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# Sri Lanka: Jayewardene's Approach to Democracy and Free Enterprise



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An Intelligence Assessment

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NESA 83-10139  
June 1983

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# **Sri Lanka: Jayewardene's Approach to Democracy and Free Enterprise**



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**An Intelligence Assessment**

This paper was prepared by   
 Office of Near East-South Asia Analysis,  
with a contribution by  It was  
coordinated with the Directorate of Operations and  
the National Intelligence Council. 

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**Sri Lanka: Jayewardene's  
Approach to Democracy  
and Free Enterprise**

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**Key Judgments**

*Information available  
as of 13 June 1983  
was used in this report.*

President J. R. Jayewardene's United National Party (UNP) government will continue to dominate Sri Lanka until at least 1989. The results of the October presidential election and the December referendum to extend the life of the current UNP-controlled Parliament for six years constitute a personal triumph for the healthy 76-year-old President and a strong vote of confidence in his leadership and his Western-style, free enterprise economic policies. The twin victories mark the first time in almost three decades that a Sri Lankan government has succeeded itself in power. We believe that Jayewardene's death in office would pose no immediate threat to the stability or smooth functioning of the government.

The fresh mandate provides Jayewardene an opportunity to complete Sri Lanka's transition to a high-growth, free market economy. We expect the President to focus on completing several far-reaching and ambitious development projects that his government undertook when it swept to power in 1977 and that Jayewardene hopes will launch the country on a path of self-sustained growth.

Although overall growth is likely to increase in 1983, Sri Lanka faces thorny economic problems in the near-to-mid-term. The government has borrowed heavily to pay for development that will not begin to yield dividends for several years. We believe that the UNP's most urgent priority is to curb massive deficits in the national budget—which accounts for an unusually high percentage of gross domestic product—as the country passes through the years of peak development expenditure. Sri Lanka will also face growing strains in its balance of payments, which may not prove curable through import substitution and export promotion.

Jayewardene's reelection implies that Sri Lanka will continue playing a moderate and constructive role in world forums. The UNP seeks to retain a pro-Western orientation while maintaining its nonaligned credibility. Relations with the United States will remain friendly and will continue to have a greater economic than political emphasis as the government seeks to promote investment opportunities.

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The UNP's overwhelming dominance of the government, coupled with the weakness of the traditional opposition parties, will enhance prospects for political stability, but the party's unorthodox use of its incumbency to ensure its own succession could eventually prove detrimental to democracy in Sri Lanka. Jayewardene appears to be aware of the need to guard against the danger that, lacking a credible opposition, many in his party may become corrupt, arrogant, and indifferent to the needs of constituents.

Communal disharmony is the most serious potential threat to Sri Lankan stability, and prospects for long-term harmony are not promising. Although Jayewardene is committed to fostering better relations between the majority Sinhalese and minority Tamils, powerful members of his own party are much less conciliatory, and Tamil dissidents are likely to launch sporadic terrorist attacks. We believe that Jayewardene will invoke the government's special emergency powers if Tamil agitation for a separate state once again flares into widespread bloody confrontation.

Democratic practice and communal relations could undergo significant changes once Jayewardene leaves power, particularly if a less committed democrat were to inherit the powers of the presidency. The new generation of leaders may be less well grounded than the President in Western philosophies of government and may have less of an ideological commitment to established democratic principles.



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**Sri Lanka: Jayewardene's Approach to Democracy and Free Enterprise** [Redacted]

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**Democracy and Free Enterprise**

Sri Lanka is a rarity among developing countries for its solid tradition of democratic practice and, currently, for its free enterprise economic policies. The electorate is highly literate—around 87 percent—and politically sophisticated. Elections have been a standard feature of Sri Lankan political life since independence in 1948. [Redacted]

The twin electoral victories of President J. R. Jayewardene and his ruling United National Party (UNP) last fall ensure their continued domination of Sri Lanka's political landscape until at least 1989. The results of the October presidential election and the December referendum to extend the current UNP-controlled Parliament by six years constitute a personal triumph for the 76-year-old President and a strong vote of confidence in his leadership and in his market- and development-oriented economic policies and programs. [Redacted]

When the UNP swept to power with a five-sixths parliamentary majority in 1977, Jayewardene became Prime Minister. Jayewardene had long been convinced, however, that he needed greater executive power and more than a single term in office in order to rehabilitate Sri Lanka's ailing welfare-oriented economy, according to Embassy reporting. One of his first acts was to amend the constitution to provide for a strong presidential form of government, which he believed would provide the political stability necessary to attract foreign investment and inspire confidence among aid donors. He also instituted proportional representation in parliamentary elections in order to brake the wide swings that have characterized Sri Lanka's frequent changes of government. [Redacted]

Jayewardene also made early use of his political strength to risk a major shift in economic priorities. He established strong incentives for the production and export of textiles, electronics, and other manufactured goods, although agricultural commodities remain the country's most important foreign exchange



President J. R. Jayewardene [Redacted]

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earner. Jayewardene has long admired Singapore's economic record, and we believe he has tried to pattern Sri Lanka's development along similar lines, consistent, however, with the island's strong traditions of democratic government. [Redacted]

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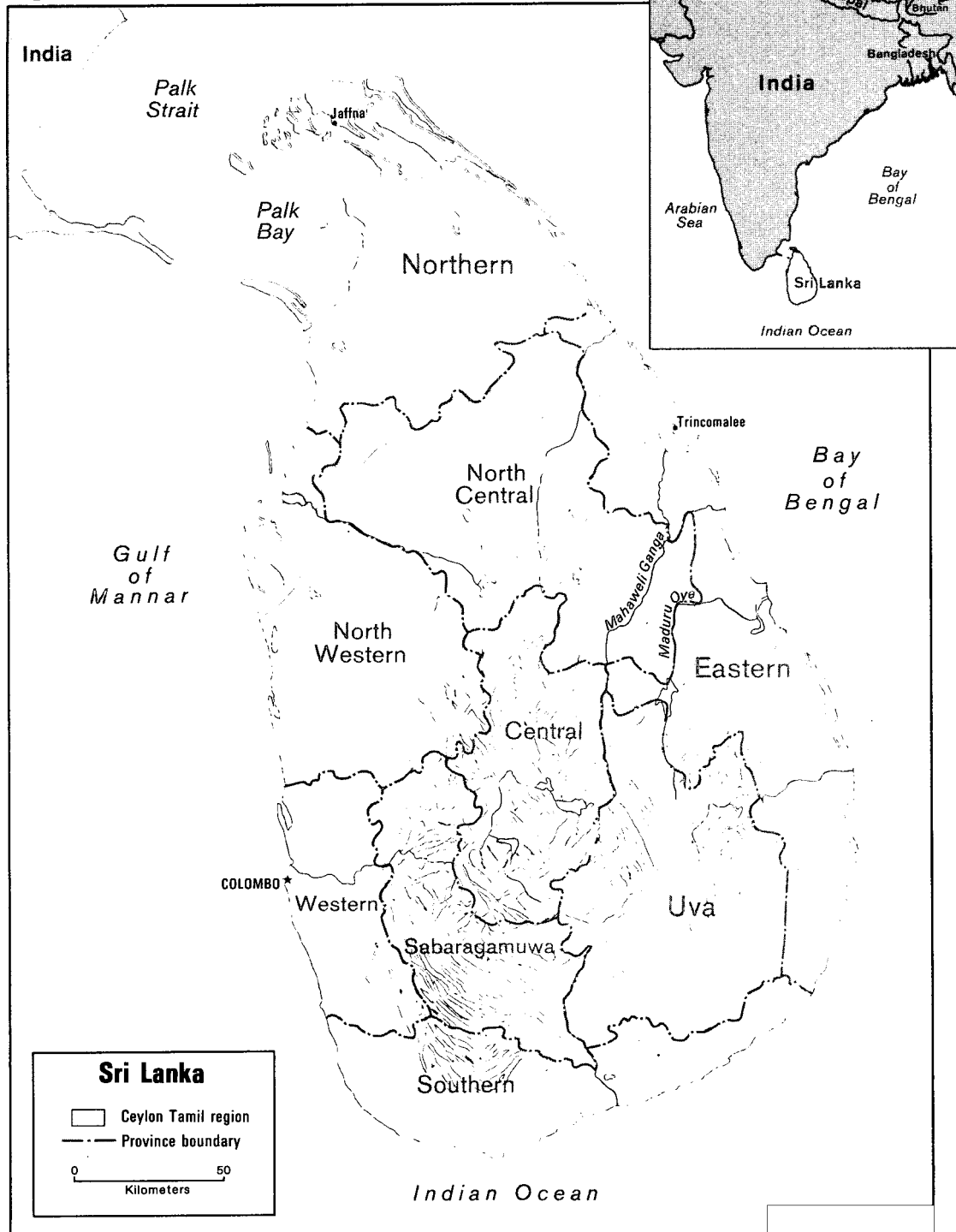
When he came to power, Jayewardene inherited a stagnant economy. Years of ambitious social welfare policies had diverted government resources to sustain costly consumer subsidy programs and massive social services. The debilitating effects of these income redistribution policies became most evident during 1970-77, when Prime Minister Sirimavo Bandaranaike's United Front government held power. During those years, average growth languished at about 3 percent, unemployment peaked around 24 percent, and shortages of food and consumer goods were commonplace. [Redacted]

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Figure 1



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### *The "Executive Presidency"—An Assessment of Jayewardene's Leadership*

*President Jayewardene is Sri Lanka's central political figure and the undisputed leader of both the government and the UNP. As the island's first President with more than nominal powers, he is the only leader since independence to have personally won a national mandate—an achievement that we believe strengthens his position.* [redacted]

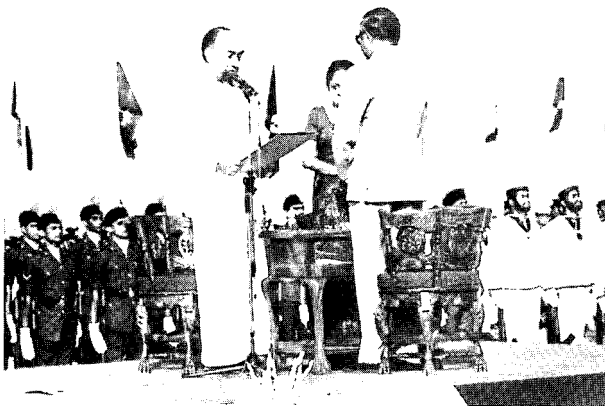
*Sri Lanka's "executive presidency"—generally based on the Gaullist model—was tailor made for Jayewardene. We believe the office's authority, prestige, and relative detachment suit his somewhat aloof personality and preferred leadership style. His broad power coupled with his removal from the thrust and parry of parliamentary politics enables Jayewardene to play the role of distant and austere—yet benevolent and revered—father figure. As President, Jayewardene is chief of state, head of government, and commander in chief of the armed forces; he also heads the Cabinet, approves all government appointments, and makes all major policy decisions. He is neither responsible to Parliament nor dependent upon his party's fortunes there, which enables him to make unpopular decisions in the national interest without fear of parliamentary censure.* [redacted]

*A political pragmatist with shrewdness and organizational skill, Jayewardene played a major role in rebuilding the UNP after he became party leader in 1973, reorganizing it and reshaping its image in order*

*to give it greater popular appeal without alienating its traditional supporters. The President has a reputation for outmaneuvering his adversaries and exploiting their weaknesses. He also possesses a well-developed sense of political timing, moving cautiously when pieces are missing from the political puzzle but striking swiftly when all are in place. In our judgment, Jayewardene has demonstrated that he has the courage to take political risks and the skill to make them pay off.* [redacted]

*Although some have accused him of ruthlessness, others have faulted Jayewardene for being too tolerant of mediocrity and corruption in his party. He has recently begun to remove some party deadwood, but we believe that he is reluctant to discipline old and loyal political cronies who do not share his ideals.* [redacted]

*The President's strengths increase the risk that he could become isolated and out of touch with emerging trends. According to Embassy reporting, some younger members of Parliament say that he is extremely difficult to approach, and the unusual sensitivity to criticism that he displayed during last year's campaigns may discourage colleagues from seeking his counsel on matters where there is disagreement. Age differences increase this distance; Jayewardene is one of the few remaining politicians of the generation that brought independence, and most of his colleagues are considerably younger.* [redacted]



*Jayewardene being sworn in for his second term, February 1983* [redacted]

Camera Press ©

*Armed with a strong popular mandate to turn the economy around, the UNP set about stimulating growth and employment by loosening government controls, allowing freer play to market forces, and encouraging export growth. In line with International Monetary Fund prescriptions, the UNP eliminated excessive trade controls, devalued the currency, liberalized imports, and took the politically risky step of reducing consumer subsidies on basic commodities.*



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To boost investment, Jayewardene welcomed private foreign investors and initiated an unprecedented drive for concessional foreign aid to fund large-scale projects for irrigation and electricity. [redacted]

The combined effect of economic liberalization and heavy capital investment quickly earned handsome dividends for the UNP as the economy became buoyant. During 1978-81 economic growth jumped to an annual average rate of 6.5 percent—in favorable contrast to the 3 percent recorded during 1971-77. New construction boomed as investment rose to nearly 30 percent of GDP in contrast to only 16 percent during the previous administration. Exports of manufactured goods expanded 550 percent from a very low base between 1977 and 1981, in part due to success in attracting foreign investment to a free trade zone set up near Colombo in 1978. Unemployment rates dropped to about 15 percent, with some 800,000 jobs being created by new industries and more vigorous growth. [redacted]

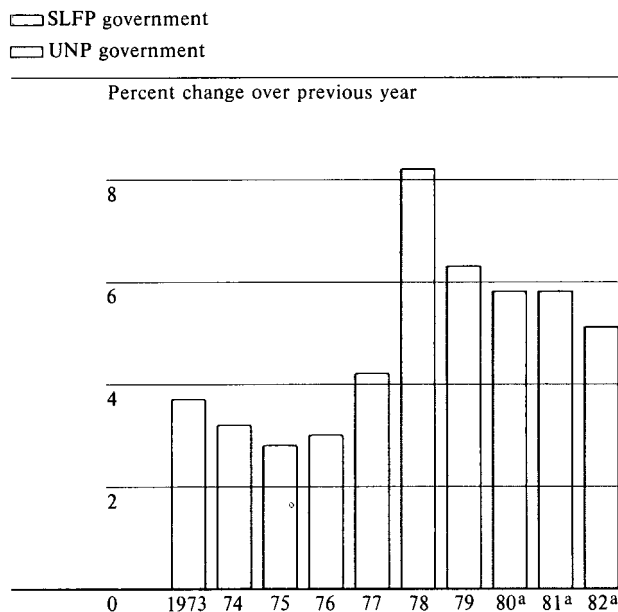
The glitter of Jayewardene's economic program started to fade in 1980. Massive budget deficits, higher prices for imported goods, particularly oil, and the lifting of price controls resulted in high inflation. Government expenditures rose to an unprecedented 43 percent of GDP, and the overall deficit reached 23 percent of GDP. The IMF suspended its balance-of-payments support and warned Colombo to take remedial action, after which the overall deficit was reduced to a more manageable 15.6 percent of GDP. [redacted]

### Six More Years: Jayewardene's Campaign Strategy

Faced with the looming necessity of imposing additional politically unpopular austerity measures to comply with the IMF, Jayewardene decided last year to seek early reelection both for himself and his party. In addition to the economic imperative, Jayewardene wanted to exploit the serious disarray and demoralization among the various opposition parties, according to Embassy reporting. [redacted]

Jayewardene chose to hold the presidential contest first in order to capitalize on his personal popularity—widely recognized to be greater than that of his party

**Figure 2**  
**Sri Lanka: Gross Domestic Product**



<sup>a</sup> Provisional.

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and its members of Parliament—creating a bandwagon effect. A constitutional amendment permitting an early presidential election was rammed through Parliament in August 1982. Jayewardene won an absolute majority in the six-sided contest with 52.9 percent of the vote. [redacted]

Fears that the UNP might drop below the all-important two-thirds majority level in Parliament—necessary to amend the constitution and prolong states of emergency—prompted Jayewardene to propose a national referendum to extend the life of the current Parliament by six years instead of holding a

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full-blown election. Another constitutional amendment was hurriedly pushed through Parliament, and on 22 December the referendum passed with 54.7 percent of the vote. [redacted]

Jayewardene's election victories were unique in several respects. They marked the first time in almost three decades that a Sri Lankan government had managed to succeed itself in power, thus avoiding the policy dislocations that have usually accompanied changes of administration. The presidential election was the first opportunity for Sri Lankans to vote specifically for a national leader under the new presidential system of government and the referendum was the first use of that device for extending the life of a sitting Parliament. [redacted]

### Economic Benefits and Costs

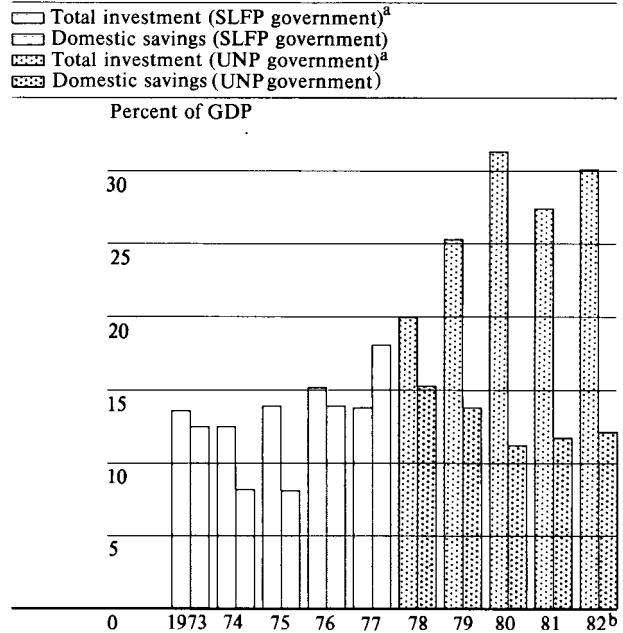
The government's new mandate—and the prospect of stability and government continuity—provides unparalleled opportunities to complete the transition to a high-growth, development-oriented, free market economy—a process that lost considerable momentum during the election period. According to Embassy reporting, the government believes that the election results have removed an element of uncertainty among potential investors and will inspire increased confidence among aid donors. [redacted]

UNP policies have brought a measure of progress but have also generated a new set of economic problems. The government has had to borrow heavily from the future to pay for its ambitious development programs, which Jayewardene hopes will eventually generate self-sustained growth but will not pay dividends for several years. As a result, Sri Lanka suffers from:

- An overheated economy due to massive budget deficits.
- Serious trade imbalances.
- A growing debt service burden.
- A disturbing balance-of-payments problem. [redacted]

In our view the government's most pressing short-term priority is to control the budget in order to accommodate peak development expenditures without reigniting domestic inflation, triggering additional demand for imported consumer goods, or diverting

**Figure 3**  
**Sri Lanka: Overheating the Economy—the Savings-Investment Gap**



<sup>a</sup> Gross fixed capital formation.  
<sup>b</sup> Provisional.

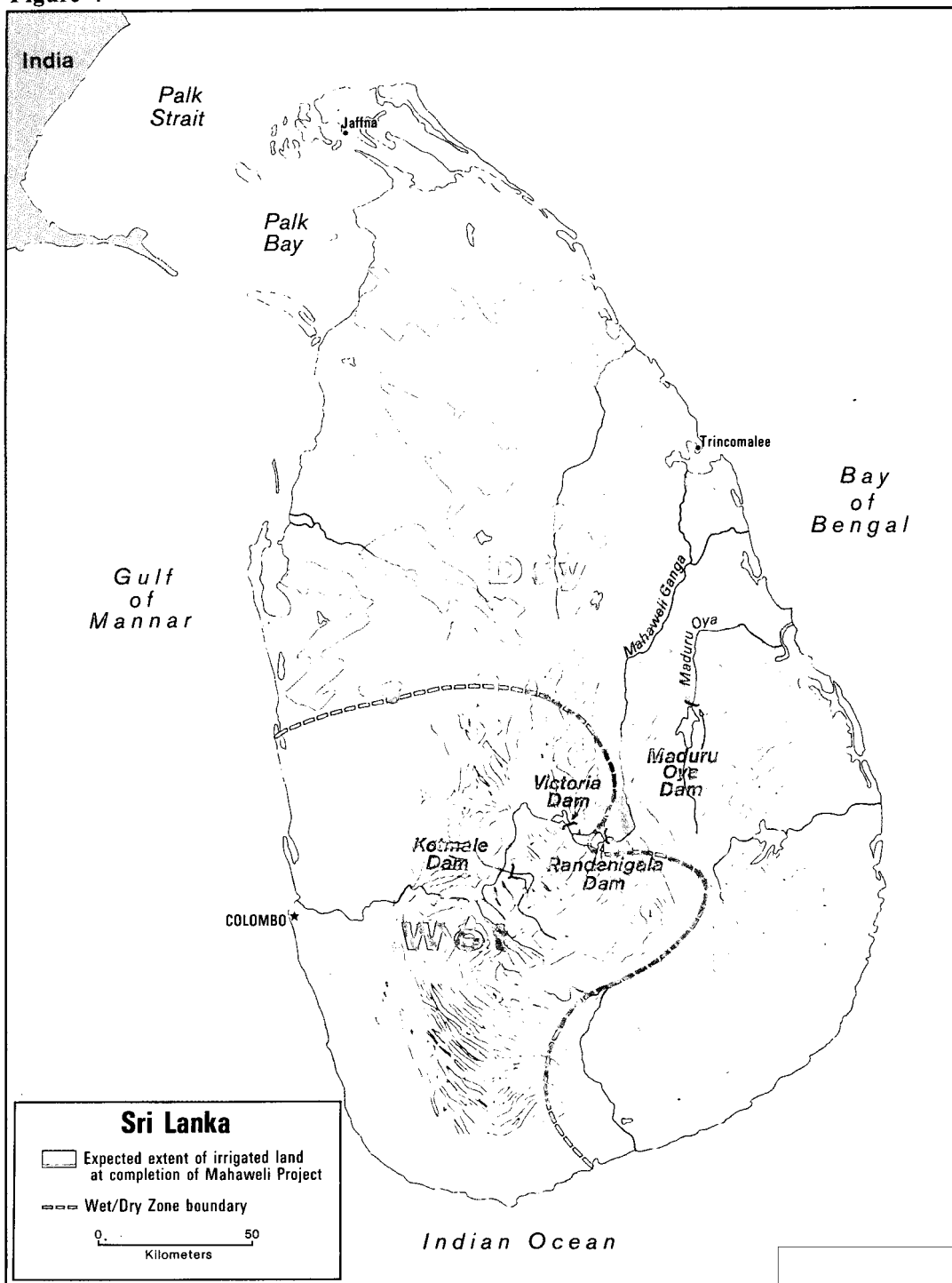
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limited domestic savings away from private investment. Armed with its fresh mandate, the Jayewardene government has put together a new budget that will probably meet at least in part the IMF's demands for austerity measures. The government also has:

- Enacted increases in import duties and taxes to help bring external payments and budget deficits under control.
- Allowed the rupee/dollar exchange rate to float, resulting in some depreciation.
- Eased administrative price controls over certain daily essentials such as kerosene and other fuels, making them more expensive in rupee terms. [redacted]

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Figure 4



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### The Mahaweli Project

By far the most ambitious of Sri Lanka's major investment projects is the Accelerated Mahaweli River hydroelectric/irrigation/resettlement scheme. Originally conceived as a 30-year undertaking by the previous government, the project was accelerated when Jayewardene came to power, and we expect that the bulk of construction will be completed by the mid-to-late 1980s at a cost of well over \$2 billion.

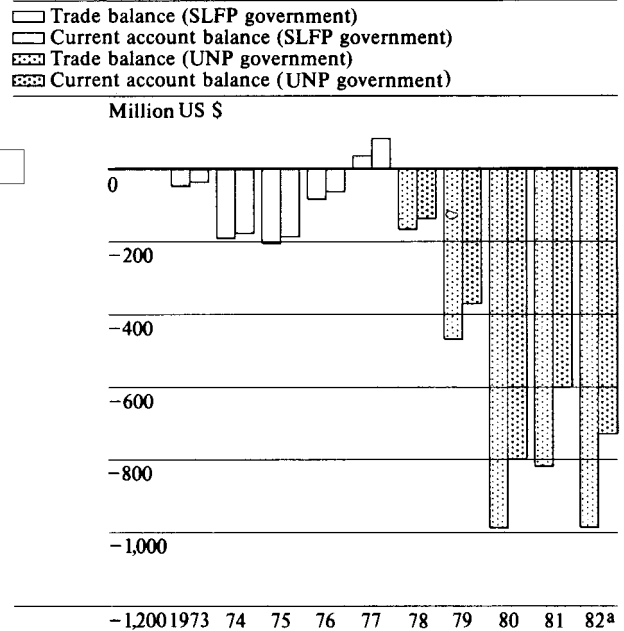
The scheme involves the construction of four major dams along the Mahaweli River and its tributaries and a network of downstream irrigation canals stretching from the mountainous center of the island in a wide diagonal swath northeast to the Trincomalee region. The dams will provide badly needed hydroelectric power, while irrigation will open up arid areas to intensive agriculture and the resettlement of landless farmers.

The Mahaweli program, which is by far the largest single item in the Sri Lankan budget, exerts a significant influence over the economy as a whole. Heavy new expenditures for Mahaweli tend to expand the budget deficit, generating inflationary pressures and placing strains on the balance of payments. These strains are particularly acute at present as Sri Lanka enters the years of peak Mahaweli expenditure.

### Economic Prospects

We believe that for the next few years Sri Lanka may have to tolerate a reduced rate of growth in order to conform to IMF guidelines. The Sri Lankan Government estimates overall growth this year at about 5 percent in spite of the austerity budget. Other IMF-recommended measures, however, such as increases in government-administered prices and depreciation of the rupee, will probably hurt consumers. Although Jayewardene has publicly stated that the IMF will not be allowed to dictate policy to Sri Lanka, there is little doubt that future IMF restrictions will have to be taken seriously as long as Colombo continues to run large foreign trade and current account deficits.

Figure 5  
Sri Lanka: External Trade and Current Account Balances



<sup>a</sup> Provisional.

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The austerity budget precludes spending on new projects that could provide additional employment to absorb the backlog of unemployed as well as new entrants to the labor force. Current projects have already hired their full complement of workers, and the labor force faces some retrenchment once they are completed. Although some workers may be absorbed in the agricultural sector, private enterprise remains the principal means of increasing employment. There are few incentives in the 1983 budget, however, for the expansion of private-sector investment and production.

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The balance-of-payments position will continue to be strained at least until the late 1980s as debt service payments mount and project aid (which finances some local costs as well as equipment imports) begins to decline. We are uncertain of Sri Lanka's ability to offset these projected deficits through import substitution and export promotion programs. Almost half of Sri Lanka's exports consist of a few agricultural products. Increasingly tight world supplies may raise multinational rubber prices during the remainder of this decade, but the more important tea exports, already constrained by inadequate investment and poor management, face stagnant world demand. The island's manufactured exports still consist primarily of textiles and garments for which foreign demand has been restricted by quotas. Plans for some additional major export-oriented investment have not yet been implemented. We believe that Jayewardene's renewed emphasis on improving operations on government-owned plantations indicates an eagerness to boost the production of tea and perhaps an implicit acknowledgment that Sri Lanka must continue to rely on its agricultural exports. [redacted]

### The Dangers of One-Party Dominance

The UNP's overwhelming dominance of the government will enhance prospects for political stability, but we believe it has some disquieting implications for Sri Lanka's strong democratic tradition. The UNP has proven that it can use its political supremacy to pass whatever legislation it wants. We believe there is a danger that, lacking a credible opposition, many in the party may become arrogant, corrupt, and indifferent to the needs of constituents. In addition, according to Embassy reporting, the government risks losing touch with political realities if the extension of its mandate leads to an unhealthy sense of invincibility. [redacted]

Press commentaries indicate that many committed democrats in Sri Lanka believe that the UNP's heavyhanded preelection behavior demonstrated a disquieting authoritarian streak in manipulating the constitution for partisan advantage. The government's resort to a referendum to extend the life of a sitting Parliament, though technically legal, was

unprecedented, and press and Embassy analyses indicate that it left a bad taste in many mouths. Although the referendum passed comfortably nationwide, the voting results and commentaries in the English-language press suggest that many of Colombo's sophisticated and Westernized voters were upset by the idea and voted against it. [redacted]

Also disturbing were the circumstances under which the vote was held. In selling the referendum to the public, the government made a major issue of alleged threats to national security from subversive and anti-democratic elements. Charges against the opposition Sri Lanka Freedom Party (SLFP) provided a pretext for emergency measures against that party in order to further disrupt it and ensure a referendum victory. Whether he believed the charges or not, Jayewardene appears to have been genuinely worried that the leftist-dominated SLFP would have picked up dozens of seats in a full-scale parliamentary election, according to Embassy sources. A state of emergency put into effect immediately after the close of the presidential polling to prevent possible violence was extended twice in the absence of any clear security threat, finally expiring in mid-January. According to Embassy reporting, UNP leaders prolonged it in order to arrest and hold without charge a number of SLFP leaders and organizers through the end of the referendum campaign. [redacted]

Jayewardene has already taken measures to counteract criticism that the referendum was undemocratic, broadening the UNP's popular appeal and reestablishing his own democratic credentials. He recently began a campaign to cull party deadwood by removing a number of corrupt and inefficient members of Parliament who had performed poorly and tarnished the UNP's image. [redacted]

Instead of filling these seats through direct nomination, as provided in the 1978 constitution, Jayewardene sponsored an amendment that allows for byelections if the nominating party takes no action within 30 days. The byelections, which were held in mid-May, offered a safe and painless way to clean house, create

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headroom in the party, and permit the opposition to increase its parliamentary representation. The UNP stood in no danger of losing its all-important two-thirds majority and in fact won 14 of the 18 seats contested.<sup>1</sup> [redacted]

[redacted] Marxist ideology no longer has the wide appeal it once enjoyed in Sri Lanka. The economic mess left by the SLFP-led United Front government in 1977 produced general disenchantment with the socialist-collectivist approach to economic policy, which has severely narrowed the bases of the SLFP's former coalition partners. [redacted]

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The government has hinted it might hold future elections to increase the size of Parliament from its present 168 seats to 196, as mandated by the 1978 constitution. We believe that the UNP may eventually hold these elections, but only if opposition party impotence assures it of maintaining the majority it believes is necessary to ensure political stability [redacted]

Attempts at forging common fronts to contest elections have been dilatory, half-hearted, and largely ineffective. A sort of common effort was hammered out in the closing days of the recent byelections, but it did not extend to races for local council seats, where various and often contradictory anti-UNP coalitions were arranged. As a result, independent candidates—some of whom may have been covertly backed by the UNP—were more successful at the local level than most of the recognized opposition parties. [redacted]

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**Opposition Disarray**

Sri Lanka's opposition parties were largely caught off guard by Jayewardene's accelerated election schedule, are riven by disorganization and factional rivalries, and, in our view, will pose virtually no threat to the government for the foreseeable future.<sup>2</sup> The SLFP, which held power three times (1956-60, 1960-65, and 1970-77), is the only political force capable of challenging the UNP at the polls, but it has not recovered from its humiliating defeat in 1977 when it won only seven seats and could not even qualify as the official opposition. Since losing power, the party leadership has been unable to develop a workable program, and Embassy reporting indicates that the party has been plagued by organizational neglect, indecision at the top, debilitating factional disputes, and a wave of prominent defections to the UNP. The Tamil United Liberation Front (TULF), the major political spokesman for Tamil interests, is the third-largest party in terms of voter support and is the official opposition in Parliament, but it is concerned exclusively with promoting autonomy for Tamil majority areas and has no aspirations for national leadership. [redacted]

Several opposition groups—possibly including the rudderless SLFP—are likely to undergo breakups and realignments within the next few years in order to improve chances for gaining parliamentary representation. The smaller leftist parties in particular face a bleak future after the next general election—now scheduled for 1989—when proportional representation goes into effect. In order to qualify for any seat, a party will have to amass at least 12.5 percent of the total vote in any district. Because most of the votes traditionally go to the two major parties, the lesser groups could be shut out completely. [redacted]

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Jayewardene has hinted that the UNP may form a government of national unity that would include representatives of other moderate political elements. Making opposition figures partners in government could promote national reconciliation and ease some discomfort with the UNP's overwhelming control. It is also likely to exacerbate tensions within the SLFP. Press commentary on the concept has been generally favorable, but opposition reaction has been mixed. The TULF leadership has been cautiously positive, but SLFP president Sirimavo Bandaranaike has ruled out any plans for participation. Some UNP members, such as Sinhalese chauvinist Cyril Mathew, oppose it because of the additional weight a national unity government would have to give to the Tamil voice. [redacted]

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The remaining opposition parties, all well to the left of the SLFP, lack that party's electoral base in the countryside as well as suffering many of the SLFP's internal problems. [redacted]

<sup>1</sup> The other seats were won by the SLFP (3) and the minuscule leftist Peoples United Front. [redacted]

<sup>2</sup> Further detail on Sri Lanka's opposition parties is provided in the appendix. [redacted]

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SLFP President Sirimavo Bandaranaike [redacted]

### Communal Tensions—A Long-Term Threat to Stability

The threat of serious communal violence poses a major challenge to the UNP government. Traditional animosities between the Sinhalese Buddhist majority (about 74 percent of the population) and the Tamil Hindu minority (about 13 percent)<sup>3</sup>—which are based on religion, language, cultural identity, and numerous specific grievances—have often flared into wide-spread, bloody confrontations. Since the mid-1970s the Tamils have pressed demands for a separate and independent Tamil state (Eelam) in the Northern and Eastern provinces where they predominate. [redacted]

Jayewardene recognizes the threat of communal differences and [redacted] is deeply committed to fostering better Tamil-Sinhalese relations. Although he is opposed to the concept of a separate Tamil state, [redacted] he has nevertheless worked harder than his predecessors to provide the Tamils with a greater voice in their own affairs. With TULF concurrence, a District Development Council system was established by Jayewardene in 1981 to give Tamils a measure of local autonomy,

<sup>3</sup> This figure includes only those Tamils who are native to Sri Lanka. So-called Indian Tamils, who were imported by the British as plantation labor in the 19th century, comprise a much smaller group and are not engaged in separatist activity. [redacted]

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### The Succession Issue

Although we believe that Jayewardene enjoys good health, his advanced age increases the possibility that he will die during his six-year term. Under the 1978 constitution, the Prime Minister, Ranasinghe Premadasa, would become Acting President until parliament chose a successor from among its members. As the undisputed leader of the UNP's Parliamentary contingent, we believe Premadasa would be the most likely candidate to be chosen to fill out Jayewardene's term. In this event, we would expect him to continue the UNP's free market, development-oriented policies. [redacted]

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Premadasa, 58, sees himself as Jayewardene's heir apparent. Highly popular, capable, and hard working, he displays a common touch that Jayewardene lacks and has proved himself a major votegetter for the party. According to Embassy reporting, Jayewardene holds Premadasa's political skills in high regard, depends on the Prime Minister, and works closely with him. [redacted]

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Ironically, Premadasa's low-caste origins, which have undoubtedly added to his popular standing, could derail his succession to the presidency. Sri Lanka has been governed since independence predominantly by members of the goigama (cultivator) caste, the highest in status and numerically the largest. Premadasa is the only major political figure on the current scene who is of significantly lower caste, and Embassy reporting indicates that some elements in the UNP are anxious to prevent his succession. We believe recent suggestions that the constitution be amended to provide for an office of vice president reflect an attempt to thwart Premadasa's candidacy by appointing a suitably high-caste vice president who would then automatically succeed Jayewardene. [redacted]

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The UNP has thus far displayed none of the debilitating infighting that has plagued Sri Lanka's other major parties. Although presidential hopefuls are looking around for support, we see little prospect of any dramatic power plays as long as Jayewardene remains healthy. [redacted]

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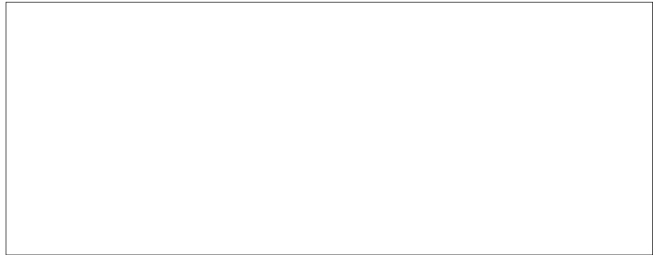
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Prime Minister Ranasinghe Premadasa [redacted]



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Jayewardene has swiftly employed the government's emergency powers to restore order following isolated communal incidents in order to keep them from spreading. Special antiterrorist legislation that is aimed at curbing Tamil violence in the north also gives security forces extraordinary powers for dealing with suspected terrorist groups. [redacted]

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We believe that an escalation in Tiger terrorism could pose a serious threat to stability but would probably not threaten the government. A Tamil-Sinhalese confrontation could spread rapidly in this communally sensitive society. Although Tiger effectiveness has been hampered in the past by internal leadership struggles and competition between rival groups, and [redacted] popular support for

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but the scheme has never been adequately implemented. Jayewardene also initiated a series of amity talks with TULF General Secretary Amirthalingam as a means of hearing Tamil grievances and reducing communal tensions. [redacted]

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[redacted] several radical Tamil terrorist groups have sprung up, all ostensibly dedicated to dramatizing the Eelam cause and provoking Sinhalese and government overreaction to their activities, thereby further alienating the Tamil community.

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the Tigers is waning, we believe that recent attacks have shown an unusually high degree of efficiency and organization. The government takes this threat seriously and has recently set up a new 500-member antiterrorist police unit to deal with the problem. [redacted]

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**Foreign Policy and Implications for the United States**

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[redacted] The most notorious of these organizations—the Tamil Tigers—has mounted a number of bloody bank robberies and terrorist raids on police stations in search of cash and arms and has been responsible for numerous bombings and assassinations designed to intimidate more moderate Tamils. Many Tamils nevertheless view the Tigers as folk heroes. [redacted]

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Jayewardene's electoral victories, in our view, will have little impact on the style and substance of Sri Lanka's moderate and nonaligned foreign policy, which did not even become an issue in the recent campaigns. Unlike his predecessor Sirimavo Bandaranaike, who reveled in her leadership of the Non-aligned Movement, Jayewardene has shown little personal interest in foreign affairs or in projecting a

The TULF has consistently condemned Tiger violence, some of which has been directed against moderate TULF politicians as a warning against dealing with the Colombo government. [redacted]

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role for Sri Lanka on the world stage. We believe that with his economic transformation of the country incomplete, foreign policy will continue to take a backseat to domestic affairs. [redacted]

Still, Jayewardene may take advantage of his secure domestic position to carve out a role as an elder statesman focusing on global economic problems. According to Embassy assessments, Jayewardene has long been impatient with the contentious political issues that have often bogged down nonaligned proceedings, and in his recent speech to the Nonaligned Conference in New Delhi, he argued forcefully that the movement does not pay enough attention to more critical worldwide economic problems that hurt developing countries like Sri Lanka. [redacted]

We expect that the UNP government will retain its broadly pro-Western orientation, but not at the expense of its nonaligned credibility. [redacted]

[redacted] Jayewardene feels a strong personal friendship toward the United States and is generally sympathetic to the values and economic policies of the current US administration. Although his renewed mandate should make him less vulnerable to opposition needling, he is acutely sensitive to longstanding charges by his domestic critics that he is a US stooge. We believe that he is unlikely to adopt policies or positions that would compromise Sri Lanka's valued nonaligned status. [redacted]

We believe that Sri Lanka's relations with the West in general and the United States in particular will continue to be more heavily economic than political. Jayewardene is eager to advertise Sri Lanka's projected political stability as a means of attracting increased foreign investment and fueling the island's economic growth. His virtually unassailable political position reduces his vulnerability to opposition pressures against opening too wide a door to Western investors and should enable him to offer appealing opportunities to US and other foreign companies. We expect that Sri Lanka will continue to welcome visits by US naval vessels. [redacted]

[redacted]

**Outlook**

Sri Lanka's democratic structure has probably not suffered immediate damage from Jayewardene's somewhat unorthodox maneuvering to ensure his own succession. We believe that his instincts remain solidly democratic and that he is contemptuous of suspicions that the UNP is trying to build a one-party state. Thus, he is unlikely to adopt tactics that would weaken the SLFP beyond repair. In our view, Jayewardene recognizes that the country needs a credible democratic alternative and that the SLFP—a known and relatively moderate quantity—would be preferable to any of the other parties. [redacted]

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Prospects for communal harmony are reasonably good as long as Jayewardene remains in control, but the situation remains potentially dangerous. The President's election victories should strengthen his hand in bringing Sinhalese chauvinists in the UNP into line. Accommodation talks with the TULF, however, which were interrupted by the recent elections, have not been reopened. This unexplained hiatus has resulted in an erosion of confidence in the government among moderate Tamil leaders and was an important factor in the rise in violence during the most recent elections. We believe that without a good faith attempt by Jayewardene to resolve outstanding Tamil grievances, Sri Lanka can look forward to increased Tamil unrest in the months ahead. [redacted]

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Democratic practice and communal relations could undergo significant changes once Jayewardene leaves power, particularly if a less committed democrat were to inherit the powers of the presidency. The President's political generation, which was well grounded in Western philosophies of government and which came from the Westernized, upper class, English-speaking elite, is beginning to pass from the scene. The generation of leaders that will succeed Jayewardene is less homogeneous in educational, social, and economic terms and may have less of an ideological commitment to the established norms of democratic government. [redacted]

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We believe that prospects for Tamil-Sinhalese harmony in the post-Jayewardene era are not promising. Since 1948 political parties have developed along linguistic and ethnic lines, which have intensified communal differences, and the new generation of leaders now reaching maturity has been immersed in communal politics. Jayewardene grew up in a more tolerant era, and his goal of accommodation is not shared by many powerful members of his own party, nor by an increasing number of dissident Tamils whose support for the TULF's moderate policies will be critical.

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## Appendix

### Opposition Dynamics

In our judgment, the government's electoral successes were greatly facilitated by the weakness and uninspiring performances of Sri Lanka's opposition parties, which were largely caught off guard by Jayewardene's accelerated election schedule. Disorganization and factional rivalries prevented them from backing a single opponent to Jayewardene in the presidential election and from mounting a significant common effort to defeat the referendum. [redacted]

Nonetheless, the opposition is not a spent force. Sri Lanka has a long history of protest voting against the government at general elections, and the failure of the UNP to fulfill its economic promises would undoubtedly play into opposition hands in future elections. The SLFP, which held power three times (1956-60, 1960-65, and 1970-77), still has a solid base among Sinhalese Buddhists, and we believe that its potential national electoral support remains substantial. [redacted]

#### The SLFP—A House Divided

The once proud SLFP is still the only political force with any hope of effectively challenging the UNP at the polls, but it has not recovered from its humiliating defeat in 1977 when the party won only seven seats and could not even qualify as the official opposition. Traditionally left of center, the SLFP has come under the control of more radical leftist elements in recent months to the detriment of the party's predominant moderate faction. [redacted] Since losing power, the party has also suffered from organizational neglect, a shortage of dynamic and decisive leadership, debilitating factionalism, and a wave of prominent defections. [redacted]

The SLFP is plagued by many internal weaknesses, which we believe have been exacerbated and exploited by the UNP. Former Prime Minister Sirimavo Bandaranaike, who led the last two SLFP governments, has run the party like a family fiefdom for over two decades. Her autocratic style and firm grip on power



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have stifled the emergence of a solid organization and a cadre of younger leaders who could eventually challenge her. [redacted]

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Although an accomplished politician, Bandaranaike is neither brilliant nor imaginative, and we believe she lacks a selfless interest in her party's future. She has concentrated her efforts on protecting her own position within the party hierarchy instead of examining and trying to rectify the serious policy shortcomings that brought about the election debacle in 1977. Embassy and press sources report the party still has no coherent program for challenging the UNP. [redacted]

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The SLFP was plunged into a bitter succession battle in late 1980 when Bandaranaike—its chief votegetter and only national figure—was stripped of her civic rights. A Special Presidential Commission of Inquiry found her guilty of corruption and misuse of power while in office. She subsequently was expelled from Parliament and prohibited from engaging in political activity (including holding public office) for seven years. Despite this grave handicap, she has refused to step aside. [redacted]

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The ensuing struggle to replace her has brought about one major split, polarized the remainder of the party into leftist and moderate factions, divided the Bandaranaike family itself, and made the party an object of public ridicule, according to Embassy sources. Leftist ascendancy in the party, in our view, may have peaked with the nomination last July of former Agriculture Minister Hector Kobbekaduwa as the SLFP's presidential candidate. We believe that Hector's loss to Jayewardene, albeit with a respectable 39 percent of the vote, may have discredited the leftists enough to enable the moderates to regain control of the party. [redacted]

Still, the internal power struggle seems far from over. Without a restoration of her rights, which we judge unlikely before 1981, we believe that Bandaranaike would like to see her moderate son, Anura, emerge as party leader. This would involve isolating the leftists, however, including her radical daughter, Chandrika Kumaratunga, whom she believes is astrologically favored for political advancement. Although Anura has resolved his quarrel with his mother, he is unlikely to do so with Chandrika, a standoff that may eventually force Bandaranaike to choose between them if she wishes to rebuild the party and give it a solid direction. [redacted]

Ironically, Jayewardene regards Anura as a promising future leader of Sri Lanka. Embassy sources report that, despite their party rivalry, the two have a reasonably close relationship. Anura has the nationally recognized Bandaranaike name and high-caste background, and his moderate economic views are similar to Jayewardene's. On the other hand, Anura appears to lack the ambition necessary for national leadership and must also overcome his reputation as a playboy who lacks political experience. [redacted]

#### TULF—Caught in a Dilemma

TULF, the major political spokesman for native Tamil interests, is the third-largest party in terms of voter support, but we believe it is too narrowly based to become an alternative to the UNP or the SLFP and in fact has no aspirations for national leadership. Although the TULF commands 18 seats in Parliament, where it serves as the official opposition, we

believe party leaders view themselves as outsiders in the generally Sinhalese political life of the country and prefer to remain aloof from political activity. [redacted]

In our view, the TULF is hamstrung by its commitment to work for a separate Tamil state and its recognition that no useful purpose would be served by launching a confrontation with the predominantly Sinhalese government on this issue. The need to preserve political credibility with both the UNP and with its increasingly dissident, proseparatist constituents has severely reduced the Front's ability to serve as a moderating force in communal relations. [redacted]

TULF General Secretary Amirthalingam has followed a tenuous middle course designed to ensure a measure of political autonomy through constitutional means and to ease Tamil grievances through direct negotiations with Jayewardene. Voter support for the TULF, however, appears to have eroded during the past several years as the separatist goal has proved increasingly elusive. According to press reports, the larger-than-expected voter turnout in Jaffna—the major Tamil stronghold in the north—for the presidential election was a blow to the prestige of the TULF, which had advocated nonparticipation. Die-hard separatists regard the amity talks as one more sign that the TULF leadership has been co-opted by the UNP and sold them out. [redacted]

#### The Traditional Left— Fading Out of Favor

Sri Lanka's traditional leftist parties—the Trotskyite Lanka Sama Samaja Party (LSSP) and its offshoots and the Sri Lanka Communist Party/pro-Moscow (CCP/M)—remain visible but politically irrelevant. Both were coalition partners of the SLFP for the first five years of Bandaranaike's United Front government (1970-77) and shared that party's rejection in 1977 when neither won a parliamentary seat. [redacted]

\* The CCP/M currently holds one seat that it gained in a 1981 byelection. [redacted]

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Marxist ideology no longer has the wide appeal it once enjoyed in Sri Lanka, [redacted]

The economic mess left by the United Front government brought about a general disenchantment with the socialist-collectivist approach to economic policy, drastically narrowing the electoral base of both parties. In addition, they suffer from aging, factionalized leadership and an inability to appeal to youth. Despite its limited support, the LSSP persisted in a quixotic bid for the presidency and, to the SLFP's disappointment, succeeded only in splitting the leftist vote. The LSSP candidate, the venerable and respected Colvin R. de Silva, garnered less than 1 percent of the vote.

#### The JVP—Future Troublemakers?

The traditional leftist parties have been largely displaced as a magnet for dissident youth by the more dynamic, radical Marxist Janatha Vimukthi Peramuna (People's Liberation Front—JVP), whose presidential candidate ran a distant third in the October election. Although the results were disappointing to the party leadership, according to press reports, the JVP's electoral performance was respectable for an organization that has only recently entered legitimate politics. JVP leaders argue that the traditional left is no longer capable of serving the masses and are attempting to establish the JVP as the country's leading leftist party. According to Embassy reporting, JVP leaders acknowledge this will be a long process and are looking toward the next decade when the youth they are training now will have reached maturity and positions of responsibility. [redacted]

A onetime insurgent movement that paralyzed the island in 1971 when it attempted to topple Bandaranaike's United Front government, the JVP attained political legitimacy last summer when the Elections Commissioner—presumably at Jayewardene's behest—recognized it as a legal political party able to contest elections. Since he came to power, Jayewardene has adopted a policy of encouraging the JVP to pursue its revolutionary goals through peaceful and

constructive political activity. In order to head off a JVP threat to his own government, Jayewardene has tried to bring the JVP off the streets and into the political system. Shortly after assuming office, he released party president Rohana Wijeweera and other JVP leaders from prison as a gesture of national unity—and to further divide his leftist opposition. [redacted]

The UNP has taken considerable risk in legitimizing the JVP. We believe that the party remains distant, enigmatic, unpredictable, [redacted]

[redacted] There is a danger that many within it have not forsaken the violent path to revolution, and the disappointing presidential election results may have persuaded others that the JVP stands little chance of attaining power through constitutional means. In addition, given the movement's grass-roots origins, JVP leaders do not come from the Westernized, high-caste, English-speaking elite from which Sri Lankan parties across the political spectrum—including the Communists—have traditionally drawn their leadership. [redacted]

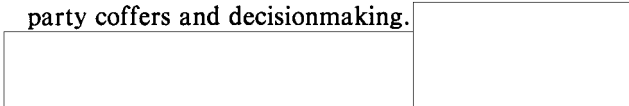
The JVP receives much public attention by staging visually impressive, well-organized rallies. Traditionally, it has aimed its revolutionary message at educated, unemployed youth, especially to those with low-caste backgrounds seeking upward mobility. The JVP is an active recruiter on campuses, and it controls most student governments. According to Embassy reporting, the recent spate of student unrest at Sri Lankan universities is being led and exploited by the JVP, but we do not believe these student radicals pose any imminent threat to stability. [redacted]

The party's national appeal is sharply limited, however, and we do not believe it shows much promise of becoming a viable alternative to the SLFP or the traditional left for the remainder of this decade. The party's antireligious philosophy will prevent it from gaining much popularity in a country where Buddhism is so deeply ingrained. Although rigidly doctrinaire in its own peculiar brand of Marxism, the JVP lacks a cohesive, credible program and has no leaders of national stature. JVP presidential candidate

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Wijeweera received 273,000 votes, amounting to only about one-third of the party's total claimed membership. In addition, rivals for leadership may be emerging to challenge Wijeweera's near-total control of party coffers and decisionmaking.



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A return to the economic problems of the Bandaranaike years, however, could give the JVP a new lease on life, especially if the SLFP remains divided and disabled. The party is well funded, and, according to Embassy reporting, some observers believe that the JVP could become the Soviet Union's preferred agent-in-place should the CCP/M wither away.



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