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SL shouldn't "overhype" potential trade gains: economist

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Dr. Dushni Weerakoon says SL has no option but integrate with global economy

Implies country's capacity to spur growth on its own exhausted due to debt pile

Says end objective of country's economic integration process missing

Highlights need for unilateral reforms to align with bilateral FTA negotiations

By Shabiya Ali Ahlam

A senior economist this week voiced concerns over the country's trade strategy saying that Sri Lanka should not "overhype" the potential gains from trade but should cautiously explore the ways of integrating with the global economy.

With the island nation being a resource-constraint frontier economy with just 20 million consumers, Institute of Policy Studies Deputy Director Dr. Dushni Weerakoon said Sri Lanka simply does not have the market size to generate growth at a reasonable rate and sustain without relying on foreign demand for goods and services.

It was pointed out that Sri Lanka has more or less exhausted the potential for it to grow on its own as the country has reached a near-saturation point in the economy's ability to absorb debt and in the next couple of years, it is imperative to reverse the declining export contribution to gross domestic product (GDP) and earn foreign exchange for the debt servicing from 2019.

"So we have no choice. Even if we start pursuing closer economic integration, we must all recognize that we must not overhype the gains from trade and create high expectations.

What we are seeing over the last few years is the backlash on globalization and that is not something that has come up overnight but it has taken about a decade to spillover to national politics," Dr. Weerakoon told Sri Lanka Economic Summit organised by the Ceylon Chamber of Commerce this week in Colombo.

However, she also cautioned that closer economic integration can have disruptive impacts on an economy.

Opining that there could be legitimate concerns from stakeholders in this regard, Dr. Weerakoon advised that when governments push ahead with integration, avenues must be created where those concerns can be heard and policies are implemented to mitigate the same.

She observed that Sri Lanka has ample room to be more strategic in its trade policy. Although the country has been focusing almost entirely on bilateral free trade agreements (FTAs) over the years, lacking is a structural framework.

"We are missing a road map as to what is our end objective in the end of the economic integration process. Without that there is a danger that can cast our FTA net quite wide and start bilateral negotiations with a large group of countries," Dr. Weerakoon cautioned.

"There is considerable space for us to align our bilateral FTA negotiations with unilateral reforms and that is something that we have neglected," she pointed out.

Dr. Weerakoon professed that for Sri Lanka, Asia is the region where it is going to reap the most benefits, be it in terms of diversifying its export base or in terms of getting more foreign investments for developing finance to improve its physical connectivity with the rest of the world.



Dr. Dushni Weerakoon
Pic by Damith Wickremesinghe