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CNCI NEWS BULLETIN

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Successful trade relations could help alleviate poverty - PM Khan

Poverty alleviation could be successful if middlemen between the producer and consumer could be eliminated, Pakistani Prime Minister Imran Khan said in Colombo Khan was addressing the delegates at the Pakistan Sri Lanka Trade and Investment Conference in Colombo in the presence of Sri Lankan Premier Mahinda Rajapaksa, Foreign Minister Dinesh Gunawardena, Minister of Trade Bandula Gunawardena and former Central Bank Governor and State Minister of Finance, Capital Markets and State Enterprise Reforms, Ajith Nivard Cabraal.

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Successful trade relations could help alleviate poverty - PM Khan

Poverty alleviation could be successful if middlemen between the producer and consumer could be eliminated, Pakistani Prime Minister Imran Khan said in Colombo.

Khan was addressing the delegates at the Pakistan Sri Lanka Trade and Investment Conference in Colombo in the presence of Sri Lankan Premier Mahinda Rajapaksa, Foreign Minister Dinesh Gunawardena, Minister of Trade Bandula Gunawardena and former Central Bank Governor and State Minister of Finance, Capital Markets and State Enterprise Reforms, Ajith Nivard Cabraal.

A total of 39 business delegates from Pakistan took part in the forum along with local delegates who were also of the equal number. During his talks with President Gotabaya Rajapaksa yesterday, Khan said that both parties felt the need to alleviate poverty from the two countries.

"We both agreed that poverty is due to food inflation and this problem could be solved by bridging the gap between the producer and the consumer," he stressed, pointing out that China under its poverty alleviation program successfully uplifted more than 700 million people. "Successful trading relations will help alleviate poverty. Pakistan is part of the One Belt and Road initiative of China and CPEC is one of its flagship programmes, and it means connectivity and it would help enhance Sri Lanka's connectivity right up to Central Asia," Khan said.

He invited Sri Lankan businessmen and investors to visit Pakistan on religious pilgrims to see the Gandhara Civilization where a 40-foot statue of Sleeping Buddha has been found.

The visiting premier pointed out that the Buddhist civilization has been discovered in the north of Islamabad, the capital of Pakistan and the findings will be of interests to the Sri Lankan tourists who go to historical places. He also said that Pakistan would do its best to restore Sri Lanka's tourist industry which has had a serious impact on this venture.

The two Prime Ministers also witnessed the signing of five economically important agreements between Sri Lanka and Pakistan on Monday. Here Memoranda of Understandings were entered into in areas of tourism cooperation between the two countries, Board of Investment of Sri Lanka and its counterpart in Pakistan, between the Institute of Industrial Technology (ITI) of Sri Lanka and the University of Karachi, collaboration between the Institute of Industrial Technology, Colombo and the University of COMSATS, Islamabad and between the University of Colombo and the Lahore Economic College.

Pakistan's exports to Sri Lanka grew from US$ 97 million in 2004 to US$ 355 million in 2018 while, Sri Lanka's exports to Pakistan grew from USD 47 million in 2004 to US$ 105 million in 2018, almost double over the same period. However, the two-way trade is only US$ 460 million when the potential is more than US$ 2 billion.

Pakistan High Commissioner, Retd. Major General Muhammed Saad Khattak delivered the welcome address at the beginning of the conference.

Pakistani companies have invested in agriculture, information Technology, textiles and construction real estate development in Sri Lanka. The Sri Lankan Construction and Real Estate industry is rapidly growing and the country has an import requirement of 600 million USD worth of cement annually from various countries. Pakistan already exports cement to Sri Lanka and has the capacity to increase its exports due to competitive pricing and good quality.

During his meeting with President Gotabaya on Wednesday morning, Khan underlined the exceptional quality of Pakistan-Sri Lanka relations marked by trust, understanding and mutual support. He stressed the importance of building robust economic partnership characterized by enhanced bilateral trade, investments, and commercial cooperation.

Source: Daily ft – 25th February , 2021

ITMIS to be fully implemented by 2022

The Integrated Treasury Management Information System (ITMIS) is to be fully implemented by the budget for 2022. Secretary to the Treasury S. R. Attygalle noted that utilisation of ITMIS was already quite high and as with government policy there would be more utilisation of digital channels.

Attygalle said,"Budget 2021 was worked through ITMIS." 80% of 2021 budget data is done throughITMIS. This includes over 2000 spending units within the government. He noted that ITMIS would be fully implemented by 2022.Attygalle was speaking on February 22 at the Public Sector Best Annual Reports and Accounts Awards –2020 held at the BMICH.He said, "I commend the decision in 2013 to implement ITMIS. I am a strong believer that there forms to be successful must be led from the front and by those within the system itself." Attygalle said, "I believe the compilation, submission, and publication of financial accounts within an acceptable framework is required to address the issues that come up among the stakeholders. Credible data in atimely manner is important to establishing trust."

Also required that when presenting information to the public, it should be done in a manner that is simple and consistent to improve the financial literacy of the people." Attygalle noted that the narrative on Public Policy was often distorted.

He commended the operations of the Public Sector in its management of COVID-19. He said, "Public sector operates within a controlled framework of financial regulation, documentation guidelines, and administrative regulations that would be deemed to be barriers for unorthodox responses but public institutions responded really well.."The Secretary noted that from releasing ethanol for sanitiser manufacture to ensuring pensiondistribution during the pandemic the treasury worked tirelessly to assist the economy.

Public sector accounts have mostly been compiled and will be submitted for audit shortly. Attygalle said, "This is a public sector that needs to be appreciated." Attygalle called for confidence in the economy.

He cited exports of US$ 10 billion and public sector revenues that are better than expected in comparison to the growth figures. He said, "Sometimes Irealize that our own institutions fail to grasp this narrative that is unfolding." By the end of 2020,the government had already settled Rs 300 billion unpaid dues to the private sector.

Commending the monetary policy approach of the current monetary board, he said, "The unemployment level of only 5% reflects the effectiveness of the policy undertaken including the decision to maintain a low-interest rate regime."On recent measures to curb imports, he said, "Most of these decisions are not easy, nor are they popular, but they have ensured that the economy remains stabilised."

Source: -Daily ft – 25th February 2021

Market breathes out of red zone'

Bourse reverted the direction breathing out of the downfall witnessed for the past two consecutive sessions.

Index experienced a zigzag movement within the early hour of trading, thereafter recorded a slight uptrend as it reached its intraday high of 7,439. Later the market witnessed downtrend during mid-day followed by a sideways movement and closed at 7,372 gaining 43 points.

Banking sector dominated the turnover for the session with a contribution of 30%. Parcel trades in SAMP, COMB & JKH boosted the turnover amounting to 19%. Market experienced low foreign participation dominated by the selling side resulting in a net outflow.

Source: -Daily News – 25th February ,2021

Financial markets to proactively support growth - CBSL Governor

Financial markets are expected to become more proactive to support the growth ambitions of the government. The relationship between the private sector and the government was envisioned as being a 'co-ordinated growth-oriented approach.' The Central Bank will continue to maintain liquidity in the markets.

Central Bank Governor Prof. W D Lakshman said, "Financial markets will become proactive, maximising funding sources for growth-oriented endeavours of the public as well as private sectors."

"Implementation of these structural reforms, along with the picking up of government revenues and a rationalisation of government expenditures, should ensure sustainability and successful management of public debt in the period ahead."

Lakshman was speaking at the inaugural webinar of the Veemansa initiative on 'The External Debt Situation in Sri Lanka' on February 24.

The Central Bank has already settled sizable foreign currency obligations amounting to US$ 1.1 billion this year between January and February.

The Governor noted that there will be a decline in the debt servicing pressure on the economy from 2026. The Governor opined that recent reports by ICRA, Standard Chartered, and Barclays coincided with major movements at the UNHRC concerning the country were not by coincidence.

"These critiques in addition to being politically and ideologically motivated, appear to be cries of despair from a group of pessimists. That is what they do."

The Governor said that economic management was more competently handled now than it was before.

He said, "When they combine with these numbers, the assumption that things will continue to move in the same way as they did during 2015-19, there cannot be anything but predictions of doom and gloom. I strongly believe that this problem has to be examined in a dynamic manner, in the light of new directions in policy and practice and the likely changes in the tempo of economic activity."

As Sri Lanka migrated to a middle-income status it lost access to concessional financing and had to resort to commercial borrowing. The government now intends to reduce the reliance on foreign borrowing.

He said, "The prospects for external financing has been adversely affected by risk aversion, and volatility found in global financial markets. Despite these challenges, and predictions by many parties who project doomsday scenarios, the country continues with its unblemished record of debt servicing."

The ratio of foreign: domestic debt is expected to improve from 43:57 to 33:67. "This could have been during the 2nd half of the 2010s. Instead, foreign debt volume was increased from US$ 24.6 billion in 2015 to US$ 34.7 billion in 2020.

"Now is the time to bring down the foreign: domestic ratio of total public debt and gradually take the country out of the debt trap.

Source: Daily ft – 1st March, 2021

Govt. announces tax exemptions for dedicated Pharmaceutical Manufacturing Zone

- **Zone coming up on 400 acres of land in Hambantota to facilitate investments by foreign/local pharmaceutical manufacturers**
- **BOI implementing agency under supervision of MoH and Production, Supply and Regulation of Pharmaceuticals State Ministry**
Tax exemptions will apply to Corporate Income Tax, VAT, Income Tax for select employees, Customs Levies, import and export CESS charges

The Government has announced numerous tax exemptions for the dedicated Pharmaceutical Manufacturing Zone being built on 400 acres of land in Hambantota.

The tax exemptions have been granted under the provisions of the Strategic Development Projects Act.

The dedicated Pharmaceutical Manufacturing Zone will be built in an area of 400 acres of land owned by the Board of Investment (BOI) in Hambantota - Arabokka area in two stages of 200 acres each to facilitate investments made by foreign/local pharmaceutical manufacturers.

It has been identified as a project of national interest that is likely to bring economic and social benefits, and one which will also change the landscape of the country.

The BOI will be the implementing agency under the supervision of the Ministry of Health and the State Ministry of Production, Supply and Regulation of Pharmaceuticals.

The tax concessions will apply to Corporate Income Tax, Income Tax on employees, Value Added Tax (VAT) and the Ports and Airports Development Levy, while the concerned enterprises will also be exempted from Customs Duty for import of capital and construction-related items, raw materials and production/process-related consumables other than those on the negative list issued by the Finance Ministry.

There will also be exemption from charges of CESS under the Sri Lanka Export Development Act for importation of capital and construction-related items, raw materials, and production / process-related consumables for both production for export and import substitution.

The infrastructure requirement of the first phase of the zone will be ready within 18 months and the tax exemptions will apply to individual enterprises established within the zone, and will be customised for each said enterprise according to a pre-defined criterion developed based on parameters such as size of investment, type of the product to be manufactured, market orientation, type of patent rights, domestic value addition and manufacturing quality etc.

Individual enterprises will be eligible for selected incentives based on the above criteria.

The incentives will be reviewed every five years with effect from the date of approval of Parliament for the zone and submitted to the Cabinet for its approval, followed by a fresh gazette notification granting incentives for each enterprise which will be decided by a committee comprising the Chairman and Director General of BOI , Secretary/nominee of Ministry of Health, Secretary/nominee of State Ministry of Production, Supply and Regulation of Pharmaceuticals, Chairman of State Pharmaceutical Corporation, Chairman of State Pharmaceutical Manufacturing Corporation, Chairman of National Medicines Regulatory Authority, Chairman of Export Development Board and Chairman of Central Environmental Authority, which will be stipulated in the individual agreement between the BOI and each enterprise.

The tax exemptions have been notified by Prime Minister Mahinda Rajapaksa in his capacity as Finance Minister by gazette notification

Source: Daily ft 22nd February 2021

Inflation dips to 3.7% in January

Headline inflation as measured by the Year-on-Year change based on the National Consumer Price Index (NCPI) was 3.7% in January, down from 4.6% in December.

The Department of Census and Statistics said contributions to the inflation rate of January 2021 from food group and non-food group are 2.7% and 1.0% respectively; whilst contributions of food and non-food groups to the inflation in January 2020 were 6.0% and 1.7% respectively, resulting in a headline inflation of 7.6%.

Comparing the month-on-month changes, NCPI in January 2021 has increased to 142.1 from 141.2 reported in December 2020. This shows an increase of 0.9 index points or 0.6 percentage as compared to December 2020. The month-on-month change was contributed by increases of index values of food items by 0.48% and non-food items by 0.14% respectively.

Price increases of food items were reported for rice, coconuts, green chilies, vegetables, red onions, fresh fish, fresh fruits, turmeric powder, coconut oil, tamarind and dried chilies. However, price decreases of food items were reported for big onions, potatoes, eggs, manioc and chicken.

The increases in index values of non-food groups in January 2021 compared to the previous month was mainly due to the price increases in groups of items 'health' (fees to private medical practices, payments to private hospitals room charges), 'furnishing, household equipment and routine household maintenance' (wages of servants), 'housing, water, electricity, gas and other fuels' (materials for the maintenance), 'transport' (tyres, tubes and spare parts), 'clothing and footwear', 'miscellaneous goods and services' and 'education'.

However, price decrease in group of items was reported in 'alcoholic beverages, tobacco and narcotics' (arecanuts) compared to the preceding month. Meanwhile, the price indices of 'communication', 'recreation and culture' and 'restaurants and hotels' groups remained unchanged during the month.

Core inflation, which reflects the underlying inflation by excluding volatile items of food, energy and transport groups in the economy as measured by the Year-on-Year change based on NCPI for the month of January 2021 has declined to 4.2% from 4.7% in December 2020.

Source: Daily ft 23rd February 2021

Workers' remittances off to positive start in 2021

Inflow of workers remittances has got off to a positive start in 2021 reflecting double digit growth.

As per provisional data from the Central Bank, inflow in January was $ 675.3 million up by 16.3% from a year earlier. In local currency it was valued at Rs. 128.6 billion up 22% from January last year.

Last year Sri Lanka received $ 7.1 billion in workers' remittances, up by near 6% from 2019 in which year inflows were down by 4% to $ 6.7 billion.

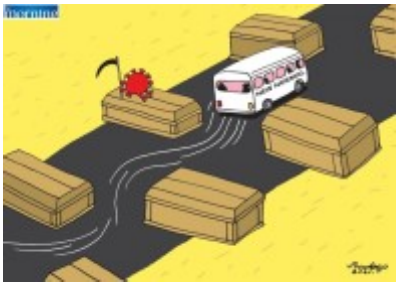
December 2020 saw a record inflow of $ 813 million, reflecting a 22% year on year growth.

Despite the initial lag owing to the COVID-19 pandemic, flow of remittances from June 2020 improved year on year.

Sources said the high figure in 2020 amidst COVID-induced lockdowns and restrictions was partly attributed to remittances being channelled via official banking and financial sector as opposed to informal means such as the Hawala system, a popular and informal value transfer system based not on the movement of cash, or on telegraph or computer network wire transfers between banks, but instead on the performance and honour of a huge network of money brokers.

Source: Daily ft 23rd February 2021

Cartoons



Source:cartoon-themorning.lk-29-01-2021

Source:cartoon-themorning.lk-19-02-2021

DSI launches Synthetic Leather Manufacturing facility

D. Samson Industries (Pvt) Ltd, a subsidiary of DSI Samson Group (Pvt) Ltd, has launched a Synthetic Leather Manufacturing segment by acquiring a state-of-the- art production facility in Katana in the Negombo area.

This development comes during a crucial period in which the government has encouraged Sri Lankan entrepreneurs to take a step forward to invest in the manufacturing industry, the company said in a media release.

“This is part of our business-related integration initiatives under the 2020-2022 strategic plan and a much needed investment to manufacture the raw materials that is being used for footwear manufacturing. It will also cut down the supply chain and logistics lead time when it comes to sourcing materials while we can reduce the much needed foreign exchange spent on imports. Another benefit to the country and its economy is the provision of additional employment to the youth of our country. With the in-house training in skills development, it gives a much needed boost to improving the inherent talents of these employees,” said Managing Director of DSI, Kasun Rajapaksa.

The DSI Synthetic Materials Plant is the only manufacturing venture in Sri Lankan to use the Transfer Coating Technology which can manufacture 0.3 mm to 4.0 mm thickness range. While manufacturing the internal requirements for DSI footwear manufacturing, DSI Synthetic Materials plant will make available its full range to the local footwear manufacturers, upholstery, automotive, bags and stationary sectors in the country. While introducing new products to the domestic market, the company’s synthetic leathers have already entered export markets such as the UK and Europe with required compliances and standards. “We are confident that we can increase our exports this year since the demand for synthetic leather is also increasing, especially in the automotive industry worldwide as its manufacturing does not involve animal killing,” said Executive Director of DSI Dilshan Rajapaksa.

DSI endorses the government’s initiative to control imports and encouragement given for the manufacturing sector during a period when the country is yet recovering from the COVID-19 pandemic crisis. The current interest rates reduction from the banking sector is a move in the right direction, and it provided the impetus to go ahead with this investment.

D. Samson Industries (Pvt) Ltd is the largest footwear manufacturer in Sri Lanka with over 3,000 employees in the footwear plants; while DSI Samson Group provides over 10,000 direct jobs. The group also provides over 5,000 indirect jobs by way of sub-contracting and support services across its 25 companies.

Source: Daily News – 29 January 2021

Economic recovery 2021: Why innovation and export orientation matter

Two thousand twenty-one will be a difficult year. For most economies – not just for Sri Lanka. One does not have to be a macroeconomist to predict that. This year carries a legacy from 2020 that has brought unprecedented economic shocks as the consequences of a world pandemic situation, unknown at least for 100 years, the last such incident being the 1918-19 Spanish flu.

Many economies, large and small, developed and developing, in all inhabited continents were locked down for weeks and months in 2020, bringing their economic activities to near zero levels. Livelihoods were severely threatened. Governments had to support the populations through budgetary stimuli. Billions of productive hours have been lost. Many economies have recorded sub zero growth rates.

The year 2021 has been recognised as the year the world would make a 'V-shaped return' – certainly not to its pre-COVID status or anywhere close but a level a bit more comfortable. Nobody is certain how exactly an economy achieves that, simultaneously fighting a global pandemic and attempting to meet the unmet targets for the previous year.

Still, at this point, success is not a choice. The 'New Normal Economic Divide' will be created not by COVID-19 but by the incapacities of nations to overcome the current situation. In other words, the new line between developed and developing nations is being drawn at this very moment that way they act to recover from the 2020 shocks. Traditional approaches: They cannot take us far Certain symptoms are common to any economic crisis. For example, the money value drops. What one can buy for the notes in hand becomes increasingly limited with time. Unemployment hits the ceiling. "We are hiring" ads gradually disappear. We let jobs go. Pay cuts become common. New business opportunities will vanish.

It was in such a time, during the Great Depression of 1930s, Keynes challenged neoclassical economics ideas, saying that free markets can provide full work only until workers were flexible with their wage demands, in the short to medium term. He argued that aggregate demand (total economic expenditure) refers to the general level of economic activity and insufficient aggregate demand could lead to long periods of high unemployment. Then he proposed the use of monetary and monetary policies to mitigate the harmful effects of economic recessions and depression.

Interesting that we remember Keynes only when in trouble. Whether one likes to admit it or not, Keynesian economics are already at play around the world, supporting the ailing economies – in a process what its opponents harshly call 'printing money'.

Lee Hsien Loong, Singapore PM, in his speech to the World Economic Forum (WEF) recently acknowledged the role of central banks worldwide assisting economies through stimuli and similar arrangements. This kind of hand-holding does help but that will only be postponing the crisis. We cannot go on forever. We have to find another way out and of course, before the very impact of such measures pressurise us. Hard decisions are to be made. Better sooner than later.

Fighting COVID-19 is no more just a local need

COVID anywhere – COVID everywhere. This was a lesson we took too long to learn. In the first phase, the unspoken philosophy was to grab and wear whatever the oxygen mask one finds, leaving the rest to look after themselves. Initially it looked like working perfectly. Sri Lanka was jubilant on beating the first wave – till we were hit by a Ukrainian strain harder.

Then we, as a society, unashamedly went after charlatans and sorcerers offering this 'Peniya' and that to become the laughing stock for international community. Fortunately, it didn't take long for them to fail, proved to be nothing better than cows' urine. In a way, that was good as it forced the government to take a scientific approach, encouraging the masses to get immunised.

In this immunisation exertion we are not alone. Countries that developed the vaccines were quick to distribute them to others, making them accessible to everyone – be them large or small, rich or poor, industrialised or not. It looks like generosity but more a recognition by world powers the need to fight COVID-19 as a single global family. Vaccination attempts can be seen as excellent examples for solutions, both innovative and collaborative. It is not just a question of developing vaccines. Vaccination of the global population is a long and complicated multilateral exercise. Authenticity of tests and vaccination will be a must for the recommencement of international trade and travel in near future.

COVID-19 restrictions can be progressively eased with the success of these efforts. (Explains why developed nations are so concerned about universal vaccination.) This could be our starting point. Why not model our economic solutions on the same model, with two key features in mind – sharing and innovation?

Innovation: Why it matters at this specific juncture

Innovation always plays a role in staying ahead of competition. It is about new markets and nouvelle technologies. Steve Jobs could have presented his machines with monochrome monitors but he introduced colour with a Graphical User Interfaced OS, advancing the entire industry. This happened during a period that could be termed 'normal'.

Faced with a catastrophe innovation plays a bigger role as the environment itself swallows the traditional low risk takers. Ask those whose livelihoods are already taken by the pandemic, forcing them to sell 'pol-rotis' with pork at the wayside to pay vehicle leases.

So, what kind of innovation do we talk about? Simple. Think about all business opportunities lost. What could have brought them back to normal? Let us start with the tourism industry. Worldwide international travel trade is seriously curtailed by the pandemic for nearly a year. Certainly no way to go back. Appear different solutions. Sri Lanka's 'bio-bubble tourism' is just one example. Ideal would be pre-planned itineraries, where tourists least interact with the locals.

Continued in page 08

Continued from page 07

The logical next step would be allowing travel only for the vaccinated. From the host end, the staff could be vaccinated with a priority. The end product will not come anywhere near the original but something .

is obviously better than nothing. Further, it could develop to an entirely different model with time, assuming COVID-19 will stay for few years to come.

Why stop there? Innovation can come in all shapes, sizes and colours. When local private tuition masters could not gather students in the post-COVID 19 environment, they promptly moved online, with customisation. Now students are free to access any class of their choice, at convenient times and rates. They do not necessarily have to make monthly payments. If they wish, they can attend even a single class, making an online payment. Innovations in education services introduced in 2020 will stay for a long time to come, even after COVID-19 would be history.

These are just few micro level examples but the same can also be extrapolated to macro level. An international crisis sometimes happens to be a zero sum game. There will be both losers and winners. Taiwan, in 2020, hit China in growth, after 30 long years. While the larger vessels sink, tiny boats might survive a storm.

Riding on start-ups wave

Start-ups, by their very nature, are tech savvy and open to new ideas. They are the test beds for experimentation. A start-up that creates a sustainable competitive advantage is truly innovative. Launching a business that provides value in the present is difficult enough but the ability to carve out a niche in the future shows true innovation. Between the inherent resource constraints and inevitable competition from established businesses, this task is exceedingly tough.

Thus, many start-ups reinvent an existing product to market to changes in the way society consumes, purchases or behaves. But what makes lasting companies innovative is a willingness to disrupt themselves. Amazon is a great example with the Kindle, disrupting its own sales of hard-copy books – so is Netflix, pushing streaming to replace its DVD rental business

Start-ups do not grow in a vacuum. Governments constantly need to provide a conducive ecosystem for them to nurture. Sri Lanka has been successful so far with a frequent and healthy dialog with tech start-ups that resulted in additional measures for creating opportunities.

In October 2020, the Finance Ministry guided all state establishments to procure their software requirements below Rs.2 million, exclusively from local start-ups. With the government as the single largest client, this could be the biggest boost the industry received in recent times.

Export orientation is equally essential

Globalisation, in the post-COVID-19 era, is already under pressure. Let's borrow this excellent observation from Loong – another gem from his speech to the WEF. He sees COVID-19 moving economies more towards protectionism and nativitism. This was so bad, says he, that initially countries had to produce their own masks and PPEs – nobody was willing to share theirs with others.

With supply chains being badly disturbed, everyone took the prevention measures into their own hands. Regional and global efforts were hardly thought about, either in prevention or economic recovery attempts. This mindset is now gradually changing.

Loong recognises the trade agreements Singapore entered with three like-minded countries – New Zealand, Chile and Australia, as examples of Singapore's efforts in rebuilding post -COVID-19 digital economy. This is exactly what other nations might look forward to.

The economic recovery, just like COVID-19 prevention, is a shared global exercise. Each country has its own role to play, no doubt but for success, everyone must act together. If trade barriers are what prevent that initiative, this is the right time to remove them.

Cross-Border E-Payment Systems, another term to borrow from the Singapore Prime Minister. This is one sphere every country must focus on building in 2021. Cross-Border E-Payment Systems create more business opportunities for vendors, more competitive and affordable choices for consumers. We must let the global supply chains moving and map ourselves, as individual economies, to where we are most productive.

The other option is protectionism, which has already proved to slow down economies rather than speeding up. So, opening up, at every level, is the viable alternative. Governments have a key role to play here. At a basic level, freelancers must receive more opportunities – what has already been there are drying up as our South Asian neighbours try too hard.

Sri Lankan freelancers and micro-workers still pay high discount rates for money transfers. At higher levels, manufacturers must receive raw materials with least tariff and administration barriers and support to market their products worldwide.

Sri Lanka's only way forward

One can say Sri Lanka, as a small economy, is probably in a worse situation compared to larger economies. There are arguments for and against this. Large economies have their own markets that could be exploited in regaining what's lost. Our own market, for that, is too small.

Sri Lanka has no choice other than expanding its export market. Sadly, this is one area we have not seriously deliberated since independence. Perhaps this is the time to take a plunge.

There are bottlenecks, though. Whether we like to believe it or not, Sri Lankan society at large still entertains a strange xenophobia, which can be traced back to centuries, if not millennia. As seen in the case of East Container Terminal, our gut feeling is to avert foreign investments, not to invite them. We see trade agreements as traps. We are also against foreign low-cost labour while factories run at half utilisation for the lack of manpower. Basically, we are against anything that can be termed 'foreign'. We can hardly go far with this narrow mindset.

COVID-19 knew no geographical/political boundaries. Neither does supply chains. Mapping ourselves with international supply chains requires we overlook our petty cultural differences, if any and take business for business. Sri Lanka had the guts to sign a trade pact with China in the early 1950s to barter our rubber for their rice, still being a strong member of the Commonwealth. During British colonial period we had no issues when South Indians came here for work. So why this aversion now?

Sydney's Lowy Institute recently assessed almost 100 countries on six criteria, including confirmed cases, COVID-19 deaths, testing metrics, etc. and ranked Sri Lanka 10th most effective in handling COVID-19 pandemic. This is good news. Our current position is not that bad. Nonetheless, that does not necessarily mean we have an easy way out. Whatever the way we take, its key components should be innovation and export orientation.

(Chanuka Wattegama, an academic/policy researcher, can be reached via chanuka@hotmail.com. Opinions expressed here are personal)

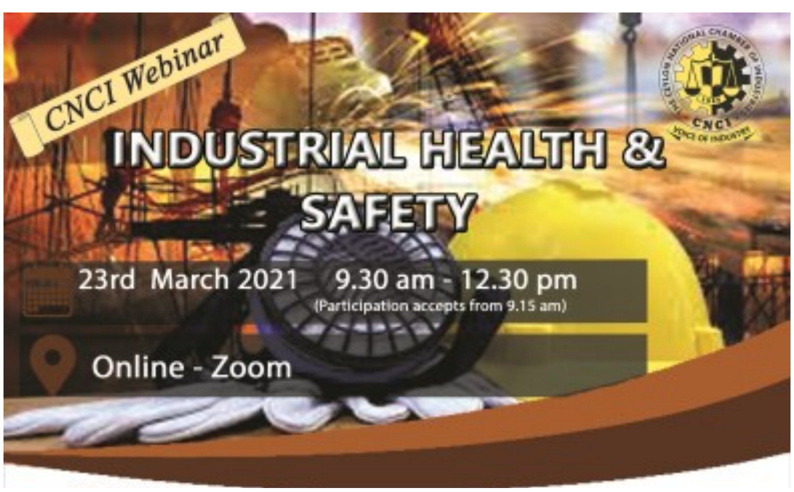
Source : Daily ft 23rd February 2021

Upcoming Training Programmes by

By : Dr.Danushki Hapuarachchi

By : Mr.Gamini Thilakarathne

Board of Investment of Sri Lanka



By : Mr.Asoka Peiris

Department of Labour

EXCHANGE RATES AS AT 28TH FEBRUARY 2021

Currency	Buy Rate (LKR)	Sell Rate (LKR)
Australian Dollar	148.8905	153.6761
Canadian Dollar	150.1051	156.1098
Swiss Franc	210.0228	217.9383
Renminbi	28.8448	30.6909
Euro	231.888	238.6626
British Pound	269.5677	276.085
Yen	1.8032	1.8521
Singapore Dollar	144.0906	148.6113
United States Dollar	192.01	197.05

Source: https://www.cbsl.gov.lk/en/rates-and-indicators/exchange-rates/daily-buy-and-sell-exchange-rates

Sri Lanka Economy SNAPSHOT

Area
65,610
Sq. Km

$ =
LKR 195.9905
INDICATIVE

Policy Rates
SDFR 4.50
SLFR 5.50

Interest Rates
T-bill < 364 days 5.07%
T-bond < 3 year 6.24%
T-bond < 5 year 7.07%

Unemployment Rate
5.8%
Q3, 2020

Population
21.8 million

Economic Growth
1.5%
Q3, 2020

Per Capita Income
Rs. 688,719

Inflation
NCPI (Y-Y) 3.70
JAN 2021

Source : https://www.cbsl.gov.lk/en/sri-lanka-economy-snapshot