



*Exporters' Association
of
Sri Lanka*

*Annual Report
&
Accounts*

2015 – 2016

OFFICE BEARERS 2015/ 2016

CHAIRMAN

Mr. Fazal Mushin
Link Natural Products (Pvt) Ltd

1ST VICE CHAIRMEN

Mr. Harin De Silva
Eastern Merchants PLC

2ND VICE CHAIRMAN

Mr. Chrisso De Mel
Hayleys Plc

SECRETARIAT

THE CEYLON CHAMBER OF COMMERCE
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FAX : +94 11 2449352
EMAIL : easl@chamber.lk
WEBSITE : www.exporterssrilanka.net

MANAGING COMMITTEE 2015/2016

MEMBER COMPANIES

Company

Representative

Aitken Spence Exports (Pvt) Ltd
Akbar Brothers (Pvt) Ltd
Expo Lanka (Pvt) Ltd
C W Mackie Plc
Cal Exports Lanka (Pvt) Ltd
Ceylon Biscuits Ltd
Eastern Merchant Plc
Hatton National Bank
Hayleys Plc
Hellmann Worldwide Logistics
Imperial Teas (Pvt) Ltd
Intercom (Pvt) Ltd
Jafferjee Brothers
KIK Lanka (Pvt) Ltd
Link Natural Products (Pvt) Ltd
Mackwoods (Pvt) Ltd
Meezan & Co (Pvt) Ltd
Microcells (Pvt) Ltd
Nidro Supply (Pvt) Ltd
Saboor Chatoor (Pvt) Ltd
Sri Lanka Export Credit Insurance Corporation
Tea Tang (Pvt) Ltd

MANAGING COMMITTEE 2015/2016

MEMBER PRODUCT ASSOCIATIONS

<i>PRODUCT ASSOCIATION</i>	<i>REPRESENTED BY</i>
1. Colombo Rubber Traders' Association	Mr. T Shums
2. Colombo Tea Traders' Association	Mr. H D Hemaratne
3. Floriculture Produce Exporters Association	Mrs. Ramya Weerakoon
	Mr. Ruwan Rajapakse
4. Seafood Exporters Association of Sri Lanka	Mr. Channa Weeratunga
5. Spices & Allied Products Producers Association	Mr. Vernon Abeyratne
6. Sri Lanka Association of Manufacturers & Exporters of Rubber Products	Mr. Justin Seneviratne
	Mr. Lalith Jayawardena
7. Sri Lanka Gem & Jewellery Association	Mr. Saman Amarasena
	Mr. Muslim Salahudeen
	Mr. Sanjaya Baid
8. Sri Lanka Diamond Manufacturers Association	
9. Sri Lanka Fruit & Vegetable Producers, Processors & Exporters Association	Mr. S. Gnanaskandan
10. Sri Lanka Apparel Exporters Association	Mr. Aziz Rummy
	Mr. Athula Jayasundera

**MANAGING COMMITTEE 2015/2016
PAST CHAIRPERSONS**

Mr. Rohan P. Daluwatte (Immediate Past Chairperson)	Tea Tang (Pvt) Ltd
Mrs. Dawn Austin	Nidro Supply (Pvt) Ltd
Mrs. Nirmali Samaratunga	Mackwoods Ltd
Mr. Deepal Chandrasekera	Imperial Teas (Pvt) Ltd
Mr. A. S. M. Muzzamil	Ceylon Foods (Pvt) Ltd

THE EXPORTERS' ASSOCIATION OF SRI LANKA

MANAGING COMMITTEE 2015-2016



Standing from Left to right

Mr. Imdadh Marikar (Expo Lanka Pvt Ltd), Mr. Janith Ilangatileke (Hatton National Bank), Mr. G D Bertus (Intercom (Pvt) Ltd), Mr. Lalith Kahatapitiya (KIK Lanka (Pvt) Ltd), Mr. Aziz Rummy (Sri Lanka Apparel Exporters' Association), Mr. Nalaka Ratnayaka (Hayleys Plc), Mr. Jude Rubera (Ceylon Biscuits Pvt Ltd), Mr. S Abdul Cader (Meezan & Company Pvt Ltd), Mr. Nazvi Hassen (CAL Exports Pvt Ltd), Mr. Justin Seneviratne (Sri Lanka Association of Manufacturers & Exporters of Rubber Products), Mr. Lalith Hennayake (Hellmann Worldwide Logistics (Pvt) Ltd)

Seated from Left to Right

Ms. Manjula Maldeniya (Ceylon Chamber of Commerce / EASL Secretariat), Mr. T. Sambasivam (Akbar Brothers Ltd), Mrs. Dawn Austin (Nidro Supply Pvt Ltd), Mr. Gulam Chatoor (Saboor Chatoor Pvt Ltd), Mrs. Nirmali Samaratunga (Mackwoods Pvt Ltd), Mr. Harin De Silva (1st Vice Chairman EASL), Mr. Fazal Mushin (Chairman EASL), Mr. Chrisso De Mel (2nd Vice Chairman), Mr. Rohan P. Daluwatte (Immediate Past Chairman), Mr. Deepal Chandrasekera (Past Chairman), Mr. A S M Muzammil (Past Chairman EASL), Ms. Manori Dissanayaka (Ceylon Chamber of Commerce / EASL Secretariat)

Highlights of 2015/2016 AGM



Welcoming the Chief Guest Hon. Dr. Harsha De Silva, Deputy Minister of Policy Planning

HEAD TABLE:



Head Table: from left to right Mr. Harin De Silva (1st Vice Chairman, EASL), Mr. Fazal Mushin (Chairman EASL), Hon. Dr. Harsha De Silva, Deputy Minister of Policy Planning (Chief Guest), Mr. Rohan P. Daluwatte (Immediate Past Chairman, EASL), Mr. Bandula Egodage, Chairman & Chief Executive of the Sri Lanka Export Development Board, (Guest of Honour), Ms. Manori Dissanayaka (Manager CCC/EASL Secretariat)

LIST OF MEMBER COMPANIES AS AT 31ST MARCH 2016

A

A Baur & Co. Ltd
Adamexpo
Adamjee Lukmanjee & Sons Ltd
AF Jones (Exporters) Ceylon Ltd
Aitken Spence Exports Ltd
Akbar Brothers Ltd
Alliance Finance Co Ltd
Ansell Lanka (Pvt) Ltd
Aristons (Pvt) Ltd
A S Agri Exports (Pvt) Ltd
AGSTAR Exports (Pvt) Ltd

B

Bank Of Ceylon, Central Office
Beira Brush Ltd
Bogala Graphite Lanka Ltd

C

Ceylon Biscuits Ltd
Ceylon Tea Marketing Ltd
Chas P. Hayley & Co. (Pvt) Ltd
Chemanex PLC
Chemical Industries (Colombo) PLC
Cocotana Coconut Products Pvt Ltd
Consolidated Business Systems (Pvt) Ltd
C. W. Mackie Plc

D

Dankotuwa Porcelain Ltd
Delmege Forsyth & Co. Ltd
Dipped Products PLC

E

Eastern Merchants PLC
Eswaran Brothers Exports (Pvt) Ltd
E.B. Creasy & Co. Ltd
Euro-Scan Exports (Pvt) Ltd
Edinburgh Products (Pvt) Ltd
Expack Corrugated Carton (Pvt) Ltd
Expo Lanka Pvt Ltd
Expo Lanka Freight Pvt Ltd

F

Finlays Colombo PLC

G

George Steuart & Co. Ltd
Gordon Frazer & Co Ltd

H

Hameed Brothers (Colombo) Ltd
Harrisons (Colombo) Ltd
Hatton National Bank PLC
Hayleys PLC
Hela Clothing (Pvt) Ltd
Hemachandras (Kandy) Ltd
Hellman Worldwide Logistics (Pvt) Ltd
Hirdaramani International Exports (Pvt) Ltd

I

Imperial Teas (Pvt) Ltd
Industrial Clothing Ltd
Intercom (Pvt) Ltd
Ishana Spice Exports

J

Jafferjee Brothers
Jiffy Products SL (Pvt) Ltd
J L Morison Son & Jones (Ceylon) Plc

K

K. I. K . Lanka (Pvt) Ltd

L

Lanka Brush Exports (Pvt) Ltd
Lanka Diamonds Polishing Ltd.
(Until January 2015)
Lanka Walltiles PLC
Lankem Ceylon PLC
Link Natural Products (Private) Ltd
Lion Brewery Ceylon PLC

M

Mabroc Teas (Pvt) Ltd
Mackwoods Ltd
Mascons (Pvt) Ltd
Meezan & Co (Pvt) Ltd
Miami Exports (Pvt) Ltd
Microcells (Pvt) Ltd
Mona Plastics (Pvt) Ltd

N

Nidro Supply (Pvt) Ltd
Nations Trust bank Ltd
NDO Lanka (Pvt) Ltd

P

Para Xpo Products (Pvt) Ltd
(Until March 2016)
Pattakannus (Pvt) Ltd
Premier Natural Teas (Pvt) Ltd

R

Ranfer Teas (Pvt) Ltd
Renuka Holdings PLC
Richard Peiris Natural Foams Ltd

S

Saboor Chatoor (Pvt). Ltd
Shums & Co. Ltd
Smithkline Beecham (Pvt) Ltd
Sri Lanka Export Credit Insurance Corporation
Stassen Exports Ltd

T

Tea Tang (Pvt) Ltd
The Swadeshi Industrial Works PLC
Trelleborg Lanka (Pvt) Ltd

U

Union Commodities (Pvt) Ltd
Unitrades (Pvt) Ltd
(Until March 2016)

V

Van Rees Ceylon Ltd

LIST OF MEMBER PRODUCT ASSOCIATIONS AS AT 31ST MARCH 2016

1. Sri Lanka Fruit & Vegetable Producers, Processors & Exporters Association
2. Sri Lanka Apparel Exporters Association
3. Colombo Rubber Traders' Association
4. Spices & Allied Products Producers Association
5. Colombo Tea Traders' Association
6. Sri Lanka Association of Manufacturers & Exporters of Rubber Products
7. Sri Lanka Gem & Jewellery Association
8. Seafood Exporters Association of Sri Lanka
9. Floriculture Produce Exporters Association
10. Sri Lanka Diamond Manufacturers Association
11. Sri Lanka Association of Software and Service Companies

PAST CHAIRPERSONS OF THE EXPORTERS' ASSOCIATION OF SRI LANKA

Year

From 1993 to 1997 August - Mr Lyn Fernando
Chairman of the Export Section of the Ceylon Chamber of Commerce

- Mr. Gulam Chatoor
Chairman of the Federation of Exporters Association of Sri Lanka

August, 1997

The Export Section of the Ceylon Chamber of Commerce & the Federation of Exporters Association of Sri Lanka merged to form EASL and the inaugural meeting of the Exporters' Association of Sri Lanka held on August 22nd 1997, This meeting was chaired by Mr Gulam Chatoor as a Chairman of Federation of Exporters' of Sri Lanka. Mr Lyn Fernando was elected as the Chairman for EASL at this meeting.

1997-2000	-	Mr. Lyn Fernando
2000-2003	-	Mr. A S M Muzzammil
2003-2005	-	Mr. Gratian Gunawardhana
2005-2007	-	Mr. Mohan Mendis
2007-2008	-	Mr. Deepal Chandrasekara
2008-2011	-	Mrs. Nirmali Samaratunga
2011-2013	-	Mrs. Dawn Austin
2013-2105	-	Mr. Rohan P. Daluwatte

THE EXPORTERS' ASSOCIATION OF SRI LANKA

The formation of the Exporters Association of Sri Lanka brought a wide spectrum of exporters, under one umbrella, and a strong platform was built to discuss and make representations on issues affecting the Export Trade, with one voice. The Association now represents around 1000 Exporters through direct and indirect membership, and contributes to over 80% of the total exports of the country.

History:

In 1973, Chamber Members who engaged in individual export trade initiated the formation of the "Export Section of the Ceylon Chamber of Commerce".

In 1987, the Export Development Board initiated the formation of the Federation of Exporters' Associations of Sri Lanka (FEA), which was an umbrella organization of major export product specific associations.

It was observed that there was a duplication of activities of these individual Organizations and that there would be more usefulness served if the two were merged to promote and protect the common interests of Members, whilst making a significant contribution to the growth of the Export Industry of Sri Lankan exporter.

In August 1997, Export Section of the Ceylon Chamber of Commerce (CCC) and the Federation of Exporters' Association (FEA) passed resolutions at specially convened General Meetings by the two institutions that the Institutions merge into one Association to be called the EXPORTERS ASSOCIATION OF SRI LANKA.

The first Chairperson elected after the merger, was Mr. Lyn Fernando, with Mr. Gulam Chatoor proposing his name from the chair. Mr. Lyn Fernando and Mr. Gulam Chatoor had both served as Chairpersons of the Export Section of the Ceylon Chamber of Commerce and as the Chairpersons of the FEA.

All members of both the Institutions took the membership of the EASL.

Membership

The EASL now proudly represents practically the entire Export Sector of Sri Lanka through the Membership of Companies and Exporter Associations. Eligibility to join the EASL being made up of the following:

- 1. Any member of the Ceylon Chamber of Commerce engaged in or interested in export*
- 2. Any properly constituted and functioning Association representing exporters of products and services*
- 3. Any individual member of such an Association referred to in (2) above*
- 4. Any Company or Individual engaged in exports of goods and services who are registered with Sri Lanka Export Development Board (SLEDB) or any respective Association duly constituted and functional.*

The EASL's single platform representation structure is acknowledged by all authorities in both the public and private sectors to be a responsible and credible voice of Exporters in Sri Lanka.

EXPORT SECTOR PERFORMANCE IN 2015/2016 **AND FUTURE EXPORT CHALLENGES**

OVERVIEW OF THE ECONOMY

Economic Growth

In 2014, the Sri Lankan economy showed its resilience in the face of domestic as well as external challenges. Real GDP grew by 7.4 per cent in 2014, in comparison to the growth of 7.2 per cent in 2013. Accordingly, GDP per capita increased to US dollars 3,625 in 2014 from US dollars 3,280 in the previous year. The economy was driven by domestic consumption expenditure that constitutes the largest share of aggregate demand, while investments, particularly on construction, also provided an impetus to the economic expansion during the year. On the production side, the Industry and Services sectors continued to perform well, while adverse weather conditions dampened the performance of the Agriculture sector during the year. Inflation remained at single digit levels for the sixth consecutive year, with year-on-year and annual average inflation declining to 2.1 per cent and 3.3 per cent, respectively, by end 2014, from 4.7 per cent and 6.9 per cent, respectively, at end 2013. Prudent monetary policy as well as the considerable decline in global commodity prices in the second half of the year enabled the deceleration of inflation to low single digit levels during the year. In spite of the relatively relaxed monetary policy stance, the effect of declining pawning advances as a result of lower international gold prices shrouded the pickup of credit obtained by the private sector, particularly in the first seven months of the year. In the absence of demand pressures on inflation, the Central Bank took measures to facilitate further credit disbursements by banks. However, these measures, along with volatile global conditions, caused some portfolio investment outflows and encouraged imports, increasing the pressure on the external sector and the exchange rate towards the latter part of the year. Overall, the trade deficit widened in nominal terms during the year, although inflows from trade in services and workers' remittances supported the reduction of the deficit in the current account. This, together with other financial inflows, helped strengthen the balance of payments (BOP), and hence gross official reserves. The continued inflow of funds from the expatriate workforce in the form of remittances and investments aided an increase in national savings, which helped reduce the savings-investment gap. Meanwhile, in the fiscal sector, despite the government's announced commitment towards fiscal consolidation, the overall fiscal deficit increased to 6.0 per cent of GDP in 2014 from 5.9 per cent of GDP in the previous year, mainly as a result of the continued shortfall in revenue collection. Nevertheless, central government debt as a percentage of GDP declined to 75.5 per cent by end 2014 from 78.3 per cent by end 2013. In the financial sector, the strengthened regulatory and supervisory framework, improved risk management capabilities and adequate buffers to mitigate risks, enabled financial institutions to remain resilient during the year.

Going forward, the Sri Lankan economy is projected to reach upper middle income levels and sustain the favourable high growth and low inflation nexus in the medium term, supported by appropriate economic policies. The new government is expected to uphold policies of good governance and transparency, which would support a high growth path through an improved investor friendly environment. The government faces the enormous task of articulating a coherent medium term policy framework, which enhances positive effects while addressing possible shortcomings of previously announced policies as well as the challenges ahead. Some of these challenges are, the urgent need to address the continued decline in government revenue as a percentage of GDP in order to achieve a

better fiscal balance; increasing productivity of all sectors of the economy, including the public sector; raising resources required for sustained growth through non debt creating sources, in particular, foreign direct investments (FDI); developing appropriate pricing policies for public utilities; better identification of beneficiaries in implementing social safety nets and subsidy programmes; improving the equity and quality of health and education service provision; addressing the issue of public transportation; continuing physical infrastructure development on a sustainable basis; formulating policies to address the challenge of aging population including improving labour productivity and promoting the development of superannuation and insurance products; and, improving the doing business environment and policy predictability. Addressing such challenges would be essential to realise the projected growth path as envisaged, enabling the economy to achieve its full potential while maintaining macroeconomic stability in a more equitable environment.

Exports grew at a healthy rate in 2014 supported by improved external demand along with a stable domestic macroeconomic environment. Earnings from exports grew by 7.1 per cent in 2014 compared to the previous year and reached US dollars 11,130 million, reflecting increases in all major categories. The highest contribution to export earnings was from industrial exports, supported by the substantial increase in exports of textiles and garments. Earnings from textiles and garments exports, which accounted for about 44 per cent of total exports, recorded an increase of 9.4 per cent in 2014, reflecting increases in garment exports to both traditional and non-traditional markets. Meanwhile, earnings from agricultural exports registered an increase of 8.2 per cent in value terms due to higher exports of coconut products, tea and certain minor agricultural products. Export earnings from coconut products and tea increased by 74.2 per cent and 5.6 per cent, respectively, mainly due to higher export volumes. However, export earnings from spices, which showed a higher growth of 38.8 per cent during the previous year declined by 25.6 per cent in 2014 mainly due to low harvest of main export crops.

WORLD TRADE

GLOBAL ECONOMIC ENVIRONMENT AND OUTLOOK

As per the World Economic Outlook of the IMF, global growth in 2014 was lower than initially expected, with noticeable divergence across major economies and lower growth momentum in emerging economies. Global inflation remained subdued in 2014 with excess capacity prompting substantial output gaps in advanced economies and continuous deflationary price levels assisted by improved global supply of commodities, and weakened demand. Global crude oil prices edged lower in 2014. Currencies of some advanced and emerging economies depreciated against the US dollar during 2014, due to the strong economic outlook in the US economy. According to the IMF, global growth is expected to remain moderate, weighed down by high debt, high unemployment and low investment, while the anticipated interest rate hike in the US and low inflation in some advanced economies raising additional challenges. Nevertheless, global growth is expected to rise to 3.5 per cent in 2015 and to 3.8 per cent in 2016, supported by gradual recovery in advanced economies, receding domestic headwinds in developing countries and the sharp decline in oil price. Consumer price inflation in advanced economies is expected to remain below 1 per cent in 2015, while subdued commodity prices are expected to increase the threat of deflation in some regions further. Some increase in consumer price inflation in emerging and developing economies is expected due to challenges emanating from spillovers from quantitative easing measures.

EXPORT PERFORMANCE

Improved external demand along with stable domestic macroeconomic environment supported the local industries in achieving enhanced export performance in 2014. Accordingly, earnings from exports increased by 7.1 per cent to a value of US dollars 11,130 million in 2014 compared to US dollars 10,394 million in 2013, with contributions from all major categories of exports.

Industrial exports which represent about 75 per cent of total exports contributed largely to export growth in 2014. Earnings from industrial exports increased by 6.6 per cent, year-on-year, to a value of US dollars 8,262 million in 2014, mainly due to a significant increase in textiles and garments exports, which increased by 9.4 per cent to a value of US dollars 4,930 million. The growth in textiles and garments exports contributed for more than 50 per cent of the total growth in exports. The garments exports to the EU and the USA increased by 10.6 per cent and 8.8 per cent, respectively. Meanwhile, exports to non-traditional markets increased by 10.5 per cent compared to 8.9 per cent increase in 2013. The measures adopted by the authorities and industry participants to penetrate non-traditional markets helped achieve a higher growth of exports to those markets. Export earnings on leather products grew by 80.8 per cent to a value of US dollars 139 million in 2014, mainly due to a higher level of exports of footwear to Western markets. Sri Lankan footwear exporters gained a reputation as suppliers of fashion footwear among reputed international brands. Export earnings on food, beverages and tobacco, and machinery and mechanical appliances also increased substantially in 2014. However, export earnings on petroleum products, which mainly comprise of bunker and aviation fuel declined by 21.0 per cent to a value of US dollars 338 million, amidst intense competition from the major regional players, such as India and Singapore. Further, Sri Lanka is relatively less competitive in the bunker and aviation fuel industry, as the unit cost increases due to heavy reliance on imported fuel from regional markets and also due to limited storage capacity. Exports of diamonds also declined by 32.8 per cent due to non-operation of a major industry player, while gem and jewellery exports sustained its growth momentum during the year.

Agricultural exports which contribute for around a quarter of total exports improved further during the year. Earnings from agricultural exports increased by 8.2 per cent to a value of US dollars 2,794 million in 2014 led by exports of coconut products, tea and certain minor agricultural products. Exports of coconut products increased by 74.2 per cent to US dollars 356 million in 2014, mainly due to enhanced performance of kernel product exports, such as desiccated coconut and coconut oil, supported by the favourable weather conditions prevailed in the previous year. Export earnings from tea, which account for about 15 per cent of total exports, grew by 5.6 per cent in 2014 compared to 9.2 per cent growth recorded in 2013. The slower growth of tea exports reflects decelerated demand from the main export destinations such as Russia and the Middle East which account for about 59 per cent of total tea exports. These countries experienced large revenue shortfalls, as oil prices declined, while Russia experienced large depreciation in the Ruble amidst economic sanctions due to geopolitical issues. However, as Sri Lanka supplied high quality orthodox tea which attracts higher demand in the international markets, the export price of Sri Lankan tea averaged at US dollars 4.97 per kg, recording an increase of 3.1 per cent from the previous year and above the average international tea price of US dollars 2.72 per kg in 2014. Minor agricultural exports increased by 63.1 per cent to a value of US dollars 165 million, as exports of arecanuts and fruits increased registering substantial growth of 300.5 per cent and 51.7 per cent, respectively. Sea food and vegetables, categorised under agricultural exports also performed well during the year. However, the export of spices which showed remarkable performance during the previous year slowed in 2014. Earnings on exports of spices declined by 25.6

per cent to a value of US dollars 265 million in 2014 compared to an increase of 38.8 per cent in 2013. This was mainly due to the lower harvest of main export crops i.e. cinnamon, pepper, cloves, mace and nutmeg in 2014 compared to the bumper harvest recorded in 2013. Further, export earnings on rubber also declined by 36.5 per cent to US dollars 45 million, reflecting a decline in both price and the quantity. Rubber prices in the international market declined throughout the last four years due to higher global supply and reduced demand for natural rubber from major rubber consuming economies such as China and India. Mineral exports including earths and stones, ores, slag and ash, and precious metals increased by 15.3 per cent to US dollars 59 million in 2014. Sri Lanka's exports sector faced many challenges in the domestic and external front. Restriction on sea food exports to the EU with effect from mid January 2015, which is the main sea food market accounting for about 40 per cent of total sea food exports, posed a great challenge to sea food exporters. However, with the corrective actions being taken by the government, the problem is expected to be solved during the year. In the meantime, if the Russian ruble continues to depreciate further in 2015, it will have negative impact on Sri Lanka's tea exports since Russia is the main single buyer of Sri Lankan tea while demand for tea in the Middle East market could also decrease due to the continued decline in the oil income of these economies. Further, it is expected to regain the GSP+ facility, which provides concessional access to the EU market, especially for textiles and garment products. However, in addition to these concessional market access opportunities, more concentration on moving up in the value chain ladder, backward integration, productivity enhancement and technological innovation are essential to counter the intense competition. Further, concentration of export products is a main concern as two thirds of Sri Lanka's export earnings depend on a few products such as textiles and garments, tea and rubber products even though product differentiation within those categories have improved significantly in the recent past.

External Trade Policies and Institutional Support

The focus of external trade policy on enhancing Sri Lanka's integration into the world economy continued further in 2014. Towards this end, various measures were implemented during the year by the Government and private sector institutions to enhance the prospects and performance of the export sector. Such measures included efforts to strengthen access to overseas markets for Sri Lankan products, further rationalisation of trade and tariff policies and encouragement of investment. While export promotion was considered as the main priority of external trade policy, certain policy measures were implemented to rationalise imports in order to protect selected domestic industries.

Measures were taken during the year to strengthen access for Sri Lankan products in overseas markets. Effective utilisation of existing trade agreements, seeking possibilities for entering into new trade agreements, strengthening market research activities and enhancing marketing and promotional campaigns in overseas markets were some of these measures. Further, the negotiation process to regain the Generalised Scheme of Preferences plus (GSP+) facility which provides concessional access to the EU, Sri Lanka's major export destination, commenced with the expectation of increasing market access for Sri Lankan products.

A satisfactory progress was observed on the utilisation of bilateral trade agreements in 2014. Sri Lanka's exports to India, under the India-Sri Lanka Free Trade Agreement (ISFTA) improved to the level of US dollars 376 million in 2014 compared to a sum of US dollars 367 million in 2013. Exports under the ISFTA comprised about 60 per cent of total exports to India from Sri Lanka in 2014. The second round of discussions between Commerce Secretaries was held in India, with the view of further strengthening the economic cooperation between the two countries. Further, in order to resolve some

pending issues under the Pakistan-Sri Lanka Free Trade Agreement (PSFTA) a Joint Working Group on Trade (JWGT) was set up and the areas considered comprised of customs cooperation, trade dispute resolution, non-tariff barriers and issues on market access. Under the PSFTA, Sri Lanka exported goods worth US dollars 52 million to Pakistan in 2014 which was about 70 per cent of Sri Lanka's total exports to Pakistan. Further, Sri Lanka continued its efforts to expand bilateral trade relations with China through the proposed free trade agreement. The second round of negotiations of the proposed China-Sri Lanka Free Trade Agreement (CSFTA) was held in November 2014, with a special emphasis on trade liberalisation and economic cooperation. Under the proposed CSFTA, the garment sector is identified as a thrust sector which would gain access to a large Chinese market.

Trade under regional and multilateral agreements also continued in 2014. Under the agreement on South Asian Free Trade Area (SAFTA), Sri Lanka exported goods worth US dollars 13 million in 2014 to Bangladesh, India, Maldives, Nepal and Pakistan in comparison to US dollars 2 million in 2013. Under this arrangement, the reduction of negative list by 20.0 per cent by each Member State was finalised and implemented. During 2014, Sri Lanka participated successfully in three sessions of Standing Committee meetings on Asia Pacific Trade Agreement (APTA) to discuss ways of deepening tariff concessions, relaxation of Rules of Origin and the road map for implementation of the Framework Agreement on Trade Facilitation, Investment and Services. The total value of exports from Sri Lanka to APTA member countries amounted to US dollars 120 million during 2014 in comparison to US dollars 84 million in 2013. Among APTA members, China is the main market for Sri Lanka, accounting for about 75 per cent of exports. Further, during 2014, member countries of SAARC (South Asian Association for Regional Cooperation) Agreement on Trade in Services (SATIS) engaged in the finalisation of Schedules of Commitments under SATIS and Bangladesh, Bhutan, India and Nepal submitted the approved Final Offer Lists, while the Schedule of Commitments of Sri Lanka is being reviewed.

Institutional support for trade promotion was enhanced further in 2014. The Export Development Board (EDB), which embarked on formulating the National Export Strategy for 2015-2020, implemented several programmes to enhance supply chain efficiency, market and product diversification, and promotion of value added exports. The market development programmes of the EDB covered the EU region, USA, Asia, Middle East and Africa, while the market research campaigns were mainly focused on Brazil, South Africa and China. Further, the EDB registered the trade mark of 'Ceylon Cinnamon' in main markets such as the USA, EU, Colombia and Peru and also at the World Intellectual Property Office (WIPO). In order to facilitate exports further, it was proposed to introduce a one-stop service centre at Sri Lanka Customs, which provides banking facilities, quarantine and quality certificates on an online platform along with an online payment system for export and import transactions. Sri Lanka Export Credit Insurance Corporation (SLECIC) continued to provide insurance coverage for exporters against commercial and political risk. Insurance facilities provided by the SLECIC during 2014 showed a significant increase of 21.0 per cent, in both traditional and non-traditional markets. Reflecting the enhanced participation of the non-government sector in export development, the Joint Apparel Association Forum (JAAF) employed several measures to promote textiles and garments exports. With a view of penetrating to non-traditional markets, JAAF actively participated at the negotiations of the proposed free trade agreement with China and at the trade dialogue with Japan on a potential preferential trade agreement. During the year, the JAAF organised a trade delegation to Brazil and the concept of 'Apparel made in Sri Lanka' was promoted particularly in markets, such as China, Thailand and Indonesia. Further, the JAAF introduced an electronic system for the processing of export documentation for garment factories within the Export Processing Zones of

Sri Lanka. This would enable companies to reduce the transaction time and cost, which is vital in the highly competitive garment industry. Meanwhile, the Ceylon Chamber of Commerce also organised several programmes to promote international trade and investment in 2014, some of which were outward business promotion missions to countries such as Oman, Singapore, Indonesia, Japan, Maldives, China and Germany.

Several measures were introduced in 2014 to promote investment in export oriented industries. It was proposed to establish several economic zones for promoting specified products, such as gem and jewellery and dried fish. The 300 per cent tax allowance introduced by the 2014-Budget in respect of expenditure on research and development, innovation and brand promotion was proposed to continue to encourage research and development activities. With the view to encourage exports, it was proposed a reduction on income tax applicable on manufacturers of exports while an increase in provision for depreciation of advanced machinery was proposed to encourage investment. Trade and tariff policies were relaxed in 2014 to enhance integration of trade promotion in the national development framework. Identifying the timely need of shifting to a high value-added and hi-tech industrial products exporting economy, a high level of Cess on exports of tea, rubber, coconut, cinnamon and other spices in primary form is continued to maintain. Further, 50 per cent of the Cess collected on tea exports is proposed to be used for promotional campaigns in the international market for Ceylon tea. Financial assistance is proposed to small holder tea factories to modernise the factories while subsidies were proposed to increase for replanting and new planting. The current ceiling for exemption of VAT on export of samples for business was increased providing more space for exporters to exhibit their products at international trade fairs and exhibitions. Further, export of jewellery was promoted by way of providing duty waivers for the import of gold as input for making jewellery for the export market. Several measures were introduced to rationalise expenditure on imports. High taxes prevailed on imports of edible oil, coconut oil and palm oil from 2013 continued to maintain in 2014 with a view to promote the coconut industry. Local rubber production was encouraged with the implementation of a guarantee price of Rs. 350 while Cess on rubber imports increased by Rs.10 per kg. During the recent past, initiatives were taken to increase domestic dairy production. High Cess applicable on importation of milk powder, butter, yoghurt, and other dairy products were further strengthened in 2014. Further, the guaranteed price for local liquid milk was proposed to increase by Rs. 10 per liter to Rs. 70 per liter and price deductions were introduced to encourage production and consumption of locally manufactured dairy products. These policy measures are expected to reduce import expenditure on dairy products and to provide more employment opportunities in the dairy farming sector. In an effort to encourage the usage of more energy saving motor vehicles, customs based tax on electric cars was reduced and excise duty was imposed in lieu of several taxes, in order to simplify the tax structure on motor vehicles imports. Further, in 2015, import taxes on motor cars with an engine capacity less than 1,000 cc was reduced while excise taxes applicable on hybrid vehicles were revised upwards.

Sri Lanka continued to engage in multilateral initiatives of the World Trade Organisation (WTO) during 2014. The WTO members initiated discussions on the implementation of the Bali Package, which was concluded at the 9th Ministerial Conference, held in December 2013. As the Doha Round showed sluggish progress since 2008, member countries agreed to work on the Bali Package, which covers limited areas including trade facilitation, agriculture, and developing country issues. During the year, the key area of focus was the agreement on trade facilitation, which had been negotiated over a period of 10 years. Accordingly, members including Sri Lanka conducted a legal review of the Agreement on Trade Facilitation and submitted notifications on those commitments, which each member could implement immediately and finalised the Protocol of Amendment to the WTO

Agreement during 2014. Members reached an agreement on the Protocol text which was adopted in November 2014, after intensive consultations, and is currently open for acceptance by members of the WTO. Negotiations also began on other areas of the Bali Package, including agriculture-flexibilities for public stockholding for food security purposes, tariff rate quota administration and export competition, and issues of developing countries and least developed countries.

The global and domestic challenges on international trade inevitably demand a clear and proactive trade policy for the country. Concessional access to most of the markets will be limited when Sri Lanka graduates to an upper middle-income country with a higher per capita income. Institutional support should be continuously provided to enable exporters to withstand the intensifying global competition and to access new markets and new technologies. Hence, the external trade policy is to be further directed to promote high value added products, minimising the production cost in order to be competitive in international markets, product and market diversification to reduce the risk of concentration and improving the internal systems and procedures to reduce lead time to deliver products to the market on time. Further, geopolitical issues in some of the main international markets posed challenges to Sri Lanka's export sector demanding timely strategies to penetrate into other markets.

DIRECTION OF TRADE

India remained Sri Lanka's major trading partner in 2014 followed by China and the USA. Industrialised countries specially the USA and the UK remained the largest export destinations, while Asia particularly India and China remained the major import origins. The value of trade between Sri Lanka and India amounted to over US dollars 4.6 billion in 2014, which was about 15 per cent of Sri Lanka's total external trade for the year, while the trade between Sri Lanka and China was about 12 per cent of total trade of Sri Lanka.

The USA continued to be the single largest buyer of Sri Lanka's exports for a long period since 1979. The share of Sri Lanka's total exports to the USA increased to 24.5 per cent in 2014 from 24.0 per cent recorded in 2013, registering a 9.5 per cent growth in export earnings over the previous year. Exports of garments and rubber products respectively accounted for 72.9 per cent and 10.4 per cent of total exports to USA. The UK, the second largest export destination, recorded a share of 10.0 per cent of total exports in 2014. Garments and rubber products respectively accounted for 80.9 per cent and 3.6 per cent of total exports to UK. Out of Sri Lanka's total garment exports of US dollars 4,682 million, exports to USA and UK accounted for 42.5 per cent and 19.3 per cent, respectively. India, the third largest buyer of Sri Lanka's exports recorded a share of 5.6 per cent followed by Italy and Germany. The major exports to India were minor agricultural products, spices, transport equipment, machinery and mechanical appliances, and petroleum products. Exports to Italy increased by 20.3 per cent in 2014, representing 5.5 per cent of total exports mainly due to the increase in garment exports. Exports to Germany, which represent 4.5 per cent of total exports increased by 6.3 per cent in 2014. Russia and Turkey which accounted for 14.0 per cent and 12.8 per cent of total tea exports, respectively, continued to be the major buyers for Sri Lankan tea in 2014. However, tea exports to Russia declined by 5.0 per cent, year-on-year, as a result of the unfavourable economic conditions, such as the larger depreciation of Russian currency and sharp decline in petroleum prices towards the latter part of the year. Meanwhile, tea exports to Turkey increased by 48.1 per cent during 2014.

Concentration of export markets is a main concern as it can lead to instability in export earnings. Sri Lanka largely depends on a few markets namely, the EU and USA which account for around two thirds of total exports. Further, around 66 percent of the Sri Lanka's tea export to the Middle East and Commonwealth of Independent States (CIS) countries, which are highly dependent on oil exports. In order to mitigate this risk, a public and private sector combined multi-faceted approach is essential to diversify the markets. Moreover, exporters should utilise existing trade facilities and trade agreements to enhance market access.

India continued to be the single largest source of imports, followed by China and the UAE. During 2014, imports from India increased to US dollars 4,023 million registering 26.9 per cent growth. This accounted for 20.7 per cent of Sri Lanka's total imports, with petroleum products, fabric and vehicles being the main imports. China, the second largest import origin of Sri Lanka accounted for 18.0 per cent of total imports, in 2014, increasing by 18.3 per cent, year-on-year, to US dollars 3,494 million. The main imports from China were fabrics, petroleum products, engineering equipment and, iron and steel. The UAE was the third largest import origin, surpassing Singapore by recording a 55.8 per cent growth. Petroleum products accounted for 87.1 per cent of total imports from the UAE. Singapore and Japan were the fourth and fifth largest import sourcing countries, accounting for 6.5 per cent and 4.8 per cent of total imports, respectively.

SECTORAL EXPORT PERFORMANCE IN 2015/2016

Tea

The tea industry performed well in 2014 backed by high tea prices and a near record level of volume of production. Tea production in 2014 at 338 million kg was only marginally lower than the historically highest volume of 340 million kg recorded in 2013 in the history of the tea industry. The low grown tea production volume, which accounts for 62.1 per cent of the total production, increased by 0.8 per cent to 210 million kg in 2014, while the production of high and medium grown tea dropped by 0.4 per cent and 6.4 per cent to 78.9 million kg and 49.2 million kg, respectively. The large volume of tea production recorded in 2014 was despite the vagaries of weather which impacted the manufacture of tea. Tea production at all elevations declined during the first quarter of the year due to drought conditions. Medium grown tea, however, showed a significant decrease in production during the third quarter vis-a-vis the corresponding period of the previous year, although this shortfall was more than compensated with a significant increase in high and low grown tea volumes in the third quarter. Smallholders' share in the national tea production, which is largely derived from tea holdings in low grown elevations, increased to 73.2 per cent in 2014 from 72.1 per cent in 2013 aided by relatively high green leaf prices.

Tea prices at the Colombo Tea Auction (CTA) remained buoyant in 2014 except during the last quarter of the year. The relatively high tea prices that prevailed in the first nine months of the year were mainly due to global supply shortages of orthodox black tea in the first quarter and the improved export demand in the second quarter. The average tea price in 2014 increased to Rs. 461.86 per kg from Rs. 444.42 per kg in 2013. The Free on Board (FOB) average price per kg at Rs. 649.44 also increased by 4.1 per cent from Rs. 623.91 in 2013. The highest increase in tea prices at CTA was reported on low grown tea (3.2 per cent), followed by high grown tea (3.0 per cent). However, the average price of medium grown tea showed a marginal decline of 2.4 per cent. The average price

received by tea smallholders for green leaf increased to Rs. 68 per kg in 2014 from Rs. 65 per kg in 2013. Meanwhile, tea prices started to decline from August 2014 as demand from Russia and the Middle East slowed down amidst geopolitical tensions and the slowdown in the Russian economy arising from the imposition of sanctions and the significant decline in international petroleum prices.

Rubber

Rubber production declined for the third consecutive year owing to unfavourable weather conditions and weak international prices. Rubber production dropped by 24.4 per cent to 98,573 metric tons in 2014 from 130,420 metric tons in 2013. The decline in rubber production was largely due to continued dry weather conditions during the first half of the year and the heavy rains in the third quarter, which disrupted latex tapping. The production of sheet rubber, which accounts for nearly 50 per cent of the total production, declined significantly by 22.7 per cent to 48,539 metric tons, while the production of latex crepe accounting for 12.0 per cent of total rubber production, reduced by 23.0 per cent to 11,832 metric tons in 2014. The production shortfall and lower prices in the international market led domestic rubber product manufacturers to rely on imported rubber. Import of rubber increased to 29,220 metric tons in 2014 from 11,150 metric tons in 2013. Furthermore, rubber smallholders affected by the decline in rubber prices slowed tapping operations resulting in the reduction of smallholders share in total rubber production.

Global natural rubber prices showed a steep decline in 2014 reflecting the slowdown in global demand and large stockpiles accumulated in major consuming countries. The average price of natural rubber per metric ton in the global market declined by 30 per cent to US dollars 1,956 in 2014 from US dollars 2,795 recorded in 2013. Natural rubber production in Asia, which caters to around 95 per cent of the world demand for natural rubber, is estimated to have fallen by around 3 per cent to 10.8 million metric tons in 2014, while stockpiles in China and Japan have increased. Meanwhile, weakening crude oil prices prompted the demand for synthetic rubber placing further downward pressure on natural rubber prices. Decline in natural rubber prices caused smallholders in major producing countries to switch over to other crops or shifting to other agriculture activities leading to a reduction in production. Reflecting international developments, rubber prices at the Colombo Rubber Auction also declined to lowest levels in 2014 continuing the decreasing trend witnessed during the recent years. The highest decline of 24.1 per cent was seen in ribbed smoked sheet 1, while prices of latex crepe 1X and scrap crepe declined by 22.0 per cent and 22.4 per cent, respectively in 2014.

The rubber and plastic products sub sector expanded further during the year 2014, despite the lower domestic rubber production, benefitting mainly from increased raw rubber imports due to falling global natural rubber prices. According to the FIPI, the rubber and plastic products sub sector recorded a growth of 13.6 per cent during 2014 compared to 1.1 per cent in 2013, supported by an increase in local and international demand for rubber tyres, tubes and other rubber based products. Production of solid tyres and air tyres, which contribute largely to the output of rubber products, increased in the backdrop of favourable developments in the foreign and local automobile industries. Similarly, the external demand for rubber gloves remained satisfactory, underpinning the higher growth in the manufacture of industrial, surgical and household gloves to the export market. Meanwhile, production of plastic products grew by 22.3 per cent in 2014 supporting the overall growth of the rubber and plastic products sub sector

Coconut

The coconut industry recovered its growth spurt in 2014 reaping the benefit of high rainfall experienced in major coconut growing areas in 2013. Coconut production increased by 14.2 per cent to 2,870 million nuts in 2014 supported by the lagged effect of favourable weather conditions experienced during the previous year for coconut production. The production of desiccated coconut in 2014 increased significantly by 72.5 per cent to 50,367 metric tons in comparison to 29,198 metric tons in 2013. Meanwhile, the production of coconut cream, coconut milk powder and coconut milk grew by 24.8 per cent to 24,708 metric tons in 2014 reflecting the high export demand for these commodities. However, nuts available for coconut oil production declined by 8.9 per cent to 318 million nuts in 2014 largely due to increased demand for coconut from other industries such as desiccated coconut manufacturing. Meanwhile, imports of palm oil, a close substitute for coconut oil, increased by 57.8 per cent to 141,993 metric tons in 2014 supported by the reduced quantum of domestic coconut oil production and the decline in global palm oil prices. During the year, a number of coconut oil mills were modernised and new mills were established to produce virgin coconut oil supported by high export demand. Exports of virgin coconut oil in 2014 increased to 7,278 metric tons from 2,101 metric tons in 2013.

Coconut prices increased in 2014 reflecting higher demand from domestic manufacturers of coconut products and increased export demand amidst supply shortages in the world market. Higher demand for coconut resulted in an increase of average farm gate nut prices to Rs. 32 per nut in 2014 from Rs 31 per nut in 2013. Higher farm gate prices also led to a hike in the retail price of coconuts and an increase in the cost of production of desiccated coconut, coconut oil and other kernel based products. The average retail price of a coconut increased to Rs. 45.60 per nut in 2014 from Rs. 43.20 per nut in 2013, while the average price of coconut oil rose to Rs. 282 per liter in 2014 from Rs. 259 per liter in 2013. The average price of desiccated coconut increased to Rs. 297 per kg in 2014 from Rs. 239 per kg in 2013. Meanwhile, desiccated coconut exports in 2014 grew by around 73 per cent reflecting the increased global demand for desiccated coconut amidst supply shortages in the Philippines, the largest global supplier of desiccated coconut.

Minor Export Crops

Minor export crops fared badly due to drought conditions in major growing areas. The production of pepper, nutmeg, cloves, citronella, and arecanuts declined while cinnamon, cocoa, cardamom and betel production grew marginally. The reduced pepper harvest, which was severely affected by the continuous drought during the flowering and fruiting seasons, affected exports of pepper, while pepper prices increased reflecting the high demand during the year. Meanwhile, the decline in clove production was mainly due to the cyclical harvesting patterns which produces a bumper harvest every other year. The prices of cloves also remained relatively high in the year. However, the cashew production grew significantly during the year supported by the expanded extent in recent years. The demand for arecanuts substantially increased mainly due to higher export demand, particularly from India, which resulted in an increase in arecanut prices during the year. Meanwhile, the production of coffee remained unchanged during the year.

Other Field Crops

The production of other field crops increased in 2014 driven by remunerative prices and government policies aimed at enhancing the domestic supply of such commodities. The production of other field crops at 1,035,012 metric tons grew by 7.2 per cent due to the combined result of a 11.4 per cent increase in production during the 2013/14 Maha season and a growth of 0.6 per cent in the 2014 Yala season. In an effort to conserve the limited quantity of water available for cultivation, farmers utilised their paddy lands for the cultivation of other field crops. The remunerative prices fetched for these crops supported by the high Special Commodity Levy (SCL) imposed on imports of such commodities also helped to increase local production. Consequently, the production of maize, kurakkan, black gram, gingerly, manioc, red onions, big onions and mustard increased although crops such as sorghum, soya beans, ground nuts and sweet potatoes showed a decline in production. Moreover, the government continued to encourage local production of these crops to reach self-sufficiency levels. Accordingly, maize, ground nuts, gingerly and cowpea production exceeded the estimated domestic requirement in 2014. The big onion production increased by 45.3 per cent to 101,166 metric tons in 2014 aided by government policies aimed at expanding the cultivation of big onion to several areas in the country through measures such as the provision of seeds at concessionary prices and improved extension programmes. Consequently, the import of big onion declined by 10.9 per cent to 150,530 metric tons in 2014 from 168,900 metric tons in 2013.

Vegetables

Vegetable production increased by 7 per cent to 1,279,155 metric tons in 2014. The growth of vegetable production in 2014 was supported by 7.9 per cent increase in production during the 2013/14 Maha season and a 6.1 per cent growth during the 2014 Yala season. Vegetable prices decreased significantly with the improved supply during the Maha harvesting period commencing January to April 2014. However, the supply of vegetables decreased considerably from mid April 2014 as the inter-seasonal cultivation of vegetables in March (after harvesting paddy) was not carried out in many areas due to the shortage of water and the delay in the Yala cultivation due to drought conditions. The reduction in supply of vegetables led to a substantial increase in prices from May to mid July 2014. However, with the supply of the Yala harvest reaching the market, prices declined from mid July onwards. Meanwhile, the heavy rainfall and flood experienced towards the end of the year caused severe crop damages resulting in a sharp decline in the market supply of vegetables and increase in the prices of vegetables during the months of December 2014 and January 2015.

Fisheries

The fisheries sector expanded moderately in 2014. Fish production in 2014 increased by 4.3 per cent to 535,050 metric tons supported by an increase in marine fish production by 3.0 per cent and an increase in inland fisheries by 13.2 per cent. In marine fish production, the offshore sector grew by 1.4 per cent and while coastal fish production, which also includes lagoon fisheries, grew by 4.1 per cent. The lower than expected growth in offshore fish production was largely attributable to weather conditions which reduced fishing activity in the seas. Consequently, the share of deep sea fish production in total marine fish production declined to 39 per cent in 2014 from 40 per cent in 2013. Therefore, the prices of large fish varieties remained high throughout the year in comparison to the last two years. However,

small fish prices remained lower during the year reflecting the growth of coastal and lagoon fisheries. In the inland fishery sector, inland capture increased by around 25 per cent and shrimp farm production increased by 16.3 per cent, while aquaculture declined by 76.1 per cent. Inland fish production largely took place in the first half of the year as drought conditions affected inland fish production during the latter half. Meanwhile, the average daily production of canned fish increased by 16.9 per cent to about 14,200 fish cans per day from 12,150 fish cans per day in 2013 whilst imports of canned fish declined by 14.9 per cent to 18,591 metric tons in 2014 from 21,835

Wearing apparel sub sector, one of the leading export oriented industries and a dynamic contributor for Sri Lanka's economy, continued its growth momentum. The wearing apparel sub sector recorded a growth of 19.7 per cent in 2014, and continued as a leading supplier of premium and price competitive apparel for the EU and the USA markets. International reputation as a reliable and a quality manufacturer following ethical practices such as free of child labour, free of forced labour etc. as well as eco-friendly international standards in the production process enabled the Sri Lankan apparel industry to remain competitive in the world market. Further, a conducive business environment and locational advantage made Sri Lankan apparel industry more attractive in the region. The textile products sub sector recorded a 3.4 per cent growth in 2014 with an increase in demand for locally manufactured textile from the wearing apparel sub sector and an increase in demand for local fabrics from tourists.

AGRICULTURAL POLICIES AND INSTITUTIONAL SUPPORT

Agricultural Policies and Institutional Support Sri Lanka Tea Board (SLTB), Tea Research Institute (TRI) and Tea Small Holdings Development Authority (TSHDA) continued regulatory and development activities for the development of the tea sector in 2014. Under the subsidy scheme of replanting and new planting, around 1,309 hectares were replanted/newly planted at a cost of Rs. 339 million during the year. Accordingly, a total of 6,239 hectares were replanted/newly planted under this scheme during the last five years which was equivalent to 3.4 per cent of the total tea bearing extent of the country. Further, 15 tea factories were modernised in 2014 under the factory modernisation subsidy scheme (FMSS) bringing the total number of tea factories modernised under this scheme up to 246 since 2007 of the total 713 tea factories operating in Sri Lanka. The modernisation process is expected to have improved labour productivity and Good Manufacturing Practices (GMP) thereby helping to maintain the quality of tea and increase the net sale average (NSA) prices of tea. Moreover, SLTB established a fund for "Tea Promotion and Marketing" in 2010 and the funds were raised through a special levy on tea exports. In 2014, around Rs.1,158 million was raised and Rs.800 million was utilised for global marketing campaign of Ceylon tea. The benefits of such promotional activities were reflected in the premium prices fetched for Ceylon tea and the increased export income. Further, SLTB successfully implemented a programme i.e. "Best Leaf 60" to maintain the immatured and undamaged tea leaf at 60 per cent of the total tea leaves bought by the factories with a view to improve the leaf standards. Further, measures were implemented to improve the leaf transportation systems, leaf collecting sheds and leaf collecting crates. Meanwhile, SLTB suspended the registration of tea factories which showed low net sales average (LNSA) due to non compliance of GMP standards while increasing the fine imposed under the Tea Control Act up to Rs. 500,000 from Rs. 50,000 for such factories. In addition, arrangements were made to distribute machinery and equipment among tea small holders through tea factories with a view to popularising mechanisation for tea plucking in tea small holdings and reducing the cost of production. In collaboration with the Sri Lanka Sustainable Energy

Authority (SLSEA), TRI embarked on a project plan for 2012-2016 to further enhance energy efficiency in the tea sector.

The main strategies implemented in the rubber sector focused on improvement of productivity in existing rubber plantations and expansion of rubber cultivation to non traditional areas (Ampara, Vauniya and Mullaitivu). The subsidy scheme for rubber replanting (Rs. 175,000 per hectare) and new planting (Rs. 150,000 per hectare) continued during 2014. During the year, new planting in traditional and nontraditional areas were around 723 hectares and 582 hectares, respectively. Meanwhile, replanting in the smallholder rubber lands was carried out in 1,341 hectares. The extent replanted and new planted during the last five years totalled 15,734 hectares and 13,569 hectares respectively, which would help reach the rubber production targets over the medium term. Moreover, the Budget for 2015 and Interim Budget for 2015 proposed a guaranteed purchase price scheme for rubber small holders. Under this scheme, it was proposed to pay the difference between monthly average prices of RSS rubber in the Colombo Rubber Auctions and the guaranteed purchase price (Rs. 350 per kg) for small holders. Accordingly, a sum of Rs.4 million was distributed among 2,000 beneficiaries under this scheme as at end January 2015.

Institutional support for the promotion of replantation, modernisation of coconut industries, activities on research and combating spread of diseases successfully continued during the year. The loan scheme of “Kapruka Nipaum Diriya” continued in 2014 providing financial assistance up to a maximum loan amount of Rs. 2 million at 6 per cent interest rate with a view to developing and modernising existing coconut industries and starting coconut based manufacturing industries. Accordingly, 61 new loans were disbursed during 2014 under this scheme. Meanwhile, the capital expenditure incurred by government institutions for the development of the coconut sector increased to Rs. 767 million in 2014 in comparison to Rs. 751 million in 2013. Further, the fresh coconut exports were banned in December 2014 due to a severe fresh coconut shortage in the domestic market towards the end of the year, though the taxes and levies on coconut product imports and exports remained broadly unchanged.

Medium term strategies for the fishery sector highlighted the necessity to increase fish production from deep sea fisheries and enhance fishing activity in the North and East. Towards this end, several measures were implemented during the year which included strengthening the national fishing fleet by adding 712 boats with outboard engines and 118 multiday boats and the granting of loans under the “Diyawara Diriya” scheme amounting to Rs. 281 million with an interest concession of Rs. 40 million. Further, a total of Rs. 3,000 million was allocated for construction and upgrading of fishery harbours and anchorages to facilitate deep sea fishing. A project to purchase 2 mother vessels to facilitate multiday fisheries was proposed at an estimated cost of around Rs. 326 million. As a result, the fishery industry is expected to benefit from increased duration of fishing operations in deep seas. Further, government initiated measures to establish a Vessel Monitoring System (VMS) immediately. For the successful implementation of this project, the cost for installation of necessary equipment in every multiday boat such as transponders is expected to be provided to fisherman through a loan scheme. In 2014, 35 multiday boats were equipped with transponders. Meanwhile, introduction of VMS would help strengthen the international standards and compliance applicable for deep sea fishing while eliminating illegal, unregulated and unreported fishing (IUU) operations by Sri Lankan flagged fleets operating in deep sea. The European Union (EU), which is the main market for Sri Lankan sea food exports, imposed a ban on Sri Lankan fish exports to the EU effective from January 2015 due to poor compliance of Sri Lankan fisherman to international standards and regulations. Therefore, the effective

implementation of VMS in compliance with international regulations on deep sea fishing would be essential to secure markets for Sri Lankan sea fish exports in EU and other destinations.

Institutions under the Department of Agriculture carried out number of programmes to support domestic agricultural activities. Four new varieties of rice were released in 2014, while a new big onion variety with better adaptability and a higher yield was also released as MIBO 1 for local cultivation. Several new varieties of field crops are in the pipeline for release in 2015. The trails on National Coordinated Varietal Testing (NCVT) were conducted for six locally developed chilli hybrids. The NCVT trails and varietal adaptability trails were conducted to test the adaptability of two big onion lines. Meanwhile, special attention was given to increase the cultivated extent of other field crops with mid-season cultivation due to drought conditions experienced during 2014. Further, many programmes were conducted under the food security assurance special program and cultivation of cowpea, soya beans, black gram, peanut and gingerly was introduced in many nontraditional areas such as Hambanthota, Vavunia and Kilinochchi. The activities such as farmer training, seed certification and establishing sales outlets were continued. Institute of Post Harvest Technology (IPHT) continued with their project of popularising the value added products of supplementary field crops. Young Agro-Entrepreneur programme was carried out with the intention of attracting youth to the agriculture sector. Under this programme more than 800 young Agro-Entrepreneurs were identified and facilitated covering the entire island. The programme on establishing commercial scale farms continued in 2014 with 261 new farms earmarked to upgrade their capacities. Meanwhile, the programme on organic fertiliser promotion also continued during the year and organic farming projects were introduced in the Anuradhapura district with a special focus in areas where increased incidences of kidney diseases have been reported. Several policy measures were proposed in the Interim Budget for 2015 under the Hundred Day Programme to boost the domestic agriculture economy. Under the government guaranteed paddy purchasing scheme, arrangements were made to increase the purchase price of samba to Rs. 50 per kg while nadu price to Rs. 45 per kg. Further, steps were undertaken to increase the producer price of both potatoes and tea leaves to Rs.80 per kg. Also, the guaranteed purchase price for RSS rubber was increased from Rs. 300 per kg to Rs. 350 per kg. Meanwhile, the producer price of fresh milk was increased by Rs. 10 per litre from the existing Rs. 60 per litre in order to promote milk production. While no changes were proposed on the existing fertiliser subsidy scheme, an emphasis was made with respect to upgrading the quality of fertiliser distributed under the scheme. Amongst other proposals, a 50 per cent waiver for the loans and advances extended to farmers by commercial banks, which stand past due at present, was proposed subject to a maximum loan amount of Rs.100,000.

Industrial Policies and Institutional Support Institutional support continued for the development of the industrial sector in 2014 by providing fiscal concessions, technical assistance, upgrading infrastructure facilities and establishing Industrial Estates (IEs). The work relating to IEs rapidly progressed under the initiatives by the Ministry of Industry and Commerce (MIC) in support of regional industrialisation. There exist 27 IEs in which 304 industrial plots are in commercial operation and another 38 are under construction. Among these, 29 industrial plots are to be constructed outside the Western province. The development work of the Trincomalee IE (Stage I) was completed and 5 industrial plots are in commercial production providing 875 employment opportunities, while another 2 are under construction. The Stage II of the Trincomalee IE is currently in progress. Meanwhile, the development work of Mannar IE was completed during 2014 and the activities relating to establishment of an IE in Thiraimadu of Batticaloa district were commenced. In the Mannar IE, 2 garment factories approved by the BOI have started commercial production with an investment of Rs.

506 mn and another factory is commissioning machinery for the manufacturing of fish meal and fish oil. The MIC has planned to construct 3 factory buildings at Ampara Nawagampura IE to setup garment factories to promote industries in the Eastern province. The MIC has also planned to develop 2 dedicated IEs at Welioya and Musali to establish industrial zones exclusively for the apparel industry with the construction of 10 garment factories.

Institutional support for development of Small and Medium Enterprises (SMEs) continued in 2014. The District Enterprise Forums and the Regional Enterprise Forums of the National Enterprise Development Authority (NEDA), aimed at developing a proper mechanism for providing business development services to the entrepreneurs at district and regional level continued during the year. Through “Gamata Obina Viyapara” aimed at promoting businesses at village level, the NEDA arranged study programmes in Hambantota and Vavuniya districts to identify viable and competitive business opportunities, issues and suggestions for development of competitive business sectors. A special programme was launched for university graduates with the support of Carrier Guidance Units of universities to develop entrepreneurial skills of graduates. The Entrepreneurship Development Programme for vocational trainees was also launched to improve entrepreneurial skills and to provide financial facilities and new technology to businesses. The NEDA plans to implement several entrepreneurship development programmes in the Northern and Eastern provinces covering handicraft, handloom and light engineering industries. In addition, handloom villages are to be established in Mulathivu and Batticaloa districts. The NEDA also developed a software package named “issue tracker”, a technical tool, to track issues in the SME sector emerging from various enterprise forums at regional level.

Several initiatives were taken to improve the use of new technology for boosting industrial production, productivity and to reduce cost of production. The Sri Lanka Gamma Centre, the first government owned entity with multipurpose Gamma Irradiation facility, was established in Biyagama in 2014. This Facility will provide irradiation services for industry products such as latex gloves, agriculture products, food, spices and other export products which require sterilisation. It will support advancement of many sectors including medicine and agriculture and also help expanding the export market by improving the quality of local products. Further, it will save foreign exchange used to import this service from overseas. The National Non-Destructive Testing Centre was established in Kelaniya, considering the need to have a dedicated entity to provide non-destructive testing services to industries such as construction, heavy machinery, ship building, and aerospace. This facility will support the development of the industrial sector by assuring the quality, safety and reliability of industrial components, assemblies and structures. The Sri Lanka Institute of Nanotechnology (SLINTEC), which was established under the national nanotechnology initiative, commenced construction of a Technology Incubation Centre. The funding for this construction is provided by the Urban Development Authority and it is expected to complete the construction by September 2015. The SLINTEC also started a synthetic organic chemistry programme and intends to manufacture Active Pharmaceutical Ingredient, which is currently imported. Also, a pilot plant for conversion of Sri Lanka Ilmenite to Titanium Dioxide was created by the SLINTEC.

The Export Development Board (EDB) arranged trade fairs, exhibitions, training programmes and various other activities to promote industries oriented for the export market. Global Rubber Conference was held in Sri Lanka for the first time with the participation of renowned entrepreneurs in the rubber industry and Sri Lankan rubber manufacturers and exporters. The conference facilitated regulatory authorities and commercial players of the rubber industry to provide updates on current trends and future challenges faced by the industry. The First Sri Lankan International Ornamental Fish Trade

Conference was also held with the participation of more than 300 local and international delegates, enabling many top global fishery experts and exporters to meet at one place for the first time in South Asia.

Support for the development of the industrial sector was further strengthened with the proposals in the interim Budget for 2015, which include several measures to promote domestic industries and local production/value addition. Customs duty applicable on cement and steel billets was removed to reduce the high input cost and to promote the construction industry. Taxes on imported spare parts were fully removed for those who engage in the manufacturing/ assembling of motor cycles and three wheelers to encourage domestic production and local value addition. In order to encourage vegetable and food processing industry in the country, a 50 per cent tax reduction was proposed for the entrepreneurs who commence businesses in this sector. In order to encourage local construction companies to expand their activities overseas, the profits earned from such activities are to be exempted from income tax. Meanwhile, the Budget presented in November 2014, contained several proposals to promote export related industries. This includes setting up of 300 factories in every divisional secretary area for export and import competing industries along with few tax concessions such as 7 year half tax holiday for investors undertaking new investments in excess of Rs. 500 million. These measures are expected to boost the local industrial sector performance and contribution towards the national production. Cottage Industry The cottage industry sub sector grew by 2.5 per cent in 2014, compared to 5.1 per cent in 2013.

ISSUES, POLICIES & FUTURE EXPORT CHALLENGES

To enhance industrial growth in the long term, industrial policy should focus more on moving manufacturing up the value chain. Sri Lanka's industrialisation strategy since early 1990s has led to the development of light industrial products in sectors such as textile and garments, ceramic and rubber based products. However, more than 2 decades later these products still dominate the country's industry structure accounting for about 70 per cent of the total industrial exports. In contrast, regional competitors have diversified their industry structure to specialise in the manufacturing of more sophisticated products with a share of high-tech product exports in their manufactured exports exceeding 25 per cent compared to Sri Lanka's share of about 1.5 per cent. Therefore, in order to leap frog the industrial product development process in a highly liberalised global trade regime, it is necessary for Sri Lanka to embark on strengthening the manufacture of hitech products. Export of high-tech products lead to much higher profits enabling exporting countries to emerge from a less developed status to a higher income level. For this purpose, adaptation of technology as well as introduction of innovations, backed by proper research and development (R&D) is essential. Even though successive government have taken several measures to encourage R&D at the industry level, more attention should be given to promote the use of nano technology, bio technology, as well as information technology in the field of high value manufacturing industries in order to capture the large export market while expanding manufacturing base into non-traditional areas. This transformation process can be further supported by the government with the adoption of a cluster based industrial development strategy. Industrial clusters, which constitute a geographical concentration of enterprises producing similar or closely related products, have key advantages such as information spillovers, specialisation and division of labour among enterprises, development of skilled labour markets and cost advantages in the form of reductions in transactions costs. At the same time, the concentration of industries at one location will attract FDI that would facilitate inflow of modern technology, technical

expertise as well as access to established markets. In addition, the global value chain, which provides opportunities for countries to specialise in different tasks of the production process depending on their relative cost advantage, is also an important area that can be promoted by introducing necessary policies. However, as the industrialisation is a long term process, it is vital to have consistent industrial policies in order to provide a long term vision and strategy to the industrial sector.

A buoyant export performance is imperative for sustaining the growth momentum of the economy. Although Sri Lanka's merchandise exports have increased in nominal terms, exports as a share of GDP have declined from 33.3 per cent in 2000 to 14.7 per cent in 2014. Moreover, as world exports of goods have risen, Sri Lanka's share of global merchandise exports has reduced from 0.09 per cent in 2000 to 0.06 per cent in 2014. Sri Lanka's rank in the World Competitiveness Index has deteriorated from 65 in 2013 to 78 in 2014. Given the size and purchasing power of Sri Lankan domestic market, an export led strategy is a prerequisite for achieving the targets set for growth in the country's medium term trajectory. Several reasons can be cited for the secular decline of exports over the years. The high unit cost of energy in Sri Lanka relative to that of peer economies in the region has increased the cost of production of domestic manufacturers which in turn has reduced the competitiveness of Sri Lankan exports. The appreciation of the real effective exchange rate at various times in history may have dampened the country's competitiveness vis-à-vis its trading partners, and hence export growth. Concentration of products and market destinations in Sri Lanka's exports structure can lead to instability in export earnings. Sri Lanka is dependent on a few export products such as tea, garments, and rubber products, while traditional markets such as Europe and the USA account for about two thirds of total exports. At a time when economic activity is shifting from the West to India and China, The powerhouses of the East, it is imperative for Sri Lanka to rethink its export strategy that is currently biased towards the West. In this regard, the proposed trade agreement with China is a step in the right direction. Export diversification also entails increasing the sophistication of products with more value addition and the use of new technology. It is time now to transform the country's manufacturing base from textiles and garments to more hi-tech products such as electronics as witnessed in the rapid industrialisation process of some Asian Tigers. Moreover, strong participation in global and regional export conventions, strategic marketing and active pursuit of bilateral and multilateral trade treaties with target countries would enable the Sri Lankan export market to increasingly open up to the world. Private sector participation is vital to harness the synergies of entrepreneurship and successful marketing strategies in moving forward the export drive. A combined public and private sector multi-faceted approach in all areas of penetrative marketing, forming strategic alliances, harnessing technological advances and protecting innovation through strong domestic and international intellectual property laws should be encouraged. The recent attempts at regaining entry to the GSP+ scheme that provides preferential access to the EU market is laudable considering the benefits that can be derived to our economy through enhanced exports from increased access to the EU market.

Harnessing the Services sector growth potential would be an integral part of maintaining future economic growth. The importance of the Services sector in the Sri Lankan economy has increased steadily over time, with its share as a percentage of GDP recording 57.6 per cent in 2014. The nature of the service sector has also undergone significant transformation over the years, particularly with the introduction of market liberalisation, from small-scale sundry services to higher skilled and higher value-added activities such as financial services and information technology (IT). The share of the services sector is envisaged to grow even further with the rapid development of infrastructure taking place across the country. The importance of services sector has grown over the last decade with service

products becoming tradable and exportable in the global sphere. Therefore, the dimensions of the global trade have moved from competitive advantage in manufacturing to services with exploration of niche markets by the emerging countries. Therefore, there is a need to ascertain proactive measures to transform the existing services structure to a highly tradable service sector to serve the global demand. In this regard, several positive policy initiatives have taken place during last few decades in areas such as port and airport related activities, tourism, IT and IT enabled services. This transformation can be encouraged further through a proper support structure that comprises modern IT platforms, an effective telecommunication services, uninterrupted and consistent supply of inputs such as electricity and high quality human capital. In this regard, heavy investments are needed not only to make avail the latest technology in the world but also to equip the staff with the most up-to-date knowledge. The overall policy should be geared towards facilitating such flexibility in the industry as it directly links with the overall service delivery and quality. Such a facilitating environment would help the country to continue on its envisaged growth path over the medium term.

It is important to focus on promoting market based alternative financing methods than predominantly relying on traditional bank based financing to ensure adequate availability of long term financing, which is an essential element for investment and sustained economic growth. Currently, the domestic banking sector remains the major source of financing for the corporate sector as well as for the SME sector, and raising funds for expansion in economic activity through capital markets is limited only to large corporates. Nevertheless, the traditional model of bank based financing method may not be workable for long term financing due to various problems associated with financial intermediation, particularly high intermediation costs as well as monitoring and transactions costs. Furthermore, since the global financial crisis, the banking sector has undergone a significant deleveraging process thus increasing the gap between supply and demand for long term financing in many economies around the world. In contrast, many country experiences suggest that market based financing methods will reduce inherent inefficiencies associated with bank based traditional financial intermediation, and hence leading to enhanced economic growth. This suggests the importance of promoting deep, liquid and transparent markets for long term financing in the Sri Lankan context, particularly through capital markets, while encouraging the traditional banking system to focus their role as efficient facilitators for financial transactions in the economy and on core banking functions. Hence, in the medium term, the country should focus more on developing deep and broad corporate debt markets, while further deepening the equity markets. In addition, developing the venture capital market further over the medium term by attracting new investors through diversifying investment would also be advantageous to deepen the financial market. Such markets would also attract substantial FDIs, which would bring about innovation, improved management systems, governance practices as well as new market access to local corporates. Recent examples of capital market solutions in developed and emerging markets suggest that market based arrangements have contributed to long term financing for growth in SMEs that typically face financing constraints.

Special attention is required to upgrade the SME sector in line with the overall development strategy of the country. A viable and dynamic SME sector, which encompasses Agriculture, Industry and Services sectors, plays a pivotal role in an economy by creating employment, generating income, alleviating poverty thereby supporting inclusive growth. However, in Sri Lanka the full potential of the SME sector is yet to be tapped due to the existence of a several constraints in the product as well as factor markets. Lack of access to financing, lack of human resource capabilities and lack of technological capabilities are the underlying constraints to the growth of the SME sector. Although successive governments have identified the access to finance as a vital element for SMEs to succeed in their drive

to build productive capacity and introduced several concessional loan and credit guarantee schemes, lack of access to financing still remains a significant and persistent challenge in the sector. In this context, it is vital to introduce remedial measures to ensure availability of funds to this sector. Alongside available credit guarantee schemes, the credit advisory and counselling services are essential to enhance financial know how and financial discipline of SMEs. As Business Development Services (BDS) can play an important role in this regard, it is increasingly vital to enhance the scope, functioning of BDS to facilitate SMEs. Further, to enhance technical capabilities of the SME sector, setting up of industrial clusters can be promoted to gain experience, share expertise and to improve efficiency and productivity thereby enabling them to achieve economies of scale. Moreover, this would facilitate SMEs to build up linkages with large enterprises, which provide opportunity for them to join in larger supply chains. Further, such linkages would facilitate tapping the export potential of SMEs, which currently rely largely on domestic markets.

It is necessary for Sri Lanka to maintain policy consistency in ensuring a favourable doing business environment with the aim of attracting non debt creating foreign investment flows. Although the post conflict period ushered in improvements to macroeconomic fundamentals and infrastructure facilities, Sri Lanka has failed to attract FDI at envisaged high levels. FDI is vital for maintaining a sustainable and high economic growth momentum while financing the savings-investment gap. A negative savings-investment gap has to be financed through external sources, either in the form of borrowings or foreign investments. Financing the savings-investment gap through borrowings and short term investments would be costly while exposing the economy to heightened external vulnerabilities. Therefore, there is a need to increase non debt creating foreign inflows to finance the savings-investment gap. Furthermore, FDI brings in advanced technology, entrepreneurial practices, access to assured international markets and increased employment. Hence, market oriented policies would foster business confidence leading to a surge in investments that would enable higher FDI inflows to the country. In addition to healthy economic indicators such as high growth and low and stable inflation, good governance and guarantee of property rights as well as efficient government services to facilitate private sector businesses, would also enhance investor confidence in the domestic economy. Further, due attention is required in order to avoid policy inconsistencies such as uncertainty in legislation on property rights, regressive tax policies, and enforcement mechanisms that would discourage foreign investments. Meanwhile, Sri Lanka needs to increase its domestic investments on advanced technology and human capital development. Increased commitment and endorsement on the part of the government is very much required to augment reforms in the labour market that would allow for more flexibility in the recruitment and discontinuance of workers, and in turn, improve the doing business ranking and enhance the image of the country as an attractive investment destination.

Recent slippages in the fiscal sector highlight the necessity to intensify efforts to increase tax revenue collection and further consolidate government expenditure. Total government revenue, which amounted to 27.4 per cent of GDP in 1978, had gradually declined to 16.8 per cent of GDP in 2000 and to 12.2 per cent of GDP in 2014. In spite of adopting several measures to simplify the tax system, tax revenue collection as a percentage of GDP has continued to decline over the years. Tax revenue had declined from 24.2 per cent of GDP in 1978 to 14.5 per cent in 2000 and to 10.7 per cent of GDP in 2014. As this is increasingly challenging the performance of the fiscal sector, decisive measures are necessary to address this issue through a medium term framework. Some areas that need attention in this regard are further simplification of the tax system, broadening the tax base by improving direct taxation and minimising tax exemptions, and strengthening tax administration. With regard to government expenditure, government welfare measures such as subsidies provided to several sectors in

a blanket manner remain a fiscal burden that should be immediately revisited. Furthermore, it is essential that the targets set by the Fiscal Management Responsibility Act, No. 03 of 2003 (FMRA) as amended, are achieved. In this regard, the intention expressed by the government to curtail excessive overheads, increase transparency and accountability is commendable, and maintaining such practice would send a positive signal to the economy and boost investor confidence. In relation to SOBEs, the implementation of a formula based pricing as envisaged would also minimise the macroeconomic and fiscal impact of future global price fluctuations. These measures would strengthen fiscal consolidation facilitating a further reduction in the government debt to GDP ratio, which although on the decline, is still high compared to peer economies.

In spite of reforms to transform the higher education sector in Sri Lanka, lack of high level research and development (R&D) output necessary to support sustained economic growth remains a challenge. The research exposure of universities and associated higher education institutes has failed to reach the expected level to deliver the envisaged advantage from higher education in Sri Lanka towards achieving a competitive edge in global trade and services. Sri Lankan universities are constantly ranked below other universities in the region. According to World Development Indicators (WDI) 2014 published by the World Bank, patent applications filed by Sri Lankan residents remained a fragment of those filed in peer economies. These are indications that R&D needs to be strengthened through concerted efforts by higher education authorities. This would also require transforming the university structure from the current model to a self-sustaining model where decisions are made by the universities themselves while institutional linkages between the industry and academia are made based on innovation. The resultant technology transfer between the universities and the industry including SMEs could broaden all sectors of the economy. The private sector can play an integral role in this regard through the development of proper linkages with universities, which would ultimately assist the entities to broaden their global market share. Sri Lanka Institute of Nanotechnology (SLINTEC), a joint venture between the National Science Foundation of Sri Lanka and several large corporates, is a classic example of scientific innovation and industrial linkage to fill the much required gap in R&D within the country.

The changing demographic profile of the country has added a new dimension to the existing issues in the labour market requiring forward looking reforms to sustain the high growth momentum. Slow population growth together with the aging population has resulted in a shrinking labour force. Based on International Labour Organization's (ILO) estimates, the average growth of the labour force between 2009-2020 would be around 0.3 per cent per annum, compared to the rate of 1 per cent per annum observed during 1990-2006. Strategies that can be used to address this issue include increasing the labour force participation rate and improving labour productivity. Higher youth and female participation is necessary to increase the labour force. In order to increase youth participation, policies to realign the country's education system to generate an effective work force with necessary skills to cater to the requirements of the market must be strengthened. Youth perceptions of occupation, mostly favouring state sector employment need to be changed. To attract females into the labour market, flexible work hours, improving work conditions, increasing the availability of short-term and part time employment opportunities, and legislative reforms are necessary, while ensuring equal employment opportunities for females. With regard to increasing labour productivity, attention must be paid to the Agriculture sector and the state sector. Investments in physical capital such as irrigation networks, electricity and roads as well as in human capital would facilitate improving labour productivity to some extent. These need to be supported by land and labour market reforms providing flexibility required for efficient resource allocation. Moreover, increases in remuneration need to be linked to

productivity, in order to maximise the contribution of the labour force. In addition, although some adjustments have taken place in the foreign employment structure, revisiting foreign employment policies is needed to address the skill, gender and regional concentration. Reviewing the current stipulated age of retirement is also necessary, following the examples of other countries that have experienced the issue of population aging.

The policies of better governance and transparency, as announced by the government, are key catalysts in the process of equitable economic development, and therefore, must be encouraged. Better governance and transparency should foster a conducive environment capable of providing services that would enhance economic activity. This also entails a free, fair and peaceful society, while encouraging public institutions to discharge their responsibilities in a transparent manner, ensuring confidence on the governance system of the country. Such a system would yield positive social dividends including economic benefits of higher and inclusive growth. These policies could have a positive impact on economic performance, particularly in terms of attracting FDI as reflected by the importance attached by investors to global indicators that capture aspects of better governance.

(Source: Central Bank Annual Report 2015)

Table : 6

Export Performance of Major Product Sectors - Annual Growth & Average Growth 2011 - 2015

(Value in U S \$ Mn.)												
Code	Description	2011	2012	% Growth	2013	% Growth	2014	% Growth	2015	% Growth	% Contribution to Total Exports in 2015	2011 - 2015 AV. Growth %
1	Agricultural Exports	2453.01	2248.40	-8.34	2479.90	10.30	2698.99	8.83	2463.75	-8.72	21.78	1.91
1.1	Tea	1476.185	1397.916	-5.30	1526.74	9.22	1609.709	5.43	1324.508	-17.72	11.71	-0.76
1.2	Natural Rubber	207.00	125.09	-39.57	71.60	-42.76	45.60	-36.31	26.37	-42.17	0.23	-51.30
1.3	Coconut	422.91	360.51	-14.75	360.14	-0.10	537.52	49.25	522.69	-2.76	4.62	8.23
1.3.1	Coconut Kernel products	191.41	127.53	-33.37	127.20	-0.26	271.17	113.18	285.24	5.19	2.52	15.52
1.3.2	Coconut Fibre products	155.62	150.15	-3.52	146.79	-2.24	175.65	19.66	157.14	-10.54	1.39	1.76
1.3.3	Coconut Shell products & Others	75.88	82.83	9.16	86.15	4.01	90.70	5.28	80.31	-11.46	0.71	2.04
1.4	Other Export Crops	346.91	364.88	5.18	521.41	42.90	506.15	-2.93	590.18	16.60	5.22	13.90
1.4.1	Spices	213.62	235.53	10.26	329.42	39.86	234.22	-28.90	339.17	44.80	3.00	9.19
1.4.2	Vegetables	18.54	15.06	-18.77	19.69	30.72	24.77	25.78	25.32	2.23	0.22	11.20
1.4.3	Fruits	17.37	18.13	4.40	29.19	60.99	44.32	51.80	38.11	-14.00	0.34	24.65
1.4.4	Cut Flowers & Foliage	14.76	10.41	-29.46	14.17	36.06	14.86	4.87	13.91	-6.37	0.12	2.37
1.4.5	Essential Oils	18.18	17.42	-4.17	23.25	33.45	26.08	12.16	33.94	30.16	0.30	16.52
1.4.6	Others of Other Export Crops	64.44	68.32	6.02	105.68	54.69	161.91	53.20	139.73	-13.70	1.24	24.11
2	Fisheries products	195.32	205.17	5.04	244.43	19.14	265.23	8.51	180.58	-31.92	1.60	1.00
2.1	Ornamental Fish	10.06	7.57	-24.74	10.70	41.31	12.53	17.09	17.52	39.79	0.15	16.12
2.2	Crustaceans	36.18	29.20	-19.28	44.12	51.07	54.68	23.93	35.18	-35.65	0.31	5.71
2.3	Edible Fish	149.08	168.39	12.96	189.61	12.60	198.02	4.43	127.88	-35.42	1.13	-1.45
3	Industrial Exports	7678.91	7261.91	-5.43	7597.24	4.62	8111.05	6.76	7813.51	-3.67	69.09	1.45
3.1	Diamonds, Gems & Jewellery	531.57	558.90	5.14	437.60	-21.70	393.60	-10.05	331.70	-15.73	2.93	-12.94
3.2	Textiles & Garments	4172.16	3964.64	-4.97	4492.20	13.31	4908.30	9.26	4801.99	-2.17	42.46	4.95
3.3	Manufactures	2422.18	2275.38	-6.06	2239.44	-1.58	2439.56	8.94	2305.82	-5.48	20.39	-0.29
3.3.1	Food, Feed, Beverages & Tobacco	407.58	359.93	-11.69	278.25	-22.69	317.10	13.96	302.18	-4.71	2.67	-7.25
3.3.2	Leather & Leather products	19.72	18.95	-3.93	21.61	14.06	22.96	6.22	23.66	3.08	0.21	5.56
3.3.3	Wood & Wooden products	65.20	64.98	-0.34	64.09	-1.38	63.85	-0.37	55.28	-13.42	0.49	-3.48
3.3.4	Paper & Paper products	71.56	89.95	25.69	72.67	-19.21	79.94	10.01	76.89	-3.82	0.68	0.26
3.3.5	Rubber Finished products	884.15	856.68	-3.11	887.42	3.59	889.40	0.22	760.92	-14.45	6.73	-2.63
3.3.6	Chemical products	42.44	35.34	-16.73	33.94	-3.96	47.60	40.25	50.25	5.55	0.44	6.36
3.3.7	Plastic products	59.27	56.87	-4.05	60.11	5.70	70.49	17.27	65.83	-6.60	0.58	4.25
3.3.8	Non Metallic Mineral products	110.15	116.31	5.59	118.93	2.25	125.11	5.20	117.84	-5.81	1.04	2.08
3.3.9	Base Metal products	56.26	56.13	-0.23	59.37	5.77	62.44	5.17	55.81	-10.62	0.49	0.90
3.3.10	Electronic, Electric, Machinery products & parts	312.61	296.85	-5.04	312.32	5.21	343.40	9.95	293.86	-14.43	2.60	0.22
3.3.11	Transport Equipment & parts	66.59	99.09	48.80	50.13	-49.41	56.69	13.08	55.04	-2.90	0.49	-9.39
3.3.12	Boat Building	149.25	56.59	-62.08	82.00	44.92	86.26	5.19	181.61	110.54	1.61	8.14
3.3.13	Footwear	16.71	12.24	-26.72	29.27	139.10	86.57	195.73	86.31	-0.30	0.76	52.40
3.3.14	Other Manufactures	160.68	155.47	-3.24	169.32	8.91	187.75	10.88	180.33	-3.95	1.59	4.19
3.4	Petroleum Products	553.00	463.00	-16.27	428.00	-7.56	369.59	-13.65	374.00	1.19	3.31	-10.08
4	Products Unclassified	231.57	58.10	-74.91	72.77	25.25	54.81	-24.67	47.10	-14.07	0.42	-32.43
	Total Merchandise Exports	10558.80	9773.58	-7.44	10394.34	6.35	11130.08	7.08	10504.94	-5.62	92.88	1.20
5	Communication, Computer & Information Technology	440.00	673.00	52.95	719.00	6.84	748.00	4.03	805.00	7.62	7.12	13.14
	Grand Total	10998.80	10446.58	-5.02	11113.34	6.38	11878.08	6.88	11309.94	-4.78	100.00	1.84

Source - Sri Lanka Customs, Central Bank & Sri Lanka Export Development Board

Table : 9(continued page15 to 20)

Disaggregated Export Performance 2006 - 2015

														(Value in U S \$ Mn.)		
Code	Description	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	% Contribution	2014 - 2015 % Growth	2006 - 2015 Av. Growth		
S.01	Tea															
S.0101	Tea Packets	221.03	254.49	349.36	327.45	549.32	718.17	666.14	715.34	781.41	593.84	5.25	-24.00	13.78		
S.0102	Tea Bags	126.44	145.81	174.98	183.79	131.46	9.66	4.19	6.99	15.28	9.98	0.09	-34.70	-41.64		
S.0103	Tea in Bulk	439.54	509.15	615.29	588.03	651.14	697.41	700.42	784.94	790.42	705.51	6.24	-10.74	5.54		
S.0104	Instant Tea	7.44	8.92	11.39	9.78	11.28	0.45	0.06	0.06	0.02	0.005	0.00	-80.33	-92.09		
S.0105	Green Tea	0.81	1.29	1.84	2.56	3.40	4.03	4.09	4.61	6.82	5.46	0.05	-20.02	21.19		
S.0199	Other Tea nes	86.47	105.45	118.19	73.81	92.55	46.47	23.01	14.81	15.76	9.73	0.09	-38.30	-28.81		
	Total	881.73	1025.11	1271.06	1185.43	1439.16	1476.18	1397.92	1526.74	1609.71	1324.51	11.71	-17.72	5.00		
S.02	Natural Rubber															
S.020101	Latex Rubber	2.98	9.59	16.86	0.76	1.78	0.28	0.06	0.58	0.55	0.0002	0.00	-99.96	-80.66		
S.020102	Sheet Rubber	37.37	36.32	42.34	42.34	68.50	62.77	38.30	13.59	4.49	1.61	0.01	-64.27	-29.71		
S.020103	Technically Specified Rubber	7.77	9.94	10.94	8.97	8.50	14.40	12.31	6.02	2.33	1.02	0.01	-56.37	-18.17		
S.020104	Crepe Rubber	41.40	48.59	50.29	29.78	72.58	116.20	63.80	47.21	34.86	22.56	0.20	-35.27	-3.24		
S.020105	Block Rubber	0.96	1.91	1.90	1.92	0.78	2.07	0.54	1.05	0.01	0.04	0.00	141.61	-42.01		
S.020199	Other Natural Rubber nes	1.70	3.00	3.02	15.08	21.61	11.28	10.08	3.16	3.36	1.15	0.01	-65.68	-2.64		
	Total	92.19	109.33	125.36	98.86	173.75	207.00	125.09	71.60	45.60	26.37	0.23	-42.17	-11.70		
S.03	Coconut															
S.0301	Coconut Kernel products															
S.030101	Coconut Oil	1.67	1.76	3.93	4.42	5.20	7.73	9.94	17.14	58.42	121.16	1.07	107.40	44.40		
S.030102	Desiccated Coconut	38.31	54.34	64.68	50.05	49.05	126.46	68.85	68.54	148.94	99.79	0.88	-33.00	10.83		
S.030103	Copra	13.01	10.90	13.71	3.72	0.65	2.47	0.68	0.11	6.90	0.74	0.01	-89.21	-34.58		
S.030104	Coconut Fresh Nuts	13.45	11.66	12.44	16.29	11.93	6.40	7.81	0.40	1.21	2.26	0.02	86.32	-31.48		
S.030105	Coconut Milk Powder	12.46	9.54	16.20	15.58	14.73	22.84	20.12	21.82	27.60	26.05	0.23	-5.62	10.16		
S.030106	Coconut Cream	2.61	1.83	3.97	3.11	3.13	6.03	5.18	4.08	6.00	8.91	0.08	48.43	13.13		
S.030107	Liquid Coconut Milk	0.04	6.25	5.97	5.05	8.73	10.20	8.46	10.45	13.99	18.27	0.16	30.61	39.05		
S.030108	Poonac	0.27	1.27	1.04	3.44	2.70	1.82	2.14	0.06	0.71	1.07	0.01	51.45	-4.56		
S.030109	Defatted Coconut	2.41	2.85	4.16	2.63	3.27	7.45	4.36	4.61	7.41	6.99	0.06	-5.59	11.59		
	Sub Total	84.24	100.42	126.10	104.30	99.38	191.41	127.53	127.20	271.17	285.24	2.52	5.19	11.66		
S.0302	Coconut Fibre products															
S.030201	Bristle Fiber	1.01	17.45	32.64	4.92	2.77	3.26	2.25	3.04	4.78	3.88	0.03	-18.91	-6.65		
S.030202	Mattress Fiber	3.12	12.37	18.49	31.09	31.22	36.33	25.38	23.36	26.19	18.42	0.16	-29.65	13.31		
S.030203	Mixed Coir Fiber	15.13	15.92	14.42	4.94	5.92	9.59	16.09	10.54	19.16	12.17	0.11	-36.47	1.08		
S.030204	Coir Yarn	1.03	1.04	1.25	1.61	2.91	0.61	1.22	1.40	1.69	1.90	0.02	12.60	4.30		
S.030205	Coco Peat & Fiber Pith	32.56	14.48	1.07	36.14	52.00	66.04	68.35	74.46	82.15	84.33	0.75	2.65	26.71		
S.030206	Brooms & Brushes	9.19	10.07	11.32	9.85	10.10	13.25	11.35	11.82	13.02	11.93	0.11	-8.35	3.06		
S.030207	Carpets, Mats, Floor Coverings	8.52	7.15	5.66	3.62	3.78	6.35	5.27	5.41	6.09	5.11	0.05	-16.02	-2.60		
S.030208	Coconut Husk Chips	2.32	4.00	5.27	9.57	5.93	6.10	6.82	5.43	6.78	7.66	0.07	13.04	8.24		
S.030209	Coir Pads	1.88	2.07	2.35	2.24	2.16	2.23	2.27	2.04	2.84	1.44	0.01	-49.20	-0.48		
S.030210	Coir Twine & Ropes	2.75	3.24	4.36	5.45	4.34	7.86	8.15	5.56	8.97	6.66	0.06	-25.71	10.98		
S.030211	Geo Textiles	1.71	3.01	3.09	1.90	2.77	4.00	3.00	3.73	3.98	3.63	0.03	-8.92	6.94		
	Sub Total	79.21	90.81	99.90	111.33	123.88	155.62	150.15	146.79	175.65	157.14	1.39	-10.54	8.38		
S.0303	Coconut Shell products & Others															
S.030301	Activated Carbon	21.32	27.60	34.31	42.79	51.07	71.65	76.92	81.18	84.12	74.09	0.66	-11.92	15.40		
S.030302	Coconut Shell Pieces	0.09	0.13	0.09	0.07	0.08	0.08	0.21	0.08	0.11	0.08	0.00	-29.08	0.46		

(Value in U S \$ Mn.)														
Code	Description	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	% Contribution	2014 - 2015 % Growth	2006 - 2015 Av. Growth
S.030303	Coconut Shell Powder	0.22	0.26	0.23	0.15	0.20	0.13	0.06	0.10	0.07	0.10	0.00	43.20	-14.84
S.030304	Coconut Shell Charcoal	0.87	0.80	0.98	1.13	1.31	2.52	3.70	3.34	4.74	4.82	0.04	1.61	23.17
S.030305	Coconut Ekels	0.78	0.81	0.97	1.00	1.10	1.51	1.94	1.46	1.66	1.23	0.01	-26.29	8.12
	Sub Total	23.29	29.60	36.58	45.15	53.75	75.88	82.83	86.15	90.70	80.31	0.71	-11.46	15.41
	Total - Coconut Sector	186.75	220.82	262.58	260.78	277.02	422.91	360.51	360.14	537.52	522.69	4.62	-2.76	11.19
S.04	Other Export Crops													
S.0401	Spices													
S.040101	Pepper	17.40	31.95	26.39	20.58	44.95	30.76	67.93	126.67	69.17	144.07	1.27	108.27	21.50
S.040102	Cinnamon	66.17	75.50	82.70	74.18	91.44	121.18	129.53	132.39	132.28	131.18	1.16	-0.83	8.72
S.040103	Cloves	12.57	9.24	33.12	12.02	37.93	35.47	18.13	49.44	13.85	47.89	0.42	245.83	10.93
S.040104	Nutmeg & Mace	6.31	7.61	8.98	8.09	16.52	25.61	19.69	20.76	18.62	14.96	0.13	-19.65	12.93
S.040105	Cardamoms	0.16	0.13	0.27	0.24	0.34	0.59	0.25	0.17	0.30	1.08	0.01	254.53	12.98
	Sub Total	102.61	124.42	151.46	115.11	191.19	213.62	235.53	329.42	234.22	339.17	3.00	44.80	12.93
S.0402	Vegetables													
S.040201	Onions	0.03	0.15	0.02	0.02	0.08	0.24	0.06	0.14	0.05	0.04	0.00	-28.71	5.99
S.040202	Tomato	0.00	0.01	0.02	0.01	0.001	0.00	0.10	0.03	0.02	0.001	0.00	-95.73	-
S.040203	Garlic	0.08	0.01	0.01	0.03	0.03	0.04	0.01	0.03	0.05	0.02	0.00	-54.70	1.52
S.040204	Cabbage	0.00	0.00	0.00	0.0001	0.001	0.0002	0.001	0.0004	0.0003	0.000	0.00	-100.00	-
S.040205	Carrots	0.004	0.01	0.003	0.00	0.01	0.002	0.004	0.03	0.004	0.002	0.00	-42.11	-
S.040206	Potatoes	0.11	0.01	0.01	0.0004	0.01	0.01	0.07	0.002	0.001	0.001	0.00	10.00	-32.29
S.040207	Sweat Potatoes	0.001	0.0003	0.0002	0.003	0.01	0.01	0.01	0.003	0.01	0.01	0.00	-43.84	40.63
S.040208	Gherkins	0.85	0.95	0.90	0.55	0.52	0.46	0.49	0.90	1.36	0.93	0.01	-31.99	1.75
S.040209	Mushroom	0.01	0.03	0.19	0.58	0.78	0.51	0.94	2.51	1.76	1.49	0.01	-15.14	52.29
S.040210	Manioc	0.91	1.08	1.36	2.05	1.29	2.89	1.39	1.66	2.49	2.88	0.03	15.86	10.17
S.040211	Kiri Ala	0.45	0.41	0.44	0.53	0.38	0.51	0.43	0.37	0.44	0.36	0.00	-17.57	-1.66
S.040212	Chilies	0.00	0.00	0.41	0.72	0.68	0.87	0.86	0.87	1.00	0.95	0.01	-5.39	-
S.040213	Turmeric	0.14	0.12	0.37	0.12	0.11	0.28	0.19	0.31	0.45	0.40	0.00	-11.56	12.01
S.040214	Ginger	0.33	0.33	0.39	0.34	0.42	1.38	0.95	0.22	0.54	0.54	0.00	-1.34	5.57
S.040299	Other Vegetables nes	7.27	8.41	9.63	7.09	12.00	11.35	9.56	12.63	16.57	17.70	0.16	6.79	9.06
	Sub Total	10.19	11.54	13.77	12.05	16.30	18.54	15.06	19.69	24.77	25.32	0.22	2.23	9.78
S.0403	Fruits													
S.040301	Pineapples	2.43	2.76	3.80	1.69	1.83	1.80	1.52	2.96	4.91	5.06	0.04	2.97	5.47
S.040302	Tamarind	0.87	0.25	0.29	0.11	0.20	0.20	0.57	0.10	0.55	0.08	0.00	-85.19	-9.60
S.040303	Goraka (Garzenia)	1.23	0.92	1.59	1.44	1.90	1.98	2.55	7.42	8.07	4.29	0.04	-46.86	21.76
S.040304	Bananas	0.11	0.46	0.81	1.11	1.95	4.08	6.38	8.45	16.50	15.86	0.14	-3.90	53.13
S.040305	Lemons	0.60	0.74	1.30	1.27	1.34	0.97	0.35	0.36	0.64	0.76	0.01	17.64	-5.72
S.040306	Melons & Papayas	0.24	0.33	0.93	0.47	0.62	0.74	0.80	1.16	1.87	1.93	0.02	3.32	20.55
S.040399	Other Fruits nes	4.09	5.75	5.27	6.19	8.36	7.60	5.97	8.74	11.77	10.14	0.09	-13.85	9.40
	Sub Total	9.56	11.22	13.99	12.27	16.19	17.37	18.13	29.19	44.32	38.11	0.34	-14.00	16.35
S.0404	Cut Flowers & Foliage	11.28	12.04	14.18	11.45	13.49	14.76	10.41	14.17	14.86	13.91	0.12	-6.37	1.92
S.0405	Essential Oils	5.38	8.88	7.81	4.83	14.92	18.18	17.42	23.25	26.08	33.94	0.30	30.16	20.37
S.0406	Others of Other Export Crops													
S.040601	Unmanufactured Tobacco	35.31	40.18	39.58	33.55	32.23	38.41	42.10	47.62	41.32	31.80	0.28	-23.06	0.63
S.040602	Betel Leaves	2.61	4.08	6.65	5.99	6.48	6.86	5.05	10.60	10.54	9.13	0.08	-13.37	12.00

(Value in U S \$ Mn.)														
Code	Description	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	% Contribution	2014 - 2015 % Growth	2006 - 2015 Av. Growth
S.040603	Cashew Nuts	1.25	1.05	1.43	1.17	2.28	2.64	1.71	1.42	1.83	1.57	0.01	-14.17	4.41
S.040604	Oil Seed	1.34	0.64	0.37	1.63	9.72	0.53	2.51	10.43	6.19	4.70	0.04	-24.16	25.61
S.040605	Coffee	0.17	0.14	0.24	0.13	0.13	0.08	0.06	0.12	0.23	0.18	0.00	-22.40	-1.42
S.040606	Areca Nuts	1.98	0.90	3.40	1.38	2.30	2.49	3.84	16.64	64.66	69.85	0.62	8.02	44.31
S.040607	Black Gram	0.05	0.02	0.03	0.02	0.03	0.04	0.002	0.12	0.01	0.29	0.00	3406.10	6.24
S.040608	Cowpea	0.003	0.003	0.01	0.004	0.03	0.01	0.00	2.28	2.02	1.12	0.01	-44.43	75.85
S.040609	Green Gram	0.03	0.03	0.03	0.04	0.62	0.20	0.03	0.05	0.06	1.61	0.01	2671.55	25.18
S.040610	Lentils	0.05	0.12	12.41	19.83	16.52	7.77	7.45	7.81	21.85	8.81	0.08	-59.69	46.82
S.040699	Other Export Crops nes	2.33	3.12	3.88	3.74	3.79	5.41	5.57	8.60	13.20	10.68	0.09	-19.08	17.78
	Sub Total	45.11	50.28	68.03	67.48	74.12	64.44	68.32	105.68	161.91	139.73	1.24	-13.70	12.40
	Total - Other Export Crops	184.13	218.37	269.24	223.18	326.22	346.91	364.88	521.41	506.15	590.18	5.22	16.60	12.85
S.05	Fisheries products													
S.0501	Edible Fish													
S.050101	Frozen Fish	64.87	83.32	84.55	80.47	83.86	60.56	69.79	123.31	136.93	78.20	0.69	-42.89	3.81
S.050102	Fish Fresh or Chilled	31.68	39.29	51.13	57.73	61.23	72.10	79.67	42.34	43.69	36.42	0.32	-16.63	1.32
S.050103	Prawns	20.50	22.38	10.00	14.14	14.24	16.28	13.12	19.46	25.85	14.43	0.13	-44.18	0.66
S.050104	Lobsters	4.11	3.20	3.72	2.79	7.82	5.39	2.80	8.61	8.79	5.72	0.05	-34.96	8.41
S.050105	Crabs	4.06	4.66	5.99	9.09	8.92	14.51	13.29	16.05	20.04	15.04	0.13	-24.96	17.29
S.050199	Other Edible Fish nes	4.71	9.63	9.23	6.37	16.09	16.41	18.93	23.96	17.41	13.25	0.12	-23.89	13.04
	Sub Total	129.94	162.48	164.62	170.59	192.17	185.25	197.60	233.73	252.70	163.06	1.44	-35.47	4.42
S.0502	Ornamental Fish	8.55	8.20	8.98	8.52	10.08	10.06	7.57	10.70	12.53	17.52	0.15	39.79	6.03
	Total Fisheries Sector	138.49	170.68	173.60	179.11	202.24	195.32	205.17	244.43	265.23	180.58	1.60	-31.92	4.58
S.06	Diamonds, Gems & Jewellery													
S.0601	Diamonds	311.52	348.50	420.58	316.82	321.52	414.33	416.73	293.40	198.30	148.40	1.31	-25.16	-6.88
S.0602	Gems	119.47	106.80	101.01	68.92	70.25	95.24	117.93	122.60	173.00	164.10	1.45	-5.14	5.53
S.0603	Jewellery	15.54	19.61	17.32	13.55	17.00	22.00	24.24	21.60	22.30	19.20	0.17	-13.90	3.58
	Total	446.53	474.91	538.91	399.29	408.77	531.57	558.90	437.60	393.60	331.70	2.93	-15.73	-2.28
S.07	Textiles & Garments													
S.0701	Woven Fabrics	71.11	70.30	74.37	68.91	86.13	98.18	104.01	115.55	115.86	128.72	1.14	11.10	7.52
S.0702	Apparel	2917.06	3144.31	3282.44	3119.89	3178.21	3985.78	3776.13	4264.89	4681.50	4554.75	40.27	-2.71	5.40
S.0703	Made-Up Textile Articles	39.18	58.10	49.08	36.71	47.26	47.82	41.94	47.10	53.87	62.97	0.56	16.90	2.39
S.0799	Other Textile Articles nes	30.45	34.09	32.83	23.29	30.18	40.37	42.57	64.66	57.07	55.55	0.49	-2.68	8.79
	Total	3057.80	3306.79	3438.72	3248.81	3341.77	4172.16	3964.64	4492.20	4908.30	4801.99	42.46	-2.17	5.44
S.08	Manufactures													
s.0801	Food, Feed, Beverages & Tobacco													
S.080101	Processed Vegetables, Fruits & Juices	6.55	4.15	3.49	3.20	5.90	6.02	8.99	13.13	16.85	21.63	0.19	28.37	18.37
S.080102	Confectionary & Bakery Products	7.58	9.15	14.25	17.43	34.84	44.68	38.71	33.18	32.09	26.52	0.23	-17.37	16.32
S.080103	Processed Food	137.94	205.73	84.55	47.23	67.14	94.84	73.44	67.04	90.40	64.75	0.57	-28.38	-7.30
S.080104	Rice & Cereals	41.71	51.24	65.59	45.28	80.09	156.69	104.46	47.33	50.54	43.39	0.38	-14.14	1.09
S.080105	Beverages	2.87	3.86	4.39	2.80	6.42	5.96	5.61	9.33	15.19	21.19	0.19	39.48	20.21
S.080106	Manufactured Tobacco	16.91	23.42	27.53	24.27	25.52	40.90	47.12	49.09	55.72	57.71	0.51	3.56	13.62
S.080107	Animal Feed	27.11	37.52	58.57	62.93	67.22	58.47	81.61	59.15	56.31	67.00	0.59	18.99	7.08
	Sub Total	240.67	335.08	258.38	203.13	287.14	407.58	359.93	278.25	317.10	302.18	2.67	-4.71	2.48

(Value in U S \$ Mn.)

Code	Description	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	% Contribution	2014 - 2015 % Growth	2006 - 2015 Av. Growth
S.0802	Leather & Leather products													
S.080201	Raw Hides & Skins	0.98	1.07	0.59	0.34	0.65	0.43	0.47	0.31	0.56	0.60	0.01	7.20	-7.13
S.080202	Travel Goods, Bags etc.	12.93	7.27	4.94	3.28	2.86	2.26	2.85	2.37	2.03	2.71	0.02	33.52	-16.58
S.080203	Industrial Gloves, Belts etc. of Leather	6.63	8.44	11.11	9.92	12.41	17.04	15.64	18.93	20.37	20.36	0.18	-0.06	12.49
	Sub Total	20.54	16.78	16.64	13.55	15.91	19.72	18.95	21.61	22.96	23.66	0.21	3.08	3.63
S.0803	Wood & Wooden products													
S.080301	Furniture & Seats	9.96	13.37	13.75	10.78	15.26	17.32	15.12	17.97	18.85	18.15	0.16	-3.72	6.24
S.080302	Jewellery Boxes, Cloth Hangers and Handicraft	4.59	8.18	7.90	7.48	9.68	11.31	10.30	9.15	11.24	9.47	0.08	-15.74	6.42
S.080304	Fuel Wood & Charcoal	0.62	0.82	0.16	0.79	0.36	0.41	0.65	0.43	0.38	0.46	0.00	18.96	-2.15
S.080305	MDF Boards	17.86	28.21	25.28	9.66	20.89	27.54	30.50	30.58	25.14	19.59	0.17	-22.06	2.85
S.080306	Plywood, Densified/Particle Boards	1.34	0.48	0.49	0.83	0.69	1.05	2.26	0.56	0.40	0.17	0.00	-56.65	-9.51
S.080307	Builders Joinery, Flooring Panels	0.48	1.36	0.32	0.13	0.33	0.07	0.05	0.06	0.39	0.16	0.00	-58.71	-19.12
S.080399	Other Wooden Products nes	5.27	6.71	7.50	5.63	6.31	7.51	6.10	5.34	7.44	7.27	0.06	-2.26	1.42
	Sub Total	40.12	59.13	55.39	35.30	53.51	65.20	64.98	64.09	63.85	55.28	0.49	-13.42	3.75
S.0804	Paper & Paper products													
S.080401	Waste & Scrap of Paper /Paper Boards	12.71	15.33	19.07	13.12	19.38	29.41	24.79	26.37	32.90	31.73	0.28	-3.57	10.62
S.080402	Stationery products													
S.08040201	Envelopes, Letter Cards, Post Cards	0.37	0.93	0.71	0.71	0.69	1.17	1.19	1.54	1.45	2.17	0.02	48.96	15.21
S.08040202	Registers, Account Books, Diaries	3.38	3.58	3.25	3.47	2.69	2.44	2.53	2.78	2.45	1.65	0.01	-32.50	-6.61
S.08040203	Labels Printed or Not	5.15	7.40	8.65	7.55	10.17	10.70	8.51	11.27	10.31	10.34	0.09	0.29	6.26
	Sub Sub Total	8.90	11.91	12.61	11.73	13.55	14.30	12.23	15.60	14.21	14.16	0.13	-0.38	4.04
S.080403	Other Paper & Paper products													
S.08040301	Books & Printed Matter	2.94	5.83	7.11	6.92	11.38	11.20	32.53	7.40	7.52	6.81	0.06	-9.40	8.58
S.08040302	Cartoons, Boxes & Bags	4.51	6.16	7.33	6.07	8.47	11.31	14.63	17.18	19.06	17.85	0.16	-6.31	16.65
S.08040399	Other Paper Products nes	3.01	1.98	2.90	2.27	3.80	5.35	5.78	6.13	6.26	6.35	0.06	1.40	13.13
	Sub Sub Total	10.46	13.97	17.33	15.27	23.64	27.86	52.93	30.70	32.83	31.01	0.27	-5.55	13.65
	Sub Total - Paper & Paper products	32.06	41.21	49.01	40.12	56.58	71.56	89.95	72.67	79.94	76.89	0.68	-3.82	10.39
S.0805	Rubber Finished products													
S.080501	Rubber Plates, Sheets Rods of Vulcanized or Unhardened	11.08	10.91	10.14	12.21	17.21	39.25	59.65	54.83	47.76	32.54	0.29	-31.86	20.64
S.080502	Pneumatic & Retreated Rubber Tyres & Tubes	294.67	310.33	337.97	214.27	337.78	571.40	541.22	554.60	567.59	470.58	4.16	-17.09	8.62
S.080503	Industrial & Surgical Gloves of Rubber	104.66	110.55	117.22	113.87	136.92	180.98	176.34	195.40	175.93	164.67	1.46	-6.40	6.96
S.080504	Gaskets, Washers, Seals etc. of Hard Rubber	36.61	48.40	71.89	41.47	62.84	89.53	76.71	79.87	95.56	90.86	0.80	-4.92	9.50
S.080599	Other Rubber Products nes	2.44	2.72	2.69	2.50	2.06	2.99	2.76	2.72	2.57	2.27	0.02	-11.48	-0.19
	Sub Total	449.46	482.91	539.91	384.32	556.81	884.15	856.68	887.42	889.40	760.92	6.73	-14.45	8.71
S.0806	Chemical & Plastic products													
S.080601	Chemical products													
S.08060101	Inorganic Chemicals	8.30	12.23	11.88	6.39	11.11	13.31	12.40	9.74	11.99	9.82	0.09	-18.11	1.55
S.08060102	Organic Chemicals	9.26	1.23	0.77	0.74	1.29	1.38	0.86	0.33	0.52	0.47	0.00	-10.12	-22.20
S.08060103	Wadding Gauze, Bandages & Similar Pharmaceutical Articles	3.18	2.23	2.25	2.02	2.20	2.34	2.14	2.57	4.40	3.92	0.03	-10.99	4.58
S.08060104	Fertilizer	0.28	0.27	0.54	0.35	0.35	0.46	0.65	0.60	1.51	0.90	0.01	-40.58	15.36
S.08060105	Paints, Varnishes and Dyeing Extracts	3.49	3.19	3.23	3.00	3.14	3.33	2.29	4.05	7.95	7.53	0.07	-5.25	8.30
S.08060106	Perfumes, Cosmetics, Shampoos & Makeup Preparations	3.77	5.30	6.04	6.32	9.56	9.82	7.15	5.79	8.18	9.46	0.08	15.67	6.97
S.08060107	Soap, Washing Preparations, Waxes, Candles etc.	5.79	3.99	3.66	3.95	5.18	4.91	3.59	4.22	7.58	11.73	0.10	54.79	6.79
S.08060199	Other Chemical Products nes	5.04	6.30	3.76	3.32	4.64	6.88	6.25	6.64	5.47	6.42	0.06	17.33	3.84

(Value in U S \$ Mn.)

Code	Description	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	% Contribution	2014 - 2015 % Growth	2006 - 2015 Av. Growth
	Sub Sub Total	39.12	34.74	32.13	26.09	37.47	42.44	35.34	33.94	47.60	50.25	0.44	5.55	3.50
S.080602	<u>Plastic products</u>													
S.08060201	Starches, Glues, Enzymes	4.55	4.84	4.61	5.10	4.68	4.48	4.49	5.20	3.77	3.39	0.03	-10.11	-2.57
S.08060202	Gloves, Mitts & Mittens	0.50	0.01	2.17	6.28	6.76	4.45	4.69	6.43	12.20	12.79	0.11	4.83	53.10
S.08060203	Sacs & Bags of Plastics	33.84	32.11	32.26	21.58	25.29	31.42	28.90	30.06	35.49	31.83	0.28	-10.32	0.54
S.08060204	Other Products of Plastics nes	25.54	24.70	22.39	11.64	14.67	18.92	18.78	18.41	19.03	17.83	0.16	-6.29	-2.63
	Sub Sub Total	64.43	61.65	61.43	44.61	51.41	59.27	56.87	60.11	70.49	65.83	0.58	-6.60	1.15
	Sub Total - Chemical & Plastic products	103.55	96.39	93.55	70.69	88.88	101.71	92.21	94.05	118.09	116.08	1.03	-1.70	2.06
S.0807	<u>Non Metallic Mineral products</u>													
S.080701	<u>Natural Sands</u>													
S.08070101	Silica & Quarts	1.76	4.41	5.80	3.93	4.99	5.73	8.62	9.63	10.44	8.67	0.08	-16.98	15.39
S.08070102	Mica & Mica Waste	0.92	1.12	0.87	0.93	0.82	1.27	1.26	0.95	1.34	0.72	0.01	-46.06	0.54
S.08070103	Graphite	2.44	1.75	1.88	1.16	1.30	1.37	4.31	4.32	4.66	3.90	0.03	-16.41	11.65
S.08070199	Other Natural Sands nes	4.83	6.03	4.70	3.43	7.13	9.01	0.94	2.03	1.54	1.75	0.02	13.53	-16.10
	Sub Sub Total	9.95	13.31	13.26	9.45	14.24	17.38	15.13	16.93	17.99	15.04	0.13	-16.39	5.25
S.080702	<u>Articles of Stones</u>													
S.08070201	Worked Monumental Stones	22.74	16.11	6.92	3.60	5.66	18.11	16.74	16.45	17.88	16.47	0.15	-7.87	4.80
S.08070299	Other Articles of Stones nes	0.74	1.22	1.13	1.26	1.13	4.35	6.50	8.32	11.63	11.45	0.10	-1.56	34.36
	Sub Sub Total	23.49	17.33	8.06	4.85	6.79	22.45	23.24	24.77	29.51	27.92	0.25	-5.38	10.18
S.080703	<u>Ceramics & Porcelain products</u>													
S.08070301	Wall Tiles	10.67	11.27	11.45	7.87	8.00	5.55	6.28	7.96	8.76	7.10	0.06	-18.94	-5.01
S.08070302	Tableware & Kitchenware	31.71	30.31	30.20	24.14	26.77	27.53	25.26	28.76	28.96	24.78	0.22	-14.44	-1.59
S.08070303	Ornaments	4.67	4.91	7.14	4.33	4.91	4.92	3.72	3.42	3.17	2.74	0.02	-13.43	-7.26
S.08070399	Other Ceramic Products nes	0.31	0.36	0.21	0.13	0.26	0.33	0.45	0.30	0.43	0.54	0.00	25.27	7.35
	Sub Sub Total	47.35	46.85	49.00	36.46	39.94	38.32	35.71	40.44	41.33	35.17	0.31	-14.91	-2.80
S.080704	<u>Other Non Metallic Mineral products</u>													
S.08070401	Glass & Glassware	2.43	4.16	6.57	13.54	12.21	16.48	14.61	29.59	25.91	26.25	0.23	1.32	25.62
S.08070402	Mineral Sands	8.11	10.48	8.12	6.85	9.99	15.48	27.57	7.14	10.30	13.37	0.12	29.87	5.06
S.08070403	Natural Salt	0.06	0.76	0.05	0.16	0.04	0.04	0.05	0.05	0.08	0.09	0.00	17.25	-9.13
	Sub Sub Total	10.60	15.40	14.74	20.55	22.24	32.00	42.23	36.79	36.28	39.72	0.35	9.46	15.14
	Sub Total -Non Metallic Mineral products	91.39	92.88	85.06	71.31	83.21	110.15	116.31	118.93	125.11	117.84	1.04	-5.81	4.73
S.0808	<u>Base Metal products</u>													
S.080801	Structures of Iron & Aluminum	2.17	3.87	4.94	4.93	4.49	4.55	1.89	1.94	3.56	3.04	0.03	-14.72	-3.08
S.080802	Standard Wire of Aluminum, Copper & Iron	74.88	3.96	6.45	7.49	16.24	12.11	10.01	4.96	3.39	5.84	0.05	72.49	-15.03
S.080803	Nails, Screws, Bolts & Nuts of Metal	4.36	4.99	4.16	0.77	0.98	0.73	0.35	0.30	0.38	0.51	0.00	32.67	-32.26
S.080804	Refined Copper & Lead Alloys	52.81	42.99	22.01	7.41	16.86	13.22	11.16	18.43	13.62	11.00	0.10	-19.23	-13.37
S.080805	Tools, Implements, Cutlery & Parts	2.79	4.13	4.93	3.10	8.98	11.67	13.23	6.91	8.67	7.46	0.07	-13.93	12.32
S.080806	Scrap of Ferrous, Aluminum, Copper & Other Metals	8.42	1.64	2.41	1.11	1.19	1.70	4.19	1.82	1.07	1.61	0.01	50.94	-9.08
S.080899	Other Products of Base Metal nes	21.34	19.22	12.15	11.30	14.50	12.28	15.30	25.02	31.76	26.35	0.23	-17.01	5.92
	Sub Total	166.78	80.79	57.04	36.11	63.24	56.26	56.13	59.37	62.44	55.81	0.49	-10.62	-6.21
S.0809	<u>Engineering products</u>													
S.080901	<u>Electronic, Electric, Machinery products & parts</u>													

(Value in U S \$ Mn.)															
Code	Description	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	% Contribution	2014 - 2015 % Growth	2006 - 2015 Av. Growth	
S.08090101	Electrical Transformers	32.62	43.80	47.49	31.87	56.20	43.65	32.42	39.54	34.31	42.09	0.37	22.67	-0.32	
S.08090102	Telephone Sets, Audio/Video Equipments & Parts	3.42	3.01	23.12	3.36	6.96	4.83	5.55	6.03	6.52	7.59	0.07	16.45	4.25	
S.08090103	Printed Circuits	9.74	55.92	29.98	12.10	23.31	28.68	26.49	16.93	10.91	6.86	0.06	-37.10	-9.03	
S.08090104	Switches, Lamp Holders Boards & Panels	10.19	14.43	17.02	13.32	15.83	17.92	13.57	28.34	39.65	33.08	0.29	-16.57	12.36	
S.08090105	Discharge Lamps	56.57	60.89	44.82	29.96	40.28	55.65	45.53	34.16	45.79	41.67	0.37	-9.01	-2.74	
S.08090106	Electronic Circuits, Transistors, Valves, Cathode Tubes etc.	3.04	1.34	1.21	0.90	0.64	0.49	0.99	1.11	0.71	0.46	0.00	-35.20	-13.23	
S.08090107	Insulated Wires and Cables	36.28	47.75	54.57	35.62	48.97	53.07	56.87	53.82	55.04	45.10	0.40	-18.07	2.65	
S.08090108	Boilers, Piston Engines, Pumps & Vacuum Pumps	0.77	1.44	1.27	0.39	0.67	1.42	1.32	3.36	2.04	2.15	0.02	5.25	12.73	
S.08090109	Air-Condition Machines	3.79	3.30	0.62	0.01	0.001	0.001	0.04	0.15	0.50	0.45	0.00	-10.42	-22.11	
S.08090110	Refrigerators & Freezers	0.64	4.73	17.10	25.82	20.58	26.49	31.30	29.63	14.68	5.22	0.05	-64.47	18.45	
S.08090111	Tea Bagging, Packing, Cleaning, Weighing Machines	3.64	4.00	7.43	6.99	10.87	9.63	9.13	15.28	15.58	12.80	0.11	-17.86	15.23	
S.08090112	Automatic Data Processing Machines	38.90	24.75	7.89	3.77	0.54	0.24	0.24	1.14	1.56	1.73	0.02	10.78	-40.09	
S.08090199	Other Electrical & Electronic Products nes	19.64	105.77	69.70	23.40	34.15	70.55	73.40	82.84	116.09	94.67	0.84	-18.45	12.02	
	Sub Sub Total	219.23	371.14	322.21	187.50	259.01	312.61	296.85	312.32	343.40	293.86	2.60	-14.43	2.12	
S.080902	Transport Equipment & parts														
S.08090201	Motor Vehicles & Parts	25.15	28.99	19.60	5.75	8.73	13.29	13.69	16.05	13.43	10.61	0.09	-21.02	-6.75	
S.08090202	Bicycles Not Motorized	19.27	21.28	36.58	47.66	54.15	43.16	40.36	24.39	32.55	34.23	0.30	5.18	3.27	
S.08090299	Other Transport Equipments nes	6.77	14.12	20.96	8.69	11.13	10.14	45.04	9.69	10.71	10.20	0.09	-4.73	1.66	
	Sub Sub Total	51.19	64.40	77.14	62.11	74.00	66.59	99.09	50.13	56.69	55.04	0.49	-2.90	-0.67	
S.080903	Other Engineering products														
S.08090301	Boat Building	7.64	37.34	21.54	57.81	58.53	149.25	56.59	82.00	86.26	181.61	1.61	110.54	25.41	
S.08090302	Aircrafts & Parts	79.25	49.01	8.85	6.94	11.33	9.16	9.08	14.17	8.38	6.99	0.06	-16.62	-18.96	
S.08090303	Toys Games & Sport Requisites	35.94	39.11	42.08	38.02	45.16	49.74	55.50	62.50	68.40	65.72	0.58	-3.92	7.61	
S.08090304	Metal Furniture & Seats	3.62	3.79	5.41	4.82	5.49	3.38	3.00	3.42	5.19	5.05	0.04	-2.72	0.61	
	Sub Sub Total	126.45	129.25	77.88	107.59	120.51	211.53	124.17	162.09	168.23	259.37	2.29	54.17	7.86	
	Sub Total - Engineering products	396.88	564.79	477.23	357.19	453.52	590.73	520.11	524.54	568.32	608.27	5.38	7.03	3.49	
S.0810	Footwear	19.46	24.11	21.63	17.22	19.73	16.71	12.24	29.27	86.57	86.31	0.76	-0.30	13.74	
S.0811	Other Manufactures														
S.081101	Mattresses & Mattress Supporters	4.98	9.83	11.45	5.17	6.01	6.78	6.07	5.41	5.16	5.16	0.05	0.03	-4.45	
S.081102	Brooms & Brusher of Other Fibers	15.67	17.20	19.71	16.83	17.46	19.70	17.91	19.58	24.37	23.50	0.21	-3.59	3.86	
S.081103	Buttons, Studs, Fasteners & Similar Products	1.31	1.37	1.76	1.52	1.35	1.93	1.59	1.68	1.40	1.10	0.01	-21.09	-0.67	
S.081104	Synthetic Rubber	0.03	0.07	1.44	0.21	0.19	0.05	0.01	0.05	0.05	0.001	0.00	-98.52	-38.23	
S.081199	Other Manufactures nes	44.02	55.99	56.45	44.95	54.51	69.93	62.32	62.51	74.80	72.81	0.64	-2.66	5.03	
	Sub Total	66.01	84.45	90.80	68.68	79.52	98.40	87.89	89.23	105.78	102.57	0.91	-3.04	3.88	
	Total - Manufactures	1626.92	1878.52	1744.65	1297.64	1758.05	2422.18	2275.39	2239.44	2439.56	2305.82	20.39	-5.48	4.98	
S.09	Petroleum Products	187.00	168.00	255.00	130.00	263.00	553.00	463.00	428.00	369.59	374.00	3.31	1.19	11.45	
S.10	Products Unclassified	178.53	67.45	31.93	60.92	435.74	231.57	58.10	72.77	54.81	47.10	0.42	-14.07	-6.12	
	Total Merchandise Exports	6980.07	7639.99	8111.05	7084.00	8625.72	10558.80	9773.59	10394.34	11130.09	10504.94	92.88	-5.62	5.29	
S.11	Communication, Computer & Information Technology	166.00	244.00	311.00	325.00	348.00	440.00	673.00	719.00	748.00	805.00	7.12	7.62	17.37	
	Grand Total	7146.07	7883.99	8422.05	7409.00	8973.72	10998.80	10446.59	11113.34	11878.09	11309.94	100.00	-4.78	5.83	

Source - Sri Lanka Customs, Central Bank & Sri Lanka Export Development Board

Table : 8

Export Performance of Major Product Sectors 2006 - 2015

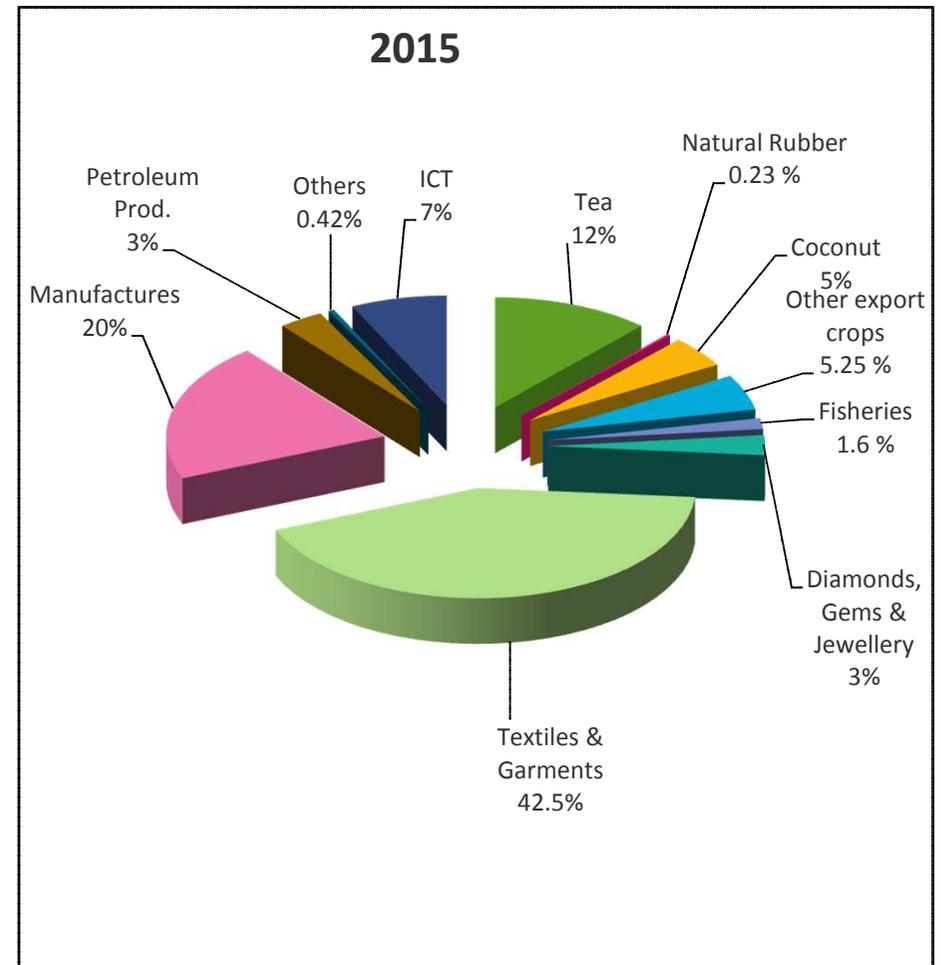
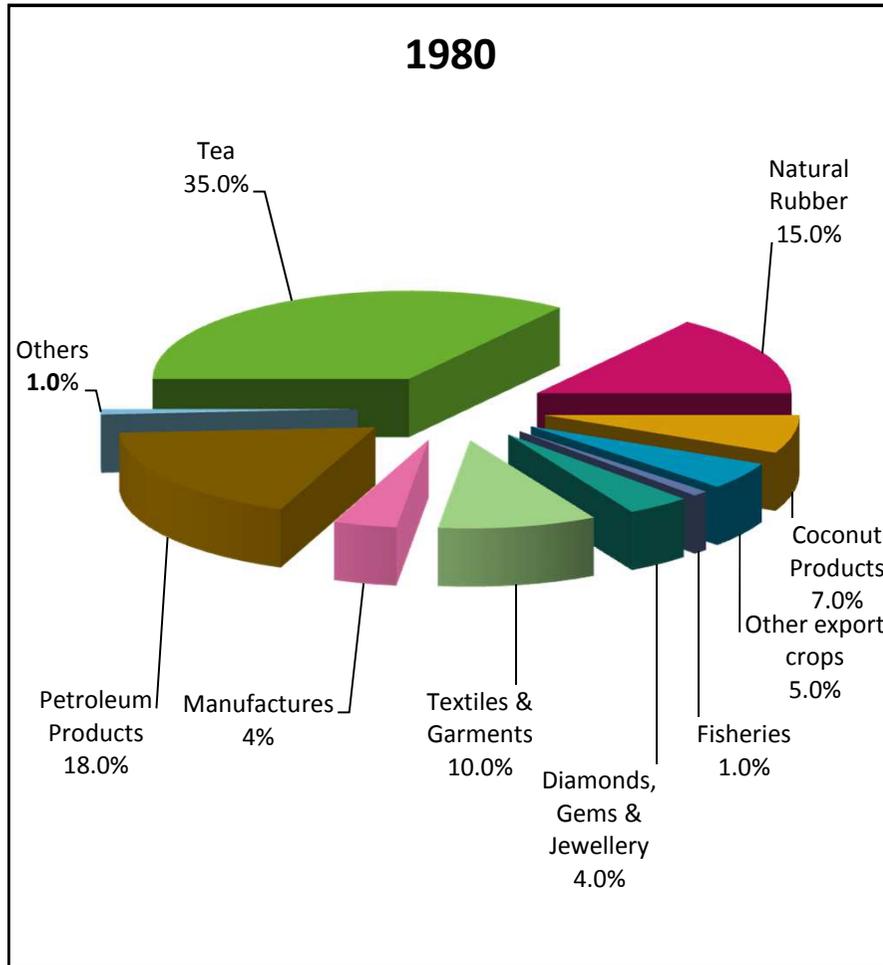
(Value in U S \$ Mn.)

Code	Description	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	% Contribution to Total Exports in 2015	2014 - 2015 % Growth	2006 - 2015 Av. Growth %
1	Agricultural Exports	1344.80	1573.64	1928.23	1768.24	2216.15	2453.01	2248.40	2479.90	2698.99	2463.75	21.78	-8.72	6.85
1.1	Tea	881.732	1025.109	1271.062	1185.43	1439.161	1476.185	1397.916	1526.74	1609.709	1324.508	11.71	-17.72	5.00
1.2	Natural Rubber	92.19	109.33	125.36	98.86	173.75	207.00	125.09	71.60	45.60	26.37	0.23	-42.17	-11.70
1.3	Coconut	186.75	220.82	262.58	260.78	277.02	422.91	360.51	360.14	537.52	522.69	4.62	-2.76	11.19
1.3.1	Coconut Kernel products	84.24	100.42	126.10	104.30	99.38	191.41	127.53	127.20	271.17	285.24	2.52	5.19	11.66
1.3.2	Coconut Fibre products	79.21	90.81	99.90	111.33	123.88	155.62	150.15	146.79	175.65	157.14	1.39	-10.54	8.38
1.3.3	Coconut Shell products & Others	23.29	29.60	36.58	45.15	53.75	75.88	82.83	86.15	90.70	80.31	0.71	-11.46	15.41
1.4	Other Export Crops	184.13	218.37	269.24	223.18	326.22	346.91	364.88	521.41	506.15	590.18	5.22	16.60	12.85
1.4.1	Spices	102.61	124.42	151.46	115.11	191.19	213.62	235.53	329.42	234.22	339.17	3.00	44.80	12.93
1.4.2	Vegetables	10.19	11.54	13.77	12.05	16.30	18.54	15.06	19.69	24.77	25.32	0.22	2.23	9.78
1.4.3	Fruits	9.56	11.22	13.99	12.27	16.19	17.37	18.13	29.19	44.32	38.11	0.34	-14.00	16.35
1.4.4	Cut Flowers & Foliage	11.28	12.04	14.18	11.45	13.49	14.76	10.41	14.17	14.86	13.91	0.12	-6.37	1.92
1.4.5	Essential Oils	5.38	8.88	7.81	4.83	14.92	18.18	17.42	23.25	26.08	33.94	0.30	30.16	20.37
1.4.6	Others of Other Export Crops	45.11	50.28	68.03	67.48	74.12	64.44	68.32	105.68	161.91	139.73	1.24	-13.70	12.40
2	Fisheries products	138.49	170.68	173.60	179.11	202.24	195.32	205.17	244.43	265.23	180.58	1.60	-31.92	4.58
2.1	Ornamental Fish	8.55	8.20	8.98	8.52	10.08	10.06	7.57	10.70	12.53	17.52	0.15	39.79	6.03
2.2	Crustaceans	28.68	30.24	19.71	26.02	30.98	36.18	29.20	44.12	54.68	35.18	0.31	-35.65	6.37
2.3	Edible Fish	101.26	132.24	144.91	144.57	161.18	149.08	168.39	189.61	198.02	127.88	1.13	-35.42	4.03
3	Industrial Exports	5318.25	5828.23	5977.28	5075.73	5771.59	7678.91	7261.91	7597.24	8111.05	7813.51	69.09	-3.67	5.05
3.1	Diamonds, Gems & Jewellery	446.53	474.91	538.91	399.29	408.77	531.57	558.90	437.60	393.60	331.70	2.93	-15.73	-2.28
3.2	Textiles & Garments	3057.80	3306.79	3438.72	3248.81	3341.77	4172.16	3964.64	4492.20	4908.30	4801.99	42.46	-2.17	5.44
3.3	Manufactures	1626.92	1878.52	1744.65	1297.63	1758.05	2422.18	2275.38	2239.44	2439.56	2305.82	20.39	-5.48	4.98
3.3.1	Food, Feed, Beverages & Tobacco	240.67	335.08	258.38	203.13	287.14	407.58	359.93	278.25	317.10	302.18	2.67	-4.71	2.48
3.3.2	Leather & Leather products	20.54	16.78	16.64	13.55	15.91	19.72	18.95	21.61	22.96	23.66	0.21	3.08	3.63
3.3.3	Wood & Wooden products	40.12	59.13	55.39	35.30	53.51	65.20	64.98	64.09	63.85	55.28	0.49	-13.42	3.75
3.3.4	Paper & Paper products	32.06	41.21	49.01	40.12	56.58	71.56	89.95	72.67	79.94	76.89	0.68	-3.82	10.39
3.3.5	Rubber Finished products	449.46	482.91	539.91	384.32	556.81	884.15	856.68	887.42	889.40	760.92	6.73	-14.45	8.71
3.3.6	Chemical products	39.12	34.74	32.13	26.09	37.47	42.44	35.34	33.94	47.60	50.25	0.44	5.55	3.50
3.3.7	Plastic products	64.43	61.65	61.43	44.61	51.41	59.27	56.87	60.11	70.49	65.83	0.58	-6.60	1.15
3.3.8	Non Metallic Mineral products	91.39	92.88	85.06	71.31	83.21	110.15	116.31	118.93	125.11	117.84	1.04	-5.81	4.73
3.3.9	Base Metal products	166.78	80.79	57.04	36.11	63.24	56.26	56.13	59.37	62.44	55.81	0.49	-10.62	-6.21
3.3.10	Electronic, Electric, Machinery products & parts	219.23	371.14	322.21	187.50	259.01	312.61	296.85	312.32	343.40	293.86	2.60	-14.43	2.12
3.3.11	Transport Equipment & parts	51.19	64.40	77.14	62.11	74.00	66.59	99.09	50.13	56.69	55.04	0.49	-2.90	-0.67
3.3.12	Boat Building	7.64	37.34	21.54	57.81	58.53	149.25	56.59	82.00	86.26	181.61	1.61	110.54	25.41
3.3.13	Footwear	19.46	24.11	21.63	17.22	19.73	16.71	12.24	29.27	86.57	86.31	0.76	-0.30	13.74
3.3.14	Other Manufactures	184.82	176.36	147.14	118.46	141.50	160.68	155.47	169.32	187.75	180.33	1.59	-3.95	1.13
3.4	Petroleum Products	187.00	168.00	255.00	130.00	263.00	553.00	463.00	428.00	369.59	374.00	3.31	1.19	11.45
4	Products Unclassified	178.53	67.45	31.93	60.92	435.74	231.57	58.10	72.77	54.81	47.10	0.42	-14.07	-6.12
	Total Merchandise Exports	6980.07	7639.99	8111.05	7084.00	8625.72	10558.80	9773.58	10394.34	11130.08	10504.94	92.88	-5.62	5.29
5	Communication, Computer & Information Technology	166.00	244.00	311.00	325.00	348.00	440.00	673.00	719.00	748.00	805.00	7.12	7.62	17.37
	Grand Total	7146.07	7883.99	8422.05	7409.00	8973.72	10998.80	10446.58	11113.34	11878.08	11309.94	100.00	-4.78	5.83

Source - Sri Lanka Customs, Central Bank & Sri Lanka Export Development Board

Graph - 03

COMPARISON OF SHARE OF EXPORTS - 1980 & 2015



Sources: Sri Lanka Customs / Central Bank of Sri Lanka / Sri Lanka Export Development Board

Table : 7

Share of Major Product Sectors To Total Exports 2011 - 2015

Code	Description	2011	2012	2013	2014	2015
1	Agricultural Exports	22.30	21.52	22.31	22.72	21.78
1.1	<u>Tea</u>	13.42	13.38	13.74	13.55	11.71
1.2	<u>Natural Rubber</u>	1.88	1.20	0.64	0.38	0.23
1.3	<u>Coconut</u>	3.85	3.45	3.24	4.53	4.62
1.3.1	Coconut Kernel products	1.74	1.22	1.14	2.28	2.52
1.3.2	Coconut Fibre products	1.41	1.44	1.32	1.48	1.39
1.3.3	Coconut Shell products & Others	0.69	0.79	0.78	0.76	0.71
1.4	<u>Other Export Crops</u>	3.15	3.49	4.69	4.26	5.22
1.4.1	Spices	1.94	2.25	2.96	1.97	3.00
1.4.2	Vegetables	0.17	0.14	0.18	0.21	0.22
1.4.3	Fruits	0.16	0.17	0.26	0.37	0.34
1.4.4	Cut Flowers & Foliage	0.13	0.10	0.13	0.13	0.12
1.4.5	Essential Oils	0.17	0.17	0.21	0.22	0.30
1.4.6	Others of Other Export Crops	0.59	0.65	0.95	1.36	1.24
2	Fisheries products	1.78	1.96	2.20	2.23	1.60
2.1	Ornamental Fish	0.09	0.07	0.10	0.11	0.15
2.2	Crustaceans	0.33	0.28	0.40	0.46	0.31
2.3	Edible Fish	1.36	1.61	1.71	1.67	1.13
3	Industrial Exports	69.82	69.51	68.36	68.29	69.09
3.1	<u>Diamonds, Gems & Jewellery</u>	4.83	5.35	3.94	3.31	2.93
3.2	<u>Textiles & Garments</u>	37.93	37.95	40.42	41.32	42.46
3.3	<u>Manufactures</u>	22.02	21.78	20.15	20.54	20.39
3.3.1	Food, Feed, Beverages & Tobacco	3.71	3.45	2.50	2.67	2.67
3.3.2	Leather & Leather products	0.18	0.18	0.19	0.19	0.21
3.3.3	Wood & Wooden products	0.59	0.62	0.58	0.54	0.49
3.3.4	Paper & Paper products	0.65	0.86	0.65	0.67	0.68
3.3.5	Rubber Finished products	8.04	8.20	7.99	7.49	6.73
3.3.6	Chemical products	0.39	0.34	0.31	0.40	0.44
3.3.7	Plastic products	0.54	0.54	0.54	0.59	0.58
3.3.8	Non Metallic Mineral products	1.00	1.11	1.07	1.05	1.04
3.3.9	Base Metal products	0.51	0.54	0.53	0.53	0.49
3.3.10	Electronic, Electric, Machinery products & parts	2.84	2.84	2.81	2.89	2.60
3.3.11	Transport Equipment & parts	0.61	0.95	0.45	0.48	0.49
3.3.12	Boat Building	1.36	0.54	0.74	0.73	1.61
3.3.13	Footwear	0.15	0.12	0.26	0.73	0.76
3.3.14	Other Manufactures	1.46	1.49	1.52	1.58	1.59
3.4	<u>Petroleum Products</u>	5.03	4.43	3.85	3.11	3.31
4	Products Unclassified	2.11	0.56	0.65	0.46	0.42
	Total Merchandise Exports	96.00	93.56	93.53	93.70	92.88
5	Communication, Computer & Information Technology	4.00	6.44	6.47	6.30	7.12
	Grand Total	100.00	100.00	100.00	100.00	100.00

Source - Sri Lanka Customs, Central Bank & Sri Lanka Export Development Board

REVIEW OF ACTIVITIES 2015/2016

ANNUAL GENERAL MEETING

The Exporters' Association of Sri Lanka which is affiliated to the Ceylon Chamber of Commerce held its 18th AGM on the 29th July, 2015. Hon. Dr. Harsha De Silva, Deputy Minister of Policy Planning was the Chief Guest and the key note speaker at the AGM and Mr. Bandula Egodage, Chairman & Chief Executive of the Sri Lanka Export Development Board, was the Guest of Honour.

Mr. Fazal Mushin of Link Natural Products (Pvt) Ltd was elected as the Chairman for EASL whilst Mr. Harin De Silva of Eastern Merchants Plc and Mr. Chrisso De Mel were elected as 1st Vice Chairman and the 2nd Vice Chairman respectively.

The EASL's mission is to promote and protect the interests of the Exporter Community at large and this has brought together a wide spectrum of Exporters under a strong single platform aimed at exchanging views and making representation on Macro issues relevant to the country's Exports.

The EASL has constantly engaged with Government agencies, representing and lobbying Exporter concerns for consideration, with a view to facilitating a dialogue with regard to national policy direction, whilst taking into account the shared goal of achieving strong national economic development through the combined endeavours of the Export Sector and the Government.

Addressing the Association's Annual General Meeting, Chairman Mr. Fazal Mushin urged policy makers to focus on real growth in exports and Walk the Talk.

“We would appreciate that the Government develops a model for advocacy whereby private sector stakeholders are invited to participate in planning of policy in an inclusive manner where we can be partners in developing a conducive long term strategies in which we can grow and thrive.

We should try and develop a hybrid policy where we can take advantage of our rich agricultural history and natural resources and at the same time develop our industrial base to increase volume and value within the given space and resources available to us.

We need to develop our skills and talent pool as correctly identified by the Chamber, and invest and upgrade our educational services.

We must invest in the future of R&D and technology and make a conscious effort to move up the value chain and look at shaping our tomorrows. I see only the garment industry today that has stayed ahead of the game.

I would like to reach across to all other export chambers to stand as one voice and lobby government on national issues. We exporters must be heard and let us be seen as the drivers of growth.”

Speaking the gathering, Deputy Minister of Policy Planning Dr. Harsha de Silva said “There is a lack of focused policy on exports. It is necessary that we concentrate on exports, exports and more exports. It is important to understand that we have no future without it. That is why we are focusing on exports,

He further added that Sri Lanka cannot be considered in isolation. Sri Lanka must be considered together with a list of countries which have taken advantage of the imaginative dynamics of growth or trade. Be it Dubai, Malaysia or Vietnam.

The Malaysians understood that you have to focus on exports, competitive value-added exports, he said.

The President quoting John F Kennedy said that the problems in the world cannot be solved by sceptics and cynics, whose horizons are limited by the obvious realities. You need men who can dream of things that never were.

“You have to dream of things that never were. I am no John F Kennedy but I dream of things that never were,” he said.

“I asked the Chairman what the US \$ 20 billion in export revenue translates to in terms of percentage of GDP, because the problem in this country is the focus on exports as the percentage of exports has been coming down continuously. He referred to a figure of 17 percent in 2010 and 14 percent in 2014. But it was 34 percent in 2000 and has been coming down,” Dr de Silva said.

“If you look at the policy statement in the manifesto, it is clear, that we want to become the most competitive economy in this part of the world. The word competitive economy naturally suggests that it is a comparison between and among countries. When we say, most competitive, it means most competitive in relation to our competitors. We are not looking at Sri Lanka as an island nation of 20 million people. We are looking at Sri Lanka as a dynamic player in the global place. That is the difference,” he said.

Foreign exchange remittances have now reached almost \$ 7 billion and it’s a sad story. Of the \$ 10 billion in exports, textiles and apparel amount to \$ 5 billion. Value addition might be half of that. So how much of value do these exports bring in?

What is the net export? That is what you need to consider, because the net value of remittances are the hard work of the poor, low-end workers particularly mothers, wives, sisters, some of whom are being tortured and killed. Some of them have committed suicide.

“This is not something we should be happy about. Our focus will be on exports of over 100% of GDP. That should be our aim not the 20, 30 or 50. In Singapore it is 250% of GDP and Hongkong - 300%. We don’t need to get there right away. Let’s have a target. Think about it. 100% of GDP. If you have a dream like that then we can look at exports in a completely different way, completely out of the box,” Dr. de Silva said.

MANAGEMENT COMMITTEE MEETINGS & SUMMARY OF ITS ACTIVITIES

During the period under review (2015/2016) the Committee met on twelve (12) occasions.

EASL REPRESENTATION ON OTHER BODIES/PARTICIPATION AT OTHER FORUMS

- Committee of the Ceylon Chamber of Commerce
 - Represented by Chairman, Mr. Fazal Mushin (Main representative) & Mrs. Dawn Austin (Alternate)
- Employers Federation of Ceylon
 - Represented by Mrs. Dawn Austin (Main representative), Mrs. Niramali Samaratunga (Alternate)
- SLEDB Advisory Committee on Market Development
 - Chairman, Mr. Fazal Mushin (Main representative) & Mrs. Dawn Austin (Alternate)
- Exporters Forum, Sri Lanka Export Development Board
 - Representative –1st Vice Chairman, Mr. Harin De Silva
- EDB Advisory Committee on Trade Facilitation
 - Representative –Chairman, Mr. Fazal Mushin
- EAL Chairman was appointed as the Co-chair of the Steering Committee of World Export Development Forum (WEDF) 2016.
-
- Policy Advisory Committee (PAC) - Sri Lanka Accreditation Board
 - Main Representative - Mrs. Dawn Austin
-

The Association also maintained a close dialogue with the following Institutions, on export related matters:

- Ministry of Development Strategies and International Trade
- Ministry of Industry and Commerce
- Ministry of Finance
- Ministry of Foreign Affairs
- Sri Lanka Export Development Board
- Department of Inland Revenue (VAT Dept)
- Sri Lanka Customs
- Board of Investment
- The Central Bank of Sri Lanka
- Sri Lanka Ports Authority
- Department of Commerce
- Department of Exchange Control
- Joint Apparel Associations Forum
- Sri Lanka Standards Institute

MAIN AREAS ADDRESSED DURING THE YEAR UNDER REVIEW

As the apex body representing over 1,000 Exporters through direct & indirect membership, who contribute over 80% to the total exports of the country, the EASL activities during the year under

review, were primarily aimed at facilitating an environment for the Exporters with a focus on global competitiveness and achieving strong growth of the Sector.

In the year under review the EASL has forged ahead to capitalize on the Government's declaration that all imperatives required to encourage the growth of Export will be addressed and resolved. Consistent and frequent representation has been made by the EASL to every related agency connected with Exports, drawing attention to aspects which constrain Export businesses from being able to achieve the targets which each sector has set for itself.

The association has identified a few key areas of importance to exports to be the focus of the committee during the year, Improve the quality and standards of export products; Build capacity within institutions responsible ensuring the ability to achieve international standards in a cost effective manner; Create encouragement to increase Production and Productivity; Setting up of an EXIM bank to support Exporters looking at new markets / Expand the scope of SLECIC to enable them to provide short term buyers credit to encourage diversifying of markets and exports by SME sector and review of the current FTA with India, Economic and Technology Cooperation Agreement - ECTA

Several key issues were addressed with the Institutions concerned. SVAT Scheme and the operational issues at Sri Lanka Customs Export Facilitation Centre. Matters relating to Customs statistics being available to the exporters were also raised many times. Matters relating to Quarantine and fumigation issues were addressed with the different agencies. Ad-hoc approvals being granted by the BOI.

Concerns were taken up through the Ceylon Chamber of Commerce regarding new regulations introduced by the Central Bank of Sri Lanka on repatriation of export proceeds.

EASL also submitted submission for the 2015 National Budget, which proposed measures to support and grow the Sector. Some of the key issues which needed to be addressed in the Budget had been identified by the EASL's membership (which accounts for over 80% of Exporters), can be largely identified under the headings of Global Competitiveness & Ease of Doing Business.

We have also been very vocal in the media and have released articles on current topics such as the recent announcement that the Commonwealth Secretariat has offered technical assistance towards the Government's initiative to set up the proposed EXIM Bank facility as was declared in the recent Budget.

EASL has over the past several months prepared a working paper on "Recommendations for the National Export Strategy." This document proposes/ recommends to the Policy makers, aspects which the EASL has in the main, identified as cross cutting issues that need to be addressed to enhance the competitiveness and productivity of the export sector in Sri Lanka. Certain matters raised by its sector specific association members have also been taken into consideration in developing this working paper. The draft document was handed over to Mrs. Indira Malwatte, Chairperson of the Sri Lanka Export Development Board at a felicitation luncheon arranged in Early December 2015.



Luncheon Meeting with Mrs. Indira Malwatte – 07th December 2015

KEY EXPORT RELATED MATTERS ADDRESSED AND RESOLVED THROUGH EASL INTERVENTIONS AT MEETINGS WITH GOVERNMENT OFFICIALS AND OTHER EXPORT RELATED ORGANIZATIONS:

i) EASL Submissions for 2014 National Budget

Submissions of the different Sectors were consolidated and presented by EASL to the Ministry of Finance. Key issues were largely identified under the headings of Global Competitiveness & Ease of Doing Business respectively. This submission was well received and the aspects highlighted as urgent were successfully addressed in the Budget of November 2015.

The following areas were highlighted in the proposal;

1. Facilitate access to the Madrid System & Lisbon Agreement for the International Registration of Trademarks
2. Remove Ancillary Taxes on Import of Machinery & Technology
3. Simplify Customs documentation and approvals for importation of greenhouse within the tax free facility that currently exists
4. Remove restrictions on local sale of products manufactured by BOI companies particularly if these items can be used as import substitutes
5. Expand the scope of SLECIC to enable them to provide short term buyers credit to encourage diversifying of markets and exports by SME sector
6. Build capacity within institutions responsible ensuring international standards to enable exporters to meet international/importing country standards in actuarial and cost effective manner
7. Further facilitate private public partnerships in Research and Development

8. Strengthen commercial sections of Sri Lankan Embassies in selected target markets (e.g. India, China, Japan) by recruiting nationals of that country on short term contracts
9. Study the policies and incentives used by the Middle East & other fast growing Free Zones to attract foreign investors without any comparative advantages in terms of labor or other resources (except oil) and align our policies and incentives accordingly
10. Extend the Natural Rubber subsidy scheme to Regional Plantation Companies and RDD plantations as well, Increase the present replanting subsidy for rubber at least by 50%.
11. Permit importation of rubber for value addition without restriction. If not, there is a risk of investors shifting to countries where rubber is available or can be imported without hassle
12. Take initiatives to improve yields and quality of the spices sector.

ii) Department Of Inland Revenue

- Representations were made to the Director General of IR in respect of VAT refunds.

iii) Sri Lanka Customs

- Meetings with Director General Customs
- Export Statistics to be available monthly for the benefit of the exporters to understand the competitiveness in the market
- Operational Issues relating to Sri Lanka Customs Export Facilitation Centre

iv) Export Development Board

- Ongoing interaction with the EDB and members of the Managing Committee being included on the respective EDB Advisory Committees.
- Submissions for Exporters' Forum

v) Sri Lanka Standards Institute

- **Issues faced by Exporters when exporting fast moving consumer goods to India**

Request for MRA to be established between SLSI and the Exporters and other statutory bodies in order to have reciprocity between Authorising Agencies.

- **Import Inspection Scheme**

EASL suggested that Import and Export Control Department and Sri Lanka Standards Institution shall take into consideration to include products such as Chili powder, Curry Powder under the Import Inspection Scheme of SLSI.

vi) Department of Commerce

- Addressing Non-Tariff Barriers (NTBs) faced by Sri Lankan exporters when exporting to India in the form of standards, testing and inspection requirements.

vii) Board of Investment of Sri Lanka

- Request to revisit the approval procedures adopted by the BOI with respect to investments into export of primary products such as apices without any value addition which is detrimental to local exporters.
- Request to extend the tax and other incentives given for new foreign investors to the existing local companies who want to add value, expand and upgrade their operations.

EASL'S AFFILIATION WITH OTHER ORGANIZATIONS ON EXPORT RELATED MATTERS

i) The Ceylon Chamber of Commerce

Participation in monthly Chamber Committee meetings:

ii) Employers Federation of Ceylon

As an Affiliated Association of the EFC, EASL participated in EFC regular meetings, where employee related matters were discussed. Mrs. Dawn Austin, Past Chairperson represented EASL at these meetings of the key issues discussing the proposed mandatory wage increase for the private sector of Rs. 2,500/= and its implications, proposed Act to implement National Minimum Wage and Spreading over of working hours on five days of the week.

AWARENESS BUILDING ACTIVITIES

A) Dissemination of Information

The membership was alerted on various issues affecting exporters, as well as matters of interest, by way of Circulars issued by EASL as well as the Ceylon Chamber of Commerce and various other affiliated bodies of the relevant local Chamber. This included information on matters of business interest to members, notices of topical seminars/workshops organized by the Ceylon Chamber of Commerce and affiliated Associations/Councils.

B) Seminars/Interactive forum

During the year under review, there was no seminars organised.

C) Website

The site has proved to be an extremely useful information tool. <http://www.exporterssrilanka.net>.

D) Publicity

Several Press releases and interviews were given by EASL to create awareness of developments and issues in the Sector, and the future outlook.

E) Membership

The Membership as at 31st March 2016 consisted of 81 individual Exporter members and 11 Product Associations.

F) Auditors and Annual Accounts

The Auditors of the Exporters Association of Sri Lanka for the period 2015/2016 were Messrs. HLB Edirisinghe & Co. The Audited Accounts of the Association is attached.

G) Secretariat

The Ceylon Chamber of Commerce continued to provide Secretarial Services to the Association during the period under review.

BY ORDER OF THE COMMITTEE

Sgd.

Manori Dissanayaka

For Secretary

EXPORTERS' ASSOCIATION OF SRI LANKA

***FINANCE STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2015***