

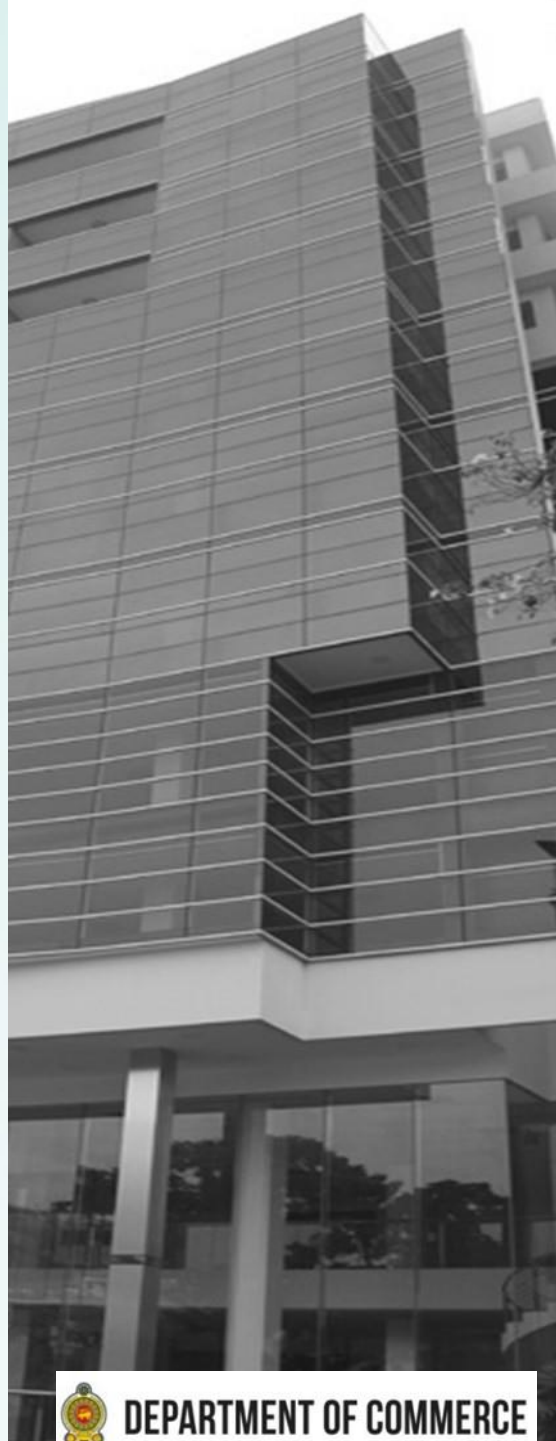


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**“Preferential Exports to the UK....
Beyond BREXIT?”**

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DEPARTMENT OF COMMERCE

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Preferential Exports to the UK.... Beyond BREXIT?

Background

Sri Lanka and the UK have been long standing trading partners. The UK is the 4th main trading partner for Sri Lanka while, Sri Lanka is the 69th trading partner for the UK. Further, the UK is the 2nd largest export destination for Sri Lanka with a share of 9.17% of total merchandise exports. Total bilateral trade value was US \$ 1.3 Bn in 2020 and exports were US \$910 Mn, with 70% comprising of textile and apparel products.

Prior to Brexit

Prior to 2019 when the UK was a member of the EU, Sri Lanka's exports to EU was around US\$ 3.1bn (one third of its global exports), out of which around US\$ 1bn (10% of Sri Lanka's global exports) was exported to the UK. Sri Lanka being a beneficiary of the EU GSP Plus Scheme had access to zero duty market access for around 7000 products in the EU.

Resulting the referendum in 2016 on Brexit, the UK officially exited the EU with effect from 31st January 2020.

" UK is in the process of developing a bespoke GSP Scheme known as the Developing Countries Trading Scheme (DCTS) replacing the present UK's Generalised Scheme of Preference to be implement in 2022"

Brexit Transition period

During the Brexit transition period Sri Lankan exports continued to benefit from the EU GSP Plus preferential duties throughout the year 2020.

On 19 May 2020, the UK introduced its 'Most Favored Nation' (MFN) tariff regime or the UK Global Tariff (UKGT) designed specifically to suit the UK economy. The UKGT was developed based on stakeholder consultation. Sri Lanka also responded. The Department of Commerce (DOC) having conducted several rounds of stakeholder consultations with all relevant organizations and industry representative including EDB, JAAF, Trade Associations and Trade Chambers etc, submitted comments of different sectors.

Post Brexit

At the conclusion of the Brexit transition period, the UK implemented its GSP scheme and the UKGT with effect from 01.01.2021.

The UKGT is applicable to all goods imported to the UK unless an exception of preferential arrangement or tariff suspension applies. For example, it is not applicable to goods imported from developing countries that benefit under the Generalized Scheme of Preferences (GSP/GSP+ etc), or to goods originating from countries with which the UK has negotiated a Free Trade Agreement (FTA).

As a part of the UK Trade policy regime, the UK introduced its Preferential Scheme for LDCs and the developing countries, namely LDC Framework, General Framework and Enhanced Framework. The Enhanced Framework is a replicate of the EU GSP Plus Scheme and Sri Lanka continues to receive the same preferential treatment of the EU GSP+ in the UK market from 1 January 2021.

Developing Countries Trading Scheme (DCTS)

Further, the UK is in the process of developing a bespoke GSP Scheme known as the Developing Countries Trading Scheme (DCTS) replacing the present UK's Generalised Scheme of Preference to be implement in 2022 based on a public consultation, where Sri Lankan stakeholders also participated facilitated by the DOC as in previous instance. The objective is for the UK to develop free and fair trade with developing countries, boost economies, and support jobs in those countries, as well as in the UK. Views were sought on rules of origin requirements for least developed countries (LDCs), reducing tariffs for low income and lower-middle income countries, the approach to goods graduation, which suspends reduced rates on some goods and the conditions and reporting requirements for low or lower-middle income countries.

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