Sri Lankan PM delivers "economic policy statement" to boost big business

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Sri Lankan Prime Minister Ranil Wickremesinghe delivered an economic statement in parliament on November 5 outlining the government's "mid-term" policy ahead of the national budget. He outlined sweeping pro-market reforms that will drastically affect jobs, wages and living conditions of workers and the poor, while offering more benefits and concessions for foreign investors and local big business.

Wickremesinghe condemned former President Mahinda Rajapakse and his government for creating serious economic problems. In 2000, he declared, the country's exports stood at 30 percent of gross domestic product (GDP) but fell to 15 percent by 2014. Income inequality had increased, with 43 percent of the population receiving only $US2 a day.

To place all the blame for the country's worsening economic situation on the Rajapakse government is hypocritical to say the least. The island and its exports have been battered by the global economic crisis that is currently hitting commodity-exporting countries around the world.

As for Wickremesinghe's concerns about the "serious imbalance in income levels," successive governments, starting with that formed by his United National Party (UNP) in 1977, have implemented and extended pro-market policies, including dismantling social services, privatising state-owned enterprises and slashing price subsidies, that have widened the gulf between rich and poor.

Wickremesinghe's own previous government, from 2001 to 2004, carried out the World Bank-approved *Regaining Sri Lanka* agenda that deepened the social divide and was subsequently continued by the Sri Lanka Freedom Party (SLFP)-led governments of Presidents Chandrika Kumaratunga and Rajapakse. The policies now being advocated by Wickremesinghe will only further exacerbate social polarisation.

Central to Wickremesinghe's economic statement was the implementation of the International Monetary Fund's (IMF) demand to halve the budget deficit from the current 6.8 percent of GDP to 3.5 percent by 2020. This can only be done by making inroads into price subsidies, imposing privatisations and increasing the tax burden on ordinary working people.

Wickremesinghe called for "private sector style efficiency measures" to be applied to state sector ventures, effectively transforming them into profit-making firms. All public ventures are to be placed under a "state holding corporation" and "public wealth trust," consisting of the secretary to treasury and Central Bank Governor as well as representatives of the Chamber of Commerce, trade unions and so-called civil society.

Shares in the state ventures will be sold to local and global investors and also given to employees, as a means of encouraging them to boost productivity. The model is Singapore's Temasek, which is run as a commercial corporation that manages state-owned enterprises as profit-making ventures.

The prime minister reassured big business that the "government will not take over private enterprises" and also promised to "review the businesses taken over" during the Rajapakse administration. He indicated that the government would further ease restrictions on business, bringing in "new laws to strengthen this process." One such measure will be to remove restrictions on foreigners acquiring land in Sri Lanka.

Wickremesinghe's other proposals included:

* The take-over of the country's largest pension funds—the Employees Provident Fund (EPF) and Employees Trust Fund (ETF)—to create a "national pension fund" to be managed by a board of trustees.

Currently, the Central Bank manages pension funds, amounting to 1.7 trillion rupees ($US11.9 billion). Under pretext of providing more reliable management, the change will facilitate making the funds available to business via the stock market—a measure long advocated by the IMF.

Currently pension fund entitlements are paid as lump sums on retirement. The government has indicated that it intends to establish a monthly pension system in order to keep the funds invested. Rajapakse's attempt to make similar changes to the EPF in 2011 provoked a strike by Katunayake Free Trade Zone workers that the police violently suppressed, killing one worker. The government was forced to abandon the scheme. An *Island* editorial warned the Wickremesinghe government "to learn from the nasty experience" and "not to play with fire."

* The establishment of investment zones for local and international investors, who will enjoy lower taxes and other concessions. Wickremesinghe specified 20–200 square-mile areas in different parts of the country, with zones to be established in Hambantota, Raigama, Trincomalee and Kandy next year.

* The continuing privatisation of university education. Wickremesinghe spoke about creating "techno campuses, vocational training institutes and private universities alongside current universities." He advocated a voucher system "for talented students from low-income categories" to enter these institutions. In other words, funding would be provided to individual students, regardless of where they studied. This is nothing but a proposal to undermine public universities while providing funds to private, profit-making institutions.

* In the name of "developing the rural economy," the setting up of "large-scale agricultural enterprises [in] which farmers can be members" to produce for export markets. This is another scheme to encourage agribusinesses at the expense of poor peasants.

In making his pitch to big business, Wickremesinghe boasted that the UNP initiated the open market agenda in 1977, but said nothing about its consequences. In 1980, the UNP government sacked 100,000 public sector workers in order to suppress a general strike against its pro-market measures. Amid rising social tensions, it resorted to anti-Tamil provocations to divide the working class and created the poisonous communal climate that plunged the island into a 26-year civil war.

In bragging about the UNP's record, the prime minister was implying that his party, rather than its longstanding rival, the SLFP, was better able to implement the agenda of big business. The UNP is currently in a coalition with the SLFP to drive through its pro-market policies and suppress the already-emerging opposition of working people.

The UNP is also seeking to enlist the support of the trade unions and "civil society"—the many non-government organisations and middle-class groups—as a further means of containing and blocking opposition to changes in the pension funds, the determination of minimum salaries and privatisation.

All the private sector organisations, including the Ceylon Chamber of Commerce, National Chamber of Commerce, Exporters Association and various business think tanks, immediately praised Wickremesinghe's statement, saying it provided an "important direction on the government's future plans."

Wickremesinghe proposed to organise an economic summit in January sponsored by the *Euromoney* magazine with the participation of multi-billionaire financier George Soros. He also boasted that the government has been invited to participate in the annual Davos World Economic Summit in January.

Wickremesinghe is clearly seeking to attract a significant influx of foreign investment to stave off the country's looming balance of payments crisis. At present, 93 percent of government revenue goes to debt servicing. The government is seeking a $4.6 billion loan from the IMF to avert a financial crisis.

Wickremesinghe's statement is designed to reassure big business that his government will carry out the IMF's dictates and impose the burden of the growing crisis onto the backs of workers and the poor.