

Sri Lanka & the Russia-Ukraine War

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Executive Summary

Due to its long-standing political, economic and military ties with Russia, Sri Lanka has maintained its neutrality in the Ukraine crisis. However, it has also given political space for Ukrainians in Sri Lanka to protest the Russian invasion and has sought to reassure the overstaying tourists of their safety. Nonetheless, the Russian invasion of Ukraine occurred at a particularly testing time for Sri Lanka. The Sri Lankan economy, already facing a looming balance of payment crisis since 2020, suffered heavily with the Russian invasion. The war disrupted the Sri Lankan tea exports due to Western sanctions on Russia while also halting recovery in the tourism sector. Ultimately, the inflation hikes due to the rising prices of fuel and food items became a significant factor in undermining the government's legitimacy and led to massive economic and political instability in the country.

This note analyses Sri Lanka's response to the Russian invasion of Ukraine. It assesses the country's position on the issue and the government's response to the crisis. It also looks into the war's economic impact on Sri Lanka and the likely policy direction.

1. *Sri Lanka's Response*

A few days before the Russian invasion, President Gotabaya Rajapaksa had hailed his government's relationship with Russia in a letter sent to President Vladimir Putin on February 19, marking the 65th anniversary of diplomatic ties between the two countries. Assessing the relationship between the two countries as "time-tested and mutually rewarding", Gotabaya expressed his "fervent desire" to continue the "solid partnership" into "new and more extensive areas of cooperation"¹.

Following the Russian invasion, however, the Sri Lankan Ministry of Foreign Affairs issued a statement on February 25 calling upon "all parties concerned" to exercise maximum restraint and work towards "the immediate cessation of hostilities, to maintain peace, security and stability in the region"². Sri Lankan Foreign Secretary Jayanath Colombage underlined the country's neutrality in the war, saying that "we are watching the situation (in Ukraine), but won't take sides. Each can have their own reasons"³.

Thus, Sri Lanka abstained from the UN General Assembly (UNGA) resolution vote on March 2, which demanded that Russia unconditionally withdraw all of its military forces from the territory of Ukraine⁴. It also abstained from the March 24 UNGA resolution, which had demanded an

¹ Tamil Guardian, "Putin and Rajapaksa exchange letters to celebrate 'abiding friendship'," February 22, 2022, <https://www.tamilguardian.com/content/putin-and-rajapaksa-exchange-letters-celebrate-abiding-friendship>

² Meera Srinivasan, "All parties must exercise maximum restraint: Sri Lanka on Russia-Ukraine crisis," *The Hindu*, February 25, 2022, <https://www.thehindu.com/news/international/all-parties-must-exercise-maximum-restraint-sri-lanka-on-russia-ukraine-crisis/article65083792.ece>

³ PTI, "Sri Lanka to remain neutral in Russia-Ukrainian conflict," *The Print*, February 25, 2022, <https://theprint.in/world/sri-lanka-to-remain-neutral-in-russia-ukrainian-conflict/847337/>

⁴ Shannon Tiezzi, "How Did Asian Countries Vote on the UN's Ukraine Resolution?," *The Diplomat*, March 03, 2022, <https://thediplomat.com/2022/03/how-did-asian-countries-vote-on-the-uns-ukraine-resolution/>

immediate cessation of the hostilities by Russia⁵. Similarly, Sri Lanka abstained from the UNGA vote on Russia's suspension from Human Rights Council on April 7⁶. However, the Rajapaksa government continued to accommodate both Russian and Ukrainian tourists by giving them visa extensions⁷ while also providing security to the latter who protested against the Russian invasion⁸.

In an interview, Commander of the Sri Lanka Air Force Air Marshal Sudarshana Pathirana accepted that the conflict between Russia and Ukraine would directly affect military aircraft serviceability⁹. He stated "we have a lot of Soviet Union made aircraft and helicopters in our fleet...So the conflict between Russia and Ukraine is directly affecting our aircraft serviceability and spares backup. However, we are now attempting to discuss with the neighbouring countries around Russia, to see how they can help us with the spares. We are also very mindful of how we would be using these spares."

However, analysts and commentators in Sri Lanka are divided on the policy direction that the country should adopt. While some have justified Russian actions, others have been supportive of the Ukrainian resistance. Some Sri Lankan commentators have argued that it is in Ukraine's interests to make peace with Russia. In contrast, others state that the war is the classic case of a big country attacking a smaller country, thereby making it imperative that the Sri Lankan government speak in support of Ukraine.

⁵ Sriram Lakshman, "India abstains in two UNGA votes on Ukraine humanitarian crisis," *The Hindu*, March 25, 2022, <https://www.thehindu.com/news/national/india-abstains-in-two-unga-votes-on-ukraine-humanitarian-crisis/article65256780.ece>

⁶ UN News, "UN General Assembly votes to suspend Russia from the Human Rights Council," April 07, 2022, <https://news.un.org/en/story/2022/04/1115782>

⁷ Daily Mirror Online, "Sri Lankan hospitality welcomed by Russians and Ukrainians - EDITORIAL," March 4, 2022, <https://www.dailymirror.lk/opinion/Sri-Lankan-hospitality-welcomed-by-Russians-and-Ukrainians---EDITORIAL/231-232201>

⁸ Daily Mirror Online, "Stop war now...," March 02, 2022, https://www.dailymirror.lk/caption_story/Stop-war-now.../110-232182

⁹ Daily Mirror Online, "'Conflict between RUSSIA AND UKRAINE is directly affecting our aircraft serviceability' - Air Marshal Sudarshana Pathirana," March 02, 2022, <https://www.dailymirror.lk/news-features/'Conflict-between-RUSSIA-AND-UKRAINE-is-directly--affecting-our-aircraft-serviceability'---Air-Marshal-Sudarshana-Pathirana/131-232112>

Writing in the *Colombo Telegraph* on the eve of the invasion, Dayan Jayatilaka, Sri Lanka's former Ambassador Extraordinary & Plenipotentiary to Russia, explained the context of Russia's escalation in Ukraine¹⁰. Jayatilaka painted Russia's attack as a "defensive reaction" to "reckless adventurism and hypocrisy on the part of the West" since the end of the Cold War. Therefore: "Sri Lanka, like China, is allergic to separatism and irredentism and stands for state sovereignty. That said, real world history cannot be ignored. Among those who accuse Russia of violating state sovereignty and supporting separatism by recognising the breakaway enclaves of Donetsk and Luhansk are those who triggered the breakup of former Yugoslavia and its plunge into civil war by recognising the claim to independence of Croatia and Slovenia." He concludes, "Putin's latest move is tactically offensive but strategically defensive. It is not the initiation of a process but a response to it. Putin didn't start it. He means to contain it."

Soon after the Russian invasion, the *Daily Mirror* published an editorial questioning the Western media's narrative about the international community's universal condemnation of Russia. The editorial stated:

"While we do condemn war - all wars without exception - many a Sri Lankan has begun to wonder who or what makes up the 'international community' that these mainstream media houses refer to. As far as has been seen, India has not condemned Russia. It has deplored the war and offered its services to bring about peace. China has condemned the West for pushing Russia into a conflict which it has for over eight years tried to fend off. Pakistan has not condemned Russia. No African country has condemned Russia nor have the Latin American countries did so or blamed it for the conflict - more than two thirds of the world's population."¹¹

Writing in the *Daily Mirror* on March 2, Sri Lankan scholar Ranga Jayasuriya termed the Russian invasion of Ukraine, "naked aggression"¹². Yet he advised the Ukrainians to accept the Russian demands. He wrote:

¹⁰ Dayan Jayatilaka, "Putin's Pushback: The Context Of Russia's Ukraine Move," *Colombo Telegraph*, February 23, 2022, <https://www.colombotelegraph.com/index.php/putins-pushback-the-context-of-russias-ukraine-move/>

¹¹ Daily Mirror Online, "Ukraine war and the 'international community' - EDITORIAL," March 02, 2022, <https://www.dailymirror.lk/opinion/Ukraine-war-and-the-'international-community'---EDITORIAL/231-232115>

¹² Daily Mirror Online, "Russian invasion of Ukraine and grim realities and entitlements of great power politics," March 02, 2022, <https://www.dailymirror.lk/opinion/Russian-invasion-of-Ukraine-and-grim-realities-and-entitlements-of-great-power-politics/231-232116>

“It would be a tragedy if Ukraine miss the opportunity to make a face-saving compromise for Putin in the talks, that might include the adherence to the Minsk agreement, whereby granting extensive autonomy to rebellious eastern region of Donbas of majority Russian speakers, and an official renouncement of any plans to join the NATO. As bitter as these compromises sound the alternative would be a complete or substantial loss of sovereignty and survival of the Ukrainian state.”

In another article, M.S.M. Ayub drew a parallel between Russia’s actions and Indian foreign policy during the 1970s under Indira Gandhi¹³. He stated:

“The conflict reminds us of a similarly tense but not so drastic situation involving Sri Lanka and India in the early 1980s which ultimately had a heavy impact on the politics and lives of people in Sri Lanka, in the years that followed. In both cases, it was a matter of a small country acting against the security interests of a giant neighbour and the latter in turn taking heavy-handed action against the small country in violation of international laws.”

Rohan Samarajiva, the founding chair of LIRNEasia, and a non-resident fellow at Carnegie India, argued on March 1 in the *Colombo Telegraph* that Sri Lanka’s position on the Ukraine crisis should follow international law. Drawing upon the precedence of the Bangladesh War in 1971, when despite public support for the people of Bangladesh, Colombo had supported the sovereignty of East Pakistan against the Indian invasion, Samarajiva contended that “Sri Lanka’s position must be unequivocally against the invasion and for the withdrawal of Russian forces. If we value our territorial integrity and political independence, we have no alternative but to stand with Ukraine.”¹⁴

2. *Economic Impact*

With already a looming balance of crisis since 2020, the Russian invasion of Ukraine had a disastrous impact on the Sri Lankan economy. The island nation relies heavily on tea export to earn foreign exchange, with \$1.27 billion of export in 2020. With \$140 million worth of exports in 2020, Russia has been one of the leading export markets for Sri Lankan tea¹⁵. In fact, in January

¹³ M.S.M. Ayub, “Russia plays Indira’s India in the eighties,” *Daily Mirror Online*, February 25, 2022, <https://www.dailymirror.lk/opinion/Russia-plays-Indira's-India-in-the-eighties/231-231708>

¹⁴ Rohan Samarajiva, “Sri Lanka’s Position On Ukraine,” *Colombo Telegraph*, March 01, 2022, <https://www.colombotelegraph.com/index.php/sri-lankas-position-on-ukraine/>

¹⁵ OEC, “Tea in Sri Lanka,” <https://oec.world/en/profile/bilateral-product/tea/reporter/lka>

2022, Russia was the second-largest buyer of Sri Lankan tea, importing nearly 2.5 million kilograms of tea. However, Russia's ouster from the SWIFT system dealt a heavy blow to Sri Lankan exports. As Palitha Kohona, the Sri Lankan ambassador to Beijing, stated, "even if you manage to get the tea across, we couldn't get paid for it because Russia is now not part of the Swift system"¹⁶.

The war has also had a debilitating impact on Sri Lankan tourism, another vital source of forex reserves for the country. In 2018, 2.3 million tourists travelled to Sri Lanka. However, after the Easter Sunday bombings in April 2019, the tourism sector received a massive setback, with an 18% decrease in the incoming tourists¹⁷. Then in 2020, the Covid-19 pandemic dealt an enormous blow to the tourism and hospitality sector, as the country remained shut for more than eight months. In 2021, the tourism sector saw a weak revival, with the visit of 1,94,495 tourists that year, according to the data released by the Central Bank of Sri Lanka¹⁸. However, the Russian invasion again brought the incipient recovery to a halt. The war's immediate impact has been rather acute, given that Russians and Ukrainians accounted for 25% of all tourists visiting Sri Lanka in January 2022¹⁹. In the first three weeks of February, Russia was the largest tourist traffic generator for Sri Lanka, with 24,889 visitors²⁰. However, as *Al Jazeera* reported, following the western sanctions on Russia, inquiries from the Russian and Ukrainian nationals came to a halt. Also, those Russian nationals already staying in the country had to cancel their bookings "because they did not have money to pay."²¹

¹⁶ Laura Zhou, "Exclusive | Sri Lanka and other developing countries count cost of Ukraine war," *South China Morning Post*, April 10, 2022, <https://www.scmp.com/news/china/diplomacy/article/3173516/sri-lanka-and-other-developing-countries-count-cost-ukraine>

¹⁷ Sri Lanka Tourism Development Authority, "Tourism Sri Lanka | December 2020," <https://www.slttda.gov.lk/storage/common/media/industry-report3985608048.pdf>

¹⁸ Meera Srinivasan, "India tops Sri Lanka's tourism charts 2021," *The Hindu*, January 08, 2022, <https://www.thehindu.com/news/national/india-tops-sri-lankas-tourism-charts-2021/article38106048.ece>

¹⁹ Benjamin Parkin, "Ukraine crisis batters Sri Lanka's tea and tourism recovery strategy," *Financial Times*, March 07, 2022, <https://www.ft.com/content/3a6d3822-7c7a-4c62-9a0e-dc9f37e2a175>

²⁰ Daily Mirror Online, "Tourist arrivals cross 70,000 mark in first 3 weeks of February," February 23, 2022, <https://www.dailymirror.lk/business-news/Tourist-arrivals-cross-70-000-mark-in-first-3-weeks-of-February/273-231650>

²¹ Rehana Thowfeek, "Tourism in Sri Lanka: One step forward, two steps back," *Al Jazeera*, March 25, 2022, <https://www.aljazeera.com/economy/2022/3/25/hold-tourism-in-sri-lanka-one-step-forward-two-steps-back>

Regardless, senior economist and former Central Bank Deputy Governor Dr. W. A. Wijewardena has argued that the Russia-Ukraine crisis would have no major impact on the Sri Lankan economy²². Wijewardena said that “Sri Lanka’s trade relations with Russia is not as big as that with the EU, USA, or UK.” Therefore, “for instance, when Sri Lanka exports about \$ 3 billion each to EU and USA and \$ 1 billion to UK, it exports about US\$ 180 million to Russia. Further, Sri Lanka has a trade deficit with Russia amounting to about \$ 25 million. With EU, USA and UK, it has trade surpluses of about US\$ 2.5 billion with the USA, US\$ 1 billion with the EU and US\$ 800 million with the UK. Hence, even if Sri Lanka loses the entire trade with Russia, there is no major impact on the country, unlike with USA, EU and UK.” Instead, he claimed that “the impact on Sri Lanka is not in the loss of incomes but on the elevated prices of its main imports, fuel, LPG and wheat grains which have already increased by about 10 to 15% they might increase further if the conflict is prolonged.” On the contrary, Foreign Secretary Colombage assessed that the war would have a “major impact” on Sri Lanka as “it would find it hard to sell its tea”. He also said that “Sri Lanka will be compelled to pay more for oil and gas imported to the country.”²³

Arguably, the oil and commodity price boom following the Russian invasion generated inflationary pressure on the Sri Lankan economy and created massive socio-political instability. Thus, the protests against President Gotabaya Rajapakse’s government intensified in February following shortages of necessities such as medicines, fuel and food. This has further harmed the tourism prospects. For instance, the UK and Canada have issued advisories warning their citizens about the food shortages in the country²⁴. As Murtaza Jafferjee, chair of the Advocata Institute think-tank argued “the economic crisis was already full-blown leading into this [war],” it “has now extinguished all hope”²⁵.

²² Kamanthi Wickramasinghe, “Sanctions from West will drive Russia and China into each others’ arms: - Dr. Dayan Jayatileka,” *Daily Mirror Online*, March 02, 2022, <https://www.dailymirror.lk/opinion/Sanctions-from-West-will-drive-Russia-and-China-into-each-others'-arms:--Dr--Dayan-Jayatileka/172-232109>

²³ Easwaran Rutnam, “Sri Lanka bracing for major impact from Ukraine crisis,” *Daily Mirror Online*, February 26, 2022, https://www.dailymirror.lk/front_page/Sri-Lanka-bracing-for-major-impact-from-Ukraine-crisis/238-231020

²⁴ PTI, “Sri Lanka’s forex crisis hits tourism industry, Canada, UK warns travellers,” *Hindustan Times*, March 14, 2022, <https://www.hindustantimes.com/lifestyle/travel/sri-lanka-s-forex-crisis-hits-tourism-industry-canada-uk-warns-travellers-101647252810673.html>

²⁵ Parkin, “Ukraine crisis batters Sri Lanka’s tea and tourism recovery strategy.”

3. Likely Policy Direction

After a prolonged balance of payment crisis, the Sri Lankan government declared the default on its \$51-billion external debt on April 12 to prioritise buying oil and agricultural commodities. The default has forced the government to seek help from the IMF after dillydallying for months. The Sri Lankan political elite's deep-rooted aversion to the IMF reforms stems from the centrality of the protectionist discourse in its domestic politics and the fear of letting the West dictate the human rights safeguards for the Tamil minorities. Thus, it would be difficult for the government to accept the IMF's conditions for economic support. This makes it likely that the government would continue to negotiate bilateral agreements with India and China for concessional loans and lines of credit.

Sri Lanka's political and economic stability is of prime importance to India. However, it would be unsustainable for New Delhi to continue providing the funding required to keep Sri Lanka afloat. Further, the Rajapaksa family's loss of legitimacy makes it imprudent upon India to continue supporting Gotabaya's government. Therefore, India would need to nudge Sri Lanka to swallow the bitter pill offered by the IMF while simultaneously working with the government and the opposition parties to secure political stability in the country.

As long as the Rajapaksa family remains in power, Sri Lanka's neutrality in the Russia-Ukraine war is likely to continue. Even if the political crisis leads to the formation of a pro-west government, it would be difficult for Sri Lanka to adopt a position similar to Nepal and the Maldives. In this context, Sri Lanka has little to gain by offering support to Ukraine primarily due to continuing importance of Russian markets for tea exports and the dependence on the Russian defence industry for its military platforms. The growing Russian inability to pay in dollars may necessitate an "Oil for Tea" barter arrangement or a currency swap agreement between Russia and Sri Lanka. Though Sri Lanka imports refined petroleum primarily from Singapore, India, and Malaysia, buying discounted oil from Russia may become an attractive option if such an agreement comes to fruition. For the West, Sri Lanka's outreach to the IMF allows it to draw the country away from China, leading it to ignore the country's neutrality. With New Delhi by its side, it may become possible for Colombo to tread a fine line between Washington and Moscow.