



## India Sri Lanka Relations

**For Prelims:** International Monetary Fund (IMF), Sri Lanka's official creditors, World Bank, Global Financial Stability Report, India-Sri Lanka Free Trade Agreement, 13<sup>th</sup> Amendment of Sri Lankan Constitution.

**For Mains:** India Sri Lanka Relations, Recent Issues in India-Sri Lanka Relations.

### Why in News?

India sent written **financing assurances to the International Monetary Fund (IMF)**, becoming the **first bilateral creditor of the island nation** to officially support its crucial debt restructure programme after last year's economic meltdown.

- A bilateral agreement between India and Sri Lanka on raising the limit of the **High Impact Community Development Project (HICDP)** was also signed during the India's External Affairs Minister's Visit.



### What is the Significance of India's Financing Assurance?

- The **International Monetary Fund's provisional USD 2.9 billion package** to Sri Lanka will be cleared only after **Sri Lanka's official creditors — China, Japan and India** — have provided **adequate financing assurances**.
- The decision of financing assurance was also a reassertion of **India's belief in the principle of "neighborhood first"**, and not leaving a partner to fend for themselves.

## How are India's Relations with Sri Lanka?

### ▪ About:

- **India and Sri Lanka are two South Asian nations** situated in the Indian Ocean region. Geographically, Sri Lanka is located just off the southern coast of India, separated by the [Palk Strait](#).
  - This proximity has played a significant role in shaping the relationship between the two countries.
- The **Indian Ocean is a strategically important waterway** for trade and military operations, and **Sri Lanka's location at the crossroads** of major shipping lanes makes it a critical point of control for India.

### ▪ Relations:

- **Historical Ties:** India and Sri Lanka have a long history of **cultural, religious, and trade ties** dating back to ancient times.
  - There are strong **cultural ties between the two countries, with many Sri Lankans tracing their heritage to India**. [Buddhism](#), which originated in India, is also an important religion in Sri Lanka.
- **Economic ties:** India is **Sri Lanka's third largest export destination**, after the US and UK. More than **60% of Sri Lanka's exports enjoy the benefits of the [India-Sri Lanka Free Trade Agreement](#)**. India is also a major investor in Sri Lanka.
  - **Foreign Direct Investment (FDI)** from India amounted to around **USD 1.7 billion** over the years from 2005 to 2019.
- **Defence:** India and Sri Lanka conduct joint Military ([Mitra Shakti](#)) and Naval exercise ([SLINEX](#)).

### ▪ Issues in India-Sri Lanka Relations:

- **Killing of Fishermen:** Killing of Indian fishermen by the **Sri Lankan Navy is a lingering issue** between these two nations.
  - In 2019 and 2020, a total of **284 Indian fishermen were arrested and a total of 53 Indian boats were confiscated by the Sri Lankan authorities**.
- **Influence of China:** [China's rapidly growing economic footprint](#) (and political clout as a corollary) in Sri Lanka is straining India-Sri Lanka relations.
  - China is already the largest investor in Sri Lanka, accounting for 23.6% of the total **Foreign Direct Investment (FDI)** during 2010-2019 as against 10.4% from India.
- **13<sup>th</sup> Amendment of the Sri Lankan Constitution:** It envisages devolution of necessary powers to the provincial councils to address the just demand of the Tamil people for **equality, justice, peace, and respect within a united Sri Lanka**.
  - India supports its implementation but the Sri Lankan government is yet to **"fully implement" the 13<sup>th</sup> Amendment**.

## What is the International Monetary Fund (IMF)?

### ▪ About:

- The **IMF** was set up along with the [World Bank](#) after the [Second World War](#) to assist in the reconstruction of war-ravaged countries.
  - The two organizations agreed to be set up at a conference in Bretton Woods in the US. Hence, they are known as the Bretton Woods twins.
- The IMF is **governed by and accountable to the 190 countries** that make up its near-global membership.
  - India joined on **27<sup>th</sup> December 1945**.

### ▪ Purpose:

- The IMF's primary purpose is to ensure the **stability of the international monetary system** — the system of exchange rates and international payments that enables countries (and their citizens) to transact with each other.
- The Fund's mandate was updated in 2012 to include **all macroeconomic and financial sector issues** that bear on global stability.

### ▪ Reports by IMF:

- **Global Financial Stability Report**.
- [World Economic Outlook](#).

## Conclusion

India, which has followed the "[Neighbourhood First policy](#)" to cement bonds with its neighbours, can **walk that extra mile to help Sri Lanka** out of the current crisis and help Sri Lanka towards realising its potential, to reap the **rewards of a stable, friendly neighbourhood**.

### UPSC Civil Services Examination, Previous Year Questions (PYQs)

#### **Prelims**

**Q. Elephant Pass, sometimes seen in the news, is mentioned in the context of the affairs of which one of the following? (2009)**

- (a) Bangladesh
- (b) India
- (c) Nepal
- (d) Sri Lanka

**Ans: (d)**

#### **Mains**

**Q. In respect of India-Sri Lanka relations, discuss how domestic factors influence foreign policy. (2013)**

**Q. 'India is an age-old friend of Sri Lanka.' Discuss India's role in the recent crisis in Sri Lanka in the light of the preceding statement. (2022)**

**Source:TH**

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