

NEWS ROUND UP

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Exporters must evolve past GSP+, says Govt.

Exporters will have to evolve past preferential trade access to the European Union (EU), which has helped exports withstand the impact of the Easter attacks, as they could be phased out as early as 2023 due to Sri Lanka becoming an upper-middle income country, officials said yesterday.

Addressing a seminar titled 'Sri Lanka's Exports to the EU: Impacts of GSP+', Department of Commerce Acting Director General Nimal Karunatilake acknowledged the challenge Sri Lanka could face with the World Bank raising Sri Lanka's categorisation to upper-middle income status from lower-middle income status in July this year.

He pointed out that the EU only allows countries to have GSP+ access for two years after they reach upper-middle income status with a grace period of one more year before countries are typically removed from the program. In addition the EU could within the next year and a half reevaluate the their preferential access schemes including GSP+, which could result in unexpected challenges for Sri Lankan exports.

As of 2018 as much as 58% of all Sri Lankan exports benefit from some form of preferential access due to GSP+ and the EU remains the country's largest export market. Even though the UK has expressed willingness to keep tariff rates unchanged when they leave the EU, Sri Lankan exports could still experience some upheaval, experts have pointed out.

"We would appreciate more clarity on this issue from the EU. If we continue to be categorised as upper-middle income we will be out of GSP+ by 2023. We have to look at the vulnerabilities and see what alternatives are available to us," Karunatilake said.

He also appealed to EU officials present at the seminar to assist with resolving the rules of origin challenges on apparel, pointing out that even through Sri Lanka had presented a proposal with Indonesia to the EU, it is yet to be approved. He also said measures to coordinate with South Korea were unlikely to be practical as they do not have a body to certify the origins of raw materials from that country.

However, Sri Lanka remains optimistic of opportunities presented by GSP+, insisted International Trade and Development Studies Minister Malik Samarawickrama.

"Sri Lanka has gone through some challenging events and the bright spots like GSP+ have helped bolster exports. We can be proud that in 2018 Sri Lanka had a record year for exports. We achieved \$ 17 billion in merchandise and services exports. For 2019 we have set the target of \$ 18.5 billion and despite the setbacks we have faced I'm sure we can achieve this target. This will be 33% more than what was achieved in 2015. Our exporters have done well and remained resilient."

He pointed out that since the resumption of GSP+ concessions in 2017 the value of Sri Lanka's total exports to the EU market in 2018 recorded a growth of 5% when compared to 2017. As a result Sri Lanka's GSP+ utilised exports recorded a year-on-year recorded a growth of 1% in 2018.

"As much as 50% of our total exports to the EU utilised the GSP+ facility in 2018 and overall utilisation of GSP+ preferences has increased marginally from 54.8% in 2017 to 58.1% in 2018. We certainly need to do better," he said outlining measures taken by the Ministry to encourage companies to produce more goods covered under GSP+. The apparel sector which accounts for over 60% of exports to the EU.

Sustainable Development Senior Advisor Nicolaos Zaimis addressing the gathering explained that all EU preferential tariff programs including GSP+ will be evaluated in the next one-and-a-half years with EU members deciding whether to continue, adjust or end them.

“If countries become upper-middle income economies and the World Bank certifies that for at least three consecutive years that means these countries are no longer vulnerable, which is the definition of the GSP+ recognition and therefore they graduate. In a way it is good news. It means you are economically advanced. However, independent of what happens I think the work done in the context of GSP+ is good for Sri Lanka anyway. It’s good for exports to the European market, overall markets and inclusive growth. I hope these reforms continue in the future notwithstanding the status of GSP+.”
(Daily FT)

SC tells President PC polls cannot be held

The Supreme Court has informed President Maithripala Sirisena that the Provincial Council Elections cannot be held without the delimitation report being completed and passed in Parliament.

The delimitation report which demarcates provincial boundaries was defeated in Parliament after being prepared by a five-member committee in 2017.

Subsequently a committee was appointed by Prime Minister Ranil Wickremesinghe to put forward recommendations.

The Committee was established after the Provincial Council Elections (Amendment) Act was passed to allow Provincial Council Elections to be conducted under a mix of first-past-the-post and proportional representation systems. The same was done for the Local Government Elections that were held in February 2018.

However, owing to delays by the committee President Sirisena earlier this month sought an opinion from the Supreme Court on whether the Provincial Council Elections could be held without a delimitation report under the old system, the President’s Office said. The Supreme Court took up the matter on 23 August.

The President also sought the Supreme Court's opinion on whether the polls could be conducted using the defeated delimitation report under the Provincial Council Elections (Amended) Act or the previous Act which existed before being amended in 2017, President Secretary Udaya Seneviratne said in the statement.

A five-member judge bench then communicated its opinion to the President stating that the elections could not be held under the new Act since the President does not have the authority to act on the defeated delimitation report as it would be unconstitutional. The bench had also noted that the polls could not be conducted under the old Act according to the Interpretation Ordinance. (Daily FT)

AG tenders dossier on Mahendran’s extradition to Foreign and Defence Ministries

The Attorney General’s Department yesterday tendered a dossier pertaining to the extradition request for Arjuna Mahendran to the Ministry of Foreign Affairs to be forwarded to the Government of Singapore.

The dossier containing 21,000 pages inclusive of certified copies pertaining to the case, statements of witnesses was also submitted to the Ministry of Defence to assist with processing the extradition request, an official of the AG's Department said.

The MFA will take measures to submit the request shortly. Mahendran, who is the former Governor of the Central Bank under whose tenure the bond scam took place, has been absconding since he was named a suspect in the case. Indictments were filed against Mahendran and nine others before the Permanent High Court at Bar in June this year with Mahendran and another suspect absconding by being way from the country.

The High Court at Bar allowed the AG's Department to proceed with the extradition request after it filed an affidavit in court explaining the reasons as to why a warrant should be issued against the Mahendran, who is the first accused in the case.

After the warrant was obtained from the Permanent High Court at Bar, the AG's Department compiled the dossier seeking the extradition request of the former CB Governor from Singapore so as to ensure he was present at the bond scam trial, AG Co-Ordinating Secretary Nishara Jayaratne said.

The extradition request was handled by Additional Solicitor Generals (ASG) Parinda Ranasinghe PC. (Daily FT)

PSC may record President's testimony in location outside Parliament

Members of the Parliamentary Select Committee (PSC) probing the Easter Sunday terror attacks yesterday discussed the possibility of obtaining the testimony of President Maithripala Sirisena in a location outside Parliament.

The PSC members agreed to consider this option after the Executive turned down a request to appear before the Committee in Parliament where its sittings have been held since its inception in June.

The Committee sent a letter inviting the President to give a date convenient for him to testify to come before the Committee last month but he has not agreed to their request.

Dozens of witnesses including Prime Minister Ranil Wickremesinghe have given evidence before the Committee which is expected to finalise its report by the end of September. (Daily FT)

Port Access Elevated Highway begins construction next week

The \$ 300 million Asian Development Bank (ADB) funded Port Access Elevated Highway will commence construction work next week, a top official confirmed.

"The construction work of the Port Access Elevated Highway linking the Kelaniya new bridge with Colombo Port City will commence on 10 September," RDA Chairman Nihal Ranjan Sooriyarachchi told the Daily FT.

He said the new elevated highway will connect Inguru Kade junction to Port City is expected to ease traffic congestion, improve connectivity, and facilitate trade logistics in the country.

In addition, he said the proposed dry port at Kerawalapitiya is believed to relieve the current traffic congestion at Orugodawatte.

“Right now it takes around 45 minutes to inspect containers at Orugodawatte. However, with the development of the Kerawalapitiya dry port, it will take only 10 minutes to reach the port,” he added.

The RDA Chairman also admitted that most of the roads in the country are not designed for the heavy vehicles.

“When the roads are built without a design it means that the breakages are more which leads to frequent, heavier traffic. It erodes economy in many ways,” Sooriyarachchi stressed. (Daily FT)

Half of new expressways to be done by year end: RDA

Half of the ongoing expressway work will be completed before the end of this year, whilst the Road Development Authority (RDA) is firming up moves to expedite the rest, a top official said.

“At present we are developing about 200 km of expressways and of that we are completing about 105 km within this year,” RDA Chairman Nihal Ranjan Sooriyarachchi told a forum recently.

Speaking at the ‘Understanding the MCC Compact’ forum organised by the Sri Lanka-US Business Council of the Ceylon Chamber of Commerce (CCC) he pointed out that the RDA has developed 3,400 km of road in five provinces.

Sooriyarachchi said the Outer Circular Highway (OCH) – III, which was planned in the 1990s will finally be opened for the public next month. “The completion of the OCH –III will connect the Southern Expressway from Matara to Katunayake. We have now completed around 40 km of the Hambantota to Matara expressway and it will be open to the public from November. In addition, the Kadawatha to Kerawalapitiya stretch will also be open to the public by November,” he added.

According to Sooriyarachchi, the RDA takes about Rs. 225 billion of the national Budget for the development of road network in the country, which is mainly focused on the expressways at present.

Sooriyarachchi also said they hope to open the Mirigama to Kurunegala stretch of the Central Expressway by March next year. Further, he said that the RDA will open the old Kandy road with four lanes up to Pasyala.

Elaborating on the Colombo region road development project, the RDA Chairman also noted that they have planned to develop a number of elevated highways to ease the traffic congestion in the capital.

“We planned to do an elevated highway from Orugodawatte junction towards Rajagiriya. For this project, conceptual designs are done, environmental approvals are done. We have qualified nine contractors to develop this project on a Public-Private Partnership (PPP) basis,” he said.

Sooriyarachchi said they are also connecting Rajagiriya to Athurugiriya interchange by another elevated highway.

In addition, he said that the RDA is constructing the new Kelani Bridge, a 380 m long six-lane bridge across the Kelani River with a loan of Japanese Yen 35,020 million from the Japan International Cooperation Agency (JICA).

However, as the funds through the loan were deemed inadequate for the construction of the new Kelani Bridge and its approach roads, the Department of National Budget will be providing additional financing throughout the four-year implementation period.

Sooriarachchi said this new Kelani Bridge will help to take the crowd from Katunayake expressway to reach the Port City through an elevated highway, which will connect Inguru Kade junction to Colombo Port City. (Daily FT)