

**DEPARTMENT OF ECONOMICS  
UNIVERSITY OF COLOMBO**



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**India - Sri Lanka Free Trade Agreement:  
Bilateral Trade Performance and Policy  
Lessons for Sri Lanka - A Systematic  
Literature Review**

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### India - Sri Lanka Free Trade Agreement: Bilateral Trade Performance and Policy Lessons for Sri Lanka - A Systematic Literature Review

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## India - Sri Lanka Free Trade Agreement: Bilateral Trade Performance and Policy Lessons for Sri Lanka - A Systematic Literature Review

A. Panagoda & S. Abeyratne

### Abstract

*This Literature review was conducted to review the India-Sri Lanka Free Trade agreement: Bi-lateral Trade performance and Lessons for Sri Lanka. It was based on a Preferred Reporting Items for Systematic reviews and Meta-Analysis(PRISMA), using two databases Google Scholar and JSTOR to analyze the Research Published between January 1980 to December 2024. This review included 39 studies out of 2773 that were identified. India-Sri Lanka Free Trade Agreement came into force in year 2000. The main objective was to improve bi-lateral trade between them. Findings –selected from (39) studies, used Trade agreements to analyze the economic impacts. Among these, 25 articles examined the impact of economic consequences,11 challenges in achieving objectives, and 2, reviewed border protection and policy implications. The limitations/implications are concern, the most relevant research articles used to measure the economic consequences and impact on overall GDP's. In order to address the practical implications, governments are required to develop policy tools to mitigate domestic impacts. Originality/value of this study examines the economic impacts, with the aim to identify the lessons to improve current and future agreements.*

**Keywords:** *International Trade, Free Trade, Regional trade, Systematic literature review, Trade barriers, Non-tariff measures*

*JEL Codes: F13, F15*

## Foreword

The Department of Economics is pleased to present this Working Paper titled “*India–Sri Lanka Free Trade Agreement: Bilateral Trade Performance and Policy Lessons for Sri Lanka – A Systematic Literature Review*”. This paper contributes to the growing body of literature on regional economic integration and international trade by providing a comprehensive review of the evidence on the economic outcomes of the India–Sri Lanka Free Trade Agreement (ISFTA).

Since its implementation in 2000, the ISFTA has been regarded as a landmark agreement in South Asia, fostering closer economic ties between Sri Lanka and India. More than two decades later, assessing its achievements, limitations, and broader policy implications remains highly relevant, particularly as Sri Lanka continues to pursue deeper regional and global trade integration. By employing a systematic review methodology based on the PRISMA framework, the authors synthesize findings from a wide range of studies published over several decades, offering valuable insights into the agreement’s impact on bilateral trade, economic performance, and policy development.

The review highlights both the opportunities and challenges associated with trade liberalization. While the agreement has contributed to the expansion of bilateral trade and economic cooperation, the findings also underscore persistent structural constraints, implementation challenges, and the need for complementary domestic policies to ensure that the benefits of trade are distributed more broadly across sectors of the economy. The lessons identified in this review are particularly important for policymakers engaged in the design and negotiation of future trade agreements.

The Department of Economics Working Paper Series serves as a platform for disseminating high-quality research and encouraging scholarly dialogue on contemporary economic issues. We believe that this paper will be of interest to academics, researchers, students, policymakers, and practitioners seeking to better understand the dynamics of regional trade agreements and their implications for economic development.

We commend the authors for their rigorous work and thoughtful analysis and trust that this study will contribute meaningfully to ongoing discussions on Sri Lanka’s trade policy and economic development strategy.

**Department of Economics**  
**University of Colombo**

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## Abbreviations:

APTA	-Asia Pacific Trade Agreement
BIMSTEC	- Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
FTA	- Free Trade Agreement
FDI	- Foreign Direct Investment
ISFTA	-India-Sri Lanka Free Trade Agreement
GATT	- General Agreement on Tariffs and Trade
GSP	- Generalized System of Preferences
GSTP	- Global System of Trade Preferences
GCC	- Gulf Cooperation Council
MFN	- Most Favored-Nation
NTM	- Non Tariff Measures
NTB	- Non Tariff Barriers
PTA	- Preferential Trade Agreement
PAFTA-	Pan-Arab Free Trade Area
RTA	- Regional Trade Agreement
SAARC	- South Asian Association for Regional Cooperation
SAFTA	-South Asian Free Trade Agreement
SAPTA	-South Asian Preferential Trade Agreement
WAEMU	- West African Economic and Monetary Union
WTO	- World Trade Organization

# India - Sri Lanka Free Trade Agreement: Bilateral Trade Performance and Policy Lessons for Sri Lanka - A Systematic Literature Review

A. Panagoda & S. Abeyratne

## 1.0. Introduction

Free Trade Agreements (FTAs) generate both positive and negative economic impacts for participating countries (Drozd & Miškinis, 2011). By facilitating the exchange of goods and services and promoting investment flows, such agreements can contribute to economic expansion, employment generation, welfare improvements, and GDP growth. However, for smaller and import-dependent economies like Sri Lanka, FTAs may also expose domestic industries to intensified competition if not carefully negotiated and implemented. This underscores the importance of incorporating adequate safeguards and regulatory provisions to mitigate adverse effects and prevent imbalances in trade outcomes. Theoretical perspectives further complicate the evaluation of FTAs: while traditional models such as the Ricardian framework and the Heckscher–Ohlin–Samuelson model explain trade through technological differences and factor endowments, respectively, the “new trade theory” (Krugman, 1987) highlights the role of economies of scale, imperfect competition, and strategic firm behavior. These insights suggest that free trade, although still relevant, operates within a more complex and imperfect global environment, where uneven gains, strategic advantages, and potential trade conflicts may arise. In this context, the India–Sri Lanka Free Trade Agreement (ISFTA) provides an important case for analysis. Despite its long-standing implementation, concerns remain regarding the extent to which Sri Lanka has effectively benefited from the agreement, particularly in terms of sectoral performance, trade balance, and structural constraints. Accordingly, the central research problem of this study is to examine Sri Lanka’s trade performance under the ISFTA and to identify the underlying challenges that have influenced its outcomes. To address this issue, the study pursues four key objectives: (i) to examine the impact of the ISFTA on Sri Lanka’s trade performance since its inception; (ii) to analyze the sectors that have benefited as well as those that have faced challenges under the agreement; (iii) to critically evaluate the internal and external limitations—both within and beyond the FTA framework—that have affected trade outcomes; and (iv) to formulate policy recommendations based on the ISFTA experience to guide Sri Lanka’s negotiations in future bilateral and regional trade agreements.

The main Aim of this agreement was to boost trade between the two countries, by liberalizing trade, remove or reduce, tariff and non-tariff barriers. Providing market access to both importers and exporters, to expand tradeable goods. Overall to provide economic benefits by way of, Growth, employment opportunities and increase higher standard of living, from a practical perspective. Looking from a theoretical angle, it is a step towards, promoting regional economic integration within the SAARC region. Thus, ISFTA was a pioneering effort in trade liberalization for the region, and its significance can be understood through its impact on trade, investment, and regional economic integration.

## 2.0. Theoretical Review

International trade theories provide the fundamental framework for understanding the economic rationale behind Free Trade Agreements (FTAs). Classical theories, such as Absolute Advantage and Comparative Advantage, establish the basis for specialization and mutual gains from trade. According to Adam Smith's theory of Absolute Advantage, countries should specialize in producing and exporting goods where they are more efficient, while David Ricardo's theory of Comparative Advantage demonstrates that even a country less efficient in all goods can still benefit from trade by specializing in the production of goods

where its opportunity cost is lowest. Building upon this, the Heckscher-Ohlin theory, a cornerstone of neoclassical trade theory, explains trade patterns based on differences in factor endowments, positing that countries will export goods that intensively use their abundant and cheap factors of production. However, these traditional models, which often assume perfect competition and constant returns to scale, are complemented by newer theories. The New Trade Theory (NTT) introduces the concepts of increasing returns to scale, network effects, and imperfect competition. This theory explain why a large portion of global trade occurs between countries with similar factor endowments and why FTAs can be instrumental in creating larger markets that allow firms to achieve economies of scale and offer a greater variety of goods. In essence, while free trade agreements are practical policy tools, their design and expected benefits are directly informed and justified by these interconnected trade theories.

Further Akram et al. (2024) have discussed the theories of “revealed comparative advantage “and the “trade complementarity” indices to identify country’s relative Strengths and weaknesses of specific industries or sectors compared to other countries.

In the contemporary era of globalization, the discourse on international trade has been reshaped by groundbreaking theories that supersede traditional models. The ascendancy of concepts such as outsourcing and global value chains has brought to the forefront new frameworks for understanding global commerce. At the cutting edge of this evolution are theories like Intra-Industry Trade (IIT), which integrates the role of economies of scale, and the New-New Trade Theory (NNTT), pioneered by Melitz, which emphasizes firm-level heterogeneity and competition within countries. These sophisticated models have introduced a new dimension to the theory of free trade, challenging the assumptions of yesteryear by providing a more nuanced and realistic account of how global markets operate.

### **3.0. Methods**

This study employed the Preferred reporting items for systematic reviews and meta-analysis (PRISMA) criteria to develop the Systematic Literature Review. (SLR)

#### **3.1. Literature Search**

Data bases used were Google Scholar, JSTOR. This review drew on the estimations of Free Trade agreements of some selected countries and especially focused on the India-Sri Lanka Free Trade Agreement (bi-lateral) which is the topic of this research. The study also included International trade, Regional trade Agreements and preferential trade agreements, that developed after the GATT/ WTO (Multilateral Agreement), which was the base that guided, the growth of global trade in a more professional manner. Which included rules, regulations, and legal and dispute settlement systems to manage the ever growing competitive International trade. With many stakeholders playing different roles in a Globalized environment, WTO rose to a position of a governing body, providing direction and guidance to all signatory countries. The literature search was performed by including Key words, international trade, Free Trade, Regional trade, India, Sri Lanka.

#### **3.2. Eligibility Criteria**

Majority of the information were extracted by way of Peer reviewed Journal Articles in English, with most of them falling into categories between Q1 to Q4, based on the software The SCImago Journal & Country Rank. Apart from above articles some information was retrieved from reputed International Organizations, ie. WTO and also articles written by reputed Economists, who excelled in this field.

Articles excluded prior 1980 along with Working and conference papers.

### 3.3. Study Selection

The review researched relevant studies and filtered out duplicates under the independent evaluation process.

**Table 1. Literature Search Keywords and Boolean Operators**

Keyword Group 1	Operator	Keyword Group 2	Operator	Keyword Group 3
International Trade	AND	International Trade Agreement	AND	Growth of Trade
Free Trade	AND	Bilateral Trade Agreement	AND	Growth of Trade
Regional Trade	AND	Regional Trade Agreement	AND	Growth of Trade

**Source:** Author's compilation.

Authors and the supervisors screened the titles, abstracts and key words to assess their eligibility for inclusion. When eligibility was unclear from the titles and abstracts, then full Text was reviewed to check the eligibility for inclusion. The Excel forms were designed to identify review patterns among the heterogeneity of study characteristics and outcomes.

The data searched studies consisted of three parts. General information (Author/Authors, year of publication, countries examined): Study Characteristics (Type of the study, statistical methods, study area): and summary of findings (factors used and main findings). The research study was based on PRISMA 2020. The method included four stages. (1) identification of records via databases and registers; (2) Selection of records; (3) review of qualifications and (4) Inclusion in the study

### 3.4. Quality Assessment

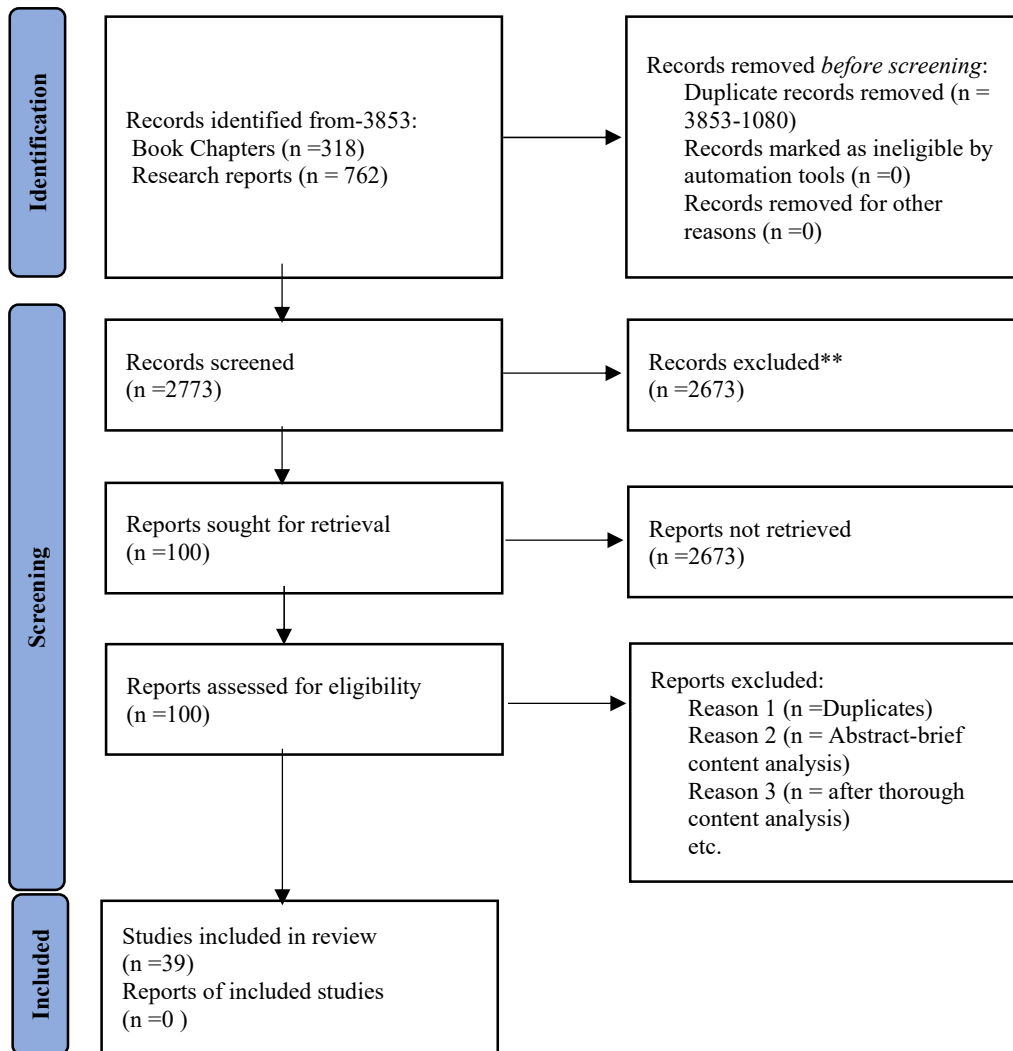
The quality of these Thirty-nine s selected using the Joanna Briggs Institute Critical Appraisal checklist of systematic reviews. (Table: 2)

This study excluded, reviewed articles, pilot studies, working papers, reports or unpublished Ph.D. dissertations, books, symposiums, supplementary, prospective, or intervention studies and those published in other languages.

### 4.0. Results and Discussions

In this review study, total of 3853 articles were initially retrieved and 1080 duplicates were removed before entering the first phase of screening. A total of 2773 articles were assessed for the first phase of screening based on their title and abstract. So, in the first phase of screening, only 100 articles retained while 2673 studies have been rejected. Consequently, in phase two of screening, 100 papers were assessed based on their full text. Out of them, only 39 articles met the inclusion criteria for further evaluation. Hence, the remaining 39 studies were considered eligible for this review. Among these studies, **thirteen** were based on descriptive analysis, **two** were on time-series, **eighteen** were on panel data analysis, **two** were on Panel/ cross sectional data, **four** on Panel/ descriptive analysis.

**Figure 1: Identification of Studies**



Source: Developed by the Authors based on Page *et al.*, 2021)

**Table 2. Distribution of Reviewed Literature by Study Area**

<b>Study Area</b>	<b>Number of Studies (n)</b>	<b>Percentage (%)</b>	<b>Key Sources</b>
International Trade: Multilateral Trade, GATT and WTO	2	7.69	(Anderson, 2016); Baldwin (2016)
Economic Determinants of Free Trade Agreements	1	3.84	Baier & Bergstrand (2004)
Negotiation of Free Trade Agreements	1	3.84	Aghion et al. (2007)
Regional Trade Agreements (RTAs)	5	19.23	Baier & Bergstrand (2007);(Krugman, 1987); Kohl et al. (2016); MacPhee & Sattayanuwat (2014); Rahul & Srivastava (2024)
Preferential Trade Agreements (PTAs)	1	3.84	Medvedev (2010)
Bilateral Free Trade Agreements: General Studies	1	3.84	Kohl (2014)
Bilateral Free Trade Agreements: India–Sri Lanka Free Trade Agreement (ISFTA)	12	46.15	Weerakoon (2001); Kelegama (2003); Siriwardana (2004); Perera (2008); Kurian & Manikandan (2011); Joshi (2012); Kelegama (2014); Varma & Abhayaratne (2017); Taguchi & Rubasinghe (2019); Akram et al. (2024);(Choudhry et al., 2012); Sikdar (2010)
Bilateral Free Trade Agreements: Japan	1	3.84	Ando et al. (2022)
Bilateral Free Trade Agreements: Korea	1	3.84	Hyun (2003)
<b>Subtotal</b>	<b>25</b>	<b>100.00</b>	
<b>Challenges Associated with Free Trade Agreements</b>	<b>Number of Studies (n)</b>	<b>Percentage (%)</b>	<b>Key Sources</b>
Non-Tariff Barriers	6	42.86	Haveman & Shatz (2004); Calo-Blanco & Naya (2005); Daly & Stannas (2001); Pal & Pohit (2020); Sandaruwan et al. (2020); Pushpakumara et al. (2022)
Rules of Origin	4	28.57	Cadot & De Melo (2008); Conconi et al. (2018); Yi (2015); Kim & Ha (2016)
Noodle Bowl Effect	1	7.14	Chua et al. (2018)
Efficiency of Border Protection Institutions and Measures	2	14.29	Han & Ireland (2012); Barbary & Tawfiq (2024)
Policy Implications	1	7.14	Limão & Maggi (2015)
<b>Subtotal</b>	<b>14</b>	<b>100.00</b>	

**Source:** Author's compilation based on the reviewed literature.

When one examines, Free trade agreements, the origins stem from International trade, that has a long history with number of old and new theories and concepts, that have paved the way to increase global trade over the last few decades. In other words, Globalization, due to new technology, communication, transportation, increased opportunities to exchange goods at a more affordable cost between borders and countries. However, there was a dire need to bring some sanity, rules and regulations in order to manage the international trade more professionally. By end of the World War 2, global trade was at a lower end, where the opportunity to create some world order in trade was answered by the GATT (General Agreement on Tariff and Trade)1947.

The General Agreement on Tariffs and Trade (GATT) was a landmark international trade agreement signed in 1947 by 23 nations to reduce trade barriers like tariffs and quotas. It served as the foundation for the World Trade Organization (WTO), which replaced it in 1995. One might say it was the cornerstone, or the foundation, that provided the kick-start to promote international trade, based on each country's factor endowments. A Multilateral trade agreement that introduced number of Rules and Regulation, or Rule based transactions in order to provide standard trading practices among its members. Whilst Sri Lanka (Then Ceylon) was a founding member of this very important agreement, integrated into the Global arena, with the objective of promoting its trade. Accordingly, with GATT –forming into WTO, it ratified its requirements and continued to be a member from the very inception. Though there were and are many both internal and external shocks in the Global Economy, WTO continues to support developed, developing and underdeveloped countries by way of Institutional support, to manage their respective economies.

The most favored nations clause (MFN) was introduced to bring a level playing field to the countries to trade with minimum barriers. Along with this agreement and subsequent negotiations, to facilitate the trade further, the World Trade Organization was established in 1995, where now over 150 member countries, which has created a multilateral institution to govern the ever-increasing trade more efficiently along with embedded International Laws. In his paper (Anderson, 2016), surveys estimate the value of the GATT/WTO's contributions to global welfare through providing a forum for negotiating reductions in policy-induced distortions to trade flows, including through the process of accession by new members. However, it must be mentioned that before the GATT Agreement was signed, there was an attempt to establish the International Trade Organization (ITO)which was not successful where it fell through in1950. The papers cited in this survey reflect the fact that there continues to be a consensus in the economics profession that the GATT/WTO rules-based multilateral trading system has contributed to global economic welfare – even though it is never going to be possible to put a precise value on it. There is also a consensus that GATT trade negotiations have contributed to the economic welfare gains that have resulted from trade policy reforms since the late 1940s, and could contribute further if the Doha round of negotiations can be brought to a successful trade-liberalizing conclusion. The gains from multilateral negotiations come predominantly from commitments to bind tariffs and subsidies, which with the WTO's Dispute Settlement Body reduce uncertainty and bring greater predictability and stability to world trade.

With reference to WTO/ future of Multilateralism (Baldwin, 2016), emphasizes that still WTO presides over a rule-based trading system based on norms that are almost universally accepted and respected by its 163 members. Tariffs today are below 5 percent on most trade, and zero for a very large share of imports. However, it's also mentioned that, despite its manifest success, the WTO is widely regarded as suffering from a deep malaise. The main reason is that the latest WTO negotiation, the Doha Round, has staggered between failures, flops, and false dawns since it was launched in 2001. But the Doha logjam has not inhibited tariff liberalization—far from it. During the last 15 years, most WTO members have massively

lowered barriers to trade, investment, and services bilaterally, regionally, and unilaterally—indeed, everywhere except through the WTO.

However, it is highlighted that WTO still guides all these agreements, based on five principles.

*Nondiscrimination*, at the border (MFN clause), *Transparency*. Liberalizing trade and reducing conflicts over trade is easier when the actual policies are transparent to all by having been made public. *Reciprocity*. Nations that remove barriers to imports can expect other nations to reciprocate. Again, exceptions are made, with the most notable example being that, during the GATT era, developing nations benefited from the market opening of other nations due to the most-favored-nation provisions, *Flexibility*, or “*safety valves*.” The founders of the GATT knew that members would occasionally be subject to irresistible domestic pressure to impose trade barriers. *Consensus decision-making*. Like the other principles, this one has exceptions, but most WTO decisions are by consensus.

Thus, trade liberalization between nations increased rapidly with opportunities, for FDI's, Technological advancements, Innovations, employment opportunities, labor migrations are the results, with AI being the new tool that have being incorporated to the new competitive global business environment.

However, along with the GATT/WTO multilateral trade agreement, there was a plethora of trade agreements, namely Free Trade Agreements, bi-lateral, Regional Trade Agreements and Preferential trade agreements have been signed between number countries, with the objective of increasing Trade.

- a. Multilateral trade agreement- based on GATT/WTO rules
- b. Free trade agreement- Bi-lateral – two countries (Ie. ISFTA)
- c. Free Trade agreement – Regional trade agreement-RTA(SAFTA)
- d. Preferential Trade Agreement- Uni-lateral (not reciprocal)- GSP, GSP+

Due to the complexities of WTO, regulations and to the issues already discussed, these new agreements were signed either bilateral or regional, or trading blocs, for the same reasons. Nonetheless these agreements to a great extent are in line with WTO, policies and procedures, or with their blessings. Most of these FTA's were signed due to proximity between countries, and the ability to secure the required raw material and components.

In their review (Baier & Bergstrand, 2004), discussed the Economic determinants of formation of a Free Trade Agreement, between countries, by developing an econometric model based upon a general equilibrium model of world trade with two factors of production, two monopolistically competitive product markets, and explicit intercontinental and intracontinental transportation costs

among multiple countries on multiple continents. The main conclusions of the study are that the potential welfare gains and likelihood of a FTA between a pair of countries are higher: (i) the closer in distance are two trading partners; (ii) the more remote a natural pair is from the ROW; (iii) the larger and more similar economically (i.e. real GDPs) are two trading partners by exploiting economies of scale in the presence of differentiated products; (iv) the greater the difference in capital– labor endowment ratios between two countries due to the gains from traditional comparative advantages (i.e. Heckscher–Ohlin trade); and (v) the less is the difference in capital–labor endowment ratios of the member countries relative to that of the ROW due to less inter-industry trade diversion. These factors have economically and statistically significant effects on the probability of an FTA.

In their discussion (Aghion et al., 2007) elaborated the topic, how to negotiate free trade and went on to explain the process accordingly. The dynamic bargaining model was when a leading country endogenously decides whether to sequentially negotiate free trade agreements with subsets of countries or engage in simultaneous multilateral bargaining with all countries at once. A model of international trade is then used to illustrate equilibrium outcomes and how they depend on the structure of trade and protection. Global free trade is not achieved when the political-economy motive for protection is sufficiently large. Furthermore, the model generates both “building bloc” and “stumbling bloc” effects of preferential trade agreements. In particular, it describes an equilibrium in which global free trade is attained only when preferential trade agreements are permitted to form (a building bloc effect), and an equilibrium in which global free trade is attained only when preferential trade agreements are forbidden (a stumbling bloc effect).

The question was raised by (Baier & Bergstrand, 2007), whether there is a definite increase in member’s international trade, with the signing of a FTA. It was found that, on average, an FTA approximately doubles two members’ bilateral trade after 10 years. Accounting econometrically for the FTA variable’s endogeneity yields striking empirical results: the effect of FTAs on trade flows is quintupled.

The study conducted by (Kohl, 2014), the empirical literature in which the gravity equation has been used to study the effect of economic integration agreements (EIAs) on international trade flows. The above article was under the theme “Do we really know that trade agreements increase trade? Whilst posing this question, the article emphasizes that the global economy has witnessed a remarkable proliferation of economic integration agreements (EIAs) in the past two decades.

In other words, economic and/or political forces not fully captured lead nations to trade more, even though a trade agreement is absent. Only later may the need and/or opportunity arise for the governments of these trade partners to formalize their relationship with trade agreements covering issues such as bilateral liberalization, economic cooperation, harmonization of standards, etc. In this case, trade facilitates EIA (Economic Integration Agreement) formation.

An analysis of 296 trade agreements were carried out by (Kohl et al., 2016), to identify whether Trade agreements stimulate International trade differently. It shows that the degree to which governments negotiate comprehensive trade agreements is positively related to their level of economic development. Moreover, the number of WTO members in a TA and its comprehensiveness are positively associated. This is because many provisions contained in trade agreements generally build on existing WTO policies. Strikingly, the empirical findings suggest that WTO members use TAs not to undermine or circumvent the WTO, but rather to build on the trade-promoting, non-discriminatory policies embedded in the multilateral system – even when not all TA participants are WTO members. Sri Lanka is connected or is signatories to all above agreements.

As for bi-lateral trade agreements, ISFTA in 1998, Pakistan-Sri Lanka free Trade agreement (PSFTA) in 2005, signed with Singapore in 2018 (yet to be operational), and 2024, with Thailand.

As for RTA’s, have signed up with APTA, SAFTA, BIMSTEC, GSTP as for Preferential agreements, Sri Lanka is a recipient of the GSP and GSP+ where some goods reach the destination countries at favorable duty or duty free for some of the exports.

This paper provides a comprehensive review of Free Trade Agreements using the literature between 1980-2024. It focuses on the growth of Global trade, especially after the World War 11, where International Trade was at a low ebb.

As per the Research Topic, ISFTA is one of the contributors, though do not stand out tall, as per volumes and value, when compared to the global numbers. Whilst there are number of supporting theories, for this increase, actual implementation of credible global institutions paved the way for this positive upward movement across borders, continents and countries.

For 30 years the number of regional trade agreements (RTAs) has been on the rise, from fewer than 50 in 1990 to more than 350 as of 2023. Major players such as the United States, the European Union, and China have built networks of RTAs as a flexible way of advancing economic integration. Some agreements—for example, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)—are “mega-regional,” with partners in Asia, Australia, and the Western Hemisphere. RTA’s have increased due to its proximity to other partner countries and also more flexibility to negotiate when dealing with a fewer nation. As already mentioned, Sri Lanka is a signatory a few RTA’s, especially with SAARC nations (SAFTA) and few other blocs.

The question is raised whether these agreements create or deflect goods, if a country is already signed up with bi-lateral agreements. If probed further will there be opportunities to attract more FDI’s, Technology and also to create more employment.

As already mentioned during the last few decades many RTA’s were signed, it was discussed to what extent these agreements had an impact on developing countries. It was investigated by (MacPhee & Sattayanuwat, 2014), the effects of 12 major Regional Trade Agreements (RTAs) on intra and extra-regional trade flows in member developing countries, both intra-RTA trade and the effect of RTAs on non-member trade over 1981~2008. The first main finding is that not all of the RTAs succeed in giving rise to intra-bloc trade creation. Some RTAs, namely SAPTA, GCC, PAFTA, and WAEMU, are found to have negative intra-bloc effects. For most of these RTAs, this may be largely the result of a failure to eliminate tariffs and non-tariff barriers across the board for imports from member countries. The second major result is that seven of the 12 RTAs in the sample generate import trade diversion while most of the export extra-bloc trade dummies are not statistically significant. Last finding of interest is that three of the five African RTAs in the sample have generated intra-bloc trade. They accomplished this despite severe political and economic problems

"As of 1 January 2024, 361 RTAs were in force". There are mixed findings based on theories on the impact of RTAs on trade, (Rahul & Srivastava, 2024). Further elaborate, Since the 1980s, the expansion of international trade has exceeded the growth of Gross Domestic Product (GDP). Similarly, the number of Regional Trading Agreements (RTAs)1 has risen from under 50 in the 1990s to more than 350 currently. Major players such as the US, the EU, and more recently China have increasingly used RTAs as a means of achieving economic integration. The evolution of trade and RTA networks presented in the study here uses data on aggregate trade between country pairs for the period 1995 to 2021. The study traces the evolution of trade and RTA networks using tools of network analysis. We have seen that trade networks have become denser and more interconnected, suggesting that almost all countries of the world are connected

It is important to mention that whilst bi-lateral, regional trade agreements are being addressed, that Preferential trade agreements and their impact, and their role too should be considered.

The paper produced by (Medvedev, 2010) investigates the effects of preferential trade agreements (PTAs) on bilateral trade using a comprehensive data base of PTAs in force and a detailed matrix of world trade. The results in this paper show that estimates of the impact of PTAs on bilateral trade vary significantly

depending on whether total or preferential trade is used as a dependent variable: joining a PTA increases total trade by 87% and preferential trade by 119%.

In this research, questions are how has the India-Sri Lanka FTA influenced Sri Lanka's trade performance since its inception? What are the key sectors that have benefited from the FTA, and which sectors have faced challenges? What are the limitations and challenges within and outside of the FTA that have impacted upon Sri Lanka's trade performance with India? What are the policy implications that Sri Lanka can derive from the India-Sri Lanka FTA for its future trade agreements?

The paper by (Estupiñán, 2017), provides an introduction on the most relevant theories and types of regional integration on one hand and the most important methodologies to assess the net economic growth effects of the Free Trade Agreements (FTAs) between countries on the other. Further elaborates on various models, such as, Computable General Equilibrium Models, Gravity Models.

India-Sri Lanka Bi-lateral trade agreement was signed in 1998 and came into effect from year 2000 with the same objectives. At this point a question was raised by (Weerakoon, 2001), "how free is it?" further goes on to explain that prospects of bilateral trade between India and Sri Lanka seem to have been boosted by the Free Trade Agreement of 1998. The vast Indian consumer market could serve as an entry point for Sri Lankan exports as 'first movers' before other potential competitors. The perceived advantages of this claim will depend on the pace of tariff reforms in India and the necessary export surplus that Sri Lanka can generate. While some Sri Lankan exports (such as rubber slippers, ceramic products and leather goods) catering to niche markets in India and enjoying a comparative advantage may benefit from tariff liberalization, the implications on products of small and medium industrial enterprises is less clear. India, for example, has the advantages of a relatively solid industrial and agricultural base and of economies of scale vis-a-vis Sri Lanka.

Some of Sri Lanka's emerging industries, particularly in the light manufacturing sector will find themselves unable to compete with cheaper imports from Indian firms which have the built-in advantage of more advanced technology know-how.

Based on the same lines (Siriwardana, 2004) elaborated on same, envisaged that both Sri Lanka and India will experience some welfare gains from this agreement and went on to comment that the extension of such trade agreement to all SAARC nations may create significant welfare improvements in Sri Lanka. Sri Lanka seems to benefit relatively more than India from the ILFTA as shown by both GDP and welfare projections. The trade agreement may enhance more imports from India to Sri Lanka at a much cheaper price than before but the growth in exports is likely to be insufficient to pay for the increase in imports.

It was argued by (Joshi, 2012), the point that whether this agreement has had trade creation or trade diversion effects on the rest of the world. Elaborates, that though the two countries are asymmetrical by way of GDP, geography, population, the success of ISLFTA suggests that if the concerns of the smaller economy are taken into account and they are given more favorable treatment, then differences in size among FTA partners do not matter. We have also presented evidence that the ISLFTA is one of the few south-south agreements, that works effectively. After the signing of ISLFTA, trade between India and Sri Lanka has increased many fold. Between 1999 and 2006, India's imports from Sri Lanka rose from US\$45 million to US\$499 million, and India's exports to Sri Lanka rose from US\$482 million to US\$2110 million. Similarly, Sri Lanka's imports from India in 1998 were merely US\$538 million, but increased to US\$1804 million by 2006. Sri Lanka's exports to India grew from US\$35 million in 1998 to US\$490 million in 2006. In this way, India became Sri Lanka's major trading partner after the signing of the Agreement. The number

of products exported by Sri Lanka increased from 505 products in 1996 to 1026 products in 2006 based on the HS-6 classification codes.

Same sentiments were expressed by (Perera, 2008) reiterated that ISFTA have paved the way for more closer economic integration. In the final Analysis, the impact of ISFTA –on Import/exports industries of Sri Lanka, such as metal, paper products, and publishing, electronic products, chemical, Rubber, plastic products, machinery and equipment parts. It was emphasized that Sri Lankan exporters to improve their quality to compete in the Indian market.

The overall analysis suggests that, although there is a significant disparity in economic size between the two countries, this does not necessarily hinder bilateral trade when appropriate special and differential treatment is extended to the smaller economy. The evidence indicates that, with a well-designed and effectively implemented regulatory framework, a smaller country can derive meaningful benefits from a Free Trade Agreement.

In his commentary (Kelegama, 2003), made positive comments in regard to overall growth since March 2000, between the two countries, with more favorable position for India. trade between two countries, from 1998-2002, that is two years before and after the agreement exports from Sri Lanka grew and rupee value, imports increased by 49%. In his overall observations noted that ISFTA empirical research, highlighted both the positive outcomes and the negative aspects. The paper shows that the FTA has worked in favor of Sri Lanka, but its full potential has not yet been realized due to market access problems in India, and the lack of supply capacity for some products in Sri Lanka

However in their view, (Kurian & Manikandan, 2011) ISFTA had a negative impact on pepper that affected the local pepper growing farmers, thus concluding the government needs to protect the local farmers when opening certain vulnerable industries. The ISFTA signed between India and Sri Lanka under the force of globalization gave enough concessions to traders in India and Sri Lanka to expand export and import of pepper between the two countries. A possible impact of this surge in international trade in pepper was the sharp fall in the farm price of pepper in Kerala which forced some of the pepper farmers out of pepper cultivation.

In their study, Choudhry et al. (2012) examine whether the India–Sri Lanka Free Trade Agreement (ISFTA) generated trade creation or trade diversion effects following its implementation. The analysis focuses on sector-specific outcomes, particularly in relation to changes in trade patterns. The findings indicate a predominance of trade creation, accompanied by increased product diversification and improvements in product quality. These effects are especially evident in the base metal and engineering sectors, which constitute some of the most significant commodities traded between the two countries.

Moving forward , (Kelegama, 2014), discussed the Importance of going beyond the tradeable goods, to open the present agreement for services as well. The approach was a Comprehensive Economic Partnership (CEPA). The way forward was to develop the ISFTA into a full blown Comprehensive Economic Partnership agreement (including services), but did not realize, due to both Internal and external factors. A number of impediments still prevail. It is reported that a number of non-tariff and para-tariff barriers acted as constraints to exporters in Sri Lanka under the ISLFTA. In the case of food products, a number of sanitary and phyto-sanitary samples had to be registered in Delhi under the Prevention of Food Adulteration Act under the Ministry of Agriculture. This sometimes took 3-6 months to clear. Other non-tariff barriers included licensing, customs checks, particularly in case of food products such as biscuits, chocolates, and sausages. This has led to holding up of exports in ports. Concerns have also been expressed regarding the

imposition of discriminatory sales tax on Sri Lankan imports by the Tamil Nadu government. Whereas local manufacturers in Tamil Nadu were required to pay 10.5% sales tax, imported Sri Lankan products attracted 21% sales tax. This considerably offset some of the duty preference advantages of Sri Lankan exporters.

On the same topic, (Varma & Abhayarathne, 2017) discusses the trade patterns between the two countries where reflects positive growth between the two countries. The overall results indicate the ISLFTA between India and Sri Lanka has led to welfare gains since the trade creation effects exceed the trade diversion. The ISFTA, therefore, has an overall beneficial effect on the partner countries and has not harmed the trade interests of the other countries in the region. Exploring the agreement further (Sikdar, 2010), highlights the pattern of bilateral trade when each economy has a choice to produce goods by utilizing its own or the other country's technology.

The traditional theories of international trade (Heckscher 1919, Ohlin 1933; Ricardo 1817 and others) conceived of trade in the former sense. Vanek's contribution (Davis et al. 1997) was to recognize that we could equally think of trade as the international exchange of the services of factors embodied in the traded goods. Vanek's formulation of the problem allowed an extension of the logic of the Heckscher–Ohlin theory to settings in which the pattern of trade may be indeterminate but in which the net factor content of trade may nonetheless be determinate. This is the Heckscher–Ohlin–Vanek (HOV) model.

At the initial stages exports from both countries grew very fast, the reason for this growth was identified. Thus, it could very well be the case that these commodities exported from one country to the other were due to the various concessions exchanged rather than due to the fact that the particular country has genuine comparative advantage in that line of production. It is good news that with duty-free access to the partner's market, the countries experienced a rise in their bilateral trade flow.

Their paper (Taguchi & Rubasinghe, 2019), examined the trade effects of the South Asian Free Trade Agreements (SAFTAs) with a focus on Sri Lanka, by applying a gravity trade model. The study targeted the following three FTAs: the SAFTA, the India–Sri Lanka Free Trade Agreement (ISFTA), and the Pakistan–Sri Lanka Free Trade Agreement (PSFTA).

The outcomes of the gravity trade model estimation suggested that the trade creation effects were identified in the ISFTA, while those were not verified in the SAFTA, and that the PSFTA had the trade creation effects only on Sri Lankan imports. Those results seem to reflect the differentials in the preferential tariff rates and in the presence of negative lists among the individual FTA frameworks. In particular, ISFTA could have the predominant positive effects on Sri Lankan trade flows due to its lowest preferential tariff rates since the early stage of its enforcement, and thus the SAFTA effect might be crowded out at the current stage of Sri Lankan trade.

In relation to their article Akram et al. (2024), discusses ISFTA agreement in the light of the SAFTA (South Asian Free Trade Agreement-RTA) and its impact on growth of trade analyzing both agreements. (Bilateral & Regional Trade agreement). The primary analysis found that bilateral trade has been sluggish and that the SAFTA and ISFTA agreements have had no discernible effect on these two countries' bilateral trade performance. In other words, both bi-lateral and the regional trade agreement, had no real impact in regard to their overall trade performance. However Indian exports are higher. This needs to be addressed, to bring down the deficit. Commenting does not concentrate only on traditional goods.

Focusing on Japan, Ando et al. (2022) raised and discussed the question about whether the country gained any benefits from the FTA's that were signed so far, in relation to International Trade. In particular, they examined both static and dynamic effects at the aggregated and disaggregated levels, using two datasets between 1995 and 2016 for Japanese trade only and world trade. For the static analysis, they investigated the overall impacts and the effect of individual FTAs. Regarding dynamic analysis, they considered the time since their enactment. Japan's FTA's have increased their both imports and exports, had positive effects. Some FTA's did not produce positive results, perhaps due to a lack of importers/exporters knowledge. Also Limited or a lack of benefits of using FTAs is another factor limiting the trade creation effect. Traders do not use FTAs unless they expect to increase profits. Obtaining the Country-of-Origin Certificate as per ROO was identified as an issue.

Further (Hyun, 2003) identified Korea's approach of starting FTAs with smaller countries reduces the potential gains from FTAs; instead priority should be placed on forming FTAs with larger trading countries. Korea has been one of the few exceptions to an increasing trend of RTA adoption among WTO member countries. While Korea strongly supports the world trading system orchestrated by the WTO, it must cope with proliferating regionalism. Korea must formulate policies that ensure it is not left behind as an economic island in Asia or the world. In response, policymakers in Korea have revised Korea's traditional approach to regional trading blocs and continue to explore the possibility of establishing FTAs with its trading partners. It was also mentioned that FTA's should be with larger countries. There may be many challenges and difficulties, but benefits will also be large. It was also elaborated that Korea should not allow regionalism to undermine the importance of the global trading system, while proceeding with FTAs.

In relation to NTB's (Haveman & Shatz, 2004), their paper investigated, the objective of duty-free, quota-free market access for products originating from LDCs." In this light, this paper investigates the current tariff barriers put in place and preferences granted by the Triad countries regarding products from LDCs. Preferential trading arrangements for developing countries are not a new phenomenon. These preferences have traditionally been significantly less than comprehensive, however. To the extent that the developed nations collectively can agree to eliminate the remaining barriers to LDC imports and expect to witness a significant increase in the flow of exports from LDCs to the developed nations. In policy, the three economies of the Triad the United States, the European Union, and Japan offer significant tariff preferences for imports from developing countries over imports from nations subject to MFN tariffs. However, the impact of the preferences in practice is mixed. The European Union, the economy implementing the most significant set of preferences, offers the best terms for goods that developing nations are able to export. Japan also offers preferences that the least developed countries use. The United States, in contrast, still maintains high tariffs on many of the products that developing economies are able to export.

In their discussion (Calo-Blanco & Naya, 2005), highlights that in the process reducing tariff barriers, there is a tendency that non-tariff barriers are introduced to safeguard their domestic industries. This paper analyses the extent to which preferential trade agreements can lead to the substitution of non-tariff barriers for tariffs, and the effects of non-tariff barriers on welfare and other parameters. Its main results are that non-tariff barriers reduce aggregate welfare, and that the governments of economically integrated countries replace tariffs by non-tariff barriers if and only if their priority is protection of their nations' firms.

In their findings (Daly & Stannas, 2001), since the conclusion of the Uruguay Round (UR) negotiations, Korea discussed in regard to imposing Tariff and Non-Tariff barriers. Since the conclusion of the Uruguay Round (UR) negotiations, Korea has taken steps to reduce, if not remove, tariff and non-tariff barriers

(NTBs) to trade as well as to encourage inward foreign direct investment, notwithstanding the Asian financial crisis that erupted in 1997.

The fundamental objective of ROO is often identified as the checking of free-riders who ‘seek to enjoy the benefits of the FTA without paying the costs associated with FTA membership.’

It was emphasized by (Cadot & De Melo, 2008), with preferential trading Agreements (PTAs) on the rise worldwide with multiple memberships, rules of origin – which are necessary to prevent trade deflection – are attracting increasing attention. Drawing on different approaches, this article shows that the current system of rules of origin that is used by the European Union and the United States in preferential trade agreements (including the GSP) and that is similar to systems used by other Organization for Economic Co-operation and Development countries should be drastically simplified if developed economies really want to help developing economies integrate into the world trading system.

It was highlighted by (Conconi et al., 2018), FTA’s use rules of origin (ROO) to distinguish goods originating from member countries from those originating from third countries. With the proliferation of different types of trade agreements, it’s important to identify the Origin country, as against goods being diverted from yet another country to derive benefits. This will be against the relevant Agreement – where unscrupulous elements try to take advantage. However, systematic empirical evidence about the impact of ROO on trade in intermediates has been lacking, due to their legal complexity, which makes measurement difficult. In this paper, they have overcome this difficulty by focusing on NAFTA, the world’s largest FTA, and constructing a unique dataset, which codifies the input-output linkages embedded in the ROO contained in this agreement. For each final good, it can trace all the intermediate goods that are subject to sourcing restrictions; similarly, for every intermediate good, it can trace all the final goods that impose restrictions on its sourcing

It was highlighted by (Yi, 2015), that one of the key reasons for countries to enter into bilateral or regional free trade agreements (FTAs) is to eliminate tariff and non-tariff barriers between or among them. Despite their proliferation, however, many companies elect not to utilize FTAs due to the regulatory burdens imposed by the core provisions of those agreements, that is, the rules of origin (ROO). The literature suggests that ROO results in restrictions, higher costs, and compliance burdens for companies using FTAs, and that the initial neglect of ROO and the underuse of FTAs still persists. Therefore, in designing ROO, there should be a clear recognition of the impact of the proposed design on the administration of ROO, as well as on the compliance burdens that are imposed on companies using FTAs

Effects of ROO was discussed in detail by (Kim & Ha, 2016), in the US-Korea PTA agreement. The authors demonstrate that ROOs are used as a protective trade policy against the FTA member country with an outsourcing option for technologically dominant intermediate goods. In this context, further studies are required to examine how the efforts to arrange a cooperative approach on ROOs can produce a consistent result with the complementary market liberalization after preferential trade liberalization.

The complexity of agreements discusses the rise of mega-regionalism in the Asia-Pacific has become a significant development for the region itself as well as the global trading system. Still, the vast majority of these agreements are bilateral free trade agreements (FTAs) and many of them overlap, resulting in the infamous “**Asian noodle bowl**” of crisscrossing trade accords. This issue has a significant effect on the already signed agreements.

This phenomenon also known as spaghetti bowl (Chua et al., 2018), elaborates, exists among the 21 member APEC trade bloc. The SBP phenomenon claims that the crisscrossing of multiple free trade agreements (FTAs) of a country with partner economies can lead to trade diversion, which creates a disadvantageous effect on the trade flow of the countries involved. Results of the study showed a positive and statistically significant coefficient for the SBP index in the gravity model. This suggests that the spaghetti bowl phenomenon is not yet present in the APEC trade bloc. Instead, the current number of FTAs still brings beneficial effects to trade flows among the APEC economies. Since only 29% of the total panel of economies included in the analysis showed the presence of a common FTA between trading partners, this proved to be too low to bring about the detrimental effect of the spaghetti bowl phenomenon among APEC economies.

As per (Han & Ireland, 2012) Customs uses risk management as the core philosophy to balance regulatory control and trade facilitation. To deal with emerging and evolving risks, Customs should regularly adjust their risk management techniques and develop new approaches when necessary. Need to focus on this area also due to the proliferation various agreements.

Discussed about Korea-Customs selectivity system. During the past 60 years, the volume of international trade has increased exponentially. Resources that Customs can mobilize to handle the increasing trade have been, however, limited and their reinforcement have not caught up with the pace of international trade growth. For Customs, the most prominent risks are non-compliant or illegitimate trade transactions undermining government revenue and dangerous goods threatening society, although risks that Customs should address are all events and activities that hinder Customs from achieving their objectives

The study by (Barbary & Tawfiq, 2024) examined the relationship between customs policy and the economic blocs of which, Egypt is a member, with a focus on the theory of New Regionalism and modern trends in customs policies. The findings highlight the significance of effective customs procedures and the reduction of trade barriers in boosting trade volumes within regional trade agreements. The study proposes a strategy for Egypt's customs policy to maximize benefits from economic blocs, focusing on four key areas: aligning customs policy planning with targeted export sectors to realize trade creation and trade diversion effects; fully implementing trade facilitation programs and liberalizing customs policy procedures; adopting a national strategy to stimulate high value-added export industries as a long-term solution; and adopting regional trade agreements that support cumulative origin as a short-term solution.

This discussion elaborated by (Limão & Maggi, 2015)- conditions under which trade agreements can provide gains by reducing trade policy uncertainty. Given the degree of income risk aversion, this is more likely when economies are more open, export supply elasticities are lower, and economies more specialized. Policy practitioners often argue that the central benefit of trade agreements (TAs) is to reduce trade policy uncertainty. Indeed, the World Trade Organization (WTO) and many other TAs explicitly state that one of their goals is to increase the predictability of the trade policy environment.

The competitive Trade model suggests that, as the world becomes more integrated, the gains from decreasing trade policy uncertainty should tend to become more important relative to the gains from reducing the levels of trade barriers. Furthermore, governments have more to gain by joining a TA when the trading environment is more uncertain.

As already discussed, ISFTA being asymmetrical, Sri Lanka have received more concessions and have a longer negative list than India. It means Sri Lanka had more opportunities to export and protect some of the domestic Industries, flooding with cheaper Indian products. However, as per empirical data, we have a

serious deficit when comparing Imports and Exports between the two countries. Which means we import more than we export to India. Going by the available evidence, one of the key reasons for this gap can be attributed to the non-tariff measures and barriers, where Sri Lanka exporters have to face in different ports and states. This issue needs to be seriously dealt with identifying the real root causes. Though we find some literature shedding light in this area, one needs to dive deep into these specific issues and unravel the key causes. The available data points out agricultural and food base products but needs to collect primary data from the relevant stakeholders, to find the real reasons and arrive at some permanent solutions. This area is one of key gaps, where this Research envisage to address. At this point wish to emphasize that the government intervention will be a prerequisite.

In their research (Pal & Pohit, 2020). the utilization of India–Sri Lanka Free Trade Agreement (ISFTA) route for trade is very poor by the Indian exporters (13%) as compared to their Sri Lankan counterpart (65%) even after one decade of its implementation? The available studies have blamed the non-tariff barriers (NTBs) which are hamstringing the growth of trade between these partner's development of international trade. The FTA between India and Sri Lanka has no doubt facilitated trade-driven growth between two countries. Although there is less utilization of FTA route by the Indian exporters, Sri Lankan exporters find it more convenient to trade with India. This has resulted in the increase in the volume of Sri Lankan exports to India. In this article, we have tried to understand and identify NTBs between both the countries, removal of which certainly will increase the trade volume.

Due to NTB's from FTA route to non-FTA route and it is more serious in case of Sri Lankan exporters. Almost 98 per cent of export from Sri Lanka was through FTA route in the year 2005 and it has fallen down to 65 per cent in the year 2013. On the other hand, maximum 30 per cent of Indian exports were routed through FTA route in 2004 and it has fallen down to meagre 13 per cent.

In their discussion (Sandaruwan et al., 2020) elaborates the Non-Tariff measures experienced by the Sri Lankan Sea-food exporters, as per their results, revealed that the most critical NTM types of Sri Lankan seafood exports are Sanitary and Phyto-sanitary Measures (SPS), Technical Barriers to Trade (TBT), and Pre-Shipment Inspections (PSI). Seafood exports are an attractive market, which has globally grown over time. However, access to the international seafood market is difficult as seafood is highly regulated by Non-Tariff Measures (NTMs). Results of the gravity model suggested that NTMs, tariffs, and distance to the importer have a negative effect, and the GDPs of the importers and Sri Lanka have a positive effect on seafood exports. Results depict that the total NTMs, SPS, TBT, and PSI increase the price of seafood by 62%, 48%, 15%, and 13% respectively. This implies that different NTMs have *different* impacts on seafood exports from Sri Lanka. Hence, their impact of each NTM type warrants separate attention during policy formulation.

In their article (Pushpakumara et al., 2022) reviewed the impact of Non-Tariff measure impact on Tea exports, which is one of the most important export for decades, where Sri Lanka derived its revenue. Non-tariff barriers on Tea exports. More specifically, imposing an additional NTM diminishes the value of tea exports by 48%. Hence, Sri Lanka's best prospects for profiting from tea exports depend on altering NTM policies, which are just as significant as other trade barriers. Moreover, considering the composition of agricultural exports, tea accounts for the largest share, 55%, in 2019 (Central Bank, 2019). In 2019, the tea export volume was approximately 292,657 metric tons (Tea Exporters Association Sri Lanka, 2020).

As already highlighted, with a multitude of agreements in play, each country needs to ensure that these rules are in place to facilitate trade rather, acting as barriers. Whilst the intentions are clear that all

stakeholders adhere to these regulations, whereby unscrupulous elements do not make use of some loopholes to enjoy undue benefits. The real winners should be the respective governments and the actual stakeholders. At the beginning of the ISFTA, this issue surfaced where the Indian authorities intervened to remove this duty free access to a product by the name Vanaspati. With the FTA in place for more than two decades, one needs to identify the gaps, loopholes, barriers embedded in these ROO, to ensure a win-win situation for the key stakeholders to expand existing markets and identify the new market opportunities

Once again, it's important to mention that with the proliferation of various types of trade agreements being signed by number of countries, Governments and stakeholders needs to be fully aware of the rules and regulations and abide by them. With globalization and evolvement of number of markets, growth of Economies, it was a situation, where agreements multiplied faster, during the last two to three decades. Thus, this was an inevitable situation that developed over a period of time. Therefore, Governments, institutions need to monitor these changes in order to assist, all who are involved in these processes. Thus identifying key bottlenecks, complex processes that will arise in advance, monitoring them and making them known to those parties as a priority especially policy formulators and implementers.

Taking into consideration, the current global trading systems, agreements, processes and procedures, Customs, Border protection authorities stand out as an important institution, to manage the above complex situation and monitor them. Whilst the developed countries are utilizing technologies to be on top this situation, the developing countries are still grappling with manual solutions. Sri Lankan customs, processes, procedures need to be fully digitalized to cope up with the growing demands to be in par with global standards. They need to simplify the processes in order for the stakeholders to receive and exports at ease, with minimum delay. Further need to plug the loopholes to mitigate the illegal transactions, entry of dangerous goods and finally applying the right tariffs to achieve the revenue goals and targets planned by the respective governments in their annual budgets. Thus, transparency and ease of moving international shipment is a key element in Logistics Performance Index (LPI) monitored by the World Bank.

Though Sri Lanka was the first to adopt an open economic policy in 1977, as per empirical evidence, it appears the country has been lagging behind in implementing the right policies. Further even though some policies were implemented, it has been short lived and has changed with successive government changes. This pathetic situation is very evident when comparing with East and some of South Asian, countries, that have evolved and commands a very high GDP and living standards. Coming to the Research topic, it's imperative to re-look at the current Agreement, identify the inhibiting policies, what needs to be changed or dis-continue in order reap the real benefits. It was suggested by some scholars that the current ISFTA should go beyond the Goods transaction to Services. CEPA (Comprehensive Economic Partnership) was the first attempt, with a view to liberalize some services. But had to be shelved due to number to barriers that were posed by lobby groups, where they did not want to expose their industries. However, the current approach is ETCA (The Economic and Technology Co-operation Agreement), where discussions are on, the objective in this attempt is an agreement on trade in services and technological exchange (which CEPA failed to do). This Research however will be focusing only on merchandize and will exclude service areas.

## **5.0. Conclusion**

In concluding, at the outset must mention, that this Systematic Literature review(SLR) was conducted using the PRISMA methodology and is based on 39 selected papers. The India-Sri Lanka Free Trade Agreement, had a definite impact on their trading, taking into account both imports and exports. Before and after 1998, doors were open to transact in a more orderly fashion guided by rules and regulations, covering many

sectors and industries. Though there is considerable deficit, with India exporting more to Sri Lanka than importing, the agreement paved the way for opportunities for both sides take advantage based on their strength and weaknesses or based on factor endowments. As already discussed, it is an Asymmetrical agreement where India with its land mass, Economy and population always had an advantage over Sri Lanka and continue to do so. However, considering all above factors the initial agreement provided number of concessions to Sri Lanka, where it flourished at the early stages. However, looking back after two and a half decades, growth has slowed down, especially year on year and needs to be analyzed in depth. Looking from a global angle, now is the most opportune time to re-visit the agreement and have closer ties with the fastest growing economy in the world. Therefore, the Sri Lankan Government, unison with other related institutions, industries, stakeholders, should formulate long term policies, re-constitute government agencies, seek private sector participation in order to ride the Indian wave. Global value chain a is buzz word, but it is the reality and Sri Lanka should do their utmost to join these value chains, through FDI's received by India.

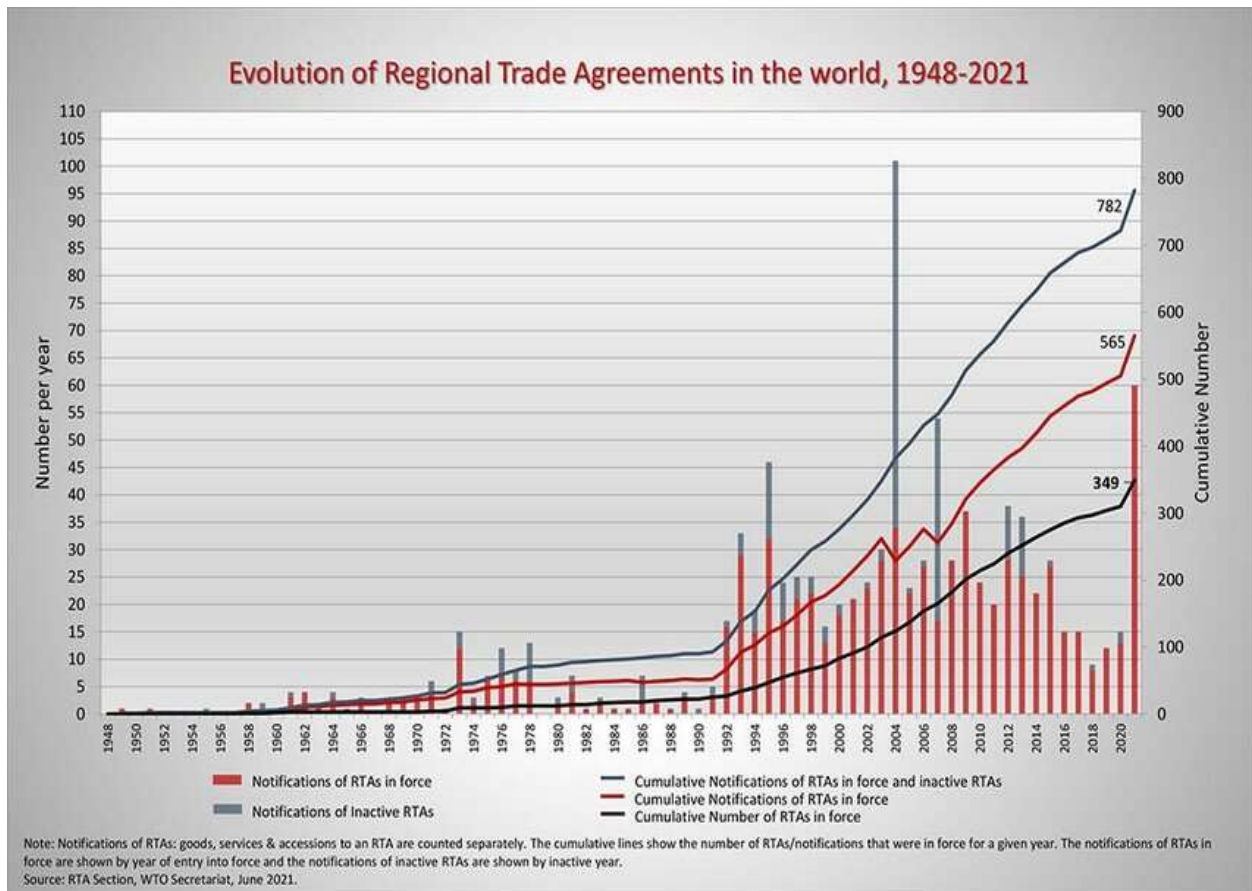
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Figure 2- Growth of Regional Trade agreements



Source: WTO secretariat-2021

Table 3: Quality Assessment - Joanna Briggs Institute Critical Appraisal checklist

	Background/ Rational	Objective	Setting	Eligibility of the participants variables	data sources/measurement	stud1 size	quantitative variables	statistical methods with	control variables	sensitivity analysis	participant number	descriptive data	main results	category of continuous variables	Key Results	limitations	interpretation	funding. Items	Rank Q1	Rank Q2	Rank Q3	RankQ4
Siriwardana (2004)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	n	1	n	n	1	1	1				1
Aghion et al., 2007	1	1	1	n/a	1	1	1	1	n/a	n	n/a	y	1	n	n	1	1	1	1			
Akram et al. (2024)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	n	1	n	n	1	1	1		1		
Ando et al. (2022)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	n	1	n	n	1	1	1		1		
Anderson, (2016)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	y	1	n	n				1			
Baier & Bergstrand, (2004)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	n	1	n	n	1	1	1		1		
Baier & Bergstrand, (2007)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	n	1	n	n	1	1	1		1		
Baldwin,( 2016)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	y	1	n	n	1	1	1		1		
Barbary & Tawfiq, (2024)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	n	1	n	n	1	1	1			1	
Cadot & De Melo, 2008)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	y	1	n	n	1	1	1		1		
Calo-Blanco & Naya, (2005)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	y	1	n	n	1	1	1				1
Conconi et al.,( 2018)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	y	1	n	n	1	1	1		1		
Daly & Stannas, (2001)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	n	1	n	n	1	1	1				1
Chua et al., (2018)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	n	1	n	n	1	1	1				1
Choudhry et al., (2012)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	y	1	n	n	1	1	1			1	
Han & Ireland, (2012)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	y	1	n	n	1	1	1				1
Haveman & Shatz, (2004)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	n	1	n	n	1	1	1				1
Hyun, (2003)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	n	1	n	n	1	1	1				1
Joshi, (2012)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	n	1	n	n	1	1	1			1	
Kelegama, (2003)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	n	1	n	n	1	1	1				1
Kelegama, (2014)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	n	1	n	n	1	1	1				1
Kohl, (2014)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	n	1	n	n	1	1	1			1	
Kohl et al., (2016)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	y	1	n	n	1	1	1			1	
Krugman, (1987)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	y	1	n	n	1	1	1			1	
Kurian & Manikandan, (2011)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	n	1	n	n	1	1	1				1
Limão & Maggi, (2015)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	y	1	n	n	1	1	1			1	
MacPhee & Sattayanuwat, (2014)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	n	1	n	n	1	1	1				1
Medvedev, (2010)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	y	1	n	n	1	1	1			1	
Pal & Pohit,( 2020)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	n	1	n	n	1	1	1				1
Perera, (2008)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	y	1	n	n	1	1	1				1
Pushpakumara et al., (2022)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	y	1	n	n	1	1	1				1
Rahul & Srivastava,( 2024)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	n	1	n	n	1	1	1			1	1
Sandaruwan et al., (2020)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	y	1	n	n	1	1	1				1
Sikdar, (2010)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	n	1	n	n	1	1	1				1
Taguchi & Rubasinghe, (2019)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	n	1	n	n	1	1	1				1
Varma & Abhayarathne, (2017)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	n	1	n	n	1	1	1				1
Weerakoon, (2001)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	n	1	n	n	1	1	1				1
Yi, 2015	1	1	1	n/a	1	1	1	1	n/a	n	n/a	y	1	n	n	1	1	1				1
Kim & Ha(2016)	1	1	1	n/a	1	1	1	1	n/a	n	n/a	y	1	n	n	1	1	1		1		

Source: Prepared by Authors (2025)

Table 3- Methodology table

Publication Year		Methodology (Mixed Method)(Qn)(Ql)
1987	1	M(1)
2001	2	M(2)
2003	2	M(2)
2004	3	M(3)
2005	1	M(1)
2007	3	M(2),Qn(1)
2008	1	Qn(1)
2010	2	M(1),Qn(1)
2011	1	M(1)
2012	3	M(2),QL(1)
2014	4	M(3) QL(1)
2015	2	M(1)Qn(1)
2016	4	M(4)
2017	1	M(1)
2018	2	M(2)
2019	1	M(1)
2020	2	M(1)QN(1)
2022	2	M(2)
2024	2	M(2)
	39	
		Secondary - 34
		Primary & Secondary-5

Source: Prepared by Authors (2025)

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