

Excerpts from speech made at the business meeting in Tel Aviv

During my brief address I wish to dwell on investment opportunities in Sri Lanka, possibilities of entering into international joint ventures with Sri Lankan companies, potential for bilateral trade, economic cooperation and tourism among others. As most of you are aware Sri Lanka was the first country in South Asia to liberalize her economy in 1977, thus anticipating well in advance the regionalism and globalization. Sri Lanka has now been a liberalized market oriented economy for well over three decades and we are well integrated into the world economy. Since Independence, Sri Lanka, has recorded a positive GDP growth, except in 2001. The Sri Lanka economy has been growing at an average of 6% since 2002 and exceeded 6% in consecutive years in 2005, 2006 and 2007.

When we regained independence in 1948, the same year the State of Israel was established we were predominantly an agricultural economy focused on cash crops such as tea, rubber and coconut. Over the years the economy has undergone transformation and at present the services sector account for nearly 60%, industrial sector 28% and agriculture accounts for only 12% OF GDP. The industrial sector is dominated by garment industry and our manufacturers have gained a niche status in apparel manufacturing and in export markets such as USA and European Union.

May I elaborate some of the key endowments, particularly economic and commercial in my country which might stimulate your interest and attention. The strategic geographic location of Sri Lanka has been a cogent vantage not only in the last couple of decades but during the last couple of millennia for traders and business persons from many countries.

Sri Lanka was an entrepot of trade on the well known "Silk-route of the Ocean" in the past, thus accommodating the traders to exchange their products, and buy our products, primarily spices. I need not emphasize the importance of the Colombo Port, which is linking the Middle East, Far East and South East Asia. Located in the strategic sea lanes that traverse from East to West and vice versa, Colombo Port, which is in the process of further expansion, is often considered as among the emerging container hubs in Asia. Sri Lanka's location on the underbelly of the vast Indian Sub continent is also important as we can be the gateway to the vast and fast developing Indian market.

Sri Lanka has Free Trade Agreements with India and Pakistan. The Free Trade Agreement with India, which came into effect in March 2000, has become most beneficial and sought after by manufacturing entities, from many a country, in order to export their products to India at concessionary or at almost zero duty. For your information, 4,800 goods can be exported to India at almost zero duty. Sri Lanka is also at the final stages of concluding a comprehensive economic

partnership agreement with India, which would include services, professional and financial, and investment which are not covered in the existing Free Trade Agreement. The rationale for me to provide these details is to create interest among companies and business persons to seriously consider Sri Lanka as a manufacturing and service base, which would have direct access to many of the South Asian and South East Asian markets, particularly, the mega market of India.

May I mention at this point that Sri Lanka, in addition to the South Asian Association of Regional Cooperation (SAARC), is a member of other regional groupings like the Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC) which is a link between SAARC and ASEAN and the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC).

It may be germane to state that the Sri Lanka Government has evolved a highly business friendly milieu, and proactively pursues a policy of economic liberalization with focus on corporate sector and public- private partnership among others. Most of you would be cognizant of the fact that Sri Lanka has a well established legal system, which is highly beneficial to foreign investors. Foreign investors, based on their respective investment commitments, are extended generous package of incentives such as tax holidays and exemptions, second to none and would have no restrictions on the repatriation of earnings and capital. The Constitution of Sri Lanka provides a guarantee for foreign investments, perhaps the only country in the world to insert such a clause in the country's supreme document. Sri Lanka is a signatory to the Multilateral Investment Guarantee Agency (MIGA) of the World Bank.

The Board of Investment of Sri Lanka facilitates foreign direct investments, foreign institutional investments and international joint ventures from the very inception to their fruition and has recently adopted a fast track to approve foreign investment applications.

Sri Lanka has a number of mega infrastructure projects, in different stages and degrees, in the arena of power, highways, ports and railways.

The Colombo Stock Exchange is rated as one of the more stable equity markets with one of the highest return on investments during the last three to four years. In order to ensure the smooth execution of the equity market, the country has a highly advanced Security and Exchange Commission as well. Any foreigner could commit investments in the Sri Lankan equity market.

Sri Lanka has one of the most enriched human resource capitals with a literacy rate of 93%, which is comparable with the literacy rate of any developed nation. Many manufacturing companies, including foreign companies, consider the knowledge, adaptability, deftness and linguistic finesse i.e. English, of the workforce of Sri Lanka as a compelling and potent commercial asset. It would be pertinent to mention that the academic profile of the country is high with several universities producing a large number of marketable graduates in spheres such as economics, commerce,

accountancy, IT, ICT and engineering among others. The wage rates are very competitive compared with most countries seeking foreign investment.

The excellent educational, health and recreational facilities available in our country with many international schools offering curriculum to suit any special needs and modern hospitals where any kind of surgical operations such as bypass can be undertaken will certainly offer excellent living conditions to expatriate community. We also have excellent recreational facilities in Colombo and other areas such as golf etc

We have well developed investment zones with suitable infrastructural facilities in many parts of the country.

The foreign investors who have been associated with Sri Lanka over a long period are extremely happy with our conditions and I may mention among the successful stories are the well known Japanese porcelain manufacturer Noritake and the Australian Ansell Company which is an affiliate of Dunlop Co. Noritake has been present in Sri Lanka since 1972 and the Sri Lanka Noritake plant is the largest overseas operations of the company. Recently the company has ventured into manufacturing bone china tableware in our country. The Ansell company is one of the largest manufacturers of surgical and medical gloves, using Sri Lanka rubber. India's Mahendra & Mahendra Company which is one of the largest conglomerates in that country recently decided to start an ICT park in Sri Lanka.

Bilateral trade between our two countries has been less than USD 100 million last year. This figure, though minimal compared to the total bilateral trade of Israel which stands close to USD 100 billion, reflects the enormous potential which is yet to be exploited by the two countries. When I first observed the relatively modest figure of USD 100 million, I was somewhat perturbed, but at the same time, I was of the conviction of the increasing potential in the realm of bilateral trade between the two countries, given the basket of products and services. Since I am addressing the corporate captains and executives as well as key decision and policy makers at this august chamber, I wish to highlight some of the more possible sectors that the companies of Israel could contemplate to commit investments. These would include, rubber, electronics and electrical items, ceramics, machinery, mechanical appliances and automobile parts among others.

Having stated these sectors, I would be failing in my duty if I do not stress the increasing potential of the outsourcing and Business Processing Outsourcing (BPO) and Knowledge Processing Outsourcing (KPO) sectors of Sri Lanka. I said earlier, Sri Lanka has an educated, committed, driven and English speaking populace, who could be easily trained to be employed in outsourcing, KPOs and call-centers. Today, outsourcing has revolutionized the manner in which the companies operate, in order to enhance their profitability and productivity. As we may agree, due to rising costs of production and operations in the West, a conspicuous number of companies, both in the manufacturing and in the service sector, have moved their peripherals as well as some of the central

operations to developing countries, where wages and capital costs are much cheaper and competitive. In no uncertain terms, I wish to state unequivocally that Sri Lanka has a highly salubrious and pleasing milieu for companies of Israel to outsource their respective operations to Sri Lanka.

Another important sector where there is much potential is tourism. Sri Lanka is a multi religious country and Christians account for nearly 10%. There is already tourist traffic from Sri Lanka to Israel and they are mainly Christians who are visiting holy places like Jerusalem. Package pilgrim tours to holy land are advertised in Sri Lanka. I am aware that Israelis are now interested in visiting new and exotic destinations in Asia. Sri Lanka has been known as a paradise and pearl in the Indian Ocean from immemorial times as can be gauged from names given to in the past. We were known one time as Serendip and the world serendipity entered the lexicon from that word and one of the mountains in the island is known as Adams peak. We have within a compact area of 65,000 square kilometres all major tourist attractions to satisfy any taste, be it sun and beaches, wild life, cultural tourism, ancient monuments and nature tourism. We have eight world heritage sites recognized by UNESCO. The people are friendly and hospitable. We have some of the best hotels in the world which give pride of place to natural surroundings. There are convenient flight connections with Sri Lanka. We look forward to welcoming more and more Israel tourists in future.

It was heartening to note that Agreements between the two countries have been signed on Trade and Economic Cooperation and on Cooperation in the field of Tourism just less than a year ago. If these Agreements are executed and implemented with efficacy, the utility to both the countries would be significant and would also create a mutual kinetic synergy. It is my belief that many of such agreements would come into effect and more importantly, would be executed, thus fructifying their utility.

In conclusion, since most of you in the audience are in the corporate and business sector with interests in foreign commercial activities, some of you might be pondering of the fact whether Sri Lanka is 'Safe' to conduct business operations, promote tourism and commit investments. I wish to state that the most sincere response I could submit to you would be that Sri Lanka is safe, similar to many of the developing countries, but I do prefer to qualify my assurance and considered response. Most of you may be aware that Sri Lanka is confronting terrorism and is addressing it in the most comprehensive manner, thus exploring all viable and possible alternatives. Hardly any nation in the world today, is it developed or developing, is completely safe from the scourge of terrorism. However, I am happy to state that during the last three decades, not a single foreigner was killed or maimed due to terrorism related acts and developments in Sri Lanka. No foreign investment has been targeted by the terrorists who are mindful of the international repercussions. This fact alone corroborates the degree of safety of Sri Lanka. We are confident that peace will return to Sri Lanka very soon. While we are fighting the terrorist menace we are working on a political solution to meet the aspirations of the minorities through decentralization of administration to the periphery. We have

liberated the Eastern Province and early this month we had elections to local bodies with voter turnout as high as 60% and in May we will be having elections to Provincial Council in the East which will elect a Provincial Chief Minister. In the North only two districts are under their control and we can emancipate those areas as well in the foreseeable future. Once peace returns to Sri Lanka we have to undertake massive rehabilitation and reconstruction programme in the affected areas. There will be opportunities for foreign companies in restoring the infrastructural facilities in these two provinces in Sri Lanka.

Having addressed your august Chamber and highlighted the economic opportunities and vistas in Sri Lanka, I request the business personalities and key policy makers to consider Sri Lanka as a favored destination for commercial activities and investments and for tourism. I should like to assure you that my government and I personally are looking forward to welcoming businessmen, investors and tourists from Israel and we would be very happy to provide whatever assistance you require to facilitate closer economic and business interaction between our two countries