

Sri Lanka: “National unity government” to implement harsh austerity measures

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Speaking to the media on Wednesday, United National Party (UNP) leader Ranil Wickremesinghe called on all parliamentary parties to “work in unison to solve the people’s problems.” In effect, this was an appeal for a “national unity” government that, in the midst of a worsening economic crisis, will impose the austerity agenda dictated by the International Monetary Fund (IMF).

In Monday’s general election, the UNP-led United National Front for Good Governance (UNFGG) won the highest number of seats, but fell seven short of an absolute parliamentary majority. Wickremesinghe’s remarks came after talks with President Maithripala Sirisena, who heads the Sri Lanka Freedom Party (SLFP) and is pushing it to form a coalition government with the UNFGG. After receiving assurances from Sirisena, Wickremesinghe is expected to be sworn in today as the country’s new prime minister.

Wickremesinghe said there were “two options” for political parties to work together. “They can work either in the government holding ministerial positions, or they can support us in parliament by assuming responsibilities through the oversight committees.” The UNP’s proposal to establish so-called oversight committees to monitor the implementation of the government’s plans is a means of roping in the support of other parties.

Wickremesinghe appealed to all political parties to “work harmoniously at least for another two years [and] to come to a consensus on the basic issues affecting the country.” A UNFGG action plan will be “presented to parliament and a national policy framework will be prepared based on it with the consensus of all.”

Wickremesinghe’s appeal follows a bitterly-fought

election in which Sirisena sided with the UNFGG against former President Mahinda Rajapakse, who led the SLFP campaign. Over the past week, Sirisena has carried out a purge of Rajapakse supporters, sacking the general secretaries of the SLFP and its coalition, the United People’s Freedom Alliance (UPFA), last Friday. On Monday, he removed 13 members of the SLFP central committee.

Having met with Wickremesinghe, Sirisena convened the SLFP central committee yesterday to discuss the plan for a unity government. For weeks, the president had blocked a meeting of the central committee and even obtained a court order to back his ban.

Duminda Dissanayake, the acting SLFP secretary appointed by Sirisena, told the media that the central committee agreed to form a “national government” with the UNFGG for two years. He said a memorandum of understanding was being prepared and, if signed, several SLFP members would accept ministerial posts in the new government.

These rapid moves, just three days after the election, are aimed at sidelining Rajapakse and, above all, consolidating a government to pursue a pro-US foreign policy and unleash savage austerity measures.

Sirisena ousted Rajapakse in January’s presidential election via a US-orchestrated regime-change operation, assisted by Wickremesinghe and former President Chandrika Kumaratunga. Rajapakse contested Monday’s parliamentary election, hoping to become prime minister, but the UPFA secured just 95 seats.

Rajapakse’s removal was part of Washington’s broader “pivot to Asia” directed at undermining Chinese influence throughout the region and preparing for war against China. The US was hostile to Rajapakse because of his close relations with Beijing and

dependence on Chinese aid and investment.

After winning the January election, Sirisena appointed Wickremesinghe as prime minister to head a minority UNP government. Sri Lankan foreign policy rapidly shifted toward Washington, with a string of top US officials, including Secretary of State John Kerry, visiting Colombo.

Following Monday's election, US State Department spokesman John Kirby declared: "The United States looks forward to working with President Sirisena, the prime minister, and the new government."

During the election, the Socialist Equality Party (SEP) was alone in warning that, while divided on foreign policy, the UNP and SLFP were united in their determination to impose the burden of the deepening economic crisis onto working people. That is precisely the purpose of the national unity government that is being established.

Central Bank governor Arjun Mahendran, a former banker and close ally of Wickremesinghe, spelled out the agenda in comments to the *Financial Times*. After referring to the economic problems produced by rising national debt and low tax revenue, he said the new government would prepare the way for full currency convertibility and usher in a "radically different set of rules."

"We'd like to go with these big bang reforms when our reserves are a bit more robust," Mahendran said. Making the rupee fully convertible is likely to lead to a rapid devaluation and impact heavily on the living conditions of workers and the rural poor. Moreover, it is only the first step in far-reaching pro-market measures aimed at further opening up the country to foreign investment and intensifying the exploitation of the working class.

As outlined during the election, the UNFGG action plan includes establishing 25 free trade zones throughout the island, with generous tax concessions for international and local investors, and setting up "cluster villages" that will tie peasants to the world market.

Last week, Finance Minister Ravi Karunanayake said the UNP would restructure loss-making, state-owned enterprises (SOEs), so that they become "self-financed without depending on the Treasury." The UNFGG election manifesto called for the establishment of a holding company to manage the SOEs.

The SOEs include the Ceylon Electricity Board, the Ceylon Petroleum Cooperation, the Water Board and the Sri Lanka Railway. Karunanayake's statement is a clear assurance to the IMF that the new government will fulfill the demand to make them "break-even" institutions—a step towards full privatisation.

The new government is not only under pressure from the IMF to impose its "big bang reforms." Pointing to the weaknesses of the Sri Lankan economy, Fitch Ratings on Wednesday called for "greater policy clarity" from the new government.

The Fitch Ratings report noted that Sri Lanka has the "fourth-highest share of government debt—72 percent of GDP [gross domestic product]—of any country in the 'BB' range, after Portugal, Hungary and Croatia." Credit growth accelerated and consumer goods imports rose by 45 percent in May, on a year-to-year basis, while "exports were unchanged owing to stagnant agriculture and textiles." The government's response was to issue sovereign bonds that helped "worsen the country's debt crisis."

This is a not very subtle warning that if the government does not provide greater "clarity"—that is, commitment to austerity—the country's sovereignty risk rating could be downgraded. In line with the harsh measures imposed in Greece, international finance capital is insisting that the new government make deep inroads into the social position of working people.

The rapid turn to a national unity government to impose the dictates of big business underscores the importance of the SEP's election campaign, which focused on the fight for the political independence of the working class from every capitalist party—both the UNP and SLFP and all their allies. The only way to halt the attacks on the social and democratic rights of working people is through a unified fight for a workers' and peasants' government and socialist policies as an integral part of the struggle for socialism in South Asia and throughout the world.



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