UN expert advises Sri Lankan government about social impact of austerity measures

Saman Gunadasa
25 September 2018

UN Human Rights Council official Juan Pablo Bohoslavsky ended a nine-day visit to Sri Lanka earlier this month. Bohoslavsky, whose job title is “UN Independent Expert on the effects of foreign debt and human rights,” offers “advice” to indebted governments in less developed countries.

Bohoslavsky’s visit and his preliminary “end of mission” statement are an indication of international concern about growing popular opposition to Colombo’s implementation of International Monetary Fund (IMF) dictated austerity measures. According to the Central Bank, Sri Lanka will have to pay $4 billion per year until 2022 just to meet its current external debt liabilities.

In the past year, protests and strikes have involved railway, postal, health, power, university and plantation workers for higher wages and improved working conditions. Poor farmers and fishermen have also demonstrated against cut backs and increased fuel and production costs. University students are involved in ongoing protests, in particular against the privatisation of education.

Bohoslavsky called on the government to assess “the human rights impact of both its economic reform policies and infrastructure projects” and warned that “social spending should not be cut to repay growing debts.” Spending cuts, he said, “should at least be compensated through cash transfers targeting those in need.”

The UN expert said recent IMF directed “reforms” slashing energy and farming subsidies, “might have an adverse effect” on the livelihood of fishermen, farmers and rural communities. Electricity prices have been deregulated and the cost of fuel is determined by an automatic market-based formula. He also raised concerns about increases in the value added tax (VAT), which has been lifted to 15 percent on almost all goods and services. He noted that “the cost of such a tax is borne by the poorest part of the population.”

The Sirisena-Wickremesinghe government’s fuel pricing formula has resulted in constant increases in petrol, diesel and kerosene prices. In May the government increased diesel from 95 rupees per litre to 110 rupees, and in July lifted it again to 118 rupees (about 73 US cents). The cost of services and products dependent on fuel has increased accordingly, directly impacting on the working masses.

The IMF has also ordered the government not to use the country’s foreign reserves to defend the exchange rate, thus allowing the fluctuations of global money markets to determine the value of the Sri Lankan rupee. As a result, the rupee has depreciated by 7.4 percent against the US dollar since the beginning of the year.

Bohoslavsky also referred to the government’s privatisation program and cautioned against the so-called public-private partnerships, particularly in the health and education sectors. He did not oppose privatisation as such, but declared that “public private partnerships should not replace the government’s primary obligation of ensuring the economic, social and cultural rights equally among everyone.”

Bohoslavsky referred to Sri Lanka’s endorsement of the “International Covenant on Economic, Social and Cultural Rights,” saying these rights should be incorporated into the country’s constitution and protected by the judiciary. Such proclamations are hot air. The equal distribution of “economic, social and cultural rights” is impossible under the capitalist profit system.

Bohoslavsky’s findings on micro financing highlighted the predatory nature of finance capital and its local representatives in providing small loans to the most oppressed sections of society. He said rural women were being particularly targeted in the war-ravaged parts of the country with interest payments as high as 220 percent.

Some women, he said, had three or four outstanding loans from different lenders and were confronted with collectors who visited them on a virtual daily basis and would not leave their homes until they were paid. He learnt some borrowers had attempted to "donate" their kidneys and others were pressured for "sexual favours," in exchange for outstanding instalments. This problem, he said, "is a state responsibility because the poor cannot be forced to pay for public goods via private microcredit."

Bohoslavsky called for "human rights impact assessments" on large scale infrastructure projects. He noted that neither international lenders, such as World Bank, Asian Development Bank, the Japanese and Indian governments, nor the Sri Lankan government have carried out such assessments for power plant projects, the Hambantota port, the Mattala Airport or the Colombo outer expressway. These multi-billion dollar projects were initiated by the government in an attempt to attract foreign investment.

The UN expert called on the government to adopt "less harmful policy options" to deal with growing foreign debt. This included renegotiating the debt repayments and "boosting domestic demand through progressive tax reforms, expanding social benefits and increasing minimum wages"—options that will be rejected out of hand by Sri Lanka's international creditors.

Bohoslavsky noted the government's high military expenditure, which, more than nine years after the end of the protracted war against the separatist Liberation Tigers of Tamil Eelam, continues to climb. He called on the government to "re-examine military spending."

Since President Maithripala Sirisena and Prime Minister Ranil Wickremesinghe came to power the defence budget has increased by 29 percent—from 225 billion rupees per year in 2015 to 290 billion rupees in 2018.

Colombo's spending spree on the armed forces is connected to the ongoing military occupation of the North and East war-ravaged areas and government repression against an increasingly restive working class and the poor. The military and police have been mobilised against striking workers, including their deployment as strike breakers under essential service orders.

The purpose of Bohoslavsky's mission was to warn the government, and international finance capital, that the worsening social conditions of the working people in Sri Lanka would lead to an inevitable social explosion.

The UN "expert" referred, in particular, to the "lack of unionisation" of the Sri Lankan work force which, he said, had resulted in the trade unions "losing the power to fulfil their traditional role of contributing to redistribution" of wealth.

In fact, the trade unions have been transformed into political control mechanisms that block the working class from defending their social rights, opening the way for escalating government attacks and ensuring that wealth continues to be "redistributed" to big business and the capitalist elite.

Bohoslavsky's principal concern is that thousands of Sri Lankan workers have lost confidence in the trade unions and that the eruption of struggle outside union control is the real threat to capitalist rule on the island.