

From Fences to Flows: Borders, War Realities, and Economic thought in Sri Lanka's Northern Province

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Introduction

Borders are not merely lines on maps but institutions that organize exchange, mobility, and control. In Sri Lanka's Northern Province, they have historically mediated both connection and separation—linking the island to trans-Indian Ocean trade while simultaneously delimiting political authority. The Jaffna Peninsula, its surrounding islands and the ports—*Valvettithurai*, *Kayts*, *Point Pedro*, *Thiruvadinilai*, and *Mathagal*—formed part of a dense maritime world stretching to the Coromandel and Malabar coasts.

Under Portuguese, Dutch, and British empires, these routes integrated the region into global commodity circuits of tobacco, pearls, and textiles (Subramanian, 2011; Wickramasinghe, 2015). The British centralized trade through Colombo, redefining peripheral ports as security rather than commercial nodes. Thus, borders became mechanisms for concentrating wealth and control.

During the twentieth century, the Northern border acquired new meanings: first as an administrative frontier within colonial governance, then as a militarized boundary during Sri Lanka's civil war (1983–2009), and finally as a developmental and institutional frontier in the post-war era. These transformations mirror wider shifts in economic thought—from mercantilist monopoly through classical liberalism to neoliberal globalization.

While the Eastern port of *Trincomalee* evolved as a strategic naval base—representing the *defensive* logic of colonial and post-colonial power—the Northern maritime corridor reflected a commercial logic driven by exchange and migration. This paper therefore uses the Northern case to explore how borders embody both security and economic imperatives across time.

Literature Review

1. Borders in Economic Thought

Classical economists such as Smith (1776/1976) and Ricardo (1817/2004) conceived borders as tariff lines that should ideally dissolve under free trade. Marx (1867)

reinterpreted them as instruments of accumulation and expansion, while Gramsci (1971) emphasized how borders sustain hegemony by naturalizing inequality.

With the rise of *new trade theory*, Krugman (1991) and Helpman (2017) demonstrated that geography and increasing returns make borders central to agglomeration and regional disparities. Institutional economists—North (1990), Acemoglu and Robinson (2012)—showed that borders reproduce transaction costs and “path dependence.” Together, these perspectives reveal how economic space is socially constructed.

2. Border and Globalization Theory

Border studies since the 1990s have challenged the idea that globalization dissolves boundaries. Paasi (1999) describes borders as socially produced and institutionalized, while Newman (2006) notes their simultaneous fluidity and resilience. Sassen (2013) argues that globalization relocates borders inside states—through market regulation, migration control, and property regimes—rather than eliminating them.

These frameworks resonate in Sri Lanka, where military checkpoints, donor projects, and diaspora remittances create overlapping “border regimes.”

3. South Asian Comparative Context

Regional scholarship situates Sri Lanka within the Bay of Bengal trade world. Bose (2013) and Ray (2015) show how small ports linked South India, Burma, and Ceylon long before European dominance. Bavincx (2015) documents how Tamil fishers still cross the Palk Strait, defying formal regulations. Venugopal (2021) and Kadirgamar (2020) highlight that post-war reconstruction projects often reproduce central control under neoliberal rationales.

This literature underscores that borders in South Asia persist not as static lines but as contested processes shaping livelihoods and identities.

Purpose of the Study

This paper investigates how changing border regimes in Sri Lanka’s Northern Province reflect successive paradigms in economic thought. It clarifies how *Lewis’s dual economy* appears under conflict and recovery—not as an engine of transformation but as coexistence between militarized formality and adaptive informality. It further explains how Gramsci’s concept of hegemony helps interpret institutional consent within this duality. By defining borders as multi-dimensional—military, trade, and institutional—the study offers conceptual precision for analyzing post-conflict economic governance in border regions.

Materials and Methods

The research employs a qualitative, critical and historical-interpretive design. Primary materials include colonial trade reports, post-independence economic surveys, and recent development plans. Secondary sources span texts on economic history, political economy, and border studies.

Methodologically, the paper synthesizes macroeconomic theory with grounded evidence from Northern Sri Lanka—oral histories, NGO documentation, and field observations reported in Venugopal (2021) and Bavinck (2015). Comparative references to South Indian coastal economies contextualize the analysis within a broader regional system.

Conceptual Framework

Figure 1 conceptualizes borders as a dialectic between *fences*—restriction, control, exclusion—and *flows*—exchange, mobility, and resilience.

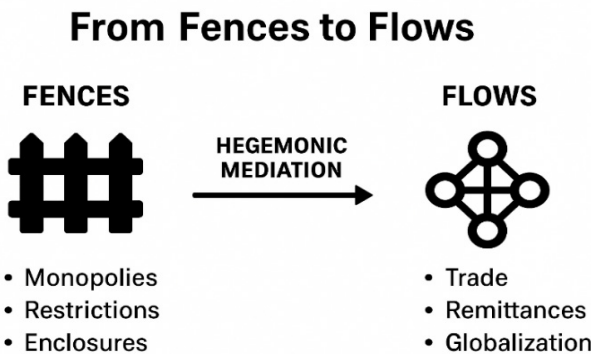


Figure 1 : Conceptual Diagram: From Fences to Flows

“Fences” represent coercive structures: embargoes, checkpoints, land restrictions, and institutional barriers. “Flows” signify adaptive practices: informal trade, remittance networks, and transnational kinship. Gramsci’s (1971) *hegemony* bridges these opposites by showing how power sustains itself through partial consent and negotiated adaptation.

Lewis’s (1954) dual economy model clarifies the structural imbalance between the formal and informal sectors; however, in the Northern case, labor movement was suppressed by militarization rather than absorbed by industry. North’s (1990) framework of institutional change explains why such asymmetries persist—through “path dependence” and high transaction costs.

Thus, borders are theorized as *economic institutions* whose evolution mirrors changing global ideologies.

Results and Discussion

1. Colonial and Early Modern Borders

During the colonial era, the Northern ports were integrated into a maritime network linking *Thiruvangoor* (Travancore) and Kayts via tobacco and salt trade. Archival sources show that Valvettithurai traders possessed fleets reaching Burma and Penang (Subramanian, 2011). Valvettithurai, famously known as a maritime trading port, also developed a parallel history of informal exchange and smuggling. Oral histories and local archives record how, during late colonial and early post-independence periods, communities engaged in the covert transport of goods such as textiles, tobacco, and salt between Tamil Nadu and Jaffna (Wickramasinghe, 2015). These practices were not simply criminalized acts but responses to restrictive trade regimes and uneven state regulation. They represent what Portes and Haller (2005) describe as the *informal economy*—a system that arises to meet unfulfilled economic needs under formal constraints. In this sense, smuggling was a form of border entrepreneurship that sustained livelihoods when official trade routes were monopolized by Colombo-centric policies.

Mannar, alongside Jaffna's eastern ports, underscores the persistence of border economies as sites of both constraint and creativity. From colonial pearl monopolies to post-war fishing cooperatives, the region demonstrates how communities continuously reinterpret borders—sometimes as barriers, sometimes as opportunities for global engagement. This continuity exemplifies how Northern Sri Lanka's borderlands are not isolated peripheries but adaptive participants in evolving regimes of global capitalism. When the British centralized customs in Colombo, these northern circuits declined, producing enduring spatial inequality (Roberts, 2016).

2. Wartime Dual Economy

From 1983 to 2009, the civil war transformed borders into frontlines. Government embargoes on fuel and food created scarcity economies, while the LTTE administered customs within its territory. The result was a classic *dual economy*: a formal state sector and an informal war economy of barter, smuggling, and micro-credit. Unlike Lewis's model—where surplus labor migrates to industry—Northern labor circulated within survival networks, illustrating how “dualism” can persist without structural change.

3. Post-War Institutional Borders

After 2009, borders shifted from geography to governance. Land held as *High Security Zones* remained under military control, generating high transaction costs (North, 1990). Donor-funded reconstruction programs often favored centralized contractors, reinforcing institutional asymmetry (Kadirgamar, 2020).

At the same time, diaspora remittances introduced powerful *flows* of capital. Families receiving money from Canada, the UK, and Australia rebuilt homes and financed education (Hyndman & Amarasingam, 2017; Brun & Van Hear, 2012). Digital transfers and communication networks reduced dependence on state channels, creating a *transnational household economy*.

4. Globalization and New Borders

Globalization did not dissolve Northern borders; it re-inscribed them. Donor-driven neoliberal reforms promoted “borderless” investment zones and tourism enclaves, but local populations often lacked access to credit and land (Venugopal, 2021). *Institutional fences*—permits, land titles, military clearance—restricted participation even as capital inflows increased. Informal maritime trade continues between *Point Pedro* and *Rameswaram* in Tamil Nadu, reflecting both economic necessity and cultural continuity (Bavinck, 2015). Such exchanges exemplify Paasi’s (1999) idea of “border institutionalization”—where regulation coexists with everyday transgression.

Migration constitutes another globalization-era flow. Workers from Jaffna and Kilinochchi migrate to the Middle East and South India, sending remittances that now form over 20 percent of Northern household income (Thiruchandran, 2019). These transnational movements embody Sassen’s (2013) insight that globalization internalizes borders within labor regimes.

In the contemporary period, the Northern maritime border continues to serve as a conduit for both licit and illicit flows. Reports from law enforcement and UNODC (2018) highlight that the Palk Strait has become a route for small-scale drug trafficking and fuel smuggling, exploiting porous surveillance and kinship networks across the strait. These illicit exchanges, while criminalized, also underscore the persistence of economic interdependence between Northern Sri Lanka and Tamil Nadu. Following Sassen’s (2013) argument, such ‘shadow flows’ are not anomalies but integral to the globalization process—where deregulated markets coexist with tightened state control. The informal border economy, thus, mirrors global neoliberal contradictions: openness for capital, restriction for people, and selective enforcement for profit.

5. Cultural and Institutional Adaptation

Beyond economics, borders shape cultural and symbolic life. Post-war festivals, Tamil-language media exchanges, and educational collaborations with Tamil Nadu universities (Rajan, 2020) signify cultural flows that challenge geopolitical isolation. Yet, surveillance and bureaucratic controls persist, reflecting Gramsci’s notion of hegemony through consent: communities adapt without full emancipation.

6. Comparative Perspective: Trincomalee

Although located in the Eastern Province, Trincomalee provides a comparative perspective. Its transformation into a naval base under the British illustrates Smith’s dictum that defense may outweigh opulence. Comparing it to Jaffna’s commercial orientation underscores how colonial and post-colonial states prioritized security in the east and commerce in the north—producing asymmetric regional development.

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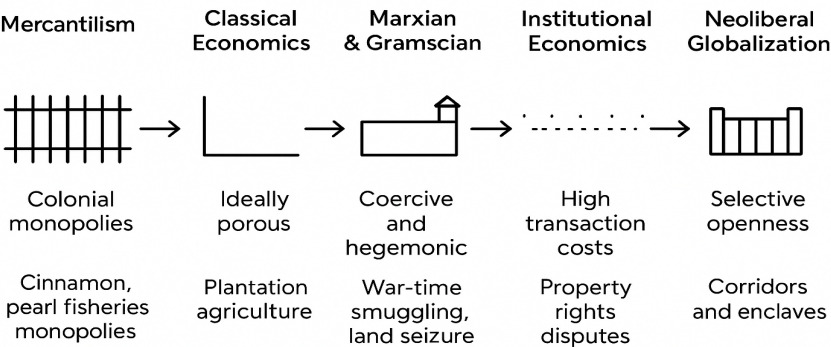


Figure 2 : Historical Timeline

Figure 2 traces these shifts:

- 1. Pre-colonial maritime exchange (open borders).
- 2. Colonial centralization (institutional fences).
- 3. Wartime militarization (coercive fences).
- 4. Post-war neoliberal reconstruction (selective flows).

Conclusion

Borders in Sri Lanka’s Northern Province embody the historical interplay between coercion and connection. They began as colonial instruments of extraction, evolved into wartime frontiers of control, and re-emerged as neoliberal corridors promising—but rarely delivering—inclusion.

The Northern case redefines *Lewis’s dual economy* as a condition of survival rather than transition, demonstrates *Gramsci’s* hegemony in institutional consent, and affirms *North’s* insight that inefficient institutions can persist. Globalization has multiplied borders rather than erased them—embedding them in finance, migration, and governance.

For policy, recognizing borders as *dynamic institutions* rather than static lines suggests a shift from militarized security to inclusive connectivity. Strengthening local cooperatives, facilitating cross-border trade agreements with Tamil Nadu, and ensuring equitable access to donor funds could transform “fences” into sustainable “flows.”

Ultimately, the Northern border is a mirror of global capitalism itself: selective in openness, unequal in benefit, yet constantly re-negotiated through human resilience.

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