

FCCISL President's Speech: India – Sri Lanka Economic Relations: The Way Forward

Good Afternoon Everyone!

The Assistant High Commissioner of India to Sri Lanka, Her Excellency Radha Venkataraman

The Mayor of Kandy, Hon. Mahendra Rathwatte,

And Other Distinguished Guests

Ladies and Gentlemen

My Dear Friends,

Today, the Federation of Chamber of Commerce and Industry Sri Lanka takes the great pleasure to host this Indo- Ceylon Economic Dialogue and , On behalf of FCCISL, I would like to extend the warmest welcome to The Assistant High Commissioner of India to Sri Lanka, Her Excellency Radha Venkataraman, The Mayor of Kandy, Hon. Mahendra Rathwatte, other distinguished guests and prominent business personalities from Kandy business community.

It is indeed a great pleasure and honour for me to join you here today at this event which I hope will contribute towards the further strengthening of ties between the business sectors of our respective countries. And I would like to speak few words on "*India – Sri Lanka Economic Relations: The Way Forward*".

Economic links between India and Sri Lanka have a long history with recorded commercial links going as far back as the 4th century. Sri Lanka's central position in the Indian Ocean and geographic proximity to India – and the resultant cultural and historical ties – were factors that influenced the early development of trade between the two countries. These links continued till colonial times when economic relations between the two countries were geared mostly towards producing goods for the colonial powers and meeting food requirements resulting from shortages. Legal barriers to the movement of goods and labour practically disappeared during this time - India was Sri Lanka's largest supplier of primary food items. Sri Lanka has also been dependent on India for vital human resources -

Indian businessmen, traders and plantation workers have played a vital role in the island's internal economy. During the Second World War period, India absorbed about half of Sri Lanka's total exports. In 1938 for example, 42.5 per cent of Sri Lanka's import bill was spent on imports from India and the larger share of such imports was related to plantation labour.

India's relations with Sri Lanka have, for the most part, been friendly and are probably the best that it enjoys with its non-micro-state neighbors. India's first bilateral free trade agreement (FTA) was with Sri Lanka and resulted in considerable growth in trade and investment, though not without some frictions, which for the most part have been addressed. The Indian economy, which grew at 5.3 percent even in the fourth quarter of 2008 (when Sri Lanka's other export destinations were experiencing negative growth) and is expected to grow at around 7 percent in 2009, is likely to be among the least affected by the global economic crisis. This suggests significant benefits to both countries from building on the existing foundation of a bilateral disciplinary framework in trade in goods. Sri Lanka can benefit from a larger market that will allow the realization of economies of scale, the ability to integrate into sustainable and low-cost value chains and greater investment. India can benefit from demonstrating a model of a productive partnership with a neighbor, which if emulated has potential to generate robust regional growth and ameliorate political friction. Sri Lanka needs to appreciate the unprecedented opportunity that is emerging in India and within South Asia.

In recent stage, Trade between India and Sri Lanka is more than \$5 billion. Both Countries should focus on closer economic integration by building on the Free Trade Agreement and promote cross investments by companies. It is time to take the economic engagement to the next level. There has been a resurgence in the Indian economy over the last years, and Sri Lanka is well- placed to take full advantage of this.

SUGGESTIONS FOR IMPROVEMENT

- Create awareness of the trade agreement in both countries much needed. most companies are unaware of trade agreement and its benefits. Lack of interest among certain parties is also a concern.

- Special entity to listen to the complaints and problems of traders. A body may be formed to address the complaints and reduce delays.
- More quality check labs and greater accountability
- Increased staff strength at ports and customs. The number of personnel should be increased in these offices and they should be made accountable for their work
- Reduction in non-tariff barriers (NTBs). This is important for the importers. If the NTBs are reduced then the trade between the two countries will definitely go up.

Finally, we believe, ICE Dialogue 2015 will contribute towards the further strengthening of ties between the business sectors of our respective countries. Thank you.