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The High Commission of the Democratic Socialist Republic of Sri Lanka in Pretoria presents its compliments to the Secretary General of the Indian Ocean Commission and has the honour to forward a document on Sri Lanka's application to obtain the membership of the Indian Ocean Commission (IOC).

The soft copy of this document is also attached.

The High Commission of the Democratic Socialist Republic of Sri Lanka in Pretoria avails itself of this opportunity to renew to the Secretary General of the Indian Ocean Commission the assurances of its highest consideration.



Secretary General of the Indian Ocean Commission

Sri Lanka's application to obtain the membership of the
Indian Ocean Commission (IOC)

(a) Strategy, Politics and Diplomacy

The Democratic Socialist Republic of Sri Lanka

The recorded history of Sri Lanka (formerly known as “Ceylon”) dates back to the sixth century B.C., when an Indian prince named Vijaya together with his followers landed on the island. From the sixteenth century, Ceylon was colonized by the Portuguese, the Dutch and the British until she regained independence on February 4, 1948. In 1972, Ceylon became a republic and changed her name to Sri Lanka. In 1978, a new constitution was promulgated, providing that the country shall be known as the “Democratic Socialist Republic of Sri Lanka”.

Sri Lanka is an island located 29 kilometers from the Southeastern tip of India and 645 kilometers north of the equator. It is located across several major maritime trading routes between Asia and the Middle East, Europe, Africa and the Americas. Sri Lanka extends 438 kilometers from North to South, and 225 kilometers from East to West at its broadest points, occupying a territory of 65,610km². Numerous rivers originate from the mountains in the central part of the country and flow toward the sea, each of which supports agricultural, industrial and transportation activities. Sri Lanka has a marine resource base comprising 21,500 km² of territorial sea and 517,400 km² of Exclusive Economic Zone (EEZ) extending up to 200 nautical miles from the coastline. The geography and topography of Sri Lanka provide the basis for a rich agricultural sector that was for centuries the source of a flourishing trade in coconut, coffee, cinnamon, cardamom, pepper, cloves, nutmeg and other spices, which were replaced by rubber and tea in the mid-19th century. Sri Lanka's climate is tropical, with high humidity and year-round temperatures averaging 27C to 28C. The terrain of Sri Lanka is largely flat, with a cluster of mountain peaks located in the South-central area of the island, the highest of which is the 2,524-meter-high Pidurutalagala Mountain.

The population of Sri Lanka is 20.278 million in 2012. Sri Jayawardenapura, Kotte is the large suburb of the commercial capital of Colombo located on Sri Lanka's western coast. As of December 31, 2011 the literacy rate was 92.2%. Sinhalese and Tamil are the official languages of Sri Lanka and, along with English, are taught in schools. 69.3% of the population is Buddhist, mostly Sinhalese, 15.5% is Hindu, 7.5% is Muslim and the balance 7.6% are comprised of Christian and others.

Government and Politics

Sri Lanka's current constitution, which was adopted on September 7, 1978 (the "Constitution"), provides for an Executive President, a unicameral Parliament with legislative power, an independent judiciary and fundamental rights of the people.

The President of Sri Lanka is directly elected for a six-year term and acts as Head of State, Head of the Executive of the Government and the Commander-in-Chief of the armed forces. The President is responsible to the Parliament for the exercise and discharge of his powers and duties under the Constitution and the laws of Sri Lanka. The President appoints the Prime Minister and the Cabinet of Ministers, who are responsible to the Parliament.

The Parliament is a unicameral 225-member legislature elected to a six-year term by universal suffrage on the basis of proportional representation. The President may from time to time summon, suspend or end a legislative session of or dissolve the Parliament under the Constitution. The Parliament reserves the power to make all laws and to repeal or amend any provision of the Constitution.

Sri Lanka's judiciary consists of a Supreme Court, a Court of Appeal and a number of subordinate courts. The Supreme Court has the power of judicial review and can determine whether a proposed bill is consistent with the Constitution and whether a referendum must be held on a proposed bill. The Supreme Court is also the final court of appeal for all criminal and civil cases.

Under the Indo-Sri Lankan Accord of July 1987 and the Thirteenth Amendment to the Constitution, significant authority was delegated to the provinces pursuant to the Provincial Councils Act. These Provincial Councils are directly elected for five-year terms and possess Provincial-level powers over education, health, rural development, tourism, social services, agriculture, public order and local taxation, subject to Government oversight. There are also three categories of local authorities: municipal, urban and rural (Pradeshiya Sabha) councils with limited powers.

Sri Lanka is now an active member of the Commonwealth, the South Asian Association for Regional Cooperation (SAARC), the World Trade Organization (WTO), the World Bank and the International Monetary Fund (IMF). Sri Lanka has also made commitments under the General Agreement of Trade in Services (the "GATS") in relation to insurance, telecommunications, tourism and financial services. With respect to regional and bilateral relationships, Sri Lanka has made considerable progress in furthering its liberalization arrangements in recent years. The tariff concessions offered under the Indo-Sri Lanka Free Trade Agreement (the "ISLFTA"), the

Pakistan-Sri Lanka Free Trade Agreement (PSFTA) and the Generalized System of Preference Schemes (GSP) implemented by the EU, the USA and a number of other trading partners have increased trade with these countries.

As a member of SAARC, Sri Lanka actively works with the other member countries to improve the quality of life of the peoples of South Asia, to accelerate economic growth, to promote and strengthen collective self-reliance among the member countries, to promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields, etc. In addition, Sri Lanka has been working hard to achieve regional economic cooperation in South Asia by entering into bilateral and regional trade agreements.

Further, as a member of the Asean Regional Forum (ARF) Sri Lanka contributes to foster constructive dialogue and consultation on political and security issues of common interest and concerns.

In addition to above memberships, Sri Lanka promotes its economic interests through membership in the following regional and bilateral trade agreements:

- Bay of Bengal Initiative for Multi-Sectoral, Technical and Economic Co-operation
- Asia Cooperation Dialogue
- Colombo Plan
- Indian Ocean Rim Association for Regional Co-operation
- South Asian Preferential Trading Agreement (SAFTA)
- South Asian Free Trade Agreement
- Global System of Trade Preferences
- Asia Pacific Trade Agreement (Bangkok Agreement)
- United Nations Conference on Trade and Development
- Trade and Investment Framework Agreement between the United States and Sri Lanka
- European Commission — Sri Lanka Joint Commission
- Non-Agriculture Market Access

(a) Economy, Trade and Infrastructure

The Sri Lankan economy grew by 6.4 per cent in 2012 despite several global and domestic challenges from over 8.0 per cent growth recorded in 2010 and 2011.

The development initiatives in the areas of ports, airports, roads, railroads, irrigation, energy and water supply to improve the economic infrastructure base of the country have contributed significantly to the growth of the economy in recent years.

External Trade

Exports

Earnings from industrial exports account for about three fourths of total export earnings in Sri Lanka while textiles and garments account for more than a half of industrial exports in value terms. Amongst the EU member countries, the UK was the largest market for Sri Lanka's garment exports, accounting for 23 per cent of the total garment exports in 2012, followed by Italy and Germany, which accounted for 11 per cent and 5 per cent, respectively.

Petroleum products, food beverages and tobacco, transport equipment and rubber products are other major items exported from Sri Lanka.

Imports

Expenditure on fuel accounts for more than one fourth of total imports. Food preparations, fertilizer, wheat and maize, paper and paperboard and articles thereof, rubber and articles made of rubber, and textiles and textile articles were other items classified under intermediate goods which made a notable contribution towards import expenditure in Sri Lanka.

In 2012, expenditure on imports of investment goods accounted for 23 per cent of total imports, of which nearly half comprised of machinery and equipment imports.

The largest source of imports in 2012 was India, with a share of 19 per cent in total imports. China was the second largest import origin by 2012 with a share of around 14 per cent in total imports.

Sri Lanka's External Trade

USD Mn.

	Exports	Imports	Non-Fuel Imports	Trade Balance
2000	5,522	7,320	6,418.8	(1,797.5)
2001	4,817	5,974	5,243.4	(1,157.5)
2002	4,699	6,106	5,316.6	(1,406.6)
2003	5,133	6,672	5,833.9	(1,538.6)
2004	5,757	8,000	6,790.8	(2,242.6)
2005	6,347	8,863	7,208.2	(2,516.5)
2006	6,883	10,253	8,183.0	(3,370.3)
2007	7,640	11,296	8,780.7	(3,656.5)
2008	8,111	14,091	10,699.3	(5,980.6)
2009	7,085	10,207	8,022.2	(3,122.1)
2010	8,626	13,451	10,410.1	(4,825.1)
2011	10,559	20,269	15,473.9	(9,710.0)
2012	9,773	19,183	14,145.6	(9,409.0)

Trade Relations with IOC countries

Sri Lanka's Trade with IOC Countries

	Exports	Imports
Comoros	Base metals and articles, Machinery and mechanical appliances, Wood and paper products, Plastics and articles thereof (Value in 2012: USD 2,030)	Chemical products (Value in 2012: Nil)
Reunion(France)	Coconut products, Transport equipment, Food beverages & tobacco, Spices (Value in 2012: USD 4,005)	Textiles and textiles articles, Machinery and equipment (Value in 2012: USD 31,740)
Madagascar	Plastics and articles thereof, Other made up textile articles, Machinery and mechanical appliances, Leather, travel goods and footwear (Value in 2012: USD 1,761)	Machinery and equipment. Diamond, precious or semi-precious stones, Vegetables (Value in 2012: USD 543,026)
Mauritius	Coconut products, Machinery and mechanical appliances, Food beverages & tobacco, Rubber products, Spices (Value in 2012: USD 19,360)	Rubber and article thereof, Textiles and textiles articles, Clothing and accessories, Seafood, Machinery and equipment (Value in 2012: USD 5,047,215)
Seychelles	Transport equipment, Chemical products, Machinery and mechanical appliances, Base metals and articles (Value in 2012: USD 14,074)	Agriculture inputs, Transport equipment, Machinery and equipment, Chemical products, Seafood (Value in 2012: USD 1,373,179)

In value terms, the share of Sri Lanka's exports to IOC countries amounted to around 0.04% while imports from IOC countries also amounted to around 0.04%, in 2012.

Since the bi-lateral trade among IOC countries has a significant room for improvement, there is potential for IOC countries and Sri Lanka to promote their goods and services. For instance, Mauritius is a higher per capita income country (US dollars 8,850 in 2012). Major imports of Mauritius are manufactured goods, food, equipment, and petroleum while major exports are clothing, sugar, and cut flower. Seychelles was previously very much dependent on plantation crops, namely, cinnamon, vanilla and copra, but tourism and fishing are now important industries. Main imports to Seychelles are machinery and equipment, food and petroleum and these items are imported mainly from Singapore, France and Saudi Arabia. Comoros is a least developed country and is dependent on imports. Major imports to Comoros are food, rice, petroleum and construction materials.

Tourism Industry

Sri Lanka continues to attract increased numbers of foreign investors and tourists to the island. Over the years, many beautiful resorts, hotels and spas were opened, while other infrastructure facilities such as roads, airports, communication services were developed.

Sri Lanka has an inherent advantage of having a highly diversified tourism product which could be pitched against any other well established tourism destination in the world. It has pristine beaches, ancient heritage sites like Egypt or Greece, rain forests like Congo or Amazon, art and culture like India or Thailand, waterfalls like Zambia or Canada, wildlife like Kenya or South Africa, natural beauty like Switzerland or Myanmar, gemstones that could be found in Madagascar or Burma, spices produced in India or Indonesia and festivals like China or Brazil.

In terms of tourist arrivals by residence, a bulk of the tourists is coming from Western Europe (around 40% of total tourism). There is a high potential to attract tourists from other countries, specially emerging markets. However, tourists from IOC countries are very low. Eg. Tourist arrivals from Mauritius in 2012 were only 284 out of total of 1,005,605 (0.03%).

A partnership between IOC and Sri Lanka will link members of the IOC with large markets and regional trade and payment arrangements. Hence, there is an opportunity to expand economic activity in the economies of IOC member countries through such links. For example, IOC members can be linked to the ACU payment system through Sri Lanka which will help expand Sri Lanka's financial services sector. In terms of merchandise, the free trade agreements available to both parties in their respective continents could help advance investments to exploit economic opportunities.

Bilateral/ Multilateral relations of Sri Lanka

	Sri Lanka's Agreement	Members
1	The Asia-Pacific Trade Agreement (APTA)	Bangladesh, Republic of Korea, India, Laos, Sri Lanka and China
2	Agreement on SAARC Preferential Trading Arrangement (SAPTA)	Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka
3	South Asian Free Trade Agreement (SAFTA)	Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka
4	India-Sri Lanka Free Trade Agreement. (ISFTA)	
5	Pakistan- Sri Lanka Free Trade Agreement (PSFTA)	
6	Indian Ocean Rim Association for Regional Cooperation (IOR-ARC)	18 member states Australia, India, Kenya, Mauritius, Oman, Singapore, South Africa Indonesia, Malaysia, Madagascar, Mozambique, Sri Lanka, Tanzania, Yemen Bangladesh, Iran, Seychelles (withdrew as a member on 1 July 2003), Thailand, UAE Dialogue Partners China, Egypt, France, Japan, United Kingdom
7	Bay of Bengal Initiative for Multi-Sectorial Technical and Economic Cooperation (BIMSTEC)	Bangladesh, India, Myanmar, Sri Lanka, Thailand, Bhutan and Nepal
8	Trade and Investment Framework Agreement between Sri Lanka and USA (TIFA)	
9	Global System of Trade Preferences (GSTP)	Signed by the members of the Group of 77 and is an agreement for developing countries
10	Asian Clearing Union	Bangladesh, Bhutan, India, Iran, Maldives, Myanmar, Nepal, Pakistan and Sri Lanka

(c) Scientific Cooperation

Currently Sri Lanka has embarked on a national level strategy for developing a Nanotechnology Park in Homagama. This park has been established as a Public Private Partnership (PPP) project under the name SLINTech. Current research carried out and international patents acquired by SLINTech cut across a diverse range of fields including, fertilizer, mining, wearing apparel, and rubber sectors, which are of immense economic importance to Sri Lanka.

Likewise, countries belonging to the IOC are mainly engaged in agriculture, mining, textile and tourism industries. As such, these countries can benefit immensely through scientific co-operation with Sri Lanka in the below areas:

- Efficient use of fertilizer for crop cultivation
- High value addition to mined raw materials e.g Ilmenite
- Manufacture and export of smart garments

Further, SLINTech possesses state of the art laboratory facilities to carry out research in other specific sectors that may be of economic importance to these countries.

(i) Maritime Vessels

Sri Lanka is currently manufacturing boats for the export market in fisheries and leisure sectors. These boats are mainly exported to European countries and are of high quality standards. Countries belonging to the IOC also import a small number of boats from Sri Lanka at present.

As most countries falling under the IOC are extensively engaged in fishing and tourism as main economic activities these countries can benefit from high quality vessel imports from Sri Lanka at reasonable prices and joint venture collaborations for manufacturing within their local boundaries in the future.

(ii) Diamond, Gem and Jewellery

At present Sri Lanka exports gems, jewellery and diamonds to Seychelles. It also imports gems from Madagascar. Synergies for member countries involved can be achieved through joint collaborations and partnerships.

- Raw gem stone imports for re-export after cutting and polishing among member countries can be made tax free. For e.g. Cut and polished gem exports to Seychelles could be made tax free if the raw gem stones were obtained from Madagascar

- Further, Madagascar can enter into a knowledge sharing agreement where gem cutting and polishing knowhow can be exchanged for non-monetary gain such as gem stones.

Synergies for Sri Lanka in obtaining membership of the IOC

Marine Protection

- By joining the Marine Protected Areas (MPA) network of IOC member countries, we can maintain the biodiversity of our marine eco region effectively through IOC's management plans and guidance.
- Like Sri Lanka, the member nations of IOC also have marine and coastal ecosystem of high biodiversity. By taking part in the MPA network we would be able to better maintain and protect our coastal ecosystem with biological resources.

(Our coastal and marine ecosystems are: Mangroves, Coral reefs, Sea grass bed, Coastal seas, Mud flats, Salt marshes)
- Further, taking part in "Reef Monitoring" activities through a "Regional Reef Network" scheme conducted by the IOC, we would be able to preserve our Coral Reef structures.

Some such activities of IOC are:

- Train people to monitor the health status of coral reef.
- Technical training Workshop

Access to New Opportunities

Joining the IOC will provide access to commodity, product and financial markets for Sri Lanka. Various collaborations and joint ventures with member countries will not only enable the sharing of technology and knowledge, but open trade and investment opportunities where countries can experience synergies.

- Countries such as Madagascar and the Comoros may be able to obtain financing from international development agencies at lower interest rates as they have a lower per capita income when compared to Sri Lanka. This will enable partnerships with these countries where Sri Lanka lack funding, but possess the technology and knowhow to benefit from industrial projects.

E.g. If a plant for mining illmenite reserves is established in Madagascar benefitting from the low cost funding obtained from an international development finance agency, Sri Lanka can benefit through importation of raw materials at a lower cost for high value addition.

- Joint cooperation between countries will also open new market opportunities for Sri Lanka both in terms of new products and export destinations, where IOC members have established international goodwill. E.g. Tourism, financial services

(d) The Fishery Sector in Sri Lanka

Sri Lanka possesses a territorial sea of 21,500 km² and an up to 200 nautical miles from the coastline. As per presently available data, the oceanic area within Sri Lanka's jurisdiction has a very high concentration of living resources. The fisheries sector can be divided broadly into two sub sectors, namely, marine sector and inland fishing. Marine sector include coastal fishing and deep sea fishing while inland fishing consists of perennial water, inland culture as well as shrimp farming. Fisheries sector contributed to about 1.3 per cent of national output in 2012 and 823,230 of direct and indirect employment in 2012.

The fishery sector also showed a substantial improvement after 2009 with the end of conflict. In 2012, total fish production in Sri Lanka amounted to 486,000 metric tons of which marine fishery production was 417,000 metric tons. Further, in 2012, fish exports amounted to US dollars 198 million, 2.0 per cent of the country's total exports, while total fish imports including dry and fresh fish amounted to US dollars 137 million, which is 0.7 per cent of total imports.

The policy objectives of the fisheries sector include mainly improvement of nutritional status and food security of the people by increasing the national fish production, increase employment opportunities in fisheries and related industries and increase foreign exchange earnings from fish products. In line with this policy, government introduced various measures such as development of fishery infrastructure such harbors and harbor facilities, credit facilities to purchase fishery multiday boats and development of fish marketing complexes, etc. Inland fishery sector also showed a substantial improvement with issue of fingerlings to the large number of reservoirs in the country every year.

Sri Lanka has major 20 fishery harbors and a large fishery fleet in operation which includes around 8,350 multiday boats. Government has planned to increase the fish production to 680,000 metric tons and double the income from fish exports by 2016.

The areas where Sri Lanka could collaborate with IOC member countries in the fishery sector

- Sri Lanka is already a member of Indian Ocean Tuna Commission which represents the countries located in the Eastern Indian Ocean. The collaboration between the countries in the Western Indian Ocean through Indian Ocean Commission (IOC) is mutually beneficial.
- The fishery industry of the member countries of IOC will have reciprocal benefits such as improvement of technologies, knowledge, infrastructure and international trade contributing to a sustainable growth in the fishery resources.
- Deep sea fishing in Sri Lanka has a vast potential for development. Limited presence of deep sea fishing in Sri Lanka provides opportunity for expansion. IOC could help effectively to combat the unregulated and unreported fishery operations through strengthening decision making process. Further, carrying out an effective coastal guard system and on board monitoring system with the corporation of these member countries would help to facilitate to reduce illegal fishing activities.
- The cooperation of IOC would immensely help to establish the agreements among the member countries to provide the harbor services for Sri Lankan boats in international waters and vice versa in this part of the ocean.
- Further, the knowledge sharing forums could be promoted with scientists, statisticians and exporters of these countries benefiting to identify emerging threats, market opportunities, promote joint venture investments in value addition industries and also assessing fishery resources in these countries. For instance, Sri Lanka requires large quantities of small fish varieties for canned fish industry. The small fish varieties are considered to be richly available in the coastal line of Seychelles. Seychelles could also have benefits by Sri Lankan investment in ice manufacturing and cold storages to promote FDR.
- Further, comparative advantages Sri Lanka owns in designing and manufacturing fisheries boats could be shared with these countries through measures of market promotions and establishment of joint ventures.
- The exports and quality of fish could also be promoted through issuance of quality certificates on agreed terms and condition between these countries. The tariff and concessions for fish imports and exports between these countries would also be an area to be focused to increase the competitiveness.

(e) Agriculture Sector in Sri Lanka

Agriculture is a vital sector in Sri Lanka, contributing significantly to the GDP and generating large number of employment in non-urban areas. Increasing domestic agricultural production to ensure food and nutrition security of the nation is a key objective of the national agricultural policy. Presently, Sri Lanka produces most of its staple food such as cereals, pulses, fish, meat, vegetables and fruits within the country. The paddy production in 2012 was 3.8 million metric tons which is at the self-sufficiency level. Though the production levels of many crops have shown a commendable progress in 2012, which is yet not adequate to meet the entire national requirement. However, the country is already self-sufficient in production of some crops such as maize and red onion. Almost all requirements of the fresh fish are produced within the country although some fish products such as canned fish and dried fish are imported. Total domestic production of milk requirement is sufficient to meet one third of the milk consumption of the country. Further, the country produces only 6.0 per cent of the entire sugar consumption requirement while the entire requirement of wheat and dhal are totally met out of imports. Further, Sri Lanka is self-sufficient in production of its vegetable requirement and chicken and egg production.

The plantation agriculture mainly consists of tea, rubber and coconut. Sri Lanka has been the highest export earner in tea in the world. In 2012, Sri Lanka produced around 328,000 metric tons of tea while rubber and coconut production were 157,000 metric tons and 2,900 million nuts. In addition, the crops such as cinnamon, pepper and many other agricultural crops are also grown in the country. Sri Lanka produces world finest spice varieties which fetch higher premium prices in the international market. In 2012, total agricultural exports contributed to around 24 per cent of total exports earning of the country.

The areas where Sri Lanka could collaborate with IOC member countries in the agriculture sector.

- Sri Lanka can share its expertise with these nations in dealing with issues in cultivation and processing of agriculture crops. For example, Sri Lanka has expertise in the area of soil management techniques with high salinity which would be useful for IOC to improve their cultivation methods.
- Sri Lanka could also explore the possibility of exporting rice to some of these nations. For instance, Comoros is a net importer of rice which is the staple in the country.

- Sri Lanka is planning to reach the self-sufficiency of many crops and also to export the surplus. Therefore, exploration of markets in these countries is important to accommodate the present policy direction.
- Sri Lankan investment in these countries in the plantation sector especially in tea and coconut can also be explored since the land expansion of such crops in Sri Lanka has capacity limits.

(f) Sri Lanka's expertise in Tsunami related disaster management and recovery capabilities

On 26 December 2004, the coastal areas of Sri Lanka were devastated by a tsunami, a natural disaster previously unknown to almost all Sri Lankans. Sri Lanka offers one example where the State did not allow itself to get crippled in the wake of the worst ever tsunami disaster that the island nation has ever seen. Except for monsoonal flooding, landslides or occasional cyclones, Sri Lanka had previously been free from major natural disasters and the tsunami was by far the largest disaster experienced by the country. The tsunami affected more than one million people out of a total population of approximately 20 million. More than 35,000 died (Department of Census & Statistics, 2006), more than 20,000 were injured and more than 500,000 were displaced. It also orphaned more than 1500 children, while over 150,000 individuals lost their livelihoods.

The total economic damage due to the tsunami has been estimated to be more than US dollars 900 million, with a large percentage of damage concentrated in the housing, tourism, fisheries and transport sectors (ADB, 2005). The overall economic loss has been estimated at approximately 4.5% of Gross Domestic Product (GDP) and the impact of the tsunami was estimated to cause a reduction of GDP growth by 1% in 2005 (ADB, 2005).

Much of the relief efforts that was initiated immediately after the Tsunami emerged from adjoining communities, religious institutions, foreign donors and aid workers, and the Armed Services who offered immense support to the local administration in providing relief to the affected regions. Emergency repairs to damaged infrastructure were carried out in parallel to the provision of essential services-accessibility, health and sanitation, water supply, power and telecommunication facilities- within a few weeks. A scheme to provide food aid for nearly one million people and a compensation scheme for victims were initiated. Despite the sheer magnitude of the disaster and the lack of readiness of the country, the combined and collaborated response ensured that Sri Lanka recorded no additional deaths due to delayed medical attention or tsunami related illnesses.

Recognizing the sheer magnitude of the disaster, coupled with the lack of previous experience, several response mechanisms were enacted to expedite the relief effort immediately after the tsunami. A Center for National Operations (CNO) was formed under the president to liaise with all involved with the emergency response and coordinate the relief effort. Three task forces were also formed under the president: Task force for rescue and relief, Task force to rebuild the nation and Task force for logistics, law and order, while disaster management authorities were appointed at district levels to coordinate local relief efforts. The structure of the coordination mechanism changed subsequently during the recovery and reconstruction period.

In the aftermath of the tsunami, in order to improve the preparedness of the country to face emergencies and minimize the damage caused by various disasters, the Disaster Management Act was enacted by the parliament in May 2005. Under this act, the National Council for Disaster Management (NCDM) was established as the main body responsible for disaster risk management in Sri Lanka. The ministry of Disaster Management as the leading ministry and the Disaster Management Center as the executing agency for disaster risk management were also established by the directives of the NCDM.

The following are some specific measures that have been taken in the wake of the Tsunami to tackle and manage any occurrences of natural disasters in the future:

- An appropriate legal framework has been created which encompasses elaborate guidelines and mechanisms related to resource allocation which can help counter or mitigate disasters
- Arranging awareness programmes for public officers, school children and the general public on risk and vulnerability reduction, setting up regional emergency operations units
- Promotion of community based disaster management programmes
- Maintenance of a Data Bank on disaster management for accumulation and dissemination of disaster information
- Active coordination with mandated technical agencies on the issue of early warnings for natural hazards and dissemination of such warnings to vulnerable communities on time
- Promotion of research and training by rendering highly specialized professional services with special relevance to landslide related studies and slope stability measures and real time forecasting in order to mitigate such instances. It will also be used for research and development in the field of construction houses and buildings.

(g) Sri Lanka's expertise in maintaining and protecting cultural and biodiversity sites

Sri Lanka, known as the pearl of the Indian Ocean, hosts eight UNESCO World Heritage Sites. Six of these remarkable sites belong to the Cultural category whereas the other two belong to the

Natural category, each bestowed with its unique historical, archaeological value and beauty and also there are another two in the tentative list. Among these are royal and sacred cities, cave temples, virgin forests and colonial strongholds. Sri Lanka has been listed in the UNESCO world heritage list for more than 30 years and has been able to introduce new sites to the list continuously with the objective of protecting outstanding universal value in these ecosystems while ensuring the sustainability of these sites of global, historical archaeological value for future generations.

While, Sri Lanka is actively involved in the process of creating management plans for the Old Town of Galle and its Fortifications and the Sinharaja Forest Reserve, the Horton Plains National Park (HPNP), Peak Wilderness Protected Area (PWPA) and Knuckles Conservation Forest (KCF) have been successfully maintained with the creation of an overall management framework and three different management plans that were prepared in collaboration with key stakeholders. Currently, new visitor management plans are being prepared and an annual action plan is drafted every year to prevent and mitigate the environmental impact of the pilgrimage season especially in PWPA. Threats such as invasion from plant species and forest dieback are currently being addressed. Measures have also been taken to adopt strict measures against illegal gemming and cardamom cultivation.

Sri Lanka had launched the National Red List containing a list of threatened Flora and Fauna of the country, in 2012. The list had been prepared evaluating plants and animals as per the criteria of the International Union for Conservation of Nature. This was prepared in collaboration with the National Herbarium of Royal Botanical Gardens and the Biodiversity Secretariat. The list contains a total of 2,264 faunal species including 679 endemics. Besides the above groups, ants, bees, spiders, corals, marine fish, gastropods, echinoderms and many more were included to create interest among students and scientists to venture into new areas of study. A total of 3,492 floral species including gymnosperms and pteridophytes of which 943 species are endemic were also evaluated.

Sri Lanka is also a signatory of many international treaties and agreements including the United Nations Convention on Biological Diversity and its supplementary international agreements of Cartagena Protocol on Biosafety to the Convention on Biological Diversity and Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization to the Convention on Biological Diversity.

Sri Lanka continues to actively participate in conferences of countries signatory to the Convention on Biological Diversity. In accordance with the agreement that was reached with regard to implementing the new strategic plan of the United Nations Convention on Biological

Diversity, also including discussions on the means of achieving the 2020 Aichi targets within the National Biodiversity Strategy and Action Plans, Sri Lanka has taken steps to revise the existing Biodiversity Action Plan and to produce the 5th National Report on Biodiversity and Biodiversity Information Management System. Sri Lanka has already prepared a draft on proposed programmes, activities and indicators for achieving the “Aichi Biodiversity Targets – 2020” and is also taking steps to include initiatives on Biodiversity for Poverty Alleviation and Strategic Financing Mechanism into the latest revision of the Biodiversity Action Plan.

Sri Lanka is also an active signatory to the Stockholm Convention, United Nations Convention to Combat Desertification, and Vienna Convention for the Protection of the Ozone Layer, Kyoto Protocol. In this regard, Sri Lanka continues to adopt proactive measures in order to ensure protection of the environment and to strengthen national institutional capacity, facilitate information exchange and share experiences on a regional level and to create public awareness on environment-related issues.

(j) Other areas that could be expanded for regional cooperation

IOC member countries are non-oil producing services sector driven economies. Therefore, expansion of exports of services among member countries would facilitate economic growth and development.

Services, such as telecommunications, energy, transport, and business services are important inputs into the production of goods and other services and hence influence productivity and competitiveness. Increasing the availability, affordability and quality of these services is crucial for economic growth among these countries.

In this context, apart from opening up of international trade in the development of services sector among IOC member countries, opening up to services imports and foreign direct investment (FDI) can be an effective mechanism to increase competition and efficiency in the provision of services in the domestic economy. The FDI in Sri Lanka marked a substantial growth in 2011 and 2012 by crossing over US dollars 1 billion mark and expected to increase over the medium term. Investor confidence in recent year was further enhanced by the continuous improvement made by Sri Lanka in its business environment as reflected in the *Global Competitiveness Index* rankings and World Bank Group’s *Ease of Doing Business Index*.

In addition, services exports offer dynamic new opportunities for growth and development, but too often overlooked as a source of export diversification, with trade policies focusing solely on merchandises. Exports of services are of particular importance for countries whose economies of scale opportunities to diversify into the export of manufactures or industrial products are limited.

Therefore, opportunities are plenty among IOC member countries through synergy and increasing cooperation in services exports.

Sri Lanka's services sector is approximately around sixty percent of its GDP. Also, Sri Lanka offers wide array of opportunities in terms of its tourism, transportation, energy, education, IT and BPO industries.

For instance, Sri Lanka's tourism sector expanded rapidly over the last two years surpassing number of targets. In 2012, tourism arrivals passed one million and earnings from tourism crossed US dollars 1 billion mark. Sri Lanka also attracts leading hotel chains to operate in its drive to attract 2.5 million tourists by 2016. In the present context, hotels operate at capacity and as such investments are mainly looking at extra capacity creation. The room capacity to service 2.5 million tourists estimated at 45,000 and based on current capacity over 20,000 room capacity needed to be added to the industry over the medium-term. Therefore, the scope for investments is high, a) by expanding the existing capacity b) by converting some of the facilities and properties that could be used immediately as hotels, and c) for longer term large resort development and upmarket tourist facilities and infrastructure. Developments are currently taking place across all these avenues with many leading hotel chain's presence in the country such as Shangri-La, Hyatt, Movenpick and Sheraton as new entrants. Current tourism traffic from Africa still remain low and attracts only around 5,000 tourists and the majority of them come from South Africa. Synergies in tourism are common among IOC member countries. Therefore, partnering Sri Lanka in the IOC would be mutually beneficial to IOC and help designing more lucrative product base in tourism.

Further, Sri Lanka is successful in attracting substantial inflows in terms of workers' remittance to the country. In 2012, workers' remittances amounted to US dollars 6 billion. Measures are underway to further such inflows via skill migration for employment in emerging market and advanced economies from low and semi-skilled labour migration. One such area for cooperation is Sri Lanka's skilled labour in gem and jewellery industry. Sri Lanka already caters to high-end gem and jewellery markets in Europe, the Middle East and North America. Further, Sri Lanka imports diamonds and precious or semi-precious stones from Madagascar for its gem and jewellery industry. Sri Lankans also employed in Madagascar in the gem mining industry. To enhance the value-addition in gem and jewellery industry, the IOC countries could collaborate further with research and development, marketing and value-chain synergies.

The transportation sector, which consists of passenger movements, freight, port and airport related services are another prime area for collaboration with IOC member countries. Sri Lanka earned US dollars 1,634 million in transportation services in 2012. This growth was attributed to the increase in the number of passengers travelling to Sri Lanka, the increase in passenger fares

and the improvement in port and airport related activities. Meanwhile, outflows on account of transportation also increased in 2012 with an increased number of Sri Lankans travelling abroad. The member countries of IOC can immensely benefit from Sri Lanka's ideal location in the Indian Ocean as a platform to service the far-East, Indian sub-continent and the Middle- East.

The communication services sector is another important area for collaboration where opportunities galore for IOC member countries. The telecommunication industry is undergoing a rapid transition in Sri Lanka to meet the increasing demand in the growing digital and mobile related markets. Earnings from information technology enabled services (ITES) such as business process outsourcing (BPO) and knowledge process outsourcing (KPO) continued to expand further in recent years. Gross inflows into the computer and information services sub sector increased by 22.9 per cent to US dollars 436 million during 2012. Inflows on account of KPO, which is classified under 'other business services' also increased in 2012, and exports of BPO and KPO services are estimated to have exceeded US dollars 600 million in 2012. Positive socio-economic developments in the country, relatively better IT infrastructure facilities, the availability of a skilled workforce, price competitiveness, and reliable and efficient services delivery helped sustain the growth in the industry. During 2012, Sri Lankan IT companies which provide software solutions to overseas clients, especially to the Middle East and the African region performed well with earnings growing by 12 per cent. Sri Lanka possesses a comparative advantage in BPO and KPO industries due to the availability of qualified professionals in fields such as finance and accountancy, engineering, law and architecture. The *AT Kearney Global Services Location Index (GSLI) - 2011* ranked Sri Lanka 21st in its index which identifies the leading outsourcing destinations globally, while Sri Lanka is featured among the top 30 in the *Gartner Ranking*. Meanwhile, the *Tholons Top 100 Outsourcing Destination Report -2013* ranked Colombo among the top 20 leading outsourcing destinations internationally. The *Lanka BPO Academy*, a recognised BPO training provider, plans to train more than 2,000 students and BPO professionals annually, thereby ensuring the availability of skilled labour required for the industry. Therefore, IOC member countries expected to mutually benefit and increase their efficiency of service provision to the rest of the world by linking with Sri Lanka.

Some Economic Indicators as at end 2012

<i>Population</i>	20.328 million												
<i>Labour force</i>	8.465 million												
<i>Literacy rate</i>	92.2%												
<i>Unemployment rate</i>	4.0												
<i>Poverty</i>	4.2												
<i>Infant mortality</i>	9.4 per 1000 Live birth												
<i>GDP (nominal)</i>	US \$ 59.7billion												
<i>GDP per capita (nominal)</i>	US \$ 2,923												
<i>GDP Growth (real)</i>	6.4%												
<i>Sectoral Classification</i>	<table border="1"> <thead> <tr> <th>Sector</th> <th>Contribution (%)</th> <th>Growth (%)</th> </tr> </thead> <tbody> <tr> <td>Agriculture</td> <td>11.1</td> <td>5.8</td> </tr> <tr> <td>Industry</td> <td>30.4</td> <td>10.3</td> </tr> <tr> <td>Services</td> <td>58.5</td> <td>4.6</td> </tr> </tbody> </table>	Sector	Contribution (%)	Growth (%)	Agriculture	11.1	5.8	Industry	30.4	10.3	Services	58.5	4.6
Sector	Contribution (%)	Growth (%)											
Agriculture	11.1	5.8											
Industry	30.4	10.3											
Services	58.5	4.6											
<i>Consumption (% of GDP)</i>	83												
<i>Investment (% of GDP)</i>	30.6												
<i>National savings (% of GDP)</i>	24												
<i>Inflation (annual average)</i>	7.6 %												
<i>Inflation (y-o-y)</i>	9.2 %												
<i>GDP Deflator</i>	8.9 %												
<i>Exports</i>	US\$ 9.774 billion												
<i>Imports</i>	US\$ 19.183 billion												
<i>Current Account Balance (% of GDP)</i>	-6.6												
<i>FDI (Including Loans)</i>	1,338 US\$ million.												
<i>Total External Reserves</i>	8,357 US\$ million												
<i>Gross Official Reserves</i>	6,877 US\$ million												
<i>Exchange Rate (Rs/US\$)</i>													
Year end	127.16												
Annual average	127.60												
<i>Budget Deficit (% of GDP)</i>	-6.4 %												
<i>Government Debt (% of GDP)</i>	79.1 %												
<i>Share Market Capitalization</i>	US \$ 17.1 bn												
<i>Trade Agreements</i>	Indo-Sri Lanka Free Trade Agreement, Pakistan-Sri Lanka Free Trade Agreement, SAFTA, APTA, BIMSTEC, GSP												
<i>Natural Resources</i>	Gems, limestone, graphite, mineral sands, and phosphate												
<i>Main Sectors of the Economy</i>	Agriculture, apparel, rubber based products, tourism, port-aviation related services, BPO/KPO services, telecom, banking and finance.												

Major Agriculture Products	Tea, rubber, Coconut, Paddy, Vegetables, potatoes, red onion, big onion, Fruits Minor agricultural crops such as tobacco, maize, corn, cinnamon, cloves
Major Industries	Apparel, rubber based products (tyre, rubber gloves) processing of tea, rubber, coconuts, ship & boat building, ceramic products, light engineering, dairy
Export commodities	Apparel, rubber base products, petroleum products, tea, raw rubber articles, spices, fruits, vegetables, fish products, Electrical machinery and equipment; petroleum products
Main export partners	USA (22%); UK (11%); Italy (6.14%); Belgium (5.1%); Germany (5%);Asia (15%);EU-other(12%);Middle East(10%).
Import commodities	Mineral fuels, oils and products; Machinery and mechanical appliances; Electrical machinery and equipment and parts thereof; cotton; Knitted or crocheted fabrics; Plastics and articles thereof; Vehicles other railway or tramway rolling stocks; Cereals; Natural or cultured pearls and semi-precious and precious stones; and Paper and paper board and articles of paper pulp.
Main import partners	India (19%); Singapore (9%); China (14%); Asia- other(19%);Middle East(15%);EU(9%);USA(1%)
Tourist arrivals	Total tourist arrived in 2012 are 1,005,605 and by country wise: India(17.5%);U.K(11.4%);Germany(7.1%);France(5.7%),Aust raliya(5.1%);USA(3%)
Foreign Banks in Sri Lanka	Citibank, Deutsche Bank AG, Habib Bank, HSBC. ICICI Bank, Indian Bank, Indian Overseas Bank, MCB Bank, Public Bank Berhad, Standard Chartered Bank & State Bank of India
Local Commercial Banks	<u>State-owned</u> : Bank of Ceylon, and People's Bank; <u>Private</u> : Seylan Bank, Hatton National Bank, Commercial Bank of Ceylon, DFCC Vardhana Bank, Sampath Bank, NDB Bank, Union Commercial Bank, Nations Trust Bank, Panasia Banking Corporation

Sri Lanka's position in world indicators

	2011	2012	2013
Ease of Doing Business	102	89	81
Human Development Index	97	93	92
Index of Economic Freedom	107	97	81
Corruption Perception	86	79	na
Global Competitiveness Index	62	52	68