



ENHANCING CONNECTIVITY BETWEEN INDIA AND SRI LANKA

Indo-Lanka Connectivity Conference: Outcome Document

**April 28, 2017
Colombo, Sri Lanka**

**Organized by the Pathfinder Foundation in cooperation with Carnegie India
Sponsored by the Royal Norwegian Embassy**

INDIA-LANKA CONNECTIVITY CONFERENCE: OUTCOME DOCUMENT

Colombo, 28TH April 2017

1. Introduction

The 'Centre for Indo-Lanka Initiatives' of the Pathfinder Foundation, in partnership with the New Delhi-based Carnegie India and the Vivekananda International Foundation, conducted a conference aimed at enhancing connectivity between India and Sri Lanka on April 28 in Colombo, Sri Lanka. The one-day conference was well attended with participation of leading academics, professionals and subject matter experts from India and Sri Lanka, who made presentations and discussed benefits of connectivity to both countries. Representatives of several Sri Lanka-based think tanks also participated in the conference.

The Indian scholars who made presentations included Dr. C. Raja Mohan, Director, Carnegie India; former Indian Ambassador D. P. Srivastava representing the Vivekananda International Foundation; Dr. Nalin Mehta, Senior Fellow, India Development Foundation, and Ms. Darshana M. Baruah, Research Analyst, Carnegie India. The Sri Lankan participants included Bernard Goonetilleke, Chairman, Pathfinder Foundation; Admiral Dr. Jayanath Colombage, Director, Centre for Indo-Lanka Initiatives; Professor Rohan Samarajiva, Founder Chair, Lirneasia; Dr Suranga Silva, Senior Lecturer in Tourism Development, University of Colombo; Mr. S. Kalaiselvam, former Director General, Tourism Development Authority of Sri Lanka; Captain Suren Ratwatte, Chief Executive Officer, Sri Lankan Airlines; Mr Damitha Kumarasinghe, Director General, Public Utilities Commission of Sri Lanka, and Mr Rohan Masakorala, Chief Executive Officer, Shippers' Academy, Colombo.

In addition, representatives of the Institute of Policy Studies, Lakshman Kadiragamar Institute of International Relations and Strategic Studies, Bandaranaike Centre for International Studies, Institute of National Security Studies of Sri Lanka, Verité Research, and the Ceylon Chamber of Commerce participated in the proceedings. Colombo -based Deputy Heads of Missions of Norway, India, and their representatives also attended the conference.

2. Objective

The objective of the project was to focus on an in-depth discussion on three broad themes. First, connectivity in the past and present status of relations; second, assessing obstacles hindering connectivity and exploring ways to overcome them; and third, identifying new possibilities for enhancing bilateral relations.

3. Agenda

The agenda of the conference was designed to focus on the following sub-themes:

- (i) Promoting religious tourism to strengthen people to people relations.
- (ii) Strengthening Multi-modal sea and air links and two-way power grid connection between Sri Lanka and peninsular India to enhance connectivity.
- (iii) Encouraging energy security through the storage of hydrocarbons and the development of industries in and around the Trincomalee harbour.
- (iv) Developing options for coastal shipping within the Bay of Bengal.

4. Papers Presented

The following topics were discussed at the conference:

- a. Developing the Ramayana, Murugan, and Buddhist Trails to Promote Religious Tourism**
 - i.** Dr. Suranga Silva, Senior Lecturer in Tourism Development, University of Colombo
 - ii.** Mr. S. Kalaiselvam, Former Director General, Tourism Development Authority of Sri Lanka
 - iii.** Dr. C. Raja Mohan, Director, Carnegie India

- b. Connectivity: Transport and Power**
 - i.** Professor Rohan Samarajiva, Founder Chair, Lirneasia
 - ii.** Captain Suren Ratwatte, Chief Executive Officer, Sri Lankan Airline
 - iii.** Dr. Nalin Mehta, Senior Fellow, India Development Foundation

- c. Energy Security through Storage of Hydrocarbons for development of industries**
 - i.** Mr. Damitha Kumarasinghe, Director General, Public Utilities Commission of Sri Lanka
 - ii.** Ambassador D. P. Srivastava, Distinguished Fellow, Vivekananda International Foundation, India.

- d. Coastal Shipping in the Bay of Bengal Framework**
 - i.** Mr. Rohan Masakorala, Chief Executive Officer, Shipper's Academy, Colombo
 - ii.** Ambassador Bernard Goonetilleke, Chairman, The Pathfinder Foundation
 - iii.** Ms. Darshana M. Baruah, Research Analyst, Carnegie India

5. Discussion and Open Forum

Each session was followed by comments and observations by the panel of speakers as well as the participants. There was time allotted for comments by country representatives, followed by an open forum to encourage participants to share their views and present comments on the papers presented.

6. Proposals for follow-up action

The following issues and proposals emerged at the conference:

I. Strengthening Indo-Sri Lanka religious tourism and developing Buddhist, Ramayana, and Murugan trails to promote close relations between both nations.

Participants observed that large population centres in India such as Chennai, Mumbai, New Delhi, and Kolkata, are approximately three hours away by air from Colombo. . In 2016, Indian tourists accounted for nearly seventeen percent of the total visitors to Sri Lanka, while over 300,000 Sri Lankans visited India the same year, making Sri Lanka the fourth largest source country.

India remains the largest tourism generating market for Sri Lanka. Approximately 63% of Indian tourists visit the island for pleasure, 20% for business, and only 4% for religious and cultural purposes. Participants suggested that that the last group has the potential to grow exponentially, given the extensive religious affinities across the Palk Strait.

Hinduism and Buddhism originated in the Indian subcontinent and both countries have significant places of worship associated with these two religions. Therefore, these three trails have high potential to be promoted in India as well as Sri Lanka. The Ramayana trail is fairly known in India, particularly in the state of Uttar Pradesh through the promotional efforts of the Sri Lanka Tourism Development Authority (SLTDA).

Similar efforts should be undertaken by the SLTDA to promote pilgrimages to popular Murugan temples in the island, particularly among South Indian Hindus. Examples of these include the Kataragama (Kathirkamam) temple complex dedicated to Skanda Kumara, venerated by South Indian and Sri Lankan Hindus as well as Buddhists; Nallur Kandaswamy Kovil in Jaffna, and the Kataragama Temple in Kandy. Promoting Murugan temple worship would also draw more South Indian visitors to the island, and contribute to better understanding among South Indians and Sri Lankans through religious and cultural linkages.

Sri Lankan Buddhists visit places of worship in north India in large numbers, while Hindu devotees in Sri Lanka visit numerous places of worship in South India, including the Tirupathi Temple in Andhra Pradesh. Promoting religious sites venerated by both Buddhists as well as Hindus in the two countries would deepen awareness of the common heritage shared by believers of both faiths.

II. Connectivity: Air Transportation

Air Connectivity

Air transport is of critical importance to 21st century economies. This is especially true

for Sri Lanka, where almost all international travel occurs by air. Air transport is a prerequisite for citizens traveling to and from the island for business or for pleasure.

It is also critical for the development of the tourist industry. This would be the case even after cruise ship and ferry connections develop in the future.

Air passenger services are also important in the context of global production networks (GPN), which requires GPN managers to visit locations at short notice with minimal time expenditure.

Airline connections and-transfers between airports and production locations must be of adequate quality and efficiency in terms of time and convenience. Air freight services are different from maritime freight services as for the most part; air freight services are offered along with air passenger services.

There exists a complementarity between tourism and high-value agricultural and manufacturing exports, which depend on rapid transportation, preferably via direct routes, to markets. This requires air transportation in the holds of regular scheduled passenger aircraft rather than in dedicated cargo aircraft.

The Colombo airport has certain advantages deriving from decisions taken in the 1980s. The new Mattala International Airport suffers from location disadvantages, but is perhaps the only fully liberalized airport in the region. However, it may have a future as a dedicated international airfreight hub.

There may be possibilities for increasing passenger and freight movements between India and Sri Lanka through reforms in air travel, visa and customs policies. Constructing and upgrading domestic airports as regional airports such as those in Jaffna and Trincomalee will help the tourist and freight industries.

It is possible that there has not been enough time for liberalized Indian visa procedures to have an effect, especially in the absence of major marketing

campaigns in either country. A significant increase in air passenger and air freight services between the two countries is likely to be realized only if the frame of analysis is broadened beyond India and Sri Lanka to the larger Bay of Bengal region and beyond, home to more than 1.8 billion people.

Sri Lankan Airline has historically been the largest carrier between Sri Lanka and India, carrying 77% of the total seats between the two countries. It is set to be the largest foreign airline in India by cities served. Colombo is the sixth-largest connecting point for all South India bound passengers worldwide, and serves 16 destinations, with 3 more to be added in 2017. It is noteworthy that southern Indian cities such as Chennai, Trivandrum, Bangalore, Trichy, Kochi etc. are less than one hour distance by air from Colombo and closer than Mumbai, thereby making Colombo an ideal hub for transiting to other destinations.

Consequently, there is significant potential for growth. This is likely to be hastened if a visa-free access agreement between the two countries is implemented. There is justification to consider new connections beyond India to the Bay of Bengal region to make the national airline a true regional airline.

Pre-clearance is the process of clearing passengers bound to a certain destination at a designated transit point of their journey. The U.S. does this in several pre-clearance locations worldwide. Sri Lanka could serve as an ideal pre-clearance location for India-bound passengers, given that India's travel flows will likely triple in the next 20 years.

Pre-clearance arrangement will eliminate lengthy immigration and customs delays for the passengers upon arrival in India and could make Sri Lanka an attractive transit point for India-bound passengers. It would also help India better protect its borders by instituting an extra layer of security. The proposed Terminal 2 project at Colombo Bandaranaike International Airport could be used for this purpose. Eventually, a similar arrangement could be thought of, where popular Indian airports could be used to ease outward travel to Colombo.

III. Energy Security

The South Asian Association for Regional Cooperation (SAARC) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) combined represent 25% of the global population but accounts for mere 10.5% of the global economy. While natural gas is available in the region, almost all fossil fuel requirements are imported.

In relation to electricity, most countries in the region adopt single-buyer models for power generation and consumption, while wholesale markets exist in India. The Asian Development Bank has a proposal for a South Asia Regional Power Exchange. Already, India is connected in terms of electricity to Nepal, Bangladesh and Bhutan. However, Sri Lanka has no such connectivity. A high-voltage, direct current undersea transmission cable was envisaged in the early 2000s, and a pre-feasibility was conducted between 2002 and 2006 for a 500 MW line (upgradable to 1000MW). An agreement was signed between Power Grid Corporation India and Ceylon Electricity Board to undertake a feasibility study for connecting Madurai with Anuradhapura with a 50-kilometer-long undersea cable. If a project of this nature is to be pursued, Sri Lanka will benefit by purchasing power during peak hours at attractive rates and both sides would accrue savings by spinning reserve production on both sides.

Trincomalee, with its massive oil tank farm complex capable of storing more than 1,200,000 metric tonnes, could be converted into an oil storage hub for the Bay of Bengal region. To maximise benefits, the storage facility should be complemented with a refinery to produce petrol, diesel kerosene, and facilities to handle by-products. Industrial development in the Trincomalee area would create a demand for the generation of electricity, and in turn justify setting up power plants and realizing grid connectivity with India.

IV. Enhancing Connectivity Between India and Sri Lanka

(a) Coastal Shipping

With a population of over two billion, the BIMSTEC region will benefit from greater connectivity through land, sea, and air. This will require handling trade through multiple logistics corridors efficiently, which will be a challenge and a priority for all South Asian nations in the coming years.

There is considerable potential for a robust coastal shipping service connecting minor and major ports in the Bay of Bengal region, especially those on the east coast of India and Bangladesh. Such a service would facilitate small and medium-size businesses and benefit coastal economies of the region. The governments of the littoral states should introduce necessary conditions such as introducing/amending legal and regulatory frameworks for the private sector to invest in coastal shipping.

Currently two-thirds of the Bay of Bengal's containerised cargo moves through the Far-East, while a third goes through the Port of Colombo. Direct container shipping

to India's east coast are rather low, as the volume generated from each port is much less than that from the west coast of India.

Colombo plays a key role as the leading hub of South Asia for containerised cargo. If the port of Trincomalee is gradually developed, it could be transformed into a node for container transshipment to the Bay of Bengal region and a major service port linked to the ports of Colombo. Forecasts for the region predict, at a minimum, a doubling of the cargo handled in all major ports of South Asia by 2030. These volumes will certainly grow from the Bay of Bengal and the BIMSTEC countries. Therefore, the maritime connectivity will be a crucial factor for trade growth in this region.

Developing the coastal shipping network and related infrastructure must be done with careful planning and ensure that it makes economic sense for a ship to call on multiple ports on a voyage. Such ports must be connected to the hinterland and land-locked countries in South Asia through effective road and rail connectivity. Inland dry ports should in turn connect to main arteries of shipping locations, where in-bound and out-bound cargo volumes generate. The Bay of Bengal region currently may not provide a business case for major coastal shipping activity for international containerised trade. However, coastal shipping may be developed to facilitate bulk and smaller ocean crafts for intra-regional bulk trade and people movement.

Undertaking unplanned port development and capacity or fleet expansions without looking at the greater requirements and the market could result in costly errors. As such, the coastal shipping industry should be studied carefully, and the economic benefits and risks of this business should be analysed with proper models.

The fact remains that expanding the capacity of Sri Lankan ports will help the country offer both east coast and west coast connectivity through its proximity to the major

east-west and north-south navigation routes, where the mainline operators would be deploying mega carriers. Sri Lanka needs to upgrade facilities at the port of Trincomalee, as it is currently underdeveloped and underutilized, to be marketed for servicing the Bay of Bengal maritime and ocean services. Providing a direct rail connection between Trincomalee and Colombo with a fast-dual line service would help ensure the rapid movement of cargo from the west coast of the island to the east coast and back. The demand for joint ventures and public-private partnerships is likely to grow if a master plan is outlined and investors are given the opportunities to make Trincomalee a maritime hub in the Bay of Bengal region.

(b) Passenger and Cargo Ferry Services

For connectivity with the outside world, Sri Lanka is completely dependent on air services. The steamer service between Tuticorin in India, which started in 1898 and ended in 1949, and the rail and ferry connection between Rameshwaram in India and Talaimannar in Sri Lanka, which started in 1914 and ended in the 1980s, demonstrates that there is a great demand for ferry services to carry passengers and cargo. India has contributed generously to reconstruct the railway line from Medawachchiya to Talaimannar. In 2015, the Indian Prime Minister Narendra Modi inaugurated the train service up to Talaimannar as the first step towards recommencing the now-defunct ferry service to Rameshwaram.

A SAARC proposal to commence a ferry service covering Colombo, Kochi, and the Maldives was floated and ADB support was sought for a feasibility study which is yet to be completed.

A Memorandum of Understanding was signed between the two sides for a ferry service between Tuticorin and Colombo ports in 2011 but the service was short-lived. While there is a fresh attempt to revive the service, the Rameshwaram-Talaimannar rail and ferry connection is currently in limbo due to political considerations.

If both services could be restarted against in the backdrop of the recent increase in trade and travel flows, there is room for expansion of connectivity.

Such a step would enable many Sri Lankan Buddhists, who travel to India on pilgrimage and Indians, who visit the island following the Ramayana Trail to visit the two countries. Given the peaceful environment in the island, South Indian Hindus could be encouraged to visit popular Murugan temples in Sri Lanka, contributing to people to people interaction between India and Sri Lanka. in general, and linking the southern states of India, including Tamil Nadu with Sri Lanka.

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