POTENTIAL FOR SRI LANKA TO EXPAND AGRICULTURAL TRADE UNDER THE PAKISTAN SRI LANKA FREE TRADE AGREEMENT (PSLFTA)

W.M.U.D. Warnakulasooriya [1], K. S. Karunagoda[2] and S. N. Dissanayake[1]

[1]Department of Agricultural Systems, Faculty of Agriculture, Rajarata University of Sri Lanka, Anuradhapura, Sri Lanka

[2]Socio-Economics and Planning Center, Department of Agriculture, Peradeniya, Sri Lanka

Trade liberalization is one of the key strategies adopted by majority of countries in the world in their way towards globalization. It is mainly achieved through bilateral and multilateral Free Trade Agreements (FTAs). Sri Lanka also engaged with several trade agreements with partners regionally and strategically important including the Pakistan-Sri Lanka bilateral Free Trade Agreement (PSLFTA).

The study focused on identifying potential agricultural specialization under PSLFTA. It evaluates relative trade competitiveness and its change using Revealed Comparative Advantage (RCA). Trade competitiveness between Sri Lanka and Pakistan was evaluated using classical "Balasa Index". Alternative RCA indexes were also used since the definition and empirical adaptation of classical Balasa index was subjected to controversies from the empirical point of view. In addition, the various concessions offered by Pakistan were examined to recognize the accessibility for identified exports to Pakistan market.

The analysis revealed seven categories of potential agricultural exports (At HS 2 digit level) for Sri Lanka under the agreement. They consist of "Coffee, tea, spices", "Rubber and articles thereof", "Live trees, bulbs, roots, cut flowers", "Vegetable planting materials and products", "Edible fruits, nuts, peel of citrus fruits, melons", and "Vegetable textile fibers, paper yarn". It implied that Sri Lanka should negotiate for

increased market accessibility of these products which presently included in Pakistan's non concessions list or coming under their quota restrictions.

Key words: Revealed Comparative Advantage, Agricultural trade, Trade liberalization