



India Sri Lanka Relations

For Prelims: India Sri Lanka Relations, [Unified Payments Interface \(UPI\)](#), [Buddhism](#), [Renewable energy](#), [Indian Ocean](#).

For Mains: India Sri Lanka Relations, Bilateral, regional and global groupings and agreements involving India and/or affecting India's interests.

Source: [TH](#)

Why in News?

Recently, Sri Lanka Sustainable Energy Authority and Indian company **U-Solar Clean Energy Solutions** have signed a contract for building **“Hybrid Renewable Energy Systems”** in Delft or Neduntheevu, Nainativu and Analaitivu islands off the Jaffna peninsula in Sri Lanka.

- The project is supported through grant assistance of USD 11 million grant from the Government of India.
- The Sri Lankan Cabinet earlier cleared **Sinosoar-Etechwin Joint Venture in China**, a project from China, to execute renewable energy projects in these three islands in Sri Lanka, **which now has been replaced by India**.

What is the Hybrid Renewable Energy System Project of Sri Lanka?

- **About:**
 - It involves the construction of hybrid renewable energy systems, **combining various forms of energy including** solar, wind, battery power, and standby diesel power systems.
 - This initiative is part of India's broader support for energy projects in Sri Lanka, particularly in the northern and eastern regions.
 - The National Thermal Power Corporation and the Adani Group are also involved in other renewable energy projects in different parts of Sri Lanka.
- **Capacity:**
 - The project aims **to address the energy needs** of the inhabitants of the three islands. It includes 530 kW of wind power, 1,700 kW of solar power, and 2,400 kWh of battery power and 2,500 kW of stand by diesel power system.
- **Geopolitical Context:**
 - The project reflects geopolitical dynamics, with **India offering grant assistance (instead of China's loan based project)** in response to concerns about a **Chinese-backed project in the region**.
 - This reflects a broader competition for influence between India and China in the [Indian Ocean region](#).
 - The project **not only addresses energy needs but also has geopolitical implications**, demonstrating the strategic importance of energy infrastructure in the region.



How have Relations Between India and Sri Lanka Been?

▪ 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.

▪ Financial Assistance from India:

- India provided approximately **USD 4 billion worth of aid to Sri Lanka** during an unprecedented economic crisis, which was crucial for the country to survive the crisis.
- Sri Lanka was hit by a catastrophic **financial crisis in 2022**, the worst since its independence from Britain in 1948, due to a severe paucity of **foreign exchange reserves**.

▪ Role in Debt Restructuring:

- India has played a role in collaborating with the **International Monetary Fund (IMF)** and creditors to help Sri Lanka in restructuring its debt.
- India became the first country to hand over its letter of support for financing and debt restructuring of Sri Lanka.

▪ Joint Vision for Connectivity:

- Both countries have agreed on a joint vision that emphasises comprehensive connectivity, including People to People connectivity, **renewable energy cooperation**, **logistics**, port connectivity, and grid connectivity for electricity trade.

▪ **Economic and Technology Cooperation Agreement (ETCA):**

- Both countries are exploring the possibility of an ETCA to integrate their economies and foster development.

▪ Agreement on a Multi-Project Petroleum Pipeline:

- Both India and Sri Lanka have agreed to establish a multi-product petroleum pipeline from the **southern part of India to Sri Lanka**.
- This pipeline aims to ensure an affordable and reliable supply of energy resources to Sri Lanka. Recognition of energy's critical role in economic development and progress is driving the focus on establishing the petroleum pipeline.

▪ Adoption of India's UPI:

- Sri Lanka has now **adopted India's UPI service**, which is a significant step towards

enhancing fintech connectivity between the two countries.

- **The [use of rupee for trade settlement](#)** is further helping Sri Lanka's economy. These are concrete steps to help Sri Lanka's economic recovery and growth.

▪ **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](#)).

▪ **Participation in Groupings:**

- Sri Lanka is also a member of groupings like [BIMSTEC \(Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation\)](#) and [SAARC](#) in which India plays a leading role.

▪ **Tourism:**

- In 2022, India was the largest source of tourists for Sri Lanka with over 100,000 tourists.

What is the Significance of India and Sri Lanka Relations?

▪ **Focus on Regional Development:**

- India's progress is intricately linked with its neighbouring nations, and Sri Lanka aims to enhance its **own growth by integrating with the Southern economy, in South Asia**.

▪ **Geographical Location:**

- Sri Lanka, positioned near **India's southern coast across the [Palk Strait](#)**, holds a crucial role in the relationship between the two nations.
- 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.

▪ **Ease of Doing Business & Tourism:**

- The enhancement of digital payment systems across the two nations will promote economic integration and simplify business transactions between India and Sri Lanka.
- This advancement will not only streamline trade but also improve connectivity for tourism exchanges between the two nations.

What are the Challenges in India-Sri Lanka Relations?

▪ **Fisheries Dispute:**

- One of the longstanding issues between India and Sri Lanka is related to fishing rights in the **Palk Strait** and the [Gulf of Mannar](#). Indian fishermen have often been arrested by Sri Lankan authorities for allegedly crossing the maritime boundary and engaging in illegal fishing in Sri Lankan waters.
- This has led to tensions and occasional incidents involving **[fishermen from both countries](#)**.

▪ **Katchatheevu Island Dispute:**

- The Katchatheevu issue **revolves around the ownership and usage rights** of the uninhabited island of Katchatheevu, located in the Palk Strait between India and Sri Lanka.
 - In 1974, an agreement between the Prime Ministers of India and Sri Lanka recognized Katchatheevu as part of **Sri Lanka's territory**, altering its ownership.
 - However, the agreement **allowed Indian fishermen to continue fishing in the surrounding waters**, dry their nets on the island and permitted Indian pilgrims to visit a **Catholic shrine there**.
- Despite historical usage by fishermen from both countries, **a supplementary pact in 1976 defined maritime boundaries** and exclusive economic zones, imposing restrictions **on fishing activities without explicit permission**.

▪ **Border Security and Smuggling:**

- The porous maritime boundary between India and Sri Lanka has been a concern in terms of border security and the **[smuggling of goods, including narcotics and illegal immigrants](#)**.

▪ **Tamil Ethnic Issue:**

- The [ethnic conflict in Sri Lanka](#), particularly involving the Tamil minority, has been a sensitive topic in India-Sri Lanka relations. India has historically been concerned about the welfare and rights of the Tamil community in Sri Lanka.
- **China's Influence:**
 - India has expressed **concerns about China's increasing** economic and strategic influence on Sri Lanka, including Chinese investments in infrastructure projects and the development of the [Hambantota Port](#). This has sometimes been viewed as a challenge to India's own interests in the region. Some Chinese Projects in Sri Lanka are:
 - In 2023, Sri Lanka reached an agreement with the **Export-Import (EXIM) Bank of China** to cover about USD 4.2 billion of its outstanding debt.
 - China has made investments as the South Asia Commercial and Logistics Hub (SACL) at Colombo Port, led by China Merchants Port Holdings.
 - **Faxian Charity Project**, involves distributing food rations and offering aid to vulnerable communities in Sri Lanka.

Way Forward

- Ensure that the project progresses smoothly from the planning phase to execution. Regular monitoring and evaluation should be conducted to track progress, identify any issues, and make necessary adjustments.
- Involve local communities in the project planning and implementation process. This could include consultations, capacity-building programs, and awareness campaigns to ensure community buy-in and support.
- Prioritise environmental sustainability by conducting thorough environmental impact assessments and adopting measures to minimize any negative impacts on local ecosystems and biodiversity.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q1. 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

Q2. In respect of India-Sri Lanka relations, discuss how domestic factors influence foreign policy. (2013)

Q3. '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)