

Understanding India and Sri Lanka Relation: Issues and Challenges

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ABSTRACT

India's "Neighborhood First Policy" (NFP), one of the key components of its South Asian Foreign Policy (SAFP), focuses on strengthening ties with neighboring South Asian countries. Trade between India and Sri Lanka grew particularly rapidly after the India-Sri Lanka Free Trade Agreement came into effect in March 2000. Strategic opportunities are often fleeting, and the same applies to India's efforts to forge a strategic partnership with Sri Lanka.

Keywords: Indo- Sri Lanka relations, foreign policy, ethnic problems,

INTRODUCTION

Sri Lanka is one of India's most important neighboring countries. The two nations share a long history of cultural, religious, and trade ties dating back to ancient times. They also have a legacy of intellectual, cultural, religious, and linguistic interaction. Notably, Buddhism—originating in India—is a major religion in Sri Lanka as well. In recent years, the relationship has been characterized by close contacts at all levels. Trade and investment have increased, and there is growing cooperation in areas such as infrastructure development, education, culture, and defense.

Both countries share a broad understanding on major issues of national interest. Sri Lanka is India's largest trading partner in South Asia, while India is Sri Lanka's largest trading partner globally. In recent years, significant progress in the implementation of developmental assistance projects for Internally Displaced Persons (IDPs) and disadvantaged sections of the population in Sri Lanka has further strengthened the bonds of friendship.

End of Ethnic Conflict: A Retrospection

The India-Sri Lanka Accord was an effort to resolve Sri Lanka's ethnic conflict through constitutional and political means. The accord was signed in Colombo on 29 July 1987, between Indian Prime Minister Rajiv Gandhi and Sri Lankan President J.R. Jayewardene. The main objective of the Accord was to provide India with an opportunity to shape Sri Lanka's post-war political trajectory. It had two primary goals: first, to persuade the conflicting ethnic groups to join mainstream politics; and second, to seek political devolution in Sri Lanka by amending the constitution to grant greater autonomy to the Tamil community.

As per the terms of the Accord, the Liberation Tigers of Tamil Eelam (LTTE) were to surrender their weapons to the Indian Peace Keeping Force (IPKF), and the Sri Lankan government was to initiate a process of devolution by accommodating Tamil interests. In 1987, the Sri Lankan government introduced the 13th Amendment, which created Provincial Councils as a means of devolving power. However, these councils largely became extensions of the ruling party at the national level, limiting their effectiveness.

Many LTTE cadres refused to surrender their weapons to the IPKF and instead consumed cyanide to avoid capture. The assassination of Rajiv Gandhi in 1991 prompted a reassessment of India's Sri Lanka policy. Consequently, the focus shifted from facilitating peace to militarily countering the LTTE. This strategic shift had long-term implications, culminating in the Sri Lankan government's military defeat of the LTTE in 2009. (Divya Dwivedi, 2022)

Historical Overview of Economic and Other Relations between the Two Countries

India's "Neighborhood First Policy" (NFP), one of the key pillars of its South Asian Foreign Policy (SAFP), focuses on strengthening ties with neighboring South Asian countries. This strategy aims to promote peace and cooperation in the region by emphasizing trade, connectivity, and people-to-people exchanges with countries along India's periphery.

Following nearly 30 years of internal conflict, Sri Lanka shifted its focus toward economic recovery and adopted a more South-Asia-oriented foreign policy. Both countries have made efforts to strengthen bilateral relations, particularly in economic cooperation and regional partnerships.

Sri Lanka has long been a priority destination for Indian direct investment and remains one of India's largest trading partners within the South Asian Association for Regional Cooperation (SAARC). Trade between the two countries expanded significantly after the India-Sri Lanka Free Trade Agreement came into effect in March 2000. According to Sri Lankan Customs, bilateral trade in 2018 amounted to US \$4.93 billion.

India and Sri Lanka's Evolving Partnership in Development Cooperation

Under the Indian government's flagship Housing Grant Project, India has constructed 50,000 houses in war-affected areas and for estate workers in Sri Lanka's plantation regions (Osantha N. Thalpawila, 2014). Additionally, India announced the construction of 10,000 more houses in plantation areas. Four smaller housing programs have also been implemented, providing a total of 2,400 houses across Sri Lanka. Overall, India has committed to building approximately 62,500 houses in the country.

Another flagship initiative in the social services sector is the nationwide 1990 Emergency Ambulance Service. India has also supported the construction of a 150-bed hospital in Dickoya and provided livelihood assistance to nearly 70,000 people from fishing and farming communities in Hambantota. Other contributions include supplying medical equipment to Vavuniya Hospital and providing 150 boats and fishing gear to fishermen in Mullaitivu.

In the field of education and cultural cooperation, India funded the construction of a modern, well-equipped auditorium with a seating capacity of 1,500 at the University of Ruhuna in Matara. The auditorium is named after Rabindranath Tagore. Additionally, 20 other grant projects are ongoing across diverse sectors. These include the iconic Jaffna Cultural Center, the construction of 153 houses and supporting infrastructure in Anuradhapura, and the upgradation of Saraswathy Central College in Pussellawa, Kandy.

In the infrastructure development sector, under partnership initiatives, the Export-Import Bank of India has extended 11 Lines of Credit (LOCs) to Sri Lanka over the past 15 years. These LOCs cover sectors such as railways, transport, connectivity, defense, and solar energy. Ongoing projects include the procurement of rolling stock for Sri Lankan Railways, upgradation of railway tracks, and the establishment of railway workshops. Future projects under these LOCs will also support the installation of rooftop solar units for government buildings and low-income families, as well as a floating solar power plant.

Bilateral Relation in Political Perspective in recent Years

Political relations between India and Sri Lanka have been marked by regular high-level exchanges. Prime Minister Shri Narendra Modi hosted a Virtual Bilateral Summit (VBS) with Sri Lankan Prime Minister H.E. Mahinda Rajapaksa on 26 September 2020, which was also attended by senior ministers and officials from both sides. This was the first such engagement by Prime Minister Mahinda Rajapaksa following the parliamentary elections of August 2020, and also the first VBS held by the Indian Prime Minister with a neighboring country. A joint statement covering all areas of bilateral cooperation, titled *Mitratva Maga*, was issued following the virtual summit.

External Affairs Minister Dr. S. Jaishankar visited Sri Lanka from 5–7 January 2021, marking his first foreign visit of that year. During the visit, EAM called on the President of Sri Lanka, H.E. Gotabaya Rajapaksa, and Prime Minister H.E. Mahinda Rajapaksa. He also met with Foreign Minister H.E. Dinesh Gunawardena,

Fisheries Minister H.E. Douglas Devananda, Leader of the Opposition H.E. Sajith Premadasa, prominent Tamil leaders, and key figures from the business and industry sectors.

Previously, Dr. Jaishankar had visited Sri Lanka on 19 November 2019 and held bilateral talks with President Gotabaya Rajapaksa, former Prime Minister H.E. Ranil Wickremesinghe, and then Leader of the Opposition Mahinda Rajapaksa. Sri Lankan Foreign Relations Minister H.E. Dinesh Gunawardena made his first official overseas visit to India from 9–10 January 2020 after assuming office.

Indian National Security Advisor (NSA) Shri Ajit Doval visited Sri Lanka on 18 January 2020 and held discussions with President Gotabaya Rajapaksa. He also returned in November 2020 to attend the fourth maritime dialogue under the ‘India–Sri Lanka–Maldives’ trilateral mechanism.

In February 2024, Phase IV of the Indian Housing Project, *Bharat-Lanka*, was virtually launched by Sri Lankan President Ranil Wickremesinghe. The project aims to construct 10,000 houses with Indian grant assistance for plantation sector workers in Sri Lanka. In the same month, India introduced its Unified Payment Interface (UPI) in Sri Lanka — a significant step toward deepening financial connectivity between the two countries. This follows the 2023 decision to authorize the Indian Rupee as a designated currency in Sri Lanka. (Rajni Gamage, 2024)

India-Sri Lanka Relations – Critical Issues

Despite the overall cooperative relationship between the two countries, several critical issues have led to conflicts and misunderstandings. For example, Sri Lanka handed over the strategic Hambantota Port to China on a 99-year lease. Although China presented the takeover as a commercial operation, India’s security establishment expressed concern over the potential use of the port for military purposes.

Additionally, Chinese submarines have been spotted at Hambantota Port, further intensifying India’s strategic concerns. A proposed joint venture between India and Sri Lanka to operate the Mattala Rajapaksa International Airport has not progressed as desired. Notably, Mattala Airport is located close to Hambantota Port, which is operated by China. The Indian public sector company, National Thermal Power Corporation (NTPC), was expected to undertake the Sampur Thermal Power Station project in Sri Lanka’s Eastern Province. However, the project was cancelled due to environmental concerns. In January 2021, India sent a consignment of 500,000 COVID-19 vaccine doses to Sri Lanka as part of its vaccine diplomacy efforts.

CONCLUSION

India’s strategic location in South Asia—bordered by Pakistan, China, Nepal, Bhutan, Bangladesh, Myanmar, and Sri Lanka—forms the foundation of a complex and dynamic network of relationships with its neighbors. This geographical positioning shapes India’s diplomatic, economic and security engagements in the region. Within this framework, Sri Lanka stands out as one of India’s key trading partners.

Strategic opportunities are often fleeting, and the same applies to India’s efforts to forge a deeper strategic partnership with Sri Lanka. If India hesitates due to domestic political compulsions, China is poised to fill the resulting vacuum. In such a scenario, China’s strategic encirclement of India could be fully realized—and India would have no one to blame but itself.

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