

Welcome and Introductory Address by Dr. Saman Kelegama, Executive Director, Institute of Policy Studies of Sri Lanka (IPS) at the seminar on “India - Sri Lanka Comprehensive Economic Partnership Agreement (ILCEPA): Opportunities & Challenges”, organized by the IPS, ISLJBS & ILCCI, Taj Samudra Hotel, Colombo, 10 July 2008.

It gives me great pleasure to welcome all of you to this one day seminar on India – Sri Lanka CEPA jointly organized by the Institute of Policy Studies of Sri Lanka, India – Sri Lanka Joint Business Council, and the Indo – Lanka Chamber of Commerce & Industry.

Economic Cooperation between India and Sri Lanka has steadily grown over the years. When both countries had closed economies in the 1960s and 1970s, trade between the two countries had virtually stagnated at a low level. Although many economic cooperation programmes existed at that time to stimulate trade and investment, they were of limited use. Trade and investment flows between the two countries intensified with the implementation of open economic policies in India in 1991. By the mid-1990s, India became the largest source of imports to Sri Lanka. The growing trade relations needed to be consolidated by some measures. In this context, the signing of the Indo-Lanka Bilateral Free Trade Agreement (ILBFTA) in 1998 was a landmark event and it was the first formal bilateral FTA of Sri Lanka.

When Sri Lanka decided on the bilateral FTA with India, Sri Lanka did not consider India as a threat as some neighbouring countries do, but India was considered as an opportunity. The bilateral FTA not only triggered more trade between the two countries but also stimulated services and investment flows between them. To facilitate these new flows more barriers had to come down and new regulatory frameworks had to be put in place to govern pitfalls. Thus, a Comprehensive Economic Partnership Agreement (CEPA) between the two countries was discussed in 2002.

It was in June 2002 that a decision was made to explore a CEPA between India and Sri Lanka. Consequently, in April 2003, a Joint Study Group (JSG) was appointed to do an in-depth study on IL-CEPA. The Indian side of this group was led by Rakesh Mohan and the Sri Lankan side by Ken Balendra. The study, after several visits by both sides to each other's countries was completed in October 2003 and handed over to the respective Prime Ministers of the two countries. The plan envisaged was to get the CEPA moving by April 2004. However, both countries in the first quarter of 2004 were in an election mode and had little time to pay attention to the IL-CEPA. Moreover, both countries witnessed a change of government in early 2004 – in Sri Lanka in April 2004 and in India in May 2004. The new governments in both countries needed time to have a fresh look at what was done and eventually it was in February 2005 that Technical Level Negotiations (TLN) started. After 13 rounds of discussion – the last one which took place during the last 2 days, finally both countries have come to a position of finalization of the IL-CEPA framework. Now the agreement remains to be signed by the two Heads of States.

It has been a very rewarding exercise for many of us to work with our Indian counterparts. Some of us had the privilege of working in the JSG and some others in the TLN. The TLN was led by M.V.P.C Shastry and Rajiv Kher from the Indian side, and K.J. Weerasinghe, Manel De Silva, and Gomi Senadheera from the Sri Lanka side during the course of the years 2005 to 2008.

On the Sri Lankan side, there has generally been support for the ILBFTA. The private sector, except a small minority has been in support of deeper integration with India. They have always argued the case for a IL-CEPA with the necessary safeguards. The formation of the India - Sri Lanka Joint Business Council in 1979, and the Indo – Lanka Chamber of Commerce in 2006 has been a fillip to keeping cordial relations with the business communities of both countries lively.

In the academia there has been quite a lot of work on the subject starting from the pioneering work of V.R. Panchamiki and Nagesh Kumar at the RIS and that of Lal Jayawardena and Lakdhasa Hulugalle at the WIDER. These studies in the early 1990s and subsequent work both at the RIS, India and the IPS, Sri Lanka on the subject have been a source of support for the government and the private sector to look at new ideas and move them forward. The academia in both countries have organized a number of seminars, sometimes by themselves, and at times with the private sector and the government, to disseminate the findings of their research work.

Needless to say, IL-CEPA means deepening the existing bilateral FTA between the countries and broadening it by the inclusion of liberalization of services and investment. The deepening of the bilateral FTA will be achieved by gradually reducing the negative list, now that both countries have duty free access to each other's markets. Broadening will take place by binding the inflow of services and investments to beyond the current levels. India has always taken into account the asymmetry between the two countries when the level of commitment for such binding is done. I think this would allay any fears in Sri Lanka of a big country domination of the small one over trade and investment flows.

In today's seminar we have the 1st session on deepening trade between the two countries. The 2nd and 3rd sessions will discuss services and investment liberalization, respectively, under ILCEPA and the final session on ongoing economic cooperation between India and Sri Lanka and future programmes that are in the pipe-line.

The IPS is indeed grateful for the support from the India – Sri Lanka Joint Business Council and the Indo – Lanka Chamber of Commerce & Industry for the organization of the event. My particular thanks go to the President of the FCCISL, Mr. Nawaz Rajabdeen and his team, and the Chairman of the CCC, Mr. Mahen Dayananda and his team. The support of the Indian High Commission in

Colombo, in particular, that of Mr. Santosh Jha is greatly appreciated. The IPS will continue working with these institutions and closely observe the progress of CEPA in the coming years as it has done with the ILBFTA.

May I once again welcome all of you and sincerely hope that you will benefit from our deliberations today.