

Indo-Sri Lanka CBMS and Its Impact



Surendra Kumar

Guest Faculty,
Deptt.of Defence & Strategic
Studies,
S.P.M. G.D.C,
University of Allahabad,
Allahabad



Girjesh Kumar Bhradwaj

Research Scholar,
Deptt.of Defence & Strategic
Studies,
University of Allahabad,
Allahabad

Abstract

It must be pointed out however, that external perceptions of a Pax-Indica policy motivating India's action in Sri Lanka would have been strengthened by incautious statements made by responsible officials, typified by the following. "The IPKF is several things in Sri Lanka. It is an affirmation of our commitment to the unity and integrity of a small neighboring country. It is an external projection of our influence to tell our neighbours that if, because of your compulsions or you aberrations, you pose a threat to us, we are capable of, or we have a political will to project ourselves within your territorial jurisdiction for the limited purpose of bringing you back.....It is real-politic, and it brings you to the path of detachment and non-alignment where you do not endanger our society... We have projected our Armed Forces, therefore, not only in a peace keeping role, but in a political role.

Keywords: CBMs, Intertwined, Regional Interstate Problems, IPKF, Preaching Hegemony, Generalization, Administration, SAFTA

Introduction

Geographical proximity of India to the island of Sri Lanka and her Tamil connection involved India in Sri Lanka affair since the very early days of the trouble. This involvement grew time ending in intervention.¹⁹ In the peculiar circumstances of India becoming too important a factor to be ignored by Sri Lanka in the pursuit for resolution of the Tamil problems was signed the controversial Indo-Sri Lanka agreement on 29 July, 1987 to Establish Peace and Normalcy in Sri Lanka with subsequent sending of Indian troops there on 30 July 1987, one day after the Indo-Sri Lanka Agreement was entered.¹

Aim of the Study

After the foregoing analysis now a final question can be addressed: Was the entire Sri Lanka episode a manifestation of traditional Indian foreign policy? Answer to this question can be pondered within opposed beliefs that India's foreign policy should devote greater attention to South Asia or should address larger global issues. Neither could be neglected by a regional-influential country like India: the question of emphasis does remain in practice. The content of the letters appended to the Indo-Sri Lanka Agreement strengthens the impression that India was seeking to impose a Pax-Indica doctrine over Sri Lanka and it should not come as a surprise that the major external threat perception of other South Asian powers – including Sri Lanka – derives from the specter of a hegemonic India looming over South Asia. But perceptions regarding India's desire for regional dominance are easily exaggerated due to India's predominance in the subcontinent, whether in terms of economic or military indices or its political weight in the international systems.

It needs pointing out, however, that the political reality cannot be wished away that: "The Tamils in Sri Lanka, numbering some three million, from around 20 percent of its population and ruled by an opposition party making centre-state relations delicate in the federal context. The Tamil question is too deeply intertwined, therefore, in Indian and Sri Lankan domestic politics to permit any meaningful intercession by third parties".²

A large number of regional interstate problems in South Asia derive from their "deeply intertwined" and arise from linkages embedded in their shared history. Problems arising, for instance, out of population outflows due to domestic, economic and political causes need to be resolved bilaterally and its dubious for third parties could effect any meaningful intercession in such matters.

These realities could have actuated US policy during the time period of the Agreement and IPKF induction and were strengthened by the personal relationship established between President Ronald Regan and Indira Gandhi and Rajiv Gandhi. This has occasioned the belief that "he (Regan) praised India's rescue military intervention in Sri Lanka to disarm the Tamil Tigers. In welcoming India's military build up he seemed to be

moving towards licensing India to handle security problems in South Asia.³

It is significant to note that although Sri Lanka approached China and Pakistan after India's food air-drop operation, neither country offered any material assistance. They were, perhaps, Lanka's grievance against India. Interestingly, the Soviet Union's reasons for supporting the Agreement were that it was designed to counter separatism. It is possible that all these countries shaped their policies towards the ethnic problem in Sri Lanka in terms of their internal situations and were cognizant of the anomalies in supporting separatist movements elsewhere while suppressing them in their territory.⁴

Summary

It must be pointed out however, that external perceptions of a Pax-Indica policy motivating India's action in Sri Lanka would have been strengthened by incautious statements made by responsible officials, typified by the following. "The IPKF is several things in Sri Lanka. It is an affirmation of our commitment to the unity and integrity of a small neighboring country. It is an external projection of our influence to tell our neighbours that if, because of your compulsions or you aberrations, you pose a threat to us, we are capable of, or we have a political will to project ourselves within your territorial jurisdiction for the limited purpose of bringing you back.....It is real-politic, and it brings you to the path of detachment and non-alignment where you do not endanger our society... We have projected our Armed Forces, therefore, not only in a peace keeping role, but in a political role."⁵

The above declaration subordinates the national security of South Asian neighbors to India's interests. That India has a special responsibility to discharge in South Asia – and unilaterally, if necessary – is a belief that also animates sections of the India elite, who have urged India to adopt an activist and interventionary foreign policy. We notice the former High Commissioner's declaration that is typical of such beliefs. An equally representative military opinion states: "India is a regional power and therefore has certain security obligations to fulfill in the region. I am not preaching hegemony by emphasizing a duty the region. I am not preaching hegemony by emphasizing a duty that the country has to perform. Witness U.S. action in the past in Granada and Panama and recall the adverse consequences of the United States adopting an isolationist policy in the early years of both World War I and World War II. For similar reasons, India can not remain oblivious to events occurring in South Asia and areas to its east and west."⁶

These statement have echoed in academic and within the framework of theoretical construction, in beliefs that, "India's security in inextricably linked with the stability of its neighbors. Hence, India's policy towards its neighbors has been guided by several concerns. (1) to sustain, even broaden, areas of agreement with its neighbors. (2) to keep external powers, influence and pressure in the region at bay; (3) to respond to national aspirations of the democratically inclined forces..... There is thus an apparent dilemma in India's, projection reconcile as it has to two diverse pulls – India's declared policy of

non-interference and the internal affairs of neighboring countries most of whom are facing problems of political stability and national unity, and its abiding stakes in the maintenance of peace and stability in the region."⁷

The view that India's security interests encompass all inimical developments in the South Asian region and that it has special responsibility here, has enjoyed fair currency in India. The intensity of such perceptions has varied. The idealism of the Nehruvial era would explain India's foreign policy emphasis on global concerns. Indira Gandhi, as a skilled practitioner of real politic, sought to balance India's global and regional concerns. The Janata regime was inclined to pay greater attention to working peace and harmony in the region. These generalizations serve a limited purpose, but would explain the special interest devoted to South Asia in the Rajiv Gandhi administration. The serious crisis in relations with Pakistan, Nepal, Sri Lanka and for that matter, China during his incumbency reveals that Rajiv Gandhi a larger role for India in the region within his strategic vision, which led him to embarked upon a course of hyperactive foreign policy.⁸

In the particular case of Sri Lanka, it could be argued that India's concerns were actuated by the real possibility of a large exodus of Tamil from the island into Tamil Nadu that would have disrupted the socio-economic and political situation of eastern and north-eastern India during the Bangladesh crisis in 1971. Consequently India's entry into Agreement and subsequent induction of the IPKF was in the nature of a defensive report. This defensive riposte was occasioned by Sri Lanka's inability to resolve the ethnic crises by evolving a modus Vivendi for its minority Tamil population. In that sense India's intervention was unavoidable.

The free trade pact with India was the centre piece of Sri Lankan President Chandrika Kumartunga's visit to New Delhi in the last week of December 1998. The free trade agreement was signed by President Chandrika Kumartunga and Prime Minister Atal Behari Vajpayee on December 28, 1998 in New Delhi to establish free trade area between the two countries. In incremental terms, the agreement takes the South Asian region one step closer to the goal of SAFTA. It is a mission in which India, as the most weighty country in the region, has a special responsibility. Since all other South Asian nations need to secure transit and trade agreements through India to boost their mutual transactions. India's role in promoting the concept and practice of free trade is especially pivotal.⁹

Nepal and Bhutan already have preferential trading arrangements with India. Sri Lanka has now joined the league and Bangladesh is keen to gain admission.

That would leave out only Pakistan, which presents a unique set of problems on account of long-festering political animosities and the Maldives, which is in a geographical sense the most detached of the South Asian nations.¹⁰

Complementarily in industrial structures is fundamental to the success of a free trade agreement. The architecture of the agreement with India is that Sri Lanka will seek to earn foreign exchange through

exports of traditional merchandise, which would enable it import large quantities of machinery and capital goods from India.

The trade between India and Sri Lanka is currently of rather modest dimensions. India exported goods and commodities worth Rs. 1772 crores to Sri Lanka in 1997-98, while in turn importing merchandise of the value of Rs. 121 crores from that country. India's exports showed a preponderance of machinery and transport equipment, drugs and pharmaceuticals, metal manufactures, textiles and garments. The principal imports from Sri Lanka were ores and metal scrap, natural rubber and spices.¹¹

The balance of trade being heavily in India's favors, it is expected that the free trade agreement will have the effect of progressively correcting the show. India has committed itself to granting duty free access to all Sri Lankan exports, with the exception of a limited number of goods which would be on negative percent margin of preference on duties would be granted on all times, with the exception of textiles and garments, which would only be eligible to a 25 percent margin. The margin of preference would be raised from 50 to 100 percent in two stages, within three years of entry into force of the agreement. Sri Lanka in turn will grant duty free access to around 900 items of import from India. Another 600 items would be provided a 50 percent margin of preference, to be raised in three stages to full duty exemption at the end of three years. With the exception of a limited negative list, tariffs on all remaining items would be cut by a minimum of 35 percent within three years and 70 percent within six years, before graduating to full duty exemption within eight years.¹²

Reflecting the share in patterns of trade, Sri Lanka has been granted a rather more liberal time frame for graduating to a regime of duty free imports. This Indo-Sri Lanka free trade agreement clearly reflects that at least in the case of Sri Lanka the Gujral Doctrine continued under the Bhartiya Janata Party led Government as India did not insist on reciprocity. One of the key elements of the Gujral Doctrine is that India "does not asked for reciprocity but gives all that it can in good faith and trust".¹³

Sri Lanka's trade with SAARC countries was not significant. In 1980, the total export was \$73.7 million. Nearly 22.4 percent increase was recorded in 1981. But since then, the trend was negative in the pre-SAARC period. In 1985, the exports came down to \$53.3 million which was the lowest recorded during the preceding one decade. The negative growth rate recorded was nearly 17.6 percent in 1985, against 3.1 percent of the previous year.

In the post SAARC period also the picture was almost the same though in 1986 the exports

increased marginally by 9.6 percent. The exports declined by 7.2 percent in 1987. But a sharp increase of 70.1 percent was recorded in 1988 touching a figure \$92.2 million. The exports declined by 7.2 percent in 1987. But a sharp increase of 70.1 percent was recorded in 1988 touching a figure \$92.2 million and it was highest since 1987. Since 1989 the trend bounced back to negative and in 1991 the exports to SAARC countries came down \$57.1 million against \$ 70 million of the previous year recorded a negative annual growth rate of 18.4 percent.¹⁴

Table 1

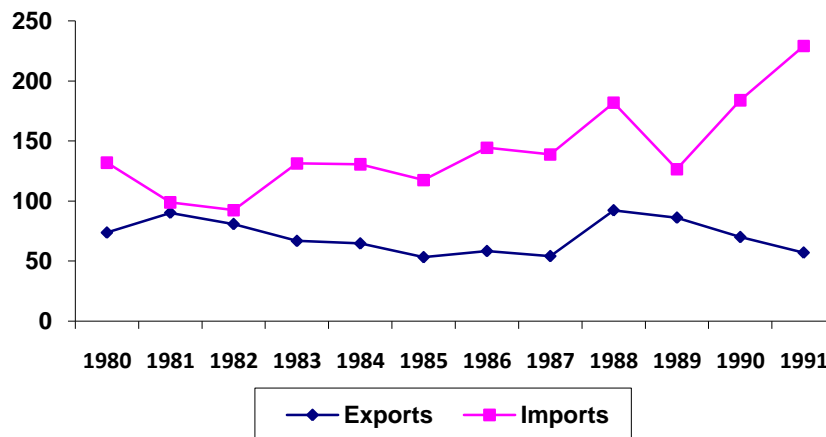
Sri Lanka's Trade with SAARC Countries Exports, Imports and Balance of Trade
(Value in million of US Dollars)

Year	Exports		Imports		Trade Balance
	Value	Growth%	Value	Growth%	
1980	73.7	-	131.9	-	-58.2
1981	90.2	22.39	98.9	-25.02	-8.7
1982	80.8	-10.42	-92.4	-6.57	-11.6
1983	66.8	-17.33	131.3	42.10	-64.5
1984	64.7	-3.14	130.6	-0.53	-65.9
1985	53.3	-17.62	117.4	-10.11	-64.1
1986	58.4	9.57	144.3	22.91	-85.9
1987	54.2	-7.19	138.8	-3.81	-84.6
1988	92.2	70.11	181.8	30.98	-89.6
1989	86.1	-6.62	126.5	-30.42	-40.4
1990	70.0	-18.7	183.9	45.38	-113.9
1991	57.1	-18.43	229.0	24.52	-171.9

Source: Direction of Trade Statistics Year Book, 1985 and 1992, International Monetary Fund, Washington D.C.

Like experts, the imports from SAARC countries were not significant in terms of US Dollars. The total imports from SAARC region stood at \$131.9 million in 1980. Nearly one-fourth of the imports declined in 1981 and in the following year the negative trend was nearly 6.6 percent. But in 1983, there was nearly 42.1 percent increase in the exports from the region. Since then a negative trend was observed up to 1989 except in 1986 and in 1988. In 1986, the growth rate was nearly 22.9 percent while in 1988 it was around trend was observed up to 1989 except in 1986 and in 1988. In 1986, the growth rate was nearly 22.9 percent while in 1988 it was around 31 percent. But in the early nineties trend was always upward recording 45.4 percent growth in 1990 over the previous year and 24.5 percent in 1991. The total imports in 1991 from the region was \$229 million, which has highest recorded since 1980, against \$183.9 million of 1990. The following table and graph illustrates the above mentioned trend.¹⁵

Graph –
4Trends of Sri Lanka's Trade with SAARC Countries



Source: Direction of Trade Statistics Year Books, IMF.

Conclusion

The balance of trade with SAARC countries was always unfavorable for Sri Lanka. It was around \$58.2 million in 1980. But as a result of sharp increase in the exports and decline in the imports, there was a substantial decrease in the balance of trade position with the region. The increasing trend continued and remained almost stagnant in the mid-eighties. In 1989, a considerable decrease was recorded in the imports and marginal decrease in the exports pushed down the country's adverse position to \$40.4 million. But in the early nineties the exports recorded a negative growth and increase in the imports forced the adverse position to move further upward. The adverse balance of trade increase from \$114.9 million in 1990 to \$171.9 in 1991 with an undesirable growth rate of 50.9 percent over the previous year.¹⁶ This trend has been illustrated by the following table.

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