

Promoting Foreign Direct Investments in Sri Lanka: Lessons from Selected Asian Countries

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ABSTRACT

Most of the governments in developed and developing countries believe that Foreign Direct Investment (FDI) is strong enough to develop the economies by overcoming the associated challenges (Brooks et al., 2010). Similarly, to transform towards an upper-middle-income country, Sri Lanka is also in urgent need of attracting FDI as FDI is capable of accelerating the country's economic growth, exchanging technological advancements and innovations with local firms, enhancing the value-added exports and fulfilling the needs of government revenue and foreign exchange reserves (Nenova, 2018). This study was conducted to review the barriers that Sri Lanka is facing towards attracting FDIs and to identify the strategies of selected two countries in promoting FDIs. Accordingly, the two Asian countries India and Vietnam were selected. As Nenova (2018) presented the non-supportive trade policy, policy uncertainty, weak investment climate, labor-related issues and poor infrastructure are acting as barriers in attracting FDI into the country. In contrast, India is playing a key role in the Asian region in achieving this task due to its government's favorable policy regimes and robust business environment which in turn help to ensure the inflow of foreign capital into the country (India Brand Equity Foundation, 2021). Similarly, Vietnam's FDI attraction policies coupled with its infrastructure, public services and human capital are the reasons for attracting FDI into its economy (Van et al., 2021). Therefore the study recommends Sri Lanka rework its trade policy and build a proper environment for investments while avoiding its continuous policy uncertainty.

Keywords: FDI, Sri Lanka, Trade Policy, Investment Climate