

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

UNSTARRED QUESTION NO:3076
ANSWERED ON:13.12.2005
FREE TRADE AGREEMENT
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) the details with regard to Free Trade Agreements signed with different countries including the outcome thereof;
- (b) quantum of export/import of items post/ante to Free Trade Agreement with Sri Lanka;
- (c) whether the domestic prices of pepper, rubber, coconut/copra, tea and coffee have been affected as a result of Free Trade Agreement with Sri Lanka;
- (d) if so, the details with regard to variation in prices/production and exports/imports of these items; and
- (e) the steps taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI E.V.K.S. ELANGO VAN)

(a) India has so far signed Free Trade Agreements (FTA) with Sri Lanka, Singapore and Bhutan. Apart from this, the South Asian Free Trade Area Agreement of which India is a signatory, consisting of all the members of SAARC countries, namely, India, Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka, was signed in January, 2004 and is scheduled to come into force from 1st January, 2006. The texts of all these Agreements are available in department's website at .

India-Sri Lanka FTA was signed in December, 1998 and came into operation with effect from March, 2000. India-Sri Lanka FTA seeks to establish free trade area through elimination of tariff in a phased manner. Under this FTA, except for 429 items included in the negative list and tariff rate quota on tea for US\$ 15 million and for garments for 8 million pieces, India has already completed its commitment on duty reduction to zero on 18th March, 2003. Sri Lanka, on the other hand, except for the negative list of 1180 tariff lines, would complete its commitment of zero percent duty in 2008. Due to signing of India-Sri Lanka FTA, trade between two countries have grown considerably.

(b) The statement below shows that there has been increasing and steady growth in India's bilateral trade with Sri Lanka during the period after operation of FTA from the year 2000-01.

INDIA-SRI LANKA BILATERAL TRADE

Value in US\$ Million

Year Exports Imports Total Trade

1999-2000	499.27	44.23	543.50
2000-01	629.46	44.77	674.23
2001-02	630.89	67.38	698.27
2002-03	920.98	90.83	1011.81
2003-04	1320.39	194.45	1514.84
2004-05	1353.75	364.25	1718.00
2005-06	795.83	191.41	987.24
(Apr.-Aug.)			

Source: DGCI&S, Kolkata

- (c)
 - (i) India-Sri Lanka FTA has not affected the domestic pepper industry because the data available with us shows that import from Sri Lanka has been around 8% of the total production of pepper in India.

(ii) In the India-Sri Lanka FTA, all forms of natural rubber are included in India's negative list. This means that the duty concessions granted to the imports to India from Sri Lanka are not applicable in the case of natural rubber. Therefore, the agreement has not affected the domestic prices of natural rubber.

(iii) Desiccated coconut/copra is also in the negative list of India and hence duty concessions have not been granted to the imports of desiccated coconut from Sri Lanka into India. Therefore, the agreement has also not affected the domestic prices of desiccated coconut/copra.

(iv) Under the India-Sri Lanka FTA, there is a provision of import of tea from Sri Lanka to the extent of 15 Million Kgs per annum. The quantum of tea actually imported under this agreement was not more than 0.61 million kg in a year and, therefore, has not affected the domestic prices of tea.

(v) As far as coffee is concerned, Sri Lanka is a insignificant producer of coffee. No coffee was imported into India during the last three years i.e. 2002-03, 2003-04 and 2004-05 and, hence, it has not affected the domestic prices.

(d) & (e): Do not arise.