CHAPTER I
INTRODUCTION

A. Background

Sri Lanka is known as the pearl of the Indian Ocean which is strategically located within the east-west international shipping lane. The mainstay of Sri Lanka's economy is the export of agricultural products. This country is the second largest exporting country in the world. Export commodities are textiles and garment products, spices, marine products, rubber and its processed products, coconuts and processed products as well as various types of precious stones, such as sapphires, rubies, rubies, diamonds, emeralds, etc. Sri Lankan rubber production reaches 36% of world rubber production and coconut production accounts for 71% of world coconut production. Sri Lanka's main industry is graphite or lead which is mostly exported to Japan. The ceramic and porcelain industries are also developing rapidly. (the World Bank, 2010)

During the second half of 2009, the economy expanded by 3.3%, the fastest rate ever recorded since 2002. The indicators, such as increased registration in new motor-vehicle registration and electricity generation, confirmed a strong increase in economic activity for the region. In addition, the agriculture, transportation, and communication sectors showed strong performance in the last quarter of 2009, with the hotel industry growing approximately 32% due to an influx of tourists after the end of the conflict. (the World Bank, 2010)

However, the full development capacity of the year has been stifled by economic downturn after the first half of 2009. In a less than promising launch in 2009, the delayed impact from household spending power depreciation and tightening credit markets played an important role. The key purpose of the management of the exchange-rate of the Sri Lankan Central Bank (CBSL) was to stop rupee appreciation in most 2009. In the second half of 2009 and at the beginning of 2010, the efforts maintained a steady exchange rate of about Rs 115 to US$. After the conclusion of the war in May 2009, international funding flows have been strong. (Department of Census and Statistics, 2009)

While the Inflation has gradually ticked upward since September 2009. Inflation fell rapidly to 0.7% in September 2009. However, the gradual uptick in inflation since September 2009 resulted in year-on-year inflation reaching 6.9% in February 2010 before moderating somewhat in March, to 6.3%. Inflation is expected to stay relatively low in 2010, due partly to increased agricultural production in the North, which will help contain food prices. (the World Bank, 2010)

According to Cheng Xueyuan, the Chinese Ambassador in Sri Lanka, Sri Lanka is one of the first countries to join with the Belt and Road Initiative (BRI) in 2013. He reiterated that the economic partnership between the two countries, Sri Lanka and China, has supported Sri Lanka’s development and brought many benefits to both countries. He was addressing an international seminar on the BRI’s progress during the past five years, held recently at the Bandaranaike Memorial International Conference Hall (BMICH), Colombo. (Auwards, 2019)

One belt one road began in 2013 when China's president, Xi Jinping, proposed setting up an advanced democracy, creating a system of railroads, highways, pipelines, and infrastructure systems that would link China and Central Asia, West Asia, South Asia, and parts of South East Asia. Belt and road project activity increased as China's ongoing currency changes. This strategy was formed based on the inspiration of the traditional trade routes and known as the Silk Road in the past. (Cipto, 2018). The Chinese merchandise generation has grown. Since 2006, a significant number of production divisions in China have looked over products. Through exploring new markets in neighboring countries through belt and road initiative, the Chinese authority wants to address the problem of overproduction. (Cai, 2017)

Belt and Road operation in this first twentieth century has become the subject of China's monetary strategy. The ‘Belt' and ‘Road' allude to the planned 'Silk Road Economic Belt' and 'maritime Silk Road' proposed by China. Belt and road initiative's substance is the development of territorial and cross-mainland networks between China and other generating nations. These networks cover five notable fields of interest, such as policy alignment, infrastructure growth (counting railways and thruways), unregulated trade, money-related mix, and individual-to-individual relations. Among these innovations are the New Silk Road's dominant attributes. (Hielscher & Ibold, n.d.)

Public information from the Chinese World Investment Hunter, compiled by the Yankee Enterprise Institute and also the Heritage Foundation, showed that around $340 billion in combined investment and construction has gone into Belt and Road Initiative since 2013. In 2017 direct investment hit $14.36 billion or 12 percent of the total outgoing investment in China. Also more than one hundred countries and international institutions have signed partnership agreements with china to establish the Initiative. (National Review, 2018).

The planned of belt and road initiative has been reportedly connected from East (Philippines) to Western (Europe) by around seventy-eight countries. In 2015, belt and road action system was approved by the State Council with two main elements, the financial belt trade route and twenty first Century Maritime Silk Road. The Economic Belt trade route is established as three lines connecting China to Europe, the Persian Gulf, the Mediterranean, and the Indian Ocean, via South Asia.(Deepak, 2018)

With regard to investment into infrastructure, Beijing has been particularly generous in the provision of loans to the Sri Lankan government. In 2010, the loan-book included $200 million to construct a second (called Mattala) international airport, $810 million for the second phase of Sri Lanka's second largest deep water port at Hambantota, around $272 million in 2013 for a railway venture, and more than $1 billion aimed at developing the Colombo Port City project. These ventures involved the hiring of mostly Chinese workers, estimated at 25,000 as far back as 2009, reducing to 12,000 at the present time. (Matthews & Brahem)

Based on the Chinese Foreign Affairs Ministry, there are two mega comes that return underneath the direct initiatives of Belt and Road initiative in Sri Lanka, such as Port town project and Hambantota harbor. Hambatora harbor, one of the most industrial shipping lines between East Asia and Europe, are passing a mere half dozen to nine shipping miles south of the southern coast of country, a undeniable fact that is rarely mentioned. However that makes clear of the potential have the benefit of this large volume of world trade passing through these waters but without moving the economy of country. This port holds a good potential for future development of shipping services, transportation, and building industrial zones benefitting from the offered transport means that to world markets. (Askary & Ross, 2018)

However, Sri Lanka's progress towards middle-income country status reduced its access to concessionary debt, forcing the government to seek commercial debt at higher rates of interest. In addition to sourcing of funds from the Export-Import Bank of China (China Exim Bank), a state-funded and state-owned Bank, loans were raised through sovereign bonds at commercial interest rates. The changed composition of Sri Lanka's external debt structure over the last decade has shifted its external liabilities away from commercial debt towards costlier, non-concessional debt. China's loans were expected to power high returns to investment, but this has failed to happen. (Abi-Habib & Maria, 2018)

By 2017, with the loans proving too costly to sustain, a loan payment default occurred, obliging Beijing to call in its $1.5 billion debt. With few cards to play, the Sri Lankan government signed a concessionary agreement for a three-way contractual venture between the China Merchants Port Holdings Company Limited (CMPort), China's state-owned port company and the Hambantota port. The agreement required the Sri Lankan government to service the debt by leasing the port infrastructure to the Chinese over the familiar 99 year period, ceding 80 per cent control of the Port to CMPort, with the Sri Lanka Ports Authority taking the remaining share. (Matthews & Brahem)

B. Research Question

From the background of the problem that has been presented, the writer finds a subject matter;

What are the economic impacts of Belt and Road initiative in Sri Lanka?

C. Theoretical Framework

To answer the research question and as the guide to writing, the author use the theory of foreign aid to see the phenomenon of one belt one road initiative and theory of modernization towards Sri Lanka action on joining Belt and road initiative.

1. The Indicators of Economic Conditions

The economic condition applies to the nation or area in which the financial structure prevails. In accordance with the natural and business cycles, these circumstances shift over the years as an economic structure is compressed across the periods of enlargement. As the financial sector grows, external factors are taken into account to be good or positive and are viewed as harmful or negative for a financial system.

A country's economic conditions are influenced through numerous macroeconomic and microeconomic factors, which include monetary and financial policy, the country of the worldwide economic system, unemployment rates, productivity, exchange rate, inflations and others. Economic data is usually released weekly or monthly, and sometimes annually, on an regular basis. Market participants closely watch some of the economic indicators, such as the unemployment rate and GDP production, as they help assess monetary conditions and modifying ability. The economic condition in a country may be described by a multitude of economic measures or monetary conditions, including unemployment rates, current account levels and surpluses or deficits in the budget, GDP growth rates or inflation rate. (Chen, 2019)

Economic indicators can be categorized as leading indicators and lagging indicators (Smith, n.d.).

1. **Leading indicators** frequently adjust before significant economic shifts and may thus be used for analysis of potential patterns. As lead indicators have the ability to anticipate the course of an economy, fiscal managers and governments use such measures to enact or adjust policies, to avert a recession or other adverse economic events. The following are the kind of leading indicators:
   a) Stock Market

Though the stock market is not the most important indicator, it's the one that most people look to first. Because stock prices are based in part on what companies are expected to earn, the market can indicate the economy's direction if earnings estimates are accurate. For example, a strong market may suggest that earnings estimates are up and therefore that the overall economy is preparing to thrive. Conversely, a down market may indicate that company earnings are expected to decrease and that the economy is headed toward a recession. However, there are inherent flaws to relying on the stock market as a leading indicator. First, earnings estimates can be wrong. Second, the stock market is vulnerable to manipulation. For example, the government and Federal Reserve have used quantitative easing, federal stimulus money, and other strategies to keep markets high in order to keep the public from panicking in the event of an economic crisis.

b) Manufacturing Activity

Manufacturing activity is another indicator of the state of the economy. This greatly impacts GDP (gross domestic product) and implies improved competition for consumer products and a stable economy in exchange. Nevertheless, when employers are forced to create more materials, rises in demand can raise jobs and likely salaries.

c) Inventory Levels

High rates of inventory may represent two completely different factors: either a rise in product demand or the existing lack of demand. In the first example, businesses are actively rising inventories in the coming months to prepare for growing demand. When consumer activity increases as expected, high-inventory companies can meet demand and increase their profits. Both are good business stuff. Nevertheless, large inventories in the second example indicate that stocks by the firm go beyond production. Not only does this cost companies money, but it indicates that retail sales and consumer confidence are both down, which further suggests that tough times are ahead.

d) Retail Sales

Retail sales are particularly relevant indicators and features in line with supply and manufacturing costs. Above everything, good retail sales raise GDP directly, boosting the domestic currency too. When sales increase, companies will hire more staff to market and create additional goods, which would bring additional sales back in the consumer's wallets. One to the downsides of this is that the way consumers compensate for their transactions is not compensated for. Of starters, as customers are borrowed to purchase goods, a crisis will be in the works as the debt is too high to repay. However, in general, an increase in retail sales indicates an improving economy.

e) Building Permits

Building permits have foresight into potential rates of land availability. The building industry is signaling a high volume which predicts more employment and a rise of GDP. However, as for stock prices, it is excluded from the bottom line if more houses are constructed than buyers are able to purchase. Housing rates would undoubtedly decrease to make up for this, which in effect devalues the entire immobilization industry not just "new" homes.

f) Housing Market

A decline in housing prices may mean that supply is greater than demand that current rates are cheap, or that housing prices are unsustainable and will be remedied by the housing bubble. Under certain cases, housing declines have a detrimental economic effect for a variety of main reasons:

1. They decrease homeowner wealth.
2. They reduce the number of construction jobs needed to build new homes, which thereby increases unemployment.
3. They reduce property taxes, which limits government resources.
4. Homeowners are less able to refinance or sell their homes, which may force them into foreclosure.

g) Level of New Business Startups

Another indicators of economic conditions is the number of new businesses. In reality, some believed that small companies hire more employees than big firms and therefore lead more to unemployment. In addition, small companies will make a major contribution to GDP and introduce new ideas and goods that promote development. Consequently, rises in small enterprises are an incredibly critical predictor of every bourgeois nation's economic well-being.

2. **Lagging Indicators,** unlike leading indicators, Indicators of lagging transition following shifts in the economy. It illustrates how the environment is evolving over time and may detect long term patterns.

   a) Changes in the Gross Domestic Product (GDP)

Economists typically consider GDP as the most significant indicator of the economic conditions of the nation. This is an indication that the economy is high because GDP is growing. Businesses are currently changing their inventory, wage and other financial costs dependent on GDP growth. GDP is not, though, not a false predictor. GDP is deceptive because the financial market is for policies such as quantitative easing and wasteful policy expenditure.

b) Income and Wages

If the economy is productive, the income will consistently increase to sustain the average living rate. But if income decline, it is an indication that companies will slash pay levels, lay off employees or shorten hours. Reducing sales can often represent an atmosphere in which expenditures do not. Incomes are broken down by different demographics, such as gender, age, ethnicity, and level of education, and these demographics give insight into how wages change for various groups. This is important because a trend affecting a few outliers may suggest an income problem for the entire country, rather than just the groups it effects.

c) Unemployment Rate

The unemployment rate is very significant and calculates as a proportion of the overall working population the amount of citizens searching for jobs. The unemployment rate in a stable economy would vary from 3% to 5%. Nevertheless, if unemployment is high, customers would have less resources to invest and has a detrimental effect on trade, GDP, homes and inventories, to list just a few. Public debt will also grow by fiscal measures to help services including unemployment insurance to food stamps.

d) Consumer Price Index (Inflation)

The CPI represents the rising cost of living or inflation. The expense of critical goods and facilities, including cars, medical treatment, health resources, housing, food, transport and telecommunications, was estimated for the CPI. The average change in the cost of the overall commodity bundle is calculated by inflation over a period of time.

A high inflation rate could erode the dollar's value even faster than the typical consumer's income. This rising market purchasing capacity and lowers the overall cost of living. Inflation may also have an effect on other variables including work creation, resulting in declines in jobs and GDP.

However, inflation is not entirely a bad thing, especially if it is in line with changes in the average consumer’s income. Some key benefits to moderate levels of inflation include:

1) It encourages spending and investing, which can help grow an economy. Otherwise, the value of money held in cash would be simply corroded by inflation.
2) It keeps interest rates at a moderately high level, which encourages people to invest their money and provide loans to small businesses and entrepreneurs.
3) It’s not deflation, which can lead to an economic depression.

Deflation is a condition in which the cost of living decreases. Although this sounds like a good thing, it is an indicator that the economy is in very poor shape. Deflation occurs when consumers decide to cut back on spending and is often caused by a reduction in the supply of money. This forces retailers to lower their prices to meet a lower demand. But as retailers lower their prices, their profits contract considerably. Since they don't have as much money to pay their employees, creditors, and suppliers, they have to cut wages, lay off employees, or default on their loans. These issues cause the supply of money to contract even further, which leads to higher levels of deflation and creates a vicious cycle that may result in an economic depression.

e) Currency Strength

A strong currency increases a country's purchasing and selling power with other nations. The country with the stronger currency can sell its products overseas at higher foreign prices and import products more cheaply. However, there are advantages to having a weak dollar as well. When the dollar is weak, the United States can draw in more tourists and encourage other countries to buy U.S. goods. In fact, as the dollar drops, the demand for American products increases.

f) Interest Rates

Interest rates are another important lagging indicator of economic growth. They represent the cost of borrowing money and are based around the federal funds rate, which represents the rate at which money is lent from one bank to another and is determined by the Federal Open Market Committee (FOMC). These rates change as a result of economic and market events. When the federal funds rate increases, banks and other lenders have to pay higher interest rates to obtain money. They, in turn, lend money to borrowers at higher rates to compensate, which thereby makes borrowers more reluctant to take out loans. This discourages businesses from expanding and consumers from taking on debt. As a result, GDP growth becomes stagnant.

On the other hand, rates that are too low can lead to an increased demand for money and raise the likelihood of inflation, which as we've discussed above, can distort the economy and the value of its currency. Current interest rates are thus indicative of the economy's current condition and can further suggest where it might be headed as well.

One form of loans is development loan which is part of foreign aid. According to Holsti, foreign assistance is the transfer of funds, goods, or technical advice from one donor country to the recipient country which is a means of policy that has been used in foreign relations during centuries (sudarajat, 1987). Furthermore, Holsti shares four main types of foreign assistance (Perwita & Yani, 2005):

- Military assistance.

  Most of military assistance has the advantage to controlling the donor country over the recipient country. Not only the recipient countries will depend on donor countries, but also recipient countries will not be able to operate military forces effectively, unless donor countries provide the necessary training assistance and maintenance. Thus the use of arms provides assurance that the recipient country will use its military power in a way that is not contrary to the interests of the donor country, unless the recipient country can obtain ammunition and training assistance from other sources.

- Technical assistance

  Technical assistance is designed to disseminate knowledge and expertise. The citizen from industrial countries who have special expertise are sent to various developing countries to provide assistance in various development projects.

- Grants (commodity import programs)

  The most favored method of capital and material assistance is Grant aid or gifts that do not require repayment. Grant in the form of military equipment is still carried out regularly, and special economic grants are often carried out when recipient countries face emergencies, such as sudden military threats, famine, plague or natural disaster

- Development loans

  Loans are only short-term financial assistance, but the recipient country must repay the loan and interest. Such assistance is only temporary. Only bilateral and multilateral loans given to recipient countries, with the lowest credit rates, or lower interest rates on international financial markets, can only be considered as assistance. Development loans can be refer to financial assistance that provide by government and/or other institution to help the economic, environmental, social and political development of developing country.

g) Corporate Profits

Strong corporate profits are correlated with a rise in GDP because they reflect an increase in sales and therefore encourage job growth. They also increase stock market performance as investors look for places to invest income. That said, growth in profits does not always reflect a healthy economy. For example, in the recession that began in 2008, companies enjoyed increased profits largely as a result of excessive outsourcing and downsizing (including major job cuts). Since both activities took jobs out of the economy, this indicator falsely suggested a strong economy.

h) Balance of Trade

The balance of trade is the net difference between the value of exports and imports and shows whether there is a trade surplus (more money coming into the country) or a trade deficit (more money going out of the country). Trade surpluses are generally desirable, but if the trade surplus is too high, a country may not be taking full advantage of the opportunity to purchase other countries' products. That is, in a global economy, nations specialize in manufacturing specific products while taking advantage of the goods other nations produce at a cheaper, more efficient rate.

Trade deficits, however, can lead to significant domestic debt. Over the long term, a trade deficit can result in a devaluation of the local currency as foreign debt increases. This increase in debt will reduce the credibility of the local currency, which will inevitably lower the demand for it and thereby the value. Moreover, significant debt will likely lead to a major financial burden for future generations who will be forced to pay it off.

i) Value of Commodity Substitutes to U.S. Dollar

Gold and silver are often viewed as substitutes to the U.S. dollar. When the economy suffers or the value of the U.S. dollar declines, these commodities increase in price because more people buy them as a measure of protection. They are viewed to have inherent value that does not decline. Furthermore, because these metals are priced in U.S. dollars, any deterioration or projected decline in the value of the dollar must logically lead to an increase in the price of the metal. Thus, precious metal prices can act as a reflection of consumer sentiment towards the U.S. dollar and its future. For example, consider the record-high price of gold at $1,900 an ounce in 2011 as the value of the U.S. dollar deteriorated.

Indicators of economic conditions provide important insights to investors and businesses. Investors use indicators of economic conditions to adjust their views on economic growth and profitability. An improvement in economic conditions would lead investors to be more optimistic about the future and potentially invest more as they expect positive returns. The opposite could be true if economic conditions worsen. Similarly, businesses monitor economic conditions to gain insight into their own sales growth and profitability. A fairly typical way of forecasting growth would be to use the previous year's trend as a baseline and augment it with the latest economic data and projections that are most relevant to their products and services. For example, a construction company would look at economic conditions in the housing sector to understand whether momentum is improving or slowing and adjust its business strategy accordingly.

China through the belt and road initiative gives development loans to Sri Lanka. This can be seen in 2005-2014, China's global investments and contracts stood at $870.4 billion, of which $8.9 billion has been to Sri Lanka. In comparison, International Finance Corporation, part of the World Bank Group, has provided only $596 million to Sri Lanka during the same period. In 2014, China was the biggest source of FDI to Sri Lanka exceeding $400 million, with a diversity of infrastructure investments and continued to be one of Sri Lanka's top 5 investors. Norochchalai Power Plant, Katunayake Airport Expressway, Moragahakanda Irrigation Development Project, Southern Expressway are some of the main infrastructure projects constructed by China. As the biggest donor, since 2009, China has extended a $1.2 billion worth of assistance in the form of grants, loans, and credit amounting to 54% of the total of $2.2 billion committed to Sri Lanka by foreign countries and multilateral agencies. In sum, China has provided Sri Lanka $5 billion in aid over the last decade and has also fulfilled 65% of its total pledged assistance to Sri Lanka. (Jayamaha, 2017)

2. Theory of International Cooperation

In general, the understanding of international cooperation is cooperation carried out between one country and another, with a common goal and mutual benefit while still being guided by politics, and the economics of the countries that establish cooperation. Usually international cooperation covers several fields, ranging from cooperation in the fields of economy, defense, education, technology and security. International cooperation is also carried out based on provisions agreed upon by the cooperating country. In addition, the same cooperation can be carried out by all countries without exception based on the needs of these countries.

International cooperation carried out at least must have two main conditions, first, there is a need to respect the national interests of each member involved. Second, there is a joint decision in overcoming every problem that arises to reach a joint decision. Cooperation will also be sought if the benefits obtained are estimated to be greater than the consequences that must be borne. In accordance with its objectives, international cooperation aims to improve mutual prosperity, because international cooperation relations can accelerate the process of improving welfare and settlement of problems between two or more of these countries.

In conducting international cooperation, there are motives that are the reasons why the actors do international cooperation. The motives of one country to carry out international cooperation with other countries are to meet the needs of their country or national interests, to encourage the economy, and to maintain peace. In addition, international cooperation aims to improve mutual prosperity. Because working together can accelerate the process of improving welfare and solving problems between two or more countries. Moreover, international cooperation can have a negative and positive impact on States that engage in international cooperation. (Doughzrherty & Pfaltzgraff)

According to Holsti the definitions of international cooperation are the view of one country that the policies decided by other countries to help the country achieved its interests and values, certain agreements or problems between two or more countries in order to take advantage of equality of interest or conflict of interest, official or informal rules regarding future transactions made to carry out the agreement and transactions between countries to fulfill their agreement. (Holsti, 1993)

In addition, based on James E. Dougzqrherty and Robert L. Pfaltzgraff International Cooperation consists of three parts namely; 1. Bilateral Cooperation: An agreement made by only two countries and is a Treaty Contract. 2. Regional Cooperation: Treaties entered into by several countries in one region, are limited in Law Making Treaty and Treaty Contract. 3. Multilateral Cooperation: Treaties entered into by countries without being limited by a particular region, are international in nature with a Law Making Treaty. (Doughzrherty & Pfaltzgraff)

China and Sri Lanka can be concluded as the bilateral cooperation. Bilateral cooperation between China and Sri Lanka has been going on for several years, starting from 1952 where China and Sri Lanka made a trade agreement relating to barter trade on rubber and rice. International cooperation between China and Sri Lanka continues until now. The good relations between China and Sri Lanka, made Sri Lanka become one of the first countries that joined the Belt and Road initiative in 2013. In this case, international cooperation between China and Sri Lanka through the Belt and Road initiative has positive and negative impacts for Sri Lanka.

D. Hypothesis

Based on the background and the theories explanation above, the author propose following hypothesis:

The belt and road initiative brings positive and negative impacts for the economics of Sri Lanka. The positive impacts of Belt and Road Initiative on the Economic of Sri Lanka such as: holds out the prospect of helping to bridge the significant infrastructure financing gap, link local markets to regional and global value chains, employment opportunities and thereby increase trade and investment in Sri Lanka. In the other hand, the negative impacts of Belt and Road Initiative in Sri Lanka is Sri Lanka's growing debt burden.

E. The Purpose and Benefits of Writing

From the research questions above, the purposes of this study are:

a) To find out and explain about the belt and road initiative.
b) To find out and explain the types and motives of foreign aid provided by the belt and road initiative in Sri Lanka
c) To find out and explain the impacts that can be caused by the belt and road initiative especially in Sri Lanka

The expected benefits of this study are:

a) This research is expected to contribute to development future studies of International Relations.
b) This research is expected to provide information and become material studies of students, especially International Relations studies as well observers of international problems.

F. Methodology

Authors will use qualitative method as a data collection techniques. The qualitative research method itself is an exploratory approach that is used by an individual or group to understand the reasons, opinions and motivations that underlie a behavior. Qualitative research methods themselves do not have a relationship or contact with the subjects studied because researchers will collect data inductively or conduct research ranging from specific themes to general themes to interpret the meaning of the data collected. Qualitative research methods are researches that collect various kinds of empirical material such as history, case studies, observations, interviews, personal experiences, focus group discussions, life stories, interactional, biographies, content analysis, and various visual texts that describe routine events and problematic (Masoed, 1994).

G. Scope of Research

To restrict the analysis, the research limiting the period of time from all the resources, review in the research conducted since the year 2013 until 2018 where the beginning idea of belt and road initiative by Chine until Sri Lanka made an agreement about Hambatota port, also explain the impact during belt and road initiative in Sri Lanka.

H. Outline

In this writing, the author will divide this paper into five chapters. The first chapter is an introduction to which the material is part of a large approved research about containing background issues, problem formulation, and theoretical frameworks, main arguments, research arguments, methodology and systematic learning.

Then in the second chapter, the author will explain more deeply about the economic of Sri Lanka before join belt and road initiative.

After that in chapter three, the author will describe about the history of belt and road initiative and the mechanism of belt and road initiative.

In chapter four, the author will discuss about the economic impact of belt and road initiative in Sri Lanka.

Chapter five is the conclusion that provides a description of the conclusions from the results of the research taken from the chapter on data analysis and discussion of research. In addition, the limitations of the research and suggestions that were useful for other parties in the future were also stated.