



## **Sri Lankan Prime Minister's Visit to India (22nd to 24th November 2017): Issues Discussed during the Visit**

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The Sri Lankan Prime Minister Mr. Ranil Wickramasinghe was in India from 22<sup>nd</sup> to 24<sup>th</sup> November 2017 on a working visit. During the visit he attended the inaugural session of the 5<sup>th</sup> Global Conference on Cyber Space: 2017, met the Indian Prime minister, the President of India, External Affairs Minister of India and leader of opposition Mrs. Sonia Gandhi. According to the Ministry of Foreign Affairs of Sri Lanka, during the meeting 'both the leaders reviewed the progress of projects that have been agreed upon and agreed on a need for acceleration of projects'. Another issue discussed is the proposed agreements between the two countries on economic and technical cooperation and Indian Ocean related projects. The visit also enabled both the countries to discuss various challenges in implementation of development projects.

The bilateral visits which took place between Sri Lanka and India under the National Unity Government (NUG) of Sri Lanka which came to power in 2015, always stressed upon the 'need for economic cooperation for economic advancement of both the countries'.<sup>2</sup> In particular, the Sri Lankan Government showed keen interest in Indian involvement in development projects and investments which can address the needs of the economy, affected by nearly thirty years of conflict and war. In this context the view point will discuss briefly the issues which came up in discussions during the visit.

### **Indian Ocean Related Projects**

India and Sri Lanka are interested in developing two important projects through joint ventures such as the Mattala Airport and the Trincomalee Oil Tank Farm. The recent domestic developments indicate that there is a considerable opposition and apprehensions about the Indian involvement in development projects of Sri Lanka or against India-Sri Lanka proposed joint ventures from opposition parties and from some quarters/interest groups within Sri Lanka.

The opposition coalition such as Joint Opposition (JO) held a protest in front of the India embassy in Sri Lanka in October against the proposal by India for joint development of the Mattala Mahinda Rajapaksa International Airport (MRIA) in Hambantota. The proposal mentions that 'India will hold seventy percent of the equity for forty years and will invest \$205 million and Sri Lanka would invest \$ 88 million'<sup>3</sup>. Opposition to the development of airport in Matala is led by former president Rajapaksa, in whose tenure in 2010 the airport was built with the help of loan from China's Exim Bank with a cost of \$ 190 million. The present government could not operate the airport due to operational costs and decided to run the airport through private-public partnership.

The airport is situated in Hambantota. In July 2017, the Sri Lankan cabinet signed an agreement 'with China Merchant Port Holding (CMPort) Company to sell a 70 percent stake in the Hambantota Port for USD 1.1 billion. This will be accompanied by a USD 5 billion Chinese funded Industrial Zone. The Joint Venture Company formed between the China Merchant Port Holding (CMPort) Company and the Sri Lanka Ports Authority (SLPA) will officially take over operations of the Hambantota Port on December 8 and Sri Lanka would receive, USD 430 million at the time of taking over with the balance to be paid six months later' <sup>4</sup>. The Mattala Airport which India is intended to develop is located close to the strategically important Hambantota port near Indian Ocean. The Hambantota Port is an important project for China and part of China's Belt and Road Initiative and China got a lease of 99 years to run the port. The government of Sri Lanka assured India that the port will not be used for military and defence purposes. The JO also staged protests against the deal with China led by Mahinda Rajapaksa in whose term the deal was finalised.

The opposition in the past also mobilised public against Indian involvement in the development of Trincomalee Oil Tank Farm through a joint venture between Lanka India Oil Corporation (LIOC) and Ceylon Petroleum Corporation (CPC). The government of India acquired the rights to develop the oil tank farm in China Bay and operate 99 tanks in the vicinity in 2003 on a thirty five years lease as part of MoU between the IOC, CPC and the Sri Lanka government. The MoU could not be implemented in totality due to opposition from various political parties and due to apprehensions raised by trade unions. The trade unions of CPC led a strike against the deal in April 2017 and are consistently trying to put pressure on the Government to withdraw the deal with India along with the JO leadership. In the May day rally organised in 2017 by the JO in Galle, Sri Lanka, Rajapaska said that, "proposed deal with India to jointly operate a strategic oil facility is a "betrayal" of Sri Lanka's national asset"<sup>5</sup>.

Against the opposition to Indian involvement in joint ventures, the Sri Lankan Prime Minister Ranil Wickramasnghe insisted that "there is no move to give the Trincomalee harbour to India and other countries are only invited to develop the harbour".<sup>6</sup>

### ***Economic and Technical Cooperation Agreement (ETCA)***

Another issue is the signing of ETCA between India and Sri Lanka. The talks between India and Sri Lanka began in 2016 and both the countries are in the process of finalising the agreement as it proposed to expand trade in goods to services and to investments. During the visit both the

countries have agreed that “the economic and technical cooperation should be based on the guidelines of the existing bilateral framework”. India Sri Lanka Free Trade Agreement (ISFTA) was signed in 1998 and came in to operation in 2000. To further the economic cooperation both the governments have decided in 2002 to ‘explore possibilities for more cooperation through Comprehensive Economic Partnership Agreement (CEPA) that can go beyond trade in goods towards greater integration and impart renewed impetus and synergy to bilateral economic interaction’.<sup>7</sup> To conclude the CEPA proposal around thirteen negotiations held during the tenure of Rajapaska (2005-2015) between the two governments’ but they were not fruitful. In this context the NUG of Sri Lanka expressed interests in concluding an ETCA with India. The PM Ranil’s economic statement in Parliament in October 2016 mentioned the need for ETCA with India by stating that, ‘it will create newer markets for Sri Lanka’s exports’.<sup>8</sup>

Similar protests were witnessed in Sri Lanka against the proposed ETCA agreement by the JO, on grounds that it is detrimental to Sri Lanka’s ‘national interests’. Along with JO, Information Technology (IT) professional groups have also expressed opposition to the agreements on various grounds. According to the Secretary of the Society of Information Technology Professionals, Mr. Lasantha Wickramasinghe there are sufficient reasons for opposition to the agreement. Which include;

- ‘Government of Sri Lanka did not engage in any fruitful dialogue with the local stake holders.
- the Right to Information Bill of Sri Lanka specifically mentions that "any information relating to any overseas trade agreement where the negotiations have not concluded even after a lapse of 10 years shall not be disclosed."<sup>9</sup> Therefore there is a lack of transparency in the process as the Bill excludes the right to know about international trade agreements.
- IT is the largest net foreign exchange earning industry in the service sector next to tourism and the ETCA will destroy the competitive advantage, Sri Lanka has in the sector. In 2007 the revenue from the IT sector was USD200 million and it increased to USD 900 million in 2015. Along with the revenue, workforce of the industry increased from 33,000 in 2007 to 90,000 in 2015<sup>10</sup>.

Meanwhile, the Ceylon Chambers of Commerce (CCC) cautioned the government on systematic misinformation propagated by the opposition on the agreement and urged the government to “look beyond the narrow commercial interests of the few and instead focus on the broader economic imperatives of exports, investments, and job creation to set a course for the future prosperity of the economy”.<sup>11</sup>

Despite the opposition to the ETCA, the Government of Sri Lanka seems to be committed to concluding an agreement with India in this regard. And this is reflected again in PM’s Economic Policy Statement in Parliament on 10<sup>th</sup> October 2017. While stressing that ‘Sri Lanka’s inwards looking and closed policies in the last thirty years have resulted in slow progress, he pointed out that “Sri Lanka’s exports are still based on traditional plantation crops together with apparels and tourism”<sup>12</sup>. He compared Sri Lanka with other middle-income countries such as Thailand and Vietnam which are “exporting a more diversified range of high-value products such as automobile parts, machinery and electronics”<sup>13</sup>. Therefore, according to the PM, Sri Lanka should focus on adopting export-led economical growth strategies and policies by providing high-

value and diversified products and services”. In this context he said that agreement with India will “give massive boost by opening huge new markets to Sri Lankan entrepreneurs”<sup>14</sup>. Given the above position taken by the PM, Sri Lanka and India will continue to negotiate on the agreement involving relevant stake holders.

### **Fishermen issue**

Another bilateral issue is the fishermen issue and both the countries have established mechanisms to deal with the issue. Due to the established procedures and agreement both sides have been releasing the fishermen arrested on regular basis. However, non release of boats confiscated by the Sri Lankan Government is an issue and the Tamil Nadu fishermen and the Government of Tamil Nadu often appeal to the central government of India to ensure the release of boats. For instance, the Chief Minister of Tamil Nadu, Mr. K Palaniswami wrote a letter to the PM of India urging him “to take up the alarming and frequent abduction of fishermen in their traditional waters with the highest authorities in the Sri Lankan government”<sup>15</sup>. He also asked the government of India to secure the release of 140 fishing boats in custody along with 54 fishermen. In 2017 alone, 317 Tamil Nadu fishermen and 62 fishing boats have been apprehended in 59 incidents and 263 of these fishermen have been released from Sri Lankan custody.

India-Sri Lanka Ministerial level talks were held on October 2017 in New Delhi. The ‘talks followed the 3rd Meeting of the Joint Working Group (JWG) on Fisheries held in New Delhi on 13 October 2017’<sup>16</sup>.

The discussions held and the outcome of the meeting indicates that both the Government’s have taken important steps in resolving the issue and in addressing the concerns of the fishermen of both the sides. The Sri Lankan side informed about the measures taken by Sri Lanka ‘to prevent illegal fishing’<sup>17</sup>. The Government of India had taken few initiatives to end bottom trawling in the Palk Bay. These include:

- launching of a programme on diversification of bottom trawlers into Deep Sea Fishing Vessels for tuna long lining under Blue Revolution Scheme
- Construction of Mookaiyur and Poompuhar fishing harbours, capacity building programmes for fishermen of Palk Bay area in deep sea tuna long lining.
- Fresh registration for bottom trawlers in the Palk Bay area has been banned by the Government of Tamil Nadu.
- Alternative livelihood opportunities for the fishing communities in Palk Bay area are being offered through open sea cage farming, seaweed farming and other allied coastal fisheries activities<sup>18</sup>.

### **Conclusion**

Rebuilding the economy of Sri Lanka has been the main objective of the government of Sri Lanka. Managing the national debt has become a challenge for the government. For instance, in 2015 ‘90.6% of the Government total revenue was spent for debt servicing and this amounted to 80% in 2016. The Vision 2025 document launched in September by the Sri Lankan government 2017 underscores the vision of the present government. It mentions to “transform Sri Lanka into the

hub of the Indian Ocean, safeguarded by a knowledge-based, highly competitive, social market economy and a prosperous country by 2025". To realise the vision, the government of Sri Lanka believes it has to 'diversify its exports by adding value added goods and services and not just continue to rely on the same exports products such as garments, rubber, and tea'. To realise the vision the government wants to create an economy firmly based on foreign and domestic private investment<sup>19</sup>. In this context the discussions that took place during the visit are important as it showed the firm resolve of the government of Sri Lanka to explore possibilities for implementation of joint ventures amidst domestic opposition. The opposition to any joint ventures by the government can also be put in the context of domestic developments in the country in terms of constitutional reform and reconciliation. The same opposition is mobilising the public against the constitutional reform exercise and against establishment of transitional justice mechanisms. In this context, balancing domestic economic and political policy acceptable to all and inclusive is tough to achieve for the government of Sri Lanka. Therefore, how India and Sri Lankan governments will address the various difficulties in implementing projects agreed upon is remains to be seen.

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*Disclaimer: The views expressed are that of the Researcher and not of the Council.*

## **Endnotes**

<sup>1</sup> Visit of Hon. Ranil Wickremesinghe, Prime Minister of Sri Lanka to New Delhi, 22nd – 24th November 2017, 30<sup>th</sup> November 2017, <http://www.mfa.gov.lk/index.php/en/component/content/article/39-ministry-news/7272-visit-of-hon-ranil-wickremesinghe-prime-minister-of-sri-lanka-to-new-delhi-22nd-24th-november-2017>.

<sup>2</sup> Visit of Hon. Ranil Wickremesinghe, Prime Minister of Sri Lanka to New Delhi, 22nd – 24th November 2017, 30<sup>th</sup> November 2017, <http://www.mfa.gov.lk/index.php/en/component/content/article/39-ministry-news/7272-visit-of-hon-ranil-wickremesinghe-prime-minister-of-sri-lanka-to-new-delhi-22nd-24th-november-2017>.

<sup>3</sup> "India keen to run Sri Lanka airport", 12 August 2017, <http://www.thehindu.com/todays-paper/tp-international/india-keen-to-run-sri-lanka-airport/article19477500.ece>

<sup>4</sup> Sri Lanka Ports Authority News, "Joint venture company takes over H'tota Port operations on Dec. 8", <http://www.slpa.lk/port-colombo-page/2c900031765527c461cf6426de49be6c/f60934f7bf306e376a779703dco6d2b4594ea4bc>

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<sup>6</sup> "Sri Lanka and India looking to sort issues in ETCA deal", 30 October 2017, <http://colombogazette.com/2017/10/30/sri-lanka-and-india-looking-to-sort-issues-in-etca-deal/>

<sup>7</sup> Indian High Commission, Colombo, "India-Sri Lanka Economic and Trade Engagement", [http://www.hcicolombo.org/pdf/Trade\\_Economic\\_Engagement\\_2112015.pdf](http://www.hcicolombo.org/pdf/Trade_Economic_Engagement_2112015.pdf)

<sup>8</sup> Prime Minister's Office, Government of Sri Lanka, "HON. PRIME MINISTER'S ECONOMIC STATEMENT IN PARLIAMENT ON 27TH OCTOBER 2016", [http://www.pmooffice.gov.lk/download/press/D0000000053\\_EN.pdf?p=7](http://www.pmooffice.gov.lk/download/press/D0000000053_EN.pdf?p=7)

<sup>9</sup> "Mahinda may have a long wait for the showdown", 6<sup>th</sup> April 2016, [http://www.island.lk/index.php?page\\_cat=article-details&page=article-details&code\\_title=143103](http://www.island.lk/index.php?page_cat=article-details&page=article-details&code_title=143103)

<sup>10</sup> "ETCA will destroy Sri Lanka's IT sector- Lasantha Wickramasinghe", 8 May 2017, <http://www.ceylontoday.lk/print20170401CT20170630.php?id=20616>

<sup>11</sup> "CCC welcomes ETCA but urges consultations with private sector", 25 February 2016, <http://nation.lk/online/2016/02/25/ccc-welcomes-etca-but-urges-consultations-with-private-sector.html>

<sup>12</sup> Government of Sri Lanka, Prime Minister's Office, "Economic Policy Statement made by the Hon. Prime Minister – 20.10.2017", [http://www.pmooffice.gov.lk/download/press/D0000000062\\_EN.pdf?p=7](http://www.pmooffice.gov.lk/download/press/D0000000062_EN.pdf?p=7)

<sup>13</sup> Government of Sri Lanka, Prime Minister's Office, "Economic Policy Statement made by the Hon. Prime Minister – 20.10.2017", [http://www.pmooffice.gov.lk/download/press/D0000000062\\_EN.pdf?p=7](http://www.pmooffice.gov.lk/download/press/D0000000062_EN.pdf?p=7)

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<sup>15</sup> “Tamil Nadu urges PM Modi to get fishermen, boats released from Lanka”, 28<sup>th</sup> October 2017, <http://indianexpress.com/article/india/tamil-nadu-urges-pm-modi-to-get-fishermen-boats-released-from-lanka-4910338/>

<sup>16</sup> Government of India, Ministry of External Affairs, “ India-Sri Lanka Ministerial Meeting on Fishermen Issues, New Delhi (October 14, 2017)”, [http://www.mea.gov.in/press-releases.htm?dtl/29026/IndiaSri\\_Lanka\\_Ministerial\\_Meeting\\_on\\_Fishermen\\_Issues\\_New\\_Delhi\\_October\\_14\\_2017](http://www.mea.gov.in/press-releases.htm?dtl/29026/IndiaSri_Lanka_Ministerial_Meeting_on_Fishermen_Issues_New_Delhi_October_14_2017)

<sup>17</sup> Government of Sri Lanka, Ministry of Foreign Affairs, “ India-Sri Lanka Ministerial Meeting on Fishermen Issues (New Delhi, 14 October 2017)”, <http://www.mfa.gov.lk/index.php/en/media/statements/7203-india-sri-lanka-ministerial-meeting-on-fishermen-issues-new-delhi-14-october-2017>

<sup>18</sup> Government of India, Ministry of External Affairs, “ India-Sri Lanka Ministerial Meeting on Fishermen Issues, New Delhi (October 14, 2017)”, [http://www.mea.gov.in/press-releases.htm?dtl/29026/IndiaSri\\_Lanka\\_Ministerial\\_Meeting\\_on\\_Fishermen\\_Issues\\_New\\_Delhi\\_October\\_14\\_2017](http://www.mea.gov.in/press-releases.htm?dtl/29026/IndiaSri_Lanka_Ministerial_Meeting_on_Fishermen_Issues_New_Delhi_October_14_2017)

<sup>19</sup> Government of Sri Lanka, Prime Minister’s Office, “Economic Policy Statement made by the Hon. Prime Minister – 20.10.2017”, [http://www.pmooffice.gov.lk/download/press/D0000000062\\_EN.pdf?p=7](http://www.pmooffice.gov.lk/download/press/D0000000062_EN.pdf?p=7)