

## **Sri Lanka allays private sector fears over trade deals**

Mar 30, 2009 (LBO) - Sri Lanka's government recognises private sector fears of non-tariff barriers in bilateral trade deals and will not open up the economy against its wishes, a senior minister said.

"The government will not agree to anything against the wishes of our own private sector," Gamini Lakshman Peiris, minister of export development and international trade, said.

Sri Lanka's government is holding talks with India on a comprehensive economic partnership agreement (CEPA), to replace the existing free trade deal.

Sri Lankan businesses trying to enter the Indian market under the existing free trade deal have complained of being blocked by non-tariff barriers although they were granted market access on paper.

Plans to sign a CEPA deal last year were shelved at the last moment after strong objections by the island's private sector, especially industrialists and service sector professionals.

They raised fears of being swamped by Indian goods and service professionals while Sri Lankan efforts to penetrate the Indian market were blocked by non-tariff barriers.

Peiris said Sri Lanka has benefited from the free trade deal with India, as well as one with Pakistan as they had increased trade volumes, but added the government was mindful of private sector concerns over further opening up of markets.

"We have done well from free trade agreements," Peiris told a conference on broadening economic integration in south Asia by incorporating services liberalization organised by the Institute of Policy Studies, a think-tank.

The free trade deal with India, for instance, recognised the asymmetric character of the economic ties between the two countries given their differences in size, with the island being given more time than its big neighbour to open up her economy.

Trade was shifting from commodities to services which is the most rapidly growing segment of south Asia economies, Peiris said.

But any movement in opening up the services sector of the island economy must be with the fullest support of the private sector," he said.

"The support must emerge spontaneously. It cannot be an imposition by the government"

Peiris noted that there were "significant reservations" on the part of the private sector, represented by business chambers, on further opening up the economy, especially in services.

"We understand the motivations underpinning these reservations," Peiris said.

"The fundamental factor has to do with non-tariff barriers. When it comes to implementation, the devil is in the detail. There are inordinate delays and consequent frustration faced by businesses (trying to enter the Indian market)."

The government recognised it has to tackle the non-tariff barriers to win the confidence of the private sector, which Peiris said, was essential in the movement in liberalising the services sector.

"They (private sector) must feel this is good for them, that they want it," Peiris said.

Reducing tariffs and opening trade increases the economic freedom of ordinary people especially the poor, while trade barriers give fat profits to protected businesses which are usually inefficient.

Critics say businesses generally have clout with the political establishment and the ordinary poor can be easily misled into losing their freedom to get the best product at the best price by economic nationalism arguments.