Sri Lanka’s Dependence on China Adds to India’s Security Dilemma

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**Key Points**

- The return of Mahinda Rajapaksa as Sri Lankan Prime Minister will likely attract further Chinese investments and loans.
- During his tenure as president, Colombo’s debt to Beijing increased threefold.
- China will endeavour to tighten its grip on Sri Lanka due to the strategic benefits that the island offers.
- Despite Colombo’s reassurance that its relationship with India will not deteriorate, New Delhi remains concerned about the growing Chinese foothold immediately to its south.

**Summary**

Mahinda Rajapaksa’s landslide victory in Sri Lanka’s prime ministerial election in August has caused concern in New Delhi about Colombo’s further inclination towards Beijing. The Chinese Communist Party embraces Mr Rajapaksa, who is known for his close ties to General Secretary Xi Jinping. China has a strategic interest in the region and has, consequently, invested billions of dollars in Sri Lanka to advance its regional agenda. Prime Minister Rajapaksa has stated, however, that relations with India will not suffer, since his country cannot afford to become a proxy battleground between the two major Asian powers in their quest for influence in the Indian Ocean region. Despite its economic disparity with China, India aspires to acquire an influential position in Sri Lanka through various development programmes and grants. The question remains, however, can India become Sri Lanka’s major partner or will Colombo continue to gravitate towards Beijing?
Analysis

The end of the Sri Lankan civil war in 2009 saw China invest heavily in infrastructure projects there in order to consolidate its position in South Asia. Sri Lanka has perceived China as a time-tested friend, and, being so close to some of the world’s busiest shipping lanes, Colombo presented itself as a valuable member of Beijing’s Maritime Silk Road initiative in the Indian Ocean Region (IOR). The island nation owes nearly US$1 billion ($1.39 billion) to India, and around US$6 billion ($8.3 billion) to China. Sri Lanka has a US$55 billion ($76.5 billion) foreign debt and an average annual repayment of US$2.9 billion ($4 billion), which led it recently to seek a debt moratorium and a currency swap facility from India in order to better manage its rapidly-draining foreign reserves amid the COVID-19 pandemic.

Sri Lanka’s recently-elected Prime Minister, Mahinda Rajapaksa, has a strong relationship with Chinese General Secretary Xi Jinping and is Beijing’s preferred choice as a Sri Lankan leader due to his pro-China policies. Rajapaksa’s decade-long tenure as president was marred by nepotism and corruption. The international community and various organisations denounced that despotism and highlighted war crimes and human rights abuses suspected to have occurred during his term in office.

India’s stand-off with China in Ladakh and on its eastern border has only exacerbated its fears of strategic encirclement by China in the IOR. New Delhi remains uneasy about China’s influence in Sri Lanka and its presence in Hambantota port, Gwadar in Pakistan, Chittagong in Bangladesh and Kyaukphyu in Myanmar. The April 2019 terror attacks in Colombo added to New Delhi fears of a rise in Islamic extremist militancy in Sri Lanka since any spill over would almost inevitably jeopardise its own national security. India viewed the attacks as the result of repressive measures enacted on a minority of the Sri Lankan population. India endeavours, therefore, to attain socio-economic influence in a politically stable and prosperous Sri Lanka that abstains from human rights violations and respects all its communities.

In a recent interview, Sri Lanka’s newly appointed Foreign Secretary, Jayanath Colombage, explained, ‘That means Sri Lanka will not do anything harmful to India’s strategic security interests’ and ‘Sri Lanka cannot afford, should not afford and will not afford any particular country to use it as a staging area to do anything against another country – especially so India’. He also noted that Sri Lanka would adopt an “India first approach”, but emphasised that to achieve economic prosperity, Sri Lanka cannot rely on India exclusively and must engage economically with economic giants like China to capitalise on available opportunities.

New Delhi may draw some comfort from Colombo’s current favourable foreign policy and attitude towards its neighbours, but must remain conscious that that does not mitigate the potential threat posed by the Chinese presence in the IOR. Rajapaksa’s neutral approach will undoubtedly help in maintaining the status quo in the region and could also temper the competition between India and China for regional influence. Even so, he has made it clear that Sri Lanka’s economic development is his primary goal, and that he will not hesitate to engage with larger economies and cash in on his country’s location. His stance highlights the possibility that he will continue to approach Beijing for more investment funding, leading to
the suspicion that Colombo could fall further into Beijing’s “debt-trap diplomacy” and lose more territory to China.

Sri Lankan President Gotabaya Rajapaksa, Mahinda Rajapaksa’s younger brother, intends to repeal the Nineteenth Amendment to the Constitution, which was enacted by his predecessor, Maithripala Sirisena. That action, if carried out, would scrap the two-term restriction on a president and give him or her full control over various ministries, the public service and even the judiciary. The Rajapaksa brothers argue that the constitutional reform will bring in operational consistency on national security and improved co-ordination and intelligence within the government, which would prevent terrorist attacks like that which occurred on Easter Sunday, 2019. Nevertheless, analysts warn that, by abrogating the Nineteenth Amendment, the Rajapaksa family could remain in office for a long time.

Sri Lanka’s former President Maithripala Sirisena replaced Mahinda Rajapaksa in 2015 and inherited a foreign debt that had increased threefold during Rajapaksa’s term to a total of US$44.8 billion ($62.3 billion). Despite recognising Colombo’s inability to service those loans, Beijing continued to make more funds available to Sri Lanka. During official meetings that began in 2016, consequently, China insisted on a majority share in Hambantota Port to avert an outright sovereign default. The Sri Lankan Government had to hand over the port and 15,000 acres of land in an unprecedented 99-year lease. Since returning to power in 2019, President Rajapaksa has maintained that trade and economic development is his prime focus, but acknowledged that leasing an 85 per cent stake in Hambantota Port was a “mistake” and that the government would attempt to re-negotiate the contract with Beijing.

In an interview, he said: ‘The next generation will curse our generation for giving away precious assets otherwise.’ The bargaining may never happen as Sri Lanka’s debt-ridden economy is largely dependent on Chinese aid and funding for its day-to-day functioning. Sri Lanka needs to acknowledge the complications associated with its convention of approaching China for funds and must use caution in any future dealings with it.

India, being Sri Lanka’s geographically-closest neighbour, needs to maintain a robust posture in regard to its economic aid to Sri Lanka. Countries like the United States, Australia and Japan expect India to gain and maintain substantial influence in the region as that would support their Indo-Pacific strategies. In November 2019, Indian Prime Minister Narendra Modi offered a line of credit of US$400 million ($556.5 million) for development projects and another US$50 million ($69.5 million) to help Colombo’s counter-terrorism effort. The COVID-19 pandemic has forced President Rajapaksa to seek a US$1.1 billion ($1.5 billion) currency exchange facility from Mr Modi and also to request a debt-repayment pause, which is under consideration. China, however, approved a loan of US$500 million ($695 million) to Sri Lanka in May 2020 to deal with the economic challenges created by the pandemic.

The Chinese Communist Party (CCP) aims to achieve its “great rejuvenation of the Chinese nation” by 2049, expanding China’s national power and actively attempting to revise the international order to achieve its strategic goals. A report released by the US Department of Defense called attention to China’s efforts to build robust overseas logistics and basing infrastructure to empower its military to project influence internationally. Apart from Djibouti, China has considered many more countries for additional military logistics facilities,
Sri Lanka being one of them. The report underscores China’s Military-Civil Fusion Development Strategy, which incorporates, for instance, agendas such as ‘building military requirements into civilian infrastructure and leveraging civilian construction for military purposes’ and ‘leveraging civilian service and logistics capabilities for military purposes.’. China tries to justify its actions in the international arena as the creation of a “community with a shared future for mankind” and has often blamed the US for instigating global and regional tensions.

The National General Secretary of India’s ruling Bharatiya Janata Party (BJP), Ram Madhav, acknowledged that competition between India and China is inevitable and, highlighting the difference in the ideologies practised by the two countries, said, ‘When the Chinese money comes, it comes together with CCP, but when Indian money goes, it doesn’t go with the BJP.’

Factors like Sri Lanka’s frail economy and authoritarian government, China’s thirst for a strong foothold in the region and its ability to influence strategically-valuable smaller states, together with India’s sluggish economic growth and its struggle to gain leverage due to its limited financial capacity to lure Sri Lanka away from China, have all created a competitive relationship between two nuclear states, with Sri Lanka being an immediate beneficiary. China’s strategic gains, commercial or military, assist it in its quest for regional supremacy. India, by contrast, must counter China’s efforts and continue to support Sri Lanka in housing projects, education, health, transportation systems, small and medium business development and training.

The escalating Sino-Indian border tensions, the US-China trade war, rising Australia-China tensions, the forthcoming US elections, Japan’s post-Abe foreign policy, the global post-pandemic economy and China’s future status as a global manufacturing hub will be some of the key elements in deciding the prospective investments and the ensuing strategies in the dynamic Indo-Pacific. The past holds lessons for Sri Lanka if it desires to be a free and sovereign nation.

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