

# Sri Lanka's economic strategies and the Maritime Silk Road

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# Starting point

- Small economy, at gateway to the Bay of Bengal
- High labor costs, small landholdings → only high-value agriculture exports make sense
- High energy costs, relatively dense population → heavy industry (other than in limited locations) difficult to support
- Service sector is already largest; significant comparative advantages in logistics because of location and efficient Port of Colombo, including the South Asian region's only deep-water facility
  - India's second largest container port; ranked 32<sup>nd</sup> in world and handling over 70% Indian transshipment traffic



# Opening up of the Northern Bay of Bengal creates opportunities for Colombo, Hambantota & Trinco

- Matarbari deep-sea port in Bangladesh
- Plans are underway for Kaladan Multimodal Transit Project centered on Sittwe (Rakhine State) as well as for Dawei Port and Zone (Tanintharyi Region)
- Kyaukphyu (Rakhine State) is already operational as specialized port, permitting avoidance of Malacca & Lombok-Makassar straits



# Fully liberalized Mattala Airport can serve as regional hub for entire Bay of Bengal Region

- Seventh Freedom of The Air - the right or privilege, in respect of scheduled international air services, granted by one State to another State, of transporting traffic between the territory of the granting State and any third State with no requirement to include on such operation any point in the territory of the recipient State, i.e., the service need not connect to or be an extension of any service to/from the home State of the carrier.

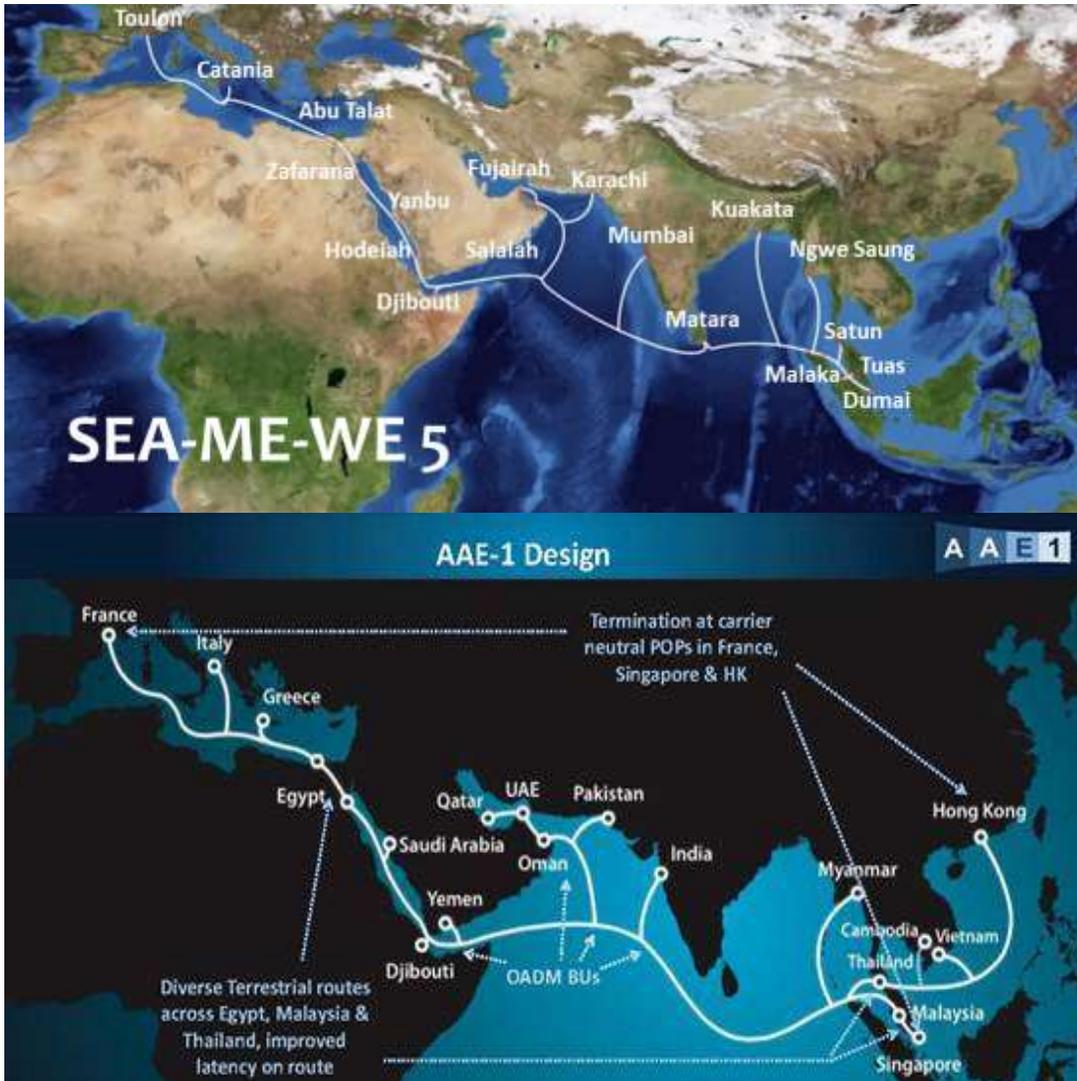


# Air freight or passenger hub

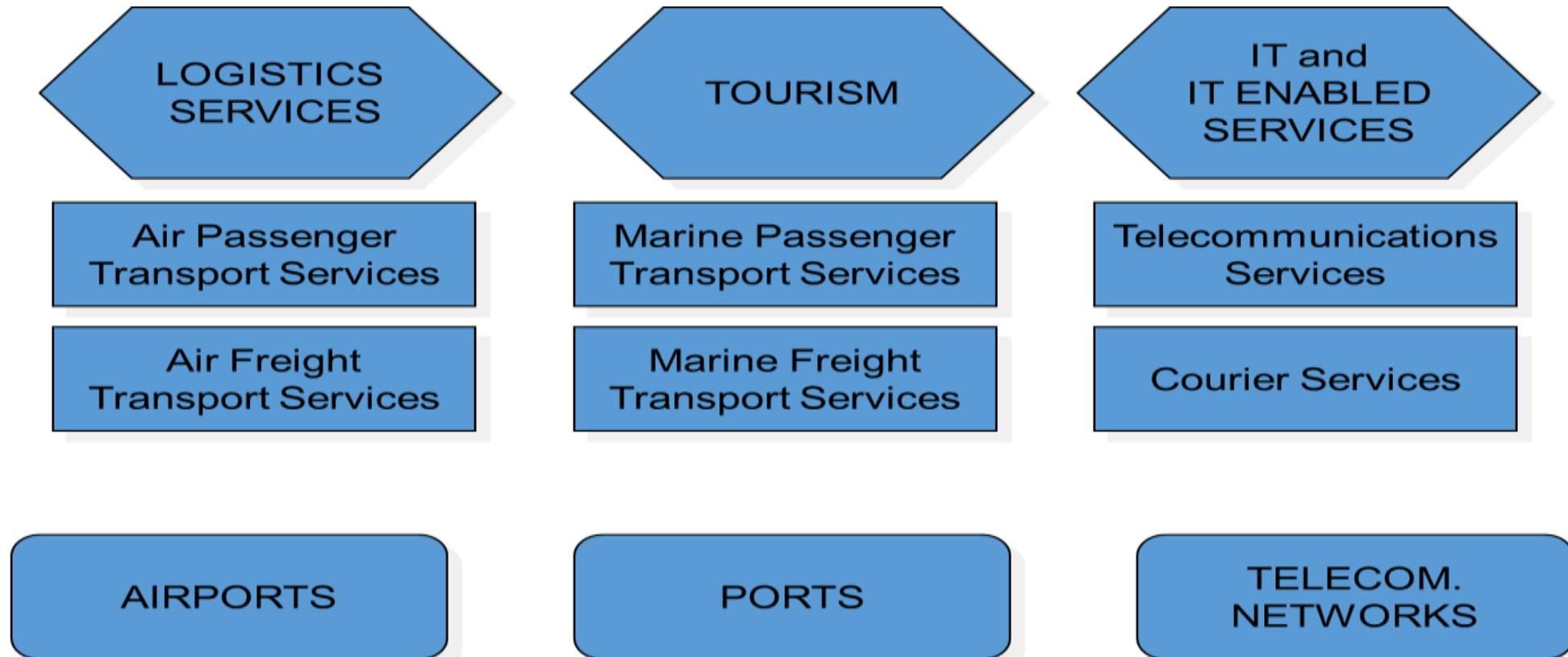
- May be more attractive for air freight, because of location
- May support government's plan to link smallholders to global value chains through USD 125 million agricultural modernization project commencing in 2016



# New cables across the Bay of Bengal: SEA-ME-WE 5, AAE-1 and BBG



MSR was important to Sri Lanka then, and is now, especially in light of a possible services strategy



# Required policy actions

- Infrastructure is mostly in place in Sri Lanka but more needs to be done in the Bay of Bengal region, which is coming into its own with the emergence of Myanmar as a linking country
  - Possible role for Silk Road Fund or AIIB working with UN ESCAP
  - Sri Lanka needs to execute its economic strategies properly
- Need to lock in policy changes through bilateral or preferential trade agreements