Sri Lanka Mission Report

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The Ethiopia-Japan Industrial Policy Dialogue, implemented jointly by the GRIPS Development Forum (GDF) and the Japan International Cooperation Agency (JICA) on the Japanese side, was launched at the request of Former Prime Minister Meles Zenawi and is currently in its third phase. One of the key components of this intellectual interaction is international policy comparison where development policies and economic outcome of a large number of Asian and African countries are studied and used as an input to Ethiopian policy formulation with selectivity and adjustments to fit the local context. Sri Lanka was chosen as one of the countries to be thus researched[1].

Sri Lanka was selected because (i) many Sri Lankan apparel firms are arriving in Ethiopia recently, and three of such operations were visited by our team earlier this year. We need to understand their reason(s) for coming and the merits and demerits of Ethiopia as an FDI destination from the perspective of Sri Lankan apparel firms; (ii) we want to analyze the past and present status of the Sri Lankan apparel industry which combines product quality and high ethical standards; and (iii) we want to assess the developmental path of Sri Lanka which reached middle income with strong apparel as a manufacturing core (rather than by the Flying Geese pattern of East Asia) and extract its lessons for Ethiopia. To have more representation of Ethiopian researchers in our policy dialogue, we invited Dr. Kidanemariam Berhe Hailu, lead researcher at PSRC and former student of Kenichi Ohno, to join our mission.

The mission successfully fulfilled these purposes. Ethiopia as a latecomer aims to attain middle income by 2025 by becoming a leading nation in light manufacturing in Africa. Sri Lanka, an advanced apparel exporting country, can teach many useful lessons to Ethiopia as building blocks for its future policies and institutions.

Many people assisted this mission in information collection and mission preparation as well as during our stay in Sri Lanka. We are greatly indebted, among others, to Mr. Nobuhito Hobo (Former Japanese Ambassador to Sri Lanka), Mr. Kiyoshi Amada (Former Chief Representative of JICA Sri Lanka), Mr. Fusato Tanaka (Chief Representative of JICA Sri Lanka), Mr. Tatsuya Iwasaki (JICA Sri Lanka), Mr. Kazuhiko Obama (Resident Representative of JETRO Colombo), Ms. Haruna Yamamoto (JETRO Colombo), members of JICA Headquarters and JICA Sri Lanka, and JICA experts Mr. Hideo Horiguchi and Mr. Shunichiro Honda. Furthermore, special thanks go to Mr. Dayasiri Warnakulasooriya, who made great contribution to Japan-Sri Lanka economic and cultural exchange over the years and who took a great care of us during the mission, especially on the final day. The GRIPS Development Forum assumes full responsibility for this report, except the last section of the report was mainly drafted by Dr. Kidanemariam.

[1] Sri Lanka is the fourteenth country to be visited for third-country policy research in the framework of the Ethiopia-Japan Industrial Policy Dialogue. Other countries visited are Uganda (2009); Singapore, Korea, Tanzania (2020); Taiwan (2011); India, Mauritius, Ghana (2012); Malaysia (2013); Indonesia, Rwanda (2014); and Thailand, Cambodia (2015).

1. Overview

Sri Lanka achieved independence from the U.K. in 1948. Subsequently, ethnic friction between the Sinharese and the Tamil led to an internal war which lasted for 26 years from 1983 to 2009. The current population is approximately 21 million. Despite the past internal conflict, the economy continued to grow and reached per capita income of $3,780 by 2016 (World Bank data). By the World Bank criterion, a country steps up from lower middle income to upper middle income at the per capita income threshold of $3,955, which Sri Lanka will soon realize. Recently, economic growth peaked at 9.1% in 2012, then slowed down to 3.4%, 4.9%, 4.8% and 4.4% during 2013-2016, which is rather low for a middle income country[2]. People are well educated and labor quality is high. However, many prefer to work in service outlets and offices rather than in factories. Moreover, engineers and professionals often migrate abroad in search of suitable and high-paying jobs. The unemployment rate stood at 4.4% in 2016. Sri Lanka is no longer a labor surplus country; labor shortage is particularly severe in and around Colombo.

Economic management has featured socialist ideas and labor protection, a tendency which still remains today. Nevertheless, the current government seems to introduce more market-oriented measures. The exact mix between inward and outward orientation in economic management depends on each administration. Regarding economic sectors, there are traditional products such as tea, rubber and spices as well as newer activities such as apparel, tourism and IT. Within manufacturing, apparel is dominant while other subsectors are less visible. Manufactured products accounted for 77% of total export in 2016, of which an overwhelming part (47% of total) was apparel. This is unusual for an economy soon joining the upper middle income group. Labor migration from agriculture is absorbed mainly into services instead of manufacturing.

The inflow of foreign direct investment (FDI) is relatively low compared with Thailand, Indonesia and Vietnam. Although we need to take note of different population sizes, these ASEAN countries absorb tens of billions of USD in FDI each year, while Sri Lanka received FDI amounting to $1.6 billion in the peak year of 2014 and only $800 million in 2016. Chinese FDI was behind the increase in 2014 but it slowed down subsequently. As for Japanese FDI, there were historical landmarks such as Noritake (1972), Onomichi Dockyard (1993) and YKK (2000), but the total number remains small and few are coming in recent years[3]. Sri Lanka is not on the Japanese investors' radar screen compared with India and Myanmar which are very popular.

Thus, the economic development of Sri Lanka has been quite different from the FDI-led Flying Geese pattern of East Asia. On the one hand, a small number of domestic apparel firms attain remarkable results. On the other hand, the rest of manufacturing—and material, component and industrial service subsectors that support it—are weak. Greenfield investments by Japan, Taiwan, Korea and the advanced economies in ASEAN have not reached Sri Lanka in any significant way, and gradual broadening and upgrading of products and industries through FDI and regional division of labor, a hallmark of East Asian economic development, is hardly visible in Sri Lanka.

[2] It is said in Indonesia that any growth below 6% will worsen unemployment and social instability. Vietnam also targets similar growth rates and usually attains them.

[3] As of 2017, the number of Japanese FDI firms in Sri Lanka is about 130, of which 68 are members of the Japanese Chamber of Commerce and Industry in Sri Lanka. Among them, 21 belong to the manufacturing sector (JETRO data). In comparison, the Japanese Chamber of Commerce in Bangkok has 1,748 corporate members and the Japanese Chambers of Commerce in North and South Vietnam jointly boast over 1,600 corporate members. In both countries, actual numbers are higher as some Japanese firms do not join the chambers. Moreover, member firms are strongly increasing in Thailand and Vietnam.

The civil war ended eight years ago and the new government came to power two-and-half years ago, which caused administrative confusion which is gradually subsiding. Even so, the general business climate is poor and policies remain unstable in Sri Lanka. In 2016, Sri Lanka ranked 110th among 190 economies in the World Bank Doing Business. This is worse than the countries regarded as business-unfriendly in ASEAN such as Vietnam (82nd), Indonesia (91st) and Philippines (99th) though it is better than India (130th), Ethiopia (159th), Myanmar (170th) and Bangladesh (176th).

Colombo is a modern and stylish city, but its transport infrastructure including roads and railroads are traditional and low-capacity. Public transport is underdeveloped. As a result, increasing automobiles and a swarm of three-wheelers and motorcycles is generating severe traffic congestion. This must have been caused partly by the delay in infrastructure construction due to the civil war. Currently, Colombo sees vigorous construction of skyscrapers and commercial complexes. The entire nation is full of public investment projects such as ports and highways, often with foreign cooperation. The construction boom seems to support growth. Land inflation, rising income and heightened growth stimulated by strong construction demand is a phenomenon observed in many countries. However, this type of "growth" rarely improves the nation's industrial competitiveness, and often leads to fiscal crisis and trade deficits. Sri Lanka may have been trapped in this situation even before the construction of infrastructure has been completed.

2. The apparel industry—achievements and issues

The history of Sri Lanka's export-oriented apparel industry dates back to at least 40 years ago. Initially, the country was practicing an inward-looking import-substitution strategy. In 1977, in a great policy transformation, the government abolished all regulations (except those pertaining to labor) and adopted free trade and free FDI policy which allowed 100% foreign capital. The Katunayake Export Processing Zone (KEPZ) was established next to an international airport. Sri Lanka in those days faced low wage and high unemployment, but literacy was high (80-90%) and workers spoke English. This prompted many foreign manufacturers, including textile and garment makers, to invest in KEPZ. With respect to apparel, Sri Lanka was subjected to MFA quotas[4]. Infrastructure construction and tax incentives provided by the BOI law attracted FDI which brought global best practices. This was combined with strict domestic labor laws and regulations to produce a unique apparel industry which boasted top performance in quality and productivity as well as workers' rights and protection. Subsequently, EPZs were spread all over the country and, under the 200 Garment Company Plan, new employment was created also in rural areas.

The next challenge was to boost upstream production (textile). Textile, an input to apparel production, was initially protected by high tariffs which rendered downstream apparel uncompetitive. Around 1997, the government decided to abolish textile protection to boost apparel production. As a nation, Sri Lanka chose knitted products instead of woven fabric which was regarded as more capital-intensive and environmentally cumbersome, and also to import cotton and cotton yarns instead of domestic production. Over time, seven knitted product manufacturers with international

[4] The Multi Fiber Agreement (MFA) was effective from 1974 to 2004 as a quota system to regulate textile trade from developing countries to advanced ones. It was intended to prevent excessive export of developing country products, but some producer countries may have benefited from it by increased output and FDI if rival countries had already exhausted their quotas. After the expiration of MFA, textile and garment trade was determined more by competitiveness than political allocation, and economics began to rule over international competition as well as domestic competition among exporting firms.

competitiveness emerged.

MFA was to expire by the end of 2004. Sri Lanka began to prepare for this a few years in advance. The World Bank and the Asian Development Bank predicted that Sri Lankan apparel, which was not vertically integrated (i.e., without cotton or cotton yarn), would decline in the post-MFA period. To prove them wrong, and even to double apparel export in five years, a five-year strategy for apparel was drafted under the leadership of the MAS chairman. The Joint Apparel Association Forum Sri Lanka (JAAFSL), which began operation in 2002, implemented the strategy . Eight initiatives including taxes, backward linkage, labor market, etc. were executed, and the target of doubling export in five years was almost achieved (increase of 97%). The second five-year strategy followed. Through these activities, a mechanism was established where the apparel industry moved as one instead of separate actions by individual firms or different processes, and where the private sector led the government. The private sector did not ask for subsidies but demanded that the government implement policy actions requested by private firms. According to JAAFSL, emergence of such private sector-led public-private partnership generated great success in the expansion and value creation of the Sri Lankan apparel industry. At present, there are roughly 300 apparel firms in Sri Lanka, of which about half (165) are SMEs.

Sri Lanka received “GSP Plus,” a duty-free export privilege with the EU[5]. This was suspended in 2010 but resumed this year (2017). It is clear that GSP Plus, which gives duty-free access to EU, is crucial for Sri Lanka. At the same time, it is also quite certain that a country soon graduating to upper middle income will not forever enjoy this privilege. The EU will review GSP Plus annually and restrict its application as much as possible. Under these circumstances, the apparel industry is trying to develop new and more diversified markets to reduce heavy reliance on GSP Plus. Sri Lanka has partial FTAs with India and Pakistan only. The FTA network has to be broadened to include China, Singapore and others to secure more overseas markets with zero or low tariffs.

Sri Lankan apparel serves high-end and niche segments such as ladies’ brand underwear rather than the Bottom Billion or the Volume Zone. As a producing country that strictly adheres to both quality and ethical standards, it has secured a strong position as an OEM supplier to European and American buyers who are seriously concerned with labor rights and environment protection[6]. Sri Lanka is perhaps the only producer country in the world that can satisfy both standards very well. There are problems, however. First, as previously noted, trade privileges will become harder to come by as domestic income rises. Second, multifaceted diversification is required in products, markets and production sites to create more value and reduce risks. Third, there are labor shortage especially in urban areas, workers’ preference of service and office jobs, wage pressure and frequent job hopping. These compel Sri Lankan manufacturers to shift to more mechanized and automated production methods. Fourth, the big names that lead the industry are MAS, Brandix, Star Garment and Hirdaramani, especially the first two. The industry is already mature, and market dynamism such as new entries and innovators, change of players and challenging winners have become rare. The same faces continue to dominate the industry.

Sri Lankan apparel firms have established factories in India, Pakistan, Bangladesh and other

[5] Sri Lanka has multiple privileges in the EU market including EBA, GSP and GSP Plus, but GSP Plus is the most important. EBA and GSP Plus are similar in their commodity list even though the former is mainly for low income countries and the latter is for countries observing labor and environmental standards. Meanwhile, GSP offers less zero-tariff privileges. The rule of country origin is also somewhat different among these schemes.

[6] The principal markets of Sri Lankan apparel have been the US and the EU. Japanese buyers do not source apparel from Sri Lanka on a regular OEM basis. Compared with Western buyers, Japanese insist less on ethical standards but demand far stricter product quality standards than the US or the EU, and impose third-party inspection of all products before shipment from the factory.

foreign countries. More recently, they are also arriving in Ethiopia. Based on our interviews with various stakeholders, the reasons for their overseas expansion are as follows. Domestically, labor shortage and the fear of losing trade privilege in the future drive firms to go abroad (the push factors). Many African countries, including Ethiopia, enjoy duty-free access privilege in the EU (Everything But Arms, or EBA) and in the US (African Growth and Opportunity Act, or AGOA). On the Ethiopian side, low wage, trainable workers, cheap electricity (one-third of Sri Lanka) and political stability are the attraction (the pull factors). From a broader perspective, it is probably natural for Sri Lankan apparel makers to maintain advanced domestic production but simultaneously build new factories abroad. This will enable them to combine capital-intensive and labor-intensive production as appropriate, make use of more trade privileges, minimize risk by diversifying markets and production sites, and explore the possibility of teaching ethically correct production to other countries.

3. Official organizations of Sri Lanka

Prior to the mission, we interviewed the Former Japanese Ambassador to Sri Lanka, JETRO, JICA and JICA experts who were well-informed about Sri Lanka. During the mission, we visited the National Planning Department of the Ministry of National Policies and Economic Affairs (MNPEA), the Ministry of Development Strategy and International Trade (MODSIT), the Ministry of Industry and Commerce (MIC), the Export Development Board (EDB), and the Board of Investment (BOI, see next section). Meetings with these official bodies are summarized as follows.

MNPEA explained that the five government agenda were a million employment, revenue enhancement, modernization of agriculture and rural economy, creation of middle mass, and securing industrial land. For these, key documents are Vision 2025, the Prime Minister's statements in 2015 and 2016, and the Public Investment Program 2017-2020. As export and FDI are falling, it is critical to improve the World Bank Doing Business ranking in particular and investment climate in general.

MODSIT is a new ministry and has recruited only 50 staff up to now (of which 11 are professional staff). It is to act as a coordinator of trade and FDI policies among various related ministries. Workload is equally divided between document preparation and inter-ministerial coordination. The government wants to boost export and FDI. For this, MODSIT drafted Sri Lanka's first National Trade Policy (NTP) which was approved in September 2017. NTP features domestic reform, tax reform, market access, macro balance and other policy pillars. The Harvard University team assisted with formulating these policy pillars[7]. For the government, FTA negotiations with India, China and Singapore, improving the World Bank Doing Business ranking, regulatory reform and revision of the immigration law are top priorities.

MIC consists of such divisions as Apparel & SMEs, Industrial Development, Policy Development, International Trade, International Cooperation, SOE Reform and others. It has eight regional offices as well as external Departments and Institutes. MIC received Mr. Kenichi Kohata (JICA expert) ten years ago but has no contact with JICA at present. Apparel occupies 40% of Sri Lankan export but its global share is only 1%. Its strengths are high quality and high compliance with labor standards. For effective value creation, Sri Lanka concentrates on ladies' underwear and knitted products. Domestic labor shortage drives Sri Lankan firms to go abroad including Vietnam, Bangladesh and

[7] We were told that NTP had four policy pillars but were given six items, and told there was one more. Undoubtedly some of the items belong to one pillar. With limited time, we were unable to fully grasp the key structure of NTP.

India. The way forward includes becoming a knowledge hub, mechanization, producing special garments and product diversification. SLITA (apparel institute, see section 6) is under MIC. In light of the importance of SMEs, MIC produced Sri Lanka's first SME policy. It also studied Malaysia's SME Corporation as a model. The SME policy was already approved, and MIC will act as an implementer and coordinator for concerned ministries[8].

EDB is an implementing body for export promotion with 250 staff (200 in Colombo and 50 in the regions). It has no overseas branch. It consists of five divisions which are Industrial Products, Agricultural Products, Export Services, Market Promotion and SMEs. We inquired about concrete activities of each division.

4. The Board of Investment and Katunayake EPZ

The Board of Investment (BOI) is an implementing body of FDI attraction under MODSIT. Both MODSIT and BOI Headquarters are housed in the World Trade Center in Colombo Fort. BOI Headquarters has about 130 staff while the rest are dispatched to various EPZs, with a total of about 1,300 staff. The headquarters has four divisions: Investment Promotion (15 staff), Investment Appraisal (75 staff), Project Implementation (20 staff) and Project Monitoring (20 staff). Headquarters staff are assigned to both country and sector. Priority countries which have individual country desks are US, China, India, Japan, UK, EU and Singapore, and priority sectors include apparel, IT, services (tourism, golf, commercial complexes, etc.), medical service (Ayurveda) and convention business. Priority countries are selected where policy importance and business demand meet. A person who studied in Japan is in charge of Japan Desk, and a JICA investment advisor supports training of BOI's young staff and Japanese FDI attraction. In future, to reduce dependence on the US and EU markets and GSP Plus, FTAs will be concluded with China, India, Singapore, Thailand, Pakistan, etc. To curtail trade deficits, BOI strongly welcomes manufacturing FDI in automotive components, medical equipment, mineral-based materials (paint, silica, etc.) and solar panels. The tax regime is changing, and corporate income tax exemption and reduction for investors will be removed. The corporate income tax will have a simple structure of 14% (priority), 28% (standard) and 40% (alcohol and tobacco). Capital allowances will remain. Sri Lanka already permits 100% foreign capital and 99-year land lease, which are additional advantages for FDI.

Sri Lanka has 12 EPZs under BOI. The Katunayake EPZ (KEPZ), established in 1978 next to Bandaranaike International Airport, was the first. It now is home to 87 tenant firms (as of October 2017). The mission visited the BOI Office at KEPZ. Thanks to the superb access to Colombo and the airport, KEPZ attracts more FDI projects than other EPZs (Germany 9, Hong Kong 7, Japan 6, UK 6 and so on.) Two of the Sri Lankan firms in KEPZ have factories in Ethiopia. KEPZ welcomes all sectors but, in reality, main customers are apparel (18 firms) and machinery, electrical and electronics (12 firms). KEPZ has a bank, an insurance company, a logistic service office, a medical clinic, and there is a plan to build a TVET center. It also offers equipment maintenance service (including generators and air-conditioning), tax and customs duty assistance and trouble-shooting in labor and accounting as well as 24-hour medical and security services. Water is supplied by the National Water Supply and Drainage Board (7,500m^3/day), and underground water is also available (1,500-2,500m^3/day). Waste water is treated at each factory (primary treatment) then further treated

[8] Additional Secretary Mr. M.A. Thajudeen, whom we met at MIC, doubles as the chairman of SLITA. He is the author of the new SME policy and explained the apparel industry and the SME sector to us in detail and with competence. He must be the right person if Japan wants to discuss and/or cooperate in these policy areas.

at the KPEZ treatment plant (secondary treatment). The capacity of this plant was expanded a few years ago to 3,200m^3/day. Treated waste water is used for watering trees and plants inside KEPZ. The power supply capacity is 63MVA. Problems over water or electricity are rarely heard from tenant firms. KEPZ has completed its third phase and is now expanding to the fourth—and final—phase (total of 300.54 acres or 122 ha). It aims to become a manufacturing site of high-end products as well as a South Asian regional hub of firms operating in India, other Asia, Europe, Middle East and Africa. Additional infrastructure such as a laboratory and e-services is planned to be installed.

5. Private firms

At present 22 Sri Lankan firms are in KEPZ, of which two are already operating in rental sheds at Hawassa Industrial Park in Ethiopia. Hirdaramani is one of them. It was founded as a retail outlet in 1890 and has grown to become one of the largest apparel firms in Sri Lanka. With stable management and ample profit, it does not have to borrow from banks. It supplies T shirts, sportswear, shirts, etc. under manufacturing contracts for major brands mainly from the West such as Adidas, Marks & Spencer, Levi's, Tesco, Amazon and Asics. Hirdaramani imports and keeps a large stock of cotton fabric in its warehouse, and produces garments following detailed design instructions from buyers. The premises has a health clinic and a canteen for workers, regular break times are observed, and female workers can have an overnight accommodation for free of charge. The factory we visited are reasonably clean, music was played for workers (though a bit noisy to our ears), and other features showed that the management has made a serious effort to improve working conditions.

Isabella, another firm that operates a factory in Hawassa, Ethiopia, produces socks for Western markets. The mother factory at KEPZ was originally under German management which was purchased by the present owner to become a Sri Lankan company[9]. It buys cotton yarns, rewinds them for socks production, dyes, knits and washes to manufacture final products. Isabella is about to replace old knitting equipment with latest ones for more computerized and capital-intensive production, and existing ones will be transported to Hawassa. General Director Mr. Hemantha Perera had heard about Ethiopia by chance, visited Ethiopia several times, was convinced of the future possibility of the country and decided to invest there. Two reasons for his decision are as follows: (i) Ethiopian workers have an uncontaminated "free mind" and can endure hardship, which makes them easy to train; and (ii) stable power supply at Hawassa is attractive to socks production which is capital intensive. On the other hand, he pointed to the delay and irregularity in road transport to and from Djibouti as the biggest problem with Hawassa. As the Sri Lankan pioneer to invest in Ethiopia, Mr. Perera encourages and helps other Sri Lankan apparel makers, including Hirdaramani, to follow him to Ethiopia. Some firms have decided to go to Mekelle at his advice. Mr. Perera plans to continue to act as a promoter of Ethiopia in the foreseeable future.

MAS Holdings is the largest apparel group in Sri Lanka. It not only strictly observes labor and environmental codes but also conducts human resource development and product marketing with internally developed systems. The company leads the apparel industry in Sri Lanka. It has about 90,000 employees over 17 locations around the globe and produces high quality garments through design, weaving, cutting and sewing. 60-70% of its production takes place in Sri Lanka and

[9] In October 2016, then Senior PM Advisor Dr. Arkebe and EIC Deputy Commissioner Belachew of Ethiopia visited Isabella in Sri Lanka, together with PVH's DDG Mr. Green, and inspected the factory and KEPZ. A group photo was hung at the entrance of the factory office.

products are mostly exported to North America. To upgrade its global business strategy, MAS is strengthening technological and innovation capacity. During the interview with one of its top officials, the mission could feel the pride of a leading company that delivers product quality and moral value. The official also informed us about the overall history of the Sri Lankan apparel industry. It started with KEPZ where country girls who knew nothing about money or city life were hired to produce garments. Some of them, dubbed "JUKI girls," lost decency and caused a social problem. The bad image of female apparel workers still lingers on. Subsequently, EPZs spread to rural areas with the goal of building "200 apparel factories" (actually, one hundred and a few dozen factories), which generated employment opportunities across the nation so rural girls no longer had to migrate to cities to find jobs. The MAS official stressed the importance of preventing a similar social problem from arising in Ethiopia[10].

Features common to the three firms above are concentration of markets in the US and the EU as well as strict adherence to the labor and environmental standards required by these markets. More generally, Sri Lankan firms operate under the safety, hygiene and welfare standards for workers set by the Labor Ministry and BOI, and must also comply with ILO's international labor rules. This makes them very good observers of laws and regulations far above competitors from other Asian countries. They are rarely found guilty of any violation by inspectors dispatched by buyers or the government. Operations of Hirdaramani and Isabella in Hawassa Industrial Park also comply with the same standards as in Sri Lanka and have received no complaints from Ethiopian workers.

YKK, a Japanese company, was founded as a fastening device producer and seller. Currently its business is divided into (i) fastening business (production and sales of zippers, buttons, snaps, etc.); (ii) equipment manufacturing headquarters (R&D and production of fastening machines for internal use); and (iii) architectural products (production and sales of construction materials). The YKK Group has 111 operations in 71 countries (as of March 2017), and collectively engages in the production of materials and final products as well as the production and maintenance of fastening machines used within the Group (these machines are not sold outside). No other fastening companies have integrated production such as this including materials and production equipment. Chinese firms are potential rivals, but they are engaged only in downstream processes.

YKK Lanka, the local entity of YKK, opened in December 1999, and started operation one year later, as a manufacturer of fasteners. The office is in Colombo and the factory is located in Seethawaka EPZ (SEPZ) which is two hours' drive from Colombo[11]. The office has about 40 staff and the factory about 250. Four Japanese expats manage and supervise in both places. YKK Lanka only assembles fasteners, and machinery and materials are purchased (imported) from other firms in the YKK Group. In principle, it produces fasteners for customers operating in Sri Lanka supplying 800,000 pieces per day or 100 million per annum. If Sri Lankan apparel firms also have factories in Bangladesh, Vietnam, Jordan, Egypt, etc., YKK Lanka may supply fasteners to such overseas locations directly or indirectly. YKK fasteners are purchased either because Western buyers specify YKK as supplier in the OEM contract with Sri Lankan apparel firms or because Sri Lankan firms

[10] In other countries, problems associated with garment production usually include labor exploitation, low wage, dormitory and commuting, health and hygiene, trade union, wage demand, labor disputes as well as the mindset, low skills and job hopping of workers. We rarely observe a direct linkage between garment production and an unmoral behavior of female workers. The JUKI girls in Sri Lanka may be a quite unique case.

[11] SEPZ is home to 35 tenant firms of which eight are apparel manufacturers. Jay Jay Mills, which invested in Bole Lemi I Industrial Park in Ethiopia, is one of them. YKK Lanka supplies fasteners to Jay Jay Mills (both are in SEPZ). YKK Lanka also supplied button making equipment to Jay Jay Mills in Bole Lemi I, and YKK Lanka staff has visited Ethiopia for maintaining the equipment.

themselves select YKK as a fastener supplier for contracted products.

Midaya Ceramic, established in 1968, is a manufacturer of high quality ceramic products. Materials are mostly locally procured. The firm has integrated production from design, material processing, molding, firing, painting, packing and shipping. Its sophisticated handmade products find few domestic competitors. Buyers include western ceramic companies as well as brand product dealers and hotels in Sri Lanka. Many customers approach Midaya by word of mouth. The company produces both contracted items as well as own products. Quality handmade ceramics require highly skilled labor. The premises is clean with *seiri* and *seiton*. Mr. Dayasiri Warnakulasooriya, chairman, studied ceramic making in Seto, Japan then returned to Sri Lanka to start this firm. Currently his two sons manage this factory and an associated packing material factory. On another occasion, Mr. Dayasiri learned Japanese management through AOTS training. He adopted it in his factory and has spread it to the rest of the country through the Japan-Sri Lanka Technical and Cultural Association (JASTECA), a bilateral organization that teaches quality and productivity in Sri Lanka.

6. Industry-supporting organizations

The mission visited several private and public organizations that support the Sri Lankan apparel industry or industry in general. Six such organizations are reported below, of which the first two are technical training institutions.

The Sri Lanka Institute of Textile and Apparel (SLITA) was created in 2009 by merging two technical schools—the Textile Training and Service Center and the Clothing Industry Training Institute—which were established with World Bank assistance in 1984. The Institute belongs to MIC and its chairman is Mr. Thajudeen, Additional Secretary of MIC in charge of the apparel industry. It is financially independent and does not receive government budget. It has six divisions: laboratory, apparel, textile, leather, footwear and product development. It has about 100 staff (15-25 with MSc, 30-40 with BSc and 45 are support staff). SLITA has three functions, and the first function is training. It offers two-year Diploma courses, customized courses for corporate customers, short-term courses and dispatch of Sri Lankan instructors abroad. Since 1984, the cumulative number of trainees has reached 100,000, with annual training of about 5,000 students (of which two-year course students are about 100) at present. SLITA is the Asian regional hub for textile and apparel training, providing by dispatching experts such customized services as fashion design for a Vietnamese company, training for the Export-Import Institute of Bangladesh, joint research on banana fiber with the Philippine Textile Institute, etc. Trainees also come to SLITA from abroad. The second function is material and safety testing for textile and other products requested by buyers, which is conducted by the SLITA laboratory at low (cost-base) fees. The third function is consultation with local apparel firms to introduce lean production, Toyota Production System and the like. Regarding R&D, SLITA previously studied automation and current research is the use of banana stem fibers for textile materials. SLITA owns 4 ha of land on which there are about ten one-story structures. There is a plan to introduce a four-year Degree course by rebuilding some of these structures with multiple floors (SLITA has land and money but cooperation is needed to buy new equipment). It had JICA cooperation during 1996-2001 and 2001-05 which included equipment, training in Japan and an arrangement to train Indian, Vietnamese and other foreign technicians at SLITA. There is no contact with JICA now. The mission made a tour of SLITA which was equipped with sufficient space and facilities as a textile and apparel training institute. It may be a good idea for the Ethiopian TIDI to study SLITA as a model or even have a twinning arrangement with it.

The Ceylon-German Technical Training Institute Moratuwa, Sri Lanka (German Tech or CGTTI for short) is a metal and mechanical training institute with automotive emphasis. It is located along Galle Road in the south of Colombo near SLITA and a Brandix factory. It has a dozen or more buildings on 5 ha land. German Tech was established with assistance from West Germany as a maintenance center for the Mercedes bus fleet of Colombo City, with 60 initial students. The capacity was expanded to four courses and 150 students in 1974. The supervising ministry changed from the Transport Ministry to the Ministry of Skills Development and Vocational Training in 2004. Currently, German Tech has 11 courses[12] and accepts full-time (3-4 years), part-time (evening) and short-term (1-2 days) students. It also offers customized training, technical services (maintenance and repair of vehicles by students instructed by instructor) and skills tests. It specializes in training and does not engage in research or enterprise consultation. Students' age ranges from 16 to 22 years and classes are conducted in both English and local language. There is high demand for German Tech graduates. Firms wanting to recruit students are provided with relevant student databases and asked to approach candidates by themselves, but not all places can be filled (we incidentally heard that OJT and job recruitment for the welding course are mostly done with Colombo Dockyard). Consequently, German Tech is popular with students. It annually receives 3,000 applications for the full-time student quota of 600, who are selected by written exam and interview. Sri Lanka offers free education, so German Tech charges no tuition and even offers commuter bus services and monthly stipends to its students. Government allocates 220 million rupees per annum to German Tech (80 million for equipment and 140 million for current expenditure). Students from rural areas often rent apartments. The school has a plan to build a dormitory (allocated budget is 1,100 million rupee). In the first year, students are required to produce basic metal works and, after a test, proceed to specialized courses from the second year. There is an OJT (internship) in the final year at one of the 120 partner companies. Companies happily receive OJT students to secure future recruitment. Non-fulltime students are charged with fees, many of whom study evening classes while working in enterprises or military. During a tour of all workshops, the mission had the impression that German Tech was very successful as a basic TVET organization even though it is not equipped with many latest machines. While it enjoys a seller's job market, the majority of graduating students go abroad to find jobs. They often first go to the Middle East and, after a few years, migrate to Australia or New Zealand, their favorite destinations (working permits for the latter require at least three years of waiting). This is not a very good result for the Sri Lankan manufacturing industry.


Visiting SLITA's Classrooms and Labs


German Tech's Millwright Fitting Workshop


Auditorium at JASTECA (Sasakawa Hall)

The Joint Apparel Association Forum Sri Lanka (JAAFSL), mentioned above, is a joint public-

[12] The 11 courses are automobile, millwright fitting, tool machinery, power electrical, air-con and refrigeration, auto (car) electrical, welding, diesel pump mechanism, mechatronics, auto body and auto air-con.

private forum created to cope with the disappearance of MFA at the end of 2004 with the leadership of the MAS chairman. It started to operate in 2002 and officially inaugurated in 2003. It has 14 members[13]. As noted earlier, JAAFSL is a very active body that not only proposes policy actions but also studies details, decides and implements such policies and request needed actions to the government. It is in a sense the Sri Lankan apparel industry itself and in another sense a private initiative that designs and executes policies which is normally the responsibility of relevant ministries of the government.

The Ceylon Chamber of Commerce (CCC) was established in 1839 during the British colonial period. It currently boasts 551 corporate members and has 19 Business Councils including Export, Construction, Trade and Tourism. It conducts various business matching among which Business Investment Conclave, started last year where over 100 foreign firms are invited to Sri Lanka for business negotiations, is the largest. According to a CCC executive, the most important goals of the Sri Lankan government at present are revitalization of export and FDI as well as expansion of manufacturing[14]. This requires solving several concrete issues. First, the World Bank Doing Business ranking, currently 110th, is targeted to improve to 70th by 2020. Rankings for licensing and dispute settlement are particularly low. However, CCC wants not just a higher ranking but a mindset change and substantive results for the business community. Second, there is an acute labor shortage. Third, Sri Lanka must cope with high wage, high electricity tariff, high material costs and high non-tariff charges associated with imports. Fourth, policy remains unstable—but improvement is expected as the current government stabilizes. Fifth, a new tax law is being prepared to make taxes business-friendly (enactment expected in April 2019). It aims to simplify and clarify the tax regime in place of randomly accumulated exceptional measures. The corporate income tax rates will be 28% (normal) and 14% (priority). Privileges for underdeveloped Northern and Eastern regions will remain. CCC was happy to participate actively in this revision process. The government listened to CCC, and it met the President and the Prime Minister four times. One problem, however, is the slowness of decision making at ministries and BOI. They were fast and policies had real impact in the 1990s, but they have become more bureaucratic. CCC considers Sri Lanka's strategic location (a gateway to India and the Indian Ocean region) and skilled human resource as its two great advantages. The mission was recommended to meet CCC Chief Economist Anushka Wijesinha, who works closely with the government, if it wanted to discuss the Sri Lankan economy more deeply (he was absent on the day due to his commitments at MOF).

The Institute of Policy Studies (IPS), an economic policy thinktank, was founded by a parliamentary law in 1990. It belongs to the Prime Minister and MNPEA. The IPS building, though not large, is modern and stylish unlike Ethiopia's EDRI or PSRC. The Dutch offered an endowment fund for establishment and Canadian funds and fees collected from international organizations also financially supported IPS. From 2005, IPS is financially self-standing except annual receipt of government budget which covers 10-15% of the running cost. IPS offers research, policy advice and international cooperation. It has seven units in charge of macroeconomy, trade, investment and industry, environment, agriculture, labor and poverty. The staff size is about 50, of which researchers are 20-25. Each unit consists of a few researchers who are generally young but competent. Most of them hold master degrees while PhD holders are few. Some are going abroad

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[13] Mr. Tuli Cooray (MP), whom we interviewed, previously were at the Finance Ministry to abolish textile protection. He has served as Secretary General of JAAFSL since 2002.

[14] Sri Lanka does not have a clear policy on outbound FDI by domestic firms. It is neither encouraged nor discouraged, as the decision of overseas investment is entrusted to individual companies.

to get PhDs. BA level staff are research assistants. IPS research is done either as an official project where the government specifies the topic and ministries are involved, or by IPS writing proposals for competitive research funds of international organizations or foreign countries. It also represents Sri Lanka in international cooperation among thinktanks. Research results are disseminated via working papers, policy papers, academic journals, publications of international organizations, books and newspapers (fees are charged for IPS papers). Recent works include a feasibility study on FTAs with India and China, climate change and agriculture, and a review of FDI policy since 1977. As to the burning problem of the day, Sri Lanka routinely faces economic cycles of over-investment in infrastructure and debt crisis. After the civil war ended in 2009, aggressive public investment pushed up growth to 8-9% which led to balance-of-payments difficulty and the IMF's EFF program in 2015-17. It would be ideal if FDI and domestic private investment replaced public investment, but FDI is declining due to policy inconsistency and budget crisis. Sri Lanka allows foreign bank branches, and a new law is being prepared to further liberalize capital mobility. It also negotiates with India, China, Singapore, etc. for FTAs, and new ports are constructed in Colombo and Hambantota. These are positive developments. Keys to Sri Lanka's future growth are tariff privileges (though GSP Plus may not be available in the future), private dynamism and FDI. MAS and Brandix are the only outstanding domestic apparel companies. Meanwhile, the IT industry is growing strongly. The nation needs to shift to high-value products and diversity export markets.

The Japan-Sri Lanka Technical and Cultural Association (JASTECA) was established in 1984. It promotes HIDA/AOTS networking and cultural exchange, and teaches Japanese management, Japanese language, 5S, kaizen, etc. It also selects Sri Lankan people fairly and rigorously to dispatch to Japan for technical training with funds on the Sri Lankan side. Approximately 3,900 such trainees have been sent to Japan, with follow-up upon return. JASTECA also gives the Akimoto 5S Award to firms that successfully adopt Japanese management (Mr. Taiki Akimoto was dispatched by the Central Japan Industries Association (ChuSanRen) to Sri Lanka in 1995 and spread 5S and the kaizen philosophy in the country). Other activities include B-to-B matching, fairs and exhibitions, and donations to the victims of the Great East Japan Earthquake. JASTECA's building was given by the Sasakawa Foundation but its operation is self-financing. The Sasakawa Hall houses offices, classrooms, an auditorium and meeting rooms as well as the Sri Lanka Nippon Educational and Cultural Center (SNECC), JASTECA Institute of Management and the Japanese Language Education Association. The Japanese Association, the Alumni Association, the Japan Culture Club and the Sri Lanka-Japan Business Co-operation Committee also use the Sasakawa Hall for events and meetings. JASTECA's remaining problems include the continuation and revitalization of various ties with Japan, creation of new-generation JASTECA leaders and the relocation and expansion of the headquarter building (the main problem is finding a suitable plot of land rather than money)[15]. Mr. Dayasiri Warnakulasooriya, Vice Patron of JASTECA who assisted our mission, has greatly contributed to the dissemination of Japanese management and Japanese language in Sri Lanka as well as promotion of bilateral friendship. His activities continue even today.

7. Assessment of industrial strategy

[15] Mr. Nobuhito Hobo, Vice President of GRIPS Alliance and the former Japanese Ambassador to Sri Lanka, attributes JASTECA's success to (i) affinity of Sri Lankan and Japanese cultures, (ii) enhanced networking by alumni who succeeded in business, (iii) the availability and independent management of the Sasakawa Hall, and (iv) continued support and relationship with Japanese stakeholders.

Japanese people whom we interviewed prior to the mission were generally negative in their assessment of the current Sri Lankan industrialization strategy. The main issue was the lack of consistency and predictability. Problems include frequent re-arrangements of ministries and their mandates, absence of inter-ministerial cooperation and ambiguity as to which organizations are truly responsible for the formulation of each major policy. More concretely, problems include the following.

- ☐ The President emphasizes internal policies while the Prime Minister is more liberal and outward-oriented. Some say the two are incompatible while others expect the two leaders to bring balance.
- ☐ Vision 2025 is general and without implementation documents. It is unclear whether concrete policies can be generated and executed with effectiveness.
- ☐ The Prime Minister and MNPEA are assisted by Professor Hausmann's team from Harvard University. Will it be able to provide pragmatic policy advice for industrial promotion beyond academic analysis and empirical studies?
- ☐ While EDB and BOI are the implementation bodies of export promotion and FDI attraction respectively, it is unclear who designs these policies and how. A group of elite technocrats is not yet visible in Sri Lanka, at least to us.
- ☐ The SME policy drafted by MIC contains standard measures which are comfortable to us[16]. But the question is organization, budget and staff for implementation. Do they exist? Is the SME policy recognized as top priority by national leaders and other ministries?
- ☐ Under the IMF program and the new tax law, taxes will be simplified, and exceptions, including corporate tax exemption for EPZs, will be eliminated. On the other hand, FDI attraction is a top national priority. Are these mutually consistent?

The content and methodology of Sri Lankan policies are quite different from the successful cases of the East Asian Flying Geese, or Ethiopia where every official can at least explain what GTP II (five-year plan) tries to do—apart from its desirability or implementability. How should we evaluate the current industrial strategy of Sri Lanka?

The optimistic view may argue that the current policy inconsistency and fiscal crisis are only temporary, that there is balance between domestic consideration and global orientation, and the apparel industry is far more advanced than that of Bangladesh. The private sector (at least apparel) is dynamic, labor is educated and skillful, and a new export-oriented IT industry is emerging. For Japanese, Sri Lanka is a far more comfortable place to live compared to India, and Sri Lankans are kinder and not so aggressive. Even if government policies are imperfect, now-peaceful Sri Lanka is likely to grow driven by strong value creation of the private sector. Many of our Sri Lankan interviewees, while admitting to remaining problems, expressed such optimism. Among them, we did not detect any apprehension that the nation was trapped in middle income and might face low growth in the foreseeable future.

A more pessimistic view points to the narrow industrial base of the private sector and the low policy capacity of the government, even though Sri Lanka is soon transiting from lower middle income to upper middle income. In the private sector, the outstanding performance of a small number of apparel firms and several other bright spots are not shared widely by the entire economy. Sri Lanka does not in any significant way have electronics assembly, automotive production, machinery and equipment, construction materials, broad-based food processing (not just tea) and

[16] Ministry of Industry and Commerce, *National Policy Framework for Small and Medium Enterprise (SME) Development*, 2015; and attachment *Action Plan*.

consumer goods production, which are normally available in a middle income country (Vietnam, with only half the income level of Sri Lanka, has all of this), or material and "supporting" (i.e., component) industries that supply to them. In the government sector, basic policy orientation is fairly clear with all ministries and agencies explaining similar policy directions. However, much doubt remains over the implementability and effectiveness of proposed policies. Many interviewees seemed to suggest that strong economic growth would be possible once fiscal soundness and policy consistency were realized. This may be too optimistic.

Additional words are in order on this last point. There are two fundamentally different ideas regarding industrial development. For a poor country which just overcame a war or social turmoil, igniting growth is relatively easy. All it has to do is to invite international aid, create new laws and institutions, liberalize the economy and join the international economy. The previously suppressed private sector and FDI will soon bring high growth, taking the nation to middle income. But the climb may not be so easy beyond middle income. The market-princile advocates would argue that maintenance of free and open business climate would do the job nicely. Meanwhile, the East Asian way is to install a proactive government which, through pragmatic and effective public-private partnership, actively and concretely upgrades industrial human resource and produces champion companies that can generate great value, without which high income and technology could not be reached.

In the Sri Lankan context, it must be asked whether sound budget, policy consistency, FDI attraction and expansion of overseas markets are sufficient as a national strategy to proceed to a higher stage of industrial development (it must also be admitted that even these four goals are not so easy to attain). We sense that the current Sri Lankan government has no intention of introducing an industry policy of the East Asian type. The mission would like to express the doubt whether Sri Lanka can raise its long-term growth trajectory without properly introducing value-creating policy. Ethiopia, still a low income country, has firmly embraced the East Asian approach and made significant effort to learn and implement proactive industrial policy. The purpose of this mission has been to provide the Ethiopian government with concrete information that may help its policy learning.

8. Summary and lessons for Ethiopia

At the end, we would like to list up the major findings of this mission from the perspective of client, namely, the Ethiopian policy authorities. Ethiopia's manufacturing sector in general and apparel sector in particular are still underdeveloped. The experience of Sri Lanka's apparel industry can offer useful lessons to Ethiopia in several ways.

(1) The leading role of the private sector

In Sri Lanka, the private sector has a leadship role in the apparel industry. The Sri Lankan government has played a vital role in creating business environment conducive to the private sector. Apart from this, however, the degree of government involvement in the industry is minimal. Historically, the private sector has been the driver of growth as well as the manager of the apparel industry. It assesses the global trend of apparel, identifies challenges the industry faces, comes up with policy ideas and recommendations and presents them to the government for discussion and dialogue. A case in point is the Joint Apparel Association Forum Sri Lanka (JAAFSL) which acts as a voice of the industry. It serves as a bridge between industry and government and has been instrumental in the development of the industry. As the apex body over several apparel associations, JAAFSL designs and implements strategic plans and guides the industry towards the world's No.1 apparel sourcing destination with quality and conscience. JAAFSL pushes the government to create conducive environment for investors including revision of the incentive structure. The government is open to discussion and seriously listens to JAAFSL's ideas. So long as suggestions are convincing and credible, the government accepts and implements them. The government also invites JAAFSL to trade negotiations with other countries.

(2) Ethical practices

Ethical practices in the Sri Lankan apparel industry have unique characteristics. Labor standards and employment relations are strictly regulated and monitored. The Board of Investment (BOI) through its Industrial Relations Department facilitates labor-management cooperation and harmony, and provides advisory service and guidance to employers and employees. Garments are made with care and conscience by ensuring workers' rights and ethical working conditions; absence of child labor, forced labor, discrimination of any kind and sweatshop practices; and by creating opportunities for education and personal growth. Employers must strictly adhere to local and international labor standards, and workers have the right to collectively bargain through trade unions. This maintains a healthy and harmonious industrial relations conducive to efficiency and productivity. Such ethical practices are the root cause of the success of the Sri Lankan apparel sector. Moreover, Sri Lanka is known for environmental excellence and won many awards for green manufacturing such as LEED Platinum and Gold Certified. This unique characteristic has attracted many world-renowned brands such as Victoria's Secret, Gap, Nike, Tommy Hilfiger, H&M, M&S and many others which have built longstanding partnership with Sri Lankan apparel companies. Sri Lanka has become the world's top ethical apparel sourcing and manufacturing destination.

This offers an insight for Ethiopia. There is an increasing global pressure to improve conditions in the workplace, especially from the end users of garments in Western countries. Consumers are concerned with labor and environment conditions in developing countries where garments are manufactured, and require international sellers to purchase from manufacturers which adhere to acceptable standards and legally binding international conventions. Consequently, buyers also insist the same and implement tough inspection procedures. Furthermore, workers themselves now demand better working conditions. In this regard, Ethiopia will be no exception. Given the pressure from consumers, buyers and workers, Ethiopia has no option but to adopt proper ethical standards. However, sticking to these standards should not mean disregarding quality. There are also other buyers, including Japanese, whose prime concern is high quality. Hence, Ethiopia needs to prepare itself to meet both challenges.

(3) Export promotion

Sri Lanka established the Export Development Board (EDB) in 1979. It is an executive arm of the Export Development Council of Ministers, a policy-making body headed by the President. EDB's export promotion activities include organizing buyer-seller meetings, annual trade shows, fairs and expos, providing information to foreign and local entrepreneurs and assisting the formulation and maintenance of quality standards. It conducts marketing research, feasibility studies and seminars for understanding the Sri Lankan marketplace and how to best utilize its business opportunities. The board of management of EDB comprises representatives from both state and private sector organizations.

(4) Sector-specific incentives

Sri Lanka has in the past provided incentive package such as tax incentives, concessional financing, export credit insurance and other instruments to promote investment. These incentives were designed to be sector-specific[17]. Sectors that were designated by the government as priority were given more attractive incentives compared to non-priority sectors. Such a strategy contributed to the development of key sectors, particularly the apparel sector. In Ethiopia, incentives are less well-structured. Priority sectors receive additional incentives in the form of income tax holidays and exemptions from customs import and export duty. However, other important incentive schemes such as credit, finance and subsidies for value-creating activities are not yet provided.

(5) Design of industrial parks

To promote investment, Sri Lanka has invested in Export Processing Zones (EPZs). In addition to physical infrastructure, facilities at EPZs include the office of the Industrial Relations Department of BOI, a customs office, a bank, a post office, medical service, freight and port services, etc. EPZs welcome enterprises from all sectors including apparel, electric, metal products, footwear, precious stone, food processing and others. The advantage of this strategy is to economize infrastructure and other facilities for all sectors. If industrial parks are set up separately for specific sectors, a large number of specialized parks are needed and it would be more difficult and costly to provide adequate infrastructure, facilities and other services to all of them.

(6) Producing skilled industrial manpower

To attract private investment, the Sri Lankan government has made efforts to produce human capital with skills required by the apparel industry in particular and the industrial sector at large. The Ceylon-German Technical Training Institute (CGTTI) is a leading institute for training technicians in the field of automobile engineering and allied trades. Its programs cover automobile, tool machinery, power electrical, welding, millwright fitting, and others. The institute owns well-equipped training workshops and modern laboratories. All training courses comprise 80% practice in workshop and laboratory and 20% theory in classroom. Heavy emphasis on practice leads to proficiency in required industrial skills. Graduating students are highly demanded locally and internationally. Gulf countries, Australia and New Zealand are the most popular destinations of graduates from CGTTI.

The Sri Lanka Institute of textile and apparel (SLITA) is a provider of skilled manpower to the textile and apparel industry. It offers various competency and career development programs at the diploma and the certificate level as well as short-term courses. Similar to CGTTI, it offers practice-oriented courses to prepare students for technical and managerial positions in the textile and apparel industry.

Attachments: Mission schedule
Organizations/persons visited

[17] As discussed earlier, Sri Lanka is now adopting a simplified tax structure by removing specific incentives. However, this does not negate the value of specific incentives in the early stage of industrialization, as the past success of Sri Lankan apparel testifies.

Attachment 1

Mission Schedule (8-15 October 2017)

1. Mission Members

Kenichi Ohno	Professor, National Graduate Institute for Policy Studies (GRIPS), Tokyo, Japan
Akemi Nagashima	Research Associate, National Graduate Institute for Policy Studies (GRIPS), Tokyo, Japan
Kidanemariam Berhe Hailu	Lead Researcher, Policy Study and Research Center (PSRC), Ethiopia

2. Mission Schedule

DATE			TIME	ACTIVITY
Oct	8	Sun	PM	Arrival in Colombo
	9	Mon	AM	JICA Sri Lanka Office
				JETRO Colombo Office
			PM	Department of National Planning (Ministry of National Policies and Economic Affairs)
				Institute of Policy Studies of Sri Lanka (IPS)
	10	Tue	AM	Katunayake Export Processing Zone (KEPZ)
				Isabella Socks Manufacturing PLC (in KEPZ)
				Hirdaramani Garment PLC (in KEPZ)
			PM	Joint Apparel Association Forum Sri Lanka (JAAFSL)
	11	Wed	AM	Ministry of Development Strategies and International Trade (MODSIT)
				Board of Investment (BOI)
				Export Development Board (EDB)
			PM	Ministry of Industry and Commerce (MIC)
				Japan Sri Lanka Technical and Cultural Association (JASTECA)
	12	Thu	AM	YKK LANKA PVT LTD (in Seethawaka EPZ)
			PM	Sri Lanka Institute of Textile and Apparel (SLITA)
	13	Fri	AM	Ceylon-German Technical Training Institute (CGTTI)
			PM	MAS Holdings
				The Ceylon Chamber of Commerce (CCC)
				Departure to Addis Ababa (Kidanemariam Berhe Hailu)
	14	Sat	AM	Midaya Ceramic Company
			PM	Departure to Tokyo (Kenichi Ohno & Akemi Nagashima)
	15	Sun	AM	Arrival in Tokyo

Attachment 2

Organizations/Persons Visited

Official Organizations of Sri Lanka

Organization	Name	Position
Department of National Planning (Ministry of National Policies and Economic Affairs)	Sanjaya Mudalige	Director General
	Malarmathy Gangatharan	Additional Director General
	T.M.J. Bandara	Director, Regional Development & Social Protection
	A.K. Gunasekara	Director, Industries & Trade
	R.D.A. Maithreerathna	Assistant Director, Industries & Trade
	Shunichiro Honda	Strategic Planning Advisor (JICA Expert)
Ministry of Development Strategies and International Trade Board of Investment (MODSIT)	S.W.C. Jayamini	Director for International Trade Division
Board of Investment (BOI)	Prasanjith Wijayatilake	Executive Director, Investment Promotion
	Dhammike Basnayake	Assistant Director/Desk Officer for Japan, Invest Promotion
	Hideo Horiguchi	JICA Advisor for Investment Promotion
Katunayake EPZ	M.K.D. Lawrance	Acting Executive Director (Zones)
	Himali S. Urugodawatt	Director (Legal) – Industrial Relations
Export Development Board (EDB)	D.M.P. Dissanayake	Deputy Director (Regional Development Division)
	Upul Akmeemana	Deputy Director (Trade Facilitation)
	Sepalika Jayawardhana	Deputy Director (Industry Products)
	Apsara Chandani Arampath	Assistant Director, Market Development
	Dammike Jayawardne	Additional Director General, Development
	Akila Dishan	Assistant Director, Export Service
Ministry of Industry and Commerce (MIC)	M A Thajudeen	Additional Secretary and Chairman of SLITA
	A.H.M.U. Aruna Bandara	Director (Planning)
	Inoka de Alwis	Deputy Director (Policy Development)
	Samangika Abeysinghe	Assistant Director (Planning)
	Harsha Wijewardena	Director (SME& Textile)
	Ishani Abeyrathne	Director (SME& Textile)
Institute of Policy Studies of Sri Lanka (IPS)	Kithmina V. Hewage	Research Officer
Sri Lanka Institute of Textile and Apparel (SLITA)	P.V.S. Wijayarathe	Director Operation
	Eng. S. Ilangovan	Director Training & Technical
	B.L.S.P.Nishantha	Chief Technologist
	K. Jegatheesan	Chief Technologist
	B.Sabashini	Technical Assistant, Department of Textile Technology
	A.C.S.I. Mumthas	Technical Assistant, Department of Textile Technology
Ceylon-German Technical Training Institute (CGTTI)	S.P.K. Amarasinghe	Chief Engineer (Training)
	R.L. Vijitha Kumara	Deputy Chief Engineer (Factory)
	G.Ajilh.G.Nerio	Instructor, Automobile

Private Sector

Organization	Name	Position
Isabella (Private) Limited	Hemantha Perera	Managing Director
	Ravindra Fernando	Operations Manager
	Saman Abeyratne	Supply Chain Manager
	K.Herath	Human Resources Manager
Hirdaramani Mercury Apparel (Private) Limited	Thushara Fernando	General Manager
	Sampath Senavirathne	Senior Manager –Human Resource
	Nuwan Herath	Quality Assurance Manager
MAS Holdings	Shakthi Ranatunga	Director, Group Human Resources
YKK LANKA PVT LTD (in Seethawaka EPZ)	Masahiro Kubo	Senior Advisor- Sales & Marketing
	Satoshi Takahashi	Technical Advisor
	Mohamed Rimzan	S&B Sales Manager
Midaya Ceramic Co. Pvt Ltd	Dayasiri Warnakulasooriya	Chairman
	Kumudu Warnakulasooriya	Director Finance
	Anura Warnakulasooriya	Managing Director
Joint Apparel Association Forum Sri Lanka (JAAFSL)	M. P. Tuli Cooray	Secretary General
Japan Sri Lanka Technical and Cultural Association (JASTECA)	Dayasiri Warnakulasooriya	Vice Patron
	Nihal Seneviratne	President and Managing Director for Vistas Consultancy Services
	Athulla R F Edirisinghe	Past president (Managing Director for Venice Sea Food Pvt Ltd)
	Nimal Perera	Vice President (Managing Director for NTS Interlining Pvt Ltd)
	Premalal Fernando	Consultant, Japanese 5S Concept & Kaizen, Former JASTECA President
	Mangala Samarajeewa	General Manager, Sri Lanka Telecom
	Mahindra Saranapala	Past JASTECA president and Director for Kelani Cable PLC
Ceylon Chamber of Commerce (CCC)	Dhara Wijayatilake	Anttoney at Law, Chief Executive Officer
	Anushka Wijesinha	Chief Economist (recommended, not met)

Official Organizations of Japan

Organization	Name	Position
JICA Sri Lanka	Fusato Tanaka	Chief Representative
	Toru Kobayakawa	Senior Representative
	Akio Nakamoto	Senior Representative
	Tatsuya Iwasaki	Representative
	Cabral Indika	Senior Project Specialist
JETRO Colombo	Kazuhiko Obama	Resident Representative
	Haruna Yamamoto	Assistant Director