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‘SL should opt for MFTAs to enter global value chain’

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By Hiran H.Senewiratne

Sri Lanka should promote multilateral free trade agreements (MFTAs) rather than bilateral free trade agreements with other countries in order to get into the global production value chain, a top economist said.

"A large part of global electronic goods, ranging from computers to mobile phones, are now assembled in one country with components brought from different countries. Therefore, Sri Lanka also should get into this type of global value chain by promoting multilateral free trade agreements with other countries, professor at the Australian National University Premachandra Athukorala said recently at a seminar.

He said producing such goods in East Asia for final export to the rest of the world uses the zero tariffs of World Trade Organization's Information Technology Agreement (ITA). Sri Lanka could become an electronics hub in the region if the government promotes multilateral free trade agreements.

Athukorala was speaking at a seminar at the Institute of Policy Studies (IPS), Colombo, on the topic "Global Production Sharing and Trade Patterns: Implications for Trade and Investment Policies". He said countries like Singapore had helped pioneer hi-tech exports with unilateral trade liberalization.

He said that Sri Lanka now has all the potential to enter the global production sharing process by specializing in an area of business or production line.

"At present, a number of medium size firms set up for production of assembly parts and components in the electronic and automobile industries are operating in Sri Lanka, Prof Athukorala said.

He said that Sri Lanka should pursue a system that would enable it to enter the global production sharing process and become a developed country in the region.

Athukorala said the presence of several electronics firms in the country showed that it was possible for the sector to grow. Therefore, what Sri Lanka has to do is go in for advanced production technology, technology innovation and liberalization of policy reforms to attract multilateral trade agreements to get into the global value chain.

He said global production sharing networks in East Asia are expanding with the adoption of the World Trade Organization's Information Technology Agreement which has made it easy to ship components and products across borders.

Prof. Athukorala said firms in East Asia interviewed during his research had said they were using the ITA to gain the freedom to ship goods across borders, and bilateral deals were no longer important.

IPS chief Dr. Saman Kelegama said the service component of manufacturing was also rising and countries that wanted to export had to liberalize services.

Sri Lanka's Department of Commerce officials, however, said Sri Lanka was not a signatory to the ITA and that the country only had observer status.

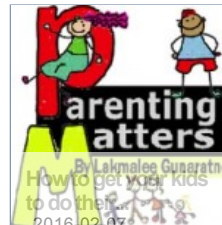
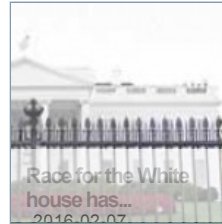
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