

Open Economy in a Tense situation; Sri Lanka's Experiences

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As a result of the influence of global open economic policies, the world economy is changing rapidly and is not limited to a particular country. Asian economies are also expanding last few years. For an example Indian and Chinese economies have been flourishing since the last decade. In the same way Sri Lankan economy is also facing new challenges. It is fluctuating between terrorist attacks and open economy.

In this research the impact of civil disturbances in Sri Lankan liberalized economy will be analyzed based on purely secondary data using the method of SWOT. Sri Lanka began to shift away from socialist orientation in 1977 and has been opening to international competition. In the mean time civil war began to interrupt the process for newly introduced economy. As a result of open economy, the privatization, FDI, poverty, inflation (11.3%), and public debt (89.6%) are recorded high and economy depend on the individual factors. Now Sri Lanka's key exports are tea and garments. The future of those exports is threatened by a shortage of labour and growing competition. According to the World Bank classification Sri Lanka has been ranked a middle income economy and it has mostly enjoyed strong growth rates in recent years. If so agriculture has lost gradually its relative importance to the Sri Lankan economy when after opened its door for economic reforms. Meanwhile service sector is the largest component contributing 54% to GDP. However 22.7% of the population still lives below the national poverty line. Unemployment rate indicates 6.3%. In 2006 exports value has been reached to \$ 7.076 billion and imports \$ 9.665 billion. Major role on Sri Lankan foreign trade is being played by India. At present the government offers a range of tax and other incentives to attract the potential investors.

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