

India's Role in Asian Economic Integration

Sri Lanka's Perspective

Regional Integration

1. Asia Pacific Trade Agreement (Bangkok Agreement)	1975
2. SAPTA	1995
3. India (ISFTA)	1998
4. Pakistan (PSFTA)	2002
5. SAFTA	2007

Integration with India

- Import/Export Ratio
 - 1990 - 1052
 - 2000 - 1034
 - 2003 - 446
 - 2006 - 369
- Total trade between the two countries grew by 33% in 2007 compared to 2006
- Items outside ISFTA are also imported under reduced tariff/duty free (particularly in the transport sector and refined petroleum products)
- India is the largest importer since 2003 however, exports performance has potential for further improvement

■ ***Benefits to Sri Lanka in Integration with India***

- Terms of Trade have improved for Sri Lanka's over time
- Opportunities for trade diversification
- Comparative cost advantages of imports from India as against developed countries
- Access to a larger market
- Greater Potential for increase in FDI's
- Prospects for greater integration in the areas of trade in service, bilateral investment and economic cooperation under Comprehensive Economic Partnership Arrangement (CEPA) with India

■ *Integration Prospects in Sri Lanka*

- Resilience of the economy recording over 6% growth in the past 3 years
- GSP + status of Sri Lanka to access EU markets
- Greater investment opportunities at comparatively lower costs (petroleum, power and transport sectors)
- Tourist destination for the emerging middle class
- Potential for further deepening of economic integration in areas other than trade in goods
- Strengthening regional security and stability and thereby harmony

***Table 1 : Tariff Line Coverage under
Preferential Schemes (2006)***

Agreement	No. of Tariff Lines	% of Total Tariff Lines (6515)
ISFTA	4663	71.6
PSFTA	5337	81.9
SAFTA	5017	77.0
- <i>Developing members</i>	4855	74.5
- <i>Least developed members</i>	162	2.5
APTA	536	8.2
- <i>Developing members</i>	464	7.1
- <i>Least developed members</i>	72	1.1

Source : Department of Trade, Tariff and Investment Policy

Table 2 : Tariff Structure(2006)

Tariff Rate (%)	Number of Tariff Lines	% of total (6515)
0	770	11.8
2.5	2122	32.6
6	475	7.3
15	1624	24.9
28	1432	22.0
Other (eg. Specific rates)	91	1.4
<i>Source : Department of Trade, Tariff and Investment Policy</i>		

THANK YOU