

# War economy weighs heavily on Sri Lankan workers

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The Sri Lankan government has imposed price increases on basic essentials in recent weeks, creating further hardships for workers and the poor. While rising world oil prices are a factor, the government is passing the economic burden of its escalating war against the Liberation Tigers of Tamil Eelam (LTTE) directly onto the population.

Defence spending in this year's budget has been boosted to 139 billion rupees (\$US1.2 billion), a 45 percent increase over last year. However, with the intensity of military operations, defence expenditure is expected to rise by another 50 percent.

Ordinary working people are literally being forced to pay the cost.

\* On June 29, fuel prices were increased by around 5 percent, just two months after the last hike. So far this year, there have been six rises, with petrol and diesel prices increasing by 20 percent and 18 percent respectively. One litre of kerosene—commonly used by the urban and rural poor for lighting and cooking—has increased 31 percent in price to 67 rupees.

\* On July 4, private and state-owned bus services—a form of cheap transport—hiked their prices in line with the increased cost of fuel. The rises ranged between 16 and 33 percent. Railway fares are to due go up in September.

\* On July 9, the price of cooking gas went up, for a second time this year, by 9 percent or 87 rupees for a 12.5-kilogram cylinder.

\* The price of milk powder, including popular low-priced brands, increased last month by 25 percent. In May, the price of wheat flour rose by 16 percent and the cost of bread jumped by 12 percent.

Such is the widespread popular anger that Prime Minister Ratnasiri Wickramanayake, who heads a cabinet subcommittee on the cost of living, called a press conference on June 29 to justify the fuel price hikes. While foisting all the blame on world oil prices, he declared that the government did not want to “harm military operations in the North and East and also development programs in the country”.

In a bid to placate working people, Wickramanayake said

the government would remove the value added tax (VAT) from 10 basic items, including sugar, dhal, dried sprats, and dried chilies. However, on July 10, importers complained that due to new customs duties, even the limited price reductions from the VAT exemptions would not materialise.

Desperate to prove the government's own willingness to “sacrifice”, the subcommittee announced on July 4 that the cabinet had decided to take a salary cut of 10 percent. Even the pliant Colombo media described the decision as a “joke”. In January, President Mahinda Rajapakse and his cabinet increased salaries for parliamentarians and ministers by more than 120 percent, while rejecting public sector workers' pay demands.

There was no suggestion that ministers would give up their many perks, which include fuel allowances, secretaries and bungalows. To maintain his fragile ruling coalition, Rajapakse has given virtually every government MP a ministerial position of some sort. The annual cost of the 108 ministers amounts to at least 2 billion rupees—an average of 18.5 million rupees or \$US165,000 each, an unattainable fortune for most Sri Lankans.

The war is fuelling inflation, creating economic imbalances and causing cutbacks to every area of government spending except defence. *Sunday Times* defence commentator Iqbal Athas reported on June 24 that Finance Ministry secretary P.B. Jayasundara told the National Security Council (NSC) there was no money in the Treasury. Athas observed that “the only option that remains is to call upon the public to tighten their belts even further by making more sacrifices”.

On June 24, the annual meeting of provincial council chief ministers lamented that they had to prune development programs because up to 60 percent of central government allocations had been cut this year. They told the media that projects involving roads, irrigation systems, health and education were all seriously affected. The meeting decided to impose new taxes to maintain the councils, placing further burdens on working people.

At a cabinet meeting on June 27, Rajapakse, who is also

finance minister, turned down requests by several ministers for increased budget allocations, claiming he had to check with Treasury to see if any money was available.

Expressing concerns in business circles, the *Sunday Times* economic columnist wrote last weekend: “The large and growing budget deficit is to a good extent caused by the accumulated deficits of the past that have built a massive public debt over many decades now ... Significantly the recent build up of the public debt has not been due to developmental expenditure, but the escalating costs of the war.... The current massive increase in war expenditure not only fuels current inflation, but fuels inflation of future years”.

The annualised inflation rate for the six months to June was 17 percent. The Colombo Consumer Price Index (CCPI) rose by 168 points to 5,334 in June, up from 5,166 in May. The Central Bank has increased the interest rates, pushing bank rates to 17 percent—the highest figure in a decade. High inflation is undermining the value of the rupee, which has fallen by about 8 percent this year against the US dollar.

The government is increasingly resorting to stop-gap measures. Over the past year, it ran the printing presses to produce 38.4 billion rupees. At the same time, it borrowed heavily, domestically and internationally, to the tune of 406 billion rupees (\$US4 billion) up to June.

Economist Harsha De Silva warned in the *Sunday Island* on July 1: “We are getting into a huge debt trap”. Sri Lanka is now borrowing short term to cover payments on existing debt. As soon as one loan is settled, another is taken out. Rising loan repayments are a significant factor fuelling growing budget deficits. The deficit reached 8.4 percent of GDP last year and is predicted to rise to 9.2 percent this year.

The *World Socialist Web Site* spoke to ordinary working people about economic conditions.

**Muniyandi Sivanu** from the Panmure tea estate near Hatton said: “The Rajapakse government came to power promising to make the living conditions of the poor people better, but now the situation has worsened. This government has increased the price of flour and further increased the price of kerosene, which is used by many plantation workers.

“A few months ago, I bought 1 kilogram of flour for 32 rupees; now it is in the range of 49 to 55 rupees. How can we live? Every month we need 15 kilograms of rice and 15 kilograms of flour for our food. We have had to cut our meals because of the increasing prices. I have two children, 5 years old and 1 year old. Normally we buy three 400-gram packets of milk powder each month. That price has increased from 180 rupees to 210 rupees.

“I am a member of the Upcountry Peoples Front (UPF).

The leader of this organisation, P. Chandrasekaran, is a minister in this government. But he remains silent, not saying a word about these price rises. This government spends a lot of money for an unnecessary war. If this war goes on, the burden on us also will increase. To defend our conditions, this war must be stopped immediately.”

**Uma**, another plantation worker from Hatton, said: “This government rejected our demand for a 300-rupee daily wage. We got only 170 rupees after striking for more than 15 days. That is pointless, as prices are increasing daily. After the strike, management increased their profits using various methods, but our living conditions have only worsened.

“They have introduced a new shift from 6 am to 8 am. They pay 10 rupees per 1kg of tea leaves on a casual basis. Then we have to do the normal plucking from 8 am to 5 pm. I have two small children, so it is very difficult to work the additional shift. But I am compelled to do it because our salary is not enough even for food.

**Gnanaseeli**, a machine operator, has been working at a garment factory in Moratuwa for three years. Her basic monthly salary is just 6,500 rupees (\$US58), plus a 1,000-rupee attendance bonus if she has no days off in the month. She explained that just for food a worker needs a minimum of 10,000 rupees a month.

“Most of the workers are living in shared rooms and are preparing their food collectively. Workers can hardly afford one curry with rice as their main meal. Most workers are suffering from illnesses caused by malnutrition. They complain of pain in their hands due to excessive use without rest and without proper food.

“We use kerosene to cook our food. Even though there have been so many price increases up to unbearable levels, our salaries were not raised by a single cent in recent years. Lots of workers here are unmarried females and most of them want to save some money for their future. However, this has become an unrealisable dream on our meagre salaries. Under these conditions some workers have quit the job and returned to their villages and towns.

“The war has created a grave situation. On the one hand, war kills people. On the other hand, the government spends all the revenue of the country on war. We workers have to bear all the burdens. The government is destroying the living conditions of workers and wasting public money.”



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