

**Amcham Annual General Meeting.**

**September 29, 2010 at 5:30 p.m.**

**The Amcham's Role in Developing Post-Conflict Sri Lanka**

**I am very happy to be here with my friends from the Amcham today. The Embassy has a great relationship with the Amcham, and we have worked together on many issues to strengthen the bilateral relationship and to create economic opportunities for all Sri Lankans.**

**The first point is a word of thanks. As you know, the board members are busy executives, and they don't get paid for their time working on Amcham issues. The board, under the dynamic leadership of President Vijaya Ratnayake, has been very active and has revitalized the Amcham. The Board has worked hard, for instance, to cut costs while maintaining member services, and the Amcham is in a much better position financially than it has been for years. That is a great accomplishment, because while it is much easier to spend and avoid hard decisions, making hard choices is the essence of strong leadership. The Amcham's decisive actions have ensured the stability of the Amcham for years to come.**

**The Amcham continues to work on issues vital to the business community. Sri Lanka aspires to become a knowledge hub, and we hope that they are successful. One key to building a knowledge hub, of course, is protecting intellectual property to ensure that innovators are properly rewarded for their work and creativity. The Amcham, the Embassy and the Government of Sri Lanka have worked together to protect intellectual property rights. It is**

**hard to overstate the importance of IPR, since the theft of intellectual property costs American businesses billions of dollars worldwide each year. We have put on training sessions for judges and lawyers. We have worked with the National IP office and the Ministry to Health to conduct four seminars in Colombo, Kandy, Jaffna, and Galle on the risks of counterfeit drugs. The Government has established a unit in the police force to combat the selling of pirated goods, and they, with the help of private industry, have conducted raids on establishments selling pirated goods. This is progress.**

**We are also working with the Amcham to promote trade between our two countries. Each year the United States and Sri Lanka meet to iron out trade issues in talks within the Trade and Investment Framework Agreement, or TIFA. The U.S. and Sri Lanka are supposed to alternate hosting the talks but the last two session have been in Sri Lanka. Each time we worked with Sri Lankan Ambassador Jaliya Wickramasuriya to bring a trade delegation of U.S. companies to Sri Lanka. The Amcham worked with the Amcham in India to bring in more investors. These trade delegations provide opportunities for U.S. businesses help sell Sri Lanka to the rest of world. Our Embassy has also helped spread the word. In the last year our economic officers went to Singapore and Chennai to address local Amchams on the economic opportunities in Sri Lanka. We want to expand regional trade, and what better place to start than at our network of Amchams?**

**As you know, the United States has a huge trade deficit with Sri Lanka, since we import over \$1.7 billion dollars in Sri Lankan goods, and we only exported \$180 million in goods to Sri Lanka in 2010. That's a big deficit, over \$1.5 billion dollars, and we would like trade to be more balanced by increasing**

**U.S. exports. President Obama launched the National Export Initiative to double U.S. exports in the next five years and Sri Lanka is on the special list of countries where the American ambassador is supposed to deliver. After the TIFA talks last year, we partnered with the Amcham and Sri Lanka's Export Development Board to give business presentations in Colombo, Galle, Kandy and Trincomalee to encourage Sri Lankan companies to buy U.S. goods and services. I am pleased to report that U.S. exports to Sri Lanka have increased by over 40% so far this year, so we are making progress. Of course, we want to help U.S. exports, but what's in it for Sri Lanka? We believe that the U.S. is very competitive in many different sectors, and the road show will explain how you can buy superior American goods to increase the efficiency of your business.**

**Now, where do we go from here? I submit that Sri Lanka has a golden opportunity to build a robust economy that brings economic opportunity for all Sri Lankans, and thus ameliorate one of the root causes of the conflict. There is no doubt that Sri Lanka's economy is strong, with 8% GDP growth, increased tourist arrivals, and heavy investor interest in Sri Lankan government bonds. The Government of Sri Lanka has very ambitious goals, to double per capita GDP to \$4,000, to attract 2.5 million tourists, and to develop ports, aviation, energy, knowledge, and commercial hubs to transform the economy. The Government has made some important changes to support business, with a huge effort to improve infrastructure, and tax reform in the 2011 budget. But government can't do it alone. The private sector has a key role, since you know the trends in your businesses and see the changes in the markets much sooner than the government.**

**Amcham can contribute its expertise. Whether it's the United States or Sri Lanka, no matter how capable the government officials, they need practical advice from the private sector. I know that the National Council for Economic Development meets with business clusters, so the government wants to hear your views. I also know that many business leaders are concerned about giving candid advice to the government on sensitive issues. That is where the Amcham comes in. The Amcham represents a group of companies, so the Amcham can make suggestions to improve the business climate and help the government achieve its own goals. We also believe that the private sector is absolutely vital to economic development, so we should not underestimate your role in Sri Lanka's future.**

**I also think that one of the Amcham's strengths is networking. There are many other chambers that focus on specific sectors, but the Amcham brings every type of business together. The Amcham can leverage this strength to determine what problems affect business throughout the country, things like land title, complicated and conflicting rules, lengthy processes to get licenses, and labor productivity. You can make progress if you privately lobby the government on these issues, making it clear that these are the positions of the Amcham membership, not just individual companies.**

**I have just mentioned many positive signs, but there are still areas that need to be addressed. The first is investment, by both Sri Lankan and foreign companies. The Government agrees that private investment must increase by 8% of GDP for the Sri Lankan economy to achieve high levels of growth. So far investment hasn't been as strong as we would hope. Why hasn't there been more domestic and foreign investment? That is a great question, and we get**

**asked that by government officials and private sector leaders alike. In my opinion, there are a couple of reasons. One is time. It takes time for Sri Lanka's image to change and for investors, especially international investors, to realize and find the tremendous opportunities here in Sri Lanka.**

**The second is more difficult. According to international surveys, Sri Lanka needs to improve the climate for investment and business. Attracting international investment is a tough game, and investors don't put their money into a country because they are nice or because the country is emerging from a war. They invest where they can make money. The World Bank conducts an annual survey on the ease of doing business, and in 2010 Sri Lanka ranked 102<sup>th</sup>, behind most of its regional competitors. Similarly, Sri Lanka ranks 91<sup>st</sup> worldwide in the Transparency International index of corruption, and this issue inhibits foreign investment, particularly from the United States. Sri Lanka is behind regional competitors in other key indicators such as international tourist arrivals, exports as a percentage of GDP, and new business registrations. I know that Sri Lanka did improve its ranking in the Global Competitiveness Report, but most business people we talk to say that there is still more work to be done. The Government of Sri Lanka understands that, and senior policymakers have said that Sri Lanka will raise its game, moving ahead on areas such as infrastructure and tax reform. President Rajapaksa even set the high goal that Sri Lanka would become "one of the top 30 countries for doing business by 2014".**

**There is another sensitive issue, and I think that most would agree that in Sri Lanka economic development and political reconciliation must go hand in hand. A great deal has been done to resettle the IDPs, reintegrate the**

**economies of the north and east, and agricultural production and fish catch in the north and east have risen sharply. But I think about what more could be achieved with full political reconciliation, where every Sri Lankan feels that they have a full stake in the country and where potential foreign investors have confidence in the continued political stability of the country. The overseas Diaspora has a tremendous reservoir of skills and financial resources that could contribute so much to rebuilding Sri Lanka. I know that the Government of Sri Lanka meets with Diaspora groups to promote investment and encourage people to come back to Sri Lanka. I applaud those efforts. It is not just the money, it's also the people. Their skills and overseas connections are just as important, and they can help propel Sri Lanka to the new level of development we all want.**

**Sri Lanka has a once in a generation opportunity to break free of the old constraints and get back to where it should be. How you handle these issues is up to the Amcham board and your membership. I know that within the Amcham membership there are some great ideas about what you can do to help move this country forward. I know that you have strong leaders on the Amcham board, people who can get things done. I look forward to continuing to work with the Amcham board and membership to build a new and stronger Sri Lanka.**