**[How Lanka got her groove back](https://www.dawn.com/news/1828932/how-lanka-got-her-groove-back)**

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DESPITE the sweltering heat, there is tremendous energy all around the Galle Face Green, the famous sea front park, close to the presidential secretariat in Colombo. Young people are swarming around the fancy ice cream trucks, tourists are gushing out of the packed five-star establishments, while shoppers are thronging the entire area.

This positive energy is a far cry from the economic chaos that engulfed Sri Lanka only two years ago. Faced with a serious yet manageable set of economic challenges, the Lankan government mishandled the economic crisis by making poor, politically motivated choices, one after the other, forcing the island nation to declare bankruptcy.

Predictably, the economic crisis rapidly transformed into a political crisis. This same sea front park became the epicentre of anti-government protests. Soon, the president resigned and sought safety abroad, while, in one of the most-watched images around the world, the Sri Lankan people took over the President’s House in Colombo.

People may not remember, but this unfortunate chaos was very closely followed in Pakistan, especially as one mainstream political party, perhaps to regain lost leverage, repeatedly claimed that Pakistan was headed in Sri Lanka’s direction.

All that chaos now seems distant history as the sound of the gently crashing waves heralds serenity. According to the IMF, inflation has come down from 70 per cent to 5.9pc, while the economy has started expanding after one and half year of contraction. This economic turnaround might tempt some to conclude that stabilisation was always on the cards. Just like water in a vigorously shaken bottle calms down when left to rest on a table, all chaotic systems eventually find endogenous order, right? Wrong.

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Sri Lanka’s remarkable economic recovery would not have come about without the tremendous leadership displayed by President Ranil Wickremesinghe. Wickremesinghe, the nation’s veteran statesman, stepped up to the plate when no other political leader was willing to take the reins since the much-needed and IMF-supported economic reforms — more taxes, market-determined exchange rate and privatisation of state-owned enterprises (SOEs) — were guaranteed to cost dearly in terms of political capital.

But, what was it about Wickremesinghe’s leadership style that enabled him to stabilise and then turn around an economy that had hit rock bottom? When this question was posed to experts at the Institute of Policy Studies of Sri Lanka, they pointed to Wickremesinghe’s leadership and political experience as one of the main reasons behind economic stabilisation as it led to a calming of the nerves of various international lenders.

Also, despite little representation in parliament, Wickremesinghe was far more effective on the global stage. This arena became crucial for bringing the IMF to the rescue. Indeed, the IMF found a credible partner in the shape of Wickremesinghe, someone with economic policy experience who would not turn their back on the economic reforms required to put the South Asian nation on the path of sustainable economic recovery and growth.

Wickremesinghe’s leadership, experience, tact and credibility enabled him to rightly front-load the most painful part of the economic adjustment, namely a market-determined exchange rate that led to the Sri Lankan rupee losing half its value against the US dollar. For waiting for an optimal time for tough economic decisions would only have made the situation worse.

In addition, one reason behind the Sri Lankan economic turnaround was institutional structure. Since 1978, Sri Lanka has had very powerful presidents who are both head of state and head of government. Where Sri Lanka’s ‘executive presidency’, has been criticised by some for being overly autocratic, it enabled Wickremesinghe to push through his economic reform agenda that could have otherwise been stalled by a rowdy parliament.

This massive economic adjustment has extracted a steep social cost in Sri Lanka. A recent report by the World Bank revealed that poverty has increased from 11pc in 2019 to 26pc in 2024. Moreover, not only did inflation at 70pc negatively impact the quality of life, many small businesses have closed down permanently, while the country has suffered from significant brain drain.

Still, this Lankan tale may not necessarily have a happy ending. Instead, Wickremesinghe might actually end up looking a lot like a Shakespearean tragic hero, a noble figure who experiences a downfall as Sri Lanka still faces threats, which could very well bring the process of economic reforms to a halt.

The first threat comes in the shape of geopolitics as India has decided to lay claim to the small island of Katchatheevu, whose ownership India itself transferred to Sri Lanka in 1974. S. Jaishankar, India’s external affairs minister, belonging to the governing political party, the BJP, has suddenly started sounding bellicose on this issue implying foul play around the events that led to the handing over of the island.

It’s possible that this recent bluster is aimed at winning more seats in the coming elections, especially in the southern state of Tamil Nadu, where BJP won no seats in 2019. But, given Indian foreign policy’s newly found belligerence and previous Indian misadventures on the island, things — and the economy — could potentially go south.

The second threat comes in the shape of political uncertainty by way of the upcoming presidential and parliamentary elections. High inflation and poverty have brightened the electoral prospects of the Marxist Janatha Vimukthi Peramuna. Not only could the JVP become the largest party in parliament, its leader could also win the presidential elections. JVP has opposed the privatisation of even loss-making SOEs and its stated policies run counter to the ongoing economic reforms.

JVP may not win after all, but the burgeoning narrative of reversing ‘unjust’ economic reforms is certainly getting noticed. For this reason, Wickremesinghe is trying to convince legislators to provide legal protection to various economic reforms to ensure policy continuity before elections this year.

All said and done, the story of how Sri Lanka recovered from the worst economic crisis of its history has the ingredients of a Hitchcockian thriller. President Wickremesinghe has done wonders but it is not clear whether he will be able to avoid the fate of a tragic hero. Perhaps, Pakistan, too, needs a tragic hero to put its economy on a permanent journey towards economic reforms and recovery.

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