# DEPARTMENT OF COMMERCE

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## Overview

The commercial relations between Sri Lanka and India has marked a historical milestone when it was signed the India-Sri Lanka Free Trade Agreement (ISFTA) on 28th December 1998, as the 01st bilateral free trade agreement of Sri Lanka. The ISFTA entered into force with effect from 01st March 2000. The ISFTA is now in full implementation as both sides have completed their phasing out commitments under the respective Tariff Liberalization Programme (TLP), as explained below.

**TLP of ISTFA (at HS-1998 version 6-digit level)**

| Commitments | By India | By Sri Lanka |
|---|---|---|
| **Negative Lists (NL)**<br>No concessions by both countries | No of 429 Tariff Lines (TLs) are under NL | No of 1,180 TLs are under NL |
| **Zero Duty List**<br>100% immediate duty reduction<br>was effected 1.3.2000 | No of 1,351 TLs are under this category | No of 342 TLs are under this category |
| **Residual List**<br>50% margin of preference(MOP) with effect from 1.3.2000 | No of 2,799 TLs are under this and the MOP<br>in these items increased to 100% in two stages<br>within three years from 1.3.2000 | No of 880 TLs are under this and the MOP in these items<br>increased to,<br>- 70% at the end of the 1st year<br>- 90% at the end of the 2nd year<br>- 100% at the end of the 3rd year |

| | | |
|---|---|---|
| **Phasing out List** | Not applicable for India | Tariffs of no of 2,802 TLs brought down by Sri lanka as follows<br>- not less than 35% before the end of the 03rd year<br>- not less than 70% before the end of the 06th year<br>- not less than 100% before the end of the 08th year<br><br>The tariff of two items of HS Codes 2523.21 and 2523.29 were reduced<br>at end of 8th years from 1.3.2000,despite these items are in the NL of<br>Sri Lanka |
| **Tariff Tate Quota (TRQs)** | - For Garments: 8 million pieces at Zero duty (per annum),<br>being in the NL<br>- Tea: 15,000 MT at 7.5% import duty<br>- Pepper: 2,500 MT at Zero duty (per annum)<br>- Desiccated Coconut: 500MT at 30% MOP (per annum),<br>being in the NL<br>- Vanaspati, bakery shortening and margarine: 250,000 MT at zero<br>duty (per annum)<br>- Textile: 528 TLs with no quantitative restrictions at MOP of 25%. | No TRQs by Sri Lanka |

**The Products of Sri Lankan origin exported to India ISFTA are duty free at present,except the following categories**

i. Products of the NL of India - No of 429 TLs.

ii. Products of India's TRQ Lists as follows.

- For Garments : 8 million pieces at zero duty
- Tea: 15,000 MT at 7.5% import duty.
- Pepper: 2,500 MT at zero duty
- Desiccated Coconut: 500 MT at 30%MoP
- Vanaspati, bakery shortening and margarine: 250,000 MT at zero duty
- Textile: 528 TLs at 25% MoP.

NB: MoP-Margin of Preference

Pl. visit the following website of India for the ISFTA duty concessions and the other tariff information of India: http://www.indiantradeportal.in/index.jsp (http://www.indiantradeportal.in/index.jsp)

The products of Indian origin exported to Sri Lanka under ISFTA are duty free at present, except the products of 1,180 TLs included in the NL of Sri Lanka under ISFTA.

Pl. visit the following website of Sri Lanka for the ISFTA duty concessions and other tariff information of Sri Lanka: https://www.treasury.gov.lk/api/file/9ebf6fa2-262c-4342-8d3d-f6be41437f18 (https://www.treasury.gov.lk/api/file/9ebf6fa2-262c-4342-8d3d-f6be41437f18) (https://www.treasury.gov.lk/api/file/9ebf6fa2-262c-4342-8d3d-f6be41437f18)

Rules of Origin (ROOs) Criteria for export products which are not wholly obtained or products in Sri Lanka (with imported inputs)

I. Minimum Domestic Value Addition (DVA)- 35% of FOB price
II. With inputs from India -Minimum DVA in Sri Lanka is 25% of FOB price and the Aggregate Value Addition (Sri Lanka+ India) should be at least 35% of FOB price.
III. Change of Tariff Heading (CTH) at HS 4-Digit Level
IV. Sufficient Working or Processing in Sri Lanka
V. The final manufacturing process should take place in Sri Lanka
VI. Direct Consignment

## Statistical Analysis

India - Sri Lanka Free Trade Agreement (ISFTA): Trade Under ISFTA, 2001-2025 (US$ Mn.)

| | Exports | | | Imports | | |
|---|---|---|---|---|---|---|
| Year | Total Exports to India | Under ISFTA | % under ISFTA | Total Imports from India | Under ISFTA | % under ISFTA |
| 2001 | 70.12 | 15.90 | 23.00% | 601.00 | 113.10 | 19.00% |
| 2002 | 168.81 | 114.20 | 68.00% | 834.00 | 81.70 | 10.00% |
| 2003 | 241.14 | 238.80 | 99.00% | 1,076.00 | 150.40 | 14.00% |
| 2004 | 385.49 | 339.90 | 88.00% | 1,342.00 | 394.70 | 29.00% |
| 2005 | 559.21 | 543.00 | 97.10% | 1,399.43 | 246.20 | 17.59% |
| 2006 | 494.06 | 431.10 | 87.26% | 1,822.07 | 459.30 | 25.21% |

| Year | Exports | | | Imports | | |
|---|---|---|---|---|---|---|
| | Total Exports to India | Under ISFTA | % under ISFTA | Total Imports from India | Under ISFTA | % under ISFTA |
| 2007 | 516.40 | 398.20 | 77.11% | 2,785.04 | 385.30 | 13.83% |
| 2008 | 418.08 | 309.30 | 73.98% | 3,006.93 | 541.40 | 18.01% |
| 2009 | 324.87 | 218.50 | 67.26% | 1,709.93 | 371.70 | 21.74% |
| 2010 | 466.60 | 358.40 | 76.81% | 2,546.23 | 573.70 | 22.53% |
| 2011 | 521.59 | 391.50 | 75.06% | 4,349.43 | 579.60 | 13.33% |
| 2012 | 566.37 | 379.50 | 67.01% | 3,517.23 | 156.40 | 4.45% |
| 2013 | 543.37 | 368.77 | 67.87% | 3,128.86 | 393.40 | 12.57% |
| 2014 | 624.81 | 375.80 | 60.15% | 3,977.76 | 540.10 | 13.58% |
| 2015 | 643.03 | 407.20 | 63.32% | 4,273.30 | 253.35 | 5.93% |
| 2016 | 551.21 | 375.16 | 68.06% | 3,827.50 | 186.73 | 4.88% |
| 2017 | 689.48 | 442.14 | 64.13% | 4,495.99 | 257.04 | 5.72% |
| 2018 | 768.71 | 481.27 | 62.61% | 4,158.18 | 246.87 | 5.94% |
| 2019 | 759.03 | 489.56 | 64.50% | 3,830.85 | 198.74 | 5.19% |
| 2020 | 602.32 | 358.43 | 59.51% | 3,002.09 | 158.58 | 5.28% |
| 2021 | 815.79 | 525.85 | 64.46% | 4,421.35 | 208.94 | 4.73% |
| 2022 | 847.16 | 560.11 | 66.12% | 4,400.22 | 109.28 | 2.48% |
| 2023 | 829.01 | 536.06 | 64.66% | 3,164.72 | 134.93 | 4.26% |
| 2024 | 881.64 | 490.22 | 55.60% | 3,776.25 | 324.78 | 8.60% |
| 2025 | 1,035.31 | 634.34 | 61.27% | 4,334.65 | 408.89 | 9.43% |

### Sri Lanka's Major Exports under ISFTA (USD Mn.)

| HS Code | Description | 2021 | 2022 | 2023 | 2024 | 2025 | Share in 2025 (%) |
|---|---|---|---|---|---|---|---|
| 230990 | Other: Prawn feed | 101.38 | 108.47 | 86.96 | 87.52 | 126.39 | 19.92% |
| 080280 | Other nuts, fresh or dried, whether or not shelled or peeled | 43.43 | 65.23 | 60.04 | 38.15 | 70.61 | 11.13% |
| 151620 | Vegetable fats and oils and their fractions | 41.97 | 12.12 | 1.56 | 10.71 | 50.27 | 7.92% |

| HS Code | Description | 2021 | 2022 | 2023 | 2024 | 2025 | Share in 2025 (%) |
|---|---|---|---|---|---|---|---|
| 761290 | Cans for filling beverages or foodstuff | 0.58 | 1.22 | 5.79 | 2.03 | 29.27 | 4.61% |
| 220299 | Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages | 10.33 | 22.70 | 34.08 | 36.31 | 27.78 | 4.38% |
| 200819 | Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, not elsewhere specified or included | 6.68 | 8.51 | 7.54 | 11.60 | 24.81 | 3.91% |
| 470790 | Other including unsorted waste and scrap | 12.97 | 26.97 | 18.30 | 17.52 | 19.43 | 3.06% |
| 621210 | Brassiers, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted | 4.10 | 6.20 | 10.11 | 10.05 | 14.30 | 2.25% |
| Other exports | | 304.40 | 308.69 | 311.68 | 276.33 | 271.48 | 42.80% |
| Total exports under ISFTA | | 525.85 | 560.11 | 536.06 | 490.22 | 634.34 | 100.00% |

### Sri Lanka's Major Imports under ISFTA (USD Mn.)

| HS Code | Description | 2021 | 2022 | 2023 | 2024 | 2025 | Share in 2025 (%) |
|---|---|---|---|---|---|---|---|
| 61,62 | Apparel and clothing accessories | 0.01 | 0.01 | 1.28 | 18.00 | 33.42 | 8.17% |
| 841510 | Air conditioning machines, comprising a motor-driven fan and elements for changing the temperature and humidity | 13.40 | 5.83 | 1.52 | 21.16 | 18.39 | 4.50% |
| 520832 | Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200 g/m2 | 0.00 | 0.00 | 0.79 | 8.00 | 15.12 | 3.70% |
| 520852 | Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200 g/m2 | 0.00 | 0.00 | 1.18 | 7.28 | 13.69 | 3.35% |
| 841810 | Refrigerators, freezers and other refrigerating or freezing equipment, electric or other; heat pumps other than air conditioning machines | 11.50 | 1.36 | 2.28 | 8.15 | 10.60 | 2.59% |
| 230400 | Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soyabean oil | 13.53 | 14.44 | 11.15 | 14.75 | 9.77 | 2.39% |
| 841451 | Air or vacuum pumps, air or other gas compressors and fans; ventilating or recycling hoods incorporating a fan | 0.01 | 1.52 | 3.15 | 7.72 | 9.69 | 2.37% |
| 850940 | Electro-mechanical domestic appliances with self-contained electric motor, other than vacuum cleaners | 0.17 | 0.32 | 2.21 | 5.79 | 9.34 | 2.29% |

| HS Code | Description | 2021 | 2022 | 2023 | 2024 | 2025 | Share in 2025 (%) |
|---|---|---|---|---|---|---|---|
| 840732 | Spark - ignition reciprocating or rotary internal combustion piston engines | 0.10 | 1.24 | 1.27 | 8.60 | 9.04 | 2.21% |
| 520831 | Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200 g/m2 | 0.00 | 0.00 | 0.41 | 5.24 | 8.68 | 2.12% |
| Other imports | | 170.22 | 84.56 | 109.69 | 220.10 | 271.16 | 66.32% |
| Total imports under ISFTA | | 208.94 | 109.28 | 134.93 | 324.78 | 408.89 | 100.00% |

