

Sri Lankan Central Bank governor: Prepare for more austerity

Saman Gunadasa
10 April 2022

Sri Lanka's newly-appointed Central Bank governor Nandalal Weerasinghe declared Friday: "We should tell the people the result of our program will be a much worse situation before [there is] a turnaround."

Weerasinghe warned that the International Monetary Fund (IMF) would dictate brutal austerity measures as the price of any emergency bailout. His first action of Friday was a huge 7 percentage point hike in country's interest rate to 14.50 percent—a move that will hit working people and small businesses hardest.

Weerasinghe made these remarks on a talk show on the Swarnavahini TV channel, just hours after he was appointed to the post. A retired Central Bank deputy governor, he was asked by President Gotabaya Rajapakse to take the post, as he is desperately seeking to cobble together a delegation to hold talks with the IMF.

A delegation led by the Finance Minister Ali Sabry is to leave for New York on April 18. Sabry, who clearly does not want the job, resigned less than 24 hours after his appointment as finance minister last Monday. After spending days trying to find a replacement, the president announced that he would not accept Sabry's resignation. On Friday, Sabry reluctantly announced he would continue in the post.

Weerasinghe warned: "We can't turn around a crisis caused by two years within two days. When we discuss restructuring with the IMF or our creditors they will ask what is the responsible authority." He declared the country needed a "stable government," adding that "turning around the economy will depend on how soon we can have the social and political stability."

"We have to explain and convince the people that they must tolerate, and get their support. Then only we can carry this out. Now that inflation is 17.5 last month, it will be 25 next month. If people take to the streets

and say they don't agree to do this, it will only get worse... You have to explain the solution to them," he said.

Working people, however, are already facing intolerable burdens with skyrocketing prices for essentials, shortages of fuel and cooking gas and long hours every day of no electricity.

Hundreds of thousands of workers and youth are continuing to hold demonstrations throughout the country that began a week ago. They demand the immediate resignation of President Rajapakse and his government and solutions to the crisis.

On Saturday, more than 20,000 young people gathered at Galle Face Green in central Colombo while around 10,000 flocked there again on Sunday.

The Central Bank governor's call for "political and social stability" is to prop up a government that is universally hated. It has a wafer-thin majority after 41 MPs declared last week that they would act independently.

President Rajapakse initiated talks yesterday with the MPs in a bid to get them to return to the ruling coalition. Rajapakse has again called on opposition parties to set up an interim regime. Opposition parties rejected a similar offer last week.

The IMF program touted as the means to turn around the economy was outlined early last month. It includes increases in income and value added taxes; further rises in fuel and electricity prices; a market-determined flexible exchange rate; the restructuring and privatisation of state-owned enterprises; deep inroads into state expenditure; and the further slashing of price controls and subsidies.

The market-based devaluation of the rupee was already implemented in early March. Since then, the official US dollar rate has been shot up from 203 to 325

rupees—a 60 percent devaluation. This has driven up the prices of imported food items, fuel, medicines and other essentials.

The economic crisis in Sri Lanka is a very sharp expression of the global turmoil fueled by the COVID-19 pandemic and accelerated by the US-NATO proxy war against Russia in Ukraine. Tourism has been badly hit and exports have plunged. Sri Lanka has just \$US1.9 billion in foreign reserves and has \$7 billion in foreign loan repayments to make this year.

A *Financial Times* editorial on April 7 highlighted Sri Lanka's vulnerability, and warned: "The country may have as little as \$500 million left in foreign reserves though a \$1 billion bond repayment is due in a few months." It declared that "fears are growing that Sri Lanka could be the first in a series of emerging markets to descend into economic turmoil."

Speaking to Reuters on Saturday, Finance Minister Sabry said: "Sri Lanka will need about \$3 billion in external assistance over the next six months to help restore supplies of essential items including fuel and medicine." In the lead-up to the IMF talks, he pledged that "the government will raise taxes and fuel prices within six months and seek to reform loss-making state-owned enterprises."

The opposition parties declare their sympathy with people on the streets demanding Rajapakse's resignation. But they are advocates of the IMF austerity agenda, knowing full well that it will only intensify the social assaults.

Speaking in parliament on Friday, parliamentary opposition leader Sajith Premadasa declared: "If we want to receive monetary aid from them [IMF], we need to provide the IMF with a plan to build debt sustainability." He heads the Samagi Jana Balavegaya, which is boasting that it has been insisting the government go to the IMF from the outset.

United National Party leader Ranil Wickremesinghe said in parliament last week that he has personally spoken with top IMF officials about the country's crisis and was assured that the IMF was ready to help.

The Janatha Vimukthi Peramuna is maintaining a duplicitous silence about government plans to implement IMF austerity program.

No one should be under any illusion that the IMF austerity agenda will end Sri Lanka's economic crisis. It is the means for forcing the country's working class

and rural masses to bear new burdens to ensure repayments to the international banks, finance houses and foreign creditors.

The Socialist Equality Party (SEP) has advanced a socialist program of action for the working class to fight for its class interests. Down with the Rajapakse government! Abolish the executive presidency! Repudiate all foreign loans!

Form action committees to seize control of the means of production and distribute to ensure food, fuel and medicines for all. No one should starve to death to ensure the profits of the super wealthy!

We call upon workers and youth to join the Socialist Equality Party in order to prosecute this fight on the broadest front.



To contact the WSWWS and the Socialist Equality Party visit:

[wsws.org/contact](https://www.wsws.org/contact)