

An Overview on the Economic Relationship between China and Sri Lanka

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China has become an indispensable partner in Sri Lankan economic development in the 21st century, so much so that it has resulted in a robust growth in the relationship between these two countries. Hence, the current study attempts to fill the literature gap regarding the economic relationship between Sri Lanka and China, specifically in the area of trade and finance. The present study was mainly based on past literature, for it intended to identify different trade agreements and trade and financial relationships between the two countries. Sino-Sri Lankan trade relationship which was initiated in 1952 from the Rubber-Rice Pact remarked one of its distinct points by providing 270,000 metric tons of rice importation and purchasing 50,000 tons of rubber. This deal was the most useful trade arrangement signed by Sri Lanka, as China offered 40% more than the market price for rubber and sold rice for less than a third of the market value. Establishing China-Sri Lanka Joint Trade Committee in 1982, signing Economic and Trade Cooperation Agreement in 1984, initiating Sri

Lankan-Chinese Joint Commission in 1991, creating Sri Lanka-China Business Cooperation Council in 1994, signing Memorandum of Understanding on Trade and Economic Cooperation in 2013, and Asia Pacific Trade Arrangement (APTA) are the notable landmarks of Sino-Sri Lankan trade agreements. This flourishing trade relationship between the two countries resulted in the exportation of raw coconut coir, rubber, tea, garment and clothing accessories, diamonds, and precious stones, while machinery, boilers, cotton, fertilizer, iron, and steel were imported. In the context of financial assistance, China has not only made investments in Sri Lankan trade, infrastructure, and defense, but also provided grants and loans for irrigation projects, port development, transport, and power plants. Therefore, as one of the countries that possesses largest and strongest economies in the world, China has played a significant role in Sri Lankan economy. Hence, the current study illustrates the strengthened economic relationship between these two countries while bridging the literature gap in this area of research.

Keywords: *China, financial relations, Sri Lanka, trade agreements, trade relations*