

---

# SRI LANKA IN 2006

## *Unresolved Political and Ethnic Conflicts amid Economic Growth*

===== Chandra R. de Silva  
=====

### Abstract

Open warfare between the government and the Liberation Tigers of Tamil Eelam broke out in mid-year. The two sides met twice in Geneva but failed to resolve their differences. Disagreements within the ruling coalition on how to resolve this conflict resulted in a realignment of political forces. The economy continued to grow, although troubling indicators emerged toward the end of 2006.

Keywords: ethnic conflict, Sri Lanka, peace negotiations, local elections, political economy

In 2006, armed conflict between the Sri Lankan government and the separatist Liberation Tigers of Tamil Eelam (LTTE) was once again a dominant factor on the political scene. The Memorandum of Understanding that both sides had signed in February 2002 had begun to fray within a year and the two parties had not met across the negotiation table since 2003. Nonetheless, they had maintained indirect contacts through Norwegian mediators, and the ceasefire had continued to be monitored by the Sri Lanka Monitoring Mission (SLMM). There were over 300 alleged violations of the ceasefire in 2005 alone, but the truce continued to hold until 2006 despite occasional military clashes and targeted assassinations carried out by the LTTE.

### Initial Efforts at Peace

Signs that there would be an escalation of the conflict became apparent in late 2005. The victory of Mahinda Rajapakse in the presidential election of November

===== Chandra R. de Silva is Dean of the College of Arts and Letters and Professor of History at Old Dominion University, Norfolk, Virginia, U.S.A. Email: <cdesilva@odu.edu>.

*Asian Survey*, Vol. 47, Issue 1, pp. 99–104, ISSN 0004-4687, electronic ISSN 1533-838X. © 2007 by The Regents of the University of California. All rights reserved. Please direct all requests for permission to photocopy or reproduce article content through the University of California Press's Rights and Permissions website, at <http://www.ucpressjournals.com/reprintInfo.asp>. DOI: AS.2007.47.1.99.

that year was widely expected to lead to a harder government line toward the LTTE, especially because Rajapakse's allies—the Sinhala nationalist left-wing Janatha Vimukthi Peramuna (People's Liberation Front, JVP) and the Jathika Hela Urumaya (National Sinhalese Heritage Party, JHU), a party led by Buddhist monks—had insisted that negotiations with the LTTE could only be held on the basis of a unitary Sri Lankan state. Elements within Rajapakse's own Sri Lanka Freedom Party (SLFP) also agreed with this position. Although the president himself called for direct talks with LTTE leader Velupillai Prabhakaran, most analysts expected an escalation of the conflict. Fears of open warfare increased in November 2005 when Prabhakaran stated that the tsunami of 2004 had thwarted his intention to return to war. He also seemed to suggest that his organization's participation in the peace process was only a tactical exercise.

Nonetheless, a window of opportunity opened when President Rajapakse reversed the stand he had taken during his election campaign and requested the Norwegian government to continue as a mediator. He also signed an order extending the merger of the Northern and Eastern Provinces—a measure opposed by some Sinhala nationalists and dear to some Tamils who saw the combined Northeastern Province as an autonomous (or independent) unit with a Tamil majority. After some disagreements on the venue—the government wanted a location in Asia and the LTTE suggested Oslo—the two sides met in Geneva on February 22 and 23, 2006. The talks appeared to have defused the immediate threat of open warfare. The LTTE pledged to refrain from violence against government forces and the government agreed to disarm breakaway Tamil paramilitary forces operating against the LTTE. The two sides also agreed to meet again in Geneva in April.

However, it was soon clear that the government was unwilling to disarm the Tamil breakaway group led by Vinayagamoorthy Muraleetharan, alias Karuna. He had been the top LTTE commander in the East until he broke from the organization in 2004. LTTE forces had defeated the faction loyal to Karuna but since then he had apparently started collaborating with government forces in their conflict against the LTTE. For the LTTE, disarming Karuna's forces was key to their own security and to their self-professed claim to be the only legitimate representatives of the Tamil people in Sri Lanka. The LTTE leadership was also enraged by Karuna's support for separating the Tamil-majority Northern Province from the Eastern Province (Karuna's own base), where Tamils, Muslims, and Sinhalese live in almost equal numbers. For the government, Karuna's irregulars represented a potentially effective means of countering the LTTE in terms of military activity, intelligence, and propaganda. Rajapakse was also not willing to abandon Karuna because his erstwhile allies—the JVP and the JHU—had decided to challenge the SLFP in local government elections on March 30, and disarming the Karuna faction would have enabled these groups to undermine the credibility of Rajapakse's party among Sinhala nationalists.

## Local Elections

Because elections in the six districts under LTTE control were postponed, the Sri Lankan local elections in 2006 covered only 266 of the 330 local bodies in the country. Rajapakse's coalition—the United People's Freedom Alliance (UPFA)—was dominated by his SLFP and also included the left-wing Lanka Sama Samaj Party and the Communist Party. The UPFA made alliances with parties representing the Plantation Tamils, the Ceylon Workers Congress, and the Up-Country People's Front, also reaching agreement with the Ceylon Muslim Congress and gaining support from several splinter left wing groups. Two separate forces challenged the UPFA and pushed it from its populist policies toward the center. First, there was the right-wing United National Party (UNP), which had won control of many of these local bodies in 2002 but narrowly lost the presidential election in 2005. The UNP was discouraged by its 2005 defeat and divided between supporters and opponents of its losing presidential aspirant, Ranil Wickremasinghe. Nonetheless, the party continued to campaign on a platform of peace and economic development through foreign and local investment. The second challenger to the UPFA was the left-wing Sinhala nationalist JVP, which holds 39 seats in the 225-seat national legislature. The JVP was making a bid for recognition as a major party. The JVP and the JHU (which contested separately) campaigned for a renegotiation of the 2002 ceasefire, the removal of Norway as mediator, strengthening the armed forces, and a de-merger of the North and the East. The LTTE also participated in the elections through its surrogate, the Tamil National Alliance.

Local elections in Sri Lanka are often seen to have national significance, especially when they are held soon after a national contest. The party that won the national elections is assumed to bring a great deal of momentum into the local electoral scene, thereby increasing its prospects of winning. Thus, it was not surprising that the UPFA won control of 225 of the 266 councils. For its part, the UNP won control of 32, principally in urban areas. The major loser was the JVP. Despite a vigorous campaign, the JVP received about 12% of the vote and won control of only one local council. At least in the short run, Rajapakse seemed to have received an endorsement to continue with his policies.

## The Economy

One of the factors that strengthened the president's position was the continued growth of the Sri Lankan economy. Estimates for the growth rate of gross domestic product (GDP) for 2005 were raised to 6%, and the growth rate was almost 8% in the first half of 2006, although it was expected to fall to 7% in the second half of the year. Industrial production rose once again, and the growth in the export of garments looks likely to match the 8% rise achieved in 2005. Tea exports remained steady. The trade deficit grew in 2006, fueled partly by

increases in the price of petroleum, but two factors enabled Sri Lanka to maintain its foreign currency reserves. One was the continued inflow of foreign aid for tsunami victims; the second was the continued growth of private remittances from Sri Lankans working abroad. These remittances, which had helped bridge the commodity trade deficit, rose by 24% in dollar terms during 2006.

Within the country, the state minimized the impact of rising petroleum prices through subsidies, although prices were raised in June and again in August. State employees received a pay raise, and President Rajapakse fulfilled a campaign promise to farmers by providing an increased fertilizer subsidy. This might have stimulated increased rice production, which grew by a healthy 9% in the first half of the year. Rice occupies about one-third of the cultivated land in Sri Lanka and provides sustenance to approximately 1.8 million families.

These positive trends aside, there were also areas of concern in terms of sustainable growth; both subsidies and inefficiencies contributed to an increased budget deficit. By mid-year, Sri Lanka had begun to look for foreign loans. The Sri Lankan rupee, which had held steady around 100 per U.S. dollar for the previous year, began to slide to 106 per dollar by October and looked like it would depreciate to 108 per dollar by the end of the year. Inflation, which had fallen to about 9% in the first quarter of 2006, began to climb back to about 12% by October. Tourist arrivals were up 10% in the first half of the year, but long-term prospects for both tourism and foreign investment looked bleak after the mid-year escalation of warfare. The stock market, recognizing some of these challenges, continued to be flat during the year.

Furthermore, the Northern and Eastern Provinces, which were scenes of open conflict, remained largely excluded from overall economic growth in Sri Lanka. These provinces contain almost 12% of the population but account for only 3% of the economy. They were badly affected by the tsunami of 2004 but have received only limited disaster assistance for various reasons. Limitations on fishing imposed by the government and the financial exactions imposed by the LTTE have proved burdensome to the people in these areas. Education is disrupted, children are abducted to serve in militias, and shortages of food and other necessities accompany clashes between the LTTE and government forces.

### The Resumption of War

By the second quarter of 2006, there were clear signs of a renewed military conflict. It is possible that the LTTE felt that time was no longer on its side. In April the new Conservative government in Canada joined India (1991), the U.S. (1997), and Great Britain (2001) in banning the LTTE as a "terrorist organization." The Canadian ban sprang mostly from instances of LTTE intimidation and violence in raising funds among the 250,000 Canadian citizens of Sri Lanka Tamil origin. This ban did not effectively prevent LTTE front organizations

from raising funds in Canada, but it did deal a powerful symbolic blow to the organization in a country where it had developed strong support. During this period, it was apparent that the European Union (EU) was also moving toward a ban on the LTTE. Meanwhile, the election campaign in the neighboring Indian state of Tamil Nadu made it clear that although the Dravida Munnettra Kazhagam-led alliance was projected to win, the alliance was continuing to maintain political distance from the violent LTTE.

In this context, it was not surprising that the LTTE proved reluctant to participate in further talks without altering the situation on the ground. In early April, it complained that the government had failed to provide its commanders with state helicopter transport for internal consultations; they thus refused to attend the planned Geneva meeting on April 19–21. On April 25, Sri Lankan Army Commander Sarath Fonseka was seriously injured in a suicide bomb attack in which eight other people were killed. The government immediately launched retaliatory air strikes against the LTTE after this assassination attempt, and intermittent violence subsequently continued. While LTTE negotiators traveled to Oslo for ostensible talks on June 8, they refused to proceed with meetings until there was an agreement to remove EU peace monitors (which had banned the LTTE on May 29) from the Sri Lanka Monitoring Mission. In the absence of successful negotiations, the months of July, August, and September saw increased fighting in the east that eventually spread to the northern front in the Jaffna Peninsula. The A-9 road that had been opened after the 2002 ceasefire was closed as a result of this fighting, causing shortages of food and medicines both in state-controlled areas of the Jaffna Peninsula and also in the LTTE-controlled territories in the northeast. In the fighting, Sri Lankan armed forces gained some territory to the south of the strategic harbor of Trincomalee but were repulsed with heavy losses when they tried to advance in the north. LTTE efforts to cripple the Sri Lanka navy failed, and the air force conducted numerous bombing raids, causing extensive civilian casualties.

By October it was clear that both sides lacked sufficient military capability to defeat the other in armed conflict. Therefore, they agreed to meet in Geneva on October 28 and 29 under the auspices of the four powers promoting peace in Sri Lanka—the U.S., EU, Japan, and Norway. However, both sides seemed to view peace talks in the same way they saw military clashes, as means of gaining strategic advantage. The LTTE wanted to open the A-9 road in order to resume collecting “taxes” on goods transported on it. If the A-9 was reopened, the LTTE could also secure supplies for civilians residing in areas under its own control before goods reached government-controlled areas in Jaffna. In contrast, the Sri Lanka government insisted that supplies be sent by sea, which effectively bypassed the LTTE areas. Given the impasse, the two sides failed to agree on further meetings even though external pressure continued to be exerted on both sides to modify their positions.

## Political Realignment and Prospects for Peace

Faced with the prospect of losing his parliamentary majority when the JVP and the JHU refused to support his policies, President Rajapakse successfully wooed several smaller parties that had previously supported his UNP rival in the 2005 presidential election. After mid-2006, he renewed overtures to the UNP to join the government by offering it ministerial positions. For the president, this was a means to eliminate dependence on the JVP and the JHU, from whose policies he was moving away. For the UNP, working with Rajapakse was a means of avoiding a long stint out of political power—a prospect that it faced after its defeat in the March local elections. Moreover, Mahinda Rajapakse's move toward more pragmatic economic policies and his acceptance of the need for new constitutional arrangements to share power with Tamil groups had brought him closer to the UNP. Thus, on October 23 the UNP signed a "memorandum of understanding" with the SLFP to work on the major issues. While the future of this understanding is clouded with uncertainty, it provides prospects for a powerful coalition government in Sri Lanka. The JVP, initially enraged at this development, was wrestling with its own internal struggles and seemed unable to make an effective counter-move.

Almost simultaneously, on October 16, the Supreme Court of Sri Lanka declared the merger of the Northern and Eastern Provinces—first initiated in 1987—to be illegal. This seems to have raised a new obstacle for settling the Tamil problem because most Tamil politicians, except for Karuna, regard the united Northeast Province as a prerequisite for a settlement with the Tamils. A month before that, the Supreme Court had ruled that international treaties (including those relating to human rights) did not apply to Sri Lanka unless they conformed to Sri Lankan law, thereby causing a domestic and international debate over the issue. Thus, President Mahinda Rajapakse faces his second year in office with new sources of political support and a growing economy but with many contentious issues to sort out in 2007. This biggest of these is the continued conflict with the LTTE.