

# Managing the Geopolitical Competition between China and India: Sri Lanka's Strategic Balancing Act

Summar Iqbal Babar\*

## Abstract

*The competition between India and China has intensified with the changes in the strategic landscape of the Asia-Pacific region. Both countries with their growing economies, trade, military capabilities and global interdependence seek to control the Indian Ocean. China is investing heavily in strategic projects in IOR nations under the Belt and Road Initiative (BRI) and Maritime Silk Road (MSR) initiatives. India is also strengthening its engagements and cooperation with its neighbours, resulting in intense competition between the two powers. Sri Lanka, being a small island state, maintains relationships with both the countries despite the challenges. This article highlights that how Sri Lanka is maintaining balance amongst the on-going strategic competition between China and India. The theoretical framework of this article is based on the Role Theory which explains that how Sri Lanka is trying to avoid being trapped in this competition and maximise its economic and diplomatic leverage by balancing its policies between China and India.*

**Keywords:** Indian Ocean Region (IOR), Role Theory, Soft Balancing, Small Island Nation, Strategic Competition, Belt and Road Initiative (BRI), Maritime Silk Road (MSR), Hambantota Harbour.

## Introduction

Sri Lanka's strategic importance comes from its location as one of the world's busiest sea lanes. Its location at a strategic vantage point and its

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\* The author is an Assistant Professor at School of Politics and International Relations, Quaid-i-Azam University, Islamabad. Email: [summar.rao@qau.edu.pk](mailto:summar.rao@qau.edu.pk)

natural harbours have always attracted world and regional powers. Sri Lanka's policy has undergone various transformations in the past and is presently evolving in light of multiple operating variables. The Indian Ocean Region (IOR) has become a major theatre for cooperation, competition and conflict among global powers for the last two decades. Indian Ocean's strategic environment is gaining importance at an unprecedented pace. The key players are trying to build their own spheres of influence and blocks which heralds a new Indian Ocean strategic order.

The rise of China is the major factor triggering strategic changes in the Indian Ocean. It is heavily dependent on the Sea Lines of Communication (SLOC) for its energy needs and exports, which compels China to play a leading role. Beijing is perceived to be building up a military posture in the Indian Ocean connecting the littorals, which has been accelerated through its Belt and Road Initiative (BRI) and Maritime Silk Road Initiative (MSR).

India is alarmed by China's rise and presence in the IOR. It also strengthened its ties with its neighbours and beyond the Indian Ocean, revamping its "Look East and Act East" policy and launching its flagship "Neighborhood First" approach. China's actions and India's and the United States' (U.S.) responses have raised speculations of a new cold war building up in the Indian Ocean. Apart from China — as a new player in the IOR, there are other nontraditional actors that became active, such as Turkiye, Saudi Arabia, the U.S., Iran and the Arab Emirates. The U.S. pivot to Asia policy, QUAD and AUKUS have accelerated competition and conflicts on a larger scale than cooperation. As one of their strategies, the competing powers try to bring bordering countries in the IOR and the island nations under their spheres of influence. This is largely in the form of loans, Foreign Direct Investment (FDI), joint ventures and commercial leasing of economically and strategically important facilities in the countries.

Sri Lanka is one such country facing challenges in its choices and in striking a delicate balance in the great power competition. Its policy stance of balancing India and China has been a daunting task. Sri Lanka's location in close proximity to India; India's consideration of Sri Lanka as its strategic security backyard, long bilateral historical relations between the two countries, issues facing Sri Lanka at international

forums, domestic ethno-national compulsions, 'neighborhood first' approach is considered key variables in shaping Sri Lankan policies towards India. On the other hand, Sri Lanka's economic diplomacy which was built in the post-civil war era, has made its economic relations with China more vibrant and multifaceted. However, this economic cooperation has created certain security concerns for India and its alliances in the region.

This paper will focus on how Sri Lanka, as a small and island state, maintains balance between India and China; and what economic and strategic options are available to it. In order to answer these questions, this paper is organised into the following parts: i. Sri Lanka's balancing act, ii., Emerging Indian Ocean Order and Strategic Competition between China and India, iii., Balancing act of Sri Lanka amid the strategic competition between China and India and lastly iv. Analysing Sri Lanka's balancing act as a smaller state.

### **Theorising Sri Lanka's Balancing Act**

China and India have now emerged as formidable maritime powers in the Asia-Pacific Ocean. This is especially true after the Cold War. The relationships between them are identified as competitive. Both countries are coming much closer to colliding in the maritime domain.<sup>1</sup> Therefore, IOR has become one of the most volatile regions for China and India, where both states create perceived security threats to each other, especially in South Asia and its island nations. Their respective economic and energy interests are securitised in their policy frameworks with defensive-offensive realist and dualistic approaches.

On the other hand, in analysing Sri Lanka's position, the Role Theory is adapted in this paper as a theoretical framework. Attempts will be made to understand and explain what kind of role Sri Lanka, as a small island state, plays amid the strategic competition between these two powers. In terms of economic relations and multilateral fronts, relations with China are extremely important, while in terms of

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<sup>1</sup> Harsh V. Pant, "Sino-Indian Maritime Ambitions Collide in the Indian Ocean," *Journal of Asian Security and International Affairs*, vol. 1, no. 2 (August 2014): 187-202.

proximity, immediate great power, relations with India are also equally important to Sri Lanka. Small states like Sri Lanka fall into a difficult situation when they are faced with two competitive powers like China and India. Mainstream and structural realism generally offer small nations two options: either bandwagon with the rising power or form an opposing alliance.<sup>2</sup> It is infeasible for Sri Lanka to pursue either of the above options with respect to both China and India.

## **Emerging Indian Ocean Order and Strategic Competition between China and India**

### *Strategic Importance of Indian Ocean*

The Indian Ocean is a massive body of water that covers around one-fifth of the world's total ocean area. It is surrounded by countries where 2.5 billion people live. Three narrow water passages in the ocean, namely Hormuz, Malacca and Bab el Mandeb, are responsible for about 80% of the global maritime oil trade. Additionally, almost 40% of the globe's petroleum is produced in the region, making it an essential contributor to the global economy. The Indian Ocean has become significant for security and strategy particularly in the Asia-Pacific region.

China has been criticised for using a “string of pearls” approach which has prompted India to develop a counter-strategy known as the “necklace of diamonds.” Both countries are worried about the balance of power and their traditional regional relationships being threatened. Despite their economic strengths, they don't want to create any rivalries.<sup>3</sup> QUAD and AUKUS makes the region more strategic sensitive.

### *Sino-India Strategic Competition*

From a strategic point of view, China, as a part of its continued development of naval facilities, shifted its orientation from a land-centric strategy more towards a naval strategy. The fact that controlling the Strait

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<sup>2</sup> Jonathan Alford, “Security Dilemmas of Small States,” *The World Today* 40, no. 8/9 (1984): 363-69, <http://www.jstor.org/stable/40395652>

<sup>3</sup> Geoffrey F. Gresh, *To Rule Eurasia's Waves: The New Great Power Competition at Sea* (Yale University Press, October 27, 2020).

will mean controlling or deterring China. This situation compelled China to take a number of actions, including the rapid modernisation of its naval facilities and improving its permanent naval presence in the regions with the view to protecting its vested maritime interests.<sup>4</sup> Initiatives like MSR and the BRI show that China has a vision to connect main ports and important locations along maritime routes. However, to safeguard their economy, energy lines and crucial points along the route, China has had to focus on deploying more naval power.<sup>5</sup>

India is worried that China is trying to encircle it with port facilities in the Indian Ocean, which could have dual military and civilian use, leading to concerns about defence and energy security. India has traditionally been against any external power entering the Indian Ocean. However, China's increased defence spending and modernisation of its military have forced India to work with the Western powers in the region. India is now looking for external powers that can support its regional goals and has supported an open Asia-Pacific region. Pompeo's visit to India in 2020 showed that the U.S. and India have shared interest in the IOR.<sup>6</sup>

China is dependent for its more than 80% oil consignment transported through the Malacca Strait which is located in a very close proximity of the Indian territory of the Great Nicobar Islands. Any power that controls Malacca will have upper hand in containing Chinese supply line.<sup>7</sup> This thinking has led China to devise a mechanism to protect its maritime-based energy supply and economic interests. The modernisation of Chinese Navy is also launched with this objective in mind by the Chinese leaders. As Arun argues, China's focus on land-centric strategies has shifted to ocean-centric ones. It planned to build up and increase its permanent naval capacity in IOR to protect its vested maritime interests.<sup>8</sup>

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<sup>4</sup> Pant, "Sino-Indian Maritime Ambitions Collide in the Indian Ocean."

<sup>5</sup> M Baruah, "India's Answer to the Belt and Road: A Road Map for South Asia," *Carnegie Endowment for International Peace*, 2018.

<sup>6</sup> "Pompeo: Our Vision on Lanka Very Different from China's," *Tribune India*, <https://www.tribuneindia.com/news/world/pompeo-our-vision-on-lanka-very-different-from-chinas-162682>

<sup>7</sup> Ashay Abbhi, "String of Pearls: India and the Geopolitics of Chinese Foreign Policy," *International Relations*, 4.

<sup>8</sup> Arjun, "South Asia and the Indian Ocean Region."

As a counter strategy to the theory of Strings of pearls, the foreign policy steps taken by India is identified as “Necklace of Diamonds.” It is a theoretical name given to the strategic locations of India’s interests in different countries to surround China.<sup>9</sup> India’s shift from ‘Look East’ to ‘Act East’ policy and ‘Neighbourhood First’ approach can be parts of this theory.<sup>10</sup> It enters into agreement with the other countries in use of naval bases and also investing in strategically important projects.

## **Managing the Strategic Competition between China and India**

Neither of the two powers is ready to give in on their plans to bring Sri Lanka within their own influence. China has the financial resources and also enjoys considerable support among Sri Lankan establishment that is suspicious of India’s potential expansionism. Colombo makes attempts to balance by playing carefully in between.<sup>11</sup>

The ‘String of Pearls’ strategy envisions the establishment of maritime bases within Sri Lanka, Pakistan, the Maldives, Bangladesh and Djibouti for strategic and military purposes.<sup>12</sup> Ashay Abbhi argues that ‘String of Pearls’ or its ‘reverse’ are foreign policy theories. They largely aim at control of the Indian Ocean. That is the live nerve of China and India energy route.<sup>13</sup>

During the World War II Ceylon harbours were key targets of Japanese fleet considering them as a second Pearl Harbour and they wanted to cut off allied oil route to Australia.<sup>14</sup> British built up 99 massive oil tanks in the proximity of Trinco harbour and after the WW

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<sup>9</sup> Gurpreet S. Khurana, “China’s ‘String of Pearls’ in the Indian Ocean and its Security Implications,” *Strategic Analysis* 32, no. 1 (February 27, 2008): 1-39, <https://doi.org/10.1080/09700160801886314>

<sup>10</sup> Suman Paul, “India’s Shift from Look East Policy to Act East Policy,” *Elementary Education Online* 19, no. 2 (2020): 1366-1371, <https://www.bibliomed.org/mnsfulltext/218/218-1625419404.pdf?1702890259>

<sup>11</sup> Gupta and Balakrishnan, “Sino-Sri Lankan Convergence.”

<sup>12</sup> Maha Atal, “China’s ‘String of Pearls’ — Real or Fake?” *Forbes*, 2013, <https://www.forbes.com/sites/mahaatal/2013/02/02/chinas-string-of-pearls-real-or-fake/>

<sup>13</sup> Abbhi, “String of Pearls: India and the Geopolitics of Chinese Foreign Policy.”

<sup>14</sup> John Gooch, “The Politics of Strategy: Great Britain, Australia and the War against Japan, 1939-1945,” *War in History* 10, no. 4 (2003): 1939-1945, <https://www.jstor.org/stable/26061808>

II, these tanks were abandoned without being used.<sup>15</sup> In 2003, Indian became interested and leased them. Sri Lanka ensured safe navigation especially for Japanese oil life line. So, this was the inception of the so-called superpower rivalry in the Indian Ocean region around Sri Lanka.<sup>16</sup>

### *Sri Lanka's National Interest*

As an island nation, Sri Lanka has a history of being controlled, colonised and influenced by foreign powers and even after gaining independence, it faced security challenges from civil insurgencies in different parts of the country. These insurgencies were fuelled by leftist youth and Tamil militant groups who aimed for an independent state of Tamil Eelam. The Tamil rebellion in the north received support from India, which aimed to contain Sri Lanka due to its alliance with Western powers, particularly the U.S.<sup>17</sup>

During 1987 intervention of India went up to the level of entering Sri Lanka's air space and dropping dry foods in the areas that were under besiege of the Sri Lanka forces. Sri Lanka had to seek assistance from countries like the U.S., the UK, China, Pakistan, Israel, Ukraine and fought the war.<sup>18</sup>

### *Sri Lanka's Economics Needs*

Sri Lanka needed help from foreign countries to rebuild after a long civil war. China invested heavily in building infrastructure, such as a harbor in Hambantota to connect with its Maritime Silk Route and the Colombo Port City Project. China's massive investment amounting to nearly US\$4 billion became a matter of concern for India, alleging its security is at

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<sup>15</sup> James Manor and Gerald Segal, "Causes of Conflict: Sri Lanka and Indian Ocean Strategy," *Asian Survey* 25, no. 12 (1985): 1165-85, <https://doi.org/10.2307/2644280>

<sup>16</sup> Chulanee Attanayake, "Power Struggle in the Indian Ocean: Perspective from Sri Lanka," in *Maritime Sri Lanka*, (World Scientific, 2021), 145-81, [https://doi.org/10.1142/9789811222047\\_0009](https://doi.org/10.1142/9789811222047_0009)

<sup>17</sup> Padmaja Murthy, "Indo-Sri Lankan Security Perceptions: Divergences and Convergences," *Strategic Analysis* 24, no. 2 (May 1, 2000): 343-60, <https://doi.org/10.1080/09700160008455216>

<sup>18</sup> Murthy, "Indo-Sri Lankan Security Perceptions."

stake in its backyard with the presence of China. However, Sri Lanka sought financial assistance from many sources.

Sri Lanka, as a recipient country of Chinese investment, especially under BRI, raises the question of whether the country's national interest is challenged. Visit of Chinese nuclear submarine in 2014 to the Colombo port, and visit of a Chinese research ship to Hambantota port in August 2022 have been vehemently opposed by India forcing Sri Lanka to struggle to balance between the two great powers.

### **Indo-Lanka Political and Economic Relations**

Political relations relationship between India and Sri Lanka has been for the last 2500 years and is founded on religious, linguistic and intellectual factors. Over time, the countries have experienced an increase in trade, investment and collaboration in different areas such as defence, culture and education. In light of the ethnic conflict and civil war in Sri Lanka, although the relations were not steady in 1970s and 1980s, following the assassinations of Indian Prime Minister, Rajiv Gandhi in 1991, and approach of India to Sri Lanka totally changed in the form of isolating itself from Sri Lanka ethnic issue. However, India has continued to express its position regarding the negotiated settlement.<sup>19</sup>

Modi's government after coming to power adopted 'Neighborhood First' policy. This relationship should touch all areas such as, people to people contact, trade and investment.<sup>20</sup> A significant improvement of understanding has developed between the Indian and Sri Lankan governments during Modi's period. However, this has not totally wiped out all issues of concern in the bilateral relations. They continue to exist

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<sup>19</sup> Manoj Harjani, "Drifting Apart? Indo-Lanka Relations Examined," *Counter Terrorist Trends and Analyses* 5, no. 4 (2013): 17-20, <http://www.jstor.org/stable/26351142>

<sup>20</sup> "Prime Minister's Media Statement during His Visit to Seychelles, March 11, 2015," [https://mea.gov.in/Speeches-Statements.htm?dtl/24895/Prime\\_Ministers\\_media\\_statement\\_during\\_his\\_visit\\_to\\_Seychelles\\_March\\_11\\_2015](https://mea.gov.in/Speeches-Statements.htm?dtl/24895/Prime_Ministers_media_statement_during_his_visit_to_Seychelles_March_11_2015).



due to political and economic interests of both countries, at domestic, regional and international level.<sup>21</sup>

India-Sri Lanka economic cooperation is there in formal and informal ways. India is Sri Lanka's second-largest trading partner. Around US\$5.2 billion worth of bilateral trade was recorded in 2020.<sup>22</sup> India's trade relationship with Sri Lanka is not very significant to India. However, Sri Lanka depends on India for 16% of its total trade, making India an important trading partner. India has provided Sri Lanka with development aid worth US\$3.5 billion since the end of the civil war. This aid includes various projects funded through credit lines, such as the recent post-COVID credit line of US\$ 1.2 billion, which helped Sri Lanka to recover from the economic impact of the pandemic.<sup>23</sup>

Before the pandemic, almost 18.2% of total tourists who visited Sri Lanka were from India, with a number of 355,000.<sup>24</sup> Furthermore, India has contributed development cooperation amounting to US\$ 3.5 billion in the post-war period in Sri Lanka, including a recent post-COVID credit line of US\$ 1.2 billion to support the country's economic recovery.<sup>25</sup>

## **Sino-Lanka Political and Economic Relations**

Over the centuries, relations between China and Sri Lanka were conducted in a peaceful and cordial manner.<sup>26</sup> The then Ceylon (Sri Lanka, historically known as Ceylon) government recognised the PRC (People's Republic of China). Despite strong opposition from the U.S.

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<sup>21</sup> Gulbin Sultana, "India-Sri Lanka Relations in the Context of India's 'Neighbourhood First' Policy," *Indian Foreign Affairs Journal* 12, no. 3 (2017): 227-42, <http://www.jstor.org/stable/45341995>

<sup>22</sup> Department of Commerce of Sri Lanka, "International Trade Statistics of Sri Lanka," 2021.

<sup>23</sup> Uditha Jayasinghe, "Sri Lanka Extends Credit Line with India as China Voices Support Reuters," 2022, <https://www.reuters.com/world/asia-pacific/sri-lanka-extends-credit-line-with-india-by-200mln-fuel-power-minister-2022-05-02/>

<sup>24</sup> *Sri Lanka Tourism Development Authority*, Tourism Research And Statistics, 2022.

<sup>25</sup> Jayasinghe, "Sri Lanka Extends Credit Line with India as China Voices Support | Reuters."

<sup>26</sup> G. P. V. Somaratna, "Grand Eunuch HO and Ceylon," *The Journal of the Ceylon Branch of the Royal Asiatic Society of Great Britain & Ireland* 15 (1971): 36-47, <https://www.jstor.org/stable/45377613>

government, the Senanayake government signed a pact with Beijing Rubber-Rice Pact in 1952. The visit of Zhou Enlai to Sri Lanka was a remarkable aspect of this period.<sup>27</sup> From the outset of BRI in 2013, Sri Lanka has become a new investment hotspot of China.

The cooperation even grew in the development partnership and economic diplomacy following the end of 2009 war. Dr. Ranee Jayamaha indicated that in order to build ports in Sri Lanka, it urgently needed massive financial assistance which the government could not find on its own. Even the private sector and financial institutions did not have such capacity and capital. In such a context, all considered China's investment in Sri Lanka an excellent opportunity that might boost investors' confidence and encourage future portfolio investments.<sup>28</sup>

On the other hand, China needs access to a secure transportation hub in the Indian Ocean. In addition, a new market opened by the BRI will be another artery for its sustained economic growth and excess capacity. This mutual need for each other's partnership became more significant in Sri Lanka and China's economic relations in the post-war Sri Lanka.

China's direct investment to Sri Lanka went up from US\$178.5 million to US\$ 579 million during 2012-2017 i.e. 14% to 35%.<sup>29</sup> Japan was the single largest bilateral lending partner of Sri Lanka till 2010. However, by 2020 China investment went up to nearly US\$15 billion by passing all other traditional donors.<sup>30</sup> By late 2019, Sri Lanka's external debt was US\$55.93 billion that equals 66.65% of its GDP. Out of this massive debt stock, less than 5% which amounts to US\$ 4.5 billion is

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<sup>27</sup> B.E.S.J. Bastiampillai, "China-Sri Lanka: Trade and Diplomatic Relations Including the Voyages of Cheng-Ho. | Maritime Archaeology Databases," 1990, <http://museum.wa.gov.au/maritime-archaeology-db/bibliography/china-sri-lanka-trade-and-diplomatic-relations-including-voyages-cheng-ho>.

<sup>28</sup> Zhen Wang and Feng Ye, "China-Sri Lanka Relations in the Context of the 21st-Century Maritime Silk Road: Motives, Challenges, and Prospects," *Asian Perspective* 43, no. 3 (2019): 481-503, <https://doi.org/10.1353/apr.2019.0020>

<sup>29</sup> H. Jin and L. Li, "Belt and Road Initiative and China-Sri Lanka Economic Cooperation: Opportunities and Challenges," *Journal of Contemporary Asia*, 49(4) 2019: 573-591.

<sup>30</sup> Daniel R Russel and Blake H Berger, "Weaponising the Belt and Road Initiative," Report, Asia Society Policy Institute, [https://asiasociety.org/sites/default/files/2020-09/Weaponizing%20the%20Belt%20and%20Road%20Initiative\\_0.pdf](https://asiasociety.org/sites/default/files/2020-09/Weaponizing%20the%20Belt%20and%20Road%20Initiative_0.pdf)

owed to China, a large portion of which was obtained during 2009-2019.<sup>31</sup>

## **Civil War and China**

China has supported Sri Lanka at the United Nations, including the Security Council, particularly regarding issues surrounding the country's civil war. Sri Lanka was under a great deal of outside pressure during the separatist conflict of the 1980s, especially, with India supporting militants, sending peacekeeping troops to Sri Lanka and implementing the provincial council model through the 13<sup>th</sup> constitutional Amendment. On the other hand, the Chinese government supported Sri Lanka and opposed external forces meddling in its internal affairs. The spokesperson for China's Foreign Ministry, Wang Yi, stated that the cooperation between China and Sri Lanka is not meant to target any other country and has no impact on Sri Lanka's foreign relations.<sup>32</sup>

## **Analysis of Sri Lanka's Balancing Act**

### *Impact of the Strategic Rivalry between China and India in IOR on Sri Lanka's Position*

The competition between China and India is primarily focused on Chinese investments in Sri Lankan projects that are strategically significant. India perceives this as a security concern or threat which has led Sri Lanka to seek ways to balance this competition. However, this has sometimes caused Sri Lanka to make compromises against its own economic interests and priorities.

Following changes in ruling authorities in both Sri Lanka and its neighbouring countries, Sri Lanka has had to reassess and prioritise its options for projecting its new foreign policies. In some cases, the

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<sup>31</sup> Lee Jones and Shahar Hameiri, "Debunking the Myth of 'Debt-Trap Diplomacy,'" Asia-Pacific Programme, Chatham House, August 2020, 44.

<sup>32</sup> "Foreign Ministry Spokesperson Wang Wenbin's Regular Press Conference," [https://www.fmprc.gov.cn/mfa\\_eng/xwfw\\_665399/s2510\\_665401/2511\\_665403/202205/t20220527\\_10693733.html](https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2511_665403/202205/t20220527_10693733.html).

perception of India and China towards the ruling authorities in Sri Lanka at a particular time has had a significant impact on subsequent electoral patterns. This has resulted in the Indo-China competition factor becoming an intervening variable for political parties to survive in addition to local political imperatives.<sup>33</sup>

This competition is reflected in regional and intentional forums as well. How Sri Lanka has to behave or handle a particular issue at regional forums is affected by the nature and status of the competition between the two countries. The pattern of voting by India on the issues of Sri Lanka at Geneva sheds light on how the competition between India and China can impact their decisions at those forums. On the other hand, India being a great power and its proximity, security concerns, India's role in the civil war, and the Tamil Nadu factor are key variables in shaping relations between the two countries. Sri Lanka, though it was not successful in managing India in the 1970s and 1980s, was fairly successful in managing India during the latter part of the war. As the former president and former defence secretary indicated, "Managing India was key to victory against the LTTE."<sup>34</sup>

## **Geo-Positional and Geo-Economic Balancing**

According to Jeremy, the objective of geo-positional balancing is to strengthen footholds in relevant countries. This objective is coupled with the aim of gaining a long-term geo-strategic position against a more powerful regional rival. Furthermore, geo-positional balancing will not aim at building any onshore military bases; at the same time, it will not confine itself entirely offshore but instead it may establish a non-military presence at selected sites such as commercial ports.<sup>35</sup> These sites may be

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<sup>33</sup> "Sri Lanka's Discarded Balancing Act between India and China Explained," Air University (AU), *Journal of Indo-Pacific Affairs*, <https://www.airuniversity.af.edu/JIPA/Display/Article/2803695/sri-lankas-discarded-balancing-act-between-india-and-china-explained/>

<sup>34</sup> R. K. Radhakrishnan, "Managing India Was Key to Victory against LTTE: Gotabaya," *Hindu*, <https://www.thehindu.com/news/international/managing-india-was-key-to-victory-against-ltte-gotabaya/article2066119.ece>.

<sup>35</sup> Jeremy Garlick, "Deconstructing the China-Pakistan Economic Corridor: Pipe Dreams Versus Geopolitical Realities," *Journal of Contemporary China* 27, no. 112 (July 4, 2018): 519-33, <https://doi.org/10.1080/10670564.2018.1433483>

under those countries' control for the long term in order to keep another powerful, geopolitically closer country under pressure. At the same time, the balancer will indirectly use its onshore economic investment, infrastructure building and enhanced economic connections to cowardly influence the host country's domestic affairs.<sup>36</sup> Balance makers' main objective through the massive investments are not economically profiting, but rather, geo-political leverages gained through such investments in the long run.<sup>37</sup>

In the light of the above theory, Sri Lanka's options are limited to performing a delicate balancing act between China and India due to their strategic competition and growing rivalry where, China is gaining more influence in South Asia causing India to become more concerned about the perceived threat posed by China. This situation requires Sri Lanka to maintain positive relations with both the countries.<sup>38</sup>

It is obvious that over the years, China is making all-out efforts to exert its aspiration for its leadership in the region at various levels and multi-lateral forums. However, BRI stands at the top of these organisations which builds a base for China to create a new regional order through regional cooperation and economic diplomacy.

In this context, Sri Lanka's balancing act is driven by the fact that it is a small island state. Its foreign policy does not comprise external balancing via bandwagoning and hedging rather it goes for soft balancing with cooperation.<sup>39</sup> Sri Lanka's overall act of balancing with both the countries is also evident via the top FDI portion accounted for

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<sup>36</sup> Jeremy Garlick, *The Impact of China's Belt and Road Initiative: From Asia to Europe*, Rethinking Asia and International Relations (Routledge, 2020), <http://gen.lib.rus.ec/book/index.php?md5=9048107DA78EB4F905A7B2189E135F9D>.

<sup>37</sup> Colin Flint and Cuiping Zhu, "The Geopolitics of Connectivity, Cooperation, and Hegemonic Competition: The Belt and Road Initiative," *Geoforum* 99 (February 1, 2019): 95-101, <https://doi.org/10.1016/j.geoforum.2018.12.008>.

<sup>38</sup> Shakthi De Silva, "Will Sri Lanka Manage to Perform the Balancing Act between China and India?," *South Asia@LSE* (blog), January 19, 2018, <https://blogs.lse.ac.uk/southasia/2018/01/19/will-sri-lanka-manage-to-perform-the-balancing-act-between-china-and-india/>

<sup>39</sup> Sithara N. Fernando, "China's Relations with Sri Lanka and the Maldives: Models of Good Relations among Big and Small Countries," *China Report* 46, no. 3 (August 1, 2010): 285-97, <https://doi.org/10.1177/000944551104600309>

by China in 2017 and the top tourists' arrival was from India in the same year.<sup>40</sup>

Geo-economics is generally explained in a broader meaning as interplay between geopolitical factors in a region and its economics.<sup>41</sup> Kanishka Jayasuriya suggests that Sri Lanka could not generate enough revenue from the Hambantota harbor which China had built using a large amount of loan and investment. As a result, China has taken over the harbour for a 99-year lease to help Sri Lanka. However, this move indicates that China has a strategic interest in the harbour beyond just monetary gain. This interest is related to its broader calculations on the regional strategic order.<sup>42</sup>

The government of Sri Lanka is very clear about the benefits of keeping balanced relations with both the regional powers. It also needs to maintain healthy ties with India while not relinquishing an opportunity of trade partnerships with China and any potential investors. The first visit by the former President Gotabaya Rajapaksa to India showcases the Sri Lankan leadership's position toward India which clearly seems to aim at balancing between the aforementioned Asian powers.

In an interview, the former Foreign Secretary of Sri Lanka agreed that there were ups and downs in the relations between India and Sri Lanka, especially due to some Indian suspicions towards Sri Lanka-India relations. However, the relationship had been restored to a perfect state. The foreign secretary reiterated that Sri Lanka will not or should not be a security concern for India. He also agreed that during a certain period, Sri Lanka, though a non-aligned country, slid towards one block. That could have been seen by India as a strategic security concern.<sup>43</sup>

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<sup>40</sup> Rup Narayan Das, "Sri Lanka's Balancing Act Between China and India," Jamestown, 2021, <https://jamestown.org/program/sri-lankas-balancing-act-between-china-and-india/>

<sup>41</sup> Sanjaya Baru, "Geo-Economics and Strategy," *Survival* 54, no. 3 (June 2012): 47-58, <https://doi.org/10.1080/00396338.2012.690978>

<sup>42</sup> Kanishka Jayasuriya, "Goeconomic Dynamics in a Changing Regional Order: A Primer for Sri Lanka's Foreign Policymakers," The Lakshman Kadirgamar Institute, <https://lki.lk/publication/geoeconomic-dynamics-in-a-changing-regional-order-a-primer-for-sri-lankas-foreign-policymakers/>

<sup>43</sup> 'India First Approach'— *Interview with Sri Lankan Foreign Secretary Admiral Jayanath Colombage*, 2021, <https://www.youtube.com/watch?v=N8w6DfoLMmE>

He further emphasised that Sri Lanka's current foreign policy is based on neutrality and balance, aiming to avoid aligning with major powers. The country supports an organised and unbiased maritime order in the Indian Ocean to ensure free trade. Sri Lanka is willing to engage with any country for economic development and maintains friendly relations with all nations, with India being highly valued for security reasons and as a potential market. Any border disputes between India and China are viewed by Sri Lanka as a purely bilateral matter. The country seeks to avoid becoming involved in issues directly concerning China or any other nation.<sup>44</sup> The phrase "India First" was frequently used in the policy narratives of the previous Gotabaya Rajapaksa administration.<sup>45</sup>

The current president's statement reinforces, too, Sri Lanka's stance of working with any country to achieve multi-dimensional reforms for a prosperous Sri Lanka over the coming 25 years. While Sri Lanka is politically independent, it views India as the major regional security provider due to proximity and age-old ties. Sri Lanka is also a participant in the BRI. However, developments such as the presence of Chinese Sea Fleet ships, the Quad's formation and security dialogues have complicated the security equation within the Indian Ocean. Sri Lanka has close relationships with all the Quad members as well as China.<sup>46</sup>

## **Delicate Balancing Factors Shaping Sri Lanka's Roles with China**

Sri Lanka is seen by China as 'an important hub on the Maritime Silk Road.' As for India, it sees China as an external factor in the India-Sri

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<sup>44</sup> India First Approach', <https://www.youtube.com/watch?v=N8w6DfoLMmE>

<sup>45</sup> "Sri Lanka Will Adopt 'India First Approach': Foreign Secretary Jayanath Colombage," *Indian Express*, August 26, 2020, <https://indianexpress.com/article/world/sri-lanka-india-first-approach-foreign-secretary-jayanath-colombage-6570829/>.

<sup>46</sup> "The Rivalries/Conflicts of the Great Powers Cannot Hinder Sri Lanka's Access to the Indian-African Market – Presidential Secretariat of Sri Lanka," <https://www.presidentsoffice.gov.lk/index.php/2023/03/26/the-rivalries-conflicts-of-the-great-powers-cannot-hinder-sri-lankas-access-to-the-indian-african-market/>

Lanka relations.<sup>47</sup> As N. Manoharan and Priyama Chakravarty argue, despite Sri Lanka's ability to play a neutral card between China and India, at a deeper level, it will appear that Sri Lanka is closer to China, even though it is not geographically connected. It is only through the overt cooperation of massive investment and aid that China's interests are more purely strategic than commercial.<sup>48</sup>

Following are some factors that shape China-Sri Lanka relationship.

- a. Non-interference policy of China adopted towards other states, Kanti Bajpai argues that China has the capacity to prove itself that it is not interested in interference in neighbours and it can be an attractive alternative to them compared to India.<sup>49</sup>
- b. As regard with Chinese foreign policy, Sri Lanka, too, in turn maintains 'One China' policy in the case of Taiwan and Tibet issues. President Rajapakse remarks on "One-China policy" and the South China Sea dispute during his visit to China in 2014, stressed that his policies towards China have never changed and won't change.<sup>50</sup>
- c. Throughout the past, Sri Lanka has upheld sensitivity of China and its concerns in its foreign policies.
- d. China and Sri Lanka have not been in any bilateral competition in the areas of economic, political and social arena.
- e. BRI, MSR and China's investments in Sri Lanka are also contributing factors in strengthening China-Sri-Lanka relations.

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<sup>47</sup> "Joint Statement between the People's Republic of China and the Democratic Socialist Republic of Sri Lanka,"

[http://www.torontoslcg.org/ottawa2/index.php?option=com\\_content&view=article&id=567:joint-statement-between-the-peoples-republic-of-china-and-the-democratic-socialist-republic-of-sri-lanka&catid=53:other-news&Itemid=120](http://www.torontoslcg.org/ottawa2/index.php?option=com_content&view=article&id=567:joint-statement-between-the-peoples-republic-of-china-and-the-democratic-socialist-republic-of-sri-lanka&catid=53:other-news&Itemid=120)

<sup>48</sup> N. Manoharan and Priyama Chakravarty, "India-Sri Lanka Relations: Managing the Ups and Downs," *Indian Foreign Affairs Journal* 11, no. 3 (2016): 253-66.

<sup>49</sup> Kanti Bajpai, *India Versus China : Why They Are Not Friends* (New Delhi, India: Juggernaut Publishers, 2021).

<sup>50</sup> "Xi Jinping Holds Talks with President Mahinda Rajapaksa," September 17, 2014,

[https://www.fmprc.gov.cn/mfa\\_eng/gjhhdq\\_665435/2675\\_665437/2782\\_663558/2784\\_663562/201409/t20140918\\_524008.html](https://www.fmprc.gov.cn/mfa_eng/gjhhdq_665435/2675_665437/2782_663558/2784_663562/201409/t20140918_524008.html)



## Delicate Balancing Factors Shaping Sri Lanka's Roles with India

Sri Lanka played a vital role in India's security strategy during the colonial period, however, following independence, Sri Lanka was worried about the possibility of continued domination by India. To safeguard its sovereignty, Sri Lanka formed a defence pact with Britain and increased its connections with the Commonwealth.<sup>51</sup> The relationship between India and Sri Lanka has been positively shaped over time, with leader-to-leader relations playing a decisive role. This has led to significant achievements, such as resolving issues related to Indian-Origin Tamils living in Sri Lanka and finalising the demarcation of maritime boundaries between the two countries.<sup>52</sup>

While India and Sri Lanka share a colonial past, their strategic imperatives and policies may conflict due to their differing national interests or domestic pressures.<sup>53</sup> New dynamics that have been developing in the strategic theatre of the Indian Ocean have pushed India-Sri Lanka relations away from their traditional focus and collaborations. With the BRI and MSR, Sri Lanka's position has become a key parametre for China.<sup>54</sup> Though BRI and MSR appear as economic initiative, some argues they are parts of grand strategy of China to become a regional and global power which can withstand in par with all other great powers.<sup>55</sup>

India further looks at BRI as project by China to encircle India to contain and marginalise it as regional power and uphold Chinese hegemony in the region and in the global trade routes. This is considered by India purely a China — centric geo-strategic and geo-economics system that is

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<sup>51</sup> Avtar Singh Bhasin, *India-Sri Lanka: Relations and Sri Lanka's Ethnic Conflict Documents-1947-2000* (New Delhi: India Research Press, 2004).

<sup>52</sup> N. Manoharan and Priyama Chakravarty, "India-Sri Lanka Relations: Managing the Ups and Downs," *Indian Foreign Affairs Journal* 11, no. 3 (2016): 253-66, <https://www.jstor.org/stable/45341960>

<sup>53</sup> Manoharan and Chakravarty.

<sup>54</sup> Manoharan and Chakravarty.

<sup>55</sup> Gulshan Sachdeva, "Indian Perceptions of the Chinese Belt and Road Initiative," *International Studies* 55, no. 4 (October 1, 2018): 285-96, <https://doi.org/10.1177/0020881718807359>.

expected to shape the regional order in the Asia-Pacific with China being a central of the system.<sup>56</sup>

On the other hand, India's neighbourhood first approach influences Sri Lanka to balance its conduct of relations with both the countries.

## **Key Chinese Investments Causing India's Regional and Security Concerns**

### *Hambantota Port Development Project*

Hambantota is located in the deep South of Sri Lanka which is the closest part to the SLOC between the Gulf and East Africa and East and South East Asia. Originally, the harbour was negotiated with India. However, as per government of Sri Lanka, due to non-agreement of conditions, negotiations were not concluded. Hence, as a second option, China took over the project by agreeing to the condition negotiated by Sri Lankan side.<sup>57</sup> India and the West are primarily worried about the potential dual use of the Hambantota harbor at any time.<sup>58</sup> However, Sri Lanka is certain that this harbor project is purely commercial and as a matter of foreign policy, Sri Lankan soil will never be used against the interest of any other country.<sup>59</sup>

The visit of a Chinese research ship to the Hambantota harbour in August 2022 was opposed by India and led to debates and disagreements, revealing the security importance of the harbour and the involved parties. The rift related to the visit of the research ship ended up

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<sup>56</sup> Pradeep Taneja, "Why India Missed China's Belt and Road Summit," 2017, <https://www.lowyinstitute.org/the-interpreter/why-india-missed-china-s-belt-road-summit>

<sup>57</sup> "India First Approach," *Interview with Sri Lankan Foreign Secretary Admiral Jayanath Colombage.*

<sup>58</sup> Vikas Bajaj, "India Worries as China Builds Ports in South Asia," *New York Times*, February 15, 2010, sec. Business, <https://www.nytimes.com/2010/02/16/business/global/16port.html>

<sup>59</sup> "China Not Allowed to Use Hambantota Port for Military Purposes: Sri Lankan President Wickremesinghe," *Economic Times*, August 16, 2022, <https://economictimes.indiatimes.com/news/defence/china-not-allowed-to-use-hambantota-port-for-military-purposes-sri-lankan-president-wickremesinghe/articleshow/93599295.cms>

with exchange of serious rhetoric at the diplomatic level between China and India.<sup>60</sup> Sri Lanka is attempting to balance relations with both — India and China. In this context, balancing act was extremely challenging to Sri Lanka when an issue arises directly associating with the interest of India and China.<sup>61</sup>

## **Colombo Port City**

The Colombo Port City Project (CPCP), which was financed by China Communications Construction Company Limited (CCCC), is viewed as a significant and strategically important. In 2016, the Sri Lankan government halted the project on environmental grounds, but it was subsequently revived due to China's persistent involvement and engagement. Zhen Wang and Feng Ye suggest that large projects funded by China could become targets of domestic political pressure, and the Sri Lankan government may have no choice but to benefit from the BRI.<sup>62</sup>

The Colombo Port City Economic Commission Bill aimed at creating a free economic environment for foreign investors. However, this bill faced opposition from domestic sources who claimed that it would give China complete control of the city if passed. There was concern that allowing China to manage the city would give it a strategic advantage in shipping on the busiest sea route which would be a long-term security concern for India.

### *East Container Terminal (ECT) at Colombo Harbour*

The recent issues in the development of the East Terminal Development Project demonstrate how strategic interests of various countries play in

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<sup>60</sup> "India Lashes out at Chinese Ambassador's Views on India-Sri Lanka Relations," *ANI News*, 2022, <https://www.aninews.in/news/world/asia/india-lashes-out-chinese-ambassadors-views-on-india-sri-lanka-relations20220827231806/>

<sup>61</sup> *Global Times*, "China Decries India's 'Unjustified' Meddling after Sri Lanka Defers Chinese Research Vessel — *Global Times*," 2022, <https://www.globaltimes.cn/page/202208/1272561.shtml>

<sup>62</sup> Wang and Ye, "China-Sri Lanka Relations in the Context of the 21st-Century Maritime Silk Road."

the Colombo Harbor Development.<sup>63</sup> When the development of the East Container Terminal of Colombo Port was announced by Sri Lanka, with other countries, Japan and India jointly came forward to take up the project in a partnership nature. The objective of this could be to regain the strategic holds for India and Japan that they believe to have lost to China.<sup>64</sup> Gotabaya Rajapaksa's government in Sri Lanka had to cancel a contract that was signed in 2019 between three parties. According to the terms of the contract, once the project was completed, Sri Lanka would own 51% of it, while India and Japan would jointly own the remaining 49%. This cancellation has caused a diplomatic drift.<sup>65</sup>

To ensure balance with India, the Western Container Terminal of the port development project was eventually granted to the Indian Adani group. However, some argued that this decision, which involved cancelling an already signed deal, indicated how challenging for Sri Lanka to balance its relations with China and India. Nonetheless, the government later announced that the cancelled project would proceed due to regional geopolitical considerations.<sup>66</sup>

## Conclusion

The Indian Ocean's South Asian region has become more active and vibrant due to the presence of China along with its rising trend and on the other hand with India's regional ambitious and security concerns. China's legitimate expectation for the security in the Indian Ocean's Sea Lines of Communication and its engagement with littorals of the Indian

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<sup>63</sup> Nayanima Basu, "India Looks to Recalibrate Ties with Sri Lanka as Colombo Sways Away towards China Again," *The Print* blog, June 14, 2021, <https://theprint.in/diplomacy/india-looks-to-recalibrate-ties-with-sri-lanka-as-colombo-sways-away-towards-china-again/676814/>

<sup>64</sup> "China Faces New Competition as Japan, India Eye Sri Lanka Port - Bloomberg," <https://www.bloomberg.com/news/articles/2019-05-21/japan-india-in-deal-at-belt-and-road-colombo-port-nikkei>

<sup>65</sup> "Sri Lanka Says it Scrapped Port Deal as Indian Firm Rejected Terms," *Hindu*, February 13, 2021, sec. World, <https://www.thehindu.com/news/international/sri-lanka-says-it-scrapped-port-deal-as-indian-firm-rejected-terms/article33829461.ece>

<sup>66</sup> Diwakar, "Sri Lanka's Balancing Act between India and China Enters New Phase."

Ocean by making them part of its BRI and MSR mega-projects cause security concerns for India.

Sri Lanka is one of the South Asian countries which maintains strong relations with both China and India. Its relations with both countries are multi-dimensional and multi-layered. This nature of the relations places Sri Lanka in a challenging position having to delicately and diplomatically manage relations with both countries. Sri Lanka enjoys leverage due to its geo-positioning from China in terms of massive investments and its support at international forums. At the same time, Sri Lanka balances its relations with India by strongly declaring and demonstrating that the relations with China are only in terms of economic cooperation, and the country will not be used by anyone to threaten India's national security or even sabotage India's security concerns. Sri Lanka's balancing acts on numerous occasions became a daunting task.

Sri Lanka while maintaining cordial relationship with both China and India upholds the policy of maintaining balance amidst strategic competition of the great powers. Nevertheless, Sri Lanka tries to maximise its economic opportunities by strategic balancing acts between China and India. This is a contribution and modus operandi that other small states can also follow when dealing with great powers in the international system.