

The Big Read **Sri Lanka**

Sri Lanka: how Easter attacks shaped presidential election

A return to power for the Rajapaksa family could strengthen China's sway over the strategic island

Amy Kazmin in Colombo 2 HOURS AGO

On a vast tract of newly reclaimed land off [Sri Lanka's](#) seafront capital, construction is under way on a huge Chinese-backed project designed to turn the small, tropical island nation into a south Asian Singapore: a hub of financial services, business and tourism.

To be built over the next 25 years — at an expected cost of \$15bn, [Colombo Port City](#) will have 5.6m sq m of sea-facing office, residential and commercial space to woo investors fleeing messy, unplanned urbanisation elsewhere in south Asia. The biggest, most ambitious foreign direct investment in Sri Lanka's history, the project is a vision of what the country could be.

Yet two luxury hotels overlooking the site — including the towering, two-year-old Shangri-La — reflect a more contemporary preoccupation: tight security with guards, metal detectors, cameras and airport-style baggage scanners carefully screening visitors and their belongings. Many Sri Lankans hoped they had left the threat of terrorism and heavy surveillance behind them in 2009 with the end of a decades-long, ethnic civil war that killed more than 100,000 people in combat, massacres and suicide bombings.

But Easter Sunday's wave of [Isis-inspired, suicide bomb attacks](#) on three luxury hotels and three churches, carried out by a cell of self-radicalised Sri Lankan Muslims, renewed those concerns. Killing 277 people and injuring hundreds more, they were the first attacks to deliberately target foreigners in the island's history.

As its economy reels from [a sharp, post-attack drop in tourists](#), the country has seen an outpouring of hostility towards the small, prosperous and mostly peaceful Muslim minority. Hardline Sinhalese nationalists, backed by fiery Buddhist monks, called for boycotts of Muslim-owned businesses. Hundreds of Muslim-owned homes and businesses were destroyed in two days of mob violence in May.



Gotabaya Rajapaksa, right, with his older brother, former president Mahinda Rajapaksa, announced his candidacy days after the Easter bombings © Dinuka Liyanawatte/Reuters

The fear stoked by the attacks is weighing on Saturday's presidential election. And, say many political observers, it may open the way for former strongman Mahinda Rajapaksa — who as president crushed the Tamil insurgency in 2009 — to make a dramatic comeback by capitalising on widespread frustration with the [government](#), including its [failure to act on intelligence](#) that could have thwarted the bombers.

Mr Rajapaksa is barred from running for president himself, due to term limits imposed after his shock defeat in 2015. But he is backing his younger brother, Gotabaya, who, as defence secretary, played a critical role in eradicating the Tamil Tigers — a campaign stained by allegations of wartime atrocities.

Gotabaya Rajapaksa's candidacy was announced just days after the Easter bombings. Supporters hope his image as a tough disciplinarian and promises to strengthen the intelligence services and combat religious extremism will propel him to power. But he has vowed to install his elder brother Mahinda — who he calls Sri Lanka's "spiritual leader" — as prime minister, should he win.

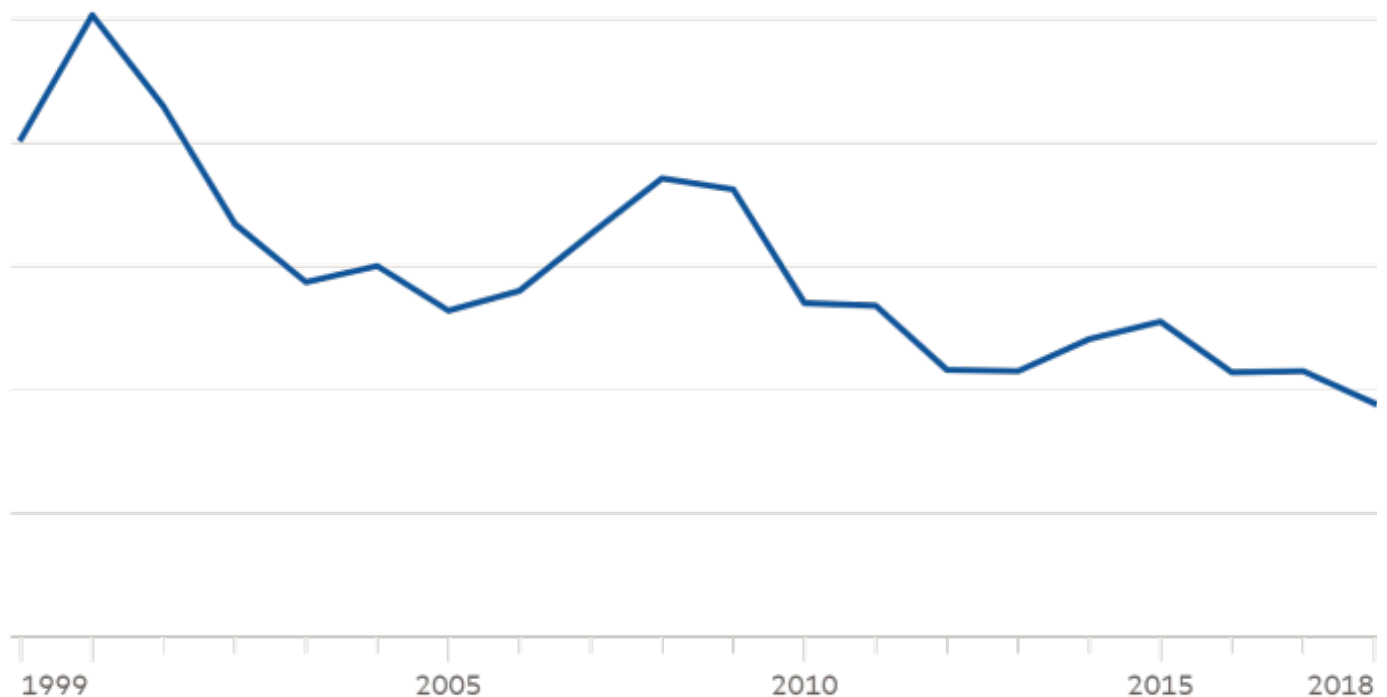
Though Sri Lanka has no professional opinion polls, many independent political observers believe the former defence chief has the edge in a tight contest, though his victory is not assured,

given the island's complex demography and electoral maths.

If the brothers do succeed, it would shake-up the strategically located but heavily indebted Indian Ocean island nation — the object of intense interest of both the US and China, as they vie for influence in the Indo-Pacific region.

Sri Lanka is spending less on defence despite security concerns

Military expenditure, as a % of GDP



Source: World Bank
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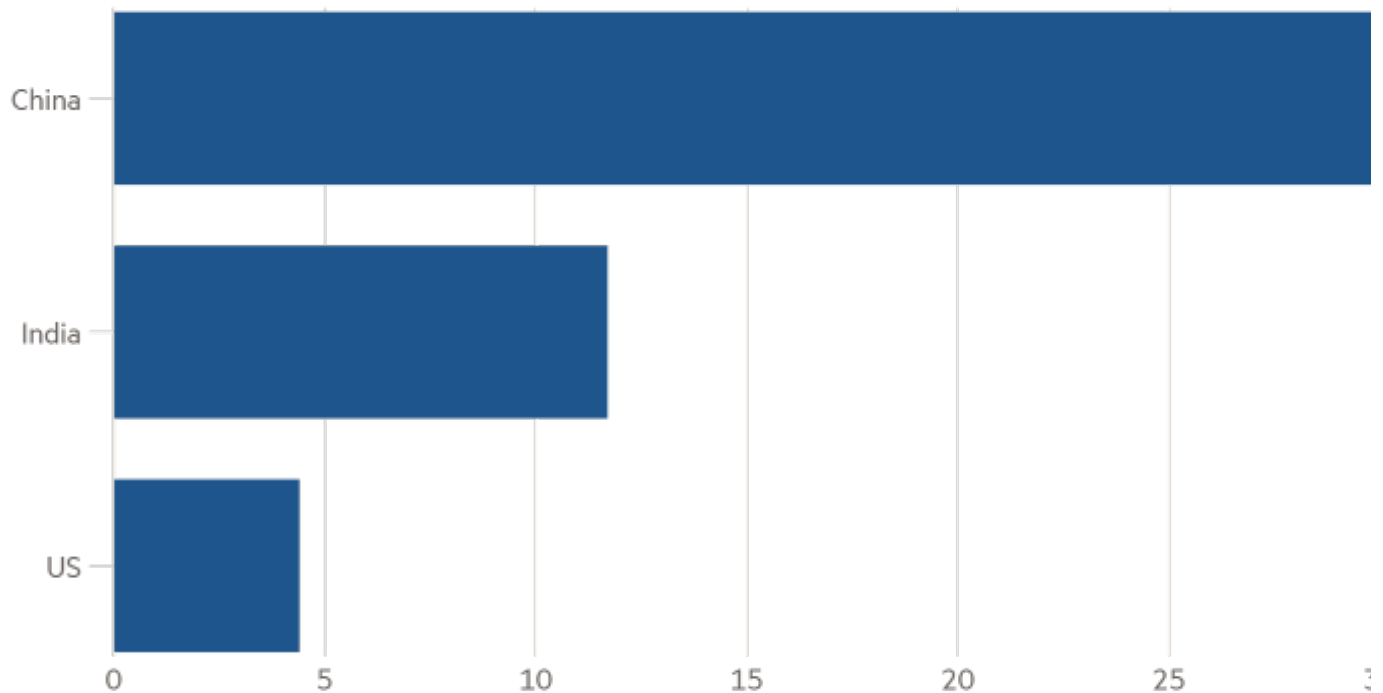
“Gotabaya is presenting himself as a cross between [the late Singapore leader] Lee Kuan Yew and [Indian Prime Minister Narendra] Modi, combining nationalism, toughness and efficiency,” says Alan Keenan, Sri Lanka project director at the International Crisis Group. “Mahinda is looming in the background as a guiding presence.”

For a decade from 2005, Mahinda Rajapaksa ruled Sri Lanka with an iron fist, defeating the Tamil Tiger separatists which had battled for independence for 26 years. But he had fraught relations with western countries, which were highly critical of his government's human rights record — particularly its uncompromising final offensive against the Tamil Tigers, during which the UN has estimated that as many as 40,000 civilians were killed.

Defying western demands for accountability for wartime and postwar abuses, Mr Rajapaksa turned to Beijing, which provided a gush of credit for postwar reconstruction and asked fewer awkward questions. His administration was also known for tough tactics against dissenters, including journalists, many of whom were attacked.

China leads way in Sri Lankan FDI

Share of total greenfield foreign investment, 2014-18 (%)



Source: FDi Markets
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Since 2015, Sri Lanka has rebalanced its foreign relations, repairing ties with western states and neighbouring India, while cooling towards Beijing. It has taken tentative steps towards prosecuting some past abuses and embarked on an \$1.5bn IMF reform programme.

But on the campaign trail, Gotabaya Rajapaksa has denounced the current incumbents for the treatment of soldiers and police jailed for rights abuses, vowing to free all “war heroes” a day after taking power. Such a reversal could strain the island’s ties with the west, giving Beijing far greater sway.

“It would be the worst possible outcome because we would fall back into the laps of the Chinese,” says Paikiasothy Saravanamuttu, of the Centre for Policy Alternatives, a Colombo-based think-tank.



De-miners work on a minefield in a village heavily shelled during Sri Lanka's civil war. The decades-long conflict killed more than 100,000 people © Allison Joyce/Getty

Basil Rajapaksa, who is running his brother Gotabaya's campaign, insists the family has learnt from past mistakes and would strive to maintain better ties with both the west and India. "There are a lot of things we can learn from the Mahinda Rajapaksa era and some things we must do in a different way," says Mr Rajapaksa. "We have to handle international relationships much more carefully. That is a priority."

The campaign strategist says "the number one priority and number one condition will be security. If you don't have security from extremists, or if terrorists come to a country, everything will go."

After the civil war ended, many Sri Lankans grew disillusioned with the leader they had once lionised. Amid the euphoric postwar economic boom, Mr Rajapaksa's family was accused by rivals of skimming money from Chinese-funded infrastructure projects — many of them ill-conceived, white elephants, though none have been convicted of any wrongdoing.

Perceptions of corruption and authoritarianism led to Mr Rajapaksa's 2015 defeat by [Maithripala Sirisena](#), a politician who defected from the ruling party to lead a motley opposition alliance promising a new era of "good governance" and democratisation.



But Mr Sirisena’s government — plagued by bitter infighting between the president and [his Prime Minister Ranil Wickremesinghe](#), leader of the United National party, failed to live up to expectations and instead developed a reputation for indecisiveness.

With Mr Sirisena standing down, many Sri Lankans are yearning for a decisive leader to preserve the nation’s hard-won peace, and revitalise its economy. The Rajapaksas’ promise to strengthen the security and intelligence services, and crack down on extremism, is thought to particularly resonate among Sinhalese Buddhists, who make up 70 per cent of the population.

Long before the [Easter bomb attacks](#), rightwing groups like the Buddhist Power Force had been promoting the idea that Muslims — nearly 10 per cent

of the 22m population — pose an existential threat. These groups are now openly supporting Mr Rajapaksa.

“People are thinking twice about how to vote,” says a Kandy-based, Buddhist taxi driver, who twice voted for Mahinda Rajapaksa but backed his rivals in 2015. “Everybody knows that the Rajapaksas are eating money . . . [but] people are thinking about the country. After 30 years, we finally finished the war and we don’t want to get into this same problem again.”



Sajith Premadasa, leader of the United National party is Mr Rajapaksa's main challenger in Saturday's election

At the Colombo headquarters of the Rajapaksas' Sri Lankan People's Front, where orange-robed monks mingle with grassroots party workers, the mood is upbeat. "People realise the mistake they made in the last election in changing the government," says Lakshman Hulugalle, a strategic adviser to the campaign. "People want security. For their business and for their day-to-day life, that is the most important thing."

But members of the rival UNP say a Rajapaksa victory is far from assured. The main challenge comes from the UNP's Sajith Premadasa, the 52-year-old son of Ranasinghe Premadasa, who was president when he was assassinated by a Tamil Tiger suicide bomber in 1993.

As the minister for housing, construction and cultural affairs, Mr Premadasa has earned a reputation as a competent, hard-working administrator. He has also tried to shore up his own security credentials, promising to appoint former army chief Field Marshall Sarath Fonseka — who led the final offensive against the Tamil Tigers before clashing with Mahinda Rajapaksa — as head of national security.

But the Premadasa campaign has been riven by bitter factionalism in the UNP. It only agreed to his candidacy in late September, giving him little time to prepare. Despite efforts to project him as a "new face", Mr Premadasa may well be punished for his participation in the unpopular incumbent government. But supporters hope his image as a clean and effective politician will

resonate with voters wary of the Rajapaksas.



People gather to pray near St Anthony's Shrine, one of the churches targeted in the Easter bombings. The attacks killed 277 people and injured hundreds more © Carl Court/Getty

“A guy who has lost his father [to a suicide bomber] would care so much more for terrorism and national security — he would never compromise on that,” says prominent UNP leader Harin Fernando. “In the last week, the momentum has been shifting in our favour.”

Long before the attacks, Sri Lankans were frustrated by the lacklustre performance of the Sirisena administration. The president and Mr Wickremesinghe were often at odds, and the prime minister struggled to push through market-oriented reforms of the state-dominated economy.

“He couldn’t get things done,” says Murtaza Jafferjee, chairman of JB Securities. “He had great ideas, a poor team, and bad implementation.”

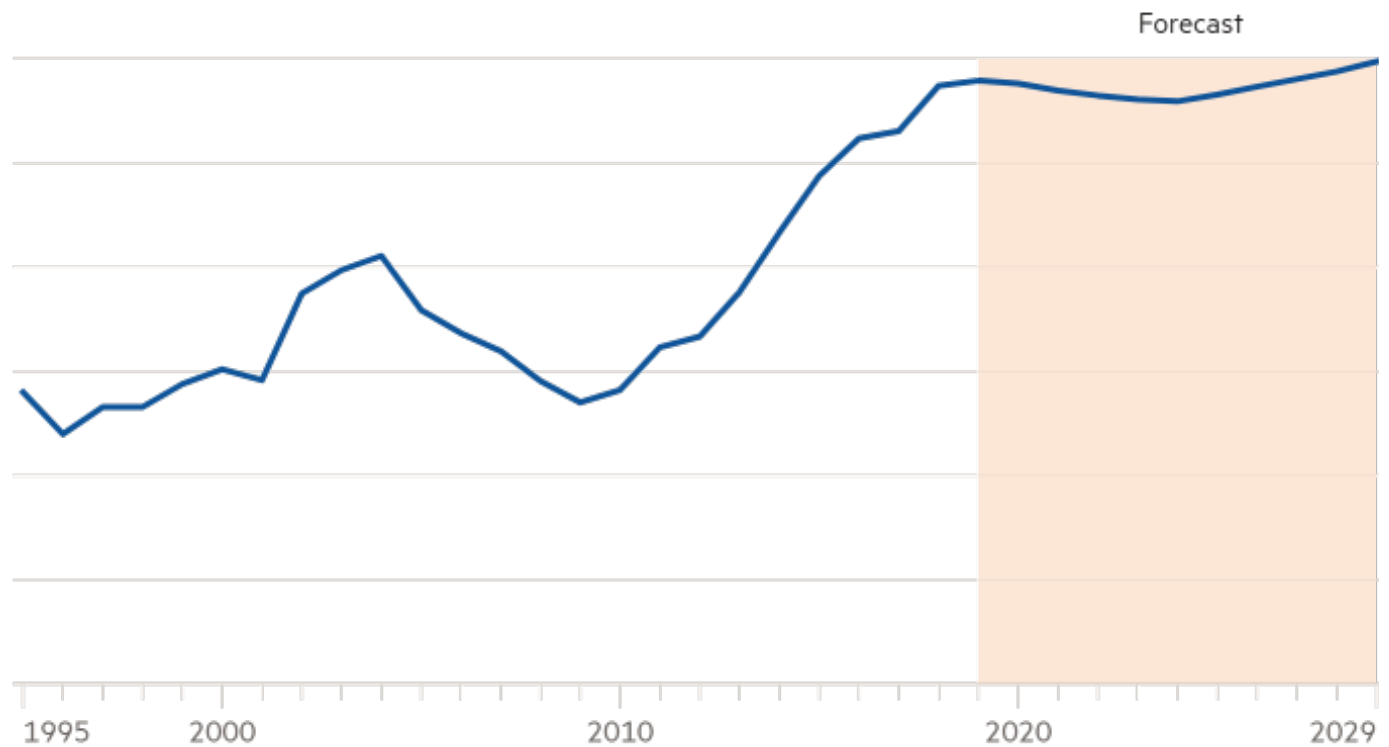
The administration’s biggest achievement was a constitutional overhaul that moved Sri Lanka away from an all-powerful executive presidency towards a parliamentary system, with stronger checks on authority.

“Ranil gave democracy to Sri Lanka,” says Mr Jafferjee. “He has not suppressed dissent. Under Rajapaksa, the media was completely suppressed. It was a very dangerous place for journalists.

Ranil gave freedom of speech, freedom of media and he significantly increased civil liberties.”

Tourism will remain vital for Sri Lanka's economy

Direct contribution to gross domestic product (%)



Source: World Travel & Tourism Council

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But over the past five years, the government’s aggressive anti-corruption campaign — which saw top civil servants jailed for alleged wrongdoing by the previous government — paralysed decision-making, with fearful bureaucrats refusing to grant approvals, lest they face future retribution. This had a chilling impact on the economy, as approval for projects dried up.

“They couldn’t jail the politicians so they put the blame on the public servants,” says Mandana Ismail Abeywickrema, editor of the Sunday Morning newspaper. “A lot of public officials became very cautious. It was very difficult for people in business.”

But the government’s biggest failing was not preventing the Easter bombings, carried out by followers of fiery [Islamist preacher Zahran Hashim](#). The hardline preacher had been on the authorities’ radar for several years. In the weeks, days and hours before the bombings, officials received repeated, detailed warnings from foreign intelligence agencies of imminent attacks by his followers. But they did nothing to intervene, a parliamentary investigation subsequently found.

That failure led to a horrifying human toll and serious damage to the tourism industry, which employs 500,000 people. It is why many believe the Rajapaksa campaign has an edge in the presidential race.

“Security is the number one issue because of Easter Sunday,” says Mr Saravanamuttu. “If Gotabaya wins, this would have been instrumental, if not decisive, in handing them victory.”

Economy: debt burden raises doubts over politicians' promises

Sri Lanka's presidential election comes at a time when the economy is fragile amid a growing debt burden.

The country of 22m people, which is under an IMF structural reform programme, has total public debt of around \$72bn — equivalent to nearly 82 per cent of its gross domestic product. Of the total public debt, around half is owed to foreign creditors, with nearly half the foreign debt owed to commercial institutions, rather than concessional lenders.



A Chinese tourist and Sri Lankan friend share a selfie on Colombo's ocean front. China remains the island's biggest investor but relations cooled under the previous government © Paula Bronstein/Getty

To ensure it can service these debts, Sri Lanka must raise at least \$3bn a year from the international capital markets for the next three or four years, which means it will have to maintain fiscal discipline, and find ways to pare back its bloated state sector, which employs

1.5m people.

Its fiscal deficit for 2019 is projected to be 5.6 per cent of GDP — well above the IMF target of 4.6 per cent — as a result of the hit to tourism industry from the Easter attacks.

But neither of the leading presidential candidates have fully reckoned with these challenges. Instead, both are wooing voters with promises of large-scale tax cuts and expanded social services, such as the introduction of free preschools.

Market analysts believe that many of these goals are merely empty election rhetoric. But Indrajit Coomaraswamy, governor of the Central Bank of Sri Lanka, warns that continued efforts to prune state spending and raise revenues will be critical for Colombo to avoid a debt crisis in the coming years.

“Whether we like it or not, we have a very narrow path as far as macroeconomic policy is concerned,” Mr Coomaraswamy says. “We have to retain some kind of engagement with the IMF; we have to make sure the rating agencies don’t downgrade us and we have to make sure the international capital markets are willing to give us \$3bn a year.

“Fiscal consolidation is a critical part of the package necessary to retain the confidence of the markets and the IMF.”

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