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Sailing Beyond Free Trade:

Thailand–Sri Lanka Opportunities in the Blue Economy and Sustainable Tourism¹

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The diplomatic partnership between Thailand and Sri Lanka, marking seven decades, has arrived at a critical point. The close friendship between the two countries requires a broader perspective to address existing cooperation constraints, as for many years, cooperation has largely been limited to trade, which is facing challenges. Trade data between Thailand and Sri Lanka reflects these fluctuations and uncertainties.

The two countries' trade volume peaked in 2019 at over US\$455.14 million but declined to just US\$358.05 million in 2024. Sri Lanka, of course, has a trade surplus with Thailand. This gap has grown substantially, from \$184.14 million in 2019 to a projected \$297.16 million in 2024. Such

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a trajectory strongly indicates that the mechanisms of traditional free trade are inadequate on their own for fostering a balanced and diversified economic integration between the two nations.

The conventional way of deepening ties through trade liberalization has run into palpable political headwinds. A clear example is the Thailand–Sri Lanka Free Trade Agreement (SLTFTA). Although it was formally signed on February 3, 2024, the agreement remains inactive, still awaiting essential ratification from the Sri Lankan parliament. This stall is directly attributable to shifts in Sri Lanka's political landscape, which have collectively impacted the FTA's momentum and viability.

Given this political friction, a strategic recalibration is necessary. The focus must pivot away from politically charged market access negotiations and toward areas of collaboration that are technically complex but lower in political influence. Consequently, the primary objective for the relationship should be rethought. The goal is to uncover significant opportunities that exist beyond the scope of trade liberalization. For my opinion, the Blue Economy (BE) and Sustainable Tourism (ST) are good options.

Expanding the scope of cooperation to cover a wider range of issues could be crucial to strengthening relations between the two countries and mitigating political volatility. More importantly, this strategic shift aligns with evolving global economic and environmental factors. Assessments on the blue economy suggest that growth in this sector is expected to average 3% per year over the next several years.

The global maritime economy is expanding exponentially, projected to grow from US\$2.6 trillion in 2020 to US\$5.1 trillion by 2050. Meanwhile, the post-pandemic world has fueled a surge in demand for sustainable and responsible tourism worldwide. Coastal tourism, which is crucial

for both Thailand and Sri Lanka, has already captured a significant share of this niche market, projected to account for approximately 38.3% of the global sustainable tourism revenue, which is projected to reach US\$3.11 billion by 2025. A deliberate focus on these high-growth, sustainability-driven sectors will provide Thailand and Sri Lanka with the opportunity to create a model of resilient economic cooperation in the Bay of Bengal region.

The Blue Economy can be understood as a framework for the sustainable use of ocean resources to foster economic growth, improve livelihoods and employment, and ensure the health of ocean ecosystems. For Thailand and Sri Lanka, collaboration in this sphere is not about competing, but about leveraging a set of highly complementary asymmetries. Each nation brings distinct and mutually beneficial strengths to the table, moving the relationship from a competitive trade dynamic to a collaborative model of shared growth.

Thailand possesses advanced capabilities in marine logistics, port infrastructure, and fisheries technology, and it is increasingly orienting its policies toward decarbonization and digitalization. We see this in concrete efforts, such as the transformation of Laem Chabang into a greener port, which involves exploring pathways for shore-power adoption, cold-ironing, and cleaner bunkering practices.

On the other hand, Sri Lanka's strategic geography, situated astride key East-West shipping lanes, grants it significant leverage in container transshipment and ship servicing. Meanwhile, its policy frameworks and rich biodiversity assets create a natural laboratory for advanced marine spatial planning.

A dedicated bilateral blue-economy workstream could, therefore, realistically target three primary fronts. Firstly, we can collaborate more on Green Port which could include pilot projects

focused on energy efficiency, improving waste reception facilities, and developing interoperable port community systems.

The second is sustainable fisheries, where cooperation could revolve around implementing traceability technologies, developing methods for bycatch reduction, and establishing value-added processing facilities that meet stringent international standards. The third area is science-based marine spatial planning.

This would involve creating comprehensive plans that directly link the health of marine ecosystems to various economic uses, ranging from coral restoration initiatives to responsibly regulated aquaculture zones. Each of these fronts has the potential to generate tradable services, create pipelines of investable projects, and deliver measurable climate co-benefits. These are precisely the kinds of tangible outcomes that can broaden the impact of any future trade agreement.

At the same time, sustainable tourism offers a parallel pathway for collaboration, one where both countries already demonstrate excellence but have yet to fully harvest their synergies. Thailand's Bio-Circular-Green (BCG) economic model has successfully mainstreamed community-based tourism and circular-economy practices into its hospitality supply chains.

Sri Lanka, for its part, has cultivated globally recognized exemplars of community-led ecotourism. A prime example is Jetwing Vil Uyana, where extensive wetland restoration and the creation of wildlife corridors are integral components of the guest experience. A joint Thailand–Sri Lanka program could powerfully link these strengths to create innovative cross-border products and standards. One could envision a “Blue and Green Indian Ocean Circuit” that packages together coastal national parks, marine sanctuaries, artisanal fishing communities, and cultural heritage sites from both countries into compelling, low-carbon itineraries.

This circuit could be supported by a common certification scheme and data-sharing agreements on visitor flows. Furthermore, shared training modules for guides, small and medium-sized enterprises (SMEs), and local officials could focus on regenerative tourism principles, waste minimization, reef-safe practices, and climate-risk disclosure.

Marketing collaboration, co-investment in community enterprises, and a bilateral regulatory sandbox for destination-level measurement, using standardized natural-capital accounting and tourism carrying-capacity metrics, would complete the toolkit. The ultimate outcome of such efforts is not merely an increase in tourist numbers, but a fundamental improvement in the quality and sustainability of the tourism experience itself.

In conclusion, the future relationship between Thailand and Sri Lanka must find a way to transcend the political gridlock that has ensnared traditional free trade. The path forward lies in focusing on collaborative, sustainable growth. The strategic pivot toward the Blue Economy and Sustainable Tourism represents a critical and pragmatic way forward.

It utilizes Thailand's advanced expertise in logistics and technology to complement Sri Lanka's strategic maritime positioning and its rich repository of biodiversity assets. To realize this vision, the approach necessitates a carefully phased, bipartite policy roadmap, one that progresses from the immediate task of institutional setup to the long-term goal of embedding these initiatives within a stable financial framework.

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