

## LKI Takeaways: Expert Roundtable Consultation on “Strengthening Engagement in U.S.-Sri Lanka Relations”

18<sup>th</sup> October 2023



The Lakshman Kadirgamar Institute of International Relations and Strategic Studies (LKI) hosted an expert roundtable consultation on 18th October 2023 with the theme “*Strengthening Engagement in U.S.-Sri Lanka Relations*”. The roundtable moderated by Amb. Ravinatha Aryasinha, Executive Director of LKI, featured Mr. Keerthi Martyn,<sup>1</sup> U.S. Fulbright Scholar, who completed a 9-month Fulbright research project that critically examined the avenues of cooperation in the U.S.-Sri Lanka relationship.

The roundtable discussion brought together experts from the economic, security and political sectors, many of whom had contributed to Mr Martyn’s research, and provided a platform for Mr. Martyn to summarise his key research findings, discuss the implications of such findings, and receive further contributions from experts on the U.S-Sri Lanka bilateral relationship. The roundtable also facilitated discussion between key stakeholders from both Sri Lanka and the United States and promoting engagement with a diverse range of perspectives and recommendations.

This report summarises the key takeaways from the discussion; it outlines current postures, lessons from previous engagements, and factors to consider in future engagements, for economic, security, and political relations between the U.S and Sri Lanka<sup>2</sup>.

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<sup>1</sup> Keerthi Martyn is a Fulbright Scholar who was affiliated with LKI from February 2023 until October 2023. He graduated from Colby College in 2022 with a Bachelor of Arts in Global Studies and Government.

<sup>2</sup> The roundtable discussion was conducted in accordance with Chatham House rules, and so this report does not directly attribute any contributions to individual participants.

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## Stakeholders in Attendance

Name	Organisation & Affiliations
<u>Moderators</u>	
<b>Amb. Ravinatha Aryasinha</b>	Former Foreign Secretary, Former Ambassador to the USA, Executive Director of LKI
<b>Mr Keerthi Martyn</b>	U.S Fulbright Scholar in Sri Lanka
<u>Experts</u>	
<b>Mr. Dustin Bickel</b>	Regional Indo-Pacific Coordinator, U.S Embassy in Sri Lanka
<b>Amb. Bernard Goonetilleke</b>	Former Foreign Secretary, Former Ambassador to the USA and Chairman of Pathfinder Foundation
<b>Ms. Yasoja Gunasekera</b>	Additional Secretary of Bilateral Affairs-West, Ministry of Foreign Affairs of Sri Lanka
<b>Ms. Isha Gupta</b>	Research Analyst, United States Institute of Peace
<b>Mr. Charithra Hettiarachchi</b>	Vice President, Sri Lanka-U. S Business Council at the Ceylon Chamber of Commerce
<b>Mr Michael Iveson</b>	Research Fellow (Global Economy), LKI
<b>Rear Admiral Y.N Jayarathna</b>	Former Chief of Staff, Sri Lankan Navy
<b>Mr. Shirendra Lawrence</b>	President of the American Chamber of Commerce Sri Lanka
<b>Dr. Daniel Markey</b>	Senior Advisor, South Asia Programs, United States Institute of Peace
<b>Mr. Malinda Meegoda</b>	Assistant Manager of Economics, Verité Research
<b>Mr. Daniel Moon</b>	Economic Officer, U.S. Embassy in Sri Lanka
<b>Dr. Jehan Perera</b>	Executive Director, National Peace Council
<b>Mr. Kevin Price</b>	Political Officer, U.S. Embassy in Sri Lanka
<b>Mr Talal Rafi</b>	Expert Member of the World Economic Forum
<b>Ms. Vrai Raymond</b>	Head of Secretariat of the American Chamber of Commerce in Sri Lanka
<b>Dr. Pakiasothy Saravanamuttu</b>	Executive Director, Centre for Policy Alternatives
<b>Dr. Bhagya Senaratne</b>	Senior Lecturer, Department of Strategic Studies, Kotelawala Defence University
<b>Dr. Asanka Wijesinghe</b>	Research Fellow, Institute of Policy Studies

## Executive Summary of the Presentation

Mr. Keerthi Martyn opened the discussion by detailing his experiences when conducting research on the US-Sri Lanka bilateral relationship. In addition to in-depth desk research, Mr. Martyn also conducted interviews with current and former practitioners, consulted experts and academics, and visited various organisations around the island to gain a better understanding of factors affecting US-Sri Lanka relations.

Mr. Martyn presented his research findings, where he outlined his analysis and explored the “Resetting, Restraint, and Re-engagement” of the U.S.-Sri Lanka bilateral relationship. These three pillars were summarised into key questions for critical analysis:

1. **Resetting:** How has the U.S.-Sri Lanka relationship evolved since 2009? What has worked well in the pursuit of mutually beneficial cooperation, and what have been the sources of “fracturing” that have negatively affected this relationship?

On the pillar of “resetting”, Mr. Martyn described the shift from the “golden era” of linked political, economic, humanitarian, and security interests in the early 2000s to a period of “missed opportunities” in the latter half of the decade and post-conflict. Special reference was made to the objectives of engagement outlined in the 2009 Kerry-Lugar U.S. Senate Foreign Relations Committee Report entitled “Recharting U.S. Strategy after the War”, and how engagement during this period failed to adhere to the report’s call for balancing concerns over human rights with mutual strategic cooperation.

Relational “fractures” that were identified included the politicisation of human rights at the UN Human Rights Council, misunderstandings around agreements such as the Millennium Challenge Compact (MCC) and the Status of Forces Agreement (SOFA), the continuance of U.S. sanctions on certain military officials, disharmony of outlooks between “anti-west” and “western-lenient” administrations in Sri Lanka, and geopolitical engagement “vacuums” correlated with the increased presence of China and India.

2. **Restraint:** What are the key foreign policy principles/strategies of both the United States and Sri Lanka, and how can they be put into context with the shifting regional and global dynamics taking place today?

On the pillar of “restraint”, Mr. Martyn outlined the regional foreign policy outlooks of both the United States and Sri Lanka that will shape bilateral relations in the next few years. For the U.S. this is highlighted by the continued implementation of the Indo-Pacific and the goals of gaining a strategic regional foothold, levying against the “complications” posed by China, and managing geopolitical sensitivities in the Indian Ocean.

Gaps identified in the IPS included the need for greater U.S. engagement in the Indian Ocean region, the need for deeper engagement with the region’s smaller littoral states, and better utilisation of regional mechanisms to link bilateral partnerships with multilateral objectives. Sri Lanka’s “restraint” was characterised as a balancing act between its outward-looking foreign policy focused on attaining tangible economic benefits, connectivity with regional partners, and

strategic hedging between great power states (China, India, and the U.S.) engaged in a “zero-sum push”.

**3. Re-Engagement:** What are the constructive and mutually beneficial areas of cooperation that will guide the relationship in the present and future?

Mr. Martyn lastly articulated areas of “re-engagement” in the political, geopolitical, economic, development, security, and multilateral regional spheres. Discussing the U.S. Mission Strategic Framework, he outlined the complications of balancing of Indo-Pacific interests, leveraging U.S. leadership in democracy and human rights, and the promotion of sustainable and shared economic prosperity and development in Sri Lanka.

Steps forward identified the need for greater depth in U.S. public diplomacy engagement in Sri Lanka, depth in diaspora engagement in Sri Lanka’s missions abroad, a re-evaluation of strategies and outlooks towards engagement with the Human Rights Council, diversification of Sri Lanka’s exports to the United States, greater integration beyond the Trade and Infrastructure Framework Agreement (TIFA), marketing and formulating the Indo-Pacific Economic Framework (IPEF) to Sri Lanka and Sri Lanka’s potential inclusion to the U.S., continuing USAID investments in entrepreneurship, business growth, environmental sustainability, governance, and humanitarian sectors, capacity-centred security enhancement and military exercises, and lastly the better utilisation of regional mechanisms, such as BIMSTEC and IORA, to link the bilateral and multilateral spheres.

## Political Relations

### *a) Geopolitical Posture*

The starting point of the discussion on bilateral political relations and posture began with a call for the re-evaluation of the 2009 U.S Senate Foreign Relations Committee Report on Sri Lanka, entitled “Recharting U.S. Strategy After the War”, also known as the Kerry-Lugar report. Practitioners and experts present in the discussion highlighted this report’s importance as a point of inflection in U.S.-Sri Lanka bilateral relations, stating that 2009 was “the best time for the U.S. to engage” in both strategic breadth and depth, as called for in the report. However, a criticism laid out was that the U.S. had “failed” to execute these intentions and strategic objectives and that its lack of engagement and willingness to engage politically with Sri Lanka instead created a bilateral “vacuum”, which was filled by China (as well as India) in the following decade. The main factor in this “failure” was identified as the politics surrounding the U.S. fixation on Sri Lanka’s human rights accountability at the end of the war and during the post-war period, which came at the expense of other areas of strategic cooperation. In the fourteen years since this report, the full potential of the U.S.-Sri Lanka relationship has accordingly not been realised.

It was also importantly stated, however, that while looking at the past fourteen years of the relationship is critical to understanding the present situation between the U.S. and Sri Lanka, it must also be put into the deeper context of the 75-year diplomatic relationship between the two countries. Put into this context, there was a recognition that this has been a “cooperative and cordial relationship”, with certain “fractures” that have occurred throughout its history. It is by looking at the nature of this deeper context that demonstrates that the failures of the past 14 years should not be viewed as a period of which U.S.-Sri Lanka relations cannot rebound from, or that bilateral engagement didn’t exist at all, but rather that there is still progress that can be made that learns from the mistakes of the past.

Currently, Sri Lanka’s outward-looking foreign policy towards the United States in the aftermath of its crisis holds that the United States is a prominent relationship it seeks to strengthen, despite public outcry or media representation that might say otherwise. This was echoed by a stakeholder who stated that the reality is that “The Sri Lankan Government is looking actively at closer relations with the west”, with a specific focus on tangibility, and that the President was intent on taking steps to engaging in a deeper manner with the USA. ‘Tangibility’ guided by economics was stated as being at forefront of Sri Lanka’s foreign policy and will be an important feature of U.S.-Sri Lanka relations in the coming years, especially with the changing economic shape of the Indian Ocean.

One point on the bilateral posture raised in the roundtable was the idea that before the U.S. can evaluate its engagement with Sri Lanka, it needs to first ask itself a series of “first-order” questions



about what its interests are in the Indo-Pacific and Indian Ocean, and “if they are mediated through or created by some third country or countries”. The next step of this is to ask itself “what the U.S. interests are that are intrinsic to *this* relationship”. The last part of this, from the U.S. perspective, is asking the question of how engagement with Sri Lanka “can warrant U.S. interests back home”.

For the United States, its political posturing towards Sri Lanka is inevitably linked with its strategic formulation and execution of its Indo-Pacific strategy, grounded upon a notion of a “free and open” Indo-Pacific, one where the freedom of navigation, the protection of countries’ exclusive economic zones (EEZs) and their sovereignty remains paramount. Participants discussed how the U.S. levies strategic competition amongst partners in the region, the “India Factor”, and the notion that U.S. primarily executes its regional policies with small Indian Ocean states “through the lens of India”. Another expert raised the point that the U.S. must “get the green light” from India to execute its foreign policy in the Indian Ocean region. The China and India factors and their impact on U.S.-Sri Lanka relations are unavoidable, but like the U.S.’s first order regional interests, they must be separated from the bilateral relationship with Sri Lanka. As one participant stated: “The relationship with Sri Lanka is not totally conditional on any other country, but the relationship with India and China creates the strategic framework within which the relationship with Sri Lanka or any other Indian Ocean country is going to be nurtured, encouraged or established by the USA”. These geopolitical dynamics mixed in with the bilateral relationship characterise the complicated nature of U.S.-Sri Lanka bilateral relations in the present day and in the future.

#### *b) Lessons from Previous Engagements*

The period from 2001-2005 was underlined as a somewhat of a “golden era” in U.S.-Sri Lanka relations, particularly in the political relationships that were ongoing at the time. It was discussed that in the aftermath of the September 11<sup>th</sup> attacks and the U.S.’s focus on the “War on Terror”, that the relationship with Sri Lanka had fighting terrorism at the forefront of its focus. In the political sphere, this was highlighted both by the series of trips made by then-Prime Minister Ranil Wickremesinghe to Washington where he met with high-level foreign service and defence officials, including President George Bush. Deputy Secretary of State Richard Armitage was also discussed as having played an important role in this era, as his expressed support towards the peace process during the ceasefire and his open and willing engagement with numerous foreign policy, economic, and security officials in Sri Lanka “went a long way” towards strengthened bilateral economic and security relations. Looking at how the relationship evolved in the aftermath, the main question raised was flatly, “what went wrong?”, and what lead to the failures to engage in the strategic aspects of the relationship?

The main political barrier that has existed in the U.S.-Sri Lanka bilateral relationship was identified as the politicisation of human rights and “miscommunications” regarding interests and capabilities by both parties on these issues at the expense of other strategic areas of the relationship.

Participants in the roundtable were frank in saying that the U.S. foreign policy towards Sri Lanka had been “derailed” by issues of human rights, particularly with the U.S. taking the lead on Human Rights Council resolutions condemning Sri Lanka’s end of war conduct, post-war accountability, transitional justice, and reconciliation.

One former practitioner further stated, “I’m not saying that the allegations (of human rights violations) are wrong, or that the U.S. should overlook the human rights violations, but the entire relationship has hinged on the human rights issue, which, to a certain extent, makes it possible for anti-US forces within the country to dissimilate the relationship that we had with the USA”. Another participant argued that domestic “nationalist euphoria” and triumphalism in the post-war period had caused Sri Lanka to “drop the ball” on what could have been a critical period of political engagement with the United States. A key takeaway is thus that human rights continue to be the most sensitive issue and source of contention in this bilateral relationship, and the extent to which it is emphasised and focused on in the future will have to be put up against other areas of strategic cooperation.

Another key political barrier that was identified was in relation to divides in domestic administrative and political leadership within both countries. In Sri Lanka, it was stated that differing political agendas between administrations that have been in power have resulted in inconsistent oscillations and the subsequent “deterioration” of the political relationships with the United States. The more “China-oriented” administrations of Mahinda and Gotabaya Rajapaksa resulted in a domestic political shift away from the west which, when coupled with a “human rights-focused” United States, had a detrimental effect on bilateral political engagement during these periods. Domestically in the United States, divides between the State Department and Department of Defence and the “lack of uniformity” in U.S. foreign policy on how to perceive Sri Lanka’s end of war conduct and post-war accountability were also discussed as a contributing factor towards communication difficulties in bilateral political engagement. Further, it was also briefly discussed whether the shift from Obama to Trump, who subsequently withdrew the United States from the Human Rights Council, called into question the degree to which the U.S. was “truly committed” to the pursuit of human rights around the world, which was felt deeply amongst members of the diaspora around the world and in the United States as well as with civil society groups in Sri Lanka.

The last barrier to political engagement that was raised was regarding steps taken domestically within Sri Lanka relating to the “undermining of democracy” and the potential negative affect on its perception from the United States. Cited specifically by certain stakeholders was the existence of “repressive laws” limiting the freedom of expression and the right to peacefully protest without fear of being arrested, in addition to the lack of local and provincial elections, resulting in “individuals with no mandate being in power”. It was argued that the “undermining” of key democratic principles in Sri Lanka has harmed and will continue to harm Sri Lanka’s political



relationship with the United States. However, in connection with a prior point that was made on divides and shifts between political administrations in Sri Lanka and U.S. engagement, it was also argued that while upholding democratic principles is a positive feature of a bilateral political relationship, the U.S. would be just as focused on pursuing a relationship with an administration that is more open towards engaging with the west, even if certain difficulties surrounding democracy were occurring. It was stated: “When democratic principles come under threat, that’s when western governments partner with civil society and the current administration in power.” However, it was stated that if the administration in power in Sri Lanka was perceived as being more “receptive” towards the west, then the U.S. engagement wouldn’t put as much of a focus on issues of democracy or human rights due to the fears of ruining this relationship.

### *c) Future Engagements*

The way forward in the political relationship between these two countries will be determined by the extent to which human rights politicisation decreases amidst the necessities of strategic cooperation in the bilateral economic and security spheres. It was stated that while human rights have played the key fracturing role in the relationship in the past 14 years, the “consequences of the U.S. and Sri Lanka’s Indian Ocean and Indo-Pacific strategic realities will lead to a decrease in emphasis on Sri Lanka’s human rights at the Human Rights Council by western governments”. It was further stated that this human rights focus won’t fully go away, as it will be continued by the diaspora in varying manners, however its existence as the main fracture in the bilateral political relationship will slowly decrease over time.

A second important avenue in the way forward in the political relationship called for the need for greater civil society support by the United States, focused on the principles of the freedom of expression and combatting negative perceptions towards the United States that were rooted in misinformation campaigns from on the ground in Sri Lanka. Raised in the discussion was an appreciation by civil society members of the U.S. ambassador’s statements on Twitter claiming that freedom of speech and expression were two very important principles that “must not be compromised”. While this engagement by the U.S. Ambassador faced its own criticism when it was made, the point that was articulated as being a potentially key feature of political relations in the future was that talking about key principles in democracy promotion “shouldn’t be shied away from”, especially in constructive and open relations between two democratic states. Further, the critical role that civil society groups and greater public diplomacy support can play in combatting disinformation at the grassroots level was also brought up as being an important factor towards a stronger political relationship.

Lastly, like other aspects of the relationship, the linkage between bilateral political relations and geopolitical dynamics will be a necessary actuality that has to be dealt with and carefully managed as these two countries navigate their political relationship with one another. For example, if the

U.S. is to pursue its “standards-based” Indo-Pacific Economic Framework (IPEF) with Sri Lanka, it must be flexible in its engagement with political leadership in Sri Lanka surrounding this, tailoring the framework to political realities and considerations that limit the extent to which Sri Lanka is able to fully participate in the framework. Accordingly, security partnerships and technical capacity-building that Sri Lanka receives from the U.S. must also keep in mind the nature of U.S. interests in the region and the coercive political harms of “tilting” too far one way or the other in the security sphere.

## Economic Relations

### *a) Economic Posture*

The general comments on Sri Lanka's economic posture focused on the need to build back domestically in the aftermath of the 2022 economic crisis, while also adopting an outward-looking approach to its economic connectivity and integration with other countries in the Indian Ocean Region. Sri Lanka's strategic location in the Indian Ocean and its stable and neutral relations with other nations in South Asia has been noted many times before. However, a criticism raised was that Sri Lanka needs to do a better job of leveraging this to investors and take the adequate steps domestically to fully maximise its location, attract investment, and bolster its economic competitiveness. For Sri Lanka, the challenge of its economic posture is thus implementing key domestic economic reforms post-crisis while articulating, executing, and maintaining an outward-looking foreign policy with economics as its focal point.

For the United States, its economic posture towards the region is focused on gaining a regional strategic foothold while managing its "inevitable" economic competition with China. This posture is generally outlined by the Indo-Pacific Economic Framework (IPEF), with the pillars of fair and resilient trade, supply chain resilience, clean energy, and infrastructure, as well as tax and anti-corruption. Central to the framework and the approach of U.S. policy towards the Indo-Pacific is the fostering of key partnerships and allies amongst countries in the region, with a particular focus on building trade connectivity and supply chain resiliency, which is seen by the United States as key for the growth of the region as well as gaining strategic economic advantages. However, the difficulty in the framework lies in its implementation and inclusivity, and how to market its effectiveness to regional partners to establish a rules-based economic order in the region. Sri Lanka has not yet joined the framework and not much has been done to move forward their inclusivity on the U.S. side. How the U.S. markets the IPEF to Sri Lanka, a key littoral state and part of its supply chain and partner network in the region, will shape how it engages with the region on a more inclusive level.

Discussion around bilateral economic posture touched upon the question of geoeconomics, and a prevalent viewpoint that the U.S. was only, or primarily, in Sri Lanka because of the "China factor". One participant asked: "If not for China, would the U.S. involve themselves in the affairs of Sri Lanka?" Two key points raised in response to these claims described that U.S. representation in the region and in Sri Lanka are "hurt" by the views that the U.S. is only interested in economic partnerships because of China, and that they view such small-country partnerships as crucial, while not having to make a 'choice' between the U.S. and China. With regards to India, while it is recognised that the U.S.-India strategic economic relationship has grown and will continue to grow, and that it determines much of the objectives with its other partners in the region, the U.S. hopes to not pursue this at the sacrifice of bilateral relations with these smaller countries, like Sri Lanka. As emphasised in the discussion, while the geoeconomics are important to discuss as factors of

strategic reality that play a role in economic postures, they shouldn't take away from the pursuit of independent bilateral economic relations with one another.

*b) Lessons from Previous Engagements*

The discussion described the historically “positive engagement” in the U.S.-Sri Lanka economic relationship in both the areas of trade and development, particularly in the era from 2001-2005, which was said to be a strong point in the U.S.-Sri Lanka economic relationship. Cited was the 2002 signing of the Trade and Investment Framework Agreement (TIFA) as a critical step to creating a forum to discuss areas of trade facilitation, technical barriers to trade, market access, especially in the apparel sector, and attracting foreign direct investment (FDI). Also cited during this period was the fact that a Free Trade Agreement (FTA) was under serious consideration of then-Prime Minister of Ranil Wickremesinghe and President Bush on the U.S. side, the existence of which is unlikely to be seen in the current context of economic relations.

Four key barriers to bilateral economic engagement in U.S.-Sri Lanka relations were raised in the roundtable. The first and most structural of these was the issue of transparency. The consensus among economic stakeholders present in the discussion was that issues of transparency have hindered both the efficiency and efficacy of bilateral economic relations. As one stakeholder stated: “Transparency is the sustaining force in bilateral economic relations” This includes a “significant lack of information” available on which stakeholders, businesses, and communities the US (among other countries) must engage with when pursuing investments in Sri Lanka. Additionally, corruption and unclear government procurement practices for larger projects were further highlighted by business stakeholders as a barrier to attracting investment.

While the current government's passing of the anti-corruption bill as part of the IMF deal in 2023 has been a “positive has been cause for concern amongst U.S. businesses operating in Sri Lanka. Further raised on this point was also the lack of information on the rules of operation in Sri Lanka and its regulatory economic environment. For both Sri Lankan businesses looking for investment from the United States and for U.S. businesses looking to invest in Sri Lanka, the lack of understanding of the on-the-ground rules of operation and the lack of streamlined knowledge on the investment networks in Sri Lanka disincentivised FDI and has thus hindered this aspect of economic engagement between the two countries.

The second barrier identified in bilateral economic engagement were the high duty barriers and lack of diversification of exports, which prevents the use of preferential trade schemes between Sri Lanka and the U.S. As the United States remains Sri Lanka's top exporting country, at 26% of its total exports, much of this trade is concentrated in the apparel sector, composing over 70% of Sri Lanka's exports to the U.S. However, while it was mentioned that some Sri Lankan exports qualify for duty free privileges under the U.S Generalised Scheme of Preferences (GSP), apparel

products are not included in this. As this represents a significant portion of Sri Lanka-U.S. export trade, the lack of a GSP regime that covers the reduction of high duties on Sri Lanka apparel sector imports in the United States is thus a significant barrier that exists. Alongside this, was the point regarding the highly concentrated nature of these exports, and the lack of significant diversification of Sri Lankan exports to the United States beyond the apparel sector.

A third barrier in U.S.-Sri Lanka bilateral economic engagement was identified as “economic instability” in the present and future. These concerns included shaky guarantees surrounding returns on investment, the prevention of currency depreciation, efficiency of government services, and government procurement practices. As evidenced by the lead-up to the crisis and Sri Lanka’s recovery period, these guarantees are far from certain, which further reduces incentives towards investment into the country. While it was stated that the U.S. has continually supported Sri Lanka throughout the debt restructuring process with the International Monetary Fund (IMF) in the aftermath of the crisis, the “lack of guarantees” on Sri Lanka’s economic stability has not worked in favour of attracting U.S. business investment towards Sri Lanka.

Lastly, changing economic outlooks pursued by different administrations have been highlighted as another critical barrier in bilateral economic engagement. Particularly referenced in the discussion were the shifts between Sri Lankan presidential administrations who were more receptive towards western economic relations, such as the initial stages of the Sirisena-Wickremasinghe government in 2015, compared to the more “protectionist” economies by the administrations of Mahinda and Gotabaya Rajapaksa who preceded and succeeded them. As discussed, these economic posture shifts between Sri Lankan presidential administrations have “prevented Sri Lanka from becoming a hub for international investment” and have left a notable lack of clarity for the U.S. in the pursuit of economic engagement in the country.

U.S. domestic economic politics were also mentioned as a potential barrier, with shifts from a protectionist approach under Trump, who withdrew from the Trans-Pacific Partnership (TPP) and engaged in a trade war with China, as well as the Biden administration’s Inflation Reduction Act, making microchip semiconductor trade ever the more difficult due to its competition with China. Both outlooks pursued by the U.S., targeted towards China, have raised a certain level of uncertainty on the Sri Lankan side of the U.S.’s commitment to not getting Sri Lanka embroiled too much into its geopolitical tension with China and not hurting too many Sri Lankan companies in the process as well.

### *c) Future Engagements*

To address the barriers and prior missed opportunities in economic engagement, three main areas were discussed as potential ways forward. The first was the need for domestic economic reform;

secondly, a look at better avenues in U.S. developmental assistance; lastly, engagement in multilateral economic agreements and frameworks. In the lens of domestic reform, these included the need for “Sustained domestic economic reforms that make the regulatory environment clear”. The regulatory environment in Sri Lanka has been previously stated as outdated and highly bureaucratic which is negatively associated with ease of doing business and attracting investment from the United States. Domestic legal and labour reforms were also cited as an important need to pursue for the purposes of attracting investment in the country. As a bottom line, this is done through “Building regulatory structures and helping develop policies that set standards and that make Sri Lanka an equal player on the global scene”.

In an ideal sense, Sri Lanka’s Board of Investment (BOI) would be the efficient “one-stop-shop” solution for U.S. investors looking towards Sri Lanka, however the lack of capacity to implement the single-window investment facilitation workforce (SWIFT) is a glaring need that requires cooperation and assistance to help address. A solution is thus needed that is focused on building technical capacity and transparent and equitable information sharing between the “One-stop-shop” Board of Investment (BOI) and stakeholders within the country, which would be able to streamline the process for U.S. investors wanting to do business in Sri Lanka. It was said that U.S. assistance to Sri Lanka hopes to improve further on this technical capacity building, such as with training and assistance on procurement practices, the drafting of legal documents, with the stated goal of “having self-sustaining long-term investments down the line for Sri Lanka that can help the country become a more independent and more active player in the region”. It was also mentioned that USAID has had experience in facilitating this in smaller states in the past, such as Kyrgyzstan, with the development of a ‘one stop shop’ and framework of establishing businesses, created to help get over the regulatory hurdles and approvals from certain government agencies that had made economic and business engagement the past.

Changing narratives in the U.S. bilateral development was another aspect that was brought up in the discussion. This centred around a debate on the “tangibility” of U.S. investments. One of the main criticisms that was brought up is the seeming lack of “visual tangible assistance” in development by the United States in Sri Lanka, especially when compared to countries such as China and India who provide “practical” assistance in ports, highways, roads, and other infrastructure projects. The response to this criticism was that with the U.S.’s goal in Sri Lanka is “investing more in people, skills, and capacity-building” rather than the concrete infrastructure projects that other countries choose to focus on. Further stated was the difficulty in comparing assistance from the U.S. to other countries such as China, whose view and execution of developmental assistance is different to that of the United States. The important point was that development should not be viewed as a competition, but rather something that Sri Lanka can and should seek to maximise in each of its relationships with bigger powers.



Some stakeholders present in the discussion argued that the “intrinsic value of the country lies in its people” and thus “after investment into the right kinds of skills in the people, they can build their own infrastructure, draw in their own investment and develop their own companies that can sustain themselves in the long term”. These included investments into business entrepreneurship opportunities and STEM innovation across the country. It was also stated that USAID’s previous and current programmatic assistance around entrepreneurship is focused on youth and women, who are seen as the drivers of the future of Sri Lanka as an “island of ingenuity”.

Involvement in multilateral economic frameworks was also an important step forward brought into the discussion. One stakeholder argued that a positive step for Sri Lanka would be to look towards joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a 2018 agreement that includes various countries in East and Southeast Asia as well as North and South America, but that does not include the United States. The focus for Sri Lanka for joining the agreement would be to “look towards gaining preferential trade schemes, lowering tariffs, and facilitating trade with other countries within the region”, which is further echoed by Sri Lanka taking the steps to join the China-led Regional Comprehensive Economic Partnership (RCEP).

When discussing the U.S.’s Indo-Pacific Economic Framework (IPEF) of which Sri Lanka has also not yet joined, the point was raised that IPEF is less focused on the reduction of tariffs but rather on “developing standards, improving trade relationships, governance, and transparency, all of which can help reform domestic industry in Sri Lanka.” The pillars of IPEF that focus on the promotion of resiliency in trade and supply chain networks, clean energy and infrastructure, and tax and anti-corruption were cited as potentially beneficial in addressing some of the main barriers to bilateral and multilateral economic engagement in the past. While the potential for engagement in IPEF is there, greater understanding of its outcomes, demonstrated interest on both sides, and an articulation of how it can be implemented needs to first be further undertaken before moving forward.

Additionally, a point on multilateral engagement was made stating that investors tend to look at Sri Lanka only as a market of 22 million, but that they “should also look at Sri Lanka within a market of 2 billion people living in South Asia”. What this entails is looking at Sri Lanka’s “strong relations” with other countries in the region as an opportunity for building trade facilitation and connectivity, which are key components of the IPEF and the larger U.S. Indo-Pacific Strategy. The roles of Sri Lanka’s membership in the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and current chairmanship of the Indian Ocean Rim Association (IORA) were discussed as potential avenues for broader multilateral economic engagement and U.S. support moving forward, however questions loom large as to whether institutional and capacity restraints will prevent the objectives of trade facilitation and connectivity from being fully actualised.

## Security Relations

### *a) Security Posture*

Regarding Sri Lanka's security posture, the underlining point of the discussion was that that the maritime domain will be the future of bilateral and multilateral security cooperation that Sri Lanka undertakes in the Indian Ocean. In an increasingly relevant region beckoning to great state economic activity, particularly from India, China, and the United States, Sri Lanka will have to contend with the security implications and increased hegemonic presence that come about as a result. As the "centre point of the Indian Ocean" and host of the largest port in South Asia, Sri Lanka's security challenge lies in being able to maximise its own economic opportunities without "ruffling the feathers" of these bigger powers. As was stated, "How Sri Lanka handles the China-India, and China-USA maritime security dynamics will be influencing factors of Sri Lanka's engagement with the USA and Indian Ocean in the future". It was additionally stated that the development and use of security technology from bigger states such as unmanned underwater systems, drones, and gliders in the Indian Ocean "could lead to some serious security challenges that have yet to materialise".

The other important point was that security partnerships will be defined both by the alleviation and careful balancing of the "traditional" geopolitical security challenges that take place, but also those in the non-traditional realm, particularly in the maritime environment surrounding critical issues of climate change and its negative effects. The Bay of Bengal and its littoral states like Sri Lanka are in the "hazard belt", home to a large share of the world's natural disasters, including cyclones, flooding, tsunamis, and landslides, making environment-oriented disaster risk reduction and management a priority for Sri Lankan security moving forward.

From the U.S. perspective, its security outlook is grounded in the Indo-Pacific Strategy's notions of fostering a "free and open" and "secure" Indo-Pacific. The bolstering and maintenance of supply chain resilience was mentioned as a key factor of the linked economic and security objectives in the region. It was stated that "providing cutters, safety and security support is seen as a key feature in preserving the supply chain", as the U.S. hopes to further develop connections with partners "within and beyond the region". Additional security challenges for the United States in the region include tackling the problems of drug and human trafficking, illegal fishing, and minimising the effects of human-oriented and natural disasters on the environment, economies, and populations of states.

However, like its stated economic posture, the U.S. also faces questions on the extent to which its security relationship with Sri Lanka is affected by the geopolitical context that surrounds it. While the recent deep-freeze of the U.S.-China military-to-military communications has largely been focused on Taiwan, scepticism persists amongst smaller states, including Sri Lanka, regarding the

potential for this competition to result in increasingly contested Indo-Pacific and Indian Ocean region waters. Additionally, another key question raised was the extent to which future of U.S. Indian Ocean and Sri Lanka-specific security engagement will be determined by India. As one participant stated: “As the U.S.-India relationship grows, will the structure of Indian Ocean security become too top-centric at the expense of smaller states?”. Thus, the challenge that exists for the U.S. in its security posture is how to strike a balance between its strategic security objectives and partnership building while being acutely aware of the geopolitical security sensitivities that exist alongside them.

*b) Lessons from Previous Engagements*

As was brought up in the discussion, prior security engagement between Sri Lanka and the United States was highlighted by cooperation between the two countries during Sri Lanka’s conflict with the Liberation Tigers of Tamil Eelam (LTTE), especially during the early and mid-2000s, amidst the U.S.’s post 9/11 domestic and international focus on the war on terror. It was acknowledged the U.S.’s support during this period included the designation of the LTTE as a Foreign Terrorist Organisation (FTO) in 1997 and the designation of the Tamil Rehabilitation Organisation (TRO) as a Specially Designated Global Terrorist (SDGT) in 2007. Support in fighting these threats included cooperation through sharing military intelligence as well as U.S. cutters being allocated to Sri Lanka to patrol the maritime domain.

More contemporary security relations discussed included the renewal of the Acquisition and Cross-Services Agreement (ACSA) in August 2017, the intention being to facilitate exchange in logistical and supplies support between the two countries’ security forces. It was stated in the discussion that “Sri Lanka had no issues with this”, despite media and political criticism surrounding it at the time. Further discussed was the finalisation of the Status of Forces Agreement (SOFA), submitted in 2018, which underwent significant delays and eventually was not proceeded with due to “perceived threats to sovereignty” in Sri Lanka and that the U.S. was planning to establish a military base on the island. A key point was made that stressed the need to delineate between “misinformed” public outcry regarding these security agreements and the strategic mutual defensive and security benefits that can come out of them. However, with regards to the Millennium Challenge Compact (MCC) and its failure, it was articulated by both security and foreign policy practitioners in the discussion that the failure to sign the agreement “was not rejecting support from the U.S., but rather in the terms of the agreement”, which Sri Lanka felt was “unfair” at the time.

It was cited that the Comprehensive Afloat Readiness Training (CARAT) exercises between the U.S. and Sri Lankan militaries has been seen as “positive” among security sector officials on both sides, and that they should be continued, focusing on dealing with threats such as disaster preparedness and interdiction of maritime trafficking of drugs, weapons, and humans. Lastly,

stakeholders from the security sector expressed appreciation for the U.S. Container Security Initiative in the Colombo Port, particularly with the security scanning system for all U.S-bound cargo originating from or being transhipped through Colombo.

At the same time, certain areas of prior security engagement were discussed as having caused agitation amongst Sri Lankan security officials. This included an incident during the 2000s when the U.S. had donated Bushmaster guns to the Sri Lankan military without providing ammunition for the guns, citing “issues regarding their transportation and distribution”. In this, it was claimed that the U.S.’s Department of Defence (DOD) had certain levels of apprehension to make the ammunition available to Sri Lanka. While the ammunition was provided a few months later, it was argued that “this incident made it evident that the U.S. had problems with the provision of military hardware to Sri Lanka”. Additionally, U.S. sanctions on certain Sri Lankan security officials involved in the end of the conflict in 2009 have also been a source of consternation amongst some in the Sri Lankan military and practitioner community. The extent to which the continuation of these sanctions will have an impact on the future of strategic security cooperation remains to be seen.

Three barriers to security engagement were highlighted during the roundtable discussion. The first is the inherent politicisation of the security that has taken place domestically in Sri Lanka. Particularly referenced by one security stakeholder was the milieu of “political agendas and party strategies” and the “political leadership that has failed on the defensive side”, especially in the post-war period. It was mentioned that the domestic politics surrounding security and the Sri Lankan army, especially in the post-war period, has resulted in the lack of a coherent defensive strategy and reorientation towards the maritime domain, which in turn has slowed the progress made between the U.S. and Sri Lanka in those areas.

Secondly, apprehensions amongst Sri Lankan officials towards U.S. security agreements such as the ACSA, SOFA, and the MCC have had both negative upstream effects with certain security practitioners in their willingness to cooperate with the United States, as well as a downstream effect of negative public perceptions and criticism of U.S. security interests and its overall relations with Sri Lanka. The continuance of U.S. sanctions on Sri Lankan security officials in the aftermath of the war has also contributed to this scepticism and growing calls to “move forward” from both sides of the relationship.

Lastly, inherent geopolitical barriers to security engagement were raised, particularly regarding Sri Lanka’s challenge of engaging with the three great powers in the region (India, China, and the U.S.) in a manner that doesn’t compromise its own security, sovereignty, and territorial integrity, and the U.S.’s need to be cognisant of Sri Lanka’s relationships with these other two countries. Scepticism in Sri Lanka regarding the “China-Factor” of U.S. security involvement in the region

will continue to play a role as to how officials approach bilateral security discussions with the U.S. in the future.

*c) Future Engagements*

There were three avenues and needs identified in the discussion as the way forward in security engagement between Sri Lanka and the United States. The first is the need for a national defence strategy in Sri Lanka, one that outlines the present and pre-emptive threats accurately and accordingly, and one that is attuned to the “salient” areas of national and regional security, particularly in the maritime domain. As highlighted in the discussion, the politics surrounding Sri Lanka’s security forces, especially in the post-war period, have prevented an honest formulation of a coherent defence strategy, that moves beyond its former wartime security posture, and that leads to a more modern-facing defence regime that is able to respond to present and future threats and challenges that Sri Lanka faces and will face down the road.

For Sri Lanka, the formulation of this defence strategy further allows security officials and foreign policy practitioners to address a deeper structural issue of security transparency, and demonstrate what its security objectives and principles are, where they are located, the strength and capacities of its current forces, and what the needs are that can be filled in cooperation with security partners, such as the United States. One participant stated that this transparency in the Indian Ocean domain would be of “mutual benefit to the U.S. and Sri Lanka, and other major Indian Ocean players, and that it will minimise trust issues when managing the maritime domain in the future”. For the United States, looking towards building maritime security partnerships in the Indian Ocean, a defence strategy from Sri Lanka that outlines its national and regional security interests as well as capacity needs in the maritime domain is a key puzzle piece that can act as the start for a more holistic defence approach between the two countries.

Secondly, capacity-building-centred maritime domain awareness was emphasised in the discussion as being the way forward in the bilateral security relationship between the United States and Sri Lanka. As one participant stated: “The X-factor in the defence relationship lies in capacity-building”, specifically capacity-building in the maritime domain, cooperation of which is perceived as “less complicated” than cooperation in other areas of the Sri Lankan security forces, such as the army. Previous U.S. maritime capacity building has been led through the provision of U.S. Coast Guard cutters and CARAT exercises that the U.S. conducts jointly with Sri Lankan armed forces and other regional security partners.

These exercises have been welcomed as a foundational step to building capacity at disaster response, readiness, training, and interdiction, which can be used to address security challenges such as disaster risk reduction, drug trafficking, and illegal fishing around Sri Lankan waters. It was further stated that the breadth of marine technology in the Indian Ocean lies in unmanned

underwater vessels (UUVs); however, Sri Lanka lacks the capacity to monitor them as detection remains expensive. While it was mentioned that the U.S. Navy has demonstrated its investment into high-tech maritime capacities, such as through UUVs, drones, and gliders, the extent to which these capabilities will extend down to Sri Lanka, and the extent to which Sri Lanka presently needs them has yet to be fully determined.

Another important area of capacity-building requirements in the security sector involves the creation of additional educational opportunities and exchange between students in the security fields in Sri Lanka and the United States. If the countries are to pursue a maritime angle in their security relations with one another, the training of young professionals in the maritime domain thus should remain a key facet of bilateral security relations moving forward.

Lastly, a reckoning of these two countries' geopolitical security dilemmas is critically important to note. Although stakeholders argue that bilateral security relations should not be "dictated" by other regional players, the strategic realities of Sri Lanka's relationships with India have affected and will continue to affect its security relationship with the United States. A point raised by one participant in the discussion talked about the "green light" that the U.S. has had to get from India in the past when wanting to cooperate on issues of security in Sri Lanka. A response to this from another participant highlighted the fact that this was a "first-order" reality of U.S. security interests and that the strategic component of this "green light" lay in preventing the undermining of Indian security, an increasingly coveted partner of the United States in the Indian Ocean and in the balancing of its relationship with China. While the U.S. might not explicitly state this as the way it executes its security relationship with Sri Lanka, this is an ineluctable reality of geopolitics that must be realised. For Sri Lanka, its security engagement with the United States is thus also a relationship with India, a truth that if not properly managed, can further compromise the positioning of its security relationship with both countries, and with China. Moving forward, it is clear the dynamics of Indian Ocean geopolitics must not fully determine the nature of bilateral security relations but will play a significant role as to how each countries navigate them.



## Strengthening Re-Engagement: The Way Forward

Collectively, this roundtable discussion demonstrates the varying intricacies and nuances that characterise the complicated mosaic of U.S.-Sri Lanka relations. When discussing the future of this relationship it is important to first understand both the positive features of past cooperation as well as the sources of fracturing and the negative effects that this has had on relations between these two countries. This involves understanding the deeper contextual relationship of the past 75 years as well as a reflection on why the objectives of engagement of the Kerry-Lugar report from 14 years ago were not actualised. It is just as important to understand the postures and principles of each side, with regards to their overall foreign policies, as well as within each individual sphere. Additionally, there exists a need for further examination of the current context and the set of evolving realities and relational trends that will have a direct impact on how this relationship continues to grow and develop over time.

The presentation delivered on the “Resetting, Restraint, and Re-engagement” of bilateral relations, the content of the discussion, and the organisation of this report into postures, prior engagements, and future engagements, within the realms of political, economic, and security relations, highlight the important steps that must be taken by scholars and practitioners keen on understanding this relationship at a deeper level. Before advancing discussions and policy formulations, it is important to take the time to understand the positive features of past cooperation, the sources of fracturing, and the negative effects that this has had on relations between Sri Lanka and the United States. It is equally as important to approach future engagements with a holistic understanding of the postures and principles of each side with regards to their overall foreign policies, as well as within each individual sphere. It is only after developing this understanding that Sri Lanka and the U.S can legitimately develop comprehensive avenues of cooperation in this important bilateral relationship.

The way forward thus requires a commitment to understanding the successes and failures of the past, having acute awareness of sensitivities that exist, and taking steps to identify, articulate, and address the barriers to cooperation, to ensure that these are overcome to enhance mutually beneficial relations in the future.