

## Referendum on constitution postponed

# Big business pushes for national unity government in Sri Lanka

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In a further twist to the deep political crisis in Sri Lanka, President Chandrika Kumaratunga last Tuesday postponed a referendum on constitutional change due to be held on August 21. The decision has been greeted in the Colombo media and by opposition parties as “a victory for the people”. While the move puts on hold Kumaratunga’s plans to unilaterally change the country’s constitution, it is no triumph for democracy and opens the door for a national unity government being demanded by big business.

The immediate source of the current political dilemma lies in Kumaratunga’s decision in July to prorogue parliament for two months in a desperate attempt to stave off a no-confidence motion against her minority government. At that time, she also announced a vaguely worded referendum asking voters whether they agreed that a new constitution was necessary.

No details have been announced of any proposed constitutional changes or even how the president proposed to use a “yes” vote. Under the current Sri Lankan constitution, any change has to be submitted to parliament where a two-thirds majority is required. All the indications were that Kumaratunga was intending to bypass parliament and the constitution, perhaps by convening a bogus constituent assembly, in order to legitimise what is increasingly taking on the features of a Bonapartist form of rule.

These moves, however, sharpened the conflict with the United National Party (UNP) and other opposition parties. The confrontation widened when the government banned protests and mobilised the police to suppress the UNP-led opposition demonstrations on July 19, which resulted in the killing of two protesters and the wounding of nearly 100 more.

Faced with increasing political volatility, big business has insisted that the president abandon the referendum and work to establish a so-called government of national reconciliation. After an emergency meeting of the Ceylon Chamber of Commerce last week, its chairman Chandra Jayaratna wrote to the president saying: “What is needed today is consensus politics, which can heal the deep wounds we have inflicted upon ourselves as a nation during this past period.” In the lead-up to Kumaratunga’s announcement on Tuesday, share prices were falling—from 416 to 411 on the all share price index and from 618 to 604 on the index of blue chip stocks.

The corporate push for a coalition government between the

ruling Peoples Alliance (PA) and the UNP has become all the more strident in the aftermath of the attack by the separatist Liberation Tigers of Tamil Eelam (LTTE) on the country’s key airforce base and international airport just outside Colombo. On July 24, a group of LTTE fighters evaded the heavy security surrounding the complex and destroyed six warplanes and two military helicopters, as well as half the Sri Lankan airlines commercial fleet.

The attack was a devastating blow not only to the military’s small airforce but also to the government’s defence budget and the economy as a whole. An editorial in the *Sunday Times* entitled “The bleakest hour” commented: “The tourist industry is in a collective convulsion, and industry captains are crying on each others’ shoulders seeking some kind of solace.”

Moreover, a decision by the British-based Lloyds insurance rating institute to declare Sri Lanka “a war-risk country” will result in a hike on insurance premiums and threaten exports. One US businessman was quoted as saying that his company’s \$100 million in imports from Sri Lanka would be discontinued unless the high insurance costs could be offset.

The IMF country representative Nadeem ul Haque has indicated that the Fund’s standby credit facility is under review. “We will try as much [as possible] to stick to economics,” he said, “but two factors have happened—the political scenario and the airport attack—and we have to see what it means.” An unnamed diplomat quoted by *Reuters* summed up the situation more bluntly, saying: “There is no political leadership to speak of at all. The economy is going nowhere. The social fabric is tearing apart. Where are they going?”

The pressure on Kumaratunga to call off the referendum became overwhelming last week. As well as the demands of big business groups, the Buddhist hierarchy and all private media groups opposed her. There were also signs of divisions over the referendum within the government ranks, including among ministers.

In this situation, Kumaratunga had no option but to postpone the referendum and make overtures towards the opposition. She admitted that “to continue with the referendum might at this time exacerbate confrontation at various levels, rather than facilitate the evolving consensus on constitutional reforms.” Her postponement is effectively an abandonment of the referendum, as parliament is

due to reconvene on September 7. Without a deal with the opposition, her government still faces defeat in a no-confidence motion.

The UNP's immediate reaction was to go on the offensive. On Wednesday, UNP leader Ranil Wickremesinghe declared on the private TNL television channel: "The government should resign in a situation where the people have no faith in the president and the parliament has no faith in the government, allowing the opposition to form a government which commands the confidence of the parliament." The opposition party leaders met on the same day and demanded that the president recall parliament immediately and scrap the referendum.

Despite this aggressive public stance, hectic behind-the-scenes discussions are underway between the PA and opposition parties to form a coalition government. Negotiations were well advanced before the suspension of parliament—the sticking point appears to have been Wickremesinghe's insistence on the job of prime minister.

According to one report, prominent UNP parliamentarian Rukman Senanayake was holding discussions with the government even before Kumaratunga postponed the referendum on Tuesday. He informed the UNP leader that Prime Minister Ratnasiri Wickramanayake had offered the deputy premiership and 12 ministerial posts to the UNP. The *Island* reported on Thursday that the prime minister met four UNP parliamentarians two hours before the President's announcement on Tuesday.

In a speech to a forum of 680 leading businessmen on Thursday, Kumaratunga complained that the government had had greater success in discussions with the Sinhala extremist Janatha Vimukthi Peramuna (JVP) than with the conservative UNP. "We have had discussions with three groups of the UNP but I'm sorry to say we are not getting anywhere near a solution. The UNP is not serious about a common clear-cut program of work... So please try to influence them to place the country first and try to get over this impasse for the welfare of the country and the economy."

The pressure for Kumaratunga and her own Sri Lanka Freedom Party, the main component of the ruling PA, to reach a deal with the UNP is intense. While an arrangement may be possible with the JVP, which holds 10 parliamentary seats, such a coalition is incapable of meeting one of the chief demands of major sections of big business—for negotiations with the LTTE to end the war. The JVP has opposed any move in the direction of talks and, like other Sinhala chauvinist parties, has been demanding an intensification of the military operations against the LTTE.

Last week the JVP offered conditional support for a year to the PA, provided the government was prepared to abolish the executive presidency, establish independent commissions to administer a number of government functions, including the police and elections, and hold the next elections under a caretaker government. Kumaratunga has said that she agrees with most of the JVP proposals, with the exception of a commission to oversee the media and a reduction in the cabinet size to 20.

While Kumaratunga has kept the door open to the JVP, she has indicated that she wants to deal with the UNP and is preparing to meet UNP leader Wickremesinghe next week. The talks with the JVP appear to be aimed at driving a wedge between the UNP and

JVP as much as negotiating the terms for their support of the government. If the government is unable to work out an arrangement with either the UNP or JVP then it faces defeat on the floor of parliament on September 7 and Kumaratunga herself may confront an impeachment motion.

Any administration formed by the UNP and other opposition parties, however, will be just as unstable as the current PA regime. That is why the ruling class is insisting on the formation of a national unity government to push through its agenda. Appearing on the national television on Wednesday, Ceylon Chamber of Commerce chief Chandra Jayaratne sounded a note of exasperation: "If the parties do not get together, stop the war and solve the ethnic question, people and the private sector has no future."

While it has backed the 18-year civil war, big business has been increasingly alarmed at the impact on the economy and Sri Lanka's ability to attract foreign investment. The huge military expenditure and rising oil prices produced a balance of payment crisis last year, resulting in the imposition of IMF austerity measures as the price of a stand-by loan. These include the privatisation and restructuring of the public sector and cutbacks to anti-poverty programs as well as the reduction of the number of holidays for workers and changes to the labour laws to allow management greater power to hire and fire.

Big business is well aware that the government needs to meet the IMF's terms both to secure access to the loan facility and to try to attract investment. The issue has become all the more urgent as, on the one hand, the IMF has already begun to raise questions about the loan, and on the other, the Sri Lankan economy is being battered by the downturn in the US and Japanese economies.

Any attempt to implement the IMF measures, which include huge job losses in the Colombo port and state-owned banks, is likely to produce popular unrest. The PA government has already attempted to sack workers in Colombo port en masse and to use its public security ordinance to quell protests but was compelled by the current political crisis to back off temporarily. Clearly, sections of big business want a common front between the UNP and PA, not only to begin negotiations with the LTTE but also to implement the IMF's agenda and crush any opposition that erupts among working people.



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