

Cost of Sri Lankan racist war equals 18 months of the country's GDP

K. Ratnayake
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The cost of the racist war of the United National Party (UNP) and People's Alliance (PA) regimes against the Tamil masses in Sri Lanka was equal to the value of 18 months of the country's Gross Domestic Product (GDP) by the end of 1996, according to an authoritative study. In 1996 the GDP of Sri Lanka was Rs. 768.9 billion (approximately \$US11.3 billion). This means that the calculable cost of the war from 1983 to 1996 was Rs. 1153 billion (US\$17 billion).

These figures were revealed by Dr. Saman Kelegama, a prominent economist and executive director of the Institute of Policy Studies (IPS). Speaking at a seminar in early February Dr. Kelegama said, "The gross expenditure on war was equal to 160 percent of the GDP of 1996. That means we have lost one whole year and a half of the GDP."

An IPS economic researcher told the WSWs that this was the "least possible calculable" war expenditure. There were more added costs, but these are very difficult to estimate. From 1997 to 1999 the People's Alliance government had allocated nearly Rs. 150 billion (US\$2.3 billion) for the war.

From 1997 the IMF and Sri Lankan businesses have been pressuring the government for a large-scale devaluation of the rupee, the country's monetary unit. While the government has gone for a restrictive devaluation, large-scale devaluation has been avoided because the first casualty would be the defence expenditure. "If devaluation took place, defence spending would rise because most of our procurements are imported," the economist said. It would cause an increase in the budget deficit and a rise in interest rates.

The economist said that when the former prime minister of Singapore, Lee Kuan Yew, visited the country in 1979, he predicted that by 1990 Sri Lanka's per capita income would equal that of Singapore's, or

US\$4,000. On coming to power in 1977, the UNP renounced Sri Lanka's traditional national economic strategy and adopted a new export-based economic policy modeled after that pursued by Singapore and other East Asian countries. However by 1996 Sri Lanka's per capita income had only risen to US\$760 from US\$400 in 1979.

The economist asked: "What about the damaged infrastructure and the cost of maintaining about 750,000 refugees?" Calling attention to one economic indicator, he noted that while in 1982 the country was ahead of Kenya, Maldives and Mauritius in tourist attraction, the situation has now radically changed.

Another organisation, the Marga Institute, has calculated that the combined war expenditure of the Sri Lankan regime and the LTTE totalled Rs.2260 billion (US\$33 billion) for the same period. According to its predictions, if these funds had been invested in the economy, the average growth rate for this period would have been 7 percent instead of 4 percent; the average household income would have increased by 40 percent; and the unemployment rate would be 4 percent instead of the current 12 percent.

The UNP and PA regimes have drained the state coffers for the racist war against the Tamil masses, killing more than 60,000, and displacing nearly 1 million people, creating widespread hunger, malnutrition and epidemics. According to a UNICEF report issued last year, 200,000 children have been affected by the war and 50,000 children have died. At the same time, the UNP and PA ruling regimes drove down the living standards of workers and the oppressed in the South of the country.

During this period the UNP and PA governments dramatically built up their military power, according to the IPS study. By the year 1996 the military strength of

Sri Lanka was higher than countries such as Malaysia, the Philippines and Australia.

Justifying the military expenditure, a defence academy lecturer told the economists' seminar: "Defence becomes paramount when there is a threat, internally or externally. When defence plays such a vital role in society the social contract has to be adjusted." He referred to the "positive aspects" of the military, such as the recruitment of rural unemployed youth into the armed forces and salaries paid to soldiers. He was careful, however, not to mention the death toll in the ranks of the state forces or the criminalisation of society as a whole as a result of the ongoing war.



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