

**Report on Stakeholder Consultation
Procedural Non-Tariff Barriers in South Asia
IPS Conference Room
February 8th, 2013, Colombo, Sri Lanka**

As part of the COENCOSA Project Phase II, a stakeholder consultation was organized by the Institute of Policy Studies (IPS) on the 8th of February 2013 to elicit views and concerns of a set of stakeholders in Sri Lanka, particularly those of the business community, on procedural NTBs hindering intra-South Asian trade and their views on the best way forward in tackling these concerns. Twelve participants representing government, business associations, export promotion agencies, exporters, and civil society groups took part in a half day-long dialogue. The consultation was conducted in the nature of a public private dialogue where three brief presentations were tabled to set the context for the interactive discussion to ensue among the stakeholders.

Presenters

1. Anutosh Biswas - Programme Officer, CUTS International, Jaipur
2. Raveen Ekanayake – Research Assistant, IPS, Colombo
3. Subhashini Abeysinghe – Senior Economist, Ceylon Chamber of Commerce
4. P.D Fernando – Director General of Commerce, Department of Commerce

At the outset Raveen Ekanayake welcomed the participants and explained the purpose of the consultation. He also acknowledged that the event was part of a larger regional study spearheaded by CUTS Jaipur and funded by the Asia Foundation. Subsequently Anutosh Biswas briefly introduced the content and objective of the CUTS initiatives on issues related to economic cooperation in South Asia.

Raveen Ekanayake in his presentation gave a brief overview of weaknesses in trade facilitation in the region by comparing the regions performance in key trade facilitation indicators produced by the World Bank and the World Economic Forum with other regions and countries. South Asia's standing across almost all indicators is poor in comparison. In the case of Sri Lanka however, the country performs well above the regional average yet further room for improvement exists.

Subhashini Abeysinghe began her presentation by stating that Sri Lanka's trade with the rest of the region is minimal and that for NTBs to surface trade has to take place. The more you trade the more NTBs will surface. She went on to talk about some of the pressing NTBs which have been brought to the attention of the CCC by private enterprises operating in the region. One of the major issues in this regard is the lack of reliable and up-to-date information; even importers do not have access to reliable and accurate information beforehand. Only once the shipments arrive at the destination do they find out there the consignment does not meet compliance requirements of various government entities lead to delays and additional costs. Exporters also complain of not knowing where to gather accurate information. Another pressing concern put forth by the private sector is the lack of consistent and predictable policies and regulations. Ad-hoc changes to cess rates, documentation requirements and variability in time taken to obtain licenses results in exporters being unable to accurately factor in costs and are thus reluctant to engage in trade in the region. Another pressing concern raised by Subashini Abeysinghe is that fact that transportation costs within South Asia is high, this she largely attributes to the lack of volume to for transport services to operate at economically efficient costs. She also noted that export taxes, documentation and compliance procedures is also another pressing concern.

P.D Fernando began his presentation by stating that NTBs are termed 'barriers' but they are not really barriers, rather they are essential and it is the duty of the government to safeguard the consumers, their health and wellbeing and ecosystem. With the stalling of WTO negotiations under the Doha round, countries including highly developed ones gradually started to manipulate these essential policy measures as a protectionist tool to safeguard highly inefficient domestic industries. He went on to argue that in the case of Sri Lanka the use of NTBs to safeguard consumer interest are not happening citing the recent influx of highly substandard imports to the country. He then went on to discuss the following salient procedural NTBs plaguing trade in the region (1) customs officials of importing countries not being aware of procedures resulting in delays in clearing goods; (2) misinterpretation of H.S codes results in additional customs duty being levied; (3) ad-hoc and frequent changes of labeling requirements and SPS requirements results in shipments being rejected once arrived at the destination; and (4) non- acceptance of third party testing and certifications resulting in additional testing being conducted at the destination leading to additional delays and costs, the exports of agricultural produce in both raw- and processed- form are the most severely

affected in this regard. Delays result in agricultural consignments being perished prior to being cleared by the customs

In the discussion which ensued all stakeholders were in agreement with the issues raised by the presenters, they further went on to add that people have to move for trade to move, obtaining visas for businessmen to enter into South Asian countries is an extremely cumbersome process which acts as a key procedural obstacle hampering trade in the region. Obtaining visas to enter into India is by far the most cumbersome. All stakeholders attributed the high costs associated with access to trade finance to the need to route regional transactions through third party banks operating the region. They were of the view that should local banks be allowed to operate in the region the addition transaction costs paid to third parties would be eliminated.

In summing up given Sri Lanka's trade in the region is largely with India most of the procedural barriers encountered by Sri Lankan enterprises were concerning India. Stakeholders were of the view that India being the biggest player in the region has a role to play in fostering trade in the region and as such need to take on board based reforms to address these issues. Stakeholder were of the view that visa issues are needed to be addressed on a priority basis since a fundamental prerequisite for cross border trade is the cross-border movement of persons