

Effective Implementation of PTAs: Case Study of Sri Lanka

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Study Context

- Carried out across 13 countries
 - Caricom, Egypt, Ghana, Indonesia, Jordan, Morocco, Sri Lanka, Tanzania, Thailand, Turkey, Uruguay, Vietnam, Zambia
- Understand role of regional integration in development
 - Status-quo pre-PTA
 - Depth & scope of PTA commitments
 - Reforms undertaken to implement commitments
 - Lessons learnt from process for other developing countries



Sri Lanka and PTAs

- Engagement limited, signatory to
 - South Asian Free Trade Agreement (SAFTA)
 - India-Sri Lanka FTA (ISFTA)
 - Pakistan-Sri Lanka FTA (PSFTA)
 - Asia Pacific Trade Agreement (APTA)
 - Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)
- All confined only to trade in goods
 - Excludes services, investment, IPRs, competition policy, etc.
- ISFTA most comprehensive South Asian PTA
 - Considered a 'success' story of a PTA between 2 developing countries



What Prompted ISFTA?

- For Sri Lanka, economic rationale clear
 - Access to large, expanding market
 - Encourage domestic industrial diversification
 - Gain early-mover advantage
- For India, more a political than economic rationale
 - Limited market potential
 - Cement much improved political relationship in 1990s
- Sri Lanka offered favourable asymmetric treatment
 - Maintain negative list of 25% tariff lines (India, 8%)
 - 5 extra years to phase out other tariffs, etc.



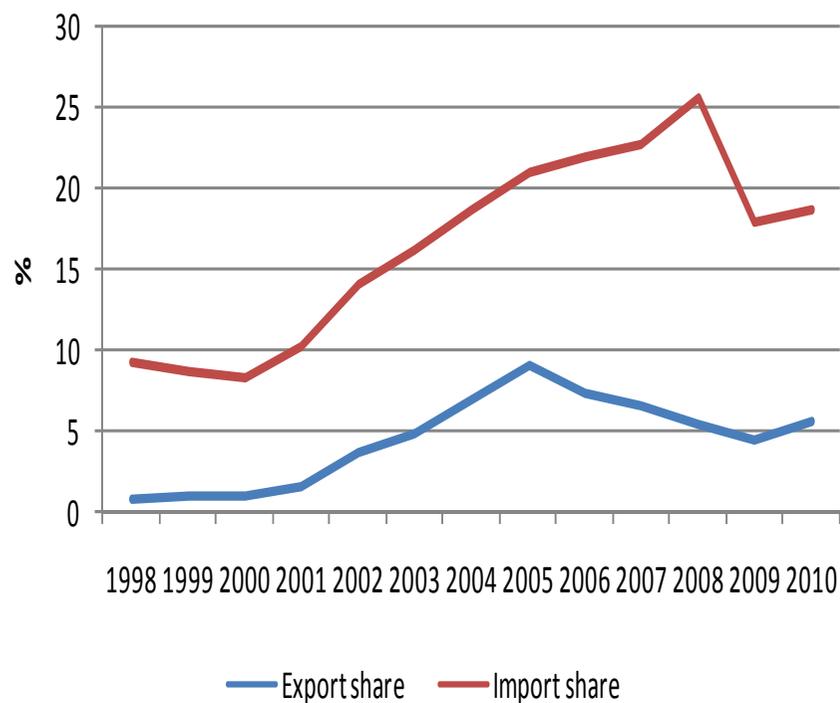
Depth/Scope of ISFTA

- Depth/scope limited
 - Confined only to goods
 - No limit on negative list size
 - No binding commitment to reduce negative list over time
- Implementation straightforward as a result
 - Issuance of a gazette notification on tariff changes
 - Implementation costs minimal



Positive Outcomes Post-implementation

Sri Lanka's Trade with India



- Sri Lanka saw significant export gains
 - Exports to India rose from 1% to 9% between 2000-05 (from \$55 mn. to \$565 mn.)
- India's exports to Sri Lanka also increased
 - Less to do with ISFTA; 50% of Indian exports not receiving preferences
 - Relatively, 97% of Sri Lankan exports enjoying preferences

Source: CBSL, *Annual Report*, various years.

Implementation Issues

- Sri Lanka's exports driven by a handful of goods
 - Basic VA on imported raw material for export
 - Concentration led increasingly to trade disputes
- Framework Agreement signed in 1998 lacked consultation
- With implementation from 2000, disputes arose
 - Restrictions by India on ports of entry for certain goods
 - Surge in exports led to demand for quantity caps
 - Imposition of measures other than tariffs (standards/certification, etc.)



jectory of a Dispute: Veg. Oil

Trade driven by newly established manufacturers
from India for an export cap (100,000 MT)

India imposes voluntary export restraint (250,000 MT)

US news call for a cap (100,000 MT)

India imposes special import levy on imported raw material

US imposes unilateral quota through canalization

US procedure set up to administer quota

US from weaknesses in PTA design

US dispute settlement mechanism

US mutual recognition of standards, etc.

US identify/address NTBs

预览已结束，完整报告链接和二维码如下：

https://www.yunbaogao.cn/report/index/report?reportId=5_7905

