



Sri Lanka: Background and Issues for Congress

The Democratic Socialist Republic of Sri Lanka is a constitutional democracy situated off the southeastern tip of India. A democracy since its independence from the United Kingdom in 1948, Sri Lanka (known as Ceylon until 1972) is located along key sea lines of communication in the Indian Ocean, and Sri Lanka and its ports have grown in strategic importance as conflicts in the Middle East have disrupted transit in the Red Sea and the Persian Gulf. The Trump Administration has not announced an approach to U.S. relations with Sri Lanka, though the U.S. special envoy for South and Central Asia visited Sri Lanka in March 2026 and held meetings to “support U.S. efforts to safeguard vital sea lanes and secure ports, reinforce mutually beneficial trade and commercial ties, and advance a free, open, and prosperous Indo-Pacific.”

From 1983 to 2009 the government, dominated by the Buddhist, ethnic Sinhalese majority, fought a brutal civil war against the separatist Liberation Tigers of Tamil Eelam (LTTE). The Hindu Tamil minority objects to long-standing official discrimination, and the militant LTTE fought to establish a separate state in northern and eastern Sri Lanka. During the war, the government expanded executive power, militarized the country, and limited civil freedoms. Following the 2005 election of former President Mahinda Rajapaksa (2005–2015), government forces intensified military action in the civil war, defeating the LTTE in 2009.

Following the civil war, unsustainable debt, corruption, and economic mismanagement under successive administrations resulted in an economic crisis in 2022. The crisis sparked a public uprising that drove former President Gotabaya Rajapaksa (2019–2022) from power. In 2024, Sri Lankans elected President Anura Kumara Dissanayake and his National People’s Power (NPP) alliance a majority in parliamentary elections.

Starting in the 2000s, U.S. policy focused on broadening Sri Lanka’s democratic institutions, promoting good governance and human rights, and facilitating post-war reconciliation. Following the 2022 economic and political crises, U.S. priorities expanded to include supporting economic reforms and more inclusive growth. U.S. policymakers, including many in Congress, also have raised concerns about the Sri Lankan government’s growing ties to the People’s Republic of China (PRC, or China) over the past two decades. Under former Presidents Mahinda Rajapaksa and his brother Gotabaya Rajapaksa, Sri Lanka’s government relied on China to support the final years of its fight against the LTTE, as well as numerous post-war development projects, leading some observers to express concern about the potential for China to exert economic and military influence in a key part of the region.

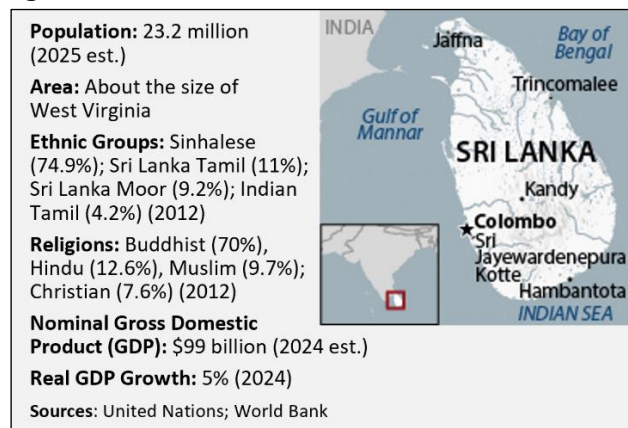
Sri Lanka’s 2022 Twin Crises

In early 2022, Sri Lanka ran out of foreign reserves due to a combination of economic mismanagement and exogenous

factors, including the COVID-19 pandemic. In an effort to manage the foreign currency issue, the government, among other measures, implemented a floating exchange rate for the Sri Lankan rupee, resulting in rapid depreciation of the currency and high inflation (which reached a peak of nearly 70% in September). By the end of 2022, the economic fallout was extensive—gross domestic product for the year contracted by roughly 7.3%, and the poverty rate had doubled (to 25% of the population, up from 13.1% in 2021); over half a million jobs were lost.

Faced with high inflation, fuel shortfalls, medicine and food shortages, and rolling blackouts, in March 2022, thousands of Sri Lankans began protesting the government’s handling of the economy. On April 1, 2022, then-President Gotabaya Rajapaksa declared a state of emergency and gave the military sweeping powers to arrest and detain demonstrators. On April 12, the government announced it was defaulting on its foreign debt of \$51 billion. Its imposition of a curfew and the deployment of the military failed to quell protests, and both Gotabaya and then-Prime Minister Mahinda Rajapaksa resigned in the following months. In July, parliament elected Ranil Wickremesinghe, a former prime minister, as president, in accordance with Sri Lanka’s constitution.

Figure 1. Sri Lanka at a Glance



The 2024 Elections

Since independence, Sri Lanka was governed by two political blocs and their offshoots until September 2024. In the aftermath of the 2022 economic crisis, the country elected Dissanayake as president. He immediately called snap parliamentary elections, and his newly popular NPP alliance, a coalition of socialist parties led by Dissanayake’s Janatha Vimukthi Peramuna (JVP, or People’s Liberation Front), secured 159 of 225 seats in parliament in a November vote. (In the previous parliament, the NPP held 3 seats.) Dissanayake and the NPP campaigned on anti-corruption, eliminating the powerful executive presidency, abolishing repressive laws, and providing relief for

working-class Sri Lankans. Some observers interpreted his and the NPP's victory as a rejection of the corrupt, elite-dominated political status quo and the national leaders associated with Sri Lanka's social and economic problems. Since his election, some analysts contend that the Dissanayake government has taken little action on these priorities. Others note that Dissanayake's steady, if cautious, approach has included important steps that benefit Sri Lankans, particularly anti-graft measures.

Economic Outlook

Sri Lanka's civil war and inconsistent economic policies hampered government efforts to transition the country from an agriculture-based economy to one focused on manufacturing, services, and tourism. The government borrowed extensively (including from India, China, and Japan) to fund the war, pay for large infrastructure projects, and service its debt. The State Department reports that high transaction costs, inefficient and opaque government regulations and services, and corruption make Sri Lanka a difficult environment for investors. An Islamic State-linked terrorist attack in 2019 killed 269 people and drove down tourism, and the COVID-19 pandemic and global inflation reduced both tourism and remittances.

In March 2023, the International Monetary Fund (IMF) agreed to extend a \$3 billion loan to facilitate the country's recovery from the 2022 crisis, provided the Sri Lankan government addresses its financial shortfalls and renegotiates its external debt. The government subsequently has made progress restructuring its debt to international bondholders and creditors, including PRC lenders. The IMF has commended Sri Lanka's progress in implementing its domestic reform program, which has resulted in a return to economic growth and lower inflation. Sri Lanka's yearly GDP growth in 2024 reached 5%.

Some analysts have argued the reforms required under the IMF program have caused disproportionate hardship for working-class Sri Lankans. Despite criticizing the program during the election campaign, Dissanayake has upheld the existing program negotiated under Wickremesinghe, arguing the country's recovery is too fragile to risk. In April 2026, the IMF provisionally approved the disbursement of about \$700 million following its fifth and sixth reviews of Sri Lanka's performance under the program.

Human Rights

The Sri Lankan government has struggled to manage ethnic, religious, and economic divisions among its citizens for most of its history, and has at times adopted laws discriminating against minority communities, most notably against Hindu Tamils. Both the LTTE and Sri Lankan government forces committed human rights abuses during the war; the United Nations (UN) estimated that as many as 100,000 people died in the conflict, with as many as 40,000 civilians killed in the final phase of the war. Resolutions passed by the UN Human Rights Council have pressed the Sri Lankan government to cooperate with investigations into alleged war crimes committed by both sides.

The NPP's election platform promised to pursue national unity, investigations into political killings and disappearances, accountability for acts of violence based on ethnic or religious extremism, and a Commission Against Discrimination. Dissanayake reportedly has suggested his

government will not seek to punish perpetrators of past war crimes, and critics argue his government has taken few actions toward domestic accountability.

International Relations

Sri Lanka generally has pursued a non-aligned foreign policy that balances the country's historic, cultural, and religious ties to India with cooperative relations with other partners, including China and the United States.

India is among Sri Lanka's closest defense partners and largest trading partners, and total Indian investment in the country exceeds \$2 billion. The relationship is occasionally contentious, due in part to India's ties to Sri Lanka's Tamil community and its past role in supporting some Sri Lankan domestic military operations. The Indian government was Sri Lanka's most active and timely supporter in the wake of the 2022 twin crises and the 2025 devastation from Cyclone Ditwah. In 2025, the two countries reportedly agreed to a defense cooperation agreement, their first formalized framework for bilateral security relations.

China provided support for Sri Lanka's government in the later years of the civil war, including military assistance. Under the Rajapaksa governments, Sri Lanka became an important part of China's Belt and Road Initiative. PRC state-owned entities such as the China Export-Import Bank financed several initiatives in Sri Lanka—including the port at Hambantota, which Sri Lanka leased to a PRC state-owned firm for 99 years to service its large external debt burden (including to Western creditors).

The United States' Sri Lanka strategy under the Biden Administration prioritized "building a strong, long-term partnership with" Sri Lanka as well as supporting democracy and post-war reconciliation. The United States is Sri Lanka's largest export market, accounting for approximately 25% of Sri Lankan exports and exposing the country's garment industry to the Trump Administration's tariff policies. Military cooperation has included port calls, a partnership to establish a Marine Corps and a National Defense College, joint exercises, and the donation of vessels and aircraft. During the Trump Administration, some analysts have expressed concern that U.S. tariff policies, reductions in foreign and humanitarian assistance, and the effect of the U.S./Israel-Iran conflict on energy and fertilizer prices could have significant economic consequences for Sri Lanka.

Considerations for Congress

Past Congresses have prioritized pressing for accountability for human rights abuses and for restoring Sri Lankans' civil rights, as well as responding to the strategic implications of Sri Lanka's growing relationship with China. Congress has taken a leading role in shaping U.S.-Sri Lanka policy, conditioning some military and foreign assistance on progress on reconciliation, demilitarization of the country, and investigations into abuses. Sri Lanka's parliament participates in the House Democracy Partnership. Congress may consider whether the new NPP government offers expanded opportunity for cooperation on human rights, governance issues, and commercial diplomacy.

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