

HOW DEVELOPMENT CAN UNDERMINE PEACE

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When the UNF government was elected in December 2001, one of the interesting debates that emerged was on why the southern electorate voted the UNF back into power. Was it because of the voters' desire for a political solution to the civil war or were the reasons basically economic?

This question assumed particular significance in view of the fact that the December 2001 elections took place in a context of a severe economic crisis that affected all social classes. The year 2001 has gone down in our history as the only year that recorded a negative economic growth. The overall economic downturn had an impact on all social classes right down to the village level. With regard to the war, there was also no end in sight. The military effort of the UNF government had reached a dead end. There was, in fact, a military stalemate between the LTTE and the Sri Lankan government. The war was also making economic recovery a difficult task. Therefore it was the presence of both these factors, the economic crisis and the stalemate in the war, that led to the discussion on what really motivated the southern electorate to support the UNF in December 2001.

Now, looking at what happened to the UNF in the last elections in April 2004, it is possible to give a better answer to this question. The UNF government certainly achieved a lot in the peace process. It managed to get a CFA signed, establish the SLMM, get the ban on LTTE lifted, hold several rounds of discussions with the LTTE, mobilise international support for the peace process and have an agreement with the LTTE to find a solution within a federal framework - although it is not clear how strong this agreement is. There is a solid social base in the South against the resumption of the war despite the increased activities of Sinhala extremist groups.

However, these achievements in the peace process did not enable the UNF to win the last elections. Why? Of course there were problems with the manner in which this election was called and it also had its own share of the electoral malpractices which have become a permanent feature of Sri Lankan electoral politics. But these factors should not blind us to the fact that the southern electorate rejected a government that had achieved so much on the peace front.

The usual answer of my conflict resolution friends to this question is that although the UNF achieved a lot in the peace process, it did not do enough to communicate these achievements by taking people into their confidence, and developing a social base in the South for the peace process. Often they point to the contrasting example of how the PA behaved in a parallel situation when they launched the 'Sudu Nelum' movement.

However, this line of thinking totally ignores the economic context in which the UNF launched the peace process and the social impact of UNF economic policies on the southern electorate. In hindsight one can argue that the UNF actually did not have a strategy to create a social base for the peace process in the southern electorate. The UNF economic policies were dominated by the interests of the big capitalists and informed by the traditional trickle down growth theories. These policies alienated many who could have formed the social base for the peace process among the southern voters. Looking back at the experience of these two elections, it is even possible to argue that what the southern electorate wanted in December 2001 was an end to the war so that their living conditions could be improved.

UNF development policies and their basic assumptions

The UNF development policies were spelt out in a document titled *Rejoining Sri Lanka*. As with any other policy document, there can be many discussions about this document as well, such as the discourse that dominates it, its theoretical and conceptual assumptions, the politics of producing it, how it came to be written, who participated, etc, are some relevant questions. However, what interests us here is the question whether its basic ideological assumptions and the prescriptions it provides are adequate to create a social base for peace.

The following are some of the key assumptions of this document.

- Clues to a key assumption are found in the second paragraph of the introduction. It states, "Sri Lanka began to liberalise its economy in 1977. Since then it has made considerable progress. However in recent years that progress has slowed, if not come to a virtual halt compared to many other countries." The subtext of this statement is, that the post 1977 shift in the development policies has been basically positive, but there have been some problems in recent times. The policies in this document were meant to overcome them. Then what Sri Lanka needed was more of the same from the past UNP policies of economic liberalization, but implemented more systematically and successfully.

This basic assumption runs right through out the report. Hence it precludes a critical look at the post 1977 period to ask whether those policies had anything to do with the myriad of conflicts affecting our society.

- The other basic preoccupation of the document is the need for economic growth. The objective was to achieve a 10 per cent

growth rate. The usual examples of East Asian neighbours are brought in offering us models to follow, devoid of any discussion of the historical experiences of those societies. Basically the 'growth fetishism' that preoccupies mainstream economists dominates the report. There is no discussion on how this desired growth or the process of achieving it relates to conflicts.

The un stated assumption in the document is that the absence of economic growth is a major reason for conflicts: Generating economic growth can lead to taking care of factors that underlie conflict - an idea that has been questioned by many social scientists studying conflicts.

- The biggest flaw of the document was on the social side of its analysis. It was addressed through the notion of poverty and poverty profile. This is a usual number crunching exercise with the data from the Department of Census and Statistics, not giving us any clue about the social characteristics of the poor - leave alone who in society has been affected by the conflict.

In a report that was to be a part and parcel of a policy package prepared for taking a country through a difficult peace process suggesting fundamental reforms both at the level of state and society, one expected a much more historically rooted analysis giving a nuanced picture of how people had been affected both by twenty-six years of the liberalised economy and twenty years of the civil war. But the ideological assumptions about the economic model and methodology used has prevented such a broad analysis.

- Finally, the idea was how to link these poor to the intended growth process by investing in various areas so that they could benefit from the expected growth. There we have the standard prescriptions often offered by the donor agencies.

Each of these basic assumptions of *Regaining Sri Lanka* can be questioned. The liberal capitalism of the post 1977 period has had much negative impact on southern society. Growth of inequality, dismantling of rural livelihoods, political decay, development of an extensive patronage system and political violence are some of the features that characterise this period. Although economic growth is important, it is almost naive to focus only on that in a society that has been devastated by multiple conflicts. Who are the people suffering has to be understood through a much more fine-grained analysis of society, going beyond number crunching. Finally there has to be a much more concerned intervention on behalf of the poor if they are to get out of morass that they are in.

Basically *Regaining Sri Lanka* did not give a vision of a development policy that would be an answer to the complex processes of transition that Sri Lanka has to go through in seeking peace and development. It has all the hallmarks of a document heavily influenced by technocrats, consultants, mainstream economists and the donors.

The principle thrust of the policy frame work in *Regaining Sri Lanka* was to remove the fetters that have prevented markets and private sector from developing. The idea was to generate economic growth through further liberalization, link the poor to this growth process and improve certain support services so that the poor can benefit from them. Within this highly economic discourse there was no discussion of conflicts at all. The implication was that this process of promoting capitalist growth was going to be without struggles, conflicts, etc. Conflicts figured in a small section of the document primarily devoted to rehabilitating the North/East.

Politics of donors

A major characteristic of the UNF peace and development strategy was the extensive 'internationalisation' and the heavy involvement of donors. Securing donor funding became the principal selling point of the peace process. Hence a look into the role played by the donors in the process of formulating the development vision is important. This demonstrates an important aspect of the politics of aid agencies in this peace process.

Since the beginning of Sri Lanka's liberal capitalism in 1977, aid agencies have begun to play a significant role in this country. Usually the influence of donors is discussed only by looking at the flow of resources. However, at present the donor influence is much wider in scale.

At the level of the state, in addition to their influence through the provision of resources, the donors have an influence in the policy making process. The ability to raise funds provides legitimacy to the states of aid-receiving countries among the institutions of global governance; ultimately this has an impact on sovereignty and security of states. At the level of civil society, donors have been responsible for the sustenance and activities of many NGOs and organisations. The very emergence of these organisations has led to a significant social change. Even at village level, the donor influence is visible. For example, compared to the 1970s it is impossible to carry out a village socio-economic study today without taking into account donor-supported projects. Finally, many of the ideological debates in Sri Lanka are now influenced by ideas that come through development assistance. In short, the impact of development assistance and agencies involved is so pervasive that it has to be treated as an 'internal' factor in Sri Lankan politics.

Although the donor involvement has expanded since 1977, donors for a long time ignored the political instability and civil war that affected this country in the post 1977 period. The inauguration of the period of liberalised capitalism coincided with the Sri Lankan Tamils contesting an election on a separatist platform. Immediately after the 1977 election, the country was affected by several rounds of ethnic riots and violence. Riots in August 1977, 1981 and 'Black July' of 1983 are the key events of violence that affected the South. In the meantime, military confrontation between the Tamil militant groups and Sri Lankan Army escalated. The Southern politics also turned violent.

attack on strikers and students in the eighties, the notorious referendum in 1982, the period of violence accompanying the Indo-Lanka Accord and the JVP violence from 1987 to almost to the end of the 1990s characterised this period. Despite this violence, instability and civil war, the Sri Lankan ruling elite managed to secure development assistance at a considerable level throughout this period. Donors, especially the big multilaterals, were not much concerned with these developments, as long as the elite pursued the economic policies begun in 1977.

However, this situation could not last for ever. A number of developments both inside and outside the country helped to introduce 'conflict sensitivity' into the discourse of donors. Internationally, the spread of internal conflicts in many parts of the world, and internally the combined affect of southern violence and LTTE/IPKF clashes in the North/East and the entry of Indian troops to Sri Lanka, opened the eyes of aid agencies to conflict and instability in the country. The governments of some of the more politically sensitive bi-lateral aid agencies began to take note of the situation in the country. Activities of a small but active group of civil society organisations from the North and the South, together with their international friends, also began to have an effect on donor thinking. Due to these factors, from somewhere around the beginning of the nineties 'conflict' became a key issue in framing the interventions of almost all aid agencies.

Despite this new-found sensitivity to conflicts, the behaviour of aid agencies during the UNF regime shows how shallow these concerns have been. This is especially true of major multilateral agencies like the World Bank, IMF and ADB. Their role basically amounted to fully supporting the agenda that emerged from the UNF, which had very little to offer in developing a base for peace in the southern electorate. A perusal of the documents that came out of these agencies demonstrates how satisfied they were with the ruling group that dominated the UNF. In fact some even went on to praise the ruling group in technical documents, a thing not often found with aid agencies.

The politics of these agencies during the UNF period simply amounted to trying to revive the economic reform agenda that they had already initiated but which had got undermined to a certain extent because of the civil war. There was very little to offer outside this agenda. Hence once the CFA created stability, these agencies actively pursued the economic reform agenda which was already set. This was the beginning and end of the conflict sensitivity.

Alienating the social base for peace in the South

The UNF while achieving much in the peace process, undermined within a short period of time the social base for peace in the South due to this approach to development. Its first priority was to facilitate capitalist growth, which meant taking measures to enhance the interests of the private sector. The ideological basis on which the UNF operated was such that it could not do anything else. After all, the growth/trickle down theory

tells us that we have to promote the growth first before doing anything else. As a result of this economic policy, the social classes that had been severely affected by the 2001 economic crisis did not get any benefits. There was no peace dividend for these people. In fact, in the South the peace dividend got equated with donor funding channelled to North/East rehabilitation.

Politically, what was detrimental for the UNF was the alienation of significant sections of the Sinhala peasantry, salaried employees of the state sector and the working class. In the formation of the post-colonial Sri Lankan state, there has been a special relationship with the Sinhala peasantry. This was reflected in almost all aspects of state policies including the political structure of the state, economic policies and ideological orientation. The centralised state that undermined the rights of minorities has been an integral element of this special relationship.

This special relationship between the state and the Sinhalese peasantry came under attack in the context of the struggle of the Sri Lankan Tamils for reforms of the centralised state as well as the impact of globalisation. Reforms under globalization had gradually made smallholder agriculture, the principal source of income of this peasantry, unviable. Consequently the peasantry has been a class reeling under the impact of recent economic changes. Even then, due to their sheer numbers the support of this class is essential for sustainable peace.

Salaried employees of the state sector form a part of what some Marxists called the intermediate class. This class expanded during the period of state-dominated capitalism. Even during the post 1977 period this class has expanded partly due to the political difficulties facing large scale retrenchment in the state sector, continuous dependence on the state sector for various aspects of services and the dominance of patronage politics of the political class that continues to use the state as a means of giving employment to their supporters.

However, in the post independent period intermediate classes have been an important element of the class block that has ruled this country. A colonial bourgeoisie that had accumulated wealth during the colonial period inherited power from the colonial masters. Their political dominance could not be maintained in the context of universal franchise and regular elections. The class that rose up through the electoral process to share power with the colonial bourgeoisie was this intermediate class. It is difficult to ignore them in the context of the significant transformation of the state which is entailed in the peace process.

Meanwhile, the organised working-class has expanded due to the impact of liberal economic policies. The expansion of various sectors of the economy under these policies has increased the absolute numbers of the working class. Therefore they too cannot be ignored politically.

Some of the policies adopted by the UNF in 2002-2003 have had a direct negative impact on the well-being of these classes. The removal of the fertiliser subsidy, the large scale retrenchment of state sector employees and reforms carried out to the Termination of Employment Act can be cited as examples of such policies. However what was important was not the direct impact of these policies. The problem was adherence to an ideology that did not give any impression that the government cared about these vital sectors of the population, whose support was needed for the peace process. The basic idea was; "support the policies benefiting the interests of big business, it will benefit all in the long run and bring about peace and development."

These criticisms of the basic vision of the UNF should not be taken as an argument for continuation of the past policies in relation to these classes. There is no way that the Sri Lankan government can subsidise the smallholder peasantry as in the past. Even the peasant population cannot uplift itself from poverty through the maintenance of such policies. The Sri Lankan state has to be reduced in size and made more effective. The working class has to come to an agreement with the capital for the further expansion of productive forces under capitalism. But all these reforms involve a complex process of political bargaining. A document like *Regaining Sri Lanka* written by a group of consultants and technocrats supported by donors cannot even begin to fathom the historical process involved in such a transformation in the context of Sri Lankan society.

Unfortunately civil society groups preoccupied with conflict resolution, without looking at social justice issues, have also been working within this basic political framework. In fact, in the recent past such an approach has led to a certain degree of parting of the ways between those groups interested in conflict resolution and others focusing on social justice. This trend will get further strengthened if conflict resolution simply amounts to getting an agreement between the LTTE and Sri Lankan government. In such a situation conflict resolution organisations are undermining the independent agenda of civil society in favour of the agenda of the political actors either enjoying or vying for state power.

Current policies and future dangers

The behaviour of the UPFA government shows that it understood at gut level the importance of social classes that were alienated from the state, as a result of UNF policies. Therefore, it has quickly implemented several policy measures to satisfy the interests of the peasant and intermediate classes: reintroduction of the fertiliser subsidy, recruitment of graduates for state employment and retreat from further privatisation at various examples. But most of these policies seem to be ad hoc and contradictory. The need to manage an unwieldy coalition government and the usual tendency of the political class to spend non-availability of resources has made the situation even more precarious.

Adding to these complexities on the economic front are the problems with the peace process. While it is clear that the groups closely associated with the President who are keen to see the negotiation process, basic lack of trust between the leadership of the UPFA regime and the LTTE, internal contradictions within the ruling regime, uncertainties in the East and the LTTE's position on the ISGA has made it difficult to resume the negotiation process.

These factors have made the task of managing the economy even more difficult. It is also not clear how the donors who were so enamoured with the UNF's neo-liberalism will react to these trends. The opposition parties seem to be waiting in the wings, hoping to take over the presidency and the control of parliament so that it can continue to implement the policies that it began. Given the balance of power between the forces in the South at present, the result of such an effort could be large scale instability in the South. In such a context, the government could get back to its traditional authoritarian politics of the 1970s to 1989 period. Then we might be in for another bloodbath in a country devastated by so many conflicts.

The political class that has ruled this country since independence has still to arrive at a political consensus in order for the centralised state to be reformed so that the Tamil minority can have a degree of autonomy in the North/East. They have also failed to develop a development strategy that will secure them the support of the bulk of the southern electorate to support these reforms. Until this happens, we will continue to remain a fragmented state. If the crisis deepens, Sri Lanka is sure to be labelled as a failed state.

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