# Incentives for Booming Export Industries

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Ready – made batik clothes a popular export item.

The Government of Sri Lanka is acutely conscious of the fact that foreign exchange earned through exports is vital for the economic survival and well being of the country. Sri Lanka cannot afford to borrow indefinitely in the external markets to meet its import bills. The total outstanding external debt in 1987 amounted to Rs. 144,531 million (SDR 3,361 million). Income from exports in 1987 was sufficient to finance only 68% of imports. Government policy is thus aimed at a massive development of the export sector so that foreign earnings could adequately finance the import requirements of the country.

It has been realised that the full economic potential of the country could only be developed in an outward oriented economy. The domestic market of a small country like Sri Lanka is limited and it cannot sustain a vigorous industrial sector. Therefore, export development and the establishment of export-oriented industries have been identified as priority areas in the economic development of the country. The export sector has become increasingly attractive to both local and foreign investors on account of the generous incentives and assistance offered by the Government.

The export promotion drive got into gear with the enactment of the Export Development Act No. 40 of 1979 which made provision for the formulation of a National Export Plan and the monitoring of its implementation.

An Export Development Council of Ministers under the chairmanship of the President of the country is in charge of policy-making. The Executive arm is the Export Development Board (EDB) which advises the Export Development Council and also implements its decisions. The Private Sector is represented on the EDB. Provision is also made for the operation of a National Export Development Fund to support export-oriented projects. Special attention is given by the EDB to the development of non-traditional exports and those industries which are competitive in the international market. Some of the products which have performed well and shown significant growth rates are: cut flowers and foliage plants, fruits and vegetables, mushrooms, rubber:products, Jewellery, diamonds and gems, wooden handicrafts, textiles and garments, leather products, porcelain products, marine products, tea bags, activated carbon, essential oils, cashew nuts, ornamental fish, computer software and data entry. The range of non-traditional products being exported has increased from around 100 in 1979 to around 200 in 1987.

Under the EDB/Central Bank re-finance scheme 227 projects have been approved up to 1987 and loans amounting to Rs. 982.4 million provided. The EDB expenditure on direct assistance for producct and market development has risen from around Rs. 100 million in 1979 to around Rs. 230 million in 1987. The National Development Bank financed 53 export-oriented projects in 1987, granting facilities amounting to Rs. 228 million. On 4th August 1988 the Asian Development Bank (ADB) announced approval or-a 40 million dollar soft loan to Sri Lanka to support the growth and diversification of export-oriented industries in the country. The value of exports in 1987 amounted to Rs. 41,133 million (SOR 1,080 million). The share of industrial exports in total exports was 49%. The growth in industrial exports was largely reflected in textile and garment exports which amounted to Rs. 12,897 million in 1987. The value of gem exports in 1987 was Rs. 1,447 million. The

Second National Export Development Plan (NEDP) 1988 – 1992 emphasizes the development of effective production and marketing structures. Concentration is focused on the improvement of the export supply base. Although most of the non-traditional exports that have recorded significant growth rates have ample market opportunities overseas, it is a well-known fact that the supply falls far short of the market demand, both in quantity and quality. It 1s estimated that around 1.2 million youth come into the job market annually in Sri Lanka. As was pointed out very recently by the Minister for Trade and Shipping, Mr. Lalith Athulathmudali, no government can expect to create jobs to absorb these numbers without embarking on a vigorous export-oriented industrial programme.

**Various incentives are offered to exporters, such as:—**

- Exemption from income tax of export profits and income.
- Exemption from business turnover tax.
- Rebate on import duties on the inputs used in export production.
- Concessionary Tariff and complete exemption from duty in certain cases for machinery, appliances and accessories used in export-oriented projects.
- Equity participation by the EDB in export projects satisfying certain criteria.
- Medium- and long-term funding on concessionary terms through the Central Bank/EDB refinance scheme.
- Special financial assistance for small-scale projects and to those who are unable to obtain the required finances through the normal channels.
- Liberal incentives for pioneering export projects.
- Free advisory services on all aspects of exports and a bi-monthly exporters forum to resolve practical problems faced by exporters. ●