



Center for Strategic & International Studies
Washington, DC

Statement Contributed By Milinda Moragoda

Minister For Economic Reform, Science And Technology And Deputy Minister Of Policy
Development And Implementation Of Sri Lanka At A Seminar On Sri Lanka

February 14, 2003

Fifty years ago the per capita income of Sri Lanka was at the same level as countries such as Taiwan and the Republic of Korea. We emerged out of colonial rule with a developing infrastructure and the foundations for an efficient public service and a strong education system. We were a multi ethnic, multi religious society poised to convert our new found independence and self confidence into economic success and prosperity.

Unfortunately today we are near the bottom of the Asian economic league with our economy in tatters, society divided along ethnic, class and religious lines. Our society is demoralised and our people have lost their sense of self confidence, our education system barely survives and post independence Sri Lanka has left a trail of lost opportunities. Indeed ethnic and cultural diversity which should be our biggest strength was exploited by our politicians and projected as a weakness.

What caused our fortunes to change so tragically? The reasons are complex but they include bungled social engineering, a lack of social solidarity, chauvinism, political interference, and greed. The end result was that we lost our self confidence and a country which even Lee Kuan Yew, former Prime Minister of Singapore, referred to as a role model never realised its potential. In fact today Lee Kuan Yew refers to Sri Lanka as a country which can be used as a case study to learn from the mistakes.

Today we have the opportunity to start again. We have to address the root causes behind a twenty year war and a longer period of ethnic mistrust and bring hope back to a country where a majority of our people are in a poverty trap. They are also disillusioned with their political representatives whom they believe are only interested in their own selfish gains. There is no doubt that every Sri Lankan believes it is our last opportunity to get things right.

To do this we have to build a national consensus where all communities and political interests are properly represented within a united Sri Lanka. This is what our Prime Minister campaigned on during the General Election of 2001 and this is now what he is implementing.

Without the international community investing political and economic capital in this process it is doomed to fail. We are especially encouraged by the support of so many in the international community including the United States, India and Japan besides Norway which we all know is playing the critical role by facilitating the peace process. Even Asian countries like Thailand are playing an innovative role. Many in the international community now look to us as a beacon of hope in an otherwise dismal international landscape.

During the latter part of last year Japan took a historic decision when the Cabinet of that country appointed Ambassador Yasui Akashi as a special envoy to assist Sri Lanka in the humanitarian and the economic aspects connected with the peace process and national reconstruction. Mr Akashi's appointment symbolises a new phase in Japanese foreign policy in which that country took a decision to get involved in a peace process prior to it reaching the post conflict phase. On the 9th and 10th of June this year Japan will be hosting an international donor conference on the reconstruction and development of Sri Lanka. Prime Minister Koizumi will be addressing this gathering himself.

Prime Minister Wickremesinghe's visit to the United States last year and his meeting with President Bush laid a new foundation for US/Sri Lanka co-operation. The signing of a trade and investment framework agreement (TIFA) at that time has created the basis for increased trade and investment cooperation between the two countries. In addition, visits by teams of experts to Sri Lanka to assess needs relating to the economy and national security have laid out the contours for future co-operation in these spheres. Visits by Deputy Secretary of State Richard Armitage, Assistant Secretary Christina Rocca and Deputy Trade Representative Ambassador Jon Huntsman to Sri Lanka in the last year helped to develop a future roadmap for this important bi-lateral relationship. In this context a key milestone was the participation of Deputy Secretary of State Richard Armitage at the special donor conference in Oslo last November.

The Prime Minister and his team has also been responsible for further broadening and deepening the bi-lateral relationship between India and Sri Lanka. India forms the cornerstone of our foreign, national security and economic policies. In the new globalised world the Prime Minister sees Sri Lanka as the economic hub for the Indian subcontinent. Symbolically the Prime Minister's first foreign visit upon taking office was for bilateral consultations with Prime Minister Vajpayee in Delhi. And Foreign Minister Yaswant Sinha's first foreign visit was to Sri Lanka. I have visited India on five occasions last year

for both consultations on the peace process and also to move the bi-lateral agenda forward to further our Prime Minister's vision.

Initiatives in this direction include the proposal to convert the existing free trade agreement between the two countries into a comprehensive economic partnership agreement that would cover all spheres of economic activity. And an initiative to establish a land bridge linking the two countries as well as multi faceted initiatives to increase cooperation in investment, information technology, tourism, communications and surface and air transport. In the field of national security co-operation too Sri Lanka and India have made much progress over the last year.

In addition a decision to remove visa requirements for Indian tourists coming into Sri Lanka has resulted in many middle class Indians choosing Sri Lanka for their vacations. As a result tourists from India, earlier not considered to be worthwhile, have become one of Sri Lanka's most important market segments. The fact that India was one of the first nations to provide development assistance to aid our reconstruction effort is a concrete manifestation of this new phase in the Indo Lanka relationship.

Turning now to the conflict in Sri Lanka, for some years we had recognised that a new approach was needed. Just over a year ago we had the opportunity to do something different and entered into what could be long and protracted peace negotiations with the LTTE. After twenty years of war neither side could win through military means. This conflict could not have winners and losers. To succeed we had to have a win win outcome. We had to find another solution and opted for the negotiated approach. We were fortunate to have the support and attention of the International community for the first time. Before that ours was the forgotten war.

We entered the negotiations, as Kim Dae Jung, former President of the Republic of Korea said when he made his historic visit to North Korea with "a warm heart and a cool head". When I mentioned this to a foreign colleague of mine, he said: "add a deep breath to that as well."

Recent events in northern and eastern Sri Lanka have shown how important the deep breath will be.

Of course the warm heart refers to a genuine desire for peace. But that desire must also be tinged with the realism that we are nation building once more. Our task is to unite our multiethnic, multicultural and multi-religious country into one equal, fair and tolerant society. One within which each community has the freedom and flexibility to maintain their identity and realise their aspirations free of oppression and discrimination. If we do that then war will be a thing of the past.

The cool head relates to our need, after twenty bitter years, to keep up our guard. We have had ceasefires in the past and they have been broken. People have died unnecessarily because the government didn't keep up their guard. We don't intend to make that mistake again. We have chosen to keep our armed forces in place and to protect their integrity. We will not drop our guard until a peaceful solution is finally agreed.

In a sense of new found realism, neither can we expect the LTTE to drop their guard until a lot more trust building has taken place. So those in our country who demand that the LTTE hand over their weapons understand very little of the dynamics of these negotiations.

It was John F. Kennedy who said in his election address of 1960 that “It is an unfortunate fact that we can secure peace only by preparing for war”. As we have maintained our guard so the last year has been about trust building. We have succeeded in moving from mutual suspicion to mutual caution. In this context President Ronald Reagan’s famous comment to General Secretary Gorbachev “Trust but verify” comes to mind. Much more of that has to happen before both sides can hope to say that peace is truly achievable. In that context the Permanent Ceasefire Agreement, signed on the 22nd February last year was a major breakthrough.

It was through the Permanent Ceasefire Agreement that we opted to ‘take that deep breath’ and with the help of the Norwegian Government to move the peace process forward. Right from the outset the LTTE and the Government took a pragmatic and proactive approach to trust building. Several joint mechanisms were set up to address areas such as immediate humanitarian support, resettlement, security issues, as well as women’s issues. There have been problems. The Sri Lankan Monitoring Mission from the Nordic countries has been on the frontline of monitoring the ceasefire often risking their lives and on many occasions the agreement has been broken. Child conscription, extortion and allegations of arms smuggling by the LTTE have been areas for recent concern. But during the last session of talks these matters were discussed in depth with the LTTE. As a result the Government and the LTTE have invited UNICEF to help in developing a roadmap to end child conscription and to look into the area of welfare. We have also invited a former Secretary General of Amnesty International, Mr Ian Martin to advise us on developing a programme for the human rights aspects of the peace process. Intense discussions are taking place on the other issues that I have highlighted above.

As tempers are still frayed there have been other incidents on both sides. Nevertheless we continue to talk rather than fight. This is the important difference. Those incidents will take place and if both sides act responsibly and maturely we would hope to see the trust build and a decline in incidents both in number and severity. But the reality remains that we have a long and uphill road ahead of us.

One area in which we have to do a lot more work is to build a consensus between the politicians as well as civil society in the South, to seek to invoke a non partisan approach and to seek out new solutions to many long standing problems. It is important that we seek some level of consensus between the politicians before we take any peace proposals and solutions to the people for their approval. The Prime Minister is working hard to reach across that political divide and build agreement with politicians of all parties.

In the last year the road to peace presented many challenges and difficult choices. For example soon after the signing of the Ceasefire Agreement we had to deal with the issue of de-proscription of the LTTE. There was much debate on this issue. Many in the country did not believe that the LTTE had demonstrated enough sincerity to justify such a decision. But the bold step taken by the Government in this regard was a leap of faith which laid the foundation for the talks to begin.

As the film maker, Robert Altman, once said “You don’t change people’s ideas through rhetoric but by altering their way of looking at things. You will only get rid of war when you get rid of the pageantry surrounding it”. Meanwhile some detractors are concerned as to whether the final solution will divide the country or not. Before the ceasefire if you were to go to the North and East you would have seen a country already divided. A country driven apart by boundaries between Government and LTTE held areas. A further consequence of our civil war was a traumatised society divided along ethnic lines. In the ultimate analysis Sri Lanka was a divided society both geographically and emotionally. With such an appreciation of the situation on the ground it becomes clear that what this Government and our Prime Minister are trying to do is to re-unite the country.

Nor must we forget that it was President Chandrika Bandaranaike Kumaratunga who initiated this peace process by bringing in the Royal Norwegian Government as facilitators to help us solve our conflict. And with good reason for they have a track record of helping warring parties across the world to come together and seek a peaceful solution. As we pilot a difficult peace process while seeking to engage in a fragile co-habitation between the Presidency and the Parliament that is held by two different political parties the Prime Minister has always sought to give due credit for the role of the President and the opposition in starting the peace process in this way. In every corner of our deeply divided society we must look for win win solutions and a zero sum approach can only divide us further.

Likewise the Sri Lanka Monitoring Mission which is made up of people from Norway, Denmark, Sweden, Finland and Iceland has worked tirelessly and often in dangerous conditions to keep the Ceasefire Agreement on track. Those who were once suspicious of their role now quote their reports freely. Throughout this period we have had to endure those who were suspicious of the process. People who were frightened that the LTTE were deceiving us or who felt that their own vested interests were being undermined. Those detractors have had their case strengthened from time to time by events in the North and East. It serves the cause of peace little purpose to allow those incidents to continue especially if it gives the siren voices a foundation from which to build their case.

Of particular concern is the view that our armed forces take of such events. For twenty years they have had to face and fight the LTTE and amongst them the mistrust is greatest. Over the past year they have shown tremendous restraint and we applaud the way in which they have handled the most difficult of situations. But ultimately this peace process is about them. It is about seeking a way to end the war, to return them to a normal life where they can be with their families and to create a prosperous and peaceful society for them to live in.

Many of the families most affected by the war live in the North and the East where the level of destruction as well as disruption to normal life has been severe. Equally badly affected have been the families of the poor living in the South of the country. For that is where most of our soldiers, sailors, airmen and policemen and women come from.

As they have fought a bitter war the body bags were returned to families who were deprived of the very person who might have helped them rebuild their futures. Sri Lanka's war has been a poor man's war although many from the middle classes and the governing classes too have sacrificed their lives in this bitter conflict.

Today many question if their lives are getting any better. In one recent survey of people living in the South there were some disturbing comments coming from ordinary people. One person said that "We do not know about peace. We only know that the cost of living is going up." Another commented that "We do not even have the time to check on peace. We are struggling with the war of living."

Whilst another said that "We do not know what is happening in this country. The only thing we know is that we will not have anything to eat and drink finally." It is to this aspect of the Peace Process that I would now like to turn.

After twenty years of war our economy has been devastated. Although the economic statistics for the third quarter of 2002 look encouraging the economy grew 5.3% during that quarter from a negative economic growth in the previous year. Inflation has been brought down to 9.6% from 14.5% and the budget deficit from 10.9% to 8.9%. Much of the economic growth for this quarter came from the service sector. This includes the fact that businesses can now operate throughout the country when before nearly a third of the country was not available to them.

In addition tourism appears to have grown by around 86% and the telecoms sector by 16.5%! Unfortunately this growth is not evenly distributed throughout the country. In addition the stabilisation measures instituted by the Government with IMF support resulted in all global commodity prices being passed straight to the local consumer.

The cost of living has begun to rocket and the people are increasingly frustrated. Furthermore the transitional dislocations associated with privatisation, deregulation and reforms have begun to bite. The poor of our country who expected a quick peace dividend are becoming increasingly impatient and frustrated. The Government is committed to our ambitious reform programme. We believe that long term gains require short term sacrifices. However it is imperative that we show the poor of Sri Lanka some level of hope in order to inspire them to stay the course. The prospect of a war in the middle east which would entail increased petroleum prices destabilisation in the tea market and a possible impact on foreign remittances from Sri Lankans working in the middle east is a serious threat to our fledgling recovery.

In the North and the East the whole zone is littered with hundreds of thousands of landmines which have made farming a dangerous occupation. In the past for security reasons the fisherman were prevented from fishing. Many of the towns and villages were razed to the ground or at best badly damaged. The concerns of the people in the North and the East are now turning to the economic struggle to survive.

In the South many families have lost loved ones. The infrastructure is in poor condition and many of our families live on just a few rupees a week. Many of our children are malnourished and crime is on the increase as drugs and alcohol become the main source of comfort for a despairing youth.

Adding to this problem are the many hundreds and thousands of internally displaced people wishing to return to their homes in the North and the East. Whilst we have had some success in returning these families, many more have yet to be returned to their homes. It is against such a backdrop that the peace process has to find a way forward. If we are to succeed much relies on finding the elusive peace dividend that I mentioned earlier on which people can rebuild their lives.

Nevertheless in just a few short months we have shown that there can be economic development. Without that economic development peace will be harder to achieve. The people feel as though we already have peace and it is our job to continually remind them that as yet we still have a cease fire only. And so it is that they continue to ask why it is that after a year of peace they are not reaping the benefits. The people are impatient and we have to manage expectations.

The international community has played a critical role in keeping the peace process on track. Despite the inevitable distractions elsewhere in the world we need that engaged approach to keep both the Government and the LTTE clearly focused on moving forward.

We have to pursue de-mining in the war affected areas with real vigour. We must rebuild our schools and our hospitals. We have to return people to their homes and create real jobs for them to be able to feed their families. In the South we have to alleviate the poverty and bring industry and businesses to the villages. And we have to do it now.

We do not shirk away from tackling these problems. But it is made more difficult because we do not have the expertise or the capacity to do these things alone. Many agencies have agreed to help us when peace returns to our land but that could be some years away.

But what we need is that support now for without it we cannot bring the much needed peace dividend to the people. That is why the Donors Conference in Oslo last November was so important to us and it is why the Donors Conference in Tokyo in June will be so critical to the Peace Process.

For our part we continue to work hard towards creating the right environment for peace. Our economic reforms are moving forward and we are opening up Sri Lanka to the rest of the world. The Prime Minister has instigated a reform package called 'Regaining Sri Lanka' which seeks to create two million new jobs, to control public debt, to reconstruct all of our country and to raise productivity. We will continue to pursue these policies vigorously and to bring hope to our people. In the coming months prior to the Tokyo conference we hope to provide a poverty reduction and growth facility (PRGF) with the IMF. This we hope will provide the framework for further donor assistance from the international community.

Meanwhile the international community must focus on three key areas of support: As the focus of the world turns to other areas of conflict and uncertainty it should not be assumed that peace is guaranteed in Sri Lanka. Without continued world scrutiny, political support our peace process could easily slip backwards into war once more.

Then we need help to revive our economy. We need the experts and know how to help us. Also, the financial support to give us quick gains on the ground that will relieve the unease of the people. As we rebuild our infrastructure, our economy will grow more rapidly and we are determined to wean ourselves from that support that much more quickly.

And we need the continued support to attract world class businesses that will help our economy to grow and play its role in this globalised world. Improved market access for our products and services, especially to the US market where 41% of our exports (valued at \$ 1.9 Billion) are destined, will help us achieve the 8-10% growth that is required to take our country forward. In return we can provide a willing and eager workforce ready to take on the investor challenges thrown at us.

The task ahead of us is still daunting but the signs of hope are there. We can show the world that conflict can be resolved and people can live in peace in a multiethnic democracy where, free markets and private entrepreneurship flourish. Such noble aims can be achieved through resolve, partnership, hard work and understanding by us and the world community to regain Sri Lanka.

Thank you.