

Why Sri Lankan workers must demand: Repudiate all foreign debt!

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A key demand of the Socialist Equality Party (SEP) in Sri Lanka is “Repudiate all foreign debt!” It is an essential component of the party’s fight to mobilise the social power of the working class to defend its social and democratic rights and advance the fight for the socialist reorganisation of society.

During the party’s interventions—including the SEP’s campaigns in the recent presidential and parliamentary elections—several workers, university students and young people have raised important questions about this demand.

These include: Why is it necessary to reject the repayment of foreign debts? How can this be done? Won’t the imperialist countries and international financial capital strongly oppose such action? How is it possible to withstand such formidable opposition?

These are legitimate questions that go to the heart of the party’s socialist internationalist program based on the independent mobilisation of the working class.

The ongoing and unprecedented economic disaster that has engulfed Sri Lanka since early 2022 is fundamentally not a national crisis. Rather, it is a product and expression of a systemic crisis of global capitalism that was further exacerbated by the deadly COVID-19 pandemic and the US-NATO instigated war against Russia over Ukraine.

In December 2021, Sri Lanka’s foreign reserves plummeted to just \$1.6 billion, leading the government of former President Gotabhaya Rajapakse to announce on April 12, 2022, that Sri Lanka was defaulting on all its foreign loans.

This was part of the Rajapakse government’s continuing drive to heap the burden of the crisis on the workers and the poor by halting or curtailing access to essentials such as food, medicine and fuel and imposing power cuts. The mass popular uprising against unbearable living conditions that convulsed the island in April–July 2022 forced Rajapakse to flee the country and resign.

Nothing was resolved, however. Ranil Wickremesinghe, the lone UNP MP and a notorious pro-US stooge, was undemocratically installed as president by the discredited parliament after the trade unions and the fake-left Frontline Socialist Party (FSP) diverted the mass movement behind calls by the Janatha Vimukthi Peramuna (JVP) and Samagi Jana Balawegaya (SJB) for an “interim government.”

With SJB and JVP support, the Wickremesinghe government then negotiated a \$US3 billion bailout loan with the US-dominated International Monetary Fund (IMF). Inevitably, the bailout was made conditional on the imposition of savage austerity measures aimed at making the masses pay for the crisis and a restructuring of Sri Lankan capitalism to make it an even greater source of lucrative profits for global investors.

In the less than two years since, taxes have been expanded and dramatically increased, prices for essential items sharply raised, tariffs hiked for electricity and water, and massive cuts made to vital public services, like education and health care.

As a result, government revenue has increased by 40 percent in the first eight months of this year compared to the same period in 2023.

Newly-elected President Anura Kumara Dissanayake has already reassured the IMF that his JVP/National People’s Power (NPP) government will carry out its dictates.

What does this entail? Further savage austerity under the IMF program and for many, many years to come.

As per the IMF’s diktats, the Dissanayake JVP/NPP government will be compelled to go much further than even Wickremesinghe’s. It is legally committed and politically pledged to continue imposing punishing tax and rate hikes, slashing government expenditure, and to completing the wholesale restructuring of state-owned enterprises begun under Wickremesinghe. The sell-off of state enterprises and services and the subordination of others to capitalist profit-making will result in the destruction of tens of thousands of jobs, across-the-board wages and pension cuts, and increased workloads.

Moreover, starting in 2028, under an agreement ratified by the JVP/NPP government within days of Dissanayake’s election, Colombo will have to begin paying international bondholders—those to whom Sri Lanka’s foreign debt is owed—an estimated \$5 billion per year for the following 15 years.

These are colossal sums to be extracted from working people. \$5 billion is equal to about a third of the government’s total current budget and represents well over 5 percent of current GDP.

Claims by Dissanayake and the JVP/NPP, that they will renegotiate the terms of the IMF loans to protect the poorest and most vulnerable sections of the population are a fantasy or, to be more precise, a monstrous fraud. In country after country, the IMF has exerted its enormous financial power, backed by all the major imperialist centres, to enforce its diktats. Any changes “negotiated” by the JVP/NPP government will be purely cosmetic.

We have seen this movie many times before in Sri Lanka and around the globe. Parties, whether nominally left or right, win election promising to alleviate socio-economic distress only to continue the policies of their predecessors. The most salient example in this regard is that of Syriza in Greece—a party like the JVP promoted by the internal media as “left-wing” and “anti-establishment.” It won election in 2015 by exploiting mass popular anger to the austerity diktats of the European Union, only to impose more savage attacks on working people than its avowedly right-wing predecessors.

Dissanayake and the JVP/NPP are simply lying. In preparation for taking the reins of power, they have provided explicit assurances to the Sri Lankan bourgeoisie and Washington that they will enforce the program of the IMF and continue Wickremesinghe’s integration of Sri Lanka into the US-led, Indian-backed military-strategic offensive against China. Theirs is a right-wing capitalist regime, which like that of Wickremesinghe and Rajapakse, and capitalist governments around the world, will obey the dictates of the market and international finance capital.

Why is it necessary to oppose the IMF program in its entirety and repudiate all foreign debt? Quite simply, because otherwise the workers and rural toilers will suffer an enormous social regression. The demands of the IMF and the capitalist vultures who own Sri Lanka's debt are incompatible with the basic needs of the masses. Already, poverty has soared and public services have been bled white. Large sections of working people are finding it impossible to adequately feed their families, let alone pay for their bills and health care and educational expenses for their children.

Moreover, why should working people pay for these debts? None of these loans were contracted by or for the workers and toilers. They were entered into by successive capitalist governments to finance the reactionary 26 year-long communal war against the separatist Liberation Tigers of Tamil Eelam. And in the wake of the enormous destruction caused by that war, to continue paying for a massive military-security apparatus and to rebuild infrastructure—again not for the benefit of workers and their families, but to offer highly profitable opportunities to investors.

Our demands to oppose all aspects of the IMF program—from tariff hikes and budget cuts to privatisation—and repudiate the foreign debt serves to concretise the necessity for the working class to take up a struggle against the Sri Lankan ruling elite and capitalism.

To whom are these demands addressed? Not to the JVP/NPP government, parliament or the opposition parties, all of which are organically incapable of challenging the prerogatives of international finance capital. Rather, they are addressed to the working class as a lever for mobilising it against the bankrupt capitalist order and all the representatives of the ruling class and in the fight for workers' power.

They are an essential element in a series of demands aimed at the development of an independent movement of the working class, which must mobilise the rural masses behind it, in the struggle for a workers' and peasants' government to restructure society along socialist lines.

These demands are linked to the Socialist Equality Party's call for the formation of workers' action committees independent of all agencies of the capitalist class—its parties, their trade unions and fake-left groups such as the Frontline Socialist Party.

We are fighting to build a Democratic and Socialist Congress of Workers and Rural Masses based on elected delegates from their action committees. The parties of the ruling class have their parliament to form their government to oversee the exploitation of working people, including the imposition of savage IMF austerity. The workers and rural toilers need a forum in which they can articulate their class needs and organise a fight for a government that represents their class interests.

How could the foreign debt burden be repudiated? Through the establishment of a government of workers and peasants, as was accomplished in Russia through the working-class led 1917 October Revolution, which created the world's first and only workers' government to date. Among the very first acts of that government—which was established on the basis of Soviets, democratically elected councils of workers and peasants, akin to the action committees the SEP is fighting to build—was the repudiation of the debts of the Czarist autocracy and Russian bourgeoisie.

Then the critical question arises: wouldn't the imperialist powers and their agencies such as the IMF attempt to strangle such a government in Sri Lanka, including financially and through sanctions and other reprisals? Of course they would. But there is an even greater social force to which a workers' and peasants' government in Sri Lanka would necessarily appeal—the international working class.

There is an essential lesson arising from the experience of the Soviet Union that needs to be indelibly burned into the memories of workers. The degeneration and destruction of the first workers' state was not the consequence of socialism and Marxism, but of Stalinism—that is, the

repudiation of international socialism on the basis of the reactionary program of "socialism in one country." A careful study of the political lessons of the protracted struggle of the Trotskyist movement against Stalinism is critical preparation for the class battles ahead.

None of the enormous dangers facing the working class in Sri Lanka and around the world—war, climate change, social counter-revolution—can be combated, let alone resolved, within the framework of any one country. Working people in Sri Lanka are not alone in confronting the predatory activities of international finance capital.

As the WSWs article entitled "Finance capital sucking the lifeblood out of impoverished countries" has analysed, even the IMF in a recent report was forced to acknowledge that while "finance capital is reaping benefits as it sucks in money like a giant vacuum cleaner, the masses are facing poverty, hunger and misery."

The objective basis for a unified struggle against international finance capital certainly exists. To cite just a few examples:

- Since June this year, mass protests have convulsed Kenya involving hundreds of thousands of workers and youth opposed to the IMF-dictated austerity program being implemented by President William Ruto.

- Bangladesh was swept by huge demonstrations in July–August, forcing Prime Minister Sheikh Hasina to flee to neighbouring India. Underlying the mass student protests was the decades-long IMF austerity programs that have created grinding poverty and unemployment.

- Popular protests erupted in Pakistan in April and May and opposition is continuing against IMF dictated economic restructuring.

The upsurge of class struggle is not limited to the world's poorest countries. At the centre of world imperialism, the US has accumulated the largest debt in the world. The incoming Trump administration is openly preparing a social counter-revolution against the working class—to pay for US wars abroad and to boost the profits of the billionaire oligarchy. The strikes that have already erupted will only broaden as a result. Similar processes are also underway in Europe.

The critical lesson from the 2022 uprising in Sri Lanka, as well as of countless other struggles, is that without a thoroughly worked out program based on socialist internationalism such a movement, no matter how large and militant, will inevitably be dissipated and defeated.

The SEP in Sri Lanka and its sister parties of the International Committee of the Fourth International (ICFI), rooted in the historic struggle of Trotskyism against Stalinism, are building the necessary revolutionary leaderships to unify the international working class to abolish capitalism. The ICFI has initiated the International Workers Alliance of Rank and File Committees as the means of coordinating the struggles of workers around the world.

We urge workers and youth in Sri Lanka to take up this political fight and to join and build the SEP.



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