IMF declares its Sri Lankan program a “brutal experiment”

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On Monday, the Executive Board of the International Monetary Fund (IMF) approved a $US2.9 billion bailout loan to the Sri Lankan government over four years. Two days later the Central Bank of Sri Lanka received its first installment of $330 million.

President Ranil Wickremesinghe, who is notorious for enforcing IMF austerity measures in the past, was jubilant about the loan’s approval. In a special statement to the nation, he declared: “Sri Lanka will no longer be treated as a bankrupt country.”

The IMF said that although its loan is relatively small, it will be a catalyst for another $7 billion from the World Bank and Asian Development Bank and others.

The Sri Lankan media was also elated with headlines such as “IMF had extended a lifeline” to the country. The big business lobbies hailed the IMF’s decision and called on everyone to support it.

In reality, the IMF loan is tied to an unprecedented austerity program that effectively puts the country under the governance of this institution of international finance capital.

IMF mission chief for Sri Lanka, Peter Breuer explained on Tuesday: “Sri Lanka will be the first country in Asia-Pacific to undergo a governance diagnostic exercise by the IMF.” The exercise rested on five pillars, he said, including an ambitious revenue-based fiscal consolidation, debt sustainability and great exchange rate flexibility.

In order to obtain the loan, the Sri Lankan government has already had to make deep inroads into social services, jobs and living conditions. As Breuer admitted: “[T]hat has just shown what a brutal experiment it is to have to adjust the economy from one equilibrium to the other, without any external support.”

Before releasing the loan, the IMF demanded a long list of austerity measures, with Wickremesinghe boasting that the government had met all 15 targets. The measures included a huge devaluation in the rupee, a reduction in imports, increases in the value added tax (VAT), income taxes for many workers, increases in fuel prices and electricity tariffs, and cuts to pensions.

These devastating inroads into the social position of working people came on top of the consequences of an unprecedented economic crisis that sent prices soaring and created widespread shortages of basic goods.

An uprising of the suffering masses erupted last April and eventually forced the former president to flee the country and resign in July. The Sri Lankan political establishment, with the backing of imperialist powers, anti-democratically installed Wickremesinghe as the president to impose the IMF’s requirements.

After this week’s loan approval, further measures in the “brutal experiment” are in pipeline, including the privatisation or commercialization of state-owned enterprises (SOE), scrapping what remains of free public health and education, and hundreds of thousands of public sector job cuts.

On Tuesday, the cabinet approved the divestment of seven SOE’s shares owned by the state and established a SOE restructuring unit to oversee the process.

Speaking at a press briefing on Thursday, Wickremesinghe said the state-owned Sri Lanka Telecom, Sri Lanka Insurance Corporation, Grand Hyatt and Hilton hotels, Litro Gas Lanka and Lanka Hospital Corporation would soon be sold off.

Answering questions, Wickremesinghe bluntly declared: “Not all of them are loss making. We do have to repay debt. You can’t keep these and pay back loans.” Asked why Sri Lanka should sell SOEs that aren’t making losses, he responded: “Why is the state engaged in business? That’s not our mandate.”

During the IMF’s press briefing, a Sri Lankan journalist asked about recent protests against the income tax hikes that the trade unions have been compelled to call amid

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widespread anger and opposition among workers and professionals.

The answer was revealing of the IMF's attitude to the immense burdens placed on working people.

Breuer began by declaring that he understood the hardships, including "incredible increases in the cost of living… the loss of employment, loss of livelihood, rising energy costs and falling real incomes that have really hit the population large, and in particular, the poor and vulnerable."

But as he made clear, the IMF's priority was determined by the requirements of international finance capital. Sri Lanka "collects the least amount of fiscal revenue in the world," Breuer complained, amounting to 8.3 percent of the GDP in 2021 as compared to expenditures of 19.9 percent.

Breuer bluntly declared that "external creditors are not willing to provide to fill that gap. So tax reforms are badly needed to correct this imbalance."

The IMF insisted that the negative revenue gap of 5.7 percent of GDP compared to public expenditure in 2021 be turned into a 2.3 percent surplus of GDP starting in 2025. "That is quite ambitious. But what is the alternative?" he asked.

The main Sri Lankan business lobby, the Ceylon Chamber of Commerce, congratulated the government. Its statement declared that "long overdue economic reforms [were] a vital impetus towards sustainable economic revival." It urged all political parties, civil society, trade unions and the public "to view the IMF program positively and support [it]."

Speaking in parliament on Wednesday, Wickremesinghe challenged the opposition parties to show whether there was any alternative. Facing a mounting wave of protests and strikes, he invited to them to join him in pushing through the IMF austerity agenda. At the same time, he is intensifying repression against workers and the poor.

As teachers have begun to protest against arbitrary transfers, the president threatened to impose the draconian essential public services act to ban protests and strikes. On Wednesday, he signed a proclamation that keeps the armed forces on standby in all 25 districts in the country. Already, many government sectors, including electricity, railway, ports, postal, telecom, petroleum, health and health, have been declared essential services.

Wickremesinghe has depended on the trade unions to limit and derail the struggles of workers. When compelled to call strikes and protests, the trade unions have diverted the struggles into futile calls for the government to make concessions. Wickremesinghe has flatly ruled out any changes to the austerity program.

The opposition parties do not oppose the IMF's austerity measures. Following the loan approval, Samagi Jana Balawegaya (SJB) leader Sajith Premadasa in parliament simply called on the government to reveal the IMF's conditions. Last year, the SJB vociferously criticised the government for not seeking an IMF bailout sooner.

Last October, Janatha Vimukthi Peramuna (JVP) leader Anura Kumara Dissanayake told the "Swarnavahini" talk show that Sri Lanka had "no other alternative to going to the IMF" after the country had defaulted on foreign loans. Speaking in parliament, its propaganda secretary Vijitha Herath yesterday reiterated the same, saying his party has no objection to going to the IMF.

The fact that all these parties support the IMF austerity program underscores the fact that within the capitalist system there is no alternative to the immense economic crisis but to place new burdens on working people. The only alternative is for workers to take matters into their own hands and fight for a socialist program to address the pressing social needs of working people, not the profits of the super-wealthy few.

The Socialist Equality Party (SEP) alone advances such a program for workers: form action committees independent of the trade unions and capitalist parties in every workplace and working class neighborhood and call on the rural poor to set up their own action committees. We demand the repudiation of all debts and insist that the production and distribution of essentials must be placed under the democratic control of the working people.

The SEP is calling for a Democratic and Socialist Congress of Workers and Rural Masses based on delegates from of these action committees to organize against the IMF's austerity dictates and to fight for a workers' and peasants' government committed to socialist policies.

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