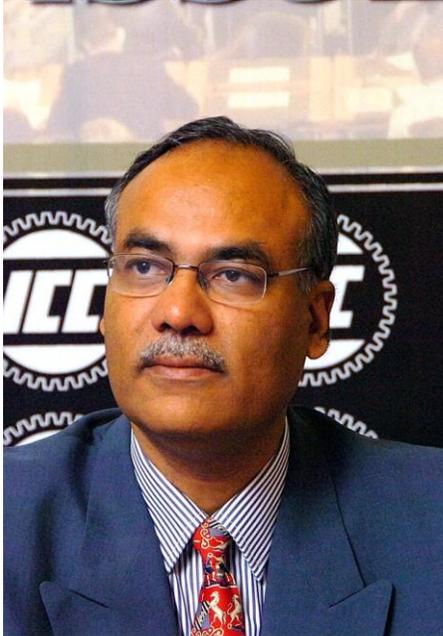


How Can Sri Lankan Exporters Meet ‘Private Standards’ - An Interview with Director Brookings India

By Anushka Wijesinha



Dr. Harsha Vardhan Singh – former Director at the World Trade Organisation and currently the head of Brookings India – was a speaker at the recently concluded Sri Lanka Economic Summit, in a session on ‘Executing a Smarter Trade Strategy Amidst Turbulence’. On the sidelines of the event, Chief Economist of the Ceylon Chamber of Commerce, Anushka Wijesinha interviewed him on the role that private standards play in being competitive and getting into lucrative value chains.

“PRIVATE STANDARDS ARE BEYOND AN FTA AND ARE OUTSIDE THE REALM OF CONVENTIONAL TRADE POLICY”

Q: Harsha, we had an interesting session on developing a smarter trade strategy, but one area we didn’t cover much is how to be competitive in export markets in an increasingly standards and certification driven world. What are your thoughts on this?

A: The session talked about two large issues – firstly, domestic structural reform to improve competitive and secondly, FTAs. The first is necessary – you need to do that in any case in a world where you need to continue to be competitive and reduce costs both for domestic production and for exports. Second, FTAs are a time consuming exercise. What I feel is that one can prepare the country to achieve positive results even before the FTA takes place, however well the FTA is crafted. There are two different aspects one can take into account. As global markets are evolving and as global value chains or regional value chains become relevant, the key moving factor is the lead firm. When you want to make progress in a particular product or service – less so for service more for product – but since they are mixed in a value chain, both become relevant – you have to deal with the lead firms. And the lead firms, in order to sell in the major markets where it has maintain reputation and distinctiveness – specifies standards to be met when producing that product. These are ‘private standards’. They are beyond the FTA and they are outside the realm of conventional trade policy. One must connect with the lead firm and develop capacity to fulfill their private standards, so you are able to link up as part of their value chain. Once linked up, you can go up higher in the chain, but without meeting the minimum criteria you won’t be successful.

“INDIA USED A BILATERAL AGREEMENT WITH SWEDEN TO SET UP A TRAINING CENTRE TO MEET STANDARDS IN EUROPEAN MARKETS”

Q: Often we advocate for horizontal approaches, where Government help should be at an industry or sectoral level, rather than get too granular. So, is there a role for Government in supporting exporters to meet private standards that are a lot more firm- or value chain-specific?

A: Especially in a developing economy, where systems are not highly attuned to produce products that meet those private standards, there is a role for government. One is the legal structure. In India there has been a lot of recent progress. They changed two laws on conformity assessment to enable the system. They also established a ‘Standards Conclave’ in 2014 that takes place annually, and all those relevant to standards regime are brought to the same room to discuss the issues. That forum specified the Quality Council of India as the focal point for private standards, and accreditation authority and capability was provided to them. There is also a lot of coordination with industry bodies that have their own initiatives in this area. In addition to that, India established a training centre for this. They used a bilateral agreement with Sweden where one component that was included was training to meet standards in European markets. So, there are multiple ways in which to identify key constraints and address these in a focused way with a positive outlook.

“YOU NEED TO DEVELOP REGULATORY COHERENCE WITH MARKETS YOU WANT TO CONNECT WITH”

Q: There is a lot of debate on private standards – that it is a new form of Non-Tariff Barrier on trade. There are a plethora of standards at buyer and brand level. What tips do you have for countries like Sri Lanka and our lead firms to cleverly navigate these?

A: There are two aspects I would suggest. The first is the regulatory framework in the country. You need to develop “regulatory coherence” with markets you want to connect with. Not necessarily to do with private standards alone, but simply link up and have practices that are good governance regulatory practices. That lays the foundation for the next steps to connect with leaders in the foreign country, discuss and resolve; when Germany held the presidency of G20, this was a strong emphasis. Beyond that I would say you need to work with the lead firm, or firms, or institutions that work with lead firms, to learn and develop capacity and ability to meet those standards. In addition, there are possibilities of getting technical assistance from an



international organization. For instance, ITC is very much focussing on private standards – agriculture, SME exporters, etc. They also have the richest database on private standards. The approach has to be multipronged. Without lead firms you cannot do it; without regulatory coherence you cannot do it. Whatever assistance is needed you should reach out to other governments, other international institutions, and most importantly to lead firms.

Anushka Wijesinha is Chief Economist at the Ceylon Chamber of Commerce. This article is part of the Chamber's 'Trade Intelligence for the Private Sector' (TIPS) initiative, where we bring our members fresh insights into global and national trade policy issues. Write to ei@chamber.lk to engage. Visit www.economy.lk to catch up on videos of the 'Sri Lanka Economic Summit'.

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