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SRI LANKA: THE WAR DEEPENS

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SRI LANKA: THE WAR DEEPENS

Since July 1983, Sri Lanka has been disrupted by increasingly serious ethnic violence, which has evolved into civil war.

Sri Lankan society is divided between a majority of 11 million Sinhalese, who are largely Buddhist, and a minority of Tamils, mostly Hindu, of whom 2 million are indigenous and 800,000 were imported by the British more recently. The Tamils have long played a role similar to that of the Chinese in Southeast Asia, more vigorous and entrepreneurial than the majority and hence resented by that majority.

Sri Lanka lies between South Asia and Southeast Asia. Its economy has traditionally been of the sleepy, impoverished South Asian variety. The Jayewardene government sought to move toward a more dynamic Southeast Asian style economy: more market oriented, friendlier to foreign investment, and more outward looking. It also sought to entrench itself in power by changing the constitution in ways familiar to Southeast Asians.

The Tamils felt tyrannized by this process. Massive fighting broke out in July 1983. Guerrilla attacks were followed by disproportionate Sinhalese riots. The radical guerrillas, mostly Sri Lankan Tamils (the Indian Tamils are widely distributed among the Sinhalese majority and tend to be more conservative or cautious), were abetted by Tamils from India's Tamil Nadu province and by the guerrilla training efforts of Mrs. Gandhi's Research and Analysis Wing (the Indian CIA).

The government had only vestigial military forces and was unprepared to defend itself. Worse still, its poorly disciplined troops tended to commit atrocities.

1985 brought some hope. Rajiv Gandhi, fearful of Tamil separatism in India itself, called off the Research and Analysis Wing and attempted to terminate India-based support of the Tamil insurgency. He sponsored a cease-fire, which began in June and was renewed in October, and peace talks in Bhutan. But the peace talks collapsed. In January 1986, the guerrillas denounced the cease-fire and launched major attacks.

Meanwhile, under Indian pressure, the guerrilla leaderships had left India and became more entrenched in Sri Lanka itself. Under cover of the cease-fire, the Tamil separatist groups had established an effective government in their areas, the North and East of the country, and gradually forced the non-Tamil population to move out. As a result, the government has lost control of much of northern Sri Lanka and is devoid of sovereignty in the Jaffna Peninsula.

President Jayewardene called for a military solution, greatly antagonizing India. His increasingly better trained and better equipped military, supported by Israel and Britain among others,

launched more effective attacks, especially with helicopters, but pressures from India and from Sri Lankan public opinion have forced him to hold back from decisive military action.

The situation of the government is not hopeless. Its military forces are improving. A large number of Tamils support the moderate Tamil United Liberation Front demands for unification of the largely Tamil North and East provinces as an autonomous region, rather than creation of a separate Tamil nation. The radical guerrilla groups are divided into five major groups (Tamil Eelam Liberation Organization, Liberation Tigers of Tamil Eelam, Eelam National Liberation Front, Eelam People's Revolutionary Liberation Front, and People's Liberation Organization of Thamil-eelam) and about 35 splinter groups. These divisions and associated ideological conflicts weaken the guerrillas. (But they also make a negotiated solution more complicated to achieve.)

Efforts to effect a political solution have not been abandoned, and occasional progress is made, for instance by a recent agreement whereby India accepted 506,000 plantation Tamils as Indian citizens and Sri Lanka granted citizenship to a remaining 94,000.

But the country is divided, society is riven, and the economy is increasingly affected. Military spending is up 70 percent over 1985. Tourism dropped from earning \$147 million in 1982 to \$73 million in 1985. The government is having to cut the budgets of civilian departments and to raise the prices of commodities and of government services. Kidnappings and assassinations of government officials are hampering the work of government. Conversely, the fear of violence by Tamils, who normally are disproportionately productive, necessarily damages the economy.

The impact of the war on the economy is becoming much more direct. The guerrillas have explicitly declared war on the economy. They announced that tea exports were being poisoned, and major markets such as Australia and the U.S. promptly announced restrictions on Sri Lankan tea. The rebels are attacking railways, power stations, water systems, and irrigation networks. This worsens difficulties created by low tea and coconut prices, the failure of a major rice crop, and declining remittances from the Middle East.

The Sri Lankan warfare will get worse before it gets better and will increasingly damage the economy and the country's creditworthiness. It also creates potentially severe threats to the security of Bankers Trust employees.