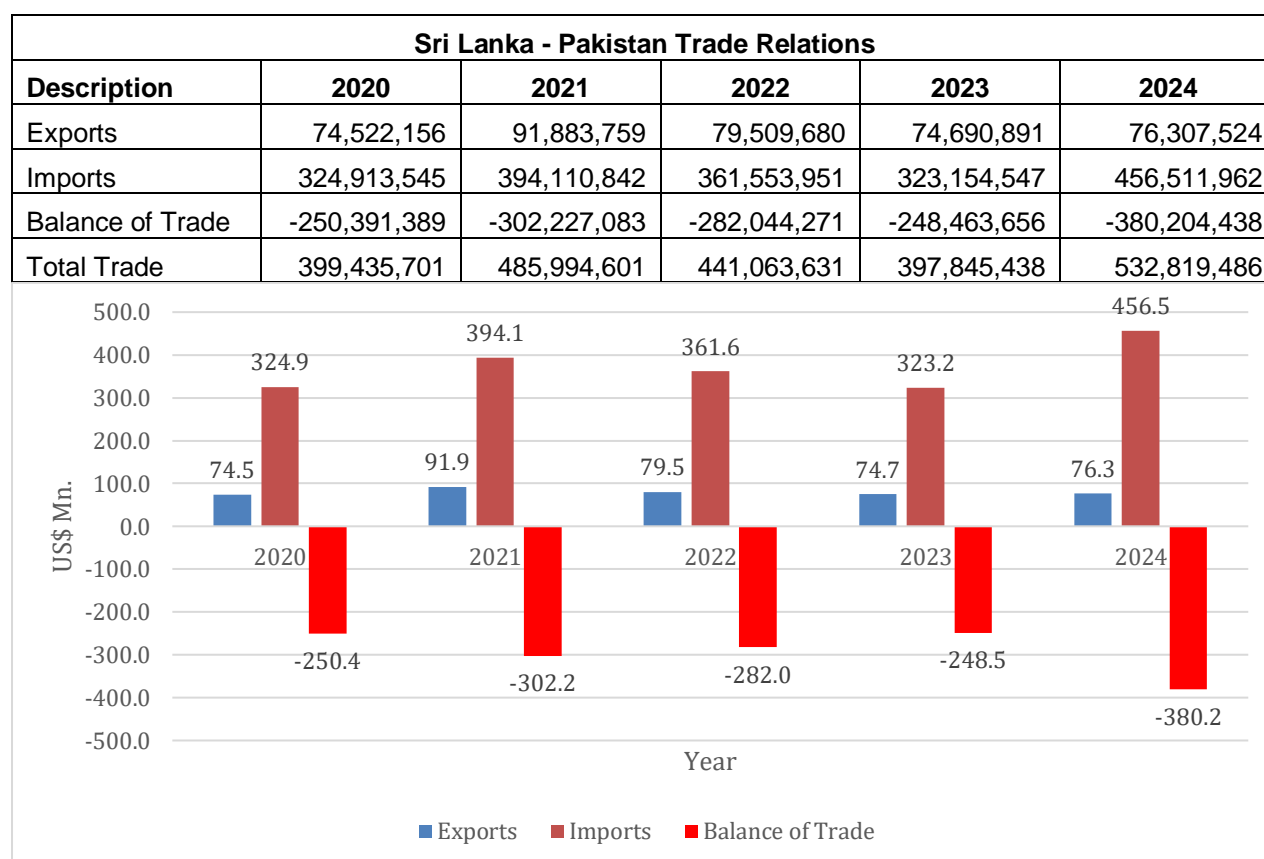


## Sri Lanka's Trade Relations with Pakistan

Trade and economic relations between Pakistan and Sri Lanka are solid and longstanding. Pakistan is the second largest trading partner of Sri Lanka in the SAARC region. Sri Lanka was the first country to sign a Free Trade Agreement with Pakistan. A substantial growth is seen in bilateral trade, particularly after implementation of the Pakistan–Sri Lanka Free Trade Agreement (PSFTA) in 2005.

### 1. Sri Lanka's Exports, Imports, Total Trade & Balance of Trade with Pakistan

Sri Lanka's total exports to Pakistan have fluctuated over the past five years, peaking at US\$ 91.9 million in 2021. Imports from Pakistan have also shown variability, with the trade balance consistently remaining in Pakistan's favor during this period.



### 2. Sri Lanka's Exports to Pakistan

Pakistan was the 31<sup>st</sup> largest export market for Sri Lanka with a share of 0.6% in 2024. In 1977, Pakistan was Sri Lanka's largest export market with a share of 8.67%. Sri Lanka's major export items to Pakistan for the period 2020 to 2025 (up to February) are provided in the annexure.

### 3. Sri Lanka's Imports from Pakistan

Pakistan was the 10<sup>th</sup> largest Import partner of Sri Lanka with a share of 2.4% in 2024. Sri Lanka's major import items from Pakistan for the period 2020 to 2025 (up to February) are provided in the annexure.

### 4. Preferential Trade

The Pakistan–Sri Lanka Free Trade Agreement (PSFTA) was signed on 1st August 2002 and came into force on 12th June 2005, making it Sri Lanka's second bilateral Free Trade Agreement. The PSFTA has made a moderate contribution to enhancing bilateral trade between the two countries.

In addition to the PSFTA, both Sri Lanka and Pakistan are also members of the South Asian Free Trade Area (SAFTA) and the SAARC Preferential Trading Arrangement (SAPTA).

## **5. Scope for further expansion of Sri Lanka's Exports to Pakistan**

Considering the growing demand in Pakistan and Sri Lanka's supply capabilities, the following products have strong potential for further expansion in the Pakistani market.

- |                                    |   |
|------------------------------------|---|
| - Black tea                        | - Copra   |
| - Vegetable products               | - Artificial staples                                |
| - Cinnamon, not crushed nor ground | - Fresh coconuts                                    |
| - Desiccated coconuts              | - Surgical gloves of vulcanized rubber              |
| - Pepper, not crushed nor ground   | - Boards for electric control                       |
| - Nuts                             | - Gloves with plastics/rubber, knitted or crocheted |
| - Solid/Cushion rubber tires       | - Food preparations                                 |
| - Brassieres                       | - Coconut fiber                                     |
| - Mechanically made lace           | - Coconut oil                                       |
| - Animal feed                      |   |
| - Cloves                           |   |

Further, Pakistan's industries—particularly in steel, pharmaceuticals, plastics, sugar, and poultry—possess significant expertise and production capacity. These sectors present valuable opportunities for collaboration with Sri Lankan industries. By partnering with their Sri Lankan counterparts, Pakistani manufacturers can benefit from knowledge and technology exchange while also leveraging Sri Lanka's market access preferences to expand exports to other regions, including South Asia, Southeast Asia, and the European Union.

Such collaboration would enable Pakistani businesses to tap into preferential trade arrangements available to Sri Lanka and enter new markets more effectively. Sri Lankan industrialists are encouraged to explore these synergies and pursue strategic partnerships with Pakistani industries for mutual growth.

## **6. Pakistan - Sri Lanka Free Trade Agreement (PSFTA)**

- Following the implementation of the PSFTA, a diverse range of Sri Lankan products entered the Pakistani market, including fresh pineapple, MDF boards, sports goods, tamarind, edible oil, porcelain and ceramic ware, furniture, electrical items, herbal cosmetics, plastic and leather goods, seafood, various rubber forms, surgical gloves, copra, cut flowers, gems & jewelry, and aquarium fish.
- Despite moderate use, PSFTA holds significant untapped potential compared to other FTAs Sri Lanka is party to, due to various restrictive and practical limitations.
- Potato quota (1,000 MT annually) granted to Pakistan under PSFTA has seen zero utilization.
- Pakistan provides an annual apparel quota of 3 million pieces, yet utilization remains low due to limited exporter interest from Sri Lanka.

- A TRQ of 10,000 MT for tea was granted to Sri Lanka, but utilization remains minimal. The challenge lies in meeting Rules of Origin (ROO). To address this, a draft Product Specific Rule (PSR), jointly developed by the Department of Commerce and Sri Lanka Tea Board, has been submitted to Pakistan for consideration.
- For Basmati rice, Pakistan offers a 6,000 MT annual quota, allocated by the Department (with Ministry oversight) to state and private entities. A rising interest among private importers has been observed in 2023 and 2024, indicating growing engagement with the PSFTA provisions.

### **The complete text of Pakistan Sri Lanka Free Trade the Agreement (PSFTA)**

Download [PSFTA](#)

### **Annex 'A' - No-Concession List (Negative List) of Pakistan**

[Download List](#)

### **Annex 'B' - No-Concession List (Negative List) of Sri Lanka**

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### **Annex 'C'**

Annex C deals with the rules of origin, which have to be complied with by the exporters of the two countries in order to qualify their products for preferential duty benefits. Based on the origin, the Rules of Origin categorize the products exported under the PSFTA into the following two main segments.

Products wholly produced or obtained in the territory of the exporting country such as agricultural, fishery and mineral products.

Products, not wholly produced or obtained in the territory of the exporting country (manufactured products).

All manufactured products falling under the category (b) above should contain a minimum of 35% of Domestic Value Addition of their FOB value in order to qualify for preferential treatments. Further, it is also necessary that all non-originating materials, used by the exporters change their HS codes at six-digit level against that of the final product as a result of the manufacturing process undertaken in the exporting country.

#### **Cumulative Rules of Origin:**

The Cumulative Rules of Origin encourages exporters to source their inputs from the other contracting country. However, the Domestic Value Addition in the territory of the exporting country shall not be less than 25% of the FOB value of the final product, while the aggregate value addition in both contracting parties should be minimum of 35% of the FOB value. In addition, the respective products should also conform to the Change of HS code requirement (at six digit level) as in the case of the manufactured goods, referred to under category (b) above.

Provision for Change of HS Codes at six-digit level, has made the Rules of Origin of the PSFTA more flexible, compared to most of the other Free Trade Agreements, which stipulate that Change of HS Code should take place at four digit level.

## 7. Pakistan's Investment in Sri Lanka

- There is a Bilateral Investment Treaty between the two countries signed on 20<sup>th</sup> December 1997 which came into force on 1<sup>st</sup> May 2000.
- Double Taxation Avoidance Agreement between the two countries was signed on 05<sup>th</sup> October 1981.
- In addition, both Sri Lanka and Pakistan are covered by the SARRC Multilateral Treaty signed on 13<sup>th</sup> October 2005 which came into effect from 2011/2012 onwards.
- Sri Lanka has received around US\$ 10 million cumulative FDI from Pakistan during 2005-2023 period.

### Pakistan's Investment in Sri Lanka (2005 – 2021)- Values in US\$ Mn

Year	Investment	Change (%)
2005	0.15	-
2006	1.12	648.67
2007	0.53	-52.8
2008	1.29	143.96
2009	0.47	-63.73
2010	0.45	-3.41
2011	3.08	579.47
2012	0.32	-89.77
2013	0.33	5.71
2014	1.52	355.26
2015	-	-100
2016	0.65	100
2017	0.05	-92.62
2018	-	-100
2019	-	-
2020	0.048	-
2021	0.119	147.92
2022	-	-
2023	-	-
<b>2005 – 2023</b>	<b>10.13</b>	

Source: Board of Investment, Sri Lanka

## 8. Tourism

Number of tourist arrivals to Sri Lanka from Pakistan has gradually increased till 2017 except a slight decline in 2016 and showed a declining trend after the year 2017.

### Tourist Arrivals from Pakistan (2012 – 2022)

Year	Tourists Arrivals	Change (%)
2012	16,056	-
2013	25,336	57.80
2014	25,424	0.35
2015	32,300	27.05
2016	29,965	-7.23
2017	31,815	6.17
2018	19,116	-39.92
2019	14,655	-23.34
2020	3,065	-79.1
2021	7,520	145.35
2022	6,260	-16.76
2023	10,744	71.62
2024	13,451	25.19

Source: Sri Lanka Tourism Development Authority

#### Annex I - Sri Lanka's Major Export Items to Pakistan (2020 –2025 (up to February) -Values in US\$ Mn.

Code	Description	2020	2021	2022	2023	2024	2025 (Jan - Feb)
S.1002	Textile	13,205,865	14,150,151	6,883,557	10,733,029	14,124,129	2,290,829
S.0701	Betel Leaves	15,447,306	15,118,934	14,854,534	14,351,424	9,254,194	479,314
S.0301	Coconut Kernel Products	8,180,861	8,885,337	10,246,405	8,281,700	8,760,443	656,231
S.1899	Other Products of Base Metal	1,055,138	1,145,634	197,184	232,543	7,623,274	1,286,588
S.1901	Electrical & Electronic Products	2,703,469	6,425,653	8,604,645	8,260,040	7,293,902	787,410
S.1702	Articles of Stones	1,121,240	5,726,350	5,597,892	3,754,759	5,133,058	1,152,542
S.0201	Natural Rubber	9,812,836	8,757,958	9,452,775	7,129,698	4,863,031	1,467,758
S.0303	Coconut Shell Products	1,824,340	3,425,269	5,396,153	5,029,657	4,167,647	887,219
S.1601	Chemical Products	3,153,521	6,732,520	3,081,033	2,997,883	3,159,440	466,598
S.0203	Rubber Finished Products	3,707,187	4,375,680	3,195,316	2,064,731	1,657,004	141,580
S.0404	Nutmeg & Mace	364,321	309,617	489,888	753,397	1,471,426	187,101
S.1602	Plastic Products	528,395	1,096,796	657,329	791,469	1,129,879	165,483
S.0302	Coconut Fiber Products	1,320,199	1,669,538	1,410,735	892,294	997,753	142,914
S.0104	Instant Tea	249,378	407,165	748,882	593,116	903,283	
S.2101	Petroleum Oils	980,630	4,524,675	2,429,677	3,333,851	757,343	576,640
S.1803	Nails, Screws, Bolts & Nuts of Metal	20,832	278,775	1,113,812	1,349,158	656,187	53,272
S.1104	Rice, Cereals, Oil Seed and its Products	435,601	518,446	423,454	387,001	634,239	106,845
S.1107	Animal Feed	941,471	732,614	288,047	590,872	546,103	60,628
S.1502	Stationery	459,819	349,889	456,867	537,985	538,509	116,488
S.1704	Other Mineral Products	217,430	415,212	363,204	139,816	342,915	69,337
S.1503	Other Paper & Paper Products	647,850	287,856	154,643	187,717	304,674	71,460
S.2299	Other Manufactures nes	40,915	171,460	179,726	233,635	276,552	86,517

S.1405	MDF & Fibre Boards		3,456,124	2,507,384	623,270	396,707	248,813	
S.1001	Apparel		874,887	728,350	1,029,675	303,293	230,576	6,230
S.1103	Processed Food		76,875	8,478	285,107	195,688	146,845	5,427
S.2201	Toys, Games & Sport Requisites		28,083	88,100	134,727	134,384	139,196	20,342
S.1902	Transport Equipment & Parts		18,906	196,239	5,802	26,927	127,597	
S.0703	Plants and Parts of Plants		64,720	112,685	177,021	179,476	111,779	22,732
S.0101	Tea Packets		57,006	99,406	125,782	70,843	108,096	
<b>Sub total</b>			<b>70,995,205</b>	<b>89,246,171</b>	<b>78,607,142</b>	<b>73,933,093</b>	<b>75,707,887</b>	<b>11,307,485</b>
<b>Total</b>			<b>3,526,951</b>	<b>2,637,588</b>	<b>902,538</b>	<b>757,798</b>	<b>599,637</b>	<b>59,587</b>
<b>Other</b>			<b>74,522,156</b>	<b>91,883,759</b>	<b>79,509,680</b>	<b>74,690,891</b>	<b>76,307,524</b>	<b>11,367,072</b>

**Source: Sri Lanka Export Development Board**

**Annex II - Sri Lanka's Major Import Items from Pakistan (2020 –2025 (up to February)) - Values in US\$ Mn.**

<b>Code</b>	<b>Description</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025 (Jan - Feb)</b>
S.1002	Textile	98,095,001	144,538,862	157,745,981	121,054,491	138,208,119	20,636,578
S.0503	Vegetables	50,207,977	53,809,688	41,519,341	41,849,582	93,719,339	11,529,459
S.1704	Other Mineral Products	100,220,132	108,558,866	62,262,487	46,534,837	71,510,227	10,970,998
S.1104	Rice, Cereals, Oil Seed and its Products	8,565,925	9,789,150	21,332,045	45,388,229	58,599,006	3,816,873
S.1601	Chemical Products	30,945,314	37,584,549	36,844,306	40,029,154	45,512,567	6,145,038
S.1001	Apparel	6,165,624	7,126,677	8,455,952	6,787,194	10,808,973	3,109,883
S.1102	Sugars, Sugar Confectionery & Bakery Products	154,251	301,458	195,014	3,050,861	7,432,648	7,133,861
S.1602	Plastic Products	7,798,184	10,826,182	9,126,396	3,842,253	6,367,847	864,409
S.1899	Other Products of Base Metal	8,418,460	7,112,091	3,228,083	3,684,182	5,843,227	807,308
S.0501	Fruits	2,311,738	3,899,721	2,636,842	2,249,574	5,520,513	3,480,173
S.1103	Processed Food	761,525	1,174,112	910,418	1,778,245	3,198,666	610,218
S.1503	Other Paper & Paper Products	1,607,259	742,358	1,794,073	619,104	1,395,942	178,293
S.1901	Electrical & Electronic Products	669,025	1,213,432	756,477	406,398	1,282,283	188,506
S.1107	Animal Feed	658,488	656,508	9,157,196	865,175	1,271,401	345,641
S.0801	Edible Fish Products	2,643,554	378,260	123,215	322,830	1,126,232	337,712
S.1301	Raw Hides & Skins	1,704,405	1,431,309	2,337,013	1,056,254	777,548	330,752
S.2299	Other Manufactures nes	187,875	193,087	182,315	343,623	562,371	66,922
S.1101	Processed Vegetables, Fruits & Juices	224,748	413,490	309,599	303,539	542,281	3
S.0703	Plants and Parts of Plants	590,704	790,294	334,741	446,345	531,667	57,405
S.0412	Condiments	946,534	747,792	341,058	394,560	530,172	73,551
S.2201	Toys, Games & Sport Requisites	162,185	332,759	167,591	534,786	450,769	140,660
S.1304	Gloves, Mitts & Mittens of Leather	5,451	8,102	14,306	117,020	408,643	139,473
S.0499	Other Spices and Spice Mixtures	507,585	1,018,655	150,742	952,750	277,103	
S.1805	Tools, Implements, Cutlery & Parts	232,260	262,089	246,958	143,825	135,298	2,534
S.2204	Buttons, Studs, Fasteners & Similar Products	64,490	205,013	410,475	27,874	118,588	8,216
<b>Sub total</b>		<b>323,848,694</b>	<b>393,114,504</b>	<b>360,582,624</b>	<b>322,782,685</b>	<b>456,131,430</b>	<b>70,974,466</b>

<b>Balance</b>	<b>1,064,851</b>	<b>996,338</b>	<b>971,327</b>	<b>371,862</b>	<b>380,532</b>	<b>61,207</b>
<b>Total</b>	<b>324,913,545</b>	<b>394,110,842</b>	<b>361,553,951</b>	<b>323,154,547</b>	<b>456,511,962</b>	<b>71,035,673</b>