

# Trump slaps 30 percent tariff on Sri Lanka

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In a letter addressed to Sri Lankan President Dissanayake, US President Trump announced the imposition of a 30 percent tariff on Sri Lankan exports, set to take effect on August 1. This move is part of Trump's broader global trade war strategy, which targets both adversaries and allies of the US.

The 30 percent tariff will significantly impact on Sri Lanka—particularly its apparel manufacturing and other export industries—and is expected to result in the loss of tens of thousands of jobs. This will further intensify the economic and political crisis facing the Janatha Vimukthi Peramuna/National People's Power (JVP/NPP) government.

In early April, Trump announced high tariffs on countries around the world but paused implementation for 75 countries, including Sri Lanka, initially facing a 44 percent tariff, for 90 days. Following the expiry of this "pause," Trump has now imposed massive tariff hikes on a number of countries.

Sri Lanka's deputy minister of foreign affairs and foreign employment, Arun Hemachandra, attempted to downplay the impact of the tariffs. Comparing the new 30 percent tariff with the original 44 percent proposal, Hemachandra declared that Sri Lanka had received the largest tariff reduction among all the listed countries.

In fact, according to Duminda Hulangamuwa, senior economic adviser to President Dissanayake, all Sri Lankan exports to the US will be subject to an additional 30 percent tariff on top of existing tariffs on various items, which range from 0 to 25 percent.

Hulangamuwa also confirmed that the JVP/NPP government has no intention of retaliating with counter-tariffs on US goods. "Our goal is to secure the best possible deal. This is a balancing act. We are not seeking confrontation; we are pursuing collaboration," he said.

To justify the high tariffs, Trump repeated his stock phrases: the US has "persistent trade deficits" with Sri Lanka and the latter maintains "tariff and non-tariff policies and trade barriers." If Sri Lanka reduced its tariffs and trade barriers, the US would consider further adjustments.

President Dissanayake held a closed-door discussion with his ministers, advisers, and top government officials on July 10, immediately after receiving the letter. He later told the media that there would be an ongoing dialogue with the US to secure concessions.

The US is Sri Lanka's single largest market for apparel,

accounting for 40 percent of total apparel exports—about \$1.9 billion annually. It is also the largest destination for all Sri Lankan exports, comprising 25 percent of total exports, valued at \$3 billion annually.

Sri Lankan big businesses reacted with alarm to the 30 percent tariff. The Free Trade Zone Manufacturers' Association warned that it could result in up to 50,000 job losses initially and undermine Sri Lanka's competitiveness in South and Southeast Asia. The Joint Apparel Associations Forum (JAAF), representing the apparel industry, cautioned that the new tariff threatens to "tip the playing field in favour of regional rivals" and could lead to US sourcing being redirected away from Sri Lanka.

The apparel industry directly employs over 350,000 workers, who earn an average monthly wage of 35,000 rupees (approximately \$US116), and are often compelled to work overtime to meet production targets. Around 600,000 additional workers are indirectly employed in the sector.

To cut production costs further, apparel companies are increasingly contracting out to firms that employ even lower-paid workers. A significant decline in garment exports would inevitably lead to factory closures, widespread job losses, and a deterioration in wages and working conditions.

Other export industries—including tea, rubber, gems, seafood, and various manufactures—will also be affected by the US tariff war.

In response to Trump's initial tariff hike announcement, President Dissanayake called for "national unity" and convened an All-Party Conference on April 11. He urged working people to "bear the burden of a future economic collapse" and to sacrifice their rights for the benefit of big business.

The Dissanayake government has made its support for Washington's geopolitical agenda clear by strengthening military ties with the US, welcoming visits from senior American military officials, and aligning itself with the US military buildup against China.

Parliamentary opposition leader Sajith Premadasa promptly declared his party's willingness to support the government in securing the best deal for Sri Lanka. Opposition MP Harsha de Silva also called for urgent bipartisan cooperation and for "setting aside political affiliations."

Big-business lobby groups, such as the Ceylon Chamber of Commerce and the JAAF, are actively pressuring the

Dissanayake government to offer more tax cuts and other concessions.

The prospect of any deal over tariffs is very limited. Only two agreements have been reached in the more than three months since the tariffs were first announced—one with Britain and a second with Vietnam. Moreover, the new tariffs are certain to intensify Sri Lanka's economic crisis and could potentially trigger another balance of payments crisis.

The International Monetary Fund (IMF) flagged concerns about the high US tariffs in a report earlier this month. It warned that the tariffs could reduce exports and shrink Sri Lanka's GDP by up to 1.5 percent below baseline projections. The IMF projected that exports could decline by as much as 3 percentage points as a proportion of GDP due to trade diversion.

Although it predicted a surge in unemployment, the IMF insisted that its current austerity measures—including the privatisation of state-owned enterprises and deep cuts to public spending—must continue without delay.

Trade union bureaucracies responded to Trump's tariffs by assuring the government and big business of their willingness to cooperate.

In April, Anton Marcus, leader of the Free Trade Zones and General Services Employees Union (FTZGSEU), called for the establishment of parliamentary committees including company and union representatives. He even suggested that Sri Lanka could "win" Trump's favour by exempting US imports from tariffs.

S.P. Nathan, leader of the Ceylon Mercantile Union (CMU), made a weak appeal to the Trump administration to reverse the tariffs—an appeal that, unsurprisingly, went unanswered.

Sri Lanka's trade union bureaucracies—including the FTZGSEU, CMU, and the JVP-controlled Inter-Company Employees Union (ICEU)—have consistently responded to every crisis facing Sri Lankan capitalism by deepening their collaboration with governments and big corporations, always shifting the burden onto the working class.

During the 2008 global financial crisis, they supported the closure of major apparel factories and other mass layoffs. Likewise, during the COVID-19 pandemic in 2020, they participated in a "tripartite task force" that imposed layoffs, wage cuts, and unsafe working conditions—leading to the loss of 150,000 jobs.

Opposed to any independent mobilisation of the working class, they refused to challenge the layoffs imposed during the 2022 economic collapse and fully supported the IMF-dictated social attacks imposed by both the Wickremesinghe and Dissanayake-led governments.

The tariff war and its devastating social consequences are not isolated events but are rooted in the deepening crisis of global capitalism. Workers are not responsible for the global economic turmoil or the escalating tariff wars and should not sacrifice their rights to protect Sri Lankan capitalism and its ruling elite.

Working people cannot defend their jobs, wages, democratic rights, or future within the confines of the profit system or a national economic framework. To counter these attacks, workers must take the struggle into their own hands and mobilise their industrial and political strength on the basis of a socialist and international perspective.

Apparel workers and all other affected sectors need to form their own democratically elected and controlled action committees in factories and neighborhoods. These committees—independent from capitalist parties and union bureaucracies—should debate and determine actions such as protests, strikes, and factory occupations, in coordination with workers across industries.

Their demands must include:

- No to job cuts, wage reductions, worsened working conditions, or increased workloads.
- Oppose all factory closures, by taking industrial action, including occupations. Reject token employer-union compensation deals and demand full pay until alternative employment is secured.
- Pay increases to offset the erosion of real wages, with wages indexed to the cost of living.
- Fully paid medical leave, along with access to decent housing and health care.

The struggle against the tariff war, like the fight against IMF austerity, is inherently international. Sri Lankan apparel and other workers must unite with their class brothers and sisters across borders in a common fight against the global capitalist offensive.

This unity must be built through the formation of the International Workers Alliance of Rank-and-File Committees (IWA-RFC), initiated by the International Committee of the Fourth International. Workers in Bangladesh, India, Vietnam, and across South and East Asia fighting the tariff measures must be contacted and encouraged to form their own action committees and invited to join the IWA-RFC.



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