

President tells *Wall Street Journal*

Long Road to Securing Economic Stability



President Ranil Wickremesinghe

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Sri Lanka’s new President said the country has experienced the worst of its economic crisis and that restoring political stability will allow it to begin turning a corner, starting with finalizing negotiations for an International Monetary Fund bailout that had stalled due to recent turmoil.

“I think we’ve already hit the bottom,” Ranil Wickremesinghe said in an interview Sunday with *The Wall Street Journal*. “I can see the light at the end of the tunnel; it’s how fast we can get to it.”

He also acknowledged that it will take months before most Sri Lankans, who have faced runaway inflation and long queues for fuel and cooking gas, will begin to see their economic circumstances improve markedly.

Speaking from his office in the

Presidential Secretariat, which Mr. Wickremesinghe only moved into on Wednesday after it had been occupied earlier in July by protesters, the President said he expected the IMF staff-level agreement to be reached by the end of August, after which the country would be able to further talks with sovereign bondholders and bilateral creditors. Any preliminary agreement would still require IMF board approval for the disbursement of funds, a process that could take months.

“We are down to the nitty-gritty,” he said. “We would have had it this month [July] if it were not for the unstable political condition.”

Mr. Wickremesinghe also said it wasn’t the right time for former President Gotabaya Rajapaksa to return to Sri Lanka, saying it could inflame political tensions among tens of thousands of protesters who

rallied to oust him over his management of the economy. Mr. Rajapaksa left the country on a military aircraft bound for the Maldives on July 13, before travelling onward to Singapore where he resigned over email.

Sri Lanka’s Cabinet Spokesman Dr. Bandula Gunawardena said on Tuesday that Mr. Rajapaksa wasn’t in hiding and was expected to return. But Mr. Wickremesinghe, who said he remained in contact with Mr. Rajapaksa to deal with administrative handover issues and other Government business, said Mr. Rajapaksa hadn’t told him he planned to return to Sri Lanka soon.

“I don’t believe it’s the time for him to return,” he said. “I have no indication of him returning soon.”

Mr. Wickremesinghe, 73, was elected President on July 20 after winning a Parliamentary Vote to

replace Mr. Rajapaksa, but remains widely unpopular among Sri Lanka’s broader public and its protest movement, who see him as closely aligned with the former President and his family. On July 9, the same day protesters stormed and occupied the Presidential Secretariat and official residence, hounding Mr. Rajapaksa out of office, protesters also breached Mr. Wickremesinghe’s official and private residences, setting fire to the latter. Protesters have since handed back control of all State buildings to authorities.

Mr. Wickremesinghe’s elevation has been all the more remarkable given that he had earlier committed publicly to resigning as Prime Minister alongside Mr. Rajapaksa to make way for a new unity government and that his party clinched just one Parliamentary Seat in the last elections.

The President defended the legitimacy of his election on Sunday.

“I came in by chance. Basically the President had resigned. The country was on fire. They were taking over the buildings,” he said. “I have been elected constitutionally... it’s up to us to perform now.”

Mr. Wickremesinghe was appointed as Prime Minister by Mr. Rajapaksa after the resignation of his brother Mahinda Rajapaksa in May, the month Sri Lanka defaulted on its sovereign debt.

Sri Lanka was on precarious financial footing even before the Coronavirus pandemic hit, as it borrowed heavily to spend on infrastructure and slashed taxes in 2019. Then the pandemic decimated its tourism, a vital earner of foreign currency. This year price increases from the war in Ukraine, coupled with higher U.S. interest rates, put pressure on Sri Lanka’s rupee and drained its reserves, leaving it unable to import the fuel and fertilizer it needs.

Once an IMF agreement is in place, the country will have to work out debt restructuring with creditors with differing approaches, the President said.

“It’s an issue between the different approaches to debt relief between India and Japan on one side, supported by the U.S., and China on the other side,” he said. “It’s a question of getting them to agree on one plan. It’s a question of how do you deal with the hair-

cut? How do you deal with having new money given to pay off the old loans?”

A sharp reduction in imports and an uptick in exports—helped by the fall in the value of the local currency—had helped Sri Lanka achieve a modest trade surplus in June. In the immediate term, Mr. Wickremesinghe said the Central Bank was confident of finding the cash to cover enough fuel imports to begin alleviating the most acute of shortages. But even with an IMF agreement in train, Mr. Wickremesinghe said Sri Lanka needs to secure upwards of US\$ 3 billion from other sources next year to help pay for key imports like fuel, food and fertilizers.

Mr. Wickremesinghe said he was keeping an eye on the process that unfolded in Zambia. Over the past two years, the African copper producer has been undergoing debt restructuring of US\$17 billion in foreign-currency debt under a plan developed by Group of 20 countries during the pandemic and that China signed on to. The framework expects bilateral lenders and private lenders such as multinational banks to accept similar write-downs but is meant to aid the world’s poorest nations, which doesn’t include Sri Lanka.

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