

**Brief Embassy Report on Bilateral Relations – ITJ Division,
DGCIS, Kolkata.
India-Sri Lanka Bilateral Relations**

A. Introduction

1. Indian Trade Journal (ITJ) division of the Directorate General of Commercial Intelligence and Statistics (DGCIS) brings out weekly publication on Embassy Profile Report providing information on recent policy changes and happenings in other countries that may be of interest to the Indian trading community. This is the Embassy Profile Report for 23.07.2025 depicting the Embassy of Sri Lanka.

2. India is Sri Lanka's closest neighbor and the relationship between two countries is more than 2,500 years old, sharing a strong civilizational and historical connect. Sri Lanka has a central place in India's 'Neighbourhood First' policy and MAHASAGAR (Mutual and Holistic Advancement for Security and Growth Across Regions) vision. The bilateral relations are matured and diversified, encompassing all areas of contemporary relevance. The shared cultural and social heritage of the two countries and the extensive people-to-people interaction of their citizens provide the foundation to build a multi-faceted partnership.

Political Exchanges

3. India-Sri Lanka bilateral political relations are marked by regular high-level exchanges. Prime Minister Shri Narendra Modi (PM) visited Sri Lanka thrice since 2014. The last visit of PM to Sri Lanka was on 9th June 2019 to express solidarity after Easter Sunday attacks. Prior to this, PM visited Sri Lanka in March 2015 (first standalone bilateral visit by Prime Minister of India since 1987) and in May 2017 as the chief guest for first ever International Vesak Day hosted by Sri Lanka.

4. At the Ministerial-level, EAM visited Sri Lanka seven times since 2019. These include visit in November 2019 (the first Foreign Minister to visit Sri Lanka post 2019 Presidential elections), January 2021, March 2022 (to attend the BIMSTEC Ministerial meeting), January 2023 [to interact with the new Sri Lankan government headed by then President Ranil Wickremesinghe], October 2023 (to attend the 23rd Council of Ministers' meeting of the IORA), June 2024 (first bilateral visit of EAM after the assumption of office in the current term). The latest visit was on 04th October 2024, wherein EAM was the first foreign dignitary to visit Sri Lanka, after Anura Kumara Disanayaka assumed Presidency. During the visit, EAM also conveyed that payments for 7 completed LoC projects to the tune of USD 20 million could be converted into grant and also the decision to gift 22 diesel locomotives to the Sri Lankan Railways.

5. Regular high-level visits including that of Minister of Finance and Corporate Affairs Smt. Nirmala Sitharaman in November 2023 (as Guest of Honour at 'Naam 200' event held to mark 200 years of arrival of IOTs) and National Security Advisor Ajit Doval in January & November 2020 and in August 2024 (for the signing of the founding documents of the Colombo Security Conclave), have sustained

the momentum of strong bilateral relationship. Further, then Minister of State for External Affairs V. Muraleedharan and Minister of State Dr. L. Murugan visited Sri Lanka in February 2023 separately for the 75th Independence Day celebrations of Sri Lanka and for dedicating the iconic Jaffna Cultural Center respectively.

6. From the Sri Lankan side, President Anura Kumara Disanayaka visited India on a State visit from 15-17 December 2024, which was his first overseas trip after assumption of Office. President Anura Kumara Disanayaka was accompanied by Foreign Minister Vijitha Herath and Minister of Labour Anil Jayantha. During the visit, he held discussions with President and PM. Vice President Jagdeep Dhankar, EAM, NSA and Minister of Health called on President Anura Kumara Disanayaka. During the visit, a joint statement titled ‘Fostering Partnerships for a Shared Future’ was issued. Both the sides exchanged Protocol amending the Agreement for the avoidance of the Double Taxation and a MoU for capacity building programme for civil servants. India announced financial assistance to 100 new students each annually from University of Jaffna and Eastern University and a grant assistance of USD 14.9 million for the signalling project in Maho-Anuradhapura section. He also addressed a business interaction in New Delhi and visited Bodh Gaya. Earlier, he (in his capacity as NPP leader) visited India as part of the ‘Distinguished Visitors Programme’ in February 2024 and met EAM, NSA. He also visited Ahmedabad and Thiruvananthapuram.

7. Earlier, the then President Ranil Wickremesinghe visited India in July 2023 (bilateral visit) and in June 2024 (to attend the swearing in ceremony of the new Government following Parliamentary Elections in India). A vision document titled “Promoting Connectivity, Catalysing Prosperity: India – Sri Lanka Economic Partnership vision”, centred around enhanced connectivity and deeper economic partnership was adopted during July 2023 visit. Before this, then President Gotabaya Rajapaksa visited India in November 2019 as his first overseas trip after assuming Presidency. The then Prime Minister Mahinda Rajapaksa paid a State Visit to India in February 2020 as his first overseas trip after assumption of Office. PM also hosted a Virtual Bilateral Summit (VBS) with Mahinda Rajapaksa in September 2020, during which a joint statement titled “Mitratva Magga - Path of friendship” was issued. In addition, former President Wickremesinghe participated virtually in all the three editions of the Voice of Global South Summit led by India, including the latest one in August 2024.

8. Other important visits include: visit of Minister of Industries & Entrepreneurship Development Sunil Handunnetti for Bharat Tex in February 2025; and Deputy Minister of Digital Economy Eranga Weeraratne in February 2025 for the NASSCOM Leadership Summit; visit of a Delegation led by Deputy Minister of Youth Affairs Hon. Eranga Gunasekara representing Sri Lanka at the BIMSTEC Youth Summit to Gujarat in February 2025; visit of a Sri Lankan Parliamentary delegation led by former Speaker Mahinda Yapa Abeywardena in December 2023; visit of former Foreign Minister M.U.M. Ali Sabry in March 2023 to participate in the ‘Raisina Dialogue 2023’; visit of former Foreign Minister Prof. G.L. Peiris in February 2022; visit of former Minister of Finance Basil Rajapaksa in December 2021 and March 2022; and visit of former Foreign Minister Dinesh Gunawardena in January 2021.

B. Commercial Relations (Trade and Foreign Investment) – Recent facts & figures

9. India has traditionally been among Sri Lanka’s largest trade partners. The merchandise trade between India and Sri Lanka amounted to USD 5.54 billion in FY 2023-24, with India’s exports at USD 4.12 billion and Sri Lanka’s exports at USD 1.42 billion. In FY 2024-25, the bilateral trade was

USD 5.97 billion, with India's exports to Sri Lanka is USD 4.55 billion. India has also resumed negotiations with Sri Lanka for finalization of the Economic and Technology Cooperation Agreement (ETCA) covering both goods and services. The negotiations resumed after 05 years in October 2023, with the latest (14th) round of talks in July 2024. An account of Bilateral commodities trade in goods from 2020-21 to 2024-25 are as under.

Export-Import statistics from 2020-21 to 2024-25

(USD Million)

Year	Total trade	Export	Import
2020-21	4141.24	3498.30	642.94
2021-22	6812.17	5802.18	1009.99
2022-23	6189.75	5111.59	1078.16
2023-24	5542.08	4117.83	1424.25
2024-25	5971.87	4550.70	1421.17

(Source: Department of Commerce, India)

10. India's top exports to Sri Lanka are Petroleum products, Cotton fabrics, made ups etc., Ship, Boat and Floating Structure, Drug formulation & Biologicals, Sugar, Aircraft, Spacecraft and parts etc. India's top imports from Sri Lanka are Mineral fuels, Pharmaceutical products, Pearls, Precious & Semi-Precious metals and Spices etc.

11. India is also one of the largest contributors to Foreign Direct Investment (FDI) in Sri Lanka with cumulative investment of USD 2.25 billion till 2023, with USD 198.1 million in 2023 alone (source: Central Bank of Sri Lanka). The FDI from India for the period Jan-Sep 2024 was USD 80.55 million (as per initial figures of BoI, Sri Lanka). The main investments from India are in the areas of energy, hospitality, real estate, manufacturing, telecommunication, banking and financial services.

C. Other Major Areas of Co-operation:

➤ Several bilateral agreements/MoUs have been signed with Sri Lanka both at inter-government level as well as between institutions, providing the framework for wide-ranging cooperation.

Connectivity and Tourism:

➤ Connectivity has emerged as the main focus area of our bilateral ties, including maritime connectivity, air connectivity, energy & power connectivity, trade, economic & financial connectivity, digital connectivity and people to people connectivity. Important projects under this mechanism include commencement of ferry services between Nagapattinam, Tamil Nadu and Kankesanthurai, Sri Lanka (October 2023); resumption of air link between Chennai and Jaffna (since December 2022); and launch of UPI QR based payments in Sri Lanka (virtually launched by PM and then President Ranil Wickremesinghe via video conferencing in February 2024). Other notable connectivity initiatives under discussion include Economic Land Corridor, for developing land access

to Trincomalee and Colombo; multi-product pipeline connecting India and Sri Lanka and the power grid interconnection.

- In order to develop Kankesanthurai port, GoI has extended a grant of USD 61.5 million to GoSL and a MoU to formalize the arrangement is under negotiation. In parallel, discussions are ongoing to start ferry services between Rameswaram (TN) and Talaimannar which would require upgradation of infrastructure at respective ports.
- Tourism is another important component with India being the leading tourist source market in 2023 with around 3 lakh arrivals (~20 % of ~1.48 million total arrivals) and in 2024 with around 4.16 lakh arrivals (~20 % of 2.05 million total arrivals).

Development Co-operation:

- India's development cooperation with Sri Lanka stands out as one of the most important pillars of our bilateral relationship. India's overall credit assistance to Sri Lanka amounts to over USD 7 billion, including concessional loans, deferment of payment & swap agreements. India's grant assistance to Sri Lanka currently stands at around USD 780 million, which includes completed projects worth USD 390 million, ongoing projects worth over USD 210 million, and another USD 178 million worth of projects in the pipeline. GoI has been carrying out people-oriented development projects across the 25 districts of Sri Lanka, and cut across several sectors including infrastructure, housing, health, livelihood and rehabilitation, education, agriculture, renewable energy, railways, industrial development etc.
- Our biggest grant assistance project is the construction of 60,000 houses under the four phases of Indian Housing Project at a total cost of more than INR 1800 crore. The fourth phase covering 10,000 houses for plantation sector workers is pursuant to announcement made by PM in May 2017. India is also extending grant assistance of INR 300 crore towards implementing Sri Lanka Unique Digital Identity project. Some of the other prominent projects include the Jaffna Thiruvalluvar Cultural Center, upgradation of Northern Railway line and track-laying; island-wide 'Suwa Seriya' Emergency Ambulance Service; construction of multi-specialty hospital at Dickoya; construction of an new surgical unit at Teaching Hospital Batticaloa; restoration of Thiruketheeswaram Temple at Mannar; developmental projects focusing on Indian Origin Tamils (announced by PM during the visit of then President Ranil Wickreme Singhe in July 2023); project for solar electrification of Buddhist places of worship and a special grant for projects in the Eastern province (MoU to be signed soon) and Hybrid Renewable Energy project in 3 Islands off Jaffna. Further, close 20 projects are ongoing under High Impact Community Development programme.
- Besides the developmental assistance, India has provided multi-faceted assistance to Sri Lanka, close to USD 4 billion, during the economic crisis in 2022. These include USD 500 Line of Credit (LoC) for supply of petroleum products; Currency swap of USD 400 million extended to the Central Bank of Sri Lanka (CBSL) by the Reserve Bank of India (RBI); USD 1 billion credit facility for supply of food items, medicines, fuel and industrial raw materials; Deferment of payment of liabilities under the Asian Clearing Union (ACU) mechanism by CBSL to RBI in 2022 (total deferment of approx. USD 2 billion); and USD 55 million LoC for procurement of Urea Fertilizer. This was

augmented by humanitarian assistance through donation of drugs, medicines, essential food items, kerosene, etc. India also played the role of first responder during the Covid – 19 pandemic by supply of vaccines and essential medicines from India, including donation of 500,000 doses of COVISHIELD vaccines in January 2021 and grant of 100,000 Rapid Antigen Test (RAT) kits in February 2022.

Defence & Security Cooperation

➤ High level defence engagements have been regular through visits of Service Chiefs from both the sides. In addition, Annual Defence Dialogue is held between the Defence Secretaries every year to review and add momentum to bilateral defence cooperation. There were continuous naval interactions and ship/submarine visits from India to Sri Lanka. Besides multi-lateral exercises, bilateral exercises SLINEX (Naval Exercise) and MITRA SHAKTI (Army Exercise) are held every year alternatively in India & Sri Lanka. Exercise MITRA SHAKTI was last carried out in Sri Lanka (August 2024) and SLINEX was carried out off Visakhapatnam (December 2024).

➤ In terms of capacity building, the latest has been the installation of Maritime Rescue Coordination Centre (MRCC) for Sri Lanka Navy under GoI grant which was commissioned on 20 June 2024 during the official visit of EAM. Indian Navy Dornier Aircraft has been operated by Sri Lanka Air Force at Trincomalee since Aug 2022 and has successfully undertaken extensive flying for maritime surveillance. Further, India offers around 1200 training vacancies for Sri Lankan Armed Forces annually.

➤ In addition, India has been ‘first responder’ for Sri Lanka with Indian Navy and Indian Coast Guard having intervened in Sri Lankan waters to avert large scale environmental damage such as MV Xpress Pearl in May 2021 and MT New Diamond in September 2020. Security cooperation on counter terrorism and other related areas are also an important aspect of our bilateral relationship. The Colombo Security Conclave has emerged as a key platform in recent times to address such issues at a regional level.

Cultural relations

➤ Significant cultural cooperation includes, establishment of Indian Gallery at the International Buddhist Museum in Kandy; restoration of the Thirukeeteswaram Temple in Mannar; exposition of sacred Kapilavastu Relics organized in Sri Lanka in 2012 to commemorate 2600th year of the attainment of enlightenment by Lord Buddha (Sambuddhatva Jayanthi), etc. In October 2021, the inaugural Colombo-Kushinagar flight was undertaken on the auspicious VapPoya Day, during which the sacred Kapilavastu Buddha relics from the Rajaguru Sri Subhuthi Maha Vihara of Waskaduwa was brought to India and displayed in several Indian cities including Kushinagar and Sarnath. Recently, a statue of Lord Buddha to Dharmayathanaya Temple was presented. India has also published the Pali Grammar book ‘Namamala’ and the Sinhala translation of Jataka Tales in early 2025. The Centre for Contemporary Indian studies (CCIS) has been set up at Colombo University. A long-term ICCR chair for Hindi has been set up at Kelaniya and Sabaragamuwa University.

Capacity Building:

➤ India offers about 710 scholarship slots annually to Sri Lankan students. Under the Indian Technical and Economic Cooperation (ITEC) Program, 402 fully-funded slots are offered every year to officials and other eligible citizens for short term training programs. Further, under a framework Cooperation Agreement signed between both sides, 1500 Sri Lankan civil servants will be trained under aegis of National Centre for Good Governance over the next 5 years. 4 batches of 40 each have been trained so far in 2024. In addition, a special course for 23 Sri Lankan Diplomats/officials at SSIFS was organized in 2024. Also, over 2000 teachers in plantation schools in STEM subjects under multi-Sectoral grant assistance were also trained from August-October 2024. Indian institutes under 'Study in India' Program provide technical expertise across a diverse range of courses.

Indian Community

➤ The People of Indian Origin (PIOs) comprise Sindhi's, Borah's, Gujarati's, Memon's, Parsi's, Malayali's and Telugu speaking persons who have settled down in Sri Lanka (most of them after partition) and are engaged in various business ventures. Though their numbers (10,000 approximately) are much lesser as compared to IOTs, they are economically prosperous and are well placed. The IOTs constituting about 1.6 million are mostly employed in either tea or rubber plantations, with some section of IOTs living in Colombo are engaged in business. In addition, there are about 7500 NRIs engaged in various professional fields in Sri Lanka.

Source: www.mea.gov.in