

# ISAS Brief

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## Indo-Sri Lankan Relations: Moving Forward

*Over the last two years, there has been a flurry of high-level official visits between India and Sri Lanka. In February 2015, President Maithripala Sirisena of Sri Lanka visited India followed by Indian Prime Minister Narendra Modi who was in Sri Lanka in March 2015. Just recently, in May, Modi concluded a second visit to Sri Lanka, as did Sri Lanka's Prime Minister Ranil Wickremesinghe, who was in India in September 2015 and April 2017. In addition, there have been a number of ministerial meetings between the two sides.*

*In the wake of Modi's most recent trip to Sri Lanka, the paper examines the emphasis that is being given by both sides to their bilateral relationship. It also assesses the likely follow through on the much-awaited announcement of joint economic projects.*

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On the invitation of Sri Lankan President Maithripala Sirisena, Indian Prime Minister Narendra Modi was the Chief Guest at the International Vesak Day celebrations in Colombo in May 2017. The celebrations were being hosted for the first time by Sri Lanka. Recognised by the United Nations as an international day of commemoration, the 'Vesak' or Full Moon Day in the month of May marks the day that the Buddha was born, attained enlightenment and the death of Lord Buddha. This was Modi's first foreign trip in 2017, after an unusually long gap

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in his travel agenda, and his second visit to Sri Lanka in two years. His first trip in March 2015 was widely acknowledged to be a landmark, given that, since 1987, there had not been a standalone bilateral visit by an Indian Prime Minister to Sri Lanka. Further contributing to an effort to ‘normalise’ relations, was a visit to the northern Tamil stronghold of Jaffna, a first by an Indian prime minister. At that point, it was pronounced that relations would be taken to a higher level, initiating a ‘golden chapter’ in Indo-Lanka relations.

## **Friendship is in the Air**

Modi’s most recent visit from 12 to 14 May 2017 heavily projected and publicised the importance of shared heritage as basis for friendship and cooperation between Sri Lanka and India. At one level, religion took centre stage. Speaking at the opening ceremony of the International Vesak Day, Modi waxed eloquent about Lord Buddha and the deep philosophical and civilisational bonds between the two countries. In his speech, he announced the launch of direct Air India flights between Colombo and Varanasi, facilitating travel not only to key Buddhist sites of Sravasti, Kusinagar, Sankasa, Kaushambi and Sarnath, but also enabling “my Tamil brothers and sisters” to visit Varanasi, “the land of Kashi Viswanath.”<sup>2</sup> Varanasi is not only Hinduism’s holy city but also Modi’s parliamentary constituency in the northern State of Uttar Pradesh. Perhaps the reference in his speech was intended to reach both an audience in India and Sri Lanka that went beyond the geographical specificity of Tamils to a broader community of Hindus and Buddhists.

On the same day, Modi, once again, shared the stage with Sirisena and Prime Minister Ranil Wickremesinghe, when he addressed thousands of Tamils at a rally in the Central Province. Here, the focus was, once again, on a shared heritage, the Up-Country or Hill Country Tamils, whose Indian origins had, in the years following independence, been a point of contention over the issue of nationality and citizenship. In 2017, it was the community’s perseverance, resilience and hard work as plantation workers that were celebrated, along with their contribution to the global success story of Sri Lanka’s tea export industry.

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<sup>2</sup> <http://www.india.com/news/india/pm-modi-in-sri-lanka-full-text-of-prime-ministers-speech-2124974/>

The two-day visit did not result in any agreements or official pronouncements and was, thus, clearly a case of heavy investment in image building. While the visit was a celebration of shared culture and connections, the real test of friendship is yet to come when, and if, major expected announcements are made on economic cooperation. Widely anticipated is the case of developments related to the eastern port of Trincomalee.

## **The Case of Trincomalee**

Located in the northeast and formerly a British Naval Base, Trincomalee is considered to be one of the finest deep-sea harbours in the world. Connected with the harbour is the British-built ‘China Bay’ tank farm, an 850-acre tank farm with a facility of 99 storage tanks, each with a capacity of 12,000 kilolitres. This facility was described by Modi, during his March 2015 visit to Sri Lanka, as having great “geo political and strategic significance as it is the largest tank farm located between the Middle East and Singapore.” Already in 1987, in the exchange of letters between the Prime Minister of India and the President of Sri Lanka, part of the documents comprising the Indo-Lanka Accord, it had been stated that “The work of restoring and operating the Trincomalee oil tank farm will be undertaken as a joint venture between India and Sri Lanka.”<sup>3</sup> Till today, the issue of managing and investment in the oil facilities has remained a sticking point.

In 2003, the Indian Oil Corporation created a subsidiary, Lanka Indian Oil Corporation (IOC), and obtained a 35-year lease to develop the tank farm. This was considered a breakthrough agreement. However, only 15 of these tanks are currently operational despite India having paid the annual fees since 2003. A number of reasons have been cited for the lack of progress. At first, the ongoing civil war made operating on the ground difficult, especially as Trincomalee was located in an area of heavy fighting. Once the civil war came to an end in 2009, operationalising the lease got caught up in the domestic politics of both Sri Lanka and India. This came to the fore during the wrangling over the United States-sponsored United Nations resolution censuring Sri Lanka on its human rights record, which India ultimately supported in

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<sup>3</sup> Full text available: “India—Sri Lanka: Agreement to Establish Peace and Normalcy in Sri Lanka”, *International Legal Materials* Vol. 26, No. 5 (September 1987), pp. 1175-1185.

March 2013. In response, the Lankan government announced it would repossess some of the oil depot facilities.

With the formation of a national unity government at the centre in Sri Lanka in 2015 and following the 2014 election of Modi in India, there was a renewed sense of optimism and confidence over the possibility of pushing relations and negotiations forward. On 25 April 2017, Wickremesinghe, went on a five-day visit to India and a deal on Trincomalee was reported as being imminent. In response, the state-owned Ceylon Petroleum Corporation threatened an indefinite strike to protest “the handing over of a national asset”, and there was joint opposition, led by former president, Mahinda Rajapaksa, with other parties like the Janatha Vimukthi Peramuna (JVP) giving their support. The strike was called off but only once the government promised that, “no agreement will be signed regarding the China Bay oil tank farm in Trincomalee during the Sri Lankan Prime Minister’s India visit”.

Nonetheless, a comprehensive Memorandum of Understanding for Economic Cooperation was signed during Wickremesinghe’s visit, detailing an exact timeline for projects, including joint development of the Upper Tank Farm as well as port, petroleum refinery and other industries, and road and railway projects in Trincomalee and the surroundings. Furthermore, Lanka IOC is long established in Sri Lanka, and currently the only private oil company that operates retail petrol/diesel stations in Sri Lanka. It is ranked highly on the Colombo stock exchange and holds a market share of about 43.5 per cent.

## **Conclusion**

Political roadblocks will sporadically emerge and hold up big-ticket developmental projects in Sri Lanka. Of late, sentiments in the country have been mobilised against foreign investments in general, including those from China. Nonetheless, it is of utmost importance to India, especially in the shadow of China’s growing presence and influence in the region at large, and Sri Lanka per se, that projects on the ground take shape, show progress and deliver results.

Therefore, while the investment in feel-good relations is important for the governments on both sides, it needs to be followed through quickly with concrete action. Financing for the development of Trincomalee port itself has been secured and finalised. It will come, not from

India but from Japan, Sri Lanka's biggest donor during the civil war years. Japanese funding of one billion yen (approximately Rs 1.3 billion), along with two other major grants, has been promised as a non-project grant to the development of the Trincomalee port. The combination of Japanese funding and Indian commercial and business experience on the ground, could be a winning formula for Sri Lanka and India, taking their friendship forward and delivering benefits at the same time.

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