Making the South Asian Economic Union a Reality

Trade Facilitation for Efficiency and Regional Integration

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Status Quo

• Within SAARC 90% of trade with India.

• This can be attributed to the geographical proximity, historical evolution of trade pattern and also to some extent the lack of focus on trade facilitation in the mutual trade with other countries in the SAARC.
### Trade behavior between India and Sri Lanka

**Value in Mn US$**

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
<th>Total Trade</th>
<th>Balance of Trade</th>
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</thead>
<tbody>
<tr>
<td>1998</td>
<td>35.3</td>
<td>554.8</td>
<td>590.1</td>
<td>-519.5</td>
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<td>1999</td>
<td>47.2</td>
<td>511.6</td>
<td>558.8</td>
<td>-464.4</td>
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<tr>
<td>2000</td>
<td>55.7</td>
<td>600.1</td>
<td>655.8</td>
<td>-544.4</td>
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<tr>
<td>2001</td>
<td>70.1</td>
<td>601.5</td>
<td>671.6</td>
<td>-531.4</td>
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<td>168.9</td>
<td>834.7</td>
<td>1,003.6</td>
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<td>241.1</td>
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<td>1,317.3</td>
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<td>385.5</td>
<td>1,358.0</td>
<td>1,743.5</td>
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<tr>
<td>2005</td>
<td>559.3</td>
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<td>1,822.1</td>
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<td>-1,328.0</td>
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<td>2007</td>
<td>516.4</td>
<td>2,785.0</td>
<td>3,301.4</td>
<td>-2,268.6</td>
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</tbody>
</table>
Infrastructure

• No major problems for trade with Bangladesh, India, the Maldives and Pakistan.

• Poor transit facilities trade relations with Afghanistan Bhutan and Nepal.

• No direct air connectivity to countries other than India, Maldives and Pakistan.

• Existing transit facilities via India and Pakistan take unusually longer duration and high costs.
Customs

• Customs of each member countries of SARRC do not have a transparent procedures and systems.
• Publication of customs procedures, laws, tariff details and penalties are not easily accessible.
• Sometimes practices and not in accordance with written systems and procedures.
• Lack of transparency and unpredictability pose procedures and practices more cumbersome.
• **Standards:** Lack of awareness in the standard requirements. The region has not matured to the requirements of international standards. No publications available on the requirements of standards both TBT and SPS. Standards between countries differ substantially.

• **Trade Policy:** Transparent, predictable and consistence trade policy and the unavailability of their publications.
• **Regulatory Framework**: Excessive leads to higher cost and lower efficiency. Inadequate information and practices not consistent with written regulatory framework.

• **Security:**

• **Business Mobility**: Travel procedure and obtaining visas are cumbersome for most countries.
Trade Facilitation Measures

• Measure taken so far by Sri Lanka falling within the mandate of DDA negotiations as prescribed under GATT 1994 articles are broken-down to 33 items essential for successful trade facilitation.

• The results of the evaluation (2009) are as follows:
  – Already compliant with 12 (39 %):
  – Partially compliant with 19 (55 %):
  – Not compliant with 2 (6 %):

• Examples of local action we can take to overcome these barriers:
  – Set up a national coordinating committee
  – Develop technical skills
  – Create awareness programs
  – Disseminate and share information
  – Implement institutional arrangements
  – Change legislation / procedures
• Technical Assistance Needs:
  – Setting up of national Website for trade-related information
  – Upgrading testing laboratories/ equipments
  – Study of best practices of the other countries
  – Funding for Single Window infrastructure
  – Funding for advanced scanners and other non-intrusive inspection equipments

• Measures to be supported in the Negotiations:
  – M.1 Customs Cooperation
  – A.2 Internet Publication
  – A.3 Establishment of Enquiry Points
  – G.3 Risk Management/ Analysis
  – G.4 Post-clearance Audit
  – J.5 Single Window
  – J.6 Elimination of Pre-shipment Inspection
Dealing with Loosers

1. Sri Lanka Port Authority: As an institution and an individuals they loose their income and an importance in the clearance of the cargo.

2. Sri Lanka Customs: Individual looses their outside income and their prominent level playing role.

3. Fraudulent Businessmen: They loose unlawful competitive advantage as they are compelled to compete with other businessmen in equal opportunities without the illegal payments for priority and fraudulent practices
Present status of trade facilitation measures in India and Sri Lanka

• India require various additional checks, certificates and laboratory testing for imports from Sri Lanka although they have been tested and certified by the relevant authorities of Sri Lanka where it is an acknowledged fact the standards are higher than average Indian standards.

• Certain Sri Lankan firms have had difficulties in setting up businesses or exporting to India. Para-tariffs such as discriminatory state taxes in India have eroded preferences Sri Lankan exporters have obtained at the national level. Port restrictions have limited Sri Lanka’s exports of tea and “vanaspathi”.

• Sri Lankan and Indian firms have had difficulties in terms of excessive bureaucratic delays and hidden regulations that have made commercial operation problematic. For example, documents are asked for by Indian Authorities which are not specified in IFTA and further more when documents are submitted which are in accordance with FTA the official communicate that these are not the proper documents and request of “other” documents.
Other salient features of trade facilitation measures in India and Sri Lanka

• Freedom of transit is dealt with on a bilateral basis between India and Nepal but so far not acceded to international transit conventions. In Sri Lanka no measures on transit facilitation.

• With regard to import export procedures, in India the system is complex and considerable documentation and duplication of works. In Sri Lanka export procedure streamlined but regulated by large number of laws, export control in some goods and several departments involve in import procedures are major issues.

• Fees charges in both countries are fairly large in number and the amounts can be substantial. (no duties for exports, a number of charges on imports in Sri Lanka. In India most fees are based on the cost of services, but some on ad valorem basis)
Selection of products for the study of Examination of logistic chain

- Although exports of textiles and clothing do not capture, it is one of the key items in Sri Lanka exports to India despite its prominent in the total export basket to the world.
- One export and one import products falling under the export sector chiefly the finish garments exported from Sri Lanka and fabrics imported to India.
- Moreover the other sectors proposed under this study are fish and meat based (sausages and meat balls etc) processed food and fruits and vegetables (pineapple, passion fruit, Rambutan, star fruit and mangoostin).
  - An examination of logistics chains for a few selected commodities will help in identifying cost drivers.
  - One export and one import commodity can be selected from the textile sector.
  - For the others, the focus should be to choose commodity-mode combinations that have not received adequate attention in existing literature.
Transport Infrastructure

- Airport
- Ports
- Road
- Ferry Service
- Road-Rail Bridge