

Rebuilding of India-Srilankan ties

September 5, 2022

Manifest Pedagogy:

Since the economic crisis began in Sri Lanka, India has emerged as a top lender for the island nation, providing millions in aid and sending across fuel and food. Meanwhile, China, which has been accused of engaging in “debt trap diplomacy”, has refused to provide Sri Lanka with any relief on interest payments. India has gone above and beyond its call of duty to help the beleaguered nation, as it struggles with a shortage of food, fuel, and medicines. And this might help New Delhi to regain the confidence of the Lankans and get an upper hand over China in the region.

In News: Sri Lanka’s Economic Crisis: An Opportunity for India to Reclaim Influence

Placing it in the Syllabus: International relations.

Static Dimensions

- Background
- India- Sri Lanka Relations

Current Dimensions

- Challenges in India- Sri Lanka Relations
- Rebuilding of India-Srilankan ties
- Sri Lanka and China dynamics
- Advantage for India

Content

India and Sri Lanka have close cultural and economic ties that go back decades. The Tamils in Lanka have a lot in common

with the people from Tamil Nadu – the cultures, religions, and practices are similar

Background

- The relationship between India and Sri Lanka is more than **2,500 years** old.
- Both countries have a legacy of intellectual, cultural, religious and linguistic interaction.
- In recent years, the relationship has been marked by close contacts at all levels.
- Trade and investment have grown and there is cooperation in the fields of infrastructure development, education, culture and defence.
- In recent years, significant progress in implementation of developmental assistance projects has further cemented the bonds of friendship between the two countries.
- The nearly three-decade long armed conflict between the Sri Lankan forces and the LTTE came to an end in May 2009.
- During the course of the conflict, India supported the right of the Sri Lankan Government to act against terrorist forces.
- India's consistent position has been in favour of a negotiated political settlement, which is acceptable to all communities within the framework of a united Sri Lanka and is consistent with democracy, pluralism and respect for human rights.

India- Sri Lanka Relations

- **Political**– Political relations between India and Sri Lanka have been marked by high-level exchanges of visits at regular intervals.
 - In February 2015, Sri Lanka's newly elected President Maithripala Sirisena undertook his first official visit to India, and Modi paid a return

visit to Colombo in March 2015. He was the first Indian prime minister to do a stand-alone visit to Sri Lanka in 28 years.

- Sri Lanka is a member of regional groupings like **BIMSTEC** (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) and **SAARC** in which India plays a leading role.
- **Commercial**– Sri Lanka is one of India’s largest trading partners among the SAARC countries.
 - **India-Sri Lanka Free Trade Agreement (ISFTA)**– The main framework for bilateral trade has been provided by the India-Sri Lanka Free Trade Agreement (ISFTA) that was signed in 1998 and entered into force in March 2000.
 - In 2020, India was Sri Lanka’s **2nd largest trading partner** with the bilateral merchandise trade amounting to about **USD \$ 3.6 billion**.
 - FDI from India amounted to about **US\$ 1.7 billion** during the period 2005 to 2019.
- **Culture**– The Indian Cultural Centre in Colombo actively promotes awareness of Indian culture by offering classes in Indian music, dance, Hindi and Yoga. Every year, cultural troupes from both countries exchange visits.
 - India and Sri Lanka commemorated the **2600th year** of the attainment of enlightenment by Lord Buddha (**Sambuddhathva Jayanthi**) through joint activities.
- **Diaspora**– The People of Indian Origin (PIOs) comprise Sindhis, Borahs, Gujaratis, Memons, Parsis, Malayalis and Telugu speaking persons who have settled down in Sri Lanka (most of them after partition) and are engaged in various business ventures.
 - According to Government census figures (2011), the population of Indian origin Tamils is about **1.6 million**.
- **Defence**– India and Sri Lanka conduct joint Military (‘**Mitra Shakti**’) and Naval exercise (**SLINEX**).
 - A trilateral maritime security cooperation

agreement was signed by India, Sri Lanka and the Maldives to improve surveillance, anti-piracy operations and reducing maritime pollution in the Indian Ocean Region.

- The two countries have signed a civil nuclear cooperation agreement which is **Sri Lanka's first nuclear partnership with any country.**

Challenges in India- Sri Lanka Relations

- **China Factor**– Sri Lanka has supported the Belt and Road Initiative, China's main connectivity project, as the venue for the strategic battle between India and China (BRI). Additionally, it serves as one of the key hubs in China's maritime strategy.
- **India's lack of support for bipartition**– Relations between India and Sri Lanka abruptly deteriorated after Mahindra Rajapaksha leased China the key port of Hambantota.
- **Fishermen Issue**– Fisherman straying events are frequent due to the close vicinity to the jurisdictional seas of the two nations, particularly in the Palk Straits and the Gulf of Mannar.
- **Ethnic conflict**: In Sri Lanka, the protracted strife between the majority Sinhala and Tamil populations has severely harmed bilateral relations in recent years. Additionally, Sri Lankan war crimes investigations and difficulties with accountability are involved.

Rebuilding of India-Srilankan ties

- India has provided around **\$5 billion worth** of assistance to Sri Lanka of which **\$3.8 billion has been provided in 2022.**
 - In the four months through April, India has emerged as a **top lender** for the island nation.
- In May, the island nation received its first consignment of a **\$16 million humanitarian aid package** from India and

in June, it sent more supplies with **14,700 metric tonnes (MT) of rice, 250 MT of milk powder, and 38 MT of medicines.**

- Sri Lanka is facing a severe shortage of fuel and India has been providing fuel.
 - In February 2022, the two countries signed an agreement for a **\$500 million supply of petroleum products** from the Indian Oil Company through a credit line. This was expanded by a further \$200 million in April. Lanka has received more than **400,000 tonnes of fuel** from India over the past three months.
- Kerala's Trivandrum and Kochi airports are making provisions for more than 120 Sri Lanka-bound aircraft for technical landing so that they can refuel.
- Many Sri Lankans, especially from the Tamil-dominated areas, have sought refuge in Tamil Nadu amid the crisis and their numbers are expected to increase.
- India has committed to providing further financial aid to the country. The idea is to respond to Sri Lanka's requests for enabling them to meet their foreign exchange crisis. Bringing more investment into Sri Lanka will help create medium- and long-term capacity to respond within the Sri Lankan economy.

Sri Lanka and China dynamics

- After Mahinda Rajapaksa was elected president in 2005, Lanka started becoming close to China and depended on them for a huge infrastructure push.
- In 2011, the Hambantota port was inaugurated and China funded highways, ports, and airports across the country.
- Beijing is Sri Lanka's biggest creditor and makes up **10 per cent of its foreign debt.**
 - Between 2000 and 2020, it extended close to **\$12 billion in loans** to the Sri Lankan government, mostly for infrastructure projects, which the

island nation could not pay off.

- The shiny infrastructural projects that were built on the basis of Chinese loans have proven to be castles of sand.
- In 2020, Sri Lanka received another **\$3 billion** from China, walking into what experts have called Beijing's "**debt trap**" diplomacy.

Issues

- China has refused Sri Lanka's appeal to reschedule its huge debt burden.
- Then Sri Lankan President Gotabaya Rajapaksa sought Beijing's help in December 2021 as he requested a debt restructuring in a meeting with China Foreign Minister Wang Yi. However, Beijing refused to budge.
- Beijing has provided some **500 million yuan (\$75 million, €73.35 million)** in humanitarian aid and has promised to "play a positive role" in Lanka's talks with the International Monetary Fund (IMF), but has turned a deaf ear to the struggling country's appeal for debt relief.

Advantage for India

- Stepping up in times of crisis, India has wrested some influence from China over Sri Lanka.
- In January, after India provided initial credit, the two countries announced that they will jointly operate 61 giant oil tanks built during World War II in Trincomalee.
 - India has been trying to access the British-era facility for three decades.
- In March, New Delhi inked a deal to set up hybrid power projects on islands in northern Sri Lanka, after China said that it was suspending its plans to build plants on three islands due to security issues.
- In December, 2021, Colombo also scrapped an agreement with a Chinese firm to build a **\$12 million wind farm** in

the country, and instead offered the project to an Indian rival.

India's policy toward Sri Lanka is not based on a reaction to China. It is historical and based on people-to-people contacts with a shared culture. Indian investments in Sri Lanka are people-centric. It is a win-win as New Delhi regains an old friend and keeps China on its toes.

WayForward

- **Cooperation in maritime security:** As maritime countries in the Indian Ocean, India and Sri Lanka have a shared interest in ensuring maritime security and safety.
- **Strengthening cultural relations:** The two countries can look to create a Buddhism knowledge and tourism corridor.
- **Exploring new domains:** In education, healthcare, and tourism, India is a far stronger partner than China.
- **Enhancing trade and investments** in Srilanka. Boosting connectivity between the two nations.
- **Resolving the Fishermen issue** through dialogue and negotiations keeping in view the needs of poor and marginalised fishermen.
- **Sharing experience:** As Sri Lanka embarks on the arduous project of drafting a constitution, India can lend its own experience in managing minority rights and diverse populations.
- **Leveraging India's Soft Power:** In the technology sector, India could create job opportunities by expanding the presence of its information technology companies in Sri Lanka thereby boosting the island nation's service economy.

Mould your thoughts

1. Sri Lanka's Economic Crisis is an opportunity for India to reclaim influence. Discuss (250 words)

Approach to the answer.

- Brief about India-Srilanka relations
- Sri Lanka's Economic Crisis and how it an Opportunity for India
- Steps taken by India to rebuild India-Srilankan ties
- Challenges in India- Sri Lanka Relations
- WayForward and Conclusion