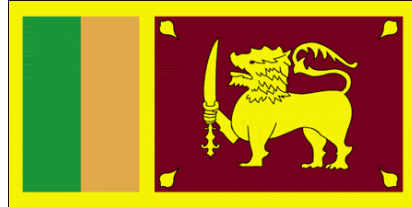


CHAPTER 1

NATIONAL BACKGROUND

Figure 1. Flag of the Republic of Sri Lanka



Box 1. Basic Facts and Figures of Sri Lanka

Official Languages: Sinhala, Tamil
Other Languages: English
Administrative Capital: Sri Jayewardenepura Kotte
Commercial Capital: Colombo
Currency: Sri Lankan rupee
Climate: Tropical
Population: 19.4 million (2004)
Population Growth Rate: 0.9%
Surface Area: 65,601 km²
GNP per Capita: US\$ 1,308 (2006)



A. Geography

Lying twenty-nine kilometers off the southern coast of India, Sri Lanka is a pear-shaped island covering 64,740 square kilometers of land¹. The country is divided ecologically into a dry zone stretching from the north to the southeast and a wet zone in the south, west, and central regions. Northern and eastern Sri Lanka is flat while its south-central region is mountainous and dominated by two peaks, Mount Pidurutalagala and World's End Peak.²

These topographical differences combined with the contrast in rainfall account for the regional variation in economy and culture. The north-central plains are dotted by the ruins of ancient kingdoms built around man-made lakes. The northern tip of the island is the traditional home to the Sri Lankan Tamils who consider Jaffna, its principal city, their cultural and political center. The dry lowlands of the eastern coast, site of fishing and rice cultivation, are particularly diverse both ethnically and culturally, with Muslims, Tamils, and Sinhalese composing almost equal proportions of the population in some areas. The central highlands are famous for tea plantations and, in the southwestern part, gem mines. Kandy, the principal city of this central "Hill Country," was the seat of the last of the indigenous kingdoms and continues to be an important ritual, administrative, and tourist center. The southern coastal lowlands are the site of coconut, rubber, and cinnamon estates, an active fishing industry, and beautiful beaches.³

B. History

Present day Sinhalese descended from an Indo-Aryan group that migrated from northern India around 500 B.C.⁴ Led by Prince Vijaya, the ethnic Sinhalese formed a small kingdom, the remains of which were discovered in several cave sites in Western Plains region and the South-western face of the Central Hills region.⁵

Hindu Tamils migrated to Sri Lanka from the southern part of India. Unlike the Sinhalese, historical evidence is unclear as to when they began to settle in the island although they played a very important role in the island's early and contemporary history.⁶ In fact, early clashes between the Tamils and Sinhalese later translated into a protracted ethnic conflict that now characterizes Sri Lankan politics and internal security.

Apart from the island's early Indian settlers, Sri Lanka's ports also attracted a number of Arab traders. Lying between the East-West trade route, the island's coastal areas were invested with substantial commercial significance making it attractive to many traders and colonizers.⁷ In the sixteenth century, Portuguese merchants came to the island and eventually took economic control until the middle of the seventeenth century when the Dutch took over. One hundred and fifty years later, the island was again colonized by another Western power - the British, who ruled for another 150 years.⁸ Finally, on February 4 1968, the island was granted independence and became the self-governing state of Ceylon. The country later changed its name to Sri Lanka (or resplendent state) after a Maoist uprising in 1971 led to the drafting of a new constitution.⁹

The rest of the country's history is mired in strife. Tensions between the ruling Sinhalese majority and the fiercely independent Tamil minority led to several clashes between the military and Tamil separatist groups.

The conflict escalated in 1956 when the government declared Sinhala the official language of Sri Lanka. Although the 1978 constitution finally recognized Tamil as a national language, calls for a separate Tamil state continued, led by the Liberation Tigers of Tamil Eelam (LTTE).¹⁰

By the end of 1991, the LTTE had taken control of many areas north of Vavuniya. Peace negotiations in 1995 led to a temporary ceasefire only to have the fighting resume months later. In 2002, peace negotiations recommenced, leading to another ceasefire and political agreement.¹¹ While the fighting stopped, the peace talks were stalled due to continuing disagreements between the LTTE and the government.

C. The Government

Sri Lanka is a republic and unitary state. It is a parliamentary democracy characterized by a strong presidency modeled after the French system. The president is directly elected for a six-year term and serves as both head of state and head of government. He or she appoints the prime minister and has the power to dissolve parliament, declare war, grant pardons and wield emergency powers.¹²

Parliament is unicameral composed of 225 members elected for six-year terms by popular vote. The body is vested with the power to make laws as well as repeal, amend, or add to any provision of the constitution, although it could not vote on any matter unless a quorum of 20 is reached. Once a law is duly endorsed, no court or tribunal can question its validity or constitutionality. Aside from its legislative duties, Parliament also has the power to create, replace, amend or abolish all courts, except the Supreme Court, and to determine their powers, duties, procedures, and jurisdiction.¹³

The Supreme Court is the highest court in the land. Together with the Court of Appeals, it forms the Superior Court. It exercises jurisdiction in areas concerning the constitution, the protection of fundamental rights, election petitions, breach of the privileges of parliament, and other matters that parliament may ordain according to law.¹⁴

In addition to the traditional hierarchy of courts, there are local courts, known as *Quazi* courts, with jurisdiction over matters involving Muslim personal law. Labor, agricultural tribunals, and mediation boards are other judicial bodies established by statute through which local disputes can be resolved.¹⁵

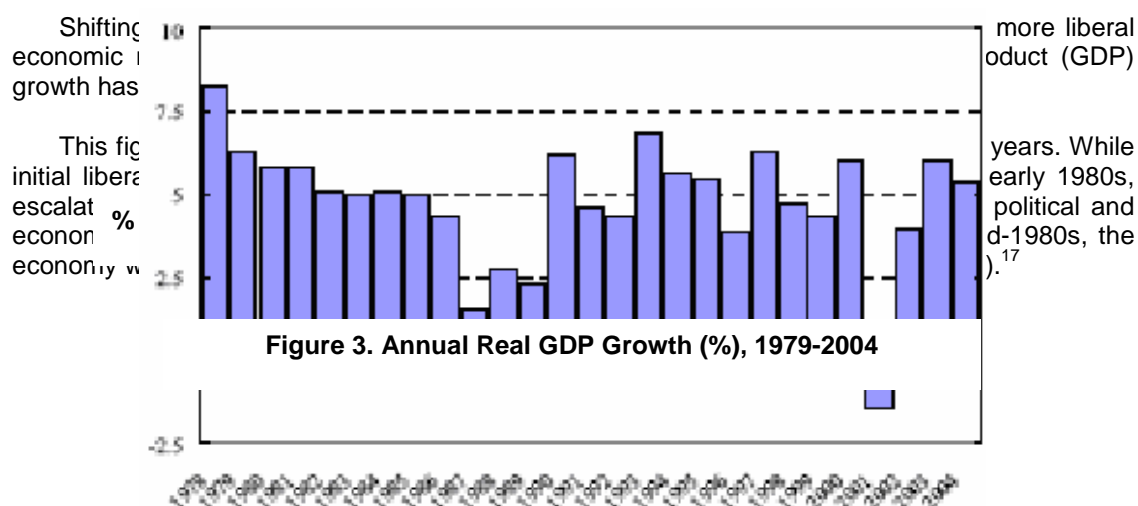
Table 1. The Structure of Government, 2006

President	Mahinda Rajapakse
Prime Minister and Minister of Internal Administration	Ratnasiri Wickremanayake
Minister of Tourism	Anura Bandaranaike
Minister of Posts and Telecommunication and Minister of Rural Economic Development	D. M. Jayaratne
Minister of Justice and Law Reforms	Amarasiri Dodangoda
Minister of Healthcare and Nutrition	Nimal Siripala de Silva
Minister of Foreign Affairs and Minister of Ports and Aviation	Mangala Samaraweera
Minister of Railways and Transport and Minister of Petroleum and Petroleum Resources Development	A. H. M. Fowzie
Minister of Trade, Commerce, Consumer Affairs and Marketing Development and Minister of Highways	Jeyaraj Fernandopulle
Minister of Agriculture, Irrigation and Mahaweli Development and Minister of Environment	Maithripala Sirisena
Minister of Power and Energy	John Seneviratne

Minister of Child Development and Women Empowerment	Sumedha G. Jayasena
Minister of Public Administration and Home Affairs	(Dr.) Sarath Amunugama
Minister of Mass Media and Information	Anura Priyadarshana Yapa
Minister of Urban Development and Water Supply	Dinesh Gunawardena
Minister of Social Services and Social Welfare	K. N. Douglas Devananda
Minister of Housing and Construction	Ferial Ashraff
Minister of Education	Susil Premajayantha
Minister of Labour Relations and Foreign Employment	Athauda Seneviratne
Minister of Rural Industries and Self-Employment Promotion	R. M. S. B. Navinne
Minister of Vocational and Technical Training	Piyasena Gamage
Minister of Local Government and Provincial Councils	Janaka Bandara Tennakoon
Minister of Infrastructure Development and Fisheries Housing	Athallah Ahamed Lebbe Marikkar
Minister of Enterprise Development and Investment Promotion	Rohitha Bogollagama
Minister of Science and Technology	Tissa Vitarana
Minister of Constitutional Affairs and National Integration	Dew Gunasekera
Minister of Disaster Management and Human Rights	Mahinda Samarasinghe

Source: Government of Sri Lanka website, 2006

D. Economy



Source: International Monetary Fund, 2005

Box 2. Macroeconomic Assessment of 2005-2006

The country expects modest economic growth in the next two years, underpinned by growth in the manufacturing and services sectors (i.e. financial services, mobile telephony, and import-related services) and the cessation of hostilities between the government and the LTTE.

Yet, despite the vibrancy of its economy and good social conditions, Sri Lanka still faces many challenges towards long-term growth. While leaving the country's industrial belt relatively unscathed, the 2004 tsunami left the country's coastal areas reeling from losses in both infrastructure and human life. This, along with a planned civil service salary increase and the country's continued fuel subsidy and welfare system, present strains on the country's fiscal situation – problematic, considering Sri Lanka's fiscal deficit stood at nearly nine percent in 2005.

The termination of the Multi-Fibre Agreement also presents another challenge especially since textiles and garments constitute 46 percent of Sri Lanka's export earnings. In 2005, several small companies closed down and the country's textile and garments exports fell from 16 percent in the previous year down to three percent.

The government has responded by introducing its 300-factories program for rural development and offering tax and customs incentives to textile and garments factories. The Central Bank of Sri Lanka has also responded by tightening monetary policy and raising interest rates to rein in inflation, which is projected at nine percent.

Source: ADB, Asian Development Outlook, 2005-2006

In 1991, the economy recovered, posting GDP growth at 5.5 percent, as government pursued economic reforms with renewed vigor. This trend did not last, though, as reform efforts waned and civil strife continued despite attempts at peace negotiations. Rising oil prices, a foreign exchange crisis due to large imports of military equipment, inflation, power cuts, drought, a terrorist attack on a national airport, and a global slowdown eventually led to a recession.¹⁸

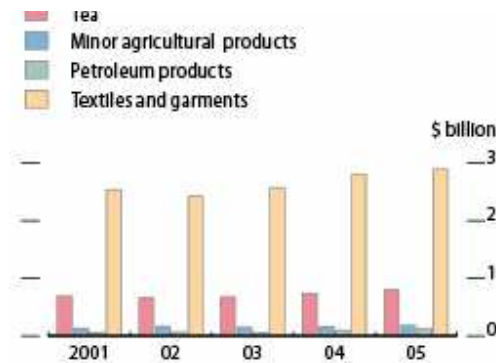
Table 2. GDP Growth by Sector, 1983-2004

	Average			
	1983-1989	1990-1995	1996-2001	2002-2004
Real GDP (annual percent change)	3.7	5.5	3.9	5.1
Agriculture, forestry and fishing	1.8	3.5	0.7	1.1
Manufacturing	6.3	9.2	5.3	3.8
Construction	1.2	5.5	4.7	3.7
Transport, storage and communication	4.0	5.4	7.3	10.6
Wholesale and retail trade	3.9	6.0	3.2	6.2
Financial services	10.4	8.1	7.7	9.4
Other	5.0	3.9	3.7	3.5
Shares in GDP				
Agriculture, forestry and fishing	29.3	25.8	21.2	18.9
Manufacturing	11.7	14.4	16.8	16.4
Construction	7.3	6.8	7.0	6.9
Transport, storage and communication	10.4	10.3	11.4	13.5
Wholesale and retail trade	21.3	21.7	21.9	21.5
Financial services	5.0	6.1	7.6	9.1
Other	15.0	14.8	14.1	13.6
Percent Contribution to Annual Growth				
Agriculture, forestry and fishing	0.5	0.9	0.1	0.2
Manufacturing	0.7	1.3	0.9	0.5
Construction	0.1	0.4	0.3	0.3
Transport, storage and communication	0.4	0.5	0.8	1.4
Wholesale and retail trade	0.8	1.3	0.7	1.3
Financial services	0.4	0.5	0.6	0.8
Other	0.7	0.6	0.3	0.5

Source: Central Bank of Sri Lanka, 2005

An armistice between the Tamil separatists and the government in 2002 gave a resemblance of political stability to the country. The resulting peace underpinned two years of growth despite stalled negotiations.¹⁹ A tsunami in December 2004 threatened economic gains, but did not sufficiently halt it as GDP grew by more than five percent in 2005. Forecasts for 2006 and 2007 estimated GDP to grow by at least five percent and as high as 5.9 percent.²⁰ (Table 2)

Figure 4. Major Exports, 2001-2005



Source: Central Bank of Sri Lanka, 2005

As regards sectoral contribution to the economy, manufacturing was the main source of growth during the 1990s, but the recent boom in telecommunications led to high growth rates in services in 2000.²¹ Agriculture, while employing more than a third of the labor force (38%)²², does not contribute as much to export earnings as industry, especially textiles and garments. Sri Lanka's major exports continue to be its textiles and garments, followed by tea and other agricultural products such as rubber and coconuts.²³ (Figure 4)

E. Ethnic Groups, Religion and Languages

Table 3. Percentage Distribution of Sri Lankans by Ethnic Group, 2001

Ethnic Group	Percentage (%)
Sinhalese	81.8
Sri Lankan Moors	8.0
Indian Tamil	5.1
Sri Lankan Tamil	4.4
Others	0.7
Total	100.0

Source: 2001 Sri Lankan Census provisional data

Sri Lanka is a multiethnic country and is home to at least three major ethnic groups, each with its own religion, language and set of laws. Majority of Sri Lankans speak Sinhala and are Sinhalese, descendants of the Prince Vijaya from northern India. At an early age, Sinhalese folklore, literature and rituals teach children Buddhism (particularly Theravada Buddhism), a religion brought to the country by Prince Mahinda, later sponsored and strongly supported by the early Sinhalese kingdom and the present government and constitution. While united by their

common religion and language, a difference is drawn between the Kandyan and the low-country Sinhalese. Since the Kandyan Sinhalese were not conquered until 1818, conservative cultural and social forms remained. English education was less respected and traditional Buddhist education remained a vital force in the preservation of Sinhalese culture with caste divisions remaining strong among the Kandyan Sinhalese. In contrast, the lowland Sinhalese experienced foreign rule much earlier. This eroded traditional norms and beliefs and weakened Buddhism and introduced Christianity as well as the notion of social mobility based on economic opportunity instead of the traditional caste system.²⁴

Like the Sinhalese, the Tamils migrated to Sri Lanka from India. Unlike the Sinhalese, most Tamils are Hindu, their worship centers on the Hindu god Shiva, with many other gods existing in the hierarchy and each having a specific purpose. While Buddhism and Hinduism are essentially different, their long coexistence in Sri Lanka led to a religious fusion where common sites and entities of worship have arisen.²⁵ Tamils speak Tamil, a Dravidian language found almost exclusively in peninsular India. It existed in South Asia before the arrival of people speaking Indo-European languages in about 1500 B.C. Like the Sinhalese, Tamils can also be further divided into two groups: the Sri Lankan and the Indian Tamils. The former trace of their immigration to the distant past is effectively a native minority. The latter are either immigrants or the descendants of immigrants who came under British sponsorship to Sri Lanka to work on plantations in the central highlands. Since they live on plantation settlements, separate from other groups, including the Sri Lankan Tamils, the Indian Tamils have not become an integral part of society and thus, viewed by the Sinhalese as foreigners. The population of Indian Tamils has been shrinking through programs repatriating them to Tamil Nadu.²⁶ Tamils also have a caste system with most Indian Tamils belonging to the low caste in contrast to the upper and middle-level Sri Lankan Tamils. (Table 4)

Table 4. Percentage Distribution of Sri Lankans by Religion, 2001

Religion	Percentage (%)
Buddhist	76.6
Muslim	8.5
Hindu	7.9
Christian	6.1
Others	0.9
Total	100.0

Source: 2001 Sri Lankan Census provisional data

Muslims in Sri Lanka are either Sri Lankan Muslims or Indian Muslims. Sri Lankan Moors trace their ancestry to Arab traders who moved to Southern India and Sri Lanka between the eighth and fifteenth centuries, adopted the Tamil language that was the common language of Indian Ocean trade, and settled permanently in Sri Lanka. The language of the Sri Lankan Moors is Tamil, or a type of "Arabic Tamil" that contains a large number of Arabic words. On the east coast, their family lines are traced through women, as in kinship systems of the southwest Indian state of Kerala, but they govern themselves through Islamic law. The Indian Moors are Muslims who trace their origins to immigrants searching for business opportunities during the colonial period. Some of these people came to the country as far back as Portuguese times; others arrived during the British period from various parts of India. (Table 4)

"Burghers" is a term given to any permanent resident of the country who could trace ancestry back to Europe. Eventually it included both Dutch Burghers and Portuguese Burghers. Always proud of their racial origins, the Burghers further distanced themselves from the mass of Sri Lankan citizens by immersing themselves in European culture, speaking the language of the European colonial government, and dominating the best colonial educational and administrative positions. Hence English, while not an official national language, is also widely spoken in Sri

Lanka. They have generally remained Christians and live in urban locations. Since independence, however, the Burgher community has lost influence and has been shrinking in size because of emigration. (Table 5)

Table 5. Percentage Distribution of Sri Lankans by Language, 2001

Language	Percentage (%)
Sinhala (official and national language)	74.0
Tamil (national language)	18.0
English (used in government)	8.0
Total	100.0

Source: 2001 Sri Lankan Census provisional data

Finally, the Veddah are the last descendants of the ancient inhabitants of Sri Lanka, predating the arrival of the Sinhalese. They have been viewed as a link to the original hunting-and-gathering societies that disappeared as the Sinhalese spread over the island. In the 1980s, Veddah lived in the eastern highlands, where some have been relocated as a result of the Mahaweli Garga Program. They have not preserved their language; resemble their poorer Sinhalese neighbors, living in small rural settlements. The Veddah have become more of a caste than a separate ethnic group, and they are accepted as equal in rank to the dominant Goyigama caste of the Sinhalese.²⁷

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