

## Trade facilitation breaking down barriers in international trade

by Suwendrani Jayaratne

Sri Lanka has undertaken key initiatives to facilitate trade and transport over the years. Vital agencies in trading such as the Sri Lanka Customs and the Sri Lanka Ports Authority have taken measures to facilitate trade through automation and infrastructure expansion.

While acknowledging the initiatives by relevant agencies, Sri Lanka still has a lot to achieve if it is to reach the facilitation levels of Singapore which is often cited by policy makers and the private sector to be the country's benchmark.

### Trade facilitation priorities

The Institute of Policy Studies of Sri Lanka (IPS) recently concluded a 'Trade and Transport Facilitation Audit'.

As part of the study, a survey was carried out among 121 stakeholders in the country including key government agencies and the private sector to find out the status of trade facilitation (TF) in the country and related priorities.

This included exporters, importers, shipping lines, freight forwarders, chambers and relevant agencies.

Some of the TF issues and priorities highlighted in the survey and a stakeholder consultation meeting held recently were -

Publication and administration of policies: There is a need for prompt and comprehensive publication of international trade related information.

Many said the availability of information, for example, in the Customs website to be inadequate to get a comprehensive understanding of the import and export and clearance processes in Sri Lanka.

Information provided in the Customs website was rated as 'average' by a majority of the respondents, with the effectiveness of information on changes in regulation, Customs duties and fees and charges identified to be 'low'.

Setting up and strengthening enquiry points: While there are inquiry points in agencies such as the Customs, these are generally perceived to be inefficient and difficult to access.

While the enquiry points at institutions could be strengthened, a national enquiry point can function as a coordinating body between the trading community and the regulatory bodies.

### Priority areas

It can collect requests, direct them to relevant regulatory bodies, compile their responses and inform the requesting party of the responses.

At present, inquiries are often directed at the wrong agency as traders are unaware of the relevant agency to address a specific issue.

Having an institutional mechanism to implement TF measures: There is no agency which takes responsibility to implement TF measures.

However, the recently appointed National Trade Facilitation Committee is expected to remove this vacuum and actively take up TF recommendations that have been highlighted by stakeholders over a long period of time at many fora.

Change of mindset and culture at Government agencies and the private sector: While recognising the recent TF initiatives undertaken by the relevant authorities such as the Customs, they do not function well in practice mainly due to the lack of change in mindset to accept and adapt to new ways of conducting business.

### Amendments

The need for the private sector to produce correct documentation without resorting to irregular payments as a relatively easier means of clearing goods was also highlighted.

Legal amendments to the Customs Ordinance: The Customs Ordinance is over 200-years-old and certain provisions need to be amended to facilitate the implementation of identified TF measures such as the extension



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of the pre-arrival processing facility to all goods, whereas, at present the facility is only available for perishable goods.

Trade related infrastructure: The need to improve quality and efficiency of ports, roads, the quality of warehouses and the need to reduce loss and damage to cargo are some the main trade related infrastructure needs.

For example, while acknowledging the improvements in infrastructure in the recent past, the need to give a facelift to the Colombo Port with modern equipment was highlighted by traders.

Problems such as congestion at the Colombo Port can be reduced if more gates at the Port can be opened. At present, only 2-3 gates are open for container traffic at any given time.

Having a non-judiciary review and appeal procedure: Seventy two of 121 respondents of the survey said that there is no non-judiciary review or appeal procedure available if traders are not satisfied with a decision taken by the Customs or any other border management agency.

#### Facilities

However, according to the Customs, traders can appeal to the Director General of Customs if they are not in agreement with decisions taken at the operational level and then to the Ministry of Finance and Planning under whose purview the Customs functions.

Having an Ombudsman who is specialised in Customs and tariff regulatory matters that could assist the trading community to review and appeal a particular decision taken by a regulatory authority can enhance the transparency of the system.

Improving warehouse facilities: More than the inadequacy of warehouse in terms of numbers, traders highlighted the lack of adequate facilities at warehouses. Lack of proper storage racking systems, poor conditions within, poor handling and inadequate security are some of the issues.

Use of ICT for exports and imports: A majority of 107 of the 121 respondents highlighted the need for a single window. Such a system is needed to minimise human intervention in the trading process.

The need for electronic and online submission of customs documents was also identified to be high. While the export process is almost entirely automated, the import process is yet to be completely automated.

#### Ratification

The importance of trade facilitation has been recognised at the multilateral level with the wrapping up of the WTO Trade Facilitation Agreement in December 2013.

This Agreement will come into force once two-thirds of the WTO's 160 members (107 members) complete their ratification process.

Countries such as Hong Kong and China have already ratified the Agreement. Many TF measures highlighted can be implemented at a relatively low cost and are not contentious in nature.

Therefore, it is important that Sri Lanka pursues pertinent TF issues without further delay and enjoy early mover advantages that these reforms offer.

The writer is a Research Officer working in the International Economic Policy Unit at the IPS.

Note: This article is based on the findings of the study 'Trade and Transportation Audit: Sri Lanka' carried out by IPS research staff Dr. Janaka Wijayasiri, Suwendrani Jayaratne and Dharshani Premaratne.

It was written to mark International Customs Day which fell on January 26.

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