Three Years In Power



President Chandrika Kumaratunga talks about the social, economic and political aspects of the country

Lucien Rajakarunanayake

BT: Thank you Madam President for giving us this interview, especially at this time when you are at the final stages of preparations for the next Budget. My first question to you is what is the overall economic situation in the country, and how will it be addressed by the forthcoming budget. I ask this because you are also Finance Minister in addition to being President.

President Kumaratunga: So that means you are talking to me not so much as the President, but as the Minister of Finance?

BT: In both capacities, but because the Budget is so close by I will be stressing more on your role as Finance Minister in some aspects.

President: I always prefer my responsibilities as Minister of Finance rather than those as President, because at the moment they are so heavy. So, talking to you as the Minister of Finance I think I can frankly say that the overall economic situation is good and stable, and that is exactly what we have tried to achieve in the last three years. Personally as Finance Minister I have put in a lot of accent on, worked very hard, shed plenty of sweat and tears into achieving this goal. I am very happy to say that we are well on the way to establishing a healthy, stable, economy. What better demonstration of that, than the results of the recent bomb explosion in Sri Lanka, which did not upset any of the economic balances that we have been able to achieve.

Investors did not run away. Investors who have agreed to come are continuing their negotiations and their work to come

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in. The Stock Market did not crash. And this is typical of a stable and strong economy. I wouldn't say that we have reached the level of a developed economy such as Britain, France or even the US where the New York World Trade Center was the target of a terrorist bomb attack, and where but for a very brief period it did not affect their economy. But, I dare say that we have been able to keep the balance in terms of the economy, I am not speaking of all the other political fallout, but all the economic activities recovered very fast after the bomb explosion. In fact within a week. I think this is a very good demonstration of the stability of our economy, and the confidence that we have been able to create among both the local and foreign business communities.

As for the next part of your question as to how the overall economic situation will be addressed in the forthcoming budget.....

BT: I am not in the search for budget secrets, but just the trends.

President: Yes, I cannot give you the budget secrets, but what I can tell you in a few words is that it will be a People Friendly Budget. This is our fourth budget. One was half a budget as it were, because we had to come in half-way through the year, due to the timing of the general election being half-way through the budgetary year. In the first three budgets we mainly addressed the problems of the economic fundamentals. Our main efforts were directed towards getting the economic fundamentals right and building a healthy. economy and all that this needed. And, of course kick-starting the economy by giving whatever incentives possible within a war situation, and the maximum incentives and encouragement possible to the big Sri Lankan investors, because that was the way to get the economy moving.

However, while doing this, we never forgot the interests of the smaller people, the poorer sectors of the economy. where they had the social safety net through Samurdhi, and all sorts of other subsidies that we gave. These extended from fertilizer subsidies, flour and other food subsidies such as the subsidy on infant milk foods, sugar, school books, school uniforms and all of these that we kept on for the first one to two years. Then there was also another aspect that we tried to promote, which is Small and Medium Enterprises sector. When we came to power there was the SMI loan scheme. through ADB and World Bank, but it was handled in a very ad hoc fashion. We streamlined that, and we also gave much more through our own budgets, our own moneys. We introduced many more loan schemes mainly the 'Surathura Diriya' loan scheme through the two State banks and one or two private sector banks, in order to encourage the educated youth to move into

selfemployment. This was what we did earlier, and in the present budget you will no- tice that now that we have given a lot of incentives to the business community, we are looking at further incentives to the lower middle class and the poorer sections of the economy, also to become self-reliant within a free market economic framework.

One thing I would like to emphasize is that the Sri Lankan youth, educated and otherwise, must get used to the idea that the State cannot anymore, provide millions of jobs.

We have introduced several schemes for self-employment and employment in the private sector, such as the Surathura Loan Scheme in addition to the other loan schemes that existed earlier, and the “Tharuna Aruna’ employment scheme, which has a capacity of employing 20,000 graduates and ‘A’ level qualified people. But a lot of them are reluctant to come into this scheme. They say they will await the day they can get govemment employ ment. Whereas the private sector offers slightly better pay and some better conditions. But they are not willing to come in. Which also means that they cannot be that badly off. Because no one will refuse employment unless they have some kind of employment or income to keep body and soul together. So this also augurs well for the economy, if people are now selecting their employment. Because, I know that only a few years ago graduates used to come to us seeking employment. When I was chief minister of the Western Provincial Council when the UNP government was in power, there were ‘A’ level qualified youth who had done well in their exams, asking for jobs as hospital laborers, knowing full well all the menial jobs they had to do in a hospital. We don’t have that any more. That means there is some form of casual employment that is available all over the country, and they are willing to wait for a better job, which is also the sign of a solid and healthy economy.

But, of course they will have to realize that the State will not continue to be the major employer. No government can do that, and my government has the courage to tell the people this truth, rather than creating jobs where jobs are not supposed to be created. The Wijetunge Government, gave about 700 jobs in the banking sector, just two weeks before it went out, whereas a World Bank study had shown that the banking sector was heavily over employed and the government had agreed not to employ any more people, even when people retire, because it was impacting very seriously on the entire economy.

BT: How is that so. Could you explain this?

President: Certainly. It has been identified that the two State banks which dominate over 60 to 70% of the banking sector dictate terms in that sector. We all know that one of the basic necessities for an economy to kick-start within a free market framework is low interest rates or investment. But we have one of the highest interest rates in the whole region, perhaps in the whole world. And, one of the two major rea sons given for this is that we have over employment in the banking sector and they are overpaid compared to the rest of the sectors of the economy. So, it is very serious that just to keep a few thousands of bank employees happy, we have been affecting an entire economy by giving credit at high interest rates. And for 17 years the UNP government did not have the courage to tell this to the people and stop employment in the banks. We have had that courage. I have frozen employment for the last several years except in absolutely necessary sectors where we have taken on people. I have explained this. I have told this at public meetings, I have even explained this at election meetings after we came into power at the last local government elections, telling the young people we promised to give employment. In the first two and half years we have given nearly 300,000 job opportunities, which is not only in government, but in the private sector, foreign employment and the government sector. But do not expect us to give you all the employment you want in the State sector. Somebody has to have the courage to do this.

I would like to highlight that our people have to know that it is not in the State sector that they have to seek their fortunes. To a certain extent they may look to the State sector. But they must look more towards the private sector. Both the foreign and local private sectors. That is where the future lies.

BT: Having said that, what are the significant changes in budgetary and fiscal policy that have been imple mented by your government since the last budget, and how have they impacted on the economy as it is today?

President: Well, if you look at the budgetary policy itself, certainly I would say that for the first time in the history of this country, there was proper budgetary planning. I know that in the ’70s within a closed economic framework there was fairly good budgetary planning, but thereafter there was none. A free market economy does not mean an absence of budgetary planning. It means even better budgetary planning. The 17 years of the previous government had not had much budgetary planning at all. When I took over, I was shocked to see the manner in which budgets were planned by the Finance Ministry. So, therefore, even for that first budget which we had to draft very quickly, I insisted that every ministry, especially the ministries

that were dealing with developmental activity. should draw up very clear six year development plans and a one year implementation program, and that we would look into budget allocations according to those plans. You would be surprised to know that it took me nearly one and a half years to get the ministry officials, even the highest officials, to understand what this planning process was. I sent some officials from the Ministry of Plan Implementation, where there are a few who understand and have some experience in this field, to sit with those in various ministries and develop budgetary plans. I must say that in the last year or year and a half we got fairly good plans coming from the ministries. I am still not fully satisfied. But it has improved.

Secondly, even the budget department of the Ministry of Finance just kept on adding figures and putting it into the budget. They did no analysis of the budgetary requests, no estimation of what were the government's priorities, even though the priorities were stated, and thereafter certainly no proper follow up of the implementation of the budget allocations.

Now we have, at my special request, help from some of the international agencies in this matter. The IMF is giving us special help. There is a special team here and we are re-organizing, on one hand as I said the ministry plans and on the other hand the Treasury itself, the Budget Division, the Fiscal and Economic Policy Division and the National Planning Di-

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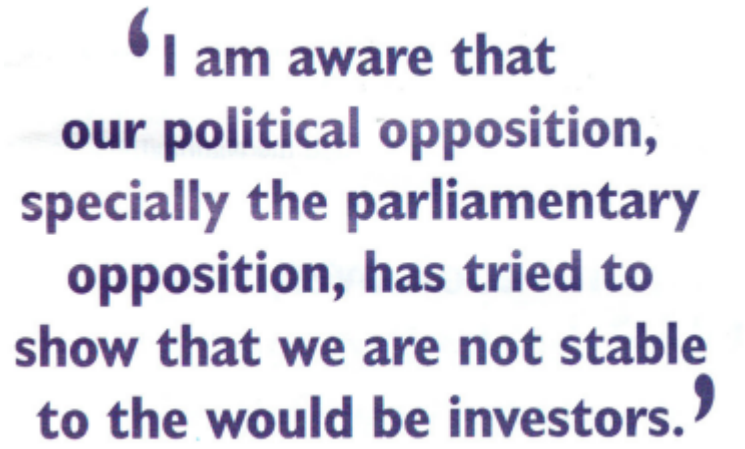
vision, in order to have a more streamlined budget. Thereby you can cut down huge amounts of waste, and streamline activity and also follow up better. Wherever certain ministries are weak in their implementation we know it immediately, as there is a feedback process. The Plan Implementation Ministry can thereafter follow

up on the implementation work.

As to the implementation of the budget itself. I had streamlined this work to a great extent through the Ministry of Plan Implementation, when I held that ministry, and the new minister is carrying on with this work. There are monthly meetings with the development ministries, progress reviews of annual action plans, and alleviating the problems in the implementation process. We have gone even further. We are now setting up units in every kachcheri, under the District Secretaries, to effectively be in charge of the implementation of the budgetary plans. I think in that sense we have made a big difference in our budgetary policy implementation process.

Next, to come to the main budgetary policy itself, which is that of getting our main fundamentals right. We have concentrated on tight budgeting. We have cut down on a lot of waste. We have also cut down on what is not priority spend-





ing at a time of war. We have ascertained very clearly our priorities in economic development and not allowed moneys to be spent on all the other things. This has meant that I have had to have an iron fist at Cabinet, when certain ministers come up with pet projects which may not need priority. Firstly, we need a very clear policy that I insist on, and thereafter having a very firm control of the implementation and not let it spill over in all directions.

The result of all this is that we have been able to bring down budget deficits from over 10% when we took over to a 7.5% deficit this year, which is excellent according to our standards. That, I must remind you, is with an annual increase of 110% on military expenditures. It is 110% more than the last years of the UNP government.

The last year it went up because it was a very bad year. There was the drought, which affected agriculture. There were the drought related power cuts which affected all industry and services. Although we expected the deficit last year to be about 7.5% it went up to 8.5%. But, the last half of ’94, all of ’95 and now ’97 have been good.

When we took over inflation was at 13% to 14% in the last few years of the last government. This year it would be around 8%. The economic growth rate we expect this year will be a little over 6%. Which is also excellent in the given political and economic situations. The Stock Market has recovered, foreign exchange reserves remain stable. Unemployment has reduced

from 14% when we took over to 11% in 1996, even with all the problems of last

year, and we expect it to be around 10% by the end of this year. This has also given a very good investor climate. Both foreign and local investors seem to have much more confidence in the government. Even though there is a civil war situation in a limited part of the country, this is due in large measure to the fact that there is political stability of the government, which is a fact I wish to high- light. They know that the government is politically stable; that we have been able to handle the almost impossible problems and challenges that we had to face.

Our ability to handle and manage these problems well has I think given a lot of confidence among investors. I have seen this every time I've been abroad. They know there is a government that is in complete control, whatever happens, and this is what is important as far as business is concerned. Take America, their World Trade Center was blasted, there was the Oklahoma bombing, their presidents have been assassinated, but the economy goes on simply because they know that whatever government is in there, is in control of the situation and can immediately handle the situation, as we have handled the three explosions that we have had in three years. That too we have been able to keep to a minimum because security in Colombo is better than it has ever been before.

BT: But what do you say to the growing criticism and skepticism about the security of Colombo?

President: I think the best answer is by way of comparison. The UNP government with a war at a much lesser intensity, had 12 bombs going off within a period of about nine months. At the airport, the CTO, the Pettah bus stand, Maradana, all of those. In comparison, the situation has been reduced to a minimum, although they have been big explosions. I don't in any way say it is a good thing to have explosions like this. But, we have been able to handle the situation immediately afterwards, and this, I believe, is what is important. That should make the critics think again.

To get back to the budget and the economy, there is the question of our image abroad. Also of course the resilience of the private sector, to face these various crises. In fact the country as a whole has been very resilient. They bounce back very fast, and I think we must be proud of that. The workforce, the peasantry, the middle classes are not downed by a situation like this. They are quick to be back to normal activity. I think it's a sort of two way process. I must say, personally, I was greatly encouraged by the resilience of and the confidence the private sector and the people of this country showed in our government after all these incidents, that

encourages us to handle the situation well and probably the fact that we are confident of ourselves gives them the confidence that they can carry on, as it happened soon after this bomb blast.

In fact within 24 hours, after the latest big bomb blast I summoned the three major private sector institutions that had been most affected, the two hotels and the WTC, we offered them financial help and all other forms of assistance and they were quite happy with that. In fact they were quite impressed at the speed with which we responded.

Also I think that in this context the image that foreign investors have is crucial to the development of an economy such as ours. This is because we do not have sufficient savings to undertake all the economic development the country requires, and as fast as we want to do it. For the foreign investors there are two or three things that are crucial. One is that they must know, first and foremost, that there is a government that is in control. In other words that they must know that the government is confident of itself, not in a blasé fashion, but that it is based on political stability. And we have a very stable political situation even with a war going on in the North.

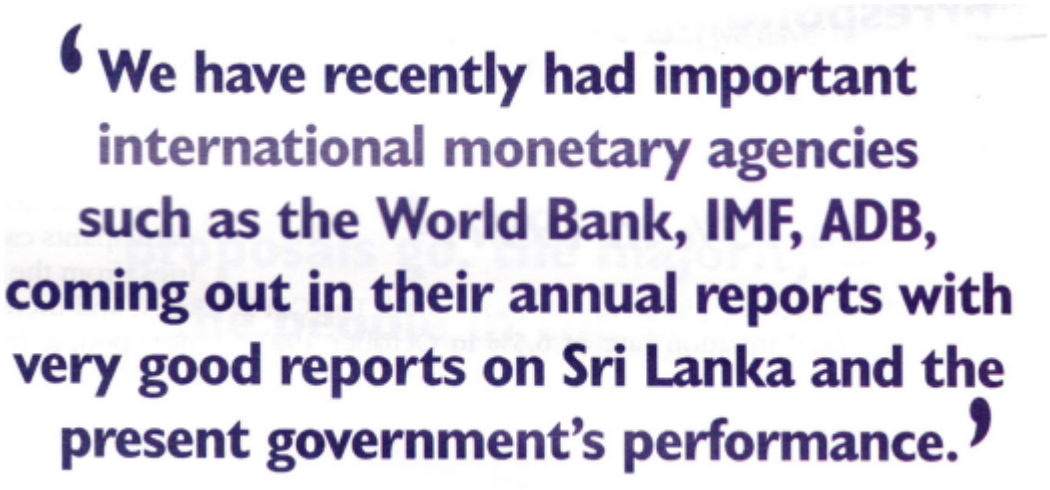
I am aware that our political opposition, specially the parliamentary opposition, has tried to show that we are not stable to the would be investors. They have committees set up for this purpose, which is very, very irresponsible. There are those who telephone would be investors and warn them not to come, pretending that it is the LTTE. I know the names of the persons on these committees. They ring up every single investor who hopes to come to this country. They have their contacts in the Board of Investment and such places, find out the prospective investors and then threaten them, and try to warn them off against coming here. This has not worked. fortunately. They kept saying the government is about to fall. They kept saying this for two years. First it was three months, then it was six months, then at the end of two years they realized that was not going to work, so they said the President would be killed next month and so on, and now that they can’t say that, they are threatening investors. That is also not working, so I don’t know what they will come up with next time. They once said the water was poisoned and we know who said it.

So, even with all that, the government remains stable and the foreign busi- ness investors are the first to realize this. They can’t be fooled so easily. That is one absolutely crucial factor. The next is the fiscal incentives that we give them. That is

where we come to the matter of fiscal policy. I must say the last government had also given a lot of fiscal incentives, but this government has stream- lined the process and given much more fiscal incentives. Because, whatever it may be, people will not come and look at our faces or the beauty of the country and make investments. They must know that there is a situation in which politically the government is stable; up North they know what is going on; there could be a few explosions taking place from time to time; so we had to give them the maximum encouragement. Therefore, we have given the maximum fiscal incentives that are possible and now it has led to a situation, where apparently, Sri Lanka and the Philippines, are the two countries in the whole of Asia, that give the best fiscal incentives. So, to get back to your ques- tion, first the political stability of the government, second the fiscal incentives given and last, but not the least, investors also look at the economic stability of a country. For that it is budget deficit, inflation, foreign exchange reserves, the performance of the Stock Market, and such indices of performance that matter.

It is knowing this that we have tried so hard to get our economic fundamentals right. We have recently had important international monetary agencies such as the World Bank, IMF, ADB, coming out in their annual reports with very good reports on Sri Lanka and the present government's performance. Other respected magazines and reviews of the private sector have also come out with good, complimentary articles on Sri Lanka and pointing to this country's good investment climate. These have helped us, and I think that is very important. Every time I have been to an investment forum abroad, the last was in London, but also in various other countries, such as Japan. Korea, China, India, France, Malaysia, the Middle East I have addressed business communities, and I think I have been able, hopefully, to create a good image about our economy and the political stability of our government, and all this has resulted in the fact that last year, even with the problems that we faced, the BOI has signed up the largest amount of investments for a single year. Those are now slowly coming in. As you know, signing up does not mean they all come. But, those are still slowly coming in. None of them have said they will not come because of the recent bomb blast. So I must go back to the three basics. The country must have a good political image, which means good governance also. First that the country is politically stable; secondly that other countries and various international agencies are not shouting about a bad human rights record of the government. We have a very clean image on that, but there is more to achieve on good governance such as anticorruption drives and transparency and all that; and finally of course good fiscal incentives and a stable

economy. All these are the significant changes that I believe my government has been able to achieve as opposed to the period before we took office.



BT: You say that you have got the economic fundamentals right. But there are many who say this is not so. That these are hollow statements for political advantage. Can you really prove a fundamental change in the fundamentals, if I may phrase it so?

President: Well, as it is said, none are so blind as those who do not wish to see. All right I will give you some statistics to prove my point and that of my government. Let’s take economic growth. An average GDP growth rate of 5.1% has been achieved during the last three years, compared to 5.1% during the entire 1977 to 1994 period, despite a moderation of growth rate to 3.8% in 1996 due to the severe drought and the power cuts. Economic growth in 1994 was 5.5%, in 1995 it was 5.5%, economic activity has rebounded in 1977 to generate a growth rate of 6%.

Let’s take a look at inflation. The annual average increase in the Colombo Consumer Price Index or CCPI during 1977 to 1994 was 12.1%. In one year, 1980, it rose to as much as 26%, while it was 18% in 1981, 17% in 1984 and 22% in 1990. With one of the worst droughts on record, the CCPI increased



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by 16% in 1996. Since then, inflation has moderated. The CCPI indicated an annual inflation rate of 6.5% in October 1997. These facts are there for anyone to see and compare.

As I said earlier, despite increased security expenditures. The overall budget deficit has been reduced from 10% in 1994 to 7% in 1997. Correspondingly, the growth of money supply has declined from 24% in 1994 to 13% in 1997. This fact alone should open the eyes of those who doubt what we say.

There is also another important factor, the overall national investment rate, this rose to 33% of GDP in the early 1980s, due largely to Mahaweli investments, but declined thereafter to 25% and lower by 1993, mainly due to the slowing down of private investment. It had in fact declined to 21.4% of GDP by 1993. Total investment in 1994 was 27% of GDP. But actual investment in that year was 25% when aircraft purchases by Air Lanka are excluded. The present government has been able to arrest this declining trend in private investment. The private investment rate increased to 22.2 in 1995, declined to 20.9 in 1996, due to the reasons we know only too well, and has already increased to 22.6% in 1997.

If you look at another important indicator, which is employment, I must repeat that the rate of unemployment declined from 13.8% in 1993 to 10.7% in the first quarter of 1997. These are all facts that cannot be challenged. This is proof, where proof is needed, to show that we have in fact got our economic fundamentals right, and the economy is on the path of progress.

BT: You did stray into my next question, in the course of answering some of my earlier questions. Any. way, since the meeting of Common- wealth Heads of State and Government took place so soon after the bomb blast in Colombo, I think the question is still valid. What is the future for foreign investment in Sri Lanka, particularly after your meeting with the Commonwealth leaders, and I would also add, what is the situation with regard to Malaysian investment, because discussions on that too took place quite recently?

President: As you said I have already answered a good deal on the matter of investment, except what more we could have gained from the Commonwealth meeting. As you know, the Commonwealth meeting for the first time also was a significant change from the traditional Commonwealth Heads of State meetings, where the leaders meet, have a good pow-wow, nice meeting and a good retreat and go home. This time we were all very happy that our host, Britain, had decided together with the Commonwealth Secretariat, to have a definite theme. It was a very relevant economic theme, Trade and Investment in the Context of the Globalization process that is going on. I think it was a very good meeting, but it was only a beginning and it would take a few more meetings for it to become, if at all practically effective for Commonwealth member countries.

The ‘Business Forum’ itself, though it was called so, was once again a meeting of economic leaders in the Commonwealth countries. It was not strictly a business

forum. A lot of participants came from the State sectors of the member countries, from the intellectual communities of the member countries, and there was a small scattering of very important business people from the richer countries of the Commonwealth. It was more a meeting of minds, trying to decide what should be done for the future. All I can say is that at such meetings, the impression by each member country and by whoever represents that country, is very important.

Well the comeback was that my speech there was very much appreciated. I think we created a very good impression at the forum, and these are the things that one has to thereafter build upon in creating business opportunities for our countries.

BT: If I can go on to a supplementary question on that, as this conference took place at Edinburgh in the UK, shortly after this bomb, what were the reactions with regard to terrorism, among the Commonwealth members?

President: Before that, If I may say it, actually Sri Lanka took up the cause, economically, of the smaller nations within the globalization process. While accepting that globalization is a marvelous thing, we also drew attention to the disadvantages that globalization could have for the weaker economies, and that was greatly appreciated by the smaller countries. Some of the richer countries did not appreciate that attitude at all because they were saying that globalization was excellent…period, that's all. And, that everyone must open. their markets indiscriminately and open up to the globalization process.

BT: Except Japan and the USA?

No, even the richer countries such as Britain, New Zealand, Australia would have liked us to just say hurrah and that it was all very marvelous. But we did not do that. We said we would like to be allowed to do what they, the richer countries, did for centuries, before their economies became stronger. That is to protect national production, to some extent, not as far as the richer countries did for centuries. Secondly, also we were able to take up the issue of Palestine. The Palestinians had asked for membership status, and some of the countries were trying to just gloss over it, saying they don't have any land so therefore they cannot be considered until they have a land of their own. Here I was able to take up a very strong position, stating the reason that Palestine does not have a land of their own is not their fault, that there was a history to this, and that Britain is not the least to blame for it. and that therefore we have to consider their request. I said this should be done especially because the PLO has openly and publicly given up their past

terrorist politics and come into the democratic mainstream, therefore as an encouragement, we must tell Palestine that if we cannot admit them this year, that at least by 1999, when according to the Oslo Accords Pales- tine should have a land, whether they have the land or not, that we will take them in. It was a very firm position I took, and I must say a lot of the smaller countries and the other SAARC countries supported me and this position. At least we were able to get in a line stating that by 1999, even if they have no land, we will seriously consider them for membership.

Well on the subject of terrorism, I took the initiative on that too. We were able to get a very strong paragraph or two on terrorism into the final declaration. You cannot expect a Commonwealth conference to call one or another organization a terrorist organization. It has to be done by individual member nations, the way the United Stated did. That we are working on. As for your query about Malaysian investment, I think there is no danger of the proposed investment not coming. They are still very much interested in Sri Lanka.

BT: If I do a slight change in the trend of questioning, how do you see the overall political situation in the country, especially now that the government's proposals for devolution have been made known both to parliament and the public?

President: I think, as far as the devolution proposals go, the majority of the people in the country are supporting and will continue to support it. When I say the majority, I mean the majority of the majority community and the majority of the minority communities together will support it. That is all we require as a government. We are a democratic government, we believe in parliamentary democracy and parliamentary democracy means 51% of the vote. We are aiming for much more than 51%, but if 51% of the people say 'Yes', then we think we are morally justified in implementing the devolution proposals, together with all the other proposals in the new Constitution.

BT: Are you talking in terms of 51% presuming that there will be a two-thirds majority support within Parliament?

President: Well, Parliament should normally reflect the feelings and the thinking of the majority of the people. But, the way the present Constitution is drafted and formulated, it does not give room to reflect the thinking of the majority of the people. The best example of that as I have always said, and shall continue to say,

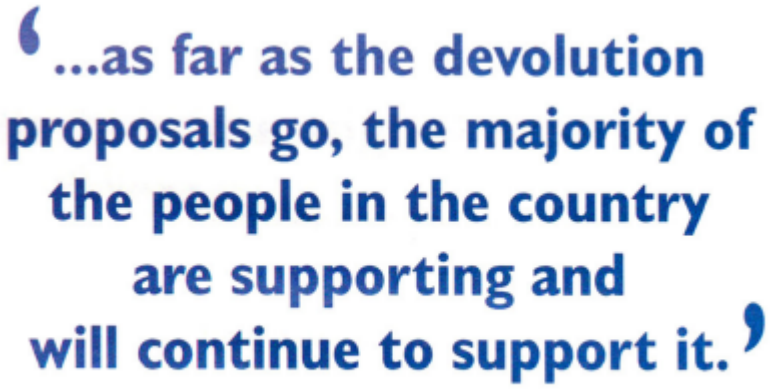
because some people, mainly our opponents would prefer not to hear it, is that the PA as a party won 80% of the electorate in the 1994 General Election but has only a one vote majority in Parliament. Which is an absolutely absurd situation. So that shows that it does not reflect the voice of the people. The way the system of counting of votes and the whole electoral system has been so manipulated, that finally when the people's representatives take their seats in Parliament, it does not reflect the People's Voice and their vote.

Therefore, whether Parliament gives a two-thirds majority or not, I think it is an immoral constitution in the first place because it does not reflect the people's viewpoint, and my knowledge of law and Constitutional Law, is that in a democratic situation the Constitution must reflect the majority view of the people. From the moment it does not do that, it be comes an immoral constitution and politically invalid. Then the question arises as to how something that is politically and morally invalid could be legally valid.

So, therefore, it would be very nice if the two-thirds majority is conceded by the UNP, but if they don't, as a responsible government we have to find solutions to give the people what they want.

BT: How do you view the progress of activity on the military front and the campaign for a political solution.

President: The political solution we have just talked of, also



the progress of activity on the military front I would say is very satisfactory. There are a lot of shortcomings, but it is a situation wrought with shortcomings. I don't like

to repeat it, but we inherited a terribly weak army. Not properly trained. Not properly equipped. With no political leadership. Completely wrought with divisions, jealousies, bickering and all this, I don't only mean the army I mean the whole military machine. However, in this short time, while continuing with the war, we have been able to correct most of that situation in order to go forward. But there are still some of those shortcomings.

Then, we don't have enough money. Sometimes we don't have enough men. It is very nice for people to sit here in Colombo and say continue with the war and don't have a political solution. But, none of them have given a son, a brother or friend to the war. Some of the delays are not due to lack of money, but very often due to lack of men. Let us not hide from this fact. So, with all that, we have had a very clear military plan. The way to judge whether you are successful or not in whatever you do, and how I judge it is, I plan something, first the policy, thereafter the implementation in the field, whether it is military or anything else, then implementation should have time targets. Thereafter to judge whether you are successful you have to see whether you have achieved what you set out to achieve in your plans, within the stipulated time. Accordingly, we have been very successful in achieving our targets. The only shortcoming has been that we have not been able to keep to the time targets. The two main reasons for that are, one the lack of money, and two the lack of people.

We have not lacked in heroism among our young boys. Everybody sings the praises of the LTTE cadres who hang the cyanide capsule round their neck. But we have had many more instances of pure heroism without cyanide among our youth in the forces, unsung and often unheard of. In fact at my request some people are now working on scripts to take some of these real life situations of heroism to the people. The leadership of the armed forces is excellent. Some of the corruption that was there in huge proportions, still continues. I have been able to control part of it, but not all of it. Let us be very frank. But the leadership problem has been solved. There must be lots of jealousies, lots of divisions among the personnel, but we do not tolerate any sneaking, any carrying of tales, we only deal with matters of policy implementation and operational matters. So they must have realized that with us they cannot carry tales and get anything at all.

‘I would have preferred
not to have fought a war at all.’

BT: What you say is that what you believe in is battlefield divisions and not individuals divisions?

President: Exactly. All those problems are no more. There must be the human problems, the jealousies and divisions, but we certainly do not allow them to surface in operational decisions and functions. That is what I think leadership is all about. I am quite satisfied with what is going on. But of course, this I say very sincerely, I would have preferred not to have fought a war at all. I hated it when I had to tell the armies to go back to fighting in 1995, but we had no other choice as the government of a sovereign state when we were attacked by the LTTE, for no known reason up to date, when we had given so much and they had taken all, and then when they began to fight we had to battle it out. Then I decided that if we had to do it, like anything else, we must do it efficiently. We have done it as efficiently as possible, within the constraints that were before us.

That is why I have been consistent in not just a two- pronged but a three-pronged approach to the problem. My government has been praised for this the world over. That is the military, political and development approach. That we are all the time trying to develop the North and East also. Specially the North, in the areas that we have ‘liberated’, The rea- son why we insisted on the second and third prongs was mainly because we wanted to end the war as fast as possible. We did not want to start it. When we were obliged to start it, we thought we will end it as fast as possible, and this is why I insisted on the devolution aspect and the development aspect. Because at no point did I allow the military approach to overcome the other two approaches. But there were problems of timing. There were times we did not talk so much of devolution, until we gained certain military successes. It is an almost impossible act of balancing. Because when we talk of negotiation, definitely our armies get discouraged. The best way to fight a war is to have a cry of war and call upon the people to sacrifice their sons to the war, if not the daughters too. We

could not do that because we were talking of peace and political solutions. It was a very difficult thing to balance these two approaches. I think we have achieved the right balance. There may be a few mistakes here and there, but on the whole, when the history of these three years comes to be written, it will be said that we successfully achieved our goals.

BT: Just a final question. What is your response to comments by political observers, journalists and others that there has been a stalemate, or deadlock situation both politically and militarily in this current conflict?

President: Where is the deadlock. The military is advancing. The other forces are advancing very clearly according to what we planned two years ago. There is absolutely no deadlock. It is just that sometimes the time target cannot be kept to. It is just that I cannot go and tell the people well this is our plan and we have achieved this much of the plan, and there is so much left to be achieved. Obviously those are confidential matters. But, whenever possible we have told the people what is possible to say about our military plans too. We have cleared more than three-fourths or about 80% of the inhabited areas of the North. Now about 85% of the population of the North is in government controlled areas. The LTTE has been confined to only the jungle areas to the East and West of the main supply route, which is the Thandikulam route going up to Kilinochchi and Elephant Pass. No, I don’t see any deadlock.

Politically I would say there is some justification in saying there is a deadlock, simply because constitutionally there is a two-thirds majority required, and the main opposition party, there is only one main party in the opposition the UNP, except the JVP with one member, and they are the only ones who have to give us that extra 14 votes. We only need 14 votes for the two-thirds majority, and if they are not ready to give it, there is a deadlock in parliament, but there is no deadlock in the country, politically. The people have given us their unstinted support, so there is only a deadlock in parliament, and I think it is rubbish that there is a political deadlock. We are going forward very nicely.