

# IMPACT OF NON-TARIFF MEASURES ON TEA EXPORTS FROM SRI LANKA

**A.B.A.W.Pushpakumara and S.N.Dissanayake**

*Department of Agricultural Systems, Faculty of Agriculture, Rajarata University of Sri Lanka, Anuradhapura, Sri Lanka*

Sri Lanka is the fourth-largest producer and exporter of tea in the world in 2019. Sri Lankan tea is famous worldwide as Ceylon tea. The production and export of Ceylon tea show a declining trend for several years of recent past due to various factors. This study evaluates the impact of Non-Tariff Measures (NTMs) on tea exports from Sri Lanka using the Gravity model of trade. Sanitary and phytosanitary measures, technical barriers to trade and quantitative restrictions are the types of NTMs imposed on Sri Lankan tea by its major importing countries. The model considered a panel data set extracted from Sri Lanka and its major tea export destinations accounting for 10 countries in total for the period 2010 to 2019. The value of tea exports was considered as the dependent variable while the independent variables include common gravity variables, Gross Domestic Product (GDP), geographical distance, and country-specific variables such as the presence of NTMs, tariff and colonial relationship. The results revealed that the frequency of NTMs on Sri Lankan tea exports has been increased over the period under review. The Gravity model estimations shows that except for the tariff the coefficient of all gravity variables bear expected signs and statistically significant. The GDPs of Sri Lanka and importer and colonial relationships have positive impacts while the distance and NTMs affect negatively on tea export flows from Sri Lanka. The coefficient values of those variables are 0.38, 0.13, 1.03, -0.54, and -0.48. NTMs reduce the value of tea exports from Sri Lanka by 48%. The calculated tariff equivalent value shows that the NTMs have a 66% impact compared to tariff. These results confirm that there is a significant impact of NTMs on the reduction of tea exports from Sri Lanka. Hence, there is a need to focus more on further research on this subject and policy formulation regarding tea trade.

**Keywords:** Ceylon tea, Gravity model, Non-tariff measures, Tea exports