

Institutionalizing the Solutions

Institute of Policy Studies, Sri Lanka

Specific Measures

1. *Expedited Release of Documents*

- Issue the COO about 3 or 4 days prior to the shipment, which would prevent unnecessary delays and costs that occur due to the unavailability of the document by the time the shipment reaches India.
- Indian traders highlighted need to submit all the documents including the ISFTA certificate to the bank before the ship reaches the Sri Lankan shores.
- Coordination between the 2 countries required
- More importantly, agreement to accept the certificates if issued earlier

2. Nodal Points that Handle ISFTA related Issues.

- Crucial to have a formal body of authority that is dedicated to handle transpiring issues in both countries & able to address the problems efficiently.
- Provide the traders additional confidence of knowing that there is a local authority with the necessary contacts to facilitate trading between India & Sri Lanka.
- The High Commissions to have a qualified officer to handle such problems
- ISFTA makes no provisions to establish enquiry points/single national focal points ; take measures to have these in place providing relevant information



3. Mutual Recognition Agreements

- Mutual recognition agreements between the two countries can assist reduce the necessity to carry out additional checks.
- If the two governments can agree on testing / certifying bodies in each country then extra money and time would not have to be spent on demands for additional certificates.
- Avoid delays that occur as a result of having to test them in locations far from the port if the requisite checks can be carried out at the port of entry and within a specified period of time; essential requirement for perishable items.
- Provisions made in India –Singapore Comprehensive Economic Cooperation → framework for MRAs: 2 sectoral annexes concluded for electrical products & telecommunication equipment – testing & certification to Indian standards can be carried out at the source destination



4. Outlining the Trade Procedures and Prompt Publication of Laws

- Necessity for the two countries to lay down the procedures clearly in writing to make the process more transparent and predictable
- Current FTA lacks the specification of procedures.
- Prompt publication of laws and regulation that prevent procedures to be introduced in an ad-hoc manner.

5. Implementation of Accepted Risk Management Practices

- Streamline security clearance for proven exporters with a clean track record will encourage traders.
- Measures to fast track their consignments based on accepted risk management practices.

6. Educating the Relevant Officials and Other Stakeholders of Concessions

- Need of well informed and educated officials at the customs/ports in both countries → relevant concessions provided under the ILFTA and the documentation that have to be presented.
- All relevant details to be easily available and publicized
- Main chambers to have a desk to receive information on specific concessions, process of obtaining them
- Educating importers/exporters of the rules & regulations important – reduce delays, costs, traders from being discouraged

7. Work Towards a Single Window

- Necessity for both countries to adopt modern technology and come to a common platform in order to fully automate the trading system.
- Both India and Sri Lanka have partially automated their trading system, and working towards a single-window would no doubt reap the benefits of
 - lower costs of trading
 - lower clearance times
 - increased transparency
 - low rent seeking and bureaucracy
- Though the cost of automation is high, the costs outweigh the benefits.
- Active interest of the government towards full implementation of the system.



Broad Measures

- *Consultation mechanisms between private and public sectors*
 - to develop timely & practical solutions
 - TF measures should focus on concrete improvements that can yield quick efficiency gains
 - Simplification, harmonization & standardization of these rules & procedures can then be actively pursued
- *High level political commitment*
 - Most TF measures require close cooperation among stakeholders
 - Different gvt agencies with different & possible conflicting responsibilities & objectives
 - Therefore, commitment at highest level necessary



Broad Measures contd...

- *Compliment TF measures with new/revised legislation*
 - As a study by ESCAP outlines, legislative changes usually take the longest.
 - Therefore, these should be identified and measures to make necessary changes should be done at the earliest.
- *Phased Implementation*
 - Many TF areas related to areas crucial in govt revenue & revenue.
 - Changes should be tested and implemented in phases.



Broad Measures contd...

- *Evaluate financial requirements & availability of funds*
 - Assess at an early stage
 - Possibility of public-private partnership, donors, aid for trade
- *Monitoring of Performance & Progress*
 - Regular evaluation of impact of TF measures to see if targeted results are achieved



Conclusion

- Reducing transaction costs crucial in a tariff free environment to get full benefits of the ISFTA
- TF related provisions in the ISFTA is limited
- It is key that the TF requirements are identified and implemented
- Possible priority areas: Mutual Recognition Agreements, Risk Management, Working towards a Single Window
- Draw from other FTAs, India-Singapore CECA

Thank You