New Sri Lankan government brings down election budget

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The Sri Lankan parliament on Saturday endorsed an "interim budget" tabled on January 29 by Finance Minister Ravi Karunanayake. The budget is aimed at winning increased electoral support for the new minority government, which was formed by Maithripala Sirisena following his defeat of Mahinda Rajapakse in the January 8 presidential elections.

President Sirisena's government is dominated by the pro-US United National Party (UNP) but Rajapakse's former ruling coalition, headed by the Sri Lanka Freedom Party (SLFP), still has a majority in the parliament. Sirisena defected from the government to stand as the opposition candidate but remains a member of the SLFP.

The Sirisena government and its pseudo-left backers, such as Nava Sama Samaja Party (NSSP), presented the interim financial measures as a "Robin Hood budget" which snatches wealth from the rich and distributes it to the poor.

These claims are bogus. The budget is aimed at hoodwinking workers and the poor with a series of cosmetic concessions and the imposition of several taxes on the wealthy. Karunanayake, in fact, has begun talks with the International Monetary Fund (IMF) over Sri Lanka's debt. This will mean that new social austerity measures will be imposed whichever government comes to power after the parliamentary election scheduled for May.

The budget cuts taxes on 13 essential food items, including wheat flour, sugar, milk powder, canned and dry fish and green gram (mung beans) by between 10 and 15 percent. The cost of rice, the main staple food, however, has not been reduced. Just before the budget, the government cut petrol, diesel, kerosene and gas prices by 22, 14, 20 and 16 percent respectively.

Public sector workers' monthly salaries will be increased by 10,000 rupees ($US75)—50 percent of the rise paid this month and the remainder in June. The monthly pension was increased by just 1,000 rupees.

The vast majority of private sector workers, including low-paid estate workers and garment workers, will not get any increase. Finance Minister Karunanayake claimed that if the government forced private companies to increase workers' salaries, "the companies will have to close." In a crude attempt to deflect the anger of workers, he issued an empty appeal for big business to grant a 2,500-rupee increase. This rise is unlikely to be paid.

Other budget proposals include increases in the guaranteed price for paddy, potatoes, tea, rubber and milk from small farmers and a 50 percent write-off of less than 100,000-rupeee loans to farmers. The agricultural fertilizer subsidy will continue and Samurdhi payments, a limited welfare program for the poor, were doubled for those receiving between 250 and 1,000 rupees per month. Karunanayake also announced that expenditure for education and health would be increased to 6 and 3 percent of the GDP respectively, up from 1.7 and 1.3 percent.

In 2006, the Rajapakse government imposed a virtual salary freeze. Over the past decade the cost of living in Sri Lanka has skyrocketed dramatically so the promised salary increases and price reductions in basic food items will not significantly reverse the decline in the living standards of ordinary working people. According to a Census and Statistics Department survey for 2012–2013, a family of four needs over 41,000 rupees per month to cover basic living costs.

The Sirisena government's cosmetic budget measures, which were presented during the January presidential election campaign as part of a so-called 100-day program, were an attempt to exploit the deep popular opposition among working people to Rajapakse's austerity measures.

As former leading member in the Rajapakse administration, Sirisena backed all of its attacks on the working class and the poor. His decision to quit the Rajapakse government and run for president was orchestrated by pro-US former Sri Lankan president Chandrika Kumaratunga and UNP leader Ranil Wickremesinghe with Washington's backing. The principal aim of the regime-change operation was to end Rajapakse's orientation towards Beijing and bring Sri Lanka firmly into line with Washington's "pivot to Asia" and its preparations for war against China.

Karunanayake's budget tax measures against the rich are politically calculated and temporary. These include a onetime "Mansion Tax" on houses built after the year 2000 and valued at over 150 million rupees or larger than 10,000 square feet. Other measures include a special 25 percent "supergain tax" on any company whose profits exceed Rs. 2,000 million; a 200-million rupees per month tax on liquor manufacturers; and one-off impost of 1,000 million and 250 million rupees on satellite and mobile telephone operators respectively.

While there was disquiet in big business circles about these policies, Karunanayake insisted that the government would "not act unfairly in collecting these taxes" and indicated some taxes were aimed at cronies of the previous government. Prime Minister Ranil Wickremesinghe said that he had told several CEOs, who claimed to have difficulty paying the taxes, to just wait for a year for a relief.

In line with IMF demands, major social attacks are now being prepared against the working class and the poor. A few days after being appointed finance minister, Karunanayake held discussions with IMF representatives about obtaining loans to reduce the current debt burden. In his budget speech Karunanayake claimed that the new government had inherited an 8.8 trillion rupee debt, more than 1 trillion rupees higher than expected.

"The state of the economy is much more precarious than what we previously thought. The debt is exorbitant," Karunanayake said. The sudden discovery of a higher debt is entirely predictable and will be used to justify future retrogressive social measures. Karunanayake told the *Daily Mirror* that he wanted "to make the financial process more disciplined" with "'conditionised' loans."

Karunanayake claimed that he could reduce the projected 2015 budget deficit from 4.6 to 4.4 percent of gross domestic product (GDP) by cutting "unnecessary costs" and pledged to carry out the previous government's promise to reduce deficit to 3.8 percent of the GDP by 2016.

UNP chief and current prime minister, Wickremesinghe has a clear track record. As prime minister from 2001–04, he slashed state sector spending and jobs and bolstered the privatisation of state-owned industries. His widely discredited economic programme was called "Regaining Sri Lanka."

Behind government and media claims of budget "concessions," the new Sri Lankan government is preparing even more ruthless attacks on the working class and the poor that will set the stage for sharp class battles.