

US imposes 20 percent tariff on Sri Lanka

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8 August 2025

US President Trump's Executive Order on July 31 imposed a 20 percent tariff on Sri Lanka, applied on top of existing levies that vary from 0 to 25 percent. The tariff hike will impact hundreds of thousands of jobs, primarily in the apparel sector and Free Trade Zones, as well as in rubber, tea, and other smaller industries that rely on exports to the US market.

In early April, Trump announced a 44 percent tariff on Sri Lanka along with a host of other countries. He subsequently reduced it to 30 percent earlier last month before declaring the current 20 percent rate.

Despite the reductions, the broader US global tariff war and its economic repercussions continue to pose significant global dangers. As explained in the WSWs perspective on August 1, Trump's tariffs "will bring about a rapid descent into intense economic conflict leading inexorably to the eruption of war."

According to Yale's Budget Lab, as reported by CNN, the effective US tariff rate overall has risen from 2 percent last year to 17 percent—the highest since 1933.

While the average price paid by American workers for commodities will increase, workers around the world will face deepening attacks on their jobs, wages and working conditions caused by the tariff hikes.

The 20 percent tariff on Sri Lankan exports, which comes into effect on August 7, 2025, is being promoted by President Dissanayake's government as "more competitive" than other key apparel-exporting countries in the region, such as Bangladesh, Vietnam, Malaysia, Indonesia and Pakistan.

Treasury Secretary and former Deputy Finance Minister Harshana Suriyapperuma stated that Sri Lanka had achieved the "first objective of maintaining a competitive position with other exporting nations."

Dissanayake and his negotiating team, led by Suriyapperuma, were publicly praised by the Ceylon Chamber of Commerce, which said the agreement "ensures more stable and competitive market access for our exporters." The Joint Apparel Association Forum (JAAF) also thanked them for their "pragmatic and sustained engagement" since the initial 44 percent tariff announced in April.

Behind the scenes, the government and big business have expressed concerns about the repercussions. The government has indicated it will continue discussions with US officials for further concessions. Business lobbies have also urged the government to secure more favourable terms.

Sri Lanka's English-language *Sunday* weekly, the global trade database estimates projecting that Sri Lanka's annual exports to the US will fall from \$2.97 billion in 2023 to \$1.82 billion in 2026 due to the new tariffs.

The US is Sri Lanka's largest export market, accounting for 40 percent of its apparel exports (\$1.9 billion) and 25 percent of its total exports (\$3 billion) annually. The apparel industry, which directly employs over 350,000 workers and indirectly supports another 600,000, is particularly vulnerable due to declining sales in the US caused by the tariffs.

Workers in the sector typically earn an average monthly wage of around 35,000 rupees (approximately \$116) and are often compelled to work overtime to meet production targets and boost their earnings. Apparel companies are increasingly relying on workers supplied by low-wage labour contracting firms to cut costs and maximise profits.

A decline in garment exports will lead to factory closures, mass layoffs, and deteriorating wages and working conditions. Other export industries such as tea, rubber, gems, and seafood will also be affected.

The International Monetary Fund (IMF) previously warned that high US tariffs could reduce Sri Lanka's exports and shrink its GDP by up to 1.5 percent below baseline projections, predicting a rise in unemployment. This comes on top of the IMF's harsh austerity program, which the current Janatha Vimukthi Peramuna (JVP)/National People's Power (NPP) government continues to implement, further eroding the living conditions of working people.

When the initial tariff hike was announced by Trump, President Dissanayake called for "national unity" with full backing from opposition parties, urging working people to "bear the burden of a future economic collapse."

In this context, trade union bureaucracies have played a critical and treacherous role by politically disarming workers and collaborating with the government and employers to shift the burden of the crisis—exacerbated by new tariffs—onto the working class.

Instead of opposing the attacks, union leaders such as Anton Marcus of the Free Trade Zones and General Services Employees Union and S.P. Nathan of the Ceylon Mercantile Union sought engagement with the government and even appealed directly to the Trump administration for concessions after the April announcement.

These union bureaucrats—and their counterparts in other unions—have remained completely silent on the new tariff regime imposed on Sri Lanka, despite its massive potential impact on the jobs and working conditions of the workers they claim to represent.

As in the past, they will negotiate with employers on how best to impose the crisis on employees in the garment and other industries. Their primary concern is protecting Sri Lankan industries—that is, the profits of investors—at the expense of the working class.

Past crises, such as the 2008 global financial crisis and the COVID-19 pandemic in 2020, saw union leaders supporting factory closures, mass layoffs, and wage cuts, effectively shifting the burden onto workers. Opposing any independent mobilisation of their member, they also failed to fight the mass layoffs during the 2022 economic collapse and have unwaveringly backed IMF-driven austerity measures implemented by successive governments.

The government has not disclosed the full details of the agreement it reached with the Trump administration regarding the 20 percent tariff. A key provision that remains unclear is Sri Lanka's "specific efforts to align with the US on economic and national security matters," as referenced in Trump's Executive Order.

This underscores a broader trend in Trump's economic strategy, where trade deals function as diktats requiring countries to align with US geopolitical interests—particularly its advanced preparations for war against China which US imperialism regards as the chief threat to its global dominance.

While avoiding direct comment on geopolitical issues, Suriyapperuma stated that due to "non-disclosure rules," Sri Lanka could not immediately release all details under discussion.

Addressing parliament on Thursday, President Dissanayake declared: "The United States presented us with a number of proposals during the process. We are still at the discussion level regarding those proposals. As of now, no final agreement has been reached, and no deal has been signed. However, we have reached some levels of consensus in these talks."

Dissanayake did not reveal what these US proposals were. Media reports, however, indicate that the Trump administration has demanded Sri Lanka import oil and vehicles from the US.

Trump has also criticised India for purchasing Russian oil and weapons and imposed a 25 percent tariff on it. Similarly, the US imposed a 50 percent tariff on Brazil despite a trade surplus, highlighting that political loyalty outweighs economic logic in Washington's trade policies.

The JVP/NPP government is advancing military agreements with the US, including the Status of Forces Agreement and the Acquisition and Cross-Services Agreement, signed by previous Sri Lankan administrations.

Moreover, the Dissanayake government has demonstrated its alignment with the US by strengthening military ties, hosting

senior American military officials, and discussing enhanced cooperation. Indian Prime Minister Narendra Modi's recent visit to Sri Lanka also supported Washington's anti-China war strategy, in which India plays a central role.

While the pro-US United National Party (UNP) welcomed the new tariff, it has called on the government to make a clear statement about the associated security arrangements, referencing provisions in the Executive Order.

Reportedly, Sri Lanka has been granted concessions on around 2,000 industrial goods and a smaller number of agricultural products. In return, the country has committed to purchasing \$500 million worth of crude oil and \$300 million in LPG from the US.

The tariff war and its dangerous consequences are not isolated incidents but reflect a deepening global capitalist crisis. Defending jobs, wages, and democratic rights cannot be achieved within the confines of capitalism or a national framework.

To defeat these attacks, workers must take control of their own struggle. This means organising independently—outside of bourgeois parties and union leadership—through action committees in factories, plantations, other workplaces, and rural communities.

These committees must operate democratically and lead the working class in building an independent political movement, rallying the rural poor against austerity measures dictated by the IMF and the US-led tariff war. Such a movement must raise the following demands:

- No to job cuts, wage reductions, or worsening working conditions
- Full pay until new employment is found
- Decent wages indexed to the cost of living
- Medical leave, affordable housing, and free healthcare

This is not just a local fight. Like IMF austerity, the tariff war is global and poses the necessity for Sri Lankan workers to unite with their class brothers and sisters in Bangladesh, India, Vietnam, across South and East Asia, and internationally. This cross-border unity must be built through the development of the International Workers Alliance of Rank-and-File Committees (IWA-RFC) initiated by the International Committee of the Fourth International.



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