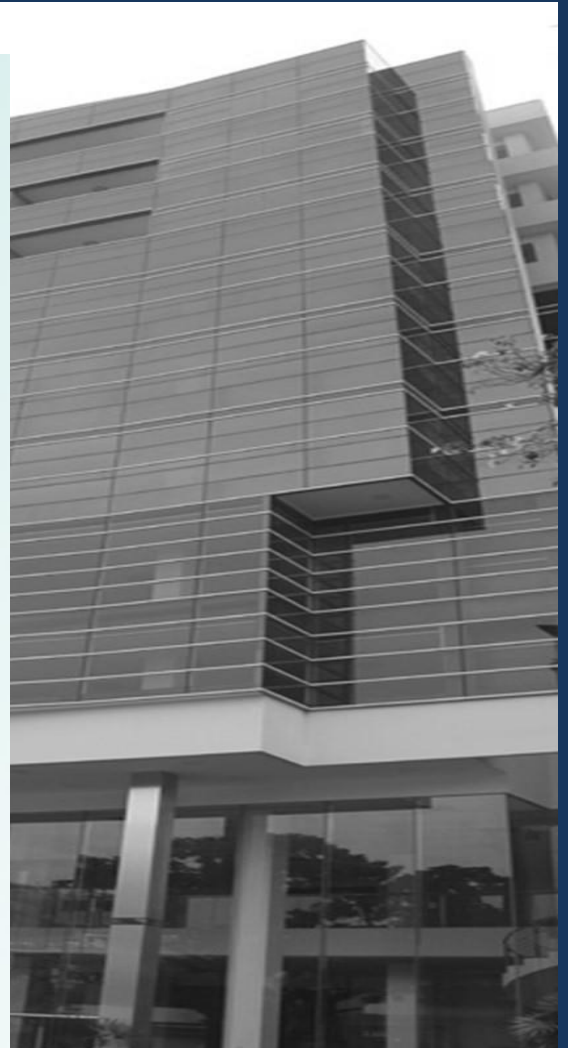




BIT/2022/05 April 2022

**Preliminary Impact Assessment
on SL exports to UAE due to the
newly signed
India – UAE FTA**

© 2022 Department of Commerce, Sri Lanka



DEPARTMENT OF COMMERCE

**No.492, 2nd Floor
L.H.P.Building, R.A.de Mel
Mawatha
Colombo 03
011-2329733/2346114**

Preliminary Impact Assessment on SL exports to UAE due to the newly signed India – UAE FTA

Background of India – UAE FTA

India – United Arab Emirates has signed the Free Trade Agreement on **18th February 2022**. The Agreement covers areas including goods, services, rules of origin, Customs procedures, government procurement, intellectual property rights, and e-commerce.

According to India, free trade agreement would boost the country's exports in several labor-oriented sectors including gems and jewelry, textiles, leather, footwear, sports goods, engineering goods, and pharmaceuticals.

According to the United Arab Emirates, the country is aiming at diversifying its economy away from oil to non-oil trade by boosting the trade, exports and job creations by eliminating of tariffs of the countries key commodities including aluminum, copper, steel and various petrochemicals through the FTA.

India – UAE relationship

UAE is India's third-largest trading partner currently and the second-largest export destination after the US in 2021 and **India is the 4th largest trading partner for UAE** and the 04th largest export destination in 2020. The bilateral trade between the two countries stood at \$43.3 billion. The UAE is the eighth-largest investor in India, having invested \$11 billion between April 2000 and March 2021, while investment by Indian companies in the UAE is estimated to be over \$85 billion

India's major exports to the UAE include petroleum products, precious metals, stones, gems and jewelry, minerals, apparel, food items such as cereals, sugar, fruits and vegetables, tea, meat, and seafood, textiles, engineering and machinery products, and chemicals.

UAE's major exports to India include diamond, gold, copper, lime stones, oil, aluminum and iron, scrap iron, cement etc.,

Projected economic benefits for India and UAE

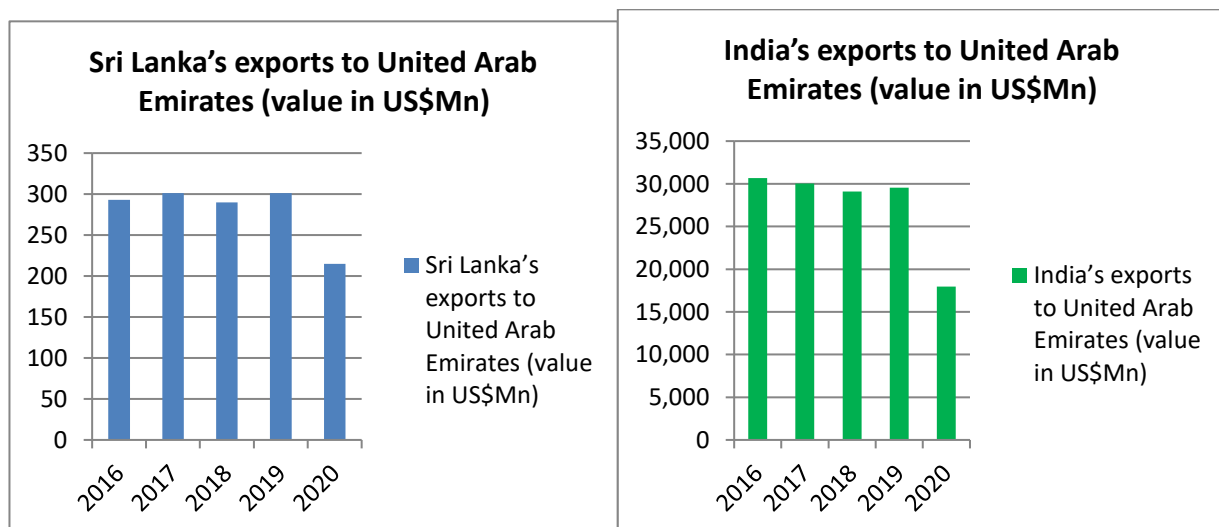
- **India is expected to boost annual bilateral trade to \$100 billion within 5 years** of its adoption, up from about \$40 billion currently. And trade in services over \$15 billion within the next five years.
- UAE is expected to double bilateral non-oil trade to \$100billion within five years.
- The UAE expects the deal to add \$9billion, or 1.7 %, to gross domestic product by 2030.
- The agreement forecasts an increase of UAE's exports to India by 1.5%, or \$7.6 billion, and imports to the Gulf state rising by \$14.3billion, or 3.8%, by the end of the decade.
- Tariff concessions were expected on both sides over 5 years **that would lead to lower tariffs for 98 per cent of exports** and 90 per cent of imports from the UAE.
- Indian exports set to get zero duty access within a further 5 to 10 years, including electronic goods, chemicals and petrochemicals cement, ceramics and machinery accounting for about 9 per cent of the value of current exports to the UAE.

- Indian exporters to gain access to other West Asian countries, Africa and some parts of Europe.
- The agreement will also create 5 lakh jobs in India gems and Jewelry, textile and engineering, Pharma and auto sectors among others and in the UAE, it is expected to create over 11 lacks jobs in the next 05-year period of time.
- Both Indian and Emirati businessmen are expected to apply for various government contracts in each country.
- UAE expects the pact to deliver an additional 140,00 skilled jobs into its workforce by 2030
- The agreement provides a permanent safeguard mechanism to protect businesses in both countries to prevent any unnecessary or unwarranted surge in volumes of (imports) any product
- The agreement clearly set out the Anti-dumping measures and rules of origin in both countries to protect manufacturers
- The UAE agreed to facilitate market access and regulatory approval within 90 days for Indian pharmaceutical products and medical products that have been approved in developed jurisdictions such as the US, the UK, the EU, Canada and Australia.

Preliminary Impact Assessment

India's export to United Arab Emirate is around 80 times higher than the Sri Lanka's exports to United Arab Emirates. India's total export represents only 7.27 % of United Arab Emirate's global imports while Sri Lanka's relative importance in United Arab Emirate market is around 0.08 % in the year 2020.

year	2016	2017	2018	2019	2020
Sri Lanka's exports to U AE (value in \$ mn)	293	301	290	301	215
India's exports UAE(value in \$ mn)	30,675	30,021	29,100	29,539	17,953



Possible Threat to Sri Lankan leading Exports to UAE

Apparel

Export Cat	SL Exports \$thousands	Share in Sri Lanka exports to United Arab Emirates	Import Duty	India Exports \$thousands	Import Duty
Chapter 61	16,760	7.79%	5%	889,931	5%
Chapter 62	12,338	5.74%	5%	625,385	5%
		13%			

Sri Lanka's one of the main strategic products with a potential market to UAE is Apparel (representing 13% of total exports). The import duty for the apparel products from India and Sri Lanka to UAE is same. Since textile industry is one of the main export items in India to UAE, it is likely that apparel too become one of the targeted sectors under the new FTA. Since the FTA plans to lower tariffs for around 90% products, **Sri Lanka would be in a disadvantage position in competing with India for this leading segment, if zero duty is granted under the proposed FTA**

Tea

Export Cat	SL Exports \$thousands	Share in Sri Lanka exports to United Arab Emirates	Import Duty	India Exports \$thousands	Import Duty
090240	21,497	7.13%	0%	48,976	0%
090230	16,151	5.35%	0%	10,364	0%
		12%			

Tea also can identify as one of the main strategic products with potential in the UAE market. Currently both Sri Lanka and India enjoying the 0% MFN duty for Tea. Since India's one of the targeted export items is tea under the new FTA, **if the UAE enables the market access to India by increasing the import duty to the other importers including Sri Lanka, we are run the risk of losing another leading export segment in the UAE market.**

Petroleum oils and oils obtained from bituminous minerals (excluding crude); preparations containing.

Export Cat	SL Exports \$thousands	Share in Sri Lanka exports to United Arab Emirates	Import Duty	India Exports \$thousands	Import Duty
2710	72,193	23.95%	0%	6,358,637	0%

These segment probably the fuel supply to UAE air crafts. There would not be any impact, perhaps can increase in future.

The other leading products that may have impact in future is highlighted in the **Annex I**. In overall, Sri Lanka will have an immediate impact of non-premium exports to UAE due to India-UAE FTA. Since import duty is around 5% for all most all products, **thin margin exports from Sri Lanka will likely suffer due to the FTA**

Possible Threat to Sri Lankan leading Exports to India due to UAE access

UAE is in the plan of diversifying their export basket to non –oil trade. Since Sri Lanka is having a FTA with India covering substantial number of exports from Sri Lanka, the level playing field will be

preserved between UAE and Sri Lanka even after the FTA. However, **IF the FTA enables market access for the said product by reducing tariff as well as more favorable ROO/PSR for UAE for directly competitive products, Sri Lankan exporters may be in a threat of losing market share for those products in Indian market.**

Leading products including medium oils and preparations, dried, shelled lentils, waste and scrap paper or paperboard, Unwrought lead, diamonds, wooden furniture, essential oils, household articles, Casks, drums, cans, boxes and similar containers, lead acids, textile materials which may have impact in future is highlighted in the table in **Annex 2.**

Considering the UAE main exports to India vis-a-vis from Sri Lanka, it could be **assumed that there will be a less threat to Sri Lanka's current main exports to India due to the new FTA.** This is due the most products exporting to India by both Sri Lanka and United Arab Emirates are different from each other as well as Sri Lanka too have duty free access for most of the products.

You can REGISTER to get BIT directly to your mailbox		QR	Follow Us
Click here	https://forms.gle/rXiVnEBGCg2md7Vf7		
For comments/suggestions : fortrade@doc.gov.lk / samantha@doc.gov.lk			

Annex -1

Value in US \$ Thousand (Leading SL current exports to UAE that may be in threat due to India-UAE FTA)

Product code	Product label	Sri Lanka's exports to United Arab Emirates	%	United Arab Emirates's imports from world	Sri Lankas market share% in UAE market	Sri Lanka's exports to world	India's exports to United Arab Emirates	India's market share% in UAE market	Duty apply to Sri Lanka	Duty apply to India
'200819	Nuts and other seeds, incl. mixtures, prepared or preserved (excluding prepared or preserved ...	6,239	3	23,440	27	1,71,765	5,987	26	5%	5%
'210690	Food preparations, n.e.s.	3,350	2	5,52,435	1	67,384	59,908	11	5%	5%
'080119	Fresh coconuts, whether or not shelled or peeled (excluding in the inner shell "endocarp")	3,215	2	17,401	18	3,443	15,617	90	5%	5%
'401290	Solid or cushion tyres, interchangeable tyre treads and tyre flaps, of rubber	3,166	2	6,470	49	2,97,291	2,237	35	5%	5%
'071410	Fresh, chilled, frozen or dried roots and tubers of manioc "cassava", whether or not sliced ...	2,799	1	1,716	163	3,750	525	31	5%	5%
'930690	Bombs, grenades, torpedos, mines, missiles, and other ammunition and projectiles, and parts ...	2,700	1	331	816	2,700	0	0	5%	5%
'180690	Chocolate and other preparations containing cocoa, in containers or immediate packings of <= ...	2,322	1	2,30,615	1	4,241	6,945	3	5%	5%
'090811	Nutmeg, neither crushed nor ground	2,231	1	10,176	22	9,611	8,376	82	5%	5%
'401519	Gloves, mittens and mitts, of vulcanised rubber (excluding surgical gloves)	2,165	1	64,524	3	1,93,616	1,417	2	5%	5%
'030349	Frozen tunas of the genus "Thunnus" (excluding Thunnus alalunga, Thunnus albacares, Thunnus ...	1,673	1	598	280	56,118	159	27	5%	5%
'401190	New pneumatic tyres, of rubber (excl. of a kind used on agricultural, forestry, construction, ...	1,629	1	30,549	5	51,077	1,330	4	5%	5%
'630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.	1,578	1	3,64,927	0	1,65,400	71,944	20	5%	5%
'151311	Crude coconut oil	1,549	1	1,395	111	73,353	6	0	5%	5%
'482110	Paper or paperboard labels of all kinds, printed	1,464	1	14,054	10	12,415	885	6	5%	5%
'520839	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 200 g/m², dyed ...	1,439	1	8,094	18	1,904	528	7	5%	5%
'780110	Unwrought lead, refined	1,377	1	30,536	5	4,990	7,422	24	5%	5%
'401180	New pneumatic tyres, of rubber, of a kind used on construction, mining or industrial handling ...	1,340	1	73,701	2	54,019	10,874	15	5%	5%
'950300	Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys; ...	1,170	1	2,40,993	0	20,213	1,391	1	5%	5%
'960310	Brooms and brushes, consisting of twigs or other vegetable materials bound together, with or ...	1,061	1	2,347	45	26,883	1,061	45	5%	5%
'530500	Coconut, abaca Manila hemp or Musa textilis Nee", ramie, agave and other vegetable textile ...	1,005	1	3,560	28	1,90,166	2,852	80	5%	5%

Annex 2

Value in US \$ Thousand (Threat to Sri Lanka exports to India due to the new FTA)

Product code	Product label	Sri Lanka's exports to India	share in total exports	India's imports from world	Sri Lanka's market share in Indian market	Sri Lanka's export to the world	UAE's export to India	UAE's market share in Indian Market	Duty apply to Sri Lanka	Duty apply to UAE
'710239	Diamonds, worked, but not mounted, but set (excluding industrial diamonds)	2,155	0	62,97,469	0	76,968	1,79,375	3	0	10
'271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	68,450	10	47,72,075	1	2,79,066	1,07,453	2	0	10
'760120	Unwrought aluminium alloys	2,505	0	2,91,073	1	2,546	22,408	8	0	7.5
'071340	Dried, shelled lentils, whether or not skinned or split	11,572	2	5,80,893	2	20,711	17,597	3	0	50
'470790	Recovered "waste and scrap" paper or paperboard, incl. unsorted waste and scrap (excluding ...	11,273	2	7,48,187	2	11,856	13,189	2	0	10
'940360	Wooden furniture (excluding for offices, kitchens and bedrooms, and seats)	1,963	0	64,550	3	3,287	12,102	19	0	25
'470710	Recovered "waste and scrap" paper or paperboard of unbleached kraft paper, corrugated paper ...	3,806	1	1,62,435	2	3,971	7,946	5	0	10
'392490	Household articles and toilet articles, of plastics (excluding tableware, kitchenware, baths, ...	1,719	0	25,667	7	7,697	5,064	20	NP	15
'780199	Unwrought lead (excluding refined lead and lead containing by weight antimony as the principal ...	3,602	1	2,42,787	1	3,602	4,182	2	0	5
'850720	Lead acid accumulators (excluding spent	1,377	0	75,900	2	7,849	3,952	5	0	15

	and starter batteries)									
'090411	Pepper of the genus Piper, neither crushed nor ground	42,261	6	85,570	49	51,435	3,885	5	0	70
'470720	Recovered "waste and scrap" paper or paperboard made mainly of bleached chemical pulp, not ...	3,833	1	16,028	24	3,861	3,880	24	0	10
'110412	Rolled or flaked grains of oats	4,624	1	11,776	39	6,950	3,189	27	0	30.00
'780110	Unwrought lead, refined	3,614	1	1,88,689	2	4,990	2,691	1	0	5
'842649	Mobile cranes and works trucks fitted with a crane, self-propelled (excluding those on tyres ...	2,485	0	35,866	7	3,576	2,485	7	0	7.5
'761290	Casks, drums, cans, boxes and similar containers, incl. rigid tubular containers, of aluminium, ...	1,616	0	22,594	7	20,080	2,380	11	0	10
'330129	Essential oils, whether or not terpenes, incl. concretes and absolutes (excluding those ...	1,777	0	1,00,609	2	2,833	2,264	2	0	20
'610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	1,254	0	26,242	5	2,57,204	2,198	8	0	25%OR RS 50/UNIT WHICHEVER IS HIGHER
'691110	Tableware and kitchenware, of porcelain or china (excluding ornamental articles, pots, jars, ...	2,030	0	15,185	13	14,517	1,656	11	0	20
'740819	Wire of refined copper, with a maximum cross-sectional dimension of <= 6 mm	4,167	1	1,99,432	2	4,220	1,596	1	0	5
'903180	Instruments, appliances and machines for measuring or checking, not elsewhere specified in ...	1,866	0	7,88,337	0	37,800	1,551	0	0	7.5
'701090	Carboys, bottles, flasks, jars, pots, phials and other containers, of	5,766	1	68,199	8	14,060	1,398	2	0	10

	glass, of a kind used ...									
'940161	Upholstered seats, with wooden frames (excluding convertible into beds)	5,135	1	31,566	16	5,218	1,376	4	0	25
'940350	Wooden furniture for bedrooms (excluding seats)	8,527	1	37,649	23	8,600	759	2	0	25
'382319	Fatty acids, industrial, monocarboxylic; acid oils from refining (excluding stearic acid, oleic ...	1,332	0	3,51,662	0	2,126	750	0	0	7.5
'631010	Used or new rags, scrap twine, cordage, rope and cables and worn-out articles thereof, of textile ...	1,562	0	78,219	2	1,769	657	1	18.75	25
'482110	Paper or paperboard labels of all kinds, printed	1,456	0	50,575	3	12,415	606	1	0	10
'080280	Fresh or dried areca nuts, whether or not shelled or peeled	49,420	8	75,453	66	49,530	602	1	0	100
'481940	Sacks and bags, incl. cones, of paper, paperboard, cellulose wadding or webs of cellulose fibres ...	1,737	0	7,929	22	8,843	522	7	0	10
'401511	Surgical gloves, of vulcanised rubber (excluding fingerstalls)	6,949	1	35,785	19	74,023	422	1	0	10
'854430	Ignition wiring sets and other wiring sets for vehicles, aircraft or ships	13,991	2	57,508	24	32,041	372	1	0	15
'391721	Rigid tubes, pipes and hoses, of polymers of ethylene	1,790	0	10,532	17	1,831	363	3	NP	10
'220299	Non-alcoholic beverages (excl. water, fruit or vegetable juices, milk and beer)	7,228	1	90,149	8	7,681	339	0	0	30
'853190	Parts of electric sound or visual signalling	1,561	0	44,150	4	26,928	314	1	0	10

	apparatus, n.e.s.									
'740321	Copper-zinc base alloys "brass" unwrought	1,722	0	3,425	50	6,101	292	9	0	5
'940330	Wooden furniture for offices (excluding seats)	1,385	0	39,184	4	1,631	288	1	0	25
'390490	Polymers of vinyl chloride or other halogenated olefins, in primary forms (excluding poly"vinyl ...	1,830	0	2,05,034	1	1,830	228	0	0	10
'680221	Marble, travertine and alabaster articles thereof, simply cut or sawn, with a flat or even ...	1,694	0	21,473	8	1,706	215	1	0	
'580421	Mechanically made lace of man-made fibres in the piece, in strips or in motifs (excluding fabrics ...	1,817	0	10,165	18	7,269	206	2	18.75	25%OR 200RS WHICH EVER IS HIGHER
'392310	Boxes, cases, crates and similar articles for the conveyance or packaging of goods, of plastics	1,459	0	36,627	4	3,920	163	0	0	10
'842230	Machinery for filling, closing, sealing or labelling bottles, cans, boxes, bags or other containers; ...	3,460	1	2,18,990	2	9,905	160	0	0	5
'180500	Cocoa powder, not containing added sugar or other sweetening matter	2,537	0	58,117	4	2,725	160	0	0	30
'950300	Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys; ...	5,295	1	1,56,860	3	20,213	159	0	0	60
'600622	Dyed cotton fabrics, knitted or crocheted, of a width of > 30 cm (excluding warp knit fabrics ...	10,540	2	20,623	51	40,564	152	1	18.7	25

'090240	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings ...	2,446	0	64,171	4	7,17,827	147	0	50	100
'090811	Nutmeg, neither crushed nor ground	2,056	0	3,661	56	9,611	123	3	0	30
'621710	Made-up clothing accessories, of all types of textile materials, n.e.s. (excluding knitted ...	1,908	0	1,802	106	5,418	115	6	0	25
'330190	Extracted oleoresins; concentrates of essential oils in fats, fixed oils, waxes and the like, ...	7,956	1	90,635	9	42,095	85	0	0	20
'871200	Bicycles and other cycles, incl. delivery tricycles, not motorised	7,024	1	28,261	25	39,423	72	0	0	30
'620349	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials (excluding ...	1,856	0	22,070	8	63,618	65	0	0	25% OR RS110/PCS WHICHEVER HIGHER
'731029	Tanks, casks, drums, cans, boxes and similar containers, of iron or steel, for any material, ...	1,441	0	57,071	3	1,811	59	0	0	15
'610310	Men's or boys' suits of textile materials, knitted or crocheted (excluding tracksuits, ski ...	13,553	2	307	4,415	13,880	49	16	0	25
'401180	New pneumatic tyres, of rubber, of a kind used on construction, mining or industrial handling ...	2,497	0	74,196	3	54,019	47	0	0	10
'200819	Nuts and other seeds, incl. mixtures, prepared or preserved (excluding prepared or preserved ...	3,001	0	14,436	21	1,71,765	40	0	0	45
'842820	Pneumatic elevators and conveyors	1,299	0	58,755	2	3,483	40	0	0	7.5

'230990	Preparations of a kind used in animal feeding (excluding dog or cat food put up for retail ...	81,622	12	3,71,433	22	85,308	39	0	0	30
'151620	Vegetable fats and oils and their fractions, partly or wholly hydrogenated, inter-esterified, ...	17,675	3	25,798	69	17,853	27	0	0	80
'940421	Mattresses of cellular rubber or plastics, whether or not covered	1,418	0	2,045	69	13,028	25	1	0	25
'380210	Activated carbon (excluding medicaments or deodorant products for fridges, vehicles etc., put ...	2,370	0	48,890	5	1,16,800	12	0	0	10
'090821	Mace, neither crushed nor ground	3,511	1	24,066	15	4,862	11	0	0	30
'080111	Desiccated coconuts	10,692	2	9,939	108	81,421	10	0	NP	70
'401519	Gloves, mittens and mitts, of vulcanised rubber (excluding surgical gloves)	5,190	1	1,46,435	4	1,93,616	9	0	0	10
'481930	Sacks and bags, of paper, paperboard, cellulose wadding or webs of cellulose fibres, having ...	2,109	0	4,464	47	2,865	9	0	0	10
'300212	Antisera and other blood fractions	2,030	0	4,16,172	0	2,030	4	0	0	10
'621210	Brassieres of all types of textile materials, whether or not elasticated, incl. knitted or ...	2,296	0	18,230	13	4,97,351	3	0	0	25%OR RS30 /PCSWHICH EVER IS HIGHER
'621790	Parts of garments or clothing accessories, of all types of textile materials, n.e.s. (excluding ...	2,800	0	974	287	3,563	1	0	0	25
'261400	Titanium ores and concentrates	2,642	0	42,185	6	6,534	1	0	0	2.5
'600644	Printed fabrics, knitted or crocheted, of artificial fibres, of a width of > 30 cm (excluding ...	1,433	0	466	308	3,306	1	0	18.75	25

'550410	Staple fibres of viscose rayon, not carded, combed or otherwise processed for spinning	21,035	3	86,265	24	33,085	0	0	15	20
'550490	Artificial staple fibres, not carded, combed or otherwise processed for spinning (excluding ...	11,256	2	29,795	38	23,534	0	0	15	20
'090710	Cloves, whole fruit, cloves and stems, neither crushed nor ground	7,776	1	1,70,651	5	15,872	0	0	0	35
'580620	Narrow woven fabrics of textile materials, containing >= 5% elastomeric yarn or rubber thread ...	6,122	1	20,956	29	17,616	0	0	18.75	25
'090611	Cinnamon "Cinnamomum zeylanicum Blume" (excluding crushed and ground)	5,370	1	7,452	72	2,10,384	0	0	0	30
'230650	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting ...	5,199	1	69,516	7	8,055	0	0	0	30
'230690	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting ...	4,464	1	21,819	20	4,782	0	0	0	30
'440290	Wood charcoal, incl. shell or nut charcoal, whether or not agglomerated (excluding bamboo charcoal, ...	2,989	0	5,511	54	6,664	0	0	0	10
'551011	Single yarn, containing >= 85% artificial staple fibres by weight (excluding sewing thread ...	1,989	0	1,46,435	1	4,117	0	0	15	20
'281700	Zinc oxide; zinc peroxide	1,845	0	13,983	13	2,572	0	0	0	
'540231	Textured filament yarn of nylon or other polyamides, with a linear density of <= 50 tex per ...	1,318	0	2,928	45	6,279	0	0	15	20

'261510	Zirconium ores and concentrates	1,263	0	78,231	2	2,057	0	0	0	2.5
---------	---------------------------------	-------	---	--------	---	-------	---	---	---	-----

NP – No Preference