

GOVERNMENT ECONOMIC POLICIES IN THE SRI LANKA NATIONAL QUESTION*

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This article was written prior to the Indo - Sri Lanka Accord of 1987. Having seen subsequent events, I find no reason to make any changes as, on the one hand, there were no changes in the economic policy of the Sri Lankan Government and on the other hand, the I P K F operations had no economic significance.

It is, now, generally, recognised that communal politics, a decisive factor in the political development of Sri Lanka, has mainly been responsible for the Tamil minority problem reaching crisis proportions, eventually, leading towards a *de facto* separation of the country. Communal politics resulted in discriminatory government policies which, over the years, have either directly or indirectly affected the language, religion, culture, education (especially higher education), and employment opportunities of the Tamils in Sri Lanka. In addition to these, lands in the traditional Tamil areas of Sri Lanka, have also gradually been transferred through colonization schemes into the hands of the majority community. The relevant language, land and educational policies of Sri Lankan governments and the impact these policies had on the Tamil minorities have, if not comprehensively, generally, been studied by a number of scholars both in Sri Lanka and abroad. The economic policies pursued, by these governments, however, have been an exception. Although there is no discord that policy decisions in other spheres have had a harmful effect on the economic opportunities of the Tamils and sufficient attention has been paid to this aspect, economic policies themselves have not come under any real scrutiny. Nevertheless, the contribution of such policies towards moulding the character and content of the Sri Lanka National Question has been quite substantial. The objective of this article is to cast some light on this neglected phenomenon.

I

First and foremost, government economic policies in independent Sri Lanka, unlike policies in other fields, were not, from the very beginning, formulated in a discriminatory fashion so as to bring additional or maximum benefits to a

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particular section of the population at the expense of another. This was, however, not intentional on the part of the governments in power. They were, given the option, quite capable of designing policies of a biased nature in economic matters too. But they were prevented from doing so by the very nature of the development pattern in Sri Lanka. The economic development of Sri Lanka, for the most part, was determined by factors external to the country. It was, therefore, nigh impossible for the rulers of the country to keep the economy always under their control and utilise it according to their whims and fancies. This is, however, not altogether surprising when one considers some of the features of the colonial economic structure.

The cardinal feature of the colonial economy of Sri Lanka was its over-reliance on export agriculture which, in the main, comprised of tea, rubber, and coconut.¹ A corollary to this was the ever increasing need to import several categories of goods with food and industrial commodities forming the bulk. Although a large majority of the indigenous population was engaged in activities connected with food production, these, under a colonial set-up, received neither the necessary incentive nor the required amount of protection from the government. Consequently, the development of the domestic agricultural sector was highly curtailed and Sri Lanka was soon compelled to import a major portion of her food requirements. Expenditure on the import of rice, the staple diet of the population, increased from about Rs. 33 million at the turn of the century to about Rs. 236 million at the time of independence.² The quantity of rice imported too had almost doubled (from about 5 million cwt. to about 10 million cwt.) during this period.³ In 1949, over 50 per cent of the total value of imports, when the total itself had spiralled to Rs. 1029 million from Rs. 104 million in 1901⁴ was spent on food items.⁵ The rest went for industrial goods consisting mainly of partially or wholly manufactured articles.⁶

It is clear then that Sri Lanka, when she gained her independence in 1948, had inherited a typical export-import economy. Foreign trade was its backbone. But, more importantly, foreign trade was still under the influence of external forces. It is true that with the attainment of independence trading activities had increasingly passed into the hands of Sri Lankans. This physical transformation, however, did not lead to any qualitative change. Gains from trade continued to depend on conditions prevailing in international markets. Sri Lanka had little or no control over them. The Annual Report of the Central Bank of Ceylon for the year 1952, for example, pointed out that Sri Lanka was in no position to influence either the export or the import prices and, for the most part . . . (had to) take world prices . . . as given.⁷

As long as the importation of items essential to the country's development was a function of external assets earned through her exports it was inconceivable that the government could take full control of either the formulation or the execution of its economic policies. The woes of the government were further exacerbated whenever the export prices were on a declining trend. But since independence it is a truism that sliding export prices vis-a-vis rising import prices had become more a rule than an exception. It was, therefore, inevitable on the part of the government to find ways and means of generating foreign exchange earnings commensurate with its import expenditure. In the absence of sufficient earnings it had no choice but to impose restrictions on the use of such exchange and control imports. This effort to earn and, at the same time, conserve foreign exchange manifested itself in the twin policies of export promotion and import substitution pursued by successive governments of Sri Lanka.

Under these circumstances government economic policies were mainly governed by the continuing need to monitor the foreign exchange situation of the country. All other considerations had to play second fiddle to this pivotal demand. Not only was it necessary to preserve the plantation sector, the already existing source of foreign exchange, but additional sources had also to be developed in order that the earning capacity may be enhanced. On the other hand, considerable attention had to be paid towards the utilisation of external assets too. Priorities had to be mapped out and allocations be made accordingly. What one tries to emphasise here is the fact that in this relentless pursuit of foreign exchange management, governments in Sri Lanka, generally speaking, had very little leverage to impose their own political will or accommodate their political thinking in economic policy matters. To this extent, economic policies could not serve as a medium of discriminatory politics. They could not, at the framework level, differentiate between communities. But one must hasten to add that this does not mean that they remained so at the implementation level too.

It could, therefore, be said that economic activities of Sri Lankan governments, within the general set-up described above, had to contend with and accept an external element as a given factor. Nevertheless, at the implementation stage, it was possible for such activities to have varying effects between regions and communities. Although the impact need not be guided by government intentions, it cannot be ruled out that, especially in the political context of Sri Lanka, governments would always act without malice.

During the early 1950s, when the export market for primary commodities was buoyant, Sri Lanka accumulated a substantial amount of external assets. The total sum of assets increased from Rs. 963.7 million in 1949 to Rs. 1216.8 million

in 1951.⁸ In such a healthy economic environment one can reasonably envisage that a newly emerging Third World economy like Sri Lanka would spend an increasing amount of money on development oriented economic activities. But contrary to this expectation there was very little economic activity during this period. A major share of this receipt was, in fact, spent on consumption, that too on imported commodities. The government persisted with an open economic policy, a colonial legacy, and there was a free flow of imports as well as exports. It is, therefore axiomatic that there were very few policy decisions on economic matters which had community or regional implications. Even with regard to export performance the government seemed to be satisfied with the achievements of the plantation system and did not, in any way seek to diversify it. Neither did it attempt to enlarge the export sector as a whole venturing into new enterprises, particularly in the field of manufacturing.

But boom conditions in the export sector did not prolong forever. By mid-1950s there occurred a rapid decline in export prices and an ensuing depletion of foreign assets. When the country was entering the new decade the total external assets were less than half of what they were during the peak. In 1950 for example, they amounted to Rs. 541 million and within another four years - in 1964 - had dropped to a bare Rs. 351 million.⁹ In such an alarming situation with no other sector save the plantations to boost the dwindling assets the government had no other alternative but to restrict the flow of imports. In the history of independent Sri Lanka, perhaps, for the first time, the ruling government was called upon to intervene directly in economic matters and arrive at some firm policy decisions. It had to not only restrict imports but had to also involve itself in the distribution of goods and services, especially the essentials. Moreover, the government was also engaged in the production of commodities of certain categories. In order to accomplish this, several public corporations were established. The government had therefore, clearly deviated from the laissez-faire policy it had been following from colonial times.

In the meantime, however, far reaching changes had taken place in the political landscape of the country. The MEP coalition, with SLFP as the major partner, had taken over the reins of power from the UNP. This signalled not only a transfer of political power but also brought along with it a train of other political as well as economic changes to which we have to, now, turn our attention. While the economic thinking of the new government imparted a degree of decisional mobility to economic policy, its political thinking and actions paved the way for a link-up of economic policy with political affairs.

II

1956 is, in many ways, considered a watershed in the political, economic and social development of Sri Lanka.¹⁰ In K. M. de Silva's words, 'It marked . . .

the rejection of so much that had come to be accepted as part of the normal order of things in post colonial Sri Lanka.'¹¹ I. D. S. Weerawardana, while analysing the General Election 1956, refers to the MEP, the agent which made this transformation possible, in the following terms:

"The MEP of 1956 was of an entirely different order. It believed in political democracy and economic socialism. It understood and supported the religious and cultural revival. It combined therefore liberalism, socialism and nationalism."¹² When it captured power,

"... (it) was not merely an alternative government but also an acceptable one within the terms of parliamentary democracy. It was radical without revolutionary. It was democratic while seeking socialism... Thus it attracted the rural impoverished as well as the urban liberals."¹³

But the missing link in these and other similar accounts of developments in the post - 1956 era has been that the views expressed in them either considered or were addressed to only part of the Sri Lanka community and, in that sense were not truly national. Whatever the MEP was striving to achieve embraced the majority Sinhalese Buddhists alone and ignored all other minority communities, the Tamils of North and East in particular. Island-wide issues⁸ which tended to transcend the traditional, ethnic linguistic, or religious differences played no essential part in the MEP policy programme. Neither did the UNP of 1956 or post - 1956 advocated them. As a result, in 1956,

"for the first time since independence, politics in Tamil areas formed a system without organizational links with the larger parties competing for control in Sinhalese areas..... Two large parties competed against each other to obtain a parliamentary majority by outbidding one another in Sinhalese districts alone."¹⁴

Wiggins correctly forecasts the future implications of this tendency to Sri Lankan politics when he goes on to say that

"If such a development is repeated... .. communal consciousness among the Sinhalese majority of voters is likely to be aroused at every future election. And Tamil interests will be less and less adequately represented."¹⁵

In 1956 therefore, in addition to all its other virtues, also marked the beginning of an outwardly communal line of approach by governments in power. The language, culture, education and employment, and thereby, the economy of the Tamils came to be slowly but steadily threatened. The phalanx of discri-

minatory policies we mentioned at the beginning of this essay gradually gained momentum in the post-1956 era.

But the declared economic policy of the government, at least at this juncture, stood as an exception. It was not directly based on any communal considerations. Policy decisions were not either favourably or unfavourably directed towards any particular community. Instead, it could be said that they were mostly determined by prevailing economic realities. The Tamils, like any other social group in Sri Lanka, had to endure a series of unfamiliar developments emanating from the changing economic scenery of the country. But, at the operational level as pointed out earlier, it was always possible for the same decisions to evoke different repercussions on different groups of people. In other words, they could come under the influence of other policy matters, especially at the political substratum.

It is in this light that one has to probe the impact of government economic policies on the ethnic question of Sri Lanka. It is true, on the one hand, that several actions arising out of the economic policy conversion had a detrimental effect on the Tamils and restricted their progress as a community. But, on the other hand, it should also be recognized that there were certain other policy measures which were beneficial to them and led to conditions of economic prosperity. However, irrespective of the nature of impact, it is noteworthy that the incidence eventually contributed towards the strengthening of Tamilian nationalism that was already undergoing a process of resurgence vis-a-vis a bursting Sinhalese nationalism. It is the conflict between these two ethnic based nationalisms which ultimately transformed an ordinary ethnic problem into a national question.

Economic changes in the post-1956 era were mainly an outcome of the deteriorating foreign exchange situation caused by a continuous decline in external assets. This necessitated, as we mentioned earlier, the intervention of the government in the form of import restrictions, distributional arrangements, and production endeavours. Thus a state regulated economic system was born. The primary intention of the government under this system was to trim the import of several commodities which it considered 'non essentials' or 'luxuries'. The obvious choice here was consumer oriented industrial goods and, very soon, a large number of such items came under the hammer. Restrictions ranged from a total ban to allowance for limited quantities of import using various instruments like quotas, permits, licences etc. The responsibility of the government, however did not end there. Although it chose to brand the commodities which came under restriction as 'non essentials' or 'luxuries', in actual fact, a large majority of

them through usage, had become semi-essentials, if not absolute essentials. Unless a minimum supply of these goods was assured there was every opportunity that the consumer public would thoroughly be inconvenienced. It was, therefore, imperative on the part of the government to act in such a way that their difficulties would be minimised.

The government responded to this challenge in two ways:

i) Improve the distribution of commodities so that whatever quantities imported would not only be more efficiently used, but also justly dispensed among the needy.

ii) Initiate local level production and substitute the imports. i. e. import substitution

In order to facilitate an efficient distribution the government nationalised several service activities which were hitherto in private hands. Passenger transport banking, insurance, oil distribution were all brought under government control. In addition to this, wholesale and retail trade too were taken over by the state. State-owned Co-operative Wholesale Establishment (CWE) and its retail outlets formed the kingpin of internal commodity distribution. On the production side, the government kept the basic industries to itself and allowed private sector participation in the production of medium range and light consumer goods.

The operation of these two policies, under a budding communally motivated political environment, could produce far reaching implications on the Tamils. The impact these measures had can be seen, at three levels.¹⁶

In the first instance, Tamils, perhaps, along with the Muslim were the main losers by the government action to regulate both external and internal trade. A substantial portion of the export - import trade has for a long time been controlled by the Tamil entrepreneurial group consisting of Sri Lankans as well as Indians. Trade with India and Pakistan in particular was virtually under their monopoly. When the CWE and the State Trading Corporation took over the export - import trade profit margins earned by these entrepreneurs were severely curtailed and a number of them got completely displaced. The exercise of monopoly over the importation of commodities like lentils, onions, dried fish etc. by the CWE, adversely affected their fortunes. On the other hand, the internal trade of the country had traditionally been in the hands of middle level Tamil entrepreneurs who were scattered throughout the island. Their network of retail shops, apart from yielding enormous wealth also served as a source of employment for the unskilled section of the Tamil youth. But, now with the establishment of the CWE, a multitude of co-operative outlets extending from the city to the villages, not only took charge of the general distribution but also enjoyed a monopoly in

the supply of a number of items, subsidiary food-stuffs in particular. All price controlled goods were only obtainable in the co-operative stores and, with the worsening terms of trade, the list of such items was always on the ascent. As a result, all those who were engaged in the wholesale and retail trade of these commodities were badly hit. But the plight of the Tamil trader was much worse mainly because no suitable alternative avenues were readily available to him. Whereas his Sinhalese counterpart could make use of the expanding light industrial production (see below) and, on the basis of political patronage could diversify his activities.¹⁷ The Tamil trading community and those groups which depended on it either directly or indirectly for their own survival, therefore, became a disgruntled lot and were willing to throw in their weight behind any anti-government activity. Tamil nationalistic forces during the first phase of their resurgence i. e. 1956 - 1970, never failed to utilise this to their advantage.

Secondly, Tamils could not gainfully exploit the investment opportunities in the private sector to produce light industrial consumer goods and certain types of medium range goods. This was principally due to the criteria adopted by the government in allowing private sector investments and the manner in which such criteria were put to practice. While the government was liberal enough in granting several incentives to the newly established industries in the form of protected markets and tax holidays, it was also incumbent on its part to ensure that foreign exchange was not wasted in sustaining them. For, a majority of these industries were heavily depending on imported raw materials for their survival and unless such imports were cautiously handled a drain on external assets could set in. This would have, no doubt, defeated the whole objective of an import substitution policy. The government, therefore, formulated a system of quotas, permits and licences whereby raw material imports were kept to a minimum. It is at this juncture that political patronage came to play. In the context of existing party politics, it was easier for one in the good books of the ruling party to obtain the necessary quota or licence to sustain his industry

than anybody else. Political favouritism played a key role in the success of a particular industrialist. The amount of profit one could earn, in addition to other factors, was also determined by the quantum of political support he could mobilize. Political developments in and after 1956, as already explained, almost entirely precluded Tamil influence prevailing over the formation of governments in Sri Lanka. The pro - Sinhalese ruling parties, except, perhaps on one occasion in 1965, did not need to rely on the Tamil vote for their political survival. In this political milieu it was, therefore, virtually impossible for Tamil entrepreneurs to seek any kind of favouritism from the government in power. In contrast, the Sinhalese entrepreneur with the right kind of political inclination could look forward to prosperous times. When a number of middle level Sinhala entrepreneurs did, in fact, eventually become captains of industries, the Tamils, in the process, were frustrated in their attempts and, in many instances, were driven towards anti government stand.

And thirdly, perhaps, most important of all, was the impact government policies had on the employment opportunities of Tamils. It is a well known fact that the economic prosperity of Tamils from colonial times has been attributed to their predominance in public service employment. With their relative superiority in English, they had unlimited opening in the government sector and filled in a large chunk of high level and middle level posts. But, in 1956, once Sinhala became the official language, a certain level of Sinhalese knowledge, irrespective of other qualifications, was made one of the conditions of service for all new entrants to the public service. With the medium of instruction changing over to the mother tongue, examinations to government employment were held in swabasha only and, consequently, the edge the English educated had over the vernacular educated, had now disappeared. It was, in fact, at this point that the government decided to expand the public sector and call it a non-capitalist path of development. But this, in real terms, as Newton Gunasinghe

points out, amounted to the state subordinating a significant proportion of the country's economic resources to itself.¹⁸ Once this is done it was easier for these to be distributed among the supporters of the regime, the majority Sinhalese. The Tamils, for the very same reason cited earlier, could not hope to reap any benefit out of this exercise. The new state corporations and their factories were mainly located in the Sinhalese regions. Then, on the basis of preferential recruitment for the people of the area where they were situated, Sinhalese were given employment opportunities, thus denying them to the Tamils. Moreover, the official language policy was more strictly implemented in the case of public corporations, making it more difficult for Tamils to have employment access.

The end result of these processes was the drastic fall in the number of Tamils in middle and low level occupations during the 1960s and 1970s. In 1965, for example, the percentage of Tamils in the Government Clerical Service, the main source of middle level employment, had dropped to 30 from about 50 percent in 1956.¹⁹ The fall in the Ceylon Administrative Service (which in the 1960s, replaced the Ceylon Civil Service) the same period was from 30 percent to 20 percent.²⁰ According to statistics of personnel in state services in 1972, Tamil representation in these levels was nearly half of their proportion in the total population of the country.²¹ Whereas, at the other extreme, the number of Sinhalese in public corporations registered a marked increase. According to one estimate, out of the 189,000 recruited in the state sector corporations during the period 1966 — 1970, 99 per cent was Sinhalese.²² In the Ceylon Transport Board, one of the largest corporations in terms of employment and turnover, out of the 52,000 employed until 1970, over 95 per cent was said to be Sinhalese.²³ There is no doubt that political patronage had been a key factor in the Sinhalese gaining employment opportunities in such large numbers. This is also borne out by a World Bank Study carried out in 1966, where it is mentioned that due to political favouritism most public sector ventures and corporations in Sri Lanka were saddled with an excess of personnel.²⁴ Although in

the professional and technical fields Tamils still enjoyed a healthy position.²⁵ it is noteworthy that employment generation is much greater in the middle and lower grades than at the higher grades. For every job created at the administrative or professional level, it is mentioned that fifteen jobs are created in the middle level grades and twenty in the manual grades.²⁶

From the foregoing account it is clear that government economic policies at the operational level, aided by the prevalent political thinking, always had a negative impact on the Tamil minorities. These, along with other discriminatory policies, contributed in no small measure towards the progress of Tamil nationalism. Even a short-term economic prosperity enjoyed by them in the early 1970s could not dampen it.

III

With the dawn of the 1970s, the Sri Lankan economy took another somersault and conditions looked, indeed, very grim. The growth rate of the economy was halved from 8.4 per cent in 1968 to 4.2 per cent in 1970. In 1971, it fell dramatically and reached 0.9 per cent.²⁷ If allowance is made for population growth, the growth rate, actually, fell to negative proportions and amounted to 0.6 per cent.²⁸ Per capita income at constant prices also dwindled from Rs. 774 in 1970 to Rs. 766 in 1971.²⁹ The inflationary rate as indicated by the Colombo Consumers' Price Index alone rose by 12.3 per cent in 1974.³⁰ A more meaningful guide, no doubt, would have shown a rate much higher than this. To this, one has to add the sudden increase in oil prices and the far reaching impact it had on Third World economies. Sri Lanka was in no way an exception to this. In the face of such adverse conditions, the rate of unemployment was also very high. The number of unemployed as a percentage of the workforce increased from 13.8 in 1963 to 24.0 per cent in 1973.³¹ A community-wise glance at the unemployment rates, as a percentage of the total workforce, for the years 1963 and 1973 reveals that the increase for the Low Country Sinhalese was from 17.5 per cent to 30.0, per cent for the Kandyan Sinhalese from 12.7 per cent, to 23.0 per cent, and for the Tamils from 11.6 per cent to 17.7 per cent.³²

While there was an overall decline in economic conditions, the biggest impact, however, had been on the employment scene. With the curtailment of economic activities, employment generation was awfully slow and, in many instances, had come to a grinding halt. When the situation in general was bad enough, the government had to also endure the fact that the rate of unemployment, as revealed by employment figures given above, was more severe among the Sinhalese than among the Tamils. For a government which promulgated the 1972 Republican Constitution enshrining 'the expectations of Sinhala Buddhist nationalists without a single concession to the Tamil speaking minority'.³³ this was too harsh a reality to stomach. Despite the prevailing economic catastrophe it was imperative on the part of the government to act in some manner so as to redeem the rapidly deteriorating employment opportunities. University admissions, in this respect, offered the government a safe bet.

The growth of secondary education in the 1950s, apart from increasing the number seeking employment at middle levels, had also intensified competition for entry to the University. In order to meet this need the government increased the enrolment of University students from 3,196 in 1959 to 14,287 in 1967,³⁴ primarily through the duplication of courses in the existing University and the creation of new Universities. But despite this expansion, the proportion of those refused entry to the University rose to over 80 per cent in the 1960s and to over 90 per cent in the 1970s.³⁵ From the government point of view, enlargement of University education could retrieve the unemployment problem in two ways: (i) arrest pressure on medium range job prospects by diverting job seekers to higher grades through offer of University placements; thus, there would also be a reduction in the total number unemployed, although the drop may purely be a temporary phenomenon; (ii) it was relatively easier to provide job opportunities further up the scale in higher grades, especially in professional fields like Medicine, Engineering, Architecture etc. This is notwithstanding the fact that there was unemployment among Arts graduates.

It is clear, then, that the expansion of University education, irrespective of the fact that it is a prerequisite for development, could render almost immediate relief to the problem of unemployment confronting the Sri Lanka government.

Prevailing economic constraints, however, made any further growth of University education, at least at this juncture, grossly impossible. Suddenly in 1973, amidst rumours that the Tamils had obtained about 60 per cent of the admissions to the Faculty of Engineering, the government bounced at the idea of reallocating the limited number of University places so that more Sinhalese students

would gain admission at the expense of their Tamil counterparts. Thus, was born the system of standardization whereby, initially, a lower qualifying mark was set for Sinhalese medium students. This not only provided an easy answer for the relatively more acute unemployment problem among the Sinhalese youth but also ensured that a politically acceptable section of the student population gained admission to the University. The government, in fact without any attempt to pool its resources and energy in finding a long term solution to its pressing economic problems, sought refuge in communal politics and adopted a 'rob Peter to pay Paul' tactic between the two communities.

An analogy can be drawn here with the economic depression of the early 1930s. when employment opportunities shrank to a minimum and unemployment loomed large, the Sinhalese (trade union) leadership was unwilling to concede that it was a direct consequence of the economic crisis. Instead, it accused the foreign worker, especially the Malayalis, of unjust domination of the job market and sought to divest, at least, a part of the available employment opportunities towards the Sinhalese, its major support base.³⁶ Now, the descendants of the same leadership, depending almost entirely on the Sinhalese polity for its support, again endeavoured to preserve professional positions for the Sinhalese community through reservation of University placements. The Tamils, in the absence of any political patronage, were, now, threatened with the loss of even their professional employment opportunities.

When the lower and middle grade jobs for the Tamil speaking community were severely curtailed in the 1960s, it could still preserve, as already mentioned, its position in the professional and technical grades. This was possible largely due to University education being made available to everybody purely on the criteria of merit, i. e. based on one's academic performance as reflected in the raw marks. A great majority of Tamil students chose science based courses as their main forte and concentrated in professional studies, Medicine and Engineering in particular. In 1964, for example, 37.2 per cent of the places in science and engineering courses was held by Sri Lankan Tamils. In Medicine and Dentistry the percentage was 40.5 and in Agriculture and Veterinary Science it was 41.9.³⁷ In 1970, Tamils made up of 35.3 per cent of all admissions to science based courses in the University, obtaining 40.8 per cent of the places in Engineering and 40.9 per cent of the places in Medicine.³⁸

However, with the adoption of the standardization scheme there was a complete change in this picture. Both percentagewise and in absolute terms there was a drastic drop in the number of Tamils entering the University. Tamil students entering science based courses in the University shrank from about 40

per cent in 1969/70 to a mere 19 per cent in 1975. Correspondingly, the percentage for Sinhalese students increased from 58 to 78. Whereas, the actual number of Tamil students entering the same courses during the five - year period dropped from 315 to 268, the number of Sinhalese students rose from 457 to 1101.³⁹

Such an alarming drop in University admissions wiped out the last resort the Tamils hitherto had in the form of professional employment. Already feeling was rife that the government was discriminating against the Tamil youth in providing employment. Now, standardization not only jeopardised the chances of Tamils entering professional grades but also unleashed suddenly hundreds of youth who had Advanced Level qualifications but no hope of finding any sort of employment. Another significant feature of this development was that the bulk of this youth was, by and large, off springs of lower Tamil middle class, who, unlike the upper strata of the Tamilian society, did not have any other alternative means. Denying University education to this class was tantamount to shutting the door of social progress and economic security to them.

It is against such a background, that one has to analyse the call for a separate state and the Tamil youth resorting to violent means to achieve it. Tamil nationalism, with these developments, took a sharp turn and had become so vociferous that any improvement in the economic condition of the Tamils only helped to strengthen rather than weaken it. This was proved beyond doubt by the economic upsurge enjoyed by the Tamils during the period under consideration.

During the opening years of the 1970s amidst severe balance of payments difficulties, when the government extended its import restriction policy to food commodities, its primary target was subsidiary foodstuffs. Their imports were consuming a large slice of the foreign exchange allocations and any form of control over their imports could bring in substantial savings. Consequently, a number of subsidiary items, including onions, chillies and potatoes, were completely banned. But Jaffna, utilising the steep rise in prices arising out of this ban, reaped maximum advantage in the production of these items.⁴⁰ The advantage Jaffna secured over other areas mainly accrued through the large surplus it could accumulate in these commodities. Over 90 per cent of the onion crop and over 80 per cent of the chilie harvest were annually available for export to other areas of the island. Peasants engaged in the cultivation of these crops could, now, earn incomes easily comparable to those earned by the urban middle classes. Several belonging to the middle classes themselves, in addition to their usual sources of income, took up to the cultivation of these

crops. Such an enhancement in economic environment, naturally, added a good deal of confidence as to the economic viability of a Tamil region in whatever form and resulted in an escalation of nationalist feelings. To this one must also add the expatriate Tamil community which was spread in various parts of the globe.⁴¹ While contributing to the economic resources of the Tamils the emigrants also helped to serve as a medium of propaganda for the Tamilian cause. The interest shown by them resulted in the creation of certain overseas organizations with objectives to (i) seek overseas support to the National Movement, and (ii) study the various problems involved at a deeper level.

In sum, it will be seen that the economic policies of the 1970s had helped to elevate the national struggle of the Tamils from a bourgeois level to one of middle class status. The backbone of this middle class was the educated youth who had little confidence in parliamentary processes and nonviolent means.

IV

In 1977, there was yet another change of government when the UNP regained control after a landslide victory. It was evident, once again that economic policies would not remain the same. There was in fact, a complete reversal of policies. While open economy replaced a regulated economy, import substitution had given way for export promotion.⁴² Private capital assumed importance and the private sector was gradually entrusted with most of the task earlier carried out by governmental agencies. Steps were also taken to invite private foreign investments and a model similar to one adopted in Singapore, South Korea, and Taiwan was introduced. In order to facilitate its operation, Investment Promotion Zones (IPZ) were planned and the first of its kind was almost immediately opened in the Negombo-Katunayake area under the Greater Colombo Economic Commission (GCEC). A Foreign Investment Advisory Committee (FIAC) was set up to advise and assist overseas investors on investment opportunities. The corresponding institute for local investors was the Local Investment Advisory Committee (LIAC). Trade was liberalised and a whole range of items hitherto restricted was now allowed into the country giving way to a boom in import trade. As a result, volume of trade too increased by a considerable extent.

An important development out of these changes was that the protected market in which the Sinhala entrepreneurial group had an edge over its Tamil counterpart was on its way to a sudden collapse. As the market forces came into full play, any one, irrespective of one's race, could enter into competitive enterprise provided he had the capacity to do so. The Tamil entrepreneurial group which had been dormant for a long time or engaged in other activities swung into action once

again. The voluminous increase in trade, commerce, and services under the new regime provided the Tamil investor ample opportunities to amass wealth. It was, in fact, in these activities that he had traditionally demonstrated his skill. Their dominance over trade and commerce, for example, was so marked that there were accusations that the Tamils, along with the Muslims, had alienated the trading power from the majority Sinhalese community.⁴³ The frustration of the Sinhalese eventually turned them chauvinistic and, in a few instances, this chauvinistic attitude even manifested in acts of violence against Tamil traders, especially during occurrences of communal disturbance.

The employment situation too showed a vast improvement in the post - 1977 period with much of the benefit which accrued out of it reaching non - Sinhala communities. The expansion of the private sector created a large number of jobs which, unlike the public sector ones, did not insist on Sinhalese proficiency. A majority of private sector ventures had to establish, in their day to day business, overseas links and a working knowledge of English, therefore, proved indispensable. Non-Sinhala communities, Tamils in particular, were able to use this to their advantage and bring in a bulk of the private sector openings under their umbrella.

The improvement in conditions in the post - 1977 era, compared to the prosperity enjoyed by the Tamils in the aftermath of the ban on subsidiary foods imports in the early 1970s, had certain differences. The Jaffna middle class and peasantry had been the main recipients of the latter. Whereas the Tamil bourgeoisie, whose main forte continued to be trade and commerce, had little or no reason to be happy over these developments. It is also true that, unlike the bourgeoisie element among the Tamils, the Tamil middle class or the peasantry failed to exhibit a class identity which went beyond ethnic and religious considerations. The only motivating factor had been their own economic survival and, when this is threatened they tended to react in a harsh manner. The militant phase of Tamil nationalism in mid - 1970s bear testimony to this. But the boon conditions of post - 1977 directly involved the Tamil bourgeoisie which evoked a class unity cutting through ethnic and religious identities. Whenever the UNP came to power because of its pro-capitalist policies, the bourgeoisie element in the Tamil community always attempted to minimise conflicts, despite the fact that the UNP too, like the SLFP followed a hostile policy towards the Tamils. In the post - 1977 period too this class, acting in conformity, demonstrated a passive approach towards the ruling UNP government. Its task was made easier, when the Government came forward to grant a few concessions to the Tamils in the Second Republican Constitution drafted in 1978 ⁴⁴ The urban based speaking traders and others with vested interests resented Tamil the militant attitude and whenever acts of violence were committed, they made

a special effort to dissociate themselves from them. They even went to the extent of offering financial help to the affected parties, namely, the police and the security forces.

This line of approach, however, could not continue for long. Tamil nationalism which had bourgeois origins and confined to parliamentary politics for quite a while had, gradually, crossed these boundaries. By 1970s not only had it become a middle class struggle but it had also clearly embraced extra-parliamentary methods. But once it ceased to be a non-violent movement, its progress too was very swift. A chronological glance at the events of the post-1977 era will reveal the rapidity with which the transformation was taking place. Within a matter of few years, the Tamil National Movement had graduated into a full scale Liberation Struggle. In this amazing pace, the leadership itself had changed hands from the moderates to the young militants. The latter were not in any way prepared to consider any compromise based on piecemeal or half-hearted solutions. Neither were they attracted by any concessions of a sporadic nature. Under these circumstances, it was clear that efforts of the Tamil bourgeoisie element to discourage the militants would not succeed. The manoeuvre was, in fact soon foiled. There were, no doubt, certain other developments which contributed towards its achievement.

Chief among them was the spate of violence periodically unleashed by the majority community on Tamils living in predominantly Sinhalese areas. Such calamities were usually explained as reactions to Tamil militancy and the damaging impact it had caused on Sinhalese citizens. Although there is an element of truth in this allegation that was not the only reason. A closer look will show that it also had its genesis on government economic policies. An important component of the open economic policy of the government was the gradual dismantling of the state welfare system which had been in operation from the time of independence. This deprived the poorer strata of the country's population of its primary source of real income. The impact was much greater on the urban poor, who, in spite of certain compensatory schemes like the Food Stamp Scheme, were a stark contrast to other sections of the urban population. A marked increase in private sector job opportunities also had not helped them much. They formed, therefore, an easily vulnerable group open for persuasion, especially with ulterior motives. They could easily be mobilized by the ideologists of Sinhala dominance as well as by frustrated sections of Sinhala entrepreneurs.⁴⁵ The general affluence of urban based Tamils, the trading community in particular, could always act as an inducement and spur them into action. Communal riots of the post-1977 period, in addition to other ideological reasons emanating from

the ethnic conflict, can also be explained as a sequel to this development. During such times, it is a well known fact that the Tamil business community had been the worst hit. With every riot there occurred not only a shift of its business interests from Sinhalese to Tamil areas but also its allegiance from the government towards Tamil nationalist forces. The latter process was made still easier by the state violence in Tamil areas perpetrated by its security forces. In these instances too, Tamil businessmen, among others had been the chief victims which made them willing partners in the Liberation Struggle. Traders in the Jaffna city, for example, have formed themselves into an association called the Jaffna Traders' Association and assist the Movement as well as the general public in various ways while refraining from paying the government its usual dues like the business turnover tax.⁴⁶

In the meantime, special policies adopted by the government exclusively for Tamil areas in the form of economic blockade of several commodities including some essentials, have completely alienated the Tamils and their regions from the rest of the country. Hostilities between the two communities are so high-pitched and long-drawn it looks highly improbable that the Tamils of Sri Lanka would be brought back into the main stream of the country's economic life in the near future.

Notes:

1. For details, see D. L. Snodgrass (1966).
2. Elaine Gunewardena (1955): 218.
3. Ibid.
4. Ibid : 210-211.
5. D. L. Snodgrass (1966): 362.
6. Ibid.
7. Central Bank of Ceylon (1952): 5.
8. Central Bank of Ceylon (1964): Table 31.
9. Ibid.
10. For contemporary account on the changes of 1956, see W. Howard Wriggins (1960): 326-69.
11. K. M. de Silva (1981): 510.
12. I. D. S. Weerawardana (1960): 237.
13. Ibid: 237 238.
14. W. Howard Wriggins (1960): 369.
15. Ibid. Emphasis mine.
16. This section draws heavily from Newton Gunasinghe (1984)
17. Ibid: (Jan. 15): 16.
18. Ibid : 15.
19. These figures are based on estimates supplied by the Arasanka Eluthu Vinaigar Sangam, a trade union of Tamil government servants. Quoted from Walter Schwarz (1975): 13.
20. Ibid.
21. Government of Sri Lanka (1972).
22. Satchi Ponnambalam (1983): 174-75.
23. Ibid: 175.
24. Quoted from Ibid : 37.

25. In certain fields like Medicine, Engineering and accountancy the proportion of Tamils had either increased or remained static. In the Irrigation Department, for example, the percentage of Tamil Engineers increased from 46 in 1955 to 48 in 1963, whereas in the Department of Health, the percentage of Tamil doctors during the same period rose from 35 to 41. See S. W. R. de A. Samarasinghe (1984) : 177.
26. Newton Gunasinghe (1984, Jan. 15) : 16
27. Central Bank of Ceylon (1974) : 3
28. Ibid
29. Ibid
30. Ibid
31. Central Bank of Ceylon (1974a) : 49
32. Ibid
33. Radhika Coomaraswamy (1984) : 31
34. C. R. de Silva (1978) : 86
35. Ibid
36. For details, see Kumari Jayawardena (1985) : 25 - 29
37. C. R. de Silva (1978) : 86 - 87
38. Ibid : 87
39. Ibid : 105 - 106
40. These developments are analysed in V. Nithiyandanan (1987)
41. For details, see Ibid.
42. For details of these changes, see Central Bank of Ceylon (1978)
43. Several such accusations, appeared in Sinhalese dailies have been cited by Newton Gunasinghe (1984, Feb. 1) : II
44. For details of these concessions, see C. R. de Silva (1979) : 192 - 209.
45. Newton Gunasinghe (1984, Feb. 1) : 11.
46. The decisions and activities of the Jaffna Traders' Association are reported almost daily in the local Jaffna press. Similar associations have also been formed in several other towns of the peninsula.

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