

Oppose the Sri Lankan government's massive price hikes!

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In preparation for its forthcoming austerity budget, the Sri Lankan government in recent weeks has removed price controls on several essential items, leading to major increases in the cost of living for workers and the rural poor.

Cabinet meetings headed by President Gotabhaya Rajapakse in late September and early October ended price ceilings on rice, cooking gas, wheat flour, milk powder and cement. The decisions opened the way for big business rice mill owners and importers to impose unprecedented increases:

- One kilogram of the lowest grade of rice rose to 115 rupees, a 17 percent increase, and samba, the next grade, increased to 145 rupees, a 37 percent rise. Rice is Sri Lanka's main staple. (\$US1 is about 200 Sri Lankan rupees.)
- The cost of a 12.5-kilogram cylinder of cooking gas increased to 2,675 rupees (\$US13), an 80 percent rise.
- Milk powder, climbed to 1,195 rupees per kilo, a 26 percent increase.
- A kilogram of wheat flour, increased by 11.5 percent, and now costs 97 rupees, triggering increases in the price of bread and bakery products.
- A 50-kilogram pack of cement climbed to 1,098 rupees, a 9.2 percent increase.
- Higher prices for fuel are expected to be announced shortly.

On October 7, Finance Minister Basil Rajapakse presented his 2022 budget appropriation bill to parliament for its first reading indicating how Colombo plans to impose the burden of the economic crisis onto the working masses. Full details of its 2022 budget will be presented to parliament on November 12.

The recent harsh increases in the price of essential items means that the vast majority of working families, already hit by economic hardships created by the pandemic, are struggling to provide daily meals. The exorbitant cost of cooking gas has forced some to use firewood or kerosene stoves.

An October 17 editorial in the *Sunday Times* entitled, "Is there a way out for people caught in price tsunami?" nervously noted that "price increases coming in a flood have impacted strongly on fixed salaried employees in the public sector [and] those in the private sector, who have had their salaries cut by half."

Hundreds of thousands of workers in the pandemic-hit informal sector, as well as the self-employed and those in the tourist sector, have been adversely affected.

Government price controls, apart for some essential items, have been systematically withdrawn following the introduction of "open economic" policies in 1978. Now confronting a disastrous economic situation, the Rajapakse government is determined to abolish all

remaining controls and slash subsidies as part of a broad privatisation program.

According to the appropriation bill, overall budget expenditure for 2022 will be 2,505 billion rupees, a cut of 173 billion rupees compared to this year, indicating drastic budget cuts in next year's spending.

These austerity measures are driven by the growing global economic crisis exacerbated by the ongoing coronavirus pandemic and the criminal "living with the virus" policies of capitalist governments.

According to the latest International Monetary Fund's *World Economic Outlook*, inflationary pressures are growing everywhere with US food costs rising by 12.6 percent in the last year.

The IMF has cut its estimated global growth rate to 5.9 percent this year and predicts 4.9 percent next year. It reduced Sri Lanka's growth rate to 3.6 percent down significantly from the Central Bank's estimate of 5 percent.

The IMF notes that the pandemic-related impact on employment, access to commodities and rising consumer prices has worsened the situation facing low-income and developing countries. It also identifies supply-chain problems caused by the pandemic as a key factor in surging prices.

According to Moody's, Sri Lanka's 2021 budget deficit is now 12 percent of the gross domestic product (GDP). Finance Minister Rajapakse's appropriation bill makes a provision for the government to obtain additional loans, up to a huge 3,184 billion rupees, to bridge the budget deficit and service the debt. The government already has to pay up to \$5 billion in annual debt-servicing payment until 2025.

In August, the government's net foreign currency position fell to around negative \$1 billion while gross reserves are expected to be just above \$4 billion with a loan swap arrangement for \$1.5 billion from China. The rupee has devalued by 27 percent since early last year and the government's printed stock of money has increased by 35 percent to 2.8 trillion rupees.

While the most pressing issue facing the government is to prevent any default on loans, its debt settlement payments are exacerbating foreign currency shortfalls and pushing the budget deficit to breaking point.

Colombo's response has been to offload this crisis onto the working class and poor through increased taxes, subsidy cuts and skyrocketing increases in the cost of essentials. The privatisation of the power, water and petroleum sectors is already underway with moves to abolish the remaining subsidies to these sectors, pushing up utility prices even further.

The appropriation bill also indicates sharp cuts in spending for health, provincial councils, *samurdhi* (meagre welfare allowances for

the poor), water supply, women and child development, rural housing and labour. Although education has been increased by one billion rupees to 127 billion rupees, this is a cut in real terms.

Amid the raging pandemic with half a million infections and over 13,500 recorded deaths, next year's health allocation has been slashed by 6 billion rupees. This is slashing this year's budget by 28 billion rupees compared to 2019. A meagre 12-billion-rupee supplementary amount has been allocated for "Covid control" next year, down from this year's 18 billion rupees. These cuts in the health budget reveal Colombo's callous indifference of lives of working people.

While placing these burdens on the masses, the government has already given a tax bonanza to local and foreign investors, by reducing personal and corporate income tax rates from 28 percent to rates varying between 14 percent to 24 percent, with rates for trading and finance dropped to 24 percent. In May, the government provided a 40-year tax exemption for investments made under the Port City Economic Commission Act.

As a result of tax cuts and cheap funds made available by the Central Bank, conglomerates quoted in Colombo Stock Market and banks have reaped huge profits as the pandemic rages across the island.

The Rajapakse government, however, is confronted with growing opposition from workers and the rural poor. Strike action by about 250,000 teachers demanding decent wages has now entered its fourth month while workers in other sectors, including health, plantations, port, petroleum, power and garments have entered into struggles demanding wage hikes, allowances and the withdrawal of back-breaking workloads. Protests by farmers demanding fertilisers and pesticides are developing across the country.

Colombo has responded this social opposition with repressive measures, accelerating its moves to dictatorial forms of rule. In line with this the appropriation bill has bolstered the military budget to 373 billion rupees, an 18 billion increase on this year, with spending on police increased by 10 billion to 106 billion rupees.

In a speech to a military regiment on October 10, Rajapakse stressed: "I have elevated the morale of the tri-forces and the intelligence services... they have been given the necessary powers to carry out their duties." He has already appointed military chiefs to head key ministries and state-owned enterprises and placed military personnel in senior district positions.

Draconian no-strike essential service orders give the president arbitrary powers and threaten heavy jail terms and punishment against strikers.

The government's social attacks and its promotion of "profits before lives" policy in relation to the pandemic has been implemented with the complete collaboration with the opposition parties.

From pro-US United National Party and the break-away Samagi Jana Balavegaya to the Janatha Vimukthi Peramuna and pseudo-left Frontline Socialist Party, all effectively support the government's "living with the virus" policy. They remain silent over government's essential service order, thus providing tacit backing.

The working class must organise its offensive against the Rajapakse government's class-war measures, independent of the trade unions, the pseudo-left and the so-called opposition parties. This offensive should be based on the independent political mobilisation of the industrial strength of the working class for the following demands:

- A "sliding scale of wages" in every sector. This means an automatic rise in wages, in proportion to increases in the price of consumer goods.

- An end to all debt repayment to global bankers.
- Society's resources must be allocated not to boost the profits of business tycoons and international finance capital but to immediately upgrade the healthcare system to eradicate the pandemic.
- Real lockdowns of all non-essential services with full compensation for income losses to workers and small business owners.
- The free provision of the necessary facilities for teachers and students to engage in online education until COVID-19 is eradicated.

Workers need to break from the unions and organise their own workplace rank-and-file committees and, with the support of young people and the rural poor, fight for the above demands. Under the political guidance of the SEP, rank-and-file committees have been built among health, education and plantation workers; these initiatives must be further developed.

Workers should join the SEP and International Committee of the Fourth International (ICFI) in building the International Workers Alliance of Rank and File Committees (IWA-RFC) to unify their struggles with those of their class brothers and sisters internationally.

The fight for the above demands will bring the working class into direct political conflict with the entire political establishment and the private property system it defends. Workers must rally the oppressed masses, including poor farmers, and fight to overthrow capitalist rule and establish a government of workers and peasants, which will carry out socialist policies, including the nationalisation of major corporations, banks and plantations under the democratic control of workers.

As the SEP has always insisted, this fight must be an international struggle. The Sri Lankan working class must unite with workers internationally against the austerity measures being implemented around the world on the basis of a common fight for international socialism.

We encourage workers and the poor to take up the fight for eradication of COVID-19 and participate in the "How to end the pandemic: The case for eradication" the online webinar organised by the *World Socialist Web Site* and IWA-RFC on Sunday, October 24, 1 p.m. US Eastern Time (10.30 p.m. Sri Lanka time).



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