



India and Sri Lankan Bilateral Relationship During the Economic Crisis: An Assessment of the India's Timely Aids and Supports

Remya R

Research Scholar, Department of Political Science

University of Kerala

remyadpis@gmail.com, Mob: 9744104197

Abstract

Sri Lanka has been a great importer, and in 2020, food imports for Sri Lanka were 15.7 percent. However, the foreign exchange loss led the government to impose import restrictions on 367 items. This has led to an acute scarcity of food in the island nation and a price rocketing. Amid such situations, Indian traders sent 40000 tonnes of rice on April 2 to help to bring down rice prices. On March 17, India announced a Dollar 1 billion line of credit to Sri Lanka as part of its financial aid to help the island nation deal with the economic crisis. This financial support came after India had given a Dollar 500 million line of credit in February to help it purchase petroleum products. India also makes necessary provisions to the hospitals and sends medicines to tide over the ailing nation. India and the island country enjoyed a cordial relationship since their independence. Over the years, Sri Lanka has gathered towards China for financial support and is considered a reliable partner in enhancing domestic economic development. This has created concerns in India over the state of the bilateral connection between the two countries, which considered China's proximity to its neighbours to undermine India's influence in Sri Lanka. There are uncertainties in the relationship between India and Sri Lanka, but India acts as a good friend during the economic crisis to support the nations in overcoming their peril. This paper analyses the significant initiatives and assistance put in place by the Indian government to support Sri Lanka.

Keywords: Bilateral relationship, cultural relations, defence and security cooperation, trade relations, fishermen issue, economic crisis, currency swap facility, forced migration

Introduction

India has ancient ties with Sri Lanka since the rule of Emperor Ashoka. The India and Sri Lanka's mutual ties are more than 2500 years old. Both countries have a legacy of cultural, religious, linguistic and intellectual

interactions. In recent years, close contacts at all levels have marked the connection. Trade and investment have developed, and there are interactions in culture and defence, education and infrastructure development. In recent years, the meaningful progress in implementing developmental assistance projects has further enhanced the bond of friendship between India and Sri Lanka. The two countries' shared social and cultural heritage and the extensive people to people interactions of their citizens provide a foundation to build a multifaceted partnership.

India and Sri Lanka have the common past colonial experiences, strategic imperatives, and differing policies dictated by national interest, conflicting with each other. One such phase emerged after 2009 with the decimation of the LTTE. There is an up and down in the bilateral ties with both countries (Chakravarty, 2016). The armed conflict between the LTTE, and Sri Lankan forces, nearly three-decades-long, came to an end in May 2009. Amidst the conflict, India supported the right of the Sri Lankan Government to act against terrorist forces. India's stable position has favoured a negotiated political settlement, which recognized all the communities within the framework of a united Sri Lanka and is consistent with democracy, respect for human rights and pluralism. Moreover, Sri Lanka is India's closest maritime neighbour, just 30 nautical miles away from the territorial boundary.

Bilateral Relations: Core Areas of Cooperation

There are mainly four areas in which both countries developed their strong ties: human resource development, cultural relations, commercial and trade relations, and defence and security cooperation. The foremost step regarding human resource development is that the Sri Lankan students can also appear for the National Eligibility-cum-Entrance Test in centres in India for MBBS/BDS admissions. IIT JEE advanced entrance examinations commenced in Sri Lanka in 2017. Moreover, Prime Minister Modi has announced the extension of the Indian-aided ambulance service to more areas in Sri Lanka. The cultural and trade ties between both countries are strong. The people of Indian origin comprise Sindhis, Gujaratis, Parsis, Malayalees and Telugu speaking persons who have settled down in Sri Lanka and are involved in different business ventures. In education, health care, and tourism, India is a more powerful partner than China (Sappani, 2021).

In technology, India could create job opportunities by enlarging the presence of its information technology companies in Sri Lanka. These organisations can generate thousands of direct and indirect jobs that can boost Sri Lanka's service economy, which was recognized by both sides during the visit of Jaishankar.

In the context of several MoUs were signed, including the MoU for Sri Lanka's participation in the Nalanda University, cultural cooperation and youth development. To enhance the cultural and people to people interactions, a festival of India in Sri Lanka called "Sangam," was launched in 2015-16. Policy announcement has been made about improving connectivity, including bridge connectivity and air connectivity and the revival of ferry services, the formation of the Ramayana trail, and the Buddhist circuit. It should be noted that the policy to revive the Buddhist connect between the two countries was intimated by the UPA government, but was more vehemently articulated by the Modi administration. It is perceived that the revival of civilizational, cultural and religious linkages would remove anti-India feelings in Sri Lanka (Sultana, 2017).

Sri Lanka has long been an essential destination for direct investment from India. Sri Lanka is one of India's biggest trading partners in SAARC. India in turn, is Sri Lanka's most vital trade partner globally. The trade relations grew rapidly after the India-Sri Lanka Free Trade Agreement formalised in March 2000. According to the Sri Lankan Customs, bilateral trade in 2015 amounted to US dollar 4.7 billion. Exports from India to Sri Lanka in the year 2015 were US dollars 4.1 billion (up by 2.1 percent), while exports from Sri Lanka to India were US dollars 645 million (up by 3.2 percent). During the period from the month January-September 2016, the bilateral trade between India and Sri Lanka was US dollars 3.22 billion; exports from India to Sri Lanka were US dollars 2.809 billion, while exports from Sri Lanka to India were US dollars 414 million (Ministry of External Affairs, 2016).

Finally, the armed conflict saw a major humanitarian challenge, with nearly 300000 Tamil civilians lodged in camps for Internally Displaced Persons (IDPs). The Indian government put robust programmes on assistance to help the IDPs return to normal life as immediately as possible. The core impetus for stepping up India's development assistance flowed from the commitments made during the visit of the Sri Lankan President to India in June 2010. This included the construction of 50000 housing units, rehabilitation of Northern railway lines, development of vocational training bases, construction of a cultural centre at Jaffna, and establishment of an Agricultural Research Institute in the Northern Province. Sri Lanka is one of the recipients of the development credit given by the Indian government, with a total commitment of US dollars 2.6 billion, including US dollars 436 million as grants. Under the line of credit of dollar 16.4 million, the tsunami-damaged Colombo-Matara rail link has been repaired and upgraded. In October 2014, the Pallai-Jaffna redesigned railway track and signal system was inaugurated, thereby reconnecting Jaffna to Colombo by rail. Emergency ambulance service was initiated in Sri Lanka on July 28 2016, under Indian grant aid of US dollar 7.55 million (Ministry of External Affairs, 2016).

India also continues to assist many smaller development projects in areas like education, health, transport connectivity, medium and small enterprises development and training in many parts of the country through its grant funding.

Mutual ties in these sectors do not diminish concerns on issues where the two neighbours might not align: China's importance in Sri Lanka's economy and Tamil minority rights. Although history, cultural closeness and the constraints of geographical poise, India and Sri Lanka as historical and permanent partners to tide over these problems and explore synergies in new avenues to further their respective economic and developmental aspirations jointly.

Fishermen Issue

Even though the fisherman issue is a problem between the two countries, given the proximity of both countries' territorial water, especially in the Palk Straits and Gulf of Mannar, occurrences of straying of fishermen are usual. There is a conception between the two governments that the fishermen issue needs to be perceived humanely, and consultation should be initiated for the early resolution of the issues. Both the countries have

agreed on specific practical arrangements to deal with the problem of bona fide fishermen of different sides crossing the international maritime boundary line. It helps to deal with the issue of the detention of fishermen in a humane manner (Sultana, 2017).

Indian Support to Sri Lanka During Peril

India has been providing financial and humanitarian assistance to the ailing island nation. An unexpected shortage of foreign currency has left President Gotabaya Rajapaksa's government unable to pay for essential imports, including fuel, leading to debilitating power cuts lasting up to 13 hours prices of essential goods have zoomed, leading to poverty (Firstpost, 2022). Facing such a situation, the country has witnessed violent protests leading to the imposition of an emergency, and even the political machinery is anarchic. Although, India played a big brother role and lent a helping hand to the problematic friend. India is aiding Sri Lanka in many different ways, from providing financial support and assistance to supplying food and medicines.

Over the years, the Chinese presence has increased dramatically in Sri Lanka. Island nation's support of China largely stems from two factors; first, Sri Lanka continues to be suspicious about India's motive versus the Tamil cause. Second, India's slow bureaucratic processes that delay approvals incite suspicions of India's commitment to Sri Lanka (Sappani, 2021). However, despite the convergence of interests and objectives, India and Sri Lanka are required to carefully and deliberately reactivate their bilateral relationship. This economic crisis is one of the good chances for India to prove to become a reliable supporter and partner.

India's Food Aid Support to Sri Lanka

Indian traders loaded 40000 tonnes of rice for prompt shipment to Sri Lanka. It is one of the significant food aids since Colombo secured a credit line from New Delhi (The Economic Times, 2022). The Indian Ocean island nation of 22 essential imports after a 70 percent drop in the foreign exchange set aside in two years led to currency devaluation and efforts to seek help from global lenders. Last month, India, the world's largest rice exporter, agreed to provide the Dollar 1 billion credit line to help ease crippling shortages of necessary items, including fuel, medicine, and food. India's support came after the previous administration led by the Rajapaksa family had drawn Sri Lanka close to China during the past decade, resulting in anxiety in New Delhi.

Consignment of 40000 MT of Diesel to Sri Lanka

India delivered the 40000 MT of diesel to Sri Lanka under the Indian credit line to support ease the acute power crisis in the island nation. This was India's fourth consignment of fuel sent to Sri Lanka under the line of credit. India and Sri Lanka signed a US Dollar 500 million line of the credit agreement to purchase petroleum products on February 2, 2022. With the economic crisis and the scarcity of forex, the Indian credit line of US Dollar 500 million for fuel imports assured a lifeline to the island nation, which is currently experiencing its economic crisis. With long fuel lines and cooking gas essentials in short supply, the people have been suffering for months (Economic Times, 2022).

Recently India extended a US Dollar 1 billion line of credit to Sri Lanka as part of its financial helps to deal with the economic crisis following the previous US Dollar 500 billion lines of credit in February helped purchase petroleum products (Economic Times, 2022).

Acceptance of Sri Lankan Migrants

Many Sri Lankan nationals moved to India, landed at Dhanushkodi and were accommodated at the Mandapam refugee camp (Economic Times, 2022). The refugees are moving out of unemployment and shortage of food in their country. It is just the beginning of the migration process to India. The migrants are now under the custody of Coastal Security Group, Mandapam and will be booked under the passport act (India.com, 2022). These economic migrants from Sri Lanka arrived in India last month, and the Indian officials have been reported to estimate that up to 2000-4000 Sri Lankans might be arriving in India in the coming weeks (The Outlook, 2022).

Earlier migration patterns to India

There were four phases of Sri Lankans arriving in India, initially because of the civil war between LTTE (a Tamil group), and the Sri Lankan government. The initial period during 1983-87 witnessed around 1.34 lakhs Sri Lankan Tamil arriving in India. Between 1987-and 89, however, around 25600 returned to Sri Lanka (The Outlook, 2022). The second phase began in 1990 when around 122000 Tamils reached India. During 1991-95, around 54000 people were repatriated to Sri Lanka as Sri Lankan Tamils were facing pressure in Tamil Nadu following Rajiv Gandhi's assassination. The third phase began in 1995 and lasted till 2002 during Sri Lankans witnessed intense fighting. The fourth phase started in 2008-09 as the war undertook its final years. The withdrawal turned into a flood in 2008-09; during the final years of war, the migrants continued to landed here until 2013 (The Outlook, 2022). There are around 92,000 Sri Lankan Tamils are staying in India.

India provides US D 400 million Currency Swap facilities with Sri Lanka

It is multifaceted support to Sri Lanka, which is grappling with its worst-ever economic crisis; India has extended the duration of the US D 400 Million currency swap facility, which ended with the island nation in January. This is the first extension of an international debt mechanism to Sri Lanka after the government led by President Gotabaya Rajapaksa (The Economic Times, 2022). The Reserve Bank of India (RBI) formalized the agreement on currency swap with the Sri Lankan Central Bank under the SAARC currency swap framework 2019-22. Based on the agreement, the Central Bank of Sri Lanka can make withdrawals of US Dollar, Euro or Indian Rupees in multifold tranches up to a maximum of US Dollar 400 million or it is equivalent.

India-Sri Lanka Ministerial Meet, 2022

India and Sri Lanka's high-level consultations included a meeting with ministers to support Colombo in overcoming its worst economic peril since independence (The Economic Times, 2022). Two sides establish a framework to monitor the progress of economic cooperation between the two countries in the present context. Sri

Lanka has also prompted the restructuring of some assistance provided by India in credits for essential commodities and fuel and balance of payment support.

In March 2022, India and Sri Lanka signed six agreements to boost bilateral cooperation in different sectors such as technology, fisheries and hybrid power projects. The MOU includes implementing Sri Lanka Unique Digital Identity programmes with India's grant assistance and providing a maritime rescue coordination centre (Business Standard, 2022).

Both countries signed MoUs to establish modern computer labs and smart boards with made-to-order curriculum software in 200 schools in the district of Galle, and a separate MoU between the Sushma Swaraj Institute of Foreign Service in India and the Bandaranaike International Diplomatic Training Institute. India's Foreign Minister Jaishankar welcomed the positive developments regarding the issues on the government's Tamil National Alliance (TNA) agenda. He emphasized that India was consistently supportive of the realization of the aspiration of the Tamils of Sri Lanka for justice, equality, peace and dignity within the framework of a united Sri Lanka (Basu, 2022). This is the first visit of the Indian counterpart to the island nation since India provided an economic relief package to assure Sri Lanka of the ongoing economic peril (Business Standard, 2022).

Conclusion

Both the countries have a democratic setup; there is a chance to broaden and deepen the ties with both countries (Defence Affairs, 2022). It is imperative to focus on its traditional and cultural ties to improve relations with Sri Lanka. Following by starting ferry services between India and Sri Lanka can improve people to people linkages. Mutual acceptance of each other's concerns and interests can improve the connection between both countries. Despite specific issues, the relationship between the two neighbours in the Indian Ocean Region looks forward. However, the recent considerations and support to Sri Lanka during the crisis witnessed that. All the developments in the bilateral ties and support in distress showed the Indian assurance and support to the economic recovery process of Sri Lanka.

Whatever approach India adopts towards Sri Lanka, it must be impossible to alter the realities such as China's increasing presence and the deep-rooted anti-India sentiments in that country. Since the pre-independence period, the Sri Lankans perceive India as wanting to dominate it economically and strategically. This feeling has not died down completely over time and continues today. China's debt diplomacy means providing projects/loans on terms that end up being too difficult for countries to repay, compelling them to accept political or economic concessions (Firstpost , 2022). One of the contributing elements to Sri Lanka's economic peril is the extensive foreign debts that it had secured for infrastructure projects. This lesson from China's diplomatic move might change Sri Lanka's perception of China and develop a new avenue of relation with India.

Reference

- Basu, N. (2022, March 28). *After Maldives, Jaishankar in Sri Lanka to secure Indian Ocean neighbourhood, counter China*. Retrieved April 2, 2022, from <https://theprint.in/diplomacy/after-maldives-jaishankar-in-sri-lanka-to-secure-indian-ocean-neighborhood-counter-china/891501/>
- Business Standard. (2022, March 29). *India, Sri Lanka ink six agreements to boost bilateral cooperation*. Retrieved April 18, 2022, from https://www.business-standard.com/article/current-affairs/india-sri-lanka-ink-six-agreements-to-boost-bilateral-cooperation-122032900835_1.html
- Chakravarty, N. M. (2016, July-September). India-Srilanka Realties: Managing the Ups and Downs. *Indian Foreign Affairs Journal*, 11(03), 253-266.
- Defence Affairs. (2022, January 25). *India-Sri Lankan Relationship* . Retrieved April 1, 2022, from <https://www.defenceaffairs.online/2022/01/india-srilanka-relations-sri-lanka-has.html>
- Economic Times. (2022, April 21). *India sends one more consignment of 40,000 MT of diesel to Sri Lanka*. Retrieved April 23, 2022, from <https://economictimes.indiatimes.com/news/india/india-sends-one-more-consignment-of-40000-mt-of-diesel-to-sri-lanka/articleshow/90980835.cms>
- Economic Times. (2022, April 22). *More Sri Lankans fleeing economic crisis land in India*. Retrieved April 24, 2022, from <https://economictimes.indiatimes.com/news/india/more-lankans-fleeing-economic-crisis-land-in-india/articleshow/90999542.cms>
- Firstpost . (2022, April 06). *Is Sri Lanka's economic crisis a result of China's debt-trap diplomacy?* Retrieved April 19, 2022, from <https://www.firstpost.com/world/is-sri-lankas-economic-crisis-a-result-of-chinas-debt-trap-diplomacy-10522951.html>
- Firstpost. (2022, April 07). *Playing big brother: How India is providing timely aid as Sri Lanka battles its worst economic crisis*. Retrieved April 15, 2022, from <https://www.firstpost.com/world/playing-big-brother-how-india-is-providing-timely-aid-as-sri-lanka-battles-its-worst-economic-crisis-10527341.html>
- India.com. (2022, March 23). *Economic Crisis, Unemployment, Shortage of Food Force Sri Lankans to Flee to India*. Retrieved April 1, 2022, from <https://www.india.com/news/india/economic-crisis-unemployment-shortage-of-food-force-sri-lankans-to-flee-to-india-5298880/>
- Ministry of External Affairs. (2016, December). *India- Sri Lanka Relations*. Retrieved March 13, 2022, from https://www.mea.gov.in/Portal/ForeignRelation/Sri_Lanka_December_2016.pdf
- Sappani, V. (2021, September 08). *Charting a New Trajectory in India-Sri Lanka Relations*. Retrieved February 26, 2022, from <https://www.orfonline.org/expert-speak/charting-a-new-trajectory-in-india-sri-lanka-relations/>

- Sultana, G. (2017, September). India-Sri Lanka Relations in the Context of India's 'Neighbourhood First' Policy. *Indian Foreign Affairs Journal*, 12(3), 227-242.
- The Economic Times. (2022, April 22). *India extends duration of \$400 mn currency swap facility with Sri Lanka*. Retrieved April 24, 2022, from <https://economictimes.indiatimes.com/news/india/india-extends-duration-of-400-mn-currency-swap-facility-with-sri-lanka/articleshow/91002550.cms>
- The Economic Times. (2022, April 02). *India starts supplying rice to Sri Lanka in first major food aid*. Retrieved April 10, 2022, from <https://economictimes.indiatimes.com/news/india/india-starts-supplying-rice-to-sri-lanka-in-first-major-food-aid/articleshow/90605623.cms>
- The Economic Times. (2022, April 15). *India-Sri Lanka ministerial meet on the cards*. Retrieved April 20, 2022, from <https://economictimes.indiatimes.com/news/india/india-sri-lanka-ministerial-meet-on-the-cards/articleshow/90856153.cms>
- The Outlook. (2022, April 24). *Displaced Sri Lankans Turn To India In Hordes Amid Country's Worst Financial Crisis*. Retrieved April 24, 2022, from <https://www.outlookindia.com/national/sri-lankans-arriving-in-india-amid-food-fuel-shortage-in-country-worst-financial-crisis-news-189831>

