



Pathfinder Economic Flash

## **An Opportunity to Modi-fy the Visit**

Mr. Modi's visit to Sri Lanka, the first by an Indian Prime Minister in 28 years, presents an opportunity to examine the ways and means of strengthening Indo – Lanka economic relations to boost the prosperity of this country. The path of Indo – Lankan bilateral relations will have a significant influence on Sri Lanka's ability to realise its full economic potential. Mr. Modi's re-setting of India's relations with its neighbours offers an opportunity which needs to be grasped. There are a number of areas where his visit can serve to advance the agenda.

- There is a strong case to deepen the existing **Free Trade Agreement (FTA)** on the trade in goods and for extending it to services and investment. In this connection, the concerns that continue to persist can be addressed by highlighting that the principles of non-reciprocity and special and differential treatment underlie the proposed trade arrangements between the two countries. In this respect, confidence can be built by greater transparency regarding the documents that are being negotiated.
- On the **fisheries issues** there is need to undertake enhanced surveillance to minimise incursions, institutionalise assistance for salvage operations of released vessels, pay attention to ecological and conservation aspects and consider licensed fishing with a bilateral MOU on fisheries.
- Sri Lanka's continuing lacklustre export performance is a major drag on the development prospects of the economy. The current problem is basically the lack of competitive supplies. Indian **investment** can assist in addressing this. Mr. Modi's 'make-in- India' strategy also has the potential to open up opportunities for Sri Lankan businesses to plug into the supply chains of domestic and foreign companies operating in India.
- There is a case for establishing **Industrial Zones** for sectors with potential such as pharmaceuticals, automotive components, electric and electronic goods, ICT/BPO, etc.,.
- India already accounts for the highest number of **tourists** to Sri Lanka. Considerable scope exists not only to increase the numbers but also the daily spend. The significant stock of up-market inventory scheduled to come on stream in the next few years can generate increased access to the higher Indian tourist market segments.

- In this connection, there is considerable potential for expanding **transport connectivity** through the increased capacity of the Colombo and Hambantota ports and the Katunayake airport but also through development of the Kankasanthurai port and Pallali airport. There is also a strong case for re-opening the Mannar – Rameswarm ferry.
- **ICT/BPO** is currently the most dynamic component of Sri Lanka's export sector. India can play a major collaborative role in the development of this sector. It can be the source for accessing specific categories of skilled labour to meet shortages in the domestic market.

*This is the Sixty Third Economic Flash of Pathfinder Foundation. Readers' comments are welcome at [www.pathfinderfoundation.org](http://www.pathfinderfoundation.org)*