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Why SL claim it has less capacity Than least developed countries for trade facilitation?Concerning notification made to the WTO

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Concerning notification made to the WTO

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Higher costs and time resulting from opaque, complex, time consuming, manual export and and import procedures discourage businesses from engaging in international trade and undermine their international competitiveness. Such costs and time can be significantly reduced by simplifying, streamlining, and automating import and export procedures and making them more transparent. Doing so is referred to in trade jargon as trade facilitation.

Research on the commitments and progress made in trade facilitation by Sri Lanka, a lower middle-income country, reveals that it is not only falling behind other middle-income countries but is also falling behind the least developed countries (LDCs). Over the last six years, Sri Lanka has made less progress than LDCs in making the country's import and export procedures more efficient, more transparent, and less costly. What is alarming is that Sri Lanka, despite being a lower middle-income country, has claimed that it has lesser capacity than the LDCs to do the needful. This does not bode well for a country that is in dire need of foreign exchange. It is vital to take steps without delay to reverse this trend.

SL has made less progress on implementation than LDCs

Notifications made by countries to the World Trade Organisation (WTO) on the implementation of Trade Facilitation measures are a useful yardstick to compare Sri Lanka's performance against its regional competitors, other developing countries, as well as LDCs. Such notifications are made by countries to the WTO under the WTO's Trade Facilitation Agreement (TFA) which came into effect in February 2017. The TFA contains 36 measures aimed at making it easy to access trade related information, ensuring inclusive decision-making, efficient goods clearance, and introducing standardised border procedures.

Sri Lanka already had a glaring gap compared to most of its regional competitors in 2017 and was falling far behind the average for developing countries. For example, with only 29% implementation at the start Sri Lanka was already behind regional competitors like Malaysia and

Thailand that had implemented over 90% of the measures. India, our South Asian neighbour, had implemented 70%. Sri Lanka has fared worse than Cambodia and Bangladesh as well, two LDCs in the region.

By 2023, the wide gap that existed in 2017 between Sri Lanka and its regional competitors as well as other developing countries had widened further. For example, Malaysia and India have completed the implementation of all the measures. Thailand completed 98.7%. Vietnam, which was slightly behind Sri Lanka in 2017 has made remarkable progress by moving from 26.5% in 2017 to 87.4% by 2023.

In contrast, Sri Lanka has made poor progress moving from 29% to 31.5%. What is alarming is that Sri Lanka, which was slightly ahead of the average performance of LDCs in 2017, has fallen far behind them by 2023. Over the last six years, the percentage of measures implemented on average by LDCs increased from 27.8% to 41.4%.

SL claims to have less capacity than LDCs to do the needful

Each country is required to provide notifications of its trade facilitation implementation commitments to the WTO under three categories. The first category includes measures in the Trade Facilitation Agreement that the country is committed to implement in 2017 (LDCs by 2018). The second category includes measures the country is committed to implement on its own but requires time. The third category includes measures the country requires time as well as external assistance to implement.

According to the WTO Trade Facilitation Database, Sri Lanka has placed a staggering 69.3% of the trade facilitation measures in category three. This means that the country has declared that it does not have the capacity to implement the bulk of the trade facilitation measures on its own without external assistance. In contrast, LDCs on average have included less than half (40%) of the trade facilitation measures in category three, demonstrating more confidence than Sri Lanka in their capacity to implement measures on their own without external assistance. Bangladesh, an LDC in the region, exhibits even more confidence in its capacity to implement measures compared to its peers by including a significantly lower share of measures (just 29%) in category three.

According to the notifications submitted by Sri Lanka to the WTO, it has requested further extensions to implement four of the measures included in category three. The reasons given were the difficulties in finding a donor agency, the need to secure additional technical and financial assistance and difficulties in mobilising the required resources. The calculations done by Verité Research reveal that these four measures the country has declared it requires more time and assistance to implement, have already been implemented by 30-50% of LDCs and 75% of Developing nations respectively.

These figures reflect very poorly on Sri Lanka. It raises the question as to whether the reason for including the bulk of the measures in category three is a genuine lack of capacity. Or was it a ploy by the border agencies to prevent or postpone implementation for fear of losing the personal rewards the current opaque and inefficient system provides them with?

The way forward

These findings represent a missed opportunity for Sri Lanka to increase the competitiveness of its exporters, especially SMEs for whom higher costs and time to trade across borders is a major barrier to success in the international market. It also sends a negative signal to potential investors, who may question Sri Lanka's commitment to facilitating trade, making the nation a less attractive destination in the region for export-oriented foreign investments.

To salvage its reputation as a middle-income country, and to enhance its export competitiveness, Sri Lanka must revisit and reduce category three commitments. By doing so, it must demonstrate to traders and investors both current and potential that it has more confidence in its capacity than LDCs in implementing trade facilitation measures. Positive signalling alone will not help without action. It is time for Sri Lanka to pull up its socks and act fast to facilitate trade so that it can outperform the LDCs and catch up with its peers without delay. The clock is ticking, and the nation's economic future hinges on the actions it takes today.

Subhashini Abeysinghe is a Research Director at Verité Research. She holds a Bachelors and a Masters Degrees in economics from Colombo University and a Master's Degree in International Law and Economics from the World Trade Institute, University of Bern.

Mathisha Arangala is a Lead Economist at Verité Research. He holds a Bachelor of Business and Commerce in Economics and Banking and Finance from Monash University Malaysia and a Higher Diploma in International Relations from the Bandaranaike Centre for International Studies (BCIS).