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## **Sri Lanka's economic crisis**

- Sri Lanka is currently going through a difficult economic crisis.

### **Today Current Affairs**

#### **Present situation:**

- There has been a severe shortage of foreign exchange in the country.
- The Government of Sri Lanka is unable to pay for the import of essential commodities including fuel.
- Due to this, power cuts of up to 13 hours are being done in the country.
- Ordinary citizens of Sri Lanka are also facing shortage of essential commodities and rising inflation.
- Till last month i.e. February, the country's total money reserves were only left at \$2.31 billion, while it is yet to repay the debt of about \$4 billion in 2022. The debt also includes a \$1 billion 'international sovereign bond (ISB)' maturing in July.

### **Factors leading Sri Lanka to this position : The Hindu**

#### **Analysis**

- **Economic mismanagement by successive governments:** Successive governments have created and continue to create a dual deficit – budget deficit and current account deficit.

- **Populist policies of the current government:**g. tax cuts.
- **Impact of the pandemic:** Damage to the country's important 'tourism economy' as well as a lack of remittances by foreign workers to the country.
- **Decrease in rice production:** A ban on all chemical fertilizers was proposed by the current government in the year 2021, which led to a drastic reduction in rice production in the country, however, this decision was reversed later.

## Collaboration with India : The Hindu Analysis

- Under a \$500 million 'line of credit' signed with India, a diesel shipment is expected to reach Sri Lanka soon.
- Sri Lanka and India have signed a \$1 billion line of credit for the import of essential commodities including food and medicine.
- The Sri Lankan government has also demanded at least one billion dollars from New Delhi.

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### Why is it in India's interest to help Sri Lanka?

- Importantly, Sri Lanka's any disenchantment with China facilitates India's attempt to keep the Sri Lankan archipelago out of China's 'String of Pearls' game in the Indo-Pacific.
- It is in India's interest to control Chinese presence and influence in the region.

## International Solar Alliance

- Recently, Nepal has become the 105th member country to sign the 'Framework Agreement' of the International Solar Alliance (ISA).

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## About International Solar Alliance (ISA):

- The International Solar Alliance (ISA) was envisioned as a joint effort by India and France to mobilize efforts against climate change through 'solar energy solutions'.
- It was presented by the leaders of the two countries at the 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC) held in Paris in 2015.
- ISA is an alliance of solar resource rich countries, located wholly or partially between the Tropic of Cancer and Tropic of Capricorn, to meet their energy needs by using solar energy.
- In the Paris Declaration, ISA has been declared as a coalition dedicated to the promotion of solar energy among its member countries.
- As a dynamic organization, the International Solar Alliance (ISA) brings together solar potential rich countries to increase global demand, thereby reducing prices by bulk purchases of energy and facilitating expansion of existing solar technologies. it occurs.
- The International Solar Alliance facilitates large-scale deployment of existing solar technologies, and promotes collaborative solar R&D and capacity building.

## Secretariat : The Hindu Analysis

- Foundation stone of 'International Solar Alliance' headquarters was laid jointly by India and France in 'Gurugram'.
- The Interim Secretariat of ISA was inaugurated by him at the 'National Institute of Solar Energy Complex' located in Gurugram, Haryana.

## Objective : The Hindu Analysis

- The key objectives of the 'International Solar Alliance' include deploying over 1,000GW of solar generation capacity globally and mobilizing more than US\$1000 billion investment in solar energy by 2030.
- Under ISA, it is envisaged to enable complete ecosystem for technology, availability and development of economic resources, and development of storage technology, large-scale manufacturing and innovation.

## Requirement : The Hindu Analysis

- Low cost technology can lead to more ambitious solar energy programs.
- Solar energy is a major source of cheap and reliable energy.
- Successful implementation of the project can play an important role in achieving Universal Energy Access Goal (SDG 7).

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### Six major programs of 'International Solar Alliance' can prove to be a 'game changer' for environmental protection.

- Solar applications for agricultural use,
- Largely Affordable Finance,
- Mini Grid,
- Solar Rooftops
- 'Solar e-mobility' and storage
- Construction of solar parks on a large scale

## Nepal PM's visit to India

- Recently the Prime Minister of Nepal visited India and had a summit meeting with the Prime Minister of India.
- Earlier, the Union Cabinet had approved the construction of a new bridge on the Mahakali River connecting India and Nepal and the plan to connect Dharchula in Uttarakhand with Dharchula region of Nepal.

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Highlights of the trip:

### Connectivity:

- A 35 km long cross-border railway line connecting Jayanagar in Bihar to Kurtha in Nepal was launched.
- This is the first broad-gauge passenger rail link between the two sides to be extended to Bardibas in Nepal under a project supported by an Indian grant of Rs 548 crore.

## **Solu Corridor : The Hindu Analysis**

- The Solu Corridor built by India under the Indian Line of Credit of Rs 200 crore, which is 90 km. Long 132 kV power transmission line, has been handed over to Nepal.
- This line will help many remote districts of Northeast Nepal to get electricity by connecting them to the country's national grid.

## **Rupay Card : The Hindu Analysis**

- India's RuPay card launched in Nepal.
- The domestic version of the RuPay card will now work at 1,400 point-of-sale machines in Nepal and the move is expected to increase tourist footfalls in both the countries.
- Nepal is the fourth country after Bhutan, Singapore and UAE to have a RuPay card.

## **Memorandum of Understanding : The Hindu Analysis**

- A framework agreement has been signed by Nepal to join India-led International Solar Alliance (becoming 105th member country).
- Three more agreements have been signed which include a Memorandum of Understanding (MoU) on enhancing technical cooperation in the railway sector, between Indian Oil Corporation and Nepal Oil Corporation for five years on supply of petroleum products and sharing of technical expertise between two agreements.

## **Joint Statement on Cooperation in Power Sector : The Hindu Analysis**

- India has called for taking full advantage of opportunities in the power sector, including joint development of power generation projects and development of cross-border transmission infrastructure in Nepal.
- India can play an important role in developing Nepal's power sector through capacity building and direct support to infrastructure projects related to generation and transmission.
- Nepal has also appreciated India's recent cross-border electricity trade regulations that have enabled it to access India's market and trading power with India. Nepal exports its surplus electricity to India.
- Both countries agreed to expedite work on the delayed Pancheshwar Multipurpose Dam Project (on the Mahakali river), which is considered crucial for the development of the region.

## **Boundary issue : The Hindu Analysis**

- Prime Minister of India Narendra Modi was urged by the Prime Minister of Nepal to take steps to resolve the border dispute between the two countries.
- The Indian side made it clear that both the countries need to resolve the boundary issue through dialogue and avoid politicization of such issues.
- Earlier, India had rejected the constitutional amendment made by Nepal in the year 2020 to show Kalapani area as its part.

### **Key points of India-Nepal relations:**

## **Historical Relations : The Hindu Analysis**

- Nepal is an important neighbor of India and holds special importance in its foreign policy due to its geographical, historical, cultural and economic ties dating back centuries.
- There are people who believe in Hinduism and Buddhism in both India and Nepal.
- The plan of Ramayana circuit is a symbol of strong cultural and religious ties between the two countries.
- The citizens of both the countries have a strong foundation of livelihood as well as marriage and family ties. This foundation has been named 'Roti-Beti Ka Rishta'.
- The Indo-Nepal Peace and Friendship Treaty of 1950 is the basis of the special relationship that exists between the two countries.
- Rivers originating from Nepal feed India's perennial river systems in terms of ecology and hydroelectric potential.

## Business and Economy : The Hindu Analysis

- India is Nepal's largest trading partner as well as the largest source of foreign investment.

### Connectivity:

- Nepal is a landlocked country which is surrounded by India on three sides and Tibet on one side.
- India-Nepal has initiated various connectivity programs to enhance connectivity between its citizens and promote economic growth and development.
- Agreement was signed between the two governments for laying electric rail track to connect Raxaul in India with Kathmandu.
- India seeks to develop inland waterways for the movement of cargo within the framework of the trade and transit system, giving Nepal additional access to the sea to connect Sagarmatha (Mount Everest) with the Indian Ocean.

## Defense Cooperation : The Hindu Analysis

- This includes modernization of Nepal's army through equipment and training under bilateral defense cooperation.
- The Gorkha regiment of the Indian Army is formed partly by recruiting youth from the hilly districts of Nepal.
- India has been conducting joint military exercises with Nepal every year since 2011, which is known as Surya Kiran.

### Cultural:

- Initiatives have been taken to promote people-to-people contacts in the fields of arts and culture, academics and media with various local bodies of Nepal.
- India has signed three 'sister-city' agreements to connect Kathmandu-Varanasi, Lumbini-Bodh Gaya and Janakpur-Ayodhya.
- A 'sister-city' relationship is a form of legal or social agreement between two geographically and politically distinct locations.

### Humanitarian Aid:

- Nepal is located in a sensitive ecological region, where earthquakes, floods cause huge losses of both life and money, making it India's largest recipient of humanitarian aid.

## Multilateral Partnership : The Hindu Analysis

- India and Nepal share several multilateral fora such as BBIN (Bangladesh, Bhutan, India and Nepal), BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation), Non-Aligned Movement and SAARC (South Asian Association for Regional Cooperation).

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### Issues and challenges:

#### Chinese intervention:

- As a landlocked nation, Nepal was dependent on Indian imports for many years and India played an active role in Nepal's affairs.
- Although Nepal has moved away from India's influence in recent years, China has gradually increased its investment, aid and credit in Nepal.
- China considers Nepal a key partner in its Belt and Road Initiative (BRI) and wants to invest in Nepal's infrastructure as part of its plans to boost global trade.
- Increasing cooperation between Nepal and China can weaken Nepal's 'buffer state' status between India and China.
- China, on the other hand, wants to prevent any anti-China sentiment among Tibetans living in Nepal.

## Boundary Disputes : The Hindu Analysis

- The issue arose in November 2019 when Nepal released a new political map, which presents Uttarakhand's Kalapani, Limpiyadhura and Lipulekh as part of Nepal. The new map also shows 'Susta' (West Champaran district, Bihar) as a territory of Nepal.

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