Chapter 3

Socio-Economic and Political Profile of Sri Lanka

3.1 HISTORICAL BACKGROUND

Sri Lanka, a small island of 25,332 sq. miles located geo-strategically at the southern tip of South Asia but separated by a narrow water column of twenty-two miles from the main landmass practically links the eastern and the western planks of the Indian Ocean. The close proximity to India as well as the physical separation from the South Asian landmass made it possible for Sri Lanka to maintain its distinct island identity while identifying itself with the South Asian socio-cultural mosaic and sharing a common socio-cultural legacy. These two frames of reference of the Sri Lanka's geo-strategic location influenced its development from the very early days of its recorded history. Historically, its relations in the South Asian framework encompassed the North and the South as well as the East and the West geographical spectrums. Further, its central location in the Indian Ocean made it a vital link in the trade and cultural relations between the eastern and the western planks of the Indian Ocean littoral for centuries. These factors relating to the historical space of Sri Lanka, in A. Liyanagamage's words, "undoubtedly exerted a profound influence on the course of Sri Lankan history as a whole, including the security concerns of the island's rulers." ¹

Pre-historic archeological research points to the existence of human settlements in the island as far back as 25,000 B.C. However, due to the fact that the archeological research on these settlements is still in an initial phase and available information on the subject is fragmented it is not possible to develop a clear lineage of pre-historic human habitation in Sri Lanka. The first historical tradition of the island begins with the formation of settlements by the people who migrated from different parts of the Indian subcontinent by 6th century B.C circa. These new settlers whose nuclear group later developed their collective identity as

Sinhala gave birth to a new civilisation on the island based on the management of water. At the same time, “(T)he presence of Damilas (Tamils) among the migrants, evidently though not large in terms of numbers and who continue to form an important ethnic minority up to our own times quite early in the history of the island, is well attested.”

Buddhism was formally introduced to the Island through a mission sent by Emperor Asoka of the Maurya dynasty of India in the third century B.C. and it became the established religion of the incipient centre of hydraulic civilisation. The Brahmi records scattered throughout the Island reveal the speed and the extent to which Buddhism spread in the Island. With the assimilation of the other cultural and technological elements brought up by the Maurya mission, Buddhism became the bedrock of the hydraulic civilisations giving birth to the phenomenon that links the water tank and the Buddhist stupa. After the cultural intercourse with the Maurya empire, the Island civilisation developed its own shape and gradually reached its heights first with Anuradhapura as its political epicentre and later Polonnaruwa.

While Sinhala constituted the main thrust of the society and polity, Sri Lanka has been a multi-ethnic society with a distinct Dravidian element from very early in the recorded history of the island. Nevertheless, ethnic identity was not an important factor in political or social placement in the early centuries. The ascendancy of three political powers in South India, namely Pandyas, Pallawas and Cholas, and their power struggle after the 5th century, generated new security concerns for the rulers of the island. The resurgence of Hinduism at the expense of South Indian Buddhism, especially under the Cholas, and their occupation of a large part of the island, contributed to redefining and solidifying ethno-political boundaries.

By the time of the reign of King Vasabha in the first century A.D., Sri Lanka was on the threshold of a new era in the development of royal authority and irrigated agriculture supported by large scale man-built reservoirs. The hydraulic civilisation reaching its heights under King Parakramabahu I in the 12th century but declined rapidly thereafter. In the face of repeated pillages and destructions by invaders, the political order and the sophisticated water management system upon which the hydraulic civilisation based disintegrated after 13th century A.D. Consequently, the centre of power shifted towards the south-west and parallel and multiple centres of power emerged. In this context, a separate kingdom came into existence in the North of the island where

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2 Ibid., p. 2.
the Damilas were the majority. The emergence of parallel political centres coincided with the development of new trade patterns in the Indian Ocean and the integration of these rulers of the island into the Indian Ocean trade network. Once again Sri Lanka came under the single political power in the 15th century with the establishment of the Kotte Kingdom. Before long this too was also fragmented.

The first Western colonial encounter of Sri Lanka was with the Portuguese who were brought to the western seashores of the island in the early 16th century by the ‘vagaries of wind and waves’ when they were striving to dominate the Indian Ocean trade by controlling the trade routes. Loved by cinnamon and the strategic importance of the island in relation to the Indian Ocean naval strategic design, they settled here. In the first four decades they were only traders. However, by taking part in the fratricidal conflicts of the divided indigenous rulers, the Portuguese were soon able to become a political force in the island. Colvin R. de Silva obverses that “civil strife and internal dissensions gave them the opportunity of obtaining a permanent foothold in the Island; the control of the sea, the superiority of western military equipment, the strength of the fortress of Colombo and the rivalries of warring kings enabled them to consolidate their position.”

By the end of the century they had beware rulers of a large chunk of the coastal region of the island. After 1591, the only barrier for the Portuguese ambition to turn the entire Island into their colony was the dogged existence of the Kandyan Kingdom in the central highlands. Hence, the Portuguese made continuous but futile endeavours to subjugate it until they were ousted by the Dutch in 1658.

The Portuguese used the existing system and native institutions to further their economic goals and objectives. However, the traditional order was systematically manipulated to serve colonial interests. As Colvin R. De Silva has pointed out: “the indigenous administrative system was converted into an engine of oppression and misgovernment, of commercial profit and private gain. The memory of Portuguese persecution, maladministration, corruption and greed lingers [in Sri Lanka] to the present day.”

The most enduring legacy of Portuguese rule is the Sri Lankan Catholic Church. The Portuguese used force as well as the conventional technique of preaching and teaching to propagate their religion.

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4 Ibid., p. 4.
The Dutch East India Company (VOC) stepped into the Island to offer military assistance to the ruler of the Kandyan kingdom to oust the Portuguese. On the pretext that the king owed them large sums of money, the Dutch Company continued to occupy the captured area—the king ‘exchanged chilies for ginger.’ The Dutch Company ruled the coastal area from 1658 until they were replaced by the British in 1796. The economic activities of the Dutch company were determined, by and large, by the prevailing principles of ‘Mercantilism’. Its revenue was based on monopolies—first of cinnamon and elephants, later the list was extended to other articles of import and export. One of the important innovations of Dutch economic policy was the introduction of the plantation system. They encouraged cultivation of commercial crops and started cinnamon plantation in the late 18th century and introduced coffee as a commercial crop then.

Protestant Christianity entered the Island under the patronage of the Dutch. The Dutch Reformed Church enjoyed the same privileges as did the Roman Catholic Churches under Portuguese rule. Like the Portuguese the Dutch used force and education as means of conversion. The school system that was inherited from the Portuguese was continued and developed. The most enduring legacy of Dutch rule was its judicial administration. The Dutch introduced two types of tribunals—‘Raad Van Justice’ and ‘Land Raad’. In their judicial administration, they relied at first on the advice of the native chiefs, but later began to apply Roman Dutch Law. The application of Roman Dutch Law to regulate property rights had a profound impact on the inhabitants of the country. In S. Arasaratman’s words, this move ended up in “effecting considerable changes in property relationships among these people.”

3.2 SRI LANKA UNDER THE BRITISH RULE

The acquisition of Dutch possessions in Sri Lanka by the British in 1796 unfolded a new phase in the colonial history of Sri Lanka. During the first two decades of the 19th century, the new colonial ruler was able to consolidate its power firmly over the island. By exploiting the rift between the King and the Kandyan nobility craftily, the British conquered the only remaining indigenous stronghold. As de Silva aptly observes, “It was a repetition of an old and tragic tale. The Kandyans turned a too facile readiness to the idea of bringing in the foreigner to settle their domestic differences. That pitcher went once too often to the well. The convenient arbitrator became the permanent master. The

Kandyans accomplished their own political doom." The strategy the British adopted and their understanding with the Kandyan nobility compelled the British Raj to sign the 'Kandyan Convention' in 1815 with the Kandyan chiefs. Accordingly, the British promised to uphold many of the social privileges that the chiefs enjoyed and also maintain and sustain the Buddhist religion. After the ruthless suppression of the armed uprising against British rule in 1818, the structural changes of the old socio-economic order were adapted to the needs of British industrial capitalism.

The first integrated attempt to set the ground for colonial transformation was the Colebrooke-Cameron Reforms of 1833. Rajakariya (service tenure) system was terminated. Almost all monopolies were abolished. The entire country was made into a single administrative unit comprising of five provinces. Executive and Legislative Councils were set up. The judicial system was unified under the control of the Supreme Court.

Though some experimental plantations were started shortly after the suppression of the 1818 uprising, the plantations economy took off only after 1835. The central highlands of the Island were rapidly converted into large-scale coffee plantations. Coffee mania reached its climax in 1845. As J.E. Tennent observes, "(T)he previous governor, the Council, the military, the judges, the clergy, and one half of the civil servants had penetrated the hills and became purchasers of crown lands. The East India Company's officers crowded to Ceylon [Sri Lanka] to invest their savings, and capitalists from England arrived by every pocket." As the demand for land increased it was considered necessary to change existing landownership patterns to ensure land for expanding plantations. The notorious Land Ordinance No.12, enacted in 1840, 'to prevent encroachment upon crown land' was a step taken in that direction. The peasants of the adjoining villages who were not yet severed from their traditional economic relations did not readily offer their labour to plantations as the remuneration was not considered commensurate with the work and sacrifice involved. Indentured labourers were thus brought from South India and kept in plantations under dire working conditions.

Coffee dominated the plantation sector for nearly forty years. In the early 1870s coffee plantations collapsed completely, but were soon replaced by tea estates. During the coffee period the form of plantation organisation was simple private proprietorship. The rise of tea plantations paralleled

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6 Colvin R. de Silva, op.cit., p. 167.
new developments in capital and investment in Britain after 1870s. These developments were reflected in the plantation sector in Sri Lanka by the change of the ownership from private proprietorship to company/agency house ownership and to further expansion of investment. The Kandyan highland practically became a single tea estate. After 1860, coconut was cultivated on plantations, mainly in coastal planes. Rubber also entered into the plantation sector in the last quarter of the 19th century. One of the striking features of the coconut and rubber plantations was that Sri Lankan entrepreneurs had a large share in their creation and management.

The impact of the colonial economic transformation under the British on the traditional socio-economic order of the village was decisive. Very important changes occurred in the village tenure system. The ancestral lands used for subsistence agriculture by the villagers were converted into a commodity. As it became a commodity, land alienation and its ensuring concentration in the hands of the few became a frequent feature of the rural economy of the 19th century. At the same time agricultural products of the village now became commodities that could be sold in a burgeoning market. Even rice became a commodity. When the surplus production flowed out of the village in the form of commodities, the rural poor could no longer rely on village grain surplus. The traditional socio-economic balance and security had been disrupted permanently.

The impact of the expansion of commodity production was profound in village exchange relations. Prior to the colonial economic transformation, the everyday needs of villages were more or less satisfied by the agricultural produce of the ancestral acres of villagers. The expansion of commodity production coincided with the erosion of the agricultural barter economy and monetisation of exchange relations. As Newton Gunasinghe has pointed out, “whenever money penetrates a traditional economy, where barter used to be the predominant traditional form, it has a tendency to reify the exchange relations and set them against those social relations on which the traditional social order was based.” Monetary forces began to dominate almost all aspect of village exchange relations. The outcome was clear: “a business civilisation was in the making and money was abundant; but money did not automatically provide the people with the degree of security which they had enjoyed in the traditional social order.”

As a consequence of the penetration of colonial capitalism, wage labour emerged as an important employment relation, competing with old forms of exchange relations such as labour rent, exchange labour and share cropping. The wage labour, in the changed context, “reduced the context of social relationship between the employer and the employee (or the partners) into a mere cash nexus and disrupted the traditional social fabric.” At the same time, a new consumption pattern emerged. The village became heavily dependent on an array of commodities coming from urban centres. The gross outcome of all these changes was the disintegration of the independent village microcosm and its integration into the colonial national economy.

There were many other aspects of colonial transformation under the British Raj. Urban units were developed as commercial, service and administrative centres and Colombo became the chief entrepot. A well-knit transport system connected dispersed urban centres to Colombo. The government set educational standards and allowed Christian missionaries to manage schools under a system of financial grants. Even when Buddhists and Hindus established their own schools, the system of values attached to education based on government requirements continued unchanged.

The impact of these structural changes set in motion under the British Raj was reflected in the social fabric by the emergence of new classes. The superimposition of colonial capitalist relations opened new avenues of economic and social advancement for some sections of society. The establishment of plantations created space for contractors, transport agents (mainly those who provided carts to transport the produce of plantations to the main port) and petty traders. Those who accumulated capital by using new entrepreneurial opportunities invested in the liquor industry, plantation, mining, especially the export of graphite. The other important avenue that these elements utilised for social advancement was English education. The hard-earned wealth of pioneer indigenous entrepreneurs was invested in their children’s professional education in English in London to further consolidate their economic and social status. Some of the families who acquired bourgeoisie status had not been of much importance before. By the end of the 19th century these new social elements came forward to assert themselves in social and political space. Further, the traditional elites, i.e. Mudaliers in the coastal areas, and Kandyan aristocracy were not displaced in this process. They used their sources

10 Newton Gunasinghe, op. cit., p. 22.
of wealth to take advantage of the new opportunities provided by the structural transformation under the British. Traditional officials such as arachchies, Mudaliars and Ratemahatmayas were integrated into the colonial administrative structure.

The thrust of the colonial economic order under the British was the plantation sector. Hegemonic accommodation of key plantation economy and other sectors was possible because of the overall economic expansion. At the same time, it thwarted the development of local industrial enterprise. Hence, the manufacturing/industrial sector was very meager. The only goods manufactured in Sri Lanka even in the early 20th century was confined to typical colonial patterns—soft drinks, soap, candles, matches, tobacco. "Whatever other industrial development occurred was directly geared to economic activity in the plantations."\(^\text{11}\) The expansion of the public sector in the supportive network such as the Public Works Department and the Railways workshops as well as private sector services and other engineering workshops which handled plantation machinery gave birth to the modern working class and the labour movement.

The changes that took place in the rural social fabric under the impact of colonial economic transformation proved to be a catalyst for another socio-political process. The erosion of the traditional peasant bloc and the consequent emergence of new social classes in the village was a result of both the penetration of colonial capitalist relations into the village and the availability of new types of employment opportunities to the village community. Under the influence of the colonial superstructure, capitalist relations penetrated the village without the corresponding capitalist forces of production. The outcome was a bizarre combination of archaic forms of technology with modern capitalist relations. It did not entirely destroy the pre-capitalist relations; on the contrary, it strengthened some pre-capitalist relations by giving capitalist content to them. The rural petty-bourgeoisie emerged through this process.

3.3 THE EVOLUTION OF POST-INDEPENDENCE POLITICAL AND ADMINISTRATIVE STRUCTURES

The evolution of post-Independence political and administrative structures in Sri Lanka can be divided into three phases. The first phase stretches from 1948 and 1956. The withdrawal of the British colonial rule in 1948 made a section of the national elites the ruling class. There was no absolute break between the colonial and the 'post-colonial' state

after independence. It was the same old extractive state. The colonial state, by virtue of its very nature, needed a wide array of operators. The post-colonial state inherited this over-burdened state apparatus. According to Jayadeva Uyangoda, the new ruling class was mainly comprised of, "(1) small and medium plantation owners in the low country, (2) agrarian landlords who were of the nature of urban gentry, (3) bureaucrats and professionals that emerged from landowning and merchant classes."  

The transfer of power demanded the reconstitution of a new historic bloc in the Gramscian sense. D.S. Senanayake, the first Prime Minister, attempted to form a block alliance by establishing the United National Party (UNP). The main elements of the political order that Sri Lanka inherited with the transfer of power in 1948 were the unitary constitution, the majoritarian democracy, the centralised administration, the high interventionist role of the state in distributing welfare goodies and a tightly interlocked elite monopoly of political power.

When Sri Lanka gained independence in 1948, the political and social order appeared to be stable. There were no large-scale population dislocations or civil wars in contrast to the situation in the Indian sub-continent or in some parts of Southeast Asia. During the first two decades after independence, Sri Lanka was continuously cited as a shining example of Western parliamentary democracy in a Third World plural society. The challenge before the rulers of the new state was to guide and direct post-colonial state-formation and the nation-building processes to embrace a multi-ethnic social order. There was a strong belief that political democracy and liberal norms would provide the necessary institutional and ideological basis for a stable multi-ethnic polity.

The political ideology and policy orientation of the UNP governments in the 1948-56 periods was based on two premises: first, the social and political stability of the existing order and, second, the maintenance of colonial administrative structures. In the economic sphere, the government believed that the prosperity of the country lay in trade with a few Western countries. This export trade with the west was confined mainly to a few export crops—tea, rubber and coconut. In public administration, the UNP leadership made no serious attempt to transform colonial administration structures. An elite bureaucracy trained under colonial rule continued to dominate civilian administration. It was heavily Colombo-centred and the language of administration

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continued to be English, although 92 percent of the population could neither read nor write the language. As A.J. Wilson has observed, "Government came to be looked upon by the masses as a distant object, awesome, and its members as persons to be approached with fear and reverence. It was not 'their government' but the process turned over by their British 'masters' to the local version of this masterdom." At the same time, the new Raj continued the 'welfare state' structures inherited from the colonial state. These included free health, free primary and secondary education, a weekly minimum ration of rice distributed at a highly subsidised price.

The electoral process linked with parliamentary democracy and universal suffrage contributed to mobilise politically a section of population which was not involved in power-play previously. National political leaders and parties needed a wide range of political operators and power brokers throughout the country. This demand offered a stepping stone for a section of intermediary layers, broadly identified as the petty bourgeoisie, to national politics. However, they were not satisfied with playing only a marginal role and were unhappy at being excluded from real political power. S.W.R.D. Bandaranaike and S.J.V. Chelvanayagam came forward to address the political and cultural grievances of the intermediary layers of the ethnic divide. The resignations of Bandaranaike from the UNP to form the Sri Lanka Freedom Party and Chelvanayagam from the Tamil Congress to form the Federal Party resulted in the erosion of the hegemony of the UNP in the South and the Tamil Congress in the North.

The nationalistic upsurge against the domination of Westernised elites quickly changed the political atmosphere in the mid-1950s. The Swabasha language demand first emerged as a class rather than a communal issue. Before long its character changed. Bandaranaike made use of these nationalistic forces to topple the UNP government. A new political bloc formed under the leadership of S.W.R.D. Bandaranaike took the reins of power after its election victory in 1956. The widening of the ruling bloc in 1956 took place on an anti-colonial flank and not on a national integration framework. Parallel to the reconstitution of the ruling historic bloc in the South in 1956, the Federal Party consolidated its leadership in the North.


14 The total expenditure on welfare services absorbed 56.1 percent of the total government revenue in 1947.
The second phase in the evolution of post-Independence political and administrative structures began after 1956. After the election victory of the MEP, led by S.W.R.D. Bandaranaike in 1956, certain steps were taken to break away from colonial political and administrative structures. The emphasis now was mainly a populist, anti-colonial stance that was similar to the credo of other Third World leaders of the period, for example, Peron in Argentina, Vargas in Brazil, Nasser in Egypt, Sukarno in Indonesia, Nkrumah in Ghana, Toure in Guinea and Ben Bella in Algeria.

The MEP regime of 1956 initiated a series of changes in the cultural and economic spheres to satisfy the social elements from which it received its support. In June 1956 Sinhala was declared the ‘official language.’ A ministry of cultural affairs was established to promote indigenous cultures. The role of the state was changed and it came forward to play a direct role in the economic development and allocation of resources. As a result the state came forward to intervene more directly in important aspects of the economic life of the country. To start with, the Colombo port and passenger transport companies were nationalised. The thrust of the nationalisation policy was the expansion of the public sector carried out under the guise of socialism. Many of the new state corporations established after 1956 were in Sinhala majority areas. Recruitment at all levels was done through political patronage. This practice benefited mainly the new intermediate layers in the South who got the opportunity to rub shoulders in the corridors of power. The Tamil counterparts who were equally anxious to gain access to the allocation of state resources were not benefited in the same manner from the expansion of the public sector. As a result the fissures between the ruling historic bloc in the South and the leaders of the Tamil bloc in the North and east began to widen.

The period following the 1956 changes experienced increasing political calamities. Communal clashes between Sinhalese and Tamils, unprecedented in modern times, were reported in 1958. It followed intermittent peaceful sathyagraha campaigns of the political leaders of the Tamil Parties against the language and other issues in the early 1960s. The state power and Emergency Regulations were used widely to suppress Sathyagraha and other protest campaigns organised by the Federal Party.

The development strategy linked with import substitution and export promotion policy package backed by state intervention and regulations was at its peak during the rule of the United Front
Government during 1970-77 under the leadership of Sirimavo Bandaranaike. The Emergency Regulations were used widely to expand the public sector. Nationalisation became the catchword of government policy—‘statist strategy of development.’ Under the land reform package, stretched in the period 1972-75, plantations were taken over and a number of state institutions and boards were established for their management. There was a phenomenal expansion of state corporations in the service sector. In trade alone there were twelve public corporations. In 1973 the total number of public enterprises rose to eighty-four.

The first republican constitution in 1972 epitomised in constitutional and legal terms the political process set in motion after 1956. It severed the constitutional umbilical cord with colonial rule that had been left intact under the first Constitution. The unitary character of the Democratic Socialist Republic of Sri Lanka was pronounced in the constitution. It continued the cabinet form of government with the Prime Minister as the de facto executive head. The legislature (the National State Assembly) was unicameral. Some constitutional safeguards such as Clause 29 were removed as they were considered contradictory to the principle of the sovereignty of the people. The entire constitutional structure was designed in such a way that it equated the regime with the state. It is important to note that the content of the first autochthonous constitution as well as the constitution making discourse and procedure further alienated the North and east Tamil bloc from the body politic.

The youth insurrection led by Janatha Vimukthi Peramuna (JVP) in 1971 sullied the rosy picture of Sri Lanka’s functional democracy. It marked the entry of a new force into Sri Lankan politics. The Sinhalese youths in the south who took arms in 1971 not only challenged the entire system but also rejected democratic means and avenues to lodge their protest.

The third phase in the evolution of post-Independence political and administrative structures unfolded after 1977. The economic hardships generally attributed to a controlled economic policy were aptly used by the UNP under the leadership of J.R. Jayewardene to sweep into power in 1977. The new government introduced a new policy regime which marked a clear departure from the earlier direction. In the framework of the ‘open economy’ the rupee was allowed to float, many trading monopolies of the state were abolished, most consumer food subsidies and rationing were gradually withdrawn, and trade and payment controls were dismantled. As an integral part of this policy package,
investment promotion zones were established to attract private foreign capital. In line with the policy of trade liberalisation and deregulation of the economy the state withdrew from its direct role in day-to-day economic life. The market mechanism was given greater autonomy and market forces were considered engines of growth.

In the politico-constitutional sphere, the trend was towards a more authoritarian system of governance. The second Republican constitution in 1978 was meant to sanctify this process. An all-powerful Executive Presidency was established as the central element of the entire governing order. The executive president, elected by island-wide separate vote, became the centre of gravity of the entire political order. Another key element of the new constitution was the introduction of proportional representation to the legislative council, although this was not put into practice till 1978. The manipulation of the constitution for political advantage has become a common practice after 1997. In utilising the two-thirds majority, which the UNP had achieved under the earlier constitution but had retained despite the introduction of the new one, the constitution was amended sixteen times over a period of just ten years. The referendum held in 1982 to extend the life of the Parliament elected in 1977 for another term drastically changed the political atmosphere of the country.

The systematic institutionalisation of political violence gradually became a conspicuous feature of the socio-political landscape of Sri Lanka after 1977. This process encompassed both state and anti-state violence. The application of coercion and use of terror on the part of the state was broadly two-fold strategy. First, the regime used extra-judicial force and terror to curb the legitimate activities of the opposition. Members of the pro-government trade union (JSS) and elements of the underworld were employed to sabotage strikes, disperse picket-lines and discourage other forms of political action. Second, the regime mobilised institutions of the state to harass its political opponents. When the Jayewardene regime changed the accepted rules of the political game, a divided Parliamentary opposition was totally unprepared to meet the challenge.

After 1977 the ethnic conflict took a new turn. At the time when the Tamil United Liberation Front (TULF) put forward the demand for a separate state at the Convention held at Pannakam, Vaddukodai in May 1976, many believed that it was merely a bargaining chip for more regional autonomy. Even in the late 1970s, Tamil youth groups who advocated armed struggle to achieve Tamil Eelam constituted a marginal element in the politics of the North and their influence was
limited to only a thin layer of Tamil society. The power and influence of these groups increased rapidly during 1977-1983. The elected leaders of the TULF, the Tamil opposition party at the time, left Parliament in 1983 after the 6th Amendment to the Constitution had been pushed. The turning point was the ethnic riots of July 1983, triggered off by the killing of 13 security personnel in the North. A qualitatively different phase of military confrontation began in January 1984. The level of violence saw a significant upsurge in August 1984 while full-scale fighting between Government forces and Tamil rebel groups broke out. This confrontation enveloped a large part of the North and the East by the end of 1984. The failure of such political initiatives as the All-Party Conference and the Thimpu Talks and the stubborn militaristic approach to the ethnic problem on the part of both the Tamil militants and the state aggravated the armed conflict, leading to direct Indian military intervention in 1987.

Using the 1983 July riots as a pretext, the government proscribed and pushed the JVP into the jungle. The JVP now went underground, utilising the growing unrest in the South to expand its political network and gain more strength. Having received no positive response to its appeal for de-proscription, the JVP got ready for its second uprising after 1986. The Indian Peace Keeping Force that landed in the North after the Indo-Sri Lanka Peace Accord in 1987 ignited the South, and the dissatisfaction that resulted was utilised by the JVP to gain momentum. This situation paved the way for un-ceremonial departure of the founder of the open economy. During 1988-89, the bloody anti-state violence and counter-violence undermined all the norms of civilised society rapidly enveloped the entire South. When R. Premadasa took up the reins of power as the second Executive President after the violence-ridden elections of 1988, the entire country was in flames. Mr. Premadasa had to face the brunt of the crisis both in the North and the South. The JVP uprising in the South was put down by the end of 1999 by the government which employed a high degree of extra-judicial force.

The first attempt of the Sri Lankan Government to talk directly with the LTTE was during the Premadasa administration in the last phase of IPKF operations in May 1989. These talks went on till June 1990 but collapsed miserably. The IPKF ultimately had to leave Sri Lanka. Armed confrontation began once again in June 1990, following short-lived truce during the talks. The ferocity and intensity of the renewed conflict surpassed the violence of the period that preceded the truce. The year 1993 was marked by dramatic developments in the
political sphere. President Premadasa was blown to bits by a suicide bomber in the midst of a May Day parade, just eight days after one of his principal opponents, Lalith Athlathmudali was shot dead while addressing an election meeting.

The multifaceted political crisis brought the Peoples’ Alliance (PA) led by Chandrika Bandaranaike Kumaratunga into power in 1994. It marked the end of the longest period of UNP rule. The change of regimes did not amount to a fundamental change in the open economic policies initiated by the UNP in 1977. Before and after the elections, the PA reiterated its commitment to ‘building a strong national economy within national framework’ and to a partnership with the private sector. It promised to continue the infrastructure development and privatisation processes and end the strain exerted by war expenditure. At the same time, the new administration launched inquiries into human rights abuse during the previous regime.15

The PA government that came to power with a mandate and a promise of a political solution to the ethnic problem once again initiated direct peace talks with the LTTE in January 1995. After a few rounds, these talks were terminated suddenly in April 1995. The renewed conflict again surpassed the violence that of the period that preceded the talks. At the same time, the government presented a set of proposals for devolution of power, and initiated awareness programmes on constitutional reforms and legislative procedures to draft a new constitution that would embody, inter alia, devolution of power. While the debate on the new constitution was in progress in the South, armed conflict continued unabatedly in the North. Despite the vicissitudes on the battle front, an expression of interests in peace talks and the call for a negotiated settlement came from both sides from time to time, but these calls did not lead to any ceasefire of the armed confrontation. Although the human and economic costs of the conflict have been very high, the vicious cycle of conflict and violence has been persisting unabatedly albeit with breaks in between.

3.4 ECONOMIC PROFILE AND PHYSICAL RESOURCES BASE

The economy that Sri Lanka inherited in 1948 is a textbook example of an underdeveloped agricultural economy based on few primary plantation crops. Many features of structural underdevelopment, namely sectoral inequalities in productivity, clear disarticulation of the different sectors of the economy and external domination are more or less manifested in

Sri Lanka. Semi-feudal production relations are still prevalent in peasant agriculture in traditional villages despite the inroads of capitalist exchange relations.\textsuperscript{16}

Because of the favourable balance of trade and foreign exchange reserve, there was no compulsion to initiate any substantial change in the economic order in 1948. Within the general \textit{laissez faire} policy framework market forces were allowed to drive the economy with only minimum direct government intervention. The plantation sector was allowed to remain as it was prior to 1948. British capital continued to maintain its hold in the tea industry through Agency Houses and controlled financing, shipping, marketing and insurance of 'Ceylon tea.' Four British multinationals (Brook Bond, Liebig, Unilever which controlled Lipton and James Finley and House of Twinning which controlled Harrisons and Crossfield) continued to maintain their grip on the plantation economy through their many tentacles and a system of interlocking directorates. Compared to tea and rubber, the coconut plantations were characterised by predominance of small holdings—holdings of less than 20 per cent constituted about 70 per cent of the average but accounted for only about 54 per cent of the total production. In the early 1950s, average production was very poor due to the senile nature of plants, especially in small holdings. As a result, the state began to intervene by providing subsidised coconut seeding for replanting.

The main theme of the development strategy of the government during 1948-56 was, keeping the plantation sector intact while opening up of the dry zone through restoration of ancient irrigations schemes.\textsuperscript{17} By establishing peasant colonies in the dry zone, the government hoped to solve the food, unemployment, land-hunger and population pressure problems in the wet zone.

In the early years after independence, the rubber plantations experienced a boom due to the situation caused by the Korean War. This favourable condition disappeared soon after the War ended, creating a crisis in the rubber plantations which forced the government to reduce some of the welfare measures it had adopted in 1953.

The changed emphasis of the development strategy of the MEP regime in 1956 marked a transformation from a \textit{laissez faire} economic

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\item\textsuperscript{17} In the period 1948-53, 113 miles of tank bunds, 54 flood bunds, 1267 miles of channels, 363 miles of roads and 654 buildings were completed for irrigated water supply to 271,433 acres under major irrigation schemes and 412,350 acres under minor irrigation. In 1953 there were 30 resettlement colonies, comprising 16,532 allottees with an estimated area of 188,438 acres set aside for cultivation.
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framework to a mixed economy with state regulations enforced through elaborate mechanisms. After 1956, Sri Lanka began to experience balance of payment problems. While the prices of plantation crops fell steadily, external assets declined due to continuous imports of food and other industrial and consumer items. The outcome was an increasing deficit in the balance of trade. The government now intervened in many sectors of the economy. Even in the tea sector, 'the Tea Replanting Subsidy Scheme' (TRSS) and 'Tea Rehabilitation Scheme' (TRS) were introduced in 1959. The TRSS was for large estates of over 100 acres while small estates below 100 acres were covered by TRS. These schemes were administered by the Tea Controller with help of the Tea Research Institute (TRI). State involvement was not limited to granting subsidies. The Tea Export Duty Rebate Scheme was introduced in 1956 and the Tea and Rubber Estates (Control and the Prevention of Fragmentation) Act was passed to prevent fragmentation of large estates without the approval of the Fragmentation Control Board. Rubber plantations continued to receive government subsidies in a more extensive form after 1956. The Rubber into Tea Replacing Subsidy Scheme was initiated in 1962. The establishment of the State Plantation Corporation in 1956 indicated future government policy.

In the peasant agrarian sector, the most important policy initiative of the MEP regime was the Paddy Land Act No 1 of 1958 which intended to reform the prevailing tenure system linked with sharecropping (Ande). One of the striking features of the peasant agrarian landscape was the predominance of sharecropping. The Act proposed to achieve two objectives: to provide security of tenure to tenant cultivators of paddy land and to specify rent payable so as to prevent exploitation of peasants by landlords. The peasant colonisation schemes continued, but it was a low priority. In the 1960s, the emphasis in the land policy was on the distribution of land to the landless under village extension schemes.

As a part of the import-substitution economic strategy, initiatives were taken to establish light and medium scale industries with the assistance of foreign governments. The first ten-year plan was launched in 1959 and its emphasis was mainly on industrial development.

The 'Green Revolution' began to creep into the peasant agriculture in the 1960s. This scheme was backed by multinational agro-chemical agencies, and dominated every aspect of agricultural production after 1963 since the government was eagerly looking forward to achieving self-sufficiency in food production by introducing intensive methods. The Green Revolution, as presented in Sri Lanka, appeared innocuous
since the logic was that in order to overcome the food problem it was imperative to increase agricultural productivity through improved farm practices. Its premise appeared to be that to achieve self-sufficiency, agricultural practices and methods must be modernised. The formula to increase productivity under the Green Revolution encompassed three interconnected elements: (1) introduction of high-yielding crop varieties (HYVs), (2) use of chemical fertilisers and insecticide/pesticide, (3) application of machines in the production process. The Green Revolution attempted to address the problems in the agricultural sector from a technical point of view. For the process interrelated socio-political aspects of the agrarian problem were ignored. As a consequence, instead of reducing underdevelopment and dependency, the Green Revolution increased them. Capital accumulation and savings in the agricultural sector were not as significant as predicted. Although the forces of production did not experience significant growth, rural poverty increased, as reflected by some indicators as rural indebtedness and land fragmentation. At the same time, state control of the production and distribution process through a host of institutions became more and more noticeable. This situation continued till 1977 irrespective of regime changes.

The policy of state intervention in production and distribution and government control of the economy to ensure 'redistributive justice' was at its grande tenue under the United Front government of 1970-77. The first integrated attempt to alter the land tenure system by redistributing privately-owned agricultural land was taken by the Land Reform Laws enacted during this period. The land reform initiatives were carried out in two stages. In the first stage, the Land Reform Law No.1 of 1972 imposed a land ceiling of 25 acres of paddy lands and 50 acres on lands other than paddy. Land held by public companies and religious institutions were exempted from the provision of the Law if such lands were in their possession on May 29, 1971. The Land Reform Commission (LRC) was established in 1977. In the second stage, under the Land Reform (Amendment) Law of No. 39 of 1975, the scope of the land reform was extended to include lands and capital assets held by private companies engaged in agriculture. The hasty take over of company lands compelled the government to establish a host of institutions and boards for management and control of nationalised estates.

One of the conspicuous features of the plantation sector, especially in the tea estates, remained its very hierarchical management structure. The Periya Dore, Sinna Dore and Kangani system in tea estates that evolved during colonial rule prevailed intact after Independence. The
same system of order continued with minor modifications after the nationalisation of company estates under the Land Reform package.

Another important development that took place during this period was the commencement of new peasant colonisation schemes under the Mahaweli river diversion project. The multi-purpose Mahaweli river diversification project was the most comprehensive capital development project ever undertaken by the government of Sri Lanka. According to the master plan, it stretched for a period of 30 years. The first set of settlers obtained their Mahaweli lands in mid-1970s. Since then new townships and settlements began to develop very rapidly in the Mahaweli area of the dry zone.

The UNP regime in 1977 wanted to break away from the earlier policy framework and to open up the economy. It tried to dismantle the elaborate mechanisms of direct government control. Deregulation of the economy now became the catch-word of economic policy. Accordingly, a new development strategy, newer policy framework and an altered economic environment were in view after 1977. The opening up of the public passenger transport system to the private sector and liberalising of imports heralded the beginning of an open economy. Under the general liberal economic environment, the development strategy of the 1977 regime was based on three major projects—the Accelerated Mahaweli Development Programme, the Greater Colombo Development scheme, and Integrated Rural Development Projects. Foreign capital, and loans and grants from external sources played a crucial role in this economic policy. The government relied heavily on foreign aid to meet the balance of payment problem. In the period between August 1977 and July 1981, IMF grants to finance balance of payment deficit created mainly by liberalisation of imports amounted to Rs. 8657.4 million. Further, the success of the main development projects solely depended on the inflow of foreign capital in the form of loans and grants.

The establishment of investment promotion zones (free-trade zones) to attract private foreign capital for the manufacturing industry for the export market constituted a key element of economic policy. The Greater Colombo Economic Commission was set up in 1978 as a central facilitation point for investors. It was expected to attract foreign investments by granting special concessions and incentives which included tax holidays or preferential tax rates, exemption from customs duty and foreign exchange control. In addition to these intensives, an

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attractive industrial services package was offered to the firms located within EPZ which included serviced sites, building plants, power, water, telecommunication services at subsidised rates and assistance with customs clearance procedures. The first Export Processing Zone (free-trade zone) was set up in 1978 in Katunayake and was considered a success story. The second EPZ was established in Biyagama in 1982 and the third in Koggala in the South in 1991. In 1991 the GCEC was reconstituted as the Board of Investment of Sri Lanka (BOI).

In 1977, the government took a major policy decision to telescope the implementation of the Mahaweli Development programme into a time frame of 6 years. The accelerated programme enveloped three main components: the head work projects of Victoria, Kotmale, Randenigala, Rantambe and Maduriya; down stream engineering and irrigation works; and settlements and agricultural production. Telescoping the programme into six years demanded more advanced technology and methods of construction. Dependency on foreign sources for capital as well as for technology increased as construction projects had to be awarded to firms of the donor country as a condition attached to aid. The inevitable outcome of this policy was to inhibit the economic linkages that a lead project such as Mahaweli was expected to generate. The resettlement of farmers in the Mahaweli lands progressed at a large scale after 1977. In a way it was a continuation of the old policy of resettling peasants through capital investment and infrastructure development. As Newton Gunasinghe pointed out, “What is new is that it is tied up with the other elements of the open economy policy package. The nature of capitalisation, magnitude of construction, choice of techniques and the acceleration here bear the distinct marks of the open economy.”

The Integrated Rural Development Programmes (IRDP) covered rural districts that did not come under the Mahaweli Development project. When it was inaugurated in 1978, only three districts (Kurunegala, Matara, and Hambantota) were covered. Under IRDP, substantial capital was injected into these three districts for construction/ restoration of irrigation, ground water exploration, road construction and coconut cultivation. By 1985 the total districts covered under IRDP increased to 11 districts with an estimated cost of Rs. 3,167 million. As a result, unprecedented public sector capital investment was seen in the rural countryside. By injecting public sector capital for intra-structural

development, the government expected to generate momentum in the rural sector under the general rubric of a 'free economy'.

The Peoples' Alliance government under Chandrika Bandaranaike elected in 1994 did not want to deviate from the broader open economic policy environment. At the election campaign the PA promised to continue a market-oriented policy with a 'human phase'. The emphasis of the development strategy of the new government was on human resource development through education reforms, poverty alleviation under Janasaviya programme and infrastructure development focusing on telecommunication and the road network. Under the PA government, the privatisation policy continued unabated. Privatisation of the state-owned Regional Plantation Companies (RPCs) commenced in 1995. However, a more ambitious privatisation venture undertaken by the PA government was the privatisation of Sri Lanka Telecom in 1997. The government continued to pursue its policy of inviting foreign capital to establish industries with the EPZ package. The Seethawaka Industrial Park, located in Avissawella, provided facilities to 71 factory lots, including 10 international standard factories. At the end of 2000, over 60 factories were allocated among investors. Excessive concentration of industries in the Colombo and Gampaha districts was a concern—76 percent of the enterprises registered under BOI Law and industries registered in the ministry of Industrial Development were located in the Colombo and Gampaha districts. Consequently, the BOI now intended to establish mini-EPZs outside Colombo and Gampaha to provide alternative centres of regional industrialisation. In line with this policy, mini-EPZs were set up in Horana, Polgahawela, Mawathagama and Wathupitiwela and Industrial Park in Mirijjawila and Hanwell.

In 1997, the 'Decade of National Productivity Programme' was launched. The National Productivity Secretariat was set up to coordinate government efforts to enhance productivity in both private and public sectors focusing on creating awareness of productivity concepts and techniques. According to W.D. Lakshman, "International financial institutions which guided and monitored Sri Lankan economic policy in the last two decades are continuing to play that role and there is no indication of a waning of their influence as well as that of the donor community

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20 In the period 1989 to August 1994, a total of 43 firms were privatized. Most of them were relatively small (less than Rs. 100 million). The five largest privatizations by August 1994 included the Puttalam Cement factory (Rs. 2 billion), The Distilleries Company (Rs. 1.5 billion), Trans Asia Hotel (Rs.1.1 billion), Asian Hotels Company (Rs. 953 million) and Lanka Milk Foods (Rs. 775 million).

brought to bear largely in annual aid group meetings. The attitudes of top officials in the policy bureaucracy remained more or less unchanged. All this leads to the firm possibility of policy continuity.\textsuperscript{22}

Even after fifty years of economic change after Independence, at the dawn of the new millennium, Sri Lanka continues to remain primarily a ‘developing’ agricultural country. However, the gradual shift of the economy from one based on primary export crops to one based on industries dependent on foreign capital and markets is also clearly visible. In 2000, agriculture accounted for 19.7 percent of the total GDP while it was 23.3 percent in 1990. It provides employment to 33 percent of the working population. Agriculture, which offered 36 percent of the total value of exports in 1990, was reduced to 18 percent of the export earnings in 2000. The duality of the agricultural sector remains the main feature—the export-oriented plantation sector mainly consists of tea, rubber and coconut and the household farmer sector, grows mainly paddy, vegetable and other subsidiary food crops. Plantation crops cover over 800,000 hectares. Tea still remains the hub of the plantation sector. Rubber has declined rapidly in importance while the future of coconut as an export crop is not rosy. The non-traditional ‘minor export crops’ such as cardamom, pepper, nutmeg, cloves, cocoa and coffee have become increasingly important exports. In general, agricultural production is weather-dependent. This is clearly evident in relation to plantation crops, mainly tea and rubber. In spite of a massive irrigation network, weather remains a crucial factor in paddy cultivation.

Manufacturing accounted for about 16.5 percent of GDP in 2000. The textile, apparel, and leather products sector is the largest, accounting for 44 percent of total industrial output. The second largest industrial sector, at 24 percent of total manufacturing output, is food, beverages, and tobacco (this sector grew by 4.6 percent in 2002). The third-largest industrial sector is chemical, petroleum, rubber, and plastic products—16 percent of output, with 5.7 percent growth in 2002.

The service sector is the largest component of GDP (54 percent). In 2003, the service sector continued its strong expansion, fueled primarily by strong growth in telecom and financial services. The service sector witnessed growth at an average annual rate of 3.7 percent in the period 1970-77 and 7.2 percent in 1977-83. Repatriated earnings of Sri Lankans working abroad, mainly in the Middle East, continued to be strong. Tourism is a significant contributor to this

sector, although it has not reached full potential due to continued worries about the ethnic conflict. There also is a small but growing information technology sector, especially information technology training and software development and exports.

There has been a significant change in the structure of exports and imports in the last 25 years. In the pre-1977 period, Sri Lanka relied heavily on plantations for her export earnings. The share of plantation agricultural commodities in 1977 was 74 percent of total exports. This declined to 15 percent in 2000. The share of industrial exports increased from 14 percent in 1977 to 78 percent in 2000. Since 1986, textile and garments have become the largest single item of exports from Sri Lanka. Until 1991, tea remained Sri Lanka’s largest net foreign exchange earner. In 1992, textile and garments acquired this lead position and continues to maintain it. Diversifying the composition of exports, several sectors have shown significant improvement in the last decade. “These were rubber based products, spare parts including electronics, leather products such as footwear and travel goods, diamonds, jewelry, petroleum products, canned food, fruit and fish products, ceramics, handicrafts, chemical products and minor agricultural products.”

A corresponding change is visible in the structure of imports during this period. The share of investment goods increased from 12 percent in 1977 to 24 percent in 2000. The share of consumer goods in total imports in 1977 was 45 percent. It declined to 19 percent over the same period. Further, the share of intermediate goods increased from 42 percent in 1977 to 52 percent in 2000.

Two main outcomes of the type of the economic development that Sri Lanka experienced in the last twenty-five years are to be noted. First is the increasing integration of the Sri Lankan economy into the global economy. The manner in which the integration took place deepened the dependency of the Sri Lankan economy to the vicissitudes of the global economy. This is clearly demonstrated by the close association between domestic growth rates and the growth momentum in the world economy in recent years. Second, Sri Lanka’s foreign debt has increased phenomenally, deepening further Sri Lanka’s dependency on international donors who tag numerous conditionalities to their loans and grants. The debt service ratio, which was 16 percent in 1977, increased to 81 percent by 1989. It accelerated further in the 1990s. The total foreign debt stock was Rs.359,685 million in 1996. The total external debt outstanding

24 Ibid., p. 166.
increased by 7 percent to Rs. 542,040 million at the end of 2000. The graveness of the debt problem is manifested in the fact that public debt claims 104% of the GDP of Sri Lanka in 2004.

Another important aspect to be taken into account is environmental effects of development programmes. A report prepared for the Natural Resources, Energy and Science Authority (NARESA) of Sri Lanka in 1991 note that "Unmistakable signs of stress in Sri Lanka are now cause for serious concern. They include loss of natural forest cover, contamination of waters, degradation of rural lands, and rising level of air, water, and solid waste pollution. A projected population of 25 million by 2040 will create unprecedented demand for food, fibre, energy, developable land and other natural resources. Without prompt management action, these demands will aggravate the negative trends."25

As a tropical island located in the Indian Ocean, Sri Lanka possesses a very rich and diverse natural resources base. As far as physical features of the island are concerned, five geomorphic regions can be identified: the coastal fringe,26 the central highlands,27 the southwest country,28 the east and southeast29 and north central lowlands.30 The land surface including inland waters of Sri Lanka covers 6.56 million hectares of which 1.8 percent includes inland waters. Presently the land-man ratio stands about one acre per person. Developed agriculture claims one-third of the land area and land under forest and wildlife conservation occupies another one-third while the rest goes to human settlements, home gardens and transportation.31 The main aspects of land degradation constitute soil erosion, land slides, coastal erosion and salinity and water-logging.

Sri Lanka relies on water resources to produce staple and other food crops and energy. Rainfall supplies all the surface and ground water

26 The coastal fringe consists of estuaries, peninsulas, beaches, and offshore islands. The length of the coastline open to the sea, including the bays and the shores of islands, is about 1600 km. Ibid., p. 2.
27 The central highland is a compact physiographic unit bounded on the south by a high mountain wall. Head waters of all Sri Lankan rivers originate in the central highlands. See, Ibid.
28 It is "characterised by long parallel ridges cut by the rivers beginning in the hill country. This is the moist densely populated region." Ibid.
29 "Rolling hills, undulating plains, and isolated residual hills characterise Sri Lanka's eastern and southeastern lowlands. The coastal fringe has important fisheries and the region contains large parks and wildlife refuges that are home to wild elephants." Ibid.
30 It is somewhat similar to those in the east.
31 Ibid., p. 99.
available and the mean annual rainfall is around 2,000 mm. As average annual rainfall varies spatially from 1,000 mm to over 5,500 mm, three climatic zones can be identified in Sri Lanka—wet and dry zones and an intermediate zone. Sri Lanka's rains feed a radial network of rivers that originates in the central highlands. The strong southwest monsoon brings high rainfall to the southwest planks from May to September. The northeast monsoon brings less rainfall to the east and southeast\(^{32}\) and north central lowlands from November to March. In addition, widespread inter-monsoon rains (in April-May and September-October) supply water to major rivers. 'A substantial proportion of substantial surface water is already used for irrigation and hydropower generation'. The two aspects of the issue are that while water shortage constrains development in the dry zone, the excessive water flow poses problems of flooding and inundation. At present, water pollution is not a serious problem but increasing demand for water calls for proper planning and serious thinking on how to protect the country's water resources and prevent them from pollution.

3.5 ETHNO-SOCIAL MILIEU AND HUMAN RESOURCES BASE

As in the case of the natural environment, diversity is a major feature in the social makeup of Sri Lanka. It is a multi-ethnic society in the real sense of the term. The last comprehensive census of Sri Lanka was in 1981; and the 2001 census was not as comprehensive as it should have been due to the conflict going on in the north and northeast parts of the country. The official population of Sri Lanka in the 1981 census was 14.8 million. In the 2001 Census it was 18.7 million. Furthermore, if the 1980 trend continues, the population will double in forty years. The mid year population in 2001 was projected at 18.7 million with a mid year population growth of 1.1 percent.\(^{33}\)

Ethnically, Sri Lankan society consists of four main ethnic groups—Sinhalese, Sri Lankan Tamils, Upcountry (recent Indian origin) Tamils, Sri Lankan Moors—and other smaller ethno-cultural groups. According to the 1981 Census, Sinhalese comprised 74 percent of the population while Sri Lankan Tamils comprised 12.6 percent, Moors 7.1 percent, Indian Tamils 5.5 percent and others 0.8 percent. Religious diversity adds to the multiethnic character of the social fabric. Five main

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\(^{32}\) "Rolling hills, undulating plains, and isolated residual hills characterise Sri Lanka's eastern and southeastern lowlands. The coastal fringe has important fisheries and the region contains large parks and wildlife refuges that are home to wild elephants." Ibid.

religions are represented in Sri Lankan society—Buddhism, Hinduism, Islam, Roman Catholicism and Protestant Christianity. Majority of Sinhalese are Buddhists and most Tamils are Hindus. Roman Catholic and Christian religions cut across the Sinhala-Tamil ethnic divide. The spatial distribution of ethnicity in Sri Lanka is such that there are concentrations of ethnic groups in certain areas but they are also dispersed over the entire island. To cite an example, Sri Lankan Tamils are concentrated mainly in the north and northeast. At the same time there is a sizable Tamil population in Colombo and they are dispersed in other districts also. Muslims form a majority in some districts, especially in the east, and there are Muslim concentrations all over the Island. Hence, Sri Lanka is not only multi-ethnic but also a plural society. One of the conspicuous features of the Sri Lankan social landscape in the last twenty years is the ethnic resurgence which has been reflected in the assertion of ethnicity by all the main ethnic groups in the socio-political space.

Certain significant changes have been witnessed in the structure, growth and distribution pattern of Sri Lanka's population in the last fifty years. At the time of independence, the population was largely concentrated in the wet zone districts. Except for the Jaffna peninsula, the dry zone was sparsely populated. Two-thirds of the population lived in 23.7 percent area of the country. The success of the DDT campaign to curb malaria and the opening up of the dry zone through irrigation contributed to change this situation. Since independence, inter-province

### Table 3.1: Principal Ethnic Groups by Province (Census 1981)

<table>
<thead>
<tr>
<th>Province</th>
<th>Sinhalese Burgher</th>
<th>Sri Lankan Malay</th>
<th>Tamil Others</th>
<th>Indian</th>
<th>Tamil Sri Lankan</th>
<th>Moor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western</td>
<td>3,321,830</td>
<td>228,516</td>
<td>59,402</td>
<td>238,728</td>
<td>28,542</td>
<td>31,670,11,119</td>
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<tr>
<td>Central</td>
<td>1,318,530</td>
<td>149,819</td>
<td>380,826</td>
<td>146,937</td>
<td>3,090</td>
<td>4,465,5,581</td>
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<tr>
<td>Southern</td>
<td>1,789,914</td>
<td>14,454</td>
<td>25,215</td>
<td>46,699</td>
<td>575</td>
<td>4,710,1,094</td>
</tr>
<tr>
<td>Northern</td>
<td>35,128</td>
<td>957,247</td>
<td>63,759</td>
<td>50,831</td>
<td>539</td>
<td>160,1,740</td>
</tr>
<tr>
<td>Eastern</td>
<td>243,701</td>
<td>399,299</td>
<td>10,857</td>
<td>315,436</td>
<td>4,158</td>
<td>1,045,7,55</td>
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<tr>
<td>North-Western</td>
<td>1,532,979</td>
<td>47,202</td>
<td>8,905</td>
<td>109,791</td>
<td>1,002</td>
<td>2,213,2,242</td>
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<tr>
<td>North-Central</td>
<td>774,799</td>
<td>13,293</td>
<td>843</td>
<td>50,413</td>
<td>287</td>
<td>447,1,410</td>
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<tr>
<td>Uva</td>
<td>696,596</td>
<td>42,866</td>
<td>138,357</td>
<td>31,912</td>
<td>683</td>
<td>1,612,2,496</td>
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<tr>
<td>Sabaragamuwa</td>
<td>1,266,091</td>
<td>34,168</td>
<td>130,492</td>
<td>48,180</td>
<td>498</td>
<td>641,1,961</td>
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<tr>
<td>Total</td>
<td>10,979,568</td>
<td>1,886,864</td>
<td>818,656</td>
<td>1,038,927</td>
<td>39,374</td>
<td>46,963,28,398</td>
</tr>
</tbody>
</table>
and inter-district migration, and peasant settlement in the Dry zone have reduced disparity in the population concentration.

Another important development in the population structure is the increase of the urban population. In the period 1946-1981 the urban population increased by 220 percent while total population increased by 120 percent. This development can be attributed to two factors: growth of urban centres and internal migration from rural areas to urban areas. The regional disparity in the urban-rural ratio should also be taken into account. It is important to note that 57 percent of the total urban population resides in the Western Province. Despite a steady flow of migration from rural to urban areas, most Sri Lankans still live in villages.

The rate of population growth that Sri Lanka maintains presently is comparable to that of an economically developed country. The average annual population growth rate in Sri Lanka (1.1 percent) is well below that of most countries in the South Asian region. In the period 1946-1963, Sri Lanka maintained a high rate of population growth, averaging 2.8 percent a year. This was mainly due to sharp decline of mortality after 1946 and high birth rates. The dramatic decline of the mortality rate after 1946 was a result of advances in sanitation and public health and nutrition associated with food subsidy in addition to the island-wide DDT spraying campaign against malaria. Since 1963 the annual rate of population growth has begun to decline steadily. The decline of population growth corresponds to the declining fertility. One of the conspicuous features in Sri Lanka's population trend has been the decline in fertility in the last three decades. The main factors that has contributed to the decline in fertility are postponement of marriage due to economic factors which curtailed the period of the female fertility phase and decline in the proportion of females getting married. Estimated pollution growth for 2005 was 0.79 percent. Presently, the average annual population growth rate in Sri Lanka is well below that of most South Asian countries.

In view of the changed age structure of the population due to reduced population growth, challenges will be created by an ageing population. The share of the age group of 55 years and above in the total population continued to increase at a faster rate than the age group of 14 years and below. As the Central Bank Annual Report 2000 observed, “the continued increase in the share of the older age group warns of potential problems related to ageing of the population. Unemployment, high dependency ratios, land fragmentation, high cost of social welfare such as education, health and housing and problems
associated with an ageing population are some of the socio-economic issues associated with the current structure and trends in population that need to be addressed urgently.”34

Table 3.2: Age Specific Fertility Rates 1963-2000

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<td>15-19</td>
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<td>20-24</td>
<td>228</td>
<td>146</td>
<td>147</td>
<td>110</td>
<td>83</td>
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<tr>
<td>25-29</td>
<td>278</td>
<td>146</td>
<td>147</td>
<td>110</td>
<td>108</td>
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<tr>
<td>30-34</td>
<td>240</td>
<td>158</td>
<td>122</td>
<td>104</td>
<td>98</td>
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<tr>
<td>35-39</td>
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<td>7</td>
<td>6</td>
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<tr>
<td>TFR</td>
<td>5.0</td>
<td>3.4</td>
<td>2.8</td>
<td>2.3</td>
<td>1.9</td>
</tr>
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</table>

Notes: *World fertility survey. **Demographic and health Survey.
Source: Department of Census and Statistics.

In terms of economic indicators relating to growth and development, Sri Lanka can be considered a developing country; its performance in economic development in the last thirty years seems not impressive. Presently, Sri Lanka lags behind many Southeast Asian countries that were well behind Sri Lanka at the time of Independence. Paradoxically, however, in terms of the level of 'human development' Sri Lanka's achievements in the last fifty years are impressive. Generally, the Physical Quality of Life Index (PQLI) which came into parlance in development literature after 1970 corresponds with the per capita income of the country. Sri Lanka entered the new millennium with per capita GNP of $872. But Sri Lanka ranks high on the PQLI and Human Development Index (HDI). In 1997 the HDI was 0.721 (maximum of 1.0). Sri Lanka has a literacy rate of 92.3 percent (2003), one of the highest in the South Asian region, a low infant mortality rate of 1.7 percent (1996) and a high life expectancy rate of 73.17 years (2005). Sri Lanka’s gains in infant mortality rates and maternal mortality rates has proved to be impressive. In 2000, infant mortality rate was reduced to 13 per 1000 live births and the maternal mortality rate to 0.2. This development was due to the prevalence of free and widespread access to free health facilities and success of the public health awareness

programmes. Sri Lanka continues to possess an extensive network of health care services, superior to that of most developing countries.

Table 3.3: Infant Mortality Rates and Maternal Mortality Rates (per 1000 lives birth) 1946-1995

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<tbody>
<tr>
<td>(A)</td>
<td>141</td>
<td>82</td>
<td>71</td>
<td>57</td>
<td>53</td>
<td>48</td>
<td>45</td>
<td>34</td>
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<tr>
<td>(B)</td>
<td>15.5</td>
<td>5.6</td>
<td>4.1</td>
<td>3.0</td>
<td>2.4</td>
<td>1.2</td>
<td>1.0</td>
<td>0.6</td>
<td>0.5</td>
<td>0.3</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Notes: (A) Infant Mortality Rate. (B) Maternal Mortality Rate.

Another important element that has contributed to maintain high HDI is easy access to free education right up to the university level. During the last fifty years, free education has indeed played a very important role as a social leveller. In Sri Lanka, education is generally viewed by many as the only avenue for social advancement. Sri Lanka claims to have 92.3 percent literacy rate; male literacy remains at 94.8 percent and female at 90 percent. However, these figures are somewhat misleading and they tend to conceal certain issues such as the competition and crisis that secondary and university-level education is confronted with presently. "According to a survey conducted in 1997/98, it was revealed that there were about 61,00 non-school going children between the ages 5-14 years. This constituted 1.4 percent of those in that age group." Generally, education claims 2-3 percent of the total GDP. In 1999, the government launched an ambitious programme of education reforms, starting with general education. It plans to extend these reforms to other sections; including university education.

To conclude, the high human development indicators that ranked Sri Lanka high in the PQLI is a result of combination of policies pursued in the social democratic experience of more or less all the successive governments. W.D. Lakshman vividly distills the essence of the lessons of post-1977 policy adjustments in relation to social democratic experience in the form of three lessons. First, "a complete abandonment of welfare policies could not be sustained in spite of the commitment of the regime and the international financial institutions which were behind these policy adjustments, to a policy of 'growth first, and equity later.'" Second, "a commitment to equitable distribution does not, and need not, necessarily thwart economic growth." Third, "it took decades of policy failure for the Sri Lankan society to realise that, given

the heavy costs involved, the running of a welfare state requires also a strong and growing economy. In the particular Sri Lankan context, policies of growth without equity were unsustainable. At the same time, welfarist policies without sustainable economic growth were also not feasible in the long term.”36