



BUSINESS

Import controls in Sri Lanka: Political preference and incentive distortions

Published 5 months ago on 2023/07/18



New IPS Publication

Sri Lanka implemented strict import controls to address the economic crisis and foreign exchange constraints. The policy goal behind import controls remains unclear, with conflicting statements suggesting a potential shift towards protectionism and import substitution.

In analysing the impact of these restrictions, a new IPS study highlights the need for a strategic approach to trade policy that considers long-term growth prospects, export sector development, and the well-being of the population.

Battling an unprecedented economic crisis that overlapped the COVID-19 pandemic, Sri Lanka resorted to strict import controls since early 2020. These measures gradually encompassed 31% of total imports by September 2022, with the intention of reducing foreign exchange leakages on “non-essential” imports. However, the effectiveness and implications of these stringent regulations have raised questions. A new publication by the Institute of Policy Studies of Sri Lanka (IPS) delve into the effects of these controls on the country’s trade policy and economic landscape.



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The study titled “Import Controls in Sri Lanka: Political Preference and Incentive Distortions” by IPS researchers, Dr Asanka Wijesinghe, Chathurrdhika Yogaraja, and Nilupulee Rathnayake examines the preferences of policymakers in implementing import controls and their potential impact on domestic production and electoral considerations.

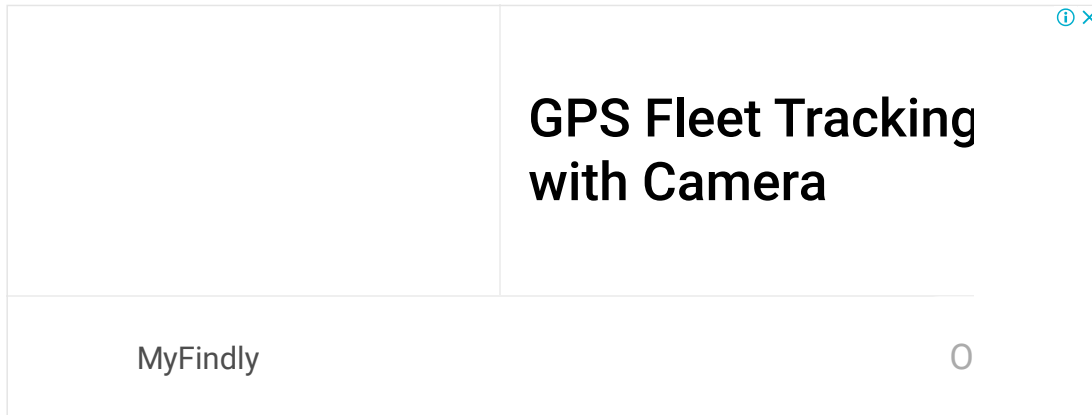
Through a quantitative analysis using a unique dataset constructed by the authors, the study explores the distortions in the incentive structure that promote import substitution. It considers factors such as the impact of products on foreign reserve positions, their importance to domestic production, domestic substitutability, and interest group pressure. The study identifies eight waves of import controls during the study period spanning from April 2020 to September 2022. The findings reveal that by the end of 2022, import controls were primarily imposed on food imports, consumer items, and electronics. This structure of import controls creates an environment conducive to import substitution, reversing the gains from structural transformation. Moreover, the study highlights the potential ramifications for the country’s nutritional security as the continuous imposition of import controls on food products may have severe consequences.

The study recommends a gradual phase-out of import controls, starting with intermediate and essential nutritious food items. It emphasises the importance of removing import controls on consumer goods, including food, to encourage resource allocation towards export-oriented industries and alleviate domestic price inflation. The removal of import controls on consumer goods will also mitigate the burden on low-income urban and suburban households, safeguarding their nutritional security.

The research underscores the need for the government of Sri Lanka to prioritise the removal of import restrictions on consumer goods and focus on expanding the growth of the export sector. By doing so, the country can address the balance of payment crisis, foster innovation, and enable participation in global value chains.

To purchase a copy of ‘Import Controls in Sri Lanka: Political Preference and Incentive Distortions’, contact: Amesh Thennakoon, Publications Officer, IPS on 0773 737717 or amesh@ips.lk.

For more information on IPS publications, visit: <https://www.ips.lk/publications>.



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BUSINESS

ILO ignites spirit of youth entrepreneurship across Sri Lanka

Published 11 hours ago on 2023/12/4

School Entrepreneurship Day was recently conducted across Sri Lanka with over 2000 school students from the nine provinces participating at the event organised by The Ceylon Chamber of Commerce, in collaboration with the International Labour Organization, endorsed by the Ministry of Education.

Speaking at the event in Colombo, Minister of Education Dr. Susil Premajayantha, stated “Today, in Sri Lanka, we commemorate Entrepreneurship Day, a momentous occasion. I extend my gratitude to the Ceylon Chamber, the ILO and all other partners and sponsors for their

instrumental roles in facilitating this event. The significance of entrepreneurship has garnered

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IASL focuses on ‘Life Insurance in Recovering Economy’

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Panel Discussion (from left): R Rajnikanth, Managing Director/Chief Executive Officer – Life Insurance Corporation (Lanka) Ltd, Thushara Ranasinghe, Managing Director/Chief Executive Officer - Ceylinco Life Insurance Limited, Moderator - Dr. Nishan de Mel, Executive Director - Verité Research, Chandana L Aluthgama, Chief Executive Officer – Sri Lanka Insurance Corporation, Lasitha Wimalaratne, Chief Executive Officer - HNB Assurance PLC, Iftikar Ahamed, Managing Director - Softlogic Life PLC

The Marketing and Sales Forum (MSF) of the Insurance Association of Sri Lanka (IASL) hosted the 14th National Forum for Life Insurance Advisors (NAFLIA) Conference on 27th November 2023, at the Monarch Imperial, Sri Jayawardenepura Kotte. The theme of this year's NAFLIA conference was 'Life Insurance in a Recovering Economy – Focus on Fortitude'.

NAFLIA attracts leading Sales and Marketing professionals and Life Insurance advisors from the Life Insurance industry. Chief Guest Zarook, Chairman and Guest of Honour Damayanthi Fernando, Director General and other officials of the Insurance Regulatory Commission of Sri

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IDB's Gold award in medium category clinched by Three Sinha Group

Published 11 hours ago on 2023/12/4

Managing Director of Three Sinha Group of Companies Manjula Ariyakumara accepts the award

Three Sinha Group of Companies was awarded the Gold Award under the Medium Category at the National Industrial Excellence Awards – 2023 organized by the Industrial Development Board (IDB). The Award Ceremony was recently held at the Nelum Pokuna Mahinda Rajapaksa Theatre in Colombo under the patronage of President Ranil Wickremesinghe, and the Company's Managing Director Manjula Ariyakumara accepted the Award.

Established as a small-scale business venture, Three Sinha Group of Companies has now grown as a leader in the highly competitive Construction Industry through utmost dedication and hard work. The Company has been consistently recognized with numerous local and International Awards including Gold and Silver Awards at the Ceylon National Chamber of

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