

# Malik calls for deepening bilateral ties with Czech Republic



**Development Strategies and International Trade Minister Malik Samarawickrama**

**Development Strategies and International Trade Minister Malik Samarawickrama last week called for deepening bilateral ties with Czech Republic. He made this appeal when he spoke at a meeting with the Czech Parliamentary Delegation to Sri Lanka at the Ceylon Chamber of Commerce. Czech Republic President of the Senate Milan Stech,**

**Ambassador of the Czech Republic to Sri Lanka Milan Hovorka, State Minister of Defence Ruwan Wijewardene, MP Mayantha Dissanayake, Czech Chamber of Commerce Vice-President Michael Stefl, Honorary Consul of the Czech Republic in Sri Lanka Lohitha Samarawickrema and officials of the Senate, Czech Chambers and members of the Business delegation were present. Following are excerpts of Minister Samarawickrama's address:**

While our two nations are of similar modest physical size – 78,000 vs. 65,000 square kilometres, and your population is half that of ours, the GDP of the Czech Republic at \$ 238 b is nearly three times that of Sri Lanka, and the GDP per capita is five times over ours.

Furthermore, your exports at \$ 180 b dwarf ours. In this context, the bilateral trade between our nations is a mere \$ 30 m per annum. Worse, the FDI between our countries is virtually non-existent. We are at a low base in terms of trade and investment, and hence there is much room for growth.

Earlier this week, we conducted the annual Presidential Export Awards ceremony organised by the Sri Lanka Export Development Board, as we recognise our country's top exporters. We are pleased that we had a record year for exports in 2017, achieving \$ 15.1 b in merchandise and services. We are on track to achieve the target of \$ 17.2 b in total exports for 2018. Thus, our exports have increased by 50% over the past three years.

This shift towards a more export-oriented economy, after years of being too domestic-economy focused, is an important move in the right direction. 'Vision 2025' aims to reorient economic policy towards exports- and investment-driven growth, rather than debt-funded public infrastructure spending.

We introduced a National Export Strategy in conjunction with the International Trade Centre of the EU, to help domestic firms to diversify our product base. The main strategies are on six focus sectors; IT, Spices & Concentrates, Boating Industry, Wellness Tourism, Processed Food & Beverages and Electrical & Electronic components. The four Trade Support Functions – Trade Information & Promotion, National Quality Infrastructure, Innovation and R&D, and Logistics – will create the conditions of success for high potential growth sectors that can deliver leading exporters of tomorrow.

We are actively promoting hub operations in Sri Lanka due to our strategic location in the 'Bay of Bengal' geographical area covering Bangladesh and the ports in east coast of India. India South West and Karachi, Male, Madagascar and

even Myanmar also have potential focus for Sri Lanka as the connection port for the mother vessels in the Asia Europe route.

Geographically Colombo Port in Sri Lanka has continued to be the main entry and exit port due to Colombo being the closest main port with mother vessel calls. For South Asia, Colombo offers significant advantages over Singapore in both transit time and cost structure.

We are soon bringing out the Innovation and Entrepreneurship Strategy to foster a climate for new high-tech products and services to emerge and also for startups to thrive. These initiatives will benefit the current exporters and will benefit emerging and aspiring exporters among our domestic enterprises. We are also supporting the universities to turn out more engineering and IT graduates.

We are at the beginning of the '4th Industrial Revolution' – 'Industry 4.0,' and Sri Lanka must latch on to the opportunities that it presents and do so fast. In the future, as Prof Klaus Schwab says, "It will no longer be the large fish that eats the small fish, but it will be the fast fish that eats the slow fish."

Guided by the National Trade Policy, the trade liberalisation effort is also underway, to bring down para-tariffs and tariffs of imported inputs that are so vital for our exporters to be part of global supply chains. The European Union reinstated the GSP Plus facility to Sri Lanka with effect from 19 May 2017. GSP Plus offers incentives in the form of duty reductions on exports as a reward to developing countries for their commitment to upholding the 27 core international conventions on human and labour rights, sustainable development and good governance.

EU exports were up by 11% in the 12 months after regaining GSP. Apparel accounts for nearly 60% of exports and has grown ~8%. We have already achieved an increase in apparel exports of \$ 150 m which is ~one-third of our stated target of \$ 500 m increment for the sector.

Fisheries volume of exports has literally doubled since the removal of the fish ban and regaining GSP plus – business links restored and new orders received. We are keen to diversify our traditional EU markets from the UK and Western Europe, and enter directly into Central Europe.

Apparel accounts for one-third of our exports to the Czechia, followed by rubber tyres. We believe that our high quality, 'Garments without Guilt' should have a stronger penetration into your market and encourage you to source product from us.

We are aware of His Excellency Mr. Stech's career at Skoda and your country's strong automotive industry. Sri Lanka desires to participate in the automotive supply chain through our rubber tyres, gaskets and seals. A few of our companies are producing electrical sensors for the automotive sector (e.g. Toyota) and we are encouraging others into the sector that would welcome Czech collaboration.

Our fish exports to Czechia dropped dramatically during the EU fisheries ban but have not fully recovered since the ban was lifted. Tea exports to your country also have healthy potential growth.

We would encourage and invite FDI from the Czechia. In addition, to GSP+ we have executed the Singapore FTA earlier this year, we are in the advance stages of negotiating a FTA with China, and expanding our current FTA with India through Economic and Technology Cooperation Agreement (ETCA).

ETCA can increase Sri Lanka's competitiveness in industrial exports and also increase our supply capacity, to better utilise the market access to India. In addition, ETCA negotiations are addressing outstanding non-tariff barriers in the Indian market as well as many of the existing procedural barriers and delays in Indian ports of entry, particularly through Mutual Recognised Agreements.

Together the Chinese FTA and Indian ETCA will give Sri Lanka preferential access to a market of two billion people, and an emerging middle class larger than the whole of the EU.

In addition, to market access, let me mention a few other benefits of setting up in Sri Lanka. Firstly, our competitive labour markets – we note that Czechia has low unemployment and increasing wages. Secondly, ease of doing business and inter-agency coordination (vs. say India), which we are working to further improve with World Bank assistance.

Thirdly, our tax regime has been amended such that there are investment allowances and no tax is paid until the investor's entire upfront investment has been first recovered. Last but not least, Sri Lanka is the most liveable country in the region based on infrastructure and conditions for expatriates.

We also note that a few of the Czech business delegation comprise representatives from the pharmaceutical sector. This is a sector where we are actively looking to develop both for domestic supply/import substitution, and for export market. We have new industrial zones planned with the sector specifically in mind, including the requirements for high quality water and intellectual property protection.

In concluding, I wish to thank the visiting delegation for your interest in Sri Lanka. We invite Czechia to invest with us and deepen bilateral trade relations.