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பிரதம அமைச்சரின் அலுவலகம்

PRIME MINISTER'S OFFICE

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**Opportunities of Convergence Speech at the South Asian Diaspora Convention**  
**by Hon. Ranil Wickremesinghe Prime Minister of Sri Lanka**  
**On Monday 18th July 2016, in Singapore**

Mr Tharman Shanmugaratnam, Deputy Prime Minister and Coordinating Minister for Economic and Social Policies, Singapore, Ambassador Gopinath Pillai, Chairman, Institute of South Asian Studies, National University of Singapore, Distinguished delegates and Friends.

Let me thank you at the outset for inviting me to this, the third South Asia Diaspora Convention, hosted by the Institute of South Asian Studies in Singapore. This event underscores the strategic position to which Singapore has evolved in the last 51 years as a key intersection between the East and the West. That we South Asians are congregating for this event in a South-East Asian nation is testimony to Singapore's vision and skill in hosting these events.

South Asian relations with this region go a long way back. The ancient historical chronicle, records that our people first came to Swarnabhumi 25 centuries ago. They were adventurers, sailors, traders, emissaries of Emperor Ashoka, astrologers, priests, and the like.

The best known is Kaundinya, an Indian Brahmin, who founded the kingdom of Funan. This kingdom was connected to the ancient Pallava Kingdom of South India. For centuries, the alliance between the Pallavas and the Sri Lankan Kingdoms dominated shipping in the Bay of Bengal. South Asia was the pinnacle of progress in the ancient world.

Today, with a population of 1.7 Billion and an impressive growth rate that the World Bank calls the highest in the world, South Asia is very much the place to be in. Supported by low oil prices and high domestic demand, growth rates are currently high in South Asia. However there are limitations to domestic-based growth, especially for smaller South Asian economies.

South Asian Businesses need to respond to the new de-regulation sweeping global trade, taxation, financial management and business. In order to sustain medium and long-term growth, South Asia Governments must focus on further opening the national economies and promoting foreign trade and investments. This requires a structured and consistent reform agenda, macro-economic stability, free trade, decreasing deficits, improving the ease of doing business and an increase in public infrastructure investment across the region from 3.5 % of GDP to 7.5 %.

My country Sri Lanka which has been ranked the highest in economic freedom in the region by the Heritage Foundation, which has been pioneering economic liberalization in South Asia.

Yet today, in Sri Lanka we are also forging a fresh political initiative – a politics of convergence to consolidate democracy.

In 2015, the people of Sri Lanka voted twice for a national unity government that assured the country prosperity and stability, eschewing myopic political and economic policies that lacked long term focus. On January 8<sup>th</sup> last year, the voters elected Maithripala Sirisena as President to execute this mandate. This was further strengthened in August after the Parliamentary elections when we formed a National Government consisting of the two main political parties. The national government, has resulted in political stability and a bi-partisan agreement to formulate consistent and stable economic policies. This, in turn, has set in motion long overdue smart, and sustainable economic reforms to harness the country's tremendous potential.

These include:

- Reducing the budget deficits from 5.4% of the GDP this year to 3.5% by 2020.
- Introducing a new Foreign Exchange Act – to remove restrictions on current accounts.
- Reforming the tax law to favour simplicity and cut red tape for business enterprises thereby offering a better environment for business.
- A new set of incentives for investments is being formulated in consultation with the IMF and the World Bank.
- The sale of non-strategic ventures such as The Colombo Hilton, Lanka Hospitals, the Hyatt Regency Hotel - amongst others - will herald investment opportunities. SriLankan Airlines with its diverse network of routes is a mature airline and is up for investment collaboration.
- With 13 years of compulsory education, Sri Lanka has scored high in the Human Development Index in the region for two decades. The regional average for youth literacy was 83% but Sri Lanka's is over 98% as confirmed by World Bank.
- We recognize that poor infrastructure, obsolete policies and unfavorable business environments constrain the ability to do business across borders and act as a drag on competitiveness in South Asia.

In response, Sri Lanka has launched an ambitious program of physical infrastructure development to overhaul the sea, air, road transportations, the energy sector and telecommunications so as to form the backbone of the country. These efforts are intended to support government initiatives to develop Sri Lanka as a regional hub in finance, logistics and business.

Allow me to highlight our key sectors of interest.

### **Manufacturing and Service**

The policies for the manufacturing and the service sectors will be based on Sri Lanka becoming a platform for comprehensive value addition and joining the Global Value Chain. We will focus on the industrial internet of things amongst new business models, innovations, skills development for the job market, the provision of industrial infrastructure and the promotion of private investments.

## **Digital Economy**

Sri Lanka is ranked among the Top 50 Global Outsourcing destinations by AT Kearney, while Colombo is ranked among the Top 20 Emerging Cities by Global Services Magazine.

Our new policies seek to improve the network infrastructure the skills shortage and the digital divide across ICT services in terms of computer literacy so as to ensure that ICT4ALL is available in all parts of the country.

## **Tourism**

Sri Lanka's potential for Tourism has not been fully utilized. A new programme will include infrastructure for high value tourism and the further development of the hill country, the opening of the Eastern beaches and offshore projects such as yachting and cruises - stretching from the uninhabited small islands in the North to the historic Galle City in the South.

## **Infrastructure**

The government has launched a large scale economic and infrastructure project – the Kandy – Colombo – Hambantota Corridor that will reshape the country's urban landscape with two airports and two sea ports. This corridor will amalgamate five separate projects.

1) The Kandy Mega Development Project, 2) the Wayamba (North-Western) Industrial and Tourist Development Project, 3) the Western Megapolis, 4) the Southern Tourist and Industrial Project and 5) the Hambantota Economic Development Project - to be implemented over 15 years.

The US \$ 40 Billion Western Megapolis project aims to develop the Western Province as a Megapolis with metropolitan areas on a global scale. The Western Megapolis which will have an estimated population of 8.5 million by 2025 will establish Colombo as a business and financial hub to attract foreign investors to set up operations in Sri Lanka. The Colombo Port will be modernized with up-to-date infrastructure to accommodate Triple E-Class mega ships. The Katunayake International Airport will be further expanded. It will include a Logistics corridor, Industrial clusters, a Science and a Technology City and the Financial City Project involving the reclamation of 269 hectares of land from the sea, will also be in this area.

The proposed Financial City is ideal to fill the vacuum for a financial city along the trading route between the cities of Singapore and Dubai. The financial city will function as a special jurisdiction area with its own economic and commercial laws to facilitate operations of global multinational corporations and grow as a business and financial hub.

The US \$ 10 Billion Hambantota Economic Project, located in southern Sri Lanka, will invite investments to build oil refineries, power generation plant and industrial zones. We have already started discussions with a number of Chinese Investors.

Other initiatives are focusing on providing logistics support through better road connectivity. Indeed, expressways connecting the Western and Southern Provinces of the country will play a pivotal role in cross-border connectivity linking Sri Lanka's two principal seaports.

A third Port Development is planned for Trincomalee in the East Coast. The Sri Lanka Government has entered into agreements with Surbana Jurong Private Limited to prepare the master plan for Trincomalee based on shipping, manufacturing and tourism. The area of 175 km to the South of Trincomalee will also be developed as high-end tourist resorts.

## **Trade**

We recognize that small domestic markets are insufficient to sustain growth – therefore a shift to greater export orientation is required to achieve a growth of 8%. Hence, our trade policies will focus on gaining access markets for Sri Lankan exports.

We have already made the application to the European Union to regain the GSP+ facility for tariff relief. This facility will give Sri Lanka competitive edge in accessing the single European Market. We are hopeful of negotiating this agreement by 2017, which will be a tremendous boost for Sri Lankan manufacturing, services and agricultural products.

We are also negotiating a Free Trade Agreement with China under the One Belt-One Road initiative. This is necessary in order to make a success of the Chinese investment in the Hambantota Economic Project and the proposed Financial City.

In addition, Sri Lanka's long standing economic cooperation with Japan will help us to further modernize our economy. These include planning the Kandy Mega Development Project as well as the Science and Technology cooperation.

We are cognizant that the economic asymmetry between Sri Lanka and India is going to increase in the future as the latter emerges as a major global player in an increasingly multi-polar world.

The India-Sri Lanka FTA between the two countries will be further expanded and deepened to go beyond trading goods to cover trade in services, investments and technology cooperation. The proposed ETCA will also remove all barriers to trade. We expect the ETCA to be signed by the end of this year.

The complementary economic developments in South India and Sri Lanka will be enhanced by ETCA, which will provide an impetus to the existing synergies.

As you are aware, South India is home to six key ports in India – the Chennai port and Tuticorin Port in Tamil Nadu, the Visakhapatnam Port in Andhra, the New Mangalore Port in Karnataka, the Cochin Port in Kerala.

A significant share of Sri Lankan exports enter into India through ports such as Chennai located in Southern India and a significant share of the cargo are transhipped to ports located in the Southern India. The ETCA will provide the opportunity to strengthen cooperation between the two-port system - paving the way for an inter-related and integrated port system between the two countries. With the proximate location of industrial zones and logistic and financial services along this

strategic maritime corridor, Sri Lanka and South India provides attractive investment opportunities for a range of activities in industry, information technology and tourism.

India's five southern states – Karnataka, Andhra Pradesh, Tamil Nadu, Kerala and Telegana have a population of 250 million people and a combined GDP of nearly US\$ 450 billion. With the addition of Sri Lanka US\$ 80 billion GDP this sub-region will have a US\$ 500 billion economy. The ETCA has the potential to promote a rapid growth of the US\$ 500 Billion sub regional economy.

Finally we are also negotiating a Free Trade Agreement (FTA) with Singapore. As you know Singapore has a Comprehensive Economic Partnership Agreement (CEPA) with India.

On the one hand, Sri Lanka's close proximity to the fast-growing South Indian states offers a strategic economic advantage to the country.

On the other, the sub-region (especially India) also stands to benefit immensely from Sri Lanka's uniquely positioned geo-strategic advantage – its location at the crossroads of major shipping routes connecting South Asia, the Far East and the Pacific with Europe and the Americas.

Maximizing on these factors will transform Sri Lanka into a geo-economic center of South Asia, dynamically and synergically engaged with the rest of region.

By next year the Singapore-India (CEPA), the Indo-Lanka ETCA and the Sri Lanka-Singapore FTA will enable the southern sub region of South Asia and Singapore to establish a tripartite arrangement for trade and investments.

Such a bold agreement posses the potential to enhance economic cooperation between our three countries that will also have a positive impact on the Bay of Bengal trade. At the other end, Singapore too will expand its importance and capacity for business networking in the region.

It is a vision of convergence that is inextricably interwoven with the future of South Asia as a whole. It is up to us then to be imaginative and bold in providing the political leadership to maximize on the potentials and opportunities of such a convergence.

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