Sri Lanka engulfed by power cuts and fuel shortages

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Sri Lanka's state-owned Ceylon Electricity Board (CEB), which began power cuts across the island last week, yesterday extended its daily shutdowns to 5 hours and 15 minutes.

The Public Utilities Commission of Sri Lanka, a government agency monitoring utility services, said that weekend power cuts would be limited to three hours during the day. However, it indicated that the situation could be more severe the next week, if the CEB does not secure adequate oil supplies for power generation.

The island nation faces fuel shortages because of its escalating debt and foreign currency crisis. Several power generating plants have ground to a halt or are running at under capacity. The country's hydro power stations have also been adversely impacted by low dam levels caused by dry weather conditions.

While electricity cuts and shortage of petroleum products have been frequent in recent months, the crisis has taken a more drastic turn, with the day-to-day activities of millions of people and their livelihoods disrupted.

Sri Lanka's fuel shortage, diesel in particular, is impacting on transport with long queues outside fuel distribution stations. Yesterday National Water Supply and Drainage Board sources told the media that water supplies will be affected because of power disruptions at purifying plants and the lack of alternative electricity supplies.

Desperate to drive up foreign exchange earnings, the government has exempted export-processing free trade zones from the cuts. Big business fears have been reflected in sharp falls on the Sri Lankan stock market. On February 23, the stock market suffered its steepest fall with 700 billion rupees wiped off share values.

An editorial in Thursday's *Daily Mirror* entitled "Empty treasury, power cuts, fuel shortages and nonsense" declared that Sri Lanka "is running out of options regarding imports of basics which the country depends on like fuel, our staple food rice and medicines." The warning reflected growing uneasiness by sections of the ruling elite that the crisis will generate another wave of working-class strikes and protests.

The heavily-indebted CEB has no money to buy diesel from Ceylon Petroleum Corporation (CPC), which it in turn cannot secure finance to pay for oil in tankers already anchored in Colombo Port.

Confronting rising popular anger about the worsening situation, President Gotabhaya Rajapakse called an emergency cabinet meeting on Tuesday to discuss the country's "financial situation."

The media has released no details but one cabinet minister said the Treasury would provide the CPC with 80 billion rupees ($US395 million) in order to pay oil suppliers. This amount, however, will only secure one week's supply. Along with oil, there are about 1,500 containers of essential foods and other basic items stuck in Colombo port due to the lack of foreign currency to pay for them.

Finance Minister Basil Rajapakse was scheduled to travel to New Delhi late this week to sign several agreements for a $1 billion line of credit to import food and medicines. The media reported that the visit had been delayed but provided no other details.

Petroleum Minister Udaya Gammanpila told the parliament this week that Sri Lanka needed $US1,285 million to pay for oil imports over the next three months with $US500 million coming from an Indian credit line. This money, however, will not be available until April.

The debt crisis confronting Colombo will be exacerbated further by oil price increases triggered by Russia's invasion of Ukraine on Thursday in response to the US-led provocations.

Sri Lankan foreign exchange earnings dropped dramatically in 2020 as a result of the pandemic and saw the collapse of tourism and a severe decline of exports and remittances. While import costs have climbed, the main problem facing Colombo is massive foreign debt repayments.

Last month Finance Minister Rajapakse told the *Financial Times* that the government was "trying all options" to avoid a default of foreign debt and revealed that it had to pay $6.9 billion this year alone.

On February 8, the newspaper published another article warning that "Sri Lanka was on brink of sovereign bond default." It noted that the country has $US15 billion, in mostly dollar-denominated bonds, out of total foreign debt of $45 billion. The Sri Lankan government began taking loans through sovereign bonds about a decade ago.

In the last two years the Rajapakse government has responded to the worsening economic crisis by increasing its loans, via sovereign bonds and swap agreements. All of these were short-term arrangements and have only deepened the financial problems.

Colombo has also resorted to printing money—to the tune of 1.2 trillion rupees—to maintain artificially low interest rates and make money available for big business that has reaped huge profits. All this has resulted in a sharp devaluation of the rupee. Officially, it now costs 202 rupees for a US dollar, compared to 187 rupees a year ago. The unofficial rate, however, is 260 rupees to a dollar, a depreciation of nearly 40 percent.

The Rajapakse regime's criminal response to the pandemic, like governments elsewhere, makes clear that it will step up its attempts to impose the burden of the economic crisis on workers and the poor. Rajapakse has proclaimed that the option is to "live with virus" and directed health authorities to remove even limited restrictions.

On February 23, daily COVID-19 infections rose to more than 1,300, despite abysmally low testing numbers, and around 30 daily deaths. Since Omicron appeared on the island, the total number of COVID-19 infections has climbed to over 650,000 and more than 16,000 people have died.

Rajapakse plans a new round of price hikes. While the CPC announced a 10 percent oil price increase in December, cabinet spokesman Ramesh Pathirana told the media there would be further rises in the"near future." The CEB and Water Board are also planning price increases.

These rises will further drive up the cost of essentials and worsen the already unbearable burden on working people. According to official statistics, year on year inflation in January has risen to 16.8 percent, up from 14 percent in December. Food inflation climbed to 24.4 percent last month.

The establishment parliamentary parties are currently debating whether to immediately approach the International Monetary Fund (IMF) for more loans. Petroleum Minister Gammanpila told the media that "most of the cabinet ministers are for an IMF deal."

The main parliamentary opposition Samagi Jana Balavegaya (SJB), a breakaway from the pro-US United National Party, is demagogically criticising the government, while arguing for assistance from all international financial intuitions, including the IMF, World Bank and Asian Development Bank.

The opposition Janatha Vimukthi Peramuna, which promotes itself as an alternative Sri Lankan government, has offered to assist the Rajapakse administration to "overcome the grave economic crisis."

Sri Lanka workers will be compelled to fight the next round of social attacks. Last year hundreds of thousands of workers state and private sector took industrial action and protested to demand higher wages and improved conditions.

Starting on February 7, over 65,000 health workers began indefinite strike action. This was shut down after nine days by the Federation of Health Professionals but faced with ongoing anger by health workers, the federation has been compelled to call a two-day strike next week.

Nervous about the snowballing economic crisis and developing class struggles, the Rajapakse government this week extended its Essentials Public Services Act against health service and electricity workers for another 10 days. At the same time, the Colombo district courts extended its ban on the Government Nursing Officers Association participating in strikes and joining next week's walkout.

The working class has to urgently prepare to fight the escalating government and big business assaults. This requires drawing political lessons from the unions' betrayals and building action committees in every workplace to organise this struggle.

These committees must be independent of the trade unions and fight to unite workers across the island and internationally on a socialist program that repudiates all foreign loans and nationalises the banks, big businesses and the large estates, placing them under workers' democratic control. The Socialist Equality Party is the only party that fights for this perspective.