

Session 04-Realizing New Competitiveness in Sri Lankan Manufacturing

Summary

1. **Sri Lanka should move out of low cost –low skills manufacturing and move into high end luxury goods manufacturing.**
2. **Lack of inadequate and skilled work force for large scale manufacturing is one of the major challenges, the sector is facing.**
3. **In order to prepare youth for the manufacturing sector, an innovative and dynamic working culture should be inculcated at school levels.**
4. **Ethical manufacturing is a one of the possible future challenges of the manufacturing sector**

Key Takeaways

1. Manufacturing is the driving force of any economy as global trade is based on manufactured goods. Also the sector provides jobs to a large work force of the country and services are also depend on the manufactured goods.
2. USA, Germany and China are top of the table in manufacturing sector due to high technology, IT, mobility, analytics and automation.
3. Drivers of the global manufacturing competitiveness are talent, cost competitiveness, workforce productivity, supplier network, legal and regulatory systems, education infrastructure, physical infrastructure, economic, trade, financial and tax system, innovation, policy and infrastructure, energy security, local market attractiveness and healthcare system.
4. Key Opportunities having Sri Lanka in creating more competitive manufacturing sector are, highly trainable staff and relatively low labour cost, geographical location and proximity to markets, unique natural assets and huge deposits of precious minerals and build Sri Lankan brands globally.
5. Key challenges of Sri Lanka's manufacturing sector is facing are,
 - increasing competitiveness in the market, facing by existing firms due to new entrants via new investments including FDI's
 - Country's open up for more trade with trade agreements etc.
 - Need to move to automation in order to be more productive and competitive to broaden both export basket and export markets.
 - Increasing complexity of manufacturing due to moving up the value chain in order to remain competitive in cost leadership position.
 - Declining trend of labour force coming into manufacturing due to reasons such as aging population, as blue collar jobs not considered classy etc.
 - Customization: frequently changing the specifications of particular product

6. Ethical manufacturing is a one of the future challenges of the manufacturing sector which requires protecting and safeguarding the environment, fair pay for employees, health and safety of employees etc.
7. As indicated above, Sri Lanka lacks an adequate workforce for large scale manufacturing which is paramount to be globally competitive with a diverse range of brands. Hence, Sri Lanka need a skilled work force to get the next level of manufacturing.
8. There is a huge move taking place in labour force from manufacturing sector to services sector.
9. Unless Sri Lanka shifts from low-end to high-end manufacturing and builds global brands it will fall behind many countries in economic growth.
10. Sri Lanka need to acquire companies from the West and relocate the manufacturing to Sri Lanka. This is the only way to move forward and to become a developed nation.

Suggestions and Recommendations

1. To make Sri Lanka's manufacturing sector more competitive,
 - Need higher technology institutions as Singapore with a large number of graduates with language and numeracy skills
 - Attract more FDIs
 - Labour market reforms have to be given top priority to instil confidence in the minds of global investors
 - Ease of doing business and regulatory compliance issues should be smoothed. Consistency in policies is a big concerns of Multinational Companies.
 - Commercial justice system should be always be efficient to a level that can still confidence in global investors.
 - More participation from the private sector and better Public-Private Partnership
 - Special incentives and various forms of tax breaks for investments in manufacturing
 - High emphasis in infrastructure development and energy security
 - Needed massive tax reforms- simplified, unified and consistent and transparent tax policy
 - Promotion of innovation and entrepreneurship
 - Stable and fair political environment
2. Sri Lanka should move out from low cost- low skill manufacturing and move into high end luxury goods manufacturing.
3. To create skilled workforce to the manufacturing sector, build the innovation and manufacturing culture in schools (teaching kids on technology, solid works, 5s, 6 sigma, value added activities etc.)
4. Creating a collaborative culture-electronics, mechanical engineering and software combined with art and design is the new receipt for good manufacturing.
5. Setup more manufacturing parks in order to protect the environment.