

Amid economic crisis, Sri Lankan president pledges to work with IMF

K. Ratnayake
18 March 2022

Sri Lankan President Gotabhaya Rajapakse announced on Wednesday night that he had decided “to work with the International Monetary Fund” to resolve the country’s economic crisis and its dire foreign exchange situation.

Rajapakse made the announcement in a 15-minute address to the nation, reversing his previous stance not to seek IMF assistance. His regime is now preparing to ruthlessly impose austerity measures and make workers and the poor pay for the worsening economic turmoil.

A day before his speech, Rajapakse met with IMF Asia and Pacific Department Director Changyong Rhee and Deputy Director Anne-Maria Gulde Wolf. The officials visited Colombo as international investors and rating agencies warned that Sri Lanka could default on repayments of foreign loans and sovereign bonds.

Rajapakse declared during his national address that he was “well aware of the shortages of essential items and increase in prices... issues such as gas shortage, fuel shortage and power cuts.” This situation, he said “will continue for reasons beyond our control,” despite “maximum possible efforts” by his government.

Notwithstanding his bogus concerns about working people, Colombo has been systematically attacking the social conditions of the masses, cutting imports of essential items, including food and pharmaceuticals and increasing their prices.

As a result, the year-on-year inflation rate has doubled since September and in February stood at 15 percent with food inflation at 25.7 percent. Millions are suffering from lack of essential food supplies, medicines and fuel as well as power cuts and transport breakdown. Over the past 12 months there have been strikes and protests by hundreds of thousands of workers from health, railways, education, postal, petroleum, ports and plantations over wages and allowances.

During his speech, Rajapakse declared he would “make tough decisions to find solutions to the inconveniences that the people are experiencing.” He did not elaborate what would these “tough decisions” would be.

IMF Executive Board report on March 2, however, proposed a range of brutal measures, including fiscal deficit cuts, higher interest rates, devaluation of the rupee, restructuring of the state sector and other proposals.

In line with these demands, the Rajapakse government on March 7 floated the rupee, setting the stage for a massive devaluation. Since then the official value of the rupee against the US dollar has dropped at least 37 percent, pushing up the price of all goods and services, further fuelling already rampant inflation.

Rajapakse also announced that he had established a National Economic Council (NEC) and an Advisory Committee and that he will monitor their decisions and their implementation. NEC members include Prime Minister Mahinda Rajapakse, Finance Minister Basil Rajapakse, and several other ministers, along with senior officials from the Central Bank and the finance ministry.

The Advisory Committee includes the owners and CEOs from some of the country’s biggest corporations, including Haley’s, Softlogic, Keels, Sunshine and Cargills as well as technocrats. The corporate elite has previously been pressing for the government to seek IMF assistance.

Rajapakse declared that he could “better understand and manage all the difficulties faced by the soldiers who were at the forefront of the war against brutal terrorism” and would now take similar action on behalf of the people.

Rajapakse’s reference to Colombo’s communalist war against the separatist Liberation Tigers of Tamil Eelam is chilling. As Sri Lankan defence secretary in 2005, he supervised the bloody war until its brutal end in May 2009, which led to the deaths of tens of thousands of civilians and the incarceration of 300,000 civilians in military-controlled camps. His regime will implement the IMF’s austerity demands and ruthlessly suppress any opposition.

In a shameless bid to absolve himself of responsibility, Rajapakse has repeatedly claimed that he did not “create the crisis” and that it was “beyond his control,” citing increased shipping costs, rising commodity prices and shortages of goods due to COVID-19.

As the *World Socialist Web Site* has explained from the outset, the COVID-19 pandemic has enormously accelerated an already existing and advanced crisis of the entire capitalist system. Capitalist governments everywhere—in the advanced and backward countries—have attempted to defend the profit system by pumping massive funds into the banks and corporations. This has only deepened this crisis.

Rajapakse provided figures to try and explain Sri Lanka's exchange crisis and how to address it. Accordingly, he aims to reduce the trade deficit, which was \$8.1 billion last year, to \$7 billion this year. "We should aim for this target," he declared, despite the fact that the rupee has been floated. At the same time, \$6.9 billion has to be repaid this year for foreign loan and sovereign bond debts.

The president also announced that his government had "initiated discussions with international financial institutions as well as with our friendly countries regarding repayment of our loan instalments."

The IMF program and similar financial arrangements are aimed at restructuring loan repayments, i.e., to secure more time on debt repayments. All such arrangements come with strings and will involve the sort of austerity measures already proposed by the IMF, including privatization and cuts to social spending including public education, health and welfare.

As Central Bank Governor Ajit Nivard Cabraal told the media last November: "The IMF could tell us to depreciate the rupee, raise the interest rates by 30 percent, 40 percent, 50 percent further, reduce the number of government sector employees, reduce or curtail pension benefits, and sell various state assets."

Cabraal, who enjoys cabinet rank, admitted this previous reluctance to turn to the IMF was not because he and the government did not support austerity measures. Rather, they fear the inevitable opposition of workers and the poor.

During his speech Rajapakse issued a desperate nationalist appeal. "We are a nation that has experienced many adversities and at the same time conquered those challenges... We have faced foreign invasions, great famines, natural disasters and threats of terrorism," he declared.

The population must understand, he added, "that we have to face difficulties when implementing solutions for the issues for a certain period of time."

In other words, the masses must make sacrifices while the government unleashes a rampaging attack on the conditions of workers and the poor on behalf of international investors and big business. These assaults cannot be imposed peacefully and will see the government use repressive methods.

In the face of mounting concerns by workers and the poor, the Samagi Jana Balawegaya, (SJB) Sri Lanka's main

opposition party, called a rally in Colombo on Tuesday mobilising around 20,000 people. It called for Rajapakse to resign and for new presidential elections.

The SJB is not a political alternative to Rajapakse. Indeed, in recent months it has appealed to the government to implement an IMF program. The SJB is a breakaway from the right-wing United National Party and shares its long history of imposing pro-market restructuring on the working class.

Likewise, the trade unions have repeatedly lined up with the government. Union leaders declared again and again during last year's strikes and protests that they "understand the economic crisis" and would not push for immediate salary increases.

The working class has to urgently prepare to defend its living conditions and democratic rights by mobilising its industrial and political strength in alliance with youth and the rural poor. This requires the building of action committees in every workplace independent of the pro-capitalist trade unions and opposition parties.

In order to fight the Rajapakse regime's IMF-instigated attacks the working class has to fight for a socialist program, which includes the repudiation of all foreign debts and the nationalisation of large estates and big companies under the democratic control of workers. Only in this way can the economy reorganised for the majority of society, not the profit-hungry interests of the few.

The working class can implement this program only by fighting for a workers' and peasants' government and taking forward this program in unity with workers globally as part of the struggle for international socialism. Workers in every country now confront escalating attacks on their conditions and democratic rights. The Socialist Equality Party is the only organisation that advances this international perspective. We urge you to join SEP and take up this historic fight.



To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact