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Newly appointed Sri Lankan PM pledges to implement brutal IMF program

Sri Lankan President Gotabhaya Rajapakse swore in Ranil Wickremesinghe as prime minister on Thursday to enforce the International Monetary Fund (IMF) austerity dictates. Wickremesinghe has assumed office after weeks of anti-government protests and strikes fueled by soaring inflation, acute shortages of essential foods, fuel and medicines and lengthy daily power outages.



Sri Lankans protest demanding president Gotabaya Rajapakse resign and decrying the appointment of Prime Minister Ranil Wickeremesinghe in Colombo, Sri Lanka, Friday, May 13, 2022. [AP Photo/Eranga Jayawardena]

Wickremesinghe is now desperately trying to appoint a cabinet and cobble together enough MPs to assemble a parliamentary majority. He is the sole parliamentarian for the United National Party (UNP). His appointment has been opposed by protest leaders and the largest opposition party, the Samagi Jana Balawegaya (SJB), which split from the UNP in 2020.

Wickremesinghe told the media that to return to a nation enjoying three meals per day, we “need help from other countries and institutions such as the IMF.” The next day he held talks with the foreign envoys of India, the United States, China and Japan. Wickremesinghe, who has held the post of prime minister previously, is notorious for his implementation of IMF austerity and his pro-US orientation.

Facing acute foreign currency shortages, the Central Bank last month declared a temporary default on its huge foreign debt. The previous government, headed by the president’s brother Mahinda Rajapakse, had already initiated talks with the IMF to obtain an emergency bailout loan.

A second-round of discussions at the technical level with the IMF began on Monday. The IMF had insisted earlier that because there is no “debt sustainability” in Sri Lanka, its immediate policy initiatives were crucial to enter into a bailout loan agreement.

Wickremesinghe will have to continue these talks and implement the austerity program outlined by the IMF to obtain any funding. This program includes:

- A sharp reduction of the fiscal deficit which rose to 12 percent of the gross domestic product last year.
- The further extensive privatisation or commercialisation of state-owned enterprises.
- Increases in the Value Added Tax (VAT) and direct taxes and a widening of the tax net. The aim is to double the state revenue proposed from the current 8 percent to 14 percent of GDP.
- Fixing fuel prices to reflect the market price of oil and increases to and water tariffs as a step towards transforming the related state-owned bodies into profit-making corporations in preparation for their commercialisation and privatisation.

These measures will translate into deep cuts to state sector jobs, wages and pensions, further increased prices of essentials and the slashing of public services, including education and health care.

Underscoring the draconian nature of the IMF's demands, former Finance Minister Ali Sabry told parliament on May 4 that the "country's economy is at a critical level" and warned that "painful reforms lie ahead irrespective of who is in power."

Sabry claimed that it will take two to three years for Sri Lanka to recover from the economic turmoil. What is taking place in Sri Lanka, however, is simply a very sharp expression of the worsening global crisis of capitalism intensified by the COVID-19 pandemic and now dramatically escalated by the US-NATO proxy war against Russia in Ukraine.

Sabry declared that the country's usable foreign currency reserves are less than \$US50 million—not even sufficient for day-to-day imports. He further indicated the government's economic measures and austerity budget had to keep in step with "the new ground realities."

Wickremesinghe's declaration that he wanted to create the conditions for people to eat three meals a day reflects the depth of the social crisis in Sri Lanka. Many working people are unable to provide enough food for themselves and their families, cannot afford to use public transport and cannot obtain the medicines they need.

The imposition of the IMF measures will not alleviate this immense social disaster but only intensify it.

A *Guardian* comment on May 9, headlined "Sri Lanka is the first domino to fall in the face of a global debt crisis," quoted World Bank President David Malpass who referred to the deep crisis facing developing countries. "They are facing sudden price increases for energy, fertiliser and food, and the likelihood of interest rate increases. Each one hits them hard."

Wickremesinghe has been insisting for months that Sri Lanka had no alternative but to beg for IMF assistance. Speaking to university students in early March, he said: "When the economy collapsed in 1977, we went to the International Monetary Fund and sought their

assistance to create an open economy. It was only after [IMF] aid was received that other countries assisted.”

The reference to 1977 is significant. The UNP government of President J.R. Jayawardene was one of the first in the world to turn to the ruthless open market policies espoused by the IMF and international finance capital. It opened the door for foreign investors to exploit cheap Sri Lankan labour and began the process of corporatising and privatising state-owned enterprises. It presided over the destruction of tens of thousands of jobs and the slashing of social subsidies.

These policies generated widespread opposition in the working class which the Jayawardene government ruthlessly suppressed. In 1980, it crushed a public sector general strike by sacking 100,000 employees. As class tensions increased, the UNP resorted to anti-Tamil chauvinism to divide the working class, provoking the protracted communal war against the Tamil minority that killed hundreds of thousands and devastated the island before its bloody conclusion in 2009.

Wickremesinghe was a minister in the Jayawardene government and fully supported its reactionary policies. Forty years later, he has been appointed as prime minister to unleash the IMF program that will devastate the lives of working people in order to defend the profits of big business, foreign investors and creditors. He will not hesitate to use police-state measures against any opposition.

Whether or not Wickremesinghe is able to form a government, the entire political establishment, including the opposition Samagi Jana Balawegaya (SJB) and the Janatha Vimukthi Peramuna (JVP), is committed to this anti-working-class agenda.

The SJB, like the UNP, repeatedly called for President Rajapakse to initiate talks with the IMF. The JVP in 2004 entered the coalition government of President Chandrika Kumaratunga and its ministers helped implement the IMF's program. Both parties have offered to form an interim government, pending early elections.

In opposition to the IMF's austerity program, the Socialist Equality Party (SEP) has advanced a socialist alternative that puts the basic social needs of working people ahead of the profits of big business. We have called for the following urgent measures:

- Repudiate all foreign loans! Reject the austerity demands of the IMF and the World Bank representing international banks and financial institutions!
- Put the production and distribution of all essential goods and other critical resources under the democratic control of the working class! Nationalise the banks, large corporations, large estates and other major economic centres under workers' control!

Measures must be taken to defend the living standards of workers and the poor by indexing wages to the cost of living on a monthly basis and cancelling all debts of impoverished farmers and the self-employed.

To fight for this perspective, the SEP urges workers to build action committees, independent of the trade unions and capitalist parties, in factories, work places, plantations and neighborhoods throughout the island. These action committees can form the basis for the political struggle for a workers' and peasants' government to implement a socialist program

The SEP is ready to provide political assistance to workers wanting to establish such action committees.

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