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Sri Lanka

Comrade President? Change and Continuity in Sri Lanka

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Anura Kumara Dissanayake's (AKD) victory on 21 September as the candidate of the centre-left National People's Power (NPP) coalition is highly significant for symbolic and substantive reasons. His predecessors have been from the social and political elite that has mis-ruled Sri Lanka since independence from Britain in 1948. Some were born into that elite, while a couple (Ranasinghe Premadasa, Maithripala Sirisena) made their way into it through the business of politics before they occupied the presidency. In contrast, Dissanayake's political life has been as an outsider and critic of that elite.

The new president was born to a rural poor family originally from the land-hungry highlands, that migrated as others have done to improve their lives in the dry zone irrigation-fed north central region. His father was a minor grade employee in a government department; and his mother cared for an extended household while tending their rice paddy smallholding. He was the first in his immediate family to attend university, studying physical science at a public university.

In the late 1980s at Kelaniya university he was a student activist of the then underground Janatha Vimukthi Peramuna (JVP-People's Liberation Front) – it has been banned in 1983 by the right-wing United National Party regime and then severely repressed during its second anti-state insurgency between 1987 and 1989 – becoming a fulltime political activist after the party was legalised, and began rebuilding including through electoral politics. As someone from an exploited and marginalised class; as well as leader of a formally Marxist-Leninist party, his election as head of state and government in Sri Lanka's Gaullist-style system, has broken the mould.

Candidate for Change

He campaigned though not on a socialist or anti-capitalist platform, but rather taking up the cry for "change" in a degenerate decades-old political culture which is blamed by large sections of the population across class, gender, ethnicity, and region, for the economic catastrophe of 2021-2022, peaking in Sri Lanka's sovereign bankruptcy when it defaulted on servicing its then US\$32 billion external debt.

The expectation of those who voted him in, and many of those who did not, is that his government will transform the political culture where politicians lord over the people in between election day; reward themselves whether in government or opposition with privileges and perks; profit from their office through deal-making and bribes from other political parties, local and foreign businesses; and access to government and international tenders and contracts; and enjoy impunity from investigation, prosecution, and imprisonment, for their abuses and crimes in office.

This was the sentiment of the 2022 popular uprising known as the janatha aragalaya (people's struggle in Sinhala). Although that movement was short-lived, it contributed immensely to the leap in popularity of the National People's Power coalition, that the JVP initiated in 2019 to broaden its class base from leftist petit-bourgeois and working-class layers to more conservative classes, paving AKD's way into the presidency.

As his party is outside of the traditional political class; and therefore, untainted by sleaze; and has for many years made anti-corruption its central slogan, those wanting this ambiguous and elusive "change" turned to it. They rightly rejected the candidates of the two mainstream right-wing alliances (around former president Ranil Wickremesinghe, and the leader of the parliamentary opposition Sajith Premadasa).

While short of a majority, the NPP received the largest share of votes of over 5.6 million (42%), leading in 15 of the 22 electoral districts, aside from those with concentrations of ethnic minorities in the central, eastern, and northern regions. Its vote base is overwhelmingly from the majority Sinhala nation (75% of the population). But this time around, it has begun to gain followers among Muslim and Tamil minorities around the island, particularly the youth.

It has only three members in the 225-seat legislature; making its cabinet of ministers probably the smallest in the world. One of the early acts of the new president was an early dissolution of parliament (as constitutionally entitled). The general election will be on November 14 and the first sitting of the new house will be a week later. The NPP needs 113 seats to form a government. This is a tougher challenge than winning the presidency.

Whether the NPP government will reset the political system as its supporters expect; or be assimilated into it – as its once rivals of the Old Left, the ex-Trotskyist Lanka Samaja Party and the Communist Party of Sri Lanka have done – is an open question.

Stability for the rich

The government of Ranil Wickremesinghe, that he formed in partnership with the pro-Rajapaksa parliamentary majority and defections from the opposition, succeeded in stabilizing the economy and in reviving its growth, for the moneyed classes. Headline inflation was down to 0.5% last month. Usable foreign reserves are up to US\$4.6 billion. The exchange rate has strengthened to around LKR300 to the US dollar. Gross domestic product will expand by almost 4% this year.

While the poor like the rich no longer queue for essentials of fuel, food and pharmaceuticals, the poor unlike the rich have no means to pay for them. There are no electricity cuts after tariffs were raised by 140%; but last year one million households were disconnected from the grid because they cannot afford the bill. Food prices increased three-fold on average, following Russia's latest invasion of Ukraine, and the rupee going into freefall in the economic disaster of 2022, increasing food insecurity to 24% of all households. One in every four are below the official poverty line.

Sri Lanka entered its 17th loan agreement with the International Monetary Fund since 1965, in March of 2023. The US\$2.9 billion extended fund facility over four years, is disbursed in twice-annual tranches that are conditional on meeting benchmarks of progress in structural reform of the economy.

The targets to be met are:

- A primary budget surplus (that is government revenue over expenditure) of 2.3% of gross domestic product by 2025;
- To reduce the government's borrowing requirement (gross financing needs) to 13% of gross domestic product between 2027 and 2032;
- To reduce the ratio of public debt to gross domestic product to 95% by 2032.

Assuming these targets are achieved – with all the social and political costs associated with shrinking state expenditure and denying public stimulus for growth of employment and incomes – Sri Lanka's total debt stock would be larger by 2027 than it was in 2023; and external debt service would gobble 30% of government revenue by 2027 according to a former US treasury official, making it more likely in his view that another sovereign debt default is an inevitability.

The structural reforms that the IMF program promotes, which are enthusiastically supported by political, administrative, and civil society, actors are to:

- raise indirect taxation, which is regressive as the poor fork out disproportionately more than the rich;
- raise bank interest rates, making borrowing more expensive which penalises micro and small enterprises;
- restructure domestic debt, where public sector retirement funds were major investors, leading to a drastic cut in the final value of benefits;
- retrench public sector workers to reduce the state payroll, which erodes public services further and creates market opportunities for private sector providers;
- remove subsidies on public goods such as fuel for transport and cooking and electricity through market-pricing;
- dismantle the social security system for 'social safety nets' that 'target' specific groups based on income and assets;
- casualize the labor market through deregulatory renovation of the labor code;
- consolidate agricultural land into largescale holdings for commercial (export) crops through land titles to small farmers currently cultivating food crops; and
- freeze capital expenditure projects by government, with implications for public infrastructure, delivery of public services, the construction industry, and employment.

IMF Agreement and Economic Orientation

The JVP, which is the main constituent of the National People's Power coalition, originated in the youth radicalisation of the 1960s as a revolutionary socialist party of Guevarist and Maoist inclination. Therefore, historically it is associated with anti-imperialist politics including hostility to the Bretton Woods Institutions such as the IMF and World Bank.

Since the JVP entered parliamentary politics from 1994 onwards – which was in the geopolitical context of the collapse of the 'socialist' bloc in Europe preceded by the crisis of socialism as a credible alternative to capitalism; and the counter-model of China's market reforms with its integration into global capitalism and encouragement of private capital – the party has shifted to acceptance of a mixed economy, with a leading role for the state in the economy. Recently, it has cited Vietnam as the success story it wishes to replicate.

Although the JVP-NPP are not proponents of neoliberalism, neither is it coherently anti-neoliberal based on its 2024 election campaign and its manifesto and policy papers. Most significantly, the NPP – and reaffirmed by the new president in his first address to the country – has committed itself not to walk away from the ongoing International Monetary Fund programme. He has previously said that the agreement is a *fait accompli* and now precondition for debt restructuring negotiations with official and private creditors; suggesting that his hands are tied and that the public's expectation is for the satisfactory completion of both.

Instead, the NPP says it will revisit the IMF's debt sustainability assessment, which provides the technical rationale for its policy conditionalities, including the harsh austerity measures. The new government proposes changes within the current framework: such as reduction in taxation of the poor and lower middle-class; to maintain some state-owned-enterprises (a sector in which the JVP has a substantial trade union presence) in public ownership, leaving the door open to the sale of non-strategic undertakings; and to boost 'fiscal consolidation' through rationalising government expenditure, and increasing export revenue while reducing import expenditure through intensified domestic production, thereby boosting Sri Lanka's external reserves.

Significantly, it has also said it will conduct a "forensic audit" of the external debt, which suggests that it recognizes that at least some of it is odious and illegitimate, and which citizens and future generations should not be burdened.

It has repeatedly insisted on its fidelity to the IMF agreement and to the ongoing debt restructuring process. This is partly to allay fears among the policy establishment and broad sections of the public, that the breakdown of the IMF agreement will disrupt negotiations with external creditors and spiral into economic instability. It is also to signal that it wants to be seen within and outside Sri Lanka, as 'responsible' rather than radical, and pragmatic over dogmatic.

The NPP is also pro-free trade, pro-foreign investment, and pro-export orientation. It will not reverse the expansion of private health and education services but rather promises to regulate it in the interests of users. It balances classic neoliberal tenets, with references to expanding domestic production (that is, import substitution without naming it); opposition to privatisation of state-owned-enterprises; and expanded social programmes and budgetary allocations for vulnerable groups (elders, pensioners, young mothers and women with young children, persons with disabilities and chronic illnesses, etc.).

It has also been careful to sidestep any reference to the bloated military budget that consumes 7% of the national budget, and almost as much as health and education combined. This scandal is politically inviolable because of the national security ideology fostered by the Sinhala nationalist state over almost three decades of war between 1983 and 2009. The NPP's references to the redistribution of wealth and income are sotto voce, to not discomfort the classes whose approval matter so much to it.

What is not known yet is whether the new government's stance will crumble when the IMF insists, as it consistently has, that its debt sustainability assessment is methodologically flawless, and that its program designed so perfectly as to be beyond improvement.

How will the new government create the fiscal space for the level of public investment that is required for its spending goals, within the straitjacket of the IMF agreement? Will it reopen recently concluded (but not sealed) negotiations with bilateral and commercial creditors, to get a higher haircut on the debt stock; and overall, a better deal than that made in haste by the previous regime to constrain the incoming government?

Will it say to the IMF and the creditors that its priority is to defend the living standards of those hit hardest by the crisis and the austerity actions, and to grow the economy in ways that benefit the majority; over the IMF's primary budget surplus and debt-to-GDP ratio targets, and repayment of the bilateral and commercial debt that is due to resume after 2027?

Minority Questions

Ethnic tensions have lessened since the 2022 people's uprising where there were conscious efforts to present a collective identity of the 'people' against a decadent 'elite' and their 'system' that sows divisions based on ethnicity and faith. The 2024 election campaign has been observed as not only the most peaceful but also where ethnic and religious tensions (which of course remain) were not stoked by the leading candidates.

The NPP is not racist and includes (though not in large number) ethnic minorities – Tamils of North-Eastern origin; Hill-Country Tamils; Muslims (an ethno-religious identity in Sri Lanka) – among its members and in its leadership.

While the NPP manifesto identifies some of the pressing concerns of Tamils in the conflict-affected North and East such as abolition of counter-terrorism legislation and release of political prisoners; truth and justice for the families of the disappeared, land grabs by state institutions, access to public services for Tamil-speakers through effective implementation of the official language law; re-activation of the provincial council system for greater self-rule;

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socio-economic concerns of Hill-Country Tamils (plantation labourers and their descendants) for housing, land, health and education, many commitments are vague and not time-bound.

The JVP-NPP has courted retired military personnel and the Buddhist clergy; and organized them as its supporters. Both these groups are implacably opposed to investigation and accountability of state security forces for war crimes; as well as reconstitution of the unitary state in the direction of federalism. The new president in pre-election meetings emphasized that the foremost status granted to Buddhism in the current constitution (near de jure status of state religion) is sacrosanct, while reassuring Christians, Hindus, and Muslims that their right to belief will be protected by the state.

The new president promises a new and democratic constitution that will abolish the authoritarian institution of the presidency, as well as devolve greater power to the regions including areas inhabited by national minorities. However, unless he secures a parliamentary majority in the general election that is only a few weeks away, and/or finds allies from other political parties, he lacks the numbers to move decisively in these areas.

His party-alliance and he are acutely aware that their primary electoral base is steeped in Sinhala supremacism since decolonization. This constituency is disinterested at best, and hostile at worst, in constitution-making that is perceived as assigning greater rights and share of state power to national minorities.

The 2022 people's uprising reverberates in the outcome of the 2024 presidential election. The prospects for progressive change in Sri Lanka rest on the political and social dynamics of the next few months, particularly the awakening from slumber of working people's struggles and organizations.

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