Sri Lanka at another crossroads: A half-outsider's view

Every so often, an opportunity for redemption presents itself – to recover from bad times and disaster, to fulfil long-held hope and promise. Sri Lanka missed these buses for 60 years after independence. Now, with the war over, will it finally catch the bus?

SRI Lanka has thrown up a few surprises in the past month. Only a few months ago, the hegemony of the Rajapaksas seemed assured for years ahead. Then cracks appeared with the Uva Provincial Council election results.

President Rajapaksa called a snap election believing he would cruise to a third term in power. But, unexpectedly, a hitherto feeble and divided Opposition united around a common, seemingly viable presidential candidate.

Sri Lanka appears to be approaching another fateful crossroads. Which way will it turn? And what are the stakes?

There are many others far better qualified to answer these questions. I am, after all, an outsider. So let me declare my interest. I am half-Sri Lankan, Colombo born and bred. But I left Sri Lanka at the age of 12 and was an infrequent visitor afterwards. Until my forties, when Sri Lanka drew me back.

In the last six years I have spent a lot of time in Colombo and crisscrossed the island, south to north, east to west and points in between – all with the aim of writing a book on Sri Lanka. These have been journeys of rediscovery, reconnecting with my childhood, but, as much, journeys of wondrous discovery. To quote T.S. Eliot: "And the end of all our exploring, will be to arrive where we started, and know the place for the first time."

So here are the impressions and observations of a half-outsider – not, I hope, of a complete outsider.

The last time I wrote about Sri Lanka was in 2009, just as the war was ending. War's end brought exultation and a surge of optimism; peace, at last, opened a window of opportunity for ethnic reconciliation and economic takeoff. This was the refrain I heard at the time – in Colombo and other Sinhala parts of the country, and among the Sinhala diaspora. But I was pessimistic.

My friend Tissa Jayatilaka says that Sri Lanka keeps "missing buses". Every so often, an opportunity for redemption presents itself – to recover from bad times and disaster, to fulfil long-held hope and promise. Sri Lanka missed these buses for 60 years after independence. Now, with the war over, will it finally catch the bus?

Sri Lanka after the war

On the surface, post-war Sri Lanka looks a lot better. People can go about their daily lives without fear. Infrastructure – roads, bridges, railways, power projects – has improved massively, also in the north and east. Sri Lanka can boast the best infrastructure in South Asia.

Colombo has been "beautified" – I have never seen it looking so good. But I have seen beautification in many other towns as well, including Batticaloa, Trincomalee and Jaffna. Tourism has bounced back, with post-war arrivals hitting all-time records. Katunayake airport – the visitor's first impression of the country – is pleasingly busy.

But this surface reality is deceptive. Things continue to go terribly wrong with Sri Lanka's politics, ethnic relations, economy and foreign policy.

Start with politics. Sri Lanka has become a one-family business: it is run by a quartet – three brothers and one son. Then there is an outer circle of numerous relatives and hangers-on. Conflicts of interest abound. Policy-making is extremely populist and ad hoc, hostage to the whims of a few individuals; technocratic competence in government is probably at its lowest ebb. Public institutions – the civil service, Legislature, Judiciary, local government, police and military – have been emasculated or co-opted. This has also happened to business, the media and NGOs.

In the language of political science, Sri Lanka is now an "illiberal democracy". As such, it is less like India and more like Russia, Venezuela and several African states. Demos ensures that the President and his coalition are elected by popular vote. But there is little trace of "liberalism" – individual rights and freedoms, an impartial rule of law, checks and balances on power.

Ethnic relations have not improved since the end of the war; in some respects they have worsened. True, the north and east have better infrastructure, more commercial life and new housing for refugees. But the Government's reconciliation effort does not seem to go beyond that. War-related poverty and psycho-social problems are still acute, especially in remote rural areas. The military presence remains oppressive, especially in the north.

The root of the problem is a Sinhala-Buddhist chauvinism that is uglier than ever; military victory had made it shriller and more jingoistic. Anagarika Dharmapala would be pleased. Buddhism's political perversion has reached new extremes, most blatantly in Bodu Bala Sena's attacks on mosques and Muslim shops, and even a few Christian churches. This seems to be encouraged by at least some elements in the Rajapaksa Government to shore up its Sinhala vote base.

One response of the minorities to Sinhala chauvinism has been to retreat within their fortresses. That is most evident among Sri Lankan Tamils. The self-isolation of Jaffna Tamils – their "peninsularity of mind" – has a long history, with disastrous consequences since independence. But I see it with a fundamentalist minority in my own Muslim community. The attacks on Sufism, the attempt to rid Islam of South Indian "impurities", the miserable jet-black shrouding of women and girls – these are all symptoms of identity politics that vitiate the pragmatic, outgoing, ethnic bridge-building heritage of Sri Lankan Islam.

Prima facie, Sri Lanka's economic record is stellar. Growth has averaged over 7% since the end of the war. Inflation, the budget deficit, public debt and interest rates have all come down. Foreign reserves have risen steadily and the rupee appears more stable. Extreme poverty has come crashing down, and so has unemployment. With typical braggadocio, the Government advertises Sri Lanka as the 'Miracle of Asia' and the 'Emerging Wonder of Asia'.

Some of the Government's headline economic numbers strain credulity – as several serious analysts have observed. Artful accounting has massaged down inflation, budget-deficit and public-debt numbers. And is growth really at 7% or above? But this masks something more alarming: the economy's structural problems are getting worse, not better.

Post-war growth is debt-fuelled and driven by an expanding, inefficient public sector, not by productivity gains. A borrowing spree finances fiscal largesse, and it increases reliance on volatile international capital markets for debt financing. Highly interventionist microeconomic policies are in line with the economic nationalism embodied in the Mahinda Chinthana. An already bloated public sector has become as disgustingly obese as its ruling politicians. Domestic agriculture and other industries have been propped up; import protection has increased.

Trade has shrunk dramatically as a share of GDP, as has export share in global markets – extraordinary for a small economy in Asia, especially compared with East Asian economies. Exports have not diversified beyond garments and plantation crops. Domestic private investment is relatively low and foreign investment, apart from hotel projects, is stagnant. Infrastructure projects have had massive cost overruns – not to mention the gigantic waste from vanity projects in Hambantota and elsewhere. The defence budget has increased, and the military has diversified into business activities.

Not least, there is the widespread perception that the Rajapaksa clan and others with privileged political access dominate business and reap most of its rewards. This amounts to a creeping cartelisation of the economy – not as pronounced as in Vladimir Putin's Russia, but heading in that direction.

Foreign policy follows in the footsteps of illiberal democracy and economic nationalism. Relations with Western powers have deteriorated and remain testy with India. But Sri Lanka has "new friends": Iran, Libya (until Colonel Gaddafi's ouster), Russia, Pakistan and China. And China has emerged as "first friend". Chinese loans pay for much of Sri Lanka's new infrastructure and Rajapaksa vanity projects.

My View

Global Economics

By **Razeen Sally**

The Rajapaksa slant on foreign policy runs directly counter to Sri Lanka's global economic interests. The USA and EU account for two-thirds of Sri Lankan exports. Sri Lanka has everything to gain from closer economic relations with India, particularly with the four states of South India – a market of 300 million people on its doorstep.

Further opening the Sri Lankan market to Indian business would be one of the quickest routes for Sri Lanka to enter global supply chains in IT services, other services sectors and niche areas of manufacturing. Hence, while relations with China should be good, China as "first friend" is economically illogical. And over-dependence on China is politically dangerous.

Election stakes, and what should be done

If President Rajapaksa wins, Sri Lanka is set for a further slide into political authoritarianism, Sinhala-Buddhist chauvinism and ethnic strife, economic nationalism and dependence on China. Debt-fuelled growth will, inevitably, face its day of reckoning.

If Sirisena wins, he promises to abolish the executive presidency within 100 days, form an all-party government, restore a Westminster-style parliamentary system, repeal the Eighteenth Amendment, and re-establish the independence of institutions such as the police, judiciary and public service. These are all laudable objectives. Sri Lanka desperately needs to return to political liberalism, credible public institutions and the rule of law. But this is easier said than done: the anti-Rajapaksa opposition has its share of authoritarian elements.

The Opposition's minimalist "common program" is purposefully silent on ethnic relations – it includes Sinhala-Buddhist chauvinists in its broad tent. Those who favour genuine ethnic reconciliation will have to fight their corner. Substantial but long-delayed devolution of powers to provincial councils, in the spirit of the 13th Amendment, is part of the solution.

What the Common Program has to say on the economy is decidedly interventionist. It is more of the same: higher salaries for public-sector workers and more public spending. This makes it all the more urgent for Sri Lanka's tiny number of economic liberals to make the case for a radical economic overhaul. Priorities should be the repair of public finances; domestic deregulation to liberate the private sector; trade liberalisation and an open door to foreign investment; public sector reform; and lower defence spending.

Let me focus on foreign economic policy – the area I know best. Sri Lanka needs import liberalisation to restore export competitiveness, for a tax on imports is a tax on exports. A thicket of para-tariffs needs to be cleared away, tariffs reduced and simplified (ideally to a low uniform tariff), and customs procedures speeded up (through automation and automatic approval procedures to minimise bureaucratic discretion and corruption). Relatedly, foreign investment should be subject to automatic approval procedures with a "one-stop shop" to avoid domestic red tape.

These measures should be enacted unilaterally. They should be backed up with free trade agreements. The Indo-Lanka CEPA negotiations should be concluded speedily. Sri Lanka should open new FTA negotiations with ASEAN, Japan, South Korea, the USA and EU. Priority should be given to an FTA with the USA. Overall, Sri Lanka needs major trade-and-investment liberalisation to diversify and upgrade exports, and plug into global value chains, which are the really big drivers of employment, productivity and growth.

All these measures will be politically difficult, and some more difficult than others. But Sri Lanka needs economic freedom just as much as it needs political freedom and the rule of law. This is actually more important than other freedoms for most people, so they can go about their daily lives as consumers and producers free of political interference. Competition in markets, which springs from economic freedom, benefits ordinary people. Cronies with political connections are the biggest beneficiaries of economic nationalism, but they are cut down to size by genuine competition.

Finally, economic liberalisation should be complemented by a reorientation in foreign policy. Sri Lanka needs to repair relations with the West, particularly with the USA, and have much better relations with India. This would align foreign policy with the country's real trade and foreign-investment interests.

FT Quote

> "Sri Lanka is full of promising people who want to contribute to their country's regeneration. I have met many on my travels – young professionals; humanitarians who do sterling voluntary work without show; the religiously devout who are passionate about a plural, multi-ethnic Sri Lanka; those in the diaspora who want to come back and contribute; long-suffering, resilient women shouldering the burden of useless menfolk in the family and workplace. I wish they would break through and lead Sri Lanka to a brighter future"

The bigger picture

I leave my broadest observations to last. They are culled from my reading on history and current affairs, my journeys all over the island, and my encounters with people along the way.

My abiding impression is of a land full of contradictions, a heaven-and-hell country consumed by its own extremes. Sri Lanka's most obvious paradox is its potent mix of beguiling tourist charm – "Paradise island with its fern trees and palm-lined shores and gentle doe-eyed Sinhalese", in Hermann Hesse's words – and an astonishing propensity to violence.

Sri Lanka has a blood-spattered history, from ancient times to the colonial encounter with the West to the post-independence present. But it also has a rich history of ethnic mixing and religious tolerance, indeed syncretism. Sinhala kings had South Indian consorts, imported Tamil Brahmins, mercenaries and craftsmen, and incorporated Hindu rituals into their Buddhist practice.

To this day, Theravada Buddhist devotion is full of Hindu and indeed Mahayana influences. This is on open display in viharas and devales all over the island; it is emblematic of the architectural splendours of Anuradhapura and Polonnaruwa. Hence, as Professor Gananath Obeyesekere observes, Sinhala-Tamil and Buddhist-Hindu distinctions are "fuzzy". As the journalist Reggie Siriwardene put it, "Sri Lankans are authentic members of one of the most hybrid nations on earth."

On the other hand, since Anagarika Dharmapala, a Buddhism enmeshed in Sinhala nationalism has developed a totally different politico-ethnic narrative, and a mythical revisionist history, that is exclusive and supremacist – or, to put it more bluntly, chauvinist and racist. It finds its echo in the caste-based, self-isolating Hinduism of the Jaffna peninsula and, more recently, in fundamentalist Islam.

Then there is Sri Lanka's combination of abundance and complacency – this time two sides of the same coin, not a contradiction. Robert Knox's eulogy to the coconut tree – how a single tree provides meat, drink, cloth, mats, rope, honey and oil – is an apt metaphor for the Wet Zone's natural bounty. But it breeds a fatal complacency. As the Roman poet Horace says, "Happy is he to whom Nature has given a sparing hand." How true, and how well it applies to Sri Lanka. It is this accursed complacency that has made Sri Lanka miss so many proverbial buses, and taken so many wrong turns at main junctions.

Complacency includes ignoring the lessons of history. One example: The excesses of the Polonnaruwa kings – centralisation of power, a crushing burden of taxation and labour duties to build their masterpieces, lavishing money on monasteries – so weakened the state that it collapsed in quick time. That reminds me of economic policy today, spending and borrowing profligately as if tomorrow will never come. But it does – always.

Another example: Polonnaruwa's Galpotha is full of bombastic and vainglorious praise for Nissankamalla, that most egotistical of Sinhala kings. To me this echoes the inscriptions on triumphalist Victory Memorials at Elephant Pass and Kilinochchi. But, as ancient Greek mythology teaches us, nemesis invariably follows hubris.

A final observation. It strikes me that Sri Lanka has had a disastrous political elite of all stripes – blue, green and red – since independence. Ivor Jennings's Road to Peradeniya is full of prescient warnings of "schoolboy politicians" and "Bloomsbury Boys of Cinnamon Gardens" who would ruin the country. The political class, he writes, "condone the breakdown of fundamental principles of civilised behaviour – bribery, corruption, nepotism – because they believe that man is vile." So it came to pass.

Now the dominant political type is the obese Sinhala thug. There are just a handful of Bloomsbury Boys left. They affix themselves to power because they are addicted to its backside smell, but they do not have real power now; their function is to be wheeled out to defend the indefensible to the White Man abroad because they, unlike their bosses, can construct grammatically correct sentences in English.

A brighter future?

How can Sri Lankans work with the grain of what is best in the country's past – ethnic mixing, religious tolerance, the warm embrace of Sinhala culture, the Jaffna Tamil work-and-education ethic, Muslim trading flair, the worldly entrepreneurialism of tiny Indian trading castes? How can they overcome the worst of the past – religious bigotry, ethnic self-isolation, complacency, the parlous state of the political class?

The status quo is not the place to start. Some are convinced the good times are back and can only get better. But no country can flourish with such rottenness in its politics and institutions. This has consequences. It makes society inherently unstable and prone to periodic convulsions.

The last time Sri Lanka basked in a golden dawn was in the late seventies and early eighties, when a newly liberalised economy was taking off and predictions of a new Hong Kong and Singapore were in the air. But Black July in 1983 snuffed that out. Now there is no short-term threat of another Tamil separatist rebellion or of a Sinhala insurgency in the south. But what calamity might be around the next corner?

The place to start is an Opposition victory on 8 January. It would at least open the door to more political and economic liberalism – to liberate Sri Lankans from the politicisation of practically everything. But it would be just the beginning of the battle for a more liberal Sri Lanka. And I stress economic liberalism at least as much as political liberalism, for Sri Lanka should be rid of its calamitous love affair with collectivist ideology, brought to the country by romantics and base political opportunists with mansions in Colombo 7 and walauwes outstation. Sri Lanka could do without idiotic, tragic left-wing Utopias. As the German poet Friedrich Hölderlin says, "What has always made the state a hell on earth has been precisely that Man has tried to make it heaven."

Sri Lanka is full of promising people who want to contribute to their country's regeneration. I have met many on my travels – young professionals; humanitarians who do sterling voluntary work without show; the religiously devout who are passionate about a plural, multi-ethnic Sri Lanka; those in the diaspora who want to come back and contribute; long-suffering, resilient women shouldering the burden of useless menfolk in the family and workplace. I wish they would break through and lead Sri Lanka to a brighter future.

(The author is Associate Professor at the Lee Kuan Yew School of Public Policy, National University of Singapore.)