

Aid conference highlights political impasse in Sri Lanka

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A major international aid conference was held in the Sri Lankan city of Kandy on May 16-17, attended by about 120 representatives from 50 countries, including the US, EU, Japan, China and India and financial agencies such as the World Bank, IMF and Asian Development Bank.

Publicly the Sri Lankan government has hailed the conference as a great triumph. Finance Minister Sarath Amunugama described the gathering as a “thumping success” that provided the country with more aid than expected and moreover, without strings attached—not formally at least.

But as the political establishment in Colombo is well aware, significant financial assistance will only be forthcoming if two conditions are met: continued economic restructuring and moves to restart stalled peace negotiations with the Liberation Tigers of Tamil Eelam (LTTE). These measures, however, have heightened social and political tensions on the island, including within the government itself.

The Kandy meeting was the first since June 2003, when donors gathered in Tokyo to pledge \$4.5 billion in aid, and the first to be held in Sri Lanka itself. Virtually none of the promised aid has been released as it was tied to the resumption of talks with the LTTE. Kumaratunga in alliance with the military top brass and Sinhala extremist groups waged a vicious campaign against the ruling United National Front (UNF) and the peace process and finally sacked the government in February 2004.

Having narrowly won the April 2004 elections, the United Peoples Freedom Alliance (UPFA) found itself in difficult financial straits and under pressure from business leaders to resume talks with the LTTE. Kumaratunga made an abrupt about-face and declared her intention to restart the peace process. A year later, no progress has been made. The Sinhala chauvinist Janatha Vimukthi Peramuna (JVP), a key component of the UPFA, has opposed any, even limited concessions to the LTTE.

The country’s financial crisis has been intensified by the tsunami disaster, which killed nearly 40,000 people, disrupted the lives of more than one million and caused damage estimated to be at least \$1.5 billion. A promised \$1.8 billion in international tsunami aid has been held up by the failure to establish a “joint mechanism” with the LTTE to distribute the

assistance. At the same time, there is growing popular anger and disgust over the government’s failure to alleviate the suffering of tsunami victims and begin any meaningful reconstruction work.

The highly-charged political situation and the deep divisions within the ruling elite were openly displayed during the deliberations of the Kandy conference. The opposition United National Party (UNP) did not attend and instead launched a campaign to bring down the government. The pro-LTTE Tamil National Alliance (TNA) did not participate either, reflecting LTTE criticisms of the government’s failure to reach an agreement over the distribution of aid.

Kumaratunga used the occasion to make an unprecedented appeal to the assembled international representatives for help in her attempts to set up a joint aid body. Her government faced “sometimes difficult decisions, sometimes dangerous ones,” she lamented. Kumaratunga blamed not only “terrorist extremes from north and east”—a reference to the LTTE—but “other extremes from the so-called south”—that is her ally, the JVP, and other chauvinist organisations.

Kumaratunga attempted to reply to the JVP’s argument that a joint mechanism would give international recognition to the LTTE. Rather than being a concession to the LTTE, she declared, “the LTTE has accepted to work within the framework of the sovereign state of Sri Lanka”. Within days, however, the LTTE issued a statement denying any such compromise on its part.

The JVP’s representatives sat silent in response to Kumaratunga’s speech. Intense diplomatic efforts had been made prior to the conference to mute their opposition to the joint mechanism. A JVP minister was given the opportunity to brief delegates about the impact of the tsunami on fishing and a JVP delegation is touring Japan at the invitation of the country’s special peace envoy Yasushi Akashi. Following the conference, however, the JVP issued a statement criticising Kumaratunga for “airing internal differences”.

One reason for the JVP’s discomfort was a speech to the conference by Athuraliye Rathana, a Buddhist monk and MP for the Sinhala extremist Jathika Hela Urumaya (JHU). The JHU and JVP are engaged in rival campaigns to whip up communal sentiment by denouncing attempts to restart the

peace process. Soon after Kumaratunga's speech, Rathana demanded the floor and launched into a tirade, denouncing the LTTE as "terrorists" and condemning the joint mechanism.

While praising donors for their financial aid, he appealed to the audience to place tough new preconditions on the LTTE for any negotiations. "If the international community is forcing Sri Lanka to negotiate with a terrorist group like the LTTE, they must help us to destroy their base and disarm them." In other words, the LTTE must give up their weapons and bases before any talks—a demand that is tantamount to surrender. These comments will no doubt put pressure on the JVP to intensify its own chauvinist campaign so as to undercut the JHU.

Far from solving the government's political problems, the aid offered at the conference is likely to intensify them. Emerging from closed-door deliberations, Finance Minister Sarath Amunugama told a press conference that donors had made pledges and commitments "exceeding \$3 billion in view of the tsunami reconstruction and other development programs". He boasted that for 95 percent of the assistance "there are no loans and there are no repayments also. There are absolutely no conditions for disbursement of these funds to the government."

Firstly, it should be pointed out that the "new" package includes the \$1.8 billion previously pledged in tsunami relief. According to some reports, as little as \$55 million of the initial relief package has been released and spent despite the desperate needs of tens of thousands of tsunami victims. Secondly, as Amunugama himself was compelled to admit: "Unless we go on the path of negotiations [with the LTTE], many of these pledges and funding will not materialise."

Praful Patel, the vice president of the World Bank's Asia desk, spelled out the situation: "We are not imposing conditions on Sri Lanka. But the international community is keen to see that a government concludes a deal with the Tigers [LTTE] on sharing tsunami aid." He warned: "Sri Lanka cannot take international donors for granted... For many development partners, Sri Lanka's peace process is at the core of their interest in Sri Lanka."

Patel's comments serve to highlight the fact that the real concern of the major powers and financial institutions is neither peace nor the welfare of tsunami victims. The country's long-running civil war, which was ignored for years by the "international community," is now regarded as an obstacle to exploiting the island's cheap labour and resources, and a destabilising influence in neighbouring India, the focus of increasing foreign investment.

As well as pushing for a peace deal, the major powers are demanding that the government accelerate economic restructuring and rein in social spending. The reports prepared by the World Bank, National Council for Economic Development (NCED) and Asian Development Bank (ADB) insisted that the government maintain its budget deficit targets, economic reforms and labour regulation reforms.

In her speech, Kumaratunga indicated that the government

intended to proceed with the restructuring of key government ventures, including petroleum and electricity, but would retain them under state control. The UPFA is already confronting opposition and protests from oil and electricity workers concerned over the loss of jobs and conditions. No doubt behind closed doors, the representatives of global finance capital demanded far tougher measures from Sri Lankan ministers.

Although not invited to the conference, the LTTE urged the resumption of peace talks. Norway's special envoy Erik Solheim met the LTTE's top negotiator Anton Balasingham in London prior to the conference. Balasingham welcomed "the donor community's commitment to joint [aid] mechanism between Sri Lankan government and the LTTE". He also indicated concern over the growing disaffection among Tamils, saying "they desperately need international donor assistance".

There is no indication, however, that Colombo or the LTTE are close to restarting the peace process. The ruling UPFA is deeply divided, with the JVP threatening to pull out if a joint aid mechanism is established. Both Kumaratunga's own Sri Lanka Freedom Party and the opposition UNP are steeped in Sinhala chauvinism and therefore concerned that any concession to the LTTE will strengthen the hand of their rivals.

The protracted political stalemate is generating deep concerns in business circles. Just before the aid conference, the Joint Business Forum (Jbiz) of leading business organisations issued a statement criticising the government and the opposition for jeopardising much-needed foreign aid. An editorial in the *Daily Mirror* on May 24 went one step further, calling on corporate leaders to withhold "support and cooperation to any of the parties that refuse to extend their support and cooperation to solve the national problems".

Neither Jbiz nor the editorial writer had any advice to offer on how to end the present political and economic crisis. The impasse simply underscores the inability of any section of the ruling class to meet the basic needs and aspirations of ordinary working people for peace, democratic rights and a decent standard of living.



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