

Prospects of trade between Sri Lanka and Middle East countries

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The economic performance of a large part of the less developed world has been disappointing since the 1950s. But beginning in the 1980s and increasing in the 1990s, many less developing countries have been changing their strategies, relaxing controls and altering their trade policies on international trade.

Participation in international trade has become one of the key factors in prosperity of a country. This is true not only for major trading nations, but also for developing countries and economies in transition. Specially, rapid export growth seems positively related with rapid growth in international income.

This paper examines trade relations between Sri Lanka & Middle East Countries. Sri Lanka has engaged in the international trade with many countries in the world. Middle East countries are a group of countries which has emerged as the trading partner of Sri Lanka.

Modern economists conclude that trade is an engine of growth. After 1977 Sri Lanka's economy was open with gradually decreasing degree of state intervention and removed exchange controls to allow free trade. In this context trade liberalization played major role in the overall liberalization exercise.

Middle East plays a dominant role in Sri Lanka's international trade with introduction of open economic policies and it attracted considerable interest. Within the period 1977 - 2006, Middle East countries share of trade in Sri Lanka increased significantly. And it has been more important for the Sri Lanka as an export market than an import market. With introduction of liberalized economic policies, it is found that trade between Sri Lanka and Middle East countries are widened. Therefore, it is suggested exploring new ways and means of strengthening trade ties between Middle East countries and Sri Lanka.

Key words: Liberalization, Open economy, Less developing countries, State intervention, Economies in transition

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