

## **H.E. GRACE ASIRWATHAM, AMBASSADOR OF SRI LANKA**

### **SRI LANKA: OVERCOMING ADVERSITY THROUGH RESILIENCE AND COOPERATION**

**Sri Lanka, the pearl of the Indian Ocean, has been going through an extremely difficult economic situation. What are the measures being taken to address the situation and achieve a sustainable and inclusive economic recovery?**

Sri Lanka is famous for its rich biodiversity, stunning natural beauty, and rich heritage. It's also famously known as the Pearl of the Indian Ocean and is a land of great cultural diversity, with people from different cultures and communities following different religions and speaking different languages. Sri Lanka has been blessed with an ancient legacy not only religiously, culturally, and socially, but also economically nurtured by different cultures.

Currently, Sri Lanka is facing unprecedented economic challenges resulting from a number of factors, including the aftermath of the COVID-19 pandemic and current global crises. As a country that has seen its fair share of challenges, Sri Lankans have grown accustomed to bouncing back from adverse situations. The Government has already undertaken major macroeconomic policy reform measures, aligned with the commitment to implement an ambitious and comprehensive package of reforms that will help restore the sustainability of the country's public finances, address external imbalances, and restart the growth engine through structural reforms and improvements in governance. The Government of Sri Lanka is in dialogue with all stakeholders, including domestic and international partners, with regard to stabilizing the situation and ensuring the welfare of the people. Most importantly, discussions between Sri Lanka and the IMF on debt restructuring and other related reforms to the political and socio-economic dimensions of restructuring are in progress. Moreover, the Government of Sri Lanka is in dialogue with all stakeholders, including domestic and international partners, with regard to stabilizing the situation and ensuring the welfare of the people. Most importantly, discussions between Sri Lanka and the IMF on debt restructuring and other related reforms to the political and socio-economic dimensions of restructuring are in progress.

Furthermore, the incumbent President, Ranil Wickremesinghe, who was elected on July 20, 2022, by Parliament, is closely engaging with all political parties in Parliament to form an all-party government in order to take forward the government's mandate of restoring stability and creating a consensus-based environment to deliver on urgent socio-economic necessities, including the provision of essential supplies to the people.

Sri Lanka has further strengthened and accelerated its internal and external economic activities. The government is working on a legislative framework for creating a highly competitive export-oriented economy to ensure a swift recovery of the economy. The country's main foreign exchange-earning economic sectors are exports, investments, tourism, and overseas employment. Sri Lanka exports mostly textiles and garments (52 percent of total exports), tea, spices, gems

and jewellery, coconut products, rubber and rubber products, fish, etc. Sri Lanka is trying to make maximum use of tariff concessions given under the Free Trade Agreements (FTAs), bilateral trade mechanisms, and GSP+ tariff concessions to increase the economic benefits. Further, trade promotion activities in the country and abroad are intensified to maintain and increase the markets for Sri Lankan products.

Foreign direct investment is another important foreign exchange earning segment that is also being vigorously promoted to invite new investors into the country. The country has made significant improvements to the infrastructure, including increasing power generation from renewable sources; improving connectivity through the upgrading of road and rail networks; and further expansion and improvements to the country's ports that will facilitate the development drive. This has created a favourable environment and opportunities across many economic sectors that can offer excellent returns to foreign and local investors.

Foreign employment also significantly contributes to the economy of Sri Lanka. Sri Lanka has also been identified as a source of professional, skilled and low-skilled manpower in many parts of the global labour markets. More than one million Sri Lankans work in industries such as information technology, construction, health, hospitality, logistics management and related services, transportation, textile and garment and other industries, marketing and sales, and many others. The government of Sri Lanka has made arrangements to find more jobs in both traditional and non-traditional labour markets. Safe remittance methods to Sri Lanka with incentives and social and secure welfare arrangements upon return to Sri Lanka are introduced.

Currently, the focus of the country is on boosting exports, investments, tourism, foreign employment and integrating the Sri Lankan economy with the global economy, which is considered to be extremely vital to achieving accelerated economic growth.

**Sri Lanka is considered a jewel for tourists, offering a variety of sites and activities. How is Sri Lanka positioning itself as an attractive and safe tourist destination in the post-pandemic period?**

The tourism industry of Sri Lanka, which is the country's third-highest foreign exchange earner, was severely impacted by the global pandemic. The industry, which was gradually recovering after the Easter Sunday attacks, has again been hit by global travel restrictions and the associated internal economic crisis.

Following a series of remedial measures put in place, the situation has now returned to normal. Maximum priority was accorded to the revival of the tourism sector, and Sri Lanka is beaming once again as a magnificent holiday destination. Sri Lanka Tourism hopes to bring one million tourist arrivals this year, and the industry has already seen an increase of half a million tourist arrivals.

Several countries around the world relaxed their travel advisories on Sri Lanka. Sri Lanka also introduced online visa and on-arrival visa facilities for tourists. Tourists can also apply for a visa at a Sri Lanka Mission if they wish to do so.

Sri Lanka has always been known for its endless opportunities as an amazing travel and holiday destination. According to the 2021 Readers' Choice Awards, Sri Lanka ranks among "The Best Countries to Travel in the world". According to the 2021 Readers' Choice Awards, Sri Lanka ranks among "The Best Countries to Travel to", as voted for by Condé Nast Travellers' readers. Other international coverage includes endorsements by CNN Travel, BBC, The Guardian, The Times, Lonely Planet, Vogue, The Telegraph, National Geographic Channel, and the Washington Post.

Sri Lanka would be heaven on Earth since it has got everything that a traveller wants to see. From the lush green mountains to the sun-kissed beaches in the south, the rolling green tea estates, the exotic and diverse wildlife parks, the unique culture and heritage, the 8 UNESCO Heritage Sites, and the authentic Sri Lankan cuisine to liven up your taste buds, this is a land that has so much to offer and gives you an experience worth cherishing. That's not all. You could go surfing, whale and dolphin watching, white water rafting, or indulge in the traditional bliss of Ayurvedic medicine; you will feel relaxed and awakened like you have never felt before.

With its vivid diversity in different parts of the country, Sri Lanka is one of the best destinations to visit and explore what it has to offer within one day or as many days as you may wish. Surrounded by the crystal blue waters of the Indian Ocean, it's a magical wonderland that is a dream come true for any tourist who wants to have the perfect holiday and take back home a lifetime memory to cherish.

### **Sri Lanka is determined to attract more foreign investors to the country. What makes Sri Lanka an ideal investment destination?**

Sri Lanka is one of the best-connected countries in South Asia due to its strategically important location just a few hours by air from major global hubs. Home to one of the top 15 container ports in the world, the country is a key port of call for shipping lines and air freight services. Further, Sri Lanka's proximity to the Indian sub-continent positions the country as a gateway to a market of 1.9 billion people in South Asia alone. Sri Lanka presents a conducive business environment, robust institutions, social infrastructure, an educated and capable workforce, and high quality of life. These factors, combined, generate keen interest in Sri Lanka as a preferred investment destination in the region.

Sri Lanka seeks to expand its industrial base, for which the most significant requirement will be increased power generation. Sri Lanka is committed to reducing the use of fossil fuels and ensuring that clean, renewable sources of energy contribute toward 70% of its national power requirements by 2030. This commitment creates opportunities for large-scale power projects that can sustainably augment the country's power supply and set the platform for further

industrialization and economic growth. The country, therefore, invites investments into solar power projects with energy storage solutions that can support the stability of the national grid and wind power projects.

At the same time, Sri Lanka has abundant sources of many raw materials that are used in several high-tech industries. Thus, investments into manufacturing industries that will add value to these resources are encouraged.

The country also welcomes investments related to new technologies and farming practices that can increase organic, healthy, and sustainable yields. Besides, investments into value-adding businesses that can increase the export potential of our agricultural produce as well as our traditional export crops such as tea, rubber, and coconut are strongly encouraged.

The Information Technology (IT) sector in Sri Lanka is especially robust. Several companies have made their mark internationally, and high-quality educational institutions produce a large amount of skilled human capital in this field each year. The government is taking proactive steps in addition to talent development, building new infrastructure, including IT parks, and enacting supportive policy mechanisms, including a zero-tax policy for tech companies headquartered in Sri Lanka.

Furthermore, investments are welcome in hotels, resorts, entertainment facilities, and experiential tourism projects that will attract high-spending tourists to the country. With its robust public healthcare system augmented by globally accredited private hospitals and world-class, highly qualified, and experienced medical professionals, Sri Lanka is also well placed to benefit from the growing global medical tourism industry.

With its many attractions, sound infrastructure, high quality of life, and dynamic, educated, and intelligent youth, Sri Lanka can also be a viable destination for leading universities to set up campuses that attract students from around the region.

Also, potential investment opportunities are available in the recently unveiled Eastern Province Fabric Manufacturing Park, a 300-acre fabric manufacturing park declared as a Strategic Development Project with import substitution potential for woven and knitted fabric.

In the context of facilitation steps by which the government of Sri Lanka has ensured greater ease of doing business, responsiveness, transparency, and security for investors, the Board of Investment (BOI), the apex agency for promoting foreign direct investment, has set up a dedicated centre named the "Investor Facilitation Centre" to offer a one-stop-shop experience for investors while curtailing unnecessary bureaucratic red tape and strengthening inter-agency coordination.

**Sri Lanka is an export economy, and apparel is the major item exported to the EU region. While many countries are exporting apparel and textiles to the EU region, especially from**

## **Asia, what is the status of Sri Lanka's apparel export industry and how competitive it is in the market?**

The apparel industry remains the lifeblood of Sri Lanka at this time of economic crisis. This is an industry that walks the talk in ensuring sustainability is the quintessence of doing business. Sri Lanka's apparel industry has a total of 350 manufacturing plants spread across the country, including the world's first green apparel plant, Asia's first carbon neutral certified plant, and a large number of LEED platinum or gold-certified. It employs nearly one million people directly and indirectly and is an industry driven primarily by women.

Unafraid to pioneer, the industry has taken the lead in numerous spheres—pioneering some of the world's firsts and working with global brands to create some of the world's most complex and technologically advanced apparel. Internationally certified for global quality, social and environmental standards, the apparel industry is the most widely certified industry in the country with a stringent focus on going beyond compliance.

From Victoria's Secret to GAP, Tommy Hilfiger, Boss, Levis, and the larger chains of Tesco, Walmart, and Marks & Spencer being just the tip of the iceberg, Sri Lanka forged an undisputed path as an ethical and high-quality manufacturer, adding the title of "Garments without Guilt" into its ethos.

The industry's unwavering focus on being a step ahead of competition pushed the innovation bar upward and outwards, seeing Sri Lankan apparel at the forefront of smart clothing including e-textiles with controllable heating technology, revolutionary 3D printed apparel, and anti-flush clothing. This is the championing of technology, innovation, creativity, and collaboration that this entirely private sector-driven industry has at its core to sustain the competitive edge for Sri Lanka in international markets.

Social consciousness is deeply embedded into the larger workings of the industry, with accountability, transparency, and the sincerity of action forming the springboard for ethical labour practices, gender equality, and empowerment. Most recently, the industry's apex body, the Joint Apparel Association Forum, became a signatory to the ILO's Better Work Programme and joined forces with the IFC's Respectable Workplaces initiative.

The apparel industry continues its resolute journey to achieve the 2025 export target of USD 8 billion and be the showstopper for this island nation, as it has always been.

Leveraging creativity and experience in an array of fields such as design and innovation, the Sri Lankan apparel sector has shown steady growth over the past three decades. It is a destination where best business practices partner with social responsibilities to create excellence in providing exceptional solutions to global brands.

In testimony of its world-class standards, the island's manufacturers now provide solutions to the needs of the world's leading brands such as Victoria's Secret, PINK, NIKE, Lululemon, Calvin Klein, Gap, Athleta, and Marks & Spencer.

**It is hard to imagine Sri Lanka without spices. It was cinnamon that changed the island's course in history and brought it international fame. How is the present-day spice trade in Sri Lanka faring?**

Sri Lanka has been famous for its exquisite range of spices for centuries. The spices from Sri Lanka mainly include Ceylon Cinnamon, Ceylon Pepper, Ceylon Cloves, Ceylon Cardamom, Ceylon Nutmeg, as well as mace and vanilla. Sri Lanka is also home to a range of additives and herbs, including a variety of chillies, coriander seeds and leaves, curry leaves, cumin, fennel, fenugreek, ginger, mustard, tamarind, and turmeric, among others.

Ceylon spices are more than just flavour agents. Most of them carry important medicinal properties and are widely used in alternative medicine and pharmacology. Some of them, like true cinnamon and cloves, are ingredients used in the perfume and cosmetic industries mainly because of their distinctive fragrance.

Also, Sri Lankan spices are used to distil a whole range of essential oils such as cinnamon leaf oil, clove oil, cinnamon bark oil, nutmeg oil, pepper oil, citronella oil, sesame oil, and cardamom oil. Of the numerous essential oils produced in Sri Lanka, cinnamon oil tops the list for its many benefits known to mankind for aeons. Extracted from the leaves of the cinnamon tree through steam distillation, the cinnamon leaf oil contains beneficial components like phenols, eugenol, and low levels of cinnamaldehyde, which are both a flavoring agent and a strong mosquito and insect repellent. The more expensive cinnamon bark oil possesses strong anti-bacterial properties as well.

The weather and soil have a greater effect on the taste of spices and the level of alkaloids and flavonoids responsible for the flavour, pungency, and aroma of each spice. Sri Lankan Spices are identified with the unique geographical indication of Ceylon Spices due to their distinct flavour and aroma, which has placed Sri Lanka on the world map since the 14<sup>th</sup> century.

Sri Lanka obtained its first ever Protected Geographical Indication (PGI) certification from the European Union in February 2022 for Ceylon Cinnamon. What economic and social benefits will Sri Lankan producers derive from such certification?

The EU Commission, by the implementing regulation (EU) 2022/144, entered the name 'Ceylon Cinnamon' in the register of protected designations of origin and protected geographical indications on February 2, 2022. The PGI logo indicates the relationship between a specific geographic region and the name of the product, where a particular quality, reputation, or other characteristic is essentially attributable to its geographical origin. The Ceylon Cinnamon PGI specifications submitted to the EU cover four product categories, namely: cinnamon cut quills, cinnamon powder, cinnamon leaf oil, and cinnamon bark oil. The stakeholders in the supply chain

need to fulfil the technical requirements stipulated in the GI specification to use the EU PGI logo in their products.

Cinnamon was one of the earliest traded spices in ancient times. It was a popular spice in the ancient Arab world, and Arab traders paved the way for this precious commodity to travel a long distance through the spice route to the European market. Ceylon Cinnamon belongs to the family Lauraceae. It (*Cinamomum Zeylanicum* Blume) is a moderately sized, bushy, evergreen tree that is indigenous to Sri Lanka. Cinnamon grown and produced in Sri Lanka has acquired a long-standing reputation in the international market due to its uniqueness, quality, colour, flavour, and aroma. The name Ceylon Cinnamon is derived from the former name of Sri Lanka (Sri Lanka was known as Ceylon when it was a colony of Britain). Ceylon Cinnamon is one of the main spices traded in the international market, and there are many uses for this golden spice; it is used for Ayurvedic medicine, part of the Asian cuisine, and is deployed in industries such as pharmaceuticals, cosmetics, and food and confectionery.

Ceylon Cinnamon's PGI registration has the purpose of differentiating Ceylon Cinnamon in the EU market from its substitutes of lower quality. PGI will act as a source of competitive advantage, which will help to increase market differentiation and product turnover and allow for a premium price from the consumer. An enhanced competitive position of Ceylon Cinnamon in the EU market will have a positive impact in terms of an increase in exports for Sri Lanka, higher income, and employment generation across the cinnamon value chain.

**Ceylon tea is a legacy with around 200 years of history. It is still one of Sri Lanka's main export products. What is the contemporary story of Ceylon tea?**

Ceylon tea is undeniably a high-quality, high-cost product which has been known the world over for almost two centuries. Currently generating export revenue of USD 1.5 billion per annum, the Sri Lanka tea industry is vital for the economic, social, and political stability of the country.

Sri Lanka produces seven agro-climatic regional teas that give Ceylon tea an unrivalled advantage in producing teas of different flavours, aromas, strengths, and colours.

Ceylon tea is exported to over 120 countries in both pre-packed and loose tea forms. The HORECA segment, which is a booming market around the world, has identified Ceylon Tea as one of the sought-after beverages on their menus to serve their guests/clients in both on-trade and off-trade. Further, the diversification of Ceylon Tea in the form of orthodox black tea with different leaf styles, CTC teas, green tea, organic teas, bio teas, RTDs, artisanal teas, and hand-made teas are unique offers for the HORECA segment, tea houses, tea bars, tea saloons, etc. It should be mentioned that some of the leading and globally recognized Ceylon tea brands are served on major airlines, hotels, restaurants, and cafés.

Sri Lanka's national brand "Ceylon Tea" is always progressively moving forward to meet the changing consumer demand by adapting new strategies throughout the entire supply chain.

**There's no denying that our world is becoming increasingly technology-driven. The information and communications technology (ICT) industry stands at the centre of many economic activities. The ICT industry is also important for economic growth. How is Sri Lanka's ICT industry placed to contribute to its economic development?**

Sri Lanka has rapidly gained fame as an emerging hub for information and communications technology (ICT) and business process management (BPM). Sri Lanka's ICT/BPM sector is progressively contributing to the global value chain while serving many Fortune 500 companies in the world. The skills and expertise of the Sri Lankan ICT industry have been hailed internationally.

Sri Lanka is one of the region's most innovative and disruptive hubs for IT products, IT services, and business process management (BPM). Sri Lanka is home to a vibrant knowledge solutions industry that boasts an international footprint, with an accelerating number of global firms that have discovered the country's innovative prowess.

While being a key growth driver within the service exports segment in recent years, the IT-BPM industry accounts for over 90 percent of local value addition, delivering world-class IT products and knowledge services. The industry, driven almost entirely by the private sector, has made significant strides to surpass USD 1.7 billion in export revenue as the 4th largest export revenue earner in the country in 2021.

Sri Lanka is home to a diverse IT industry that supports many leading international corporations across industries spanning financial markets, manufacturing, transportation, telecom, retail, fashion, F&B, aviation, travel & hospitality, healthcare, and education, embracing advanced technologies and practices such as artificial intelligence, robotics, drones, block chains, cyber security, intelligent automation, etc. It is a point of emphasis that the country has a track record of offering best-in-class options across the IT and BPM sectors, spanning captive centres, technology services, technology products, and knowledge-based and other professional services.