

## India and Sri Lanka: Changing Dynamics in the Indian Ocean Region



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# **CPPR POLICY BRIEF**

**Prepared by  
CPPR- Centre for Strategic Studies**

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### **Introduction**

The Indian Ocean Region is one of the most strategically important areas for trade, security and diplomacy. When it comes to the economic importance of the Indian Ocean, approximately 30% of world trade is handled in the ports of the Indian Ocean. And of the most strategically located nations in the Indian Ocean Region is Sri Lanka. Located at the focal points of the global sea and air routes, traversing the Indian Ocean, Sri Lanka is a centre of attention. As a result of this, Sri Lanka has begun to increasingly feature in discussions on the Indo-Pacific geopolitical and geostrategic domain of major powers. As a nation, Sri Lanka occupies a strategic location across the Indian Ocean lines of communication.

Sri Lanka plays an essential role in the Indo-Pacific region in terms of surveillance of maritime space due to its strategic location. The slightest disturbance in the shipping lanes which pass through the southern tip of Sri Lanka can cause a considerable impact on international maritime trade and regional stability. The changing nature of the Indo-Pacific maritime theatre inevitably promotes the importance of Sri Lanka as a critical player in ensuring maritime security in the region. Sri Lanka being India's southern neighbour holds much prominence for India's political, economic, social, cultural and security interests. Both countries share a long and historic relationship.

India and Sri Lanka are now led by 'strong' leaders from parties that have a very comfortable majority on their own. Sri Lanka and India play a vital role in the regional geostrategic framework in South Asia and most importantly in the stability of the Indian Ocean Region. With rising Chinese influence in the Indian Ocean Region in general and Sri Lanka in particular, India needs to reset its ties with its neighbour and should leverage on the historical ties between the two countries.

### **Policy Recommendations to improve India - Sri Lanka relations in the context of new government formation in Colombo in 2020.**

1. The new government in Sri Lanka had announced implementation of constitutional reforms by abolishing the 19th Amendment, for which the draft bill for the 20th Amendment has been tabled in the Sri Lankan parliament. And talks are underway to create a new constitutional structure that will significantly increase the powers of the Executive Presidency of Sri Lanka, while diluting the powers of the Prime Minister, Parliament and independent Commissions.
  - a. India should wait and watch, and understand how the proposed 20th Amendment that seeks to abolish the 19th Amendment is being viewed by the opposition parties and the public in Sri Lanka.

- b. India needs to tread carefully without compromising its own interests in the larger Indian Ocean Region and should not get drawn into the internal political processes.
2. There are talks that the current Sri Lankan government wants to also repeal the 13th Amendment of the Sri Lankan constitution that had provisions for elected provincial councils across Sri Lanka including for areas with a Tamil majority. Though the 13th Amendment cannot be repealed without India's involvement which is party to it, India should develop a plan if the Government of Sri Lanka moves ahead with that.
  - a. India should build relations with Sri Lanka and enhance its ties in various sectors of the economy and society and not be confined to just focusing on the Tamil issue.
3. India should not get in between Sri Lanka and China even in the wake of increasing Chinese dominance in economic and development projects in Sri Lanka.
  - a. India should look for sectors and areas where India has a global advantage and expertise that would add value to indigenous, and small and medium Sri Lankan businesses and entrepreneurs and enhance the prospects of joint ventures between Sri Lankan and Indian firms. The sectors or areas which should be considered on priority are the IT sector, dairy and pharmaceuticals.
  - b. India can help build the infrastructure required for these sectors.
4. India and Sri Lanka have a legacy of intellectual, cultural and linguistic interactions that is more than 2500 years old. Sri Lanka has long been a priority destination for direct investment from India. India is one of the largest investors in Sri Lanka with cumulative investments of around USD 1.239 billion. The investment in diverse areas including petroleum retail, IT, financial services, real estate, telecommunication, hospitality and tourism etc.
  - a. India should further capitalize on that and with groupings such as BIMSTEC and SAARC would help in achieving that.
5. India should improve people to people connect with Sri Lanka. Given the proximity and sharing of the territorial waters, especially in the Palk Straits and Gulf of Mannar, incidents of fishermen straying into each other's waters have now become common.
  - a. An institutional mechanism should be in place to resolve these outstanding issues at the local level without getting the respective Central governments and agencies of both countries getting involved. This will boost confidence among the people and will lead to building of trust between the two nations.
6. Sri Lanka has become strategically important for not just its neighbours, India and China, but also for the US, Japan and Australia, as they give shape to the crucial Indo-Pacific strategy. It is critically important to maintain a robust and mutually beneficial political, strategic and economic bilateral relationship with Sri Lanka, keeping in perspective the growing Chinese influence there.
  - a. India should expedite some of the key projects, such as development of the Kankesanthurai (KKS) harbour in northern Sri Lanka, for which a line of credit (LOC) worth \$45 million has already been granted by New Delhi. This will help in countering Chinese led investments in the region which are seen by Sri Lanka as more prompt and steady.
7. India should encourage its entrepreneurs to make Colombo a business hub for them, as logistical capacities and facilities for rest and recreation thus improving its relation with Sri Lanka.
8. India should push for integrating the two economies with special and differential treatment for Sri Lanka due to economic asymmetries.

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### **Prepared by CPPR-Centre for Strategic Studies**

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