

Sri Lankan president blames COVID-19 for economic crisis

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Speaking to a meeting of editors from selected media last week, Sri Lankan President Gotabaya Rajapakse declared last week that his government would realise his “vistas of prosperity and splendour” during the next three years.

He blamed the fact that his government had failed to realise his phony promises made during the November 2019 election on “pandemic induced setbacks.”

Rajapakse was speaking to a meeting of editors from selected media outlets in an effort to enlist their support in deflecting surging anger among workers and the poor over rising prices and shortages of essentials, and in preparing the ground for more austerity measures.

Just a week before, the president sacked the secretary of the agriculture ministry, Professor Udith Jayasinghe, for warning: “There is a possibility of food shortages happening due to the current economic and social problems we are facing.”

In December, the official year-on-year inflation rate hit 12 percent with food inflation increasing to 22 percent. The government removed almost all price controls in October giving free hand to big business to increase the prices. Now it is desperately trying to make arrangements to buy essential items from India and Pakistan.

People are facing shortages of milk powder, sugar, cooking gas, kerosene and medicines. Long queues have emerged in every part of the country. A wave of strikes and protests by workers in private and public sectors erupted throughout last year over demands for higher wages. Farmers are continuing their agitations this year calling for compensation over the devastation of agriculture caused by the government’s ban on the import of fertiliser.

However, during his meeting with editors, Rajapakse did not utter a word about the intolerable conditions of

the masses. Nor did any of the editors of the compliant establishment media question, let alone challenge, him over the dire situation facing working people.

The president declared his government had been “successful” in implementing its vaccination drive and in “averting the worst disaster”—implying the coronavirus had been brought under control. However, even according to understated and unreliable official figures, the total number of infections reached 600,000 and the death toll passed 15,000 on Sunday.

Rajapakse said nothing about the dangers of the new, highly infectious Omicron variant which has now been detected in many areas of the country. The health officials yesterday admitted that “there could be more Omicron patients undetected in the community.”

He falsely claimed that “no one saw the pandemic coming,” when in fact the warnings of epidemiologists have for years been ignored by governments around the world. Far from making preparations, successive Colombo governments have slashed public health spending—a trend continued by Rajapakse over the past two years.

Like other governments globally, the policy of the Rajapakse administration—“living with the virus”—puts profits ahead of the health and lives of working people. Its over-riding concern is to impose the burdens of the country’s deep economic crisis on workers, farmers and the poor.

Rajapakse lamented the loss of \$10 billion in foreign exchange due to the collapse of tourism over the past two years. Remittances from overseas workers have declined while exports faced serious setbacks in the initial months of the pandemic.

International rating agencies, including Fitch Rating, are warning of a looming default of foreign loans by Sri Lanka. Foreign reserves have depleted to \$1.6 billion,

barely sufficient to finance two weeks of imports.

The government is desperately trying to obtain credit to avert a default. Last month after China agreed to a \$1.5 billion currency swap, the Central Bank announced its reserves had increased to \$3.1 billion.

On Sunday, the *Morning* reported that Indian sources had confirmed a \$1.9 billion package, including a \$400 million currency swap agreement, an immediate \$500 million in fuel credits and \$1 billion later for the import of fuel and food items.

These measures will not solve the crisis but are simply making it more explosive.

Rajapakse told the editors that the government was compelled to ban “unnecessary imports” due to the foreign exchange crisis. These so-called unnecessary imports include essential food items as well as electrical and electronic goods. Cutting them has also cost the jobs of workers.

According to Essential Food Commodities Importers’ and Traders’ Association, more than 1,000 containers of essential food remain stuck in the port as Central Bank restrictions have blocked the release of foreign exchange to pay for them.

The government banned the import of chemical fertilizer last year under the pretext of “encouraging organic agriculture.” The cultivation of paddy rice, vegetables and crops has been devastated as have the lives of poor farmers.

Unable to pay for the import of sufficient fuel and coal to maintain electricity supplies, Rajapakse has suddenly declared his commitment to “boost renewable energy.” The Ceylon Petroleum Corporation (CPC) closed one of its refineries on Monday as it was unable to import crude oil.

The government is discussing whether to seek a bailout from the International Monetary Fund (IMF). Any such deal will inevitably involve a raft of new austerity measures, on top of those already being carried out, and new burdens for the working class.

While working people are facing rising inflation and job losses, the government has ensured that money flowed to big business and the wealthy elite.

The Central Bank has funnelled three trillion rupees into the financial system that has boosted profits and fuelled speculation. From January to September last year, listed companies on the Colombo stock market pocketed a record-breaking net profit of 292 billion

rupees. The main share index increased 80 percent and reached a record 12,226 at the close of 2021.

According to a Central Bank survey released last month, sales of up-market condominiums have been on the rise during July to September last year with most bought by Sri Lankan residents. It is another indication of the exorbitant wealth accumulated by the upper strata of the society.

The opposition parties—the United National Party (UNP), Samagi Jana Balavegaya (SJB) and Janatha Vimukthi Peramuna (JVP)—criticize Rajapakse for the growing food crisis in order to exploit the mass anger against the government. However, none of them has a solution for the working class.

The UNP and the SJB have directly called the government to seek an IMF bailout, well aware it will mean further suffering for working people. The leaders of these parties have a long record of ruthlessly implementing the IMF’s austerity demands.

JVP leader Anura Kumara Dissanayake told the media that any request for IMF help must be done “cautiously” as it will impose difficult conditions. But he did not oppose such a move. And whether it is done cautiously or not, it will be the IMF, not the Sri Lankan government, that will dictate the onerous terms.

The pandemic has only exacerbated the crisis of capitalism in Sri Lanka and internationally and made clear that the capitalist classes and their governments put profits ahead of everything else—including the lives and health of the population.

It is up to the working class to take matters into its own hands. The SEP has called for the establishment of rank-and-file committees in factories and working-class suburbs to organize and oppose the government’s policies and take the necessary measures to protect the lives of workers and their families. Such struggles need to be guided by a socialist program to reorganize society to meet the pressing social needs of the majority of working people, not the profits of the super-rich.



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