

## **REVEALED COMPARATIVE ADVANTAGE: AN ANALYSIS BASED ON LEADING EXPORTS OF SRI LANKA**

**H.A.B.W. Hettiarachchi<sup>1</sup>, J.M.A. Jayawickrama<sup>2</sup>**

*<sup>1</sup>Department of Social Sciences, Rajarata University of Sri Lanka, Mihintale, Sri Lanka*

*<sup>2</sup>Postgraduate Institute of Humanities and Social Sciences, University of Peradeniya, Sri Lanka*

*buddhikarjt@gmail.com*

International trade has become an important element in the growing economies, and exports determine the economic power of a country. Hence, it is important to reveal the tendencies of structural changes and identify the strongest and weakest sectors of export industries in the country. The main aim of the research is to identify the structural changes of Sri Lankan exports and evaluate the international competitiveness for Sri Lankan exports, since research that measure the international trade with competitiveness are limited in Sri Lanka. The paper investigates comparative advantages of Sri Lankan exports using Revealed Comparative Advantage index (RCA) approach over the period of 2011-2015. Export products are analysed based on 2-digit Standard International Trade Classification (SITC) revision 4. This paper uses data on exports published by the United Nations Commodity Trade Statistics (UN-COMTRADE). The interpretation of RCA index value is based on the classification of RCA index value as class-a, class-b, class-c, and class-d, which represents, no comparative advantage, weak comparative advantage, medium comparative advantage, and strongest comparative advantage, respectively. Results of the study reveal that Sri Lankan export sector has slightly changed during the last 15 years and is dominated by traditional industries such as coffee, tea, and cocoa, and manufacture of either apparel or clothing. Nevertheless, it is becoming more diversified. The share of subsectors as vegetable, coffee, tea and cocoa, rubber products, and transport equipment, has increased in the total structure of exports while the share of sub sectors such as fish, textile yarn, and fabrics, has decreased. The RCA index value shows that the competitive position in global market during 2011–2015 was gained by Sri Lankan products such as textile and clothing, vegetable, plastic and rubber, and agricultural raw materials. Comparative advantage for stone and glass, and manufactured goods, is weak while none of the other goods in the study has a competitive position in the global market. Though the RCA finds export competitiveness of export, it does not provide the reasons for increasing competitiveness in the international market. Export diversification of Sri Lankan exports has highly contributed to change the competitiveness of Sri Lankan exports. However, improvement of the international competitiveness of Sri Lankan exports depends on their ability to implement the reforms in the public sector to increase the efficiency.

*Keywords:* International competitiveness, Structural changes, Revealed comparative advantage, Sri Lankan export sector