

# Sri Lankan workers and youth must demand the repudiation of all foreign debt

Pani Wijesiriwardena  
4 May 2024

The Sri Lankan government of President Ranil Wickremesinghe is desperately seeking further talks with private bondholders in order to finalise its debt restructuring program. Previous discussions with these bondholders, which hold \$US12 billion of the country's foreign debt, have failed because they want higher repayments.

The restructuring of Sri Lanka's foreign debt is a key condition of the International Monetary Fund's \$3 billion bailout loan in March 2023.

Amid an acute economic crisis triggered by the coronavirus pandemic and the US-NATO war against Russia, Sri Lanka's foreign reserves dropped to \$1.6 billion by early 2022. This drastic decline saw Colombo unable to import basic essentials, creating massive shortages and skyrocketing prices.

The Rajapakse government announced in early April that it could not maintain instalments on its \$6 billion debt and interest. Confronted with mass nationwide protests, Rajapakse fled the country and resigned. Ranil Wickremesinghe, who was elevated into the executive presidency by the discredited parliament, continued talks with the International Monetary Fund (IMF), eventually securing a \$3 billion bailout loan, after agreeing to its harsh conditions.

Discussions between Sri Lankan government officials and the bondholders have dragged on since October 2023. The first face-to-face talks took place in March 27 and 28 in London. The bondholders insisted that restructuring of the bond debt be tied to the Macro Linked Bond (MLB) system where payments are linked to changes in Sri Lanka's GDP denominated in US dollars.

Under the MLB, the IMF's assessment of Sri Lanka's GDP for 2023 is taken as the baseline and a percentage of interest payments decided accordingly. If the GDP increases in subsequent years the repayments will go up. However, if the country's GDP falls, the repayments are not reduced.

This is massively advantageous for the sovereign bondholders, who want to maximise the payouts on their

investments. As Citibank analysts told *Bloomberg*, this arrangement "looks 'extremely generous' to investors."

Following the failure of the recent London discussions, Sri Lankan delegates to the annual IMF-World Bank meetings in Washington held another round of discussions on April 15. No agreement was reached at this meeting.

The bondholders are clearly trying to bully the Sri Lankan government into submission. The lack of agreement jeopardises a scheduled IMF review in June and the release of the next \$337 million loan instalment. If the government fails to meet the deadline, it will immediately lose the planned instalment and access to other foreign assistance.

Sri Lanka currently owes \$37 billion in outstanding external debts. This includes \$10 billion to multilateral financial institutions, including the World Bank and the Asian Development Bank, and \$11.33 billion to bilateral creditors, including the US, European countries, China, Japan and India. Commercial loans include \$12 billion in sovereign bonds and \$2.75 billion in other debts.

Addressing parliament on March 6, President Wickremesinghe, who is also the finance minister, said: "Our goal is to obtain temporary relief from debt defaults from 2023 to 2027 and subsequently, repaying the loans in the period from 2027 to 2042." Wickremesinghe has previously stated that he wanted to reduce \$17 billion of debt through restructuring.

Discussions with other lenders, such as China, India, some European countries, and the US, have also dragged on because, notwithstanding their previous "sympathy" for Sri Lanka, they are reluctant to agree to any reduction on repayments.

Several groups protested outside last month's IMF-World Bank meetings in Washington, demanding debt cancellation for the "global south" and more action on climate change. These included the Asian Peoples' Movement on Debt and Development (APMDD), and the Committee for the Abolition of Illegitimate Debt, Debt Justice.

Coordinator Lidy Nacpil told the media that the IMF-World Bank meeting was happening as a "worsening debt

crisis” was “crushing developing countries across the world.”

Nacpil blamed “the flawed and futile debt relief schemes of the G20, and the IMF and World Bank,” adding: “They [the IMF and the World Bank] have not lifted a finger to compel the participation of commercial and private lenders in public debt reduction, knowing the heavy burden that this represents for developing countries.”

She issued the futile demand for “deeper, wider and immediate loan abolition” for the countries in the global south. Neither the IMF or World Bank, nor the US and other major powers that stand behind them, has the slightest concern for the plight of the masses in poorer countries. Rather they are instruments for enforcing the profit interests of international finance capital.

The Wickremesinghe regime will undoubtedly bow to the demands of the IMF and its creditors. It has demonstrated time and time again that it will ruthlessly suppress the resistance of workers and the poor, doing everything it can to implement the IMF austerity agenda.

Foreign loans obtained by Colombo governments have never been to improve life for Sri Lankan workers. Massive loans were obtained to fund the brutal 26-year war against the separatist Liberation Tigers of Tamil Eelam in order to suppress the Tamil minority and divide the working class along communal lines.

Sri Lankan governments have, over the decades, obtained bailout loans 16 times and imposed their harsh austerity measures. In fact, the 17th of these bailout loans, negotiated by Wickremesinghe, and agreed by the entire political establishment, depends on complete compliance with its punitive terms.

But why should workers, youth, and the poor—many of them facing malnutrition—sacrifice their jobs, wages and social conditions so finance capital can keep plundering the country. The working class must mobilise independently and fight for the repudiation of all foreign loan repayments, a long-held perspective of the international socialist movement.

The formation of the Petersburg Soviet of Workers' Deputies in 1905, whose chairman was Leon Trotsky, arose out of a revolutionary movement across Russia. The Soviet's manifesto, which was written by Trotsky and published in eight socialist and liberal newspapers, rejected the repayment of all foreign debts.

It declared: “The autocracy never enjoyed the confidence of the people, and was never granted any authority by the people. We have therefore decided not to allow the repayment of such loans as have been made by the Czarist government when openly engaged in a war with the entire

people.”

While the resolution could not to be implemented because the Czarist regime crushed the revolution, the repudiation of foreign debt was implemented in 1918, after the Russian working class took power in the 1917 October Revolution and established the dictatorship of the proletariat.

Based on these historical lessons, the Socialist Equality Party (SEP) has consistently agitated for the complete repudiation of foreign loans. As the SEP declared on April 7, 2022 statement on the eve of the mass uprising in Sri Lanka:

“Repudiate all foreign debts! No to the austerity demands of the IMF and World Bank that represent the international banks and financial institutes!

“The Rajapakse government blames its harsh austerity measures on the need to repay billions of dollars to the global bankers. The opposition parties agree. Instead of the \$US7 billion due this year flowing into the coffers of the international banks, it should be used to pay for the food, fuel, medicines, and other essential goods needed by the working people.”

Like Russian revolutionary workers in 1905, the working class and rural and urban masses in Sri Lanka and all countries facing massive international debts must reject the repayment of foreign loans.

The fight for this demand must be an integral part of the socialist program that includes nationalisation of the major companies, plantations and the banks under the democratic control of the working class.

This socialist perspective can be only realised by mobilising the working class, independent of all capitalist parties and trade unions and rallying rural poor in unity with their international class brothers and sisters to fight for a workers' and peasants' government.



To contact the WSWWS and the Socialist Equality Party visit:

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