

ACTION ALERT AA 22-3: SRI LANKAN CRISIS

As Quakers we seek a world without war. We seek a sustainable and just community. We have a vision of an Australia that upholds human rights and builds peace internationally, with particular focus on our region. In our approach to government, we will promote the importance of dialogue, of listening and of seeking that of God in every person. We aim to work for justice and to take away the occasion for war.

July 2022

The economy of Sri Lanka has deteriorated significantly in recent weeks, and has reached the point where the people of that country are suffering, protests are occurring widely, and the government is struggling to respond effectively.

We encourage you to write urgently to your local Member of Parliament, to the Home Affairs Minister, Clare O'Neil, or to the Foreign Minister, Penny Wong, on this issue.

The following points characterise **the situation**:

- Sri Lanka (Government & private sector) currently owes around \$51 billion and cannot meet its interest payments, let alone repay the debt.
- The currency has collapsed by 80%, and food costs have risen by 57 % (Sri Lanka's inflation in May 2022 was 45.3% - Nine out of ten families are skipping meals.
- There are severe shortages of fuel, food, medicines, fertiliser. Over 3 million people are seeking humanitarian aid.
- Power cuts have been instituted especially in the major cities.
- Tourism has dropped substantially, partly because of suicide bombings of churches and hotels. (Note: After the April 2019 bombing, tourist started coming, then significantly dropped around May 2020 due to Covid. There is no Covid problem in Sri Lanka now, but the main reason why tourists are not coming is the current economic crisis, travel warnings by foreign governments and local tourism operators' inability to run business due to severe petrol shortages, power cuts and hardships)
- The IMF and World Bank are negotiating loans to help Sri Lanka through this crisis. The Sri Lankan Government decided in May 2022 to default all foreign debt payments and approached IMF for debt restructuring. Negotiations with IMF are continuing, and an IMF team is now in Sri Lanka. It is highly unlikely that IMF & WB would give any loans to Sri Lanka until the negotiations are completed and the Sri Lankan Government agrees to political/ economic reforms.

- Political protests have disrupted the government over several months, and have now led to the storming of the president's residence. The president, Gotabaya Rajapaksa, has resigned.

Some of the **factors** that are behind the current crisis are:

- Sri Lanka was once called the 'miracle of Asia'. Mismanagement, theft, corruption, nepotism, and misuse of power by the political leaders have undermined the economy and led to civil unrest. In addition, the country has had to increase military expenditure quite substantially for nearly three decades of civil war.
- In June 2022, in response to the growing unrest, the Sri Lanka cabinet sought to limit the president's powers over ministries and appointments. The proposed 21st amendment to the Constitution to limit the president's power has now received the Cabinet approval, but will need clearance by the Supreme Court before presentation to the parliament for approval by a 2/3 majority.
- Leading economists started warning the government in 2020 that the country was heading towards severe economic crisis. The President, Cabinet and the Governor of the Central bank, however, ignored these warnings and continued paying interests for foreign loans until April 2022.
- Huge tax cuts made by the Government to leading to business companies immediately after Gotabaya became the President in November 2019, significantly limited government revenue.
- Significant reduction in remissions by Sri Lankans working in foreign countries due mainly to the creation of a foreign currency black market and the central bank's decision to artificially freeze the value of local currency. As a result, many foreign workers sent their foreign earned money through black market and the central bank lost billions of dollars.
- Chemical fertiliser imports were banned in April 2021 to encourage organic products, but this adversely affected the rice and vegetable production and hence led to severe shortages. Banning of chemical fertiliser also affected tea plantation and reduced tea export revenue.

Assistance from outside the Country

India has been the major support avenue for Sri Lanka. It has already made substantial payments and recently made a further gift of rice, milk powder and medicines worth \$3b. It has also given lines of credit to enable the country to buy further items urgently needed. United Nations agencies, especially the World Food Program, have been actively engaged in practical assistance.

Australia's Minister for Home Affairs, Clare O'Neil, visited Sri Lanka recently with a contribution of around \$50m in aid for food and development assistance.

There are a number of diaspora organisations linking Sri Lanka and Australia and these are offering support. One is Bridging Lanka, run by Jeremy Liyanage who has worked with QPLC on dialogues with QPLC about Sri Lanka. www.bridginglanka.org

QPLC response

QPLC has over the years been in contact with many members of the diaspora in Australia and has run a number of meetings to focus on the needs of the people there. Consultation with that diaspora will continue about ways forward in response to the situation in Sri Lanka.

Action

- Write to your politician and to the Foreign Minister, Penny Wong, to press for ongoing financial and practical support from the Australia government to Sri Lanka, subject to Sri Lankan Government agreeing to implement significant political reforms.
- Write to the Home Affairs Minister, Clare O'Neil, urging the government to develop an orderly process for those fleeing danger in Sri Lanka.

Additional useful links:

- Jubilee Australia - <https://www.jubileeaustralia.org/> for its work on Sri Lanka.
- Australian Council for International Development (ACFID), including the ACFID Sri Lanka community of practice.