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## The Centrality of Economics in Sri Lanka

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The focus of this paper is to highlight the need for economic independence combined with political support of India when seeking autonomy in the context of Tamils in Sri Lanka.

In the quiet of an international storm of human rights brewing at the United Nations Human Rights Council (UNHRC) which started an investigation into alleged violations of international law this past March where hearings have begun in Geneva<sup>1</sup> and Presidential Elections, Sri Lanka has been able to sustain its economic growth which is a testament to its strength.

Proponents of increased autonomy for the Tamil community in Sri Lanka must realise that it will be quite difficult without the support of the dominant power in this region- India. The government of India and most nations of the Non-Aligned Movement (NAM) either abstained or voted against the U.N. investigation with the rationale that matters should be handled regionally or internally and so smaller nations are not to be targeted by superpowers at such forums.

The Tamil National Alliance (TNA) of the Northern Provincial Council (NPC) in Sri Lanka recently met the newly elected government of India including the External Affairs Minister of India Smt. Sushma Swaraj and Prime Minister Modi to request this support. De-militarisation, implementing the 13 Amendment of the Constitution of Sri Lanka, and implementation of the 1987 Indo-Lankan Accord were all topics discussed by the parties.

The 13<sup>th</sup> Amendment is of special importance as it devolves power from the central government to the Provincial Councils but Sri Lankan President Rajapaksa is hesitant to implement it as it is the last card he has to offer for the Tamils of Sri Lanka in negotiations for autonomy. The opposition candidate for the Presidency, Maithripala Sirisena has declined to offer any sort of federalism for the Tamils as well<sup>2</sup>. Furthermore; the Provincial Councils do not become fully autonomous such as other federal arrangements such as Quebec of Canada as a

Military Governor appointed by the President of Sri Lanka still has to clear all bills before becoming law in the Provincial Councils so in this way; the autonomy is very limited.

However, the promise of abolishing the Executive Presidency to pave way for constitutional changes has been promised by the opposition candidate in Sri Lanka's Presidential Elections and has also been advocated by the government of India to give Tamils equal rights.<sup>3</sup>

In this context, the TNA' link with the Sri Lankan Muslim Congress (SLMC) which holds power in the Eastern Provincial Council (EPC) will be beneficial as the SLMC realises they are not going to be given the election perks such as the chair of the Chief Minister of the EPC which the President promised them.

The NPC currently enjoys a large amount of aid coming from India and the central government of Sri Lanka. However, the NPC is seeking international intervention as there is absolutely no trust between the central government and the Tamil community. In the UNHRC Resolution passed this past March, there was a clause giving Sri Lanka a one year deadline to implement the 13<sup>th</sup> Amendment and it is very unlikely that Sri Lanka will meet this.

In addition to international pressure, there must be steps taken by the NPC to seek the autonomy which is guaranteed to them. First, there must be a policy of self-reliance in economy and this policy must be implemented at the earliest. The only other option to reduce and eliminate reliance is a Marxist style revolution in regards to the philosophy of poverty.

However, the key to Sri Lanka maintain its position in the world and perhaps what would prevent the findings of a UNHRC investigation from proceeding to the International Criminal Court (ICC) after it is referred to the U.N. Security Council is the veto power of China. This is not because China and Sri Lanka are historical friends but because much of the world still has vested economic and strategic interests in Sri Lanka.

The economic centrality of Sri Lanka in the Indian Ocean is likely to be unchallenged as it is the only nation able to attract high amounts of foreign direct investments (FDI) while being investigated for genocide. It is also a reason why the government of India is unable to take a stronger stand on the issue of human rights of Tamils on that island. India is the number one exporter of goods to Sri Lanka standing at 20% and where the number one importer of goods from Sri Lanka is the United States (U.S.) accounting for 21% and United Kingdom (U.K) at 20% of all Sri Lankan exports<sup>4</sup>.

The amount of income India makes from exporting goods petroleum, cars, wheat, etc is approximately \$3.6 Billion USD according to the Massachusetts Institute of Technology (MIT) and most recently stated at \$4 Billion USD according to the High Commissioner of India to Sri Lanka.

The 14 year old India-Sri Lanka Free Trade Agreement (ISLFTA) has provided massive boosts for trade between the two nations and India is the most stable trading partner of Sri Lanka according to the Indian High Commissioner

<sup>5</sup>. Since the launch of the ISLFTA, Sri Lankan exports have increased 10 fold to India as well<sup>6</sup>. Many European nations have expressed interest in investing in Sri Lanka such as France<sup>7</sup> and Belarus<sup>8</sup>. This is not to mention the \$6.4 Billion USD China has strategically invested in creating ports, military bases, and other installations in Sri Lanka which is expected to rise to \$12 Billion in 3 years.

However, while there is a larger regional attempt to outdo the U.S. dollar with the Brasil, Russia, India, China, South Africa (BRICS) Development Bank, Sri Lanka has implemented a program through its Security and Exchange Commission (SEC) titled the "Ceylon Dollar Bond Fund" for investors looking to invest in U.S. dollars. In fact, Sri Lanka's Dulindra Fernando, Managing Director of Ceylon Asset Management stated that he looks to nations such as Singapore and Dubai of the United Arab Emirates (UAE) who hold trillions in USD in their foreign reserves as a model for Sri Lanka. This serves western investors well who want to keep the dollar as the primary trading currency after the abolishment of the Bretton-Woods System but is in conflict with the BRICS and South Asian Association For Regional Cooperation (SAARC) Development Bank.

While some European nations have proposed larger investments and nations such as Vietnam calling for a Free Trade Agreement (FTA)<sup>9</sup>, sanctions on Sri Lanka which have been proposed by the United Kingdom (U.K.) to the European Union (E.U.) to cooperate with the U.N. probe. This may play into the hands of India who can do business with Sri Lanka via other nations as Chinese investments on the island are halted.<sup>10</sup> On the other hand, it may be strategic for India to have Sri Lanka in this capacity to facilitate the dollar trade and make economic gains but it be worth to trade this for hegemony over China in the island.

In addition, the Sri Lanka has opened its doors to international investment for the re-development of the former war zone of the Northern Province as Sri Lanka has invested \$3.2 Billion USD<sup>11</sup> which will be balanced by foreign trade with nations such as India who have also invested in the Northern Province to keep up with Chinese influence in Sri Lanka. Therefore, Sri Lanka is serving the economic interests of India precisely.

To reverse this trend for the interests of Tamil autonomy, there must be measures taken by the NPC in being able to attract investment on their own from other countries than India or China. There must be the will for the NPC to create its own export economy with western nations while serving the interests of India by attending to the BRICS Development Bank while Sri Lanka is against it.

The process of Tamil economic autonomy can be assisted by Tamil Nadu in India to facilitate trade backwards meaning instead of Tamil Nadu exporting goods, they must offer some of the goods to the Northern Province at a lower price to export it through bi-lateral negotiations. This is because exports from Tamil Nadu are more than \$33 Billion USD<sup>12</sup> and the Northern Province only needs a marginal percentage of that amount to outdo the government of Sri Lanka.

It might be strategic for the Northern Province to hedge its economy on Tamil Nadu of India if it is willing to play a part rather than the Rajapaksa Administration which is being investigated for genocide by the U.N. In other words, the NPC must become the number one economic hotspot in Sri Lanka for those looking for international development investments.

The NPC economy is mainly made out of natural resources such as rubber, tea, textiles, minerals, fishing, and an investment climate for machinery must also be set up as it can be a mini-China towards this end. In essence, there is almost \$6.8 Billion USD per year to be made up for with regards to investments if Tamils in the Northern Province are to achieve economic freedom and as mentioned, more than \$3.6 Billion USD with India itself.

Dr. Seshadri Chari who is the National Convener of the Foreign Policy Cell of the ruling party in the government of India has also stated that the Tamil issue is an internal one of Sri Lanka despite the non-implementation of the 1987 Indo-Sri Lankan Accord calling for the merger of the North and East Provinces as trade is more preferential<sup>13</sup>.

Therefore, if Tamils are to achieve greater autonomy from the government of Sri Lanka, it must begin with economic freedom. This was the strategy used by the founding father of India Mahatma Gandhi, in other words called the “self-reliance strategy” or better known now as the “import-subsidization-industrialization” (ISI) policy to achieve independence from the British Empire.

Without economic freedom from the central government of Sri Lanka, it will be difficult for Tamils to achieve their goal of self-determination and autonomy of any other kind as the centrality of economics in the Indian Ocean will remain with Sri Lanka.

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