Sri Lankan government imposes IMF-dictated increases on essential items

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Over the past three weeks, the Sri Lankan government has imposed brutal price hikes on essential items, further reducing the living conditions of working people and the rural poor.

* Petrol and diesel prices have been increase by 17 percent and 15 percent, to 137 rupees per litre ($US0.87) and 109 rupees per litre respectively. The cost of kerosene was lifted by 130 percent to 101 rupees per litre.

* A kilogram of milk powder has gone up by 50 rupees.

* Taxes on potatoes and onions have been risen by 10 rupees and 1 one rupee per kilogram respectively.

* The tax on dhal increased by 3 rupees to 12 rupees per kilo.

* Late last month, the cost of a 12-litre tank of cooking gas was hiked by 17 percent to 1,676 rupees per litre.

Addressing a May 10 press conference to announce the fuel price increases, Finance Minister Mangala Samaraweera said it was “unfair” to claim that the rises were the result of an IMF deadline. “We did it for the benefit of the people of this country and for the economy,” he claimed.

This is a patent lie. On April 20, IMF mission chief for Sri Lanka Manuela Goretti stated that the IMF loan installment was “subject to cabinet approval of an automatic fuel pricing mechanism.”

Sri Lanka’s fuel prices will now be adjusted every two months, according to the world crude oil prices and the rupee exchange rate. International oil prices are expected to increase further due to US President Donald Trump’s provocations against Iran and the danger of all-out war in the Middle East.

Kerosene and diesel are extensively used by fishermen to power their vessels. The rural poor and plantation workers use kerosene for cooking and lighting.

Samaraweera also falsely claimed that if oil prices were not increased, the government would have to cut funds “for the country’s development, health and education sectors.”

The Sirisena-Wickremesinghe government is already ruthlessly slashing subsidies to health, education and other services.

Government expenditure on health and education is just 1.5 percent and 1.9 percent of Gross Domestic Product (GDP), respectively. In 2017, there were 3,148 government schools with fewer than 10 teachers and only 3.6 beds per 1,000 people available in state hospitals, according to the Central Bank’s 2017 annual report.

The latest price increases come on top of already declining living standards and social conditions.

According to the Central Bank report, the real wages of formal private sector workers, the largest section of the Sri Lanka workforce, are continuously falling. Real wages declined by 3.6 percent in 2016 and 5.9 percent in 2017. State sector workers’ wages have been stagnating since 2015.

The Sri Lankan rupee is also rapidly depreciating. Last year it fell by 2.5 percent against the US dollar. So far this year, the rupee has dropped 3.3 percent. Sri Lankan economic growth last year fell to 3.1 percent, a 16-year low.

The IMF has advised Sri Lankan government authorities not to spend foreign currency reserves to prop up the rupee and is demanding that the budget deficit be reduced to 3.5 percent of GDP by 2020. This can only be achieved by wiping out remaining subsidies for the working masses and the poor.

Other “reform” measures demanded by the IMF include the privatisation and commercialisation of the Ceylon Electricity Board, the Water Board, state banks, ports and other state-owned enterprises.

Sri Lankan government debts are the result of loans obtained for Colombo's war against the separatist Liberation Tigers of Tamil Eelam and to address the balance of payment deficit caused by falling exports.

The Central Bank notes that Sri Lanka's total debt stock rose to 10,313 billion rupees in 2017. Of this, 4,718 billion rupees ($US51.8 billion) is foreign debt. According to one estimate, the Sri Lankan government will need $17.8 billion to service the country's debt from this year to 2022.

Sri Lanka's trade deficit has grown from $US8.9 billion in 2016 to $US9.6 billion in 2017, despite a moderate export growth through the GSP+ (General System Preference+) tariff concession given by the European Union, along with other concessions.

The escalating attacks on Sri Lankan workers and the rural poor are in line with the austerity measures imposed on the Spanish, Portuguese and Greek working class by the European Central Bank, the European Union and the IMF.

Growing protests, demonstrations and industrial action by Sri Lankan working people will bring them into direct confrontation with the Sirisena-Wickremesinghe government and other representatives of the ruling elite.