

# U.S. Country Commercial Guides



## CCG Sri Lanka 2019

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## **Doing Business in Sri Lanka**

### **Market Overview**

Sri Lanka is an upper middle-income country located in South Asia off the southern coast of India on the main east-west Indian Ocean shipping lanes. Gross domestic product (GDP) reached \$88.7 billion and per capita GDP was \$4,100 in 2018. After 30 years of civil war, Sri Lanka's economy is transitioning from a predominantly rural-based economy towards a more urbanized economy oriented around manufacturing and services. The country has made significant progress in its socio-economic and human development indicators and ranks among the highest in South Asia. Sri Lanka's export economy is dominated by apparel and cash-crop exports, mainly tea, but technology services exports are significant growth sector. Prior to the April 21, 2019, terrorist attacks, the tourism industry was expanding rapidly. Severe contractions to that industry are expected as a result of the attacks, with possible follow-on effects in other sectors of the service economy as well as construction and agriculture.

The Sri Lankan economy grew by 3.2 percent in 2018 amid external shocks and domestic political uncertainty. Prior to the April 21 attacks, GDP growth was expected to improve to about 3.5 percent in 2019, and over 4 percent in the medium term. Inflation was projected to reach 4.5 percent by end 2019. The Sri Lanka rupee depreciated over 16 percent, one of the largest for emerging markets, in 2018 due to a surge in foreign exchange outflows precipitated by the 2018 constitutional crisis. Remittances from migrant workers, approximately \$7.0 billion per year, are a significant source of foreign exchange. Tourism is a \$4.4 billion industry with 2.3 million tourist arrivals in 2018. Lonely Planet named Sri Lanka its top travel destination in 2019, prior to the April 21 terrorist attacks.

Foreign direct investment (FDI), including loans, into Sri Lanka increased to approximately \$2.3 billion in 2018, compared to \$1.7 billion in 2017. Recent FDI was concentrated in the real estate, mixed development projects, ports and telecommunications sectors. The tourism sector, with over two million tourists per year and a variety of cultural, wildlife, and outdoor offerings, is a priority sector for investors. The business process outsourcing sector is also growing and has strong involvement from U.S. firms. With a growing middle class, investors also see opportunities in franchising, retail and services as well as light manufacturing.

Terrorist attacks on April 21 and ongoing political uncertainty will likely curtail tourism growth and foreign direct investment and weigh on the overall macroeconomic outlook in 2019. A 2-day constitutional crisis in October 2018 precipitated by the extralegal removal of the Sri Lankan Prime Minister by the President of Sri Lanka decreased confidence in the government and increased barriers to economic and political reforms. National elections are expected at the end of 2019 and will likely limit the potential for major economic reforms.

Looming debt service payments will be another challenge in 2019. The Government's foreign debt payments presently amount to \$5.9 billion and the 2018 constitutional crisis resulted in three major credit rating agencies downgrading the country's rating. The government, under a three-year Extended Fund Facility (EFF) with the International Monetary Fund (IMF), committed to a program of fiscal consolidation, rebuilding foreign exchange reserves, state owned enterprise reform, and reforms to the trade and investment regime.

The United States is the largest single market for Sri Lankan exports, importing \$2.7 billion, while U.S. exports to Sri Lanka were \$373 million in 2018. Total exports from Sri Lanka increased 4.7 percent to \$11.9 billion in 2018 while imports are approximately \$22 billion. Sri Lanka's trade deficit was an all-time high of \$10 billion in 2018.

### **Market Challenges**

Inconsistent and unpredictable policies, including taxation, customs procedures, and regulatory approvals, are common concerns for U.S. and foreign companies. U.S. and foreign companies have also raised concerns

regarding opaque public tendering processes and widespread corruption. The current government has publicly committed to business process reforms and has moved up the World Bank's Ease of Doing Business Index in 2019. However, overall progress remains slow and uneven.

The government generally 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. Agricultural imports face stiff health regulations that sometimes exceed global standards. For example, genetically-modified (GM) regulations restrict imports of U.S. agriculture commodities.

Congested roads slow the movement of goods throughout the island, although the Government of Sri Lanka is working towards improving road infrastructure. Unreliable power supplies, particularly outside the capital, force manufacturers and service providers to install on-site generators.

Businesses cite a lack of sufficient labor supply as a major hindrance for operating in Sri Lanka. Qualified workers are in short supply as a result of the education system producing too few engineers, technicians, scientists, and English speakers. Business representatives complain that the rigid labor laws, including exceptionally high severance pay regulations, make it difficult to adjust staff size and composition to market conditions. There are also numerous and overlapping labor regulations that are often difficult for investors to understand.

Piracy is a problem for U.S. rights-holders in music, film, software, and some consumer products. Sri Lanka also lacks anti-competition laws.

## **Market Opportunities**

Sri Lanka is an upper middle-income country with a sizeable middle class that seeks U.S. and Western products, services and agricultural goods. However, the country still has significant infrastructure needs and the government continues to invest in roads, public transportation, ports, airports, public housing, waste and water treatment, and power projects. As a hub for tourism, Sri Lanka also requires a range of services and high-end products. Sri Lanka also seeks to position itself as a logistics and technology hub for the region, which creates an opportunity for information technology equipment and services exports. Priority sectors include:

- **Infrastructure Development:** Engineering, construction and equipment products and services for road, power plants, sewage, water, rail, port, and airport projects.
- **Real Estate and Construction:** The country's construction sector has grown rapidly over the past nine years in development of high-end residential, commercial space, hotel and resort construction, and infrastructure with the sectors contribution to GDP in 2018 estimated at around 7.5 percent. The annual value of the construction sector is estimated at \$3 billion. Many local and international construction companies are active in the industry.
- **Textiles:** Sri Lanka imports approximately \$2.7 billion of textiles and yarn annually for the apparel industry and requires a range of equipment and services.
- **Agriculture:** A growing need for wheat grain, lentils, cotton yarn, and fruits and development of agriculture related infrastructure, including cold-storage facilities.
- **Telecommunications and Technology:** Sri Lanka aims to become an information technology hub. In addition, the Government of Sri Lanka and private sector institutions are digitizing records and processes and upgrading existing networks and systems.
- **Franchising:** Franchises offer another opportunity to appeal to tourists and a growing middle class.

## **Market Entry Strategy**

Competitive pricing - offer quality products and services at the right price.

Invest in advertising and consumer education.

Local agents are helpful to enter the Sri Lankan market. The U.S. Embassy can assist U.S. companies in finding local agents and distributors for a fee through U.S. Foreign and Commercial Service matching making and due diligence services.

Sales to the Government of Sri Lanka may require a local agent.

For firms investing locally, the Board of Investment (BOI) ([www.investsrilanka.com](http://www.investsrilanka.com)) offers information regarding investment incentives and other services.

## **Political Environment**

For background information on the political and economic environment of Sri Lanka, please click on the following link: <https://www.state.gov/countries-areas/srilanka/>.



## **Selling US Products & Services**

### **Using an Agent to Sell US Products and Services**

Most exporters find using local distributors an easy first step for entering the Sri Lankan market. Generally, this is the best method to compete successfully, 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 principles, medium-sized and smaller firms are becoming more attractive. If products require stocking, servicing or nationwide distribution, however, large firms are often the better choice. Sales commissions paid to agents range from 3 percent to 15 percent, 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.

U.S. Department of Commerce's Commercial Services - International Partner Search (IPS), International Company Profile (ICP), Single Company Promotion and Gold Key Services (GKS) - are available through the U.S. Embassy in Colombo for U.S. companies looking to appoint a local representative in Sri Lanka. Interested companies should contact the U.S. Department of Commerce Export Assistance Centers in their respective state ([www.export.gov](http://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**

Potential investors should initiate discussions with the Board of Investment (BOI) 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](http://www.boi.lk).

A foreign company registered under the Companies Act of 2007 may carry on business in Sri Lanka as a branch, project, liaison or a representative office subject to the terms and conditions published in the Foreign Exchange Regulations Gazette 1 of 2017.

The Inland Revenue Act of 2017, implemented April 1, 2018, includes concessionary corporate tax rates for investments in specific sectors and capital allowances (depreciation) on capital investments. The BOI Act provides for two types of investment approvals, one allowing concessions and the other without concessions.

Following BOI approval, the investor is required to form a limited liability company. Companies must register with the Department of Registrar of Companies. The proposed name of the company must be approved by the Registrar of Companies. Searching for a unique company name can be done online at [www.drc.gov.lk](http://www.drc.gov.lk). 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 registration fee is approximately \$100. The application forms can be downloaded from [www.drc.gov.lk](http://www.drc.gov.lk). According to Article 2 of the Companies Act of 2007, every company must have a Company Secretary. Companies need to give public notice of incorporation through the government gazette and newspaper advertisements and register with the Inland Revenue Department and the Department of Labor. A foreign company such as a liaison office or a representative office needs to remit funds required for the setting up and maintenance through an Inward Investment Account (IIA.)

A foreign company can set up a branch office under the same name. The following documents need to be submitted for review: 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 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. A foreign branch office, project office or a similar office needs to invest a minimum of USD 200,000 or equivalent, out of remittances channeled through an Inward Investment Account (IIA.) The registration fee for registering a branch office is approximately \$370.

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. Email: registrar@drc.gov.lk

## **Franchising**

Franchising is not as common as agents/distributorships. Existing U.S. franchises include Pizza Hut, UPS, Federal Express, Kentucky Fried Chicken (KFC), TGIFriday's, Subway, Coffee Bean, and McDonald's, among others. Local companies continue to express interest in attracting U.S. franchises to Sri Lanka, especially as international tourism and affinity for U.S. and Western goods and services continues to grow.

## **Direct Marketing**

Direct marketing usually takes place when a product is sold on a one-time or irregular basis. 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" in certain sectors.

## **Joint Ventures/Licensing**

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**

Many government purchases are made by public tenders, which are usually advertised in the local media and increasingly through government websites. The government has publicly committed to follow international government procurement standards but implementation often international procurement standards is weak, especially for projects and goods not funded through international financial institutions. . 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. Previously, tender specifications being drawn up to suit a particular company's product was standard practice. It is a common belief that the tender process lacks transparency and accountability. The GSL is reviewing a plan to award large development projects utilizing a "Swiss Challenge" process where an unsolicited project proposal by a company to the GSL is put forward for public review and other interested parties are invited to submit counter proposals. However, the practice of accepting unsolicited proposals without competing bids seems to be continuing.

Local agents also often represent more than one foreign supplier, so 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.

Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to the "Project Financing" Section in "Trade and Project Financing" for more information.

## **Distribution & Sales Channels**

International trade is centered in the capital city, with more than 90 percent 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. The government's role in trade and distribution has decreased.

## **Express Delivery**

FedEx, UPS, and DHL offer express delivery to Sri Lanka from the United States and have offices in Colombo.

- Transit times from the United States to Sri Lanka vary.
- Promises next day delivery depending on pick-up time.

## **Web Resources**

United Postal Service (UPS) Sri Lanka <https://www.ups.com/lk/en/Home.page>

FedEx Sri Lanka [www.fedex.com/lk/](http://www.fedex.com/lk/)

DHL Sri Lanka <https://www.logistics.dhl/lk-en/home.html>

## **Selling Factors & Techniques**

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. Appointing an agent/distributor is recommended for marketing and sales.

Most government purchases are made on the basis of cost and available financing, subject to meeting the required specifications.

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.

## **eCommerce**

eCommerce is growing. All commercial banks have online banking services. Travel companies, hotels, and a few large retailers have online trading services. eCommerce companies offer customers in Sri Lanka access to millions of global products. The government has committed to increase the use of online applications and payments for government services. Additional government web portals for filing of tax returns, payment of taxes, renewing of revenue licenses are also available and

Most of the global eCommerce sites including PayPal are available in Sri Lanka, but have limitations due to an inadequate refund mechanism and inward receipts. A 2.5 percent stamp duty applies to usage of credit cards issued by Sri Lankan banks for transactions converted into a foreign currency. Transactions in local currency are exempted from this duty.

Currently there is no local body which regulates eCommerce businesses in Sri Lanka. Increased competition from international eCommerce sites such as booking.com and Airbnb have resulted in demands by the Tourist Hotels Association of Sri Lanka (THASL) for the government to consider regulating eCommerce businesses.

Domestic B2C eCommerce sites have seen a significant growth since within the last several years. A wide variety of consumer products can be purchased through eCommerce sites including groceries, apparel and

electronics. Small and medium enterprises are also increasingly using social media sites to advertise products, take orders and accept payments.

Cross border eCommerce is limited to purchases of products from popular overseas sites such as ebay and Amazon. Numerous local eCommerce companies sell imported goods.

#### *eCommerce Services*

Internet access is growing. The International Telecommunication Union (ITU) reported in 2018 that 58.8 percent of the population has mobile-broadband access and 34.1 percent of the population uses the internet regularly. Mobile phone penetration is also high reaching 115.1 per 100 inhabitants. Sri Lanka's private telecommunications companies have led the expansion of 3G and 4G and have started pilot applications of 5G technology. Financial institutions are also developing the related services of payment gateways to offer reliable online payment services to support the expansion of eCommerce.

The Electronic Transactions Act No.19 of 2006 facilitates eCommerce by removing legal barriers and ensuring legal certainty both within Sri Lanka and internationally. Several other laws also support eCommerce such as the Evidence Act No. 14 of 1995, Payment and Settlement Systems Act No. 28 of 2005, Payment Devices Frauds Act No 30 of 2006, and the Computer Crimes Act of No 24 of 2007. Following the ratification of the UN Electronic Commissions Convention (UNECC) by Sri Lanka in 2015, the government amended the Electronic Transactions Act in 2017 to provide greater legal validity for eCommerce and eBusiness providers, and ensure international validity of such e-contracts.

The government is currently using an e-service gateway to streamline certain government services. The Inland Revenue Department has recently enabled filing of tax returns through the Inland Revenue web service portal ([www.ird.gov.lk/en/eServices](http://www.ird.gov.lk/en/eServices)). Vehicle revenue licenses can be renewed online ([www.erevenuelicense.motortraffic.wv.gov.lk](http://www.erevenuelicense.motortraffic.wv.gov.lk))

#### eCommerce Intellectual Property Rights

eCommerce Intellectual Property Rights are protected under several laws:

Evidence (Special Provisions) Act No.14 of 1995, The Intellectual Property Act No. 36 of 2003, Electronic Transactions Act No. 19 of 2006, and the Computer Crimes Act No. 24 of 2007. An infringer who offers counterfeit products for sale online could be held liable under the Intellectual Property law.

#### Popular eCommerce Sites

<https://www.kapruka.com/>

<https://www.wow.lk/>

<https://takas.lk/>

<https://mydeal.lk/>

<https://www.keellssuper.com/>

<http://www.tickets.lk/>

#### **Trade Promotion & Advertising**

Mass advertising and marketing on a range of mediums is common. Newspapers, radio, and television all accept commercial advertising and internet-based marketing and targeting, including through social media, is growing as internet access and mobile phone penetration increases. There are several English-language newspapers, as well as dailies in the Sinhala and Tamil languages (see below).

Colombo hosts a number of trade exhibitions and fairs but the fairs attract few international participants.

## Major Web Sites

Lanka Academic Network	<a href="http://www.theacademic.org">www.theacademic.org</a>
Lanka Page	<a href="http://www.lankapage.com">www.lankapage.com</a>
Sri Lankan Embassy in Washington DC	<a href="http://slembassyusa.org/">http://slembassyusa.org/</a>
US Embassy Colombo	<a href="https://lk.usembassy.gov/">https://lk.usembassy.gov/</a>
Lanka Business Report	<a href="http://www.lankabusinessonline.com/">http://www.lankabusinessonline.com/</a>
Sri Lanka Web Server	<a href="http://www.lanka.net">www.lanka.net</a>
Economynext	<a href="https://economynext.com/">https://economynext.com/</a>
Major English-Language Newspapers	
Daily FT	<a href="http://www.ft.lk">www.ft.lk</a>
Daily Mirror	<a href="http://www.dailymirror.lk">www.dailymirror.lk</a>
Daily News	<a href="http://www.dailynews.lk">www.dailynews.lk</a>
The Island	<a href="http://www.island.lk/">http://www.island.lk/</a>
The Sunday Leader	<a href="http://www.thesundayleader.lk">www.thesundayleader.lk</a>
Sunday Observer	<a href="http://www.sundayobserver.lk">www.sundayobserver.lk</a>
Sunday Times	<a href="http://www.sundaytimes.lk">www.sundaytimes.lk</a>
Major Sinhala-Language Newspapers	
Dinamina	<a href="http://www.dinamina.com">www.dinamina.com</a>
Silumina	<a href="http://www.silumina.lk">www.silumina.lk</a>
Lankadeepa	<a href="http://www.lankadeepa.lk">www.lankadeepa.lk</a>
Major Tamil-Language Newspapers	
Virakesari	<a href="http://www.virakesari.lk">www.virakesari.lk</a>
Business Journals	
Echelon	<a href="https://www.echelon.lk/">https://www.echelon.lk/</a>
Business Today	<a href="http://www.btoptions.com">www.btoptions.com</a>
Lanka Monthly Digest	<a href="https://lmd.lk/">https://lmd.lk/</a>
Major Advertising Agencies	
Grant McCann Erickson	<a href="http://www.mccannworldgroup.com/">http://www.mccannworldgroup.com/</a>
JWT, Sri Lanka	<a href="http://www.jwt.lk">www.jwt.lk</a>
Phoenix Ogilvy	<a href="http://www.ogilvy.com">www.ogilvy.com</a>
Leo Burnett Solutions Inc.	<a href="http://www.leoburnett.lk">www.leoburnett.lk</a>

## **Pricing**

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**

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 Intellectual Property**

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 intellectual property right (IPR) agreements and, to a great extent, trade-related aspects of intellectual property rights (TRIPS) obligations.

In any foreign market companies should consider several general principles for effective protection of their intellectual property. For background information, refer to our article on [Protecting Intellectual Property](#) and <https://www.stopfakes.gov/welcome> for more resources.

Sri Lanka has signed a number of major IPR treaties, such as the Paris Convention for the Protection of Industrial Property, the World Intellectual Property Organization (WIPO) copyright treaty, the Berne Convention for Literary and Artistic Works, and the Patent Cooperation Treaty.

### **IP Attaché Contact**

Name : Shilpi Jha, Senior Legal Counsel for Intellectual Property-South Asia  
Address : Embassy of the United States of America  
The American Center 24 Kasturba Gandhi Marg New Delhi. 110001, India  
Telephone : 91-11-2347-2000  
E-mail : [shilpi.jha@trade.gov](mailto:shilpi.jha@trade.gov)

## **Due Diligence**

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, Moody's, and Standard and Poor's provide rating information for banks and financial institutions and some conglomerates and large companies.

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 historical records can be checked prior to appointing agents.

U.S. companies doing business initially with local companies or distributors are advised to carry out proper due diligence to ensure the reliability of these companies. The U.S. Embassy can also assist in verifying the authenticity of local companies.

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](http://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**

Accounting is based on the British model and is active and competent. The source of accounting standards is the Institute of Chartered Accountants of Sri Lanka and standards are regularly 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 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 United Kingdom. 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 some attorneys in Sri Lanka, a copy of which may be obtained upon request. The leading law firms in Sri Lanka are also listed in the International Law List published in the United Kingdom. The legal system, however, is slow and cumbersome, and there are concerns about politicization of the judiciary.

### **Principle Business Associations**

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 more than 225 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: <https://www.facebook.com/AMCHAMSL/>

### **Limitations on Selling US Products and Services**

The newly developed Sri Lanka Trade Information Portal (<https://srilankatradeportal.gov.lk/>) is a one-stop point for information relating to import into and export from Sri Lanka. Implemented by the Department of Commerce, the portal provides an accessible, logical, helpful gateway for traders to access important regulatory and procedural information needed to export, import and transit. The initiative is also in line with the government's commitment to the requirements of World Trade Organization to comply with Article 1 of the Trade Facilitation Agreement.

A previous ban on beef and pork imports from the United States has been lifted. Imports of beef and pork are now permitted for special purposes including for use in the tourism and hospitality industries. Sri Lanka reserves the right to prohibit genetically modified (GM) agricultural commodities.

The importation of drugs is subject to the approval of the Drugs and Cosmetic Devices Committee of the Ministry of Health. In October 2016, the Government of Sri Lanka issued regulations setting maximum retail prices for 48 medicinal product formulations, which would be effective for two years. The price control applies to all branded and generic versions of drug-formulations in the schedule. Medical device registration is a cumbersome process and can take anywhere from six months to two years to obtain. Furthermore, in the event a foreign principal wants to discontinue services of a local agent, the foreign principal must convince the existing agent to provide a no-objection letter. Without this no-objection letter, the foreign principal cannot appoint a new representative/agent.

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.

For additional descriptions of import barriers, please visit the Customs, Regulations & Standards Section.

## **Web Resources**

Sri Lanka Trade Information Portal	<a href="https://srilankatradeportal.gov.lk/">https://srilankatradeportal.gov.lk/</a>
2019 National Trade Estimate Report	<a href="https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/march/ustr-releases-2019-national-trade">https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/march/ustr-releases-2019-national-trade</a>
Sri Lanka Department of Import and Export Control	<a href="http://www.imexport.gov.lk/index.php/en/">http://www.imexport.gov.lk/index.php/en/</a>
Sri Lanka Customs	<a href="http://www.customs.gov.lk/">www.customs.gov.lk/</a>
National Medicines Regulatory Authority	<a href="https://www.nmra.gov.lk/index.php?lang=en">https://www.nmra.gov.lk/index.php?lang=en</a>
Medical Research Institute Sri Lanka	<a href="https://www.mri.gov.lk">https://www.mri.gov.lk</a>
Registrar of Companies	<a href="http://www.drc.gov.lk">www.drc.gov.lk</a>
Colombo Stock Exchange	<a href="https://www.cse.lk/home/market">https://www.cse.lk/home/market</a>



## Leading Sectors for US Exports & Investments

The following are the leading sectors in Sri Lanka providing opportunities for exports from the United States to the Sri Lankan economy.

### Energy

This is a best prospect industry sector for this country.

#### Overview

The Sri Lankan government is aiming for an energy self-sufficient nation by 2030. The objective is to increase the power generation capacity of the country from the existing 4,043 MW to 6,900 MW by 2025 with a significant increase in renewable energy. Sri Lanka has already achieved a grid connectivity of 98 percent, which is relatively high by South Asian standards. Electricity in Sri Lanka is generated using three primary sources: thermal power (which includes coal and fuel oil), hydropower, and other non-conventional renewable energy sources (solar power and wind power).

From 2018- 2037, Sri Lanka plans to add 842 MW of Major Hydro, 215 MW of Mini Hydro, 1,389 MW of solar, 1,205 MW of wind, 85 MW of biomass, 425 MW of oil-based power, 1,500 MW of natural gas and 2,700 MW of coal power into the electricity generation system. The annual total electricity demand is about 14,150 GWh. The annual demand for electricity is expected to increase by 6 to 8 percent, a number constrained by high prices.

Despite the long-term plans, Sri Lanka experienced a number of power outages in 2018 and 2019 as hydropower reaches capacity and begins to decline due to less predictable weather patterns. As a result, Sri Lanka has plans to add additional coal, renewable, and liquefied natural gas (LNG) power plants in the next 10 years. The government has several active proposals to develop LNG import facilities and related power plants and a new oil refinery. The current oil refinery is over 45 years old and needs urgent modernization in order to meet the demand in the petroleum sector.

The Sri Lanka Sustainable Energy Authority (SLSEA) actively promotes all forms of renewable energy.

#### Leading Sub-Sectors

##### *Power Generation Plants*

#### Opportunities

Sri Lanka needs to add significant capacity in order to meet current and future power demands which is forecast to grow at around eight percent annually. Sri Lanka has total electricity generating capacity of 40 GWh, as it mainly relies on thermal power, including a Chinese built coal power plant, which account for 45 percent of its supply. Inadequate rainfall has limited hydro power generating capacity and the government was forced to impose power cuts during early 2019 due to lack of generation capacity. The government has resorted to purchasing expensive emergency power to meet electricity shortages. Opportunities in the power sector include: wind and solar plants, LNG 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.

SLSEA is actively promoting renewable energy options and statistics reveal renewable energy contribution is steadily increasing. Sri Lanka has vast wind-energy resources due to its location in the Indian Ocean. Eleven wind power plants are currently connected to the national grid. USAID has assessed wind and solar energy potential for Sri Lanka. This information is available on [www.nrel.gov](http://www.nrel.gov).

#### Web Resources

Ceylon Electricity Board

<http://www.ceb.lk/>

## **Agricultural Sector**

This is a best prospect industry sector for this country.

### Overview

The agriculture sector contributes about 7 percent to the national GDP out of which the fisheries sector contributes around 1.2 percent and the livestock sector accounts for 0.6 percent. Over 25 percent of Sri Lankans are employed in the agricultural sector. Although Sri Lanka is a fertile tropical land with the potential for the cultivation and processing of a variety of crops, issues such as productivity and profitability hamper the growth of the sector.

Sri Lanka's primary food crop is rice. Rice is cultivated during two seasons. Tea is cultivated in the central highlands and is a major source of foreign exchange. Fruit, vegetables, and oilseed crops are also cultivated in the country. One of President Sirisena's top priorities is to increase productivity in the agriculture sector. There has been low adoption of mechanization in farming. The president wants to increase mechanization and grow higher value cash crops such as fruit, flowers, and other export oriented crops. The lack of private investment in agriculture due to uncertain policies limits the expansion of the sector.

Sri Lanka imports a variety of agricultural products and food including wheat, lentils, sugar, fruit, milk, and milk products. The importation of food and beverages account for 7.2 percent of total imports in 2018. Sri Lanka is emerging as an important market for international business and tourism. A variety of upscale international and local hotels, resorts, and restaurants have opened in Colombo, Kandy, Galle, and around major tourist sites. They offer a good platform for introducing new-to-market imported food products. Additionally, upscale retailers are creating avenues for imported foods and beverages. Sri Lanka also imports animal feed. Total agriculture, food, and beverage imports were \$1.6 billion in 2018. U.S. suppliers have significant opportunities in this market.

### Leading Sub-Sectors and Opportunities

*Wheat Grain:* Sri Lanka imported approximately 1.29 million metric tons of wheat in 2018. All imports were commercial transactions and mostly of Canadian origin. U.S. wheat exports to Sri Lanka were estimated at around \$28 million in 2018. Prima Ceylon Ltd, a Singapore-based 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. A second mill, owned by a company from the UAE, is operated in Colombo. 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 \$79 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. Many local buyers have expressed an interest in working with U.S. suppliers due to the superior quality of U.S. lentils.

*Animal feed:* Sri Lanka spends approximately \$176 million annually to import animal feed. Soy and corn are the main ingredients used in the animal feed industry, which formulates around 500,000 metric tons of animal feed annually. GM restrictions are not applicable for animal feed.

The United States exported approximately \$75 million of animal feed to Sri Lanka in 2018.

U.S. soy bean product exports to Sri Lanka were estimated at \$71 million in 2018. Soy bean meal constitutes 82 percent of animal feed exported to Sri Lanka. In addition, soy bean exported in other forms accounts close to \$1 million.

Currently, some 150,000 metric tons of corn are imported to the country annually to supplement the local production. The United States exported \$0.4 million of corn (maize) to Sri Lanka in 2018.

*Dairy Products:* Sri Lanka is a net importer of dairy products. The country has imported \$349 million of milk and milk products in 2018. The United States has exported only \$8 million dairy produce to Sri Lanka in 2018.

*Meat:* The total US meat and edible meat offal exports to Sri Lanka has been only \$0.6 million. There is a growing demand for U.S. turkey, duck and other meat types for the food service industry.

*Cotton, Yarn, and Fabric:* Sri Lanka imports approximately \$208 million of cotton (raw cotton, yarn, and fabric) annually. Imports of cotton, yarn and fabric from the United States were about \$1.5 million in 2018. U.S. cotton suppliers have substantial opportunities to supply to Sri Lanka's export-orientated apparel sector. Hong Kong, India, Indonesia, and South Korea are the current major cotton suppliers to Sri Lanka.

#### Web Resources

Ministry of Agriculture

[www.agrimin.gov.lk](http://www.agrimin.gov.lk)

## **Textiles**

This is a best prospect industry sector for this country.

### Overview

Sri Lanka's apparel export industry is one of the largest contributors to the economy. The industry has recorded substantial growth levels over the past four decades and is currently the country's leading export, accounting for approximately 44 percent of total exports, and providing about 33 percent of the manufacturing employment in the country. Earnings from apparel exports in 2018 was \$ 4.9 billion, a 3.6 percent increase compared to the previous year.

Sri Lanka has built its competitive edge on value-addition rather than cheap production cost, with greater emphasis on product quality and its ability to manufacture niche products. Despite increased international competition, exporters seem to be faring quite well. Apparel exports to EU increased following the restoration of the EU GSP+ facility in 2017.

### Leading Sub-Sectors

*Establishing textile-manufacturing facilities*

*Providing technological equipment*

*Warehousing hub for U.S. yarn*

### Opportunities

The apparel industry is a key sector that needs continuous upgrading and acquisition of new technology and equipment.

There are prospects to supply grey fabric, denim, polyester yarn, and specialized fabric used for lingerie and sportswear.

Many Sri Lankan apparel companies manufacture for top U.S. apparel brands.

Attractive incentives are available for U.S. manufacturers to establish textile-manufacturing facilities. U.S. suppliers who want to compete in this market need to be flexible in negotiating payment terms.

### Web Resources

JAAF

[www.jaafsl.com](http://www.jaafsl.com)

## **Construction**

This is a best prospect industry sector for this country.

### Overview

The construction industry contributes nearly 9 percent of Sri Lanka's GDP, employing around 600,000 workers. The construction sector has grown rapidly over the past nine years in development of high-end residential, commercial space, hotel and resort construction, and infrastructure with the sectors contribution to GDP in 2018 estimated at around 7.5 percent. The annual value of the construction sector is estimated at \$3 billion. Many local and international construction companies are active in the industry.

Several large infrastructure projects are under development, including a new Port City on newly reclaimed land within Colombo's city limits. The April 2019 terrorist attacks likely dented some optimism within the real estate and construction sector, but analysts expect demand to pick up with the economic recovery and low prices may offer opportunities for developers.

### Leading Sub-Sectors

*Equipment sales*

*Engineering, procurement, and construction*

*Direct contracting*

### Opportunities

U.S. companies have significant opportunities to sell a range of equipment and technology, ranging from earth-moving equipment and building appliances to heating, ventilation, and air conditioning (HVAC) systems. Buyers are often price sensitive but high-end developments have more leeway to purchase high quality products and services.

Sri Lankan developers also frequently team up with U.S. engineering and design firms, especially for high-end office buildings, luxury apartments, or resorts.

The government also announced the Western Region Megapolis Project that hopes to radically modernize urban infrastructure in and around Colombo utilizing innovative technology (e.g. smart city innovations) to propel it to 'high income developed nation' status by 2030. Details on specific projects and tenders will be available on <https://megapolis.gov.lk/investment/> as and when the government commences the project in stages.

### Web Resources

Western Region Megapolis project <http://megapolis.gov.lk/>

Urban Development Authority <http://www.uda.gov.lk/>

Sri Lanka Ports Authority <http://www.slpa.lk/>

Board of Investment of Sri Lanka <http://www.investsrilanka.com/>

## Transportation

This is a best prospect industry sector for this country.

### Overview

Sri Lanka has the highest road density of any country in South Asia, with some 173.9 km of roads per 100 square kilometers of land as of 2016, according to the World Bank. Sri Lanka's road network consisted of 12,220 kilometers of Class A and Class B roads and 170 kilometers of expressways as at end 2018. The railway network, largely a legacy of British colonial rule, only handles a small fraction of the country's transport needs. Rail services are primarily for passengers with very little capacity available for goods transportation. Rail travel is extremely slow by modern standards. There are navigable waterways, harbors and two international airports located in Katunayake, 22 miles north of Colombo and in Hambantota. The lack of non-military airports outside Colombo limits the availability of air service in-country. Another major target for the road network has been to reduce congestion in Colombo. The 2017 budget included plans for elevated highways in the city, connecting Kelani Bridge to the Port of Colombo area and Athurugiriya. The development of Colombo Port City also poses challenges for the road network, with plans to develop commercial and residential real estate there adding to downtown congestion. The main roads around the country are in good condition but are not an efficient means of travel and transportation as the majority of roads are single lane in each direction with no divider. There are two highways from the Katunayake airport to Colombo and from near Colombo to southern parts of the country. A highway to the central province is under construction. The prospects for Sri Lanka's land transport sector looks at further expansion, with more efficient road and rail services coming on-line. However, plans for major urban development in and around Colombo have to be coordinated with the planned development projects.

### Leading Sub-Sectors

*Airports*

*Highways*

*Rail*

*Ports*

### Opportunities

The Ministry of Transport has several projects lined up for construction of new roads and railways and their extension.

The Government of Sri Lanka has ongoing plans to create a new international terminal at Colombo International Airport and longer term plans to develop a new international airport. The government also has plans to further develop regional airports.

Sri Lanka also continues to upgrade its existing seaport facilities, both in Colombo and in the southern and eastern provinces.

The Ministry of Megapolis and Western Development announced in June 2018 the commencement of acquisition of lands required for the construction of a fully elevated Light Rail Transit (LRT) system in Colombo. According to Ministry officials, the Japan International Cooperation Agency (JICA), the governmental agency that coordinates official development assistance for the Government of Japan, is expected to provide a loan of \$1.7 billion for the project.

### Web Resources

Sri Lanka Railways

[www.railway.gov.lk/web/index.php?lang=en](http://www.railway.gov.lk/web/index.php?lang=en)

Ministry of Transportation

[www.transport.gov.lk](http://www.transport.gov.lk)

Investment projects 2015-2020

[www.transport.gov.lk/web/images/pdf/slrp.pdf](http://www.transport.gov.lk/web/images/pdf/slrp.pdf)

Urban Development Authority

[www.uda.lk](http://www.uda.lk)

Sri Lanka Ports Authority

[www.slpa.lk](http://www.slpa.lk)



## Oil and Gas

This is a best prospect industry sector for this country.

### Overview

*Oil Exploration:* Sri Lanka has opened an international bidding round to explore and produce oil and natural gas in two blocks in the Mannar and Cauvery Basins. According to the Petroleum Resources Development Secretariat, the bids for the Mannar Basin's M1 block and its northern neighbor, the Cauvery Basin's C1 block, will close on July 15, 2019. The M1 and C1 blocks cover 2,779 square kilometers and 2,246 square kilometers respectively.

Based on data acquired from seismic surveys, the government estimates that there are over one million barrels of oil resources in a 30,000-square-kilometer area in northern waters. The seismic surveys were conducted by an 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 the Mannar Basin and the Cauvery Basin. Based on the initial studies, data and regional studies, the PRDS is estimating the Mannar basin alone could have the potential to generate five billion barrels of oil and nine trillion cubic feet of natural gas, which would be sufficient for Sri Lanka's energy needs for the next 60 years. The first exploration license in the Mannar Basin was issued to Cairn India ([www.cairnindia.com](http://www.cairnindia.com)) in July 2008. The test wells have produced natural gas, but the company decided to exit oil and gas exploration activities in Sri Lanka in 2015 due to low crude oil and natural gas prices.

In May 2018 the government signed an agreement with Eastern Echo DMCC, subsidiary of a major oilfield services company, Schlumberger, to collect, market, and license petroleum data on a "multi-client" basis, enabling several data acquisition projects, including 2D and 3D seismic, in selected offshore areas around Sri Lanka at no cost to the government. The main objective of entering into this agreement is to acquire more petroleum data using modern acquisition and processing techniques, and thereby reduce the technical and financial risk of prospective investors in deep water exploration in Sri Lanka and encourage increased levels of investor participation in oil and gas exploration activities.

*Oil Refinery and Pipeline:* Sri Lanka's only refinery and the main port-to-refinery pipeline are in urgent need of upgrading and expansion. The state-owned Ceylon Petroleum Corporation (CPC), runs the Sapugaskanda refinery and has stated it will invite bids to modernize the existing refinery and to build a new refinery. Although the government has made multiple announcements on building a new refinery, a project has not yet been implemented. The CPC expects to increase the refining capacity from the current 50,000 barrels per day to 100,000 barrels per day. Sri Lanka's main 5.8-kilometer oil pipeline also needs urgent replacement, and the CPC is evaluating bids for a new oil pipeline including an offer by a U.S. company.

### Leading Sub-Sectors

*Refurbishment of oil refinery*

*Appraisal and development of natural gas discoveries*

### Opportunities

The refurbishment of the Sapugaskanda oil refinery is a high priority for the Government of Sri Lanka. Output from the Sapugaskanda oil refinery meets 40 percent of Sri Lanka's demand for refined fuels and the government imports 60 percent of the refined fuels consumed domestically. The Ministry of Petroleum is expected to draft a tender to expand the Sapugaskanda refinery, and has stated they plan to maintain ownership, take on debt to finance the refurbishment, and conduct a public and transparent tender process.

The government is also interested in the construction of a private sector owned refinery that could serve both the domestic market and export market. The Ministry of Petroleum will consider these proposals on a regular basis (no tender required) and will seek the cabinet's approval on vetted viable projects. Companies must secure requisite financing to be a serious contender.

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

The government is offering an international licensing round for the appraisal and development of natural gas discoveries in block M2 of the Mannar Basin.

#### Web Resources

Petroleum Resources Development <http://prds-srilanka.com/>

Ceylon Petroleum Corporation <http://ceypetco.gov.lk/>

Ministry of Petroleum Industries <http://www.petroleummin.gov.lk/>

## **Telecommunications and Information Technology**

This is a best prospect industry sector for this country.

### Overview

The telecommunication, computer and information services are key growth component within the services sector and delivered steady growth in 2018. Total earnings from the ICT sector amounted to \$995 million in 2018, about an 8.9 percent growth over the previous year. In 2018, the country initiated the process of adopting fifth generation (5G) technology. 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. The sector grew by 120 percent over the past five years making it one of the highest growth areas in the economy and the fifth largest export segment. Sri Lanka's IT/business process management sector envisions \$5 billion in revenue, 200,000 direct jobs, and 1,000 start-ups by 2022. 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 also emerging as a global IT Business Process Outsourcing (BPO) destination of choice in a number of key areas. Sri Lanka was ranked 11<sup>th</sup> among the top 50 global outsourcing destinations in 2017 by AT Kearney, moving up three slots from 2016. Sri Lanka's software industry produces world-class products and has grown significantly over the past decade. The software services sector includes telecommunications, 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, Sysco LABS, 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.

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. Sri Lanka's telecommunication market is overcrowded, with five mobile operators serving a population of 21 million. With recent substantial taxes imposed on telecommunication companies, it is expected that the smaller companies will exit or merge with the larger firms. The telecom sector in Sri Lanka is responsible for substantial foreign direct investment (FDI) in recent years. Telecom use has been rising, and the total fixed line and mobile telephone density has increased to 161 per 100 persons led by an increase in mobile subscribers. The demand for basic voice services appears to be reaching saturation point. The mobile-telephone operators dominate the sector. The continued expansion in infrastructure has enabled a sophisticated level of telecommunication services throughout the whole country. There is significant competition among the existing operators, consisting of three fixed-line operators, five mobile phone operators, and 11 Internet Service Providers. The U.S. exported approximately \$2 million of telecommunications equipment to Sri Lanka in 2017.

Sri Lanka is connected to the South East Asia-Middle East-West Europe 4 (SEA-ME-WE IV) project, the submarine cable system linking South East Asia to Europe via the Indian Sub-Continent and Middle East. The project aims to take these regions to the forefront of global communication by significantly increasing the bandwidth and global connectivity of users along its route between Singapore and France. SEA-ME-WE 4 fiber

optics cables provide a bandwidth capacity of 1.28 terabits per second, with a 25 year guaranteed lifespan for the technology. This submarine cable system offers Sri Lanka an immense bandwidth advantage, and paves the way to make Sri Lanka a globally competitive business hub.

### **Leading Sub-Sectors**

*Telecommunications Equipment and Infrastructure*

*Software*

*Mobile applications*

Opportunities

The Ministry of Telecommunications is finalizing an international tender for digital identification cards. Total cost is over \$55 million and will cover almost the entire population.

Opportunities for digitizing the government procurement system:

There are opportunities for U.S. software and hardware vendors.

There are opportunities for software application (app) development.

There are opportunities for telecommunications equipment.

Web Resources

Information and Communication Technology Agency [www.icta.lk](http://www.icta.lk)

Sri Lanka Association for Software and Services Companies [www.slasscom.lk](http://www.slasscom.lk)

## Pharmaceuticals and Medical Equipment

This is a best prospect industry sector for this country.

### Overview

Demand for healthcare services is rising due to an aging population. Nearly ten percent of the population was 65 years of age and over at end-2017 and that figure is likely to double by 2030.

The government continues its policy of providing free health care at public hospitals. Government expenditure for the health sector was approximately \$1.3 billion in 2018.

Increasing access to private 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. The demand for private sector health care has increased with higher income levels and changing preferences. The provision of health insurance has also supported the growth in the private health care sector. There are 612 government hospitals, nearly 200 private hospitals of varying sizes, 5,000 private pharmacies, and 1,000 laboratories in Sri Lanka.

The health care industry provides good opportunities for U.S. medical equipment and pharmaceutical companies.

According to pharmaceutical industry experts, the local pharmaceutical industry has grown at a rate of about 15 percent in the past five years and the industry has good prospects for high-volume growth in the future. The government is encouraging investment in the pharma sector to manufacture drugs locally. The government has issued regulations setting maximum retail prices for 60 medicinal product formulations in 2019. The price control applies to all branded and generic versions of drug-formulations in the schedule.

The Cosmetic Drugs and Devices Regulatory Authority regulates the pharmaceutical sector to ensure the quality, safety, and efficacy of drugs and medical equipment. Although many pharmaceutical imports are from regional sources, the higher quality and efficacy of Western manufactured drugs is widely acknowledged by medical practitioners and consumers. Registering of drugs can be time consuming with extensive details required by the authorities. Dismissal of local agents by foreign principles is also complex as the agent has to provide a no objection letter to the authorities for a new agent to be appointed.

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 command a premium. 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 \$25 million in 2018.

### Leading Sub-Sectors

#### *Supplying of medical equipment to the government*

#### Opportunities

The government's medicine and equipment purchases are done on a tender basis, the health ministry updates their website regularly at [www.health.gov.lk/moh\\_final/english/tender\\_notice.php?spid=35](http://www.health.gov.lk/moh_final/english/tender_notice.php?spid=35)

Web Resources

Ministry of Health

[www.health.gov.lk](http://www.health.gov.lk)

World Bank

[www.worldbank.org/lk](http://www.worldbank.org/lk)

Durdans Hospital

<https://www.durdans.com/>

Asiri Group of Hospitals

[www.asiri.lk](http://www.asiri.lk)

Lanka Hospitals

[www.lankahospitals.com](http://www.lankahospitals.com)

Nawaloka Hospitals

[www.nawaloka.com](http://www.nawaloka.com)

## **Travel and Tourism**

This is a best prospect industry sector for this country.

### Overview

Tourism is the third largest foreign exchange earner in the country. Sri Lanka recorded its highest ever number of arrivals in 2018 with over 2.3 million tourists coming into the country. It is estimated that the sector earned around \$4.3 billion in 2018, 11 percent more than previous year. Sri Lanka offers a mix of attractions including beaches, wild life parks, rain forests, tea plantations, ancient ruins, Buddhist cultural sites, and festivals. Sri Lanka is ranked 64<sup>th</sup> out of 141 countries in the Travel & Tourism Competitiveness Report 2017 of the World Economic Forum. The government aims to increase tourist arrivals to 3 million in 2019, although the April 21 terrorist attacks have dampened prospects for 2019 and 2010. India and China contributed the largest number of tourist arrivals, followed by the UK, Germany, and France.

Investment in the tourism sector continues with projects approved in 2018 valued at around \$223 million. The government aims to attract global names to Sri Lanka. Recently, several international and regional hotel chains have begun building or operating hotels in Sri Lanka, including the Marriott, Shangri-La, Six Senses, and Movenpick. Shangri-La and Movenpick commenced operations in 2017 while others such as Sheraton and ITC are expected to be completed in 2019/20. A few local conglomerates control most of the luxury resort hotels in Sri Lanka. In addition, the boutique hotel concept is fast catching on. During the war (which ended in 2009), international hotel companies were absent from Sri Lanka. Hilton had been the only global player in Sri Lanka, managing a luxury hotel (which is government owned) and an apartment complex in Colombo for many years.

Tourism offers both investment and trade opportunities. The government is offering beach land and islets for tourism development. Several policy initiatives and actions were implemented in 2017 to harness the potential of the sector. The new tourism strategic plan introduced in 2017 aims to increase revenue to \$7 billion by 2020 and create 600,000 workers in support industries. Eastern Sri Lanka is an area that offers significant potential as the beaches in this area are considered world-class. Locations such as Pasekudah and Arugam Bay are premier destinations, especially for surfing enthusiasts. The country has several parks and forests that are home to a multitude of wildlife and unique fauna and flora species, and is considered a biodiversity hotspot by several international environmental groups. A recent prohibition on sales of land to foreigners may complicate development of new properties. Eco-friendly resorts are also gaining popularity with many developers opting to establish “green” hotels to attract a growing market segment. Increasing tourism is driving significant growth in the restaurant industry.

According to industry experts, an emerging tourism trend has brought a large influx of tourists seeking a more authentic experience. These tourists, who are mostly younger, seek cheaper accommodation units and home stays, and utilize internet applications for navigation.

### Leading Sub-Sectors

*Casual Dining Restaurants*

*Hotel Equipment*

### Opportunities

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 support its 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 U.S. companies.

The number of casual dining, fine dining, and quick service restaurant outlets have significantly increased in Sri Lanka during recent years. International and domestic restaurants are expanding their operations. Various new-to-market restaurant companies continue to explore opportunities and make investments. U.S. suppliers with an interest in Sri Lanka have increasing options to introduce U.S. products to the growing culinary and hospitality sectors.

#### Web Resources

The Hotels Association of Sri Lanka <http://www.thasl.lk/>

Sri Lanka Tourism Development Authority [www.sltda.lk/index.php](http://www.sltda.lk/index.php)



## **Customs, Regulations & Standards**

### **Trade Barriers**

#### **IMPORT POLICIES**

##### *Tariffs and Taxes*

Sri Lanka's most-favored nation (MFN) applied tariff rate for agricultural products averaged 26.9 percent, and its MFN applied tariff for non-agricultural goods averaged 6.3 percent in 2017. However, Sri Lanka's simple average World Trade Organization (WTO) bound tariff rates are generally much higher, and most products do not have their rates bound, which has given Sri Lanka flexibility to increase the rates.

Sri Lanka's main trade policy instrument has been import tariffs. In November 2017, Sri Lanka Customs adopted the WTO's new Harmonized Commodity Description and Coding System in its tariff schedule. There are currently three import tariff bands: 0, 15, and 30 percent. Generally, raw materials are at zero percent, intermediate goods are at 15 percent, and finished goods are at 30 percent. Additionally, some items, such as various agricultural products, are subject to an ad valorem or specific tariff, whichever is higher. In addition to the import tariff, a number of supplementary taxes and levies on imports, taken together with tariffs, can total 100 percent or more of the value of some food and consumer goods, making them prohibitively expensive to import and sell. The 2017 and 2018 government budgets removed certain supplementary taxes on several items. However, supplementary taxes still continue on a wide range of items sharply raising their prices.

The Export Development Board (EDB) levy, often referred to as a "cess", ranges from 10 percent to 35 percent ad valorem on a range of imports identified as "nonessential" or as competing with local industries. Further, when calculating the EDB levy, an imputed profit margin of 10 percent is added to the import price. With some products, such as biscuits, chocolates, and soap, the levy is charged not on the import price but is charged instead on 65 percent of the maximum retail price. In an attempt to rationalize the tariff structure, the 2017 and 2018 government budgets removed the EDB levy on 350 items.

A Ports and Airports Development Levy (PAL) is also applied on most imports. The government increased the PAL from 5 percent to 7.5 percent starting January 1, 2016. Locally manufactured products are not subject to the PAL. The 2018 government budget removed the PAL on 1,000 items.

Additionally, the Sri Lankan government imposes a value-added tax (VAT) on imports, and increased the rate from 11 percent to 15 percent starting November 1, 2016. When calculating the VAT, an imputed profit margin of 10 percent is added to the import price. Locally manufactured products are also subject to VAT, but not the imputed profit margin.

A special commodity levy (SCL) is charged on some imported food items. The SCL rates on basic food items are changed frequently creating uncertainty for importers. Locally manufactured products are not subject to SCL. Items subject to SCL typically include sugar, canned fish, chickpeas, potatoes, onions, vegetable oil, and margarine. Apples, grapes, oranges, dairy spreads, butter, and yogurt are also subject to SCL.

Textiles are subject to an EDB levy of Rs. 100 per kg (approximately \$0.57). In addition, starting September 17, 2018, textiles are subject to a 5 percent VAT. Sri Lanka does not have import duties on textiles. The Nations Building Tax (NBT) and Airport Levy (PAL) are not applicable on textiles.

Apparel is subject to a VAT of 15 percent, an EDB levy of 15 percent or Rs. 200 (\$1.14) per unit, whichever is higher, and a Nations Building Tax (NBT) of 2 percent. Sri Lanka does not have import duties on articles of apparel and clothing accessories. Port and Airport Levy (PAL) are not applicable on these items.

In October 2014, the Sri Lankan government introduced an all-inclusive tax on cars under the Excise Special Provisions Law replacing the VAT, the NBT, the EDB levy, the import tariff, and the PAL. The tax is based on

the engine capacity. The excise tax on cars ranges from Rs. 1,750 per cubic meter (CM) for small cars (approximately \$10) to Rs. 11,000 per CM (approximately \$62.80) for large vehicles. Electric cars are taxed at lower rates.

### **Import Restrictions**

The newly developed Sri Lanka Trade Information Portal (<https://srilankatradeportal.gov.lk/>) is a one-stop point for information relating to import into and export from Sri Lanka. Implemented by the Department of Commerce, the portal provides an accessible, logical, helpful gateway for traders to access important regulatory and procedural information needed to export, import and transit. The initiative is also in line with the government's commitment to the requirements of World Trade Organization to comply with Article 1 of the Trade Facilitation Agreement.

In October 2018, in response to a fast depreciating rupee, the government introduced a raft of policy measures including margin deposit requirements for letters of credit opened for the importation of personal motor vehicles and selected non-essential consumer goods imports and the suspension of concessionary vehicle permits for politicians and government servants. These measures are expected to ease the excessive demand for foreign currency.

Sri Lanka enacted a new antidumping and countervailing duties law and a safeguard measures law in 2018 to provide protection to domestic industries from injurious dumping and subsidization, and for the application of safeguard measures where import surges cause or threaten to cause injury to the domestic industry. The laws are not enforced yet as the government has not published implementing regulations.

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.

#### *Import Licensing*

Sri Lanka requires import licenses for more than 400 items at the six-digit level of the Harmonized Tariff Schedule, mostly for health, environment, and national security reasons. Importers must pay a fee to receive an import license. Import licenses for meat products may be required based on the health or disease status of livestock in the particular country or area.

Approval is at the discretion of the regulators; no standard practices are followed and requirements can vary. Regulators entrusted with evaluating products to be imported often lack the capacity to make scientific determinations, and a zero risk policy is followed in lieu of scientific rationale. Import of telecommunication equipment requires approval from the Telecommunications Regulatory Authority and a license issued by the import controller.

#### *Tea*

The Sri Lanka Tea Board regulates tea imports into Sri Lanka. Tea imports require a license, only bulk tea can be imported, and only registered tea exporters are allowed to import tea for value addition and re-export. Only certain varieties of tea can be imported for such purposes. When re-exporting, the packages should indicate, "Ceylon Tea blended with other origin teas."

## **Customs Barriers and Trade Facilitation**

Duties are calculated using the actual transaction value of the goods (as evidenced by the commercial invoice or other contract of sale document). If the value of the goods cannot be established by this method, Sri Lanka Customs will attempt to establish the value of the goods using methods in line with Article 7 of the GATT. When the customs authority does not accept the declared value and determines the value in accordance to the GATT, the importer has a right to appeal the decision to the Director General of Customs. The Customs Ordinance allows an importer to clear the imported goods provisionally from Customs custody pending a final determination on value. However, this option is not available to an importer where fraud is suspected. U.S. companies have expressed concern that the Sri Lanka Customs valuation system is susceptible to misuse and is not consistently applied.

In addition, Section 153(2)(b) of the Customs Ordinance authorizes customs officers to receive 50 percent of the monetary penalty imposed for various customs infractions. The money received from the sale of forfeited goods is credited to the Customs Officers Reward Fund. Several U.S. companies have reported that the existence of this scheme has created incentives for customs officers to take unwarranted actions.

The Government has taken steps to improve trade facilitation in line with the WTO Trade Facilitation Agreement. A National Trade Facilitation Committee (NTFC) was established in 2016. Sri Lanka launched an online trade information portal in July 2018. However, not all trade related information is available on the portal.

## **Other market access barriers**

### *Price Controls*

Sri Lanka's Consumer Affairs Authority (CAA) sets maximum retail prices (MRP) for essential consumer items. Items subject to MRP include lentils, chick peas, wheat flour, dried chili peppers, canned fish, milk powder, sugar, imported basic variety of rice, imported onions, and imported potatoes. Food importers have lobbied the government to remove MRP, arguing that standard prices are impractical in an environment of changing international markets and currency fluctuations. In 2018, the CAA introduced price controls on bottled water. The bottled water industry has over 120 suppliers in the market, and policy advocates have urged the government to reverse the decision to intervene in an already competitive market.

### *Pharmaceuticals*

Lack of a proper quality assurance mechanism and a price mechanism is making it difficult for global pharmaceutical companies to operate in the Sri Lankan market. In October 2016, the National Medicine Regulatory Authority (NMRA), under the Ministry of Health, instituted MRP for 48 essential drugs. The government also introduced price control on Intra-ocular lenses in February 2017 and on stents in August 2017. In August 2018, the NMRA introduced price control on an additional 15 drugs, resulting in a substantial reduction in prices of the 15 drugs including prices for bio-similars. Sri Lanka imports about 85 percent of its medicinal drug requirement. The government has not taken action to increase MRP of drugs to compensate for rupee depreciation. The pharmaceutical industry has urged the government to formulate currency depreciation linked price controls for drugs and medical devices. According to industry sources, global pharmaceutical companies have said they would withdraw some products from Sri Lanka due to a lack of an effective price setting mechanism. The Sri Lankan government promotes local manufacture of pharmaceuticals through buy-back guarantees.

## **TECHNICAL BARRIERS TO TRADE**

### *Soft Drinks*

Sri Lanka issued the Food (Color Coding for Sugar levels) Regulations 2016, which requires labeling of carbonated beverages, ready-to-serve drinks other than milk-based products, and fruit juices. In November 2017, the government imposed an excise duty of Rs 12 per liter or Rs 0.50 per gram of sugar (approximately \$2.85 per kilo of sugar) contained in beverages, whichever is higher, in support of the government's anti-diabetes campaign. Both the labeling regulations and excise taxes were introduced with limited input from the beverage industry and with little time for industry to respond and implement changes. Since the implementation of the 2017 beverage excise tax, the Sri Lanka carbonated soft drink industry has lost approximately 35 percent of total sales volume while its tax burden has increased to almost 50 percent of gross revenue. The government has considered additional taxes on the beverage and soft drink industry. The labeling regulation and tax affects the sales of both U.S. companies and domestic producers.

## **SANITARY AND PHYTOSANITARY MEASURES**

### *Biotechnology*

Sri Lanka requires the approval of its Chief Food Authority for the importation or the sale of products derived from genetic engineering (GE) intended for human consumption. However, Sri Lanka does not have a functioning approval mechanism for GE products and thus in effect has a ban on seeds and other agricultural products derived from GE. Sri Lanka requires all agricultural commodity imports to be accompanied by a certification that the commodity is "non-GE." The United States will continue to engage Sri Lanka on these issues, especially on establishing a biotechnology regulatory framework consistent with international standards.

### *Poultry Products*

Sri Lanka permits imports of poultry products only from countries that have never reported outbreaks of Highly Pathogenic Avian Influenza (HPAI) or only after six months have passed since a country has notified the World Organization for Animal Health (OIE) that a particular area or state (in the case of the United States) is free of avian influenza. This is despite the fact that the OIE recommends that areas affected by avian influenza can resume trade three months after the last detection. However, beginning in 2018, Sri Lanka relaxed the regulations for U.S. poultry products to allow imports from areas with a three-month disease-free status, subject to a risk assessment for each consignment.

### *Meat Products*

Sri Lankan animal health authorities take a long time to conduct microbiological tests of meat shipments. Additionally, these authorities occasionally reject imports based on testing methods that are not consistent with those set out in the country's regulations or the import permit. The relevant authorities often only accept testing performed by the Medical Research Institute (MRI) based in Colombo, whose testing methods differ from those set out in Sri Lanka's regulations and is not an accredited laboratory. Any negative results on the sample tests require the importer to re-export the shipment. The extended period taken to conclude testing of the shipment places the importer at risk of losing the right to file insurance claims as many insurers only insure for a limited period.

## **GOVERNMENT PROCUREMENT**

Government procurement of most goods and services in Sri Lanka is primarily undertaken through a public tender process. Some tenders are open only to registered suppliers. Procurement has also occurred outside the normal competitive tender process. There are widespread concerns about the lack of transparency and accountability in the tender process. Tender specifications are often developed to suit a particular company. Even on occasions when a U.S. company wins a tender, the contract can be canceled on a technicality, often at the urging of a competitor. The practice of accepting unsolicited proposals without competing bids continues and there is a lack of clarity in the government procurement process which leads to reports of large-scale corruption.

Sri Lanka is not a signatory to the WTO Agreement on Government Procurement (GPA) but has been an observer of the GPA since April 2003.

## **SERVICES BARRIERS**

### *Distribution Services (including logistical services) and Express Shipments*

Sri Lanka does not provide de minimis treatment for the application of taxes on inbound shipments. Further, airport authorities do not provide preferential treatment to express cargo airlines. Rather, express shipments must undergo the routine examination procedure by security and the airport's authority, which delays clearance.

### *Financial Services (including banking services)*

At present, all foreign banks in Sri Lanka operate as branches. All banks operating in Sri Lanka, including foreign banks are required to establish two branches outside the Western Province for each new branch established in the Western Province. The Central Bank also requires all banks operating in Sri Lanka to direct a minimum 10 percent of lending for agriculture.

A 2.5 percent stamp duty applies to usage of credit cards issued by Sri Lankan banks for transactions entered into in foreign currency. Transactions in local currency are exempted from this duty. As a result, U.S. e-Commerce firms, setting prices in dollars, face greater costs than local competitors when selling in the Sri Lankan market.

### *Insurance services*

Only companies incorporated in Sri Lanka may be registered to carry on the business as an insurer. Foreign insurance companies that provide health insurance services to Sri Lankans must sell through an insurance broker registered in Sri Lanka and are restricted to insurance products not sold by local insurance companies. The Sri Lankan government requires all general insurance companies to cede 20 percent of their reinsurance coverage to a state-run insurance fund.

### *Audiovisual Services*

In 1999, Sri Lanka imposed restrictions on the number of foreign films that can be imported into the country and required all of the films to be imported by the State Owned National Film Corporation. In 2002, Sri Lanka changed the rules and created five different entities – “circuits” – that can import foreign films, four private and one state-run, but kept the quota limits. Current restrictions limit the number of imported English language films to 65 per year (13 per entity). In 2018, Sri Lankan importers came close to the 65 film total limit and resorted to “shopping around” different circuits for quota slots. The overall process for importing foreign films remains opaque. In addition, the Ministry of Culture does not allow foreign language films to be subtitled in Sinhala or Tamil, widely restricting the market appeal of English-language films to non-English-speakers.

Sri Lanka also imposes taxes on foreign films, programs, and commercials shown on television. In 2017, the government increased the tax on foreign films and television series dubbed into Sinhala and Tamil from Rs 90,000 per 30-minute episode (approximately \$515) to Rs 150,000 (approximately \$857) per 30-minute episode. Foreign television shows in their original form (without dubbing) are taxed at Rs 100,000 (approximately \$571) per 30-minute episode. Foreign films in their original form are taxed at Rs 200,000 (approximately \$1,142). Higher rates apply to repeat telecasts. Foreign commercials are taxed at Rs 500,000 (approximately \$2,857) in the first 6 months and at Rs 1,000,000 (approximately \$5,714) during the next six months. Government approval is required for all foreign films and programs shown on television.

## **Import Requirements & Documentation**

### **Labeling/Marking Requirements**

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.

*Soft drinks:* The government published regulations cited as the Food (Color Coding for Sugar levels) Regulations 2016, which required labeling of carbonated beverages, ready to serve drinks other than milk based products and fruit juices. The labels need to display a numerical description of the sugar content, a description of the relative sugar level and a color code.

### **U.S. Export Controls**

Licensing restrictions relating to Sri Lanka articulated in §7044(e) of the Consolidated Appropriations Act, 2015, Pub. L. No. 113-235, and in previous appropriations acts, were not carried forward in §7044(e) of the Consolidated Appropriations Act, 2016, Pub. L. No. 114-113. Effective immediately (May 4, 2016) the Directorate of Defense Trade Controls (DDTC) will review applications for licenses to export or temporarily import defense articles and defense services to or from Sri Lanka under the International Traffic in Arms Regulations (ITAR) on a case-by-case basis. DDTC will publish a Federal Register notice to implement a conforming update to ITAR §126.1(n).

### **Temporary Entry**

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.

### **Prohibited & Restricted Imports**

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. Sri Lanka reserves the right to prohibit GM agricultural commodities on the basis of the precautionary principle. 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; however this is a protectionist trade measure.

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**

Director General of Customs  
Sri Lanka Customs  
40 Main Street  
Colombo 11  
Email: [dgc@customs.gov.lk](mailto:dgc@customs.gov.lk)

### **Standards for Trade**

#### Overview

The Sri Lanka Standards Institute (SLSI), Sri Lanka's member body to the International Organization for Standardization (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. Sri Lanka also is a member of the International Electrotechnical Commission and the International Telecommunications Union.

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There are about 2,000 Sri Lankan standards relating to manufactured products, agricultural commodities, industrial raw materials, and production processes. These standards are primarily voluntary, as only 32 (mainly on building materials, household electrical items, food, and consumer products) are mandatory.

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.

## Testing, inspection and certification

The main conformity assessment body is the Sri Lanka Standards Institute (SLSI), <http://www.slsi.lk/index.php?lang=en>

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.

The Sri Lanka Accreditation Board for Conformity Assessment (SLAB), [www.slab.lk](http://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-operation (ILAC), 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. Information on product certification can be found at the Sri Lankan Standards Institution website (<http://www.slsi.lk>). Test certificates from foreign laboratories are not accepted.

## Publication of technical regulations

Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. Notify U.S. (<https://tsapps.nist.gov/notifyus/data/index/index.cfm>) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country(ies) and industry sector(s) of interest, and can also request full texts of regulations. This service and its associated website are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

## Contact Information

Not Available

## Trade Agreements

Sri Lanka has signed free trade agreements (FTAs) with India, Pakistan and Singapore, and is negotiating an FTA with China.

The FTAs with India and Pakistan cover only trade in goods. The agreements provide for duty-free entry as well as duty preferences for manufactured and agricultural goods. Domestic value addition of 35 percent is required to qualify for concessions granted under the agreements.

The Singapore-Sri Lanka FTA came into force on May 1, 2018, and covers: investment, goods, services, trade facilitation, government procurement, telecommunications, e-commerce, and dispute settlement. Sri Lanka has eliminated customs duties on 50 percent of tariff lines (including tariff lines already with zero duty), which



will progressively increase to 80 percent over 14 years. Sri Lanka will not reduce or eliminate duties on the remaining 20 percent of tariff lines.

Sri Lanka is a member of the South Asian Free Trade Area (SAFTA) and the Asia-Pacific Trade Agreement (APTA).

Some Sri Lankan exports to the United States qualify for duty free-privileges under the U.S. Generalized System of Preferences (GSP) program, which offers preferential duty-free treatment for up to 5,000 products (apparel products are excluded) from designated beneficiary countries. The U.S. - Sri Lanka bilateral Trade and Investment Framework Agreement (TIFA) provides a framework for the two governments to discuss and resolve trade and investment issues at an early stage. The most recent TIFA discussions occurred in June 2019.

In May 2017, Sri Lanka regained the European Union's (EU) Generalized Scheme of Preferences (GSP+) privileges for Sri Lankan exports. The trade preferences under GSP+ consists of the full removal of duties on 66 percent of tariff lines, covering a wide array of products including textiles and fisheries. The GSP+ scheme is conditional on Sri Lanka advancing human and labor rights and working towards sustainable development.

### **Licensing Requirements for Professional Services**

There are limitations on market access for professionals to work in Sri Lanka. Employment of foreign personnel is permitted when there is a demonstrated shortage of qualified local labor. Intracompany transferees are allowed to work in foreign companies, and approval is granted on a case-by-case basis.

#### Medical Specialists

Sri Lanka allows foreign medical specialists to offer health care services in BOI-approved hospitals, under a strict registration process. Temporary licenses are issued by Sri Lanka Medical Council for such medical personnel.

#### Lawyers

There is no limited license scheme for foreign lawyers. Foreign lawyers can requalify as Sri Lankan lawyers, work as employees, or work outside the scope of reserved legal services.

Check [information on practicing law in Sri Lanka](#).

#### Accounting

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 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 but staffed by local Sri Lankans. Foreigners generally are not able to provide accounting services in Sri Lanka.

#### Web Resources

Sri Lanka Customs [www.customs.gov.lk](http://www.customs.gov.lk)

## **Investment Climate Statement**

The U.S. Department of State's Investment Climate Statements, prepared annually by U.S. embassies and diplomatic missions abroad, provide country-specific information and assessments of the investment climate in foreign markets. Topics include: Market barriers, business risk, legal and regulatory system, dispute resolution, corruption, political violence, labor issues, and intellectual property rights. The statements are available in two ways.

Visit the U.S. Department of State's Investment Climate Statement website. (<https://state.gov/reports/2019-investment-climate-statements/srilanka/>)

## **Trade & Project Financing**

### **Methods of Payment**

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. Advance payments can be made through bank draft, mail transfer, or telegraphic transfer. Goods for which an 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 obtain a shipping guarantee and may submit copies of these 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 through 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.

### **Banking Systems**

Sri Lanka has a fairly well-diversified banking system, which includes the Central Bank of Sri Lanka (CBSL), two large state-owned commercial banks (Ceylon Bank and People's Bank), eleven private domestic commercial banks, thirteen foreign banks, a national savings bank, a regional development bank, two housing banks, and three licensed specialized banks. Citibank N.A. is the only U.S. bank operating in Sri Lanka. The domestic commercial banks operate branches throughout the island. All commercial banks operate foreign currency banking units 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 for commercial banks. Sri Lanka adopted Basel III capital standards in 2017 and capital requirements for Sri Lankan banks have increased. According to the Central Bank the banking sector maintained capital ratios at a comfortable level in 2017. However, rating agencies estimate that some large banks will require substantial fresh capital to meet full Basel III compliance by 2019. The Central Bank has requested banks to enhance minimum capital requirements by 31 December 2020.

Sri Lanka adopted International Financial Reporting Standards (IFRS) in January 2012 by issuing Sri Lanka Financial Reporting Standards and Sri Lanka Accounting Standards. Commercial banks are required to comply with these accounting standards and Central Bank guidelines. In January 2018, Sri Lanka adopted New IFRS9 standards set out by the International Accounting Standards Board, which require banks to set aside provisions for future losses, and introduced a new basis for financial asset classification and a model for hedge accounting.

## **Foreign Exchange Controls**

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 beginning 2010. A new Foreign Exchange Act was introduced in 2017, further liberalizing capital transactions.

If a project receives 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. In April 2016, Sri Lanka imposed a repatriation requirement for export proceeds in the face of substantial balance of payment pressures. The Central Bank has introduced an export proceeds monitoring system as well. All exporters are required to provide details regarding export proceeds to the Central Bank on a quarterly basis.

## **U.S. Banks & Local Correspondent Banks**

Citibank is the only U.S. bank present in Sri Lanka. All Sri Lankan commercial banks have correspondent relationships with U.S. banks.

## **Project Financing**

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. China is also a significant lender for large-scale government projects. 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 percent of private investment, with short-term borrowing financing an additional 20 percent of investment. The stock market and, to a lesser extent, the corporate-securities market are also used to raise capital.

Companies registered in Sri Lanka are allowed to borrow abroad. In June 2016, the Central Bank removed the maximum borrowing limit. Currently, the minimum loan tenor allowed is three years.

The U.S. Export-Import Bank (USEXIM) can work with your private lender to help secure financing for international sales. A lender receives a loan "guarantee" from EXIM, guaranteeing repayment for a percentage of the loan if the borrower ((i.e., U.S. exporter) defaults. You can use the loan from your bank to pay for the labor, materials, and other inputs required to fulfill sales. EXIM doesn't replace your private bank; it simply backs their loan and increases your borrowing power. USEXIM also provides export credit insurance. More information regarding USEXIM's programs is available at: <https://www.exim.gov/>.

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](http://www.tda.gov).

## **Multilateral Development Banks**

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the World Bank and the Asian Development Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing

poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help businesses that create U.S. jobs learn how to get involved in bank-funded projects and how to connect to other parts of the International Trade Administration, including the U.S. Field; the overseas network of Commercial Service offices; and, in Washington, desk officers, sectoral experts, and the advocacy center.

To obtain further information on World Bank funded projects in Sri Lanka, visit [www.worldbank.org](http://www.worldbank.org).

To obtain further information on Asian Development Bank funded projects in Sri Lanka, visit <https://www.adb.org/>

## **Financing Web Resources**

[Commercial Liaison Office to ADB](#)

[Commercial Liaison Office to World Bank](#)

[Export-Import Bank of the United States](#)

[Country Limitation Schedule](#)

[Overseas Private Investment Corporation](#)

[Trade and Development Agency](#)

[Small Business Administration](#)

[USDA Commodity Credit Corporation](#)

[USAID](#)

[World Bank](#)

[UN Development Business](#)

[The Development Gateway Market](#)

[Asian Development Bank](#)

[Central Bank of Sri Lanka](#)

## **Business Travel**

### **Business Customs**

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**

The [Embassy Consular Information Sheet](#) is available.

### **Visa Requirements**

For current information on obtaining business visas to Sri Lanka, please visit the [Embassy of Sri Lanka website](#).

Specific inquiries regarding entry and exit requirements should be addressed to:

Embassy of the Democratic Social Republic of Sri Lanka  
3025 Whitehaven Street NW  
Washington DC 20008  
Email: [slembassy@slembassyusa.org](mailto:slembassy@slembassyusa.org)  
Telephone: (202) 483-4025  
Telephone (Emergencies/After hours): (202) 580 9546  
Fax: (202)-232-7181

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.

If you are going to live in or visit Sri Lanka, please take the time to tell our Embassy about your trip through the State Department's Smart Traveler Enrollment Program (STEP). 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. Smart Traveler Enrollment Program: <https://step.state.gov/>

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

State Department Travel Website: <https://travel.state.gov/>

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  
Fax: +94 11 249 8590  
Email for American Citizens Services issues: [ColomboACS@state.gov](mailto:ColomboACS@state.gov)  
Consular Section of the U.S. Embassy Colombo: <https://lk.usembassy.gov/u-s-citizen-services/>

### **Currency**

The rupee (signs: □□, Rs.; code: LKR) is the currency of Sri Lanka, divided into 100 cents. It is issued by the Central Bank of Sri Lanka and is generally written Rs. (though SLRs. may occasionally be used for disambiguation).

As of May 17, 2019: \$1.00 = Rs. 176.27

ATMs are widely available and generally accept U.S. ATM network cards (e.g. MasterCard and Visa). ATM fraud (stealing card information) is a risk. Be cautious of your surroundings while using ATMs and monitor your bank accounts closely.

Major U.S. credit cards are widely accepted to purchase goods and services. Be cautious of using credit cards as credit card fraud (stealing credit card information) is a risk.

### **Telecommunications/Electronics**

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. Sri Lanka has 4G LTE internet network available in Colombo. 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.

In April 2019, Sri Lanka experienced several short-term power outages. Power outages are more common outside of Colombo, especially in rural areas.

### **Transportation**

Sri Lanka is served by several airlines. U.S. airlines do not serve Sri Lanka except indirectly through partner airlines. There are no direct flights to Colombo from the United States or to the United States from Colombo. A common way to travel to Sri Lanka from the East Coast is through London, Dubai or Doha. Visitors flying from the U.S. West Coast may transit in Japan, Hong Kong, Singapore, or Bangkok.

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.

In-country air travel is extremely limited and road travel is relatively slow and dangerous. Charter helicopter service is available as are rental cars with drivers. Taxis are readily available in Colombo. Ridesharing mobile applications, including Uber, Pickme, and others, are available in Colombo and Galle but are not generally available in smaller towns and rural areas.

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, ox carts, motorcycles, and 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. When renting a vehicle, working seatbelts must be specifically requested.

Please refer to the Embassy's Road Safety page for more information. We also suggest visiting the website of Sri Lanka's national tourist office ([www.srilanka.travel](http://www.srilanka.travel)) and the National Council for Road Safety (<http://www.transport.gov.lk/>).

### **Language**

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

## Health

For up-to-date information on health services in Sri Lanka, please visit the U.S. Department of State's website which contains information specific to Sri Lanka: [travel.state.gov/content/passports/en/country/sri-lanka.html](http://travel.state.gov/content/passports/en/country/sri-lanka.html)

Good information on vaccinations and other health precautions can be found on the Center for Disease Control and Prevention (CDC) website ([www.cdc.gov](http://www.cdc.gov)) 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 (<http://www.who.int/en>). The WHO website also contains additional health information for travelers, including detailed, country-specific health information.

### Medical Insurance

Do not assume that your insurance will go with you when you travel. It is very important to find out BEFORE you leave. Be sure to ask your insurance company two questions:

1. Does my policy apply when I'm out of the United States?
2. Will it cover emergencies such as 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 visits to hospitals and doctors in other countries. If your policy does not go with you when you travel, consider taking out another one for the trip. For more information, please see our medical insurance overseas page.

## Local Time, Business Hours and Holidays

Prior to travel to Sri Lanka, businesspersons should check whether any local holidays will occur during their trips. There are about twenty public holidays during which government offices and banks are closed. 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 4th), Labor Day (May 1st) and Christmas (December 25th). 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 – June 2019 to December 2020

05-June 19	Ramazan Festival
16-June 19	Poson Full Moon Poya Day*
16-July 19	Esala Full Moon Poya Day*
12-August 19	Hadji Festival Day
14-August 19	Nikini Full Moon Poya Day*
13-September 19	Binara Full Moon Poya Day*
13-October 19	Vap Full Moon Poya Day*
27-October 19	Deepavali Festival Day
10-November 19	Holy Prophet's Birthday



12-November 19	Il Full Moon Poya Day*
11-December 19	Unduvap Full Moon Poya Day*
25-December 19	Christmas Day*
Holidays 2020	
10 January 20	Duruthu Full Moon Poya Day*
15 January 20	Tamil Thai Pongal Day
4 February 20	National Day*
8 February 20	Navam Full Moon Poya Day*
21 February 20	Mahasivarathri Day
9 March 20	Madin Full Moon Poya Day*
7 April 20	Bak Full Moon Poya Day*
10 April 20	Good Friday
13 April 20	Day prior to Sinhala & Tamil New Year Day*
14 April 20	Sinhala & Tamil New Year Day*
1 May 20	May Day*
7 May 20	Vesak Full Moon Poya Day*
8 May 20	Day following Vesak Full Moon Poya Day*
24 May 20	Id Ul-Fitr
5 June 20	Poson Full Moon Poya Day*
4 July 20	Esala Full Moon Poya Day*
31 July 20	Id Ul-Alha
3 August 20	Nikini Full Moon Poya Day*
1 September 20	Binara Full Moon Poya Day*
1 October 20	Vap Full Moon Poya Day*
29 October 20	Milad un-Nabi
30 October 20	Adhi Vap Full Moon Poya Day*
14 November 20	Deepavali
29 November 20	Ill Full Moon Poya Day*
25 December 20	Christmas Day*
29 December 20	Unduvap Full Moon Poya Day*

Note: Private companies are closed on holidays marked with \*

## **Temporary Entry of Materials or Personal Belongings**

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.

## **Travel Related Web Resources**

[U.S. Embassy in Colombo](#)

[Consular Information Sheets](#)

[Centers for Disease Control and Prevention](#)

[Sri Lanka Tourism](#)

[Sri Lankan Embassy in Washington DC](#)

[United States Visas](#)

[United States Travel Documents](#)

[Department of Immigration Sri Lanka](#)

[Electronic Travel Authorization](#)