

## **A Historical Overview of Industrialisation during the Last Fifty Years in Sri Lanka**

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The overview of industrialisation in Sri Lanka during the last 50 years focuses on assessing how far the major objectives of industrialisation have been achieved. The initial objective of the industrialisation was to diversify the classical export economy which depended exclusively on the earnings of three major primary exports. Then, generating more employment with a view to solving the issue of increasing unemployment appeared from the mid 1950s became the other major objective for acquiring a rapid industrialisation. In contrast to the laissez-faire economic policy followed prior to the late 1950s, more interventionist policies were adopted to industrialise the economy, particularly from the beginning of the 1960s, and the import substitution industrial strategy introduced in this manner continued without much change until the introduction of 1977 economic reforms. However, the continuation of the classical export economy without considerable change in the economic structure with the phenomenon of increasing unemployment until the late 1970s proved the fact that industrial policies followed during this long period were not strong enough to achieve the objectives visualized.

Thus, the failure of following the import substitution industrial strategy for nearly two decades paved the way to switch over to the export oriented industrial strategy under which the private sector was considered to be the principal agent to be engaged in the manufacturing industry from 1977 onwards. Under these reforms, particularly the private sector manufacturing firms could increase both the manufacturing industrial sector output as well as its employment share substantially. However, as a whole, although the export oriented industrialisation unlike its predecessor has been successful in diversifying the economy to a certain extent by increasing its share of manufactures in total merchandise exports and increasing the employment share, a few low skilled industries rather than a diversified range of manufactured exports have dominated Sri Lanka's export growth. Also, the employment share of the manufacturing industry

has been now stagnated around 16 per cent of the workforce in recent years. Consequently, this review concludes that the two major objectives of industrialisation: diversification of the economy and generating sufficient level of employment have been only partially realised even after following export oriented industrial policies for more than three decades.

**Key words:** Industrialisation, Import substitution industrial strategy, export oriented industrial strategy, diversification and employment generation.