

A record of Two Years

President Chandrika Bandaranaike Kumaratunga speaks about the record of the past two years of her government, the state of the country and economy, progress of the war, the search for peace and her expectations for the future in an exclusive interview for “Business Today” with Lucien Rajakarunanayake.

BT: How would you as President assess the performance both of your government and yourself, in the last two years in office?



I would say that we set ourselves very difficult and arduous tasks. For example, there were four major tasks that we faced. One was the re-establishment of Democracy and respect for Human Rights and Human Freedom in the country, and doing away" completely with the reign of terror which was practiced under " the last government. I would say in that first respect we have succeeded almost completely. We have to now only build on our gains, so that, that kind of thing will not happen again.

The second major goal was the elimination of corruption. Well, that is a much more insidious thing and therefore more difficult to eliminate quickly. But at least we

have begun well, because we have begun at the top. What is worst and intolerable for an economy, to a government, especially one with a developing, weak, warladen economy, is when important government decisions are taken for corrupt reasons, and very often therefore it is not the right decision, as far as the interests of the country and people go. At the top level we have eliminated corruption, I would say almost entirely. All big decisions are taken by the government not on the monetary considerations that one may receive, but according to what in our view may be the best for the country.

Eliminating corruption at the second and third levels cannot be done that fast. I would say it would require a major institutional re-structuring, as well as, a very big change in the attitudes of people. For this purpose we have also undertaken a very ambitious programme of re-structuring the entire Public Service, which has hardly been re-structured since the colonial times. For example, the Treasury which is under me, has almost the same structures which it had when it was first established nearly two centuries ago, by the British. In fact the Treasury is one of the major obstacles to quick decision making and quick implementation in the government. This has been so always. This was one of the first things I wanted to do when I came in. I tried to get my own officials to do it for many months, but it didn’t happen. So now, we have started a very good study with the help of some international organizations and the participation of our officials, and I think we will be able to achieve something very good with that. And, in the Public Service as a whole, we are also looking at reform which will finally give a more streamlined, more efficient and more motivated public service, in keeping with the present day needs.



BT: What will be the main political thrust of your government in the years ahead?

I was talking about our goals. I spoke of two. The other two would actually show what our main thrust would be. Very quickly, one is economic development. A stable and durable economic development. And, for that purpose also we have done a lot of work, because actually. when we took over, even though the UNP government had basically put in place an open economic policy framework, it was not working properly, simply because all the other attendant requirements for such an economy to work in a situation such as ours was not there. There was no proper planning. There was no vision. The right decisions for this to work successfully were not there. The basics were all wrong.

So, we identified that first and foremost one must get the economic fundamentals

right. And there is no way out of that. There is no shortcut for that. One cannot for example, spend more than one earns and this is what in government terms one calls a budget deficit, and a highly deficit budgeting will mean that the country's under-development will continue forever. So we addressed such problems of fundamentals, and I think we are getting them right at the moment, even with a war going on, and we're spending 110% more on the war than the UNP government did in its last seven years.

I have been able to cut government expenditure by 20% each year, in 1995 and 1996, and we intend to do the same in 1997 by eliminating wasteful expenditure. We all know what they are, because we have talked about it so much. We are also trying to make government's capital expenditures more cost-effective. There are so many other fundamentals such as re-structuring the banking systems, customs and tariff systems, and making them more streamlined and in keeping with the accelerated development we require. As we have now laid the foundation properly, for the first time, we now have to build on it. For example, one could say that what we inherited was a building with a very weak foundation. We have taken the building down, we have strengthened the foundation, I believe in the right way, and now we have to build on that. Building on it is much easier than actually getting the fundamentals right. That is what we have as an objective for the years to come.

There is also another aspect which is very important for the economy. In addition to the fundamentals, for accelerated development you also need infrastructure. The infrastructural development in this country is of an economy of fifty years ago. Telephones, telecommunications, roads, ports, even the airport is under-developed, and so is power. We all know what the recent problem about power was. We are addressing that situation as well. Firstly, it is getting the economic fundamentals right, and the next is accelerated, urgent, infrastructural, development.



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One example is telephones. We are confident we can solve the problem of telephones. When we came to power there were close to 250,000 on the waiting list, and roughly about the same number not on the waiting list because they knew there was no purpose in applying for a phone. We have cleared a lot of it, in this short time, and we intend to clear the whole waiting list by mid-next year. The contracts we have negotiated and signed, and those that we intend to sign which are in the process of being negotiated, would mean that by end 1997 or very early of 1998 we should be able to give telephone connections on request.

Take power, which is a very controversial issue. I would like to reiterate here that we are not responsible for the power crisis. For six to seven years there was not one unit of power added to the national grid under the last regime. We signed contracts for eleven power projects, government, but those be commissioned only in two or three years. That’s normal for a power project. Therefore, the power shortage was to be expected when there was the worst drought in 30 years. Now according to our plans, before end 1999 we should have enough non-hydro power, to be able to withstand any drought, and not have serious power cuts.

With regard to roads, we are going into fairly big highways. Next year we hope to start work on two, the Katunayake-Colombo and the Colombo-Matara-Hambantota

highways. We are trying to up-grade the railways. The Port of Colombo is in for a very big development. We have almost finished the negotiations on this. We are beginning to look at developing the airport to meet our needs up to about the Year 2010. I am quite confident that we should have sufficient infrastructure development within the next two years, and which would keep developing. That is what we have planned for the next 15 years.

BT: But isn't there a major problem of credit. What about the very high interest rates, and the negative effect it has on investment?

Yes, it is a very important area. Credit for all entrepreneurs in this country is too expensive and that is one of the major reasons why we don't have sufficient investment, even though we keep giving them all kinds of very attractive incentive packages. In fact, we have among the best incentive packages in the whole of Asia. But still investors, both local and foreign don't come in sufficient numbers. Of course, there is one factor which we can't ignore which is the security situation, but even then we should get much more investment compared to other countries I would say the major deterrent is the high cost of credit in this country. For that there are no instant solutions. We have to get our economic fundamentals right. We have to reduce the budget deficit, thereby inflation, and only then can we get to reduce bank interest rates.

But in the meantime we have looked at the Small and Medium scale enterprise sector which has been very dynamic in the newly developed Asian countries, and it has been under-utilized in this country. Especially with the highly educated population we have, there is scope for more self-employment to be generated and more production through the SME sector. So we have brought out a package, by which we are subsidizing interest rates for that sector at 10%, whereas the normal lowest interest rate is about 17%. This is with some credit lines we have got from foreign countries, in order to make them take off. In addition to the relatively low interest credit, we will also provide training in management skills and technology for this Small and Medium Enterprise sector.

We have not ignored the other sectors of business. In addition to helping the SME sector, we are trying to give various forms of low interest loans to even the bigger enterprises. But, of course there is no long-term solution to this problem until we get the basics right.

BT: Does this mean that your government is on track and will continue

with its policy of privatization?

Yes, of course. We don't believe that everything should be privatized *per se*, but in a developing economy like ours, and particularly in a highly "statized" economy which we had till recently, the State does have a very important role to play in the economic take off in modern times. But we are facing the fact, whether we like it or not, that the State does not have enough revenue, if said in very simple language, and therefore one of the best methods of earning money to invest in development is to sell off some state assets which the private sector may be able to manage more efficiently than the State. Thereby the State earns money which can be pumped into very crucial areas of development infrastructure, and social infrastructure such as education and health, vocational training and other important areas.

Secondly, you bring in a more efficient, more modernized technology and management into those enterprises which would then run better, therefore produce more and give more employment. So the country does not lose on that. I believe the dogmatic opposition to privatization in the present context could simply prove very stupid.

BT: To move away from the economy, what is the current situ ation with regard to the war with the LTTE?

Well, we clearly see that there are several facets to this problem, the military one, the political one, and the human side of the whole problem which is of course tied to the military one. You asked about the military side first. I would say that our military strategy has succeeded more than 60 percent, or has succeeded in winning more than 60 per cent of the war. We now have under our control the whole of the Jaffna District, part of Kilinochchi District, part of Vavuniya District, and the North, as you know, consists of five districts. The other two districts Mannar and Mullaitivu are largely jungle and do not have population concentrations like the three districts I mentioned. I think our biggest victory is that in the process of military operations, because of the other arm of our strategy on the ethnic problem, which is the political one and the devolution and all that, we have won over the majority of the Tamil people of the North, and their hearts and minds. This has been amply proved by how they have willingly come into areas under the control of the Sri Lankan State, and they are quite happy to be there. From what they tell our representatives who go there, it is very clear that they do not ever again want to be under the rule of any armed organizations.

This said, one has to also say that there are many, many shortcomings. The Civil Administration is returning to normal very, painstakingly and slowly. There are all kinds of reasons for this. As soon as something mice or good begins to happen, the Tigers set off some bomb and then everybody is scared to go there. But we have not been deterred by this After a short silence of a few weeks from the bombing incident injuring Mr. Nimal Siripala de Silva, we have started again. Roads are being built in Jaffna, and so many other things are happening. We have been helping the people to revive their agriculture. They have produced an excess of onions and chillies which we have even shipped to Colombo. Schools are functioning at about two-thirds their usual capacity. The hospital is functioning, but certainly not sufficiently well. So, I would say that militarily it is continuing successfully, even though there were certain military setbacks such as Mullaitivu and a few other incidents. But you can’t win every battle in a war. I would say
we are definitely winning the war.



BT: You said that the people of Jaffna had come back willingly to areas controlled by the Army. But would not the recent incident involving the gang rape of a young girl, and the subsequent murder of the entire family,

setback this entire progress you mentioned, and what steps will your government be taking about this and any similar incidents?

I think that incident was very bad, but it was only one such incident in a period of eight or nine months. You know what kind of horrible things can happen in war situations, when one lot of people are fighting another lot of people. However, especially given the recent history of human rights violations by the armed forces, in the North and East before our government came to power, I would say that they have been excellent, except for these isolated incidents which are very bad..

The people who have been subjected to these earlier by the Sri Lankan forces as well as by the LTTE, the horrors that the LTTE has perpetrated on normal civilians, are I think making the difference. The people know that this is an exceptional case. I would like to tell you here that we have held an inquiry. We have found the suspected culprits. Several army personnel are under arrest. They were arrested some weeks ago. We didn't announce it until the whole thing was wrapped up. We will take the strictest action against all those responsible, and we will continue to follow a strict policy on these matters.

BT: Is there a possibility of resuming talks with the LTTE and are there any pre-conditions for such talks?

Well, we have laid down the pre-conditions some time ago and we have not withdrawn them.

BT: If you have not withdrawn them, are they in any way variable?

Well they are so simple that I don't think we can vary them at all. We have said that they have to lay down arms, and stop fighting.



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The fighting must stop on both sides before we sit to talk. I don’t think that is variable given the history and practices of the LTTE, I don’t think we can change that safely. But we are ready for talks if they are willing to talk seriously. But this time we want a lot of assurances. There is a thing called talks about talks, and in those talks about talks we would have to be quite sure that the final talks would end up in a complete cessation of hostilities, I mean and end to the war. This should also lead to the long term political solution which they will have to accept.

BT: Is there any role that a third party mediator could play in this, especially when you know that there is no room to vary the preconditions. Is there any room for any guarantees to be given by a third party mediator?

Yes, we have always thought so. That is why I suggested to the LTTE during the time of the cessation of hostilities that we invite a third party mediator, but they pretended not to hear it. First I suggested the principles, but they did not take it up. Then we suggested a third party mediator from a friendly country, a neutral country, but they refused it. So we still believe that a third party mediator can be very useful in situations like this. But of course it depends on who it is..

We have a whole long list of countries, people and NGOs who are wanting to be third party mediators.

BT: You mentioned about the economy, as well as the conditions of war and the economy. As the Minister of Finance and Head of State, how long do you think that Sri Lanka can afford this war in this manner?

Well, very simply we can't af ford it. And this is why we have to end this. Why we want the war to end is because of the human considerations first, then secondly because of the economic considerations. We have to end this as early. as possible, but it has to be obviously an honourable peace for both sides.

BT: You earlier said there were certain concerns among investors coming to this country because of this war. Could you be more specific of the impact of the war on foreign investment and development of the country?

Well, I think that is most simple to answer. Most foreign investors obviously don't want to come to countries where there are serious security risks. And this has gone on now for more than 13 years and obviously they have doubts. I think all Sri Lankans should be thankful to the foreign investors, who have come here in spite of this situation, and the big ones who are willing to come, even with this situation going on. There are some big investors who have. come, and some who are in the process of coming.



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Actually the scenic beauty of Sri Lanka, the climate and its geographic position, together with the high levels of education of our work-force and therefore their high levels of trainability, our legal systems, and in fact though we complain about our administrative system it is very much better than lots of other developing countries.... all this and the incentives we have offered for foreign investment are attractive enough to make them come in their droves, if this security situation stops.

I am not saying this having got up from my dreams. This is based on all what I can see from the Finance Ministry, from the inquiries we have received, the people who have shown interest but then just hold back because some bomb has gone off. I am quite certain that our development can take off very fast. On the other hand the

government has set the stage properly. We have got our fundamentals right, as I told you, and the atmosphere is good. People know that they don't have to go from pillar to post, and be asked for some bribe or other at every point. Big investors have told us these things. The general atmosphere is good. They know that the government knows where it is going. It has a vision, it has a clear policy. So I am quite confident that when this war situation is solved, we should have no problems with foreign investment.

BT: That was about foreign investment. What is the situation with regard to foreign aid. Are foreign countries still interested maintaining the same level of aid to Sri Lanka?

Yes, quite definitely. In fact they are doing it quite willingly and happily. As you know, all foreign aid to Sri Lanka had stopped in 1993 and 1994, the two last years of the previous government. This was for many reasons, but the two main reasons were the violation of human rights and corruption. We receive aid from many sources. There is aid from the Bretton-Woods institutions, and also under their auspices from 10 or 12 donor countries which is called the Paris Aid Group, which meets annually and decides how much is to be given. For '93 and 94 they had completely stopped all aid. The reasons were the corruption. in the government, and as I said the human rights situation and the war situation, in that order.

Within eight months of our government coming in, we were able to get the largest single amount of aid that this group of donors had given this country, ever. And they clearly made a statement at that Aid Group meeting in April 1995, in somewhat eulogizing terms, about the government's human rights record and moves against corruption and such things, and they are continuing to be very supportive. Today even individual donor countries, such as Korea, who up to now have not belonged to the Paris Aid Group, have for the time shown willingness to give aid to us. Recently Korea has given Sri Lanka a fairly large aid credit line. There are other countries which are also willing to give. So the aid situation is very good, and I would say will continue like that.



BT: What are your views on the present rise in political violence in the country?

It is not good at all, but if you want to know why, there are reasons for it. In the first place I must say that some of the free media have made a huge fuss about it Actually there have been three important incidents, worth talking of. One is what has happened in the Katana-Negombo area, where there were two incidents. Then there were the incidents at Ratnapura, and now I hear there are incidents at Hasalaka. As soon as any such incident occurs I get an independent report from the Police authorities, and then take action on it. I am not making ex cuses. First I would like to say that we have taken the strictest action on these. Immediately, on being informed of these I have personally sent a special police team to back up the local police in case there are too many involvements with the local politicians and the local police. I send the CID and the NIB to carry out investigations. They do their investigations separately, and whoever is responsible, we are taking the strictest action against them.

Having said this, I must tell you that I have been studying this very carefully, and it is very evidently a spill-over from the old situation. These are the phantoms of the past who are still haunting us.

It is with great difficulty, as you probably know, that we were able to keep our people at bay after we won the elections in 1994. Because they had been telling us all the time that they were waiting for the day when they were victorious to get their own back on the 17 years of violence they had been subjected to by the UNP. It was with very great difficulty that I myself from every platform, almost with missionary zeal, told them that they must not resort to any violence, that we will not tolerate it and will first arrest our own supporters for any acts of violence.

Actually if a careful study is made of this pattern of violence, one will find that the trouble has started in areas where under the UNP government there had been very violent organizers, who may be MPs or ex-ministers. Now in the whole of the Gampaha District the most violent area was Katana Negombo, because of a minister himself, now an ex-minister. Kesbewa, the same thing, killers who held leading positions in the UNP government. Ratnapura, the same again. The person involved who is now an important person in the UNP, was known for violence. Anamaduwa, there was a man who was terribly violent, and may be even a bit sick. So it is not surprising that violence is erupting in these places, because obviously they can’t keep their own phantoms at bay.

Our organizers in Katana have reported that more than one hundred guns were issued by the Police to a former minister and his son, under the last government. We have constantly asked them to return these, but they have not. Finally we sent the police to get the guns, and they were told that most guns were lost. The police were able to take into custody only about 15 or 20 guns. We could not find the others but we know that they are in different people’s houses. Some of the people involved in this recent violence. Now we have decided to go all out and arrest people who we know have got the guns. But one finds it very difficult to take formal action against these people because there are no lists.



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I have gone into this matter, and there is no official list of the people to whom they have issued guns in this manner. Except the two guns that were issued to every MP, which was given to all, there is no record of the extra guns which were issued to certain favoured people.

However, we will take every possible action to crush this, and I am sure that we can control it. But there may be a few hiccups, once in a way. We must realize that we took over from a government that practiced the most horrendous violence on their political opponents, on the normal citizens, on young people, on the minorities, and in fact as I have constantly said, I have not known any other country where there has been such a bloody government, in the literal sense of the word, where things. have changed so radically for the better, so peacefully. In every other country I know that kind of government has been toppled by force. By the use of force either by the military, or by a people’s revolution, with a lot of blood-letting. We have been

able to do this with the people’s democratic vote because the people were behind us. But then it is difficult to prevent the spill-overs from the past. There are hiccups, and the situation does not change overnight, after such a long period of violence and terror. We have to now be more alert now and bring this situation under control, and because we are using democratic methods it takes much longer.

BT: What is your vision for Sri Lanka in the next decade, by which time we would be in the next Century?

You are projecting it to about 2005. Well, I think I answered that to some extent when talking about the economy. But if I am to repeat that in a few sentences, I would say that I am convinced that my vision, which is also a dream, which is our common dream for Sri Lanka, is a realizable one. It is that we would have peace among all the communities living here. We have started well on that path. That we would be economically and socially a prosperous country, that we would have achieved great heights in that direction, and there also I am confident that we have the wherewithal and we have the right vision to achieve that. I am quite sure that we would be one of the most developed nations in Asia. Our problems are, in size, very controllable and tolerable, and I think we could be a leader in the region, economically, politically and in many ways if we achieve peace and carry out the initial development which is necessary for such a take-off. I think thereafter we would have made in as a nation.



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