

# Sri Lanka: The awakening lion

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## ***“The duty of youth is to challenge corruption” - Kurt Cobain***

The traditional New Year was a non-event for most families and households this year, given the bleak state of the economy, lack of fuel and essentials, and the country having officially declared itself bankrupt just 48 hours before its dawn.

It was three months ago, on 18 January this year, that the Central Bank on behalf of the Treasury paid in full the International Sovereign Bond (ISB) of \$ 500 million despite the collective Opposition call not to do so, as these funds were required for critical imports. A few days before the payment, the then Governor of the Central Bank, Ajith Nivard Cabraal was all gung-ho and kept insisting that the Treasury had enough and more funds for day-to-day needs and that there was no economic issue of the magnitude the Opposition made it out to be, and even went to the extent of boasting that the next ISB payout of \$ 1 billion due in July would also be made without a hitch.

Then, weeks later, just as the Opposition predicted, critical imports were hit due to the anticipated forex crunch. Food, fuel, medicine, gas and other supplies essential for day-to-day life of the community became scarce and the Opposition parties took to the streets demanding a solution to the crisis. The Central Bank, then still under Cabraal, continued its deceit with fairy tales until imports including fuel and gas almost came to a halt due to the unavailability of dollars. With power cuts lasting up to 13 hours kicking in, the people having had enough of it, devoid of political, religious, or ethnic background spontaneously took to the streets, demanding that the President and his Government resign and go home.

The Government tried to use an iron fist when the protests first flared up in Mirihana, but quickly realised the scale of the people's anger and relented. With the people's protests gaining momentum with each passing day, aided and abetted by deteriorating economic conditions, the administration came to terms with the fact that people meant business this time around and the Cabinet of Ministers was made the scapegoat. Notwithstanding the wholesale resignation of the Cabinet, the people, in no mood to be deceived by theatrics yet again, stuck to their guns and to date continue to do so at Galle Face, which has now become ground zero, drawing worldwide attention and support.

At the root of this crisis are two individuals, the former Finance Minister and the former Governor of the Central Bank, who in hindsight appear to have worked in tandem by diabolically turning a blind eye to the worsening crisis and seemingly deceiving the public on the actual situation at the General Treasury. The Central Bank is essentially the macroeconomic manager of the country and is supposed to map out the road ahead for years to come, yet it failed to see what lay ahead just three months before. Needless to say, if not for the Indian Line of Credit which brought in the much-needed fuel stocks over the course of the past few weeks, Sri Lanka would have ground to a halt long before the New Year. Now with the credit line almost exhausted, the weeks ahead will pose the biggest challenge to the administration to keep the country on the move.

The day 12 April 2022 will go down in history as probably the darkest day in Sri Lanka's post-independent history when the country officially declared itself bankrupt and unable to pay its debt.

With it stood destroyed the pride and legacy of a nation and its 22 million people, who in a matter of a couple of years went from being part of an upwardly mobile upper-middle income country to bankruptcy. Even though it came as no surprise to a country that has lived well beyond its means, with the poorest of the poor supporting an economic model where the political hierarchy lived in the lap of luxury along with the super-rich, the official admittance of inability to service external debt sent shockwaves through the financial ecosystem, with markets crashing all around. Its effect has been so profound that it has even compelled the Securities and Exchange Commission (SEC) to take the unprecedented step of shutting down the Colombo Stock Exchange (CSE) for one full week commencing tomorrow (18).

The economic carnage wreaked on a hapless citizenry has become the legacy of an arrogant, insensitive, and shockingly incompetent administration that relied on a couple of cronies for economic deliverance, who in turn have now quietly retreated into the shadows, while those who appointed them are insisting on carrying on regardless. In what appears to look like a villain on the run, the former Central Bank Governor has erased his digital footprint. Gone are his hyperactive Twitter feed, LinkedIn, and Instagram, erasing without a trace all that he had told the public over the past two years or so, in much the same way as the notorious GoldQuest pyramid scheme disappeared without a trace, leaving thousands of investors in the lurch.

The economy, that is now in shambles, must form the bedrock on which a comprehensive audit is initiated on the individuals and their actions that led to the present calamity that has left no one untouched, from the pensioner, the daily wage earner and the farmer to the small-time investor and the corporate sector that has seen trillions of rupees in capital wiped off at the CSE. Once those responsible are identified, a separate audit needs to be initiated on these individuals to ascertain their personal wealth and whoever it may be must be brought before the law. Interestingly enough, the vanquished UNP has so far been the only political party to officially call for an investigation on the matter.

The present crisis is unpardonable given that when the current administration took office, usable foreign reserves stood at over \$ 10 billion, with \$ 7.6 billion held by the Central Bank and \$ 2 billion by commercial banks and financial institutions, the balance being gold reserves. However, when the present newly-appointed Finance Minister and Governor took office earlier this month, official reserves were said to be around \$ 1.7 billion. It later transpired that even out of this amount, \$ 1.5 accounted for a Chinese swap facility bound by strict terms and conditions and therefore could not be classified as part of reserves. Net reserves are currently estimated to be around \$ 200 million, an all-time low and enough for just a few days of imports.

Having been led up the garden path by the likes of the former Governor, people have a genuine grievance as they feel they have been lied to and cheated of their basic necessities while those who sat at the helm and continue to do so have faced no hardships whatsoever. As a consequence, people are understandably angry and want those individuals, along with those who appointed them, to be shown the door. But it appears that the powers that be are opting for a showdown rather than take the people's verdict at face value. What it portends is a battle of attrition that can only have one outcome, that being in favour of the people.

Already, the environs of President's House and Temple Trees in Fort and Colpetty respectively resemble the war-era garrisons they once were, with all access routes blocked by Police barricades and a heavy security presence. If the leaders who keep pointing to a people's mandate have no option but to protect themselves from the very same people who provided that mandate, then it gives the clearest indication as to the direction in which this crisis is heading. While the Government has no other option but to put all its eggs in the IMF basket, those eggs are unlikely to hatch if the people's democratic rights are curtailed or impinged upon in any manner. It is this reality that has

placed the administration between a rock and a hard place in dealing with the rising wave of protests across the country.

It is no secret that the administration hoped that the Galle Face protests that began on 9 April would fizzle out before the dawn of the New Year, when most people in the city traditionally head back to their villages. But what happened last week was unprecedented. For the first time it was the reverse that took place, with people from the villages flooding into Colombo. In fact, New Year day probably drew the biggest crowd to date at Galle Face.

It is regrettable that instead of offering a viable solution that is in keeping with the people's demands, which at this point has the support of all Opposition parties as well as many parties associated with the Government, the administration appears to be preoccupied with devising ways and means of derailing the movement. Besides the IMF factor, the use of any sort of force or extra-legal mechanism is likely to be highly counterproductive given the impeccable discipline and order maintained by the Galle Face protesters who have brooked no nonsense from any quarter including their own with a penchant for any indulgence.

The legal fraternity led by the Bar Association has thrown its formidable weight behind the movement, reminding the Government that any attempt to disrupt the peaceful protests will have grave repercussions for the country, its democracy, its economy, and the rule of law. And not for the first time in the recent past, it has called on the Government to desist from taking any steps to disrupt the legitimate exercise of the freedom of dissent of the people.

It is said that Sri Lanka is a lion country, with the lion proudly displayed on its National Flag as well as historic monuments. A country is nothing but a landmass without its people. Therefore the lions of Sri Lanka are its people. These days Sri Lanka is a sea of flags and when the lions roar, their caretakers must listen.

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