

Sri Lanka Battles US Tariffs to Protect Rubber Exports

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Sri Lanka's rubber industry is under siege as it grapples with steep US tariffs that threaten its vital export market. With a crucial deadline looming on 1 August, the nation's exporters are pressing for a reduction in the 30% tariff imposed by the Trump administration, warning that failure to secure a better deal could cede ground to regional rivals like Indonesia and jeopardize further economic instability in an already fragile economy.

The US is a cornerstone market for Sri Lanka's rubber exports, generating approximately \$299 million annually. However, the current 30% tariff, down from an initial 44% imposed in April, has placed Sri Lankan exporters at a significant disadvantage. In a recent interview with PTI, Kamal Silva, a spokesman for the rubber exporters, emphasised the urgency of the situation: "Indonesia has gained a clear advantage already. With the current 30% tariff, Sri Lanka will find it extremely hard to do business with the US." He argued that a tariff rate of 15-20% is essential to maintain competitiveness, noting that even before the new tariffs, Sri Lankan exporters struggled to match Indonesia's pricing.

The tariff reduction from 44% to 30% followed intense diplomatic efforts, with a Sri Lankan government delegation currently in Washington negotiating a broader trade deal. Deputy Economic Development Minister Anil Jayantha revealed to reporters that discussions cover 1,161 items, with the US offering zero tariffs on approximately 80 of them. While this offers a glimmer of hope, the broader impact of the tariffs remains a concern. Dhammika Fernando, spokesman for the Sri Lankan Free Trade Zone Exporters Association, expressed cautious optimism in an interview with PTI, stating, "We have been told by the government that 1,600 items and services will be allowed tariff-free by the US. This will be good news if it comes through."

The rubber sector is not alone in feeling the strain. Sri Lanka's apparel industry, which accounts for over 70% of the nation's \$2.98 billion in annual exports to the US, faces similar challenges. Industry leaders warn that the high tariffs could erode their market share, as Sri Lankan goods become less competitive against those from countries like Bangladesh and Vietnam, which face lower rates of 35% and 20%, respectively. The combined pressure on these key industries threatens not only economic output but also the livelihoods of over 150,000 workers tied to rubber cultivation and manufacturing, particularly in rural areas.

The Trump administration's tariffs are part of a broader strategy to address perceived trade imbalances, with Sri Lanka exporting **\$2.98 billion** in goods to the US while importing just \$230 million. This disparity has been cited as justification for the "reciprocal" tariffs, though critics argue the policy overlooks the complexities of global trade and disproportionately harms smaller economies. For Sri Lanka, still recovering from a devastating 2022 economic crisis, the stakes are high. A failure to negotiate a more favourable deal could exacerbate existing challenges, including high inflation and foreign reserve shortages.

As the 1 August deadline approaches, Sri Lanka's government and exporters are united in their push for relief. The outcome of these negotiations will not only shape the future of the

rubber and apparel industries but also test the nation's ability to navigate an increasingly protectionist global trade landscape. For now, all eyes are on Washington, where Sri Lanka's economic resilience hangs in the balance.