

Abstract

The Synthetic Control Method (SCM) provides the comparative case-study evaluation on Sri Lanka and other 18 countries in this research paper. The external economic liberalization policy implemented in 1977 has significant changes in the Inward Foreign Direct Investments in the state. Focusing on the 18 countries, the methodology is being carried out comparing the Inward Foreign Direct Investment towards the level of countries without similar pre-treatment characteristics and liberalization policy effect. The final results show that there is a positive impact of the inward foreign direct investments towards the economic growth through the external economic liberalization policy. Additionally, we identified global and domestic economic shocks affecting the late 20th century international trade and foreign direct investments. The methodology performed successfully through a gradual increase in foreign direct investments in the results which was developed towards the policy suggestions.