



Exporters' Association of Sri Lanka

Annual Report
&
Accounts

2009 - 2010

OFFICE BEARERS 2009/ 2010

CHAIRPERSON

- **Mrs. Nirmali Samaratunga**
Mackwoods Ltd

VICE CHAIRPERSONS

- **Mr. Lasantha Wickramasekara**
Hayleys PLC

- **Mrs. Dawn Austin**
Sri Lanka Fruits & Vegetable
Producers, Processors & Exporters
Association

SECRETARIAT

- **THE CEYLON CHAMBER OF
COMMERCE**
50, Nawam Mawatha, Colombo 2.
TEL : 2421745-6
FAX : 2449352
EMAIL : irangika@chamber.lk

MANAGING COMMITTEE

MEMBER COMPANIES

| COMPANY | REPRESENTATIVE |
|-------------------------------|--------------------------|
| AdamExpo | Dr. S.A Gulamhusein |
| Akbar Brothers Ltd. | Mr. T. Sambasivam |
| Ansell Lanka (Pvt) Ltd | Mr. Rajitha Kariyawasan |
| | Mr. Nilupa Etipola |
| Aitken Spence Exports Ltd | Mr. Danesha Perera |
| | Mr. Sridharan |
| CAL Exports Lanka (Pvt) Ltd | Mr. M. Nazvi Hassan |
| Finlays Colombo PLC | Mr. Samantha Weerakoon |
| Gem Syndicate | Mr. M.F.A. Cader |
| Gordon Frazer & Company Ltd | Mr. M. J. de Zoysa |
| | Mr. Sunil Karunanayake |
| Hayleys PLC | Mr. L. Wickramasekara |
| | Mr. Nalaka Ratnayake |
| Intercom Limited | Mr. Sarada De Silva |
| Mackwoods Ltd | Mrs Nirmali Samaratunga |
| Microcells Ltd | Mr. Anil Wickremaratne |
| Shums & Company Ltd | Mr. M. F. Jiffry |
| Standard Trading Co (Pvt) Ltd | Mr. Lalin Fernando |
| Tea Tang Ltd | Mr. Rohan Daluwatte |
| Union Commodities (Pvt) Ltd | Ms. A. de S Weerasooriya |

PAST CHAIRMEN

| | |
|--------------------------|-------------------------------|
| Mr. Deepal Chandrasekara | -Imperial Teas (Pvt) Ltd |
| Mr. Mohan Mendis | -Maboroc Teas (Pvt) Ltd |
| Mr. A. S. M. Muzzammil | -Ceylon Foods (Pvt) Ltd |
| Mr. G. S. Chatoor | -Saboor Chatoor & Company Ltd |

MANAGING COMMITTEE

MEMBER PRODUCT ASSOCIATIONS

ASSOCIATION

REPRESENTED BY

Colombo Rubber Traders Association

Mr. Ranjith Siriwardena

Colombo Tea Traders Association

Mr. Birendra Perera

Floriculture Produce Exporters' Association

Mr. Sanath Manuwendra

Spices & Allied Products, Producers' and Traders' Association

Mr. Vernon Abeyratne

Sri Lanka Apparel Exporters Association

Mr. Lionel de Zoysa
Mr. Eardley David
Mr. Aziz Rummy

Sri Lanka Association of Manufacturers & Exporters of Rubber Products

Mr. S. Jafferjee

Sri Lanka Fruits & Vegetables Producers, Processors and Exporters Association

Mr. S. Gnanaskandan

Sri Lanka Gem & Jewellery Association

Mr. Ali Suhail

Sri Lanka Diamond Manufacturers' Association

Mr. Riyaz Sangani

Seafood Exporters' Association of Sri Lanka

Mr. Roshan Fernando
Mr. Prabash Subasinghe

THE EXPORTERS' ASSOCIATION OF SRI LANKA

MANAGING COMMITTEE 2009-2010



Standing from Left to right

Mr. T. Sambasivam (Akbar Brothers Ltd), Mr. Rohan Daluwatte (Tea Tang Ltd), Mr. M. F. Jiffry (Shums & Company Ltd), Mr. M.F.A. Cader (Gem Syndicate), Mr. Ranjith Siriwardena (Colombo Rubber Traders Association), Mr. Samantha Weerakoon (Finlays Colombo PLC), Mr. Vernon Abeyratne (Spices & Allied Products, Producers' and Traders' Association) Mr. Nilupa Etipola (Ansell Lanka (Pvt) Ltd)

Seated from Left to Right

Ms. Anjali. de S Weerasooriya (Union Commodities (Pvt) Ltd), Mr. Mohan Mendis (Past Chairman EASL), Mr. G. S. Chatoor (Past Chairman EASL), Mr. L. Wickramasekara (1st Vice Chairman EASL), Mrs Nirmali Samaratunga (Chairperson EASL), Mrs. Dawn Austin (2nd Vice Chairperson EASL), Mr. Deepal Chandrasekara (Past Chairman EASL), Mr. A. S. M. Muzzammil (Past Chairman EASL), Ms. Irangika Siriwardena (Manager, CCC/ EASL Secretariat)

LIST OF MEMBER COMPANIES AS AT 31ST MARCH 2010

A

A Baur & Co. Ltd
Adamexpo
Adamjee Lukmanjee & Sons Ltd
Aitken Spence Exports Ltd
Akbar Brothers Ltd
Alliance Finance Co Ltd
Ansell Lanka (Pvt) Ltd
Aristons (Pvt) Ltd
Ashok Traders

B

Bank Of Ceylon, Central Office
Bata Shoe Company Of Ceylon Ltd
Blue Diamonds Ltd
Bogala Graphite Lanka Ltd
Beira Brush Ltd
Bughary Brothers

C

Ceylon & Foreign Trades Ltd
Ceylon Biscuits Ltd
Ceylon Tea Marketing Ltd
Ceylon Trading Co. Ltd
Chas P. Hayley & Co. (Pvt) Ltd
Chatoor & Co Ltd A S
Chemanex PLC
Chemical Industries (Colombo) PLC
Consolidated Business Systems (Pvt) Ltd
Creations (Pvt) Ltd

D

Dankotuwa Porcelain Ltd
Delmege Forsyth & Co. Ltd
Dipped Products PLC

E

Eastern Merchants PLC
Eswaran Brothers Exports (Pvt) Ltd
E.B. Creasy & Co. Ltd
Euro-Scan Exports (Pvt) Ltd

F

Finlays Colombo PLC
Forbes Services (Pvt) Ltd
Freelanka Trading Co. Ltd

G

Gem Syndicate
George Steuart & Co. Ltd
Golden Palm International (resigned Oct 2009)
Gordon Frazer & Co Ltd

H

Hameed Brothers (Colombo) Ltd
Hands International (Pvt) Ltd
Harrisons (Colombo) Ltd
Hatton National Bank PLC
Hayleys PLC
Hirdaramani Ltd
Hemachandras (Kandy) Ltd

I

Imperial Teas (Pvt) Ltd
Industrial Clothing Ltd
Intercom Ltd
Ishana Spice Exports

J

Jafferjee & Sons (Pvt) Ltd
Jafferjee Brothers
Jones (Exporters) Ceylon Ltd A F
John Keels Logistics Lanka (Pvt) Ltd

K

Krishna Mining Co. (Ceylon) Ltd

L

Lanka Walltiles PLC
Lankem Ceylon PLC
Lankohu Industries Ltd
Link Natural Products (Private) Ltd
Lion Brewery Ceylon PLC
Lipton Ceylon Ltd
Lanka Brush Exports (Pvt) Ltd (new March 2010)

M

Mabroc Teas (Pvt) Ltd
Mackwoods Ltd
Mascons Ltd
Meezan & Co (Pvt) Ltd
Miami Exports (Pvt) Ltd
Microcells Ltd
Morison Son & Jones (Ceylon) Ltd J L

P

Para Xpo Products (Pvt) Ltd
Pattakannus (Pvt) Ltd

R

Ranfer Teas (Pvt) Ltd
Ranliya Garment Industries Ltd
Renuka Holdings PLC
Richard Pieris Natural Foams Ltd

S

Saboor Chatoor (Pvt). Ltd
Saheed Brothers
Samson (Exports) Ltd
Sherman Sons Ltd
Shums & Co. Ltd
Smithkline Beecham (Pvt) Ltd
Sri Lanka Export Credit Insurance Corporation
Standard Trading Co. (Pvt) Ltd
Stassen Exports Ltd

T

Tea Tang Ltd
The Swadeshi Industrial Works PLC
Trelleborg Lanka (Pvt) Ltd
TAJ Noorbhai & Co. (Pvt) Ltd (Cessation Feb 2010)

U

Unilever Sri Lanka Ltd
Union Commodities (Pvt) Ltd
Unitrades Ltd

V

Van Rees Ceylon Ltd

THE EXPORTERS' ASSOCIATION OF SRI LANKA

The formation of the Exporters Association of Sri Lanka brought a wide spectrum of exporters, under one umbrella, and a strong platform was built to discuss and make representations on issues affecting the Export Trade, with one voice. The Association now represents around 1000 Exporters through direct and indirect membership, and contributes to over 80% of the total exports of the country.

History

The Exporters Association of Sri Lanka (EASL), was inaugurated on August 22nd, 1997 with the merger of the Federation of Exporters Associations of Sri Lanka and the Export Section of the Ceylon Chamber of Commerce.

In 1973, Chamber Members who engaged in individual export trade initiated the formation of the "Export Section of the Ceylon Chamber of Commerce".

In 1987, the Export Development Board initiated the formation of the Federation of Exporters Associations of Sri Lanka (FEDEX), which was an umbrella organization of major export product specific associations.

Since it was understood that there had been duplications of activities, it was decided to merge these two Associations. As a result, the Exporters Association of Sri Lanka (EASL) was inaugurated on August 22nd, 1997.

Since its inception, the Association has promoted and protected the common interests of Members, while contributing to the growth of the economy of Sri Lanka.

Membership

Initially the Membership of EASL was exclusively for Members of the Ceylon Chamber of Commerce. However, during a Special General Meeting of the Association, held on July 24, 2001, a resolution was passed to enable Members of Product Associations to also become eligible Members of EASL.

The new Association, which now represents practically the entire Export Sector, consists of two categories of members - one of Exporters and the other of Exporter Associations.

Presently, Membership of EASL is open to the following:

1. Any member of the Ceylon Chamber of Commerce engaged in or interested in export, or
2. Any properly constituted and functioning Association representing exporters of products and services
3. And any member of such an Association referred to in 2 above

EXPORT SECTOR PERFORMANCE IN 2009/2010 **AND FUTURE EXPORT CHALLENGES**

WORLD TRADE

In 2009, most of the economies around the world continued to be affected by the global financial and economic crises. In response to the sharp economic downturn, advanced as well as emerging economies adopted diverse policies, such as relaxed monetary policy, historically low interest rates, unprecedented expansion of central bank balance sheets and expansionary fiscal policy, to boost demand and stabilise financial markets. Despite wide-ranging policy actions, the financial system remained strained during a greater part of 2009, negatively affecting the real economy. According to IMF projections, the world economy is estimated to have contracted by 0.8 per cent in 2009 compared to a growth of 3.0 per cent in 2008. This economic downturn was led by the advanced economies, which were estimated to have contracted by 3.2 per cent. The largest economic contractions were observed in Japan, the UK and the Euro area. The downturn of the advanced economies has greatly affected the growth of emerging and developing economies that are dependent on export based industries and services. Although the emerging and developing economies grew by an estimated 2.1 per cent in 2009, this growth was not sufficient to off-set the economic contraction in the advanced economies. Meanwhile, low consumer demand, weak corporate revenues, large excess capacity, and tight credit conditions increased unemployment rates across the world to high levels with the unemployment rate in advanced economies rising to around 10 per cent.

In its latest forecasts, IMF has projected that global economic growth would be around 3.9 per cent in 2010, largely driven by the growth in emerging and developing economies. Consumer demand is gradually on the rise due to monetary policy and fiscal stimulus measures adopted to boost spending. As a result, international trade is expected to increase and IMF has projected the global trade volume in both goods and services to increase by 5.8 per cent in 2010. Further, given the capital flows into developing and emerging economies, the imports into such economies are also expected to increase substantially. Advanced economies are projected to grow at around 2.1 per cent in 2010 and increase further to 2.5 per cent by end 2011. This growth is expected to be led by a rebound in manufacturing, which is also expected to gradually stabilise retail sales, thus restoring consumer confidence and improving housing markets. Signs of an economic recovery are apparent in some advanced economies although others continue to lag behind. The recovery in advanced economies is still expected to be weak by historical standards, with real output projected to remain below its pre-crisis levels until late 2011. Meanwhile, unemployment in the USA and the Euro area is projected to rise to around 10 per cent and 12 per cent, respectively in 2010. The growth in emerging economies would continue to drive the global economic recovery in the short to medium term. Emerging and developing economies are expected to grow by around 6 per cent in 2010, and accelerate to 6.3 per cent in 2011. Wide-ranging public intervention and the rapid economic recovery in the Asian region are expected to augment demand, and lower uncertainty and systemic risk in financial markets.

The sharp decline in international commodity prices in 2009 and the unprecedented slowdown in global demand led to a dramatic fall in headline inflation in both advanced and emerging economies in 2009. Inflation in advanced economies fell to 0.1 per cent during 2009 from 3.4 per cent in 2008, while inflation in emerging and developing economies declined to 5.2 per cent in 2009 from 9.2 per cent in 2008. Notwithstanding the decline in headline inflation, core inflation has remained relatively stable in

advanced economies. However, Japan experienced a drop in core inflation below zero. The economic recovery and the gradual increase in global demand are expected to exert upward pressure on commodity prices in 2010. However, large levels of inventories and excess capacity are expected to moderate the increase in prices. IMF has projected that headline inflation in advanced economies would rise from 0.1 per cent in 2009 to 1.3 per cent in 2010 due to the expected increase in prices. Meanwhile, inflation in emerging and developing economies is expected to increase in 2010, as some of these economies are likely to face upward pressure in demand arising from increased capital flows.

SRI LANKA EXPORTS

In line with the global trends, export earnings declined by 12.7 per cent to US dollars 7,085 million in 2009 compared to that of 2008. All major sectors reflected declines in growth while the largest contribution to the decline in overall exports was from the industrial sector (83.1 per cent) followed by the agricultural sector (16.0 per cent)

Earnings from agricultural exports, which accounted for 23.9 per cent of total export earnings, declined by 8.9 per cent to US dollars 1,690 million in 2009. However, there was an improvement in the performance of agricultural exports during the last quarter, led by the high prices of tea, rubber and some minor agricultural commodities in the international markets. Tea exports accounted for 16.7 per cent of earnings in 2009 followed by minor agricultural products (3.4 per cent), coconut (2.4 per cent) and rubber (1.4 per cent).

Earnings from industrial exports declined by 13.8 per cent to US dollars 5,305 million in 2009 reflecting contractions in all sub-sectors owing mainly to lower global demand. However, the textile and garment exports, which accounted for 46.2 per cent of the total exports, emerged relatively unscathed. Other industrial exports, such as food, beverages and tobacco, rubber, diamonds and jewellery, and machinery and equipment, which together accounted for another 20.5 per cent of the total exports, contracted in 2009, despite some improvement shown towards the latter part of the year.

Earnings from textile and apparel exports, which is the main category of industrial exports, stood at US dollars 3,274 million in 2009, reflecting a decline of 5.6 per cent. These exports, which performed well during the first quarter of 2009, were affected by the global recession during the second quarter, as was expected by the industry. However, the export performance during the second half of the year was encouraging. Therefore, when the overall developments during the year are considered, Sri Lanka's textile and garment sector was the least affected of the industrial exports in 2009. The strength of the apparel industry lies in its entrepreneurial foresight and the willingness to adapt to the changing environment. Sri Lanka has world class manufacturing facilities and adopted ethical manufacturing practices, which have helped to earn an international reputation as a reliable supplier of high quality clothing. The major players in the industry introduced eco-friendly manufacturing mechanisms in response to global market developments.

DIRECTION OF TRADE

The western countries, continued to be the major destinations for Sri Lankan exports in 2009 as well, while the Asian countries towered over the rest with respect to Sri Lanka's imports. While the USA and the UK remained the largest export destination countries, India, Singapore and China were the

foremost import-originating countries in 2009. India, emerged as the largest trading partner country in 2009 by accounting for nearly 17.8 per cent of Sri Lanka's imports. The USA, the major export market for Sri Lanka, accounted for 22.2 per cent of exports, followed by the UK and Italy.

Textile and apparel were the main items exported to these markets. Among the European countries, in addition to the UK (14.4 per cent), Italy (6.2 per cent), Belgium- Luxembourg (5.1 per cent) and Germany (4.9 per cent) continued to be the main destinations in the export market. Nearly 16.9 per cent of the country's textile and apparel

products were exported to Germany and Italy and almost 75.8 per cent of Sri Lanka's processed diamonds were exported to Belgium, one of the world's leading trading centres for diamonds.

Sri Lanka's exports to India increased dramatically following the implementation of the Indo-Sri Lanka Free Trade Agreement in 2000 and by 2009, it accounted for about 4.5 per cent of Sri Lanka's total exports. Russia and Iran, which accounted for nearly 15.1 per cent and 10.9 per cent of total tea exports, respectively, continued to be the major destinations for tea exports in 2009. Taken together, the Middle Eastern region featured high as the foremost export destination for Sri Lanka's tea. India continued to be the largest source of imports in 2009 and accounted for nearly 17.8 per cent of imports in 2009. The main imports from India included refined petroleum products, motorcycles and auto-trishaws.

Singapore and China followed as the second and third largest import source countries. Main imports from Singapore comprised of fertiliser and petroleum products while the major import from China was cotton. Iran and Hong Kong remained the fourth and fifth largest import source countries for Sri Lanka. Imports from Iran and Hong Kong comprised mainly of crude oil and fabrics.

SECTORAL EXPORT PERFORMANCE IN 2009/2010

TEA

Tea production in 2009 decreased by 9.1 per cent to 290 million kg compared to 2008. The dry weather conditions in all tea planting districts, especially in the first quarter of 2009, largely impacted on the decline. Lower prices in the last quarter of 2008 due to global financial crisis continued to affect the industry in the first two months of 2009. Some measures adopted by the tea growers, such as pruning of tea bushes during this period, also attributed to the decline in production. Resultantly, tea production in the first quarter of 2009 declined significantly by 42 per cent. However, it turned into a positive growth of 17 per cent in the last quarter of 2009 compared to the same period in 2008. This was due to the favourable weather conditions that prevailed since the second quarter, improved world demand for tea together with consistent increase in prices, especially from the second quarter, and the effect of the measures adopted by the government and other stakeholders to uphold the industry. Meanwhile, the work stoppages of estate workers, such as work to rule during the latter part of the year, slowed the growth momentum of the tea industry to a certain extent. The decline in tea production in 2009 was felt not only by Sri Lanka but by many other tea producing countries, which resulted in a drop of world tea production by 2.2 per cent compared to that of 2008.

In 2009, Colombo Tea Auctions (CTA) registered the highest ever prices in the centuries long industry in Sri Lanka. The annual average all tea price at CTA in 2009 increased to Rs. 360 per kg from Rs. 302 per kg in 2008 while the average export price increased by 9.3 per cent to Rs.470 per kg. The

phenomenal increase in tea prices was attributable largely to substantial production deficits of black tea (orthodox and CTC tea) locally as well as in global markets.

RUBBER

Rubber production in 2009 registered a moderate increase of 5.9 per cent. In 2009, the rubber yield increased by 4 per cent to 1,437 kg per hectare compared to the previous year. Lower prices during the first half of the year due to reduced global demand have had an impact on the rubber production. The decline in prices also resulted in less use of fertiliser. Meanwhile, the decline in crude oil prices reduced the price of synthetic rubber encouraging its use in rubber based industries. Nevertheless, in the second half of 2009, the rubber production in Sri Lanka registered a higher growth of 8.7 per cent over the same period of 2008. Natural rubber prices increased with gradual global economic recovery, especially towards the end of the year, in line with the gradual rise in crude oil prices. The unfavourable weather conditions that developed in the major rubber producing countries, such as Thailand, Malaysia and Indonesia leading to a shortage of world supply, also impacted on the increase in natural rubber prices towards the end of the year. The prices of all varieties of rubber fluctuated sharply during the year with crepe rubber varieties showing a greater degree of volatility. The average prices of RSS 1 and RSS 2 increased by 97 per cent to Rs.286 per kg and 95 per cent to Rs.278 per kg, respectively, in the fourth quarter of 2009 compared to prices of the first quarter. The average prices of crepe rubber varieties, latex crepe and crepe No.1, also increased by 127 per cent to Rs.318 per kg and 128 per cent to Rs.315 per kg respectively, in the fourth quarter compared to that of first quarter of the year.

COCONUT

Coconut production, which showed an impressive performance in the first half of 2009, declined during the second half to register a 5 per cent drop in 2009. Coconut production grew by 18.3 per cent in the first half of 2009 over the same period of 2008 due mainly to the lag effect of favourable weather conditions that prevailed last year. The combination of factors, such as the lag effect of the unfavourable weather conditions, i.e., lower rainfall and higher temperature in the major coconut growing areas in the second half of 2008, and less fertiliser usage in the same period, largely caused the decline in production in the second half of 2009. Meanwhile, during the year, production of coconut oil increased by 28 per cent to 75,490 metric tons (equivalent to 598 million nuts) supported by the significant increase of import duties on palm oil since April 2009. This situation revived the coconut oil industry and a large number of coconut mills started to re-operate during the year. This encouraged the coconut growers to engage in copra and coconut oil industry and also contributed to increase the farm level income with the rise in producer prices of fresh nuts towards the end of the year. In order to further develop the coconut oil industry in the country, a number of areas require a special focus, including improvement of quality of copra, increase in the capacity of existing machineries, use of quality paring for oil extraction and increase in the use of coconut residue to extract the oil.

OTHER AGRICULTURAL EXPORTS

The production of other export agricultural crops such as cinnamon, cloves and pepper showed mixed performances in 2009. The production of cinnamon and cocoa increased by 5 per cent and 45 per cent, respectively, due mainly to improved export demand together with increased export prices. However, during the year, the production of pepper declined by 5 per cent, cardamom by 10 per cent, coffee by 21 per cent and clove by 63 per cent. The decline in pepper was mainly resulted by poor production in the major pepper harvesting period, i.e., July to August in the districts of Kandy and Matale due to

heavy and continuous rainfall as well as substantial decline in export price during the year. The year 2008 brought a boom harvest of clove production that generally comes in every four years. Therefore, decline in clove production in the year followed by the boom harvest is largely explained by the life cycle of the crop.

FISHING

The annual fish production increased by 6.5 per cent to 339,730 metric tons in 2009. The marine fish production grew by 6.8 per cent while inland fish production grew by 4.7 per cent. The growth in the marine sector was primarily driven by coastal fishing which grew by 9.1 per cent in 2009 due mainly to the relaxation of restrictions on fishing in the Northern and Eastern provinces during the year and also due to the successful implementation of fishers' rehabilitation projects in the Eastern province. However, the off shore deep sea fish production increased only marginally by 3.2 per cent. The increased supply of fish from the Northern and Eastern provinces also contributed to low volatility of marine fish prices during the year. The marginal increase in inland fish production was a combined outcome of the increase in the perennial water fish production by 5 per cent and shrimp farming by 60 per cent, and decline in inland culture fish production by 22 per cent. The poor performance of the inland fish production was attributable mainly to dry weather conditions. However, the shrimp farm industry recovered from the White Spot disease, which hampered the shrimp industry, in the previous year.

TEXTILE

Export oriented textile, wearing apparel and leather products industry category recorded a marginal growth in 2009. The decline in international demand adversely affected the small and medium scale garment manufacturers. Cautious lending of banks, high interest rates and bank collaterals also affected these industries. Meanwhile, major players in the apparel industry were able to remain competitive in the export markets during 2009 by maintaining the reputation for high quality products, producing world trade brands and meeting deadlines in supplying goods. Increased focus on green products, strong concentration on niche markets and gradual recovery of the global economic environment contributed to recover the apparel industry towards the latter part of 2009.

INDUSTRIAL EXPORTS

The factory industry which accounts for more than 90 per cent of the manufacturing sector output registered a 3.4 per cent growth in 2009 compared with 5.0 per cent in 2008. All major categories of the factory industry except the food, beverages and tobacco products category witnessed lower growth rates in 2009 as a result of the decline in demand for industrial products in both export and domestic markets. The global economic recession has caused the international market demand to shrink substantially. Domestic demand also narrowed mainly due to the contraction of disposable income and slowdown in domestic economic activities. However, the factory industry indicated a modest recovery since the second half of 2009 as a result of the gradual recovery of economies of major export destinations, increase in domestic demand mainly from the newly liberated Northern and Eastern provinces and the emerging conducive economic environment.

Both export and domestic market oriented industries showed mixed performance during 2009. Wearing apparel, rubber based products, diamond processing, gem and jewellery, and machinery and transport equipment which were the major contributors to the output of export market oriented industries recorded a deceleration during 2009, while food and beverages industries which are focused

mainly on the domestic market picked up particularly in the second half of 2009. Gradual recovery of the construction sub-sector reflected in the relatively higher output of cement and building material industries in the latter part of 2009.

FUTURE EXPORT CHALLENGES

Sri Lanka's export strategy in the medium-term would need to focus on diversifying products as well as markets. Exporters should be encouraged to differentiate the range of their products and services, through branding, value addition and product diversification, to cater to different segments of the market, in order to capture new markets. The promotion of knowledge based exports, such as Information and Communication Technology (ICT) related Business Process Outsourcing (BPO) and Knowledge Process Outsourcing (KPO), would also be needed to increase the earnings from the export of services. In diversifying markets, adequate attention would need to be paid to opportunities available in the South Asian region. This is already reflected in the increasing share of Sri Lanka's exports to countries in this region. India has become the sixth largest export destination for Sri Lanka after the implementation of the bilateral free trade agreement (FTA) with India. Other regional countries are also becoming important trading partners and Sri Lanka has already entered into an FTA with Pakistan as well. Deeper regional economic integration would help access the relatively large consumer base in this region, which would be an important catalyst to promote external trade. Meanwhile, given the highly competitive nature of port services and considering the development of several major port projects around the country, it is very important to strategically develop the port sector operations within a new business model. In this respect, PPP have already been proven successful as reflected in the performance of the South Asia Gateway Terminal (SAGT) Ltd. Further, it would generate more value to society if the ownership of such entities were further broad-based by inviting the general public to contribute towards its capital. This would also enhance the governance and accountability of such enterprises.

It has been proposed to set up an Export and Import Bank (Exim Bank) with a view to integrating the Sri Lankan economy with the global economy by promoting financing and facilitating international trade and investment. This bank will be involved in providing financial assistance to exporters and importers to promote the country's international trade in goods, services and capital. With regard to market development, a multi-asset class trading mechanism is to be set up consisting of commodity futures and warehousing/collateral management. In many developing countries, including Sri Lanka, the main source of corporate financing is the banking sector as the corporate debt market is not sufficiently developed. Accordingly, several new initiatives will be undertaken aimed at promoting further growth in the corporate bond market and enabling it to play a significant role in providing the financing needs of the economy.

Further liberalisation of exchange control restrictions relating to capital account transactions are to be undertaken, as announced in Road Map, to deepen the domestic financial system and promote greater integration of the Sri Lankan economy with global markets.

The resilience of the export sector to various external and internal shocks would need to be strengthened further. Sri Lanka's export sector has successfully overcome a range of shocks in the recent past, including the abolition of the Multi-Fibre Arrangement (MFA), the unprecedentedly high price of oil and other commodity prices, the imposition of the war risk premium etc. The European

Union (EU) indicated that Sri Lanka would continue to receive preferential access to the European market under GSP+ scheme until August 2010. The government of Sri Lanka continued to engage in a dialogue with EU on some of the concerns raised by them. EU has expressed its willingness to extend GSP+ facility until end 2011, provided a mutual agreement is reached on certain key areas. The benefits availed by GSP+ facility helped Sri Lankan producers to compete with producers of other countries in the European market, particularly during difficult times. However, the future of the country's external trade would depend on the comparative advantage of its goods and services and not on preferential tariff concessions, and this factor must be clearly recognised. Thus, domestic industries must aim for higher levels of value addition and improve technology to raise their productivity, in order to compete with producers of similar products from other countries. Sri Lankan exporters have proven their resilience amidst difficult times before and are expected to continue to find innovative ways of improving their competitive advantage

The dawn of peace has brought about a positive outlook for the country's tourism industry is also bound to offer a multitude of benefits to the economy. The optimism created by the restoration of peace, the conducive macroeconomic environment, complemented by the global economic recovery has placed the economy in a position to grow at a faster rate. A vast potential exists in all key sectors of the economy to grow at higher rates. Implementation of a large number of infrastructure projects in the areas of ports, airports, power, roads, railways, irrigation and water supply will increase the productive capacity of the economy facilitating such higher economic growth. However, faster economic growth could have some challenging environmental implications and therefore, higher economic growth and environmental safeguards should reinforce each other. Hence, environment protection and promotion have to be given due recognition in the development process.

(Source Central Bank Report 2009/10)

EXPORT STATISTICS

REVIEW OF ACTIVITIES 2009/2010

ANNUAL GENERAL MEETING

The 12th Annual General meeting of the Exporters Association of Sri Lanka was held on Thursday, 30th July 2009 at 6.30 p.m. at the Taj Samudra Hotel, Colombo. The Chief Guest at the occasion was Mr. Anil Koswatte, Chairman, EDB. The Guest of Honour was Dr. Anura Ekanayake, Chairman Ceylon Chamber of Commerce. Mrs. Nirmali Samaratunga & Mr. Lasantha Wickramasekara were re-elected as Chairperson and 1st Vice Chairman, and Mrs. Dawn Austin was elected as 2nd Vice Chairperson.

MANAGEMENT COMMITTEE MEETINGS

During the period under review (2009/2010) the Committee met on eleven (11) occasions.

EASL REPRESENTATION ON OTHER BODIES/PARTICIPATION AT OTHER FORUMS

- | | |
|--|--|
| ▪ Committee of the Ceylon Chamber of Commerce | - Represented by Chairperson, Mrs.N.Samaratunga, 1 st Vice Chairman- Mr.Lasantha Wickremasekera, and thereafter 2 nd Vice Chairperson Mrs. Dawn Austin |
| ▪ Employers Federation of Ceylon | - Represented by Chairperson/Vice Chairman |
| ▪ Duty Rebate Committee, Sri Lanka Customs | - Represented by – Past Chairman, Mr. G.S.Chatoor & Committee Member, Mr. Vernon Abeyratatne |
| ▪ Sri Lanka Shippers' Council | - Representative – Vice Chairman, Mr. L. Wickramasekara, Past Chairman Mr. Mohan Mendis Alternate – Mr. R. Daluwatte |
| ▪ EDB Advisory Committee on Marketing | - Represented by Chairperson |
| ▪ Exporters Forum | - Representative – Chairperson Alternate – Vice Chairman |
| ▪ National Council for Economic Development Export Cluster | - Export Cluster Co-Chair - EASL Chairperson |
| ▪ EDRS Steering Committee (Ministry of Finance) | - Represented by Mr.G S Chatoor & Chairperson |
| ▪ EDRS Advisory Committee (Ministry of Finance) | - Mr.G S Chatoor |

The Association also maintained a close dialogue with the following Institutions, on export related matters:

- Ministry of Export Development & International Trade
- Ministry of Foreign Affairs
- Sri Lanka Export Development Board
- Department of Inland Revenue (VAT Dept)
- Sri Lanka Customs
- Board of Investment
- The Central Bank of Sri Lanka
- Sri Lanka Ports Authority
- Department of Commerce
- Department of Exchange Control
- Joint Apparel Associations Forum

MAIN AREAS ADDRESSED DURING THE YEAR UNDER REVIEW

As the apex body representing over 1,000 Exporters through direct & indirect membership, who contribute over 80% to the total exports of the country, the EASL activities during the year under review, were primarily aimed at facilitating enabling an environment for the Exporters with a focus on global competitiveness and achieving strong growth of the Sector.

Several key issues were addressed with the Institutions concerned. These included, expediting outstanding VAT refunds, the need for greater ease in doing business at Customs & Port, expediting electronic transacting and electronic data interchange, and the need for on line payment facilities. A close dialogue was also maintained with Sri Lanka Customs. On a macro level, the Association, as Co-Chair of NCED, spearheaded the formulation of a National Export Strategy. Similarly, the EASL submitted submission for the 2010 National Budget, which proposed measures to support and grow the Sector. Some of the key areas and issues affecting exports were addressed by organizing awareness building seminars and interactive discussions with the relevant parties. Action was also taken on specific problems raised by individual member companies, to facilitate speedy resolution of same.

KEY EXPORT RELATED MATTERS BROUGHT UP AT MEETINGS WITH GOVERNMENT OFFICIALS AND OTHER EXPORT RELATED ORGANIZATIONS:

MINISTRY OF FINANCE-

a.) Formulation of National Export Strategy-(Meeting with the Secretary to the Treasury)

In line with the National Export Target of USD 20bn by 2020, the formulation of a National Export Strategy was spearheaded by EASL as Co-Chair of the NCED Export Cluster, following several brainstorming sessions attended by a broad cross section of stakeholders and facilitated by EDB. A broad framework was drawn up and presented at a detailed discussion with the Ministry of Finance. The Strategy is now being further developed and refined in line with the Government focus and the National Development Plan.

b.) Stimulating Export Sector in the face of continuing global economic downturn and developing measures for survival and growth of the Sector-(Meeting with the Secretary to the Treasury)

During the year several members of the EASL Managing Committee met with the Secretary to the Treasury to discuss various matters relating to the Exports Sector of the country. EASL continues to highlight measures required for the survival and growth of the export sector. A paper was also submitted for consideration of Secretary to the Treasury, and highlighted the critical role played by exporters, and outlined the realistic and practical measures required to support the Export Sector to be globally competitive. Issues raised included, the effect of appreciating rupee, high energy costs, high cost of finance, plight of SME Exporters, easing cash flow through expediting dues such as outstanding VAT Refunds, Export Development Reward Scheme and Dahas Diriya payments, and the need for developing realistic incentives for export performance.

c.) EASL Submissions for 2010 National Budget (Meeting with the Secretary to the Treasury)

Submissions for 2010 National Budget were presented by EASL and discussed with the Secretary to the Treasury, as well as other officials of NCED, Ministry of Finance, EDB, Customs and other related Organizations.

The EASL submissions focussed on creating an enabling environment for the Export Sector to survive and grow amidst the local and global challenges, which would in turn contribute to the overall growth of the economy, and to facilitate greater export related activity in the liberated North & East of the country thus expediting economic development in these areas.

Specific proposals were submitted addressing priority areas. These included, proposals for facilitating/improving cash flow of the Export Sector, facilitating reduction in high costs faced by Exporters, stimulating the Export Sector and achieving an 'Export Driven Economy', supporting SME Exporters, speedy implementation of approved proposals, and facilitating greater efficiency of Export Sector through e-commerce. It was suggested to appoint an inter Ministerial Task Force to fast track these proposals.

d.) Expediting outstanding Dahas Diriya Payments (The Secretary to the Treasury)

During the year under review, EASL sent several written requests inquiring on the balance payments of Dahas Diriya, to the Ministry of Finance, who in turn advised that the matter was being looked into for payment. This was also taken up with the EDB Chairman.

e.) Expediting Export Development Rewards Scheme (EDRS) payments-(Representation to EDRS Steering Committee)

During the period under review, the Managing Committee highlighted to the EDRS Steering Committee of the Ministry of Finance, the need for several changes in the current scheme, in view of the delays in disbursing EDRS payments in the 1st & 2nd quarters.

Proposals made:

- To have both options, one option of clubbing both the 3rd & 4th quarter and applying for EDRS and the other option of applying separately for the two quarters since it depends on various sectors which will benefit in different ways.
- At least to pay 50% of the dues immediately relating to the 1st & 2nd quarters in case of any discrepancies which needs to be rectified (as it will take time to resolve)
- To consider giving flexibility on the employment criteria upto 5%.

Representations were made by Past Chairman, Mr. Gulam Chatoor, who represented EASL on the EDRS Steering Committee under the Presidential Task Force for Economic Development, chaired by Hon. Basil Rajapaksa. Due to the global economic crisis and subsequent effects experienced by the Sri Lankan Exporters, EASL continues to request support by the Government to enable the Sector to survive, and discussed ways of making the Scheme more representative to cover a greater proportion of the Exporters.

f.) Delays in refunding Duty Rebate Claims-(Meeting with Deputy Secretary to the Treasury)

As a member of the Duty Rebate Committee, EASL made submissions to expedite this long outstanding matter. The outcome was to finalize a cost structure to proceed with the claims. The DST (Deputy Secretary to the Treasury) who was chairing the meeting asked the Customs representative to evolve a mechanism to determine a rate on product-specific basis which could be made applicable across the board instead of working on Company based different rates. EASL has been closely following up the status of these claims thereafter and is waiting feedback on the same. Mr. Chatoor and Mr. Vernon Abeyratne attended the Duty Rebate Committee meetings as EASL representatives.

g.) Tax related issues facing the Export Sector –(Meeting with NCED Tax Cluster)

EASL made submissions to the Taxation Cluster for consideration by the Presidential Taxation Commission regarding key concerns of the Sector relating to fiscal issues. Some of the main issues raised were, achieving greater ease and reduced time and cost in paying taxes through simplification of tax system, easing current cash flow problems through speedy VAT refunds/Duty Rebate, easing burden on export prices due to Taxes, Cesses, and other Charges which adds to cost affecting competitiveness of exports, and encouraging greater diversification, innovation & branding through fiscal incentives..

DEPARTMENT OF INLAND REVENUE

Expediting long outstanding VAT refunds

EASL initiated a very productive meeting, where a majority of exporters met with several key Officials from the Department of Inland Revenue to discuss the delay in obtaining VAT refunds. The meeting took place on 27th October 2009 at the CCC Boardroom, as a follow up to the several representations made by EASL to the Authorities regarding the long overdue VAT Refunds.

As an initial step, the EASL requested feed back from all its member Companies and Associations regarding their VAT Refund status and thereafter a summary of information was submitted to the VAT Department so that the relevant Officials could be better prepared to give quick answers and solutions to the affected members during the direct discussions. The invited members were able to voice their problems and the Authorities had the opportunity to point out the issues the Department has been facing in addressing this issue. A balanced and a productive meeting resulted. Senior officers from the Inland Revenue participated, namely Mrs. Mallika Samarasekara–Deputy Commissioner General–Inland Revenue, Mr. W.M.W. Kumarasiri–Commissioner–VAT Refunds, Mrs. Ranjani Silva–Deputy Commissioner–VAT Refunds, Mr. J.A.A. Parakrama–Deputy Commissioner–VAT Refunds, Mr. M.L.M. Thahir–Deputy Commissioner–VAT Refunds, Mr. M.K.H Karunaratne–Assessor and Mr. E.K.N. Edirisinghe–Assessor. This meeting was spearheaded by the EASL Chairperson Mrs. Nirmali Samarasinghe and was conducted by EASL Vice Chairman, Mr. Lasantha Wickremasekara. A Seminar was thereafter organized by EASL as a follow up to this discussion. (refer ‘Seminars’)

DEPARTMENT OF CUSTOMS

Meetings with Director General Customs

The Association met with the Director General of Customs and other Officials of the Customs Department on number of occasions during the year under review.

The following issues were discussed at these meetings;

a.) Paneling of Export Cargo

EASL took up the problem of the high incidence of paneling of Export Cargo. This resulted in requesting information from all members of EASL on panel examinations so that it could be discussed at a broader level at the upcoming meetings with DGC.. The DGC appreciated EASL's view point and directed his Officials to minimize the examinations in respect of those Exporters who are members of recognized Institutions. A list of EASL membership was submitted to the DGC in this regard and a request to consider bringing down the Panel charges was also made.

b.) Issue of various documents requested when renewing an existing permit for the Warf clerks

EASL proposed that when renewing this permit, instead of a Bank statement, a letter from the Bank should be sufficient since the Bank statement was a confidential document. DGC confirmed that a letter from the Bank would be sufficient instead of producing the Bank statement along with the other required documents in relation to the renewal of the Customs Agent Permit.

EXPORT DEVELOPMENT BOARD

a.) Development of Strategic Export Marketing Plan (Meetings with EDB Chairman)

During the year under review, the EASL Chairperson and several Managing Committee members met EDB Chairman and other Officials to develop a Strategic Export Market Development Plan to achieve national export target of USD 20 bn by the year 2020. The meeting was jointly conducted by the EDB and the NCED. EASL also raised key issues relating to the Export Sector with the EDB Chairman, including the need for an Exim Bank.

b.) Resolving specific export issues of EASL Member Companies-(Export, Trade, and Investment Forum)

The monthly Export and Enterprise Development Forum organized by the Export Development Board of Sri Lanka provided an opportunity for EASL to discuss their member Company issues affecting the individual businesses, directly with the key government officials in the presence of the Minister. Sectoral issues were also raised. These forums were chaired by the Hon. G. L. Peiris, Minister of Export Development and International Trade, or in his absence by the Chairman EDB. EASL members were informed about these Forums in advance and encouraged to put forward issues to be resolved. Several members of the Association were benefited by direct interaction with the Minister as well as by the Minister's intervention at these monthly meetings.

EASL'S AFFILIATION WITH OTHER ORGANIZATIONS ON EXPORT RELATED MATTERS

The Ceylon Chamber of Commerce

a.) Participation in monthly Chamber meetings.

As an Approved Association, EASL attended the monthly meetings and was represented by the Chairperson, (Alternate – Vice Chairman). In addition to reporting on the export performance for the period under review, an input was provided on various issues from an exporters perspective.

b.) EASL participation on Chamber delegations

EASL represented by Chairperson participated on the Ceylon Chamber delegation in November 2009, to meet a high level IMF Visiting delegation, including IMF Chief of Mission and IMF Resident Representative. An overview and briefing of the export sector was provided and a very useful discussion followed.

Sri Lanka Shippers' Council

During the year under review, the Association continued its close relationship with the Sri Lanka Shippers' Council. Several of the EASL Managing Committee joined a visit organized by SLSC to the Hambantota new Port which was quite an informative visit for the members.

The Exporters Association has extended its fullest support and cooperation throughout the year to SLSC, whenever common interests were involved. Matters relating to freight rates and terminal handling charges, SLPA issues, Airport issues, etc. were taken up through this Council.

Employers Federation of Ceylon

As an Affiliated Association of the EFC, EASL participated in EFC regular meetings, where employee related matters were discussed. Vice Chairman Lasantha Wickramasekara and Dawn Austin represented EASL

AWARENESS BUILDING ACTIVITIES

a.) DISSEMINATION OF INFORMATION

The membership was alerted on various issues affecting exporters, as well as matters of interest, by way of Circulars issued by EASL as well as the Ceylon Chamber of Commerce and various other affiliate bodies of the relevant local Chamber. This included information on matters of business interest to members, notices of topical seminars/workshops organized by the Ceylon Chamber of Commerce and affiliated Associations/Councils.

During the period under review, the following circulars were issued by the Association, for Members information.:

- National Export Development Strategy – 2010-2020
- Special meeting to discuss delays in obtaining VAT refunds
- Panel examination of export cargo by customs

- Significant issues facing the Export sector with regard to VAT and Tax matters
- Proposals for the 2010 National Budget –Export Cluster
- Letter from SLPA on Acceptance of Delivery orders/Shipping notes
- Letter from SLPA regarding fraudulent invoices and Bank receipts

b.) SEMINARS

Several Awareness Building Seminars were organized during the year, with a view to educating the export community on key areas such as VAT refunds/EDRS and export procedures.

1.) Seminar on Export Development Reward Scheme (EDRS)

In view of the numerous queries raised, and clarification requested by Exporters, with regard to finalizing the EDRS Application, a Seminar was held, to clarify issues related to EDRS Application procedure, mechanism and the qualifying criteria for 2009. The emphasis was on finalizing 2nd Quarter Applications (April – June 2009), before the given deadline.. Mr. Ranugge, Secretary, Ministry of Export Development & International Trade, Dr. D S Jayaweera, Executive Director, NCED, Mr. D.G.A.P. Dharmapriya - Deputy Director of Commerce, Mr. Ravindra Kumar, Chief Export Officer - Department of Customs, and a Representative from Institute of Chartered Accountants of Sri Lanka was present at the Seminar and discussions which was followed after the presentations. This seminar was held on the 13th of August 2009, at the CCC Auditorium.

2.) Seminar on “New Quarantine Procedures – an update”

A Seminar on “New Quarantine Procedures– an update” was held at the Auditorium of the Ceylon Chamber of Commerce on September 28, 2009, to bring Exporters up to date. with the latest developments in this area.

The aim of this Seminar was to create awareness amongst all interested parties about issuing of Phytosanitary Certificates, future trends, Quarantine Procedure, AQIS requirements, use of wood packaging materials for Exports, Methyl Bromide issue and Fumigation Process in Sri Lanka & future threats.

Resource persons who were invited to address this seminar were Dr. D. A. Muthukudaarachchi, Director, Seed Certification & Plant protection Center, Mr. I. A. Ekmaligoda, Asst. Director, Seed Certification & Plant protection Center, Mr. Kulatunga, Research Officer In Charge, Seed Certification & Plant protection Center, Mr. R. S. Y. De Silva , Deputy Director, National Plant quarantine Services, Mrs. Shoba Weerakoon, OIC Quarantine Office , Katunayake Airport and Mr. N. J. Liyanage, OIC Quarantine office, Colombo Seaport. The Seminar was followed by a Panel Discussion.

3.) Seminar on “ Understanding VAT refunds”

Following the very productive discussion organized for the exporter community during the year by EASL to discuss and resolve the problem of long overdue VAT Refunds, as a follow up, it was felt that an awareness building Seminar on VAT Refunds, was necessary.

The seminar “Understanding VAT Refunds” which was held on 30th March 2010 at EDB Auditorium, aimed at creating greater awareness and educating the exporter, on the modalities of applying for VAT

refunds, in order that the refund could be obtained within a reasonable period of time. The Seminar also aimed at facilitating a cordial and close dialogue between the Inland Revenue Officials and the business community so that the Officials too could be apprised of the issues faced by the businesses, and provide them an opportunity to seek clarification.

A panel of Senior Inland Revenue Officials from the VAT Division and the VAT Refund Division, and headed by Deputy Commissioner General, Department of Inland Revenue, Mrs. Mallika Samarasekera, conducted a very useful and informative interaction with the participants, who numbered over 100, indicating the high degree of interest on this subject. The keynote presentation was made by Mrs. Deepani Herath, Deputy Commissioner VAT Refunds who took the participants through a very comprehensive presentation on the VAT Refund Scheme, how it was formulated, and the various aspects of the scheme. A frank and an open discussion followed, where many questions were put up by the Companies seeking clarification on the scheme as well as raising the matter of outstanding refunds. This gave them a better understanding how to resolve their VAT related issues. The Officials clarified matters wherever possible whilst asking some of the exporters to meet them individually to resolve specific issues. The panel comprised of Senior Key Inland Revenue Department Officials namely: Mrs. Mallika Samarasekara – Deputy Commissioner General, Mr W M W Kumarasiri -Commissioner, VAT Refunds, Mr. M G Somachandra - Deputy Commissioner, VAT, Mrs. B D D Herath - Deputy Commissioner, VAT Refunds, Mr. H I M Thahir - Deputy Commissioner VAT Refunds, Mr.T Karunadasa - Deputy Commissioner, VAT Refunds, and Mrs. Ajantha Guneratne - Deputy Commissioner, VAT Refunds

The outcome of the Seminar was a very useful and productive interaction between the Government Officials and the business community enabling both sides to understand the other position and the issues faced. The Seminar is expected to play a valuable role in expediting VAT Refunds. The Seminar was spearheaded by Chairperson-EASL, Mrs. Nirmali Samaratunga and assisted by Vice Chairperson Mrs. Dawn Austin.

C.)WEBSITE

It was decided to re-launch the EASL website towards mid 2010, with a new outlook.

D) PUBLICITY

Several Press briefing and interviews were given by EASL to create awareness of developments and issues in the Sector, and the future outlook.

MEMBERSHIP

The membership as at 31st March 2010 consisted of 92 individual Exporter members and 10 Product Associations.

New Members

Lanka Brush Exports (Pvt) Ltd

Resignations

Golden Palm International

Cessations

TAJ Noorbhai & Co. (Pvt) Ltd

MEMBERSHIP FEE

The membership fee of Rs. 3,500/- was maintained through out the financial year without any change.

AUDITORS AND ANNUAL ACCOUNTS

The Auditors of the Exporters Association of Sri Lanka for the period 2009/2010 were Messrs. KPMG Ford Rhodes Thornton & Co.

The statement of Audited Accounts of the Association is attached.

SECRETARIAT

The Ceylon Chamber of Commerce continued to provide Secretarial Services to the Association during the period under review.

BY ORDER OF THE COMMITTEE

Sgd.

IRANGIKA SIRIWARDENA
FOR SECRETARY