



SRI LANKA FOREIGN POLICY AND ECONOMIC DIPLOMACY DIALOGUE 2018

SUMMARY

SRI LANKA FOREIGN POLICY AND ECONOMIC
DIPLOMACY DIALOGUE 2018:

Summary

15 – 27 October 2018
Colombo, Sri Lanka

Organised by
Ministry of Foreign Affairs of Sri Lanka (MFA), in collaboration with
the Bandaranaike International Diplomatic Training Institute (BIDTI) and
the Lakshman Kadirgamar Institute of International Relations and Strategic Studies (LKI)

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Message from the Foreign Minister

Hon. Tilak Marapana, Minister of Foreign Affairs



It is with great pleasure that I send this message to the publication of the Sri Lanka Foreign Policy and Economic Diplomacy Dialogue 2018 (SLFPEDD 2018) held in Colombo in October 2018.

I am pleased that Sri Lanka was able to host mid-career level diplomats from 23 countries at the SLFPEDD 2018, representing a diverse group of cultures, economies and foreign policy perspectives from Asia, Africa, Middle East, Australasia and Latin America. This wide geographical and cultural representation would undoubtedly provide a platform for long-term personal friendships and more significantly, benefit all our countries in our diplomatic engagements in the years to come.

SLFPEDD was a timely and visionary initiative taken nearly twenty years ago, by former Foreign Minister Lakshman Kadirgamar, to share Sri Lanka's knowledge and expertise in the context of South-South cooperation. Today, I am pleased to note that the SLFPEDD has evolved into a dynamic interaction of countries, that is beneficial to all.

As Sri Lanka strives to position itself as a knowledge centre in the region, I am certain this discourse will augment the many initiatives taken towards that goal and provide an excellent platform for cordial discussions of mutual interest.

I wish to extend warm felicitations to the SLFPEDD 2018 and to the distinguished participants.

Tilak Marapana M.P., P.C.

Minister of Foreign Affairs

Call on the Foreign Minister

The participants called on Hon. Tilak Marapana, at the Ministry of Foreign Affairs in Colombo and exchanged views.



Preface

Mr. Ravinatha Aryasinha, Secretary, Ministry of Foreign Affairs



It is a great pleasure for me to introduce this summary of the Sri Lanka Foreign Policy and Economic Diplomacy Dialogue 2018, organised as part of the Economic Diplomacy Programme (EDP) of the Ministry of Foreign Affairs (MFA), and conducted in collaboration with the Bandaranaike International Diplomatic Training Institute (BIDTI) and the Lakshman Kadirgamar Institute of International Relations and Strategic Studies (LKI). This dialogue held in October 2018, at a time I was overseeing the Economic Affairs & Trade Division, brought together a diverse group of diplomats from 23 countries: Afghanistan, Australia, Bangladesh, Bhutan, Brazil, China, Cuba, Egypt, India, Kenya, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, Palestine, Senegal, Singapore, South Africa, Thailand, the United Arab Emirates and Vietnam.

The two-week dialogue aimed to provide a comprehensive picture of Sri Lanka's foreign relations, with a focus on our active approach to economic diplomacy. It showcased Sri Lanka's ability to interact with the rest of the world, and advanced participating diplomats' understanding of our country and of the challenges and opportunities we all face as individual countries and collectively.

The Dialogue was also an opportunity for Sri Lankan colleagues, at the Ministry of Foreign Affairs and other government institutions, to engage with counterparts from abroad, sharing our experiences and understanding their perspectives. This Dialogue was a notable Sri Lankan contribution to the promotion of multilateralism and friendship around the world.

It included a number of working sessions with a wide range of speakers—key Sri Lankan government officials, academics, scientists and leaders in the private sector—sharing their insight on the full spectrum of Sri Lanka's political, social and economic systems. The sessions also provided valuable insights for the EDP of the Foreign Ministry operationalised since May 2018, under which the MFA promotes Sri Lanka through focused activities carried out by the Ministry and its missions abroad aimed at deriving tangible economic benefits to the country.

I am glad that the participants had the opportunity to additionally take part in a three-day study tour to some of the country's most famous historical, cultural and tourism sites: Kandy, Dambulla, Sigiriya, Polonnaruwa, Minneriya Nature Reserve, Passikudah, and the yacht marina at Galle. The participants also had an opportunity to visit the Sri Lanka Institute of Nanotechnology and the University of Moratuwa, two institutions of excellence in academia and research. From the numerous comments we have received from participants, it is clear that the programme was comprehensive and well appreciated.

It is my hope that the positive experiences of the participants will help strengthen Sri Lanka's diplomatic links around the world and promote our country as an emerging destination for trade, investment and tourism in the Indian Ocean. This summary provides the key takeaways of the working sessions and will support this aim further.

Having been personally involved in a number of sessions, I was impressed by the remarkable camaraderie evident throughout the Dialogue and the frankness of the participants in sharing their knowledge during the sessions. I hope that the personal friendships formed during this programme will be mutually beneficial to all the participants and their respective countries in the years and decades ahead in both the bilateral and multilateral spheres.

I would like to thank the participants and the many excellent speakers who generously contributed their time and expertise to make this programme a success.

We look forward to the continued support of all the countries involved in building on the success of this programme and to hosting a new cohort of foreign diplomats from an expanded group of countries at the Foreign Policy and Economic Diplomacy Dialogue 2019 in Colombo.

Executive Summary

At the time of independence from British rule in 1948, Sri Lanka was blessed with a number of advantages that laid the foundations for an independent foreign policy. Democratic institutions were already well rooted as universal franchise had been granted in 1931, making Sri Lanka one of the oldest democracies in Asia. A peaceful transfer of power from colonial rule to national leadership also ensured that economic and political structures remained intact. A favourable geographical location along the East-West Sea routes meant that the economy naturally gravitated towards becoming an economic hub in the Indian Ocean, and a prosperous three crop export sector provided foreign exchange to finance a welfare state. Meanwhile, a nascent but capable Foreign Service built on the foundations of an independent and competent Civil Service provided the human capital to chart a course for the country's foreign policy.

In line with the prevailing winds in the developing world, Sri Lanka was an early proponent of multilateralism in Asia and beyond, becoming a founding member of the Colombo Plan in 1951 and an early member of the Non-Aligned Movement (NAM) during the Cold War. In subsequent decades, NAM membership has allowed Sri Lanka to successfully navigate the complex challenges facing a small country in a world dominated by major powers. In later years Sri Lanka also took several pivotal steps towards regional diplomacy, especially through the South Asian Association for Regional Cooperation (SAARC), and more recently through institutions like the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and the Indian Ocean Rim Association (IORA).

However, the separatist conflict that prevailed for three decades from the early 1980s until 2009 hampered these efforts. Foreign policy imperatives were influenced by the international dimensions of the internal upheaval and the existential threat posed to the State by terrorism.

Since the end of the internal conflict, the focus of Sri Lanka's diplomacy has gradually moved towards the aim of supporting the country's economic development. Economic diplomacy as an important pillar in the country's foreign policy was to follow. This reflects an acceptance that Sri Lanka can rapidly grow its own economy by closely engaging with other nations, helping it to achieve the goal of becoming a high-income country. It is also a pragmatic response to the shift in the world economy towards Asia, particularly the economic rise of China, India, and ASEAN. Sri Lanka's trade has long been concentrated in Europe and North America, but the rapid growth of Asian markets presents significant opportunities to grow and diversify exports by linking to the region's Global Value Chains (GVCs) and expanding trade in services. Tourism and ICT are also important growth areas. The development of the rural economy can benefit from technology transfers and sharing of good practices, including South-South transfers.

In the multilateral economic sphere, especially at fora such as the World Trade Organization and the UN Conference on Trade and Development (UNCTAD), Sri Lanka stands to benefit through mutually beneficial cooperation with like-minded countries. It is therefore necessary to enhance capacities and competencies in the multilateral arena, as well as in bilateral economic diplomacy. To successfully engage in economic diplomacy, Sri Lanka requires a comprehensive and cross-government approach to promoting trade, investment, tourism and people-to-people links. Domestic reforms in Sri Lanka have helped to ensure macroeconomic stability, spur the

development of new sectors, enhance trade facilitation, and streamline foreign investment procedures. These developments are supported by the development of new infrastructure, including world-class ports in Colombo, Hambantota and Trincomalee, as well as highways to ensure that these ports are well connected to the rest of the country. Other new investments like the Colombo International Financial City are ensuring that Colombo can fulfil its ambition of becoming a hub for the rapidly growing global trade in services.

At the same time, Sri Lanka's growing network of investment and trade agreements is helping to lower external barriers to trade while making the country a more attractive investment destination. This is coupled with a concerted effort to convey Sri Lanka's key strength as an investment destination more effectively to potential investors. Most notably the country's high human development indicators, strategic location close to major shipping lines, and high-quality logistics services. Sri Lanka's efforts to ensure regional security in the Indian Ocean play an important role. A vibrant tourism sector and a successful diaspora also gives Sri Lanka a strong base to address cultural barriers and build closer economic links with countries around the world.

Sri Lanka's international brands play an important role in showcasing this economic vibrancy globally and supporting diplomatic efforts. Sri Lankan tea has successfully built an international reputation for quality and has expanded into growing markets in Asia, while Sri Lanka's apparel companies are at the top of their sector. These positive experiences are now being leveraged to support burgeoning Information Technology (IT), Business Process Outsourcing (BPO), and manufacturing industries.

This strategy is not without challenges. Trade liberalisation and greater foreign investments will disrupt existing sectors and must be managed carefully. At the same time, the development of new sectors will create new obstacles, such as the threat that cybercrime and money laundering poses to the digital economy. Capacity building is another issue. Therefore, the strategy must be coupled with strong domestic support for education and environmental standards to ensure that everyone can benefit in a sustainable manner.

Abbreviations

ASEAN	Association of Southeast Asian Nations
APTA	Asia-Pacific Trade Agreement
BCIS	Bandaranaike Centre for International Studies
BIDTI	Bandaranaike International Diplomatic Training Institute
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BPM	Business Process Management
BPO	Business Process Outsourcing
BRI	Belt and Road Initiative
CBSL	Central Bank of Sri Lanka
ETCA	Economic and Technology Co-operation Agreement
EU	European Union
FDI	Foreign Direct Investment
PTA	Preferential Trade Agreement
FTA	Free Trade Agreement
FPTP	First Past The Post
GSP	Generalized Scheme of Preferences
GST	Goods and Services Tax
GSTP	Global System of Trade Preferences among Developing Countries
GVC	Global Value Chains
GDP	Gross Domestic Product
IMF	International Monetary Fund
IT	Information Technology
ILO	International Labour Organization
IPS	Institute of Policy Studies
IORA	Indian Ocean Rim Association
IUU	Illegal, Unreported and Unregulated Fishing
KPO	Knowledge Process Outsourcing
LTTE	Liberation Tigers of Tamil Eelam
MFA	Ministry of Foreign Affairs
NAM	Non-Aligned Movement
OSL	Overseas Sri Lankans
PPP	Public Private Partnership
RCSS	Regional Centre for Strategic Studies
RTI	Right to Information
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Area
SAPTA	South Asian Preferential Trade Agreement
SLFP	Sri Lanka Freedom Party
SLFPEDD	Sri Lanka Foreign Policy and Economic Diplomacy Dialogue
SLPA	Sri Lanka Ports Authority
SOE	State Owned Enterprise
SME	Small and Medium Enterprise
STEAM	Science, Technology, Engineering, Arts, and Math
TEU	20-foot equivalent
UN	United Nations
UNCTAD	UN Conference on Trade and Development
UNGC	United Nations Global Compact
UNODC	United Nations Office on Drugs and Crime
UNP	United National Party
VAT	Value Added Tax
WTO	World Trade Organization

Inaugural Session

1. **Introduction to the Programme**
Mr. Ravinatha Aryasinha
2. **Address by Chief Guest**
Hon. Vasantha Senanayake
3. **Sri Lanka: An Economic Context**
Dr. Ganeshan Wignaraja

Introduction to the Programme

Inaugural Session

Mr. Ravinatha Aryasinha, Additional Secretary, Economic Affairs and Trade, MFA.

Summary

- Sri Lanka and its foreign policy are always evolving, and dialogues like this allow Sri Lanka to show its partners how the country is strengthening itself, while at the same time providing an opportunity for constructive engagement with like-minded friendly countries. These dialogues help Sri Lanka to understand the perceptions and approaches of other nations, thereby enabling it to strengthen its bilateral and multilateral relations.
- The overall goal of the Economic Diplomacy Programme (EDP) of the MFA is to analyse and promote Sri Lankan trade, tourism and investment, as the country aims to become a hub of the Indian Ocean and seek synergies with international partners and friends as it moves towards shared aspirations.
- Under the EDP, having analysed patterns of recent economic flows and the potential within each target market, the Foreign Ministry has set specific performance targets to be accomplished on exports, investments, tourism and foreign employment for each Mission. Also, in collaboration with the relevant line Ministries and the private sector, 10 Sri Lanka Missions abroad in emerging markets are being supported to carry out targeted campaigns that would enhance Sri Lanka's global footprint and bring tangible economic benefits to Sri Lanka. Programmes are being initiated to promote ICT products and services and also organic food products in Sweden, apparels, textiles and footwear in South Africa, fresh and processed foods in Bahrain, spices and apparel in Brazil, wellness tourism in the UAE, inward investment from the Republic of Korea and Japan.
- The Dialogue itself aims to spur conversations with mid-career diplomats which augment discussions held at higher levels while fostering mutual respect. The presence of the diplomats was a reflection of the importance their respective Governments placed on relations with Sri Lanka. Through this Dialogue we will not only inform them about how Sri Lanka straddles the many politico-economic and social challenges of our times, but in turn Sri Lanka too would be informed of the perspectives of the respective countries on each of these subjects.
- A study tour around Sri Lanka was tailored with the support of the Sri Lanka Tourism Promotion Bureau, to complement the substantive sessions with an actual feel of the country. Sites and activities were selected to reflect their value to Sri Lanka's tourism, ecology and society.
- The participants' continued engagement with Sri Lanka—both professionally and personally—would be a tremendous support to the efforts by our respective Missions in or accredited to their capitals, as they seek to strengthen bilateral relations between the countries.

Address by Chief Guest

Hon. Vasantha Senanayake, State Minister of Foreign Affairs

Summary

“The objective of the Economic Diplomacy Programme is to develop strong relations with nations and foster friendships”

- The objective of the Economic Diplomacy Programme is to develop strong relations with nations and foster close friendships. Sri Lanka has successfully done this culturally and economically in the past.
- Sri Lanka’s strategic location is perhaps its biggest strength. The country’s thinking has been shaped by its place in the Indian subcontinent, and this geographical location has allowed Sri Lanka to benefit from India’s emergence as a global power. Sri Lanka has historic trade links with the Middle East and the Far East, and it is growing in importance in the Indian Ocean as a key node in East-West trade, in particular China’s growing trade with Africa.
- In the past, Sri Lanka has used commercial diplomacy, evidenced by the gifts exchanged between kings in ages past. Even today, Sri Lanka needs to develop its economic diplomacy prowess.
- As a country that is not self-sufficient, Sri Lanka needs strong bilateral relations to safeguard economic growth. Every country is rapidly changing its position in global markets. Sri Lanka needs to continue developing trade and diplomatic relations.
- Sri Lanka, like other countries, must leverage its strengths by building on its rich cultural and religious history. It must develop friendly relations with other countries and accurately inform world perceptions of Sri Lanka through effective communication. Finding commonality among nations must be a key part of this.

Sri Lanka: An Economic Context

Evolving Asian Economic Outlook and Implications for Sri Lanka

Dr. Ganeshan Wignaraja, Executive Director, LKI.

Summary

“In terms of Gross Domestic Product (GDP) growth, Asia is growing and will continue to do much better than most regions”

- The global economic scenario is evolving, with the International Monetary Fund (IMF) forecasting world growth at 3.7% in 2018-2019 and growth in developing Asia at about 6.0% outpacing world growth and other regions in this period. Asia’s rapid growth is underpinned by a rapidly growing India, a moderating China and steady growth in South-East Asia.
- Developing Asia’s trade growth is expected to support GDP growth at least in the short term. But the ratio of regional trade growth with respect to regional GDP growth has been falling over time suggesting that trade could play less of a role as an engine of growth in Asia than before.
- In terms of population, developing Asia will be the world’s largest region. India is likely to overtake China as the world’s largest populated country. South Asia is getting younger, specifically in India, Pakistan and Bangladesh. But in Sri Lanka (as in China and other East Asian countries), the total dependency ratio is rising with negative implications like greater expenditure on health and old age care and higher taxes. On the positive side, older people tend to have higher incomes from a lifetime of work and an emerging issue is how can the silver economy be harnessed.
- Looking towards 2025, it is likely that Asia’s global rise will continue but at a slightly reduced pace than before. The region’s share of world GDP will reach 30.5% and Asia will largely be a middle-income region by 2025. Yet there are multiple economic and geopolitical risks.
- Some of the risks include:
 - The likelihood of a third financial crisis – Although Asian financial markets restructured after the Asian Economic Crisis, there is a need to build up financial reserves due to the fragility of cyclical economic recovery.
 - There is an overall rise in trade protectionism in the post-crisis area, especially the trade war between the US and China. Such trade wars could affect the smooth functioning of China-centred global value chains (GVCs) – that account for half of global trade.
 - There is a slowing of foreign direct investment (FDI) inflows to developing Asia due to rising US interest rates and a bout of risk aversion in emerging markets.
 - The South China Sea has faced issues relating to its maritime security, the most recent being a near clash between surface ships of the US and China. A skirmish at

sea would inflict damage on trade dependent Asian economies. The Indian Ocean also faces a variety of rising traditional security threats and non-traditional threats (e.g. maritime crime and environmental degradation).

- Some key mega-trends—that would be game-changers for Asia—are (i) China’s ever-evolving GVCs, (ii) China’s Belt and Road Initiative that will be larger (in funding) than the Marshall Plan, and (iii) aid becoming scarcer for middle-income Asia and rising dependence on the capital markets, which entails risks to borrowers.
 - New GVC opportunities are emerging for Indonesia, India and Malaysia, benefitting from Chinese outward investment in manufacturing. There are possible opportunities for Sri Lanka (specifically, the Port City financial centre) from GVC related services sectors.
 - The Belt and Road Initiative (BRI) could be interpreted both positively and negatively. Some see it as China, a regional economic power in Asia, sharing its resources and expertise in infrastructure development across the world. Others view it as China’s soft power control expanding over developing nations and encouraging of ‘debt trap diplomacy.’ Asian economies should develop infrastructure plans and financing strategies to ensure that they experience net benefits from the BRI.
 - Poverty has fallen but rising income inequality is a growing problem for many Asian economies. More attention needs to be paid to developing policies which facilitate inclusive growth.
- In order to fully benefit from these trends, Sri Lanka should continue efforts at macroeconomic stabilisation and gradual economic reforms. Trade adjustment, financial access for small business and re-training of workers are important complementary policies.

Highlights from the Inaugural Session



Hon. Vasantha Senanayake



Mr. Ravinatha Aryasinha



Dr. Ganeshan Wignaraja



Mr. Kapila Fonseka

Working Session 1: Sri Lanka

- 1. Sri Lanka: A Historical Context**
Prof. Sudharshan Seneviratne
- 2. Sri Lanka: A Political Context**
Prof. Amal Jayawardena
- 3. Sri Lanka: A Socio-cultural Context**
Prof. J. B. Disanayaka

Sri Lanka: A Historical Context

Prof. Sudharshan Seneviratne, Emeritus Professor, University of Peradeniya.

Chaired by: Mrs. Grace Asirwatham, State Secretary, MFA

Summary

“Diplomacy requires a strong understanding of history and heritage”

- A new era in the history of Sri Lanka began in 1505 when the Portuguese arrived. The Portuguese sought Cinnamon, a very valuable spice which is endemic to Sri Lanka. Though they were able to annex most of the country, the kingdom of Kandy remained independent from Portuguese rule.
- In 1658, the Dutch took over the maritime provinces of Sri Lanka. Kandy remained independent and continued to co-exist beside the Dutch colony until 1760, when war broke out between the two parties. Kandy was forced to recognise Dutch sovereignty over the whole of the coastline, even areas that had formerly belonged to Kandy.
- In 1796, Dutch rule gave away to the British. The new imperial power built a network of roads and introduced wide-ranging reform all across Sri Lanka. The British introduced first coffee and then tea, creating large plantations. These commodities became a crucial export, and tea remains so today.
- Sri Lanka became an independent nation on 4 February 1948. Diplomacy requires a strong understanding of history and heritage. It enables diplomats to reach out and engage with people, and to create connections that are solidified through friendship. A diplomat's craft is knowing how to reach out to people. For this one needs to know one's own history and heritage.
- There are four integral factors that need to exist symbiotically to represent heritage: (i) culture, (ii) environment, (iii) knowledge and wisdom from the past, and (iv) the next generation.
- During the colonial period, the mindsets of the conquered people were set by colonialists. In some instances, this interaction also triggered modernisation. Yet, some may say that Sri Lanka suffers from the 'hangover of the colonial hegemony in our minds.'
- Following the internal conflict, redefining security and sustainable stability has been a challenge. While infrastructure and other developments have been visible, confidence, faith and trust are still fragile and difficult to repair. It is crucial to educate the post-conflict generation.

Sri Lanka: A Political Context

Prof. Amal Jayawardena, Senior Lecturer, Faculty of Defence and Strategic Studies, General Sir John Kotelawala University.

Chaired by: Mrs. Grace Asirwatham, State Secretary, MFA

Summary

“Sri Lanka’s location heavily influences its political leverage within the region, and in the sub-continent and globally”

- The operation of the political system in a country is greatly influenced by its political culture. This is made up of historical experience, social composition, the rights of individuals or groups, respect for the Rule of Law, values, and beliefs.
- Sri Lanka is not a homogenous society. It is multi-ethnic, multi-religious and multi-linguistic.
- Except for one occasion Sri Lanka’s armed forces have not attempted to seize political power. This single attempt in 1962 is recorded more as a lacklustre effort at a coup which did not result in any violence. Therefore, Sri Lanka since independence has become a model for parliamentary democracy.
- The universal adult franchise was introduced in the UK in 1928. It was introduced to Sri Lanka in 1931. In this context, Sri Lanka has been described as the “oldest democracy in Asia.” The introduction of the universal adult franchise facilitated the development of the political party system in the country.
- Sri Lanka gained independence in 1948. The first Constitution (Soulbury Constitution) introduced a Westminster type parliamentary democracy in Sri Lanka. With the introduction of a new constitution in 1972, Sri Lanka was declared a Republic and the constitutional ties with Great Britain came to an end.
- The Constitution of the Second Republic (1978) provided for a strong executive presidency. The President was given broad executive powers. The Executive President is head of state, head of government and commander of chief of the armed forces. The President is directly elected for a five-year term (prior to the enactment of the 19th Amendment to the constitution in 2015 the term was six years) and is responsible to Parliament for the exercise of duties. The President may serve a maximum of two terms.
- Sri Lanka has a unicameral legislature, which has 225 members elected for a term of five years – 196 members elected in multi-seat constituencies and 29 from the National List. The President may dissolve Parliament any time after it has served for four and a half years (before the 19th amendment, the President had the power to dissolve Parliament any time after one year).

- There are two structures at the local level: 1) The Civil Service – there are 25 districts, and each district has a District Secretary; 2) The Provincial Council system which was established under the 13th Amendment in 1987. Provincial Councils are elected by the people and the leader of the Provincial Council serves as the Chief Minister with a Board of Ministers. There are nine Provincial Councils.

- Until 1977, elections were held under the 'First Past the Post' (FPTP) system, and therefore, the two major parties (UNP and SLFP) were able to get a comfortable majority. During the 1977 election, the UNP got an unprecedented majority - 140 out of 168 seats. It was found that the FPTP voting system was not capable of representing minority interests and the interests of small parties. As a result, "Proportional Representation" was introduced with the 1978 Constitution. Under the Proportional Representation system small parties, especially those representing minority communities, got better representation in parliament; however, the major parties found it difficult to get a comfortable majority.

Sri Lanka: A Socio-cultural Context

Prof. J. B. Disanayaka, Emeritus Professor at the University of Colombo

Chaired by: Mr. Ravinatha Aryasinha, Additional Secretary, Economic Affairs and Trade, MFA

Summary

“Sri Lanka is home to eight UNESCO World Heritage sites”

- Sri Lanka is a multicultural and multi-religious country, and it may, therefore, be assumed that Sri Lanka is not only open geographically but also culturally.
- The late Arthur C. Clarke stated that ‘each of Ceylon’s attractions are unique and score highly in all departments.’
- Sri Lanka’s culture is made up of many cultures and subcultures within them. Ethnicities range from Sinhalese, Tamils and Muslims to Burghers, the latter are the descendants of the Portuguese and Dutch who colonised Sri Lanka prior to the British.
- The languages spoken in Sri Lanka include Sinhala, Tamil and Arabic, which some Muslims speak in addition to Tamil. English is also spoken widely. In the same note, Buddhism, Hinduism, several denominations of Christianity and Islam are practiced.
- The largest ethnic group in Sri Lanka is the Sinhalese, who predominately follow Buddhism.
- The caste system prevalent among the Sinhalese, even to a much lesser extent in modern times, is a hierarchical system. However, this is not similar to the caste system in India.
- Sri Lankan English is a new phenomenon that has developed over time. This language stems from the combined use of both Sinhala and English words and is often spoken colloquially.
- Sri Lankans speak a combination of languages depending on their ethnic group and region of residence. Dialects exist but are not as common as in India. English serves as a link language most of the time.
- Sri Lanka is home to eight UNESCO World Heritage sites. Despite many of the sites being deeply entrenched in religion, specifically Buddhism, all Sri Lankans are custodians of these World Heritage sites and serve as ambassadors to our country.

Highlights from Working Session 1



Mrs. Grace Asirwatham



Prof. Sudharshan Seneviratne



Prof. Amal Jayawardena



Prof. J. B. Disanayaka



Mr. Parikshat Kadan, India



Ms. Nourane Aboulwafa, Egypt



Working Session 2: Foreign Policy

1. Contours of Sri Lanka's Foreign Policy

Mr. Ravinatha Aryasinha

2. Sri Lanka in Asia

Amb. Nihal Rodrigo

3. Sri Lanka's Multilateral Diplomacy

Amb. H. M. G. S. Palihakkara

4. Prospects and Challenges in Sri Lanka's Foreign Policy

Dr. Maneesha Wanasinghe Pasqual

Dr. Dinusha Panditaratne

Dr. Harinda Vidanage

Prof. Gamini Keerawella

Contours of Sri Lanka's Foreign Policy

Mr. Ravinatha Aryasinha, Additional Secretary, Economic Affairs and Trade, MFA

Chaired by: Ms. Saroja Sirisena, Director General, Economic Affairs and Trade (Multilateral), MFA

Summary

“Sri Lanka makes its best contributions to the international community when it leads from the centre, rather than positioning itself in a manner either to be taken for granted, or to remain isolated”

- The discussion on the contours of Sri Lanka's foreign policy focused on two elements: (i) priorities and imperatives of Sri Lanka's foreign policy, and (ii) actors, pressures and challenges faced when formulating foreign policy. In reflecting on these, participants were encouraged to share perspectives from their own countries on similar issues.
- Sri Lanka's well-documented history of over 2500 years as an independent sovereign nation, was interrupted by the arrival of the European colonisers; first the Portuguese in 1505 A.D, later the Dutch in 1658 and finally the British in 1796, from whom Sri Lanka gained independence in 1948. It is noteworthy that Sri Lanka did not engage in a violent struggle for its independence, but achieved it through tactful negotiations.
- The first Prime Minister of independent Sri Lanka, D.S. Senanayake retained the British legacies, especially the civil service, administration, judiciary, and the Westminster form of governance that were inherited from its colonial past, and joined the Commonwealth. He continued close economic and political ties with the West, and as a result Sri Lanka was subjected to the international tug-a-war that was unfolding in the early years of the Cold War. A repercussion of this was that Sri Lanka was blocked from obtaining a seat at the United Nations. However, in 1955 Sri Lanka had secured membership of the UN as part of a larger trade-off and in 1956 under Prime Minister S.W.R.D. Bandaranaike Sri Lanka established diplomatic relations with China and the USSR.
- Despite being broadly West leaning in the early years of independence, Sri Lanka also took several bold positions in the conduct of international relations. The signing of the Rubber-Rice Pact with China (1952), our position on the Suez issue (1956) and later nationalisation of foreign owned oil companies (1962) showcased our courage to take positions that were unfashionable at the time, despite incurring consequences on account of these choices. The efforts made by Sri Lanka to resolve the citizenship question among the Tamil community of recent Indian origin (1964/74) and the Maritime border issue with India (1974/76) were demonstrative of a mature and practical foreign policy. Further the efforts taken by Sri Lanka to reconcile differences between India and China following the 1962 Sino-Indian border conflict, showed considerable diplomatic maturity.
- Sri Lanka which had also pursued Afro-Asian solidarity from the Colombo Powers (1954) through Bandung (1955) had, by 1961, emerged as a founding member of the Non-Aligned

Movement (NAM). Mrs. Sirimavo Bandaranaike, the world's first woman Prime Minister, played a pivotal role in fostering NAM together with President Nasser of Egypt, President Tito of Yugoslavia, Prime Minister Nehru of India and President Sukarno of Indonesia. Later Prime Minister Bandaranaike hosted the NAM Summit in 1976 marking a highpoint of Sri Lanka's multilateral diplomacy.

- Other high points of Sri Lanka's multilateralism were Ambassador Shirley Amarasinghe chairing the Law of the Sea Conference in 1974, Dr Gamini Corea's role as Secretary General of the UNCTAD 1974-1984 and in later years Ambassador Jayantha Dhanapala chairing the Review Conference on the Non-Proliferation Treaty in 1995.
- Despite having being invited to do so, Sri Lanka passed on the opportunity to join ASEAN at its inception in 1967. While the merits of this decision may be debated by us now as we struggle to become a dialogue partner, at the time the Cabinet was apprehensive about joining ASEAN as it would draw Sri Lanka into taking sides in the big power rivalry playing out in the region. In 1985, Sri Lanka became a founding member of SAARC, which in itself was a decision mooted in the background of many geopolitical considerations.
- The period between 1976 and 2009 was a challenging one for Sri Lanka's foreign policy. One aspect was the opening up of the Sri Lankan economy by President J.R. Jayawardene in 1977 which changed the entire economic paradigm of Sri Lanka. The other of course was the separatist conflict, of which the foreign policy ramifications were myriad. Sri Lanka had to contend with these major challenges, while also being sensitive to the politico-economic dynamics of being multi-ethnic, multi-religious and having poor economic diversity. Relations with countries in the Middle East, India and the West often were to be conditioned due to these domestic political compulsions.
- As for the relationship with India, that certain elements in India had trained and armed the LTTE, the Indo-Lanka Accord signed in 1987 and the order by President Ranasinghe Premadasa for the withdrawal of the Indian Peace Keeping Force (IPKF), were just some of the key points of tension between the two countries. The tragic assassination of Indian Prime Minister Rajiv Gandhi at the hands of the LTTE in 1991 resulted in Indian policy on Sri Lanka coming a full circle.
- Another result of the separatist conflict was the entrance of the Tamil diaspora as a formidable pressure group in our international relations. The period included cycles of violent conflict and peace talks initiated to negotiate a political settlement. The conduct and outcome of the talks were also largely dependent on the support the LTTE had from international quarters. They largely availed of these periods to re-group, a truism that was not fully understood, particularly by Western governments who were largely prompted to action given the increasing voter base the diaspora constituted. President Chandrika Kumaratunga and Foreign Minister Lakshman Kadirgamar played important roles in resisting this process internationally and getting due attention to the problem. Minister Kadirgamar was also instrumental in efforts to develop an international legal regime to tackle the problem of International terrorism and in drawing global attention to child soldiers. Countering the international propaganda campaign of the LTTE was also a new aspect that Sri Lanka's foreign policy had to grapple with, which was long and arduous. It was not until 9/11 that Western countries recognised the destruction caused by terrorism and the dangers of allowing funding activities. But by then the LTTE had grown in to a formidable conventional force.

- In 2002 under Prime Minister Ranil Wickremesinghe, a Ceasefire Agreement was signed with the LTTE via Norwegian facilitation. In 2005 Foreign Minister Kadirgamar was assassinated by the LTTE. Under the leadership of President Mahinda Rajapaksa, following the failure of a further two rounds of peace talks, a concerted effort to defeat the LTTE was embarked upon in mid-2006. The LTTE was defeated in May 2009. Following this there was a real chance for peace in Sri Lanka. However, notwithstanding the appointment of the Lessons Learnt and Reconciliation Commission in 2010 and significant recommendations it made in 2011, a continuing sense of 'triumphalism' on the part of the Sri Lankan State and diaspora element pressure to avenge the defeat of the LTTE acting through some State parties, delayed this process. Alleged human rights violations during the last phase of the conflict became the international focus with several resolutions in the Human Rights Council in Geneva on Sri Lanka since 2012.
- Following the induction of the current government in 2015, relations with Western countries, which were previously estranged has been restored, and there have been a number of committed steps taken by the Government towards reconciliation, ensuring good governance and the furtherance of human rights. Internationally, the Geneva resolution of October 2015, which was co-sponsored by Sri Lanka, has become a main focus in this regard. Sri Lanka is doing its best within the constitutional framework and carrying its people along this path, and is willing to engage with any country notwithstanding variance of opinions.
- Bolstered by Sri Lanka's long tradition of familiarity and capacity for multilateral diplomacy, while rooting itself in national interest, Sri Lanka is committed to engage with all nations and to seek to achieve the best interests of all concerned. While national security will remain a fundamental component of our foreign policy, as with any other post-conflict situation which takes time to recover fully, there is nevertheless scope to aggressively pursue Economic Diplomacy and Public Diplomacy with a view to ensuring Sri Lanka's products and services are better marketed and international image is re-cast. These are of course 'works in progress', which participants will dissect in details through the rest of the programme.
- Two aspects in recent times have reinforced Sri Lanka's continued relevance in international consensus building and multilateralism. Firstly, the Indian Ocean Conference held in October 2018, brought together the key players in the region that use the Indian Ocean, for robust discussions and a Ministerial Conference is to follow. Secondly, notwithstanding the prevailing challenging global environment, after 22 years, Sri Lanka as President of the Conference on Disarmament in Geneva was able to bring about a consensus and unanimously adopt Decision CD/2119 setting up 5 subsidiary bodies to commence substantive work.
- These are clear recent instances that demonstrate the potential for Sri Lankan leadership in international affairs and foreign policy. It can be said that Sri Lanka makes its best contributions to the international community when it leads from the centre, rather than positioning itself in a manner either to be taken for granted, or to remain isolated.
- With historically developed acumen, Sri Lanka has the capacity to do so, and may be studied in the context of 'best practices' on many counts, by smaller States in particular, but also other countries with similar experiences.

Sri Lanka in Asia

Ambassador Nihal Rodrigo, former Foreign Secretary of Sri Lanka, and former Secretary General of SAARC.

Chaired by: Mr. Ravinatha Aryasinha, Additional Secretary, Economic Affairs and Trade, MFA

Summary

“Indo-Pakistani rivalry is often cited as a reason why SAARC has weakened, but it may also be viewed as an opportunity to come together”

- Sri Lanka is centrally located in Asia and has always had wide-ranging diplomatic relations. Its actions have an influence in South Asia, however small.
- It was the institutionalisation of South Asian values and the necessity for cooperation that led to the formation of the South Asian Association for Regional Cooperation (SAARC). But SAARC is now held back because of complex regional issues. A recent SAARC summit was cancelled, for example, due to strained Indo-Pakistani relations. Meanwhile, SAARC observers, China and Japan desire greater engagement with SAARC.
- Sri Lanka is confident about the strength and potential of SAARC. The cancellation of the recent conference is a disappointment, but it also reinforces the point that SAARC members have to work together and support one another to be regionally relevant and strong.
- Indo-Pakistani rivalry is often cited as a reason why SAARC has weakened, but it may also be viewed as an opportunity to come together, and to resolve rather than destroy.
- Sri Lanka's partnerships, in terms of both debt and development strategies, are relevant here. Sri Lanka's relationship with China, enhanced by the previous government, is very strong, the links ranging from Buddhist association, people-to-people ties and aid assistance.
- However, the mainstream media's perception of Sri Lanka's relationship with China highlights China's role in Sri Lanka's economic development, including its loans to the Sri Lankan government. The United States, for one, is nervous about Chinese presence in Sri Lanka.
- Sports diplomacy is an undervalued and underutilised strategy, as the foundations for strong relationships may be laid in sports exchanges.

Sri Lanka's Multilateral Diplomacy

Ambassador H. M. G. S. Palihakkara, former Foreign Secretary of Sri Lanka.

Chaired by: Mr. Ravinatha Aryasinha, Additional Secretary, Economic Affairs and Trade, MFA

Summary

“Sri Lanka’s contribution to multilateral institutions is also demonstrated through the volume of its citizens in high calibre professions who have served among various UN principal institutions”

- Recent global political current trends towards isolationism and populism have placed the primacy of multilateralism under stress. In some instances, it is being undermined by the very same actors that were crucial to the birth of many multilateral institutions.
- The retreat from multilateral cooperation will have a particularly severe effect on efforts to address humanitarian and environmental concerns. The withdrawal by certain States from the Paris Climate Agreement and other actions aimed at restricting cross-border human mobility, remain two high profile casualties of such unbridled unilateral behaviour.
- The accountability of States towards its own citizens and towards other nations remain the fundamental objective of multilateral institutions, especially its primary incarnation - the United Nations.
- Sri Lanka from its inception has viewed multilateralism as a key instrumental precept in its foreign policy framework.
- For smaller States like Sri Lanka, multilateral cooperation is invaluable in its ability to amplify their voice on issues arising out of systemic power imbalances, geo-strategic power competition, and other traditional and non-traditional security threats.
- Sri Lanka has assumed these roles to maintain a pluralist role in multilateral diplomatic engagements, serving as a contributor, consensus builder and beneficiary of the multilateral system.
- These roles have been in diverse diplomatic spheres, ranging from arms control agreements (the extension of the Non-Proliferation Treaty in 1995), negotiated peace agreements (San Francisco Peace Conference in 1952), to global third-way political solidarity movements (stewardship of the Non-Aligned Movement).
- Other engagements include the recently concluded Track 1.5 Dialogue entitled, ‘The Indian Ocean: Defining our Future’ held in Colombo. The proceedings of the conference reiterated a number of key tenets; the significance of a rules-based order, the need to mitigate big power strategic competition, and the importance of strengthening security and governance architectures on ocean affairs. All of these can be traced back to prior landmark multilateral initiatives such as the Bretton Woods Agreement, The United Nations Convention on the Law of the Sea (UNCLOS), and the United Nations Framework Convention on Climate Change (UNFCCC).

- Multilateral diplomatic efforts on disarmament, non-proliferation and arms control are other areas in which Sri Lanka has provided support and leadership. Sri Lanka has lent its support for past proposals towards the establishment of a South Asian Nuclear Weapon Free Zone, and the Indian Ocean as a Zone of Peace (IOPZ). In addition, Sri Lanka also played a key leadership role in the UN's initiative on Small Arms and Light Weapons (SALW), and more broadly at the Conference on Disarmament.
- Sri Lanka has been able to make important strides on various human development benchmarks, thanks in part to the material and technical assistance received from specialised organisations of the multilateral system.
- Sri Lanka's contribution to multilateral institutions is also demonstrated through the volume of its citizens in high calibre professions who have served among various UN principal institutions such as the International Court of Justice (ICJ).
- Amidst the strategic tensions and concerns related to China's Belt and Road Initiative (BRI), Sri Lanka has an opportunity to employ a multilateral approach that favours open commercial investments, while eschewing the militarisation of such investments within its territory.
- The world is a mosaic of asymmetries that are constantly in a state of flux, and multilateralism remains the best and perhaps the only way particularly for smaller States like Sri Lanka to convert these asymmetries into productive complementarities.

Prospects and Challenges in Sri Lanka's Foreign Policy

An expert panel discussion featuring Dr. Maneesha Wanasinghe Pasqual, Senior Lecturer, Head of the Department of International Relations, University of Colombo; Dr. Dinusha Panditaratne, Nonresident Fellow, LKI; Dr. Harinda Vidanage, Executive Director, Bandaranaike Centre for International Studies; and Prof. Gamini Keerawella, Executive Director, Regional Centre for Strategic Studies (RCSS), was held on 16 October 2018 at the BIDTI.

Moderated by: Mr. Sumith Nakandala, Additional Secretary, Bilateral Affairs, MFA

Summary

“Sri Lanka has a history of leadership in foreign policy, grounded in the principle of non-alignment”

- An understanding of Sri Lanka's prospects and challenges in foreign policy requires, at the outset, an understanding of the objectives of Sri Lanka's foreign policy. It is then possible to consider the prospects and challenges to realising these objectives.

Overview

- In the current post-conflict context, three objectives are evident in Sri Lanka's foreign policy. These are: (i) promoting economic growth, (ii) ensuring national security and supporting regional stability; and (iii) engaging external support for domestic stability in Sri Lanka.
- Sri Lanka's location – in the centre of the Indian Ocean, and as a gateway to the Indian subcontinent – offers attractive economic prospects. However, the constraints of Sri Lanka's national debt, the rising geopolitical tensions, and climate change in the region, and various domestic divisions and instability, also pose challenges. Sri Lanka must take full advantage of the economic prospects, while working with multiple partners to address these challenges.
- Sri Lanka has a history of leadership in foreign policy, grounded in the principle of Non-Alignment. It has long played a role in balancing the interests and influence of powerful neighbours and even superpowers. This skill and reputation must be actively harnessed and promoted, particularly in relation to balancing Sri Lanka's good relationships with China, India, and the US.

Economic Prospects and Challenges in Sri Lanka's Foreign Policy

- In respect to Sri Lanka's economic objective of promoting economic growth, and realising it in a sustainable manner, the government's Vision 2025 policy document envisions Sri Lanka as an upper-middle income country by 2025. It sets optimistic but clear targets of increasing FDI to USD 5 billion a year by 2020, and doubling exports to USD 20 billion. While 2017 saw high export

earnings and the highest-ever FDI, Sri Lanka's trade balance widened and its GDP growth is weak.

- A key prospect for achieving Sri Lanka's economic objective, and related targets, is harnessing the economic potential of the Indian Ocean. The 28 economies of the Indian Ocean region are expected to grow at about 6% a year in the next few years, compared to only 3.7% for overall world economy. Per capita income in the Indian Ocean region is expected to double from USD 3,200 to USD 6,150 between 2017 and 2025, marking it out as an upper-middle income region. Greater economic integration with the Indian subcontinent continues to be another unrealised prospect for growth.
- Sri Lanka should focus its bilateral and multilateral initiatives on tapping the prospects of being an Indian Ocean and subcontinental economy. Sri Lanka still exports principally to the US and UK. It aims to diversify these relations by pursuing a network of trade agreements with Indian Ocean region countries. Building on the FTA signed with Singapore recently, other possible agreements are with Thailand, Indonesia, Malaysia, Bangladesh and India (ETCA). However, more public and stakeholder engagement is required domestically to support these initiatives.
- To complement infrastructure-based investment by China such as in Hambantota, Sri Lanka should prioritise export driven-FDI from a range of partners. It can look and push for potential opportunities for FDI in initiatives like the Asia-Africa Growth Corridor. To gain from the South Asian and Indian Ocean growth dynamics, it should focus on promoting value addition to manufacturing and movement along GVCs, as well as capital markets and economic engagement with Overseas Sri Lankans (OSL). For all of the foregoing, diplomats should regularly and openly interact with representatives of State-owned Enterprises (SOEs) and the private sector, to understand and facilitate their growth.
- A major economic challenge is managing the national debt, which is currently around 78% of Sri Lanka's GDP. According to the Vision 2025 policy document, this debt-to-GDP ratio should be reduced to 70% by 2020. Despite recent increases, China holds a relatively small proportion of Sri Lanka's debt, contrary to some perceptions. China, including the Export-Import Bank of China, holds 9.2% of the central government's external debt, while Japan holds 10.7%.
- The figures on Sri Lanka's external debt should be watched and publicly cited, in the interest of accurate reporting about Sri Lanka's economy. Similarly, reporting on China's lease in Hambantota should be met with the awareness that this is not unique. The port of Darwin in Australia was also leased to a Chinese company for 99 years.
- Realising Sri Lanka's economic objectives to become an upper middle-income country with rapidly increasing FDI and exports will require close attention to the other two objectives of the country's foreign policy, namely: ensuring national security and supporting regional stability, as well as engaging external support for domestic stability in Sri Lanka. National security, regional stability and domestic stability are all evident lynchpins of sustainable economic growth.

Other Prospects and Challenges: National Security and Regional Stability

- A key challenge to Sri Lanka's security and to regional stability is the rising geopolitical tension in the Indian Ocean region among global and regional powers, including among three of the world's top five spenders on military expenditure in 2017; the US, China and India. This broader

challenge is related to a more specific concern of perceived 'dual-use' investment in Sri Lanka, a perception that can escalate investments by other countries for strategic rather than commercial purposes.

- In the shorter-term, Sri Lanka has addressed such concerns by balancing, including by (i) changing freehold title of 20 hectares at the Colombo Port City – also known as the Colombo International Financial City – to a long lease, (ii) announcing a shift of the Southern Command of the Sri Lankan Navy from Galle to Hambantota, and (iii) engaging in defence-related cooperation, including naval visits and exercises, with diverse partners – including the US, India, Japan and China.
- Looking to the longer-term, Sri Lanka has resumed a more proactive normative role (one that engages international law and supports a rules-based order), to address challenges to the growth potential of the Indian Ocean, including those posed by climate change and security threats. Sri Lanka recognises the interdependence of Indian Ocean region countries and understands that it cannot secure external stability alone, and that rules-based orders are vital for smaller States.
- With this perspective in mind, Sri Lanka recently hosted a Track 1.5 international conference on the future of the Indian Ocean. The conference identified challenges in the region and considered how these may be cooperatively addressed within existing legal frameworks like UNCLOS. There are plans for a further inter-governmental conference to facilitate a common understanding.
- Sri Lanka also chairs the Working Group on Maritime Safety and Security of Indian Ocean Rim Association (IORA), and since May 2018, it is the seat of the Global Maritime Crime Programme of the UN Office of Drugs and Crime (UNODC). As the chair of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), it can be expected to prioritise maritime security issues in the Bay of Bengal.

Other Prospects and Challenges: Domestic Stability

- Sri Lanka's foreign policy aims to engage external support for Sri Lanka's post-conflict domestic stability and peacebuilding. However, a challenge to achieving this objective is the continuing lack of sufficient national consensus (and consensus-builders) on the type of post-conflict society that Sri Lanka wants to build.
- Diplomats in stable post-conflict democracies could forge links between relevant leaders and institutions in those countries and in Sri Lanka, to facilitate discussion in Sri Lanka and build the necessary greater consensus. With a higher level of consensus, external engagement to support domestic stability is more likely to be viewed as constructive and valuable, rather than divisive.
- Given that issues of domestic stability relate closely to domestic law, Sri Lanka could also engage more with its network of common law countries (including the many such jurisdictions in the Indian Ocean region) to consider how countries with a common law and democratic heritage promote domestic stability through a variety of law-related means. These means may include constitutional frameworks, legal aid, campaign finance laws, and (in the case of Hong Kong's

common law) partial amnesties for corruption cases to devote limited resources to the most plausible cases.

- Sri Lanka has taken gradual yet significant steps towards fulfilling its commitments made under the 2015 Geneva resolution. The most noteworthy achievement in this regard has been the establishment of the Office of Missing Persons (OMP). Further steps are being taken to address other issues relating to reconciliation, including reparations and truth seeking.
- Sections of Sri Lanka's large diaspora have, at times, been critical of Sri Lanka's foreign policy and that criticism has been perceived as adverse to domestic stability. Other Overseas Sri Lankans (OSL) have actively supported Sri Lanka's social and economic development. It is important to recognise that many OSL are both critical and supportive (not simply one or the other, or 'for or against' the country). There is value to listening to OSL in an inclusive manner, and in building on previous efforts to engage OSL to maximise their supportive development.

Concluding Observations

- Sri Lanka has in recent years engaged extensively with other countries for infrastructure development (especially with China), for maritime security (particularly with India), and to support peacebuilding (notably, with Western partners). Sri Lanka should look to diversify its partnerships to achieve all three of its principal objectives i.e. for economic growth, security and regional stability, and domestic stability. Such diversity of partnerships would reflect a heritage of non-alignment and principled neutrality, as well as Sri Lanka's emerging broader identity as a vibrant centre of the Indian Ocean.

Highlights from Working Session 2



Mr. Ravinatha Aryasinha



Ms. Saroja Sirisena



Ambassador Nihal Rodrigo



Ambassador H. M. G. S. Paliakkara



Dr. Maneesha Wanasinghe Pasqual



Dr. Dinusha Panditaratne



Dr. Harinda Vidanage



Prof. Gamini Keerawella



Mr. Sumith Nakandala



Working Session 3: Economic Diplomacy

1. **Trajectory of Sri Lanka's Economic Relations**
Dr. Ganeshan Wignaraja
2. **Sri Lanka's Trade Patterns**
Dr. Lakmini Peiris Mendis
3. **Economic Strategy of Sri Lanka**
Mr. Anushka Wijesinghe
4. **Sri Lanka's International Brands**
Mr. Madhu Ratnayake
Mr. Ashoka Hettigoda
Mr. Malik J. Fernando
Ms. Lakmini Wijesundara
5. **Prospects and Challenges in Sri Lanka's Economic Policy**
Dr. Dushni Weerakoon
Mr. Deshal De Mel
Dr. W. A. Wijewardena
Mr. Nisthar Cassim

Trajectory of Sri Lanka's Economic Relations

Dr. Ganeshan Wignaraja, Executive Director, LKI.

Chaired by: Mr. Ravinatha Aryasinha, Additional Secretary, Economic Affairs and Trade, MFA

Summary

“While Sri Lanka faces many internal and external challenges, continuing with economic reforms alongside emphasis on economic diplomacy will yield improved prosperity in the medium term”

- Sri Lanka's economic reforms, initiated in 1977, laid the foundations for decades of export-led growth and private sector development in Sri Lanka. In a break with the past inward oriented strategies, the country opened up to trade and foreign investment.
- The country has transited from a low-income economy to a lower middle-income economy. Important success stories included the development of textiles and garment exports, processed agricultural exports, ICT services, and tourism. Sri Lanka's economic relations are also beginning to shift towards Asia including China, India and ASEAN.
- Foreign direct investment (FDI) into the Asian region has grown over recent decades and played a significant role in supporting trade and growth. While Sri Lanka has seen some increase in FDI, it remains potential compared to other rapidly growing Asian economies. An economic drag induced by thirty-years of civil conflict, limited progress in certain areas of reform, variable infrastructure quality, and high levels of debt have hindered Sri Lanka's economic progress. Since the end of the civil conflict in 2009, various governments have tried to address these issues through infrastructure investment, free trade agreements and other public policies.
- Some recent measures to foster post-conflict economic development in Sri Lanka include: improving macroeconomic management using inflation targeting and improving tax collection, streamlining import tariffs, reducing the red tape affecting businesses, regaining the GSP+ trade concession from the European Union, and concluding the Sri Lanka-Singapore FTA. These measures are beginning to show results in terms of an improved business climate and better macroeconomic management.
- These successes notwithstanding, there are emerging development challenges in Sri Lanka in the form of rising income inequality, regional disparities, labour market inefficiencies, an ageing population, and climate change issues.
- An important geo-political challenge is how to maintain a non-aligned foreign policy amidst competition for regional maritime supremacy among major powers and tussles over infrastructure projects.

- While Sri Lanka faces many internal and external challenges, continuing with economic reforms alongside emphasis on economic diplomacy will yield improved prosperity in the medium term.

Takeaways from the Discussion

- Adverse weather affecting agriculture, political uncertainties, rising oil prices and increasing protectionism are among the important risks to Sri Lanka's economic outlook.
- Taking into consideration Sri Lanka's potential debt risks and the large trade deficit, international donors can play a useful role in resolving these issues. Sri Lanka has requested assistance from the IMF and World Bank for undertaking economic reforms and macro-stabilisation efforts, including inflation targeting and reducing subsidies. Donors can help through finance, expertise and capacity building.
- With regard to the Singapore FTA and trade reforms, there is some local resistance to opening markets, which is partly attributed to difficulties in resolving issues like the lack of mutual recognition of standards and concerns over the entry of subsidised imports. Sri Lanka could focus on unilaterally fixing domestic issues to build confidence, which is vital as it is a new FTA.
- The Ministry of Foreign Affairs is building relationships with many national economic agencies and analysing current export, tourism and foreign employment trends as a part of a new programme of economic diplomacy. Small grants will be provided to some Sri Lankan missions to undertake market promotion activities in their host countries.

Sri Lanka's Trade Patterns

Dr. Lakmini Peiris Mendis, Director at the Department of Commerce.

Chaired by: Mr. Ravinatha Aryasinha, Additional Secretary, Economic Affairs and Trade, MFA

Summary

“In 2017, Sri Lanka exported goods worth USD 11,360 million, of which USD 4,630 million is through preferential trade agreements”

- The Department of Commerce has two main roles: trade policy formulation and trade representation. The main goal is to effectively implement the government's trade policy in order to realise its economic and social targets.
- In order to boost exports, the Department looks to Free Trade Agreements (FTAs) and Preferential Trade Agreements (PTAs). Sri Lanka's regional agreements include the South Asia Free Trade Area (SAFTA) and Asia-Pacific Trade Agreement (APTA). Its preferential trade agreements include the different Generalized Scheme of Preferences (GSP) programmes administered by a number of developed countries and the Global System of Trade Preferences among Developing Countries (GSTP).
- In 2017, Sri Lanka exported goods worth USD 11,360 million, of which USD 4,630 million was through Preferential Trade Agreements. Trade under GSP programmes accounted for 83% of this figure, while the India-Sri Lanka Free Trade Agreement accounted 9.5%. The remainder was based on Most Favoured Nation tariffs received by virtue of the World Trade Organization (WTO) membership.
- Sri Lanka's re-admission to the GSP+ scheme of the European Union (EU), which offers additional tariff reductions over its standard GSP scheme, in May 2017 is an excellent opportunity to boost exports. However, Sri Lanka will lose these additional preferences when it becomes classified as an upper-middle-income country so it cannot rely on GSP preference indefinitely.
- As a nation, Sri Lanka has not realised its fullest potential, particularly in terms of exports. There are many new opportunities that could boost trade integration. For instance, Kenya could offer an opportunity to collaborate on tea exports through value addition. Sri Lanka could also engage with Kenya through tourism and sports diplomacy to further strengthen this relationship.
- It was discussed that countries such as Egypt export fruits and vegetables to Sri Lanka, while Sri Lanka's world-famous spices could be traded more freely with countries in the Middle East and North Africa. India, Brazil and others export sugar to Sri Lanka.

Economic Strategy of Sri Lanka

Mr. Anushka Wijesinha, Advisor to the Ministry of Development Strategies and International Trade (MODSIT).

Chaired by: Mr. Waruna Wilpatha, Director-General, Economic Affairs and Trade (Bilateral), MFA

Summary

“Boosting FDI is a priority, with investors noting that Sri Lanka is advantageous because of its strategic geographic location”

- Sri Lanka is facing a growth challenge. Much of the recent growth in the economy has come from non-tradable domestic sectors and there has been a lack of economic diversification over the past two decades. As a result, Sri Lanka’s trade to GDP ratio, a measure of how much the country engages in international trade, has fallen over time, from 88% in 2000 to 53% at present.
- While Sri Lanka was one of the first in the region to liberalise its economy to trade, it was not able to leverage this because of the internal conflict. Exports of goods and services in 2017 amounted to USD 19 billion, and FDI inflows were USD 1.5 billion. This is a much-improved position from the past, but still lags well behind leading Asian economies.
- Sri Lanka has recently undertaken some key initiatives to boost its trade performance, including-
 - Formulation of the National Export Strategy 2018-2022, which aims to boost six priority sectors and four trade support functions;
 - Promotion of the Innovation and Entrepreneurship Strategy to support small and medium-sized enterprises (SMEs);
 - Introduction of policies to support innovation, develop a ‘start-up ecosystem’, and reorient research and development towards enterprise needs;
 - Promotion of FTAs as a means of boosting trade and investment; and
 - Introduction of trade facilitation measures and other reforms to improve the ease of doing business.
- Analysis suggests that the combined effect of these initiatives should add USD 3.7 billion to GDP and USD 6.3 billion to exports by 2028.
- While Sri Lanka is well known for its exports of tea and apparels, the export sector also demonstrates competitiveness in new niches. This can be enhanced through, for example, the export of Sri Lankan leisure boats to Scandinavia and Africa, electronic sensors to Japan and the US, and coconut products to several countries.
- Boosting FDI is a priority, with investors reporting that Sri Lanka is an attractive option for investment because of its strategic geographic location; access to large regional markets at its doorstep, notably India; high corporate compliance standards; highly literate and trainable workforce; and legal system in the English language.

Sri Lanka's International Brands

An expert panel discussion featuring Mr. Madhu Ratnayake, Executive Vice President, CIO and General Manager, Virtusa; Mr. Asoka Hettigoda, Managing Director, Siddhalepa; Mr. Malik J. Fernando, Director, MJF Holdings and Dilmah Ceylon Tea Company PLC; and Mrs. Lakmini Wijesundera, IronOne Technologies and BoardPAC.

Moderated by: Ms. Saroja Sirisena, Director General, Economic Affairs and Trade (Multilateral), MFA

“Improvements in Sri Lanka’s international brands have brought remarkable success at sector level”

Mr. Madhu Ratnayake

- Sri Lanka’s information technology (IT) industry recently launched a new ‘Island of Ingenuity’ brand to reposition the sector for further development. It is a relatively new industry, less than 20 years old, but has quickly grown to generate exports worth USD 1 billion. The early stages of the industry saw many companies started by returnees from the Sri Lankan diaspora.
- Sri Lanka’s key markets for IT exports are the US and Europe, but the sector is looking to diversify to other markets. The industry wants to attract ‘captive innovation centres’ and encourage multinational IT companies to invest in Sri Lanka to leverage it as the Digital Gateway to Asia.
- Sri Lanka’s IT talent pool is growing, with around 4,500 students in relevant subjects graduating from domestic universities every year, and adding to over 80,000 people already employed in the IT and business process management sectors.

Mr. Asoka Hettigoda

- Ayurveda is not only a form of medication in Sri Lanka, but a way of life known to generations of Sri Lankans for over 3000 years.
- Dr. Hendrick De Silva Hettigoda, the renowned ayurvedic entrepreneur took the initiative to make use of 100 endemic medicinal plants Sri Lanka possesses to provide a variety of medicinal products and services. He passed down his knowledge to his son, Dr. Victor Hettigoda who is currently the Chairman of the Siddhalepa Group of companies.
- Siddhalepa was one of the first companies in Sri Lanka to obtain ISO standards and offers a wide array of ayurvedic services to both local and international customers adhering to international standards.
- The company has taken the lead in establishing the first private channelling hospital and has recently opened Anarva Mount Lavinia, which operates as both an Ayurvedic hospital and a hotel with luxury accommodation.

- The recent launch of Shangri-La Ayurveda Spa is a significant leap towards bringing Sri Lankan ayurveda to a greater audience.

Mr. Malik Fernando

- Sri Lankan tea boasts a great heritage and continues to occupy a strategic global position. The country remains the third largest tea exporter in the world.
- Established by Mr. Meryl J. Fernando in 1985, Dilmah has grown into a global tea brand. It was the first producer owned tea company, and offered tea 'picked, perfected and packed' at origin.
- But the company is far from being just a brand. It has many projects devoted to promoting sustainability and changing the typical colonial system of growing tea. It currently has an outstanding long-term mission where 10% of its earnings go toward charities through the MJF Foundation. Together with Dilmah Conservation, the foundation aims to restore and rehabilitate Sri Lanka's ecosystem and empower local communities.
- Dilmah's focus is now on diversifying into tourism through highly acclaimed luxury hotels.

Mrs. Lakmini Wijesundera

- BoardPAC is an international IT company founded by Sri Lankans, which offers a fast and convenient way for company directors to securely access Board Papers and other supplementary information directly on their iPad devices.
- The board meeting automation solution also enables the user to take notes and record meetings, eliminating the need for any paper work. This has been particularly popular in the Asian market.
- The company has earned the prestige of being ranked by CIO Applications as among the Top 25 Collaboration Technology Companies in the world in 2018.

Summary of the Discussion

- Responding to a question on efforts to improve female participation in the labour force, panellists noted that there are a lot of initiatives from both the government and the private sector to prevent women, including university graduates, from dropping out of the workforce after they have children. These are, however, cultural constraints to overcome.

Prospects and Challenges in Sri Lanka's Economic Policy

An expert panel discussion featuring Dr. Dushni Weerakoon, Executive Director, Institute of Policy Studies; Mr. Deshal De Mel, Economic Advisor, Ministry of Finance; Dr. W. A. Wijewardena, former Deputy Governor, Central Bank of Sri Lanka; and Mr. Nisthar Cassim, Founding Editor and Chief Executive, Daily FT, was held on 17 October 2018 at LKI.

Moderated by: Dr. Ganeshan Wignaraja, Executive Director, LKI

“Sri Lanka’s avowed goal to become an advance economy by 2025 can only be achieved through greater engagement with international trade. This requires improved access to other markets through new trade agreements and linking Sri Lanka to global production networks to increase the complexity of its exports”

Dr. Dushni Weerakoon

- The most pressing threat to the health of the global economy is the escalating trade disputes between the US and its most important trade partners. The IMF is also taking a fresh look at the outlook for the world economy. While the US is growing strongly, there are increasing signs that economic momentum is slowing in the Eurozone and Japan.
- Emerging economies in Asia and Africa are not immune to the effects of the growing trade disputes as their exports are likely to be affected too. These economies are also vulnerable to a tightening of global financial conditions as the US dollar strengthens and its monetary policy is tightened. Indeed, a number of currencies, including the Sri Lankan Rupee, have recently come under pressure.

Mr. Deshal De Mel

- Sri Lanka’s tax structure has been very regressive, with indirect taxes on goods and services contributing 80% of tax receipts and direct income taxes contributing only 20%. The government is aiming to shift this balance to 40%-60%.
 - This is challenging given the very large informal sector in Sri Lanka. But efforts are underway to widen the taxpayer base by bringing more people into the formal sector.
 - There has already been some success in improving tax compliance. 100,000 new tax files have been opened in the past 6-7 months.
 - The foundation of the ongoing IMF programme is revenue-based fiscal consolidation. The measures included are expected to increase the ratio of government revenue to GDP from 11% to 16%-18%.
- The IMF programme has been important as an anchor for reform. It was initiated as a result of Sri Lanka’s significant external vulnerabilities, particularly its large external debt obligations.

These debt obligations are partly due to the large government sector and a failure to generate sufficient internal revenue to finance it.

- The IMF facility is worth just USD 1.5 billion, which is a small portion in the government's debt burden, but it provides an important signal to international investors that Sri Lanka is committed to the economic reforms needed to ensure that it can repay its debts. This, in turn, allows it to continue tapping global markets for additional funding. The reforms involved are tough, costly and challenging for the government, but they must be achieved.

Dr. W. A. Wijewardena

- The global economy is in crisis and a number of countries that borrowed heavily from international markets in recent years are now facing problems repaying that debt.
- Sri Lanka's avowed goal to become a rich country by 2025 can only be achieved through greater engagement with international trade. This requires improved access to other markets through new trade agreements and linking Sri Lanka to global production networks to increase the complexity of its exports.
- A major challenge for Sri Lanka is slowing growth in its apparel sector, which has been the main source of export revenues for many years. The industry was initially spawned by the desire in developed markets to offshore production to low-income countries like Sri Lanka. But this is now being reversed as onshoring is made economically feasible by automation and 'near shoring' in countries closer to consumers becomes more popular.
- Sri Lanka's way out of economic stagnation hinges on moving into new sectors; improving the quality of human capital by promoting the so-called STEAM combination of science, technology, engineering, arts and math at all levels of learning; and accelerating domestic economic reform.

Mr. Nisthar Cassim

- This has been a tough year for Sri Lanka because of developments in the US, which caused financial outflows from the debt and equity markets to increase to USD 468 million in the first nine months of 2018. That said, Sri Lanka's stock market still seems attractive compared to the rest of the region.
- Sri Lanka depends heavily on imports and the government must focus on increasing export revenues to reduce the trade deficit. While exports from some emerging sectors, such as IT, are growing, they are likely to hit capacity constraints in the medium term.
- Economic reforms are needed, but politicians have failed to communicate this adequately to the public and act in a sensitive manner. For example, an automatic fuel pricing formula introduced recently as part of the IMF programme was implemented at a very sensitive time. Such instances have caused the public to call for a withdrawal from the IMF and similar organisations.

Summary of the Discussion

- Responding to a question on how the Australian government ensures that its citizens pay taxes, it was noted that the Australian tax office uses advanced technology to monitor tax compliance. The participants also noted that if public health and education systems are of high standard, citizens are generally more willing to pay their taxes.
- An important factor behind the low level of tax compliance in Sri Lanka is the poor example set by those at the highest level of political authority and a perceived lack of transparency in government expenditure. Participants noted the importance of building a relationship of trust between the government and the people to ensure that they are confident they will receive sufficient benefits when they pay taxes.
- Argentina is an example of a country that has experienced difficulties balancing the demands of the IMF with domestic concerns. These must be managed carefully.
- Nepal and Pakistan are experiencing similar pressures on their currencies as a result of global economic developments.
- Sri Lanka is attempting to reform a number of state-owned enterprises (SOEs) that are a drain on the public finances, but there are many challenges in doing so.
 - A number of SOEs were privatised in the 1990s, but these transactions were tainted by allegations of corruption.
 - The management of SOEs needs to be improved by appointing qualified and competent people to the appropriate positions.
- South Africa is experiencing rising corruption in SOEs, and special commissions of inquiry have been appointed to investigate. Meanwhile, Singapore minimises corruption by remunerating government officials well and thereby reducing the reasons for corruption. It also has a powerful entity called the Corrupt Practices Investigation Board that reports directly to the Prime Minister.

Highlights from Working Session 3



Dr. Ganeshan Wignaraja



Dr. Lakmini Peiris Mendis



Mr. Anushka Wijesinha



Mr. Waruna Wilpatha



Mr. Madhu Ratnayake



Mr. Asoka Hettigoda



Mr. Malik J. Fernando



Mrs. Lakmini Wijesundera



Dr. Dushni Weerakoon



Mr. Deshal De Mel



Dr. W. A. Wijewardena



Mr. Nisthar Cassim

Research and Innovation in Sri Lanka

Presentation by Prof. Ajith de Alwis, Department of Chemical and Process Engineering, University of Moratuwa & Coordinating Secretariat for Science, Technology and Innovation (COSTI).



Summary:

Sri Lanka was ranked 90th out of 127 countries in the Global Innovation Index 2017. In 2018, it has moved to 88th position. Sri Lanka's gross expenditure on R & D has increased tremendously over the years. (In 2004 it was Rs. 4,000 million and increased to Rs. 12,000 million by 2015) Sri Lanka has an advanced human capital with well-educated youth. Sri Lanka's ratio of researchers is 295 per million (2015) which is a very high proportion for a country like Sri Lanka. Internationally, Sri Lanka's visibility as an R D & I destination is high with 9.3% citations in the top 10% most cited R & D publications worldwide. Sri Lankan Universities are well connected with other Universities in the world in terms of R D & I. Sri Lanka has ranked 68 in total IP filings worldwide with 263 filings in 2015.

Under the Ministry of Science, Technology and Research, the Coordinating Secretariat for Science, Technology and Innovation (COSTI) has been established to promote R D & I in Sri Lanka. COSTI has introduced the Sri Lanka Innovation Dashboard <https://dashboard.costi.gov.lk/> to provide information on the current status of Sri Lanka's science, technology and Innovation. It provides data on institutions and people and also provides national S T & I information to assist decision making process in competitive positioning and value adding areas.

Sri Lanka Nanotechnology Institute (SLINTEC) is the pinnacle of Sri Lanka's R D & I drive. SLINTEC is located in the centre of the proposed Tech City - Sri Lanka's Silicon Valley to be, in the Homagama area. It specialises in Nanotechnology research & development to make innovative products and add value to natural resources and currently focuses on five primary research areas, namely Agriculture, Apparel, Water purification, Healthcare and Mineral resources. SLINTEC for its very short duration of existence has won more than 30 US patents. Recently, it has sold a patent it obtained for nano-fertilizer for a slow release fertilizer, to India, for USD 30 million. COSTI is coordinating further advancement of innovations, such as of SLINTEC and working on to introduce the Sri Lanka Innovation Index (SLINDEX). COSTI is working in collaboration with the MFA to establish scientific honorary consuls abroad to facilitate science cooperation with other countries.



The participants visited the Sri Lanka Institute of Nanotechnology (SLINTEC).

Working Session 4: Trade, Investment, and Tourism

1. **Export Industries of Sri Lanka**
Mrs. Indira Malwatte
2. **Ceylon Tea**
Mr. Hasitha De Alwis
3. **Investment**
Mr. Duminda Ariyasinghe
Mr. Prasanjith Wijayathilake
4. **Tourism**
Mr. Dehan Seneviratne
5. **Foreign Employment**
Mr. Mangala Randeniya
6. **Sri Lankan Entrepreneurship**
Mr. Jonathan Alles
Mr. Shalin Balasuriya
Mr. Dileep Mudadeniya
Mr. Jeevan Gnanam
Mr. Hiran Cooray

Export Industries of Sri Lanka

Mrs. Indira Malwatte, Chairperson and Chief Executive of the Sri Lanka Export Development Board.

Chaired by: Mr. Ravinatha Aryasinha, Additional Secretary, Economic Affairs and Trade, MFA

Summary

“Sri Lanka is the only country that has FTAs with both Pakistan and India”

- As Sri Lanka aims to become a knowledge-based, highly competitive, social-market economy, international trade is key. In this context, boosting exports is critical.
- Export revenues were USD 15.7 billion in 2017, but countries around Sri Lanka have done far better. The aim is to grow this to USD 37.5 billion by 2025. The building blocks for this are now being put in place, notably:
 - A National Trade Policy,
 - A National Export Strategy,
 - Improved trade facilitation,
 - A new maritime and logistics policy, and
 - A financial hub in the Port City.
- Sri Lanka is the only country that has FTAs with both Pakistan and India. Sri Lanka collectively enjoys 100% exemption from duties on over 4,000-plus products into India and Pakistan. Other bilateral and multilateral trade agreements include the new Sri Lanka-Singapore FTA, the Asia-Pacific Trade Agreement, the South Asia Free Trade Area (SAFTA), and the SAARC Preferential Trading Arrangement (SAPTA).
- A new National Export Strategy envisions Sri Lanka as an export hub driven by ‘innovation and investment’. It has six focal sectors: IT and business process management services, wellness tourism, the boating industry, electrical and electronic components, processed food and beverages, and spices and concentrates. Existing sectors will also continue to be supported.
- Additionally, there are four trade support functions: logistics, trade information and promotion, national quality infrastructure, and innovation and entrepreneurship. Trade facilitation is also a key focus. Sri Lanka ratified the WTO Trade Facilitation Agreement in May 2016, has established a National Trade Facilitation Committee, and is currently developing a national single window system.
- Sri Lanka’s key export products:
 - Apparel is the most important sector. In 2017, 41% of Sri Lanka’s total exports were apparel, but the country has reduced its dependence on the sector in recent years.
 - Rubber products continue to be important, but face challenges in terms of ensuring the necessary availability of raw Rubber.
 - Ceylon tea still enjoys a quality premium, and the focus is now on sustainability and producing ozone-friendly tea.

- Spices, in particular Cinnamon, are a large export segment. The brand 'Pure Ceylon Cinnamon' is registered globally and the health properties of Ceylon Cinnamon are proven to be beneficial, whereas the popular alternative *Cassia* is potentially carcinogenic.
- Exports of processed foods are also increasing.
 - Sri Lanka exports confectionary and bakery products to the United Arab Emirates, dehydrated fruits and vegetables to Europe, and rice and cereal-based products.
 - Coconut products are another growing segment, particularly virgin coconut oil, desiccated coconut, coconut milk powder and cream, food supplements with virgin coconut oil, coco fibre and related products, and activated carbon from coconut shells.
 - Sri Lankan seafood is highly sought after in Singapore and Japan. Sri Lanka has wild catch as well as aquaculture, which is now being actively promoted within the country.
- Boat building is an important new export sector with output already worth over USD 100 million. It produces yachts, small ships and fishing boats for international customers.

Summary of the Discussion

- Trade liberalisation and FTAs are important for Sri Lanka to become more internationally competitive. Some industries may completely close as a result of liberalisation, but measures are being formulated to help people adapt.
- In Singapore, liberalisation policies were carried out with wide consultations with government officials. Some 850 stakeholders were consulted to ensure policy continuity even if a different government was to assume power.

Ceylon Tea

Mr. Hasitha De Alwis, Director Promotions, Sri Lanka Tea Board.

Chaired by: Mr. Ravinatha Aryasinha, Additional Secretary, Economic Affairs and Trade, MFA

Summary

“China will become one of Sri Lanka’s most important tea markets in the future”

- There are 2 million people who rely indirectly or directly on the tea industry in Sri Lanka, making it socially, economically and politically important to the country.
- Tea is also a major export product for Sri Lanka, contributing over 13% of export revenues in 2017. The biggest destination was Turkey, which accounted for USD 182 million of tea exports in 2017. Iraq has remained as the largest buyer of Ceylon Tea in terms of volume followed by Turkey, Russia and Iran in the first eleven months of 2018.
- Sri Lanka produces orthodox (whole leaf) black tea in 28 main grades. By comparison, the alternative ‘cut, tear and curl’ tea has only 6-7 main grades. This feature has given Sri Lanka an advantage in exporting to 160 countries.
- Sri Lanka has started moving away from supplying raw inputs for international tea companies, and now 45% of all tea products are branded at origin. In addition, as one of the biggest consumers of tea in the world, China is likely to become Sri Lanka’s most important markets in the future.
- The tea industry has a strong focus on ethical and sustainable practices, adhering to the United Nations Global Compact (UNGC), International Labour Organisation (ILO) conventions, and environmentally friendly policies, while providing free housing, healthcare and education to families engaged in tea plantation.
- Sri Lanka now boasts Ozone-friendly tea, for which tea plant nurseries eliminate the use of Methyl-bromide, a substance that depletes the Ozone layer.

Investment

Mr. Prasanjith Wijayathilake, Executive Director, Investment Promotion, Board of Investment Sri Lanka, and Mr. Duminda Ariyasinghe, Director-General, Board of Investment.

Chaired by: Mr. Ravinatha Aryasinha, Additional Secretary, Economic Affairs and Trade, MFA

Summary

“Sri Lanka has a high-quality, precision-oriented workforce with high ethical labour standards”

- The presentation outlined Sri Lanka’s strengths as an investment destination:
 - High human development indicators that are on par with developed countries. For example, adult literacy rates are high and national health indicators are generally good.
 - A high-quality, precision-oriented workforce with high ethical labour standards.
 - A strategic location and efficient logistics sector means Sri Lanka can act as a hub between the East and the West. Colombo Port is the 23rd largest container port in the world as per the volumes handled and is connected to 30 major shipping lines, while air connectivity is also strong.
 - Reform orientation towards promoting exports and FDI. FTAs with India, Pakistan and Singapore show that bilateral trade links are strong, and Sri Lanka could soon have preferential market access to 3.5 billion people.
 - A supportive business environment, including the ability of foreign investors to have full ownership of their investments in nearly all sectors. In addition, there are no restrictions on the repatriation of earnings, fees and capital. The safety of foreign investment is also guaranteed by the constitution, and the safety of patents is protected by strong intellectual property laws.
- In addition, Sri Lanka has a favourable tax incentive regime for foreign investment. There is a 100% capital allowance on investments of USD 3-100 million, 150% on investments above USD 100 million and 200% on investments in the Northern Province of Sri Lanka.
- Sri Lanka has also signed bilateral treaties to protect and enhance inflows of foreign investment including investment protection agreements with 28 countries and double taxation avoidance agreements with 38 countries.
- Investment in Sri Lanka has the potential to connect to global supply chains due to the country’s favourable relations with markets across South East Asia and high-quality port infrastructure. The government is also investing in new export processing zones to support such activities.

Summary of the Discussion

- Responding to a question on investment in energy projects, the speakers pointed to new investment opportunities in converting waste to power, as Sri Lanka has a waste disposal problem.
- In recent years, the largest sources of FDI into Sri Lanka have been from China, Malaysia and other ASEAN nations along with India, Japan and the United Kingdom.
- Sri Lanka needs to develop its agricultural sector and is seeking investment from countries that possess advanced agricultural technology, such as Brazil.
- Sri Lanka could tap into the Indian auto manufacturing value chains. In particular, Sri Lanka could forge stronger links with the auto manufacturing cluster in Tamil Nadu as there is good port connectivity between Colombo and Southern India.

Tourism

Mr. Dehan Seneviratne, Chairman of the Sri Lanka Tourism Promotions Bureau.

Chaired by: Mr. Kapila Fonseka, Director, Economic Affairs and Trade, MFA

Summary

“Sri Lanka’s primary inbound tourism markets have been India, China and UK, and it aims to bring in USD 7 Billion in foreign exchange by 2020”

- Tourism is a very important sector for Sri Lanka. The government has placed a high priority on developing it further, particularly through destination promotion. Sri Lanka also needs to adapt rapidly and efficiently to the new and emerging trends in the global tourism market.
- The top five source markets in 2017 were India (18.17%), China (12.70%), UK (9.53%), Germany (6.15%) and France (4.59%).
- During its internal conflict, Sri Lanka struggled to maintain a flow of inbound tourists. But partnerships between the government and the private sector enabled the country to continue welcoming tourists even during this difficult period.
- Tourism affects all Sri Lankans and many regularly interact with tourists. This presents a unique opportunity to showcase Sri Lankan hospitality to the world and create economic opportunities of every size and shape for all members of society.
- Sri Lanka has long been perceived as a sun-and-sea destination. However, there is a growing need to diversify and cater to varied interests.
- The Sri Lanka Tourism Strategic Plan 2020 and Vision 2025 set an ambitious target to bring in USD 7 billion in foreign exchange through tourism by 2020. This will be coupled with the use of technology to promote the tourism sector. In 2019, Sri Lanka will launch a digital marketing campaign as part of its effort to attract visitors.
- Challenges to the tourism sector include the need for relaxing the visa regime, as well as developing more nightlife and entertainment options. Participants discussed connectivity across the island as a great concern for tourists because despite the country’s small size, internal travel times can be very long.

Foreign Employment

Mr. Mangala Randeniya, Deputy General Manager, Sri Lanka Bureau of Foreign Employment.

Chaired by: Mr. M. H. M. N. Bandara, Director, Economic Affairs and Trade, MFA

Summary

“Remittances from Sri Lankan workers abroad is a significant contributor to Sri Lanka’s foreign exchange earnings. In 2017, this accounted for over a quarter of total foreign exchange earnings”

- Every year, large numbers of Sri Lankans leave the country to seek employment opportunities abroad. The majority of them are destined for countries in the Middle East, with household employment being one of the most common occupations.
- Remittances from Sri Lankan workers abroad is a significant contributor to Sri Lanka’s foreign exchange earnings. In 2017, this accounted for over a quarter of total foreign exchange earnings.
- From 1977 to 1985, foreign employment opportunities were facilitated by the private sector. In 1985, Act No. 21 of Parliament established the Sri Lanka Bureau of Foreign Employment to enable the public sector to facilitate credible and legitimate employment overseas for Sri Lankans. In 2009, the Bureau assumed a second role as a regulator.
- The primary role of the Sri Lanka Bureau of Foreign Employment is to ensure the well-being of those employed overseas and their families, under the Migration Health Policy. Additionally, the Bureau ensures a strict criterion for employers overseas, regularly monitoring adherence to them.
- The Sri Lankan government requires a minimum wage of USD 300 per month to be paid to Sri Lankans employed overseas. It has also mandated a minimum age limits of 25 years for Sri Lankans working in Saudi Arabia and 23 years for the rest of the Middle East.
- The Foreign Employment Bureau recently created the Anti-Human Trafficking Unit and has supported the creation of a separate police unit to tackle human trafficking. The Bureau also receives and registers complaints from Sri Lankan workers abroad and responds immediately.
- A potential example of best practise from India that could be adopted in Sri Lanka is the creation of a Protector General of Immigrants’ Unit, which would assure the well-being of those abroad through strict rules on employer standards and the treatment of workers.

Sri Lankan Entrepreneurship

An expert panel discussion featuring Mr. Jonathan Alles, Managing Director of Hatton National Bank; Mr. Shalin Balasuriya, Director and Co-Founder of Spa Ceylon; Mr. Dileep Mudadeniya, Vice President of John Keells Group; Mr. Jeevan Gnanam, Founder and Director of Orion City; and Mr. Hiran Cooray, CEO of Jetwing Hotels, was held on 18 October 2018 at LKI.

Moderated by: Ms. Saroja Sirisena, Director General of Economic Affairs and Trade (Multilateral), MFA

“Sri Lanka has an impressive array of world class service sector companies”

Mr. Jonathan Alles

- The liberalisation of the banking sector resulted in the emergence of large private sector banks in Sri Lanka. Hatton National Bank (HNB) was founded in 1888 and is in its 138th year, making it Sri Lanka’s oldest bank. Based on a model of lending to SMEs, HNB has gone from strength to strength and is now the most profitable private commercial bank in Sri Lanka.
- HNB has a number of subsidiary companies focussed on specific segments, ranging from stock-brokering to microfinance. HNB is concerned with almost all business segments but prides itself on the products and services it offers to SMEs and for corporate financing.
- The size of the bank may be indicated from its balance sheet, which currently amounts to USD 4-5 billion. Profits are climbing towards USD 150 million annually and there are many opportunities for further growth.
- Despite being a well-established private bank, HNB approaches business with an entrepreneurial lens, which adds value to the group.
- The HNB SME Division is four decades old. Having served up to 200,000 customers, this division now has some 50,000 active customers and a balance sheet of approximately USD 2 million. While this portfolio is not well collateralised, HNB continues to provide this service to support the development of the national economy.
- The HNB Microfinance division is 30 years old and has also served approximately 200,000 customers. It currently serves 35,000 active customers and has a balance sheet of USD 200 million.
- Another subsidiary, HNB Grameen, is purely a micro financing company for women, providing not only the loans they require, but also advisory services and training in financial literacy. Microfinancing is offered in traditional areas such as agriculture, animal husbandry and cottage industries, but it is also seeing growth in industry, trade, contracting, and manufacturing.

Mr. Shalin Balasuriya

- Inspired by their mother, who was a pioneer in Sri Lanka's first mass-market homegrown cosmetics brand and set up the country's first beauty school, Shalin and his brother were keen to develop a Sri Lankan brand that had the legs to go international. They found the answers in their own backyard, in the science and wellness benefits of Ayurveda.
- Spa Ceylon was born nine years ago and boasts 90 locations around the world at present. A further 75 locations in Europe and the United States are scheduled to open in the next 12 months. Spa Ceylon combines a store experience that offers unique personal care products with a spa experience that allows people to treat themselves to therapies based on the science of Ayurveda.
- They have focused their energies on developing an authentic brand story, as well as digital and social media promotion to bring their brand to life. The science was not their sole product, but rather everything about Sri Lanka was incorporated. The flora, fauna, fruit and vegetables of Sri Lanka make up the natural ingredients, and the look and feel of the brand was built around the decorative and cultural elements of Sri Lanka. The warmth of Sri Lanka's people is what the customer experiences in the stores.
- With Sri Lanka placing due emphasis on wellness tourism as a pillar of the National Export Strategy, Spa Ceylon is focusing on enhancing and adding value to existing personal care products by seamlessly incorporating Ayurveda practices into the contemporary lifestyle.

Mr. Dileep Mudadeniya

- The John Keells Group is Sri Lanka's largest blue-chip company and the largest conglomerate listed on the Colombo Stock Exchange. It is a full member of the World Economic Forum and has global depository receipts at the Luxembourg Stock Exchange.
- The company focusses primarily on seven sectors: leisure, financial services, consumer foods, investor relations, information, property and plantations.
- In 2009, following the end of the internal conflict, the leisure sector of John Keells Group, Cinnamon, was faced with a unique challenge. Sri Lanka's tourism industry was poised for success, and it was undeniable that the peace dividend would immediately open doors to international travellers and investors. It became apparent that international leisure brands would soon begin to invest in Sri Lanka. This presented a unique challenge to Cinnamon, as it had previously competed only with homegrown brands that were similarly restrained by the conflict.
- The solution was an integrated resort development: Cinnamon Life. With USD 1 billion invested in Sri Lanka, and design by renowned architect Cecil Balmond of Balmond Studios, Cinnamon Life is modelled after the Marina Bay Sands in Singapore. It will consist of 800 room hotels, residences, shopping and retail spaces, a conference centre and parking. An unnamed element is yet to be announced. The development is currently under construction and set to open in 2021.

Mr. Jeevan Gnanam

- The St Anthony's Group was founded by Jeevan Gnanam's grandfather 75 years ago. A 'zero to one' entrepreneur, his grandfather began by selling scrap iron and plastics on the roadside until he could do so out of a small shop. During nationalisation, he had a vision to begin manufacturing in Sri Lanka, and today he is commonly known as the father of industrialisation in Sri Lanka. The company manufactures construction goods, 70% of which are manufactured locally.
- When Jeevan returned to Sri Lanka after studying overseas, his main focus was IT and business process management, but he had not yet whittled down his options. Several failed initiatives later, he saw an opportunity to develop an IT services company for customers overseas. He convinced a very conservative board of directors at the family company to allow him to set up an IT park just outside Colombo, beginning with 20,000 square feet. By December 2018, successful IT service provisions to clients overseas has allowed expansion to 1 million square feet.
- Jeevan is now the Head of the Sri Lanka Association of Software and Services Company and the founder of the Entrepreneurship Forum. Together with three other like-minded individuals, he founded the Lankan Angel Network to invest in early-stage start-ups in Sri Lanka. He created a crowdfunding platform and more recently launched Hatch, an incubator and accelerator to help start-ups grow in Sri Lanka.

Mr. Hiran Cooray

- Mr. Hiran Cooray's father, Mr. Herbert Cooray, began Jetwing during the closed economy in 1973. He started with a small hotel with just six rooms and used the cooker from his own home to prepare meals at the hotel. The tourism industry at this time was going from strength to strength.
- Sri Lankan tourism boomed until 1983, when the numbers began to fall. The internal conflict began to influence travellers' decisions, and travel advisories began to severely suppress the number of tourists coming to Sri Lanka. At its lowest, tourist arrivals dipped below 300,000 annually.
- The government realised that, unless it intervened, the progress that the tourism industry had made, despite all odds, would be in vain. It, therefore, provided soft loans to cushion the sector's losses and keep them going.
- Destination promotion was managed entirely through tour operators and Mr. Hiran Cooray cited the support and loyalty of two operators for keeping Sri Lanka on their brochures, despite the conflict. This, coupled with the national carrier Air Lanka's flights, ensured that tourists kept coming to Sri Lanka.
- Mr. Herbert Cooray believed strongly that Sri Lanka was, despite the conflict, the jewel of tourism. He continued to acquire property around Sri Lanka.

- After the conflict ended, the company expanded quickly. Jetwing was the first to build a hotel in Jaffna, the epicentre of the conflict, and subsequently in Wellawaya and Pottuvil – all destinations not associated with tourism.
- Jetwing prides itself on its service standards and attributes them to its ability to provide Sri Lankan hospitality through its Youth Development Program. This programme is implemented with the assistance of the Ministry of Youth Affairs and the German government to attract and retain young people in the hospitality sector close to their homes. Jetwing has successfully integrated rehabilitated ex-combatants into its staff through this program. By offering jobs to locals, Jetwing integrates hotels seamlessly into their communities.
- Jetwing is passionate about responsible and sustainable tourism. Concerted efforts in conservation at its hotels – setting up waste-to-energy parks, solar parks, biomass-absorption chillers and facilities that make briquets from paddy husks – enables Jetwing to live up to its brand of responsible and sustainable tourism. More recently, it has begun taking the first steps towards linking tourism with the United Nations Development Goals. If this effort succeeds, it will be another first for Jetwing and Sri Lanka.

Highlights from Working Session 4



Mr. Ravinatha Aryasinha



Mrs. Indira Malwatte



Mr. Hasitha De Alwis



Mr. Duminda Ariyasinghe



Mr. Prasanjith Wijayathilake



Mr. Dehan Seneviratne



Mr. Mangala Randeniya



Mr. Jonathan Alles



Mr. Shalin Balasuriya



Mr. Dileep Mudadeniya



Mr. Jeevan Gnanam



Mr. Hiran Cooray





Colombo Port

Moragahakanda
Hydropower Project



Futuristic Projection of
Colombo Port City

Futuristic Projection of
Biotechnology Park
Homagama



Working Session 5: Emerging Sri Lanka

1. **Sri Lanka's Economic Vision**
Dr. Indrajit Coomaraswamy
2. **Western Regional Megapolis Project and Colombo Tech City**
Mr. Madhawa Waidyaratna
3. **Colombo International Financial Centre**
Mr. Kelvin Tan
4. **Ports Development, Hambantota, Trincomalee and Colombo Harbor Development and Expansion**
Mr. Upul Jayatissa
5. **Foreign Policy Implications of the Ocean for Sri Lanka**
Ms. Sashikala Premawardhane
6. **Emerging Sri Lanka's Challenges and Opportunities**
Mr. Thilan Wijesinghe
Mr. Kavan Ratnayaka
Ms. Subhashini Abeysinghe
Mr. Adam Collins

Sri Lanka's Economic Vision

Dr. Indrajit Coomaraswamy, Governor, Central Bank of Sri Lanka.

Chaired by: Mr. Ravinatha Aryasinha, Additional Secretary, Economic Affairs and Trade, MFA

Summary

“While global risks are affecting Sri Lanka’s debt dynamics, the current economic situation can be carefully managed”

- Sri Lanka’s Vision 2025 called for a knowledge-based, competitive social market economy. It reiterated that Sri Lanka’s growth model must be anchored on export transformation and improved education. The economy can no longer rely on competitiveness through low wages.
- Sri Lanka has faced challenges related to its macroeconomic fundamentals, which are characterised by high budget deficits, high inflation rates, and an overvalued currency. The resulting stress has been a key cause of economic stagnation. Successful East and Southeast Asian countries, by contrast, have maintained much stronger macroeconomic fundamentals.
- As Sri Lanka was an early liberaliser among emerging economies in the 1970s, traditional donors afforded the country generous foreign aid, enabling the country to live beyond its means for many years. But Sri Lanka has suffered from populist policies as it has resulted in a deeply entrenched culture of entitlement where people expect politicians to ‘deliver goodies.’
- This is no longer tenable, and the country needs to be more disciplined. One reason is Sri Lanka’s graduation to lower-middle income status in 2009, which reduced access to grants and generous foreign aid. These benefits must now be replaced by foreign loans.
- Government finances need to be strengthened through a number of measures, including a revenue enhancement programme and improving the quality of public expenditure. The government also intends to reduce its budget deficit to the equivalent of 3.5% of GDP in the medium term, compared to an average 5-6% of GDP in recent years.
- Other fiscal measures include increasing the value-added tax rate from 10% to 15% and introducing an automatic pricing formula for fuel and electricity prices.
- On the expenditure side, loss-making state-owned enterprises are being closely monitored to improve their performance.
- Another focus is an amendment of the Monetary Law Act to give the Central Bank of Sri Lanka (CBSL) greater autonomy. In the past, the CBSL has had to monetise the government’s fiscal deficit, but in the future the government will have to manage it on its own.
- In March 2018, the Liability Management Act was passed, enabling the government to raise more money than it needs to finance the budget deficit, thus enabling it to borrow to fund debt repayments too.

- Regarding ongoing exchange rate pressures and concerns about sudden outflows of capital, the CBSL has a framework to manage currency flows without having to resort to dollar sales that would deplete foreign reserves. Curtailing previous efforts to unsustainably defend the currency has allowed it to gradually depreciate, which makes Sri Lanka more competitive.
- The biggest holder of the Sri Lanka's concessionary debt is the Asian Development Bank, which holds a quarter of the government's foreign debt. There is a focused effort to diversify the country's debt profile with long-term loans from China and by floating sovereign bonds in Chinese, Middle Eastern and Japanese markets.
- Sri Lanka's debt to China amounts to only 12% of the government's foreign debt and China's focus has recently shifted away from debt towards equity investments. A good example is Chinese equity investment in a container terminal in Colombo Port.
- In future, Sri Lanka should avoid taking on loans for non-valued projects and, instead, evaluate projects in light of their contribution to domestic development. Mobilising capital effectively will help address macroeconomic stress on the economy, which will improve the trajectory of development.

Summary of the Discussion

- Responding to a question regarding how to stay on the right policy track, the Governor noted that he is confident the current economic situation can be managed. However, the global financial system is fragile, and this affects Sri Lanka's debt dynamics. As Sri Lanka is now exposed to international capital markets, there are also challenges to avoiding compromising national economic sovereignty in relations with the IMF and sovereign rating agencies.
- Participants and speakers agreed on the need to focus on communicating reforms to ordinary citizens. The Governor noted that recent efforts have not been very successful and the CBSL may need to hire people with journalistic skills to make documents like Vision 2025 more accessible.
- For countries seeking to graduate to middle-income status, the Governor suggested that it is important that their macroeconomic fundamentals are sound because imbalances in the economy can no longer be financed as easily. Reliance on external financing must also be managed carefully.
- Although the Sri Lankan economy was initially driven by exports after independence, key sectors were nationalised during the 1960s and early 1970s as part of a statist development strategy.
- The full benefits of liberalisation in 1977 were not felt because of the internal conflict. In the post-conflict era, the main impetus for growth has come from public investment.
- As there is currently no fiscal space for government-driven growth, growth must come from the private sector. To this end, there is now an attempt to further open up the economy.

Western Regional Megapolis Project and Colombo Tech City

Mr. Madhawa Waidyaratna, Additional Secretary, Ministry of Megapolis and Western Development.

Chaired by: Mr. Waruna Wilpatha, Director General, Economic Affairs and Trade (Bilateral), MFA

Summary

“Colombo and other strategic cities have been marked for sustainable urban development policies”

- Half of global GDP is produced by urban settlements and half of the world’s population now lives in urban areas. For Sri Lanka, urbanisation may hold the key to avoiding the middle-income trap.
- Sri Lanka continues to evolve into an attractive destination for investment because of its strategic and geopolitical standing in the region. The government is focused on strategic innovations and structural transformation that will capitalise on the key economic drivers of the region and will, accordingly, develop policies that lay the groundwork for future growth. Sri Lanka is also focused on making a systematic shift away from a commodity-based to a knowledge-based economy.
- The concept of ‘megapolis’ is not confined only to the Western region. By definition, it encompasses any space that has a population in the excess of 5 million people.
- The National Physical Plan for Sri Lanka has identified major developments in other areas, such as the Northern corridor, connecting Kilinochchi to the rest of Jaffna, and the Eastern corridor, connecting Ampara to Batticaloa.
- Colombo and other strategic cities have been marked for sustainable urban development.
- That said, the Western region of Sri Lanka is the most economically competitive. The development policy framework for this region has been designed to achieve strengthened governance, as well as equitable economic growth, infrastructure development, and improved competitiveness.
- Ten key areas have been identified within the Western region for growth and development: the Central Business District, Aerocity, Maritime City, Logistic Corridor, Tech City, Administrative City, Industrial cities, Tourism Zones, Forest City (Sinharaja) and Plantation City.
- The Central Business District will consist of Colombo Harbour, Port City, Beira Lake Waterfront, preserved historical buildings in the Fort area, a newly built multimodal transport hub in Pettah, and a preserved Galle Face Green.
- The Port City is expected to generate USD 15 billion in investment and create 83,000 jobs. A total 269 hectares of land will be reclaimed from the sea and it is anticipated that the area will

eventually have a population of 250,000. Infrastructure development is expected to be completed in 2019, and international investment will be welcomed thereafter.

- The Tech City spans four key town centres and includes policies to encourage research and development, incubators for new businesses, and additional forays into new technologies, including nanotech, biotech and drones.
- In partnership with the Japan International Cooperation Agency, a highly anticipated light rail transit system consisting of three lines will be introduced. A feasibility study is currently under way for one of the lines, and construction is set to begin in 2020.
- The Megapolis Plan aims to provide 65,000 houses by 2030 to underprivileged and lower-middle-income households in cooperation with the Asian Infrastructure Investment Bank.
- It also envisions the transformation of the Western region of Sri Lanka into the epicentre of economic progress, encompassing a large labour force. By 2030, it is expected that 8.7 million people will live in the Western region, a significant increase from 5.7 million in 2012.
- Solid waste management is a key consideration in Megapolis development. Remedial measures were put in place after the Meethotamulla tragedy, and three prospective projects to convert waste into energy are being discussed.

Colombo International Financial Centre (Port City) Project

Mr. Kelvin Tan, Port City Regional Sales and Marketing.

Chaired by: Mr. Waruna Wilpatha, Director General, Economic Affairs and Trade (Bilateral), MFA

Summary

“As of October 2018, 95% of the reclamation work on the Port City has been completed, and all of the reclamation work is expected to be concluded mid-2019”

- In 2004, the previous government conceptualised and spearheaded a master plan to expand and develop the Central Business District of Colombo.
- The development of Colombo Port was inevitable considering the contribution of the Western Province to GDP and Sri Lanka's strategic location. Over time this mega development grew with the addition of transport provisions to the Hambantota Industrial Park; connections to airports in Colombo, Katunayake and Hambantota; and a possible light rail transit project in the Pettah area.
- Following the change in government in 2015, the Port City development was suspended for one and a half years. Development resumed in September 2016. As of October 2018, 95% of the land reclamation had been completed, and all reclamation is expected to be concluded by mid-2019.
- The Port City project is a public-private partnership (PPP) between the Sri Lankan government and China Harbour Engineering Company, a subsidiary of China Communications Construction Company Limited.
- An initial investment of USD 1.4 billion is being made to make this project a reality. A further investment of USD 13 billion is expected once the land reclamation is completed.
- The government of Sri Lanka will facilitate all investment approvals, including from the Urban Development Authority and the Ministry of Megapolis. Contractual terms dictate an agreement between parties to mitigate any risk from political instability.
- Under the guidance of Swedish architects, a master plan of the Port City is now under development.
- Areas of the Port City are on a lease for 99 years as a commercial development, not a government-to-government development project.
- Within the Port City there will be five major precincts: a financial district that may include a special economic zone with specific incentives, an international island consisting of an integrated theme park or resort, international schools, a convention centre, and a marina to hold 200 luxury yachts.

- Land has also been earmarked for residential and commercial developments and five light rail transit lines.
- Special investor incentives are available in two layers, allowing developers to access them when land is sold or bought, and for end-users of commercial and residential properties.
- Tourism will play a major role in attracting international and local visitors to the Port City. The development may include specific retail and tourism incentives, including a duty-free area.
- The safety and security of the Port City is a primary concern, and a comprehensive disaster management plan is currently being developed. A breakwater of three metres will be built for protection from tsunamis and rising sea levels.



Image Credit: Lasantha Kumara , Daily FT



Ports Development: Hambantota, Trincomalee and Colombo Harbour Development and Expansion

Mr. Upul Jayatissa, Chief Manager (Marketing and Business Development), Sri Lanka Ports Authority.

The participants also visited the Colombo Port following this presentation, offering them the opportunity to participate in an interactive discussion on substantive issues.

Chaired by: Mr. Waruna Wilpatha, Director General, Economic Affairs and Trade (Bilateral), MFA

Summary

“In 2017, the Colombo Port managed 95% of the total cargo handled in Sri Lanka”

- Sri Lanka has four international and three domestic ports. The Sri Lanka Ports Authority (SLPA) is a self-financing institution that manages all seven ports. In 2017:
 - 4,879 ships were handled by all Sri Lankan ports, 88% of them by Colombo Port;
 - 93 million tonnes of cargo were handled, 95% of it in Colombo;
 - Of the 6.2 million 20-foot equivalent units (TEUs) of cargo handled, 4.6 million were for transshipment (77%) and 1.4 million (23%) were destined for the domestic economy.
- Colombo Port is expected to handle 7 million TEUs by the end of 2018 and is currently expanding with a loan of USD 300 million from the Asian Development Bank to increase capacity at its existing terminals.
- The first terminal, known as Jaya Terminal, is entirely owned by the SLPA. The second, East Terminal, is a PPP between John Keells Holdings and the SLPA. The third terminal, Colombo International Container Terminal, is on a 35-year lease to China Merchants Port Holdings.
- The Jaya and East terminals are expected to be expanded and Phase Two of the Colombo Port Expansion Plan is due to be completed by 2026. The North Port Terminal is also expected to be completed by 2040.
- The Hambantota Port is being managed on a 99-year lease by two newly formed companies: The Hambantota International Port Group and the Hambantota International Port Services Company. Both are joint ventures between China Merchant Port Holdings and the SLPA.
- The Hambantota Port has functioned as an automobile transshipment hub since 2012 and is now becoming one of the top hubs for the transshipment of automobiles.
- Sri Lanka's ports require additional infrastructure and business development. The transport and logistics sectors are competitive and evolve fast, challenging the ability of the SLPA to keep pace.

- Sri Lanka has the potential to be a trading hub, both between the East and the West and within the Indian subcontinent. But it has not yet leveraged its strategic location sufficiently, either regionally or globally, to achieve its full potential.
- For Sri Lanka to address the challenges that will arise from its ambition to become a trading hub, it must focus on improving trade regulations and developing the required infrastructure.
- Government policy thus far has been to develop ports as PPPs - these agreements have to be fully understood, and alternatives should be considered.
- Other challenges to the trade and logistics sector include the availability of land, shortcomings in IT services, and underdeveloped research and evidence-based decision making.

The Indian Ocean Region and Sri Lanka's Foreign Policy

Ms. Sashikala Premawardhane, Director General, Ocean Affairs and Climate Change Division, spoke on the 'The Indian Ocean Region and Sri Lanka's Foreign Policy.'

Summary

“The Indian Ocean is a shared resource which can benefit all regional economies including Sri Lanka”

- It is estimated that by the middle of the century the planet will have to support a population level between 9-10 billion. Food, jobs, raw material, energy, economic growth will be needed to sustain such a population. The potential of the oceans to meet those requirements is extensive. However, this would require substantial expansion of ocean based economic activities. At present Oceans are under threat from over exploitation, pollution, declining bio-diversity and climate change. Therefore, the development of the Oceans economic potential requires responsible, and sustainable approaches.
- The output of the global ocean economy is estimated at EUR 1.3 trillion and this could more than double by 2030. According to the OECD's latest report, the Ocean Economy of the next 20 years will be primarily driven by developments in the global population, economy, climate and environment, technology and ocean regulation and management. The global political and strategic environment will also impact on Ocean Economy and on governance of Oceans as a whole.
- Safe, Secure, Clean and Sustainably Managed Oceans are fundamental for the survival of the planet. This is where foreign policy making and Blue Economy converge: evolving policies that protects and preserves the oceans whilst allowing states to use the resources for economic benefit. Sri Lanka recognises the pivotal role of foreign policy in maintaining safe, secure, clean and sustainably managed oceans enabling all States to use the ocean for economic benefit. Recognising the importance of the Oceans to Sri Lanka's foreign policy, a dedicated division has been created within Sri Lanka's Foreign Ministry to focus specifically on the areas of Ocean Affairs and Climate Change.
- Sri Lanka's strategic location in the Indian Ocean, very close to the major international shipping route presents both opportunities and challenges. Indian Ocean conservation is a collective responsibility, and it is imperative that all countries within the region and beyond maintain a model for environmental protection based on internationally accepted, rule-based norms. Like other countries in the region, Sri Lanka functions best with clear rules that are able to facilitate responsible and sustainable approaches to the development of the Indian Ocean. Sri Lanka aspires to provide leadership towards this goal.
- In addition to Sri Lanka's long history in ocean advocacy, Sri Lanka's hard power in the Indian Ocean is undoubtedly its strategic location, and for this reason Sri Lanka is well positioned both strategically and geographically to advocate for the Indian Ocean and its proper use in tandem with the United Nations Convention on the Law of the Sea and move towards achieving United Nations Sustainable Development Goal 14.

- Sri Lanka under President Maithripala Sirisena's leadership launched a Blue-Green Development Strategy in 2016 in order to reap the benefits of Blue Economy whilst also adopting environment friendly green development policies. The purpose is to join hands with other emerging economies in transforming Sri Lanka in to a centre of excellence in maritime affairs and Blue Economy. The government has taken steps to implement Blue-Green initiatives to encourage low emission economic development.
- In pursuance of these objectives, Sri Lanka held a conference in October 2018 titled "The Indian Ocean: Defining Our Future" at Temple Trees.
- Prime Minister Ranil Wickremesinghe, delivering the keynote address of the Conference highlighted the need to maintain Freedom of Navigation and Freedom of Digital Connectivity for the region to grow and prosper and the need for a shared understanding in order to maintain peace and security. The Conference provided an inclusive space for discussion and consensus building for littorals and users of the Indian Ocean. It explored four particular areas including the Indian Ocean's future as the new global growth pole, safety and security at sea, sustainable and low-pollution development, and stability of the Indian Ocean within a rules-based approach. Representatives of 40 countries participated in the conference which took the format of a track 1.5 dialogue.
- The general views that emerged from the Conference were: the Indian Ocean economy is rapidly becoming a global growth pole in an uncertain world beset by economic risks; the region's economic expansion needs to be inclusive, broad-based and environmentally sustainable so that we leave a meaningful legacy for future generations; strategic mistrust and non-traditional security threats (such as maritime crime, over-fishing, pollution and protection of undersea cables for the digital economy) are significant challenges to achieving regional peace and prosperity; and the rules-based international maritime order centred on UNCLOS needs strengthening and reinforcing for the benefit of the Indian Ocean littoral states and maritime users.
- Sri Lanka's intention of convening a meeting at Ministerial level in 2019 to seek the possibility of concluding a statement of understanding on the Indian Ocean was highlighted as the envisaged way forward of this initiative.

Emerging Sri Lanka's Challenges and Opportunities as a Hub in the Region

An expert panel discussion featuring Mr. Thilan Wijesinghe, Chairman and Acting CEO, National Agency for Public Private Partnerships of the Finance Ministry of Sri Lanka; Mr. Kavan Ratnayaka, Chairman, Sri Lanka Tourism Development Authority; Ms. Subhashini Abeysinghe, Research Director, Verite Research Pvt. Ltd; and Mr. Adam Collins, Research Fellow, LKI, was held on 19 October 2018 at LKI.

Moderated by: Dr. Ganeshan Wignaraja, Executive Director, LKI

“Sri Lanka’s ambition to become a regional hub can be furthered by PPP infrastructure projects, improved logistics, and tourism, among other activities”

Mr. Thilan Wijesinghe

- The current PPP unit at the Ministry of Finance, preceded by a similar unit at the Board of Investment, handles matters concerning the development of ports and telecoms, as well as development in other sectors needed to plug Sri Lanka into the global supply chain.
- Sri Lanka needs to begin rethinking conventional approaches to state management of businesses. As such, the PPP unit is tasked with developing and laying out the foundations for new and innovative approaches to business.
- The challenges that Sri Lanka faces are complex and require complicated and often cumbersome approaches that do not always make business sense or align with business interests.
- Challenges include asset ownership, fundraising and fund allocation, risk allocation, and regulations (or rather lack of them). A further complication is the rapid pace at which the government is expected to show results.
- A focus of the National Agency for Public Private Partnership has been to propel Sri Lanka towards becoming a hub for ports, tourism, logistics, airports, aviation and financial services.

Mr. Kavan Ratnayaka

- Tourism is a promising sector for Sri Lanka, with international tourist arrivals growing by 7% in 2017.
- Research suggests that 98% of tourists leave Sri Lanka extremely satisfied with their experience, and 65% of them return. This is extremely encouraging, and resources should be allocated to sustaining and enhancing these results.
- It is anticipated that tourism will become the second-largest source of foreign exchange by 2020, generating receipts of USD 7 billion annually. In order, to achieve the full potential of the sector,

the Sri Lanka Tourism Development Authority aims to create an additional 300,000 jobs in the tourism industry.

- China and India are currently the largest tourist markets for Sri Lanka, but the fastest growing markets are now Australia and the US. Sri Lanka must consider the requirements and interests of tourists from these countries.
- Wellness tourism is a growing segment of the tourism industry that has been recognised by the National Export Strategy.
- The primary concern of all tourists is safety and security. Sri Lanka aims to become the number one country for independent female travel, and one of the means of achieving this is by building the capacity of a tourist police unit.
- Other challenges include connectivity, seamless touch points with locals, particularly during services, and the attraction and retention of solid FDI in tourism. Although there is currently a strong focus on new products and services, promotions and messaging overseas do not reflect this.

Ms. Subhashini Abeysinghe

- Sri Lanka has a long history of trade facilitation coupled with value-added services. However, during the conflict, security concerns meant that people moved away from using Colombo as a logistics hub. In 2009, ports and airports were unable to handle the volume of demand, and a lack of investment caused trade to stagnate.
- Sri Lanka must focus on leveraging its location. As the Indian subcontinent is currently also served by both Singapore and Dubai, Colombo should focus on remaining the hub for transshipping cargo. The nature of transshipment encourages shopping around and with consolidation currently under way, Sri Lanka is faced with yet another challenge. Shipping lines are risk-averse and selective of the number and location of ports they visit.
- Sri Lanka has a competitive advantage in serving the needs of South India, but a lack of value-added services puts it low on the list of options. Sri Lanka should consider catering to container shipping by providing services such as warehousing, packaging and quality control. To do this, there must be heavy investment in the capacity of airports and ports.
- Sri Lanka has positioned itself as a fashion and garment-manufacturing hub. Nike and Victoria Secret are some of the global brands that have expanded the management of their supply chains in Sri Lanka. While there are further opportunities in this sector, Sri Lanka has yet to fully embrace them and improved soft infrastructure is needed. As most of the products are time-sensitive, the ability to convert and add value quickly requires cutting red tape, improving connectivity, digitising processes and establishing single window systems.

Mr. Adam Collins

- The outlook for the Indian Ocean economy is an increasingly important and timely topic. A recent Track 1.5 conference hosted by the Government of Sri Lanka has helped to promote the idea of Sri Lanka as an economic hub at the centre of the Indian Ocean.
- In 2017, the 28 countries of the Indian Ocean accounted for 35% of the world's population, 13% of world trade and 18% of world GDP at PPP exchange rates. The Indian Ocean is thus an important part of the global economy, and maritime trade has been crucial to its economic success.
- Regional GDP and trade volume growth in Indian Ocean are expected to continue outpacing the rest of the world by some margin. As a result, by 2025 the region's economy looks set to account for over 22% of global GDP and more than 15% of world trade. This will translate into a significant rise in the region's per capita income and a large reduction in the prevalence of extreme poverty.
- That said, the future prosperity of the Indian Ocean is not guaranteed. Countries in the region face three major challenges: (i) gaps in infrastructure, particularly in ports; (ii) large differences in the level of development between countries in the region; and (iii) an uneven architecture of regional organisations.
- Sri Lanka has a huge opportunity to tap into the economic dynamism of the Indian Ocean. While its success in doing so will partly depend on domestic policies, it cannot ignore the regional challenges. As such, Sri Lanka should take a leadership role in supporting regional initiatives to address these.

Highlights from Working Session 5



Dr. Indrajit Coomaraswamy



Mr. Madhawa Waidyaratne



Mr. Kelvin Tan



Mr. Upul Jayatissa



Ms. Sashikala Premawardhane



Mr. Thilan Wijesinghe



Mr. Kavan Ratnayaka



Ms. Subhashini Abeysinghe



Mr. Adam Collins



Working Session 6: Sri Lanka and Global Issues

1. **Cyber Security and Challenges Posed by Social Media**
Prof. Rohan Samarajiva

2. **Sustainable Sri Lanka 2030 Vision and the Strategic Path and SDG**
Prof. Mohan Munasinghe

3. **Good Governance, Media Freedom and the Right to Information**
Amb. C.D Casie Chetty
Mr. Piyathissa Ranasinghe
Mr. Nalaka Gunawardene

Cyber Security and Challenges Posed by Social Media

Prof. Rohan Samarajiva, Chairman, Information and Communication Technology Agency of Sri Lanka (ICTA).

Chaired by: Ms. Saroja Sirisena, Director General, Economic Affairs and Trade (Multilateral), MFA

Summary

“Law enforcement is an effective tool to mitigate issues arising from cyber threats”

Part 1: Cyber Security

- Attacks on infrastructure - Sri Lanka should focus on mitigating risks arising from cyber threats through effective cyber security founded on hardened infrastructure, dynamic defences, liability assigned periodic and random audits, built in resilience, curative measures, rapid responses from skilled professionals, and international assistance.
- Attacks on organisations - Law enforcement is an effective tool to mitigate issues arising from cyber threats and attacks. However, courts and law enforcement authorities want unrestricted access to evidence, and cloud storage poses serious challenges.
- Compelling data localisation in India and China will drive up costs and can compromise security, particularly in large economies. Data centres maintained to the highest standards will be operated by US-incorporated firms or their subsidiaries. If their services are not available, the only option is to settle for poorly resourced, locally owned data centres. The sheer size of the Indian market of 1.3 billion people would attract companies willing to meet the demand.

Part 2: Social Media – Misinformation and disinformation campaigns by foreign State and non-State actors

- Case Study 1: Administrative penalties against ‘fake news’: India
 - In April 2018, the Indian Ministry of Information and Broadcasting announced administrative penalties against journalists found to be responsible for disseminating ‘fake news’ generated by two non-governmental bodies.
 - Within 24 hours, the order was withdrawn because the ministry’s administrative action focused only on journalists. To resolve this, nongovernmental entities were assigned to judge ‘fakeness’. However, it was pointed out that the regulatory bodies were government appointees, and the withdrawal of press accreditations was imposed as a penalty.

- Case Study 2: Criminalisation of 'fake news' by law: Malaysia
 - Under Malaysia's anti 'fake news' law, those convicted of disseminating false content may be jailed for six years or fined up to RM 500,000 (USD 128,000) or both. Continued offense is punishable by a fine of RM 3,000/day.
 - Former Prime Minister Najib got the law approved just before the election.
 - A Danish citizen who claimed in an YouTube video that the police took 50 minutes to respond to a crime, instead of the actual 8 minutes, was fined USD 2,550. As he was unable to pay the fine, he was imprisoned for 30 days.

- The Singapore Select Committee on Deliberate Online Falsehoods – Causes, Consequences and Countermeasures is an enormous body of work consisting of 273 pages and transcripts.
 - Several meetings were held that included over 150 people who made presentations, 14 of whom are said to have opposed the harder recommendations tailored for social media.
 - A total of 22 recommendations, some with multiple components, were made and recognised that disinformation was nothing new. Considerable evidence was presented showing how modern digital technology has made the creation and dissemination of falsehoods easier, cheaper and more profitable, transforming it into what experts regard as a new global phenomenon.

Sustainable Sri Lanka 2030 Vision, Strategic Path, and Sustainable Development Goals

Prof. Mohan Munasinghe, Chairman, Presidential Expert Commission on Sustainable Sri Lanka.

Chaired by: Mr. Waruna Wilpatha, Director General, Economic Affairs and Trade (Bilateral), MFA

Summary

“The main sustainable development challenge for Sri Lanka has been the widening inequality between the rich and the poor”

- Sustainable development requires balanced and integrated analysis in three major spheres: social, economic and environmental. Harnessing the sustainable development triangle for balance and integration requires each view to correspond to a domain and system that has its own distinct driving forces and objectives. The economic domain is geared towards improving human welfare, primarily through increased consumption of goods and services. The environmental domain focuses on protecting the integrity and resilience of ecological systems. The social domain emphasises the enrichment of human relationships and the achievement of individual and group aspirations. Interactions among domains are important.
- We must transcend the boundaries of sustainable development with innovation that may address economics, social science and ecology, and many other disciplines. Unsustainable values like greed need to be replaced by more moral and ethical approaches. Spatial analysis must range from the global to the very local, while the time horizon may extend to decades or centuries.
- The value system has to be reengineered. Wrong social values drive unsustainable development, or modern economic maldevelopment. Unsustainable growth is caused by debt market failure, poverty, inequality and overconsumption. Similarly, unethical social values such as greed, selfishness, corruption, injustice, violence, inequity and elitism are all underestimated disruptors. Environmental debt means that sustainable development is shrinking.
- It is imperative that we start building assets for sustainable development through full lifecycle application of integrative tools, from data gathering to practical policy implementation. A variety of practical and novel tools and methods facilitate governance over the full lifecycle from initial data gathering to ultimate policy implementation and feedback. Full lifecycle analysis is key, as are supply and value chain analyses of products, processes and systems. The path of balanced, inclusive and green growth on the economic, social and environmental dimensions provides a roadmap to prepare an integrated and comprehensive national strategy and policy plan for sustainable development.
- The vulnerable, particularly the poor, children and the elderly, can be protected, but efforts and funding have been weak. A very real example is the strong possibility that the Maldives will be submerged, sparking a refugee crisis.

- The economy and the environment must be brought together as one strategy to limit social and environmental harm stemming from recent growth. Emerging economies cannot follow the same wasteful path as rich countries. However, Sri Lanka can learn from their mistakes and understand the technologies used by rich nations to manage their waste issue.
- The green growth path must be inclusive and balanced. Groups such as the poor and youth must be engaged in creative ways.
- Sustainable production may be achieved by implementing workshops for businesses and CEOs. Sustainability and the triple bottom line (social, environmental and financial) are the wave of the future, and the efficient use of resources is the main concern. In Sri Lanka, the main emitter of carbon is retailing. Meanwhile, 47% of carbon dioxide emissions daily come from tea packaging. By comparison, the carbon dioxide produced globally during the production of orange juice is also 47%.
- Sustainable Sri Lanka: Vision and Strategic Path is a holistic, integrated and practical volume, prepared by the Presidential Expert Commission.
 - The document is not a political manifesto but builds on existing national and sectoral plans and includes three snapshots, for 2020, 2025 and 2030. Sustainable development is the focus of this report.
 - The vision of this document was driven by the pro-sustainable attitude of the President of Sri Lanka. He mandated that the report ensure that the nation adheres to this vision as a group of scientists rather than economists.
 - The report considers in its structure and integration matrix agriculture, food security, education, energy and health.
 - Cross-cutting themes such as gender and climate change are also considered.
- Sri Lanka can play a key role by setting an example for sustainable development globally. It is important to disseminate and rebuild national consensus through macroeconomic planning. Sri Lanka must focus on how to integrate sustainability into projects, particularly in the sectors where it is lacking, and on the mobilisation of the civil society by building public-private-people partnerships.
- The main sustainable development challenge for Sri Lanka is the widening inequality between the rich and the poor. This is evident spatially by contrasting the immediate outskirts of Colombo with Western Province and on to more rural areas.
- The Foreign Service has a key role to play in sustainable development and good governance. Good professionals need to practice their professions to the best of their ability, as Sri Lanka's greatest assets are its human capital and high labour standards. Public education is required to create sustainable consumers and producers.

Good Governance, Media Freedom and Right to Information

An expert panel discussion featuring Ambassador C. D. Casie Chetty, Director, Office for National Unity and Reconciliation (ONUR) and Chairman, International Center for Ethnic Studies (ICES); Mr. Piyathissa Ranasinghe, Director General, Right to Information Commission; and Mr. Nalaka Gunawardene, Freelance Journalist.

Moderated by: Mr. Ravinatha Aryasinha, Additional Secretary, Economic Affairs and Trade, MFA

“Sri Lanka’s RTI law and regulations are now ranked 4th among 123 countries”

Ambassador Casie Chetty

- In Sri Lanka, in addition to a 26-year separatist conflict that hamstrung Sri Lanka’s development, there was a major attempt in the South to violently overthrow the democratically elected government. In 1983, there was violent insurgency by Tamil youth in the North and the East. This escalating conflict caused a large exodus of Tamil civilians from the North and the East of Sri Lanka.
- The destructive conflict, which polarised and fragmented Sri Lanka’s social fabric, came to an end only in 2009. With the peace dividend, the focus of development was on restoring damaged infrastructure and renewing physical connections between former conflict-ridden areas and the rest of Sri Lanka.
- In 2015, for the first time, people voted for the two major political rival parties, the Sri Lanka Freedom Party (SLFP) and the United National Party (UNP), to work together to strengthen democratic rule, to devolve power through a new constitution and to foster reconciliation.
- The Office for National Unity and Reconciliation, formed in April 2015, has been instrumental in drafting Sri Lanka’s National Policy on Reconciliation and Coexistence. Heavy emphasis has been placed on fostering cross-cultural awareness. The policy stresses the value of taking measures to build a society where everyone is equal before the law.
- There have been concerted efforts to keep the conflict from recurring through partnerships including with ministries such as Education, Planning, Women and Child Affairs, and National Integration and Reconciliation and Foreign Affairs, as well as the Secretariat for Coordinating Reconciliation Mechanisms and the Home Affairs Ministry Programmes to offer psychological and social support have been launched.

Mr. Nalaka Gunawardene

- In June 2016, Sri Lanka was the 108th country to adopt law guaranteeing the right to information, or freedom of information. According to the latest rankings, Sri Lanka’s law and regulations on this right are now ranked fourth among 123 countries.

- There has been considerable readiness from the government to pursue this ongoing and incremental process. RTI has received an average 1,000 requests per month and has a response rate of over 90%. However, investigations and prosecutions arising out of such requests have been slow, and there have not been any convictions.
- Yet, in freedom of the press rankings compiled by Freedom House for 2017, Sri Lanka is still categorised as not having a free press. The ranking methodology considers the legal, political and economic environment influencing freedom of the press. Improving Sri Lanka's position in these rankings must be an incremental process.
- There is considerable scope for policy reform to guarantee internet freedom and improve internet governance, and rankings have been improving overall.

Mr. Piyatissa Ranasinghe

- RTI was established in November 2016. The commission has three main functions: (i) hearing of appeals at the appellate body, (ii) preparing rules, bylaws and guidance for the public authority, and (iii) training public officers. Other activities include handling the Ministry of Mass Media.
- Public authorities have provided information in response to 92% of request applications. Out of nearly 700 appeals, the commission has now concluded 600 and issued orders for nearly 550 cases.
- Most of the appeals and applications are received from rural areas, the largest number from the Western Province. The primary themes for applications are agrarian such as land alienation, land distribution and land ownership matters. Other themes include law and order, and development and procurement. The lowest demand has been in health and education.

Highlights from Working Session 6



Ms. Saroja Sirisena



Prof. Rohan Samarajeewa



Prof. Mohan Munasinghe



Mr. Piyathissa Ranasinghe



Mr. Ravinatha Aryasinha



Ambassador C.D. Casie Chetty



Mr. Nalaka Gunawardene



Mr. Waruna Wilpatha

Call on the Speaker

The participants called on Hon. Karu Jayasuriya, the Speaker at the Parliamentary Complex and exchanged views.

The Sri Lankan Parliament Complex is situated at Sri Jayawardenepura Kotte, the administrative capital. The building was designed by renowned architect Deshamanya Geoffrey Bawa.



Sri Lankan Parliament Complex

Around the Island



Minneriya National Park



Galle Marina



Pasikudah East Coast



Polannaruwa



University of Moratuwa

Valedictory Session



Secretary Foreign Affairs Prasad Kariyawasam

Addressing the Valedictory Session, then Foreign Secretary Prasad Kariyawasam said the Sri Lanka Foreign Policy and Economic Diplomacy Dialogue 2018, organised by the Economic Affairs and Trade Division, was a high-quality product of the Ministry and it showcased Sri Lanka's potential and ability to interact with the rest of the world. Referring to UN Secretary-General António Guterres's emphasis during the UN General Assembly on the relevance of multilateralism in today's polarised world, he said the Dialogue was Sri Lanka's contribution to the promotion of multilateralism and friendship among countries. He also hoped that the friendships established and experiences that were shared through initiatives of this nature would contribute to economically growing together.

Additional Secretary, Economic Affairs and Trade of the Ministry of Foreign Affairs Ravinatha Aryasinha said the Dialogue had advanced the understanding among the participating diplomats about Sri Lanka, as well as the challenges and opportunities relating to each other's countries. It had also provided valuable insights to the Foreign Ministry's Economic Diplomacy Programme, in promoting Sri Lanka through its Missions abroad. He added that the Ministry would work towards ensuring that all participants remain networked in the future as well.

The Director General of the BIDTI Ambassador Pamela J. Deen while pointing out the importance of conducting the annual Dialogue, thanked the 23 participants for the commitment they showed throughout the programme. Dr. Ganeshan Wignaraja, the Executive Director of the LKI highlighted the remarkable camaraderie that emanated through the Dialogue and the frankness of the participants in sharing their knowledge during the sessions.

The vote of thanks was delivered by Ms. Peta Donald from Australia, on behalf of 23 countries that participated in the SLFPEDD 2018.



“We will go back to our 23 countries as Ambassadors for Sri Lanka, and your ambitious plans for this country’s future as a peaceful and prosperous nation”

Ayubowan!

On behalf of the 23 countries who have taken part in this program, it is my great honour to say a very sincere thank you.

As officers from foreign ministries, we are also in the business of organising official visits and programmes. We know only too well how much work is involved in pulling together a two-week programme, flying participants from all over the world, and then taking them from one side of the island to another.

This visit has run like clock-work. Your organisation has been superb. From the beginning until the end, the warmth and generosity of the Sri Lankan people has been on display.

In particular we would like to express our gratitude to you, Mr. Ravinatha, for the wonderful job chairing the sessions, and framing such interesting discussions, along with excellent chairing by Ms. Saroja Sirisena.

Thank you to the heads of both institutes, Dr. Ganeshan and Mrs. Pamela J Dean, for leading high level and stimulating presentations and interactive panel sessions. And of course, a huge and heartfelt thanks from all of us to the ever-good humoured Mr. Kapila Fonseka.

Thank you to Mr. E. M. H. Abeyratne who so politely got us where we needed to be. Our apologies that sometimes, as a group, we were not always precisely on time - not pointing the finger at any one particular country, of course!

Thank you also to everyone on the MFA team, including of course Ms. Dulanji, Ms. Dayakshi and Ms. Gayani, who met us at midnight last night with a smile, and others in the team. We appreciate your work.

In particular we have been impressed with the quality and the calibre of the presentations; from eminent professors, to former Ambassadors, to key players in Sri Lanka's economic future, from government, business and industry. We even heard from the Governor of the Central Bank and, today, the Speaker of the Parliament.

Session after session, just when we thought it couldn't get more interesting, it did.

We have appreciated the openness of the discussion; the clear-eyed and frank assessments of the economic challenges facing Sri Lanka - as well as strong potential - as you open up to the world, diversify your exports, and set about rebuilding this country to once again be a great trading hub in the Indian Ocean. Sri Lanka is heading in the right direction.

Now, a few words about the trip out of Colombo - to Kandy, Dambulla and over to the East coast. How will we ever forget visiting the temple of the tooth, followed by a huge downpour of rain, or climbing to the top of the ancient palace of Sigiriya. Or the cool breeze as we arrived at the beautiful hotel by the beach. Each of us will have our own special memories to take home.

For me, one of the special memories will be the singing on the bus. It was something that somehow just happened, that you could never have planned. I am happy to report back that thanks to the high-level diplomatic persuasiveness of Ms. Basma of the UAE, with some effective pressure applied by Senegal, Thailand and others, all 23 countries sang at least one song into the microphone. In so many different languages, it was a deeply touching expression of the diversity and depth of the cultures represented here. If it was a competition, I think there is a consensus that China may have won, but it really wasn't a competition at all. It was something much more than that. Give us another week and perhaps we could start to resolve some of the world's most intractable differences.

To conclude, we know that you invited us here because you believe we will be future Ambassadors for our countries. This may or may not happen, and I can definitely see a few talented future Ambassadors here. There is one thing we can say for sure. We will go back to our 23 countries as Ambassadors for Sri Lanka, and your ambitious plans for this country's future as a peaceful and prosperous nation.

Stuthi.

Appendix

1. Programme: Sri Lanka Foreign Policy and Economic Diplomacy Dialogue 2018
2. The Dialogue Through the Participants' Eyes
3. "Walking the Talk"
4. Acknowledgements

Programme: Sri Lanka Foreign Policy and Economic Diplomacy Dialogue 2018

Monday, 15 October 2018

INAUGURAL SESSION

9.00 AM	Welcome Remarks by <i>Mr. Kapila Fonseka, Director, Economic Affairs and Trade</i>
9.05 AM	Introduction to the Programme by <i>Mr. Ravinatha Aryasinha, Additional Secretary, Economic Affairs and Trade</i>
9.15 AM	Address by Chief Guest <i>Hon. Vasantha Senanayake, State Minister of Foreign Affairs</i>
9.30 AM	Inaugural Lecture: Evolving Asian Economic Outlook and Implications for Sri Lanka by <i>Dr. Ganeshan Wignaraja, Executive Director and Chair of the Global Economy Programme, LKI</i>
10.00 AM	Closing Remarks by <i>Mrs. Pamela J. Deen, Director General, BIDTI</i>
10.05 AM	Group Photograph with <i>Hon. Vasantha Senanayake, State Minister of Foreign Affairs</i>
10.20 AM	Break
11.00 AM	Call on <i>Hon. Tilak Marapana, Minister of Foreign Affairs</i>

WORKING SESSION 1 – SRI LANKA

1.00 PM	Sri Lanka: Historical Context <i>Prof. Sudharshan Seneviratne, Emeritus Professor, University of Peradeniya</i> Chair: <i>Mrs. Grace Asirwatham, State Secretary, Foreign Affairs</i>
2.30 PM	Sri Lanka: Political Context <i>Prof. Amal Jayawardane, Senior Lecturer, Faculty of Defence and Strategic Studies, General Sir John Kotelawala Defence University (KDU)</i> Chair: <i>Mrs. Grace Asirwatham, State Secretary, Foreign Affairs</i>
4.00 PM	Tea Break
4.15 PM	Film Screening: Facets of Sri Lanka

Tuesday, 16 October 2018

WORKING SESSION 2 – FOREIGN POLICY

- 9.00 AM Contours of Sri Lanka's Foreign Policy
Mr. Ravinatha Aryasinha, Additional Secretary, Economic Affairs and Trade
Chair: *Ms. Saroja Sirisena, Director General, Economic Affairs and Trade (Multilateral)*
- 10.30 AM Break
- 10.45 AM Sri Lanka in Asia
Ambassador Nihal Rodrigo, Former Secretary General, SAARC, Former Foreign Secretary of Sri Lanka
Chair: *Mr. Ravinatha Aryasinha, Additional Secretary, Economic Affairs and Trade*
- 11.45 AM Sri Lanka's Multilateral Diplomacy
Ambassador H. M. G. S. Palihakkara, former Foreign Secretary of Sri Lanka
- 12.45 PM Lunch
- 2.00 PM Interactive Session: Prospects and Challenges in Sri Lanka's Foreign Policy
Moderator: *Mr. Sumith Nakandala, Additional Secretary, Bilateral Affairs, MFA*
Panel: *Dr. Maneesha Wanasinghe Pasqual, Senior Lecturer, Head of Department of International Relations, University of Colombo*
Dr. Dinusha Panditaratne, Nonresident Fellow, LKI
Prof. Gamini Keerawella, Executive Director, Regional Centre for Strategic Studies (RCSS)
Dr. Harinda Vidanage, Executive Director, Bandaranaike Centre for International Studies
- 7.30 PM Dinner hosted by *Mr. Ravinatha Aryasinha, Additional Secretary, Economic Affairs and Trade*

Wednesday, 17 October 2018

WORKING SESSION 3 – ECONOMIC DIPLOMACY

- 9.00 AM Trajectory of Sri Lanka's Economic Relations
Chair: *Mr. Ravinatha Aryasinha, Additional Secretary, Economic Affairs and Trade*
Dr. Ganeshan Wignaraja, Executive Director and Chair of the Global Economy Programme, LKI

10.00 AM	Sri Lanka's Trade Patterns <i>Dr. Lakmini Peiris Mendis, Deputy Director of Commerce, Department of Commerce</i>
11.00 AM	Break
11.15 AM	Economic Strategy of Sri Lanka Chair: <i>Mr. Waruna Wilpatha, Director General, Economic Affairs and Trade (Bilateral)</i> <i>Mr. Anushka Wijesinghe, Advisor, Ministry of Development Strategies and International Trade (MODSIT)</i>
12.15 PM	Break
1.15 PM	Interactive Session: Sri Lanka's International Brands Moderator: <i>Ms. Saroja Sirisena, Director General, Economic Affairs and Trade (Multilateral)</i> Panel: <i>Ms. Lakmini Wijesundera, CEO, IronOne Technologies</i> <i>Mr. Ashoka Hettigoda, CEO, Hettigoda Industries (Pvt) Ltd</i> <i>Mr. Malik J Fernando, Director, MJF Holdings and Dilmah Ceylon Tea Company Plc</i> <i>Mr. Madhu Ratnayake, Executive Vice President, CIO and General Manager, Virtusa</i>
3.15 PM	Break
3.30 PM	Interactive Session: Prospects and Challenges in Sri Lanka's Economic Policy Moderator: <i>Dr. Ganeshan Wignaraja, Executive Director and Chair of the Global Economy Programme, LKI</i> Panel: <i>Dr. Dushni Weerakoon, Executive Director, Institute of Policy Studies</i> <i>Mr. Deshal De Mel, Economic Advisor, Ministry of Finance</i> <i>Dr. W. A. Wijewardena, Former Deputy Governor, Central Bank of Sri Lanka</i> <i>Mr. Nisthar Cassim, Founding Editor and Chief Executive, Daily Financial Times</i>

Thursday, 18 October, 2018

WORKING SESSION 4 – TRADE, INVESTMENTS and TOURISM

09.00 AM	Export Industries of Sri Lanka Chair: <i>Mr. Ravinatha Aryasinha, Additional Secretary, Economic Affairs and Trade</i> <i>Mrs. Indira Malwatte, CEO and Chairperson, Sri Lanka Export Development Board</i>
09.45 AM	Ceylon Tea <i>Mr. Hasitha De Alwis, Director Promotion, Sri Lanka Tea Board</i>

10.30 AM	Break
10.45 AM	Investments <i>Mr. Duminda Ariyasinghe, Director General</i> <i>Mr. Prasanjith Wijayathilake, Executive Director, Board of Investment of Sri Lanka</i>
12.15 PM	Break
1.30 PM	Tourism <i>Chair: Mr. Kapila Fonseka, Director, Economic Affairs and Trade</i> <i>Mr. Dehan Seneviratne, Chairman, Sri Lanka Tourism Promotions Bureau</i>
2.30 PM	Foreign Employment <i>Chair: Mr. M.H.M.N Bandara, Director, Economic Affairs and Trade</i> <i>Mr. Mangala Randeniya, Deputy General Manager, Sri Lanka Bureau of Foreign Employment</i>
3.30 PM	Break
3.45 PM	Interactive Session: Sri Lankan Entrepreneurship <i>Moderator: Ms. Saroja Sirisena, Director General, Economic Affairs and Trade (Multilateral)</i> <i>Panel: Mr. Jonathan Alles, Managing Director, Hatton National Bank</i> <i>Mr. Shalin Balasuriya, Director and Co-Founder, Spa Ceylon Luxury Ayurveda</i> <i>Mr. Dileep Mudadeniya, Vice President, John Keels Group</i> <i>Mr. Jeevan Gnanam, Founder and Director, Orion City and Chairman, Sri Lanka Association of Software and Service Companies (SLASSCOM)</i> <i>Mr. Hiran Cooray, CEO, Jetwing Travels (Private) Limited</i>

Friday, 19 October 2018

WORKING SESSION 5 – EMERGING SRI LANKA

9.00 AM	Sri Lanka's Economic Vision <i>Chair: Mr. Ravinatha Aryasinha, Additional Secretary, Economic Affairs and Trade</i> <i>Dr. Indrajit Coomaraswamy, Governor, Central Bank of Sri Lanka</i>
10.30 AM	Break
10.45 AM	Western Regional Megapolis Project and Colombo Tech City <i>Chair: Mr. Waruna Wilpatha, Director General, Economic Affairs and Trade (Bilateral)</i> <i>Mr. Madhawa Waidyaratna, Additional Secretary, Ministry of Megapolis and Western Development</i>

11.15 AM	Colombo International Financial Centre (Port City) Project <i>Mr. Kelvin Tan, Regional Sales Director, South East Asia of Port City and Head, Marketing Communications, CHEC Port City Colombo (Pvt) Ltd.</i>
11.45 AM	Ports Development: Hambantota, Trincomalee and Colombo Harbour Development and Expansion <i>Mr. Upul Jayatissa, Chief Manager (Marketing and Business Development), Sri Lanka Ports Authority</i>
12.30 PM	Foreign Policy Implications of the Ocean for Sri Lanka <i>Ms. Shashikala Premawardena Director General, Ocean Affairs and Climate Change Division</i>
1.00 PM	Lunch
2.00 PM	Interactive Session: Emerging Sri Lanka's Challenges and Opportunities as a Hub in the Region Moderator: <i>Dr. Ganeshan Wignaraja, Executive Director and Chair of the Global Economy Programme, LKI</i> Panel: <i>Mr. Thilan Wijesinghe, Chairman and Acting CEO of the Public Private Partnership Unit of the Finance Ministry of Sri Lanka</i> <i>Mr. Kavan Ratnayaka, Chairman, Sri Lanka Tourism Development Authority</i> <i>Ms. Subhashini Abeysinghe, Research Director, Verite Research Pvt Ltd.</i> <i>Mr. Adam Collins, Research Fellow, LKI</i>
3.30 PM	Break
4.15 PM	Visit to Port City
5.30 PM	Visit to Colombo Harbour

Saturday, 20 October, 2018

STUDY VISIT

9.00 AM	Visit to the Nanotechnology Institute, Homagama
10.30 AM	Visit to the University of Moratuwa <i>Prof. Ajith De Alwis on 'Research and Innovation in Sri Lanka'</i>

Monday, 22 October, 2018

WORKING SESSION 6 – SRI LANKA AND GLOBAL ISSUES

9.00 AM	Cyber Security and Challenges Posed by Social Media Chair: <i>Ms. Saroja Sirisena, Director General, Economic Affairs and Trade (Multilateral)</i>
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Prof. Rohan Samarajiva, Chairman, Information and Communication Technology Agency of Sri Lanka (ICTA)

10.45 AM	Break
11.00 AM	<p>Sustainable Sri Lanka 2030 Vision and Strategic Path and SDG Chair: <i>Mr. Waruna Wilpatha, Director General, Economic Affairs and Trade (Bilateral)</i></p> <p><i>Prof. Mohan Munasinghe, Chairman, Presidential Expert Commission on Sustainable Sri Lanka</i></p>
12.30 PM	Break
1.30 PM	<p>Interactive Session: Good Governance, Media Freedom and Right to Information Moderator: <i>Mr. Ravinatha Aryasinha, Additional Secretary, Economic Affairs and Trade</i> Panel: <i>Ambassador C.D. Casie Chetty, Director, Office for National Unity and Reconciliation (ONUR) and Chairman, International Center for Ethnic Studies (ICES)</i> <i>Mr. Nerin Pulle, Deputy Solicitor General, Attorney General's Department</i> <i>Mr. Piyathissa Ranasinghe, Director General, Right to Information Commission</i> <i>Mr. Nalaka Gunawardene, Freelance Journalist</i></p>
3.30 PM	Break
3.45 PM	<p>Sri Lanka: Socio-Cultural Context Chair: <i>Mr. Kapila Fonseka, Director, Economic Affairs and Trade</i> <i>Prof. J.B. Disanayaka, Emeritus Professor, University of Colombo</i></p>

23-25 October, 2018

VISIT TO SITES OF HISTORICAL, CULTURAL, ECONOMIC AND TOURISTIC INTEREST

Brandix Green Plant, Seeduwa
Giragama Tea Factory
Gannoruwa Agriculture Department Spice Park
Sri Dalada Maligawa
Sigiriya
Polonnaruwa Ancient City and Museum
Passikudah
Minneriya Nature Reserve Safari

Friday, 26 October, 2018

VISIT TO SITES OF HISTORICAL, CULTURAL, ECONOMIC AND TOURISTIC INTEREST

10.30 AM Parliament of Sri Lanka and an audience with the Hon. Speaker of Parliament

VALEDICTORY SESSION

5.10 PM Welcome Address by *Mr. Ravinatha Aryasinha, Additional Secretary, Economic Affairs and Trade*

5.15 PM Remarks by *Ambassador Pamela J. Deen, Director General, BIDTI*

5.20 PM Remarks by *Dr. Ganeshan Wignaraja, Executive Director and Chair of the Global Economy Programme, LKI*

5.25 PM Address by *Chief Guest Mr. Prasad Kariyawasam, Secretary, Foreign Affairs*

5.45 PM Presentation of Certificates

6.00 PM Closing Remarks by a Member of the Participants

Saturday, 27 October, 2018

VISIT TO SITES OF HISTORICAL, CULTURAL, ECONOMIC AND TOURISTIC INTEREST

Galle Fort

'Boat Show and Boating Festival Sri Lanka 2018' at Galle Yacht Marina, Port of Galle

List of Participants

Country	Name of Participant	Designation
Afghanistan	Mr. Mohammad Zahir Aloko	Director, Institute of Diplomacy under MFA
Australia	Ms. Peta Helen Donald	Asst. Director, Sri Lanka Desk, Dept of Foreign Affairs & Trade
Bangladesh	Ms. Nusrat Jahan	Assistant Secretary, Political Division
Bhutan	Mr. Karma Jurmin Thinlay	Actg. Dy. Chief of Protocol, MFA, Dy. Chief, Social & Humanitarian Division of MFA
Brazil	Mr. Hudson Caldeira Brant Sandy	Third Secretary, Dept. of Central, South Asia and Oceania, MFA
China	Mr. Jiang Wei	First Secretary, Department for Asia-MFA
Cuba	Ms. Marileydis Duenas Morales	Counsellor, MFA
Egypt	Ms. Nourane Helmy Ahmed Aboulwafa	First Secretary for Asia Department, MFA
India	Mr. Parikshat Kadan	Under Secretary, Ministry of External Affairs, New Delhi
Kenya	Mr. David Karira Gatuthu	First Secretary, Asia Directorate
Malaysia	Ms. Syuhada Binti Adnan	Assistant Secretary, HRD, MFA
Maldives	Mr. Abdulla Mufeed	Director, Ministry of Foreign Affairs
Mongolia	Mr. Unubilegt Delgertsetseg	Counsellor, Department of International Law & Treaty, MFA
Myanmar	Mr. Ye Maung Thein	Assistant Director, South and West Asia Division, Political Department
Nepal	Mr. Moti Bahadur Shrees	Under Secretary, Secretary Bureau
Pakistan	Mr. Gul Qaiser Sarwani	Dy. Director, South Asia Desk, MFA
Palestine	Mr. Ayman Yousef Mohammad Nemer	Third Secretary & Political Analyst at the Department of West Asian Affairs, MFA
Senegal	Mr. Moustapha SOW	Minister Counsellor, Secretary's Office
Singapore	Mr. Tan Kwang Sheng Ivor John	Country Officer
South Africa	Mr. Erick Christwell Makhubela	Assistant Director, Asia & Middle East
Thailand	Ms. Preeyanit Lumjiak	Second Secretary, Department of Treaties & Legal Affairs, MFA
United Arab Emirates	Ms. Basma Lahi Zayed Saleh AlSaadi	Third Secretary & Political Analyst at the Department of West Asian Affairs, MFA
Vietnam	Mr. Dang Thanh Tung	Desk officer of South East, South Asia and Pacific

The Dialogue Through the Participants' Eyes

“The Sri Lanka Foreign Policy and Economic Diplomacy Dialogue, organised by the Ministry of Foreign Affairs of Sri Lanka, provided a unique and well-rounded perspective on international and regional politics and economic dynamics. The programme was particularly useful in understanding the rich and interesting history of Sri Lanka, its culture and civilisation and various aspects of its foreign policy including its positions on international issues. The programme included insightful debate and dialogue regarding Sri Lankan strategic importance in the Indian Ocean Region, its economic growth particularly its vision 2025 and 2030 and its relations with countries in the region and further afield. I highly value the way in which the programme connected diplomats from different regions and countries and made it possible for us to have contacts and connections among ourselves that would not have been possible otherwise! In fact, I gained knowledge and in-depth understanding of many areas that would be very valuable throughout my career. I highly recommend my colleagues and friends from my own country and other countries to avail this programme whenever they get the opportunity.”

- Gul Qaiser Sarwani, Pakistan

“The course was useful in providing breadth and depth into Sri Lanka’s economic policy. The team was very good in responding to our many questions and requests, and made the programme more enjoyable.”

- Tan Kwang Sheng Ivor John, Singapore

“I am very pleased with the good organisation and conduct of this programme. I’m glad about the fact that your efficient work was carried out brilliantly. The trainers communicated clearly, explicitly, interestingly and with concrete examples.”

- Unubilegt Delgertsetseg, Mongolia

“Excellent. I have found a lot of professionalism, generosity and an efficient diligence in offering all the accurate information and assistance to all the group. We have learned a lot about this beautiful country and the great potential here, in terms of economic diplomacy and other types of cooperation as well to increase.”

- Marileydis Duenas Morales, Cuba

“I wish to take this opportunity to express my gratitude and appreciation to the Foreign Ministry of the Government of Sri Lanka for the most rewarding experience, both intellectually and socially. For the practising diplomat, the Programme offered the unique opportunity for reinforcing professional skills required in the diplomatic profession while, at the same time, enhancing one's understanding of Sri Lanka's conceptual approaches to its economic diplomacy, political developments, history, culture and related disciplines.

Participation by distinguished colleagues from different parts of the world, both developed and developing countries provided an important dimension to the programme itself. Exchanging of experiences and ideas with other participating colleagues has enriched my own understanding of their perspectives and respective countries, and I would like to think that person-to-person contacts established during the Programme can be lasting and useful in the future. It is on the basis of these experiences and observations that I would have no hesitation in recommending the Programme to South African diplomats wishing to participate in the next intake.”

- Erick Christwell Makhubela, South Africa

“It was a pleasure to partake in the Sri Lanka Foreign Policy and Economic Diplomacy Dialogue 2018, held from 15-27 October 2018. I have learned a lot more about the Sri Lankan Historical and Political context during the programme and was able to gain more information during the interactive discussions with the organisers and presenters.

Sri Lanka and the Maldives have many similarities, being neighbouring countries in the Indian Ocean, with many links even before the Maldives became independent in 1965.

Similarly, the Sri Lankan Foreign Policy had many similar challenges as the Maldives, being a small island country with difficulties in accomplishing goals. The Maldives rely on Sri Lanka for most of its imports. I learnt that without the generosity of the Sri Lankan people, Maldives would not have achieved the development that is seen today.

I also learnt that we could seek new avenues in promoting tourism in Sri Lanka, which the Maldives is advancing and have expertise in the field. Sri Lanka is progressing at a rapid developmental phase, and we could share ideas to help each other in the area.

Finally, the visits to Seeduwa, Dambulla, Polonnaruwa and Galle showed that Sri Lanka has rich cultural and historical origins.”

- Mr. Abdulla Mufeed, Maldives

“Walking the Talk”

MFA’s Economic Diplomacy Programme

Economic Diplomacy has become one of the most vital aspects of a country’s foreign policy. In this context the Economic Affairs and Trade Division of the Ministry of Foreign Affairs has been tasked to implement the Economic Diplomacy component in Sri Lanka’s foreign policy. In this endeavour, in addition to its multilateral economic responsibilities, the Division coordinates bilateral trade and investment promotion activities with other countries through Sri Lanka Missions abroad.

In order to effectively implement the Economic Diplomacy initiatives of the Government of Sri Lanka, the Division introduced a holistic programme in May 2018, to be implemented over a period of three years. This programme encompasses three components: The first is to set Economic Indicators and Performance Targets for Missions (EIPTM). By allocating Performance Targets for Missions the MFA hopes to recognise and increase engagement with stronger economies, while providing a tangible self-assessment tool. This would also allow the allocation of targeted resources to emerging and potential markets. This strategic resource allocation would enable the MFA to maximise their total engagement with various nations in a more cohesive manner. The second component is the Sri Lanka Foreign Policy and Economic Diplomacy Dialogue for diplomats from selected countries. Through this initiative the MFA seeks to generate a dialogue among mid-level diplomats that would set the foundation for long term, mutually beneficial relations. The third component is on Economic promotion of Sri Lanka in selected economies which seeks to identify ways by which Sri Lanka could further engage with other nations.

The implementation of the Economic Diplomacy Programme is operationalised by the Ministry of Foreign Affairs through a coordination committee which comprises senior representatives of the Department of Commerce, the Export Development Board, the Board of Investment, Sri Lanka Tourism, Sri Lanka Tea Board, the National Gem & Jewellery Authority, Chairs of the advisory committees of the National Export Strategy (NES), Chambers of Commerce and economic think tanks. As each market has a different set of requirements, it is designed to identify the key markets and propose suitable promotional strategies unique to the targeted countries. These endeavours are supported under the budget of the Foreign Ministry’s Economic Diplomacy Programme.



Coordination committee meetings of the Economic Diplomacy Programme

EDP – 2018 Projects

Projects span over a multitude of sectors like IT, apparel, investments and new niche markets like organic products and sea food were funded under the Economic Diplomacy Programme.

IT/BPM Sector Promotion in Stockholm

The Embassy of Sri Lanka in Stockholm in collaboration with the Sri Lanka Association of Software and Service Companies (SLASSCOM) hosted a familiarisation programme for selected Swedish companies in the ICT sector on 30 September 2018. The event highlighted Sri Lanka's knowledge services industry under the brand 'Island of Ingenuity' as well as the opportunities available for Swedish businesses and software companies to collaborate on iterative product development and R&D. The speakers highlighted the importance of the event in bridging a long-standing information gap between the two industries of the two countries, and Sri Lanka's potential as a digital gateway to South Asia.

Sri Lankan IT-BPM Delegation Visits Sydney for Market Expansion

In collaboration with the Consulate General of Sri Lanka in Sydney, seven Sri Lankan IT-BPM companies led by the Information and Communication Technology Agency (ICTA) visited Sydney from 28 – 30 November 2018 for an accelerated market access programme to facilitate and support the IT industry in Sri Lanka.

The networking event highlighted the opportunities available for Australian software companies to collaborate with Sri Lankan counterparts, and the enabling environment in Sri Lanka for business ventures. The speakers highlighted that the growing IT and BPM industry of Sri Lanka had tripled over the last five years, earning USD 20 Million in 2017.

Embassy in Bahrain boosts 'Made in Sri Lanka' Produce & Food

The Sri Lankan Embassy in Bahrain in close coordination with the Lulu Hypermarket, which operates over 160 outlets and hypermarkets across the Middle East, North Africa, Eastern Europe, South Asia and East Asia, conducted a four-day major event titled 'Sri Lankan Produce & Food Mart' which commenced on 28 November 2018.

The paramount objectives of this event were to promote exports and tourism, enhance the current export by introducing new items and as well as other economic investments and commercial activity in Sri Lanka, thus accruing tangible and concrete economic utility to the country.

Sri Lanka Participates in the Nordic Organic Food Fair 2018

Three Sri Lankan companies participated in the Nordic Organic Food Fair, held in Malmo, Sweden on 14-15 November 2018. The organic food and drink trade show is unique among all other related trade shows held in the Nordic region, and attracts over 500 exhibitors, and 5000 visitors. It is an ideal marketplace for those looking to expand into the Nordic region, and looking for exciting new brands. The trade show presents an opportunity for Sri Lanka's producers of organic food and beverage to tap into the highly lucrative Scandinavian market comprising health food stores, retail chains, and other commercial operators.

Sri Lanka Promotes Apparel at the South Africa ATF Fair

Five Sri Lankan companies successfully participated for the first time in the International Apparel, Textile and Footwear (ATF) trade exhibition in Cape Town, South Africa on 20-22 November 2018. The ATF trade exhibition remains the largest trade fair for apparel staged on the African continent. The event helped underscore the value proposition of Sri Lanka's apparel industry to potential clients. Furthermore, the event was also an opportunity to market Sri Lanka's traditional robust foreign exchange earning industries such as tea and tourism.

Sri Lankan Investment Promotion Events in Japan

The Board of Investment of Sri Lanka (BOI), and the Sri Lankan Embassy in Tokyo co-organised a series of investment promotion events in Osaka, Nagoya and Tokyo from 05-09 November 2018. The business forum held in Osaka was attended by over 60 Japanese firms with the support of the Osaka Chamber of Commerce and Industries. At the event speakers from both sides exchanged particulars on existing Japanese business interests in Sri Lanka such as finance, leisure, trading sectors and current Sri Lankan investment regime. This event was organised specifically aiming to promote and expand Foreign Direct Investments (FDI) in Sri Lanka from Japanese firms outside the capital city.

EDP-2019 Projects

Following are the projects that are to come up in 2019, which includes sectors such as, apparel exports, investments, wellness tourism, sea food and trade.

SMEs to Take Part in Apparel Sourcing USA-2019

SLEMB/Washington D.C is organising B2B meetings for the Sri Lankan SME's with US apparel buyers' participating in the Apparel Sourcing USA – from 21-23 January 2019. The trade delegation is organised by Export Development Board in coordination with Joint Apparel Association Forum (JAAF) for SME apparel companies. USA is the largest destination for Sri Lankan apparel exports and this event is considered as an ideal opportunity for the Sri Lankan SME's to gain access to the US apparel market.

Sri Lanka Consulate in Dubai to Promote Wellness Tourism in UAE

Arab Health Exhibition and Congress is the largest gathering of healthcare and trade professionals in the Middle East and North African region. The Sri Lanka participation in the wellness sector is organised by the Consulate General in Dubai in close collaboration with Export Development Board and Sri Lanka Tourism Promotion Bureau. The event will be held on 28-31 Jan 2019 in Dubai. This is considered a valuable opportunity for Sri Lankan wellness providers to showcase Sri Lanka as an ideal destination to experience wellness and alternative medicine in the South Asian region.

Market Familiarisation and Business Promotion in Oman

The Embassy in Oman in collaboration with the Export Development Board will be organising a Sri Lankan trade delegation to Oman for B2B meetings and market familiarisation programme. The visit will place from 04-06 February 2019 in Muscat with the participation of eleven companies representing different sectors such as confectionary, boat building, printing, fruits and vegetable, tea and eco-friendly natural products. This is considered as a good opportunity to strengthen the current export basket and introduce new products such as boats and fiberglass products.

Sri Lanka to Promote Investments in Republic of Korea

An Investment Roundtable organised by the SLEMB/ Seoul in collaboration with Korea Chamber of Commerce and Industry and Sri Lanka Board of Investment will be held on 19 February 2019. Construction, apparel and textile products, manufacturing and rubber products are the key sectors identified among the investments to promote in Republic of Korea. Representatives from businesses, Ministry of Megapolis, CHEC Port City Colombo Ltd and Board of Investments will be comprising the delegation attending the event.

Embassy in Brazil to Promote Trade and Tourism in Sao Paulo

SLEMB/ Brasilia will be hosting a multifaceted trade and tourism promotional event in Sao Paulo, Brazil on 20-22 February 2019 in collaboration with the Sao Paulo Chamber of Commerce and the Brazilian Association of Travel Agencies. The event is organised with a view to build awareness between business people in Brazil, where it can act as a gateway for Sri Lanka to enter into the South American region. Expanding the current export basket, particularly in spices and garments and attracting tourists are the main focus areas to promote.

Sri Lanka to Boost Food and Beverage Sector in Dubai

Gulfood is the world's largest food trade show, and will be held on 17-21 February in Dubai. It is expected that Sri Lanka will get more exposure with suppliers and learn about the latest culinary trends. The Gulfood Conference will also feature a line-up of industry leaders giving talks on everything from public health to the latest food manufacturing technology. Sri Lanka's participation at the event is organised by the Export Development Board and Sri Lanka Mission in Dubai.

Sri Lankan Sea Food Promotion in Brussels

Sea Food Global Expo is considered as an ideal place to increase sales in the global seafood market in which visitors from around the world gather, to exhibit, promote and sell seafood products, processing equipment and services to leading buyers. More than 29,100 buyers, suppliers, media and other seafood professionals from 152 countries are expected to attend the fair and event is scheduled to be held on 7-9 May 2019. This endeavour is organised in close coordination with the Export Development Board and the Sri Lanka Mission in Brussels.



Delegates present at the opening ceremony including Minister of Health, Nutrition and Indigenous Medicine Rajitha Senarathne and his wife Sujatha Senarathne, Sri Lanka Embassy in Abu Dhabi Charge d'Affaires S. Khan, Consul General of Sri Lanka in Dubai Cheritha Yattogoda and Sri Lankan Airlines in UAE Country Manager Ashi Wickramasekera, among other delegates

Sri Lanka promotes wellness tourism at 'Arab Health 2019'

Supported by the Economic Diplomacy Initiative of the Foreign Ministry

MAKING wellness tourism a catalyst to boost the thriving tourism industry of the country, six leading companies in the wellness tourism sector from Sri Lanka participated in 'Arab Health 2019', which was held in Dubai, UAE from 26 to 28 January 2019 at Dubai World Trade Center, under Sri Lanka's country pavilion, promoting Sri Lanka as an emerging wellness tourism destination. This was the first time that Sri Lanka participated in this annual event, which is the largest health and wellness exhibition in the Middle East and North Africa region.

Utilising the main source of funds allocated under the Economic Diplomacy program initiated by the Ministry of Health, Nutrition and Indigenous Medicine Rajitha Senarathne, with ceremonial cutting of ribbon in the presence of Ashoka L. Khan, Charge d'Affaires of the Embassy of Sri Lanka in Abu Dhabi, Cheritha Yattogoda, Consul General of Sri Lanka in Dubai and the Northern Emirates, Ashi Wickramasekera, Country Manager of the Sri Lankan Airlines in UAE, Jeevane Perera, Assistant Director of Sri Lanka Tourism Promotion Bureau and Asoka Hettigoda, incumbent member of the Board of Directors of Sri Lanka Tourism Promotion Bureau and the Managing Director of Hettigoda Group, along with the owners/owner representatives of the participating Sri Lankan companies.

In addition, Consulate General based in Dubai representing other countries, Bala Muhammed, Chairman of the Sri Lanka Business Council in Dubai and Northern Emirates, journalists, business leaders, entrepreneurs and prominent members of the Sri Lankan expatriate community based in the UAE were also present at the official opening of the Sri Lanka pavilion. The Consul General of Sri Lanka in Dubai and the Northern Emirates, in the context of facilitating the above event, took steps to organise one-to-one business meetings with tour operators and travel companies at the Sri Lanka pavilion in establishing business links related to wellness tourism, in addition to sponsoring of over 1,000 travel related companies operating in UAE and



The VIPs participating at the event lit the traditional oil lamp after the official opening ceremony



Traditional refreshment table was opened for local and foreign visitors at Sri Lanka's pavilion



Official opening of Sri Lanka pavilion by Minister of Health and Indigenous Medicine Rajitha Senarathne, Sri Lanka Embassy in Abu Dhabi Charge d'Affaires S. Khan, and Consul General of Sri Lanka in Dubai Cheritha Yattogoda are also seen



Three-star hotel in Dubai with the participation of Board of Directors and large number of members of the Business Council. The Ministry of Foreign Affairs of Sri Lanka took the charge of the overall coordination in relation to Sri Lanka's participation in the Arab

Health 2019. The event was held as part of the recently initiated Economic Diplomacy Program of the Foreign Ministry and was the first in a series of events to be initiated by 10 Sri Lanka Missions abroad in 2018, which will seek to bring tangible benefits to Sri Lanka in emerging markets through economic promotional activities. The key objectives of the networking event were to showcase Sri Lanka's knowledge services industry under the brand 'Island of Ingenuity' as well as to

present opportunities available for Swedish businesses and software companies to collaborate on innovative product development and R&D. The event commenced with introductory remarks by the Charge d'Affaires of the Embassy of Sri Lanka in Stockholm, Harsana Vithanasekera, along with the message issued by Ambassador Deegalle to Sweden Roderick Ganegama Arachchi in which he highlighted the importance of the event in bridging a long-

standing information gap that exists between the industries of the two countries. He said that the envisaged opportunities in Sri Lanka and human capital shortage in Sweden can come together for productive collaborations. This was followed by a keynote presentation in Guwan where he outlined the development of knowledge services industry in Sri Lanka and the various talent and collaborative opportunities in Sri Lanka for Swedish software development companies, corporates and SMEs. He also focused

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Eight Sri Lankan garment manufacturers to participate in Texworld - Apparel Sourcing USA in July

FOLLOWING an exciting summer edition of Texworld - Apparel Sourcing USA in July 2018, Sri Lanka Chamber of Garment Exporters is organising its first Sri Lankan Pavilion with the representation of eight companies at the first edition of the fair from 21 to 23 January, at Javits Convention Center.

Texworld - Apparel Sourcing USA, is one of the largest sourcing shows on the East Coast, which has positioned itself as a must attend industry event and business platform bringing together the best international apparel fabric, trims and accessory suppliers in the heart of New York City.

Sri Lankan pavilion will be setup with the assistance from Export Development Board of Sri Lanka (EDB) where Hayward Fashion, Jia



leading buyer of Lankan exports over the years and it continued its lead even this year. A total of 410 exhibitors participated in Texworld/

ability'. Each season, a topic or textile that is significant in the industry is highlighted throughout the show including a featured

year will be held from 22 to 24 July 2019. Texworld /Apparel Sourcing will also be held from 11 to 14 February, 2019 in Paris, France.

Sri Lanka IT/BPM sector promotion in Stockholm, Sweden

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04 FRIDAY, NOVEMBER 30, 2018

Sri Lanka promotes apparel at South Africa ATF fair

Sri Lanka for the first time showcased apparel products at the International Apparel, Textile and Footwear (ATF) trade exhibition held recently at the Cape Town International Convention Centre in South Africa.

The ATF trade exhibition is the largest trade fair for apparel in the African continent. It has become the premier sourcing event bringing together international suppliers, manufacturers, service providers and buyers all under one roof.

Five Sri Lankan companies, namely, Factory Style Lanka (Pvt) Ltd, Mosaic (Pvt) Ltd, Prabh Textile Industries, Scarves (Pvt) Ltd and Sanku Weaving Industries (Pvt) Ltd successfully participated in the trade fair under the Economic Diplomacy Programme of the Foreign



Korinthi Muralighe, Nandana Premaratne, Kumar Mahipatunge, High Commissioner to South Africa Lohani Mahipatunge, Kapila Kumara, Lawrence Perera, Sachin Silva, Harshada Kuvangara and S. Nandakumar

Affairs Ministry. The Economic Diplomacy Programme is being implemented in 10 Sri Lankan

missions abroad in emerging markets to bring tangible economic benefits to the country through economic promotional activities. At this

exhibition, Sri Lankan exporters exhibited products ranging from children's wear, women's wear, men's wear, sweaters, pullovers, towels, bed linen, handloom textiles, home

textiles and high-quality outdoor equipment, etc. They were able to meet potential buyers and partners from the Southern African region.

The exhibition also took part in the

Indian show showcasing a collection of made in Sri Lanka men's wear and women's wear designs, which attracted many visitors.

The promotional campaign was also carried out at the pavilion to create awareness in Cape Town and target markets of Sri Lanka amongst the trade fair visitors.

The exhibition was conducted with the firm intention of showcasing Sri Lankan products to the importers and distributors.

The three-day event concluded on November 22, 2018.



Sri Lanka participates in Nordic Organic Food Fair 2018

SRI Lanka participated in the Nordic Organic Food Fair 2018 held from 14-15 November in Malmo, Sweden.

Sri Lanka's participation in 2018 was organised for the second time by the Embassy of Sri Lanka in Stockholm under the patronage of the Ministry of Foreign Affairs, Colombo. Three Sri Lankan organic product exporters participated in the two-day fair.

Nordic Organic Food Fair which is co-hosted with the Natural Products Scandinavia is the only organic food and drink trade show hosted in the Nordic region. This is an industry event for trade buyers who are looking to source the best organic food and drink from around the world. The

combined shows hosted 50 exhibiting companies and were attended by more than 5,000 trade visitors mainly comprising Scandinavia's biggest retailers, health stores, pharmacy chains, wholesalers and distributors, public kitchen and supermarkets.

The three Sri Lankan companies that participated were Greenfield Bio Plantation Ltd., RMP Coconut Products Ltd. and Orient Trading Company, which display organic coconut products, tea, spice varieties and processed food items. In addition, Renuk Agri Foods PLC also participated in the show and introduced a new product, 'Tranquility Ayurvedic wellness tea under the brand TRenute, for the Natural and Organic Awards competition 2018.



Lankan IT-BPM delegation visits Sydney for market expansion

In collaboration with the Consulate General of Sri Lanka in Sydney, seven IT-BPM companies led by Information and Communication Technology Agency (ICTA) visited Sydney from 28 - 30 November 2018 on an accelerated market access program to facilitate and support the IT industry in Sri Lanka. Ministry of Foreign Affairs said.

Under the Economic Diplomacy Program initiated by the Ministry of Foreign Affairs, the Sri Lankan Consulate General in Sydney had arranged Business Networking for the visiting IT Delegation on 28 November.

The main objectives of the networking event were to showcase Sri Lanka's knowledge services industry as well as to present opportunities available for Australian software companies to collaborate with Sri Lankan counterparts. Consul General Lal Wickrematunge, Consul Commercial Abdul Raheem and ICTA Project Manager spoke at the event and the members of the visiting delegation had an interactive session with invited companies.

The Consulate General also arranged a familiarization visit for the delegation to the Computer Department of the Macquarie University on 30 November 2018. Presentations were made by Prof. Christophe Doche, Executive Director/Optus Macquarie University Cyber Security Hub, Prof. Margaret Hudson, Director Macquarie Park Innovation District and Prof. Michael Sheng, Head of the Computer Department. Members of the Sri Lankan

IT Delegation were briefed on ongoing IT innovations in Australia.

In association with TheSalesdesk, a Consultancy Agent, ICTA also arranged a matchmaking meetings and B2B sessions for the Sri Lankan companies on 29 November 2018. ICTA Project Manager Sachindra Samararatne made a detailed presentation on IT industry sector in Sri Lanka and opportunities available for Australian companies to partner with Sri Lankan counterparts. Joe Collins, Managing Director of CAMMS who has his business operations in Sri Lanka spoke about his experience in running a business venture and the enabling environment in the country.

Sri Lanka's IT and BPM sector tripled exports and doubled the workforce in the last five years. Total earnings from the ICT sector amounted to \$920 million in 2017, an 8 percent growth over the previous year and became the fifth largest export segment. 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.

Sri Lankan IT delegation to Sydney included Softcodeit Solutions Ltd, 27/7 Techies Pvt. Ltd., Inexis Consulting, hSend Business Solutions, PayMedia Pvt. Ltd., i-Context Content Convergence Pvt. Ltd., Data Management Systems Pvt. Ltd. and Project Managers Nilan Thimbiripola and Sachindra Samararatne of ICTA.



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Sri Lankan investment promotion events in Japan

A series of investment promotion events organised by the Embassy of Sri Lanka in Japan, included a series of events. The events included a business forum in Osaka, Kansai, on 5 November, supported by Osaka Chamber of Commerce and Industries, and around 40 Kansai-based companies attended the event.

These promotional events were co-organised by the Board of Investment of Sri Lanka (BOI) and the Sri Lanka Embassy in Tokyo.

The Ministry of Foreign Affairs, the Economic Diplomacy Program, which is being operationalised in 10 Sri Lanka Missions abroad, will bring tangible benefits to Sri Lanka in emerging markets through economic promotional activities.

The Board of Investment (BOI) and the Ministry of Foreign Affairs jointly organised business seminars in Nagoya and Tokyo and held a number of follow-up bilateral



discussions in Tokyo with the Japanese counterparts. The event commenced with introductory remarks by Sri Lanka's Ambassador to Japan Prof. Damayika Gangarachchi Dissanayake, where he highlighted the strengthening bilateral relationship between Sri Lanka and Japan, particularly referring to the high level political and business interactions that had taken place earlier in the

year. This was followed by a technical presentation by Renuk Group Managing Director Haripriya Oza, who explained their target markets to Sri Lanka. Renuk Group in Japan has business interests in Sri Lanka including the financial, hotel and trading sectors. BOI Executive Director Prasanna Jit, with his wife, made a presentation on the investment policies in Sri Lanka.



Coinciding with the BOI delegation visit, the Embassy arranged for the signing of obtaining Honorary Membership of The Japan Institute for Overseas Investment (JOI).

The JOI collects and analyses a wide range of information beneficial for direct investment (FDI). Also, facilitates sound and smooth FDI from Japan and to contribute to the expansion of international

economic cooperation with many countries around the world. The Embassy also arranged bilateral meetings with JOI members, with whom BOI had entered into an MOU to promote investment cooperation between the two countries. The BOI team also met with Deloitte Tokaiwa Consulting, one of the largest accounting and professional service networks in Japan and discussed matters pertaining to FDI promotion.



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Mr. Gihan Indraguptha, Director, Policy Planning and Research Division helped in ensuring the editing of this publication.

The Protocol, Administration, Public Diplomacy and Finance Divisions of the Foreign Ministry assisted in organising the Dialogue in numerous ways.

Notwithstanding the above contributions, the Sri Lanka Foreign Policy and Economic Diplomacy Dialogue 2018 would not have been the success that it was without the presence of the 23 foreign diplomats who took the trouble of travelling all the way to Sri Lanka to attend the programme. We thank them and their respective governments for their friendship and wish them all success in the future.



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