

Amcham Annual General Meeting.

September 28, 2010 at 5:30 p.m.

How the Amcham Can Help Increase Economic Growth In Sri Lanka

Thank you very much for the opportunity to address you today. The Embassy has a great relationship with the Amcham, and we look forward to working with all of you to make the Amcham, and the economic relationship between the United States and Sri Lanka, even stronger. As I will explain shortly, I think that the Amcham has an important role to play in promoting economic growth in Sri Lanka.

Before I go any further, I would like to recognize the contributions of the Amcham board. As you know, the Amcham board members are busy executives, and they don't get paid for their time working on Amcham issues. At best, perhaps they get a cup of tea. The last year has been quite busy, with many changes. I salute the leadership of Moji Akingbade, the past President of the Amcham, who has worked hard to make the Amcham what it is today. I also want to recognize the service of several Amcham members who have left the board, Parveen Dassenaiké, Nick Nicolaou, and Kosala Dissanayake. We will miss you, but we still expect to see you at all of the Amcham events.

I would also like to congratulate the new Amcham board, especially the President Vijaya Ratnayake. You have some real work ahead of you, but it is a great time to promote business in Sri Lanka. I am sure that Vijaya will make sure to mix some fun into your service. I also want to thank the Amcham staff, Chullante, Rosemary and Shiranthi, for their kind help and willingness to support an ever increasing number of projects. If you look at the annual report, you will see how many events the Amcham sponsored over the last year. Thank you.

I arrived here one year ago, soon after the conflict ended, and I immediately saw the great economic potential of Sri Lanka. We all know that this is an historic opportunity, and countries rarely get this type of chance to move forward. Sri Lanka must seize this chance! Many economists say that the end of the conflict and political stability are prerequisites, the foundation if you will, of economic growth. There are many positive signs of economic growth, including 7-8% GDP growth, a booming stock market, strong interest from international investment companies, and increased tourist arrivals. The Government of Sri Lanka has very ambitious goals, to double per capita GDP to \$4,000, to attract 2.5 million tourists, to become a

transportation hub, and to build up the business process outsourcing industries. The Government has made some important changes, with a huge effort to improve infrastructure, and expected tax reform in the 2011 budget. But the government can't do it alone. The private sector has a key role, since you know the trends in your businesses and you see the changes in the markets much sooner than the government.

I have just mentioned many positive signs, but there are still some areas that need to be addressed. The first is investment, by both Sri Lankan and foreign companies. 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 105th, behind most of its regional competitors. Similarly, Sri Lanka ranks 97th worldwide in the Transparency International index of corruption, behind most of its regional competitors. Sri Lanka is also 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 I 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. In fact, President Rajapaksa made these points in his speech last week to the United Nations General Assembly. The President said "[w]e are at present strongly focusing on putting in place the necessary public infrastructure and strengthening the enabling policy environment for the private sector to invest even more in Sri Lanka". President Rajapaksa even set the high goal that Sri Lanka would become "one of the top 30 countries for doing business by 2014". There. That is public direction from the top.

There is another sensitive issue, and I think that most would agree that in Sri Lanka economic development and political reconciliation will go hand in hand. A great deal has been done to release IDPs, reintegrate the economies of the north and east, and I understand that agricultural production and fish catch in the north and east have risen sharply. But think what more could be

achieved with full political reconciliation, where every Sri Lankan feels that they have a full stake in the country. I was just talking about investment. 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, its also the people. The skills and overseas connections are just as important, and they can help propel Sri Lanka to a new level of development.

Now I would like to move to another area, one near and dear to our hearts, namely Amcham. The past Amcham board has done a great deal to revitalize the organization. I think that Amcham members have noticed how the Amcham has been sponsoring more events, ranging from our informative luncheons, to the networking happy hours, to the fun Amcham Ball. That should be enough, but they have done more, including some things that you may not know about. The Amcham and the Embassy have worked together to stress the importance of intellectual property rights. It is hard to overstate the importance of IPR, since theft of intellectual property costs American businesses billions of dollars worldwide each year. Sri Lanka also wants to become a knowledge hub. You need effective intellectual property rights to get there. The Amcham has done its part. We have put on training sessions for judges and lawyers. We have even worked together on an event on pirated drugs. People may not worry about a songwriter losing his royalties on pirated music, but they can understand the problem if a child is sick because he or she took fake medicine.

We are also working with the Amcham to promote greater trade between our two countries. Each year the United States and Sri Lanka meet to iron out trade issues in official talks called the Trade and Investment Framework Agreement, or TIFA for short. The location of TIFA talks is supposed to alternate between the U.S. and Sri Lanka, one year in Washington and the next year here in Colombo. Last year the TIFA talks were in Colombo, and we included an U.S. business delegation, who had a day of meetings here in Colombo and then they toured Trincomalee. Since last year's talks were very successful, we agreed to come back to Sri Lanka for TIFA, which will be the week of October 12. We are working with the Government of Sri Lanka to recruit a delegation of US business people to travel to Jaffna to see the business opportunities, and attend a private public partnership conference here in Colombo. The Amcham is working with the Amcham in India to bring in still more investors.

We are also doing something, new, which we call the TIFA Road Show. The United States has a huge trade deficit with Sri Lanka, since we import over \$1.5 billion dollars in Sri Lankan goods, and we only export \$259 million in goods to Sri Lanka. That's a big trade deficit, over \$1.3

billion dollars, and we would like trade to be more balanced by increasing U.S. exports. After the TIFA talks, we are partnering with the Amcham and Sri Lanka's Export Development Board to give business presentations around the country. These will be in Colombo, Galle, Kandy and Trincomalee. These presentations are being organized by the Embassy's Amcham representative, Ken Kero-Mentz, and we have representatives of the U. S. Commerce Department and the U.S. Small Business Administration flying into Sri Lanka to give presentations at the road shows. 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. Please come by. It will be well worth your while!

We have talked about how Sri Lanka has an historic opportunity for economic growth. We have talked about how a revitalized Amcham has increased its activities and reach. Now let's talk about how the Amcham can contribute to increasing Sri Lanka's economic growth. The Amcham can have a vital role.

I have mentioned how the Government of Sri Lanka has ambitious plans to increase economic growth and build new economic hubs. Amcham can contribute its expertise. Let's take the U.S. as an example. Sure, we have some very smart government officials, but they still need help from private industry to know what is important to business and what business needs to invest and grow. The same is true in Sri Lanka. No matter how well educated government officials are, they need practical advice from the private sector. The Government of Sri Lanka has taken the right step by bringing in respected private sector business leaders into key government agencies. I also know that the National Council for Economic Development holds meetings 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.

The Amcham can publicize key areas of opportunity through its programs. The Amcham has already begun to tackle this objective. Sri Lanka has a great opportunity in tourism, and the Amcham organized several meetings about obstacles to the tourism industry, and produced recommendations which were forwarded to the government. I genuinely believe that top government officials are interested in hearing constructive recommendations. I mentioned how Sri Lanka hasn't received as much foreign direct investment as it expected. We have been asked

by senior government officials why the FDI has not come in strongly. The government wants to build this country, and they are looking for professional advice how to get there.

It is up to the Amcham board, but Amcham could consider identifying key areas, and holding events to publicize the way forward. For example, the government is planning tax reforms to promote business. Does the Amcham have suggestions how the tax reform should be done to promote business? The government is frustrated that banks aren't lending more. What is the market solution to that problem? Another example is information technology. The Government wants Sri Lanka to become a knowledge hub, and there are discussions about reforms to the system of higher education. Why not try to influence the public debate through an event linking educational reform with becoming a knowledge hub?

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.

One final note. I thought of this topic because Sri Lanka has a once in a generation opportunity to break free of the old constraints and get back to where Sri Lanka should be. How you handle these issues is up to the Amcham board and the Amcham membership. I know that within the Amcham membership there are some great ideas what the Amcham 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. If I may, if anyone has ideas of what the Amcham could do, please talk to the board. As to the board, I said that you would have work to do, that it would be fun and exciting, so the work starts tonight. This is a great time to work on economic issues, and I am happy to be here. I look forward to working closely with the Amcham board and membership to build a new and stronger Sri Lanka.