



Perspective: India-Sri Lanka Relations

For Prelims: [India's Neighborhood First Policy](#), [Economic and Technology Cooperation Agreement \(ETCA\)](#), [BIMSTEC \(Bay of Bengal Initiative for Multi-Sectoral Technical and Economic\)](#), [India-Sri Lanka Free Trade Agreement](#), [Buddhism](#)

For Mains: India-Sri Lanka Relations: Significance, Challenges, Way forward

What is the Context?

Recently, the **President of Sri Lanka visited India**. As Sri Lanka is **an important partner in India's neighborhood first policy** and **Vision The Security and Growth For All in the Region (SAGAR)**, the visit **reinforced the long-standing friendship between the two countries** and explored avenues for **enhanced connectivity and mutually beneficial cooperation across sectors**.

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 interaction**. 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 of major issues of international interest**.

What are the Major MoUs Signed Between India and Sri Lanka Recently?

- The **Joint Declaration of Intent (JDI)** in the field of [Animal Husbandry and Dairying](#).
- The **cooperation in the field of renewable energy**.
- Memorandum of Cooperation for **economic development projects in Trincomalee district of Sri Lanka**
- **Network to Network Agreement between NPCI International Payments Limited (NPIL) and Lanka Pay for [Unified Payments Interface \(UPI\)](#) application acceptance in Sri Lanka.**
- **Energy permit for Sampur Solar Power Project** that will produce 100 MW power for Sri Lanka.



How Are Relations Between India and Sri Lanka Been?

- **Historical Ties:** India and Sri Lanka have a **long history of cultural, religious, and trade ties dating back to ancient times.**
 - There are strong **cultural ties between the two countries, with many Sri Lankans tracing their heritage to India.** [Buddhism](#), which originated in India, is also an important religion in Sri Lanka.
- **Financial Assistance from India:** India provided approximately USD 4 billion worth of aid to Sri Lanka during an unprecedented economic crisis, which was crucial for the country to survive the crisis.
 - **Sri Lanka was hit by a catastrophic [financial crisis](#) in 2022**, the worst since its independence from Britain in 1948, due to a severe paucity of [foreign exchange reserves](#).
- **Role in Debt Restructuring:** India has played a role in collaborating with the [International Monetary Fund \(IMF\)](#) and creditors to help Sri Lanka in restructuring its debt.
 - India **became the first country to hand over its letter of support for financing and debt** restructuring of Sri Lanka.
- **Joint Vision for Connectivity:** Both countries have agreed on a joint vision that emphasises comprehensive connectivity, including **People to People connectivity, [renewable energy cooperation](#), [logistics](#), port connectivity, and grid connectivity for electricity trade.**
- **Regional and Indian Ocean Context:** Both countries are **significant [Indian Ocean](#) countries**, and their relations are viewed in the broader regional and Indian Ocean context.
- **India's Involvement in Renewable Energy Projects:** Some Indian companies are developing renewable energy projects in the northeast of Sri Lanka, **indicating growing collaboration in the [energy sector](#).**
- **[Economic and Technology Cooperation Agreement \(ETCA\)](#):** Both countries are exploring the possibility of an ETCA to integrate their economies and foster development.
- **Agreement on a Multi-Project Petroleum Pipeline:** Both India and Sri Lanka have agreed to establish a **multi-product petroleum pipeline from the southern part of India to Sri Lanka.**
 - This pipeline **aims to ensure an affordable and reliable supply of energy resources to Sri Lanka.** Recognition of energy's critical role in economic development and progress is driving the focus on establishing the petroleum pipeline.
- **Adoption of India's UPI:** Sri Lanka has now adopted India's UPI service, which is a significant step towards enhancing fintech connectivity between the two countries.
 - The [use of rupee for trade settlement](#) is further helping Sri Lanka's economy. These

are concrete steps to help Sri Lanka's economic recovery and growth.

- **Economic Ties:** India is Sri Lanka's **third largest export destination**, after the US and UK. More than **60% of Sri Lanka's exports enjoy the benefits of the [India-Sri Lanka Free Trade Agreement](#)**. India is also a major investor in Sri Lanka.
 - **Foreign Direct Investment (FDI)** from India amounted to around USD 1.7 billion over the years from 2005 to 2019.
- **Defence:** India and Sri Lanka conduct joint military (**Mitra Shakti**) and Naval exercise (**SLINEX**).
- **Participation in Groupings:** Sri Lanka is also a member of groupings like **BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation)** and **SAARC** in which India plays a leading role.
- **Tourism:** In 2022, India was the **largest source of tourists for Sri Lanka with over 100,000 tourists**.

What is the Significance of Bilateral Relations Between these two Countries?

- **Focus on Regional Development:** India's development is closely tied to the neighborhood, and Sri Lanka seeks **integration with the Southern economy to boost its own growth**.
- **Geographical Location:** Sri Lanka is located just off the southern coast of India, separated by the **Palk Strait**. This **proximity has played a significant role in shaping the relationship between the two countries**.
 - The Indian Ocean is a strategically important waterway for trade and military operations, and **Sri Lanka's location at the crossroads of major shipping lanes makes it a critical point of control for India**.
- **Ease of Doing Business & Tourism:** The adoption of UPI will contribute to economic integration and **ease of doing business** between India and Sri Lanka. It will not only facilitate trade **but also enhance connectivity for tourism between the two countries**.

What are the Challenges in India-Sri Lanka Relations?

- **Fisheries Dispute:** One of the longstanding issues between India and Sri Lanka is **related to fishing rights in the Palk Strait and the [Gulf of Mannar](#)**. Indian fishermen **have often been arrested by Sri Lankan authorities for allegedly crossing the maritime boundary and engaging in illegal fishing** in Sri Lankan waters.
 - This has **led to tensions and occasional incidents involving [fishermen from both countries](#)**.
- **Border Security and Smuggling:** The porous maritime boundary between India and Sri Lanka has been a **concern in terms of border security and the [smuggling](#) of goods, including [narcotics](#) and [illegal immigrants](#)**.
- **Tamil Ethnic Issue:** The **ethnic conflict in Sri Lanka**, particularly involving the Tamil minority, has been a sensitive topic in India-Sri Lanka relations. **India has historically been concerned about the welfare and rights of the Tamil community in Sri Lanka**.
- **China's Influence:** India has **expressed concerns about China's increasing economic and strategic influence on Sri Lanka**, including Chinese investments in infrastructure projects and the **development of the [Hambantota Port](#)**. This has sometimes been **viewed as a challenge to India's own interests in the region**.

Way Forward

- **Enhancing Economic Cooperation:** Both countries can work towards reducing trade imbalances and promoting greater economic cooperation. Identifying sectors with **complementary interests and fostering investments can lead to mutually beneficial outcomes**.
- **Balancing External Engagements:** While maintaining friendly ties with other countries is essential, **both India and Sri Lanka should ensure that their bilateral relations remain strong and are not unduly influenced by external powers**.
- **Strengthening Security Cooperation:** Collaborating on security matters and intelligence sharing can help address common threats and strengthen trust between the two nations.
- **Addressing the Tamil Ethnic Issue:** India can continue to engage with Sri Lanka to ensure the welfare and rights of the Tamil community are respected and protected. **Supporting efforts for**

ethnic reconciliation and devolution of power can be crucial to promoting stability and inclusivity in Sri Lanka.

- **People-to-People Connectivity:** Encouraging cultural exchanges, tourism, and educational ties can **foster greater people-to-people connectivity and understanding between the citizens of both countries.**

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q. Elephant Pass, sometimes seen in the news, is mentioned in the context of the affairs of which one of the following? (2009)

- (a) Bangladesh
- (b) India
- (c) Nepal
- (d) Sri Lanka

Ans: (d)

Mains

Q. In respect of India-Sri Lanka relations, discuss how domestic factors influence foreign policy. (2013)

Q. 'India is an age-old friend of Sri Lanka.' Discuss India's role in the recent crisis in Sri Lanka in the light of the preceding statement. (2022)

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