YOUR TRUSTED PARTNER IN
SRI LANKAN – GERMAN
BUSINESS RELATIONS
Dear readers,

On 16th of November 2019 Presidential elections took place in Sri Lanka. We congratulate the new President of Sri Lanka H.E. Gotabaya Rajapaksa and wish him and the people of Sri Lanka a prosperous upcoming term.

We are confident that under the upcoming presidency political stability will be maintained and the rule of law will be respected. Furthermore, we trust that reforms of the regulatory framework will be continued to strengthen the local economy and to promote further investments.

In the end of October the President of the German Travel Association (DRV) Norbert Andreas Fiebig visited Sri Lanka accompanied by a high-ranking delegation of German tour operators held discussions with the Sri Lanka Tourism Promotion Bureau (SLTPB), SLAITO and other decision makers of the industry regarding the touristic promotion and marketing of Sri Lanka. This high-ranking visit marks the willingness and support of the German travel industry to promote Sri Lanka as a tourist destination for German tourists.

From 1st of November the Sri Lankan government revised the luxury tax formula on vehicles. According to the new regulation, the tax will be calculated based on the cost, insurance and freight (CIF) value of a vehicle. Initially, the tax was calculated based on engine capacity. By considering the impact on the industry, AHK Sri Lanka invited German vehicle importers to discuss their challenges and possible solutions recommending that for reasons of legal reliability and transparency the engine capacity rule should be maintained.

Regarding our activities for next year we are delighted to announce that a German business delegation on Sustainable Mobility, Traffic & Public Transport Solutions and Logistics will be conducted from 27th to 31st of January 2020. The main conference will be held on 28th of November at the Hilton Colombo Residence.

Yours sincerely,

Andreas Hergenröther
Chief Delegate
Delegation of German Industry and Commerce in Sri Lanka
(AHK Sri Lanka)

Our Premier Platinum Partners

Allianz
Insurance Solutions from A-Z

DIMO
The Perfect Partner
Delegation visit to K Show 2019

K 2019, known as “The World’s No. 1 Trade Fair for Plastics and Rubber” and successfully concluded in Düsseldorf after successful eight days on Wednesday (23 October 2019). There were 3,300 exhibitors for 63 countries and approximately 225,000 visitors from 165 countries at the trade fair.

As the official representative of Messe Düsseldorf, AHK Sri Lanka in collaboration with the Sri Lankan Export Development Board, conducted a business delegation to the trade fair with the purpose of promoting the rubber and rubber related industries.

During the visit, Sri Lankan companies had opportunities to meet potential clients and engage with new technologies.

During the final press, Werner Matthias Dornscheidt, President & CEO of Messe Düsseldorf stated that ”K 2019 came at precisely the right point in time. Its enormous importance for the sector is underpinned by its high acceptance levels all over the world. There is no other place the industry is represented so internationally and completely as here in Düsseldorf every three years,” further he explained: “Especially in times of great challenges, a platform like the K is indispensable. It provides guidance and perspectives, sets sustainable economic impulses, shows forward-looking trends and concrete approaches. The industry and its professional associations enjoyed the unique opportunity here to present sector-specific solutions and debate questions of socio-political relevance on a global scale. And they have capitalised on this opportunity outstandingly well.”

The next K Düsseldorf will be held from 19th to 26th October 2022.

Become a member of AHK Sector Committees
https://srilanka.ahk.de/en/services/sector-committees/
Bilateral trade between Germany and Sri Lanka from Jan–Aug 2019

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<tr>
<th>German Exports to Sri Lanka</th>
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<td>2019</td>
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<td>Jan</td>
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<td><strong>205,850</strong></td>
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Values in EURO thousand

© Federal Statistical Office, Wiesbaden 2019
Sri Lankan Pavilion at International Green Week 2020

The International Green Week in Berlin is considered as the world’s biggest consumer fair for the food, agricultural, and horticultural industries. The 85th (94 years) International Green Week will take place from 17th to 26th of January 2020. As the official representative of Green Week trade fair, AHK Sri Lanka will organize a country pavilion for the first time in Green Week trade fair history. The Sri Lankan pavilion will be located in the hall No 6.2, booth No. 109. The Delegation of German Industry and Commerce in Sri Lanka has organized the participation of 8 Sri Lankan companies which are doing business in organic & non-organic coconut-based products, spices, tea, fruits, nuts, traditional Sri Lankan food and street food sectors.

International Green Week with Food Tastings and Livestock

The International Green Week is not just a fair for trade professionals, food producers and marketers, though. During the ten days of the IGW, the presentations of new products, food tastings and displays of live animals such as cows and sheep draw more than 400,000 visitors each year.

Agricultural, forestry, and landscaping exhibits

The IGW also features commercial and non-commercial agricultural, forestry, and landscaping exhibits. Recurring themes are renewable resources, scientific breeding of livestock, and production methods. These trade show elements are of particular interest to trade visitors involved in the developing markets of Central and Eastern Europe.

Fresh fish, German beer and organic products

The product presentations feature fresh produce, fish, meat, and dairy products but also a vast selection of international and German wines, beers, and spirits to satisfy every palate. Right in line with consumer trends, the IGW also includes direct agricultural sales and the “BioHalle”, an organic produce section.

International Green Week 2019 – Facts and Figures

- **Total area**: 118,000 m²
- **Exhibitors**: 1,800 of which 620 were international exhibitors from 61 countries
- **Visitors**: 400,000 of which 85,000 were trade visitors
- **Frequency**: annually, in January
How can companies ensure a supply of skilled employees for their future demand?

For German companies the answer is by actively engaging in Vocational Education and Training (VET). What makes German VET special, is its practical approach: in the so-called Dual Training System, on-the-job training (70%) in a company alternates with theory training in a vocational school (30%). Hence, dual training is the best way to ensure future employees have the skills the industry demands. This leads to economic strength as well as Germany having one of the lowest unemployment rates in the EU. Therefore, dual training is the default of VET in Germany and there are 327 recognized training occupations.

Dual vocational training has a long history in Germany, dating back to the guilds in the Middle Age. Since the 20th century, dual vocational training has been formalized and nowadays the legal framework for Germany's VET system is the Vocational Training Act (Berufsbildungsgesetz, BBiG) and the Crafts and Trades Regulation Code (Handwerksordnung, HwO). The organization and certification of the dual training system is the responsibility of the 79 Chambers of Commerce and Industry (IHK) and 53 Chambers of Craft (HWK), located all over Germany. The chambers consult on all training-related matters, they register training providers and apprentices, conduct examiner trainings and train-the-trainer courses and examinations, moderate in case of conflicts and organize the examination and certification process of each training occupation.

AHK Sri Lanka's VET services

However, not just the German VET system is focused on on-the-job training: more and more countries and industry abroad realize the need for a more hands-on approach in training. Worldwide, over 45 German Chambers of Commerce abroad (AHKs) are catering to the industry's demand for a skilled workforce by offering vocational training services and certification to more than 2,000 companies.

The AHK Sri Lanka is part of this global network and offers various vocational training services such as:

- VET council secretariat
- Consultation on and organization of dual training
- Accreditation of training partners
- Train-the-Trainer courses (AdA)
- Examinations
- Certification according to German quality standards

Since 2018, AHK Sri Lanka offers certification of a 3-year on-the-job training in Automobile Mechatronics conducted by our official training partner DIMO Academy for Technical Skills (DATS) (https://www.dimolanka.com/education/dimo-academy-for-technical-skills). For the future it is planned to extend these certification activities which guarantee that German standards are kept regarding quality assurance, transparency and competitiveness.

The expansion of AHK Sri Lanka’s VET activities is highlighted by a growth in terms of staff: Since 1st November 2019, Mr. Josef Tschoep, Head of Vocational Training, is coordinating all vocational training activities. Mr. Tschoep has a degree in Education, with a focus on vocational and further training, and a German “Trainer Aptitude” certification. Since 2011, he is working in the field of education and VET, among others as Head of Vocational Training at the AHK Malaysia and AHK Baltic States.

ExperTS Programme

The new position Head of Vocational Training is supported by the ExperTS Programme.

ExperTS promotes sustainable business practices around the world: In around 30 countries, experts are advising local, German and European companies on development policy issues. The programme, which is funded by the German Federal Ministry for Economic Cooperation and Development (BMZ), aims to forge closer links between foreign trade promotion and development policy. It is being implemented jointly by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, the German Chambers of Commerce Abroad and Delegations of German Industry and Commerce. The experts are placed as Integrated Experts by the Centre for International Migration and Development (CIM). They are employed locally and receive a supplementary pay by the ExperTS Programme.

Senior Expert Service

AHK Sri Lanka is the official representative of the Senior Experten Service (SES) in Sri Lanka.

Senior Experten Service (SES) – the Foundation of German Industry for International Cooperation – is the largest German volunteer placement organization for skilled and management professionals (more than 12,000 highly motivated professionals). It is a non-profit organization providing help for self-help since 1983, mainly in developing and transition countries, but also within Germany. SES Experts can draw on many years of professional experience. They pass on their knowledge on a voluntary basis and train fellow workers in their subject fields all over the world.

If you are interested in learning more about the Senior Experten Service, please get in touch with us at: training@srilanka.ahk.de
FTI Touristik Round tour program combined with an Ayurvedic Health Stay in Sri Lanka

FTI Touristik offers a great opportunity to book a perfect combination of exciting and eventful round tour followed by an Ayurvedic Health Stay at one of the leading Ayurveda Resorts in Sri Lanka.

A personalized a-la Carte short Round tour with only one booked basis hotel from where customers can do daily Excursions to explore the cultural Triangle of Sri Lanka is ideal for clients who want to combine a visit of some highlights in combination with a professional ayurvedic treatment afterwards.

Based f.e. at Lake Lodge Boutique in Kandalama, the clients will do excursions and will return on the same day to the same hotel to relax in the afternoon at the pool and stay overnight without packing the luggage every day:

- observe wild Elephants in the natural surroundings of the Minneriya National Park
- visit the royal ancient city of the Kingdom of Polonnaruwa
- climb the famous Lion’s Rock of Sigiriya with more than 1200 steps
- visit the Golden Temple of Dambulla

After staying for three nights in Lake Lodge Boutique, feeling like home-far away from home- and exploring the Culture and Wildlife of Sri Lanka, the tour continues after the excursion part of the trip to Hikkaduwa at the golden West Coast of the Island.

The professional Ayurveda Centrum “Lawrence Hill Paradise” welcomes the guests for the second part of their stay. The main specialty being Ayurvedic treatments, guests are offered a tranquil atmosphere in harmony with the surroundings. Accommodation units are well adorned with typical Srilankan day facilities located in the wide, private garden of the Hotel. Guests can enjoy meals overlooking the pool while treatment and therapies are carried out by professionally trained therapists and overlooked by highly qualified doctors.

Discover the Culture, Wildlife and Ayurvedic Treatments in Sri Lanka – the most beautiful Island in the Indian Ocean!

More information you will find on www.fti.de
DIMO Total Marine Solutions Arm Successfully Complete Complex MTU Engine Repairs in the Maldives

The Total Marine Solutions (TMS) team of Diesel & Motor Engineering PLC (DIMO), one of the leading engineering companies in Sri Lanka successfully concluded a complex repair of two MTU Engines, on a super luxury yacht based in a remote island in the Maldives, clearly defining DIMO’s stance and capabilities in extending their services to the region. A number of shipyards had been reluctant to take on this particular project as the owners came forth with very specific repair requirements.

The yacht in question was an Azimut 98 Leonardo and the design of the yacht in particular did not provide engine room access for the engines to be taken out during an overhaul. This would have meant cutting open the ship’s hull in order to take out the two engines. The owners did not want to attempt this, as it could have affected the appearance of the luxury yacht.

The TMS team under took the project and subsequently devised an innovative solution by fabricating a special tool that could turn the engine inside the engine room in order to carry out the overhauling of both engines in situ. Although repairs of this nature is generally conducted in dry docks or slipways, enduring very high costs, the TMS team carried out this activity while the vessel was afloat.

A crankshaft is a major component of a Diesel Engine, which transfers power to the propellers in order to achieve the required vessel speed. The engineers behind the project adopted a 360-degree innovative approach for this repair process and successfully salvaged the engine block by carrying out a precision line boring of the crankcase. Their procedure in turn, helped to save a large amount of money for the customer.

Commenting on the success of the recent repair undertaken by TMS, Chairman & Managing Director of DIMO Ranjith Pandithage stated, “World class brands require world class people to manage and patronize the brand in any market. At DIMO, we are equipped with world-class people to provide the best type of care for the brands that we represent. This epitomizes our capability, core competencies and quality of workmanship in the field of engineering.”

Cheval Blanc Randheli in the Maldives assigned the overhaul of the yacht to DIMO TMS. Following the success of the project, Director of Engineering of Cheval Blanc Randheli Nalin Maheepala stated, “Working with the DIMO TMS team was a pleasure as they were very professional and were able to execute the service by utilizing limited facilities and resources at their harbour and that too within a limited time frame. They also ensured that the project was completed in a cost-effective manner. We are happy to have collaborated with such a reputed business organization who no doubt did an excellent job and we would happily recommend them for any marine related service.”

Customarily, a standardized process needs to be adhered to when taking out the engines of a boat of this calibre in order to conduct a repair job. This exercise, if not done properly would later affect the appearance of the boat. However, expert TMS Engineers were able to conduct the repair process without disturbing the structure of the vessel and carrying out the engines repair inside the boat.

Following completion of the overhaul, sea trials were carried out to ascertain the performance of the Diesel Engines and the vessel successfully achieved the design speed of 24 Knots. Commenting on the job, Director / General Manager of DIMO Roshan Fernando, indicated that the project took three and half months to complete.

This repair project, which seemed near impossible, was a challenging one but was expertly handled by the DIMO TMS team. These types of undertakings demonstrate the range of expertise and the level of competency that the TMS experts possess. TMS incorporates a gamut of solutions that one can find under the marine industry. The team is well positioned and capable of providing, and implementing unparalleled solutions in the Marine and General Engineering space to the region.

DIMO branched out into marine engineering over 30 years ago and has established a reputation as the leader in its field. The company has partnered with world-renowned brands such as MTU with world-class facilities for machining, pump calibration and fuel injection repairs as per the international standards contributing greatly to the high-quality ship repair service provided to clients.
Allianz opens new customer care centre in Borella

In an effort to enhance customer convenience levels, Allianz Insurance Lanka Ltd recently opened a brand-new Customer Care centre located at 36, Castle Street, Borella, Colombo – 08. This new customer care centre replaces the operations of the now closed Navam Mawatha customer care centre and the counters located at Allianz Lanka’s head office in Dematagoda.

The sole intention of this new customer care centre is to provide a unique experience for their customers. Featuring state-of-the-art facilities, a number of services will be made available to all general insurance customers. Visiting customers can expect an automated queue management system which will reduce waiting times before they meet with dedicated and well-trained front-line officers who will assist them with their needs. Additionally, the customer care centre will feature payment points so that customers can make their premium payment in a convenient manner. The culmination of all these facilities together with ample parking space is expected to make for an unparalleled customer experience.

Speaking with regard to the opening of this new customer centre, the Chief Executive Officer of Allianz Insurance Lanka Limited Gany Subramaniam, had this to say, “As a customer centric insurer in Sri Lanka, we are elated to offer our customers convenient access to our unique services and products with the relocation of our customer care unit to a new and improved facility in a key location situated in the heart of Colombo. We hope the relocation will contribute to the growth of our loyal customer base.”
A. Baur & Co. (Pvt.) Ltd., established in 1897 in Colombo, Sri Lanka by the Swiss National Alfred Baur currently represents world’s leading agencies in Agriculture, Healthcare, Consumer Goods, Industrial Raw Materials, Airlines, Optics, Machinery, Engineering and Education. With the mission of generating extraordinary value addition for customers and suppliers the organization continues to embrace the swiss value system with the state-of-the-art practices, systems and tools as the name Baurs stands for trust, reliability, quality and innovation.

Baurs brings-in a range of world-renowned brands from leading MNC’s and reputed manufacturers which include some of the leading pharmaceutical brands in Sri Lanka. Marketing and distribution are the strengths of the company, with a distribution network that covers the length and breadth of Sri Lanka. The retail and wholesale distribution network are fully integrated through a state-of-the-art IT system ensuring online data for all stakeholders whilst optimizing efficiency at all levels. Baurs Surgical and Diagnostics Division is the leading professional supplier of multinational brands renowned for their quality of products and services. The division is geared & strengthened with a fully equipped Biomedical Service Center with the expertise of fully qualified Biomedical Engineers and Technicians.

Since its inception in 1897, the “Baurs’ name has been identified and is synonymous with agriculture in Sri Lanka. In the beginning the company had spearheaded the effort to find sustainable solutions for nutrient management in plantation crops, that later expanded into the cultivation market segments of paddy, vegetables, fruit crops, export agriculture crops and other cash crops. As the pioneer in scientific manuring in Sri Lanka, Baurs is one of the leading private sector importers, blenders and wholesalers of fertilizers. Baurs Fertilizer division is certified for ISO 9001:2015 Quality Management System, ISO 14001:2015 Environment Management System and UKAS accredited certification.

The consumer sector of Baurs is famous for the best-in-class products with the expertise in marketing and sales, and solid partnerships with customers are the key elements of the success of the division. Baurs Consumer is a growing business area with a clear objective of expansion via both organic growth and new product lines.

Baurs Air Services (Pvt) Ltd, which is a fully owned subsidiary company of A. Baur & Co. (Pvt) Ltd, is the GSA for Swiss International Airlines, Swiss World-cargo, Swiss Tours Edelweiss in Sri Lanka. SWISS is part of the Lufthansa Group, and is also a member of Star Alliance, the world’s biggest airline grouping.

Baurs is the local representative for several world-reputed textile machinery manufacturers. The range marketed by Baurs includes weaving, spinning, finishing, air engineering, testing and monitoring equipment. All textile machinery marketed by Baurs meet stringent safety and quality standards and Baurs is the sole agent for Datacolor in Sri Lanka, a global leader in colour management solutions. www.baurs.com

German brands represent by Baurs:

www.baurs.com
Sri Lanka gears for promo push in Germany

Sri Lanka’s tourism promotion bureau has planned out a number of promotional and marketing campaigns in Germany in addition to other strategic plans scheduled for next year.

A German delegation from DRV, the German Travel Association held discussions with the Sri Lanka Tourism Promotion Bureau (SLTPB) authorities in a bid to finalise the promotions and marketing plans scheduled to be held for the German market. DRV has a membership of 4000 tour operators and travel agents.

As part of the promotional activities, Sri Lanka will be selecting a PR company from the German market to act as their agents to promote the destination an investment of Rs.425 million subject to Cabinet approval for a major promotional campaign; a familiarisation tour for media and a blogger’s visit to attract high net worth tourists in addition to a Rs.100 million television advertising campaign, SLTPB Chairman Kishu Gomes said at a media conference.

He explained that they hope to have a campaign with German tour operators who will be paid US$ 10 for each tourist they are able to attract to buy a package to Sri Lanka.

Mr. Gomes also explained that they were working on plans for 2020 for which they would pool in the knowledge they have within their team and would discuss the processes to be carried out.

SLTPB will also be preparing the action plans and submitting it to the industry for their recommendations and then develop the plan for next year, he noted.

DRV President Norbert Andreas Fiebig said that they had been successful in the past in attracting numbers to travel to Sri Lanka and in this respect, he pointed out that their intention is to support that and make Sri Lanka an attractive destination.

Citing the 1340 km of coastline and the historical sights, he indicated that these and Ayurveda were popular attractions for the German market.

More tour operators and travel agents would be asked to engage in the agreement to sell the destination as there is a great interest for the German source market, Mr. Fiebig said.

SLTPB Managing Director Charmarie Maelge noted that during the mid1980s and 1990s Germany was the number one market for Sri Lanka and believed that the country could reach about 2 million arrivals by the end of the year.

Germany has currently slipped to fourth position with a number of Asian markets overtaking the German arrival figures.

Source: Business Times, 27th of October 2019

IMF calls for prudence amidst polls

The International Monetary Fund (IMF) is calling for prudent policies and fiscal discipline as Sri Lanka prepares for multiple elections stressing that the mandate from the latter must be used as an opportunity to accelerate structural reforms.

“It will be important to maintain prudent policies and fiscal discipline in the run-up to and after the elections. Sri Lanka still has high public debt. The Central Bank and the Treasury have been proactive in external debt financing but in the medium-term Sri Lanka has large refinancing needs so prudent policies will be essential to send a strong signal to the markets,” IMF Mission Chief for Sri Lanka Manuela Goretti told the Daily FT.

In an interview on the sidelines of the recently concluded 2019 fall IMF-World Bank Annual Meetings in Washington DC, Goretti stressed that the IMF, which has an ongoing $ 1.5 billion Extended Fund Facility (EFF) program, was ready to engage with Sri Lanka authorities in the run-up to the Elections and afterwards.

“Our advice remains prudent policies along with fiscal discipline and vigilant monetary policy to shore up market confidence. It is important to strengthen Sri Lanka’s resilience to internal and external shocks, given the country’s remaining vulnerabilities, notably the still high public debt, and relatively low buffers,” she emphasised.

The IMF official was of the view that there must be a concerted effort across all political parties to keep the country on a prudent track.

“The forthcoming election cycle can offer a window of opportunity for Sri Lanka to accelerate the reform agenda, especially structural reforms.

There is enough cross-country empirical evidence from the IMF and OECD showing that governments have a higher likelihood of achieving more reforms, at lower cost, in the first two years of a government office,” Goretti said.

She stressed that the new mandate as part of Sri Lanka’s democratic process can allow the authorities to frontload the reforms in the first two years of the administration.

“This is important in twofold. Firstly, there is a fresh political mandate and secondly structural reforms take time to yield results with benefits accruing in the latter part of the term. So, though there may be uncertainty with regard to elections there is also opportunities that the country can take advantage of especially
when it comes to implementing key reforms," the IMF official pointed out.

She also stressed that it was important to clearly communicate the benefits of reforms to the public. "The reform agenda must be prioritised based on the macroeconomic impact of the reforms. If the social protection initiatives are well targeted the more vulnerable segments of the society can be looked after well," she added.

Looking ahead Goretti said it was important for Sri Lanka to focus on growth enhancing structural reforms. "This is critical to boost Sri Lanka’s competitiveness to achieve strong and sustainable inclusive economic growth which has been elusive unfortunately due to internal and external shocks. In the recent past given the immediate needs Sri Lanka had to prioritise macroeconomic stabilisation. Next challenge is the growth agenda," the IMF Country Mission chief said.

She stressed measures must be continued to remove the large number of para-taiffs as part of a further trade liberalisation. “Stepping up trade liberalisation is priority. This will need to go hand in hand with tax reforms to ensure there is no revenue erosion,” she added.

“The other priority is governance reforms and stepping up anti-corruption efforts. Governance reforms include State sector enterprise restructuring especially in the energy/electricity sector. This must be addressed after the Elections,” she pointed out.

“Sri Lanka’s removal from the Financial Action Task Force (FATF) Grey List is a big achievement and further progress must be pursued. The exclusion is a testament to the authorities' efforts to Anti-Money laundering and countering financing terrorism,” the IMF Mission Chief pointed out.

According to her other challenges given are the aging population include the need for pension reforms as well boosting jobs for youth, economic empowerment of women and increasing educated female participation in the labour force. “As these reforms are addressed Sri Lanka needs to strengthen targeted social protection measures, helping those needed,” Goretti added.

In her view, Sri Lanka under the IMF EFF program has undertaken important tax reforms and despite weaker growth, the reforms have started to show results. Among them are revamping the tax system, the new Inland Revenue Act, VAT amendments. Their performance, she said, was significant despite the shocks faced by the country.

“Recent tax reforms will help considerably in the country’s fiscal consolidation efforts. What is important is that this positive trend is supported by modernising the Customs and Inland Revenue Department. It is critical to strengthen revenue collection and fight tax evasion given the country’s large informal sector,” she added.

According to her, improved income tax has enabled the Government to buffer the shocks whilst achieving a primary fiscal surplus, which though ambitious was critical for Sri Lanka given the high public debt level.

Advancing energy reforms especially implementing the fuel pricing formula was described as “a difficult but important reform to reduce fiscal risks”, hence she commended the Government for the move. It was added that it has begun to show results with improved profitability of CPC enabling debt repayment which is a contingent liability on people.

CEB will require some important reforms next year. Issues are twofold. Under the program, we have one benchmark which has been delayed. The benchmark refers to implementing the existing electricity pricing formula in line with market prices since CEB is running significant losses. At the same time, our recommendation to the authorities is to address the cost inefficiencies of CEB which are currently happening to make sure these are not transferred into retail prices for end-consumers.

“A broader analysis of the electricity sector in terms of pricing, governance, energy sourcing, and other pending issues, with support from the World Bank and other partners, is important to tackle the heavy losses of CEB,” she said.

Goretti, who reminded the IMF mission had reached a staff level agreement for the sixth review under the EFF last September, was also pleased with the progress of several reforms by the Central Bank in the roadmap towards flexible inflation targeting. This includes the authorities’ progress in reforming the Central Bank law with a new Act.

“This is a landmark reform from the IMF’s perspective. It brings Sri Lanka on par with best practices not only in Asia but across the world in terms of inflation targeting,” Goretti emphasised.

Another key reform was the new legislation recently approved by Cabinet to amend the Fiscal Management Responsibility Act bringing stronger rules and compliance. “This stronger framework will help anchor fiscal policy in the medium term,” she added.

Goretti also said given the seriousness of the shocks faced the 2.7% growth outlook for 2019 and 3.5% next year reflects a gradual but steady economic recovery. “Sri Lanka is a country with strong growth potential and we hope this can be realised in the medium term.”

IMF official also said compared to countries which also faced terror attacks, Sri Lanka’s recovery is commendable. “The economy has shown resilience and the recovery though gradual has been at a good pace,” she added.

It was noted that the drop-in tourist arrivals which was 70% soon after the Easter Sunday tragedy has eased off and Sri Lanka was likely to end the year with a decline of less than 20% following improved security and policy response from the Government. “We believe that the tourism sector will normalise by early next year,” she added.

Source: Daily FT, October 28, 2019
Government targets LKR 48 bn from Luxury Tax revision on vehicles

The government has revised the Luxury Tax formula on vehicles by resorting to calculate the tax based on the manufacturing cost or the cost, insurance and freight (CIF) value of a vehicle, instead of the previous used method based on engine capacity.

The new tax move is expected to generate revenue of Rs.48 billion to the government, a Treasury official said. The revised tax will be applicable on vehicles registered on or after November 1, 2019. However, the Finance Ministry yesterday said on letters of credit (LC) opened up to October 31, 2019 and vehicles imported and cleared before April 21, 2020 through such facilities, the pre-november Luxury Tax regime would be applied.

The Luxury Tax on vehicles registered before November 1, 2019 was based on their engine capacity. Accordingly, pre-november 1, Luxury Tax was applicable on only three categories of vehicles—petrol vehicles with cylinder capacity more than 1800 cc, diesel vehicles with cylinder capacity of more than 2300cc, and electric vehicles with more than 200kw power.

But after November 1, the Luxury Tax will be applicable to all petrol and diesel vehicles with a CIF value exceeding Rs.3.5 million. A tax rate of 120 percent will be applicable on the amount exceeding the luxury free threshold i.e. Rs.3.5 million.

The Luxury Tax applicable on hybrid petrol vehicles exceeding the CIF value of Rs.4 million will be 80 percent and on hybrid diesel vehicles exceeding the CIF value of Rs.4 million it will be 90 percent.

On electric vehicles with a CIF value exceeding Rs.6 million, a 60 percent Luxury Tax would be charged.

The Finance Ministry said single cabs, vans, motorcycles and motor tricycles will be exempted from Luxury Tax and added that double cabs, on which the Luxury Tax was charged before November 1, will also be exempt under the revised Luxury Tax.

The ministry also stressed Luxury tax will not be applied to popular small car models such as Toyota Vitz, Suzuki Wagon R, Suzuki Baleno and Japanese sedans such as Toyota Premio, Axio and Honda Grace.

However, car dealers Mirror Business talked to were of the opinion that although the revision to Luxury Tax would mostly impact European vehicle brands, prices of popular Japanese mid-range sedans such as Toyota Premio, Allion and Axio are likely to go up.

“When Luxury Tax was initially imposed, people started importing expansive smaller engine capacity vehicles such as Peugeot 5008, Audi A1 and Q3 which were below the Rs.3.5 million range and within the 1800cc engine capacity range, taking advantage of the situation.

To handle that situation, the government has decided to remove the engine capacity threshold in another ad-hoc policy decision,” a leading vehicle importer told Mirror Business.

He pointed out that the removal of the ad-valorem calculation method of duty on vehicles in favour of engine capacity-based duty calculation two years ago led to a massive revenue loss for the government.

“That’s why during past two years, we saw that top-end European vehicles flooding Sri Lankan roads,” he said.

He also pointed out that the ad-hoc changes to the tax structure to counter foreign exchange outflow is threatening the sustainability of the country’s motor industry including the job security of many employees.

Source: Mirror Business, 30th of October 2019
Sri Lanka’s trade deficit decreased by $ 2.3 billion to $ 4.8 billion during the first eight months of this year, the Central Bank said yesterday, with August seeing an import decline of 16.6% while exports declined by 0.4%.

The deficit in the trade account contracted by $ 2,386 million to $ 4,854 million during the first eight months of 2019, in comparison to $ 7,240 million in the corresponding period of 2018, the Central Bank said in its latest External Performance report.

The trade deficit contracted in August 2019 as the decline in imports continued while the dip in exports in the previous month has largely recovered. Import expenditure recorded a decline of 16.6% (year-on-year) and export earnings declined fractionally by 0.4% (year-on-year) in August 2019, mainly due to the lower prices of major export categories.

The trade deficit fell to $ 540 million in August 2019 compared to the deficit of $ 717 million recorded in July 2019.

Meanwhile, the terms of trade, which represents the relative price of imports in terms of exports, improved by 5.2% (year-on-year) as import prices reduced at a faster pace than the reduction in export prices. However, on a cumulative basis, the terms of trade deteriorated marginally by 0.1% during the first eight months of 2019 in comparison to the corresponding period of 2018.

Earnings from merchandise exports declined marginally by 0.4% (year-on-year) to $ 1,033 million in August 2019, led by a decline in agricultural exports followed by mineral exports while industrial exports grew, supported by higher earnings from textiles and garments. Earnings from textiles and garments increased by 7%, reflecting the higher demand from all major markets especially from the European Union, which recorded a growth of 12.9%.

Export earnings from chemical products, printing industry products, animal fodder and plastics and articles thereof also increased.

However, export earnings from rubber products declined due to lower earnings from tyres and surgical and other gloves exports while food, beverages and tobacco exports declined with lower exports of vegetable, fruit and nut preparations as well as manufactured tobacco. Export earnings from machinery and mechanical appliances, petroleum products, transport equipment, base metals and articles and leather, travel goods and footwear also declined during this period.

Earnings from agricultural exports decreased in August 2019 due to lower earnings from all sub-categories except tea, seafood and vegetables.

Earnings from tea exports increased in August 2019 due to higher export volumes despite the decline in average export prices. However, earnings from spices declined due to poor performance in cinnamon, clove and pepper. In addition, export earnings from coconut declined due to lower export prices in both kernel and non-kernel products.

Export earnings from mineral exports also declined in August 2019 in comparison to August 2018 due to a low performance in all sub-categories under mineral exports. The export volume index in August 2019 increased by 2.9% (year-on-year) while the export unit value index declined by 3.2%, indicating that the subdued performance of exports was entirely driven by the reduction in export prices.

Expenditure on merchandise imports contracted notably in August 2019 for the tenth consecutive month by 16.6% (year-on-year) to $ 1,574 million, registering a decline across all major categories of imports.

Expenditure on consumer goods imports declined in August 2019, reflecting the reduction in both food and beverages and non-food consumer goods imports. Lower imports of spices, dairy products, vegetables and seafood mainly contributed to the decline in imports of food and beverages while lower imports of personal motor vehicles resulted in the contraction in non-food consumer goods imports.

"Import expenditure on personal motor vehicles declined by 46.2%, year-on-year, continuing the trend observed since December 2018 despite an increase seen in July 2019 over the preceding months, reflecting the impact of a backlog of concessionary permits being used for importing vehicles."

However, expenditure on sugar and confectionary, medical and pharmaceuticals, cereals and milling industry products imports has increased during August 2019.

Expenditure on imports of intermediate goods reduced in August 2019 mainly due to lower expenditure on petroleum products as a result of lower import volumes and prices. Expenditure on textiles and textile articles, chemical products, paper and paperboard and articles thereof and mineral products also declined.
However, expenditure on fertiliser imports increased more than twofold on a year-on-year basis in August 2019 due to higher volumes imported targeting the coming Maha season while the import of base metals, wheat and maize also increased.

Imports of investment goods declined in August 2019 due to lower imports of machinery and equipment and building material. However, transport equipment increased significantly, driven mainly by the importation of railway equipment. The import volume index dropped by 9.3% while the unit value index dropped by 8%, indicating that the decline in imports was driven by the combined effect of lower volume and prices when compared to August 2018.

Foreign investments in government securities recorded a net outflow of $ 156 million in August 2019. On a cumulative basis, net outflows from the government securities market amounted to $ 285 million during the first eight months of the year.

Gross official reserves stood at $ 8.5 billion by end August 2019, equivalent to 5.1 months of imports. Meanwhile, total foreign assets, which consist of gross official reserves and foreign assets of the banking sector, amounted to $ 11.3 billion as at end August 2019, which was equivalent to 6.8 months of imports.

Source: Daily FT, 15th October 2019

The Financial Action Task Force delisted Sri Lanka from the Grey List

The Financial Action Task Force (FATF), the global policy setter on Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT), has delisted Sri Lanka from FATF’s Compliance Document which is more commonly identified as “the Grey List”. The decision was taken at the FATF Plenary held during 13-18 October 2019 in Paris.

In October 2016, the FATF announced that Sri Lanka would be subject to a review of the International Co-operation Review Group (ICRG) of the FATF to assess the progress of AML/CFT effectiveness in the country. After several discussions and progress reports, the FATF indicated that Sri Lanka has not made sufficient progress in 4 areas namely, International Co-operation, Supervision, Legal Persons and Arrangements and Targeted Financial Sanctions on Proliferations (North Korea and Iran). As a result, the FATF at its Plenary held in October 2017, listed Sri Lanka as a jurisdiction with strategic AML/CFT deficiencies in the FATF’s Compliance Document and provided a time bound Action Plan for implementation. Since the listing, the Financial Intelligence Unit (FIU) together with other stakeholders has taken a series of effective and tangible steps to implement the FATF Action Plan well within the given time frame.

At the Plenary held in February 2019, the FATF made the initial determination that Sri Lanka has completed its Action Plan and warrants an on-site assessment to verify that the implementation of Sri Lanka’s AML/CFT reforms has begun and is being sustained, and that the necessary political commitment remains in place to sustain implementation in the future. However, due to the Easter Sunday attacks on 21 April 2019, the proposed onsite visit during May 2019 was postponed. The review team visited Sri Lanka during 16-17 September 2019 to assess the progress of implementation. The review team consisted of officials from India (Co-Chair), Australia, Bangladesh, Japan, and Asia Pacific Group on Money Laundering (APG) Secretariat met all relevant stakeholders including private sector to assess that the effective implementation of AML/CFT measures are in place. Further, the team met Hon. Minister of Finance, Mangala Samaraweera to ensure that the necessary high-level political commitment remains in place to sustain implementation of AML/CFT measures in the future.

The recommendations made by the review team on Sri Lanka’s progress were discussed at the FATF Plenary in October 2019 and all members have endorsed the decision to delist Sri Lanka from the Grey List. It is expected that the delisting by the FATF will have positive economic and financial impact on Sri Lanka.

The implementation of the FATF Action Plan was led by Governor, Central Bank of Sri Lanka as the Chairman of the AML/CFT National Coordinating Committee and officials of the Financial Intelligence Unit. The FIU wishes to appreciate commitment and support shown by all stakeholders in the completion of the FATF Action Plan within the given time frame and expect that the FIU will continue to receive the support from all stakeholders to further strengthen the effective implementation of AML/CFT measures in the Country.

The full statement made by FATF on Sri Lanka is as follows:

The FATF welcomes Sri Lanka’s significant progress in improving its AML/CFT regime and notes that Sri Lanka has strengthened the effectiveness of its AML/CFT regime and addressed related technical deficiencies to meet the commitments in its action plan regarding the strategic deficiencies that the FATF identified in November 2017. Sri Lanka is therefore no longer subject to the FATF’s monitoring process under its ongoing global AML/CFT compliance process. Sri Lanka will continue to work with APG to improve further its AML/CFT regime.

Published Date: Monday, October 21, 2019

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<td>LKR 20,000</td>
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<td>LKR 10,000</td>
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Taxes to be added

For more details, contact: dilshan@srilanka.ahk.de/+94 11 2314364
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<tr>
<th>Event</th>
<th>Details</th>
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<tr>
<td><strong>Productronica 2019</strong></td>
<td>Productronica is the world’s leading trade fair for electronics development and production, the fair offers to its exhibitors and visitors: world premieres and products, solutions and innovations spanning the entire value chain.</td>
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<tr>
<td><strong>A+A 2019</strong></td>
<td>A+A Congress is a 4-day event being held from 5th to the 8th November 2019 at the Fairground Düsseldorf in Düsseldorf, Germany. This event showcases work safety, health at work, high-risk prevention, operational environmental protection, avoid damage and deterioration, metrology prevention of accidents, safety engineers -and commissioned manager, entrepreneur, operational, staff councils, occupational physicians, occupational physicians, supervisory bodies, governmental and BG Set.</td>
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<td><strong>MEDICA 2019</strong></td>
<td>MEDICA is the world’s largest event for the medical sector. The event is the largest medical trade fair in the world – it attracted more than 5,100 exhibitors from 70 countries in 17 halls.</td>
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<td><strong>IMM COLOGNE 2019</strong></td>
<td>The imm cologne is an international furniture fair, which takes place once a year in Cologne and has firmly established itself as the leading trade fair for the furniture industry. It presents the latest global furniture and interior design trends for the coming season and inspires every year with many marketable innovations. The imm cologne is considered as indispensable communication forum, important impetus driver and creative center of ideas.</td>
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<tr>
<td><strong>Green Week 2020</strong></td>
<td>Internationale Grüne Woche (IGW) in Berlin is a unique international exhibition of food, agriculture and horticulture. Food and beverage producers from around the world use the fair as a sales and testing market as well as for strengthening their image. Part of the presentations are products such as fruits and vegetables, fish, meat and dairy products. An almost complete wine, beer and spirits offer combined with international culinary specialties leaves no wish unfulfilled. Increasingly, modern services to farmers (such as holiday and shopping in the countryside), and information on renewable energy and renewable resources are also available.</td>
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<td><strong>boot Düsseldorf 2020</strong></td>
<td>The “boot” in Dusseldorf is the world’s largest and most international indoor fair for boats and water sports. It takes place every year and is a pure public exhibition. At an exhibition area of 220,000 square meters the visitor will be informed about the services and products relating to water sports. In particular, innovations and trends are the focus of the show. Participating and trying is the motto of this fair, the opportunity can be found in elaborately designed theme worlds, where the visitors are given the opportunity to test new products from various fields.</td>
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<tr>
<td><strong>Drupa</strong></td>
<td>Drupa is the world’s largest trade fair for the printing and media industry in Dusseldorf. This is where the global suppliers of print and media industry. Here present a large number of international exhibitors, products and services in the areas of print and media pre-press, printing machines, bookbinding, paper processing and Druckmaterial. The visitors can inform themselves in depth and comprehensive information on the latest developments, trends, services and products from the different areas.</td>
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<td><strong>THE TIRE COLOGNE 2020</strong></td>
<td>09–12 June 2020 in Cologne</td>
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<td>Sri Lankan Pavilion at Green Week 2020, Germany</td>
<td>17\textsuperscript{th} to 26\textsuperscript{th} January 2020</td>
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<td>Sri Lankan Pavilion at boot 2020</td>
<td>18\textsuperscript{th} to 26\textsuperscript{th} January 2020</td>
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<td>Business Delegation from Germany to Colombo on “Sustainable Mobility, Traffic &amp; Public Transport Solutions and Logistics”</td>
<td>27\textsuperscript{th} – 31\textsuperscript{st} of January 2020</td>
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<td>Information trip to Germany on “Energy Efficiency and Self-Sufficiency Industries”</td>
<td>23\textsuperscript{rd} to 27\textsuperscript{st} of March 2020</td>
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