

Economic Effects of War on a Country: An Overlook of Sri Lankan Economy During the Period of Civil War

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Abstract – Sri Lanka is a country that faced a war for three decades. Both the extremists and armed forces faced major losses including thousands of lives. Expenses for recruiting and maintaining a large military and the purchase of technically advanced weapons is inevitable during war. Therefore, Sri Lankan governments had to spend money on providing supplies for the armed forces. Lack of security pushes back the tourists who hope to visit a country and this reduced the amount of revenue that should have been brought into the country by tourism. Rate of development of infrastructure underwent a considerable decline due to the situation in the country.

Agriculture and livestock farming were affected, and foreign investments were not brought into the country due to the uncertainty of the final product of war. Thus, the purpose of this paper is to study the effects that the civil war has had on Sri Lanka and show that not only Sri Lanka, but also any other country that goes through a war suffers similar economic consequences.

Keywords – War, Extremists, Development, Security

Introduction

The ethnic conflicts which rose in 1983 between the Sinhalese and Tamils of Sri Lanka paved the way for the LTTE (Liberation Tigers of Tamil Eelam) commonly known as the Tigers in Sri Lankan phrasing, to rise as an extremist group that promoted security of the disreputable Tamils in the northern and eastern parts of the country. The movement that started as resistance to tensions in politics transformed into terrorism within a certain amount of time due to the various visions, policies and actions followed by the LTTE. The vision to create a separate state governed by their own (LTTE) government was

the main slogan used by the LTTE when recruiting new members to the organization and this also resulted them in receiving monetary support from international organizations such as the Tamil diaspora and Sri Lankan Tamils who bore the same kind of thoughts and mindset. Indian politicians too extended their support to the group until late Prime Minister Rajiv Gandhi was murdered by a suicide bombing initiated by a member of the LTTE in Tamil Nadu. This led to the ban of LTTE in India, India being the first country to do so.

Over the years from 1983 to 2009, thousands of lives have been lost. The armed forces and extremists have suffered similar losses and their families affected brutally. Many valuable and influential personalities of the country were lost due to various outbreaks of the tigers which mainly involved bombings. Former foreign minister Sir Lakshman Kadirgamar and Cabinet Minister Jeyaraj Fernandopulle are notable figures who were victims of terrorist attacks when they were in bureau. Minister Gamini Dissanayake was assassinated in 1994 when he was named as a presidential candidate in 1994. Not only popular personalities, the LTTE was also successful in victimizing clergy and innocent civilians popularizing their abilities.

The Aranthalawa massacre in 1987 where 33 monks were killed and the assassination of Kithalgama Seelalankara Nayaka Thera, the highest priest of Dimbulagala Forest monastery were inhumane attacks on Buddhist monks instigated by the LTTE. The Jaya Sri Maha Bodhi was severely attacked killing around 146 civilians while the suicide bombing at the Temple of the Tooth Relic caused serious damage to the temple and killed 17 devotees there. These situations depict the cruelty and antagonism of the Tigers towards the Buddhist monks and the Sinhalese community. Meanwhile, in certain instances it

was also clear that the rebels also targeted other religious leaders and followers of prophets. This point can be proven from the attacks in Kattankudy that killed around 147 Muslim men and boys.

Furthermore, attacks such as the Kabithigollawa bus attack that killed large a number of civilians provoked the government to take action regarding the increase in violence towards the citizens of the country. The humanitarian mission was started as a counter measurement against the military exploits of the LTTE on the civilians in the North of the country. The authors intend to give a brief understanding on how war has influenced the infrastructure and other economic ideals of Sri Lanka during and after war in the country with reference to a few aspects that help determine the economic stature in laymen terms instead of an economist's point of view.

Economy and the War

A. Infrastructure

Main reason for war between the Sri Lankan government and LTTE armed terrorist group was the rising ethnic conflict or rather racism within the borders of the country. As obvious as it is, it had directly affected to the infrastructure of the country. After the 04th of February 1948, Sri Lanka was established as an independent country. It was not fully independent, but it was allowed to take necessary action and given the chance to improve hard and soft infrastructure of the country. During war, buildings, roads and electricity supply chains in Northern and Eastern provinces of the country were destroyed. Infrastructure development in North and East provinces was halted. People who lived in Northern and Eastern provinces were stuck in their dwellings while they had to go the suffering of their houses being destroyed. They lived as refugees in poverty while millions of moneys was spent on war. War immobilized all infrastructural development in the country. Before war, goal of the Sri Lankan government was to develop infrastructure of the country and uplift standard of living of the citizens. Although this is true, once war happened government gave more attention to the defence budget of the country. Analyzing the budget reports of government before and during war period supports this matter (Fig 1).

A few insights about the social and economic infrastructure of Sri Lanka before 1948 are that electricity and water was limited only to

commercial cities. However, after independence Sri Lankan government paid attention to distribute electricity and water to rural areas as well. In order to do that the government built new power stations and distributed cable lines all over the country. To achieve this target government followed various strategies and not long after 1948 came up with development schemes like the Mahaweli development programme. In this project the main attention was on building dams and securing and controlling water of our country to improve agriculture and produce electricity. A few innovations of this project were New Laxapana, Canyon, Bowatenna, Ukuwela, Randenigala, Kotmale and Victoria power stations. However, during war period development projects like Mahaweli development project in Sri Lanka seemed like it had non-continued existence due to economic barriers. Conversely, after war ended it was observed the several development projects were still under constructions and most of them were handled by MAGA. Nonetheless, as a whole, development indicators of the country showed a gradual growth of the economy in the Northern and Eastern provinces only after the war ended

Before 1948 British government only considered to develop roads that economically supported them. They did not consider rural roads that affected civilians. But after independence, government paid attention to improve transportation in rural areas. Nevertheless, infrastructure development in Jaffna was heavily intruded during the war and it is still being completed today. Areas like Kilnochchi and Mulativu where Tamil tigers use to hide have lost its abode as human inhabitations and those places are filled with wild plants and trees; mostly uninhabited. The damage caused during the war is so vast that some of these areas still remain the same, not reconstructed or checked with. After the end of the war there has been massive progress in the reconstruction of roads and bridges in the Northern and Eastern provinces in the country. Several financial institutions lent support to construct these. The construction did not only promote the building of relationships between the North and South physically, but also between humanity, economy and between the Sinhalese and Tamils. Today, thousands of people pass through Vavuniya city to enter the North from the South as well as from the North to the South daily without fear of obstacles or violence. Throughout the year's

government had made arrangements for people who lived in those areas to get proper food, shelter and the privilege to live a healthy life under one roof as a family improving the social status of the area as well.

War expenditure raised year after year, but income of Sri Lanka was not increased. According to reports of Central bank of Sri Lanka, all economical support to and from North and East were cut down by war. War had become a heavy strike to our economy as well as social structure. War completely changed the mindset of humans and their ambitions in life changed into ambitions to survive.

The government had undertaken action to build and restore the railway network into the Northern province with the assistance of the government of India alongside the development of roads within the country by late 2009 and early 2010. Northern railway lines from Vavuniya to Kankasanthurei and Madawachchiya to Thalaimanner were already constructed. The Mannar railway line was completed and the train service commenced in 2015 and ever since the passenger and goods transportation have been greatly improved in the Northern province. This could not be done during the period of war. The train service has traditionally been the most popular mode of transport between the North and South since earlier times and it has been a fascination for thousands of people, tourists, pilgrims including the locals over the years. After the construction of the Northern railway line and restoration of the service, people destined to Jaffna and vice versa have been able to travel with ample comfort and safety.

With the end of war, the government of Sri Lanka had also allocated significant amount of funds to reconstruct and develop the district general hospitals in Jaffna, Vavuniya, Batticaloa, Trincomalee, Kilnochchi and other additional base hospitals in Northern and Eastern provinces. Health services were compatibly neglected during war and the injured soldiers and civilians had to be treated and taken care of under dire situations according to war veterans. The healthcare framework is an important aspect in determining the status of development of a country, but the involvement of the extremists made it impossible for the development of suitable infrastructure related to the health sector.

Social and financial foundations had to be recreated in the war influenced zones of Sri Lanka since they had been unfortunately influenced by the 26 years of common war. The Sri Lankan government has given an incredible consideration to satisfy this errand in the Northern and Eastern regions with the assistance of various governmental organizations. A significant number of the activities were associated with the general national improvement program too.

The main economic crisis happened immediately before and after the end of war. The graph below (Fig. 1) demonstrates the patterns of investments on infrastructure in contrary with monetary separations for war. In spite of the fact that there was a progression in financial sector of the country in the previous years, various deficiencies were showed up in war influenced areas in the immediate years after war.

Production of goods and services of the country was annihilated due to war. This was mainly because the lack of reliable modes of transportation. Companies and factories were unable to transport their finished goods and raw materials, thus breaking off the production process. As a result, , investments and other modes of money inflows into our economy had a massive dropdown. Investors were unsure of their return profits and no individual would take a massive risk of that kind knowing the obvious results.

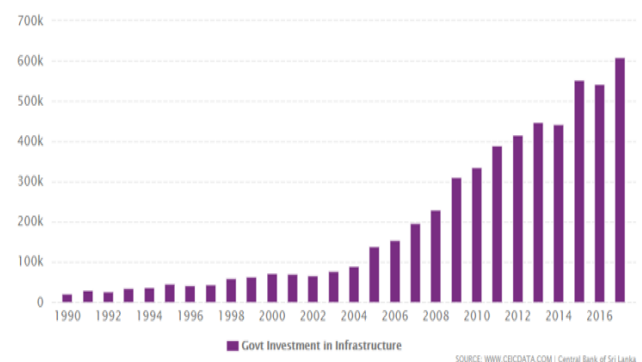


Figure 1: Bar graph depicting the Sri Lanka government investment in infrastructure from year 1990-2016

Subsequently the war expenditures were decreasing in 2009, but up until 2015, the economical portion of defence budget was not cut down. Citizens ambition to develop their lives increased because of the government's focus on developing the infrastructure of our country. Sri Lanka with conviction had lot of challenges to

win. Infrastructure of North and East were destroyed by war. Aimed at the enhancement of social and economic infrastructure the government of Sri Lanka initiated a number of projects in the war affected zones since basic necessities such as social and economic infrastructures were very much needed to resettle families and to enable them to follow their daily routines and embrace new technology.

Right after the end of war Sri Lankan government was more absorbed in developing the infrastructure of Northern and Eastern parts of the country which gave rise to the project "Uthuru wasanthaya". This project mainly focused on the development of infrastructure and to increase the living standards of civilians in Northern and Eastern areas of the country and thankfully the results of the projects were far better than expected. "Uthuru wasanthaya" turned out to be one of the successful projects initiated after war. It brought many international cash flows into the country in various forms including foreign donations and foreign loans. In addition to "Uthuru wasanthaya" government started other projects like "Gama naguma, rata-naguma, Api wawamu rata hadhamu, Dayata kirula" etc to uplift and power the development of infrastructure and agriculture within the country.

Many of the projects were connected to inter-governmental organizations and institutions. They participated in the overall national development program through this. These programs have benefitted the people in war affected areas as much as those in the rest of the country who have links with economic affairs in the former war-torn regions. Although there was a progress seen in socioeconomic development in the former war affected areas, a number of shortages like unemployment and housing facilities in some areas still appear which is yet to receive attention from the authorities.

Seeking to restore peace in the country, the government has achieved much with the reconstruction and development of the socio-economic sectors of the war affected areas. The government had given significant consideration to implement the physical reconstruction work within the first five years of the post-war period. Those physical reconstructions represented one aspect of the post-conflict peace building process, which had aimed to re-establish the quantifiable assets of the war affected areas as that would help to rebuild the shattered economy. Although, there

are some negative issues related to peace dividends, the study observed that the war affected provinces have achieved significant progress in the physical aspects of post-war reconstruction. The theory of post-conflict peacebuilding has suggested that reconstruction and development as an important task to bring back the war affected community to their normal life in the social and economic fields. This does not mean physical reconstruction of the war devastated areas only, but also addressing the root causes of the conflict.

B. Tourism

Tourism industry of Sri Lanka is a field that could have been well developed given the location and natural beauty of the country. With its beaches, waterfalls, mountains and plains, Sri Lanka has everything that a typical tourist or a traveler wants to experience. The culture and cuisine add to the factors that attract individuals towards a particular tourist destination.

Tourists were not attracted into the country due to the civil war. For thirty years, the country that could have been prosperous due to a flourishing tourism industry would not reach its expected targets with regard to tourism. Hence economy of Sri Lanka once again thrashed. However, with the end of war, Sri Lanka saw a gradual increase in the number of arrivals of tourists into the country.

Named as one of the most stunning famous tourist destinations by various tourist magazines and researchers, Sri Lanka's pride and integrity associated with its culture and wildlife within the country are significant assets when inviting foreign tourists into the country. This was not achievable prior to post-war due to the uncertainty on the safety of the visiting tourists. Even though some number of tourists did arrive, the war-torn areas were of course left untrodden. Travel + Leisure, an American magazine named Sri Lanka as the best island for travel in its 'The 15 Best Islands in the World'. Also, Lonely Planet ranked Sri Lanka number one as the best travel destination in the world for the year 2019; a decade after the end of the civil war. Yet, Sri Lanka was not even included in the list 'Best in Travel' 2020 as an after effect of the Easter Sunday attacks. This goes to show the clear impact of terrorism and violence within a country on its tourism industry.

The table below shows the numbers of tourist arrival into the country during and after the height of war. The number of tourists that visited the country in 2018, is more than five times of them that visited in 2008. This is evidence to show that the tourist industry was heavily affected by war. Also, a clear variation between the incomes brought into the country can be witnessed with a significant increase in numbers after the war period. The tourism promotion program ‘Wonder of Asia’ that was conducted immediately after the end of war was able to attract many tourists to the country.

Table 1: Sri Lanka Tourist Arrivals / Revenue

Year	Arrived tourists	Total revenue/ USD. Mn
2007	494,008	385
2008	438,475	342
2009	447,890	350
2010	654,476	575
2011	855,975	830
2012	1,005,605	1,039
2013	1,274,593	1,715
2014	1,527,153	2,431
2015	1,798,380	2,981
2016	2,050,832	3,519
2017	2,116,407	3,925
2018	2,333,796	4,381

Source: Central Bank of Sri Lanka

According to statistics from the Central Bank of Sri Lanka, employment in the tourism industry of the country has increased from 124,970 in 2009 to 388,487 in 2018. As the increase was roughly three-fold, it can be concluded that war limits opportunities for the tourism industry to grow and develop. Many businesses of different scales have been formed around the popular tourist destinations of the country supporting the renowned tourism industry.

C. Agriculture and industries

Farming of crops like paddy was halted in the Northern and Eastern regions of the country due to the conflict. The people in war zone had to face various difficulties such as landmines that limited the amount of work that they could do within their premises. The landmines had to be manually removed by the army of Sri Lanka several years into post-war. With the encouragement of the government through credit grants for paddy cultivation that amounted to Rs 1,918 Mn in 2009 and Rs 5,582 Mn in 2015 and taking climate into consideration, more land was harvested from 943,000 Ha in 2009 and 1,211,000 Ha in 2015.

There has been a gradual increase in the contribution of revenue from agriculture and industries in the Northern and Eastern regions to the Gross Domestic Product (GDP) of the country after war. This goes to show the limitations to opportunities associated with advancement of these industries with war and violence.

Table 2: Provincial GDP by agricultural and industrial origin 2009-2013 (Rs. Mn)

Province/ Year	Agriculture (Rs. Mn)	Industry (Rs. Mn)	Service (Rs. Mn)
Northern			
2009	28,852	14,534	112,711
2010	30,970	28,836	129,933
2011	58,423	42,275	136,814
2012	59,911	49,664	168,450
2013	66,630	68,176	176,736
Eastern			
2009	63,879	93,667	121,817
2010	73,959	98,357	161,652
2011	61,059	109,111	209,113
2012	85,452	150,339	242,610
2013	92,840	181,383	268,676

Source: Central Bank of Sri Lanka

D. External trade

In the last decade, foreign investors have shown a significant interest in investing in the country's infrastructure and industries. The uncertainty of investment returns that existed due to the economic situation of the country due to war contributed to the low interest in investment within the country. Thus, the flow of foreign money into the country was obstructed.

The rate of imports on consumer basis was also increased parallel to the introduction of various new goods to the Northern and Southern regions. The capita allocated for imported investment goods ranged from Rs 240,284 Mn in 2009 to 760,942 Mn in 2018. Accordingly, international trade brought revenue into the country after war as well.

E. Unemployment

Moving along, increase in the level of unemployment can be seen as another adverse economic influence of the long-drawn-out ethnic conflict in Sri Lanka. Conflict turned into a courteous war among the Lankans, the on-going period and post war period had heavy impacts on various aspects of the economy of Sri Lanka. According to various sources, the financial breakdown that occurred within Sri Lanka had economically impacted throughout certain parts of Asia; South-Asia specifically. Post-war recovering and reformation of the economy and the country as a whole is more than hard. It has been over ten years since the end of war, but the country is still recovering from the damages caused by the crisis. In the North there still are places where not only infrastructure, but also employment of people who wish to be employed could be handled better. Reinforcement of self-employment can be considered as one methodology that could increase the contribution of Northern citizens in the country's economy.

Level of unemployment among the youth increased during the war. This can be regarded as a impending threat to the development and stability of the country as the unemployment of youth is considered as the root cause of many other internal problems of the island. It is a known fact how young and innocent Tamil boy in the North were victims of the Tamil tigers. Children were taken away from their families at a very young age and snatched away their right for education, right for protection and right for safety. By the time the war ended these children had not gotten proper education to get into

appropriate jobs and therefore, most of them fell in the wrong paths. Government made sure almost each and every one of these children were taken care of but there were some children falling off the accurate tracks.

Today we see many young men wasting their time and energy either engaged in dealing drugs or not getting the maximum benefit out of their skills and abilities. It is only through the active commitment of Sri Lankan youth this threat can be eliminated. Rousing and encouraging youth into engagement of some work at least through local officials is one out the many strategies available to minimize the risk. Expansion of the construction industry with the development of infrastructure laid a foundation of job opportunities for locals has been advantageous in terms of family units. Also, tourism and the industries that were built with the foreign investments contributed to the decrease of unemployment. Below depicted data shows the level of decline in the level of unemployment respectively.

- a) Data excluded both Northern and Eastern provinces.
- b) Including Eastern province but excluding Northern province.
- c) All districts included.

Table 3: Level of unemployment

Year	Total unemployment (%)
2007 (a)	6.0/ 6.0
2008 (a)	5.2
2009 (a)/(b)	5.7/ 5.8
2010 (b)	4.9
2011 (b)/(c)	4.2/ 4.2
2012 (c)	4.0

Source; Created By author

Moreover, it has been observed that the GDP at constant prices rapidly increased by roughly two and a half fold in the year following the cessation of war. The GDP that amounted to Rs 2,449 Mn in 2009 and Rs 2,645 Mn in 2010 increased to Rs 6,413 Mn in 2011 visibly indicating the effect that war had on the country's economy.

Conclusion

Using violence to obtain one's requirements was once a practice of the LTTE in Sri Lanka. It has become a major trend in the modern world even today. In this context, war is inevitable and so is avoiding risks of putting a country into situations of war but as a society one could always contribute to minimize those risks. May it be cold war, hot war, just war or psychological war at the current status of the world with all the availability of resources one could always use the power vested upon them to direct the governance of our country in the right direction. War is something that the human race has gotten used to and expects to last for years to come. When seeing from an outsider's perspective, one could argue that war is not the answer to an unsolved dispute. Although this is true, the power of violence should not be underestimated. When one violates the rights of thousands of civilians, the best way to respond to them is using counter measurements of the same caliber. One cannot spread kindness in a situation where the lives and lifestyles of many more individuals get involved, involuntarily and their rights as humans used in something that they do not wish to be part of. War is a trauma that no one ever wants to go back to.

Sri Lankans who faced major consequences as a result of a thirty-year war certainly do not wish to put their country in such a position. Generations of the nations' people fell into nadir because of war. The economy could not be brought upto the expectations of the previous leaders. The mutual relationships among individuals were damage to the extent where some misunderstandings exist to this day. Basically, Sri Lanka is a developing country for several decades and one reason that contributed to its lack in progress is the alleged war.

This situation is the same in any country or region that undergoes war. Be it cold or hot, war destructs and diminishes not only infrastructure, but also humanistic values as a whole. In this world where human rights are profoundly focused on and debated, war has the ability to question whether any of these rights are safeguarded. Even though there might be a thousand explanations for war, the ones that have lived through war at no time will see a justification to war.

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