

**1. Examine the factors that have led to severe economic distress in Sri Lanka. What lessons can be learnt from the ongoing crisis? Discuss.**

**Approach**

Candidates need to write about the Sri Lankan economic crisis and Indian assistance to it. As question demands need to write about the factors responsible for ongoing crisis and lesson learnt from it.

**Introduction**

India recently extended a \$1 billion credit facility to Sri Lanka to assist the island nation through its worst foreign exchange BOP crisis and enable it to procure food, medicines and other essential items. The nation is facing significant fuel and gas shortages, and high inflation in essential goods.

**Body**

Factors that led to severe economic distress:

- Pandemic led to job losses and reduced incomes. All key foreign exchange earning sectors, such as exports and remittances, along with tourism, were brutally hit.
- Declining Foreign Reserves: Fears of a sovereign default rose by the end of 2021, with the country's foreign reserves decreasing to \$1.6 billion. But Sri Lanka managed to keep its unblemished foreign debt servicing record.
- Government Inaction: The lack of a comprehensive strategy to respond to the crisis then, coupled with certain policy decisions including the government's abrupt switch to organic farming widely deemed "ill-advised", further aggravated the problem.
- Sri Lanka's Fertiliser Ban: In 2021, all fertiliser imports were completely banned and it was declared that Sri Lanka would become a 100% organic farming nation overnight.
- Shut-down: Garment factories and tea estates could not function, as infections raged in clusters.
- Fuel shortage: Sri Lanka is also facing five-hour rolling electricity blackouts as thermal generators have run out of fuel.
- Food hoarding: The government declared emergency regulations for the distribution of essential food items. It put wide import restrictions to save dollars which in turn led to consequent market irregularities and reported hoarding.
- Downgraded rating: Three international rating agencies have downgraded the island since late last year, on fears it may not be able to service its \$51 billion sovereign debt.

- Spiralling debt: The debt issue did not begin in 2020. Since the end of the ethnic war in 2009, Sri Lanka was struggling to keep its economy afloat.

Lessons learnt from crisis:

- It would be best to raise domestic tax revenue and shrink government expenditure to limit borrowing, particularly sovereign borrowing from external sources.
- Thus, there is a need for ambitious fiscal consolidation based on high-quality revenue measures, raising income tax.
- The country's heavy dependence on imports for essential goods should be reduced like sugar, pharmaceuticals, fuel, pulses and cereals worsened the crisis.

### Conclusion

There is a need to step up our people-centric developmental activities while scrupulously staying clear of any interference in Colombo's domestic affairs. Nurturing the Neighbourhood First policy with Sri Lanka is important for India to preserve its strategic interests in the Indian Ocean region.

**2. Do you think the ongoing Russian aggression against Ukraine has belittled the importance of international sanctions in checking unilateral actions. Why or why not? Substantiate your views.**

### Approach

Students are expected to write about the International sanctions with defining it. And must give both side of arguments on whether Russian aggression write off the international sanction as a diplomatic tool.

### Introduction

International sanctions are political and economic decisions that are part of diplomatic efforts by countries, multilateral or regional organizations against states or organizations either to protect national security interests, or to protect international law, and defend against threats to international peace.

### Body

International sanctions on checking unilateral actions:

- Military action isn't the only option for countries that are in the midst of a political dispute. Instead, economic sanctions provide an immediate way for the world to crack down on rogue countries without putting lives on the line.
- As a tool of foreign policy, they are being vastly preferred over military action or quiet diplomacy.
- Their expanse as a foreign policy tool appears to be growing at a relentless pace, in terms of scale, scope and complexity.
- Due to sanction on North Korea Panmunjom Declaration was signed agreeing to greater cooperation between the two nations

Overuse and frequent use of sanction belittling the importance:

- International sanctions were imposed on Russia during the Crimea crisis then also Russian did military intervention in Ukraine in 2022.
- Russia is looking at ways to bypass the sanctions by using a non-dollar "rupee-rouble" payment mechanism and alternatives to SWIFT messaging system.
- In reaction to sanction by USA Iran announced that it would no longer comply with obligations under the 2015 agreement under which it agreed to restrict its nuclear-sensitive activities.
- The efficacy of unilateral sanctions is challenged by ambiguity, lack of detail, and conflicting laws involving sanctions.
- Global supply chains may be cut by the imposition of sanctions this impacts the common citizens for essential importing.

### **Conclusion**

Enforcement of Sanction should be with global consensus and prudently used protocols must be must have justified exemptions so that the wider population is not denied the supply of essential goods and services, such as foodstuffs, medical supplies, etc.

### **3. What is BIMSTEC? What are its aims and functions in handling challenges in the Bay of Bengal region? Explain.**

#### **Approach-**

Candidates need to explain about BIMSTEC and its aims and functions in handling challenges in the Bay of Bengal region.

#### **Introduction:**

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) is a regional organization comprising seven Member States lying in the littoral and adjacent areas of the Bay of Bengal constituting a contiguous regional unity. This sub-regional organization came into being on 6 June 1997 through the Bangkok Declaration. It constitutes seven Member States: five deriving from South Asia, including Bangladesh, Bhutan, India, Nepal, Sri Lanka, and two from Southeast Asia, including Myanmar and Thailand. Initially, the economic bloc was formed with four Member States with the acronym 'BIST-EC' (Bangladesh, India, Sri Lanka and Thailand Economic Cooperation).

### **Aims of BIMSTEC in handling challenges in the Bay of Bengal region**

- The objective of building such an alliance was to harness shared and accelerated growth through mutual cooperation in different areas of common interests by mitigating the onslaught of globalization and by utilizing regional resources and geographical advantages.
- Unlike many other regional groupings, BIMSTEC is a sector-driven cooperative organization.
- Starting with six sectors—including trade, technology, energy, transport, tourism and fisheries—for sectoral cooperation in the late 1997, it expanded to embrace nine more sectors—including agriculture, public health, poverty alleviation, counter-terrorism, environment, culture, people to people contact and climate change—in 2008.

### **Functions of BIMSTEC in handling challenges in the Bay of Bengal region**

- To accelerate the economic growth and social progress in the Bay of Bengal region through joint endeavours in a spirit of equality and partnership.
- To promote active collaboration and mutual assistance on matters of common interest in the economic, social, technical and scientific fields.
- To provide assistance to each other in the form of training and research facilities in the educational, professional and technical spheres.
- To maintain peace and stability in the Bay of Bengal region through close collaboration in combating international terrorism, transnational organized crimes as well as natural disasters, climate change and communicable diseases.
- To maintain close and beneficial cooperation with existing international and regional organizations with similar aims and purposes.
- To endeavour to eradicate poverty from the Bay of Bengal region.
- To promote trade and investment as a major contributing factor for fostering economic and social development in the region.

### **Conclusion**

BIMSTEC is the natural platform for India to implement its regional connectivity, Neighbourhood First and Act East policies. It can allow India to push a constructive agenda to counter Chinese investments, and follow best practices for connectivity projects based on recognised international norms. Now is the time not just to deliberate, but also to deliver. Now is the time to translate promises into performance.

