

CRS Report for Congress

Received through the CRS Web

Sri Lanka: Background and U.S. Relations

Updated May 16, 2005

Bruce Vaughn
Analyst in Asian Affairs
Foreign Affairs, Trade, and Defense Division

Severn Anderson
Analyst in Asian Affairs
Foreign Affairs, Trade, and Defense Division

Sri Lanka: Background and U.S. Relations

Summary

Sri Lanka is a constitutional democracy with relatively high educational and social standards. Under Sri Lanka's hybrid parliamentary model, an elected president appoints the cabinet in consultation with the prime minister. The country's political, social, and economic development has been seriously constrained by ethnic conflict between the majority Sinhalese and minority Tamil ethnic groups. Since 1983, a separatist war costing some 64,000 lives has been waged against government forces by the Liberation Tigers of Tamil Eelam (LTTE), a rebel group that has been seeking to establish a separate state in the Tamil-dominated areas of the north and east.

A Norwegian-brokered peace process has produced notable successes, though it was suspended by the LTTE in the spring of 2003 due to differences over interim administration arrangements. In February 2002, a permanent cease-fire was reached and generally has been observed by both sides. In September 2002, the government in Colombo and the LTTE held their first peace talks in seven years, with the LTTE indicating that it was willing to accept autonomy rather than independence for Tamil-majority regions. The two sides agreed in principle to seek a solution through a federal structure. However, LTTE leader Prabhakaran has stated that there may be a return to fighting. At the end of October 2003, the LTTE submitted to the government a proposal for establishing an interim administration in the Northeast. The period from 2004 to early 2005 has witnessed increasing instability within the ranks of both the Sinhalese government and the LTTE which has led to increasing concern over the future of the peace process.

Political rivalry between President Chandrika Kumaratunga, who leads the Sri Lankan Freedom Party (SLFP), and then Prime Minister Ranil Wickremesinghe, head of the United National Party (UNP), has hindered peace efforts. In early November 2003 the president removed three cabinet ministers, suspended parliament, and deployed troops around the capital while the then prime minister was in Washington seeking American support for the peace process. The crisis deepened in February 2004 when the president dismissed parliament and called for elections in April 2004. The United People's Freedom Alliance (UPFA), which is composed of the SLFP and the People's Liberation Front (JVP), won a slim majority of parliament and defeated the UNP and replaced Ranil Wickremesinghe with Mahinda Rajapakse as prime minister.

Government troops continue to occupy large swaths of Tamil-speaking territory and there remains doubt about the willingness of the LTTE to renounce the use of force and disarm. The United States designated the LTTE as a Foreign Terrorist Organization (FTO) in 1997 and demands that the Tigers lay down their arms and forswear the use of force before that status can change. U.S. policy supports efforts to reform Sri Lanka's democratic political system in a way that provides for full political participation of all communities; it does not endorse the establishment of another independent state on the island. Since Sri Lankan independence in 1948 the United States has provided over \$1.63 billion in assistance funds. This report may be of interest to congressional decision-makers as they consider legislation such as H.R. 886, S. 191, H.Res. 12, and S.Res. 4. This report will be updated periodically.

Contents

| | |
|--|----|
| Historical Setting | 1 |
| Political Situation | 2 |
| Ethnic Conflict | 4 |
| Peace Process | 5 |
| Obstacles | 9 |
| The Indian Ocean Tsunami — December 26, 2004 | 13 |
| Economy | 13 |
| U.S. Relations and Policy Concerns | 14 |
| Bilateral Relations | 15 |
| Trade, Investment, and Aid | 16 |
| Human Rights Concerns | 18 |

List of Figures

| | |
|----------------------------------|----|
| Figure 1. Map of Sri Lanka | 19 |
|----------------------------------|----|

Sri Lanka: Background and U.S. Relations

This report provides historical, political, and economic background on Sri Lanka and examines U.S.-Sri Lankan relations and policy concerns. Congressional interest in Sri Lanka focuses on the current peace process that seeks to end a two-decade-old civil war as well as on terrorist activity, human rights, and U.S. appropriations for food, economic, and military assistance.

SRI LANKA IN BRIEF

Population: 19.9 million (2005 est.); *growth rate:* 0.81% (2004 est.)

Area: 65,610 sq. km. (about size of West Virginia)

Capital: Colombo

Ethnic Groups: Sinhalese 74%; Tamil 18%; Arab 7%; other 1%

Language: Sinhala (official and national language); Tamil (national language); English widely used

Religion: Buddhist 70%; Hindu 15%; Christian 8%; Muslim 7% (2004 est.)

Life Expectancy at Birth: 72.89 years (2004 est.)

Literacy: 91% (2005 est)

Gross Domestic Product (at PPP): \$73.7 billion; *per capita:* \$3,700; *growth rate* 5.3% (2005 est)

Inflation: 7.6% (2004 est.)

U.S. Trade: exports to U.S. \$1.96 billion; imports from U.S. \$164 million (2004); 38.1 % of exports go to the United States (2004)

Sources: CIA World Factbook; U.S. Department of Commerce; World Bank; Economist Intelligence Unit; Global Insight

Historical Setting

Once a port of call on ancient maritime trade routes, Sri Lanka is located in the Indian Ocean off the southeastern tip of India's Deccan Peninsula. The island nation was settled by successive waves of migration from India beginning in the 5th century BCE. Indo-Aryans from northern India established Sinhalese Buddhist kingdoms in the central part of the island. Tamil Hindus from southern India settled in the northeastern coastal areas, establishing a kingdom in the Jaffna Peninsula. Beginning in the 16th century, Sri Lanka was colonized in succession by the Portuguese, Dutch, and English, becoming the British crown colony of Ceylon in 1802. In the late 19th century, Tamil laborers were brought from India to work British tea and rubber plantations in the southern highlands. Known as Indian Tamils, the descendants of these workers currently comprise 6% of Sri Lanka's population, while descendants of earlier Tamil arrivals, known as Sri Lankan Tamils, constitute 12% of the population.

Although Ceylon gained its independence from Britain peacefully in 1948, the succeeding decades have been marred by conflict between the country's mostly Buddhist Sinhalese majority and predominantly Hindu Tamil minority. Following independence, the Tamils — who had attained educational and civil service predominance under the British — increasingly found themselves discriminated against by the Sinhalese-dominated government, which made Sinhala the sole official language and gave preferences to Sinhalese in university admissions and government jobs. The Sinhalese, who had deeply resented British favoritism toward the Tamils, saw themselves not as the majority, however, but as a minority in a large Tamil sea that included the 50 million Tamils across the strait in India's southern state of Tamil Nadu. In 1972, Ceylon was renamed Sri Lanka ("resplendent land"), as it was known in Indian epic literature.

Political Situation

Sri Lanka's political life has long featured a struggle between two broad umbrella parties — the Sri Lanka Freedom Party (SLFP) and the United National Party (UNP) — both dominated by prominent family clusters. Since independence, the two parties have frequently alternated in power. Initially, Sri Lanka followed the Westminster parliamentary model. In 1978, however, the UNP instituted a strong executive presidential system of government. Under this French-style system, the popularly elected President has the power to dissolve the 225-member unicameral parliament and call new elections, as well as to appoint the prime minister and cabinet. President Chandrika Kumaratunga — leader of the SLFP and daughter of two former prime ministers — was re-elected to a second six-year term in December 1999, three days after she lost vision in one eye in a Tamil separatist suicide bombing that killed 26 and injured more than 100.

Although Kumaratunga's People's Alliance (PA) coalition won a narrow victory in the October 2000 parliamentary elections, a year later she was forced to dissolve parliament and call for new elections in order to avoid a no-confidence vote. In the resulting December 2001 parliamentary elections, the UNP won 109 seats (to 77 for the PA) and formed a majority coalition — called the United National Front (UNF) government — with the Tamil National Alliance (15 seats) and the Sri Lanka Muslim Congress (5 seats). UNP leader and Prime Minister Ranil Wickremesinghe pledged to open talks with the Tamil rebels and to resuscitate the ailing Sri Lankan economy.¹

In April 2004, a new parliamentary election was held after President Kumaratunga dissolved parliament. As a result of the new election, the electoral coalition, United People's Freedom Alliance (UPFA), composed of the populist SLFP and the Marxist-Leninist, Sinhalese nationalist People's Liberation Front (JVP), won a slim majority of the seats in parliament and defeated the UNP. The UPFA won 105 seats and 45.6% of the votes as compared to former Prime Minister Wickremesinghe's United National Party (UNP) which won 82 seats and 37.8% of the vote. UNP's defeat was attributed in part to a perception among voters that too

¹ Dayan Candappa, "New Sri Lanka Premier Sworn In Pledging Peace," *Reuters News*, December 9, 2001.

many concessions were being made to the Liberation Tigers of Tamil Eelam (LTTE) in peace negotiations.

The present phase of the ongoing crisis in Sri Lanka dates to November 2003, when President Chandrika Kumaratunga suspended parliament, declared a state of emergency, and dismissed key ministers responsible for peace talks with the LTTE.² This undermined existing peace efforts by former Prime Minister Ranil Wickremesinghe and cast doubt on the prime minister's ability to follow through on peace negotiations with the LTTE. The president's dismissal of parliament on February 7, 2004 and the LTTE's statement that this was a "grave set back" to negotiations cast further doubt on the future outcome of the peace process.

There have also been rumors that, in order to maintain political power, President Kumaratunga is contemplating reverting the Sri Lankan political system back to a Westminster-styled political model and doing away with the strong executive system enacted in 1978. Under this new Westminster model Chandrika Kumaratungais is viewed by some as likely to attempt to become the Prime Minister in order to preserve her political power.³

Political Parties in Parliament — 2004 Election Results

| Party | Votes | % | % Change* | Seats | Seats Change* |
|---|-----------|------|-----------|-------|---------------|
| Eelam People's Democratic Party | 21,860 | 0.2 | -0.06 | 1 | -1 |
| Illankai Tamil Arasu Katchi | 633,654 | 6.8 | - | 22 | +22 |
| Jathika Hela Urumaya | 554,076 | 6.0 | - | 9 | +9 |
| Sri Lanka Muslim Congress | 186,876 | 2.0 | +0.08 | 5 | - |
| United National Front | 3,410,174 | 36.8 | -8.8 | 82 | -27 |
| United People's Freedom Alliance (primarily composed of Sri Lankan Freedom Party and JVP) | 4,317,996 | 46.6 | +0.2 | 105 | +12 |
| Other | 138,096 | 1.5 | - | 1 | -15 |
| Total | 9,262,732 | - | - | 225 | - |

Note: The United People's Freedom Alliance vote and seat totals are compared with the combined People's Alliance (2001 electoral coalition of SLFP and other leftist parties) and JVP vote and seat counts at the 2001 election.

*All changes are in comparison to 2001 elections.

² Scott Baldauf, "Woman Behind Sri Lanka's Turmoil," *The Christian Science Monitor*, November 7, 2003.

³ Sri Lanka Country Report, *Economist Intelligence Unit*, February 2005.

Ethnic Conflict

The combination of communal politics, as practiced by both Sinhalese and Tamil political leaders, and deteriorating economic conditions created deep schisms in Sri Lankan society. By the 1970s, the government was facing Tamil unrest in the north and east, while the Sinhalese Marxist group, the JVP, waged a terrorist campaign against Tamils in the central and southern regions. Periodic rioting against Tamils in the late 1970's and early 1980's, culminating in the devastating communal riots of 1983 spawned the creation of militant Tamil groups that sought to establish by force a Tamil homeland that would include the Northern and Eastern provinces. The Liberation Tigers of Tamil Eelam, led by its charismatic founder and chief strategist Vellupillai Prabhakaran, emerged as the strongest and best organized of these groups.

A full-scale separatist war broke out in the north following July 1983 riots in which several thousand Tamils were killed in retaliation for the slaying of 13 Sinhalese soldiers by Tamil militants. Two decades of war have claimed some 64,000 lives and displaced between 800,000 and 1.6 million people. LTTE forces, estimated at up to 10,000 men and women in strength, are armed with long-range artillery, mortars, antiaircraft weaponry, and captured armored vehicles (including several T-55 tanks and armored personnel carriers (APC's) and control portions of the Northern Province and some coastal areas of the Eastern Province. A small but effective naval contingent, known as the Sea Tigers, includes speedboats, fishing vessels, mini-submersibles of indigenous construction, and underwater demolition teams. The LTTE air wing has also reportedly constructed an airstrip at Iranamadu in the north and acquired at least two light aircraft (to go along with a few pre-existing helicopters and gliders).⁴ Weapons reportedly have been obtained through illegal arms markets in Burma, Thailand, and Cambodia, and from captured Sri Lankan forces. Financial support for the LTTE reportedly has come from the worldwide diaspora of Tamil emigres (especially the Tamils in Canada and Western Europe⁵), as well as from smuggling and legitimate businesses. Tamil Tiger suicide bombers are believed responsible for the assassination of numerous Sri Lankan political leaders, including Sri Lankan President Ranasinghe Premadasa in May 1993, and many moderate Tamil leaders who opposed the LTTE. Former Indian Prime Minister Rajiv Gandhi (whose efforts to assist Sri Lanka in enforcing a peace accord with the Tamils in 1987 ended in the deaths of over 1,000 Indian troops) was assassinated in May 1991 by an alleged LTTE suicide bombing.⁶ One leading scholar claims that the LTTE had been responsible for fully half of all suicide attacks

⁴ Sugeeswara Senadhira, "Kumaratunga's Dilemma on Joint Mechanism", *Asian Tribune*, April 23, 2005.

⁵ "Expert Criticizes Canada for Not Banning LTTE", Colombo, *The Island*, September 15, 2003; Patterns of Global Terrorism: 2003 Report, U.S. State Department Publication, 2003

⁶ Many Indians are intent on seeing top LTTE leaders, including Prabhakaran, extradited to India to stand trial for the death of Rajiv Gandhi (see V.S. Sambandan, "Looking Beyond the Peace Talks," *Frontline* (Madras), April 11, 2003).

worldwide in recent years.⁷ Four previous attempts at a peaceful settlement ended in failure and violence.

Peace Process

The current Norwegian-brokered peace effort, which began in 1999, has produced notable success since Prime Minister Wickremesinghe revived the process upon taking office in late-2001. In February 2002, a permanent cease-fire was reached and, despite several incidents of alleged violations, has since been observed by both sides. In addition, confidence-building measures called for under the cease-fire have been implemented. In April, LTTE leader Prabhakaran emerged from hiding for his first press conference in 12 years and suggested for the first time that the LTTE would be willing to settle for less than full Tamil independence. In September 2002, Sri Lanka lifted its 1998 ban on the LTTE, a move which the Tigers had demanded as a pre-condition for peace talks. Buddhist clerics and the JVP, however, have opposed negotiating with the LTTE.⁸

In September 2002, at a naval base in Thailand, the Colombo government and the LTTE held their first peace talks in seven years. The meeting, which resulted in an agreement to establish a joint task force for humanitarian and reconstruction activities, was deemed successful by both sides. On the third day of talks, the LTTE announced that it would settle for “internal self-determination” and “substantial regional autonomy” for the Tamil population rather than full independence — a major shift in the rebels’ position. A second round of talks in October-November 2002 brought another breakthrough when the two sides agreed on a framework for seeking foreign aid to rebuild the country (officials estimate that repairing the war-damaged infrastructure in the island’s northeast could cost as much as \$500 million⁹). A multilateral “donor conference” in Oslo in late November brought numerous pledges of external assistance, with the United States promising to “play its part” toward implementation of a peace plan.¹⁰

In what appeared to be an important breakthrough, talks in early December 2002 ended with the issuance of a statement that “the parties have agreed to explore a solution founded on the principle of internal self-determination in the areas of historical habitation of the Tamil-speaking peoples, based on a federal structure

⁷ Cited in Amy Waldman, “Suicide Bombing Masters: Sri Lankan Rebels,” *New York Times*, January 14, 2003.

⁸ Amal Jayasinghe, “Sri Lanka Lifts Ban on Tigers Ahead of Thai Talks,” *Agence France-Presse*, September 4, 2002.

⁹ “Sri Lankans in Reconstruction Talks,” BBC News, November 18, 2002. Large numbers of Tamil refugees have already begun returning to the war-torn region since the February 2002 cease-fire (Dilip Ganguly, “100,000 Refugees Return to Sri Lanka,” *Associated Press Newswire*, September 20, 2002).

¹⁰ “Transcript: U.S. Prepared to ‘Play Its Part’ to Further Peace in Sri Lanka,” U.S.I.S. Washington File, November 25, 2002.

within a united Sri Lanka.”¹¹ This language marks a significant concession from both parties: the Colombo government for the first time accepted the idea of federalism, and the rebels, in accepting a call for *internal* self-determination, appear to have relinquished their decades-old pursuit of an independent Tamil state.

A fifth round of negotiations took place in Berlin in February, 2003, but made no notable progress other than to schedule further talks on revenue sharing issues. The meetings began only three hours after three LTTE rebels incinerated themselves at sea when Norwegian truce monitors boarded their weapons-laden craft. Although “very clearly a violation of the cease-fire,” the incident did not derail the peace process; it did, however, erode somewhat international confidence, especially among potential donor nations. The United States called the Tigers’ arms smuggling effort “highly destabilizing” and urged the LTTE to “commit itself fully to peace and desist from arms resupply efforts.”¹²

Talks in Japan in March, 2003 produced no major breakthroughs on political or human rights issues. Norwegian brokers noted that the main purpose of the meetings was to lay a foundation for a donor conference that Japan had offered to host in early June. A Japanese participant suggested that the promise of major external assistance — expected to be some \$3 billion over three years — is what has kept the disputing parties at the negotiating table.¹³ As in February, violence again threatened to derail the process. On March 10, 2003, a Sri Lankan Navy vessel sank what the Colombo government described as an attacking Tiger boat, killing 11. The Tigers condemned the attack, claiming that their unarmed “merchant vessel” was not a threat. It is not clear whether the incident took place in international waters or whether the Tiger boat was carrying munitions. Norwegian truce monitors criticized both sides while refraining from ruling who was at fault.¹⁴

Also in March, 2003, the World Bank established a special North East Reconstruction Fund and pledged its “unconditional support” for Sri Lanka’s development programs. A new Country Assistance Strategy (CAS) was announced on April 1, the first for Sri Lanka since 1996. Organized around the central themes of peace, growth, and equity, the CAS includes \$800 million in grants and interest-free loans over the next four years, more than tripling average annual World Bank lending to Sri Lanka since 1998.¹⁵

¹¹ Amy Waldman, “Sri Lanka to Explore a New Government,” *New York Times*, December 6, 2002.

¹² “Sri Lankan Peace Talks Start in Berlin,” Reuters News, February 7, 2003; Amal Jayasinghe, “Suicide Bomb Blunts Sri Lanka’s Peace Momentum,” *Agence France-Presse*, February 10, 2003; “U.S. Criticizes Tamil Tiger Smuggling,” *BBC News*, February 12, 2003.

¹³ Scott McDonald, “Sri Lanka Propose Aid Body to Tamil Tigers,” Reuters News, May 28, 2003; Amal Jayasinghe, “Sri Lanka Negotiators Leave Japan With Little Progress, But Cash Hopes Alive,” *Agence France-Presse*, March 22, 2003.

¹⁴ “Sri Lanka Monitors Chide Both Sides Over Sea Clash,” *Reuters News*, March 17, 2003.

¹⁵ Florence Wickramage and Kushani Ratnayake, “World Bank Pledges Unconditional (continued...) ”

In April, 2003, the Colombo government said that it was considering holding an island-wide non-binding referendum to endorse its current peace negotiations with Tamil rebels. A public opinion poll found that nearly 84% of all Sri Lankans believed that peace could be achieved through peace talks, including more than 95% of Tamils.¹⁶ The LTTE pulled out of the peace negotiations on April 21, 2003. This prevented a seventh round of peace talks from taking place in Thailand that were set to begin on April 29, 2003.

In September 2003, Norway and Japan headed an effort to revitalize the peace process in Sri Lanka and get the Sri Lankan government and the LTTE negotiating again. The Japanese and Norwegian efforts have been aimed at keeping the faltering peace process between the LTTE and the Sri Lankan government from devolving back into further conflict.

The peace initiatives by Norway and Japan followed an August meeting of the Tigers with their constitutional experts in Paris. The meeting was part of the Tigers' effort to respond to a July 17 Sri Lankan government proposal for an interim administration in the northeast of Sri Lanka. This was a major concession by the government to Tiger demands which were a prerequisite for further talks.¹⁷ For their part, the Tigers had previously made the key concession that they would settle for an autonomy agreement rather than their previous goal of a separate state. Despite these concessions by both sides, a peace agreement is not guaranteed. The LTTE has indicated that they will once again seek secession and an independent state if substantial autonomy is not achieved through the negotiation process.¹⁸

The government is split between a more conciliatory faction represented by President Chandrika Kumaratunga and a more hardline faction represented by the JVP. The UNP opposition is also regarded as the party most willing to negotiate with the LTTE in order to end the conflict. Many observers believe that this is due to the fact that a large portion of UNP political support is derived from the business class whose success depends on limiting the impact of uncertainty and instability which the conflict creates.

It was hoped that the LTTE would respond to the government's offer and rejoin peace negotiations by the end of September 2003.¹⁹ An earlier proposal for an interim administration in June 2003 was rejected by the LTTE. The government is still

¹⁵ (...continued)

Support to Lanka," *Daily News* (Colombo), March 28, 2003; "World Bank Discusses New Country Assistance Strategy for Sri Lanka," World Bank Press Release, April 1, 2003.

¹⁶ Francis Harrison, "Sri Lanka Ponders Peace Vote," *BBC News*, April 4, 2003; "Overwhelming Support for Peace Talks — Poll," *Daily News* (Colombo), March 24, 2003.

¹⁷ Amal Jayasinghe, "Norway to Make Fresh Bid to Revive Sri Lanka Peace Process," *Agence France Presse*, September 3, 2003.

¹⁸ Amy Waldman, "Sri Lanka to Explore a New Government," *The New York Times*, December 6, 2003.

¹⁹ "Tamils Begin Paris Talks on Sri Lanka Peace Offer," *Agence France Presse*, August 21, 2003.

having difficulty making offers as some observers have noted that a constitutionally viable solution will require the consent of the more hardline faction in the government led by the JVP who have gone on record as opposing further concessions to the LTTE.²⁰

The international community has made an effort to support the peace process by offering inducements for peace. An international donors conference held in Tokyo in mid June 2003 obtained aid pledges for Sri Lanka totaling \$4.5 billion. One billion of the \$4.5 billion was pledged by Japan over the next three years. Some 51 nations and 20 international institutions participated in the conference, though the LTTE boycotted it.²¹ Later in June, the World Bank approved a loan of \$125 million to assist Sri Lanka for poverty reduction, reconstruction in the northeast and to support the peace process.²² Deputy Secretary of State Armitage expressed his support for the peace process at the Tokyo conference by asking the LTTE to end their boycott of the talks.²³

As of April 2005, the peace process remains stalled. The LTTE insist on interim self-rule in the Tamil northeast as the basis of resumption of peace talks. The Government has expressed a desire that the LTTE restate that they would explore a federal solution to the conflict and that discussion of Interim Self Governing Authority (ISGA) be part of a comprehensive peace discussion and not a precondition of such negotiations. Further, divisions within both the government and the LTTE cast doubt on the eventual outcome of the peace talks.

The period from 2004 to early 2005 witnessed increasing instability within the ranks of both the Sinhalese government and the LTTE which has led to increasing concern over the future of the peace process. Peace talks, which broke down in April of 2003, continue to be stalled though the cease fire remains largely intact. Despite this, LTTE leader Prabakaran has stated that there may be a return to fighting. The aid pledges of \$4.5 billion for Sri Lanka are largely contingent on peace.

The cease-fire is still holding at present, although it is under strain. The present crisis has continued past the April 2, 2004 elections and has been exacerbated in early 2005 by a number of factors. These include tensions between the SLFP and its coalition partners, the JVP, over the privatization of the university educational system and the petroleum sector, the possibility of a joint distribution mechanism with the LTTE of foreign aid as a result of the tsunami of Dec. 26, 2004, to LTTE controlled areas, and the prospect of a peace agreement that grants greater autonomy to the Tamil-controlled North and East. The JVP strongly opposes all of the above and

²⁰ Voice of America, "Sri Lanka Peace," *Federal News Dispatch*, June 20, 2003.

²¹ "Donors Pledge \$4.5 Bill for Sri Lanka Peace," *Ji Ji Press*, June 10, 2003.

²² "World Bank Gives \$125 Million," *Agence France Presse*, June 18, 2003.

²³ "U.S. Asks Tamil Tigers to Resume Talks with Sri Lankan Government," *BBC Monitoring News File*, London June 13, 2003.

have threatened numerous times that they would withdraw from the United People's Freedom Alliance, thus depriving the electoral coalition a majority in parliament.²⁴

The LTTE too has experienced instability and intra-factional disagreements. In March 2004 there was a major rupture within the LTTE ranks. Vinayagamoothi Muralitharan, alias Col. Karuna (who, as Special Commander, Batticaloa-Amparai District, was in over-all charge of the LTTE's military operations in the Eastern Province) split with the Northern command of the LTTE headed by the supreme commander of the LTTE (Veluppillai Prabhakaran) and took an estimated 6,000 soldiers with him. Col. Karuna then called for a separate truce with the government. Factional fighting ensued between Karuna's splinter group and the Northern faction of the LTTE and resulted in Prabhakaran's reassertion of control over the eastern areas which Karuna had previously operated.

Since that time there have been numerous instances of political and military operatives being killed by each side as they jockey for power in the East. The LTTE has accused Col. Karuna and those loyal to him of cooperating with Sri Lankan Army (SLA) paramilitaries and special forces in raids and targeted killings of forces under their command, which the SLA denies. Karuna has since withdrawn to a fortified base in the jungles of eastern Sri Lanka where they have repelled LTTE attacks.²⁵ Between February and April of 2005 there were several recorded instances of serious violations of the ceasefire. First was the death of a high level LTTE political officer, E. Kousalyane, in early February which was followed by an increase in politically motivated killings of individuals throughout the eastern provinces.²⁶ In early April there was also a much publicized incident when a Sea Tiger unit attacked a Sri Lankan Navy vessel carrying a peace monitor, slightly wounding him. This led to a formal censure of the LTTE by the ceasefire monitoring group, the Sri Lanka Monitoring Mission (SLMM), and marked a particularly brazen attack as the Sri Lankan Navy vessel was flying the SLMM flag indicating that monitors were abroad.²⁷

Obstacles

The fact that the ceasefire has held despite the stalled negotiations between the Sri Lankan government and the LTTE has surprised many observers. Despite this, negotiators face a difficult phase as they attempt to craft a political system that maintains Sri Lanka's unity while addressing the LTTE's desire for substantive autonomy.²⁸ A variety of federal models are under consideration, including those that

²⁴ , "JVP Threatens to Bring Down Lanka Govt. Over LTTE Tsunami Deal, *The Hindu*, April 20, 2005

²⁵ *PTI News Agency*, New Delhi, March 21, 2005.

²⁶ V.S. Sambandan, "Batticaloa LTTE Leader Killed," *Hindu* (Madras), February 7, 2005.

²⁷ "Tamil Tiger 'Breached Ceasefire'," *BBC News*, April 08, 2005

²⁸ A Tamil state is considered to be a *fait accompli* by many, given the LTTE's establishment of well-organized police, court, and prison systems, a law college, motor vehicle registry, tax and customs departments, health clinics, and even a forestry division (continued...)

have seen success in Switzerland and Canada, among others.²⁹ In addition to questions of power-sharing, numerous other highly contentious issues to be settled include geographical boundaries, human rights protection, political and administrative mechanisms, public finance, law and order, and LTTE accountability for past actions.³⁰

A key unresolved near-term issue is the decommissioning of LTTE weapons, which the Tigers repeatedly have stated will not occur until a permanent settlement is reached. The SLFP claims that the rebels are “armed to the teeth” and must disarm as part of the negotiation process.³¹ Also, there are reported to be 35,000 government troops controlling as much as one-third of the Jaffna Peninsula at the island’s northern tip. The Tigers have refused to make peace while part of the country remains under “army occupation,” but the Sri Lankan military is concerned that any resettlement of civilians could be used as cover by the Tigers to better position themselves should fighting resume.³² Colombo is refusing to open up the “high security zones” until the rebels lay down their arms, an action the Tigers call “non-negotiable” at this stage.³³ Some analysts express certainty that the Tigers will be unwilling to disarm in the foreseeable future, and even some Sinhalese intellectuals are reported to sympathize with the rebels’ hesitation to disarm, given their perceived need for “leverage” against a Sinhalese-dominated government that “has given no reason to the LTTE to trust it.”³⁴ Many believe that the Tigers are continuing recruitment and arms procurement efforts in violation of the February 2002 cease-fire agreement to maintain the military balance.³⁵

There have been a number of incidents of concern since the cease fire was declared. Reports indicate that since the beginning of the cease fire, the LTTE has killed a number of rivals, informants, and intelligence officers.³⁶ On August 6, 2003 the U.S. State Department “noted with concern” that the LTTE was “undermining confidence in the peace process” by maintaining a military camp near Trincomalee

²⁸ (...continued)

(John Lancaster, “In Some Ways, Rebels Without a Cause,” *Washington Post*, January 14, 2003).

²⁹ See Teresita Schaffer and Nisala Rodrigo, “Sri Lanka: Finding the Start of a Long Road,” *South Asia Monitor* 54, Center for Strategic and International Studies, January 1, 2003.

³⁰ V.S. Sambandan, “Fashioning a Federal Sri Lanka,” *Hindu* (Madras), December 10, 2002.

³¹ “Tamil Tigers ‘Must Disarm,’” *BBC News*, December 13, 2002.

³² Amy Waldman, “Sri Lanka Faces the Divisions Within,” *New York Times*, January 8, 2003.

³³ “Sri Lanka Talks Face Hurdle,” *BBC News*, January 4, 2003.

³⁴ Rasheed Bhagat, “No to War Isn’t Yes to Peace,” *Business Line* (Madras), April 8, 2003.

³⁵ V. Suryanarayan, “Paradigm Shift in Sri Lanka?,” *Hindu* (Madras), January 21, 2003; Anthony Davis, “Sri Lanka Intercepts New Arms Purchases,” *Jane’s Intelligence Review*, April 1, 2003.

³⁶ Amal Jayasinghe, “Violence Against Muslims Adds to Sri Lanka Peace Bid Worries,” *Agence France Presse*, August 19, 2003.

and by conducting “political assassinations.”³⁷ The Sri Lankan Muslim Congress, which is a constituent of the UNF, has also accused the LTTE of killing Muslims in the east.³⁸ The LTTE has defied the Norwegian-led Sri Lanka Monitoring Mission (SLMM) by refusing to dismantle the Wan Ela camp near Trincomalee. The SLMM had ruled that the LTTE had breached the cease fire agreement by setting up the new camp.³⁹ On June 14, 2003 a Sri Lankan naval patrol intercepted a vessel suspected of running guns for the Tigers.⁴⁰

From 2004 to early 2005 there has been an increase in the number of small-scale violations of the ceasefire. These include the LTTE’s firing on SLMM personnel on board a Sri Lankan naval vessel as well as the construction of an airfield for the LTTE Air Tigers. These developments have been attributed to the continued jockeying for position in the lead up to any resumption of anticipated talks. However, the overall ceasefire has held and, apart from these isolated incidents, there has been no large scale resumption of violence.

A potential obstacle to a peace deal in the near- and middle-term is the continuing political division between the JVP and the SLFP in regards to any settlement of autonomy or self-governing aspects of any eventual peace deal. The JVP has threatened to withdraw from the UPFA coalition if any agreement is reached which they allege might ‘impinge national sovereignty’.

The SLFP has expressed concerns that the Norwegian mediators are biased in favor of the rebels, and that the United States and Britain are “planning to reward terrorism.” In November 2002, the party vowed that it would no longer countenance developments which “jeopardize the country’s sovereignty.”⁴¹ Kumaratunga also has complained that Oslo’s role in assisting the LTTE’s December procurement of a powerful FM radio transmitter raised serious questions about Norway’s impartiality.⁴² Press reports indicate that the Tigers will use the new equipment to extend their radio broadcasts into government-controlled regions for the first time since the civil war

³⁷ “U.S. Notes with Concern LTTE Camp and Political Assassinations,” State Department, Press Release, August 7, 2003.

³⁸ V.S. Sambandan, “Sri Lanka to Step up Security in the East,” *The Hindu*, August 22, 2003.

³⁹ Amal Jayasinghe, “Tigers Defy Scandinavian Monitors,” *Agence France Presse*, August 8, 2003.

⁴⁰ Amal Jayasinghe, “Double Blow to Sri Lanka Peace Bid,” *Agence France Presse*, June 14, 2003.

⁴¹ Frances Harrison, “Sri Lanka Peace Moves Attacked,” *BBC News*, November 15, 2002.

⁴² “Kumaratunga Angry at Norway,” *BBC News*, December 31, 2002. In a more positive development, Kumaratunga in February 2003 offered that her country has “no other option” but to continue with the peace process (“Country Cannot Afford to Go Back on War — President,” *Daily News* (Colombo), February 26, 2003).

began; some critics say the move provides the rebels with an influential propaganda tool.⁴³

The shift in power from Wickremasinghe to Kumaratunga appears to some analysts to indicate an increasingly hardline position by the government. At the same time the recent split, and ensuing inter-factional fighting, within the LTTE appears to indicate a weakened LTTE organization. For these reasons and potentially due to the devastation wrought by the tsunami, the LTTE may not pursue a military solution at present despite its frustration with the government for not acceding to its demand for a Interim Self Governing Authority (ISGA) as a precondition to a resumption of negotiations. That said, the LTTE may resort to violence in an attempt to get the government to shift its position on the resumption of negotiations.⁴⁴ It is also thought that the government will likely have difficulty getting the JVP to support any concessions it might make to the LTTE.⁴⁵

Control of the Sri Lankan military also appears to be crucial to be able to negotiate peace with the LTTE. Observers have noted that there is speculation over increasing politicization within the military in Sri Lanka.

President Kumaratunga's actions on November 4th and 5th, 2003, to remove Defense Minister Tilak Marapone, Interior Minister John Amaratunga, and Information Minister Imthiaz Bakeer Makar and declare a state of emergency, while also deploying troops around the capital and dismissing parliament, undermined developments in the peace process pursued by then-Prime Minister Wickremesinghe with the LTTE in 2003.⁴⁶ These actions followed the October 31, 2003 submission by the LTTE of a power sharing proposal for an interim administration for the northeast that reportedly would give the rebels significant authority over the territory under their control.⁴⁷ President Kumaratunga's adviser, Lakshman Kadirgamar, criticized the LTTE proposal for an Interim Self-Governing Authority as a "total incursion into Sri Lanka's sovereignty" and as a result, unacceptable.⁴⁸ It has also been reported that the president views the ISGA as a foundation for partition. While in Washington to meet with President Bush, then-Prime Minister Wickremesinghe stated that President Kumaratunga's moves were calculated to hurt the peace process and a United States State Department spokesman expressed concern that recent events "could have a negative effect on the peace process."⁴⁹

⁴³ "Tamil Tigers to Mount Radio Offensive," *BBC News*, January 2, 2003; Frances Harrison, "Tamil Tiger Radio Goes Legal," *BBC News*, January 16, 2003.

⁴⁴ V.S. Sambandan, "The Stalemate in Sri Lanka", the Hindu, December 18, 2004.

⁴⁵ "Sri Lanka Country Report," *The Economist*, December 2004.

⁴⁶ "Sri Lanka: Situation Report," *Stratfor*, November 5, 2003.

⁴⁷ "Sri Lankan President Seizes Control," *The Times*, November 5, 2003.

⁴⁸ "Sri Lankan Aid Says Tiger Proposal "Unacceptable," *BBC News*, November 5, 2003.

⁴⁹ "Sri Lankan President Seizes Control," *The Times*, November 5, 2003.

The Indian Ocean Tsunami — December 26, 2004

The tsunami that devastated much of Asia hit Sri Lanka particularly hard. As of April 20th, 2005, 31,147 persons were reportedly killed in Sri Lanka with 4,114 missing and 11 Americans killed⁵⁰. According to the Sri Lankan government an estimated 496,282 Sri Lankans have been displaced from their homes. The Sri Lankan Ambassador to the United States, Devinda Subasinghe, stated up to 70% of the Sri Lankan coast was damaged. The single most costly event in terms of human lives was the complete destruction of a train traveling along a coastal railroad track. Over 2,000 people died in this single incident.⁵¹ Fortunately, the feared outbreak of disease that was projected to follow never materialized.

President Bush expressed his condolences to the Sri Lankan people over the “terrible loss of life and suffering.” A statement issued by the State Department stated that the United States stood ready to provide assistance to those nations most affected, including Sri Lanka.⁵² The State Department also issued a travel advisory warning Americans to avoid Sri Lanka which it has now rescinded. It has been reported that the Pacific Tsunami Warning Center tried to warn the region of the incoming tsunami but that it was unable to do so because the region does not have an alert system. It took one and a half hours for the tsunami to reach Sri Lanka from its epicenter west of Sumatra, Indonesia.

Economy

Formerly a colonial economy based on plantation crops (tea, rubber, coconut, sugar, and rice), modern Sri Lanka’s manufactured products account for nearly 80% of the country’s exports, including garments, textiles, gems, as well as agricultural products. Tourism and repatriated earnings of Sri Lankans employed abroad are other important foreign exchange earners. The first country in South Asia to liberalize its economy, Sri Lanka began an ongoing process of market reform and privatization of state-owned industries in 1977. Privatization efforts have slowed in recent years, however. In 2001, both tourism and investor confidence, on the rebound in 1999, were seriously affected by major LTTE terrorist attacks and political instability. Sri Lanka’s entire economy also suffered as a result of prolonged drought (the worst in two decades), related hydroelectric power shortages, and the worldwide economic downturn.

Despite the existence of such obstacles, current estimates show Sri Lanka’s economy is doing relatively well. The economy grew by 5.5% in the first three

⁵⁰ “Indian Ocean-Earthquakes and Tsunami”, Fact Sheet #37, USAID, April 1, 2005. *The Seattle Times*, Seattle, Washington, February 9, 2005.

⁵¹ Shimali Senanayake, “Sri Lanka: Railroad Line Closed by Tsunami Reopened” *Associated Press*, Feb. 21, 2005.

⁵² Deb Riechman, “Bush Sends Condolences to Asia, Offers Aid,” *Associated Press*, December 27, 2004.

quarters of 2004.⁵³ Annual growth for 2005 is estimated to slow to 4.3% due to the tsunami and its after effects.⁵⁴ It is estimated that in 2006 that economic growth will accelerate to 6% based upon a broad-based recovery⁵⁵. Possible success with renewed privatization efforts and further progress in the current peace process would do much to spur greater economic growth in Sri Lanka. Another important future variable will be levels of U.S. and European demand for textiles. Despite earlier and possible future government-LTTE negotiations, the civil war continues to place a heavy burden on the country's economy, as well as to hinder its economic potential. Many analysts believe that annual growth rates would have been as much as three percentage points higher in the absence of protracted ethnic conflict.⁵⁶

The uncertainty caused by the ongoing conflict was particularly unfortunate for Sri Lanka as the economy was rebounding with new-found confidence that an agreement would be reached between the government and the LTTE. In 2005, foreign investment was expected to reach \$300 million, and the economy was expected to expand by 5.5% to 6%.⁵⁷ The president's call for snap elections, years before they had to be called, caused a 15% drop in the Colombo stock market in early February 2004. The Sri Lankan rupee at the time also dropped to close to its all time low before the central bank intervened to support it at 98.25 to the U.S. dollar.⁵⁸ Actual growth for 2004 was an estimated 5.3%, and the budget deficit was an estimated 8.6% of GDP.⁵⁹

With its location on major sea-lanes, excellent harbors, and high educational standards, Sri Lanka has long been viewed as a potential regional center for financial and export-oriented services. In recent years, however, defense expenditures have risen from 1.3% of GDP in 1980 to 4-6% of GDP. Aside from defense spending, other costs of the war include damage to infrastructure, expenditures for humanitarian relief, and impact on tourism and foreign investment. For decades, Sri Lanka has invested heavily in education, health, and social welfare, maintaining high living standards compared to much of South Asia.

U.S. Relations and Policy Concerns

U.S. policy supports efforts to reform Sri Lanka's democratic political system in a way that provides for full political participation of all communities; it does not endorse the establishment of another independent state on the island. The Bush Administration has vowed to play a role in multilateral efforts to settle the conflict

⁵³ *Economist Intelligence Unit Viewswire*, New York, March 1, 2005.

⁵⁴ Sri Lanka Country Report, *Economist Intelligence Unit*, February 2005.

⁵⁵ Sri Lanka Country Report, *Economist Intelligence Unit*, February 2005.

⁵⁶ "Sri Lanka: Executive Summary," *Global Insight*, May 14, 2003.

⁵⁷ Sri Lanka Country Report, *The Economist Intelligence Unit*, February 2005.

⁵⁸ "Sri Lankan Central Bank Intervenes," *Reuters*, February 9, 2004.

⁵⁹ Sri Lanka Country Report, *The Economist Intelligence Unit*, February 2005.

and to assist in the rebuilding of war-torn areas. The United States and Sri Lanka signed a new Trade and Investment Framework Agreement (TIFA) in 2002. However, the political instability of 2004 has setback the time frame for any possible Free Trade Agreement (FTA), and negotiations have been temporarily put on hold pending positive developments in peace negotiations.⁶⁰ The two countries also maintain military-to-military relations.

Bilateral Relations

In July 2002, President Bush met with then-Sri Lankan PM Wickremesinghe at the White House and pledged U.S. support for peace and economic development in Sri Lanka. It was the first visit to Washington by a Sri Lankan leader since 1984. In September 2002, a U.S. defense assessment team was sent to examine the training needs of the Sri Lankan military, and State Department Coordinator for Counterterrorism Taylor went to Colombo to discuss ways to integrate “intelligence, law enforcement, legal and diplomatic efforts against terrorism.” The United States and Sri Lanka held their ninth consecutive joint military exercises from January-March 2003, with training focused on combined arms operations and medical techniques.⁶¹ The United States and Sri Lanka signed an agreement that would provide demining training to the Sri Lankan military. The training was estimated to cost \$2.2 million and ran from August 2003 to February 2004.⁶² Ship visits continued with the visit of the *USS Blue Ridge* to Colombo in February 2005.⁶³ The U.S. and Sri Lankan navies also participated in a multilateral search and rescue exercise off the coast of Chennai (Madras) in July of 2003.⁶⁴ In June 2004, the U.S. Coast Guard transferred the donated USCG Cutter ‘Courageous’ offshore patrol vessel to the Sri Lankan Navy which renamed it the SNLS P-621 Samadura and retrofitted it at Newport News facility in Virginia.⁶⁵ This was an important moment in U.S.-Sri Lankan military relations as it marked the first transfer of significant military hardware between these two nations.

The U.S. State Department first designated the LTTE as a Foreign Terrorist Organization in 1997.⁶⁶ In February 2003, Former Deputy Secretary of State

⁶⁰ *Economist Intelligence Unit Viewswire*, New York, Feb. 25, 2004

⁶¹ “United States Help to Modernize Sri Lanka Military,” *Agence France-Presse*, August 30, 2002; “U.S. Counterterrorism Official to Visit Sri Lanka,” *Reuters News*, September 24, 2002; “U.S., Sri Lankan Militaries Cooperate in ‘Balance Style,’” U.S. Embassy — Sri Lanka, Office of Public Affairs Press Release, January 14, 2003.

⁶² “U.S. Government Provides Sri Lankan Army with Demining Training,” State Department Press Release, August 22, 2003.

⁶³ “USS Blue Ridge, Seventh Fleet explore Sri Lanka”, Seventh Fleet Website, U.S. Navy, at [www.c7f.navy.mil].

⁶⁴ “U.S. Naval Ship to Take Part in Rescue Exercise,” *The Hindu*, July 9, 2003.

⁶⁵ “Admiral Sandagiri Accepts Transfer of Former U.S. Coast Guard Vessel ‘Courageous’”, Press Release, Embassy of Sri Lanka, Washington D.C., June 24, 2004.

⁶⁶ “Foreign Terrorist Organizations” are overseas groups designated by the Secretary of (continued...)

Armitage reiterated that “if the LTTE can move beyond the terror tactics of the past and make a convincing case through its conduct and its actual actions that it is committed to a political solution and to peace, the United States will certainly consider removing the LTTE from the list of Foreign Terrorist Organizations, as well as any other terrorism-related designations.” The LTTE continues to reject all calls that it renounce violence, saying it will do so only when “the aspirations of [the Tamil] people are met by a political settlement.”⁶⁷ The global anti-terrorism campaign, which reportedly has resulted in the international withholding of roughly \$4 billion from the LTTE and made it more difficult for the group to acquire weapons, has been cited as a likely factor in the rebel’s decision to enter into peace negotiations.⁶⁸ On June 25, 2003 Sri Lanka joined the U.S. Customs Container Security Initiative aimed at preventing shipping from being used to transport weapons of mass destruction.⁶⁹

Trade, Investment, and Aid

The United States is Sri Lanka’s largest export market — the destination for about 34.6% of its total exports.⁷⁰ In 2003, Sri Lankan exports were valued at \$1.8 billion and in 2004, Sri Lankan exports to the United States were valued at \$1.95 billion, an increase of over 8.24%⁷¹. Sri Lankan exports to the U.S. were led by apparel and textiles, leather products, and rubber. U.S. exports to Sri Lanka in 2004 were valued at \$163 million, and included wheat, electrical machinery, fabrics, and medical equipment⁷². The Sri Lankan Board of Investment indicates that some 90 U.S.-based companies operate in Sri Lanka with an estimated investment of more than \$500 million.

During then Sri Lankan Prime Minister Wickremesinghe’s visit to Washington in July 2002, the United States and Sri Lanka signed a new Trade and Investment Framework Agreement (TIFA) to establish “a forum for Sri Lanka and the United States to examine ways to expand bilateral trade and investment.” The agreement

⁶⁶ (...continued)

State as meeting the criteria specified in Section 219 of the Immigration and Nationality Act, as amended (U.S. Department of State Fact Sheet, Office of Counterterrorism, August 9, 2002).

⁶⁷ “Transcript: Armitage Says U.S., Other Nations Have Role in Ending Sri Lankan Conflict,” U.S. IS Washington File, February 14, 2003 (Assistant Secretary of State for South Asia Rocca set similar criteria in March 2003); Alister Doyle, “Tamil Rebels Reject U.S. Call to Renounce Violence,” *Reuters News*, November 25, 2002.

⁶⁸ “U.S. Seeks to Allay Sri Lanka Fears on Rebel Ban,” *Reuters News*, April 19, 2002; “Smiles That Conceal the Worries — Sri Lanka’s Civil War,” *Economist* (London), July 20, 2002.

⁶⁹ “Terrorism Notebook,” *Seattle Times*, June 26, 2003.

⁷⁰ *CIA World Fact Book*, 2004.

⁷¹ U.S. Trade Imports from Sri Lanka: 2004, *Global Trade Atlas Navigator*.

⁷² U.S. Trade Exports from Sri Lanka: 2004, *Global Trade Atlas Navigator*.

“creates a Joint Council to enable officials to consider a wide range of commercial issues, and sets out basic principles underlying the two nations’ trade and investments relationship.” The Council also will “establish a permanent dialogue with the expectation of expanding trade and investment between the United States and Sri Lanka.”⁷³

In 2002, several teams of U.S. officials traveled to Sri Lanka to explore avenues for cooperation. During a November 2002 trip to Colombo, U.S. Deputy Trade Representative Jon Huntsman asserted that the island must make its investment regime more transparent and predictable if it was to attract greater U.S. private investment. In December 2002, Assistant Secretary of Commerce for Trade Development William Lash was in Colombo to encourage increased bilateral ties in the areas of information technology, education, and infrastructure. In February 2003, then Deputy Secretary of State Richard Armitage asserted that “Sri Lanka is already a solid exporter to the United States and has the potential with peace and the right reforms to become a significant trade partner.”⁷⁴ In March 2003, the second round of TIFA Joint Council meetings were held in Washington, where Deputy U.S. Trade Representative Huntsman and Sri Lankan Commerce Minister Karunanayake led their respective delegations. The tenor of these meetings was reportedly positive and “progress was made on issues of concern to both countries.”⁷⁵ In May 2003, U.S. Trade Representative Zoellick reportedly stated that Sri Lanka showed potential as a future free trade partner of the United States.⁷⁶

U.S. foreign assistance to Sri Lanka focuses on increasing the country’s economic competitiveness in the global marketplace; creating and enhancing economic and social opportunities for disadvantaged groups; promoting peace, good governance, and human rights awareness and enforcement; providing psychological counseling to communities in the conflict zones; tsunami recovery efforts, and demining. U.S. foreign assistance to Sri Lanka in FY2004 (excluding loans) totaled \$9.7 million.⁷⁷ U.S.AID currently is running a two-year (2003-2005) program aimed at generating greater support for a negotiated peace settlement to end the long-standing conflict. Then-Deputy Secretary of State Armitage pledged an additional \$54 million in assistance to Sri Lanka at the donors meeting in Japan on June 10, 2003.⁷⁸

⁷³ “Trade and Investment Framework Agreement Between the U.S. and Sri Lanka,” at [<http://www.slembassyusa.org/investment/tifa.html>].

⁷⁴ Office of the U.S. Trade Representative, “United States and Sri Lanka Sign Trade and Investment Framework Agreement,” July 25, 2002; “U.S. Encourages Peacetime Sri Lanka to Diversify,” *Reuters News*, November 21, 2002; “U.S., Sri Lanka to Work on Economic Ties,” *Reuters News*, December 20, 2002.

⁷⁵ Telephonic interview with U.S. Trade Representative official, April 9, 2003.

⁷⁶ “Thailand Near Top of U.S. List for Next Free Trade Pact,” *The Bangkok Post*, May 10, 2003.

⁷⁷ USAID website, www.usaid.gov, accessed on 4/25/05

⁷⁸ “Armitage Pledges \$54 million at Sri Lanka Donors Conference,” State Department Press Release, June 10, 2003.

Human Rights Concerns

The U.S. State Department, in its *Sri Lanka Country Report on Human Rights Practices, 2004*, determined that the Colombo government “generally respected the human rights of its citizens; however, there were serious problems in some areas. Some members of the security forces committed serious human rights abuses.”⁷⁹ Major problems included torture of detainees and poor prison conditions; violence and discrimination against women; child prostitution and child labor; and human trafficking, among others. There were extensive reports of torture and custodial deaths as a result of police torture. To address the issue of government accountability for past abuses committed during the war, the Sri Lankan government investigated some past abuses by security and armed forces personnel. The government of Sri Lanka continued to hold Tamils under the Prevention of Terrorism Act (PTA), which permitted arrests without warrants and non-accountable detention. The United States also finds that the LTTE “continued to commit serious human rights abuses” in 2004-2005, including “unlawful” killings, disappearances, arbitrary arrests and detentions, extortion, child recruitment into their armed forces, and torture.⁸⁰

⁷⁹ U.S. Department of State, “Supporting Human Rights and Democracy: The U.S. Record 2004 - 2005,” 2005.

⁸⁰ U.S. Department of State, “Supporting Human Rights and Democracy: The U.S. Record 2004 - 2005,” 2005.

Figure 1. Map of Sri Lanka



Source: Map Resources. Adapted by CRS. (K.Yancey 6/18/04)