

South Asia Subregional Economic Cooperation
Sanitary-phytosanitary and Technical Barriers to Trade
National Diagnostic Study

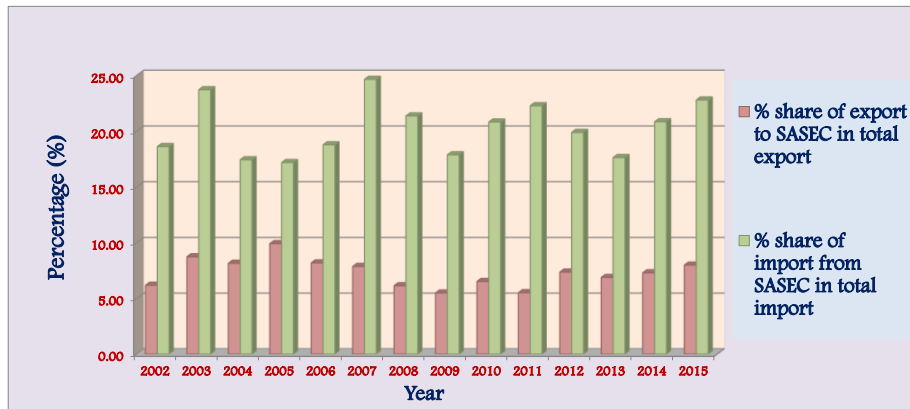
Identification of Potential Export Items of Sri Lanka Facing SPS/TBT Measures in the SASEC Region

Ravi Ratnayake
National Consultant of Sri Lanka

Structure of Presentation

- ▶ Sri Lanka's trade in South Asia
- ▶ Identification of potential exports
- ▶ SPS/TBT structure of Sri Lanka
- ▶ Impediments on Sri Lankan exports
- ▶ Recommendations

Sri Lanka's shares of exports and imports with SASEC countries



Key observations: Sri Lankan trade with SASEC countries (2002-2015)

- ▶ Insignificant increase in exports (2%) compared with UK (82%) and USA (60%)
- ▶ India is the biggest market for Sri Lanka's exports (83%)
- ▶ India dominated Sri Lanka's imports (99%)
- ▶ Bangladesh and Maldives 2nd and 3rd largest trading partners
- ▶ Sri Lanka's import shares in SASEC more than double of export shares
- ▶ Major reason for low intraregional trade is high trade costs: ASEAN 76% vs South Asia 104%

Sri Lanka's products with export potential to SASEC countries

Product categories with export potential

- Machinery and appliances
- Electrical machinery and equipment
- Apparel
- Prepared food
- Rubber products
- Paper products
- Articles of plastics

Sri Lanka's export potential in SASEC region

Country	Sri Lanka's Exports (\$ million)	Sri Lanka's Potential Exports (\$ million)
Bangladesh	5.2	375.8
Bhutan	0.1	39.7
India	11.1	505.2
Maldives	2.9	73.4
Nepal	0.4	244.3
Total	19.7	1,238.8

SPS/TBT scenarios in Sri Lanka

Major problems in Sri Lanka's SPS structure

Problem/Gap	Example
Outdated laws	Food Act was enacted 35 years ago and no update since then
Poor design of regulations	Regulations on vegetable seed created monopoly.
Lack of consistency/overlapping laws	As laws and regulations are formulated in isolation-Regulations of the Consumer Authority contradicts with Food Act
Failure to issue regulations in time	Amendment of Plant Protection Ordinance of 1924
Shortage of labs	For certain tests, companies have to go overseas and also some labs are not accredited

Major problems in TBT structure

Problem/gap	Example
SLSI Act is narrowly defined	SLSI is self-funded, engaged with multi-faceted activities, more focus on funded activities
SLAB is not recognized by some important Acts	Food Act is old and it did not recognize SLAB
Shortage of human resources	This is either due to lack of cadre or high rate of vacancies
Lack of information and transparency	Standards, regulations and conformity assessment requirements are not found in one place

Impediments facing Sri Lanka's products of export potential

Impediments while exporting to Bangladesh

- ▶ Out of 100 products of export potential, 10 are subject to SPS/TBT measures in Bangladesh
- ▶ The incidence of SPS/TBT is lower in Bangladesh than Sri Lanka as well as international level
- ▶ For majority of these products, Sri Lanka's major markets had more SPS/TBT measures than in Bangladesh
- ▶ Some products are included in the negative list of SAFTA/APTA (e.g. cigarettes)
- ▶ Major procedural barrier facing Sri Lankan exports is lack of information
- ▶ Medicaments, some electrical machinery and appliances), motor vehicles parts are affected by SPS/TBT related barriers in Bangladesh.

Impediments while exporting to Bhutan

- ▶ Out of 100 Sri Lanka's products export potential, 54 have SPS/TBT measures.
- ▶ Generally, both in Sri Lanka and at international level have more SPS/TBT than Bhutan
- ▶ A major barrier facing Sri Lankan exports is lack of information of SPS/TBT measures
- ▶ Sri Lanka's major markets have more SPS/TBT than Bhutan for these products
- ▶ Exports of 2 product groups (plastic articles and prepared food) affected by SPS/TBT
- ▶ Major markets for plastic articles are China (30%) and Bangladesh (18%) which have less SPS/TBT measures than Bhutan
- ▶ Some prepared food products are in the negative list under SAFTA

Impediments while exporting to India

- ▶ India has significantly higher number of SPS/TBT measures than Sri Lanka These are more prominent for exports of fresh fruits and fats & oils
- ▶ India also has more SPS/TBT measures compared with international level
- ▶ Some exports are included in the negative list of SAFTA. Non-concession list of APTA and ISFTA
- ▶ Clear evidence of SPS/TBT related procedural barriers against SL exports

SPS/TBT related procedural barriers facing Sri Lankan exports in India

Procedural Barriers	Exports affected	Procedural Barriers	Exports affected
Delays and high testing costs	Tyres, prepared food, cotton waste, spices	Stringent labeling and packaging	Processed food, tea
Double or more testing	Apparel, cotton waste, fruits and vegetables, spices	Discretionary product inspections/testing	Processed food, coconut milk powder
Lack of information	Apparel, fruits and vegetables, spices	Arbitrary penalty	Biscuits
Non-recognition of certificates	Cotton waste, apparel, fruits and vegetables, spices	Long delays in issuing product approvals	Frozen meet products

Impediments while exporting to Maldives

- ▶ Only 5 out of 100 products identified with export potential are subject to SPS/TBT measures (e.g. radio navigators)
- ▶ Major SPS/TBT barriers are multiple inspections and lack of information
- ▶ Except books etc, for all 4 products, Maldives has less number of SPS/TBT compared with Sri Lanka and international level
- ▶ Sri Lanka's exports of auto parts affected by SPS/TBT in Maldives

Impediments while exporting to Nepal

- ▶ Incidence of SPS/TBT measures at international level are higher than both Nepal and Sri Lanka.
- ▶ Major barrier facing exports is lack of information (e.g. buttons)
- ▶ 4 product groups affected by SPS/TBT in Nepal- machinery and appliances, electrical machinery and equipment, paper products and beauty products
- ▶ Except machinery and appliances, other 3 product groups are in the negative list of Nepal under SAFTA

Major recommendations

(1) Regulatory structure

- ▶ Undertake a comprehensive review of all legislation relating to both SPS and TBT as they are outdated, overlapping and not streamlined
- ▶ Conduct a review of the current technical regulations
- ▶ Accredite the SLS marks product certification scheme to make it internationally recognized

(2) Procedures and processes

- ▶ Develop an import risk management system which can ensure transparency, predictability and stability of procedures
- ▶ Prepare a set of guidelines to develop standards and technical regulations in a transparent manner
- ▶ Design a transparent and simple export inspection mechanism
- ▶ Encourage local manufacturers to be accredited by accreditation authorities of other SASEC countries and vice-versa.
- ▶ Facilitate MRAs between regulatory authorities of Sri Lanka with those of other SASEC countries

(3) Institutional structure

- ▶ Develop a proposal to establish a new institution or expand the mandate of an existing institution to coordinate all matters related SPS and TBT
- ▶ Establish a SPS/TBT Service Centre (one stop)
- ▶ Introduce necessary amendments to test reports / certificates
- ▶ Establish a National SPS/TBT Coordination Committee

(4) Infrastructure

- ▶ Conduct a needs assessment of labs facilities and develop a fundable project to build additional facilities required

(5) Information and data

- ▶ Set up a designated SASEC webpage providing information on import requirements of other SASEC countries
- ▶ Set up a designated webpage providing information on lab facilities with their accreditation status and processes required for different products
- ▶ Develop a data base on SPS/TBT related standards, regulations and procedures as the related are not found in one place

(6) Human capacity development

- ▶ Design a programme to increase the number of professionals with specialization in the field of SPS/TBT
- ▶ Review current carder and vacancies of all related agencies including SLIS and SLIB and provide a recommendation/budget proposal
- ▶ Conduct regular training programs to educate the stakeholders on SPS and TBT agreements and import requirements of SASEC countries
- ▶ Organize filed trips for representatives of regulatory authorities to visit some selected countries
- ▶ Introduce subjects related to standards, technical regulations etc. in curriculums of advanced university degrees

(7) Regional and bilateral cooperation

- ▶ Develop a framework for mutual recognition agreements (MRAs) to be used by regulatory or competent authorities in the SASEC countries
- ▶ Establish a trade facilitation focal point system at the border of major trading partners of each country within the SASEC region to resolve problems associated with SPS and TBT immediately

Thank you