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India-Sri Lanka Relations – AKD's Election and the Bilateral Reset

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SUBJECTS COVERED**IR****POLITY****CURATED & WRITTEN BY****Bharat Choudhary**

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WHY IN NEWS

Sri Lanka's President Anura Kumar Dissanayake (AKD) made India his first foreign destination as President in December 2024, signalling early normalisation of India-Sri Lanka ties after a difficult 2022–23 economic crisis period and raising expectations for deeper bilateral engagement in 2026.

SRI LANKA'S POLITICAL TRANSFORMATION — SEPTEMBER 2024

Sri Lanka's presidential election on September 21, 2024 produced a historic result: **Anura Kumar Dissanayake (AKD)** of the **JVP (Janatha Vimukthi Peramuna) / NPP (National People's Power)** coalition won the presidency in Sri Lanka's first-ever preference voting runoff.

Background:

Previous President **Ranil Wickremesinghe** took office in July 2022 following Gotabaya Rajapaksa's resignation and flight from Sri Lanka amid the historic economic crisis (fuel shortages, power cuts, collapsed forex reserves)

AKD won with **42.31% of valid votes** in the second round (after preferential transfers), defeating Sajith Premadasa (SJB) and incumbent Ranil Wickremesinghe

JVP is a Marxist-origin party that led two insurgencies (1971 and 1987–89) but has transformed into a mainstream left-democratic party

NPP coalition brought together JVP with civil society organisations, unions, and reform-oriented groups — offering an anti-corruption, good governance message

Government composition: AKD's NPP party had only three MPs before the election. After the election, NPP called early parliamentary elections and won a decisive majority in November 2024, giving AKD the legislative authority to govern.

INDIA-SRI LANKA BILATERAL FRAMEWORK

Strategic Context

Sri Lanka sits astride the **Indian Ocean's most critical shipping lanes** — approximately 100,000 ships pass through the waters around Sri Lanka each year. Sri Lanka's Trincomalee deep-sea harbour (considered one of the finest natural harbours in the world) and Colombo Port (South Asia's busiest container port) are strategically significant.

India and Sri Lanka share a maritime boundary across the **Palk Strait** — the narrowest point between the two countries is approximately 22 km (between Dhanushkodi, Tamil Nadu and Talaimannar, Sri Lanka). Cultural and ethnic ties are deep: Tamil Nadu's 7.6 crore population shares language, culture, and history with Sri Lanka's Tamil minority (~11% of Sri Lanka's population of 22 million).

India's Crisis Response (2022)

During Sri Lanka's catastrophic **2022 economic crisis** (the worst since independence, driven by pandemic shock, Easter Sunday bombings legacy, forex depletion, and import restrictions), India was the first and largest responder:

\$4 billion in Lines of Credit (LoC): for fuel (petroleum products), essential medicines, food, and fertiliser

Currency swap: \$400 million SAARC currency swap; \$200 million RBI currency swap extended

Humanitarian supplies: medicines, fertiliser, fuel — delivered rapidly when Sri Lanka's import capacity collapsed

This emergency response was a genuine demonstration of India's Neighbourhood First Policy in action — providing support that neither China nor Western countries matched in speed or scale during the acute crisis.

The IMF Bailout and Debt Restructuring

Sri Lanka entered a **\$2.9 billion IMF Extended Fund Facility (EFF) program** in March 2023 under President Wickremesinghe. The IMF program required:

Fiscal adjustment (tax increases, subsidy cuts)

Debt restructuring with bilateral creditors (India, China, Japan, France-led Paris Club)

State enterprise reforms (CEB — Ceylon Electricity Board; SriLankan Airlines)

India's debt restructuring: India agreed to restructure its bilateral loans to Sri Lanka (part of the \$4 billion LoC) — providing financing assurances that were required before IMF program approval. India was faster than China in providing these assurances, which was diplomatically significant.

China's role: China is Sri Lanka's largest bilateral creditor (~\$7–8 billion in loans including the controversial Hambantota Port loans). China was slower to provide debt restructuring assurances, delaying the IMF program. This episode reinforced concerns about China's debt diplomacy model.

KEY BILATERAL ISSUES UNDER AKD

Trincomalee Energy Hub

India's **Indian Oil Corporation (IOC)** operates the **Trincomalee Oil Tank Farm** — a complex of 99 tanks with capacity of approximately 850,000 tonnes. A joint venture agreement between IOC and Ceylon Petroleum Corporation (CPC) for developing the upper 61 tanks (while IOC operates the lower 38 tanks) was agreed upon in principle. Development of Trincomalee as a multi-product energy hub (petroleum storage, LNG terminal, renewable energy export to India) is a long-term bilateral ambition.

India-Sri Lanka FTA / ETCA

An **Economic and Technology Cooperation Agreement (ETCA)** — a comprehensive trade, services, and investment agreement between India and Sri Lanka — has been under negotiation for years. Sri Lanka's domestic concerns about manufacturing competition from India (particularly textiles, garments, rubber products) have complicated progress. AKD's government has indicated willingness to re-engage on ETCA.

Current trade status:

India-Sri Lanka bilateral trade: approximately **\$5–5.5 billion**

India is Sri Lanka's largest import source

Indo-Sri Lanka Free Trade Agreement (ISFTA): in force since 2000; covers goods only

The Tamil Issue

Sri Lanka's internal reconciliation process — the political settlement with the Tamil minority following the end of the civil war (May 2009, when LTTE was defeated) — remains incomplete. AKD has committed to implementing the **13th Amendment to the Sri Lankan Constitution**, which provides for devolution of powers to provincial councils — a long-standing Indian demand.

13th Amendment: enacted in 1987 as part of the India-Sri Lanka Accord signed by PM Rajiv Gandhi and President J.R. Jayewardene; requires provincial councils with substantial devolved powers; full implementation has been resisted by Sinhalese nationalist forces for decades.

Katchatheevu Island

Katchatheevu is a small uninhabited island in the Palk Strait, ceded to Sri Lanka by India in the **1974 Maritime Boundary Agreement** under PM Indira Gandhi. Tamil Nadu fishermen traditionally fished near Katchatheevu and used it for drying nets. The cession has been a political grievance in Tamil Nadu across

party lines — the AIADMK and DMK have both demanded its return. India's Supreme Court rejected petitions seeking reversal of the agreement in April 2024. The issue periodically complicates bilateral relations when Tamil Nadu fishermen are arrested by Sri Lankan Navy for fishing in Sri Lankan waters.

UPSC RELEVANCE

Prelims:

AKD: Anura Kumar Dissanayake; JVP/NPP coalition; President September 21, 2024

India LoC to Sri Lanka (2022 crisis): \$4 billion; first/largest responder

Sri Lanka IMF EFF: \$2.9 billion; March 2023

Trincomalee Oil Tank Farm: 99 tanks; IOC operates lower 38; JV for upper 61

Indo-Sri Lanka FTA (ISFTA): 2000; goods only

Katchatheevu: ceded 1974 (Indira Gandhi–Sirimavo Bandaranaike Maritime Boundary Agreement)

13th Amendment: 1987 India-Sri Lanka Accord; devolution to provincial councils

Palk Strait: ~22 km at narrowest; separates India and Sri Lanka

Mains GS-2: India-Sri Lanka — crisis diplomacy; debt vs development diplomacy; Tamil issue and 13th Amendment; India's response vs China's debt trap; AKD's NPP as governance reform signal.

★ FACTS CORNER — KNOWLEDGE PEDIA
SRI LANKA POLITICAL TRANSITION:

AKD (Anura Kumar Dissanayake): JVP/NPP; President elected September 21, 2024

JVP: Janatha Vimukthi Peramuna; Marxist origin; two insurgencies (1971; 1987–89); now mainstream left

NPP won parliamentary majority: November 2024

Previous President: Ranil Wickremesinghe (July 2022–September 2024)

SRI LANKA ECONOMIC CRISIS 2022:

Worst economic crisis since independence

Causes: COVID impact, forex depletion, import ban on fertiliser (2021), Easter Sunday bombing legacy, debt burden

Gotabaya Rajapaksa: resigned and fled July 2022 amid protests

INDIA'S CRISIS RESPONSE:

LoC: \$4 billion (fuel, food, medicines, fertiliser)

SAARC currency swap: \$400 million

RBI currency swap: \$200 million

IMF EFF: \$2.9 billion (March 2023); India provided financing assurances before China

STRATEGIC GEOGRAPHY:

Palk Strait: ~22 km at narrowest (Dhanushkodi–Talaimannar)

~100,000 ships annually pass around Sri Lanka

Colombo Port: South Asia's busiest container port

Trincomalee: one of the world's finest natural harbours

KEY BILATERAL ISSUES:

Trincomalee Oil Tank Farm: 99 tanks; IOC operates 38; JV for 61

ETCA: Economic and Technology Cooperation Agreement (negotiations ongoing)

ISFTA: Indo-Sri Lanka Free Trade Agreement; in force 2000; goods only

Katchatheevu: ceded to Sri Lanka 1974; Palk Strait; Tamil Nadu fishing issue

13th Amendment (1987): devolution to provincial councils; India-Sri Lanka Accord (Rajiv Gandhi–Jayewardene)

CHINA IN SRI LANKA:

China: largest bilateral creditor (~\$7–8 billion)

Hambantota Port: Chinese-built; Sri Lanka leased to China for 99 years (2017) after defaulting on loan

Chinese debt restructuring assurances: delayed IMF program approval

OTHER RELEVANT FACTS:

Sri Lanka Tamil population: ~11% of 22 million

Tamil Nadu: shares language, culture, history with Sri Lanka Tamils

LTTE defeated: May 2009 (end of civil war; Prabhakaran killed)

India-Sri Lanka bilateral trade: ~\$5–5.5 billion; India largest import source

Sources: MEA, PIB, The Hindu

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