

TITLE PAGE

**THE ECONOMIC IMPACTS OF BELT AND ROAD
INITIATIVE IN SRI LANKA (2013-2018)**

UNDERGRADUATE THESIS



WRITTEN BY:

INDAH PUSPITA SARI

20160510147

**INTERNATIONAL PROGRAM OF INTERNATIONAL
RELATIONS (IPIREL)**

**FACULTY OF SOCIAL AND POLITICAL SCIENCE
UNIVERSITAS MUHAMMADIYAH YOGYAKARTA**

2020

STATEMENT OF AUTHENCITY

This is to certify that to the best of my knowledge, the content of this thesis within the title **“The Economic Impacts of Belt and Road Initiative in Sri Lanka (2013-2018)”** is my own work. This thesis has not been submitted for any degree or other purposes.

I certify that the intellectual content of this thesis is the product of my own work and that all the assistance received in preparing this thesis and sources have been acknowledged. I also declare that the publications cited in this work have been personally consulted.

In this thesis that does not include the work, ideas and opinions of others, unless clearly written references are included in the thesis by accepting the name and bibliography.

All question are cited and listed in the bibliography of the thesis. If the future this thesis statement is proven false, I am willing to accept any sanction complying with the determined regulation or its consequence.

Yogyakarta, 15th March 2020

Indah Puspita Sari

20160510147

ACKNOWLEDGMENT

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ

First, I would like to praise Allah the almighty for granting me strength, patience, and encouragement during my studies until I could finish this undergraduate thesis entitled “THE ECONOMIC IMPACTS OF BELT AND ROAD INITIATIVE IN SRI LANKA (2013-2018)”

This thesis was compiled to fulfill one of the requirements to complete the study and in order obtain a Bachelor’s degree in International Program of International Relations, Faculty of Social and Political Sciences, Universitas Muhammadiyah Yogyakarta. I realize this thesis still has shortcomings on its and could be there are unintended errors in writing this undergraduate thesis. However, I wish this undergraduate thesis will be beneficial for the readers and able to enrich the knowledge on international studies with regard to the topic of China’s Belt and Road Initiative study.

السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ

EXTENDED GRATITUDE

This Undergraduate will not completed without all the support from Allah SWT., my family, my best friends, and my friend. I am so grateful to have a good friends and family that always besides me in the ups and downs situation. I am not good at making romantic

1. I am very grateful to have the best parents who always support me both in terms of material and moral support, who always remember me to always praying and ask help from Allah SWT., Which with their encouragement I was able to complete undergraduate education in 4 years.
2. I would like to say thank you for my sisters. Kakak Tyas, my older sister who always hears every problem, whether it's a thesis problem or other problems and always tells me to quickly finish the thesis so she can come to Jogja. Dian, my little sister who always funny and can make me laugh whenever we communicate.
3. Special thanks to lecturer and staff of International Relations in UMY that gave me a valuable knowledge. Especially, to Prof. Dr. Bambang Cipto, M.A. As my thesis advisor that always gave his time to meet me when I need him to guide me during I compiling my thesis.
4. I would like to say Thank You so much to my bithees, Syaroh, Fau and Hilda. Without you guys, maybe I cannot complete these thesis and still lazy to did it. Thank you for become my friends since the first day in campus, thank you for the memories. I luv you guys a lot.

5. For my inner circle, Erjak, Tika, Ipoy, Gilang, Ary, my bebeb Kodong, Abu, Betto, Fadel that have colored my campus life. See you on top guys.
6. Thank you for the other friends which I didn't mention here.

Last but not least, I would like to thanks for myself, I am so proud of me, because can finished this 'skripshit' and fight for my laziness.

"I may not have gone where I intended to go, but I think I have ended up where I needed to be"

-Douglas Adams-

TABLE OF CONTENTS

TITLE PAGE	1
ENDORSEMENT PAGEError! Bookmark not defined.	
STATEMENT OF AUTHENCITY	2
ACKNOWLEDGMENT	3
EXTENDED GRATITUDE	4
TABLE OF CONTENTS	6
LIST OF FIGURES	9
LIST OF TABLES	9
ABSTRACT	xi
CHAPTER I INTRODUCTION	1
A. Background.....	1
B. Research Question	5
C. Theoretical Framework.....	5
1. The Indicators of Economic Conditions.....	5
2. Theory of International Cooperation	15
D. Hypothesis.....	17
E. The Purpose and Benefits of Writing.....	17
F. Methodology	18
G. Scope of Research.....	18
H. Outline.....	18

CHAPTER 2 THE ECONOMIC CONDITION IN SRI LANKA BEFORE JOINING BELT AND ROAD INITIATIVE.....	20
A. Economic Condition of Sri Lanka after independence.....	20
B. Economic Condition in Sri Lanka during Civil War (1983-2008)	23
C. Economic Condition before Joining the Belt and Road Initiative.....	26
CHAPTER 3 BELT AND ROAD INITIATIVE AND THE RELATION OF CHINA AND SRI LANKA.....	29
A. History of Belt and Road initiative	29
B. The Mechanism of Belt and Road Initiative	34
C. The Relation between China and Sri Lanka	36
CHAPTER 4 THE POSITIVE AND NEGATIVE IMPACTS OF BELT AND ROAD INITIATIVE FOR THE ECONOMICS IN SRI LANKA	39
A. The Positive Impacts of Belt and Road Initiative for the Economics in Sri Lanka.....	39
1. Encouraging Infrastructure Development in Sri Lanka.....	39
2. Increasing the Investment in Sri Lanka	42
3. Linking Local Market to Regional and Global Value Chains.....	44
4. Employment Opportunities.....	47
B. The Negative Impact of Belt and Road Initiative for the Economics in Sri Lanka.....	47

Growing Debt Burden	47
C. The Comparison of Economic Condition in Sri Lanka before and after Joining the Belt and Road Initiative	50
1. National Income	50
2. Aggregate Demand and Savings (per cent of GDP)..	50
3. Prices and Wages (percentage change) Sri Lanka.....	51
4. External Trade	52
5. Exchange rate	53
6. Interest rate	54
7. Labor Force Status of the Household Population (age 15 years & above)	55
CHAPTER 5 CONCLUSION.....	56
REFERENCES.....	59

LIST OF FIGURES

Figure 1 foreign direct investment, net outflows (BoP, current US\$).....	48
Figure 2 foreign direct investment, net outflows (% of GDP).....	48

LIST OF TABLES

Table 1 The Positive and Negative Impacts of Belt and Road Initiative for the Economics in Sri Lanka	39
Table 2 Employed Population by Major Economic Sector in Sri Lanka (2012-2017).....	47
Table 3 Gross Domestic Product and Gross National Income of Sri Lanka (2011-2017).....	50
Table 4 Aggregate Demand and Savings (per cent of GDP) of Sri Lanka (2011-2017).....	50
Table 5 Prices and Wages (percentage change) in Sri Lanka (2011-2017).....	51
Table 6 External Trade Sri Lanka (2011-2017)	52
Table 7 Exchange Rate Sri Lanka (2011-2017)	53
Table 8 Interest Rate Data Sri Lanka (2011-2017)	54
Table 9 Labor Force Status of the Household Population in Sri Lanka (2007-2017).....	55