# A study on Sri Lankan political and economic changes due to Bilateral relationships between Sri Lanka and China

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## ABSTRACT

Open economic reforms implemented after 1977 marks the first remarkable liberalisation effort in Sri Lanka. Consequently, Sri Lanka has signed bilateral agreements with 22 countries including China. However, a formal relationship between People's Republic of China and Sri Lanka started only after the rice- rubber pact in 1952. Diplomatic relationship between two countries started in 1957 and the first agreement was on Economic and Technical Cooperation signed in 1962 The major Chinese economic assistance was offered during the time period spanning from 2005 to 2015 under the United People's Freedom Alliance regime. At present, Hambantota port, Colombo Financial City project and infrastructure development projects covering the entire country are being constructed and maintained by Chinese financial aids and loans. However, this particular diplomatic relationship is doubted and criticised by many individuals in fear of probable upcoming political threats and economic challenges. This study focuses on examining the behaviour and trends of Chinese loan inflows for the time period of 2005 to 2018. Further, the incentives given to attract Chinese investments and the nature of China-Sri Lanka economic relationships will be thoroughly described in the study. Descriptive analysis method will be used depending on secondary data collected via central bank reports and World Bank reports. In 2017, China was the second highest exporter of Sri Lanka and sixth highest importer of Sri Lanka. China Sri Lanka relationships dating back to ancient times related to Buddhist cultural affairs and later developed into commercial and financial ties are expected to be grown into higher levels of political relationships which may result in strategic foreign plans.

*Key words: Bilateral relationship, China, Open economic reforms*

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