

Sri Lanka's continues to pursue a relatively open, transparent and liberalized trade policy regime since the 1970's when well ahead of the rest of South Asia, it embarked upon extensive economic reform and liberalised measures towards global economic integration.

An overall reduction in tariffs rates has resulted in the proportion of duty free lines increasing from 10% of the total in 2003 to 44% in 2010 whilst the 15% import surcharge applied on most imports has been eliminated. The scant use of non-tariff measures provides for further market access and wide range of incentives for encouragement of foreign investment (public – private partnerships,) development of Small and Medium Enterprises, for accelerated infrastructure, energy and sustainable development projects.

The macro-economic policy of making Sri Lanka a naval, aviation, commercial, energy and knowledge hub in the region is underway as the economy bounced back strongly with a growth rate of 8% in 2010 reflecting post – civil war optimism and global recovery.

Whilst the apparel industry remains the main foreign exchange earner, wide range of tax incentives , concessionary tax rates and other types of assistance have been offered to the manufacturing sector to diversify the production base and expand export markets. Privatization and liberalization measures over the last decade on the main driver of economic growth, the Service Sector , accounts for 59% of GDP and 42% of employment. The Service Sector is expanding in real terms by an average of 6% with full foreign ownership permitted in banking, insurance and telecommunications.

An increasingly outward oriented international trade regime and export led industrialization strategy has resulted in Sri Lanka engaging in regional trade agreements as the South Asian Free Trade Area (SAFTA) Asia-Pacific Trade Agreement (APTA) and bilateral agreements as Indo – Sri Lanka Free Trade Agreement (ISFTA) and Pakistan – Sri Lanka Free Trade Agreement (PSFTA). Sri Lanka is also a founder member of Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), Indian Ocean Rim Association for Regional Co-operation (IOR- RAC), Global System of Trade Preferences (GSTP) and Generalised Scheme of Preferences (GSP) UNCTAD.

As a founder member of the GATT/World Trade Organization (WTO), Sri Lanka has been an active participant in the multilateral trade negotiations including the Doha Development Agenda asserting interests with other countries on areas such as preferences erosion, trade facilitation, technical barriers to trade, geographical indications; labelling issues etc. A strong commitment to enforce intellectual property rights follows the comprehensive legislation on Intellectual Property introduced in 2003 in compliance with the WTO TRIPS Agreement.