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Seventy Years of Independence: Challenges and Prospects for Sri Lanka¹

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As Sri Lanka celebrates 70 years of independence, it recalls how the island nation was once touted as a potential success case among the newly-independent states. However, due to various challenges over the years, Sri Lanka was then seen as a failure on many counts. Now coming out of a three-decade long conflict, another opportunity has been presented to the country to become a success. Against this backdrop, this paper examines some of the challenges facing the country and the measures being taken to address them in the post-conflict context.

¹ The Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore (NUS), is dedicated to research on contemporary South Asia. It seeks to promote understanding of this vital region of the world, and to communicate knowledge and insights about it to policy makers, the business community, academia and civil society in Singapore and beyond. As part of this ongoing process, ISAS has launched a series of commemorative essays on each of the eight South Asian countries to coincide with their respective national days. The objective is to present a snapshot of the successes and challenges of the countries in South Asia, a sub-optimally integrated region with a globalising aspiration. This sixth essay focuses on Sri Lanka celebrated its Independence Day on 4 February 2018.

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Introduction

Sri Lanka, an island nation of 65,000 square kilometres, situated in the middle of the Indian Ocean, is celebrating 70 years of independence from colonial rule. A sovereign country in the ancient time with a history of 2,000 years, it was conquered by the Europeans – first by the Portuguese, followed by the Dutch and then the British. Ending 443 years of colonial influence on 4 February 1948, Sri Lanka became a sovereign independent state again, marking the beginning of the island's modern history.

Known as the first potential case of development success among the newly independent states at the time of independence in 1948, Sri Lanka was the model commonwealth country of Britain, which was carefully prepared for independence. With a manageable population size, relatively high standard of education, well-established civil service and an experienced representative government system, it was expected to gradually evolve into a developed nation. A former Governor General in early 1950s predicted the island nation to be “the best bet in Asia” while Lee Kuan Yew (former Prime Minister of Singapore) stated in the mid-1950s that he would like Singapore to emulate Sri Lanka.

Unfortunately, the country could not live up to its expectations. Within three decades of independence, the potential case of development success among the newly independent nations was transformed into a state of political conflict and large-scale armed struggles. When countries which were below or at similar level of development at the time of independence from colonial rule developed rapidly and gained impressive gross domestic product (GDP) growth, Sri Lanka was engulfed in a civil war which brought immense economic and political destruction. Even after five decades of independence, Sri Lanka was still a case of missed opportunities and a “bad example” of economic development and fiscal management, political engagement and social reintegration

After 70 years of independence Sri Lanka has an estimated population of 21 million³ and a GDP of US\$84.02 billion⁴ (S\$110.78 billion). Its population consists of majority Sinhalese (74

³ “Mid-year Population Estimate 2012-2017”, *Department of Census and Statistics Sri Lanka*.

⁴ “Report for Selected Countries and Subjects”, *International Monetary Fund*, n.d.

per cent), Sri Lankan Tamils (12.6 per cent), Muslims (7.1 per cent), Indian Tamils (5.5 per cent) and other races – Malay, Burgher and others (0.8 per cent).

The past 70 years witnessed far-reaching social, economic and political changes. The country continued to maintain a high Human Development Index; yet it failed to obtain a significant economic development. It has gained attention in the development literature for its exceptional human development indicators despite being a low-income economy. Despite its weak economy resulting in failure in the productivity and production, Sri Lanka ranks among the middle range countries in the United Nations Development Programme (UNDP) Human Development Index ranking.

The Westminster model of government changed into a semi-presidential representative democratic republic framework. The President holds the power as both the head of state and head of government. Executive power is exercised by the government whereas the legislative power is vested both in the government and the parliament. The small island nation also experienced three uprisings, out of which one turned into a civil war that continued for approximately three decades.

As Sri Lanka celebrates its 70th anniversary of independence in 2018, the civil conflict, which hindered development and progress, has ended. New avenues for economic, social and political development have opened. Yet, there are challenges that need to be addressed soon in order to drive the country forward. Against this backdrop, this paper explores Sri Lanka's economic and political environment immediately after its independence, and how the country turned from a potential development success into a missed opportunity. It will explain Sri Lanka's developmental attempts during the 30 years of conflict and new challenges in the post-conflict environment.

Post-independent Sri Lanka: Missed Opportunities

Sri Lanka was not a typical colony of the British Empire. It was, in fact, a special case. Unlike its other South Asian counterparts, Sri Lanka did not have to fight for its independence the same way its neighbor India did. On the contrary, the British carefully prepared the island

nation for independence, and peacefully transferred power. Prior to the power transition, a strong economy was developed, high human development standards were achieved, well-established infrastructure was built, and a well-functioning judiciary and a democratic political system were established. However, a mismanagement of the economy, lack of timely need assessments and revision of policies, and political polarisation which later developed into a conflict, resulted in the island nation failing to achieve its expected level of development. Moreover, the “Divide and Conquer” aspect of British rule, i.e. – manipulation along ethnic lines and preferential treatment for one ethnicity over the other sowed the seeds of ethnic discord that within few years of independence signs of disputes along ethnic lines were displayed.

At the time of independence in 1948, Sri Lanka’s national income per head was five times higher than the South Asian average. In 1950s, it was almost twice that of India and one of the highest in South and Southeast Asia.⁵ In 1960s, Sri Lanka had a gross national product (GNP) of US\$141 (S\$186), higher than Thailand (US\$96 [S\$127]) and Indonesia (US\$51 [S\$67]), about the same as Korea (US\$156 [S\$206]), and only 50 percent lower than Malaysia (US\$273 [S\$360]). These were the countries which had similar economic and social conditions like Sri Lanka at the time of their independence and, hence, often compared with the island nation in terms of development.

Sri Lanka’s primary export crops introduced during colonial times contributed to the stable economic growth. The foundation for the export plantation industry was laid in the 1820s and 1830s. Developed to become a commercially well-organised plantation sector, it contributed to 90 percent of all export earnings as of the time of independence. As of 1950s, the plantation export accounted for nearly 30 percent of the GDP and 70 percent of agricultural value-added industries.⁶

The social welfare system introduced during colonial times resulted in exceptional health and educational achievements. The island nation recorded a high quality of life – it had a high literacy rate, high life expectancy, low infant mortality and high maternal health.

⁵ S R Osmani, “Explaining the Growth of Sri Lanka”, Paper prepared for the Global Development Network’s (GDN) project on ‘Explaining Growth’, January 2008.

⁶ Ibid.

Sri Lanka also inherited a competitive and pluralistic political system. Since the early 1900s, Sri Lankans acquired the decision-making powers in the State Council, which is the legislature. In 1921, there were more Sri Lankans than the British members representing the legislature, while as at 1924, the elected members of the State council outnumbered the British. Prior to independence, in 1931, Sri Lanka obtained the universal franchise, which gave the general public, including women, the right to choose representatives in the legislature and provided opportunity for political participation in the decision-making process.

Despite the above mentioned positive situation, post-independent Sri Lanka's development was uneven, "characterized by slow adjustment to internal and external shocks, missed opportunities and policy errors."⁷ The environment of a welfare state and population growth, highly politicised electorate – a result of universal adult franchise, followed by political polarisation, and export pessimism, closed the economy for nearly two decades, and caused the delay in moving towards an export-oriented strategy. These factors contributed to three uprisings, one which turned into a three-decade long violent conflict. And these factors resulted in causing development failure in the country.

The primary development challenge for Sri Lanka immediately after independence was maintaining the existing high living standard amidst rapid population growth. According to an economic adviser who visited Sri Lanka in the late 1950s, the urge for development in Sri Lanka was not due to poverty and malnutrition like its neighboring countries, but due to the rapid population growth.⁸

Even though the welfare state system contributed to an exceptional achievement in the quality of life, the lack of proper economic planning to support the welfare system, and political polarisation brought a new set of challenges. Following the colonial era, successive Sri Lankan governments adopted an explicitly welfarist strategy in which the entire population was provided with free food subsidy, free primary healthcare and free education up to tertiary level. Food subsidy and healthcare managed to reduce malnutrition, infant mortality, maternal

⁷ Saman Kelegama, *Development under stress: Sri Lankan economy in transition*, Sage, 2006, p 20.

⁸ Sirimal. Abeyratne, "Economic roots of political conflict: The case of Sri Lanka," *The World Economy* 27, no. 8 (2004): 1295-1314.

mortality, and increased the life expectancy. As a result, Sri Lanka saw a boom in its population growth.

In the short term, this strategy worked quite well. The rich plantation sector brought 90 per cent of the foreign exchange to the country, out of which a bulk was used for food imports – including rice – which was required for the food subsidy scheme. As long as the plantation export flourished, the government could fund the welfare scheme through its taxation. However, with the end of the commodity boom in 1952, Sri Lanka's export earnings declined, which impacted the economy.

The lack of a sustained rapid growth led to the difficulty in continuing with the welfare state system. It was evident that a continuous flow of resources was required to finance the welfare system. Sri Lanka had not moved away from its dependency on the plantation export industry nor had it opened its economy to the external world to attract new foreign investments. Yet, the social demand to continue the social welfare system continued and any attempt to change it otherwise was seen negatively during the election. For instance, an attempt was made to reduce rice subsidy in 1953. This led to massive political reaction and violent protests, which forced the resignation of Prime Minister Dudley Senanayake. It also substantially contributed to the election of left-of-the-centre government of 1956. As the electorate did not permit the government to disassociate itself from the welfare state culture, the maintenance of welfare measures became an indicator of the sustainability of the government.

In response, industrial policies were changed. The complete reliance on the colonial pattern of production under a free trade regime was abandoned and a modern manufacturing sector, under the auspices of the state, and import substitution were developed. The strategy was successful in the next decade – manufacturing grew to 5.2 percent in the first half of 1960s and then 7.3 percent in the second half. The agricultural industry was also strengthened – it rose to 4.2 percent in the second half of the 1960s. The decade reflected some success in the GDP growth as well – it rose from 2.6 percent in the second half of 1950s to 5.3 percent in the second half of the 1960s.

One of the key features of Sri Lanka's post-independent development policy was its gradual move towards "intensified restrictive trade regime through policy swings",⁹ accompanied by the power shift between the United National Party (UNP) and the Sri Lanka Freedom Party (SLFP), two major political parties which ruled the country. This is reflected in how the government changed despite the progress made in 1960s and how the successive governments changed existing policies. With the global economic turmoil and inclement weather conditions, the United Front government in 1970 intensified its leverage over the economy. As a result, manufacturing came down to a mere one per cent per annum, agriculture performance declined and the GDP growth decreased to less than three per cent. The economic growth did not recover until the new UNP government came into power in 1977. However, by this time, new social issues had risen and the first signs of a long-term conflict became apparent.

Despite the economic turmoil the governments were going through, there was no opportunity for Sri Lanka to revise its welfare system strategy. In order for the successive governments to be in power, a continuation of welfare state system was mandatory. As the revenue was not sufficient to maintain the current high level of expenditure which was required to maintain the welfare system, the government had to seek external financing.

In the meantime, the population, which benefitted from free education had improved human conditions and expected higher social standards. They were not prepared to continue with the traditional industries of their forefathers and demanded employment from the government. The state system could not absorb the entire educated population while the private sector and industries were not expanded sufficiently to create job opportunities for the newly-skilled workers entering the labour market. As a result, a sense of dissatisfaction and discrimination led to three political unrests, the third rising to a violent conflict.

The first insurrection emerged in 1971. Organised by the Sinhala youth, it was known as the *Janatha Vimukthi Peramuna*. Their attempt was to capture state power, which they failed to do so. In the second half of the 1980s they arose again and launched an armed struggle. It resulted in violence and instability in the southern part of the country.

⁹ Abeyrathne (2004): 1303.

Parallel to the youth insurrection in 1970s, the Tamil militant youth movement in the northern part of the country emerged. It consisted of several youth groups, including the Liberation Tigers of Tamil Elam (LTTE). Even though the government managed to control the insurrection in the South, it failed in the North. As a result, the Tamil militant group gradually entered into a guerrilla war, aiming to carve out a separate Tamil state in Sri Lanka. The LTTE developed into one of the most ruthless terrorist groups in the world, killing civilians, and national and international leaders. The war continued until May 2009 when the Sri Lankan military finally overcame the LTTE.

Even though the initial root cause of both the Sinhala and Tamil uprisings was the lack of economic development and economic opportunities, political frustration and a radical response against the existing political system,¹⁰ the LTTE struggle later turned into violent conflict based on ethnic lines. Apart from the failure to increase resources and opportunities to meet social demand, and an inadequate expansion in economic capacity, some policies,¹¹ which marginalised and excluded upward social mobility, were interpreted as ethnic marginalization. This was mainly because of the privileges the Tamil community experienced as a result of the British's 'divide and conquer' rule in the island.

Development amidst a Three-decade Long Conflict

Amidst a growing population, social demand and a protracted conflict, development was a challenge for Sri Lanka. The conflict destroyed physical and human capital, resulted in increased military expenditure and abandoned natural resources. It also led to the focus on refugee care which added to the government's burden. The government's expenditure on the

¹⁰ Sri Lanka's main political parties are multi-ethnic and include leaders from all the communities. However, there are few minor political parties which also participate in decision making. During the 1970s and the early 1980s, neither the UNP nor the SLFP gave priority to youth inclusion in decision-making which contributed to youth unrest.

¹¹ The Citizenship Act of 1948 included the Indian and Pakistani Residents (Citizenship) Act, No 3 1949 and the Ceylon (Parliamentary Elections) Amendment Act, No. 48 of 1949 which led to the disenfranchisement of nearly one million Indian Tamils who were immigrant workers brought to work in the plantations by the British. As a result, 11 per cent of the population was left stateless. Reforms brought to university admission through the standardisation of university admissions examinations by language, supplemented by the district quota system, increased competition and reduced the privilege that English-educated Sinhala and Tamil elites had in the university education system.

conflict between 1983 and 1996 is equivalent to 41 per cent of its 1996 GDP. Before the war began in 1983, defense expenditure in 1982 was only 1.1 per cent of the GDP. In 1988, it rose to 4.4 per cent of GDP and ranged from 4.2 to 4.5 per cent between 1990 and 1994. In 1996, it was six per cent of GDP. In 2008, a year before the end of the conflict, the defense expenditure was 3.8 per cent of GDP and 17.1 per cent of total government expenditure.¹²

While the increased defense expenditure shows the direct economic cost of the conflict, the indirect cost it brought to the economy should also be remembered. On the one hand, the defense expenditure was a stimulus, particularly in terms of rural employment and livelihood, as it was the rural youth who were the main enlistees to the military. However, on the other hand, it reduced the amount of money that could have been used as public investment. According to the estimates of the economists, one per cent increase in defense expenditure caused a 2.4 per cent decline in public investment.¹³

The two provinces in the country, which became the battle grounds for the conflict, also suffered from a lack of economic development as many industries in these areas halted or substantially reduced their production. The factories producing cement in Kankasanthurai, chemicals in Paranthan, salterns in Elephant Pass and Nilaweli, ilmenite in Pulmoddai, ceramics in Odduchuddan and Amparai, and paper in Valachenai either stopped or reduced their outputs. Fish production from the North and East, which accounted for 64 per cent of the total fish production in the country, drastically declined. Military occupation and landmine activities¹⁴ adversely affected the livelihoods of the communities in the North and East.

Irrigation, roads and bridges, railways, industrial infrastructure and housing were damaged both in the conflict area and in the South. The LTTE strategy was to destroy economically-significant institutions to curtail the government's financing of the military efforts. Thus, public infrastructure such as the oil refinery (1995), the Central Bank (1996), the Colombo Stock Market/Galadari Hotel (1997), island-wide transformers (1999) and the airport (2001) were attacked. The cost of the attack on the airport was estimated to be US\$30 million (\$\$39.6

¹² Deshal de Mel, and Shakya Lahiru Pathmalal, "Political and Economic Policy Priorities in Supporting Post-Conflict Peace and Development in Sri Lanka," Philip Oxhorn Part 1: Case Studies 163 (2009): 49.

¹³ Ibid.

¹⁴ Approximately 1.8 million landmines, laid by both the LTTE and government armed forces, were spread over 640 villages in the North and the East.

million) which was more than what the government received from the privatisation of the national airline (US\$25 million [S\$33 million]).¹⁵ The estimates suggest that US\$1 billion (S\$1.32 billion) worth of infrastructure were destroyed as of 1995. Given the destruction of public utilities in the following years, the damage was significant by the time the conflict ended. As of human cost, around 70,000 people lost their lives and approximately 800,000 people were displaced during the conflict.¹⁶

Apart from the abovementioned direct cost of the conflict, the indirect cost is difficult to estimate quantitatively. As a result of the conflict, Sri Lanka's tourism industry was badly affected, resulting in a loss of expected revenue for the country. The volatile security situation, and inadequate and inaccessible tourist sites prevented the tourists from visiting the country. Both foreign direct investments (FDI) and domestic investments declined due to insecurity and instability. Brain drain, which was caused by the outward migration of economic migrants who could not find opportunities at home due to the instability as well as the migration of human capital due to the war time conditions, resulted in the loss of a talented and skilled workforce. Increased taxation to fund military effort affected both the business community and the general public. As a result, the economy suffered, leading to adverse macroeconomic impact and rising fiscal deficit.

However, it is interesting to note that, compared with other war-affected countries, Sri Lanka managed to maintain its growth and distributive performance. Even amidst a war-stricken environment, Sri Lanka achieved exceptional results in improving the quality of life of its people. Despite the high cost of the war, Sri Lanka managed to maintain a low fertility and low mortality rates. Unlike other developing countries and its neighbouring South Asia, the island managed to stabilise its population. As of now, the annual population growth is about one per cent.

The UNDP Human Development Report of 2016 classified Sri Lanka under the 'High Human Development' category with a value of 0.766. It was ranked 73rd out of 188 countries.¹⁷ Sri

¹⁵ De Mel and Pathmalal (2009), op. cit :50

¹⁶ Boženko Đevoić, "Sri Lanka: Physical Reconstruction and Economic Development as Conflict Prevention Factors," *Croatian International Relations Review* 19, no. 69 (2013): 65.

¹⁷ Maldives, with a rank of 105 and a human development indicator value of 0.701, is the only other South Asian country classified under the 'High Human Development' category. India, Bhutan, Bangladesh, Nepal and

Lanka's expectation of life at birth is at 75 years (78.4 years for females and 71.7 years for males) which is closer to the levels of developed countries. Adult literacy rate is at 92.6 per cent while youth literacy is 99.2 per cent.

Sri Lanka is also one of the few developing countries to liberalise its economy in 1977 and to have managed economic growth of average five per cent in the post-liberalised period despite a stressful environment. The island is a case study on managing the economy and driving reforms amidst a civil-war environment.

There can be numerous reasons for Sri Lanka's positive performance in comparison with other conflict-affected states. The most crucial factors would be the initiation of trade liberalisation reforms (which occurred prior to the outbreak of the conflict) and the impressive social welfare system.

Sri Lanka at 70: Challenges Ahead

After 70 years of independence and 10 years after the end of the civil conflict, Sri Lanka has yet to find solutions to some of its economic, social and security issues which have hindered the prospects for its development.

Economic Challenges

Following the end of the conflict, Sri Lanka achieved an average GDP growth of 7.6 per cent between 2010 and 2012. It also reduced unemployment to four per cent in 2012 and absolute poverty to 8.9 per cent between 2006 and 2010. However, the sustainable growth of the economy is still a challenge due to limited inflow of FDI and the slow progress in domestic income generation. Sri Lanka's GDP is expected to grow just below five per cent in 2018 and inflation is predicted to fall to four per cent.¹⁸ Under the current economic structure, the bulk

Pakistan are classified under 'Middle Human Development' category, while Afghanistan is in the 'Low Human Development' category.

¹⁸ Sri Lanka: Economy, *Asia Development Bank*, <https://www.adb.org/countries/sri-lanka/economy>. Accessed on 15 January 2018.

of the government's revenue comes from taxes. Unlike industrialising economies, Sri Lanka's economy is based on the services sector which contributes 60 per cent to the GDP. Interestingly, the services sector is dominated by the state – around 400 state-owned enterprises are in operation across various sectors. However, they do not contribute sufficiently for the country to build a non-tax based economy.¹⁹

One of the key challenges for development is the lack of investor confidence. During the conflict period, investor confidence in Sri Lanka was impacted by the volatile security situation, and political and policy instability. Even 10 years after the conflict, the country has failed to regain the confidence of international investors. Its economic environment is not viewed positively due to mounting debt and inadequate funds for infrastructure development.

It is important for Sri Lanka to develop its infrastructure so as to attract FDI into the country. Currently, much of its major infrastructure is financed through foreign borrowings. Sri Lanka's external debt maturities in 2019-22 total US\$13.9 billion (S\$18.3 billion), out of which a significant portion would go to servicing the loans received for infrastructure development. The ratio of external debt payment to foreign-exchange reserves rose to about 185 per cent in 2017 from around 150 per cent in 2016.

Power and energy challenges faced by the country also fuel concerns of investors when considering doing business in the country. Sri Lanka is highly dependent on oil for its energy needs – there is limited energy production due to insufficient capital and resources. Being on the threshold of becoming an upper-middle income country, the island's energy consumption has also been increasing.

In spite of being an island nation with sunshine throughout the year, Sri Lanka's utility of solar and wind power, and ocean waves for energy production is limited. Even though Sri Lanka is considering moving towards an industry-based economy and promoting FDI for this purpose, energy insecurity due to the high dependency on oil imports and the lack of alternative energy production mechanism will be a barrier to attracting prospective investors into the country.

¹⁹ Chulanee Attanayake, "Sri Lanka in 2018: Towards New Bold Vision", ISAS Brief No. 545, 21 January 2018. <https://www.isas.nus.edu.sg/ISAS%20Reports/ISAS%20Briefs%20No.%20545%20Sri%20Lanka%20in%202018%20Towards%20a%20Bold%20New%20Vision.pdf>. Accessed on 1 February 2018.

Social Issues

A key social challenge is its ageing population. As result of the low fertility and mortality rates, there is a demographic transition in the country which is characterised by a rapidly ageing population. The country's population above 65 years is estimated to constitute more than 20 per cent of its total population by 2020. The labour force is expected to decrease before the country reaches its fully-developed status, which would pose challenges for policy-makers.

Despite having a universal health care for its population, the country's health security is affected by the outbreaks of epidemics from time to time. Despite being certified as malaria-free by the World Health Organisation (WHO) in 2016, malaria has resurfaced in the eastern part of the country. Sri Lanka is also facing a severe outbreak of dengue fever in the last few years, following the monsoon season. Last year, the country recorded its largest outbreak of dengue fever in three decades. A total of 185,688 suspected dengue cases were reported to the Sri Lanka Ministry of Health and there were more than 320 deaths. Approximately 41.93 per cent of dengue cases were reported in the western province. All four dengue virus types have been seen in Sri Lanka. The current outbreak is predominantly due to virus type 2, which is not the usual type circulating in Sri Lanka. According to the WHO, in 2017, the cases reported are 4.3-fold higher than the average number of cases for the same period between 2010 and 2016. The incidences of non-communicable diseases such as chronic kidney disease, diabetes, heart failures and cancer are also increasing, bringing new challenges for the country.

Natural disasters, which are the result of climate change has also been affecting Sri Lanka. Droughts, floods and landslides destroy livelihoods, habitats and infrastructure. Their impact on agriculture has resulted in rising food insecurity in the country.

Sri Lanka's ranking in the Food Security index has fallen down to 66th place in 2017, down one place from 2016. Malnutrition and undernourishment are identified as the key areas of concern for the country. The State of Food Insecurity in the World Report of 2015 revealed that 23 per cent of Sri Lanka's population is undernourished. The Cost of Diet Analysis of the World Food Programme records that 33 per cent of the population cannot afford the minimum cost of a nutritious diet.

Sri Lanka's access to clean water is also increasingly becoming a challenge. In the belief that Sri Lanka is well secured in terms of the availability and accessibility to clean water, there is lack of investment in securing drinking water resources and water resource management. Ninety-six per cent of water available from the hydrological cycle is used for agriculture and food production while a significant portion is used for electricity generation. Sri Lanka does not have in place policies and regulations to ensure clean water to meet the population growth. There is a risk of the country facing water security issues in the future.

Security Concerns

Even though the protracted civil war ended 10 years ago, that has not prevented Sri Lanka from being exposed to new security vulnerabilities. The LTTE diaspora continues to wage proxy wars in Sri Lanka which target the country's youth. The radicalisation of Sri Lanka's youth is a security concern for the island nation. Currently, the government has maintained its tri-forces capacity at a similar level to what it was at the close of the war. This has been done so as to prevent the possible resurgence of terrorism and the radicalisation of the youth occurring in the country. Often the international community argues that this poses challenges to the issue of post-conflict reconciliation efforts. However, given the Sri Lankan experiences, and rapid security challenges in the international system, it is prudent, as a sovereign country, that Sri Lanka maintains its military presence in areas where it deems necessary to do so, in order to safeguard national security.

The country has also been facing rising ethnic and religiously fuelled nationalism, following the end of the conflict. As a result, there are ethnic and religious tensions across the spectrum of the country. While nationalism can be a driver of development, the lack of consensus on Sri Lankan nationalism among the ethnic groups, and the manifestation of ethnic and religious based nationalism bring challenges for national unity. Polarized nationalism, followed by mounting tension in the ethnic and religious spheres pose the threat of a possible resurgence of unrest in the country.

Given the island's strategic location in the Indian Ocean, it is also vulnerable to the trajectories of the Indian Ocean geopolitics. The rising competition among China, India and the United States for dominance in the Indian Ocean region and the emerging presence of middle powers

such as Australia and Japan in the region only further expose Sri Lanka to security challenges in the waters around it. Apart from this, marine pollution, energy resources, piracy, illegal, and unreported and unregulated fishing are becoming pertinent issues which also impact the security of the country.

Prospects for a Brighter Future: What should be done?

Sri Lanka missed the opportunity to develop as a country in the last seven decades due to various issues. It is important now for the country to address the challenges in the post-conflict context so that it can fulfill its potential. In this respect, it is crucial to understand what needs to be done to make it happen.

Capitalising on its Strategic Location

The first and foremost advantage in Sri Lanka's road to development is its strategic location. Given the rising importance of seaborne trade and the Indian Ocean for the world economy, the island nation can utilise its location for its maximum advantage. Prospective governments have been identifying Sri Lanka's ability to be a hub in the Indian Ocean. There are propositions for it to become a trade, air and marine, and knowledge hub. If Sri Lanka plays its cards right, given the country's position and human capital, it is not difficult to realise this role. However, in terms of making the country a hub, it is extremely important for Sri Lanka to focus on building its infrastructure. For instance, Sri Lanka has not managed to promote its infrastructure of ports and airports – they seem to be victims of geopolitical maneuvering in the region. Furthermore, its education system is still not producing the skilled labour required for the high economic growth.

Most importantly, Sri Lanka has failed to distance itself from the mounting geopolitical competition and its influences in the region. At times, the island nation gets embroiled in the power dynamics in its vicinity so much so that it fails to take crucial policy decisions necessary for its own development and security.

Policy Reforms

Policy reforms in the economy, and in the political and education systems are critical in order for Sri Lanka to address the challenges of the post-conflict era. As *Vision 2025: A Country Enriched* policy document reveals, the government's target is to reform country's economy so that is a non-tax based economy. However, this will only be possible if and when Sri Lanka succeeds in reforming its state-owned enterprises so that they perform efficiently and effectively, and be able to bring increased revenues for the state.

The country is introducing gradual political reforms through constitutional amendments and a new electoral system. The success of the new electoral system will only be known after the local government election on 10th February 2018. However, it is evident that a decentralization of power and increasing participation of every community are mandatory for the country to progress politically and socially. It is also important that the political reforms do not alienate any ethnic group – be it a minority or the majority – for this could result in a resurgence of unrest and conflict in the country.

Climate Change and Crisis Management

Climate change results in natural disasters. Sri Lanka is no exception to this. Due to the changes in weather patterns, it is difficult to predict disasters and it is equally challenging to deal with them when they happen. Like anywhere else, these disasters cause significant damage which affects the economic and social structures of the Sri Lankan society. It is important for the country to be prepared for such eventualities – there should proper policies and mechanisms in place for crisis management during such disasters. Sri Lanka will need to place greater emphasis on policies and mechanisms if it wants to prevent catastrophic consequences to its economy and society arising from a disaster.

Conclusion

Sri Lanka's post-independent development story is characterised by slow adjustments to internal and external shocks, missed opportunities and policy errors. In the face of a three-

decade long conflict, the island nation had to progress under a challenging environment. However, despite the internal strife, Sri Lanka's welfare state policies and the early opening up of the economy paved the way for a significant level of development in comparison with other conflict-affected countries. Nonetheless, there are still challenges that plague the country. Its ability to effectively address these challenges will determine if it will prove to be the "potential case of success" or be yet another "developing country failure".

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