

Significant economic potential

Sri Lanka, for centuries known as the pearl of the Indian Ocean has been the cynosure of business interest from as far back as 1500BC. Its legacy of spice trade was foremost in establishing the nation as a focal maritime hub and an important port and trading post in the ancient world. Increasingly frequented by merchant ships from the Middle East Persia, Burma, Thailand, Malaysia, Indonesia and other parts of Southeast Asia, Sri Lanka earned a reputation as a front-runner in the ancient world of business.

Centuries later, the zest and acumen remain. A nation that offers a plethora of investment opportunities and the promise of success and discovery is strengthened by liberal economic policies and an increasingly investor-friendly environment.

The Sri Lankan economy has demonstrated continued buoyancy for the past five years with an expanding economic growth, despite an ongoing war between the LTTE and the Sri Lankan Government. Since the war was brought to an end in May 2009, the economy has grown at an impressive rate. Growth in 2010 was 6.8 per cent, with strong performance in all three sectors: services (8 per cent) industry (8.4 per cent) and agriculture (7 per cent). A recent Asian Development Bank (ADB) report credited this strong growth to buoyant private sector activities and expansionary macroeconomic policies. The service sector remains the largest component of the GDP and at 59.3 per cent in 2010, the service sector continued its strong expansion fueled primarily by strong growth in Hotels, transport and telecommunication, trading, and financial services. Burgeoning information technology training and software sector is considered a key area of growth. Industry accounted for 28.6 per cent of GDP with the manufacturing sub sector accounting for a share of 17.3 per cent of the total GDP. Agriculture accounted for 12 per cent of GDP in 2010. The plantation sector consists of tea, rubber and coconut. In recent years, the tea crop has made significant contributions to export earnings. Nick A Nicolaou, CEO of HSBC Sri Lanka (which has been present in the country since 1892) is optimistic: "Sri Lanka is a country with enormous potential; what's happened here in 2 years since the end of a three decade long civil conflict has taken other countries 30 years to achieve. Credit has got to be given where it is due."

Having pioneered South Asia's economic

liberalization over three decades ago, the government has since embraced a number of investor-friendly policies and strategies, including: permission for total foreign ownership across all areas of the economy; unrestricted repatriation of earnings, fees, capital, and on forex transactions relating to current account payments; existence of a sophisticated legal and regulatory framework covering all business law enactments; and bilateral investment protection agreements with 26 countries and double taxation agreements with 37 countries.

Sri Lanka is situated at the crossroads of major shipping route connecting south Asia, Far East and the Pacific with Europe and the Americas. The island is often seen as a springboard to the rapidly growing Indian Sub-continent, while also enjoying close proximity to Southeast Asia and the Middle East. Moreover Sri Lanka is the only country with Free Trade Agreements with both India and Pakistan, giving duty free access to over 1.3 billion consumers. "Sri Lanka should be looked at as an important gateway to the enormous Indian market," says Nicolaou.

The Sri Lankan economy has demonstrated continued buoyancy for the past five year

Tourism is a key component of Sri Lanka's economy



The country leads the South Asian region in human development indices

Internally, the Sri Lankan market offers many opportunities. The country leads the South Asian region in human development indices with its high literacy rates and national health indicators. The country boasts a life expectancy of 70.3 years for male and 77.9 years for the female population and an infant mortality rate of 8.5 per 1,000 live births, according to the latest figures (2007). In 2009, literacy stood at 90 per cent and 92 per cent for the female and male population respectively, making it the most literate population in South Asia. Nick Nicolaou affirms this point: "We have 1800 employees in country, only 2 of whom are foreigners." This is not unusual for international businesses in Sri Lanka, with many placing an emphasis on local talent.

Sri Lanka offers good infrastructure for investors. Improved transportation facilities, as well as an upgraded communications and IT system, ensure sound business conditions. The Sri Lankan Board of Investment (BOI) is the central facilitation point for investors, providing assistance and advice throughout the investment process.

In hosting CHOGM 2013, Sri Lanka and its

economy is sure to attract much international attention. Before that, however, the Sri Lanka Export Development Board (EDB) - the country's premier State organisation for development and promotion of exports from Sri Lanka - is staging the Sri Lanka Expo 2012, a mega trade, investment and tourism promotion initiative with the theme 'Partnering with the Hub of Asia'. To be held during 28th - 30th March 2012 at BMICH in Colombo, the event will allow 300 manufacturing exporters to showcase the widest array of products ranging from Ceylon tea to apparel, gems and jewellery to ICT and BPO. The companies will demonstrate their state-of-the-art technology plus green and ethical manufacturing practices. EDB Chairman and CE Janaka Ratnayake has invited over 1000 international buyers including foreign Ministerial delegations from strategic markets. The Expo will consist of various events including the main exhibition, a symposium on trade, investment and tourism followed by business meetings, factory visits, networking sessions and other corporate events in order to make it a valuable business experience for all visiting buyers. **F**



Colombo sees the largest volume of single origin tea traded anywhere in the world, at a single auction.

Sri Lanka used to be the undisputed leader in the international tea trade. Today the bigger prospects of global trade have made such a monopoly a thing of the past.

But unknown to many, the weekly Colombo auction turns into a hive of frenzied activity, where a record amount of the world's finest blend continues to be traded for the global market.

In over 8,000 offices across 88 countries and territories, it is HSBC's commitment to uncovering possibilities that gives you a fresh perspective, contrary to even popular perception at times.

We see a world of potential. Do you?