

## BILATERAL

# Untapped potential for trade, investment regionally via FTAs - Kelegama

By Uditha Jayasinghe

There is a strong untapped potential for trade and investment opportunities based on the Free Trade Agreements (FTA) with India and Pakistan in the view of Institute of Policy Studies Executive Director Dr. Saman Kelegama.

Expressing his ideas on how Sri Lanka can use the FTAs signed with her neighbours to greater advantage he suggested that a number of products could be projected as good choices for trade and investment based on high pref-

erence points for both India and Sri Lanka.

For India he highlighted prepared foodstuffs, oil, vegetable products, transport equipment, chemical and allied products and for rival Pakistan the options centered on textiles, base metals, wood and articles, leather products, plastic and rubber products. He also stressed on the opportunities from trade in goods and services including investments with the conclusion of the Common Economic Partnership Association (CEPA).

"The CEPA covers a num-

ber of issues pertaining to MFN treatment, expropriation and dispute settlement and have re-examined existing treaties. This includes double taxation and prevention of fiscal evasion agreement in addition to bilateral investment promotion and protection agreement. For Sri Lanka to reap the benefits of this and other trade agreements it should request businesses from tourism, retail, finance maritime and aviation," Dr. Kelegama said during his address at the recently concluded Sri Lanka

Economic Summit.

He also pointed out that although aviation is not a subject of GATS, Sri Lanka should insist it be included in the draft of CEPA and that two aviation authorities from both of these countries should discuss a process by which they can double daily flights and flight freedom beyond SAARC.

"So far the trade between Sri Lanka and India has been about services followed by trade in goods. For example many Indian services such as health in the form of Apollo

hospitals, hotels, air travel and retail regencies have found their way over the border. In addition the largest tourist arrivals have been from India since the visa policy was put in place in 2002. Sri Lankan airlines ferrying tourists to India has increased significantly as well," he said.

He outlined how FTAs increase Sri Lankan competitiveness through access to large markets, considering that India has the 2nd largest market in the world and Pakistan being close behind with the 6th. The preferential mar-

ket access in the form of duty free entrance and the Rule of Origin Certificates, which according to him need 35% value addition from Sri Lanka.

Moreover, in connection with Pakistan he highlighted the fact that "high preference point goods are hardly exported with the amount ranging around 35%. The highest Sri Lanka export value to Pakistan in this category is US\$ 830 000 in 2005 for coconuts. Next largest high preference export is vehicle parts at US\$ 40 000. This must be increased."



Institute of Policy Studies Executive Director  
Dr. Saman Kelegama