent potential in this sector, which is growing very rapidly. The IT sector in Sri Lanka is very small.

For comprehensive information on the opportunities for these New Zealand export sectors, please contact your New Zealand Trade and Enterprise client manager, or call NZTE on 0800 555 888.

market entry

There are three modes of entering the Sri Lankan market.

Agents/Distributors: New Zealand companies could appoint agents to import and distribute products. The market for most New Zealand products is centred in Colombo.

Joint Ventures: This is an option that a number of overseas companies have resorted to, particularly in the food and beverage and the fast moving consumer goods sectors. The legalities involved in setting up joint ventures need to be carefully considered, particularly as exiting joint ventures may be difficult.

Direct Investment: Liberalisation has facilitated direct foreign investment. As part of its programme for economic growth, the Sri Lankan government is committed to a liberal climate for foreign direct investment. There is no restriction on equity ownership and a number of tax incentives are offered. However, while most processes are being streamlined, negotiating Sri Lankan Government regulations is neither easy nor quick.

Market entry requires a wide range of information. You have to make decisions on all kinds of issues that will ultimately affect your approach to the market. New Zealand Trade and Enterprise can provide you with hard data that is factual, complete and comprehensive, ranging from trends and segments in the market to distribution/competition and market demographics.

For further information talk to your New Zealand Trade and Enterprise client manager, or call NZTE on 0800 555 888.

regulatory issues

Following is an outline of some of the regulatory issues New Zealand exporters need to be aware of.

Currency Restrictions

According to the Sri Lanka Exchange Control Act, it is illegal to cash foreign exchange other than through commercial banks or authorised dealers. All hotels and tourist establishments approved by the Tourist Board are authorised dealers in foreign currency.

E-Business

E-business and web marketing is developing rapidly. However, several loopholes exist in the definition and applicability of various national and international laws to e-business in Sri Lanka. Foolproof systems of payment verification and security are issues that have not been fully addressed.

Environmental

Environmental issues were ignored for a long time in Sri Lanka. However, in recent years, there has been increasing concern about issues such as air and water pollution.

Health Regulations

Import of certain drugs is banned. Pharmaceutical products need the approval from the Ministry of Health before they are marketed in Sri Lanka.

Marking and Bar Codes

The practise of bar coding is increasing in Sri Lanka and is likely to become the accepted norm in the market.

Packaging and Labelling

Labelling and packaging requirements vary from product to product.

Product Liability

Consumer awareness is increasing and dissatisfied consumers have recourse to consumer protection agencies and can seek legal redress. Consumer and product related litigation is not yet common practise in Sri Lanka.

Tariffs and Duties

In accordance with the World Trade Organisation (WTO) Agreement, Sri Lanka is phasing out import barriers. However, a degree of protectionism continues through tariffs and duties on certain products.

New Zealand Trade and Enterprise can provide free basic information on tariffs at an indicative level to assist companies assess the viability of market entry.

freight

Air Freight

Most airfreight consignments from New Zealand to Sri Lanka are routed through Singapore. However, connections are also available through Sydney, Bangkok, Dubai and Kuala Lumpur.

Sea Freight

The port of Colombo is a large and efficient port. Increasingly, consignments are also being transhipped to India from Colombo Port due to congestion at Indian Ports.

New Zealand Trade and Enterprise has basic information on air and shipping freight options to this market, but for details on rates and schedules, exporters will be referred to a range of appropriate service providers.

doing business with Sri Lanka

Business and Cultural Tips

Sri Lanka is a developing country and is considered a difficult market. New Zealand exporters should undertake initial in-market research to determine actual prospects for their products and services before visiting the market. Good transport and communications facilities are available but the following points should be kept in mind when doing business in Sri Lanka.

- Sinhala is the official language spoken by 75% of the population. About 20% of the population speak Tamil. Most people are conversant with the English language.
- Dress should be modest and conservative. Business clothing for men varies depending upon the climate. Suggested attire for winter is a suit and tie. For summer, lightweight

trousers and a short sleeve shirt. Other seasons, lightweight trousers, long sleeve shirt and tie. Women are advised to dress conservatively.

- There are a large number of public holidays in Sri Lanka and New Zealand exporters need to check before planning a market visit to Sri Lanka.
- Taxis are readily available and prices are reasonable but make sure the meters are being used or prices are agreed before embarking on a journey. Prepaid taxi services are available at Colombo airport. Hire cars are available at most hotels, but are expensive compared to metered taxis. Road signs and property numbering is difficult to fathom. A car and local driver is a good idea for business calls. The rail network in Sri Lanka services the main coastal and inland cities and is cheap and interesting. Inter city bus services are also available although Sri Lankan roads are crowded and slow.
- While travel within Colombo is safe, it is advisable to avoid road travel between cities at night because of unsafe driving practices and high accident rates.
- Telephone calls and faxes from hotels are expensive. There are a number of easily accessible telephone booths offering facilities for local, domestic and international calls in Colombo, charging standard rates. It is advisable to use these facilities. Cell phones are commonly used. Visitors can arrange to have their cell phones roamed before they depart New Zealand or, alternatively, purchase a suitable prepaid SIM card on arrival in Sri Lanka.
- Health problems can be avoided by taking common sense precautions. Eat and drink selectively. Drink mineral water from sealed bottles only. Avoid ice since it is only as safe as the water used to make it. Take care with salads in restaurants. Meat and vegetables should be well cooked. Fruit should be cooked or peeled. Avoid contact with animals. If problems arise, hospitals in the private sector are of a reasonably good standard. Leading hotels can provide the names of reliable doctors.
- Tipping is widely expected and will ensure good service. Tipping in restaurants is usually 5% to 10% of the bill. For full day use of a taxi, a tip of 50 rupees to the driver is recommended. Porters in hotels are tipped 5 – 10 rupees per baggage item.
- Sri Lankans are religious people. Visitors are advised to dress conservatively when visiting places of worship. Women should not touch or photograph monks.

visa requirements

A visa can be obtained on arrival in Sri Lanka.

time difference

Sri Lanka is six hours behind New Zealand except during daylight saving (October-March) when it is seven hours. For the current time in Sri Lanka go to www.timeanddate.com.

contacts

New Zealand Trade and Enterprise

Enterprise Hotline	Phone 0800 555 888
Websites	www.nzte.govt.nz and www.marketnewzealand.com

New Zealand Trade and Enterprise Sri Lanka

Contact	New Zealand Trade and Enterprise India
Address	C/O New Zealand High Commission Sir Edmund Hillary Marg Chanakyapuri New Delhi – 110 021
Phone	+91 11 2688 3170 or 2688 3164 (direct line)
Fax	+91 11 2687 6554
Email	peter.hobbs@nzte.govt.nz

Sri Lanka/New Zealand Business Council

There is an unofficial Australia New Zealand Business Council.

Contact	Ms Ayoni Waniganayake
Address	Ceylon Chamber of Commerce
Phone	+94 11 232 6096; 238 0156; 242 1745/46
Fax	+94 11 244 9352; 243 7477
Email	Ayoni@chamber.lk

useful websites

Organisation	Web Address
Ceylon Chamber of Commerce	www.chamber.lk
Board of Investment	www.boisrilanka.org www.boi.lk
Sri Lanka News	www.lankapage.com
Almost all the government institutions	www.gov.lk

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