

**AN EVALUATION OF INDIA SRI LANKA FREE TRADE AGREEMENT
(ISFTA) AND IDENTIFYING POTENTIALS FOR AGRICULTURAL
TRADE**

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Bilateral and multilateral trade agreements play a key role in reaping the benefits of trade. India Sri Lanka Free Trade Agreement (ISFTA) is one of the most important bilateral agreements in Sri Lanka which receives duty-free access to the Indian market for a number of products. However, most agricultural product lines remain protected and have not obtained the potential trade capacity by Sri Lanka. This study identifies the specific agricultural products that own comparative advantage to be exported to India from Sri Lanka under the ISFTA by evaluating Revealed Comparative Advantage (RCA). First, it examined the trade patterns between Sri Lanka and India by considering all agricultural and non-agricultural products (5951 products) which were traded to India. Then the RCA was calculated for all the agricultural products that are traded with India (1311 products), by using four global RCA indexes and three alternative RCAs. The International Trade Map data-base was used as the data source. The study found that; there are 54 products that have the best potential to be exported to India as having a comparative advantage for all seven RCA indexes used in the analysis. Among them, some products related to rubber (i.e. natural rubber in primary forms, plate sheets and strip, solid or cushion tyres) and paper (i.e. envelopes of paper or paperboard, paper or paperboard labels of all kinds non-printed) have not yet received any duty concession under this agreement. Moreover, some products related to tea and pepper have quota restrictions that hinder the potential trade benefits that can be gained through the agreement. The study suggests that the government should reconsider including the identified products which have the comparative advantage to obtain duty concessions that in turn enhance exports and gain optimum economic benefits to the country.

Keywords: Balassa index, Exports, India Sri Lanka free trade agreement, Revealed comparative advantage