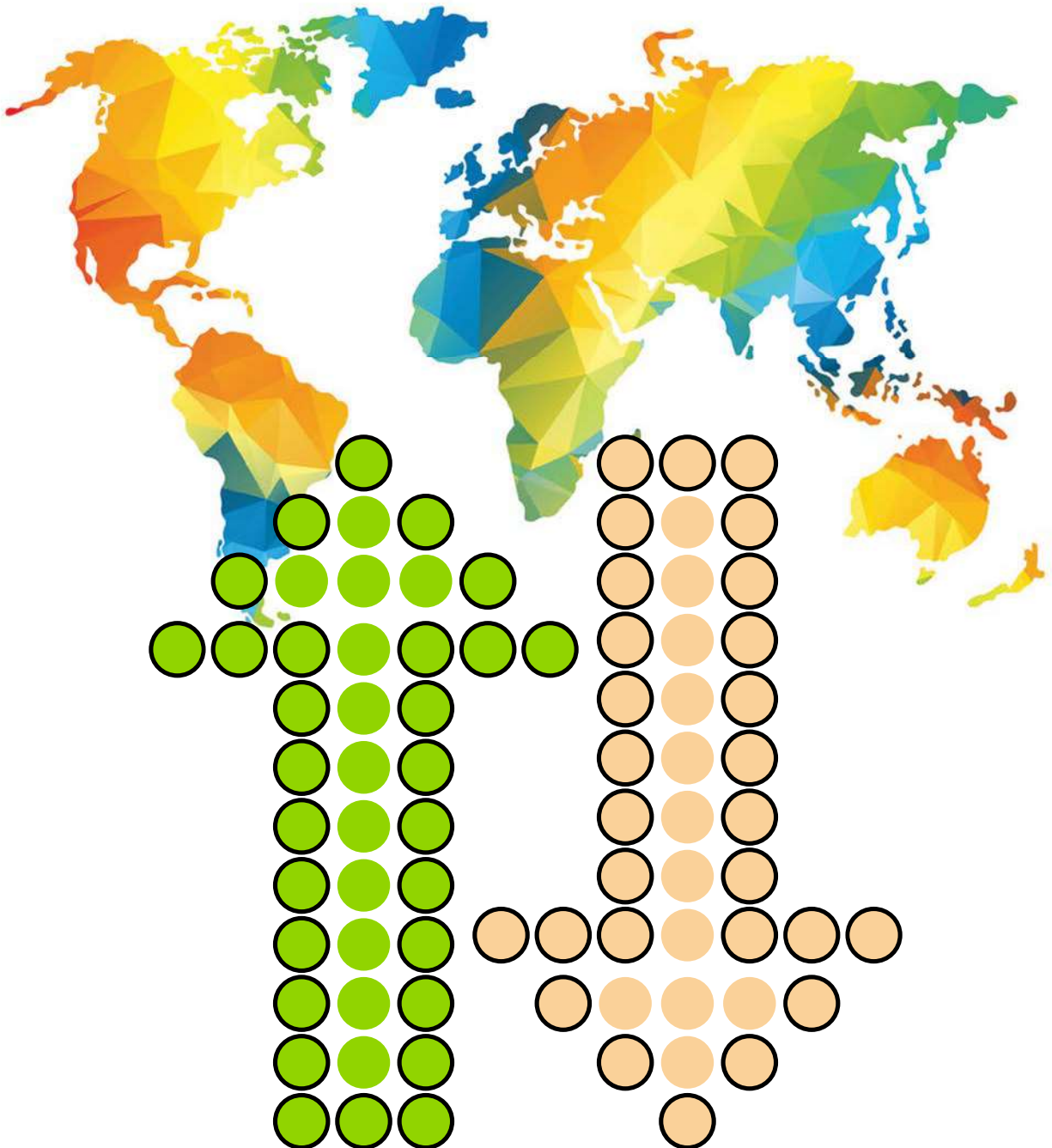


Whither Sri Lanka? A PESTEEL Perspective

By Shashithanganee Weerawansa



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Sri Lanka, onetime branded as the “hope of South Asia”, has been struggling in the recent past to keep that hope alive. The “Overall Ranking of the Best Countries”, published every year by the “U.S. News & World Report” places Sri Lanka at Number 48 in its 2020 list, which is 3 positions down from where she was in 2019. This same list puts Philippines at Number 45, up 5 places from 2019, Indonesia at 41, up 2 places, Malaysia at 32, up 6 places, India at 25 and South Korea at 20, each of them going up 2 places from their respective 2019 ranking.

It is more than a matter of curiosity that should prompt us to look at what is ailing us, despite probably inheriting the best geographical and logistical location in South Asia, perhaps even in the whole of Asia itself, and also having achieved levels of human development that could be considered as an essential and critical input for economic progress and development. This article attempts to examine the Sri Lankan development saga from a perspective that we commonly use in our academic teaching, i.e., PESTEEL analysis.

PESTEEL (Political, Economic, Social, Technological, Environmental, Ethical and Legal) analysis gives a holistic view of a political economy with re-

gard to qualitative benchmarks that capture its dynamics. It covers those key aspects pertaining to a country’s development at a given point of time.

Political Factors



Political factors generally stand in the middle as the hub that connects all the other factors that drive a country’s development or the lack of it. This is a core variable that influences the synergy and the adrenalin of the economic anatomy of any country. Undoubtedly the influence of political factors decides the destiny of a country’s progress that level down to every root of PESTEEL, the rest of the aspects in the analysis, too. Therefore, improving political factors is a vital component in improving the standard of living of the citizens of a country. Some of these political factors can be identified as: political ideology, type of politicians, type of leadership, type of policies introduced by the govern-

ment, and the methods through which those policies are implemented. Since all these factors, mainly depend on the process of making and implementing decisions made by the citizens of the country, it wouldn’t be unfair to say that each and every citizen of the country should bear the responsibility of doing whatever he/she can to improve these factors irrespective of how small or big the impact may be seen at the time.

As we all know, politicians, the people’s representatives, by nature overwhelmingly and also rightfully, are ambitious of their survival in the political arena. It is just a matter of putting the country before the self and redefining the “personal glory” as “being a person in a glorified country”. Hence, at this critical juncture it’s our duty and responsibility to act diligently and wisely when making individual decisions with regard to the betterment of the country. If Sri Lanka does well then we all get the positive spillovers so that our individual and institutional aspirations can be achieved with ease. In this context, the most important factor would be to make sure that the leaders of the country and of course of all the national or local organizations and institutions are people with integrity and good intentions, their prime objective being to elevate the country.

Economic Factors

The rich literature on Sri Lankan economic development highlights the sense of optimism at the time of independence in 1948 (Jennings 1948; World Bank 1953; Hicks 1958; Wriggins 1960, 2011; de Silva 1981). The country appeared to possess the essential ingredients for rapid economic development, ingredients that were not shared by most other Asian countries—a strategic location in the Indian Ocean, an open economy with a vibrant export sector, a high level of education, an absence of extreme poverty and inequality, a relatively well-developed physical infrastructure, and a broad-based and efficient administrative apparatus. Colombo had a legendary status as the major port on the shipping lines from Africa, Europe, and the Middle East to the West, East Asia, Australasia, and the United States.



Economy is the live wire that circulates blood to the other organs for smoother functioning of the country. However, the “blood circulation” has been interrupted due to reasons that are commonly known. The country has not been able to keep the growth momentum since 2015 as expected, and in fact, it has faltered from 5 to below 3 percent from 2015 onwards. Since Sri Lanka, being a developing country, had recorded a good growth momentum right after the war (2010 – 8.0, 2011– 8.4, 2012 – 9.1 etc.) it was expected to progress well into the future.

Is Sri Lanka a Failed State?

A recent article by Mr. Lloyd Yapa (Daily FT- July 31, 2019), a veteran writer and an economist, claims, that Sri Lanka appears to be moving towards a “failed state” status with some justification. (Failed State: a country whose government has failed to carry out its basic responsibilities, namely, good governance, security and public services such as education and health) Failed states are increasingly trapped in a cycle of poverty and violence. He points out that the per capita income of Sri Lanka was US\$ 225 in 1970 while it was US\$ 925 for Singapore. The same indicator records US\$ 4074 in 2017 for Sri Lanka while Singapore’s rose exponentially to US\$ 57,714. Further, he highlights that Sri Lanka received a stock of only US\$ 9.7 billion in FDI by 2016 while Singapore had received a massive FDI stock of US\$ 1.1 trillion. Such indicators are some evidence of where the country is heading towards.

Societal Factors

Some of the economic factors directly contribute to societal degradation such as suicides, rapes, drug abuse, depression, lack of discipline etc. As widely discussed in literature one of the key reasons for suicides is poverty which is related to unemployment and underemployment. Even though the suicide rates are less than what is being reported by the WHO, Sri Lanka is in the 22nd position as per world ratings. It is being reported that people aged 26-40 have the highest tendency to commit suicide.

Also, Sri Lanka’s Legal Aid Commission has informed the authorities that Sri Lanka has the highest rate of sexual harassment in South-East Asia. Fur-

ther it is noted that despite the high sexual violence that occurs throughout the world the frequency of sexual violence in Sri Lanka is astonishing. In 2013 a UN study, one out of three Sri Lankan men (33%) admitted that they had carried out at least one act of physical or sexual violence against a woman.



Apart from what is stated in different types of socio-economic studies, a lack of discipline in society as a whole, needs to be taken seriously. One such example is “Road Discipline”. Let’s look at the spread of three-wheelers as a mode of transport across every corner of the country. This should have been a strength and economic success as it facilitates transportation within a country as a very efficient means of getting across from one place to the other. But it has become a menacing sub-culture which seems to contribute to many social and economic ills. It is really worthwhile reflecting on how a possible strength eventually has been made into a social liability. While there are no serious studies of socio-economic impact of this prevalent three-wheel culture it is not difficult to infer the lack of properly institutionalized discipline as the prime culprit. There are over one million three wheelers on the road absorbing a considerable proportion of the labour force of about eight million young adults of the country.

Need to Create an Enabling Environment

Further, labour market reforms are required for the creation of an enabling environment, which will cater for new types of job/work opportunities that provide diversity and satisfaction. In this regard on the supply side there are changing demographics with more women reaching to higher academic and professional levels in education and finding job opportunities against an employment base that was dominated by male counterparts. However, despite these favourable trends women labour participation lags behind many other East Asian countries.

The fact that “over 9% of youth who have passed GCE Advanced Level examination are unemployed”, shows the extent of the wastage of country’s human resources. Even though, 25% of people are engaged in agriculture, the contribution to GDP by them is less than 10%. On the other hand brain drain is skyrocketing putting the country in a vulnerable position of facing a shortage of skilled labour. These are some of the main points to be addressed in the process of a major reform of the economy of the country.

Technological Factors

Technological advancements in Sri Lanka, evidently, is not on a par with other comparative developing economies of the world, in spite of the fact that the advancement of the human resource development arena of the country is far ahead of many (HDI of Sri Lanka 0.780, India 0.647, Bangladesh 0.614, China 0.758, Indonesia 0.707, Thailand 0.765, Pakistan 0.560). It is pertinent to reflect why the Sri Lankan story provides a below average outcome in meeting technological needs that could provide, an impetus to its position among other

countries. The education culture that appears not in line with prospective technological needs of a developing country like Sri Lanka seems to be one of the reasons for the deficiency. Another factor is the low priority given, by the state, to technological developments and applied research in Sri Lanka’s fiscal agenda.

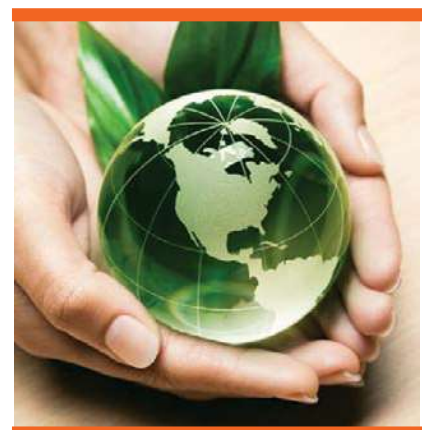


As an example, one may look at the development of South Korea’s economy within the last five to six decades. As far as the fields of science and technology were concerned, Korea was no more than a barren land, in the 60s. It is said that it was mainly the Korean government’s “outward-looking development strategy,” that resulted in a well-educated and well-disciplined work force, and technological innovation have been well combined to bring about what they call the “Korean Miracle.” Korea’s development target during 1970’s was shifted to more capital and technology-intensive industries, where massive investment projects were launched to build machinery and chemical industries. Today Korea is home to some of the world’s biggest companies like Samsung Electronics, Hyundai Motors and POSCO.

Environmental Factors

The most vital factor about the sustainability of life on the planet undoubtedly would be the richness of the natural environment that we live in. We have no life without safeguarding and sustaining the environment. Sri Lanka, being an island nation is blessed with seasonal rainfall and sunlight all around the year. Since an-

tiquity Sri Lanka has been renowned for its knowledge and interest to harness water resources. Keeping up with our ancestral knowledge, we have been successful with hydro power based electricity as an alternative source of energy to the fossil fuel sources. However, with disturbances in cyclic weather patterns, the hydro power potential has been erratic and losing on average. This situation has given rise to alternative sources of energy, and in that respect solar power harvesting has been making some inroads.



The state support and a policy commitment in promoting solar power as a household alternative energy source are also yet to take off. While the domestic energy demand has been on the rise the supply capacities have not kept pace resulting in a potential energy gap that had to be met out of short term arrangements.

It is known that most of the countries deliberately created chaos to allow massive profitmaking opportunities for political and business elites of the country as well as the multinational corporations. Sri Lanka has not come out with a clear policy, at least to achieve 2025 renewable energy commitment of the Paris Convention, to date. Right now, our generation mix is largely based on fossil fuel. We are faced with a diminishing hydro energy which has come down from 50% in 2013 to 21% in 2019. As a result,

coal and oil based sources have grown from 33% to 73% within the same period. The emphasis on renewable energy, especially solar was not significant enough and still not encouraged, to an extent to feel a difference, by the authorities. The country has planned to convert one million households to powerhouses making one million “PROSUMERS” (producers and consumers) and adding 1GW to the national grid, but the proposal is pending with authorities without being attended for over 8 years. The government has floated a tender to buy 500MWs of Diesel Emergency Power for 3 consecutive years by spending a colossal amount of money from 2020 to 2023 instead of approving the above 1550MW projects at a lesser cost by which the country will achieve long term benefits. Undoubtedly, the 1550MWs of solar power will reduce 2,000,000 MT of carbon emissions annually as revealed by the energy experts.

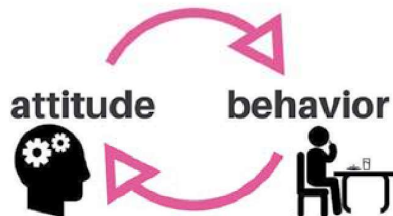
One should always keep in mind the impact on a country’s capital account when you buy fossil fuel-based energy instead of generating indigenous renewable energy. Further, it will not incur a recurrent cost, and will require only one-time private sector capital. The energy business must be a local business where we do not bleed out our hard earned money to a few international companies.

Power Generation Expansion Plans

The famous Long Term Generation Expansion Plan of the monopoly utility has proposed another 2.4GW’s of coal power plants in their latest draft plan submitted to The Public Utilities Commission of Sri Lanka (2020-2039 plan). Sri Lanka will go down in history as the only country in the world that has proposed a coal power plant as a

back-up plant. Norochchole 900MW coal power plant is already operating with question marks hanging on its standards breaking all environmental limitations. The environmentalists and most of the general public, will be extremely hesitant to approve any more coal power plants in the country. Countries that are blessed with coal reserves are shutting down their coal power plants, and embracing the renewable energy whereas Sri Lanka is trying hard to increase the presence of coal.

Ethical Factors



As I have mentioned under Political Factors, “We should avoid making decisions that would only benefit ourselves or a particular institution if those benefits do not have a positive impact on the rest of the country.” One may look at this concept as making decisions that are ethically and morally correct within the political process. Under Economic Factors I have mentioned that “a vibrant export sector, a high level of education, an absence of extreme poverty and inequality, a relatively well-developed physical infrastructure, and a broad-based and efficient administrative apparatus” are the key ingredients of a country’s economic development. It is not difficult to see that each one of these factors springs from an ethical base. As examples, let us look at the Export Sector, Poverty and Inequality. Not developing the export sector can and would be interpreted as an

indirect support for the foreign suppliers at the expense of the local farmers and manufacturers. If there is no attempt, by the government of the country, to address extreme poverty and inequality, that can and would be interpreted as a lack of concern for its own citizens, at the expense of whom the privileged few enjoy the luxuries of life. On the other hand everyone is reminded of ethics in life daily, as all our attitudes and behaviours are determined by our ethical values. It is, therefore, needless to say that ethics plays a major role in a country’s legislative and judiciary frameworks within which all the citizens of the country have to perform their duties and live their life by which the economy of the country is also influenced, since the decisions made by each individual is based on their own ethical and moral value systems.

Legal Factors



The last letter in the acronym PES-TEEL stands for the Legal aspect of the analysis. If one looks back at the explanations under the letters P, E, S, T, E and E carefully, one would easily see that the legal framework of the country plays a vital role in keeping track of all the procedures coming under those topics, not to mention

the law and order of the country in general. For this we must strengthen the legal system of the country and empower all the regulatory bodies overlooking these different aspects of our sustenance. Though we have had a very good unbiased legal system in the past, there have been situations in the recent past that have created reasonable doubts about that un-biasedness and fairness in the system. While the enforcement of the law is seen as in the frontline, the law makers and the law breakers are the key pieces of the puzzle. If one looks at the bigger picture then it will not be that difficult to see that all these three groups of people, law makers, breakers and enforcers are just subsets of the set of all the citizens of the country. Ideally, these three subsets should be mutually exclusive to have a just society. Unfortunately in Sri Lanka we experience more people in the intersections of these subsets than what a country like ours can handle. It is not a rare experience to see some people sometimes in the intersection of all three of those subsets, law makers, breakers and enforcers. Therefore, the spiritual development of the people who can understand the importance of abiding the law of the land and also respecting the independence of judiciary is the most important factor in the efforts of achieving the standards of the legal system that are needed to guide all the other factors discussed here in the right direction.

Conclusion

It is proven in study after study that the development lethargy was a man-made scenario which could be traced to political sluggishness, policy inconsistency and widespread rent seeking behaviour from political elite to economic bureaucracy. This politically induced underdevelopment culture has on the one hand led to a corrupt-

ed short sighted business community thus jeopardizing any serious dynamics that need to be in place for a country to take off on a rapid path of development. A lack of accountability, visionary responsibility, and the absence of accountability seem to have created an ambiance of a “live for the day” mentality.