

Regional Development Capabilities: A Strategic Geographical Review of Eastern Sri Lanka

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Abstract

This review article proposes that sustainable regional development in Sri Lanka can be achieved through the strategic development of the Eastern Province. The aim is to promote economic growth in the region and enhance connectivity with Southeast Asia by developing a trade-oriented economy. By establishing new trade partnerships and reinforcing the small trade shipping system based on the Bay of Bengal, the region can benefit from greater connectivity with neighboring countries and expand its economic capabilities. To achieve this goal, the paper suggests the development of value-added industries in the Eastern Province, which could include manufacturing, processing, and other forms of industrial production. This would not only create new employment opportunities and stimulate economic growth in the region but also generate new trade opportunities and revenue streams. Overall, the paper proposes a strategic approach to regional development in Sri Lanka that emphasizes the importance of leveraging the country's geographical position and economic potential. By developing a trade-oriented economy and enhancing connectivity with neighboring countries, the Eastern Province can become a hub for economic activity in the region, promoting sustainable economic growth and prosperity for the country as a whole.

Key terms: Sustainability, Regional Development, Strategic Geography, Eastern Sri Lanka

Introduction

Today we have a big challenge for seeking possibilities to cope with the present crisis which Sri Lanka is facing as a cascade effect of severe economic hardships – going through a socioeconomic crisis unlike any other in history. The country faces an unsustainable debt and a severe balance of payments crisis, which negatively impacts national development. How did Sri Lanka get here and what does this crisis mean for the country? What is the real picture of the current crisis Sri Lanka faces? How we can characterize it? Have we addressed the real causes of the crisis? Investigating the problem through the cause and effect theory can be concluded as a cascading effect on government revenues, leading to decades of fiscal deficits, increasing government debt, and printing money, resulting in a high inflation rate. When come to the historical roots of the present crisis, it is evident that the mismanagement of the national economy in the past few decades has become the key and it was fuelled by taking out massive foreign loans for war expenses, infrastructure projects, increasing government jobs, etc. In the recent past, several tax cuts were implemented rather than focusing on economic reforms that might increase foreign reserves. During the past three years, the main foreign source; tourism withered due to the 2019 Easter attack and the COVID-19 pandemic. This situation had become more worsen due to the chemical fertilizer ban implemented by the government. As a result, the government had to turn to foreign lenders to help service already existing debt and now the crisis has become untenable depths.

The foreign reserves have dropped from US\$7.6 billion in 2019 to less than US\$400 million in June 2022. Net foreign assets in the banking system also fell to US\$ -5.9 billion in June 2022. The remaining foreign exchange reserves of the country have not been sufficient for the payment of foreign debt obligations. According to Bloomberg Sri Lanka has nearly 9 billion USD in repayments due in 2022. Therefore Sri Lanka has become the first state in the Asia-Pacific region to enter sovereign default in the 21st century as

well as the first sovereign default in history since its independence. Due to the declining remittances and limited tourism receipts, Sri Lanka experiences unprecedented levels of inflation, depletion of foreign exchange reserves, shortages of electricity, fuel, cooking gas, medical supplies, and an increase in prices of basic commodities. At the peak of this economic crisis impact, several massive public protests took place over the Government's mishandling of the economy demanding the immediate resignation of the president and the Prime minister, dissolution of the current government, and the establishment of an interim government that holds new elections within a year, and a referendum to establish a new constitution that endorses the people's sovereignty and reduces the president's executive powers. Though some of these demands have reached the end, the political and economic future of the country is uncertain, but there are significant problems to tackle for whoever takes charge. According to the central bank reports, in the absence of an upfront comprehensive debt treatment, Sri Lanka's public debt is set to remain at unsustainable levels in the coming years. According to the World Bank updates, Sri Lanka's real GDP is expected to fall by 4.2 percent in 2023. The fluid political situation and heightened fiscal, external and financial sector imbalances pose significant uncertainty.

Rationale

In light of the foregoing, it is clear that Sri Lanka needs wide-ranging economic reforms for sustainable development with partners in excellence. Undoubtedly, Sri Lanka has to improve its forex earning capacity to achieve debt sustainability. On the other hand, the country needs to have trade liberalization and export-focused regional economies. Whoever rules the country, will have to negotiate to restructure loans held by China, India, Japan, and commercial lenders on the one hand and will have to seek new possible economic avenues to improve the foreign reserves. The current crisis in Sri Lanka presents a unique opportunity to deliver on much-needed regional-based strategic reforms. The government should take advantage of the prevailing economic crisis to open its trade partnerships with new world regions. So, the main argument of this keynote speech is that in the long run-for sustainable economic development, Sri Lanka should focus on the regional-based trade policy which promotes new commercial links, particularly with the South-East Asian region beyond the BIMSTEC. As such, the new trade policy should focus to find historical trade routes through the Bay of Bengal to the South East which is to be a part of global supply chains. This may be an effective way for Sri Lanka to increase its exports not only to the traditional west but to the East. In this context, the Eastern Region may have a great opportunity to open up its economy to the Eastern World. For example, Eastern Sri Lanka has been an arena for competition for Malaysia and Indonesia all of whom have historic relations with its trade economy.

It is assumed that connecting Eastern Sri Lanka to the Southeast Asian economy will have a major impact on the development of the market economy of the country and it has long been documented as one of the main strategies in promoting trade and investment partnerships within the Asia region. Compared to the past, Sri Lanka has made only limited headway in strengthening its trade and investment links with the Southeast region recently. Therefore, two priority areas are highlighted so that the main argument needs to be more focused: a). regional approach for sustainable development and b). connecting to the Southeast World.

Regional Approach for Sustainable Development

Though the term 'Sustainability' is defined in a vast scenario, in the development context, it is used as a unifying approach and mechanism for economic, environmental and social development through encouraging potential solutions at global, regional and local levels. The concept of sustainable development - at the very beginning - was discussed in depth in the UN report titled 'Our Common Future' and coined a definition of sustainable development: "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". The report further explains:

“humanity has the ability to make development sustainable to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs. The concept of sustainable development does imply limits – not absolute limits but limitations imposed by the present state of technology and social organization on environmental resources and by the ability of the biosphere to absorb the effects of human activities. But technology and social organization can be both managed and improved to make way for a new era of economic growth” (UN World Commission on Environment and Development, (Brundtland Report, 1987).

Here is the concept of ‘needs’ may refer to the essential needs of living and the idea of limitations imposed by the state of technology and social organization on the environment’s ability to meet present and future needs accordingly. However every aspect of sustainable development is based on different needs and it focuses on three pillars conventionally such as environmental conservation, economic development and social sustainability. It is argued that since culture plays an important role as a key driver of the interconnectedness of the above three pillars, it should be taken as the fourth pillar of Sustainable Development. If Sustainable Development should be a reality, effective integration of these four pillars requires the implementation of a set of focused and specific actions. Thus, Jovovic, R. et.al. (2017) review; “while there is no doubt about the importance of integration of the pillars of sustainable development onto the regional level, implementation of this concept has proved challenging in practice. In fact, integration of the environmental, economic, and social dimensions of sustainable development on the regional level implies the implementation of complementary and coordinated actions in different areas which results in economic growth that is also supposed to achieve social objectives, without endangerment the rare resources of the planet”.

This is proved that the ‘Region’ and sustainable development has a unique combined in terms of its practical implication. Therefore, the regional approach to sustainable development needs to be explained with the meaning of regional sustainability – the process suggested improving the quality of human life within the limitations of the ecological carrying capacity of a particular region. Providing support to maintain the socio-economic and environmental development of a region involves solutions for improving quality of life without harmful to the nature and society. As Friedman (1970) emphasized, regional development is an incidence of economic growth and the ultimate result of the location of economic activities in response to different regional attractions. To be more précised, regional development involves a number of interrelated process including economic, social and political process within the spatial framework. In sustainable context, economic development should remain at a level not exceeding the environmental capacity of the region. According to Jovovic, R. et.al. (2017), there are two approaches to sustainable development in a region, the product oriented and the process oriented. The first approach is the value that the region provides to its users, while the second approach focuses on the fundamental processes occurring in the region.

The latter approach is closely linked with the argument of this keynote; seeking regional development potentials of Eastern Sri Lanka through the enhancement of trade economy with the SEA. This approach may help to redefine the regional development of the Eastern Sri Lanka as changes in regional productivity measured by the trade-oriented employment rate, income and value-added production. But Sri Lanka has still not utilized the real concept of the region and does not have a system of regions delineated for development purposes (Dangalle, N. (2005). Provinces are used as regions in the regional development planning in Sri Lanka and those have been created only for the purpose of political and administrative control of the country. Provinces are not geo-economic development regions that have been demarcated based on the advantages of different regions and the socioeconomic and geographical realities (Goonarathne, 2001). According to Wanasinghe (2001), Eastern Province has been identified as slow growing periphery even after the armed conflict ended in 2009. Therefore it is suggested that the province-based regional planning should be reconsidered, particularly for implementing the above-said trade-oriented regional development strategy based on the Eastern region of Sri Lanka. At this juncture, the Physical

planning department of Sri Lanka- one of the partners in Excellence – should play a key role to prepare a Sustainable Regional Physical Plan for the Eastern Region of the Country.

Connecting to the Southeast world with Partners in Excellence

Understanding the geographical, historical and political positioning of Southeast Asia in the contemporary global context is very important in seeking opportunities for the enhancement of the market economy of Eastern Sri Lanka, particularly through trade linkages. The term ‘Southeast world’ is used to characterize a geographical realm; between China, India, Australia, and the Pacific Ocean call as Southeast Asia (SEA). The territorial extent of the region may include two geographical territories as mainland (Indochina) which connect to India and china and consists of Vietnam, Laos, Cambodia, Thailand, and Myanmar, and the insular region which includes Malaysia, Singapore, Brunei, Indonesia, East Timor, and the Philippines. Within the context of the strategic geography of South and Southeast Asia, the Bay of Bengal is recognized as a connecting region and maritime highway between South Asia and Southeast Asia. Hence, Amrith (2013) views it as a region at the heart of global history where forgotten in the second half of the twentieth century. He further stated that somewhere in the region of 28 million people crossed the Bay of Bengal in both directions between 1840-1940 AD. Today the countries bordering the Bay of Bengal are home to one in four people of the world. A recently published book ‘Between the Bay of Bengal and the Java Sea’ provides interesting legends of historical trade routes used by cultural communities in Asia. Further, it offers an insight to the historical backdrop framing the rise and decline of 10 significant ports in Southeast Asia by illuminating the maritime trade and cultural exchange (Kaur and Isa, 2020).

In seeking possible ways to open the Eastern Sri Lanka to the SEA for strengthening its market economy, lessons should be learned from the historical relations, particularly the trade and consequent cultural contacts between Sri Lanka and the Asian World – both mainland and the archipelago. The term Southeast Asia has only a short history – does not go beyond the World War II but it was recognized as a subregion of the realm of Asia. Chowdury (1991) says; “...this fact had long been realized by the Chinese, who had always referred to Southeast Asia in its entirety by one name, Nan Yang, the Southern Seas. It is now considered to be beyond any doubt that Indian Chinese influences played a dominant role in shaping the culture and civilization of this area. The Indian strand is so clearly discernible that scholars called these areas as ‘Farther India’ or ‘India beyond the Ganges’ and which the Indian scholars now call with justifiable pride ‘Greater India’. This historical account confirms that South Asia and Southeast Asia beyond the Malacca Strait are the same units in the Java region and should be taken as one political ecosystem.

Amrith (2013) confirms this; “well into the age of European World dominance, the Indian Ocean continued as a highway of Scholars, pilgrims, merchants and journalists an ‘international arena’ with its own rhythms and it’s relentless flow of ideas. In the Indian Ocean port cities, encounters between Asians and Europeans, Muslims and missionaries, Buddhists and rationalists gave rise to a historically deep archive of competing universalisms”. This also confirms that South and South-East Asia is a single ecosystem that shares rich and diverse cultural history. South Asia birthed two of the world’s great religions/philosophies: Hinduism and Buddhism. Southeast Asia adopted Buddhist, Hindu and Islam cultures from the South Asia during different periods in their history, as trade links diffused South Asia’s beliefs. The diffusion of diversified ethnic groups and their languages, religions, cuisines, clothes, games, rituals and beliefs etc. within the region mainly were occurred through the trade route over the land and sea. Hence, from a historical and cultural point of view, Eastern Sri Lanka has a great opportunity to find trade partners in excellence from Southeastern Region.

Sri Lanka has a long history of trade and cultural contact between the mainland of South Asia and Southeast Asia which led to having a very profound influence on politics, religion, culture, and society in the region. Overland trade routes and sea-borne trade routes had played a key role in facilitating the trade and cultural

expansion of Sri Lanka in the past. The Strait of Malacca, flowing between Malaysia, Indonesia, and Singapore, has for hundreds of years been one of the world's busiest trade routes, and more than 15 million oil barrels pass through every day. Hence, the strategic geography of Southeast Asia should be brought forward to reestablish such historical advantages, particularly for regional integration. In this context, small-scale integration via subregional economic partnerships or cross-border trade is likely to expand. According to the World Bank Report (2021), deepening linkages between South Asia and Southeast Asia is very important to explore new approaches to revitalizing economic links in the context of geopolitical concerns. Understanding the influence of Geopolitics on regional cooperation between Sri Lanka and Southeast Asia which has long been a crucially important region in world politics is essential. Kitchen (2012) states; "the Cold War may have begun and ended in Europe, but it was waged most fiercely in Southeast Asia. To take advantage of the opportunities presented by China's rise and the United States' pivot, Southeast Asian states need to stand together in the geopolitical contest currently taking place in the region".

To address this, a significant step for integration has already been taken by ASEAN Economic Community 2025 plan. This may allow each member flexibility to meet them, with the aim of improving the flow of goods and services (Weerakoon and Perera 2014). ASEAN represents a market of over half a billion people, with a combined GDP growth currently double the global average. Yet its consensual approach to fostering regional economic integration leaves it ill-equipped to lead in the task of forging a regional strategy. Kitchen (2021) suggests that ASEAN requires reform and renewal to enable it serve as a third pole in the new geopolitics of Southeast Asia, with the capacity and authority to mitigate the strategic contest between China and the US. Failure to do so will mean surrendering the future of the region to the geopolitical interests of extra-regional powers. In order to overcome these challenges, membership of ASEAN should be expanded as well as existing member states should empower the organization by themselves to represent their collective strategic interests.

For the purpose of strengthening regional cooperation, several plus points can be noticed in the contemporary economic and social arena of the Southeastern World. According to the Asian Development Bank Institute (2015); "the success story of economic growth in Southeast Asia over the past few decades is well known. It resulted from an outward-looking strategy of export-oriented growth, coupled with an openness to foreign direct investment by more developed economies both within Asia and outside, generally market-friendly policies, and extensive investment in infrastructure. It led to the deep economic integration of Southeast Asian economies, especially the most developed ones, with those of East Asia, manifested most notably in the rapid expansion of regional and global supply chain networks". Trade linkages between South Asia and Southeast Asia have grown nine-fold over the past two decades and there remains a significant untapped potential of economic integration between these two regions.

In recent years, six trade agreements have come into effect between South Asian and Southeast Asian economies. Together, India and Southeast Asia are home to 1.8 billion people and have an economic size of \$3.8 trillion, sharing substantial world resources, economic and otherwise. South Asia and Southeast Asia cross-regional trade has increased 23 times from \$4 billion to \$90 billion from 1990 to 2013. But Southeast Asia's share of South Asian trade rose from 6% to only 10% whereas South Asia's share of Southeast Asian trade doubled from about 2% to 4%. Vietnam, Philippines, Myanmar, Laos and Cambodia are expected to grow by almost 7% per year until 2023, while Indonesia and Malaysia will see annual growth rates of 5–6 percent. The geographic proximity of the countries in Southeast Asia is also a plus point for considering as a strategic region for promoting new economic cooperation as discussed. Business Sweden says; "Consider the location of Singapore, the 2nd highest ranked country in the world in terms of ease of doing business and the top location in Asia for multinational corporations' regional headquarters (46%). Using Singapore as a base, the entirety of the ASEAN bloc with its 650 million inhabitants are accessible within 3.5 hours by air travel". In addition to this strategic location, the middle class population of Southeast Asia is expected to more than double from 190 million to 350 million between 2012 and 2022. As one of Southeast Asia's

largest economic and population hubs, Indonesia is growing fast with the icon of G20. Malaysia and Singapore were the top two investors in Sri Lanka in 2005. Two Malaysian companies have been more successful in Sri Lanka even today. This may be a bonus for improving trade partnerships and the tourism industry of Eastern Sri Lanka.

Conclusion

To effectively assess the development potential of the Eastern Province of Sri Lanka and explore the possibilities of opening up to new strategic markets like Southeast Asia, it will be important to take a holistic and interdisciplinary approach. Fields such as regional and military science, maritime transport management, geography, history, and international relations can all provide valuable perspectives and expertise. One key aspect of this research will be to identify the physical and human resources in the Eastern Province, as well as any existing infrastructure or industries that could be leveraged for economic growth. In addition, exploring the feasibility of value-added industries that could be exported to Southeast Asia will be critical to developing a sustainable and prosperous economic model.

Overall, by bringing together experts from different fields and engaging in collaborative, interdisciplinary research, universities can play a vital role in promoting economic growth and development in Sri Lanka's Eastern Province and beyond. Indeed, universities play a crucial role in fostering research and innovation and can provide valuable insights and expertise to help inform policy decisions and promote economic growth. Research from a strategic geography point of view can be particularly useful in assessing the present geopolitical scenario of the Bay of Bengal and the Java Sea. This can inform the identification of potential opportunities for economic growth in the Eastern Province, particularly in relation to the revival of old shipping destinations. It is important to assess the physical and human resources in the Eastern Province to estimate the development potential. This can help identify areas for investment and development, and inform decisions on what to export and what value-added industries may be feasible. Given the range of fields that can contribute to this effort, interdisciplinary research can play a crucial role in developing a holistic understanding of the potential for economic growth in the Eastern Province of Sri Lanka.

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