

RESTRICTED

ABSTRACT

India is Sri Lanka's closest neighbour. While historically there have been military invasions, for the most part the relationships that claim a 2500 year heritage have been mostly peaceful. Exchange has been across intellectual, cultural, religious and linguistic dimensions. Relations between the two countries have also matured and diversified with the passage of time, encompassing all areas of contemporary relevance. In recent years, the relationship has been marked by close contacts at the highest political level, growing trade and investment, cooperation in the fields of development, education, culture and defence, as well as broad understanding on major issues of international interest.

However, today, internal investment capability of the country is limited due to low domestic savings. Therefore, Sri Lanka has to rely on external finance such as Foreign Direct Investment to achieve expected prosperity. The main objective of this study is to emphasize the impact economic investment policies of India On national security of Sri Lanka. This objective was authenticated by utilizing questionnaires from respective personnel in the field. Other data collected on primary and secondary sources further substantiate the above objective.

This research is aimed to appraise the outcomes in promoting of Indian FDI by using the annual data from 2000 - 2018 in Sri Lanka. Further, SPSS V- 23, Excel software were used for data analysis. The empirical evidence shows that FDI positively and influences the economic outcome in Sri Lanka. However, this study further reveals that FDI can lead to detrimental influence on National Security.

These investments made by India make advantages, for both Sri Lanka and India. When the projects specified in the analysis were concerned, all the project have posed a national security threat to the country. However the magnitude of the security threat could be different. Owing to privation of a proper mechanism at BOI to ascertain the security threat of projects, it is recommended to appoint a committee to critically analyse on future foreign investment projects prior to their acceptance to be established on Sri Lankan soil

Key words: Foreign Direct Investment (FDI), National Security, FDI Inflow