



INDIA'S ROLE IN CRISIS HIT SRI LANKA

Sri Lanka is currently witnessing a socio-political and mainly an economic crisis that has been persisting for a long time. With every passing day, the situation in the small island nation is worsening as fuel supplies are very limited and electricity outages have become the norm. As the country reels under the pressure of dealing with a Balance of Payments crisis and a debt management problem, the role that India could play in this scenario becomes significant. Sri Lankan supplies of food, fuel, medicines and other essential items have been severely hit. The country which is heavily dependent on tourism for its economic well-being was badly hit by the COVID-19 pandemic which also took a toll on the remittances it used to receive from its expatriates. Much before the pandemic started, the Sri Lankan economy was having an economic downturn. Its decision to ban the use of chemical fertilizers in Apr 2021 had cut down its agricultural production by half and this sudden switch to organic farming further aggravated the situation. The decision was withdrawn eventually but only after the damage had already been done. The unstable political situation has contributed massively towards worsening the crisis that the country is suffering. The country had to impose an import ban in Mar 2020 to safeguard its foreign currency.

The country's foreign reserves depleted by around 70% in two years. The dependence of Sri Lanka on imports for essential items including sugar, pharmaceuticals, pulses, cereals and fuels contributed to making the situation worse. Sri Lanka imposed an economic emergency eventually to curb the rising prices of food, a depreciating currency, and the rapidly depleting forex reserves.

As the strategically important neighbour goes down the spiral of unprecedented economic upheaval, India has expressed its commitment to support Sri Lanka in its entirety. India has provided Sri Lanka with more than \$4 billion of foreign assistance to the country since Jan 2022. Recently, the Indian External Affairs Minister, S. Jaishankar stated that India had made provisions for a debt deferral of more than \$1.5 billion for Sri Lanka. Lines of Credit of around \$1.55 billion for food, fuel and other essentials, and listed gifts from the Central government and the Tamil Nadu Government were also provided. An additional \$500 million credit line was provided by India for Sri Lanka along with over \$400 million currency swap arrangement and a \$500 million loan deferment. One line of credit worth \$500 million was exclusively provided to the country for fuel. India has expressed its willingness to provide further financial assistance and support to Sri Lanka against the backdrop of President Ranil Wickremesinghe being elected as the new Sri Lankan President on 20 Jul.

As Sri Lanka is desperately attempting to ward off the situation of an impending food crisis, India is helping its neighbour by fulfilling its essential goods requirements like rations, drugs and fuels. India's commitment to Sri Lanka is a part of its "Neighbourhood-first Policy".




This situation can also serve as an opportunity for India to rejuvenate its ties with the island nation that has shown a growing affinity toward China in recent times. For Indian interests in the Indian Ocean region, it is critical to help the archipelago. The bailout program of the International Monetary Fund (IMF) is already on the discussion tables, and India's role will be significant for Sri Lanka. India can play a crucial part in the restructuring of the Sri Lankan economy that needs to be revived.


The present situation might also lead to an influx of refugees which is another front that India should focus on. Indian investments in Sri Lanka are of vital interest to the island country. A calm neighbourhood is in favour of India which will bear the brunt in case the conditions in Sri Lanka deteriorate further. India and Sri Lanka have a lot in common and should work in tandem. However, India needs to tread the path of assistance carefully. India's attempts to help should not be perceived by sceptics as an attempt to dominate an already ailing neighbour. As Sri Lanka endeavours to paddle its way out of the deepening crisis, India has a substantive role in helping its good old neighbour.

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