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**A STUDY ON TRADE RELATIONS BETWEEN SRI LANKA
AND OIL PRODUCING MIDDLE EAST COUNTRIES
1970-2000**

By

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ABSTRACT

This study is focused to examine patterns and trends of total exports, total imports and balance of trade between Sri Lanka and Oil producing Middle East Countries (OPM). Modern economists conclude that trade is an engine of growth. In such context trade between Sri Lanka and OPM Countries played a vital part in export development and economic growth of the country. During the present study the trade affairs of Sri Lanka between 1970-2000 was considered and 1970 marked an important turning point in Sri Lanka's economy due to the change of policies of the Government that came into power. With the expansion of the public sector several new state enterprises also emerged and state-trading business expanded under these changed policies.

Sri Lanka has followed different trade policies in the different time periods. In 1948 – 1960, economic policy entailed with some state intervention. During the period 1961 – 1970 a new monetary policy was implemented. Within the period 1971 – 1977 economic policy and environment was closed with high degree of state intervention and managed floating exchange controls and development. After 1978 the economy was opened with gradually decreasing degree of state intervention, removing exchange controls and development of the trade pattern with the introduction of trade liberalization.

Sri Lanka has a comparative advantage in labor-intensive products compared with countries. Historically, Middle East Countries were strong trade partners. In this study attempts to identify the changes of trade relations between the Sri Lanka and OPM Countries, within the period 1970 – 2000. And explore the avenues that would be helpful to improve the trade relations.

Chapter one states general context, background of the study and importance of the study. Chapter two devoted to explain the theoretical

background of the international trade agreements. Chapter three explain Sri Lanka's situation in trade and to analyze of pattern of trade. For evolution purpose it has divided into four parts. They are, colonial era, the period 1948 – 1959, the period 1960 – 1977 and the period 1977 – 2000.

Chapter four deals with the prospects of trade expansion between the Sri Lanka and OPM Countries. Chapter five explains economic relations by analyzing data. As the first step of the analysis, Preliminary analysis is being done. Except the Preliminary analysis the time series analysis is made for the total exports, total imports and trade balance within the period 1970 – 2000. And comparison is made Sri Lanka's trade with European Countries, Western Hemisphere Countries, African Countries, U.S.S.R. Eastern European Countries and OPM Countries within the period 1985 – 2000. Finally, chapter six gives summary of chapters, conclusion and policy implications of the study.

The trade between Sri Lanka and OPM Countries has been very high in comparison to the overall trade in the rest of the world. In total exports and total imports between Sri Lanka and OPM Countries displayed upward trend and positive correlation. These two partners (Sri Lanka and Middle East Countries) has enlarged their consumption capacities of both sides and helped to achieve development by promoting and rewarding other sectors of the economy. Therefore OPM Countries have been emerged as the greater trading partners of the Sri Lanka. Consequently, OPM Countries have helped the development activities of Sri Lanka by diverting foreign exchange through international trade.