

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:317
ANSWERED ON:25.02.2000
FREE TRADE WITH SRI LANKA .
ANNA SAHEB M.K. PATIL

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) whether the Government have signed any agreement for free trade with Sri Lanka;
- (b) if so, the details thereof alongwith the provisions under agreement;
- (c) whether the Government are considering to make such agreements with some other countries;
- (d) if so, the details thereof; and
- (e) the time by which these agreements are likely will be made?

Answer

MINISTER OF COMMERCE & INDUSTRY (SHRI MURASOLI MARAN)

- (a) Yes, Sir. A Free Trade Agreement was signed between India and Sri Lanka on 28th December 1998 in New Delhi.
- (b) The Agreement envisages phasing out of tariffs on all products, over a period of time, except for a limited number of items in the Negative List and on some other items of a sensitive nature. While India would complete the process of tariff elimination over a period of 3 years, Sri Lanka would achieve this over 8 years. The lists of items on which tariff concessions shall be granted and items on which no concessions shall be granted were exchanged between the two sides on 2nd February 2000. Under the Agreement, products having a domestic value addition content of 35% will qualify for preferential market access. Sri Lanka's exports with a domestic value addition content of 25% will also qualify for entry to the Indian market if they have a minimum 10% Indian content.

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- (c) to (e) To strengthen economic ties amongst SAARC countries, an offer was made by the Prime Minister to all the SAARC member countries during the Colombo Summit in July 1998 that India would be willing to enter into bilateral free trade agreements with them to accelerate the pace of trade liberalisation in the region. Only Sri Lanka has responded positively to this offer and the FTA was signed accordingly. While there is no time frame by which fresh Free Trade Agreements are likely to be entered into with other countries, at the SAARC Summit in Colombo, it was decided that a Committee of Experts from all the seven SAARC countries will be set up to commence negotiations on an Agreement or Treaty for a South Asian Free Trade Area (SAFTA). This Agreement will spell out binding schedules for freeing trade and is expected to be finalised and put in place by 2001.