

# **Sri Lanka's economic crisis has deep roots - what should we do?**

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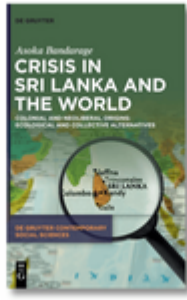
**In 'Crisis in Sri Lanka and the World', Asoka Bandarage finds the sources of Sri Lanka's present crisis and of the people's struggle of 2022 in colonial underdevelopment and a warped global economic system - but solutions remain elusive**

**TWO YEARS AFTER** Sri Lanka's worst economic crisis since 1948, shortages and queues have ended, the inflation rate is back down to single digits and tourism is rebounding. If you were to believe the US assistant secretary of state Donald Lu, "there is no greater comeback story than the story of Sri Lanka."

Ranil Wickremesinghe, who became president in 2022 following the ouster of Gotabaya Rajapaksa by a wave of protests now immortalised as the *Aragalaya*, has been overseeing the implementation of an International Monetary Fund (IMF) programme meant to stabilise Sri Lanka's economy. The programme - the latest in a [long line](#) of IMF efforts that have failed to fix the country's structural problems - calls for brutal austerity measures and an attempt to privatise the last strategic assets that remained under public ownership after the government's fire sales in the 1980s and 1990s. Wickremesinghe has indicated that he would like to complete the IMF programme before holding elections due by the end of the year. However, critics have pointed out that the unelected Wickremesinghe and the current parliament - elected in 2019 on a decidedly anti-IMF platform - have absolutely no democratic mandate to carry out the programme's stipulated reforms.

Over the last two years, the mainstream media coverage of the economic crisis in Sri Lanka has become tedious and repetitive, serving up cookie-cutter takes that are both historically short-sighted and ignorant of broader trends in global political economy. In this context, Asoka Bandarage's *Crisis in Sri Lanka and the World* seeks to provide an antidote to what she calls the "amnesiac and attention-deficit narrative in the corporate media", which frames the crisis in Sri Lanka as the product of "a confluence of the 2019 Easter bomb attacks, COVID-19 pandemic, the Ukraine War, Chinese loans and widespread corruption and mismanagement in the Rajapaksa administration."

Bandarage - a Sri Lankan academic and researcher who has written extensively on the political economy of development, gender, conflict and ecology - charges both domestic and external observers with misrepresenting, decontextualising and dehistoricising the crisis in Sri Lanka. For her, the economic explanation of the crisis "focuses exclusively on inefficiency and corruption", while sociological strands of analysis are at fault for identifying "the roots of the current crisis in terms of ethno-religious politics rather than economics". The *Aragalaya*, which was narrowly focused against political corruption and mismanagement, is also not spared critique. For Bandarage, even the protesters, despite their calls for systemic change, "failed to develop a cohesive awareness and critique of the global political economy and the financial system at the root of the country's crisis."



*'Crisis in Sri Lanka and the World: Colonial and Neoliberal Origins: Ecological and Collective Alternatives' by Asoka Bandarage. De Gruyter (May 2023)*

Building on over three decades of research, *Crisis in Sri Lanka and the World* takes on the ambitious task of countering received wisdom and regurgitated axioms about the crisis. Weaving together a much larger metanarrative that contextualises the Sri Lankan predicament in global terms, the book traces the trouble back to a process of socioeconomic change that starts with Sri Lanka's violent incorporation into the world capitalist economy.

Bandarage demonstrates how colonialism transformed Sri Lanka from a self-sufficient peasant economy to an export-oriented plantation economy. Colonial rulers sought to maintain political control by sowing identity-based divisions, and creating a pliable comprador ruling class that identified with the interests of Western capital. For Bandarage, this basic process of social and economic transformation continues in the country's post-independence era through the influence of the Bretton Woods institutions and foreign-funded NGOs. The ensuing economic and social instabilities are the root cause of Sri Lanka's current and past crises, Bandarage argues, and the way out is through alternatives informed by principles of collectivism and ecological sustainability.

**EARLY IN HER BOOK**, Bandarage notes that Sri Lanka has the dubious distinction of carrying one of the longest histories of colonial oppression - beginning with the arrival of the Portuguese in 1505, followed by the Dutch in 1658 and the British in 1796. She describes how the periods of Portuguese and Dutch rule saw the advent of European mercantilist interests in coastal Sri Lanka. European capital monopolised exports of Sri Lankan commodities such as cinnamon, pepper, areca nut and elephants. The Portuguese unleashed a wave of religious persecution and redirected indigenous forms of caste-based corvée labour away from infrastructure development and towards the production of cash crops.

The Dutch would continue this system, introducing new cash crops such as tobacco and coffee, which laid the foundation for the labour-intensive plantation economy that would fully develop under British colonial rule. European mercantile interests suppressed whatever "free trade" may have existed in the country, and forced producers to sell exclusively to European monopolies, which set prices and then resold commodities at high mark-ups in the world market. The bulk of the returns from this extractive system were reinvested in Europe, and not for productive purposes in Sri Lanka.



*Workers at a rubber factory in Ceylon, circa 1910. At the expense of ecology and food security, British rule consolidated Sri Lanka's role as an exporter of raw materials. For Bandarage, it is this incorporation into the world economy that sets in motion a process of cyclical crises and convulsions. Photo: IMAGO / Gemini Collection*

By the time the British arrived, Portuguese and Dutch rule had already transformed the social and economic structures of Sri Lanka's coastal lowlands for a consecutive two hundred years. The British would seek to consolidate their rule across the country by subduing the Kingdom of Kandy, which had remained relatively isolated and politically independent. For Bandarage, this period is crucial as British rule began the process of the commodification of land through the institutionalisation of private property, leading to sales of forest and swidden lands to European planters, often at the expense of the customary rights of indigenous communities. This served to further consolidate Sri Lanka's role as an exporter of raw materials, at the expense of the country's ecology and food security.

For Bandarage, then, it is Sri Lanka's incorporation into the world economy as a raw-material exporter that set in motion a process of cyclical crises and convulsions. The markers of the 2022 upheaval - massive accumulation of external debt, shortages of fuel and food - are not a "de novo" occurrence. Instead, the Aragalaya marked the latest in a long line of economic crises.

For example, the Great Depression, in the 1930s, led to a decline in export prices and intensified local demands for greater political independence, as well as for more autocentric economic development. In the early 1950s, the country's newly independent government experienced a foreign-exchange crisis due to the simultaneous collapse of export commodity prices - particularly for rubber - and rise in prices for rice, a staple that the country was then dependent on imports for. Again, in the 1970s, Sri Lanka's experiments in import-substitution industrialisation was convulsed by global energy and food crises. Bandarage demonstrates that the nature of the Sri Lankan economy has changed little from the heyday of colonialism, especially in how it fits into the global system. So when global capitalism sneezes, Sri Lanka catches a cold.

**WRITING SEVERAL DECADES** before Bandarage, the Sri Lankan sociologist Susantha Goonatilake critiqued the rise of the NGO movement in Sri Lanka in *Recolonisation: Foreign Funded NGOs in Sri Lanka*. Perhaps one of the first publications in this genre, Goonatilake's book proffered a scathing critique of how foreign aid, an upwardly mobile middle-class intelligentsia and disgruntled intellectuals from the declining Old Left came together to establish a kind of human-rights industrial complex in the 1980s. Almost entirely dependent on external sources of funding and lacking any domestic social base, the institutions spawned by this confluence still grew to have a disproportionate impact on intellectual and political life in the country.

Bandarage develops this critique by extending it to the present day. She illustrates how the process of social and economic change set in motion by the neoliberal reform agenda of the late 1970s fundamentally changed the social contract established by what she calls the “Left Nationalist” governments that preceded it. While governments between 1956 and 1977 were under heavy pressure by anti-capitalist and anti-imperialist movements to try to develop an alternative to colonial capitalism, internal contradictions and external shocks birthed Sri Lanka into the neoliberal order in 1977. In this period, austerity eroded social services, while trade liberalisation and anti-unionism helped decimate the traditional working-class bases of the Left. Into this social and political vacuum came Western donors, which provided both the financing and the broader intellectual and political agenda for activists now turned into NGO bureaucrats. The result was a kind of comprador middle class that acted more as an agent of regime change than as one of social transformation. The influence of Anglophilic, libertarian ideology among the intelligentsia tended to inoculate against the development of anti-capitalist and anti-imperialist radicalism.

**WITH HER BOOK**, Bandarage joins a minority of local commentators who have registered dissent against the mainstream, rose-tinted analysis of the Aragalaya as a purely spontaneous and bottom-up “people’s protest”. The first element of her critique regards the social composition and political immaturity of the protesters. Bandarage faults the “young, technologically savvy data strategists and market professionals” who led the protests for lacking a broader understanding of the historical and geopolitical dimensions of Sri Lanka’s crisis. Their myopic focus on countering corruption, and fixation on Gotabaya Rajapaksa as a symbol of all that plagues the country, failed to produce a vision that could move Sri Lanka past neoliberalism.

Her critique is reminiscent of an intervention made by the Sinhala literary icon Gunadasa Amarasekara at the height of the Aragalaya. Referring to the young, middle-class protesters, he said, “These children of ’77 belong to the generations that grew up within the neo-liberal economic policies ushered in by JR [Jayewardene] in ’77. They are the products of a culture whose aims and aspirations have been determined by those economic policies.”

Both Bandarage and Amarasekara point to the fact that Rajapaksa’s type of governance, rather than being an outlier, was merely the continuation of a political and economic project that began in 1977. The middle-class protesters of the Aragalaya, many brandishing pro-IMF slogans – often under the ideological influence of foreign-funded NGOs and think tanks – merely helped perpetuate Sri Lanka’s cycle of underdevelopment.

The second element of Bandarage’s critique of the Aragalaya concerns the spectre of imperialist intervention. Like some other critics, Bandarage draws parallels between the Aragalaya protests and the “colour revolutions” in numerous post-Soviet states – which involved foreign-funded NGOs influencing pro-democracy movements in an attempt to install governments acquiescent to US financial and geopolitical interests. Bandarage notes that the Washington DC-headquartered National Endowment for Democracy, known for its history of backing opposition groups in various countries, spent USD 6.8 million on projects in Sri Lanka between 2017 and 2021. Citing the US State Department’s Integrated Country Strategy report on Sri Lanka, she argues that the United States’s broader agenda is to wean Sri Lanka away from “policies focused on import-substitution and self-reliance”. She also cites M K Bhadrakumar, an Indian geopolitical analyst and former ambassador, who in July 2022 argued that powerful forces were backing the protesters in an attempt to “gain control over Colombo’s economic and foreign policies and to integrate Sri Lanka into its military-strategic offensive against China.”

Several Sri Lankan political actors have made similar claims of external intervention in the Aragalaya, though these have not been formally investigated. Perhaps the most famous example is Wimal Weerawansa, a nationalist firebrand who leads the National Freedom Front, a breakaway from the leftist Janatha Vimukthi Peramuna. In 2023, he published a book titled *Nine: The Hidden Story*, which alleged that the US embassy in Colombo played a role in instigating and supporting elements in the Aragalaya in order to achieve an outcome favourable to US interests. The US ambassador to Sri Lanka, Julie Chung, dismissed Weerawansa's assertions as "baseless allegations" and "outright lies". This March, Gotabaya Rajapaksa published his own account of the Aragalaya in a book titled *The Conspiracy to oust me from the Presidency*. His account alleges internationally sponsored regime change and diplomatic pressure applied by the European Union and United States.

The gist of the analysis by what may be termed Aragalaya critics like Bandarage is that, while it was economic desperation that pushed people to the streets, the direction in which the movement was steered clearly favoured the geopolitical interests of the United States, as well as the economic interests of global financial capital.

The main result of the protests, focused narrowly on getting rid of Gotabaya Rajapaksa, was the installation as an unelected president of Ranil Wickremesinghe - a member of the Mont Pelerin Society, which has been described as a neoliberal "thought collective", and the most ideologically convinced neoliberal politician in Sri Lanka. Rather than the "system change" that protesters called for, Sri Lanka is currently being dragged through the IMF reform programme - the country's 17<sup>th</sup> to date, if all past IMF interventions are tallied up. So far, the government has increased utility prices, raised taxes and sought to privatise public assets in strategic sectors including electricity and telecommunications.

Meanwhile, the country has been drawn further into the United States's Indo-Pacific strategy to counter the growth of China. An alleged visit to Sri Lanka by the head of the CIA last March, and the decision to send a Sri Lankan naval ship to support US-led patrols in the Red Sea at the start of this year, are all indicative of this. The net effect has been a deepening of Sri Lanka's integration into a unipolar US-led world order, despite the emerging possibility of multipolar alternatives in the Global South.

**BANDARAGE'S ANALYSIS RESONATES** deeply with the [agrarian utopianism](#) that informs both nationalist and some left-wing strands of thinking in Sri Lanka. Bandarage is careful to acknowledge early in her book that "technology and the market per se are not the problems." Nonetheless, she critiques both "the capitalist and communist concepts of life" for their materialism and view of nature as "an inanimate object to be technologically conquered and exploited for purposes of economic growth."

As an alternative, *Crisis in Sri Lanka and the World* projects a third way to neoliberal capitalism, where "renewable and clean sources of energy and appropriate technology based on solar, wind, and biomass instead of fossil fuels would become the basis of the economy." For this vision, Bandarage draws inspiration from Sri Lanka's civilisational past, including its complex irrigation systems that supported food production in a manner that enabled the continual rejuvenation of the soil. She cites the 12<sup>th</sup>-century king Parakramabahu, who constructed major irrigation works and is known for saying that "not even a little water that comes from the rain is to flow into the ocean without being

made useful to man.”

Unfortunately, there is no guarantee that a commitment to the ideals of ecological sustainability can by itself undo Sri Lanka’s subordinate position in the global economy. Market-oriented solutions to the planet’s current ecological and climate crisis – such as debt-for-nature swaps and Green Bonds – run the risk of turning underdeveloped countries into “carbon sink colonies” while perpetuating the technological divide between the Global North and Global South. A historic precedent for this exists in the form of the Accelerated Mahaweli Programme (AMP), a rural development project completed by J R Jayewardene’s government in the 1980s. The AMP once promised food and energy sovereignty for the country, as well as land for landless cultivators. It even promised to sell a projected surplus of Sri Lankan electricity to India. In reality, the project plunged Sri Lanka into debt, dependent as it was on foreign loans, consultants and technology. The AMP ultimately benefited a range of foreign interests – including US, Canadian, Swedish, Israeli and Saudi ones – while solidifying Sri Lanka’s role as a primarily a commodity producer. Many of the peasants settled on land under the AMP are not only still impoverished and indebted but also often sick from overexposure to commercial fertiliser.

Bandarage leaves things open-ended as to the concrete manoeuvres by which Sri Lanka may navigate a world now encountering a new wave of industrial and technological transformation. Her emphasis on the natural synergy between the ethos of Sinhala Buddhist civilisation and an ecological approach to human development carries an implicit critique of modernity and productivism. Yet I would argue that a dose of productivism is exactly what Sri Lanka needs to overcome its domination by speculative financial capital.

Parakramabahu’s aforementioned appeal to harness the rain for the benefit of mankind can be read as the articulation of a Promethean vision of development that is still relevant today. Though *Crisis in Sri Lanka and the World* often pays homage to the progressive contributions of Sri Lanka’s 19<sup>th</sup>-century Buddhist revival as well as early-20<sup>th</sup>-century Sinhala nationalism, it fails to adequately draw out how these movements were intertwined with a nascent anti-imperialist productivism. For example, the Sinhalese Buddhist revivalist Anagarika Dharmapala was not just a social reformer and cultural critic of imperialism, but also an early proponent of industrialisation. Denouncing the agrarian utopianism of Mohandas Karamchand Gandhi, his Indian contemporary, Dharmapala argued that one could not use the “spinning wheel and the bullock cart” to compete in the modern age.

It is not the spinning wheel and bullock cart but the tea bush and the sewing machine that Sri Lanka has pinned its hopes on today, with tea and readymade garments accounting for the bulk of its export earnings. How can Sri Lanka go from here to competing for relevance in the age of the semiconductor? If so-called green technologies are to be the base for a future society, who will mine and smelt the rare-earth minerals essential for solar panels, wind turbines and batteries? Who will own, and earn royalties from, the patents for these technologies? In short, where will countries like Sri Lanka stand in the new international division of labour?

These questions are beyond the scope of Bandarage’s inquiry, which is expansive as it is, but they are unavoidable. Ahead of the country’s upcoming election, one hopes that *Crisis in Sri Lanka and the World* reinvigorates domestic debate on the enduring legacy of colonial underdevelopment and of both economic and cultural imperialism. Given the trajectory of reforms under Wickremesinghe so

far, a victory for him could mean the further consolidation of the neoliberal project in Sri Lanka, and the country's total subordination to US interests. However, victory for any of the alternative forces – from the centre-right Samagi Jana Balawegaya to the centre-left National People's Power – will not necessarily guarantee a resolution to a crisis that has been five hundred years in the making. Without a revolutionary change of course, Sri Lanka risks intensifying the very contradictions that produced its last cyclical meltdown. Bandarage has shown us the path that brought Sri Lanka to where it is today, and provided an impressionistic sketch of the principles that could shape an alternative future, but there is yet no royal road out of the present crisis.

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**P.S.**

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