India has much to gain from Sri Lanka ties

By Srimal Fernando and Samarth Kavoori

India and Sri Lanka have enjoyed time-tested and friendly ties since the establishment of diplomatic relations 70 years ago. India’s historical and extensive relations with Sri Lanka attained new heights with the state visit of Indian Prime Minister Narendra Modi to Colombo on May 11 and 12, 2017.

Speaking at the opening ceremony of the 14th International Vesak Day Celebrations at Colombo’s Bandaranaike Memorial International Conference Hall in the presence of Sri Lankan President Maithripala Sirisena and Prime Minister Ranil Wickremesinghe, Modi said, “I believe we are at a moment of great opportunity in our ties with Sri Lanka. An opportunity to achieve a quantum jump in our partnership across different fields. And, for us, the most relevant benchmark for the success of our friendship is your progress and success”.

Modi’s second visit to Sri Lanka as prime minister ushered in a new era in bilateral ties. Cultural and economic diplomacy plays an important role in the foreign policy of both nations. India’s ‘neighbourhood first’ policy was meant to improve relations, connectivity and promote trade between India and its neighbours. This relationship between the two economies reached new levels when the India – Sri Lanka Free Trade Agreement (ISFTA) came into force. The ISFTA opened the path for increasing bilateral commercial flows between the neighbours. In 2000 bilateral trade between India and Sri Lanka was around US$ 658 million. By the end of 2016, the figure had risen to US$ 3.036 billion (Handbook on the India Sri Lanka Free Trade Agreement, 2013). In 2016, bilateral trade between India and Sri Lanka crossed US$4.3 billion, covering a wide range of economic sectors.

India also plays an important role in Sri Lanka’s tourism, one of the biggest foreign income earners for the Indian Ocean island nation. Approximately 350,000 Indian tourists visit Sri Lanka annually. This growth in tourism has bolstered air connectivity between the two nations. Offering frequent flights to a wide variety of destinations, Sri Lankan air, the national carrier, operates more than 126 flights weekly to 14 cities in India. For tourism purposes, both nations have simplified fast-track procedures for processing visa applications. Deep sea ports and maritime shipping links with increasing cargo volumes are seen as important focal points for the development of economic cooperation between the two nations. Colombo port is fast turning into a key transshipment hub in South Asia. Figures show that Colombo port handles more than 70 percent of transshipment containers of Indian origin (Asian Development Bank, 2016).

In recent years both nations deepened their economic cooperation through public private partnership initiatives. One such Public-Private Partnership initiative implemented in 2003 was the modernising of the Trincomalee oil tank storage facility and state-owned petrol stations. Today, Lanka India Oil Corporation (LIOC), a fully owned subsidiary of the Indian Oil Corporation (IOC), runs over 160 petrol stations and 14 tanks of the Trincomalee oil tank storage facility or the China Bay Installation in Sri Lanka (Lanka India Oil Corporation 2016).

Development aid, humanitarian assistance and bilateral loans or grants is an important part of India’s foreign policy. Reconstruction of the 252 km crippled northern railway track was done after 25 years with Indian support. India has given Sri Lanka development credit worth US $ 458 million in the form of grants. Foreign policy. Reconstruction of the 252 km crippled northern railway track was done after 25 years with Indian support. India has given Sri Lanka development credit worth US $ 458 million in the form of grants.

Sri Lanka has a growing and stable economy that is attractive to investors from across the world. Focusing on growth of avenues of investment will be the key. Since the end of the civil war, Sri Lanka has done wonderfully to ensure development of various key sectors, though they are still not mature and will take more time to grow. India has nothing to lose and more to gain with a strong Indo-Sri Lankan relationship.

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