

THE INEVITABLE GEOPOLITICAL LENS IN SRI LANKA

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Workers wave Chinese and Sri Lankan national flags upon the arrival of China's research and survey vessel, the Yuan Wang 5 at Hambantota port on August 16, 2022. | Photo Credit: AFP

If it's a conversation on Sri Lanka's economy, talking points on China and India are inevitable. 'What about China?', 'What will India do?' are questions that invariably come up in casual chats, as well as official meetings and briefings. Watching the escalating China-India contest in Sri Lanka is a preoccupation for Sri Lankan columnists and diplomats stationed in Colombo. With the crisis-plagued island's imminent debt restructuring programme in focus, the interest in the two big powers' responses has only grown.

For context, China is a close partner of Sri Lanka and its largest bilateral creditor. At the end of 2021, the island owed about \$7.4 billion or 19.6% of its outstanding public debt to China. For Sri Lanka watchers, especially those based in the West or India, that's a "Chinese debt trap".

India is Sri Lanka's closest neighbour with shared history and geography. India, after Japan, is Sri Lanka's third largest bilateral lender and a key development partner. Last year, India extended nearly \$4 billion to Sri Lanka to help mitigate its crisis. Prior to the emergency credit in 2022, Sri Lanka owed just under a billion dollars to India.

The "Chinese debt trap" narrative is irresistible for some, despite economists in Sri Lanka and elsewhere repeatedly debunking that theory. Sri Lanka may be in a debt trap, but it's not necessarily Chinese. The largest chunk of Sri Lanka's foreign debt is owed to largely Western, private creditors holding International Sovereign Bonds, as a recent statement by global scholars, too, pointed out.

But that doesn't mean official lenders should be spared public scrutiny. Whether Chinese loans "trap" Sri Lanka or not, it is a fact that the small island nation still owes a huge sum to a very powerful partner. Similarly, while India pitched in with crucial assistance last year, that doesn't mean its other loans and investments, both state and private, should not be probed. The terms of any of these loans, be it from China, India, private lenders, or big FDIs merit close attention.

For journalists, therein lies the rub. Finding out how exactly Sri Lanka might be trapped in debt requires access to information fiercely guarded by the establishment. What are the rates of lending, what is the period of the loan, how exactly is the borrowed money being put to use, what happens when the borrower cannot repay the amount? While these are obvious questions

to ask, officials would usually respond with something decidedly unhelpful, but fancy-sounding, such as: “we are working out the contours of the agreement”. Interestingly, the reductive India-China lens framing Sri Lanka’s economic realities leaves little room even for Japan, once Sri Lanka’s top donor and currently its second largest official lender.

But more telling is how little Sri Lankans figure in this compulsive geopolitical framing. Irrespective of where the money comes from, the people in whose name it is sought by the Sri Lankan government have high stakes in its use.

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For they see projects not merely as Indian, or Chinese assisted. They evaluate it on the basis of whether a development project works for them, or not.

Annalingam Annarasa, a prominent fisher leader in Sri Lanka’s northern Jaffna district, has recently been drawing attention to sea cucumber farms rapidly springing up in the war-affected areas with Chinese investment. Fisher folk have been barred access to parts of their coastline, and the aggressive sea cucumber cultivation is bound to damage the local marine ecosystem, he worries. His problem is not that the project is Chinese, but that it is dangerous to their environment and livelihoods. In fact, I met Mr. Annarasa many years ago, as someone who vehemently opposes Indian fishing trawlers ravaging Sri Lanka’s northern seas. As a journalist-friend of mine says: “understanding is in the general, truth is in the specifics”.

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