



GRASP TRADE OPPORTUNITIES AND STRENGTHEN EXISTING RESOURCES

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Ms Arancha Gonzalez, Executive Director of ITC and an expert in international trade issues, recently visited Sri Lanka to attend the launch of Sri Lanka National Export Strategy (NES) 2018-2022. The NES aims to support trade-led growth, and increase foreign exchange earnings and employment.

Speaking to the EDB after the launch, Ms. Gonzalez spoke at length about the role of the ITC on the global stage and in relation to the NES in Sri Lanka, the current economic situation, the direction of the global market, its contribution to the NES strategy, the opportunities for Sri Lanka's export market, and the SheTrades Initiative.

What is the role of ITC on the global platform of Trade and what benefits can it reap to Sri Lanka's export Industry?

While micro, small and medium enterprises (SMEs) produce 70% of employment in any country and account for over 95% of all businesses in many countries in Asia, SMEs are not sufficiently competitive at present. This means they do not contribute to national growth and job creation as much as they could. The mission of ITC is to support the internationalization of these SMEs. Only the most competitive participate in international trade. And by participating in trade, SMEs become more competitive.

Sri Lanka is no exception in Asia. However, given its potential in terms of its strategic location and its abundant physical and human resources, the country could soon be able to forge ahead if given the right support. ITC is geared to provide such support to Sri Lanka by focusing on fostering SME competitiveness through trade, paying particular attention to helping the micro and informal sectors access the international markets and for whom access to capital and markets would be of the essence.

In relation to the global market "Which way are the trade winds blowing?"

There is a hurricane forming at the moment: At the beginning, winds were strong but we could navigate. Now it is becoming more challenging to sail in the world economy. Unilateral trade measures taken by one have resulted in tit-for-tat taken by others and their impact is already been felt. Companies that need imported inputs for final transformation have seen their costs increase. Investments are being put on hold given the prevailing uncertainty. Companies are starting to lay off

workers. And ultimately consumers are seeing price increases since, let's not forget, tariffs are taxes paid by consumers. We can already see the micro impact, and there are signs that if unchecked there will be an impact at the macro level, affecting currency markets, and ultimately depressing global growth. The ensuing volatility and unpredictability would unfairly impact on the smallest in the market: the SMES.

Do you think Sri Lanka would emerge as a regional hub for exports and catch up with the fast growing export economies of Asia?

Sri Lanka was historically a hub for trade, and I believe it is time that Sri Lanka reclaims this role as an economic hub in global and Asian trade and trade routes. With Asian economies becoming the fastest-growing in the world, Sri Lanka has an opportunity to join the big players and benefit from the new trade routes being created. However, if Sri Lanka is to compete it has to move faster than its neighbours in terms of addressing

trade barriers and better exploiting trade opportunities to catch up with over two decades lost. If not, the gap will widen between Sri Lanka and neighbouring countries. The direction that Sri Lanka has taken is the correct one. What is needed now is to accelerate the pace of implementation of domestic reforms of which the NES is an essential ingredient.

What is ITC's contribution to the National Export Strategy 2018-2022?

ITC is a long standing partner of Sri Lanka, having supported its private sector for many years. Recently the government and private sector requested ITC to support the country in formulating a National Export Strategy, with generous financing from the European Union, as part of a trade support Programme. ITC's role has been to facilitate a dialogue between the private sector and the government, to provide data and trade and market intelligence to identify export

potential and which sectors to invest in; and to support the formulation of a clear and practical roadmap for implementation. But the real success factor of the NES is the serious involvement of the private sector. I do hope the NES guides the direction and efforts of the nation and helps to achieve the goal of \$28 billion additional exports by 2022. This is perfectly achievable as long as the country stays on its current course.



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NES has identified key emerging sectors in the export industry. Do you think SMEs will greatly benefit from NES and are you convinced of the Government's commitment to develop international trade?

There is commitment by the government and I hope to see even greater action going forward. Politics must give hope to the people and encourage all stakeholders to drive the transformation of the country. With action, you convince people to take a greater stake in the transformation.

SMEs are already part of this strategy: the companies they supply to are often already in the export business and part of

international value chains. The larger companies pull a large amount of micro and smaller players with them when they export. If suppliers meet international standards, a large market is open for them to export to. This is why investing in quality, in meeting international standards and in certification will help exporters reach-out to larger markets.

What are the strengths for Sri Lanka to diversify its export basket?

Sri Lanka's location, its people, innovation, ingenuity and credibility are all strengths playing for the country. What is needed is increased investment especially in skill building to make Sri Lanka competitive in the global market. Given the strong culture of export in Sri Lanka, its citizens do not need to be convinced further to export. A good example of this being Dilmah tea which I can find wherever I go, whether in airport lounges around the world or in restaurants. Attention should also be paid to diversifying into markets with higher purchasing power value to capture a larger share of value added

The future looks promising for Sri Lanka but it needs to grasp this opportunity; increase investment; invest in skill building; reduce bureaucracy and red tape; create better quality employment within the country; and provide accessible and affordable access to credit and capital so as to encourage trade and entrepreneurship.

Where do you picture NES five years down the line? Would the five year strategy achieve its stated goals and increase export value to 28 Billion USD by 2022? Do you foresee any constraints?

I hope that Sri Lanka will have met and surpassed the set targets of the NES, and that the NES would be in need of a “shake-up” because the strategy has been successful and created so many avenues that other areas of export potential would have become prominent.

This would require addressing existing constraints: The first is that Sri Lanka is a strategically located island but needs to grasp the benefits from its geographical location by improving logistics. Secondly, digital trade is becoming a more prominent part of international trade and provides a big opportunity to smaller players to connect to markets. This is why it is important that Sri Lanka invests in connecting to e-commerce by improving payment systems, logistics or consumer protection schemes to name a few. Thirdly, moves should be

made beyond micro credit to accessible credit and capital for SMEs to grow and to take risks to thrive in international markets. Fourthly, Sri Lanka must invest in skill building, investing in people to help them adapt to the transformations driven by the Fourth Industrial Revolution, because the current employment markets are not like that of the olden days. Fifth, bureaucracy is a drag on business and is a tax on the smallest businesses so reforms to facilitate trade will be essential to generate the missing middle of businesses.

The business community also has some work to do: It has to focus on more value addition. Sri Lanka needs to move beyond a focus on mere repackaging in the country. It has to be an economy of local transformation and value addition, which will help generate better-quality jobs.



Going beyond the NES five year plan, has the ITC identified a long-term strategy to develop Sri Lanka's export capacity?

The long-term plan is the NES. In it there is an area of untapped potential for Sri Lanka which is women entrepreneurship. Women's participation in the economy is extremely important to ensure a better quality growth, and one that is more inclusive. What we see around the world is too few women-led companies and too few women in international trade and Sri Lanka is no exception. When you trade, you become more competitive. Competitiveness on the international market leads to better-paid and better-quality jobs. This is why it is important to place emphasis on women entrepreneurship and on women being economically empowered through trade. This led ITC two years ago to launch the She Trades initiatives which we have been rolling out around the world, and with support from Australia, in Sri Lanka. This is an area where there is greater work to be done in particular in ensuring accessible and affordable access to credit for women entrepreneurs.

Do you have a message for Sri Lankan female entrepreneurs?

Dare to be part of the economy! I see this across the world: Women are more shy. They are more meticulous about running a business so they often need a bigger push. Mentoring, coaching, networking can play a big role here. We work with women who have succeeded so that they can be role models for those who don't dare yet. At our last She Trades Global gathering of women entrepreneurs from around the world last June I witnessed the drive and initiative from the Lankan businesswomen attending the event. And I know there are thousands others like them. What they need is a bit of encouragement and better opportunities. I am confident they will seize them.