



Barriers Beyond Tariffs: NTBs in China

*Dharshani Premaratne
Nipuni Perera
Janaka Wijayasiri*

Outline

- **Objectives of study**
- **Scope of study**
- **Methodology**
- **Sector-wise analysis of issues**
- **Key findings**
- **Recommendations**

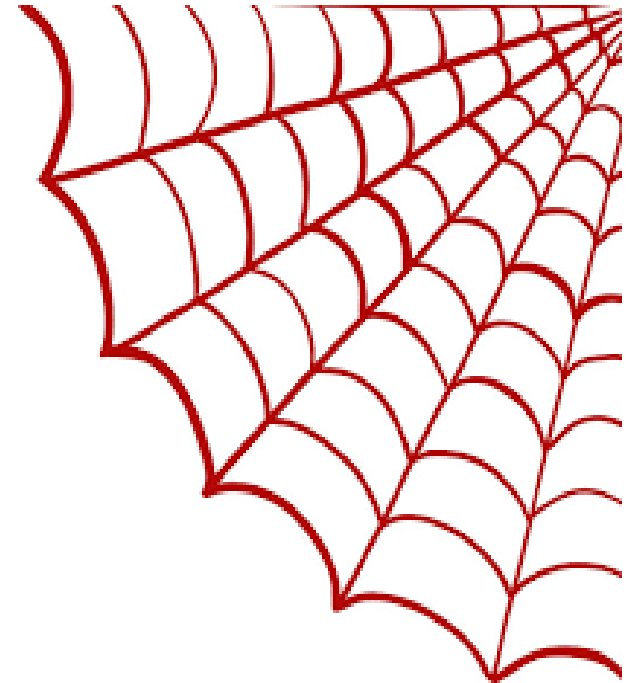


Study Objectives

- Identify constraints faced by SL exporters in accessing the Chinese market including non-tariff measures
- Provide policy recommendations to ease/manage these constraints.

Scope

- 8 Sectors considered:
 - Tea
 - Textile & Garments
 - Fruits & Vegetables
 - Fish & Fisheries Products
 - Rubber & Rubber Products
 - Gems & Jewellery
 - Coconut & Coconut Products
 - Machinery & Electronics



Methodology

- **Primary data collection:**
 - KIIs: 32 Exporters, 6 Association, DOC, SLTB, SLSI, EDB
- **Secondary data collection:**
 - WITS, NTMs Database
 - ITC, Trademap Database
- **Data validation/triangulate:**
 - Method (primary & secondary information)
 - Across stakeholder
 - Consultative meeting

UNCTAD NTMs Classification Used in the Study

Imports	Technical measures	A SANITARY AND PHYTOSANITARY MEASURES B TECHNICAL BARRIERS TO TRADE C PRE-SHIPMENT INSPECTION AND OTHER FORMALITIES
	Non technical measures	D CONTINGENT TRADE-PROTECTIVE MEASURES E NON-AUTOMATIC LICENSING, QUOTAS, PROHIBITIONS AND QUANTITY-CONTROL MEASURES OTHER THAN FOR SPS OR TBT REASONS F PRICE-CONTROL MEASURES, INCLUDING ADDITIONAL TAXES AND CHARGES G FINANCE MEASURES H MEASURES AFFECTING COMPETITION I TRADE-RELATED INVESTMENT MEASURES J DISTRIBUTION RESTRICTIONS K RESTRICTIONS ON POST-SALES SERVICES L SUBSIDIES (EXCLUDING EXPORT SUBSIDIES UNDER P7) M GOVERNMENT PROCUREMENT RESTRICTIONS N INTELLECTUAL PROPERTY O RULES OF ORIGIN
	Exports	P EXPORT-RELATED MEASURES

Findings: Sector-wise



Tea

- **Secondary Analysis:**

- Sanitary & Phytosanitary (SPS) measures
- Technical Barriers to Trade
- NTMs imposed on all tea importers to China & are not exclusively for SL tea

- **KII Findings:**

- Uncovered similar issues



Tea – Key Issues

1. Random Testing for Rare-Earth Content : permissible limit of 2mg/kg.

- Unique to China & not a requirement in other markets
- Direct impact on the competitiveness of Ceylon tea
- Exact particulars relating to regulation not clear
- Limited availability of testing facilities in SL
- China does not recognize testing done in SL

2. Prohibitions on certain substances: Rose petals/marigold extracts, other natural Additives

3. Lack of mutual recognition of standards & tests: Tests to be done in China

4. Time-consuming & complex testing procedures: more standards to meet in China than in any other market.

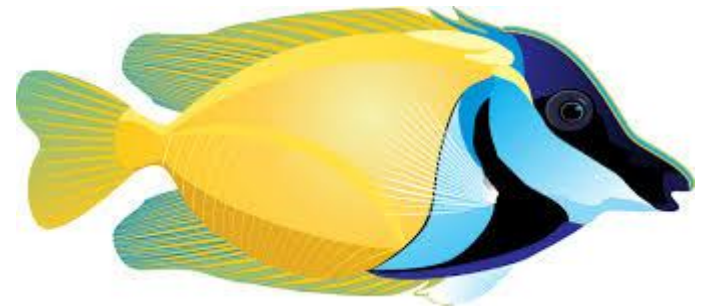


Tea – Key Issues Cont.

5. **Additional demurrage charges:** do not release consignments till testing is done; unique to China
6. **Infringement of Intellectual Property Rights:** Lion Logo
7. **Issues relating to regulations in China:**
 - Rapidly changing regulations
 - Inconsistencies of regulations across provinces / ports
 - Unavailability of information in English
8. **Tariff concessions:** APTA & current import duty rate of 7.5% sufficient to compete.
9. **Insignificant Tariff issues compared to NTBs in China.**

Fish and Fisheries

- **Secondary Analysis:**
 - Sanitary & Phytosanitary measures (SPS)
 - Technical barriers to trade
 - Prohibitions other than for SPS & TBT reasons prevail to a lesser extent
 - NTMs imposed on all Fish & Fisheries importers to China & are not exclusively for SL Fish exports
- **KII Findings**
 - uncovered similar issues



Fish and Fisheries – Key Issues

1. Quarantine & certification issues:

- Lengthy process to obtain quarantine certification
- Lack of proper coordination between China's Inspection & Quarantine Services (CIQ) & SL counterpart

2. Additional testing requirements

3. Inability to obtain export licenses: ornamental fish exports

4. Supply side limitations: difficult to meet the demand

5. Variations in quarantine requirements across provinces

6. NTMs considered to be more burdensome than tariff measures



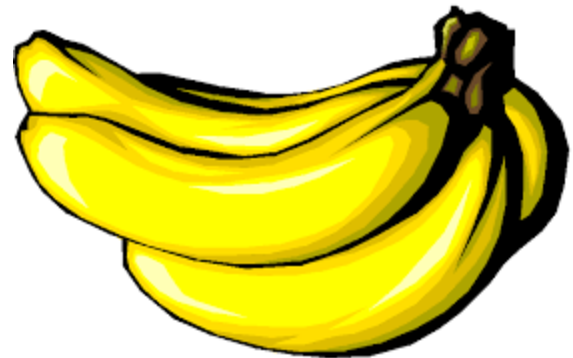
Fruits and Vegetables

Secondary Analysis:

- Sanitary & Phytosanitary (SPS) measures
- Technical barriers to Trade prevail to a lesser extent

KII Findings: in line with secondary data

- 1. Stringent SPS measures compared to other markets:** concerns on limits set by China on residue levels, fertilizer use etc.
- 2. Lack of mutual recognition of certificates & standards:**
 - Non-acceptance of quarantine reports issued by SL authorities.
 - Cumbersome & time-consuming process to obtain quarantine certification.
- 3. Lack of clarity on the food safety policies**
- 4. Supply-side constraints**



Rubber and Rubber Products

Secondary Analysis:

- Technical Barriers to Trade (TBT)
- Non-technical measures prevail to a lesser extent



KII Findings:

- Tariff barriers are most problematic than NTBs

1. Tariff Barrier:

- ASEAN countries have duty-free access to China through ASEAN-China FTA
- SL's rubber products subject to a range of 15% to 30% custom duties
- Some rubber products (e.g. Vulcanized rubber) have withdrawn from China

2. Influx of Sub-standard Raw Material from China to SL:

- Hampering product quality of SL exports

Gems and Jewellery

Secondary Analysis:

- Technical Barriers to Trade (TBT)
- Non-technical measures prevail to a lesser extent
- Commonly applied by China to all Gem and Jewellery imports & not exclusively for SL

KII Findings:

- Tariff barrier most problematic than NTBs

Tariff Barrier:

- Subject to a wide range of tariffs under Chapter 71 in China:
 - 0% to 5% on gems
 - 10.75% on base metals
 - 17.5% to 30% on jewellery
- ASEAN members have duty-free access to China.
- Limited margin of preferences offered under APTA for Chapter 71
- No competitive advantage to Sri Lanka compared to ASEAN competitors.



Textile and Apparel Sector

Secondary Analysis:

- Technical Barriers to Trade (TBT)
- Few Sanitary & Phytosanitary (SPS) measures
- Commonly applied by China to all Textile & Apparel imports & not exclusively for SL

KII Findings:

- Uncovered similar issues & other issues



Textile and Apparel –Key Issues

1. Stringent TBT Measures - GB Testing Requirement

- Tests garments at two points: at port of entry & random testing at the market
- Random & ad hoc method of GB testing caused higher degree of uncertainty:
 - Entire consignment can get recalled or fined at the market even if they are being approved at the point of entry to China
- High charges & penalties for any non-compliant product
- Laboratories in SL not equipped to carry out the GB test & issue certificates:
 - Exporters have to send a sample to China to obtain test certificates prior to shipment (e.g. 21 days prior to shipment) for every consignment.

Textile and Apparel –Key Issues Cont.

2. Detailed Textile Composition Report Requirement

3. High Cost of Obtaining Test Reports

- China requires numeric value of formaldehyde other than just a positive/negative test report for formaldehyde
- Formaldehyde requires in-depth testing -> high cost

4. Issue Related to Documentation Requirement

- Requirement of 3 sets of documents: Including Manufacturing Invoice, Commercial Invoice, Trading Invoice & Suspended Tax Invoice. Usual requirement is 1 set for other countries
- Absence of a fixed body to translate to Chinese & authorize export documents (Chinese) in Sri Lanka
- Practical difficulty of getting exact quantity of shipment in COO.



Textile and Apparel –Key Issues Contd.

5. Language & communication barriers

- Trade-related regulations, information & documents are available only in Chinese
- Regulations change frequently in China & regulations at times differ between provinces and ports.

6. Tariff Barrier

- SL apparels are subject to an MFN rate of 16% when accessing China
- LDCs get duty-free access under China-ASEAN FTA



Constraints Faced when Accessing the Chinese Market

	Sector	NTMs identified through Secondary				Barriers identified through the KIIs					
		Technical Measures			Non-technical Measures	Technical Measures			Non-technical Measures	Prevalence of Tariff Barriers	Other
		SPS Measures	TBT	Pre-shipment inspection & other formalities		SPS Measures	TBT	Pre-shipment inspection & other formalities			
Agriculture	Tea	✓	✓			✓	✓		✓		
	Fish & Fisheries	✓	✓		✓	✓	✓		✓		
	Fruits & Vegetables	✓	✓			✓	✓				✓
Non-agricultural	Rubber & Rubber Products		✓		✓					✓	✓
	Textiles & Apparel	✓	✓		✓		✓			✓	✓
	Gems & Jewellery		✓		✓					✓	

Summary of Findings

- NTMs captured by interviews are consistent with NTMs identified through Secondary analysis.
- Tariff & NTMs are faced by SL exporters when accessing China.
 - NTMs are more challenging for Agricultural exports covered
 - Tariff barriers are more challenging for Industrial exports covered
- NTMs faced by agricultural exporters:
 - SPS measures: e.g. Random testing for rare-earth content in tea
- Key barriers are common across all sectors:
 - Testing & certification issues
 - Lack of mutual recognition of standards & certification
 - Difficulties in getting relevant documents translated
 - Inconsistencies in regulations across ports
 - Lack of necessary testing facilities in Sri Lanka



Recommendations

1. Consider tariff concessions & address NTMs as priority areas for cooperation
2. Set up China Testing laboratories in Sri Lanka managed by Chinese officials
3. Enhance capacities & efficiency of testing laboratories
4. Mutual Recognition Agreements (MRA) on Standards
5. Need for a focal point/agency/authority in Sri Lanka to translate all the trade-related documents/ regulations/ information to English

Recommendations Cont.

6. Need for nodal points that handle issues
7. Outline trade procedures & prompt publication of laws
8. Establish better relationships/coordination between Chinese authorities & Sri Lankan counterparts: CIQ, SLSI, Dept. of Fisheries
9. Expedite anti-dumping & safeguard legislations in Sri Lanka to avoid influx of substandard imports
10. Negotiate tariff reductions to be competitive in the Chinese market



Institute of Policy Studies of Sri Lanka

100/2 Independence Avenue,

Colombo 7, Sri Lanka

T: +94 11 2143100

www.ips.lk

 www.ips.lk/talkingeconomics

 [/instituteofpolicystudies](https://www.facebook.com/instituteofpolicystudies)

 [@TalkEconomicsSL](https://twitter.com/TalkEconomicsSL)