

Composition and Trends in the Foreign Trade of Sri Lanka with India- An Analysis

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Abstract. Prudent foreign trade can foster higher growth rates in an economy, especially in the case of developing countries. The higher GDP growth rates of South Asian nations, post the liberalization reforms of India, is an example closer to home. India and her neighboring states began to realize the enormity of potential gains that foreign trade could yield and this is reflected in the exponential rise of the absolute volume of total exports receipts and imports payments of these countries. International trade has been the engine of growth for India who now is the largest as well as fastest growing economy in the south Asian sub-continent. The incentive to achieve equally impressive growth has encouraged neighboring states to accelerate their economic integration with India since the early half of the last decade. Data from the trade publications of the Department of census and Statistics, Sri Lanka, reflect that the trade with India has shown growth in terms of total volume of exports to and imports from the country as well as reflect a higher incidence of dependence on India for imports, over exports. Sri Lanka's composition of imports and exports to India is fairly diverse in the year 2013 but Sri Lanka is yet to achieve the optimal gains from trade in services with India.

1 Introduction

The general consensus amongst economists, is that economic growth of a nation is (in ways direct and indirect) linked to the economic integration of the country, with the rest of the world. Evidence stems from countries who have reached economic growth rates, parallel to those of developed countries, by the exercise of an export-led economic development. India also stands as a paradigm of trade-led growth as it engaged in rampant GDP growth only after the onset of the liberalization reforms of the 1990s. Sri Lanka has also engaged in larger volumes of trade with India, post the Indian reforms. Having the advantage of geographical proximity and shared waters, Sri Lanka makes for a very obvious trade partner to India and being the smaller economy of the two, Sri Lanka's trade with India stands crucial to its smooth and high economic growth. This paper aims to analysis the trends in the total exports and import of Sri Lanka during the period 2000 to 2013 and conduct a comparative study of the growth of exports to and imports from India. The paper also attempts to comparatively analyze the trends of shares held by major trade partners, in the total exports and imports of Sri Lanka from 2005 to 2013 and examine the

export-import compositions of the total trade of Sri Lanka with India for the year 2013. Prudent trade across these two nations will only yield gains to both Sri Lanka and India.

2. **Data Source and Methodology**

This study is based on secondary data published by the governments of Sri Lanka. The data from trade publications sourced from Sri Lanka Customs and published by the Department of census and statistics of Sri Lanka for the years 2000 to 2013 have been used, to establish the trends in the total exports and imports of Sri Lanka, by value as well as trends in the country-wise share in the total exports and imports of the country, per year. This data has been also used to comparatively study the shares of major trade partner countries in the total exports and imports and to analyze the existence of any discerning trends in the same. Also, with the help of the data, the composition of Sri Lanka's exports to and imports from India for 2013 has been examined, by share of individual items as well as value in terms of the state currency or US dollars.

The rest of the paper is organized as follows: Section 2 is a review of the existing literature on the observation of trends in the foreign trade of Sri Lanka. Section 3 is a study of trends in total global exports and imports of Sri Lanka as well as of the trends in exports to and imports from India. Section 4 is an examination of trends in the shares held by major trade partner countries, in the total exports of Sri Lanka. Section 5 is an analysis of trends in the shares held by major trade partner countries, in the total imports of Sri Lanka. Section 6 contains the observation of the composition of imports from and exports to India, for the year 2013. Section 7 includes the concluding observations.

3. **Literature Review**

International trade between South-Asian countries had remained sluggish until the onset of the new millennium. However the last one and a half decade has been a period of booming cross-border trade. This surge in South Asian trade relations in the recent past has invited the curiosity of several researchers and hence is a realm now well-questioned and well-researched upon. With a decade and a half of free trade agreements between India and Sri Lanka being honored, the recent past has been brimming with several studies conducted with regards to analysis of the trends in trade of Sri Lanka with India. Kelegama (2014) raised concerns over market access problems in India, and the lack of supply capacity for some products in Sri Lanka,

which were hindering the realization of full potential of exports of Sri Lanka to India. Abhyartne and Varma (2015) threw emphasis on the existence of larger trade creation effects from trade between Sri Lanka and India, which indicated welfare gains from the trade to both countries. Chowdhury and Neogi (2014) examined India's exports with respect to destinations of India's exports and observed through a simple regression, that geographical distance influences India's export to Bhutan, Nepal, Bangladesh, and Sri Lanka, Thailand. Ambrose and Sundarraj (2014) conducted a study on the prevailing trends in India's trade relation with Bangladesh, Pakistan and Sri Lanka. Mukherji and Iyengar (2013) studied the trade of Sri Lanka with India over the past decade and observed the need for goods and investments while also suggesting policies for enhancing the cooperation in trade in services. Sajjad and Mahmood (2014) investigated the determinants of the export supply performance of selected South Asian economies for the period of 1984-2012, in their study. Kumar & Singh (2009) raised concern over the real impediments to regional integration in South Asian countries.

4. Trends in Growth of Exports and Imports

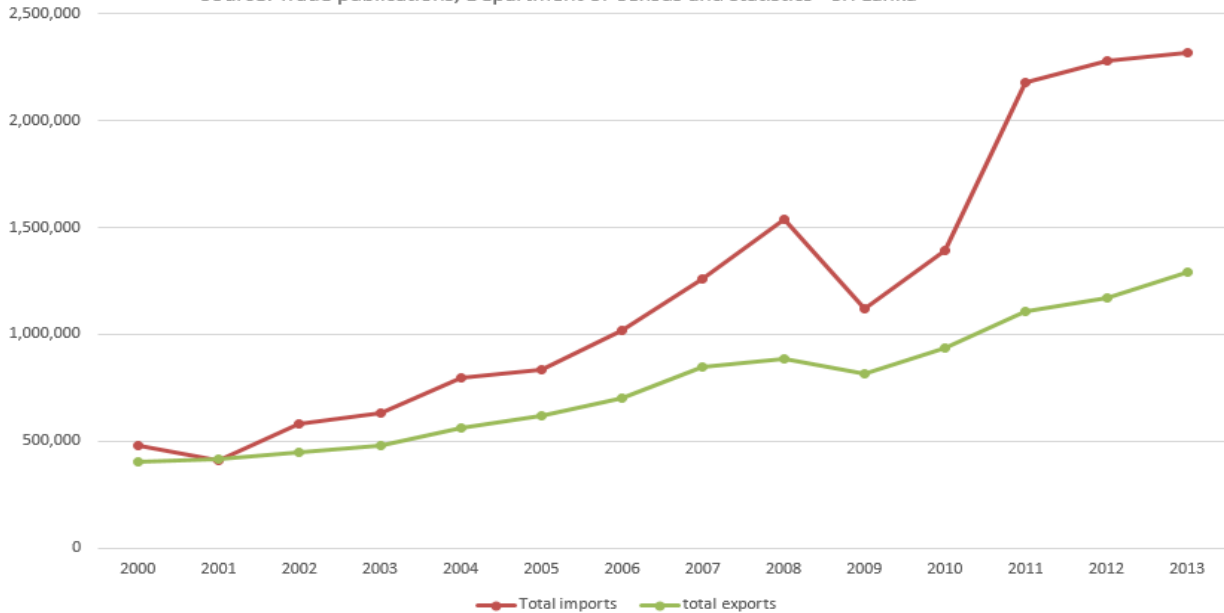
Exports of a country are those goods and services the country has produced and shipped elsewhere for consumption, future sale or trade purposes. Imports are goods and services a country has shipped into her homeland, when those goods and services were produced else. These imports are shipped for future sale or trade or consumption. Exporting and importing of goods have been an ancient function of international trade.

Graph 1 depicts the trends observed in the movement of total imports and total exports (expressed in terms of value in million rupees) of Sri Lanka, during the time period 2000 to 2013. In the year 2000, the total exports of Sri Lanka was worth 402,309 million rupees and the total imports was worth 477,489 million rupees. Sri Lanka imported more than in exported in this year. Total imports fell to 408,662 million rupees in 2001, while the total value of exports rose by a small margin to 414,588 million rupees. This dip in imports enabled Sri Lanka to be a net exporter of goods and services in the year 2001. However, since then exports have grown but at a steady slower pace than total imports. The value of total imports of Sri Lanka rose to 835,511 million rupees in 2005, 1,395,219 million rupees in 2010 and to 2,317,405 million rupees in 2013. The value of total exports of Sri Lanka rose to 619,497 million rupees in 2005, to 937,728 million rupees in 2010 and to 1292319 million rupees in 2013. Since the year 2002, Sri

Lanka has imported more than it has exported in terms of value in million rupees. This reflects that Sri Lanka has increased her economic integration with the world from 2001 onwards.

Graph 1: Trends in the total imports and total exports of Sri Lanka 2000 to 2013 (in million Rs)

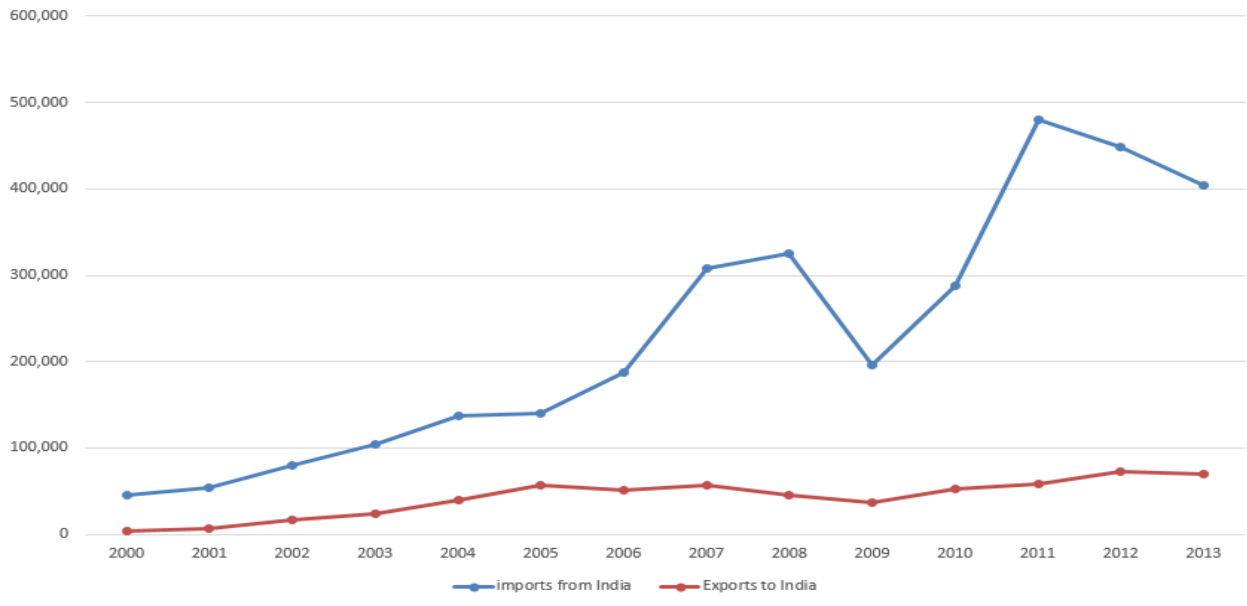
Source: Trade publications, Department of Census and statistics - Sri Lanka



Graph 2 depicts the trends in total value of the trade between Sri Lanka and India for the period 2000 to 2013, in terms of million rupees. In 2000, Sri Lanka depended on India more for its imports, than for its exports, by at least 10 times. The total value of imports from India was 45,477 million rupees, whereas the total exports to India was 4,217 million rupees. Sri Lanka's dependence on India for its exports, has been very small with a marginal rise being observed from 2000 to 2005. In 2005, the total value of exports to India rose to 56,200 million rupees. Since then, the value of total exports to India fluctuated by small margins. In 2006 the value of total exports to India, from Sri Lanka fell to 50,889 million rupees, it rose to 57,098 million rupees in the year 2007, and fell consistently throughout the years 2008 and 2009. In 2009, Sri Lanka's exports to India had earned it, a total value of only 37,340 million rupees. This value has exhibited a trend of consistent increase since then and in 2013, Sri Lanka had earned 70,154 million rupees from its total exports to India. The total value of imports from India, had shown increased growth since the year 2000 to 2008. The growth has been steady and the total value of imports from India grew from 140.642 million rupees in 2005 to 325,711 million rupees in 2008. Since then this value has fluctuated. It declined to 196539 million rupees in 2009, rose since then to reach a value of 480,617 million rupees in 2011 and has once again declined since then. In

2013, Sri Lanka had imports from India, of a value of 403,967 million rupees. The margin of difference in between the value of total imports from and total exports to India has exhibited growth with major fluctuations throughout. This however, overall reflects that Sri Lanka’s dependency on India for her imports has been increasing through 2000 to 2013, relative to her dependency on India for exports absorption.

Graph 2: Trends in value of India's trade with Sri Lanka 2000-2013 (in million Rs)
Source: Trade Publications, Department of Census and statistics - Sri Lanka



5. Trends in Shares Held by Major Trade Partner Countries in Total Exports

Table 1 depicts the trends in shares held by some of the major trading partner countries of Sri Lanka, in the total exports of the country for the period 2005 to 2013. The countries compared are, U.S.A, U.K, Germany, Japan, Italy, Belgium and India. The top five countries Sri Lanka exported to in the year 2000 comprised of U.S.A, U.K, Japan, Germany and Belgium and they had a share of 41.20%, 13.74%, 4.01%, 4.71% and 2.89% respectively, in the total volume of Sri Lanka’s exports during that year. India share in Sri Lanka’s exports in 2005 was 1.05% only.

In 2001, U.S.A’s share of Sri Lanka’s total exports marginally increased to 41.44% and it retained top position in the shares of Sri Lankan total exports. However, the percentage share of U.S.A in the total exports of Sri Lanka declined to 37.6% in 2002, 36% in 2003, 33.50% in 2005, 29.6% in 2006, 25.8% in 2007, 23.1% in 2008, 22.3% in 2009 and 21.30% in 2010. This

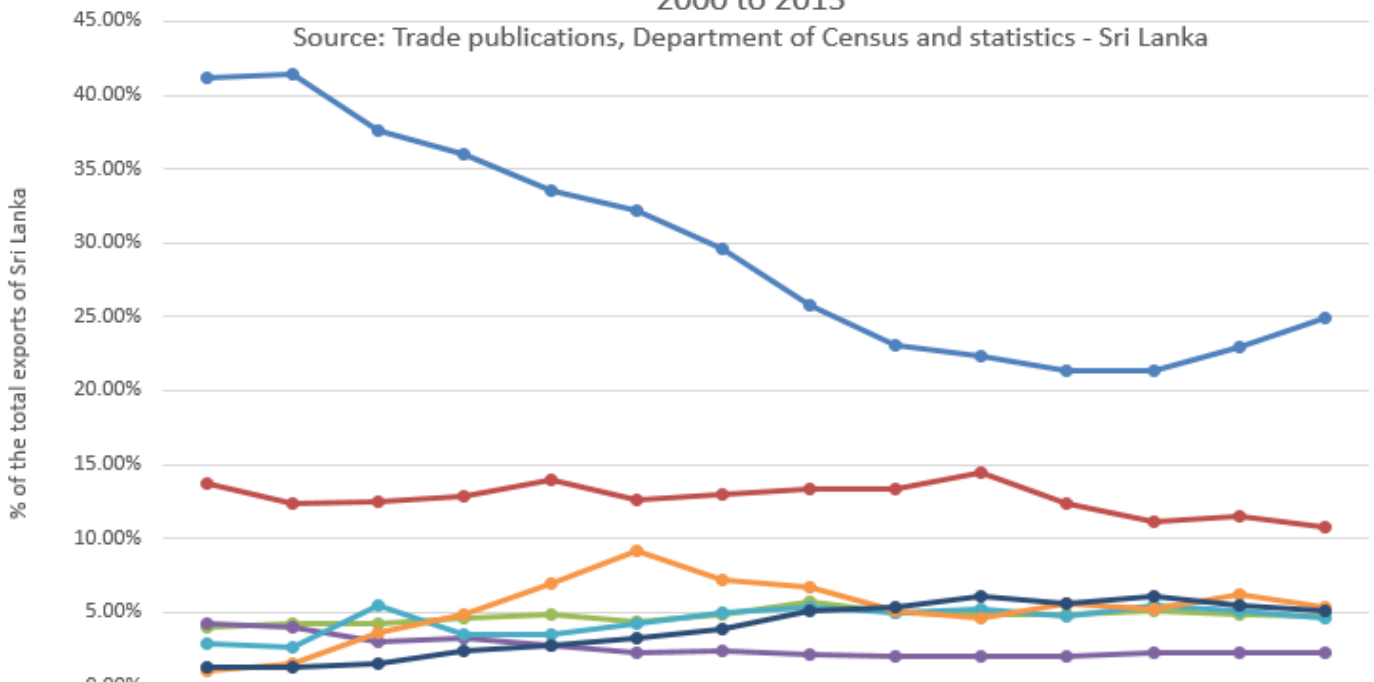
consistent trend in the decline of share in total Sri Lankan exports was halted in the year 2011, where U.S.A's share registered a marginal increase of 0.10%. U.S.A's share in the total exports of Sri Lanka rose to 23% in 2012 and again by a margin of 1.90% in 2013. U.S.A has remained Sri Lanka's top destination for exports throughout the period of 2000 to 2013. U.K's share in the total exports of Sri Lanka fell to 12.37% in 2001, but rose to 12.53% in 2002. The share registered a trend of continuous increase until the year 2004 when U.K was the country Sri Lanka exported 13.90% of its total exports to. 2005 was the year in which U.K's share in the total exports fell by margins of 1.30% but it registered a marginal rise in 2007. U.K's share remained stable at 13.30% in 2008 but rose marginally again in 2009 to 14.40%. Since then a trend of decline is reflected with the share of U.K falling to 10.80% in 2013. However, while U.S.A and U.K have consistently been the largest and the second largest receiver of Sri Lankan exports, respectively from the period 2000 to 2013, Japan has not been consistently the third largest receiver of exports from Sri Lanka. Amongst these countries, Japan was the third largest receiver of exports in the year 2000 with a share of 4.17% of Sri Lankan total exports.

In 2001, Germany was the third largest shareholder, amongst these trading-partners, in the total exports of Sri Lanka's exports with and had 4.19% and in 2002, it was Belgium with 5.50% share. Similarly, India became the third largest shareholder of total exports in the years 2003 and 2004 with 4.90% and 6.90% of the total shares. The share of India in the total exports of Sri Lanka registered a trend of increase from the year 2000 to 2005. In 2006, India's share fell from the erstwhile 9.10% to 7.20%. Further in the year 2007, the shares of India fell to 6.70%. Despite the declining trend exhibited in the absolute percentage in shares, India remained the third most preferred destination for Sri Lankan exports till 2007, amongst these countries that received exports from Sri Lanka. Similarly, India was the fourth largest receiver of exports in 2008 with a share of 5.10% whereas Italy was the third largest with 5.40%. Also similarly, in 2009, Italy had a share of 6.10% and was ranked third, whereas Belgium, Germany and India were ranked fourth, fifth and sixth respectively and had shares of 5.20%, 4.90% and 4.60%. With regular fluctuations in the share held by India in the total exports of Sri Lanka, India was the 3rd largest receiver of Sri Lankan exports in the year 2010,2012 as well as in the year 2013, amongst these major countries, with a share of 5.60% and 6.20% and 5.40% respectively. Meanwhile in the year 2011, the shares of India had declined to 5.20% and because of this dip, the third largest receiver of exports in 2011 was Italy with 6.10%. The fourth and fifth largest receivers of exports

amongst these trade partners of Sri Lanka in 2003 were Germany and Belgium with shares of 4.60% and 3.50%. In the year 2013, the top five countries Sri Lanka exported to, were U.S.A, U.K, India, Italy and Germany with shares of 24.90%, 10.80%, 5.40%, 5.10% and 4.70%. Italy's share in the total exports of Sri Lanka has exhibited an upward trend until the year 2009, after which it has fluctuated with minimal margins. The trends in country-wise shares, in the total exports of Sri Lanka, as depicted in Table 1, has been represented through a line graph in Graph 3.

Table 1/Graph 3: Trends in country-wise share of the total exports of Sri Lanka 2000 to 2013

Source: Trade publications, Department of Census and statistics - Sri Lanka



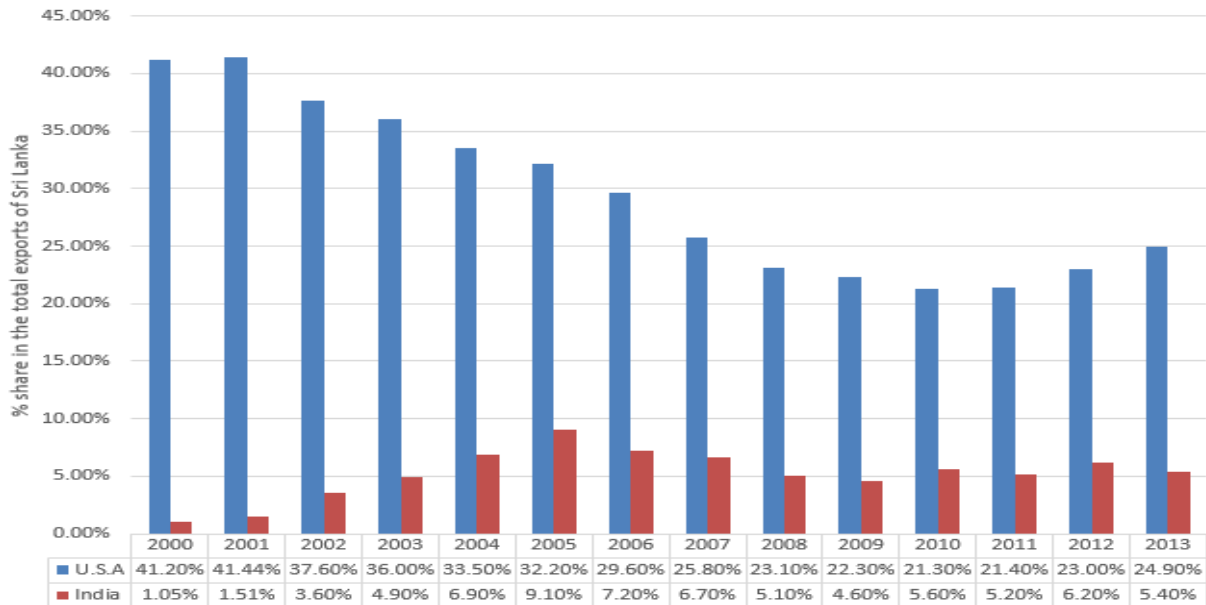
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
U.S.A	41.20%	41.44%	37.60%	36.00%	33.50%	32.20%	29.60%	25.80%	23.10%	22.30%	21.30%	21.40%	23.00%	24.90%
United Kingdom	13.74%	12.37%	12.53%	12.90%	13.90%	12.60%	13.00%	13.30%	13.30%	14.40%	12.30%	11.10%	11.50%	10.80%
Germany	4.01%	4.19%	4.23%	4.60%	4.90%	4.40%	4.90%	5.70%	5.00%	4.90%	4.80%	5.10%	4.90%	4.70%
Japan	4.17%	3.94%	2.94%	3.20%	2.80%	2.30%	2.40%	2.10%	2.00%	2.00%	2.00%	2.20%	2.30%	2.20%
Belgium	2.89%	2.59%	5.50%	3.50%	3.50%	4.20%	5.00%	5.30%	5.00%	5.20%	4.70%	5.50%	5.10%	4.60%
India	1.05%	1.51%	3.60%	4.90%	6.90%	9.10%	7.20%	6.70%	5.10%	4.60%	5.60%	5.20%	6.20%	5.40%

Table 2 depicts the share of India and U.S.A, in the total exports of Sri Lanka, during the period of 2000 to 2013. The table reflects the dominating role of U.S.A, in the exports of Sri Lanka. Sri Lanka's preference for U.S.A, as the major market for the absorption of its exports has remained constant, despite the absolute share registering a gradual decline from 2002 to 2010. India has been at its best in 2005, when it accounted for 9.10% of the total share of the country's export. Barring 2005, Sri Lanka has not been significantly dependent on India, for its

exports. The absolute share of India in the total exports has never exceeded 7.5%, except for the year 2005. Graph 4 represents the share of India and U.S.A in Sri Lanka’s total exports during the period, 2000 to 2013.

Table 2/ Graph 4: Trends in the shares of U.S.A and India, in the total exports of Sri Lanka (2000-2013)

Source: Trade publications, Department of census and statistics - Sri Lanka



6. Trends in Shares Held by Major Trade Partner Countries in Total Imports

Table 3 depicts the trends in shares held by some of the major trading partner countries of Sri Lanka, in the total imports of the country for the period 2002 to 2013. The major trading partners compared are Japan, India, Hong Kong, Singapore, South Korea, China and the U.A.E.

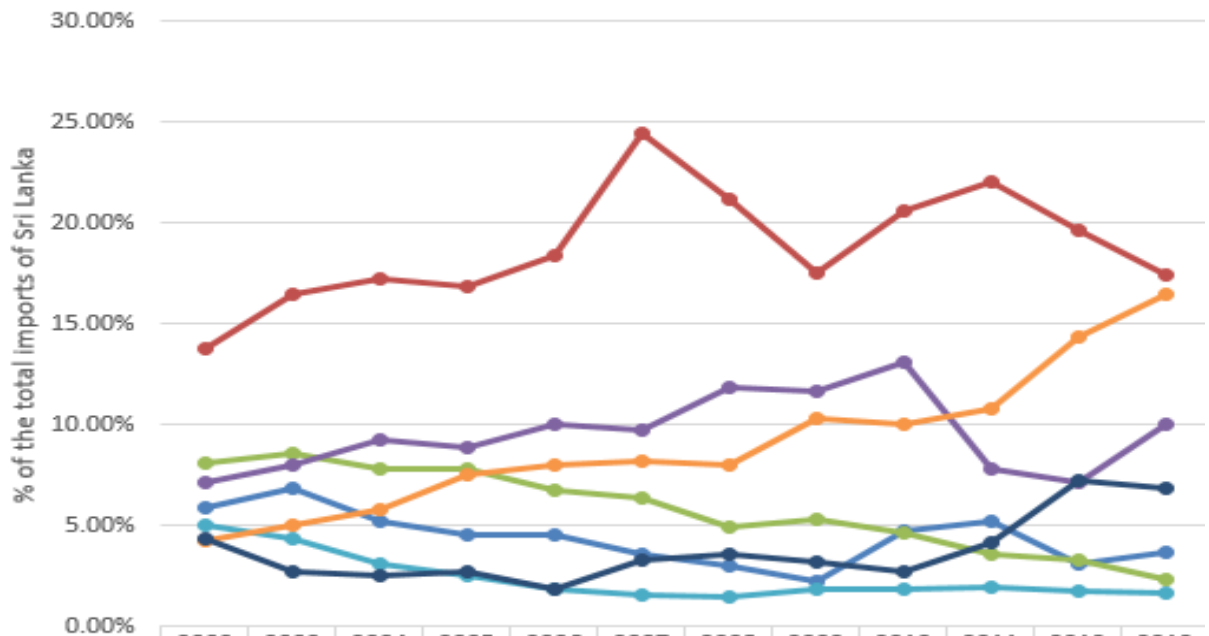
In 2001, Sri Lanka had received 6.22% of its imports from Japan. Japan’s share fell to 5.88% in 2002 but rose by a margin of 0.98% in 2003. It fell to 5.23% in 2004, to 4.57% in 2005 and marginally fluctuated to 4.59% in 2006 before declining rapidly for the next three years. It rose again in 2010 to 4.73% and rose by an additional margin of 0.47% in 2011. In 2013, Japan held a share of 3.73% in the total imports of Sri Lanka. India has been a major trading partner to Sri Lanka and Sri Lanka has received its major bulk of imports from India from 2001 to 2013. India’s share has exhibited a gradual rise till 2004, dipped subtly in 2005, rose steeply till 2007 and declined till 2009. In 2004, India’s share was 12.25%, in 2005 it was 16.83%, it was 24.45% in 2007, 17.51% in 2009 and rose till it was 22.06% in 2011. In 2013 Sri Lanka imported 17.43%

of its total imports from India. Hong Kong accounted for 9.24% of Sri Lanka's imports in 2001 and this share fell to 8.13% in 2002 before rising by a margin of 0.44% in 2003. From 2004 to 2008, the share of Hong Kong in Sri Lanka's total imports exhibited a declining trend till it was 4.90% in 2008. After rising by a margin of 0.40% in 2009, the share of Hong Kong in Sri Lanka's imports exhibited a declining trend again and was 2.39% in the year 2013. Singapore had a share of 7.85% in 2001 and it declined to 7.17% in 2002. A rising trend followed until 2004 when Singapore's share in Sri Lanka's total imports was 9.30%. After declining to 8.88% in 2005, In 2006 Singapore had a higher share of 10.03%. The fluctuations in Singapore's share in Sri Lankan imports continued as it had a reduced share of 9.73% in 2007, an increased share of 11.86% in 2008, a reduced share of 11.63% in 2009, an increased share of 13.07% in 2010, a decreased share of 7.79% in 2011, a share of 7.19% in 2012 and a marginally increased share of 10.03% in 2013. Sri Lanka depended upon South Korea for imports relatively more in the earlier years of the period from 2001 to 2013. In 2001, Singapore had a share of 6.20% and since then until 2008, the share declined consistently.

In 2008, South Korea accounted for only 1.49% of Sri Lanka's total imports. Its share increased by very small margins till it was 1.96% in 2011. Since then it has shown a trend of gradually declined and in 2013, its share in the total imports of Sri Lanka was 1.67%. China accounted for only 4.07% of the total imports in 2001 but its share registered a trend of rapid consistent increase and in 2007 was 8.17% of the total imports. China's share went through marginal fluctuations from 2008 to 2010. In 2010, China's share was 10.05% and since then, the share has consistently and rapidly increased. It was 10.83% in 2011, 14.36% in 2012 and 16.51% in 2013. Sri Lanka imported only 2.79% of its total imports from U.A.E in 2001. This share increased to 4.40% in 2002, but showed a declining trend from then till the year 2004. In 2004, U.A.E was accountable for 2.50% of Sri Lanka's total imports. This share increased by a margin of 0.25% in 2005 before dipping in the year 2006 to 1.90%. In 2008, U.A.E's share rose to 3.56% before declining by 0.22% in 2009 and further down to 2.72% in 2010. Since 2010, U.A.E's share have exhibited a trend of consistent increase and in 2013, it was 6.83% of the total imports of Sri Lanka. The trends in the share of major trade partner countries in the total imports of Sri Lanka, as in Table 3 has been depicted by a line graph in graph 5.

Table 3/ Graph 5: Trends in country wise share of the total imports of Sri Lanka 2002 to 2013

Source: Trade publications, Department of Census and statistics - Sri Lanka



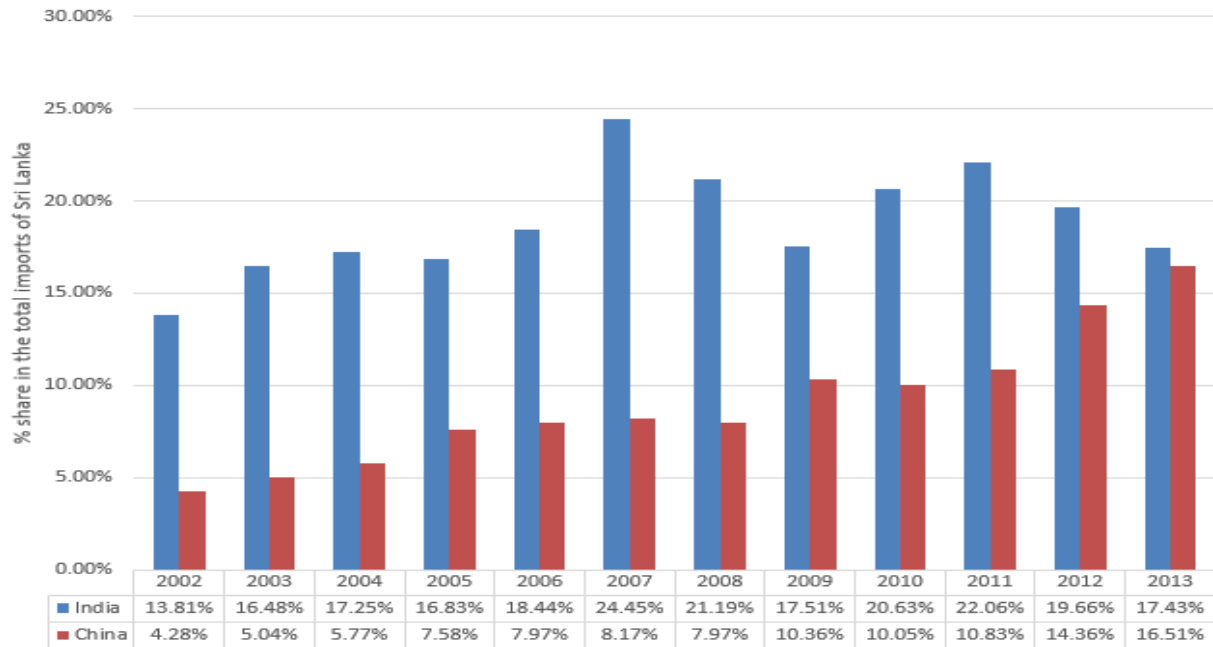
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Japan	5.88%	6.86%	5.23%	4.57%	4.59%	3.63%	3.00%	2.29%	4.73%	5.20%	3.10%	3.73%
India	13.81%	16.48%	17.25%	16.83%	18.44%	24.45%	21.19%	17.51%	20.63%	22.06%	19.66%	17.43%
Hong Kong	8.13%	8.57%	7.87%	7.80%	6.73%	6.37%	4.90%	5.30%	4.70%	3.60%	3.27%	2.39%
Singapore	7.17%	8.02%	9.30%	8.88%	10.03%	9.73%	11.86%	11.63%	13.07%	7.79%	7.19%	10.03%
South Korea	5.02%	4.33%	3.12%	2.53%	1.90%	1.61%	1.49%	1.86%	1.91%	1.96%	1.80%	1.67%
China	4.28%	5.04%	5.77%	7.58%	7.97%	8.17%	7.97%	10.36%	10.05%	10.83%	14.36%	16.51%
U.A.E	4.40%	2.76%	2.50%	2.75%	1.90%	3.26%	3.56%	3.24%	2.72%	4.13%	7.23%	6.83%

Table 4 depicts the share of India and China, in the total imports of Sri Lanka, during the period of 2002 to 2013. The table reflects the dominating role of India, in the imports of Sri Lanka. Sri Lanka's preference for India, as the major origin of imports, has remained constant, despite the absolute share registering fluctuations from 2007 to 2013. China however is emerging as a new favorable origin of imports for Sri Lanka. This can be evidenced from the data. In the year 2000, China was accountable for 3.99% and India for 9.52% of the total imports of Sri Lanka. This margin of difference in the percentage of imports between the two countries has grown and was at its highest in the year 2007. But the margin of difference has gradually narrowed down to only 0.92% in 2013. In 2013, China was accountable for 16.51% and India for 17.43% of the total imports of Sri Lanka. Hence, there is potential for China to surpass India in being the largest source of imports of Sri Lanka in terms of volume of percentage of total

imports. Graph 6 represents the trends in shares of India and China in the total imports of Sri Lanka for the period 2000 to 2013.

Table 4/ Graph 6: Trends in the shares of India and China, in the total imports of Sri Lanka (2002-2013)

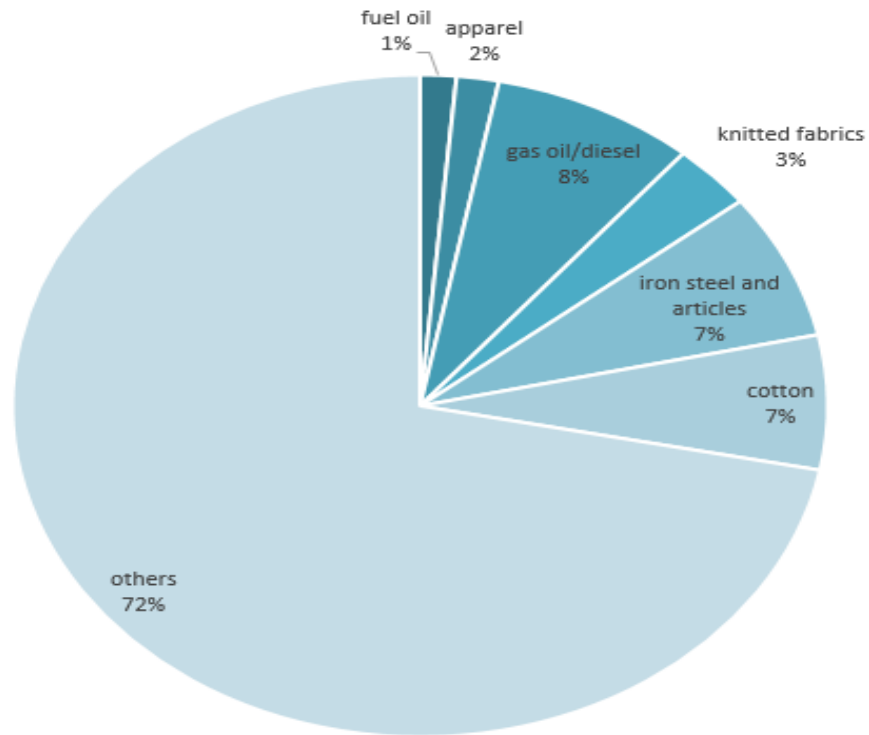
Source: trade publications, Department of census and statistics - Sri Lanka



7. Composition of Imports From and Exports to India in 2013

Graph 7 “Composition of Sri Lanka’s imports from India 2013” depicts the share of major items Sri Lanka imported from India in the year 2013. Of the items Sri Lanka imported from India which were worth a total of 3029.67 million US Dollars in 2013, 1% was accounted by the value of ‘fuel oil’ imported, 2% by ‘apparel’, 3% by ‘knitted and crocheted fabrics’, 7% by ‘cotton’, 7% by ‘iron and steel and articles thereof’, 8% by ‘gas oil or diesel’ and the rest cumulatively accounted for 72% of the total value of imports. In 2013, Sri Lanka traded 236.24 million US Dollars’ worth of ‘Gas oil and diesel’, 209.29 million US Dollars’ worth of ‘iron steel and articles thereof’, 191.96 million US Dollars’ worth of ‘cotton’, 93.87 million US Dollars’ worth of ‘knitted and crocheted fabrics’, 49.16 million US Dollars’ worth of ‘apparel’ and 42.01 million US Dollars of ‘fuel oil’, with India. This reflects that there exists no clear major single item of import of Sri Lanka imports only 8% of its total imports from India in the form of ‘Gas oil and diesel’, which is its largest item of import, in terms of volume. The composition of items imported from India, by Sri Lanka is far more diverse.

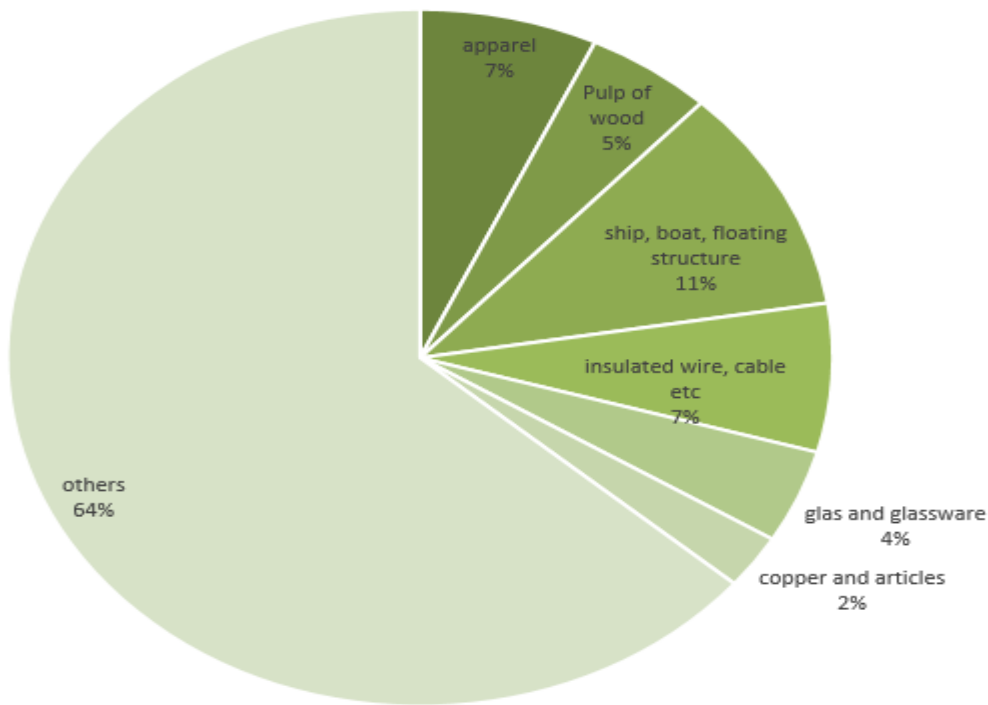
Graph 7: Composition of Sri Lanka's imports from India- 2013
Source: Trade publications, Department of census and statistics - Sri lanka



Graph 8 “Composition of Sri Lanka’s exports to India 2013” depicts the share of major items exported by Sri Lanka to India in the year 2013. Of Sri Lanka’s total exports to India which worth a total of 543.37 million US Dollars in the year 2013, 11% by ‘ship boat and floating structures’, 7% by ‘insulated wire, cables and others’, 7% of the total value was accounted for by ‘Apparel’, 5% by ‘pulp of wood or of other fibrous cellulosic material waste and scrap of paper or paperboard’ , 4% by ‘glass and glassware’, 2% by ‘copper and articles thereof’ and the rest 64% was accounted for cumulatively by the rest of the items. The largest share of earnings, Sri Lanka earned in 2013 through exports was by its exports of ‘Ship, boat and other floating structures’. This alone accounted for 51.85 million US Dollars and hence reflects the dominance of this item in the composition of Sri Lanka’s exports to India for the year 2013. Exports of “insulated wire, cables and others” earned Sri Lanka 33.87 million US Dollars, Exports of ‘apparel’ earned Sri Lanka 34.26 million US Dollars, whereas ‘Pulp of wood or of other fibrous cellulosic material waste and scrap of paper or paperboard’, earned Sri Lanka 24.42 million US Dollars in 2013. The single largest item of export to India from Sri Lanka is ‘ship,

boat and other floating structure’ and yet Sri Lanka exports only 11% of its total exports to India in the form of ‘Ship, boat, floating structure’. The composition of items exported to India, by Sri Lanka is relatively diverse.

Graph 8: Composition of Sri Lanka's exports to India in 2013
Source: trade publications, department of census and statistics, Sri Lanka



8. Conclusions

Sri Lanka has been unleashing the potentials of economic growth via increased international trade, since 2001, primarily by means of being a net importers of goods and services. It is observed that the total value of the imports has been diverging from the total value of the exports, at an increasing rate. This divergence will cause the existing trade deficit with India to persist on. The divergence commenced in the year 2001 for Sri Lanka.

While a higher volume of trade with India would mean a higher level of economic integration for the country with India, it is observed that Sri Lanka has only attempted to unleash the potentials of India as an import base. Sri Lanka depends on the Indian and Chinese markets for sources of imports. Sri Lanka has exhibited a heavier reliance on India throughout the period

of 2002 to 2013 for her exports. However, the margin of difference in the value of shares held by China and India, in the total exports for the year 2013, is considerably small and this is a matter of concern because the margin of difference in shares between Indian and China in the total exports of Sri Lanka has been decreasing since 2010.

Sri Lanka also exports a major bulk of the total commodities and services to U.S.A and the U.K. The percentage of share held by India in the total exports of Sri Lanka, has depicted a rising trend until the end of the last decade and declined from then onwards.

The higher volumes of import from India, relative to exports to India, can find an explanation in the smaller industrial and natural resource base that Sri Lanka is endowed with. However, as long as the Indian economy continues to grow, the willingness and preparedness of Indian markets to absorb exports, will exhibit an upward trend in growth. Simultaneously, bridging the gap in supply capacity of products in Sri Lanka will provide the required additional boost to exports.

Sri Lanka's portfolio of items exported to and imported from India for the year 2013 exhibited a good degree of diversity. However the depth in cooperation in trade in goods has not been matched up by cooperation in trade in services in between the two nations.

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