

A Review of the International Trading Environment in Sri Lanka in the Context of Shipping Hub

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Abstract – Shipping is a derived demand of international trade in economic terms. Therefore, while there are many emphases on developing Sri Lanka as a shipping hub it is imperative to examine the real situation that prevails in the country with respect to the international trading. It is also the important to analyse other contributory factors due to the country's strategic geographic location. The study employed both primary data and secondary sources. Depth interviews have been conducted with fifteen senior officers of Trade Associations such as Sri Lanka Shippers Council, Ceylon Chamber of Commerce, , Department of Inland Revenue, Customs and Board of Investment of Sri Lanka. Quantitative analysis was done using the Doing Business Reports of The World Trade Organization, The World Bank and the International Finance Corporation, The Global Competitiveness Report of World Economic Forum, and Connecting to Compete Report. The study has cross examined these data using many other secondary sources such as Central Bank of Sri Lanka, United Nations, World Customs Organization, and many industry publications. The analyses were done using SPSS and appropriate illustrations. This paper questions if the international trading environment, its framework, policies, systems and procedures that directly concern doing business across borders are favourable to shipping in the context of Sri Lanka. This study evaluates nine factors that may potentially influence the effectiveness of the international trading system in Sri Lanka. The major share of current performance of shipping consists of transshipment cargo and not domestic imports and exports. Therefore the study emphasizes the fact that the concept of a shipping hub may have only a partial value if the international trading environment in Sri Lanka is ineffective.

Keywords: Shipping, Hub, International trade, WTO, Globalization

I. INTRODUCTION

Sri Lanka was the ideal and most preferred centre of the transit trade that arose out of its geographical location which is an intersection of the sea-lanes and maritime trade routes that went across the Indian Ocean. The main

sea route that connects the world from East to West running very close SL and places the nation in a very strategic position from a logistical context. Connecting to Compete Reports of 2007 through 2014 of the International Bank for Reconstruction and Development of the World Bank shows some improvements for Sri Lanka (SL) with respect to certain pillars of the Logistics Performance Indicator (LPI). However, the overall LPI in Sri Lanka reflects a downward trend from its 81 position in 2012 to 89 in 2014. Improving logistics performance is an important development policy objective in any country because logistics have a major impact on economic activity.

The globalization has increased the need for interconnectedness for the respective countries to cross their borders (Edirisinghe, 2013). In a global economy, no nation is self-sufficient. Each is involved at different levels in trade to sell what it produces, to acquire what it lacks and also to produce more efficiently in some economic sectors than its trade partners. International Trade is an exchange of goods or services across national jurisdictions. Inbound trade is defined as imports and outbound trade is defined as exports. Subject to the regulatory oversight and taxation of the involved nations, namely through customs (Rodrigue, 2015). The domestic exports and imports in Sri Lanka only accounts for a minor share and only twenty five percent in the year 2014 to be precise. In contrast the container throughput of port of Colombo that that reflects the major part of performance of shipping in Sri Lanka shows that transshipment accounts for seventy four percent and seventy five percent in the years 2013 and 2014 respectively. (CASA Per. Review, 2015). Sri Lanka has no land based links through road or rail or pipe to move goods in an out of the island, and being an island, the possibilities of sea transportation to any point around the coast is very much a given.

II. LITERATURE REVIEW

Colombo Port is generally considered to be the Number one port of South Asia (Edirisinghe, 2013). In the past India was heavily dependent on SL for their transshipment