• Ethnic tensions in Sri Lanka have the potential to spill over and destabilize India, America’s key economic and strategic partner in South Asia. Given that Sri Lanka has been a friend and democratic partner of the United States since gaining independence in 1948, disengaging from Sri Lanka could have negative consequences for US geostrategic interests in the region.

For more than a quarter century, a war between the Government of Sri Lanka (GOSL) and the Liberation Tigers of Tamil Eelam (LTTE) ravaged the island nation in the Indian Ocean, killing more than seventy thousand people as the ruling ethnic Sinhalese majority fought the separatist Tamils. The fighting came to an end in May 2009, as Sri Lanka’s army trapped the remnants of the LTTE in the nation’s northeast, killed Velupillai Prabhakaran (the group’s elusive supremo) and took control of the entire country for the first time since the riots of July 1983. The victory came at a great cost: with the GOSL suppressing dissent, curtailing human rights and, in the final onslaught, according to the United Nations, killing seven thousand civilians.

This paper argues that it would be counterproductive for the United States and the European Union to disengage from Sri Lanka and deny it the sustenance it requires for the reconstruction of the country. The potential outcomes of a policy of disengagement and noncooperation are the reemergence of an insurgent group that used terror as a tactic, providing a model for learning by other insurgent groups and an increase in influence over a strategic location by regional powers like China, Russia and India.
refusal to endorse Tamil separatism, launched an offensive against the IPKF. India’s two and one-half year experience on the island ended with a humiliating withdrawal and the assassination of Rajiv Gandhi by a female suicide bomber a year later. Following the assassination, Indian support for the Tamil cause dried up, the group was proscribed as a terrorist organization and India adopted a “hands-off” policy in the affairs of the island.

INTERNATIONAL NETWORKS AND FUNDS

In the aftermath of the July 1983 Sinhala-Tamil riots in Sri Lanka, a large number of minority Tamils fled the country as refugees, mainly to India, Canada, the United Kingdom, Australia, the United States and Europe. Shortly thereafter, and with the passive support of the liberal-democratic host countries, the LTTE set about leveraging the scattered diaspora—a group earning and saving in the world’s strongest currencies—through its offices in more than sixty countries to establish a sophisticated and extensive network of propaganda, funding and arms procurement to sustain its armed insurgency. About 80 percent of the LTTE’s US$1 billion in annual donations came from the diaspora.

Following the crackdown on the LTTE by Canada and the European Union in 2006, the Royal Canadian Mounted Police released a report of its four-year investigation (Operation Osaluki) of the fundraising efforts of the Tamil Tigers in Canada. The report revealed that the LTTE had subjected Sri Lankan Tamils living in Canada and other Western countries to intimidation, extortion and even violence to ensure a steady flow of funds for its operations. Other sources of its revenue were front organizations and proxy businesses.

Testimony in May 2003 by an officer of the US Drug Enforcement Administration (DEA) at a hearing of the Senate Judiciary committee revealed that since the mid-1980s Tamil Tiger communities in Europe were involved in narcotics smuggling, having historically served as drug couriers moving narcotics into Europe. The report also indicated that the LTTE had close ties to drug trafficking networks in Burma, and that Tamil expatriates carried drugs in exchange for training from Burma, Pakistan and Afghanistan. The testimony concluded that Sri Lanka’s preoccupation with the LTTE depleted its resources, preventing the adequate patrol of Sri Lanka’s nine hundred miles of coastline to effectively curb the drug trade. The most significant sources of weapons for the LTTE were Cambodia

THE LIBERATION TIGERS OF TAMIL EELAM

Centuries of mistrust between ethnic Tamils and Sinhalese preceded British colonial rule (1815–1948). The divisions deepened after independence and a militarized Tamil insurgency took form during the late 1970s. Following an internecine war among the assorted militant groups, the Tigers emerged supreme and dictated the course of the country’s history from July 1983 to May 2009. The Tigers—labeled as the most ruthless terrorist organization in the world—were pioneers of suicide bombing as an insurgent tactic and were the only group to have assassinated two heads of state. At the height of its power the LTTE controlled a quarter of the country with its fully developed armed capabilities on land, sea and air; the LTTE also installed its own system of roads, taxes, police and courts.

The LTTE’s achievements were the result of the global scale on which it operated. To its supporters, the Tigers were freedom fighters struggling to carve out Eelam, a Tamil homeland in the northeastern part of the Sinhalese-majority island. That view had sympathy among the majority of the nearly one million Tamil diaspora in the West. The overseas operations of the Tigers were central to their ability to sustain an armed campaign for more than a quarter century.

INDIA: THE TAMIL CONNECTION

Home to more than seventy million Tamils in the southern state of Tamilnadu—and with fewer than twenty nautical miles separating it from the northern coast of Sri Lanka in the Indian Ocean—India played a key role in actively supporting and sponsoring Tamil militant groups during the early 1980s, providing them training, arms and funds. This support was also a product of wider ideological and geopolitical concerns during the Cold War. The LTTE attained dominance among the other militant groups and emerged as the sole representative of the Tamil cause for a separate state by the mid-80s, with support and infrastructure networks based in India.

In an attempt to stabilize the region, the new government of Rajiv Gandhi in India underwrote a peace accord between the GOSL and the LTTE in July 1987, and Indian troops were sent to Sri Lanka as the Indian Peace Keeping Force (IPKF). The LTTE, unhappy with India’s firm refusal to endorse Tamil separatism, launched an offensive against the IPKF.
transnational security is most intensive with India and China. India’s tacit support in the sphere of strategic intelligence, maritime cooperation and air defense contributed to the military victory over the LTTE. Sri Lanka’s war machine also was fostered by Chinese and Pakistani military hardware, foreign intelligence sharing, and a focus on military professionalism. The United States supplied intelligence on LTTE ship movements, which helped Sri Lanka choke illegal arms imports.

Help also came from Burma, Russia, Libya and Iran as Sri Lanka turned toward countries that offered donations without criticism of its human rights violations. Iran emerged as a major economic donor—when Sri Lanka was under pressure on human rights issues during the war—with a US$1.9 billion line of credit, primarily to buy Iranian oil and for a hydroelectric and irrigation scheme to upgrade a refinery. President Rajapaksa became the first Sri Lankan head of state to visit Libya when he called on the Libyan leader, Muammar Gaddafi, toward the closing phase of the war when Western criticism was at its highest. The meeting, ostensibly aimed at improving trade relations and economic cooperation, yielded a US$500 million financial package for development along with an appreciative comment from the Libyan leader on Sri Lanka’s handling of the ongoing war against the Tamil Tigers.

Burma and Sri Lanka stepped up bilateral cooperation to curb terrorism and to increase investments, trade and tourism. The Burmese denied the enfeebled Tigers any further use of their traditional sanctuaries in Burma. Russia, one of Sri Lanka’s main arms suppliers, backed Colombo at the Geneva human rights council to deflect a debate over the conduct of the war in Sri Lanka. Moscow, along with Tripoli, is one of the largest buyers of tea from Sri Lanka. Within a week of being reelected as president for a second term in January 2010, Mr. Rajapaksa signed a US$300 million loan to buy military and dual-purpose equipment from Russia despite an end to the quarter-century war. Sri Lanka’s 2009 defense spending was estimated at US$1.74 billion (from US$1.48 billion in 2008), which represents 17 percent of the country’s total estimated expenditure and about 5 percent of GDP, nearly double that spent by India and Pakistan. The Russia deal came after the former army commander said the island nation had cancelled a US$200 million purchase of arms from Pakistan and China after the end of its war with the Tamil Tigers in May 2009. Meanwhile India, whose two-way trade with Sri Lanka surged to over US$4 billion last year, extended loans of US$700 million to improve Sri Lanka’s railways.

9/11 AND THE GLOBAL WAR ON TERROR: THE CHANGED GLOBAL ENVIRONMENT

In July 2001 the LTTE staged attacks on the Sri Lankan Air Force base and the Bandaranaike International Airport in Colombo, wiping out half of the country’s civil aviation fleet, in addition to a few military aircraft. With Sri Lanka’s army in a deadlock, the navy restrained and the air fleet neutralized, the LTTE seemed on the verge of a major victory.

Two months later, the planes that brought the twin towers crashing down in New York on September 11 laid the groundwork for a hardening of global opinion against the kind of violent tactics used by the LTTE, and Western attitudes underwent a shift to resolve regional conflicts. The LTTE had already been proscribed as a terrorist organization in India, the United States and the United Kingdom before September 11 and subsequently saw its credibility erode further when Canada and the European Union also banned it in July 2006, curtailing the LTTE’s financial operations. Due in part to this bolstered legal awareness, an international crackdown by law enforcement agencies on the LTTE’s overseas network resulted in numerous arrests and crippled the group’s fundraising and arms procurement capabilities. In the United States, an FBI sting operation in early 2007 led to the capture of four Indonesians, a Singaporean and a Sri Lankan Tamil who pleaded guilty to attempting to smuggle weapons to the LTTE.

With the LTTE’s smuggling and trafficking routes cut off, its flow of arms and funds drying up, and its maritime capability reduced, the GOSL was emboldened to revive its own war on terror. This culminated in a military victory over the LTTE—an organization that had transformed Sri Lanka from a major tourist destination with a model democracy and an open economy to a country whose very existence as a nation-state was threatened.

REGIONAL AND INTERNATIONAL COOPERATION

Sri Lanka’s defiance of Western governments that railed against the country’s conduct during the final phase of the war signaled a historic shift in Sri Lanka’s foreign policy. Sri Lanka’s international cooperation on
In 2009, Colombo granted Beijing an exclusive investment zone in Mirigama, thirty-four miles from Colombo’s port. This was enough to concern both the United States and India, despite Chinese insistence that such actions are purely a commercial venture. While some accept the Chinese viewpoint at face value—given the fact that around 70 percent of China’s oil imports are shipped via this sea lane from the Middle East to Chinese ports—others see ominous designs behind the project. India’s home minister, Sri Lanka’s long-time ally and the dominant power in South Asia, warned, “China is fishing in troubled waters.”

**ISSUES OF GOVERNANCE**

Far from the ruins of war in the northeast, Colombo is enjoying a peace dividend. The economy, suffering from a slump in garment exports and tourism because of the war, is vibrant. This year the country is expected to see some six hundred thousand foreign tourists, compared with five hundred thousand in 2009. The New York Times has named Sri Lanka its top tourist destination for 2010. Annual remittances from the overseas Sri Lankan workforce are rebounding to around US$3 billion. Last year the Sri Lankan stock market more than doubled in value, making it one of the best performing in the world. Food prices remain high. The economy is expected to grow by around 6 percent this year. And yet much needs to be done if Sri Lanka is to ride the current wave of optimism toward sustainable growth.

Despite 5 percent annual growth in gross domestic product (GDP) in recent years and the highest per capita income in South Asia (US$2,000), the strength of Sri Lanka’s economy is tenuous as the budget was skewed heavily toward the war effort. The fragile economy will require massive amounts of money for reconstruction and development. Towards that end, the recently approved US$2.6 billion International Monetary Fund (IMF) loan will bolster Sri Lanka’s reserves. However, the European Union’s decision to suspend special trade preferences known as “GSP Plus” (unless progress is made on human rights and political freedoms), entails the withdrawal of trade benefits worth about US$135m that will hit the garment and fishing industries the hardest.

In contrast to its bigger neighbors, India and Pakistan, Sri Lanka’s security force was largely symbolic. It was only after the emergence of the separatist Tamil insurgency in the 1980s that Sri Lanka’s armed forces underwent a transformation and began to focus exclusively on
counterinsurgency. Since then, the government’s spending priorities have not been in line with the challenges the country faces, as evidenced by the 20 percent increase (over the US$1.74 billion expenditure in 2009) in the defense budget despite the fact that the war has ended. Analysts predict that the increased defense spending would put pressure on its budget deficit, which the government had agreed to contain by the end of this year as an assurance for the loan from the IMF.

A 2006 study (“Cost of Conflict in Sri Lanka”) by the Mumbai-based think tank Strategic Foresight Group (SFG) reported that Sri Lanka was one of the most militarized societies in South Asia. The study said the island nation had eight thousand military personnel per one million people. Even Pakistan has only half that number. The corresponding figures for other South Asian countries are 2,700 in Nepal, 1,300 in India, and 1,000 in Bangladesh. In terms of military expenditure as a percentage of GDP, Sri Lanka spent the most (4.1 percent), compared with Pakistan (3.5 percent), India and Nepal (2.5 percent), and Bangladesh (1.5 percent).

The victory of the military forces over the separatists has opened up a range of opportunities for the government to address other issues of governance that were dealt with distractedly during the course of the war. The war had its greatest impact largely on the populations in the northeast and the bordering areas of the island nation. Psychological trauma, damage to infrastructure and homes, displacement, restricted mobility, disruption of local economies, disruption of community and institutional networks, and the deterioration of health services are the most affected. Sri Lanka, according to the World Health Organization, is in an epidemiological transition. While malaria and diarrhea are prevalent among IDPs and those living in the uncleared areas in the northeast (the main theater of the war), diseases like tuberculosis, dengue, Japanese encephalitis, diarrhea and acute respiratory infections are still prevalent. The two and a half decades of war also saw an increase in tobacco, substance and alcohol abuse.

Environmental issues demand equal attention. Demining the populated areas of the northeast is essential to the resettlement of IDPs who wish to return to the villages they were forced to abandon during the course of the war. Sri Lanka is prone to occasional cyclones and tornadoes, and the tsunami of December 2004 killed about 31,000 people, left more than 6,300 missing, 443,000 displaced, and destroyed an estimated US$1.5 billion worth of property. Issues of deforestation, soil erosion, and coastal degradation from mining activities are beginning to cause concern. With freshwater resources being polluted by industrial waste and poor drainage, water scarcity is a looming threat. Increased pollution, poaching and urbanization pose a great threat to wildlife populations.

As a source and destination for human trafficking, Sri Lanka ranks as a Tier 2 Watch List country by the US State Department’s Office to Monitor and Combat Trafficking in Persons (G/TIP). Tier 2 Watch List countries are those whose governments do not fully comply with the minimum standards of the Trafficking Victims Protection Act (TVPA) but are making significant efforts toward compliance. A recent announcement by the G/TIP that it would fund an International Organization for Migration (IOM) project to help Sri Lanka develop a national strategy on combating human trafficking is a step in the right direction. The US$300,000 program, which will build on an earlier US-funded IOM countertrafficking project in Sri Lanka, will provide training for law enforcement and government officials. Technical support also will be provided for the government’s antitrafficking task force to help it develop a comprehensive national strategy. Similar support for other development and governance-related programs will strengthen US-Sri Lanka relations and assist in the development of the island nation.

IMPLICATIONS FOR THE UNITED STATES

For the United States, stability in Sri Lanka is essential to securing its energy resources from the Persian Gulf and ensuring the free flow of trade in the Indian Ocean. After a highly publicized fallout with Colombo over alleged atrocities during the final stages of war with the Tigers, the US administration is now working on a more pragmatic policy toward Sri Lanka on the basis of a new report by the US Senate Committee on Foreign Relations. The report recommends that “the Obama administration should take a broader and more robust approach to Sri Lanka that appreciates new political and economic realities in Sri Lanka and US geostategic interests. Such an approach should be multidimensional so that US policy is not driven by short-term humanitarian concerns but rather an integrated strategy that leverages political, economic, and security tools for more effective long-term (political) reforms.”

Emphasizing that the United States cannot afford to “lose” Sri Lanka, the report expounds on the “gestrategic interests” of Washington and says they could be further jeopardized if the current state of strained relations
were to continue. “Sri Lanka is strategically located at the nexus of maritime trading routes connecting Europe and the Middle East to China and the rest of Asia, where an estimated half of the world’s container ships transit the Indian Ocean.”

Equally important for the United States is the prevention of the reemergence of Tamil militancy. The LTTE was an integral part of the international terror network, and by all accounts it offered a model for tactical and operational learning for other terrorist groups. The LTTE represented the terrorist model of the future, having harnessed the forces of globalization to attain maximum strategic reach with a global diaspora support network of one million Tamils, pioneering the use of suicide bombers and maritime attacks, being adept in the use of new media technologies, and preceding the Al-Qaeda network by almost two decades.

A senior policy analyst testifying before the Subcommittee on National Security in April 2001 observed, “Although fighting a national war of liberation, the long established and formidably skilled, organized and equipped maritime arm of the Liberation Tamil Tigers of Eelam (LTTE) presents Al-Qaeda with a source to plagiarize for maritime terrorism knowledge. Moreover, the LTTE perpetuated its expertise in a maritime school and academy, formally packaging and publishing a body of knowledge applicable to maritime terrorism.”

**IMPORTANT NEXT STEPS**

The victory of incumbent President Rajapaksa in the 26 January 2010 election by a margin of 1.8 million votes (58 percent of the vote) has ensured him another seven years in power. While his victory has placed the possibility of reforms on the table for the first time since the country gained independence in 1948, the electoral challenge by his erstwhile Army Chief General, Sarath Fonseka, highlighted the politicization of the armed forces. The general’s defeat resulted in a purge in the higher echelons of the military and the detention of several former military officers and soldiers.

The rump of the LTTE is still active in Sri Lanka, with a few hundred armed cadres hiding in the jungles. These groups aim to rekindle their insurgency and make use of large quantities of arms buried in hideouts. The million-strong Sri Lankan Tamil diaspora is a crucial factor for any revival of the LTTE. Colombo will need to continue working with countries to prevent a resurgence of support for militancy and will need to reach out to the diaspora groups to become partners in rebuilding the country. In addition, the government will need to accelerate the resettlement process, and ensure a lasting political settlement to the ethnic issue.

The return in January 2010 of nearly two hundred thousand IDPs to their home districts and the increased freedom of movement for the one hundred thousand still remaining in military-run camps are important steps forward and were brought about mostly as a result of international pressure and the political need to win Tamil votes. With high literacy rates, a young population and a strategic location along trade routes, the island of Sri Lanka is on the cusp of becoming a vibrant business hub and the paradise that its tourist brochures describe. This will require the assistance of the international community to reconstruct the country’s battered democratic institutions and establish conditions for enduring peace. Political and governance reforms will be resisted until the northeast is reconstructed and developed. Until the grievances that generated and sustained the militancy are resolved, and constitutional reforms to end the marginalization of the Tamils are made, there will be neither enduring peace nor political stability.

To achieve enduring peace and stability, the international community will need to engage and use its financial clout to ensure reconstruction and development in Sri Lanka. The United States is uniquely placed to lead the effort, due to its influence in Sri Lanka as a friend and democratic partner since 1948.

The report of the Committee on Foreign Relations states, “The United States and Sri Lanka have a long history of cordial relations based in large part on shared democratic traditions.” Accounting for more than one-quarter of Sri Lanka’s total exports, the United States is its most important trade partner. The report’s recommendation that the United States recalibrates its relationship in tune with new political and economic realities is a sound one. So too is the recognition that foreign policy should not be dominated by a single agenda—in this case, violations of humanitarian law—which works against US geostrategic interests in the region. In the words of Mahinda Rajapaksa, the president of Sri Lanka, who made an appeal through the op-ed column of the Philadelphia Inquirer, “Reconciliation will be a multifaceted task, and it is important to look at the many aspects of nation-building through a broad lens, rather than a narrow one.” More importantly, however, will be the leadership the United States will have to provide to engage the international
community, Western donors, the World Bank and the European Union in developing resettlement, development and reconstruction strategies.

\[1\] From a 2005 report commissioned by the US Department of Defense’s Office of Net Assessment, titled “Energy Futures in Asia.”


\[4\] Ibid.


\[7\] Ibid.