



Doing Business in Sri Lanka: 2014 Country

Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Sri Lanka

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Market Overview

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- Sri Lanka is considered a lower-middle income developing nation. Population: 20.5 million; GDP: \$67 billion; Per capita GDP: \$3,280
- Compared to other South Asian countries, Sri Lanka is relatively open to foreign investment. It offers a relatively open financial system, moderately stable monetary policy, improving infrastructure, and world class local companies.
- Sri Lanka can still be a challenging place to do business, however, with business representatives reporting an unpredictable policy environment, opaque government procurement practices and cumbersome bureaucracy.
- The economy is based on imports (food & consumer items, oil, raw materials and machinery), exports (apparel, tea, and rubber), services (including tourism), agriculture, and remittances of low-skilled workers abroad.
- Annual imports are about \$18 billion, mainly from India, Singapore, and China.
- U.S.-Sri Lanka bilateral trade is estimated at \$2.8 billion in 2013, primarily Sri Lankan exports of apparel. U.S. exports to Sri Lanka were approximately \$313 million. Total U.S. investments in Sri Lanka are approximately \$200 million.
- The end of the 26 year civil war in 2009 has allowed Sri Lanka to focus on rebuilding the country's economy and infrastructure. Economic activity rebounded at the end of the war resulting in an average growth of 7.5% in the last four years. Inflation, which ranged between 15%-28% in 2006-2008, slowed to 6.9% in 2013.
- Economic prospects: The Central Bank predicts GDP to grow by 7.8% in 2014 and over 8% thereafter, and the per capita GDP will increase to \$4,000 by 2016. The IMF is not as optimistic in its view of the economy, but in its April 2014 World Economic Outlook still predicts growth of around 7% in 2014 and around 6.5% thereafter. Central Bank is keen to maintain lower interest rates and lower inflation than in the past to spur growth, but the private sector is yet to respond. Low revenue collection and losses of State-Owned-Enterprises (SOE) are a concern.
- President Rajapaksa was elected for a second six-year term in January 2010. President Rajapaksa's Sri Lanka Freedom Party holds a two-thirds majority in parliament, giving Rajapaksa control of the legislative branch as well. Its 91 senior ministers, ministers and deputies oversee overlapping and often inefficient bureaucracies. Economic reforms are proving to be extremely difficult due to political considerations.

Market Challenges

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- The Rajapaksa government follows a statist economic policy and the space for the private sector has contracted. Private investment both foreign and local has been sluggish. The government goal of \$2 billion in Foreign Direct Investment was not achieved in 2013, and it is uncertain that it will be achieved in 2014.
- Business leaders complain of opaque tender procedures, corruption, slow decision-making, and government failure to honor commitments. A national procurement agency aimed at improving government tendering was disbanded in 2008, further aggravating the situation. In 2011, the government appointed a cabinet committee to consider strategic investments, and large strategic investments can be directly reviewed by the cabinet committee.
- The government has prohibited land sales to foreigners and imposed a tax on lease transfers to foreigners. However, a temporary regulation allows certain exemptions.
- Some bias exists in favor of local investors.
- Profitable sectors are taxed heavily, a major disadvantage to companies not entitled to special incentives. The government supports import substitution. Importers to Sri Lanka face high import duties and other taxes. A variety of taxes have effectively increased Sri Lanka's tax rates on a range of imported items to between 60 and 100 percent of the cost, insurance, and freight (CIF) value of the product.
- Congested roads slow the movement of goods, although the government is building new road infrastructure. Unreliable power supply, particularly outside the capital, forces manufacturers and service providers to install on-site generators. Electricity costs are priced higher than in other Asian countries. Qualified workers are in short supply as the education system produces too few engineers, technicians, scientists, and English speakers.
- Rigid labor laws, including exceptionally high severance pay regulations, make it difficult to adjust staff size and composition to market conditions, business representatives complain.
- Piracy is a problem for U.S. rights-holders in music, film, software, and some consumer products.
- Agricultural imports face stiff health requirements that sometimes exceed global standards. Genetically-modified (GM) regulations restrict imports of U.S. food and agricultural products.
- Lack of anti-competition laws.
- The government took over 37 "underperforming" companies in 2011. These were local companies, and most were defunct, but several were operating businesses.

Market Opportunities

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- The private sector is the engine of the economy, led by services (telecommunications, transport, international trade, banking, tourism) and export industries (apparel, tea, rubber-based products, gems).
- The government has set ambitious goals of developing five economic hubs in ports, aviation, commerce, knowledge, and energy. Tourism and the hospitality industries are also growing rapidly. There is a growing IT industry, though it remains small compared to that of India. The government is seeking to exploit

Sri Lanka's strategic location on container routes in the Indian Ocean. Sri Lanka offers tax incentives to investors.

- Infrastructure development: roads; power; rails; water; ports; airports; and cold-storage facilities for agriculture products.
- Petroleum sector: exploration-related services and supplies.
- Reconstruction: reconstruction of war-damaged north and east.
- Textiles: Sri Lanka imports about \$2 billion of textiles and yarn annually for the apparel industry.
- Agriculture: wheat grain; lentils; cotton yarn; tobacco; poultry and fruits.
- Tourism-related products: Sri Lanka is planning to build several new luxury hotels and upgrade existing ones to meet ambitious goals for increased tourist arrivals.
- Other products: Telecommunications and computer equipment; computer software; power and energy; electronics and electrical machinery; mechanical equipment; energy efficient machinery; medical equipment; paper; and apparel industry equipment. Franchises offer another opportunity to appeal to tourists and a growing middle class.
- India-Sri Lanka and Pakistan-Sri Lanka Free Trade Agreements: These FTAs offer duty-free and preferential access to the vast Indian and Pakistan markets for products manufactured in Sri Lanka or that have been transformed through value addition in Sri Lanka. Exporters, however, still encounter non-tariff barriers.

Market Entry Strategy

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- Offer value at the right price.
- Consumer education and advertising.
- Local agents are helpful to enter the Sri Lankan market. The Embassy, through the U.S. Department of Commerce (USDOC) Agent Distributor Service and International Company Profiles, can assist U.S. companies to find local agents.
- Sales to the government may require a local agent.
- For firms investing locally, the Board of Investment (BOI) (www.investsrilanka.com) offers investment incentives and other services.

The American Chamber of Commerce in Sri Lanka

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Companies interested in operating in Sri Lanka should contact the American Chamber of Commerce (AmCham) for guidance and networking assistance. Those companies that do invest in or establish a presence in Sri Lanka should consider becoming members of the Chamber.

The American Chamber of Commerce in Sri Lanka brings together approximately 270 leading Sri Lankan and American companies engaged in trade, business, and investment activities between Sri Lanka and the United States.

AmCham Sri Lanka is affiliated with the U.S. Chamber of Commerce, the largest business federation in the United States. AmCham is also a member of the Asia-Pacific Council of American Chambers of Commerce (APCAC).

AMCHAM offers several advantages for member companies:

- Networking events and business services
- Lobbying/advocacy efforts
- Industry-specific development programs
- Trade events
- Quarterly newsletter

For more information on the American Chamber of Commerce in Sri Lanka, visit their website at <http://www.amcham.lk>

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/5249.htm>

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Using an Agent or Distributor

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Most exporters find using local distributors an easy first step for entering the Sri Lankan market. Generally, this is the best method to successfully compete domestically, as local firms are well-versed in local business practices. Many foreign firms select local agents on the basis of financial stability and technical capability. As the largest trading houses represent many (sometimes competing) foreign principals, medium and smaller firms are becoming more attractive. If products require stocking or servicing, however, large firms are often the better choice. Sales commissions paid to agents range from 3% to 15%, depending on sales volume and product price. Agency relationships can be terminated for inefficiency, misappropriation, or inability to fulfill other conditions stipulated in the agency agreement. Due diligence on suitability of a potential agent/distributor is essential prior to entering the local market.

The International Partner Search (IPS), International Company Profile (ICP), and Gold Key Services (GKS) provided by the Department of Commerce are available through the Embassy for U.S. companies looking to appoint a local representative in Sri Lanka. Interested companies should contact the U.S. Department of Commerce's Export Assistance Centers in their respective states (www.export.gov). The U.S. Commercial Service has a network of export and industry specialists located in more than 100 U.S. cities.

Establishing an Office

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Potential investors should first initiate discussions with the Board of Investment (BOI – www.boi.lk) prior to establishing a company or a liaison office in Sri Lanka. One-

hundred-percent foreign ownership is allowed with certain exceptions. The list of the regulated areas where foreign ownership is limited or requires approval of the statutory agencies can be obtained at www.boi.lk.

The government is revising investment laws, so investors should check websites or with the Embassy for current information. Under current rules, investors should apply to BOI under section 16 or 17 of the BOI law, depending on the project category and size of investment. Once meeting specified BOI criteria, a company could be entitled to various concessions and privileges. Following BOI approval, the investor is required to form a limited liability company. Companies must register with the Department of Registrar of Companies (DRC); the registration fee is about \$150. The application for registration should be accompanied by Articles of Association, consent from initial directors and general secretaries (Form 18 and Form 19), and the application in the prescribed form (Form 1). Companies approved under section 17 of the BOI law are required to include a primary objective approved by the BOI in the Articles of Association. The application forms can be downloaded from www.drc.gov.lk

An overseas company may establish a branch office in Sri Lanka by submitting the following documents to the Registrar General of Companies: a certified copy of the charter, statute or memorandum, and articles of association of the company; a certified copy of the incorporation of the company; a list of directors; a statement containing the full address of the registered or principal office of the company and principal place of business within Sri Lanka; a valid power of attorney authorizing a person resident in Sri Lanka to act on behalf of the Company; and a certified extract of a resolution of the shareholders confirming the activities of the branch office. The registration fee for registering a branch office is approximately U.S. \$250.

Once the documents are in order, registration of a new company takes approximately three days. Registration of a branch office takes two to four weeks.

For more information contact the Registrar of Companies, "Samagam Medura," 400 D.R. Wijewardane Mawatha, Colombo 10, Phone: 94-11-268-9212; Fax: 94-11-268-9211.

Franchising

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Franchising is not as common as agents/distributorships. U.S. franchises include Coca-Cola, Pepsi, Pizza Hut, UPS, Federal Express, Kentucky Fried Chicken (KFC), and McDonald's. Recently, a major local company operating retail chains expressed interest in attracting top U.S. brands to Sri Lanka. Many local companies have expressed interest in sourcing international brands due to the increase in tourism and expansion of the economy. Companies interested in franchising in Sri Lanka are encouraged to contact the Embassy.

Direct Marketing

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Direct marketing usually takes place when a product is sold on a one-time or irregular basis. Sri Lanka government tenders are one of the areas where companies can be successful directly selling to the government. Companies will find it advantageous to maintain local contacts and do the ground work necessary to monitor the tender process. Companies with regional branches or representatives have successfully

entered the market directly, but an agent is often necessary to penetrate the market. Companies venturing into direct marketing in the country will ostensibly have a competitive-price advantage, as agency commissions will not increase the price, but some firms encounter requests for additional “commissions” (a.k.a. bribes) in certain sectors.

Joint Ventures/Licensing

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Joint ventures have become common in recent years, particularly in export-oriented projects. Joint ventures are eligible for the same preferences and tax benefits as domestic companies. There are no restrictions on foreign ownership, except for certain specified sectors.

Selling to the Government

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Many government purchases are made by public tenders, which are usually advertised in the local media. Tender procedures are not always fully transparent; delays and reversals are common. Well-informed local agents can be the key to winning these tenders, though even the most-connected local firms have trouble navigating the labyrinth of the government-tender process. It is not uncommon for tender specifications to be drawn up to suit a particular company’s product. It is common belief that the tender process lacks transparency and accountability. The government also accepts unsolicited proposals for infrastructure projects. Local agents also often represent more than one foreign supplier, so that when they encounter difficulties, including charges of possible corruption, they are reluctant to voice concerns fearing it will jeopardize other business interests. It can sometimes be difficult to get an objective appraisal from local agents. The government also has special procedures for large “strategic investments” that are handled by a cabinet subcommittee.

Distribution and Sales Channels

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International trade is centered in the capital city, with more than 90% of all imports and exports passing through the port of Colombo. While there are many small to medium importers, 20 to 30 relatively large firms handle the bulk of international traffic. Only a few importers control distribution networks elsewhere in the country; most simply wholesale directly to regional distributors or to retailers. Although the government’s role in trade and distribution has decreased, recently government agencies were involved in importing some food items due to shortages and price increases.

Selling Factors/Techniques

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Price is generally the most crucial factor in selling. As U.S. products have a reputation for high quality, product quality and after-sales service are becoming important selling factors in the Sri Lankan market.

Consumer education is also a vital selling factor. Advertising and participation in sales promotions and other trade events are often helpful for raising consumer awareness and gaining market share, but effectiveness will vary according to product. Appointing an agent/distributor is recommended for marketing and sales.

Most government purchases are made on the basis of cost, subject to meeting the required specifications. Often specifications are drawn up to suit a preferred supplier. Participating in regional exhibitions is another effective method of creating awareness and introducing products to the local market. The events are well attended by both the trade and consumers.

Electronic Commerce

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E-commerce is not widely used, but is growing. A main e-commerce portal for automated cargo clearance www.eserviceslanka.com, has been established. All commercial banks have online banking services. Travel companies, hotels, and a few large retailers have online trading services. The government is also encouraging e-services.

Trade Promotion and Advertising

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Advertising is becoming increasingly important with private television and radio stations that have expanded operations and programming. There are more than five radio stations (operating 22 channels) and eight TV stations (operating eleven channels). Some are run by the state, others by the private sector. Newspapers, radio, and television all accept commercial advertising. There are several English-language newspapers, as well as dailies in Sinhala and Tamil (see below).

Trade exhibitions and fairs are limited; chambers of commerce sometimes sponsor trade fairs.

Major Web Sites

Internet web sites featuring news and business reports on Sri Lanka:

Lanka Academic Network: www.theacademic.org

Lanka Page: www.lankapage.com

Sri Lankan Embassy in Washington DC: www.slembassyusa.org

US Embassy Colombo: <http://colombo.usembassy.gov>

Lanka Business Report: www.lankabusinessonline.com

Sri Lanka Web Server: www.lanka.net

Major English-Language Newspapers

Daily FT	www.ft.lk
Daily Mirror	www.dailymirror.lk
Daily News	www.dailynews.lk
The Island	www.island.lk
The Sunday Leader	www.thesundayleader.lk
Sunday Observer	www.sundayobserver.lk
Sunday Times	www.sundaytimes.lk

Major vernacular newspapers include Dinamina www.dinamina.com, Silumina www.silumina.lk, Divayina, and Lankadeepa www.lankadeepa.lk, all in Sinhala; and Thinakaran and Virakesari www.virakesari.lk, in Tamil.

Business Journals

Business Today www.btoptions.com
Lanka Monthly Digest www.lanka.net/LMD

Major Advertising Agencies

Grant McCann Erickson www.Mccannworldgroup.com
JWT, Sri Lanka www.jwt.lk
Phoenix Ogilvy www.ogilvy.com
Leo Burnett Solutions Inc www.leoburnett.lk

Pricing

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Price, the most critical buying factor, should be on par with the prevailing market price. A local agent or distributor can provide helpful suggestions and market intelligence to enable companies to make informed pricing decisions. Some firms have successfully offered special, low introductory prices on consumer products to gain a foothold in the market and develop customer awareness and loyalty.

Sales Service/Customer Support

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After-sales service and customer support are becoming increasingly important factors in selling in this market. Local companies with comprehensive support services have proved successful over the years. U.S. firms should consider this factor when appointing an agent.

Protecting Your Intellectual Property

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Several general principles are important for effective management of intellectual property ("IP") rights in Sri Lanka. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Sri Lanka than in the U.S. Third, rights must be registered and enforced in Sri Lanka, under local laws. Your U.S. trademark and patent registrations will not protect you in Sri Lanka. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Sri Lanka market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Sri Lanka. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Sri Lankan law.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Sri Lanka require constant attention. Work with legal counsel familiar with Sri Lanka laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Sri Lanka or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.

- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Sri Lanka at: USPTOIndia@trade.gov

IPR Climate in Sri Lanka

All trademarks, designs, and patents must be registered with the Registry of Patents and Trademarks. Sri Lanka is a member of the World Trade Organization (WTO) and the World Intellectual Property Organization (WIPO). Sri Lanka has signed a bilateral agreement with the U.S. to protect intellectual property rights and is a signatory to the Paris and Berne Conventions.

In 2003, a new intellectual property law governing copyrights, patents, trademarks, and industrial design came into force. Registered trademarks are valid for 10 years, patents for 20 years, and industrial designs for five years. Infringement of IPR is a punishable offense under the IPR law, and IPR violations are subject to both criminal and civil jurisdiction. Sri Lanka passed the Computer Crimes Act in 2007, strengthening Sri Lanka's IPR regime pertaining to software. IPR enforcement has improved in Sri Lanka, although counterfeit goods continue to be widely available making it difficult for legitimate industries to protect their markets. Notwithstanding piracy levels are very high for sound recordings, movies, and software. According to a study commissioned in 2010 by the Business Software Alliance, 86% of personal computers in Sri Lanka used pirated software. The study estimated retail revenue losses of \$83 million in 2010 due to software piracy. Further, redress through the courts is often a frustrating and time-consuming process. Police can legally take action without complaints by rights holders. In the apparel sector, rights owners through their lawyers have scored some legal successes in combating piracy.

The U.S. Embassy and the American Chamber of Commerce of Sri Lanka are working with the government of Sri Lanka to improve enforcement, provide enforcement training, and enhance public awareness. For more detailed information, see Chapter 6 – Investment Climate.

Contacts for local IPR registration and enforcement

National Intellectual Property Office

www.nipo.gov.lk

Due Diligence

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Publicly-listed companies are required to publish audited financial results, which can be checked prior to entering into business agreements. Stock brokers also publish corporate evaluations for publicly listed companies. Fitch Ratings and Lanka Rating Agency provide rating information for banks and financial institutions and some conglomerates and large companies.

For major deals, business consultancy firms and law firms can perform due diligence. In smaller transactions, letters of credit are a standard requirement for potential customers, while bank references and track records can be checked prior to appointing agents.

The International Company Profile (ICP) offers low-cost, quick background checks and due-diligence reports on potential buyers and partners. The report includes factual data as well as the Embassy's evaluation to help U.S. firms assess risk, reliability, and capability for U.S. companies looking for background checks on local partners. Interested companies should contact the U.S. Department of Commerce's Export Assistance Centers in their respective states (www.export.gov). The U.S. Commercial Service has a network of export and industry specialists located in more than 100 U.S. cities.

Local Professional Services

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There is an active and competent accounting profession, based on the British model. The source of accounting standards is the Institute of Chartered Accountants of Sri Lanka (ICASL) and standards are constantly updated to reflect current international accounting and audit standards. KPMG, Ernst and Young, PricewaterhouseCoopers, and Deloitte are represented in Sri Lanka.

There is also a relatively competent legal profession. Sri Lankan commercial law is almost entirely statutory. The law was codified before independence in 1948 and reflects the letter and spirit of British law of that era. It has, by and large, been amended to keep pace with subsequent legal changes in the U.K. All agreements made with local partners and agents should be in writing. In the event any disputes or problems arise, it is helpful to have written records for the purpose of supporting a legal case. The Embassy's Consular Section maintains a list of attorneys in Sri Lanka, a copy of which may be obtained on request. The leading law firms in Sri Lanka are also listed in the International Law List published in the U.K. The legal system, however, is slow and cumbersome, and there are concerns about politicization of the judiciary.

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Registrar of Companies: www.drc.gov.lk

Colombo Stock Exchange: www.cse.lk

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Chapter 4: Leading Sectors for U.S. Export and Investment

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Hotel/Restaurant Equipment

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Tourism has recorded rapid growth from 500,000 tourist arrivals several years ago to 1.2 million in 2013, with an estimated \$1.7 billion in earnings. Sri Lanka offers a mix of attractions including beaches, wild life parks, rain forests, tea plantations, ancient ruins, Buddhist cultural sites, and festivals. The Government's goal is to increase tourist arrivals to 2.5 million in 2016. To reach this target, Sri Lanka needs to build an additional 36,000 rooms at a cost of about \$3 billion. It also needs to upgrade most of its current room capacity of about 14,000. A few local conglomerates (listed in the resources section below) control most of the luxury hotels in Sri Lanka. In addition, the boutique hotel concept is fast catching up. During the war (which ended in 2009), international hotel companies were absent in Sri Lanka. Hilton has been the only global player in Sri Lanka, managing a luxury hotel and an apartment complex in Colombo for many years. The Government wants to attract global names to Sri Lanka. Recently, several international and regional hotel chains have begun building or operating hotels in Sri Lanka, including Hyatt Regency, Marriott, Shangri-La, Six Senses, and Movenpick Hotels.

Tourism offers both investment and trade opportunities. The Government is offering beach land or islets for tourism development. However, opaque tender procedures and corruption often makes it difficult for U.S. companies to bid for government projects. Eastern Sri Lanka is an area that offers significant potential as the beaches in this area are considered world-class, and Arugam Bay is a premier surfing destination. Several hotel projects have started in the east, and the government has offered several blocks of land for resort development. Ecotourism is another area that offers good scope for expansion. The country has several parks and forests with a multitude of wildlife. The country is also considered a biodiversity hotspot by several international environmental groups and has many unique fauna and flora species. In 2010, the government cancelled a tender for several small islands saying that the bid failed to attract global names. In addition, the recent prohibition on sales of land to foreigners may complicate development of new properties.

According to industry experts, there appears to be an emerging tourism trend, where there is a large influx of tourists seeking a more authentic experience, rather than the conventional tourism offering. Consequently, these tourists seem to be seeking out cheaper accommodation units and home stays. These tourists appear to be more of the younger age group utilizing internet applications to find their way about and seeking adventure and authenticity.

Sub-Sector Best Prospects

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The tourism sector should represent considerable opportunities for U.S. suppliers in a range of areas such as infrastructure, technology and consultancy services, hotel equipment, furniture, water purification systems, electrical systems, energy efficient equipment, restaurant and kitchen equipment, food and beverage, bathroom accessories, spa and fitness equipment and water sports equipment. Sri Lanka is also planning to introduce aviation services including air taxis and helicopter services to complement the tourism drive. The increased expansion of the hotel sector, upgrading of current properties and construction of international hotel chains that require high end inputs and technology, provide significant prospects for US companies.

Opportunities

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Following tourism industry related trade shows are planned in Colombo (Please see chapter 9 for contact information)

Hotel Show

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Sri Lanka Tourism Development Authority	www.slttda.gov.lk	www.srilankatourism.org
John Keells Group	www.keells.com	
Aitken Spence Group	www.aitkenspencehotels.com	
Jetwing Hotels	www.jetwing.com	
Hayleys Plc	www.hayleys.com	
LOLC Group	www.lolc.com	
Softlogic Holdings Plc	www.softlogic.lk	

Infrastructure Projects

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The Government of Sri Lanka has placed a large emphasis on investing to improve the public infrastructure of the country including in the post-conflict areas of the North and East. Government projects, however, are often slowed due to poor planning, slow decision making, opaque tender procedures, and a lack of technical capacity within the government to review projects. Although the country has major plans to develop infrastructure, it is difficult for U.S. companies to be involved in this highly lucrative sector due to lack of transparency and accountability in tenders and unsolicited proposals in this sector. Additionally, China funds many infrastructure projects, which have been consistently awarded to Chinese firms.

Sub-Sector Best Prospects

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Urban Development Projects

The Urban Development Authority (UDA), a state agency, has plans to develop many areas of Colombo for tourism, housing, leisure, and entertainment. A prime location in Colombo close to several five-star hotels and adjoining a lake is earmarked for hotels, restaurants, malls, casinos, and other leisure activities. UDA has plans to convert the Colombo Fort area to an entertainment and leisure district and has plans to attract leading international brands and franchises to this major entertainment and shopping hub. A marina with water sports activities is also planned. The UDA is implementing projects in the south and north central areas of the country as well. The UDA is under the authority of the Ministry of Defense.

The Sri Lanka Ports Authority (SLPA) is planning to reclaim 233 acres of land from the sea in a commercial area of Colombo adjunct to the Colombo Port. The Cabinet has approved a Chinese construction company's application to reclaim and develop this offshore city. The reclaimed land will be sold for building commercial buildings, luxury hotels, and other high rise buildings.

Contacts:

Urban Development Authority www.uda.lk
Sri Lanka Ports Authority www.slpa.lk
Board of Investment of Sri Lanka www.investsrilanka.com

PORT EXPANSION PROJECTS: *The government-run Sri Lankan Ports Authority (SLPA) is developing Sri Lanka as a transportation hub.*

Colombo Port Expansion: The Port of Colombo is served by 24 major shipping lines and seven feeder services, and is considered one of the most efficient and streamlined ports in the region. It has an annual cargo handling capacity of 4.3 million 20-foot equivalent units (TEU).

The Colombo Port Expansion Project (CPEP) to build a new Colombo South Harbor launched by the Government is proceeding in two phases. The CPEP aims to increase the capacity of this main commercial port in Sri Lanka to 10 million TEUs by 2023 by

adding three terminals so that it can continue to act as a hub port for the region. The proposed Colombo South Harbor is situated west to the existing port of Colombo comprising an area of approximately 600 hectares. The proposed harbor has three terminals, each 1,200 meters long and with facilities to accommodate three berths alongside. The project is a public-private partnership with the public sector implementing the harbor infrastructure and the private sector implementing the container-terminal construction. The first container terminal with a capacity of 2.4 million TEUs operated by a Chinese company was opened in 2013. The construction of the second terminal with a capacity of 2.4 million TEUs commenced in 2013. Longer term plans include the development of an additional breakwater and a container terminal in 2028.

Hambantota Development Projects:

The Government of Sri Lanka has opened a new industrial port, an international airport, an international cricket stadium, and a convention hall in the rural town of Hambantota in the south aimed at economic development in the area. Most of the projects were funded by Chinese loans, and Chinese companies were deeply involved in construction activities.

Hambantota Port: The Hambantota port is set to be Sri Lanka's biggest port and give the Indian Ocean country access to traffic on one of the world's busiest shipping lanes, located a few kilometers off its southern coast. Although this port was inaugurated in November 2010, there have been few ship visits so far. The construction of Phase II of the Hambantota Port has also commenced.

Hambantota Industrial Area: The government plans to develop Hambantota port as an industrial/service providing port. The government has invited investors to set up industrial and bunkering facilities, ship repair yards, break-bulk facilities (for cement and fertilizer), food-processing industries, flour mills, vehicle assembling plants, warehousing, and Liquid Petroleum Gas (LPG) storage facilities near the port. According to the Central Bank, the government has approved twelve projects. In addition to private investors, the government has constructed an oil-tank-farm adjunct to the port.

Hambantota Airport: The Government of Sri Lanka has opened an international airport in Hambantota to complement economic development around the port project. The airport, funded by a Chinese government loan serves as the second international airport in Sri Lanka. The development of the airport consists of two phases. Phase I consisted of construction of a 3,500 meter runway, 10 aircraft aprons, a single terminal for arrivals and departures, a cargo facility, and initial development of a preferential investment zone. Construction of a new terminal under Phase II of the airport development is expected to be completed by 2017. Hambantota airport is targeting air-freight and aviation related services such as aircraft painting and support industries as major potential sources of income at the airport. Areas surrounding the airport have been declared as a "customs bonded area" enabling set up of a tax free industrial zone. Hambantota Airport developers also hope to attract further investment in the hospitality and leisure sectors including an airport hotel, a golf course, a small shopping mall, and a flying school. The government has invited proposals from interested investors for aviation training, aviation-related industries and services, hospitality industries, utility providers, warehousing facilities, and food processing industries near the airport.

Contacts:

Airport and Aviation Services
Sri Lanka Ports Authority

www.airport.lk
www.slpa.lk

Bandaranaike International Airport (BIA): BIA is the primary international airport in Sri Lanka. BIA recently upgraded its terminal facilities and air navigation systems and is to be expanded further. BIA is hoping to increase the passenger capacity from six million to fifteen million by 2017, by adding a new terminal. The project pipeline also includes widening and overlaying of the present runway. Other long term plans include the construction of a second runway at the BIA.

Contact:

Airport and Aviation Services (Sri Lanka) Limited
Email: chairman@airport.lk

Oil Exploration: Seismic surveys and airborne gravity surveys have indicated the likely existence of petroleum resources in Sri Lanka's territorial waters off the northern and western coasts, in the Cauvery basin in the Palk Straits (between Sri Lanka and India) and in the Mannar basin along the western coastal belt of Sri Lanka. According to seismic surveys, the government has stated that there is potential for over 1 million barrels of oil in a 30,000 square kilometer area in the north. The seismic surveys were conducted by the Australian subsidiary of Norwegian firm TGS-NOPEC in 2003 and 2005.

Sri Lanka's Petroleum Resources Development Secretariat (PRDS) has identified several blocks for offshore oil exploration in Mannar Basin and Cauvery Basin. The blocks comprise both shallow and deeper waters. The first exploration license in the Mannar Basin was issued to Cairn India www.cairnindia.com in July 2008. The test wells have found natural gas and Cairn India is discussing with the Government of Sri Lanka regarding terms to monetize the discovered gas resources.

The PRDS held a second offshore exploration licensing round in 2013 and offered a total of thirteen blocks in Mannar and Cauvery basins for prospective investors. The PRDS has received bids from international companies for three blocks. The Government of Sri Lanka also hopes to offer six offshore ultra-deep water blocks on joint study basis. These would be jointly prospered by oil companies and the government of Sri Lanka for the determination of their hydrocarbon potential. In February 2014, the PRDS called for proposals from local and foreign professional agencies or individuals to carry out a marine environmental baseline survey in the Cauvery basin and the Mannar basin.

There will be opportunities to supply equipment and services needed for oil exploration.

For further information please visit www.prds-srilanka.com or contact:

Mr. Saliya Wickremasuriya
Director General
Petroleum Resources Development Secretariat
80, Sir Ernest De Silva Mawatha
Colombo 7
Ph: 94-11-256 4352
fax: 94-11-247 7958

Seismic data from a two-dimensional survey carried out by TGS-NOPEC can be purchased from the Petroleum Resources Development Secretariat. You may also contact Cairn Lanka Private Ltd. Email: pscm@cairnindia.com Phone: 91-11-244-14-1360

Telecommunications Equipment

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The telecom sector in Sri Lanka is one of the country's most dynamic sectors, contributing significantly both directly and indirectly to investment, employment, productivity, innovation, and overall economic growth. The telecom sector has undergone major changes during the last decade in terms of subscriber networks, private sector participation, modernization, and institutional reforms. The telecom sector in Sri Lanka is responsible for substantial foreign direct investment (FDI) in recent years. The telecom sector grew by 11% in 2013. The sharp growth in the internet sector was the key highlight in the telecom sector in 2013, according to the Central Bank. The demand for basic voice services appears to be reaching saturation point. In 2013, there were 2.7 million fixed line users, 20 million mobile phones, and 2 million internet subscribers (including mobile internet services).

Sri Lanka's telecom industry has been a leader in the South Asian region, being among the first to introduce latest technologies in the market such as GSM (Global Standard for Mobile) telephony, CDMA (Code Division Multiple Access) fixed wireless telephone services, ADSL (Asymmetric Digital Subscriber Line) Internet access, GPRS (General Packet Radio Service) Internet access for mobile telephone, WiMax (Worldwide Interoperability for Microwave Access) broadband services, 3G (Third Generation), 3.5G and 4G LTE (Fourth Generation Long Term Evolution) services. With many players in the market, competition has led the way for development and advancement.

There is significant competition among the existing operators, consisting of three fixed-line operators, five mobile phone operators, 10 external gateway operators, 15 Internet Service Providers, and several others providing data services, paging, pay phone, trunk radio, and leased-circuit telephone facilities. The mobile-telephone operators dominate the sector.

Operators constantly upgrade technology, infrastructure, and quality of services in order to stay competitive. The opening up of the north and east has created new opportunities for growth and increased customer base. This sector stimulated demand for import of modern telecommunication equipment and transmission apparatus.

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Telecommunications Regulatory Commission of Sri Lanka www.trc.gov.lk

Sri Lanka Telecom

www.slt.lk

Dialog Telekom

www.dialog.lk

Etisalat

www.etisalat.lk

Bharathi Airtel

www.airtel.lk

Mobitel

www.mobitel.lk

Eureka

www.eureka.lk

Power and Energy

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The installed power plant capacity in Sri Lanka is about 3,370 MW. This installed capacity consists of 1,600 MW of hydro power, 1,650 MW of thermal power and 88 MW of wind power. The thermal power plants generate electricity by firing coal and diesel. The cheapest option for power generation is hydropower as it has no fuel cost involved. The most expensive option is diesel. The country's efforts to increase capacity have been slowed by the lack of a power policy, and the state-owned Ceylon Electricity Board is burdened by heavy debts. Sri Lanka's power sector has struggled for decades to provide efficient and cost-effective electricity services.

Total electricity generation in 2013 increased by 1.3% to 11.95 GWh. Favorable weather conditions helped significant power generation through hydro sources while thermal power generation recorded a decline. Sri Lanka provides electricity to 96% of households in the country. However, issues with the quality of power supply remains with the frequent breakdown of the Chinese-built Norochcholai coal power plant and rising fuel costs. The government is considering proposals for LNG facilities and a new oil refinery.

The Sri Lanka Sustainable Energy Authority (SLSEA) actively promotes increased adoption and sustainable use of all forms of renewable energy. By end 2013, there were 270 MW of mini-hydro power, 78 MW of wind power, 11 MW of biomass power, 6 MW of dendro power and 1 MW of solar power connected to the national grid.

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Opportunities in the power sector include: new power plants, converting auto diesel-fired plants to dual fuel (liquid natural gas) plants, mini hydroelectricity plants, home solar systems, wind energy, electrical meters and switches, power transmission and control systems, and power cables.

The ADB is providing a \$120 million loan for the power sector to build transmission lines, strengthen distribution systems, and for rural electrification. The loan will also provide a credit line to private developers of small hydro power plants.

Renewable energy sources are of particular interest to U.S. companies as the government targets on achieving significant power generation through alternate sources. Sri Lanka has vast wind-energy resources due to its location in the Indian Ocean. Already eleven wind power plants are connected to the national grid. USAID has assessed wind and solar energy potential for Sri Lanka. This information is available on www.nrel.gov.

The government is attempting to modernize its existing oil refinery and is seeking suitable companies with funding to achieve this objective, as well as to build a new refinery.

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Ceylon Electricity Board
Asian Development Bank
USAID/South Asia Regional Energy Program (SARI)
USAID wind and solar maps
Ceylon Petroleum Corporation

www.ceb.lk
www.adb.org/srilanka
<http://sari-energy.org/>
www.nrel.gov
www.ceypetco.gov.lk/

Machinery and Mechanical Equipment

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Machinery and mechanical equipment imports to Sri Lanka are placed at around \$2 billion annually. The infrastructure development programs of the government, together with significant growth in areas such as tourism, construction, telecommunications, transportation, manufacturing and IT, provide good potential for further expansion of this sector. Machinery and mechanical equipment imports for investment projects qualify for duty-free purchase, which could help make U.S. suppliers more competitive in this sector. Government incentives for acquiring advanced technology also contribute to this sector's expansion. Sri Lanka imports various machinery required for its exporting industries. Existing industries also need constant upgrading of technology and require many kinds of machinery for a range of applications. The main suppliers of machinery and mechanical appliances are China, India, Taiwan, Japan, and the European Union.

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Board of Investment: www.boi.lk

Textile Fabric

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Sri Lanka has a world-class apparel industry. Sri Lanka's apparel exports surpassed \$4.5 billion for the first time in 2013. The sector also recorded a 13% growth in 2013 compared to the previous year. The government is targeting \$5 billion from apparel exports by 2015. The apparel sector accounts for 40% of total exports and for around 33% of the manufacturing employment in the country.

The commitments of the exporters to supply high-quality, eco-friendly and ethically manufactured products have helped the industry maintain its competitiveness. The apparel industry is targeting new markets such as China, India, Brazil, Japan, and Pakistan. Apparel exports fall into four broad product categories: active/sportswear; casual wear; children's wear; and intimate wear. The industry has invested heavily in technology. Most of the larger factories are run by sophisticated local companies in collaboration with international partners. U.S. companies such as Sara Lee, Kellwood, MAST Industries, and A&E have invested in Sri Lanka. The sector is faced with numerous challenges including the loss of GSP+ benefits from the European Union, and increased competition; however most exporters seem to be faring quite well.

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Sri Lankan apparel manufacturers import almost 90% of their fabric. Major apparel exporters have indicated their interest in sourcing fabric from the U.S., which is also their main buyer. The industry imports fabric, yarn and accessories valued at around \$2 billion. Currently, the U.S. accounts for only a small portion of the yarn and fabric market in Sri Lanka. China, South Korea, Taiwan, and India are the major exporters of textile fabric to Sri Lanka. Italy and France are the major suppliers of high-quality niche fabrics.

The expanding apparel sector presents significant prospects for U.S. suppliers willing to commit resources to explore this market. Although local manufacturers have expressed interest in sourcing fabric from the United States, there has not been sufficient follow up by American suppliers to benefit from the opportunities in this sector. There are prospects to supply grey fabric, denim, polyester yarn, and specialized fabric used for lingerie and sportswear. In addition, to consolidate economies of scale, U.S. exporters could look at Sri Lanka as a warehousing hub for U.S. yarn and fabric bound for other markets in the region. U.S. fabric suppliers who are interested in supplying this market could have significant success in exporting fabric to major manufacturers as they are globally recognized by and manufacture for top U.S. apparel brands. Distance, accompanying lead times, and cost are also factors that affect prospects in the sector. Attractive incentives are available for U.S. manufacturers to establish textile-manufacturing facilities to meet the demand of the sector, which is expected to grow. U.S. suppliers who want to compete in this market need to be flexible in negotiating payment terms.

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Joint Apparel Associations Forum of Sri Lanka (JAAF)
MAS Holdings
Brandix Lanka
MAS Fabric Park
Hirdaramani Group of Companies

www.jaafsl.com
www.masholdings.com
www.brandix.com
www.masfabricpark.com
www.hirdaramani.com

Apparel Industry Equipment

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The apparel industry is a key sector that needs continuous upgrading and acquisition of new technology and equipment. Global competition and loss of preferential trade benefits will compel the industry to stay abreast of the latest developments to remain competitive in international markets. Sri Lanka is also setting up eco-friendly apparel factories to reduce carbon emissions and save energy and water.

Opportunities

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The apparel sector should represent considerable opportunities for U.S. suppliers providing technology and equipment including energy-efficient air-conditioning and lighting equipment.

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Joint Apparel Associations Forum of Sri Lanka (JAAF)
MAS Holdings
Brandix Lanka
MAS Fabric Park
Hirdaramani Group of Companies

www.jaafsl.com
www.masholdings.com
www.brandix.com
www.masfabricpark.com
www.hirdaramani.com

Computers/Peripherals

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Information technology, or IT, is one of the fastest growing sectors in Sri Lanka. The private sector is mostly computerized, with many public institutions also having access to IT facilities. However, most government agencies based in rural areas are still not fully IT-based, and hardware and software upgrades are required to provide a more efficient service to the public. U.S. software providers have been successful in selling solutions to private customers and to some public-sector agencies.

Sri Lanka's information technology and business process outsourcing sector tripled exports and doubled the workforce in a little over five years. According to the Sri Lanka Association of Software and Services Companies (SLASSCOM), export revenues grew to an estimated \$600 million in 2013. The objective is to increase revenue to \$2 billion by 2020. Total employment in the industry rose to 67,000 in 2013. The state owned Information and Communication Technology Agency (ICTA) is at the forefront of driving IT and implementing programs to ensure development of IT in cities as well as the villages. The ICTA is involved in a five-pronged strategy of the e-Sri Lanka initiative, which encompasses building information infrastructure and an enabling environment, developing ICT human resources, modernizing government and delivering citizen services, leveraging ICT for economic and social development and promoting Sri Lanka as an ICT destination.

Sri Lanka is emerging as a global IT-BPO destination of choice in a number of key areas. Sri Lanka was awarded the "Outsourcing Destination of the Year" award by the National Outsourcing Association of UK in October 2013. Further, Sri Lanka is ranked among the Top 50 Global Outsourcing destinations by AT Kearney. Sri Lanka's software industry produces world-class software and has grown significantly over the past decade. Software services sector includes telecommunication, banking, financial services and insurance (BFSI) and software testing. The BPO sector includes financial & accounting services, investment research, engineering services, and UK-based legal services. According to the World Bank, Sri Lanka has relatively low labor costs compared to other BPO destinations. HSBC, RR Donnelley, Astron, 3SG, HelloCorp, Innodata, and WNS Global Services have set up call centers or BPO operations in Sri Lanka. Numerous U.S. companies, many small- or medium-sized, are developing software in Sri Lanka. The Government seeks to further develop Sri Lanka as a base for information technology, call centers, and out-sourcing.

These developments present excellent marketing opportunities for U.S. software and hardware vendors.

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Information and Communication Technology Agency www.icta.lk
Sri Lanka Association for Software and Services Companies www.slasscom.lk

Medical Equipment

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Demand for health care services is rising due to an aging population.

The government continues with its policy of providing free health care at public hospitals. The government expenditure for the entire health sector was approximately \$900 million in 2013. The public sector health system is a major challenge for the government, as the human resources and financial capital to maintain an efficient service is costly. The increased burden on the government for public health care provides opportunities for private sector operators to expand presence in this sector. The Health Master Plan (2007-2016) for Sri Lanka estimated that the total health expenditure as a percentage of GDP by 2015 would be 4.5 – 5%. Increased access to private sector health services is also a focus of the government, as it is difficult for the public sector alone to meet the demand for healthcare services. The private sector has invested considerably in health care, especially in Colombo and some of the major cities, which has eased some of the burden for the state. There are 603 government hospitals, nearly 206 private hospitals and nursing homes of varying sizes, 5,000 private pharmacies, and 1,000 laboratories in Sri Lanka.

The pharmaceutical market in Sri Lanka is worth about Rs.50 billion (\$380 million.) Approximately 70% of that market share is held by the private sector while the remaining market share is held by public sector institutions. According to pharmaceutical industry experts, the local pharmaceutical industry has grown at a rate of about 15% in the past five years and the industry has good prospects for volume growth in the future. The 2012 budget emphasized the need to have price controls on pharmaceuticals, which, if implemented, is likely to be detrimental to the pharmaceutical import trade.

Although main pharmaceutical imports are from regional sources, the higher quality and efficacy of western manufactured drugs is widely acknowledged by medical practitioners, trade and consumers. Private hospitals in Colombo are equipped with up-to-date equipment, and these hospitals provide good opportunities for U.S. suppliers. Government tenders for equipment, pharmaceutical items, and projects represent other opportunities for U.S. companies in health care. Engaging local representatives with experience in the medical sector and maintaining good connections to both public and private sector health providers are important for medical equipment suppliers to succeed. Well-known international brands can succeed in this sector. Diagnostic equipment, operating theater equipment, intensive care equipment, clinical analyzers, and hematology equipment continue to offer the best sales prospects for U.S. firms.

U.S. exports of medical equipment and pharmaceuticals to Sri Lanka were valued at approximately \$15 million in 2013.

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Ministry of Health	www.health.gov.lk
World Bank (for World Bank assisted projects in the health sector)	www.worldbank.org/lk
Durdans Hospital	http://www.durdans.com
Asiri Group of Hospitals	http://asiri.lk
Lanka Hospitals	www.lankahospitals.com
Nawaloka Hospitals	www.nawaloka.com

Paper/Paper Board

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Total value of paper and paper-products imports was approximately \$380 million in 2013. The demand for paper and board is projected to reach around 330,000 tons per year by 2015, most of which will be met by imports. Print media, magazines, and books continue to record growth. This presents good prospects for paper and pulp exports. The printing industry in Sri Lanka is vibrant, with around 3,000 printing establishments in the western province. The printing industry in Sri Lanka is mainly based on publicity material and packaging for agricultural produce. The printing industry is now diversifying from offset to Gravure and Flexo printing. The Sri Lankan print industry enjoys a pre-eminent position as a major supplier of tea tags and envelopes throughout South Asia, the Middle East, and Far East. One of the other prominent areas of printing exports is printed stationery. The Sri Lankan stationery products industry has reached international standards with products such as exercise books, diaries, albums, greeting cards, handmade paper items, and artists' materials that are exported largely to the European Union. Packaging and printing materials are exempt from import duty.

Opportunities

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U.S. supplied newsprint, kraft liner, filter paper, and kraft paper to Sri Lanka worth over \$6 million in 2013. Prospects include areas such as labels, bobbins, and spools used in textiles, and newsprint.

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Sri Lanka Customs: www.customs.gov.lk

Agricultural Sectors

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Wheat Grain: Sri Lanka imported approximately 900,000 tons of wheat in 2013. All imports were commercial transactions. Most wheat imports were of Canadian origin; U.S. wheat exports to Sri Lanka were estimated at around \$54 million. Sri Lanka's per capita wheat flour consumption has reduced from 35 kilos in 2004 to 24 kilos in 2012. This is mainly due to the government's efforts to encourage rice consumption. Prima Ceylon Ltd, a Singaporean wheat miller, is the largest producer of wheat flour in the

country. The flour produced by Prima is for domestic consumption as well as for exports. The company operates one of the largest flour mills in the world in the eastern town of Trincomalee; it has a milling capacity of 3,600 metric tons of wheat grain per day and hopes to increase the milling capacity to 6,000 metric tons per day soon. A second mill, owned by a company from the UAE, was commissioned in 2008. The main competitors in the wheat-supply business are Canada, India, and Australia.

Lentils: Sri Lanka is one of the major importers of red lentils with annual imports estimated at approximately \$45 million. India is a main exporter of lentils to Sri Lanka. U.S. suppliers have significant opportunities in this market if a competitive pricing structure can be developed with a view to long-term selling in the market. The quality of US lentils are acknowledged by local importers and with competitive pricing, US suppliers could obtain significant market share in this category. Many local buyers expressed an interest in working with U.S. suppliers due to the superior quality of U.S. lentils. The U.S. exported lentils to the value of approximately \$7 million in 2013.

Animal feed/Corn: Currently approximately 150,000 metric tons of corn is being imported to the country annually to supplement the local production, which is only 30,000 – 40,000 metric tons. Corn is one of the main ingredients used in the animal feed industry, which formulates around 500,000 metric tons of animal feed annually. Sri Lanka spends around \$30 million annually to import corn. The US exported approximately \$20 million of animal feed in 2013. GM restrictions are not applicable for animal feed.

Cotton, Yarn, and Fabric: Sri Lanka imports approximately \$500 million of cotton (raw cotton, yarn, fabric) annually. Imports of fabric and textile supplies from U.S. were about \$12 million in 2013. U.S. cotton suppliers have substantial opportunities to export to Sri Lanka's export-orientated apparel sector. Hong Kong, India, Indonesia, and South Korea are the major cotton suppliers to Sri Lanka.

Tobacco: The Tobacco industry is dominated by the Ceylon Tobacco Company and the parent organization is British American Tobacco, one of the largest cigarette manufacturers in the world. The Ceylon Tobacco Company has around 50% of the total cigarette market in the country. Around 80% of smoked tobacco is consumed in the form of cigarettes. Around 39% of males and 3% of females are smokers with per capita annual consumption of cigarettes of approximately 230 cigarettes. The government has implemented several controls and regulations on smoking, which has resulted in a decline in cigarette sales. Recently regulation was passed that made it compulsory for 50% pictorial warning on cigarette packs. Smoking is banned in public places. U.S. tobacco exports to Sri Lanka were approximately \$1 million in 2013. The Netherlands, Indonesia, and Belgium are the other major tobacco suppliers.

Aquaculture: As an island nation with a rich tradition of harvesting fish, Sri Lanka is an ideal location to consider aquaculture investments. USAID recently partnered with a Sri Lankan company to establish an aquaculture supply chain of high-value seafood products. By using an "outgrower" model, this public-private business alliance increased the farm-based income of over 1300 families. Fish products such as Sea Bass and shellfish (e.g., mussels) have excellent sustainable growth potential. There are several aquaculture sectors with investment potential to include aquaculture equipment and technology, fishing gear, deep sea fishing boats, fish meal plants, processing equipment for fish and shellfish, power generation, environmental and information technology.

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US Department of Agriculture www.fas.usda.gov
(Trade Policy Monitoring Report for Sri Lanka and Grain and Feed Annual, Sri Lanka)

Central Bank of Sri Lanka Annual Report www.centralbanklanka.org

Joint Apparel Associations Forum of Sri Lanka (JAAF) <http://jaafsl.com/>

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Chapter 5: Trade Regulations, Customs and Standards

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Import Tariffs

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Sri Lanka imposes a variety of import duties, which combined can result in high duty rates. U.S. exporters should be aware that fees incurred when exporting to Sri Lanka include the customs-import tariff, Export Development Board levy, Value Added Tax (VAT), Port and Airport tax, Nation Building Tax, Port Handling charges, and agent commissions, all of which could add up to more than 100% of the CIF value for items at the higher tariff bands. The Embassy has received complaints from U.S. exporters regarding this “prohibitive” tariff regime.

Customs Import Tariff

Sri Lanka has a schedule of customs import tariffs based on the Harmonized System of Classification. The tariff structure is subject to frequent changes. The current tariff bands are: 0 percent; 5 percent; 15 percent; and 30 percent. Basic raw materials, textiles, pharmaceuticals, medical equipment, telecommunications equipment, software, machinery and selected consumer electronics have a zero tariff. Semi-processed raw material is at 5%. Intermediate products are at 15%, and most agricultural and food products, consumer goods and most finished products are at 30%. A few selected agricultural products have specific import duty rates. In addition, there are specific duties on footwear and ceramic products to protect the local industries.

Imported inputs for export industries are not subject to import duty. For example, all imports of textile materials, yarn, and related intermediate and capital goods required for the garment export industry are free of import duty.

Tobacco, cigarettes, and liquor do not come under the four-band rate structure and are taxed at very high rates. Sri Lanka has bound most agricultural tariffs and a few other non-agricultural tariffs at 50% under the World Trade Organization (WTO). Although most items are already subject to duties below the bound rates, the GSL has not

honored its WTO commitments on cigarettes, which remain subject to a 100% tax. As a result, the cigarette market remains effectively closed for significant legal imports, and smuggling is a problem.

Export Development Board (EDB) Levy

In November 2004, the Sri Lankan Government introduced a new additional tax on a range of imports, including fruits, vegetables, processed and unprocessed food, shoes, bags, rubber and plastic products, textile products (both apparel and fabric), consumer items such as toiletry and perfumes, ceramic ware, glassware, and pens. The tax is applied on the cost-plus-insurance-plus-freight (c.i.f.) value, and ranges from 1% to 35%. Most of the items are subject to an *ad valorem* or a specific duty, and the rate with higher tax incidence is applied when calculating the tax. In some cases, such as on biscuits, chocolates, and soap, the tax is charged not on the import price, but on 65% of the maximum retail price.

Value Added Tax

Sri Lanka has a value added tax (VAT) on sales by manufacturers, service providers, and importers. There are two VAT rates of zero and 12%. Exports are excluded from VAT. Wholesale and retail traders earning more than Rs 500 million per quarter are subject to the VAT.

Other Charges on Imports

- Ports and Airports Development Levy (PAL) of 5% on imports.
- Excise fees on some products such as aerated water, liquor, beer, motor vehicles, and cigarettes. When calculating the excise fee, an imputed profit margin of 15% is added on to the import price. Note: Locally manufactured products are also subject to excise fees.
- Port handling charge, which varies by container size.
- Nation Building Tax of 2%

Special Commodity Levy

An all-inclusive Special Commodity Levy is charged on some food items including oranges, mandarins, grapes, and apples. The items subject to the special commodity levy are exempted from all other duties.

Tax on Foreign Television Programs

The government imposes taxes on foreign movies, programs, and commercials to be shown on television.

- Imported English language movies shown on television are taxed at Rs 25,000 (approximately \$200).
- English language television programs are taxed at Rs 10,000 (approximately \$80) per half hour episode.
- Any foreign film or program dubbed in the local language Sinhala is taxed at Rs 90,000 (approximately \$700) per half hour.
- Foreign television commercials are taxed at Rs 500,000 (approximately \$3,800) per year.

Rates for non-English foreign programming are higher. Government approval is required for all foreign films and programs shown on television.

Trade Barriers

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Sri Lanka prohibits the importation of chicken meat in order to protect the market for local chicken producers. GM regulations restrict entry of genetically-modified products. Excessive health requirements for agricultural products also curtail imports of U.S. products. High tariffs affect U.S. exports across a wider range of food and agricultural products.

Import Requirements and Documentation

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Payments for import of goods can be made under Letters of Credit (LC), Documentary collections (Documents against Payment (DP) or Documents against Acceptance (DA) terms), or Advance Payment (AP) terms. Goods can also be imported to Sri Lanka on a consignment-account basis, where the goods imported are books and periodicals or ornamental fish imported for re-export. Letters of Credit are valid for up to 365 days. Imports on Advance Payment terms are allowed where the total value of the goods does not exceed \$10,000. Payments for imports made on Advance Payment basis can be made through bank draft, mail transfer, or telegraphic transfer. Goods for which advance payment has been made should be received by the importer within 90 days of payment.

Basic documents required by commercial banks for imports include an invoice, insurance certificate (if applicable), and transport documents. Depending on the product and the mode of payment, documents such as certificates of origin, inspection certificates, and packing lists may also be required. Shipments by air cargo may require the same documentation as those arriving by sea. All shipping documents in relation to imports made on DP or DA terms should be forwarded by the supplier's bank or by the supplier to a commercial bank in Sri Lanka for release to the importer of goods. In the event the original documents are not received on time, the importer, at the discretion of the bank, may submit copies of those documents for certification by the bank for clearance of the goods. The importer should arrange the original shipping documents to

be received by the bank concerned within 30 days from the date of certification of the copies.

To clear goods from customs, the importer should submit relevant shipping documents certified by a commercial bank and customs declaration forms to the Sri Lanka Department of Customs. In the case of an import made on an AP basis, goods will be released on submission of satisfactory proof of payment, such as bank confirmations. In the case of an import made on a consignment-account basis, goods will be released by customs on the submission of clearance documents.

The government of Sri Lanka (GSL) implemented the WTO Customs Valuation Agreement in January 2003 and follows the transaction-value method to determine the cost, insurance, freight (CIF) value. The scheme has operated smoothly and major companies have not faced problems.

Sri Lanka Customs regards undervaluing in customs declarations as a common tactic in import trade. As a result, even genuine importers can face problems. In one instance, a local agent representing a major U.S. company was charged for declaring a nominal value for product literature and software, despite its assurances that the declaration was accurate.

The government has introduced a comprehensive electronic-data system to expedite import/export clearance procedures.

U.S. Export Controls

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Under Section 7044(e) of the Consolidated Appropriations Act, 2014, the following limits are currently in place:

(1) None of the funds appropriated by this Act under the heading ``Foreign Military Financing Program" may be made available for assistance for Sri Lanka, no defense export license may be issued, and no military equipment or technology shall be sold or transferred to Sri Lanka pursuant to the authorities contained in this Act or any other Act, unless the Secretary of State certifies to the Committees on Appropriations that the Government of Sri Lanka is meeting specified conditions.

(2) Paragraph (1) shall not apply to assistance for humanitarian demining, disaster relief, and aerial and maritime surveillance.

(3) If the Secretary makes the certification required in paragraph (1), funds appropriated under the heading ``Foreign Military Financing Program" that are made available for assistance for Sri Lanka should be used to support the recruitment of Tamils into the Sri Lankan military in an inclusive and transparent manner, Tamil language training for Sinhalese military personnel, and human rights training for all military personnel.

(4) Funds appropriated under the heading ``International Military Education and Training" (IMET) in this Act that are available for assistance for Sri Lanka, may be made available only for training related to international peacekeeping operations and expanded IMET: Provided, That the limitation in this paragraph shall not apply to maritime security.

Temporary Entry

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Temporary entry for exhibition material is allowed under the Carnet system of the International Chamber of Commerce. The exporter should ensure that required documents under the Carnet system are certified in the country of origin of the material. These documents should be presented at the time the goods are cleared from Customs. Goods brought into the country under the Carnet system must be re-exported within six months. For additional information, contact the approving authority: Director of Customs, telephone 94-11-421141, fax 94-11-446364. Any products subject to import controls (as described above) also require approval from the relevant government authority.

Labeling and Marking Requirements

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All labeling of packages should be in large bold lettering in indelible ink or paint. For container cargo, the weight, center of gravity, and sling or grab points, may be marked to encourage careful handling. Goods shipped to Sri Lanka should be well-packed in order to withstand heat, humidity, rough handling, and pilferage. Shipping marks should show consignee order number and port of entry.

Food labeling: Government food-labeling regulations require that food products cannot be sold, offered for sale, transported, or advertised unless labeled in accordance with these regulations. Detailed instructions of these regulations can be found in the government Gazette No. 1323/2 of January 12, 2004.

Genetically Modified Food (GMO) labeling: In January 2007, the Ministry of Health implemented a regulation for mandatory labeling of genetically modified food.

Prohibited and Restricted Imports

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The import of illegal drugs is prohibited.

The government has eliminated most license controls, with a few items remaining under license control mainly for health and national security reasons. Poultry and some types of agriculture commodities are under import license control with agricultural commodities also requiring non-GMO certification. A ban on beef and pork imports from the United States has been lifted and imports are now permitted for special purposes meaning for use in the tourism and hospitality industries. The importation of chicken meat is prohibited entirely; however this is a protectionist trade measure. Sri Lanka reserves the right to prohibit GM agricultural commodities on the basis of the precautionary principle.

The import of drugs is subject to the approval of the Drugs and Cosmetic Devices Committee of the Ministry of Health.

The Ministry of Defense controls the import of firearms and ammunition for use by the armed forces, police, and civil security. Certain military-related or dual-use items are prohibited or controlled. Radars, night-vision devices, beta lights, armored vehicles, explosion-detection equipment, digital-jamming equipment, infrared illuminators, GPS equipment, and laser designators are prohibited. Imports of laser/radar range finders and thermal-image devices are subject to Ministry of Defense approval. Remote-controlled toys are also under license control for public security reasons. There are restrictions on the import of toxic and hazardous chemicals and pesticides. Used and reconditioned air conditioners and refrigerators are under license control for environmental protection.

Customs Regulations and Contact Information

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Director General of Customs
Sri Lanka Customs
40 Main Street
Colombo 11
Email: dgc@customs.gov.lk
Home page: www.customs.gov.lk

Standards

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Overview

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The Sri Lanka Standards Institute (SLSI), a member of the International Standards Organization (ISO), is the national standards organization in Sri Lanka. SLSI sets product standards, approves imports covered under a mandatory import-inspection scheme, and performs product testing, pre-export inspection, registration of fish and fishery products, and ISO quality management training.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL:
<http://www.nist.gov/notifyus/>

Standards Organizations

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There are over 1,400 Sri Lankan standards relating to manufactured products, agricultural commodities, industrial raw materials, and production processes. These standards are primarily voluntary, as only 32 of them (mainly on building materials, household electrical items, food, and consumer products) are mandatory.

A mandatory SLSI import inspection scheme applies to 103 items identified on the basis of national health and safety requirements. The scheme guarantees the quality of these imported items against the relevant Sri Lanka standards. SLSI accepts certificates issued by labs accredited by the national accreditation body of the exporting country. SLSI also accepts quality certificates issued by the national standards body of the exporting country or certificates issued by registered manufacturers. All these consignments are subject to random checking. Products without certificates are sampled and tested.

Sri Lanka has adopted ISO 9000 series standards on quality management and assurance, ISO 14000 standards on environment-management systems, Hazard Analysis and Critical Control Points (HACCP) assurance for food-safety standards, and Good Management Practice Certificate (GMP), ISO 18000 on Occupational Safety, ISO 22000 on food safety management, and ISO 27000 on information security management.

Conformity Assessment

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Analysis and Critical Control Points (HACCP) assurance for food-safety standards, and Good Management Practice Certificate (GMP), ISO 18000 on Occupational Safety, ISO 22000 on food safety management, and ISO 27000 on information security management.

Accreditation

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Sri Lanka Accreditation Board for Conformity Assessment (SLAB) www.slab.lk is the national accreditation authority for Sri Lanka established under Act 32 of 2005. SLAB is a member of the International Laboratory Accreditation Co-operations, the Asia Pacific Laboratory Accreditation Co-operation (APLAC) and the Pacific Accreditation Cooperation (PAC). The board is responsible for accrediting testing labs, medical labs, and inspection and certification bodies involved in conformity assessment. A list of accredited institutions is available at the above website.

Sri Lanka Standards Institute (SLSI) operates an accreditation scheme for testing laboratories in Sri Lanka. SLSI accreditation is voluntary and accredits laboratories for conformity to ISO/IEC 17025: General requirements for competence of testing and calibration laboratories.

Publication of Technical Regulations

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Technical Regulations regarding the import inspection scheme of the Sri Lanka Standards Institute (SLSI) are published in Gazette Extraordinary 1447/28 of June 01, 2006 and 1627/3 of November 09, 2009 and available on www.slsi.lk

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Sri Lanka Standards Institution www.slsi.lk

Trade Agreements

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Sri Lanka has free-trade agreements with India and Pakistan. The agreements provide for duty-free entry as well as duty preferences for manufactured goods. Sri Lanka hoped to attract foreign investors interested in entering the Indian and Pakistan markets to establish operations in Sri Lanka under the FTAs, but progress here has been slow. Sri Lankan exporters still face significant non-tariff barriers. Trade between Sri Lanka and India has substantially increased since the beginning of the FTA, although Sri Lanka has yet to realize the full potential of the FTA.

Under the India-Sri Lanka Free Trade Agreement, tariff concessions for Sri Lankan products include zero tariffs on 4,235 items; 50 to 100% reduction for tea and garments under quota; 25% reduction for 553 textile items; and no reduction for 431 items on India's "negative list." Discussions are underway to reduce the negative lists of both countries. Sri Lanka and India had planned to expand the Indo-Lanka FTA to include the services sector under a Comprehensive Economic Partnership Agreement (CEPA), but the CEPA negotiations are stalled.

Under the Pakistan-Lanka Free Trade Agreement, Pakistan offers duty-free entry to all Sri Lankan exports except for items on a negative list. Pakistan's negative list contains 541 items with no duty concessions. Sri Lanka has offered duty-free entry to 102 items

from Pakistan. Sri Lanka's negative list contains 697 items. Import tariffs on all other items from Pakistan are to be phased out over a five-year period.

Foreign investors in Sri Lanka can enjoy duty-free or preferential access to India and Pakistan under the two FTAs. Domestic-value addition of 35% is required to qualify for concessions granted under the agreements. Under the India-Sri Lanka FTA, rules of origin criteria are further reduced to 25% if the product contains at least 10% Indian raw material. Additional information about these and other agreements is available at www.investsrilanka.com and www.doc.gov.lk.

On January 1, 2006, South Asian nations belonging to the South Asian Association for Regional Cooperation (SAARC) established a South Asia Free Trade Area (SAFTA). Operational since July 1, 2006, SAFTA offers regionalized tariff reductions for imports from member countries. SAARC members aim to reduce duties for imports from member countries to between zero and 5% over a period of 7-10 years, under the SAFTA. Less Developed Countries -- Nepal, Bangladesh and Bhutan -- will have a longer period to reduce duties. The SAFTA agreement has had limited impact in trade to date.

Web Resources

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Sri Lanka Customs (for the tariff schedule and information on other duties)	www.customs.gov.lk
Board of Investment of Sri Lanka (for information on Free Trade Agreements)	www.investsrilanka.com
Department of Commerce:	www.doc.gov.lk
Sri Lanka Standards Institution:	www.slsi.lk
Sri Lanka Accreditation Board for Conformity Assessment:	www.slab.lk

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Chapter 6: Investment Climate

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- [OPIC and Other Investment Insurance Programs](#)
- [Labor](#)
- [Foreign-Trade Zones/Free Ports](#)
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Executive Summary

The end of the war in 2009 has allowed Sri Lanka to focus on rebuilding the country's economy and infrastructure. The government has set ambitious goals for economic development – aspiring to GDP growth rates over 8 percent and developing five economic hubs in ports, aviation, commerce, knowledge, and energy. Tourism is also growing rapidly. With a relatively open investment climate and financial system, moderately stable monetary policy, improving infrastructure, and world-class local companies, Sri Lanka has many of the ingredients to progress economically. For some U.S. and foreign investors, Sri Lanka's frontier market has been fertile ground for both direct and capital investments.

The current president, Mahinda Rajapaksa, was reelected to a second six-year term in January 2010. The Rajapaksa government follows a statist economic policy and the space for the private sector has contracted. The government supports import substitution. Private investment both foreign and local has been sluggish. Certain other policies are impeding the investment climate such as a prohibition on land sales to foreigners and the November 2011 "Underutilized Assets" Act, which resulted in the seizure of 37 companies and assets. Although most of these companies were defunct enterprises, several were viable businesses. Political violence aimed at businesses has also increased. The business community claims that corruption has the greatest impact on investors in large projects and on those pursuing government procurement contracts. Some claim that the level of corruption makes it difficult to compete with bidders not

subject to the U.S. Foreign Corrupt Practices Act. Improvements to governance, regulatory environment, financial landscape, human resources, and government administration would be pre-requisites to achieve government's economic targets. Growth could also be hampered by the lack of export diversification and the lack of private investment.

The United States remains concerned with the human rights situation in Sri Lanka. A United Nations Human Rights Commission (UNHRC) resolution passed in March 2014 requests the office of the UN Human Rights Commissioner to lead an investigation into alleged violations and abuses of human rights during the conflict and to monitor the human rights situation.

Despite the 1983-2009 civil war, GDP growth averaged around 5 percent from 2000-2008. Economic activity rebounded at the end of the war resulting in an average growth of 7.5 percent in the last four years. GDP reached \$67 billion in 2013. The Central Bank of Sri Lanka (CBSL) predicts the economy will grow by 7.8 percent in 2014 and over 8 percent thereafter, and the per capita GDP of \$3,280 will increase to \$4,000 by 2016. The CBSL is keen to maintain lower interest rates and lower inflation than in the past to spur growth, but the private sector is yet to respond. Losses of state-owned enterprises (SOE) and a bloated civil service are major concerns. Sri Lanka suffers from a large current account deficit. Sri Lanka's annual exports are about \$10 billion, mostly tea and garments. The United States is the most important market for Sri Lankan exports. Imports are about \$18 billion. Remittances from migrant workers, around \$6.4 billion per year, are Sri Lanka's largest source of foreign exchange and help to partially offset the external deficits.

With the conclusion of the war, the GSL is investing heavily in infrastructure. The government has also undertaken a significant urban renewal program – cleaning up and beautifying cities. In its drive to improve infrastructure, Sri Lanka's non-concessional foreign debt has increased significantly to about 50 percent of total foreign debt. China has emerged as the largest project lender. Many observers believe Sri Lanka will have difficulty repaying loans taken to improve infrastructure, although government officials are confident that growth will bring in the necessary revenue.

Openness to Foreign Investment

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Openness To, and Restrictions Upon, Foreign Investment

Attitude Toward FDI

Sri Lanka is a constitutional, multiparty republic. In 1978, it shifted away from a socialist orientation and opened up to foreign investment, although changes in government have often been accompanied by reversals in economic policy. The current president, Mahinda Rajapaksa, was reelected to a second six-year term in January 2010.

The Rajapaksa government follows a statist economic policy, with key goals including the development of Sri Lanka as a regional hub for air and sea transportation, trading, energy, and knowledge-based services. The government aims to use the current Indo-Lanka FTA and the proposed Sri Lanka –China FTA to make Sri Lanka a gateway to massive Indian and Chinese markets. The government also aims to reduce poverty by steering investment to disadvantaged areas; developing small and medium enterprises

(SMEs); promoting agriculture; and expanding the civil service. The government has halted privatization – reversing several previous privatizations – and advocates state control of what it deems "strategic" enterprises such as state-owned banks, airports, and electrical utilities. The government has increased its control of the banking sector and utilized government-controlled pension funds and companies to take majority control of leading private banks. The Sri Lankan military has expanded into activities traditionally reserved for the private sector, including air services, agriculture, construction and tourism. The government supports import substitution and import duties remain very high on vehicles, food, consumer items and most finished products. The government has removed taxes on certain intermediate imports, however, to make the country a trading hub.

While the state is a major player in many economic sectors, the private sector plays a key role across the economy, including in finance, exports, tea, apparel, IT, and tourism. However, both local and multinational companies complain that an increasing government role in business is impacting the investment climate. Though many multinational companies and local small and medium enterprises often perform better than large local companies, some feel that government procurement and project approval decisions favor large local operators.

Sri Lanka requires high levels of FDI to meet the desired growth levels. Most of the current economic potential is in the tourism sector, with Sri Lanka designated as Lonely Planet's top destination in 2013, and major international chains opening hotels over the next few years. Tourist arrivals reached 1,275,000 in 2013. Investors are capitalizing on Sri Lanka's environment, culture, religious history, and wildlife to attract high-end tourists, especially from the growing markets in India and China. The ports are another important driver of growth, with the Colombo Port being one of the most active in the region, and the country situated at the crossroads of global shipping lines.

Ample scope exists as well for an expansion in the information technology/business processing operations (IT/BPO) sector. With a growing and aspirational middle class, investors see opportunities in franchising, retail, and services, as well as light manufacturing. Investments with an export dimension have the most potential. Reconstruction in the North and East, and infrastructure development throughout the country, including new ports and roads, are also fuelling growth. Sri Lanka's free trade agreements with India and Pakistan offer preferential access to those markets, and Sri Lanka maintains friendly relations with all its neighbors in the region. The capital city of Colombo offers expatriate managers a good quality of life relative to the region.

Areas of Concern

Sri Lanka can still be a challenging place to do business, with high transaction costs related to an unpredictable economic policy environment. While many government departments and ministries boast competent staff, the government's overall provision of services is impeded by inefficiency, and economic growth is stymied by opaque government procurement practices.

Certain recent policies have also sent mixed signals to investors. The 2013 budget prohibited all land sales to foreigners and imposed a tax on lease transfers to foreigners, but the government then issued circulars exempting diplomatic missions, condominiums over the fourth floor, and foreign majority-owned companies in business for ten consecutive years. The Cabinet can also approve a land purchase for an investment "in

the national interest,” provided there is a substantial foreign remittance for the purchase of the land. A land transfer tax of 100 percent may still apply.

Other recent policies include the November 2011 “Underutilized Assets” Act, which resulted in the seizure of 37 companies and assets. Although most of these companies were defunct enterprises, several were viable businesses. The government stated that these companies had violated the terms of their land leases with the government. The government has promised that this was a “one-time” measure, but subsequently announced plans to seize 10,000 hectares of allegedly unused tea plantation land leased to private companies. The expropriation law – and its passage after one day of debate in Parliament – created an atmosphere of uncertainty and unpredictability in the business environment.

The Securities and Exchange Commission (SEC) was rocked by scandals in 2013. Media reports accused SEC chief of accepting a bribe of \$3 million from an Indian property investor and passing the payments to government VIPs. There have been no investigations and all concerned parties have denied any wrongdoing. Previously, four senior SEC officials resigned over regulatory issues, citing pressures from high net-worth local investors. In December 2012, a special parliamentary committee impeached the Chief Justice over corruption charges in what many called a politically-motivated process. Local investors cite the risks of contract repudiation, cronyism, damage to reputation, and de facto or de jure expropriation as concerns.

From an investor viewpoint, the power and petroleum sectors are particularly challenging, as decision-making authority is highly fragmented, and the capital investments required are substantial. Trade union opposition at both the Ceylon Petroleum Corporation and the Ceylon Electricity Board (CEB) make reform of these loss-generating SOEs very difficult.

Sri Lankan financial institutions (FI) may have trouble complying with the U.S. Foreign Accounts Tax Compliance Act (FATCA). The government has directed banks to directly register with the Internal Revenue Service (IRS).

Start-up Costs, Scalability, Retention, and the Need for a Local Partner

Investors report that starting a business in Sri Lanka is relatively simple and rapid – especially when compared to other frontier markets – and 20 percent cheaper than in neighboring countries. But scalability is a problem. Lack of skilled labor and a smaller talent pool means that companies can take years to double in size. Investors claim retention is good in Sri Lanka, but numerous public holidays, worker reluctance to work at night (which is especially problematic in the IT/BPO sector), lack of labor mobility, and a difficulty in recruiting women can reduce efficiency and increase start-up times. The garment industry has had more difficulty with employee retention, especially in the North and East because of poor quality of life issues in these regions. Many service sector companies rely on Sri Lankan engineers, researchers, technicians, and analysts to deliver high-quality, high-precision products. Foreign and local companies report a strong worker commitment to excellence in Sri Lanka, with rapid adaptation to quality standards.

Increasing Ties to China

Chinese companies are building much of Sri Lanka's new infrastructure using Chinese loan financing. Most of these companies bypass the government tender process, and Sri Lanka's corporate sector or non-Chinese foreign investors play little to no role in the projects. The projects, valued between \$3 billion to \$6 billion or more, range from construction of major ports, international airports, and power stations to expressways and reclaimed cities, highways, railways, and telecommunication towers.

Laws/Regulations of FDI

The Board of Investment (BOI) (www.investsrilanka.com), an autonomous statutory agency, is the primary government authority responsible for investment, with a focus on foreign investment. BOI promotes the following sectors as priority sectors for FDI: tourism and leisure; infrastructure; knowledge services; utilities; apparel; export manufacturing; export services; agriculture; and education. Specialized divisions representing these sectors are tasked with providing services to foreign investors through the entire investment process.

The BOI manages a number of export processing zones that feature business-friendly regulations and improved infrastructure for foreign investors. The BOI is intended to provide "one-stop" service for foreign investors, with duties including approving projects, granting incentives, and arranging utility services. It also assists in obtaining resident visas for expatriate personnel, and facilitates import and export clearances.

BOI incentives are attractive and real, but the BOI is not yet a "one-stop shop." Although the BOI is relatively effective in assisting investors who want to establish operations within its export processing zones, it is less effective in facilitating and servicing large investments outside these zones. Sri Lanka's bureaucracy often works at cross-purposes with BOI authorities. For example, registration of foreign company branch offices in Sri Lanka can be expensive.

The Treasury and a special Cabinet Review Committee outside of the BOI handle large investment projects, both local and foreign, identified as strategic development projects. These projects require approval from the full Cabinet, as well as Parliamentary approval.

The principal law governing foreign investment is Law No. 4, created in 1978 (known as the BOI Act), as amended in 1980, 1983, and 1992, along with implementing regulations established under the Act. The BOI Act provides for two types of investment approvals. Under Section 17 of the Act, the BOI is empowered to recommend concessions to companies satisfying certain eligibility criteria on minimum investment. Such companies are eligible for generous investment concessions. Investment approval under Section 16 of the BOI Act permits companies to operate under the "normal" laws of the country and applies to investments that do not satisfy eligibility criteria for BOI incentives. The Strategic Development Project Act of 2008 (SDPA) provides generous tax incentives for large projects that the Cabinet identifies as Strategic Development Projects. Other laws affecting foreign investment are the Securities and Exchange Commission Act of 1987 as amended in 1991 and 2003, the Takeovers and Mergers Code of 1995 (revised in 2003), and the Companies Act of 2007. Various labor laws and regulations also affect investors.

Foreign investments, particularly if not keyed toward export, are often more successful when guided by a local partner who can navigate the cultural and political landscape. Some sectors, however, such as IT/BPO, report relatively little need to rely on local agents or the government to start operations. Most investors agree that any export-based investment faces fewer problems, especially if the company is registered with the BOI. The greatest challenges lie in infrastructure contracts or competing for any government tender offer, where foreign investors find it difficult to navigate the opaque procurement process.

Industrial Promotion

The Government of Sri Lanka aspires to develop economic hubs in ports, aviation, commerce, knowledge, and **energy**. **Travel and tourism** also have great potential. The government invites companies to set up manufacturing plants, warehouses, and service companies near a newly built port and airport in the Southern city of Hambantota. Government hopes a proposed FTA with China and the current Indo-Lanka FTA would help Sri Lanka to be a gateway to massive markets in China and India.

Limits on Foreign Control

The government allows 100% foreign investment in any commercial, trading, or industrial activity other than a few specified sectors, which are regulated and subject to approval by various government agencies or the BOI: air transportation; coastal shipping; large scale mechanized mining of gems; lotteries; and manufacture of military hardware, military vehicles, and aircraft; dangerous drugs; alcohol; toxic, hazardous, or carcinogenic materials; currency; and security documents.

Foreign investments in the areas listed below are limited to 40% of foreign equity. Foreign ownership in excess of 40% must be approved on a case-by-case basis by the BOI: the production for export of goods subject to international quotas; growing and primary processing of tea, rubber, coconut; timber-based industries using local timber; deep-sea fishing; mass communications; education; freight forwarding; travel agency; and shipping agency business. The government is considering opening higher education to foreign investment. Foreign investment is not permitted in the following businesses: non-bank money lending; pawn-brokering; retail trade with a capital investment of less than \$1 million; and coastal fishing.

Privatization Program

The government has halted privatizations, preferring to maintain state-owned enterprises, and has even reversed several privatizations. Labor unions in state-owned enterprises often oppose privatization and restructuring and seem particularly averse to foreign ownership. In the past, this made the privatization of government entities problematic for new foreign owners.

Investment Trends

Sri Lanka has failed to attract major foreign investments. From 2006-2010, foreign direct investment (FDI) flows to Sri Lanka averaged only about \$500 million per year. The Central Bank claims annual FDI flows increased to about \$1 billion in 2011-2012 and

\$1.4 billion in 2013, mainly for telecommunications, ports and property development, but fell short of the \$2 billion annual government target. However, a 2012 UNCTAD report estimates FDI in Sri Lanka at only \$300 million.

(See http://unctad.org/sections/dite_dir/docs/wir12_fs_lk_en.pdf). According to the BOI, the top sources of foreign direct investment in Sri Lanka (total flows from 2005-2012) are Malaysia, India, Hong Kong, United Kingdom, UAE, Mauritius, Netherlands, Singapore, China, Luxembourg, USA, Sweden, Japan, Italy, and Belgium.

Total cumulative U.S. investment in Sri Lanka is estimated to be in the range of \$150 million. Major U.S. investors include Energizer Battery, Mast Industries, Smart Shirts (a subsidiary of Kellwood Industries), Chevron, Citibank, 3M, Coca-Cola, Pepsi Co, Fitch Ratings, AES Corporation, AIG/Chartis Insurance, American Liquid Packaging Systems USA, Virtusa, Avery Denison, Motorola Solutions, Amsafe Bridport, RR Donnelly, and Revlon (through its Indian subsidiary). Several Sri Lankan-Americans have started IT and BPO companies in Sri Lanka serving the U.S. market. In addition, IBM, AT&T, Procter & Gamble, Microsoft, Google, Intel, Oracle, DuPont, Bates Strategic Alliance, McCann-Erickson, Pricewaterhouse Coopers, Ernst and Young, and KPMG all have branches, affiliated offices, or local distributors/ representatives. Kentucky Fried Chicken, Pizza Hut, Federal Express, UPS, McDonald's, TGIF are represented in Sri Lanka through franchises. Numerous other American brands and products are represented by local agents.

Major non-U.S. investors include Unilever, Nestle, British American Tobacco Company, Mitsui, Fonterra, Pacific Dunlop/Ansell, Prima, FDK, Telekom Malaysia Bhd, S.P. Tao, HSBC, AIA Group, the Indian Oil Corporation, Bharathi Airtel and Cairn India. In 2011, Shangri La Hotels signed agreements to build hotels in Sri Lanka. Leading U.S. and foreign investors that have acquired significant stakes in privatized companies include Chevron, Mitsubishi Corporation, and the Indian Oil Corporation.

The Colombo Stock Exchange remains below its 2010 peak when it was ranked as one of world's best performing stock markets, and some foreign investors, including U.S. funds exited the Colombo market in the first quarter of 2014.

TABLE 1: The following chart summarizes several well-regarded indices and rankings.

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions index	2013	91 of 177	http://cpi.transparency.org/cpi2013/results/index
Heritage Foundation's Economic Freedom index	2013	90 of 177	http://www.heritage.org/index/ranking
World Bank's Doing Business "Ease of Doing Business"	2013	85 of 189	http://doingbusiness.org/rankings
Global Innovation Index	2013	98 of 142	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	USD 2,920	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

TABLE 1B - Scorecards: The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) or \$4,085 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here:

http://www.mcc.gov/pages/selection/scorecards_ Details on each of the MCC's indicators and a guide to reading the scorecards, are available here:

<http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf>

Conversion and Transfer Policies

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Sri Lanka generally has investor-friendly conversion and transfer policies. Companies note they can repatriate funds relatively easily. In accordance with its Article VIII obligations as a member of the IMF (<http://www.imf.org/external/pubs/ft/aa/aa08.htm>), Sri Lanka liberalized exchange controls on current account transactions in 1994, and in 2010-2012, the government relaxed exchange controls on several categories of capital account transactions. When the government experiences balance of payments difficulties, the government tends to impose controls on foreign exchange transactions but has showed restraint in recent years.

Local business contacts claim there is also a legal parallel mechanism for conversion, i.e., small traders carrying up to \$10,000 on travel in personal luggage. Exporters must repatriate export proceeds within 120 days to settle export credit facilities. Other export proceeds can be retained abroad in a local bank's correspondent bank. No barriers exist, legal or otherwise, to the expeditious remittance of corporate profits and dividends for foreign enterprises doing business in Sri Lanka. The average delay period for remitting investment returns, interest, and principal on private foreign debt, lease payments, royalties, and management fees through normal legal channels is one to four weeks. All stock market investments can be remitted without prior approval of the Central Bank through a special bank account. Investment returns can be remitted in any convertible currency at the legal market rate. Policies are becoming more restrictive for real estate investment, however; no gains can leave the country, and investors can only take out what they brought in. Gains from real estate cannot be transferred unless the investment is in a BOI-approved project. The informal money transfer/exchange system (hawala) is active, although with higher rates.

Foreigners are now permitted to invest in Sri Lankan debt instruments, both government and corporate debt. The Central Bank's rupee-denominated T-bill and T-bond issues in the local market are also open to foreign investors. Both foreign and local companies are permitted to borrow from foreign sources.

In June 2013, the Financial Action Task Force (FATF) removed Sri Lanka from the list of countries that are subject to FATF's monitoring process. A Financial Intelligence Unit (FIU) was created in 2006 and operates under the Central Bank.

Expropriation and Compensation

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Until recently and since economic liberalization policies began in 1978, the government had not expropriated a foreign investment. The last expropriation dispute was resolved in 1998. However, on November 9, 2011, the government approved a new law entitled the Revival of Underperforming Enterprises and Underutilized Assets Act that allowed expropriation of assets belonging to 37 companies the government considered as underperforming. These companies had leased land from the government, but the government claimed the companies were not meeting the lease conditions. Although many of the 37 companies were defunct, several were viable businesses. The Central Bank stated that the Act was a “one-off” measure, but the government subsequently announced plans in the 2012 and 2013 budgets to retake 10,000 hectares of tea plantation land leased to private companies that the government said was not being fully utilized. The law increases investor uncertainty regarding property rights in Sri Lanka and is often cited as having a chilling effect on foreign direct investment.

Apart from the Underutilized Assets Act, the land acquisition law empowers the government to take over private land for public purposes. Compensation is paid per government valuation, which some local investors consider relatively fair. There are cases, however, of the military taking over businesses in the North and East on claims they are on government land, with little to no compensation. Many land records were lost or destroyed during the war, which complicates land tenure issues and delays resolution. There are recent reports of government taking over private lands throughout the country for purportedly public purposes.

Dispute Settlement

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Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Sri Lanka's legal system reflects diverse cultural influences. Criminal law is fundamentally British. Basic civil law is Roman-Dutch. Laws pertaining to marriage, divorce, and inheritance are ethnic. Sri Lankan commercial law is almost entirely statutory. The law reflects colonial British law, but amendments have largely kept pace with subsequent legal changes in the United Kingdom. Several important legislative enactments regulate commercial matters: the Board of Investment Law; the Intellectual Property Act; the Companies Act; the Securities and Exchange Commission Act; the Banking Act; the Industrial Promotion Act; and the Consumer Affairs Authority Act.

Sri Lanka's court system consists of the Supreme Court, the Court of Appeal, Provincial High Courts and the Courts of First Instance, i.e., district courts (with general civil jurisdiction) and magistrate courts (with criminal jurisdiction). The provincial high courts have original, appellate, and reversionary criminal jurisdiction. The Court of Appeal is the intermediate appellate court with a limited right of appeal to the Supreme Court. The Supreme Court exercises final appellate jurisdiction for all criminal and civil cases. Citizens may apply directly to the Supreme Court for protection if they believe any government or administrative action has violated their fundamental human rights.

All commercial matters exceeding the value of Rs 3 million (approximately \$23,000) fall within the jurisdiction of the Commercial High Court of Colombo. A number of tribunals also exercise judicial functions, such as the Labor Tribunals that hear cases brought by workers against their employers. Litigation can be slow and unproductive. Monetary judgments are usually made in local currency, but procedures exist for enforcing foreign

judgments. Overall, Sri Lanka's record in handling investment disputes is problematic. Disputes have become politicized, and the stability of contracts in general could be improved.

Bankruptcy

The Companies Act and the Insolvency Ordinance provide for dissolution of insolvent companies, but there is no mechanism to facilitate the reorganization of financially-troubled companies. Other laws make it difficult to keep a struggling company solvent. The Termination of Employment of Workmen Act (TEA), for example, makes it difficult to fire or lay off workers who have been employed for more than six months for any reason other than serious, well-documented disciplinary problems.

In the absence of proper bankruptcy laws, extra-judicial powers granted by law to financial institutions protect the rights of creditors. When a company cannot meet creditor demands for a sum exceeding Rs 50,000 (approximately \$385), the creditor may petition the court to dissolve the company. Lenders are also empowered to foreclose on loan collateral without court intervention. However, loans below Rs 5 million (\$38,000) are exempt, and lenders cannot foreclose on collateral provided by guarantors to a loan. Financial institutions also face other legal challenges as defaulters obtain restraining orders on frivolous grounds due to technical defects in the recovery laws.

The Companies Act of 2007 introduced a "solvency test" to determine the financial health of a company. The solvency test is intended to prevent companies without sufficient assets from obtaining loans and to protect rights of creditors. The law sets forth the responsibilities of a company's directors in cases of serious loss of capital. While the Companies Act does not provide for the revival of struggling companies, the courts generally take a liberal attitude towards any restructuring plans that would benefit a company.

Investment Disputes

Sri Lanka's courts have a mixed record with regard to upholding the sanctity of contracts. The courts are not practical for resolving disputes or obtaining remediation, because their procedures allow one party to prolong cases indefinitely. Aggrieved investors (especially those dealing with the government on projects) have frequently pursued out-of-court settlements in hopes of speedier resolution. In late 2008, the Supreme Court, in an interim order, halted payments to five international and local banks involved in oil hedge contracts with the government. One of the involved banks was American. The banks filed for international arbitration. The record on international arbitration is mixed, as two banks won their cases and the government won the third case against the American bank.

Some U.S. companies have experienced problems with payment of valid contracts, implementation of agreements with the government, and failure to secure contracts, despite demonstrated superior performance, high value, and competitive bids. In practice, it may be advisable to seek to include provisions for international arbitration.

A U.S. power company producing electricity in Colombo has experienced several difficulties since 2010, including late payments and failure to provide required letters-of-credit by the state-owned power purchaser, and a retroactive law that requires partial

government ownership. Overdue payments have reached alarming levels – creating a serious cash flow problem for the company. The USG has raised the issue in bilateral meetings, but the issue has not been resolved.

International Arbitration

Most investors prefer to choose arbitration over litigation due to court delays. Investors are advised to go to a neutral country for arbitration purposes. The Arbitration Act of 1995 gives recognition to the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards. Arbitral awards made abroad are now enforceable in Sri Lanka. Similarly, awards made in Sri Lanka are enforceable abroad.

An independent center for arbitration known as the Institute for the Development of Commercial Law and Practice (ICLP) (www.iclparbitrationcentre.com) has been established in Colombo for the expeditious, economical, and private settlement of commercial disputes. However, the ICLP appears unlikely to become involved in disputes involving the Sri Lankan government, which is often a party to disputes involving foreign investors.

The Labor Department has a process involving labor tribunals for settling industrial disputes with workers or unions, and arbitration is required when attempts to reconcile industrial disputes fail. The Labor Commissioner typically becomes involved in labor-management mediation. Other senior officials, including the Labor Minister and the President, have intervened in particularly difficult cases.

Investment Protection

The government has entered into 27 investment protection agreements with foreign governments (including the United States) and is a founding member of the Multilateral Investment Guarantee Agency (MIGA) of the World Bank. Under Article 157 of the Sri Lankan Constitution, investment protection agreements enjoy the force of law, and no legislative, executive, or administrative action can contravene them. The government has ratified the Convention on Settlement of Investment Disputes, which provides the mechanism and facilities for international arbitration through the World Bank's International Center for the Settlement of Investment Disputes.

The U.S. Sri Lanka Bilateral Investment Treaty (BIT) can be found at (www.state.gov/documents/organization/43588.pdf). The United States and Sri Lanka hold annual bilateral Trade and Investment Framework Agreement (TIFA) talks, which is a forum to seek to resolve trade disputes.

Performance Requirements and Incentives

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WTO/TRIMS

To qualify for investments, the Board of Investment specifies certain minimum investment amounts for both local and foreign investors. In most cases, firms enjoying preferential incentives in the manufacturing sector must export 80% of production, while those in the service sector must earn at least 70% of their income in foreign exchange. Foreign investors are generally not expected to reduce their equity over time, nor are

they expected to transfer technology within a specified period of time, except for build-own-transfer or other such projects in which the terms are specified within pertinent contracts. A member of the World Trade Organization (WTO), Sri Lanka complies with the WTO Trade Related Investment Measures obligations.

Foreign investors who remit at least \$250,000 can qualify for a one-year resident visa, which can be renewed. Employment of foreign personnel is permitted when there is a demonstrated shortage of qualified local labor. Technical and managerial personnel are in short supply, and this shortage is likely to continue in the near future. Foreign employees in the commercial sector do not experience significant problems in obtaining work or residence permits. Sri Lanka has ceased issuing dual citizenship status to Sri Lankans who have obtained foreign citizenship. Tourist and business visas are granted for one month, with possible extensions. The international donor community has increasingly experienced delays and difficulty in obtaining business visas for their implementing partners.

Investment Incentives

For strategic development projects, the Strategic Development Project Act of 2008 provides tax incentives for large projects that the Cabinet identifies as Strategic Development Projects (SDP). SDPs are defined as investments that are in the national interest, likely to bring economic and social benefits to the country and change the landscape of the country through the provision of goods and services, substantial inflow of foreign currency, generation of employment and income, and transfer of technology. Information regarding projects selected as SDPs is published in the official gazette and needs to be approved by the Cabinet and Parliament. Projects are exempted from taxes for up to 25 years. The exempted taxes include corporate income tax, Value Added Tax, Economic Service Charge, Debit Tax, Customs Import and Export taxes, Port and Airport Tax, and the Nation Building Tax.

For other projects, the BOI provides the following incentive regime:

- *Small-Scale Enterprises:* A 4 to 5-year tax holiday for small-scale enterprises in agriculture, animal husbandry, fisheries, and creative work, including art work and information technology. Minimum investment of Rs 25 million (\$219,000).
- *Medium-Scale Enterprises:* A 4 to 6-year tax holiday for medium-scale enterprises in manufacturing, agriculture, agro processing, animal husbandry, fisheries, fish processing, IT/BPO, health care, education, beauty care, cold rooms/storages, tourism, sports and fitness centers and creative work. Minimum investment of Rs 25 million to Rs 200 million (\$192,000 to \$1.5 million).
- *Large-Scale Enterprises:* A 6 to 12-year tax holiday for large-scale enterprises in agriculture, dairy or forestry; manufacturing or processing of non-traditional goods for exports; services provided to a person or partnership outside Sri Lanka; tourism; infrastructure projects, renewable energy, industrial estates, knowledge cities, urban housing, town centers, waste management systems, water services, hospitals, health care services; maintenance of maritime vessels/aircrafts; sporting services; software development; light or heavy engineering industry; education services. Minimum investment of Rs 300 million to over Rs 2.5 billion (\$2.3 million to over \$19.2 million).

- *Import Replacement Industries:* A 5-year tax holiday followed by a concessionary tax rate of 12 percent for strategic import replacement industries (i.e., cement, steel, pharmaceuticals, fabric, and milk powder). Minimum investment levels apply.

For further information on investment incentives and other investment-related issues, potential investors should contact the Board of Investment directly (www.investsrilanka.com or info@boi.lk.) The BOI has introduced an investor matchmaking service via the BOI website. Information regarding this service can be found at www.investsrilanka.com/online_resources/partnership.

Trade Agreements

The Indo-Lanka Free Trade Agreement (ILFTA) (www.doc.gov.lk) between Sri Lanka and India has been in effect since 2000. Under this agreement, most products manufactured in Sri Lanka with at least 35% domestic value addition (if raw materials are imported from India, domestic value addition required is only 25%) qualify for duty-free entry to the Indian market. Because production constitutes a portion of value addition, the ILFTA enables foreign firms operating in Sri Lanka to gain preferential entry into the Indian market. Current exporters to India claim to face a variety of non-tariff barriers that have reduced the FTA's effectiveness. Discussions on liberalization of the services sector under a proposed Comprehensive Economic Partnership Agreement (CEPA), with a possible incorporation of investment and economic cooperation has stalled, however. The 2005 Sri Lanka-Pakistan Free Trade Agreement (SLPKFTA) (www.doc.gov.lk) provides duty-free entry into Pakistan for almost all Sri Lankan exports except for 541 items on Pakistan's negative list.

Sri Lanka and six other South Asian nations belonging to the South Asian Association for Regional Cooperation (SAARC) agreed in 2004 to establish a South Asian Free Trade Area (SAFTA) (<http://www.saarc-sec.org/main.php>), which began operation on July 1, 2006. SAFTA offers regionalized tariff reductions for imports from member countries. Sri Lanka also hopes to sign a Free Trade Agreement with China.

Together, the above agreements could help make Sri Lanka a gateway to South Asia for foreign investors. To date, however, inter-regional trade remains quite low, and investors and relevant officials are not optimistic for a near-term increase.

Generalized System of Preferences (GSP)

Sri Lanka lost duty-free privileges for exports to the European Union (EU) enjoyed under the "EU GSP-Plus" incentive agreement in 2010 because the EU found that Sri Lanka had not fully complied with three human rights conventions (the International Covenant on Civil and Political Rights, the Convention against Torture, and the Convention on the Rights of the Child), and that the government is not committed to resolving human rights complaints. Currently, Sri Lanka enjoys preferential import duty rates in EU markets under the "EU GSP" incentive program.

Many Sri Lankan exports to United States enter duty-free under the U.S. GSP program, although garments – Sri Lanka's biggest single export sector – are excluded. In June 2012, the United States Trade Representative closed the review of a petition filed by the AFL-CIO alleging that Sri Lanka was not meeting internationally recognized labor

standards, without any change to Sri Lanka's GSP trade benefits. The closure of the review was based on the Sri Lankan government's efforts over the past few years to address the worker rights issues outlined in the petition. The United States and Sri Lanka have established a TIFA subcommittee to improve labor practices in Sri Lanka.

Right to Private Ownership and Establishment

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Private entities are free to establish, acquire, and dispose of interests in business enterprises. Private enterprises enjoy benefits similar to those granted to public enterprises, and there are no known limitations to access to markets, credit, or licenses. Foreign ownership is allowed in most sectors, although the new land ownership law prohibits foreigners from owning land, with some exceptions. (See "*Areas of Concern*," above) Most investors say acquiring land is often the biggest challenge for any new business in Sri Lanka. Private land ownership is limited to fifty acres per person. The government owns approximately 80% of the land in Sri Lanka, including the land housing most tea, rubber, and coconut plantations, leased to the private sector on 50-year terms. Although state land for industrial use is usually allotted on a 50-year lease, the government may approve 99-year leases on a case-by-case basis, depending on the nature of the project. As noted above, many land title records were lost during the war, and significant disputes remain over property ownership in the North and East.

Protection of Property Rights

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Real Property

Secured interests in property in Sri Lanka are generally recognized and enforced, but many investors claim protection can be flimsy. A fairly reliable registration system exists for recording private property including land, buildings, and mortgages, although problems exist due to fraud and forged documents. In the World Bank's Doing Business Index, Sri Lanka ranked 145 out of 188 countries in the ease of "registering a property" index involving 8 procedures and 52 days.

Intellectual Property Rights Protection (IPR)

IPR enforcement has improved in Sri Lanka, although counterfeit goods continue to be widely available, making it difficult for the legitimate industries to protect their markets. Local agents of well-known U.S. and other international companies representing recording, software, movie, clothing, and consumer product industries continue to complain that lack of IPR protection is damaging their businesses. Sri Lanka has a comprehensive IPR law and several offenders have been charged or convicted. Overall, progress on IPR protection is improving in the country. For instance, the government's new Information Technology (IT) policy requires government agencies to use licensed or open source software. Software companies have also reported an improvement in the IPR regimes of large companies.

Sri Lanka is a party to major intellectual property agreements. Sri Lanka adopted an intellectual property law in 2003 that was intended to meet both U.S.-Sri Lanka bilateral IPR agreement and TRIPS obligations to a great extent. The law governs copyrights

and related rights, industrial designs, patents, trademarks and service marks, trade names, layout designs of integrated circuits, geographical indications, unfair competition, databases, computer programs, and undisclosed information. All trademarks, designs, industrial designs, and patents must be registered with the Director General of Intellectual Property.

Infringement of intellectual property rights is a punishable offense under the IP law with criminal and civil penalties. Recourse available to owners includes injunctive relief, seizure and destruction of infringing goods and plates or implements used for the making of infringing copies, and prohibition of imports and exports. Penalties for the first offense include a prison sentence of six months or a fine of up to Rs 500,000 (\$4,425), but smaller penalties are the norm. Aggrieved parties can seek redress for any IPR violations through the courts, though this can be a frustrating and time-consuming process.

The government has established a special antipiracy and counterfeit unit in the Criminal Investigation Division (CID) of the police to specifically address IPR concerns. There is also an IPR unit in the Social Protection Unit of Sri Lankan Customs, and a trademark database to advance IPR protection.

The U.S. Embassy, the United States Patent and Trademarks Office (USPTO), and the American Chamber of Commerce of Sri Lanka are working to pursue more aggressive enforcement and enhance public awareness.

Patents, Copyrights, and Trademarks

Patents are valid for 20 years from the date of application but must be renewed annually. The law permits compulsory licensing and parallel imports of pharmaceutical products. Copyrights are not registered. A work is protected automatically by operation of law. Original literary, artistic, and scientific works including computer programs and databases are protected under the law. Enforcement limitations apply to copyrights, including software.

Sri Lanka recognizes both trademarks and service marks. The exclusive right to a mark is acquired by registration. A mark may consist of words, slogans, designs, etc. Protection also is available to well-known marks not registered in Sri Lanka. Registered trademarks are valid for ten years and renewable. The law also recognizes both certification marks and collective marks.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

- ***Resources for Right Holders***

-

- ***Contact at Mission:***

Christopher Corkey, Economic Officer

94-11-2498500

commercialcolombo@state.gov

Local lawyers list: <http://srilanka.usembassy.gov/service/legal-resources-in-sri-lanka.html>

Country/Economy Resources:

American Chamber of Commerce in Sri Lanka www.amcham.lk

National Intellectual Property Office of Sri Lanka www.nipo.gov.lk

Transparency of Regulatory System

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The Board of Investment strives to inform potential investors about laws and regulations that may affect operations in Sri Lanka, but some of the measures are difficult to find. Proposed laws and regulations are generally made available for public comment, but are occasionally published without public discussion. Foreign and domestic investors often complain that the regulatory system is unpredictable due to outdated regulations, rigid administrative procedures, and excessive leeway for bureaucratic discretion. Effective enforcement mechanisms are sometimes lacking, and coordination problems between the BOI and relevant line agencies frequently emerge. Lethargy and indifference on the part of mid- and lower-level public servants compound transparency problems. Lack of sufficient technical capacity within the government to review financial proposals for private infrastructure projects also creates problems during tendering. The Sri Lankan Cabinet must approve strategic projects by private investors to receive incentives.

Although many foreign investors, including U.S. firms, have had positive experiences in Sri Lanka, some have encountered significant problems with government practices and regulations. Some claim that the level of corruption makes it difficult to compete with bidders not subject to the U.S. Foreign Corrupt Practices Act. Some multinational firms have experienced extensive unexplained delays in trying to reach agreement on investment projects. Others have had contracts arbitrarily canceled without compensation, even though the Cabinet had already approved the contracts.

Efficient Capital Markets and Portfolio Investment

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Retained profits finance about 70 percent of private investment in Sri Lanka, with short-term borrowing financing a further 20 percent. Local companies are allowed to borrow from foreign sources. Foreign direct investment finances about 6 percent of overall investment. Foreign investors are allowed to access credit on the local market and are free to raise foreign currency loans.

The state consumes over 50 percent of the country's domestic financial resources and has a virtual monopoly on the management and use of long-term savings in the country. This inhibits the free flow of financial resources to product and factor markets. In the past high budget deficits have caused interest rates to rise and resulted in higher inflation.

The Securities and Exchange Commission (SEC) covers the Colombo Stock Exchange, unit trusts, stock brokers, listed public companies, margin traders, underwriters, investment managers, credit rating agencies, and securities depositories. Portfolio investment is encouraged. Foreign investors can purchase up to 100 percent of equity in Sri Lankan companies in numerous permitted sectors. In order to facilitate portfolio investments, country funds and regional funds may obtain SEC approval to invest in Sri Lanka's stock market. These funds make transactions through share investment

external rupee accounts maintained in commercial banks. During 2012-2013, the SEC started to investigate insider trading, market manipulation, and fraud, but came under pressure from powerful market players who argued that these regulations were depressing stock values. Four senior SEC officials resigned over regulatory issues during this period, citing pressures from high net-worth local investors.

The Colombo Stock Exchange (CSE) was the world's second best performing stock market in 2009-2010, based on post-war economic optimism. The CSE went through a sharp correction in 2011 and 2012. The market remains below its peak. Some foreign investors exited the Colombo market in the first quarter of 2014. Analysts point to several factors driving the market downturn, including excessive speculative investment during bull runs, regulatory issues, market manipulation, insider trading, negative investor sentiments on emerging markets as well as concerns about UN resolutions regarding a lack of Sri Lankan government action on postwar reconciliation and accountability. Corporate profits of Sri Lankan companies are still strong, however, and do not seem to be a factor in driving away determined investors. Market participation needs to be deepened – both in terms of investor base and number of businesses listed on the Colombo Stock exchange – a concern local investors echo.

Credit Instruments

Commercial banks are the principal source of bank finance. Bank loans are the most widely used credit instrument for the private sector. Financial institutions also raise syndicated bank loans to fund large-scale investment projects undertaken by the private sector.

The domestic debt market in Sri Lanka is still at a nascent stage. Credit ratings are now mandatory for all deposit-taking institutions and for all varieties of debt instruments.

Sri Lanka received its first sovereign credit ratings in December 2005. Current ratings stand at "BB-Minus" with a stable outlook (Fitch), "B-Plus" with a stable outlook (S&P) and "B1" with a stable outlook (Moody's).

U.S. investors have shown a strong appetite for Sri Lanka's capital market, holding a little over 60 percent (\$3.8 billion) of Sri Lanka's sovereign bonds, as well as 80 percent (\$3 billion) of the 12.5 percent of rupee-denominated debt set aside for foreign investors.

Banking System

Sri Lanka has a fairly well-diversified banking system. There are 24 commercial banks – 12 local and 12 foreign. In addition, there are nine local specialized banks. Citibank NA is the only U.S. bank operating in Sri Lanka. Several domestic private commercial banks now have substantial government equity acquired through investment agencies controlled by the government. Access to credit remains a significant problem for the SME sector nationwide. The Central Bank is actively promoting consolidation in the banking and financial sector.

The Central Bank is responsible for supervision of all banking institutions and has driven improvements in banking regulations, provisioning, and public disclosure of banking sector performance. Credit ratings are mandatory for all banks operating in Sri Lanka. The Central Bank has accepted the Basel II standardized approach framework, and has

introduced accounting standards corresponding to International Financial Reporting Standards for banks from January 1, 2012.

Total assets of commercial banks stood at Rs 5,942 billion (\$45.7 billion) as of December 31, 2013. The two fully state-owned commercial banks – Bank of Ceylon and People’s Bank –are still important players, accounting for over 35 percent of all banking assets. The two state banks have a large portfolio of non-performing loans. Both these banks have significant exposure to the state and state-owned companies, which are treated as performing loans. However, as these banks are implicitly guaranteed by the state, their problems have not harmed the credibility of the rest of the banking system.

Private commercial banks and foreign banks operating in Sri Lanka generally follow more prudent credit policies and, as a group, are in better financial shape. Foreign banks tend to make provisions in line with international best practices, as most foreign bank branches are subject to supervision in their own country in addition to that of the Sri Lankan Central Bank. Partly due to a fall in gold prices, and default of loans given on gold pawning, non-performing loans of the banking sector, increased from 3.7 percent in 2012 to 5.2 percent in 2013.

Competition from State Owned Enterprises

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The government has halted SOE privatization, and SOEs are active in transport (bus and railways, ports and airport management, airline operations); utilities such as electricity; petroleum imports and refining, and water supply; retail; banking; telecommunications; TV and radio broadcasting; newspaper publishing; and insurance. Since the end of the war, Sri Lankan armed forces have begun operating air services, tourist resorts, and farms for civilian purposes, crowding out some private investment. Directors of SOEs are appointed by the Cabinet or a line ministry. The government allocates board seats to both senior government officials and politically-affiliated individuals. There is concern that the public banks are required to take on increasing debt from inefficient SOEs, forcing them to carry a greater share of non-performing loans. In addition, there are several important large private banks in which multiple government entities own interest, so on aggregate these companies are majority government owned. By the virtue of the shareholding the government exerts control over the appointment of boards of directors and management of these banks. SOEs structure of governance is questionable. SOE senior managers usually report to politically affiliated boards of directors. SOEs are often charged with working to political agendas.

Government Control of Private Sector Pension Funds

Sri Lanka does not have a sovereign wealth fund (SWF). Currently, the government manages and controls large pension funds of private sector employees, using these funds for budgetary purposes and stock market investments. The government and the Central Bank are accused of misusing the Employees Provident Fund (EPF), a large retirement fund of private sector workers managed by the Central Bank, for unwise stock market investments and to help governing party supporters. Contacts argue the fund must be segregated from politics and professionalized. SOEs, and government-managed pension funds must meet Sri Lanka accounting standards.

Leading companies in Sri Lanka are actively promoting CSR and some SME companies have also started to promote CSR. The Ceylon Chamber of Commerce, the largest business chamber in Sri Lanka, has a CSR section promoting CSR among its membership. In addition, a professional accounting body has a program to promote sustainability reporting. Internationally, some of Sri Lanka's leading companies have joined the UN Global Compact initiative. The apparel industry, Sri Lanka's largest export industry, has a specially designated CSR program for the industry under the title "Garments without Guilt" (www.garmentswithoutguilt.com). The ethical sourcing and sustainable development practices under the program aim to empower women and their communities through poverty alleviation and opportunities for education and personal growth. In addition, the program endeavors to promote sustainable eco-friendly manufacturing practices in the apparel industry. Accounting standards are applicable for all banks, stock exchange listed companies, and all other large and medium-sized companies in Sri Lanka. Accounting standards are constantly updated to reflect current standards adopted by the International Accounting Standards Board (IASB). Sri Lanka adopted IASB's Financial Reporting Standards (IFRS) from January 1, 2012. However, these standards don't govern executive compensation.

The Sri Lankan government's military campaign against the Liberation Tigers of Tamil Eelam (LTTE) ended in May 2009 with the defeat of the LTTE. During the war, the LTTE had a history of attacks against civilians, and the U.S. government designated the LTTE as a terrorist organization, although none of the attacks were directed against U.S. citizens. There have been no terrorist attacks since the end of the conflict, although the Sri Lankan government claims a nascent terrorist cell attacked a police officer in March 2014. The government has authority throughout the island. Demonstrations take place in Sri Lanka from time to time in response to world events or local developments. Demonstrations near Western embassies are not uncommon. Protests aimed at Western embassies have been well-contained, with support from the Sri Lankan police and military.

Business-related Violence

Business related violence has increased recently. In August 2013, a large rubber glove manufacturing factory was forced to move to a new location due to protests. Residents near the factory protested alleging it to have polluted water in the area. An army crackdown on protesters resulted in three deaths. In March 2014, residents near another rubber factory protested against water pollution. In mid-2013, a leading international food company temporarily suspended operations in Sri Lanka, citing precautionary measures to ensure the safety of its employees after it faced product bans, court cases and angry demonstrators over the sale of contaminated milk powder. In 2013, a group of local politicians were charged with killing a Sri Lankan tea estate manager. In 2011, a British tourist vacationing in Sri Lanka was murdered at a tourist hotel by a group that included local politicians.

In May 2011, workers at the Katunayake Export Processing Zone (EPZ), the country's largest EPZ, held a large protest demanding the withdrawal of a proposed new pension

plan covering all private sector employees. The protest led to a violent clash between the workers and the police. The clashes resulted in the death of one EPZ worker, injuries to a number of protestors and police officers, and damage to several factories. The government closed the EPZ for two days as a precautionary measure. Following the clash, the government withdrew the pension bill.

Human Rights Concerns

The United States remains concerned over the human rights situation in Sri Lanka, which includes allegations of extrajudicial killings, disappearances, intimidation, and harassment during the war. Due to the lack of a credible reconciliation and accountability effort after the 2009 end of the conflict, the United States sponsored resolutions on the situation in Sri Lanka in the UN Human Rights Council (UNHRC) in March 2012, March 2013 and again in March 2014. All three resolutions passed. The 2014 resolution requests the office of the UN Human Rights Commissioner to lead an investigation into alleged violations of human rights during the conflict and to monitor the human rights situation.

Corruption

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at:

<http://www.justice.gov/criminal/fraud/>

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies

pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. [Insert information as to whether your country is a party to the OECD Convention.]

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) [Insert information as to whether your country is a party to the OAS Convention.]

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery,

money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.) [Insert information as to whether your country is a party to the Council of Europe Conventions.]

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States, the [name of FTA], which came into force. Consult USTR Website for date: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.]

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department’s present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ’s Fraud Section Website at www.justice.gov/criminal/fraud/fcpa.

Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Sri Lanka

While the country has generally adequate laws and regulations to combat corruption, enforcement is considered weak and inconsistent. U.S. firms identify corruption as a constraint on foreign investment, but, by and large, it is not a major threat to operating in Sri Lanka – at least once a contract has been won. The business community claims that corruption has the greatest effect on investors in large projects and on those pursuing government procurement contracts. Some claim that the level of corruption makes it difficult to compete with bidders not subject to the U.S. Foreign Corrupt Practices Act. Projects geared toward exports face fewer problems. Local investors say internal controls do exist, although they are weak. Sri Lanka ratified the UN Anti-Corruption Convention in 2004. Sri Lanka has signed but not ratified the UN Convention against Transnational Organized Crime. Sri Lanka is a signatory to the OECD-ADB Anti-Corruption Regional Plan. Attempts to introduce a Freedom of Information Act to increase transparency have been unsuccessful.

Bribery Commission

The Bribery Commission is the main body responsible for investigating allegations brought to its attention and instituting proceedings against responsible individuals in the appropriate court. The law states that a public official's offer or acceptance of a bribe constitutes a criminal offense and carries a maximum sentence of seven years imprisonment and a fine at the discretion of the courts. A bribe by a local company to a foreign official is not covered by the Bribery Act.

Resources to Report Corruption

Contact at Government Agency responsible for combatting corruption:
Jagath de S. Balapatabendi, Chairman
Commission to Investigate Allegations of Bribery or Corruption
No 36, Malalasekara Mawatha, Colombo 7
Phone: 94-11- 2595039 Email: ciaboc@eureka.lk

Contact at watchdog organization:
S Rannuge, Executive Director
Transparency International, Sri Lanka
183/5 High Level Road, Colombo 6
Phone: 94-11-11 436978 Email: ed@tisrilanka.org

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.
- The World Economic Forum publishes the Global Enabling Trade Report, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.
- Additional country information related to corruption can be found in the U.S. State Department’s annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.

- Global Integrity, a nonprofit organization, publishes its annual Global Integrity Report, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

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The Government of Sri Lanka has signed investment protection agreements with the United States (which came into force in May 1993) and with the following other countries: Australia, Belgium-Luxembourg, China, Denmark, Egypt, Finland, France, Germany, Indonesia, India, Iran, Italy, Japan, Korea, Kuwait, Malaysia, the Netherlands, Norway, Pakistan, Romania, Singapore, Sweden, Switzerland, Thailand, the United Kingdom, and Vietnam.

Taxation

Sri Lanka's tax rates are mid-range for the region; the highest corporate tax rate is 28 percent. Private sector contacts generally laud the government for maintaining a fairly consistent corporate tax policy over the last several years; for some, consistent taxes are more important than lower taxes. One notable exception was the 2013 extension of the 12.5 percent Value Added Tax (VAT) to supermarkets and large trading houses.

Foreign investors not qualifying for Board of Investment incentives such as tax and exchange control exemptions or concessions are liable to pay taxes on corporate profits, dividends, and remittances of profits. They are also liable to pay a VAT on goods and services. An Economic Service Charge (ESC) at 0.25 percent of income applies to BOI-approved companies enjoying tax holidays.

A bilateral treaty between Sri Lanka and the United States to avoid double taxation was ratified and entered into force on June 12, 2004. The Embassy encourages prospective U.S. investors to contact an international auditing firm operating in Sri Lanka to assess their tax liability.

OPIC and Other Investment Insurance Programs

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The United States and Sri Lanka concluded in 1966 (and renewed in 1993) an agreement that allows the Overseas Private Investment Corporation (OPIC) to provide investment insurance guarantees for U.S. investors. OPIC currently provides coverage to banking and power sector investments in Sri Lanka. Sri Lanka's membership in the Multilateral Investment Guarantee Agency (MIGA) offers the opportunity for insurance against non-commercial risks. The U.S. Embassy and other U.S. Government institutions spend tens of millions annually in Sri Lanka. This amount can potentially be utilized by OPIC to honor an inconvertibility claim; however, no such claims have been made to date in Sri Lanka. The Embassy purchases local currency at the financial rate.

Labor

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Labor Market

Sri Lanka's labor market is small, with a limited pool of skilled workers. Engineering, accounting, legal, and architectural professions follow high standards, although local design talent is still underdeveloped. Labor is available at relatively low cost, though it is priced higher than in some other South Asian countries. Many of Sri Lanka's top graduates seek employment outside the country. For those who remain, Sri Lanka's labor laws afford many employee protections. Many investors consider this legal framework somewhat rigid, however, making it difficult for companies to reduce their workforce even when market conditions warrant doing so. The cost of dismissing an employee in Sri Lanka is, percentage-wise, one of the highest in the world. Sri Lanka's labor force is literate (particularly in local languages) and trainable, although weak in certain technical skills and the English language. The average worker has eight years of schooling, and two-thirds of the labor force is male. Retention is fairly good in the IT/BPO sector, but the garment industry reports up to a 40 percent staff turnover rate. Lack of labor mobility in the North and East is also a problem, with workers reluctant to leave their families and villages for employment elsewhere.

In 2013, 8.4 million Sri Lankans were employed, with 44 percent in services, 26 percent in industry, and 30 percent in agriculture jobs. Overall, 41 percent of the workforce is in the private sector and 15 percent in the government. Self-employed workers constitute 32 percent of all employed, while another 9 percent were unpaid family workers. About 61 percent of the employed are in the informal sector.

The unemployment rate has declined in recent years to around 4 percent, although low unemployment rates are due in part to a large outflow of Sri Lankan migrant labor. Unemployment among women and high school/college graduates has been proportionally higher than the rate for less-educated workers. Youth and entry-level unemployment and underemployment remain a problem. A significant proportion of unemployed people seek "white collar" employment, often preferring low-paying but stable government jobs. However, most sectors seeking employees offer manual or semi-skilled jobs or require technical or professional skills such as management, marketing, information technology, accountancy and finance, and English language proficiency. The construction, plantation, and apparel industries also report a shortage of workers. Some investors have faced problems in finding sufficient employees with the requisite skills, a situation the tourism industry is likely to face as more hotels open in the near future.

The government has initiated educational reforms it hopes will lead to better preparation of students and better matches between graduates and jobs. More computer, accounting and business skills training programs and English language programs are becoming available. But the demand for these skills still outpaces supply.

Migrant Workers Abroad

There are an estimated 1.8 million Sri Lankan workers abroad. Remittances from migrant workers, at \$6.4 billion, are Sri Lanka's largest source of foreign exchange. The majority of this labor force is unskilled (housemaids and factory laborers) and located primarily in the Middle East. Sri Lanka is also losing many of its skilled workers to more lucrative jobs abroad.

Trade Unions

About 20 percent of the workforce is unionized, but union membership is declining. There are more than 1,900 registered trade unions (many of which have 50 or fewer members), and 19 federations. About 15 percent of labor in the industry and service sector is unionized. Most of the major trade unions are affiliated with political parties, creating a highly politicized labor environment. In many cases, several unions, affiliated with different political parties, work together at state-owned enterprises. This is not the case for private companies, which only have one union or perhaps a workers' council to represent the employees.

All workers, other than police, armed forces, prison service, and those in essential services, have the right to strike. By law, workers may lodge complaints to protect their rights with the commissioner of labor, a labor tribunal, or the Supreme Court. The President retains the power to designate any industry as an essential service.

Unions represented workers in many large private firms, but workers in small-scale agriculture and small businesses usually did not belong to unions. The tea industry, however, is highly unionized, and public sector employees are unionized at very high rates. Labor in export processing zone enterprises tends to be represented by non-union worker councils, although unions also exist in the EPZs. Worker councils have functioned well in some companies in providing for worker welfare. The BOI has requested that companies recognize trade unions, allow union access to export processing zones, and accept the right to collective bargaining. The BOI has issued guidelines for employee councils, giving powers to employee councils to negotiate binding collective agreements. According to the BOI, where both a recognized trade union with bargaining power and a non-union worker council exist in an enterprise, the trade union will represent the employees in collective bargaining. The International Labor Organization's (ILO) Freedom of Association Committee has observed that Sri Lankan trade unions and worker councils can co-exist, but advises that there should not be any discrimination against those employees choosing to join a union. The right of worker councils to engage in collective bargaining has been held as valid by the ILO.

Unions have complained that the BOI and some employers, especially in the export processing zones, prohibit union access and do not register unions on a timely basis. Employers allege that the JVP, a Marxist political party opposed to private enterprise, could provoke labor to strike under the pretense of trade union activity. Due to the JVP's violent past, employers are generally not in favor of it or its trade union arm, the Inter-Company Trade Union. There are also a number of independent unions.

In June 2012, the United States Trade Representative closed the review of a petition submitted by the American Federation of Labor and Congress of Industrial Organizations complaining of alleged labor rights violations in EPZs without any change to Sri Lanka's trade benefits. The closure of the review was based on the Sri Lankan government's efforts over the past few years to address the worker rights issues outlined in the petition. Further, the BOI established "facilitation centers" for unions to meet members and other workers in the three largest EPZs. The United States and Sri Lanka have established a subcommittee under the Trade and Investment Framework Agreement to discuss labor issues in Sri Lanka.

Collective Bargaining

Collective bargaining exists but is not universal. The Employers' Federation of Ceylon, the apex employers' association in Sri Lanka, assists its member companies to negotiate with unions and sign collective bargaining agreements. While about a quarter of the 548 members of the Employers' Federation of Ceylon are unionized, 121 of these companies (including a number of foreign-owned firms) are bound by collective agreements. A further 24 have signed Memorandums of Understanding with trade unions. As of December 2012, there were only five collective bargaining agreements signed in companies located in EPZs.

Labor Rights

The law prohibits all forms of forced and compulsory labor. While there was no national minimum wage, 43 wage boards established by the Ministry of Labor set minimum wages and working conditions by sector and industry in consultation with unions and employers. Minimum wage laws did not cover workers in sectors not covered by wage boards, including informal sector workers. The law does not require equal pay for equal work. The law prohibits most full-time workers from regularly working more than 45 hours per week. In addition, the law stipulates a rest period of one hour per day. Regulations limit the maximum overtime hours to 15 per week. The law provides for paid annual holidays, sick leave and maternity leave. Occupational health and safety regulations did not fully meet international standards.

Child Labor

Child labor is prohibited and is virtually nonexistent in the organized sector, although child labor occurs in informal sectors. The minimum legal age for employment is set at 14. The minimum age for employment in hazardous work is 18 years. The Hazardous Occupations Regulation contains a list of 51 occupations considered to be hazardous forms of child labor in Sri Lanka.

Labor-Management Relations

Formerly confrontational labor-management relations have improved in the last few years as employers have worked harder to motivate and care for employees. Work stoppages and strikes in the private sector increased in 2013 compared to 2012. While labor-management relations vary from organization to organization, managers who emphasize communication with workers and offer training opportunities generally experience fewer difficulties. U.S. investors in Sri Lanka (including U.S. garment buyers) generally promote good labor management relations and labor conditions that exceed local standards.

ILO Conventions

Sri Lanka is a member of the International Labor Organization (ILO) and has ratified 31 international labor conventions. The labor laws of Sri Lanka are laid out in almost 50 different statutes, and the Ministry of Labor has consolidated these in a Labor Code. Sri Lanka has ratified all eight of the ILO's core labor conventions. The ILO and the Employers' Federation of Ceylon are working to improve awareness of core labor standards, and the ILO also promotes its Decent Work Agenda program in Sri Lanka.

Sri Lanka has 12 free trade zones, also called export processing zones, administered by the BOI. In addition, a large private apparel company opened Sri Lanka's first privately-run fabric park in 2007. The company invites local and foreign companies to set up fabric and apparel factories in this eco-friendly park.

In the past, firms preferred to locate their factories near Colombo harbor or airport to reduce transport time and cost. However, excessive concentration of industries around Colombo has caused heavy traffic, higher real estate prices, environmental pollution, and scarcity of labor. The BOI and the government now encourage export-oriented factories to set up in industrial zones farther from Colombo, although Sri Lanka's poor roads make these outlying zones more challenging.

Foreign Direct Investment Statistics

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TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Central Bank of Sri Lanka*		USG or international statistical source		USG or international Source of data
	Year	Amount	Year	Amount	
Economic Data					
Gross Domestic Product (GDP) (Millions U.S. Dollars)	2013	67,200	2012	59,400	http://www.worldbank.org/en/country http://www.imf.org/external/pubs/ft/weo/2014/01/weodata/weoselgr.aspx
			2013	65,833	
GDP Growth Rate	2013	7.3%	2013	7.3%	http://www.imf.org/external/pubs/ft/weo/2014/01/weodata/weoselgr.aspx
Population (Million)	2013	20.4	2013	20.8	http://www.imf.org/external/pubs/ft/weo/2014/01/weodata/weoselgr.aspx
Per Capita GDP (U.S. Dollars)	2013	3,280	2013	3,161	http://www.imf.org/external/pubs/ft/weo/2014/01/weodata/weoselgr.aspx
Inflation	2013	4.7%	2013	4.7%	http://www.imf.org/external/pubs/ft/weo/2014/01/weodata/weoselgr.aspx
Budget Deficit	2013	5.9%	2013 (Proj)	5.8%	http://www.imf.org/external/np/sec/pr/2013/pr13481.htm
Exports (Millions of U.S. Dollars)	2013	10,394	2013 (Proj)	9,826	http://www.imf.org/external/np/sec/pr/2013/pr13481.htm
Imports (Millions of U.S. Dollars)	2013	18,003	2013 (Proj)	19,406	http://www.imf.org/external/np/sec/pr/2013/pr13481.htm
Remittances Inflow (Millions of U.S. Dollars)	2013	6,400			
Total Public Debt (pct of GDP)	2013	78.3%	2013 (Proj)	76.6%	http://www.imf.org/external/np/sec/pr/2013/pr13481.htm
Total Foreign Debt (Millions of U.S. Dollars)	2013	39,740	2013 (Proj)	35,500	http://www.imf.org/external/np/sec/pr/2013/pr13481.htm

Public Foreign Commercial Debt (Millions of U.S. Dollars)	2013	11,285	2013		http://www.imf.org/external/np/sec/pr/2013/pr13481.htm
Foreign Reserves	2013	8,574	2013 (Proj)	6,661	
Foreign Direct Investment	Sri Lanka Statistical source*		USG statistical source		USG Source of data
U.S. FDI in Sri Lanka (Millions of U.S. Dollars, stock positions)	NA	NA	2012	102	Bureau of Economic Analysis(BEA)
Sri Lanka's FDI in the United States (Millions of U.S. Dollars, stock positions)	NA	NA	2012	18	Bureau of Economic Analysis (BEA)
Total inbound stock of FDI as % GDP	2013	2%			

* Central Bank of Sri Lanka <http://www.cbsl.gov.lk>

Contact Point at Post for Public Inquiries

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Economic Counselor
U.S. Embassy, 210 Galle Road, Colombo 3
Phone: 94-11-2498500
Email: commercialcolombo@state.gov

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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Payments for import of goods can be made under letters of credit (LC), Documentary collections (Documents against Payment (DP) or Documents against Acceptance (DA) terms) or Advance Payment (AP) terms. Goods can also be imported to Sri Lanka on a consignment-account basis, where the goods imported are books and periodicals, or ornamental fish imported for re-export. Letters of Credit are valid for up to 365 days. Imports on Advance Payment terms are allowed where the total value of the goods does not exceed \$50,000. Payments for imports made on Advance Payment basis can be made through bank draft, mail transfer, or telegraphic transfer. Goods for which advance payment has been made should be received by the importer within 90 days of affecting the remittance.

Basic documents required by commercial banks for imports include an invoice, insurance certificate (if applicable), and transport documents. Depending on the product and the mode of payment, certificates such as certificates of origin, inspection certificates, and packing lists may also be required. Shipments by air cargo may require the same documentation as those arriving by sea. All shipping documents in relation to imports made on DP or DA terms should be forwarded by the supplier's bank or by the supplier to a commercial bank in Sri Lanka for release to the importer of goods. In the event the original documents are not received on time, the importer, at the discretion of the bank, may submit copies of those documents for certification by the bank for clearance of the goods. The importer should arrange the original shipping documents to be received by the bank concerned within 30 days from the date of certification of the copies.

To clear goods from customs, the importer should submit relevant shipping documents certified by a commercial bank and customs declaration forms to the Sri Lanka Department of Customs. In the case of an import made on AP basis, goods will be released on submission of satisfactory proof of payment such as bank confirmations. In the case of an import made on consignment-account basis, goods will be released by customs on the submission of clearance documents.

How Does the Banking System Operate

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Sri Lanka has a fairly well diversified banking system, which includes the Central Bank of Sri Lanka (CBSL), two large state-owned commercial banks, ten private domestic

commercial banks, twelve foreign banks, a national savings bank, a regional development bank, two long-term lending institutions, two housing banks, two private savings banks, and 12 merchant banks. Citibank N.A. is the only American bank operating in Sri Lanka. The domestic commercial banks operate branches throughout the island. All commercial banks operate foreign currency banking units (FCBU) and conduct off-shore business and finance projects approved by the BOI. The Central Bank is responsible for regulation and supervision of Sri Lanka's banking system. The legal framework consists of the Monetary Law Act and the Banking Act. The Central Bank is empowered to issue detailed directives to the commercial banks. In 1993, Sri Lanka adopted the Basel Accord capital guidelines of 8% of risk-adjusted assets as the minimum capital requirement for commercial banks. The capital-adequacy ratio was raised to 10% effective January 2003. In January 2008, Sri Lanka adopted International Convergence of Capital Measurement and Capital Standards widely known as the Basel II Framework for computation of the capital adequacy ratio. Sri Lanka adopted International Financial Reporting Standards in January 2012 by issuing Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS). Commercial banks are required to comply with these accounting standards and Central Bank guidelines on loan loss provisioning.

Foreign-Exchange Controls

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Sri Lanka removed exchange control restrictions on current-account transactions effective March 15, 1994. Sri Lanka relaxed exchange controls on several categories of capital account transactions in 2010-2012. If a project receives Board of Investment (BOI) approval, the project generally avoids capital controls.

In times of balance of payments difficulties, however, the government tends to impose controls on foreign exchange transactions involving the current account. Most recently, in October 2008, the Central Bank required importers to keep a 100% deposit on letters of credit on a range of imports. The deposit requirement on the import of cars was 200% of the value of the import. These requirements were removed in 2009. The government now holds substantial foreign exchange reserves, although a bulk consists of borrowed money.

Contracts for forward bookings of foreign exchange are currently permitted for a maximum of 720 days for loan repayment. There are no controls on forward bookings for the purpose of payments for trade in goods and services.

Currently, exporters need to repatriate export-proceeds within 120 days to settle export credit facilities. Other export proceeds can be retained abroad in a local banks correspondent bank.

The Central Bank has introduced an export proceeds monitoring system. All exporters are required to provide details regarding export proceeds to the Central Bank on a quarterly basis.

U.S. Banks and Local Correspondent Banks

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Citibank is the only U.S. bank present in Colombo. All Sri Lankan commercial banks have correspondent relationships with U.S. banks. Due to international sanctions, Sri Lanka can no longer import crude oil from Iran, and many Sri Lankan banks have terminated their correspondent banking relationships with Iran.

U.S. Banks and Local Correspondent Banks

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Citibank is the only U.S. bank present in Colombo. All Sri Lankan commercial banks have correspondent relationships with U.S. banks. Due to international sanctions, Sri Lanka can no longer import crude oil from Iran, and many Sri Lankan banks have terminated their correspondent banking relationships with Iran.

Project Financing

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China is the largest lender for government projects. Multilateral agencies also provide long-term lending for government projects. The Asian Development Bank (ADB), the World Bank, and the Japan International Cooperation Agency (JICA) are the major sources of project financing. In addition, bilateral donors, such as India, Japan, and Germany, fund major government projects by providing long-term concessional loans. The Government also seeks foreign commercial borrowing for project finance.

In addition to public-sector lending, the ADB also lends directly to the private sector to finance projects. The World Bank's International Finance Corporation (IFC) supports private-sector projects in Sri Lanka in the form of equity and long-term debt financing. IFC also supports SMEs.

Retained profits finance approximately 70% of private investment, with short-term borrowing financing an additional 20% of investment. The stock market and, to a lesser extent, the corporate-securities market are also used to raise capital. The Colombo Stock Exchange (CSE) was the world's second best performing stock market in 2009-2010, based on post-war economic optimism. The CSE went through a sharp correction in 2011 and 2012. The market remains below its peak. Some foreign investors exited the Colombo market in the first quarter of 2014. Foreign direct investment (FDI) finances about 4% of overall investment. FDI reached \$1.4 billion in 2013, the highest level ever, but still a relatively modest 2% of GDP. The government target for FDI of \$2 billion for 2013 and was retained for 2014. Foreign investors are allowed to access credit on the local market. They are also free to raise foreign currency loans.

Commercial banks are the principal sources of local bank finance for projects. Bank loans are the most widely used credit instrument in the private sector. Financial institutions also raise syndicated bank loans to fund large-scale investment projects undertaken by the private sector. As of May 2014, commercial bank lending rate applying to prime customers was 8.6%. Average lending rate to other customers was around 14.5%. Companies registered in Sri Lanka are allowed to borrow up to \$10 million abroad annually up to a maximum limit of \$30 million without approval. Amounts over this limit need approval on a case-by-case basis.

The U.S. Trade and Development Agency (USTDA) funds feasibility studies, orientation visits, specialized training grants, business workshops, and other forms of technical assistance to help American businesses compete for infrastructure and industrial projects. Further information on USTDA programs is available at www.tda.gov.

Existing World Bank IDA Loans:

- \$64 million for Livelihoods in Conflict areas

- \$65 million for Dam Safety
- \$100 million for Road Sector I
- \$75 million for Community Development and Livelihoods
- \$105 million for Provincial Roads
- \$50 million for North East Local Services Improvement
- \$40 million for Higher Education for the 21st Century
- \$57 million for Small and Medium Enterprise Development
- \$100 million for Road Sector II
- \$100 million for Transforming the Education Sector
- \$200 million for Health Sector Development
- \$213 million for Metro Colombo Urban Development
- \$110 million for improving climate resilience
- \$83 million for Dam Safety (additional financing)
- \$147 million for Strategic Cities Development

Proposed World Bank/IDA loans:

- \$90 million for skills development

Existing ADB Loans:

- \$20 million for Technical Education Development
- \$35 million for Secondary Education Modernization
- \$150 million for National Highways
- \$300 million Colombo Port Expansion
- \$130 million for Secondary Town Water Supply
- \$65 million for Education for Knowledge Society Project
- \$125 million for Dry Zone Water & Sanitation
- \$300 million for Greater Colombo Wastewater Management
- \$160 million for Clean Energy and Access Improvement
- \$53 million for Local Government Infrastructure
- \$11 million for Rural Finance Sector Development
- \$82 million for Conflict Affected Areas Rehabilitation
- \$252 million for Northern Road Connectivity
- \$120 million for Sustainable Power Sector
- \$40 million for Technical Education and Vocational Training
- \$70 million for Eastern and North Central Provincial Roads
- \$90 million for Jaffna and Kilinochchi Water Supply and Sanitation
- \$20 million for Fiscal Management Efficiency
- \$85 million for National Highways
- \$20 million for North East Community Development
- \$130 million for Clean Energy and Network Efficiency
- \$56 million for Road Development
- \$40 million for Dry Zone Urban Water and Sanitation
- \$200 million for Education Sector Development
- \$75 million for Southern Road Connectivity
- \$88 million for Great Colombo Water and Wastewater Management
- \$100 million for Skills Enhancement

To obtain further information on Asian Development Bank funded projects in Sri Lanka, visit www.adb.org.

Asian Development Bank (ADB) funding: The ADB, a non-profit international financial institution headquartered in Manila, Philippines, maintains a Resident Mission in Sri Lanka. In addition to public-sector lending, ADB also lends directly to the private sector to mobilize additional investment and financing for projects. ADB's lending program provides significant commercial opportunities for U.S. companies. The U.S. and Japan are the largest shareholders of the ADB.

Asian Development Bank Liaison Office: The U.S. Commercial Service's Liaison Office to the Asian Development Bank (CS ADB), based out of the U.S. Embassy in Manila, is part of the U.S. Department of Commerce's global network of export development offices. CS ADB works directly with U.S. firms to target major project, consulting and procurement opportunities generated from the Asian Development Bank's direct lending and grant activities. CS ADB captures these opportunities and sends them out as monthly reports entitled "Foreign Government Tenders". CS ADB also works with U.S. sponsors/developers of private projects who can benefit from the lending and risk mitigation activities of the ADB's Private Sector Department, and the ADB's Office of Co-financing Operations. CS ADB invites American firms to work with it in pursuing ADB commercial, financial services, and infrastructure project development opportunities.

The Office's contact information is:

[Margaret Keshishian](#),
Director/Senior Commercial Officer
U.S. Commercial Service Liaison Office to the Asian Development Bank (CS ADB)
US Embassy – NOX 2
1201 Roxas Boulevard, Ermita Manila,
Philippines 1000

E-mail: Office.ManilaADB@trade.gov
Phone: (63-2) 516 5093; (63-2) 301-6222; (+63-2) 301-2000 loc. 6222
Facsimile: (+63-2) 516-6958
Website: <http://www.buyusa.gov/adb>

U.S. Mailing Address:
Director/ Senior Commercial Officer
CS/ADBUnit 8600
Box 1565
DPO AP 96515-1565

Web Resources

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

World Bank www.worldbank.org

-- UN Development Business www.dev.business.com

-- The Development Gateway Market www.dgmarket.com

Asian Development Bank www.adb.org

Central Bank of Sri Lanka <http://www.cbsl.gov.lk>

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Chapter 8: Business Travel

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Business Customs

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The language of business is English. Business cards are a necessity. Courtesy is highly valued in Sri Lanka, and personal graciousness may play a role in securing deals. While punctuality is not as highly prized as in the United States, most appointments and similar commitments are reliably honored.

Travel Advisory

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Embassy Consular Information Sheet is available at http://travel.state.gov/travel/cis_pa_tw/cis/cis_1025.html

Visa Requirements

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ENTRY/EXIT REQUIREMENTS: A passport and onward/return ticket and proof of sufficient funds are required.

U.S. citizens visiting Sri Lanka must have either an Electronic Travel Authorization (ETA) or a visa to enter Sri Lanka.

U.S. citizens intending to visit Sri Lanka for purposes of tourism or transit require an approval notice from Sri Lanka's Electronic Travel Authorization System, onward/return ticket, and proof of sufficient funds. The Electronic Travel Authorization System is available online or at the port of entry. Visitors are strongly urged to use the online system to avoid lengthy delays at the port of entry. The online application, fees, and other relevant information are available here. This travel authorization allows entry for up to 30 days. Sri Lankan regulations define tourist travel as sightseeing, visiting friends and relatives, receiving medical treatment including Ayurvedic and yoga, and participating in sporting events, competitions, and cultural activities. Foreigners entering Sri Lanka on a tourist visa cannot convert their visa to a non-tourist one, and risk deportation if they engage in other activities without the appropriate visa.

Transit passengers are defined as foreigners who expect to enter Sri Lanka and remain for a period not exceeding 2 days while waiting for onward travel. Passengers who do not cross Sri Lankan immigration lines, but who merely transfer between flights inside the airport, are defined as transfer passengers and do not require an Electronic Travel Authorization approval or a visa.

U.S. citizens intending to visit Sri Lanka for short-term business activities such as participating in business meetings, engaging in business negotiations, or attending conferences and workshops are required to obtain a business ETA. Business ETAs are not available online. Business travelers must obtain travel authorization either from the nearest Sri Lankan Embassy or Consulate before arrival in Sri Lanka, or at the port of entry in Sri Lanka.

All visitors staying beyond the expiration date of their visa must obtain a visa extension from the Department of Immigration and Emigration in Colombo and pay the relevant visa fees.

Travelers must have yellow fever and cholera immunizations if they are arriving from an infected area. A yellow fever vaccination certificate must also be obtained by all passengers over the age of one year old who have traveled through the following African and Latin American countries within nine days immediately preceding entry to Sri Lanka:

- African countries (31) – Angola, Benin, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Cote d'Ivoire, Democratic Republic of Congo, Equatorial Guinea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Liberia, Mali, Mauritania, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, and Uganda.
- South American countries (10) – Bolivia, Brazil, Colombia, Ecuador, French Guiana, Guyana, Panama, Peru, Suriname, and Trinidad and Tobago.

Specific inquiries regarding entry and exit requirements should be addressed to the [Embassy of Sri Lanka](#), 2148 Wyoming Avenue NW, Washington, D.C. 20008, telephone (202) 483-4025, fax (202) 232-7181. Contact the Sri Lankan Embassy by [e-mail](#); the Sri Lankan Consulate General in Los Angeles at 3250 Wilshire Blvd., Suite 1405, Los Angeles, CA 90010, telephone (213) 387-0210; or the [UN Mission in New York City](#), #630 3rd Avenue, 20th Floor, New York, NY 10017, telephone (212) 986-7040. There are several honorary Sri Lankan consuls general and consuls in the United States. Visit the [Embassy of Sri Lanka website](#) for current visa information.

SMART TRAVELER ENROLLMENT PROGRAM (STEP):

If you are going to live in or visit Sri Lanka, please take the time to tell our Embassy about your trip. If you enroll, we can keep you up to date with important safety and security announcements. It will also help your friends and family get in touch with you in an emergency. Here's the link to the [Smart Traveler Enrollment Program](#). You can also download our free Smart Traveler App available through [iTunes](#) and the [Android market](#) to have travel information at your fingertips.

HIV/AIDS RESTRICTIONS: The U.S. Department of State is unaware of any HIV/AIDS entry restrictions for visitors to or foreign residents of Sri Lanka. Sri Lankan law allows immigration officials to refer visitors and foreign residents to a physician for examination if a public health risk is suspected. In practice this is a rare occurrence, but travelers should be aware that Sri Lankan law allows for the denial of entry to any foreigner who,

upon referral from an immigration officer, is certified by a physician as posing a public health risk. Travelers who refuse a medical examination under these circumstances may be refused entry. Please verify this information with the [Embassy of Sri Lanka](#) before traveling.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/>

Local embassy information is available below and at the [Department of State's list of embassies and consulates](#).

[U.S. Embassy Colombo](#)

210 Galle Road

Colombo 03

Sri Lanka

Telephone: 94 11 249 8500

Emergency after-hours telephone: 94 77 725 6307

Facsimile: 94 11 249 8590

Email for American Citizens Services issues: ColomboACS@state.gov

Consular Section of the U.S. Embassy Colombo:

<http://srilanka.usembassy.gov/visas.html>

Visa Appointment Scheduling in Colombo (TT Services): www.ttsusvisas.lk

Telecommunications

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International direct dialing and cellular telephones are widely available. Mobile phones with GSM roaming facilities and wireless communication devices can be used in Sri Lanka. International mail and courier services (including FedEx, UPS and DHL) are also available. A number of local providers offer Internet and e-mail services. Because the phone-line quality varies, connections are sometimes unreliable.

Transportation

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Sri Lanka is served by several airlines. There are no direct flights to Colombo from the U.S. The best way to travel to Sri Lanka from the east coast is through London or Dubai. The national carrier Sri Lankan Airlines (UL) flies daily to London and Dubai. Sri Lankan Airlines also flies to Paris and Frankfurt. In addition, British Airways operates flights from Gatwick to Colombo. Sri Lanka Airways is now one of the 15 member airlines of the One World Alliance. Several middle-eastern airlines such as Emirates Airline, Qatar Air, Oman Air, and Etihad also fly to Colombo. Visitors flying from the U.S. west coast may transit in Japan, Hong Kong, Singapore, or Bangkok. Sri Lankan Airlines, Cathay Pacific, Singapore Airlines, Emirates and Thai Airlines operate flights to these cities from Colombo.

As there is no direct commercial air service to the United States by carriers registered in Sri Lanka, the U.S. Federal Aviation Administration (FAA) has not assessed the government of Sri Lanka's Civil Aviation Authority for compliance with International Civil Aviation Organization (ICAO) aviation safety standards. Further information may be found on the [FAA's safety assessment page](#). While in a foreign country, U.S. citizens may encounter road conditions that differ significantly from those in the United States. Vehicular traffic in Sri Lanka moves on the left (British style). Traffic in Colombo is very congested. Narrow two-lane highways, overloaded trucks, dangerously-driven buses, and a variety of conveyances on the road, ranging from motor cycles to new four-wheel-drive vehicles, make driving challenging and dangerous. Unexpected road blocks and one-way streets are common and may not be clearly marked. Many visitors hire cars and drivers for long trips through the country. Individuals choosing to hire three-wheeled vehicles ("trishaws") should negotiate prices beforehand to avoid confrontations. If you are renting a vehicle, you should specifically request one with working seatbelts. Please refer to our [Road Safety page](#) for more information. Also, we suggest that you visit the website of [Sri Lanka's national tourist office](#) and the [National Council for Road Safety](#).

Language

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The language of business is English. Sinhala, Tamil, and English are official languages.

Health

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MEDICAL FACILITIES AND HEALTH INFORMATION: There are six large hospitals in the Colombo area with emergency trauma service: Asiri I Hospitals, Lanka Hospital, Nawaloka Hospital, Durdans Hospital and the government-run National Hospital. Medical facilities outside Colombo are limited. The U.S. Embassy maintains a list of private physicians, which may be obtained upon request. The availability of medical supplies is uneven; as such, travelers should carry any special medications with them. Serious medical conditions may require evacuation to the United States or to a nearby country with more advanced medical facilities, such as Thailand or Singapore. Neither Thailand nor Singapore requires U.S. citizens to have an entry visa.

Several mosquito-borne diseases, including dengue fever, chikungunya, Japanese encephalitis, and malaria, are present to varying degrees in Sri Lanka. Adequate mosquito protection is strongly advised. See the section on Entry/Exit Requirements (above) for information on communicable diseases such as HIV/AIDS.

Good information on vaccinations and other health precautions can be found on the Center for Disease Control and Prevention (CDC) website or by calling the hotline for international travelers at 1-877-FYI-TRIP (1-877-394-8747). For information about outbreaks of infectious diseases abroad, consult the [World Health Organization \(WHO\) website](#). The WHO website also contains additional health information for travelers, including [detailed country-specific health information](#).

Medical Insurance:

You can't assume your insurance will go with you when you travel. It's very important to find out BEFORE you leave. You need to ask your insurance company two questions:

- Does my policy apply when I'm out of the United States?

- Will it cover emergencies like a foreign hospital stay or an evacuation?

In many places, doctors and hospitals still expect payment in cash at the time of service. Your regular U.S. health insurance may not cover doctors' and hospital visits in other countries. If your policy doesn't go with you when you travel, it's a very good idea to take out another one for your trip. For more information, please see [our medical insurance overseas page](#).

Local Time, Business Hours, and Holidays

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Prior to travel to Sri Lanka, businesspersons should check whether any local holidays will occur during their trips. There are about 20 public holidays, when government offices and banks will be closed for business. Private companies also close on most of these holidays.

Sri Lankan holidays are connected with the country's four religions: Buddhism, Hinduism, Islam, and Christianity. Dates change from year to year. Holidays with fixed dates include Independence Day (February 4), Labor Day (May 1) and Christmas (December 25). Each full moon is marked by a Poya Day holiday.

Sri Lanka is GMT+5.30 hours. Sri Lanka does not observe daylight-savings time. Business hours are generally from 8:30 a.m. to 5:00 p.m. (Monday through Friday). Government offices are open for business usually from 8:30 a.m. to 4:15 p.m. (Monday through Friday).

Holidays – 2014

January	14	Thai Pongal *
January	14	Holy Prophet's Birthday*
January	15	Duruthu Poya*
February	04	National Day*
February	14	Navam Poya*
February	27	Mahasivarathri Day
March	16	Medin Poya*
April	13	Sinhala/Tamil New Year's Eve*
April	14	Sinhala/Tamil New Year*
April	14	Bak Poya*
April	18	Good Friday
May	01	May (Labor) Day*
May	14	Vesak Poya*
May	15	Day Following Vesak Poya*
June	12	Poson Poya*
July	12	Esala Poya*
July	29	Id-UI-Fitr (Ramazan Festival)
August	10	Nikini Poya*
September	08	Binara Poya*
October	05	Id-UI-Allah (Hajj Festival)
October	08	Vap Poya *
October	22	Deepavali Festival
November	06	Il Poya*
December	06	Unduvap Poya*
December	25	Christmas*

Note: Private companies are closed on holidays marked with *

Temporary Entry of Materials and Personal Belongings

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Temporary entry for exhibition material is allowed under the Carnet system of the International Chamber of Commerce. The exporter should ensure that required documents under the Carnet system are certified in the country of origin of the material. These documents should be presented at the time the goods are being cleared from Customs. Goods brought into the country under the Carnet system must be re-exported within six months. For additional information, contact the approving authority: Director General of Customs, 40 Main Street, Colombo 11, telephone 94-11-2347881, fax 94-11-2446364; e-mail:dgc@customs.gov.lk.

Business travelers and visitors can enter with a portable computer, with or without encrypted software, as personal baggage. No duties or taxes are charged. Customs does not check for installed software which comes as personal baggage but, removable software has to be declared. Global Positioning System or similar devices are technically prohibited from entry into country without prior special permission.

Web Resources

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US Embassy in Colombo	http://srilanka.usembassy.gov
Consular Information Sheets	www.travel.state.gov
Centers for Disease Control and Prevention	www.cdc.gov/travel
Sri Lanka Tourism	www.srilankatourism.org
Sri Lankan Embassy in Washington DC	www.slembassy.org
United States Visas	http://srilanka.usembassy.gov/visas.html
TT Services (Visa Appointments in Colombo)	www.ttsusvisas.lk
Department of Immigration Sri Lanka	www.immigration.gov.lk
Electronic Travel Authorization	www.eta.gov.lk/slvisa/

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Chapter 9: Contacts, Market Research and Trade Events

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Contacts

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Government Agencies and Offices

Ministry of Finance and Planning	www.treasury.gov.lk
Ministry of External Affairs	www.mea.gov.lk
Ministry of Industry and Commerce	www.industry.gov.lk
Ministry of Ports and Highways	www.mohsl.gov.lk
Ministry of Power and Energy	www.powermin.gov.lk
Central Bank of Sri Lanka	http://www.cbsl.gov.lk/
Board of Investment of Sri Lanka (BOI)	www.investsrilanka.com
Department of Commerce	www.doc.gov.lk
Department of Immigration & Emigration	www.immigration.gov.lk
Sri Lanka Customs Department	www.customs.gov.lk
Department of Labor	www.labourdept.gov.lk
Ceylon Electricity Board	www.ceb.lk
Securities and Exchange Commission of Sri Lanka	www.sec.gov.lk
Telecom Regulatory Commission of Sri Lanka	www.trc.gov.lk
Sri Lanka Standards Institution	www.slsi.lk
National Intellectual Property Office of Sri Lanka	www.nipo.gov.lk
Department of the Registrar of Companies	www.drc.gov.lk
Civil Aviation Authority	www.caa.lk
ICT Agency	www.icta.lk
Sri Lanka Tourism	www.srilankatourism.org
Sri Lanka Tourism Development Authority	www.sltlda.gov.lk

Information on other Sri Lankan Government Ministries and Departments can be obtained from: www.priu.gov.lk; www.gov.lk; www.info.gov.lk

Chambers of Commerce

American Chamber of Commerce of Sri Lanka	www.amcham.lk
Ceylon Chamber of Commerce	www.chamber.lk
Federation of Chamber of Commerce and Industry	www.fccisl.lk
Sri Lanka National Chamber of Industry	www.cnci.biz

U.S. Government Contacts for Sri Lanka

Allison Areias-Vogel
Counselor, Economic and Commercial Affairs
U.S. Embassy, 210 Galle Road, Colombo 3

Phone: 94-11-2498500 Fax: 94-11-2437345/2498820
E-mail: commercialcolombo@state.gov
<http://srilanka.usembassy.gov>

Christopher Corkey
Commercial Director/Economic Officer
U.S. Embassy, 210 Galle Road, Colombo 3
Phone: 94-11-2498500 Fax: 94-11-2437345/2498820
E-mail: commercialcolombo@state.gov
<http://srilanka.usembassy.gov>

Sherry Carlin
Director USAID
44 Galle Road, Colombo 3
Phone: 94-11-2498000 Fax: 94-11-2472850/2472860
E-mail: infosl@usaid.gov
<http://www.usaid.gov/sri-lanka>

U.S. Embassy-accredited Officials not Resident in Sri Lanka

Allan Mustard, Agricultural Counselor, U.S. Embassy New Delhi
Shanthipath, Chanakyapuri, New Delhi, India 110021
Phone: 91-11-2419-8342 Fax: 91-11-2419-8530

Satish Mathai
Special Agent, Immigration and Customs Enforcement
Department of Homeland Security
U.S. Embassy New Delhi
American Center, 24 Kasturba Gandhi Marg. New Delhi, India 110001
Phone: 91-11-2419-8872 Fax: 91-11-2331-8382

Aaron Wilkins
Senior Resident Representative, South and Southeast Asia
Federal Aviation Administration (FAA)
U.S. Embassy New Delhi
Shantipath, Chanakyapuri, New Delhi 110021, India
Phone: 91-11-2419-8403 Fax: 91-11-2419-0019

Other U.S. Agencies

U.S. Trade and Development Agency (USTDA)
Henry Steingass
Regional Director for South and South East Asia
1000, Wilson Blvd, Suite 1600
Arlington, VA 22209-3901
Phone: 703-875-4357
Fax: 703-875-4009
www.tda.gov
E-mail: south_southeast_asia@ustda.gov

U.S. Export and Import Bank

Raymond Ellis
Vice President and Manager Global Business Development Division
811 Vermont Avenue, NW Washington DC 20571
Phone: 202-565-3674 Fax: 202-565-3226

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

To view tender notifications/market opportunity reports produced by the Embassy please go to the following website: <http://srilanka.usembassy.gov>

Trade Events

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The following events will be held in Sri Lanka during 2014

POWER Sri Lanka	June 06-08
E-Power Sri Lanka	June 06-08
Solar Sri Lanka	June 06-08
Transfusion Medicine & Maternal Health	June 09-10
International Auto Show	June 13-15
Construction Expo Sri Lanka	June 20-22
Education and Career Fair	June 27-29
Home & Lifestyle Fair	July 5-7
Nivahana (Home)	July 18-20
Lanka Pack International Packing Exhibition	July 18-20
Summer Fair	July 18-20
Plast Pack Sri Lanka (Plastic, Rubber & Packaging)	July 25-27
Hotel Show Sri Lanka	July 26-28
Construct Exhibition	August 8-10
Sri Lanka Plast (Plastics and Plastic Products)	August 14-16

Rubexpo	August 14-16
Elecxpo (Electronic & Electric Goods)	August 14-16
Enmach (Industrial Products)	August 14-16
Sri Lanka International Manufacturing Expo (Manufacturing, Fabrication, Repair & Maintenance)	August 14-16
Maintexpo (Industrial Products)	August 14-16
Logmat (Logistics & Transportation)	August 14-16
Pro food/Pro pack	August 22-24
The Facets Show (Gems & Jewelry)	September 04-07
The Bridal Fair	September 19-21
Machinexpo	September 25-27
Sri Lanka Glass International Exhibition	October 01-03
Hotel, Hospitality & Food Sri Lanka	October 03-05
Sri Lanka Wood Expo	October 03-05
Sri Lanka Windows & Doors International Expo	October 03-05
Sri Lanka Aluminum Extrusion Expo	October 03-05
Npacktech Today Colombo (Packaging Material)	October 31-November 2
Image Today-Sri Lanka (Media & Advertising)	October 31-November 2
N Printech Today	October 31-November 2
Asian International Trade & Tourism	December 2-11

Further information is available at the following websites:

- www.biztradeshows.com/sri-lanka/
- Lanka Exhibition and Conference Services (Pvt) Ltd www.saexhibitions.com
- Sri Lanka Conventions Bureau www.visitsrilanka.net Email: slcb@sltnet.lk
- Conference & Exhibition Management Services Ltd www.cemslanka.com
- [Aitken Spence Conventions & Exhibitions www.aitkenspenceconventions.com](http://www.aitkenspenceconventions.com)

Please click on the link below for information on upcoming trade events and official trade missions sponsored by the International Trade Administration of the U.S. Department of Commerce.

<http://www.export.gov/tradeevents/index.asp>

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Chapter 10: Guide to Our Services

The President's National Export Initiative marshals Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities.**

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

The embassy's Commercial Section offers customized solutions to help your business enter and succeed in the Sri Lankan Market. A fee is levied for most of the commercial services offered by the embassy. Services for U.S. Firms include:

- Gold Key Services (GKS): offered to U.S. Companies visiting Sri Lanka and the Maldives. We can set up meetings and provide market information and other assistance.
- International Partner Search (IPS): identifies potential business partners in Sri Lanka.
- International Company Profile (ICP): due diligence on local firms.
- Trade and Catalog shows.
- Advocacy: provides advocacy support on behalf of U.S. companies for government tenders/contracts. For additional information see the Advocacy Center website at the U.S. Department of Commerce (<http://selectusa.commerce.gov/investment-incentives/advocacy-center>)
- Information and support: The Economic/Commercial Section is a source for information regarding economic situation, market data, regulatory procedures and other pertinent trade issues.

To contact the embassy's commercial section, please write to commercialcolombo@state.gov or visit our website at: http://srilanka.usembassy.gov/commercial_section.html

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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