

The Impact of Chinese Relations on Sri Lanka's Economy

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Abstract

Sri Lanka, the China's Jewel in the Heart of the Indian Ocean has forged closer relations with China during the past few years in its economic, military, and diplomatic relations. Although ancient Sri Lankan and Chinese relations were based on religious and cultural links, replicating the relations between large and lower middle economies, recently, Sri Lanka warmly welcomed the Chinese investments, trade pacts, financial assistance and Foreign Direct Investments to several economic sectors. The two countries take economic development as a priority of their national strategy, while looking for effective links which could maintain their core national interests. The bilateral economic and trade cooperation has a great potential especially after the upcoming signing of the Free Trade Area Agreement with China's idea of creating the 21st Century Maritime Silk Road. The purpose of the study is to investigate the impacts of economic relationship with China on Sri Lanka's economy while addressing the opportunities and challenges especially in the spheres of trade and investments. Accordingly, the nature of economic relations and the ability of addressing the current economic challenges faced by Sri Lanka through the extent of the positive and negative impacts of these economic relations are subjected to further analysis. The content analysis method is used to achieve the research objectives through the use of secondary data based on the review of existing literature and analyzing them in an empirical and theoretical perspective. The impacts of Chinese relations to Sri Lanka's economy will be systematically analyzed in both positive and negative perspectives through revenues and profits gained from exports, imports and tourism industry and also the rates of wages and labour utilization of the Chinese investment projects. The implementation of Chinese soft power strategy unveiled that these investments and financial assistance lead to future debts and higher budget deficits along with the less export revenue and high unemployment rates in local labour market. In contrast, the development of infrastructure increasing revenues in tourism industry is exemplified. Hence, this study insists the significance of having an insight on strengths, weaknesses and the influences for the current decision making process of the country in relation to the economy.

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