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# 5-year growth strategies for four sectors

The Government last week announced five-year strategies to boost growth prospects and global success of five key sectors.

The sectors were the Gems and Jewellery; Packaging; Plastics and Wood-Based Industries.

The strategies presented at a forum was devised under a private-public sector initiative under the Ministry of Enterprise Development, Industrial Policy and Investment Promotion. The strategies, in essence plans to increase productivity and "competitiveness" of these sectors.

"The government and industry share a common objective that which ultimately depends upon our ability to promote new thinking wherein everyone contributes new ideas leading to better products, reduced costs, which benefits all of us," Minister Prof. G. L. Peiris said.

In his keynote address, Peiris told industry participants that global competition imposes a corresponding need for Sri Lanka to look critically at its position in each of its key industries.

## Gems and Jewellery

Chanaka Ellawala, Chairman of the Gems & Jewellery Task Force, outlined a "vision" leading to secure Sri Lanka's position as the world's 'Sapphire Capital'. "The gem industry is historically one of the oldest industries in Sri Lanka and an important source of foreign exchange earnings, but it is also one of the least developed industries in the country," Ellawala acknowledged. He outlined what he called a three-prong strategy to "reposition" the industry, with each building upon the other.

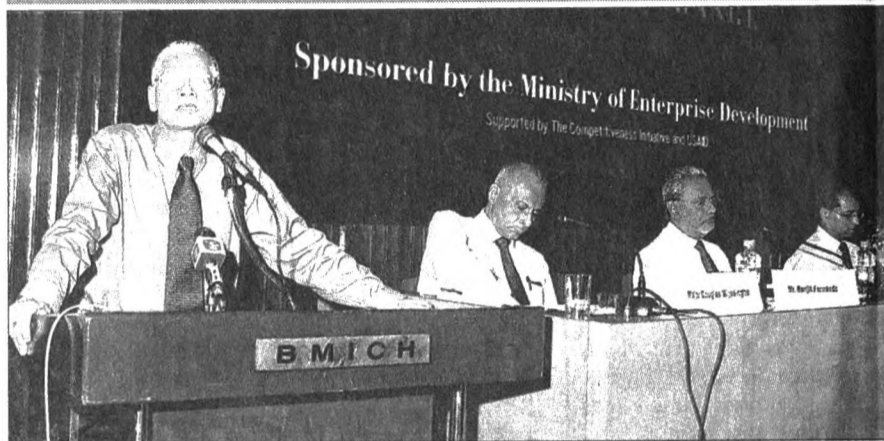
"First, a Manufacturing Strategy aims to increase the value of Sri Lanka's product in a two step process that responds to two questions. First, 'What can be done to increase value to domestic products alone?' And, second, 'What foreign raw material can we add to increase the value of our for domestic products?' "Second, a Branding and Repositioning Strategy will differentiate the products and services from Sri Lanka to move the industry 'up-market' by increasing Sri Lanka's share of high value products, and then further develop the market for these products and services. "Third, a Hub Strategy will support the other two strategies by pro-

\* **Gems & Jewellery projects annual exports of US\$ 370 million and net value addition of over US\$ 250 Million**

\* **Packaging Industry sets goal of 80% share of domestic market**

\* **Plastics Industry aims to draw even with Asian leaders**

\* **Wood Based Industries projects exports to rise ten fold generating 100,000 new jobs**



Enterprise Development, Industrial Policy and Investment Promotion Minister G.L. Peiris addresses the forum to unveil the five year strategies of the four sectors.

viding the necessary infrastructure, support services, policy and business environment," he said. In five years, the industry projects expects annual export of gems and jewellery to increase to US\$ 370 million (from US \$80 million in 2001), to create approximately 20,000 new direct job opportunities, establish 70 new gem cutting production units with an annual capacity 2 million carats of gemstones, and establish 90 new jewellery manufacturing units with an annual capacity to manufacture 1.75 million pieces of jewellery.

The industry already has begun other initiatives important to support the positioning strategy, beginning with standards and testing consistent with Sri Lanka's recognition as a "capital" for the industry.

"Sri Lanka's Gem Testing Laboratory, is recognized internationally, and now is allied with the American Gem Trade Association Gem Testing Laboratory," Ellawala said. "Our valued added manufacturing strategy and branding program both depend upon our ability locally to test and certify both local and foreign gemstones. Now, with that accomplished, and in collaboration with an international designer, we are positioned to launch a branding program for Ceylon Sapphires." The industry also will establish two new dedicated export processing zones which, in time, will become a "center" for the trade, and will include a world class training institute with the capacity to train, in time, the more than 10,000 highly skilled workers projected to meet demands consistent with growth here and abroad.

Finally, the strategy

calls for an International Gem & Jewellery Trading Center, new a landmark building in Colombo serving both business interests and tourist visitors alike.

## Packaging

Presenting the five year sectoral overview on the Packaging Industry, the Chairman of the Packaging Task Force, Dharmatilake Ratnayake and Co-Chairman J D Amarasekera said that the long term objective to achieve packaging sector competitiveness would be to acquire packaging service leadership in value, quality, reliability and responsible service, with a view to capturing an overall market share of 80% of the total packaging demand in Sri Lanka. "For this we must look at specific options like productivity, competitive position, employee development, technological leadership and public responsibility involving both micro and macro perspectives of industry development. But to improve on these specific options, the current status of the industry is inadequate. Hence we have worked on strategies that are directed at two perspectives. The first will be aimed at shaping the remote and operating environment, organisational process re-engineering, redefining the Packaging Cluster and establishing intra cluster linkages. The second perspective encompasses adjustments to the policy environment, factor creation and adding new value to value chain links."

They went on to explain that the initiatives would emphasise on development of HR skills, availability of capital resources, development of infrastructure, the establishment of R&D, testing and certification training and TAA&G and service

base (a national focal point for the promotion and development of packaging) - a centre of technical excellence, identification of market needs, supply chain management / joint procurement, packaging waste re-processing facility and mooting needed policy reforms on packaging waste disposal, flexible labour laws and anti dumping regulations. "The priority initiatives include the establishment of the centre of excellence, to maintain by the EDB, the nucleus packaging centre established few year ago until the latter reaches the stage as envisaged in the first top priority initiative, policy reforms on the reduction of the cost of capital and the implementation of anti dumping legislation."

## Plastics

According to Plastics Task Force Chairman Sarath Wijesinghe, rapid changes in technology and materials in developed countries have led to relocation of their plastics processing industries to countries with the ability to manage technology. Newly industrialized countries like Singapore, Taiwan, and Korea were first to benefit, but, in turn, are losing these plants to Vietnam, Indonesia and China.

"As important, these relocations led to other, related foreign direct investment linked to those industries," Wijesinghe says. "Effectively, it's a two-for-one proposition."

According to Wijesinghe, in the past, Sri Lankan policymakers paid little attention to local industry, even though it was one of the fastest growing industries in the world. "The size of the local processing industry is presently nearly 120,000 metric tons per year with

an annual average growth rate of around 10 percent," he said. "The industry processes all commodity plastics and many engineering plastics using a range of technologies with products manufactured for both the local and international markets."

In order to gain sustainable advantages in international trade, Sri Lanka needs to identify products and markets for processing and assembly of high value added engineering plastics. At the same time, the industry needs better, more flexible labour laws to attract investment leading to the higher value products.

"Industry and job growth are a function of investment, but investment won't occur without more flexible labour laws," Wijesinghe says.

## Wood-based Industry

Wood-Based Industry Task Force Chairman Major Douglas Wijesinha said that the wood working industry in 2001 earned US \$10.8 million from exports, which is about 0.2 percent of total national export earnings.

When implemented, the strategic initiatives recommended by the Task force, exports can be increased ten fold and the domestic market three fold over the next five years, generating in excess of 100,000 new jobs.

The Construction industry consumes about 75 percent of sawnwood while the furniture industry takes 15% and other wood based industries use 10%.

"The industry other than construction employs about 50,000 workers, including 12,000 in saw milling and 28,000 workers in furniture manufacturing and accounts for about 1% of total industrial production.

The Wood Based Industrialists Association (WBIA), already is actively working towards obtaining donor funding for the setting up of the Institute of Wood Technology which is a partnership between the Government of Sri Lanka and the private sector to provide service, training, design and product development, advice and quality standards and assurance to the wood industry.

The association is also at work on solving issues related to severe environmental problems caused in the Moratuwa area, including investment in a 2.5 megawatt power generating plant to convert saw dust from a waste product to a source of electrical power.