SriLankan Economy Past and Future

As many observers have pointed out Sri Lanka's economic experience since Independence has been a mixed one. Fifty years have not sufficed to transform the economy from a "developing" to a "developed" one. We remain among the low income countries of the world though not classified as one of the Least Developed Countries. Yet, there have been significant achievements and changes over these years. We have succeeded in raising the average income per person over this period from 7 million in 1948 to around 18 million today. Our advances in the social field have been notable and are being cited as examples to other developing countries. Our policies of land development have contributed to relieving the problems of the landless. In the more recent period we have also seen the beginnings of structural change and an acceleration of growth rates. The earlier dominance of the export staples tea, rubber and coconuts has come to be diluted and new activities such as garment production, employment abroad and tourism have begun to contribute significantly to the economy. These advances, however, have not sufficed, as mentioned already, to propel Sri Lanka into the ranks of the newly emerging economies, or to relieve the urgency of such problems as unemployment and poverty. We need to ask, therefore, why we did not do better?

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Several explanations suggest themselves. Some argue that whatever the domestic effort, growth tends to follow a regional pattern and that our performance has not been too different from that of the other South Asian countries India, Pakistan, and Bangladesh, for example.

There are others, however, who look to more local explanations. For Sri Lanka, for example, one sometimes points to the compulsions and the limitations of a lively democratic political process, where short term results and distributive policies pay quicker political dividends than those that highlight more distant economic gains. The lively democratic process is also pointed to as not helping continuity in development policies.

Wide swings in the pendulum of ideology over past decades also get their share of the blame for causing confusions and inconsistencies in policies. The Welfare State, the Mixed Economy with a paternalistic role for the state, the Socialist Planned Economy with nationalisation, and the state in control of the "commanding heights", and more recently the Open Economy with the private sector being moved from the dog house of popular jargon to the engine room.

What are the prospects for the future?

The recent period has seen a vast change in the global scenario, both political and economic. The new economic trend is being described as one of "globalisation and liberalisation" and is said to provide new opportunities for developing countries like Sri Lanka, Markets abroad are being widened through a lowering of trade barriers, investors are becoming more mobile in the placement of both funds and production units, and, above all technological advances in such fields as communications and information are speeding up contacts, decisions, and the movement of goods and services. Sri Lanka must make a conscious effort to profit from these changes. Her policies must be outward looking with a strong accent on efficiency, knowledge and adaptability. The challenge facing Sri Lanka is to seek benefits from the positive elements on the global scene while avoiding, at the same time, the dangers and drawbacks.

There are several key issues that are pertinent to this objective. Among these the following come to mind:

■ First, the role of the state needs to be adapted to the new scenario. But the pendulum must not be allowed to swing excessively from one extreme to the other-from excessive state intervention in the economy to undiluted laissez-faire, and a simplistic faith in the "magic of the market". The state needs to do more than deregulate the economy and confine itself to the macro-economic aspects of policy.

■ Second, the state, in a country like Sri Lanka must give the highest priority to a sustained upgrading of the country's entire infrastructure, both physical and social. Infrastructure is one of the crucial determinants of economic growth and transformation. If we are to become one of the emerging economies of Asia we need the transport systems, the power supplies, the communications facilities and the pattern of skills that facilitate accelerated development. Ownership issues and the question of public versus private sector in these fields are relevant but primarily to the extent that they have an influence on adequacy, efficiency and costs

■ Third, the state must ensure that the pattern of growth does not by-pass important sections of the population. The poor need to be woven into the development design and not merely be the recipients of "add-on" programmes, no matter how necessary in the short-term or how well targeted. The pattern of growth must also pay heed to the spatial distribution of activity and income and the fortunes of the rural population. Likewise, the gender issue must have its place as a dimension of overall development policy.

■ Fourth, food security and rice production must be a subject of very special attention and not be left primarily, to market forces. Raising agricultural productivity and rural income levels are related goals. Semi-subsistence peasant farming and, for that matter, even the colonial model of plantation agriculture are patterns that may not endure, as the tempo of growth and economic transformation gathers momentum.

■ Fifth, the state must ensure that productivity improvements are reflected in regular wage benefits. The latter should not be left to be determined by periodic confrontations between capital and labour. The labour movement should become a partner in development. Sixth, the building up of indigenous capabilities at all levels and in all fields must be an overriding objective of state policy. Foreign investment certainly needs to be encouraged and mobilised, but it must contribute in a significant way to a domestic "learning process". We cannot replicate the colonial pattern of making development primarily a job for outsiders to do on our behalf.

■ Seventh, we should not dispense entirely with the provision of a measured and time bound degree of protection to local enterprise, and of special support to medium and small scale enterprise and the selfemployed. Market forces, by themselves, may not favour these needs

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■ Eighth, we need to pay particular attention to the environmental dimension of change and development. The need is not to eschew development on environmental grounds but to link the development process to the best balance of environmental options.

■ Ninth, we must be mindful of our own development needs in all multilateral processes and negotiations, both regional and global. This usually means uniting with other developing countries whenever the objectives are common and cohesion is needed for attaining results.

Finally, it would help to add a new dimension to the technique of planning. Our development plans have been of the conventional “time-frame” variety, essentially predicted on investment needs for reaching selected growth targets. An alternative, or supplementary, per capita income raising plan would probably provide more leads to what we need to do.

All this, and the evolving global scenario, suggest that the highest dividends from our past achievements might still be reaped in the years to come. Given internal peace, our social gains and the maturing of our democratic processes could provide the springboard for a new and vigorous phase in our development experience. But balanced policies must serve as the catalyst.