

## **EXTENT OF GLOBALIZATION: SRI LANKA IN THE WORLD ECONOMY**

N. M. HENNAYAKE

*Department of Geography, Faculty of Arts, University of Peradeniya*

The objective of this paper is to locate Sri Lanka in the process of globalization by assessing the level of integration with the global economy. It is predominantly argued and agreed that increasing integration with the world economy is the central force of globalization, which would be orchestrated in different political and cultural spheres. Sri Lanka has practiced liberalization for nearly 25 years and the rationale for this is to integrate with the world economy and thereby to expand the national economy. Therefore, it is worthwhile to look at where Sri Lanka stands in the process of globalization.

Economic integration or economic globalization occurs mainly through trade of goods and services, capital and technology. The primary purpose of this paper is to assess how far Sri Lanka's economy is integrated with the world economy. In line with this objective the paper is divided into four main sections. Section one examines the relations between globalization and the integration with the world economy outlining the significance of major components such as foreign direct investment, multinational corporations and the expansion of international trade. Section two will give an overview of the macro-economic performance of Sri Lanka in 1990s. Section three will concentrate on the extent of economic integration of the Sri Lankan economy by using both trade-related and capital-flows related indicators. In the fourth section, I will analyze the structure of the export trade and the geographical destinations of trade to trace the dynamics of integration. In the final section, I will identify the key features of the integration with the world economy and thereby the challenges faced by Sri Lanka in the process of globalization.

One cannot assess the extent of globalization by judging only the national performance of an economy. Therefore, in this paper, I examine Sri Lanka in the South Asian context and also in comparison with some 'NICs- to -be' countries such as Thailand and Malaysia to give a comparative perspective of the Sri Lankan position.