

**Address by Hon. Vasantha Senanayake, State Minister of Foreign Affairs at the
European Institute of Asian Studies, 18th December, 2017**

“Sri Lanka – New Economic Opportunities and New Vision”

Ambassador Alexander Spachis,

Mr. Axel Goethals, CEO of the European Institute of Asian Studies,

Distinguished guest speakers,

Excellencies,

Ladies and Gentlemen,

- 1) It is with great pleasure that I address this distinguished gathering at the European Institute of Asian Studies today. I would like to extend my profound gratitude to the European Institute of Asian Studies for the honour bestowed on me by providing this opportunity to share my views on “Sri Lanka -New economic opportunities and new vision”.
- 2) Sri Lanka has maintained diplomatic relations with Europe since ancient times - according to recorded history, Sri Lanka had sent emissaries to the Court of the Roman Emperor Claudius Caesar in the First Century A.D. Other archaeological evidences have also corroborated this view. Sri Lanka’s history has been shaped by almost five centuries of Colonial rule by European powers, which has left lasting impressions in many spheres such as the economy, culture, religion and architecture.
- 3) As you would be well aware, Sri Lanka’s strategic geographical location - in the middle of the East – West sea route in the Indian Ocean, halfway between the Suez Canal and the Strait of Malacca, the key maritime choke points to the East and West, and along routes from the Strait of Hormuz, through which most of Asia’s energy supplies transit, provides it with one of the best advantages for connectivity with the rest of the World. Since time immemorial Sri Lanka had robust maritime trade based economy, making it a unique international trading partner. Sri Lanka’s ancient ports were busy in the spice routes which were also called maritime silk roads trading in spices such as cinnamon, and also gems and pearls.

Economic vision of the Government

- 4) We place our confidence in the economic potential of Sri Lanka from the roots of this ancient, maritime trade based heritage. Today, with the end of the conflict, the country has a new window of opportunity to reclaim its position as a maritime trading hub in the Indian Ocean. Colombo is the only deep-water commercial port in South Asia. It is also the only hub port between Singapore and Dubai that can accommodate the new generation of large vessels. Sri Lanka is a gateway to India, and is the most central location to reach many other ports across the subcontinent. This central positioning allows Sri Lanka to serve vessels with a significantly lower deviation time compared to other ports in the region. This saves both time and costs for shipping lines, making Sri Lanka a preferred port of call in the region.
- 5) We take our strengths also from the more recent liberal market based economy. Sri Lanka was the first South Asian country to liberalize its economy in the late 1970's and we continue to enjoy an open economy which has evolved over the last forty years to be a system with business friendly regulations and increasing investor confidence.
- 6) The National Unity Government, clearly identifying the potential of my country to emerge and position itself in the world trade and economic map, has introduced a new economic vision document "V2025 – A Country Enriched". In the preamble of this vision document it is stated that *"Our vision is to make Sri Lanka a rich country by 2025. We will do so by transforming Sri Lanka into the hub of the Indian Ocean, with a knowledge-based, highly competitive, social-market economy. We will create an environment where all citizens have the opportunity to achieve higher incomes and better standards of living"*.

Ladies and Gentlemen,

- 7) Already, there are clear indications that Sri Lanka is in the right path towards progress. On the social development front, there are promising advances – the most recent Central Bank Sri Lanka Prosperity Index (SLPI) shows that Sri Lanka's overall prosperity has improved in 2016 to 0.746 from 0.685 in 2015. The index has many elements in it, including well-being of the people sub-index, economy and business climate sub index and the infrastructure sub index, all showing promising improvements.
- 8) Also, due to Sri Lanka's open market and investor friendly policies, there is a growing interest among major regional powers to invest in Sri Lanka. Among these are India, China, Japan and other partners.

9) Sri Lanka has undertaken several infrastructure projects to further integrate with the region and world trade. Some of the major infrastructure projects under development are as follows:

- The Western Region Megapolis project

The Western Region Megapolis project aims to transform Colombo into a modern Capital city. There will be enormous opportunities for infrastructure development; housing and real estate building; financial and ICT enabled services; logistics; and high-tech manufacturing totaling US\$ 150 billion.

- Colombo International Financial City project (CIFC)

The CIFC is expected to be developed into a financial hub between Singapore and Dubai attracting reputed international banking and financial services companies. This initiative is expected to have far reaching economic benefits to Sri Lanka and the creation of higher-paying service sector jobs.

- Trincomalee Development project

Trincomalee has been identified to cater for bulk and break bulk cargo and port related industrial activities including heavy industries, tourism and agriculture etc. The proposed container terminal at the Trincomalee Port is expected to serve trade in India's east coast as well as Bangladesh and Myanmar.

- Hambantota Port and Airport plus Industrial Zone project

The Hambantota port, which has been underperforming for some time, will be developed into the Hambantota Port Public Private Partnership (PPP) joint venture to realize its full potential. This port is located very close to the major international east-west shipping route and is at a strategic location on maritime gateway to India.

10) Several infrastructure projects have been recipients of foreign investments. India has indicated an interest in investing over USD 2 billion in the East Container Terminal of the Colombo Port, the oil tank farm in Trincomalee under a public-private partnership with the Sri Lankan government and in many other projects. Japan is also investing in key projects and is actively seeking more opportunities for investments.

11) China is investing over USD 1.5 billion in building the Colombo Port and Colombo International Financial City (CIFC). Chinese investments have also gone into the industrialization and further development of Hambantota Air Sea Hub in southern Sri Lanka.

- 12) There have been concerns expressed in some quarters that Chinese investments in Sri Lanka pose a threat to India. We have stated very clearly that Hambantota will not be a military port. We will have to cultivate strategic relations with various countries to realize our economic potential. However, this will be done keeping in mind the geographic realities. While we have commercial dealings with China in Hambantota and Colombo, we have also maintained strong commercial and maritime ties with India, Japan, the US, the UK and other countries.
- 13) We have also taken a clear stand to promote international principles and values like freedom of navigation, free trade, the rule of law and human rights. It is not only in the short term interest of gaining economic benefits but also based on long term interest of maintaining Sri Lanka's regained position in the global arena, in order for Sri Lanka to achieve a robust and sustainable development.
- 14) Sri Lanka needs to prioritize our needs for economic development and entering into strategic partnerships with major and important economies across the world as well as with regional partners. We believe in partnerships rather than segregation and are aware that only partnerships can unlock synergies that would bring significant economic benefits to the country. It is the way to bring in the best opportunities, best technology and innovation to create maximum value for the country and all its stakeholders.
- 15) The Government of Sri Lanka believes in engaging with more partners by means of negotiating Free Trade and Economic Partnership Arrangements. They are integral parts of our overall national economic policy to bolster trade, Foreign Direct Investment and other economic activities.
- 16) Sri Lanka has already entered in to Free Trade Agreements (FTAs) with two important South Asian nations, India and Pakistan, which provide access to large domestic markets in these two countries. Sri Lanka is currently negotiating to widen the scope of engagement with India in an Economic and Technology Cooperation Agreement (ETCA). As Prime Minister Wickremesinghe has observed on many occasions, there are many untapped opportunities in neighboring Indian cities and regions, including with the southern states of India consisting of Karnataka, Andhra Pradesh, Tamil Nadu, Kerala and Telegana. These states have a total population of 250 million people and a GDP of US\$400 billion.
- 17) Also, Free Trade Agreements with Singapore and China are being negotiated. We have already identified other important countries such as Malaysia, Indonesia, Thailand, Bangladesh etc. for similar arrangements.

- 18) We are keen to expand our economic outreach from our immediate neighborhood to the wider Asia and beyond. For example, we are looking at the Bay of Bengal Initiative for Economic and Technical Co-operation (BIMSTEC) Free Trade Arrangement, which is under negotiation and once finalized, would give us access to other South Asian and ASEAN markets.
- 19) The Government believes in further enhancing freedom and ease of doing business in Sri Lanka. Currently Sri Lanka's "doing business" ranking, according to the World Bank ratings, is ahead of the South Asian average and most of the other neighboring countries. Prime Minister of Sri Lanka recently stated that Sri Lanka will even introduce new legislation, as done in other countries, to further improve the doing business index performance of Sri Lanka. Together with the World Bank we have developed a road map to eliminate unnecessary regulatory and procedural obstacles.
- 20) Sri Lanka has many positives in comparison to other countries in the region: one of them is the highly skilled work force. Sri Lanka has a higher rate of digitalization coupled with a booming IT sector. And it has a high literacy rate and also a high Computer Literacy Rate (CLR). The overall Computer Literacy Rate (CLR) of Sri Lanka today is 27.6%, out of which the age group of 15 – 19 years reported the highest rate at 60.7% of CLR. This is promising as we are looking into increasing our outreach in to foreign markets through digital means.
- 21) Sri Lanka already has well established trade and investment links with the USA, European Union, the UK and also the Middle East. The EU re-granted the EU GSP plus facility in May this year, which is a hugely positive indication that we are on the right track in achieving our goals. The benefit the Sri Lankan economy would achieve through this would be vast and I am hopeful that Sri Lanka's trade links with the EU will grow with these enhanced trade arrangements.
- 22) We are also looking at the possibilities of linking up with other economic groupings such as the Regional Comprehensive Economic Partnership (RCEP), (ECOWAS) and the Common Market for Eastern and Southern Africa (COMESA) among others.
- 23) Sri Lanka believes in "hub diplomacy", which promotes Sri Lanka as the first-choice location for regional headquarters of international companies, from established multinationals to expanding start-ups. Sri Lanka, located in the midpoint of the Indian Ocean region, can become a hub between Singapore and Dubai. The Colombo International Financial City (CIFC) that is being developed would be able to provide

the necessary physical infrastructure for Sri Lanka to provide unprecedented level of off-shore trade, banking, tourism and recreational facilitation.

- 24) We need more investment – mainly FDI. We need to research and pursue new sources of investment; both that are closer to home and away in the EU and other areas. Within the region, One Belt One Road (OBOR) runs literally through Sri Lanka which is located right in the middle of the Silk Road on the Sea. We are also looking at other sources of investment in other markets in the region, including in South and Southeast Asia and the Middle East.
- 25) We need to promote the integration of Sri Lankan small and medium enterprises (SMEs) into global and regional value chains, as we cannot afford to leave the SME's in the wayside and expect to achieve a higher economic status.
- 26) It is not just the setting of rules and earmarking goals and targets, but the sharing of our values that will help us to successfully maneuver through the various stages of our transition. In valuing open and free markets, and strengthening our ties, we will create more opportunities for trade and growth, and bring stability and greater resilience to Sri Lanka and the region.

Relations with EU

Ladies and Gentlemen,

- 27) We would like to invite FDI from the EU. The benefits of EU investing in export driven trade with Sri Lanka would include strategic location, preferential access to neighboring markets, supportive government policies, educated workforce, fast developing infrastructure, and an increasingly vibrant business environment. In addition to the benefits of GSP+, the ETCA with India and the FTA with China will give Sri Lanka preferential access to a market of 2 billion people with an emerging middle class.
- 28) Investors from EU could also explore opportunities of partnering with local companies in the fields of Knowledge Process Outsourcing (KPO), Business Process Outsourcing (BPO) and also Intellectual Property (IPR) based software product solutions. There are also considerable investment opportunities in the tourism sector. Sri Lanka has enormous potential as a tourism sector. Leading hotel companies such as Shangri-La and Movenpick have set up operations and others such as Hyatt, Marriott & Radisson, ITC are scheduled to follow.

- 29) Our Government's economic vision is ambitious but we are also pragmatic in our approach. We have taken several measures to strengthen the macroeconomic framework and to address shortcomings in investment facilitation. We have formulated new legislation to make Sri Lanka more investor friendly.
- 30) We recognize that Government policies and behavior shape the investment climate. We are also taking significant steps to eradicate corruption and strengthen good governance. As a country that has experienced many of the horrors of terrorism, which Europe is witnessing today. We are mindful of the importance of political stability and national security.
- 31) We continue to strengthen our cooperation with the European Union and bilaterally with the EU Member States. Prime Minister Ranil Wickremesinghe visited Brussels last year and had very high level meetings with the EU hierarchy and the business community. There have been regular Foreign Minister level visits in the last two years. The granting of GSP+ is a manifestation of the confidence the European Union has in the present Government under the leadership of President Maithripala Sirisena and its commitment to good governance, respect for human rights and the rule of law.
- 32) As you may be aware, Sri Lanka is a heterogeneous society comprising several ethnic and religious communities. The present national unity Government has taken several tangible steps to address post conflict issues. We have given priority to resettlement, rehabilitation and to empower economically marginalized groups. The constitutional reforms particularly the 19th Amendment to the Constitution has strengthened the independent institutions and reduced the powers of the Executive President.
- 33) We are addressing several rule of law issues with new legislation. Some of these legal reforms are difficult because of the complexity of the issues involved and the need for wide consultations. But we are confident that the process is moving forward even if it is perceived as slow. We are implementing the UNHRC Resolution on Sri Lanka and it is to be noted that recently when Sri Lanka submitted itself to the Universal Periodic Review (UPR) process that our progress was highly commended by the Member States.

Conclusion

- 34) In the last few days I have had meetings at the European Parliament as well as bilateral meetings with Belgium and Luxembourg with whom we are working closely to strengthen our ties. Early next year we will send a business delegation to Belgium and

Luxembourg. Our trade relations with these countries are growing significantly. Similarly, we are working with the trade chambers across Europe and we continue to participate regularly in trade fairs.

35) I am pleased to see so many friends of Sri Lanka in this room including the representatives of the European External Action Service and the European Trade Commission.

36) In conclusion, I would like to state that Sri Lanka is very keen to maintain a regular dialogue with the European Institutions. We count on the European Union member countries' support and cooperation in helping to advance our country's economic goals that would usher in an era of prosperity for our people.

37) Thank you once again Mr. Axel Goethals, CEO of the EIAS for inviting me here today.

Thank you.