



4th April 2017

Mrs. Chandani Wijewardena
Secretary
Ministry of Development Strategies and International Trade
27th Floor, West Tower,
World Trade Center,
Colombo 01,

Dear Madam,

This has reference to your email of 14th March enclosing the Draft of the National Trade Policy, requesting our comments, suggestions and observations.

The draft of the Trade Policy incorporates the views and suggestions made by the Chamber, in respect of the initial draft, covering the important areas of - 1. Trade related investments No. 2. Ad-hoc macroeconomic fiscal and taxation policies 3. Issues related to Trade Agreements and 4. Trade facilitation measures etc.

However, it is our view that presentation of the relevant issues are in different sections of the body of the detailed policy document, and lacks forceful presentation of the core issues and suggested policies that would be expected to be highlighted in a policy document, to attract the attention of decision makers, and to be a marketable document among the relevant stakeholders, including the public. In this context it is considered important and beneficial to highlight the specific issues and related core policies at the beginning of the policy document (giving reference to details as necessary in the body of the document).

We wish to also make the following observations and suggestions:

1. Investment Policy:

The poor export performance of Sri Lanka, and the lack of diversity of products and services is primarily due to the inadequacy of production capacities, and cost competitiveness. Therefore, capacity creation through Foreign Direct Investments (FDIs) and local investments is vital. In this background it has to be accepted that the necessary investments specially of FDIs, have failed to materialize. To overcome this situation, a clear investment policy with the necessary incentives for investments has to be put in place; and the Trade Policy has to be part and parcel of the Investment Policy. Whether the necessary Investment Policy and integration is in place needs to be clarified, and if not the measures to overcome the drawback should be clearly stated.

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2. Export Policy:

A National Export Strategy (NES) is being formulated by the Export Development Board (EDB) together with the relevant stakeholders, and with the assistance of the International Trade Centre (ITC).

In this regard it is understood that a separate sub-committee has been constituted to prepare the Export Policy related to the NES.

However the draft National Trade Policy also, in section 3.2.1 'Boosting Exports' outlines a list of major policies required to promote exports. In this regard it needs to be clarified as to how the Trade Policy will be integrated with the Export Policy, as in the case of the Investment Policy.

In regard to Export Policy, it is also desirable to outline clear policies related to (a) skills development to bridge the shortage of technical and managerial skills in identified important sectors (b) innovative mechanisms to finance investments, R&D activities and Branding. (c) Identification of new sectors with potential for development, including the export of services in which the country has a comparative advantage. E.g. Entrepot Trade (d) integration with "Global Value Chains".

3. Trade Agreements:

The Policy related to Trade Agreements should ensure that:

- (a) Existing Non-Tariff Barriers are eliminated to the best possible extent reciprocally.
- (b) Mutual Recognition Agreements (MRAs) are entered into, in respect of product sectors to recognize standards and testing facilities in Sri Lanka, reciprocally, entailing the recognition of accredited testing laboratories in Sri Lanka.
- (c) Careful determination of the Sri Lanka negative list to protect Sri Lankan Enterprises over a transition period.
- (d) Establishment of a single authoritative information source for both trading partners to ensure exporters and importers of both parties obtain all trade related information as well as rules and regulations covering trade transactions, from one point.

3.1. (a) Exclusion of Mode 4 related to trade in services.

- (b) In regard to Mode 3 the policy should clearly state, on what basis professionals and technical personnel will be allowed into Sri Lanka related to investments in projects. (Including their numbers and work conditions) and mechanism to obtain time bound clearance. (Preferably through the relevant Sri Lankan professional Associations)



4. Trade Facilitation:

- 4.1 Policy to streamline trade procedures (removing unnecessary ones) and simplification of procedures should be clearly stated, to ensure efficient and low cost transactions. (The policy document itself states that in Sri Lanka, more than 15 border regulatory agencies are responsible for regulations, and administration of procedures)
- 4.2 The above policy should be applicable to trade agreements as well.

5. Policy and Institutional coherence:

The Trade Policy document records the fact that policy coherence is crucial for Trade and Investment to play their respective roles in economic growth. It further states that currently in Sri Lanka Trade Policy making and implementation are with a wide range of public institutions causing significance delays, bottlenecks, confusion, and inefficiencies in trade related activities including trade negotiations.

The remedy proposed is an Inter-Ministerial Coordinating Body.

On paper such coordinating bodies or even a superior institution looks a plausible solution. However they most often serve to add to the burden, with additional administrative costs as well.

In this context to overcome the current confusion, and the necessity for entrepreneurs and investors to deal with several trade related institutions to obtain approvals, and for trade related activities, the trade policy should ensure the **rationalization of institutional functions, and the institutions themselves, including the "number of Ministries and their functions"**. Further the policy document should be bold enough to propose the desirable 'function wise rationalization' that is required.

Since the trade policy if adopted should be a national document which provides future policy stability to encourage entrepreneurs and investors, the object should be for the two main political parties in the "Unity Government" to agree on a clear policy in this regard, to ensure future stability, in the eyes of investors, both foreign and local.

6. General comments:

- (a) Para No. 2 in page 4 of the document under the 'Introduction' states that the countries' productivity has averaged around 1 percent over 30 years, and is remarkably low compared to neighbours. We presume this refers to the growth rate in productivity.



- (b) In page 5 under the bold caption - 'The need for a National Trade Policy' the side heading 2.1 "going backwards" looks rather funny, and could give a wrong impression. We would suggest that this side heading be changed to "past performance"
- (c) In the summary and conclusions the major measures contemplated under the NTP are listed from (a) to (o). It further states that the detailed blue print will be elaborated in due course. Whether this means the 15 listed measures has been accepted by the authorities needs clarification.
- (d) The four key elements that the NTP will address are outlined in para 3 in page 4 under the 'Introduction'. However, one of the key elements which should be to integrate Trade Policy with Investment Policy is not included.

We trust that the above comments and suggestions, which are not intended to be critical, but constructive, will be of some use to move forward in this exercise.

Thank you

Yours faithfully

NATIONAL CHAMBER OF EXPORTERS OF SRI LANKA



Shiham Marikar

Secretary General/ Chief executive Office