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Special Report for Alex Poole-Warren

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ASIA

Sri Lanka

The LTTE has been substantially weakened, but maintains the capacity to launch attacks in the south; Colombo's commercial area faces risk of attack.

Key Judgement

Fighting between the Sri Lankan military and the LTTE is now largely contained to the Mullaithivu district; violent risks have declined in the northwest and most assets there face very limited risk of attack. The LTTE has been significantly weakened, but maintains the capability to launch attacks on targets in the south and is especially likely to target the commercial district in Colombo.

Executive Summary

The Army's capture of key areas in northern Sri Lanka, such as Kilinochchi, signifies a distinct military setback for the LTTE; the LTTE's fighting force is now largely confined to Mullaithivu district in the northeast.

The capabilities of the Sea and Air Tigers have been substantially weakened due to the ongoing battle with the Sri Lankan Army; however they maintain the capability to launch attacks on economic assets in the south.

The military defeat of the LTTE will most likely result in the fracturing of the rebels into small guerrilla groups that will continue to stage low-intensity gun and bomb attacks, especially in the

Northern and Eastern provinces.

The LTTE is very likely to launch periodic attacks on government, transport and port assets in Colombo and other major cities such as Trincomalee and Kandy in 2009 in retaliation for its military defeats and loss of territory in northern Sri Lanka.

The commercial and business district of Colombo is most at risk of an LTTE attempt to stage a spectacular attack in the capital owing to lesser security than Army establishments.

As a result of the Army capturing the Mannar region from LTTE control, terrorism risks in the northwest have declined significantly, compared with a year ago.

Detailed analysis

The Army's capture of key areas in northern Sri Lanka signifies a distinct military setback for the LTTE; the LTTE's fighting force is now largely confined to Mullaithivu district in the northeast.

Since August 2008, the Sri Lankan Army has made considerable progress in capturing territory in the northern part of the country from the Liberation Tigers of Tamil Eelam (LTTE). An important tactical and symbolic victory for the Army was the capture of Kilinochchi, the LTTE's administrative capital, on 2 January 2009. The Army subsequently captured Elephant Pass and key towns such as Chundikulam and Dharmapuram, securing the entire Jaffna Peninsula. This gives the Army control of the entire A9 highway, opening up land routes for the Army from Colombo to Mannar, Kilinochchi, Vanni and Jaffna. On 25 January, the Army captured Mullaithivu town, the last relatively urban stronghold of the LTTE. The LTTE is now cornered in less than 300 square kilometres of jungle in the Mullaithivu district, in the northeastern tip of the main island. Most of the fighting is expected to be confined to this region, including the remaining approximately 10 kilometre strip of coastline still controlled by the LTTE north of Mullaithivu town, where the last LTTE Sea Tiger base is located. Terrorism risks have thus

reduced significantly in the Western and Northwestern provinces. The significant strengthening of the security forces' presence in these areas, following the capture of Mannar, means that the rebels are less likely to be capable of operating without detection. NGOs operating in the remaining LTTE controlled areas in the northeast are likely to move out of these areas as the fighting intensifies, though the ICRC and some US agencies are likely to maintain a small presence and limited food aid deliveries.

There is little credible information on the whereabouts of Vellupillai Prabhakaran, the leader of the LTTE. There are reports that he has fled to Malaysia or India, but our sources say that the Sri Lankan military believes that he is hiding in bunkers in the Mullaithivu district and continues to direct LTTE operations. Peace talks are not likely to resume in the foreseeable future. Given its recent successes, the Sri Lankan government believes the LTTE is on the verge of military defeat. However, this is unlikely to mean the end of the fighting in the north, as the remaining LTTE will almost certainly revert to operating as guerrilla units and stage low-intensity attacks on government forces.

The capabilities of the Sea and Air Tigers have been substantially weakened due to the ongoing battle with the Sri Lankan Army; however, they maintain the capability to launch attacks on economic assets in the north and south.

The LTTE's naval wing, the Sea Tigers, has suffered substantial losses in fighting with the Sri Lankan Army over the past year. In August 2008, the Sri Lankan Army captured Mannar district in northwest Sri Lanka, destroying a large Sea Tiger base there. The capture of Mannar has decreased risks to shipping off that coast as well as towards Negombo and Colombo in the southwest. Nonetheless, Sea Tigers retain some light fast craft and are still operating from their remaining base along the Mullaithivu coast. With this remaining capability, the rebels are most likely to target the Sri Lankan Navy and government-chartered vessels travelling into Jaffna from Colombo and Trincomalee, typically deploying small groups of two to three boats to stage

suicide attacks. In October 2008, three explosives-laden Sea Tiger craft staged suicide attacks on two merchant vessels chartered by the Sri Lankan government off Mullaithivu and the Jaffna peninsula. Non-government vessels are unlikely to be directly targeted, though they are at some risk of collateral damage resulting from shootouts and explosions. The Sri Lankan Navy has increased patrols around Jaffna and Mullaithivu as well as in Colombo and Trincomalee ports so as not to lose the gains made against the Sea Tigers.

The capacity of the LTTE's air wing, the Air Tigers, to launch attacks has been constrained due to the progress of the Army's operations since December. The last major attack by the Air Tigers was on the Kelanitissa power station in Colombo in October 2008, which caused minor damage. The Sri Lankan Army's operations against the LTTE in the north have led to the capture of several Air Tiger airstrips. However, we assess that the Air Tigers still possess at least one functioning aircraft capable of launching attacks. The Air Tigers possess a total of two to four Zlin-143 aircraft, none of which have been seized by the Army, but which are likely to have been disassembled and hidden in the jungle for later use. The accuracy of the Air Tigers bombings is limited, making collateral damage to economic assets the most likely risk.

There is a risk of chemical weapons being used by LTTE as the fighting in Mullaithivu district continues. LTTE rebels have used non-lethal chlorine gas canisters in past attacks on Army troops, both in 1995 and more recently, as the Army neared Kilinochchi in September and October 2008. The Air Tigers have used small amounts of white phosphorus in their bombs, most recently in the bombing of the Vavuniya airbase on 9 September 2008. The white phosphorus most likely functioned as an incendiary device intended to start fires in the airbase. We expect to see similar usage of low-level chemical weapons in the three-month outlook.

Key Regional Forecasts

Northern and North Central provinces

Risk relevant events

26 Jan 09 Reports said that the Sri Lankan Army took control of six airstrips in Mullaithivu.

25 Jan 09 The military claimed that it had captured Mullaithivu town, the last stronghold of the LTTE in eastern Sri Lanka.

20 Jan 09 Near Mullaithivu, the Navy reportedly opened fire on an LTTE aircraft to prevent it from escaping the country.

19 Jan 09 The defence ministry claimed that off Mullaithivu, a naval vessel was damaged and four LTTE boats sunk in a major encounter.

14 Jan 09 The Army said that it had completed its takeover of Jaffna peninsula with the capture of Chundikulam.

09 Jan 09 The Army captured Elephant Pass, which links the mainland to Jaffna, gaining control of the entire strategic A9 highway.

03 Jan 09 The Sri Lankan Air Force said that off the Mullaithivu lagoon, its jets had bombed the main remaining LTTE sea base.

02 Jan 09 The Sri Lankan Army captured the LTTE administrative capital Kilinochchi following intense fighting.

20 Dec 08 About 70 nautical miles off Mullaithivu, the Sri Lankan Navy claimed to have destroyed a vessel transporting arms to the LTTE.

15 Nov 08 The Army reportedly recaptured Poonery town from the LTTE, giving the Army land access to Jaffna for the first time since 1993.

28 Oct 08 In Taladdi, Mannar, an LTTE light aircraft dropped three bombs near a Sri Lankan Army base, injuring one soldier.

22 Oct 08 Off Jaffna, the LTTE used 3 explosives-laden boats to stage suicide attacks

on 2 merchant vessels, damaging one of them seriously.

Detailed analysis

The Sri Lankan Army has regained much of the LTTE-held territory in northern Sri Lanka, including the Mannar, Vavuniya, Kilinochchi and Jaffna districts. The Army now controls the entire A9 highway stretching from Colombo to Jaffna, opening up land routes for military transport. The disruption of funds and arms to the LTTE has weakened it and the resource gap between the rebel group and the Army is widening. The Army captured Mullaithivu town on 25 January, and is currently advancing on the remaining LTTE territory in Mullaithivu district from three directions. We expect the Army to encounter heavy resistance from LTTE rebels experienced in jungle warfare, and to rely more on ground troops than on the Air Force after it captures the entire coastline in an effort to avoid civilian casualties. The military defeat of the LTTE will most likely result in the fracturing of the rebels into small groups, who continue to stage low-intensity gun and bomb attacks, especially in the northern and eastern provinces, although we also anticipate periodic attempts to attack the major cities, including Colombo, Trincomalee, Galle and Kandy.

Colombo

Risk relevant events

07 Jan 09 The authorities suspended coastal train services between Colombo and Matara, following an explosion at an unspecified location.

06 Jan 09 Near Colombo, a group of armed men attacked private broadcaster Maharaja's network office, causing substantial damage.

03 Jan 09 In Pettah, Colombo, a bomb exploded under a parked vehicle near the Red Mosque, injuring three and damaging three vehicles.

02 Jan 09 In Slave Island, Colombo, an LTTE suicide bomber attacked the SLAF headquarters, killing one officer and injuring 36 others.

29 Dec 08 In Golumada Junction, Ratmalana, Colombo, a bomb went off near an electricity transformer; there was minor damage and no injuries.

28 Dec 08 In Colombo, an LTTE suicide bomber attacked a military checkpoint, killing five paramilitary soldiers and injuring 15.

14 Nov 08 In Athurugiriya, Colombo, suspected LTTE rebels shot dead the eastern province's chief minister and his driver.

28 Oct 08 In Colombo, an LTTE light aircraft dropped two bombs on Kelanitissa power station, causing a small fire and minor damage.

19 Oct 08 In Colombo, a small bomb exploded at the central bus terminal, causing minor damage to two nearby buses.

09 Oct 08 In Boralesgamuwa, near Colombo, an alleged suicide bomber attacked the convoy of the agriculture minister, killing one soldier.

29 Sep 08 In Colombo, three people were injured when a small bomb reportedly went off near Colombo Fort.

16 Sep 08 In Colombo, a suspected LTTE bomb blew up a public bus; four people suffered slight injuries.

10 Sep 08 In Orugodawatte, Colombo, a bomb went off near a rail track but failed to leave any injuries.

Detailed Analysis

We assess that the LTTE is likely to target Colombo in 2009, in retaliation for its military defeats and loss of territory in northern Sri Lanka. When the Sri Lankan Army made significant gains against the LTTE in the mid-1990s, the LTTE retaliated with truck bombings in the commercial district of Colombo. In January 1996, an LTTE truck bomb was detonated at the Central Bank, and in October 1997, a similar attack was carried out at the World Trade Centre. The commercial and business district of Colombo is most at risk of an LTTE attempt to stage a

spectacular attack in the capital owing to lesser security than Army establishments. The commercial district is where the World Trade Centre and Hilton and Galadari Hotels are located, all of which have been attacked in the past. The World Trade Centre houses Sri Lanka's Central Bank, the Board of Investment and the Colombo Stock Exchange. It is also where most of Colombo's shopping malls, cinemas, hotels and major company headquarters are located. We assess that LTTE rebels are most likely to attempt truck and suicide bombings against targets in the commercial district. In May 2008, an LTTE suicide bomber on a motorcycle packed with explosives rode into a bus carrying police personnel at a security checkpoint outside the Hilton Hotel, located about 150 metres from the World Trade Centre, killing at least nine people and resulting in minor damage to the hotel. The area around the World Trade Centre and the other key government locations are secured using checkpoints and cement blocks, which have failed to stop suicide bombing in the past.

Public transport infrastructure remains an important target for the LTTE. In 2008, there were ten attacks on public transport (mostly buses and bus stations) in the Colombo area, killing 68 people and injuring over 250 others. These attacks involved suicide bombers as well as planted explosives. We assess that the rebels are likely to attempt further raids on Bandaranaike International Airport (especially since the airport is opposite the Sri Lankan Air Force base) and Colombo Port, although their decreased capability and increased security patrols reduce the likelihood of an attack being successfully executed. Energy infrastructure in Colombo is also likely to be targeted by the LTTE. In 2008, there were four such attacks in the Colombo area, three bomb attacks on electricity or power transformers and one aerial bombing by the Air Tigers on the Kelanitissa power station, that caused minor damage. Other potential targets for the LTTE include government and military buildings, such as the Slave Island area, where the Sri Lankan Air Force headquarters is situated, and the Army Headquarters, located off Galle Face Centre Road. On 2 January 2009, an LTTE suicide bomber attacked the Slave Island air base, killing six people. Prominent

government officials are also likely to be targeted.

Manufacturing operations at the Katunayake Industrial Promotion Zone, the largest special economic zone in Sri Lanka, located 35km north of Colombo, are unlikely to be direct targets but face slightly greater risks of collateral damage, since the site is very close to the airport. Further to the north are the Orugodawatta and Kolonnawa oil depots, owned by Ceylon Petroleum, that present attractive targets given their strategic economic importance to Sri Lanka. Past attacks include the 1995 bombings, destroying 33% of Sri Lanka's crude oil and 55% of its diesel and kerosene storage capacity, and resulting in at least \$15 million in property damage. These were bombed again by the rebels' light aircraft in May 2007, although some of the bombs dropped did not detonate, and the total damage was reportedly just \$500,000. Our sources say anti-aircraft defence has been installed at the two sites since the attacks in 2007, which increases the likelihood of LTTE aircraft being detected prior to any attack.

Eastern Province

Risk relevant events

22 Jan 09 Near Mavadivembu, Batticaloa, a claymore mine attack by the LTTE on an Army patrolling unit left three soldiers dead.

21 Jan 09 In Batticaloa city, a bomb went off near a police station leaving one police officer dead and 11 others injured.

18 Jan 09 In Mallaikaithivu, Mutur, Trincomalee, LTTE rebels attacked a security post, killing three guards and injuring another.

12 Jan 09 In Vavunatheevu, Batticaloa, one Army soldier was killed and two others were injured in a bomb explosion.

09 Jan 09 In Morawewa, Trincomalee, a claymore mine attack on a bus killed seven people, including three Air Force personnel.

01 Jan 09 In Veeracholai, Samanthurai,

Batticaloa, a claymore mine attack by LTTE rebels on a police patrol killed two security officers.

28 Dec 08 In Chenkalady, Batticaloa, Army soldiers reportedly ambushed an LTTE patrol and killed four rebels.

18 Dec 08 In Morakkottanchenai, Eravur, Batticaloa, a claymore mine went off and injured two Army soldiers.

17 Dec 08 In Thaddumunai, Vaakarai, Batticaloa, LTTE rebels threw grenades at an Army post leaving two soldiers dead and two others injured.

03 Dec 08 Near Vadamunai, Batticaloa, LTTE rebels activated a mine by an Army patrolling unit leaving a soldier dead and another injured.

25 Nov 08 In Kalavanchikudi, Batticaloa, LTTE rebels activated a claymore mine under a motorbike and left two Army soldiers dead.

20 Nov 08 In Koapaveli, Karadiyanaru, Batticaloa, LTTE rebels attacked an Army post, killing two soldiers and wounding two others.

16 Nov 08 In Vavunathivu, Batticaloa, LTTE rebels opened fire on a hospital, killing a doctor and a civilian.

26 Aug 08 In Trincomalee, an LTTE light aircraft dropped two bombs on the naval base, injuring four officers and causing slight damage.

10 May 08 In Trincomalee Harbour, the LTTE sank a Sri Lankan Navy supply ship, apparently using underwater explosives.

Detailed Analysis

Government forces defeated the LTTE rebels in Eastern province in early 2007 and elections have since been held as part of the post-conflict rehabilitation process. There has been some residual violence, albeit markedly lower than pre-2007 levels. In Ampara, in May 2008, a bomb exploded inside the popular New City Café, killing 11 people, and the Sea Tigers sank a Navy

supply vessel in Trincomalee Harbour. Since August 2008, there have been bomb attacks on Army and Air Force personnel in Trincomalee and Batticaloa; we expect such attacks to continue in 2009. The government's \$82 million 'eastern reawakening' development programme (a post-conflict initiative jointly funded with the World Bank) are likely targets, since these are seen as symbols of the state. High-profile projects include the Allal irrigation system in Trincomalee and the Oluvil port development in Ampara.

Western and North Western provinces

Risk relevant events

03 Jan 09 In Puttalam, police arrested a female announcer for the Voice of Tigers, the LTTE's broadcasting service.

19 Dec 08 Reports said that an Army soldier arrested an LTTE rebel from a bus bound for Kurunegala after seizing a bomb from his possession.

02 Dec 08 In Negombo, police arrested three people for illegally operating a communication centre near the airport.

26 Sep 08 In Kudapaluwa, Negombo, security forces reportedly recovered 152kg of explosives during a raid in the area.

06 Jun 08 In Moratuwa, near Colombo, a suspected LTTE bomb attack on a passenger bus left 21 civilians dead and 60 others injured.

Detailed analysis

As a result of the Army capturing the Mannar region from LTTE control, terrorism risks in the northwest have declined significantly, compared with a year ago. The Army has gained access to the A32 highway connecting Mannar with Pooneryn, opening additional military supply routes. There are some industrial assets around Puttalam and Mannar (including power plants and offshore energy projects) that would formerly have been high-profile targets for the LTTE, but the significant strengthening of security presence in these areas following the capturing of Mannar

means that the rebels are unlikely to be capable of operating in these areas without detection. A major power plant, Heladhanavi, is located near the Sri Lankan Navy base in Puttalam that presents a likely target for LTTE air raids, thereby placing the plant at slightly greater risk of collateral damage.

Southern, Central, Sabara-Gamuwa and UVA provinces

Risk relevant events

07 Jan 09 The authorities suspended coastal train services between Colombo and Matara, following an explosion at an unspecified location.

19 Oct 08 In Kathirkaamam, Kataragama, Hambantota, unidentified gunmen attacked an Army position, killing a soldier and stealing firearms.

22 Aug 08 In Balagolla, Kandy, police recovered a 1kg bomb near a residence and later defused it.

12 Aug 08 In Ukuwela, Matale, police arrested six suspected LTTE rebels and seized 13kg of explosives during a search operation.

25 May 08 In Madawala, near Kandy, the police recovered and defused a bomb near an electricity transformer.

20 May 08 In Katugastota, a bomb exploded under a railway bridge, suspending the service between Kandy and Matale.

Detailed Analysis

The LTTE has limited presence in the southern and central provinces, and is unlikely to be capable of building its strength in these areas in light of recent defeats in the north. The rebels have nonetheless managed to carry out occasional surprise attacks on military and government assets in these areas in past years. There were no major attacks in any of these provinces in 2008. In October 2006, in Habarana, near Dambulla in central Sri Lanka, an LTTE suicide truck hit two buses carrying Sri Lankan Navy officers en route from Colombo to

Trincomalee, killing more than 100 officers. A few days later, two Sea Tigers suicide boats disguised as fishing vessels attacked the popular tourist city of Galle in southern Sri Lanka, injuring several people and damaging naval equipment.

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