

# ISAS Brief

**No. 477 – 4 May 2017**

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## Are India and Sri Lanka Moving Closer?

*Sri Lanka seems to be making strong overtures to repair a historically fraught relationship with its neighbour India, which is increasingly concerned over China's rising influence in the Indian Ocean region. Recent developments signify progress in India-Sri Lanka relations in the economic and political spheres.*

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### Introduction

Sri Lanka's Prime Minister Ranil Wickremesinghe was in India from 25 to 29 April 2017 on a closely-watched "working visit" which was aimed at boosting political and economic cooperation between the two South Asian neighbours – the third high-level visit by a Sri Lankan leader, following his own and President Maithripala Sirisena's visits in the past two years.

During his five-day visit, Wickremesinghe was hosted to lunch by India's Prime Minister Narendra Modi. India's Minister of External Affairs Sushma Swaraj, Home Affairs Minister Rajnath Singh, and Road, Transport, Highways and Shipping Minister Nitish Gadkari called on the Sri Lankan leader. Opposition Congress Party President Sonia Gandhi and India's

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former Prime Minister Manmohan Singh also called on him.<sup>2</sup> A statement released by India's Ministry of External Affairs said the discussions provided both sides an opportunity to review the progress in implementation of various high-level exchanges in the past two years.<sup>3</sup> India reiterated its commitment to promoting prosperity in the neighbouring region. A Memorandum of Understanding (MoU) for 'Cooperation in Economic Projects' was signed "which outlines the agenda for bilateral economic cooperation in the foreseeable future. Both sides expressed their commitment to ensuring that this mutually beneficial agenda is expeditiously implemented."<sup>4</sup> They also expressed the hope for an early conclusion of the ongoing negotiations on the Economic and Technology Cooperation Agreement.

Key among the points of discussions that took place in Delhi on this occasion was a long dormant Sri Lankan proposal for the development of the Trincomalee area – a strategically located port in the east of Sri Lanka – as a regional hydrocarbon hub in the Bay of Bengal and the eastern Indian Ocean. The development includes the construction of a new LNG terminal and the renewal of the Second World War-era oil tank farms in Trincomalee in partnership with India. These ideas fit India's geopolitical interests well, given its massive consumption of hydrocarbons and Sri Lanka's key location atop the Indian Ocean sea lines.

## **Closer Ties**

Yet, these talks took place against a cloud of uncertainty and proved that, in Sri Lanka, historical resistance to economic cooperation with India remains entrenched. As for the development of the Trincomalee oil farms, workers of the Ceylon Petroleum Corporation (CPC) went on strike, protesting against the plan for a MoU, amidst perceptions that a deal would be a threat to Sri Lanka's national interest. Sri Lanka Public Enterprise Development Minister Kabir Hashim recently went on record to assure that the government had no plans to hand over the Trincomalee harbour or the oil tank farm to India, and that it would be a joint venture between the two governments.<sup>5</sup> The strike, which temporarily hit oil supplies in Sri

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<sup>2</sup> "Ranil meets Modi; Lanka, India sign MOU for cooperation", *The Island*, 26 April 2017.

<sup>3</sup> Ministry of External Affairs, Government of India. (26 April 2017). Working visit of Prime Minister of Sri Lanka to India. Retrieved from Ministry of External Affairs, Government of India: [http://www.mea.gov.in/pressreleases.htm?dtl/28418/Working\\_visit\\_of\\_Prime\\_Minister\\_of\\_Sri\\_Lanka\\_to\\_India](http://www.mea.gov.in/pressreleases.htm?dtl/28418/Working_visit_of_Prime_Minister_of_Sri_Lanka_to_India). Accessed on 3 May 2017.

<sup>4</sup> Ibid.

<sup>5</sup> 'Trinco oil tank farm a joint venture with India,' *Daily News*, 25 April 2017.

Lanka, created panic and chaos at petrol pumps around the country as well as massive traffic jams in the capital city of Colombo.

On a positive note, the signing of the MoU is significant in a long saga that began with the 1987 India-Sri Lanka Accord. In 2003, the Indian Oil Corporation incorporated a Sri Lanka subsidiary, which, under an agreement with the Sri Lankan government and the CPC, obtained a 35-year lease to develop the 850-acre tank farm, a facility built by the British before the Second World War. Yet, time and again, progress on the deal stalled, and it was virtually dead in the water during the tenure of the previous government of Mahinda Rajapakse, when relations between Sri Lanka and India were more strained. The bilateral ties seem to have improved since 2015, with the election of President Sirisena, who, along with Wickremesinghe, has worked hard to restore bilateral relations between the historical neighbours.<sup>6</sup>

Wickremesinghe's visit took place ahead of a visit by Prime Minister Modi to Sri Lanka to participate in the celebrations marking the United Nations' Vesak Day, considered the most important festival in the Buddhist calendar. Modi is expected to go to Colombo on 12 May 2017, and after attending the Vesak Day celebrations – which commemorates Lord Buddha's birth, enlightenment and passing away – travel to Dickoya in Nuwara Eliya district in Sri Lanka's Central Province, where the Indian leader is expected to inaugurate a hospital for the welfare of Tamils of Indian origin. This will be Modi's second visit to Sri Lanka; the first being in May 2015.

## **The China Factor**

The port agreement is expected to be signed during Modi's visit to Colombo this month. It is being seen as Sri Lanka's balancer with India to the rising perceptions of overt Chinese influence in the island. China is involved in a breath-taking number of infrastructure projects in the country – after building a new port in the strategically located Hambantota, the Chinese are also involved in the development of the Colombo port, where it is building an offshore “port city”. In this vein, New Delhi's interests in Trincomalee, while likely to be more modest

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<sup>6</sup> Asian Development Bank, “Deepening Economic Cooperation between India and Sri Lanka”. Available at [https://www.ris.org.in/sites/default/files/pdf/deepening-economic-cooperation-india-sri-lanka%20\(1\).pdf](https://www.ris.org.in/sites/default/files/pdf/deepening-economic-cooperation-india-sri-lanka%20(1).pdf). Accessed on 1 May 2017.

in scale, are seen as a means to counterbalance the hefty investments coming into Sri Lanka from China and preserving for India a key gateway to the Indian Ocean. China is expanding both militarily and economically in the region, and its submarines have docked previously in Colombo, a move which alarmed New Delhi about Beijing's widening influence in its neighbourhood

If India's investments do materialise, the Trincomalee port, South Asia's deepest natural harbour, could become a hub for Indian navy ships to cross from ports on India's west coast in the Arabian Sea to those on the east coast in the Bay of Bengal. Yet, India's regional strategic considerations are dwarfed in scale by China's ambitious plans in Sri Lanka and beyond. China has been heavily involved in constructing and repairing port facilities along coastlines from Pakistan to Sri Lanka and Myanmar that provide passage to the Indian Ocean. That strategy has been described as China's "pearl necklace" because a string of seaports is being developed around India.<sup>7</sup> For example, a Chinese company has invested heavily in Gwadar, a port in Pakistan that serves as a gateway to the China-Pakistan Economic Corridor. While Colombo has assured India that Hambantota will be used only for commercial activity, its potential use as a naval base worries New Delhi.

## Conclusion

While it appears that China's shadow looms large over Sri Lanka, there also seems to be scope for closer India-Sri Lanka relations. Sri Lanka remains mired under the weight of the billions of dollars in debts owed to Beijing as a result of the massive infrastructure deals signed with China by the former government of Rajapakse. The current government is trying to move away from the heavy dependence on Beijing for foreign investment as seen by the recent visit to Tokyo by Prime Minister Wickremesinghe, who sought Japanese investment for the Colombo and Trincomalee ports. With Prime Minister Modi due to visit Sri Lanka this month, soon after the working visit to India by Wickremesinghe, these back-to-back bilateral meetings could be indicative of a renewed effort to chart a new course in relations between the two countries.

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<sup>7</sup> 'MEETHOTAMULLA A lesson learnt too late,' *The Nation*, 22 April 2017.