



STRENGTHENING SAARC: INDIA-SRI LANKA EXPERIENCE

Dr Gurnam Chand

Associate Professor & Head Department of Political Science, M. R. Govt.College, Fazilka, Punjab, India.

With globalisation gaining momentum, regional groupings are gaining importance day by day. The economic and social welfare of a country is greatly advanced if it interacts as a part of a regional block rather than individually. The emergence of a number of regional blocks in Asia, Africa and America are evidence of this reality. SAARC is dedicated to economic, technological, social, and cultural development emphasizing collective self-reliance. It is the biggest regional grouping in terms of human resources. To make SAARC vibrant, a qualitative change is required among SAARC members to improve the form and content of bilateral relations among members. It will help create better understanding among members to appreciate the nuances of collective cooperation. In this context, growth of India-Sri Lanka relations during the last two and half decades is an interesting example of building win-win relationship.

About SAARC

SAARC (South Asian Association for Regional Cooperation) was established in December 1985 at a summit of seven countries of South Asian region namely Bhutan, Bangladesh, India, Maldives, Nepal, Pakistan and Sri Lanka held at Dhaka. Initiatives for SAARC was taken in 1977 by the then President Zia-Ur-Rehman of Bangladesh. With the entry of Afghanistan the membership of SAARC now stands at eight. There is widespread feeling of pessimism among South Asian countries at the halting progress made by the SAARC since its inception in 1985. SAARC is the world largest regional grouping of 1.47 billion people; it has not been able to assert its collective strength like Association of South East Asian Nations (ASEAN) or the European Union (EU).ⁱ It has also not been able to advance in a manner it was expected to.

The emerging economic strength of some of the SAARC members in the context of the new global order has opened the eyes of many external associates to be its partners. The attainment of maturity of SAARC is reflected from the fact that it has expanded itself by admitting Afghanistan as eighth member state besides granting 'observer status' to china Japan, south Korea, Iran ,USA and European Union.ⁱⁱ

The foreign secretaries of the seven countries met for the first time in Colombo in April 1981. The Committee of the whole, which met in Colombo in August 1985, identified five broad areas for regional cooperation. New areas of cooperation were added in the following years. Some of the primary objectives of SAARC are to promote the welfare of the people of South Asia and to improve their quality of life; to accelerate economic growth, social progress and cultural development in the region; to promote and strengthen collective self-reliance among the countries of South Asia; to promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields.ⁱⁱⁱ

Although it has been stressed repeatedly since the inception of SAARC, that mutual political disputes should not be dragged into the area of regional cooperation. If SAARC wishes to be a viable and dynamic organization, it cannot avoid tackling political and security matters which affects all the countries; just as ASEAN and other regional organizations have been doing.

India and Sri Lanka attitude and perception towards SAARC

Developments in the domestic and external sphere of SAARC countries, during the last two and half decades, have undergone significant transformation. As a result it has led to reorientations and readjustments in the attitude and perceptions of these countries towards SAARC. The eight members nations are of different sizes have diverse political systems, economic disparities, different security perceptions, preponderance of India in South Asia, suspicion and mistrust of SAARC members among themselves. Yet despite the disparities and different attitude and perceptions, member countries have made significant progress in 17th SAARC summits towards finding common ground for economic, social and cultural cooperation.

Initially, India perception towards SAARC was negative, as India feared that small countries will gang up against her. Later on India's attitude towards SAARC has become positive. Of course India has taken care of her national interest but without defining it in competitive paradigm. Due to dominant position of India other countries are not cooperating. SAARC can be successful if India hegemony is converted to influence.^{iv}

Inaugurating the meeting of Foreign Ministers of SAARC at New Delhi on 1st August, 1983, late Mrs Indra Gandhi said that India earnestly wanted positive response of SAARC nations towards regional cooperation. She made it clear that SAARC had



no military objectives and that so far as India is concerned; she stood for friendly relations among the neighbours and non interference in the affairs of others.^v

Both India and Sri Lanka believe in regional cooperation as one of the best means for promoting their bilateral as well as regional interests. Both have utilizing the Colombo Plan for securing their respective socio-economic interests and both are cooperating to make SAARC a successful regional association.

In view of the regional problems mentioned earlier, it is extremely important to find out attitude and perceptions of both the countries. In this paper, however, we will confine ourselves to studying attitude and perceptions of Sri Lanka.

The fifth SAARC annual summit was to be held in Colombo (Sri Lanka) in 1989, but could not be held due to existence of sharp differences between India and Sri Lanka on the ethnic conflict of Tamils in Sri Lanka. The sixth SAARC summit was held on 21st December, 1991 at Colombo. The seven leaders agreed to liberalise trade through step by step approach. They also decided to closely examine the Sri Lanka's proposal to establish a SAARC Preferential Trade Agreement (SAPTA) by 1997. SAPTA contains provisions for favourable treatment to be given to the least developed countries in SAARC region. It was expected that discussions would soon begin to replace SAPTA by a SAFTA (South Asia Free Trade Area).^{vi}

In October 1992, the Sri Lankan President Ranasinghe Premadasa visited New Delhi as the SAARC chairman; Indian Prime Minister P. V. Narasimha Rao signaled that Sri Lanka ire over suspected India's role in SAARC summit in Colombo in 1991 had become thing of the past. In a joint communiqué issued after the visit, India and Sri Lanka gave a call for up gradation and cooperation among SAARC countries for combating and preventing terrorism through regular official level consultations and exchange of information on a need to know basis.

In December 1992, Sri Lankan Prime Minister did not support the attempt on the part of Pakistan to raise the Babri Masjid demolition issue in the SAARC meeting. Sri Lanka did not support the Pakistani attempt to raise Indo-Pak relations (Kashmir issue and nuclear proliferation issue) at the SAARC meeting. The mature view of Sri Lanka to disallow Pakistani attempt reflected a healthy sign for the growth of India-Sri Lanka relations.

The tenth SAARC summit was held in 29-31 July, 1998 at Colombo. The summit was held in the background of nuclear tests conducted by India and Pakistan in May 1998. To boost the trade and commerce among SAARC nations, this summit decided to set up a committee of experts. Former Prime Minister Atal Behari Vajpayee and the Pakistan former Prime Minister Nawaz Sharif tried to identify the regional problems that needed to be resolved. The summit expressed the concern at the lack of progress in the direction of custom free South Asia. However, emphasis was laid on the need to work for greater regional trading.^{vii}

The fifteenth SAARC summit was held in Colombo in August, 2008. The summit reaffirmed member's countries commitment to the principles and objectives enshrined in the SAARC Charter. India and Sri Lanka recognized that SAARC has been making steady and incremental progress over the years. The summit recognized the need for SAARC to further strengthen its focus on developing and implementing regional and sub-regional projects in the agreed area on priority basis. Member's countries were convinced that the process of regional cooperation must be truly people-centered, so that SAARC continues to strengthen in keeping with expectations as a robust partnership for growth for the peoples of South Asia.^{viii}

SAARC countries were of the view that if bilateral issue not taken will lead to economic integration, but that has not happened. So, time has come for SAARC countries to engage in bilateral issues. To make SAARC vibrant; a qualitative change is required among SAARC members to improve the form and content of bilateral relations among members. It will help create better understanding among members to appreciate the nuances of collective cooperation. In this context, growth of India-Sri Lanka during the last two and half decade is an interesting example of building win-win relationship. Both the countries have not been letting any opportunity to go waste which can help them to increase the scope and speed of India-Sri Lanka cooperation at the bilateral as well as at the SAARC levels. The leaders of the two countries have been using every occasion to achieve the objective through personal meetings as well as the exchange of delegates.

India-Sri Lanka Political Experience (Intervention to Non-intervention Policy)

Both India and Sri Lanka are third world countries and both happen to be the members of the non-aligned movement. They also share a common colonial past. As such, both of them have certain common interests to pursue in the international arena, especially vis-a-vis the developed countries. It was in the pursuit of these interests that they became members of the SAARC.



The cooperation envisaged in the idea of SAARC, however, cannot flourish unless the South Asian countries, including India and Sri Lanka, have a mature relationship both at the bilateral and the multilateral levels.

India-Sri Lanka relations are based on a deep and abiding friendship on shared historical experience and common civilisation and cultural values sustained by geographical proximity and ethnic affinity.^{ix} Sri Lanka President Mahinda Rajapaksa has aptly described India-Sri Lanka relations as of 'relative.' In recent years, the relationship has been marked by close contacts at the highest political level, growing trade and investment, cooperation in the field of development, education, culture and defence as well as broad understanding on major issues of international interest. India supported the right of the Government of Sri Lanka to act against the Liberation Tigers of Tamil Eelam, helping bring the three-decade armed conflict between the Sri Lankan forces and the LTTE to an end in May 2009. At the same time, India conveyed at the highest levels its deep concern at the plight of the Tamils. India's clear, sincere and abiding commitment to the unity, sovereignty and territorial integrity of Sri Lanka and its supports for a peaceful, negotiated settlement for the Sri Lanka Tamilian issue that put animosity behind and sowed the seeds for eliminating all irritants in the political relations between the two countries. The Institutional framework for the relationship is provided by frequent contacts at the political level. The strong ethnic, cultural, linguistic and religious links between the two countries have resulted in the development of close relationship at the people to people level.^x There have been shifts and changes in the pattern of relationship marked by mutual differences, irritants, cooperation and friendship. Both the countries have developed adequate strength to withstand the stresses and strains is a notable feature of their bilateral relationship.

At the core of India foreign policy is a reiteration of the Indian government's commitment to protect Sri Lanka's unity, sovereignty and Territorial integrity.^{xi} India has changed its policy towards Sri Lanka from intervention to non-intervention. India's pragmatic policy of non-intervention in the internal affairs of Sri Lanka and Sri Lanka's commitment towards India's security concern created a credible atmosphere and consequently brought a new era in relations between two countries. India's new policy has contributed to remove the cultivated fear complex of Sri Lanka. The leadership and the people in Sri Lanka have changed their mindset and thinking about India; for the first time, India is considered as an asset rather than a threat to the Sri Lanka's security.^{xii}

Until 1980's India-Sri Lanka relations remained for the greater part friendly and cordial. The negotiated settlement of the citizenship and maritime boundary issues stood as classic examples of the results that could be achieved through mutual goodwill and understanding. However, with the aggravation of the ethnic conflict and the consequent Indian involvement in the ethnic conflict, there grew an adversarial relationship between the two countries. The escalation of ethnic conflict in Sri Lanka and possibility of involvement of external powers in the ethnic conflict and its perception in India and Sri Lanka compelled India and Sri Lanka to come to an agreement on 29th July 1987. Subsequently Indian Peace Keeping Force was sent to Sri Lanka to oversee the implementation of the accord. India proactive politico-military intervention proved ultimately failure.

A key reason for India-Sri Lanka relations to improve dramatically since the mid 1990's was the change of governments in both the countries (as power moves from the hand of the United National Party to the Sri Lanka Freedom Party after 17 years). Following the General Election in India the Congress party led by Rajiv Gandhi was replaced in New Delhi by the National Front Government headed by Vishwanath Pratap Singh. V.P. Singh declared his Sri Lankan policy by saying, "*In the first place, it was mistake to have sent our troops there. The whole affair had started on a wrong note. Our position was clear: we favour a phased withdrawal of the IPKF from Sri Lanka.*"^{xiii}

The Sri Lanka policy of V. P. Singh Government became clear when the External Affairs Minister I.K. Gujral gave the statement that, India no longer wanted to intervene in Sri Lanka militarily. The Sri Lankan Government should deal with its Tamil problem as an internal affair in which India would not take any interest. He also said that the Indian Territory would not be allowed for subversive activities against Lanka under any circumstances.

The V. P. Singh Government was succeeded by the Chandrashekhar Government. Its tenure was short lived and by February-March 1991 it was clear that India would be going in for another general election. During the rule of V.P. Singh and later that of Chandrashekhar, India-Sri Lanka relations had been of low key nature.^{xiv} After the assassination of Rajiv Gandhi on May 21, 1991 entire Indian perspective on the LTTE changed. On May14, 1992 the LTTE was formally banned in India.

In the General election of 1991, the Congress Party came back in power and P. V. Narasimha Rao became the Prime Minister of India. After assuming power Rao declared his Sri Lankan policy. He said that, India would not desire to take any active part in resolving the problems of Sri Lanka. These problems would have to be solved by Sri Lankans themselves, regardless of whether they are Sinhalese or Tamils, "At the bilateral level, India showed more interest in developing of framework for a working relationship with Sri Lanka, rather than identifying itself with Sri Lankan Tamil cause."



The Government of India and the Government of Tamil Nadu would ensure to the extent possible, that the LTTE did not have base or sanctuaries in India. India remained opposed to any secessionist or terrorist group operating from its territory against any of its neighbours.^{xv} An Agreement was signed between India and Sri Lanka in July 1991 to establish an Indo-Sri Lanka Joint Commission. Its sub commissions included those on trade, investment and finance, science and technology. President Premadasa visited India in October 1992 and discussed the bilateral relations of two countries.

Chandrika Bandaranaike Kumaratunga became the Prime Minister of Sri Lanka. She headed a coalition of political parties, People's Alliance. She attempted to resolve the ethnic conflict through peaceful means and involved in direct talks with LTTE. After being elected, President Chandrika Kumaratunga paid a significant visit to India in March 1995 and laid the base for close relation with India. President Chandrika Kumaratunga again visited in May 1995 for the SAARC Summit.

The Narasimha Rao Government lost power in 1996 and H.D. Deve Gowda became the new Prime Minister of India. I. K. Gujral once again assumed the office of External Affairs Minister. President Kumaratunga sent her Foreign Minister Lakshman Kadirgamar to India on a goodwill visit in 1996. India and Sri Lanka focused their attention on economic cooperation. Later on I. K. Gujral became the Prime Minister in late 1997. He clearly understood the importance of maintaining friendly relations with the neighbours. He introduced 'Gujral Doctrine'.

After the midterm elections in 1998, Bhartiya Janta Party along with its alliance (National Democratic Alliance) came in to power at the Centre. As soon as Atal Bihari Vajpayee became the new Prime Minister of India, the Sri Lanka representative was among the first to reach India. India reassured Sri Lanka that it respected the sovereignty and integrity of Sri Lanka and it had no intention to intervene in its internal affairs.^{xvi}

The fourth session of the India-Sri Lanka Joint Commission took place in New Delhi on December 18, 1998. The Indian Prime Minister Atal Bihari Vajpayee visited Sri Lanka to attend the 10th SAARC Summit. He said that India would be willing to conclude bilateral Free Trade Agreements with the member countries. By the end of December 1998, President Kumaratunga's visit to India resulted in the conclusion of the historic Indo-Sri Lanka Free Trade Agreement. The Sri Lankan President said,

"The agreement would not only cement close relations between India and Sri Lanka but also serve as a pacemaker for regional cooperation in South Asia."^{xvii}

In May 2000, when the conflict intensified between the LTTE and the security forces over Elephant Pass and refugees started streaming to India, the Indian government approached the issue cautiously. When Sri Lanka requested for troops or arms also after the Elephant Pass fell to the LTTE on April 2000 and the security forces were trapped in Jaffna, India declined to oblige.

Like previous governments, the administration of President Mahinda Rajapaksa devotes the highest priority to India-Sri Lanka relationship. President was of the view that the India-Sri Lanka Agreement of 29th July 1987 provided the best prospects for a solution. While there were those who were critical at the time of signing of the Agreement, over the years people have come to appreciate the fact that the 13th Amendment to the constitution, which enacts the provisions of the Accord, provide space for a meeting of minds of those from all sides holding moderate opinion. There is also an appreciation of the role played by the IPKF

In 2006, the government launched military campaign to root out the LTTE. After a 30 month long military campaign, Sri Lankan armed forces have ultimately militarily defeated the LTTE and freed the nation from three decades of terror in May 2009.^{xviii} There is consensus within an outside Sri Lanka that with the LTTE out of the way, a golden opportunity has presented itself before the government to work towards a just, honourable and durable political settlement of the ethnic conflict.^{xix} The government has promised a political package to address the grievances of the Tamil community and resettle the displaced persons in the north. President Mahinda Rajapakse also noted at victory rally in Colombo on June 3, "The war is over. Now is the time to win the hearts and minds of Tamils". India's constant refrain, over the years has been that Sri Lanka to come up with a political solution, including devolution of powers to the minorities to solve the Tamilian issue.

In the post-LTTE period without reconciliation the internal situation in Sri Lanka would continued to be restive.^{xx} On the re-election of President Mahinda Rajapaksa in January 26, 2010, Prime Minister Manmohan Singh reiterated, "We have time tested ties of friendship and co-operation. I look forward to working closely with you to further strength our close and multidimensional bilateral relations in the coming years." Affirming a strong relationship with India, Sri Lanka President Mahinda Rajapaksa stated, "All countries are friends of Sri Lanka but India is Sri Lanka's relation (relative)." ^{xvi}



India-Sri Lanka Economic Integration Experience (ISLFTA)

As most of the SAARC countries are underdeveloped economic integration is much needed for the development of this region. The process of economic integration in South Asia gained momentum with the implementation of SAPTA in 1995 under the broader frame work of SAARC.

Although they agreed SAPTA to SAFTA but SAARC countries has not facilitated trade within SAARC countries. They are doing trade via third countries. There is enough space for the SAARC countries for economic co-operation.

When SAARC is compared with regional organisation such as EU and ASEAN, it is left behind them. Intra regional trade amongst the members of SAARC is approximately 5 per cent, whereas, it is more than fifty per cent among the members of EU and more than twenty-five per cent amongst the members of ASEAN. India trade with SAARC countries is very little.^{xxii} Even though SAFTA is an ambitious agreement to achieve its fundamental goal of trade liberalization, it is being criticized because its coverage has been limited to trade in goods. Due to existence of bilateral FTAs between member's countries, which benefit bilaterally, the common interests are being sacrificed.

India-Sri Lanka economic relations has transformed and developed rapidly in all aspects in the past two and half decades. India's foreign policy decision to offer Sri Lanka favourable terms in trade has yielded greater economic partnership. The political stability in Sri Lanka and commitment of the leadership provide the business communities of two countries to work on new ideas and explore the opportunities for trade, commerce and investment. Bilateral trade between two countries has increased tenfold and it is hoped it would touch \$8 billion by 2015

In the post 1990 consistent efforts have been made by India and Sri Lanka to upgrade bilateral economic relations. India and Sri Lanka have established a dense bilateral network of institutions and mechanisms so as to ensure sustained cooperation irrespective of domestic politics and changes in the external environment of the two countries. An Agreement was signed between India and Sri Lanka in July 1991 to establish an Indo-Sri Lanka Joint Commission. A large legal frame work is provided by India-Sri Lanka Free Trade Agreement on 28th December, 1998 with an overall objective to promote trade and economic relations between the two countries and to promote Foreign Direct Investment (FDI). It entered into force from 1st March, 2000.^{xxiii} Other legal frame works are: a Double Taxation Avoidance Agreement (DTAA), a Bilateral Investment Protection and Promotion Agreement (BIPPA), and agreements/ MoU on Air Services, Small Development Projects, and Co-Operations in small scale industries tourism, Information Technology, agricultural, Education, roads, highways, science and Technology.

Aside from the legal framework, it has an institutional framework in the form of the India-Sri Lanka joint commission, a dispute settlement mechanism and frequent contacts at the political level, including at the highest levels, President, Prime Minister and Foreign Ministers of both the countries are engaged in bilateral discussion covering the entire gamut of the bilateral relationship. There is regular institutionalised dialogue at all levels of government including Foreign Secretary- led consultations, commerce secretary level talks between customs authorities, fisheries officials, the Navy/Coast Guards etc. Both the nations realised that restrictions on trade between the two are detrimental to their economic growth and prosperity. They also realised that relaxation of the restrictions, abolition of tariffs and lifting restrictions on free movement of manufactured goods and services minimize the illegal trade between the two countries.^{xxiv}

The FTA which was signed at the highest political level marked an important milestone in India-Sri Lanka relations and trade relations in particular, as it concretized and paved the way for closer economic integration. It is expected to bring about enhanced trade between the two countries as well as to expanded and diversified cooperation in a range of economic spheres, including investments. The agreement provides for duty preference access for the goods manufactured in two countries. Both the countries have listed products for immediate duty free entry into each other's territories. India has agreed to phase out its tariffs on a large number of items within a period of three years. Sri Lanka will likewise do so in eight years.^{xxv} Both the countries have drawn up negative lists in respect of which there are no duty concessions. Both the countries intend to reduce the items in the Negative List through periodic consultations. The agreement sets out the rules of origin criteria for eligibility for preferential access. Product having domestic value addition of 35% will qualify for preferential market access. Sri Lanka's exports with a domestic value addition content of 25% will also qualify for entry into the Indian market if they have a minimum 10% Indian content.

The India-Sri Lanka FTA has led to significant upturn in overall bilateral trade. In 2011, the overall trade turnover was US\$ 4919 million while it was US\$ 3020 million in 2010. This is almost an eight fold increase from US\$ 658 million in 2000, when FTA came into effect.^{xxvi} The overall trade turnover has grown five times since the entry into force of the FTA. India is now the largest trade partner of Sri Lanka. Sri Lanka has also emerged as India's largest trade partner in South Asia. Sri



Lanka is now the largest exporter to Sri Lanka. Sri Lankan exports have grown faster than Indian exports to Sri Lanka, growing tenfold as against a fivefold increase in Indian exports since the signing of the FTA.^{xxvii} FTA has facilitated two way trades between India and Sri Lanka. India was the second largest exporter to Sri Lanka before the FTA and is now the largest exporter to Sri Lanka. But, more important, India became the third largest export destination for Sri Lankan products (rising from 16th rank) as a result of FTA. Bilateral trade in 2012-13 amounted to US\$ 4.63 billion.

Sri Lankan exports to India are mainly non-traditional items such as vanaspati, copper and marble that have benefited from the FTA. An indicator of relative benefits of the FTA to the two countries is that more than 90% of Sri Lankan exports gain from FTA concessions as against only 45% of Indian exports to Sri Lanka receiving the same benefits.

In terms of investments, India maintained its position as one the leading investors in Sri Lanka. According to latest figures from the Board of Investment of Sri Lanka, India is among the top four overall investors in Sri Lanka with cumulative investments over US\$800 million. Investments from India picked up rapidly after the signing of the FTA.^{xxviii} India was the second largest foreign direct investor in Sri Lanka in 2011, with an investment of US\$ 147 million. In 2012, India emerged as the fourth largest overall investor in Sri Lanka with investment about US\$ 160 million.^{xxix}

Although there is economic cooperation between India and Sri Lanka and it is growing over the years and FTA is a significant step forward but a lot more needs to be done in the near future. There is a scope for improvement. The Governments of India and Sri Lanka also felt that more action was required to unleash the full potential of our bilateral economic relations. Accordingly, in June 2003, the two governments decided to set up a Joint Study Group to explore possibilities of starting negotiations for a Comprehensive Economic Partnership Agreement. Both countries after thirteen rounds of negotiations jointly announced in July 2008 that CEPA agreement was fully negotiated and ready for signature. CEPA is expected to build on momentum generated by the FTA. CEPA seeks to extend bilateral opening beyond trade in goods, to include services, investment and overall economic co-operation. It will address some of the issues that have come up in the implementation and operation of the FTA as well. It will impart renewed impetus and synergy to bilateral economic relations. CEPA aims at creating a more facilitating environment for Sri Lankan exports and seeks to remove some of the perceived impediments to exports from Sri Lanka.

Both sides had decided to sign the CEPA during the 15th SAARC summit held in Colombo but due to reservations expressed by Government of Sri Lanka. During the 8th session of India-Sri Lanka Joint Commission held in January, 2013 at New Delhi, both countries have agreed to hold intensive consultations towards forging a special economic partnership for comprehensive and sustained economic cooperation.

To conclude, during last two and half decade, leadership in both the countries gave a new life and showed interest in India-Sri Lanka relations. Leadership in both the countries concentrated on reviving areas of common interest, which has been ignored so far due to ethnic conflict. 'Gujral Doctrine of India Foreign Policy', which aimed at strengthening relations with neighbouring countries played a significant role in improving the relations between two countries. Atal Bihari Vajpayee and Chandrika Kumaratunge signed the historic FTA. Ranil Wickremesinghe which was known for its west-oriented policy, supported close relations with India. The relations have become stronger during the tenure of Prime Minister Manmohan Singh and President Mahinda Rajapakse. The maturity of relations between both the countries is evident from Sri Lanka's strong support to India for permanent seat in the United Nations Security Council. The year 1998 saw the biggest boost in economic relations when both the countries signed FTA. After signing of the FTA, both the countries have not been letting any opportunity to go waste which can help them to increase the scope and speed of India-Sri Lanka cooperation at the bilateral as well as at the SAARC levels. FTA has resulted in rapid expansion of trade volume, growth in investments, better connectivity, and a more intensive economic and development cooperation between both the countries. FTA has helped narrow the trade gap between the two countries in favour of Sri Lanka, while attracting more Indian investments into the country. FTA between India and Sri Lanka, which was an early experiment in South Asia, provides useful lesson's for other South Asian economies in term of progress in strengthening trade and economic linkage. This study concludes that economic relationship between India and Sri Lanka are at the highest level of cordiality. Study gives projections that India and Sri Lanka will develop development partnership in the coming years. Economic relations can go a long way in building and cementing stable and peaceful political relations. The main task of the government of both the countries is to maintain the same pattern of relation by providing a continuity in co-operation and strengthening their mutual understanding in order to take their relations to the new level of excellence and to develop model relationship which can be emulated by other SAARC countries .



NOTES AND REFERENCES

- I. Compare to other regional organizations, SAARC has not been able to advance in a manner it was expected to. The EEC as well EU has not only led to the economic integration of member states but also enabled its members to transcend their political sovereignty and national identity in order to promote the notion of European Community as a political and cultural entity. ASEAN has become a vibrant regional organization which has promoted intra-regional trade and also tried to construct common strategic space in Southeast Asian region.
- II. The inclusion of China as an observer is seen by most SAARC member states as a counter balance to India. To take China 'Observer Status' positively, SAARC countries can engage China in Trade.
- III. Madan, Davinder Kumar, "SAARC: Origin and Development," in Verinder Grover (ed.), *India Government and Politics*, Deep and deep, New Delhi. pp. 634-670
- IV. When in EU mutual distrust has been converted to mutual trust, EC became successful in trade. In NAFTA despite political differences, they have achieved economic integration. Originally ASEAN was a security organization and recently has taken economic agenda. So SAARC countries should learn from these organizations.
- V. Gandhi, Indra, Inaugural address at the South Asian Regional Co-operation meeting of Foreign Ministers at New Delhi on August 1, 1983 in Verinder Grover (ed.), *India Government and Politics*, Deep and deep, New Delhi. pp. 615-618.
- VI. Colombo declaration issued on 21 December, 1991, SAARC Secretariat, Kathmandu, <http://www.saarc-sec.org>, accessed on 15 January, 2014.
- VII. Declaration of the Tenth SAARC summit Colombo, 31 July, 1988, SAARC Secretariat, Kathmandu, <http://www.saarc-sec.org>, accessed on 15 January, 2014.
- VIII. Fifteenth SAARC Summit Colombo, 2-3 August, 2008, SAARC Secretariat, Kathmandu, <http://www.saarc-sec.org>, accessed on 15 January, 2014.
- IX. Muthiah, S., (2003), *The Indo-Lankan: Their 200 Year Saga*, Colombo, Indian Heritage Foundation, p. 1.
- X. Hariharan, R., Revisiting India's Sri Lanka Policy Options, *www.asthabharti.org published in Dialogue*, Vol. 10, No. 5, July-September 2009.
- XI. Every joint statement issued by the government of India and Sri Lanka since the mid-1990 has made a reference and reassurance to protect Sri Lanka's sovereignty. See <http://www.meaindia.nic.in>.
- XII. Sahadevan, P., (2004), "India-Sri Lanka: A Changing Relationship", *Dialogue*, New Delhi, Vol. 5, No. 3, January-March, p. 153.
- XIII. Begum, Farzana, *Dynamics of Indian Diplomacy and Foreign Affairs*, Swastik Publications, Delhi, p. 62.
- XIV. Dixit, J. N., *Assignment Colombo* (1997), Konarak Publication, New Delhi, p. 295.
- XV. *Ibid.*, p. 298.
- XVI. Bhasin, Avtar Singh, (2001), *India-Sri Lanka Relations-Section-IX, Nineties-The Decade of Hope and Despair*, in *India-Sri Lanka Relations and Sri Lanka's Ethnic Conflict-Documents-Vol. V*, Indian Research Press, New Delhi, pp. 2591-99.
- XVII. Werakoon, Dushni, (2001), "Indo-Sri Lanka Free Trade Agreement," *Economic and Political Weekly*, Mumbai, Vol.36, No.6, 24 February-2 March, 2001, p.627.
- XVIII. Army Chief lieutenant General Sarath Fonseka Said in an address over national television.
- XIX. Muni, S. D., (2009), "What Next in Sri Lanka after LTTE Defeat?" *The Tribune*, Chandigarh, May 4.
- XX. There is Little doubt that President Mahinda Rajapaksa, after the decimation of the LTTE in May 2009 has moved at snail's pace to devolve powers to the Tamil minority promised under the 13th Amendment. During the civil war, Rajapaksa had even talked of a '13th Amendment plus' or more powers to the Tamils. But after the Sri Lankan Army victory, Sinhala triumphalism dominates and now the ruling party talks of '13th Amendment minus' and even scrapping the amendment together.
- XXI. <http://www.thehindu.com>, accessed on 18 July, 2013.
- XXII. There are great potential of mutual trade between India and Pakistan because of their geographical proximity, complementarity and competitiveness to each other. During 2012, the official trade between India and Pakistan could have increased from US\$ 2.1 billion to US\$ 29.8 billion, if both removed certain irritants in the trade. In 1948-49, India's share in Pakistan global imports was 50.6 per cent, which went down to 4.6 per cent in 2012-13. Non-Tariff Barriers are putting restrictions on the bilateral trade potentials between India and Pakistan.
 - a. Ministry of External Affairs, (BSM Division: Sri Lanka), "Brief on India Sri Lanka Relations." See, http://meaindia.nic.in/foreign_relations/Sri_Lanka. Pdf.
- XXIII. Begum, Farzana, *op.cit.* p.172.
- XXIV. Upadhyay, S. S., (2007), *India and Sri Lanka: Economic and Political Relations*, ABD Publishers, Jaipur, p.151.
- XXV. High Commission of India, Colombo, "Bilateral Trade between India and Sri Lanka," <http://www.hcicolombo.org-I mht>, accessed on 12 January, 2014.
- XXVI. High Commissioner of India, Colombo, "Bilateral Commercial Relations," <http://www.hcicolombo.org>, accessed on April 17, 2011.
- XXVII. High Commissioner of India, Colombo, "Investment and Development Cooperation between India and Sri Lanka," <http://www.hcicolombo.org-4 mht>
- XXVIII. High Commissioner of India, Colombo, "Investment and Development Cooperation between India and Sri Lanka," <http://www.hcicolombo.org>, accessed on 12 January, 2014.