

**PERFORMANCE REPORT
AND
ANNUAL ACCOUNTS**

FOR THE YEAR 2014

**DEPARTMENT OF COMMERCE
HEAD 295**

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1.0 Introduction

Mission of the Department

“To develop and promote Sri Lanka’s foreign trade relations at bilateral, regional and multilateral levels by effective implementation of government trade policy, with a view to raising the standards of living and realizing a higher quality of life through the increase of total production, income and employment levels, thereby actively contributing to the overall economic growth of Sri Lanka.”

Department of Commerce (DOC), the international trade policy arm of the Ministry of Industry and Commerce, plays a key role in the overall conduct of Sri Lanka’s foreign trade relations at bilateral, regional and multilateral levels. Functions carried out in this context by the DOC include activities relating to both trade policy and promotion. Summarized below are the broad areas of work so undertaken by the DOC.

- Formulation and implementation of Sri Lanka’s international trade policy in close collaboration with relevant line ministries / authorities and private sector stakeholders.
- Rendering advice to the Ministry of Industry & Commerce on foreign trade policy with special emphasis on the overall development perspective of the country.
- Promotion of Sri Lanka’s commercial interests in the fields of trade, investment and tourism through overseas trade representation.

During the year under review, the DOC continued its work program on the basis of the government vision of the foreign trade and the pivotal contribution it can make towards the overall economic development of the country. Thus, the 2014 work program, inter-alia, has focused on further strengthening the existing trade ties, finding new markets, promotion of new products, encouraging effective participation of the SME sector in the international trading system and promotion of Sri Lanka as a trading hub in the South Asian region. Through its overseas Trade Representation, the DOC also extended necessary guidance and assistance toward promotion of foreign direct and portfolio investment and Sri Lanka tourism as well.

2.0 Review of Sri Lanka's Foreign Trade 2014

2.1 Export & Import Performance

As per the Sri Lanka Customs data, Sri Lanka's total export earnings during the year 2014 increased to US \$ 11,044 million from US \$ 10,009 million in 2013, registering an increase of 10%. Industrial exports which represent about 75% of total exports contributed largely to export growth in 2014 mainly due to a significant increase in textiles and garments exports. Earnings from agricultural exports increased by 8.2% to a value of US \$ 2,794 million in 2014 led by exports of coconut products, tea and certain minor agricultural products.

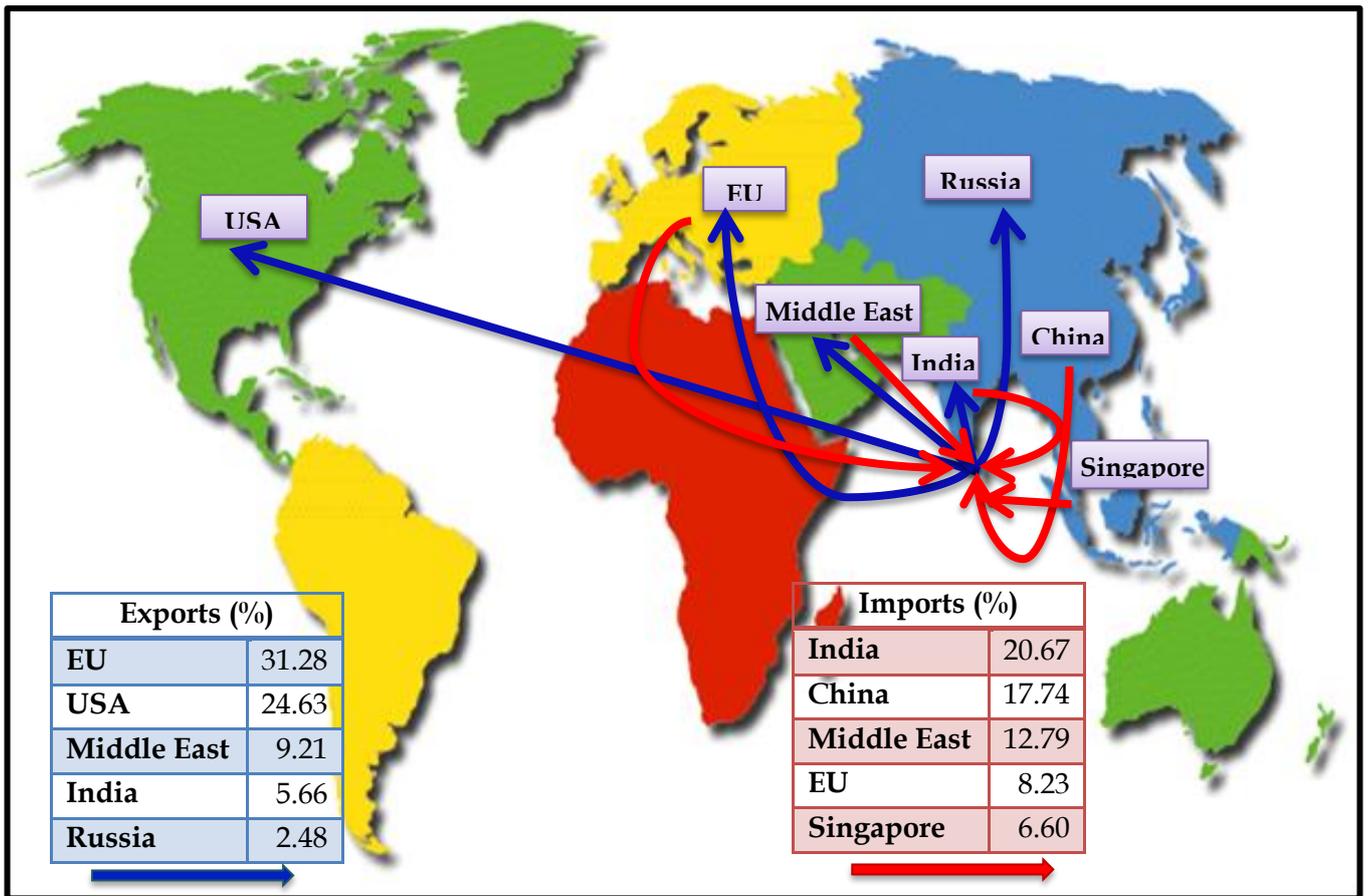
As per the Sri Lanka Customs data, Sri Lanka's total imports expenditure during the year 2014 has increased to US \$ 19,246 million from US \$ 17,098 million in 2013, which indicate 13% increase. The major contribution to the increase in import expenditure occurred from intermediate goods, mainly due to higher importation of petroleum products and textiles and textile articles. Expenditure on imports of intermediate goods, which account for about 60% of total imports, amounted to a value of US \$ 11,398 million in 2014, reflecting an 8% increase over 2013.

Sri Lanka's Total Imports, Exports and Balance of Trade 2009 - 2014 (Value: US \$ Mn.)

Year	Exports	Growth %	Imports	Growth %	Total Trade	Balance of Trade
2009	7,118	- 13.0	9,767	- 28.0	16,885	-2,648
2010	8,294	16.5	12,340	26.4	20,634	-4,047
2011	10,018	20.8	19,703	59.7	29,721	-9,685
2012	9,181	-8.4	17,889	-9.2	27,069	-8,708
2013	10,009	9.0	17,098	-4.4	27,107	-7,088
2014	11,044	10.3	19,246	12.6	30,290	-8,202

Source: Sri Lanka Customs

DIRECTION OF EXTERNAL TRADE 2014



3.0 Bilateral Trade and Economic Co-operation

In 2014, Sri Lanka placed a heavy emphasis on promotion of bilateral trade and economic cooperation with its major trading partners as well as the other countries that emerged to trade with Sri Lanka. Trade and economic relations with the USA, the EU, China, India, Pakistan, Japan, Vietnam, USA, Russia and former Soviet Union countries, African and Middle East Region have become key in that respect. Sri Lanka attached an equal importance in advancing its commercial interests under the bilateral free trade agreements (FTA) signed with India and Pakistan and the proposed FTA with China during the period under review.

3.1 . Indo-Sri Lanka Free Trade Agreement

The Indo-Sri Lanka Free Trade Agreement (ISFTA), which was signed on 28th December 1998 and entered into force with effect from 1st March 2000, provides duty free concessions to a wide range of products traded between the two countries. The ISFTA has become fully operational since November 2008 where Sri Lanka is eligible

to export products falling under more than 4000 tariff lines to the Indian market on duty free basis.

In 2014, the value of total exports from Sri Lanka to India stood as US \$ 624.81 million while value of total imports from India to Sri Lanka stood as US \$ 3,977.76 million registering 15% increase in exports and 29% increase in imports compared with the values recorded in the year 2013. Total trade between two countries in the same year recorded US \$ 4,602.57 million with 27% increase as against that of the previous year. It has resulted in increasing the adverse trade balance of Sri Lanka with India at US \$ 3,352.95 million. Total imports under ISFTA recorded US \$ 540.1 million for the same period.

According to the Sri Lanka Customs data, in 2014, total exports to India under ISFTA recorded US \$ 375.8 million. Apparel exports under the apparel quota of ISFTA recorded an export value of US \$ 20.6 million for 2014.

3.2 . Sri Lanka -Pakistan Free Trade Agreement

A significant improvement in trade between Sri Lanka and Pakistan has been recorded with the implementation of the Pakistan Sri Lanka Free Trade Agreement (PSFTA) w.e.f. 12th June 2005. Pakistan is the second largest trading partner of Sri Lanka in the SAARC region preceded by India. Sri Lanka's main exports to Pakistan include Pepper, Vegetable products; Beedi leaves, Betel leaves, Coconut shell pieces, Natural rubber, Coconuts, cashew nuts, fresh or dried. A range of new products penetrated into the Pakistan market after the implementation of the PSFTA. These new products include items such as garments, MDF boards, biscuits, fresh pineapple, garments, sports goods, tamarind with seeds, edible oil, porcelain tableware & kitchenware, ceramic tiles, furniture, paints, glass paintings, leather products, frozen fish, prawns, lobsters, crabs, cut flowers and foliage, gems & Jewellery and aquarium fish.

The value of total trade between the two countries, which stood at US \$ 147 million in 2004, has increased to US \$ 353.84 million in 2014. Sri Lanka's export to Pakistan which was at US \$ 39 million in 2004 has increased to US \$ 74.25 million in 2014. But compared to 2013 it shows a decline. The most dominant exporting item to Pakistan is Betel leaves.

According to the Sri Lanka Customs data, in 2014, Sri Lanka has exported US \$ 51.78 million worth of goods to Pakistan while imports from Pakistan have registered at US \$ 79.12 million under the PSFTA.

As mandated at the 5th Technical Level Meeting which was held in April 2013, the 1st Joint Working Groups on Trade, Investment, Customs Cooperation and Auto Sector was held on 20th – 21st October 2014 in Islamabad to solve some pending trade related matters. The meeting underscored the need for further deepening and broadening of the PSFTA by including areas of services and investment. During this meeting both sides discussed the areas of customs cooperation, trade dispute resolution, Non – tariff barriers and market access issues.

3.3 .Proposed FTA with China and Sri Lanka

During the visit of H.E. the President of Sri Lanka to China in 2013, the proposal for a FTA was discussed and a MOU in this regards was signed in May, 2013 between Ministry of External Affairs of Sri Lanka and Ministry of Commerce of China.

The Ministry of Finance of Sri Lanka as the lead agency with the patronage of former Secretary to the Finance has undertaken the negotiation on behalf of Sri Lanka. Accordingly, a Trade Negotiation Committee was set-up under the leadership of Deputy Secretary to the Treasury.

Senior Officials of the Department of Commerce including the Director-General of Commerce of the Department of Commerce were appointed as members of the Committee, while, officials from other relevant Ministries and two private sector representatives as Consultants were included in the Committee. Two Rounds of Negotiation have been held and the 3rd Round which was scheduled for end of January 2015, has been postponed.

The proposed FTA with China includes trade in goods, trade in services, investment, customs cooperation, technical barriers to trade, sanitary and phytosanitary measures and safeguards. Accordingly, the proposed FTA with China is to be considered as a comprehensive Free Trade Agreement. The expectation of the Ministry of Finance of Sri Lanka was to conclude this Agreement by mid-2015.

The First Round of Negotiations with China was held in Colombo during the visit of the President of China. The Second Round of Negotiations was held in Beijing, China in November, 2014.

3.4. Bilateral Discussion on Trade, Investment & Economic Issues between India and Sri Lanka

The Second Round of Commerce Secretary Level discussion was held from 23-24 January 2014 in New Delhi, India. Both sides reiterated the importance of the FTA as

a structure for strengthening economic relations between the two countries. Indian side emphasized the role of Indian investments in Sri Lanka to improve the export capacity of Sri Lanka to India and the main focus was on the following key areas.

- Manufacture of spare parts for vehicles
- Manufacture of light engineering products
- Manufacture of pharmaceuticals

Sri Lanka side highlighted that the FTA should deliberate beyond commodities and should focus more on economic cooperation and possible integration to create value for country's exports by highlighting the apparel industry of Sri Lanka which largely depends on imported materials from India and other neighboring countries.

3.5. Joint Working Group on Trade with Bangladesh

At the second Sri Lanka Bangladesh Foreign Office Consultations (FOC) held on 22nd April 2013 in Colombo, it has been decided that the two countries should explore new avenues for cooperation to promote trade relations through establishing a Joint Working Group (JWG) on Trade.

Pursuant to this decision of the Second FOC, the First meeting of the Bangladesh-Sri Lanka Joint Working Group (JWG) on Trade was held in Dhaka on 18-19 February 2014 and at that meeting, both sides agreed that a Feasibility Study on establishing a Framework Arrangement to identify ways and means for enhancing Sri Lanka and Bangladesh bilateral trade be conducted.

The draft Feasibility Study reports were exchanged during the second meeting of the JWG on Trade held in Colombo during September 2014 and agreed to finalize and validate the draft with stakeholders of respective capitals. Both sides also agreed that after finalization of the studies and consultation with the stakeholders, negotiations towards a potential PTA/FTA or any other institutional mechanism may be initiated.

3.6. Memorandum of Cooperation on the Vitalization of an Inter - Governmental Economic Policy Dialogue between Sri Lanka and Japan

A Memorandum of Cooperation on Launching an Inter-Governmental Economic Policy Dialogue between the Governments of Sri Lanka and Japan was signed on 07th September, 2014 by the Secretary, Ministry of Industry & Commerce of Sri Lanka and Vice-Minister for International Affairs of the Ministry of Economy, Trade and Industry Japan along with the Director - General, Southeast and Southwest

Affairs Department of the Ministry of Foreign Affairs of Japan, during the visit of the Japanese Prime Minister Hon. Shinzo Abe to Sri Lanka.

4.0 Joint Commissions on Trade, Economic & Technical Cooperation

DOC is the nodal agency in Sri Lanka for convening and coordination of the following Bilateral Joint- Commissions/ Committees.

- Sri Lanka - Bangladesh
- Sri Lanka - Egypt
- Sri Lanka - Iran
- Sri Lanka - Maldives
- Sri Lanka - Iraq
- Sri Lanka - Kenya
- Sri Lanka - USA
- Sri Lanka - India
- Sri Lanka - Kuwait
- Sri Lanka - Pakistan
- Sri Lanka - Belarus
- Sri Lanka - Qatar

4.1. The Tenth Meeting of Joint Commission for Economic Cooperation between Iran & Sri Lanka

The Tenth Session of the Joint Commission for Economic Cooperation, both sides between the Islamic Republic of Iran and the Democratic Socialist Republic of Sri Lanka was held in Tehran on 14-15 January 2015.

The Sri Lankan Delegation was headed by Hon. Rishard Bathiudeen, Minister of Industry and Commerce of Sri Lanka and the Iranian Delegation was headed by Hon. Mohammad Reza Nemat Zadeh, Minister of Industry, Mine, and Trade of Islamic Republic of Iran.

During the meeting of the Joint Commission for Economic Cooperation both sides, exchanged views on bilaterally important Trade Economy and Customs, Banking, Transport and Construction, Power and Energy and Tourism Educational, Health and Cultural related areas.

4.2. The Eighth Session on Joint Committee for Economic & Technical Cooperation between Iraq and Sri Lanka

According to the Agreement on Economic, Scientific and Technical Cooperation between the Government of the Democratic Socialist Republic of Sri Lanka and the Government of the Republic of Iraq, the Eighth Session of the Sri Lanka - Iraq Joint Committee for Economic and Technical Cooperation was held in Baghdad, Iraq from 24th to 25th February 2014.

Hon. Rishad Bathiudeen, Minister of Industry and Commerce of Sri Lanka led the Sri Lankan delegation and H.E. Dr. Kairulla Hasan Babakar, Minister of Trade of the Republic of Iraq led the Iraqi side.

During the meeting, views were exchanged on Trade, Finance, Banking, Taxation, Investment, Agriculture, Culture, Transportation, Labour Market, Tourism and Investment sectors which are important for both countries.

4.3. The First Meeting of Sri Lanka Qatar Joint Commission on Economic, Commercial and Technical Cooperation

The first session of the Qatari – Sri Lanka Joint Economic Commission between the Government of the state of Qatar and the Government of the Democratic Socialist Republic of Sri Lanka was held in Doha from 14 – 15 September 2014.

The delegation of the State of Qatar was led by H.E. Sheikh Ahmad Bin Jassem Bin Mohammad Al Thani, Minister of Economy and Commerce and the delegation of Sri Lanka was led by Hon. Rishad Bathiudeen, Minister of Industry and Commerce of Sri Lanka.

Discussions were held on mutually beneficial topics on Trade and Investment, Agriculture and Food Industry, Culture and Arts and Education. Qatari side agreed to explore the possibility for financial Assistance for the University township program in Sri Lanka. Pubic Work Authority in Qatar welcome Sri Lankan Construction companies for the infrastructure projects in Qatar.

4.4. The First Sri Lanka – Belarus Joint Economic Cooperation

An Agreement on Trade and Economic Cooperation between Sri Lanka and Belarus was signed during the state visit of H.E the President of Sri Lanka to Belarus in August 2013, with an objective of further strengthening of bilateral trade and economic relations between the two countries. As the next step, the first ever Sri Lanka- Belarus Joint Economic Cooperation was held on 9th and 10th July 2014 in Colombo.

During the bilateral talks, the two sides agreed to explore new avenues to foster and strengthen trade and commercial relations for mutual benefits. Furthermore, the Belarussian side is in the process of setting up a tractor assembling plant in Sri Lanka.

As an outcome of the first bilateral talks, the Government of Belarus removed Sri Lanka from the list of Off-Shore Countries with effect from the 26th November 2014. The direct benefit of this delisting is that Sri Lankan exporters are no longer subject to payment of 15% tax on remittance of their export earnings to Sri Lanka.

4.5. Meeting on Modalities of the Sub Committee on Trade (SCT) between Sri Lanka and Vietnam

Hon. Rishad Bathiudeen, Minister of Industry & Commerce visited Vietnam on 21st and 22nd August 2014 accompanied by an official delegation in order to discuss the Modalities with regard to setting up Joint Sub Committee on Trade (SCT) between the two countries.

During the visit, both the countries agreed to set up Sub-Committee on Trade(SCT) between Sri Lanka and Vietnam with a view to exploring the new avenues for further strengthening and fostering bilateral relations in the field of trade and industry related matters. It was further agreed that the first session of the Sub-Committee on Trade (SCT) to be held in the immediate future.

4.6. The Eleventh Session of the Joint Council Meeting under United States - Sri Lanka Trade and Investment framework Agreement (TIFA)

The 11th Session of the Council Meeting under the United States-Sri Lanka Trade and Investment Framework Agreement (TIFA) was held on 15th October 2014 to continue their trade dialogue and evaluate progress. Both side discussed a wide range of trade and investment issues including market access, the U.S. Generalized System of Preferences (GSP), labor, trade promotion efforts, intellectual property rights, agriculture, and sector-specific investment challenges. Progress on all of these trade and investment issues fosters economic growth, thus providing a strong foundation for inclusive economic development.

The TIFA process encourages public and private sector dialogue and facilitates Private-Public Partnership Conferences, Business Opportunities Events and investment fora on the sidelines of TIFA official meetings. Following this tradition, the U.S. - Sri Lanka Business Forum was held at the Ceylon Chamber of Commerce on 16th October 2014 and the Video Conference on Foods and Drugs Administration was held on 10th December 2014 with collaboration of United States Food and Drug Administration, Sri Lanka Embassy in WDC, Department of Commerce and Export Development Board.

4.7. The First Session on Joint Trade Committee Meeting between Kenya & Sri Lanka

The Joint Trade Committee (JTC) between Sri Lanka and Kenya was constituted through a MOU on Bilateral Trade between Sri Lanka and Kenya signed during the visit of H.E. the President to Kenya, with the objective of expanding trade between the two countries. In this context the first meeting of the JTC between Sri Lanka and Kenya was held on 11th November 2014 in Colombo. During this meeting two sides discussed wide range of areas of cooperation.

During the meeting Sri Lankan side suggested to strengthen customs cooperation by signing an MOU between the two Customs, signing an MOU between the two export promotion agencies, strengthening cooperation among trade chambers of the two countries, especially, between young entrepreneurs' Associations, Mutual participation at trade fairs held in two countries, Exchange of national import and export trade statistics and non-tariff measures, identification of focal points to seek information or clarification on trade and industry related matters and cooperation in construction sector.

The Kenyan side suggested Cooperation in the tea sector in terms of technology sharing, cooperation in the coconut sector in terms of investments opportunities and sharing technology, cooperation in livestock sector, in trade of dairy products to Sri Lanka, research in the sector and knowledge sharing in chicken rearing, cooperation in Tourism sector, Cooperation in the leather and leather products sector by availing investment opportunities within the sector.

5.0 Multilateral Trade Relations.

Sri Lanka's multilateral trade relations primarily focus on the World Trade Organization (WTO) Agreements. Sri Lanka also maintains a closer interaction with several other multilateral bodies including, the United Nations Conference on Trade and Development (UNCTAD), the World Intellectual Property Organisation (WIPO), the International Trade Center (ITC) and the Advisory Center for WTO Law (ACWL).

5.1 The World Trade Organization

In 2014, WTO Members focused on follow up work on the decisions taken at the 10th Ministerial Conference at the end of 2013. The focus of Members was largely on the anticipated implementation of the Agreement on Trade Facilitation, including the

fine-tuning of the legal text, and notification of Members of those provisions that they would be able to implement on entry into force of the Agreement. The Protocol to incorporate the ATF into the WTO Agreements was opened for ratification end of 2014 until July 31, 2015.

The Department of Commerce and the Sri Lanka Customs coordinated with relevant border agencies and line Ministries such as the Ministry of Finance, Ministry of Health, Department of Agriculture, Import and Export Control Department, etc., to prepare Sri Lanka's initial notification under the Trade Facilitation Agreement. In addition, the Department of Commerce undertook preparatory work with the Permanent Mission in Geneva in organizing a mission from the World Bank for 2015, to meet with relevant authorities to determine where difficulties lay in implementing other provisions of the Agreement, and to identify those areas for which technical and/or financial assistance would be required.

Members also continued work on preparing a post-Bali Work Programme on the Doha Development Round, negotiations under which had stalled in 2009. This included regular discussions and consultations by the negotiating Chairs on how to move forward on negotiations in the critical areas, in particular agriculture, NAMA, and services. However, positions remained quite diverse, with some Members proposing that negotiations should move forward from the last established agreed positions, while others proposed considering "new approaches" to avoid the deadlock that had been seen in 2009. Sri Lanka participated actively in many of these negotiations, particularly those on agriculture and non-agriculture, where Sri Lanka has critical interests.

During 2014, the Multilateral Division of the Department also coordinated two technical assistance activities with the WTO, one on the Agreement on Sanitary and Phytosanitary Measures, and the other in relation to intellectual property. The SPS seminar provided participants from both the public and private sector and overview of the SPS Agreement, its implementation, rights and obligations under the Agreement, and issues relevant to developing countries like Sri Lanka with respect to SPS measures. In addition, a technical mission from the WTO was also coordinated to assist the EDB in preparing a dossier on Ceylon Cinnamon as a geographical indication.

5.2 . Global System Of Trade Preferences

The Agreement of Global System of Trade Preferences (GSTP) among developing countries was established in 1989. GSTP is a tariff preferential scheme negotiated

under the aegis of the United Nations Conference on Trade and Development (UNCTAD) with a view to increasing South - South Trade and Economic Cooperation. Under this scheme Sri Lanka has exported US \$ 19.17 million worth of goods to Mexico and Peru during the period of review.

5.3. Generalized System of Preference (GSP)

(a) EU GSP Scheme

The European Commission and the EU Parliament has approved the new GSP scheme, which was came into effect from 01.01.2014. The objectives of the new scheme are to:

- Better focus on the countries in need;
- Further promote core principles of sustainable development and good governance;
- Enhance legal certainty and stability.

Sri Lanka remains a beneficiary for Standard GSP preference under the new scheme.

Under the **Cross Regional Cumulation** provision of the EU GSP scheme, Sri Lanka has is entitled to cumulated unmanufactured tobacco and tobacco refuse of HS heading 2401 originating in Indonesia.

(b) Norway GSP+ Scheme

The Government of Norway has introduced a new GSP plus (GSP+) category for lower middle income countries with effect from 1st January 2013 and Sri Lanka is among the seventeen countries that are entitled to benefit under this facility. Sri Lanka has been benefiting under Norwegian GSP facility since 1972 and has met the criteria to enjoy the new GSP+ status from 2013.

The new GSP+ facility will enable Sri Lanka to export products at zero duty to Norway, creating a new duty free market access to Norway. The new GSP+ status has opened 100% duty free access for all textile items under HS chapter 61, 62 and 63.

6.0 Regional Economic Cooperation

Sri Lanka continued to be a key player in its regional trade and economic arrangements namely APTA, SAPTA, SAFTA, BIMSTEC and IORA.

6.1 Asia-Pacific Trade Agreement

The Asia-Pacific Trade Agreement (APTA), formerly known as “Bangkok Agreement”, was signed on 2nd November 2005 and it came into force with effect from 1st of September 2006.

Sri Lanka successfully participated in the 43rd, 44th and 45th Sessions of the Standing Committee of APTA in May, July and November 2014 respectively. Member States have decided to conclude the 4th Round of Negotiations under APTA during the 4th session of APTA Ministerial Council scheduled to be held during the first half of 2015 in Bangkok, Thailand.

The key areas of concern in the Standing Committee meetings included discussions to deepen tariff concessions, relaxation of Rules of Origin and the roadmap for implementation of the Framework Agreement on Trade Facilitation, Investment and Services.

APTA Business Forum was held coinciding with the 45th Session of the APTA Standing Committee. The main objective of this forum was to build consensus among APTA private sector on the need to further develop a future roadmap of the APTA.

During the first half of 2014, total exports to APTA member countries stood at US \$ 44.3 million out of which almost US \$ 33 million worth of goods were exported to China.

6.2. South Asian Preferential Trading Arrangement

SAARC established in 1985, was limited to broad areas such as Health, Population, Meteorology, Telecommunication, Sports, Culture etc. at the initial stage. The Fourth SAARC Summit held in Islamabad in Dec 1988 emphasized the need for concrete and result oriented activities within the SAARC framework. Accordingly, the idea of liberalizing trade among SAARC countries was first mooted by Sri Lanka at the Sixth SAARC Summit held in Colombo in Dec 1991. South Asian Preferential Trading Arrangement (SAPTA) was signed on 11th April 1993 and entered into force on 7th December 1995. The Agreement reflected the desire of the Member States to promote and sustain mutual trade and economic cooperation within the SAARC region through the exchange of concessions.

SAPTA was envisaged primarily as the first step towards the transition to a South Asian Free Trade Area (SAFTA) leading subsequently towards a Customs Union. Hence SAPTA will gradually be replaced by South Asian Free Trade Area (SAFTA)

in the future. Thus the usage of tariff preference under the SAPTA is declining year by year. During 2014, Sri Lanka has exported US \$ 3.34 million worth of goods to India and Pakistan under SAPTA.

On the issue of maintaining SAPTA concessions for LDCs, the Committee agreed that once the Non-LDCs member states complete the Trade Liberalization Programme (TLP) for LDC member states, SAPTA concessions would cease for LDC member states. However, if any item on which SAPTA concessions are available to LDC, appear in the sensitive lists of non-LDC, they shall maintain the same level of concession through derogation. The Committee has further agreed that if the items under TLP enjoy tariff preferences under SAPTA, the Non-LDCs shall reduce their tariff on those items to a rate not higher than the rate applicable for LDCs under SAPTA on the date agreed for base rate for TLP. It was also agreed at the first SAFTA Ministerial Council Meeting that LDCs should also maintain concessions under SAPTA for Non LDCs until the completion of TLP irrespective of whether the products are in the sensitive lists or not.

6.3. South Asian Free Trade Area

The Agreement on South Asian Free Trade Area (SAFTA) was signed in January 2004 during the 12th SAARC Summit held in Islamabad, Pakistan and entered in to force on 1st of January 2006. SAFTA aims at further enhancing the programme of regional economic integration through promotion of preferential trade, which commenced with the establishment of South Asian Preferential Trading Arrangement (SAPTA) in 1995.

Under the Trade Liberalization Programme (TLP) of SAFTA, scheduled for completion in ten years by 2016, the customs duties on products from the region will be progressively reduced. Sri Lanka has to bring down its customs duties to 0 - 5% for LDC member countries by 31.12.2008 and for Non-LDC members by 31.12.2014. Least Developed Contracting States (LDCs: Afghanistan, Bangladesh, Bhutan, Maldives and Nepal) are to bring down to 0 - 5% in 8 equal installments by 2016. India and Pakistan should complete the TLP for LDC members by 31.12.2008 and for Non-LDC members by 31.12.2013. Sri Lanka, though a Non-Least Developed State given the size and vulnerability of its economy was able to secure the consent of other members to complete her TLP for Non-LDC countries by 2014.

Sri Lanka has exported US \$ 12.59 million worth of goods to Bangladesh, India, Maldives, Nepal and Pakistan under the SAFTA in 2014. It is nearly a 6 times increase over last year.

The reduction of negative list under the Second Phase by 20% by each Member State has been implemented by all member states. Members' Negative Lists before and after 20% reduction is as follows;

(Table 02)

Member State	Negative Lists before 20% reduction		Negative Lists after 20% reduction	
	LDCs	NLDCs	LDCs	NLDCs
Afghanistan	1072		850	
Bangladesh	1233	1241	987	993
Bhutan	150		150	
India	480	868	25	614
Maldives	681		152	
Nepal	1257	1295	998	1036
Pakistan	1169		936	
Sri Lanka	1042		837	963

The following meetings were held during January to December 2014.

1. Ninth Meeting of the SAFTA Committee of Experts, Thimpu, 22-23 July 2014
2. Eighth Meeting of the SAFTA Ministerial Council, Thimpu, 24 July 2014

The above meetings discussed the following issues.

- Verification Mechanism relating to SAPTA and SAFTA Rules of Origin
- Consideration of matters relating to SAARC-ADB Regional Economic Integration Study (Phase-II)
- Review of Progress in the implementation of Trade Liberalization Programme
- Reduction in the Sensitive Lists under SAFTA (Phase-III) and the proposal put forward by Bhutan, India, the Maldives and Pakistan, that peak tariff on all products may be reduced to 0 to 5% by the year 2020, except small number of tariff lines in the sensitive list
- Matters relating to Trade in Services under SAFTA
- Matters relating to Non-Tariff Measures/Para-Tariff Measures
- Matters relating to intra-SAARC Trade Flows under SAFTA and outside SAFTA
- Matters relating to the Least Developed Countries (LDCs)
- Matters relating to Super Regional Cumulation under the Generalized System of Preferences of the European Union

6.4. SAARC Agreement on Trade in Services

Leaders of the Member States, during the last 16th SAARC Summit held in April 2010 in Bhutan, signed the SAARC Framework Agreement on Trade in Services (SATIS).

All countries have ratified this agreement and were in the process of finalizing the national schedules of commitments under the SATIS.

Member countries are in the process of finalizing the National Schedules of Commitments under the SATIS. Bangladesh, Bhutan, India and Nepal have already submitted the approved Final Offer Lists under the SATIS. The Schedule of Commitments of Sri Lanka was submitted for the approval of the Cabinet. The Cabinet has referred the same to the Ministry of Finance for observations.

6.5. Indian Ocean Rim Association

Indian Ocean Rim Association (IORA) is a regional forum among countries of the Indian Ocean Rim which brings together tripartite, Government, Business and Academia, for promoting co-operation and closer interaction among them.

There were three Working Groups in respect of the stakeholder groups, namely, Working Group on Trade and Investment (WGTI), the Indian Ocean Rim Business Forum (IORBF), and the Indian Ocean Rim Academic Group (IORAG). Six priority areas ((i) Maritime Safety & Security, (ii) Trade & Investment Facilitation, (iii) Fisheries Management, (iv) Disaster Risk Management, (V) Academic, Science & Technology, (vi) Tourism & Cultural Exchanges) have been identified by IORA to promote the sustained growth and balanced development of the region and of the Member States, and to create common ground for regional economic co-operation.

The 14th IORA Council of Ministers and Associated Meetings were held from 6th - 9th October 2014 in Perth, Australia. During the WGTI, many countries presented their new project proposals and updates of the projects that have already been implemented. Sri Lanka briefed the WGTI on the study on Institutional Mechanisms for Promoting Intra - Regional Investment and Trade in IORA member states and WGTI noted Indian Ocean Rim Academic Group has endorsed the study on which member states were invited to provide further views. The WGTI recommended that the amount of US \$ 30,000 be provided, subject to endorsement by the Committee of Senior Officials for proposed project of the establishment of a Centre for Indian Ocean Observation and Forecasting System.

Sri Lanka expressed its interest and support for many projects of the member countries during meetings.

6.6 The Bay of Bengal Initiative for Multi Sectoral Technical and Economic Cooperation (BIMSTEC)

The Bay of Bengal Initiative for Multi Sectoral Technical and Economic Cooperation (BIMSTEC) which consists of 7 countries namely Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand aims at enhancing the trade flows between the member countries and establishing better economic ties within the region.

The Third BIMSTEC Summit, 14th BIMSTEC Ministerial Meeting and the 16th BIMSTEC Senior Officials' Meeting was held from 1-4th March in Nay Pyi Taw, Myanmar.

During the Ministerial Meeting, the Foreign Ministers of the member countries reviewed the progress of the priority areas in BIMSTEC and expressed their readiness to sign the following instruments;

- Memorandum of Association on the establishment of BIMSTEC Permanent Secretariat
- Memorandum of Understanding on the establishment of the BIMSTEC Cultural Industries Commission and BIMSTEC Cultural Industries Observatory
- Memorandum of Association among BIMSTEC member countries concerning establishment of a BIMSTEC Centre for Weather and Climate

At the Senior Officials' Meeting, it was agreed that the following agreements would be signed during the next Trade and Economic Ministerial Meeting;

- Agreement on Trade in Goods of the Framework Agreement on BIMSTEC Free Trade Area (FTA)
- Protocol to amend the Framework Agreement on BIMSTEC FTA
- Agreement on Dispute Settlement Procedures and Mechanism of the Framework Agreement
- Agreement on Cooperation and Mutual Assistance in Customs Matters

Sri Lanka's Negative List which consists of 1202 items in HS 2007 at 6 digit level was granted cabinet approval in November 2014. The time frame for the modalities to be implemented is yet to be agreed upon and it is expected that the member countries would conclude the discussions on the same at the 20th Technical Negotiating Committee (TNC) which is to be held during the first half of 2015.

7.0 Trade, Investment and Tourism Promotion

7.1 Overseas Commercial Representation

DOC's Commercial Representation comprises of 25 officers in 23 Sri Lanka Missions abroad, engaged in promoting and safeguarding Sri Lanka's commercial and economic interests in the host countries, with special emphasis on trade, investment

and tourism. The Commercial Officers carry out a wide range of activities under the “Public - Private Partnership Programme”. The DOC, with the assistance of the Commercial Officers based in Sri Lankan Missions abroad and other Business Supporting Organizations in Sri Lanka, carried out an array of activities to further expand and diversify international market for Sri Lankan exports. While providing the main focus for the leading exporters to expand their market share in the international market through introduction of new export destinations and creating more conducive environment in existing markets, Commercial Officers continued to assist the Small and Medium scale exporters to gain international market access for their products.

Key functions performed by the Commercial Officers aboard include the following.

Compilation of market surveys/ intelligence for identification of export opportunities for Sri Lankan products

- Monitoring & reporting of host-country trade policy changes, especially tariff and non-tariff measures.
- Organizing Sri Lanka’s participation in important international trade exhibitions/events. This task is considered one of the most effective tools in promoting Sri Lankan exports.
- Arranging foreign business delegations to visit exhibitions/events held in Sri Lanka.
- Staging Sri Lanka-specific (single-country) promotional campaigns in host countries.
- Organizing trade, investment and tourism delegations to visit Sri Lanka and vice versa to explore business opportunities.
- Organizing individual business visits from and to Sri Lanka to explore business opportunities.
- Networking with trade, investment and tourism related government officials in the host countries and representing Sri Lanka at different governmental and international organizations on issues / matters relating to Sri Lanka’s commercial and economic interests.
- Serving trade, investment and tourism related inquiries, visiting/meeting with foreign businesses, providing technical assistance to Sri Lankan exporters, resolving trade disputes etc.

Please see below summary of activities undertaken by Commercial Officers from January 2010 to December 2014.

(Table 03)

Activities	2010		2011		2012		2013		2014		Total (2010-2014)	
	No. of Exhibitions/ Delegations	No. of Participants/ Delegates										
Promotional Fair participation from Sri Lanka in host country	52	510	59	671	80	728	75	848	61	737	327	3494
Promotional fair participation from the host country in Sri Lanka	12	47	26	90	29	122	37	325	22	169	126	753
Participants to the EXPO 2012, Sri Lanka	n.a	n.a	n.a	n.a	01	1160	n.a	n.a	n.a.	n.a.	1	1,160
Staged Sri Lanka specific (single-country) promotional campaigns in host countries	88	n.a	116	n.a	138	n.a	127	n.a	33	n.a.	502	n.a.
Delegations to Sri Lanka (except for EXPO - 2012)	49	385	43	282	48	457	98	563	35	387	273	2,074
Delegations to the host country	41	437	61	436	54	455	70	600	78	805	304	2,733
Individual visits to the host country	n.a	147	n.a	174	n.a	181	n.a	201	n.a.	280	n.a.	983
Individual visits to Sri Lanka	n.a	147	n.a	139	n.a	194	n.a	270	n.a.	237	n.a.	987
Two way trade inquiries replied	1728		1751		1882		2133		2,132		9,626	

7.2 DOC Stall at Dayata Kirula National Development Exhibition- 2014

DOC participated at “Dayata Kirula 2014” national development exhibition which was held in Kuliapitiya, Informative booklet was distributed at the DOC exhibition stall to educate the public, students and exporters on the activities and the services provided by the DOC and arranged video conferencing facilities for the benefit of interested businessmen to link up with commercial officers abroad.

7.3 Conducting Awareness Programmes

Seminar on World Trade Organization’s (WTO) Trade Facilitation Self - Assessment of Need & Priorities for Sri Lanka was held in March 2014, Colombo

This Seminar was conducted using a special guide based on text of the Agreement on Trade Facilitation and was facilitated by international experts. The outcome of the seminar was to prepare more effective notification process by the participants, to take advantage of the special and differential treatment provisions and technical assistance and to assist in implementation of the said Agreement and also to take steps towards the establishment of a National Trade Facilitation Committee.

7.4 Promotion of Tourism

Tourism was one of the areas, which gained immediate attention after the defeat of terrorism in the country. Recognizing the enormous potential in the tourism sector, the Trade Officers have organized various promotional programmes in foreign countries with the support of the Sri Lanka Tourism Promotion Bureau and Sri Lankan Airlines to promote Sri Lanka as an attractive tourist destination. The main strategies adopted by the Trade Officers to promote Sri Lanka as a tourist destination include; arranging special forums and conferences, visits by tourist groups, organizing Sri Lanka promotion events, facilitate participation at international tourism fairs, arranging Media delegations and FAM tours to Sri Lanka, setting up tourism promotion councils, providing publicity through electronic and print media in the host country.

7.5 Promotion of Foreign Direct Investment

Trade Officers stationed abroad continued to play a vital role in attracting foreign direct investments (FDI) into the country. During the period under review, the Trade Officers had met with potential investors in their respective markets more than 100 foreign companies and individuals identified as potential investors and briefed them

on investment opportunities available in the island. Some of these parties have already visited Sri Lanka to study the possibilities of setting up factories.

7.6. Recommendation for Residence Visas

The Secretary of Ministry of Industry and Commerce has delegated the Department of Commerce (DOC) with the authority of issuing letters of recommendation for residence visas for the expatriates who are employed by the Liaison offices/ Branch offices of foreign companies and other trade and commercial ventures, whose presence and activities in Sri Lanka fall under the purview of the Ministry. Applications for such visa recommendations are strictly assessed taking into account the direct benefits of such employment for export trade, technology transfer and productivity increase and thereby possible gains to the National Economy.

During the year the DOC has issued residence visa recommendations for 145 expatriates consisting of 89 applicants and 56 dependents from various nationalities of 40 Indians, 37 British, 15 Japanese, 11 Pakistanis, and other nationalities of Chinese, Koreans, Swedish, Romanian, Australian, Irish etc.

7.7 Approval of Credit Agencies under the Mortgage Act. No. 6 of 1949

Under the Mortgage Act No. 6 of 1949, Director General of Commerce is empowered to declare any company, firm, institution or individual as an approved credit agency. The Director General is required to do so on the basis of a recommendation by a Board consisting of a Chairman and two other persons appointed by the Hon. Minister under Section 114 (1) of the Mortgage Act No. 6 of 1949.

Hon. Minister of Industry and Commerce has by virtue of the powers vested in him, under Section 114(1) of the Mortgage Act, No. 06 of 1949, appointed Mr. R. Semasinghe to be the Chairman and Mr. Anura V. Meddagoda and Mr. V. M. Weerasinghe to be the other members of the Board constituted for the purpose of the above Act, for a period of 03 years effective from 13th January 2014 to 12th January 2017

The board recommended 11 applications out of 18 submitted in the period of review and 10 Applicants have been gazetted accordingly (*i.e.* HDFC Bank withdrew its application after receiving the recommendation)

Applications received for approval

1. Citizens Development Business Finance PLC (CDB)
2. TKS Finance Ltd

3. Commercial Leasing & Finance PLC
4. Vallibel Finance PLC
5. Lanka ORIX Finance PLC
6. LOLC Micro Credit Ltd
7. Sampath Leasing & Factoring Ltd. – said approved
8. HDFC Bank of Sri Lanka – said approved
9. GAGANA Coordination & Investment Pvt. Ltd.
10. Asia Asset Finance Ltd.
11. Global Trust Financial Services Ltd
12. Associated Motor Finance Co Ltd
13. People’s Merchant Finance PLC
14. Nation Lanka Finance PLC
15. E T I Finance Limited
16. People’s Micro Finance Limited
17. Capital Trust Investment Limited
18. Mercantile Investments and Finance PLC

Applications Recommended and Gazetted

- | | | |
|--|---|---|
| <ol style="list-style-type: none"> 1. Commercial Leasing & Finance PLC 2. Vallibel Finance PLC 3. Lanka ORIX Finance PLC 4. LOLC Micro Credit Ltd 5. Sampath Leasing & Factoring Ltd. | } | <p>Recommended on 17.06.2014
(Gazetted on 03.09.2014)</p> |
| <ol style="list-style-type: none"> 6. People’s Merchant Finance PLC 7. Citizens Development Business Finance PLC (CDB) 8. TKS Finance Ltd 9. Associated Motor Finance Co Ltd 10. Mercantile Investments and Finance PLC | } | <p>Recommended on
05.11.2014
(Gazetted on
10.12.2014)</p> |

8.0 Issuance of Certificates of Origin

The DOC issues Certificate of Origin (COOs) for Sri Lankan origin products exported under the following preferential schemes and regional, bilateral and free trade agreements.

- Generalized System of Preference (GSP)
- Global system of Trade Preference (GSTP)
- SAARC Preferential Trading Agreement (SAPTA)

- South-Asian Free Trade Area (SAFTA)
- Indo-Sri Lanka Free Trade Agreement (ISFTA)
- Pakistan-Sri Lanka Free Trade Agreement (PSFTA)
- Asia-Pacific Trade Agreement (APTA)

On an average working day, 500 COOs were processed and issued by the DOC. Table 03 depicts COOs issued under respective Preferential Trading Arrangements by the DOC for the duration of 2010- 2014. A team of highly specialized and experienced officers, who are assigned fulltime to the COO Division, are available for consultation and further clarification at any time during office hours without prior appointments. On average 30 to 50 consultations are carried out daily by the designated officials. The issuance of COOs is a highly specialized function requiring an in-depth knowledge of the respective Rules of Origin Criteria under different trade agreements/ arrangements. The responsibilities of the DOC in this regard;

- assessment of eligibility of a product for tariff concessions
- registration and maintenance of exporters' profiles,
- evaluation of cost statements and other supporting documents submitted by the exporters to access the eligibility,
- conducting post-COO issuance audits at the request of preference giving countries and
- compilation of COO related data and analytical reports.

COOs Issued by the Department of Commerce

(Table 04)

Agreement	Number of Certificates of Origin Issued				
	2010	2011	2012	2013	2014
EU GSP	88,409	85,600	114,029	79,774	83,898
GSP- Other Countries	15,434	14,782	13,909	13,410	12,706
GSP-CIS Countries	871	856	1,009	929	842
ISFTA	10,373	35	9,742	11,088	10,852
PSFTA	5,219	30	8,057	8,190	7,069
APTA	1,906	2,424	2,781	3,482	4,131
SAFTA	-	-	26	74	388

SAPTA	239	248	253	243	309
GSTP	99	115	136	147	107
Total	122,550	104,090	149,942	117,337	120,302

Staff Movements of the DOC - 2014

Name of the Officer	Country/ City	Date
<i>Change of Stations- Retuned</i>		
Mr. L.G. Dissanayake Assistant Director of Commerce	Stockholm	2014.02.03
Mrs. E.T.M.C.S. Abeyrathna Assistant Director of Commerce	Moscow	2014.03.31
Miss. J.A.Y.G. Jayasuriya Assistant Director of Commerce	Paris	2014.05.06
Mr. R.G.S.P.K. Wijesekara Deputy Director of Commerce	Chennai	2014.07.01
Miss. U. Samaratinga Deputy Director of Commerce	Mumbai	2014.07.07
Mrs. K.D.N. Kodikara Assistant Director of Commerce	Pretoria	2014.12.31
Mrs. Gothami R. Silva Director of Commerce	Rome	2014.03.15
Mr. B.G.P. Jayakody Assistant Director of Commerce	Cairo	2014.07.13
Mr. Y.Y.K. de Silva Assistant Director of Commerce	Soul	2014.06.30
<i>Change of Stations- Posted</i>		
Mrs. Gothami R. Silva Director of Commerce	Brussels	2014.03.17
Mr. D.W. Jinadasa Deputy Director of Commerce	Rome	2014.04.05
Mrs. V.S. Bandara Assistant Director of Commerce	Mumbai	2014.10.25
Mrs. R. Mallikarachchi Assistant Director of Commerce	Singapore	2014.08.08
Mr. P.A.S. Ponnampereuma Deputy Director of Commerce	New Delhi	2014.11.18

Mr. P.K.S. Pattiwila Assistant Director of Commerce	Kuala Lumpur	2014.04.20
Mr. B.G.P. Jayakody Assistant Director of Commerce	Brazil	2014.07.14
Mr. W.P.A.F. Gunasekara Assistant Director of Commerce	Paris	2014.04.20
Miss. C.K. Kiriwandala Assistant Director of Commerce	Moscow	2014.05.13
Mrs. M.M.T.D. Mullegamgoda Assistant Director of Commerce	Stockholm	2014.03.28

ශීර්ෂ අංකය /Head No:295

අමාත්‍යාංශය/විශේෂ දෙපාර්තමේන්තුව :-දෙපාර්තමේන්තුව/
Ministry/Department:-Department of Commerce

වැඩසටහන් අංකය / Programme No:01

ව්‍යාපෘතිය / 1Project 1

පුනරාවර්තන වියදම් /Recurrent Expenditure

විස්තරය Description	2013 සත්‍ය වියදම Actual Exp. Rs.	2014 අනුමත ඇස්තමේන්තුව Estimate Rs.	2014 සංශෝධිත ඇස්තමේන්තුව Revised Estimate Rs.	2014 සත්‍ය වියදම Actual Exp. Rs.	ඉතිරිය Savings Rs.
පෞද්ගලික පඩිනඩි Personal Emoluments	31,015,639	37,600,000	34,190,000	34,178,906	11,094
වෙනත් Other	61,624,657	57,700,000	58,060,000	57,609,930	450,070
මුළු වියදම් පුනරාවර්තන එකතුව /Total	92,640,296	95,300,000	92,250,000	91,788,836	461,164

මූලධන වියදම්
Capital Expenditure

වැය විෂය අංකය විස්තර /	('000) සත්‍ය වියදම Actual (2013)	('000) අනුමත ඇස්තමේන්තු Estimate (2014)	('000) සංශෝධිත ඇස්තමේන්තු Revised Estimate (2014)	('000) සත්‍ය වියදම Actual (2014)	ඉතිරිය Savings
<u>මූලධන වත්කම් පුනරුත්ථාපනය හා වැඩි දියුණු කිරීම</u> Rehabilitation & improvement of Capital Assets	111	500	500	140	360
යන්ත්‍ර සූත්‍ර හා උපකරණ)2002) Plant Machinery & Equipment	20	200	200	43	157
වාහන)2003) Vehicles	91	300	300	97	203
<u>මූලධන වත්කම් අත්පත් කර ගැනීම</u> Acquisition of Capital Assets	4,050	2,700	4,950	4,905	45
වාහන)2101) Vehicles	150	0	0	0	0
ලී බඩු හා කාර්යාලයීය උපකරණ)2102) Furniture & Office Equipment	3,665	2,500	4,750	4,707	43
යන්ත්‍රෝපකරණ)2103) Machinery	235	200	200	198	2
<u>හැකියා වර්ධනය</u> Capacity Building	212	2,500	3,300	3,166	134
පුහුණු කිරීම් හා හැකියා වර්ධනය)2401) Training & Capacity Building	212	2,500	3,300	3,166	134
<u>වෙනත්</u> Other Capital	4,595	6,000	6,000	5,020	980
වෙළඳ ප්‍රවර්ධන ක්‍රියාකාරකම්)2502) Trade Promotion Activities	4,595	6,000	6,000	5,020	980
එකතුව/ Total	8,968	11,700	14,750	13,231	1,519

