

This month's highlights:


- New publication "Import Controls in Sri Lanka: Political Preference and Incentive Distortions" by IPS researchers Dr Asanka Wijesinghe, Chathurrdhika Yogaraja and Nilupulee Rathnayake examines Sri Lanka's import control policies during the economic crisis and shed light on the intentions behind them.
- IPS organised a publication launch and discussion event to address concerns regarding Sri Lanka's implementation of stringent import control measures during the economic crisis.
- IPS' Executive Director Dr Dushni Weerakoon, in a TE blog, delves into Sri Lanka's domestic debt restructuring (DDR) exercise, discussing the challenges and implications for the country's economic recovery.
- IPS Research Fellow Dr Bilesha Weeraratne discusses migrant worker policies and spillover effects on education and employment in the Gulf Cooperation Council (GCC) countries.
- In the 'Inside IPS' segment, IPS Research Officer Nilupulee Rathnayake discusses the benefits of the Sri Lanka-Thailand Free Trade Agreement noting the importance of negotiating a comprehensive trade agreement with Thailand.
- Video featuring the impact of import controls on Sri Lanka's trade policy and economic landscape.

We hope you find this issue insightful. Your feedback is, as always, welcome!

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New Publication

NEW RELEASE ! ▶▶▶




Import Controls in Sri Lanka: Political Preference and Incentive Distortions

Through a quantitative analysis of a unique dataset constructed by the authors, this new study examines whether import controls implemented during the economic crisis introduced distortions to the incentive structure motivating import substitution.

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Blog

Sri Lanka's Debt Restructuring Roadmap: Following the Evidence

By Dr Dushni Weerakoon



Sri Lanka's recently gazetted domestic debt restructuring (DDR) exercise has drawn expressions of both support and criticism. Overall, negotiations have to be framed within certain desired outcomes to minimise costs to the economy. To this end, Sri Lanka's negotiating stance dovetails neatly with crucial research evidence.

To begin with, there was no real appetite to include a DDR in Sri Lanka's case, especially in view of the substantial real erosion in value to debt holders as inflation spiralled. But, as opening gambits commenced with external creditors, the bondholder group's request that 'domestic debt is reorganised in a manner that both ensures debt sustainability and safeguards financial stability' could not be ignored if only to avoid an impasse. Sri Lanka has limited room to circumvent a DDR altogether. As a middle-income country, the inclusion of domestic debt optimisation is implicitly encouraged in the IMF's debt sustainability framework (DSF) for market-access countries. It focuses on the total stock of public debt but is avoided by low-income countries where the applicable DSF focuses only on external public debt.

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Events

IPS Publication Release and Discussion on 'Import Controls in Sri Lanka: Political Preference and Incentive Distortions'





IPS organised a publication launch and discussion event to address concerns regarding Sri Lanka's implementation of stringent import control measures during the economic crisis. The publication, titled "Import Controls in Sri Lanka: Political Preference and Incentive Distortions," authored by IPS researchers Dr Asanka Wijesinghe, Chathurrdhika Yogaraja, and Nilupulee Rathnayake, offers an in-depth analysis of Sri Lanka's import control policies during the economic crisis and shed light on the intentions behind them.

The study found that the structure of import controls may have inadvertently incentivised import substitution. While some export-oriented industries experienced minimal trade restrictions, the manufacturing of food and beverages faced significant barriers. Moreover, Dr Wijesinghe stressed the importance of recent deletions from the import control list, indicating policymakers' intention to phase out import controls on consumption goods. The ensuing discussion involved various stakeholders, including representatives from academia, think tanks, government ministries, institutions, and organisations.

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Inside IPS


Migrant Worker Policies and Spillover Effects on Education and Employment in the GCC




The Gulf Cooperation Council (GCC) countries have experienced significant immigration, with foreign-born (FB) children forming a twice-selected subset of migrants in the region. IPS Research Fellow Dr Bilesha Weeraratne highlighted that this diversity in classrooms, where national and FB students sit side-by-side has the potential to influence educational outcomes and future employment aspirations of national children. She made these remarks while delivering a presentation titled 'Migrant Worker Policies and the Spillover Effects on Educational Outcomes and Employment Aspirations of National Children in the GCC' at the workshop on 'Recent Labour and Migration Reforms and Policies in the Gulf: Impact on Economies and Societies', organised by Gulf Research Centre Cambridge.

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Special interview featuring:



Nilupulee Rathnayake
Research Officer at IPS

Q: Tell us about yourself and your role at IPS:

Currently, I am engaged in trade policy research attached to the Macro, Trade and Competitiveness Unit at IPS. I hold an MSc in Development Economics from the University of Nottingham, UK, and a BA in Economics from the University of Colombo. I am also a recipient of the Commonwealth Shared Scholarship offered by the Commonwealth Scholarship Commission in the UK for the year 2021/22 to pursue my postgraduate studies.

Q: What are the potential benefits Sri Lanka expects to gain from FTA with Thailand?

Our analysis found that the trade deficit between Sri Lanka and Thailand will be widened with the implementation of an FTA due to Thailand's competitiveness. However, Sri Lanka can still expect several potential benefits from the agreement. For instance, the FTA offers opportunities for Sri Lanka to participate in electric equipment manufacturing value chains and serves as a gateway to ASEAN economies. Therefore, it is imperative for Sri Lanka to engage in negotiations for a deep trade agreement with Thailand that incorporates investment promotion, trade facilitation, and competition laws. By doing so, Sri Lanka can maximise the potential benefits of the FTA and strengthen its economic ties with Thailand.

Q: What drew you into the field of Economics:

Since childhood, I have been drawn to social sciences rather than natural sciences. I was always interested in studying human behaviour. Over time, I realised that Economics captures a comprehensive understanding of the world around us. This led me to pursue Economics in my A/Ls and later at the university level. The more I learned, the more my interest grew. While I acknowledge that there is much more to learn in this vast discipline, I am committed to continually expanding my knowledge and expertise over time.

Q: What are you currently researching?

My current research focuses primarily on regional trade integration and ex-ante trade policy analysis. Recently, I co-authored a publication with Dr Asanka Wijesinghe and Chathurrdhika Yogarajah on import controls in Sri Lanka. I am also co-authoring a forthcoming publication with Dr Wijesinghe on the Thailand-Sri Lanka Free Trade Agreement (FTA). Additionally, I am involved in a project that delves into the ramifications of the pandemic on female employment within Sri Lanka's export-oriented ready-made garment industry. This project is funded by the International Development Research Centre in Canada (IDRC).

Q: What are some challenges of working as a researcher?

As a researcher primarily engaged in quantitative research, I find that dealing with data is the biggest challenge. The final output of research is heavily influenced by the nature of available data, including its quality and accuracy. Improving internal validity or, in simple words, determining the cause-and-effect (causal) relationship between variables with existing data poses a real challenge.

Q: Tell us about your new publication co-authored with Dr. Asanka Wijesinghe:

Our latest publication examines the import controls implemented by the Sri Lankan government in response to the foreign exchange crisis during the economic crisis. We analysed a unique dataset constructed using various gazette notifications issued between April 2020 and September 2022 to examine whether these import controls created distortions in the incentive structure, promoting import substitution. Our publication delves deeper into the coverage of import controls, and the probability of a product being subjected to import controls across different product categories to see the overall impact of import controls on Sri Lanka's economy during the crisis era. As the government gradually eases these controls, I hope our study would provide valuable insights for those who are interested in trade policy analysis. The publication is now available for purchase at IPS.

Q: What is the one book you recommend to a person who is interested in economic readings?

If you are interested in Behavioral Economics literature like me, I highly recommend "Misbehaving: The Making of Behavioral Economics" by Richard H. Thaler, a Nobel Laureate in Behavioral Economics. This captivating book combines experimental findings with relatable daily life stories, resulting in an engaging and far from dull read. I do believe that individuals cannot always be rational in their decision-making, even though classical economic theory assumes constant rationality. So, I found this book fascinating, and I believe it will be equally intriguing to anyone interested in exploring the nuances of human behavior in the context of economics.

Featured Video

Navigating Import Controls During Economic Crisis

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