



Indo – Lanka Relations: Going forward by touching base with the past

President Sirisena's meeting with Prime Minister Modi, in Delhi, this week offers an opportunity to reset bilateral relations to achieve the declared goal of 'irreversible excellence'. This important visit affords an opportunity to look back at the Joint Statement which was issued after Prime Minister Ranil Wickramasinghe's discussion with the then Prime Minister of India, Atal Bihari Vajpayee, in October 2003. Many of the elements of that Joint Statement are relevant even today.

- **The two Prime Ministers took a decision to go beyond the Free Trade Agreement (FTA) and to work towards a Comprehensive Economic Partnership Agreement (CEPA).** They concluded that it would enable the two countries to reap early benefits from freer trade in goods and services; and enhanced investment and economic cooperation. Sadly, the CEPA has still not been signed. This may be attributed to the lack of appreciation of how negative lists and safeguards can be utilized to address large asymmetries in the economies of potential partner countries. It also does not take into account the principle of non-reciprocity which India has adopted in its approach to bilateral economic arrangements with Sri Lanka and other countries in South Asia. There is a strong case to make up for lost time and to press ahead with deepening the FTA and agree upon a preferential arrangement also covering services and investment. This would also contribute towards creating an investment framework which would attract FDI from India which can serve to create the competitive supplies needed to take advantage not only of the preferential trade agreement with India but also the expected FTA with China.
- **It was agreed that lines of credit for infrastructure projects should be discussed further.** With the headroom for commercial borrowing being constrained and access to ODI being no longer possible due to Sri Lanka's lower-middle-income country status, even today such lines of credit can catalyse private flows for infrastructure projects, including PPPs and BOTs.
- **On the fisheries issue, the two Prime Ministers agreed on the need to undertake enhanced surveillance to minimise incursions, institutionalise assistance for salvage operations of released vessels, pay attention to ecological and conservation aspects and consider licensed fishing with a bilateral MOU on fisheries.** This issue is expected to feature prominently in the discussions between President Sirisena and Prime Minister Modi. The considerations set out in the 2003 Joint Statement still offer a useful framework for moving forward on this contentious issue.

- **The two Prime Ministers expressed their satisfaction at increased civil aviation links.** At one point, Sri Lankan airlines had the highest number of landings in India of any foreign carrier. It has now slipped back. Priority should now be attached to expanding air links as a means of supporting both increased business activity and tourism. Improved connectivity is an important means for Sri Lanka to take advantage to its proximity to a market of 1.2 billion people, with an increasing middle class.
- **Prime Minister Wickramasinghe proposed the commencement of a ferry service linking Colombo with Kochi (Kerala).** This would strengthen connectivity as would the reopening of the Mannar/Rameswaran ferry and direct air links between Palali and some Indian destinations.
- **The two Prime Ministers discussed the ongoing cooperation in training and supply of equipment to the Sri Lanka defence forces. They also agreed that the two sides would commence discussion on a Defence Cooperation Agreement.** The scope for increased training should be explored now as could the feasibility of a Defence Cooperation Agreement.
- **On the ethnic issue, India supported a settlement acceptable to all sides of Sri Lankan society within the framework of a united Sri Lanka and consistent with democracy, pluralism and respect for individual rights. The Joint Statement also indicates that India believed that an enduring solution had to emerge purely through internal political processes.** The current efforts being undertaken by the Sri Lankan governments can be well supported by such an Indian approach, which is not overly-influenced by internal Tamil Nadu political dynamics.

At that time, there was also discussion of a land bridge linking Sri Lanka and India. Increasing connectivity throughout the Asian region is currently receiving a great deal of attention as a means of generating growth throughout the continent. Hence, this is another matter which can be explored.

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