

FOREIGN RELATIONS

Sri Lanka is a moderate, non-aligned nation. Its central foreign policy concern has been its relations with India, Sri Lanka's only immediate neighbor. This is largely due to India's ability to exercise influence over both sides in the country's communal conflict.

Sri Lanka is attempting to foster better ties with Pakistan, and has always had a good relationship with China, due to its early recognition of the PRC in 1949. Sri Lanka is distancing itself from the USSR however, and has placed emphasis on better ties to the USA.

Sri Lanka is a member of the Commonwealth, the U.N., and is due to host the South Asian Association for Regional Co-operation summit meeting this year.

BILATERAL RELATIONS

Canada and Sri Lanka enjoy a warm and longstanding bilateral relationship. In the post war period, our bilateral relations developed through the medium of our Commonwealth ties. Sri Lanka was among the first recipients of Canadian aid under the Colombo Plan, launched in Ceylon in 1952. Through the sixties and early seventies, Canada maintained a modest development assistance program to Sri Lanka. Our involvement expanded rapidly in the late 1970's with the announcement of the Sri Lankan government's Accelerated Mahaweli Program. Canada is committed to maintaining a significant aid program to Sri Lanka.

Canada and Sri Lanka have signed a Textile Agreement.

Sri Lanka is eligible for GPT with Canada.

COMMERCE

Trade with Sri Lanka is relatively small (1988 exports of \$27 million and imports of \$33 million). Canadian exports contain a large component of aid-related commodity supply such as wheat and potash.

As part of the Accelerated Mahaweli Program, Canada committed itself to building one of the four major dams that form the centre-piece of this project. The Maduru Oya dam was built at a cost of \$100 million by a consortium of four Canadian firms. When completed in June of 1983, it was the largest single project that CIDA had ever constructed. On June 27, 1988 Canada signed an agreement with the Government of Sri Lanka to provide \$55 million for resettlement on the right bank of the Maduru Oya River.

Canadian firms which have been active over the last five years in Sri Lanka include the FAFJ consortium and Crippen which were working on the Maduru Oya project; Collavino Construction Ltd. which obtained contracts to build a hotel and a bank as well as a \$35 million sewage contract; Monenco which is the consulting engineer on the Overseas Trust Building. In addition, Bata has over 30% of the local shoe market and Pendrith Equipment Ltd. has completed a \$15 million contract with Air Lanka to design and construct an aircraft hangar at the Colombo Airport in late 1984. Petro Canada International Assistance Corporation has provided assistance to Ceylon Petroleum Company (Ceypetco) in the collection and analysis of the offshore seismic data. Rainex has concluded a joint venture for coconuts and peanuts. Candecom has an ADB project for Second Tech Assistance Program.