

The Last Resorts' to Destroy the Democratic Socialist Republic of Sri Lanka

Tianai Zhang^{1,*}, Siyu Cheng², Ancheng Luo¹

¹Wuhan Britain China School, Wuhan, 430022, China

²International Department, Wuhan No.6 High School, Wuhan, 430019, China

*Corresponding Author's Email: Robin.luoancheng@outlook.com

Abstract: In recent years, many countries have faced severe economic challenges due to the worldwide outbreak of the covid-19. In July 2022, Sri Lanka officially declared bankruptcy. Now, the declining tourism industry caused by the epidemic, unrealistic agricultural reform bills, severe debt crisis, and the failure of religious politics have directly affected the economic health and sustainability of the country. Every country must think about better solutions to overcome the economic crisis during the worldwide pandemic. This paper will use data analysis and logical reasoning to better explore the complex reasons behind the fact. Through research, this paper draws the following conclusions: Firstly, the bankruptcy of Sri Lanka is mainly related to the debt crisis, among which high inflation and civil war have declined the debt repayment ability. Secondly, the external situation and the wrong decision of the Sri Lankan government are the last straw for oppressing the country.

Keywords: Sri Lanka, Tourist Country, Fertilizer ban, Foreign Debt, COVID-19, Ethnic, Religious differences.

1. The Collapse of Tourism Due to The Epidemic

On July 6, 2022, according to multiple media reports, affected by factors such as the covid-19 epidemic, the Russian-Ukrainian conflict, and the debt crisis, Sri Lankan Prime Minister Ranil Wickremesinghe officially announced to Congress that Sri Lanka was bankrupt. Unlike the status quo, Sri Lanka has been a model for developing third-world countries from the 1950s to the 1970s. In order to better explore the complex reasons behind it, this paper will use data analysis, logical reasoning, and other related research methods. Acquiring relevant research conclusions can provide reference and relevant enlightenment for Sri Lanka to promote recovery effectively.

Sri Lanka, as a country with a large proportion of tourism revenue, has experienced stable development and growth from 2010 to 2021, from US\$575.939 million in 2010 to a peak of US\$4,390.628 million in 2018. **As shown in the figure 1**, the data strongly proves that the Sri Lankan government attaches great importance to tourism and the enormous economic development that tourism has brought to Sri Lanka. However, unfortunately, after the peak in 2018, the number of tourists in 2019 decreased with the arrival of the tourist— season. By the end of 2019, with the Outbreak of the covid-19 epidemic, multiple countries issued restrictions on the travel of their nationals, and many flights were canceled. This time, the virus swept the world, triggering all walks of life. In many ways, Sri Lanka's tourism industry has

been dramatically affected. With the end of 2019 and the beginning of 2020, many countries have banned flights from China. With the policies of more and more countries, Sri Lanka's tourism revenue also fell to the lowest point in recent years in 2020, even lower than the tourism revenue in 2011. In 2018, Sri Lanka's tourism revenue peaked. Tourism revenue was US\$43.81 trillion, directly contributing 5.6% of the country. [1] GDP and its tourism industry was hit hard by terrorist attacks in early 2019. The serial bombings in Sri Lanka occurred on Easter Sunday, April 21, 2019, in Colombo, Negombo, Battista, Sri Lanka. A series of explosions occurred in Loa, Dehiwala, and Dematagoda. The first six explosions occurred around the same time, and the other two explosions occurred on the same afternoon. Authorities at one point said 359 people were killed and 500 injured but later revised the death toll to about 253. Victims also include many foreign nationals, including citizens of India, Japan, the United States, the United Kingdom, and China. This series of terrorist attacks has dealt a heavy blow to those preparing or planning to travel to Sri Lanka, with overseas tourists dropping by 50% within two months of the incident. As shown in table 1, tourism revenue has been reduced since then, considered to be hitting the country's overall economic earnings. There were even three bombings at a tourist hotel in the Sri Lankan capital, Colombo, just months after the incident. In March 2022, the UK and Canada warned their travelers to be aware of the current economic situation in Sri Lanka. Later, the covid-19 epidemic destroyed the tourism industry developed in Sri Lanka in the past decade. [2]

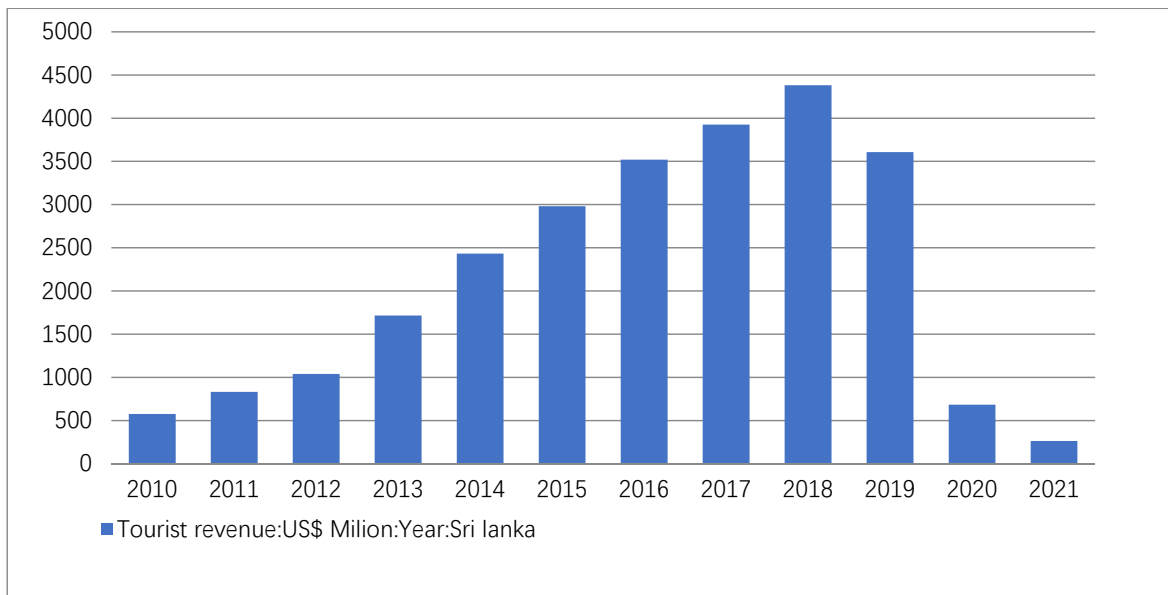


Figure 1. Revenue from Tourism in Sri Lanka From 2010-2021

Table 1. Destinations(2020)Total:\$11.3B

United Kingdom	8.16%	Germany	6%	India	6.55%
Italy	4.07%	Netherlands	2.77%	Belgium	2.73%
Russia	1.88%	Poland	0.99%	Spain	0.97%
Hong Kong	1.16%	Iraq	1.06%	Singapore	1.05%
Maldives	0.84%	Switzerland	1.63%	Ireland	0.64%
Syria	0.44%	Kuwait	0.29%	Australia	1.71%
Pakistan	0.78%	Malaysia	0.63%	Vietnam	0.45%
United States	23%	Canada	2.14%	Mexico	1.34%
China	2.36%	Norway	0.28%	Turkey	1.68%
United Arab Emirates	2%	South Korea	0.89%	Japan	1.93%
Sweden	0.77%	Israel	0.85%	Bangladesh	1.42%
France	1.83%	Saudi Arabia	0.85%	Austria	0.70%
Ukraine	0.50%	Azerbaijan	0.54%	Iran	0.80%
Chinese Taipei	0.54%	Thailand	0.49%	Qatar	0.28%
Brazil	0.45%	Peru	0.39%	Chile	0.51%
United Arab Emirates	2%	Ukraine	0.50%		
Sweden	0.77%	Chinese Taipei	0.54%		
France	1.83%	Brazil	0.45%		

The Outbreak of the covid-19 epidemic has caused many airlines to stop a large part of their international routes, and those tourists planning to take advantage of the holiday to come to Sri Lanka for vacation are stuck at home in 2020 and even face unemployment.

2. Fertilizer Ban" And Food Crisis

In 2021, according to data from Moody's Analytic, Sri Lanka's current account deficit in the first quarter will reach -280,470,641 yen. With foreign exchange reserves depleted (USD)1,014.668 million in November 2021, imports will still lead to a shortage of foreign exchange reserves, making traders unable to pay for crucial imported products.[3] Therefore, the Sri Lankan government issued a decree in late April last year to completely prohibit modern agricultural chemicals such as chemical fertilizers, pesticides, and herbicides in domestic agricultural production and promote "green planting" in the country's agriculture. Increase the added value of agricultural products and prevent foreign exchange outflows. However, after a complete ban on the import of these materials necessary for modern agricultural

production, large tracts of farmland in Sri Lanka were abandoned, and rice production was reduced by 14%, making Sri Lanka lose its ability to be self-sufficient. In rice. Agricultural prices soared, making it the first country to go all-in on organic farming and fail. This policy promoted by the government will show government itself lacks basic agricultural common sense and ignores the fundamental laws and needs of the development of the national agricultural market.

Nevertheless, the food crisis is just the beginning. The Outbreak of the conflict between Russia and Ukraine has led to a sharp drop in the amount of tea imported by Russia from Sri Lanka. Russia is Sri Lanka's second largest tea export market, and Sri Lanka's tea exports hit a 23-year low, falling to 63.7 million kilograms in the first quarter of 2022, down from 69.8 million kilograms in the January-March period last year, a record high since 1999. The lowest value since the first quarter of this year. In short, the conflict between Russia and Ukraine has further weakened Sri Lanka's ability to earn foreign exchange. Second is his impact on food imports. In addition, more than 40% of Sri Lanka's food imports come from Ukraine, and the conflict has hindered the supply of

Ukrainian food. What is more serious is that the conflict between Russia and Ukraine has also led to a rise in the prices of global commodities such as food and energy, and the prices of commodities such as grain, fuel oil, and edible oil have remained high. Sri Lanka is heavily dependent on imports for the products mentioned above. The economic crisis has led to a decline in electricity, fuel, and gas consumption due to shortages. Finance Minister Basil Rajapaksa urged the government to turn off all street lights by March 2022 to save electricity. Nearly a thousand bakeries closed due to a shortage of cooking gas. There were long queues at the gas station. Soaring oil prices further exacerbated the fuel shortage. In addition, Russia is Sri Lanka's second largest tea export market. In short, the Russian-Ukrainian conflict has further weakened Sri Lanka's foreign exchange earning capacity in tourism and agricultural exports. Second is the impact on food imports. More than 40% of Sri Lanka's food imports come from Ukraine, and the conflict has hindered the food supply from Ukraine. What is more serious is that the conflict between Russia and Ukraine has also led to a rise in the prices of commodities such as food and energy globally, and the prices of commodities such as grain, fuel oil, and edible oil have remained high. Sri Lanka relies heavily on imports for the products mentioned above, and the government is forced to spend more foreign exchange costs to maintain the normal operation of the economy. [4]

3. The Reason for The Collapse of Sri Lanka's Foreign Debt

As a tourist country in Sri Lanka, most fuel and daily necessities must be imported from abroad.

Before the epidemic, Sri Lanka had built much infrastructure to create a high-quality tourism environment and owed much debt. The most crucial point is that most of the media have mentioned that the technological infrastructure imported from China is the foundation of national construction. Development is undoubtedly practical, but as a developing country with an unstable political situation, Sri Lanka cannot see the tourism benefits and the improvement of people's quality of life brought about by infrastructure construction in the short term, which is even more evident after the "Belt and Road" initiative. The Outbreak of the epidemic. Alan Keenan, a researcher at the International Crisis Group, said it would be necessary to stress that many expensive infrastructure projects have not been completed or followed up due to fewer tourists visiting Sri Lanka. [5] The mistake is encouraging and supporting expensive infrastructure projects that do not generate significant financial returns. "Equally important, they are politically active in supporting the Rajapaksa family's rule and policies... These political failures are at the heart of Sri Lanka's economic collapse and are currently being addressed through constitutional amendments and a more democratic political culture. This issue. Before, Sri Lanka was unlikely to escape the current nightmare. However, Chinese and Western

media and evaluations are divided regarding the debt diplomacy trap. Western mainstream media believe that China is signing many expensive infrastructure projects. Therefore, some countries that could not repay these loans eventually went bankrupt. However, China believes that the "One Belt, One Road" strategy has helped developing countries in South and West Asia, noting that China, as a creditor to Sri Lanka, only accounts for Sri Lanka's government debt. Different countries pay 10%, and the rest.

Many political factors in China's massive lending to other developing countries will not be discussed here.[6]

For Sri Lanka's bankruptcy and political collapse, it is difficult to say that its long-term external debt default is the root cause because this economy has many problems, which also affects the final tragedy. However, we can be sure that these external debts are like a snowball, Sri Lanka's economy is going in a bad direction, and Figure 2 shows that Sri Lanka's debt rate remains high. It is difficult for the country to repay these debts, and it can only print money indefinitely, which has led to extremely high Sri Lankan debt inflation rate. Headline inflation rose to 29.8% in April from 18.7% in March, while food inflation rose to 46.6% in April from 30.21% in March, reflecting higher prices for most food items, according to data released by the government's Census Bureau. Earlier, the government decided to float the rupee to defend the peg after running out of dollars in March, which devalued the currency by more than 60%, from about 200:1 to the dollar before, until May 2022. 360:1 a month time. Sri Lanka's annual inflation rate rose to a record 33.8% in April from 21.5% in March, according to government data released on May 23. In addition to this, Sri Lanka's bankruptcy and political collapse, it is difficult to say that its long-standing external debt default is the root cause because many problems in this economy also affect the final tragedy. However, we can be sure that these external debts are like a snowball, Sri Lanka's economy is developing in a bad direction, and Sri Lanka's inflation is high. In addition, since 2019, the Sri Lankan government's tax revenue has dropped sharply. The reason is that former President Gotabaya Rajapaksa promised during the 2019 election campaign that if he were elected, he would implement a series of tax cuts and increase the tax exemption threshold. Under this policy, 33.5% of taxpayers will not pay tax, and corporate income and value-added tax will also be reduced. In the end, Gotabaya Rajapaksa was elected with 52% of the votes. In a beautiful illusion, Sri Lanka's fiscal deficit is more serious growth. Fitch, one of the three major international income rating agencies, downgraded Sri Lanka's credit rating from stable (December 4, 2018) to negative (December 18, 2019) following the election of Gotabaya Rajapaksa. The credit downgrade has caused investors to withdraw from Sri Lanka. Foreign countries have also handed over textile and tea orders to Sri Lanka to countries such as Vietnam and India for completion, making Sri Lanka's income even more scarce and more difficult to repay its debts. Sri Lanka's deficit has increased from 2019. Rs 1,016 crore to Rs 2,090 crore in 2020.

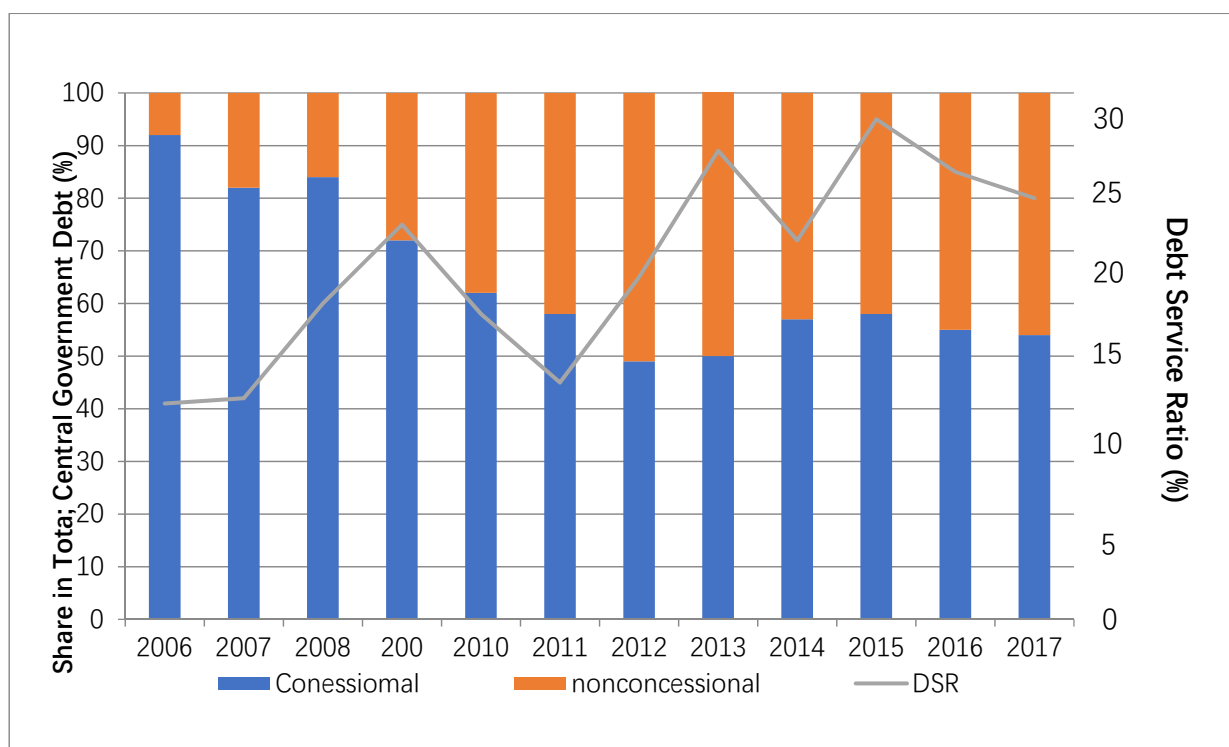


Figure 2. Debt Dynamics From 2006-2017

4. Impact of COVID-19 on Sri Lanka

In the previous chapter on Sri Lanka's tourism, we also introduced that Sri Lanka, as a tourist country, has a massive impact on its economy due to the arrival of the epidemic. The data have also confirmed this view. After the terrorist attack and the COVID19 epidemic, Sri Lanka's tourism industry no longer has the momentum of solid development. The arrival of COVID19 has also made Sri Lanka's domestic consumption less, and people go out less. However, Sri Lanka's Prevention of COVID19 is still excellent, although the cumulative number of confirmed cases has exceeded 66. Wan, but the death toll is only about 16,000 people, and the treatment of COVID19 is still excellent, so COVID19 has not had much impact on the country's labor force. Based on this, we can infer that COVID-19 impacts the Sri Lankan economy more. It is only the slump in tourism caused by the sharp drop in inbound tourists, not the drop in the workforce due to the virus.

When our focus is on COVID19, what should be discussed is that the tourism industry is affected by the epidemic; then this point can be taken away because the epidemic is not the most serious economic problem in Sri Lanka for a long time, it may just induce the public A more significant factor in dissatisfaction with government actions.

5. Sri Lanka on Ethnic, Religious Differences, And the Influence of Modern Political Factors

Sri Lanka continued to have a civil war from 1983 to 2009. It is estimated that about 80,000 to 100,000 Sri Lankans died in this war, and this civil war originated from British colonial rule. During the British rule of Sri Lanka, Due to the special strategic geographical location of Sri Lanka, the British did not seem to have a bad relationship with these aborigines, so they introduced a small number of Tamils from India into Sri Lanka as a labor force. Most of the Tamils believe in

Hinduism, while the Sinhalese believe in Theravada Buddhism, so fundamentally, the people of these two ethnic groups have great differences in their beliefs. However, unlike in some countries where Islam is prevalent, the two ethnic groups had no problems during the long-term colonial rule. There was much conflict, but after independence in 1948, Sri Lanka's judiciary began to set some regulations against Tamils. As of 1946, 780,000 Tamils were working in Sri Lanka to grow tea and coffee, accounting for the total. 11.7% of the population, on February 4, 1948, the new Sri Lankan government promulgated the "Ceylon Citizenship Bill". The outward purpose of the Bill was to provide means of obtaining citizenship, but its real purpose was to discriminate against the Indian Tamils by denying them citizenship. This regulation has led to a sharp decline in the number of Tamils in Sri Lanka. Although Tamils living in Sri Lanka obtained recognized citizenship in 2003, at this time, the entire group was only in Sri Lanka. Accounted for 5%. In the subsequent civil war, it was mainly young Tamils who began to organize armed resistance, known as the Liberation Tigers of Tamil (LTTE). The follow-up development was the intervention of India and the Second Elam War And the third Ilam war; it was not until the peace operation in 2002 that the ceasefire began to develop. Then the political situation in Sri Lanka was divided into two factions, and the aboriginal Sinhalese accounted for a very high proportion of the political party. Regarding the domestic politics of Sri Lanka, each government has not made a long-term plan, such as the reform plan on organic agriculture, which seems to be a good reform for agricultural products. However, Sri Lanka is restricted from using some chemicals. After the goods were used to improve planting efficiency, the country's food production quickly entered a shortage and even a lot of food needed to be imported. In addition, many of the original daily necessities needed to be imported, making Sri Lanka's international debt not optimistic. Another reason is that Due to the war between Russia and Ukraine, many grains exported from Ukraine were

trapped in ports, and gas from Russia could not be exported as usual. As the war continued, the price of oil and gas gradually increased. In Sri Lanka, people have to queue for a long time to buy essential supplies such as food and fuel. Poor crop reforms and long-term debt have made Sri Lanka's domestic inflation more serious, eventually leading to the economic collapse in 2022.[7]

6. Conclusion

A single cause has never caused Sri Lanka's bankruptcy, but many bombs long buried in Sri Lanka's founding period have all exploded because of a fuse. Sri Lanka's long-term political chaos bears the brunt of the political chaos in a country that has suffered four civil wars. The chaos caused different governments to make different plans, which were often overturned by the later governments, which made Sri Lanka unable to develop the economy with a stable political situation. The hasty agricultural reform was also a political failure. A typical case, but tourism development is a correct decision for Sri Lanka. In addition, the external political situation also significantly impacts Sri Lanka, the recent war between Russia and Ukraine, and China's development of the Belt and Road Initiative. It has a tremendous impact on Sri Lanka's agriculture, fuel imports, and exports. Sri Lanka's external debt and inflation is a snowball-like old problem. The long-term unhealthy debt should bear the most significant responsibility in the final economic collapse. High inflation makes it very difficult for people to buy things, and some necessities cannot be bought. This also reflects the government's failure to plan for future development. Each government only thinks about how to maximize its interests during its term of office and is very irresponsible for the country's future strategy. Finally, more strategies should be adopted in history or generally recognized internationally for a country like Sri Lanka with a single industry and unstable

political situation. Once the tourism industry's development plan is formed, it is more likely to attract foreign companies to invest in the country. As for infrastructure projects, the Western mainstream media said that the Chinese government used expensive and useless large-scale infrastructure to control some strategic locations in Sri Lanka. The country is critical, and the ports built by Chinese companies have not suffered losses in actual use, so it is too early to talk about the theory of China's debt trap until the political situation changes.

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