

# Sri Lanka: Billions to big business as government prepares new attacks on working people

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The Sri Lankan economy, hit by the widening global crisis of COVID-19, teeters on the brink. President Gotabhaya Rajapakse has responded to the pandemic by seeking to protect big business while preparing a new round of social attacks on the working class.

Health authorities in Sri Lanka yesterday reported that there had been six deaths from COVID-19 and that another 186 people were infected. Many thousands are currently in quarantine at specific centres and several villages have been completely isolated and locked down. While medical experts keep warning that widespread testing is necessary to prevent a major outbreak, Colombo has not allocated the money needed to deal with the developing health crisis.

Sri Lanka has been totally locked down since March 18 and almost all industries have been shut, apart from some essential services, such as water, electricity, fuel and food distribution and those producing medical supplies. These closures have seriously impacted on exports and imports. The country's economic activities are also being disrupted by COVID-19 lockdowns in major European countries, the US, Middle East and India.

On March 31, the Central Bank of Sri Lanka announced a 50-billion rupee (\$US250 million) refinancing facility for banks, enabling them to expand their lending capacity by 400 billion rupees to businesses, offer loan repayment moratoriums and provide working capital at 4 percent interest. While small and medium businesses can apply for these concessions, the main beneficiaries will be big business.

The COVID-19 pandemic is seriously compounding Sri Lanka's debt crisis. At the end of March the government attempted to raise \$220 million from the money market by issuing development bonds. It collected less than \$12 million, starkly exposing Colombo's inability to raise

further loans as international investors withdraw from the country.

Following the development bond debacle, President Rajapakse called an emergency meeting with the Central Bank Governor and senior officials on April 1. The next day government announced that there would be expanded import-control measures on "non-essential" goods. While fuel and medicine are excluded, no details were provided on the "non-essential" items. Previous restrictions included cars and electronic goods.

Sri Lanka imports a range of essentials, including rice, wheat, sugar, dhal and milk powder. According to the media reports, unnamed government ministers have suggested food imports could be restricted through export bans from India, Pakistan, China or other countries due to the danger of COVID-19.

Pointing to future food shortages and more austerity measures, the government is encouraging expanded food cultivation, including in home gardens. The agricultural department is now distributing vegetable plants to householders.

Central Bank Governor W.D. Lakshman has referred to the severe shortage of foreign exchange and called on citizens working overseas to deposit their savings in Sri Lanka.

These deposits will not only be exempted from existing exchange laws and taxes but confidentiality will be protected, which signals that black market money will be accepted. Sri Lanka needs to raise \$2.8 billion within the next two months in order to service its foreign debt, and a total of \$4.8 billion for the year.

The rupee continues to depreciate against the US dollar, reaching almost 200 rupees on Monday. The Sri Lankan currency has been devalued by about 10 percent since early this year, increasing the rupee value of the debt and

the cost of imports.

Last week Rajapakse issued another appeal to the World Health Organization's director general, calling on him to urge international lending agencies and wealthier nations to grant loan moratoriums to Sri Lanka and other underdeveloped countries.

IMF managing director Kristalina Georgieva has announced that the agency was "exploring additional options" that go beyond its traditional lending facilities to ease foreign exchange shortages for many developing countries.

Sri Lanka already has an IMF bailout loan and is ruthlessly implementing austerity measures demanded by the bank. Future loans for Colombo, which has yet to receive the last installment of a \$1.5 billion loan obtained in mid-2016, will involve massive attacks on workers and the poor.

Working-class struggles against austerity escalated in 2018, plunging the then Sirisena-Wickremesinghe administration into political crisis. While Rajapakse was able to win last November's presidential election by exploiting this discontent and making various promises, the new government has been quickly confronted with rising working-class opposition.

Rajapakse has mobilised the military and the police to impose its COVID-19 lockdown and curfew measures. Yesterday, the police announced that it had arrested and locked up about 15,000 people for violating curfew laws. No details were given about how or why these individuals had broken the curfews.

Over 50 percent of the Sri Lankan workers are temporary, daily-wage earning employees, including those from manpower companies and small businesses, and in the construction and sanitary industries. These workers and the rural poor have been the hardest hit by the COVID-19 lockdowns.

The government's generosity towards big business and the finance industry stands in stark contrast to its tight-fisted refusal to spend money on curbing the COVID-19 pandemic. The country's dilapidated health care system has been run down by decades of government spending cuts and desperately needs massive financial support.

No meaningful government funds have been provided for enough personal protection equipment (PPE) for health workers, ventilators for patients and kits for mass coronavirus testing.

One local medical expert has estimated that only 4.8 billion rupees was needed to provide 5,000 daily tests for a month. But up until April 6 only 3,248 tests have been

carried out in Sri Lanka, an utterly inadequate number in response to the widening pandemic. He said there was a desperate shortage of intensive care unit beds.

Export earnings are predicted to fall by 60 percent to \$7.75 billion, with the apparel industry, Sri Lanka's main export earner, already announcing a 30 percent cut in jobs and drastic reductions in wages. Last week, Sri Lankan Airlines announced that it was slashing employees' salaries.

Foreign exchange earnings from tourism are plummeting and directly impacting on about 500,000 workers and two million dependents in over 2,500 hotels, restaurants and resorts.

The Middle East, Italy and South Korea, where the majority of overseas Sri Lankan workers are employed, have been severely affected by COVID-19. Workers' remittances are diminishing and the future of their jobs is uncertain.

Facing growing anger among the most vulnerable sections of working people, the government has issued a paltry payment of 5,000 rupees (\$25) for the disabled and the elderly, for leased vehicles used by self-employed persons, and for businesses unable to pay their employees.

The government previously promised an interest-free conditional loan of 10,000 rupees for the impoverished welfare recipients. Many people, however, have not yet received this pittance.

There are many signs of rising social opposition against the government. Public health inspectors last week threatened to strike over the lack of COVID-19 protective measures and equipment. Their union, after discussion with government authorities, delayed the strike for two weeks. Nurses have also warned that they will walk out if they are not provided with enough PPEs and other facilities, and payment for the extended hours they are working.



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