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PAPER

Comparative Advantage of Sri Lanka: A Study with Special Emphasis on Leading Exports

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The export and import economic policy has both advantages and disadvantages. In Sri Lanka, however, export and import economy led to unsymmetrical export portfolio which has continuously earned deficit trade balances. The main objective of this study is to identify international competitiveness of Sri Lankan exports. In addition, the subordinate objectives are, to identify comparatively disadvantaged products in Sri Lankan export product portfolio and to identify specialization in exports or in imports.

Revealed Symmetric Comparative Advantage (RSCA) indices use the trade pattern to identify the sectors in which an economy has a comparative advantage, by comparing the country of interests' trade profile with the world average. Trade Balance Index (TBI) is employed to analyze whether a country has specialization in export (as net-exporter) or in import (as net-importer) for a specific group of products.

The research study is based on data on exports and imports published by the United Nations Commodity Trade Statistics Database (UN-COMTRADE) in which 3 digits SITC Revision 4 is selected. The study focuses on 262 groups of products and the research timeframes are year 2000, 2005 and 2010.

According to the findings of the paper, several products have higher comparative advantage and significant positive trade balance in the Sri Lankan context. However more than 50% of products have negative trade balance even though some of them have significant comparative advantage. Therefore, this paper concludes that even though Sri Lanka has comparative advantage for leading exports, it does not provide significant contribution to overcome negative impact of comparative disadvantage and net import products.