The Institute of Policy Studies (IPS) yesterday urged an end to Sri Lanka’s ambivalence towards trade, to boost the contribution of exports to GDP and achieve rapid economic growth.

IPS Research Officer Kithmina Hewage, speaking at the Asian Development Bank (ADB) Think Tank Forum held yesterday in Colombo said that, while there are encouraging signs, the country still displayed a rather ambivalent attitude towards trade and exports.

"There is a movement towards better integrating in to global value chains, and Sri Lanka has signed and ratified the Trade Facilitation Agreement (TFA) and there are other unilateral reform processes in the works. However, overall we are seeing an ambivalence in how we liberalize trade and boost exports," he said.

He highlighted the fact that there has been little change in Sri Lanka’s export basket over the years, and contrasted it with Vietnam, which at one point had a similar export basket to Sri Lanka but has now well and truly surpassed the island.

"Most worryingly, our export sector has been stagnant. The 1995 export basket has changed very little in 2015. In 1995, Vietnam's export basket was very similar to Sri Lanka, dominated by agriculture and apparels. At the time Sri Lanka's export revenue was $3 billion while Vietnam's was $5 billion. By 2015, Vietnam had boosted this figure to US$185 billion while Sri Lanka had only grown it to $11.8 billion. Vietnam achieved this by diversifying its export basket with the addition of electronics, backed by the country's liberalization policies in terms of trade and investment and by plugging in to regional and global value chains," he elaborated.

He went on to say that there is a structural problem in how Sri Lanka looks at its export basket, and that it needs to transition to productive export sectors.

"In exports we are still stuck in the low skilled, labour intensive sector rather than moving in to the more productive export sectors. Our agriculture has made very little progress in plugging in to the export sector. While it accounts for about 30% of national employment, it doesn't contribute proportionately to GDP due to its low productivity. Hewage also pointed out the importance of global value chains (GVCs), and highlighted Sri Lanka's inability to tap in to them. "South Asian regional value chains are some of the weakest in the world."
However, Sri Lanka hasn’t been able to tap into global value chains either. We need to liberalize our trade sector to grow exports. We must import to grow exports. As long as the para tariffs and the tariff structure act as a burden to imports we are unlikely to be able to tap into GVCs.”