

Separatist Struggle and Its Impact on Economic Growth and Development of Sri Lanka

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Abstract

Economic growth and development of the post independent Sri Lanka remain unsatisfactory compared with many of the Asian countries. Indicators of economic growth and development reported during the post independent have not been inadequate. The study witnessed that necessary conditions for development in the post independent period have been challenged by the outcomes of the separatist struggle. Security threat of the Tamil extremists linked with the separatism has forced the government for extensive increase in national defence, which cost the nation both directly and indirectly has been unbearable. At present even after defeating the Tamil terrorism, there is no guarantee of sustainable peace due to the complexity of the retrospective and prospective linkages of separatist struggle. Therefore, in-depth studies on political economy of separatism, sustainable peace and philosophy for the nation as Sri Lankans are recommended for further investigation to clear policies for sustainable peace and economic development.

Keywords: Economic growth and development, necessary conditions for development, national defence separatist struggle, sustainable peace,

1. Introduction

Sri Lanka remains struggling for her take off in economic development even after seven decades of its independence. Stakeholders of the economy are vulnerable in their decisions as the root causes of failures of economic growth and development are still not clearly comprehended. Therefore, historical analysis of economic development of Sri Lanka under different contexts is important to diagnose the root causes of the failures. Separatist struggle as one of the socio-economic and political issue that has hindered the country's capacity enormously remains unresolved. Therefore, the separatist struggle needs to be grasped both retrospectively and prospectively to find a sustainable solution. The purpose of this study is to comprehend the economic growth and development against the separatist struggle with special reference to period until 2009 where separatist militancy was defeated and forward lessons for the future to create necessary conditions for economic growth and development.

2. Economic Growth and Development

Economic growth refers to the consistent increase in real National Product. The annual increase in growth rate is measured on the basis of real GDP increase¹ over the years. The increase in real GDP as a criterion is useful to evaluate economic growth and to compare between different countries within different time periods. Unlike economic growth, economic development cannot be cardinally measured, as it is in essence a multidimensional concept that involves improvements in the human well-being of the general public. Human well-being is a function of individual standards and collective standards² of economic, as well as non-economic factors. However, it can be evaluated in relative terms using both quantitative and qualitative standards where factors are taken into consideration either independently or in a complementary manner. Economic development includes economic growth as well as other economic indicators. Here, the growth dimension of economic development can be measured quantitatively. Yet, a positive increase in economic growth is not essentially an indicator of a positive change in economic development and therefore, there is a need to incorporate other factors such as leisure time, access to health, education, environmental factors, freedom, social justice, etc. Dudley Seers (1977) argues that development is about the outcomes that occur with the reduction and elimination of poverty, inequality and unemployment within a growing economy. Goulet (1971) says that economic

$$(i). \text{ GDP} = \sum_{x=1} q_x \times P_x$$

$$(ii). \text{ GDP Growth Rate} = \frac{\text{GDP}_t - \text{GDP}_{t-1}}{\text{GDP}_{t-1}} \times 100$$

¹

² Collective standard referred here includes the particular social entity as a nation.

growth and development comprises of life sustenance³, rising of the standards of living and self-esteem, expansion of economic and social choice, freedom and the reduction of fear (Goulet 1971: 23; Todaro and Smith 2006, 2011).

The development indices currently in use by the UN are the Human Development Index (HDI) and the Human Poverty Index (HPI). HDI is a composite of 3 basic indicators of human development—longevity, knowledge and standard of living. Longevity is measured by life expectancy at birth; knowledge by a combination of adult literacy and primary and secondary and tertiary enrollment. Ratios and standards of living are measured by real GDP per capita⁴.

The Human Poverty Index (HPI) is used by the United Nations to indicate the standard of living in a specific country. It was first launched in 1990. It measures the amount of deprivation people experience in different countries. According to the measurements of deprivations countries are then ranked according to their HPI. Every year the UN publishes a list of countries, which ranks the countries according to their HPI. In calculating HPI, the probability at birth of not surviving to age 60, people lacking functional literacy skills, long-term unemployment, and population below 50 percent of median income are taken into account. According to the 2009 list, Norway is ranked number 1, followed by Australia, Iceland, Canada, Ireland, Netherlands, Sweden, France, Switzerland and Japan. The 10 lowest ranked countries are Guinea-Bissau, Burundi, Chad, Congo, Burkina Faso, Mali, Central African Republic, Sierra Leone, Afghanistan and Niger⁵. In the contemporary analysis it is believed that economic growth and development should be compatible with the existing and forecasting constitutional law that can secure social transformation (Cooper 2010; Ludwig 2005: 223-24).

³ The life sustenance as one of the components of development includes, food, shelter, health and even protection which has to be ensured by the government through its armed forces and police. This protection actually includes, ensuring the security of people with respect to economic, social and political spheres of life.

⁴ http://www.economics4development.com/economic_development.htm

⁵ http://wiki.answers.com/Q/What_is_human_poverty_index

2.1 Economic Growth Performances of Sri Lanka

Sri Lanka has a reported history of over 2500 years. Yet, even after the 19th century, the historical transformation of the country has not been able to link with science and technological development that helped many countries to accelerate economic growth. Despite the efforts of different regimes during the post-independent period of Sri Lanka, it has had to exert continuous tiresome effort for the “take off”, of development. The rice based agricultural civilization inherited by Sri Lankans has been referred to as one of the greatest irrigation based civilizations (Farmer 1957). However, the continuous South Indian invasions, internal conflicts, salinity of soil, Malaria problem etc. have forced the settlements to shift from the northern, north eastern, north western and north central plains to the wetter hilly parts of the island and in the south western direction. Thereafter, the western invasions have gradually exploited the agriculture based mixed economy in the 16th, 17th and 18th centuries. Subsequently, the subsistent agriculture based economy was converted into a plantation based economy by the British government along with the introduction of coffee, tea and rubber. The country as a whole has not benefitted from the prosperity of the plantation economy during the colonial period since the majority of the population still subsisted on agriculture. Apart from that, South Indian labor which migrated to Sri Lanka as a result of the plantation economy was a significant part (5.6 percent) of the total population. Later on, this became the supplementary seeds of ethnic divisions in the country. The “divide and rule” policy of the British rulers in Sri Lanka was thus strengthened and brought about accumulated socioeconomic and political chronics into society (Jayawardena 2008). All these socio-economic and political ills of the society have been growing over the years with added complexity. Under these circumstances, the Sri Lankan economy which was well ahead of some of the neighboring countries at the point of independence has stagnated at a lower level (even below countries like Maldives).

Sri Lanka which had a trade surplus in the external economy until 1951 has been biased towards welfare policies and later this approach became politically chronic when the consecutive governments of Sri Lanka were bound by those policies. This has negatively affected development endeavors, despite the achievements in the literacy level and the health standard of the nation. The Tamil minority issue which saw its beginnings during the colonial regime kept growing even after independence due to the short-sightedness of the then Sinhalese majority government⁶. On the other hand, under the *umbrella* of tactical approaches of the so-called Tamil leaders⁷, the Tamil minority

⁶ In 1956 general election, the winning slogan of the political campaign was the Sinhala only policy.

⁷ Chelvanayakam has mentioned that Tamils at the beginning should agree for a federal state and thereafter, can think of separate state later (Dissanayake 2004).

issue was left without addressing the root causes or the probable outcomes in future. As a result, there has been no integration of the Tamil community or the Northern part of the island with the other parts of the country and the economy. Instead, there has been the incidental strategic use of political opportunities by the Tamil leaders and the political leadership of the Sinhalese majority⁸ in the south. As a result, the issue developed to the level of a Tamil insurgency, under various favourable conditions⁹ at domestic, regional and international levels¹⁰.

The adverse socio-economic and political conditions in the country created by the separatist struggle have curtailed the short term, as well as the long term national planning endeavors, such as the 10 year plan (1958-68), 5 year plan (1972-76) and other development endeavors such as agriculture based development through market friendly and partially liberalized economic policies in 1948-56 and 1965-70 and finally the open economic policy introduced in 1977. The impact of the adverse socio-economic and political conditions in the latter stages became more critical with extensive escalation of the conflict followed by the concurrent expansion of defence. Even though, there have been moderate achievements in economic growth in certain time slots, still Sri Lanka has not benefitted from the agricultural, industrial and information technological waves which were the secrets of economic growth and development in the countries of the west and in some eastern countries.

In the 1960s, even though the agricultural production of certain crops like paddy increased drastically, there was no significant increase related to investments. Therefore, the return to the “green revolution package” was insufficient to make use of the “*agricultural wave*” for the benefit of the economy, unlike most developed countries as well as the East Asian countries. The Mahaweli Acceleration Program which was established with the hope of bridging the gap in the “*agricultural wave*” and making the preconditions for the “*industrial wave*” through the Open Economic Policy

⁸ In 1978, the ethnic riots that were not deal with preventive measures, but used in creating political condition for the newly elected government and its Open Economic Policy. Even in 1983 (1983 riot), the government could have predicted the consequences and could have prevented the extensive level of the riot. The historical evidence however shows that the riots and violence have continued with a cost that could not be recovered.

⁹ The socio-economic and political environment of the country with “ill- development” is due to the failure of the inward economic policy and the inconsistency of the achievements of the Open Economic Policy. Under these conditions at the domestic level, the economic growth has failed as a country and this led to further division and discrimination rather than integration.

¹⁰ The conducive conditions at international level that are referred here, include the globalization factor, human right wave, expansion of terrorism that replaced the cold war, Indian factor and Tamil nationalism

failed because of the interruption in planning and implementation of development projects, in spite of some short run achievements of the Open Economic Policy. Along with the Open Economic Policy, though the industrial contribution to the GDP and export earnings overshadowed the agricultural sector contribution (27 percent from agriculture and 70 percent from industrial exports), yet, there was no significant economic growth or development. The *IT Wave* has already spread over the economy, but still factor productivity has not increased substantially (see the lower marginal product for capital and unsatisfactory level of ICOR in Table 1). Economic history of Sri Lanka after independence witnesses that the economic policy changes in the country have been in line with agricultural, industrial and information technology waves when compared with many of the other South Asian countries. However, the achievements of those policies are below the expected level, unlike in the developed countries and the newly industrialized countries in the East Asian block. The information given in the Table 1 and Figure 1 witnesses a moderate economic growth rate in post independent Sri Lanka. According to Figure 1, the national production has increased significantly or at comparable rates only during two years, in line with the *agricultural wave* and *industrial wave*. They are in the years of 1968 (7.2 percent) and 1978 (8.6 percent). The increase in economic growth rate has not been able to deliver the necessary conditions for the country to achieve the preconditions of development due to the sudden drops experienced by the economy during the post- independence era (e.g. there were negative growth rates of -0.8 percent and -1.5 percent in 1971 and 2001 respectively, and a lower growth rate of 1.5 percent in 1987). According to historical information, the sudden drops in economic growth have been a result of the civil disturbance followed by military escalation in the period of post 1980s.

Table 1 Selected Economic Indicators of Sri Lanka

| Period | GDP ¹¹ Av. Growth Rate | Inflation Rate | Exchange Rate - \$- | MPK ¹² | ICOR ¹³ 5. Year Average |
|--------|--------------------------------------|-------------------|------------------------|-------------------|---------------------------------------|
| 1955 | 4.7 | NA | 4.76 | NA | NA |
| 1960 | 1.8 | 0.6 | 4.76 | NA | NA |
| 1965 | 3.4 | 1.7 | 4.76 | 0.2 | 5.4 |
| 1970 | 4.1 | 4.2 | 5.95 | 0.6 | 2.3 |
| 1975 | 1.8 | 7.5 | 7.01 | 0.8 | 2.3 |
| 1980 | 4.8 | 10.3 | 16.53 | 0.8 | 1.3 |
| 1985 | 5.5 | 12.2 | 27.16 | 0.6 | 2.1 |
| 1990 | 3.7 | 12.6 | 40.06 | 0.6 | 2.0 |
| 1995 | 4.9 | 10.3 | 51.25 | 0.5 | 1.9 |
| 2000 | 5.3 | 9.1 | 75.78 | 0.4 | 2.3 |
| 2005 | 3.6 | 9.8 | 100.5 | 0.5 | 2.0 |
| 2010 | 6.4 | 11.0 | 111.6 | 0.6 | 1.9 |
| 1955- | 4.2 | 8.1 | - | 0.56 | 2.6 |

Source: Central Bank of Sri Lanka Annual Reports

In 1977/78, along with the Open Economic Policy, the necessary policy framework for the *industrial wave* and the progress in the economy referred to in Figure 1 witnessed the achievement of the Open Economic Policy in the early period which is comparable with many of the ASEAN countries in the 1960s. However, it has failed in maintaining such a comparable position in the long run. Under the Open Economic Policy Sri Lanka also benefitted from the *Information Technology Wave* (IT), but has failed in achieving the expected NIC level as the ASEAN countries. With respect to ASEAN countries, the industrial wave in 1970s was followed by the technological *wave* that promoted economic growth and development. Singapore, Malaysia, Taiwan, and South Korea benefited by the Open Economic Policy in the

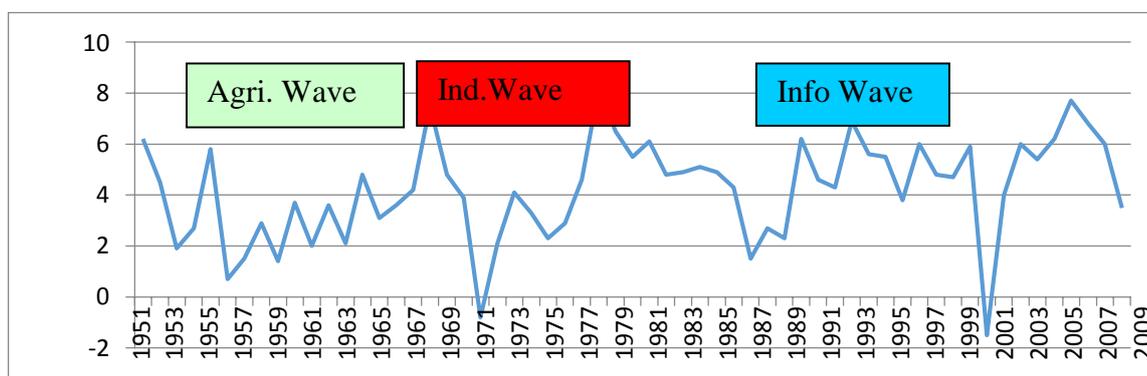
¹¹ Except the exchange rate other values are at 5 year average.

¹² $MPk = (GDP_t - GDP_{t-1}) / I_t - I_{t-1}$

¹³ $ICOR = I / (GDP_t - GDP_{t-1})$

first round and later other countries such as Philippines, Thailand, and Indonesia were moderately successful in achieving the targets of economic growth and development. Singapore, Korea, Japan, Hong Kong and Taiwan in the Asian continent and USA and Canada in North America, and UK, France etc in Europe and several other countries have been successful in getting their *take off* under *Agricultural Wave*, *Industrial Wave* or under the *IT Wave* and moving ahead of other countries (Refer to Table 3)

Figure 1: Economic Growth Pattern in Sri Lanka



Source: Central Bank of Sri Lanka Annual Reports

Table 2: GDP Growth Rate of Sri Lanka (1970-2010)

| Period | Av. GDP Growth Rate | Remarks |
|----------|---------------------|--|
| 1971-75 | 2.20 | Affected by JVP insurrection |
| 1976-80 | 5.54 | Comparatively normal |
| 1981-85 | 5.16 | Affected by the N&E conflict |
| 1986-90 | 3.40 | Affected by the separatism war |
| 1991-95 | 5.38 | Do |
| 1996-00 | 5.04 | Do |
| 2001-05 | 3.98 | Do |
| 2006- 10 | 6.40 | Improved the effectiveness of national defence |

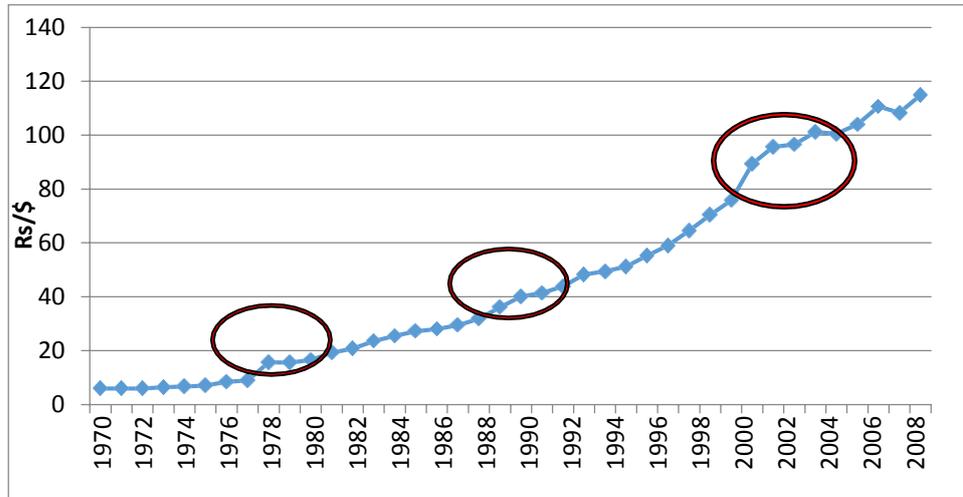
Source: Central Bank of Sri Lanka Annual Reports

Table 3: Per Capita Income of World Selected Countries and Sri Lanka

| Country | 2004 (US \$) | 2005(US \$) | Increase in 2005(%) | 2005 Rank |
|-------------|--------------|-------------|------------------------|-----------|
| Luxembourg | 56380 | 65630 | 16.4 | 1 |
| Norway | 51810 | 59590 | 14.9 | 2 |
| USA | 41440 | 43740 | 5.6 | 6 |
| Japan | 37050 | 38980 | 5.2 | 9 |
| France | 30370 | 34810 | 14.6 | 17 |
| Germany | 30690 | 34580 | 12.7 | 18 |
| Canada | 28310 | 32600 | 15.2 | 19 |
| Australia | 27070 | 32220 | 19.0 | 20 |
| Hong Kong | 27130 | 27670 | 2.0 | 23 |
| Singapore | 24740 | 27490 | 11.1 | 24 |
| South Korea | 14040 | 15830 | 12.7 | 32 |
| Malaysia | 4520 | 4960 | 9.7 | 57 |
| Thailand | 2490 | 2750 | 10.4 | 88 |
| Maldives | 2400 | 2390 | -0.4 | 97 |
| China | 1500 | 1540 | 2.7 | 108 |
| Philippines | 1200 | 1300 | 8.3 | 118 |
| Indonesia | 1130 | 1280 | 13.3 | 120 |
| Sri Lanka | 1010 | 1180 | 16.8 | 124 |
| India | 630 | 720 | 14.3 | 137 |

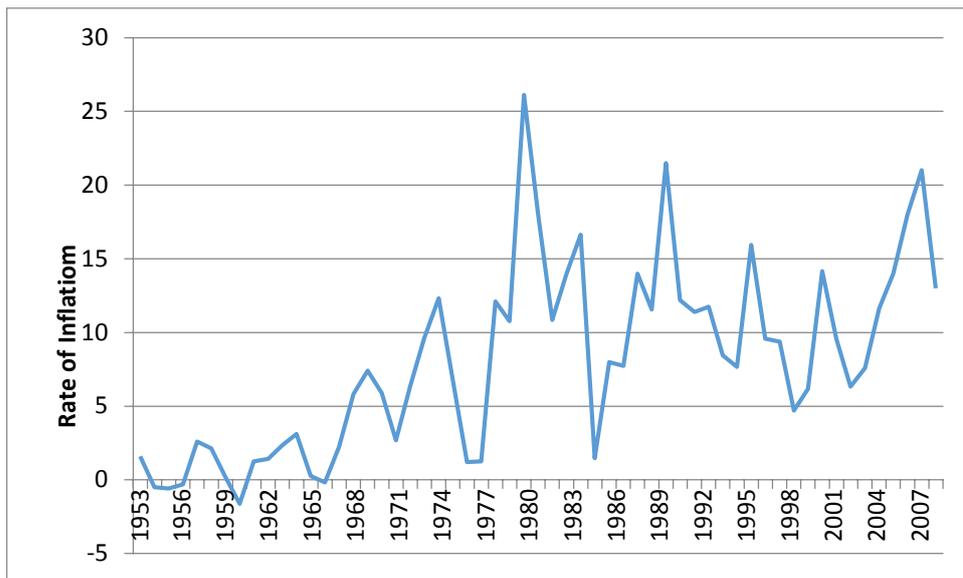
Source: Human Development Report, 2006, UNDP

Figure 2: Exchange Rate of the LKR (Price)



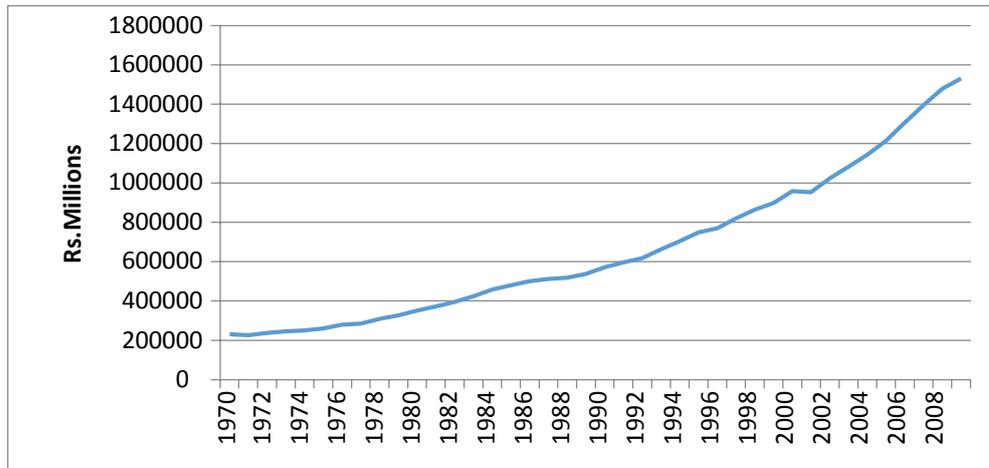
Source: Central Bank of Sri Lanka Annual Reports

Figure 3: Annual Inflation Rate (Based on Colombo Consumer Price Index)



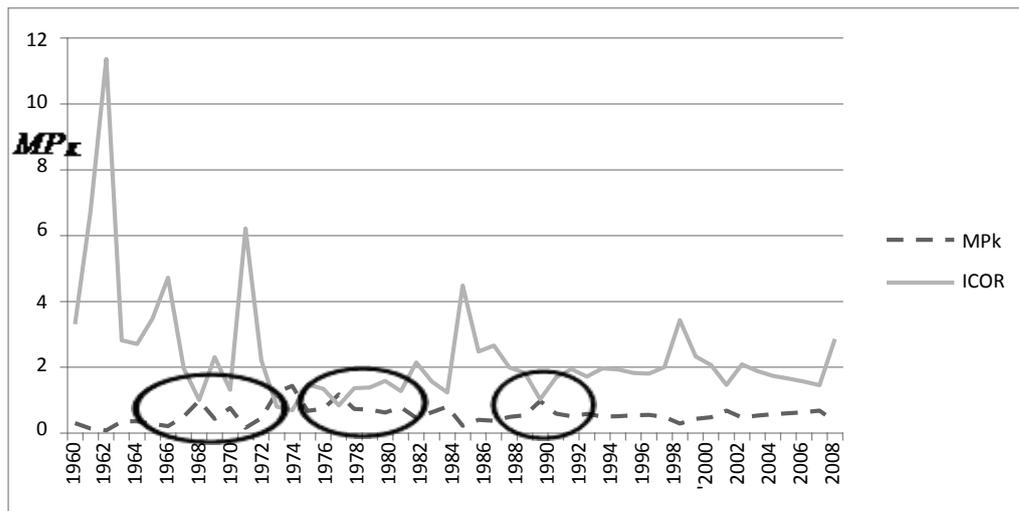
Source: Central Bank of Sri Lanka Annual Reports

Figure 4: Increase in Real GDP of Sri Lanka



Source: Central Bank of Sri Lanka Annual Reports

Figure 5: ICOR and MPK of Sri Lanka



Source: Central Bank of Sri Lanka Annual Reports

Note: *MPK* – Marginal Product of Capital, *ICOR* – Incremental Capital Output Ratio

On one hand, the economy of Sri Lanka was based on agriculture and on the other hand, the government sector held the majority of it, until 1978. In an economy based on agriculture, the factor productivity and efficiency remains at a lower level. The high ICOR rate until 1978 (see Figure 4.5 annual ICOR and 5 year average ICOR in Table 1) shows the inefficiency in the economy. Out of all the years depicted in Figure 5, 1962 (11) is reported as the worst. According to the diagram, 1966 (5), 1971(6) and 1985 (4) are the years when the higher ICOR were reported. From 1978 to 1983; the

efficiency of the use of capital is better when compared with other time periods. Though the efficiency during that period is not that high, compared with the 1960s, the rate is comparatively high. The overall ICOR for Sri Lanka since 1960 to 2005 is 2.3, which is a rather high value. The marginal product of capital in the economy until 1968 has been very low. Since 1968, the *MPK* increased moderately and continued with a satisfactory level of increment until 1984 and has sharply dropped in 1985 (0.2). Thereafter, *MPK* of the economy continued with an average rate of 0.56. It is quite marginal in comparison with other periods.

2.2 Economic Development Performances

In the context of economic development of Sri Lanka, the history of the country, ethnic co-integration, health, education, social co-integration and economic prosperity are important. In Sri Lanka, except education and health, the other factors namely infrastructure development, research and development, investment in agriculture industrial sector, transportation, service sectors which are important in economic growth and development have not yet improved to a satisfactory level. Further, the awareness of the society as a whole has not been sufficient to penetrate the socioeconomic and political issues based on ontological and ethnographical factors. Global development, globalization, international and national competition and non-governmental interventions have further aggravated the problem. Under such conditions, the socioeconomic and political developments in the country are not conducive to find solutions for socio-economic issues. Under these circumstances the policies and programs of economic growth and development have not been effective enough to reach the goals of economic growth and development. However, according to indices of measuring health, life expectancy, literacy rate, education level etc., Sri Lanka is well above many of the developing countries. Yet, after considering the favourable geopolitical location of the country, favourable biodiversity, ecological factors and historical records of the country, it's apparent that the potential has not been utilized to the best possible extent.

Let us consider the HDI¹⁴ which measures the overall standard of the economy¹⁵. Sri Lanka as a developing country has scored 0.755 and has secured the 93rd place, in comparison to other middle income countries. All other SAARC countries are well below Sri Lanka. High life expectancy, higher rate of adult literacy rate and comparable purchasing power parity (PPP) are the secrets of the

¹⁴ The UN accepted measurement of development currently in use around the world is the HDI (Human Development Index). Even though the base of the HDI is qualitative rather than quantitative, the integration of some quantitative measurements helps to derive conclusions with respect to it.

¹⁵ Life expectancy, adult literacy rate, real per capita GDP at Purchasing power Parity (PPP), education index, and the GDP index are the sub-indices that are used in the final index which is normally given in three decimal points.

favourable HDI rate¹⁶.

When one draws attention to the interpretation of economic growth and development by Dudley Seers and Michael Todaro, Sri Lanka has not yet made the take off in her development endeavor. According to Dudley Seers, the reduction of poverty and the income inequality have been the necessary conditions, as well as the indicators of development. The official statistics show that in Sri Lanka, the population below the poverty line has declined from 26.1 percent (1990/91) to 22.07 percent (2002). On the one hand, this is comparatively a higher rate but there is no guarantee of continuous reduction, since in certain years the rate increased (e.g. in 1995/96 - 28.8 percent). The other critical issue with respect to poverty is that in certain districts poverty has been very significant in comparison with the other districts, e.g. Colombo (6 percent), Badulla (37 percent), and Monaragala (37 percent) (Census and Statistics Dept., 1995/96). According to the World Bank Report, about 88 percent of the poor population is rural (Census and Statistics). Moreover, poverty in the N&E regions has become a serious challenge for Sri Lanka in her development as the war displaced population itself exceeds 300,000. Under these circumstances poverty has been an issue in the development endeavors of the country.

The environmental conditions in Sri Lanka have not improved over the years. The forest land is declining drastically. The percentage of population coming under lack of sufficient drinking water has declined up to 18 percent of the total population in 2002, in comparison to 1993 (26.5 percent). Yet, about 21.1 percent (2004) do not have the basic facilities. With respect to electricity supply, about 62 percent of the total households had access to electricity in 1993 which has increased up to 79.9 percent by 2004 (Socio-economic Statistics, Central Bank of Sri Lanka).

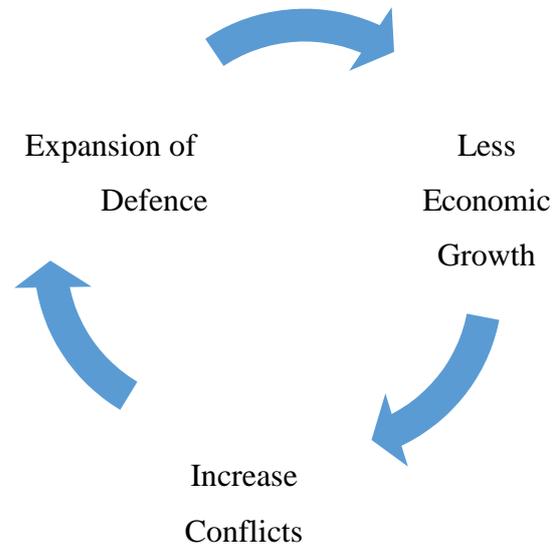
The self esteem of the people in the country is yet to be improved. The self esteem of the people in Sri Lanka which was badly affected during the colonial period has not yet recovered fully, even after more than sixty years of independence. Minimum achievements in economic prosperity, economic dependency, the vulnerability of the people with regard to national identity in the face of global changes and the socio-economic, political and ethnic issues were the major factors that have affected self esteem, both as an individual or as a nation. The conflict escalation during the fourth quarter of the 20th century has adversely affected the self esteem of the Sri Lankan peoples.

¹⁶ The individual country level score and the respective ranks are given in the table No. 4.1 in the appendix. The countries which have scored more than 0.800 are classified as the higher level of HDI and the countries which have scored, less than 0.800 and more than 0.500 are identified as middle level countries, whereas the rest of the countries are coming under the lower level category.

Freedom is an indicator of development (Todaro 2006, 2011; Goulet 1971). In the case of Sri Lanka as a developing country, especially in the context of separatist struggle the standard of this indicator has been subjected to criticism both nationally and internationally. The economic, social and political life in Sri Lanka has always been restricted due to the characteristics of underdevelopment, such as social and political unrest, psycho social dilemmas of the people, corruption and inefficient public sector that provide public services. In this situation fear psychosis or anxiety, stress and social disorders are continued as social syndromes within various circles of the society. Sometimes these syndromes are continued as cycles with the characteristics of underdevelopment. So the core values of development (life sustenance, self esteem, freedom) cannot be satisfactorily observed in Sri Lanka. The unavailability of such values of development is perhaps difficult to describe just like “under development”, but can be understood when exposed to developed and developing countries of the world and perceived as the differences in a comparative manner. The set back in economic growth and development is a consequence of many factors. Some are common in most developing countries and some are specific to Sri Lanka alone.

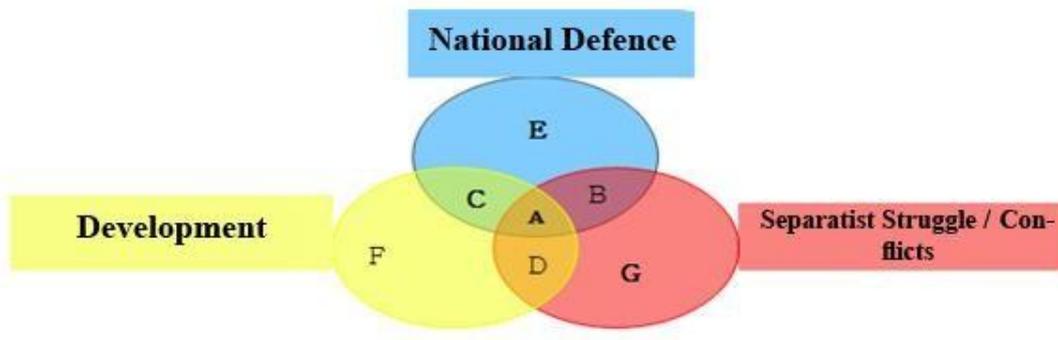
In the context of Sri Lanka, the separatist struggle has badly affected the socio-economic system and has negatively contributed to the issues critically in a vicious cycle, when achieving the economic and development targets of the different policies of elected governments since the 1970s (see Figure 6 and Figure 7). Under this circumstance there has been a significant setback in the economy, despite the various policy efforts such as the Open Economic Policy, mega projects like the *Mahaweli* Scheme, and the Free Trade Zones etc. that could contribute to economic growth and development (refer to Figure 1). The performance in the economy has not witnessed such development as expected.

Figure 6: Vicious Cycle of the Separatist Struggle (Conflict)



Source: Author (2011)

Figure 7: Major Sub Sets of the Sri Lanka's Conflict and their Relationship



Source: Author (2011)

Table 4 Exclusive and Non-Exclusive Subsets of National Defence, Separatists Struggle and Economic Growth and Development in Sri Lanka

| Category | The linkage | Remarks |
|----------|---|---|
| A | ND, <i>Sep.</i> and <i>Dev.</i> Are connected each | Needs all three components together and separately |
| B | <i>ND</i> and <i>Sep.</i> are connected each other. | Needs look at ND and <i>Dev.</i> separately and together |
| C | Connected to <i>Dev.</i> And <i>ND</i> | Needs to look at <i>Dev.</i> And ND separately and together |
| D | Connected to <i>Dev.</i> And <i>Sep.</i> | Needs to look at <i>Sep</i> and <i>Dev.</i> separately and together |
| E | Connected to only with <i>ND</i> | Needs to look at National defence alone |
| F | Connected to only with <i>Dev.</i> | Needs to look at Development alone |
| G | Connected to only with <i>Sep.</i> | Needs to look at Separatism alone |

Note: *ND*-National defence, *Dev* - Development, *Sep* - Separatism

Source: Jayawardena, 2011

2.3 Separatist Struggle¹⁷ in Sri Lanka

The separatist struggle has affected the socioeconomic and political stability of Sri Lanka more than any other problem, especially during the last 3 decades. When one looks at the forgone value due to the separatist struggle and the future possible losses, it is reasonable to feel that the cost of war reported through the media and other sources like the reports referred to in this study are under- estimates. The effectiveness of counter strategies against the security threat during the early stage of LTTE has not been sufficient enough to settle the conflict and establish peace in the country. Therefore, the cost of war including the extra defence expenditure, the loss of lives and their trickle down effects on society need to be recovered with a cost in the future. All such cost can be minimized if national defence perform effectively and defeat the threat to national security of the country and have perpetual peace.

¹⁷ As far as national security threat in Sri Lanka is concerned the conflict in Sri Lanka has gone beyond the level of ethnic conflict and therefore, in this study the conflict is interpreted as the separatist struggle.

4.1 National Defence in Sri Lanka: Historical Analysis

As an island nation Sri Lanka has maintained relatively established armed forces depending on the requirement. During the period of the Sinhalese monarchical rule an established military forces protected the king, the palace and the sovereignty of the country against enemy threats. Since Sri Lanka is an island in the Indian subcontinent with an access to neighboring countries, the requirement of a military outfit has been a priority among other requirements. The historical evidences of both written and non written origins have shown that the power struggle for kingship and the threat from the other countries/invaders (especially from South India) has been an inherited contextual feature of the country. As a consequence, the military component was given priority by the King (e.g. king Vijaya episode followed by the series of power struggles up to the reign of King Pandukabhaya). Thereafter, during the King Suratissa's period, the country faced the first invasion by Sena and Guttika and such invasions have continued from time to time until the European invasions. In certain situations, the Sinhalese kings have threatened the Indian invaders. King Dutugemunu, Gajaba, Vijayabahu I, Parakramabahu the Great, Parakramabahu the 6th were kings who maintained competitive military forces to counter external threats prior to European invasions. Parakramabahu the Great who maintained a marine force launched invasions against other countries for military reasons.

The offensive and defensive operations during the period of Portuguese and Dutch, especially by the Kotte, Seethawake and Kandyan kingdoms, were second only because of military technology and not for strategic reasons. During the war between Portuguese and the Kandyan Kingdom the Portuguese never succeeded, and they were annihilated (Perera 2007), During the time of the European invasion the Sinhalese kings resisted for many years, despite the ultimate failure in the face of European military supremacy based on military technology. This proves that the military forces in Sri Lanka were comparable to that of other countries in the South Asian region (Wickramasekara 2004).

During the British period, national security of the country came under the Royal British Armed forces. For the first time in 1881 Royal Ceylon Light Infantry Regiment was established. This unit was recognized as an arm of the Royal British Army. The first regiment (CLIV) included 210 Europeans, and 156 Ceylonese soldiers. In 1910 the CLIV was renamed the Ceylon Defence Force (CDF). In 1914 CDF was mobilized for the First World War. During the World War II, since CDF itself could not defend the country which was strategically important, it was strengthened with 15,000 troops including 645 officers. Different units of CDF were commanded by the British. The Royal British Air Force and Royal British Navy provided the air and sea protection. On 11th November 1947, Ceylon signed a document with Royal British Forces and restructured the military forces. The

first Ceylonese Commanding officer of the Army was Lt. Col. Anton Muthukumar. In 1952 the army was involved with programs to protect from illicit immigration from India. In 1953, the army was mobilized against trade unionists activities (1953 *Harthal*) and thereafter, during the 'Sinhala only' Bill the armed forces had to play an active role. RCyAF started its missions in the 1950s. The strength of the Air Force initially was for humanitarian purposes as a complementary mechanism to support the Police in their duties. In September 1957 the RCyAF dissolved its wing and created two squadrons (Training and Operation). In between 1952-53 RCyAF purchased 27 training planes and thereafter, RCyAF bought 26 aircrafts between 1955-59. On 9th December 1950, the Government established the Navy. It was called the Ceylon Royal Navy Volunteer Reserve. Sri Lanka Navy purchased more ships in 1955. Until then, there was only one ship named Vijaya. The main task of the Navy was to protect illegal immigration and smuggling via the Palk Strait. In 1955 the Navy established the Karainagar Base and gradually extended its activities as offshore protection became important along the departure of the British naval operations in the Indian Ocean. At the end of the decade there were 150 officers and 800 sailors in the Navy.

In the 1960 s Ceylon faced two attempts to topple the government. As a result there was stagnation in the armed forces. However, at the end of the 1960s, the armed forces received funds to improve their military strength (e.g. during this period the army received 54 percent increase in allocation, whereas the Air force and Navy received 25, percent and 21 percent increase respectively). In the 1960s Ceylon had only Sri Lanka Light Infantry and Sri Lanka Singha Regiment. The S/L army formed Gemunu Watch on 7th December 1962. The second coup attempt in 1964 was followed by the disbanding of the reserve unit and head quarters. The coup attempts of S/L army are the two occasions that S/L army has gone against their objective to protect the sovereignty of the people.

These coup attempts have prevented the expansion of national defence that was demanded by the increasing the threat on the integrity and the sovereignty of the country.

As an island nation at a short distance from *Tamil Nadu* to northern borders and the close cultural and racial relationship with *Tamil Nadu*, the role of Navy has become important. In the 1960s the Navy was able to further strengthen with patrol craft, radio communication facilities and search lights. The total number of ships of the Navy at this stage was 21.

At this point of history there were reinforcements from *Tamil Nadu* in support of the Tamil expansionism in Sri Lanka which became a potential enemy threat. But still the defence structure, as

well as the political structure of the country, was not able to recognize the extent of the issue. Therefore, there was no sufficient strategic approach or a military expansion in the country as a whole.

In the 1970s, Sri Lanka faced its first insurgency that was a threat to the national security of the country. During the insurgency in 1971, more than 60 police and troops were massacred. In the retaliations thousands of (12,000-50,000) rebellions died (Bandarage 2008: 56-57); around 12,000-18,000 were interned. The armed forces were not with the military capability that was required for counter strategy against the rebels if the insurgency had further escalated. However, China and USSR granted military aid, (\$ 6 Mn. from China and \$ 2 Mn. from Russia) and therefore, the armed forces were successful in restoring peace. After the experience of the insurgency, the government took the initiatives for an expansion of defence.

In 1972, Ceylon was renamed the Democratic Republic of Sri Lanka. In 1972, along with the change of the constitution, Royal Ceylon became the Republic of Sri Lanka and the Royal Ceylon armed forces became Sri Lanka Army, Navy and Air force, having full independence.

In 1975 the killing of Alfred Dorayappah the Mayor of Jaffna, and the Policemen who pursued the insurgents and the violence that followed demanded a military expansion. Tamil Nadu support for the Tamil struggle after the failure of separatism agenda in India is one factor for the intensive increase in Tamil terrorism in Sri Lanka (Silva 1988: 324). The next step in the separatist war was the Vaddukkodai Resolution of 1976 which opened the path for Tamil Terrorism with the emergence of the LTTE and their domination. This Resolution invited all Tamils in the world to contribute to Eelam and obtain citizenship in the state (Bandarage 2008: 71-72). At this particular point of history there was neither a mechanism to understand the issue realistically, nor preparation for a structural change of the armed forces and the government to prepare counter forces against the threat to the national security of the country. In spite the ethnic violence and the killing of a soldier in 1981 and the clear warning, neither the armed forces of the country nor consecutive governments could forecasted its challenges until post 1983 riots¹⁸. On September 1st 1979, the Women's Corps of the Sri Lanka Army was established. In the 1970s Sri Lanka army had approximately 8500 men. In 1974 it was increased to 21,000, including reservists. Unconfirmed sources revealed that the armed forces at the

¹⁸ "Sri Lanka's main threat for the country's sovereignty is not from external enemy but from internal forces", General Denis Perera, Commander of Sri Lanka Army (1981-87)

end of 2008 were over 400,000, including over 200,000 of man power in Sri Lanka Army. The expansion of defence can thus be associated with the expansion of the separatist struggle.

4.2 2 Separatist Struggle and National Defence in Sri Lanka

National defence in Sri Lanka has become a significant component of government along with the escalation of the conflict. This escalation and national defence are closely associated with economic growth and development. The changes in the economy explained above are either an outcome of the conflict, increase in national defence or both.

The armed forces had to undergo serious challenges in achieving the goals of national defence because of the following with respect to the separatist struggle:

- a. Historical dynamism,
- b. Regional background,
- c. Worldwide Tamil community with the sympathy of the world, especially human rights organizations
- d. Strategic propaganda mechanism of Tamil militancy network,

Under these circumstances, the effectiveness of national defence was challenged and therefore, the separatist war was strengthened and demanded the continuation of the expansion of national defence which cyclically affected economic growth and development. Thus, historiographical analyses of related issues are important to penetrate the essence of national defence, conflict escalation and their relationship to economic growth and development in contemporary Sri Lanka.

4.3 National Defence against the Tamil Militancy

After the land mine attack on the 23rd of July 1983 the armed forces, government and the public took into serious consideration the enemy threat which restricted in a gradual expansion of national defence. The elimination of other militant groups (TELO, EROS, EPDP, EPRLF etc.) and the dominance of the LTTE increased the threat to the government forces. As argued by many, it is believed that in 1987, just before the arrival of the IPKF, the operation against the LTTE by national defence in Sri Lanka was reaching the first of its peak points as a major threat against the sovereignty of the country. As far as the military strength and the experience of the armed forces under the leadership of area commanders like Major General Dencil Kobbekaduwa and Brigadier Vijaya Wimalaratne and other contextual factors of the conflict were concerned, the operations were about to

stretch its full strength to capture the LTTE leadership and to defeat the enemy.

Given superior fire power and numbers Sri Lanka security forces were able to capture Vaddamarachchi.....and they appeared to fall.It looked like LTTE would be defeated and the armed conflict would end. Operation liberation is said to have come ‘within a hair’s breadth’ of capturing Prabakaran who was in Vaddamarachchi (Bandarage 2008: 130; Jayatilake 1998)

The crucial Vaddamarachchi Operation is one of the peak points of the military operations which were forced to a halt because of Indian intervention. If not, Sri Lanka armed forces had the ability to crush the enemy in the early period. Despite all such possibilities the Indian government forced Sri Lanka to sign the Indo-Lanka Accord which allowed Indian Forces to land on Sri Lankan soil. According to the unconfirmed statistics the total military strength in Sri Lanka at the time of the IPKF’s arrival was close to 100,000. The IPKF was over 70,000. Though the IPKF was comparable in numbers to the LTTE’s strength and the Sri Lanka’s military strength, it failed to defeat the LTTE which was numerically very low. This reflects the military superiority of Sri Lanka’s armed forces if other necessary conditions in the country were available. The failure to exploit the greater opportunity to defeat LTTE terrorism in Sri Lanka in 1987 cost Sri Lanka nationally, as well as internationally.

Along with the arrival of the IPKF, the southern part of the country organized a protest against the government. The JVP as one of the parties that organized the protest campaigns had gone underground against the government. Government deployed its military forces that were limited to the barracks in the N&E against the rebellion in the South. Here S/L army was successful against the 2nd JVP insurgency despite the difference between the JVP and LTTE. Different studies estimate different numbers of those killed in the period of the insurgency. The number varied from 40,000-60,000 (Bandarage 2008: 124). Nevertheless, in spite of the allegations against government forces for gross violation of human rights, the government forces secured its credibility in controlling the southern conflict during the period from 1987-89.

The IPKF with respect to the Tamil rebellion issue was neither able to regulate the Provincial Council act in line with the Indo Lanka Accord, nor able to defeat the LTTE. Instead, they became unpopular both in the North of Sri Lanka, as well as in the South and finally, India had to withdraw its troops from Sri Lanka, having damaged their reputation as the fourth largest army and also as one of the

regional giant countries of the Asian subcontinent. The LTTE having fought with the Indian forces (the fourth largest army) had been strengthened in their military capability (Jayawardena, 1993). In 1991, India lost its leader as a consequence of the war in Sri Lanka. Later in 1993, President Premadasa who opposed the Indian forces was also killed by a bomb during the May Day rally in 1993. Thereafter, the war between Sri Lanka armed forces and the LTTE continued until the peace process in 1994. After the failure of the peace talks the government forces were equipped with the necessary procuments and re-started operations. The *Rivirasa Operation*, which was strengthened with all logistics was able to force LTTE to vacate Jaffna. However, government forces lost its Mullaittivu base with men and military procuments. Thereafter, even though the armed forces fought for the supply route to Jaffna, it was not successful as far as the overall objectives were concerned. In 1993, Air force had 116 officers and 10,500 air men. During the period from 1995 - 2002 SLAF has lost 14 air planes and nine helicopters. The Air Force at that time had 31 air planes and 26 helicopters (Blodgett 2004). Therefore, the lost of aero strength was comparatively high.

During the Poonerine attack, Navy lost its procuments. The Navy generally launched its defensive role as a support to the army and therefore the loss at war was comparatively less. However, in this particular attack the navy lost a vast amount of its procuments. The *Black Tigers* made a heavy offensive against the Navy. In this situation, SL Navy had to initiate the offensive operations against the *Black Tigers*.

After the departure of the IPKF, despite military operations both offensive and defensive, the LTTE strategically extended its activities. The so called Eelam war II and III witnessed a comparable damage to the enemy successfully which was strategically important for government forces. In 2000, SL army strength was 90,000-95,000 and in 2002 it was increased to 118,000. However, as far as national level and international level developments up to the point of 2006 are concerned, it was favourable for LTTE than the Sri Lanka government forces. In 2001, the attack on the Airport was followed by the threat to the Colombo Port, resulting in a huge cost for Sri Lanka, in addition to the war expenditure as the economic nerve centers were threatened. The estimated cost was more than 1bn. USD up to 2002. At this point in history, the situation at the war front and the economy of Sri Lanka were in favor of the LTTE. Under these circumstances the CFA (Cease Fire Agreement) which was a facilitating mechanism for the separatist struggle was signed by the government and the LTTE, with the support of international forces. During the period of CFA the armed forces had practically positioning for restricted military activities. During this period the LTTE was able to obtain further strength with their activities in the field of military, civilian handling, international relations etc. The

LTTE's independence in the Vanni helped them in the transformation from guerrilla movements to formal outfits in the area of military, governance, legal and economic affairs. This favourable atmosphere continued until a new government was elected in 2006 (Bandarage 2008: 177-185). Since then the armed forces have regained their strength whilst the CFA was kept silent.

The political maturity with respect to the domestic issues, the balanced diplomatic relationships with the international communities and the matured coalition between Sri Lanka and India can be identified as important factors for the favourable condition for regaining the military strength by the armed forces in Sri Lanka. The new development in the war between government forces and the LTTE led to a breakaway of the Eastern Commander V. Muralitheren with 6,000 troops which was a fair amount compared to 15,000 troops of the estimated total LTTE carders. Furthermore, as a result of the favourable socio political conditions in the country the armed forces and police were able to initiate defensive and offensive operations against the LTTE, starting from *Mavilaru* to rest of the areas of the Eastern province and then to the Northern province. At the beginning, despite the military and political success of the government forces, they faced heavy resistance from the LTTE until the liberation of the last territory of the LTTE. This resistance may be a result of their accumulated success in political and military network at national and international level. However, they could not continue the resistance for a long time as the collective military and other operations, strategies of the government at national and international level were sufficiently effective.

5. Conclusions

Countries with the necessary conditions for economic growth and development have accelerated their national income through various stages: *agricultural wave*, *industrial wave* and *information technology wave* (e. g. the developed countries and the NICs). Sri Lanka which was comparable with countries like Japan and even ahead of the countries like South Korea at the time of its independence in the 1950s, has failed in its development efforts even after the lapse of 60 years of independence. Along with the Open Economic Policy (1978), it was with fresh confidence of the government, people and scholars of different disciplines that the country envisioned its "take off" of the development. Firstly because Sri Lanka happened to be the first country that introduced an Open Economic Policy in the South Asian context and secondly, the countries which introduced the Open Economic Policy have reached the level of NICs (e. g. Malaysia). This was a reasonable presumption until the rising of conflict atmosphere in the 1990s. The separatist war and its consequences that had been occurring since 1983 interrupted the development efforts of the country. The separatist war absorbed the economic resources that could be utilized for economic growth and development, and

therefore, it has failed to manage the “take off” towards economic growth even after 3 decades of the Open Economic Policy. The failure to establish peace, even with a considerable amount of defence expenditure has been one of the main criticisms of the policies of national defence and economic growth and development in Sri Lanka. Under these circumstances the theoretical bases of national defence as a public good has become highly questionable and requires to carry out in-depth studies on effectiveness and compatibility of national defence as a public good with the focus on new identity formation as Sri Lankans.

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