Price rises deepen discontent in Sri Lanka

Saman Gunadasa
11 January 2011

Working people in Sri Lanka have been hit hard by a wave of price increases, especially for food and other essential items. While food prices are rising internationally, the impact has been compounded by the government's austerity measures, including a wage freeze and cutbacks to price subsidies.

The official inflation rate rose from 4.3 percent last July to 7 percent and 6.9 percent in November and December respectively, according to Sri Lanka's Statistics Department. Prices for basic food items, however, have increased far more quickly. Officially, food prices rose by 10 percent in November and December compared to the corresponding months the previous year.

Coconuts and coconut oil, which are an essential part of the local diet, jumped in December by around 63 percent compared to same month in 2009. Most vegetables went up by 5-50 percent. Onions—another basic item—rose by around 30 percent. Egg and chicken prices increased by 10 and 30 percent respectively. Prices for wheat flour—the country's second staple after rice—and sugar both went up by 15 percent. Fish prices soared by 20-30 percent, and cooking gas by 3-6.5 percent.

To deflect discontent, the government claimed that the price hikes are due to "natural" or "seasonal" fluctuations. Heavy rain and floods have affected onions to some extent. But the government has taxed all the imported essential food items. Increases in global food prices and other inputs such as fertiliser, along with related intermediary services such as warehousing and transportation, have contributed to the sharp rises.

Sri Lanka Coconut Growers Association president Anton Fernando admitted that the low use of fertiliser in coconut cultivation, due to high prices, was the main reason for decreased production. In addition, increased taxes on maize imports, used for feeding poultry, affected the price of eggs and chicken.

On top of these price rises, the government will increase electricity charges by 8 percent from this month. This hike is a result of the government's withdrawal of the fuel subsidy to the Ceylon Electricity Board (CEB), one of the IMF's requirements for the CEB's "restructuring". Higher electricity charges will further drive up the prices of almost every essential item.

In his New Year message, Rajapakse indicated that more attacks on living conditions would follow. He insisted that sacrifices were necessary to "raise the position of our country in the world". He added: "There will no doubt be a considerable increase in the sacrifices needed to those made to gain victory in the last five years."

Rajapakse was referring to the Colombo government's civil war. In July 2006, just seven months after assuming office, Rajapakse restarted the war against the separatist Liberation Tigers of Tamil Eelam (LTTE). A military victory was ultimately achieved in May 2009 at the cost of tens of thousands of civilian lives. The government imposed the financial burden of the war, compounded by the global recession, on the back of the entire working class. Its measures included a wage freeze imposed from 2006.

To avert a balance of payment crisis, the government was forced to obtain a stand-by loan from the IMF in July 2009, which is conditional on cutting the budget deficit to 5 percent by 2012, half the 2009 level. The budget deficit was slashed to 8 percent of gross domestic product (GDP) last year and must be further lowered to 6.8 percent this year.

To achieve these targets, the government has begun increasing taxes on essentials, while lowering taxes for big business and foreign investors, slashing price subsidies and privatising basic infrastructure. After a 10-day assessment visit in early December, an IMF team declared that the government was on the "right track".

The Central Bank estimated that GDP grew by 8 percent last year, while the IMF's calculation was 7.5 percent. This

© World Socialist Web Site

growth was mainly due to increased economic activity in the war-torn north and east, including the resumption of farming and fishing, and growth in the tourism and telecommunication sectors. This expansion, which is fragile in the context of deepening world crisis, has not improved the living conditions of the working people.

According to the latest official statistics, average real household income has fallen over the past four years. According to the Household Income and Expenditure Survey, average household income was 26,286 rupees ($US240) in 2006-07, and it nominally increased by 35 percent to 35,495 rupees ($311) in 2009-10.

When adjusted for inflation, however, household income fell by 2.5 percent during this period. In the plantation sector, average household income nominally increased by 32 percent to 25,649 rupees, but in real terms dropped by 4 percent.

While prices are skyrocketing, the government announced only a 5 percent increase on the monthly salary allowance and a 600-rupee cost-of-living allowance for public sector workers in last November's budget. Pensioners were given a small increase of 300 rupees a month. Rajapakse abandoned his own promise in last January's presidential election of a 2,500-rupee monthly pay increase for public sector employees.

Hard-hit plantation workers spoke to the WSWS. From a Hatton tea estate, S. Velu rejected the official claim of higher household income. To achieve the income figure reported by the government, three members of the same family living together would have to work for 22 days and fulfil all the production targets set by the plantation companies. He said such a situation was rare, and most families were living in dire poverty.

Velu explained: "After all deductions, including the cost of a pay sheet, last month my take-home salary was 6,000 rupees. My wife got 6,500 rupees. This amount is hardly sufficient. We need at least 15,000 rupees for household food expenses."

The tea plantation worker pointed out that union leaders had joined the government, claiming they would push it to meet the needs of workers. "But prices are increasing daily and nobody talks about that. President Rajapakse promised that, after the end of the war, people would get a better life. However, now the living conditions are worse than during the war."

Another plantation worker A. Mahathevan, 33, a father of four, explained that salaries were hardly enough for food, making it difficult for workers to provide education for their children. "We are fed up with all the trade unions and political parties," he said.

Plantation trade unions, including the Ceylon Workers Congress, Up-country Peoples Front and National Union of Workers, are coalition partners of the government and support its measures.

Other unions have also diverted the discontent of workers into futile protests. The Trade Union Confederation, which claims to be "independent", launched a petition campaign before the November budget calling on President Rajapakse to implement his promised wage rise. Since Rajapakse rejected the request, the union body has kept completely silent.

Last month, the opposition Janatha Vimukthi Peramuna-led private sector Inter-company Employees Union held a conference to discuss wage demands. Union leaders rhetorically criticised the high cost of living, but did not announced no campaign to defend the living standards of workers.

The WSWS also spoke to Lakshmi, a female worker in the Katunayaka Free Trade Zone (FTZ) near Colombo. She works for an artificial flower manufacturing company, which exports to European markets. Lakshmi explained that she could not pay for accommodation and food with her monthly wage of just 12,000 rupees, which includes all incentives and overtime payments.

A worker from another FTZ factory, Texlan, said: "We cannot live on our income. The government suppresses our demands. There's no democracy. The trade unions are betraying us. We are not afraid to come onto the streets to fight for good wages. There should be a viable leadership to follow."

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site