

May 2022

Regional Programme Political Dialogue Asia/Singapore



Sri Lanka

An assessment of the Gotabaya Rajapaksa presidency

The autocratic structure is swaying

Katrin Kim Karcher and Roshni Kapur

In November 2019, Gotabaya Rajapaksa was elected president of Sri Lanka. He comes from an influential family clan that has been in politics for decades. When running as candidate, Rajapaksa made three major promises: first, he promised to strengthen national security and fight terrorism. Second, he presented a proposal for a sustainable economic development and tax cuts in order to boost the economy. Third, he promised to strengthen unitary state – a long standing demand of the Sinhala-Buddhist majority population. Although the government enjoyed a honeymoon period in its initial months, there has been a drastic turnaround of support. Meanwhile, the public's confidence in the government has eroded due to unpopular and ill-advised policies that has further plunged the economy. Not even three years following the commencement of the government's term, the public's confidence in the government has eroded due to unpopular and ill-advised policies leaving

the country Sri Lanka in a desolated state. On May 9, then Prime Minister Mahinda Rajapaksa, the brother of the incumbent president, resigned to make way for a unity government amid a violent wave that left several people dead and wounded. With his resignation the current cabinet was automatically dissolved. However, Rajapaksa has announced he will not resign under any circumstances. Meanwhile, the Sri Lankan parliament has appointed 73-year-old Ranil Wickremesinghe to head the interim government before early elections are held. (The information in this report is relevant as of 26 May 2022.)

Government formation – rejection of possible coalition partners

On May 12, Ranil Wickremesinghe was sworn in as Prime Minister. This is his sixth time in office. However, he faced considerable challenges in forming a government due to rejection from large parts of the opposition members. Several opposition parties contended that his appointment lacked legitimacy and want a complete overhaul of the political system. Hence, the opposition parties did not want to integrate into the government. Moreover, it is unclear, whether a government formation with Rajapaksa continuing as president is possible given that his resignation is one of the main demands of the opposition. In the meantime, Rajapaksa has sworn in a new cabinet, initially without a finance minister. This is the fifth time Rajapaksa has reshuffled the cabinet since the nationwide anti-government protests began in March 2022. On May 25, Prime Minister Wickremesinghe was sworn in as finance, economic stabilisation and national policies minister of crisis-ridden Sri Lanka and will hold a dual office as of now.

Caught up in the crisis – severe supply and delivery bottlenecks

The Sri Lankan economy is on the verge of collapse as the country is experiencing its worst economic, financial and energy crisis since its independence in 1948. Moreover, the island nation is stuck in a debt trap. A solution is not in sight. Food shortages and up to 13 hour blackouts are currently deteriorating the country's reputation. People are forced to stand in lines for many days to stock up on essentials. Several deaths have also been reported. The accumulated debts by successive governments as well as the decreasing foreign exchange reserves due to the COVID-19 pandemic resulted in Sri Lanka's inability to finance the importation of essential goods. As a result, severe supply and delivery bottlenecks have emerged. In an address to the country in mid-May 2022, Wickremesinghe said that the country has run out of petrol and supplies would not last longer than a day. Furthermore, the country lacks foreign currency such as dollar to finance oil imports. However, the dollar is crucial, to pay for fuel, gas, food and medicine in the loaded containers stuck in the harbor. In addition, prices have gone through the roof. Currently, Sri Lanka is facing an inflation of 21.5%. Food prices have registered a record increase of 21.1%.

Months of anti-government protests – escalation of violence

In March, the first nationwide anti-government protests were formed in the crisis shaken South Asian island state, which escalated in early April and led to violent or even deadly clashes between demonstrators and the military. The security forces cracked down on the protesters. According to the authorities, one man was killed and more than 50 people wounded. In response to the increasing unrest, the Sri Lankan President increased police and military presence in the streets of the South Asian island state massively. Moreover, he declared a nationwide state of emergency on April 1 (lifted after five days).

Furthermore, on April 3, Gotabaya attempted to crack down the nationwide protests by means of an internet censorship (lifted after 16 hours). In fact, the ban temporarily made it difficult to organise and orchestrate new demonstrations as well as to distribute and disseminate information online. The government said that it resorted to the ban to reduce the spread of rumors and fake news via these platforms, which could further fuel the chaos ravaging across the country. However, the measure ultimately proved to be ineffective after the President's nephew and former sport minister Namal Rajapaksa managed to circumvent the censorship via VPN.

On May 8, the situation in the country finally escalated. Government supporters who traveled to Colombo by bus attacked government opponents with sticks and clubs. The police fired tear gas and rubber bullets and deployed water cannons. According to official information, at least eight people were killed and hundreds were wounded. Moreover, more than 70 homes and offices and more than 150 vehicles belonging to the Rajapaksa clan and other ruling party members were set on fire across the country. Authorities re-imposed a nationwide curfew (lifted for an important Buddhist holiday on May 15), but many people resisted. In order to quell the unrest, the Ministry of Defense issued shoot-on-sight orders on May 11. Security forces were ordered to shoot on sight anyone looting public property or jeopardising human life. With regards to this measure, the opposition then demanded the resignation of President Gotabaya Rajapaksa. The state of emergency which was declared on May 6 was lifted on May 21 after the situation had eased slightly. Meanwhile, the protests continue.

Crisis driver debt burden

The current economic situation can be traced back to a long history of foreign borrowings. Sri Lanka has accumulated a mountain of debt of over US\$50 billion dollars. Viewed objectively, the current debt level is much higher than the annual economic performance of the island nation. However, the country is currently not able to repay its debts. What has aggravated the situation is the government's tendency to expand its financial scopes by incurring new loans and placing new issues. Weeks prior to the beginning of the ongoing crisis the government secured several loans from China and India. At the same time, it approached the International Monetary Fund (IMF) for financial assistance. In addition, the already critical situation was worsened by the COVID-19 pandemic as well as the longstanding mismanagement of the current as well as previous governments.

However, Sri Lanka did not descend into the crisis unexpectedly. The debt indicators were already overwhelming in the beginning of 2020: a currency on descent, credit rating downgrades through international agencies, bonds at half their face value, debt-to-GDP levels above 90% and almost 70% of government revenues being spent on interest payments alone. However, the ruling government in Sri Lanka ignored all the unmistakable signs in terms of the upcoming crisis.

COVID-19 pandemic hampers economic development

Traditionally, Sri Lanka's state economy has strongly focused on agriculture. However, the sector lost much of its revenue due to a decreasing productivity. Within the last decade, however, Colombo has become strongly dependent on the tourism industry which has developed to the most important income sector. The industry boomed, even though the devastating terror attacks in 2019 adversely affected the sector. In 2019 the South Asian holiday paradise counted more than two million tourists, which provided work for more

than 450.000 Sri Lankans. By then, the earnings from tourism contributed 6% to the GDP. In 2020, the contribution decreased to 1.3%.

As a result of the COVID-19 pandemic, Sri Lanka's economy decreased by 3.6% in total. The sectors tourism, construction industry and transportation as well as the strongly export dependent textile industry were particularly affected by this development. Tourism came to a complete standstill, causing the suffering of the population, as many Sri Lankans are directly and indirectly dependent from tourism. Hotels, employees, travel agencies and small enterprises were suddenly left with nothing. The lack of foreign exchange revenues affect the daily lives directly to date. It must be mentioned, that the Sri Lankan tourism industry represents the third most important source of foreign currency income after money remittances from workers abroad – reverse transfers dropped massively – and revenues from textile export. Latter was strongly affected during the pandemics due to Covid infections amongst the workers. Despite the continuing financial losses, the Sri Lankan government adhered to the tax cuts. At the same time, it supported its population by means of generous COVID-19 relief funds.

Sri Lanka on the brink of bankruptcy

Meanwhile the country has fallen into insolvency. In mid-April 2022, the Sri Lankan government announced that it would suspend the repayment of its foreign debts with immediate effect. The government justified its decision by explaining that the measures taken constitute the necessary means in order to counteract a deterioration of the financial situation and ultimately a national bankruptcy. According to the central bank the country reached the point at which it had become "challenging and impossible" to repay its external debt due to the steadily dwindling foreign exchange reserves which are used for the import of essentials. The Ministry of Finance meanwhile declared that negotiations regarding a debt restructuring are planned with international creditors. A restoration of the Sri Lanka national debt constitutes an essential step in order to securing emergency loans from the IMF, which amongst other things urges the country to tighten its monetary policy and tax increases.

In the meantime, the president's media department announced that the World Bank has pledged US\$600 million in financial assistance to Sri Lanka to help the country finance essential imports. According to the statement, the financial institution will continue to support the South Asian island state in overcoming the crisis.

Social divide

The 26-year civil war further divided the country along ethnic and religious lines. From 1983 onwards the government and Liberation Tigers of Tamil Eelam (LTTE) fought each other in a bloody war from which the island state has not recovered to this day. In connection with the termination of the brutal civil war Rajapaksa and his brother, the former president Mahinda Rajapaksa, are accused of serious human rights allegations. Although the civil war came to an end in 2009, ethnic tensions between the Sinhalese and Tamils persist. The roots of the armed conflict still prevail and it has become more difficult to address these human rights violations. Instead, the government has pursued a Sinhala-Buddhist nationalism discourse in the previous years, to strengthen the position of the majority. Populistic, ultra-nationalist sentiments operate as centrifugal forces and have been applied intentionally, to further polarize the Sri Lanka society. The situation for the Tamil minority within the country continues to be precarious.

In the grip of authoritarianism – increasing militarisation and deterioration of human rights situation

Increasing authoritarian tendencies, worsening human rights environment and increasing militarisation in the name of strengthening national security, tackling the war on drugs, and combating the COVID-19 pandemic have been observed.

The government was likely emboldened by its overwhelming victory at the 2020 parliamentary polls and the lack of meaningful attention to its policies from international actors. Although Rajapaksa said his administration has prioritised meritocracy and technocracy, critics have accused him of practicing nepotism and cronyism through the appointment of family members and close aides to positions of power. The administration also conferred more powers to the executive branch through the implementation of 20th Amendment and there are concerns that judicial and parliamentary independence is decreasing.

Arbitrary arrests and detentions have been carried out under the Prevention of Terrorism Act (PTA) without giving suspects the right to a legal recourse and access to justice. The PTA was amended in March 2021 to allow the state to detain a suspect for two years without a trial. In the same month, minority community leaders urged the UN Human Rights Council (UNHRC) to probe instances of discrimination they faced. The Gotabaya government withdrew from a co-sponsored UNHRC resolution on wartime accountability and reconciliation in 2020. There are concerns that the government is appointing individuals with contentious past records as members to commission of inquiries such as the Office of Missing Persons in Sri Lanka.

Civil society organizations (CSOs) have noted that the space for dissent and criticism is shrinking. There has been greater surveillance over the activities of CSOs, particularly those in the north and east that focus on sensitive topics such as military impunity. The government is also accused of militarising the state through the appointment of many former and current military officers to positions in the civil administration. Some military officers in government positions have been implicated for war crimes. Meanwhile, over 30 agencies including the police, nongovernmental secretariat, and the telecommunications regulator are under the control of the Defense Ministry.

Religious minorities have complained that the government's COVID-19 pandemic response has disproportionately impacted their communities. The authorities implemented a mass cremation policy amid a rise in COVID-19 cases in August 2021 (now reversed), a move that deeply upset some religious groups. Furthermore, police abuse against civilians in the context of COVID-19 measures and new anti-drug laws has reportedly increased since May 2021. They have been accused of many unlawful deaths including some associated with abuse during the COVID-19 quarantine of infected people. The Cabinet's approval to ban full-face veils including the burqa on national security grounds in April 2021 undermined the religious freedom of the Muslim community.

Gotabaya appointed a 13-member task force, led by hardline Buddhist monk Galagoda Aththe Gnanasara to establish the 'One Country, One Law' concept and prepare a draft for the implementation of the Act in 2021. The creation of the task force came months after the Cabinet's decision to amend the country's Muslim personal laws. There was criticism that the appointment of Gnanasara was made without any consultation of the legislators. The 'One Country, One Law' concept that will introduce a general set of laws for the entire country

would undermine family laws that minority groups have enjoyed for decades. The task force, under the leadership of Gnanasara, could propose recommendations in the final report that would strengthen the interests of the Sinhala-Buddhist majority and discriminate those of minority groups.

International scrutiny

External institutions and human rights groups such as Amnesty International, Human Rights Watch, the European Union, and the UN High Commissioner for Human Rights, have documented growing rights abuses in Sri Lanka. In June 2021, the UN High Commissioner for Human Rights, Michelle Bachelet, stated concerns regarding the situation in Sri Lanka.

The European Parliament adopted a resolution in June 2021 calling the EU commission to temporarily withdraw GSP plus (Generalized System of Preferences), a scheme that provides Colombo preferential access to international markets and reduces trade tariffs for Sri Lankan exports.

The High Commissioner for Human Rights, Michelle Bachelet published a new report on Sri Lanka ahead of the 49th session of the UNHRC in March 2022 stating that the existing transitional justice apparatus has managed to win the confidence of victims of state violence, there is also a lack of progress and deterioration in human rights and the culture of impunity prevails.

13th amendment to the constitution

The 13th amendment to the constitution has remained a contentious issue in Sri Lanka given that many Sinhala-Buddhist nationalists perceive a meaningful devolution of powers to minority groups in the northeast as undermining the unitary state arrangement. The 13th amendment came into force following the signing of the Indo-Lanka accord in 1987. It created the system of provincial councils and was aimed at a power-sharing arrangement along with facilitating reconciliation with the Tamil community through greater political representation.

In January 2022, some Sri Lankan Tamil and Muslim legislators submitted a letter to Indian Prime Minister Narendra Modi urging him to intervene on the issue of the Tamil question and support their demand for a federal structure. They said that the 13th amendment has its limitations because it is part of the unitary state structure and hence it led to decentralisation instead of devolution. On the other hand, in a federal constitution, such powers are permanent and cannot be taken back.

However, not all Tamil and Muslim parties have endorsed the letter. Some groups have opposed certain demands stated in the letter on grounds that they ran contrary to their political interests. They said that Sinhalese community may perceive the demand for federalism as anti-nationalism and may use it to oppose all their aspirations. The lack of unanimity demonstrates that there are divergent perspectives on how much autonomy should be given to the provinces. However, many people from the Sinhala Buddhist community want an abolition of the provincial council system and conformity to the unitary state and a greater centralisation of powers with the federal government.

Signs of a change of course?

Rajapaksa's policy speech at the inauguration of a new session of parliament in January 2022 took a softer approach to national security and human rights. Although he denied that human rights violations have taken place under his administration, he discussed the issue of missing persons and ongoing preparations to reform the PTA. He also said that he recently pardoned a group of LTTE (Liberation Tigers of Tamil Eelam) members who had been detained for a long period of time. For an unprecedented time since taking office, Gotabaya met leaders of the Tamil National Alliance (TNA), the main Tamil political grouping in Sri Lanka, to discuss key issues. The latest moves could indicate that the government is departing from its previous uncompromising and hardline position on minority issues. The institutional reforms and outreach to minority leaders may be an attempt to placate alienated communities at a time when Gotabaya's popularity even among the Sinhala-Buddhist community is at an all-time low.

Ways out of the crisis

The economic crisis in Sri Lanka is far from over and will continue to have a stranglehold on the country for several decades. There is still a long path to before the situation stabilises in the long-run - not least because the reasons for the current situation are home-grown. The long-standing mismanagement and ill-advised policies of the Sri Lankan government coupled with cronyism, nepotism, corruption as well as disastrous financial and inflationary monetary policies have plunged the country deeply into the crisis.

The government's efforts to mitigate its economic woes by restructuring debt, defaulting on payments and resorting to loans and credit lines may enable the island state to stay afloat in the short-term. However, in order to achieve a mid to long-term economic recovery as well as a sustainable growth the government needs to develop efficient solutions such as the restructuring of international bonds and debts.

The introduction of reforms that aim to reduce spending and increase government revenue through taxes is crucial in this context. In addition, a timely economic reform is imperative to increase economic growth, because with each day without action, the country is sliding deeper into the abyss of the crisis.

On the political front, it will be prudent for Gotabaya to resign and allow an interim government to take over, without any member of the Rajapaksa family. Anti-incumbency is at an all-time high. It will be difficult for Gotabaya to complete his term amid the anti-government sentiments and highly volatile environment in the country. The recent firing by the police on unarmed protestors that resulted in the death of one civilian has further aggravated the public.

The opposition have meanwhile announced that they will introduce a vote of no confidence in the legislature now that the government no longer has a majority. They may also be impeachment proceedings against Gotabaya. Moreover, the opposition is also keen to introduce a private member's bill to revoke the 20th amendment to limit the powers of the executive presidency and relegate them to the other institutions. They will seek to implement a system with greater checks and balances and ensure that decision-making is not centralized in the executive branch. If voted, it will be challenging for the opposition to stabilise the economy in one term. Without any doubt, the opposition will be under much public scrutiny.

Konrad-Adenauer-Stiftung e. V.

Katrin Kim Karcher
Roshni Kapur
Department of European and International Cooperation
www.kas.de

roshni.kapur@kas.de



The text of this publication is published under a Creative Commons license: "Creative Commons Attribution- Share Alike 4.0 international" (CC BY-SA 4.0), <https://creativecommons.org/licenses/by-sa/4.0/legalcode>