



DIGITISATION OF SRI LANKA'S INTERNATIONAL TRADE BUSINESS - A PRIORITY

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1. Introduction

Sri Lanka has traditionally been referred to as being an agricultural economy due the production of rice, tea, rubber, coconut and spices. However, other than rice the others were produced mainly for the export market. On the other hand, the country had to incur a huge expenditure on the import of crude oil, sugar, flour and other foodstuff in addition to the capital goods such as machinery. Therefore the country is actually an Import Export economy. With the economy being liberalized in the year 1977 apparel exports became the largest single export commodity and as at end of 2015 industrial exports accounted for 74.2 percent of the country's exports while the agricultural exports accounted for only 25.1 percent. During the recent years the performance of exports has not at all been satisfactory and sometimes even had a negative growth while the imports continue to grow thereby causing a unhealthy Balance of Payment deficit.

The deficit in the Balance of Trade has been a perennial problem for Sri Lanka and has in most years recorded a continuous deficit which has been higher than the previous year. The deficit of the trade balance which began to expand from the third quarter of 2014, moderated its growth momentum during mis-2015 and recorded a marginal expansion. Sri Lanka's external sector performance in 2015 reflected the impact of the changing global economic environment, as well as a number of developments in the domestic economy. The subdued performance in 2015 with lower than expected inflows to the current and financial accounts of the Balance of Payments and higher foreign exchange outflows. Measures were taken during the year to strengthen the effective utilization of existing trade agreements, seeking possibilities for entering into new trade agreements, strengthening market research activities and enhancing marketing and promotional campaigns in overseas markets, to gain access for Sri Lankan products. Several measures were introduced in 2015 to promote investment in export oriented industries, in order to capture new export markets, expand current export markets and diversify export products while rationalizing imports.



| | 2014 | 2015 |
|---------------|--------------|--------------|
| Exports | USD 11,130m | USD 10,505m |
| Imports | USD 19,418m | USD 18,935m |
| Trade Balance | USD - 8,287m | USD - 8,430m |

Exports Performance

Earnings from exports contracted in 2015, largely reflecting the downward movement of international commodity prices and the slower growth in large economies and Sri Lanka's major export destinations. Export earnings from all categories of agricultural products except spices and coconut kernel products, declined largely, reflecting lower demand and the decline in global prices. In line with the decline in commodity prices in the international market and lower global demand, earnings from industrial exports contracted by 3.5 per cent to USD 7,976 million in 2015.

Imports Performance

Expenditure on imports declined in 2015, largely reflecting the downward movement of international commodity prices, especially crude oil and policies introduced by the government and the Central Bank to rationalize imports. Despite the marginal reduction recorded in the expenditure on food and beverages, import expenditure in consumer goods increased considerably due to the significant increase in the importation of consumer durables. Import expenditure on investment goods increased by 100 per cent to USD 4,567 million in 2015, reflecting increases in all sub-categories.

World Export Development Forum (WEDF)

The presentations made at the World Export Development Forum (WEDF) are worthy of mention. The theme for this event 'Trade for Success: Connect, Compete, Change' examined the three critical determinants for businesses to improve their competitiveness and use international markets to drive inclusive growth.

It was said that digital trade has rendered entire services sectors tradable, liberating them from the constraints of geography. Even for physical merchandise, e-commerce has created new opportunities for 'micro-multinational' SMEs to link up to customers around the world. Yet much needs to be done to open the digital economy to all, from improving connectivity, to facilitating payment systems or organizing logistics. Trade cost reduction to be promoted by the ITC led Trade Facilitation Agreement (TFA) could be more valuable for developing countries and they should join regional development measures. SMEs have been largely recognised as the backbone of the region's economy and play a significant role to generate employment, enhance quality of human



resources, and nurture a culture of entrepreneurship. SMEs constitute almost 30% of total global export earnings and almost 95% of the enterprises globally.

“Given the changing realities continued trade liberalisation and advances in IT has given great opportunities and challenges. Dynamism would be the way going forward. Unprecedented new opportunities have opened up to companies. Especially e-commerce platforms have given access to new consumers but they remain under exploited with less than 10% of companies selling their products online. Access to cheap data and information systems remains the biggest hurdle for smaller businesses that are also battling the rebalancing of China

Sri Lanka’s International Trade - Future Trends

The present government in their election manifesto promised the creation of one million jobs by the year 2020 and to increase the per capita income of Sri Lanka to cross the middle income level. The key strategies that the government has announced, are attracting Foreign Direct Investment (FDI) for which it will create a large number of Free Trade Zones. The main objective of these new investments is also to create a substantial growth in the country’s exports. It is highly unlikely that all the raw material requirements for these factories will be supplied locally which would mean a corresponding increase in the country’s imports as well.

Sri Lanka’s draft Trade Policy speaks of Promoting Strategic Export Sectors. The export policy is based on four major pillars: export promotion, trade facilitation, supply side capacity development, and global value chain or production-sharing networks, The identification of ten strategic export industries and develop them as future champions. EDB to develop them as *Potential Future Stars* (e.g. electronics and machinery, edible fruits and vegetables) while improving the performance of *Main Earners* (apparel, rubber based products, tea), *Stable Contributors* (gems & jeweler, coconut products) *Aspiring Contenders* (spices & essential oils, boat building)

If Sri Lanka is to attract good investors they will require a modern infrastructure to operate in. One of such requirements may be digital processing of their imports and exports thereby offering them a tremendous benefit inter-alia, reduced operational costs and increased efficiency. Hence the reason for prioritizing the digitalisation of the international trade business

2. Digitisation

Thanks to the continuous diminishing communication-barriers and improved accessibility to many previously unknown advanced-business and communication technologies, the world of international business is evolving at a faster pace, Over the last few decades, globalization has demonstrated itself in waves of off-shoring, near-shoring and outsourcing horizontal to vertical integration of companies and industries. Attempts at establishing state-of-the-art global valuechains, which can offer significant differentiation vis-à-vis competition was partly responsible



for this move. Globalization, has recently opened its doors to smaller-sized companies and is no more an exclusive club for elite international conglomerates of a certain size and with access to capital to invest in technologies, processes and people, as it used to be. Through higher visibility and reach provided by the digitization of business on a global scale barriers of entry to international markets are being lowered.

In recent years, distance arguably one of the prime obstacles to international business, has been re-defined. Distance no longer represents opportunity, or lack of it, although the rules of physics are still in play. Online discovery, shopping and product selection are growing cultural-phenomena with numerous benefits to both purchasers and suppliers. Digital business is inherently “customer-centric” and has strong capabilities in enabling innovative, non-traditional product and service development approaches.

Idea generation, investment, product development and marketing chains are moving toward a more cyclical path of discovery, investment, product refinement and marketing; all in active collaboration with global stakeholders and customers and all based on these capabilities,. Micro-financing is promoting demand in the early stages of product development, while simultaneously shortening the path of access to capital.

Flexible yet sophisticated and reliable supply-chain networks supported by all of these activities, with its capabilities in enabling active participation in designing, developing and consuming products, digital business has been reshaping another dimension of international business, which has enabled SMEs come up with attractive offerings to be seen competing globally shoulder-to-shoulder with major players.

Greater Competition

More players in international trade means more competition.. Although all of this looks promising and exciting for globally-oriented SMEs, in an access-for-all global market, the real fundamental question for SMEs remains as to how to differentiate in a market that is crowded with distinguished competition. Digital business is not only delivering old business ideas and products through new channels; but rather it is leveraging technology and globally accessible information to generate innovative and fresh value propositions, and it is important for international entrepreneurs to take note of it.

As most companies involved still prefer paper, international trade has failed to keep the same pace with people across the globe who have been exchanging digital documents for years, However this could soon change thanks to recent developments. Companies are set to reap huge benefits, with trade going digital thereby avoiding lengthy delays while papers get physically checked, stamped and transported between parties. A recent report revealed that digital platforms can cut the cost of exporting by as much as 83 per cent compared with traditional export channels. People need assurance that trading documents can't be replicated or forged for trade



to go digital. Traditionally, to confirm that goods and payment have changed hands, the paper method has been seen as the safest way. Banks and technology companies need to find digital alternatives that are authentic, legally binding and accepted by all users, in order to disrupt this mindset.

Finally, this is now starting to happen through a series of developments. The International Chamber of Commerce has created a set of uniform rules to support trade in the digital world.

This provides a framework for banks to accept so-called 'documents of title' electronically – a significant step forward. We have seen the emergence of new payment technologies, including crypto currencies such as Bitcoin. Crypto currencies are a subset of alternative currencies, or specifically of digital currencies. Bitcoin became the first decentralized crypto currency in 2009. Crypto currency is a type of digital currency that uses cryptography for security and anticounterfeiting measures. While headlines about virtual currency often focus on its popularity among consumers, the trade finance world is more interested in the technology behind it. For trade to go digital, people need assurance that trading documents can't be replicated or forged. The technology behind crypto currencies can help enormously, by building this assurance and enabling users to track and document entire transaction chains.

Many companies are now realising that if they don't invest in digitising their trade, they could get left behind and miss out on huge cost savings. A number of pilots have been launched and, if successful, could give the trade finance industry the security it needs in order to fully digitise trade. The importance of investing in technology to support digital trade has now been increasingly recognized by banks and their clients. Many leading trade banks, have invested heavily to update their back-office systems over the past few years. This improved infrastructure is essential and this will help digital trade to become more commonly accepted by users. Meanwhile, a few companies are leading the way, transforming all of its systems to accommodate digital trade and spurring other companies to follow suit.

Saves time and money

Many companies are now realising that they could get left behind and miss out on huge cost savings, if they don't invest in digitising their trade. Take the example of one global exporter in metals and mining ships goods between two countries in Asia: the company took its trade paperless and saved up to a colossal USD50,000 per shipment. In addition, it significantly reduced its turnaround time by eliminating physical movement of documents, by up to a week in some cases. The big steps forward that we are now seeing towards digitised trade are extremely encouraging, but more needs to happen.

Although some countries have made great strides to embrace digital trade documents, importers and exporters need more support from local customs and excise officials, many of whom still favour paper documents. Change will take time, but the benefits are clear. With digital



trade, working capital is no longer tied up for days or weeks in goods stuck in ports and warehouses, but available to be invested elsewhere. And buyers get their goods sooner. Compared to the latest smartphone or smartwatch, digital trade documents might not sound like the most exciting of technological landmarks. However, it could have a far greater impact on our daily lives by speeding up the trade flow of everyday goods, such as the latest tech gadget and spurring economic growth. Essentially, in future, our goods could become cheaper, and all because documents confirming the trade of goods around the world are finally going digital.

3. Trade Services Utility

SWIFT's Trade Services Utility (TSU) is a centralised matching and workflow engine providing timely and accurate comparison of data taken from underlying corporate purchase agreements and related documents. The TSU supports banks' value added supply chain services such as finance programmes, cash forecasting and liquidity management. The TSU's work flow can involve one, two, or more banks. The challenge Banks' trade services are adapting to changing market dynamics by meeting the supply chain challenge.

Although traditional trade instruments represent a falling percentage of global trade, the value of such instruments is continuing to grow. Meanwhile, corporate demand remains strong for trade services such as document comparison, discrepancy management and foreign exchange hedging. Such services often require an exchange of data between the buyer's bank and the seller's bank. The TSU meets this need by comparing structured data from the two primary banks and advising them of inconsistent data. Further banks can also be included into the TSU workflow. From a corporate point of view, the TSU can lead to faster access to funds, as well as better prices and/or higher credit limits. Other features include: providing timely and accurate comparison of data from underlying corporate purchase agreements and related documents, supporting messages including purchase order, invoice, transport, insurance and certificate data, and handling data, rather than electronic versions of paper documents.

The TSU complements the delivery of new supply chain finance solutions. The Bank Payment Obligation (BPO) is an irrevocable obligation from one bank to pay another bank. Together, these solutions provide a strong backbone for pre-shipment and post-shipment financing. Even though they represent a falling percentage of global trade, the value of traditional trade instruments continues to grow and they remain a key element of bank service portfolios.

Corporate demand remains strong, for individual aspects of traditional trade services, such as document comparison, discrepancy identification and dispute management, compliance, foreign exchange hedging, pre-shipment and post-shipment financing. The Trade Services Utility also complements banks' evolving supply chain strategies focusing on liquidity management and processing efficiency, beyond the delivery of financing solutions. The identification of trigger points along the supply chain creates the opportunity for banks to provide a variety of valueadded services linked to the optimisation of the corporate's cash conversion cycle. Examples include the



in-sourcing of accounts payable/receivable and/or account reconciliation, cash forecasting and a variety of risk mitigation services. The delivery of these and other services may be done on a phased basis, according to the needs of the individual corporate.

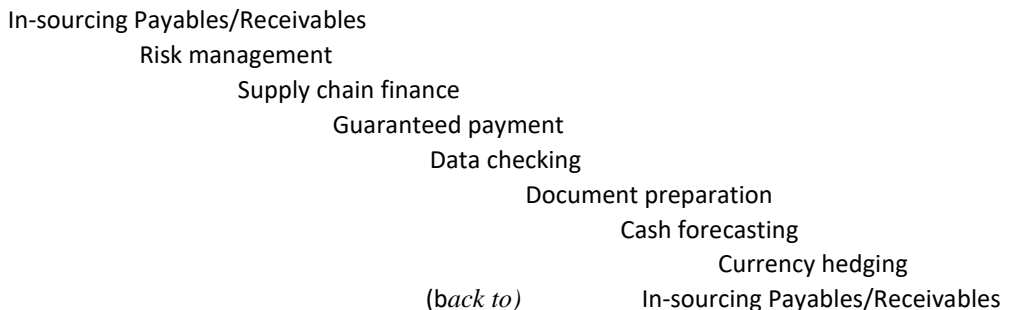
The TSU handles only data, not electronic versions of paper documents. However, TSU XML messages, earlier called TSM ISO 20022 messages, include purchase order, invoice, transport, insurance and certificate data. This accommodates the present paper world, and allows banks to build new services using only the necessary subset of important data. Frequently, these services require an exchange of data between the buyer’s bank and the seller’s bank. The TSU meets this need. It compares structured data from the two primary banks and advises them of inconsistent data. Additional banks can be involved in TSU transactions, too.

The TSU complements the delivery of new supply chain financing solutions. Its ‘Bank Payment Obligation’ is an irrevocable conditional obligation from one bank to pay another bank. The ‘Notice of Intent to Pay’ message is an information message indicating one corporate’s intent to pay another corporate. Together, the two provide a strong backbone for pre-shipment and post-shipment financing.

The TSU adds value to your supply chain finance offering bringing in process efficiency and liquidity management

| TSU features | Benefits for bank | Benefits for corporate |
|--|---|---|
| Two data sources increases confidence | Increases comfort, reduces risk and increases appetite | Better price and/or higher credit limit |
| Detailed data matching | Reduces number of discrepancies in commercial documents | Increases timeliness of access to funds |
| Notification to bank of complete events and required actions | Provides service trigger points | Funding at confirmed stages |

Trade Services Utility – The Cycle





Banks Services based on the TSU

Beyond the delivery of financing solutions, the Trade Services Utility also complements banks' evolving supply chain strategies focusing on liquidity management and processing efficiency. The identification of trigger points along the supply chain creates the opportunity for banks to provide a variety of value-added services linked to the optimisation of the corporate's cash conversion cycle. Examples include the in-sourcing of accounts payable/receivable and/ or account reconciliation, cash forecasting and a variety of risk mitigation services. The delivery of these and other services may be done on a phased basis, according to the needs of the individual corporate.

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Business benefits that the TSU offer

TSU offers lower investment costs: Banks use a shared matching engine with structured messages, avoiding the cost of building and maintaining individual, in-house matching engines. Better productivity: TSU reports allow skilled staff to handle identified discrepancies, not find them. Bank visibility of the supply chain: With knowledge of the corporate transaction's trigger points, banks can provide supply chain solutions to enhance process efficiency and improve liquidity management. TSU also offers predictability: Structured data, messages and work flows, supported by a clearly defined Rulebook provide predictability. The TSU's transaction identifier is an industry wide reference for single corporate purchase agreements. Finally TSU offers interoperability: The expanding, global community of TSU users permits new inter-bank working relationships, facilitating both collaboration and competition.

4. Bank Payment Obligation

Trade finance is a critical banking service supporting the world economy. It is vital that the industry aligns on enhanced rules and tools in support of trading counterparties whether large or small. The ICC Banking Commission views the development of the BPO rules and the related ISO 20022 messaging standards as strong foundations for banks to provide modern risk and financing services aligned with today's technology evolution. SWIFT, the financial messaging provider for more than 10,100 financial institutions and corporations in 210 countries, and the Banking Commission of the International Chamber of Commerce (ICC) joined forces to develop and adopt this industry-wide standard: The Bank Payment Obligation (BPO).

Bank Payment Obligation (BPO) is a new payment method in international trade. Main payment methods in international trade so far was cash in advance payment, documentary



collections, documentary credits and open account. Each payment method has strengths and weaknesses. For example open account and cash in advance payments are very easy to use. They are simple but they are risky either for the importers or the exporters. Documentary credits are secure payment methods but they are complicated and expensive. International trade finance needs another payment method. Bank Payment Obligation is the answer.

In recent years, the banking industry released a unique set of legal and technology standards to address the needs for growing digitisation of commerce and finance processes. These standards enable banks to provide their corporate clients with risk and financing services as from the very start of trade transactions, for example, when the sale contract is agreed by the buyer and the seller. They also address the needs for on-demand risk mitigation and financing services whilst inter-linking with electronic trade documentation platforms. This innovation offers local banks and development banks an opportunity to increase their role in supporting a vital segment of the economy: the small and medium-sized enterprises (SME) market.

Definition of BPO

Bank payment obligation (BPO) may be defined as an irrevocable undertaking given by an *Obligor Bank* (typically buyer's bank) to a *Recipient Bank* (usually seller's bank) to pay a specified amount on a agreed date under the condition of successful *electronic matching of data* according to an industry-wide set of *Rules* adopted by ICC.

“*Obligor bank*” means buyer's bank under Bank Payment Obligations. Obligor bank issues the legally binding, valid, irrevocable but conditional and enforceable payment undertaking to Recipient Bank. Obligor bank is an equivalent term of issuing bank under letters of credit definitions.

“*Recipient Bank*” means seller's bank under Bank Payment Obligations.

“*Trade Services Utility*” (TSU) means a centralised matching and workflow engine providing timely and accurate comparison of data taken from underlying corporate purchase agreements and related documents, such as commercial invoices, transport and insurance.

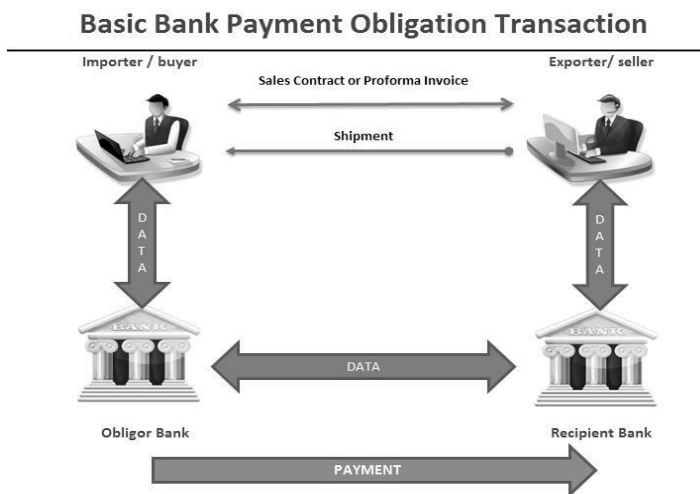
“*Rules*” means ICC's Uniform Rules for Bank Payment Obligations, Version 1.0, Publication No. 750

How the BPO works

Bank payment obligation and letter of credit have some characteristics in common. Firstly banks play a key role on both payment methods. Secondly banks are giving irrevocable payment undertaking.



Bank Payment Obligation (BPO) transactions are based on two main assumptions or expectations. The use of minimum fields, the buyer, the seller and respective banks agree on the payment terms and conditions and on the minimum trade information required to assess the credit risk. The seller can dispatch documents, such as the bill of lading, certificate of origin and certificate of quality, directly to the buyer. Given the limited information required by the banks and the accelerated document exchange, corporates can expect a lower rate of discrepancies and an acceleration of the settlement process.



The BPO will offer an alternative means of settlement in international trade.

BPOs enable banks to mitigate the risks associated with international trade to the benefit of both buyers and sellers. They enable flexible financing propositions across the supply chain, from pre-shipment to post-shipment. They provide an assurance of payment to the seller similar to that obtained under a confirmed letter of credit.

The key benefits for corporate are; working capital and cash flow improvements, easier access to risk mitigation, pre-shipment and post-shipment finance, increased automation of payment, reconciliation and forecasting processes and win-win relationships between buyers and suppliers. The key benefits for banks are; reduced costs thanks to digital process, shortened transaction time thanks to accelerated data matching, new transactional revenue and increased customer satisfaction and focus on core competencies.

SWIFT states that industry forecasts indicate that world trade will grow by 73% in the next 15 years, with merchandise trade volumes in 2025 hitting \$48.5trillion, compared to today's \$27.2trillion. ICC and SWIFT are best positioned to help the banking industry facilitate further



growth of trade using innovative solutions. SWIFT is committed to helping its member banks deliver innovation in trade finance to the corporate world.

As the volume and value of international trade has grown, there has been a significant shift away from the use of traditional trade instruments such as letters of credit, in favour of trading on open account. Driven by advances in new technology, the market has demanded new solutions to help deal with increasing cost pressures and changing risk dynamics.

5. Security and Authentication

Security and authentication are essential parts of the digitisation process. The number of occasions that hackers have been successful in accessing computer systems and websites are rapidly increasing and therefore it is absolutely vital that a very high level of security has to be maintained throughout the networks used in the transmission of data and documents. The danger was in no uncertain terms evidenced by the recent episode where USD 81 million was transferred out from the account of the Bangladesh Central Bank by hacking into the computer of an official of that bank.

Digital Certification Authority

LANKASIGN is the flagship brand of LankaClear under which WEB & Digital Security services are offered to the market. As a Digital Certification Service Provider (CSP) LankaClear provides the most secured Cryptographic Solutions through LankaSign. It operates under the Laws of Sri Lanka and any disputes would be addressed under the Laws of Sri Lanka whereas foreign Certification Service Providers would be operating under the jurisdictions of foreign countries. LankaSign operates under the legal provisions of the Electronic Transactions Act No. 19 of 2006. its root signing key pairs Security is ensured up to FIPS-140-2 Level 3 standards while the entire LankaSign CSP adheres to ISO 27001:2005 Security Standards. Further it is issuing Crypto Tokens to securely generate and store Digital Certificates for Email Signing, Document Signing & Encrypting.

LankaSign provides Digital Certificates for Digital Certificates for Email Signing, Document Signing & Encrypting. These Certificates allows you to digitally sign Documents and Email documents. A Digital Signature is the virtual equivalent of a wet Ink Signature, carrying the signer's identity and assuring the reader of the document's integrity. Placing a Digital Signature on a document proves the information originated with the signer and has not been altered, allowing secure electronic document workflows to replace tedious, paper-based processes.

Although LankaSign can provide authentication and digital certificates locally it may not have the capability to handle international transactions as certification after an international audit is a pre-requisite for them to offer their services for international trade transactions. This leaves only one option which is the SWIFT network. However, although all commercial banks operating in Sri Lanka are connected to the SWIFT network the importers, exporters and all the other related



service providers such as insurers, chambers of commerce, shipping lines, inspectorates will all have to join SWIFT as participants. The cost involved in doing so may be substantial and they may not be willing to join unless the volume of business envisaged makes business sense to incur such expenditure.

SWIFT's information security measures are comprehensive. They are designed to cater for extreme situations and aim to prevent any unauthorised physical and logical access which could lead to a loss of confidentiality, integrity or availability. Our measures include physical controls that safeguard our premises as well as logical controls that protect against unauthorised access to data and systems and encompass our detection, response and recovery capabilities.

6. Readiness for Digitisation

It was a few decades ago that the Trade Facilitation Committee came up with the idea of being ready for the digitalization of the import and export transactions. They made the first move by re-designing the document formats to facilitate automation. A committee called the EDIFACT Committee was appointed to study and submit its recommendation. Although many years passed the committee could not complete the task and the committee became defunct. Thereafter the Customs Department took it upon themselves to automate their processes and they came up with what they referred to as the e-Customs initiative which has facilitated the data entry by the importers and exporters thereby lowering the operational costs and increasing the efficiency of the Customs Department. They initially started by using the ASYCUDA system and later migrating to the ASYCUDA+ and ASYCUDA++ systems and now to the latest ASYCUDAWorld. However, they have not done away with the manual documentation which even at present is a mandatory requirement.

ASYCUDAWorld is the latest result of a process that began when UNCTAD identified the first signs of the commercial potential of the World Wide Web. UNCTAD's Trade Efficiency Summit (Columbus, Ohio, 1994) looked at how to reduce transaction costs by applying information technologies to every link of the trade transaction chain. At the time, the potential annual cost savings were estimated at up to \$100 billion.

The \$100 billion target remains elusive, but an initiative launched by the G-7 was based on the belief that it was nonetheless achievable, as long as Customs data requirements can be harmonized and simplified. That objective is now being pursued by the Brussels-based World Customs Organization, which is developing a global, harmonized standard data set that uses uniform electronic messages. The WCO Customs Data Model, as it is called, is likely to have a major impact on the processing of business-to-business, business-to-government and government-to-government transactions.



These developments, combined with the fact that 85 countries around the world are already using the same customs IT system, ASYCUDA, represent a formidable opportunity for using the Internet to make international trade simpler and cheaper whilst also making international markets more accessible to enterprises from developing countries. ASYCUDAWorld builds upon the successful experiences of ASYCUDA++, which was designed to function in difficult telecommunications environments, but also to operate through GSM networks that are already widespread in developing countries. Being web-based, the ASYCUDAWorld system will allow Customs Administrations and traders to handle most of their transactions – from Customs Declarations to Cargo Manifests and Transit documents – via Internet.

The positives from the e-Customs initiative were that there were certain level of controls and the availability of more accurate statistical data. The data furnished by the Sri Lanka Customs usually does not tally with those provided by the Central Bank of Sri Lanka and the differences run into millions of US Dollars. It also facilitated the collection of Customs Duty, cess payments, taxes etc. and transfer such funds to the various beneficiaries. Therefore the operation has become more efficient with a substantial saving of costs. One of the main advantages was that it facilitated the monitoring of the timely repatriation of export proceeds for goods exported and for monitoring that goods are received in Sri Lanka in respect of payments made for imports

All commercial banks in Sri Lanka are automated to a fairly high degree and making payments electronically is a routine operation. Most shipping lines have the capability of transmitting electronic Bills of Lading. The insurance companies in Sri Lanka also have the capability to issue electronic policies / certificates. The chambers of commerce have the capability to issue electronic Certificates of Origin. However, due to the use of paper documents, all of them are compelled to print the transmitted Bill of Lading, Insurance policies / certificates and Certificates of Origin, for submission to the banks and other authorities. Thus, we find that we have islands of automation of the various players in this market. Therefore the integration all these to a single system may pose a challenge. It is absolutely essential to have a high degree of security in order to give the participants that their transactions are secure and that there is no room for fraud or replication and there is data integrity throughout the various stages of the process.

7. Digitisation Program of the Government of Sri Lanka

When the present government came into power it identified telecommunication and digital infrastructure as two of the key areas that would define the future of the nation. A separate ministry was created for the first time to be responsible for this function and it was envisaged that a major advancement of the digital infrastructure would be undertaken by the government. However, the vote allocated for this ministry in the appropriation bill for the financial year 2016 was slashed from Sri Lanka Rupees eleven billion to Rupees three billion and most of the projects planned had to be shelved. The appropriation bill for the financial year 2017 has allocated only Rupees 2.45 billion which means that the infrastructure improvement will continue to be severely curtailed. The Information and Communication Technology Agency of Sri Lanka (ICTA) which



handles the bulk of the automation has been instructed to concentrate on projects designed to improve the efficiency of the government departments Therefore it is unlikely that much effort will be made in making infrastructure development to digitise international trade operations.

Since the government is considering growing the country's exports over threefold we may have to consider using SWIFT's Trade Services Utility which will initially involve an overhead cost. In the meantime Bankers Payment Obligation may be used which involves the transfer of a limited amount of data together with physical documents however, this will not give the advantages of a fully automated solution.

8. Conclusion

The present government has launched a major drive to attract foreign direct investments to Sri Lanka. These investments are targeted not only at job creation but also to market their products and services to market overseas. This would result in the growth in the volume of exports as well as growth in the volume imports for the purchase of raw materials that are not available locally. Digitisation of international trade business would have been a major attraction to investors who stand to benefit from the reduced cost and increased efficiency. The danger is that in a highly competitive global market the business opportunities resulting from such industries which can be handled from a location overseas, may be lost to overseas competitors thereby the country will not enjoy the full benefits arising from such investments. It is for this reason that digitisation of Sri Lanka's international trade business becomes a priority

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