The immediate threat to any nation arises in its neighbourhood. That is why the maintenance of peace, stability and friendship with neighbouring states is considered basic to a nation’s foreign policy. India’s relation with its neighbours is therefore a critical component of its foreign policy. The specific geo-strategic location of Sri Lanka in the Indian Ocean having importance in terms of maritime trade and security concern of other states. Other states look towards Sri Lanka for expansion and facilitation of their maritime trade and security and attempt to exercise their influence on foreign policy making exercise in Sri Lanka. Ethnic affinity of the Indian Tamils with the Sri Lankan Tamils has been the most important factor in their relationship. India is the closest neighbour of Sri Lanka, separated from it at its narrowest point by 22 miles of sea called the Palk-strait. The implication of such a close proximity is that developments in each country have affected the other. Its strategic location caused concern to the Indian security because of the possibility of the involvement of external powers in the ethnic conflict. The presence of external powers there, can possibly pose a serious threat to security and unity and integrity of India as well as to regional stability.

India-Sri Lanka relations in the post 1990 period have undergone a contextual change in tandem with changes in India’s foreign policy perceptions. After the end of the Cold War and the emergence of the US as the sole super power, India’s foreign policy perceptions have also changed. In keeping with the changing global economic and trade scenario, India’s strategic priorities in Indian Ocean region have also undergone a change during the last two decades. India's national security perceptions have now been enlarged to include economic security, free trade and commerce, energy security and social security of the population in addition to territorial integrity.

India-Sri Lanka relations are also now affected by the regional power dynamic, with external powers seeking to increase their own, and counter the influence of others. India is the most important foreign supporter of Sri Lanka, and remains its largest trading partner. China-Sri Lanka relationship
expanded remarkably after Mahinda Rajapaksa became president in 2005. China robust endorsement and military support to Sri Lanka in its war against the Liberation Tiger of Tamil Eelam, its enormous economic aid and investment in development infrastructure and political initiatives to block the attempt of the West led by European Union to place the issue of ethnic war in Sri Lanka on the United Nations Security Council discussion were a clear indicator of a new found understanding between Sri Lanka and China. China also encouraged Pakistan to meet Sri Lanka’s military requirement and help to fight LTTE. India is worried over the increasing Chinese influence and its implications for India’s security. Sri Lanka President Mahinda Rajapaksa has sought to ally Indian concerns about the growing Chinese influence in Sri Lanka, saying India’s role in the island was a permanent feature, unlike other players whose engagement was limited to commercial projects they execute.

Keeping in view India’s changing foreign policy perceptions and India’s earlier experience of Indo-Sri Lanka Agreement of 29th July, 1987 and subsequent mission of the IPKF from 1987 to pre1990, and particularly after the assassination of former Prime Minister Rajiv Gandhi by the LTTE, India has resisted the option of mediation or involvement in the ethnic conflict of Sri Lanka. The events that unfold between 1987 to pre1990 were the most troubled and by and large conflictual years in the India-Sri Lanka relationship. India’s involvement had embittered its relationship with both the government and people of Sri Lanka. Realising the constraints and cost of its direct involvement in the internal affairs of Sri Lanka, from 1987-1990, India has adopted new policy of non-intervention with active interest in the ethnic conflict of Sri Lanka and focus on economic co-operation. Economic and commercial relations are on the course of unprecedented growth. Co-operation in the areas of defence and security has increased and there is a general broad-based improvement across all sectors of bilateral co-operation.

The importance of study lies in the fact that Sri Lanka, not only plays a very significant role in India’s security concern, but also what Tamils in the island affects south India, particularly Tamil Nadu in a big way and influences the course and configuration of Indian politics in a manner that no government of India can ignore. This concern had obliged India’s Prime Minister, Rajiv
Gandhi, in July 1987, to go to Colombo and sign the Indo-Sri Lanka Agreement even at the risk of his life.

The Sri Lankan ethnic conflict had caused tensions and pressure on bilateral relations between India and Sri Lanka. This study would be incomplete without briefly reviewing the various aspects of this conflict. With the end of civil war in Sri Lanka and defeat of the LTTE, a frictional chapter in India-Sri Lankan relation has come to an end. The imperatives and consequences of ethnic conflict have spilled over beyond national boundaries of Sri Lanka and sucked into them the interest and involvement of external factors and forces, this constitutes a formidable external dimension to Sri Lanka’s ethnic conflict. Of all the external forces and factors in the Sri Lanka ethnic conflict, India’s response has been pervasive, significant and even decisive. The defeat of the LTTE in May 2009 brought an end to Sri Lanka’s Civil War. But the conflict also shed the light on a bitter geopolitical struggle taking place against the backdrop of declining influence of the west and the emerging influence of India and China.

Sri Lanka ethnic conflict also finds a place in the politics of Tamil Nadu. Ethnic political parties especially AIADMK/DMK of Tamil Nadu use ethnic conflict for mobilizing supports to exert pressure on the centre government to make them evolve a suitable policy in support of the Tamils. In the process of mobilising the people to help the Tamils in Sri Lanka, the ethnic political parties gained support for their ethnic activities in Indian politics.

This study is important because during post 1990 phase, economic relationships had transferred and developed rapidly in all aspects. During this phase legal frame work is provided by both to Indo-Sri Lanka Free Trade Agreement (ISFTA) in 1998 and the; Institutional framework for the relationship is provided by the India-Sri Lanka Joint Commission, a dispute settlement mechanism and frequent contacts at the political level, including at the highest levels. ISFTA set an example for others countries in the region to promote a greater co-operation in the region. It might have paved the way for the South Asian Free Trade Agreement (SAFTA) in 2005 in this way; comprehensive improvement in Indo-Sri Lanka relations is expected to
strength South Asia and South Asian Association for Regional Co-operation (SAARC) as a whole. In July 2008, the two countries completed negotiations on a Comprehensive Economic Partnership Agreement (CEPA) and the steps to finalise the agreement are expected to be taken in the near future.

The undertaken study is going to be different so far as it seeks to identify India’s new policy of non-intervention in the internal affairs of Sri Lanka. This new policy has contributed to removing 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. In this period, departing from its traditional stand against external involvement in south Asia, India has extended its whole hearted support for the Norwegian facilitation of the peace process.

The focus of previous studies was on the immediate past (which preceded the 1990s) when India’s Sri Lanka relations were very troublesome and by and large conflictual. India’s involvement in the internal affairs of Sri Lanka and presence of Indian Peace keeping Force (IPKF) were the immediate factors which shaped their conflictual relations.