Protests erupt as Sri Lankan government enforces new IMF austerity measures

Saman Gunadasa
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Unrest is developing among workers in Sri Lanka as the government imposes new austerity measures demanded by the International Monetary Fund (IMF). Thousands of poor fishermen and fishing workers launched protests for the second day yesterday, demanding the immediate reversal of, or compensation for, fuel price increases announced on Saturday night.

Fishermen in the country's north-west and some parts of the south took to the streets on Monday and Tuesday. Accompanied by their families, angry fishermen blocked main roads in north-western towns such as Chilaw, Negombo, Marawila, Kalpitiya and Wennappuwa.

Fishermen clashed with the police deployed to break up the demonstrations. The government later mobilised the army to intimidate protesters. Once again, the government showed it would resort to the police-state methods developed during the long communal war against the separatist Liberation Tigers of Tamil Eelam (LTTE) to suppress workers and the poor.

Private bus owners, mostly small holders, also went on strike on Monday, demanding the scrapping of the fuel price hike.

Last Friday, International Monetary Cooperation Minister Sarath Amunugama told parliament that the government expected to sign a new agreement with the IMF next month to obtain the final instalments of $US800 million from a $2.6 billion loan approved in 2009. The IMF withheld these instalments last July, criticising the government for not implementing all the stipulated austerity measures.

Amunugama did not explain what conditions were attached to the new agreement. However, the IMF had demanded adherence to government spending targets, the devaluation of the rupee, higher interest rates and cuts to subsidies, including on fuel and electricity.

Clearly, the government has already started to implement the IMF's demands:

* From February 3, the Central Bank allowed the rupee to devalue. By yesterday, the currency had devalued by nearly 6 percent—from 113 rupees a US dollar to 120 rupees—and was expected to depreciate further. Devaluation will trigger price increases for all imports, and flow through to other goods and services.

* On Saturday, the government increased petrol, diesel and kerosene prices by 8, 37 and 50 percent respectively, delivering a major blow to the living standards of ordinary people, especially the lowest-paid workers, including those in the plantations, free trade zones and rural areas.

* On Monday, the government permitted private and state transport services to increase fares by between 20 and 28 percent, further burdening workers and poor people. The government refused to subsidise bus owners to keep fares low.

* Yesterday, the Electricity Board announced a 20 to 40 percent increase, which will particularly affect poor consumers and raise prices higher across the board.

Fishermen depend on diesel and kerosene for fuel. National Fishermen Solidarity Movement convener Herman Kumara told the press that "the daily fuel cost, which was 3,000 rupees, has risen to 4,500 rupees after the price hike."

Seeking to deflect the deepening anger among workers, trade unions have issued statements declaring they would launch campaigns for higher wages. Democratic Workers Congress leader Mano Ganeshan said it would call a "token strike soon." Sumathipala Manawadu, from the Janatha Vimukthi Peramuna-led All Ceylon General Workers Union, said the union would wait until the end of March for wage increases or then call a strike. All the trade unions have betrayed previous wages struggles, paving way for the government's attacks.

President Mahinda Rajapakse declared in his Independence Day speech on February 4: "The economic crises in the world also affect our country. It is important to be aware of the reality. In face of all these, we should be prepared to demonstrate our strength and courage to the world."

Behind his reactionary call for patriotism, Rajapakse meant that his government would take whatever measures were deemed necessary to impose the burden of the deepening world economic crisis, as well as the huge debts left by the expenditure on the war against the LTTE, which ended in May 2009.

Rajapakse's remarks came one day after IMF mission chief Brian Aitken spelled out to the government the conditions attached to the remaining loan instalments. The IMF prescription is no less dictatorial than those given to Greece and other debt-ridden European countries.

Aitken announced: "There was broad agreement [between the IMF and the government] that a decisive policy response was needed to put the economy on a sounder macroeconomic footing, especially given the current uncertain global environment."

Aitken said the fiscal deficit target for 2012 would be 6.2 percent of gross domestic product (GDP). The government had deviated from the 6.8 percent target set for 2011, increasing it to nearly 7.2 percent. The required 1 percentage point cut this year will further make inroads into welfare programs. The government has already postponed payment of the meagre monthly welfare dole, called "Samurdhi," until March.

The IMF mission also insisted that the government stop defending the rupee's value. Since last July, the Central Bank (CB) has sold around $2.7 billion worth of US dollars to protect the rupee, creating the conditions for a balance of payments crisis.

Sri Lanka's trade deficit for 2011 increased by 111 percent to $8.8 billion, up to last November, compared to $4.2 billion for the same period in 2010. By the end of last month, the country's external reserves had dropped by 36 percent since July, from $8.2 billion to $6.2 billion.

The CB had also raised domestic interest rates and tightened credit. It imposed an 18 percent credit growth limit on commercial banks, and increased their repurchase and reverse repurchase rates by 50 basis points each, to 7.5 percent and 9 percent respectively.

The economic uncertainty has burst the Colombo share market bubble. Once hailed as second best performing share market in Asia, it was named the worst performing last week. So far this year, the all-share price index has dropped by 17.5 percent. Terms such as "bloodbath" have become common in the Sri Lankan media. The *Island* reported last Friday: "Bloodshed continues on bourse for seventh day."

Reeling under the impact of the global crisis, the Rajapakse government will continue to ruthlessly enforce the dictates of international financial capital. The rapid pace of attacks on the living conditions of workers and the rural poor over the past few days is a warning of the brutal measures to come, setting the stage for social eruptions and major working class struggles.