

## **International production networks and Sri Lankan exports: Where do we stand?**

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International production networks have become an increasingly important part of international production and trade in recent times, especially in East Asia. An international production network refers to inter- and intra-firm relationships through which a lead firm organizes the entire range of its business activities, from research and development (R&D), product definition and design, to supply of inputs, manufacturing (or production of a service), distribution, and support services. The objective of this paper is to identify the current status of the integration of Sri Lankan firms into the international production networks and to explore the potential to strengthen this integration further. This study draws on data on trade in parts and components from Sri Lanka's trade statistics from the United Nations trade data reporting system for the period of 2000 to 2016. Additional data and information on export trade and industrial exports are drawn from the Export Development Board, Department of Commerce, Sri Lanka Customs, and the Central Bank of Sri Lanka. Export product categories and the share of parts and components are reviewed in terms of their export destination, and the main firms exporting them are identified and classified. A time series analysis was performed on the product categories and the industrial links of exporting firms in order to identify the expansion of Sri Lankan exports to international production networks. The analysis of data reveals that a number of Sri Lankan firms, especially from the apparel and services industry, have already been able to make links with international production networks. Products such as apparel, ICT, and Business Process Management activities have been linked with international production networks, and there exists greater potential for expansion of this trend to other activities as well.

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