

Sri Lankan elites press for greater economic sacrifice

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Thursday's editorial entitled "It's time for hard work" in the Sri Lankan newspaper, the *Island*, bluntly set out the agenda being demanded by the country's corporate elite following the defeat of the separatist Liberation Tigers of Tamil Eelam (LTTE).

Since the army destroyed the final pocket of LTTE fighters on Monday, President Mahinda Rajapakse and his government, aided by the media and Sinhala chauvinist groups, have staged flag-waving victory celebrations. Around the streets of the capital, large posters of Rajapakse and his brother Gotabhaya, the defence secretary, proclaim: "King Mahinda Rajapakse. He saved us."

The *Island*, however, declared: "Victory celebrations seem to be dragging on inordinately." While noting that patriotism had its place, it warned that "this is the time for sober reflection and not protracted celebrations". After noting that "victory has come at a huge cost," the editorial pointed out that the country faced "colossal rehabilitation and reconstruction expenditure which will have a severe strain on the national economy already bled dry".

The newspaper's impatience reflects fears in the ruling elite that the economy is poised on the edge of a precipice. To defeat the LTTE, Rajapakse doubled military expenditure over the past three years and borrowed heavily to cover the budget deficit. Now, amid a global financial crisis and recession, Sri Lanka confronts a balance of payments crisis.

Sri Lanka's Central Bank reported this week that its net foreign reserves fell again in March to just

\$US946.5 million from \$1,117 million in February. At the end of March, the country had enough foreign reserves to cover just five weeks' imports. With the economy continuing to slow, the bank cut interest rates by another 0.25 basis points on Thursday to the lowest level in two years.

Standard & Poors this week downgraded its outlook for Sri Lanka's sovereign debt to negative, warning that the government had to take action to expand revenue and cut expenditure. The island's rating is already at "B," five levels below investment grade. The government's budget deficit stood at 8 percent of GDP in 2008 and public debt was equivalent to 81 percent of GDP.

The government has had to go cap in hand to the International Monetary Fund for a \$1.9 billion loan—the country's largest ever. Not only will the IMF insist on tough austerity measures, but the US and Britain have been holding up the loan as a means of exerting political pressure on Rajapakse and countering growing Chinese influence in Colombo.

Earlier this month, the *Wall Street Journal* made clear how international finance capital views Sri Lanka. After castigating Colombo for "stop-go" economic reform, allowing "public spending, budget deficits and inflation [to] run wild," the article concluded that the "widely shared sentiment in Sri Lanka that military victory will translate into peace and fast development" was "wishful thinking". As well as lifting barriers to trade and foreign investment, the government had to make "deep public sector reform," axe subsidies, cut military spending and carry out "drastic domestic deregulation... to cut the high cost of doing business".

The real point of the *Island* editorial was to press Rajapakse to get on with this job of imposing the brunt of the economic crisis onto working people. “Patriotic ebullience the epic military victory has brought about should be carefully tapped and directed towards nation building,” it advised the government.

“Carousing revellers must be told in no uncertain terms that it is now their turn to match the selfless sacrifices that the security forces have made at the battlefield for the sake of the country. The time has come for them to defend the country on the economic front... What is needed is not an ostentatious display of patriotism but sheer hard work as well as an unswerving preparedness to make sacrifices for the country,” the editorial stated.

The right-wing *Island* newspaper has always backed the war and been part of the communalist clamour to defeat the LTTE. The war, which erupted in 1983 after decades of official anti-Tamil discrimination, has been exploited by successive governments over the past 26 years to divide workers along communal lines and suppress social unrest.

Now, instead of demanding sacrifice for the war, the *Island*, and the business elites for which it speaks, are insisting on “sheer hard work” and “unswerving preparedness to make sacrifices” to place the country on an “even economic keel”—in other words, for workers to accept drastic cutbacks to living standards to boost corporate profits.

Rajapakse knows the script. In his victory speech on Tuesday, he declared that people had to “face up” to the task of nation building. He dwelt at length on the heroism of the troops in order to drive home the point that everyone had to emulate their sacrifice. Most of these “heroes,” however, are rural youth driven into the army by the impoverished conditions and lack of jobs in villages and towns. Working people—Sinhala, Tamil and Muslim—have already been forced to tighten their belts to an intolerable degree.

It is significant therefore that the *Island* editorial did not follow the *Wall Street Journal* in foreshadowing

cutbacks to military spending. “Military expenditure is bound to remain high for years to come as demobilisation is not possible in the near future. Instead, many more will have to be recruited into the armed forces and the police for deployment in the newly liberated areas,” it stated.

Per capita, Sri Lanka already has one of the largest armed forces in the world. As is the case in the “liberated East,” the government is preparing for what amounts to a long-term military occupation of areas captured recently in the North. The necessity for such measures only underscores the fact that the war was not waged to “liberate” Tamils from the “terrorist LTTE,” but to impose the writ of the Sinhala elites throughout the island.

The purpose of the ongoing build-up of the security forces is not just to secure the army’s victories, but to prepare for the social unrest that will inevitably erupt as the government begins its attacks on the working class. Just as the army will not be demobilised, neither will the police-state measures—including draconian emergency powers, media censorship, detention camps and death squads—be dismantled.

The impatient tone of the *Island* editorial indicates that a savage assault is being prepared on the working class, and that the business elites are pressing for it to begin straight away.



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