



**SASEC Sanitary/Phytosanitary and Technical Barriers to Trade
Diagnostic Study for Sri Lanka**

23 October 2017
Colombo, Sri Lanka

SUMMARY OF PROCEEDINGS

1. A National Validation Meeting on the SASEC SPS/TBT Diagnostic Study, jointly organized by the Ministry of Development Strategies and International Trade, Government of Sri Lanka and the Asian Development Bank (ADB), was held in Colombo, Sri Lanka on 23 October 2017. The initiative was funded through ADB's Technical Assistance Special Fund. The Agenda and List of Participants is in **Annex 1**. Soft copies of the presentations are in **Annex 2**. The Comments Matrix is in **Annex 3**.
2. Ms. Chandani Wijayawardane, Secretary, Ministry of Development Strategies and International Trade delivered the inaugural address. The Secretary noted Sri Lanka's recently approved National Export Strategy, and the need to better understand the gaps in supply-driven export trade from Sri Lanka, to most effectively implement the new Strategy. In reference to ongoing FTA negotiations with India and with Bangladesh, she confirmed that the findings of the SPS-TBT diagnostic study would be very valuable for Sri Lanka. Trade facilitation remains a high priority for the Government, and the Secretary requested ADB to support further research and the implementation of the recommendations coming out of the SPS-TBT diagnostic study for Sri Lanka. In her opening remarks, Ms. Rose McKenzie, Senior Regional Cooperation Specialist, South Asia Department, ADB, thanked all stakeholders from the private and public sectors for their rapid preparation of a robust draft final report. She noted that the Validation Meeting provides an opportunity for stakeholders to share their views on the draft final report, and an opportunity to capture and incorporation these comments in the final diagnostic study.
3. In **Session One**, Dr. Rose McKenzie, outlined the SASEC Trade Facilitation Strategic Framework and provided the context of where the SPS/TBT agenda fits under the SASEC overall trade facilitation program. Dr Selim Raihan, Professor, Department of Economics, University of Dhaka, Bangladesh and Executive Director, SANEM presented the objectives of the diagnostic study, and explained the detailed tasks to be carried out. He also noted that the diagnostic study for Sri Lanka, together with the five other SASEC national diagnostic studies, will inform preparation of a SASEC regional diagnostic study on SPS-TBT that will focus on identifying issues that can be most effectively addressed at a regional level.
4. In **Session Two**, Dr. Ravi Ratnayake, former Director and Chief Economist, UNESCAP, and ADB national consultant on SPS-TBT, discussed the patterns of Sri Lanka's import and export trade with other SASEC countries, based on data from 2002-2015. The low levels of increase in trade (2%) with SASEC countries was noted, in comparison with trade with the UK over the same period (82%), and with the USA (60%). The 10 most important exports to SASEC countries in 2016 were identified.
5. **Session Three** explained the filtering methodology used by the study to identify the 100 products that have potential for export from Sri Lanka, but which are subject to SPS-TBT measures, and the top 10 export good were shown for each of the SASEC countries, based on UN Comtrade databases. Comments from the floor noted, amongst others, that (i) achieving export quotas while trading with India is challenging because of insufficient supply capacity of Sri Lanka – although this was

countered by the suggestion that SPS-TBT measures could be responsible for the inability to fulfill quotas; (ii) there is a general lack of information about supply networks; and (iii) comments have been received from the Ministry of Health and incorporated into the study.

6. **Session Four** provided an overview of the legislative environment, of institutional arrangements and capacities, and of infrastructure capacities and constraints, for both SPS and TBT, and explored the gaps in comparison with an international standard (Germany). Examples of domestic barriers were also shared, including inter alia, lack of easy access to information on import and export requirements; no systematic advance notification system; a high number of inspections; and delays in issuance of approvals, certificates. Main observations from the floor included: (i) SPS-TBT regulations are better developed in Sri Lanka for import than for export, and improved regulations should be developed for export; (ii) the lack of an internal coordination mechanism is a problem, where several agencies are involved in addressing SPS-TBT issues; (iii) India has agreed to accept the certification of five testing laboratories in Sri Lanka for food imports from Sri Lanka; (iv) Sri Lankan traders face increased questions in India when trading in the 85-86 categories; (v) given the lack of laboratory facilities in Sri Lanka, a suggestion was tabled for establishment of a subregional testing body to provide services (e.g. for calibration) for traders, even on a temporary basis while national capacities are developed; (vi) there exists a tendency to incorporate voluntary standards into technical regulations, thereby rendering these standards mandatory; and (vii) the current work of SARSO in harmonization of standards at the regional level should be considered.

7. **Session Five** identified the various standards, regulations, and procedural obstacles that impede trade of the identified potential export commodities from Sri Lanka with each of the other five SASEC countries, and attempted to clarify whether these obstacles are SPS-TBT-related, or due to other NTBs. Additional filters (including consideration of negative/sensitive lists; comparison with international standards; comparison with SPS-TBT application in the major markets for the potential export products for Sri Lanka) were presented. Common products facing SPS-TBT obstacles in all SASEC countries include: machinery and appliances (HS 84); electrical machinery and equipment (HS 85); apparel (HS61-62); prepared food (HS 16-23); rubber products (HS 40); paper products (HS 49); articles of plastics (HS 39). Comments from the floor included: (i) the impact of negative/sensitive lists should be considered (ii) non-recognition of certificates (on food safety) should be further explored; (iii) clarification that the Department of Commerce addresses problems relating to recurrent SPS-TBT barriers.

8. **Session Six** presented the recommendation shared in the diagnostic study, grouped around the following topics: regulatory structures; procedures and processes; instructional structures; infrastructure; information and data; human capacity development; India-specific actions; regional and bilateral cooperation; role of Sri Lankan government; role of the business sector. Specific recommendations were given and are captured in the Comments Matrix.

9. The Meeting participants agreed that the draft final diagnostic study reflects the current realities of SPS-TBT measures and barriers in Sri Lanka, and that the Summary of Proceedings reflects the nature of discussions. ADB was requested to continue support to Sri Lanka through the SASEC platform to address SPS-TBT obstacles to trade under its trade facilitation agenda.

Closing of the Meeting

10. In closing the Meeting, ADB thanked the Government of Sri Lanka and all participants for their support and active participation.