Sri Lanka desperately needs a new global economic strategy as part of a broader strategy to attract direct foreign investment. It has to decide shift to markets and globalisation. A good starting point is the recent recognition that Sri Lanka's competitiveness is on the decline. The solutions to this issue is the starkest foundation for a genuinely open economy. The recent emphasis on the rule of law, fiscal discipline and improving the transparency of the USP in June 1997 led to the proposal of a new foreign trade policy. This was mainly because of the high trade deficit. The trade deficit was high because of the lack of competitiveness. This trend has continued since the change of government last year. It is estimated that the trade deficit for the year ending March 2010 would be at least double to 10%. It would need to be at least double to 10%. The Government is now focusing on reducing the trade deficit. This is a clear indication of the need to move towards a more open economy – for constitutional liberalism, a decisive shift to markets and globalisation.

Four economic priorities

The good news is that Sri Lanka has identified four economic priorities. The first is to create a more competitive economy in South Asia. The second is to attract new and foreign talent. The third is to increase the trade-to-GDP ratio to 4-5%. Sri Lanka should get more export-oriented. The fourth is to create a new and competitive economy in South Asia.

First, it is the best way of removing distortions, including corruption, arising from the operation of an open economy. It also helps to create up to 3,000 jobs. Other international trade agreements should be removed. Full foreign ownership and a major role in the Ceylon Tea brand is likely to be involved. That would open the market to an greater signal to foreign investors.

The Government needs to get the trade liberalisation process under way. Bill and Tax to the following:

**Trade**

Protective tariffs (notably the banana and the Coconut Exporter Subsidy Scheme) should be removed. There should be a serious legal commitment made not to impose any new ad valorem duties or levies.

Domestic equivalent taxes (that apply to import items) and taxes (import duties and goods) should be harmonised into a single tax applied at the point of entry. The government should apply to the National Trading and the Special Economic Zones (SEZs) to be established in a separate tax reform package to simplify the tax system. SEZs should be a small number of direct and consumption-based taxes. Domestic taxes are administered.

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