

• Learning from the Russian Debate •

— *Sumanasiri Liyanage*

LANKA

GUARDIAN

Vol. 13 No. 12 October 15, 1990 Price Rs. 7.50 Registered at the GPO, Sri Lanka, QD/79/NEWS/90

HIGH COST OF DEFENCE

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OPEN ECONOMY, POLITICAL DECAY

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HOW MOSSAD MURDERED SADDAM'S SCIENTIST

PITY THE POOR PENSIONER

— *Christopher Sabaratnam*

THE VILLAGE J.V.P.'s TRUE BASTION

— *Bruce Matthews*



Black Knight
It's your move

TIGERS IN CITY

Presistent press reports of LTTE infiltration into Colombo has created alarm in anti-Tiger circles in the city and suburbs. One name which keeps cropping up is that of S. Karikalan, known to be the Batticaloa district chief and the leader of the LTTE's political wing styled the Peoples Front of Liberation Tigers (PFLT). Two others spotted are named "Kannan" and "Sudda". After the daring high noon assassination of Sam Thambimuttu M.P., all activists of Tamil militant groups, potential targets of the LTTE, have been asked by the Intelligence services to maintain maximum security in the places they frequent.

COPPERS COPPED

Two sub-inspectors of the C.I.D. were nabbed at the Colombo Port by sleuths of the Bribery Commissioner's Dept. They were produced before the Colombo A.D.J.

They are alleged to have solicited a sum of 50,000 from a woman who had imported electrical goods. The two suspects were remanded.

TOURIST ARRIVALS

By the end of last month, tourist arrivals had exceeded the total 1989 figure of 184,000. The number of arrivals, a Tourism Ministry official said, had passed the 200,000 mark, and the target for 1990 could be adjusted from 260,000 to 300,000. The JVP insurgency in the South was given as the main reason for the sharp drop in arrivals in 1989. The chief cause, the official said, was the serious problem of seats on Colombo-bound flights. The shortage had become acute after several airlines erased Colombo as a regular destination in their operational schedules. Only 13 airlines operate scheduled flights as against 17 in 1982. This means a reduction of 370 flights per year.

TRENDS + LETTERS

SWRD AND SINHALA

Now that Mr. Reggie Siriwardena says he was the lobby correspondent of the Ceylon Daily News at the time when SWRD made those 'shocking' observations in parliament, it makes it still easier for me to make my point.

Lobby correspondents, as we know, are like drama or for that matter film critics, mostly reporting their very own personal impressions of whether the actors were good or bad or whether the plot was thickening or not.

If I remember right the plot was thickening about this time for SWRD because our dear friends, the Marxists, found 'sevala Banda' a bit too slippery for their grasp. The man they looked upon as their Kerensky, the sacrificial lamb for their October, simply refused to live up to their expectations.

There was also great disenchantment among left-inclined intellectuals like Mr. S. who found that Banders was not delivering the socialism they were looking forward to, fast enough. In that situation it is not surprising to find lobby correspondents, like forsaken lovers, being 'shocked' at the things good old Banders said and did.

But all this is quite unnecessary. The simple and profound truth is that we see what we want to see and hear what we want to hear simply because we are human. Western journalists are doing it all the time when they report 'backward' Asia to the 'civilised' West.

Only saints are free from this limitation, and I doubt whether Mr. Siriwardena would want to be considered one.

S. Pathiravithana

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Price Rs. 7.50

Published fortnightly by
Lanka Guardian Publishing Co.Ltd.

No. 246, Union Place,
Colombo - 2.

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Telephone: 447584

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Printed by Ananda Press
82/5, Sri Ratnajothe Saravanamuttu
Mawatha, Colombo 13.
Telephone: 435975

BRIEFLY...

● An appeal for help from Sri Lanka's Tamil Tigers now engaged in what could be a fight to the finish with government forces in the island's North and East, has been turned down sharply by British Prime Minister Margaret Thatcher.

In a reply to a letter from the LTTE's London Secretariat Thatcher has reportedly accused the Tigers of murder, all manner of mayhem and of refusing to negotiate a political settlement. The letter to the British Prime Minister has been signed by Sathasivam Krishnakumar, known as Kittu in Tiger lore. Mrs Thatcher has said that the British government is dismayed by the LTTE's refusal to continue negotiations towards a political settlement and its decision to resume the fighting. She has also said that Britain saw no overriding problem with the requirement to take an oath of allegiance to the unitary Sri Lanka state.

Meanwhile India's new High Commissioner in Colombo Nagendra Nath Jha said in a Sunday paper interview that the Tigers had now indicated that they were for a united Sri Lanka and should therefore be invited by the Sri Lankan government for talks. Jha suggested that the extra-parliamentary All Parties Conference (APC) convened by President Premadasa would be the ideal forum for talks with the Tigers, but added that no efforts should be spared to woo the two missing links in the APC — the SLFP and the LTTE — to join in.

● CIDA, the Canadian International Development Agency, has granted Rs 275 million for a poverty alleviation program in the Matara and Gal-

le districts. A significant feature of this scheme, said a Central Bank release, is that people eligible for loans from this grant should be poor, and no collateral will be required.

● President Premadasa said at a school prize giving ceremony at Wadduwa that arms and drugs were being used by various international forces to suppress developing nations and keep them under control. They first gave ten per cent of arms and drug free to terrorist organisations and later the governments of those countries had to purchase the balance 90 per cent of arms to curb terrorism, the president, said. In the case of drug the ten per cent given free spawned addicts whose dependency compelled them to purchase the balance, he said.

● Army Commander General Hamilton Wanasinghe said in a press release that the army action in liberating and then evacuating the Jaffna Fort which had been under siege by the Tigers, was a purely military decision. The

Fort had no strategic value, the release said.

● SLFP MP Mahinda Rajapakse has challenged in court the police action detaining him at the Katunayake airport and seizing from his possession documents and photographs relating to missing persons. The MP was on his way to attend a human rights meeting in Geneva.

● Mr Speaker, M. S. H. Mohamed said during a Mahatma Gandhi birth anniversary speech in Colombo that there should be absolute freedom for the media in this country, as was practised in India. Mr Speaker said that there was greater freedom in India; even the Prime Minister was subject to criticism in that country.

● Notice was given in Parliament of an Opposition motion calling for a commission of inquiry under the Commissions of Inquiry Act to inquire into the circumstances of the abduction and killing of journalist Richard de Zoysa. The notice was signed by 21 MPs headed by Opposition Leader Sirimavo Bandaranaike.

WAITING IN TAPROBANE (FOR THE DOVE)

*I am waiting, but I know that you will not come
My eyes do not stray to the harbour clock any more.
Only Night has come,
And the lights of the Ships and the Stars
And the water full of broken lamps.*

— U. KARUNATILAKE

DEFENCE GOES UP AND UP...

Mervyn de Silva

NEWS
BACKGROUND

For the first time since 1947 the Defence vote exceeds all other votes Public Administration and Home Ministries. Hardly a matter of surprise, considering the long 'Eelam War 1', the anti-JVP operations in the South, and now 'Eelam War 2'. The figure of 11.7 billion rupees, it should also be noted, must be converted into dollars for a realistic assessment of the rise in expenditure in this decade.

Together with the expenditure, the military establishment has also grown and grown. That expansion has been faster than the increase in defence expenditure. And yet, the armed services cannot be regarded as an important social-political force. Though the numbers swell, total strength of the services, even including the Police, is a minor fraction of the population. And since Sri Lanka, unlike a typical Third World country, has a large educated middle class, the Services cannot make the day-to-day impact that the military establishment does in many an educationally backward under-developed nation.

The trend nonetheless is clear, and that's what is significant ultimately.

The Process

As long as the violent conflicts remain unresolved this process cannot be halted and reversed.

At the global, superpower level disarmament follows detente. Low and mid-intensity conflict will become the dominant military motif writes Michael T. Klare, co-author of a book on the subject. While LIC will predominate, warfare involving

large and medium powers of the Third World will be a growing risk, he argues. Countries which used to be recipients of arms aid or small arms-buyers have been buying modern aircraft, tanks, and missiles on the international market. He lists eleven such countries, including two in our region — India and Pakistan.

Low-intensity conflict however will be the dominant international pattern. The cause? 'The multiplication and intensification of ethnic, religious and socio-economic divisions between and within Third World countries. Many of these fissures reflect ethnic, cultural, and religious differences that predate colonialism. But these schisms have been wedded in recent years to new divisions over ideology, political participation and the distribution of national wealth — in complex and often explosive configurations'.

By the year 2000, 80% of the world's population will live in the Third World (nearly 5 bil-

lion of 6.2 billion) and a large percentage of this number will be young, urban and unemployed says Ivan Head, the Canadian political scientist. The prognosis? Wider and protracted disorder and violence. The answer? Usually, and at least temporarily, repressive counter-violence, meaning of course the Armed forces. Is this the Sri Lankan scenario for the 1990's?

With population and youth expectations rising, while export income was static or declining, Third World countries like Sri Lanka will borrow more and more — first from the international agencies which may accommodate us with 'soft' loans, and then to other sources (commercial banks) at higher interest. The result is the new, growing burden of debt-service.

SIPRI, the Swedish Institute, has given the following table in its latest report, based mainly on World Bank statistics 1988. The situation may be worse in 1990.

Country	External debt-service	Military expenditure	Debt-service plus military expenditure
Argentina	23.6	15.8	39.4
Colombia	50.7	14.5	65.2
Chile	25.6	22.0	47.6
Egypt	11.8	19.6	31.4
Indonesia	35.5	13.9	49.4
Israel	13.1	30.9	44
Jordan	36.2	48.9	85.1
Morocco	30.9	19.5	50.4
Pakistan	20.4	40.1	60.5
Philippines	48.1	15.5	63.6
Sri Lanka	24.2	30.7	54.9
Zimbabwe	23.5	22.5	46

Finally, there is the new institution of MILITARY INC., not in small countries like Sri Lanka, but in those medium-size, usually army dominated nations like Egypt, Indonesia, South Korea, Nigeria, Philippines etc. "An under-developed industrial infrastructure beckons the military, even when it does not have political power. Armies need boots, uniforms, guns, troop carriers. And the defense budget is often one of the biggest in the economy" Armies support particular private companies, often directly linked to the global arms industry.

These are the first signs of military-industrial complex.

In the poorer countries, arms purchases soon become a lucrative business. A few favoured companies or individuals become the main importers, which trend too establishes a link between a privileged private sector and the military establishment.

The more immediate and dangerous threat of course is to the civilian authority. In his speech at the opening ceremony of the Army Hospital and Rehabilitation Centre, President Premadasa said :

Moreover the three services and police have developed a strict sense of discipline we all can be proud of. Unfortunately several rebellions occurred in our country from time to time due to political and ethnic reasons.

If there had been indiscipline in the services and police it had been due to the activities of a few selected individuals. But in general terms the majority in the armed services and police had always maintained a very high sense of discipline.

The armed forces and police had always protected the freedom, independence and sovereignty of the country by being loyal to the duly elected government.

The President said a foreign scholar had recently compared our security forces to those of developed countries in the world and commended them as a disciplined force which protected

and safeguarded the people's will and mandate.

He had said our forces had never gone against or spurned the people's will or decisions.

FEDERAL SOLUTION

— an appeal

At a time when there is increasing anxiety and trepidation among the people of the North and East at the prospect of living in the midst of a furious war in which few legally recognized fundamental and human rights are being maintained by both sides, we, the leaders of various religious bodies, met to voice the aspirations of the people in the Tamil regions.

We recognize that there must be a genuine appreciation by all that Sinhala Nationalism and Tamil Nationalism are legitimate aspirations of two peoples with historical traditions and roots in this country from time immemorial. Therefore, we have to realise that unity in one state is practicable only if the rights of the peoples of the different national groups are recognized and guaranteed adequately. Transforming Sri Lanka into a Federal State would be the most satisfactory means of achieving this. This will enable genuine devolution of power and responsibility from the Central Government to the Federating Units. We are happy to inform you that this solution would be welcomed by the Tamil speaking people as well as all the political forces of the Northern and Eastern provinces.

The present set-up of Provincial Councils is not quite satisfactory. It does not sufficiently recognize and guarantee the rights of the different National groups and achieve a genuine devolution of power and responsibility from the Centre to the Provincial Councils.

Hence, we would strongly urge you to take all necessary steps to transform the present Unitary State of Sri Lanka into a Federal State by amending the present constitution of Sri Lanka suitably.

As a step towards discussing the proposed political solution to the ethnic crisis we urge both sides to cease hostilities and permit an internationally recognized organization to monitor the cease-fire.

Signature:

B. Deogupillai
S. T. Nadarajan
D. J. Ambalavanar
A. Jahanasan
Isaac Victor

Designation:

R.C. Bishop of Jaffna
Manager, Nallur Temple, Jaffna.
Bishop — Jaffna Diocese of the C.S.I.
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How Israel blew up Saddam bomb

Former spy accuses Mossad of murder, deceit and dirty tricks

The *Sunday Times* (London) published for the first time the full inside story of how Israel stopped Iraq from getting a nuclear bomb, which Saddam Hussein could have used in the current Gulf crisis.

The account, told in full on pages 11-14, shows how agents from Mossad, Israel's secret intelligence service, resorted to murder and sexual seduction to prevent Saddam from obtaining nuclear secrets crucial to his plans to build the bomb. Code-named Sphinx, the operation culminated in the Israeli air raid on an Iraqi nuclear reactor in 1981, which setback Saddam's weapons programme by a decade.

Although some details of the operation have emerged, the full story has not been told until now. It has been revealed by a former Mossad agent in a book, *By Way of Deception*, which the Israeli government claims endangers the lives of its agents. Israel has managed to get the book banned in Canada; a temporary ban in the United States was lifted by the courts recently.

Victor Ostrovsky, the author, says Mossad agents lured an Iraqi nuclear scientist working in Paris into a "honey trap" baited by sex and money. They also murdered one of the Arab world's top nuclear scientists working for the Iraqis and killed a call-girl whom they feared knew too much.

While the rest of the world is now probably grateful for the setback to Saddam's nuclear ambitions. *By Way of Deception* also reveals that Mossad engaged in a worldwide campaign of assassination, bombings, buggings and deception of both its enemies and allies in the ruthless pursuit of Israeli interests.

Ostrovsky, who trained as an agent with the service from 1982 to 1985, but was on active service for only five months, now lives in Canada, fearful of being kidnapped by Mossad. He reveals

considerable detail about the methods and operations of what was until now the world's most secret, intelligence service.

Yitzhak Shamir, the Israeli prime minister has branded the book as "all lies". In an interview appeared in the *Jerusalem Post*, he says: "The whole book was written with evil intentions. Everything written there is based on bad will and lies, with the intention of hurting Israel."

Shamir has asked the head of Mossad to prepare a detailed report on how Mossad came to employ Ostrovsky. An Israeli parliamentary intelligence committee has also been asked to investigate the allegations and will summon the Mossad chief to give evidence.

According to the book, Mossad:

- Knew about terrorist plans in 1983 to bomb the barracks in Beirut where 241 American marines died — but failed to tell the Americans.
- Knew the location of some of the Western hostages in Beirut, including William Buckley, the CIA station chief, but did not tell the CIA.
- Runs more than 2,000 collaborators in London.
- Has a secret cell in the United States known as A1 which has 27 agents who gather intelligence in America.
- Forged the signature of Shimon Peres, the Israeli prime minister in 1985, to rubber-stamp the illegal transfer of Skyhawk jets from Israel to Indonesia.
- Brought about the fall of the Rabin government in 1977 by leaking details of his wife's secret US bank account.
- Recruited as an agent the chauffeur of Yasser Arafat, head of the Palestine Liberation Organisation.
- Exposed a plot to assassinate Golda Meir, the former Israeli prime minister, when she visited the Pope in Rome in 1973.
- Trained Chilean assassination squads in return for Exocet missiles.

● Referred to Margaret Thatcher as "the bitch" because its chiefs were convinced she was anti-semitic.

The most damaging revelations refer to the United States. If the Israelis really did know of plans behind the bombing of the marine barracks and failed to notify the Americans, they might have prevented one of the worst terrorist acts against any country.

Ostrovsky says Mossad learned through an agent that terrorists were loading a massive amount of explosives on to a truck. "Mossad knew that, for size, there were only a few logical targets, one of which must be the US compound," he writes. "The general attitude about the Americans was: 'Hey, they wanted to stick their nose into this Lebanon thing, let them pay the price.'"

It was decided, according to Ostrovsky, to pass on only a very general warning — one of 100 warnings about car bomb attacks that had been circulated in the previous six months. Mossad thought that if the barracks was attacked the United States would move closer to Israel as the only trustworthy ally in the region.

Many of the stories in the book are already known in outline. But what makes this book unique is the detail it contains, including names of agents, training practices, methods of gathering intelligence and sources in different countries. If true, there is no doubt that the revelations will be immensely damaging.

It is difficult to judge the accuracy of the book, or how qualified the author is to write about the events he covers. Unlike Peter Wright, who wrote *Spycatcher*, Ostrovsky was a junior figure and must have learned much of the information second hand.

Quite how he got access to such secrets remains unclear, given Mossad's reputation for obsessive secrecy, and disseminating information strictly on a "need-to-know" only.

Saddam sets a mine under western military alliance

Ian Davidson

The crisis in the Gulf seems to be unfolding towards a major tragedy. The chance of war is high; if so, the costs in terms of human life will be fearful; the prospects of victory are more than uncertain; and yet the ratchet of events seems to be driving inexorably towards that end.

War is not America's declared policy, of course. But among US strategic analysts there seems to be an almost universal assumption that war is coming because it cannot be avoided. The forces are being built up; they cannot be withdrawn while Saddam Hussein remains in control of Kuwait; they cannot sit there for long; so they must be used soon after deployment allows, say from mid-October.

It is the prospect of war which is releasing a flood of old US complaints that the allies are failing to pull their weight; but the prospect of war is also, no doubt, the reason why the allies are hanging back.

By a remarkable achievement of international solidarity, the United Nations has managed to agree on a static policy of denial, in the embargo. But a war would be a moving process, conducted by the Americans, at a time and in circumstances which are uncertain, and with military and political objectives which may not be defined in advance.

By hassle and persuasion, the US has got the allies to step up their military contributions to the enforcement of the embargo. But if war breaks out, all bets will be off, and the almost universal consensus behind the UN Security Council resolutions will fly apart. Indeed there is also a serious potential threat to the general cohesion of the western alliance.

In the past, Americans have tended to argue that the European allies owed them a debt of solidarity, at the very least: in return for the US commitment to the defence of Europe the Europeans should back up,

the US when it was defending western interests outside the Nato area. The unstated threat, and it is not always unstated, is that if the Europeans are unco-operative, the Yankees might go home.

In the new era of peace and disarmament, however, this is unlikely to be a one-sided debate. No western European government wants the Americans to get out of Europe. On the other hand, it is now widely admitted that, for the foreseeable future, there is no meaningful Soviet military threat to western Europe, because the Warsaw Pact has effectively ceased to exist.

This week, the US and the Soviet Union scrapped their February agreement to limit their forces in Europe to 195,000 men each (plus a bonus of 30,000 for the Americans), because it had simply been overtaken by events. The new unofficial target figure for US forces is now around 70,000-100,000, but no figures are sacrosanct any more.

Indeed, doubts remain whether Nato itself can survive the disappearance of the Soviet threat, or in what form. At the London summit earlier this year, Nato leaders made a declaratory stab at the rethinking of western military doctrine and that process is still under way, it seems probable that a steep cut in American forces in Europe would reduce America's military role in the alliance. But the political debate over the future of the alliance, the doctrine of Nato, and the role of the US, would inevitably become much more heated if it were being conducted against the backdrop of a war in the Gulf.

The debate would no doubt be particularly acute in Germany. President Mikhail Gorbachev made an important symbolic concession earlier this year when he agreed that the unified Germany should remain a full member of Nato. But the really new fact after

unification on October 3, is that Germany will become a fully sovereign member of Nato, with a potentially greater influence over the evolution of the alliance.

An early test of German attitudes, will be the stationing of foreign troops in Germany. The conclusion yesterday of the "2 plus 4" process means that the rights of the Second World War victors will fall away, and a new basis for foreign troops will have to be found. President Francois Mitterrand has assumed that the new Germany would not want French troops to stay, and has set about pulling them home over the next four years.

In reality, the German attitude is bolder and more assertive than that. Next Monday at the bilateral Franco-German summit in Munich, Chancellor Helmut Kohl is likely to ask President Mitterrand to keep French troops in Germany, but only on condition that they are integrated with allied (probably German) forces. One idea would be the formation of a Franco-German corps.

The first implication is that the Bonn Government is drawing the natural conclusion from the likely reduction in US forces, and believes that Nato become more of a European affair. But a reduced Nato can only have a plausible defence posture if all members contribute on an equal footing. Therefore, the time has come for France to abandon its antique pretensions to an autonomous defence policy, separate from the rest of the alliance. In other words, the German Government is turning on Franco the integrationist logic in the defence field which France has turned so long and so intensely on Bonn, in the fields of economic and monetary union and political union.

The logic of European integration is likely to remain powerful, whatever happens, there is no plausible case to imagine that the new Germany will lurch off into dreams of national expansionism. On the other hand, a war in the Gulf

(Continued on page 25)

The impact on the political process

Mick Moore

The SLFP was seriously considering an 'opening to foreign capital during the last two years of its rule in 1970-1977 (i.e. once it had edged the largest Marxist party, the Lanka Sama Samaja Party out of the government in 1975). And since the mid 1980s, the SLFP has committed itself very firmly to continuing with the 'open economic policy'. There was indeed something of a hiatus in the period 1978 to about 1985. The SLFP was badly split. The party's Presidential candidate in 1982 was the relatively radical (late) Hector Kobbekaduwa. His campaign was largely run by leftists. But this itself, as well as the disorganization of the SLFP more generally, was in a large part the result of the political manoeuvrings of President Jayewardena, notably the suspension of the civic rights of the party leader, Mrs Bandaranaike, by a Special Presidential Commission in 1978. Mrs Bandaranaike, was unable to contest elections or involve herself in politics. Various factions, mainly centred around her children, fought openly.

There seems little doubt that a rational strategy for any representative of the collective interests of capital, local and foreign, would have been to maintain the SLFP as an alternative government, and to keep the relatively conservative but authoritative Mrs Bandaranaike as party leader. The SLFP would then have been used as an alternative friendly government once the UNP became too unpopular. And that substitution would almost certainly have been made before now. For a continuation on the present road increasingly threatens to precipitate major political changes which could not possibly be in capital's interests. The attempt to disable the SLFP

while maintaining an image of political pluralism has instead been an important component of the 'political decay' described above. It is difficult to see this as anything but inimical to the interests of capital. Here as in other cases relatively elaborate theories which see the UNP as the agent of other, deeper forces or interests seem to accord less well with the evidence than does the relatively simple notion that the UNP has been in a large part motivated by the desire to maintain itself in office and in clover.

VIII. The Direct Impact of Liberalization on the Polity

It is clear that 'text-book' hypotheses about the implications for the Sri Lankan polity of economic liberalization are not very convincing in part because the economic policies themselves were far from 'text-book' in nature. Indeed in some respects—the large foreign aid inflow and the expansion of public sector activities—they were the very opposite. And it is precisely these unorthodox features of liberalization policies which appear to provide some plausible, partial explanations of aspects of political decay, albeit explanations which rely heavily upon impression and cannot be rigorously tested. There may be two causal mechanisms at work.

The first mechanism is simple to the point of crudity. Because liberalization has been implemented in the context of a massive inflow of foreign resources through the public sector, many individuals and groups associated with the government have reaped major material benefits, benefits which are clearly a direct product of the liberal

economic policy and the associated good relationship with foreign aid donors. These beneficiaries include, for example, politicians receiving a percentage on public sector contracts, businessmen who have built up large enterprises through servicing the big expansion of public investment, and public servants and MPs who have found valued foreign trips and scholarships available in relative abundance. Because Sri Lanka has so many foreign aid donors, all in some degree in direct competition with each other for 'viable' projects to fund, and each seeking to purchase the loyalty of local collaborators through, for example, foreign 'study visit' and scholarships, benefits have accrued to a large proportion of people in the higher and middle reaches of the public bureaucracy. Relative to typical Sri Lankan living standards, the rewards from a good connection into this inflow of foreign resources have been more than generous. I suspect that the UNP has undermined the democratic political system and perpetuated its own rule partly from the elemental desire to remain in clover.

The second mechanism is even less tangible. The more authoritarian aspects of the new political order—the centralization of political power and the repression of opposition, Sinhalese and Tamil, democratic and revolutionary—in part reflect the fact that the state found that it had a new foreign economic and political base which was to some degree a substitute for its existing base among its own citizens. It is not that Sri Lanka's foreign friends intended to support authoritarianism. Indeed the opposite was the case: compared to most of the poorer Third World, Sri Lanka has been

able to claim foreign aid by virtue of its democratic credentials. Nor is it the case that the UNP neglected its domestic political roots. As we have seen above, the government has attempted to nourish and sustain a popular support base. Yet at the same time it has succumbed almost inevitably to the invariable core of truth in the maxim 'He who pays the piper calls the tune'. For the continual inflow of a great deal of foreign aid, and the resultant relatively good performance of the national economy during the period we are considering, purchased the UNP sufficient popular acquiescence and support that it was to some degree liberated from normal constraints and incentives. It did not feel obliged to work hard to maintain popular support through directly political means, i. e. by attempting to maintain some impression of concern with the common good, and some moral claim to governmental power. Material resources would bring in the votes when they were needed. One could invite in a transnational corporation to produce sugar, throw large numbers of peasants off their lands in Moneragala district, undercut the existing business of illegal distillation of sugarcane into alcohol, and get away with it. One could crack the heads and shins of strikers and SLFP cadres in the villages and get away with it. The President could abandon the populist style cultivated by all recent political leaders, adopt an aloof, imperial manner, and get away with it. The UNP government succumbed to the temptation provided by the prospect of continued foreign support to clip the wings of its internal competitors, relying — unwisely as it was to turn out — on a sense of growing prosperity to overcome popular qualms about particular policies and about the style of government generally.

IX. The Indirect Political Impact of Liberalization

The types of argument considered in this section are pot-

entially complex. The most sparing must have at least two major links in its causal chain. The first link deals with the impact, material and/or cognitive, of liberalization on society. The second link concerns the translation of this impact into one or more of our sub-categories of political decay. One can fortunately keep the discussion within manageable limits by identifying a few plausible causal linkages at each of these two main points, rather than examining all hypothetical possibilities.

For the first order linkage — the impact of economic liberalization on society — there are three potential candidates.

1.1 Major changes in economic and social relations associated with liberalization might have generated such high levels of resentment, uncertainty and general disorientation that large sections of the population became intensely politicized and/or predisposed to accept extreme and simplistic political programmes.

1.2 The extension of commercialization and market relations, the visible support given to capitalism by the government, and the association of liberalization with ideas and behaviour considered foreign, Western, immoral or sacrilegious might have outraged the adherents of more traditionalistic ideologies opposed to commercialism and capitalism and/or non-Sri Lankan (or non-Sinhalese Buddhist) values and life-styles.

1.3 Most concretely, liberalization might have visibly imposed material losses, relative or absolute, on particular socio-economic categories.

The second order linkages concern the processes through which these first order effects are translated into one or more aspects of political decay. There are fortunately once again only three plausible contenders.

2.1 The first order effects might generate such vehement political responses from affected groups that the pre-existing pluralist constitutional framework could no longer cope. The government would then resort to a degree of repression to protect both itself and the political system more generally.

2.2 The resentments generated by the first order effects might somehow be partially deflected away from liberalization and from the government and projected onto particular ethnic groups, thus escalating ethnic tension and conflict.

2.3 The previous two processes could be sequentially combined: an escalation of ethnic tension and conflict might oblige the government to resort to repression to protect the political system.

Depending in particular on how many distinct socio-economic groups can be identified as material victims of liberalization, even this restricted range of possibilities at each level generates a rather large combined number of hypothetical causal sequences. Rather than specify and examine each in turn, only the more plausible causal sequences will be considered. One can conveniently structure the discussion by starting from each of the three first order effects listed above.

Psychological disturbance. I do not propose to treat further hypothesis 1.1, i. e. that liberalization has had a general disturbing and mobilizing effect at the level of mass political psychology. This is partly because the idea is extremely difficult to test, but mainly because I see no evidence to support it. The previous statist economic regime, which brought about major economic reforms, changes in income relativities, promotion of individuals and small groups through political connections, and serious shortages of basic commodities, would seem

just as likely as liberalization to have generated resentment and uncertainty. No one living in Sri Lanka during that period could plausibly see 1977 as a significant point at which a new economic policy began seriously to disturb a hitherto stable socio-economic system. It would, however, be less than balanced not to draw attention to Gunasinghe's suggestion that after liberalization, Colombo's urban poor became politically disaffected and manipulable because of their frustration at their inability to grasp the material prosperity to which they had such open visual access on the streets and through the new medium of television.

Violation of values. Hypothesis 1.2 does, however, have more appeal. Sri Lankan political culture in general, and (the majority) Sinhalese political culture in particular, have long been characterized by relatively strong adherence to values which have been conspicuously flaunted under the liberal economic regime. The outsider might feel more comfortable in distinguishing two sub-sets of 'traditional values': a radical-socialist-populist opposition to capitalism premised on the notion of capitalism as exploitation; and a Sinhalese Buddhist opposition to alien behaviour and life-styles, where the Tamil minorities are also identified as alien. An important feature of Sri Lankan politics over the past half century has, however, been the extent to which the radical and the Sinhalese Buddhist political culture and values have *not* been separated one from another, but have comprised aspects of a relatively integrated and coherent world view.

The apparent correlates of economic liberalization have certainly generated concern and outrage among 'traditionalists'. They include: the very notion that the market and economic necessity should have priority over welfare, human needs, and governmental responsibility to meet those needs; the apparent

popular craving for foreign goods, and the associated quest for money; material ostentation; the rapid spread of narcotic consumption, drug trading, prostitution and beach-side nudity — all associated with tourism; the diffusion to the young of Western dress and 'pop' life styles and material artifacts; and corruption. The fact that some of these apparent correlates of liberalization were as much the product of the rapid growth of the tourist business (until 1983) and of the introduction of television (in 1978) as of liberalization *per se* is irrelevant to their political impact. The UNP government has certainly become morally and ideologically vulnerable. There is some question as to the real political clout of the traditionalists, but no doubt about UNP sensitivities to the danger that their policies would stiffen the moral and emotive backbone of the main opposition, the SLFP. For the SLFP has historically been the product and vehicle of these traditionalist values. The UNP has tried to protect itself. Political statements made for domestic consumption contain little ideological support for capitalism and the free market. The arguments for the new economic policy are purely instrumental, and government's welfare responsibilities are reasserted in traditional terms. The UNP has to some degree tried, albeit not very coherently or very convincingly, to use the material resources associated with liberalization as the bases for various attempts to create moral, as opposed to purely material-instrumental, legitimacy for its rule. The fact that it needed to do so and largely failed perhaps reflects a much more general phenomenon: the relative paucity of the legitimization resources ('myths') available to capitalist economic regimes, especially to those whose recency denies them any claim to be 'natural'.

As a matter of fact, the electoral base of the UNP did, during the first five years of its rule, to some degree shift re-

latively away from Sinhalese Buddhists towards the various minorities, including Tamil in some areas. Furthermore, Buddhist priests were prominent among the more vocal critics of the government around the end of 1970s. Assuming that these phenomena were in part fuelled by a sense of violation of traditionalist Sinhalese Buddhist values by the policy of economic liberalization, one can draw a few rather weak causal links between liberalization and political decay. In the first place, insofar as the traditionalist value system identified Tamils as being among the alien groups exploiting Sinhalese Buddhists and corrupting their social system via 'capitalist' economic policies, then these policies, helped exacerbate ethnic tension. In the second place it seems likely that the UNP began to take a hard line with the democratically-elected Tamil opposition party around 1980 in part to re-assert its own Sinhalese Buddhist credentials. This hard line, epitomized above all by the use of UNP party thugs in local elections in Jaffna in 1981, helped confirm the alienation from the regime of the elected Tamil political leadership.

I conclude, then, that there are some substantive links between the ideological impact of economic liberalization and political decay. They are, however relatively remote and weak. They are also high specific to the Sri Lanka context, above all to the deep entrenchment within Sinhalese nationalist ideology of a sense of national vulnerability to a relatively monolithic set of 'external' forces and agents, a category in which Sri Lanka Tamils are included.

Material losers. There is also some limited substance in the hypothesis that political decay is the indirect result of the actions of socio-economic groups adversely affected by liberalization. At our second

level, this causal linkage appears to run through hypothesis 2.2, i.e. through the projection of resentments on to ethnic minorities and the consequent exacerbation of ethnic tensions. There are however, a range of other possible links which require at least a mention. And for that to be possible one needs first to establish the identity of the loser groups. This is in fact a rather difficult exercise, and the conclusion tentative.

The overall degree of inequality in income distribution has almost certainly increased since 1977. There is, however, no evidence that the degree of deterioration was any worse than in the period 1970-77 under a statist/socialist regime. One difference is that liberalization generates a sharper popular image of the rich (with their foreign goods, foreign travel etc.) getting richer while the poor get poorer. The actual pattern of change in income relativities has, however, been complex and relatively unstable. Three numerically significant categories of losers can be identified.

Firstly, it seems virtually certain that a large number from among the poorest strata of society are now absolutely worse off than in 1978 because the value of the food stamp entitlements which they were then granted in place of subsidized food rations have been severely eroded by inflation.

Half the population are adversely affected in this way, but many will have found compensation increased income from other sources. There was no sign of organized opposition from the real losers in the period we are considering. And this is unsurprising. The poorest labourers, typically afflicted by old age, sickness, large numbers of dependants and absence of able-bodied male income earners, have very few political resources.

Secondly, almost all public sector employees, and especially school teachers, have suffered a real decline in salaries. Many may have found some consolation in enhanced opportunities for income supplementation, especially if there is truth in the near-universal perception of increased levels of corruption. But the loss of status which formerly accrued to holders of public sector jobs is not amenable to any such compensation. However, as we have seen above, public sector employees have been politically quiescent since a strike was decisively broken by the government in 1980.

Thirdly, a large number of owners and employees of import-substituting enterprises which have thrived under the previous regime have been adversely affected by import liberalization. In terms of numbers and abruptness, the main brunt was borne by an estimated 70,000 handloom weavers who were immediately thrown out of employment in late 1977. They were rather widely scattered and unorganized, most of them being young unmarried females working at home or in small workshops. It is likely that an even larger number of farmers and agricultural workers were affected by the savage blow dealt to import-substituting agriculture through the removal in 1977 of restrictions on the import of a wide range of subsidiary food crops. The victims were, however, in most cases widely spread, unorganized, and lacking a single focus by virtue of the variety of crops involved, e.g. sugar, potatoes, onions, chillies and pulses. It was mainly from Jaffna peninsula, where the farming population was heavily affected, that opposition was clearly articulated.

This adverse effect on the Jaffna economy of liberalized food imports may have contributed in a minor way to the

growing alienation from the whole national system of the Jaffna population, the political and cultural core of Sri Lanka Tamil society. But, this apart, it is remarkable how little organized political opposition has come from the main groups disadvantaged by the liberal economic policy. Their quiescence is due to a number of factors: physical dispersion, lack of organizational focus or capacity, and the existence of alternative economic activities. The only losers whose reactions to liberalization might plausibly help explain political decay were in fact a relatively small group of Sinhalese industrial entrepreneurs who did not apparently face quite the same obstacles in articulating their grievances.

In easily the most thoughtful and fluent attempt to link economic liberalization to the ethnic conflict, Gunasinghe hypothesizes that the key actors were a group of Sinhalese entrepreneurs whose businesses had developed under state patronage in the previous import-substituting system. While some large businesses which had their origins in import-substitution were sufficiently well-established to grow and thrive under liberalization, notably through making international business connections, there were others, Gunasinghe suggests, who both failed to make those connections and who found their markets undercut either by imports or by locally-made products using newly-imported technology. The key link in the argument is that these struggling businessmen directed their resentments not in the main at the government which had opened up the economy, but at the Tamil businessmen who were well established in both many of the larger and now thriving businesses and in the import-export trade. These resentments are believed to have exacerbated the general build-up of ethnic tensions.

One point to make about this thesis is that it can be supported with some evidence. Gunasinghe gives us no idea of the numbers of businessmen concerned, and little clues as to their identity. He presents us with a set of hypotheses accompanied by some illustrative evidence. But some of that evidence, notably articles written in a Sinhala newspaper by Sinhalese businessmen in 1983, is persuasive. There is another important piece of evidence which Gunasinghe does not cite, Mr. Cyril Mathew, Ministry of Industries and Scientific Affairs from 1977 to 1984, and the leading anti-Tamil Sinhalese chauvinist within the UNP, was a persistent spokesman within government for the interests of a smaller Sinhalese businessmen adversely affected by liberalized imports.

The second point also relates to Cyril Mathew. For his involvement as an extremely active and entrepreneurial politician attempting to consolidate and expand an already large and relatively 'popular' personal political base within the UNP provides a potential explanation for an important issue which remains obscure in the Gunasinghe thesis: why the resentments of small Sinhalese businessman were directed against Tamil businessmen rather than against the government clearly responsible for the policies which were causing them distress. The presence of a powerful minister fanning and channelling these resentments, and at the same time articulating them within the government, might provide some explanation for the otherwise inexplicable. It is, however once again an explanation which is highly contingent on the specificities of Sri Lankan politics.

The third point about the Gunasinghe thesis is that it only ever makes relatively modest claim, i.e. that the adverse effect of the open economy on a particular cate-

gory of Sinhalese businessman exacerbated ethnic tension. Even if one were to accept his thesis in full — and with the amendments made above, I am so inclined — one is still far away even in principle from any claim that the liberal economic policy was a major cause of the descent into ethnic violence. One has also to explain why the ethnic tension existed anyway, and why the political system failed to defuse or at least accommodate it.

Overall, this exploration of the range of ways in which liberalization affected Sri Lanka society yields little apparent explanation for political decay. At best it indicates a few of the reasons for the exacerbation of Sinhalese-Tamil ethnic tensions in the period from 1977 to 1983.

X. The Other Causes of Political Decay

If economic liberalization was not primarily responsible, how then do we explain the onset of political decay in Sri Lanka in the period between 1977 and 1983. There is no space here to treat this question at all satisfactorily. I sketch out three important elements in the answer simply in order to point out that there are plausible explanations. One might note that these alternatives are essentially 'political': they locate the main causes of political decay in the dynamics of the political sphere, and treat social and economic phenomena more as contextual or second-order variables.

The first point is that there are antecedents in the pre-1977 period for some of the processes on which I have slapped the label 'political decay'. Some of these processes had self-inflating tendencies. Manipulation of the constitution and illegal use of state power against party political opponents of the government were also features of the 1970-77 statist

regime, to go back no further. Some observers believe that the suspicions generated by the 1971 Insurgency resulted in a marked and permanent souring of the political atmosphere. And it was in the same period that the basic demographic foundations for the escalation of ethnic tension into warfare were laid. For Mrs Bandaranaike's educational reforms reduced considerably the capacity of Jaffna Tamils to command university places. By the time the UNP came to power in 1977 sufficient clever young Tamils had been deprived of university entrance and of any realistic prospect of using their talents rewardingly in business or politics for the Tamil guerilla groups to have become well established. They carried out their first political assassination as early as 1972. From then on each side threw successively bigger stones at the other.

The second part of the answer is that the authoritarianism of the UNP regime has been an important degree facilitated by the organizational weakness and poor leadership of the main democratic opposition party, the SLFP. It is certainly true that these weaknesses have been considerably exacerbated by the highly astute political manoeuvres of President Jayewardena. Having deprived Mrs Bandaranaike of her civic rights in 1978, he attracted some stalwart SLFPers into the UNP and, by hinting at rewards for many of those remaining, split the SLFP again and again. One result was that much of the SLFP leadership and organization did not support the party's candidate in the 1982 President Jayewardena was, however, able to prey upon and toy with the SLFP in this way only because the party was already very weak in organization and leadership. These weaknesses can largely be traced to the personality and behaviour of Mrs Bandaranaike herself. Having inherited a highly personalistic and loosely organized

party after the assassination of her husband in 1959, she had done very little to modernize it or to create a permanent party organization and bureaucracy like that of the UNP. The coherence of Mrs Bandaranaike's two governments of 1960-65 and 1970-77 depended heavily on two factors. One was the support provided by close family members, notably her husband's nephew Felix Dias Bandaranaike. The other, especially in 1970-77, was the intellectual and organizational strength of the two Marxist parties with whom the SLFP was in coalition. Yet both the Marxist parties had been pushed out of the coalition before the 1977 election, in part because of Mrs Bandaranaike's inability to disguise her social (including caste) prejudices. And Felix Dias Bandaranaike died soon after the election. Mrs Bandaranaike held on to the SLFP leadership even when without civic rights. Her clear intention to keep the party leadership in the family discouraged many potential alternative leaders. Indeed, most of President Jayewardena's trusted ministers were people whose backgrounds might have made them SLFPers had the SLFP been a party open to the talents. The splits in the SLFP in large degree hinged around personal differences between Mrs Bandaranaike, her son, and her politically-active daughter Chandrika. Neither of the latter has shown real leadership qualities.

A different SLFP would have constituted a much less soft target for the President's sophisticated disabling tactics, provided a more credible alternative government, attracted more support of all kinds, and made the kinds of authoritarian and repressive measures used more costly and risky for the UNP leadership.

The third element of the answer follows on closely; for a range of mainly contingent reasons Sri Lankan politics became totally dominated by J. R. Jayewardena, who was a superb political tactician but whose overriding goal appeared

to be to preserve and extend his own personal predominance regardless of the costs to Sri Lanka. Jayewardena has shown himself to be ruthless, apparently relatively callous, untrustworthy and distrusting of others, and lacking any apparent conception of—or perhaps concern with—the relative fragility of political institutions. He has undermined the main democratic Sinhalese opposition by boosting the JVP, the radical Sinhalese party of the 1971 Insurgency and the way it was repressed, the JVP and the SLFP were bitter enemies, despite a very similar social base. Jayewardena legalized and otherwise boosted the JVP to compete with SLFP. In the long run this was to misfire badly. The way in which he dealt with Tamil issue was analogous, as were the results. Jayewardena toyed with the elected and relatively conservative Tamil leadership, the Tamil United Liberation Front (TULF), because this suited his immediate personal goals—notably to obtain their *de facto* support in the Presidential elections in 1982. He never seems to have taken the Tamil separatist issue at all seriously, despite the fact that it was escalating into a guerilla war. The result was that the TULF was discredited and the armed separatist groups assumed the political leadership.

The centralization of the policy derives above all from Jayewardena's personal position to rule alone. The repression of the democratic opposition, although not always directly inspired by the President, was effectively licensed by him in his drive to perpetuate personal dominance. And ethnic tensions degenerated into armed conflict partly because he manipulated them for his own purposes and failed to see how serious they had become.

XI. Is Liberalization Exonerated?

The causal linkages running from Sri Lanka's economic liberalization to its political decay are both relatively weak and highly contingent on the particular features of the Sri

Lankan case. Organized labour was treated harshly (Section VII). The way in which liberalization was supported with foreign aid may also have increased the temptations for the UNP to lock itself into governmental power and to treat much of its potential electorate in a somewhat cavalier fashion (Section VIII). The cultural phenomena associated with liberalization were unwelcome to Sinhalese Buddhist traditionalists. This and the reactions of some businessmen who suffered from import competition, orchestrated and exploited by one particular clique within the government, may have helped to exacerbate ethnic tension (Section IX). But if a complete explanation means decorating the whole room, all we seem to have achieved through exploring the impact of liberalization is undercoating the woodwork.

What does this case tell us about the broader arguments concerning the political correlates of economic liberalization outlined in Section I? There is certainly some good news for those who favour economic liberalization: there is little evidence that it contributed substantially to political decay in this case. But there is some bad news also. For some of the reasons why Sri Lankan economic liberalization failed to produce political authoritarianism through 'text-book'. Had organized labour (or capital) been more powerful, then it might have attracted (even) more vigorous government attention (Section VII). Had liberalization actually reduced governmental involvement in economic regulation, and thus curtailed political patronage resources, then the government might have lost the support of its own cadres and thereby been pushed in an authoritarian direction. This did not happen because foreign aid kept the wellspring of patronage bubbling (Section VII). The general conclusion appears to be that the political implications of economic liberalization will depend both on a range of contextual factors and on the actual content of the economic processes which are disguised under the highly interested label of 'liberalization'.

Third World: Between Planning and Market-mechanism

Sumanasiri Liyanage

In the 70s, and 80s, the living standard of the masses was lowered. The growth-rates of labour productivity have sharply dropped. While production facilities became increasingly obsolescent, technological renovations have become almost absent. In 1960, machines and equipment consisted of 24 per cent of the total exports, but this share dropped to 12 per cent in 1985 (Hasbulatov 1988: 7). This is the context in which economic restructuring (*perestroika* and democracy and openness (*glasnost*) could not be postponed any longer.

Implications for the Third World

In this concluding section, I intend to examine the implications of what has been stated so far for the economic development of the Third World. The dilemma most of the Third World countries face today is that while the oppressed, persecuted and marginalized social classes and groups are in a position to gain political power owing to the fact that the upper privileged strata of society are not capable of solving the various economic, social, political, ethnic and cultural problems in a broadly acceptable manner, the socialist programme of reconstruction which these classes intend to carry out is not realistic in the present context since the productive forces are not adequately developed and the regime of production is so backward so that conscious socialist planning is impossible. A careful re-reading of the Russian debate together with a critical understanding of the development processes of countries which were able to overcome the problem of underdevelopment in the post-World War 2 period (I include in this category countries like South Korea and Taiwan) would contribute to a practical program-

me which can make the building of a just, democratic, peaceful civilized society, a reality.

In conclusion, it is pertinent to identify the main elements which should be in a such a programme.

(1) Referring to the contemporary Russian situation Lenin wrote in 1921 that 'the economic basis for socialism is not yet there. He means that the forces of production have not adequately developed so that the relations of production corresponding to the socialist mode of production could not emerge. What necessarily flows from the above notion is that the hitherto accepted relationship between socialism and economic development should be inverted. (This aspect will be dealt with in my forthcoming article 'Economic development: A Prelude to Socialism')

(2) Economic development in the Third World context requires the maintenance of a proper balance between *ex ante* planning and *ex post* market mechanism. As Boris Kagarlitsky has pointed out (the) market can serve as a guarantor and defender of individual interests, but it can never automatically serve common interests (1989). This is the lesson we can derive not only from the Russian experience but also from the South Korean experience.

In the present context, the Market mechanism and the suggested policy of 'making prices right' have everywhere failed to allocate resources in favour of economic development. Capital generated within and obtained from abroad have been transferred to unproductive uses directly as a result of the market mechanism. Contrary to the Balassa's conclusion that the Newly Industrialized Countries

(NICs) 'provided for automaticity and stability in the incentive system... minimized price distortions and relied on market mechanism for efficient resource allocation and rapid economic growth, (1981: 12), most of the NICs have adopted tight discretionary control over investment and strictly restrictive import policy towards the domestic commodity market (see Datta-Chaudhuri 1981, Hamilton 1983).

(3) From the above, some conclusions follow regarding the nature of the property system and the extent of nationalization. Excessive nationalization leads not only to economic inefficiency but also to bureaucratization of the economy. So nationalization should be confined to the sectors where state ownership is required for national planning. There is no direct path from nationalization to socialism. The multi-property system has not only to be maintained but also to be encouraged.

(4) The constant drive of capital for valorization necessitates capital to find investment fields where the marginal rate of profit is equal to or higher than the prevailing average rate of profit. As capital has become distant and relatively independent of the nation state in the post-World War 2 period, Third World countries are today in a better position to have access to both capital and technology than they were in the pre-war colonial period. Foreign capital and technology and their productive use are imperative in modernizing Third world economies. Industrial peace generated through social contract together with the prevailing low wage rate in these countries would be an attraction for foreign investments in productive ventures.

(Continued on page 16)

INJUSTICE : The Computation of Pensions

Christopher S. Sebaratnam

The pension schemes for the public servants introduced by the Sri Lanka Government since 1969 are grossly unrealistic and discriminatory. They constitute a grave social injustice under the Democratic Socialist Republic of Sri Lanka. These are the inequities :

Pension on Unconsolidated Salary

On the recommendations of the L. B. De Silva Commission the salaries of public servants were consolidated as from 1-10-1969. By the process of consolidation the C. L. A. was merged with the basic salary to form one unit as the substantive salary. The rationale behind the consolidation was that it was pointless to itemise separately the C. L. A. which had been, for long, supplementary to the basic salary. With the formation of the substantive salary by consolidation as from 1-10-69, (a) computation of the pension on the basis of the consolidated salary and (b) the introductory date of such computation as that of the consolidation emerged, inter alia, as unrebuttable corollaries. Further deliberation or recommendation in this regard was redundant. But through bureaucratic lethargy the computation of the pension on the basis of the corollaries was omitted giving rise to protests by the pensioners in response to which the commission stipulated that the computation of pension should be on the consolidated salary. As it was natural and logical for the commencement of computation of pension on the consolidated salary as from the date of consolidation the commission did not warrant it necessary to make special mention of the effective date of such computation evidently believing that the authorities would use their heads to understand it. But the Government withheld the new compu-

tation of pension for NINE YEARS enabling the exchequer to profit on the losses and miseries meted out to the poor pensioners who retired after 30-9-69 and before 1-1-78.

Arbitrary Cut-off Date

On further representation the present government arbitrarily fixed the date 1.1.1978 as the introductory date of the new computation. The extent of the loss in pension meted out to them could be realised from the example that an officer who retired on 31.12.77 on a consolidated salary of Rs. 815/- p.m. received a pension based on his basic hypothetical salary of Rs. 585/- p.m. whilst an officer who retired one day later on 1.1.78 on the identical consolidated salary of Rs. 815/- p.m. received a pension based on the very consolidated salary of Rs. 815/- p.m. The disparity in the payment of commuted gratuity (quarter of 10 years pension) was enormous — let alone the disparity in the monthly pension. For example, a class 1 (special class and class 1 amalgamated) officer who retired in 1977 after completing the requisite period of service for full pension at the maximum consolidated salary of Rs. 815/- p.m. of his grade plus the C. L. A. of Rs. 90/- that was not added to form the consolidated salary received a commuted gratuity of Rs. 11900/- whereas, another officer who retired qualifying for full pension in the following year on the identical consolidated salary of Rs. 815/- p.m. plus the C.L.A. of Rs. 90/- and S.L.A. of Rs. 50/- merged to make up Rs. 955/- as retiring salary received a commuted pension of Rs. 19100/- a difference of Rs. 7200/-!

Degradation

The above stated anomaly had also resulted in the degradation of the pensioners whose pensions were computed on the basic

hypothetical salaries disqualifying them from the status of attesters of signatures or guarantors in a generality of instances which required a particular minimum retiring salary for such a status. For instance, one of the category of persons empowered to issue the certificate in the civil pension receipt (form TR & A 128) being government pensioners whose retiring consolidated salary was not less than Rs. 10020/- p.a., a government pensioner who retired from service on or before 31.12.77 on a consolidated salary of Rs. 9780/- p.a. plus C.L.A. of Rs. 1080/- p.a. aggregating to more than the said minimum of Rs. 10020/- p.a. was disqualified from the said status by the failure to merge with his consolidated salary the said C.L.A. of Rs. 1080/- p.a. he drew throughout — that too for no financial benefit to the government; whereas, an officer who received the same emoluments was clear of such disqualification just because he chanced to retire a day later. The qualifying salary for such a status had later been raised to Rs. 15000/- p.a. which was beyond the reach of both categories of pensioners referred to. Under the government's disproportionate pattern of granting meagre increases to early pensioners and sizable increases to recent pensioners regardless of their ranks at retirement the status of pensioners who were highly ranked officers are pooh-poohed whilst that of officers who were or are in subordinate ranks are elevated over the former and in the result the pensioners who held high rank offices have even to go to pensioners who held subordinate positions to have their signatures attested.

Double Standard

Applying double standard the government, under public administration circular No. 1002 (pension series No.2) of 28.11.75,

(The writer, a Sri Lankan pensioner, lives in Australia)

recovered W. & O.P. contributions on the consolidated salary at the usual percentage as from 1st April, 1975 whilst the pensions of the said category of pensioners were computed on their basic hypothetical salaries. The double standard was short yard-stick for payments by the government to the pensioners and long yard-stick for receipts by the government from the pensioners.

Pretentious Allowance

In the matter of compensating the pensioners who retired from service after 30.9.69 and before 1.1.78 for the loss caused to them through the computation of their pensions on the basic hypothetical salaries the government introduced a scheme of compensatory allowance on a sliding scale and implemented it from 1.1.82. But the C.A. (a) did not cover the loss in respect of the period 1.10.69 to 31.12.81 and (b) the quantum of compensation granted from 1.1.82 was only a negligible fraction of the actual loss caused. For instance in the case herein-before cited the loss in commuted gratuity alone was Rs. 7200/- while the C.A. of Rs. 30/- p.m. paid to him from 1982 to 1986 amounted to only Rs. 1800/- let alone the loss in the monthly pension. But it was faultily claimed by the Director of Pensions (*Daily News* report) 'that the allowance had been based on the actual loss sustained by having the pension calculated on the hypothetical basic salary as against the consolidated salary.' He further stated that the allowance was being paid to this category of pensioners as it was difficult to go through each individual case and have the pension computed on the new consolidated Salary recommended by the salaries Review Committee on pensions.' (*Daily News* report).

Failure to grasp a timely understanding of the issue was the government's responsibility. So when it belatedly understood the anomaly it was the responsibility of the government to have compensated the actual loss, by

going through each individual case, or at least the approximate loss by samples worked of a few cases. The so called C.A. was, therefore, a pretentious allowance.

Anomaly within Anomaly

The so called C.A. designed to compensate those who retired after 30.9.69 and before 1.1.78 for the said loss sustained by them was also extended to the pensioners who retired before 1.10.69 and who retired after 31.12.77 and before 1.1.82 with a gross pension of Rs. 1000/- p.m. and above (Circular No. PN 3037 of 10.9.82) even though they were not affected by the computation of their pensions as those who retired after 30.9.69 and before 1.1.78. The exclusion of those who retired after 31.12.77 and before 1.1.82 with a gross pension of less than Rs. 1000/- p.m. (exclusive of C.L.A.) was an anomaly within anomaly.

C.A. Withheld from Widows

From a recent date pensioners' widows were paid the quantum of pension received by their deceased husbands. But the payment of the so called C.A. was withheld from the widows of such pensioners who, by reason of their pensions having been computed on the basic hypothetical salaries, received in their life time the so called C.A. with effect from 1.1.82. This C.A. had been included in their pensions with effect from 1.1.87. This anomaly had taken five years to dawn into the bureaucratic heads! The amounts withheld prior to 1.1.87 have not been paid to them.

M. A. or F. A.

Married allowance was not paid to the widows of deceased pensioners in spite of the fact the whole domestic responsibility shared by the husband and wife devolved entirely on the widow alone on the demise of her husband. The withholding of this allowance from such widows would mean that it was paid

to their service of marital cohabitation which was the only function that ceased in the family lives on the latter's demise. So the married allowance could have been appropriately designated as marital cohabitation allowance and referred to in short not as M.A. but as F.A. The quantum of married allowance withheld from such widows are due to them.

Another Cut-off

The amendment to the pension minute contained in Gazette notification No. 359 of 19th July, 1985 (pension circular No. PH/3044/E dated 19.8.1985) granting a rise in the pension from 66 2/3 percent to a scale of 70 percent to 90 percent based on the salary and age at retirement to those who retired on and after 1.1.85 was one more enequity piled upon the pensioners who retired before 1.1.85. Under this revision the qualifying period of service for full pension had been reduced from 35 years to 10 years. The discount of the length of service is opposed to the very connotation of the term "pension" which, according to a standard English dictionary — say the Oxford Concise, is "periodical payment made in consideration of past service". Does not the term "past service" encompass the full duration of the service? Under the scheme operative for years upto 1984 length of service was an important factor in the computation of pension. One had to serve 35 years to get his maximum pension of 66 2/3% of his retiring salary. The Liberal change of granting the maximum pension of 70% to 90% of the retiring salary to those who serve a minimum of 10 years is, however, quite welcome. But, why lay down a cut-off date to benefit only those who retired on and after 1.1.85?

Whereas pensioners have to pay the same price for any commodity whether they retire from service before or after any arbitrarily fixed date, cut-off dates that bestow pension benefits to some and inevitably work greater hardships on others breed social injustice. The Supreme Court of

India, whose judgements command worldwide respect has stressed on the impropriety of such cut-off dates in its ruling thus: "Liberalised pension schemes apply to all pensioners equally and they cannot be divided into groups by a date laid down by pension authority." This ruling should serve as a beacon to enlighten and guide the pension authorities of the Sri Lanka government in the formation of new pension schemes and rectification of past schemes. Hence the liberalisation should apply to all pensioners equally regardless of the dates of their retirements. It is simple arithmetic that when one who served 10 years received 70% to 90% of his retiring salary another who served 30 years should receive $\frac{30}{10} \times 70$ to 90% of his retiring salary.

Cursed Sterling Rates

The rate of conversion of the pound for Sterling pensioners had been Rs. 15/- only which was fixed during the British Colonial rule while the current exchange value is around Rs. 60/-. Only an increase of 50% on the outdated rate of Rs. 15/- raising it to Rs. 22/50 had been conceded as from January, 1987. Not to pay these oldest lot of pensioners their pensions at the real current rate of the pound is utter cursedness on the part of the government.

Older the Pensioner Greater the Inequity

Under circular No. PN/3037/875 of 24.6.1987 pension increases on a "New Revised Consolidated Scheme" were granted with effect from 1.1.87 and paid in October, 87 with arrears. Whatever the basis might have been, a random examination of the increases reveals a chronological bias of later the retiring date greater the increase which again is a telling discrimination in general against the older lot of the pensioners. The instances of the random examination are:

Name	Yr. of retirement	Pension all inclusive for Dec. 86	Pension all inclusive for Jan. 87	Amount of Increase	Percentage Increase
A	1962	Rs. 1024	Rs. 1075	Rs. 51	5
B	1976	Rs. 1467	Rs. 1577	Rs. 110	7
C	1981	Rs. 1426	Rs. 1595	Rs. 169	12
D	1983	Rs. 1344	Rs. 1574	Rs. 230	18
E	1984	Rs. 1344	Rs. 1574	Rs. 230	18

The pension increases granted with effect from 1.1.88 also tell of such a tale.

Salary Increases not Translated to Pensions

Salary increases awarded periodically have never been translated to the pensions. Only some adhoc allowances far short of the due increases have been conceded. Salaries, in general, are increased periodically not because the qualitative or quantitative outputs of current holders of posts are greater than the outputs of those who held them and retired but to meet with the increases in the cost of living, inflation, social reforms and etc. Therefore the salary scale value of the service rendered in respect of a post by an officer in the past is equal to the salary scale value of

the service rendered in respect of such a post by every officer who succeeds to it. From this it follows that the pension scale value of the services of the former is equivalent to that of the latter. Hence, in the instance of each salary increase in respect of a post the pensions of those who retired from such a post should be increased on the basis of their retiring salaries hypothetically equated with its current salary on the corresponding scale. This principle is under written in the U.K. Pensioners' Act and followed in most of the commonwealth countries. But why not in Sri Lanka which is a Commonwealth country adorned with the appellations "Democratic Socialist Republic"?

(To be continued)

Third world...

(Continued from page 13)

What has been said above may appear to contradict with the notions which are in vogue today in left circles. Those on the left often argue that co-operation between poor nations (the so-called south-south dialogue) provides a more respectable alternative to the idea of the integration with international capital. Similarly, an argument for the restoration and reawakening of old decaying village communities in the name of 'peoples' development' and 'national culture' has also been posed. Ironically, these notions of the left appear to be somewhat similar to the views proposed and defended by the extreme

right of the third world countries which stand, in the present context, for an archaic, backward and aggressive perspective. All these 'day dreams' can be traced in the writings of the Russian populists whose views were ruthlessly condemned by the Marxists as archaic and Utopian. We have to remember always that men and women can change the circumstances in which they live and work, but their constant struggle for chance and the prevailing objective conditions are dialectically interwoven and therefore overdetermined. Any perspective for a modern, secular and democratic society has to do away with all forms of obscurantism and must view the golden age not as something in the past but as an attainable goal in future.

Celestine Fernando : A Tribute

He was a brilliant student with an incisive and analytical mind and was an exhibition winner in the University Entrance Examination of 1933. Having obtained his Bachelors Degree in 1937 he proceeded to Keble College, Oxford for his B.Litt. Degree and his theological studies — which he could not complete at Oxford due to the outbreak of the 2nd world war. However he proceeded to Bishop's College Calcutta where he completed his Theological training in 1941. His Ceylonese contemporaries in Calcutta were Cannon Christopher Ratnayake, Rev. John Selvaratnam and Rev. Patrick Abeywardane. Celestine's record of service after his ordination in 1943 is spelt out elsewhere and one cannot possibly or adequately assess his contribution to the numerous organisations and committees to which he gave of his time and his mature wisdom. But Celestine's major contributions are his work with the Universities, and the numerous students both Christian and non-Christian whom he influenced. The Ceylon Bible Society which he transformed from "a Bookshop where Bibles were sold, to a place where the peace and presence of the word made flesh abide" (Rev. J. Selvaratnam) and lastly his contributions to the many committees of the Diocese of Colombo of the Anglican church. Celestine's perspicacity and his gift for analysing a problem — was the result of his early discipline as a student and his total commitment to what he believed in. It is best expressed in the words of the great metaphysical poet and divine George Herbert who wrote:

"A man that looks on glass
On it may stay his eye
But if he pleaseth through it pass
And then the Heaven espy"

Celestine never dwelt on the surface — but always made an indepth study of whatever he undertook. He was not content to

see a mere reflection — either in the sense of self-adulation or self-deception, by what the only the 'eye' could perceive. Much in the same way of the 16th century Metaphysicals — Celestine was acutely conscious of the dichotomy that existed between Religion and the state — and the impact of political decisions and actions that impinged on Christian action and thinking. Also the relationship that exists between the church and the material world of today and sensualism. His numerous publications have all insisted on the integrity of the individual in all spheres of life. His monograph on "Crises in the Corridors of Power" was a telling commentary on his views on what was wrong in most christian organizations.

Celestine was responsible for the inauguration of the student christian movement at the Medical College, Colombo and its First Secretary was Professor Priyani Soysa. He also organised the SCM at the Ceylon Technical College of which Mr. A. C. Canagarajah was the First Secretary. When he was appointed University Chaplain — he used to travel daily by train from 'Landslea' Angulana where he conducted regular Bible study sessions and discussions and published "the Forum" aimed mainly at the student reading public.

Much has been written and said of Celestine, over the last years and the recognition of his service both in Sri Lanka and abroad, which is evident from the long list of his appointments. He served for 20 years as General Secretary of the Ceylon Bible Society and for 23 years University Chaplain — and he influenced many people.

There were many students who later in life held views contrary to or diametrically opposed to those that Celestine held — but

even in them one perceived the early influence of Celestine's mind and thinking. He stood firm for what he believed in but was never dogmatic or bigoted. He would disagree but was always prepared to listen.

Celestine, was above all a father-figure to most of us whom he advised, sometimes chastised, but always comforted and prayed for us and with us. His concern for the individual was pre-eminent and he felt deeply for the problems of every person whom he encountered — not only for their physical ailments — but more so for the mental, psychological, and spiritual problems that they had to face.

Celestine's concern for Christian commitment in all spheres of life was his mission, and to this end he strove right to the end. To all of us who have known Fr. Celestine, he will continue to influence us by his example, his teaching and writings his humility and most of all by his genuine love and concern for those around him.

We could say that Celestine's concern for his fellow men is most truly reflected in the words of that great preacher and divine, John Donne, when he wrote ;

"Any man's death diminishes
me,
because I am a part of Mankind.
And therefore never send to
know
for whom the Bell tolls. It Tolls
for thee".

*From the booklet, published by Rev.
Celestine Fernando Memorial Address
Committee and edited by Revd. Sydney
Knight.*

*The Revd. Celestine Fernando died
on October 5, last year.*

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Rural Sector: Best Bulwark

Bruce Matthews

Since then occasionally different ways of expressing traditional JVP ideology have been expressed on recorded tapes from Wijeweera, in party literature, and in the current JVP 'newspaper' *Rathu Balawegaya* ('Red Power'). From time to time, JVP spokespersons (ie second-in-command Upatissa Gamanayake) or personal contacts convey JVP thinking on certain issues. JVP demands revealed by other organizations (for example, JVP conditions for participating in the recent aspirations). Presently the confrontation is largely a military one. That is not to say that President Premadasa has not made every effort to deal with the JVP on a conciliatory basis. In the past year, there have been several appeals and 'cease-fires' with full amnesty guaranteed, and even with the offer of seats to the JVP in parliament. Response to these overtures has usually been cleverly delayed and sidestepped by the JVP, raising false hopes that a negotiated settlement might be imminent. At the same time, Premadasa has introduced an ambitious economic rehabilitation programme for the poor (*Janasaviya*). His hope is to have each of Sri Lanka's 30,000 villages decide who among their villages is most needy, and to provide at least some of them with a relief package designed to break the cycle of destitution and hopelessness. This along with Premadasa's already well-acknowledged village 'reawakening' plan (*Gam Udawa*) based housing construction, are interesting and creative ways to try to come to grips with widening economic disparities Sri Lanka has recently experienced. The view that the economy can bear the full weight of these programmes has yet to be tested. But certainly some initiatives

like this have to be taken if the government is to keep villagers and peasants on its side. In this regard, the government has some advantage over the JVP. The latter has an outreach to certain sectors of the rural poor, to be sure, but its lack of solid grassroots support is one of its central weaknesses. Not a peasant revolutionary movement as such, it does not appeal to the great majority in Sri Lanka's traditional agrarian society. A government strategy that actually provides relief and opportunity for the rural sector may be seen as the best bulwark against JVP anarchy, especially in the depressed south.

Nonetheless, most of the terrorism associated with the JVP, and much of the combat involved in confronting them, takes place in the countryside. For those who live in Colombo, the JVP is but an occasional nuisance, closing shops and public transport a day every month or so. Elsewhere, however, its shadow looms larger, and in most rural areas (including, increasingly, the tea plantations) the JVP operate in a regular, albeit random, fashion. So omnipresent are they that it takes the entire strength of the Sri Lankan armed forces, police and 'home guards' to hold them in check. There are at present approximately 110,000 such personnel. Facing the JVP has meant considerable psychological adjustment for many of the Sinhala troops, whose previous experience in the north and east was against racially unrelated Ceylon Tamil secessionists. Further, the JVP have recently started to use the same powerful landmines that the LTTE has so successfully used in the north since 1983. Military strategies to contain or confront the JVP have followed habitual

lines of holding key garrison positions, patrols, checkpoints and sudden sweeps through contested areas. To do even this, however, authorities concede that the forces are stretched to their utmost. In the largest service, the army, recruits receive four months training, and are sent at once to a unit in operations. There is little provision for the advanced or specialized training considered desirable for combating the JVP. An unfortunate product of the frustrations involved in this kind of conflict are the vigilante-style operations by off-duty forces and police staff. These shadow groups have been given various names, like the People's Revolutionary Red Army (they have, of course, nothing to do with a communist-inspired movement and are regarded as vigilante operations) and the Black Cats. For them, the merest hint of JVP involvement in a suspect (often someone released from internment because of insufficient evidence for prosecution) can justify murder.

The presence of these occult and silent killers has introduced a further element of uncertainty and fear for villagers in contested regions. They are caught in the middle between powerful local JVP authorities on the one hand (who can often control access to such vital needs as electricity and irrigation), and the security forces on the other. Much alienation is sure to result from the inevitable murder of the innocent. This will work to the advantage of the JVP. On balance, the Sri Lankan forces and police have been successful in retarding JVP ambitions to control the countryside. Weaknesses in recruitment methods and in retraining, and an insufficient intelligence service remain, but

it is to the government's credit that it has been able to build up a relatively professional military and police force in a few short years. And further, these forces remain both loyal to the state and uninvolved in political affairs.

Up to this point, it has been maintained that a combination of economic and social policies as well as military pressure are key components of the government aim to control the JVP. An additional but critical area that has recently received careful attention, and much effort at conciliation on the part of the government, is higher education. The JVP has successfully managed to control access to the six Sinhala universities by closing them down for two years. This has been rightly described as a 'national disaster' by the experienced cabinet minister, A. C. S. Hameed, who has only recently taken over this portfolio. In an important report, Hameed argues that the inability of the authorities to deal swiftly with student unrest can be traced to a single primary factor — the abolition of the Student Assemblies in 1985 without providing an alternative arrangement for student representation. Thereafter, the universities had no 'medium' to deal with the students. The JVP filled this void quickly. Perhaps as few as ten to twenty per cent of university students are presently involved in violence and intimidation. These activists have been able to seize command of passive and possibly complacent student bodies. Operating through the 'Action Committee' (*kriyakar kavituva* or 'executive') of the so-called Inter-University Students Federation (Antar-Vishvidyala Shisya Balamandalaya), and under the slogan of 'First the Motherland, then a University Degree' (*pala-veni mawbima, deweni upadhiya*), the JVP forced the universities to close until the government met a series of demands. This was a remarkable success for a handful of JVP activists. Although Sri Lankan university students

have long expressed an interest in Marxism and protest, JVP take-over of the destiny of 20,000 undergraduates was not strongly resisted by the students themselves, victims of apathy or fear of reprisals. Further, university faculties generally remained aloof from the collapse. Very poorly paid, with limited pride in their institutions and fearful of JVP reprisals, most faculties gave no guidance to students in these matters, and little support to those who struggled to keep classes open. In this regard, the JVP showed itself to be exceptionally skillful at exploiting vulnerable sectors of society, such as student unions and disaffected educational bodies. In May 1989, all five JVP-inspired demands were met by the government, and the universities reconvened. But there are signs that other demands will shortly take the place of the old ones, and that it is too soon to determine whether the JVP grip on higher education has been broken.

In conclusion and by way of summary, it has been argued that the JVP has recently replaced the Ceylon Tamil secessionist movement as the principal agency of disintegration in Sri Lanka. Their remarkable resurgence after years of low visibility was planned to take advantage of the waning years of President J. R. Jayawardene's government. Economic discontent and general exhaustion from four years of communal strife were widespread. There were uncertainty about Indian motives in the affairs of state, and cynicism about the impending elections. By sheer chance, the 1987 Indo-Lankan Accord provided the JVP with an opportunity to ignite basic fears and hostilities across a broad spectrum of Sinhalese society. The real aim of the JVP was to undermine government credibility and marshal the forces of prejudice and frustration wherever it could find them — among the unemployed and disadvantaged, among the victims of the open economy and among those who considered

themselves Sinhala patriots. This paper also avers that there have been no important adjustments in JVP ideology or strategy over the last 20 years. It is further argued that although Sri Lanka's armed forces are heavily committed in the constant struggle to maintain law and order in a society so easily disturbed by terrorism, nonetheless conciliatory overtures to the JVP in economic, political and educational matters continue. This shows that the government has not adopted a policy of ruthless suppression (which probably would not work anyway), and recognizes the need to counter the JVP on several fronts. This process will inevitably take time. Even if the programme to reduce poverty achieves moderate success, longstanding economic and social problems cannot be eliminated quickly. Militarily, a confrontation on a fairly extended time scale is likely. Politically, the new parliament, with its vigorous opposition, may in time demonstrate to some of the radicalized that there are effective non-violent ways to influence the destiny of the state.

Meanwhile, the role of Rohana Wijeweera remains a wild card in the prospect of the JVP. Thousands of young men and women have died in his name, but remarkably he lives on. Asthmatic and said to be suffering from angina, recent reports indicate that he may even be provided safe conduct by the government for medical treatment outside the country. Should he quietly be allowed to depart, or should he die a natural death (rather than a martyr's death), one can only speculate on whether the movement he founded over two decades ago will continue to uphold its present aims. Wijeweera's own charismatic contribution to the JVP's long-term success has been extraordinary. Without him, it can be doubted whether the JVP as presently constituted could continue in a position of strength for very long.

Secondary Costs – some specific examples

John M. Richardson

- (i) The 1983 national fish catch of 230 thousand metric tonnes has never been equalled. Production slumped by 24% to 175 thousand metric tonnes in 1984. Recovery has been slow. Even in 1988 it was 198 thousand metric tonnes.
- (ii) Production of rice and other crops in the North and East has also been adversely affected though not to the same extent as the fish catch.
- (iii) Tourism has been seriously damaged by reaction to violent conflicts. 1978-80 annual Tourist arrivals was in an average rate of over 25%. '81-15%, '82-10%. There were reasons to believe that a 10% annual growth was a reasonable expectation for the rest of the decade. However the violence of July '83 and the subsequent events has reversed the pre '83 trends. The number of arrivals have fallen steadily ever since in 1988 — a total of 183,000 which was less than half of the 1982 figure.
- (iv) Education system — all the Universities in the South were closed from 87-89. In the Fall of '88 high school and elementary schools students also got involved in political demonstrations and their schools were also closed — some for nearly a year. Closing of Universities meant the supply of newly trained personnel has virtually dried up in the fields of medicine, engineering and other fields requiring a College Degree. University level students with means or the ability to win scholarships have left the country in large numbers. If the political situation remains unstable, few of these students will return. University academics specially younger scholars with technical degrees, have also emigrated in large numbers. When the current generation of senior professors retire, Sri Lankan universities are likely to experience a precipitous drop in quality which will take years and a major expenditure of funds to reverse.
- (v) Sri Lanka's highly regarded social welfare system has been another casualty. In the North East, even basic health care and hospital facilities have progressively deteriorated since '83. In the South health care facilities were targets of JVP strike action. After mid 88 tubectomy and vasectomy operations, the most effective and most popular birth control methods among lower income groups were more or less totally suspended due to threats from the JVP. The rebels were totally opposed to birth control of Sinhalese. Generally social welfare services have lost their share of increased spending to the police forces and military. Consequently there has been a growing concern about the health and the nutrition status of Sri Lanka's poor.
- (vi) Foreign private investment (gross inflow) dropped from US\$ 66 million in '82 to 39 million US\$ in 1983 and to 22 million US\$ in '86. There has been some recovery specially in the FTZ following the July '87 Peace Accord. Interestingly there was a further recovery in 1988 suggesting that Sri Lanka's civil war in the South, which received little international publicity was seen as less of a problem by foreign investors.
- (vii) Foreign Aid under the post 77 July economic programme Sri Lanka has relied on foreign aid for financing about 50% of the budget deficit averaging to 14.5% of the GDP from 78 — 86 and a Balance of Payment deficit of about 10% of the

GDP. Foreign aid has also funded a substantial increase in capital formation. The Gross domestic capital investment ratios more than doubled from about 15% in 1970 — 1977 to 33% in 1980. Roughly 1/3 of this investment is very significant investment funded with foreign savings. From about '84 to July 1987 there was a concerted effort on the part of the international Tamil lobby supported by some international human rights groups to persuade western donors to suspend aid to Sri Lanka. In general this did not succeed. However, individual countries adjusted some of their programmes.

The aid package of 785 million US\$ negotiated in September 89 for the fiscal year of 1990, is the highest ever made available to Sri Lanka. There's no evidence of substantial capital flight from the country. This may be probably due to the fact that the external payment deficit notwithstanding the government has not imposed any new exchange restrictions on import, travel and outward remittances. Immigration however has caused a drain on capital because of the capital that permanent emigrants are permitted to take with them. There's also the factor of the immigration of trained manpower — largely Tamils and a lesser number of Sinhalese.

Concerning the secondary impact of Sri Lanka's political conflict on the economy — we have developed three growth scenarios which we have termed optimistic, moderate, pessimistic. The optimistic growth scenario assumes that peaceful conditions would have produced an additional 1% increase in growth from '83 — '85 and a continuing 6% growth rate after. This projection of a growth rate of 6% for 83 — 85 is consistent

with most estimates. But this projection fails to take into account the impact of moderately poor harvests of 86 and 88 and the very poor harvest in 87.

The moderate growth scenario takes this poor harvests into account.

The pessimistic growth scenario assumes only 5% increase of growth under peaceful conditions and 50% impact of bad harvest in all 3 years.

In estimating the impact of violence on production for 83 — 88 we have taken the difference between actual GDP and projected GDP for each scenario, the total cost or the sum of the differences in the respective projections for each year.

Under the most optimistic assumption of economic growth the cost of violence due to loss of production may be as much as 65 billion rupees — about 2 billion US\$.

Under the most pessimistic assumption of economic growth the cost may be about 29.5 billion rupees—about 900 million US\$.

In the remainder of this paper we will use the estimates based on the moderate growth scenario which is 51 billion rupees — about 1.5 billion US\$.

Final secondary cost — expenditure by India on the IPKF: 20 million rupees a day is the cost most frequently reported by the Sri Lankan and the Indian press as required to support IPKF operations. We used this estimate as the most readily available and widely acquired approximation. The IPKF operated in Sri Lanka for about 157 days in 87 and throughout 88.

Total cost 10.3 billion rupees — 300 million US\$.

The estimated secondary cost or the macro economic impact of the conflict — 51 billion rupees.

The additional costs of the expenditure on defence and public order 20.5 billion rupees.

Cost of the IPKF operations 10.3 billion rupees.

Total estimated secondary cost — 81.8 billion rupees — 2.5 billion US\$.

We shall discuss two tertiary costs

- (i) The impact of violent conflicts on the viability of the post 77 export oriented liberal economic strategy.
- (ii) The impact of violent conflicts on the prospects for regional co-operation involving Sri Lanka.

The key to political acceptability of the open economy programme was its ability to create new jobs and raise the incomes specially of the lower income groups. From 78 — 82 economic growth averaged more than 10% a year and unemployment was low. These positive developments created a climate of acceptance for more unpopular aspect of the programme such as privatisation, price control and cuts in subsidy. Negative public reactions to the worsening income distribution that accompanied economic liberalisation was cushioned by an appreciable reduction of absolute poverty when the economy slowed down after 83 the trade off between growth and equity inherent in economic liberalization came into strong focus.

(Final instalment next issue)

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Dissent from paradise isle to heart of darkness

Izeth Hussain

It seems to me that hardly any subject could be more apposite for a memorial lecture on the late K. Kanthasamy than "The Value of Dissent," for he stood pre-eminently for dissent. In formulating the project for the establishment of the *Saturday Review*, he wrote: "This is not intended to be a polemical paper, nor a partisan one. It will be a forum for all opinions so far as they concern Tamil rights and race relations in this country, but yet not parochial in content." His wanting all opinions to be published clearly shows the value he attached to dissent.

Though I have been given the honour of delivering today's lecture, I did not myself have the honour of knowing Kanthasamy personally. But reading the moving tributes, and the extracts from his writings in volume *An Untimely Death* prepared by the Kanthasamy Commemoration Committee, I get the impression of a man who had an extraordinary commitment to the truth. He wanted all opinions to be published, and he was against partisanship and polemics, obviously because he thought it important for people to get at the truth. It appears that he valued dissent because for the truth was the supreme value. I will argue in the course of this lecture that the value of dissent derives essentially from the value we place on truth, and that the life and death of Kanthasamy exemplifies the integral connection between the two.

We know from the fate of the man we are commemorating today that it is dangerous to dissent. In concluding a letter to the Editor of *Saturday Review* in 1982, he wrote: "I know the secret of how to lose friends and make enemies and that is, to publish an independent paper." An independent position, that is to say a position independent of political parties and all groups, the position of dissenting in

terms of what one sees as the truth, can make enemies, and he knew of course that enemies can be dangerous. We do not usually recognize the full dimension of the danger following from dissent, for we usually associate it only with governments. Actually societies can be just as dangerous over dissent as governments, perhaps more so. Few governments in history have been willing to tolerate dissent, and it appears that even fewer societies can tolerate the questioning of their norms and conventions and shibboleths. De Tocqueville wrote this about the democratic America of the nineteenth century: "I knew of no country in which there is so little independence of mind and real freedom of discussion as in America." And in 1962, Bertrand Russell found no British paper would publish his article on the Sino-Indian border conflict, except for one Sunday paper which however published only an emasculated version of it. Society, not just government, can be intolerant of dissent. We know that a group in the society in which Kanthasamy lived, not the Government, silenced him for his dissent.

We have to ask the question, why is it that some dare to dissent when they know that it is dangerous for themselves? Obviously because they are convinced of the value of dissent. We have to ask further whether most of us in Sri Lanka really value dissent, a question that has to be asked because our Governments have found it so easy to control or stamp it out. It will be remembered, for instance, that the freedom of the press in Sri Lanka was first eroded and then destroyed without too much difficulty. Perhaps that was the consequence of a failure to examine the value of dissent for ourselves, and then establish its importance in the public mind. That was done in the West where dissent, constricted though it might be in

some ways, is really valued and has become part of the cultural inheritance of the people. In Sri Lanka we have proclaimed the right to dissent, and sometimes protested over its denial, but we have not really examined the value of dissent to anything like an adequate extent. It could be of crucial importance for our future to undertake that examination.

Perhaps the most important point that we have to establish is that while dissent is dangerous for oneself, the refusal to allow dissent is dangerous for the government and society as well. Before we examine the value of dissent, we must take a look at what has actually been happening in societies where little or no dissent has been allowed. It is quite possible that the year 1989, which saw the erosion of the communist system in the Soviet Union and its virtual collapse in Europe, will come to be seen retrospectively as just as epochal as 1789, the year of the French Revolution. What is the explanation for so sudden and spectacular a transformation, which very few could have foreseen, the result it appears of a raging tidal wave of anti-communism?

Dissatisfaction with economic performance under the communist system is no doubt part of the explanation, but probably the less important part of it. In comparison with the western economic performance, that of the communist countries is certainly poor. But countries such as Czechoslovakia and Hungary attained standards of living that must seem paradisaical by the standards of a great many Third World countries. And furthermore, everyone in the more successful communist countries, perhaps in all of them, has had economic security unlike people even in Western countries. It is arguable that economic dissatisfaction should have led to adaptations of the communist system as expected by the theory of convergence

in the 'sixties, according to which the dynamics of the industrial system would make the western and communist countries come to resemble each other. But instead of adaptation, or a gradual economic transformation, there has been a sudden collapse of the communist system in several countries. This suggests that there was something much deeper than economic dissatisfaction behind the upheavals of 1989. We know that the people of the communist countries want not just drastic economic changes, but an overhaul of the entire system: they want democracy, including the right to dissent, and that seems far more important than dissatisfaction over the economy. A system of power that is totalitarian in outlook, if not always in practice, has been found wanting.

Perhaps the fundamental defect of Marxism is that it does not deal adequately with the problem of power. Marx himself might be regarded as having had a liberal ideal — fiercely intolerant of dissent though he was personally — because the communist utopia was one in which everyone would be free. It is arguable that there was no dichotomy as such between Marx and Bakunin, as the quarrel between Marxism and anarchism was really about means and not the end of a free society. We might conclude therefore that what appears to have failed in Eastern Europe is not Marxism but Leninism or Marxist-Leninism which made the mistake of substituting the dictatorship of the party for the dictatorship of the proletariat. But Lenin himself wrote about the "withering away of the state." The truth is that while communism, of whatever variety, is for freedom as an ideal, the reality was the dictatorship of the party which had been maintained unrelentingly for decades, with no signs whatever of "the withering away of the state" and nothing like the freedom available in the West.

The explanation for the anomaly, I believe, is that Marx failed to address his massive intellect to the problem of power; and that was because he was a true child of the European Enlightenment of the eighteenth century, whose shallow optimism he inherited in full. More specifically, the primal error of Marxism is to regard man as basically an economic animal. Surely, if the postulate of economic man were correct the world would be a far more rationally ordered place rather than the madhouse that it is. Marx believed that the dictatorship of the proletariat, and Lenin believed that the dictatorship of the party acting as the vanguard of the proletariat, would lead without too much difficulty, and after not too long a period of socialism, to the communist utopia because the rationality of economic man would prevail. Neither understood the power drive in man, the appetite for power that grows in the eating, and neither foresaw that power without any constraints could lead to great criminals of the order of Stalin, Pol Pot, and Ceausescu. The epochal year 1989 shows that the basic problem standing in the way of a rational and humane ordering of society is unconstrained power. It provides, I think, a convincing negative demonstration of the value of dissent.

I will not, of course in this lecture be able to examine a great many countries where little or no place has been allowed for dissent. I will look at the peculiar case of Sri Lanka, but before doing that I will make some observations on the failure of democracy in the majority of the Third World countries. A process of democratisation has been going on in Latin America, but even there dissent too often proves to be dangerous. In Afro-Asia there are very few fully functioning democracies, a few governments might perhaps be regarded as quasi-democratic, but for the most part the peoples of Afro-Asia are under the boot of dictatorship. The vast majority of Afro-Asian governments claim legitimacy in terms of democracy

but, of course, they allow little or no dissent.

We have to ask why there has been so colossal a failure of democracy in Afro-Asia. It might be argued that democracy, a product of Western culture, is a transplant which withers in Afro-Asia because it is alien to our traditions of government. I do not find this argument convincing because it is contradicted by the fact that India and Japan have had fully functioning democracies for decades. Perhaps there are some things in some of the Afro-Asian cultures which make adaptations to democracy relatively easy. But it is difficult to imagine anything more remote from democracy than Indian traditions of government, or the royal, aristocratic, martial traditions of government in Japan before McArthur imposed democracy on that country. We have to wonder whether Afro-Asia pullulates with the so many dictators who cannot brook dissent because of what might be regarded as some sort of moral, spiritual, cultural or civilizational decadence.

(To be continued)

Saddam...

(Continued from page 6)

would almost inevitably provoke a debate over the transatlantic facet of European security especially in Germany, but also in other European countries.

The question here is not one of right and wrong but of politics. Perhaps, if all else fails, the principles at stakes in the Gulf will require resort to war, despite the tragic consequences. Perhaps, one day, the logic of integration would make it a feasible option for Europe as well. But for the moment we only know that a war in the Gulf would be deeply damaging for the Atlantic nations.

— Financial Times

World Development Report (1990) : Global Effort to Confront Poverty after a 'Lost Decade' ?

Saman Kelegama

More than one billion people in poverty — this is the latest estimate for developing countries, according to the World Bank's World Development Report for 1990. Could this figure be cut to 825 million by the year 2000? The report suggests a strategy that, with favourable conditions and a will towards change, might just succeed.

This is the first time since 1980 that the World Bank has made poverty the focus of its report. The Bank finds that advances made in developing countries during the last few decades have been more rapid than those made in developed countries at a comparable stage. Despite such progress however poverty in developing countries still remains at a significant level. In 1985, more than one billion people, about one-third of the population in the developing world, were poor or living in near poverty (see Table 1). More than half of those classified as poor were considered as 'very poor'. Behind these figures lie grim details, and any comparisons with the developed world are stark. For example, life expectancy in Sub-saharan Africa is 50 years, while in Japan it is 80. Mortality among children in South Asia exceeds 170 deaths per thousand people, while in Sweden the figure is fewer than 10.

In 1985 the burden of poverty was spread unevenly whether we

are considering the developing world as a whole, the countries within that world, or particular localities within such countries. As Table 1 shows, in 1985 nearly half of the world's poor (525 million) lived in South Asia although this region accounted for only about 30 per cent of the developing world's population. Of the poor in South Asia, 80 per cent were in India. Likewise, of the 280 million poor in East Asia, 75 per cent were in China. In both South Asia and Sub-saharan Africa around 50 per cent of the population were poor, and within regions and countries, the poor were often concentrated in places: in rural areas with high population densities, such as the Gangetic plain in India.

The basic needs indicators shown in the last three columns in Table 1 also give a broad picture of poverty structure in the developing countries. Primary enrollment rate, mortality rate, and life expectancy were at unsatisfactory levels in Sub-saharan Africa, but for East Asia, and Latin America and the Caribbean the picture is different. The primary enrollment

rate was above 90 per cent, the child mortality rate was below 100 per 1000 births, and life expectancy was above 65 years. However, caution is necessary in interpreting these rosy aggregate level figures because, for example, in Mexico, life expectancy for the poorest 10 per cent of the population was 20 years less than for the richest 10 per cent. Thus national and regional averages mask appallingly low basic needs indicators for the poorest members of society.

Over the last thirty years approaches to reducing poverty have changed according to whatever ideological trend was dominant. In the 1950s and 1960s economic growth was seen as the primary means of reducing poverty. In the 1970s attention shifted to public policy for the direct provision of health, nutritional, and education services. But during the 1980s the emphasis once again changed in favour of growth, as many developing countries embarked upon adjustment packages recommended by the IMF and the World Bank. In the 1980s the World Bank argued that in the short run some of the poor would lose out from economic adjustment policies, through higher unemployment and cuts in public spending but that in the long run economic restructuring would alleviate poverty. The basic assumption behind this argument was that supply responses would be rapid and that high growth would trickle down to the poor. Experience during the 1980s has shown, however, that these assumptions cannot be taken for granted for all LDCs. For example, in Malaysia the adjustment programmes that were followed proved effective in alleviating pov-

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Table 1

Population, Poor, and Basic Needs Indicators for Developing Countries for the Year 1985

	Percentage		In Million		V.P.	Enrol.	Mort.	LE _j
	-Pop.	Poor	Pop.	Poor				
1. East Asia	40.2	25.0	1400	280 (70)	120	96(100)	54 (31)	67
China	—	—	1050	210 (35)	80	93 (95)	44 (25)	69
2. South Asia	29.7	46.4	1020	525(365)	300	74 (88)	150 (98)	56
India	—	—	760	420(255)	250	81 (96)	148 (94)	57
3. Sub-Saharan Africa	11.1	16.1	380	180(265)	120	56 (86)	185(136)	50
4. Latin America & the Caribbean	11.2	6.6	370	75 (60)	40	92(100)	75 (52)	66
5. Middle East & N. Africa (& Europe)	7.7	5.9	190	60 (60)	40	75 (94)	119 (71)	61
Total	100	100	3360	1125(825)	633	84 (91)	102 (67)	92

Notes: (1) pop. = population; V.P. = 'very poor'; Enrol. = Net primary enrollment rates (%); Mort. = Under 5 mortality rate per thousand; LE = Life expectancy (years); (2) Annual income of below US\$370 (1985) purchasing power parity) is defined as poor and an annual income of below US\$275 is defined as 'very poor'; (3) The World Bank's forecasts for the year 2000 is given between parentheses (the forecast is valid only if the World Bank's recommendations are implemented); (4) pop. and poor percentages may not tally with the actual figures owing to data compilation problems.

Source: World Development Report, 1990 (Oxford University Press for the World Bank), pp. 2, 29, and 139.

erty, while in Brazil the restructuring programme made the poor worse off and poverty increased sharply during the eighties. Similarly in Sri Lanka the Gini coefficient (which measures poverty) increased from 0.49 in 1978/79 to 0.52 in 1981/82, and to 0.58 in 1985/86. On the whole the results of the adjustment packages were not very favourable for the poor in developing countries and therefore the 1980s is considered as a 'lost decade' for the poor.

Although economic restructuring remained the primary goal during the eighties, many policies — both domestic and international — were put into operation to alleviate poverty, particularly in the short run. But these policies failed to produce the desired result of reducing poverty in a large scale. Why did they fail? The World Bank argues that this was partly because of massive external shocks

and world recession during the eighties. But it also blames most domestic policies and aid programmes. The Bank argues that policies such as high taxation of agriculture in rural areas have thwarted farm performance. Moreover, subsidized credit programmes have operated in favour of richer farmers. In the formal sector, minimum wage legislation and job security regulation have led to diminished employment. In regard to aid the Bank admits that international aid has often been an ineffective instrument in reducing poverty. In the first place donors have many different motives for supplying aid, of which reducing poverty is usually not the most important. Moreover, some recipients, including Haiti, Sudan, Tanzania, and Zaire, have fallen into aid dependency. Then again, many poverty-oriented projects funded by aid have failed to get any benefits through to the poor.

When we turn to future prospects for the alleviation of poverty, we find that the report recommends a new line of argument for the 1990s — a recognition that stimulating economic growth and helping the poor by direct action are not contrary objectives but processes that should go forward hand in hand. Adjustment there must be, but it must have a 'human face'. Furthermore there must be a joint effort by developing countries and international community together, and only by such an overall effort can the problem of poverty be effectively attacked. The World Bank believes that with right strategy in place, the number of poor could be reduced by 300 million by the year 2000 so that the the developing world's poverty is reduced to 825 million in that year.

What then is this right strategy? After examining successful poverty eradication in

some countries the report recommends a two-part strategy for developing countries to pursue during the nineties: (1) pursuing a pattern of growth that makes productive use of the poor's most abundant resource: its labour; (2) provide the poor with a wide array of social services such as primary education, health care, and family planning. The report argues that one of these elements without the other is not sufficient. They must reinforce one another. For example, Brazil and Pakistan laid much emphasis on the first strategy and neglected the second while Sri Lanka emphasized the second strategy while paying less attention to the first. As a result these three countries failed to reduce poverty. On the other hand, the report claims that Malaysia and Indonesia combined both and succeeded in reducing poverty, making at the same time rapid improvement in basic needs indicators. Their success illustrates the effectiveness of the two-pronged strategy—by promoting the productive use of labour a country can provide opportunities for the poor, and by investing in health and education it can equip the poor to grasp these opportunities.

The creation of such opportunities requires in its turn new policies. Taxation policies must encourage rural development and urban employment. The poor must have more access to land, credit, and public infrastructure and services. The report goes on to say that projects which involve the poor in design and implementation have the greatest chance of success, even though they are more time-consuming and require organization. The World Bank believes that international effort to reduce the short run adjustment cost in developing countries could materially assist domestic policies in creating new opportunities.

Significantly, the report calls for increased flows of aid from the international commu-

nity to help the poor in developing countries, but only where countries are seriously committed to the reduction of poverty. Official development assistance in 1988 was US \$ 51 million, but the World Bank believes that the developed world can or should do more. A 10 per cent reduction in NATO military expenditure alone could pay for a doubling of aid. The countries carrying out the World-Bank's two-part strategy would be the main recipients of aid in the 1990s which the World Bank believes could increase to US \$ 144 billion by the year 2000. This reflects the World Bank's new thinking that aid works well only when it complements a sound development strategy. However, the countries who have many poor people but which do not follow the World Bank's strategy would not be neglected. In such cases moderate levels of aid would be directed at highly vulnerable groups. Health clinics that serve the poor, immunization programmes for the children, and targeted nutritional programmes are the sorts of intervention that might be supported by the aid community in such circumstances.

Finally the report provides some forecasts for the year 2000. The World Bank assumes moderate growth of 3 per cent in industrial countries and high growth of 51 per cent in developing countries during the 1990s. But, as in the 1980s, performance will vary between regions. East Asia will see continued rapid growth, but Sub-saharan Africa with its rapid population growth would record low growth, rates (10.5 per cent). If the strategy advocated by the World Bank is followed the number of poor in East Asia will fall by more than 200 million, in South Asia it will fall by 160 million, and in Latin America and the Caribbean by 15 million, by the year 2000 (see Table 1). But the number of poor in the Middle East and North Africa (& poor Europe-

an countries) will remain unchanged while in Sub-saharan Africa the number of poor will increase by 85 million by the year 2000. Unfortunately the forecasts for the 'very poor' are not given but favourable forecasts for all developing countries for primary enrollment and mortality rate for the year 2000 are given (see Table 1.)

Several points should be noted here. First even if the ambitious targets set out in the report are achieved, it is sobering to note that 825 million people would still be living in abject poverty at the start of the 21st century. Secondly, the forecast for the poor in the year 2000 set out in this report is 225 million higher than the last forecast made for the same year by the World Bank's first World Development Report (WDR) in 1978 (see, WDR, 1978, p. 33). Thirdly, the World Development Report for 1978 estimated 770 million to be in poverty in 1975 and by 1985 the number of people in poverty had increased to 1125 million — a 46 per cent increase over 10 years. Given these facts one has to look at the World Bank's forecasts for the year 2000 with extreme caution. In fact, the report itself states: "Slower growth in the industrial countries, higher interest rates, and a smaller-than-expected rise in the terms of trade could combine, as in the 1980s, to pose further obstacles to reduction of poverty" (p. 5).

We may give due weight to all these provisos, and yet we cannot deny the need for action to alleviate poverty. In focusing on this topic as the new decade begins, the World Bank has given it the prominence it demands; no task should command a higher priority for the world's policy-makers. A workable strategy has been suggested, a possible role envisaged for developed and developing countries alike. What response this challenge will evoke remains to be seen.



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