

## **China's Strategic Engagement with Sri Lanka: Implications for India**

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### **Abstract**

The way the foreign policy of China has evolved in recent decades to consolidate its interests could be an object lesson to other countries. Initially, China's Asia policy focused on Northeast and Southeast Asia. But in recent times, South Asia has gained tremendous importance in China's foreign policy, which currently aims to maintain and promote regional peace and stability and, in consequence, sustain China's own peaceful rise. As a result, South Asia constitutes an important region for China's strategic ambit, and Sri Lanka is no different. In this context, this paper attempts to examine the growing China-Sri Lanka strategic engagement in general and particularly under President Rajapakse regime, which actually transformed the bilateral ties. India's response to deepening ties between China and Sri Lanka and President Sirisena's balancing approach towards India and China is analysed.

**Keywords:** *China, Sri Lanka, India, Rajapakse, Indian Ocean*

## 1. Introduction

The international security environment is witnessing a power shift from the West to Asia, led by the rapid rise of China and India. It is the rise of China more than that of India that has become a major concern for major powers like the United States, European Union (EU) and Japan. Economically, China has witnessed an annual growth rate of more than 10 per cent in the last two decades (presently declining). China today is the third-largest economy in the world and has also emerged as the largest trading partner of the US, EU, India and Japan. It is estimated that China's economic size will match America's by 2035 and double it by the mid-century (Xie and Page, 2010 and Keidel, 2008). China's economic growth has also enhanced its military capacity for further modernisation. Coincidentally, China's military capacity has also grown, which has helped the Chinese military to transform itself from a mass army designed for a protracted conflict on its territory to one capable of fighting and winning short-duration low- or high-intensity conflicts beyond its territory. However, since 1979, the Chinese military has not fought a protract war, thus its capabilities will be tested only during a conflict.

China has also broadened its diplomatic activities, playing a key role in international institutions, and wielding greater geopolitical influence in Asia and around the world. In the process, it has become the second most influential country in the world after the US. For instance, its role in stimulating the world economy and even resolving nuclear issues in the Korean Peninsula (North Korea) and the Persian Gulf (Iran) has been crucial (Mahapatra, 2010: 520 and Patten, 2010: 54-57). In this new order, China is becoming a more responsible player on the global stage and addressing transnational issues such as terrorism (minus its role in South Asia), environmental degradation and global warming,

energy security, international crime, international peacekeeping and nation building, public health, the stability of the global financial system, and so on (Shambaugh, 2005: 7). Thus, China to sustain its peaceful rise, is increasing its influence around the world and South Asia is no different.

## **2. China's Strategic Interest in Sri Lanka**

Initially, China's Asia policy focused more on Northeast and Southeast Asian region. However, in recent times South Asia has also gained importance in China's foreign policy (Wheeler, 2012: 3). Moreover, as India began to look eastward, China began to look southward, to counter India's rise. In this context, Sri Lanka becomes important for China's strategic interest. Five factors are notable in having shaped China's policy towards Sri Lanka, as follows:

- (a) Sri Lanka is strategically well located, midway between the oil-rich Middle East and South East Asia. This gives China an alternative option of opening direct access to the international sea lanes of the Indian Ocean, which would enhance safe trade.
- (b) Sri Lanka is rich in natural resources like coal, iron ore, hydrocarbons, natural gas and oil, some of them are yet to be fully exploited. The region's growing economies and millions of population provide enormous potential for trade and a huge market for Chinese goods.
- (c) The Indian Ocean region provides lot of opportunity for China and also poses serious security threats like piracy, terrorism, drug, arms and material trafficking, weapons of mass destruction and so on. In this regard, Sri Lanka can act as a buffer against these threats.
- (d) Furthermore, Sri Lanka will play a very important role in China's Maritime Silk Road (MSR) initiative (it was the first country to

support the proposal). Under the ambitious plan, China plans to build a maze of Silk Roads, which includes the revival of the ancient Silk Road connecting China, Central Asia and Europe with the Bangladesh-China-India-Myanmar (BCIM) Economic Corridor. Subsequently, the MSR aims to connect various ports in the region to increase trade. Thus, these initiatives will be beneficial not just for China and Sri Lanka, but also for the South Asian region.

- (e) Above all, China's policy towards South Asia has become mainly India-centric. Over the years India has emerged as an economic power and a regional military power with nuclear weapon and missile capability, which challenges China's rise and interests in the region and beyond. At the same time, India's growing strategic partnership with the US and Japan continues to be among China's main security concerns. Thus, as the Chinese saying goes, "one mountain cannot accommodate two tigers", China is determined to prevent the rise of India, which is emerging as a competitor in Asia and beyond. To counter the rise of India, China had always supported anti-India political movements and insurgencies in India and its neighbours, even supplying them arms to dilute India's growth and influence in the region. In this regard, China has been successful to certain extent in increasing its influence in Sri Lanka, causing concerns for India.

In sum, Beijing's policy towards Colombo is aimed at increasing its own influence in the region, addressing the transnational issues, lessening India's influence and also to curb the ability of potentially hostile powers like the US and Japan to harm China's interests in the region.

### **3. China-Sri Lanka Deepening Relationship**

The China-Sri Lanka diplomatic relationship began in the 1950s. But the relationship between the two countries dates back to AD 401, when Chinese Buddhist monks arrived in Sri Lanka (Wheeler, 2012: 9). As a result, initially, the Buddhism factor guided China-Sri Lanka relations. However, with Sri Lanka gaining independence in 1948, it began to lay the foundation for formal relationship with China, and Sri Lanka was one of the first countries to recognise the People's Republic of China (PRC) in 1950 and continued to support its accession to the United Nations (UN). To take the relations forward, in 1952, the two countries signed the General Agreement on Trade and Payment to barter rubber from Sri Lanka for rice from China. This led the US to revoke all aid to Sri Lanka, as a punitive measure for hobnobbing with a communist country. This agreement was hailed by Jiang Qinzhen, China's Ambassador to Sri Lanka, as "deeply cherished chapters in the annals of bilateral relations" (Singh, 2003: 234). The full diplomatic relations between the two countries was established in February 1957, paving the way for strong political relations. Moreover, when Prime Minister Sirimavo Bandaranaike initiated the policy of nationalising foreign businesses, which resulted in the US and UK suspending aid, Sri Lanka had no option but to look to China and Russia for aid and trade, in a way boosting the economic ties. At the same time, Sri Lanka and China signed a commercial maritime agreement to boost bilateral trade, which also led to naval expansion by China.

The developments in the 1970s further strengthened bilateral ties. In 1971 Sri Lanka co-sponsored the draft resolution that led to the PRC gaining a permanent seat in the UN Security Council. From 1972, several agreements related to aid, trade and arms were signed between the two countries, such that by 1975 China became the largest export destination for Sri Lanka. In 1982 and 1984, the two countries signed

trade agreements with a view to setting up a joint trade committee and on economic and trade cooperation. When in the late 1970s there was a rise of Tamil nationalism and the growth of the Liberation Tigers of Tamil Eelam (LTTE), China in private urged the Sri Lankan government to find a political solution to the ethnic conflict (Wheeler, 2012: 9). However, when India intervened in the ethnic conflict in 1987, which affected Sri Lanka's image and economy, China was the only country to question India's act, and continued to export arms to Sri Lanka. Thus, Buddhism, trade, aid, maritime and global issues have shaped the China-Sri Lanka relationship. Interestingly, this relationship has been deepened substantially politically, economically and militarily during the Mahinda Rajapakse regime (2005-2014).

#### **4. China-Sri Lanka Ties under President Rajapakse**

The advent of the Rajapakse regime was a turning point in the history of Sri Lanka. Under his leadership the decades of ethnic conflict came to an end, with the military defeat of the LTTE in May 2009. At the same time, the Rajapakse regime strengthened Sri Lanka's relationship with many countries, however the relations with China is noteworthy.

##### ***4.1. Frequent High-Level Visit***

Under the Rajapakse regime, the political ties with China is significant, as from 2005 to 2009, there were 18 high-level meetings between China and Sri Lanka (Samaranayake, 2011:124). The year 2007 was celebrated as the China-Sri Lanka Friendship Year, to mark the fiftieth anniversary of establishing full diplomatic ties between the two countries, which boosted the ties holistically. In May 2013, when President Rajapakse visited Beijing, the two countries decided to upgrade their relation to strategic cooperation partnership, maintain high-level exchanges, expand

the scale of bilateral trade and investment, consolidate cooperation in the field of law enforcement, security and defence, expand people-to-people contact, and strengthen exchanges and coordination in international and regional affairs.<sup>1</sup> Overall, during his tenure, President Rajapakse visited China seven times. As a result of President Rajapakse's efforts, in September 2014 Xi Jinping became the first Chinese President to visit Sri Lanka. In the process, the Beijing Foreign Studies University signed MoUs with the Colombo University to establish a China-Sri Lanka Study Centre as well as a Confucius Institute, with plans also for a joint degree programme and scholarships. China has also offered to help train Sri Lankan public administration officials in China and so on (Jacob, 2015: 2). Thus, President Rajapakse played a vital role in strengthening the bilateral ties.

#### ***4.2. Trade, Investment and Aid***

Two-way trade between China and Sri Lanka has grown rapidly, from US\$125.6 million in 1990 to US\$2256 million in 2000 (Wheeler, 2012: 12). In 2012, Sri Lanka's exports to China was worth US\$108.12 million, accounted for 1.18 per cent of Sri Lanka's exports; and its imports from China, worth US\$2568.01 million, accounted for 14.36 per cent of its imports (Kelegama, 2014). The growing trade will be further strengthened when the two countries sign an FTA, which they have agreed to do.

More than the bilateral trade, it is the growing Chinese investment in infrastructure that has enhanced China's influence in Sri Lanka. Among Chinese investments in Sri Lanka are: construction of Puttalam Coal Power Plant; Hambantota Port; National Performing Arts Theatre;<sup>2</sup> Bandaranaike Memorial International Conference Hall; Supreme Court complex; Lotus Tower; Central Mina Telecommunication Exchange; Gingga Flood Protection Scheme; redevelopment of Lady Ridgeway

Children's Hospital; and Colombo–Katunayake Airport Expressway. In 2013, China agreed to cooperate on the Colombo Port City project, a US\$1.4 billion plan to build an artificial island off Colombo, designed with malls, hotels and marinas, a project that seeks to rival Singapore and Dubai. Apparently, China was the largest financier in Sri Lankan projects in 2011, committing US\$760 million in loan, ahead of Japan (US\$413 million) and World Bank (US\$105 million) (Wheeler, 2012: 12). According to the Sri Lankan Ministry of Finance and Planning, External Resources Department, China's total investment in Sri Lanka during 1971-2012 was US\$5.05 billion, of which US\$4.76 billion, representing around 94 per cent, was invested during 2005-2012 (Kelegama, 2015).

The two vital reasons for increasing China's investment are as follows. First, China provides interest-free loans and preferential loans at subsidised rates to Sri Lanka for development of infrastructure. For instance, during 2009-2013, Sri Lanka borrowed US\$2.6 billion from China's state-owned Exim Bank for various development projects on the island like Hambantota Port, Katunayake Expressway, Norochcholai coal power plant, railway projects, northern province electricity and road development, southern expressway, electricity projects in Uva and eastern province.<sup>3</sup> The loans are repayable over 14 to 20 years. Second, to facilitate Chinese investment, the Sri Lankan Board of Investment (BoI) has taken various steps like demarcating a separate zone for Chinese investors at Mirigama (China is the first country to have an Exclusive Economic Zone – EEZ – in Sri Lanka), establishing an investment promotion office in Shanghai, and earmarking a special five-year visa for investors (Chhibber, 2009). The BoI has also allocated an exploration block in Mannar Basin to China. In 2010, Sri Lanka agreed to buy plant and equipment from China for road construction at a cost of US\$115.8 million.<sup>4</sup> As a result of Sri Lanka's pro-investor policy, the



China Merchants Group announced in August 2011 that it would invest US\$500 million in the island nation, which was the company's largest investment outside of China (Wheeler, 2012: 13).

Some argue, however, that the Chinese interest rates, ranging from 1.53 to 6.5 per cent, is much higher than what the World Bank and Asian Development Bank (ADB) charge (Wheeler, 2012: 12). Also, it is officially estimated that the current 42 infrastructure projects employ more than 1,700 Chinese workers; but according to conservative estimates, they number around 25,000, denying job opportunities to Sri Lankans and there is also the fear that many Chinese labourers might stay on in the country. Nevertheless, China's emerging as a key investor and aid provider for Sri Lanka strengthen its ties.

Furthermore, over the years, China has also emerged as the leading aid donor to Sri Lanka. China's aid to Sri Lanka was just a few million dollars in 2005, but now it is more than US\$1 billion. In 2009, China was Sri Lanka's biggest aid donor, with an aid figure of US\$1.2 billion (India, with US\$700 million in aid, came second) out of the total foreign aid received of US\$ 2.2 billion, even surpassing Britain, which provided only £1.25 million in humanitarian aid in 2008 (Fernando, 2010: 289). China's humanitarian aid is also significant, as during the Tsunami, 2001, it provided US\$1.5 million humanitarian aid, along with medical teams (Wheeler, 2012: 12). In January 2011, when Sri Lanka was affected by floods, China again gave US\$1.5 million. Overall, since 2009, Sri Lanka has received a total of US\$4 billion from China in the form of aid, soft loans and grants. Nearly 70 per cent of infrastructure projects in the country have come to be funded by Chinese banks and institutions and are being built by Chinese companies (Godbole, 2015). Thus, China has successfully boosted the bilateral ties with much needed trade, aid and investment.

### **4.3. Military Ties**

In terms of military cooperation, China has been the largest supplier of conventional arms to Sri Lanka since the 1950s, supplying small arms, ammunition, landmines, naval vessels and aircraft. However, Beijing's arms sales to Sri Lanka intensified significantly during Eelam War IV, which began in July 2006. In this context, Sri Lanka signed an arms deal worth US\$37.6 million with the Beijing-based Poly Technologies for Jian-7 fighters, JY 11-3D air surveillance radars, armoured personnel carriers, T-56 assault rifles, machine guns, anti-aircraft guns, rocket-propelled grenade launchers and missiles (Hariharan, 2013: 1). It is also alleged that Beijing provided six F-7 fighter aircraft to Sri Lanka free of cost (Raman, 2008). According to Stockholm International Peace Research Institute (SIPRI), during the years 2005 to 2010, Sri Lanka was China's eighth-largest arms market. As a result, Sri Lanka still continues to repay the debts of Chinese arms companies (Wheeler, 2012: 11). At the same time, it is alleged that the LTTE also acquired China-made weapons from its sources, such as rifles, howitzers and surface-to-air missiles. This was evident from government report (2011) released by the Sri Lankan Ministry for Defence on the conflict, which contained a detailed list of weapons recovered from the LTTE, including nearly 13,000 Chinese-model rifles worth over US\$ one million (Ministry of Defense, Sri Lanka, 2009: 12).

The high-level visits by military officials have also taken forward the military ties to new level, like the Chinese Defence Minister Liang Guanglie visited Sri Lanka in August 2012. During his visit, a grant of US\$100 million was given for construction of army camps in Sri Lanka's northern and eastern provinces. In May 2014, the Vice-Chairman of China's Central Military Commission, Air Chief Marshal Xu Qiliang, visited Colombo with a large military delegation. From time to time, China has also provided military training to Sri Lankan officers,

and many officers have been placed in the National Defence University, Beijing (Wheeler, 2012: 10-11). After the Eelam War IV, China offered assistance in demining in northern and eastern provinces and provided necessary equipment and training to the Sri Lankan Air Force. Moreover, several Chinese defence companies like Poly Technologies and China Electrical and Technologies Corporation have sponsored seminars and conferences on defeating terrorism in the background of the Sri Lankan experience (Radhakrishnan, 2011:12).

Furthermore, the Chinese naval ships visited three ports in Sri Lanka in 1985, on the Chinese Navy's first visit to foreign countries. In March 2007, Chinese naval ships again visited Colombo on the way to China's first ever multilateral naval exercise with Pakistan. Chinese naval ships again visited Colombo in 2009 and 2010 on way to join anti-piracy operations in the Gulf of Aden. Thus, both the countries have successfully developed the military ties with the army, navy and air force.

#### ***4.4. Cooperation at the Global Level***

Decades of close relationship has also laid the foundation for cooperation at the global level, for instance: Sri Lanka co-supported China's candidature for a seat at the United Nations Security Council in 1971; welcomed the transfer of sovereignty of Hong Kong to China and sent an official representation at the handover ceremony in July 1997; backed China's entry into the World Trade Organisation (WTO) in 2000; persuaded India in 2005 to grant China observer status in the South Asian Association for Regional Cooperation (SAARC), if it had agree to Afghanistan's entry (which India was advocating); and supported China's opposition to the 2010 Nobel Peace Prize given to Liu Xiaobo.

In response to overwhelming Sri Lankan support, China's support to Sri Lanka in global forums included – blocking a discussion in the UN

in March 2009 on Sri Lanka's last stage of Eelam War IV; rejecting, in May 2009, along with Russia and Vietnam, the strong language initially drafted by the United Kingdom, France and Australia (Wheeler, 2012: 22); voicing its concern in June 2010 over the UN Secretary General's appointment of an expert panel to investigate possible war crimes in Sri Lanka; expressing its view in April 2011 that any further international action would complicate matters and that instead Sri Lanka should be helped to stabilise its own internal and economic situation (Wheeler, 2012: 22); opposing, at the 17th UN Human Rights Council (UNHRC) session in May 2011, any international intervention in Sri Lanka and any attempt to reopen the debate on Sri Lanka's conduct at the end of the war;<sup>5</sup> subsequently opposing, in March 2012, a similar resolution initiated by the US for the protection of human rights in Sri Lanka. Furthermore, China played a critical role in ensuring that Sri Lanka became a dialogue partner in the Shanghai Cooperation Organisation (SCO) and both the countries have held common position on transnational issues at the global level. Thus, the growing cooperation and reciprocity at the global level has added a new dimension in bilateral ties.

## 5. Why This Is Happening?

Although India had strong historical, cultural, political and socio-economic relations, several factors may be cited for the congruity of worldviews between the People's Republic of China and Sri Lanka, as follows:

- (i) China follows a policy of non-interference in the internal affairs of states, in contrast to Indian diplomacy, which is dubbed as arrogant and meddlesome. Although India is the largest investor in countries like Nepal, Bangladesh and Sri Lanka, its neighbourhood policies

are seen with scepticism and China's increased assistance is seen as a positive balancer against India. As the Indian academic-analyst Kanti Bajpai points out, "China has managed to project itself as a disinterested neighbour and a remarkably attractive alternative to big brother India" (Kumar, 2011: 83). A former Foreign Minister of Sri Lanka has pointed out that "China has never tried to dominate, undermine or destabilise Sri Lanka" ... "and has come to rescue with timely assistance on several occasions when Sri Lanka's security and territorial integrity was threatened" (Wheeler, 2012: 22). Unlike the rest of the international community, China never pressurised Sri Lanka to halt its military campaign against the LTTE or to find a political solution to the ethnic problem. Even when the former Army General Sanath Fonseka was arrested in 2010, an event which the international community condemned, China's position was that it "was an internal affair, and China has never interfered with other countries' internal affairs" (*ibid.*). Thus, China's non-interference in the internal affairs of Sri Lanka has enhanced China's growing influence in the island.

- (ii) Reciprocating China's policy of non-interference, Sri Lanka also follows a one-China policy on Taiwan and Tibet issues. Despite being a Buddhist state, Sri Lanka has denied visa to the Dalai Lama, the Tibetan spiritual leader, to visit the country ((Wheeler, 2012: 15). Sri Lanka along with Bangladesh, Pakistan and Nepal continues to give China staunch support on Taiwan- and Tibet-related matters. President Rajapakse during his visit to China in May 2014 stated with regard to one-China policy and the South China Sea dispute, "I assure you that our policies towards China have never changed and won't change."<sup>6</sup> Hence, Sri Lanka has always demonstrated its sensitivity to Chinese concerns on critical issues.

- (iii) The dominant discourse on India among its neighbours in South Asia is that it behaves as a hegemonic power, a Big Brother. Events like India sending its Peacekeeping Force (IPKF) to Sri Lanka under the India-Lanka Accord of 1987 and India insisting on a political solution to the Tamil ethnic problem in post-war Sri Lanka have reinforced this perception. India's growing strategic partnership with the US is also perceived by its neighbours as a move calculated by India to continue its dominance in the region. The key to China's success in South Asia is the suspicion of India's neighbours over India's hegemonic intentions. As a result, many infrastructure projects which are in the interest of India and its neighbours are awarded to China, like the development of ports. Thus, India's efforts to have a normal relation with its neighbours continuous to be a major challenge.
- (iv) To a certain extent, India itself has given space to China by not meeting the requirements of its neighbours at critical junctures, like, for example, not selling weapons to Sri Lanka during Eelam War IV, due to political reasons; China readily filled this gap. Initially, Sri Lanka offered the development of Hambantota Port to India, but India's response was lukewarm; in consequence, the offer went to China. In recent times, India is very much obsessed with strengthening its strategic partnership with the US, Russia, EU, Japan, Australia, Israel and so on to sustain its rise, meet its energy requirements and increase its global presence. As a result, South Asia is not a top priority for Indian policymakers, which has allowed China to fill that space.
- (v) Domestic compulsions have also been a hurdle to India in terms of following a more pro-active policy towards its South Asian neighbours. Vis-à-vis Sri Lanka, for example, there is always the factor of Tamil Nadu politics to consider. In November 2013, for

example, because of the Tamil Nadu factor, the Indian government decided to send Salman Khurshid, its Foreign Minister, to represent India at the Commonwealth Heads of Government Meeting (CHOGM), instead of the Prime Minister. The Tamil Nadu government and political parties have also been pressurising successive central governments to take measures against the Sri Lanka Navy, which has been attacking Indian fishermen in the Palk Strait, and to prevent violation of the human rights of Sri Lankan Tamils. An indication of the cold relations between India and Sri Lanka is that during his entire tenure as Prime Minister over ten years, Prime Minister Manmohan Singh did not pay a significant bilateral visit to Sri Lanka, on account of pressure from the Tamil political parties. The present Prime Minister Narendra Modi also, despite the early glimmerings shown by his government of a focused South Asia policy, visited Colombo only in March 2015.

- (vi) As regards investments, India makes these conditional on policy reforms, competitive bidding, transparency attached to loans, structural adjustments, or even human rights. On the contrary China does not. Chinese companies bidding abroad are mostly state-owned and are supported by state financial institutions like the China Development Bank Corporation, Industrial and Commercial Bank of China (ICBC), China International Trade and Investment Corporation (CITIC), China Export and Credit Insurance Corporation (CECIC), and China Export-Import Bank (Manohran, 2013: 3). Their priority is strategic advantages, diplomatic mileage and goodwill gained through projects; profit is the least among their concerns.
- (vii) Furthermore, unlike India, China does not have any serious bilateral contentious issues with Sri Lanka. Subsequently, the political, economic and social problems within and between South Asian

nations and India's limitation in interfering in the affairs have offered a fertile ground for increasing China's influence through political, military and economic means. Overall, due to these limitations the Indian government lost its strategic space in Sri Lanka to China, which has compelled India to rethink its strategy in Sri Lanka and the region itself.

## **6. India's Response**

### ***6.1. Two-pronged Strategy***

Generally, the shared history, common heritage, linguistic and cultural ties including music, art and literature and ethnic linkages have shaped India's policy towards its South Asian neighbours. India's geographic proximity, huge population, and economic and military potential wield on them a strong holistic influence not matched by any other country in the region. India's neighbourhood policy for many years has focused on pluralistic society, democratic culture, political stability, and stable economy, which are often sullied by terrorism and violence. However, in recent times, India has been concerned about the influence and presence of extra-regional powers in the region, including China (Pattanaik, 2011: 72). Many strategic analysts and policymakers in India perceive the Chinese presence in South Asian countries as a design to circumvent what was once considered as India's sphere of influence. To counter this growing Chinese assertiveness and influence in South Asia, India has to respond with a combination of rhetorical, diplomatic, infrastructural and defence-led initiatives with its South Asian neighbours without affecting its bilateral ties with China.

Where Sri Lanka is concerned, as there was little scope for India to reduce the Chinese influence due to President Rajapakse's pro-China policy which was well reciprocated by the Chinese government in terms



of trade, investment and aid. Nevertheless, the Indian government adopted a two-pronged strategy – expressed serious concerns over Sri Lanka's pro-China policy and worked towards strengthening its bilateral ties.

## ***6.2. Expressed Its Concerns***

From time to time, the Indian government has expressed serious concern about any Chinese presence or policy actions in Sri Lanka that affect its interest. The Hambantota Port project is an example. The first phase of the port has been completed by the contractor, the China Harbour Engineering Company, at a cost of US\$360 million. The project includes a high-quality passenger terminal, cargo handling, warehousing, bunkering, provision maintenance and repair, medical supplies and customs clearing facilities ((Manohran, 2013: 2). Sri Lanka has maintained that it is a project of purely commercial interest; but India is concerned that the project would enable the Chinese to have dominance over the Indian Ocean region, with a possibility of close monitoring of ships, both military and non-military, that transit between the east and west coasts of India encircling Sri Lanka. Similarly, India is particularly concerned about the telecommunication project between China's ZTE Corporation and Mobitel of Sri Lanka, worth US\$50 million, to establish 700 LTE base stations and transmission equipment and seven mobile network expansion projects. Sri Lanka has also signed a project worth US\$320 million to launch its first communication satellite with China's Great Wall Industry Corporation (Hariharan, 2013). Thus, India has expressed serious reservation over the growing China-Sri Lanka cooperation in the telecommunication and satellite areas as threatening India's security.

In response to India concern over growing Sri Lanka-China military ties, when India's then National Security Adviser, M.K. Narayanan,

pointed out that the Chinese-built radar systems that Sri Lanka was purchasing would overreach into Indian airspace,<sup>7</sup> Sri Lanka pointed out that India was not in a position to sell offensive weapons or even equipment like radars and basic communication equipment and China was ready to supply them at a price lower than that of Russia (Manohran, 2013:4). Similarly, in July 2014, Sushma Swaraj, India's Foreign Minister, raised with her Sri Lankan counterpart G.L. Peiris the issue of Sri Lanka permitting the China National Aero-Technology Import-Export Corporation to establish a US\$40.3 million Aircraft Base Maintenance Centre at Trincomalee Port, that it contravened the India-Lanka Accord of 1987 that prohibited providing facilities in and around the natural deepwater harbour at Trincomalee to the detriment of Indian interests. As a result of India's concerns, the Rajapakse regime then changed the location of the Chinese facility to another area (Rupasinghe, 2014).

In October 2014, the docking of two nuclear-powered Chinese submarines at Colombo harbour triggered notifications by India to the Sri Lankan government over its security concerns. The Chinese submarine Changzheng-2 and the warship Chang Xing Dao arrived at Colombo on a five-day visit from 31 October. A Chinese submarine of a similar type had visited Sri Lanka in mid-September. This issue was raised by the National Security Adviser Ajit Doval and Defence Minister Arun Jaitley during the Sri Lankan Defence Secretary Gotabhaya Rajapaksa's visit to New Delhi. However, the Sri Lankan government dismissed India's concerns, declaring that these visits were "usual practice". The Sri Lankan Navy spokesman Kosala Warnakulasuriya told the media: "Since 2010, 230 warships have called at Colombo Port from various countries on goodwill visits and for refuelling and crew refreshment" (Rupasinghe, 2014). Overall, Sri Lankan government responded half-heartedly to India's security concerns.

### **6.3. Strengthening of Bilateral Ties**

Over the years, India has been strengthening its relations with Sri Lanka, through frequent contacts between their Foreign Ministers and meetings between different sectors like defence, science and technology, commerce, education and so on. On the economic front, India is the largest trading partner of Sri Lanka and the trade has increased to US\$5 billion in 2015 (Dharmawardhane, 2016: 10). Subsequently, the number of tourists from India to Sri Lanka has drastically increased by 30% in 2015 and at the same time, India continues to be an important destination for tourists from Sri Lanka. India is also the fourth-largest investor in Sri Lanka and in 2010, India was the top investor in Sri Lanka, constituting more than 20 per cent of the foreign investment in Sri Lanka (Ministry of External Affairs, India, 2012).

To boost investment in infrastructure and bring about development in Sri Lanka, the Indian government extended a line of credit to Sri Lanka for a range of projects, including road and railway infrastructure, supply of locomotives, power, and village development. For instance, in June 2010, the Prime Minister of India announced a development package for Sri Lanka. This included construction of 50,000 housing units, rehabilitation of the Northern Railway lines, wreckage removal and rehabilitation of the KKS Harbour, establishment of vocational training centres, construction of a Cultural Centre at Jaffna, setting up a 500 MW coal power plant at Sampur, restoration of Thiruketheeswaram Temple, establishing an Agricultural Research Institute in the Northern Province, expanding the scholarship programme for Sri Lankan students to pursue their higher studies in India, setting up Centres for English Language Training, and providing technical assistance for the National Action Plan for a Trilingual Sri Lanka. The Medawachchiya-Madhu segment of the railway line was inaugurated on 14 May 2013;

the Omanthai-Kilinochchi segment on 14 September 2013; and the Kilinochchi-Pallai segment on 4 March 2014 (Ministry of External Affairs, India, 2012: 8). Overall, India focused more on economic and development aid in Sri Lanka, i.e., from 2005 to 2015, India committed itself to provide Rs 2000 crore (28 per cent) in grants and Rs 7000 crore in lines of credit (72 per cent). As a result, India's assistance to Sri Lanka grew from SLR 507.1 million in 2005 to SLR 5672 million in 2013 (Ministry of External Affairs, India, 2012: 11). India's growing bilateral ties with Sri Lanka have to a certain extent neutralised China's assertiveness in the region. Thus, through these development initiatives the Indian government attempted to sustain its strategic space in the island.

Apart from trade, investment and aid, Indian armed forces and intelligence wings have also played a leading role in helping Sri Lankan armed forces to defeat LTTE, by providing the valuable intelligence and limited military equipments during the Eelam War IV. In addition, parliamentary cooperation, institutional mechanisms related to trade, security, water transit and technical cooperation, cultural exchanges and so on have strengthened India's cooperation with Sri Lanka.

### **7. Change of Regime: *Concern for China?***

With the change of regime in India in May 2014 and in Sri Lanka in January 2015, there have been initial indications by both countries on strengthening their bilateral relations.

Initially, the Narendra Modi-led government in India made the following gestures towards bringing about better rapport with India's South Asian neighbours.

- (i) The new Prime Minister invited all the heads of the South Asian Association for Regional Cooperation (SAARC) states and

governments for his swearing-in ceremony on 26 May 2014, a gesture which was well reciprocated. The programme was also followed by short bilateral meetings between the leaders, including with President Rajapakse.

- (ii) Prime Minister Modi undertook his first foreign visit to Bhutan, Nepal and Sri Lanka, clearly indicating the importance of South Asia in India's foreign policy and strategic thinking.
- (iii) The new Prime Minister has made several statements on SAARC, such as that the grouping can be used to "improve regional cooperation and connectivity"; the need of SAARC for "fruitful regional cooperation for peace and development"; developing a SAARC satellite culture; that each country in South Asia has its own specific strength and opportunities and they should also learn from each other's best practices.<sup>8</sup> The new government has also sent party leaders like Subramanyan Swami and others to meet the Sri Lankan President Rajapakse to convey India's interest in boosting bilateral ties with Sri Lanka. When a Sri Lankan court awarded the death penalty to five Indian fishermen on the charges of drug trafficking, President Rajapakse graciously commuted the sentence. Prime Minister Modi and President Rajapakse also met on the sidelines of the SAARC Summit in Kathmandu in November 2014.

Thus, the Modi government laid the foundation for a new chapter vis-à-vis Sri Lanka, which was well reciprocated by the Rajapakse regime.

In the case of Sri Lanka, the electoral victory of former Health Minister Maithripala Sirisena, leading the New Democratic Front (NDF), in the Presidential elections held in January 2015, seemingly presents a totally new complexion on India-Sri Lanka bilateral relations. Siresena during his election campaign said that he would review the

construction of the Chinese-backed port project close to Colombo, citing issues over transparency in the contract and environmental reasons.<sup>9</sup> Even the NDF manifesto stated that if the party's candidate was elected, it would work to strengthen cordial relations with India, China, Pakistan and Japan, and would have with India closer relations with an attitude that would be neither anti-Indian nor dependent (Jacob, 2015: 4).

After coming to power President Sirisena took various steps which indicated halting pro-China policies such as:

- (a) The government declared that the US\$1.5 billion Hambantota Port deal would be reviewed over concerns that the Chinese contracting company was getting freehold land in a high-security zone.<sup>10</sup> The flights to Hambantota International Airport by Sri Lanka's flagship carrier were cancelled.
- (b) President Sirisena also appointed Ranil Wickremasinge, who is known for his liberal ideology and pro-India stand, as the Prime Minister. In the run-up to the elections, Wickremasinge pledged to scrap the ambitious US\$1.4 billion Colombo Port City project, funded, built and to be operated eventually by a Chinese-lead consortium (Godbole, 2015:24). Although the project is not scrapped, the government in March 2015 ordered the review of the project.
- (c) The new Sri Lankan Foreign Minister, Samaraweera, made his first foreign visit to India. This was followed by President Sirisena making a five-day visit to India (February 2015), which was his first overseas visit. During his visit several key agreements were signed, significant being the civil nuclear cooperation agreement – but also other agreements including cultural cooperation, cooperation in agricultural sector, and facilitating Sri Lankan participating in Nalanda University Project, apart from deciding to expand New

Delhi-Colombo defence and security ties. Thus, President Sirisena's pro-India policy was well reciprocated by the visit of Prime Minister Narendra Modi in March 2015, and can be regarded as a new beginning in the bilateral ties after the defeat of President Rajapakse.

During the historic Narendra Modi visit to the Island in March 2015, both countries signed MoUs related to youth exchanges and education; construction of a university auditorium; e-visa and also visa exemptions for official passport holders and customs cooperation. Moreover, Modi announced and promised funds for building infrastructure like US\$318 million Line of Credit for upgrading the Sri Lankan railways; Trincomalee as a petroleum hub and complete 500 MW Sampur power project (Samatha, 2015: 2). At Jaffna, Modi handed around 27,000 new houses to homeless Tamils and inaugurated a train service in the northwestern town of Talaimannar. In continuation of growing ties, in March 2016 Prime Minister Ranil Wickremesinghe visited India, followed by President Sirisena's second visit to India in May 2016. Thus, the regular visits by top leaders of the two countries have strengthened the ties, which are mutually beneficial.

The deepening India-Sri Lanka relations in the recent times should be a cause of concern for China. However, China has not so far expressed its concerns in public or panic over these developments; instead it has been reacting positively. For instance, in response to Mr. Sirisena's pro-India speech during the election and upon electoral victory, China's Foreign Ministry spokesperson Hong Lei said, "Our friendship runs deep, and successive governments of Sri Lanka have had a friendship policy towards China".<sup>11</sup> On President Sirisena's visit to India, the Ministry said, "We are happy to see close and friendly development of India-Sri Lanka relations".<sup>12</sup> Chinese Foreign Ministry went one step forward and even proposed a triangular partnership

involving sound relations among China, India and Sri Lanka, and emphasised that it was conducive to the well-being of the three countries and to the whole region (*ibid.*).

At the same time, President Sirisena has also made conscious effort to balance its relations with China, like in February 2015, the Foreign Minister paid a two-day visit to China, followed by President Sirisena visiting China in 26 March 2015, coinciding with his participation in the Boao Economic Forum. This visit was significant, as the Sirisena government was able to clarify its foreign policy decisions vis-à-vis China and way to further strengthened bilateral ties. In April 2016, Prime Minister Ranil Wickremesinghe made his first visit to China, which not only enhanced the bilateral ties, but PM Ranil also agreed to allow China to resume the stalled infrastructure projects and went on to state that “the Port City will become a special financial and business district of Sri Lanka which will have its own laws and there will be a separate financial and legal system operating in the Port City where people can come and transact business internationally” (Samatha, 2016: 1). Several key agreements were also signed such as MOU between Chinese development bank and Central Bank of Sri Lanka; MOU for the completion of the second phase of southern highway; extradition treaty and technical cooperation agreement; MOU between National Science foundation of both the countries; kidney mobile screening project and so on (Dharmawardhane, 2016: 7). In a significant move, the Sri Lankan government in order to create more jobs, has agreed to give 15,000 acres of land to China in Hambantota, in which the China Merchants Port Holdings Company will get 80 percent stake in a US\$1.5 billion port on a 99-year lease.<sup>13</sup>

The compelling reasons for the Sri Lankan government to resume Chinese-funded projects in the island was to ensure that more cooperation with China would give its economy a much-needed boost.



Moreover, Sri Lanka in order to avoid major debt trap due to foreign loans, high fiscal deficit and limited foreign currency reserves is compelled to look towards China, as neither the US nor India can finance infrastructure projects as China does (Asian Development Bank, 2016). Similarly, China also realises that Sri Lanka is vital for its strategic security layout in the Indian Ocean region, more than Pakistan. In this regard, during the 2nd China-Sri Lanka Defence Cooperation Dialogue in October 2016, China gave US\$17.8 million as military assistance to Sri Lanka (Dharmawardhane, 2016: 9). Interestingly, in a significant way, China is engaging not just with the Sri Lankan government, but also with the opposition parties. For instance, China had extended an official invitation to Mahinda Rajapakse to visit the country in November 2016. The Chinese foreign Ministry defended this decision and stated that Mr. Rajapaksa was on a private goodwill visit on the invitation of the Chinese People's Institute of Foreign Affairs, a state-backed think-tank. President Rajapaksa made positive contributions to the development of China-Sri Lanka relations during his term of office (Srinivasan, 2016). Thus, the relations between the two countries are expanding on the basis of mutual interest.

In a nutshell, the Rajapakse regime had given wider strategic space to China, whereas the Sirisena regime is set to have a balanced approach between India and China. India on its part has to work towards reclaiming its strategic space that it has lost by default to China. At the same time, India needs to continue to insist that the Sri Lankan government addresses the genuine grievances of Sri Lankan Tamils and also remains sensitive to India's economic and security interests in the island. China on its part is demonstrating diplomatic savvy in taking the new developments in Sri Lanka in its stride. Thus, Sri Lanka has emerged an ideal situation for both India and China to work towards a win-win situation, rather than a zero-sum game in Sri Lanka, and also to

transform the idea of India-Sri Lanka-China trilateral cooperation into reality for the benefit of all the three countries and the South Asian region.

## Notes

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