



ASIA MAIOR

Vol. XXXIV / 2023

Asia in 2023: Navigating the US-China rivalry

Edited by
Michelguglielmo Torri
Filippo Boni
Diego Maiorano

viella

A large, intricate mandala pattern in a lighter shade of green, partially visible in the bottom right corner of the cover. It features concentric circles of geometric and floral motifs.

CENTRO STUDI PER I POPOLI EXTRA-EUROPEI “CESARE BONACOSSA” - UNIVERSITÀ DI PAVIA

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The Journal of the Italian think tank on Asia founded by Giorgio Borsa in 1989

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ISBN 979-12-5469-681-1 (Paper) ISBN 979-12-5469-682-8 (Online)

ISSN 2385-2526 (Paper) ISSN 2612-6680 (Online)

Annual journal - Vol. XXXIV, 2023

This journal is published jointly by the think tank Asia Maior (Associazione Asia Maior) & the CSPE - Centro Studi per i Popoli Extra-europei «Cesare Bonacossa», University of Pavia

Asia Maior: The Journal of the Italian Think Tank on Asia founded by Giorgio Borsa in 1989 is an open-access journal, whose issues and single articles can be freely downloaded from the think tank webpage: www.asiamaior.org.

The reference year is the one on which the analyses of the volume are focused. Each *Asia Maior* volume is always published in the year following the one indicated on the cover.

Paper version	Italy	€ 50.00	Abroad	€ 65.00
Subscription	abbonamenti@viella.it		www.viella.it	

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SRI LANKA 2023: WICKREMESINGHE'S FIRST SIX MONTHS
BETWEEN ECONOMIC RECOVERY AND POLITICAL UNCERTAINTY

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The country's effort to emerge from the economic and political crisis characterized the year under review for Sri Lanka. After long negotiations, Colombo managed to reach an agreement with international partners on financial aid, accompanied by a program of profound economic, fiscal and government reforms. These have weighed heavily on the population, especially the less well-off classes who reacted with widespread protests and strikes. At the same time, Colombo managed to obtain a partial consent to the restructuring of its debt with Beijing. On the political level, the year was characterized by a harsh confrontation between President Wickremesinghe and the opposition, and by civil society protests against the government's apparent inaction in shedding light on responsibility for political violence in the country. There also remained considerable uncertainty about the government's willingness to respect the electoral agenda which called for presidential and parliamentary elections by 2024.

KEYWORDS – Sri Lanka; Ranil Wickremesinghe; financial crisis; popular protest; democracy in South Asia.

1. Introduction

Sri Lanka's economy has shown a recovery trend during 2023. After reaching the threshold of collapse in 2022, with crowds of protesters storming the residences of the prime minister and president, the government of Ranil Wickremesinghe apparently managed to weather the storm, bringing the country and its economic fundamentals towards a relative stability. This was achieved thanks to massive international economic support, and passing through the forks of financial default, which dealt a hard blow to the country's international reputation. Moreover, Sri Lanka's dependence on foreign investments and remittances was cruelly exposed, opening big question marks over Colombo's capacity for structural economic reforms. However, if the economy seemed to emerge from the storm, people's living conditions remained decidedly worse than pre-crisis, especially for the poorer social groups. Not unexpectedly, the economic situation strongly influenced political events during the year. Negotiations undertaken by Colombo with multilateral and bilateral lenders for financial recovery became the subject of bitter political debate between the government and the opposition. Issues such as economic, fiscal and government reforms,

relations with India, China, and the West, and the responsibility for the economic crisis were deeply divisive issues. In the meantime, political actors begun preparations for the next presidential and parliamentary elections scheduled for 2024, which were perceived as a sort of showdown between the parties. To the disappointment of the main parliamentary opposition groups, the polls did not seem to reward them. Rather, the political scenario projected a clear advantage for the extreme left. The fact that this political area was very critical of the austerity measures cast a serious shadow on the future of the country. The Sri Lankan crisis highlighted the distance between the position of multilateral bodies such as the International Monetary Fund [IMF] and the World Bank [WB], on the one hand, and Beijing, on the other, on assistance for countries in financial difficulty. At the same time, the evolution of the Sri Lankan crisis intensified the trend already underway the previous year of a rapprochement between Colombo and Delhi.

2. *Wickremesinghe's first six months as president*

It is undeniable that the figures who took command of the country after the July 2022 disaster demonstrated considerable ability. It must especially be noted that current president Ranil Wickremesinghe, who first took over as interim prime minister and was then elected president by parliament, while managing to steer the Sri Lankan economy away from the financial storm, had initially been underestimated by public opinion. More important, Wickremesinghe had a troubled relationship with the Aragalaya movement. In the most intense days of the popular protest, the appointment of Wickremesinghe as prime minister to replace Mahinda Rajapaksa had not at all satisfied the demands of the demonstrators, who directed heavy criticism at him and even targeted his personal residence. The veteran politician appeared too compromised with the past, and with the Rajapaksa's power system to represent any real change. This criticism appeared to be well founded when Wickremesinghe, once elected president by parliament, appointed Dinesh Gunawardena of the Sri Lanka Podujana Peramuna [SLPP] – the party to which former president Gotabaya Rajapaksa and prime minister Mahinda Rajapaksa belong – as prime minister. In order to understand this point, it should be remembered that the protest movement, although primarily the result of the disastrous management of the economy and the COVID-19 pandemic, at the beginning had a much broader ambition. The resignation of the Rajapaksas was seen by Aragalaya activists as the first step towards a more general transformation of Sri Lankan politics, which should have a generational and ethical character. From this point of view, it is undeniable that the results of the transition, while reassuring regarding the recovery of the Sri

Lankan economy, disappointed the expectations of the younger generation and civil society [Keenan 2022].

A fundamental reason that made the president disliked by most of the proponents of change was that his appointment was perceived as a co-optation by the Rajapaksas. The fact that Wickremesinghe had not been elected by popular vote but by parliament aggravated this perception, indicating that he lacked popular legitimacy. The belief that the president had been chosen by the powerful family to save their system of power and prepare their return to government was so widespread in the country that he himself felt the need to publicly deny it. Addressing parliament in March about the economic recovery efforts, Wickremesinghe thought of denying «allegations being levelled...that [my] objective was not to rescue the country from an economic crisis but to safeguard the Rajapaksa family» [PMD 2023]. Yet, despite his proud self-defence, Wickremesinghe could not deny that he relied on the support of the SLPP to be elected president, and that the SLPP's support was crucial to maintain his parliamentary majority throughout the year [Abenante 2023: 379].

Moreover, from the beginning there was a feeling of mutual hostility between Wickremesinghe and the Aragalaya movement. Over the course of the year, the President maintained the same distrustful attitude towards the protest that he expressed since its inception, portraying it as a violent phenomenon based on a subversive political plan. Particularly significant to this regard was the President's speech at the International Forum of the Democratic Union held in London in June 2023, which caused a particular stir. Here Wickremesinghe offered a lengthy examination of the Aragalaya, describing it as a movement that far from being spontaneous had a precise anti-democratic subversive plan. The president also cited episodes of great violence between protesters and security forces. According to many observers, this picture was decidedly exaggerated if not totally false, and ignored the predominantly peaceful character maintained by the protest [Keenan 2023: 4; *Daily FT* 2023, 29 June]. The president's statements contributed to the impression that the new government maintained the same intolerant attitude towards political dissent as the previous regime. As discussed in the next paragraphs, this impression was then supported by concrete evidence regarding the government's attitude towards dissent. This further disappointed those sections of civil society who were calling for a change of pace from the Rajapaksa system. In fact, one of the key points of the movement, beyond economic reform, was the end of the «muscular» approach that characterized Sri Lankan politics during the Rajapaksa era. The fact that Ranil Wickremesinghe combined with his presidential position a series of key ministerial portfolios – namely those of Finance, Defence, Technology, Women and Child Affairs and Social Empowerment – undoubtedly contributed to building the picture of an excessive concentration of power within the executive [*The Island Online* 2022, 27 July].

3. *Transparency on political violence and terrorism*

Another delicate issue on which the executive was criticized by the opposition was its insufficient commitment to stop acts of political violence. Apparently the Wickremesinghe government has not strayed from the line of impunity towards violence committed by security agencies against political opponents. Human rights activists and international observers had requested that the controversial *Prevention of Terrorists Act* of 1979 [PTA] be scrapped. However, the government continued to implement it. Furthermore, in March the government announced a new bill, the *Anti-Terrorism Act* [ATA], which would replace the PTA and which, according to analysts, would give the government even more repressive powers than the PTA [Keenan 2023: 4; *Daily FT* 2023, 28 March]. While the opposition protested vigorously against the bill, the government chose to defend it from criticism. During a parliamentary debate, Justice Minister Wijeyadasa Rajapakshe argued that the ATA's public order measures were less stringent than anti-terrorism rules in force in many European countries including the United Kingdom [Indrajit 2024, 11 January].

Similar disappointment was expressed by the opposition and civil society regarding the developments of the investigations into the 2019 Easter Sunday attacks. Here the state's inactivity seemed obvious: four years after the terrorist attack, no perpetrator had been identified and no concrete results of the investigations were known. Furthermore, in August, some press reports, based on confidential testimonies from within the security forces, caused a stir. According to these reports, there was connivance on the part of the Rajapaksa's power circle with the Islamist organization held responsible for the attack. According to these testimonies, some state agencies had established contacts with terrorist groups in order to create a climate of tension in the country, favourable to the government. This complicity would explain the great difficulties encountered by the judiciary and the police in carrying out the investigations on the attack [Seale 2023, 6 September]. A further controversy that drew criticism of the president concerned the investigation into violence committed by security forces during Sri Lanka's civil war [1983-2009]. This issue was hotly debated during the year, as 2023 marked the 40th anniversary of Black July, the anti-Tamil pogrom that in 1983 left at least 4,000 people dead and forced hundreds of thousands to flee their homes [Srinivasan 2023, 28 July].

The scars of the war have continued to reopen in the public debate also thanks to the discovery of the mass graves of the victims of the massacres perpetrated against both the Sinhalese and the Tamils [*Tamil Guardian* 2023, 6 July]. For about ten years the UN Human Rights Council has pressured Colombo to shed light on the responsibility of the armed forces in these atrocities. After various promises to this effect, in May the government presented the proposal to establish a National Unity and Reconciliation Commission

[NURC]. According to the government, the NURC would be modelled on the experience of the South Africa Truth and Reconciliation Commission, and was based on a study mission carried out by the Colombo authorities in South Africa [Keenan 2023: 3; *The Sunday Times* 2023, 9 April].

Associations representing the victims' families, NGOs and civil society actors were not enthusiastic about the government's initiative. They highlighted two issues: first, the commission was placed entirely under state control rather than under an independent authority; this made it unlikely that the commission would seriously shed light on the responsibilities of the state itself in the exercise of violence. Second, the government did not seem to want to take the victims' families and civil society organizations into confidence; in fact, the commission had only sporadic contacts with the families of the victims. This raised fears that the creation of the NURC was aimed solely at taking the country out of the international spotlight, and normalizing relations with foreign donors, rather than establishing accountability for past crimes.

Doubts about the seriousness of President Wickremesinghe's intentions were apparently legitimized by precedent. Between 2015 and 2017, the current president – who at the time held the office of prime minister under the presidency of Maithripala Sirisena – had repeatedly given signs of a lack of will to pursue the path of accountability. In 2015, he had promised to establish a truth commission, a commitment he never kept. Then, following international pressure, the government had created two transitional courts of justice, the Office on Missing Persons and the Office for Reparations; however, both courts were politically and financially too weak to play any effective role [Keenan 2023: 4].

Not surprisingly, the North East Coordination Committee, a collective of 16 Tamil civil society organisations, called on foreign observers to reject the NURC and form an independent international commission to investigate war crimes [*Tamil Guardian* 2023, 25 July]. Nonetheless, judging by international reactions, the government seemed to convince at least some of the foreign partners. The Japanese government expressed appreciation for Colombo's initiatives, while the South African authorities confirmed their support to Sri Lanka for the process of reconciliation. The achievement of the agreement between Colombo and the IMF on financial aid, which will be discussed in paragraph 5, seemed to be a further sign of the willingness of international partners to recognize Colombo's accountability efforts, at least for the present time.

4. *The government and the Buddhist monks*

While Wickremesinghe's presidency seemed to act politically in substantial continuity with the previous regime on various issues, there were also some

signs of change. One of these concerned the connection between the representatives of religious authority and state power. Sri Lanka has a long history of Buddhist clergy interventionism in politics, and party leaders have often used religious symbols in their public discourse. This connection has deep roots in the country's decolonization period. The first politician to seek the support of the monks was former prime minister S. W. R. D. Bandaranaike in the 1940s and 1950s. Although part of Sri Lanka's post-colonial westernized elite, Bandaranaike was instrumental in the rediscovery of Sinhala culture, language and religion as part of the process of building Sri Lankan nationalism. The result of this search for «authenticity» was the creation of a public discourse in which Buddhist symbols and concepts played an increasingly important role [Rambukwella 2017: 383-387].

This process inevitably attracted the clergy into the political sphere, granting them the authority to legitimize – or delegitimize – political actors. Since then, Buddhism was an integral part of Sri Lanka's political discourse, and the activism of monks was a constant feature of the island state [Rambukwella 2017: 383-387; Gunasekara 2023, 30 June]. For years, Buddhist clergy especially supported the SLPP; former president Gotabaya Rajapaksa and his brother Mahinda were helped by the monks in their election campaigns in 2019 and 2020. For their part, the Rajapaksas have often used religious symbols as part of their political message [Abenante 2023: 374].

There was, however, a significant development over the year in the relationship between the clergy and political parties. The economic crisis and the fall from power of the Rajapaksa brothers had consequences on the attitude of the monks towards the SLPP. The emergence of the Aragalaya and the unpopularity of the government left the clergy disoriented. While a section of the monks moved from active support for the Rajapaksas towards neutrality, another section began to openly criticize the former government for its management of the economy. Some of them even tried to establish relations with the Aragalaya, although unsuccessfully [Gunasekara 2023, 30 June]. The protest movement was strictly secular, and attempts by some monks to join the protests provoked polite but firm refusals. According to media reports, when a monk joined a protest in Colombo near parliament, he was sternly asked to leave [Gunasekara 2023, 30 June]. Nonetheless, over time, Aragalaya activists themselves gradually began to move away from their secular attitude to take on a more traditional political style. Several leaders of the movement publicly sought out members of the clergy, seeking their advice in the same way politicians did. At the same time, the SLPP struggled to save its special bond with the clergy. In April the party appointed a monk – professor Uthurawala Dhammarathana Thera – as party president to replace G. L. Peiris who moved to the opposition [*Colombo Gazette* 2023, 22 April].

This was a clear sign of the importance that nationalist politicians still attached to the legitimation of Buddhist monks. In this context, however,

the current government gave some surprising signals of change. During a parliamentary debate on financial bills, Wickremesinghe launched an unexpectedly harsh criticism of the interference of monks in politics: «It is not possible», the president stated, «to obtain special protection simply by wearing robes and acting against the Dharma» [*News.lk* 2022, 29 November]. This unprecedented criticism was followed by other episodes which confirmed the tension existing between the President and the influential monks. In January the government received an ultimatum of sorts from leading clergy to provide financial aid to Buddhist temples, under the threat of a new protest movement. The following month, the monks staged a dramatic protest before parliament against the government's intention to implement the 13th amendment of the constitution, which provides for the granting of autonomy measures to the northern Tamil regions. Finally, in May, the clergy organized a sit-in in front of the Canadian High Commission in Colombo, to protest against a statement made by the Canadian Prime Minister on the occasion of the Tamil Genocide Remembrance Day. The monks demanded that the government officially condemn the «insult» against the «heroes» of the civil war [Gunasekara 2023, 30 June]. In the past, on similar occasions, governments had tried to accommodate the monks' requests, but now the dissenting voices of the clergy were almost ignored.

While it would be excessive to conclude that the clergy lost all its political importance, these episodes seemed to indicate that Wickremesinghe put an end to the state's uncritical support of Buddhist religious hierarchies, rather proceeding on a case-by-case basis, depending on the circumstances.

5. *The economic recovery program*

Beyond the political scene, the economy was undoubtedly the field in which the government had to commit itself most. From this point of view, the executive's action seemed to be effective. The Sri Lankan economy started to grow again during the year, especially driven by the agricultural sector [Jayasinghe 2023, 15 December]. The improvement was tangible: the long queues outside basic grocery stores and petrol stations that were normal scenes the year before disappeared, and life in Sri Lanka's cities seemed to return almost to normal. Yet, despite appearances, the economy remained fragile and life was very difficult, especially for the poorer social strata. The country still had more than US\$ 80 billion in domestic and foreign debt, and the increase in prices on basic necessities, especially food, put families in serious difficulty. According to estimates, about half of families spent 70% of their income on food alone. At the same time, tax increases and the cancellation of state subsidies caused bills to rise. Electricity prices increased by around 65%. A particularly worrying aspect of the crisis was the dramatic increase in migratory flows. According to estimates, between 2022 and

2023, over 300,000 people left the country, especially skilled workers and graduates, which obviously casts shadows on the country's future prospects [Jayasinghe 2023, 6 July; Shukla 2023, 18 July]. In this sense it could be said that the class character of the crisis accentuated; while at the beginning the effects of the crisis distributed among almost all social classes, now it was the lower classes who bore the brunt of the country's impoverishment.

The government's first objective was to obtain confirmation of the economic aid program envisaged by the agreement reached in 2022 between Colombo and the IMF. Under the agreement, the IMF committed to providing Sri Lanka with a US\$ 2.9 billion Extended Fund Facility over a period of 4 years [Abenante 2023: 382]. The release of these funds, however, was conditional on two clauses; the first, that Colombo implement a series of economic, fiscal and legal reforms; the second, that the government of Sri Lanka reach agreements for the restructuring of external and domestic debt.

The most complex point concerned Sri Lanka's ties with China, which held the majority of the island external debt, approximately US\$ 7.4 billion [Jayasinghe 2023, 6 July]. First of all, the government had to engage in the first review of the IMF programme, the outcome of which was an essential condition for the disbursement of the first tranche of aid, being subjected to the IMF positive assessment of the progress of Colombo's economic and administrative reforms. The early results were negative: after a two-week visit to the island state, the IMF team announced that the negotiations had failed; despite the «commendable progress» made, the state of the reforms was still insufficient, especially regarding tax collection. The news obviously came as a cold shower for the Colombo authorities as it put the stability of the island state at risk [Parkin 2023, 27 September].

However, after further negotiations, on 19 October it was announced that a staff-level agreement had been reached with the IMF, which would provide a tranche of US\$ 333 million. This disbursement was accompanied by an additional US\$ 7 billion in rapid credit support from the World Bank, Asian Development Bank and other donors [IMF Press Release 2023, 19 October].

Despite the complexity of the deal, which took into consideration the advancement of the reforms, the IMF board's statement positively underlined the work carried out by the government. It highlighted that Sri Lanka was the first Asian country to undergo the IMF Governance Diagnostic exercise and had released the scheduled Report on time. The IMF board also emphasized that «reform efforts have been commendable, including rapid disinflation and a significant fiscal adjustment expected by the end of this year» [IMF Press Release 2023, 19 October]. However, while almost all indicative targets had been achieved, the tax revenue situation was still unsatisfactory. Fiscal policy therefore remained a major weakness of the Sri Lankan economy. In the ten years preceding the COVID-19 pandemic, Sri

Lanka was estimated to have collected on average tax revenues equal to around 12% of GDP. This was a rather low percentage considering, for comparison, that Zambia – another country benefiting from an IMF aid program – collected on average tax revenues equal to more than 18% of GDP in the same period [Setser 2023: 16].

Moreover, the recovery program was hit by many difficulties both in society and in parliament. Firstly, several sectors of the populations resisted the austerity and financial management reforms demanded by the IMF. The measures introduced by the government, in particular the tax increases, caused strong protests among an already exhausted population. These even made observers fear a return of the Aragalaya movement. The shift to market exchange rates led to a devaluation of the currency, driving up fuel and food prices and leading to a 165% increase in electricity tariffs by February [Ghosh and Ruwanpura 2023]. In March, unions declared a series of strikes in the hospital, school and railway sectors, to protest against high living costs and rising taxes [*Al Jazeera* 2023, 15 March].

Although the President made a special address in parliament in March to announce the IMF-Colombo agreement, describe the reforms, and call on opposition parties to support them, the latter's response was cold. The main opposition party, the Samaji Jana Balawegaya [SJB], rejected the agreement, arguing that its consequences would inevitably fall mainly on the poorer social classes. The debate on reforms inevitably cast shadows on the country's political future in view of the elections scheduled for 2024. In September, the SJB leader Sajith Premadasa met with IMF representatives and informed them of his intention to review the terms of the agreement should there be a change of government [*Colombo Gazette* 2023, 25 September]. Evidently the opposition was not willing to pay the political consequences of the economic reorganization, considering that these weighed much more heavily on the working class.

It is important to note that the economic recovery program agreed with the IMF depended on the restructuring not only of domestic debt, but above all on external debt. From this point of view, Colombo suffered from the well-known differences existing between Beijing and multilateral donors. According to the IMF-Colombo agreement, to obtain the release of the allocated funds, the Sri Lankan government would also have to obtain a debt restructuring from sovereign lenders, primarily China. However, Beijing's opposition to this request was known. Within the so-called Common Framework – namely the consortium created by the G20 during the 2020 pandemic to assist states in financial crisis – Beijing had responded negatively to this request. The Chinese authorities were of the opinion that not only bilateral and commercial creditors, but also multilateral ones such as the World Bank and the IMF would have to accept a debt cut [Setser 2023:3; Cash 2023, 22 June]. Rather unexpectedly, however, in mid-October Colombo announced that it had reached an agreement with China Exim Bank

for the restructuring of a US\$ 4.2 billion debt. While this represented only a portion of Sri Lanka's total exposure to China, the news was greeted with relief by international observers, as it allowed Colombo to move forward with its recovery plan [Shukla and Oi 2023, 13 October].

6. *The road to the 2024 elections*

The political scene was dominated by the prospect of elections scheduled for 2024. According to the Sri Lankan constitution, presidential and parliamentary elections were to be held by the end of the year. This was a further element of difficulty for the Wickremesinghe presidency, given that the complex institutional system forced the country into a continuous electoral campaign. The electoral schedule obviously influenced the debate on economic measures, pushing both Wickremesinghe and other political actors to articulate their political positions in increasingly harsher tones. The president opened the way in March when, during the special address in parliament to announce the reforms requested by the IMF agreement, he launched a severe attack against «certain political parties, trade unions and media» who, instead of supporting the government's recovery effort, «labored to cause disruption» in the country. Wickremesinghe went so far as to claim that there were «plans to create a continuous wave of strikes, to destroy the economy and create anarchy in the country» [PMD 2023].

The opposition's response was equally harsh. All the various political forces were busy positioning themselves in view of the electoral deadline. Wickremesinghe announced in parliament his intention to respect the constitutional deadline, which required elections within the year. The 74-year-old president also announced that he would run for office again. However, uncertainty dominated for three reasons. The first was that the President avoided making the election date official, thus leaving political forces and observers in considerable confusion. The second reason was that the main electoral polls showed the President far behind in voter approval ratings, while, at the same time, giving an advantage to one of the main opposition figures, Anura Kumara Disanayaka, leader of the Marxist-Leninist Janatha Vimukthi Peramuna (JVP). This led some observers to predict that the President would seek a pretext to postpone the elections. The third reason was Wickremesinghe's own decision to postpone for the umpteenth time the calling of elections for the provincial councils in the north and east of the country, appointing interim administrations instead. According to observers, the move was motivated by the government desire to avoid the opposition's victory. It is no surprise that opposition leader in parliament, Sajith Premadasa, accused the government of «conspiring to postpone all elections», and warned that «delaying or cancelling elections constitutes a serious assault on democracy» [*Daily FT* 2023, 10 October]. It is, nonethe-

less, interesting to note that, according to polls for the presidential election, Premadasa was not given an advantage. On the contrary, his personal approval rating – according to data collected in October – although as much as the double that of the President, was significantly behind JVP leader Disanayaka [IHP 2023].

Apparently, Sri Lankans held the main opposition leaders partly responsible for the state of the country and resented the poor living condition of the subaltern classes, giving their support to the far left. On the other hand, the SLPP did not announce whether it intended to present a candidate for the presidential elections. By all accounts, the Rajapaksas' ambition to attempt a return was intact, if arduous. In addition to their already low popularity, the image of the two Rajapaksa brothers was damaged by a Supreme Court ruling in November which indicated they were responsible for the financial crisis together with 13 other former leaders. Nonetheless, in December the SLPP appointed Mahinda Rajapaksa as party leader [Ng 2023, 15 November; *Newswire* 2024, 16 January]. Overall, the Sri Lankan political framework appeared extremely fragmented. The analyses of the possible electoral result envisaged a situation of great fluidity, with the risk of having no clear winner in 2024 [Devapriya 2023, 23 December].

7. Sri Lanka-India relations

From the point of view of foreign relations, the year saw the consolidation of a trend that had already emerged the previous year, namely the rapprochement between Colombo and New Delhi [Moorthy 2022]. A determining factor was certainly the willingness of the Indian government to provide economic assistance to Sri Lanka since the beginning of the financial crisis, as part of its competition with China. As mentioned, the difficulties encountered by Colombo in obtaining a partial restructuring of the debt it owed to Beijing influenced the general Sri Lankan attitude towards cooperation with China. This aspect added to the already existing debate on the hypothetical existence of a Chinese «debt trap». In fact, apart from the Communist Party of Sri Lanka [CPSL], that denounced an «anti-China environment created by Western vested interests», few voices defended the benefits of Chinese investments [*The Island Online* 2023, 31 December]. Secondly, in the transition of government from Rajapaksa's SLPP to Wickremesinghe's United National Party (UNP), a different emphasis was placed on the relationship between Sinhala culture and ethnic minorities. While the SLPP focused its political discourse on Sinhalese nationalism, the UNP favoured greater accommodation of Tamil culture. This did not stop Wickremesinghe from publicly supporting the need of highlighting the national peculiarities of Sinhalese identity, even as far as the island minorities were involved. Significantly, in the aforementioned parliamentary speech in which the Presi-

dent criticized the political activism of the monks, he also argued that «we should preserve and also show the distinct nature of Hinduism in Sri Lanka as compared to India» [*News.lk* 2022, 29 November]. Nonetheless, Wickremesinghe's openness towards the Tamil community certainly favoured relations with New Delhi. More concretely, the President demonstrated his attitude first by promoting together with the Indian authorities the reopening after 40 years of the ferry connection between Nagapattinam in Tamil Nadu and Kankesanthurai in Sri Lanka's Jaffna [Devapriya 2023, 23 December]. The route was inaugurated in October in the presence of the Sri Lankan President and Indian Prime Minister Narendra Modi. The latter took the opportunity to underline that the ferry line «brings alive historical, cultural links» [Janardhanan 2023, 14 October]. A second significant example was given by the start of a dialogue between Colombo and New Delhi for the adoption of the Indian rupee to regulate cross-border transactions [Kolatewala 2023, 8 March].

8. *The economic setting*

The main indicators confirmed the progressive stabilization of the economy compared to the previous year, despite a still difficult context. Sri Lanka's economy grew by 1.6%; the expansion was the first since late 2021. The growth was notably driven by the agricultural sector, which grew by 3% compared to the previous year, with a 0.3% increase in industrial production, while services grew by 1.3% [Jayasinghe 2023, 15 December]. Large-scale retail trade growth, equal to -7.8% at the end of 2022, was estimated at -3% at the end of 2023. The inflation rate, which had reached 46% at the end of the previous year, fell more than expected in 2023, stabilizing at 18.7%, with prospects for a further sharp decline in 2024. The trade deficit worsened from US\$ 2.3 billion to 3.5 billion, due to the easing of import bans, in the face of a still low level of exports. However, the increase in foreign remittances by 78% and the recovery of the tourism sector by 67.4% pushed the current account from a deficit of US\$ 1.3 billion in 2022 to a surplus of 644 million a year later. Likewise, official reserves doubled during the year to US\$ 3.8 billion. This occurred largely thanks to international financial support and central bank dollar purchases [ADB 2023: 23].

9. *Conclusion*

The start of economic recovery and the return of international confidence in Sri Lanka were certainly an important achievement for the Wickremesinghe government. However, as widely expected, this has been accompanied by growing social and economic inequalities as a consequence of the austerity

measures. The widespread impression was that the measures applied by the government tended to place the sacrifices on the working class rather than on the banking sector. In any case, despite the undoubted effort made by the government to meet the demands for reform, the fundamental objective of restructuring the economy into one that was no longer export-dependent still remained distant. Furthermore, there was widespread dissatisfaction in civil society towards the new government's intolerant and often aggressive approach to dissent. It could not be completely ruled out that social and economic inequalities would lead to a new popular protest movement such as the Aragalaya. Moreover, great uncertainty surrounded the outcome of the next presidential and parliamentary elections. If, as the polls indicate, these were to lead to a victory for the far left, the maintenance of the economic recovery program would be in serious doubt. On the other hand, the possibility that the executive postponed the elections for a year, despite the President's reassurances, would place the country's democratic prospects at even greater risk.

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