THE POLITICS OF FOREIGN AID

CREATING A 'BEST CASE SCENARIO' FOR SRI LANKA

CONTENTS

Editor's Note ... ...

This Issue of the Review combines two papers which, while being distinctly different in nature, yet hold some curious similarities in the perspectives that they offer in regard to various facets of the socio-economic and political crisis affecting Sri Lanka today.

The first paper on *Globalisation, Foreign Aid and Conflict* by *Sunil Bastian* mitigates against an uncritical acceptance of the contexts in which foreign aid is offered and accepted. It traces the history of the politics of foreign aid in Sri Lanka and makes some valid observations in regard to the working of the donor industry. Bastian's comment regarding the tendencies of donor agencies to make sweeping generalisations about very different societies is pertinent;

> For example, through the construction of a new subject called conflict analysis and conflict resolution, donor agencies are subsuming under a single category, complex social and political processes going on in different societies. There is an intellectual laziness and institutional reluctance to look into complex problems that societies facing conflicts go through. There is a superficial foray into social realities to the extent allowed by the project cycles of funding agencies. The result is quick fixes that donor supported conflict resolution experts dish out in various parts of the world.

His argument is trenchant. While conceding that 'liberal democracy with human rights is probably the best option we have today, with all its imperfections' his critique is leveled against an uncritical acceptance of the institutions of liberal democracy, their promotion as an ideology and their implementation 'as if we have found the final answers to basic questions of economic development, democratic freedoms and social justice.'

Bastian's call for a more deliberate and profound evaluation and understanding of specific histories, struggles and evolution of societies has resonance in today's context where there is a growing public resentment in regard to seeing 'the historical evolution of developing societies always through the prism of western capitalist societies.'

His warning is apt.

> Democracy cannot be designed through donor supported projects, nor can plural values be inculcated by conflict resolution experts. These come through long term processes of change in social structures, socialisation processes and values within such core elements of society like the family.

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The second paper published in the Review *'Creating a Best Case Scenario for Sri Lanka: A Bio-Historical Approach'* by *William Grassie* is a more abstract exploration of contemporary social problems affecting all those who live in Sri Lanka today.

Its commonality with the theme explored in the first paper is reflected however in the sensitivity with which its author attempts to trace some manifestations of what may be a 'best case scenario' for this country. Grassie's reflections on what he somewhat quaintly terms as 'BigMan governance' may find empathy with much of feminist thinking on what is wrong with the 'Alpha-Male' dominated political culture, as demonstrated by alternative approaches advocated to conflict resolution by women across the world, from India to the United States. His caution, however, that 'one can be a nationalist without being xenophobic and chauvinistic' is relevant. The destructive nature of nationalism, in his mind, surfaces when it is combined with 'BigMan governance.' The same reasoning applies to the role played by religion in today's political society.

Grassie's critique of the so called 'war on terrorism' forms an important part of his reasoning that while terrorism is the tactic of the weak, redressing injustices, both perceived and real, that lie behind human conflicts is essential in order to bring about resolution of any conflict. His observation is as follows;

> Like any war, the war on terror is also corrosive of liberal nations. In order to wage the so-called "war on terrorism", the United States has lost many of its liberties and engaged in unspeakable acts of torture. Our political culture has been severely polarised and traumatised.

This same indictment may be passed down in regard to Sri Lanka, a country that once had pride of place among the nations in South Asia.

The author's attempts to frame the questions within a larger 'bio-history of humanity', his reflections on 'cosmopolitan Buddhism' and his positioning of a 'best case scenario' for Sri Lanka, may have its own adherents as well as (naturally) its own critics. It is without doubt, however, that the reforms that are advocated, particularly in regard to the political economy, the infrastructure, and systems of governance, already find reflection in much of the debates and discussions in this country today. While serious and deliberative thought is required on the contents of such reform initiatives, it is a matter for regret that today's political culture offers little chance of the practical implementation of these eminently necessary reforms.

Kishali Pinto-Jayawardena

Globalisation, Foreign Aid and Conflict – The Case of Sri Lanka

Sunil Bastian *

Since 1977 the influence of foreign aid, and institutions administering foreign aid, has spread to every corner of Sri Lankan society. Donor interventions now cover a wide range of issues. They are a powerful factor contributing to the integration of Sri Lankan society into the processes of globalisation. Despite this, there are very few academic studies that have taken a closer critical look at foreign aid. Most seem to be happy to see it as a politically neutral mechanism that can be utilised to achieve various objectives.[1]

The purpose of this paper is to pose a few fundamental questions, taking into account the recent interest of foreign aid in conflicts and conflict resolution. The main argument of the paper is that the present interest in conflict and conflict resolution is leading donors to get involved in a wide range of issues in developing countries. The objectives of development assistance have expanded, from the traditional focus on economic development, to cover governance, democracy, human rights, development of civil society and conflict resolution. The latest addition to this extensive menu is security sector reform. In all these, resolving conflicts has become a central issue. For example, even in the case of promoting democracy and human rights, one of the underlying objectives is to resolve conflicts.

The entry of conflict and conflict resolution as a major theme into the arena of development assistance has led to the emergence of an entire new field where development and security have been combined. This has redefined development to include taking care of security issues arising from internal conflicts. On the other side, security has been redefined to include development issues and broaden the scope of traditional national security. With this fusion of development and security into a single field, development assistance has taken upon itself an objective of the total transformation of developing countries.

Secondly, most of these interventions are based on an ideological commitment to liberalism in politics and economics. There is an attempt to construct another utopia based on liberal values. Sometimes it even extends to seeing western developed capitalist countries as a model to which we all should aim. Although liberalism can give solutions to some of the specific problems faced by our societies, the ideological commitment to a liberal utopia ignores the contradictions and conflicts generated by these policies. It ignores the historical specificities of different societies and the possibility of varying historical trajectories even to achieve some of the liberal goals.

At the level of implementation, this ideological foundation is leading donor agencies to make sweeping generalisations about very different societies. For example, through the construction of a new subject called conflict analysis and conflict resolution, donor agencies are subsuming under a single category, complex social and political processes going on in different societies. There is an intellectual laziness and institutional reluctance to look into complex problems that societies facing conflicts go through. There is a superficial foray into social realities to the extent allowed by the project cycles of funding agencies. The result is quick fixes that donor supported conflict resolution experts dish out in various parts of the world.

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[1] For an exception see the recently published monograph, Nira Wickremasinghe, Civil society in Sri Lanka, New Circles of Power, Sage Publications, New Delhi, 2001

Total transformation of developing societies is neither a feasible nor a legitimate objective for donor agencies. Such transformation of societies is based on the development of internal social and political forces. A deeper understanding of the social and political realities of conflict situations will also point out to us, the importance of internal social and political forces to resolve these conflicts. Without such understanding, donor supported projects can accomplish very little. On the other hand, an appreciation of such complex forces will help donor agencies to understand the limits of donor supported initiatives and force them to play a more humble role, rather than going around the world with a missionary zeal once again trying to carry the burden of changing developing societies. Hasty interventions without a deeper contextual knowledge are obviously a dangerous game, especially for societies that bear the social costs of the conflicts.

The paper begins with a historical sketch of the politics of foreign aid in independent Sri Lanka. This historical sketch is divided into three periods. First 1948 – 1956, when Sri Lanka was totally dependent on foreign assistance from western capitalist countries. Second from 1956 – 1977, when the sources of aid were diversified with the development of diplomatic relations with the Soviet bloc and China. Third from 1977 onwards, when Sri Lanka's economy began to integrate itself firmly to the processes of globalisation, and Sri Lanka got locked into the globalised aid industry based in the West and Japan. This survey shows how the development ideologies of political parties in power and trends in foreign relations influenced the flow of aid to Sri Lanka. The section that follows maps out the changing objectives of development assistance during the post Cold War period. It argues that over the years more and more areas have been added to the development assistance agenda, and objectives of development assistance now encompass a total transformation of societies. Donor interest in conflict and conflict resolution has a lot to do with this expansion. In the sections that follow we focus on donor involvement in post '77 Sri Lanka where globalisation and conflict dominate the social reality. We critically look at the conceptual fundamentals of donor involvement during this period and see the major flaw in the ideological dominance of liberalism in donor policies. This is observed in both politics and economics. In the concluding remarks, we expand these observations and give pointers to a way out.

Politics of foreign aid

The flow of foreign aid to Sri Lanka has been influenced by a number of factors. A cursory glance at the history of foreign aid in Sri Lanka from independence shows the impact of several factors. Among these, development ideologies espoused by the ruling regimes, Sri Lanka's foreign policy and how Sri Lanka figured in Cold War politics were important factors. Although Sri Lanka was never a major player in Cold War politics, the impact of the Cold War on the flow of foreign aid was seen even in this small island nation. Hence foreign aid in Sri Lanka has never been an apolitical charitable endeavour. Political considerations have been central to it.

Below we analyse politics of foreign aid in Sri Lanka by dividing it into three periods. The first period, which lasted from independence to the mid fifties, was characterised by the total dependence on sources from western capitalist countries for development assistance. Development ideologies, economic linkages and foreign policy were broadly pro-western. During the second period extending from 1956 to 1977 there is a diversification of assistance because of the development of linkages with the Soviet bloc and China. Non-alignment dominated the foreign policy. Economic links with the socialist bloc were established and the role of the state in the economy expanded. During this period

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there were set backs to development assistance from western countries. The third period, which began from 1977 and continues to this day, is characterised by liberalisation of the economy and strengthening of the economic linkages with global capitalism. This is also the period when the Soviet system collapsed, removing the alternative source of assistance to countries like Sri Lanka. From then onwards, Sri Lanka gets firmly linked to the foreign aid industry of the capitalist West and Japan.

- *1948 to 1956 – The dependence on the West*

The centre-right United National Party (UNP), which inherited power from the British, was happy to continue with the structures of the plantation-based economy that Sri Lanka inherited from its colonial masters. The fundamental ideas that governed the UNP in its development policies differed very little from the ideas that dominated the latter period of colonial rule. There were no intentions of tampering with the British owned plantation sector and other foreign investments in the country. In trade, the linkages developed during the colonial period were further strengthened.

The foreign policy of the new ruling elite was also pro-western. Although Sri Lanka did not figure prominently in any strategic calculations of the western countries, the new rulers of independent Sri Lanka were happy to align themselves with the West in the context of the post-war Cold War politics that was rapidly taking shape. The independence arrangement itself left a number of linkages with Britain. In 1948, Ceylon became a dominion within the British Commonwealth. The Queen of England still remained the Head of State represented by an appointed Governor General. The highest court, the Privy Council, still resided in the United Kingdom. "The grant of Independence to Sri Lanka was accompanied by the signing of the Defence and External Affairs Agreement between Sri Lanka and UK which allowed the latter the use of the naval base of Trincomalee and the Royal Air Force base at Katunayake and provided for mutual defence agreement between them. Under it, UK assumed responsibility to give military assistance for the defence of the island and to protect it from aggression and safeguard its vital communications."[2] During this period there were even fears that Sri Lanka would join SEATO, the U.S.-led military bloc in South East Asia.

The directions of external assistance and foreign aid dovetailed these trends in development policy and foreign policy. In 1950, Sri Lanka hosted the Commonwealth Foreign Ministers Conference. This conference adopted the Colombo Plan for Technical Co-operation and Exchange. This programme, popularly known as the Colombo Plan, became a major source of assistance from the Commonwealth countries. The same year Sri Lanka joined the Bretton Wood twins, the IMF and the World Bank, that had been set up to promote the post-war international capitalist order.

A landmark event in external assistance to Sri Lanka during this period was the arrival of the World Bank mission in 1951. "The mission arrived in Sri Lanka in October 1951 and remained until December. Its report, published in 1953, ran to 807 pages (without the index) and was in two parts – Part One (seven chapters) on an overall programme of development and Part Two (twelve chapters) on selected fields. The development thinking and strategy embodied in it influenced state policy to a

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[2] V.L.B.Mendis, International Relations, Facets of Development in Sri Lanka, Ronnie de Mel Felicitation Volume, Ministry of Finance and Planning, 1986

great extent during the 1953-56 period and was embodied almost *in toto* in the Six Year Programme of Investment that was adopted in 1955."[3]

The ideas promoted by the World Bank mission of 1951 had a political impact on the country far beyond what the mission ever expected. As argued by W.D. Lakshman, the recommendations of the World Bank mission were evident in two specific policy developments at that time. "The first was a gradual closure of a number of public sector industrial ventures started during the Second World War. The second, which was politically and socially more important, was the elimination of the food subsidies in 1953."[4] No doubt faced with an acute budget deficit, the UNP government's budget for 1953 proposed more drastic reductions in food subsidies than the more gradual approach the mission recommended. But the intellectual legitimisation for cuts in subsidies provided by the World Bank mission strengthened the position of those sections of the ruling elite which supported the budget proposals.

The budget proposals of 1953 led to the first mass agitation of independent Sri Lanka. It was the first politically significant conflict precipitated by economic policies. Locally called a *'hartal'*, it had all the characteristics of what is now called an 'IMF riot'. In the south-west part of the country, mass agitation went beyond the strikes planned by the Lanka Sama Samaja Party (LSSP), which led the protest campaign. In some parts of the country roads were blocked, rail tracks removed and buses burned. The government had to use its full force to quell the riots. At the end of the *'hartal'* thousands of people were arrested and detained and several hundred wounded.[5]

The long term political outcome of the *'hartal'* was much more significant than the violence of the event *per se*. Immediately, it led to the resignation of Mr. Dudley Senanayake, the prime minister and the leader of the UNP. He had been elected just a year before with an improved majority. In the long run the *'hartal'* was the beginning of a series of events which led to the defeat of the UNP in the 1956 elections and the coming into power of the Mahajana Eksath Peramuna (MEP) led by Mr. S.W.R.D. Bandaranaike. Mr. Bandaranaike made use of the socio-economic discontent that was prevailing and the rising ideology of Sinhala nationalism to defeat the UNP. This political change had a profound influence on development policies, foreign policy and on the flow of foreign aid.

Finally, despite the overall western orientation in development ideology and foreign policy of the first UNP government, this initial period already showed the link between foreign aid and strategic interests of donor countries. This happened because of the Rubber-Rice Pact that Sri Lanka signed with China in 1952. "Under it Sri Lanka obtained a very attractive price for its rubber and purchase of its rice supplies at reasonable prices for a period of five years in the first instance."[6] Both these were crucial for a country that was facing a balance of payment crisis. "However it invited reprisals from U.S.A. which subjected Sri Lanka to penalties under the Battle Act."[7] This was the time of the Korean War, and Sri Lanka's improvement in trade relations with China was not considered favourably by the U.S. Thus Cold War politics made its mark on foreign aid even in this small island nation, despite the overall pro-western orientation of the Sri Lankan government. As we shall see below, this was only the first instance in which the aid programme to independent Sri Lanka was affected by Cold War

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[3] W.D.Lakshman, The IMF-World Bank Intervention in Sri Lankan Economic Policy: Institutional trends and patterns, Essays on The Sri Lankan Economy 1977-83, eds. David Dunham, Charles Abeysekera, Social Scientists Association, Colombo, 1987

[4] W.D.Lakshman, op.cit.

[5] See Y.Ranjith Amarasinghe, Revolutionary idealism and Parliamentary politics, A study of Trotskyism in Sri Lanka, Social Scientists Association, Colombo, 1998, for an account for a fuller account of the 1952 *hartal*.

[6] V.L.B.Mendis, International Relations, op.cit

[7] V.L.B.Mendis, International Relations, op.cit.

politics. Sri Lanka faced several such instances in the years to come, clearly demonstrating the strategic and foreign policy interests that accompany foreign aid.

- *1956 to 1977 – Diversification of sources of donor assistance*

The 1956 electoral victory of the MEP marked the beginning of a new era in development thinking and foreign policy. In the area of development, it was the beginning of state-centric policies within an overall capitalist framework. Giving prominence to the state sector as the motor of economic development, the establishment of state enterprises, especially in order to develop an industrial base and import substitution, were some identifiable features of these policies. The intervention of the state in order to secure and improve the welfare standards of the population also became a central part of this policy package. Certainly in the development of these ideas in Sri Lanka, the experiments in the socialist bloc did have an influence. But at the same time, such ideas were found in many developing countries such as India and Egypt, where the contributions of many strands of thinking were evident. The Sri Lankan ruling elite was also influenced by these currents of thinking.

The victory of the MEP also introduced two new elements into the foreign policy that had a long-term consequence. The first was the search for a more neutral position in relation to Cold War politics. This ended up with Sri Lanka playing a much more prominent role in the Non-Aligned Movement. The second was the establishment of diplomatic, trade and other relations with the eastern European countries led by the Soviet Union and China. The essence of these trends was to balance the overt pro-western orientation of the pre '56 period with the expansion of relations with socialist countries.

In 1957, diplomatic relations were established with the Soviet Union and the People's Republic of China. In 1958, an agreement on economic and technical co-operation was signed with the USSR. In the sixties and seventies, trade relations and foreign aid programmes with Eastern Europe and China expanded. A number of projects were begun in the state sector with the assistance of countries of the socialist bloc. State-owned factories producing steel, tyres, sugar, hardware, plywood, etc., were among these. Many Sri Lankan students were sent to study in these countries, and cultural exchanges between Sri Lanka and these countries expanded.

The biggest impact of the expansion of diplomatic relations with Eastern Europe and China, and the expansion of the aid programme with these countries, was at an ideological level. This was more important than the actual level of assistance that Sri Lanka received from these countries or the specific impact of the projects constructed through this assistance. The very fact that Sri Lanka deviated from the western bias in foreign relations at the time of independence had a popular appeal in the country. The ready assistance that post '56 governments obtained from these countries made it possible to operationalise the state-led industrialisation strategy. Implementation of the projects was accompanied by opening ceremonies, media supplements, exhibitions, etc., which painted a story of the success that these strategies have achieved in socialist countries. These together contributed to strengthening the discourse about the role of state in the economy in general and the virtues of state-led industrialisation in particular.

These shifts in the development policies and foreign relations had their own impact on the flow of aid from western governments. In general, the impact was to freeze the level of assistance from western countries. There were hardly any new initiatives. Several factors contributed to this outcome. First of

all, the development strategies that followed the advent of state-led import substitution policies did not give significance to a large scale mobilisation of foreign assistance as an important element of its development policy.[8] "Second, owing to its reliance on state enterprise and the nationalisation of several activities such as transport, banking, insurance, petroleum import and distribution, the government alienated the western market economies which might have been prepared to give aid."[9] The involvement of the IMF/World Bank during this period was also minimal.[10]

An event which had a significant impact on the reduction of external assistance from western governments during this period was the discontinuation of assistance from the U.S. government. This was as a result of the nationalisation of petroleum distribution. A part of the nationalised petroleum distribution was in the hands of U.S. companies. There was a disagreement between the Sri Lankan government and the U.S. companies about the level of compensation to be paid. In retaliation, in 1963 the U.S. government discontinued its development assistance programme. After this only the aid programme under the PL480 agreement continued.[11]

A reversal of these trends in development assistance took place, to a certain extent, after the centre-right UNP came back to power in 1965, demonstrating once again the critical role played by the ideological orientation of the ruling party in the flow of foreign aid. The most notable development during the 1965-70 period was the establishment of the Paris Aid Group, which brought together all the major donors supporting Sri Lanka under the auspicies of the World Bank. The first meeting of the Aid Group was held in July 1965. An important step preceding the establishment of the Aid Group was a settlement of the compensation dispute with the U.S. As a result of these developments, multilateral agencies and western donors began to have a greater influence on the government's policies. "The net aid flows increased substantially during the 1965-70 period, rising from a meagre Rs.73 million in 1960 to Rs.261 million in 1970".[12]

However "the aid programme during this period was not tied to any well-defined programme of conditionality". The IMF/World Bank prescriptions at these times "while tolerating the existing import/exchange controls, considered it sufficient at this juncture to impose conditions pertaining mainly to domestic fiscal and monetary management."[13] The government was asked to review the subsidies and welfare expenditures, to keep inflationary financing in check, eliminate operating losses from state sector ventures, to raise revenue by extending taxation to the agricultural sector, to restrain the growth of bank credit to the public sector, increase interest rates and promote the private sector.[14]

All these recommendations did not have any appreciable impact on the directions of development policies of the 1965-70 UNP government. The government was a coalition that was preoccupied with many political issues. A major focus of the development policies of the government was the

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[8] See Godfrey Gunatilleke, Development and Liberalisation in Sri Lanka, Trends and Prospects, Marga Institute, 1993, P.15, Mobilisation of Aid.
[9] Godfrey Gunatilleke, op.cit.
[10] W.D.Lakshman, op.cit.
[11] Under PL480 Sri Lanka could purchase wheat from U.S. paying for it with Sri Lankan rupees. The rupee collection generated was available for the U.S. government to be used in Sri Lanka for whatever purpose decided by the U.S. authorities.
[12] Godfrey Gunatilleke, op.cit.
[13] W.D.Lakshman, op.cit
[14] W.D.Lakshman, op.cit.

promotion of green revolution strategies in paddy agriculture. The state sector continued to expand. There was no talk of any significant changes in the direction of development. In the field of foreign aid, some of the earlier trends were checked, but without any major influence of donors in the country's programmes.

The next landmark in this history of the politics of foreign aid was the general election of 1970. In this election, keeping to the traditions of the Sri Lankan electorate, the UNP was thrown out of power. A government led by the United Left Front (ULF), that consisted of a coalition of the centre-left SLFP, Communist Party and the Trotskyite LSSP, came into power. This government pushed the policies of state capitalism to an extreme. Nationalisation of the plantation sector was the culmination of these policies. The role of the state expanded to include most areas of production and distribution. The idea of an interventionist state in the welfare sector was firmly accepted. Politically, Sri Lanka broke away from the dominion status by enacting a republican constitution.

In international relations, diplomatic relations were established with the German Democratic Republic, the People's Republic of Korea and the People's Republic of Vietnam. Diplomatic relations with Israel were suspended. Sri Lanka's role in the Non-Aligned Movement expanded. The latter culminated in Sri Lanka holding the Non-Alignment Summit in Colombo in 1976. One other important development in foreign policy was the promotion of the idea of the Indian Ocean as a Zone of Peace. This was an attempt by the Sri Lankan political leadership to keep the Indian Ocean free of super-power rivalry. In 1972, Sri Lanka formally presented a resolution on this issue to the United Nations General Assembly. It was accepted with a large number of abstentions.[15] A UN Ad Hoc Committee was appointed to implement this resolution. None of these steps found favour with western powers.

Once again, in 1970 an election shifted the ideological orientation of the party in power. However the new finance minister, who was from the Troskyite LSSP, was realistic enough to see that Sri Lanka could not break away from aid agencies of the west without a severe social dislocation. Stating his position in his first budget speech he argued for a position "between undiluted acceptance of the terms and conditions of foreign institutions and the foolhardly rejection of all aid."[16] Elaborating further he stated that the "aid arrangements must be concluded in terms consistent with our self respect, our independence and sovereignty."[17] This political position guided much of the dealings with the aid agencies during the time LSSP was in government and Dr. N. M. Perera was the finance minister.

During the 1970-77 period the Aid Group functioned and the Sri Lankan government had dealings regularly with donors. The assistance from the socialist bloc also continued. Some European countries with social democratic traditions began new projects. But the relationship with the multilateral agencies was characterised by resistance to the fundamental orientation demanded by them. These demands included a move away from controls, from the large role allocated to the state in the economy and a generous welfare budget. "Throughout the period their 'character certificates' were chequered with reservations about the viability of the strategy, and the World Bank-organised Aid

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[15] V.L.B.Mendis, op.cit.
[16] W. D.Lakshman, op.cit.
[17] W.D.Lakshman, op.cit

Group's contributions to the Sri Lankan regime were consequently low".[18] During this period, there was a reduction in the aid flow from countries such as the U.K., the U.S., and the F.R.G.

- *Post '77- Globalisation and foreign aid*

The next stage in this history of the flow of development assistance to Sri Lanka was brought about by the 1977 general election. The centre-right UNP won the 1977 general election with an overwhelming majority. Helped by the peculiarities of the first-past-the-post system of elections, the UNP polled 44.4 percent of the valid vote, but secured 83.3 per cent of the seats. It had 140 members in an assembly of 168 members. The centre-left opposition alliance, which ruled the country prior to 1977, was decimated. Its leading party, the SLFP, won only 8 seats and for the first time after independence, there were no representatives of the left parties. With this parliamentary majority, the UNP was ready to make decisive changes in development policies. In this election, the UNP was led by none other than Mr. J. R. Jayawardene, who was an admirer of the East Asian type of development models, with greater integration into international markets, and had been advocating such policies for a long time. In 1977, he was back in power with the necessary political clout to reform development policies in a direction which emphasised markets as the primary mechanism of resource allocation, liberalisation of the economy, private capital as the engine of economic growth and a reduction of the role of the state. Through these changes, Jayawardene introduced the liberalised phase of capitalism.

Jayawardene also moved swiftly to introduce a new Constitution and reform the political institutions which he thought were necessary for the new era of liberalised capitalism. The 1978 Constitution was the instrument through which these institutions were established. The establishment of a powerful Presidency and the introduction of the proportional representation system of elections were two new institutions that have had a profound effect on the political life of the country.

The political and economic changes of Sri Lanka since 1977 which heralded the liberalised phase of capitalism brought out an extremely favourable response from the aid agencies of the developed West and Japan. Japanese aid had been operating in the country on minor scale. Since 1977 it began to expand its aid programme significantly and soon became the largest single donor. This was also the period when forces of globalisation and free market economic theories began to dominate the thinking in all capitals of developed capitalist countries. Hence Sri Lankan developments were very much in keeping with the new orthodoxy that established itself in capitalist centres.

These factors led to an unprecedented increase of foreign aid flows to Sri Lanka, and an increased influence of aid agencies in the policy making process of Sri Lanka. In 1977, the IMF established an office of a resident representative. The World Bank followed suit. The annual Aid Group meeting became an important forum where development policies of Sri Lanka were discussed and decided. Regular interventions by these two agencies, and therefore the discourses and ideas of development transmitted through them, have become extremely influential elements in our policy-making process.

When it came to foreign aid flows, the increase after 1977 was dramatic. As stated in a Central Bank report produced on the occasion of the 50th anniversary of Sri Lanka's independence, "Sri Lanka received very little aid from the donor community during the period prior to 1977. The total

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[18] W.D.Lakshman, op.cit

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outstanding aid to Sri Lanka from the IBRD/IDA as at end 1976 amounted to US dollars 65 million. As at 30th June 1997, a total of 84 loans amounting to over US dollars 1,900 million had been disbursed and remained outstanding with over 95 per cent being concessional assistance from the IDA.'[19] Data in the same report shows that around three-quarters of all funding facilities that Sri Lanka has drawn from the IMF since independence have come during the post '77 period. The picture is similar when it comes to the overall aid picture. For example "of the total of $6,140 million received between 1960 and 1985, 70% was received in the period 1978-85".[20] These figures do not include a full picture of non-governmental sources of assistance. If we add this component, the increase in the flow of aid would be even more significant.

Along with this massive increase in aid flows there has been a parallel expansion of external organisations, agencies, consultants, etc., operating in the country. The sectors covered by these agencies have also expanded. Initially the bulk of the focus was on mainstream development issues. But over the years, with the addition of subjects like governance, human rights, promotion of democracy and conflict resolution, the aid agencies have become involved in a wide range of activities. The concepts, ideas and discourses expounded by these agencies have become influential in the country. As we have already mentioned often, much more than the actual impact of funds, the ideological impact of ideas that accompany foreign aid have a deep influence in society.

This period was also characterised by dramatic changes internationally marked by the demise of the Eastern European bloc. For a country like Sri Lanka this meant an overnight disappearance of a source of funds and ideological resources that was used to counter the influence of the capitalist centres. Aid programmes from these countries have all but disappeared. Along with that the ideological impact of this camp vanished. Thus by the turn of the century Sri Lanka had become a society heavily influenced by the globalised aid industry originating from developed capitalist countries, and was firmly locked into it.

Conflicts and expanding objectives of foreign aid

While post'77 marked the beginning of the period when Sri Lanka became firmly entrenched within the globalised aid industry of the capitalist centres, during the same period there was a remarkable expansion in the objectives of development assistance, taking into account conflicts and security issues. During the Cold War period, one could clearly identify those instances and countries where military and strategic interests dominated the aid programmes of the two blocs. These were places where super powers were vying for direct influence by militarily supporting regimes in power. In the case of many other countries the focus was traditional development aid. In that period, it was possible to differentiate countries where strategic and security interests dominated the aid programme and others where it did not. In recent times, there has been a remarkable change in this picture due to the interest taken by the aid industry in conflicts and conflict resolution. The objectives of foreign aid in all situations have expanded to include conflict and security issues.

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[19] Economic Progress of Independent Sri Lanka, Central Bank of Sri Lanka, 1998
[20] Gunnar M. Sorbo et al, Sri Lanka, Country Study and Norwegian Aid Review, University of Bergen, Centre for Development Studies, 1987.

The momentous changes in 1989 that ended with the collapse of the Soviet block began a new period in the debates around development assistance. Events in 1989 marked the triumph of liberalism in both economics and politics. For those who uphold values of liberalism as the ultimate expression in the search for ideals, this represented the 'end of history'. For others it marked the triumph of western liberalism at that particular moment in history. Under the impact of these developments, promoting a capitalist economy and institutions of liberal democracy became a major plank of development assistance.

The more remarkable aspect of this consensus was the decision to promote institutions of liberal democracy and the acceptance of the notion "that there is a vital connection between open, democratic and accountable political systems, individual rights and the effective and equitable operation of economic systems with substantial reductions in poverty."[21] This position questioned the hitherto accepted view that did not always see a harmonious relationship between capitalism and democracy. For example, for a long time policy-making circles of the U.S. gave a greater degree of priority to political stability in developing countries than to democracy. This view linked the evolution of sustainable democratic institutions with capitalist growth and the emergence of a middle class. The new position in development assistance took the view that simultaneous promotion of market economies and liberal democratic institutions was a desirable and a possible goal.

The end of the Cold War period also generated a lot of hope that the world would be a peaceful place. Quite a number of the ongoing conflicts in the world had a link to Cold War politics. Cold War politics added a new dimension to the internal reasons for the conflicts. Each side of the conflicts was supported by a super-power. With the end of Cold War politics, it was hoped that this dynamic would come to an end. Among the liberals there was also the expectation that the end of Cold War politics would mean the end of support from the western powers to despotic rulers, and this would lead to promotion of democracy and human rights and resolution of conflicts. Liberal triumphalism and a peaceful world were to be the hallmarks of the post Cold War world. The idea that the growth of capitalism and globalisation would be a process characterised by conflicts and contradictions, and that this process would give a new impetus to already existing conflicts and generate new ones, was not a popular view in this milieu of liberal triumphalism.

The dream of a peaceful world where capital expands its dominance and liberal democracy prevails in politics was short-lived. The breakdown of the Soviet bloc, instead of launching a peaceful Eastern Europe, resulted in a number of conflicts, some of which are still ongoing. In Africa, conflicts have unravelled post-colonial states and the term 'collapsed states' is commonly used to characterise certain parts of Africa. Conflicts in the Middle East that existed during the Cold War period show no signs of ending. In Asia, a number of conflicts based on ethnic identities have deteriorated to the extent of becoming civil wars. In Latin America, old conflicts continue and new ones, such as the struggle of the Zapatistas in Mexico, have emerged since the end of the Cold War. The events of September 11th show that even the centre of the developed capitalist West is not immune to these conflicts. Therefore, rather than a peaceful world based on values of liberalism in politics and economics, the post Cold War world is characterised by globalisation or the expansion of capitalism

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[21] Participatory Development and Good Governance, Development Co-operation Guideline series, Development Assistance Committee, OECD, 1995.

and conflicts. The twin phenomena of globalisation and conflicts provide a better framework to understand the world that we are living in today.

The more recent history of the debates within development assistance is a debate that has tried to respond to the prevalence of conflicts the world over. A significant landmark of these developments was the publication in 1992 of the document titled 'An Agenda for Peace' which was authored by the former Secretary General of the United Nations, Boutros-Boutros Ghali. The 'Agenda for Peace' was concerned not only with the reality of conflicts, but also with prevention or mitigation of conflicts. This meant getting involved with 'causes' or underlying reasons of conflicts. In theory, this would mean getting involved with a complex set of issues in societies where these conflicts prevailed.

The same year that the Secretary General's report was published, the UN established the Department of Humanitarian Affairs (DHA). Keeping with the mitigating objectives of the 'Agenda for Peace' mentioned earlier, DHA embarked on the development of an early-warning system in relation to conflicts. This early warning system monitors some 144 indicators covering social, economic and political aspects. The whole objective is to detect a 'complex humanitarian emergency' which in the UN definition is "a major humanitarian crisis of a multi-causal nature that requires a system wide approach" before it erupts. The large array of indicators that the DHA was interested in indicated the wide range of social and political processes that have to be taken into account if conflicts are to be mitigated. In more recent times, instead of the term 'complex humanitarian emergency', the term 'complex political emergency' has become widespread among the aid agencies. This was a term used to describe the situation in Sudan and Mozambique in the late eighties. Rather than being a term that has any analytical value, it simply denotes the fact that the objectives of aid agencies concerned with conflicts now need to cover the sphere of politics.

These initiatives of the UN in relation to conflicts were soon followed by policy debates within bi-lateral donors. In the U.K., for example, in September 1995 the minister in charge of the Overseas Development Agency (ODA) approved the introduction of conflict resolution as a part of the aid programme. The British minister in charge of development aid even voiced the more controversial idea about development aid fuelling conflicts in developing countries. The following year, the ODA set up a special study group in order to study and make recommendations of how to handle the conflicts through aid programmes. Within the OECD, the Development Assistance Committee (DAC) set up an informal task force on Conflict, Peace and Development in 1995.

Not to be outdone by governments, the other actor within the aid industry that has begun to give a great deal of attention to conflicts is the international NGO. International NGOs have always played a prominent role in delivering humanitarian aid during emergency situations. Their interventions in situations of natural disasters have been guided by the concepts of development such as community-based development and self-reliance that have emerged together with the advent of neo-liberalism. These concepts were extended to cover emergency situations as well. Through this process we have the establishment of the famous relief-development continuum. The idea was that even in emergency situations it was possible to utilise the concepts of development that NGOs are familiar with, and relief measures should be carried out to create a basis for self-reliant development. The notion of the relief-development continuum became a popular idea not only among NGOs, but also among other agencies. However the complexities surrounding the conflicts soon exposed the limitations of these

ideas. NGOs were also accused of helping perpetrators of violence especially in Africa.[22] Given these realities the search was on for new ideas and new concepts that would help NGO interventions in conflict situations.

An influential effort in this regard was the study undertaken by the U.S. based Collaborative for Development Action which undertook a study covering 14 field locations in 13 conflict situations of Europe, Africa, Asia and Latin America. The outcome of this study was published in 1996 under the title "Do No Harm - Supporting Local capacities for Peace through Aid"[23] The study brought out two basic messages. On one hand it opened the eyes of donors to the possibility of aid contributing to the conflicts, and secondly it tried to extend the same community-based approach to development in order to resolve conflicts. As a result of this conceptualisation, the relief-development continuum got extended to cover resolution of the conflicts as well.

In 1997, the Development Assistance Committee of OECD published guidelines on conflict, peace and development assistance.[24] With this, conflict became a central concern of development assistance for the twenty-first century. A significant addition to this expanding interest among the donors in more recent times is the interest in security sector reforms.[25] Once the donor agencies have expanded their interests to conflicts and conflict resolution, the security sector becomes an important element in managing conflict. The successful reforms that have been taking place in the South African security sector, where donors have played a critical role, have encouraged donors to look at these issues widely.

The other direction from which donors are taking note of security sector reforms is associated with debates on reforming the state in general. The publication of the World Bank Report on the State in 1997 has brought back state reforms as a central issue. There is a renewed interest in the need for an effective state in order to develop a successful market economy. Transparency and accountability in resource allocation within the state is a major theme for these state reforms. What could happen soon is the inclusion of the defence sector within these debates.

This brief survey of recent developments in donor debates shows that due to the focus on conflicts donors have expanded their concerns to include a wide range of issues in developing countries. As stated in a recent supplement to the DAC guidelines on Conflict, Peace and Development Co-operation, "economic well being, social development and environment sustainability and regeneration are new goals of development co-operation that require structural stability. Structural stability embraces the mutually reinforcing goals of social peace, respect for the rule of law and human rights, and social and economic development. It is supported by dynamic and representative political structures, including accountable security systems capable of managing change and resolving disputes

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[22] In Rwanda humanitarian NGOs were accused of supporting those responsible for genocide.
[23] Mary B. Anderson, Do No Harm: Supporting Local capacities for Peace thorough Aid, Local Capacities for Peace Project, The Collaborative for Development Action, Inc., 1996
[24] DAC Guidelines on Conflict, Peace and Development Cooperation, Development Assistance Committee, OECD, Paris, 1997
[25] See Chris Smith, Security-sector reform: development breakthrough or institutional engineering?, Conflict, Security and Development, Issue 1:1, Kings College, 2001, for an overview of these developments.

through peaceful means."[26] Thus this desire for 'structural stability' has expanded the horizon of donors from economics to politics and security.

As argued by Duffield, these developments in donor objectives mark the establishment of a totally new discourse that links development and security. This has reinterpreted both development and security. "The mid-1990s incorporation of conflict into mainstream aid policy has played a catalytic role in radicalisation of development. In this process development and security have increasingly merged. Representing underdevelopment as dangerous not only demands remedial process of social transformation, it also creates an urgency and belief ensuring that this process is no longer trusted to chance."[27] Thus, through this reinterpretation underdevelopment is associated with conflicts and therefore seen as something dangerous. Managing conflicts becomes a key objective of development. Security has been redefined to include development. The implication of this new discourse is to aim for total transformation of societies in developing countries including attitudes of individuals. But the question is whether this is a legitimate role for aid agencies.

Globalisation and conflicts – post '77 Sri Lanka

As we have already mentioned, 1977 marks what can be called the beginning of the liberalised phase of capitalism of Sri Lanka. This phase links Sri Lanka firmly to the globalised processes of capitalist development. These processes have external and internal dimensions. The intensification of the global linkages and the influence of institutions of global governance in Sri Lankan affairs are two external dimensions. Internally there is a deepening of capitalist social relations. A fundamental transformation of the rural areas under the impact of the market economy is the most important aspect of these internal social changes. However since the external and internal are intricately linked, it is difficult to understand Sri Lankan social processes without taking into account the globalised context.

One of the important aspects of the post '77 period is the remarkable degree of consensus between the two main political formations that have ruled the country since 1948, with regard to the changes brought about since 1977. Prior to this there had been dramatic shifts in development policies because of the change of the party in power. In contrast, during the last two decades a broad consensus has evolved between the two political formations that have ruled the country, with regard to fundamentals of the development model. The defeat of the UNP in 1994 and coming into power of the People's Alliance government, which included the centre-left political parties that have ruled the country before, did not see a change in the fundamentals of the liberalised phase of capitalism like the openness to the international markets, liberalisation of the economy, dependence on the private sector and reduction of the role of the state. Hence there is a consensus about the liberalised phase of capitalism across the political class.

If globalisation of the Sri Lankan politico-economic processes is one side of the coin of the post '77 reality, the other side is represented by widespread conflicts. The conflict around the struggle of the Sri Lankan Tamil minority for a degree of autonomy in the North/East has been the one that has had the biggest impact in society. This conflict reflects the failure in the process of building a modern

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[26] Helping Prevent Violent Conflict: Orientations for External Partners and DAC Guidelines on Conflict, Peace and Development Co-operation, http://www.oecd.org/DAC
[27] See Mark Duffield, Global Governance and the New Wars, The merging of development and security, Zed Books, 2001, for one of the best analyses of this newly emerging development and security field.

nation-state within the geographical space called Sri Lanka. It was a process that began during the colonial period under the British. Numerous steps taken by successive Sri Lankan governments since independence had made this task an impossibility. As a result, by the time the 1977 election was held, Tamil agitations for their rights had reached the stage of a demand for a separate state.

In 1977, as much as the UNP won a significant electoral victory largely with the support of the Sinhalese, the Tamil United Liberation Front representing the Sri Lankan Tamils won an equally impressive victory in the Northern and Eastern Provinces on a separatist platform. Polarisation was represented even in Parliament where the UNP, winning largely in areas other than North/East was in the government, and the TULF, representing the North/East, was leading the opposition. Although the UNP was much more sympathetic to Tamil grievances, the period of the first UNP regime saw the worsening of the conflict around ethnic relations. The anti-Tamil pogrom of July '83 made matters worse, and the rest is a history of the deterioration of the situation to a condition of a civil war.

This conflict has resulted in large-scale violence, loss of lives, destruction of property and numerous impacts on society that are still to be understood. The politics of Tamil nationalism have also come to be dominated by the LTTE, representing a highly authoritarian political ideology and an extreme form of Tamil nationalism. The various political strands within the Tamil struggle have been submerged by the domination of LTTE. Intra-Tamil violence has taken a heavy toll on Tamil society. This conflict continues with no solution in sight.

When it comes to the relationship between the civil war and the liberalised phase of capitalism, there is an interesting symbiosis. Liberalisation of the economy has certainly helped the Sinhala ruling elite to pursue the war. It opened up space for a greater degree of private accumulation, which in turn helped the state to generate more revenue. The state could get rid some of the loss-making enterprises, which reduced the burden on the budget. It expanded the flow of foreign resources that helped the elite to stabilise itself. As we have seen, external resources in the form of foreign aid were a major part in this. Liberalisation policies and allowing various donor agencies to work in the country also helped the ruling elite to gain a greater degree of legitimacy in western capitals.

The other side of this symbiosis is that in many instances the authoritarian political climate generated by the war was effectively utilised by the ruling elite to push through some of the important policy reforms associated with liberalisation. For example, the first significant steps towards privatisation were taken in the climate of terror that permeated the 1989/90 period. Due to the climate of terror perpetrated by the state during this time, it was unthinkable to mount any opposition to these policies. Another instance was the politics of floating the rupee. The escalation of the war towards the end of the year 2000 created the political space to carry out the decision to float the rupee, an important demand of the IMF for a long time. In this instance, the need to pursue the war was used to legitimise policy changes in the economic front.

In addition to the civil war in the North/East, the liberalised phase of capitalism has also witnessed violent conflicts in other parts of the country. The changes in the pattern of development initiated since 1977 have challenged the existing power relations, social structures and ideologies that were dominant in the pre '77 state capitalism period, generating its own conflicts. The newly established presidency has led to authoritarian tendencies. The operationalisation of the new electoral system has not been an easy process. There has been widespread use of violence, thuggery and intimidation in the

electoral processes. The post '77 development model has made Sri Lanka a more unequal society. It has brought about significant transformations in rural areas with their own contradictions. It has deepened the contradictions within the working class. It has brought in new entrants to the political class. All these have generated their own contradictions and conflicts.

Although the conflicts generated by the deterioration of ethnic relations and politico-economic changes of the post '77 period are discussed usually as two separate processes, the overall politics of the country has been determined by both of them. At particular moments violent conflicts generated by these two processes have manifested themselves together. Such moments have resulted in some of the most violent episodes in Sri Lankan history. Thus, as much as the impact of the processes of globalisation, post '77 Sri Lankan society has been characterised by a civil war that has divided the country, massive human rights violations and widespread political violence.

Donors in the context of globalisation and conflicts

Given the expansion of the objectives of foreign aid and the situation in post '77 Sri Lanka, this country presents an interesting case study to look at donor interventions in the context of globalisation and conflict. For Sri Lanka, post '77 has been an era of globalisation and conflicts. It has also been a period where foreign aid and institutions supported by foreign aid have become major players in Sri Lanka. The significant expansion of foreign aid has taken place in a society integrated into global capitalism and plagued by numerous internal conflicts. Hence, foreign aid during this period forms an integral part of the political economy of globalisation and conflicts. Donor assistance needs to be analysed within this conceptual framework.

A cursory glance at the history of donor involvement since 1977 shows that it can be divided into two periods in relation to their attitudes towards globalisation and conflicts in Sri Lanka. 1989/90 marks the boundary between these two periods. What defines this differentiation is the entry of a specific theme, called conflicts or conflict resolution, as a policy concern of donors during the latter period.

During the initial period, the primary focus of development assistance was the promotion of capitalism. The internal conflicts were either ignored or received marginal attention. This is despite the fact that by 1977 the political polarisation between the Sri Lankan Tamils and the Sri Lankan state had gone a long way. The 1970-1977 period saw a worsening of the situation, with Sri Lankan Tamils demanding a separate state. The TULF fought and won an election on this platform in July 1977. They were the major opposition party to the government that had begun to liberalise the economy. There were already violent incidents and the Sri Lankan state had begun respond militarily. All these political developments seem to have made little impression on donors. Most donors welcomed the policy changes associated with the liberalised period of capitalism. They were keen on supporting the government in their new economic policies.

During this initial period, not only were the donors blind to the deterioration of ethnic relations and impending catastrophe, they also undertook funding of projects that had direct political implications on ethnic relations. The best example is the Accelerated Mahaweli programme, which absorbed a significant proportion of donor funds in the late seventies and early eighties. Mahaweli was the largest land settlement programme undertaken by Sri Lanka since independence. This is probably the most expensive project funded by donors in Sri Lankan history. All the major donors took part in this

project. However, irrigation of the dry zone, settlement of people, changes in the ethnic composition due to this process and the political implications of such changes have been the most controversial issues in Sri Lanka's ethnic conflict. These debates figured during the first major land settlement programme of the post-independent period, the Gal-Oya scheme. It was a major issue in the Bandaranaike-Chelvanayagam negotiations of the fifties, and since then has been a principal grievance of the Sri Lankan Tamils. Foreign aid played a crucial role in this programme as well. None of this history, nor the political campaign of the Tamils, seem to have had any effect on the decision-making process to fund the Mahaweli project.[28]

In this first phase of the post'77 period, there were exceptions to this general rule of ethnic and conflict blindness in donor intervention. We can cite the experience of the plantation sector as an area where donor interventions had a positive effect on managing conflicts. In the aftermath of deteriorating ethnic relations, many expected that the conflict would spread to the plantation sector. People in the plantation sector have linguistic affinities with Sri Lankan Tamils. In the mid seventies, problems of the plantation people figured prominently in the politics of Sri Lankan Tamils. The Ceylon Workers Congress, the main political party in this sector, was a constituent member of the Tamil United Front, the precursor to TULF. The socio-economic indicators of this sector were a world apart from the rest of the country. Given these factors the scenario of the armed conflict spreading to the plantation sector was a realistic one. However this did not happen. By contrast, during this period there was significant improvement in the political representation and socio-economic conditions of the population resident in the estates.

The primary explanation of these positive developments is political. In 1977, for the first time in independent Sri Lanka, the political leadership of the plantation community had access to state power through the participation of the CWC in the government. This political influence led to steps being taken to resolve some of the fundamental problems facing this population. The resolution of the citizenship issue and entry of this community to mainstream politics was key. This expanded the political representation of the Indian Tamil population at various levels. The result was an expansion of resources available for the welfare of a community hitherto neglected by the Sri Lankan state. In other words, what happened was the integration of the plantation community into the state directed welfare sector from which they had been debarred for generations. This resulted in actual improvements in their conditions, which contributed towards managing conflicts.[29]

A large proportion of these new investments in the plantation sector came from donor funding. However this funding alone would not have made much difference if the political developments had not taken place. It is also not clear without politics, whether this funding would have been available for the sector at all. What we had in this sector, beginning from somewhere around the early eighties,

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[28] At least in the case of some countries there has been a critical debate on the donor involvement in this controversial project. Canadians lead in these debates. Much of the discussion has been undertaken by academics. See for example, David Gilles, Canadian Aid, Human Rights and Conflict in Sri Lanka, in Aid as Peacemaker, Canadian Development Assistance and Third World Conflict, Ed. Robert Miller, Carleton University Press, Ottawa, 1992

[29] While this was happening in the plantation sector, the state's responsibility for welfare was getting undermined in the other sectors under the impact of structural adjustment. Several authors have linked the conflicts seen in the 'Southern" part of the country to the inequality generated by the withdrawal of the welfare role of the state. Plantation political leadership could counter these trends because of the political clout they enjoyed, especially in the first UNP regime.

was a favourable combination of political developments and funding, which not only brought about tangible changes, but also made the community a part of the political mainstream. Hence donor involvement in this sector supported the management of ethnic relations and conflict in this sector. What needs to be noted here is that this did not happen because of an explicit conceptualisation of donor interventions in conflict–resolution-terms or because so called conflict resolution experts were designing projects. It was simply a case of donors being there with funds when a Sri Lankan political process was at last dealing with age-old problems faced by this community.[30]

Towards the end of the eighties the situation in the country deteriorated so much that it became extremely difficult for donors to ignore conflicts. In the aftermath of the Indo-Lanka Accord, the armed conflict associated with the North/East conflict was compounded with a violent insurgency from the South. Armed forces reacted to this with an equal degree of ferocity. This was a time when a sizeable area of the country was affected by violence. The resulting human rights violations and disappearances were highlighted in various international fora. The Indo-Lanka Accord of 1987 also brought Indian troops on to Sri Lankan soil. Such interventions of armed forces across international borders do not go unnoticed in western capitals. The conflict also resulted in large-scale migration of members of the Tamil minority to western countries, a large proportion of whom became refugees in those countries. At the same time, as we have discussed in the previous section, the international discourse on foreign aid began to take conflicts as a central issue. As a result of these factors, from somewhere around the end of the eighties, conflict and conflict resolution became a major focus of donor interventions in Sri Lanka. At present, almost all the bilateral donors have these themes as a central issue. They figure quite prominently in the case of the multilateral donors as well.

At present, donor approaches in the context of globalisation and conflict in Sri Lanka are based on several fundamental ideas. To end this section, we comment critically on the dominant concepts that seem to underlie these donor interventions.

- First of all there is unanimity among the donors in the continuation of the economic policies initiated in 1977. The promotion of capitalism in Sri Lanka and deepening links with globalised capitalism has the support of donors. If we are to go by the more recent recommendations of multilateral agencies like the World Bank, promotion of these policies in future would involve substantial reforms of the state, reforms in the labour market, promotion of market relations in land and the commodification of natural resources like water.

The implementation of quite a number of these policies will be politically contentious, and the politics of implementing these will involve conflicts. However, there is very little evidence to show that donors have taken into account the politics and conflicts associated with the implementation of such policies. This is despite the fact that several writers have in recent times drawn attention to the direct links between liberalisation of the economy, the overall inequality that it generated and conflicts that

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[30] This positive assessment of what happened in the plantation sector should not be taken to mean that things have been resolved. Conflicts never get resolved in that sense. In my view the politics of the plantations is in flux. The old CWC leadership is gone. There are struggles among a new generation of leadership. Major parties are trying to increase their influence in the sector. The sector has been privatised and private ownership is looking for liberalisation of the labour markets and liberalisation of the sector as such. All this will create very difficult issues in the sector, while conflict resolution experts are looking for models without being involved in history and social struggles.

we have seen in the 'Southern' parts of the country. Dunham and Jayasuriya, who have contributed extensively to this debate in recent times, concluded that "instead of the social peace and prosperity that had been anticipated, policy reforms and demolition of the "welfare state" have ushered in a much sadder tale of social conflict and political violence." [31] A number of these contributions show the importance of managing social inequality rather than absolute poverty if these reforms are to proceed without the social costs that we have already witnessed.

The question here is not the need to proceed with some of these reforms. Some of these reforms are necessary for the economic development of Sri Lanka at this historical juncture. But there is almost a total absence of understanding of politics, power relations, and conflicts that need to be tackled in implementing these. The transition to capitalism is a process full of conflicts. One needs to have an idea about whether Sri Lanka should accept these conflicts as inevitable and therefore bear them. Or is there a possibility of making this transition while minimising these social costs?

Such a perspective will not accept the need for these reforms as an end in itself. Economic reform needs to be placed in the context of many other goals such as social stability, deepening of democracy, etc., which are equally valid. Instead what dominates is a technocratic view of policy reforms and an ideological commitment to it at any cost. In short, the political management of these reforms does not figure high in donor debates. Therefore a major plank of donor policies is still promoted without a strategy to politically manage the conflicts that underlie these changes.

- The second strategy of donors is the promotion of institutions of liberal democracy. A substantial part of the ideas underpinning notions of good governance and the rule of law are attempts to promote a liberal democratic state. In addition, donors support activities that promote free and fair elections and media freedom. Democracy and democratisation are also seen as an answer to conflicts. There is a belief that liberal democratic models of the West have managed to resolve conflicts, so why not promote them here?

However democratisation, it appears, is Janus-faced. In certain contexts it could awaken dormant conflicts, reinforce societal inequalities, penalise minorities or fail to broaden popular participation in government. Democratic institutions are never introduced in a political, social and economic vacuum. They get established in societies with particular social structures, ideologies and traditions.

For example, in Sri Lanka there is strong link between deterioration of ethnic relations and mass participation in the democratic process. Within the Sinhala ethnic formation, democracy was equated with majority rule. With the expansion in the participation of the Sinhala population in the democratic process, these ideological currents began to dominate electoral politics. The culmination of this populist political discourse was the enactment of the 1972 Constitution, where power was concentrated in the legislature dominated by the Sinhalese. It led to complete alienation of the Sri Lankan Tamil minority who responded with a demand for separate state. The rest has been a violent history.

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[31] See, David Dunham, Sisira Jayasuriya, Equity, Growth and Insurrection: Liberalization and the welfare Debate in Contemporary Sri Lanka, Oxford Development Studies, Vol.28, No.1, 2000 and David Dunham, Sisira Jayasuriya, Liberalisation and political decay: Sri Lanka's journey from a welfare state to a brutalised society, Pravada, Vol.7, No.7 for an account that links 'Southern' conflicts and liberalisation

Establishment of liberal democratic institutions or increased participation of the citizens in the democratic process does not always lead to resolution of conflicts. This is true even in developed societies. As shown by some of the recent election results of these societies, the democratic process has helped in the resurgence of anti-migrant rhetoric, xenophobia and campaigns against asylum seekers. Donor efforts to promote democracy should be aware of these contradictions of liberal democracy rather than treating it as a panacea for conflict resolution.

- The third strategy is the promotion of civil society as a repository of progressive changes in society and as an agent of conflict resolution. This is once again in keeping with the liberal orthodoxy that dominates donor thinking, where the promotion of civil society *per se* is considered to be positive. On the other hand, civil society is an arena of contradictory social forces. Some of the forces that underlie extremism in Sri Lanka's conflict are found in civil society. In fact there is evidence to show that the social forces which spearheaded the rise of Sinhala nationalism in 1956 were located in civil society. Politicians were responding to these developments. What we need is not just promotion of a civil society against the state, but a civil society imbibed with values of pluralism and democracy.

Donor interventions do not seem to take into account these contradictions and conflicts of civil society. There is very little attempt to go into these specific ideological contradictions within civil society. By making use of the blanket term 'NGOs' and equating the promotion of NGOs with strengthening of civil society, these contradictions in civil society are glossed over.

- The final plank of donor efforts emphasises community-level work. What is called community-based conflict resolution tries to deal with conflicts at the level of society. The other efforts address a variety of problems that people face due to the war. The beginning of this type of intervention was associated with relief activities. Later on, the attempts to link relief with rehabilitation and conflict resolution became a major pre-occupation of donor-supported projects.

There is no doubt that the war has given rise to a multiplicity of problems at the community level. Some of them need direct assistance. Certain type of interventions at community level can avoid the violence at societal level that often accompanies civil wars. There are prejudices, stereotypes at the level of society that need to be tackled. But the key question is does the focus at community level allow such interventions to ignore the more powerful forces behind the conflict - the ruling elite? Does it blur the links between ruling elites and social forces represented at community level including some of the NGOs? Fundamentally the focus on an amorphous category called the 'community' ignores the power relations that underlie conflicts. In addition, when one looks at the poor people caught in the middle of conflicts and trying to survive, it is not clear how justified is the demand for them to be leaders in conflict resolution. None of these debates seem to worry donors who promote community-level conflict resolution.

These community level approaches to conflict resolution are a continuation of the so-called community based development strategies that proliferated with liberalisation of the economy. These strategies, instead of looking at structural impediments that markets, absence of capital, external competition have created for the poor, focused on notions of self-help, local initiatives, etc, to overcome poverty. Rather than struggling politically against these structural impediments which reproduced poverty for some and benefits for others within market economies, these notions argued

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that the poor could improve their situations through self-help and a good dose of Protestant ethics. Many reviews that have been undertaken of these development projects have repeatedly shown the failure of these strategies in poverty alleviation.[32] When such apolitical approaches are extended to areas where politics and conflicts over-determine everything else, their limitations are much more apparent.[33]

Thus the principal elements of donor thinking that characterise the period when donors have become conscious of conflicts include the promotion of a market economy, institutions of liberal democracy, strengthening of civil society and support for community-based efforts at conflict resolution. If we combine all these areas it covers a wide range of issues in Sri Lankan society: the economy, state, society and even individual attitudes. In short it amounts to a total transformation of Sri Lankan society.

Underlining these efforts of social transformation is an ideological commitment to liberalism. There is an implicit acceptance that advanced capitalist countries present a model that should be emulated. Transformation processes in Sri Lanka are seen in the context of this ideal. This ideal is promoted without any critical debate or any sense of the specificity of the history of this country. But the question is - how feasible or legitimate is such a task for foreign aid? Can democracy be promoted through donor-supported projects? Does the establishment of a checklist of institutions supported by donors promote democracy? Doesn't this also amount to an attempt to promote democracy in a top-down fashion, rather focusing on a social base that can establish democracy?

The exception to this broad trend in donor thinking and recipes to resolve conflicts is the effort to promote a negotiated settlement to the armed conflict that has been taking a heavy toll on this country. Many donors have been consistently urging the Sri Lankan government to negotiate with LTTE. In recent times the Norwegian government has gone a step further by being a facilitator of negotiations between the two parties. They have also been broadly supportive of reforming the centralised Sri Lankan state and devolution as a means of resolving the conflict.

These efforts of donors differ from the other elements in the conflict resolution strategy, because they are a response to an idea that has come up through the political struggles and contradictions rooted in Sri Lankan politics. Escalation of the political struggle of Sri Lankan Tamils to a level of a civil war was the primary reason for bringing a Sri Lankan Tamil demand, which was first articulated in the fifties, to the centre of the political stage. It is difficult to foresee the future of a united Sri Lanka without these reforms. Donors have responded to this trend. Since it is a response to a process developed within Sri Lankan politics, donor participation in this process differs qualitatively from the others. This experience points to the way forward in other issues as well.

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[32] One of the best I have seen is Lakshman W.D., Self Employment within a framework of Structural Adjustment: A study in the light of Social Mobilisation Programme Experience in the Matara District, Sri Lanka, Research Project Report, Unpublished report, SLAE-SIDA, October 1994.

[33] See Assessing Participation, A debate from South Asia, Ed. Sunil Bastian, Nicola Bastian, Konark/Duryog Nivaran, 1996 for a critical debate of these concepts that underlie community based approaches in development and Sunil Bastian, Development NGOs and Ethnic Conflicts – Conceptual Challenges, in Nethra, Vol.1, No.3, April-June 1997, for an elaboration of the limitations of these concepts in a conflict situation.

Concluding Remarks

As we have argued, donor approaches to conflicts and conflict resolution in post'77 Sri Lanka include a strong ideological commitment to liberalism in both economics and politics. On one hand, there is support for the free markets as a panacea for economic development. Secondly, there is a commitment to the promotion of liberal democratic institutions in politics. Conflict resolution is seen essentially through these institutions and ideologies.

The problem here is not about finding answers to specific problem through liberalism. Capitalism might be the realistic option that Sri Lanka has at this juncture. Liberal democracy with human rights is probably the best option we have today, with all its imperfections. But problems arise when these answers are promoted as an ideology and implemented as if we have found the final answers to basic questions of economic development, democratic freedoms and social justice. Then it echoes the end of history thesis of Fukuyama where he saw the triumph of liberal democracy with the collapse of the Soviet Union as "the end point of mankind's ideological evolution and the final form of human government, and as such constituted the end of history."[34] For him it meant "that there would be no further progress in the development of underlying principles and institutions, because all of the really big questions had been settled."[35] The manner in which donors go about promoting democratic institutions smacks of a similar ideological commitment.

John Gray, one of the most prolific writers on liberalism in recent times, but a critic of the attempts to construct an utopia out of it, sees the attempt to promote free markets all over the world in a similar vein. For him it is a project led by United States and has one single answer to the economic problems of all societies – free markets. Arguing that this utopia has already failed, Gray goes on to point out that the ideal of a global free market, "resembles that other twentieth century experiment in social engineering, Marxian socialism. Each was convinced that human progress must have single civilization as its goal. Each denied that modern economy can come in many varieties. Each was ready to exact a large price in suffering from humanity in order to impose its single vision on the world. Each has run aground in vital human needs."[36]

Finally this ideological commitment to liberalism ends up seeing the historical evolution of developing societies always through the prism of western capitalist societies. At the normative level, western capitalist societies are seen as a model to which we all should aspire to. At the analytical level, because of the emphasis given to the external factors (this began with the study of colonialism) in explaining social transformation of developing societies, what the French social scientist Bayart calls the "distinct historicity of societies" in the developing world is ignored. Due to the same reason it becomes easy to lump developing countries with very different histories into categories like the 'third world' or the 'conflict-torn societies' and dish out the same answers for every situation.[37]

At the level of implementation these ideological foundations, which basically make donors ignore the complex histories of societies, are making these agencies make sweeping generalisations about very

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[34] Francis Fukuyama, The end of history and the last man, Penguin Books, 1992
[35] Francis Fukuyama, op.cit
[36] John Gray, False Dawn, The delusions of global capitalism, Granta Books, London, 1998
[37] See Jean-Francois Bayart, Finishing with the Idea of the Third World: The Concept of Political Trajectory, In James Manor (ed), Rethinking Third World Politics, London, Longman, 1991

different societies. For example, through the construction of new subjects such as conflicts and conflict resolution, donor agencies are subsuming under a single category complex social and political processes going on in different societies. They ignore specific histories, struggles and evolution of societies. Therefore these "conflict studies" are able to talk of Sri Lanka, Uganda and Afganistan in the same breath. There is an intellectual laziness and institutional reluctance to look into complex problems that societies facing conflicts go through. There is a superficial foray into social realities to the extent allowed by the project cycles of funding agencies. The result is quick fixes that donor supported conflict resolution experts dish out in various parts of the world and a dearth of that elusive commodity of contextual knowledge.

The most important step that donors need to make in order to get away from these liberal utopias is to recognise the specificities of histories of different societies. Such contextual knowledge will make it possible for donors to recognise two things. First, societies can achieve the same thing in very different ways. For example, there are numerous roads to capitalism; or democracy can and will evolve very differently in different societies. Second, the primacy of internal social and political forces in bringing about these changes. The flip side of this second point is the recognition of the marginal role that development assistance can play in these transformations, in the absence of internal social and political forces. Even in the case of traditional objectives of development assistance such as economic development, capital accumulation by those who are investing and the day-to-day struggle of the people to get part of this surplus is more important than so-called income generating projects. Internal processes become even more important in the case of objectives such as strengthening democracy or conflict resolution. Democracy cannot be designed through donor supported projects, nor can plural values be inculcated by conflict resolution experts. These come through long term processes of change in social structures, socialisation processes and values within such core elements of society like the family. In the context of such changes, donor interventions can make a difference. Total transformation of developing societies is neither a feasible nor a legitimate objective for donor agencies.

These perspectives call for a much more humble approach from donor agencies, where they give primacy of place to internal political and social process. This means strengthening the capacity of agencies to understand the local context better and intervene where possible. It calls for an expertise much more tuned to the nuances of societies, rather than for consultants who travel around the world and see every conflict situation through the same formula. Interventions not supported by such sensitivity to the specificities of conflict-ridden societies can be more of a menace than a blessing. Certainly societies that have suffered so much because of conflicts can do without such interventions.

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Creating a 'Best Case Scenario' for Sri Lanka: A Bio-Historical Approach[*]

William Grassie[+]

Prefatory Remarks....

It has been my distinct privilege and pleasure to live in Sri Lanka these last eight months, serving as a Senior Fulbright Fellow in the Department of Pali and Buddhist Studies at the University of Peradeniya. I have been able to travel widely in this beautiful country and to meet many, many, truly wonderful people. I am here giving this lecture at the invitation and instigation of Lakshaman Bandaranayake, Managing Director of Vanguard Management Services. We have had a number of conversations and he seems to think I have something valuable to say about the situation here. I have my doubts. You will be the judge. If nothing else, I hope that these comments can provoke a vigorous and productive conversation.

This is a very complex country with many wise and talented people who have worked very hard over many years, often at great risk, trying to make it more peaceful and prosperous. Unfortunately I do not speak Sinhala or Tamil, which of course is a major limitation. However I have followed your English language press faithfully for these eight months. I have read a dozen or so books about the history of this country and its civil conflict. During my tenure here, I have tried to meet with diverse people and expose myself to diverse perspectives. In all of this, I make no claims to being an expert on Sri Lanka.

Sometimes, though, it is helpful to bring in a friendly outsider perspective. This is done frequently in the world of business with the now ubiquitous role of the outside consultant. This is done in family life as well with the use of psychological therapists and marriage counsellors. I recognise that the current mood in the country among many is now resentful of Western governments, the United Nations, and foreign NGOs telling Sri Lanka how to solve its problems. Some refer to this as "Neo-Imperialism" or "Neo-Colonisation". The world has changed a lot in sixty years. I do not think that the United States or any of the major powers in the world today see this small island nation as having much geopolitical or economic significance, but the feelings of resentment expressed are nevertheless real. So I embark upon this talk with some trepidation and a great deal of humility.

A few additional disclaimers are required before I begin. While my tenure in Sri Lanka is funded by the U.S. Fulbright Commission, I do not represent the U.S. government, the US-SL Fulbright Commission, the Metanexus Institute, or any of its supporters, or for that matter the Department of Buddhist Studies at the University of Peradeniya. And while the Vanguard Management Services is hosting this lecture and discussion, nor are they in anyway responsible for anything I might say. Actually I would like to make this even more explicit. If there is anything that I say that you find wise, informative, or useful, then the credit goes to others, including my Sri Lankan mentors this past year. If there is anything that I say that you find misguided, ignorant, or unhelpful, then the blame goes to me.

Introduction

There were three different versions of this talk and after some consultation I have decided to go back to the basic outline of the original, which is a lecture that I gave in February at the Subodhi Institute and again in April at the University of Peradeniya. The original lecture was given under the title "Nationalism, Terrorism, and Religion: A Bio-Historical Approach". The lecture ends with a discussion of the advertised topic, "Creating a Best Case Scenario for Sri Lanka", but I will do so by first discussing the phenomena of nationalism, terrorism, and religion. I take a bio-historical, evolutionary perspective, because I think this will help us best understand and transform this conflict in Sri Lanka and others throughout the world.

I am inspired to take this evolutionary approach in part through my encounters with the writings of Pierre Teilhard de Chardin, a French Jesuit Paleontologist who died in 1955. He writes:

> For our age, to have become conscious of evolution means something very different and much more than having discovered one further fact...
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> Blind indeed are those who do not see the sweep of a movement whose orb infinitely transcends the natural sciences and has successfully invaded and conquered the surrounding territory – chemistry, physics, sociology, and even mathematics and the history of religions. One after the other all the fields of human knowledge have been shaken and carried away by the same under-water current in the direction of some development. Is evolution a theory, a system, or a hypothesis? It is more: it is a general condition to which all theories, all hypotheses, all systems must bow and which they must satisfy henceforward if they are to be thinkable and true. Evolution is a light illuminating all facts, a curve that all lines must follow.

By taking this broad evolutionary approach, we gain the most leverage in both understanding and transforming this country and the world. To paraphrase Dwight Eisenhower, if a problem cannot be solved, then enlarge it. So I begin globally and end locally here in Sri Lanka.

1. Nationalism

Nationalism can be understood as an evolutionary outgrowth of our natural tribal passions and rationalities, which were imprinted in the human psyche and genome over millions of years. Humans are profoundly social animals with a highly evolved capacity to engage in symbolic thought. One of the fundamental challenges in social species is how to ensure cooperation within the group and sacrifice on behalf of the group. The wellbeing and survival of the group depends on this cooperation and sacrifice. In humans, this is accomplished by a mix of evolved primate behaviors, as well as newer cultural adaptations in the realm of religions, ideologies, and cultures.

It is no simple evolutionary trick to get individuals to cooperate and to sacrifice their own wellbeing, or that of their immediate offspring, for the benefit of the group. And yet, we cannot imagine that a human society would long endure if it could not 1) organise its members to cooperate and 2) in extreme instances, ask individuals to sacrifice their wellbeing for the benefit of the group. The latter is particularly troublesome to evolutionary biologists, because true altruism would contradict Darwin's theory of natural selection. There are various theories within evolutionary biology that try to explain other-regarding behaviour. They go by names like kin selection and reciprocal altruism. At this stage, we need only consider a few of the proximate mechanism, rather than their ultimate

explanations, and think about how these scale up from the level of the tribe to the dynamics of a nation state.

Remember that the dark side of this in-group altruism is that it is often employed in the most brutal manner against outsiders. Humans are clearly capable of great evil, as manifested in warfare, massacres, pillaging, raping, and enslavement, which have been the norm for most of human history and presumably much of our pre-history. This evil is partly a function of our evolved nature.

Of course, humans have natural dispositions towards living in groups. It hardly needs to be said, but no human is self-created. There is no such thing as a fully autonomous individual human. We speak languages we did not invent; we use tools that we did not design; we benefit from a vast library of knowledge that we did not discover; and we are nurtured as infants and children into "individuality" by families and societies that we did not choose.

We note in many species of primates, including humans, there is the phenomenon of the dominant male and occasionally a dominant female, which role also helps to hold the tribe together. This Alpha-Factor is replicated in a number of mammalian species, including wolves, horses, and elephants. This institution of social hierarchy within the group helps provide for cohesiveness. The maintenance of social hierarchy is generally achieved through displays of aggression and displays of altruism. Members of the group appease the BigMan out of fear, but also out of hoped for benefits. The BigMan doles out rewards and punishments in order to reinforce this social hierarchy. He passes on his kingdom to one of his children, thus increasing his "reproductive fitness", but does so in part at the expense of the community from which he extracts surplus production and surplus reproduction as his "sovereign right". The Alpha-Factor is not the only form of social organisation that humans use to maintain solidarity, and it is certainly supplemented by many other social tools as well, but I believe it is the predominant outward structure of societies for most of human history, especially societies that grow in size and complexity.

As humans moved from small, intimate hunter-gatherer tribes into larger social groups and spanning numerous settlements and geographical regions, it was largely the BigMan model of social organisation that succeeded and prevailed. In this form of social organization, a dominant human, typically a male, would serve as the leader of the group, extracting surplus production from others, while ensuring social harmony and organising common defense, as well as waging wars against neighbors in order to expand the territory, wealth, and population of the tribe, city-state, kingdom, or empire. The dictator-king would hand out favors to followers and ruthlessly punish transgressors. Machiavelli recognises as much in *The Prince*. "Is it better to be loved than feared, or vice versa" asks Machiavelli. He answers both, but if you cannot have both, then "it is much safer to be feared than loved" (XVII, p. 59). In all of this, we can see many parallels between human social relations and our chimpanzee cousins (though less so with our bonobo relatives, who would rather "make love, not war"). Note that in studies of chimpanzee bands and contemporary hunter-gather societies, some 25 to 30 percent of males die a violent death in competition with outsiders (Dyer, 2004, 71-79).

So nationalism is a synthesis of primordial passions and modernity. As local communities decline from the 1800s on, nationalism fills the gap. This was enabled in large part because of new modes of communication, transportation, and production, as well as a race for military superiority over ones' neighbors. Today, there are many forms of nationalism, but they all involve concepts of a homeland, sacred centres, shared language, common customs, a hostile surrounding, memories of battles, and historical thinking. These combine to create a common motivating mythology that united "the whole people". Nationalisms are invented traditions and almost always have an ethnic component. There is

a Romantic side to nationalism, typically projecting an essentialist organic or "blood" bond between the people.

In modern history, nationalism became a global phenomenon with growing opposition to multi-ethnic empires – rebelling against the Austro-Hungarian empire, the Ottoman empire, the Russian empire, the British empire, among others. Nationalism spreads the world round in opposition to colonialism and takes on new forms today in opposition to globalisation. Nationalism seeks the preservation of the *Vaterland* and the *Muttersprache*. It confers political legitimacy on leaders and imposes obligations on citizens to the state.

While much harm has been done in the name of nationalism, I want to emphasize that group identity is a normal, natural, and necessary part of being human. One can be a nationalist without being xenophobic and chauvinistic. Liberal forms of nationalism offer people meaningful lives in integrated societies, a sense of belonging and pride, which need not be exaggerated and jingoistic. Note that World Cup Football and the Olympic Games are organised around national teams and are in themselves quite wholesome. Competition, including competition between nations, can be a good thing. The dialectic between competition and cooperation helps to move humanity and evolution forward.

One of the more destructive forms of nationalism is when it is combined with BigMan governance. In these instances, the BigMan and his cronies use nationalism as a form of political legitimisation and control. By controlling the power of the State, they are able to manipulate rewards and punishments to entrench themselves through the Alpha-Factor. And like little chimpanzees that we are, most humans are only too happy to fall in line. BigMan governance, however, disrupts the dialectic of competition and cooperation, so the society stagnates, becomes inefficient, and at war with itself or the outside world.

The only alternative to BigMan governance that humans have invented is in some form of limited government with checks and balances built into the structure of government to restrict the power of the State and the Alpha leaders who would grab control of state power. Remember that the modern concept of national sovereignty, as opposed to the BigMan concept of the sovereign's rights, is derived from the concept of individual sovereignty. In other words, each individual is ultimately the king or queen of his or her own personhood. Government in this view is a social contract entered into to enhance individual freedoms – the right to life, liberty, and the pursuit of happiness, as stated for instance in the U.S. Declaration of Independence.

Implied in this social contract theory of legitimate government is the notion that economic activity is not the primary responsibility of the State, but of individuals. The State is to maintain a level playing field for economic interests to compete and cooperate, enforcing laws equally, protecting private property, enforcing contracts, providing for national defense, and when efficient, promoting public goods like transportation or education. Thus, the concept of limited government liberates economic markets and human ingenuity to create a rich ecology of production and innovation within a society. This non-zero sum dynamic is the magic of economic development. New wealth is created.

Note that I used the term "limited government" and not "democracy" per se. Democracy, as Plato already pointed out in *The Republic*, is simply the tyranny of the majority. The majority is not likely to be virtuous or just. In Socrates' words, the majority will be governed by base "appetites" and "passions" and not noble virtues and wisdom. In democracies, Socrates argues, the minorities will rebel against the tyranny of the majority. Civil war will ensue. And before you know it, democracy

will end in chaos followed by dictatorship (Plato). Universal suffrage may be an important part of limited government, but in itself is only one piece of the puzzle.

I have already argued that the concept of individual sovereignty as formulated by John Locke and others is a fiction that we have invented. Humans are never independent, autonomous individuals – sovereign nations unto themselves. We are always dependent on a web of social relations that form our identities and enhance our survival. Let us think of individual sovereignty as a useful fiction, one that has productively spawned a discourse about human rights, legitimacy, and justice. This discourse helps make the world a better place. Even if it is not ontologically true, it is pragmatically useful. Let us call this the dialectic between individual rights and social obligations, the dialectic between individualism and communalism, which we can add to the dialectic of competition and cooperation.

In her book, *Sri Lanka in the Modern Age: A History of Contested* Identities (2006), Nira Wickramasinghe ends up arguing for just such an understanding of citizenship and sovereignty and against the identity politics that have destroyed this country. In her chapter "Citizens, Communities, Rights, Constitutions, 1947-2000", she concludes:

> The curse of multiculturalism is that while providing for more freedom and recognition to the group or community it is a closure in that it denies the contingency and ambiguity of every identity. Multiculturalism cannot help but essentialise the fragment. Turning towards the citizen is a possible way out of the impasse. The citizen is not only a legal subject; s/he is also the part owner of political sovereignty...(Wickramasinghe 2006)

By the way, nation-states are not really independent either, though national sovereignty is regularly invoked against interference in the internal affairs of others. Say what you will to justify what you may, but in the end neither the large and powerful, nor the small and less powerful nations of the world can escape what Martin Luther King, Jr. called "the inescapable web of mutuality"(King 1963) in which all of us are entangled today through global markets and global communications.

2. Terrorism and War

Ever since George W. Bush declared a "war on terrorism," the term has lost its meaning. Technically, terrorism is a tactic for waging war. What counts as terrorism is defined by traditional *just war theory*, which states that war is only justified when fought for *just cause*, minimally self-defense, as well as by *just means*. The latter includes rules of engagement, for instance proportionality, targeting combatants and not civilians, treatment of prisoners of war with compassion, etc. Terrorism, we are told, is barbaric because it intentionally targets civilians, so it fails the *just means* test.

Just war theory, however, runs counter to the *logic of war*, which is always about winning at whatever cost by any means necessary. In the 20th century, the logic of war almost always prevails, as we see in the increasing number of civilian casualties in conflicts around the world. In World War II, for instance, the just war against German and Japanese aggression turned into an unjust war when the United State and its allies intentionally targeted German and Japanese civilians in the fire-bombings of Hamburg, Dresden, Tokyo, and other cities, as well as the atomic bombings of Hiroshima and Nagasaki. In Vietnam, we "destroyed the village, in order to save it." Indeed, the technology of warfare today is so enormously destructive that more civilians regularly die in conflicts than combatants, as is the case in Iraq and Afghanistan today, in spite of our euphemistically named "surgical air strikes" and best intentions. It is not just the United States that is culpable; it is every war everywhere in the world today. The *logic of war* always tends towards *total war*; win by

whatever means necessary or perish. War is an ugly business and inevitably brings out the worst (as well as some of the best) character traits in humans. The logic of war and the technology of war almost always trump the just war theory, which is not that we should abandon the discourse of just war, the Geneva Conventions, the prohibitions against child-soldiers, etc. We need to be sure that these ideals do not blind us to what is actually going on in spite of our best efforts, remembering the old adage that in war truth is the first casualty.

Terrorism then is a tactic in guerilla warfare. It is not that the Hamas, Islamic Jihad, Hizbul Mujahideen, Euskadi Ta Astatasuna (ETA), National Council of Resistance of Iran (MKO), Revolutionary Armed Forces of Colombia (FARC), or the Liberation Tigers of Tamil Eelam (LTTE) would not prefer to wage their struggles with tanks, helicopters, submarines, and fighter jets; they just do not have that capacity. So they use the tools available, including direct attacks on civilians. In stating this I am making no judgments about the justness of their cause, only pointing out the obvious; that terrorism is a tactic of the weak. As the United States found out in Vietnam and the Soviet Union found out in Afghanistan, it is very hard to wage conventional war against a guerilla army.

Adjudicating the different claims to justice in the world today is quite a challenge.

Certainly abject poverty is a terrible injustice, but I do not really know the best way to solve it. Is this accomplished best through socialist welfare institutions of the state and the redistribution of wealth or through the dramatic growth achieved through capitalist societies?

Certainly racism, discrimination and prejudice are terrible injustice, but I do not really know the best way to solve these problems. Is it through reifying multiculturalism into an endless clash of identity politics or is it by reifying the individual and individual rights?

Certainly the loss of indigenous languages and cultures around the world is an injustice, but I do not really know the best way to preserve these cultures and languages. Is it by withdrawing into a chauvinistic and xenophobic ideologies or by entering into the global market place of ideas and mission?

Certainly, the ruthless exploitation of labor and natural resources are injustices, but I do not know how best to solve these problems. Is it through protectionism and regulation or is it through technological innovation and economic growth?

Certainly, the use of state-power and criminality to rob people of their freedoms, property, and life is an injustice, but I do not know how best to solve these problems. Is it through accomplished through externalised law and order or through internalised virtues and values?

And certainly, war itself is a great injustice, because for whatever reasons it is started, it not only results in death and destruction of innocent people, but it demeans the human spirit. But I do not know how put an end to war in human affairs. Is it through strength of force or the force of justice that war will end?

If we want to end wars in the world today, or here in Sri Lanka, then we must understand that many of these injustices, perceived and real, lie behind human conflicts. The powerful can enforce an unjust status quo. The powerless will always be tempted to use the tactics of terror to advance their causes and seek address to their grievances. It is more the obligation of the powerful to address the root causes of the injustices, than it is of the powerless to abstain from what they generally understand to be legitimate "self-defense". Still I would argue that the oppressed and powerless would be much

better served by nonviolence. And whatever side of a conflict one finds oneself, without an attempt to understand one's enemies it will not be possible to resolve these many conflicts.

Whether we fight wars with so-called conventional means, or with unconventional means, war unleashes a social dynamic of terrible power. To motivate soldiers to kill and be killed requires an enormous amount of ideological and psychological indoctrination. We may have an innate instinct for aggression, but we also have an innate instinct for self-preservation. Organised political violence is a scary disorder in the body politic, necessary sometimes in extreme circumstances, but costly in what it does to the soul of the polis and the psyche of soldiers. Modern warfare occurs on a scale that bears little resemblance to the violence of our primate and tribal forbearers.

As Gwynne Dyer details in his book *War: The Lethal Custom* (1985, 2004) for most of human history warfare was almost always fought in close ranks and tight formation. Soldiers stood shoulder to shoulder with their friends in rows and marched into hand combat with the enemy. While all of one's instincts might have said, "this is stupid, I am going to get hurt, turn around and run away", one was psychologically and literally pushed into battle by peer pressure. Whatever side broke rank first generally lost the battle. The duration of the battle was always limited by physical exhaustion of the soldiers and the available daylight. Casualty rates for a single day of combat might be as high as 40 percent of the combatants in a single battle.

It was not until the invention of the breach-loaded rifle during the U.S. Civil War that the psychology and physiology of war began to change. First used in the Battle of Gettysburg, with the Winchester rifle it was now possible for a soldier to fire from hiding or shelter at the enemy from a distance with a high probability of wounding or killing them. Soon the rifle would be supplemented by the machine gun and much more destructive weaponry.

It would not be until after World War II, however, that military strategy caught up with the new technology. Concentrating one's troops made them easy targets, so commanders began dispersing their troops, but this changed the psychology and physiology of warfare. U.S. Army psychiatrists studied U.S. combat soldiers in World War II and discovered that as many as eighty percent did not return fire when sitting alone in their foxholes. Why would one call attention to oneself and risk getting killed?: was the thinking. Dyer thinks this is also the result of a natural aversion to killing people.[1] Afterwards, the U.S. Army completely redesigned basic training, which now included a lot more psychological indoctrination, breaking the soldier down and building them up again. The average age of combat soldiers dropped from twenty-six in World War II to nineteen. The indoctrination included demonisation of the enemy and a lot more machismo. "This is my weapon, this is my gun; the one is for killing, the other for fun" goes a Marine Corp chant.

The other thing that U.S. Army psychiatrists learned on the battlefields of World War II is that protracted modern warfare resulted in a high number of psychiatric casualties. It did not seem to matter how many furloughs a soldier had, after about two hundred days of combat stress most soldiers developed what was then called shellshock. Fully one sixth of all the U.S. casualties in World War II were psychiatric cases. The number might have been a lot higher, except that soldiers normally did not survive two hundred days of combat. This psychiatric trauma continues long after the battles have

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[1] Of the 27,574 abandoned muskets picked up after the battle of Gettysburg in 1863, over 90 percent were loaded, although the nineteen-to-one ratio between loading time and firing time would logically argue that only about 5 percent of the muskets should have loaded and ready to fire when their owners dropped them. Indeed, almost half of them – twelve thousand – were loaded more than once, and six thousand of them had between three and ten rounds loaded in the barrel" (Dyer, 2004, 56)

ended and is now referred to as Post-Traumatic Stress Disorder (PTSD). In Vietnam, for instance, more U.S. soldiers died in the decade after the war, than actually died during the war.

I take you on this digression with a purpose. One, I want to emphasize how "unnatural" modern warfare is. It bares almost no resemblance to the kind of fighting our hunter-gatherer and primate forbearers engaged in. Second, I want to emphasise the terrible human costs of war, which we are now witnessing again in a new generation of combat soldiers returning from Iraq and Afghanistan. A recent report suggests that on average last year five U.S. combat veterans attempted suicide every day.

When I first arrived in Sri Lanka last September, I spent the first few weeks being amazed by all the soldiers and police, who spend most of their days standing around idle and bored waiting for something terrible to happen, day in and day out. I was stunned by the incredible waste of energy and talent. These men, and sometimes women, were wasting the best years of their lives standing around doing mostly nothing for long hours, when they should be learning skills, building a nation, and improving themselves. The waste cannot be calculated in mere money. The societal resources diverted into maintaining this militarised security state must be calculated especially in the "opportunity cost" for all of these soldiers and for society as a whole. At the time, this struck me then as an enormous tragedy; today unfortunately I have grown numb with familiarity. It just seems normal. I want to remind us all though, including myself, that the casualties of war go far beyond the wounded and fallen in battle.

Like any war, the war on terror is also corrosive of liberal nations. In order to wage the so-called "war on terrorism", the United States has lost many of its liberties and engaged in unspeakable acts of torture. Our political culture has been severely polarized and traumatised. James Madison, one of the principal architects of the U.S. Constitution and the fourth President of the United States, warned us of these dangers:

> Of all the enemies to public liberty war is, perhaps, the most to be dreaded, because it comprises and develops the germ of every other. War is the parent of armies; from these proceed debts and taxes; and armies, and debts, and taxes are the known instruments for bringing the many under the domination of the few. In war, too, the discretionary power of the Executive is extended; its influence in dealing out offices, honors, and emoluments is multiplied; and all the means of seducing the minds are added to those of subduing the force, of the people. The same malignant aspect in republicanism may be traced in the inequality of fortunes, and the opportunities of fraud, growing out of a state of war, and in the degeneracy of manners and of morals engendered by both. No nation could preserve its freedom in the midst of continual warfare (Madison 1795).

The enemy of civil societies and civilisation is not terrorism *per se*, it is militarism in all its manifestations. This is the threat to our life and liberty. It is a malignant manifestation of competition and cooperation. The weapons of war today bear little resemblance to those wielded by our human ancestors. The *logic of war* points to the eventuality of war waged with weapons of mass destruction. Warfare threatens our ability to move onto the next stage of our cultural evolution, in which we must widen the circle of our humanity and scale up to new challenges in a now global civilisation.

3. Religion

Now let me turn to religion. The best and the worst things that humans do seem to be motivated by religion. Unfortunately, religion, as one of the markers of cultural and national identity, is easily

harnessed for political chauvinism. Religion, however, can also be one of the social institutions, which checks and limits BigMan rulers and tyrannical majorities. Religion, at its best, is always oppositional to the values and appetites of the many and the powerful. It seeks to call us out of our self-centredness to more noble, meaningful, and compassionate life.

Religion, like nationalism and war, is a natural aspect of our species. It is an outgrowth of our human quest for meaning and belonging. In the name of getting rid of one religion or religion in general, we invariably create a new religion, even if that is wrapped in the garb of some secular ideology. Some of the worst tragedies in human history were waged by formally anti-religious ideologies. Here I refer to Nazism, Stalinism, and Maoism. It is just not realistic to think that religion is going suddenly to disappear, instead we must engage it to try to make it more wholesome in human affairs. In so doing, we will also transform ourselves.

Human identities, norms, and actions are forged through the confluence of different stories, powerful symbols, causal patterns, divergent reasons, universal passions, existential terror, and transcendent hopes. Religion stands at the centre of this confluence. When we feel threatened, our sense of identity is actually strengthened and religion is necessarily part of that mix, acquiring greater prominence in times of war. Religion not only provides a strong sense of identity, it helps motivate the insider altruism of citizens in order to wage outsider violence.

And yet religions can also be oppositional to governments and prophetic in their social role. Certainly, all religions also have a great humanitarian and universalist core to their moral teachings. The answer to bad religion is not no religion, but more and better religion. One of the challenges of religion today is to expand from intra-textuality of fundamentalism to inter-textuality of a complex world. It is not that we can or should abandon sacred scriptures, but we must put these in conversation with the world of science, other cultures, our common history, and globalisation.

Certainly, one important function of religion in human societies is to promote morality. This is done in the affirmative, but also in the negative; the latter we shall call public shame. Another important function of religion in human societies is to mediate reconciliation, because breeches in the community can spiral out of control in a costly escalation of revenge. I will return to both of these issues below – shame and reconciliation.

If there is to be any dramatic transformation in this society or the world, then religion is going to have to help lead the way. My hope for Sri Lanka is that the Sangha will reform itself and together with lay Buddhists take responsibility in promoting the authentic dharma of wisdom and compassion. Muslims, Hindus, and Christians must be allies, in promoting that reformation, even as they reconsider their own responsibilities in building a peaceful and prosperous society.

The bio-historical future

At this point I would like to return to Pierre Teilhard de Chardin (1881-1955), the French Jesuit priest and paleontologist, who sought to integrate religious faith and evolution ((1955)1959) ((1957)1960) ((1963)1970). While Teilhard spent his scientific career studying the history of evolution, including human origins, the spiritual question for him was not so much where have we come from, but where are we going.

Teilhard saw evolution as a teleological process of increasing complexification, with ever-deeper relationality as the corollary to this complexity. This evolutionary process gave rise to consciousness and with it increasing freedom. He referred to this process as "centration," an epic search for the

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cosmic centre. Divergence, convergence, and emergence are the pattern replicated throughout the epic of evolution. This law of recurrence operates at each level of reality. Subatomic particles give rise to atoms; atoms make possible molecules; complex chemistry leads to cellular life; multi-cellular life gives rise to organisms; organisms evolved into vertebrates; vertebrates eventually differentiate into mammals; mammals split-off into primates; primates ascend into humans. Divergence, convergence, and emergence operate in each transition of novel forms in the evolutionary epic. "Reality," writes Teilhard "repeats on every viewable plane."

He came to see this dialectic between cooperation and competition, between individualism and communalism, between differentiation and integration as fundamental characteristics of the evolution of the universe. These forces move the evolutionary history forward to greater levels of complexity, beauty, consciousness, and freedom. New and novel entities emerge in the course of evolution. Our species is certainly an incredibly important novelty from the perspective of evolutionary history.

Teilhard hoped and believed that humans had reached a stage in our own species evolution, in which something new and grand was struggling to come into being. He referred to this new thing as the "noosphere", a realm of consciousness and spirit that would encircle the Earth. Teilhard called in a "halo of thinking energy". Many call Teilhard the prophet of the Internet and the World Wide Web, but this is only part of his vision. Teilhard believed that it was now time to expand the boundaries of our tribal identities, to move beyond sectarianism and nationalism, and to embrace humanity as a whole. Indeed, humans need to discover their capacity to go beyond a species-centric view of themselves in order to fulfill their evolutionary mandate, which he understood to be the self-conscious "organ" of the planet and the universe. Science was not incidental to this transformation, indeed the tapestry of science was partly our species-specific role, to pay attention to the details, to become mindful, aware.

Teilhard also saw this law of recurrence manifesting itself in human cultural evolution. From diverse nomadic tribes of hunter-gatherers to larger agricultural settlements to city-states leading to nations, empires, and now globalisation, which he experienced in nascent forms in the 20th century. Teilhard believed we were in the process of "the forming of a completely new psychic reality". He writes "In order to become explicit, it requires that our consciousness, rising above the growing (but still much too limited) circles of family, country and race shall finally discover that the only truly natural and real human unity is the spirit of the Earth."

The future depended upon what Teilhard referred to as a "Grand Option". Would we withdraw into pessimism or strive in optimism? Would we isolate ourselves in sectarianism or evolve in communion with each other and the planet? Evolution's ascent towards consciousness had reached an impasse and a turning point. There was no guarantee that we would succeed. Teilhard knew only too well that evolution was also full of extinctions and dead-ends.

Teilhard gives us a framework for understanding nationalism, militarism, and religion and many needed transformations in the world today. Our evolutionary job at this moment is to become "the Spirit of the Earth," to find a way out, to avoid a global catastrophe, prevent unimaginable human suffering, to preserve and enhance ourselves and this planet. It is not primarily about preserving the past, though continuity is certainly a part of the evolutionary drama. It is about evolving into something completely new, a kind of evolutionary leap.

We are now at a unique moment in the natural history of our planet and the cultural evolution of our species. Reframing the challenges of nationalism, militarism, and religion as a global and bio-

historical problem takes some of the wind out of the sails of small-minded ethnic and cultural chauvinism, whether in the United States or here in Sri Lanka.

The problems in Sri Lanka today look rather small in light of the larger arc of global history. And yet Sri Lanka is itself a kind of microcosm of these very challenges, which could make or break the entire world in the decades to come. In that sense, the geo-political, economic, and strategic opportunity that Sri Lanka has is to chart a new path in the world today, not to fight the old wars of nationalism, but to pioneer a new road to peace and prosperity.

4. Creating a Best Case Scenario for Sri Lanka

What is the upshot of all of this for Sri Lanka today, a country with a troubled history of conflicting nationalisms, militarisms, and religions? I have tried to reframe the question in a larger bio-history of humanity. The problems are in no way unique to this country, though the country is certainly unique. Sri Lanka is a kind of microcosm of the world. Indeed, precisely because of your many problems and troubled history, Sri Lanka can play a pivotal role in effecting profound changes in the world.

One possibility is certainly that things will get worse, much worse. And it is certainly useful to run some worst-case scenarios as part of your strategic planning.

I was very moved and saddened by the images of the funeral for the students from the DS Senanayake College who were killed in the bomb blast at Fort Railway station this past February, as well as by several other bombing incidents since then. Speaking as a parent, the worst-case scenario is when a parent has to bury a child. Unfortunately, the worst-case scenario for Sri Lanka involves many more scenes like this, though mostly without the benefit of mass media coverage and large public funerals.

In the worst case, the Sri Lankan government will "win" the war but lose the country and lose its democracy. Without a political solution, there is a probability that the violence will metastasise, not just that of Tamil separatists, but the lawlessness of the Sinhalese and Muslim underworlds will also grow. Feeling threatened on all-sides, the Muslim community will arm itself in self-defense. The Sinhalese community will rally around a BigMan leader, who promises law and order, but delivers political patronage and demands absolute loyalty. Having gone into debt to fund this war, the country will be wracked with run away inflation. Foreign investment will flee. Foreign aid will dry up. The tourist industry will become a thing of the past. The exodus of middle and upper class youth to safer lands, better education, and career opportunities will accelerate. Poverty, hunger, and disease will grow. Essential services will falter. Communal riots will be revisited. The JVP or its successor will again pursue violent revolution. In desperation, the natural resources and cultural treasures of this country will be plundered. In desperation, Sri Lanka will export an army of domestics and labourers to the Middle East. In desperation the diseases of alcoholism, drug addiction, and suicide will become epidemic. Sri Lanka, once a proud and successful country, will become a failed state.

Of course, the description of this worst-case scenario bears some resemblance to the news in Sri Lanka over the last few months. John Templeton, one of the most successful investors in the 20th century and the mentor and benefactor for much of the work that I have done in the last ten years, promoted the idea of "investing at the point of maximum pessimism", because that is where the greatest returns will be realised. One of the reasons I am so bullish about Sri Lanka is precisely because it can't get much worse. My worst-case scenario looks a lot like today. Hence, I think you are at a turning point and uniquely positioned to enact one of the first great political and economic miracles of the 21st century.

It is very important for strategic planning to develop best-case scenarios, and to do so in great descriptive detail, because these visions of a positive future are more likely to generate the creativity and motivation needed to implement fundamental changes. In Teilhard's words "the future belongs to those who give the next generation reasons to hope."

Cosmopolitan Buddhism

In developing my best-case scenario, I begin with Buddhism, because I think so much rests on its ability to become a more positive force in society. Indeed, I would argue that most great social transformations are fundamentally religious in nature. So let me begin with talking about Buddhism in Sri Lanka.

In Buddhist doctrine, we are told that we "choose" our parents before we are born. This is psychoanalytically profound, because, for better or worse, we are stuck with our parents. It is our karma to work out that family history in trying to become better persons in our short lives. So too is it perhaps for nations. We could say that Sri Lanka has chosen its history before it was born. The karmic challenge of Sri Lanka is to craft this history into becoming a better nation. Rather than seeing the Moors, the Portuguese, the Dutch, the British, and the Indian invasions, oppressions, and influences as a disruption of some idyllic and pure past, let us see these as opportunities to create a better future. Sri Lanka has been endowed with a great cosmopolitan culture and this heritage can position Sri Lanka to be a centre of cosmopolitan culture, business, and learning in the 21st century. Instead of being a loss to the country, the Sri Lankan diasporas can be seen as extensions of the country in a global civilisation, if you give them something of which to be truly proud.

My hope is that a new kind of cosmopolitan Buddhism will lead the way in this effort, hand in hand with the other religious traditions in this country. Imagine a Buddhism eager to learn about science and the world, eager to speak English and other foreign languages. Imagine a Buddhist Sangha eager to reform and improve itself. Were Sri Lanka a peaceful country, Buddhists from all around the world would flock here for pilgrimage and study. Sri Lankan monks and lay leaders might become missionaries around the world. Western converts would flock to Sri Lanka, even as a cosmopolitan Buddhism in Sri Lanka becomes a host for inter-religious dialogue and learning. Here I am only restating the vision and unfinished agenda of Ven. Anagarika Dharmapala and his many followers from almost a century ago.

One of the functions of religion is to create and sustain moral behaviour. This is done not just in the affirmative, but also in the negative by creating public shame. Certain attitudes and behaviour need to be shameful, because government cannot police every individual; indeed government leaders cannot even police themselves.

Kishali Pinto Jayawardena recently wrote in her weekly column in *The Sunday Times* (May, 4, 2008):

> Overall, the violence that has seeped into Sri Lankan society frames the failure and subversion of law enforcement; in a country that continues to experience unending conflict through many decades, torture, death and disappearances have become everyday occurrences. Human society, along with its ostensible law enforcers has itself become brutalised. In the result, bringing order and sanity back to the law enforcement process will undoubtedly be an agonisingly uphill task (14).

We might apply the same analysis to the problems of corruption endemic in this society. I see no way of accomplishing that "agonisingly uphill task" of professionalizing law enforcement and stamping

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out corruption without the full power of Buddhism and other religious groups - both clergy and laity - leading the way.

Reconciliation

Another function of religion is in mediating reconciliation. Evolutionary psychological approaches to understanding the group dynamics of transgression and punishment suggest that humans have a terrible tendency to seek punishment and revenge far in excess of the cost of the actual harm originally done. Religion provides one of the ways that societies reestablish cooperation after a transgression inside the community.

The political road to peace and reconciliation in this society is perhaps the hardest thing to imagine. Unfortunately, there is no "technology of peace" that can be simply imported from abroad, as is done now with the weapons of war. The defeat of the LTTE is not a forgone conclusion. Indeed, there is a lot of evidence from around the world to suggest that modern insurgencies are never easily defeated, in part because the technologies of war are such today that even a very small group can exact an enormous toll on a society. Of course, I am a citizen of the United States, the most powerful military force the world has ever known. We could not enforce our will in Vietnam. It is unlikely that we will succeed in enforcing our will on Iraq and Afghanistan today.

It is important to mix some Machiavelli with our Gandhi and think hard and realistically about the situation in Sri Lanka today. We need realism and idealism in equal measures. From my reading of the history and the press and my limited conversations here, I am inclined to believe that there is not much purpose in negotiating with Prabhakaran, except of course in the sense that Karl von Clausewitz meant when he famously observed that war is "a continuation of political intercourse carried on with other means."

This does not mean that Sri Lanka should not be negotiating with the Tamil people. Indeed, a political offensive is needed in the North, in the Diaspora, and right here in Colombo. The Sri Lankan government should put its best offer on the table and should do so publicly and in detail. It should leaflet this offer by airplanes over Kilinochchi and the North. It should appeal directly to the Tamil people, who have suffered the most in this terrible conflict. What should this "best offer" include? Minimally it would include amnesty for all LTTE fighters and the promise of employment and educational opportunities in rebuilding the country, because you want them to defect from the LTTE. It should include the promise of linguistic parity, regionally elected governments as specified by the 13th Amendment, full rights of citizenship in a unified Sri Lanka with equal protection under the law. Prabhakaran and the top LTTE leadership should be offered political asylum with the help of one of the Western allies of Sri Lanka, because revenge is not as valuable as an end to the conflict. I am intrigued with the idea of offering stock ownership in privatised public utilities, giving the citizens in the North and the East literally a share in ownership of this unified country. Remember that there are things other than territory and political representation that can be divided. The goal should be to make all Sri Lankans, including the Tamil minorities, rich beyond their wildest dreams. Were such a political offer and a detailed vision of a prosperous, peaceful, lawful, and unified Sri Lanka on the table, in the media and on the street - working in tandem with the Sri Lankan military's efforts - then I could imagine in very short order a coup d'état or assassination inside the LTTE that would hasten the end of this terrible war. Of course, this is essentially what happened in the East, where there was a coup inside the LTTE. I dare say such a political offensive would also help you garner a lot more support from your Western allies.

By the way, if I were giving this speech in Kilinochchi, I would basically give the same advice. Put your best offer on the table now, do so publicly in detail, and be judged accordingly by Tamils, Sinhalese, and the world.

We need to give some thought to what follows after the war, the challenges of demobilising soldiers who have minimal skills and some times significant psychological trauma. Remember also that the military has become part of the social welfare system in this country. There is the real danger that lawlessness and violence of the war will metastasise and spread like a cancer throughout the society. And there is also the challenge of reconciliation, which actually needs to begin now as part of the political offensive that I spoke of above.

Reconciliation and forgiveness requires recognition of wrongs done. One of the problems in a conflict like this is that each side has such a long list of grievances now going back decades. So many people have been hurt and killed in so many circumstances over so many years. We all have a natural tendency to focus on our own hurts and grievances, and to ignore or minimise those of others. Of course, the secret of Sri Lankan history to most outsiders, that is obscured by this ethnic conflict, is that more Sinhalese have killed Sinhalese and probably more Tamils have killed Tamils than they have killed each other; but here too, it is easier to externalise these hurts, blaming them on an Other — the "evil" Tigers or the "evil" Lions. May I remind you all that neither tigers nor lions are species indigenous to Sri Lanka. Sri Lankans are indigenous to Sri Lanka and the real challenge is building that national identity.

We are coming up on the 25th anniversary of the July 1983 riots, which marked a watershed in the conflict and the beginning of a full-scale civil war. The history is familiar to you all.[2] An official government inquiry put the death toll at 1000, but NGOs and international agencies estimates say the number of deaths may have been as high as 3000. More than 18,000 houses and commercial establishments were destroyed. In the wake of the Black July, hundreds of thousands of Tamils fled the country. Others joined militant Tamil groups including the LTTE. While the government of Sri Lanka conducted a Presidential Commission to investigate the 1983 Riots, no restitution was paid to any of the survivors and no criminal proceedings initiated against any perpetrators.

It would be healing and helpful for Sri Lanka to commemorate this 25th anniversary of Black July, as part of its political offensive, as a sign of its commitment to ensure that all of the citizens of this blessed Island enjoy the equal protection of the law regardless of their ethnicity, language, or religion. It needs to be recognised publicly that this was not the case in July 1983, that the government failed to protect its citizens from lawlessness.

This 25th anniversary of the July 1983 Riots provides an opportunity to collect oral histories of survivors, which can be transcribed, translated, and printed in newspapers and books, presented in television documentaries. It would also be important to include oral histories of Sinhalese who helped to shelter Tamils from the mob violence. If forth-coming, it would be wonderful to include oral histories of Sinhalese who participated in the mob violence and are willing to express remorse. Of course, individuals should have the option of keeping their stories anonymous, if they feel endangered or embarrassed. Perhaps the names of those killed, to the extent that they can be assembled, should

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[2] The LTTE, at the time a small guerilla group, killed thirteen Sri Lankan soldiers. On July 23, the funeral of these soldiers in Colombo turned into a riot directed against Tamils in Colombo. Sinhalese mobs with some active and much passive assistance from Sri Lanka security forces burned Tamil businesses and homes and beat and hacked to death Tamils with knives and axes. The rioting spread to other communities, including Kandy, Galle, Gampola, Matale, Nawalapitiya, Pusselawa, Ginigathena, Badulla, Nuwara Eliya, and Anuradapura. The rioting did not finally end until the 29th of July, when police shot and killed 15 Sinhalese rioters.

be read in public ceremonies. Sri Lankan embassies abroad could also hold events for Tamil and Sinhalese émigrés.

Throughout these observances, it will be important to emphasise the individual human tragedies, rather than to rehearse the conflicting narratives about who is responsible for the ensuing civil war. The goal is not simply to commemorate, but also to communicate to Sri Lankan Tamils throughout the world, but especially here in Sri Lanka, that many, perhaps most, Sinhalese recognise in these fateful events that a terrible injustice was done to their fellow citizens, who deserved equal protection under the law provided by the police, the courts, and the government of Sri Lanka of which they as citizens are part owners. The goal should also be to educate a new generation of Sri Lankans on these fateful events in the history of the country. The tone of the commemorations should be to declare "never again" and to promote a vision of a unified, peaceful, and prosperous Sri Lanka, in which all citizens, regardless of their ethnicity, language, or religion, are entitled to equal protection under the law.

Whether or not the Sri Lankan government participates in this 25th anniversary commemoration of Black July, there is no reason why religious and civil society groups should not go ahead and do so independently of the government. Indeed, it would be more meaningful as a grassroots initiative. Recognition is the first step in unleashing the magic of reconciliation.

Political Economy

To realise this great cosmopolitan culture will obviously require an end to the civil war and the other forms of lawlessness rampant here. This can only be accomplished through instituting some form of limited government, which provides equal protection under the law to individuals, regardless of the language they speak, their family background, their political connections, or their religious beliefs.

Devolution of the government should not lead to more government bureaucracies, God forbid, but less government all around. Devolution should be about privatising many government services and employees. Note that the question of good governance is directly related to political economy. Sri Lanka made some critical mistakes in creating a bloated, now inefficient, and overly centralised and paternalistic public sector. You were not alone in this. The question now is how you recreate your economy such that economic complexity and wealth emerge from the bottom-up through the distributed talents and exertions of your citizens.

In an evolutionary view of economics, we cannot simply apply labels like liberal and conservative, socialist and free-market. Economic development is always a mixture of public and private forces. Economic evolution always involves dislocation (what economists call "creative destruction"). There are limits to the economic involvement of the state. Subsidies and price controls are generally a very bad idea, but excise taxes, and especially vice taxes, may be a good tool, for instance in discouraging wasteful use of fossil fuel. The state should probably not directly run public utilities, rather these natural monopolies should be private corporations that are regulated by the state. Universal health care and universal education are goods to be promoted, but the state is not well equipped to actually manage hospitals and universities. In the view of economics, surely the state is involved in organising infrastructure investments that would not otherwise be undertaken by the private sector.

Infrastructure

One of the major infrastructure challenges for Sri Lanka is transportation. First, we need to recognise that the current transportation system in Sri Lanka is extremely inefficient in terms of liters of petrol

consumed per kilometers travelled. Secondly, the inability to move people and goods easily around the island means that large sections of the island remain under-developed and disadvantaged. If a farmer in Anuradapura cannot market his produce effectively, for instance, choosing between the highest prices in Colombo, Galle, Batticoloa, or for that matter Tokyo, then the agricultural sector will be disadvantaged and productivity stunted. If a labourer cannot chose the best paying job, whether it be in Jaffna, Kandy, or Matara, then the labour market will be disadvantaged. If export/import industries cannot choose between using the harbors at Colombo or Trincomalee, then the export/import industries are disadvantaged not just domestically, but internationally. Without internal choices and competition, Sri Lanka will not be able to compete externally in the global markets.

Remember that there is a kind of dialectic between competition and cooperation. In order to compete more effectively, both internally and externally, Sri Lankans need to cooperate to create the necessary infrastructure. Here is a role for public-private partnership.

So I want to imagine with you tonight a new island-wide transportation system that would unify the country in fact and not just name. Sri Lanka can and should build a 2000 kilometer, inter-modal, limited access highway system encircling and bisecting the Island. Lets call it "The Road to Peace and Prosperity," because that is what it would mean for this country. Without a modern and comprehensive transportation system, Sri Lanka will not be able to unleash its true economic potential. Here you have the opportunity to leapfrog, using the best concepts in design and engineering collected from around the world. Indeed, as part of a comprehensive peace settlement and political reform, Sri Lanka might even be able to convince the international community to pay for the entire costs of the project.

This Road to Peace and Prosperity would exponentially multiply every other private and public investment. If such a highway existed, it would be possible to drive from Colombo to Trincomalee in two hours, to drive from Jaffna to Colombo in a three-hour drive, and to drive from Batticaloa to Trincomalee in less than an hour. From Matara to Jaffna would be a five-hour drive up the West Coast highway and a seven-hour drive up the East Coast highway. On the state-of-the-art, high-speed rail line that would also be built, travel time would be even faster. Water, electric, and telecommunications lines would also be laid in this new highway corridor. This construction project would provide badly needed jobs for demobilised soldiers and police officers, as well as the impoverished citizens and internally displaced persons from the North and the East. Such a transportation system would stimulate tourism, manufacturing, construction, and agriculture. In all of this it will be necessary to build for energy efficiency and ensure environmental protection. Rather than create a new government bureaucracy to manage the new transportation system, lets think about tolls leading to profits, shares of ownership leading to dividends. Indeed, the division of stock ownership in these new corporations can be used as an incentive in the peace offensive mentioned above (remembering that there are things other than territory and votes that can be divided and shared). The end result of the Road to Peace would be an island that was truly unified and on its way to enacting one of the first great economic miracles of the 21st century.

Again, I think the business community, religious groups, and civil society organisations do not need to wait for government to take the initiative. There is a lot of work to be done envisioning, designing, and planning such a transportation system. This work provides an excellent tool for educating your young and building the necessary political movement to make this vision a reality.

Governance

At some point, before or after peace, before or after the Road to Peace and Prosperity, the Constitution will need to be rewritten. Some kind of bicameral parliament offers many advantages, including regional representation in one house with the other house being proportional representation on a national level. The executive branch should be a separate branch of government, checked by the need to seek funding authorisations, advise, and consent by the two houses of parliament. The courts would have an unambiguous constitution to interpret and enforce.

It seems counter-intuitive, but good governance is not primarily about good people. It is about good structures that provide incentives and restraints to bring out the best in human nature and to limit the worst. There are other institutions necessary for a healthy society, so the structure of government is only one piece of the puzzle of a healthy and prosperous Sri Lanka. One needs independent religious institutions, independent media, an independent business community, independent universities, independent professional societies, independent civil society organisations, strong families and extended families, and more. All of these actors help to restrict the bad sides of our human nature and accentuate the good, thus unleashing at every level of society a healthy dialectic of competition and cooperation which catalyses a non-zero sum dynamic in which the whole is much, much more than the sum of its parts.

Strategically I should think it vital for the business community, religious groups, and civil society to get involved in designing and advocating that new constitution right now and not to expect current parlimentarians to lead the way. The best and the brightest are going to need to get involved in thinking beyond short-term political gains and losses in creating a legal framework that will not reify ambiguous group identities. In order to pass the kind of constitution that a unified, peaceful, and prosperous Sri Lanka needs, it will take a great deal of public education and advocacy. This should be a topic for teaching and debate at every university campus.

By the way, the only real political obstacle to adopting a new constitution and launching a diplomatic offensive is the inability of the two major political parties here to set aside their rivalries for a few years in order to work in the national interest instead of their own. This brings us back to the need for religion, morality, and public shame.

Education

Given the emphasis on individual rights applied equally to all citizens in the new constitution, I would expect the courts quickly to rule against separate schooling for different ethnic communities. Let separate schools please be a thing of the past. Instead of separate-lingualism and separate-culturalism, let multilingualism and multiculturalism become one of the hallmarks of this society. English literacy in Sri Lankan will broaden, excel, and assume its place as the bridge language between ethnic groups, and to a larger world of opportunity.

In an effort to stem the brain drain and financial hemorrhaging of the society, higher education will be largely independent of government. The State can subsidise the tuition of needy students, even as educational standards are raised to international levels. There will be partnerships with the best universities in the world. Sri Lankan universities will compete internally with each other and with the world for the best and the brightest. I should think higher education would be the obvious first choice for the devolution of public sector. Sri Lanka loses over 7 billion rupees in foreign exchange every year through students who study abroad, most of whom will not return once their education is

completed. Instead of exporting students, Sri Lanka should be importing students from all around the world. As Tara de Mel wrote recently in the *Daily Mirror*:

> For the past so many years, the tragedy of the Higher Education system has been that less than 3 percent of the relevant age cohorts and less than 15 percent of those who qualify at A-level, can secure placements in universities. This has made Sri Lanka one of the countries with the poorest rates of higher education enrollment. The 15 state-owned, state-funded and state-managed universities in 2006 could offer only 17,287 places to the 119,555 students who qualified. Moreover, these universities can hardly meet the required quality that we see in reputed universities elsewhere: They ceased to be halls for intellectual inspiration and academic strength long ago. Today, most have been reduced to breeding grounds and training camps for destructive political movements. (*Daily Mirror*, 7.2.2008)

Conclusion

Of course, it is one thing to have these grand ambitions and quite another thing to make them real. A strategic planning process requires not only uniting around a vision, but also thinking backwards to the most efficacious actions and leveraged interventions that we can take today to advance that vision. That would be a valuable exercise for the business community, civil society and religious organisations to engage in, but beyond the scope of this occasion and format.

After thirty plus years of civil conflict Sri Lanka is at a turning point. While the obstacles are many, Sri Lanka has enormous untapped potential if a number of related problems can be effectively addressed – reconciliation, infrastructure, and governance probably foremost. The point is that it is possible to imagine a time, not even five or ten years hence, when the entrepreneurial talents and ingenuity of the peoples of Sri Lanka will be liberated, when Sri Lanka will be on its way to becoming one of the wealthiest countries in Asia. This new wealth will unleash a positive feedback loop, growing government coffers, leading to better schools, better health care, better services, and better people. A Sri Lanka of peace and prosperity would be an incredible gift not just to the people of this land, but also to the entire world, because the world is in desperate need of positive models of conflict resolution and social transformation. The prestige and stature of Sri Lanka on the world stage would be enormous. No one else can realise this for you, but you can do it for yourselves and for the world.

Let me end, then, as I began, with an apology. As an outsider, there is much that I do not know and cannot understand, but the perspective of an outsider is sometimes helpful. As I prepare to return to the United States next month, I am also acutely aware that my own country is deeply flawed, a less than perfect union and a cause of much suffering and conflict in the world today. Still I hope these comments have been informative and useful; but if not, I ask your forgiveness, even as I have enjoyed your gracious hospitality these last eight months. I hope especially that this lecture leads to a vigorous and productive conversation. Thank you.

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VOLUME I

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