

Sri Lanka's Current Pitfalls: What should Bangladesh learn from it?

Nafiz Farhan¹

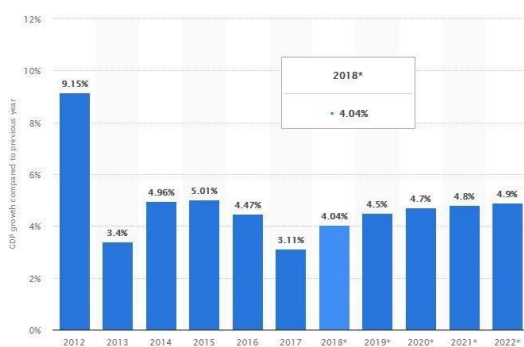
Introduction

Rampant corruption, power consolidation and less than prudent economic policies has led to the demise of one of the fastest growing economies in South Asia, a country which had the potential to lead the charge and become a powerhouse in the South Asian political context. Thus far, the current scenario is dire to say the least. However, what actually led to this predicament? What policy lessons can be derived from this situation? This commentary attempts to take a deeper dive and eventually answer these questions.

Sri Lanka: A Marvel of Progress

Sri Lanka as a country has showcased strides in terms of economic progress. So far, it had substantially continued to deliver on its plans for economic development and while almost standing on the edge of a transition to an economy that is knowledge-based.²

Since the country and its people saw a smooth and non-turbulent transition from an authoritarian rule in its political landscape spanning from January 2015, which eventually had been further strengthened by the end of August 2015 general elections.³ The elections had helped to form a national unity government – which was a maiden political experience for the country following its close



Data visualized by + a b l e a u

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Source: Statista

¹ Nafiz Farhan is currently working as a Research Assistant at Bangladesh Institute of Peace and Security Studies.

² Madurapperuma, W., 2016. Impact of inflation on economic growth in Sri Lanka. *Journal of World Economic Research*, 5(1), pp.1-7.

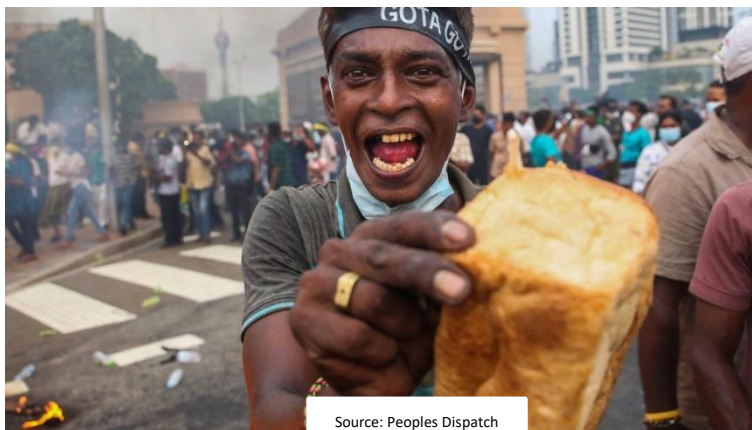
³ ibid

to seven decades of independence – Sri Lanka had managed to put the building blocks necessary to reinvigorate its socio-economic and political architecture.

According to World Bank, Sri Lanka was considered to be a shining beacon of hope, an example, a model for emerging market economies, with an **average growth rate of 6.2% between 2010 and 2016.**⁴

They had made many positive gains over the years through substantial policies and initiatives and adoptive strategies that enabled the country to establish and instate recognition and friendly engagements with the rest of world, a feat often considered to be a key foreign policy achievement of the government. Doors had been opened again for constructive and friendly engagements that have eased economic and political pressures. The country had been heading in the right direction to ensure the establishment of itself as a major force to be reckoned with. However, these eventualities never actually came to a fruition stemming from a number of factors.

The Downfall and Reasons That Led To It



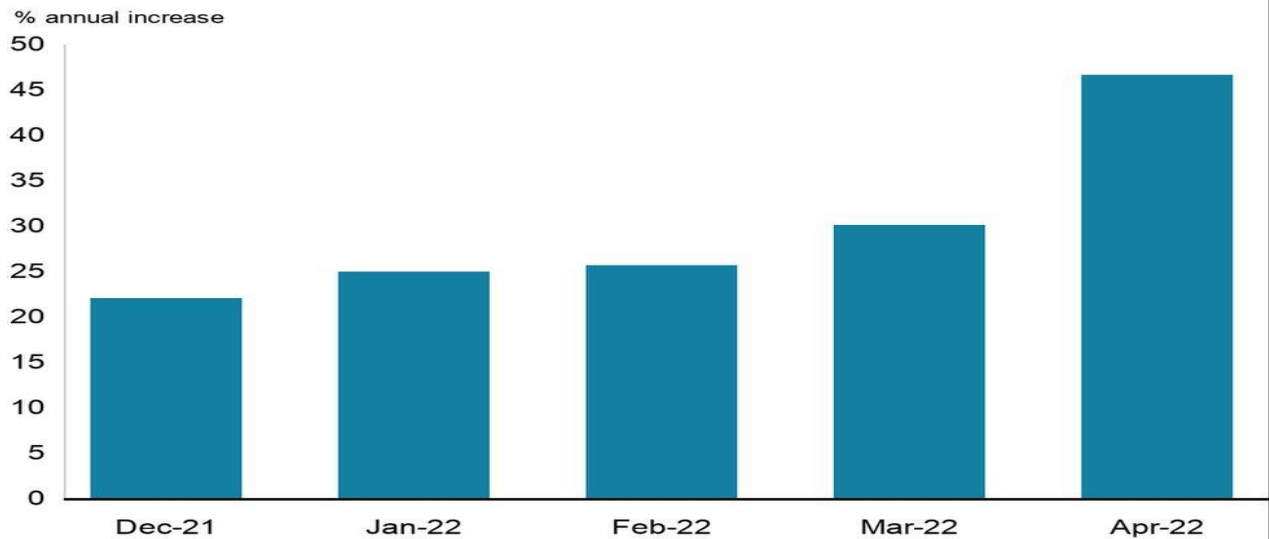
Considering the growth that Sri Lanka had enjoyed over the years, the sudden economic calamity can almost seem unfathomable to a distant spectator. However, if we take a bit of a closer look, the current situation and how it came into

fruition might make a bit more sense. Experts, though, had been warning about the possibility of such an event taking place due to a number of reasons.

⁴ 2022. [online] Available at: <<https://www.worldbank.org/en/news/feature/2017/05/29/how-will-sri-lanka-better-integrate-in-the-global-economy>>

Prices keep rising in Sri Lanka

Colombo Consumer Price Index



Source: Department of Census and Statistics

There are quite a number of reasons that were believed to have led to the Sri Lankan downfall. Stemming from political, social and economic factors, they played a big role towards thwarting growth and bringing Sri Lanka to its knees:

1. The apparent mismanagement of macroeconomics is among the key reasons for Sri Lanka's downfall. The tax cuts led to a credit rating downgrade in 2020, causing Sri Lanka to lose access to international financial markets.⁵
2. The practice of protectionism, crony capitalism wreaked havoc on Sri Lanka's economy, uniting a number of ethnic groups against the existing regime.
3. The institutional erosion and undermining of government, in association with imprudent policy is a major factor behind the economic downfall of Sri Lanka.
4. Sri Lanka is also stranded in the middle of the tussle between foreign powers, who are very much eager to spread their influence and footprint.⁶

⁵ The Indian Express. 2022. *Explained: What led to Sri Lanka's economic crisis, and who's helping?*. [online] Available at: <<https://indianexpress.com/article/explained/sri-lanka-economic-crisis-explained-7849208/>>

⁶ Ibid

5. The overwhelming power being wielded by the Rajapaksa family in the most important positions is believed to have been a strong catalyst towards not only ensuring the downfall of the family itself, but also that of Sri Lanka.⁷
6. Sri Lanka, despite having elections in a democratic manner, is in a quandary due to political turbulence, something that stemmed from the power struggle between Gotabaya Rajapaksa and the Sri Lankan parliament. This shows the damage that conflict between democratic institutions and political families can cause to political stability.
7. The whole of society, whole of government approach and the multi actor's coordination was lacking in Sri Lanka.
8. The adoption of pesticide free agricultural practices drastically decreased the crop yields and harvest, leading to rampant food insecurity in the country. Thus. Such process, though necessary to adapt to climate smart agriculture, should be more gradual than instantaneous.
9. COVID-19 led to the collapse of the tourism industry, which acted as a major factor behind the overall economic ruination. As a result, it is ideal to have contingency plans that have to be taken in order to ensure the “Cushion effect” to bear the brunt of such emergencies, including diversification in terms economic approaches.
10. The ethno-centric power concentration within the government, the disconnect between the elite and non-elite, and discrimination is particularly prevalent in Sri Lanka. The lack of such ethno socio-economic integration should always be avoided

Lessons for Bangladesh

⁷ Abeyagoonasekera, A., 2022. [online] Available at: <<https://www.orfonline.org/expert-speak/economic-and-political-crisis-in-sri-lanka/>>



The crisis in Sri Lanka should be a rude awakening for all the developing countries across the globe. Thus far, they ought to be a key policy lessons for a growing country like Bangladesh that, according to many has showcased almost similar kind of behavioral traits. The policy recommendations that Bangladesh ought to follow in order to prevent such

eventualities are given below:

- Macroeconomic management and economic policy formulations should adopted in compliance with the global trends and keeping the intricacies of global market in mind.
- Practices of protectionism and crony capitalism should be avoided from being replicated in the future.
- Resources, are scarce, and thus should manage to reap the maximum benefit out of them.
- The Easter 2019 Attack is a testament to the lack of coordination between and intelligence and the security community in Sri Lanka, something that developing countries like Bangladesh should take into consideration and put major emphasis upon.
- It is imperative to emphasise upon the necessity of healthy and functioning institutional framework towards ensuring development and sustain economic growth.
- The deep-seeded conflict between the Rajapaksha family and the parliament of Sri Lanka should be taken into account as a reminder of importance of coordination and collaboration among all the major actors.
- Drastic change or initiatives to enable progress, though necessary to adapt to climate smart agriculture, should be more gradual than instantaneous. It also shows how any

intervention like these should be slow and incremental, rather than abrupt and whole scale.

- Contingency plans have to be taken in order to ensure the “Cushion effect” to bear the brunt of such emergencies, including diversification in terms economic approaches.
- The lack of ethno socio-economic integration, the likes of which existed in Sri Lanka, should always be avoided.

It's imperative to take these policy recommendations into consideration to prevent or alleviate the possibility of replication of the situation in Sri Lanka.

Conclusion

The example of Sri Lanka is an alarming reminder for countries like Bangladesh. Thus far, the countries themselves, Bangladesh being one of them, should maintain utmost resilience in the face of adversity, adopt policies compatible with the global world order and work ensuring a sustainable growth, not a volatile one.