



Integrated Country Strategy

Sri Lanka

FOR PUBLIC RELEASE

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1. Chief of Mission Priorities

Positioned at the geographic and political heart of the Indian Ocean, Sri Lanka is the epicenter of the 21st century struggle for regional influence. In line with the Administration's Indo-Pacific Strategy, Mission Colombo advances America's leadership and security by promoting increasing social, political, and economic gains in Sri Lanka. The U.S.-Sri Lanka bilateral relationship can act as a catalyst for the sustainment of a free and open Indo-Pacific.

Ideally situated between the Persian Gulf and Red Sea to the east and the Straits of Malacca and Sunda to the west, Sri Lanka is arguably the most strategically located maritime nation in the region. More than 60,000 ships – including two-thirds of the world's seaborne crude oil, half of its container ships, and all U.S. Navy vessels passing between the 5th and 7th Fleets – annually transit Sri Lankan waters.

Following a period of tension that extended from the end of Sri Lanka's civil war in 2009 to elections in 2015, Mission Colombo engaged robustly to revive the bilateral U.S.-Sri Lanka relationship, adding military cooperation, foreign assistance resources, and people-to-people programming to what had been a constrained relationship. This enhanced cooperation is predicated, however, on the Sri Lankan government's continued willingness to fulfill its commitments on post-war reconciliation, constitutional reform, human rights, and accountability for victims of all relevant conflicts. Wounds from the 30-year war against the terrorist Liberation Tigers of Tamil Eelam and internal insurrections are still fresh, but the United States is committed to helping Sri Lanka achieve reconciliation for all ethnic and religious communities. To that end, Mission Colombo works in coordination with like-minded foreign missions and other partners in Sri Lanka to actively support the independent Human Rights Commission of Sri Lanka, the Office of Missing Persons, a future reparations office, a truth-seeking commission and a credible accountability mechanism to address alleged crimes committed during the civil war and other domestic insurrections. This is, and must remain, a Sri Lankan-driven process; but the United States has significant foreign assistance resources that can support those efforts with technical assistance and other expertise. True reconciliation requires an institutional framework to succeed, and a reconciled Sri Lanka that conquers impunity will be a stronger, more developed, and more secure partner for the United States, as well as a stabilizing factor in the Indo-Pacific Region.

We will manage our security relationship in the context of our concerns about human rights and the rule of law. Mission Colombo remains committed to helping Sri Lanka reshape its security forces to tackle current and emerging threats, leaving the country better poised to contribute to regional and global security, including through participation in UN peacekeeping missions. Mission Colombo will continue to apply U.S. law, vetting all security sector personnel who receive U.S. foreign assistance resources, including training. Human rights training will continue to be an important component of our bilateral military engagement.

Sri Lanka's large trade deficit, high government debt, and poor tax collection make it difficult for the government to stimulate broad-based, equitable economic growth that would create more demand for U.S. exports. In addition, inequitable or non-inclusive growth causes many Sri Lankans to look for jobs abroad, robbing the nation of needed talent. Uneven growth can also undermine political reconciliation by increasing friction between different ethnic groups, who may fall back on age-old communal grievances to explain their relatively poorer socio-economic status. Endemic corruption and steep barriers to market access continue to slow economic progress and diminish opportunities for American businesses.

Mission Colombo, therefore, will focus even greater attention on economic governance and business connectivity as a cornerstone of our renewed engagement. We will also continue to design and deploy foreign assistance programmatic interventions to increase livelihood options in marginalized areas, and promote economic partnerships and business opportunities based on fair standards with respect to commercial legal accountability, transparency, and the rule of law. To that end, Mission Colombo will continue to support the U.S. Millennium Challenge Corporation as it attempts to address two major constraints to growth: reliable transportation and access to land.

The United States remains committed to a free, open, stable, democratic, and prosperous Sri Lanka, and the United States has a willing partner in the Government of Sri Lanka insofar as that government remains committed to the democratic and institutional norms we share. Mission Colombo will work to strengthen fair and equitable democratic and economic governance, the rule of law, reform of the justice and security sectors, law enforcement professionalism, and human rights for all Sri Lankans. We remain committed to defending our strategic interests and values in Sri Lanka – the fulcrum of the Indo-Pacific region.

2. Mission Strategic Framework

Mission Goal 1: Promote American security by increasing Sri Lanka's capacity to protect its sovereignty and to advance a free, open, and secure Indo-Pacific region.

Mission Objective 1.1: Increase Sri Lanka's interoperability with the United States and likeminded strategic partners to serve as a net provider of regional and global stability.

Mission Objective 1.2: Enhance the capacity of Sri Lanka's security sector to support a domestic peacetime environment and counter internal threats.

Mission Objective 1.3: Protect U.S. national security interests and U.S. citizens abroad, including for disaster preparedness, by enhancing consular services, strengthening host nation cooperation, and improving post's methods of communication with U.S. citizens.

Mission Goal 2: Leverage American leadership to accelerate the transformation of Sri Lanka into a reliable and resilient U.S. partner that upholds international norms as they relate to fundamental human rights and democratic governance.

Mission Objective 2.1: Effectuate reconciliation through targeted engagement and assistance to support Sri Lanka's adherence to its international commitments.

Mission Objective 2.2: Strengthen rule-of-law, transparency, and democratic governance through engagement with and assistance to key public sector institutions, civil society, and media.

Mission Objective 2.3: Support organizations dedicated to strengthening fundamental human rights while lessening their dependence on foreign donor assistance.

Mission Goal 3: Sri Lanka's economy strengthens and grows through good governance, responsible and inclusive economic action and policy, accountability, and rule of law.

Mission Objective 3.1: Foster sustainable and inclusive economic growth in Sri Lanka.

Mission Objective 3.2: Assist Sri Lanka to enact policies that strengthen its economy by avoiding non-transparent and irresponsible government borrowing, and to assist Sri Lanka manage financial institutions and public finances consistent with international best practices.

Mission Objective 3.3: Increase opportunities for U.S. firms to export goods and services, win government tenders, and profit from investing in Sri Lanka.

Management Objective 1: Attract the best people to fill Embassy jobs and accomplish Mission goals.

Management Objective 2: Fix the leading morale-killers for Embassy Colombo employees and families.

Management Objective 3: Improve management services using Big Data and quality management concepts, to empower and motivate people to accomplish Mission goals, and to enhance value for ICASS customers and the American taxpayer.

Management Objective 4: Complete the state-of-the-art new embassy to provide a secure, safe, functional, and attractive space to accomplish Mission goals and represent the United States in Sri Lanka.

3. Mission Goals and Objectives

Mission Goal 1: Promote American security by increasing Sri Lanka's capacity to protect its sovereignty and to advance a free, open, and secure Indo-Pacific region.

Description and Linkages: Sri Lanka's strategic position astride international shipping lanes places it in the center of economic and security competition in the Indian Ocean Region. After almost 30 years of civil war, Sri Lanka is now working to reorient its security sector to better focus on the current needs of the country. The United States has a unique opportunity to help Sri Lanka reshape its security forces so that they are more capable of responding to domestic needs, such as disaster response and counter terrorism, while simultaneously contributing to regional and global security through enhanced maritime security and support to United Nations peacekeeping missions. This supports both Goals 1 (1.1, 1.2, 1.3, 1.4) and 3 (3.1, 3.2) in the Joint Strategic Plan FY2018-2022 Strategic Framework, as well as Goal 1 in the Joint Regional Strategy, and is aligned with the INDOPACOM Theater Campaign Plan. The U.S. government's ability to visually demonstrate strong, continued investment in the well-being of Sri Lanka and its people, is important in this geopolitically significant region and aligns with the Indo-Pacific Strategy.

Mission Objective 1.1: Increase Sri Lanka's interoperability with the United States and likeminded strategic partners to serve as a net provider of regional and global stability.

Justification: To assist the Sri Lankan military to become a responsible, more capable partner to the regional and global security community, the United States is engaged with the Sri Lankan military through the International Military Education and Training (IMET) program, which highlights defense professionalization, U.S. military training, doctrine and democratic values, builds capacity, and establishes a basis for increased dialogue on reforms. Through participation in IMET, Department of Defense training, and Global Peace Operations Initiative (GPOI) courses, Sri Lankan military personnel are better prepared to collaborate on training, exercises, humanitarian assistance and disaster relief (HA/DR) responses, as well as serve in UN peacekeeping missions. IMET and provisions for U.S. Foreign Military Sales enhance the Sri Lankan military's Maritime Domain Awareness capability to practice maritime security in defense of its own borders, and as part of regional efforts. Enhanced U.S.-Sri Lankan security cooperation would enable Sri Lanka to assume a stronger regional security posture that would contribute to stability throughout the South Asian region, while respecting human rights. This improves the information gathering and sharing capacity Sri Lanka can use to coordinate effective and proper responses to HA/DR crisis; monitoring and interdiction of illicit traffic in the Sea Lines of Communication, protect their Economic Exclusive Zone, as well as aid in upholding their Search and Rescue Area responsibilities. Interoperability in resources, collaborative training, exercise and consistent, positive communication is the key

The expanding Colombo Port serves as a major trans-shipment hub with hundreds of containers that subsequently enter the United States each year. Sri Lanka is endeavoring to expand its role as a regional logistics and shipping hub with port expansion in Colombo and Hambantota. With increased container traffic, risk of nuclear, radiological, and other material illegally trafficked through Sri Lanka will escalate. Sri Lanka has demonstrated an earnest and sustained commitment to international counter-proliferation efforts and, with U.S. government support, has prevented a number of these transshipments.

In order to ensure the safety of this growing international shipping hub and the security of containers shipped to U.S. ports, Sri Lanka needs improved trade controls, along with a comprehensive export control law, national control list, appropriate licensing procedures, effective enforcement capabilities, and industry outreach that meets international standards.

Mission Objective 1.2: Enhance the capacity of Sri Lanka's security sector to support a domestic peacetime environment and counter internal threats.

Justification: The United States has a keen interest in seeing the remnants of Sri Lanka's almost 30-year war removed, be it explosive hazards (improvised explosive devices, unexploded ordnance, landmines) and physical security and stockpile management for weapons and ammunition in the ground or excessive security structures in post-conflict areas. This would allow Sri Lanka's domestic politics to move on to a more stable future, while simultaneously providing the United States a more reliable partner at the heart of the Indian Ocean. Following the 2015 Sri Lankan election, the United States increased its military engagement with the armed forces, particularly the Navy. Military engagement falls into five broad categories - maritime security, demining, UN peacekeeping operations support, humanitarian assistance and disaster response, and defense professionalization - with increased activity in all categories since December 2015. These engagements have brought positive results in the Sri Lankan security sector, and Sri Lankan military and civilian leaders in the national security community are seeking increased engagement and partnership with the United States

The GoSL has a strong interest in re-orienting its security establishment towards combatting modern threats. The Sri Lankan armed forces have begun to adjust to the post-war environment, reducing their overt presence in the north and east; returning most, but not all, land seized by the military during the war; and obeying the new civilian leadership. However, the overall force structure, especially within the Army, is too large and remains configured to fight an organized insurrection as it did during the civil war. The Navy, and to a lesser extent the Air Force, have re-focused on maritime domain awareness and maritime security issues, but continue to lack much of the training and capabilities to carry out their new mission. The Army has sought to expand its role in UN Peacekeeping Operations and, while the military has participated in the reconciliation process, they have not yet begun the politically sensitive accountability process for alleged war crimes that occurred during the civil war. The Sri Lankan armed forces have also expressed interest in building capacity to safely secure and manage stockpiles of weapons and ammunitions with U.S. assistance.

The military has been called upon to assist in response to regular floods and other humanitarian disasters, but there is room for improvement in the quality of their response and in their coordination with civilian disaster response agencies and regional partners.

Mission Objective 1.3: Protect U.S. national security interests and U.S. citizens abroad, including for disaster preparedness, by enhancing consular services, strengthening host nation cooperation, and improving post's methods of communication with U.S. citizens.

Justification: The safety of U.S. citizens is post's number one priority. Post's ability to amply respond to a crisis directly impacts this priority. Natural disasters are not uncommon in Sri Lanka (e.g. frequent flooding and landslides; 2004 tsunami) and host-nation response capabilities can be limited.

The goal of visa reciprocity is to obtain progressive visa regimes, consistent with U.S. national interests, laws, and regulations, to encourage international travel that benefits U.S. citizens and the U.S. economy IAW Executive Order 13780.

Presidential Proclamation 9645 requires post to frequently review and report on host-nation capabilities and accounting of host government information-sharing and identity-management practices and protocols.

Mission Goal 2: Leverage American leadership to accelerate the transformation of Sri Lanka into a reliable and resilient U.S. partner that upholds international norms as they relate to fundamental human rights and democratic governance.

Description and Linkages: Sri Lanka is at a historical junction. The civil war is over and although a democratic, reform-minded unity government came to power in 2015, the current political landscape is one fraught with the potential for political turmoil and backsliding on progress due to expected parliamentary and presidential elections in 2019 and 2020. Until the political crisis of late 2018, Sri Lanka was poised to leverage its human capital, geographic location, and natural resources to develop into a prosperous, peaceful, and inclusive country. The United States seeks to help Sri Lanka avoid backsliding and accelerate its development as a stable, democratic, and prosperous state with a crucial role in the Indo-Pacific Strategy. U.S. assistance will Promote American Leadership (Goal 3 of the Joint Strategic Plan) and build on the current openness in political, civil society, and media spaces, in order to foster reconciliation and stability, and strengthen democratic institutions. The United States will work with government, civil society, and media to increase accountability and transparency; promote free and fair national elections; protect human rights and fundamental freedoms; strengthen the rule of law and democratic institutions; promote reconciliation, social cohesion, and inter-ethnic and inter-faith understanding; promote active leadership of women and youth in reconciliation, political participation, advocacy, and in the judiciary; and bolster good governance. This projection of American values presents an important opportunity to further U.S. foreign policy goals while

bolstering the rights and democratic aspirations of the Sri Lankan people, which will move the country toward self-reliance and consistent engagement with the West.

Mission Objective 2.1: Effectuate reconciliation through targeted engagement and assistance to support Sri Lanka's adherence to its international commitments.

Justification: Following a civil war that spanned almost 30 years, Sri Lankan society remains divided by ethnic tensions between the minority Tamil and majority Sinhalese populations, as well as between religious communities. Recent attacks on Muslim communities, which led to a State of Emergency and a social media ban in March 2018, are evidence that inter-ethnic and inter-religious tensions continue to divide the country and undermine reconciliation in a variety of ways. Remaining inequalities and vulnerabilities, particularly to increasingly frequent natural disasters, further inhibit reconciliation and social cohesion.

The coalition government in place from 2015 to 2018 demonstrated some commitment to good governance and transparency by co-sponsoring of the UN Resolution on Reconciliation, Accountability, and Human Rights in Sri Lanka; operationalizing the Right to Information Act and the Office of Missing Persons (OMP); and adopting the international convention for the protection of all persons from enforced disappearances. Progress on reform and reconciliation has been slow, however, leading to wide scale public frustration, evidenced through the high level of protest votes for the previous regime in the February 2018 local elections. To advance reconciliation, the U.S. Mission will support both government, independent, and community-based organizations to: improve the delivery of legal services; encourage participatory processes between citizens and government; promote social integration among all segments of the society; and address policy reform needed for long-term sustainable social integration.

Mission Objective 2.2: Strengthen rule-of-law, transparency, and democratic governance through engagement with and assistance to key public sector institutions, civil society, and media.

Justification: To achieve a unified nation with a strong foundation for a just and lasting peace, Sri Lanka must strengthen government systems and processes to enforce the rule of law, to perform key policy and oversight functions, and ensure the equitable provision of government services to all religious, ethnic, and linguistic communities. However, government capacity to implement such actions is nascent and political will inconsistent. The Embassy will assist the GoSL in strengthening core government institutions through focused support to enhance effectiveness, transparency, and accountability. This will improve Sri Lanka's capability to: reduce public corruption and related crimes; hold government institutions accountable to the public they serve; provide ready access to public information; improve the delivery of public services to all citizens; incorporate public participation in policymaking; and. The Embassy's programs and training will focus support on Members of Parliament and their staff, independent commissions, key ministries, prosecutors, judges, and other justice sector partners.

Mission Objective 2.3: Support organizations dedicated to strengthening fundamental human rights while lessening their dependence on foreign donor assistance.

Justification: A strong civil society and independent media serve to protect all citizens, and provide them a voice through access to information, advocacy, and oversight of the government. While the freedom to operate has significantly improved for both media and civil society since 2015, progress remains fragile and subject to reversals. In addition, ethnic and religious tensions have been fueled through new ways of spreading hatred through social media. This resulted in a nationwide shutdown of various social media applications for numerous days during the March 2018 State of Emergency. Strengthening the professionalism, governance, and quality of Sri Lanka's media sector is key to supporting the GoSL's efforts to solidify the country's recent advances in media freedom and democratic governance, both critical to the protection of human rights.

The U.S. government has long been the lead donor strengthening civil society organizations to act as drivers of reform, citizen engagement, and advocacy for the rights and needs of marginalized groups. By promoting and protecting the work of civil society actors, the U.S. Mission is well-poised to work with the government and civil society to support good governance and amplify messages of religious tolerance and freedom of expression. Efforts will prioritize supporting the sector to develop evidence-based policy analysis and advocacy and financial and programmatic strategies to amplify their effectiveness in improving reforms and the long-term sustainability of advocacy efforts. Concurrently, these efforts promote U.S. values and offer a public record of our support for just and transparent governance, accountability, and the protection of all human rights.

Mission Goal 3: Sri Lanka's economy strengthens and grows through good governance, responsible and inclusive economic action and policy, accountability, and rule of law.

Description and Linkages: Economic diplomacy plays a central role in empowering U.S. growth and securing our future. Embassy Colombo's efforts to promote fair and open markets, advocate for U.S. businesses, and implement policies that promote prosperity and stability, all serve to strengthen U.S. national security. U.S. strategic interests in the Indo-Pacific region depend on an economically growing Sri Lanka that acts transparently and enforces the rule of law. As Sri Lanka's economy grows and strengthens, Sri Lanka will feel less pressure to rely on predatory foreign lending, which places Sri Lanka further into a debt trap that allows malicious state actors to control its vital resources and sovereign land with the intention of militarizing them. Sri Lanka will be better able to maintain its sovereignty, and it will be a better partner of the United States. Good governance, transparency, sound policies, and rule of law will not only help foster this growth, they promote a virtuousness throughout the economy which will provide a further buffer against foreign nations who wish to use Sri Lanka's location astride the Indian Ocean's major sea lanes for their own benefit. Although Sri Lanka is a middle-income country, large swaths of the population suffer from pernicious poverty. Improved economic opportunity cements social cohesion and promotes political and economic stability by offering

inclusive opportunities for upward mobility, which will allow Sri Lanka to be a more reliable ally and less vulnerable to predatory influences.

Mission Objective 3.1: Foster sustainable and inclusive economic growth in Sri Lanka.

Justification: Inclusive economic growth is essential for Sri Lanka to become a stable, permanent democracy. Sri Lanka's poverty rate has fallen from about 23 percent in 2002 to six percent in 2013, and to four percent in 2016. The main reason for this dramatic decrease is that people have moved from agriculture into more urban sectors of the economy, namely services and manufacturing. However, the business climate is hampered by corruption, import substitution policies, high tariffs, non-tariff barriers, and opaque procurement practices, which makes Sri Lanka susceptible to pernicious foreign interference. Economic benefits also remain inequitably distributed between regions and along gender and ethnic lines, exacerbating challenges to building social cohesion. Further progress depends on connecting workers to more productive employment opportunities inclusively, including women, youth, and those in marginalized areas. This will place further demands on the transportation systems. In addition, weak land information systems and tenure security impact private sector investment in manufacturing, services, and agriculture. The embassy will work with the GoSL to support sound macroeconomic decisions and improve structures to allow for better decision-making, and improve the policy and regulatory environment for trade and investment. We will have a particular focus on macroeconomic policy (both monetary and fiscal), enhancing the transparency and efficiency of procurement practices and public financial management systems, including increasing the use of viable and transparent public private partnerships, and help small and medium sized businesses create viable employment opportunities. Through a new entrepreneurship framework, we will establish a coordinated approach to supporting a small business climate that creates more jobs, supports inclusive business practices and augments our bilateral commercial opportunities. In partnership with the private sector, the embassy will help Sri Lanka build a competitive workforce by providing youth and women with critical skills through vocational training, and global exposure through mentorships and bilateral investment opportunities.

Mission Objective 3.2: Assist Sri Lanka to enact policies that strengthen its economy by avoiding non-transparent and irresponsible government borrowing, and to assist Sri Lanka manage financial institutions and public finances consistent with international best practices.

Justification: The Government of Sri Lanka owes \$68 billion of external debt. The pressures caused by the extensive borrowing have weakened the fiscal stability of Sri Lanka and make Sri Lanka financially beholden to the political demands of these foreign lenders. Relatedly, the government's complex and arcane tender procedures and foreign direct investment policies lack transparency and have led to widespread corruption. Sri Lanka can be an attractive investment destination with a diversified economy, and an active trading partner with other countries in the Indo-Pacific region and beyond. To achieve this, the embassy will engage diplomatically with the GSL so it better understands the benefits of these sorts of policies

rather than those of the easy money Sri Lanka has been recently accepting. We will also provide technical assistance for policy and practice changes so Sri Lanka does not become even more economically and politically vulnerable to coercion by predatory states.

Mission Objective 3.3: Increase opportunities for U.S. firms to export goods and services, win government tenders, and profit from investing in Sri Lanka.

Justification: The United States is the largest single market for Sri Lankan exports, but despite strong trade ties, the United States is only the 12th largest foreign investor in Sri Lanka in terms of stock of foreign direct investment). According to the Sri Lankan Central Bank, the United States stock of FDI in 2017 was \$300 million, far behind the Netherlands (\$1.60 billion), India (\$1.24 billion), and China (\$1.16 billion). In the Indo-Pacific context, our efforts to rebalance our relationship with China are based on leveraging our economic strengths through an open and robust economy that creates wealth and promotes freedom. At the same time, we face unambiguous threats from Chinese economic engagements, into which they embed a state-centered economic model, their allegiance to an authoritarian regime at home, and increased aggression toward regional neighbors. In order to address these dynamics in Sri Lanka, we will work to more efficiently identify ways to maximize market opportunities for the private sector. By leveraging our strengths in innovative industries we will find openings to advance business advocacy and outreach promotion. At the same time, we will work with partners to champion engagements that reinforce and support the GSL's efforts to adopt pro-market reforms, while also increasing opportunities for U.S. investment.

4. Management Objectives

Management Objective 1: Attract the best people to fill Embassy jobs and accomplish Mission goals.

Justification: Sri Lanka's pleasant living environment historically attracts good candidates for American direct-hire positions, compared to other regional posts, but South Central Asia (SCA) as a whole lags other bureaus in recruiting. EFM employment is emerging slowing from the hole dug by the 2017 hiring freeze, with many key positions still vacant. LES job vacancies attract a good number of candidates, but the quality and diversity of our locally employed workforce needs improvement.

Management Objective 2: Fix the leading morale-killers for Embassy Colombo employees and families.

Justification: American employees and families have consistently identified housing and travel services as areas for improvement. In addition, there is increased attention to the effects of air pollution due to our newly acquired air monitor as well as regional USG air quality initiatives.

Management Objective 3: Improve management services using Big Data and quality management concepts, to empower and motivate people to accomplish Mission goals, and to enhance value for ICASS customers and the American taxpayer.

Justification: While customers generally rate Colombo ICASS services highly, some services are more ad hoc than systematic. ICASS services overall would benefit from increased attention to standardization, process mapping, and SOPs.

Management Objective 4: Complete the state-of-the-art new embassy to provide a secure, safe, functional, and attractive space to accomplish Mission goals and represent the United States in Sri Lanka.

Justification: Colombo's 34-year-old seaside chancery is literally falling apart, while staffing growth has led to a proliferation of ad hoc office spaces and temporary structures strewn about the compound. USAID and the public affairs section occupy an offsite annex that was one a private home and has extensive maintenance and pest problems. The new embassy compound (NEC) chancery is scheduled for early 2020 completion, and the entire project scheduled for completion by 2021.