



India-Sri Lanka Relations: A New Era of Cooperation Amid Economic Crisis

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Abstract:

The recent visit of Sri Lankan President Anura Kumara Disanayake to India highlights the growing economic, political, and strategic ties between the two nations, particularly in the context of Sri Lanka's recovery from its severe economic crisis. This article explores the roots of Sri Lanka's economic difficulties, the role of India in providing critical financial aid, and the strengthening of bilateral relations through development initiatives. The visit also underscores the geopolitical importance of the relationship, particularly in light of China's increasing influence in the region. India's support for Sri Lanka's recovery and its assurances regarding regional security reflect a deeper strategic partnership. Moving forward, both countries aim to enhance cooperation in infrastructure, renewable energy, digital transformation, and maritime security. This evolving partnership holds the potential to contribute significantly to regional stability and prosperity.

Keywords:

Sri Lanka, India, bilateral relations, economic crisis, financial aid, development cooperation, infrastructure projects, renewable energy, geopolitical influence, China, regional security, India-Sri Lanka partnership, strategic cooperation, maritime security, Sri Lankan recovery, India's foreign policy.

Introduction

The recent state visit of Sri Lankan President Anura Kumar Disanayake to India marks a critical juncture in the relationship between two neighboring nations, especially in light of Sri Lanka's ongoing recovery from its worst economic crisis in decades. This visit is not just another diplomatic exchange but a symbol of the deepening economic, political, and strategic bonds between Sri Lanka and India. As Sri Lanka navigates the aftermath of an economic downturn exacerbated by the global pandemic and internal political challenges, India's role as a major partner in Sri Lanka's recovery has become increasingly indispensable.

This article explores the broader implications of President Disanayake's visit, analyzing the economic crisis in Sri Lanka, the assistance extended by India, the strengthening of diplomatic ties, and the growing geopolitical importance of this bilateral relationship for the South Asian region.

Sri Lanka's Economic Crisis: The Catalyst for Closer Relations

In recent years, Sri Lanka has endured an unparalleled economic crisis, culminating in a period of extreme financial hardship, which resulted in severe inflation, shortages of essential goods, and widespread public unrest. By 2022, Sri Lanka's foreign exchange reserves had plummeted, leading to the inability to import fuel, medicine, and food. This economic crisis not only severely impacted the everyday lives of Sri Lankans but also led to a political crisis, with protests, a change in leadership, and a call for major reforms.

The roots of Sri Lanka's economic crisis are multi-faceted. External factors like the global pandemic, which crippled Sri Lanka's key industries such as tourism and exports, combined with unsustainable debt levels, have created a volatile economic environment. Sri Lanka's debt crisis, in particular, is a significant concern. The country's debt-to-GDP ratio surged, with a large portion of its debt owed to international creditors, including China, which has been heavily involved in funding infrastructure projects in Sri Lanka. In this context, Sri Lanka turned to India for assistance, as India emerged as a reliable partner in Sri Lanka's efforts to stabilize and recover from its economic meltdown.

India's Role in Sri Lanka's Economic Recovery

India has long been a close neighbour and ally of Sri Lanka, and the recent economic crisis has only strengthened this partnership. In the wake of the crisis, India extended a series of economic aids and loans to Sri Lanka, amounting to approximately \$3.8 billion. This aid package included lines of credit for essential goods such as fuel, food, and medicine, as well as loans to help stabilize Sri Lanka's foreign reserves. India's role in alleviating the immediate suffering in Sri Lanka cannot be overstated. With food and fuel shortages being one of the most pressing issues, India's prompt assistance helped stabilize the situation and avert further social unrest.

But India's assistance to Sri Lanka goes beyond immediate financial aid. India has been instrumental in facilitating Sri Lanka's engagement with international financial institutions such as the International Monetary Fund (IMF). India's involvement in negotiations concerning Sri Lanka's debt restructuring, as part of the Official Creditors Committee, has been a pivotal factor in Sri Lanka's ability to navigate the crisis. The financial packages and mechanisms provided by India have helped Sri Lanka delay debt repayments, giving the country time to stabilize its economy and implement essential reforms.

Moreover, India's willingness to engage with Sri Lanka in a way that addresses both immediate needs and long-term economic growth is reflected in their shifting relationship from aid dependency to a more investment-driven partnership. This evolving economic cooperation reflects the growing confidence in the future trajectory of bilateral relations.

Bilateral Relations: Economic Partnerships and Development Initiatives

The visit of President Dissanayake to India also highlights the deepening economic and developmental ties between the two countries. While India has been an essential partner in Sri Lanka's recovery, both countries are now focused on moving towards a mutually beneficial economic partnership based on sustainable development, infrastructure growth, and technological innovation.

One of the key areas of cooperation that was discussed during President Dissanayake's visit was the enhancement of connectivity and infrastructure development. India has been actively involved in several large-scale projects in Sri Lanka, such as the construction of new highways, power plants, and transport infrastructure. These projects are designed not only to create jobs but also to enhance Sri Lanka's competitiveness as a regional economic hub. Additionally, India has committed to assisting Sri Lanka in the development of renewable energy projects, particularly solar energy, which is a major part of Sri Lanka's long-term energy strategy.

The two countries are also collaborating on digital connectivity and economic modernization. India has been instrumental in sharing its expertise in digital financial technologies with Sri Lanka, helping modernize payment systems and fostering the growth of tech startups. This focus on digital

transformation is seen as a cornerstone for Sri Lanka's future economic growth. Additionally, India's investments in Sri Lanka's ports, particularly the development of the Colombo Port City, will ensure that Sri Lanka maintains its position as a central player in regional trade and logistics.

Security and Strategic Cooperation: Addressing Geopolitical Concerns

Another significant aspect of President Dissanayake's visit was the reaffirmation of Sri Lanka's commitment to ensuring that its territory will not be used for activities detrimental to India's security interests. This is a critical point, especially in the context of growing Chinese influence in the Indian Ocean. Over the past decade, China has invested heavily in Sri Lanka, funding major infrastructure projects such as the Hambantota Port, which has raised concerns in India about potential military implications. These concerns are particularly pertinent given the strategic importance of the Indian Ocean for global trade and India's maritime security.

During the visit, President Dissanayake reassured India that Sri Lanka would not allow its territory to be used for any activity that could pose a threat to India's security. This assurance is significant for several reasons. It not only strengthens bilateral trust between the two countries but also underscores Sri Lanka's awareness of the broader geopolitical ramifications of its foreign policy decisions.

India has a keen interest in ensuring that Sri Lanka remains within its sphere of influence, especially as China seeks to extend its presence in the region. By reaffirming its commitment to a cooperative relationship with India, Sri Lanka is signalling that it values its strong ties with its southern neighbour and understands the strategic importance of maintaining a stable and peaceful environment in the Indian Ocean region.

The Broader Geopolitical Context: A Regional Perspective

Sri Lanka's strategic location in the Indian Ocean makes it a key player in regional security dynamics. The growing competition between India and China for influence in South Asia, and particularly in Sri Lanka, has raised the stakes of this bilateral relationship. India's partnership with Sri Lanka is seen as a counterbalance to China's increasing investments and influence in the region. However, it is important to note that Sri Lanka has also sought to maintain a balanced foreign policy, carefully managing its relations with both India and China.

Sri Lanka's commitment to working closely with India not only serves its own economic and security interests but also contributes to broader regional stability. India's support for Sri Lanka is not limited to financial aid and infrastructure development; it also extends to enhancing the country's regional security capabilities. As part of this growing strategic partnership, the two countries are collaborating on maritime security, counterterrorism, and intelligence sharing. The India-Sri Lanka bilateral naval exercises, which focus on enhancing maritime security in the Indian Ocean, are an important component of this cooperation.

Conclusion

Looking Ahead: A Partnership for the Future

The Sri Lankan President's visit to India is a testament to the enduring strength of the bilateral relationship between the two nations. In the aftermath of Sri Lanka's economic crisis, India's timely support has played a pivotal role in stabilizing the country and guiding it through its financial challenges. The evolving economic, developmental, and security partnership between India and Sri Lanka holds significant promise for both countries and the South Asian region as a whole.

Looking ahead, India and Sri Lanka must continue to deepen their collaboration, focusing on sustainable economic growth, regional security, and increased trade and investment. By fostering a more comprehensive and strategic relationship, the two countries can not only strengthen their individual economies but also contribute to the stability and prosperity of the broader Indian Ocean region.

As Sri Lanka continues to recover from its economic difficulties, India will remain an essential partner in the country's journey toward long-term stability. The visit of President Dissanayake is a reaffirmation of the close ties between the two nations and a sign of a promising future filled with opportunity, cooperation, and shared success.

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