

FRIEND IN NEED: THE HINDU EDITORIAL ON INDIA-SRI LANKA TIES

Relevant for: International Relations | Topic: India - Sri Lanka

External Affairs Minister [S. Jaishankar's virtual meeting with Sri Lanka's Finance Minister Basil Rajapaksa](#) on Saturday, with an assurance that India will support Sri Lanka "in all possible ways for overcoming the economic and other challenges posed by COVID-19 pandemic", was significant and timely. A crucial week lies ahead for the Sri Lankan economy, when President Gotabaya Rajapaksa must make a decision on whether to service debts to bonds with an instalment of \$500 million due on January 18, or to default for the first time ever, given the island's precarious finances. Mr. Gotabaya is expected to address Parliament this week on how he will deal with the economic crisis. This includes a credit crunch, a slump in GDP spurred by COVID-19 losses to tourism, exports and remittances, foreign reserves that dwindled from \$7.5 bn in 2019 to \$1.6 bn in November 2021, and pending debt repayments of more than \$7 bn expected in 2022. The most immediate problems come from rising unrest. In the preceding weeks, the Rajapaksa government reached out to India and China, which are most likely to help given their respective interests in the island. Mr. Gotabaya even received a visit from Chinese Foreign Minister Wang Yi, who discussed a full debt restructure of Sri Lankan borrowings. Beijing has also extended a currency swap arrangement of \$1.5 billion. It was to India, however, that Mr. Rajapaksa turned with a humanitarian appeal and SOS. Mr. Jaishankar, Finance Minister Nirmala Sitharaman and Mr. Basil decided on a "four-pronged" initiative, that included Lines of Credit (LoC) towards the import of fuel, food and medicines, currency swap and debt deferrals from India to Sri Lanka, as well as the conclusion of the Trinco-oil farms project.

Matters have moved swiftly since Mr. Basil's visit and it is heartening that the Trincomalee project MoU was signed earlier this month after decades of delays. Subsequently, India has extended \$400 million under the "SAARC currency swap" arrangement and agreed to a partial deferral of a \$500 million settlement from Sri Lanka by two months; the \$1.5 bn LoC for essential imports is reportedly under way. It would be naive to assume that New Delhi's assistance will paper over other problems in the complex relations between India and Sri Lanka. Amongst other issues, the friction over fishermen's rights and pending political solution for war-torn Tamil areas remain sticking points, while concerns over Colombo's strategic ties with China have often led to open disagreements. It is important to note, however, that in times of peril, New Delhi and Colombo have established a robust channel of communication and demonstrated an ability to act on promises quickly, proving that adage about friends (and neighbours) in need.

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