Sri Lankan government claims EU tariff facility will solve economic ills

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The European Union (EU) announced last month that its Generalised Scheme of Preference Plus tariff concession (GSP+) would be restored for Sri Lanka, effective from May 19. The facility was originally granted after the Asian tsunami disaster in December 2004.

GSP+ was withdrawn in 2010 on the pretext that President Mahinda Rajapakse's government violated human rights during its communal war against the separatist Liberation Tigers of Tamil Eelam (LTTE). Initiated by the US as well as the EU, the real reason for the removal of GSP+ was to pressure Rajapakse to end his government's close relations with China.

Addressing a Colombo meeting on the eve of the EU announcement that GSP+ would be restored, Sri Lankan Prime Minister Ranil Wickremesinghe claimed that the tariff concessions would help overcome the country's serious economic problems.

Wickremesinghe declared that Sri Lanka's balance of payments and debt servicing issues could be "resolved by increasing exports with the regaining of GSP+." The tariff concession, he continued, would be "a significant landmark" and "the beginning of an export-oriented economy."

Between 2005 and late 2009, when Sri Lanka had GSP+, exports to the EU increased from $US1.8 billion to $2.4 billion. After the GSP+ concession was withdrawn in 2010, export growth dropped and reportedly led to 25 garment factories being shut down and about 25,000 jobs eliminated.

Wickremesinghe's attempts to paint the tariff concession as a panacea are absurd. Regaining GSP+ was a key pledge to big business by President Maithripala Sirisena and Wickremesinghe during their election campaigns two years ago. Their administration has worked with the EU powers to restore the facility.

The EU decided to reinstitute GSP+ for two main reasons. Firstly, while the government continues to obtain financial support from China, Colombo has agreed to fall into line with the geo-strategic agendas of the US, EU and India.

Secondly, European corporations want greater access to cheap labour under conditions of the ongoing global economic downturn. Most of the giant retail corporations source their goods from countries like Bangladesh, Vietnam, India, Indonesia and China.

The EU remains Sri Lanka's main export market, with more than 30 percent of the country's annual merchandise sold to Europe, and the biggest single market for Sri Lanka's apparel exports. Colombo hopes that GSP+ will enhance this trade.

While restoring the GSP+ facility, the EU has demanded that Sri Lanka ratify and implement 27 international conventions it previously signed. These include conventions on various social and political rights. The EU wants Colombo to remove its draconian prevention of terrorism laws (PTA) and protect the right of workers to join trade unions. The government has "pluses and minuses" in defending human rights, the EU ambassador to Sri Lanka, Tung Lai Margue, said in announcing the restoration of the tariff concession.

These statements are completely hypocritical. The EU, like the US and other imperialist powers, are notorious for their war crimes and violation of human rights. They all backed the communal war waged by successive Colombo governments against the LTTE and only began raising human rights issues when Beijing emerged as Sri Lanka's main source of investment and military hardware.

"With the GSP+ we will have access to 6,000 products while looking at new product ranges in the apparel and fisheries sector," Wickremesinghe said. But several economists rejected this rosy picture. The estimated increase in exports from GSP+ for the rest of 2017 will be just over $300 million.

Sunday Times economist Nimal Sandaratne wrote on May 21 that exports would not expand rapidly because of manufacturers' inability to immediately "enhance their production capacity."

According to the *Daily Mail* on May 18, the semi-government Institute of Policy Studies (IPS) warned that structural limitations, such as labour shortages, are also are a barrier. A factor in the shortage of labour is the low wages paid by companies.

Increasing production capacity, above all, depends on attracting investment. Sri Lanka's foreign direct investment (FDI), however, halved to $300 million in 2016, from $600 million the previous year. The fall was a result of international financial volatility and investors looking for more profitable production facilities.

While Sri Lankan exports to EU countries will not attract any duty because of GSP+, other countries enjoy similar concessions, such as Armenia, Bolivia, Cape Verde, Kyrgyzstan, Mongolia, Pakistan, Paraguay and the Philippines. Enticing foreign investment and gaining greater market share is a ruthless, cut-throat affair and can be achieved only by lowering real wages and driving down working conditions.

The *Daily Mirror* article highlighted the austerity measures imposed by Sri Lanka's economic rivals. This means that similar or more stringent measures must be implemented in Sri Lanka. "Whereas Sri Lanka's competitors, such as Bangladesh and Vietnam, are embarking on large-scale economic reform agendas, Sri Lanka's relative reticence restricts its potential for growth," the newspaper warned.

In 2015, Vietnam, Pakistan and Cambodia had higher EU export earnings than Sri Lanka. That year, Vietnam's apparel exports to the EU were $3.9 billion, Pakistan's $2.9 billion and Cambodia's $3.7 billion, compared to Sri Lanka's $2.4 billion.

The trade unions, which politically endorsed Sirisena and Wickremesinghe and helped them come to power in 2015, have worked closely with Colombo and the EU to regain GSP+.

Union leaders even lobbied the EU, claiming they were pushing for concessions from companies for the benefit of workers. Their main concern, however, was to demonstrate to investors that the unions were needed to control workers and boost profits.

The unions involved in the lobbying included the Free Trade Zone and General Services Union, the ruling United National Party (UNP)-controlled Independent Employees Union and the Janatha Vimukthi Peramuna (JVP)-affiliated Inter-Company Employees Union.

JVP parliamentarian Sunil Handunnetti accompanied Deputy Foreign Minister Harsha de Silva to Brussels to convince EU parliamentarians. Veteran pseudo-left MP Vasudeva Nanayakkara joined them. The delegation assured European big business their investments would be safe and highly profitable.

The GSP+ will not resolve the economic crisis but will lead to even greater attacks on workers' wages and basic rights. Foreign and domestic companies in Sri Lanka's free trade zones are already stepping up their assault, demanding higher productivity, slashing conditions and increasing their use of contract and casual workers.