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Doing Business in Sri Lanka

Market Overview

Sri Lanka is a lower middle-income country located in South Asia off the southern coast of India on the main east-west Indian Ocean shipping lanes. Gross domestic product (GDP) reached \$86.6 billion and per capita GDP was \$3,853 in 2019. After 30 years of civil war, which ended in 2009, Sri Lanka's economy is transitioning from a predominantly rural-based economy towards a more urbanized economy oriented around manufacturing and services. The country has made significant progress in its socio-economic and human development indicators and ranks among the highest in South Asia. Sri Lanka's export economy is dominated by apparel and cash-crop exports, mainly tea, but technology services exports are a significant growth sector. Prior to COVID-19 and the subsequent closure of the airport, the tourism industry was expanding rapidly. Severe contractions to that industry have occurred due to the present crisis, with possible follow-on effects in other sectors of the service economy as well as manufacturing. The agriculture sector was expected to grow in 2020. Overall, the economy was forecasted to contract 5.5 percent in 2020, according to ADB estimates.

The Sri Lankan economy grew by 2.7 percent in 2019 amid external shocks, political change, and the economic fallout after the Easter Sunday terror attacks. Prior to the April 21 attacks, GDP growth was expected to improve to about 3.5 percent in 2019, and over 4 percent in the medium term. Inflation was projected to reach 4.5 percent by end 2019. Remittances from migrant workers, approximately \$7.1 billion in 2020, are a significant source of foreign exchange for the country. Tourism is a \$4.4 billion industry with 2.3 million tourist arrivals in 2018, which fell to 1.9 million arrivals in 2019. Lonely Planet named Sri Lanka its top travel destination in 2019, prior to the April 21 terrorist attacks.

Foreign direct investment (FDI) into Sri Lanka reduced to approximately \$768 million in 2019, compared to \$1.6 billion in 2018. Recent FDI was concentrated in real estate, mixed development projects, ports, and telecommunications sectors. The tourism sector, with around two million tourists per year (before the global COVID-19 pandemic) and a variety of cultural, wildlife, and outdoor offerings, has been a priority sector for investors. The business process outsourcing sector is also growing and has strong involvement from U.S. firms. With a growing middle class, investors also see opportunities in franchising, retail, and services, as well as light manufacturing. The uncertainty caused by COVID-19 will likely curtail tourism growth and foreign direct investment and weigh on the overall macroeconomic outlook in 2020 and beyond.

President Gotabaya Rajapaksa, who came to power in December 2019, ran on promoting a pro-business agenda, including announcing tax benefits for new investments to attract Foreign Direct Investment (FDI). His government's economic goals, outlined in an election manifesto, include: positioning Sri Lanka as an export-oriented economic hub at the center of the Indian Ocean (with government control of strategic assets such as Sri Lankan Airlines), improving trade logistics, attracting export-oriented FDI, and boosting firms' abilities to compete in global markets.

Looming debt service payments present another significant challenge for the Sri Lankan government, as cited in the decisions of three major credit rating agencies in downgrading the country's sovereign debt in 2020. The government's foreign debt payments amounted to \$3.8 billion from June to December 2020. Standard & Poor's credit rating for Sri Lanka stands at CCC+/C with stable outlook. Moody's credit rating for Sri Lanka stands at Caa1 with the outlook stable. Fitch's credit rating for Sri Lanka was last reported at CCC. The previous government, under a three-year Extended Fund Facility (EFF) with the International Monetary Fund (IMF), committed to a program of fiscal consolidation, rebuilding foreign exchange reserves, state owned enterprise reform, and reforms to the trade and investment regime. The current government has since pulled the country out of all IMF programs and has publicly stated it would no longer seek assistance from the IMF. Sri Lanka's debt situation has limited the government's ability to issue sovereign guarantees for major projects.

The United States is the largest single market for Sri Lankan exports, importing \$2.7 billion, while U.S. exports to Sri Lanka were \$390 million in 2019. The U.S. goods trade deficit with Sri Lanka was \$2.3 billion in 2019.

Market Challenges

Inconsistent and unpredictable policies, including taxation, customs procedures, and regulatory approvals, are common concerns for U.S. and foreign companies. U.S. and foreign companies also raised concerns regarding opaque public tendering processes and widespread corruption. President Gotabaya Rajapaksa has committed his government to business process reforms.

The government generally supports import substitution. Importers to Sri Lanka face high import duties and other taxes. A variety of taxes have effectively increased Sri Lanka's tax rates on a range of imported items to between 60 and 100 percent of the cost, insurance, and freight (CIF) value of the product. Additionally, in April 2020 the government introduced what have proven to be indefinite suspensions on a wide variety of goods deemed non-essential in a bid to preserve the exchange rate. Agricultural imports face stiff health regulations that sometimes exceed global standards. For example, genetically-modified (GMO) regulations restrict imports of U.S. agriculture commodities.

Congested roads slow the movement of goods throughout the island, although the Government of Sri Lanka is working towards improving road infrastructure. Unreliable power supplies, particularly outside the capital, force manufacturers and service providers to install on-site generators.

Businesses cite a lack of sufficient labor supply as a major hindrance for operating in Sri Lanka. Qualified workers are in short supply as a result of the education system producing too few engineers, technicians, scientists, and English speakers. Business representatives complain that the rigid labor laws, including exceptionally high severance pay regulations, make it difficult to adjust staff size and composition to market conditions. There are also numerous and overlapping labor regulations that are often difficult for investors to understand.

Piracy is a problem for U.S. rights-holders in music, film, software, and some consumer products. Sri Lanka also lacks anti-competition laws.

Market Opportunities

Sri Lanka is a lower middle-income country with a sizeable middle class that seeks U.S. and Western products and services. However, the country still has significant infrastructure needs, and the government continues to invest in roads, public transportation, ports, airports, public housing, waste and water treatment, and power projects. As a hub for tourism, Sri Lanka also requires a range of services and high-end products. Sri Lanka also seeks to position itself as a logistics and technology hub for the region, which creates an opportunity for information technology equipment and services exports. Priority sectors include:

- **Infrastructure Development:** Engineering, construction and equipment products and services for road, power plants, sewage, water, rail, port, and airport projects.
- **Real Estate and Construction:** The country's construction sector continues to grow rapidly in development of high-end residential, commercial space, hotel and resort construction, and infrastructure with the sectors contribution to GDP in 2019 estimated at around 7.4 percent. The annual value of the construction sector is estimated at \$6 billion. Many local and international construction companies are active in the industry.
- **Textiles:** Sri Lanka imports approximately \$2.8 billion of textiles and yarn annually for the apparel industry and requires a range of equipment and services.
- **Agriculture:** A growing need for wheat grain, lentils, cotton yarn, and fruits and development of agriculture related infrastructure, including cold-storage facilities.
- **Telecommunications and Technology:** Sri Lanka aims to become an information technology hub. In addition, the Government of Sri Lanka and private sector institutions are digitizing records and processes and upgrading existing networks and systems.
- **Franchising:** Franchises offer another opportunity to appeal to tourists and a growing middle class.

Market Entry Strategy

U.S. companies that offer competitive pricing and quality products and services have successfully entered the market. Local agents are helpful to enter the Sri Lankan market. The U.S. Embassy can assist U.S. companies in finding local agents and distributors for a fee through U.S. Foreign and Commercial Service matching making and due diligence services. Sales to the Government of Sri Lanka may require a local agent. For firms investing locally, the Board of Investment (BOI) (www.investsrilanka.com) offers information regarding investment incentives and other services.

Leading Sectors for U.S. Exports and Investment

Energy

This is a best prospective industry sector for this country.

Overview

The Sri Lankan government is aiming for an energy self-sufficient nation by 2030. The objective is to increase the power generation capacity of the country from the existing 4,043 MW to 6,900 MW by 2025 with a significant increase in renewable energy. Sri Lanka has already achieved a grid connectivity of 98 percent, which is relatively high by South Asian standards. Electricity in Sri Lanka is generated using three primary sources: thermal power (which includes coal and fuel oil), hydropower, and other non-conventional renewable energy sources (solar power and wind power).

From 2018- 2037, Sri Lanka plans to add 842 MW of Major Hydro, 215 MW of Mini Hydro, 1,389 MW of solar, 1,205 MW of wind, 85 MW of biomass, 425 MW of oil-based power, 1,500 MW of natural gas and 2,700 MW of coal power into the electricity generation system. The annual total electricity demand is about 14,150 GWh. The annual demand for electricity is expected to increase by 4.9 percent over the next 20 years, a number constrained by high prices.

Despite the long-term plans, Sri Lanka experienced a number of power outages in 2018, 2019, and 2020 as hydropower reaches capacity and begins to decline due to less predictable weather patterns. As a result, Sri Lanka plans to add additional coal, renewable, and liquefied natural gas (LNG) power plants in the next 10 years. The government has several active proposals to develop LNG import facilities and related power plants and a new oil refinery. The current oil refinery is over 45 years old and needs urgent modernization in order to meet the demand in the petroleum sector.

The Sri Lanka Sustainable Energy Authority (SLSEA) actively promotes all forms of renewable energy.

Leading Sub-Sectors

Power Generation Plants

Opportunities

Sri Lanka needs to add significant capacity in order to meet current and future power demand, which is forecast to grow at around eight percent annually. Sri Lanka has total electricity generating capacity of 40 GWh, as it mainly relies on thermal power, including a Chinese built coal power plant, which accounts for 45 percent of its supply. Inadequate rainfall has limited hydro power generating capacity, and the government was forced to impose power cuts during early 2019 due to lack of generation capacity. The government has resorted to purchasing expensive emergency power to meet electricity shortages. Opportunities in the power sector include: wind and solar plants, LNG power plants, converting auto diesel-fired plants to dual fuel (liquid natural gas) plants, mini hydroelectricity plants, home solar systems, wind energy, electrical meters and switches, power transmission and control systems, and power cables. An RFP for a 300MW LNG plant was published in the February 2021. Sri Lanka hopes to add 1000MW of solar power and 780MW of wind power from 2020-2025.

The Sri Lanka Sustainable Energy Authority (SLSEA) is actively promoting renewable energy options, and statistics reveal renewable energy contribution is steadily increasing. Sri Lanka has vast wind-energy resources due to its location in the Indian Ocean. Eleven wind power plants are currently connected to the national grid. USAID has assessed wind and solar energy potential for Sri Lanka. This information is available at www.nrel.gov.

Resources

Ceylon Electricity Board

<http://www.ceb.lk/>

Telecommunications and Information Technology

This is a best prospect industry sector for this country.

Overview

The telecommunication, computer, and information services are key growth components within the services sector and delivered steady growth in 2019. Total credits from the ICT sector amounted to \$1,054 million in 2019, about 15.7 percent growth over the previous year. In 2018, the country initiated the process of adopting fifth generation (5G) technology. U.S. software providers have been successful in selling solutions to private customers and to some public-sector agencies. Sri Lanka is building a national fiber network linked to numerous international cables. This 45,000 km network, built and managed by Sri Lanka Telecom, will serve as the backbone for fixed broadband and mobile services, including 5G. The BOI supports the development of the telecom sector. The BOI's funding as approved in 2018 and 2019 provided significant investment for network expansion and upgrades to mobile and fixed broadband infrastructure.

The market is now preparing to move from 4G to 5G mobile services. Dialog Axiata and Mobitel conducted pre-commercial 5G trials during 2019, and Dialog has thus far repurposed 20 percent of its LTE antennas for 5G compatibility.

Sri Lanka's information technology and business process outsourcing sector tripled exports and doubled the workforce in a little over five years, from 2015 to 2020. The sector grew by 120 percent from 2015 to 2020 with current exports at over \$1 billion, making it one of the highest growth areas in the economy and the fifth largest export segment. Sri Lanka's IT/business process management sector envisions \$5 billion in revenue, 200,000 direct jobs, and 1,000 start-ups by 2022. The state-owned Information and Communication Technology Agency (ICTA) is at the forefront of driving IT and implementing programs to ensure development of IT in cities as well as rural areas. The ICTA is involved in a five-pronged strategy of the e-Sri Lanka initiative, which encompasses building information infrastructure and an enabling environment, developing ICT human resources, modernizing government, and delivering citizen services, leveraging ICT for economic and social development, and promoting Sri Lanka as an ICT destination.

Sri Lanka is also emerging as a global IT Business Process Outsourcing (BPO) destination of choice in several key areas. Sri Lanka was ranked 25th among the top 50 global outsourcing destinations in 2019 by AT Kearney. Sri Lanka's software industry has grown significantly over the past decade. The software services sector includes telecommunications, banking, financial services, and insurance (BFSI) and software testing. The BPO sector includes financial & accounting services, investment research, engineering services, and UK-based legal services. According to the World Bank, Sri Lanka has relatively low labor costs compared to other BPO destinations. HSBC, RR Donnelley, Sysco LABS, Astron, 3SG, Hellocorp, Innodata, and WNS Global Services have set up call centers or BPO operations in Sri Lanka. Numerous U.S. companies, many small or medium sized, are developing software in Sri Lanka. The government seeks to further develop Sri Lanka as a base for information technology, call centers, and out-sourcing.

The telecom sector in Sri Lanka is one of the country's most dynamic sectors, contributing significantly, both directly and indirectly, to investment, employment, productivity, innovation, and overall economic growth. Sri Lanka's telecommunication market is overcrowded, with five mobile operators serving a population of 22 million. The telecom sector in Sri Lanka is responsible for substantial foreign direct investment (FDI). Telecom use has been rising, and the total fixed line and mobile telephone density has increased to 142 per 100 persons led by an increase in mobile subscribers. The demand for basic voice services appears to have reached the saturation point. The mobile-telephone operators dominate the sector. The continued expansion in infrastructure has enabled a sophisticated level of telecommunication services throughout the whole country. There is significant competition among the existing operators, consisting of three fixed-line operators, five mobile phone operators, and 11 Internet Service Providers. The U.S. exported approximately \$2 million of telecommunications equipment to Sri Lanka in 2019.

Sri Lanka is connected to the South East Asia-Middle East-West Europe 4 (SEA-ME-WE 4) and SEA-ME-WE 5 projects, the submarine cable systems linking South East Asia to Europe via the Indian Sub-Continent and Middle East. The projects aim to take these regions to the forefront of global communication by significantly increasing the bandwidth and global connectivity of users along its route between Singapore and France. SEA-ME-WE 4 fiber optics cables provide a bandwidth capacity of 4.26 terabits per second, with a 25-year guaranteed lifespan for the technology. SEA-ME-WE 5 has an increased bandwidth capacity of 24 terabits per second. This submarine cable system offers Sri Lanka an immense bandwidth advantage and paves the way to make Sri Lanka a globally competitive business hub. The South East Asia–Middle East–Western Europe 6 project has been proposed and is expected to supply an additional 12 terabits per second bandwidth capacity, bringing more capabilities to Sri Lanka’s IT sector.

Leading Sub-Sectors

Telecommunications Equipment and Infrastructure

Software

Mobile applications

Opportunities

Opportunities for digitizing the government procurement system.

There are opportunities for U.S. software and hardware vendors.

There are opportunities for software application (app) development.

There are opportunities for telecommunications equipment.

Resources

Information and Communication Technology Agency www.icta.lk

Sri Lanka Association for Software and Services Companies www.slasscom.lk

Textiles

This is a best prospect industry sector for this country.

Overview

Sri Lanka's apparel export industry is one of the largest contributors to the economy. The industry has recorded substantial growth levels over the past four decades and is currently the country's leading export, accounting for approximately 44 percent of total exports, and providing about 33 percent of the manufacturing employment in the country. Earnings from apparel exports in 2019 were \$ 5.3 billion, a 5.1 percent increase compared to the previous year.

Sri Lanka has built its competitive edge on value-addition rather than cheap production cost, with greater emphasis on product quality and its ability to manufacture niche products. Despite increased international competition, exporters seem to be faring well. Apparel exports to EU increased following the restoration of the EU GSP+ facility in 2017. However, there has been a drastic reduction in orders during COVID due to retraction of the U.S. and EU economies, the main apparel buyers from Sri Lanka.

Leading Sub-Sectors

Establishing textile-manufacturing facilities

Providing technological equipment

Warehousing hub for U.S. yarn

Opportunities

The apparel industry is a key sector that needs continuous upgrading and acquisition of new technology and equipment.

There are prospects to supply grey fabric, denim, polyester yarn, and specialized fabric used for lingerie and sportswear.

Many Sri Lankan apparel companies manufacture for top U.S. apparel brands.

Attractive incentives are available for U.S. manufacturers to establish textile-manufacturing facilities. U.S. suppliers who want to compete in this market need to be flexible in negotiating payment terms.

Resources

JAAF

www.jaafsl.com

Construction

This is a best prospect industry sector for this country.

Overview

The construction industry contributed 7.4 percent of Sri Lanka's GDP in 2019, employing around 600,000 workers. The construction sector has grown rapidly in development of high-end residential, commercial space, hotel and resort construction, and infrastructure since 2010. The turnover value of the construction sector is estimated at \$4.3 billion annually. Many local and international construction companies are active in the industry.

Several large infrastructure projects are under development, including the PRC-built Port City on newly reclaimed land within Colombo's city limits. The economic slowdown post-COVID-19 has dented some optimism within the real estate and construction sector, but analysts expect demand to pick up with the economic recovery, and low prices may offer opportunities for developers.

Leading Sub-Sectors

Equipment sales

Engineering, procurement, and construction

Direct contracting

Opportunities

U.S. companies have significant opportunities to sell a range of equipment and technology, ranging from earth-moving equipment and building appliances to heating, ventilation, and air conditioning (HVAC) systems. Buyers are often price sensitive, but high-end developments have more leeway to purchase high quality products and services.

Sri Lankan developers also frequently team up with U.S. engineering and design firms, especially for high-end office buildings, luxury apartments, or resorts.

The government, under the Ministry of Urban Development, hopes to radically modernize urban infrastructure in and around Colombo utilizing innovative technology (e.g. smart city innovations) to propel it to 'high income developed nation' status by 2030.

Resources

Urban Development Authority <http://www.uda.gov.lk/>

Sri Lanka Ports Authority <http://www.slpa.lk/>

Board of Investment of Sri Lanka <http://www.investsrilanka.com/>

Oil and Gas

This is a best prospect industry sector for this country.

Overview

Oil Exploration: Sri Lanka held an international bidding round in 2019 to explore and produce oil and natural gas in two blocks in the Mannar and Cauvery Basins. The bids were for the Mannar Basin's M1 block -- covering 2,779 square kilometers -- and its northern neighbor, the Cauvery Basin's C1 block -- covering 2,246 square kilometers. The government is currently reviewing the submitted bids.

Based on data acquired from seismic surveys, the government estimates that there are over one million barrels of oil resources in a 30,000-square-kilometer area in northern waters. The seismic surveys were conducted by an Australian subsidiary of Norwegian firm TGS-NOPEC in 2003 and 2005.

Sri Lanka's Petroleum Resources Development Secretariat (PRDS) has identified several blocks for offshore oil exploration in the Mannar Basin, the Cauvery Basin, and the Lanka Basin. Based on the initial studies, data and regional studies, the PRDS is estimating the Mannar basin alone could have the potential to generate five billion barrels of oil and nine trillion cubic feet of natural gas, which would be sufficient for Sri Lanka's energy needs for the next 60 years. The first exploration license in the Mannar Basin was issued to Cairn India (www.cairnindia.com) in July 2008. The test wells have produced natural gas, but the company decided to exit oil and gas exploration activities in Sri Lanka in 2015 due to low crude oil and natural gas prices. The government has also entered into exploration agreements with Total, Equinor, and Bona Vista Energy.

The Government of Sri Lanka entered into an agreement on August 17, 2019, with the French Oil and Gas Supermajor TOTAL E&P with the inclusion of the Norwegian Oil and Gas company Equinor ASA as a joint study partner to explore the hydrocarbon potential in the eastern offshore region of Sri Lanka. The government also signed an agreement with Eastern Echo DMCC in 2018, subsidiary of a major oilfield services company Schlumberger, to collect, market, and license petroleum data on a "multi-client" basis, enabling several data acquisition projects, including 2D and 3D seismic, in selected offshore areas around Sri Lanka at no cost to the government. The main objective of entering into this agreement is to acquire more petroleum data using modern acquisition and processing techniques, and thereby reduce the technical and financial risk of prospective investors in deep water exploration in Sri Lanka and encourage increased levels of investor participation in oil and gas exploration activities.

Oil Refinery and Pipeline: Sri Lanka's only refinery and the main port-to-refinery pipeline are in urgent need of upgrading and expansion. The state-owned Ceylon Petroleum Corporation (CPC) runs the Sapugaskanda refinery and is planning to modernize the existing refinery and to build a new one. Although the government has made multiple announcements on building a new refinery, no new projects have commenced. The CPC expects to increase the refining capacity from the current 50,000 barrels per day to 100,000 barrels per day. Sri Lanka's main 5.8-kilometer oil pipeline also needs urgent replacement.

Leading Sub-Sectors

Refurbishment of oil refinery

Appraisal and development of natural gas discoveries

Opportunities

The refurbishment of the Sapugaskanda oil refinery is a high priority for the Government of Sri Lanka. Output from the Sapugaskanda oil refinery meets 40 percent of Sri Lanka's demand for refined fuels and the government imports 60 percent of the refined fuels consumed domestically. The government is currently exploring options to implement the expansion project.

The government is also interested in the construction of a private sector owned refinery that could serve both the domestic market and export market. The Ministry of Petroleum will consider these proposals on a regular basis (no

tender required) and will seek the Cabinet's approval on vetted viable projects. Companies must secure requisite financing to be a serious contender.

There will be opportunities to supply equipment and services needed for oil and gas exploration projects.

The government is expected to offer an international licensing round for the appraisal and development of natural gas discoveries in block M2 of the Mannar Basin.

Resources

Petroleum Resources Development <http://prds-srilanka.com/>

Ceylon Petroleum Corporation <http://ceypetco.gov.lk/>

Ministry of Petroleum Industries <http://www.petroleummin.gov.lk/>

Travel and Tourism

Overview

Tourism has traditionally been the third largest foreign exchange earner in the country. Sri Lanka recorded over 1.9 million tourist arrivals in 2019, a 21 percent drop from the previous year owing to the aftermath of the Easter Terror Attacks. It is estimated that the sector earned around \$3.5 billion in 2019. The effects of the global COVID-19 pandemic crippled the sector in 2020, which is currently catering almost exclusively to local tourists and international arrivals under strict “travel bubble” restrictions. Sri Lanka offers a mix of attractions including beaches, wildlife parks, rain forests, tea plantations, ancient ruins, Buddhist cultural sites, and festivals. Sri Lanka ranked 77th out of 141 countries in the Travel & Tourism Competitiveness Report 2019 of the World Economic Forum. India and the People’s Republic of China (PRC) contributed the largest number of tourist arrivals, followed by the UK, Germany, and France.

Investment in the tourism sector was strong in 2019, with projects approved that year valued at around \$153.9 million. The government aims to attract global names to Sri Lanka. Several international and regional hotel chains have begun building or operating hotels in Sri Lanka, including the Hilton, Marriott, Shangri-La, Six Senses, and Movenpick. Shangri-La and Movenpick commenced operations in 2017, while Hilton took over management of DoubleTree by Hilton Weerawila Rajawarna Resort in 2020. Others such as Sheraton and ITC are in the process of completing projects. A few local conglomerates control most of the luxury resort hotels in Sri Lanka. In addition, the boutique hotel concept is catching on fast. During Sri Lanka’s lengthy civil war (which ended in 2009), international hotel companies were absent from the country. Hilton had been the only global player in Sri Lanka, managing a luxury hotel (which is government owned) and an apartment complex in Colombo for many years.

Tourism offers both investment and trade opportunities. The government currently offers beach land and islets for tourism development. Eastern Sri Lanka is an area that offers significant potential as the beaches in this area are considered world-class. Locations such as Pasekudah and Arugam Bay are premier destinations, especially for surfing enthusiasts. The country has several parks and forests that are home to a multitude of wildlife and unique fauna and flora species and is considered a biodiversity hotspot by several international environmental groups. A prohibition on sales of land to foreigners may complicate development of new properties. Eco-friendly resorts are also gaining popularity with many developers opting to establish “green” hotels to attract a growing ecotourism market segment. Increased tourism drove significant growth in the restaurant industry until the global pandemic.

After closing airports to commercial traffic in March 2020, Sri Lanka opened up again to foreign tourist arrivals under a “bio bubble” concept in January 2021. Bio bubble waives the quarantine requirements for leisure travelers, allowing them to leave the confines of their hotel rooms, so long as they stay at approved hotels and refraining from interacting with locals. While travelers are not permitted to leave their hotels on their own during the initial 14 day “bio bubble” period, they are able to take approved tours of select tourist sites at designated times. Travel to the attractions is controlled by approved travel agents or hotels. Sri Lankan tourism and health authorities have certified 98 hotels for the program. All facilities at these hotels are available for use to bio bubble tourists, however the hotels are prohibited from accepting local customers. Doctors are available at the hotels to monitor the health of staff and guests, according to the Ministry of Tourism’s guidelines.

Leading Sub-Sectors

Casual Dining Restaurants

Hotel Equipment

Hotel Franchise

Opportunities

The tourism sector should represent considerable long-term opportunities for U.S. suppliers in a range of areas such as infrastructure, technology and consultancy services, hotel equipment, furniture, water purification systems,

electrical systems, energy efficient equipment, restaurant and kitchen equipment, food and beverage, bathroom accessories, spa and fitness equipment, and water sports equipment.

The increased expansion of the hotel sector, upgrading of current properties, and construction of international hotel chains that require high end inputs and technology, provide significant prospects for U.S. companies.

The number of casual dining, fine dining, and quick service restaurant outlets have significantly increased in Sri Lanka during recent years. International and domestic restaurants are expanding their operations. Various new-to-market restaurant companies continue to explore opportunities and make investments. U.S. suppliers with an interest in Sri Lanka have increasing options to introduce U.S. products to the growing culinary and hospitality sectors.

Resources

The Hotels Association of Sri Lanka <http://www.thasl.lk/>

Sri Lanka Tourism Development Authority www.sltda.lk/index.php

Agricultural Sector

Overview:

The agriculture sector contributes about 7.4 percent to the national GDP, out of which the fisheries sector contributes around 1.3 percent and the livestock sector accounts for 0.9 percent. Over 25 percent of Sri Lankans are employed in the agricultural sector. Although Sri Lanka is a fertile tropical land with the potential for the cultivation and processing of a variety of crops, issues such as productivity and profitability hamper the growth of the sector.

Sri Lanka's primary food crop is rice. Rice is cultivated during two seasons. Tea is cultivated in the central highlands and is a major source of foreign exchange. Fruit, vegetables, and oilseed crops are also cultivated in the country. One of the current government's top priorities is to increase productivity in the agriculture sector. Sri Lanka has been slow to adopt mechanized farming. The government wants to increase mechanization and grow higher value cash crops such as fruit, flowers, and other export-oriented crops. The lack of private investment in agriculture due to uncertain policies limits the expansion of the sector.

The importation of food and beverages accounted for 7.2 percent of total imports in 2019 with total agriculture, food, and beverage imports reaching \$1.4 billion. Since the start of the COVID-19 pandemic, the Government of Sri Lanka has placed temporary restrictions, albeit without a stated expiration, on many agricultural imports. Some government officials have publicly called for restrictions to be made permanent and to be expanded to cover all food products.

Leading Sub-Sectors

Wheat Grain

Lentils

Animal feed

Dairy Products

Meat

Cotton, Yarn, and Fabric

Opportunities

Wheat Grain: Sri Lanka imported approximately 1.15 million metric tons of wheat in 2019. All imports were commercial transactions and mostly of Canadian origin. U.S. wheat exports to Sri Lanka were estimated at around \$28 million in 2019. Prima Ceylon Ltd, a Singapore-based wheat miller, is the largest producer of wheat flour in the country. The flour produced by Prima is for domestic consumption, as well as for exports. The company operates one of the largest flour mills in the world in the eastern town of Trincomalee. A second mill, owned by a company from the UAE, operates in Colombo. The main competitors in the wheat-supply business are Canada, India, and Australia.

Lentils: Sri Lanka is one of the major importers of red lentils with annual imports estimated at approximately \$80 million. India is a main exporter of lentils to Sri Lanka. U.S. suppliers have significant opportunities in this market if a competitive pricing structure can be developed with a view to long-term selling in the market. Many local buyers have expressed an interest in working with U.S. suppliers due to the superior quality of U.S. lentils.

Animal feed: Sri Lanka spends approximately \$176 million annually to import animal feed. Soy and corn are the main ingredients used in the animal feed industry, which formulates around 500,000 metric tons of animal feed annually. GMO restrictions are not applicable for animal feed.

The United States exported approximately \$85 million of animal feed to Sri Lanka in 2019.

U.S. soybean product exports to Sri Lanka were estimated at \$82 million in 2019. Soybean meal constitutes 82 percent of animal feed exported to Sri Lanka. In addition, soybean exported in other forms accounts close to \$1 million.

Currently, roughly 150,000 metric tons of corn are imported to the country annually to supplement the local production. The United States exported \$0.7 million of corn (maize) to Sri Lanka in 2019.

Dairy Products: Sri Lanka is a net importer of dairy products. The country imported \$312 million of milk and milk products in 2019. The United States exported \$14 million dairy produce to Sri Lanka in 2019.

Meat: The total U.S. meat and edible meat offal exports to Sri Lanka were only \$0.6 million in 2018. There is a growing demand for U.S. turkey, duck, and other meat types for the food service industry.

Cotton, Yarn, and Fabric: Sri Lanka imports approximately \$208 million of cotton (raw cotton, yarn, and fabric) annually. Imports of cotton, yarn and fabric from the United States were about \$1.5 million in 2018. U.S. cotton suppliers have substantial opportunities to supply to Sri Lanka's export-orientated apparel sector. China, India, Indonesia, and South Korea are the current major cotton suppliers to Sri Lanka.

Resources

Ministry of Agriculture

www.agrimin.gov.lk

Transportation

Overview

Situated close to some of the world's most important sea lanes connecting the Asian, African, and European continents, Sri Lanka has major strategic advantages when it comes to global transport links. At the same time, the country lies just off the coast of one of the world's largest and fastest-developing economies – India – while maintaining close economic ties with the PRC. The railway network, largely a legacy of British colonial rule, only handles a small fraction of the country's transport needs. Rail services are primarily for passengers with very little capacity available for goods transportation. Rail travel is extremely slow by modern standards. There are navigable waterways, harbors and two international airports located in Katunayake, 22 miles north of Colombo, and in Hambantota. The lack of non-military airports outside Colombo and Hambantota limits the availability of air service in-country. Another major target for the road network has been to reduce congestion in Colombo. The development of Colombo Port City also poses challenges for the road network, with plans to develop commercial and residential real estate there adding to downtown congestion. The main roads around the country are in good condition but are not an efficient means of travel and transportation as the majority of roads are single lane in each direction with no divider. There are two highways from the Katunayake airport to Colombo and from near Colombo to southern parts of the country. A highway to the central province is under construction. The prospects for Sri Lanka's land transport sector looks at further expansion, with more efficient road and rail services coming on-line. However, plans for major urban development in and around Colombo have to be coordinated with the planned development projects.

Leading Sub-Sectors

Airports

Highways

Rail

Ports

Opportunities

The Ministry of Transport has several projects lined up for construction of new roads and railways and their extension.

The Government of Sri Lanka has ongoing plans to create a new international terminal at Colombo International Airport and also has long-term plans to further develop regional airports.

Sri Lanka continues to upgrade its existing seaport facilities, both in Colombo and in the southern and eastern provinces.

Resources

Sri Lanka Railways	www.railway.gov.lk/web/index.php?lang=en
Ministry of Transportation	www.transport.gov.lk
Investment projects 2015-2020	www.transport.gov.lk/web/images/pdf/slrp.pdf
Urban Development Authority	www.uda.lk
Sri Lanka Ports Authority	www.slpa.lk

Pharmaceuticals and Medical Equipment

Overview

Demand for healthcare services is rising due to an aging population. Nearly 8 percent of the population was 65 years of age and over at the end of 2019 – that figure is likely to double by 2030.

The government continues its policy of providing free health care at public hospitals. Government expenditure for the health sector was approximately \$1.3 billion in 2019.

Increasing access to private health services is also a focus of the government, as it is difficult for the public sector alone to meet the demand for healthcare services. The private sector has invested considerably in health care, especially in Colombo and some of the major cities, which has eased some of the burden for the state. The demand for private sector health care has increased with higher income levels and changing preferences. The provision of health insurance has also supported the growth in the private health care sector. There are 603 government hospitals, nearly 200 private hospitals of varying sizes, 5,000 private pharmacies, and 1,000 laboratories in Sri Lanka.

The health care industry provides good opportunities for U.S. medical equipment. Well-known international brands command a premium. Diagnostic equipment, operating theater equipment, intensive care equipment, clinical analyzers, and hematology equipment continue to offer the best sales prospects for U.S. firms.

The Cosmetic Drugs and Devices Regulatory Authority regulates the pharmaceutical and medical devices sector to ensure the quality, safety, and efficacy of drugs and medical equipment. Although many pharmaceutical imports are from regional sources, the higher quality and efficacy of Western manufactured devices are widely acknowledged by medical practitioners and consumers. Registering of medical devices can be time consuming with extensive detail required by the authorities.

Private hospitals in Colombo are equipped with up-to-date equipment, and these hospitals provide good opportunities for U.S. suppliers. Government tenders for equipment and projects represent other opportunities for U.S. companies in health care. Engaging local representatives with experience in the medical sector and maintaining good connections to both public and private sector health providers are important for medical equipment suppliers to succeed.

U.S. exports of medical equipment and pharmaceuticals to Sri Lanka were valued at approximately \$23 million in 2019.

Leading Sub-Sectors

Supplying of medical equipment to the government

Opportunities

The government's medicine and equipment purchases are done on a tender basis, and the health ministry updates its website regularly at www.health.gov.lk/moh_final/english/tender_notice.php?spid=35

Resources

Ministry of Health	www.health.gov.lk
World Bank	www.worldbank.org/lk
Durdans Hospital	https://www.durdans.com/
Asiri Group of Hospitals	www.asiri.lk
Lanka Hospitals	www.lankahospitals.com
Nawaloka Hospitals	www.nawaloka.com

Customs, Regulations and Standards

Trade Barriers

Import Restrictions

The newly developed Sri Lanka Trade Information Portal (<https://srilankatradeportal.gov.lk/>) is a one-stop point for information relating to import into and export from Sri Lanka. Implemented by the Department of Commerce, the portal provides an accessible, logical, helpful gateway for traders to access important regulatory and procedural information needed to export, import and transit. The initiative is also in line with the government's commitment to the requirements of World Trade Organization to comply with Article 1 of the Trade Facilitation Agreement.

In October 2018, the government introduced a raft of policy measures including margin deposit requirements for letters of credit opened for the importation of personal motor vehicles and selected non-essential consumer goods imports and the suspension of concessionary vehicle permits for politicians and government servants. Further in April 2020 the government introduced a series of temporary suspensions on goods it deemed 'non-essential' as a measure to ease the excessive demand for foreign currency after the fiscal stimulus the government introduced to help COVID-19 affected industries. Although the suspensions were extended in June 2020 and January 2021, exceptions are allowed if the product import is for value addition or re-export.

Sri Lanka enacted a new antidumping and countervailing duties law and a safeguard measures law in 2018 to provide protection to domestic industries from injurious dumping and subsidization, and for the application of safeguard measures where import surges cause or threaten to cause injury to the domestic industry. The laws are not enforced yet as the government has not published implementing regulations.

The Ministry of Defense controls the import of firearms and ammunition for use by the armed forces, police, and civil security. Certain military-related or dual-use items are prohibited or controlled. Radars, night-vision devices, beta lights, armored vehicles, explosion-detection equipment, digital-jamming equipment, infrared illuminators, GPS equipment, and laser designators are prohibited. Imports of laser/radar range finders and thermal-image devices are subject to Ministry of Defense approval. Remote-controlled toys are also under license control for public security reasons. There are restrictions on the import of toxic and hazardous chemicals and pesticides. Used and reconditioned air conditioners and refrigerators are under license control for environmental protection.

Import Licensing

Sri Lanka requires import licenses for more than 400 items at the six-digit level of the Harmonized Tariff Schedule, mostly for health, environment, and national security reasons. Importers must pay a fee to receive an import license. Import licenses for meat products may be required based on the health or disease status of livestock in the particular country or area.

Approval is at the discretion of the regulators; no standard practices are followed, and requirements can vary. Regulators entrusted with evaluating products to be imported often lack the capacity to make scientific determinations, and a zero-risk policy is followed in lieu of scientific rationale. Import of telecommunication equipment requires approval from the Telecommunications Regulatory Authority and a license issued by the import controller. Some items which are under Import Control License (ICL) are temporarily banned under the April 2020 import restrictions.

Tea

The Sri Lanka Tea Board regulates tea imports into Sri Lanka. Tea imports require a license, only bulk tea can be imported, and only registered tea exporters are allowed to import tea for value addition and re-export. Only certain varieties of tea can be imported for such purposes. When re-exporting, the packages should indicate, "Ceylon Tea blended with other origin teas."

Customs Barriers and Trade Facilitation

Duties are calculated using the actual transaction value of the goods (as evidenced by the commercial invoice or other contract of sale document). If the value of the goods cannot be established by this method, Sri Lanka Customs will attempt to establish the value of the goods using methods in line with Article 7 of the GATT. When the customs authority does not accept the declared value and determines the value in accordance with the GATT, the importer has a right to appeal the decision to the Director General of Customs. The Customs Ordinance allows an importer to clear the imported goods provisionally from Customs custody pending a final determination on value. However, this option is not available to an importer where fraud is suspected. U.S. companies have expressed concern that the Sri Lanka Customs valuation system is susceptible to misuse and is not consistently applied.

In addition, Section 153(2)(b) of the Customs Ordinance authorizes customs officers to receive 50 percent of the monetary penalty imposed for various customs infractions. The money received from the sale of forfeited goods is credited to the Customs Officers Reward Fund. Several U.S. companies have reported that the existence of this scheme has created incentives for customs officers to take unwarranted actions.

The Sri Lankan government has taken steps to improve trade facilitation in line with the WTO Trade Facilitation Agreement. A National Trade Facilitation Committee (NTFC) was established in 2016. Sri Lanka launched an online trade information portal in July 2018. All required trade related information is available on the portal as of November 2020 (<https://srilankatradeportal.gov.lk/>).

Other Market Access Barriers

Price Controls

Sri Lanka's Consumer Affairs Authority (CAA) sets maximum retail prices (MRP) for essential consumer items. Items subject to MRP include lentils, chickpeas, wheat flour, dried chili peppers, canned fish, milk powder, sugar, imported basic variety of rice, imported onions, chicken, and imported potatoes. Food importers have lobbied the government to remove MRP, arguing that standard prices are impractical in an environment of changing international markets and currency fluctuations. In 2020, and again in 2021, the MRP of several food items were revised. Policy advocates have urged the government to reverse the decision to intervene in an already competitive market.

Pharmaceuticals

Lack of a proper quality assurance mechanism and the current price mechanism is making it difficult for global pharmaceutical companies to operate in the Sri Lankan market. In May 2019, the National Medicine Regulatory Authority (NMRA), under the Ministry of Health, instituted MRP for 60 essential drugs. The government also introduced price control on Intra-ocular lenses in February 2017 and on stents in August 2017. Sri Lanka imports about 85 percent of its medicinal drug requirement. The government has not taken action to increase MRP of drugs to compensate for rupee depreciation. The pharmaceutical industry has urged the government to formulate currency depreciation linked price controls for drugs and medical devices. According to industry sources, global pharmaceutical companies have said they would withdraw some products from Sri Lanka due to a lack of an effective price setting mechanism. The Sri Lankan government promotes local manufacture of pharmaceuticals through buy-back guarantees.

Technical Barriers to Trade

Soft Drinks

Sri Lanka issued the Food (Color Coding for Sugar levels) Regulations 2016, which requires labeling of carbonated beverages, ready-to-serve drinks other than milk-based products, and fruit juices. In November 2017, the government imposed an excise duty of 12 Sri Lankan Rupees (LKR) per liter or LKR 0.50 per gram of sugar (approximately \$2.85 per kilo of sugar) contained in beverages, whichever is higher, in support of the government's anti-diabetes campaign. Both the labeling regulations and excise taxes were introduced with limited input from the beverage industry and with little time for industry to respond and implement changes. Since the implementation of the 2017 beverage excise tax, the Sri Lanka carbonated soft drink industry has lost approximately 35 percent of total sales volume while its tax

burden has increased to almost 50 percent of gross revenue. The government has considered additional taxes on the beverage and soft drink industry. The labeling regulation and tax affects the sales of both U.S. companies and domestic producers.

Sanitary and Phytosanitary Measures

Biotechnology

Sri Lanka requires the approval of its Chief Food Authority for the importation or the sale of products derived from genetic engineering (GE) intended for human consumption. However, Sri Lanka does not have a functioning approval mechanism for GE products and thus in effect has a ban on seeds and other agricultural products derived from GE. Sri Lanka requires all agricultural commodity imports to be accompanied by a certification that the commodity is “non-GE.” The general quarantine procedure for import of plant and plant products states that “genetically modified organisms (GMOs)” and “living modified organisms (LMOs)” are not allowed to be imported into Sri Lanka. Food products for human consumption containing GE ingredients must be labeled. The United States will continue to engage Sri Lanka on these issues, especially on establishing a biotechnology regulatory framework consistent with international standards.

Poultry Products

Sri Lanka permits imports of poultry products only from countries that have never reported outbreaks of Highly Pathogenic Avian Influenza (HPAI) or only after six months have passed since a country has notified the World Organization for Animal Health (OIE) that a particular area or state (in the case of the United States) is free of avian influenza. This is despite the fact that the OIE recommends that areas affected by avian influenza can resume trade three months after the last detection. However, beginning in 2018, Sri Lanka relaxed the regulations for U.S. poultry products to allow imports from areas with a three-month disease-free status, subject to a risk assessment for each consignment. Currently, chicken is allowed only for processing of re-export. Poultry products are under import license control. The importation of chicken meat is prohibited. Other poultry meat is allowed as Sri Lanka does not have a significant industry.

Meat Products

Sri Lankan animal health authorities take a long time to conduct microbiological tests of meat shipments. Additionally, these authorities have occasionally rejected imports based on testing methods that are not consistent with those set out in the country’s regulations or the import permit. The authorities only accept testing performed by the Medical Research Institute (MRI) based in Colombo. In March 2020, the MRI achieved accreditation to international standard ISO/IEC 17025:2005 – the general requirements for the competence of testing and calibration laboratories. Any negative results on the sample tests require the importer to re-export the shipment. The extended period taken to conclude testing of the shipment places the importer at risk of losing the right to file insurance claims as many insurers only insure for a limited period. All meat products are subject to license control. Beef is allowed for both retail and restaurants; however, pork only for restaurants.

Government Procurement

Government procurement of most goods and services in Sri Lanka is primarily undertaken through a public tender process. Some tenders are open only to registered suppliers. Procurement also occurs outside the normal competitive tender process. There are widespread concerns about the lack of transparency and accountability in the tender process. Tender specifications are often developed to suit a particular company. Even on occasions when a U.S. company wins a tender, the contract can be canceled on a technicality, often at the urging of a competitor. The practice of accepting unsolicited proposals without competing bids continues and there is a lack of clarity in the government procurement process which leads to reports of large-scale corruption.

Sri Lanka is not a signatory to the WTO Agreement on Government Procurement (GPA) but has been an observer of the GPA since April 2003.

Services Barriers

Distribution Services (including logistical services) and Express Shipments

Sri Lanka does not provide de minimis treatment for the application of taxes on inbound shipments. Further, airport authorities do not provide preferential treatment to express cargo airlines. Rather, express shipments must undergo the routine examination procedure by security and the airport's authority, which delays clearance.

Financial Services (including banking services)

At present, all foreign banks in Sri Lanka operate as branches. All banks operating in Sri Lanka, including foreign banks, are required to establish two branches outside the Western Province for each new branch established in the Western Province. The Central Bank also requires all banks operating in Sri Lanka to direct a minimum 10 percent of lending for agriculture.

A 2.5 percent stamp duty applies to usage of credit cards issued by Sri Lankan banks for transactions made in a foreign currency. Transactions in local currency are exempted from this duty. As a result, U.S. e-Commerce firms, setting prices in dollars, face greater costs than local competitors when selling in the Sri Lankan market.

Insurance services

Only companies incorporated in Sri Lanka may be registered to provide insurance services. Foreign insurance companies that provide health insurance services to Sri Lankans must sell through an insurance broker registered in Sri Lanka and are restricted to insurance products not sold by local insurance companies. The Sri Lankan government requires all general insurance companies to cede 20 percent of their reinsurance coverage to a state-run insurance fund.

Audiovisual Services

In 1999, Sri Lanka imposed restrictions on the number of foreign films that can be imported into the country and required all the films to be imported by the State-Owned National Film Corporation. In 2002, Sri Lanka changed the rules and created five different entities – “circuits” – that can import foreign films, four private and one state-run, but kept the quota limits. Current restrictions limit the number of imported English language films to 65 per year (13 per entity). In 2018, Sri Lankan importers came close to the 65-film total limit and resorted to “shopping around” different circuits for quota slots. The overall process for importing foreign films remains opaque.

Sri Lanka imposes taxes on foreign films, programs, and commercials shown on television. In 2017, the government increased the tax on foreign films and television series dubbed into Sinhala and Tamil from LKR 90,000 per 30-minute episode (approximately \$515) to LKR 150,000 (approximately \$857) per 30-minute episode. Foreign television shows in their original form (without dubbing) are taxed at LKR 100,000 (approximately \$571) per 30-minute episode. Foreign films in their original form are taxed at LKR 200,000 (approximately \$1,142). Higher rates apply to repeat telecasts. Foreign commercials are taxed at LKR 500,000 (approximately \$2,857) in the first 6 months and at LKR 1,000,000 (approximately \$5,714) during the next six months. Government approval is required for all foreign films and programs shown on television.

Import Tariffs

Tariffs and Taxes

Sri Lanka's most-favored nation (MFN) applied tariff rate for agricultural products averaged 26.9 percent, and its MFN applied tariff for non-agricultural goods averaged 6.3 percent in 2017. However, Sri Lanka's simple average World Trade Organization (WTO) bound tariff rates are generally much higher, and most products do not have their rates bound, which gives Sri Lanka flexibility to increase the rates.

Sri Lanka uses import tariffs as their main trade policy instrument. In November 2017, Sri Lanka Customs adopted the WTO's new Harmonized Commodity Description and Coding System in its tariff schedule. There are currently

three import tariff bands: 0, 15, and 30 percent. Generally, raw materials are at zero percent, intermediate goods are at 15 percent, and finished goods are at 30 percent. Additionally, some items, such as some agricultural products, are subject to an ad valorem or specific tariff, whichever is higher. In addition to the import tariff, supplementary taxes and levies on imports, taken together with tariffs, can total 100 percent or more of the value of some food and consumer goods, making them prohibitively expensive to import and sell. The 2017 and 2018 government budgets removed certain supplementary taxes on several items. However, supplementary taxes still exist for a wide range of items, sharply raising their prices.

The Export Development Board (EDB) levy, often referred to as a “cess,” ranges from 10 percent to 35 percent ad valorem on a range of imports identified as “nonessential” or as competing with local industries. Further, when calculating the EDB levy, an imputed profit margin of 10 percent is added to the import price. With some products, such as biscuits, chocolates, and soap, the levy is charged not on the import price but is charged instead on 65 percent of the maximum retail price.

A Ports and Airports Development Levy (PAL) is also applied on most imports. The government revised PAL on December 6, 2019 with tariffs ranging from 5 to 10 percent on different product categories. Locally manufactured products are not subject to the PAL. The 2018 government budget removed the PAL on 1,000 items.

Additionally, the Sri Lankan government imposes a value-added tax (VAT) on imports rates from 8 to 15 percent on most goods. Financial Services VAT remain at 15 percent. Tourism-related services are untaxed. When calculating the VAT, an imputed profit margin of 10 percent is added to the import price. Locally manufactured products are also subject to VAT, but not the imputed profit margin.

A special commodity levy (SCL) is charged on some imported food items. The SCL rates on basic food items are changed frequently, creating uncertainty for importers. Locally manufactured products are not subject to SCL. Items subject to SCL typically include sugar, canned fish, chickpeas, potatoes, onions, vegetable oil, and margarine. Apples, grapes, oranges, dairy spreads, butter, and yogurt are also subject to SCL.

Textiles are subject to an EDB levy of LKR 100 per kg (approximately \$0.57). In addition, starting September 17, 2018, textiles are subject to a 5 percent VAT. Sri Lanka does not have import duties on textiles. The Nations Building Tax (NBT) and Airport Levy (PAL) are not applicable on textiles.

Apparel is subject to a 15 percent VAT, an EDB levy of 15 percent or LKR 200 (\$1.14) per unit, whichever is higher, and a Nations Building Tax (NBT) of 2 percent. Sri Lanka does not have import duties on articles of apparel and clothing accessories. Port and Airport Levy (PAL) are not applicable on these items.

In October 2014, the Sri Lankan government introduced an all-inclusive tax on cars under the Excise Special Provisions Law replacing the VAT, the NBT, the EDB levy, the import tariff, and the PAL. The tax is based on the engine capacity. The total excise tax on cars was changed in the 2019 budget and ranges from LKR 2,000,000 (approximately \$10,800) on a small car to LKR 5,500,000 (approximately \$29,700) for a large vehicle. Electric cars are taxed at lower rates.

Import Requirements and Documentation

Basic documents required by commercial banks for imports include an invoice, insurance certificate (if applicable), and transport documents. Depending on the product and the mode of payment, certificates such as certificates of origin, inspection certificates, and packing lists may also be required. Shipments by air cargo may require the same documentation as those arriving by sea. All shipping documents in relation to imports made on DP or DA terms should be forwarded by the supplier's bank or by the supplier to a commercial bank in Sri Lanka for release to the importer of goods. In the event the original documents are not received on time, the importer, at the discretion of the bank, may obtain a shipping guarantee and may submit copies of these documents for certification by the bank for

clearance of the goods. The importer should arrange the original shipping documents to be received by the bank concerned within 30 days from the date of certification of the copies.

To clear goods through customs, the importer should submit relevant shipping documents certified by a commercial bank and customs declaration forms to the Sri Lanka Department of Customs. In the case of an import made on AP basis, goods will be released on submission of satisfactory proof of payment such as bank confirmations. In the case of an import made on consignment-account basis, goods will be released by customs on the submission of clearance documents.

Labeling and Marking Requirements

All labeling of packages should be in large bold lettering in indelible ink or paint. For container cargo, the weight, center of gravity, and sling or grab points, may be marked to encourage careful handling. Goods shipped to Sri Lanka should be well-packed in order to withstand heat, humidity, rough handling, and pilferage. Shipping marks should show consignee order number and port of entry.

Food labeling: Government food-labeling regulations require that food products cannot be sold, offered for sale, transported, or advertised unless labeled in accordance with these regulations. Detailed instructions of these regulations can be found in the government Gazette No. 1323/2 of January 12, 2004, Food labelling and Advertising Regulations of 2005 Gazette No. 1376/9 and Food Color Coding for Sugar, Salt and Fat Regulations of 2019 Gazette No 26/1980.

Genetically Modified Food (GMO) labeling: In January 2007, the Ministry of Health implemented a regulation for mandatory labeling of genetically modified food. Regulations can be found in Gazette No. 1456/22, August 3, 2006.

Soft drinks: The government published regulations cited as the Food (Color Coding for Sugar levels) Regulations 2016, which required labeling of carbonated beverages, ready to serve drinks other than milk-based products and fruit juices. The labels need to display a numerical description of the sugar content, a description of the relative sugar level and a color code.

Medicines: In 2019 the National Medicines Regulatory Authority introduced labeling requirements for medicines imported, manufactured, processed, or packed locally. Details can be found on https://nmra.gov.lk/images/PDF/guideline/Guideline_by_Praba/Labeling-guidelines-1.pdf

U.S. Export Controls

Since May 4, 2016, the Directorate of Defense Trade Controls (DDTC) reviews applications for licenses to export or temporarily import defense articles and defense services to or from Sri Lanka under the International Traffic in Arms Regulations (ITAR) on a case-by-case basis. DDTC will publish a Federal Register notice to implement a conforming update to ITAR §126.1(n).

The United States imposes export controls to protect national security interests and promote foreign policy objectives related to dual-use goods through implementation of the Export Administration Regulations (EAR). The Bureau of Industry and Security (BIS) is comprised of two elements: Export Administration (EA), which is responsible for processing license applications, counseling exporters, and drafting and publishing changes to the [Export Administration Regulations](#); and Export Enforcement (EE), which is responsible for the enforcement of the EAR. BIS works closely with U.S. embassies, foreign governments, industry, and trade associations to ensure that exports from the United States are secure and comply with the EAR. BIS officials conduct site visits, known as End-Use Checks (EUCs), globally with end-users, consignees, and/or other parties to transactions involving items subject to the EAR to verify compliance.

An EUC is an on-site verification of a non-U.S. party to a transaction to determine whether the party is a reliable recipient of U.S. items. EUCs are conducted as part of BIS's licensing process, as well as its compliance program,

to determine if items were exported in accordance with a valid BIS authorization or otherwise consistent with the EAR. Specifically, an EUC verifies the *bona fides* of transactions subject to the EAR, to include: confirming the legitimacy and reliability of the end-use and end-user; monitoring compliance with license conditions; and ensuring items are used, re-exported or transferred (in-country) in accordance with the EAR. These checks might be completed prior to the export of items pursuant to a BIS export license in the form of a Pre-License Check (PLC), or following an export from the U.S. during a Post-Shipment Verification (PSV).

BIS officials rely on EUCs to safeguard items subject to the EAR from diversion to unauthorized end-uses/users. The verification of a foreign party's reliability facilitates future trade, including pursuant to BIS license reviews. If BIS is unable to verify the reliability of the company or is prevented from accomplishing an EUC, the company may receive, for example, more regulatory scrutiny during license application reviews or be designated on BIS's Unverified List or Entity List, as applicable.

BIS has developed a list of "[red flags](#)", or warning signs, and compiled "[Know Your Customer](#)" guidance intended to aid exporters in identifying possible violations of the EAR. Both of these resources are publicly available, and their dissemination to industry members is highly encouraged to help promote EAR compliance.

BIS also provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two-day seminars that focus on the basics of exporting to coverage of more advanced, industry-specific topics. Interested parties can check [list of upcoming seminars and webinars](#) or reference BIS provided [online training](#).

BIS and the EAR regulate transactions involving the export of "dual-use" U.S. goods, services, and technologies. For advice and regulatory requirements, exporters should consult the other U.S. Government agencies which regulate more specialized items. For example, the U.S. Department of State's Directorate of Defense Trade Controls has authority over defense articles and services, or munitions. A list of other agencies involved in export control can be found on the [BIS website](#) or in Supplement No. 3 to Part 730 of the EAR.

The EAR is available on the [BIS website](#) and on the [e-CFR](#) (Electronic Code of Federal Regulations) and is updated as needed. The [Consolidated Screening List](#) (CSL) is a list of parties for which the United States Government maintains restrictions on certain exports, reexports or transfers of items. The CSL consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single data feed as an aid to industry in conducting electronic screens of parties to regulated transactions. Exporters are encouraged to classify their items prior to export, as well as consult the CSL to determine if any parties to the transaction may be subject to specific license requirements.

Temporary Entry

Temporary entry for exhibition material is allowed under the Carnet system of the International Chamber of Commerce. The exporter should ensure that required documents under the Carnet system are certified in the country of origin of the material. These documents should be presented at the time the goods are cleared from Customs. Goods brought into the country under the Carnet system must be re-exported within one year. For additional information, contact the approving authority: Sri Lanka Customs, telephone 94-11-2421141, fax 94-11-2446364. Any products subject to import controls (as described above) also require approval from the relevant government authority prior to importation.

Prohibited and Restricted Imports

The government has eliminated most license controls, with a few items remaining under license control mainly for health and national security reasons. Poultry and some types of agriculture commodities are under import license control with agricultural commodities also requiring non-GMO certification. Sri Lanka reserves the right to prohibit GM agricultural commodities on the basis of the precautionary principle. The importation of chicken meat is prohibited; however, this is a protectionist trade measure.

In June 2020, the government imposed temporary import suspensions on a range of goods deemed non-essential in a bid to project the exchange rate after it came under pressure after governments efforts to minimize the impact of covid-

19 on the economy. The full list of items can be found on: <http://www.imexport.gov.lk/index.php/en/downloads/gazette.html>

The import of drugs is subject to the approval of the Drugs and Cosmetic Devices Committee of the Ministry of Health.

The Ministry of Defense controls the import of firearms and ammunition for use by the armed forces, police, and civil security. Certain military-related or dual-use items are prohibited or controlled. Radars, night-vision devices, beta lights, armored vehicles, explosion-detection equipment, digital-jamming equipment, infrared illuminators, GPS equipment, and laser designators are prohibited. Imports of laser/radar range finders and thermal-image devices are subject to Ministry of Defense approval. Remote-controlled toys are also under license control for public security reasons. There are restrictions on the import of toxic and hazardous chemicals and pesticides. Used and reconditioned air conditioners and refrigerators are under license control for environmental protection.

Customs Regulations

Sri Lanka customs operates under the oversight of the Ministry of Finance, the entity functions with powers vested under the Customs Ordinance, as well as through several other related enactments regulations can be found on: <http://www.customs.gov.lk/law/home>

Information on tariffs can be found on: <http://www.customs.gov.lk/tariffchanges/home>

Contact Information:

Director General of Customs

Sri Lanka Customs

40 Main Street

Colombo 11

Email: dgc@customs.gov.lk

Web: www.customs.gov.lk

Standards for Trade

Overview

The Sri Lanka Standards Institute (SLSI), Sri Lanka's member body to the International Organization for Standardization (ISO), is the national standards organization in Sri Lanka. SLSI sets product standards, approves imports covered under a mandatory import-inspection scheme, and performs product testing, pre-export inspection, registration of fish and fishery products, and ISO quality management training. Sri Lanka holds membership with the International Electrotechnical Commission and the International Telecommunications Union.

Standards

There are about 2,000 Sri Lankan standards relating to manufactured products, agricultural commodities, industrial raw materials, and production processes. These standards are primarily voluntary, as only 32 (mainly on building materials, household electrical items, food, and consumer products) are mandatory.

Sri Lanka has adopted ISO 9000 series standards on quality management and assurance, ISO 14000 standards on environment-management systems, Hazard Analysis and Critical Control Points (HACCP) assurance for food-safety standards, and Good Management Practice Certificate (GMP), ISO 18000 on Occupational Safety, ISO 22000 on food safety management, and ISO 27000 on information security management.

Testing, Inspection and Certification

The main conformity assessment body is the Sri Lanka Standards Institute (SLSI), <http://www.slsi.lk/index.php?lang=en>

A mandatory SLSI import inspection scheme applies to 122 items identified on the basis of national health and safety requirements which were published in Gazette No. 2064/34 on 29 March 2018 under the Imports and Exports Control Act No.1 of 1969. The scheme guarantees the quality of these imported items against the relevant Sri Lanka standards. SLSI accepts certificates issued by labs accredited by the national accreditation body of the exporting country. SLSI also accepts quality certificates issued by the national standards body of the exporting country or certificates issued by registered manufacturers. All these consignments are subject to random checking. Products without certificates are sampled and tested. Sri Lanka Standards Institute (SLSI) operates an accreditation scheme for testing laboratories in Sri Lanka. SLSI accreditation is voluntary and accredits laboratories for conformity to ISO/IEC 17025 general requirements for competence of testing and calibration laboratories. Information on product certification can be found at the Sri Lankan Standards Institution website (<http://www.slsi.lk>).

The Sri Lanka Accreditation Board for Conformity Assessment (SLAB), www.slabb.lk, is the national accreditation authority for Sri Lanka established under Act 32 of 2005. SLAB is a member of the International Laboratory Accreditation Co-operation (ILAC), the Asia Pacific Laboratory Accreditation Co-operation (APLAC) and the Pacific Accreditation Cooperation (PAC). The Board is responsible for accrediting testing labs, medical labs, and inspection and certification bodies involved in conformity assessment. A list of accredited institutions is available at the above website.

Publication of technical regulations

The Sri Lanka Standards Institute publishes all their regulations on their website. The site also includes proposed regulations for public comment with adequate time for public to respond. The details can be found on:

http://www.slsi.lk/index.php?option=com_content&view=article&id=13&Itemid=128&lang=en

Contact Information

Sri Lanka Standards Institution

17 Victoria Place,

Elvitigala Mawatha, Colombo 08.

Tel: 94 11 2671567-72

Fax: 94 11 2671579

E-mail: slsi@slsi.lk

Website: <http://www.slsi.lk>

Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. **Notify U.S.** (www.nist.gov/notifyus) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country or countries and industry sector(s) of interest and can also request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

Trade Agreements

Sri Lanka has signed free trade agreements (FTAs) with India, Pakistan, and Singapore, and is currently negotiating an FTA with the PRC.

The FTAs with India and Pakistan cover only trade in goods. The agreements provide for duty-free entry as well as duty preferences for manufactured and agricultural goods. Domestic value addition of 35 percent is required to qualify for concessions granted under the agreements.

The Singapore-Sri Lanka FTA came into force on May 1, 2018. The FTA covers: investment, goods, services, trade facilitation, government procurement, telecommunications, e-commerce, and dispute settlement. Sri Lanka has eliminated customs duties on 50 percent of tariff lines (including tariff lines already with zero duty), which will progressively increase to 80 percent over 14 years. Sri Lanka will not reduce or eliminate duties on the remaining 20 percent of tariff lines.

Sri Lanka is a member of the South Asian Free Trade Area (SAFTA) and the Asia-Pacific Trade Agreement (APTA).

Some Sri Lankan exports to the United States qualify for duty free privileges under the U.S. Generalized System of Preferences (GSP) program, which offers preferential duty-free treatment for up to 5,000 products (apparel products are excluded) from designated beneficiary countries. The United States - Sri Lanka bilateral Trade and Investment Framework Agreement (TIFA) provides a framework for the two governments to discuss and resolve trade and investment issues at an early stage. The most recent TIFA discussions occurred in June 2019.

In May 2017, Sri Lanka regained the European Union's (EU) Generalized Scheme of Preferences (GSP+) privileges for Sri Lankan exports. The trade preferences under GSP+ consists of the full removal of duties on 66 percent of tariff lines, covering a wide array of products including textiles and fisheries. The GSP+ scheme is conditional on Sri Lanka advancing human and labor rights and working towards sustainable development.

Licensing Requirements for Professional Services

There are limitations on market access for professionals to work in Sri Lanka. Employment of foreign personnel is permitted when there is a demonstrated shortage of qualified local labor. Intracompany transferees are allowed to work in foreign companies, and approval is granted on a case-by-case basis.

Medical Specialists: Sri Lanka allows foreign medical specialists to offer health care services in BOI-approved hospitals, under a strict registration process. Temporary licenses are issued by Sri Lanka Medical Council for such medical personnel.

Lawyers: There is no limited license scheme for foreign lawyers. Foreign lawyers can requalify as Sri Lankan lawyers, work as employees, or work outside the scope of reserved legal services.

Check [information on practicing law in Sri Lanka](#).

Accounting: There is an active and competent accounting profession, based on the British model. The source of accounting standards is the Institute of Chartered Accountants of Sri Lanka and standards are constantly updated to reflect current international accounting and audit standards.

KPMG, Ernst and Young, PricewaterhouseCoopers, and Deloitte are represented in Sri Lanka but staffed by local Sri Lankans. Foreigners generally are not able to provide accounting services in Sri Lanka.

Selling US Products and Services

Distribution & Sales Channels

Overview

International trade is centered in the capital city, with more than 90 percent of all imports and exports passing through the Port of Colombo. While there are many small to medium importers, 20 to 30 relatively large firms handle the bulk of international traffic. Only a few importers control distribution networks elsewhere in the country; most simply wholesale directly to regional distributors or to retailers. The government's role in trade and distribution has decreased.

Using an Agent to Sell U.S. Products and Services

Most exporters find using local distributors an easy first step for entering the Sri Lankan market. Generally, this is the best method to compete successfully, as local firms are well-versed in local business practices. Many foreign firms select local agents on the basis of financial stability and technical capability. As the largest trading houses represent many (sometimes competing) foreign principals, medium-sized and smaller firms are becoming more attractive. If products require stocking, servicing or nationwide distribution, however, large firms are often the better choice. Sales commissions paid to agents range from 3 to 15 percent, depending on sales volume and product price. Agency relationships can be terminated for inefficiency, misappropriation, or inability to fulfill other conditions stipulated in the agency agreement. Due diligence on suitability of a potential agent/distributor is essential prior to entering the local market.

U.S. Department of Commerce's Commercial Services - International Partner Search (IPS), International Company Profile (ICP), Single Company Promotion and Gold Key Services (GKS) - are available through the U.S. Embassy in Colombo for U.S. companies looking to appoint a local representative in Sri Lanka. Interested companies should contact the U.S. Department of Commerce Export Assistance Centers in their respective state (www.export.gov). The U.S. Commercial Service has a network of export and industry specialists located in more than 100 U.S. cities.

Establishing an Office

Potential investors should initiate discussions with the Board of Investment (BOI) prior to establishing a company or a liaison office in Sri Lanka. One-hundred-percent foreign ownership is allowed in most industries with certain exceptions. The list of the regulated areas where foreign ownership is limited or requires approval of the statutory agencies can be obtained at www.boi.lk. The BOI application processing fee is \$330 for companies registering under section 16 of the BOI law, minimum investment requirement to qualify as a section 16 project is US\$ 250,000. This can either be 100 percent foreign investment or a joint venture investment with a local collaboration. Companies registering under section 17 of the BOI law are charged \$275 for application processing with further charges as agreement fees; Section 17 projects have a minimum investment threshold of \$3 million and can enjoy special incentives in the form of enhanced capital allowances under the Inland Revenue Act No 24 of 2017.

A foreign company registered under the Companies Act of 2007 may carry on business in Sri Lanka as a branch, project, liaison or a representative office subject to the terms and conditions published in the Foreign Exchange Regulations No. 1 of 2017, gazette No 2045/56 ([G 26507 \(E\) Foreign Act \(documents.gov.lk\)](#)).

The Inland Revenue Act of 2017, implemented April 1, 2018, includes concessionary corporate tax rates for investments in specific sectors and capital allowances (depreciation) on capital investments. The BOI Act provides for two types of investment approvals, one allowing concessions and the other without concessions.

Following BOI approval, the investor is required to form a limited liability company. Companies must register with the Department of Registrar of Companies. The proposed name of the company must be

approved by the Registrar of Companies. Searching for a unique company name can be done online at www.drc.gov.lk. The application for registration should be accompanied by Articles of Association, consent from initial directors and general secretaries (Form 18 and Form 19), and the application in the prescribed form (Form 1). Companies approved under section 17 of the BOI law are required to include a primary objective approved by the BOI in the Articles of Association. The registration fee is approximately \$100. The application forms can be downloaded from www.drc.gov.lk. According to Article 2 of the Companies Act of 2007, every company must have a Company Secretary. Companies need to give public notice of incorporation through the government gazette and newspaper advertisements and register with the Inland Revenue Department and the Department of Labor. A foreign company such as a liaison office or a representative office needs to remit funds required for the setting up and maintenance through an Inward Investment Account (IIA.)

A foreign company can set up a branch office under the same name. The following documents need to be submitted for review: a certified copy of the charter, statute or memorandum, and articles of association of the company, a certified copy of the incorporation of the company, a list of directors, a statement containing the full address of the registered or principal office of the company and principal place of business within Sri Lanka, a valid power of attorney authorizing a resident in Sri Lanka to act on behalf of the company, and a certified extract of a resolution of the shareholders confirming the activities of the branch office. A foreign branch office, project office or a similar office needs to invest a minimum of USD 200,000 or equivalent, out of remittances channeled through an Inward Investment Account (IIA.) The registration fee for registering a branch office is approximately \$370.

Once the documents are in order, registration of a new company takes approximately three days. Registration of a branch office takes two to four weeks.

For more information contact the Registrar of Companies, "Samagam Medura," 400 D.R. Wijewardane Mawatha, Colombo 10, Phone: 94-11-268-9212; Fax: 94-11-268-9211. Email: registrar@drc.gov.lk

Franchising

Franchising is not as common as agents/distributorships. Existing U.S. franchises include Pizza Hut, UPS, Federal Express, Kentucky Fried Chicken (KFC), TGIFriday's, Subway, Coffee Bean, Burger King, and McDonald's, among others. Local companies continue to express interest in attracting U.S. franchises to Sri Lanka, especially as international tourism and affinity for U.S. and Western goods and services continues to grow.

Direct Marketing

Direct marketing usually takes place when a product is sold on a one-time or irregular basis. Companies with regional branches or representatives have successfully entered the market directly, but an agent is often necessary to penetrate the market. Companies venturing into direct marketing in the country will ostensibly have a competitive-price advantage, as agency commissions will not increase the price, but some firms encounter requests for additional "commissions" in certain sectors.

Joint Ventures/Licensing

Joint ventures have become common in recent years, particularly in export-oriented projects. Joint ventures are eligible for the same preferences and tax benefits as domestic companies. There are no restrictions on foreign ownership, except for certain specified sectors.

Express Delivery

FedEx (www.fedex.com/lk/), UPS (<https://www.ups.com/lk/en/Home.page>), and DHL (<https://www.logistics.dhl/lk-en/home.html>) offer express delivery to Sri Lanka from the United States and have offices in Colombo.

- Transit times from the United States to Sri Lanka vary.
- Promises next day delivery depending on pick-up time.
- de-minimis concession are applicable only for samples, imported via courier and parcel post, in relations to business, worth not more than \$277 for Customs Import Duty (CID) and \$55 for Value Added Tax (VAT)

Due Diligence

Publicly listed companies are required to publish audited financial results, which can be checked prior to entering into business agreements. Stockbrokers also publish corporate evaluations for publicly listed companies. Fitch Ratings, Moody's, and Standard and Poor's provide rating information for banks and financial institutions and some conglomerates and large companies.

Business consultancy firms and law firms can perform due diligence. In smaller transactions, letters of credit are a standard requirement for potential customers, while bank references and historical records can be checked prior to appointing agents.

U.S. companies doing business initially with local companies or distributors are advised to carry out proper due diligence to ensure the reliability of these companies. The U.S. Embassy can also assist in verifying the authenticity of local companies.

The International Company Profile (ICP) offers low-cost, quick background checks and due-diligence reports on potential buyers and partners. The report includes factual data as well as the Embassy's evaluation to help U.S. firms assess risk, reliability, and capability for U.S. companies looking for background checks on local partners. Interested companies should contact the U.S. Department of Commerce's Export Assistance Centers in their respective states (www.export.gov). The U.S. Commercial Service has a network of export and industry specialists located in more than 100 U.S. cities.

eCommerce

eCommerce is a growing business in Sri Lanka. All commercial banks have online banking services. Travel companies, hotels, and a few large retailers have online trading services. eCommerce companies offer customers in Sri Lanka access to millions of global products. The government has committed to increase the use of online applications and payments for government services. Additional government web portals for filing of tax returns, payment of taxes, renewing of revenue licenses are also available.

Most of the global eCommerce sites including PayPal are available in Sri Lanka for overseas purchases but have limitations due to an inadequate refund mechanism and inward receipts. A 2.5 percent stamp duty applies to usage of credit cards issued by Sri Lankan banks for transactions converted into a foreign currency. Transactions in local currency are exempted from this duty.

The government is currently using an e-service gateway to streamline certain government services. The Inland Revenue Department has recently enabled filing of tax returns through the Inland Revenue web service portal (www.ird.gov.lk/en/eServices). Vehicle revenue licenses can be renewed online (www.erevenuelicense.motortraffic.wp.gov.lk)

Assessment of Current Buyer Behavior in Market

Domestic B2C eCommerce sites have seen a significant growth since within the last several years. A wide variety of consumer products can be purchased through eCommerce sites including groceries, apparel and electronics (<https://www.kapruka.com/>, <https://www.daraz.lk/>, <https://takas.lk/>, <https://www.keellssuper.com/>, <http://www.tickets.lk/>). Small and medium enterprises are also increasingly using social media sites to advertise products, take orders and accept payments.

Cross border eCommerce is limited to purchases of products from popular overseas sites such as eBay and Amazon. Numerous local eCommerce companies sell imported goods.

Local eCommerce Sales Rules & Regulations

The Electronic Transactions Act No.19 of 2006 facilitates eCommerce by removing legal barriers and ensuring legal certainty both within Sri Lanka and internationally. Several other laws also support eCommerce such as the Evidence Act No. 14 of 1995, Payment and Settlement Systems Act No. 28 of 2005, Payment Devices Frauds Act No 30 of 2006, and the Computer Crimes Act of No 24 of 2007. Following the ratification of the UN Electronic Commissions Convention (UNECC) by Sri Lanka in 2015, the government amended the Electronic Transactions Act in 2017 to provide greater legal validity for eCommerce and eBusiness providers, and ensure international validity of such e-contracts.

Currently, Sri Lanka does not have a local body to regulate eCommerce businesses. Increased competition from international eCommerce sites such as booking.com and Airbnb have resulted in demands by the Tourist Hotels Association of Sri Lanka (THASL) for the government to consider regulating eCommerce businesses.

eCommerce Intellectual Property Rights are protected under several laws:

Evidence (Special Provisions) Act No.14 of 1995, The Intellectual Property Act No. 36 of 2003, Electronic Transactions Act No. 19 of 2006, and the Computer Crimes Act No. 24 of 2007. An infringer who offers counterfeit products for sale online could be held liable under the Intellectual Property law.

Local eCommerce Business Service Provider Ecosystem

Internet access is growing. The International Telecommunication Union (ITU) reported in 2018 that 58.8 percent of the population has mobile-broadband access and 34.1 percent of the population uses the internet regularly. Mobile phone penetration is also high reaching 115.1 per 100 inhabitants. Sri Lanka's private telecommunications companies have led the expansion of 3G and 4G and have started pilot applications of 5G technology. Financial institutions are also developing the related services of payment gateways to offer reliable online payment services to support the expansion of eCommerce.

There are no in-country events focused on ecommerce at present.

Selling Factors & Techniques

Overview:

Price is generally the most crucial factor in selling. As U.S. products have a reputation for high quality, product quality and after-sales service are becoming important selling factors in the Sri Lankan market.

Consumer education is also a vital selling factor. Appointing an agent/distributor is recommended for marketing and sales. Most government purchases are made on the basis of cost and available financing, subject to meeting the required specifications.

Participating in regional exhibitions is another effective method of creating awareness and introducing products to the local market. The events are well attended by both the trade and consumers.

Trade Promotion & Advertising

Mass advertising and marketing on a range of mediums is common. Newspapers, radio, and television all accept commercial advertising and internet-based marketing and targeting, including through social media, is growing as internet access and mobile phone penetration increases. There are several English-language newspapers, as well as dailies in the Sinhala and Tamil languages (see below).

Colombo hosts a number of trade exhibitions and fairs but the fairs attract few international participants.

Major Web Sites

Lanka Academic Network	www.theacademic.org
Lanka Page	www.lankapage.com
Sri Lankan Embassy in Washington DC	slembassyusa.org
US Embassy Colombo	lk.usembassy.gov
Lanka Business Report	www.lankabusinessonline.com
Sri Lanka Web Server	www.lanka.net
Economynext	economynext.com

Major English-Language Newspapers

Daily FT	www.ft.lk
Daily Mirror	www.dailymirror.lk
Daily News	www.dailynews.lk
The Island	www.island.lk
Sunday Observer	www.sundayobserver.lk
Sunday Times	www.sundaytimes.lk

Major Sinhala-Language Newspapers

Dinamina	www.dinamina.com
Silumina	www.silumina.lk
Lankadeepa	www.lankadeepa.lk

Major Tamil-Language Newspapers

Virakesari	www.virakesari.lk
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Business Journals

Echelon	www.echelon.lk
Business Today	www.btoptions.com
Lanka Monthly Digest	lmd.lk

Major Advertising Agencies

Grant McCann Erickson	www.mccannworldgroup.com
JWT, Sri Lanka	www.jwt.lk
Phoenix Ogilvy	www.ogilvy.com

Pricing

Price, the most critical buying factor, should be on par with the prevailing market price. A local agent or distributor can provide helpful suggestions and market intelligence to enable companies to make informed pricing decisions. Some firms have successfully offered special, low introductory prices on consumer products to gain a foothold in the market and develop customer awareness and loyalty.

Sales Service/Customer Support

After-sales service and customer support are becoming increasingly important factors in selling in this market. Local companies with comprehensive support services have proved successful over the years. U.S. firms should consider this factor when appointing an agent.

Local Professional Services

Accounting is based on the British model and is generally considered active and competent. The source of accounting standards is the Institute of Chartered Accountants of Sri Lanka and standards are regularly updated to reflect current international accounting and audit standards. KPMG, Ernst and Young, PricewaterhouseCoopers, and Deloitte are represented in Sri Lanka.

There is also a competent legal profession. Sri Lankan commercial law is almost entirely statutory. The law was codified before independence in 1948 and reflects the letter and spirit of British law of that era. It has, by and large, been amended to keep pace with subsequent legal changes in the United Kingdom. All agreements made with local partners and agents should be in writing. In the event any disputes or problems arise, it is helpful to have written records for the purpose of supporting a legal case. The Embassy's Consular Section maintains a list of some attorneys in Sri Lanka, a copy of which may be obtained upon request. The leading law firms in Sri Lanka are also listed in the International Law List published in the United Kingdom. The legal system, however, is slow and cumbersome, and there are concerns about politicization of the judiciary.

Principal Business Associations

Companies interested in operating in Sri Lanka should contact the American Chamber of Commerce (AmCham) for guidance and networking assistance. Those companies that do invest in or establish a presence in Sri Lanka should consider becoming members of the Chamber.

The American Chamber of Commerce in Sri Lanka brings together more than 225 leading Sri Lankan and American companies engaged in trade, business, and investment activities between Sri Lanka and the United States.

AmCham Sri Lanka is affiliated with the U.S. Chamber of Commerce, the largest business federation in the United States. AmCham is also a member of the Asia-Pacific Council of American Chambers of Commerce (APCAC).

AMCHAM offers several advantages for member companies:

- Networking events and business services
- Lobbying/advocacy efforts
- Industry-specific development programs
- Trade events
- Quarterly newsletter

For more information on the American Chamber of Commerce in Sri Lanka, visit their website at:

<https://www.facebook.com/AMCHAMSL/>

Limitations on Selling US Products and Services

The Sri Lanka Trade Information Portal (<https://srilankatradeportal.gov.lk/>) is a one-stop point for information relating to import into and export from Sri Lanka. Implemented by the Department of Commerce, the portal provides an accessible, logical, helpful gateway for traders to access important regulatory and procedural information needed to export, import and transit. The initiative is also in line with the government's commitment to the requirements of World Trade Organization to comply with Article 1 of the Trade Facilitation Agreement.

The previous ban on beef and pork imports from the United States has been lifted. Imports of beef and pork are now permitted for special purposes including for use in the tourism and hospitality industries. Sri Lanka reserves the right to prohibit genetically modified (GM) agricultural commodities.

The importation of drugs is subject to the approval of the Drugs and Cosmetic Devices Committee of the Ministry of Health. In May 2019, the Government of Sri Lanka issued regulations setting maximum retail prices for 60 medicinal product formulations (<https://nmra.gov.lk/index.php?lang=en>). The price control applies to all branded and generic versions of drug-formulations in the schedule. Medical device registration is a cumbersome process and can take anywhere from six months to two years to obtain. Furthermore, in the event a foreign principal wants to discontinue services of a local agent, the foreign principal must convince the existing agent to provide a no-objection letter. Without this no-objection letter, the foreign principal cannot appoint a new representative/agent.

The Ministry of Defense controls the import of firearms and ammunition for use by the armed forces, police, and civil security. Certain military-related or dual-use items are prohibited or controlled. Radars, night-vision devices, beta lights, armored vehicles, explosion-detection equipment, digital-jamming equipment, infrared illuminators, GPS equipment, and laser designators are prohibited. Imports of laser/radar range finders and thermal-image devices are subject to Ministry of Defense approval. Remote-controlled toys are also under license control for public security reasons. There are restrictions on the import of toxic and hazardous chemicals and pesticides. Used and reconditioned air conditioners and refrigerators are under license control for environmental protection.

For additional descriptions of import barriers, please visit the Customs, Regulations & Standards Section and the Sri Lanka Department of Import and Export Control site <http://www.imexport.gov.lk/index.php/en/> and Sri Lanka Customs site www.customs.gov.lk/

Trade Financing

Methods of Payment

Payments for import of goods can be made under letters of credit (LC), documentary collections (documents against payment (DP) or documents against acceptance (DA) terms) or advance payment (AP) terms. Goods can also be imported to Sri Lanka on a consignment-account basis, where the goods imported are books and periodicals, or ornamental fish imported for re-export. Letters of credit are valid for up to 365 days. Imports on advance payment terms are allowed. Advance payments can be made through bank draft, mail transfer, or telegraphic transfer. Goods for which an advance payment has been made should be received by the importer within 90 days of affecting the remittance.

Basic documents required by commercial banks for imports include an invoice, insurance certificate (if applicable), and transport documents. Depending on the product and the mode of payment, certificates such as certificates of origin, inspection certificates, and packing lists may also be required. Shipments by air cargo may require the same documentation as those arriving by sea. All shipping documents in relation to imports made on DP or DA terms should be forwarded by the supplier's bank or by the supplier to a commercial bank in Sri Lanka for release to the importer of goods. In the event the original documents are not received on time, the importer, at the discretion of the bank, may obtain a shipping guarantee and may submit copies of these documents for certification by the bank for clearance of the goods. The importer should arrange the original shipping documents to be received by the bank concerned within 30 days from the date of certification of the copies.

To clear goods through customs, the importer should submit relevant shipping documents certified by a commercial bank and customs declaration forms to the Sri Lanka Department of Customs. In the case of an import made on AP basis, goods will be released on submission of satisfactory proof of payment such as bank confirmations. In the case of an import made on consignment-account basis, goods will be released by customs on the submission of clearance documents.

For more information about the methods of payment or other trade finance options, please read the Trade Finance Guide available at <https://www.trade.gov/trade-finance-guide-quick-reference-us-exporters>.

Banking Systems

Sri Lanka has a fairly well-diversified banking system, which includes the Central Bank of Sri Lanka (CBSL), two large state-owned commercial banks (Ceylon Bank and People's Bank), eleven private domestic commercial banks, thirteen foreign banks, a national savings bank, a regional development bank, two housing banks, and three licensed specialized banks. Citibank N.A. is the only U.S. bank operating in Sri Lanka. The domestic commercial banks operate branches throughout the island. All commercial banks operate foreign currency banking units and conduct off-shore business and finance projects approved by the BOI. The Central Bank is responsible for regulation and supervision of Sri Lanka's banking system. The legal framework consists of the Monetary Law Act and the Banking Act. The Central Bank is empowered to issue detailed directives to the commercial banks. In 1993, Sri Lanka adopted the Basel Accord capital guidelines for commercial banks. Sri Lanka adopted Basel III capital standards in 2017 and capital requirements for Sri Lankan banks have increased. According to the Central Bank the banking sector maintained capital ratios at a comfortable level in 2019. The Central Bank has requested banks to enhance minimum capital requirements by 31 December 2022.

Sri Lanka adopted International Financial Reporting Standards (IFRS) in January 2012 by issuing Sri Lanka Financial Reporting Standards and Sri Lanka Accounting Standards. Commercial banks are required to comply with these accounting standards and Central Bank guidelines. In January 2018, Sri Lanka adopted New IFRS9 standards set out by the International Accounting Standards Board, which require banks to set

aside provisions for future losses and introduced a new basis for financial asset classification and a model for hedge accounting.

Foreign Exchange Controls

Sri Lanka removed exchange control restrictions on current-account transactions effective March 15, 1994. Sri Lanka relaxed exchange controls on several categories of capital account transactions beginning 2010. A new Foreign Exchange Act was introduced in 2017, further liberalizing capital transactions.

If a project receives BOI approval, the project generally avoids capital controls.

In times of balance of payments difficulties, however, the government tends to impose controls on foreign exchange transactions involving the current account. In April 2020, Sri Lanka imposed restrictions on outward remittances for capital investments and also introduced import controls as a measure to ease the pressure on the currency. The Central Bank has introduced an export proceeds monitoring system as well. All exporters are required to provide details regarding export proceeds to the Central Bank on a quarterly basis.

U.S. Banks & Local Correspondent Banks

Citibank is the only U.S. bank present in Sri Lanka. All Sri Lankan commercial banks have correspondent relationships with U.S. banks.

Protecting Intellectual Property

Sri Lanka has made progress towards establishing IP protection mechanisms in line with international standards. The government has taken steps over the last five years to integrate relevant offices and streamline IP protection activities. The Sri Lankan government has committed to join the Madrid Protocol, but necessary laws have yet to be enacted.

The Sri Lankan government has made attempts at improving the National Intellectual Property Office (NIPO) by upgrading and modernizing its infrastructure and recruit new examiners for both trademark and patents, which has led to decrease in backlogs in trademark and patent examinations.

United States Government engagement

The United States and Sri Lanka engage on Intellectual Property Rights (IPR) primarily through the United States-Sri Lanka Trade and Investment Framework Agreement (TIFA). In addition, the United States and Sri Lanka continue to have dialogue through various fora and work together towards supporting Sri Lanka in developing a stronger IP ecosystem. The U.S. Government interacts with Customs, Police, Universities and Judicial officials, as well as industry organizations to discuss ways to strengthen the IP enforcement ecosystem in Sri Lanka.

Legislative climate

The Government of Sri Lanka has taken several steps in recent years towards developing its IP system.

Below are some highlights of recent developments:

- Sri Lanka is a WTO member and a party to the Paris and Berne Conventions, the Patent Cooperation Treaty (PCT), and Trademark Law Treaty (TLT), as well as the Marrakesh VIP Treaty.
- The Sri Lankan government passed its Intellectual Property Rights Act in 2003, the Act encompasses protection for Copyright, Patent and trademark, with the intention to meet WTO TRIPS obligations.

- The Intellectual Property Rights Act, 2003 governs copyrights and related rights; industrial designs; patents, trademarks and service marks; trade names; layout designs of integrated circuits; geographical indications; unfair competition and undisclosed information (e.g. trade secrets). All trademarks, designs, industrial designs, and patents must be registered with Director General of Intellectual Property. However, no legal provisions currently exist for registration of copyrights and trade secrets. See https://www.nipo.gov.lk/web/images/pdf_downloads/Intellectual_Property_Act_No_36_of_2003.pdf
- The Protection for New Plant Varieties (Breeders rights) Bill which was drafted in 2001 is still pending approval by Cabinet.
- The Sri Lankan government amended its IT policy in 2009. The amended information technology (IT) policy requires government agencies to only use licensed or open source software. See <https://www.cert.gov.lk/Downloads/e-governmentpolicy.pdf>
- In 2010, the Sri Lankan government has established a special antipiracy and counterfeit unit in the Criminal Investigation Division (CID) of the police to specifically address IPR concerns. The CID is the primary investigation arm of the Sri Lanka and was established in 1870
- The Sri Lankan government has also established an IPR unit in the social [Protection Unit of Sri Lankan Customs](#) to focus on IPR related issues.
- Sri Lanka Custom Department is also working towards developing a trademark database to advance IPR protection and enforcement, though it is yet to be implemented.
- Infringement of intellectual property rights is a punishable offence under the IP law with criminal and civil penalties. Recourse available to owners includes injunctive relief, seizure and destruction of infringing goods and plates or implements used for the making of infringing copies; and prohibition of imports and exports. Penalties for the first offence include up to six months imprisonment or a fine of up to LKR 500,000 (\$3200 USD), but smaller penalties are the norm.
- Sri Lanka Custom's regulatory code provides ex-officio authority to seize suspected counterfeit shipments at the borders. However, police and customs authorities generally do not proactively initiate action against IPR violators unless the victims bring it to the authority's attention and work with them on enforcement actions.

Enforcement climate

- The overall IP ecosystem in Sri Lanka has improved in recent years, however, lack of an effective strategic policy, coordination among entities involved in implementation and execution of laws has led to counterfeit products being freely available in Sri Lanka.
- Local agents of well-known U.S. and other international companies representing recording, software, movie, clothing and consumer products industries continue to criticize that the lack of adequate IPR protection damages their business interests in Sri Lanka.

In any foreign market companies should consider several general principles for effective protection of their intellectual property. For additional information, visit Stopfakes.gov/welcome_website or contact ITA's Office of Intellectual Property Rights Director, Stevan Mitchell at Stevan.Mitchell@trade.gov.

IP Attaché Contact

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 E-mail : john.cabeca@trade.gov

Selling to the Public Sector

Selling to the Government

Many government purchases are made by public tenders, which are usually advertised in the local media and increasingly through government websites. The government has publicly committed to follow international government procurement standards but often implementation of international procurement standards is weak, especially for projects and goods not funded through international financial institutions. Well-informed local agents can be the key to winning these tenders, though even the most connected local firms have trouble navigating the labyrinth of the government-tender process. Previously, tender specifications being drawn up to suit a particular company's product was standard practice. It is a common belief that the tender process lacks transparency and accountability. Even on occasions when a U.S. company wins a tender, the contract can be canceled on a technicality, often at the urging of a competitor. The practice of accepting unsolicited proposals without competing bids continues and there is a lack of clarity in the government procurement process which leads to reports of large-scale corruption.

The Sri Lankan government is reviewing a plan to award large development projects utilizing a "Swiss Challenge" process where an unsolicited project proposal by a company to the Sri Lankan government is put forward for public review and other interested parties are invited to submit counter proposals. However, the practice of accepting unsolicited proposals without competing bids seems to be continuing. Local agents also often represent more than one foreign supplier, so when they encounter difficulties, including charges of possible corruption, they are reluctant to voice concerns fearing it will jeopardize other business interests. It can sometimes be difficult to get an objective appraisal from local agents.

Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to the "Project Financing" Section in "Trade and Project Financing" for more information.

Sri Lanka is not a signatory to the WTO Agreement on Government Procurement (GPA) but has been an observer of the GPA since April 2003.

U.S. companies bidding on Government tenders may also qualify for U.S. Government advocacy. A unit of the U.S. Commerce Department's International Trade Administration, the Advocacy Center coordinates U.S. Government interagency advocacy efforts on behalf of U.S. exporters bidding on public sector contracts with international governments and government agencies. The Advocacy Center works closely with our network of the U.S. Commercial Service worldwide and inter-agency partners to ensure that exporters of U.S. products and services have the best possible chance of winning government contracts. Advocacy assistance can take many forms but often involves the U.S. Embassy or other U.S. Government agencies expressing support for the U.S. bidders directly to the foreign government. Consult Advocacy for Foreign Government Contracts for additional information.

Financing of Projects

Multilateral agencies also provide long-term lending for government projects. The Asian Development Bank (ADB), the World Bank, and the Japan International Cooperation Agency (JICA) are the major sources of project financing. In addition, bilateral donors, such as India, Japan, and Germany, fund major government projects by providing long-term concessional loans. China is also a significant lender for large-scale government projects. The government also seeks foreign commercial borrowing for project finance.

In addition to public-sector lending, the ADB also lends directly to the private sector to finance projects. The World Bank's International Finance Corporation (IFC) supports private-sector projects in Sri Lanka in the form of equity and long-term debt financing. IFC also supports SMEs.

Retained profits finance approximately 70 percent of private investment, with short-term borrowing financing an additional 20 percent of investment. The stock market and, to a lesser extent, the corporate-securities market are also used to raise capital.

Companies registered in Sri Lanka are allowed to borrow abroad. In June 2016, CBSL removed the maximum borrowing limit. Currently, the minimum loan tenor allowed is three years.

The U.S. Export-Import Bank (USEXIM) can work with your private lender to help secure financing for international sales. A lender receives a loan “guarantee” from EXIM, guaranteeing repayment for a percentage of the loan if the borrower (i.e., U.S. exporter) defaults. You can use the loan from your bank to pay for the labor, materials, and other inputs required to fulfill sales. EXIM doesn’t replace your private bank; it simply backs their loan and increases your borrowing power. USEXIM also provides export credit insurance. More information regarding USEXIM’s programs is available at: <https://www.exim.gov/>.

The U.S. Trade and Development Agency (USTDA) funds feasibility studies, orientation visits, specialized training grants, business workshops, and other forms of technical assistance to help American businesses compete for infrastructure and industrial projects. Further information on USTDA programs is available at www.tda.gov.

U.S. International Development Finance Corporation (DFC) is a development finance institution that provides financing for private development projects. It is an independent agency of the U.S. Government. Further information on DFC programs is available at www.dfc.gov/

The Small Business Administration’s (SBA) Office of International Trade supports small business in international trade development, SBA works with other federal agencies and public- and private-sector groups to encourage small business exports and to assist small businesses seeking to export. Further information on USTDA programs is available at www.sba.gov/

Multilateral Development Banks and Financing Government Sales. Price, payment terms, and financing can be a significant factor in winning a government contract. Many governments finance public works projects through borrowing from the Multilateral Development Banks (MDB). A helpful guide for working with the MDBs is the [Guide to Doing Business with the Multilateral Development Banks](#). The U.S. Department of Commerce’s (USDOC) International Trade Administration (ITA) has a Foreign Commercial Service Officer stationed at each of the five different Multilateral Development Banks (MDBs): the African Development Bank; the Asian Development Bank; the European Bank for Reconstruction and Development; the Inter-American Development Bank; and the World Bank.

Learn more by contacting the:

- Commercial Liaison Office to the [Asian Development Bank](#)
- Commercial Liaison Office to the [World Bank](#)

Business Travel

Business Customs

The language of business is English. Business cards are a necessity. Courtesy is highly valued in Sri Lanka and personal graciousness may play a role in securing deals. While punctuality is not as highly prized as in the United States, most appointments and similar commitments are relatively honored.

Travel Advisory

The [Embassy Consular Information Sheet](#) is available.

Visa Requirements

For current information on obtaining business visas to Sri Lanka, please visit the [Embassy of Sri Lanka website](#).

Specific inquiries regarding entry and exit requirements should be addressed to:

Embassy of the Democratic Social Republic of Sri Lanka
3025 Whitehaven Street NW
Washington DC 20008
Email: slembassy@slembassyusa.org
Telephone: (202) 483-4025
Telephone (Emergencies/After hours): (202) 580 9546
Fax: (202)-232-7181

There are several honorary Sri Lankan consuls general and consuls in the United States. Visit the Embassy of Sri Lanka website for current visa information.

If you are going to live in or visit Sri Lanka, please take the time to tell our Embassy about your trip through the State Department's Smart Traveler Enrollment Program (STEP). If you enroll, we can keep you up to date with important safety and security announcements. It will also help your friends and family get in touch with you in an emergency. Smart Traveler Enrollment Program: <https://step.state.gov/>

U.S. Companies that require travel of foreign businesspersons to the United States are advised that security evaluations are handled via an interagency process. Visa applicants should go to the following link: <https://travel.state.gov/>

Local embassy information is available below and at the Department of State's list of embassies and consulates.

U.S. Embassy Colombo
210 Galle Road
Colombo 03
Sri Lanka
Telephone: +94 11 249 8500
Fax: +94 11 249 8590
Email for American Citizens Services issues: ColomboACS@state.gov
Consular Section of the U.S. Embassy Colombo: <https://lk.usembassy.gov/u-s-citizen-services/>

Currency

The rupee (signs: රු, Rs.; code: LKR) is the currency of Sri Lanka, divided into 100 cents. It is issued by the Central Bank of Sri Lanka and is generally written Rs. (though SLRs. may occasionally be used for disambiguation).

As of February 11, 2021: \$1.00 = Rs. 193.98

ATMs are widely available and generally accept U.S. ATM network cards (e.g. MasterCard and Visa). ATM fraud (stealing card information) is a risk. Be cautious of your surroundings while using ATMs and monitor your bank accounts closely.

Major U.S. credit cards are widely accepted to purchase goods and services. Be cautious of using credit cards as credit card fraud (stealing credit card information) is a risk.

Telecommunications/Electronics

International direct dialing and cellular telephones are widely available. Mobile phones with GSM roaming facilities and wireless communication devices can be used in Sri Lanka. Sri Lanka has 4G LTE internet network available in the capital Colombo and major cities. International mail and courier services (including FedEx, UPS and DHL) are also available. A number of local providers offer Internet and e-mail services. Because the phone-line quality varies, connections are sometimes unreliable.

Power outages are more common outside of Colombo, especially in rural areas.

Transportation

Sri Lanka is served by several airlines. U.S. airlines do not serve Sri Lanka except indirectly through partner airlines. There are no direct flights to Colombo from the United States or to the United States from Colombo. A common way to travel to Sri Lanka from the East Coast is through London, Dubai or Doha. Visitors flying from the U.S. West Coast may transit in Japan, Hong Kong, Singapore, or Bangkok.

As there is no direct commercial air service to the United States by carriers registered in Sri Lanka, the U.S. Federal Aviation Administration (FAA) has not assessed the Government of Sri Lanka's Civil Aviation Authority for compliance with International Civil Aviation Organization (ICAO) aviation safety standards.

In-country air travel is extremely limited and road travel is relatively slow and dangerous. Charter helicopter service is available as are rental cars with drivers. Taxis are readily available in Colombo. Ridesharing mobile applications, including Uber, Pickme, and others, are available in Colombo and Galle but are not generally available in smaller towns and rural areas.

While in a foreign country, U.S. citizens may encounter road conditions that differ significantly from those in the United States. Vehicular traffic in Sri Lanka moves on the left (British style). Traffic in Colombo is very congested. Narrow two-lane highways, overloaded trucks, dangerously driven buses, ox carts, motorcycles, and new four-wheel-drive vehicles, make driving challenging and dangerous. Unexpected roadblocks and one-way streets are common and may not be clearly marked. Many visitors hire cars and drivers for long trips through the country. Individuals choosing to hire three-wheeled vehicles ("trishaws") should negotiate prices beforehand to avoid confrontations. When renting a vehicle, working seatbelts must be specifically requested.

Please refer to the Embassy's Road Safety page for more information. We also suggest visiting the website of Sri Lanka's national tourist office (www.srilanka.travel) and the National Council for Road Safety (<http://www.transport.gov.lk/>).

Language

The language of business is English. Sinhala, Tamil, and English are official languages.

Health

For up-to-date information on health services in Sri Lanka, please visit the U.S. Department of State's website which contains information specific to Sri Lanka: travel.state.gov/content/passports/en/country/sri-lanka.html

Good information on vaccinations and other health precautions can be found on the Center for Disease Control and Prevention (CDC) website (www.cdc.gov) or by calling the hotline for international travelers at 1-877-FYI-TRIP (1-877-394-8747). For information about outbreaks of infectious diseases abroad, consult the World Health Organization (WHO) website (<http://www.who.int/en>). The WHO website also contains additional health information for travelers, including detailed, country-specific health information.

Medical Insurance

Do not assume that your insurance will go with you when you travel. It is very important to find out BEFORE you leave. Be sure to ask your insurance company two questions:

1. Does my policy apply when I'm out of the United States?
2. Will it cover emergencies such as a foreign hospital stay or an evacuation?

In many places, doctors and hospitals still expect payment in cash at the time of service. Your regular U.S. health insurance may not cover visits to hospitals and doctors in other countries. If your policy does not go with you when you travel, consider taking out another one for the trip. For more information, please see our medical insurance overseas page.

Local Time, Business Hours and Holidays

To travel to Sri Lanka, businesspersons should check whether any local holidays will occur during their trips. There are about twenty public holidays during which government offices and banks are closed. Private companies also close on most of these holidays.

Sri Lankan holidays are connected with the country's four religions: Buddhism, Hinduism, Islam, and Christianity. Dates change from year to year. Holidays with fixed dates include Independence Day (February 4th), Labor Day (May 1st) and Christmas (December 25th). Each full moon is marked by a Poya Day holiday.

Sri Lanka is GMT+5.30 hours. Sri Lanka does not observe daylight-savings time. Business hours are generally from 8:30 a.m. to 5:00 p.m. (Monday through Friday). Government offices are open for business usually from 8:30 a.m. to 4:00 p.m. (Monday through Friday).

Holidays 2021

14 January 21	Tamil Thai Pongal Day
28 January 21	Duruthu Full Moon Poya Day*
4 February 21	National Day*
26 February 21	Navam Full Moon Poya Day*
11 February 21	Mahasivarathri Day
28 March 21	Madin Full Moon Poya Day*
2 April 21	Good Friday
13 April 21	Day prior to Sinhala & Tamil New Year Day*
14 April 21	Sinhala & Tamil New Year Day*
26 April 21	Bak Full Moon Poya Day*
1 May 21	May Day*
14 May 21	Id Ul-Fitr

26 May 21	Vesak Full Moon Poya Day*
27 May 21	Day following Vesak Full Moon Poya Day*
24 June 21	Poson Full Moon Poya Day*
20 July 21	Id Ul-Alha
23 July 21	Esala Full Moon Poya Day*
22 August 21	Nikini Full Moon Poya Day*
20 September 21	Binara Full Moon Poya Day*
19 October 21	Milad un-Nabi
20 October 21	Vap Full Moon Poya Day*
4 November 21	Deepavali
18 November 21	Ill Full Moon Poya Day*
18 December 21	Unduvap Full Moon Poya Day*
25 December 21	Christmas Day*

Note: Private companies are closed on holidays marked with *

Temporary Entry of Materials or Personal Belongings

Temporary entry for exhibition material is allowed under the Carnet system of the International Chamber of Commerce. The exporter should ensure that required documents under the Carnet system are certified in the country of origin of the material. These documents should be presented at the time the goods are being cleared from Customs. Goods brought into the country under the Carnet system must be re-exported within six months. For additional information, contact the approving authority: Director General of Customs, 40 Main Street, Colombo 11, telephone 94-11-2347881, fax 94-11-2446364; e-mail: dgc@customs.gov.lk .

Business travelers and visitors can enter with a portable computer, with or without encrypted software, as personal baggage. No duties or taxes are charged. Customs does not check for installed software which comes as personal baggage but, removable software has to be declared. Global Positioning System or similar devices are technically prohibited from entry into country without prior special permission.

Investment Climate Statement (ICS)

The U.S. Department of State Investment Climate Statements provide information on the business climates of more than 170 economies and are prepared by economic officers stationed in embassies and posts around the world. They analyze a variety of economies that are or could be markets for U.S. businesses.

Topics include Openness to Investment, Legal and Regulatory systems, Dispute Resolution, Intellectual Property Rights, Transparency, Performance Requirements, State-Owned Enterprises, Responsible Business Conduct, and Corruption.

These statements highlight persistent barriers to further U.S. investment. Addressing these barriers would expand high-quality, private sector-led investment in infrastructure, further women's economic empowerment, and facilitate a healthy business environment for the digital economy. To access the ICS, visit the U.S. Department of State [Investment Climate Statement](https://www.state.gov/reports/2020-investment-climate-statements/sri-lanka/) website.

(<https://www.state.gov/reports/2020-investment-climate-statements/sri-lanka/>)

Political Environment

For background information on the political and economic environment of Sri Lanka, please click on the following link: <https://www.state.gov/countries-areas/srilanka/>.