

Contents

India and Sri Lanka set eyes on clinching CEPA soon.....	2
India, Sri Lanka companies look for boosting trade ties.....	3
Sri Lanka not keen on CEPA with India	4
Indian car exports face excise duty hurdle in Sri Lanka.....	5
India, Lanka to hold more talks to strengthen economic ties	7
We don't need CEPA any longer: Basil Rajapaksa	8

India and Sri Lanka set eyes on clinching CEPA soon

The Hindu

New Delhi, August 1, 2012: India and Sri Lanka will work towards not only enhancing economic co-operation by doubling bilateral trade to \$9 billion by 2017, but also for the early conclusion of the Comprehensive Economic Partnership Agreement (CEPA).

Three-day visit

Commerce and Industry Minister Anand Sharma will be in Colombo for three days from August 3. He will be meeting his counterpart Rishad Bathiudeen to discuss ways to widen the free trade agreement in goods and expanding it to include services and investments. He would also be attending the India Show. Mr. Sharma is also scheduled to meet Sri Lankan President Mahinda Rajapaksa. "Mr. Sharma's visit would set the tone for doubling the bilateral trade to \$9 billion by 2017 and also move forward the dialogue process for early conclusion of CEPA," an official statement said.

At present, bilateral trade stands at \$4.5 billion. CEPA is aimed at liberalising trade in services and investments by updating existing agreements on investment protection and avoidance of double taxation. Mr. Sharma will also discuss the scope of strengthening the economic and trade cooperation between the two countries, it said.

Over 108 Indian companies would showcase a wide range of products and services, including automobile, engineering, infrastructure, tourism, food processing, ICT, financial services, pharmaceuticals and education.

[\[Back to top\]](#)

India, Sri Lanka companies look for boosting trade ties

Press Trust of India

Colombo, August 6, 2012: Indian and Sri Lankan business leaders have identified sectors where they could forge stronger ties for mutual benefit, the leading trade chamber, Ceylon Chamber of Commerce said.

The Indian and Lankan business CEOs forum was held here on Saturday on the sidelines of the three day 'India Show' aimed at boosting trade ties.

Commerce and Industry Minister Anand Sharma participated in the event.

The opportunities in the apparel, tourism, power and energy, education have been identified as potential sectors, the chamber said.

The promotion of tourism through increasing air links between the two countries was also discussed, it said adding more frequent flights would be beneficial.

The CEOs from the Indian side pointed out on the need to streamline investment procedures.

It was felt the Indian side was more keen in the mid-segment tourist hotels in Sri Lanka than undertaking investments in the luxury hotels sector.

India would also invest in hotel training schools in Sri Lanka to help the Island nation meet manpower requirement for over 35,000 additional hotel rooms in the Island nation.

Discussions were also held on tapping Sri Lanka's potential for generating 40,000 MW of wind power. The potential to export power to India during the off peak hours was looked into, the chamber said.

The possibility of Indian investment in the proposed under sea transmission linkages in Sri Lanka was discussed on the occasion.

Indian education institutes are being encouraged to set up business in Sri Lanka.

Both sides underscored the importance of a flexible visa regime and relaxing some of the existing conditions.

[\[Back to top\]](#)

Sri Lanka not keen on CEPA with India

Nayanima Basu, Business Standard

24 August 2012, New Delhi: Sri Lanka has apparently informed Indian authorities it was not keen on having a Comprehensive Economic Partnership Agreement (CEPA) with India, as it feared granting more Indian access to its markets would destroy that country's domestic industry. However, it has made its own set of fresh demands to consider under the Free Trade Agreement (FTA), which is under operation since March 2000.

During the recent visit of Commerce Minister Anand Sharma to Colombo, the Sri Lankan government refused to resume talks on Comprehensive Economic Partnership Agreement (CEPA) even though the mandate to upgrade the FTA to CEPA was formally agreed in June 2010 during the visit of their President Mahinda Rajapaksa. While the FTA is only on goods, the CEPA will entail trade in goods, services and investment. Subsequently, fresh round of negotiations to establish the CEPA between the countries started in November 2010. But since then, there had not been any fruitful outcome.

According to commerce ministry officials, "mislead campaign by some section of business in Sri Lanka" has come in the way for conclusion of CEPA. India has categorically said its principal objective was not to seek preferential market access to Sri Lanka, but to develop an arrangement creating a win-win situation for both sides. India has also reiterated any upgraded framework would be based on differentiated obligations, and not reciprocity. Apparently, the Trade and Economic Relations Committee headed by Prime Minister Manmohan Singh has given the mandate of closing the talks within the next three months.

"Some sections of the Sri Lankan industry is indeed a little apprehensive of signing a CEPA with India as it will entail services and investment trade. And their main fear is India would swamp their services industry. Besides, they want to build more political consensus on having the CEPA," a senior commerce department official told Business Standard.

Under the proposed CEPA deal, India has offered additional concessions on garment quota of 8 million pieces that was granted. Besides, the 3 million pieces granted at zero duty earlier under the FTA, India has now agreed to allow another 3 million pieces more at zero duty and additional 2 million at 75 per cent margin of preference. India has already removed port entry restrictions and conditions of sourcing fabrics from it.

Officials also said that a "fear psychosis" has emerged within some quarters in Sri Lanka of over dependence on Indian market that indirectly gives India the power to have its say on their political matters. On the other hand, Sri Lanka has made a list demands from India in terms of barter deals and tariff free quota free (TFQF) access for its textiles, which has not been agreed by India.

Ironically, Sri Lanka was the first such country that had signed a FTA with India. The India-Sri Lanka Free Trade Agreement was signed on December 1998, which has been in operation since March 2000. Negotiations for CEPA were started in February 2005 and concluded in July 2008, after 13 difficult rounds. However, the Agreement could not be signed then on account of some reservations expressed by Sri Lankan government. Sri Lanka is currently the largest trading partner of India in South Asia.

The bilateral trade for 2011 stood at \$5.16 billion compared to \$3.63 billion in 2010, with exports at \$4.44 billion and imports at \$0.71 billion. Presently, India enjoys a trade surplus of \$3.72 billion with Sri Lanka. Both sides have set a target of achieving bilateral trade worth \$10 billion by 2015. India is the largest foreign investor in Sri Lanka contributing \$110 million out of total \$ 516 million received by Sri Lanka. Some of the main Indian companies that have invested there are IOC, TATA, CEAT, Nicolas Piramal, Ashok Leyland, SBI, ICICI Bank, AXIS Bank, LIC and Jet Airways among others.

[\[Back to top\]](#)

Indian car exports face excise duty hurdle in Sri Lanka

Amrit Raj & Elizabeth Roche , Livemint

New Delhi, 10 December 2012: Indian auto companies, facing the prospect of a slowdown in their home market, are also seeing an export market that accounts for around 13% of their exports dry up after Sri Lanka effected a steep increase in indirect levies that will make it all but impossible for them to remain competitive.

The move, which dates back to early November but is just coming to light, doesn't single Indian firms out, but affects them the most because they account for 95% of the auto market in the island nation.

Through 2012, Sri Lanka has made it difficult for Indian auto exporters, first by increasing import duty significantly in April, and following up with the increase in excise duty. Sri Lanka has increased excise duty on utility vehicles to 173% from 100% previously. Total duty on cars less than 1,000cc increased from 120% to 200%, including a 47% increase in excise. The excise on three-wheelers was raised from 45% to 100%, and on two-wheelers from 61% to 100%. Colombo has also imposed an absolute levy of Sri Lankan rupees 109,000 on commercial vehicles, besides a 12% excise duty. The new structure came into effect on 9 November.

"We are still trying to evaluate the impact of the development. The impact of it has been negative and exports of vehicles to Sri Lanka has completely stopped," said Vishnu Mathur, director general, Society of Indian Automobile Manufacturers, or Siam, an industry lobby group. Domestic sales of cars declined 8% in November, in a month when they were expected to rise.

New Delhi has taken note of the developments in Sri Lanka.

"We believe the very substantial rise in import tariff in Sri Lanka is going to adversely affect our car exports to Sri Lanka, so we are concerned about it," Rajiv Kher, additional secretary, ministry of commerce, said in New Delhi on Monday.

According to Siam, Sri Lanka is the largest export market for Indian automobiles. In 2011-12, out of India's \$6 billion worth of auto exports, Sri Lanka accounted for \$800 million.

The relationship between the two countries has been testy in recent times over the issue of the treatment of Sri Lankan Tamils and also after some fishermen from Tamil Nadu were captured by the Sri Lankan coast guard for allegedly straying across the maritime boundary.

Mint reported on 12 October that state-run power utility NTPC Ltd's plan to build a 500 megawatts (MW) plant in Sri Lanka has been indefinitely delayed, in part because of the protests by Tamil Nadu against the Sri Lankan government.

The \$500 million power project to be set up as an equal joint venture between NTPC and Sri Lanka's Ceylon Electricity Board (CEB) is an integral part of India's attempt to engage Sri Lanka politically and economically at a time when China is becoming increasingly influential in that country. The changes in import and excise duty have already affected India's exports to Sri Lanka, said a senior Siam official who spoke on condition of anonymity.

"In the current fiscal, two-wheeler export to the country has declined by 70% and cars and utility vehicles by 90%. The new duty structure seems to be targeted at us more than anybody else," this person added.

The industry lobby and India's department of heavy industries are discussing a possible solution with Colombo. Meanwhile, Siam has also put on hold a January auto show in Sri Lanka, the official added. He said second-hand cars "coming in from Japan and Singapore" are not affected by the incremental levies. Sri Lanka doesn't have local car makers.

Prasad Kariyawasam, Sri Lanka's high commissioner to India, said the increases in excise duty are not targeted at any one country. "Duties on cars have been increased across the board so it's not only cars from India but across the world. The increases are on certain types of cars," Kariyawasam added.

The Sunday Times (not to be confused with the UK paper), a weekly newspaper in Sri Lanka, termed the duties as "prohibitive" and said it "may edge out Indian vehicles from Sri Lanka's market while the exemptions to those coming from Japan will give them an added advantage in the market".

Another Sri Lankan newspaper, *Business Times*, said the government had "controversially reduced duties on racing cars while increasing excise duty on small cars with engine capacity of less than 1,000cc." The newspaper said "this has shattered the dream of Sri Lanka's middle income earners in owning a small vehicle with the Maruti 800, said to be the cheapest small car (in Sri Lanka), going up by at least Rs200,000 (Sri Lankan rupees).

Quoting an anonymous Sri Lankan customs official, *The Sunday Times* said the "technicality placed imports of cars from Japan at an advantage. While 90% of cars imported into Sri Lanka are from India and under 1,000cc engine capacity, no such vehicles are brought from Japan".

[\[Back to top\]](#)

India, Lanka to hold more talks to strengthen economic ties

Ashwini Phadnis, Business Line (The Hindu)

New Delhi, 22 January 2013: Given the vast untapped potential between India and Sri Lanka, the two countries have stressed on intensive consultations for a more comprehensive framework for economic co-operation and building a special economic partnership, External Affairs Minister Salman Khurshid said on Tuesday.

“We are working on setting up a special economic zone in Trincomalee, a pharmaceutical and a textiles cluster elsewhere in Sri Lanka. I have conveyed India’s readiness to support Sri Lanka’s endeavour in capacity building in science and technology, agriculture, ICT, education and health sector. We agreed to enhance cooperation in the energy sector,” he said after the conclusion of the 8th round of India-Sri Lanka Joint Commission meeting (JCM).

A joint statement issued said the two sides agreed to encourage closer economic and trade linkages with a view to doubling bilateral trade to \$10 billion in the next three years. It was also agreed to initiate a dialogue between the Commerce Secretary of India and the Secretary of the Ministry of Finance and Economic Development of Sri Lanka at an early date to evolve a framework for a special economic partnership.

Khurshid said the JCM agreed on the need to extend humane treatment and abjure violence against fishermen of the two countries.

Speaking to the media, Sri Lankan Minister G.L. Peiris said this was an appropriate moment to take stock of the situation and explore practical ways and means to take the already robust relationship to a higher level.

“Which is what we have accomplished in these discussions,” he added.

He denied that Indian auto makers were being targeted by the Sri Lankan Government by imposing an additional duty on imports.

“I can tell you categorically that this is not the case. It is not discriminatory in any sense. It is based on a purely objective criteria – engine capacity. There has been some misunderstanding on this matter. India is a strong trading partner of Sri Lanka. Look at the volume of trade today, which has grown seven-fold since Free Trade Agreement.

India and Sri Lanka also signed three agreements including one for avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income.

[\[Back to top\]](#)

We don't need CEPA any longer: Basil Rajapaksa

Meera Srinivasan, The Hindu

Colombo, 19 July 2013: Sri Lanka will not need the Comprehensive Economic Partnership Agreement (CEPA) with India any longer, as both countries had moved on, said Economic Development Minister Basil Rajapaksa.

According to him, the Sri Lankan business community felt it did not need CEPA as they had found good markets. In any case, he said, India did not make things easy for Sri Lanka, as, on the one hand, while it seemed like India was opening up its market, there were new barriers [non-tariff], on the other.

Though CEPA has been in the works since 2005, several attempts to arrive at a consensus only proved futile. Negotiations began after a joint study group set up to explore ways of expanding bilateral trade relations and means for greater flow of investment between the two countries made its recommendations in 2003. Even after 13 rounds of negotiations until 2008, both countries could not come to an agreement. And now, the minister said Colombo felt both countries had moved on.

Suggesting that an open market offered the best alternative, Mr. Rajapaksa said: "Those days, it was a restricted economy, so we needed a special bilateral agreement."

Indian businessmen, he said, were making a mark all over the world, and in Sri Lanka, too. "They are taking over fortune 500 companies, and that means Indian businesses are growing so much. They don't need any special protection now." Similarly, Sri Lankan businessmen had also made their way into the Indian market, he said, adding there was a free flow of goods.

Dismissing the need for any broad framework for bilateral trade, Mr. Rajapaksa said Indian businessmen anyway got special concessions and tax incentives from the Board of Investment (BOI), Sri Lanka.

Hinting at CEPA now being perceived as irrelevant, he said, politicians and diplomats were clinging on to CEPA only for the sake of "its image". All the same, trade relations between India and Sri Lanka, the minister said, were "very good" at present, with bilateral trade "rapidly increasing".

He said that from a distance it might seem like the balance was tilted in India's favour, but as Economic Development Minister he did not think it was a negative factor.

"Our biggest trade partner is India, and in South Asia Sri Lanka is the biggest for India. So both ways we have to increase the amount [of trade]."

Apparel, information technology and automobile sectors offered potential for Indian investment, he said. "There is a lot of Indian investment coming into Sri Lanka," he said, pointing to an Indian CEO forum that had been formed in Sri Lanka.

"I was surprised to see so many members. That means there are big numbers to even form a CEO forum."

[\[Back to top\]](#)