

PERFORMANCE REPORT AND ANNUAL ACCOUNTS

FOR THE YEAR 2016

**DEPARTMENT OF COMMERCE
[HEAD 295]**

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1. INTRODUCTION

Vision of the Department

“Raising living standards of the people through International Trade Relations”

Mission of the Department

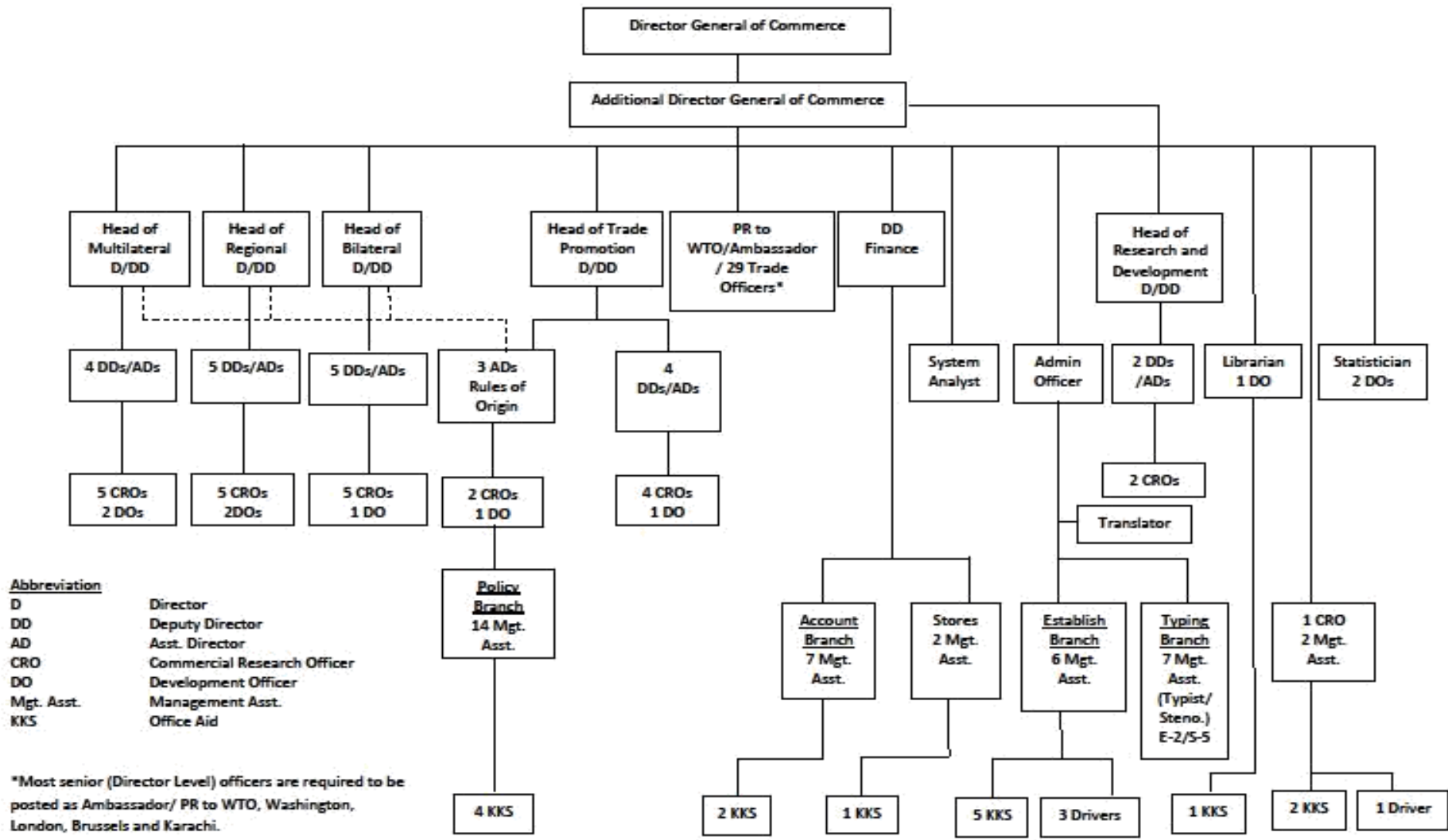
“To develop and promote Sri Lanka’s foreign trade relations at bilateral, regional and multilateral levels by effective implementation of government trade policy, with a view to raising the standards of living and realizing a higher quality of life through the increase of total production, income and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

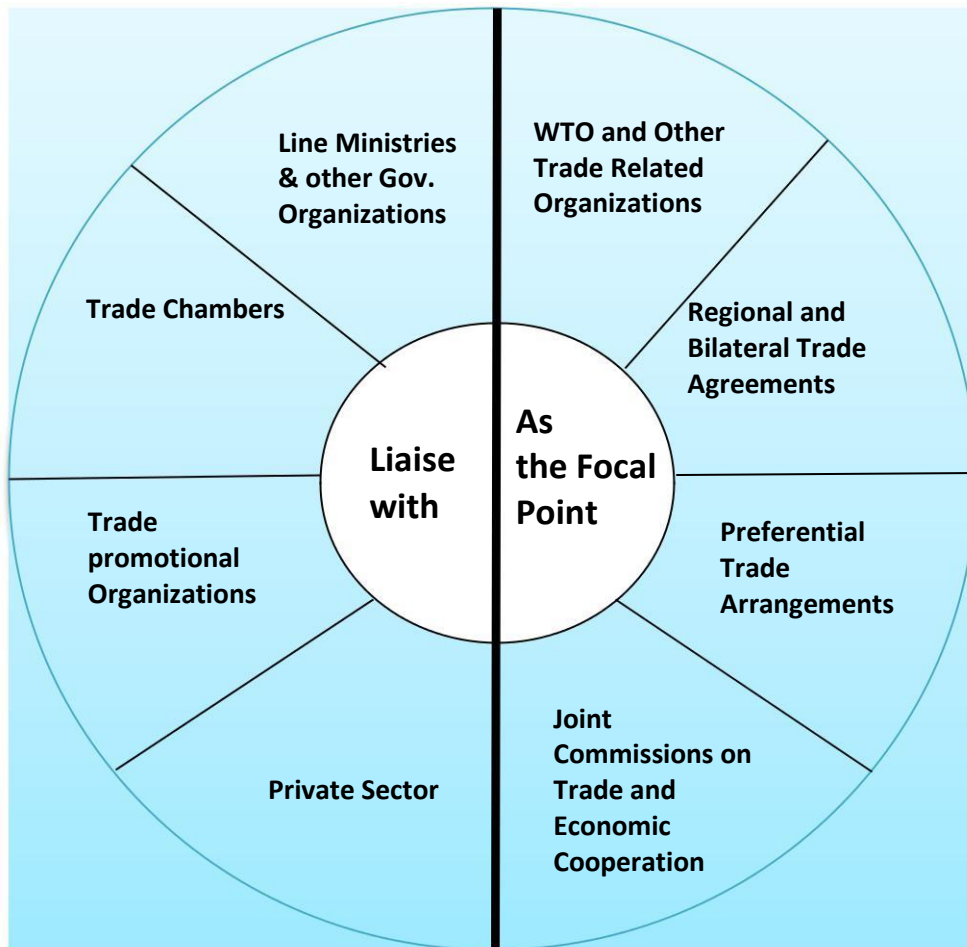
- Formulation and implementation of Sri Lanka’s international trade policy in close collaboration with relevant line ministries/authorities and private sector stakeholders.
- Rendering advice to the Ministry of Industry & Commerce on foreign trade policy with special emphasis on the overall development 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 for foreign trade and the pivotal contribution it can make towards the overall economic development of the country. Thus, the 2016 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 towards promotion of foreign direct and portfolio investment and Sri Lanka tourism as well.

Organization Chart of Department of Commerce



Our Relations



2. REVIEW OF SRI LANKA'S FOREIGN TRADE – 2016

Foreign Trade is kept in high priority in the development agenda of the Sri Lankan economy in the government policy. It is one of the most significant macroeconomic instruments to achieve Sri Lankan Development Goals. It has also been geared towards achieving an outward oriented trade regime, based on and operating within the rules-based multilateral trading system of the WTO, with a view to reaching greater integration into the world economy.

In order to achieve this goal, its objectives include strengthening overseas market access for Sri Lankan products, integration of trade promotion in the national development framework by further rationalization of trade and tariff policies, facilitation of a fair trading environment and encouragement of investment. These objectives have been pursued through multilateral, regional, and bilateral trade negotiations.

Despite general consensus towards trade liberalization on a global scale, Sri Lanka as a small and vulnerable country faces a number of challenges, including adverse impacts arising from non-tariff measures such as stringent technical and health standards, customs procedures and requirements etc. The use of non-tariff measures has continued to rise following the economic crises of 2008, and remains a problem for Sri Lanka when such measures nullify any advances in tariff liberalization by its export markets.

Though there was a declining trend in the global economic frontier, Sri Lanka has been making concerted efforts on the outward front, including finding new or alternative markets for Sri Lankan exports. China, Brazil, Russia, Turkey, Japan, South Korea and South Africa are some of the potential countries which have been identified for further trade expansion.

Further enhancement of Sri Lanka's share in the existing international markets continues to be an equally important task and challenge. Appropriate measures are being taken to increase Sri Lanka's share in the existing markets, especially by the maximum utilization and expansion of market access opportunities available under the Free Trade Agreements and Preferential Trade Agreements, where Sri Lanka is a partner. The discussions of Joint Commissions and follow up activities pave the way to enhance the mutual cooperation among countries for trade promotion and resolve issues related to trade.

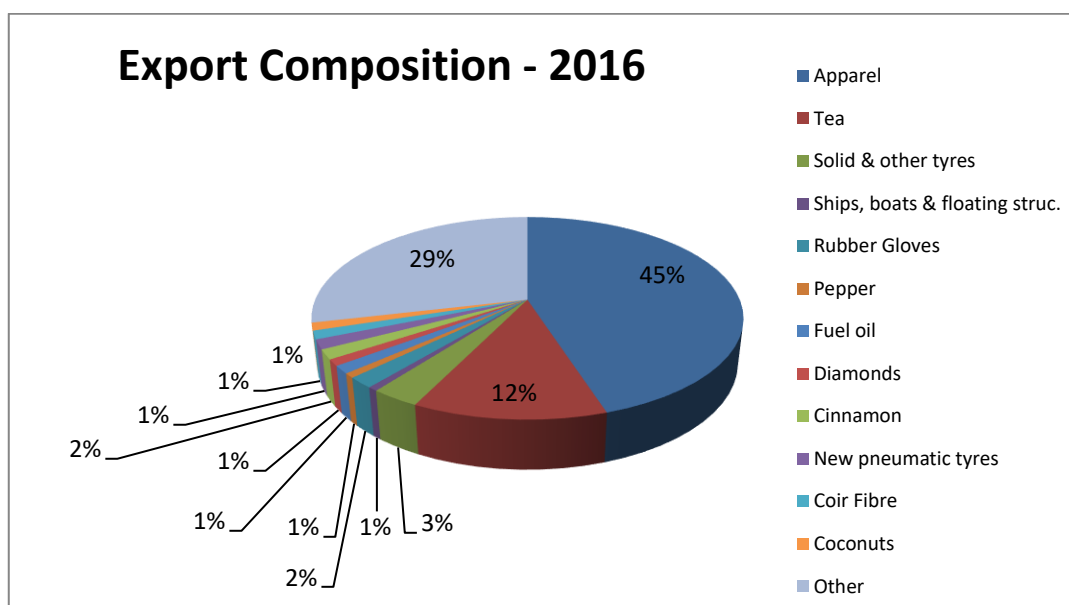
During the period under review, country's international trade policy regime continued to aim at the development of the export sector. In this context, the Government gave priority to enhance productivity and improve the links between rural and urban sectors and the global economy to share benefits of foreign trade. The country's economic policy plan was directed towards improving international competitiveness in the industrial sector by fostering technological innovation, facilitating private investment in new industrial zones, upgrading public service delivery, and promoting the development of small and medium-sized enterprises (SMEs). With the objective of increasing the export share of the GDP, Government's economic policies were focused to identify investors for specialized export needs of the world and technology based exports.

**Sri Lanka's Total Imports, Exports and Balance of Trade
2010 – 2016 (Value: US \$ Mn.)**

Year	Exports	Growth %	Imports	Growth %	Total Trade	Balance of Trade
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
2015	10,212	-7.5	18,989	-1.3	29,201	-8,777
2016	10,217	0.048	19,515	2.77	29,732	-9,298

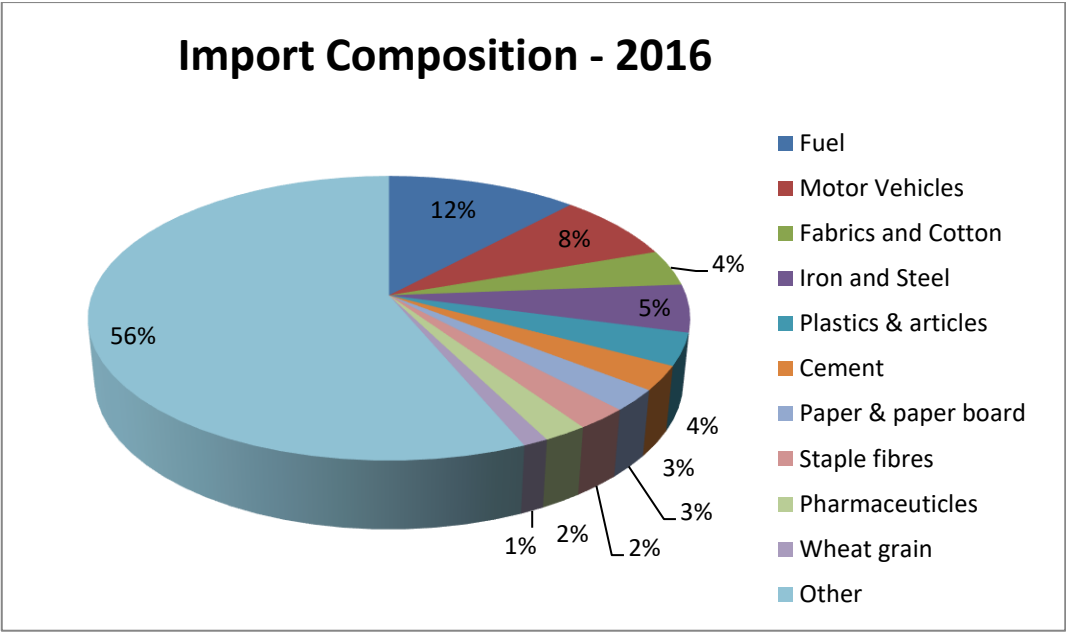
Source: Sri Lanka Customs

2.1 Export & Import Performance



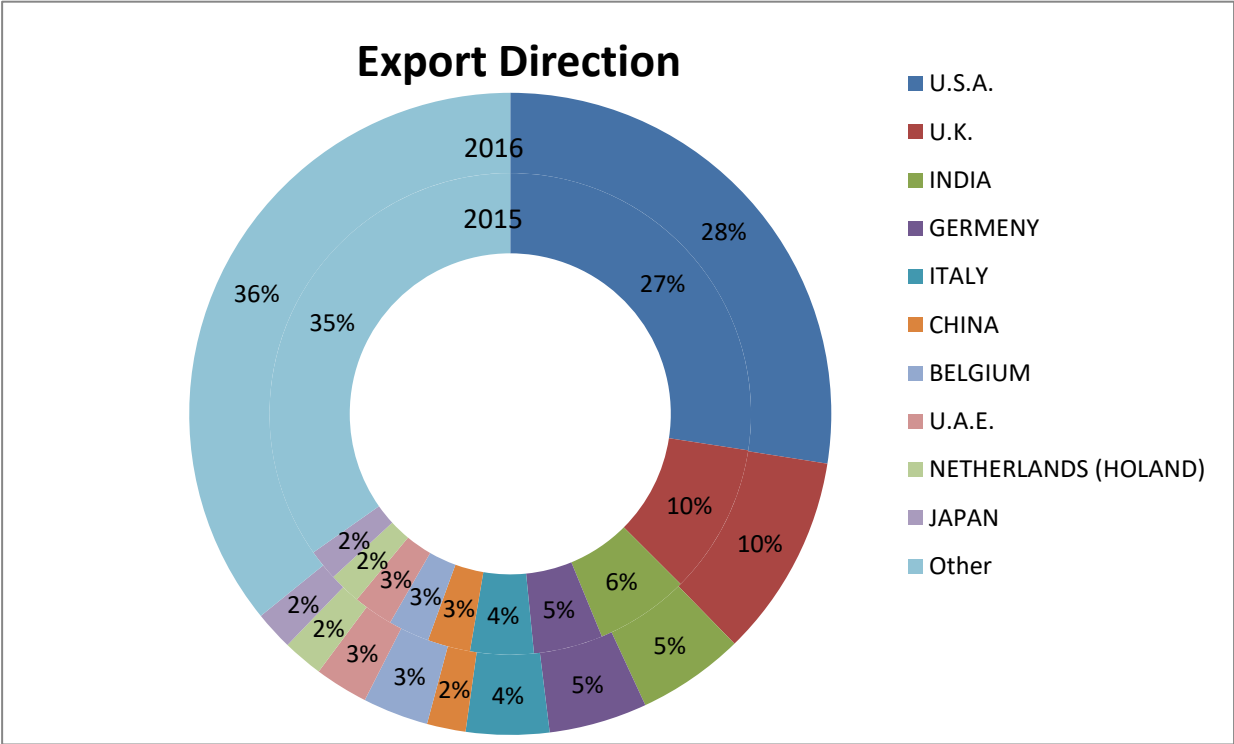
Sri Lanka's total export earnings during the year 2016 stood at US\$ 10,217 million whereas the value for 2015 was US\$ 10,212 million.

Sri Lanka's export earnings were led by Apparel, contributing 45% to total export earnings, marking slight increase compared to 2015 (1.05%). The second major export earner in 2016 was Tea (12%) followed by solid and other Tyres (3%), Rubber Gloves (2%) and Cinnamon (2%).

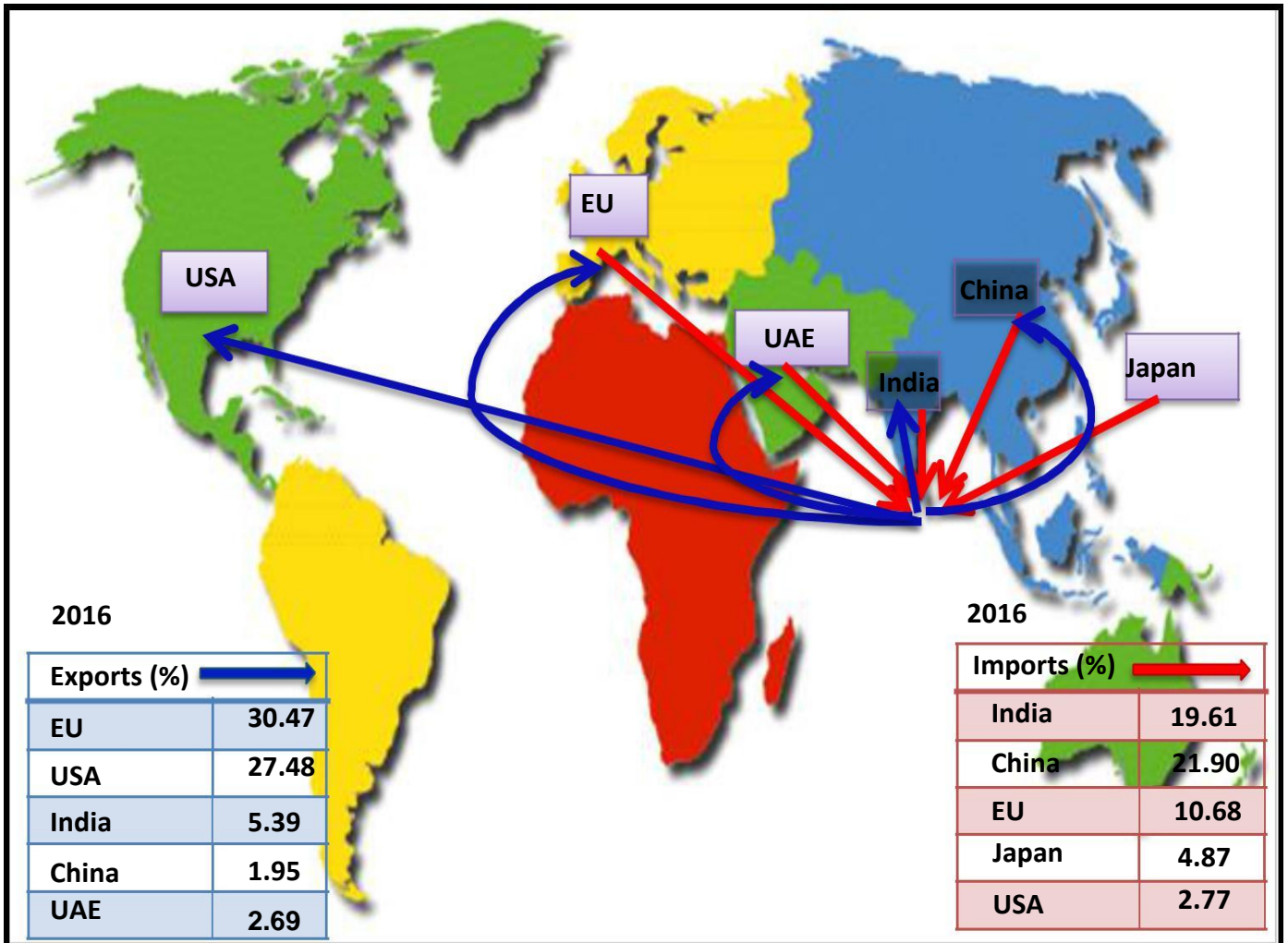
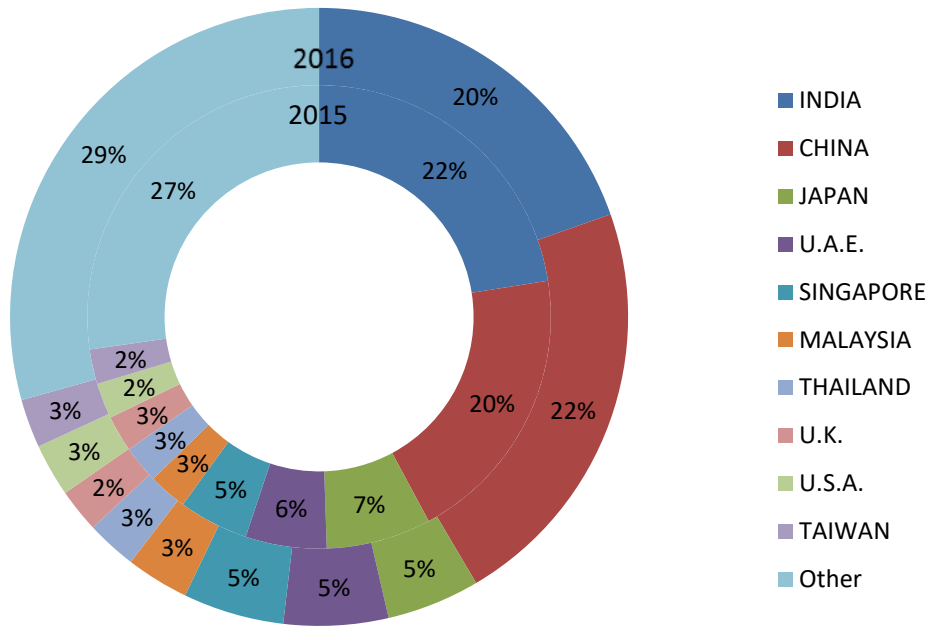


Sri Lanka's total imports expenditure during the year 2016 has increased from US\$ 18,989 million in 2015 to US\$ 19,515 million in 2016 indicating 2.77% growth. Sri Lanka's import basket in 2016 has dominated by Fuel with a share of 12%, shown by 21.49% growth compared to 2015. Other major import items are Motor Vehicles (8%), Iron and Steel (5%), Fabric and Cotton (4%) and plastic and articles (4%) .

2.2 Direction of Sri Lanka's Trade 2015-2016



Import Direction



3. 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 Organization (WIPO), the International Trade Center (ITC) and the Advisory Center for WTO Law (ACWL).

3.1 Sri Lanka's Representation at the World Trade Organization

The focus of the WTO during the year 2016 was to finalize implementation issues relating to Ministerial decisions taken at the 10th WTO Ministerial Conference held in Nairobi and to find a way forward of addressing the remaining major issues relating to negotiations on Agriculture, NAMA and Services. However, reflections and views expressed by many members are yet to be action oriented.

Some member countries tabled new submissions on domestic subsidies, market access, cotton and export restrictions to the Agriculture special session just before the summer break. However, as reported by the Chair of the Agriculture special session, clear differences of view on the way forward remain among the member countries. Progress on public stockholding and on a special safeguard mechanism as proposed by the G-33 also still remain sluggish.

Sri Lanka is recognized as a small and vulnerable economy in the WTO. The Article 27 of the Ministerial Declaration reaffirmed commitments to address the needs of small and vulnerable economies in substantive and meaningful manner. Sri Lanka therefore, has the opportunity of seeking technical and capacity development assistance through WTO for its trade-related development programmes. In addition, the reaffirmation of continuation of the work programme on small economies at the Ministerial meeting will provide further opportunity to benefit from the development-oriented programmes of the WTO.

Sri Lanka's WTO representation has provided policy advice on many trade and investment related issues of interest to Sri Lanka during the year which includes the following:

- Preparatory Note for the Sri Lanka – EU Joint Economic Commission
- Advisory note on Qualifying Investment Zones under WTO
- Technical Note on WTO Information Technology Agreement (ITA)
- Note on ban on import of Asbestos and its legal implications under the WTO
- Note on the compatibility of proposed measures reviewing Sri Lanka's export related subsidies & measures with the WTO rules
- Note on implications of Sri Lanka's graduation from the Annex VII of the WTO Agreement of Subsidies and Countervailing Measures and future actions
- Advisory note on implementation requirements of Trade Facilitation Agreement
- Advisory note on the issue on import of Milk powder from New Zealand

- Information on EU funded capacity development programme in Sri Lanka
- A note relating to Bilateral Investment Treaties
- Advisory note on Recent Developments in RTAs

Sri Lanka was unanimously elected as the coordinator of the Asia-Pacific Group of Developing Countries at the WTO for year 2016. The Group is consisted of 37 WTO member countries in the Asia – Pacific Region. After assuming the coordinatorship of the Group, Sri Lanka fresh new initiatives to revitalize the groups' activities increasing its contribution to the election of officers to the WTO bodies as well as in all negotiating areas. As a result of these efforts, an informal interactive session of the group was held on the 19 April 2016 at the WTO in order for create a better understanding on different views of the future work of WTO agricultural negotiations as well as the state of play of the post-Nairobi Ministerial negotiations. The Session was attended by Mr. Roberto Azevedo, Director General of the WTO and The Chair of the WTO Committee on Agriculture Special Session, Ambassador Vangelis Vitalis.

A special session on Cinnamon Industry in Sri Lanka was organized in collaboration with Standard and Trade Development Facility (STDF) Division of WTO which was held on 21 June 2016. This session was attended by Mr. Sarada de Silva, CEO of the recently established Ceylon Cinnamon Academy of Sri Lanka. At this session Sri Lanka has been able to highlight the uniqueness of the Cinnamon Industry in Sri Lanka and possible assistance by International Agencies such as WTO, UNCTAD, UNIDO, WIPO, ITC etc. for the further development of the industry.

At the WTO Committee on Trade and Development (CTD) dedicated session on small economies which was held on the 04th November 2016 at the WTO, Sri Lanka arranged to present an overview of the development of the Software Industry in Sri Lanka. The CTD Dedicated Session on Small Economies follows a work programme to discuss and address the specific challenges that small economies face in participating in world trade. This was the second occasion that Sri Lanka has made presentation at this special session.

3.2 Fourth WTO Trade Policy Review of Sri Lanka:

The fourth trade policy review of Sri Lanka was held from 1-3 November 2016 in the WTO, Geneva covering the period of review i.e.2010-2016.

The Department of Commerce in consultation with relevant stakeholders prepared the Government Report covering period of 2010-2016.

Sri Lanka received more than 100 advance written questions from 24 countries on Sri Lanka's trade policy changes during the review period. The Department of Commerce and the Permanent Representative to the WTO, with relevant line Ministries, coordinated replies to these questions.

Commenting on Sri Lanka's Trade Policy, the representative of the USA appreciated Sri Lanka's commitment to human rights, democracy and the rule of law under President Maithripala Sirisena. With the end of prolonged civil war and renewed commitment to democratic values, the USA sees opportunity for the country to regain and consolidate its economic prosperity and gain foothold in accelerated global integration. With the

enlightened governance, sound economic policies and peace, the USA is optimistic that Sri Lanka will reach a promising future for all Sri Lankans. In traditional exports like apparel and agriculture products of Sri Lanka, there is ample room for growth by moving up the value chain. The rapidly growing IT sector will complement the country's exports. The USA representative also stated that they would continue to work with Sri Lanka to strengthen and deepen their relationship. Recent political changes have dramatically increased the scope for bilateral cooperation and expanding development assistance programmes to Sri Lanka. USA is looking forward to working with Sri Lanka closely with the implementation of bilateral five-year joint action plan to boost external trade and investment.

In its intervention at the Trade Policy Review, the EU commended the progress made by Sri Lanka in particular, the implementation of an ambitious reform agenda that has allowed Sri Lanka to make improvements in many areas, including good governance and rule of law. The EU is following with interest the process of reorientation of the economy of the new Government, which took Sri Lanka on a path of sound, dynamic and more open economic policy. With regard to Sri Lanka's application for GSP+, the EU is currently conducting a technical assessment on the application and would inform Sri Lanka of its intentions by the end of November. The final decision would be taken by the EU at the very latest by mid May 2017. The EU collectively accounts for 27% of the total trade of Sri Lanka in 2015. The total Trade in Goods between the EU and Sri Lanka was € 4.7 billion. The EU is collectively a leading grant donor to Sri Lanka. During the period 2005 to 2015, the EU have provided € 500 million in grant and € 250 million in concessionary loan to Sri Lanka. The bilateral development assistance for 2014 to 2020 amounts to € 210 million. This is in addition to € 08 million provided as trade-related capacity development assistance.

Canada, during their intervention, has stated that it is a committed partner in supporting Sri Lanka's economic development as the country continues capitalizing on the dividend of peace reached in 2009. Sri Lanka has tremendous economic potential in areas such as tourism, maritime industries, renewable energy and infrastructure projects. Canada has and would continue to invest in projects in Sri Lanka that would support for inclusive economic development. Canada encourages Sri Lanka to continue making the changes necessary to maintain a predictable and stable business environment.

In its intervention the representative of India mentioned that his country and Sri Lanka share centuries-old ties of friendship and civilizational linkages. Both countries are closely linked through geography, history, religion, language, culture and trade. In the recent years, the relationship has further deepened and strengthened in all spheres with regular exchanges at the highest level. India and Sri Lanka also share a close and

vibrant economic and commercial partnership. India is Sri Lanka's largest trading partner and Sri Lanka is amongst India's largest trading partner in South Asia. The total trade between the two countries exceeds US\$ 6 billion. India's multi-faceted development cooperation partnership with Sri Lanka includes assistance to development projects with cumulative development credit commitments of US\$ 2.6 billion.

Australia intervened in commending Sri Lanka's efforts to attract foreign investments, including the contribution of single electronic gateway for exports and imports, simplifying the tariff structure and eliminating quantitative restrictions.

During the review process, the representative of New Zealand stated that his country is encouraged by Sri Lanka's steady economic performance since its last Trade Policy Review in 2010. The national reconciliation process, constitutional reforms and policy aim at reconstruction and growth have set Sri Lanka on a good track. It welcomes Sri Lanka's key priorities to renegotiate existing trade agreements, adopt export promotional strategy, encourage more Foreign Direct Investment and promote the diversification of exports. These measures and the maintenance of a transparent and predictable trading environment would contribute to Sri Lanka's continued growth. New Zealand welcomed the quality products that are traded between the two countries such as Ceylon tea and cinnamon and New Zealand dairy products.

China appreciated Sri Lanka's economic performances while referring to the sound economic and trade cooperation that the two countries have maintained for many years. China has become Sri Lanka's second largest trading partner and 3rd source of foreign investment. The cumulated investment in Sri Lanka has reached US\$ 890 million by the end of 2015 and up to August this year. The new investment from China has increased by 70% on a year to year basis. China has also become the largest tourist source for Sri Lanka today. China expects successful early conclusion of the current negotiation on the Free Trade Agreement.

While intervening, the representatives of the Russian Federation stated that his country followed with great interest the economic performance of Sri Lanka following the resolution of the internal conflict. They noted the gradual growth in the bilateral trade in the recent past becoming one of the leading importers of Ceylon tea to Russia. Russia has invested over US\$ 7 million in Sri Lanka.

The Ambassador of Pakistan to the WTO expressed appreciation the Sri Lanka's economic performance. He also expressed his country's interest in further expanding its bilateral relations with Sri Lanka through comprehensive economic partnership.

In addition, similar sentiments were expressed by the intervening delegates from South Korea, Singapore, Malaysia, Mauritius, El Salvador, Montenegro, Guatemala, Nepal, Japan and Kenya.

Most of the members who intervened during the Trade Policy Review meeting, have drawn attention of Sri Lanka for predictable and consolidated tariff and levies structure, while further improving infrastructure for foreign direct investments. Sri Lanka has great potential to attract FDI through transparent and predictable trade and investment policies.

The Sri Lanka delegation to the Fourth Trade Policy Review was led by Hon. Rishad Bathiudeen, Minister of Industry and Commerce, and consisted of Director General of Commerce and Senior Officials from the Department of Trade & Investment Policy of the Ministry of Finance, Sri Lanka Customs, Central Bank of Sri Lanka and the Board of Investment of Sri Lanka.

3.2.1. Presentation on “Sri Lanka – An Emerging Economic Hub in Asia” at the WTO:

Coinciding with Sri Lanka’s Fourth Trade Policy Review which took place from 1 – 3 November 2016 at the WTO, the Mission organized a side event to promote Sri Lanka. The event was attended by the WTO, Deputy Director General Yonov Frederick Agah. Sri Lanka delegation headed by Hon. Rishad Bathiudeen, Minister of Industry and Commerce presented Sri Lanka’s economic perspectives to the large audience with over 150 participants under the theme “Sri Lanka – An Emerging Economic Hub in Asia”. A detailed presentation on the Sri Lanka’s economic and trade performance was made by Additional Director of the Economic Research Division of the Central Bank of Sri Lanka. The informative presentation was followed by interactive questions and answer session. Many participants commended Sri Lanka’s achievements and placed their confidence in economic prosperity through political, trade and economic reforms of the newly established National Unity Government.

The audience was represented by the Member countries of the WTO, senior members of the WTO, International Trade Centre, World Economic Forum, UNCTAD, Advisory Centre on WTO Law, etc.

3.3. United Nations Conference on Trade and Development (UNCTAD):

The XIV Session of the UNCTAD Ministerial Conference was held from 17 – 22 July 2016 in Nairobi, Kenya. Sri Lanka delegation to the Conference was led by Hon. Rishad Bathiudeen, Minister of Industry and Commerce. Hon. Sujeewa Senasinghe, State Minister of International Trade, Sri Lanka Ambassador in Kenya, Ambassador PR/WTO and senior officials representing Department of Commerce, Board of Investments and Ministry of Foreign Affairs were also included in the Sri Lankan delegation.

The Conference featured ministerial debates, high-level round tables, thematic events, a World Investment Forum, a Global Commodities Forum, a Youth Forum and a Civil Society Forum, among other events. The conference adopted by consensus both the "Nairobi Azimio" (Political Declaration) and the "Nairobi Maafikiano" (the Nairobi consensus outcome) that sets out the work of UNCTAD for the next four years.

These two documents are aimed at ensuring fair trade between developing countries and developed countries as well as ensure action is taken on previous UNCTAD agreements.

The Nairobi Maafikiano is focused on the following four main areas on how UNCTAD is supposed to assist its developing members in moving towards an inclusive and equitable global economic environment for trade and development.

1. The role of UNCTAD in dealing with challenges and opportunities in multilateralism for trade and development in the following four years.
2. The Maafikiano document also states several roles UNCTAD is supposed to play in promoting inclusive and sustainable economic growth through trade, investment, finance and technology to achieve prosperity for all. This will be mainly aimed at eradicating poverty, job creation, technological upgrading, economic diversification and reduction of income inequality.
3. The third area of focus for UNCTAD in the next four years will be advancing economic structural transformation and cooperation to build economic resilience.
4. The fourth area of focus will be contributing to the effective implementation of 2030 Agenda for Sustainable Development and relevant outcomes from global conferences and summits as related to trade and development.

3.4. Agreement on Trade Facilitation:

Sri Lanka's Instrument of Acceptance of the Protocol on WTO Trade Facilitation Agreement was presented to Mr. Roberto Azevêdo, Director-General of WTO by the Permanent Representative to the WTO on 31st May 2016. Sri Lanka is the 81st Member to deposit its Instrument of Acceptance with the WTO on the ratification of Trade Facilitation Agreement (TFA) of the WTO. Once the two-third (110) of the current membership deposits its Instrument of Acceptance, the Agreement will come into effect. As of 10th January 2017, 105 WTO members have ratified the Trade Facilitation Agreement.

Department of Commerce is working with World Trade Organization, World Bank Group, International Trade Centre, Global Alliance for Trade Facilitation through World Economic Forum, UNIDO and World Customs Organization to identify and quantify technical and capacity development assistance to Sri Lanka for effective implementation of the Trade Facilitation Agreement. The Cabinet of Ministers has approved setting up of the National Trade Facilitation Committee, which is represented by relevant trade facilitation government agencies and private sector Trade Chambers. Sri Lanka has selected the World Bank Group as the principle coordinator for the implementation requirement of the Trade Facilitation Agreement. Hence the National Trade Facilitation Committee (NTFC) is expected to closely liaise with the World Bank Group.

The World Bank Group visited Sri Lanka in August and November 2016 to plan out implementation requirements with necessary technical, funding and infrastructure development assistance and conducted two Workshops to prioritize the category C commitments.

The first meeting of the Inter-Agency Coordination was held in Geneva on 25th July 2016 in order to organize a collective and more focused implementation of the TFA in Sri Lanka.

3.5. Enactment of Anti-Dumping, Countervailing & Safeguard Legislation in Sri Lanka

Enactment of anti-dumping, countervailing & safeguard legislation in Sri Lanka has long been long outstanding. By the Cabinet Decision taken on 12th May 2005, the Cabinet of Ministers has granted approval to submit the legislation on this to Parliament. The two bills were submitted to Parliament in January 2006 and taken up for their second reading on 4 April 2006. There were questions submitted by several Members of Parliament on a number of provisions in both bills and a number of Consultative Committee meetings were held to discuss these matters in detail. In accordance with the questions discussed at these Consultative Committee meetings, it was decided that the Legal Draftsman's Department incorporate appropriate amendments to the draft texts of the two bills. However, since the Parliament was dissolved in February 2010, prior to the revised Bills being submitted, the two Bills were considered lapsed.

Subsequently, another Cabinet Memorandum was submitted to the Cabinet in July 2014 and it was referred to the Legal Draftsman to draft legislation taking into consideration the suggestions and observations of the Ministry of Finance and Planning, treating this as a matter of priority. The Department of Commerce through the Ministry of Industry and Commerce has submitted to the Cabinet a new Cabinet Memorandum accordingly and the Cabinet has approved it on 18th October 2016 to present it to the parliament through due process.

3.6. Common Fund for Commodities

The Common Fund for Commodities (CFC) is an autonomous intergovernmental financial institution established in 1989 within the framework of the United Nations. It forms a partnership of 111 parties including 101 UN member states plus ten intergovernmental organizations. Sri Lanka is a member of CFC since its inception and has benefitted from CFC in commodity sectors such as Tea, Dairy products, Cinnamon, Coir, Bamboo Shoot, Rubber, Coconut and Fisheries products. As per its mandate to enhance socio-economic development of commodity producers and contribute to the development of society as a whole, CFC is continuously extending its support to the players in commodity sector, through grants and loans.

The members of the CFC, having recognized that many aspects of the Agreement Establishing the Common Fund had undergone changes since establishment of the fund in 1989, agreed to amend the Agreement to enable it to fulfil the mission prevailing in the international development paradigm. Accordingly, at the recommendation of the Executive Board and the approval of the Governing Council of the CFC, the restructuring process commenced. After identifying several amendments to the initial Agreement, the

final text of the amended agreement was prepared. These amendments to the initial agreement will become effective once all member states deposit their instruments of ratification/approval with the CFC Secretariat.

Accordingly, the Department of Commerce through the Ministry of Industry and Commerce submitted a Cabinet Memorandum seeking approval to deposit the instrument of ratification on the amended Agreement Establishing the Common Fund for Commodities in October 2016, for which the approval of the Cabinet was received in November 2016, subject to obtaining legal clearance for the amended text from the Hon. Attorney General.

3.7. Global System of Trade Preferences (GSTP)

The agreement on Global System of Trade Preferences (GSTP) among developing countries was established on 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\$ 45.14 million and imported US\$ 0.03 million worth of goods in 2016. Sri Lanka mainly exports Cinnamon to Mexico and Peru, and there is a decrease of exports under this scheme by US\$ 4 million compared to the year 2015.

3.8. Developments in EU GSP and other GSP Schemes during the year

3.8.1. EU GSP Scheme

The European Commission and the EU Parliament has approved the new GSP scheme, which came into effect from 01.01.2014 and Sri Lanka remains a beneficiary of the Standard EU GSP preference.

Moreover, from 2014 onwards, under the provisions of Cross Regional Cumulation of the EU GSP Scheme, Sri Lanka has been entitled to cumulate un-manufactured tobacco and tobacco refuse of HS heading 2401 originating in Indonesia, to manufacture and export cigars to the EU.

3.8.1.1. Regaining EU GSP+ for Sri Lanka

The Department of Commerce in consultation with the Sub-Committee on regaining GSP+ facility for Sri Lanka, compiled all relevant information on the compliance and the progress made with respect to the 27 UN and ILO Conventions after holding a series of consultation and review meetings. The final report along with all supporting annexures was submitted to the European Commission via the Sri Lanka Mission in Brussels on 14th June, 2016. The receipt of the application was confirmed by the Directorate- Trade of EC on 12th July, 2016, to the Director General of Commerce. Subsequently, on November 2016, the Directorate- Trade of the European Commission formally informed the Director

General of Commerce that the European Council had decided to grant GSP+ to Sri Lanka subject to the approval of the European Parliament.

3.8.2. US GSP Scheme

The US GSP Programme, lapsed on 31st July 2013, has the US enacted the legislation on 29th June 2015 reauthorizing the Generalized System of Preferences until 31st December 2017. The bill also made GSP benefits with retrospective effect from 31st July 2013.

Sri Lanka along with other GSP Alliance made a petition to US Administration to expand the duty-free treatment for travel goods (HS 4202) from all GSP beneficiary countries, which has extended duty free concession under Generalized System of preferences (GSP) to travel goods manufactured in Least Developed countries (LDCs) and African Growth and Opportunity Act (AGOA) countries. Decision of the US Administration on extending the duty-free treatment for travel goods all GSP beneficiary countries will be announced in early 2017.

3.8.3. Japan GSP Scheme

Japan notified simplification of preferential rules of origin under its Generalized System of Preferences (GSP) based on the amendment of Ordinance for Enforcement of the Temporary Tariff Measures Act.

With the amendment, products classified in Chapter 61 of the Harmonized System (articles of apparel and clothing accessories, knitted or crocheted), qualify as originating goods when the products are manufactured from fabrics (single process rule). This came in to effect from 1st April 2015.

3.9. Countervailing Duty Investigation of Certain New Pneumatic Off-Road Tires (“OTR”) From Sri Lanka

The United States Department of Commerce, International Trade Administration filed a petition on January 08, 2016 with respect to allegedly subsidized imports of “certain new pneumatic Off-The-Road (OTR) tires from Sri Lanka.

This petition was filed by Titan Tire Corporation and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (“Petitioners”) requesting US Department of Commerce to initiate an investigation into 22 programs in Sri Lanka, which allegedly provided subsidies to the OTR manufacturers in Sri Lanka.

The petition also alleged that the US domestic industry is suffering material injury or pose a threat of material injury due to imports of such products from Sri Lanka.

The petition has identified alleged export subsidies in respect of Sri Lankan producers such as;

- Export Development Reward Scheme
- Tax Concessions for Exporters of Non-Traditional Products
- Incentives for Producers and Supplies of Exporters
- Tax Exemptions and Concessions for Export Production Village Companies
- Incentives for Export Development Rebates
- Incentives for Certain Undertakings with High Investments
- Value Added Tax Preferences for Exporters
- Nation Building Tax Preferences
- Port and Airport Levy Preferences
- Duty Rebate Scheme
- Exemptions/Concessions for Fiscal Levies on Capital and Intermediate Goods
- Export Credit Insurance
- Export Credit Guarantees

The US International Trade Commission (ITC) in its preliminary determination alleged that the subsidy programmes caused injury to the domestic industry and therefore the US Department of Commerce should continue the investigation to determine whether the subject imports receive countervail able subsidies in Sri Lanka.

Accordingly, US Commerce Department issued an initial questionnaire to the Government of Sri Lanka and Sri Lankan Exporter namely Camso Loadstar (Pvt) Ltd.

The Department of Commerce of Sri Lanka with the assistance of all stakeholders including the Attorney General Department submitted the response to the initial questionnaire and supplementary Questionnaires.

By the time the Department's Preliminary Determination of June 13, 2016 was reached, countervailing duties were calculated as follows.

- Preliminary determination 2.9 (For two alleged programmes namely Tax concessions for Exporters of Non Traditional Products and National Building Tax 2.9)
- Post preliminary determination 0.88 for Guaranteed price scheme

After submitting all the responses for initial Questionnaires and Supplementary Questionnaires with the assistance of Attorney General's Department and the USA retained law firm to the US Department of Commerce, the US DoC officials visited Sri Lanka for investigation Mission from 23rd to 26th August 2016 to the Government institutions (Inland Revenue, BOI, Sri Lanka Customs, Rubber Development Department, Ministry of Finance and Ministry of Plantation Industries) and 29th August to 02nd September 2016 to Camso Loadstar (Pvt) Ltd. Their visit was assisted by the Department of Commerce in Colombo and also ensured that their investigation was concluded with the local authorities with Sri Lanka's best interest.

On 3rd November 2016, the Public Hearing on CVD investigation for OTR from Sri Lanka was held at the US Commerce. The Government of Sri Lanka (“GOSL”) argued that the three programs are not countable, and in any event, in terms of the SCM Agreement Annex VII (b), Sri Lanka was not prohibited from providing export subsidies until December 31, 2015.

The US-DOC announced its final determination with a CVD rate of 2.18% for Camso Loadstar (Pvt) Ltd and for the rest of Sri Lankan OTR exporters.

4. BILATERAL TRADE AND ECONOMIC CO-OPERATION

In 2016, 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 are engaging in trading with Sri Lanka, with particular emphasis on enhancing trade and economic relations with Russia, EU, Iran, USA, Belarus, Bangladesh and Turkey. 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, India and Singapore during the period under review.

4.1 Negotiations to improve market access to India:

4.1.1 Indo-Sri Lanka Free Trade Agreement (ISFTA)

The Free Trade Agreement which was in place since 2000 has contributed in enhancing trade between the two countries. The duty free exports from Sri Lanka to India have increased from US\$ 8.6 Mn in 2000 to US\$ 375.2 Mn in 2016. The Department is continuously engaged with local stakeholders as well as Indian counterparts in resolving implementation related issues under the FTA. These issues are being taken as an integral part of ETCA negotiation process. During these discussions held in 2016, Sri Lankan side was able to resolve some pending issues pertaining to custom clearance of coconut related products, animal feed as well as export of Strawberries to India under the FTA.

4.1.2 India- Sri Lanka Economic & Technology Cooperation Agreement (ETCA)

The First Round of Negotiations of the India- Sri Lanka Economic and Technology Cooperation Agreement was held in Colombo during 09-10 August, 2016 while the Second Round of Negotiations were held during 29-30 September, 2016 in New Delhi.

During the First Round, the broader scope of the Agreement was discussed and agreed by both parties while the Indian side agreed to provide preliminary comments on the draft text of the Agreement given by the Sri Lanka side. In response to the dossier submitted by Sri Lanka in mid-2015 on Non-Tariff Measures (NTMs) faced by Sri Lankan exporters, the Indian side agreed to send a response prior to the 2nd Round of Negotiations. It was

also agreed that a structured mechanism to resolve the matters pertaining to the FTA be established for which the Terms of Reference (TOR) would be provided by Sri Lanka. The Early Harvest Mechanism of ETCA was also discussed in which Sri Lanka side requested for the removal of quotas with particular emphasis on pepper and apparel products. 07 Working Groups were established for the negotiations under ETCA by the Ministry of Development Strategies and International Trade . Officials of the Department of Commerce assisted in the technical aspects of negotiations.

During the Second Round, the response of the Indian side to the NTM dossier and Sri Lanka's request for removal of quota on apparel, pepper, tea and Vanaspathi were discussed in detail where the Indian side agreed to consult their stakeholders and revert. Both sides agreed on the importance of having Mutual Recognition Agreements (MRAs) on trade in goods and trade in services. Sri Lanka agreed to provide a revised draft mechanism for the implementation of Early Harvest Programme and trade facilitation with the objective of finalizing the same prior to entering in to ETCA. The Working Groups met separately and discussed the relevant draft text of the Agreement.

4.2 Negotiations to improve market access to Pakistan:

4.2.1 Sri Lanka –Pakistan Free Trade Agreement

The enforcement of the Sri Lanka – Pakistan Free Trade Agreement (PSFTA) in 2005, has contributed to the enhancement of bilateral trade between two countries.

According to the data received from Sri Lanka Customs, the exports to Pakistan under PSFTA during the period under review as US \$ 51.60 Mn. while imports from Pakistan under PSFTA as US \$ 20.72 Mn.

The major products exported under PSFTA during the period under review were Coconuts; Betel leaves; Desiccated coconuts; MDF: of a thickness exceeding 9 mm; Other black tea (fermented) and other partly fermented tea; etc.

The major products imported under PSFTA during the same period were Other, welded, or circular cross-section of iron or non-alloy steel; Rice; Mandarins fresh; Portland cement in packings of 50 kg and below; Flours, meals and pellets, of fish or of crustaceans, molluscs or other aquatic invertebrates.

4.2.2 6th Session on Commerce Secretary Level Meeting between Sri Lanka and Pakistan

6th Session on Commerce Secretary Level Meeting between Sri Lanka and Pakistan was held on 4th January 2016 in Colombo lead by Secretary, Ministry of Industry & Commerce in Sri Lanka and Secretary, Ministry of Commerce in Pakistan.

The meeting proceeded with the discussion of restoration of the auto sector items to the concession list of Pakistan, further liberalization of market access to quota products, entering into Mutual Recognition Agreement for the standards, dispute resolution mechanism, imposition of Import Trade Prices (ITP) for some Sri Lankan products, Investment cooperation.

4.3 Entering into new Free Trade Agreements:

4.3.1 Proposed FTA with China and Sri Lanka

The Memorandum of Understanding (MoU) on launching the Negotiations of China-Sri Lanka Free Trade Agreement (CSFTA) was signed on 16th September 2014 based on the recommendations of the Joint Feasibility Study carried out by Joint Working Group on Trade Cooperation. The strategic objective of the China –Sri Lanka FTA is to expand and consolidate market access opportunities in the Chinese market for products of strategic export interest to Sri Lanka such as Apparel, Rubber based products, Gems and Jewellery ,Coconut based products, certain food items etc by creating a level playing field vis-à-vis those of competitive suppliers to china in the ASEAN region which enjoy preferential import duties in the Chinese market through FTAs/RTAs.

The First and the Second Round Negotiations were held on 17-19 September 2014 in Colombo and on 26-28 November 2014 in Beijing respectively. Third Round of FTA Negotiations was held from 02-04 August 2016 in Colombo. The Fourth round was held in Beijing on 21-23 November 2016.

As for as Trade in Goods(TIG) chapter which is of crucial significance to Sri Lanka both sides ,during the two round of negotiations held in 2016 held extensive discussions on the modality for trade liberalization programme and a number of Articles of the draft text of TIG chapter were finalized. .

Negotiations are being conducted on draft texts taking cognizant of the implications that may have a bearing upon the domestic industries, resulting from the envisaged trade liberalization of the FTA.

Regarding modality for trade liberalization under TIG, the Chinese side recalled the consensus of the meetings between Vice Minister of Ministry of Commerce of China and the Prime Minister of Sri Lanka and the Minister of Development Strategies and International Trade of Sri Lanka in October 2016 in Colombo respectively. To follow up the instructions of the ministers and leaders, Chinese side proposed that the consensus of those meetings of 90% product coverage and 10% negative list should be basis of the future work. Sri Lankan side indicated the extent of coverage as instructed to the delegation by the Minister of Development Strategies and International Trade was maximum of 30% in the negative list and 70% of product liberalization. This was the indicative bottom line for negotiations in goods taking into account the process of consultations and approvals undertaken with all line Ministries, Agencies, private sector industry associations and stakeholders and the responses received thereof.

The Sri Lankan side reminded the Chinese Side that re-commencement of the negotiations since the Third Round was on the basis and understanding that Sri Lanka and China are negotiating on the basis of an asymmetrical trading and economic relationship. Therefore Sri Lanka had submitted a fresh modality for liberalization since the 3rd Round of Negotiations. The Chinese side urged the Sri Lankan side to take into account the results of the first two rounds of negotiations, and believed that Sri Lanka exporters could benefit more from China-Sri Lanka FTA due to the scale of Chinese Market and asymmetrical tariff structure and level of both sides.

The Chinese side noted that upon authorization from the Minister, Sri Lankan side tentatively proposed to narrow the negative list for sensitive products to 30% of total tariff lines on the condition that China fully satisfies Sri Lanka's request for immediate market access for 451 tariff lines. The Sri Lanka delegation stated that it was not possible to take out more tariff lines out of the 30% coverage of negative list due to cost-benefit factors such as Sri Lanka's limited four to five exports to China, economies of scale and capacity of China, Sri Lanka's status as a small and vulnerable economy, and possible revenue forgone in relation to gains from exports.

The Chinese side expressed its disappointment on Sri Lanka's new proposal and emphasized that their position to adhere to the 90% product coverage both in terms of tariff lines and trade volume and 10% negative list remained unchanged. Chinese side encouraged the Sri Lanka side to reduce the negative list to 10% of total tariff lines and agreed to further explore the possibility of longer transitional periods and breakdown of categories in the modality discussion as well as other creative ways.

Both sides have held further discussion on separate modalities for liberalization, which was proposed by Sri Lankan side. Sri Lanka further proposed another two phased Tariff Liberalization Program (TLP) by which the coverage of the liberalization would be undertaken in two stages, TLP I and TLP II, during successive periods of time. In response, Chinese side emphasized that based on its FTA practice, it is difficult to get a balanced negotiated result due to a low level of liberalization and companies cannot be benefited due to lack of predictability and certainty. Sri Lanka wishes to seek a longer trade liberalization period, to allow for adjustments to be implemented on certain industries. A greater significance has been attributed to address Non-Tariff Barriers to improve market access for Sri Lankan Products.

China-Sri Lanka FTA encompasses Trade in Goods, Services, Investment, Health and Safety Standards (SPS&TBT), Economic and Technical Cooperation, Customs Procedures and Trade Facilitation, Trade Remedies, etc.

The Rules of Origin chapter of the FTA was negotiated whereas consensus was arrived on a large majority of PSRs proposals.

The Department of Commerce has been heading three Working Groups , namely Trade-in –Goods ,Rules of Origin and Trade Remedies and providing technical expertise for all

other six working Groups, which work under the policy direction of the Ministry of Development Strategies and International Trade.

The private sector stake holders have been consulted on a number of occasions to make the preparatory process an inclusive one.

4.3.2 Proposed FTA with Singapore and Sri Lanka

Sri Lanka and Singapore announced that both countries are keen to pursue a modern, comprehensive FTA in June 2016 following a feasibility study carried out by Singapore and the decision of the Ministry of Development Strategies and International Trade.

A scoping mission from Singapore arrived in Sri Lanka on 7th July, 2016 for initial discussions with Sri Lanka and the relevant institutions on the scope and coverage of the proposed FTA. A joint statement on the launch of negotiations was signed on 18th July, 2016 by Hon. Minister of Development Strategies and International Trade of Sri Lanka and Hon. Minister of Trade and Industry of Singapore during the state visit of Hon. Prime Minister of Sri Lanka to Singapore. The three rounds of negotiations with Singapore were held in August, October and December 2016 in Colombo & Singapore.

The Department of Commerce extended the technical expertise to the working groups. Three sub committees namely Trade in Goods, Trade Remedy and Rules of Origin were headed by the Department of Commerce.

4.4 Joint Economic Commissions (JEC):

In the sphere of Sri Lanka 's bilateral trade relations, the Department of Commerce functions as the focal point in Sri Lanka for Joint Commissions on Trade and Economic co-operation that are established with important trading partners. The Department of Commerce performs all the functions required for the conduct of bilateral trade negotiations under Joint Commissions from the stage of formulation, co-ordination and implementation of the decisions of the Joint Commissions. These joint commission agreements have facilitated the development and expansion of Sri Lanka's exports to these countries while encouraging technical and economic cooperation in trade related activities.

The Department of Commerce coordinated and conducted the following Joint Commissions/Committees, which were held at Ministerial/ Secretary Level/ Senior Official level, during the period under review.

4.4.1 Sri Lanka – Russia Intergovernmental Joint Commission on Trade, Economic, Science and Technical Cooperation

The first ever Sri Lanka- Russia Intergovernmental Joint Commission on Trade, Economic, Science and Technical Cooperation, which is one of the primary mechanisms

to discuss ways and means to resolve various bilateral economic issues towards boosting greater bilateral trade, scientific and technical cooperation was held from 10th to 12th February 2016 in Moscow.

Since there is considerable unrealized potential in the bilateral trade relations, both delegations had a fruitful discussion to find pragmatic ways to boost the bilateral trade, investment and scientific cooperation. Special emphasize were made during the deliberation on further strengthening of promotion of Ceylon tea in the Russian market and greater market access for Sri Lankan gem stones.

Fields of trade, investment, education, industrial, agricultural, customs, technical and science were identified as high potential sectors for greater collaboration between Sri Lanka and Russia and proposals were submitted to the Russian side for their consideration.

During the session both side agreed to complete the inspection of the Sri Lankan fisheries establishments by the Rosselkhoznadzor, the Russian veterinary authority in order to grant the approval to Sri Lankan exporters to export fish and fishery products to the Russian market. As an immediate action, the inspection took place in March 2016, which was a long outstanding matter. Final report of findings was submitted to the Rosselkhoznadzor for their approval.

4.4.2. Joint Commission for Economic Cooperation (JCEC) between Sri Lanka and Iran

The Sri Lanka- Iran Joint Commission for Economic Cooperation (JCEC) was formed with the objective of further enhancing trade, culture, education and social relations between the two countries.

The 11th session of the Joint Commission for Economic Co-operation (JCEC) between Sri Lanka and Iran was held in Colombo from 24th- 25th February 2016 under the Co-Chairmanship of Hon.Rishad Bathiudeen, Minister of Industry and Commerce of Sri Lanka and H.E.Mr.Hamid Chitchian, Minister of Energy of Iran. At the 11th Meeting both sides have agreed to promote cooperation across a wide range of areas including, Trade, Economic, Custom Cooperation, Banking, Health, Science & Technology, Education and Culture, Power & Energy, Transportation, Construction Cooperation and Communication.

Both sides expressed their interest to exchange technical cooperation in the areas of Textile industry, mining industry and Food Processing industry. The following MOUs are being finalized by the both parties;

- MOU on Custom Co-operation
- MOU on Health Drug and Medical Equipment
- MOU on Science Technology and Innovation
- MOU on Standards

4.4.3. Sri Lanka – USA Trade and Investment Framework Agreement (TIFA)

The 12th U.S.-Sri Lanka Trade and Investment Framework (TIFA) Council meeting was held on 28th April 2016 in Washington, DC.

The two governments adopted a U.S.-Sri Lanka Joint Action Plan to boost Trade and Investment for purpose of achieving the goal of significantly increasing two-way trade and investment between the United States and Sri Lanka. The Joint Action Plan aims at reaching its goals over a span of five years; its objectives include, among other measures: transforming Sri Lanka's trade and investment regime to world class standards; improving the competitiveness of Sri Lanka's current exports; developing new markets, especially those that take advantage of Sri Lanka's status as a regional services hub; promoting greater interaction between the U.S. and Sri Lanka business communities; greater utilization of U.S. tariff preference arrangements; strengthening of worker rights and promotion of ethical and environmentally sustainable manufacturing practices, especially in Sri Lanka's RMG sector; reforming the educational sector to make it more responsive to the needs of business; and increased mobilization of all sectors of society, especially women, in business and trade.

As agreed at the 12th Meeting, an inter-sessional meeting of the U.S.-Sri Lanka Trade and Investment Framework Agreement (TIFA) was held on 01st September 2016 in Colombo, Sri Lanka to finalize the Joint Action Plan.

4.4.4. Sri Lanka- EU working group on Trade and Economic Relations Co-Operation

The Sri Lanka- EU Working Group on Trade and Economic Relations Cooperation was held on 11th May 2016 in Brussels, Belgium to discuss trade and economic cooperation issues affecting both sides at bilateral, regional and multilateral levels. The need of submit the GSP+ application at least by mid- June 2016 was secured by the Sri Lanka delegation which was led by the Director General of Commerce.

4.4.5. Sri Lanka- Belarus Joint Economic Cooperation

The 2nd Session of the Sri Lanka- Belarus Joint Economic Cooperation was held on 19th August, 2016 in Minsk, Republic of Belarus. During the discussion both parties agreed to sign the agreement on Science Cooperation between the two countries and discussed the directions of further development of economic projects and trade ties between the countries.

Both side agreed at the meeting to obtain the necessary approval to sign the Agreement on Science Cooperation between the two countries to strengthen the bilateral relations in the sphere of science and technology.

4.4.6. Sri Lanka-Turkey Joint Committee Meeting on Economic and Technical Cooperation (JCETC)

The 1st JCETC was held under the Co-Chairmanship of Hon.Rishad Bathiudeen, Minister of Industry and Commerce of Sri Lanka and Hon. Ismet Yilmaz, Minister of Education of Turkey from 11th to 12th November 2016 in Ankara Turkey.

The JCETC is one of the highest platforms of interactions which facilitate in resolving issues and tabling new proposals to enhance the trade and economic cooperation between the two countries.

Sri Lanka and Turkey have enjoyed 68 years of formally established diplomatic relations in the recent history. The initiative to establish the Sri Lanka- Turkey Joint Committee in 1991, is a land mark partnership between the two countries. At the 1st Meeting both sides agreed to promote cooperation across a wide range of areas including, Trade & Investment, Industry, Agriculture and Aquaculture, Shipping, Energy, construction and Education

4.4.7. Sri Lanka- Bangladesh Joint Economic Commission

The 5th session of the Bangladesh-Sri Lanka Joint Commission was held on 09th November 2016 in Colombo. The inauguration of the 5th session was graced by Hon. Rishad Bathiudeen, Minister of Industry and Commerce and Hon. Tofail Ahmed, Minister, Ministry of Commerce of Bangladesh.

The Joint Economic Commission is one of the main apex instruments that enables the two nations to discuss and resolve economic and trade matters pertaining to their respective interests. Under the Sri Lanka – Bangladesh Joint Committee for Economic & Technical Cooperation, the two countries agreed to extend co-operation in the areas of trade, commerce and industries, air services, tourism, shipping, ITC, etc.

Both Bangladesh and Sri Lanka are members of the South Asian Free Trade Area (SAFTA), the Bangkok Agreement, which is now renamed as Asia Pacific Trading Agreement (APTA), the Bay of Bengal Initiative for Economic and Technical co-operation (BIMST-EC), the Global System Trade Preferences (GSTP) and the Indian Ocean Rim Association for Regional Co-operation (IOR-ARC)

4.4.8. Sri Lanka-Ukraine Inter-Governmental Joint Commission on Trade and Economic Cooperation

During the period under review, DOC has taken action to finalize the Sri Lanka- Ukraine Inter-Governmental Joint Commission on Trade and Economic Cooperation and Cabinet approval has taken to sign the same.

4.4.9. Removal of EU-IUU ban on Fishery products

The Department of Commerce worked with the Fisheries authorities in Sri Lanka and also the European Commission towards achieving the compliance to the various conditions imposed by the European authorities.

Thereafter, the European Union lifted the ban imposed by the EU on import of Fishery Products from Sri Lanka on 23rd June 2016 with publication of the Council Implementing Decision in the Official Journal of the EU. The exports of fishery products from Sri Lanka are gradually increasing to original levels that prevailed before the imposition of the ban

5. REGIONAL ECONOMIC CO-OPERATION

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

5.1 Continuing negotiations under Asia Pacific Trade Agreement (APTA)

The Bangkok Agreement, signed in 1975, is the first Asia-Pacific preferential trade agreement of the region, which was renamed as the “Asia-Pacific Trade Agreement (APTA)” in 2005. The third round of tariff concessions was concluded and entered into force on 1 September 2006.

49th Session of the Standing Committee of APTA was held in September 2016 in Bangkok, Thailand. During the Session, Standing Committee discussed further to develop Operational Certification Procedure and the roadmap for implementation of the Framework Agreement on Trade Facilitation, Investment and Services. Member States also decided to conclude the 4th Round of Negotiations under APTA during the 4th session of APTA Ministerial Council scheduled to be held in January 2017 in Bangkok, Thailand.

With a view of introducing an Electronic Certificate of Origin and Harmonized documents for issuance of Certificate of Origin, an awareness workshop was held in November 2016 in Seoul, South Korea, with the participation of representatives from the member states. Coinciding with the Workshop, a meeting on working group of Rules of Origin (RoO) was held to review the Operational Procedures for the Certification and Verification of the RoO of Goods under APTA.

During the period under review Sri Lanka has exported US\$ 126 million worth of goods under APTA during 2016, of which over 70% were to China and 25% were to South Korea. Sri Lanka’s imports under APTA recorded as US\$ 12.50 million during 2016.

5.2 Continuing negotiations under SAFTA

The Agreement on South Asian Free Trade Area (SAFTA) was signed in January 2004 and entered in to force in 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, which was scheduled to complete in ten years by 2016, the customs duties on products other than those in the sensitive list, are progressively reduced. Sri Lanka completed her tariff liberalization commitment under the first phase of TLP on 21st November 2015. The LDCs were to complete the same by end of 2016.

The second phase of TLP was also successfully negotiated and implemented by all the member states. Under the second phase, the members agreed for a minimum 20% reduction of their initial sensitive lists. The progressive reduction of customs duty on the products removed from the sensitive list is scheduled to be completed by 2020 and Sri Lanka should complete the same by 2018.

Sri Lanka's exports under SAFTA during 2016 were US \$ 6.9 Mn, a decrease of 55% over the value recorded in 2015. 60% of value of total exports under SAFTA was to India. However, the imports under this agreement remained very minimal. Exports under SAPTA, the predecessor to SAFTA, amounted to US \$ 2.6 Mn in 2016.

Given the fact that Sri Lanka is having bilateral FTAs with India and Pakistan, which are Sri Lanka's main trading partners in the SAARC region, accounting for more than 80% of Sri Lanka's exports to SAARC countries, it is not feasible to envisage flow of increased exports under SAFTA to same countries.

5.3 Negotiation for new Regional Trade Agreements:

5.3.1 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 1-4 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 Trade Liberalization Programme (TLP) was compiled in consultation with stake holders and in compliance with the structure already agreed by Member States.

The structure for TLP is as follows:

Schedule	No. of Tariff lines	%	For NLDCs	For LDCs
Fast Track Elimination (FTE)	505	10%	4 equal annual installments	2 equal annual installments
Normal Track Elimination (NTE)	2,422	48%	6 equal annual installments from 2 nd year	4 equal annual installments from 2 nd year
Normal Track Reduction (NTR- 1% to 5%)	960	19%	6 equal annual installments from 2 nd year	4 equal annual installments from 2 nd year
Negative List (NL)	1,165	23%	Not applicable	Not applicable

The 20th Meeting of BIMSTEC Trade Negotiating Committee (BIMSTEC-TNC) was held in Thailand from 7-9 September 2015. According to the directive emanating from the 3rd BIMSTEC Summit held in March 2014 in Myanmar, the immediate task lying ahead of the 20th TNC Meeting was the conclusion of the Agreement on Trade in Goods (TIG) of the BIMSTEC FTA. Since India insisted that the list of Product Specific Rules (PSRs) be revisited in view of the fact that they were agreed upon 4 years back, the TIG text could not be finalized.

In addition, meetings of the Working Group on "Investment" and the "Services" were also held.

The Cabinet Committee on Economic Management has approved the TLP to be submitted to the BIMSTEC. Accordingly the TLP was submitted to the BIMSTEC secretariat.

5.3.2 Indian Ocean Rim Association (IORA)

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. Accordingly there are three Working Groups in respect of the said 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).

Priority areas have been identified by IORA as;

- (i) Maritime Safety & Security
- (ii) Trade & Investment Facilitation
- (iii) Fisheries Management
- (iv) Disaster Risk Management
- (v) Academic, Science & Technology co-operation
- (vi) Tourism & Cultural Exchanges
- (vii) Gender Empowerment
- (viii) Blue Economy to promote the sustained growth and balanced development of the region and of the Member States to create a common ground for regional economic co-operation.

Hon. Rishad bathiudeen, Minister of Industry and Commerce represented Sri Lanka at the Second IORA Ministerial Economic and Business Conference (EBC-ii) which was held on 11-13 April 2016 in Dubai.

The Conference was inaugurated by H.E. Mr Sultan Bin Saeed Al Mansoori, Minister of Economy of the United Arab Emirates and highlighted the need to create an enabling environment in which to develop small and medium-sized enterprises and foster an economic climate of innovation that can ensure sustainable, inclusive and broad-based economic and social development.

The 16th IORA Council of Ministers and Associated Meetings were held from 12th-27th October 2016 in Bali and Jakarta, in Indonesia. The 16th Council of Ministers Meeting was held on 27th October in Bali. Associated meetings, 22nd Meeting of the Indian Ocean Rim Academic Group (IORAG) and 22nd Meeting of the Indian Ocean Business Forum (IORBF) were held in Jakarta on 12th and 13th October 2016 respectively. The 16th meeting of the Working Group on Trade and Investment (WGTI) was held on 24th October 2016, and the 18th meeting of the Committee of Senior Official (CSO) was held on 25-26 in Bali, Indonesia.

5.3.3 SAARC Agreement on Trade in Services (SATIS)

The Leaders of the Member States, during the last 16th SAARC Summit held in April 2010 in Bhutan, signed the SAARC 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 SATIS.

No Expert Group on SATIS meetings were held during the year.

The Cabinet granted approval for Sri Lanka's services offer under SATIS and the SAARC Secretariat was apprised that Sri Lanka was ready with her services offer under SATIS. However, the final draft will only be circulated once all member states notify that they are ready with their SATIS offers.

6. TRADE, INVESTMENT AND TOURISM PROMOTION

6.1 Overseas Trade Representation

Department of Commerce's Commercial Representation comprises of 29 officers in 27 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 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, *inter alia*, performed by the Commercial Officers abroad include the following.

- Framing Sri Lanka's positions under Multilateral Fora (WTO, CFC, UNCTAD, etc) and involvement at bilateral, regional policy process.
- Represent at trade and promotional negotiations and involve in implementation and coordination.
- Involvement in Rules of Origin, product origin issues and representation, promotion and protection of country's broader commercial and economic interests.
- Coordinating commercial and economic relations for government agencies and authorities of Sri Lanka such as EDB, BOI, NGJA, SLTPB, Sri Lanka Tea board, SLECC, SLECIC.
- 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.
- Monitoring and reporting of host-country trade policy changes, especially tariff and non-tariff measures.
- Staging Sri Lanka-specific (single-country) promotional campaigns in host countries.
- 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.

- 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.
- Finding new markets, conducting market research, surveys and dissemination of market intelligence and product information.
- Serving trade, investment and tourism related inquiries, visiting/meeting with foreign businesses, providing technical assistance to Sri Lankan exporters, assistance to resolve trade disputes etc.
- Harness foreign assistance for technology transfer, market development programme and technical assistance.
- Quarantine clearance for new products to enter into the host country.
- Publicity for Government tenders of Sri Lanka in the host country.

Summary of these Activities undertaken by Commercial Officers stationed abroad during 2016 are listed below.

	Activity	Total	
1	Staged Sri Lanka specific (single-country) promotional campaigns in host countries	49	
2	Delegations to Sri Lanka	Number of delegations	96
		Number of delegates	770
3	Delegations to the host country	Number of delegations	142
		Number of delegates	1,005
4	Individual visits to Sri Lanka	253	
5	Individual visits to the host country	224	
6	Exhibitions promoted in the host country	295	
7	Promotional fair participation from the host in Sri Lanka	Number of fairs	62
		Number of exhibitors / visitors	485
8	Number of inquiries served (Trade/ investment/tourism)	1,871	
9	Number of trade complaints attended	228	
10	Number of product sector promoted	147	
11	No of trade fairs visited by trade officers	100	
12	Sri Lanka's participation in TF and Business Network meetings at host country	244	
13	Market Intelligence	70	
14	Representing Sri Lanka at International Organizations/Fora	32	
15	Promotion of Tea	33	
16	Investment Promotion Activities	245	
17	Tourism Promotion Activities	219	
18	Business Networking Events	204	

6.1.1 Performance Evaluation Criteria

1. Export Promotion

The success in terms of securing confirmed orders from a foreign party introduced by the mission hinges on a host of factors mentioned below in addition to networking of buyers and sellers by the missions. Such factors are beyond our control and restrict the outcomes of promotional activities undertaken.

Micro Factors	Macro Factors
General export readiness/interest of the company	Competitive economy with low cost of production
Competitive price (Compete with other suppliers)	Level of Investment in technology and level of innovation
Quality of the product	Country resources endowment
Supply capacity- ability to complete large order on time and regular manner	Level of trade facilitation
Compliance with import country regulations and requirements	Budgetary availability
Availability of promotional financing	

The facilitation would be more effective, if country has conducive micro and macro factors as indicated above.

2. Investment and Tourism Promotion

In a similar way, a Sri Lankan Mission abroad does not handle an investment inquiry from initiation to realization. Some components of the investment process are left to the private sector parties concerned to negotiate and achieve of mutually beneficial conclusion.

Therefore, it is suggested that the performance of a Mission should be measured in terms of volume, intensity and goal-congruency of the initiatives taken by the respective mission.

Selected key representations performed by the Commercial Officers are listed below.

- Instrumental in drafting National regulation on protection of Ceylon Tea as a geographical indication under the WTO's TRIPS Agreement and initiated actions

to obtain special classification for 'Ceylon Cinnamon' with effect from 2007 in the HS classification.

- Formulated Country positions to be taken at the Doha negotiations of the WTO particularly as a Small and Vulnerable country in Agriculture negotiations and as a disproportionately affected country in non-agriculture negotiations.
- Authored the Government Reports of Sri Lanka's WTO Trade Policy Reviews of 1998, 2003 and 2010 and 2016 reports.
- Finalization of Sri Lanka's Tariff Schedule which contains Sri Lanka's tariff bindings in the WTO after concluding Article XXVIII negotiations with the interested WTO member countries on milk powder.
- Took action to lift the de-facto ban on Ceylon Cinnamon imposed by the EC on claims the cinnamon is contaminated with Sulphur Dioxide (SO₂) through submitting a proposal to Codex Alimentarius Commission in Rome to develop an International Standard on the use of SO₂ in Cinnamon as a food additive.
- Led the process for gaining special incentives arrangements for the protection of labour rights from the EU in 2004, EU GSP+ Trade Concessions in 2005, 2008 and currently preparing for regaining EU GSP+. Preparatory Sri Lanka's GSP+ Application, submission and negotiation with the European Commission.
- Formulated and followed up the implementation the 'Road Map' for lifting the ban imposed by the European Union on import of fishery products from Sri Lanka under EU – Illegal, Unregulated and Unreported (IUU) Fishing Regulation. Media Conference on Sri Lanka's Seafood Industry with international media at Seafood Expo Global on 27 April, 2016 in collaboration with Seafood Exporters' Association of Sri Lanka (SEASL) which was supported to clear the European Commission red card that banned the export of seafood products from SL to the European Union.
- Analyzed the phytosanitary issues effecting Sri Lanka's exports of fruits, vegetables and other live plants to the EU and formulated the plan of action for addressing the related issues while working with local regulatory authorities towards issues raised for Sri Lankan exports.
- Dealt with Rapid Alert System (RASFF) Notifications, issued by the EC on retention & rejection of export consignments from Sri Lanka was yet another issue to be of concerned, as retention & rejection of export consignments exported by Sri Lanka due to non-compliance of EU Standards is becoming a considerable challenge to the SL exporters.

- Actively participated with a Group of major US-GSP beneficiary countries to outreach to Members of the US Congress to extend the GSP for travel goods items.
- On-going US Off Road Tyres (OTR) countervailing investigation and efforts to waive/reduce proposed countervailing duty.
- Obtained approval from the Directorate-General for Taxation and Customs Union of the European Commission to permit GOSL to defer the application of this system of registered exporters up to 31st December 2017, in view of practical difficulties being experienced by Sri Lanka in completing the registration process by 01st January 2017, even though this official request has been made after the stipulated deadline, i.e. 30th June 2016, under the explained special circumstances.
- Liaison with export credit risk agencies in Germany and solicited their support to upgrade Sri Lanka's country risk classification of the OECD.
- Facilitate to obtain accreditation of laboratories in Sri Lanka for fast clearance of perishable food products in India and food products in Indonesia.
- Facilitated for a team of Ministry of Food & Drug Safety in Republic of Korea visit Sri Lanka in order to examine establishments of interested Sri Lankan fish exporters to initiate fish exporting to Korea. Approval of the Korean Authorities is expected to be received in 2017.
- Facilitated for a team of Rosselkhoznadzor, the Russian veterinary authority to visit Sri Lanka in order to grant the approval to Sri Lankan exporters to export their products to the Custom Union of Armenia, Kazakhstan, Belarus, Kyrgyzstan and the Russian Federation.
- Coordinated with the management of M/S. Mahasara Co. in Italy which was also an approved recruitment NGO by the Foreign Employment Bureau of Sri Lanka (SLFEB), to train Sri Lankan for prospective jobs in Italy.
- Coordinated with the IFAD to seek possibilities of increasing the IFAD funds to Sri Lanka through new projects and status of existing 03 projects that are going to be completed in 2016.
- Coordinated to selected 6 Sri Lankan IT companies to set up their company in Global IT Park Minami Uonuma"/Niigata", Japan, which is the first IT Park in

Japan that builds a platform for foreign IT companies to work with Japanese IT companies collaboratively.

- Initiated and facilitated to the Indo – Sri Lanka Chamber of Commerce which was inaugurated in India on 25th May 2016 in New Delhi and the Sri Lanka office on 07th November 2016 in Colombo.
- Organized business forums and networking event in line with the H.E. the President's visits to Germany and Malaysia and Prime Minister's visit to China. Further, with collaboration of trade chambers and other trade promotional organizations in host country and Sri Lanka networking events, B2B meetings, business seminars organized by the Commercial officers.

6.2. Trade Fair Participation:

6.2.1. Sri Lanka's Participation in the trade fairs held in the host country

In line with the increasing level of industrial technology and specific needs for a platform to exchange information, trade fairs have developed from mere fairs to effective marketplaces for buying and selling into vital sources of information and meeting places for trade partners.

While recognizing the importance of trade fair participation as the most effective promotional tool to penetrate into foreign markets, the Commercial Officers have given timely publicity for 62 trade fairs held in the host/accredited countries during the period under review and have ensured participation of more than 400 Sri Lankan exhibitors/visitors at these trade fairs in product sectors of tea, food and beverages, apparel, gem and jewellery, handicrafts, seafood, tyre and rubber based products, coir based products, organic products, healthcare products and multi products . In line with organizing Sri Lanka's participation at these fairs, the Commercial Officers were also able to negotiate and secure free of charge display spaces for Sri Lankan Exhibitors. As a result, Sri Lanka was able to arrange an attractive product display at a minimum cost.

Furthermore, first ever Sri Lanka's participation at the International Sourcing Fair (Apparel) in Melbourne, Australia, FORMEX trade fair (Textile, Ceramic products, Toys, Valued added Teas and other Lifestyle Products) in Stockholm, Sweden and Junwex – Yerevan show (Precious stones) in Yerevan, Armenia were coordinated and facilitated by the commercial officers based in respective Missions.

Various promotional activities factory and super market chain visits, workshops, media conferences were arranged by the Commercial officers for the visiting Sri Lankan exhibitors and relevant government officers coinciding of the trade fair participation.

Besides providing due publicity for trade fairs held in Sri Lanka and in foreign countries, the Commercial Officers also visited trade fairs held in their respective host/accredited countries regularly. During the course of the period, the Commercial Officers have visited over 200 such fairs/exhibitions in order to build up business contacts during their visits and to make recommendations for Sri Lanka's participation in future at such exhibitions.

6.2.2. Promotion of Trade Exhibitions/ Seminars held in Sri Lanka

The Commercial Officers abroad have provided wider publicity to trade fairs and exhibitions held in Sri Lanka. With this vigorous publicity campaigns they have arranged over 300 overseas buyers to visit the exhibitions/ seminars held in Sri Lanka during 2016 and on requests, individual meetings with Ministers, government officials, trade promotional organizations were also arranged.

6.2.2.1. The World Export Development Forum 2016 (WEDF)

The World Export Development Forum 2016 (WEDF), the flagship event of International Trade Centre in Geneva was held in Colombo from 11 -13 November 2016. The Department of Commerce actively worked with Commercial officers to attract foreign buyers to the event. All commercial officers gave wide publicity for the event and accordingly arranged 171 delegates to the WEDF from UAE, Egypt, France, Switzerland, Germany, Pakistan, Malaysia, India, Saudi Arabia, Republic of Korea, Italy, South Africa, Sweden, Thailand, Vietnam and Japan. The PR/WTO also participated in the event as a panelist and organized participation of Mr. Eben Sermon, Vice President, Great Europe of Ebay and Mr. Vincent Subilia, Head of International Affairs of Geneva Chamber of Commerce in the World Export Development Forum.

6.3. Promotion of Foreign Direct Investment

Commercial Officers stationed abroad continued to play a vital role in attracting foreign direct investments (FDI) into the country. In this regard, they are engaged in establishing strong network of contacts with the major investors and investment promotion agencies overseas. Further, they also arrange one-to-one business meetings for outward business delegations from Sri Lanka for identification of potential Joint Venture partners for the expansion of manufacturing industries in Sri Lanka.

Accordingly, during the period under review, the Commercial Officers had met potential investors in their respective markets, and briefed them on investment opportunities available in the island.

During the year the Commercial Officers have received 107 Investment Proposals from foreign investors in the fields of real estate development, tyre manufacturing, furniture products, textile manufacturing, IT sector, waste water treatment, water treatment and

purification, sand bar development, construction industry, tourism sector, vehicle assembling etc. dredging, railways, hospital material, Real estate and tourism boutique hotels, cement grinding and packing Socks manufacturing Energy Sector Steel pipe manufacturing plant Cold storage unit including Power and energy, Tourism, and Ports operation, Super market Project, Solar Energy Project, Mixed Development Project, Manufacturing of Road Marking requirements project

Assistances were extended for the Property promotion road show in Dubai by John Keels property developer & JVR Pvt. Ltd together with HNB bank in promoting investing on SL property market. Required assistances were extended to Lulu Hypermarket which is one of the largest Indian companies based in UAE and the Middle East to set up agricultural products collection and processing Centre in Katunayake, with the total investment of US\$ 1Mn. The company commenced their commercial operation in November by effecting first consignment to UAE.

A Breakfast Roundtable with Hon. Ranil Wickremesinghe, Prime Minister of Sri Lanka", was organised in collaboration with the Belgolux - Sri Lanka Business Council on Thursday 20th October 2016 at Renaissance Brussels Hotel Brussels, Belgium. This session was attended by 46 European Companies and key personnel representing the Trade Chambers, associations and European Commission and the parliament. As a result of this, the Flanders Investment & Trade (FIT), Brussel Invest & Export (BIE) and Wallonia Export – Investment Agency (AWEX) organized a Fact-Finding Trade Mission to Sri Lanka from 29th of November to 2nd of December 2016.

6.4. Promotion of Tourism

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, 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 etc.

During the period under review, Commercial Officers coordinated and facilitated Sri Lanka's participation at twenty two (22) Travel and Tourism Exhibition held in UK, Singapore, India (Chennai, Mumbai and New Delhi) Malaysia, South Korea, Italy, Saudi Arabia, Sweden, China, Belgium, Germany, Russia and USA with participation of over 380 Sri Lankan travel and tourism companies as well as Sri Lanka Tourism Promotion Bureau Sri Lanka Airline.

Most effective tool of promotion of tourism amongst public and travel industrialists is holding road shows, consisting of various promotional events in a selected city. Commercial officers in collaboration with the Sri Lanka Tourism Promotion Bureau, Sri

Lankan Airline and Sri Lankan travel industry organized Road Shows based in China (Tianjin & Shenyang , Chengdu & Chenggang, Xian) , Malaysia, Brussels, Sweden (Stockholm), Denmark (Copenhagen), Norway (Oslo)..

Hosting a travel agent or tour operator, Media FAM tours are more effective to increase product knowledge and/or destination knowledge to sell country as a tourism destination. Therefore, SLTPB and Commercial officers in India (Mumbai) , Belgium, Germany, Italy, Sweden, Egypt, Malaysia hosted FAM tours for over 100 tour operators, tour agents and media personals. The French Travel Agents Congress convened in Colombo from 31st October to 04th November 2016 and over 300 Travel Agents attended this event along with local tourism stakeholders. It is also the second time in 15 years that this event had been held in Asia.

Documentaries on Sri Lanka Tourism, cuisines are aired in TV Channels in Italy, Sweden and France and also articles were published in various magazines during the year 2016.

Furthermore, Commercial officers organized Cultural Evening (Russia–South Korea India (New Delhi, Mumbai), workshops for travel agents/tour operators, B2B meeting for visiting Sri Lankan companies, presentations, distributions of promotional materials at the various events during the period under review with view of promoting Sri Lanka tourism in the host country.

6.5. Serving Trade, Investment and Tourism Inquiries

The Department of Commerce and the Commercial Officers play a vital role in serving trade inquiries raised by both local as well as foreign businessmen. The Commercial Officers serving abroad also attend to investment and tourism inquiries raised by foreign parties. During the period under review, the Commercial Officers have received approximately 506 such inquiries and these were duly attended by providing necessary guidance with a view to promoting Sri Lanka's products in the foreign markets and Sri Lanka as an investment and tourism destination.

The trade inquiries received by Commercial Officers from overseas buyers were forwarded to prospective Sri Lankan exporters directly as well as through Chambers of Commerce, Export Development Board etc for urgent action. The inquiries received by DOC were also duly served with the assistance of Officers serving in foreign Missions. The Commercial Officers also extended their assistance to trade Chambers, Export Development Board etc in finding foreign buyers for Sri Lankan products.

Similarly, the inquiries received by Commercial Officers relating to Investment and Tourism were also duly attended by providing necessary assistance by themselves as well as directing them to respective Institutions/ Ministries in Sri Lanka.

6.6. Assistance to resolve Trade Disputes

The Commercial disputes are mediated by the Department of Commerce for an amicable settlement between exporters and importers. The action taken is impartial and is focused on finding amicable and mutually negotiated settlements.

During the period under review 228 such complaints were dealt with by the Commercial Officers based in overseas missions. The Department has also received 47 such complaints which were duly attended with a view to reaching at an amicable settlement between the parties. Around 85% of these disputes were successfully resolved amicably between the parties.

6.7. Recommendation for Residence Visas

Foreigners requests Residence Visa to stay longer period in Sri Lanka for their business, professional and personal activities. The Department of Immigration and Emigration requests recommendations from the line ministry for the consideration of the issuance of Residence Visas. The Secretary 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 or foreign companies and other trade and commercial ventures, whose presence and activities in Sri Lanka fall under the purview of the Ministry.

The Department of Commerce (DoC) issues residence visa recommendation letters for entry and extension for qualified foreigners and their dependents in directors, consultants and specialists categories of commercial establishments on their request for a one year period of time. Applications for such visa recommendations are strictly assessed taking into account the direct benefits of such employments for export trade, technology transfer and productivity increase and there by possible gains to the National Economy

In the year 2016, the DoC has issued residence visa recommendation letters for 121 applicants and 86 dependents from 25 nationalities in 72 companies. With compare to the previous year 2015, it is an increase of 35 applicants, 17 dependents 21 companies and 6 nationalities and income by Rs 739,000.00.

6.8. Approval of Credit Agencies

Under the Mortgage Act No. 6 of 1949, Director General of Commerce is empowered to declare a 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.

During the period under review the DOC processed 8 applications (05 new applications and 03 old applications which were deferred last year). Out of these 8 applications processed, 04 companies were gazetted as Approved Credit Agencies, upon recommendations received by the Board.

6.9. Conducting Technical Assistant Programmes and Awareness Programmes

With a view of enhancing the capacity on WTO agreements and trade negotiation skills of relevant government officials, representatives of the trade promotional organizations and representatives of exports companies, the Department of Commerce in collaboration with WTO, UNESCAP, ITC and various other organizations held the following seminars during the period under review;

6.9.1. Workshop on non-tariff measures and increasing awareness of Indian standards and regulations under Indo- Sri Lanka Free Trade Agreement (ISFTA)

A full day workshop to improve the awareness of the exporter community on the non-tariff measures and the Indian standards and regulations applicable to Sri Lankan exports was held on 4th March 2016.

The basic objective of this workshop was to apprise Sri Lankan exporter community with relevant rules and regulations applicable for the Indian imports in order to avoid misunderstandings and ensure smooth flow of trade with India. The Workshop also took into consideration the complaints of a number of Sri Lankan exporters who have reported various no-tariff measures imposed by the Indian authorities which hinder the market opportunities availed under the Indo- Sri Lanka Free Trade Agreement (ISFTA).

The workshop offered the opportunity to discuss matters pertaining to the specific areas of concern under the ISFTA. The designated Indian delegation consisted of officials from the Bureau of Indian Standards, Central Board of Excise & Customs, Food Safety standards Authority of India and Directorate General of Foreign Trade. Approximately 250 participants representing the Sri Lankan exporters/chambers and officials from the trade related regulatory institutions participated in this event. The audience showed much enthusiasm in discussing the individual issues encountered in exporting and shared their views in improving the current regulatory framework and other formalities of trade to improve better market access to the quality exports from Sri Lanka.

6.9.2 Sri Lanka Hosts Commonwealth Policymakers Workshop on Post-Nairobi WTO Issues

As many as sixty participants, including senior officials from over fifteen countries, the Commonwealth Secretariat and the International Institute for Sustainable Development (IISD) gathered in Colombo from 16 - 18 March 2016 for a 3-day workshop, which focused on how to boost trade competitiveness of developing countries in the Post-Nairobi WTO context.

Capacity constraints in developing and LDC economies, stalling multilateral trade negotiations under the WTO-led Doha Development Agenda, emergence of mega free trade agreements (FTAs) such as the Trans-Pacific Partnership (TPP), Transatlantic Trade and Investment Partnership (TTIP), Regional Comprehensive Economic Partnership and the increasing involvement of labour rights, investment rules, state-owned enterprises etc., in such FTAs were some of the key topics discussed during this occasion.

The workshop was organized by the Commonwealth Secretariat in close collaboration with the Department of Commerce of Sri Lanka, the IISD, the Institute of Policy Studies and the Sri Lanka High Commission in London.

6.9.3. Capacity Development Programme on Trade Remedies

A workshop on 'Trade Remedies' was organized at the Department of Commerce from 4 – 8 April 2016, in collaboration with the WTO Rules division. The workshop was aimed at enhancing awareness among relevant government officials and providing technical knowledge on trade remedies under the WTO agreements. As a follow-up and continuation of the technical assistance, the rules division of the WTO has prepared a draft outline of trade remedies technical assistance programme.

A public seminar was also held to generate awareness on Anti-Dumping, Countervailing Duties and Safeguards for private sector in collaboration with the Ceylon Chamber of Commerce.

6.9.4 Seminar on Trade in Services

The Department of Commerce in collaboration with the Bandaranaike Center for International Studies (BCIS) organized an interactive awareness seminar on "Trade in Services" from 27th to 28th June 2016 at the BCIS.

The aim of the Seminar was to provide an in- depth understanding to Government officials, private sector, civil society of the legal framework of the General Agreement on Trade in Services (GATS) under WTO, its various obligations, scheduling of commitments, transparency and regulatory obligations, policy formulation, new issues in services negotiations and the evolving regional integration landscape with the focus on Sri Lanka as well as issues related to policy space during the liberalization process and matters pertaining to movement of labour in Free Trade Agreements.

6.9.5. Regional Workshop on "Trade-Led Development in the Multilateral Trading System"

The Department of Commerce together with Sri Lanka Embassy in Geneva, WTO Trade and Development Division, coordinated a Regional Workshop on "Trade-Led Development in the Multilateral Trading System" jointly organized by the WTO and

UNESCAP which was held from 26-28 October 2016 in Colombo. Over 50 participants from 21 Asian countries participated in the Workshop.

6.9.6. Seminar on Trade Policy

The Department of Commerce in cooperation with the U.S. Department of State , the U.S. Department of Commerce held a three day seminar on trade policy with more than 70 key decision makers and technical experts from various Sri Lankan ministries, agencies, research institutes, trade policy think tanks, and Chambers of Commerce.

Sessions over the three days covered skills development in quantitative trade policy analysis, a discussion of trade negotiation strategies, and a discussion of the potential for formulation of a Sri Lanka national trade policy.

6.9.7. Seminar on World Trade Organization – Trade Facilitation Agreement

The Seminar on Trade Facilitation was held on 27th July, 2016 in Colombo. The main areas covered by these negotiations included, freedom of transit, fees and formalities connected with importation and exportation, publication through internet and administration of trade regulations.

The WTO currently has 164 countries as members and the TFA will come into force when two thirds of the WTO membership (110) has completed their domestic ratification process. So far, 102 members have ratified the Agreement, while and Lanka is one of them. In March 2016, the Cabinet of Ministers granted approval for the ratification of the Trade Facilitation Agreement in Sri Lanka and in April 2016, the Cabinet granted approval to formally establish the National Trade Facilitation Committee (NTFC) chaired by the Director General of Customs and co-chaired by the Director General of Commerce. The NTFC consists of 12 border regulatory agencies and 6 members representing the trade and industry community of Sri Lanka.

The TFA has great potential to reduce trade costs thereby boosting trade between countries and raising world income. Developing countries are expected to see the biggest gains since they currently face some of the largest procedural obstacles. Studies suggest that their trade cost will fall by 13% to 15%. Households will gain access to a greater variety of goods. For companies, it means inputs at lower cost and better entry to foreign markets. Developing country exports are expected to grow by between 14% and 22% while becoming more diversified. Companies are more likely to become more profitable which should encourage domestic investment. In addition, foreign direct investment is likely to be attracted to countries that fully implement the TFA. Increased trade means better employment prospects for workers and greater revenue collection by the Government (source: WTO)

The Director General of Commerce also participated as a Resource Person on invitation at the following seminars and Workshops;

- Contemporary Sri Lanka China Relations: Challenges and the Way Forward – Bandatanayake Centre for International Studies (BCIS)
- Advantages and Disadvantages of FTA - Chamber of Young Lankan Entrepreneurs (COYLE)
- Panel Discussion on Forum on Explore the Global Markets and grow your business through the use of Government Channel- Ceylon Chamber of Commerce (CCC)
- GSP + , what to expect- Sri Lanka Foundation

6.10. EU funded Trade Related Capacity Building Project:

“EU- Sri Lanka Trade Related Assistance: Increasing SME’s Trade Competitiveness in Regional and EU Markets” project was initiated according to the proposal made to the EU-Sri Lanka Working Group on trade and Economic Relations which was held on 2nd December 2013 in Brussel in parallel to the 18th EU-Sri Lanka Joint Commission.

This project focuses to enhance the overall performance of the export sector of Sri Lanka especially on food, spices and IT & BPO sectors by giving the support to develop;

- i. Business and Trade Policy
- ii. Trade facilitation
- iii. Compliance with quality standards and sanitary and phytosanitary (SPS) measures
- iv. Sector specific value chain development and SME’s integration into regional and global value chains.

EU agreed to fund 8 Million Euros for this project and International Trade Centre (ITC) act as the implementing agent while the Department of Commerce is the national coordinator of the project. Preparatory works with stakeholders, the implementing authorities were initiated and undertaken by the Department of Commerce which assisted in the Project Proposal Report which received the approval of the European Commission.

The four year project was launched on 15th November 2016 with the participation of Hon. Rishad Bathiudeen, Minister of Industry and Commerce and H.E. Mr. Tung-Lai Margue, Ambassador and Head of Delegation, Delegation of the European Union to Sri Lanka and Maldives.

7. 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. 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;

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

Details of Certificate of Origin issued by the Department of Commerce for last 5 years, are given below.

Agreement	Number of Certificates of Origin Issued					
	2011	2012	2013	2014	2015	2016
EU GSP	85,600	114,029	79,774	83,898	72,675	74,003
GSP - CIS Countries	856	1,009	929	842	480	514
GSP - Other Countries	14,782	13,909	13,410	12,706	11,985	11,981
ISFTA	35	9,742	11,088	10,852	11,494	12,621
PSFTA	30	8,057	8,190	7,069	7,320	6,673
APTA	2,424	2,781	3,482	4,131	4,025	4,508
SAFTA	-	26	74	388	231	149
SAPTA	248	253	243	309	304	288
GSTP	115	136	147	107	150	143
Total	104,090	149,942	117,337	120,302	108,664	110,830

8. STAFF MOVEMENTS OF THE DOC – 2016

Name of the Officer	Movement	Date
Change of Stations – Returned to the Department		
Mr. P.M.B. Somasiri Director of Commerce	Returned to Sri Lanka from the Embassy of Sri Lanka in Washington DC, USA	21.05.2016
Mr. B.M.S.A.B. Godawita Director of Commerce	Returned to Sri Lanka from the Consulate General of Sri Lanka in Toronto, Canada	21.10.2016
Mrs. D.A.S. Wijewantha Assistant Director of Commerce	Returned to Sri Lanka from the High Commission of Sri Lanka in London, UK	28.09.2016
Change of Stations – Posted to Foreign Missions		
Ms. Upekkha Samaratinga Director of Commerce	Posted to the Embassy of Sri Lanka in Washington DC, USA	09.05.2016
Mr. B.M.S.A.B. Godawita Director of Commerce	Posted to the Consulate General of Sri Lanka in Los Angeles, USA	21.10.2016
Mr. M. Somasena Deputy Director of Commerce	Posted to the Embassy of Sri Lanka in Rome, Italy	07.09.2016
Mrs. H.K.W. Liyanage Assistant Director of Commerce	Posted to the Embassy of Sri Lanka in Bangkok, Thailand	17.05.2016
Mrs. Srimali Jayarathna Assistant Director of Commerce	Posted to the Embassy of Sri Lanka in Hanoi, Viet Nam	29.03.2016
Ms. Tharaka Botheju Assistant Director of Commerce	Posted in the Permanent Mission to the WTO in Geneva, Switzerland	23.12.2016
Mr. S.A.S.A. Samaraweera Assistant Director of Commerce	Posted to the High Commission of Sri Lanka in London, UK	21.10.2016
Retirements		
Mr. D.W. Jinadasa Director of Commerce	Retired	20.08.2016

9. ANNUAL ACCOUNTS – 2016

Head No: 295

Ministry / Department :- Department of Commerce

Programme No: 01

Project No: 01

Recurrent Expenditure

Description	2015 Actual Rs. 000	2016 Estimate Rs. 000	2016 Revised Estimate Rs. 000	2016 Actual Exp. Rs. 000	2016 Savings Rs. 000
Personal Emoluments	44,898	47,600	47,600	46,969	631
Other	51,104	53,580	62,688	62,156	532
Total	96,002	101,180	110,288	109,125	1,163

Capital Expenditure

Expenditure Description	2015 Actual Rs. 000	2016 Estimate Rs. 000	2016 Revised Estimate Rs. 000	2016 Actual Exp. Rs. 000	2016 Savings Rs. 000
<u>Rehabilitation and Improvement of Capital Assets</u>	3097	500	635	536	98
Buildings and Structures (2001)	2,552	100	235	212	23
Plant Machinery & Equipment (2002)	0	0	0	0	0
Vehicles (2003)	545	400	400	324	75
<u>Acquisition of Capital Assets</u>	2,618	3,000	2405	2,280	125
Furniture & Office Equipment (2102)	2,548	2,000	1,540	1,512	28
Machinery (2103)	70	1,000	865	768	97
<u>Human Resource Development</u>	2,134	2,000	2,460	2,454	6
Staff Training (2401)	2,134	2,000	2,460	2,454	6
<u>Other Capital Expenditure</u>	4,292	5,000	5,000	4,806	194
Investments (2502)					
01. Exploration of Export Markets	4,292	5,000	5,000	4,806	194
Total	12,141	10,500	10,500	10,076	423