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India-Sri Lanka Under AKD — Why the Left-Wing President Is Not India's Problem

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MAINS RELEVANCE:

GS Paper 2


INTERVIEW ANGLE

"Sri Lanka elected a JVP/NPP president in September 2024. India's initial response was constructive outreach. What does this tell us about India's maturity in neighbourhood diplomacy compared to earlier episodes?"

WHY IN NEWS

Sri Lanka's President Anura Kumar Dissanayake (AKD) made India his first foreign visit as President in December 2024 — signalling early stabilisation of India-Sri Lanka ties and pragmatic neighbourhood diplomacy on both sides, despite AKD's JVP party origin and historical left-wing suspicion of India's influence in South Asia.

THE FEAR THAT DID NOT MATERIALISE

When Anura Kumar Dissanayake won Sri Lanka's presidential election in September 2024, a particular fear circulated in Indian foreign policy circles: that the JVP — a party with a Marxist lineage that led two violent insurgencies (1971 and 1987–89), and that had historically been hostile to India's role in Sri Lankan affairs — would tilt Colombo toward China, re-examine Indian investments, or dismantle the bilateral architecture built painstakingly since the 2022 crisis.

AKD's first foreign visit as President, to India in December 2024, was the clearest possible signal that this fear was not warranted. India responded with appropriate speed and seriousness: PM Modi called AKD within days of his election, extended an invitation early, and received him with the bilateral substance that a new president's first visit merits. The optics and substance were well-handled on both sides.

What the AKD episode illustrates is a maturation in India's approach to neighbourhood politics. The reflexive Indian anxiety about left-wing leaders in the neighbourhood — shaped by Cold War era experiences with non-aligned tilts toward the Soviet Union, or by the assumption that JVP's historical anti-India posture was

ideological rather than tactical — would have produced a cooler, more suspicious early engagement. Instead, India read the situation correctly: AKD's priority was economic stabilisation and governance reform, not revisiting India-Sri Lanka alignments.

WHAT AKD ACTUALLY WANTS

Understanding AKD requires understanding why he won. Sri Lanka's 2022 economic crisis — the worst since independence, with fuel queues stretching for miles, medicine shortages, 13-hour power cuts, and an inflation rate that peaked above 60 percent — discredited not just the Rajapaksa family that presided over the collapse, but the entire political establishment that had governed Sri Lanka since independence. The SLPP (Rajapaksa's party), the UNP (Wickremesinghe's party that managed the bailout but not the politics), and the SJB (Sajith Premadasa's opposition) were all perceived as variants of the same patronage-based elite politics that had mismanaged Sri Lanka's economy for decades.

AKD and the NPP offered something different: a clean slate, anti-corruption credentials, and a governance platform that emphasised accountability and transparency. This is what Sri Lankan voters bought in September 2024 — not a foreign policy realignment. AKD is a pragmatist in office, as many populist opposition leaders become once they inherit a country in IMF program conditionality. The constraints of the \$2.9 billion IMF Extended Fund Facility (EFF) — which requires fiscal discipline, debt restructuring, and state enterprise reform — leave limited room for economic adventurism regardless of ideology.

THE IMF CONSTRAINT AND INDIA'S STRUCTURAL ADVANTAGE

Sri Lanka's IMF program is the most important fact in the bilateral relationship. Any Sri Lankan government — AKD's or anyone's successor — will be managing IMF conditionalities for years. The IMF program requires:

- Tax revenue increases (VAT raised to 18 percent; income tax threshold lowered)

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

- State enterprise reform (CEB electricity sector, SriLankan Airlines)

- Fiscal deficit reduction to sustainable levels

India's role in making this possible was decisive. India provided financing assurances to the IMF before the program's approval in March 2023 — a requirement that each major bilateral creditor commit to debt restructuring before the IMF would proceed. India gave these assurances quickly. China — Sri Lanka's largest bilateral creditor, with loans of approximately \$7–8 billion — was significantly slower, creating a notable delay in the program's finalisation. This chronology has not been forgotten in Colombo, and it shapes how Sri Lanka perceives its creditors.

The strategic implication for India: **creditor goodwill is geopolitical capital**. India's willingness to act quickly during the crisis — both in the emergency humanitarian LoC and in the IMF debt restructuring process — has built structural goodwill that no subsequent Chinese infrastructure investment can easily erase. This is precisely the kind of patient, crisis-responsive diplomacy that earns neighbourhood relationships.

THE HAMBANTOTA LESSON AND ITS MISREADING

China's Hambantota Port — a deep-sea port in southern Sri Lanka, built with Chinese loans under the Rajapaksa government, and subsequently leased to China's state-owned China Merchants Port Holdings for 99 years in 2017 after Sri Lanka defaulted — became the canonical example of "debt trap diplomacy" in Western and Indian discourse.

The reality is more complex. The Hambantota deal was primarily a consequence of a financially distressed Sri Lankan government agreeing to a poorly-structured transaction to raise hard currency, not a strategic Chinese plan to acquire naval basing rights. The port was commercially unviable from the start; the debt-for-equity swap was as much a reflection of Sri Lankan government desperation as Chinese strategic calculation. China does not currently use Hambantota as a naval facility; the commercial operator has encountered significant financial challenges.

This is not to exonerate Chinese debt diplomacy in Sri Lanka, which was genuinely problematic — the terms of several Chinese loan agreements were unfavourable and the political relationship between Chinese state banks and the Rajapaksa government was too cosy. But the Hambantota lesson should be: India needs to be a credible development financing alternative, not merely a diplomatic critic of Chinese lending. India's \$4 billion LoC during the 2022 crisis is the positive example of what that looks like.

WHAT NEEDS TO HAPPEN BILATERALLY

Conclude the ETCA, even in stages. The Economic and Technology Cooperation Agreement has been under discussion for years. Sri Lanka's domestic fears about Indian manufacturing competition (particularly textiles and rubber products) are legitimate, but manageable through phased tariff liberalisation and safeguard provisions. The bilateral trade relationship — currently approximately \$5–5.5 billion — is well below its potential given geographic proximity and complementary economic structures. A comprehensive FTA would increase this significantly.

Activate Trincomalee fully. The India-Sri Lanka joint venture for the Trincomalee Oil Tank Farm's upper 61 tanks is pending. India should prioritise finalising this arrangement and developing Trincomalee into a genuine energy hub — petroleum storage, LNG import terminal, solar energy generation for export to Tamil Nadu via undersea cable. Trincomalee's development would serve both countries' energy security and create durable economic interdependence.

13th Amendment — India’s Quiet Diplomacy. Full devolution to Tamil provincial councils — as required by the 13th Amendment — would improve governance in Sri Lanka’s Tamil-majority Northern and Eastern provinces, reduce inter-community grievances, and build the internal reconciliation that makes Sri Lanka politically stable over the long run. AKD has committed to implementing the 13th Amendment in principle. India should use the bilateral relationship’s current positive momentum to make concrete progress on this — not through public pressure (which Tamil nationalists in Sri Lanka resent as Indian interference) but through quiet, sustained diplomatic engagement.

People-to-people through connectivity. An India-Sri Lanka maritime bridge or ferry service connecting Chennai or Rameshwaram to Talaimannar or Jaffna has been discussed intermittently for decades. The Pamban-Talaimannar ferry (which operated until 1983 and was suspended with the onset of the civil war) remains a symbolic and practical connectivity gap. Reinstating ferry connectivity would generate people-to-people ties and Tamil Nadu-Sri Lanka economic exchange that benefits both countries.

THE BROADER READING

India’s handling of AKD’s election — early outreach, substantive engagement, no preconditions about his left-wing background — reflects a more sophisticated neighbourhood diplomacy than India has sometimes practiced. The instinct to categorise neighbours by ideology (left = China-leaning = problematic) has historically produced self-fulfilling prophecies, where India’s coldness toward leaders it distrusted pushed those leaders toward the very postures India feared.

Sri Lanka’s AKD is a pragmatist whose first foreign visit was to India. Bangladesh’s Muhammad Yunus is navigating an enormously difficult political transition while maintaining functional India connectivity. Nepal’s coalition politics, Bhutan’s careful balancing, and the Maldives’ reset are all situations where India’s neighbourhood relationships have survived political disruptions without strategic rupture.

This is evidence that India’s Neighbourhood First infrastructure — the connectivity projects, the humanitarian crisis responses, the institutional engagement — has built a resilience in these bilateral relationships that survives individual political transitions. The challenge is to compound this advantage by resolving the structural irritants (Teesta treaty, ETCA, 13th Amendment, Katchatheevu fishing) that prevent the relationships from reaching their genuine potential.

★ FACTS CORNER — KNOWLEDGEPEDIA

AKD / SRI LANKA POLITICS:

AKD (Anura Kumar Dissanayake): President since September 21, 2024

JVP: Janatha Vimukthi Peramuna; Marxist origin; led insurgencies 1971 and 1987-89

NPP: National People's Power coalition; JVP + civil society groups

NPP won parliamentary majority: November 2024

AKD first foreign visit: India, December 2024

SRI LANKA ECONOMIC CRISIS:

2022 crisis: worst since independence; 60%+ inflation; 13-hour power cuts; fuel shortages

Gotabaya Rajapaksa: resigned and fled July 2022

IMF EFF: \$2.9 billion; March 2023 approval

Ranil Wickremesinghe: managed bailout; lost to AKD in September 2024 election

INDIA'S CRISIS RESPONSE:

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

Currency swaps: SAARC + RBI

IMF financing assurances: provided quickly by India; slower by China

HAMBANTOTA:

Built with Chinese loans under Rajapaksa government

Leased to China Merchants Port Holdings for 99 years in 2017 after debt default

Not currently used as naval facility; commercially challenged

KEY BILATERAL ISSUES:

ETCA: Economic and Technology Cooperation Agreement; trade, services, investment; negotiations ongoing

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

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

13th Amendment (1987): devolution to provincial councils; AKD committed to implementation

Pamban-Talaimannar ferry: suspended 1983; India-Tamil Nadu-Sri Lanka sea connectivity opportunity

Katchatheevu: ceded 1974; Tamil Nadu fishing issue

OTHER RELEVANT FACTS:

China bilateral loans to Sri Lanka: ~\$7-8 billion (largest bilateral creditor)

India bilateral loans/LoC: ~\$4 billion emergency LoC (2022); plus pre-existing LoCs

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

Paris Club: informal group of creditor countries (France, Germany, USA, Japan, UK etc.) coordinating sovereign debt restructuring

Sources: MEA, Indian Express, PIB

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