THE URUGUAY ROUND

COMMUNICATION FROM SRI LANKA

CONDITIONAL OFFER BY SRI LANKA ON INITIAL COMMITMENTS ON TRADE IN SERVICES

The following communication is circulated at the request of the permanent delegation of Sri Lanka to the members of the Group of Negotiations on Services.

I. INTRODUCTION

1. Sri Lanka attaches particular importance to the early and successful conclusion of the Uruguay Round negotiations, and recognizes that, to achieve comprehensive and mutually advantageous commitments in the Round, participants are expected to undertake Initial Commitments on Trade in Services. For a developing country, such as Sri Lanka, however, the extent of such liberalization must be commensurate with the ability and readiness of its services sectors and sub-sectors to undertake the commitments at the present stage.

2. Sri Lanka hereby presents its Conditional Offer of Initial Commitments on Trade in Services. This offer is conditional upon the contents of the General Agreement on Trade in Services (GATS) and its Annexes being acceptable to Sri Lanka, particularly in areas which would provide opportunities for export of services from Sri Lanka. The access offered will be subject to the applicable Sri Lankan laws, regulations and guidelines. The offer is based on the secretariat’s Revised Services Sectoral Classification List, as contained in the document MTN.GNS/W/120.

II. HORIZONTAL MEASURES

- Foreign Investment

3. Certain limitations, conditions and qualifications pertain specifically to some forms of commercial presence by foreign enterprises, as indicated below:

   (a) Foreign investors may invest in any sector of the economy other than the following activities, which are reserved for citizens of

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Sri Lanka: (i) Money-lending; (ii) Pawnbrokering; (iii) Retail trade with a capital of less than US$1 million; (iv) Businesses providing personal services other than for export of tourism; and (v) Coastal fishing.

(b) The foreign investment law applicable to foreign investors is the Greater Colombo Economic Commission (GCEC) Law No. 4 of 1978, as amended to date (referred to as "the Law"), supplemented by: (i) GCEC Regulation No. 1 of the 1978, as amended to date; and (ii) GCEC Regulation No. 1 of 1991.

(c) The GCEC is responsible for the approval and facilitation of foreign investment throughout the country, other than for investments made by purchasing shares in the Colombo Stock Exchange, or for investments in a number of activities, which are regulated by other Statutory Agencies, including the following:

- Banking
- Financial institutions
- Insurance
- Trading services on the Colombo Stock Exchange
- Air transportation
- Coastal shipping
- Branch or Liaison Office of companies incorporated outside Sri Lanka
- Lotteries.

(d) Foreign investment of up to 40 per cent of equity in a company proposing to carry on a business activity listed below other than those listed above will be automatically approved by the GCEC. Foreign investment in excess of 40 per cent (and up to 100 per cent) in a company proposing to carry on a business activity listed below other than those listed above will be approved by the GCEC on a case-by-case basis in consultation with the relevant State Agencies. This situation will be reviewed every two years with the aim of further simplification. The relevant sectors are the following:

- Construction and residential buildings
- Mass transportation
- Telecommunications
- Mass communications
- Education
- Professional services
- Freight forwarding
- Travel agencies
- Shipping agencies.

(e) If a foreign investor wishes to locate his/her enterprise outside any Export Processing Zone, he/she can either purchase or lease land suitable for his/her enterprise. If a foreign individual buys land, he/she will be liable to pay a tax at 100 per cent of
the purchase price. However, if a foreign investor incorporates a company in Sri Lanka under the Companies Act and buys the land in the name of the company, there will be no liability for such tax even though the shareholders of the company are foreign nationals, because a company incorporated in Sri Lanka under the Companies Act is deemed to be equivalent to a citizen of Sri Lanka for the purpose of this tax.

- **Joint venture**

4. In relevant sectors when a joint venture partner is a public sector enterprise or a government undertaking, while granting access, preference will be given to foreign service suppliers/entities, which offer the best terms for transfer of technology.

- **Movement of natural persons**

5. Movement of consumers and personnel is subject to Sri Lankan laws on immigration, consumer laws, and other relevant laws and regulations. Aliens, who intend to work or to conduct business in Sri Lanka, shall have to obtain the relevant work permits in addition to complying with the immigration requirements. In view of the consensus achieved in the Group of Negotiations on Services on entry regulations, visa requirements for entry purposes have not been mentioned in the Schedule.

### III. OTHER CONSIDERATIONS

6. The supply of services in all modes of delivery shall be in accordance with the relevant Sri Lankan laws and regulations, including any implementing laws derived therefrom. Wherever applicable, supply of services is also governed by bilateral and multilateral agreements to which Sri Lanka is a party. Furthermore, nothing in this offer is construed to affect any measure relating to trade in goods and intellectual property rights.

7. The list of laws and regulations mentioned in this offer should by no means be construed as an exhaustive reference to all laws and regulations governing each services sector. Current prudential and regulatory requirements, qualifications, codes of ethics and requirements of professional competence will continue to apply in respect of commitments made under market access and national treatment. In view of the consensus achieved in the Group of Negotiations on Services on Article VI (Domestic Regulations) of the Framework Agreement and, in particular, on requirements relating to standards, qualifications and licensing, no mention is being made of such requirements in the Schedule.
### IV. SECTORAL COMMITMENT

<table>
<thead>
<tr>
<th>Sector or Sub-sector</th>
<th>Limitations on Market Access</th>
<th>Limitations on National Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel agency and tour operation services</td>
<td>(1) No limitations</td>
<td>(1) None</td>
</tr>
<tr>
<td></td>
<td>(2) Unbound</td>
<td>(2) Not applicable</td>
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<tr>
<td></td>
<td>(3) No limitations except horizontal measures specified above</td>
<td>(3) None</td>
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<tr>
<td></td>
<td>(4) Provisions of labour, immigration and customs laws</td>
<td>(4) None</td>
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<tr>
<td>Hotel and lodging services</td>
<td>(1) Not applicable</td>
<td>(1) Not applicable</td>
</tr>
<tr>
<td></td>
<td>(2) Unbound</td>
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</tbody>
</table>

**Key:**
- (1) Cross-border supply
- (2) Consumption abroad
- (3) Presence of juridical persons
- (4) Presence of natural persons

**Explanation of terms used:**

1. **Unbound:**
   This means that Sri Lanka does not offer to bind existing laws and regulations affecting the conditions of market access or national treatment, regardless of the outcome of the negotiations.

2. **Not applicable:**
   This means that Sri Lanka does not recognize the existence of this particular mode of delivery to be applied to market access or national treatment.

3. **No limitations:**
   This means that no conditions or qualifications regarding market access or national treatment apply other than those mentioned under horizontal measures.