The new Sri Lanka-China economic relationship must continue

Speech made by the Prime Minister Ranil Wickremesinghe at Chamber of Commerce, Beijing on August 11, 2003

Mr. Chairman, Ladies and Gentlemen, look out over the skyline of our capital Colombo and two buildings stand out for all to see. One is the Courts of Justice and the second is the Bandaranaike Memorial International Conference Hall. Both were gifts by the Chinese people to the Sri Lankan people and both stand proud as symbols of our long and deep friendship.

These buildings are just a small indication of the cooperation between our two countries over the years. Today the Chinese people are involved in many projects which are helping the people of Sri Lanka in most positive ways.

The Peoples Republic of China and Sri Lanka have a relationship which has been built on trade. The Rubber Rice Pact was one such trade agreement between the two Governments. That era is now over.

The new economic relationship must continue however but based on trade, investment and services between business enterprises from both countries.

That is why this meeting today is so important. It is a pleasure to be here and to have the opportunity to meet with the business community of one of the most dynamic and fastest growing markets in the world. What you are doing here is changing the global economic map.

In Sri Lanka we too wish to make our mark in the new and emerging business world. While we are a small country, Sri Lanka is strategically located just south of India and in the middle of the Indian Ocean, roughly equidistant between Dubai and Singapore.

Our strategy is one that many of you will know well. Here in China, Hong Kong has played a critical role as a regional hub for logistics, finance, transport and virtually all essential business services. As a "gateway" earlier to the new economic zones it provided a ready linkage with the global economy.

Because of our size, strategic location and quality human resources, we in Sri Lanka see the same opportunity to play such a role for South Asia.

With the rapidly growing opportunities for trade between China, India and the rest of the South Asia region, our ability to serve effectively as the gateway will be a major asset for business in China.

It is with that in mind that I would like to lay out the areas where you as hardened and successful businesspeople can seize the opportunities we offer. Business opportunities which will create a new base from which to work and also a vibrant hub in which to grasp unique investment and business opportunities.

As our economy goes through its rapid metamorphosis and the new economy emerges I hope that you will take the chance to come and see what we have to offer.

But first I would like to describe some of our plans, alluded to already, to emerge as a key transport and logistic hub for the region.

Let me start with our ports. Our central location has led to the development of the Port of Colombo as one of the regions most efficient and fastest grwing ports in the region. One that many of you know has a high reputation for efficiency in handling cargoes and in ship repairs.

Today there are two competing container handling facilities operating, undertaking an increasing amount of trans-shipment activities. We have begun the process to significantly expand facilities in Colombo, with investment in what we term the South Port, adjacent to the existing Colombo Port.

But in Sri Lanka we are also blessed with one of the world's largest natural ports, in Trincomalee, in the east, and the feasibility to develop a third major international port in the south, in Hambantota. The Hambantota Port will sit on one of the world's main shipping lanes with some 1200 ships a day passing our south coast. And unlike urban-based ports, there is the space to develop this as a high volume, multi-functional facility.

Our vision is to develop a network of ports - where the sum of the three is much greater in economic terms than that of the individual parts. With all three linked together by efficient internal transport connections, it will be possible for containers to land at one facility and easily depart through another port.

Since the 1860s there have been proposals for the development of a bridge that would provide road and/or rail links between India and Sri Lanka.

Today the Governments of India and Sri Lanka have agreed to undertake a feasibility study for a land bridge between India and Sri Lanka, supported by the Asian Development Bank. When in place, this will enhance the value of our network of ports by providing more cost effective access to the fast growing markets of South India through a new fast roads infrastructure.

Our role as a transport and logistics hub will also include a major expansion in the capacity of our airport facilities. Because of our location, for many years Colombo was an important stop for air traffic between Europe, Asia and the Pacific. We lost much of that business due to the conflict that has affected Sri Lanka for the last two decades and the misguided economic policies pursued in the past. Fortunately today we have achieved a ceasefire that has lasted twenty months and despite recent setbacks looks soon to continue with new vigor.

With that long awaited peace we are creating a more outward looking economic policy that is changing the face of the region. We are re-developing the airport, planning a second runway and a major expansion of facilities, including airfreight capacity. We are also looking at the creation of other airports to bring businesses closer to our sea-lane logistic hubs as well as providing improved tourism opportunities.

Then we have learnt the lesson from Hong Kong and more recently Shanghai. In both cases it has been important to develop a strong financial sector. We intend to do the same for our region.

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Sri Lanka already has a strong international banking presence, including many of the key banks - such as HSBC, Citibank and Standard Chartered. We also have a number of strong domestic private banks with extensive international activities.

Our banking sector builds on a sound foundation of a strong and stable currency. We have eliminated almost all foreign exchange controls. All current account transactions are free from regulation. And while we currently retain a very limited number of capital controls, the good news is that there are no limits imposed on foreign investment flows, including repatriation of dividends, profits and capital.

Meanwhile our Government is continuing to remove the few remaining exchange controls. Today we are in the process of introducing a new Foreign Exchange Management Law that will, among other things, abolish the Exchange Control Department and make it easier to do business in Sri Lanka.

Of course, the health and competitiveness of a country's financial sector depends upon the government pursuing sound macroeconomic policies. I am delighted to say that our Government has been making great strides in managing our budget and strengthening our public finances. As a result, our currency has remained strong, interest rates are declining and resources are increasingly available for productive commercial investment. This is in no small amount a reflection of the Fiscal Responsibility Law we introduced shortly after taking office. This has made clear the milestones we must reach to maintain a sound macroeconomic foundation. And we remain firmly committed to staying the course.

Such a strategy depends upon Sri Lanka building upon its existing export capacity to become a highly competitive platform for value addition. Despite the war we have been able to establish an export base, which is growing and diversifying.

Our largest manufactured export continues to be garments, mainly exported to the USA. We are aware of the challenges that will be faced in 2005, after the end of the Multi-Fibre Agreement (MFA). But unlike many countries that have built up garment industries, many of our manufacturers have developed highly efficient and productive companies that will be able to compete after 2005.

Meanwhile our Government is currently undertaking several important initiatives to improve our market access and enhance our export capabilities. Moves that will make us even more attractive as a hub for the region and as a place for you to base your foreign activities.

For example, we are now in the process of negotiating a new Comprehensive Economic Partnership Agreement with India. This will build on the existing Free Trade Agreement that we already have with them. The new Agreement will further liberalize trade in goods, but will also include services and investment as well as provide a framework for economic cooperation in other areas. With this Agreement, Sri Lanka will offer unparalleled opportunities for businesses seeking to do business in India.We are also pursuing a Free Trade Agreement with the USA. Sri Lanka was the first country in South Asia to enter into a Trade and Investment Framework Agreement (TIFA) with the US and all the indications are that a full Free Trade Agreement can be worked out in the near future.

The benefits of a Free Trade Agreement with the US are obvious. In addition to providing an opportunity to better weather the end of the Multi-Fibre Agreement, it will also provide an impetus to diversify our export base and strengthen the competitiveness of our entire economy in an environment of greater competition with the world's largest economy.

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