

Country (Region) Guides for
Outward Investment Co-
operation

(formerly) Ceylon

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Message from the Counsellor

Sri Lanka is located in the centre of the Indian Ocean, with the South Asian subcontinent at its back and facing the main international shipping lanes of the Indian Ocean, with the port of Hambantota in its south only 6-10 nautical miles away from the main international shipping lanes, which makes Sri Lanka a geographically important country as a pivot for the construction of the Belt and Road Initiative. China and Sri Lanka have deep traditional friendship, and economic and trade co-operation between the two countries is deepening. Sri Lanka is a tropical paradise for leisure and holidays with its beautiful scenery and unique flavour. We sincerely welcome more and more Chinese entrepreneurs to visit Sri Lanka.



Sri Lanka is traditionally a plantation economy. The country is mainly an agricultural country, and tea, spices, seafood and coconut products are the main sources of income for its agricultural economy and an important part of its export earnings. Sri Lanka's economy is small (total GDP of US\$84 billion in 2019, per capita GDP of US\$3,852), the industrial base is weak, most of the industrial raw materials and semi-finished products need to be imported from abroad, and the current major industries include construction, textiles and garments, leather, food, beverages, tobacco, chemicals, petroleum, rubber, plastics, non-metallic mineral processing industry and mining and quarrying industry. The service sector accounts for a large proportion of the economy and includes wholesale and retail trade, hotels, restaurants, logistics, warehousing, information and communications, tourism, financial services, real estate and business services, public administration and other social

and personal services. Sri Lanka lacks mineral resources, and relies on imports of oil, coal, natural gas and other major energy sources. The main proven minerals are gemstones and graphite, in addition to ferro-titanium, apatite, etc., and there are certain petroleum reserves in the neighbouring waters. The Government of Sri Lanka attaches great importance to environmental protection and strictly restricts the exploitation of mineral resources.

In 2009, Sri Lanka ended the 26-year-long internal armed conflict and entered a period of peaceful development, with a marked improvement in the security situation and rapid economic growth. In recent years, the Government has attached great importance to infrastructure investment, and constructed a number of key projects covering the fields of power and energy, aviation and shipping, transport, water conservancy and waterworks, communications, etc., and the hardware environment has been significantly improved. At present, Sri Lanka's national highway network has begun to take shape, and the transport capacity of local roads has been greatly enhanced; the energy structure has been further improved, and Sri Lanka has become the first country in South Asia to bid farewell to the electricity shortage; the competitiveness of the international shipping industry has been further strengthened through the expansion of the port of Colombo, and the construction of the new port of Hambantota. Sri Lanka is a multi-ethnic country, where Sinhalese, Tamils, Muslims and other ethnic groups seek to live and develop together on Sri Lankan soil, and where there are close economic exchanges with South Asia, the Middle East and Southeast Asia. Sri Lanka attaches importance to bilateral and multilateral regional cooperation, and has been continuously strengthening its economic ties with neighbouring and emerging countries. Under the new circumstances, Sri Lanka's demand and willingness to develop its economy and improve people's livelihood have become even stronger, and Sri Lanka has continued to send positive signals to the international community, expecting to further strengthen its close cooperation with other countries, and to promote its economic development and the process of national integration.

Overall, Sri Lanka has some potential for economic growth in the medium to long term, mainly by virtue of its superior

Sri Lanka's geographic location, leading infrastructure conditions within South Asia and human resource advantages will make it a bridgehead in South Asia and develop it into a regional shipping, trade, logistics and financial centre connecting the Middle East, South Asia and South-East Asia. At the same time, Sri Lanka's balance of payments has been unbalanced for a long time, with a heavy debt burden, overseas labour income, tourism income and exports are its main sources of foreign exchange, and insufficient capital accumulation has become the main bottleneck restricting its economic development. The Sri Lankan government is eager to improve the business environment to attract foreign investment, promote the development of pillar export industries and continuously enhance economic competitiveness. China and Sri Lanka have a long history of traditional friendship. In recent years, Sri Lanka has responded positively to the Belt and Road Initiative and expressed its willingness to actively participate in the construction of **the** 21st Century Maritime Silk Road. Leaders of the two countries have reached a broad consensus on deepening and strengthening practical cooperation in the economic and trade fields within the framework of the Belt and Road **Initiative**, and bilateral economic and trade co-operation has been developing rapidly with remarkable results. China has become one of Sri Lanka's largest sources of investment and development assistance, and its second largest trading partner and source of tourists. At present, the operation of the Hambantota Port and Colombo Port City represent the steady progress of major projects, which are gradually being built to lead the future economic and social development of Sri Lanka's major engine, a number of roads, railways, water conservancy, irrigation projects are being steadily implemented. It is believed that with the smooth progress of various cooperation projects, a better platform will be built and more opportunities created for foreign investors, including Chinese enterprises, to invest and prosper in Sri Lanka.

Sri Lanka's Constitution and related laws guarantee the safety of foreign investment, with a set of mature legal and institutional frameworks including intellectual property rights, dispute resolution and company law, allowing foreign investment to enter most of the industries except pawnbroking, retailing of less than 5 million US dollars, offshore fishing and other industries, and permitting dividends, gratuities, royalties and remittance of capital. At the same time, Sri Lanka's political and economic situation is complex and volatile, the

(formerly)

investment environment needs to be further improved, Chinese-funded Ceylon enterprises to Sri Lanka to carry out investment and cooperation must strengthen the research, risk prevention and control, prudent and scientific decision-making. At the same time, they should respect local social customs and habits, operate in accordance with the law and avoid getting involved in local politics and partisan disputes. Chinese-funded enterprises should strengthen cooperation with each other, strictly prohibit vicious competition, and effectively safeguard national interests and the image of Chinese-funded enterprises in Sri Lanka.

It is hoped that the 2020 edition of the Sri Lanka fascicle of the Guide can help enhance your understanding of Sri Lanka's national conditions, economic and trade environment, investment policies, investment processes, etc., and provide you with reference for investment and co-operation in Sri Lanka. We sincerely welcome your valuable comments and suggestions.

On behalf of all the staff of the Economic and Trade Office, I would like to express my sincere gratitude for your interest and support!

Yang Zuoyuan, Economic and Commercial Counsellor, Chinese Embassy in Sri Lanka
June 2020

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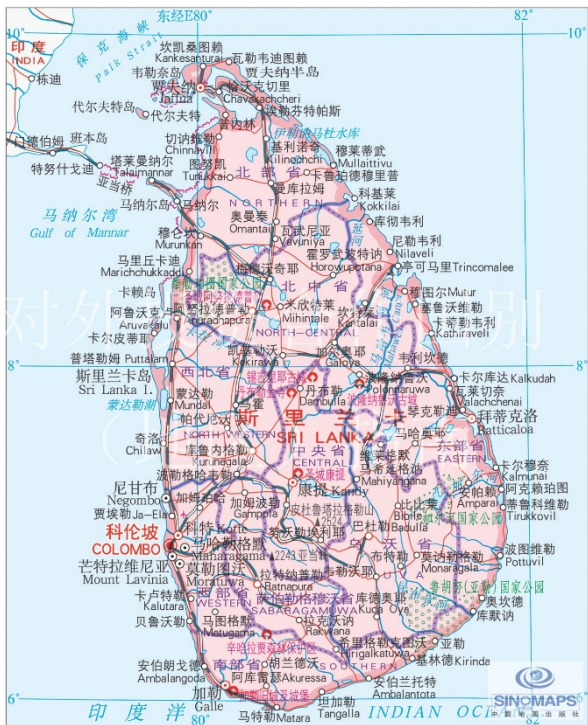
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INTRODUCTION What will this guide tell you?

Do you know enough about the investment and co-operation environment in The Democratic Socialist Republic of Sri Lanka (hereinafter referred to as "Sri Lanka" or "SL") before you prepare to invest and co-operate in Sri Lanka? What is the political, economic and socio-cultural environment? What sectors are suitable for investment co-operation? Is the cost of doing business in Sri Lanka competitive? How should I go through the relevant vetting procedures? What are the local laws and regulations governing foreign investment cooperation? What are the special considerations for investment and co-operation in Sri Lanka? What should I do if I encounter difficulties? How to deal with the local government, parliament, trade unions, residents, media and law enforcement? Sri Lanka", part of the "Country (Regional) Guides for Foreign Investment Co-operation" series, will provide you with basic information and serve as a guide to Sri Lanka.



地图来源：中国地图出版社

1. What kind of country is Sri Lanka?

1.1 Sri Lanka yesterday and today

1.1.1 A Brief History of Development

In the 5th century B.C., Aryans from North India migrated to Ceylon and established the Sinhalese dynasty. In 247 B.C., King Ashoka of the Peacock Dynasty of India sent his son to the island to promote Buddhism, which was welcomed by the local king, and from then on the Sinhalese rejected Brahminism and converted to Buddhism. Around the 2nd century B.C., Tamils from South India also began to migrate and settle in Ceylon. From the 5th century to the 16th century AD, the Sinhalese and Tamil kingdoms were at war with each other, and from the 16th century onwards, the island was ruled by the Portuguese and the Dutch, and at the end of the 18th century it became a British colony; it gained its independence in February 1948, and its name was given to the country as Ceylon. On 22 May 1972, the name of the country was changed to the Republic of Sri Lanka. On 16 August 1978, the name of the country was changed to the Democratic Socialist Republic of Sri Lanka (DSSR).

1.1.2 international status

Sri Lanka is situated in the centre of the Indian Ocean and is a must for East-West maritime transport, with a privileged geographical position for radiation to South Asia, the Middle East, South-East Asia and East Africa. The southern coast is only 6-10 nautical miles away from the main international Asia-Europe route, with more than 60,000 ships passing through the main route every year, bearing one-third of the world's crude oil and one-half of the container volume. Its economic capital, Colombo, is known as

It is known as the "Crossroads of the East".

1.1.3 historical person

Don Stephen Senanayake, born in British Ceylon, was the first Prime Minister of the Autonomous Territories of Ceylon (1947-1952), leader of the National Independence Movement, and the Father of the Sri Lankan Nation.

Mrs Sirimavo Bandaranaike, the world's first female prime minister, was actively involved in her husband's day-to-day political affairs when he

became prime minister in 1956, but three years later he was assassinated by assailants and died. Under these circumstances, Sirimavo was thrust into the centre of the political arena, following in her husband's footsteps as President of the Freedom Party and then Prime Minister of Sri Lanka in 1960.

Geoffrey Bawa was Sri Lanka's most prolific and influential architect, pioneering the modernist style of architecture, winner of the 2001 Akka Khan Award for Lifetime Achievement in Architecture, and known as the "Light of Sri Lanka". Bawa finally had his first work done at the age of 38 (1957), and from then on he embarked on a belated career of architectural creativity, which lasted until his death in 2003 at the age of 84. With more than forty years of practice, Bawa succeeded in creating a series of revolutionary architectural prototypes for his native Sri Lanka, and has become known as the "Father of Asian Architecture".

1.2 What is the geography of Sri Lanka?

1.2.1 geographic location

Sri Lanka is located between 5 degrees 55 minutes and 9 degrees 50 minutes north latitude and 79 degrees 42 minutes and 81 degrees 53 minutes east longitude. The length of 432 kilometres from north to south and 224 kilometres from east to west, with a land area of 65,600 square kilometres, shaped like a pear, is an island country in the Indian Ocean. It is a pear-shaped island in the Indian Ocean. It is separated from India by the Straits of Bauk in the north, and is close to the equator in the south, with beautiful scenery, and is known as the “Pearl of the Indian Ocean”.

Sri Lanka is in the 5.5 East time zone, and local time is 2.5 hours behind Beijing time. There is no daylight saving time in Sri Lanka.

1.2.2 administrative subdivision (e.g. of provinces incounties)

[Administrative divisions] The country is divided into 9 provinces and 25 districts, the 9 provinces being Occidental, Centre, South, North-West, North, North-Central, Orientale, Uva and Sabaragamuwa.

[Economic capital] Colombo, with a population of 2,448,000 (2019) in the Colombo metropolitan area, is the political, commercial and cultural centre of Sri Lanka. Its legislative capital is the city of Kotte, which is located on the outskirts of Colombo, about a 30-minute drive away, and the parliament and some government offices have been relocated to Kotte.

[Major Cities] The major cities of Sri Lanka, excluding the economic capital Colombo, are as follows:

Kandy: the second largest city in Sri Lanka, a famous tourist city, inscribed on the UNESCO World Heritage List, with a population of about 1,476,000 people, is located in the central mountainous region 115 kilometres north-east of Colombo, at an altitude of about 500 metres above sea level, and is the main commercial, religious, cultural and transport centre of the central mountainous region.

Gaur: Port city, 115 kilometres south of Colombo, with a population of about 1.13 million, was once the capital of the Ruhuna Kingdom in southern Sri Lanka, and a famous seaside tourist town.

Trincomalee: Trincomalee for short is located on the east coast of Sri Lanka, 257 kilometres from Colombo, with a population of about 426,000 people. It is one of the world's largest and most scenic natural harbours, covering an area of more than 10,000 hectares, with an average depth of

25 metres in the harbour and a channel depth of 36.6 metres, with a total of five jetties, which are capable of berthing large vessels of more than 100,000 tonnes. Trincomalee has a harbour called China Bay.

Negombo: 6 kilometres from Bandaranaike International Airport and 35 kilometres from Colombo, Negombo is famous for its fishing industry and is the first destination for many tourists upon arrival in Sri Lanka.

Hambantota: 237 kilometres from Colombo, it is inhabited mainly by Malays of the Islamic faith, with a significant number of Sinhalese of the Buddhist faith.

Jaffna: Located at the south-western tip of the Jaffna peninsula, 398 kilometres from Colombo. A heavily Tamil populated city with a population of about 617,000 people.

Nuwara Eliya, meaning City Light, is located in the centre of Sri Lanka, at the foot of Pidurutaragala, the highest peak in Sri Lanka, at an altitude of 1,896 metres above sea level, known as the "Switzerland of the Orient" and "Little England", with a population of 768,000 people, and is 180 kilometres away from Colombo, which is difficult to access.

1.2.3 natural resources

[Agricultural resources] Sri Lanka, with its fertile land and favourable climatic conditions, is rich in tropical cash crops and has good conditions for the development of the agricultural economy. Sri Lanka's arable land area of 4 million hectares, accounting for 61 per cent of the national territory. There are large tea plantations, rubber plantations and coconut plantations. Tea, rubber and coconut are the main sources of income for Sri Lanka's agricultural economy. Depending on the terrain, the three major crop-producing areas are distinct. Coconut groves are found in the lowest parts of the coast, rubber groves in the slightly higher areas, and tea in the mountainous regions. Rice is grown in all regions.

[Forest resources] Sri Lanka was originally a country rich in forest resources. In the last hundred years, due to the extensive development of plantations, the forest area has been greatly reduced. At present, the forest area is about 2 million hectares, covering about 30 per cent. It mainly produces precious timber such as jatropha, mahogany, ebony, teak and ironwood. In addition, there are large quantities of rubberwood and coconut wood, which can be used to make furniture.

[Fruit resources] Sri Lanka is rich in tropical fruits such as bananas, coconuts, mangoes, papayas, pineapples, rambutan, mangosteen and durian.

[Floral Resources] There are 3,300 species of flowering plants in Sri Lanka. Of these, orchids are available for export.

[Mineral resources] Sri Lanka has few mineral resources. The main minerals are gemstones and graphite, in addition to ferro-titanium, apatite, phosphates, etc. Its graphite purity is extremely high; ilmenite, rutile, kaolinite, ball clay and brick clay, etc. are mostly used for industrial exports. Natural gas fields have been discovered in the waters of the Gulf of Mannar, as well as

Government of Sri Lanka has organised exploration work for the "petroleum traces". The Government of Sri Lanka attaches importance to the conservation of mineral resources and has strict regulations for the exploitation of mineral resources.

1.2.4 climatic conditions

Sri Lanka is a summer country with no seasons, only a rainy season and a dry season. The climate is tropical monsoon with an average annual temperature of 28°C. The rainy season is the south-west monsoon from May to August and the north-east monsoon from

November to February. The country is divided into three climatic zones, namely the dry zone, the humid zone and the mountainous zone. The average maximum temperature in the coastal areas 31.6°C and a low of 24.2°C. Mountainous areas have an average high of 26.6°C and a low of 18.2°C. Island-wide, temperatures are highest from March to June and lower from November to January each year. The average annual precipitation varies from 1283-3321 mm in all regions.

1.2.5 Population distribution

The total population of Sri Lanka as per Statistics Sri Lanka 2019 is 21.8 million. In 2019, the population growth rate is 0.6 per cent.

The Western Province of Sri Lanka accounts for 28.3 per cent of the country's population, while the Northern Region accounts for only 5.2 per cent of the country's population. Of the major administrative districts, the Colombo District has the largest population of 2,448,000 and the Mullaitivu District in the North has the smallest population of 970,000 people.

According to the Sri Lankan Immigration Department, the number of Chinese who are currently in Sri Lanka with a "work visa

About 5,000 or so.



Commemorative International Conference
Building in Bandaranaiké, Sri Lanka

1.3 What is the political environment in Sri Lanka?

1.3.1 political system

Sri Lanka has a presidential republic with separation of powers and multi-party competition.

[Constitution] The current Constitution, which came into force on 7 September 1978, is the fourth Constitution of Sri Lanka, changing the parliamentary system to a presidential system, and has been amended several times since 1982. In April 2015, the Sri Lankan Parliament passed the 19th Constitutional Amendment, which limits the powers of the President, who remains Head of State, Commander of the Armed Forces and Head of Government.

[Parliament] The Parliament is unicameral and is the highest legislative body. It consists of 225 members who serve a five-year term. The last Parliament was elected in August 2015. The distribution of seats was 106 for the United National Party (UNP), 95 for the United People's Freedom Alliance (UPFA), 16 for the Tamil National Alliance (TNA), 6 for the People's Liberation Front (JLF), and 1 each for the Muslim Congress

(MCP) and the Eelam People's Democratic Party (EPDP). In March 2020, Sri Lankan President Gotabaya, acting under the authority of his constitutional powers, dissolved the previous parliament. Sri Lanka was scheduled to hold general elections for a new parliament in June 2020. However, the date of the parliamentary elections has not yet been finalised due to the new crown epidemic.

[President] The President is the Head of State, Head of Government and Commander-in-Chief of the Armed Forces and has the power to appoint the Prime Minister and members of the Cabinet. The current President is Gotabhaya Rajapaksa, who was sworn in on 8 November 2019 for a five-year term.



Office of the Presidential Secretariat

[Government] The President of Sri Lanka is the supreme executive authority, head of Government and convener of the Cabinet. The President appoints the leader of the parliamentary majority as Prime Minister and presides over the Cabinet ministries. The current Prime Minister, Mahinda Rajapaksa, is the brother of the current President, Gotabhaya Rajapaksa, who served two terms as President of Sri Lanka from 2005 to 2015.

[Judiciary] The judiciary consists of three parts: the courts, including the Supreme Court, the Court of Appeal, the High Court, and the District Courts; the Ministry of Justice, which is responsible for the administration of justice; and the Judicial Service Commission, which is responsible for court personnel and disciplinary control. The current Chief Justice of the Supreme Court, Jayantha Jayasuriya, took office in April 2019.

1.3.2 Main parties

The main political parties are the Sri Lanka People's Front, the

United National Party, the Sri Lanka Freedom Party, the Tamil National Alliance and the People's Liberation Front. United National Party, Sri Lanka Freedom Party, The Tamil National Alliance and the People's Liberation Front.

(Janatha Vimukthi Peramuna, People's Liberation Front).

[Sri Lanka People's Front (SLPF)] In 2015, the current Prime Minister Mahin

Dah, Rajapaksa lost the presidential election and subsequently, his supporters split from the Freedom Party to form the People's Front Party (PFP) in 2016. In the 2019 presidential election, the PFP put forward Mahinda's younger brother, Gotabhaya, as its presidential candidate and won a resounding victory.

Sri Lanka Freedom Party (SLFP)] Founded in September 1951 by Solomon Bandaranaike. It is a traditional left-wing party with a democratic socialist economic policy, nationalism and a non-aligned foreign policy. It was in power from 1956 to 1960, 1960 to 1964, 1970 to 1977, 1994 to 2001, and 2004 to 2015, and split three times in 1981, 1984, and 1993. It is currently chaired by former President Sirisena. The People's Front Party (PFP) and the Freedom Party (FP) are contesting the current parliamentary elections in partnership.

United National Party (UNP)] In September 1946, the Ceylon National Congress (CNC) headed by Sennenayake, the Sinhala Congress (SC) headed by Bandaranaike and the All Ceylon Muslim League (ACML) headed by Jaya merged to form the United National Party (UNP). It was a traditional right-wing party that favoured free competition, an open-door economic policy and a non-aligned foreign policy. It was in power from 1948 to 1956, from March to July 1960, from 1965 to 1970, from 1977 to 1994, from 2001 to 2004, and from 2015 to 2019, either independently or in coalition with other parties. The current leader of the party is former Prime Minister Ranil Wickremesinghe. In 2019, the party fielded a candidate, Sajit Premadasa, to contest the presidency against Gotabhaya, which it ultimately lost.

The Tamil National Alliance (TNA) was formed in October 2001, comprising four political parties, namely, the Tamil United Liberation Front (TULF) ITAK, the Eelam People's Revolutionary Liberation Front (EPRLF), the Tamil Eelam Liberation Organisation (TELO), and the Tamil Eelam People's Liberation Organisation (TEPLO), with its headquarters in Jaffna, a Tamil-populated area in the northern part of Sri Lanka. Jaffna, which is heavily Tamil populated. The party advocates the right of the Tamils to self-determination and calls on the government to protect the rights of the Tamils, and since 2011 has engaged in several rounds of dialogue with the Sri Lankan government on a political solution to the national question. The current leader of the alliance is Sampanthan and the General Secretary is Senathiraja.

The Janatha Vimukthi Peramuna (People's Liberation Front) was founded in 1970, with its main members coming from the then

Communist Party of Ceylon. Until the early 1990s, the party was committed to armed struggle, but since the 1990s it has adjusted its policy in favour of parliamentary struggle. The current leader of the party is Anurag Dissanayake and the General Secretary is Tirvan Silva.

Other political parties and organisations are the Muslim Congress, the National Heritage Party, the Democratic Party, the Ceylon Workers Congress, the Eelam People's Democratic Party and the Communist Party of Sri Lanka.

1.3.3 diplomatic relations

[Foreign policy] Pursues an independent and non-aligned foreign policy, supports the Five Principles of Peaceful Coexistence, opposes all forms of imperialism, colonialism, racism and hegemony of major Powers, upholds the independence, sovereignty and territorial integrity of Sri Lanka and does not allow foreign interference in Sri Lanka's internal and foreign affairs. Concerned about international and regional security, it advocates general and complete disarmament, including global nuclear disarmament, and the establishment of a new international political and economic order. Strongly opposed to international terrorism, and in January 1998 signed the

Became the first signatory to the United Nations Convention against Terrorist Bombings. Active promotion of regional cooperation in South Asia. Called for strengthening international cooperation in counter-terrorism within the United Nations and SAARC, among other organisations. Diplomatic relations have been established with more than 140 countries.

[Relations with the United States] The United States is one of Sri Lanka's major aid donors and largest export market. In 1997, the U.S. declared the 'Tigers' a terrorist organisation. After the tsunami disaster in late 2004, the U.S. played an active role in Sri Lanka's relief and reconstruction efforts. In February 2015, Sri Lankan Foreign Minister Samaraweera visited the U.S.; and in May 2015, U.S. Secretary of State John Kerry visited Sri Lanka. 2016

In February, Sri Lankan Foreign Minister Samaraweera visited the U.S. In November 2017, U.S. Department of State Deputy Secretary of State Shannon visited the U.S. In October 2018, U.S. Department of State Principal Deputy Assistant Secretary for South and Central Asian Affairs Alice Wells visited the U.S. In April 2019, Sri Lankan Foreign Minister Malappana visited the U.S.

[Relations with India] Sri Lanka and India have a long history of geographical and cultural ties. Maintaining friendly relations with India is a priority of Sri Lanka's foreign policy. Both sides attach importance to economic co-operation and hope that this will lead to the start of SAARC co-operation. India supports the peaceful resolution of the ethnic conflict in Sri Lanka. In May 2014, Sri Lankan President Rajapaksa was invited to attend the inauguration ceremony of Indian Prime Minister Narendra Modi. In January 2015, Sri Lankan Foreign Minister Samaraweera visited India. In February 2015, Sri Lankan President Sirisena visited India; in March 2015, Indian Prime Minister Narendra Modi visited Sri Lanka; and in September 2015, Sri Lankan Prime Minister Wickremesinghe visited India. In February 2016, Indian External Affairs Minister Swaraj visited Sri Lanka. In April 2017, Sri Lankan Prime Minister Wickremesinghe visited India; in May 2017, Indian Prime Minister Modi visited Sri Lanka. In September 2017, Sri Lankan External Affairs Minister Malapana visited India. In October 2017, Sri Lankan Minister of State in the Ministry of External Affairs, Ssenanayake visited India. In March 2018, Sri Lankan President Sirisena travelled to India to attend the inaugural conference of the International Solar Alliance. October 2018, Sri Lankan Prime Minister Wickremesinghe visited India. May 2019, Sri Lankan President Sirisena was invited to attend the second inauguration of Indian Prime Minister

Narendra Modi. November 2019, the new Sri Lankan President Gotabhaya Rajapaksa visited India, his first post-presidential. In February 2020, Sri Lankan Prime Minister Mahinda visited India.

[Relations with SAARC] Sri Lanka attaches importance to regional cooperation in South Asia and actively supports and participates in the activities of SAARC, whose tenth summit was held in July 1998 in Sri Lanka. Sri Lanka actively promotes cooperation among SAARC countries, stressing that economic development is the top priority of SAARC, for which a peaceful and stable regional environment is needed. In 2008, Sri Lanka successfully hosted the 15th SAARC Summit. In 2011 and 2014, Sri Lankan President Rajapaksa attended the 17th SAARC Summit in the Maldives and the 18th SAARC Summit in Nepal respectively. In May 2017, SAARC Secretary General Sial visited Sri Lanka. The current SAARC Secretary General, Viracon, is a senior Sri Lankan diplomat.

[Relations with China] China and Sri Lanka have a long history of friendly exchanges. Sri Lanka is historically known as Shih (Lion) Kingdom or Sinhala Kingdom in Chinese texts. In 410 A.D., Fa Xian, a monk of the Jin Dynasty, travelled to Sri Lanka, retrieved Buddhist classics and wrote a book entitled "Records of the Buddha's Kingdom". In the 15th century, a Sri Lankan prince visited China and settled in Quanzhou, Fujian Province, on his way back to China, where he was given the surname Shih by the Ming Emperor, and his descendants are still living in Quanzhou and Taiwan. Sri Lanka was colonised by the West

After the Civil Lands, Sino-Spanish relations were interrupted for a while.

Sri Lanka recognised the new China in 1950 and on 7 February 1957 the two countries established diplomatic relations. China and Sri Lanka have always maintained friendly relations, with constant high-level exchanges. Premier Zhou Enlai (1957, 1964, including 1964, when he travelled with Vice-President Soong Ching Ling and Vice-Premier Chen Yi), Vice-Chairman Xu Xiangqian of the Standing Committee of the National People's Congress (NPC)

(1973)、全国人大常委会邓颖超副委员长 (1977)、耿飚副总理 (1978)、黄华副总理兼外长 (1981)、吴学谦国务委员兼外长 (1985)、李先念主席 (1986)、李鹏总理 (1990)、钱其琛副总理兼外长 (1994)、全国人大常委会陈慕华副委员长 (1997), Chairman Li Ruihuan of the National Committee of the Chinese People's Political Consultative Conference (1999), Premier Zhu Rongji (2001), Chairman Jia Qinglin of the National Committee of the Chinese People's Political Consultative Conference (2003), Secretary of the Discipline Inspection Committee of the Central Committee of the Communist Party of China Wu Guanzheng (2004), Premier Wen Jiabao (2005), State Councillor Tang Jiaxuan. (2006), Foreign Minister Yang Jiechi (2008), Tianjin Party Secretary Zhang Gaoli (2009), Vice-Premier Zhang Dejiang (2010), Vice-Chairman of the Standing Committee of the National People's Congress (NPC) Sang Guowei (2010), Vice-Chairman of the Standing Committee of the NPC Hua Jianmin (2011), Vice-Secretary of the Central Political and Legislative Affairs Commission (CCPFC) Wang Lequan (2012), and Chairman of the Standing Committee of the NPC Wu Bangguo (2012), Liang Guanglie, State Councillor and Minister of National Defence (2012), Liu Yunshan Standing Committee (2013), Luo Fuhuo, Vice-Chairman of the CPPCC (2013), Yan Junqi, Vice-Chairman of the Standing Committee of the National People's Congress (2013), President Xi Jinping (2014), Wang Jiarui, Vice-Chairman of the CPPCC (2015), Zhang Bowen, Vice-Chairman of the Standing Committee of the National People's Congress (2015), Chen Xiaoguang, Vice-Chairman of the CPPCC (2015), Foreign Minister Wang Yi (2016), State Councillor and Minister of Defence Chang Wanquan (2017), Chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) Yu Zhengsheng (2017), Vice-Chairman of the CPPCC Wang Qinmin (2018), Vice-Chairman of the CPPCC Han Qide (2018), Vice-Chairman of the CPPCC LiBh(2018), Vice-Chairman of the CPPCC Wan Gang (2019), and State Councillor and Minister for Foreign Affairs Wang Yi (2020), visited

Sri Lanka .. Mrs Bandaranaike, Prime Minister of Sri Lanka (1961, 1972), President Jayawardena (1984), Prime Minister Premadasa (1979, 1988), Prime Minister Wijetunga (1989), Foreign Minister Kadigama (1995, 1998, 2004), Mrs Kumaratunga, President (1996, 2005), Prime Minister Wickremesinghe (2003, 2016, 2017), Prime Minister Wickremanayake (2006, 2008), Speaker Rokubandara (2006), Foreign Minister ~~Samawera~~ (2006,2015), President Rajapaksa (2007,2008,2010, 2011,2013), Foreign Minister Bogra Gama (2009), Speaker Chamal (2012,2014), Foreign Minister Peiris (2010, 2011,2014), Prime Minister Jayaratna (2013), President Sirisena (2015,2019), Prime Minister Wickremesinghe (2016, 2017) visited China.

The government and people of Sri Lanka warmly welcomed President Xi Jinping's state visit to Sri Lanka in 2014, which was the second visit of a Chinese head of state to Sri Lanka after 28 years. During the visit, President Xi Jinping met with President Rajapaksa, Prime Minister Jayaratne, Speaker Chamal and other Sri Lankan dignitaries. Leaders of the two countries held in-depth discussions on strengthening Sino-Sri Lankan cooperation, issued the Action Plan of the People's Republic of China and the Democratic Socialist Republic of Sri Lanka on Deepening Strategic Partnership, and signed a number of co-operation agreements covering a wide range of fields, including the economy, science and technology, and the humanities, etc. During the state visit of President Sirisena to China in 2015, President Xi Jinping

In 2016, during Prime Minister Wickremesinghe's official visit to China, President Xi Jinping, Premier Li Keqiang, and Chairman Zhang Dejiang met and talked with him. In May 2017, Prime Minister Wickremesinghe led a delegation to attend the inaugural **'One Belt, One Road'** International Co-operation Summit Forum, where President Xi Jinping, Premier Li Keqiang, and other state leaders met and talked with him. Summit Forum, President Xi Jinping, Premier Li Keqiang and other state leaders met and talked with him. In May 2019, President Sirisena led a delegation to China to attend the first **'Dialogue of Asian Civilisations Conference'**, President Xi Jinping, Premier Li Keqiang, President Wang Yang and other state leaders met and talked with him. On May 13, 2020, President Xi Jinping and Sri Lankan President Goh Tabaya spoke by phone. Tabaya by telephone. President Xi Jinping emphasised that China and Sri Lanka are strategic partners of sincere mutual assistance and friendship for generations. The friendship and mutual trust between the two countries have been tested through the years and have been sublimated again in this joint fight against the epidemic. The two sides should gradually resume practical cooperation in various fields under the premise of preventing and controlling the epidemic, advance major cooperation projects in an orderly manner, and promote the high-quality construction of the **"Belt and Road"**.

China has always been a staunch supporter of Sri Lanka on human rights issues and has spoken out in favour of Sri Lanka on many international occasions. The Sri Lankan Government has consistently given firm support to China on issues such as Taiwan, Tibet and human rights, and in March 2008 the Sri Lankan Ministry of Foreign Affairs issued a statement opposing Taiwan's "referendum on joining the United Nations". In the aftermath of the "2008" serious criminal violence in Lhasa, the Sri Lankan Government stated that it would continue to firmly adhere to the one-China policy and recognised that Tibet was an inalienable part of China's territory, and in July 2009 the Sri Lankan Ministry of Foreign Affairs issued a statement on the "2009" incident in Urumqi, stating that Xinjiang was an integral part of China and that the situation in Xinjiang was a matter of Chinese domestic concern. In the aftermath of the "2014" violence in Kunming in 2014, Sri Lankan President Rajapaksa wrote to President Xi Jinping to condemn the acts of violence in the strongest terms.



Colombo City Hall

1.3.4 government office

In November 2019, Sri Lanka held a new presidential election. Gotabhaya Rajapaksa was inaugurated as President of Sri Lanka. On 21 November, Mahinda Rajapaksa, leader of the People's Front Party, was sworn in as Prime Minister. The Cabinet consisted of 17 members, including the President, Prime Minister and Ministers. In March 2020, President Gotabhaya dissolved Parliament under his constitutional powers and established a caretaker Cabinet with Mahinda as Prime Minister. Sri Lanka was scheduled to hold general parliamentary elections in June, but due to the New Crown epidemic, no date has been set for the general parliamentary elections. After the parliamentary elections, a new Government will be formed and specific departments will be adjusted accordingly.

1.4 What is the socio-cultural environment in Sri Lanka?

1.4.1 nation

Sri Lanka is a multi-ethnic country with Sinhalese, Tamils, Moors (Muslims) and other ethnic groups, of which the Sinhalese make up 74.9 per cent and are mostly Buddhist, the Tamils 15.4 per cent and are mostly Hindu, the Moors 9.2 per cent and are Islamic, and other ethnic groups make up 0.5 per cent. The Sinhalese are scattered throughout the country, the Tamils are more concentrated in the north and east of Sri Lanka and the Moors are scattered along the coast.

There are about 12,000 resident Chinese overseas Chinese in Sri Lanka, more than 70 Chinese-funded enterprises operating and investing in Sri Lanka and constructing major infrastructure projects, and nearly 100 self-employed businesses in the restaurant, tourism, and small commodities industries.

1.4.2 multilingualism

Sinhala and Tamil are the official languages of Sri Lanka and the national language. English is commonly used in business at .

1.4.3 religions

Buddhism is practised by 70.2 per cent of the Sri Lankan population, Hinduism by 12.6 per cent, Islam by 9.7 per cent and Catholicism and Christianity by 7.4 per cent.

Sri Lankans have a strong sense of religion and a high religious

status. There are many customs and taboos, for example, back to the statue of the Buddha to take pictures against Sri Lankan law; the white chairs in the terminal for the exclusive use of religious people, even if the seat is empty, ordinary people are not allowed to occupy; do not climb and ride on top of the statue of God to play or take pictures, in order to show respect for the local beliefs; a number of mosques or temples to refuse to female tourists to visit, do not enter the administrators without the consent of unauthorised access.



St Ruthie's Church

1.4.4 customary

Sri Lanka is a country where the majority of the population believes in Buddhism, and many customs are related to Buddhism. In Sri Lanka, Buddhist monks are highly respected, and Sri Lankan residents try to be slightly below the head of the monk when conversing with him, whether they are standing or sitting, not to mention that they cannot use their left hand to take things to hand to Buddhist monks and believers. When visiting Buddhist monasteries, one should not make rude gestures such as stepping, straddling or riding on the statues of the Buddha, and when entering the monasteries, one should go barefoot, not wearing shoes and socks, and the length of the trousers should be below the knee, and one should not wear a hat, and it is forbidden to make noise or take photographs. Alcohol is usually strictly prohibited during religious festivals. When travelling to Sri Lanka, it is important to remember to respect the religion; the Buddhist doctrine of "no killing" and the tradition of protecting the environment.

It is worth noting that nodding and shaking one's head in Sri Lanka means the opposite of what it does in China, with nodding indicating no

and shaking one's head indicating yes. Sri Lankans eat with the right thumb, forefinger, middle finger of the three fingers to pick up the food to eat, the diet contains more curry and spicy seasoning. When giving gifts to locals, don't send flowers, and use your right hand when eating and accepting gifts.

1.4.5 Science, education and medicine

[Science and Technology] The development of science and technology in Sri Lanka has been slow. Early impetus came from the lobbying efforts of the Ceylon Association for the Advancement of Science (now the Sri Lanka Association for the Advancement of Science) in the 1950s and 1960s. Later, S&T development was placed under the authority of ministries. In 1978, the National Science and Technology Policy (NSTP), a study initiated by the National Science Council (NSC), became the first S&T policy. The NSTP was revised by the President's Task Force on S&T Development in 1991. In 1994, Sri Lanka dedicated a Ministry of Science and Technology (MOST) to S&T. Over the years, Sri Lanka's R&D expenditure as a percentage of GDP has been around 0.15-0.2 per cent, which is below international standards.

[Education] The Government has always attached great importance to education, and has provided free education from kindergarten to university since 1945, and has distributed textbooks and school uniforms free of charge to students up to grade 10 since 1980. Sri Lanka's education is relatively developed, and the literacy level of the population is among the highest in South Asian countries. The literacy rate of the population in 2019 was 92.5 per cent, which is the highest literacy rate in South Asia. At the end of 2019, there were 15 universities with 95,900 students, 11,100 primary and secondary schools with 4,493,800 students and 272,100 teachers. The major universities are the University of Colombo and the University of Peradeniya. Government expenditure on education in 2019 amounted to Rs 290.2 billion, or 1.93 per cent of GDP.

[Medical care] In South Asia, Sri Lanka has a relatively well-developed health programme. The Sri Lankan Ministry of Health, which includes the Department of Health and the Ceylon Medical Board (responsible for administering Sri Lankan traditional medicine), has a relatively well-developed health-care network throughout the country.

Free medical care has been practised in Sri Lanka for more than 50 years and is limited to government hospitals and covers outpatient, inpatient, medicine, meals, surgery, blood transfusions, etc. There are many private hospitals and clinics in Sri Lanka, but they are relatively expensive.

Sri Lankan traditional medicine is similar to traditional Chinese medicine in its treatment of snake bites, bone fractures, rheumatism and skin diseases. Traditional medicine is inexpensive and popular among the general public.

According to the World Health Organisation, in 2019, Sri Lanka's national recurrent health expenditure was 1.6% of GDP, with a total

recurrent health expenditure of Rs. 211.6 billion; and in 2019, life expectancy was 75.5 years.

According to the Central Bank of Sri Lanka Annual Report 2019, the total national government expenditure on healthcare in Sri Lanka in 2019 amounted to Rs. 244.3 billion, or 1.63 per cent of GDP. In 2019, there were a total of 603 hospitals in the country, with an average of 3.6 beds per 1,000 people, and an average of about 8.3 doctors, 17.6 nursing and midwifery staff, 1 dentist, and around 1,000 Ayurvedic practitioners per 10,000 people. 12.6 persons.

In Sri Lanka, there is a high incidence of tropical diseases such as dengue fever. In recent years, there has been a rising trend of dengue fever cases across Sri Lanka. According to the Sri Lankan Ministry of Health, in 2019, 105,000 cases of dengue fever were reported across Sri Lanka, of which 50 died. Most of the dengue cases came from the relatively densely populated Western Province.

1.4.6 Trade unions and other non-governmental organisations

[Trade unions] Trade unions in Sri Lanka are important organisations established under the laws of the country to protect the rights and interests of local labour and to coordinate relations between employers and labour. Trade unions are formed in different industries or in different areas.

Trade unions are a form of organisation. Trade unions are mainly responsible for safeguarding the legitimate rights and interests of workers in accordance with the country's labour laws and relevant regulations, including guaranteeing a minimum wage for workers, supervising whether employers provide workers with reasonable working conditions and benefits in accordance with the labour laws, and representing workers in labour disputes with employers.

Trade unions in Sri Lanka are an important labour organisation. Almost all enterprises, especially foreign-owned enterprises, deal with Sri Lankan trade unions in dealing with labour relations. The Government of Sri Lanka and all parties attach great importance to labour issues in order to gain more support from the electorate.

The National Union of Workers (NUW) is an active trade union on the tea plantations of Sri Lanka. Founded in 1965 by V. K. Vellayan, it is the most influential trade union organisation in the Sri Lankan tea plantations and has now formed political parties. It has over 500,000 members and has organised several major strike actions. It is a member of the current ruling coalition, UNFGG.

The Ceylon Workers' Congress (CWC), founded in 1939 to traditionally represent Sri Lankan Tamils of Indian origin working on plantations, has now formed a political party.

[NGOs] There are more than 100 non-governmental organisations (NGOs) active in Sri Lanka, mainly in the fields of aid, services, culture and education, food, health, infrastructure, mining, human rights, agricultural finance, water and sanitation, and religion.

1.4.7 Main media

[Newspapers] There are more than 200 newspapers and 4 newspaper systems in Sri Lanka.

(1) United Ceylon Newspaper Company (UCNC). Founded in 1918 and taken over by the Government in July 1973, UCNC publishes five daily newspapers and three Sunday dailies and more than 10 weeklies. Publishes five daily newspapers, three Sunday dailies and more than 10 weekly newspapers. The Daily News is the largest English language daily in Sri Lanka. The Daily Sun is one of the largest Sinhala dailies.

(2) The Uppali Group of Newspapers, established in November 1981, publishes two daily newspapers, a Sunday newspaper and a weekly newspaper. The main newspaper, The Island, is an English

language daily, and its Sinhala counterpart has a large circulation.

(3) Vijaya Newspapers was established in 1990 and its main newspapers are the Sinhala daily Lanka Light, the English Daily Mirror and the Sunday Times, of which the Lanka Light and the Daily Mirror are the most widely circulated Sinhala and English dailies respectively.

(4) Express Newspaper Company, founded in 1930, is privately owned. Publishes newspapers in Tamil.

The Lion is the largest daily newspaper in Tamil.

Lanka News Agency (LNA)] A semi-official news agency founded in 1978 by several newspaper companies. The agency employs journalists to write domestic news, while international news is mostly taken from foreign news agencies such as Reuters, Agence France-Presse, Agence France-Presse, and Agence France-Presse.

[Television] There are two state-run television stations and a number of private television stations in Sri Lanka.

(1) National television. It has 3 channels including RUPAVAHINI channel. Sri Lanka Television (SLTV), inaugurated in 1981 and launched in 1982, is the largest television station in Sri Lanka, broadcasting daily in three languages: English, Sinhala and Thai. It has a national coverage of 90 per cent and operates mainly on a commercial basis.

Independent television station with two channels, ITN Channel and Vasabtham TV. 1979

It was founded by private individuals in April 2008 and taken over by the Government in June of the same year, with a coverage rate of 70 per cent. Both State-run television stations are financially supported by the Government.

(2) Private television stations. There are currently a number of them, the more representative ones being HIRU TV, DERANA TV, MTV, ETV and TNL, which have a wide audience, broadcast a small number of self-produced programmes, commercial advertisements, and mainly retransmit television programmes such as those of the BBC in the United Kingdom and CNN in the United States.

[Broadcasting] The Sri Lanka Broadcasting Corporation (SLBC) enjoys the status of a semi-independent state enterprise. It has three broadcasting divisions: Sinhala, Tamil and English. The Corporation operates 11 relay stations throughout the country and in November 1996 invested in the "Voice of Lanka", a comprehensive radio station serving a large Sinhala-speaking audience.

The Sri Lankan media generally report on China in a more specific way, and some Sri Lankan scholars also publish commentaries on China. The Sri Lankan media have different standpoints and backgrounds, and their management level is still underdeveloped. Generally speaking, the reporting is arbitrary and not sufficiently accurate, objective or neutral, and individual opinions on China are susceptible to manipulation.

Since the outbreak of the Xin Guan epidemic, the Sri Lankan media have been more objective in their reports on the prevention and control of the local epidemic as well as the prevention and control of the epidemic in China, in particular, they have reported more positively on the prevention and control of the epidemic in China, and have released fewer unfavourable and discriminatory remarks against Chinese enterprises.

1.4.8 public security

In May 2009, the civil war in Sri Lanka came to an end, with social stability and an improvement in the security situation. The Government of Sri Lanka has been actively promoting the resettlement of civilians and economic and social reconstruction in the aftermath of the war, and the political, economic and security situation has generally stabilised.

On 21 April 2019, the morning of Easter, a Western tradition, eight

serial suicide bombing attacks took place at various churches and five-star hotels in three Sri Lankan cities, killing 253 people, with six Chinese nationals among the victims. The government said local religious extremist group NTJ (National Thowheed Jamath) organised the attacks. The extremist group Islamic State **has** claimed responsibility for the bombings in Sri Lanka. A state of emergency was declared in the aftermath of the incident, and measures were quickly taken to arrest those involved and ban extremist organisations. The overall security situation in the country has now stabilised.

In Sri Lanka, firearms and ammunition can be legally acquired, possessed or transferred only by licensed firearms owners and all records should be kept in an official register.

According to the Sri Lanka Police Department, there were 34,578 major criminal cases in Sri Lanka in 2019.

Statistics from the United Nations Office on Drugs and Crime (UNODC) show that there were 486 murders in Sri Lanka in 2017, with a rate of 2.30 per 100,000 people.

Since the outbreak of the New Crown epidemic, there have been no marches, demonstrations or physical attacks against Chinese enterprises or Chinese people in Sri Lanka.

1.4.9 holidays

Sri Lanka has one of the highest number of public holidays in the world. The country operates on a five-day working day with every Saturday and Sunday off. Employees are entitled to 14 days of leave per year, 7 days for casual leave and 21 days for sick leave. In addition to this, there are public and religious holidays totalling 25 days a year. The important holidays are:

In mid-January, the Tamil Harvest Festival is celebrated and the Sun God is worshipped;

National Day, 4 February, commemorating Sri Lanka's independence;

On 1 March, the festival of Lord Shiva (Shiva Lord of Destruction, a major Hindu deity);

On 14 April, Sinhala and Tamil New Year, the most important festival in Sri Lanka;

The full moon festival in May is Vesak Day, which commemorates the birth, enlightenment and nirvana of the Buddha;

The full moon festival in June is Pusan, which commemorates the coming of Mahinda, the son of Ashoka of India, to Sri Lanka to propagate Buddhism;

The full moon festival in July is the Buddha's Tooth Festival, which is celebrated with grand parades throughout Sri Lanka. The Festival of the Tooth is a celebration centred on the relic of Buddha Sakyamuni's tooth, held in Kandy, a Buddhist shrine in the central hills of Sri Lanka. The event lasts for about a week, with thousands of Buddhists making a pilgrimage to the Buddha's tooth enshrined in the Temple of the Tooth and holding a grand parade.

Poya, also known as the full moon festival, is a day of holiday for Sri Lankan nationals when the moon is full every month, and Buddhist men and women go to temples in large groups to worship and receive precepts. Wesak, Pusan and Buddha's Tooth festivals are all Boye festivals.

2. How attractive is Sri Lanka to foreign investment?

2.1 How has Sri Lanka's economy performed in recent years?

2.1.1 investment appeal

In May 2009, Sri Lanka had entered a period of peaceful development following the end of the 26-year-long internal armed conflict. The Sri Lankan Government has focused on improving outdated infrastructure through substantial public investment, and the investment environment has significantly improved, with a stable policy of attracting foreign investment and actively organising investment promotion activities outside the country.

Sri Lanka is blessed with a convenient geographical location in the centre of the Indian Ocean, with the Indian subcontinent at its back and close to the main international routes between Asia and Europe, covering South Asia, the Middle East and eastern Africa. Sri Lanka hopes to take advantage of its strategic geographic location to build five centres of aviation, shipping, tourism and commerce, energy and the economy, and to develop into a regional economic centre linking the emerging economies of South-East Asia, the oil-producing regions of the Middle East, the emerging economies of Africa and the developed economies of the West.

Compared with other countries in South Asia, Sri Lanka's investment environment is superior in terms of geographical location, labour quality, living environment, policy environment, business environment, investment laws and tax incentives.

The Government of Sri Lanka has allowed wholly foreign-owned enterprises to enter all sectors of the economy except pawnbroking, retail trade of less than US\$ 5 million and offshore fishing.

Sri Lanka attaches importance to regional cooperation both bilaterally and multilaterally and has developed economic cooperation with neighbouring and emerging countries. Sri Lanka has signed free trade agreements with India, Pakistan and Singapore, with more than 4,200 products enjoying a zero-tariff policy. At present, the feasibility study of the China-Sri Lanka Free Trade Agreement has been completed and six rounds of negotiations have been conducted. Sri Lanka is also

actively engaged in FTA negotiations with Bangladesh, Thailand and other countries.

Sri Lanka is a member of the Asia-Pacific Trade Agreement (APTA) and the South Asia Free Trade Agreement (SAFTA) and has signed Bilateral Investment Protection Agreements (BIPAs) with 27 countries, including China, and Double Taxation Avoidance Agreements (DTAs) with 38 countries.

The World Economic Forum's Global Competitiveness Report 2019 reveals that Sri Lanka is ranked 84th out of 141 most competitive countries and territories in the world. According to the World Bank's Ease of Doing Business latest ranking (2020), Sri Lanka is ranked 99th out of 190 economies in the world.

2.1.2 macro-economic

In 2019, Sri Lanka's GDP totalled 150,160 billion rupees, up 2.3 per cent year-on-year, or 840

US\$ billion. GDP per capita is \$3,852, ranking 96th in the world.

Table 2-1: Sri Lanka Macroeconomic Data, 2015-2019

vinta ges	2015	2016	2017	2018	2019
GDP (\$ billion)	806	818	872	889	840
Growth rate (per cent)	4.8	4.5	3.1	3.2	2.3
Source: Central Bank of Sri Lanka					
GDP per capita (US\$)	3843	3857	4065	4102	3852

[GDP Composition] Investment to GDP ratio in 2019 is 27.4 per cent
consumption to GDP ratio is

78.7 per cent; net exports as a percentage of GDP were -7.3 per cent.

Table 2-2: Share of Primary, Secondary and Tertiary Industries in GDP (%), 2015-

vinta ges		2015	2016	2017	2018	2019
ag ric ult ur e	Agricultural products, livestock, forestry	6.5	5.8	5.6	5.8	5.8
	fisheries industry	1.4	1.3	1.3	1.2	1.1
	(grand) total	7.9	7.1	6.9	7.1	7.0
in du str ie s	Mining, quarrying	2.3	2.4	2.5	2.3	2.3
	Processing, manufacturing	15.8	15.4	15.7	15.6	15.6
	Electricity, gas, water	1.4	1.4	1.5	1.5	1.5
	constructions	6.8	7.6	7.1	6.8	6.9
	(grand) total	26.2	26.8	26.8	26.3	26.4
se rvi ce	Wholesale, retail	23.2	22.9	22.9	23.3	23.0
	Hotels, restaurants					
	Transport, communications	0.6	0.6	0.6	0.7	0.7
s er v i ce	Finance, Property	12.9	12.8	13.4	14.0	14.2
	the property market (e.g. houses)					
	government	8.7	8.7	8.3	8.1	8.1

Source: Central Bank of Sri Lanka

[Fiscal Balance]

The Sri Lankan government has a long-standing

policy of fiscal deficits, with a budgeted revenue of Rs. 1890.9 billion

(approx. US\$10.56 billion) and expenditure of Rs. 2,915.3 billion (approx.

US\$16.29 billion) for 2019, resulting in a fiscal deficit rate of 6.8 per cent.

Table 2-3: Sri Lanka's Fiscal Deficit (% of GDP) 2014-2018

		2015	2016	2017	2018	2019
times	Private services	11.8	11.4	11.5	11.6	11.4
	budget	7.6	5.4	5.5	5.3	6.8
	(grand) total	56.6	56.5	56.7	57.7	57.4
deficit ratio		per	per	per	per	per

Source: Central Bank of Sri Lanka

[Foreign Exchange Reserves] At the end of 2019, Sri Lanka's official foreign exchange reserves stood at US\$7.64 billion, which would last for 4.6 months of imports.

[Inflation] In 2019, Sri Lanka's inflation rate is 4.3 per cent.

[Unemployment Rate] In 2019, Sri Lanka's unemployment rate is 4.8 per cent.

[External Debt Balance] As of 31 December 2019, Sri Lanka's government debt stood at Rs. 13,031.5 billion, or 86.8 per cent of GDP, with domestic debt accounting for 50.9 per cent of the government's debt ratio and external debt accounting for 49.1 per cent. Of the domestic debt, 18.85 per cent was short-term debt and the rest was medium to long-term debt, mainly from banks and non-bank financial institutions. Of the external debt, 45.4 per cent was in the form of concessional loans and 54.6 per cent in the form of non-concessional loans.

[IMF-EFF Facility] In 2016, the International Monetary Fund (IMF) gave Sri Lanka a loan of US\$1.5 billion under the Medium-Term Loan (EFF) Facility. The IMF-EFF Facility is a non-concessional lending instrument of the IMF, which is designed to help member countries to solve their long term balance of payments problems, while requiring them to undertake major economic reforms. In June 2016, the IMF disbursed the first loan of US\$170 million; in November 2016, the IMF disbursed the second loan of US\$162.6 million; in July 2017, it disbursed the third loan of US\$167.2 million; in December 2017, it disbursed the fourth of US\$251.4 million; and in June 2018, it disbursed the fifth loan of US\$252 million. In 2019, the IMF disbursed the sixth and seventh loans that totalling US\$327 million.

[Sovereign debt ratings] As of May 2020, Sri Lanka's sovereign credit rating by the international rating agency S&P is B- with a stable outlook. The international rating agency Fitch has assigned Sri Lanka's sovereign credit rating of B- with a stable outlook, and the international rating agency Moody's has maintained its sovereign credit rating of B2 with an outlook of "under review for downgrade".

2.1.3 Focus/Speciality Industries

[Agriculture] Sri Lanka is an agricultural country with a predominantly plantation economy, rich in fisheries, forestry and hydropower. Tea, spices, seafood and coconuts are the main pillars of Sri Lanka's agricultural economy in terms of income. Due to factors such as high production costs, low productivity and high wastage in Sri Lanka's agriculture, as well as the rising value of

non-agricultural output, the share of Sri Lanka's agricultural output in GDP has been on a downward trend, falling from 50 per cent in the 1950s to 7.0 per cent in 2019.

Agricultural exports are an important component of Sri Lanka's export earnings, accounting for 20.6 per cent of the total in 2019. Of these, tea exports amounted to US\$ 1,346 million, or 11.3 per cent of total exports; spices exports were US\$ 310 million, or 2.6 per cent of total exports; coconut exports were US\$ 330 million, or 2.8 per cent of total exports; and seafood exports were US\$ 260 million, or 2.2 per cent of total exports.

Table 2-4: Large Agribusinesses in Sri Lanka

serial number	company identification	(whether in the Fortune 500)
1	Watawala Plantation (tea cultivation)	clogged

2	Hayley's Plantation (tea, rubber, coconut and other crops) (Plant)	clogged
3	Mack Woods Plantation (tea plantation)	clogged

Source: Economic and Commercial Section of the Chinese Embassy in Sri Lanka and Internet sources.

[Industry] Sri Lanka's industrial base is relatively weak. Due to the lack of resources, most industrial raw materials still need to be imported from abroad. Sri Lanka's industrial structure is light, mainly labour-intensive industries, and the development of capital- and technology-intensive industries is slow. At present, there are mainly construction, textile and garment, leather, food, beverage, tobacco, chemical, petroleum, rubber, plastics, non-metallic mineral product processing industry and mining and quarrying sectors. In 2019, the proportion of industry in Sri Lanka's national economy reached 26.4 per cent.

Construction, food manufacturing, textiles and garments, and mining and quarrying are the four mainstays of Sri Lankan industry, accounting for 27.3 per cent, 21.8 per cent, 17.7 per cent and 9.1 per cent of the total industrial output respectively. The petrochemical industry accounted for 2.04 per cent of the total industrial output and the machinery manufacturing industry accounted for 1.78 per cent of the total industrial output.

The textile and garment industry is the backbone of Sri Lanka's national economy and an important industrial sector, as well as Sri Lanka's number one export earner. In 2019, Sri Lanka's textile and garment exports amounted to US\$5.597 billion, accounting for 46.9 per cent of the country's foreign trade exports. In addition, Sri Lanka's gemstones and their processing are world-renowned. In 2019, exports of gemstones and jewellery amounted to USD 306 million, accounting for 2.6% of total exports, while exports of rubber products amounted to USD 866 million, accounting for 7.3% of total exports.

Table 2-5: Large Industrial Enterprises in Sri Lanka

serial number	company identification
1	CEYLON TOBACCO (Ceylon Tobacco Company)
2	John Keells Holdings (John Keells Group)
3	NESTLE Sri Lanka

Source: Economic and Commercial Section of the Chinese Embassy in Sri Lanka, Colombo Stock Exchange and Internet sources.

[Services] Sri Lanka's services sector mainly includes wholesale and retail trade, hotels, restaurants, logistics, warehousing, information and communications, tourism, financial services, real estate and business services, public administration and other social and personal services. In recent years, the Government of Sri Lanka, taking advantage of its comparative advantage of a high literacy rate and well-trained labour skills, is striving to build its economy as a service sector

Guided Economy. The service sector has developed into the leading industry of Sri Lanka's national economy and the main driver of economic growth. In 2019, the output value of the service sector accounted for 57.4 per cent of the GDP, with a growth rate of 2.3 per cent, of which wholesale and retail trade and financial services, the two most important pillars of the Sri Lankan service sector, accounted for 18.9 per cent and 7.1 per cent, respectively, of the proportion of the total output value of the service sector.

Table 2-6: Large Services Enterprises in Sri Lanka

serial number	company identification
1	Bank of Ceylon
2	People's Bank
3	Commercial Bank of Ceylon (Ceylon Commercial Bank)
4	DIALOG (Dialog Newsletter)
5	CARGILLS (Cariglls Group)
6	SAMPATH (Sampath Bank)
7	LOLC HODINGS (LOLC Holdings)
8	Source: Economic and Commercial Section of the Chinese Embassy in Sri Lanka, Colombo
9	CEYLINCO INSURANCE (Ceylinco Insurance Company)
10	SLT (Sri Lanka Telecom)

【Famous M&A Project】 On 8 December 2016, the Sri Lankan government and China Merchants Group signed a framework agreement, agreeing to hand over the operation and management of Hambantota Port to a joint venture company established by China Merchants Group and the Sri Lankan side through a joint venture. On 29 July 2017, the two parties signed a concession agreement. The agreement stipulates that China Merchants Group invests 85% of the equity of Hambantota International Port Group and 49.3% of the equity of Hambantota International Services Company, with an overall shareholding of approximately 70%, and owns the operation and management rights of the above two companies, as well as the rights of leasing and development of approximately 11.8 square kilometres of land in the port area, with a concession period of 99 years.

After the transfer of Hambantota Port to China Merchants Group, it will be formally incorporated into the operation and management system of China Merchants Ports. With its superior geographical advantages, relying on the comprehensive development experience of "front port -

middle district - back city", and by vigorously attracting investment and constructing port logistics parks, industrial parks and urban construction, the Hambantota Port will be developed into a comprehensive hub port in South Asia in the future to serve the local social and economic development and help Sri Lanka develop into a maritime centre in the South Asian region. With its advantageous geographical advantage and experience in comprehensive development of "front port - middle district - back city", Hamban Port will develop into a comprehensive hub port in South Asia in the future, which will serve the local social and economic development and help Sri Lanka to develop into a maritime centre in South Asia.

[Impact of the New Crown Pneumonia Epidemic on Key/Speciality Industries] In response to the New Crown Pneumonia Epidemic, the Sri Lankan Government has taken strict preventive and control measures. Since mid-March 2020, strict martial law has been imposed throughout Sri Lanka. With the obvious progress made in the prevention and control of the epidemic in Sri Lanka, since 11 May, Sri Lanka has gradually released the martial law measures, and the focus of work has shifted to the resumption of work and production.

The new coronavirus epidemic has had a negative impact on the Sri Lankan economy. The manufacturing and service sectors faced an unprecedented downturn during the national martial law, and the construction sector was largely shut down. The tourism industry is yet to fully recover from the 2019

Recovering from the "4.21" serial bombings in 2007, the country was hit by a new epidemic, with a sharp drop in tourists and a significant increase in unemployment.

Sri Lanka's national merchandise export earnings fell nearly 64 per cent to US\$277.4 million in April 2020 from US\$772.57 million in April 2019, a record low. According to Sri Lanka Customs monthly export statistics, export earnings from the garment sector fell to US\$ 64.9 million in April from US\$ 336.2 million in the same month a year earlier, a sharp decline of 82 per cent year-on-year. Tea export earnings were \$78.4 million, down 20.8 per cent year-on-year. Merchandise export earnings were \$2.853 billion in January-April compared to \$3.888 billion in 2019. Garments and textiles contributed the most with a decline of 28 per cent compared to the same period of the previous year. Only petroleum products and other export crops showed positive year-on-year growth in January-April 2020, up 11 per cent and 53.52 per cent, respectively.

In view of the severe impact of the outbreak, the Sri Lanka Export Development Board (SEDB) has revised its 2020 export revenue forecast downwards by 42 per cent to US\$10.75 billion. Sri Lanka's foreign exchange earnings declined by 26 per cent overall in January-April, from US\$5,269.28 million to US\$3,884.28 million compared to the same period of 2019, meeting 36 per cent of its export revenue target.

2.1.4 development project

In October 2019, Sri Lankan President Gotabhaya launched the Vision for Prosperity programme. The programme will serve as a general roadmap for the governance of the Government of Sri Lanka for a longer period of time to come. As parliamentary elections have not yet taken place and a new government has not been formally formed, detailed plans for various sectors and areas are not yet available.

Some of the elements of the Vision for Prosperity programme are briefly described below.

(1) (b) On the economic layout of the country. Focusing on the development of a C-shaped economic corridor centred on Colombo and linking the second largest city, Kandy, and the southern port of Hambantota, efforts are being made to build four major commercial centres, namely Colombo, Kandy, Hambantota and Trincomalee.

(2) In terms of industrial development, the first is to develop traditional industries with advantages such as tourism, textiles, tea, shipping, coconuts and spices, and to introduce relevant policies to encourage and support

them, and the second is to continue to cultivate new industries, such as business process outsourcing, digital economy and business and trade services, to create new points of economic growth and foreign exchange generation.

(3) With regard to road transport, the construction of motorways and domestic trunk roads has been accelerated and existing roads and bridges have been upgraded. According to Sri Lanka's transport development plan, the Government plans to invest about US\$ 6 billion over the next 10 years in the construction, renovation and upgrading of domestic roads, bridges and urban transport infrastructure. Among them, 595 kilometres of new highways are expected to be built, with a total investment of about US\$2.5 billion; 4,900 kilometres of existing highways are expected to be upgraded, with a total investment of about US\$2.1 billion; about US\$1.4 billion are expected to be invested in highway and bridge maintenance; and about US\$240 million are expected to be invested in traffic congestion projects, including construction of overpasses, reconstruction of intersections, construction of pedestrian walkways, and installation of traffic signalling systems, among others. Key projects to be developed under the plan include the Central Expressway, the Gem City Expressway and the Eastern Expressway, and the development of a road network connecting the cities of Hambantota Port, Trincomalee Port and Jaffna. On the railway front, the aim is to modernise the railways. Priorities include increasing operational speeds, building new railway lines, increasing capacity, strengthening signalling and communications, railway electricity, and improving the quality of the railway system.

Gasification and enhancement of electronic information technology in five areas. Priority is given to the construction of a railway network connecting the ports of Hambantota, Trincomalee and Jaffna.

(4) With regard to power and energy, we will further enhance the supply of electricity, improve the energy mix, and develop various types of power stations, including hydropower, thermal power, LNG and solar power.

(5) In terms of urban development, the focus is on the development of the Colombo metropolitan area, with full support for the Colombo Port City project, the creation of a premier central business district in the South Asian region, the planning and construction of the Colombo Light Rail Transit (LRT) line, urban expressways, etc., in order to further alleviate the current situation of traffic congestion, and the continuous improvement of the level of urban management and the appearance of the city of Colombo.

2.2 How big is the domestic market in Sri Lanka?

2.2.1 Total sales

According to World Bank statistics, Sri Lanka's GDP, total population, and life expectancy indicators have remained stable, with Sri Lanka's national income per capita of \$3,852 in 2019 and consumption accounting for 78.7 per cent of GDP or \$66.1 billion.

2.2.2 living expenses

In 2019, Sri Lanka's national savings totalled Rs. 37,990 billion, representing the year's GDP

25.3 per cent. In 2019, Sri Lanka's per capita consumption expenditure on living was 31.2 per cent on food, 2.2 per cent on tobacco and alcohol, 4.5 per cent on apparel, 10.2 per cent on housing, utilities and fuel, 1.1 per cent on home furnishings and maintenance, 2.8 per cent on health care, 22.1 per cent on transport, 1.1 per cent on communications, 2.5 per cent on education, 2.5 per cent on eating out and accommodation, and 3.6 per cent, and other goods and services accounted for 18.7 per cent.

2.2.3 price level

The local price levels of basic living goods in Sri Lanka have been on the rise, especially from 2017 to 2018, due to the impact of the VAT hike and the depreciation of the rupee. 2019 saw a slight increase in the price

levels of key living goods due to the overall unfavourable economic environment, the government's price restriction policy and the impact of the terror attacks.

Table 2-7: Average Retail Prices of Major Basic Commodities in Sri Lanka

sports event	Average price for 2018	Average price for 2019
Rice (Kakulu Red)	Rs 91.94/kg	Rs 83.13/kg
Fish (Thalapath)	Rs 1100.91/kg	Rs 933/kg
potatoes	Rs 159/kg	Rs 172/kg
hen's egg	Rs. 16.1/-	Rs. 19/-
aubergine (Solanum melongena L.)	Rs 167.32/kg	Rs 121.29/kg

copra	Rs. 69.31/-	Rs 52.37/-
soya	Rs 203.1/kg	Rs 188.3/kg
chicken meat	Rs 436.17/kg	Rs 439.3/kg

Source: Economic and Commercial Section of the Chinese Embassy in Sri Lanka.

Prices in shopping malls and supermarkets are usually inclusive of tax, but an additional 8 per cent value-added tax (VAT) and a 10 per cent service charge are payable at for meals in restaurants and hotel accommodation.

2.3 What is the state of infrastructure in Sri Lanka?

2.3.1 motorway

Sri Lanka has been actively developing the national road network, particularly the motorway network, and upgrading roads. At present, three motorways have been opened, namely, the Southern Expressway and its extension, the Colombo Airport Expressway and the Colombo Outer Ring Expressway, with a total mileage of 217.8 kilometres of expressways open to traffic. The completion of the highways has greatly facilitated the travelling of people and tourists, relieved the traffic pressure along the routes, and played an important role in promoting the development of Sri Lanka's tourism and logistics industries.

According to the National Highway Development Plan of Sri Lanka, the second section of the Central Expressway and the Colombo Airport Expressway to Port City Elevated Expressway Project (Matra to Hambantota) are under construction. In addition, the Central Expressway Sections I and III and the Gem City Expressway are undergoing preliminary work.

In addition to motorways, Sri Lanka has a total national road mileage of 117,000 kilometres of Class A and B roads.

(The total mileage of roads (equivalent to national highways) has reached 12,200 kilometres, the total mileage of Class C and D roads (equivalent to provincial highways) has reached 16,500 kilometres; and the total mileage of Class E roads (rural roads) and other roads has reached 88,700 kilometres. The national road density has reached 1.6 kilometres per square kilometre, ranking high among South Asian countries.

2.3.2 railways

The total railway mileage across Sri Lanka is 1,465 kilometres. According to data from the Central Bank of Sri Lanka's Annual Report 2019, 7.3 billion passenger kilometres of railways were carried in 2019, a decrease of 5.2 per cent from 2018, and about 116 million kilometres of freight were carried, a decrease of 3.5 per cent from 2018.

At present, the Northern Railway (Colombo-Kilinochchi) has been reopened in March 2014 after the completion of rehabilitation. The construction of the Matara-Beliata section of the Southern Railway, undertaken by a Chinese company, officially started in July 2013 and was successfully opened to traffic in April 2019, which is also the first railway newly constructed after Sri Lanka's independence. In 2019, the Sri Lankan government carried out maintenance and renovation on the existing railway lines and imported a batch of new rolling stock to gradually increase the capacity and operating speed of the railway.

In 2019, Sri Lanka operated 352 passenger trains and 23 freight trains per day, carrying about 367,000 passengers and 6,845 tonnes of freight per day, according to Sri Lanka's Ministry of Transport Services Management.

In view of the congested traffic situation in the capital city of Colombo, the Government of Sri Lanka plans to construct four light rail lines in and around Colombo. One of these lines is 17 kilometres long and is proposed to be financed by a loan from the Japan Cooperation Fund.

Construction is expected to start in 2019 and open for operation in 2025, while the other three are planned to be built in the form of PPPs and are still in the bidding stage.



Colombo FORT railway station

2.3.3 airfreight

Sri Lanka has two main international airports. Bandaranaike International Airport (also known as Colombo International Airport) is Sri Lanka's first international airport, named after former Prime Minister Bandaranaike, and is located in the Negombo district, 35 kilometres north of the capital, Colombo. Bandaranaike International Airport has a total of three terminals, Terminal 1, the main international terminal currently in operation, was built in 1967; Terminal 2 is a proposed expansion project to be financed by Japanese funds, which has been delayed for a long time due to a variety of internal and external reasons; and Terminal 3 was put into operation in November 2012, mainly for the take-off and landing of domestic flights. In March 2017, a project to build a new airport, the Bandaranaike International Airport (BIA), was completed by the China National Aero-Technology International Engineering Corporation, the main project of Bandaranak International Airport runway project was successfully

completed, which has played a positive role in improving Sri Lanka's aviation facilities. Currently, more than forty airlines from around the world, including SriLankan Airlines, operate passenger or charter flights and six airlines operate cargo or charter flights at Bandaranaike International Airport. In 2019, the airport received about 9.9 million inbound and outbound passengers, down 8.3% year-on-year, with 246,406 tonnes of cargo, down 8.2% year-on-year, and aircraft movements of 71,973, down 3.4 per cent year-on-year.

Rajapaksa International Airport (also known as Matra International Airport) is Sri Lanka's second international airport, named after former President Rajapaksa, located in the Hambantota district of southern Sri Lanka. It opened in March 2013. The airport is located in the Hambantota district of southern Sri Lanka. Due to the low number of flights at Rajapaksa International Airport, long-term aircraft parking services are provided, as well as flight school and maintenance services. In 2019, Rajapaksa International Airport had 786 aircraft movements. In May 2020, the Sri Lankan government announced that it would restart international services at the airport to make full use of the airport.

On 2 August 2016, a new round of Sino-Sri Lankan aviation talks was held and a Memorandum of Understanding (MoU) was signed between Wang Zhiqing, Deputy Director General of the Civil Aviation Administration of China (CAAC), and Nihaha Songmawi, Permanent Secretary of the Ministry of Transport and Civil Aviation of Sri Lanka. According to the MOU, the capacity quota of both sides will be increased to 70 flights per week each, and the direct air transport market between Kunming and Sri Lanka will be fully opened.

Prior to the new coronavirus outbreak, Air China operated direct flights from Chengdu to Colombo, China Eastern Airlines operated direct flights from Shanghai and Kunming to Colombo, and China Southern Airlines operated flights from Guangzhou to Colombo; travellers could take Chinese civil aviation flights to Colombo by connecting through the ports of Chengdu, Shanghai, Kunming, and Guangzhou; at the same time



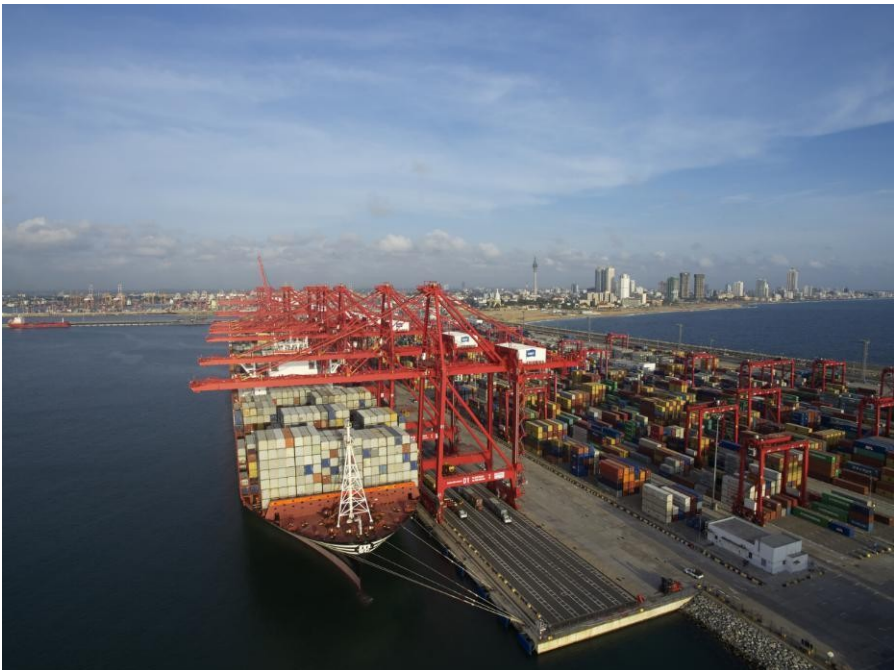
SriLankan Airlines operated direct flights from Beijing, Shanghai, Meanwhile, SriLankan Airlines operates direct flights from Beijing, Shanghai, Guangzhou and Kunming to Colombo; travellers can also take connecting flights from Hong Kong, Bangkok, Singapore and Kuala Lumpur, Malaysia to Colombo.

Bandaranaike International Airport

2.3.4 waterborne transport

Sri Lanka is an island nation in the Indian Ocean, with 25 per cent of its land area and one third of its population located along the coast, where more than two thirds of its industrial facilities and more than 80 per cent of its tourist facilities are concentrated. Sri Lanka is in close proximity to the main international shipping routes between Asia and Europe, and enjoys unique advantages in terms of freight forwarding, ship transshipment and supply. In recent years, the Sri Lankan government has further enhanced Sri Lanka's international shipping capacity through the expansion of Colombo Port and the construction of the new Hambantota Port, laying a solid foundation for the development of the maritime economy. In 2019, Sri Lanka berths a total of 4,697 vessels, of which 4,198 are at the Colombo Port, 43 are at the Gore Port, 142 are in Trincomalee, and 341 are in Hambantota.

In 2018, Sri Lanka's Colombo Port ranked 24th in the world in the global container port ranking. Among them, the Colombo Port South Container Terminal project invested by China Merchants Group has become the largest container terminal in Colombo Port. In 2019, Colombo Port South Container Terminal docked nearly 1,300 ships with a throughput of more than 2.9 million TEU, which accounted for 40 per cent of the Colombo Port.



Colombo Port South Container Terminal

The Hambantota Port is being constructed by China Harbour Engineering Company Limited (CHECL) with a loan from the Chinese government to Sri Lanka. The project originated in 2005 when the government of the then President of Sri Lanka, Rajapaksa, proposed the construction of the port of Hambantota.

'Two Wings and One Belt' national development strategy, with the objective of making the Hambantota region Sri Lanka's

Industrial Base. At that time, Colombo Port was the most important port in Sri Lanka, which was mainly for the container business and had no large-scale integrated terminals. In 2007, China Harbour signed an agreement with the then government on the development of the Hambantota Port project. On the 8th of December, 2017, China Merchants Ports Company Limited and the Sri Lankan government reached an agreement on the acquisition of the Hambantota Port, and signed a contract. At present, Hambantota Port has completed Phase I and Phase II, becoming the second largest port in Sri Lanka, which is a comprehensive port integrating container terminal, dry bulk cargo terminal, ro-ro terminal, oil terminal and other businesses.



Hambantota Port

2.3.5 corre
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letter
etc)

[Telecommunications] In 2019, Sri Lanka's telecoms sector grew at a rate of 15.7 per cent and was the main driver of the information

technology industry. Sri Lanka's telecommunication industry is in good infrastructural condition. In 2019, fixed line penetration was 10.5 per 100 population and telephone penetration was 150.8 per 100 population. The telecommunication sector will continue to grow with the development of video services and wireless mobile services.

Currently, there are four telecommunications operators, 33 external interface communications operators and eight Internet service providers in Sri Lanka. Government regulation of the industry remains neutral and the Government does not intervene too much in the operator market.

In 2014, Sri Lanka announced its participation in the South-East Asia-Middle East-Western Europe 5 (SEAMEW5) cable system.

(SEA-ME-WE5), a submarine cable system that passes through Sri Lanka and connects 17 countries and regions in Asia, Africa and Europe, with a total length of nearly 20,000 kilometres, to provide users in the region with faster and more reliable international Internet connections.

[Postal] By the end of 2019, there were 4,474 post offices in the country, each serving an average of 4,873 people. Since 2007, post offices throughout Sri Lanka have been offering a number of services such as insurance, finance, and the sale of calling cards.

2.3.6 electrical power

Over the past two decades, Sri Lanka's electricity demand has grown at an annual rate of about 5-6 per cent, with 99 per cent electricity coverage across the country, making it the first country in the South Asian region to achieve a stable supply of electricity 24/7. In 2019, Sri Lanka's total power generation capacity stood at 15,879 GWh, a year-on-year growth of 3.3 per cent. Of this, 71.1 per cent of the country's total power generation was generated by power plants owned by the Ceylon Electricity Board, while the rest was purchased from independent power producers (IPPs).

Table 2-8: Installed Capacity and Electricity Generation in Sri Lanka

2018-2019	2018 (a)	2019 (b)	growth rate (esp. in economics)	
			2018 (a)	2019 (a)
Installed capacity (MW)	4046	4213	-2.2	4.1
Utilities (excluding small hydro)	1399	1399	1.1	0
Fuel oil (including independent power producers)	1137	1282	-12.1	12.8
coal fuel	900	900	0.0	0.0
renewable energy	610	632	8.7	3.6
Electricity generation (GWh)	15374.1	15879	4.8	3.3
Utilities (excluding small hydro)	5149	3783	68.4	-26.5
Fuel oil (including independent power producers)	3629	5016	-28.1	38.2
coal	4764	5361	-6.7	12.5

Remarks: (a) Revised; (b) Tentative.
Source: Central Bank of Sri Lanka Annual Report 2019.
The Public Utilities Commission of Sri Lanka has conditionally adopted the 2018-2037 Least Cost Long Term Expansion of Power Generation Plan submitted by the Ceylon Electricity Board in June 2018, whereby the national policy for the energy mix will consist of four components by 2030, which are 30 per cent of liquefied natural gas (LNG) or indigenously available natural gas, 30 per cent of highly efficient coal combustion, 25 per

cent of large hydroelectricity, and 15 per cent of blast-furnace fuel oil and By 2030, the national energy mix will consist of four components: 30 per cent liquefied natural gas or locally available natural gas, 30 per cent efficient coal, 25 per cent large hydropower, and 15 per cent blast furnace oil and non-conventional renewable energy sources, of which blast furnace oil is a by-product of refineries.

The Puttalam coal-fired power station, built with a loan from China, is the only coal-fired power station project in Sri Lanka at present. The first phase of the power station was completed in May 2011 with one 300MW unit, and the second phase was completed in October 2014 with two 300MW units. The installed capacity of Putram coal-fired power station accounts for about 22 per cent of the national installed capacity. It generates about 37 per cent of the country's annual electricity consumption and 67.8 per cent of the country's electricity consumption on the highest single day. As of the end of April 2020, the three units had a total generation capacity of 37,241 million KW.h, with a net output of 33,566 million KW.h. The average generation availability of the three units exceeded 90 per cent.



Puttalam coal-fired power station

2.3.7 Infrastructure development planning

Currently, foreign aid plays an important role in Sri Lanka's economic development, with almost all major infrastructure projects relying on foreign funding.

More than 30 countries and international organisations have provided financial support, mainly from China, Japan, Germany, the United States and

the World Bank and the Asian Development Bank. Sri Lanka actively encourages foreign capital and private capital to strengthen investment in infrastructure construction through the BOT and PPP modes. China's largest investment project in Sri Lanka to date is the Colombo Port City project invested and developed by China Harbour Engineering Company Limited of China Communications Construction Group. At present, Colombo Harbour City has completed all the land blowing and reclamation work, forming a land area of 269 hectares, and the municipal construction and the second-phase land development work is steadily progressing.

[Transport] Accelerating the construction of the motorway network, including the Southern Expressway (Colombo) in 2019.

The network of motorways, including the extension of the -Hambantota Port|| (Hambantota Port), the Colombo Outer Ring Road, and the Colombo Airport Expressway, is almost complete. The Central Expressway (Colombo-Kurunegalle/Kandy) is about to commence construction. In major cities

Construction of overpasses and outer ring roads to ease congestion on the road network and improve urban traffic. Vigorously develop public transport, increase the number of buses and improve the level of service. Electrify and upgrade some railways, complete the Southern Railway project, increase the speed of train operation, purchase advanced train sets, improve the ticketing system, and improve the management capacity and operational efficiency of the road network. Expand the Colombo International Airport, reopen the Matra Rajapaksa International Airport, introduce regional aircraft and increase the capacity between the two international airports. Promote the construction of domestic airports in Batticaloa, Trincomalee, Jaffna and Ratmalana and develop air tourism services.

[Port Terminal] Construct the East and West Container Terminals of the Colombo Port and accelerate the construction of the Port Industrial Park and the Duty Free Logistics Park. Aim to achieve a revenue of US\$1 billion from the shipping industry by 2020 and handle 200 million tonnes of



cargo annually. Attract foreign investment to participate in the construction of the port area, such as the construction of hotels, shopping centres and other tourism facilities, and the development of the port industry.

Colombo Port City

[Power Energy] The SESA has developed a 'Least Cost Long Term Power Expansion Plan **2018-2037**', which aims to identify the lowest cost supply of power stations using the most sustainable technologies to meet the expected growth in demand for electricity and to avoid power shortages in the country. Increased construction of power stations, transmission and distribution infrastructure. Focus will be on the construction of Puttlam coal-fired power station, Lakshapana and Vimalasurandhra hydroelectric power stations, Broadland hydroelectric power station, Rasapahana hydroelectric power station, Victoria

hydroelectric power station, Uma Eurasia hydroelectric power station, and Por Pidya hydroelectric power station. Promote the use of liquefied natural gas and carry out feasibility studies for the construction of a wind power plant in Mannar and a coal-fired power plant in the Southern Province. Encourage investment in the construction of wind and solar power stations. Promote energy-saving technologies, advocate the concept of green buildings, and promote the smart meter system to reduce the cost of electricity operation. In June 2017, the Ministry of Electricity and Renewable Energy of S. said that solar energy will become one of the main sources of energy for power generation in S. in the future. The S. Cabinet has approved the construction of a solar power plant in the northern Punareen

(Pooneryn) to build a hybrid energy industrial park, including the construction of an 800 MW solar power plant and a 240 MW wind farm.

[Water and water resources] Accelerating the construction of water projects in arid areas. Through the construction of the Moroga Hakanda dam project, the problem of water scarcity in North-Central, North-West, Eastern and Northern Provinces will be solved. Implement water diversion projects to meet the water needs of the southern Hambantota region. Accelerating the construction of clean water supply infrastructure.

Includes Colombo Water Supply Project, Kotte Water Works, Kurunegrad Water Works, Atana Water Works, Anuradhapura Water Works, Polonnaruwa Water Works, etc.

Key government departments responsible for infrastructure and development include:

- (1) Ministry of Finance at www.treasury.gov.lk
- (2) Ministry of Highways and Road Development at www.mohsl.gov.lk
- (3) Department of Transportation Services Management at www.transport.gov.lk
- (5) Ministry of Electricity and Renewable Energy, at www.powermin.gov.lk
- (6) Ministry of Ports and Shipping at www.portmin.gov.lk
- (7) Ministry of Urban Planning and Water Supply, at www.mcpws.gov.lk
- (8) Ministry of Telecommunications and Digital Infrastructure (MOTDII), the policy-making body related to telecommunications, information technology, digital technology in Sri Lanka, at www.mtdi.gov.lk.
- (9) BOI, at www.investsrilanka.com

At present, the Sri Lankan Government is actively encouraging foreign investors to participate in local infrastructure investment due to the heavy debt burden, but due to the economic inefficiency of infrastructure such as roads and railways, infrastructure construction is still dominated by the category of contracted works, and there is no precedent of real foreign investment in local infrastructure construction.

2.4 What are Sri Lanka's foreign trade and economic relations?

2.4.1 commercial trade

Sri Lanka pursues a policy of trade liberalisation and is free to import all commodities except for oil imports, which are controlled by the Government. The Government of Sri Lanka has taken various measures to promote the development of foreign trade, especially export trade. The Government has continuously introduced new policies to encourage the development of export-oriented industries, enhance the competitiveness of export products and endeavour to build an export-oriented economy with national characteristics in order to ensure the sustainable development of the national economy. Sri Lanka trades with more than 200 countries and regions in the world, and its dependence on foreign

trade is about 37.8 per cent.

[World Trade Organisation] Sri Lanka joined the World Trade Organisation on 1 January 1995

(WTO), fulfil and enjoy the obligations, responsibilities and rights of membership, and actively promote bilateral and regional economic cooperation.

[RTA] Sri Lanka, as a member of the South Asian Association for Regional Cooperation (SAARC), has actively participated in and promoted the signing and implementation of the South Asian Preferential Trading Arrangement (SAPTA) agreement and the South Asian Free Trade Agreement (SAFTA). Sri Lanka is a member of the Asia-Pacific Trade Agreement (APTA) and the Bay of Bengal Multi-Sectoral Technical and Economic Co-operation (BIMSTEC) mechanism. On 19 May 2017, the European Union again granted Sri Lanka Super Generalised System of Preferences (GSP+) treatment. These one-way trade preferences will include the full elimination of tariffs on 66 per cent of tariff lines covering a wide range of textile and fishery products. The GSP+ is intended to support Sri Lanka's economic development through increased trade with the EU and to promote export diversification and attract investment. The GSP+ is based on Sri Lanka's commitment to ratify and effectively implement international instruments relating to human rights, labour conditions, protection of the environment and good governance.

The exemption was granted under the terms of 27 international conventions. As in the case of all GSP countries, the tariff exemptions granted to Sri Lanka will be accompanied by strict monitoring of its implementation of the conventions.

[Total Trade] Sri Lanka's import and export trade totalled 31.87 billion US dollars in 2019, down 6.6 per cent year-on-year. Of this, exports were US\$11.94 billion, up 0.4 per cent year-on-year; imports were US\$19.94 billion, down 10.3 per cent year-on-year; and there was a trade deficit of US\$7.997 billion, down US\$2.3 billion from 2018.

[Major trading partners] India is Sri Lanka's largest trading partner and China is Sri Lanka's second largest trading partner.

In 2019, Sri Lanka's exports to the United States ranked first at 26.3 per cent of Sri Lanka's total exports, followed by the United Kingdom (8.4 per cent) and India (6.4 per cent), while China was Sri Lanka's 11th largest export destination, accounting for 2.0 per cent of its total exports.

China is the source of Sri Lanka's imports, accounting for 20.2 per cent of Sri Lanka's total imports, India is the second largest source of Sri Lanka's imports, accounting for 19.6 per cent of total imports, and the UAE is the third largest source of Sri Lanka's imports, accounting for 8.4 per cent of total imports.

Table 2-9: Sri Lanka's Top 10 Trading Partners, 2019

inlet		exit	
Top 10 trading partners	overall percentage	Top 10 trading partners	overall percentage
sino	20.2 per cent	United States of America	26.3 per cent
India	19.6 per cent	United Kingdom of Great Britain and Northern Ireland	8.4 per cent
UAE	8.4 per cent	India	6.4 per cent
Singaporean	4.8 per cent	German	5.4 per cent
Japanese	4.4 per cent	Italy	4.4 per cent
Malaysia	4.3 per cent	Belgium	3.0 per cent
[Commodity Structure] In 2019, the weights of Sri Lanka's main import and export commodities are as follows:			
America	2.2 per cent	Japanese	2.4 per cent
Thailand	2.1 per cent	UAE	2.3 per cent
Indonesia	2.1 per cent	Canada	2.0 per cent
China-Taiwan	2.1 per cent	Product Name	percentage
Product Name	percentage	Product Name	percentage

Table 2-10: Sri Lanka's Major Export and Import Commodity Shares, 2019

building material	7.6 per cent	Food & Beverage & Tobacco	3.7 per cent
chemicals	4.2 per cent	machinery and equipment	3.3 per cent
private car	4.1%	copra	2.8 per cent
transport	3.0 per cent	flavouring	2.6 per cent
Pharmaceutical products	2.8 per cent	Gems and Jewellery	2.6 per cent

2.4.2 radioactive market

[Geographical markets] Sri Lanka attaches great importance to the European and American markets. Developed countries in Europe and the United States are Sri Lanka's traditional export markets. The Middle East is also one of Sri Lanka's major export markets. Sri Lanka attaches great importance to trade and regional economic cooperation with neighbouring countries, and Asian countries and regions are Sri Lanka's major import markets.

Sri Lanka has signed bilateral Free Trade Agreements (FTAs) with India, Pakistan and Singapore, which provide duty-free access to the Indian market for up to 4,232 products and duty-free or reduced access to the Pakistani market for up to 4,000 products. Sri Lanka's new FTA will benefit trade between the two countries in a wide range of sectors, including information and communications technology, real estate, services, tourism, and energy and logistics. Currently, Sri Lanka and India are in the process of negotiating a Comprehensive Economic Partnership Agreement (CEPA) covering trade in services, investment and economic co-operation, which, once signed, will further deepen trade in services as well as investment and trade in goods between the two countries. Currently, the sixth round of negotiations for the Sri Lanka-China Free Trade Agreement (SCFTA) has been concluded. The Sri Lanka-China FTA will bring substantial economic and trade benefits to the two countries and will be conducive to further deepening the bilateral relations between China and Sri Lanka. Sri Lanka also plans to negotiate FTAs or preferential trade agreements with Japan, Iran, Nepal, Bangladesh, Malaysia, Thailand and other countries. As the Sri Lankan government actively promotes bilateral and regional economic and trade co-operation, Sri Lanka will be able to expand its market with .

2.4.3 attract foreign investment

The functions of the Sri Lanka Board of Investment (BOI) include project approval and approval of tax incentives, providing information and consultancy services, recommending quality partners, assisting in the selection of factory sites or stationing in industrial zones, participating in project sampling inspections, handling customs clearance for foreign enterprises outside industrial zones, and providing services in respect of hiring labour and visas, and so on. In order to encourage exports and increase employment, Sri Lanka has established 16 Export Processing Zones (EPZs) managed by the BOI and 2 private sector industrial parks. Enterprises in the zones are provided with convenient power and water supply, sewage and rubbish disposal, communications, transport, security and other ancillary services.

After the end of the Sri Lankan civil war in 2009, the Sri Lankan Government has pursued a policy of encouraging foreign investment, formulated a free market policy, continuously strengthened infrastructure development and actively created a policy environment favourable to investment and economic growth. Sri Lanka is close to the main international routes between Asia and Europe, with significant location advantages and convenient conditions connecting markets in Southeast Asia, South Asia, the Middle East, Africa, Europe and the United States, and has great potential for attracting foreign investment.

Foreign companies are investing in Sri Lanka in a wide range of sectors including infrastructure, real estate, services, textiles and garments, electronics, chemicals, food, rubber, timber, metal products, leather and others. In 2019, Sri Lanka attracted foreign investment totalling US\$760 million, with the top five sources of foreign investment being India, Singapore, Canada, Hong Kong, China, and China, according to Invest Sri Lanka. At the end of 2019, Sri Lanka's stock of absorbed foreign investment stood at US\$13.06 billion, and the top five countries investing in Sri Lanka's stock were China, India, the Netherlands, Singapore, and Malaysia, with an amount of \$2.18 billion, \$1.69 billion, \$1.59 billion, \$1.13 billion, \$1.08 billion.

According to the World Investment Report, Sri Lanka absorbed foreign investment flows of US\$760 million in 2019 and Sri Lanka's stock of absorbed foreign investment was US\$13.06 billion at the end of 2019.

Among mobile operators, Dailog is the number one mobile operator in Sri Lanka, with Malaysia's Axiata as the controlling shareholder with a 46 per cent share of the Sri Lankan communications market. Huawei has built more than 70 per cent of the company's network, and currently provides 2G/3G/4G services, IPTV, mobile home broadband, etc. Mobitel, a subsidiary of the state-owned Sri Lanka Telecom in charge of the mobile business, has a 27 per cent market share, and its network was jointly built by ZTE and Huawei. Mobitel has a wealth of revenue from network resources and stable profitability. Mobitel has abundant network resource revenues and stable profitability. Hutchison Lanka is a member of Hutchison Whampoa's Telecom Asia and is 100% owned by Hutchison Whampoa. ZTE built Hutchison Lanka's end-to-end network and its market share has been growing steadily in recent years. Airtel Lanka, a branch of India's Bharti Airtel, commenced commercial 2G/3G wireless network services in Lanka in January 2009, with a market share of only 7.6%. In the food sector, Nestlé dominates the nutritional and health sector, having created the brands Nestmalt, Milo, Milkmaid, Nespray and Maggi, 90 per cent of which are sold in Sri Lanka. In terms of banking, the major multinational banks are Standard Chartered Bank, HSBC and Bank of China, of which Standard Chartered Bank Sri Lanka is the oldest financial services bank in Sri Lanka and is currently the third largest issuer of credit cards in Sri Lanka.

2.4.4 foreign aid

Foreign development assistance in the form of non-reimbursable aid and loans to Sri Lanka has been instrumental in accelerating economic

growth and maintaining long-term debt stability in Sri Lanka. The main multilateral partners that have provided assistance to Sri Lanka over the past decades include the World Bank's International Development Association (IDA), the International Fund for Agricultural Development (IFAD), the United Nations Development Programme (UNDP), the Organisation of the Petroleum Exporting Countries' Fund for International Development (OFID), the European Investment Bank (EIB), and the Asian Development Bank (ADB), among others. In recent years, the Asian Infrastructure Investment Bank (AIIB) has also been involved in some of the co-operation projects. Bilateral partners mainly include China, Japan, India, France, Germany, the Netherlands, Denmark, the United States, Australia, South Korea, Sweden, Saudi Arabia and other countries. The forms of assistance include official non-reimbursable assistance, interest-free loans, long-term low-interest loans, concessional loans and hybrid loans. Sri Lanka receives aid funds mainly for projects in the areas of health care, housing for low-income residents, water conservancy, roads, bridges, ports, aviation, agriculture, irrigation, disaster prevention and mitigation and environmental protection.

Total foreign non-reimbursable assistance (grants) from bilateral and multilateral sources declined from Rs. 12.5 billion in 2018 to Rs. 7.9 billion in 2019. In 2019, non-reimbursable assistance from bilateral sources declined by

declined by 41.2 per cent to a total of Rs 5.1 billion, while foreign non-reimbursable assistance from multilateral sources declined by 27.2 per cent to a total of Rs 2.8 billion. The major development partners providing non-reimbursable assistance in 2019 are Japan, India and the Asian Development Bank (ADB).

To date, 116 projects of various kinds have been completed and are under construction under the economic and technical assistance of the Chinese Government. Of these, 36 are large-scale packaged projects and 33 have been completed, including the Bandaranaike Memorial International Conference Centre, the High Court Building and the National Arts Theatre. Three projects are under implementation, namely, the National Hospital Outpatient Building, the National Nephrology Specialist Hospital in Polonnaruwa, and the Joint Centre for Research and Demonstration of Kandy Water Technology; and a total of 46 batches of individual equipment and materials have been provided, of which 43 projects have been completed, mainly including relief materials, office supplies, medical equipment, sports equipment and other items. By the end of 2019, I have trained nearly 8,000 personnel of all kinds for Sri Lanka under the aid, including nearly 6,000 officials, nearly 2,000 technicians and international students, and the training areas cover public administration and social organisations, party politics, economic and trade, foreign affairs, education, agriculture and forestry, transport and logistics, health and social security, scientific research and manufacturing industries and other areas.



Donation of emergency medical protection supplies to
Hambantota Regional General Hospital

2.4.5 China-

Slovakia

economic

and trade

relations

[Bilateral trade] Since the establishment of diplomatic relations between China and Sri Lanka, economic and trade relations have developed smoothly on the basis of equality and mutual benefit, with trade volume increasing year by year. China and India are Sri Lanka's largest trading partners. According to China Customs, in 2019, the total bilateral trade between China and Sri Lanka was US\$4.488 billion, down 2 per cent year-on-year, with the

In China's exports to Sri Lanka were \$4.091 billion, down 3.9 per cent year-on-year, while China's imports from Sri Lanka were \$397 million, up 23.4 per cent year-on-year.

Table 2-11: Bilateral Trade between China and Sri Lanka, 2015-2019

(Unit: US\$ billion; per cent)

Year	Total trade	growth rate (esp. in economic s)	Chinese exports	growth rate (esp. in economic s)	Chinese imports	growth rate (esp. in economic s)
2015	45.64	12.9	43.05	13.5	2.59	4.2
2016	45.60	-0.1	42.90	-0.4	2.70	5.7
2017	44.00	-3.6	40.90	-4.7	3.10	13.4
2018	45.79	4.1	42.57	4.1	3.22	3.8
2019	44.88	-2.0	40.91	-3.9	3.97	23.4

Source: China Customs
According to China Customs, the main categories of Chinese exports to Sri Lanka include:

①Electrical and electronic products; ②Mechanical appliances and parts; ③Knitted and crocheted fabrics; ④Cotton; ⑤Iron and steel products; ⑥Chemical fibre filament; ⑦Iron and steel; ⑧Plastics and products; ⑨Chemical fibre staple; ⑩Vehicle and machine parts and accessories.

China's main imports from Sri Lanka are: (1) clothing; (2) jewellery, precious metals and products;

(iii) Coffee, tea, maté tea and flavourings; (iv) electrical equipment and its parts and accessories; (v) miscellaneous chemical products; (vi) rubber and its products; (vii) paper yarn and its woven fabrics; (viii) optical and other equipment and parts and accessories;

⑨ Ore, slag and mine ash; ⑩ Furniture, bedding, lamps, etc.

[Two-Way Investment] According to China's Ministry of Commerce, China's direct investment flow to Sri Lanka in 2019 was US\$ 0.09 billion. By the end of 2019, China's direct investment stock in Sri Lanka was US\$550 million. In recent years, Chinese enterprises have made leapfrog development in their investment in Sri Lanka, and several large-scale investment projects have been signed. Chinese investment projects in Sri Lanka mainly include Hambantota Port invested by China Merchants Group, Colombo Port South Container Terminal, Colombo Port City invested by China Communications Construction Group Company Limited, and Colombo Three Apartments invested by AVIC International (Hong Kong) Group Company. Chinese private enterprises have been investing rapidly in Sri Lanka in a wide range of fields such as hotels, tourism,

agricultural product processing, fisheries, furniture manufacturing, textiles, feed, biomass power generation, bicycles, warehousing and logistics.

[Contracted Labour] Currently, there are 91 Chinese enterprises registered with the Economic and Commercial Office of the Chinese Embassy, mainly carrying out commercial activities such as contracted projects, investment and trade. According to China's Ministry of Commerce, in 2019, Chinese enterprises signed 78 new contracted engineering contracts in Sri Lanka, with a new contract value of US\$2.786 billion and a completed turnover of US\$2.225 billion. A total of 2,539 labourers of various types were dispatched, and 4,838 labourers were in Sri Lanka at the end of the year. Newly signed large-scale contracted projects include Contract Package 2 (CEP-1.2) of the first section of the Central Expressway in Sri Lanka undertaken by China XX Metallurgical Group Corporation; the Colombo Port City Project in Sri Lanka undertaken by China Communications Construction Company Limited; and the Colombo Port Viaduct Project in Sri Lanka undertaken by China Civil Engineering Group Corporation Limited, among others.

[Project quality standards, acceptance and exemption provisions] Sri Lanka's project quality standards are mainly implemented in the British Standards, can also be applied to the internationally recognised European standards, individual project contract provisions can be used in the Chinese norms, but should be in line with international standards. There is no exemption clause for general projects (except for force



Southern Expressway Extension
Project, Section 1

Colombo Port City Project is a large-scale land reclamation and urban complex development project invested by China Communications Construction Group (CCCC) with an investment of USD 1.4 billion, which is the largest investment project in Sri Lanka so far. At present, 269 hectares of reclaimed land has been completed, and the first phase of the municipal project has begun, aiming to build a comprehensive new business and financial centre in South Asia.

Southern Expressway Extension Project. Divided into four bidding sections, with a total length of about 97 kilometres, it was contracted and constructed by three companies, namely AVIC, China Construction and China Harbour, with construction commencing one after another at the beginning of 2016, and was basically completed in 2019, and on 23

February 2020, the opening ceremony was held. The opening of the Southern Expressway Extension marks the full opening of the whole motorway, which really realises the interconnection of the two major ports and two international airports of Colombo and Hambantota, opens up the major artery for the economic development of Sri Lanka country, and lays a solid foundation for the future take-off of the vast impoverished areas in the south.

Colombo Outer Ring Expressway Phase III. The construction content is mainly Colombo Outer Ring Toll Highway and viaduct, with a total mileage of about 9.32 kilometres. It is constructed by Metallurgical Corporation of China Limited, started in 2016 and will be basically completed in November 2019.

China Merchants Port Company (CMPC) and Sri Lanka Ports Authority (SLPA) jointly invested and operated Hambantota Port. Hambantota Port is about 10KM away from the main international shipping channel, and has a better ship berth.

Berthing, navigation conditions, the port area has 4 square kilometres of land for the development of port industries, the next step to be adjacent to the port area to build port logistics and industrial parks, the long-term planning area of 50 square kilometres, and welcome insightful people to visit and invest in business.

[Currency swap] On 16 September 2014, the People's Bank of China and the Central Bank of Sri Lanka signed a bilateral local currency swap agreement in the size of 10 billion yuan/225 billion rupees.

2.5 What is the Sri Lankan ④ integration environment like?

2.5.1 Local currency

The currency of Sri Lanka is the Rupee (Sri Lanka Rupee), abbreviated RS or LKR.

On 31 March 2020, the Central Bank of Sri Lanka announced the buying rate of the US Dollar against the Rupee as 1 US Dollar = Rs. 187.3584 and the selling rate as 1 US Dollar = Rs. 192.4530; the buying rate of the Euro against the Rupee as 1 Euro = Rs. 205.2684 and the selling rate as 1 Euro = Rs. 213.5619; and the buying rate of the Chinese Renminbi against the Rupee as 1 RMB = Rs. 25.9780 and the selling price is RMB 1 = Rs. 27.6084.

The Sri Lankan rupee appreciated slightly by 0.6 per cent in 2019, with the dollar-rupee mid-price issued by the Central Bank of Sri Lanka at the end of the year standing at US\$1 = Rs181.3597. However, the Sri Lankan rupee depreciated more in the first four months of 2020 due to the New Crown Pneumonia outbreak, with the dollar-rupee median price declining to 1 USD = 188.1075 rupees as of 12 May.

2.5.2 Foreign exchange management

Sri Lanka has foreign exchange controls. Foreign exchange is freely convertible into Sri Lankan rupees, but there are certain restrictions on the conversion of Sri Lankan rupees into foreign exchange.

Companies incorporated outside Sri Lanka can open foreign currency accounts with banks in Sri Lanka. Companies incorporated in Sri Lanka can open a BFCA (Company Foreign Currency Account) if they have foreign currency earnings. Foreign companies or individuals making investments in Sri Lanka including equity investments, setting up of companies, etc. are required to remit foreign exchange through IIA(Inward Investment Account) Profits, dividends, etc. can only be remitted through the IIA account used to transfer the

investment funds, which is subject to a 14% withholding tax, and can be offset against the income tax in China by applying for a tax clearance certificate from the Revenue Department. International payments under current account such as import of goods and services can be processed normally upon submission of supporting documents such as invoices.

Sri Lanka's international capital outflows, foreign exchange reserves and debt servicing have been under increased pressure due to the impact of the New Crown Pneumonia outbreak, and with effect from 2 April 2020, the Government of Sri Lanka has suspended all exchange controls and taxes related to foreign exchange inflows, and has introduced a six-month tax-free, high-interest, special time deposit account in foreign currencies, with a commitment to free conversion and repatriation upon maturity. At the same time, with regard to capital transactions, the Government of Sri Lanka suspended outward investments through the Outward Investment Accounts (OIAs) and the remittance of foreign currencies through Company Foreign Currency Accounts (BFCAs) or Personal Foreign Currency Accounts (PFCAs).

Any person arriving in or departing from Sri Lanka is required to declare to Customs any foreign currency in the form of foreign currency notes, traveller's cheques, banker's drafts, etc., in excess of US\$15,000 (or its equivalent in other foreign currencies). If the amount of foreign currency in cash exceeds US\$10,000, the following is required to be declared to Customs

(or the equivalent in other foreign currencies) must also be declared to Customs.

2.5.3 Banks and insurance companies

[Banking Institutions] The Central Bank of Sri Lanka is the monetary authority of Sri Lanka. The Central Bank of Sri Lanka was established in 1950 and is the financial regulator of Sri Lanka. The Central Bank of Sri Lanka is supervised by a five-member Monetary Board, of which the Governor of the Central Bank is the Chairman of the Board, and also includes the Permanent Secretary of the Ministry of Finance, as well as three other members appointed by the President, recommended by the Ministry of Finance and agreed by the Constitutional Council. The Central Bank of Sri Lanka is responsible for the issuance and management of currency, for ensuring Sri Lanka's core economic objectives, price stability and the stability of the financial system, and its main functions also include the management of the Employees' Compulsory Provident Fund (EPF), the management of Sri Lanka's public debt, the management of foreign exchange, and the management of foreign and Sri Lankan government-funded Sri Lanka's District Development Credit Programme. According to the Annual Report of the Central Bank of Sri Lanka, the total assets of the banking sector as at the end of 2019 stood at Rs. 14,442.1 billion (approximately US\$80.23 billion, at an exchange rate of Rs. 180 per US\$1).

There are 26 licensed commercial banks and 6 licensed specialised banks in Sri Lanka, of which 13 are local banks and 13 are foreign banks such as People's Bank, NDB, Sampath Bank, Commercial Bank, Bank of Ceylon, Hatton National Bank etc. Sampath Bank, Commercial Bank, Bank of Ceylon, Hatton National Bank, and so on. There are also foreign banks such as Citibank, Standard Chartered Bank, HSBC, Deutsche Bank, etc. In March 2018, Bank of China Colombo Branch was inaugurated and in September 2018 it was officially opened.

[Insurance Companies] The Insurance Regulatory Commission is the regulator of the industry. Currently, there are a total of 28 licensed

insurance companies in Sri Lanka such as Softlogic Life Insurance PLC, Softlogic Life Insurance PLC, HNB General Insurance Ltd, Allianz Insurance Lanka Limited and Ceylinco General Insurance Limited. With the implementation of the new regulatory regulations, it is expected that some of the companies will exit the local market, while restructuring and mergers of smaller companies will be frequent. According to the regulations, as of 2015, all consolidated insurance companies must complete the spin-off of their businesses; statutory capital must be increased; and, as of 2016, mandatory public listing of all insurance companies is in place.

Sri Lanka has only 0.1 life insurance policies per capita, which shows that the local insurance penetration is still at a relatively low level. In addition, general insurance penetration remains low, with the insurance sector contributing 1.07 per cent to GDP. Sri Lanka was one of the first developing countries to experiment with agricultural insurance, and its agricultural insurance system has been in place for more than 50 years.

When opening a bank account, the bank will review the qualifications of the applicant company, and if it is found that the company has any business dealings with countries sanctioned by the U.S., the bank account will generally not be opened. After the qualification review is passed, the following information is required before the account can be opened: (1) Company registration documents;

(2) Articles of Incorporation; (3) Business Licence (Business Permit for Industry Regulatory Approach); (4) Directors

List of directors and a copy of the passport of the principal director; (5) a copy of the passport of the signatory; (6) a list of shareholders and proof of identity of the beneficiary; (7) a FATCA declaration; (8) an OECD CRS declaration; (9) a sample of reserved seals and signatures of the company's legal and financial officers; (10) a letter of authorisation of the person entitled to sign the letter of authorisation; and (11) the board of directors' resolution for the opening of the account.

2.5.4 Financing services

Only foreign enterprises registered with the Board of Investment (BOI) can raise finance with local banks, subject to a parent company or third party guarantee approved by the bank. On 12 May 2020, the Sri Lanka Interbank Offered Rate (SLIBOR) published by the Central Bank of Sri Lanka was 5.97 per cent overnight, 6.19 per cent for 7 days, 6.42 per cent for 1 month, 7.06 per cent for 3 months, 7.74 per cent for 6 months, 8.55 per cent for 1 year and 7.74 per cent for 1 year. 7.74%, and 1 year 8.55%. In addition, on 24 February 2020, the Monetary Board of the Central Bank of Sri Lanka decided to discontinue the compilation and dissemination of SLIBOR from 1 July 2020 onwards.

The main types of guarantees include bid bonds, performance bonds and advance payment bonds. Local banks also issue guarantees in favour of international financial institutions, enabling them to issue guarantees on behalf of clients in favour of third parties.

When a foreign enterprise needs to issue a letter of guarantee or transfer a letter of guarantee, it generally needs to provide the following information to the bank:

(1) Application for processing (project profile, terms and conditions agreed, amount, duration, opening method including transfer and direct opening); (2) bidding permission; (3) translation commitment letter; (4) country risk commitment letter; (5) application for opening by the bond bank; (6) main pages of the project contract document signed with the owner, including: cover page, project name, basic content of the project, owner's information, contract number, amount of the contract, and signature page; (7) Extracts of contract clauses on bond agreement; (8) Clauses on bond claims in the contract documents; (9) Format of bond and project related information; (10) Other information required by the bank. Only when the information is approved can the process be carried out.

2.5.5 Credit Card Usage

Credit cards issued by the world's major banks can be used in Sri Lanka, with MasterCard being the most popular card.

(Master Card) and Visa cards are the most common.

VISA logo cards issued by all major Chinese banks can be swiped. ATMs of Citibank, Standard Chartered Bank, HSBC and Commercial Bank of Ceylon can accept China UnionPay cards for cash withdrawal and balance enquiry.

2.6 What are the developments in the Sri Lankan securities market?

The Sri Lankan stock market had its beginnings in 1896 during the British colonial era. In 1985, the Colombo Stock Exchange (CSE) was established and is now the main stock exchange in Sri Lanka, with its headquarters located at the World Trade Centre in the capital city of Colombo, and branches in the major cities of Kandy, Matra, Kurunegrad, Jaffna, Negombo, Anuradhapura, Ratnapura, Hambantota, etc. The CSE has a total of 290 listed companies. As of January 2020, there are 290 listed companies on the KSE with a total market capitalisation of Rs.27,481 crore (approx).

US\$15.26 billion, at the January exchange rate of US\$1 = Rs180) the main indices are the All Share Index (ASPI) and the S&P Sri Lanka 20 (S&P SL 20), and trading hours are from 9:15 to 14:30 on weekdays. The Sri Lankan stock market is open to the public, and foreign investors can finance their shares in the local market, or they can buy and sell any number of shares in their commercial bank accounts. The Sri Lankan stock market is open to the public and foreign investors can finance their shares in the local market and can also buy and sell at will through their commercial bank accounts with no limit on the number of accounts.

2.7 Is the cost of doing business in Sri Lanka competitive?

2.7.1 Water, electricity, gas and oil prices

[Water Supply Prices] There are fourteen types of water tariffs in Sri Lanka and they are tiered, with 72 rupees per tonne for tankers and thirteen other types of water tariffs as follows.

Table 2-12: Step Water Prices for Government-Subsidised Households within Sri

Monthly consumption (tonnes)	price of Lanka item		Monthly service fee	
	(Rs/tonne)	(Converted to United States dollars/ (tonnes)	(Rs./month)	(Converted to United States dollars/ (months)
00-05	5.00	0.03	50.00	0.28
06-10	10.00	0.06	50.00	0.28
11-15	15.00	0.08	50.00	0.28
16-20	40.00	0.22	80.00	0.44
21-25	58.00	0.32	100.00	0.56
26-30	88.00	0.49	200.00	1.11
31-40	105.00	0.58	400.00	2.22
41-50	120.00	0.67	650.00	3.61
51-75	130.00	0.72	1,000.00	5.56
More than 75	140.00	0.78	1,600.00	8.89

Note: Converted using US\$ 1 = LKR 180, same below.

Table 2-13: Stepped Water Prices in Sri Lanka for Domestic Households Living in Park Rental Housing Except for Government Subsidies

	price	Monthly service fee
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Monthly consumption (tonnes)	of item			
	(Rs/tonne)	(Converted to United States dollars/ (tonnes)	(Rs./month)	(Converted to United States dollars/ (months)
00-05	8.00	0.04	50.00	0.28
06-10	11.00	0.06	65.00	0.36
11-15	20.00	0.11	70.00	0.39

16-20	40.00	0.22	80.00	0.44
21-25	58.00	0.32	100.00	0.56
26-30	88.00	0.49	200.00	1.11
31-40	105.00	0.58	400.00	2.22
41-50	120.00	0.67	650.00	3.61
51-75	130.00	0.72	1,000.00	5.56
More than 75	140.00	0.78	1,600.00	8.89

Table 2-14: Stepped Water Prices in Sri Lanka for Domestic Households Other Than

Those Living in Low Cost Public Rental Housing and Those Receiving Government monthly consumption (tonnes)	Price of Subsidies of item		Monthly service fee	
	(Rs/tonne)	(Converted to US\$/ (tonnes)	(Rs./month)	(Converted to US\$/ (months)
00-05	12.00	0.07	50.00	0.28
06-10	16.00	0.09	65.00	0.36
11-15	20.00	0.11	70.00	0.39
16-20	40.00	0.22	80.00	0.44
21-25	58.00	0.32	100.00	0.56
26-30	88.00	0.49	200.00	1.11
31-40	105.00	0.58	400.00	2.22
41-50	120.00	0.67	650.00	3.61
51-75	130.00	0.72	1,000.00	5.56
Over 75	140.00	0.78	1,600.00	8.89

Table 2-15: Stepped water tariffs applicable to piped water at public water stations

Monthly consumption (tonnes)	Price of item in parks in Sri Lanka		Monthly service fee	
	(Rs/tonne)	(converted to US\$/tonn e)	(Rs./month)	(converted to US\$/mon th)
00-25	10.00	0.06	250.00	1.39
26-50	10.00	0.06	500.00	2.78

Over 200	10.00	0.06	2,500.00	13.89
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Table 2-16: Step Water Prices for Government and Government Aided Schools, Religious Institutions and Government Sponsored Charitable Institutions in Sri Lanka

Monthly consumption (tonnes)	price of item		Monthly service fee	
	(Rs/tonne)	(converted to US\$/tonne)	(Rs./month)	(converted to US\$/month)
00-05	6.00	0.03	50.00	0.28
06-10	6.00	0.03	65.00	0.36
11-15	6.00	0.03	70.00	0.39
16-20	6.00	0.03	80.00	0.44
21-25	6.00	0.03	100.00	0.56
26-30	6.00	0.03	200.00	1.11
31-40	6.00	0.03	400.00	2.22
41-50	16.00	0.09	650.00	3.61
51-75	16.00	0.09	1,000.00	5.56
Over 75	16.00	0.09	1,600.00	8.89

Table 2-17: Step Water Prices for Commercial Establishments, Private Hospitals, Non-Governmental Organisations, Hotels in Sri Lanka

Monthly consumption (tonnes)	price of item		Monthly service fee	
	(Rs/tonne)	(converted to US\$/tonne)	(Rs./month)	(converted to US\$/month)
00-25	75.00	0.42	290.00	1.61
26-50	75.00	0.42	575.00	3.19
51-75	75.00	0.42	1,150.00	6.39
76-100	75.00	0.42	1,150.00	6.39
101-200	75.00	0.42	1,840.00	10.22
201-500	75.00	0.42	2,875.00	15.97
501-1000	75.00	0.42	4,600.00	25.56

2001-4000	75.00	0.42	14,375.00	79.86
4001-10000	75.00	0.42	28,750.00	159.72
10001-20000	75.00	0.42	57,500.00	319.44
Over 20,000	75.00	0.42	115,000.00	638.99

Table 2-18: Stepped Water Prices in Government Hospitals in Sri

Monthly consumption (tonnes)	Lanka price of item		Monthly service fee	
	(Rs/tonne)	(converted to US\$/tonne)	(Rs./month)	(converted to US\$/month)
00-25	53.00	0.29	250.00	1.39
26-50	53.00	0.29	500.00	2.78
51-75	53.00	0.29	1,000.00	5.56
76-100	53.00	0.29	1,000.00	5.56
101-200	53.00	0.29	1,600.00	8.89
201-500	53.00	0.29	2,500.00	13.89
501-1000	53.00	0.29	4,000.00	22.22
1001-2000	53.00	0.29	7,500.00	41.67
2001-4000	53.00	0.29	12,500.00	69.44
4001-10000	53.00	0.29	25,000.00	138.89
10001-20000	53.00	0.29	50,000.00	277.78
Over 20,000	53.00	0.29	100,000.00	555.56

Table 2-19: Stepped Water Prices for SMEs in Sri Lanka

Monthly consumption (tonnes)	price of item		Monthly service fee	
	(Rs/tonne)	(converted to US\$/tonne)	(Rs./month)	(converted to US\$/month)
00-25	56.00	0.31	265.00	1.47
26-50	56.00	0.32	525.00	2.92
51-75	56.00	0.31	1,050.00	5.83
76-100	56.00	0.31	1,050.00	5.83

101-200	56.00	0.31	1,680.00	9.33
201-500	56.00	0.31	2,625.00	14.58
501-1000	56.00	0.31	4,200.00	23.33
1001-2000	56.00	0.31	7,875.00	43.75
2001-4000	56.00	0.31	13,125.00	72.92
4001-10000	56.00	0.31	26,250.00	145.83
10001-20000	56.00	0.31	52,500.00	291.67
Over 20,000	56.00	0.31	105,000.00	583.33

Table 2-20: Stepped Water Prices for Enterprises other than SMEs and Government

Monthly consumption (tonnes)	Institutions in Sri Lanka of item		Monthly service fee	
	(Rs/tonne)	(converted to US\$/tonne)	(Rs./month)	(converted to US\$/month)
00-25	58.00	0.32	275.00	1.53
26-50	58.00	0.32	550.00	3.06
51-75	58.00	0.32	1,100.00	6.11
76-100	58.00	0.32	1,100.00	6.11
101-200	58.00	0.32	1,760.00	9.78
201-500	58.00	0.32	2,750.00	15.28
501-1000	58.00	0.32	4,400.00	24.44
1001-2000	58.00	0.32	8,250.00	44.83
2001-4000	58.00	0.32	13,750.00	76.39
4001-10000	58.00	0.32	27,500.00	152.78
10001-20000	58.00	0.32	55,000.00	305.56
Over 20,000	58.00	0.32	110,000.00	611.11

Table 2-21: Stepped Water Prices for Export Production Areas as Planned by the Sri

Monthly consumption (tonnes)	Lanka Board of Investment (SLBOI) of item		Monthly service fee	
	(Rs/tonne)	(converted to US\$/tonne)	(Rs./month)	(converted to US\$/month)

00-25	61.00	0.34	290.00	1.61
26-50	61.00	0.34	575.00	3.19
51-75	61.00	0.34	1,150.00	6.39
76-100	61.00	0.34	1,150.00	6.39
101-200	61.00	0.34	1,840.00	10.22
201-500	61.00	0.34	2,875.00	15.97
501-1000	61.00	0.34	4,600.00	25.56
1001-2000	61.00	0.34	8,625.00	47.92
2001-4000	61.00	0.34	14,375.00	79.86
4001-10000	61.00	0.34	28,750.00	159.72
10001-20000	61.00	0.34	57,500.00	319.44
Over 20,000	61.00	0.34	115,000.00	638.99

Table 2-22: Stepped Water Prices for Boat Transport in Sri

Monthly consumption (tonnes)	Lanka price of item		Monthly service fee	
	(Rs/tonne)	(converted to US\$/tonne)	(Rs./month)	(converted to US\$/month)
00-25	480.00	2.67	300.00	1.67
26-50	480.00	2.67	600.00	3.33
51-75	480.00	2.67	1,200.00	6.67
76-100	480.00	2.67	1,200.00	6.67
101-200	480.00	2.67	1,920.00	10.67
201-500	480.00	2.67	3,000.00	16.67
501-1000	480.00	2.67	4,800.00	26.67
1001-2000	480.00	2.67	9,000.00	50.00
2001-4000	480.00	2.67	15,000.00	83.33
4001-10000	480.00	2.67	30,000.00	166.67

10001-20000	480.00	2.67	60,000.00	333.33
Over 20,000	480.00	2.67	120,000.00	666.67

Table 2-23: Stepped Water Prices in the Local Government Sector

Monthly consumption (tonnes)	in Sri Lanka price of item		Monthly service fee	
	(Rs/tonne)	(converted to US\$/tonne)	(Rs./month)	(converted to US\$/month)
00-25	18.00	0.10	275.00	1.56
26-50	18.00	0.10	550.00	3.06
51-75	18.00	0.10	1,100.00	6.11
76-100	18.00	0.10	1,100.00	6.11
101-200	18.00	0.10	1,760.00	9.78
201-500	18.00	0.10	2,750.00	15.28
501-1000	18.00	0.10	4,400.00	24.44
1001-2000	18.00	0.10	8,250.00	45.83
2001-4000	18.00	0.10	13,750.00	76.39
4001-10000	18.00	0.10	27,500.00	152.78
10001-20000	18.00	0.10	55,000.00	305.56
Over 20,000	18.00	0.10	110,000.00	611.11

Table 2-24: Step Water Prices of Various Associations and

Monthly consumption (tonnes)	Organisations in Sri Lanka price of item	
	(Rs/tonne)	(converted to US\$/tonne)
01-999999999	17.00	0.09

[Electricity Prices] Electricity tariffs in Sri Lanka are categorised into

domestic, religious, industrial, hotel and governmental institutions, and the rates can be referred to as follows. For more detailed information, please refer to the website of the Public Utilities Commission of Sri Lanka at www.pucsl.gov.lk.

Table 2-25: Sri Lanka's Stepped Electricity Tariffs

Type of tariff schedule (degrees)	price of item (rupees/deg ree)	Conversion to United States dollars	fixed fee (Rs./month)	Conversion to United States dollars
D: Applies to domestic electricity				
D-1: Domestic household low-consumption group (consumption less than or equal to 60 kWh per month)				
0-30	2.50	0.01	30.00	0.17
31-60	4.85	0.03	60.00	0.33
D-2: Domestic average household consumer group (consumption over 60 kWh per month)				
0-60	7.85	0.04	(one m.)	(one m.)
61-90	10.00	0.06	90.00	0.50
91-120	27.75	0.15	480.00	2.67
121-180	32.00	0.18	480.00	2.67
Over 180	45.00	0.25	540.00	3.00
Classification of electricity consumption periods of domestic ordinary household consumer groups				
time of use	price of item (rupees/deg ree)	Conversion to United States dollars	flat fee (Rs./month)	Conversion to United States dollars
rush hour (22:30-05:30)	13.00	0.07	540.00	3.00
Weekday session (05:30 - 18:30)	25.00	0.14		
Peak hour (18:30) - 22:30)	54.00	0.30		
R: Applies to places of worship including private residences of priests and social service institutions such as homes for the aged, orphanages, handicapped associations, etc., but excludes institutions with commercial purposes				

Type of tariff schedule (degrees)	price of item (rupees/degree)	Conversion to United States dollars	fixed fee (Rs./month)	Conversion to United States dollars
I-1: Using 400/230 volts and with a contracted power consumption of less than or equal to 42 KVA				
0-300	10.80	0.06	(ono m.)	(ono m.)
Over 300	12.20	0.07	600.00	3.33
Use of 400/230 volt power supply and contracted power consumption of less than 42 KVA				
rush hour (18.30-22.30)	20.50	0.11	(ono m.)	(ono m.)
daytime (5.30-18.30)	11.00	0.06	(ono m.)	(ono m.)
trough (22.30-5.30)	6.85	0.04	300.00	1.67
I-2: Using 400/230 volts, with a contracted power consumption of more than 42 KVA and a monthly demand of not less than 1,100 per month during the low season. kilowatt (unit of electric power)				
rush hour (18.30-22.30)	20.50	0.11	(ono m.)	(ono m.)
daytime (5.30-18.30)	11.00	0.06	(ono m.)	(ono m.)

trough (22.30-5.30)	6.85	0.04	3,000.00	16.67
I-3: Using 11 kV or more and with a monthly demand of not less than 1,000 kW during the low season.				
rush hour (18.30-22.30)	23.50	0.13	(ono m.)	(ono m.)
daytime (5.30-18.30)	10.25	0.06		
trough (22.30-5.30)	5.90	0.03	3,000.00	16.67
H: Applicable to hotels registered with the Sri Lanka Tourism Development Authority (SLTDA)				
H-1: Using 400/230 volts and with a contracted power consumption of less than or equal to 42 KVA				
H-1	21.50	0.12	600.00	3.33
H-2: 400/230 volt power supply with a contracted power consumption of more than 42 KVA and a monthly demand of not less than 1 per cent during the low valley period.				
Type of tariff schedule (degrees)	price of item (rupees/deg ree)	Conversion to United States dollars	fixed fee (Rs./month)	Conversion to United States dollars
1100 kW				
rush hour (18.30-22.30)	23.50	0.13		
daytime (5.30-18.30)	14.65	0.08		
trough (22.30-5.30)	9.80	0.05	3,000.00	16.9367
H-3: Using 11 kV or above and with a monthly demand of not less than 1,100 kW during the low season.				

rush hour (18.30-22.30)	22.50	0.13		
daytime (5.30-18.30)	13.70	0.08		
trough (22.30-5.30)	8.80	0.05	3,000.00	16.67
G: For shops, offices, banks, warehouses, public places, private hospitals, educational institutions, places of entertainment and other types not covered by other electricity tariffs				
G-1: Using 400/230 volts and with a contracted power consumption of less than or equal to 42 KVA				
0-300	18.30	0.10		
Over 300	22.85	0.13	240.00	1.33
G-2: 400/230 volt power supply with contracted power consumption of more than 42 KVA and a monthly demand of not less than 1,100 kW during the low season.				
rush hour (18.30-22.30)	26.60	0.15		
daytime (5.30-18.30)	21.80	0.12		
trough (22.30-5.30)	15.40	0.09	3,000.00	16.67
G-3: Using 11 kV or above and with a monthly demand of not less than 1,000 kW during the low season.				
rush hour	25.50	0.14		
Type of tariff schedule (degrees)	price of item (rupees/deg ree)	Conversion to United States dollars	fixed fee (Rs./month)	Conversion to United States dollars
(18.30-22.30)				
daytime (5.30-18.30)	20.70	0.12		

trough (22.30-5.30)	14.35	0.08	3,000.00	16.67
GV: Schools, public hospitals, holiday training organisations, universities, etc. are classified as Government departmental institutions.				
GV-1: Using 400/230 volts and with a contracted power consumption of less than or equal to 42 KVA				
GV-1	14.65	0.08	600.00	3.33
GV-2: 400/230 Volt power supply with contracted power consumption of more than 42 KVA and a monthly demand of not less than 1100 kW during the low valley period.				
GV-2	14.55	0.08	3,000.00	16.67
GV-3: Using 11 kV or above and with a monthly demand of not less than 1,000 kW of electricity during the low season.				
GV-3	14.35	0.08	3,000.00	16.67
Charges for car charging at charging stations owned by the Electricity Authority				
form	time of use	Unit price (rupees per unit)	Conversion to United States dollars	
DC fast charging	Weekday session (05:30 - 18:30)	50.00	0.28	
	Peak hours (18:30 - 22:30)	70.00	0.39	
	Low hours (22:30 - 05:30)	30.00	0.17	
Secondary AC charging	Weekday session (05:30 - 18:30)	30.00	0.17	
	Peak hours (18:30 - 22:30)	55.00	0.31	
	Low hours (22:30 - 05:30)	20.00	0.11	

[LPG] In 2019, the average wholesale price of petrol in Sri Lanka is Rs. 623/gallon, or about US\$0.91/litre; the average wholesale price of automotive diesel is Rs. 504/gallon, or about US\$0.74 /per litre; the average wholesale price of paraffin was Rs 350 per gallon, or about \$0.51 per litre.

2.7.2 Labour supply and demand and wages

[Labour Force Availability] In 2019, Sri Lanka employed 8.18 million people, about 37% of its population, with an unemployment rate of 4.8%, and with employment mainly in agriculture 27.6%, industry 25.3% (its

Of these, 18.4 per cent are in manufacturing, 8.5 per cent in construction and 0.7 per cent in mining), and 47.1 per cent in services (of which 13.9 per cent are in trade and automobile repairs and maintenance, 6.3 per cent in transport and warehousing, 2.8 per cent in hotels and food services, 2.3 per cent in finance and insurance, and 5.3 per cent in public administration and social security). The World Bank survey reports that Sri Lanka is one of the countries with abundant labour resources. Sri Lanka is a high exporter of foreign labour, with nearly 203,000 people working overseas, mainly in the Middle East.

[Wage Rates and Social Security] The average daily wage statistics by industry for 2019 are as follows:

Table 2-26: Average Daily Wages by Industry in Sri Lanka

sect or		Wages (rupees)	Conversion to United States dollars
teas	a male	1277	7.09
	females	915	5.08
caou tcho uc	a male	1296	7.20
	females	989	5.49
copr a	a male	1456	8.09
maiz e	a male	1493	8.29
	females	1076	5.98
woo dwor kers	mechanic	2107	11.71
	labourer	1410	7.83
mas on	mechanic	2109	11.72
	labourer	1409	7.83

Note: (converted at US\$ 1 = LKR 180)

In Sri Lanka, employers and employees are required to contribute 12 per cent and 8 per cent of the employee's salary to the Employees Provident Fund (EPF) respectively. Employers are also required to contribute 3 per cent of the employee's salary to the Employees' Trust Fund

(ETF). In addition, an employer is required to pay a retirement pension to an employee with more than five years of service at the rate of 50 per cent of the employee's last month's basic salary multiplied by the number of years of service.

[Minimum Wage Rate] The Minimum Wage Rate for Workers Bill was introduced in Sri Lanka in 2016. The bill stipulates that the minimum wage for workers, regardless of the type of production or service they are engaged in, is Rs. 10,000/month (approximately US\$55.56, converted at US\$1=LKR180, the same below) or Rs. 400/day (approximately US\$2.22). In 2019, the Sri Lankan government amended the Minimum Wage Standards Act to increase the minimum wage to Rs. 12,500/month (approximately 69.4 USD).

2.7.3 Foreign labour requirements

Fewer foreign labourers are required by local companies in Sri Lanka. The Sri Lankan Immigration Department strictly restricts the entry of foreign labour to work in Sri Lanka in order to protect the rights and interests of the local labour force. Sri Lankan expatriate labour is mainly concentrated in foreign investment or contracting projects. According to the Sri Lanka Bureau of Foreign Employment, in 2019, Sri Lanka's expatriate labour force was 203,200, of which 61,600 were room service workers.

There were 62,700 skilled workers and 51,200 unskilled technicians, accounting for 30 per cent of foreign labour respectively, 31 per cent and 25 per cent.

The Labour Act of Sri Lanka provides strict protection of workers' rights and interests. Incidents such as labour disputes are dealt with by the Sri Lanka Labour Department.

Address of the Labour Secretariat: Narahenpita,
Colombo V, Sri Lanka Tel: 0094-11-2581142/3/6;
0094-11-2369373 Fax: 0094-112581145
E-mail: contacts@labourdept.gov.lk

2.7.4 Land and housing prices

According to the Budget 2014, Sri Lanka prohibits the sale of land to foreigners, foreign companies, companies registered in Sri Lanka with a foreign share of 50 per cent or more, except in the following four cases:

- (1) Diplomatic Interests Act No. 9 of 1969;
- (2) On the fourth floor (excluding the ground floor) or higher, as provided for in the Apartment Ownership Act No. 11 of 1973;
- (3) Where the foreign share registered in Sri Lanka is more than 50 per cent or more, it has been in continuous use for at least 10 years at the time of registration of the land;
- (4) The Minister who manages the financing, in consultation with the Minister who manages the land, in the economic interest of the country and with the approval of the Cabinet, publishes it through an order in the Official Gazette, while the purchase of the land must bring in a significant amount of foreign currency. The first three types of land purchases are exempted from land tax, while the land tax for the fourth type of land purchase will be decided by the Minister and announced to the public in the form of the Official Gazette.

Rental prices for industrial premises in Colombo, the capital of Sri Lanka, range from US\$ 30-350 per square metre per annum; residential monthly rentals range from US\$800-5600 for a villa to US\$700-3,000 for a ~~luxury flat~~ (fully furnished, with property management, three bedrooms). Monthly rental prices for commercial use are: 800-1800 USD (available at: www.lankapropertyweb.com).

Sales price of industrial buildings in Colombo, Sri Lanka: USD 56-560 per square metre (excluding land price); sales price of residential buildings: USD 2,780-3,725 per square metre.

Sale price of land for commercial use in Colombo, Sri Lanka: \$5,500 -

\$4,500 per square metre.

2.7.5 construction cost

The price of construction materials has been in a dynamic process of change, not only by the supply cycle of the required equipment and materials, but also by the degree of transport convenience. Therefore, when purchasing construction raw materials should pay attention to the development of classified materials procurement plan, make appropriate preparations in advance, so as to be prepared.

In May 2020, the average price of major construction materials in the Colombo, Sri Lanka, metropolitan area is shown below (where NBT is National Building Tax and VAT is Value Added Tax):

- (1) River sand: \$31.32/m³ (Janatha Hardware)
- (2) Sea sand: \$30.53/m³ (Lahiru Supplier & Transport)
- (3) Stone powder: \$14.31/m³ (Pushpakumara Metal Crushers (Pvt) Ltd)
- (4) ABC: \$15.26/m³ (Lahiru Supplier & Transport)
- (5) Concrete aggregate (6-12mm): \$16.2/m³ (Lahiru Supplier & Transport)
- (6) Cement blocks: \$0.243/block (Handson Hardware and Electricals)
- (7) Asphalt concrete: \$40.5/tonne (Bitumix (Pvt) Ltd)
- (8) Emulsified asphalt: \$97.2/tonne (Reliance Technologies (Pvt) Ltd.)
- (9) Modified bitumen: \$48.6/tonne (Bitumix (Pvt) Ltd)
- (10) Commercial concrete C20-120:\$73.98/m³ + 8% VAT (ICC Ready-mix Concerete)
- (11) Commercial concrete C25-120:\$78.03/m³ + 8% VAT (ICC Ready-mix Concerete)
- (12) Commercial concrete C30-120:\$90.35/m³ + 8% VAT (ICC Ready-mix Concerete)
- (13) Commercial Concrete C35-A:\$90.56/m³ + 8% VAT (ICC Ready-mix Concerete)
- (14) Ordinary silicate cement: \$116.1/tonne (Tokyo Cement)
- (15) Galvanised pipe: \$1340.06/t (Ceylon Steel Corporation)
- (16) Rebar: \$869.4/tonne (Ceylon Steel Corporation)
- (17) Angle: \$864/tonne (Akai Fasteners (Pvt) Ltd)
- (18) Hollow steel: \$864 per tonne (Akai Fasteners (Pvt) Ltd)

3. What are Sri Lanka's regulations and policies on foreign investment co-operation?

3.1 What are the regulatory and policy provisions for foreign trade?

3.1.1 Trade authorities

Sri Lanka has a number of trade promotion and regulatory authorities that promote, facilitate and regulate the development of foreign trade at different levels and in different areas.

The Export Development Board (EDB) is the Sri Lankan government agency specialising in the promotion and facilitation of foreign trade and exports, and is generally subordinate to the ministry responsible for international trade;

The Department of External Resources (DER) is the government agency responsible for the coordination and implementation of foreign financing and assistance in Sri Lanka and is generally under the Ministry of Finance;

The Board of Investment (BOI) serves foreign investment projects and promotes foreign investment in the production and processing of export products;

The Department of Commerce assists the Ministry of Internal and External Trade in formulating policies and monitoring their implementation;

The Department of Import and Export Control regulates the import and export of goods and services in accordance with the import and export regulations, and coordinates the import and export of goods under the licensing system;

Sri Lanka Customs collects import and export duties, facilitates the entry and exit of goods, monitors and detects duty evasion and drug smuggling, eliminates the import and export of restricted goods, and provides statistics on import and export trade;

The Sri Lanka Standards Institution (SLSI) is responsible for recognising and setting quality standards for imported and exported goods;

The Sri Lanka Export Credit Insurance Corporation (SLECIC) provides risk guarantees for exported goods and services;

The Sri Lanka Tea Board (SLTB) is responsible for managing the

production, distribution and export of tea and facilitating access to international markets;

The Industrial Development Board (IDB) is responsible for promoting and facilitating the production and export of industrial products for export;

The Department of Export Agriculture (DEA) is responsible for promoting the production and cultivation of agricultural products for export and advising government authorities on the formulation of agricultural export policies.

3.1.2 Trade regulation system

Sri Lanka was one of the 23 founding members of the GATT and, after the establishment of the WTO, one of the founding members of the WTO. Sri Lanka's trade regulation and legal system is broadly in line with that of the WTO.

Sri Lanka's trade in goods, trade in services and intellectual property rights are in line with those of the Organisation for Economic Co-operation and Development (OECD). In the area of trade in goods, Sri Lanka also plans to implement remedial measures, including anti-dumping and protective measures, to protect its trade. However, these are still being planned and specific bills have yet to be considered and implemented through Parliament.

Currently the main import and export laws in Sri Lanka are:

(1) The Import and Export Control Act, which was enacted in 1969 and has been amended several times, includes the duties of customs import and export control officers; regulations and management of applications, fees, changes, extensions and cancellations of licences for goods subject to import and export control; the right of the control officers to inquire about and inspect various import and export documents and the right to impose penalties on violators; the categories of products that require import licences; and the goods that do not require import licences. Commodities.

(2) The Protection of Sri Lankan Importers and Exporters Act, the main elements of which include blacklisting of foreigners who have breached contracts and denial of licences to do business with them until the foreigner has demonstrated by action that the breaches have been remedied before trade with Sri Lanka can be resumed.

3.1.3 Relevant provisions on trade regulation

Major trade management provisions:

(1) Act No. 1 of 1969 regulating imports and exports. It specifies the criteria and conditions for importing and exporting goods and regulates import and export trade on this basis.

(2) Sri Lanka Export Development Act 40 of 1979. To promote and facilitate the development of Sri Lanka's exports.

(3) Customs Regulations (Act 43 of 1946 as amended by Act 35 of 1974). Provides for the imposition of import duties and the collection of customs duties.

3.1.4 Import and export commodity inspection and quarantine

Preventing and combating the spread of communicable diseases within and outside Sri Lanka, mainly under Act 12 of 1952. Includes:

(1) Quality certificates for products are maintained and issued by the Sri Lanka Bureau of Standards.

(2) Agricultural inspection and quarantine certificates are issued by the Department of Agriculture. Of these, vegetables, fruits, flowers and trees are issued by the Plant Quarantine Office.

(3) Animal quarantine certificates, on the other hand, are handled and issued by the Bureau of Animal Production and Quarantine.

3.1.5 Customs administration regulations

The Sri Lanka Customs was established in 1806 as an independent administrative authority under the Ministry of Finance and is the supervisory and regulatory body for the country's import and export customs territory. With the introduction of the Customs Ordinance, Sri Lanka Customs evolved into a national organisation with revenue collection and enforcement as its main responsibilities. Sri Lanka Customs is committed to enforcing the national revenue and social security laws while facilitating trade with the aim of contributing to the nation's well being and receiving due recognition.

The Customs Service, in accordance with the Customs Act and related laws and regulations, supervises the entry and exit of means of transport, goods, baggage, mail and other articles and implements the customs control system. Its main duty is to ensure the smooth and orderly entry and exit of persons and goods into and out of the country by strictly enforcing the country's customs and social security laws and regulations. The Sri Lankan Customs Officers number about 2,000 and are spread throughout the country, but are mainly concentrated at Colombo Airport and Colombo Port.

At present, Sri Lanka's tariff rates for major import and export products

pre fac e hor n (wi nd inst ru me nt)	are referenced below: name (of a thing)	customs code	Gen Duty	VAT	PAL	NBT	Cess (UOM)	Excise
1	steel reinforcing bar	72141010	15%	12 per cent	5%	2 per cent		
2	H-beam	72163300	15%	12 per cent	5%	2 per cent		
3	bulk cement	25232930	15%	12 per cent	5%	2 per cent		
4	pitch	27150000	15%	12 per cent	5%	2 per cent		
5	vinyl chloride (C ₂ H ₃ Cl)	392111950	15%	12 per cent	5%	2 per cent		
6	citrus fruit	20079100	30 per cent	12 per cent	5%	2 per cent		
7	Beans Corn	20058000	30 per cent	12 per cent	5%	2 per cent		
8	pyrotechnics	36020000	15%	1%	5%	2 per cent		
9	for forging and press-moulding	84621000	0 per cent	12 per cent	5%	2 per cent		

[Customs Tariff Collection System] Sri Lanka Customs has introduced a tariff collection system under the Customs Act for goods entering and leaving the country. When imported and exported goods are declared to the Customs, the Customs imposes duties on the imported and exported goods by applying the appropriate rate of duty according to the type of goods. Importers and exporters are allowed to clear customs after paying the various taxes. In addition to customs duties, there is a Goods and Services Tax (GST) of 12.5 per cent and a National Defence Levy (NSL) of 4.5 per cent, which after 1 August 2002 were merged into a Value

Added Tax (VAT).

[Customs clearance procedures] Includes import clearance procedures and export clearance procedures:

(1) Import customs clearance procedures

① Fill in the import declaration: Immediately after the arrival of the goods at the port, the importer should fill in the customs declaration to the Customs, and also need to submit the following documents to the Customs: Notice of Arrival, bill of lading for sea (air) transport, a copy of the letter of credit, the commercial invoice, the packing list and the certificate of origin.

② Taxation: Customs based on customs declarations and related documents, calculate the taxable price, the importer should be the main

(b) Move to pay import duties, goods and services tax, defence tax, etc. to Customs. If the Customs Valuation Department suspects that an importer has made a low-value declaration, Customs will usually investigate, question and take appropriate measures.

(iii) Cargo inspection and pick-up: After paying various taxes, the importer submits an application for cargo inspection to the Customs. After reviewing the customs declaration and the tax bill, the Customs will put a green stamp on the declaration that does not need inspection, and the importer can directly pick up the goods at the customs warehouse. Goods requiring inspection are stamped amber on the customs declaration, and the importer may pick up the goods only after customs officials have inspected the goods at the warehouse.

(2) Export clearance procedures

The Government of Sri Lanka, in order to encourage the export of its products, has taken a number of measures to simplify export clearance procedures, the main procedures being:

① Submission of export declaration to the Customs: Immediately after the exporter has prepared the goods, he should submit the export declaration to the Customs, together with the export invoice, packing list, copy of the contract and other documents, such as coral, timber, etc., which must also be accompanied by an export licence.

② Customs inspection and release: Customs check the customs declaration, depending on the type of goods declared by the exporter, respectively, stamped "products subject to inspection" or "products not subject to inspection". For products that need to be inspected, Customs will notify the representative at the port to inspect the goods and confirm that there are no problems with the stamp of release, and then they can be exported. For products that do not require inspection, the port representative will simply stamp them with the release stamp and they will be ready for export.

[Other Customs Regulations] Customs has the following regulations for imported and exported goods:

(1) Whenever goods imported or exported at a container station or customs warehouse are to be transferred to another place without payment of customs duties and charges, the transporter is required to register the goods with the customs and pay a deposit. Any person who contravenes this provision shall be liable to a fine not exceeding 100,000 rupees.

(2) Any goods or merchandise held in the Customs warehouse for more than 30 days from the date of arrival at the port of discharge will be

sold at public auction and the proceeds used to pay customs demurrage, storage and other charges. If there is a surplus, it is returned to the owner. If there is no owner, it is sent to the State Treasury.

(3) All goods stored in State warehouses will be stored at the risk of their owners. Customs will not be liable in the event of loss by fire, theft, destruction or otherwise, unless the loss of the goods is due to wilful damage or criminal negligence on the part of customs officials.

(4) The Customs Act also provides that importers and exporters of goods must be registered with the Customs Department, failing which their goods are not allowed to be imported or exported.

(5) Sri Lanka controls the export of coral and shells, wood and wood products (excluding wooden toys), ivory, and antiques over 50 years old.

(6) Sri Lanka Customs allows temporary entry of goods without payment of duty under certain circumstances. (Temporary Entry): The first case is for samples taken at exhibitions, where goods are required to be re-exported within six months of the exhibition. If the goods are sold during the exhibition, the customs duty has to be paid. In the second case, the importer submits a letter of guarantee or bond to Customs and gets the goods without clearing the duty. There are many instances in Sri Lanka where importers under-declare the value of goods in order to evade duty. Customs often have doubts about the value of the goods declared, and sometimes this may be done when the goods cannot be cleared immediately and the importer is in urgent need of the goods for production or sale, and is concerned about other costs that may be incurred if the goods remain in customs for a long period of time. However, this practice Customs

Generally tighter controls.

(7) The Sri Lankan Institute of Standardisation began to strengthen quality control of certain categories of imported goods in 2000 by requiring quality certificates from the authorities of the exporting countries, and has gradually included more varieties of goods in this list, requiring that every time goods are brought in, a quality certificate from the authority of the exporting country must be submitted to the Customs and Excise Department, and that the same requirement applies to even a very small number of transactions, or the Customs and Excise Department will not release the goods. Currently included in the list of controlled goods are daily-use porcelain, some household electronic products and automobile parts.

(8) Sri Lanka implemented the Departure Tax Refund (DTR) system from 1 July 2018 onwards.

3.2 What are the market access provisions for foreign investment?

3.2.1 Investment authorities

The Board of Investment (BOI) is the foreign investment department of the Government of Sri Lanka and its main responsibility is to verify and approve foreign investments and to actively promote and facilitate foreign investment in Sri Lanka by foreign companies or governments. The website of the Board of Investment of Sri Lanka is www.investsrilanka.com.

BOI has formulated specific and detailed tax incentives and has developed different incentives through different industries, products and regions to promote and guide the healthy development of industries and regions. Investors can access the Sri Lanka Investment Guide and information on relevant investment laws and services through the BOI website .

3.2.2 Provisions for the investment industry

[Laws and regulations] The main laws in force in Sri Lanka relating to foreign investment include the Sri Lanka Investment Management Board Act No. 4 of 1978 and its amending provisions and by-laws; the Companies Act No. 7 of 2007; the Control of Transactions Ordinance No. 24 of 1953 and its amending provisions and by-laws; the Strategic Development Projects Act No. 14 of 2008 and its amending provisions; Part IV (Business Hub Operation Rules) of the Finance Act No. 12 of 2012, etc. amending provisions; Part IV (Business Hubs Operating Rules) of the

Finance Act (No. 12 of 2012), etc. The inviolability of private and foreign investment is also enshrined in the Constitution of Sri Lanka, whose Article 157 provides for (1) protection against nationalisation of foreign investment; (2) nationalisation of foreign investment may be effected if necessary, but prompt and adequate compensation will be paid; (3) free repatriation of investment and profits is ensured; and (4) disputes may be dealt with through the International Convention on Settlement of Investment Disputes (ICSID). Other laws dealing with investment matters are the Securities and Exchange Act of 1987 (last amended in 2003) and the Mergers and Acquisitions Act of 1995 (last amended in 2003).

Of these, the Sri Lanka Board of Investment Act (BOI Act) is the main law regulating foreign investment, as amended in 1980, 1983 and 1992. In 2016, the BOI's policy of granting concessions to foreign investors continues to be based on the Section 16 and Section 17 Acts. Under Section 16, the BOI grants access to foreign investors. The Act's requirements for foreign investors are investment

The amount is \$250,000, and the investor may operate as a sole proprietor or in a joint venture with a local enterprise. Foreign investors engaged in trade are required to remit a minimum of US\$1 million. Under Section 17, the BOI may enter into agreements with the foreign investor and grant financial relief.

In December 2015, the Sri Lankan government's policy on attracting foreign investment was restructured so that tax incentives granted to foreign investment were determined by the BOI on the basis of the type, size and industry of the investment, subject to final approval by the Sri Lankan Ministry of Finance; the approval process was followed in 2017.

On 5 March 2019, Sri Lanka's Ministry of Finance released the 2019 budget, which was considered and approved by Parliament, and which contains a number of investment incentives. These include: an additional pre-tax credit of 150 per cent of the amount invested in fixed asset investment over US\$100 million for holding and operating projects, valid for 10 years, and a similar additional pre-tax credit of 100 per cent of the amount invested in projects between US\$50 million and US\$100 million. In addition, **projects** above US\$50 million are exempted from upfront taxes and duties during the construction period, such as Port and Airport Levy (PAL), import duties and taxes (Cess and Custom Duty). In general, due to Sri Lanka's urgent need to attract quality foreign investment **projects**, special incentives are granted on a **"case by case" basis** for larger investment projects. The investment incentives policy of the new Sri Lankan Government is yet to be clarified after the formation of the new Parliament and Government.

[Prohibited, Restricted and Encouraged Areas] Sri Lanka has different investment restrictions for different areas of investment. Most areas are open to foreign investment except for a few areas where foreign investment is not permitted. Restrictions on foreign investment are divided into prohibited, conditional and permitted areas.

(1) Prohibited areas: pawnbroking, retail trade with an investment of less than US\$5 million, offshore fishing, etc.

(2) Fields in which foreign investment may be made up to 40 per cent with the approval of the BOI (in special cases, the BOI may grant special permission to exceed the 40 per cent shareholding limit) production of export products subject to foreign quotas, cultivation and primary processing of tea, rubber, coconut, cacao, rice, sugar, and spices, extraction and processing of non-renewable resources, timber processing using local timber, deep-sea fishing, mass media, education, shipping, travel agencies,

and shipping agents, among others. freight forwarding, travel agencies and shipping agents.

(3) Depending on the amount of foreign investment, areas approved by the BOI or the competent authorities of the Government of Sri Lanka, as the case may be: air transport, coastal shipping, sensitive industries such as military, biochemical and minting, large-scale mechanical mining of gemstones and gaming.

(4) Priority areas for attracting foreign investment: manufacturing (especially high value-added and high-tech industries), high value-added garment manufacturing (smart textiles, nano-products), information technology industry, tourism and entertainment, food processing industry, logistics, education (especially vocational and tertiary education), and large-scale infrastructural development involving developmental projects and the development of industrial zones. In addition, Sri Lanka has special incentives for life insurance, information technology, renewable energy, construction of research and development centres, etc., to encourage the relevant industries and companies to invest in Sri Lanka.

3.2.3 Provisions for investment modalities

The Government of Sri Lanka does not have any restrictions on the manner in which foreign investment can be made and is currently encouraging foreign enterprises or self-employed persons to invest in the country.

The establishment of representative offices, branches, subsidiaries, limited liability companies, etc. in Sri Lanka by natural persons is encouraged to participate in the construction of local infrastructure by means of BOT, PPP, etc., and to participate in any industrial investment except in some restricted areas.

[Anti-trust law] Sri Lanka has not enacted a specific anti-trust law. The Investment Commission of Sri Lanka or the relevant body examines whether foreign investment involves monopolistic market behaviour.

[Mergers and Acquisitions Act] Sri Lanka's Mergers and Acquisitions Act was last amended in 2003 to guide private companies in mergers and acquisitions.

【 Park regulations 】 Sri Lanka has established 18 Export Processing Zones (EPZs), Export Processing Zones (EPZs), Industrial Parks (IPs), Investment Parks (IPs), and Heavy Industrial Parks (HIPs), of which 16 are operated under the auspices of the Sri Lanka Board of Investment (SLBOI), and 2 are privately owned and operated under the authority of the SLBOI. Investment in these parks is subject to different incentives, which can be obtained by contacting the Sri Lanka Foreign Investment Agency (SFIA).

Sri Lanka encourages foreign investment and is active in creating a favourable policy environment for investment and encouraging the development of export processing industries, but Sri Lanka has not yet introduced a specific special economic zones act. The development of zones of a corporate nature is subject to the provisions of the IPC Act. Compared to the width and depth of the park development design, the preferential policy support given by the IPC Act can no longer meet the needs of developers, and it is difficult to guarantee the one-stop service that the park must provide to the outside world.

3.2.4 Infrastructure PPP model development

The Government of Sri Lanka defines the PPP model as a special form of contract between the Government and a private investor for the provision of public infrastructure assets or services. Under this model, the risk is reasonably transferred to the private investor and the private investor assumes the investment and management responsibilities on a long-term basis. Typically, the private investor would undertake the design, construction, financing, operation and management of a fixed asset and deliver the service to the Government of Sri Lanka or to private end-users, while generating ongoing revenues from the Government and/or through levies on private end-users.

In Sri Lanka, PPP generally includes BOO/BOT/BOOT models and the main department responsible for PPP is the National Agency of PPP, which is under the Ministry of Finance. The main responsibilities of the Agency include: providing services to support PPP projects undertaken by government agencies; identifying and structuring PPP projects for government agencies; assisting line ministries and government agencies in soliciting bids, evaluating, negotiating and selecting investors; and assisting line ministries in engaging national and international experts to conduct pre-feasibility studies and engaging consultants on PPP matters through WB funds.

There is still a lack of PPP related regulations in Sri Lanka, and references can be made to the 1998 edition of the Government Tendering Process Guidelines Part II - Private Component Infrastructure Projects, and the revised version of this guideline on the PPP section, released in March 2019. Generally, the concession period for PPP-type projects ranges from 10-30 years, but may grow or shorten depending on the project.

According to the information provided by the National PPP Bureau, the main sectors of the PPP model in Sri Lanka: power energy (including renewable energy); storage stations for storing and supplying fuels, etc.; transport (high speed, ports, airports, railways, traffic systems); telecommunication and electronic infrastructures; hydrocarbons

Mineral deposit mining and petroleum infrastructure; fuel refineries; water resources; waste management; tourism (shipyards, in-country aviation, integrated development, hospitality); special economic zones; real estate (industrial and IT parks, secure housing, warehousing and logistics, multi-modal hubs); educational institutions; public health; agribusiness (dairy development, integrated agricultural zones); mineral extraction, processing and exporting, etc. The foreign companies currently working on the local infrastructure PPP partnership model are mainly from the United States, China, the European Union, India, and the Philippines. Among them, China is one of the most dominant countries, with major large-scale projects including the Colombo South Container Terminal, the Hambantota Port and the Colombo Port City project.

The Colombo Harbour City project is being planned and constructed by China Harbour, a wholly-owned subsidiary of CCCC, and is planned to be a new integrated city with a wide range of businesses such as finance, commerce, entertainment and housing. The Port City project is the largest foreign direct investment project in Sri Lanka to date and one of the key projects of **the Belt and Road Initiative**. The project will be operated on a long-term PPP basis, with a total investment of approximately US\$1.4 billion in the first phase. China Harbour is responsible for the investment and financing, planning and construction (including the construction of all municipal facilities in the port city), and will be granted a 99-year lease of 116 hectares (approximately 65%) of commercial land (20 hectares of which will be for 60+99 years); the Sri Lankan government will be responsible for the processing of the environmental impact assessment (EIA), planning approvals, construction permits and supporting peripheral municipal infrastructures. processing and supporting work for peripheral municipal infrastructure, etc. At present, the land reclamation work of the Port City has been completed and the second phase of land development is underway.

In 2011, China Merchants Port Co., Ltd. jointly invested in Colombo Port South Container Terminal with Sri Lanka Port Authority, with a total quay length of 1,200 metres, a land area of 58 hectares and a water depth of 18 metres, adopting the BOT mode, with a total investment of more than US\$500 million, and the project was built by China Harbour Engineering Co. The project started to berth ships in July 2013, and in 2019, a total of nearly 1,300 ships will berth, with a container throughput of over 2.9 million TEUs, or 40 per cent of the entire Colombo port.

The Hambantota Port project has China Harbour Engineering Company Limited construction, and is currently operated by Hambantota International Container Terminal Company, which is held by China Merchants Port Company, with a total investment of US\$1.12 billion. Hambantota Port is located in the southern tip of Sri Lanka, about 10 nautical miles away from the main international shipping route, is a comprehensive artificial deep-water seaport. In December 2017, China and Sri Lanka officially launched the Hambantota Port cooperation project. According to the Hambantota Port Concession Agreement reached between the two sides, China Merchants Port Holdings Co. and Sri Lanka Port Authority have established two companies in a joint venture - Hambantota International Port Group Co. and Hambantota International Port Services LLC, with China Merchants Port Co. accounting for about 70 per cent of the shares.

3.3 What are Sri Lanka's rules on corporate taxation?

3.3.1 Tax systems and regimes

The Sri Lankan tax system and regime is relatively robust, with strict tax regulation and a local territorial tax system, as well as frequent changes in tax policy.

There is no sales tax in Sri Lanka, but there are corporate income tax, withholding tax, personal income tax, value-added tax (VAT), economic services tax (ESR), customs duty, stamp duty, etc., of which Sri Lankan customs duty ranges from 0 to 300 per cent. For imported cars, the import duty is 30 per cent and an additional 160 per cent or higher excise duty is payable.

(excise duty) and 15 per cent VAT.

3.3.2 Main taxes and rates

[Corporate Income Tax] Enterprises incorporated in Sri Lanka or with their effective management located in Sri Lanka are resident enterprises, which are subject to tax in Sri Lanka on their worldwide income, while non-resident enterprises are taxed only on their Sri Lankan-sourced income. Sri Lanka and China signed a Double Taxation Avoidance Agreement (DTA) in August 2003, therefore, Chinese enterprises in Sri Lanka can enjoy the same tax rate as local companies. With effect from 12 February 2020, the general corporate income tax rate is 24 per cent, the income tax rate for small and medium-sized enterprises, commodity exporters, educational services, tourism promotion, construction services, agriculture and health services is 14 per cent, the corporate income tax rate for production and manufacturing is 18 per cent, and the income tax rate for gaming and the production and sale of imported alcoholic beverages or tobacco is 28 per cent.

Among the enterprise income tax, there is withholding enterprise income tax, which is withheld and paid by the owner on behalf of the contractor with the amount of payment as the base, the enterprise withheld enterprise income tax at the end of the accounting year in the payable enterprise income tax to be deducted, such as the enterprise does not need to pay enterprise income tax for the enterprise loss or the enterprise is withheld enterprise income tax is greater than the enterprise payable enterprise income tax, the part of the withheld enterprise income tax can be deferred to the next year to be offset. Prior to April 2007, the withholding enterprise income tax rate was 5% of turnover, but after April 2007, the withholding enterprise income tax rate for construction enterprises was changed to 1% of turnover. However, if the enterprise has incurred a loss in the previous year, it can apply for a tax exemption certificate in the current year to be exempted from withholding enterprise income tax. Chinese enterprises can apply for a withholding enterprise income tax exemption certificate from the tax bureau.

[Withholding tax] Payments to resident taxpayers for services, interest, dividends, rents, copyrights, bonuses, etc. are no longer subject to withholding of their income, and payments to non-resident enterprises are subject to withholding of income ranging from 2 to 14 per cent depending on the nature of the payment.

[Personal Income Tax] Prior to 31 March 2008, the personal income tax rate for foreigners working in Sri Lanka was 15 per cent, and with effect from 1 April 2008, all foreigners working in Sri Lanka were subject to a similar method of calculating personal income tax as Sri Lankans. Individuals who stay in Sri Lanka for more than 183 days in a tax year are resident taxpayers. Resident taxpayers are taxed on their worldwide income and non-resident taxpayers are taxed only on their Sri Lankan sourced income. Each year the government adjusts the tax deductions and tax rates for taxpayers. With effect from April 2018, the personal income tax threshold is Rs. 100,000 per month and there is a super progressive tax rate with a minimum rate of 4 per cent and a maximum rate of 24 per cent. In the first quarter of 2020, the Sri Lanka Revenue Authority (SLRA) introduced the latest formula for calculating personal tax, whereby the cumulative income of Rs 750,000 from work in a quarter is exempted from income tax, and the excess is subject to a progressive personal income tax rate of 6 to 18 per cent. There are different tax rates and calculations for other types of personal income.

[VAT] From 1 January 2020, quarterly turnover exceeding 75 million or annual turnover

Businesses exceeding Rs 300 million are required to register for VAT. Of this, 0 per cent VAT for the tourism development sector with more than 60 per cent local content, 15 per cent VAT for financial services and 8 per cent for other sectors.

【Economic Service Tax】 Sri Lanka government has been levying economic service tax since April 2006. Since 1 April 2017, individuals or businesses with quarterly business receipts of more than Rs. 12.5 million are required to register with the Inland Revenue Department and pay economic service tax, which can be credited against corporate income tax payable by the business for the current year and the following two years. From 1 January 2016, the rate of EST was revised to 0.5 per cent of business income and from 1 January 2020, the tax was abolished.

【Construction Guarantee Fund Tax】 The Sri Lankan government has levied a Construction Guarantee Fund Tax at a rate of 0.25-1 per cent of the value of a construction contract since 2005, which is not deductible from the corporate tax payable by the enterprise, and which was abolished for the construction industry in 2017.

【NBT】 In 2016, importers, producers, service providers, wholesalers and retailers were required to pay 2 per cent NBT on their turnover. The tax was applicable to general businesses with a quarterly turnover of more than Rs. 3 million or businesses processing and selling locally sourced agricultural products with a quarterly turnover of more than Rs. 25 million. With effect from 1 December 2019, the tax was abolished.

【Stamp Duty】 The Sri Lankan Government levies stamp duty on the transfer of immovable property and on specified documents at rates set by the provincial government. Stamp duty is also levied on the issue and transfer of shares in a company. For details of the rates of stamp duty levied, please refer to the following website
www.ird.gov.lk/en/Type%20of%20Taxes/SitePages/StampDuty.aspx?menuid=1213

3.4 What are Sri Lanka's incentives for foreign investment?

3.4.1 Preferential policy framework

【Overall framework】 Sri Lanka has formulated a number of policies to promote foreign investment in order to attract foreign business and revitalise the economy. Foreign investment is allowed to enter almost all areas of the national economy, and there is no limit to the share of foreign investment; the proceeds of foreign investment can be repatriated and remitted without legal restrictions; the

rights and interests of foreign investment enjoy the protection of the Sri Lankan Constitution; tax reductions, or even exemptions, are provided for foreign investment; and more favourable policies can be provided for SDP Strategic Development Project (SDP SDP), which requires special approval for investment up to a certain limit. Development Project (SDP Strategic Development Project), which requires special approval for investment up to a certain limit, can be provided with more favourable policies. To date, Sri Lanka has signed Bilateral Investment Protection Agreements (BIPAs) with 28 countries, including China, and Double Taxation Avoidance Agreements (DTAs) with 38 countries, including China. In addition, preferential policies between Sri Lanka and neighbouring countries, the EU, etc., including ISLFTA (India-Lanka Free Trade Agreement) signed in 2000, PSLFTA (Pakistan-Lanka Ownership Trade Agreement) signed in 2005, and Singapo-Lanka Ownership Trade Agreement (mainly for the EU) signed in January 2018 can be found in 2.4.1 and 2.4.2.

According to the latest World Bank Ease of Doing Business Rankings (2020), Sri Lanka ranks 99th out of 190 countries and territories globally, and is ranked among the top in South Asia and the neighbouring region, and still continues to

The investment environment continues to be optimised. Sri Lanka is also an initial member of ~~the~~ Multilateral Investment Guarantee Agency (MIGA), an investment guarantee agency of the World Bank, which provides protection against expropriation, confiscation and non-commercial risks that foreign investors may encounter in Sri Lanka.

[Tax incentives] Sri Lanka allows the Government to attract more foreign investment by granting tax incentives. Generally, different levels of tariff and tax incentives are granted to foreign enterprises depending on the size of their investment, the proportion of their products exported, the number of jobs created and the area of investment. These incentives generally range from 4-25 years of tax exemptions and concessions, and include: varying degrees of tariff exemptions on raw materials, machinery and equipment and other imported products imported in the course of project development; exemption from foreign exchange controls on foreign businessmen in the course of the development process; exemption from, or reductions in, corporate income tax on foreign businessmen in the course of the development process; and exemption from personal income tax on expatriate employees of foreign-funded enterprises, and so on.

3.4.2 Industry incentives

[Priority areas for attracting foreign investment]

Agriculture: horticulture, animal husbandry (including dairy farming, poultry farming, pig farms, dairy farms, etc.) fishing, value-added food processing from local crops.

Manufacturing industry: textile and garment industry, shipbuilding, pharmaceuticals, tyres and accessories, automotive parts, ceramics, glass, rubber products, cosmetic daily necessities, construction materials, fertilizers, electrical and electronic appliances and other high-tech manufacturing industries.

Services: tourism, hotel resorts and leisure complexes, new energy development, public sanitation and waste disposal, water services, small hydroelectric power stations, telecommunication industry, information technology and software development, outsourcing of services, education, commercial real estate, warehousing facilities, construction of industrial parks, economic development zones or knowledge-based economic parks, commercial housing and urban development, inland shipping development (freight and tourists), all light industry and heavy industry, medical service facilities, aircraft maintenance, harbour construction, ship repair and

dismantling, services for foreigners, etc.

Others: strategic import substitution industries such as fibre, pharmaceuticals, milk powder, cement, etc., the expansion and reproduction of existing investment projects, strategic investment projects that are related to the national strategy, the national economy and people's livelihoods, and that improve the overall competitiveness of the country and can create great economic and social benefits.

[Areas where foreign investment is prohibited or restricted]

(1) Prohibited areas: pawnbroking, retail trade with an investment of less than US\$5 million, offshore fishing, etc.

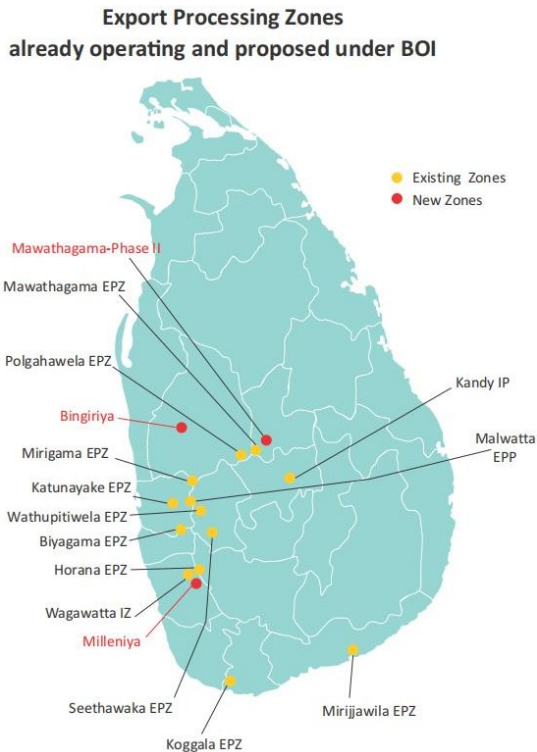
(2) Fields in which foreign investment may be made up to 40 per cent with the approval of the BOI (in special cases, the BOI may grant special permission to exceed the 40 per cent shareholding limit) production of export products subject to foreign quotas, cultivation and primary processing of tea, rubber, coconut, cacao, rice, sugar, and spices, extraction and processing of non-renewable resources, timber processing using local timber, deep-sea fishing, mass media, education, shipping, travel agencies, and shipping agents, among others. freight forwarding, travel agencies and shipping agents.

(3) Depending on the amount of foreign investment, areas approved by the BOI or the competent authorities of the Government of Sri Lanka, as the case may be: air transport, coastal shipping, sensitive industries such as military, biochemicals and minting, large-scale machinery development.

Gemstone mining and gaming.

(4) Priority areas for attracting foreign investment

Manufacturing (especially high value-added and high-tech industries), high value-added apparel manufacturing (smart textiles, nano-products), information technology industry, tourism and entertainment, food processing industry, logistics, education (especially vocational and tertiary education), and large-scale infrastructure development involving development projects and the development of industrial zones. In addition, Sri Lanka has special incentives for life insurance, information technology, renewable energy, construction of research and development centres, etc., to encourage the relevant industries and sectors to invest in Sri Lanka.



incentives

3.4.3 Regional

Location Map of

Industrial Parks in Sri Lanka

The Government of Sri Lanka has made great efforts to develop the export processing industry and has established 18 export processing zones and industrial parks (including 16 export processing zones managed by the Sri Lanka Board of Investment and 2 private investment zones).

The main concentration of foreign-invested EPZs is in the industrial estates (Industrial Parks), where the foreign-invested EPZs are located. These EPZs and industrial parks are concentrated in the western and southern parts of Sri Lanka and have relatively good infrastructure in terms of water, electricity and communications. These EPZs and industrial parks are mainly concentrated in the western and central regions.



Location map of duty ports and bonded zones

The western and southern regions are densely populated areas of Sri Lanka and are the key areas for attracting foreign investment. The Sri Lankan Government wishes to develop the port industry and the construction of industrial parks in order to increase Sri Lanka's export capacity and value addition to its products. Specific policies follow the incentive policies of the Sri Lanka Board of Investment. This can be found in 3.2 and on the website of the Sri Lanka Board of Investment (www.investsrilanka.com).

Under the relevant laws of Sri Lanka, the Government allows the establishment of duty free ports and EPZs for import and export processing, transit trade and bonded warehousing. At present, the duty free ports already in existence in Sri Lanka are Colombo and Hambantota; the bonded zones already in existence are Katunayake EPZ and Koggala EPZ; and the bonded zones (which can be authorised to engage in re-exports of manufactured and assembled products) formulated for the project are the Matra International Airport and

Mirijawila Processing Zone. The activities that are allowed to operate in the above mentioned zones are:

A) Re-export trade involves imports, simple processing and re-exports.

B) Merchandise in overseas trade that is produced and manufactured in one country and then transported to another country is not sold in Sri Lanka.

C) Provide front-end services to overseas customers.

D) Management and billing operations of the financial supply chain for major purchasers. E)

Bonded warehousing, logistics services.

All of the above (A) and (E) business activities involving the movement and transport of commodities or their

His activities must be located in duty-free ports and free zones, and enterprises involved in entrepot trade and in the production or assembly of goods are required to be located in duty-free ports and free zones.

3.5 What are the provisions for special economic zones?

3.5.1 Special Economic Zone Regulations

Sri Lanka encourages foreign investment and is active in creating a favourable policy environment for investment and encouraging the development of export processing industries, but Sri Lanka has not yet introduced a specific special economic zones act. The development of zones of a corporate nature is subject to the provisions of the IPC Act. Compared with the width and depth of the park development design, the preferential policy support given by the IPC Act can no longer meet the needs of developers, and it is difficult to guarantee the one-stop service that the park must provide to the outside world.

The following incentives are available to foreign investors investing in industrial parks in Sri Lanka, mainly based on the Section 17 Act enacted by the BOI:

(1) The Sri Lankan Constitution and the Foreign Investment Act guaranteed that investors' rights and interests would not be altered by a change of government and that nationalisation would not be carried out.

(2) Exports are entitled to a five-year tax exemption, which will continue after five years if business conditions are not favourable.

(3) The industrial park will provide one-stop services to improve the efficiency of licensing, provide enterprises with information support on employment, energy and land lease, and will also help investors clear customs.

(4) Free repatriation of profits is allowed.

However, it should be noted that the park will put forward a number of operational efficiency, export ratio, operating profit, tax payment, job creation and other indicators to ensure that the park's land and incentives are efficiently utilised, investors should pay extra attention to the above terms when negotiating with the BOI and the proposed industrial park to reduce investment risk.

3.5.2 Introduction to Special Economic Zones

Currently, the development of export processing zones (EPZs), with

export processing	typology	Total area (Ha)	Industrial area	major industry
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reference to the following:

Seethawaka	EPZ	174	73	
Koggala	EPZ	92	79	
Mirijjawila	IP	228	N/A	
Malwatta	EPP	13	11	
Kandy	IP	83	34	
Wathupitiwela	EPZ	50	N/A	
(grand) total	/	1344	544	

The most mature industrial park: Katunayake Export Processing Zone was established in 1978 and was one of the first industrial parks built in Sri Lanka. It is strategically located in the Negombo neighbourhood, near Bandaranairak airport, about 29 kilometres from Colombo, and has a full range of sophisticated facilities. BOI has an office in the park and provides one-stop service. The Park covers a total area of 531 hectares and currently employs about 39,000 people.

Information on industrial estates built in Sri Lanka with the assistance of other countries and international organisations:

The Seethawaka Export Processing Zone (EPZ) was constructed in 1996 by the Ministry of Industry of Sri Lanka with a total investment of Rs 3.6 billion (US\$36 million at the then prevailing exchange rate) with financial assistance from the Japanese Overseas Economic Cooperation Fund (OECF). The park became operational in 1999 and was taken over by the BOI from the Ministry of Industry in 2001 at no cost (along with 10 factories). In 1999, the park became operational and in 2001, BOI took over the park (along with 10 factories) from the Ministry of Industries at no cost. Located 47 kilometres from Colombo, the park covers a total area of 431 acres (174.5 hectares) and is situated on the river. Due to the undulating topography of the location, the industrial area is only 180 acres (73 hectares), with an entry fee of USD 60,000/acre (USD 14.8/square metre), an annual rent of USD 4,660/acre (USD 1.1/square metre), 24 enterprises (with 1.92 acres of vacant land still available for occupation), and 21,500 employees in the park. The main industries of the enterprises in the park include rubber products, labour gloves, wood processing, spinning, textiles, zips, garment manufacturing, chemical products and aviation food processing.

The Port of Hambantota is currently operated by a joint venture between China Merchants Ports and the Sri Lanka Ports Authority, with approximately 4 square kilometres of land available for the

development of port-related industries within the port area, and a port-related industrial and logistics park proposed to be set up outside the port area .

3.6 What are the rules on labour and employment in Sri Lanka?

3.6.1 Core elements of labour law

The core of Sri Lanka's Labour Act comprises the following areas: provision for wages, salaries, benefits; protection of women, children; occupational safety and health and compensation of labourers; social security; employer-employee labour relations; other provisions; and provisions for the employment of foreigners.

The Labour Act of Sri Lanka protects the rights and interests of workers.

Acquisitions and mergers of local enterprises by foreign investors

Workers may not be dismissed arbitrarily at any time.

In Sri Lanka, employers and employees are required to contribute 12 per cent and 8 per cent of the employee's salary to the Employees Provident Fund (EPF) respectively. Employers are also required to contribute 3 per cent of the employee's salary to the Employees' Trust Fund (ETF). In addition, the employer is required to pay a pension to an employee who has served for more than five years at the time of retirement at the rate of 50 per cent of the employee's last month's salary multiplied by the number of years of service.

3.6.2 Provisions for foreigners working locally

Sri Lanka is a large labour force with strict restrictions on the employment of expatriate labour in all types of enterprises. Foreign labour is basically not permitted in other areas except as provided for in agreements under contractual engineering projects or investment projects.

Foreigners working in Sri Lanka are required to comply with the relevant regulations of the Sri Lanka Employment of Foreigners Authority and follow the procedures for obtaining entry and work visas. The duration of a work visa is normally one year. Those who need to continue to work after the expiry of the period should apply for renewal of the visa from the government department of the company in which they are employed.

The Government regulates and licenses companies engaged in the importation of foreign labour. Foreign and local companies that violate the regulations on the employment of foreigners are subject to penalties such as fines, time limits on leaving the country, restrictions on entry, etc. .

3.6.3 Risks of foreigners working locally

[Security risk] Since the end of the civil war in Sri Lanka in May 2009, the security situation in Sri Lanka has gradually stabilised, and in August 2011, the state of emergency was lifted throughout the country.

In recent years, the Sri Lankan economy has been growing steadily, but the ensuing social contradictions have also been exposed and highlighted. In recent years, there has been a rise in criminal offences; there are legal casinos in Sri Lanka, but some unscrupulous elements are found there, taking the initiative to borrow money by intimidation, and then using threats, violence and other means to force those who have been cheated into the abyss of loan-sharking. Violent conflicts arising

from religious and ethnic conflicts are on the rise. As Sri Lanka is a weak country, there are certain loopholes and hidden dangers at the level of security, screening and policing.

Chinese enterprises and individuals travelling to Sri Lanka should pay attention to personal and property safety and seek timely assistance from the Chinese Embassy in Sri Lanka in case of emergency.

[Natural Risks] The main natural disasters in Sri Lanka are tsunamis, floods and mudslides. Chinese in the region should pay attention to local weather forecasts before travelling, and avoid travelling to mountainous areas and areas that may be subject to flooding during the rainy season.

3.7 Can foreign companies acquire land in Sri Lanka?

3.7.1 Main elements of the land law

Sri Lankan land laws are complex and numerous. There are a large number of laws, many of which have been amended several times, that are directly related to, inter alia, land rights and tenure. Under local law, land can be privately owned or State-owned.

Yes. Private land is governed by different occupancy mechanisms. State land can be segregated through different approval, licensing or leasing schemes, mainly under the Land Development Ordinance (1935) (Land Development Ordinance), the State Lands Ordinance (1949) (State Lands Ordinance) and the Land Grants (Special Provisions) Act (1979) (Land Grants Act). Land Grants (Special Provisions) Act).

3.7.2 Provisions for the acquisition of land by foreign-owned enterprises

The Government of Sri Lanka owns close to 82 per cent of the land in the country and private land ownership is limited to 50 acres per person. Under current Sri Lankan law, foreign companies and individuals are prohibited from purchasing land and may only invest in the form of leases for a maximum period of 99 years subject to 100 per cent stamp duty. If land is purchased through the establishment of a joint venture company in Sri Lanka, the foreign ownership may not exceed 50 per cent. Investments can be made in the purchase of flats of 3 storeys or more and foreign investors are treated as nationals (holding the freehold of all flats).

3.7.3 Provisions for foreign participation in local agricultural investment and co-operation

Foreign participation in local agricultural investment co-operation is governed by the above provisions for foreign acquisition of land. If the land leased is located in an area under the jurisdiction of the Sri Lanka Investment Development Authority (SLIDA), in an industrial zone or in a tourist area, it is subject to a land royalty of 7.5 per cent on the gross rental amount. Leaseholders of land located outside these zones are subject to a land tax of 15 per cent on the gross rental amount, in addition to stamp duty. Companies that have been in continuous business in Sri Lanka for more than 10 years are exempted from the above land tax.

In addition, Sri Lanka's Agrarian Development Act (No. 46 of 2000) limits the contracting of paddy fields. An investor can express his or her interest as a lessee to a paddy landowner and apply to the Agricultural Development Board, which will limit the number of years of operation.

3.7.4 Provisions for foreign participation in local forestry investment and cooperation

Foreign participation in local forestry investment and co-operation follows the above rules for foreign access to land. Tax policy Ibid.

3.8 What are the rules for foreign companies to participate in local securities trading?

Foreign companies are free to trade in securities except in areas or related companies which are prohibited and restricted by the Government of Sri Lanka, provided that they open an `External Equity Investment Rupee Account (SIERA) ▀ with a designated commercial bank to do so. Interest, dividends, profits, etc., arising from trading in shares are not subject to Sri Lanka's exchange controls.

In June 2017, Sri Lanka adjusted the charges for secondary market share trading for transactions of Rs 100 million

The fixed rate is 1.12 per cent up to Rs. 1 crore and 0.6125 per cent for the portion above Rs. 1 crore.

3.9 What are the rules for investment in the local ④ finance industry?

3.9.1 Provisions for investment access to the local financial sector

According to the Guidelines issued by the Central Bank of Sri Lanka in April 2018 on the opening of banks in Sri Lanka, the establishment of a local branch by a foreign bank is approved by the Monetary Board of Sri Lanka, subject to the following conditions:

- 1) Issuance of a licence from the banking regulator of the country in which the foreign bank is located authorising the establishment of the branch;
- 2) Capital injection of at least Rs 100 crore;
- 3) Fulfilment of the employee ratio requirement (less than 75 employees, between 75 and 400, or more than 400)
(People are allowed to employ up to 3, 5 and 10 non-Swedish employees, respectively);
- 4) The foreign bank needs to be a state-owned enterprise or be listed on a stock exchange with the approval of the host government;
- 5) Meet general regulatory requirements for local banks such as capital adequacy, liquidity ratios, single-customer concentration, and deposit reserve ratios.

With regard to investment in shares of locally incorporated banks, the Guidelines provide that no company, registered institution or individual can hold more than 10 per cent of the bank's issued voting share capital (not exceeding 15 per cent in the case of commercial banks), and this can be increased to not more than 15 per cent on a case-by-case basis subject to the approval of the Monetary Board. In addition, the Central Bank of Sri Lanka has issued Guidelines for the incorporation of Non-Banking Financial Institutions (NBFIs) and Financial Leasing Companies (FLCs) with no specific restrictions on the application for the incorporation of NBFIs; and for the incorporation of FLCs, banks and NBFIs are directly qualified, whereas ordinary companies are required to have registered capital of at least Rs. 75 million.

Sri Lanka is a foreign exchange controlled country and all commercial banking operations are subject to the approval of the

Exchange Control Department of the Central Bank of Sri Lanka, except for some commercial banks which are permitted to carry out foreign exchange transactions without the need to obtain approval from the Exchange Control Department in the ad hoc Foreign Exchange Banking Division. Foreign exchange investments must be made by opening Inward Investment Accounts (IIA) with to transfer funds.

3.9.2 Provisions for the regulation of the local financial sector

Financial regulation in Sri Lanka is the responsibility of the Central Bank of Sri Lanka. The banking sector is regulated mainly under the Banking Act, Act No. 30 of 1988, the non-banking financial sector is regulated mainly under the Financial Business Act, Act No. 42 of 2011 and the financial leasing sector is regulated mainly under the Finance Leasing Act, Act No. 56 of 2011. In addition, the financial sector is regulated under the Monetary Law Act, Act 58 of 1949 and the Companies Act, Act 7 of 2007, as well as under the Sri Lankan Financial Services Act.

Directives, circulars and other regulations issued by the Central Bank of Lanka. The Sri Lankan financial sector is dominated by banks and the main regulatory requirements for the banking sector include the adoption of Basel II capital adequacy standards for capital adequacy ratios, statutory liquid assets of not less than 20 per cent of total liabilities less liabilities to the Central Bank and share holders, a liquidity coverage ratio requirement of not less than 100 per cent, and the amount of lending to a single customer and a single group of corporate customers not exceeding 30 per cent and 33 per cent-40 per cent, respectively, of the capital of the bank (the exact amount depends on the bank's rating and the customer rating). 30 per cent, 33-40 per cent (depending on the bank's capital adequacy ratio, bank ratings and customer ratings), at least 10 per cent of lending to the agricultural sector, etc.

3.10 What are the legal provisions for environmental protection?

3.10.1 environmental authority

The main ones related to environmental protection in Sri Lanka are the Ministry of Mahaweli Development and Environment, the Coastal Protection and Coastal Resources Authority, and the Central Environmental Authority. After the formation of the new Government of Sri Lanka, it is expected that the specific names of the relevant ministries will change, but their competencies will remain largely unchanged.

The Ministry of Mahaweli Development and Environment (MHDE) has the following functional departments: Policy Planning and Regulatory Directorate, Air Resources and National Ozone Consortium, Bureau of Biological Conservation, Bureau of Forest Resources, Climate Change Secretariat, Pollution Control and Chemical Management Bureau, Lands and Legal Affairs Bureau, Environmental Planning and Economic Development Authority. The responsibilities of the Ministry are to maintain a balance between economic development and the use of natural resources in Sri Lanka; implementation of policies and development planning relating to the environment and natural resources; forest protection and afforestation; management and protection of nature reserves, national parks, sanctuaries, wildlife, elephants; conservation of forests, flora and fauna; protection of water resources of rivers and major reservoirs; conservation and sustainable development of natural resources, etc. Address: Sobadam Piyasa. 416/C/1, Robert Gunawardana Mawatha, Battaramulla, Sri Lanka. Web site: mmde.gov.lk, Tel: 0094-11-2034100.

The Coast Conservation and Coastal Resource Management Department (CCRMD) has functional divisions such as the Coastal Resources and Design Division, Coastal Operations Division, and the Planning Division. The Department is responsible for the management, utilisation and conservation of coastal resources throughout Sri Lanka. Address: 4th Floor, Ministry of Fisheries Building, New Secretariat, Maligawatta, Maradana, Colombo 10. Website: www.coastal.gov.lk, Tel: 0094-11-2449754/ 2438005, Email: info@coastal.gov.lk.

The functional departments under the Central Environment Bureau include the Environmental Pollution Control Bureau, the Environmental Management Bureau, the Environmental Education Bureau, and the Planning and Regulatory Bureau. The department is mainly responsible for the approval of Environmental Impact Assessment reports and various certificates and permits related to environment. Address: Central Environmental Authority , 104, Denzil Kobbekaduwa Mawatha, Battaramulla. Website: www.cea.lk, Tel: 0094-11-2872348/2872361.

3.10.2 Major environmental laws and regulations

- (1) Animal Diseases Act;
- (2) Animals Act;
- (3) Control of Pesticides (Amendment) Act
Act);
- (4) Environmental Conservation Levy Act 2008;
- (5) Fauna And Flora Protection Act;
- (6) Fisheries and Aquatic Resources Act and amendments;
- (7) Flood Protection Act;
- (8) Forests Conservation Ordinance;
- (9) Marine Pollution Prevention Act;
- (10) Soil Conservation Act;
- (11) Tsunami Act 2005;
- (12) Water Resources Board Act;
- (13) Wildlife Protection Society of Ceylon Act;
- (14) Coast Conservation and Coastal Resource Management
Act, among others.

3.10.3 Basic points of environmental regulations

Sri Lanka's environmental regulations require that attention be paid to the conservation of various natural resources such as terrestrial and aquatic flora and fauna, water resources, soil, etc., in business activities, and formulate responses to natural disasters such as tsunamis and floods. Reference is made below:

The Forest Conservation Act provides for demarcation and changes in forest reserves, prohibited acts in forest reserves/reserved forest land (e.g. illegal entry, exit or stay, cutting or sale of trees, blocking watercourses, killing or injuring animals, setting traps, lighting fires, construction of roads, etc.) and the corresponding penalties (e.g., imprisonment up to 7 years and a fine up to Rs. 2 lakhs/ imprisonment up to 5 years and a fine up to Rs. 1 lakhs), need to obtaining a licence and the specific provisions thereof.

The Animal Diseases Act provides for the scope of licences for the import and export of animals and animal products, related formalities, health certificates, control of infectious diseases in animals and penalty provisions. Violation of this Act is punishable by imprisonment for a term not exceeding 6 months or a fine not exceeding Rs. 5000/- (the period and amount of penalty may be adjusted by the appropriate authority by way of a public notice).

The Wildlife Protection Act provides for the establishment of

the Wildlife Protection Society of Ceylon to protect wildlife in Sri Lanka.

The Water Resources Commission Act provides for the establishment of the Water Resources Commission (WRC).

Board) is responsible for the management of water resources throughout the country, the prevention of water pollution, the development of plans for the protection and use of water resources, and so on.

The Coastal Protection and Coastal Resource Management Bill provides for the management of coastal resources, procedures for applying for coastal development permits, publication of affected areas, coastal parks and reserves, etc.

For detailed legal content see: www.srilankalaw.lk.

Chinese nationals in Sri Lanka are advised to avoid unauthorised fishing, catching aquatic products, catching insects, eating special flora and fauna, and so on.

3.10.4 Relevant provisions of the environmental assessment

The Central Department of Environment (CDE) is the statutory regulatory body. EIA (Environmental Impact Assessment Report) first appeared in the Coastal Protection (Amendment) Act 1981, and the EIA system is one of the important tools for achieving sustainable development in the country under the National Environment Act (Amendment) 1988.

Environmental assessment is required for projects that have a significant impact on the environment or are located in environmentally sensitive areas. Specifically, this includes projects in the four batch announcement lists (gazette No 772/22 of 24th June 1993, 859/14 of 23rd February 1995, 1104/22 of 5th November 1999 and 1108/1 of 29th November 1999).

Sri Lanka's national environmental law requires that all prescribed project approvals must be made by the project approval authority (PAA) approval. Currently, 23 government agencies have been designated as PAAs. When multiple PAAs are involved, the appropriate PAA is determined by the CEA. It is important to note that the state agency that is the project sponsor (owner) cannot be the PAA for the project.

The project approval bodies are listed in the following two Official Gazette documents No. 859/14 of 23 February 1995 and No. 1373/6 of 29 December 2004, respectively.

The NEA identifies two levels in the EIA process. If the environmental impacts of a project are not very significant, then the project proponent may be required to conduct an Initial Environmental Examination (IEE), which is a relatively brief study. However, if the potential impacts are more significant, the project proponent may be

required to conduct an Environmental Impact Assessment (EIA), which is a more detailed and comprehensive study of the environmental impacts.

The EIA report must be made available for public comment within 30 working days. The preliminary environmental review report shall be considered a public document and shall be open for public inspection. Details of the process, content and timing of the EIA can be found on the website of the Central Environmental Authority, which has detailed instructions:

www.cea.lk/web/en/services?id=92

The Environmental Department of the Investment Commission of Sri Lanka advises and guides investors on environmental norms and is involved in environmental approvals. You may also contact the Board of Investment of Sri Lanka for more information, which can be found at the following website:

www.investsrilanka.com/services/environmental_clearances

Local EIA agencies:

(1) Central Engineering Consultancy Bureau

Address: No., 415 Bauddhaloka Mawatha, Colombo 00700

Tel: 0094-11-2-668800

Website: cecb.lk

(2) Geological Survey and Mines Bureau

Address: 569, B120, Sri Jayawardenepura

Kotte Tel: 0094-11-2886289 / 2886290

Fax: 0094-11-2886273

E-mail:

info@gsmb.gov.lk 网址:

www.gsmb.gov.lk

(3) Lanka Hydraulic Institute Ltd.

Address: John Rodrigo Mawatha, Moratuwa 10400

Tel: 0094-11-2-650472

Fax: 0094-11-2650470

E-mail: lhi@lhi.lk

网址: www.lhi.lk

(4) National Aquatic-Resources Research & Development Agency

Address: Nara Rd, Colombo 01500

Phone: 0094-11-2-521000

Website: www.nara.ac.lk

3.11 What are the legal provisions against commercial bribery in Sri Lanka?

The Bribery Act was introduced in Sri Lanka in 1954 to govern corrupt practices in the public service. The Bribery Act was introduced in Sri Lanka in 1954.

(Bribery Act) to control bribery involving public services. Under Section 40 of the Bribery Act 1958

The Anti-Bribery Commissioner's Office was established under the Ministry of Justice by Act No. 19 of 1994. Pursuant to Act No. 19 of 1994

(The Commission To Investigate Allegations Of Bribery Or Corruption Act established the Allegations Commission for Investigation of Bribery or Corruption (ACIBC) and investigations were initiated from 15 December 1994 onwards. Investigations into bribery or corruption can be carried out by the Criminal Investigation Department (CID) of the Sri Lankan Police; in addition, the Financial Crimes Investigation Directorate (FCID) was established under the Police on 26 February 2015, which is

primarily responsible for investigations into serious financial fraud, misuse of state assets or funds, and other financial crimes. There are explicit anti-commercial bribery clauses in contracts for projects financed by Western countries and the International Monetary Fund, the World Bank and the Asian Development Bank.

The Bribery Act mainly provides for the investigation of bribery offences, the offence of bribery of members of Parliament, the offence of bribery of public officials such as police officers and magistrates, the offence of obtaining government projects through bribery, the use of threats or fraudulent acts to influence elections, the confiscation of property related to bribery, the establishment of commissions of inquiry, the refusal to provide information, the influencing of witnesses, and the influencing of the members of the commissions of inquiry, among others. No minimum threshold for active bribery, offences under the Act

The penalty is imprisonment for up to seven years or a fine of up to 5,000 rupees. Aggravated bribery of a public official is punishable by up to 10 years' imprisonment or a fine of up to 10,000 rupees.

3.12 What are the rules in Sri Lanka for foreign companies contracting local works?

3.12.1 licensing scheme

Foreign companies contracting engineering projects in Sri Lanka can be categorised into the following four main groups:

(1) Projects that are self-financed by the owner and for which local companies have the contracting power. These projects are mainly undertaken by local companies, and the Government has no objection to the participation of foreign companies, but the technical difficulty of these projects is low, and foreign companies lack an advantage in competition.

(2) Internationally funded projects. These projects are subject to public tendering in which both foreign and local contractors can participate. The Government of Sri Lanka also encourages the formation of consortiums of foreign and local contractors to participate in the bidding and contracting of projects. Both foreign and local companies are required to bid and compete in strict accordance with the tender procedures.

(3) Government-funded engineering projects. Foreign engineering firms must form a consortium with local firms in order to bid.

(4) Private projects. If the project is financed from private or civic sources, project tenders and competitions are subject to the procedures and regulations of the private owner.

3.12.2 Prohibited areas

The Sri Lankan contracting market is relatively open, with foreign companies being allowed to bid for projects financed by international organisations, etc., in accordance with the tendering procedures; for projects financed by the Sri Lankan Government, only local companies or consortiums of foreign and local companies are allowed to participate in the bidding process.

3.12.3 Bidding method

Sri Lanka has mostly international public tenders, and contractor-

financed projects are generally based on negotiated tenders.

3.13 What are Sri Lanka's protection policies for investment and co-operation with Chinese companies?

3.13.1 China Sri Lanka Bilateral Investment Protection Agreement

In 1986, China and Sri Lanka signed the Agreement between the Government of the People's Republic of China and the Government of the Democratic Socialist Republic of Sri Lanka on the Mutual Promotion and Protection of Investments, which creates a favourable environment for two-way investment and protects investors' interests related to the repatriation of profits.

3.13.2 China Sri Lanka Double Taxation Avoidance Agreement

On 11 August 2003, China and Sri Lanka signed an agreement on the avoidance of double taxation. The agreement was signed on 22 May 2005

Effective from 1 January 2006, with effect from 1 January 2006

3.13.3 Other agreements signed between China and Sri Lanka

China and Sri Lanka have signed an agreement on mutual exemption of taxes on income from international air transport and maritime transport. Signing of the China Sri Lanka Investment Promotion Agreement in 2007. In 2009, the National Development Bank and the Central Bank of Sri Lanka signed an investment facilitation agreement.

In 2017, the Framework Agreement between the Government of the People's Republic of China and the Government of the Democratic Socialist Republic of Sri Lanka on the Promotion of Investment and Economic Co-operation was signed, as well as the Outline of the Medium- and Long-Term Plan for the Development of China-Sri Lanka Investment and Economic Technical Co-operation.

3.13.4 Other relevant protection policies

In 1982, 1984 and 1986, the two sides signed an agreement on the establishment of the Mixed Trade Commission, the Sino-Slovak Agreement on the Establishment of the Joint Commission for Economic and Trade Co-operation, the Sino-Slovak Agreement on Economic and Technical Co-operation, and the Sino-Slovak Agreement on the Promotion and Protection of Investments, respectively, and, in 1991, the Mixed Trade Commission and the Joint Commission for Economic and Trade Co-operation were merged to become **the Sino-Slovak Joint Commission for Economic and Trade Co-operation**. The Joint Commission has met six times so far.

3.14 What are Sri Lanka's rules for investment in the cultural sector?

3.14.1 Major local laws and regulations on cultural industries

As a result of the political changes in Sri Lanka, there have been frequent changes in the establishment of the cultural sector in Sri Lanka.

The Government of Sri Lanka has formulated a cultural policy of 'preservation, development, research and exchange' and has taken a number of measures to implement this policy, such as rescuing endangered cultural heritage, fostering folklore organisations wherever possible, and selecting outstanding works and artists.

As a result of the gradual liberalisation and liberalisation of Sri Lanka's economic policy in recent years and the consequent influx of modern western culture, there has been a growing tendency towards the commercialisation of literature and art and a loss of control of private cultural exchanges with the outside world. The Ministry of Culture at has taken note of these problems and has begun to coordinate and regulate the cultural market.

3.14.2 Regulations and restrictions on investment in the cultural industry by foreign-funded enterprises

In Sri Lanka, according to the classification of the Board of Investment (BOI), investment in the cultural sector falls under the tourism and leisure category of the investment sector. Sri Lanka is rich in cultural and tourism resources. For investments in the cultural sector, different policies and tax incentives apply depending on the size of the investment. The regulations and restrictions follow the policies of the BOI.

3.14.3 Mechanisms for cooperation in the field of culture

China and Sri Lanka are friendly countries and the two peoples have a traditional friendship.

Since the establishment of diplomatic relations between China and Sri Lanka, the friendly relations between the two countries have developed smoothly in all aspects. Since the reform and opening up of China, China and Sri Lanka have signed an intergovernmental agreement on cultural cooperation and an annual implementation plan, and cultural relations have been increasingly strengthened. During the visit of former President Kumaratunga to China from 30 August to 2 September 2005, the Ministries of Culture of the two countries signed an agreement on cultural cooperation, and the Ministries of Education of the two countries signed a Memorandum of Understanding on the establishment of a Confucius Institute in Sri Lanka. In June 2012, the two Ministries of Culture signed a Memorandum of Understanding on the establishment of a Chinese Cultural Centre in Sri Lanka, and on 15 September 2014, the State Administration of Press, Publication, Radio, Film and Television of China signed a Memorandum of Co-operation with the Sri Lanka Publishers' Association. This series of cooperation mechanisms has laid a solid foundation for further enhancing communication and understanding between China and Sri Lanka and comprehensively promoting cultural exchanges between the two countries.

Institutions and organisations such as the Confucius Institute, the Chinese Cultural Centre, the Sino-Swedish Friendship Association and the Sino-Swedish Buddhist Association are all important bridges for promoting cultural exchanges between China and Sri Lanka. Currently, Confucius Institutes have been established at the University of Kelaniya and the University of Colombo respectively; in 2014, a Chinese Cultural Centre was set up in Colombo; in 2015, a Sino-Slovak Joint Centre for Science and Education was set up at the University of Slughuna; and in 2016, a Chinese Language Training Centre was set up at the Dambulla Training School of the S.S. Youth League.

In January 2019, the Ningxia Cultural Week was held in Sri Lanka; from 1 to 6 February 2019, 'Joyful Spring Festival' · the 4th Chinese Film Festival was held at the National Film Corporation of Sri Lanka; from 15 to 19 February 2019, 'the Joyful Spring Festival' · the 3rd Chinese Temple Fair was held in Colombo, Sri Lanka; 'Joyful Spring Festival' · Chongqing Art Troupe touring Colombo and West Old Town and other places in Sri Lanka, 20-25 February 2019; Wutai Mountain Pusu Temple Cultural Exhibition in Sri Lanka, April 2019; Sri Lankan artists taking part in the opening ceremony of the Forum for Dialogue of Asian Civilisations Cultural Performance, May 2019; Sri

Lankan Cultural Dance Troupe to participate in the Asian Civilisation Parade in full costume; May 2019, Sri Lankan masters of non-folklore to participate in the Asian Non-Folklore Grand Exhibition; May 2019, replica of the Zheng He Busi Stele of the Sri Lankan National Museum to participate in the Asian Civilisation Grand Exhibition; August 2019, the first Fa Xian International Cultural Forum was held in Sri Lanka; August 2019, the 40th Anniversary of Reform and Opening Up and the thematic photo exhibition was held in Sri Lanka; in September 2019, Hubei Culture and Tourism Week was held in Sri Lanka; in September 2019, the Central Plains Book Group participated in the Colombo International Book Fair; in September 2019, the Folk Orchestra of China Opera and Dance Drama Theatre visited Sri Lanka; in October 2019, the VR Beautiful China Tourism Interactive Experience Exhibition was held in Sri Lanka.

3.15 What provisions exist for the protection of intellectual property rights in Sri Lanka?

3.15.1 Local laws and regulations on intellectual property protection

The law relating to the protection of intellectual property rights in Sri Lanka dates back to 1860 and has been amended several times. The most recent amendment was the enactment of **the "Protection of Intellectual Property Rights Act No. 36 of 2003"**, which came into operation on 31 November 2003. The law is designed to promote innovation, protect the fruits of innovation, exercise international intellectual property protection responsibilities under the TRIPS Agreement and is consistent with the requirements of the US-Sri Lanka Bilateral Agreement for the Protection of Intellectual Property Rights (US-Sri Lanka BIPRI). This IPR protection covers the following main areas: Copyright (protection of copyright)

inventions (patents, valid for 20 years after registration), trademark protection (valid for 10 years, at the end of which the application can be continued), service marks (valid for 10 years, at the end of which the application can be continued), warranty marks and co-trademarks (administered by the National Office for the Protection of Intellectual Property Rights), industrial designs (valid for 5 years after registration, at the end of which the application can be continued), unfair competition (protection of normal and fair competition), confidential information (confidentiality of the Confidential information (confidentiality of relevant information), geographical indications (in accordance with the provisions of the law), layout design of integrated chips (in accordance with the law).

In Sri Lanka, infringement of intellectual property rights is punishable under criminal or civil law. The Government of Sri Lanka has an Anti-Counterfeiting and Piracy Cell under the Crime Investigation Section of the Police System. There is also an Intellectual Property Rights Cell under the Social Protection Section of the Sri Lanka Customs.

The authority for the enforcement of the law on the protection of intellectual property rights is the National Intellectual Property Protection Office of Sri Lanka and exercises the power of mediation and adjudication of disputes. The Department also undertakes national awareness training for citizens on the protection of intellectual property rights.

3.15.2 Penalties for intellectual property infringement

In the case of departments and individuals that violate laws on intellectual property protection, the party whose interests are infringed upon may file a complaint with the National Office for the Protection of Intellectual Property Rights (NOPIPR), which will adjudicate the case. If both parties are not satisfied with the outcome, they can file a case in the local court, which will adjudicate on the case. According to the survey, many foreign companies complained that the piracy phenomenon in Sri Lanka had seriously harmed their interests, but the government's efforts to combat and deal with the problem could not satisfy them.

3.16 What are the main ways to resolve business disputes in Sri Lanka and which country's laws apply?

In the event of disputes arising from local investment and cooperation, Chinese enterprises can, on the one hand, explain the relevant situation to the Economic and Commercial Section of the

Chinese Embassy in Sri Lanka and seek assistance; on the other hand, they can make use of its existing laws to seek a solution.

Business activities in Sri Lanka require compliance with local laws. The Sri Lankan legal system is based on Roman-Dutch law and commercial disputes are mainly governed by English common law, with some traditional ethnic and religious laws.

When engaging in business activities in Sri Lanka, both parties should sign a formal business contract in which they agree on the dispute settlement mechanism and the applicable law of the contract. In the event of disputes, which cannot be resolved through amicable negotiations, they should be resolved through the agreed means, usually arbitration or litigation, both of which are legally protected. Sri Lanka has acceded to the New York Convention on 11th November, 1967. In the event of a commercial dispute between a foreign investor and a local partner, the outcome of local or international arbitration can be better enforced. When an arbitral award is enforced in Sri Lanka, an application needs to be filed in the appropriate High Court and the filing, including the arbitral award, the arbitration agreement, etc., will be recognised and will be enforceable.

Commercial activity litigation is generally under the jurisdiction of the Magistrate's Court and if the amount involved exceeds Rs. 5 million, it will be

The Commercial High Court has jurisdiction. Although there is a strong sense of justice in Sri Lanka, the main problem is that proceedings are extremely lengthy and can take more than a year from the filing of a case to the delivery of judgement. In addition, there are mediation mechanisms in the Sri Lankan judicial environment. A Mediation Board has been established under the Ministry of Justice of Sri Lanka, which received 116,000 requests for mediation in the first three quarters of 2016, with a dispute resolution rate of 40 per cent. In the construction sector, there is also a Dispute Adjudication Board (DAB), whereby the parties appoint relevant experts to adjudicate on disputes, but this does not prevent either party from initiating litigation, and the resolution of the award is not enforceable until it has been recognised by a court or arbitration.

In Sri Lanka, the department responsible for dealing with economic disputes is the Criminal Investigation Department (CID), which is part of the Sri Lanka Police. When a dispute arises, the enterprise can report the case to the CID and submit the relevant case materials, and after the CID has reviewed the case, the case will enter the judicial process and be transferred to the court for trial. It is recommended to hire a local professional lawyer to understand the local judicial procedures in detail and submit sufficient and necessary materials to the court. Sri Lanka follows the British legal system, and its judicial procedures and legal framework are similar to that of the United Kingdom, and the overall legal system is sound and operates effectively. Sri Lanka's commercial laws include: (1) Companies Act; (2) Taxation Act; (3) Exchange Control Act; (4) Business Name Registration Ordinance; (5) Value Added Tax Act; (6) Co-operative Societies Ordinance; and (7) Contracts Act.

If the enterprise involved in the case is an enterprise established under the Board of Investment (BOI) of Sri Lanka, the case can also be referred to the BOI.

The inviolability of private and foreign investment is enshrined in the Constitution of Sri Lanka and relevant laws, which provide for: (1) protection against nationalisation of foreign investment; (2) nationalisation of foreign investment, if necessary, subject to prompt and adequate compensation; (3) ensuring free repatriation of investment and profits; and (4) the possibility of disputes being dealt with through the International Convention on the Settlement of Investment Disputes (ICSID).

The basic legislation applicable to foreign investment also includes

BOI Law No. 4 of 1978, as amended in 1980, 1983, 1992, 2002 and 2009, and relevant legislative provisions. For details, contact the Sri Lanka Board of Investment or consult its website: www.investsrilanka.com.

4. How do I go about the formalities for investment and co-operation in Sri Lanka?

4.1 What are the formalities required to register a business in Sri Lanka?

4.1.1 Forms of establishment of enterprises

Sri Lankan law does not specifically define the form in which a foreign invested enterprise can be registered. Any form of company can be registered.

4.1.2 Receiving organisations for business registration

Application for registration of a business in Sri Lanka should be made to the 'Department of the Registrar of Companies, Sri Lanka' (search at www.drc.gov.lk).

4.1.3 Main procedures for registering a business

The procedure for a foreign company to register a business in Sri Lanka is:

- (1) Collect the form from the "Sri Lanka Companies Registry";
- (2) Check the availability of the name of the company to be registered in the Registrar's database (avoid direct use of the words "China", "Sri Lanka", etc.);
- (3) Memorandums and Agreements of the Parent Company;
- (4) Applicant's letter of application;
- (5) Information on the members of the board of directors of the parent company;
- (6) Proof of bank account of the parent company;
- (7) If the parent company has any agreements in Sri Lanka, they should be produced;
- (8) Annual reports of the parent company for the last two years;
- (9) Power of Attorney.

4.2 What is the procedure for contracting a project?

4.2.1 Access to information

There are two main sources of information for contracting projects in Sri Lanka: firstly, tender notices issued by Sri Lankan owners through local media or their official websites; secondly, invitations issued by local employers to companies.

4.2.2 tenders and bids

After obtaining information about a tender, companies usually follow the following procedures in particular:

- (1) Go to the designated place at the designated time to purchase the tender documents;
- (2) Pre-bid view of the site, pre-bid clarification or Q&A;
- (3) Preparation of tender documents (technical, commercial, etc.);
- (4) Delivery of tender documents by the tender closing date;
- (5) The Technical Bid Evaluation Committee evaluates the bids and issues an opinion on the evaluation;
- (6) The comments of the Technical Bid Evaluation Committee are submitted to the Cabinet Bid Committee for approval and review;
- (7) Award.

4.2.3 government procurement

The main body of government procurement in Sri Lanka is the Government, which includes all levels of state agencies, institutions and organisations. The National Procurement and Trade Commission (NPC) of the Sri Lankan State is responsible for formulating procurement rules and guidelines and monitoring the implementation of procurement matters.

There are six levels of government procurement organisations depending on the amount of procurement: the Cabinet Appointed Procurement Commission (CAPC), the Standing Cabinet Appointed Procurement Commission (SCAPC), the Ministerial Procurement Commission (MPC), Departmental Procurement Committee (DPC), Project Procurement Committee (PPC), Regional Procurement Committee (RPC).

Procurement funds: financial (appropriated, own or financed) funds
Procurement objects: goods, works, services, information systems

Procurement plans: Each ministry has a three-year Master Procurement Plan (MPP), in accordance with which each procuring entity shall prepare and obtain the approval of the Permanent Secretary of the respective ministry for the issuance of procurement notices for specific procurement plans within each financial year.

Procurement methods: Similar to construction tenders, there are tenders for procurement, limited competitive bidding, and competitive negotiations .

4.2.4 Licensing procedures

After the Chinese Ministry of Commerce cancelled the approval certificate for bidding (negotiation) for foreign contracted projects in 2017, the competent commercial department has implemented record management for general projects. The relevant formalities required for Chinese companies to participate in tenders in Sri Lanka are mainly as follows:

(1) Through the foreign contracted projects database system to fill in the online "foreign contracted projects filing form" printed and stamped with the official seal, scanned as PDF or image file format to submit to the system;

(2) The filing authority screens whether the project belongs to the scope of specific project management, completes the filing, and issues the "Foreign Contracted Project Filing Reply Slip" to the applicant enterprise.

4.3 How to apply for patents and registered trademarks?

4.3.1 Patent application

Foreign companies or individuals who wish to apply for a patent are required to do so in accordance with the 'Intellectual Property Protection Laws of Sri Lanka'.

(Applications can be made to the National Intellectual Property Office of Sri Lanka (NIPO) or to a relevant agent licensed by the NIPO (Protection of Intellectual Property Act No. 36) – Institutions qualified to act as agents for the filing of patent or trade mark applications can be found at the National Intellectual Property Office of Sri Lanka.

Intellectual Property Protection Office (National Intellectual Property Office of Sri Lanka) Address: 3rd Floor, "Samagam Medura", No. 400, D.R. Wijewardena Mawatha, Colombo 10; Contact Tel: 0094-112-689-368 (ext. 200), 0094-112-689-367, 0094-112-683-163, e-mail: nipos@sltnet.lk, official website: www.nipo.gov.lk.

4.3.2 registered trademark

The registration of trademarks is also handled by the above-mentioned Office for the Protection of Intellectual Property, following the same procedure and practice as for the application of patents at .

4.4 What are the formalities associated with filing tax returns for businesses in Sri Lanka?

4.4.1 Time to file tax returns

[Individual Income Tax] Monthly declaration of professional income is due by the 15th of the following month. Other personal income should be remitted by 30 April of the year following the end of the tax year.

[VAT] is divided into monthly and quarterly returns, except for manufacturing and financial enterprises, which are required to file monthly returns by the 15th day of the following month. Manufacturing and financial enterprises are required to file quarterly returns by the 20th day of the month following the quarter.

[Enterprise income tax] is paid in four instalments, by the 15th of August and November of the current year, and by the 15th of February and May of the following year. The tax base is prepaid on the basis of the tax of the previous tax year, and the amount of income tax payable is remitted after the completion of the fiscal year-end accounts on 30 September.

See the Sri Lanka tax filing schedule for details:

www.ird.gov.lk/en/sitepages/default.aspx#.

4.4.2 Channels for filing tax returns

Local tax returns can be filed by the enterprises themselves, which need to be reported through the tax filing system of the Sri Lanka Revenue Authority (SLRA), and at the same time, the accounting statements on which the payment of corporate income tax is based must be audited and passed by the local qualified accounting firms; or it can be filed by the accounting firms on behalf of the enterprises, but it is necessary for the Managing Director or the Financial Controller to sign the tax declaration form.

4.4.3 Tax filing procedures

Enterprises need to file tax returns in strict accordance with the time and formalities required by the tax office and submit the relevant documents information. The declaration can be made online, or manually submitted to the tax department.

4.4.4 tax return information

Documents that need to be submitted for business tax filing include tax returns, business accounting statements audited by a CPA firm, and payment cheques.

4.5 How do I get a work permit to Sri Lanka?

4.5.1 competent authorities

Foreigners coming to Sri Lanka to work should obtain work permit approval from the local authorities in Sri Lanka. In this regard, the local business authority (employer) of the industry in which the work is to be carried out is responsible for receiving applications and granting preliminary approval; the Sri Lankan Employment of Foreigners Office is responsible for granting consent and registration; and the Sri Lanka Immigration Department is responsible for the processing of work visas.

4.5.2 Work permit system

Foreigners working in Sri Lanka are subject to stringent approvals. Those who are eligible and approved to work in Sri Lanka are required to comply with the relevant provisions of the Sri Lankan Labour Act relating to the regulations governing the employment of foreigners and local Sri Lankan law, including the scope and nature of the work as well as the provisions relating to visas, income tax on wages and so on.

According to the Sri Lanka Immigration Department, the following cases can apply for a work visa:

- (1) Professional engineers for state-owned or private projects approved by the Sri Lanka Board of Investment (SLBOI);
- (2) Employees of banks and their subsidiaries;
- (3) Volunteer;
- (4) Employees of non-governmental organisations;
- (5) Employees of project agencies or organisations in embassies and consulates in Sri Lanka.

- (6) Employees of private enterprises and their subsidiaries.

4.5.3 Application Procedures

The application procedure for foreigners to work in Sri Lanka is:

- (1) The application is made by the company hired;
- (2) Certified and approved by the industry authority where the hiring company is located;
- (3) (b) To be registered with the Sri Lanka Employment of Foreigners Management Office for approval;
- (4) Entry permits are checked and issued by the Sri Lanka Immigration Department;

- (5) Foreigners apply for a residence visa from the above authorities after entering the country.

It is also important to note that as per the requirements of the Sri Lanka Immigration Department, foreigners are required to first obtain an entry visa from the Sri Lankan Embassy or Consulate in a foreign country before going to Sri Lanka to work. Upon arrival in Sri Lanka, they are required to go to the Sri Lankan Immigration Department to obtain a work visa approval. Foreigners working in Sri Lanka should not enter the country on a traveller's visa or a business visa, otherwise they will not be able to change their visa to a work visa.

4.5.4 information provide

Individual applicants are required to provide their companies with a copy of their passport, a copy of their academic and degree certificates, their curriculum vitae in English, a completed Residence Visa form and photographs in accordance with the Immigration Department's regulations, a letter of approval from the Department of Immigration for entry to the country for work, and other supporting information.

Documents required for entry permit visa application:

- (1) Complete visa application form;
- (2) Letter issued by the Sri Lankan employer confirming the employment relationship;
- (3) Business registration documents of Sri Lankan employers, project documents and other applicable agreements;
- (4) A letter of recommendation for visa application from the Sri Lankan employer's industry authority or from the Sri Lanka Board of Investment;
- (5) Photocopy of the applicant's passport

The cost of applying for a Sri Lankan work visa is around Rs 20,000

For more information, please visit the Sri Lanka Immigration website:

www.immigration.gov.lk

4.6 Who are the organisations that can advise Chinese companies on investment cooperation?

4.6.1 Economic and Commercial Section of the Chinese Embassy in Sri Lanka

Address: 381/A BAUDDHALOKA MAWATHA, COLOMBO 7, SRI
LANKA

Tel: 009411-2670200

Fax: 009411-2670200

E-mail: lk@mofcom.gov.cn

4.6.2 Sri Lanka Chinese Enterprises Chamber of Commerce

Address: Level 32, EastTower, WorldTradeCenter, Colombo 1

Tel: 009411-2470998

Fax: 009411-2470997

E-mail: mishuchu@cccs.lk

4.6.3 Sri Lanka Board of Investment

Tel: 009411-2427032/2427000

Fax: 009411-2422407

Website: www.investsrilanka.com

4.6.4 Embassy of Sri Lanka in China

Address : No.3 Jianhua Road,
Jianguomenwai, Beijing Tel :
010-65321861

4.6.5 UNDP Office of Overseas Sustainable Development of Chinese Enterprises

Address: United Nations Development Programme,
No. 2 Liangmahe South Road, Chaoyang District,
Beijing Tel: 010-85320733, 85320776

4.6.6 SSC Information Centre for Overseas Investment Projects

Address : No.A2, Baiqiao Nanli,
Dongcheng District, Beijing Tel :
010-65280465、56765617
Website: www.china-ofdi.org

4.6.7 Overseas Investment Consulting Centre, Research Institute of the Ministry of Commerce

Address : No.28 Dong Hou Xiang, An Wai, Dongcheng District, Beijing,
China
Tel: 010-64515042, 64226273, 64515043 Fax:
010-64212175
E-mail: kgjyb@126.com
Website:
www.caitec.org.cn

4.6.8 Sri Lanka Investment Services

(1) KPMG

Address: 32A Sir Mohamed Macan, Markar Mawatha, Colombo 3
Tel: 009411-5426 426
Fax: 009411-2445 872

(2) PricewaterhouseCoopers

Address: 100, Braybrooke Place, Colombo 2

Tel: 009411-7719700

Fax: 009411-2303197

(3) Ernst & Young

Address: 201, De Saram Place, Colombo 10.

Tel: 009411-2463500

Fax: 009411-2697369

(4) SJMS & Deloitte & Touche's agent in Sri Lanka) Address: 2, Castle Lane, Colombo 4, Sri Lanka.

Tel: 009411-5444400 / 2580409 / 2503262

Fax: 009411-2582452

E-mail: sjmsa@sjmsassociates.com

(5) BDO Partners (BDO International) Tel:

0094-11-2421878/79/70

Fax: 0094-11-2336064

(6) FJ & G de Saram Law Firm

Address: 216, De Saram Place, Colombo 10.

Tel: 009411-4718200

Fax: 009411-4718220

(7) Julius & Creasy

Address: No 41, Janadhipathi Mawatha, Colombo 01

Tel: 009411-2421056

Fax: 009411-2435451

(8) Sudath Perea Associates, Law Firm

Address: No5, 9th Lane, Nawala Road,

Nawala. Tel: 0094-11-7559944

Fax: 0094-11-7559948

(9) D.L & F De Saram Law Office

Address: No 47, C.W.W Kannangara Mawatha, Colombo 07

Tel: 0094-11-2695782

Fax: 0094-11-2695410

(10) Patent and Trademark Registration Intermediary

The official website of the Office for the Protection of Intellectual Property has a series of lists of registered intermediaries, as detailed:

www.nipo.gov.lk/agents.htm

(11) Asset Valuation Department (Valuation Department)

Address: "Valuation House", 748, Maradana Road, Colombo 10

Tel: 009411-2694381

Fax: 009411-2694382

(Note: The Department of Asset Valuation provides asset valuation services for government assets in all transactions related to the Government of Sri Lanka, governmental in nature, and state-owned enterprises; there are no major local asset valuation firms in Sri Lanka, but there are individual practising asset valuers, and large projects are worked on by teams of several valuers, and the Department of Asset

Valuation and the major banks can provide information on the relevant asset valuers).

5. What matters should Chinese enterprises pay attention to in order to engage in investment and cooperation in Sri Lanka?

5.1 Investment

1. What Chinese investors should be aware of

(1) Chinese-funded enterprises should conduct in-depth feasibility studies on investment and co-operation in Sri Lanka, fully understand local laws, regulations and national conditions, and carry out overseas operations in strict compliance with the law. They should choose their partners carefully, sign contracts rigorously and handle labour relations properly. They may apply for tax exemptions and concessions in accordance with the investment promotion policies of the Board of Investment of Sri Lanka.

(2) It is necessary to pay full attention to the application of scientific management methods and to introduce effective management methods adapted to local conditions. Improve its international management capability and appropriately introduce locally available talents to adapt to and familiarise itself with the local legal and business environments.

(3) Strengthen research on local national policies on taxation, labour, foreign exchange management, environmental protection and safety, understand relevant laws and regulations and local customs, and fully respect local folk customs and religious beliefs.

(4) Strengthening cooperation with local enterprises, enhancing market research and risk prevention.

(5) Strengthening cultural communication, enhancing sensitivity to cross-cultural communication, identifying cultural differences and strengthening the sense of cultural identity; and better integrating into the local society through the localisation of employees and respect for local customs and habits.

2. Obligations of foreign investors, protection of rights and interests, and duration of cooperation

The investor should sign an investment protection agreement with the BOI to strengthen risk prevention, etc., paying particular attention to the provisions of the investment incentives, determining the duration of the investment agreement, as well as the process of supplementing and amending the contract. Particular attention should be paid to the fact that larger

investment agreements need to be approved not only by the BOI, but also by the Cabinet and the Parliament.

Investment activities in Sri Lanka must strictly comply with local environmental protection laws, especially for land development projects, which need to obtain the project EIA procedures first, and at the same time, strengthen communication with the local government. Sri Lanka's environmental protection laws are very strict, and failure to pay sufficient attention to them may result in the project being blocked at a later stage.

3. How Chinese companies are developing capacity co-operation

(1) Chinese enterprises should enhance their awareness of social responsibility, actively return to the local society, and appropriately participate in local social welfare activities. If enterprises can take on more social responsibility in their cross-border operations, they will effectively improve their own image, brand and reputation, which will have a positive impact on their long-term business development in the local community.

(2) Chinese enterprises must not only have the awareness of going out, but also the knowledge of going out , **when they** go out to develop capacity co-operation. It is important to make a detailed study of the investment environment and the legal environment before making a decision, so as to avoid the institutional risks of investment. Challenges to expanding capacity cooperation with Sri Lanka are manifold and may include environmental protection, labour, intellectual property rights, investment management taxation, and the need to protect the environment.

and many others.

(3) They should take the initiative to integrate into local society, actively carry out localised operations, increase local tax revenue and expand local employment. Chinese enterprises investing and developing in Sri Lanka should try their best to solve local employment problems, build production zones with Sri Lanka to promote the local industrial system, increase training and education for local talents, and help improve the quality and skills of the local labour force.

(4) Chinese enterprises should strictly abide by local laws and regulations, pay attention to environmental protection, set up the concept of long-term development and win-win co-operation, make more contributions to local economic and social development, and enhance the good image of Chinese enterprises.

(5) Chinese enterprises should avoid homogeneous and vicious competition. They should play a complementary and coordinating role and form synergies by joining forces.

According to the experience of Chinese enterprises in Sri Lanka's investment projects, Chinese enterprises in Sri Lanka investment must consider the impact of national politics, to avoid the resulting huge economic losses; at the same time, enterprises should be invested in the industry's market for in-depth investigation and research, to ensure that the market for the development of the industry and the trend of a clear understanding.

4. Cases of Chinese companies investing locally

At present, Chinese companies investing in Sri Lanka are mainly concentrated in the fields of urban development and construction, port operations, with small-scale examples of investment in agriculture, aquaculture, furniture manufacturing, hotels and restaurants.

5.2 Trade

Chinese-funded enterprises must work hard to improve the quality of their export products in order to safeguard China's image and credibility, and insist on "winning **with** quality". At the same time, Chinese enterprises should also strengthen their awareness of risk prevention to effectively avoid risks and reduce trade disputes. Firstly, they should choose their partners carefully. The reliability and strength of Sri Lankan enterprises should be fully investigated through legal channels. They can look for enterprises with a certain scale, strength and reputation through Sri Lankan merchants and associations. Secondly, we should adhere to normal commercial transaction guidelines in

the transaction process and reasonably avoid risks. Thirdly, we should fully communicate with each other before the transaction, understand the content of the contract accurately, and improve the terms and conditions of the contract so as to minimise loopholes and unnecessary misunderstandings. Fourthly, we will pay timely attention to the political environment and the adjustment of the tax policy of , which may have an adverse impact on the trade.

5.3 Contractual engineering

Contracting Considerations:

- (1) Full knowledge of Sri Lankan government legal requirements and familiarity with market resources (labour, materials, sea freight lead times, etc.);
- (2) Obey the co-ordination of the China Chamber of Foreign Contractors and the Sri Lanka Chamber of Chinese Enterprises;
- (3) Strict adherence to local tax collection regulations;
- (4) Strictly observe local labour laws and resolve labour disputes rationally;

- (5) Strict adherence to the terms of the contract, Fiduciary Clause;
- (6) Enhanced understanding of international rules or practices in contracts;
- (7) Scientific assessment of the risks of project implementation and rational bidding;
- (8) Reinforcement of physical security precautions;
- (9) There shall be no unhealthy competition with other Chinese enterprises;
- (10) (a) Full respect for local customs and religious beliefs, etc.; and
- (11) Avoid involvement in local politics and partisan activities.

In recent years, Chinese enterprises have undertaken a number of projects in Sri Lanka, such as the Southern Expressway Extension Project, which was constructed by China National Aero-Technology International Engineering Corporation (CNATIC), China State Construction Corporation (CSC) and China Harbour Engineering Corporation (CHEC); the first section of the Central Expressway of Sri Lanka, which was contracted by China Metallurgical Science and Technology Corporation (METC); the resurfacing project of the runway of the Bandaranaike International Airport of Sri Lanka, which was constructed by CNATIC; and the Southern Railway Extension Project, which was constructed by China Machinery Import and Export (Group) Co. Ltd. and China Harbour Engineering Co.

According to the above experience of contracting projects, Chinese enterprises should pay attention to several points when contracting projects:

(1) Preparations and precautions should be taken in advance, taking into account the tight supply of materials such as sand, gravel and earth, the slow pace of land acquisition and the interference of local political forces in Sri Lanka;

(2) Protect against the risk that the owner will require the contractor to enter the premises to carry out the work in the absence of project financing;

(3) There is a lag in the owner's payment for the work, and the contracting company has to be aware of its own cash flow problems and make a timely claim to the owner for delayed payment.

(4) Focusing on the training and education of Chinese workers in Sri Lanka, it has established a sound labour management system, strengthened labour management, protected and safeguarded the legitimate rights and interests of labourers, and avoided labour disputes;

(5) At the contracting and implementation stages, we need to be

vigilant about risky conditions, enhance contractual awareness, contractual spirit and risk-identification capabilities, and eliminate the risk of getting caught up in the mire of direct and potential risks, which may result in irreversible losses;

(6) To establish a sound emergency plan, so that in the event of large-scale religious activities, demonstrations, social riots, violent obstruction of work, terrorist attacks and other hazardous activities, it can respond in time and put in place effective measures to safeguard the safety of Chinese personnel's lives and property as well as the interests of the enterprise.

5.4 In the area of labour cooperation

The employment of foreign labour is severely restricted in Sri Lanka. Foreign labour is largely not permitted in other areas except as provided for in agreements under contractual engineering projects or investment projects. The following points should be noted:

- (1) Sending out labour through units qualified for foreign labour cooperation in accordance with regulations;
- (2) (c) Eliminate the use of tourist visas to work in the country;
- (3) Strict adherence to local laws, such as the Labour Code and the Decree on the Employment of Women and Minors.

In recent years Chinese companies have gradually entered the housing construction sector in Sri Lanka and due to the large shortage of skilled labour in the region, various Chinese companies have imported a large number of Chinese skilled workers to carry out the contracted housing construction projects. At the same time, for some large-scale projects, such as the Southern Expressway Extension Project, Chinese enterprises have imported some skilled workers to carry out special work. The local labour cooperation of Chinese enterprises has greatly improved the working efficiency and ensured the smooth implementation of the contracted projects. But some problems have also emerged in the process. Therefore, the following matters should be focused on:

(1) For the local staff recruited, a compliant and legal labour employment contract should be signed to clarify the responsibilities and obligations of both parties and to implement unified management;

(2) Comply with the legal requirements for local workers, and ensure that legal channels are used to apply for work visas through the owner of the project;

(3) (c) Adequate personal safety insurance for labour workers;

(4) Involving labour subcontracting, should choose a good reputation, long-term cooperation of labour subcontracting company, and strengthen the management of labour subcontracting company, sign a subcontract to clarify the rights and responsibilities of both parties, to avoid labour disputes;

(5) (c) Payment of labour remuneration on time and elimination of wage arrears;

(6) Attaching importance to labour protection, strengthening safety management, safeguarding the personal safety of labourers, paying attention to the health of labourers and preventing infectious diseases.

5.5 Protecting against investment co-operation risks

In the process of investment, trade, contracting and labour cooperation in Sri Lanka, special attention should be paid to investigating, analysing and evaluating the relevant risks beforehand, and doing a good job of risk avoidance and management during the process, so as to effectively safeguard one's own interests. This includes investigation and assessment of the creditworthiness of the project or trade clients and related parties, analysis and avoidance of political and commercial risks in the country of investment or contracting, in-depth understanding of relevant laws and regulations, interpretation and control of national policy

guidance, and feasibility analysis of the implementation of the project itself. Relevant enterprises should actively make use of insurance, guarantee, banks and other insurance financial institutions and other professional risk management institutions to protect their own interests. These include credit insurance, property insurance, personal safety insurance, etc. for trade, investment, contracted projects and labour services, factoring and forfaiting business of banks, and various types of guarantee business (government guarantee, commercial guarantee, letter of guarantee).

It is recommended that enterprises use the credit risk protection products provided by the China Export and Credit Insurance Corporation, a Chinese policy-based insurance institution, including political risks and commercial risks, in the course of their outward investment and cooperation; they may also use the commercial guarantee services provided by policy-based banks such as the Export-Import Bank of China.

China Export and Credit Insurance Corporation (CECIC) is a state-owned policy insurance company funded by the State, supporting China's foreign economic and trade development and co-operation, with the status of an independent legal person, and is the only financial institution in China that undertakes policy-oriented export credit insurance business. The company's insurance products to support enterprises' foreign investment and cooperation include short-term export credit insurance, medium- and long-term export credit insurance, overseas investment insurance and financial guarantees, etc. The company also provides insurance coverage against nationalised levies, exchange restrictions, wars and political unrests that occur in the country (region) where the investment is made.

Risk protection against economic losses caused by political risks such as political riots and breach of contract. To learn about the services, please visit the company's website at www.sinosure.com.cn

If a risk loss occurs without effective risk avoidance, it is also necessary to recover the loss as soon as possible through its own or related means, depending on the circumstances of the loss. In the case of business underwritten through a credit insurance institution, the credit insurance institution will determine and underwrite the claim and compensate for the risk loss, and the relevant organisation will assist the credit insurance institution in recovering the loss.

5.6 Other precautions to be taken

[Socio-Economic Environment] Chinese enterprises should strengthen their research and make good judgement when engaging in investment and co-operation in Sri Lanka, taking into full consideration the local economic development trend and the depreciation of the rupee and other factors. At the same time, attention should be paid to preventing commercial fraud when engaging in relevant activities, by reviewing relevant legal documents through lawyers and verifying the authenticity of the other party's situation in the relevant registration department.

At present, some vicious security incidents have occurred from time to time in Sri Lanka, protests and demonstrations have occurred frequently in various places, and there have been many clashes between demonstrators and the police, the socio-political atmosphere and the security situation have a tendency to deteriorate to a certain extent, and there have been traffic and security incidents involving Chinese nationals from time to time, and it is important for Chinese enterprises to raise their awareness of precautionary measures and pay attention to the protection of personal and property safety when carrying out their business in Sri Lanka.

Sri Lanka is a country that pays attention to environmental protection, and Chinese enterprises engaging in various activities in the region should pay attention to protecting the environment, and for some major investments or construction projects, they need to have EIA reports and environmental protection plans and environmental monitoring.

Sri Lanka also attaches importance to the protection of intellectual property rights, and it is important for Chinese enterprises to comply with the relevant laws when engaging in relevant activities in the country.

Overseas Safety and Security】 Chinese enterprises in Sri Lanka to

carry out investment and cooperation must raise the awareness of precaution, pay attention to the protection of personal and property safety, in particular, should pay attention to the following overseas safety and security content:

(1) Pay attention to personal safety. Local protests and demonstrations are frequent, so avoid riot-prone areas, reduce the number of people going to places with large crowds, and if you are at a parade, leave in time and do not stay to watch. Keep in touch with your family and friends and provide them with your whereabouts and contact details. Be safe when going out alone or interacting with others, especially at night or meeting strangers.

(2) Pay attention to the safety of your home and business. Avoid keeping cash in your home, keep valuables safe, and dress appropriately. Treat your employees and security guards well and educate them about safety.

(3) Pay attention to travelling safety. Travel in a group and be cautious about travelling to isolated areas. Avoid public transport or three-wheeled motorised vehicles (TUKTUK).

(4) Comply with local regulations. Observe local laws and regulations, customs and habits, operate in accordance with the law and travel in a civilised manner. Apply for or extend your residence visa in a timely manner through legal channels, and do not come to work in the country with a tourist visa. Obey the command of the police and other powerful departments, and consult lawyers or seek legal assistance in case of complicated legal problems.

[Sri Lanka's General Election Cycle] Sri Lanka's presidential election cycle is a five-year cycle, 2019 11

In January, presidential elections were held. By President Gotabaya's decree, new

A general parliamentary election.

6. How can Chinese companies establish harmonious relations in Sri Lanka?

6.1 Managing relations with the Government and Parliament

As a presidential republic, Sri Lanka's central government plays a decisive role and the parliament is the national legislature. When dealing with the relationship with the government and the parliament, Chinese enterprises should pay attention to the following elements:

The Government of Sri Lanka attaches great importance to and actively promotes Sino-Sri Lankan economic and trade co-operation. Chinese enterprises, whether investing or engaging in trade or engineering projects, should **"honour contracts, keep promises and know the law"** and establish a good reputation for their enterprises. They should maintain smooth and effective communication and liaison with the relevant departments of the Sri Lankan government, and strive to gain the understanding and support of the relevant departments of the Sri Lankan government. Chinese enterprises should strengthen their own management, comply with Sri Lankan laws and regulations, and respect the choices of local people.

Parliament is the highest legislative body in Sri Lanka. Chinese enterprises should properly handle the relationship with the Parliament, and may make more contacts with parliamentarians to make friends and seek their understanding and support, especially from the parliamentarians of the districts where the project is located.

6.2 Proper management of relations with trade unions

Chinese-funded enterprises should carefully study and strictly abide by the labour laws of Sri Lanka, and strengthen communication and exchange with the Ministry of Labour and Trade Union Relations of Sri Lanka, major trade unions in Sri Lanka and other government departments and social organizations. In strict accordance with the requirements of local laws and in conjunction with their own development needs, they should provide local residents with more employment opportunities and good employment conditions as far as possible.

Pay attention to and properly handle the relationship with trade unions. On the one hand, Chinese enterprises should strengthen and

regulate their own internal management to avoid labour disputes and maintain good relations with trade unions; on the other hand, in case of labour disputes, such as dealing with trade unions, they should pay attention to the communication channels and ways to avoid further expansion of the disputes, and keep the disputes within the acceptable range of the labour and management sides. In addition, when dealing with trade unions, we should fully respect Sri Lanka's humanistic background, ethnic customs and habits of thinking. There are many trade unions and trade associations in Sri Lanka, and strikes and rallies occur from time to time, so Chinese enterprises should avoid participating in them.

From the practice of Chinese-funded enterprises in Sri Lanka, they can strengthen the humanistic care for local employees, proactively take measures to help local employees with actual family difficulties, provide training exchange opportunities for local employees, and improve the professional level and capacity of local employees.

6.3 Closer relations with the local population

Chinese-funded enterprises should fully respect the cultural habits and etiquette of local residents in their dealings with them, actively absorb local residents for employment, support local community building and development, and actively participate in public welfare activities.

Give back to the community, and at the same time pay attention to the work and life patterns of local residents to avoid disturbances at construction sites and residences, and so on.

From the practice of Chinese-funded enterprises in Sri Lanka, Chinese-funded enterprises often encounter residents' complaints about nuisance during the construction process of projects under construction. It can strengthen the communication with the residents around the project by visiting them, finding problems and grasping contradictions, solving the focus, and at the same time using local holidays to send condolences to get the understanding of the neighbouring residents. Improve the construction efficiency and complete the construction content as soon as possible. Most of the Chinese-funded enterprises in Sri Lanka are engineering contracting companies, and in the process of project implementation, they can make use of their convenient resources to effectively solve the practical difficulties of the locals, so as to achieve the purpose of contributing to the society and building a harmonious community.

6.4 Respect for local customs

Chinese enterprises and employees working in Sri Lanka should understand local customs and religious beliefs, pay attention to relevant taboos and respect local customs and religious beliefs.

Sri Lanka is a multi-ethnic, multi-racial and religiously diverse country, with major ethnic groups including Sinhalese, Tamils, Catholics and Muslims. Chinese enterprises should fully respect the traditional cultures of various ethnic groups in their production and business activities, refrain from interfering in local ethnic and sectarian issues, and educate their employees to fully respect the traditions and customs of the local people, but not to intervene in sensitive topics such as religion, politics and ethnicity, and refrain from participating in any sectarian or communal affairs. They should also refrain from participating in any sectarian or ethnic group affairs.

According to the practice of Chinese enterprises in Sri Lanka, they should pay attention to the dress code and respect the beliefs and cultural customs of local residents on different occasions, such as social, working and leisure occasions. Appointments should be made in advance for meetings or negotiations.

6.5 Protecting the ecological environment in accordance with the

law

Sri Lanka's ecological environment is maintained at a favourable level. The government attaches importance to environmental protection and has enacted strict laws related to environmental protection. Environmental Impact Assessment (EIA) is given high weight in the evaluation of engineering or investment projects. The government strictly controls industries that may cause environmental pollution. In building construction, strict control of noise, dust and water pollution is required. In addition, local residents have a strong awareness of environmental protection. For enterprises that violate environmental laws and regulations, local residents will complain to the relevant authorities or notify the media, or even organise demonstrations on their own initiative to demand corrections or compensation from the offending enterprises. Chinese enterprises should understand in detail the relevant provisions of Sri Lanka's environmental protection laws and regulations, and effectively raise their awareness of environmental protection to eliminate environmental pollution and damage.

According to the practice of Chinese-funded enterprises in Sri Lanka, Chinese-funded enterprises, after taking over the expressway project, have carefully studied local environmental protection laws and regulations, and taken a series of measures in environmental protection in combination with their own projects, which have been recognised by the local government and residents: ① Adding animal corridors to the design of the project road construction to open up a green channel for animals to migrate, and avoiding environmentally sensitive areas, such as animal and plant protection zones, in the design; minimising the impact of the project on the local environment. At the same time, the design avoids natural protection areas of animals and plants, and other sensitive areas for environmental protection, so as to minimise the impact of the project on the local environment;

② In terms of air quality protection, the quarry has adopted the dry bag filter for controlling dust from crushed stone.

equipment, effectively controlling the dust in the production process and guaranteeing the air quality in the production area; ③ In order to do a good job of water protection in the construction process, special mud tanks and slurry-making equipment are used in the pile foundation construction operation for the closed circulation of mud, which effectively avoids the problem of water pollution.

6.6 Assumption of necessary social responsibilities

Chinese-funded enterprises should actively fulfil their social responsibilities, including providing good employment opportunities and working conditions for local residents in Sri Lanka, and providing skills training that is within their capacity and urgently needed; caring for the disadvantaged groups and actively participating in local public welfare activities; helping the areas and people suffering from disasters; staying away from commercial bribery; producing safely; and abiding by the social morality, and so on. In their business operations in Sri Lanka, they should reflect the culture of social responsibility of Chinese enterprises and establish a good image of Chinese enterprises.

In 2019, under the organisation and coordination of the Sri Lanka Chinese Enterprises Chamber of Commerce, a large number of Chinese enterprises in Sri Lanka have actively fulfilled their corporate social responsibility, and have continued to expand the influence of Chinese enterprises and increase the integration of Chinese enterprises into the local society by donating, contributing to and contributing to the relevant infrastructures, equipments, local social activities, and so on.

6.7 Know how to deal with the media

Sri Lankan media are divided into official media and private media, which are usually inclined to political positions. Chinese enterprises should pay attention to the influence of the media, deal with the media well, open up to the media appropriately, strengthen information disclosure and crisis management, and proactively guide public opinion to show the image of Chinese enterprises.

From the practice of Chinese-funded enterprises in Sri Lanka, in 2016, the Colombo Port City project invested and constructed by China Communications Construction Group Co. faced with a few media's deliberately inaccurate reports, the project company took the initiative to speak out to clarify the facts, and made use of the local mainstream media

to conduct positive publicity and guidance, and actively safeguarded the image in Sri Lanka and the enterprise's own legitimate rights and interests. The joint construction of a nursing home in Hambantota by China State Construction Corporation Sri Lanka and the Ministry of Social Services of Sri Lanka was reported by many mainstream media, which demonstrated the social image of Chinese-funded enterprises. The Hambantota Port operated by China Merchants Group has actively used the media to positively publicise the significance and role of the Hambantota Port, so that the Sri Lankan people are aware of the great significance of the Hambantota Port for the development of the Sri Lankan economy.

6.8 Learning to deal with law enforcement

The general duties of the Sri Lankan police in the administration of society are to maintain law and order in society, to maintain traffic safety and order, to detect criminal activities, etc., and in the case of foreigners in Sri Lanka, the police have a duty to safeguard their persons and property.

The general duties of the Sri Lankan Prosecution Service are to receive reports of cases, receive complaints from citizens, and to investigate and prosecute cases.

The administration of aliens is also governed by Sri Lankan legal procedures in the administration of judgements, etc.

The general duties of the Sri Lankan tax authorities are tax administration, tax collection, tax inspections and tax offences, and the business activities of foreigners are also taxed in accordance with Sri Lankan law.

Chinese-funded enterprises in Sri Lanka actively educate their employees to prohibit the carrying of prohibited items at customs, and at the same time resist the unreasonable behaviour of a small number of customs officers who ask for bribes, and actively safeguard China's image overseas.

Chinese-funded enterprises are required to strengthen legal education and understand local laws and regulations. Enterprises should have all their documents ready and keep them in a safe place, and personnel should carry their documents when they go out and co-operate with the inspection. If necessary, they can ask the other party to show their documents to prove their identity. When dealing with government law enforcement officials, they should respect local laws and regulations, avoid overly aggressive language and behaviour, and pay attention to reasonable demands. When encountering unfair treatment, they should deal with it rationally, coordinate through lawyers, and complain to their superiors. Meanwhile, when Chinese citizens encounter injustice or danger in Sri Lanka, they can contact the Consular Section of the Chinese Embassy in Sri Lanka for assistance.

6.9 Dissemination of traditional Chinese culture

Chinese traditional culture is an important part of the garden of the world's outstanding cultures, and will inevitably come to Sri Lanka along with the pace of Chinese enterprises' "going out". Chinese enterprises are not only builders of bilateral economic and trade co-operation, but also ambassadors of cultural exchanges between the two countries and disseminators of traditional Chinese culture in Sri Lanka. Chinese enterprises should fully respect and learn about local customs, especially religious and ethnic customs, as well as the religious habits and taboos of Buddhists, Hindus, Muslims and Catholics, and respect religious people, and also pay attention to the promotion of traditional Chinese culture in local investment and cooperation.

At present, China is actively promoting the construction of "One Belt, One Road", and people-to-people communication is an important part of the

construction of “One Belt, One Road” and the humanistic foundation of the construction of “One Belt, One Road”, and the dissemination of traditional Chinese culture is precisely an important way of people-to-people communication.

From the practice of Chinese-funded enterprises in Sri Lanka, Chinese-funded enterprises in Sri Lanka distribute souvenirs and brochures with Chinese characteristics to their expatriate employees and clients during Chinese traditional festivals such as the Spring Festival to spread Chinese culture.

6.10 (sth. or sb) else

Chinese enterprises in Sri Lanka should endeavour to create a market environment of solidarity, cooperation and mutual benefit and win-win situation, and encourage greater cooperation among Chinese enterprises and mutually beneficial cooperation between Chinese enterprises and Sri Lankan enterprises and enterprises in other countries in Sri Lanka.

7. What should Chinese enterprises/personnel do if they encounter difficulties in Sri Lanka?

7.1 Seeking legal protection

On the one hand, Chinese enterprises should familiarise themselves with and strictly comply with local laws and regulations, and should employ local legal advisers on a long-term basis if conditions permit; on the other hand, if disputes arise, they should consult local lawyers in a timely manner and deal with them and resolve them in accordance with the law. Generally, local lawyers can be used to represent Chinese enterprises in lawsuits. In the process of seeking legal protection, under the premise of understanding the legal provisions of the country, the evidence of legal proceedings should be fully obtained.

7.2 Seek help from local authorities

In their dealings with the Sri Lankan Government, enterprises and the private sector, Chinese enterprises usually deal with local business authorities or relevant agencies. Chinese enterprises should endeavour to maintain smooth contact and communication with the relevant departments or agencies and seek understanding, support and assistance from the other side.

If the personal and property safety of Chinese enterprises and expatriates in Sri Lanka is violated, they can call the Sri Lanka National Police at 118 or 119, the Colombo Police at 011-2433333, and the Colombo Tourist Police at 011-2421052; and if they need to consult on related matters, they can call the Sri Lankan Government's Information Centre at , or call 1919.

7.3 Obtained protection from the Chinese Embassy (Consulate) in Sri Lanka

Chinese-funded enterprises or individuals may also seek assistance from the Chinese Embassy in Sri Lanka. When the legitimate rights and interests of enterprises or individuals are infringed upon, they should seek consular protection and assistance from the Consular Department of the

Embassy; when they encounter difficulties, especially when they encounter incidents that may affect the political and economic relations between the two countries, they should report to the Economic and Commercial Section of the Chinese Embassy in Sri Lanka in a timely manner, so that they can deal with and solve the problems appropriately and promptly with the guidance and assistance of the Economic and Commercial Section of the Embassy. The Ministry of Foreign Affairs Global Consular Protection and Service Emergency Call Centre telephone number: 0086-10-12308 or 0086-10-59913991.

Chinese Embassy in Sri Lanka Consular Hotline:

0094-112676033. Chinese Embassy in Sri Lanka

Consular Website:

<http://lk.chineseembassy.org/chn/lsw/>

Website of the Economic and Commercial Office of the Chinese Embassy in Sri Lanka:

<http://lk.mofcom.gov.cn>

In addition, the consular service applet developed by the Chinese Embassy in Sri Lanka was officially launched in April 2020. The applet has condensed the core content of the consular business section of the website of the Chinese Embassy in Sri Lanka, and can be used to enquire about basic information, consular protection guide, instructions on how to apply for certificates, notices and announcements, learn about the basic information of the Embassy's consular window, and download and consult the Guide for Chinese Citizens Going to Sri Lanka for Consular Protection and Assistance.

Enquiry on passport and travelling certificate, etc. and the latest notices and announcements, etc. How to add: Open WeChat and the sunflower code below.



7.4 Establishment and activation of contingency plans

Chinese enterprises in Sri Lanka must raise their awareness of safety precautions and establish a sound and practical emergency plan for emergencies. In the event of emergencies, under the unified leadership of the Economic and Commercial Affairs Department of the Embassy, they will handle emergencies in accordance with the procedures and methods in the emergency plan.

7.5 Other response measures

Chinese enterprises and individuals should raise their awareness of self-prevention and protection, strengthen their control of various risks, and provide education and training on safety precautions to personnel in Sri Lanka; strengthen their understanding of the local political situation and tracking, and learn about security information from the Economic and Commercial Section of the Embassy in a timely manner, so that safety precautions can be strengthened at any time.

Chinese enterprises in Sri Lanka should actively apply for membership of the Sri Lanka Chamber of Chinese Enterprises (SLCCE) in order to receive the necessary assistance and services. Assistance can also be sought from the Sri Lanka Overseas Chinese Federation.

English is widely spoken in Sri Lanka. If you encounter language difficulties in Sri Lanka, you can ask for help from other people around you or use mobile phone translation software, or hire a professional

interpreter from a translation company. In case of emergency, you should contact the Consular Department of the Chinese Embassy in Sri Lanka as soon as possible for assistance.

8. What to do in the event of a major emergency in Sri Lanka?

8.1 What are the developments in Sri Lanka's new Crown Pneumonia outbreak?

On 26 January 2020, Sri Lanka found the first confirmed case of new coronary pneumonia in a Chinese tourist who came to Sri Lanka during the Spring Festival holiday. The travel agent reported the case to the Chinese Embassy in Sri Lanka at the first time, and under the guidance of the Embassy, strict protection and isolation measures were taken for all members of the tour group, and no secondary infection occurred. The tourist was cured and returned home on 20 February. Since then, there have been no new confirmed cases in Sri Lanka. It was not until 10 March that a second confirmed case was detected. The patient was a citizen who had returned to Sri Lanka from Italy. Since then, with the return of a large number of Sri Lankan citizens who had been working in Europe and South Korea, the epidemic has gradually developed and spread in Sri Lanka. As of 29th April 2020, 649 cases of C.N.C.P. have been diagnosed in Sri Lanka, 506 cases have been diagnosed, 136 cases have been cured and 7 cases have died. The Sri Lankan Ministry of Health and infectious disease experts judge that, by the end of April, the outbreak in Sri Lanka was still in the stage of limited household and close-contact transmission, and that community transmission had not yet occurred, except for one widespread aggregated infection in a naval camp.

Sri Lanka is ranked 16th globally as a high risk country for outbreaks by the Deep Knowledge Group, an international scientific research organisation, based on an analysis of outbreaks in 150 countries and territories around the world, which evaluates the risk, safety and treatment in each country. At the same time, Sri Lanka was ranked 9th globally in the Global Response to Infectious Diseases Index (GRID) compiled by the Australian Institute of Certified Management Accountants (AICMA) for its outbreak prevention, control and response efforts, which shows that its overall prevention and control efforts have been effective.

8.2 What are the outbreak prevention and control measures in Sri

Lanka?

Since the beginning of the epidemic, the Government of Sri Lanka has taken the initiative to adopt stringent preventive and control measures, which have yielded good results. The measures that have had a significant impact on economic life include, firstly, the imposition of martial law throughout the country and a ban on the movement of people across regions. All public and private meetings and events were banned. With the exception of basic social services, the public and private sectors throughout the country worked from home. Secondly, airports were temporarily or partially closed, major railway services were suspended, public transport was halted and highways were closed. Thirdly, the closure of national borders and prohibition of entry of all international travellers into Sri Lanka by all modes of transport, including air and water, until further notice. Fourthly, with effect from 17 March 2020, the Sri Lanka Immigration Department has suspended the issuance of all visas of all categories to all foreign nationals, and visas of all categories issued to foreign nationals who have not yet entered the country have been temporarily suspended. Suspension or restriction of imports of non-essential commodities other than medicines and fuel, and import restrictions on products such as rice, flour, sugar and garments .

8.3 What is the impact of Sri Lanka's epidemic prevention and control measures on foreign investment co-operation business?

The new Crown Pneumonia epidemic has hit the Sri Lankan economy hard. Since mid to late March 2020, Sri Lanka has been under prolonged martial law and economic activity in all sectors has come to a standstill. The three pillars of remittances, exports and tourism have been hit hard, with international capital outflows and a sharp depreciation of the rupee, which lost 4.7 per cent of its value in the first three months of 2020. The manufacturing and service sectors are facing an unprecedented downturn, with construction largely halted. The tourism industry has not fully recovered from the '4.21' serial bombings in 2019 and has suffered the effects of the new crown epidemic, with a massive drop in tourists and a significant increase in unemployment. The World Bank's latest report 'South Asia Economic Focus: The Cursed Blessing of Public Banking' predicts that Sri Lanka's economy could shrink by 3 per cent in 2020, with debt growing to 91.6 per cent of GDP, and the poverty rate is expected to rise to 43.9 per cent if the outbreak persists for a longer period of time. Fitch has recently downgraded Sri Lanka's sovereign rating to 'B-' and the outlook to negative from stable. The Sri Lankan government has tentatively decided to relax martial law island-wide on 4 May 2020 in light of developments in the prevention and control of the epidemic. It is expected that economic activity in Sri Lanka will resume after the relaxation of martial law.

At present, due to Sri Lanka's national martial law, the prohibition of foreigners from entering the country and the suspension of the issuance of various types of visas and other policies, foreign investment and cooperation business has been temporarily stalled, and business visits and project promotion have had to be postponed or cancelled, and most of the business is negotiated through the network. A large number of containers were stranded in Hong Kong, which had a greater impact on foreign trade and investment cooperation business. By the epidemic impact, international capital outflow, Sri Lanka's foreign exchange reserves and debt servicing pressure increased. 2 April 2020 onwards, the Sri Lankan government suspended the implementation of all foreign exchange controls and taxes related to foreign exchange inflows, the introduction of six-month tax-free high-interest foreign currency special time deposit accounts, the commitment to maturity of the free exchange and remittance of foreign currency, and to actively promote foreign investment projects, with a view to attracting more foreign exchange inflows. At the same time, in response to capital transactions, the Government of Sri Lanka suspended foreign investment through the Outward Investment Account and the remittance of foreign currency through Business Foreign Currency Accounts (BFCAs) or Personal Foreign Currency Accounts (PFCAs) for a

period of three months, indicating a certain degree of uncertainty in Sri Lanka's foreign exchange policy.

8.4 What are Sri Lanka's support policies for affected FIEs?

In order to reduce the impact of the epidemic on the economy and to help enterprises to tide over the difficult times, the Central Bank of Sri Lanka has introduced a series of relief measures, which mainly include: Firstly, the Central Bank of Sri Lanka reduced the Standing Deposit Funding Rate (SDFR) and the Standing Loan Funding Rate (SLFR) by 25 basis points to 6 per cent and 7 per cent respectively, and the Bank Rate was reduced by 500 basis points, from 15 per cent to 10 per cent. Secondly, commercial banks and financial institutions were supported to provide full relief to small and medium enterprises (SMEs) or individuals affected by the epidemic by introducing measures such as debt forbearance and provision of working capital loans, while the Central Bank of Sri Lanka requested all licensed banks to adopt accommodative policies to maximise support for their clients and the development of the domestic economy. Thirdly, the regulator has relaxed the criteria for classifying non-performing loans. Fourthly, there will be no more financial condition assessments for the Central Bank of Sri Lanka, the tourism industry, the garment manufacturing industry and small and medium-sized manufacturing enterprises for a period of six months. Through the above relaxed and inclusive financial policies, it has helped Sri Lanka to tide over the current economic difficulties. The Government of Sri Lanka has taken measures such as granting subsidies and guaranteeing the supply of basic necessities to ensure the stability of the basic livelihood of the society.

8.5 Impact of the New Crown Pneumonia Epidemic on Local Chinese Enterprises and Suggestions for Preventing Local Epidemic Risks

8.5.1 Impact of the epidemic on local Chinese enterprises

As a result of the nationwide martial law in Sri Lanka, the prohibition of entry into the country from Bandaranaike Airport and the suspension of the issuance of various types of visas, the business of Chinese enterprises in Sri Lanka has been greatly affected, with individual employees unable to return to Sri Lanka and the dispatch of domestic labour affected. Some planned business negotiations, travel and business activities have been postponed or cancelled, adversely affecting the production and operation of enterprises. With regard to construction projects, many local labourers were unable to go to work due to martial law, and the customs clearance time for imported equipment and materials was lengthened, which significantly slowed down the progress of the projects.

8.5.2 Recommendations on epidemic preparedness

It is recommended that Chinese enterprises in Sri Lanka pay attention to and comply with the regulations of the Sri Lankan government on the prevention and control of the epidemic, refine the preventive and control measures, and do a good job of scientific protection. Avoid going to crowded places, refrain from organising and participating in group activities, strengthen the management of going out, intensify the inspection, and do daily monitoring. We use online platforms, new media and other means to carry out epidemic prevention and control knowledge training, enhance the protection awareness of Chinese and foreign employees and their families, and improve prevention and control capabilities. At the same time, the company pays attention to the mental health status of employees, carries out psychological counselling, avoids unnecessary panic, and guides employees to rationally understand and scientifically prevent the epidemic.

If there is any confirmed or suspected diagnosis or isolation required by the Sri Lankan medical and health authorities, please strictly observe the Sri Lankan epidemic prevention regulations and report to the Chinese Embassy in Sri Lanka at the first instance.

Appendix 1 List of Selected Government Departments and Related Agencies in Sri Lanka

1. Ministry of Defence (MoD)

website: www.defence.lk

Sub-agency: Coast Guard Department of Sri Lanka (CGS) Website:
www.coastguard.gov.lk

2. Ministry of Mahaweli Development and Environment (MEDE)

Website: <http://mmde.gov.lk/web/>

(1) Central Environmental Authority (CEA) Website:
www.cea.lk

(2) Geological Survey & Mines Bureau (GSMMB) website:
www.gsmb.gov.lk

(3) National Gem & Jewellery Authority (NGJA) website:
www.ngja.gov.lk

(4) Marine Environmental Protection Authority (MEPA) Website:
www.mepa.gov.lk

(5) Department of Coast Conservation (DCC) website:
www.coastal.gov.lk

3. Ministry of Finance (MOF)

website: www.treasury.gov.lk

(1) Department of National Planning (DNP) website:
www.npd.gov.lk

(2) Central Bank of Sri Lanka (CBSL) website:
www.cbsl.gov.lk

(3) Department of External Resources (DER) website:
www.erd.gov.lk

(4) Department of Trade & Investment Policy (DTIP) website:
www.treasury.gov.lk/web/departement-of-trade-and-investment-policy

(5) Department of Management Audit (DMA)
Website: www.treasury.gov.lk/management-audit-department

(6) Department of Legal Affairs (DLA)

Website: www.treasury.gov.lk/web/department-of-legal-affairs

(7) Department of Inland Revenue (DIR)

website: www.ird.gov.lk

(8) Department of Management Services (DMS)

Website: www.treasury.gov.lk/web/department-of-management-services

(9) Sri Lanka Customs (SLC) website:

www.customs.gov.lk

(10) Department of Excise (DEO)

website: www.excise.gov.lk

(11) Insurance Board of Sri Lanka (ircsl.gov.lk)

Website: ircsl.gov.lk

(12) Department of project Management and Monitoring (DPM)

Website: www.pmm.gov.lk

(13) Securities and Exchange Commission of Sri Lanka

Website: www.sec.gov.lk

(14) Credit Information Bureau (Credit

Information Bureau) Website: www.crib.lk

15) National Insurance Trust Fund (NITF) website:

www.nitf.lk

16) Public Utilities Commission of Sri Lanka (PUC)

Website: www.pucsl.gov.lk

4. Ministry of Tourism Development & Christian Religious Affairs

Website: www.tourismmin.gov.lk

(1) Sri Lanka Tourism Promotion Bureau (STPB) Website:

www.srilanka.travel

(2) Sri Lanka Tourism Development Authority (STDA) website:

www.sltda.lk

5. Ministry of Transport (MOT)

Website: www.transport.gov.lk

(1) Department of Sri Lanka Railways (DSLRL) website:

www.railway.gov.lk

(2) Civil Aviation Authority (CAA) website:

www.caa.lk

(3) Sri Lanka Airports & Aviation Services Ltd.

(Sri Lanka) Ltd)

Website:

www.airport.lk

6. Ministry of Primary Industries and Social Empowerment (MPSE)

Website: www.socialemwelfare.gov.lk

Subordinate body: Department of Social Services

(Department of Social Services) Website:

www.socialservices.gov.lk

7. Ministry of Labour & Trade Union Relations (MLTUR)

Website: www.labourmin.gov.lk

(1) Department of Labour (DOL)

website: www.labourdept.gov.lk

(2) National Institute of Labour Studies (NILS) website:

www.nils.gov.lk

(3) National Institute of Occupational Safety and Health (NIOSH)

Website: www.niosh.gov.lk

8. Ministry of Highways & Road Development and Petroleum
Resources Development (MHRD)

Website: www.mohsl.gov.lk

Subsidiary: Road Development Authority and its Subsidiaries
and Associates

Website: www.rda.gov.lk

9. Ministry of City Planning & Water Supply and Higher Education
(MCPWSHE)

Website: www.mcpws.gov.lk

Subordinate body: National Water Supply and Drainage Board (NWSDB)
(NWS&DB))

Website: www.waterboard.lk

10. Ministry of Public Administration and Disaster Management (MPADM)

Website: www.pubad.gov.lk

Sub-agency: Disaster Management Centre (DMC) Website: www.dmc.gov.lk

11. Ministry of Finance (MOF)

website: www.treasury.gov.lk

12. Ministry of Industry & Commerce (MIC)

website: www.industry.gov.lk

(1) Department of Commerce

(Department of Commerce) website:

www.doc.gov.lk

(2) Registrar of Companies (ROC) website:

www.drc.gov.lk

(3) Industrial Development Board (IDB) website:

www.idb.gov.lk

(4) Department of Food Commissioner (DFC) Website:

www.fcd.gov.lk

(5) Department of Co-operative Development (Registrar of Co-operative Societies)

Website: www.coop.gov.lk

(6) National Enterprise Development Authority (NEDA) website:

www.neda.gov.lk

13. State Ministry of Fisheries & Aquatic Resources Development

Website: www.fisheries.gov.lk

(1) Department of Fisheries & Aquatic Resources

Website: www.fisheries.gov.lk

(2) National Agriculture Development Authority (NADA) website:

www.naqda.gov.lk

(3) Ceylon Fishery Harbours Corporation (Ceylon Fishery Harbours Corporation) Website: www.cfhc.gov.lk

(4) Ceylon Fisheries Corporation (Ceylon

Fisheries Corporation) website:

fisheriescorporation.gov.lk

(5) National Aquatic Resources Research & Development Agency (NARDA)

Website: www.nara.ac.lk

14. Ministry of Plantation Industries (MIPI)

website: www.plantationindustries.gov.lk

(1) Department of Rubber Development (DORD) Website:

www.rubberdev.gov.lk

(2) National Institute of Plantation Management (NIPM)

Website: www.nipm.gov.lk

(3) Sri Lanka Tea Board (SLTB) website:

www.pureceylontea.com

(4) Tea Small Holdings Development Authority (TSDA) Website:

www.tshda.gov.lk

(5) Coconut Development Authority (CDA) website:

www.cda.lk

(6) Sri Lanka Rubber Manufacturing & Export Corporation

Website: lk.kompass.com

15. Ministry of Power, Energy and Business Development (MOPED)

Website: powermin.gov.lk

(1) Ceylon Electricity Board & its subsidiary companies

Website: www.ceb.lk

(2) Sri Lanka Sustainable Energy Authority (SLEA) website:

www.energy.gov.lk

16. Ministry of Agriculture, Rural Economic Affairs, Livestock

Development, Irrigation and Fisheries and Aquatic Resources

Development

(Ministry of Agriculture, Rural Economic Affairs, Livestock Development, Irrigation and Fisheries & Aquatic Resources Development)

Website: www.agrimin.gov.lk

(1) Department of Animal Production and Health (DAPH) website:

www.daph.gov.lk

(2) National Livestock Development Board (NLDB) website:
www.nldb.gov.lk

(3) Paddy Marketing Board (PMB) website:
www.pmb.gov.lk

17. Ministry of Justice & Prison Reforms (MJPR) website:
www.moj.gov.lk

(1) Sri Lanka Bar Association (Attorney General's
Department) website: www.attorneygeneral.gov.lk

(2) Law Commission of Sri Lanka (Law Commission of Sri
Lanka) website: lawcom.gov.lk

(3) Legal Aid Commission of Sri Lanka (LACSL) Web site:
www.legalaid.gov.lk

18. Ministry of Public Administration & Management (MPA&M)
website: www.pubad.gov.lk

Subordinate body: Sri Lanka Institute of Development
Administration (SLIDA)

Website: www.slida.lk

19. Ministry of Finance & Mass Media (MFM)

Website: www.media.gov.lk

(1) Department of Information (DPI)

Website: www.dgi.gov.lk

(2) Department of Government Printing (DGP) Website:
www.documents.gov.lk

20. Ministry of Ports & Shipping (MPS) website:
www.portmin.gov.lk

(1) Ceylon Shipping Corporation Ltd and its Subsidiaries and
Associates

Website: www.cscl.lk

21. Ministry of Lands (MOL)

website: www.landmin.gov.lk

(1) Department of Land Commissioner General (DLCG) website:
www.landcom.gov.lk

(2) Department of Land Settlement (DLS) Website:

www.landsettledpt.gov.lk

(3) Department of Land Use Policy Planning (DLUP) Website:

www.luppd.gov.lk

22. Ministry of Foreign Employment (MFE) website:

www.mfe.gov.lk

Subordinate body: Sri Lanka Bureau of Foreign Employment (SLBFE)

Website: www.slbfe.lk

23. Ministry of Telecommunication & Digital Infrastructure and Information Technology (MIDIT)

Website: www.mtdi.gov.lk

Information and Communication Technology Agency (ICTA)

Website: www.icta.lk

24. Ministry of Industrial Export and Investment Promotion (MIEIP)

Website: modsit.gov.lk

(1) Board of Investment of Sri Lanka (BIS) website:

www.investsrilanka.com

(2) Sri Lanka Export Development Board (SLEDB) website:

www.srilankabusiness.com

(3) Department of Import and Export (DIA) website:

www.imexport.gov.lk

Appendix 2 List of Chinese Associations, Chambers of Commerce and Major Chinese Enterprises in Sri Lanka

1. Sri Lanka Chinese Enterprises Chamber of Commerce

President: China Harbour Engineering Co.

Secretary-General: China Merchants Group Colombo International Container Terminal Co.

Address: Level 32, East Tower, World Trade Centre, Colombo 1

Tel: 009411-2470998

Fax: 009411-2470997

E-mail: mishuchu@cccs.lk

2. Sri Lanka Overseas Chinese Federation

President: Zhang Xudong 0094-775555118

Address: 3F, No. 481, Gall Road, Bambalapitiya, Colombo 4

Tel: 009411-2593044; 009411-2594419 Fax:

009411-2593044

E-mail: sloca1218@gmail.com, zhhby@yahoo.com

Member units	Chamber of Commerce Positions	address	Member Email
China Harbour Area Corporation Sri Lanka	president ial unit	level 32, east tower, WTC	chec@cccs.lk
China Merchants Port Holdings Limited	Secretar y- Gene ral's Unit	Sayurupaya, Mirijjawila, Hambantota 120/20, Marine Drive Road, Colombo Colombo	cict@cccs.lk
Huawei	vice-	Level 16, West Tower, World Trade Center, Colombo 1, Sri	huawei@cccs.lk

		World Trade Centre, Colombo 01, Sri Lanka	
China Geo- Engineering Group Limited	vice- chair man unit	329, Colombo 4, Sri Lanka. Meewella Business Building, 6th floor (No. 329, Meewella Building, 6th Floor, Gall) Road, Colombo 04, Sri Lanka	Chinageo@cccs.lk
China National Aero- Technology Import & Export Corporation (CATIC)	Under- Secret ary- Gener al's Unit	Hyde Park 5/1, Colombo 2 (5/1, HYDEPARK RESIDENCIES, NO. 79, HYDE) PARK CORNER)	catic@cccs.lk
China Aviation Technology International Engineering Co.	vice- chair man unit	No. 88, Ward Place, Colombo-7	caticeng@cccs.lk
China Electric Power Construction Group Limited	Under- Secret ary- Gener al's Unit	No. 456 R A De Mel Mawatha, colombo 03, Srilanka Replication Road, Colombo III, Sri Lanka 456.	powerchina@cccs.lk
China Harbour Colombo Port City Ltd.	member unit	Central Point Building 4th& 5th Floors No.54 Chatham Street, Colombo 01, Sri Lanka Colombo01, Sri Lanka	portcity@cccs.lk

postscript

The Guide to Countries (Regions) for Foreign Investment Co-operation (Sri Lanka) provides an objective introduction to the investment and co-operation environment, which is of common concern to Chinese enterprises, especially small and medium-sized enterprises (SMEs), when they go to Sri Lanka to carry out investment and co-operation business; and it also gives hints on various problems that may arise when Chinese enterprises go to Sri Lanka to carry out business. It is hoped that this Guide will serve as an introductory guide for Chinese enterprises to enter Sri Lanka. However, due to the limited space and the different information required by different investors, the information provided in this Guide is only for the reader's reference and is not to be taken as a complete basis for investment decision-making by enterprises.

The Department of Foreign Investment and Economic Cooperation of the Ministry of Commerce organised and coordinated the preparation of the Guide. The Guide was prepared by Counsellor Yang Zuoyuan, Xiong Ran, Li Xueyong, Li Xinyu, Zhu Min and Shi Xiaoru of the Economic and Commercial Section of the Chinese Embassy in Sri Lanka. The Sri Lanka Chinese Enterprises Chamber of Commerce provided relevant information for the revision of the Guide and participated in the revision work. Researchers from the Institute of Foreign Investment Cooperation of the Research Institute of the Ministry of Commerce and the China Overseas Investment Consulting Centre supplemented and revised the contents of the Guide. Comrades from the Asia Department of the Ministry of Commerce provided valuable comments on the contents of the Guide.

In preparing this book, we have referred to public information from the Ministry of Foreign Affairs of China, the Ministry of Finance of Sri Lanka, the Central Bank, the Board of Investment and Development, and other government departments, as well as research published by social consulting organisations, for which we would like to acknowledge and thank them. Due to the time constraints and our limitations, we welcome criticisms and corrections if there are any inaccuracies.

author
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