Sri Lankan presidential election: the economic agenda behind the phony promises

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The candidates of the two main bourgeois parties—the Sri Lanka Freedom Party (SLFP) and the United National Party (UNP)—have begun campaigning in the November 17 presidential election with a barrage of rosy economic promises aimed at duping voters.

UNP candidate Ranil Wickremesinghe has released his election manifesto with a host of pledges to make life better for everyone. For farmers, he is offering cheaper fertiliser and one million rupees ($US10,000) in development funds for every village. For the unemployed, he is promising to create 200,000 jobs a year. For the poor, he is pledging to increase monthly welfare payments from 1,000 to 4,000 rupees per family. And the list goes on.

The SLFP candidate, Prime Minister Mahinda Rajapakse, is yet to release his manifesto, but is also making promises to various groups. He is offering a salary increase of 3,000 rupees to state sector employees, a price rise for dairy farmers, a plate of rice and a glass of milk for school children and cheap loans for small businessmen. Streams of special interest groups have passed through his official residence at Temple Trees and have all been offered something.

The reason for this unprecedented bidding competition is obvious: both parties have implemented the IMF and World Bank's agenda of market reforms that have proven to be a social disaster for ordinary working people. State-owned enterprises have been restructured or sold off, with the loss of tens of thousands of jobs. Budget spending on essential services, such as public education, health and welfare, has been slashed. The result has been a deepening chasm between rich and poor and widespread hostility to the two parties.

As global oil prices have skyrocketted, living standards have continued to slide, leading to anger and protests. The election campaigns of Rajapakse and Wickremesinghe confirm a basic rule of thumb: the worse the social crisis and the greater the disaffection, the bigger the promises and the lies. As the record makes clear, neither the UNP nor the SLFP will keep their pledges.

The UNP won the 2001 election at the head of the United National Front (UNF) because of widespread anger over the broken promises of the SLFP-led Peoples Alliance. Having promised to improve living standards, the UNF did the exact opposite, waging a virtual war on the living standards of ordinary people.

The UNF program of "Regaining Sri Lanka," drawn up in consultation with the World Bank, led to a dramatic jump in prices: electricity by 35 percent, postage by 25 percent, water by 25-50 percent and bus fares by 15 percent. At the same time, the Wickremesinghe government slashed fertiliser subsidies, welfare payments and spending on health and education. It froze public sector salaries and recruitment to public sector institutions, and accelerated restructuring and privatisation.

After President Chandrika Kumaratunga dismissed the UNF, her SLFP, in league with the Janatha Vimukthi Peramuna (JVP), narrowly won the April 2004 election by capitalising on opposition to the UNF and promising voters, as the Sri Lankan phrase goes, to bring them rice from the moon.

The Rajapakse government, however, has been no different from its predecessor. It has continued the policies of "commercialisation" and privatisation. Its promise to create 40,000 jobs for unemployed graduates was wound back to a few thousand. A pledge to boost the salaries of government workers by 75 percent was reduced to 10 percent or a minimum of 2,500 rupees a month. It promised to keep the cost of a 50 kg bag of fertiliser to 350 rupees, but the price, except for urea, has shot up to 1,500 rupees a bag.

It will be no different after the November 17 election. The policies of the UNP and the SLFP are determined by the interests of big business, not those of working people. Under capitalism, the globalisation of production has led to a never-ending competition between nation states to attract foreign capital. Like their counterparts in other countries, Rajapakse and Wickremesinghe are both committed to a slash-and-burn program of removing all obstacles to the unfettered operation of the capitalist market, spelling disaster for the vast majority of workers, farmers and poor.

Those who speak for corporate circles are well aware that the policies of the next government will be determined by the market, not by election promises. As the campaign began last month, a comment headlined "Economic policies as clear as mud" appeared in the financial pages of the *Sunday Times*. The writer was clearly annoyed that neither candidate was spelling out clear economic remedies, but concluded by reassuring his readers not to be too concerned.

"Economic policies to be pursued cannot ignore either the international context or the financial rigidities within which policies have to be framed. In fact both these factors may determine policies far more than the election pronouncements, agreements and promises we would hear at election time," he noted. As evidence, he pointed to the fact that stock prices were continuing to rise despite “the context of confusion” created by electioneering.

There is every reason to expect that the assault on living standards after November 17 will be especially savage. The “financial rigidities” mean that the next government has no money to pay for any of its election promises. For instance, just carrying out the UNP’s pledges to boost welfare and fertiliser subsidies would require 10 billion rupees.

Moreover, the Treasury is already struggling to raise the cash needed to pay for the rising cost of oil subsidies. The cost of oil imports has mushroomed from $800 million in 2004 to $1,500 million this year. The government spent $180 million or 0.9 percent of GDP on oil subsidies last year to prevent domestic fuel prices from rising. This year alone it has been forced to cut subsidies and allow prices to rise by 17 percent. After the election, the government is considering ending fuel subsidies altogether, sending the price of fuel, transport and the cost of living skyrocketting.

To alleviate the government’s financial crisis, Treasury Secretary P.B. Jayasundara this month revealed plans to raise $500 million by issuing dollar-denominated bonds. The Central Bank has called for proposals from local and foreign banks to structure a bond issue over 3 to 5 years aimed at Sri Lankans working overseas, particularly in the Middle East. In a sign of desperation, the announcement indicated that the minimum subscription could be as low as $500.

Finance Minister Sarath Amunugama last month called on the G-8 to extend its one-year moratorium on debt repayments put in place after the December 26 tsunami for another year. Public foreign debt reached 105 percent of the GDP last year and annual repayments amount to $250 million—money that the government does not have.

The IMF last month provided a clear indication of what will happen after the election. Its report warned Colombo that “the policy slippage experienced in 2004 needed to be avoided” and called for a tightening of fiscal policy. It suggested increasing the number of items subject to the top VAT rate of 18 percent and declared that there was “no feasible alternative” to ending subsidies for diesel and cutting subsidies on kerosene. The IMF also identified development spending as an item to be reduced.

The IMF’s agenda included further privatisation and an end to “labour market rigidities,” including more flexibility in hiring and firing. While reining in expenditure on social services, the report called for greater expenditure on infrastructure to attract foreign investment. It also appealed for an end to government-mandated pay increases, saying such interference could “damage competitiveness,” and “stressed the need for strategic partnerships between the government, private sector, and unions.”

Any failure to implement these measures would inevitably be punished by falling investments, declining credit ratings and a drying up of loans, leading to a financial crisis. The UNCTAD’s World Investment Report 2005 released this month noted that foreign direct investment in Sri Lanka increased by only 1.7 percent in 2004 to $233 million, as compared to an annual increase of 31 percent in South Asia as a whole.

The Sri Lankan economy has been hard hit by the December 26 tsunami, high oil prices and the end of the Multi-Fibre Agreement, which guaranteed export quotas for the country’s key garment industry. The IMF warned the government of the dangers of a growing trade deficit, a high budget deficit and public debt of over 100 percent of GDP.

A clear sign of what is in store after the election was given by the budget appropriation bill presented to parliament on October 4. Keen to boost his election prospects, Rajapakse’s government increased total government spending for 2006 by about 30 percent from 438 billion to 568 billion rupees. Reflecting the belligerent stance of Rajapakse towards the current ceasefire with the Liberation Tigers of Tamil Eelam (LTTE), military spending received the largest increase—from 56.3 billion to 69.4 billion rupees.

Despite all the election promises, there was little or no increase for any of the basic services—health, education and welfare. Opposition leader Wickremesinghe had few criticisms of the budget. Like Rajapakse, he is well aware that the government cannot afford to expand social spending, but will be compelled to make further inroads into these areas and to open them up to private enterprise.

The indifference and contempt of both parties for the masses is demonstrated by the fact that nine months after the December 26 tsunami reconstruction has barely begun and tens of thousands of people are still living in makeshift accommodation or with relatives. The major powers have tied most of the promised $3 billion in aid to their political agenda of a negotiated settlement to the island’s civil war.

The limited foreign aid that has been received has not been spent on the victims. According to a recent Auditor General’s report, only $158 million of the $1,169 million in foreign aid had actually been disbursed by July 31. Well aware that the scandal could further fuel anger among tsunami victims, the Auditor General diplomatically decided not to divulge details of where the money went, because it “could influence the result of the presidential election”.

Unlike the UNP, SLFP and other parties, the Socialist Equality Party (SEP) is not contesting the presidential election to hoodwink voters with a list of false promises. We insist that workers have to face hard facts. The parties of the ruling elite and the capitalist system they defend are completely incapable of solving any of the problems confronting ordinary working people. What is required is the restructuring of society from top to bottom on socialist lines—that is, to meet the needs of the majority, rather than the profit demands of the wealthy few.

The SEP’s candidate Wije Dias is campaigning for the building of an independent political movement of the working class that can begin to unify working people to fight for their interests and aspirations based on a socialist program. We urge our readers and supporters to assist our campaign.