

BREXIT: Economic Implications for Sri Lanka and the Way Forward

W. D. D. Shevoni Wisidagama¹

Abstract

The European Union (EU) is the largest trading block in the world, accounting for around one third of global trade. Therefore, when the United Kingdom (UK) voted to leave the European Union in 2016 referendum, it presented significant implications to the economy of the rest of the world. Sri Lanka shares strong trade relations with the EU compared to other trading blocs in the world and the involvement of Sri Lanka with the UK is considerably higher than its involvement with any other EU country, annual trade with the UK amounting to over ten percent. Hence, it is evident that Brexit would bring about changes to trade relations Sri Lanka enjoys with the UK at present. Thus, this study aims to examine the challenges that Sri Lanka might encounter in the post Brexit context by analysing the current relations between Sri Lanka and the UK and the Brexit process. Further, the study explores the changes that should be made to the current trade policies of Sri Lanka to strengthen its trade relations with the UK. The methodology of this study includes qualitative methods which gathered statistical data from secondary sources to calculate the impact of Brexit on trade relations between Sri Lanka and the UK. The findings of this study illustrate that Brexit could prompt a drop in demand for Sri Lankan goods in the UK post Brexit and that there could be changes in tariff access to the UK, reducing Sri Lankan exports to the UK. The study identifies that Brexit negatively impacts the economy of Sri Lanka and suggests making policy changes to strengthen economic relations of Sri Lanka with the UK to overcome post Brexit challenges.

Keywords: *European Union, United Kingdom, Sri Lanka, Trade Relations, Brexit*

¹ BA Honours in International Studies, University of Kelaniya
shevoni.wisidagama@hotmail.com