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Sri Lanka

# Political and Economic situation in Sri Lanka

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**Although it is not a “thunderstorm like” crisis, Sri Lanka has going through a deep structural crisis since mid-1980s. This crisis was aggravated by internal war (1983-2009) between Tamil militant groups and the Government of Sri Lanka (GoSL). Partly as a consequence of the structural crisis, a parallel development took place in the political sphere in the form of the rise of authoritarian governance that was culminated during the last regime of Mahinda Rajapaksa (2005-2015) that was replaced by UNP-SLFP coalition headed by Maithripala Sirisena (SLFP) and Ranil Wickramasinghe (UNP) at the election held in January 2015.**

The electoral front against Mahinda Rajapaksa included the UNP, a section of the SLFP, TULF, Jathika Hela Urumaya and several civil society organizations. While it got the support from outside of the JVP, its formation was blessed and supported by the West and India. It promised restoration of democracy, and rule of law, establishment of “good governance”, elimination of corruption, abolition of executive presidency, and easing economic hardships by ensuring fast economic development. Although it did not have specific reference to national question, there was an agreement with the TULF that it would be addressed after the election. The previous government’s pro-Chinese policies antagonized India as well as the imperialist countries of the West.

There was a very brief “honeymoon” period not uncommon in Sri Lanka in the past after a governmental change in an election. Hence, many civil society activists and some Leftists saw the “change” as a democratic revolution that would open new horizons and generate immense possibilities. This over-inflated portrayal of the new government was in fact part of the propaganda initiated by the NGOs funded by the Western nations. Nonetheless, after a year the true and real nature of the new government became crystal clear even for its ardent supporters like Rev. Maduluwawe Sobhitha who played an important role bringing in the change. The new government has miserably failed to keep any of the promises that was listed in the pre-election. It brutally suppressed student protests against many burning issues including privatization and commodification of education. The employers initiated a campaign to toughen the labor laws making hiring and firing easier. National question was once again put into the back burner.

Most important change has been that the new government began to implement neoliberal economic package in its most rigorous and fundamentalist form. As a result the structural crisis is manifested in the economic sphere by sluggish economic growth, increasing unemployment and inflation, depletion of foreign exchange reserves, worsening balance of trade and payment crisis, and growing fiscal deficit. The Prime minister warned that the people should take “bitter medicine” in order to have better future. He meant the same neoliberal austerity program. The only remedy to the economic crisis that the government and the IMF can propose is limited to one choice: making Sri Lanka favorable for direct foreign investment.

IMF has promised \$ 1.6 billion EFF to Sri Lanka spreading in 36 months on four conditionalities that includes common D-L-P formula:

1. increasing tax revenues; (government responded by increasing taxable income and VAT befitting high income earners and increasing prices);
2. privatization of public and state-owned enterprises;
3. liberalizing trade and investment regime more;

### 4. reducing fiscal deficit to 3.5% of the GDP.

As one Sri Lankan economist has pointed out the neoliberal economic fundamentalism can be put into practice only by reactivating archaic mode of production that would place heavy burden and suffering on the lower strata of the society. It is evident that the economic hardships the new government has brought in will create political and social turmoil. The reduction of real wage rate, suppression of trade union rights, planned revision to social security system, encouragement of temporary and contract form of employment and similar anti-worker measures have already led to the creation of incipient unity of independent trade unions. Non-academic staff of the university system had two day strike and have threatened that they would go for continuous trade union action if their demands are not met. The proposed amendments to custom laws and EPF system have ignited trade union propaganda among custom employees and “divineguma” department workers. Parallel to these developments, Inter University Student Federation continues to carry on their struggle against privatization of education. Seed Act and proposed water privatization bill and the fertilizer subsidy revision would ignite the peasant struggles. And similar development would happen among fishing community against poaching, and depletion of fishing resources due to heavy investments like Port City Project.

Most important development would be the rupture that would take place within the upper layer of the society and among the ruling political class. The VAT issue has generated protests of shop keepers in all big cities. Some members of the government have already informed that they would vote against VAT bill. All these are manifestation of the crisis that is looming large underneath.

It is interesting and sad to not[e] that some of the left groupings have been openly or tacitly backing the new government and its policies. They seem to justify their defense on the ground that the government would resolve the protracted national question and it would stand against Sinhala-Buddhist chauvinist forces. This is an illusion. There was no sign that this government would take bold action needed to resolve the national question. This is evident in their proposal on new constitution. It should be noted that the ways in which the national question including other unresolved democratic tasks can be resolved “from the above” are extremely limited. One may even argue that 2009 military solution was the only method that the bourgeoisie can and wish to implement in resolving the national question. So wittingly or unwittingly, these left and democratic groups who back the government are supporting the neoliberal fundamentalist economic program of the government and the IMF.

At the moment the forces that oppose the neoliberal fundamentalist economic program of the government and the IMF include the FLSP, Independent Trade Union Unity, Inter-University Student Federation and similar mass organizations. It is worthwhile to note that these groupings are essentially working on outside the parliamentary arena. However, the success of the left and democratic forces depends on how they could unite all these dispersed and scattered struggles and new institutional structures they can form in the process of fighting.