

# Defining a Different War Economy: the Case of Sri Lanka

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1. Introduction	2
2. A Non-Resource Based War Economy	3
3. Enhancing Stakeholder Mapping	5
4. Sequencing a Way towards a Peace Economy	7
5. Conclusions	8
6. References	8

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## 1. Introduction

Karen Ballentine's and Heiko Nitzschke's article *Political Economy of Civil War and Conflict Transformation* rightly recognises the limitations and contributions of the greed and grievance conceptualisation of conflict. In discussing this highly influential debate's merits and shortcomings, they move away from the 'resource reductionist' focus it offered in order to review other approaches that incorporate the economic dimensions of armed conflict into a larger constellation of motivations for war. Overall, their assessment of the key thinking in this sub-field of conflict analysis appears to favour a functionalist understanding of conflict, whilst also recognising that the economic functions of conflicts for individuals and communities remain inadequately examined by both policy makers and practitioners. Karen Ballentine and Heiko Nitzschke create a coherent synopsis demonstrating how the original debate has grown, yet their article falls short of addressing what this still new emphasis on political economy means for both the practice and theoretical backbone of conflict transformation. Doubtless, new understanding of the economic functions of armed conflict should become "an important addition to contemporary conflict analysis". But for these additions to make sense in implementation, more needs to be done to improve coherence between the variety of methodologies employed in conflict analysis, the mechanisms of intervention favoured by the international community, and the capacities and knowledge of civil society actors working towards conflict transformation on the ground.

Conflict transformation, different from conflict resolution, tries to concentrate not on short-term measures to reach agreements between warring parties but on long-term structural change. For this kind of change to stand a chance, a deep appreciation of the socio-political, cultural and economic history of the conflict context and of transnational influences is required. Until recently, the practice of conflict transformation has concentrated on both the socio-political and the cultural dimensions of conflict but neglected the development of the political-economic dimensions. Recent concentration on self-financing civil wars, resource flows and illicit cross-border networks have influenced the way in which policy makers envision resolving 'resource wars', yet long-term consideration of the structural relationship between economic factors and other socio-political or cultural factors appears to be lacking. When we move away from conflicts defined by an abundance of resources, policy makers hoping to support processes of conflict transformation pay even less attention to the interrelatedness of development processes, economic ideologies, international donor intervention, and violent conflict.

Karen Ballentine and Heiko Nitzschke emphasise that beyond theoreticians' concentration on wars driven by natural resources there are other economic aspects to conflicts that remain ill considered. This is easy to agree with, however, it is unfortunate that even in this re-focusing their conclusions often remain tied to an understanding of the economic dimensions of conflict as being primarily based on the exploitation of lootable or unlootable resources by armed groups. This may be due to the dearth in research on the contribution of economic factors to conflicts in countries that show little or no exploitation of natural resources, yet still manage to display protracted and

sometimes self-financed armed struggles. In other words, it leaves little space for those working towards conflict transformation in 'grievance' dominated conflict systems to draw inspiration from the majority of approaches catalogued here. Similarly, the emphasis in the article on stakeholder analysis, and the subsequent examination of war economies through a model that layers wartime economic activity according to stakeholders' motivations, seems hard to dispute. Yet not enough attention is paid to the state, the donor community, the formal economy, and the interface between the manifold layers composing war economies.

Sri Lanka is a case in point. The economic dimensions of Sri Lanka's civil war are features that continue to be neglected. Perhaps the primary reason for this is that it appears to bear little resemblance to the warring environments analysed as part of the greed and grievance debate. A cursory glance at Sri Lanka through the framework of this dichotomy seems to indicate that it is a classical example of a grievance driven ethno-political conflict. The primary motivations for its protracted character seem evident in the minority - majority struggle over the political capital embedded in the country's North-East. Unlike those countries whose conflict dynamics are fuelled by lucrative natural resources, Sri Lanka cannot be labelled a 'resource war'. There are no obvious lootable or unlootable resources to serve as primary motivating factors driving militant violence or state kleptomania. Compared to the Democratic Republic of Congo, Afghanistan or Sierra Leone, Sri Lanka's struggle seems cast in an entirely different mould, economic factors neither providing a rationale for the separatist violence nor encouraging overt transnational involvement in its war economy.

Consequently, the resource specific lens separates the Sri Lankan conflict from those wars driven by local, national and international interests in lucrative natural assets. This separation means that the complex set of economic motivations that constitutes part of the reason why conflicts like Sri Lanka's remain intractable continue to be insufficiently analysed both by scholars and by practitioners of conflict transformation. Ongoing concentration on the political but not the economic dimensions of this war risks that donor programmes and externally funded civil society groups are not innovative in searching for potential win-win solutions in the area of fiscal power-sharing, distributive justice, development and humanitarian work.

Whether Karen Ballentine's and Heiko Nitzschke's article offers insights for the political economy of conflict transformation in Sri Lanka is the subject of this article. Beginning with a brief illustration of the economic factors evident in Sri Lanka's conflict system, it goes on to suggest that lack of attention by the donor community to the historical relationship between economic factors and conflict has hindered progress on donor funded conflict transformation initiatives. Taking Karen Ballentine's and Heiko Nitzschke's assertion that stakeholders' economic involvement needs to be more carefully assessed, the article looks at whether the model they offer is adequate for this context. This inspires a look at what Sri Lanka needs in order to kick-start a sequenced recovery and a reflection on how the international community can better support transition by considering the economic dimensions of Sri Lanka's conflict. Finally, the article concludes with a summary of my perceptions of the challenges that a non-resource defined conflict system presents for the further analysis of the political economy of civil war and conflict transformation.

## 2. A Non-Resource Based War Economy

If it is not based on competition to exploit and profit from natural resource wealth, then what is the defining characteristic of Sri Lanka's war economy? On multiple levels, twenty years of

armed conflict and twenty-seven years of donor inspired liberal development strategy have shaped the country's economy (Bastian 2004). Sri Lanka is an apt demonstration that economic activities are not halted by conflict; rather, they influence conflict dynamics, they adapt to the conditions of armed violence, and they diversify. Jonathan Goodhand's model of the combat, shadow and coping economy is utilised to illustrate how moving away from a definition of war that is based on the use/abuse of resources to a more stakeholder-based analysis at once allows for a deeper understanding of the variety of economic diversification and the potential of different economic actors to become forces for positive social change. Goodhand, to this end, envisages how different actors, involved in different layers of a war economy, may have the potential to become part of conflict transformation rather than continuation.

In applying this model to the Sri Lankan case, a couple of factors become evident as potential limitations. The first is an appreciation of how donor policy has contributed to the conflict dynamic, the second an appreciation of how the state and donor sanctioned formal economy exists as part of the war economy. The term 'war economy' is used to denote the economic activities that occur in wartime. Goodhand boils this definition down to identify three types of economies – the combat, shadow and coping economy – that enable groups to “wage war, profit, cope or survive” (Goodhand forthcoming). Whilst this approach clearly enables the identification of stakeholder motivations to contribute to, or spoil, conflict transformation, its inspiration is Afghanistan. Unlike Sri Lanka, this conflict system is seriously influenced by its resources. It is a failed state and has a specific history of exploitation and invasion. The limitations in grafting this kind of framework on to the Sri Lankan case lie in the ways in which its political class has managed the formal economy and in the donors' part in backing and supporting state economic policies. Both factors constitute a major dimension of Sri Lanka's conflict. If the aim of this framework of analysis is to better understand key stakeholders' economic motivations within conflict systems, then neglecting those who indirectly contribute to the continuation of conflict makes for incomplete analysis.

For Sri Lanka to find solutions that may transform its conflict, economic dimensions must be appreciated for their political significance, and so must the connections between economic strategies and socio-political histories be factored into conflict analysis. The relationships between the post-colonial political class, donor supported economic liberalisation, and the Government of Sri Lanka (GOSL)'s refusal to consider anything other than fiscal centralisation all have a major influence on the likelihood of conflict transformation. Similarly there are connections between the history of injustice toward minorities, the link of the Sinhala peasantry to the state (Bastian 2004), and the recent failure of the United National Front (UNF) government's strategy for peace. In terms of non-state economic activity, the growth and strength of diaspora-funded Tamil resistance is a primary economic reason why the Tigers have succeeded in becoming the hegemonic face of Tamil resistance. The interconnectedness of the formal economy and the politics of conflict makes easy separation of the war economy into Goodhand-inspired categories a hard task.

For instance, many Tamil families in the North-East of the country depend on remittances from the extensive and wealthy Tamil diaspora to survive. This remittance flow is largely controlled and sustained by the Liberation Tigers of Tamil Eelam (LTTE), meaning that survival for poor communities through access to remittances often depends on support for the LTTE. In Goodhand's conceptualisation, the poor communities are 'coping' and the rebels are engaged in 'combat' activities, yet, even within the Tigers parallel (shadow) territory, the activities of one part of the economy determine the formation of another. Another example that demonstrates the easy blurring of boundaries between different sectors of the war economy is found within the formal state structures. Some military personnel staffing the checkpoints dividing the North-East from the south

and west of the country have long been involved in extortion and other criminal activities in order to profit from the war-imposed restriction of the movement of goods and people across the country. The majority of the Sri Lankan armed forces hail from the poor south of the country. Though this area is not war-affected to the same extent as parts of the North-East, most villages have experienced the loss of sons to the war, as well as to brutal southern political insurrections in these areas. Extorted 'black market' money and part of the military salaries now flows home subsidising life in southern villages and makes up part of the coping economy. This flow of money is made possible by the state's investment in its armed forces, the attractive salary offered to new recruits and the targeting of poor, often illiterate southern Sinhala youth by recruitment drives. The knock-on effect of this situation is that support for the 'war for peace' in the south is driven by an economic dimension that mirrors the North-East Tamil peasantry's reliance on the parallel LTTE system for remittances.

As well as illustrating how categories are interrelated, these examples have an impact on how likely it is that such a framework can be used in determining the winners and losers in potential processes of transition to peace. Providing immediate economic solutions without exploring the complex relationships between governance, de-facto governance and individual motivations for economic activities will not provide durable solutions to violent conflict. Whereas Goodhand's framework is a big step forward in that it allows for economic motivations to be identified, it insufficiently takes into account politics that create these categories and the contribution of the formal economy in indirectly setting up and sustaining the war economy.

### 3. Enhancing Stakeholder Mapping

Whilst any mapping of stakeholders' economic rationale within Sri Lanka should include consideration of the political class and its management of the economy, it should also take care to avoid the popular assumption that this conflict is bi-polar. Although the GOSL and the LTTE are its primary protagonists, there are many other groups with invested economic interests in either the continuation of war or the transition to peace. The Muslim stakeholders, the Sinhala nationalist parties and the 'hill-country' or Indian Tamil population all have economic motivations to drive their interest in, or disruption of, any peace process.

#### 3.1 The Sinhala Rural Class

The current political situation in the country sees an uncomfortable power-sharing between the dominant and Maoist inspired Sinhala nationalist party, the Janata Vimukthi Peramuna (People's Liberation Front – JVP), and the President's party, the Sri Lanka Freedom Party (SLFP). This is a re-arrangement of southern political power since the inception of the peace process in 2002; an arrangement bringing in a government that recognises that its tenure is all too insecure without the support of the rural working class. The recognition follows the failure of the last government's economic strategies for "Regaining Sri Lanka", a policy that both disenfranchised the Sinhala working class and alienated the LTTE. Donor support for the previous government's economic policies for transition reveals their lack of understanding of the socio-political context and of the way in which economic factors have historically contributed to the conflict dynamic. A deeper appreciation of the political economy of Sri Lanka's conflict could have led to a more nuanced approach to conflict transformation activities, both in their own interventions at a macro-level and in their support for programmes on the ground. As it stands, perceptions persist among the Sinhala rural working class that the dividends of peace are only available to big business or according to

foreign agendas. Given such negative perceptions, there are few reasons why the rural classes would want to contribute to social change that is widely perceived to be derogatory to their interests. The degree to which empirical evidence bears out the perception that peace-process-inspired economic policies have been detrimental to the Deep South is questionable (Kelegama 2004, Sarvanathan 2003). What is certain is that the political propaganda made effective use of the southern sentiment that all attention was on the North-East's development.

### 3.2 Muslim East

Similarly, there is a growing number of Muslims who feel that their interests are not being served by the latest attempt to find a solution to armed conflict. A partial explanation can be found in the failure of a highly centralised state that ideologically and economically identifies with the Sinhala majority at the expense of minority rights and distributive justice. Land ownership and local resource control (predominantly of paddy cultivation, fishing rights and timber access) remain the dominant dividing issues in the heavily Muslim populated east, fuelling some of the most volatile situations in the country. Eastern Muslims are under the *de facto* governance of the LTTE, their grievances with this situation typically culminating in strained Muslim-Tamil relationships. The extent to which this conflict is actually fuelled by the nature of the war economy in the East is unexplored, yet clearly LTTE taxation in Muslim areas as well as Muslim trade links to the western province and the wider South Asia region are contributing factors to tensions there. The common assumption that identity-based conflict is the driving force for violence over land (over-emphasising supposedly age-old tensions between Eelam driven Tamils and Muslim 'settlers') is overly simplistic and negates economic solutions to the violence. The current peace process has not addressed Muslim political and economic reasons to either support or actively rail against a transition. Thus remains the conclusion, even without further analysis, that there are few economic motivations for Muslims to support a process that threatens to take away rather than increase their political and economic standing in the country. Instead, what has become an alternative is a steady increase in hard-line voices calling for Muslim political and economic self-determination within a breakaway eastern state.

### 3.3 Tea-Estate Tamils

The hill-country Tamil population remains the least analysed of the three, but constitutes the largest contributor to Sri Lanka's formal economy. Even though these workers have historically maintained the island's tea-estate industry, they are treated, by both the LTTE and the state, as imported workers with little or no political or economic rights and certainly no voice in the peace process. Their Indian Tamil origin has left this community in a difficult position. The Sinhala chauvinist state has consistently denied their citizenship, only very recently changing its policy to allow hill-Tamils the right to be Sri Lankan, whilst the LTTE have not recognised them as part of the Sri Lankan Tamil struggle for Eelam. Without significance in either the rebel struggle or the government's 'war for peace', neither side considered their support important, which has resulted in an identity built on alienation, exclusion, and poverty. The sea change in treatment of this group came around the time of the last election. It became vital for the LTTE to maintain hegemonic support amongst Tamils in order to build their constituency and demonstrate their legitimacy. The Tamil National Alliance (TNA) provided the legal means to contest seats in parliament, and with this opportunity to show the strength of support behind the Tamil struggle, the hill-country Tamil vote

became more significant. Both the TNA and the government courted the workers, resulting in hill-country Tamil alignment with the larger Tamil cause. However, their new allegiance with the LTTE has so far failed to bring them any actual benefits. The majority of their problems results from the enormous injustice they have suffered and continue to suffer due to the state's chauvinism against minorities. To what extent their new brethren in the North-East can address these issues remains to be seen but it does seem likely that the economic dimensions of this minority group's struggle will gain relevance within the overall conflict dynamic as any peace dividend continues to evade them.

## 4. Sequencing a Way towards a Peace Economy

Even a cursory analysis of the economic investors in the island's conflict dynamic demonstrates that a durable peace agreement must pay close attention to transforming the formal, combat, shadow and coping economies. As a priority, the currently exclusive and stagnating process in Sri Lanka requires serious revision to at least enable different stakeholders to participate in the country's transformation. It goes without saying that the recovery and development process, which has become a prominent feature in the attempt to negotiate an agreement, has to be acknowledged as political in nature and thus as a necessary and distinct part of moving forward in negotiations. The main obstacles are lack of trust between protagonists, lack of constitutional innovation on the part of the GOSL to move away from unitary constitutional thinking, and extreme polarisation of visions in the Sinhala and Tamil polities that encompasses both political ideology and economic directions. Kick-starting sustainable recovery at this juncture will require negotiating these ingrained positions to utilise the small spaces that do exist. The economic dimension needs to be an integral part of this process, requiring much more analysis and more civil society thinking on sequencing steps to a recovery that can create conditions of social justice in Sri Lanka.

Donor policy – intended to aid peaceful transition – has largely failed. It seems clear that support in the form of aid came too early. It lacked coherence and consensus on the principles guiding its support. Consequently, it suffered from extreme politicisation, piecemeal implementation, uneven disbursement, and conflicting agendas within the international community. The facilitators of the process, providing soft diplomacy, could not reconcile their remit with the hard aid stance adopted by other co-chairs of the peace process. Overall, the international effort has lacked direction and, although aid has been the primary mechanism of intervention, consideration of the complexities of the political economic landscape has been minimal. Policy of the international community in the face of this kind of negotiated peace process needs to go much further than it currently does in considering the economic rather than purely technical dimensions of transition and the relationship between economics and politics in conflict dynamics. Addressing how aid and diplomacy can work together to promote peace is likely to improve the coherence between mechanisms and could suggest ways to find a division of labour that allows different actors within the international community to capitalise on their strengths. Rushing toward often inappropriate and ill-timed liberal development has not been a cure-all solution for Sri Lanka. In fact, it has had a negative impact on the search for peace.

## 5. Conclusions

Consideration of the political economy of conflict transformation in Sri Lanka is necessary in envisaging creative solutions to its current crisis. Alongside efforts to find constitutional models suitable for a re-structured state, the fiscal dimensions of a power-sharing arrangement that considers the reality and legacy of the country's war economy demand much more attention and analysis than they currently receive. This response to Karen Ballentine's and Heiko Nitzschke's article has tried to point out that though Sri Lanka does not fit into the category of countries normally associated with the 'greed' take on conflict, neglect of its economic dimensions is highly detrimental to conflict transformation efforts. It seems that the legacy of 'resource reductionism' continues to influence how analysts look at different conflict systems. It would be more helpful to gain a deeper understanding of the variety of ways in which political economic factors pervade all conflict systems.

In order for political economic analysis to be an integral part of conflict transformation theory and practice, there not only needs to be more work on stakeholders' economic motivations within war economies, but more open thinking on who these stakeholders are. Analysing the historic reasons for state failure and the structural factors determining distributive injustices, underdevelopment and inequalities is key to identifying the range of stakeholders involved. This sort of conflict analysis links an understanding of economic dynamics with an understanding of politics. More rigorous analysis of the socio-political and economic history requires building ties with existing civil society actors and working on encouraging the growth of independent local voices. Multi-layered and multidimensional conflict transformation is required in order to encourage potential peace 'spoilers' to become part of the solution. Encouraging, for instance, the Tamil diaspora - responsible for supplying remittances and capacity to their relations in the North-East - to develop their own set of transformative principles defining the use of their 'aid' would recognise the potential of diaspora actors to be integral to conflict transformation attempts.

Sri Lanka's conflict remains resistant to durable solutions, with recent efforts to resume talks between the two primary protagonists continuing to stagnate in an unresolved impasse. The threat of escalation remains a real alternative to continuing with negotiations; no point of irreversibility has been found in this peace process. There is inspiration to be taken from the Political Economy of Conflict Transformation's round-up of current theory and practice, but there is also the potential to create new directions in this debate through encouraging analysts to consider more closely those less overt economic dimensions displayed in conflicts like Sri Lanka's.

## 6. References

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- Martina Fischer and Beatrix Schmelzle: *Introduction: Dilemmas and Options in Transforming War Economies.*
- Karen Ballentine and Heiko Nitzschke: *The Political Economy of Civil War and Conflict Transformation.*
- Olu Arowobusoye: *Why they fight: An Alternative View on the Political Economy of Civil War and Conflict Transformation.*
- Peter Lock: *War Economies and the Shadow of Globalisation.*
- Nicola Palmer: *Defining a Different War Economy: the Case of Sri Lanka.*
- Volker Böge and Angelika Spelten: *The Challenge of War Economies: The Role of the International Community and Civil Society Organisations.*