

## **India-Sri Lanka Bilateral Relations**

1. India is Sri Lanka's closest neighbour. The relationship between the two countries is more than 2,500 years old and both sides have built upon a legacy of intellectual, cultural, religious and linguistic intercourse. Relations between the two countries have also matured and diversified with the passage of time, encompassing all areas of contemporary relevance. The shared cultural and civilizational heritage of the two countries and the extensive people to people interaction of their citizens provide the foundation to build a multi-faceted partnership. In recent years, the relationship has been marked by close contacts at the highest political level, growing trade and investment, cooperation in the fields of development, education, culture and defence, as well as a broad understanding on major issues of international interest.

2. The nearly three-decade long armed conflict between Sri Lankan forces and the LTTE came to an end in May 2009. During the course of the conflict, India supported the right of the Government of Sri Lanka to act against terrorist forces. At the same time, it conveyed at the highest levels its deep concern at the plight of the mostly Tamil civilian population, emphasizing that their rights and welfare should not get enmeshed in hostilities against the LTTE. The conclusion of the armed conflict saw the emergence of a major humanitarian challenge, with nearly 300,000 Tamil civilians housed in camps for Internally Displaced Persons (IDPs). The Government of India put in place a robust programme of assistance to help these IDPs return to normal life as quickly as possible. In June 2009, Prime Minister Dr. Manmohan Singh announced a grant of INR 5 billion (SLR 12 billion) for relief and rehabilitation in Sri Lanka. In the immediate aftermath of the end of armed conflict, India provided a total of 250,000 family relief packs for the IDPs. It also established an emergency medical unit in the IDP camps, which treated over 50,000 IDPs and carried out over 3000 surgeries from March to September 2009. Medicines worth SLR 225 million (INR 9.2 crores) were also supplied to Sri Lankan authorities.

3. India also consistently advocated the need for IDPs to be resettled to their original habitations as early as possible. In order to help with this, India provided shelter assistance by way of supplying 10,400 tonnes of galvanized iron (GI) sheets (a total of over one million sheets) between August 2009 and May 2011 for constructing temporary housing for IDPs. In addition, 95,000 starter packs of agricultural implements were supplied to help resettling families begin livelihood generating activities. The Government of India also supplied 400,000 bags of cement to help IDPs rebuild their shelters. Since the requirement of de-mining was a major constraint on the speed of resettlement, the Government of India fully financed seven Indian de-mining teams, engaged in various sectors in northern Sri Lanka to help expedite resettlement.

4. With the shift from relief and rehabilitation to reconstruction and development, the Government of India turned its attention to the housing requirements of the IDPs. During the visit of President Mahinda Rajapaksa to India from 8-11 June 2010, an announcement was made by Prime Minister Singh that India would support a programme to reconstruct 50,000 houses in Sri Lanka. The groundbreaking ceremony of the pilot phase of the Project for one thousand houses covering all the five districts of Northern Province was held during the visit of the Minister of External Affairs of India Mr. S.M. Krishna to Sri Lanka in November 2010 at Ariyalai near Jaffna. The work on the pilot phase is in advanced stages of completion. The first lot of completed houses was handed over to beneficiaries during the visit of Minister Krishna to Jaffna on 18 January 2012. An MOU with the Government of Sri Lanka on the modalities of implementation of the next phase of the Project for remaining 49,000 houses was also signed during this visit. The next phase, which is expected to be launched soon, will cover the Northern, Eastern, Central and Uva Provinces in terms of its spatial spread and involve construction of new dwelling units and repairs of existing houses.

5. Since agriculture is the primary means of livelihood in the areas affected by the conflict, Government of India has focused its attention on supporting this sector with a view to jumpstart the revival of the local economy through a wide-ranging programme for agricultural renewal. The proposals that were taken up for urgent implementation include supply of seeds for the Maha and Yala seasons in Sri Lanka in 2010-11 and supply of tractors and other machinery to farmer organizations in northern Sri Lanka. 500 tractors with four implements each (rotovator, tiller, cage-wheel and disk plough) have been supplied to farmer organizations and agrarian service centres in the Northern Province. The total cost of the project is SLR 600 million (INR 25 crores approx). To cater to the transportation needs of persons being resettled and to aid revival of their livelihoods, India has also undertaken a project for supply of 10,000 bicycles to returnees in Northern Province.

6. Sri Lanka is one of the major recipients of development credit given by the Government of India. A line of credit of \$167.4 million for repair and upgradation of the tsunami-damaged Colombo-Matara rail link is already fully operational. The upgraded coastal railway track between Galle-Matara was inaugurated on 16 February 2011. During his visit to Sri Lanka in January 2012, Minister of External Affairs Mr. S.M. Krishna handed over the Galle-Hikkeduwewa segment. Another line of credit of \$800 million for track laying and supply of rolling stock for the northern railway line was announced during the visit of the President of Sri Lanka to India in June 2010. Of this amount, an agreement for a credit line of US \$416.39 million was signed in November 2010 to support construction of Medawachchiya to Madhu, Madhu to Talaimannar and Omanthai to Pallai railway lines in Northern Sri Lanka. Another agreement for a credit line of US \$ 382.37

million for track laying on the Pallai-Kankesanthurai railway line, setting up of signaling and telecommunications systems for the Northern railway line and other projects as may be mutually agreed by the Governments of India and Sri Lanka was signed during the visit of Minister Krishna in January 2012.

7. India is also involved in projects for renovation of Palaly Airport, Kankesanthurai Harbour, construction of Cultural Centre in Jaffna, interconnection of electricity grids between the two countries, construction of a 150-bed hospital in Dickoya and setting up a coal power plant in Sampur as a joint venture between National Thermal Power Corporation (NTPC) and Ceylon Electricity Board (CEB). Work on the wreck removal of the project for rehabilitation of the Kankesanthurai Harbour as a fully GOI grant-funded project (Cost: INR 85.5 crores/SLR 2.05 billion) was completed in January 2012. In the coming months, work is expected to start on setting up a cultural centre in Jaffna.

8. India also continues to assist a large number of smaller development projects in areas like education, health, transport connectivity, small and medium enterprise development and training in many parts of the country through its grant funding. The MoU on Cooperation in Small Development Projects was renewed during the visit of President Rajapaksa to India in June 2010 enhancing the financial limit for projects to SLR 300 million (approx. INR 12 crores). Projects for providing fishing equipment to cooperatives in the East, supply of equipment to Jaffna Teaching Hospital, renovation of Duraippah Stadium, reactivation of Achuvely Industrial Zone, assistance in repair of schools in Northern Province, supply of fishing equipment to old IDPs in Mannar district and supply of equipment to Kilinochchi and Mulaittivu General Hospitals have already been completed or are in various stages of implementation under this scheme.

9. India and Sri Lanka enjoy a robust trade and investment relationship, with bilateral trade growing rapidly in the last decade and a number of leading Indian private sector companies investing in Sri Lanka and establishing a presence in this country. Sri Lanka is India's largest trade partner in South Asia. India in turn is Sri Lanka's largest trade partner globally. Trade between the two countries grew particularly rapidly after the entry into force of the India-Sri Lanka Free Trade Agreement in March 2000. Over the next eight years, bilateral trade multiplied nearly five-fold. India has also emerged as the No. 1 source country as far as Foreign Direct Investment and tourist arrivals are concerned.

10. Following a downturn in 2009 on account of the global economic recession, trade rebounded in 2010. According to Sri Lankan statistics, bilateral trade in first eleven months (January-November) of 2011 amounted to US \$ 4.46 billion, which is about 72 % higher than the corresponding period last year (Jan-Nov of 2010 - US \$ 2.59 billion). India's exports to Sri Lanka amounted to US \$ 3.97 billion, which is an increase of about 83 % compared to corresponding

period last year. Sri Lanka's exports to India amounted to US \$ 481.85 million, which is an increase of about 14 % compared to corresponding period last year. In recent months, the two countries have also resumed discussions on a Comprehensive Economic Partnership Agreement and steps to finalize the Agreement are expected to be taken in the near future.

11. Sri Lanka has long been a priority destination for direct investment from India. India is among the four largest overall investors in Sri Lanka with cumulative investments over US\$ 600 million. Our main investments are in the areas of petroleum retail, hospitals, telecom, vanaspati, copper and other metal industries, real estate, telecommunication, hospitality & tourism, banking and financial services, IT and food processing (tea & fruit juices). India was the top investor in Sri Lanka in 2010. Out of the total FDI of US\$ 516.30 million, India's investment was US\$ 110.24 million constituting about 21% of the total investment. Known Indian names such as IOC, Tatas, Bharti Airtel, Piramal Glass, LIC, Ashok Leyland, L&T and Taj Hotels are present in Sri Lanka.

12. The last few years have also witnessed an increasing trend of Sri Lankan investments into India. Significant examples include Ceylon Biscuits (Munchee brand), Carsons Cumberbatch (Carlsberg), Brandix (about US\$ 1 billion to set up a garment city in Vishakapatnam), MAS holdings, John Keels, Hayleys, and Aitken Spence (Hotels), apart from other investments in the freight servicing and logistics sector.

13. The need for national reconciliation through a political settlement of the ethnic issue has been reiterated by India at the highest levels. India's consistent position is in favour of a negotiated political settlement, which is acceptable to all communities within the framework of a united Sri Lanka and which is consistent with democracy, pluralism and respect for human rights. The Government of Sri Lanka has conveyed its assurance that political proposals building on the 13th Amendment to the Constitution will be discussed with the Tamil leadership of the country.

14. Cultural cooperation is a very important aspect of the bilateral relationship and the Cultural Cooperation Agreement signed by the Government of India and the Government of Sri Lanka on 29 November, 1977 at New Delhi forms the basis on which the periodic Cultural Exchange Programmes (CEPs) between the two countries are signed and implemented. A Programme of Cultural Cooperation (PCC) for 2010-2013 was signed during the June 2010 State visit of President Rajapaksa. The PCC seeks to enhance the level of cooperation in a wide variety of fields such as performing arts, visual arts, libraries, museums, archives & cultural documentation, archaeology, handicrafts, sports and youth affairs, publications and professional exchanges and mass media. The Indian

Cultural Centre in Colombo actively promotes awareness of Indian culture by offering classes in Indian music, dance, Hindi and Yoga. Every year, cultural troupes from both countries exchange visits. India is also committed to the restoration of important icons of cultural heritage of Sri Lanka and is setting up an Indian Gallery at the International Buddhist Museum in Kandy and working on the restoration of the Thiruketheeswaram Temple in Mannar.

15. In the Joint Declaration issued during the State Visit of President Rajapaksa to India in June 2010, India and Sri Lanka also agreed that the 2600th year of the attainment of enlightenment by Lord Buddha (Sambuddhatva Jayanthi) would be commemorated through joint activities by the two countries. An International Buddhist Conference on the theme "Cultural Interface between India and Sri Lanka based on Buddhist History, Art, Literature and Philosophy" organized by the Indian Council for Cultural Relations (ICCR) which was inaugurated by President Rajapaksa was held at Kandy from 19-20 March 2011. A 16 feet high idol of Lord Buddha in the Sarnath style from the Gupta Period has been installed at the entrance of the International Buddhist Museum complex in Sri Dalada Maligawa in Kandy.

16. Education is a core area of cooperation between India and Sri Lanka. Both countries agreed to launch an India Sri Lanka Knowledge Initiative during the visit of President Rajapaksa to India in June 2010. During the visit of Minister of External Affairs Mr. S.M. Krishna in January 2012, a nearly three-fold increase in scholarship support to deserving Sri Lankan students was announced. The expanded scholarship programme would benefit not only regular undergraduate studies but would also provide opportunities for higher research. In addition, under the Indian Technical and Economic Cooperation Scheme and the Colombo Plan, India offers nearly 200 slots annually to Sri Lankan nationals for short and medium term training courses in a wide variety of technical and professional disciplines.

17. Tourism also forms an important link between India and Sri Lanka and India is the largest source market for Sri Lankan tourism. India is the largest contributor with every fifth tourist being from India. In 2010, out of the total 654,976 tourists, 126,882 were from India constituting about 20%. In the period from January to November 2011, the tourist inflow to Sri Lanka increased to 758,458 from 570,349 in the corresponding period of 2010 showing an increase of about 33 %. Out of this number of 758,458, 153,919 tourists were from India giving a share of about 20 %. Sri Lankan tourists too are among the top ten sources for the Indian tourism market. In 2011, nearly 200,000 visas were issued by the High Commission in Colombo to facilitate travel between Indian and Sri Lanka.

18. The India-Sri Lanka Foundation, set up in December 1998 as an intergovernmental initiative, also promotes greater understanding between the peoples of the two countries, including through enhancement of scientific, technical, educational and cultural cooperation. The Foundation focuses especially on the promotion of civil society cooperation and enhancing contact between the younger generations of the two countries. With a view to this, the Foundation has supported a number of student exchange programmes and activities at the school and university levels. It has also promoted the pursuit of higher studies as well as research in both countries, besides supporting a variety of cultural performances and programmes.

19. Given the proximity of the territorial waters of both countries, especially in the Palk Straits and the Gulf of Mannar, incidents of straying of fishermen are common. Both countries have agreed on certain practical arrangements to deal with the issue of bonafide fishermen of either side crossing the IMBL. Through these arrangements, it has been possible to deal with the issue of detention of fishermen in a humane manner.

20. India and Sri Lanka also enjoy a growing defence relationship built on extensive training and Service-to-Service linkages. The commonality of concerns of both countries, including with respect to the safety and security of their sea lanes of communication, informs their bilateral exchanges in this field.

21. The relationship has been marked by high level exchanges of visits. Minister of External Affairs Mr. S.M. Krishna visited Sri Lanka from 16-19 January 2012. During his visit, he called on President Mahinda Rajapaksa and Prime Minister D.M. Jayaratne. In his meeting with his counterpart, Minister of External Affairs Prof. G.L. Peiris, Minister Krishna reviewed the comprehensive agenda of the bilateral relationship. He also had meetings with the Leader of the Opposition in the Sri Lankan Parliament, Mr. Ranil Wickremasinghe, representatives of the Tamil National Alliance and other Sri Lankan parties. Minister Krishna visited Kilinochchi and Jaffna in Northern Sri Lanka in connection with Government of India assisted projects and also handed over the first lot of housing units at Ariyalai, Jaffna. He also visited Galle in southern Sri Lanka where he inaugurated a segment of the Southern Railway Project implemented under the Line of Credit extended by India. Dr. A.P.J. Abdul Kalam, former President of India, visited Sri Lanka from 20-24 January 2012 to launch the 'National Plan for a Trilingual Sri Lanka', at the invitation of the President of Sri Lanka.

22. Earlier, the Hon'ble Speaker of Lok Sabha, Smt. Meira Kumar visited Sri Lanka from 11-16 March 2011 to participate as the Guest of Honour at the 3rd CPA Asia Regional Conference. Then Minister of Rural Development and Panchayati Raj Mr. Vilasrao Deshmukh visited Sri Lanka from 4-7 April 2011 to participate at the 4<sup>th</sup> South Asian Conference on Sanitation. Minister of External

Affairs of Sri Lanka, Prof. G L Peiris visited India from 15-17 May, 2011. Speaker of the Sri Lankan Parliament Mr. Chamal Rajapaksa led a Parliamentary delegation to India from 1-4 August 2011 at the invitation of Hon'ble Speaker of Lok Sabha. He also visited India to participate at the 5th Conference of Association of SAARC Speakers and Parliamentarians from 9-12 July 2011. Minister of Health Mr. Maithripala Sirisena visited India from 31 July to 3 August 2011. Minister of Environment Mr. Anura Priyadarshana Yapa visited India on 24-25 May 2011.

23. Today, the India-Sri Lanka relationship is strong and poised for a quantum jump by building on the rich legacy of historical linkages and strong economic and development partnerships that have been forged in recent years.

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