Sri Lankan government lifts fuel price, deepening social assault on workers and the poor

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The Sri Lankan government announced a sharp increase in the price of fuel on Saturday, imposing further burdens on workers and the poor who already face declining living conditions worsened by the COVID-19 pandemic.

A litre of petrol now costs 157 rupees ($US0.79), a rise of 14.5 percent, with diesel and kerosene hiked to 111 and 77 rupees, increases of 6 and 10 percent respectively. The government is currently discussing lifting the price of gas by 25 percent.

Bakers, bus owners, three-wheeler operators and distributors of food items have threatened to increase their charges, with bakery goods to go up by 5 rupees and transport by 15 percent. On Tuesday, the privately-owned Prima Company lifted the price of flour by 3.50 rupees a kilo.

Saturday's increases are on top of already skyrocketing food prices. According to Central Bank data, the official food inflation rate hit almost 10 percent in the month of May.

The price of rice, Sri Lanka's staple food, has climbed by 27–46 percent over the past twelve months to May, with other essential foods, such as dhal and coconut oil, going up by 36 and 30 percent in the same period.

Sri Lankan workers and the rural masses, already struggling to survive on meagre incomes, are adopting various coping mechanisms including smaller meal sizes, skipping meals, eating less preferred foods or borrowing, pawning, and selling assets.

In 2013, the Colombo Consumer Price index was at 100 points. In 2017 it reached 119, followed by 129.5 in 2019 and 135.4 last year.

In January 2020, the public sector real wage rate index was 95 points, but by December it had fallen to 92. It was 100 in 2016. Similarly, the private sector real wage index dropped from 97 to 89 between January and December last year.

On Tuesday, fishermen who have been heavily-impacted by the latest price increases, held a torch light protest in the southern town of Ambalangoda.

Workers who have spoken to the *World Socialist Web Site* this week voiced the rising popular anger over rapidly worsening social conditions.

Manickam, a plantation worker from Glenugie Estate in Up-Cot, said: "We've already been affected by the high price of goods and so the fuel price increase will make life intolerable. Our current wage is not enough even for food so we're unable to give our children three meals a day. Workers are earning less than what the government and unions claim, they lie when they say we get 1,000 rupees [less than $5] a day."

A **three-wheeler taxi operator** explained that he and his family were struggling to survive on his daily income. "We had to pawn the jewellery to buy food for my family and our two kids. I've searched for labouring work but have not been able to find any," he said.

Iroshan, a fishmonger from Hikkaduwa, a southern coastal town, said: "I don't know how I'm going to survive with this fuel increase. Fishing boats have stopped going to sea because they cannot cover their costs with the fuel price rises. Fishermen in Negombo and Chilaw [on the west coast] are preparing protests and we are planning to join them."

Chaminda, a fisherman from Marawila in Chilaw, explained: "I use petrol for my small boat but with this new price my day's fuel costs go up by 1,000 rupees to 6,500. There's no guaranteed price scheme for fish and so if our catch increases, the market price comes down. We cannot afford to bear this price increase."

In Sri Lanka there are around 5,000 multi-day fishing vessels. They generally spend several days at sea with each vessel usually consuming between 10,000 and 15,000 litres of diesel. Some 30,000 fishermen and their families depend on the industry. Tens of thousands of small-boat fishermen, who mostly use kerosene, are being also hard hit by the increases.

Desperate to divert rising anger over the new fuel price, Sagara Kariyawasam, general secretary of the ruling Sri Lanka Podujana Peramuna called on Energy Minister Udaya Gammanpila to take responsibility for the hikes and resign. Gammanpila is leader of the Pivithuru Hela Urumaya, which is also part of the government's ruling alliance.

President Gotabhaya Rajapakse declared, however, the price increases were decided by a cost-of-living committee that he chaired. The hikes, he said, were the result of global crude oil prices, the scarcity of foreign exchange and losses of the state-owned Ceylon Petroleum Corporation. He then absurdly claimed that it was connected to his "Climate Resilient Green Economy" policy to reduce fuel consumption.

"The government has taken steps to implement a number of proposals to change the pattern of consumption based on imported fuels," Rajapakse said. It was, he added, "one key factor in a common strategy that strengthens the local economy" and "safeguard[s] the health and welfare of the people."

When Rajapakse speaks about strengthening the "economy," he is not referring to the living conditions of Sri Lankan workers and the poor, but to big business profits. His insistence that there be a "change in the pattern of consumption based on imported fuel" is, however, not limited to that commodity but extends to the importation of many essentials that have been stopped or had levies imposed.

State Minister Ajit Nivard Cabraal admitted that the fuel price increases would drive up the cost of living but said that "the government can no longer continue without revising prices."

The international consequences of the coronavirus pandemic have been catastrophic for the cash-strapped government and the national economy. Last year, the Sri Lankan economy contracted by 3.6 percent with declining exports, tourism and remittance payments.

This week, Fitch Rating revealed that the government will have to pay a staggering $US29 billion on loans between now and 2026. Having concluded a financial swapping agreement with Bangladesh for $200 million earlier this month, the Central Bank is now attempting to organise a $400 million swap with India in order to avoid foreign debt default.

While the Rajapakse government is determined to place this financial burden on the masses by pushing up fuel costs and the price of essentials, it demands export sector employees, particularly in the garment industry, keep working despite the ongoing surge of COVID-19 infections.

At the same time, the labour ministry last month announced that employers can postpone their payments of workers' pension funds for another six months and said they should direct their employees to keep working despite COVID-19 travel restrictions. The trade unions have endorsed these directives and continue to hold discussions with the government on how to keep industry operating.

Big businesses in Sri Lanka, with the blessing of the government and the unions, have reaped record profits during the pandemic. The Hayleys conglomerate generated 242 billion rupees in revenue last year and a 14 billion-rupee net profit, the highest in the company's 143 years' of existence. LOLC, a major finance company, made a 53 billion rupees after tax profit, the highest ever recorded by any Sri Lankan company, while Hemas reported a 3.3 billion rupees net profit.

While the corporate elite is accumulating record fortunes, recent months have seen a wave of strikes and protests by key sections of the working class, including among state sector, plantation, garment, railway and port and port staff.

Nervous about these growing struggles, which are part of a rising movement of the international working class, President Rajapakse used the draconian essential services act on May 27 and June 2 to ban state sector strikes and industrial action. Last Friday, more than 50,000 health workers defied these authoritarian measures, holding a five-hour walkout over jobs and demands for improved COVID-19 safety measures.

The government's fuel price hike and other attacks on the masses are further deepening class tensions and creating the conditions in Sri Lanka for a social explosion.