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Improving Import-Export Procedures and Processes in Sri Lanka

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Contents

List of Tables

List of Figures

Executive Summary

An in-depth understanding of trading processes is required in order to identify areas that create bottlenecks in trade and to take measures to remove such bottlenecks. Towards this end, this study examines the trading procedures and processes for two export and two import products of Sri Lanka. The study involves mapping the processes involved in the export of tea to Japan and tyres to India, and the processes involved in the import of motor vehicles from Japan and textiles from India, through a business process analysis. This study has attempted to list all the required documents and all procedural requirements from the point of order to shipment, and to also estimate the costs of trade for the selected products.

The study found that there are 24 documents involved in exporting tea, 19 documents required for the export of rubber tyres, 18 documents required for the import of cars and 19 documents required for the import of textiles, while the number of agencies involved ranges from five to nine. The number of days taken to export tea is 17.06, while 16.9 days are required to export rubber. To import vehicles and textiles takes 6.4 and 6.05 days, respectively. The costs range from USD 79 (to import a vehicle) to USD 677 (to import a container of textiles). Several of these figures differ significantly from the estimates published by the World Bank.

The study found no major differences in terms of the process or time taken by large companies compared with medium-sized traders, but the study found that Board of Investment approved companies have some advantage over other countries in terms of the time taken to trade.

The majority of the companies interviewed for the study have been in business for a long time and employ Customs House Agents or freight forwarders who are well versed in the processes. Thus, the traders are accustomed to the processes and have few complaints. Nevertheless, they identified the need to automate trade procedures as a priority area for attention, and raised a number of other issues.

From the findings of the study, it is recommended that steps be taken to:

- Take forward the computerization and automation of trade procedures.
- Issue the Certificate of Origin (COO) electronically and ensure acceptance by trading partner countries of the electronic COO.
- Open customs clearance during weekends and holidays and remove overtime fees.
- Better control the rates charged by shipping lines and freight forwarders.
- Develop credit facilities at the ports.
- Put all related agencies under one roof.

Introduction

Cumbersome paperwork, delays caused by regulatory agencies and other bureaucratic red tape hinder trading processes, causing unnecessary delays and costs to traders. Research has shown that trade facilitation can lower trade costs and in the context of the global economic crisis there is greater need for reforms in trade practices than ever before.[1] As Finger and Schuler (1999) note, although trade facilitation issues "are more difficult to reform than mere tariff rates, …[they] are probably becoming more important as tariffs fall and global supply chains come to dominate production and trade".[2]

Researchers, investors and governments use trade facilitation indicators such as the number of documents and the number of days required for trading as tools for analyses and comparison. The figures obtained in studies often vary significantly, however, based on the traded product, the requirements of the trading partners, the country and other factors. For example, research conducted by the Kasetsart University (2007) found that there are 15 parties involved in exporting rice from Thailand and 24 documents are required, while in the case of Sri Lanka there are over 30 parties involved in the import/export process, with traders having to visit some or all of them depending on the good traded (Wijayasiri and Jayaratne, 2009).

This study carries out a detailed analysis of the trading procedures in Sri Lanka for the export of tea to Japan and tyres to India, and the procedures involved in the import of vehicles from Japan and textiles from India. India is the largest trading partner of Sri Lanka in the region, and Japan is an important trading partner of Sri Lanka outside South Asia. The products selected for analysis are key to the Sri Lankan economy in terms of economic performance as well in terms of their impact on development, employment, government revenue and intra-regional trade. In addition to capturing the different requirements specific to the chosen products, the study also attempts to analyze the variations between the processes for Board of Investment (BOI) approved companies and non-BOI companies as well as to perceive any differences in procedures/processes for large exporters compared with small and medium-sized enterprise (SME) exporters.

This in-depth analysis at the country-level is expected to provide useful information to traders, researchers and policy makers to identify any existing bottlenecks, see where previous changes to the system have been successful and to derive policy recommendations regarding elements of import/export processes that need improvement.

[1] Benjamin T. Taylor and John S. Wilson (2009).
[2] Finger and Schuler (1999).

1. *Trade facilitation in South Asia and Sri Lanka*

Trade and transport facilitation has become a vital tool in the process of integrating markets, and is an important factor in determining levels of trade that take place between countries and in investment decisions taken by the private sector. Current production methods and cost-effective strategies (e.g. just-in-time) demand efficient trade and transport facilities to be in place in both the exporting and importing countries. For instance, trade and transport facilitation is crucial for the garment industry in the South Asia region because of its heavy dependence on imports, the short delivery cycles required by higher value market segments and price competition.

Developing countries are often adversely affected by inefficiencies and delays that occur as a result of inadequate infrastructure and cumbersome trade procedures, which, if improved, would improve links with other markets and lead to growth in trade. South Asia is often perceived to have poor external supply chains. In general, when indicator measurements are compared, South Asian countries lag behind Singapore, Malaysia and Thailand. Although trade facilitation in South Asia has improved, with major improvements having been made in some countries of the region, some countries lag behind.[3] India and Sri Lanka are the best performers in the South Asia region. This is reflected by these countries' competitiveness in the global market, as indicated in reports such as the Global Competitiveness Report.[4]

The "Trading Across Borders" measures of the World Bank's annual "Doing Business Report" assess the costs, procedures and time taken by countries in trading, and are widely used as benchmarks for comparison across countries and regions. According to the Doing Business Report, South Asia's trading efficiency is relatively poor, with the region demanding the highest number of export and import documents compared to other regions in the world. The documentation needs of countries like Singapore, Thailand and Indonesia are significantly lower, and this can be largely attributed to the automated trading systems that are in place in these countries.

While all governments in South Asia have initiated reforms and streamlining measures, including computerized customs clearance, these have been only partially implemented. This is reflected in the time taken to export and import, with the average time taken to trade with South Asian countries exceeding the time taken to trade with ASEAN countries by over nine days.