

Financial Times

Sri Lanka for international trade, but domestic concerns will not be compromised

By Dilshani Samaraweera

Sri Lanka is for international trade but domestic concerns like food security and rural job security will not be compromised for trade, said Sri Lanka's International Trade Minister .

"As far as Sri Lanka is concerned, our position at the World Trade Organisation is that we need some protection for food security, livelihood security and rural development.

Therefore, we are prepared to incorporate into our policies elements of protection, in a controlled manner," said Minister G L Peiris, speaking at the launch of the book, South Asia in the WTO, in December, by the Institute of Policy Studies.

Although world trade talks are stuck, trade experts say the World Trade Organisation (WTO) and its 'rule based' system for multilateral trade, is the best way that small countries like Sri Lanka can negotiate trade internationally.

Under the WTO trading system, member countries like Sri Lanka must gradually remove tariffs and other barriers that stand in the way of the free trade of goods and services.

The Minister of Trade agreed that international trade is important but said self sufficiency in essential food items, and protecting local jobs are equally important for social and political stability of the country.

"Sri Lanka believes in rapid progress in breaking down barriers to the movement of people, goods and services. That is why tariffs in Sri Lanka, in general, are lower than tariffs of other countries in the region," said Peiris.

"However, we do not believe in absolutes. We feel that some degree of protection is legitimate and warranted," he said.

He pointed out that Sri Lanka has already experienced two youth uprisings due to social inequalities and said the government will focus on rural development to reduce regional disparities. Therefore, he said, Sri Lanka will try to balance trade policies so that employment security, rural development and national food security are taken into account.

Sri Lanka is not alone in putting national interests before international trade. For instance, when quotas were removed in 2005 to allow free trade in textile and clothing, both the US and the EU enforced quotas against China. These 'safeguards', although temporary, were introduced to make sure that large volumes of low priced Chinese exports did not wipe out domestic production and did not hurt domestic producers of clothing and textile in the US and the EU.

Bilateral friendships

In addition to participating in international trade talks at the WTO, Sri Lanka is also trying to expand trade through bilateral deals.

"We think bilateral and multilateral relationships are mutually complementary. So we would like to develop bilateral relations while participating vigorously in the multilateral approach," said the Minister.

The Minister said the government is talking to the US and EU, Sri Lanka's two largest trading partners, to prevent trade losses in the future.

"Sri Lanka is at a disadvantage when it comes to market access into the US because we are not classified as a least developed country. Therefore we are arguing for corrective measures with the US administration," he said .

The government is also talking to the EU, to make sure the GSP+ scheme continues after 2008. The GSP+ is a special trade concession scheme from the EU that allows Sri Lanka to export around 7,200 items, duty free into the EU.

"The GSP+ review is coming up in 2008, to examine whether Sri Lanka is entitled to continue to receive these benefits. The government of Sri Lanka is formally committed to negotiating with Brussels on this matter," said Peiris.

Sri Lanka is also talking to India and Pakistan to expand trade with the two regional big-players by improving on the existing free trade agreements (FTA).

"We have an FTA with India that is operational for seven years now and another with Pakistan. As far as India is concerned, we are negotiating a logical extension of the FTA to include trade in services. With Pakistan, we are constantly reviewing the FTA and we have been able to change some provisions that were identified as problems," Peiris added.

He said, Sri Lanka is now looking to increase export incomes through value addition and branding instead of depending on the traditional strategy of exporting raw commodities.

"We are no longer interested in exporting raw products. Our focus now, is on value addition and branding," said Peiris.