

Speech at FTA and SAFTA Promotional Business Forum

Ladies and Gentleman,

A very good afternoon to one and all. It is a pleasure to be here. I thank the Federation of Chambers of commerce & Industry of Sri Lanka for inviting me as the Chief Guest for this event and for giving me the opportunity to address the impressive gathering of the business community of Kandy.

I am happy to know that Federation of Chambers of Commerce and Industry of Sri Lanka has set up a "SAARC Trade Promotion Network Desk under the umbrella institution of SAARC Secretariat. I am sure the SAARC TPN Desk will go a long way in addressing and removing the Non-Tariff Barriers problems being faced by business community when they do business with other Member States of SAARC.

India-Sri Lanka bilateral relations:

India always attaches a lot of importance to its relationship with Sri Lanka. Prime Minister Modi was one of the first to congratulate President Maithripala Sirisena on his victory. The visit of the External Affairs Minister of Sri Lanka Mr. Mangala Samaraweera to India and recently the visit of President Maithripala Sirisena to India reflect the priority that both the Governments attach to bilateral relations. The return visit of the External Affairs Minister of India later this week and the scheduled visit of Prime Minister of India to Sri Lanka in mid-March clearly reflects the mood of the two Governments and the people.

During the recent visit of President Maithripala Sirisena to India numerous agreements were signed, including the ground-breaking Agreement on Peaceful uses of Nuclear Energy.

India-Sri Lanka Commercial Relations:

Sri Lanka for long has been the priority destination for direct investment from India. Sri Lanka is India's second largest trading partner in SAARC. India in turn is Sri Lanka's largest trade partner globally. India is among the top four investors in Sri Lanka in diverse fields with cumulative investments of over US\$ 1 billion. In the last few years we have also witnessed an increasing trend of Sri Lankan investments into India.

According to Sri Lankan Customs, bilateral trade in 2014 amounted to US \$ 4.6 billion, achieving a growth of 23.37% compared to 2013. Exports from India to Sri Lanka in 2014 were US\$ 3977 Million, while exports from Sri Lanka to India were US \$ 625 Million.

India Sri Lanka Free Trade Agreement (FTA):

As you all are aware, the FTA came into effect from year 2000. The FTA has led to significant upturn in overall bilateral trade. Trade between the two countries grew rapidly after the entry into force of the FTA. India is also Sri Lanka's most balanced trade partner. It is the only country among the top ten Sri Lankan trade partners where both exports and imports are substantial. Sri Lankan exports to India have largely been of new products where Sri Lanka did not traditionally have capacities. Therefore, FTA has created new export capacities in Sri Lanka that hitherto did not exist. It has brought precious foreign exchange to the country by helping create this potential.

FTA has not been without its problems. Sri Lankan exporters have complained of nontariff barriers in entering the Indian market such as state taxes, quality requirements etc., which have at times nullified the benefits of the FTA. Delays at customs and bureaucratic red tape have also been cited by Sri Lankan exporters as constraints in trading with India. However, such issues are being gradually addressed with India agreeing to remove taxes and Para-tariffs.

There is also a general feeling that the investment flow under India-Sri Lanka FTA is one-sided. A better way to look at benefits of the FTA is to compare the trade between India and Sri Lanka using the FTA concessions. Trade under FTA between India and Sri Lanka shows that Sri Lankan exports are at about USD 450-500 million and Indian exports at USD 600-700 million, which is fairly balanced.

Non-FTA exports from Sri Lanka to India are negligible at about US\$ 50 million. Non-FTA exports from India to Sri Lanka are substantial standing at about US\$ 2 billion. This would imply that without the FTA, Sri Lankan exports to India would have remained stagnant while Indian exports, which are largely on the non-FTA route, would have grown four times. FTA has benefited Sri Lanka by creating 90% of its current export potential. In contrast, FTA accounts for only 30% of India's export to Sri Lanka.

This has not happened by accident but was designed into the structure of the FTA. This was done in keeping with the relative asymmetry in the size of the two economies. India has only 429 items left in its negative lists. Sri Lanka on the other hand has 1108 items in the negative list and was allowed to have an extended tariff liberalization programme for 2744 more items.

Comprehensive Economic Partnership Agreement (CEPA):

Ladies & Gentleman,

Encouraged by the performance of the FTA, the two countries are seeking to expand the scope of the FTA to cover trade in services and investments under a Comprehensive Economic Partnership Agreement (CEPA). The CEPA also proposes measures to remove impediments encountered in the FTA by addressing issues on rules of origin and implementing dispute settlement and mutual recognition agreements and a close cooperation mechanism between Customs Authorities.

Make in India:

Ladies & Gentleman,

I would like to bring to your notice that last year has been marked by a number of remarkable initiatives from the new Government in India. The 'Make in India' initiative was launched by Prime Minister Narendra Modi in September, 2014. The program includes major initiatives designed to facilitate investment and build best-in-class manufacturing infrastructure. The Government has put in place an investor-friendly policy on Foreign Direct Investment (FDI) under which FDI upto 100% is permitted under various sectors such as Telecom, Single-brand retail and asset reconstruction companies. The Government has allowed FDI upto 49% in Defence Sector and has also allowed 100% private and FDI in certain rail infrastructure projects. FDI limit in Insurance Sector has been raised 49%. I will be more than happy to provide detailed information on investments. Please feel free to write to us in this regard.

Conclusion:

I would like to thank all the distinguished guests for patiently listening to me. I hope the Sri Lankan businessmen and investors will take up the invitation of Prime Minister Shri Narendra Modi to 'Make in India'.

Thank you.
