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Editors' Note

In volume 7, no. 5, the *Journal of Indo-Pacific Affairs* proudly presents a comprehensive special issue dedicated to Sri Lanka. This edition is a mosaic of perspectives, dissecting Sri Lanka's strategic posture, economic ventures and misadventures, humanitarian endeavors, and geopolitical significance in the Indo-Pacific tapestry.

Our Feature section commences with "In Pursuit of Sri Lanka's Strategy in the Indian Ocean Region" by CDR CRP Walakuluge and CDR BARI Abeysekara. The authors craft a persuasive narrative for a unified Indian Ocean strategy, advocating for a peace zone that upholds freedom of navigation and sustainable access, positioning Sri Lanka as a formidable maritime entity.

Following suit, "Mitigating Natural Disasters in the Indo-Pacific: A Study of Sri Lanka's Naval and Coast Guard Humanitarian Assistance and Disaster Relief Operations" by Laraib Ali and Dr. Maliha Zeba Khan scrutinizes Sri Lanka's naval and coast guard roles in disaster mitigation. The piece accentuates the importance of regional collaboration and capacity enhancement, spotlighting the proactive strides toward bolstering human and national security via adept disaster response.

"Goeconomic Landscaping: Prospects of Sri Lanka's Engagement with the US Indo-Pacific Economic Framework," penned by Michael Iveson and Keerthi Martyn, delves into the economic and geopolitical stakes of the US Indo-Pacific Economic Framework. The authors deliberate on Sri Lanka's potential alliance with the framework, juxtaposing economic allure against geopolitical predicaments, and highlight the imperative for the United States to surmount participation barriers.

"The Role of Domestic Factors in Sri Lanka's Foreign Affairs: Implications for the United States' Engagements" by Tshering Eudon critiques the interplay between Sri Lanka's internal political dynamics and its foreign policy. The article calls for a recalibration of US foreign policy to align with Sri Lanka's socioeconomic landscape, underscoring the salience of domestic influences in crafting cogent foreign engagements.

In "India's Extraordinary Support during Sri Lanka's Crisis: Motivations and Impacts," Thilina Panduwawala dissects India's strategic maneuvers in response to Sri Lanka's 2022 economic turmoil. The analysis probes India's motivations for substantial aid, its geopolitical ramifications, and the intricacies of maintaining equilibrium with major economies amid the Indian Ocean's strategic rivalry.

Our Commentaries section features "Ailing Healthcare, Eroding Trust: Sri Lanka's Healthcare Crisis and Its Geopolitical Implications" by Prof. Pandula Athauda-Arachchi et al. This comprehensive study navigates through Sri Lanka's healthcare quandary, exploring foundational issues and viable remedies, while

contemplating the wider social and geopolitical fallout of a beleaguered health-care system on regional harmony.

Concluding the issue, “Citizen Science for Security: Harnessing Collaborative Citizen Science for Enhanced Security and Environmental Resilience in the Indo-Pacific” by Adjunct Associate Professor Adam Smith et al. champions the novel integration of citizen science in tackling environmental and security challenges. The article showcases triumphant biodiversity initiatives and proffers strategies for future ventures, demonstrating the synergy of technology and communal participation in augmenting data acquisition and ecological robustness.

This special issue encapsulates the intricate confluence of strategic, economic, and humanitarian elements that sculpt Sri Lanka’s role in the Indo-Pacific. We trust that these articles will ignite informed debate and enrich the comprehension of the region’s intricate dynamics.

The editors wish to thank Commander Amila Prasanga, Sri Lanka Navy; and Dr. Bhagya Senaratne for their contributions in organizing this issue. 🌟

—the Editors

In Pursuit of Sri Lanka's Strategy in the Indian Ocean Region

CDR CRP WALAKULUGE, SRI LANKA NAVY

CDR BARI ABEYSEKARA, SRI LANKA NAVY, RETIRED

Abstract

This article aims to focus the attention of the Sri Lankan polity on devising a coherent strategy for the Indian Ocean region (IOR). It takes a decisive stance on the absence of an Indian Ocean-centric order, advocating for a unique code of conduct centered on the concept of a *peace zone*. This zone would uphold core values such as freedom of navigation and accessibility to all for sustainable use. Unlike other works on Indo-Pacific strategy, this article offers a fresh perspective by presenting a comprehensive argument on the reality of *strategic constructs*. It sheds light on how the IOR has been relegated to a mere strategic supplement, despite its significance as a global conduit. By highlighting these concerns, the article proposes a fivefold approach to realize an Indian Ocean strategic outlook for Sri Lanka. This approach aims to position Sri Lanka as a credible maritime stakeholder in the IOR, serving its national interests effectively.

The current century is defined by significant disruption, transformation, contention, and convergence. The epicenter of global trade, security, and demographics has unequivocally shifted to Asia, housing nearly 55 percent of the world's population.¹ As a result, the events and trajectories of the twenty-first century are poised to predominantly unfold in the Asian theater, at least in the foreseeable future.² The emergence of artificial intelligence, the COVID-19 pandemic, and ensuing trade and ideological disputes epitomize the defining features of this era. A surge in geopolitical awareness, the formation of opposing alliances, and the conceptual convergence of the Indian and Pacific oceans within the Asian region have been witnessed.

These strategic paradigms, ambitions, and aspirations have fueled escalating tensions among both traditional and emerging power players. Within this context, the possibility of Asia evolving into the battleground for global hegemony cannot be dismissed, with the Indian Ocean region (IOR) potentially mirroring the Balkans of past conflicts. It is crucial to recognize that 66 percent of global wealth

¹ Kishore Mahbubani, *The Asian 21st Century* (Cham: Springer, 2023), <https://link.springer.com/>.

² Parang Khanna, *The Future Is Asian: Commerce, Conflict, and Culture in the 21st Century* (New York: Simon & Schuster, 2019).

originates from or near the sea, 70 percent of the Earth's surface is covered by oceans, 80 percent of the world's population resides in coastal areas, 90 percent of goods are transported by sea, and 99 percent of international digital traffic traverses through submarine cables.³ Consequently, the IOR has emerged as a vital conduit for global connectivity.

The IOR, comprising 28 states and spanning three continents, covers 17.5 percent of the total landmass and is home to 35 percent of the world's population. Preceding their colonial eras, India and China reigned as the largest economies in human civilization for over two millennia until the 1820s. Today, these nations are reclaiming their economic prowess, sparking a series of contentions over competition. Given this backdrop, it is imperative that the IOR remains peaceful and accessible to all for sustainable use.

This article advocates for a tranquil IOR rooted in the principles delineated in the 1955 Bandung Agreement, which designated the Indian Ocean as a peace zone. Despite historical tumult, the IOR has experienced a relative era of peace compared to other regions. Fulfilling obligations in the region is crucial for the survival of the Sri Lankan people, state, and collective aspirations.

Therefore, the pursuit of a lasting road map for the IOR demands a definitive understanding of the area of responsibility and area of interest. Sri Lanka must equally prioritize events unfolding in the high seas and the residual effects of the Himalayan conundrum, which directly impact its interests, peace, prosperity, and partnerships. The security of the Indian mainland should be acknowledged as a persistent concern, taking precedence over engagements with regional and extra-regional parties.⁴

However, the costs of dependency, trade domination, security, and economic concerns are well grasped. Traditional modes of thought in the IOR must be discarded in favor of innovative perspectives that discern between rhetoric and reality. Articulating an IOR policy—or an order—is therefore crucial and practical. This is vital to generate opportunities for exponential growth as envisioned by 2048.

The formulation of a Sri Lankan IOR policy is a timely undertaking that confronts a fundamental flaw that has previously impeded Colombo's quest for prosperity, progress, security, and contentment as both a nation-state and a maritime stakeholder.

³ Lars Wedin, "Sweden and the Blue Society: New Challenges for a Small Navy," *Regional Strategies Week* (blog), 17 September 2020, <https://cimsec.org/>.

⁴ Ranil Wickremesinghe, "President Ranil Wickremesinghe's full speech at the graduation ceremony of the National Defence College on 14th September, 2022" (speech, National Defence College, Sri Lanka, 14 September 2022), <http://www.ndc.ac.lk/>.

Strategic Assessment for an Order in the IOR

Relevance of the Indian Ocean

The Indian Ocean has long functioned as a nexus of civilizations, facilitating trade, cultural interchange, and technological progress for centuries. Significant historical episodes such as the spice trade, the Silk Road, and the expeditions of explorers like Vasco da Gama underscore its importance. In the current epoch, the Indian Ocean remains a linchpin of global commerce. From the vibrant ports of ancient trade routes to the strategic waters of modern geopolitics, it has profoundly influenced our past. Presently, we stand at a crucial juncture as the dynamics of the Indian Ocean undergo an unparalleled transformation.

Navigating the Turbulence of the Twenty-first Century

The strategic assessment outlined here is rooted in three principles that justify a plea for a well-organized Indian Ocean, where peace and shared prosperity can triumph over rhetoric, warmongering, and strategic frameworks. In a world characterized by narratives and propaganda, these convictions are as follows: firstly, to offer a comprehensive analysis of the pursuit for order; secondly, to scrutinize the deceptive proliferation of strategic frameworks or exclusive ideologies; and finally, to champion the “pursuit of a path of collective wisdom” as the cornerstone for order in the IOR.

Rationale for an Orderly Indian Ocean

Order, in its manifold interpretations, encompasses diverse perspectives, values, and beliefs held by various groups. As Henry Kissinger emphatically asserts, “no truly global ‘world order’ has ever existed.”⁵ Thus, it is intriguing to examine what regional experts perceive as the “emerging new order,” which in turn raises questions about the order that truly existed and prevailed in the Indian Ocean.

The concept of this ostensible order traces its roots to the conclusion of the Thirty Years’ War (1618–1648) in Europe, during which political entities, none potent enough to conquer the others, sought to regulate their behavior and mitigate conflict. This is commonly known as the Westphalian Order, which acknowledged the domestic structures and religious vocations of fellow states as realities and refrained from challenging their existence. Similarly, Chinese civilization had its own order, known as “all under heaven” or *tianxia*, which was more philosophical

⁵ Henry Kissinger, *World Order* (New York: Penguin Books, 2015), 2.

and had endured for more than a millennium. This concept differed from the Western notion of sovereignty, which appeared to be grounded in the principles of the *balance of power*.⁶

The era of Western colonization witnessed a complex interplay of power dynamics that reached its zenith in the nineteenth century. The Concert of Europe was established to uphold stagnant conservative monarchies, which had been rattled by the Napoleonic wars.⁷ Despite the dominance of the British, French, and Dutch fleets in the Indian Ocean, Asia remained somewhat removed from the European power struggle. Prior to the nineteenth century, Europeans had to show deference to Asian powers and forge alliances with local elites before gaining permission to establish trading posts. These dynamics are well documented in Sri Lanka's history as well.

During the world wars, the Indian Ocean held secondary importance, with the Atlantic and Pacific theaters taking precedence in strategic alliances and warfare. The aftermath of these conflicts saw a restructuring of global order based on ideological differences, marking the onset of the Cold War era and the rapid decolonization of Asian and African territories by European empires. The emergence of new states also fueled a wave of nationalism across Africa, South Asia, and East Asia. However, leaders of newly formed African and Asian states were wary of being drawn into others' spheres of influence, conflicts, and standoffs. They were keenly aware of the evolving realities and the importance of preserving the Indian Ocean free from strategic constructs, a sentiment that was articulated clearly in the 1955 Bandung Conference and later affirmed in the 1972 UN General Assembly declaration of the Indian Ocean as a peace zone.

Examining the foundational principles of the Bandung Conference reveals its endeavor to construct a distinct order among newly independent states in the IOR. Sri Lanka takes pride in its role as a cosponsor, alongside the governments of Burma (Myanmar), India, Indonesia, and Pakistan, which ultimately led to the establishment of the Non-Aligned Movement in 1961.

Further evidence of the aspiration for order in Asia can be found in the "Panch-sheel," or the Five Principles of Peaceful Coexistence, formulated through

⁶ Zhao Tingyang, *All under Heaven: The Tianxia System for a Possible World Order*, trans. Joseph E. Harroff (Berkeley: University of California Press, 2021).

⁷ B. S. Rabinowitz, "The Concert of Europe," in *Defensive Nationalism: Explaining the Rise of Populism and Fascism in the 21st Century* (New York: Oxford University Press, 2023), <https://doi.org/>.

negotiations between India and China in 1954.⁸ However, partnerships have grown increasingly complex in the IOR during the twenty-first century, and this trend is expected to persist in an era characterized by artificial intelligence, assertive nationalism, and heightened consumerism.

Illusions and Alliances

This is where the focus shifts to the second idea: the illusory nature of strategic constructs or exclusive clubs. These constructs contribute to the buildup of worrying security alliances in the IOR, potentially drawing littoral states into areas of contention and possible future conflicts. Despite the rhetoric of “free and open” seas, island spaces in the IOR remain colonized. This contradiction is particularly evident in an era where a *rules-based order* and *global governance* are touted as essential for forming alliances and partnerships. It is worth recalling the late Sri Lankan prime minister Hon. Sir John Kotelawala’s assertion at the Bandung Conference in 1955: “We have done away with Western Colonialism. We don’t want to start an Eastern Colonialism in its place,” a statement that still resonates and underscores the collective interests of all states in the IOR.⁹

The IOR has emerged as the focal point of great-power competition. The assertion that it has become the “Holy Grail” for balance of power in the twenty-first century is not without merit. This reality is underscored by the strategic constructs of the Indo-Pacific and the western Indian Ocean regions. However, the argument against the validity of such constructs stems from their flawed origins. For instance, the Indo-Pacific concept, according to some interpretations, extends from the western coast of India to the western coast of the United States, effectively excluding the entire western Indian Ocean region. Conversely, other similar constructs, such as those envisioned in France’s Indo-Pacific strategy, Japan’s Free and Open Indo-Pacific (FOIP) strategy, and India’s Security and Growth for All in the Region (SAGAR) initiative, encompass the rest of the Indian Ocean but carry different connotations. The European Union’s version primarily involves seven G20 member states and Association of Southeast Asian Nations (ASEAN) states, while ASEAN itself has developed its own *Indo-Pacific Outlook*, centered on ASEAN centrality.

⁸ The Five Principles of Peaceful Coexistence encompass: mutual respect for sovereignty and territorial integrity, mutual nonaggression, noninterference in each other’s internal affairs, equality and mutual benefit, and peaceful coexistence. For information on Sino-Indian relations, see Hu Shisheng and Wang Jun, “India’s National Security Strategy: Pursuits, Origins, and Practice,” *Contemporary International Relations* 32, no. 6 (November–December 2022): 118–45, <http://www.cicir.ac.cn/>.

⁹ George McTurnan Kahin, *The Asian-African Conference, Bandung, Indonesia, April 1955* (Ithaca, NY: Cornell University Press, 1956), 1–38.

Champions Dilemma

Examining the illusory nature of certain constructs reveals a prioritization of advocates for a global rules-based order often at the expense of others. The United Nations Convention on the Law of the Sea (UNCLOS) perfectly illustrates this “champion’s dilemma”: some signatories struggle to fulfill their obligations, while others operate in the shadows without ratifying the convention. It is crucial and prudent not to treat UNCLOS as a fragile entity, hoping it will dissolve under pressure. To underscore this point, consider an assertion made by the American thinker Ralph Waldo Emerson in his “Politics” in 1844: “All those who have pretended this design, have been partial reformers, and have admitted in some manner the supremacy of the bad State.”¹⁰ This suggests that such attempts to reform acknowledge existing flaws without fully addressing them, thereby perpetuating the influence of the flawed state of affairs.

The proliferation of alphabetical constructs, primarily strategic-military alliances, has made it increasingly challenging to track which entities are aligned with whom and why “A” is excluded from one grouping while appearing in another, despite expressing similar concerns, interests, and aspirations. It is unfortunate for the new generation of international relations students who find themselves entangled in a complex web of connections and alliances. The Indo-Pacific discourse ultimately stems from a concerning phenomenon in politics. In many respects, these divisive constructs mirror the fourth-century Athenian democracy, which fragmented as a political entity. The notion of *democracy* became a pretext for turning against anyone deemed an enemy of the state. In many ways, this period was characterized by total uncertainty, much like our present era. This paradox defines our world today.

The principle of a rules-based order or even the sanctions regime no longer seems as self-evident as it did years ago, partly due to doubts arising over its construction and application. The same benign necessity and practical abuse are evident in the factions that each state divides itself into: proponents and opponents of the rules-based order. The architects of such strategic constructs believe their end state is near its peak, but it seems to be only the beginning of the day.

¹⁰ Ralph Waldo Emerson, “Politics,” in *Essays: Second Series* (Boston: Jame Muroe, 1844), <https://emersoncentral.com/>.

An Asian Model of Collective Wisdom

Unlike modern divisive strategic constructs, the confluence of oceans, specifically the Indian Ocean, remains an enduring concept with clear delineations. This emphasizes the third idea: pursuing a path of collective wisdom as the basis for order in the IOR.

Historically, the Indian Ocean has served as the “mediator” between the Eastern and Western worlds for millennia, providing more than what theoretical notions of confluence of oceans could offer. It served as the foundation for globalization in the ancient world, a realization that is experiencing a resurgence in the twenty-first century. As former Indian National Security Advisor Shivshankar Menon noted in his 2019 Bandaranaike Memorial Oration, “The Indian Ocean world has the historical experience and has displayed the wisdom necessary in the past to manage its affairs more often than not. What our region does possess richly, is a practical ethic of co-existence. If we can do it again in the future, we can prove the prophets of doom wrong.”¹¹

The recent Indian and Chinese pledge to maintain “peace and tranquility” along borders in August 2023 evokes collective wisdom. Once these great civilizations learn to manage the Himalayan conundrum, this will usher in a revival of a truly Asian global order. Trade between India and China ought to be complementary, not contentious. The hope is that the same spirit will extend from the Himalayas to the IOR, akin to the origins of the monsoons that have shaped cultures, existence, and connectivity over millennia.

This should be the premise for the order in the IOR, natural in contrast to divisive strategic constructs or alphabetical orders. Sri Lanka must be aware of the pitfalls of blind emulation. The Russian invasion of Ukraine and the conflict between Israel and Iran and Tehran's proxies provide compelling evidence to this assertion. Amid these turbulences, there is an opportunity to create an Asian model of international relations or a regional order underpinned by the maritime salience of the IOR. India has taken leadership in this regard, evident in its support for Mauritius

¹¹ Quoted in Anna Peter, “Emerging International Order in the Indian Ocean,” *Daily Mirror* (Sri Lanka) 14 September 2019, <https://www.dailymirror.lk/>.

in the UN General Assembly adopting a resolution in favor of Mauritius in 2019, on principles of decolonization and nonalignment.¹²

Ignoring the existing realities of the region is not an option. A clear void exists regarding an IOR centrality. So far, the IOR has been regarded and attributed as a strategic supplement rather than recognized for its true potential as the global conduit. The *ASEAN Outlook* provides an ideal blueprint in the formulation and realization of an IOR centrality in global dynamics. The principles guiding an Indian Ocean order should include UNCLOS at the core of its rules-based order and free trade devoid of hypocritical arm twisting, intimidations, and other forms of economic, military, and political coercive measures. Further, the G20 principles of quality infrastructure development should take precedence in a new connectivity outlook for the IOR. An Indian Ocean order should accommodate anyone without disturbing the coexistence of others.

Synthesis of the Future Strategic Environment

Analyzing the future strategic landscape with a focus on interests until 2030 is a challenging task. As we enter the third decade of the twenty-first century, rapid changes and transformations from our way of life to international supply chains are occurring. The advent of disruptive technologies, from the Internet of Things and 5G to artificial intelligence and high-immersive media, along with pandemics and an increasing wave of alliance-making and nationalistic perspectives, are hallmarks of the era. There is a marked shift of order from liberalism to realism. The multilateral order that defined macro-level undertakings in the beginning of the twenty-first century is crumbling as the world is polarized among self-proclaimed *net security providers*, *champions of rules-based order*, and *emerging global power players*. In this dynamic context, states have become more assertive in ensuring national interests are not compromised at any cost. Thus, there is a marked deviation from the consensus, dialogues, and cooperation-based initiatives that were so apparent before 2015. This is true on a global scale.

As previously stated, there is zero possibility of external aggression into Sri Lanka's littoral. But this analysis does not rule out the existence of other forms of gray-zone tactics (information intrusions, economic coercion, and use of proxy

¹² In 2019, the UN General Assembly adopted a resolution affirming that the decolonization of Mauritius was not lawfully completed when it gained independence in 1968 due to the separation of the Chagos archipelago. The resolution demanded the United Kingdom withdraw its administration from the archipelago, enabling Mauritius to complete its decolonization and facilitate the resettlement of Mauritian nationals, including those of Chagossian origin. This marked a significant step toward Mauritius' sovereignty over the Chagos archipelago.

front groups, individuals) aimed at destabilizing, disrupting, and undermining political-economic stability, national will, cohesion, and sovereignty. They seek success through increasing Sri Lanka's strategic vulnerabilities, increasing their leverage into our domestic affairs and way of life leading to a state of perennial dependence and rent seeking. Domestic disturbances, hasty constitutional reforms, youth uprisings, forced peacekeeping initiatives, separatist war, mega project loans, Easter Sunday bombings, civil unrests might be a few instances of this grim reality. In the face of Sri Lanka's severe economic crisis, it is clear that external aid will not be provided solely out of altruism; there will inevitably be associated opportunity costs. The crucial question is how Sri Lanka can secure economic lifelines while maintaining its sovereignty and managing strategic relationships.

Sri Lanka's strategic location along the East-West trade route is undeniable, making this island nation's geographical position its most valuable natural asset, tracing back to the era predating sails and the maritime Silk Route. However, recent efforts, which some perceive as insincere, have sought to diminish this advantage, ostensibly in the name of environmental activism. These developments warrant careful scrutiny.¹³

Sacrificing Sri Lanka's national aspirations, prosperity, and opportunities for future generations to hegemonic interests and unrealistic fearmongering is no longer acceptable. The island's development trajectory over the past 50 years provides ample examples of hypocritical meddling in its domestic affairs, aimed at diminishing opportunities for societal progress, political stability, and economic development. Therefore, Colombo must be more assertive and astute in pursuing Sri Lanka's aspirations and ambitions, prioritizing them over unrealistic geopolitical inhibitions and alarmist rhetoric.

A Vision for Peace and Prosperity

This is not a revised version of Francis Fukuyama's *End of History* narrative, but a realization of the IOR as a peace zone, free from colonization and militarization. It embraces inclusivity and connectivity, moving away from great-power competition. It serves as a sanctuary for numerous small democracies, states aspiring toward a path of sustainable development, progress, and prosperity for citizens. In the current order, states are either hammers or anvils. More often than not, states find themselves as anvils. However, this should not be the defining future.

¹³ Marco Silva, "Sri Lanka: Is a push for organic behind the country's unrest?," *BBC*, 15 July 2022, <https://www.bbc.com/>.

Every significant and influential moment in world history marks the triumph of some enthusiasm. The same enthusiasm is needed today to command a view of the IOR.

Sri Lankan Policy Outlook in the IOR

The above assessment and the current security environment means that we are to be ready for a resurfacing of perpetual conflict of identities (e.g. Israel-Palestine; Ukraine-Russia etc.). Global perceptions will be deeply divided and further dis-integrate into minute identity matters that will remain absolutely difficult to resolve, leading to harsher decision making and actions.

Sri Lanka, an island nation fortified by its natural maritime defenses, possesses limited natural resources, geographical scale, and terrain coveted by other nations for their strategic significance in power projection, sustenance, and defense. The absence of an immediate hinterland in Sri Lanka necessitates the forging of stronger partnerships with India, ASEAN, and Africa. Yet, the nation grapples with deep-seated divisions on matters ranging from values and politics to identity.

Economically beleaguered and embroiled in a fierce struggle between two formidable factions, Sri Lanka's national security doctrine remains profoundly influenced by its distinctive geostrategic location and post-independence history.¹⁴ The evolving geopolitical landscape further positions the country as a potential flashpoint in the region. Across millennia, the island has endured the consequences of neglecting its maritime sphere, demanding prudent and concerted strategies to mitigate associated risks.

In light of this imperative, Sri Lanka must chart a pragmatic, multi-faceted course to assert and safeguard its interests for sustained prosperity and stability, thereby enhancing its role as a credible stakeholder in the IOR. Recent missteps and misguided policy ventures underscore the urgency for Sri Lanka to meticulously assess the risks and probabilities inherent in securing access to affordable energy and ensuring food security.¹⁵

¹⁴ In the realm of national security, the bedrock rests upon the pillars of political and economic stability. Once these foundations falter, social upheaval looms large on the horizon. Thus, the imperative of the hour is swift and resolute action aimed at rejuvenating the economy foremost. At the heart of this endeavor lies the indispensable demand for fiscal discipline across all echelons of governance.

¹⁵ Sri Lanka's energy security is a dual imperative: electricity and transportation. The generation of electricity hinges primarily on coal power, renowned for its cost-effectiveness, while transportation relies heavily on oil, vulnerable to external perturbations.

The Blueprint for an IOR Strategy and Desired Outcomes

Sri Lanka's IOR policy must embody the country's steadfast dedication to safeguarding the safety and security of its populace, while upholding territorial integrity and sovereignty in the face of global uncertainties and complexities. Central to this policy is the guarantee of freedom of navigation, trade, and commerce, recognized as essential imperatives benefiting all stakeholders within the region and beyond.

This approach demands assertiveness and credibility, fostering confidence, cooperation, and ongoing dialogue on shared sociopolitical, economic, technological, and security challenges within the IOR and its peripheries. Achieving this goal necessitates the cultivation of robust, expansive bilateral and multilateral relationships, thereby contributing to the promotion of regional and global peace.

Furthermore, the strategy must remain cognizant of global externalities, including pandemics, economic downturns, financial market instabilities, climate change, and environmental and man-made disasters. Sri Lanka must be prepared to effectively respond to and mitigate such crises. Within this framework, it is recommended that Sri Lanka adopts a comprehensive fivefold approach in its orientation and engagements within the IOR.

- **First**, as an island nation, Sri Lanka must approach its defense, security, development, and forthcoming challenges through the lens of its maritime identity.
- **Second**, fostering a network of regional and global partnerships is imperative for Sri Lanka to maintain relevance in global discussions concerning peace, collective prosperity, stability, and sustainability.
- **Third**, proactive measures must be undertaken to uphold the IOR as a bastion of stability, peace, and cooperation. Commitments should revolve around fostering freedom and openness as fundamental principles, aligning with the values and norms of the IOR. These include upholding the freedom of navigation, rejecting coercion, advocating for an open-market economy, and prioritizing private enterprise to bolster regional freedom, stability, and prosperity.
- **Fourth**, achieving sustainable economic development and addressing the impacts of climate change necessitate ambition and astute planning.

- **Fifth**, a comprehensive whole-of-governmental approach, in collaboration with international and multinational partners, is indispensable. This collaboration aims to bolster capabilities and capacities in critical domains such as maritime domain awareness, maritime safety, security enforcement, customs regulations, maritime law, natural resource protection, maritime search and rescue operations, disaster response initiatives, and port operations and security.

The Fivefold Approach

First, Sri Lanka, as an island nation, confronts defense, security, developmental, and prospective challenges that demand scrutiny through the maritime prism. Being inherently maritime, Sri Lanka grapples with limited natural resources, geographical constraints, and terrain coveted by other nations for sustenance and defense. Thus, recognizing the reality of vulnerability across economic, political, technological, and military dimensions is imperative in a global landscape marked by profound shifts in traditional geopolitics and socioeconomic alliances.

Since attaining independence, Sri Lanka has weathered significant social upheavals, unrest, insurrections, and a prolonged terrorist insurgency spanning nearly two and a half decades. The 2019 Easter Sunday bombings and subsequent events of the past year, culminating in widespread chaos, calamity, and unprecedented violence, underscore this troubling trend. In an era dominated by narratives, propaganda, and pervasive media, deep-seated divisions persist across myriad spheres, from values and politics to identity.

To circumvent emotionally charged narratives and political entrapments that risk precipitating societal tribalism, concerted efforts toward fostering a progressive society are indispensable. A deeper examination of these dynamics reveals the necessity for astuteness and assertiveness in countering influences emanating from the periphery and infiltrating the nation's core. Within this context, the IOR and its numerous littoral states serve as breeding grounds for such deleterious externalities. Deliberate proxy interventions aimed at undermining national unity, exploiting underlying fault lines of ethnicity, religion, race, and language by regional and extraregional actors cannot be discounted.

Neglecting to address and mitigate these paradoxes could spell catastrophe for the nation's survival and sovereignty. The prerogative to counter unwanted intrusions and coercive influences into domestic affairs, whether through loans, aid, donations, or grants, remains sacrosanct. Moreover, an array of unforeseen internal and external challenges and threats must be confronted. To address these challenges, fostering and fortifying social cohesion and national resolve are imperative.

Repeatedly, the ascent of religious entrepreneurs, ethno-political cults, and more recently, political and social entrepreneurs has been witnessed and felt. Some resort to manipulating public perceptions through indoctrination, radicalization, mass mobilization, and misinformation, challenging societal values, norms, and communal harmony, thereby jeopardizing peace, security, law, and order. Their objective is to disrupt normalcy and impede societal progress. Often, these groups cloak themselves as social crusaders, espousing entitlement doctrines to fuel their envy and fragile egos. These toxic entities effectively sway targeted segments of society to exert control over prevailing circumstances. Pre-existing political, structural, and institutional discontent provide fertile ground for such aberrations and the proliferation of these delusional cults and high-conflict personalities. This presents an enduring challenge and a delicate governance matter, while ensuring the preservation of civil liberties, freedom, fundamental rights, and democracy. Hence, prudent and concerted strategies are imperative to mitigate risks.

Second, fostering a network of regional and global partnerships and relationships is indispensable for Sri Lanka to maintain relevance in the global discourse on peace, shared prosperity, stability, and sustainability. The Sri Lankan government has affirmed its commitment to pursue a multilayered regional approach as an avenue to position itself as a pivotal trade and maritime hub within the IOR.¹⁶ Vigilantly observing the dynamics of the maritime expanse and the evolving strategic interests and alliances of both global and regional actors is paramount. The emergence of regional forums such as the Indian Ocean Rim Association (IORA), ASEAN, and subregional groupings like the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), the Australia–United Kingdom–United States (AUKUS) trilateral, the Indian Ocean Commission (IOC), and the Quadrilateral Security Dialogue (Quad) underscores the escalating significance of cooperative multilateralism in shaping the region's trajectory. Multilateral engagement is pivotal in navigating the emerging order in the IOR, recognizing the imperative for collaborative platforms that foster dialogue, cooperation, and the peaceful resolution of disputes and conflicts.

It is paramount to acknowledge that the stability of the IOR hinges heavily on cooperative endeavors among nations. Geopolitical tensions and security challenges possess the potential to disrupt the envisioned economic prosperity and tranquility.

¹⁶ A multilayered regional approach denotes a framework or strategy encompassing multiple tiers or levels of regional integration and cooperation. It acknowledges that regional cooperation can manifest across different strata and encompass a spectrum of sectors or issue domains, with each layer synergistically complementing and fortifying the others. This approach strives to foster holistic and participatory regional integration by tackling a multitude of economic, political, social, and security dimensions.

However, the depth and resilience of these multilateral relationships have faced reality checks since 2009, serving as poignant lessons. Sincerity and trust remain foundational tenets in navigating the regional landscape. The enduring historical and cultural ties maintained over millennia with the Indian and Chinese civilizations are cherished. These relationships have endured the trials of time, shaping the distinct culture, traditions, values, and beliefs of the region. In this regard, the island state serves as a conduit for interaction, dialogue, and mutual understanding between these primary cultural entities.

Expectations for bilateral arrangements extend beyond mere rhetoric, which often falls short of the goals and objectives outlined during their inception. Such endeavors should not devolve into futile exchanges that drain public finances on either side. Hence, there exists an urgent imperative to reassess the impact and feasibility of continuing such commitments, thereby conserving time, resources, and expenses.

The path forward, capitalizing on Sri Lanka's unique geographical position, entails pursuing commercial relations devoid of political entanglements. Embracing the evolving geoeconomic landscape, particularly in Asia, is crucial for success. Promising opportunities for vital collaboration and cooperation lie with ASEAN, particularly its five IOR member states—Myanmar, Thailand, Malaysia, Singapore, and Indonesia. Greater economic benefits can be reaped through regional trade, foreign direct investment within the region, tourism, and economic partnerships. Furthermore, the strengths of other island nations in the IOR—such as Maldives, Mauritius, Madagascar, and Seychelles—can be leveraged through the provision of educational, training, and capacity-building opportunities. African and OPEC member states also merit consideration, given their impact on energy security and the flow of overseas remittances.

Brazil, Russia, India, China, and South Africa (BRICS) collectively wield significant potential to shape the emerging new order in the IOR. While not originally conceived as a regional organization focused on the IOR, BRICS member states boast considerable economic, political, and military capabilities. Their collaborative endeavors have the capacity to influence the evolving dynamics of the IOR by fostering sustainable economic development, bolstering maritime security, diplomatically addressing regional challenges, and promoting cultural exchanges. Through coordinated action and leveraging their combined influence, BRICS nations can assume a central role in shaping a stable, prosperous, and inclusive new order in the IOR, benefiting all stakeholders.

The recent G20 summit culminated in a comprehensive declaration, addressing pressing global challenges while advocating for sustainable economic growth. Leaders committed to implementing the 2030 Agenda, championing low-carbon

development, and urgently tackling climate and development issues. They pledged to enhance medical access in developing nations, address debt vulnerabilities, and accelerate progress toward Sustainable Development Goals. The imperative of meeting Paris Agreement objectives was underscored, alongside calls for reforms to enhance the effectiveness of multilateral development banks. Emphasis was placed on digital access and inclusion, sustainable employment, gender equality, and amplifying the voices of developing nations. This signals a dedication to a new world order centered on shared prosperity and global cooperation.

However, the paramount principle should be one of neutrality, eschewing involvement in extraregional affairs that could potentially expose the nation to vulnerabilities in the realms of politics, economy, and military affairs. Nonetheless, it remains imperative for Sri Lanka to demonstrate astuteness and vigilance in maintaining and actively engaging in diplomatic, commercial relations, and defense interactions to safeguard neutrality and assert its interests in the international arena.

As a sovereign nation-state, Sri Lanka bears a moral imperative to actively engage in global affairs, thereby contributing to regional and international peace and stability through robust cooperation, consultation, and dispute resolution mechanisms within the framework of the international rules-based system. Concurrently, it is imperative to oppose any unjust subsidies to the economy, discriminatory treatment, or restrictions on foreign capital, while steadfastly committing to rectifying unfair and unsustainable trade practices to foster prosperity within the region.

Furthermore, proactive measures must be undertaken to ensure that the IOR remains a bastion of stability, peace, and harmony for all stakeholders. By nurturing stability, peace, and harmony in the IOR, nations can unlock vast potential for cooperation, economic growth, and sustainable development. This ensures equitable access to shared resources, fortifies regional bonds, and effectively addresses common challenges. Commitments should be geared toward promoting freedom and openness as fundamental principles, aligning with the values and norms of the IOR. These include upholding the freedom of navigation, rejecting coercion, advocating for an open-market economy, and championing a private-enterprise-centric approach to bolster regional freedom, stability, and prosperity.

Central to this commitment is the establishment of a code of conduct for the IOR, incorporating confidence-building measures that guarantee all states the right to navigate and transit through these waters without undue interference, thereby fostering greater opportunities. Additionally, engagement with other regional and international organizations specializing in maritime affairs, such as the International Maritime Organization (IMO) and the IORA, holds promise for leveraging their support and expertise in developing and implementing essential mechanisms.

Sri Lanka must adopt a bold and shrewd approach in pursuing sustainable economic development and addressing the impacts of climate change. The evolving new order in the IOR presents substantial economic opportunities and growth potential. Beyond being a mere body of water, the IOR serves as a vital lifeline for millions of people residing along its shores, linking diverse nations with a shared stake in harnessing its economic potential while safeguarding its ecological equilibrium.

Sustainable economic development transcends mere preference; it is an imperative. The IOR harbors significant reservoirs of natural resources, ranging from fisheries to minerals, poised to propel economic advancement. Additionally, boasting some of the world's busiest shipping lanes, the IOR facilitates the movement of goods pivotal to global commerce and supply chains. The scope for trade and investment is vast, necessitating prudent utilization.

Nevertheless, the evolving new order in the IOR necessitates a mindful consideration of the environmental and social repercussions of economic pursuits. Economic growth that honors the fragile ecosystems of the oceans, preserves marine biodiversity, and mitigates the impacts of climate change is imperative. To strike a balance, the adoption of eco-friendly shipping technologies, reduction of emissions from maritime vessels, and stringent enforcement of regulations to prevent oil spills and other forms of pollution are indispensable. Sustainable fisheries management constitutes another pivotal dimension. Through the implementation of sustainable fishing practices, the ocean's needs can be met, the livelihoods of coastal communities safeguarded, and the interests of future generations upheld.

Investments in renewable energy sources, both onshore and offshore—such as wind, solar power, biomass, and green hydrogen—can contribute to diminishing reliance on fossil fuels, thereby mitigating climate change and fostering sustainable development. Collaborative endeavors among Indian Ocean nations have the potential to culminate in the establishment of a regional renewable energy hub, benefiting all stakeholders.

Sri Lanka must adopt a holistic whole-of-government approach in collaboration with international and multinational stakeholders to enhance capabilities and capacities across critical domains. These include maritime domain awareness, maritime safety, maritime security, enforcement of customs and maritime law, protection of natural resources, maritime search and rescue, disaster response, and port operations and security. Initiating this process entails conducting a comprehensive comparative risk assessment, considering hazard criteria such as chemical fires on-board vessels, oil spills, maritime pollution, social unrest, terrorism/extremist attacks, floods, landslides, piracy, and smuggling of narcotics, humans, and arms. Factors such as historical frequency, vulnerability, maximum threat, and probability must be meticulously evaluated.

A prudent and evidence-based evaluation of threats and vulnerabilities vis-à-vis existing capabilities is imperative for accurately assessing current and potential risks. Recent incidents, such as the MV *Express Pearl* disaster, underscore the magnitude and severity of such eventualities.

Focal Areas of Interests in the Maritime Domain

- **Maritime Domain Awareness**—Achieved through patrols, surveillance, technical monitoring, and information sharing.
- **Maritime Safety**—Ensured through inspection, maritime safety laws, boating safety regulations, and education.
- **Maritime Security**—Maintained through military training and readiness, interoperability, tactical assets, surveillance and reconnaissance capabilities and capacity, and coordination with partner agencies and neighboring countries.
- **Enforcement of Customs and Maritime Law**—Implemented through laws and regulations, equipment, law enforcement training, interdiction capability, and seizure rate.
- **Protection of Natural Resources (internal, territorial, and exclusive economic zone enforcement)**—Managed through fisheries-related training, enforcement of laws, and international agreements.
- **Maritime Search and Rescue**—Conducted through capability, assets, training, communications, and international agreements.
- **Disaster Response**—Executed through environmental disaster prevention, response training, exercises, mitigation, and inter-agency / international coordination.
- **Port Operations and Security**—Ensured through the effectiveness of Port Authority agencies, maintenance of facilities, security of facilities, cyber security, and international agreements/treaties.

These focal areas should also prioritize Sri Lanka's engagement and collaboration with industry stakeholders within the maritime sector. Proactive and pragmatic interventions and dialogues in the maritime sphere are essential for being cognizant of both observables—such as vessels, individuals, facilities, sea lanes, threats, and

friendly forces—and non-observables, including financial transactions and communications. Establishing and leveraging these lines of communication are crucial for realizing the desired outcomes outlined earlier. Such initiatives are indispensable for addressing challenges that may emerge in “ungoverned maritime spaces” within the IOR, where concerns about “dark shipping” have emerged as of late.¹⁷ This represents a novel approach that has been overlooked for decades.

Conclusion

Sri Lanka, as an island nation, holds a profound connection to the maritime domain. However, the absence of a coherent, unified, and actionable policy has resulted in missed opportunities. The repercussions of past disastrous decisions and strategic missteps since 1948 are manifesting in the present. Therefore, the timely pursuit of formulating the Sri Lankan IOR policy addresses a fundamental flaw that has hindered the nation’s ability to pursue prosperity, progress, security, and contentment as both a sovereign state and a maritime stakeholder.

The proposed five-pronged approach does not claim to be the ultimate solution, but rather an endeavor to bridge the gap that has paralyzed the state’s pursuit of a pragmatic developmental trajectory over the years. In essence, Sri Lanka must utilize the IOR policy/strategy to advance its interests in emerging as a regional middle power across economic, political, social, and military spheres. While this aspiration is fraught with challenges given prevailing competition, demand dynamics, and a comparatively small domestic market, maintaining optimism is crucial to extracting optimal benefits from presented opportunities. Leveraging available resources such as instruments of power, educational infrastructure, human capital, and geographical advantages proves advantageous in this pursuit. 🌟

CDR CRP Walakuluge, Sri Lanka Navy

Commander Walakuluge has nearly two decades of operational, staff, and administrative experiences in the Sri Lanka Navy. Since 2016, he has also served as a senior fellow with the Sri Lankan Institute of National Security Studies (INSS). Further, he is also a recipient of the Lee Foundation Scholarship and obtained his Master in Public Administration (MPA) from the Lee Kuan Yew School of Public Policy at the National University of Singapore in 2019. He is also a former spokesperson for the Sri Lanka Navy and a founding editor of the defence.lk web portal.

¹⁷ *Dark shipping* refers to vessels operating with their Automatic Identification System (AIS) turned off, enabling covert activities such as sanctions evasion and illegal trade. The *dark fleet* consists mainly of older ships with opaque ownership, often changing names and flags to avoid detection. Disabling AIS transponders allows vessels to operate clandestinely, facilitating illicit practices like ship-to-ship transfers and covert port calls.

CDR BARI Abeysekara, Sri Lanka Navy, Retired

Retired Commander Abeysekara is a prospective doctoral student at University of New South Wales, Canberra, Australia. He served in the Sri Lanka Navy for nearly 22 years and retired in April 2024. He holds three masters degrees: a Masters in Conflict and Peace Studies from the University of Colombo, Sri Lanka; a Master of Engineering in Naval Weapon Science Technology from Naval University of Engineering, Wuhan, China; and a Master of Science in Defence and Strategic Studies from General Sir John Kotelawala Defence University, Sri Lanka. He earned his BS from Goa University, India, in 2005. He also holds a PG Diploma in Defence Management from General Sir John Kotelawala Defence University, Sri Lanka.

Mitigating Natural Disasters in the Indo-Pacific

A Study of Sri Lanka's Naval and Coast Guard Humanitarian Assistance and Disaster Relief Operations

LARAIB ALI

DR. MALIHA ZEBA KHAN

Abstract

The Indo-Pacific Region, a hotbed for geographical and hydro-climate disasters such as cyclones, tsunamis, floods, and typhoons, presents both direct and indirect threats to human and national security. This research seeks to bolster both forms of security by enhancing the management of these natural disasters within the region. Employing a qualitative research method, this case study is both explanatory and analytical. Data, collected through primary and secondary resources, is presented in both quantitative and qualitative forms. The research is framed from the perspective of the human security approach. The Sri Lanka Navy and Coast Guard, as the agencies responsible, strive to mitigate the effects of these disasters and provide humanitarian assistance within their jurisdictions. Their participation in humanitarian assistance and disaster relief (HADR) exercises with regional and international actors underscores their commitment to human and national security.

In this modern era, the intricate interlinking of human security with national security transcends geographical distinctions such as coastal, littoral, and land-locked states. The Indo-Pacific, a region significant for its trade routes, choke points, sea lines of communication, and ports and harbors, is under the formidable threat of natural disasters. These disasters pose a universal risk, given the region's paramount importance to prosperity and development.¹

Over the past two decades, the Indo-Pacific has witnessed a rapid surge in natural disasters, wreaking havoc on all actors.² Sri Lanka, though small and littoral, has gained prominence due to its geostrategic location, becoming a nexus for state interaction and academic research.

¹ Francis Gassert, Sharon Burke, and Rachel Zimmerman, *UPTempo: The United States and Natural Disasters in the Pacific* (Washington: New America, 31 March 2020), 8, <https://d1y8sb8igg2f8e.cloudfront.net/>.

² Charlotte Benson et al., *The Enabling Environment for Disaster Risk Financing in Sri Lanka* (Manila: Asian Development Bank, February 2019), 15, <https://www.adb.org/>.

Engaging with public and international agencies present in the Indian Ocean region (IOR), Sri Lanka both offers and receives support in times of need. As a signatory of the Safety of Life at Sea (SOLAS) 1974, Sri Lanka operates a Maritime Rescue Coordinating Center under the Sri Lanka Navy to ensure SOLAS.³

Therefore, this research has selected Sri Lanka as a case study. The core argument of the research underscores the enduring efforts of the Sri Lanka Navy and Coast Guard, along with their collective and cooperative measures in their jurisdictions, to manage natural disasters in their oceanic spaces. This demonstrates their palpable commitment and concern for human and regional security.

This research, underpinned by a qualitative approach and analytically bolstered by quantitative data from open sources, utilizes primary, secondary, and tertiary data. Primary sources encompass unclassified data from Sri Lankan agencies and in-depth structured interviews with four pertinent practitioners and instructors. However, due to official constraints, the identities of three interviewees remain undisclosed.⁴

Secondary and tertiary sources form the academic foundation of this research. The objectives of this study are manifold: to elucidate Sri Lanka's disaster relief and management mechanism, to recognize and analyze the persistent efforts of the Sri Lanka Navy (SLN) and Coast Guard (SLCG) in providing humanitarian assistance and disaster relief (HADR), to expound on the efficacy of the SLN and SLCG in HADR operations, and to underscore the cooperative role of the SLN and SLCG within the region in terms of HADR management.

Sri Lanka, a significant player in the Indo-Pacific Region, has long engaged its Navy and Coast Guard in managing natural disasters and conducting HADR operations.⁵ According to respondent Z, the SLN plays an important role in the Indian Ocean, providing rescue and relief efforts in line with its capacities, assets, and responsibilities.⁶

³ "Navy renders assistance to Kenyan flagged vessel in distress at High Seas," Sri Lanka Navy, 4 August 2020, <https://news.navy.lk/>.

⁴ The names of respondents who remain undisclosed are represented as respondent X, respondent Y, and respondent Z throughout the study.

⁵ Dhruva Jaishankar, "Maritime Connectivity and Security in the Indo-Pacific" (presentation, Kalinga International Foundation, Bhubaneswar, 2019), <https://www.brookings.edu/>.

⁶ The practitioner from the SLN, referred to as Respondent Z, discussed the assets of the SLN. He stated that during the Sri Lankan Civil War, there were "three offshore vessels and two logistic vessels to operate in blue waters. The Sri Lanka Navy (SLN) consisted of approximately 60 fast attack aircraft, 15 boats, 100 aircraft and small boats, and 50 inshore patrol craft. Furthermore, the small platforms were used for war tactics, primarily to engage with SLN counterparts in the coastal areas."

The exclusive economic zone (EEZ) of Sri Lanka eight times the size of its landmass.⁷ Furthermore, its regional rescue responsible area and shared rescue operation and response area are 27 times larger than Sri Lanka's geographical size.⁸

In dealing with natural disasters, Sri Lanka operates both independently and in cooperation with regional and extra-regional actors in various HADR operations, demonstrating its commitment to humanity and goodwill within the region. Collaborations with the Maldives, India, Pakistan, Bangladesh, and Japan further strengthen its HADR efforts.⁹

At the government level, the Maritime Disaster Agency of Sri Lanka plays a pivotal role, with the Maritime Disaster Center also tasked with managing natural disasters within the country. In times of need, the SLN engages private sector agencies, including shipping lines or companies and other public entities, on a payment basis. These entities contribute effectively to managing maritime disasters in Sri Lanka's maritime zones.

This research delves into Sri Lanka's efficacy in managing natural disasters, providing humanitarian assistance, and conducting disaster relief management both on the island and in cooperation with the region. The research is grounded in a conceptual framework developed by synthesizing the concept of human security and neo-liberal institutionalism theory. The fundamental concept of human security, which emerged in the twentieth century, is rooted in human rights. This concept and its functions hinge upon understanding human vulnerabilities; therefore, it identifies, considers, and addresses the needs of communities affected by disasters. Providing necessary resources to affected areas and communities falls under human security. Furthermore, offering assistance to areas prone to floods, coastal erosion, cyclones, and so forth, is part of human security's mandate to ensure the safety of individuals and communities.

The Indo-Pacific has historically grappled with a multitude of natural and anthropogenic disasters. Anthropogenic disasters largely stem from industrial and environmental incidents in oceans and seas, encompassing oil spills, chemical spills, epidemics, explosions, and transport accidents, among others. Natural disasters in the region bifurcate into hydro-climatic and geophysical disasters.

⁷ Buddhika Liyanagamage, "Future Maritime Security Concerns of the Sri Lanka Navy: Challenges Versus Solutions" (thesis, US Naval Postgraduate School, December 2018), <https://apps.dtic.mil/>.

⁸ Ajith Panditha Wickramasekara, "Transnational Organized Crime and New Terrorism in Sri Lanka: A Nexus?" (thesis, US Naval Postgraduate School, December 2017), <https://apps.dtic.mil/>.

⁹ Respondents X and Y talked about other states' collaborations with Sri Lanka regarding HADR, Sri Lanka Navy Disaster Management Training School, Gangewadiya.

These disasters leave an indelible impact on all facets of life, with human beings bearing the brunt of such incidents in maritime zones. Consequently, there is an imperative need to implement appropriate measures to safeguard human life and national security. In this endeavor, affected communities are actively involved in the decision-making, planning, and execution of disaster preparedness.

The human security framework, in relation to disaster management, underscores comprehensive security and regional and international cooperation. This is because the navy and agencies of a single nation-state cannot single-handedly manage disaster response in the expansive Indo-Pacific.

Efficacy of Sri Lanka Navy and Coast Guard in HADR Operations in Its Maritime Zones

The SLN primarily handles HADR operations, demonstrating proficiency in rescue and relief actions in green waters. Conversely, the Sri Lanka Coast Guard (SLCG) relies on the SLN for skills and expertise. Both entities exhibit commendable disaster response and training skills within territorial waters. However, in blue waters, the SLN's capabilities exist but not on a grand scale.

According to Jayarathna, HADR operations by the SLN and SLCG are conducted in green waters due to their limited capacity to address disasters in blue waters. The Sri Lanka Navy and Coast Guard provide HADR in green waters, as Sri Lanka's capacity to operate in blue waters is limited. During his analysis of the SLN's capacity, Jayarathna notes the efficacy of the SLN in Sri Lanka's inland waters, stating that 'Sri Lanka only provides inward assistance (within the territory) when it comes to natural disasters such as floods.'¹⁰

Sri Lanka has provided its most effective HADR assistance in response to two major incidents within its maritime zones (green waters), as per respondents X and Y.

The first incident occurred on 20 May 2021, when chemical fume emissions erupted from the Singapore-flagged *MV X-Press Pearl*, a feeder vessel container-ship. The ship was anchored approximately 9 nautical miles (17km) northwest of the Port of Colombo in Sri Lankan national waters.

The second incident transpired on April 19, 2021, when the *New Diamond*, a crude oil-carrying very large crude carrier, met with an accident in the eastern coastal area of Sri Lanka. This incident had a devastating impact on Sri Lankan waters.¹¹

¹⁰ Rear Admiral Y. N. Jayarathna, SLN, Retired, interview with the authors.

¹¹ Respondents X and Y, belonging to Sri Lanka Navy Disaster Management Training School, Gange-wadiya spoke during the interview about the two major incidents where massive HADR assistance was provided by Sri Lanka in effective manner.

When boats find themselves in distress within Sri Lanka's territorial waters, the SLN does not require assistance from neighboring countries, as they are capable of conducting rescues independently. Thus, when local boats rescue a fishing boat in distress, the SLN assumes control of the boat in territorial waters and manages the contingency on their own, given its affordability and availability.

Primarily, these situations involve fishermen who are facing issues with their boat or serious health or life conditions. This could include instances where the boat is stuck, destroyed, or damaged, or when a fisherman is in a critical health situation (such as a heart patient) and requires immediate assistance, which is provided by Sri Lanka. In such scenarios, the SLN coordinates with merchant shipping for immediate rescue.

Table 1. SAR operations to promote HADR by Sri Lanka Navy and Coast Guard from January 2020 to September 2023. (Source: Data is compiled by the authors.)

Year	Crew or Individuals	Nature of Accident	Respondents (Navy/ Coast Guards)	Place/ Coordinates
13 January 2020	6 fishermen	leakage in hull	Navy	Seas of Hambantota Port
14 January 2020	1 fisherman	fisherman get ill at sea	Navy	Southern Seas
16 January 2020	1	injured fisherman	Navy	138 nm northeast point of Point Pedro
27 January 2020	Group of Indian fishermen	Indian fisher trawler stressed	Navy	11 nm west of Analathivu
26 January 2020	1	injured fisherman	Navy	40nm north of Foul Point Light House
21 July 2020	13 crew on board	power failure of Kenyan flagged vessel	Navy	170 nautical miles south of Sri Lanka
3 August 2020	1	ill at sea	Navy	50 nm southeast of Galle
3 September 2020	23	fire breaks out on Panama-flagged <i>New Diamond</i> oil tanker	Sri Lanka Navy, Sri Lanka Air Force, Sri Lanka Ports Authority, the Indian Navy and the Indian Coast Guard	38 nm off Sangamankanda Point East of Sri Lanka
7 November 2020	-	fire-hit fishing trawler (fire in engine room)	Navy	seas off Koggala

Table 1 (continued)

Year	Crew or Individuals	Nature of Accident	Respondents (Navy/ Coast Guards)	Place/ Coordinates
13 January 2021	2 Indian fishermen	engine failure of fishing trawler	Navy	The trawler has searched while it was crossing the International Maritime Boundary Line
15 January 2021	2 fishermen	failure of dinghy's outboard motor	Navy	Indian Waters
23 January 2021	Bulk carrier	no leakage of water and oil	Navy	5.5 nautical miles southeastern coast of the island
27 February 2021	2 fishermen	dinghy's technical failure	Navy	International Maritime Boundary Line
29 March 2021	7	fire eruption in fishing trawler	Coast Guard	Dikkowita
2 June 2021	4	distressed fishing vessel	Navy	40 nautical miles off Galle (southern seas)
4 June 2021	29 flood victims	flood	Navy	Puttalam district
5 June 2021	66	flood	Navy	Gampaha and Kalutara districts
6 June 2021	27	flood	Navy	Gampaha district
6 June 2021	1	ill fisherman	Navy	85 nautical miles southwest of Beruwala
4 August 2021	1	ill fisherman	Navy	1 nautical miles off Galle Lighthouse
18 September 2021	2	injured fishermen	Coast Guard	120 nautical miles off Galle
26 September 2021	-	accident mid-sea	Navy	30 nautical miles off Trincomalee
18 October 2021	2	sunken fishing vessel	Navy	International Maritime Boundary Line
8 November 2021	71	flood	Navy	Puttalam district
23 November 2021	6 dead bodies, 12 persons rescued	ferry accident	Navy	Kurinchankerny bridge in Kinniya, Trincomalee
8 January 2022	5 fishermen	distress in multiday fishing trawler	Navy	Galle Harbor
21 February 2022	1	ill fisherman	Navy	115 nautical miles off the Galle Lighthouse

Table 1 (continued)

Year	Crew or Individuals	Nature of Accident	Respondents (Navy/ Coast Guards)	Place/ Coordinates
22 March 2022	-	distressed foreign sailing boat	Navy	seas south of Hambantota
10 April 2022	5 fishermen	distressed fisherman	Navy	40 nautical miles off Galle
15 May 2022	1	ill fisherman	Navy	18 nautical miles off Valaichchenai
20 June 2022	5 persons in distress	mechanical failure to local multiday fishing trawler	MRCC Pakistan and MRCC Mumbai	Arabian Sea
11 July 2022	3 fishermen	distressed local fishing trawler	Maritime Rescue Coordination Centre (MRCC) Colombo	174 nautical miles from the Great Basses Reef Lighthouse
31 July 2022	6 fishermen	mechanical failure of the engine of a defunct trawler	Navy	International Maritime Boundary Line
2 August 2022	3 fishermen	capsized small fishing boat	Navy	Inshore Patrol Craft P 244 of Trincomalee
11 August 2022	5 fishermen	mechanical failure of fishing trawler	Navy	68 nautical miles off the Galle Lighthouse
19 August 2022	6 fishermen	fishing trawler in distress	Coast Guard	18.5 nautical miles off Dondra in southern waters
23 August 2022	1	ill fishermen	Navy	47 nautical miles northeast of the Foul Point, Trincomalee
23 September 2022	1	ill fishermen	Navy	65 nautical miles northeast of the Foul Point, Trincomalee
28 September 2022	-	mechanical failure of Indian fishing trawler	Navy	26 nautical miles off Point Pedro in northern waters.
1 October 2022	38 local tourists	leakage of seawater into the craft	Navy and Coast Guard	-
18 October 2022	6 naval personnel	mechanical failure while engaging in a special surveillance operation (Naval Craft)	Navy	400 nautical miles towards high seas southeast of the island
11 December 2022	4 fishermen	fishing trawler in distress	Navy	46 nautical miles off the Sangaman Kanda Point
13 December 2022	3 fishermen	distressed trawler	Navy	180 nautical miles off Dondra Point

Table 1 (continued)

Year	Crew or Individuals	Nature of Accident	Respondents (Navy/ Coast Guards)	Place/ Coordinates
18 December 2022	104 distressed Myanmar nationals aboard	distressed passenger craft	Navy	3.5 nautical miles north of Veththalakerni
2 February 2023	4 fishermen in distress	fishing trawler had collided against a reef in the sea area	Navy	Lankapatuna in Trincomalee
17 February 2023	6 fishermen	ill fisherman	Navy	5.3 nautical miles east of Hambantota
10 March 2023	6 fishermen	distressed fishing trawler	Navy	54 nautical miles off the eastern coast
14 May 2023	6 fishermen	distressed fishing trawler	Navy and Coast Guard	8 nautical miles off the Beruwala Lighthouse
14 May 2023	-	flood	Navy	in Galle, Akuressa, Kotapola, Nagoda, Thawalama, Kamburupitiya and Athuraliya
26 May 2023	1	Ill fisherman	Navy	460 nautical miles off the coast of Galle
7 July 2023	9 crew members	<i>Atulya</i> and tug <i>Avadh</i> drift	Navy	Nadukuda coast in Mannar south, northwest of Sri Lanka
11 July 2023	5 crew members	assistance to bring ashore fisherman with burn injuries for medical attention	Navy	431 nautical miles off the coast of Galle, southwest of Sri Lanka
1 August 2023	1	ill fishermen	Navy	20 nautical miles southeast of Hambantota
11 August 2023	7 fishermen	fire-hit fishing trawler	Navy	58 nautical miles (approx. 107km) off the Galle Lighthouse, west of Sri Lanka
21 August 2023	six crew members	injured fisherman	Navy	Kudawella fisheries harbor
17 September 2023	3 distressed fishermen	mechanical failure in fishing vessel	Navy	Indian waters north of Sri Lanka

Sri Lanka boasts several communication networks that are instrumental in disaster management. These include commercial GSM and Military Communication Networks, both of which span the entire island.¹² In addition, the Sri Lanka Navy

¹² *Towards a Safer Sri Lanka: A Road Map for Disaster Risk Management*; vol. 2: *Project Proposals* (Colombo: Ministry of Disaster Management and Human Rights, April 2006), 80, <https://www.preventionweb.net/>.

and the Irrigation Department of Sri Lanka maintain a Web-Based Flood Monitoring System for disseminating information to decision-makers at various levels.¹³ The Navy employs an up-to-date operational mechanism known as Operation Cloud-Burst to respond to floods. Once activated, this operational order outlines the actions for each responder and standard operating procedures for each activity related to flood relief operations. Furthermore, the Sri Lanka Navy is equipped with high-frequency satellite communication.

The Surveillance Fusion Center lends its support to the SLN in surveillance operations, with the SLN integrating some of the latest technology, including Global Wisher. Sri Lanka is equipped with an early warning system, inclusive of a tsunami early warning system operated by the DMC. The SLN employs radar and automatic identification system (AIS) surveillance within Sri Lanka. Moreover, for flood relief operations, the practiced system has evolved over the years to manage monsoonal rains. However, the surveillance and prediction of landslide susceptibility necessitate enhancement with new technology.¹⁴

The SLN collaborates with two communication centers, one in India and the other in Singapore, within the Indian Ocean. These communication channels operate through the Maritime Rescue Coordination Center (MRCC) at the Colombo headquarters. The MRCC, a distinct entity, cooperates within the region and responds to distressed boats and ships in Sri Lanka's search and rescue region (SRR).¹⁵

The efficacy of HADR operations hinges significantly on response time, which varies depending on the area and the situation. The SLN exhibits rapid response and deployment in territorial waters and between the EEZ and territorial waters (24nm).¹⁶

In blue waters, the SLN ensures continuous surveillance and patrolling of its maritime zones. Beyond the EEZ, the SLN seeks support from neighboring countries, including India, Pakistan, and Bangladesh, as well as foreign merchant vessels navigating through Sri Lankan waters, for assistance and transfer to offshore patrol areas. For blue water disasters, response mechanisms are anchored in maritime

¹³ "Hydrology & disaster management," Irrigation Department (Sri Lanka), n.d., <https://www.irrigation.gov.lk/>; and David Rogers, Geoff Love, and Bruce Stewart, *Meteorological And Hydrological Services in Sri Lanka: A Review* (Washington: Global Facility for Disaster Reduction and Recovery, 2011), 5, <https://www.gfdr.org/>.

¹⁴ F.N. Abdeen et al., "Corrigendum to 'Challenges in multi-agency collaboration in disaster management: A Sri Lankan perspective'," *International Journal of Disaster Risk Reduction* 63 (2021), 2, <https://doi.org/>.

¹⁵ Practitioner from Sri Lanka Navy.

¹⁶ Practitioner from Sri Lanka Navy.

domain awareness and the Information Fusion Centre–Colombo, both maintained by the navy. The MRCC exercises its own response and control mechanism, collaborating with stakeholders such as the air force and regional partnerships.

Oil spill accidents are deemed critical situations in the maritime domain. The SLCG, equipped with two ships capable of responding to oil spills, has received these assets as donations from the Japan Maritime Self-Defense Force and Japan Coast Guard through the Japan International Cooperation Agency (JICA) in 2023. In a similar vein, they have been granted trading opportunities and support for HADR operations. The United States has also extended considerable support for capacity building purposes, among others.

The SLN possesses capabilities for hilly operations and boarding operations and provides training for HADR operations in countries such as the Maldives. Representatives from India, Bangladesh, Iran, and Pakistan also receive local training, including from the Special Boat Squadron, the SLN's special forces unit, which offers international training primarily for transnational crimes. This training also aids in disaster rescue and relief management.

Exploring Regional Collaboration Initiatives of Sri Lankan Agencies within the Region

The SLN and SLCG engage in HADR training activities with visiting foreign navies, as directed by the government.¹⁷ Additionally, Sri Lanka participates in exercises pertinent to humanitarian assistance and disaster management with regional and international actors to bolster its capabilities in handling natural disasters. Both entities are adept at extending their expertise within the region. The SLN collaborates with the navies of India, the United States, Bangladesh, Maldives, Nepal, Japan, and Pakistan, and cooperates with regional and international maritime rescue agencies.

Numerous agencies, both governmental and intergovernmental, operate in the IOR, such as the Asia Pacific Disaster Response Fund (APDRF), which serves a life-saving purpose in the event of natural disasters. These agencies and similar response bodies fundamentally engage with Sri Lanka in training and capacity-building initiatives. HADR operations necessitate continuous training and collaboration for precise rescue and action. Primarily, the SLCG, in collaboration with the JICA, provides substantial support for capacity building and skill development.

Numerous maritime exercises are conducted in collaboration with the United States and other regional states, including India, Pakistan, Bangladesh, Maldives,

¹⁷ SLN BR 1: *Maritime Doctrine of Sri Lanka* (Colombo: Sri Lanka Navy, 2020). 83, <https://www.navy.lk/>.

and Japan. These exercises further bolster HADR efforts. Other objectives of these exercises include cooperation in surveillance and interdiction operations. The exercises conducted periodically between the US Navy and the SLN include Balance/Flash Style Exercises, Cooperate Afloat Readiness and Training (CARAT), Rim of the Pacific (RIMPAC), and South Asia Cooperation and Training (SEACAT).

Sri Lanka both offers and receives support from neighboring countries in times of need. India, Indonesia, and Australia, located on the eastern side of Sri Lanka's SRR, and India and Maldives, on the western side, are such neighbors. Notably, in April 2015, Sri Lanka extended assistance to Nepal.¹⁸

A notable HADR incident in 2018 involved a school football team trapped inside a sea cave in Thailand. The expert guidance of SLN divers aided Thailand in devising the rescue action.¹⁹ Despite this, the SLN and the Sri Lanka Coast Guard (SLCG) possess the capabilities to provide effective assistance in HADR through their skills.

Conclusion and Recommendations

Natural disasters wreak havoc on maritime infrastructure, economies, and societal peace and progress. Sri Lanka has proven to be responsive, operational, and effective in managing inland disasters and providing humanitarian assistance within its territorial zones. From a regional perspective, states cooperate under standard operating procedures, fostering regional cooperation and connectivity.

This research, based on its core argument and discussion, establishes three corollaries. The first corollary underscores that human security and disaster management in the maritime domain are grave concerns for all littoral countries and island nations. This is also inevitable for Sri Lanka, not only due to its environmental matters, economic interests, and the endangerment of living beings, but also for all relevant actors within the region.

Sri Lanka has made significant contributions to disaster relief management within its maritime zones. However, there is a need to enhance cooperation, re-evaluate strategies and techniques to mitigate the effects of natural disasters, improve the efficiency of operations, and adopt modern methods to enhance the efficacy of HADR operations in the Indo-Pacific. This is because human security and disaster management are grave concerns not only for Sri Lanka's environmen-

¹⁸ Government of Sri Lanka, "Sri Lanka contingent returns with accolades from Nepal," *ReliefWeb*, 12 May 2015, <https://reliefweb.int/>.

¹⁹ Practitioner from Sri Lanka Navy; and "The full story of Thailand's extraordinary cave rescue," *BBC*, 13 July 2018, <https://www.bbc.com/>.

tal matters, economic interests, and the endangerment of living beings, but also for all relevant actors within the region.

The second corollary pertains to the level and scope of cooperation for HADR operations conducted by Sri Lanka in the Indo-Pacific. This cooperation, while effective, is tactical in nature. Its scope is confined to disaster response and lacks multifaceted collaborations. Sri Lanka is proficient in search and rescue operations within their maritime zones and areas of jurisdiction. The Sri SLN is capable of providing skilled human resources for any kind of disaster in the region upon the request of neighboring countries, and also seeks help when necessary. However, cooperation is tactically limited to the rescue of boats, ships, and crew in distress.

This cooperation should be expanded to other fields under a comprehensive mechanism or framework. This would allow for periodic efficacy checks and the rectification of flaws in the path of constructive cooperation. Such cooperation should not only function during natural disasters, but also implement countermeasures/preemptive measures and work on the modernization of strategies to mitigate the effects of natural disasters.

The third corollary underscores the need for capacity building and modernization, aimed at enhancing Sri Lanka's role in the Indo-Pacific. This necessitates expanding the scope beyond specific fields, including training programs within the region. There is a need to allocate budget and funding for the acquisition of modern technologies. Mechanization is required for extensive surveillance and patrolling. The current need is to utilize unmanned drones and surveillance for immediate accident reporting.

Furthermore, the utilization, implementation, and power projection of SLN assets to enhance Sri Lanka's coastal water capability need to be reconfigured. In addition to this, the SLN places a high emphasis on fast attack crafts and gunboats, and similar types of platforms where the SLN can operate in coastal waters.

Numerous regional and international agencies are present in the region, offering support to distressed boats and ships and providing humanitarian assistance and relief. The SLN and SLCG, despite possessing skills and human capital, lack the latest technology, rendering their role in the region less apparent and effective. However, they offer intellectual, human, and skill support in the region, engaging with the Maldives, Pakistan, Japan, Bangladesh, India, the United States, and the United Nations. The SLN is prepared to support the region through diplomatic channels to neighboring states upon request. There is a need to adopt various initiatives, such as maritime patrolling at the regional level, to enhance institutionalism and extend Sri Lanka's outreach to the Strait of Malacca. 🌐

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Geoeconomic Landscaping

Prospects of Sri Lanka's Engagement with the US Indo-Pacific Economic Framework

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Abstract

This article discusses the economic and geopolitical implications of the US Indo-Pacific Economic Framework (IPEF) from Sri Lanka's perspective as an Indian Ocean littoral state. By examining the strategy behind the framework, evaluating its perceived economic benefits, and outlining the challenges facing prospective members navigating the geopolitical rivalry in the Indian Ocean, this article provides a holistic analysis of Sri Lanka's potential engagement with the IPEF. The analysis reveals that while the IPEF has the potential to boost Sri Lanka's regional economic engagement, the framework offers very few tangible economic incentives in its current form. These limited incentives are further complicated by the geopolitical challenges Sri Lanka faces in considering potential participation in the IPEF, such as maintaining nonaligned principles and developing a more robust foreign policy to withstand tensions in the Indian Ocean. The IPEF holds significant promise for Sri Lanka and other littoral states in the Indian Ocean region, but the United States must address key challenges to incentivize prospective partners to fully engage with the economic components of the framework.

The Indo-Pacific Economic Framework for Prosperity (IPEF) is a US economic initiative designed to foster economic cooperation and growth among its signatory countries in the Indo-Pacific. Centered on the principles of “resiliency, sustainability, inclusivity, economic growth, fairness, and competitiveness,” the framework stands on four pillars: (1) trade, (2) supply chains, (3) clean economy, and (4) fair economy.¹ Alongside the United States, the IPEF currently includes 14 partner countries in the region, collectively accounting for more than 40 percent of global gross domestic product (GDP) and 28 percent of global trade in the Indo-Pacific region.² The United States and its partners emphasize the importance of the IPEF for generating tangible economic activity, promoting sustainable

¹ “Statement on Indo-Pacific Economic Framework for Prosperity” (press release, The White House, 23 May 2022), <https://www.whitehouse.gov/>.

² US Trade Representative, “The Indo-Pacific Economic Framework for Prosperity,” 2023, <https://ustr.gov/>.

development and investment, and ensuring worker-centered benefits, with increased participation and regional inclusivity at the heart of the US Indo-Pacific strategy.

Sri Lanka, a strategically located Indian Ocean littoral state, is currently reshaping its economic and foreign policy outlook. Recovering from economic and political crises, the government is recalibrating its domestic and international policy objectives. Short-term economic policies have prioritized stabilization and mitigation, but longer-term structural reforms are required to address underlying economic issues. Global economic shocks such as COVID-19 and the Russian invasion of Ukraine exacerbated the challenges of an already fragile economic situation, highlighting the need for Colombo to develop a more robust and resilient economy. Sri Lanka has indicated a more outward-looking economic policy to diversify crucial sectors and mitigate the risk of future economic shocks. This shift includes greater trade facilitation and the development of a stronger Indian Ocean identity, highlighting the importance of smaller states in the region.³ In practice, these economic policies have manifested in free-trade negotiations with regional partners like Thailand and the intention to join larger regional agreements such as the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP).

Although domestic policy makers in Sri Lanka and the Indian Ocean littoral region are aware of the IPEF, the discourse surrounding potential engagement remains limited. This gap stems from a lack of literature on the prospects for prospective member countries to join the framework and scant analysis of the IPEF's economic implications. This article aims to evaluate the current state of the IPEF and assess its economic attractiveness for Sri Lanka, a smaller littoral state in the Indian Ocean. Concurrently, the article explores the geopolitical and strategic nuances of the framework and how these complexities influence economic decision-making and affect the economic prospects of the IPEF.

The article is structured as follows: Section 2 outlines the IPEF as a component of the *US Indo-Pacific Strategy*; Section 3 conceptually analyses the potential economic benefits of the IPEF for Sri Lanka; Section 4 highlights the geopolitical implications of participating in the IPEF; and Section 5 evaluates the effectiveness of the IPEF, emphasizing the challenges that must be addressed for it to serve as an effective agreement for Sri Lanka and other prospective members.

³ "Sri Lanka assumes the Chair of the Indian Ocean Rim Association (IORA) at the 23rd Council of Ministers in Colombo," *Lakshman Kadirgamar Institute of International Relations and Strategic Studies*, 12 October 2023, <https://lki.lk/>.

The US Strategy behind the IPEF

The IPEF embodies a multilateral economic mechanism that promotes the *US Indo-Pacific Strategy*, centered around a “free, open, connected, prosperous, and resilient” Indo-Pacific Region.⁴ Emerging from the US withdrawal from the Trans-Pacific Partnership (TPP) and the failure to join the CPTPP, the IPEF signifies a commitment to more robust regional trade and economic integration. The United States has emphasized the IPEF’s role in shaping the economic rules of engagement and promoting connectivity among US partners and allies in the Indo-Pacific, aiming to secure a strategic foothold in the region, harness economic opportunities, and counter China’s regional influence.

Unlike traditional free trade agreements (FTA) that prioritize concessional market access, the IPEF concentrates on non-tariff barriers and emerging issues such as supply-chain resilience and clean energy. US Trade Representative Katherine Tai has remarked that previous FTAs were “20th century tools” overly focused on market access and tariffs, neglecting critical sectors and creating global supply-chain vulnerabilities. She further stated that the IPEF represents an opportunity to address “21st century issues” and advance “worker-centered” policies for global economic resilience.⁵

The IPEF’s trade pillar aims to facilitate trade through enhanced transparency measures, regulatory practices, and access to goods at competitive prices. The emphasis on technology underscores the US commitment to digital economic transformation within the Indo-Pacific. By focusing on high-standard provisions for competition, environment, labor, and regulations, the United States aims to ensure fair practices in the Indo-Pacific, facilitating trade between the United States and its partner countries. The supply chains pillar seeks to mitigate future economic shocks and build resilience in the global economy. This pillar identifies crucial sectors and goods, emphasizing the need for investment, supply chain diversification, and increased transparency.⁶ Implementing these provisions will strengthen access to essential imports for the United States and its partner countries by addressing chokepoints in regional supply chains.

The third pillar emphasizes the need for a clean economy. The framework promotes energy security, greenhouse gas reduction, international commitments to climate

⁴ *The Indo-Pacific Strategy of the United States* (Washington: The White House, February 2022), <https://www.whitehouse.gov/>.

⁵ Quoted in Cathleen D. Cimino-Isaacs, Kyla H Kitamura, and Mark E. Manyin, “Indo-Pacific Economic Framework for Prosperity,” *In Focus*, 14 December 2023, <https://crsreports.congress.gov/>.

⁶ “Ministerial-Statement for Pillar II of the Indo-Pacific Economic Framework for Prosperity” (press release, US Department of Commerce, September 2022), <https://www.commerce.gov/>.

change mitigation and adaptation, and the green transition.⁷ The IPEF places significant emphasis on policies, standards, and infrastructure investments to support partners in their pursuit of net-zero targets, a crucial component of sustainable economic development. The fair economy pillar aims to bolster collective support and enhance anticorruption measures, tax administration, capacity building, and transparency among all stakeholders. This pillar underscores the need for capacity-building efforts to help countries develop better institutions and compliance.

However, questions regarding the inclusivity of the IPEF and the broader US *Indo-Pacific Strategy* remain unaddressed, particularly for smaller states in the Indian Ocean. Critics have described the execution of the strategy as “inconsistent,” noting that “the focus hadn’t translated to the Indian Ocean” and its small littoral states.⁸ The *Indo-Pacific Strategy* highlights Southeast Asia as “central to the regional architecture,” while the Indian Ocean and its littoral states, aside from India, receive scant mention. Despite these states facing growing vulnerabilities and emerging opportunities, the US *Indo-Pacific Strategy* lacks deeper engagement with the Indian Ocean’s littoral states.

The IPEF mainly consists of upper- and upper middle-income countries in Southeast Asia and the South Pacific. While supporting India’s role as a regional power remains a top priority for US policy, a broader top-down approach hinders deeper US engagement and integration within the Indian Ocean’s regional architecture. Including Brunei and Fiji in the IPEF is an important step in linking smaller littoral states with the United States, but extending the framework to other Indian Ocean states such as Sri Lanka, Mauritius, and the Seychelles has yet to be seriously considered. For US strategy, the IPEF must not only strengthen but also deepen engagement with smaller littoral states, empowering them to shape the dynamics of the ever-changing Indo-Pacific region. An independent assessment of smaller Indo-Pacific states and their roles in US regional engagements is a gap in both scholarship and policy that must be addressed.

The Economics of the IPEF for Sri Lanka

The United States faces an economic crossroads, seeking to protect and empower domestic industries while promoting a free and open Indo-Pacific and gaining a strategic advantage in the region. Meanwhile, Sri Lanka’s ongoing economic restructuring has set a precedent for outward-looking policies and better integration into the regional

⁷ “Indo-Pacific Economic Framework for Prosperity: Biden-Harris Administration’s Negotiating Goals Connected” (press release, US Trade Representative, 23 September 2022), <https://ustr.gov/>; and US Department of Commerce, “Pillar III—Clean Economy,” 2022, <https://www.commerce.gov/>.

⁸ House Foreign Affairs Committee Republicans, “Indo-Pacific Subcommittee Hearing on Surrounding the Ocean: PRC Influence in the Indian Ocean,” YouTube, 18 April 2023, <https://www.youtube.com/>.

architecture. The IPEF presents an opportunity for Sri Lanka to engage economically with the United States and its regional partners. This section unpacks the four pillars of the IPEF and their implications for Sri Lanka, explaining the economic rationale behind the framework and examining its potential benefits and constraints.

Pillar 1: Trade

The IPEF diverges from traditional trade agreements. Unlike its regional predecessors, it does not assure access to US markets or promote trade liberalization. Instead, it aims to unlock benefits by harmonizing product standards with a heightened focus on technical assistance and capacity building. Given that global tariff levels are historically low, the IPEF addresses non-tariff barriers to trade, which disproportionately impact developing countries. Economic theory and literature suggest that reducing such barriers, such as by standardizing technical regulations and enhancing trade transparency, could facilitate trade between IPEF member countries and the United States. Robert E. Baldwin metaphorically describes the reduction of tariffs as “draining the swamp,” revealing the “snags and stumps” of non-tariff barriers that hinder trade potential and must be eliminated to enhance bilateral trade relationships.⁹ Products failing to meet US standards are denied entry into the market, with Robert Grundke and Christoph Moser demonstrating that import refusals disproportionately harm developing countries.¹⁰ For exporters from developing countries like Sri Lanka, establishing clear product standards and transparency reduces the risk of costly import refusals and provides greater assurance of selling Sri Lankan goods in the US market.

While aggressive liberalization and tariff elimination resulted in an overreliance on China for critical materials and low-cost imports in the United States, the IPEF’s focus on nontraditional costs of trade—regulatory, labor, environmental, and digital economy costs—signals a more strategic regional trade approach. However, without reduced tariffs improving access to US markets, prospective member countries lack incentives to participate and impose reform costs on their industries.¹¹ Overcoming such costs and implementing regulatory, environmental, and labor reforms is a costly process that could be substituted for other investments directly reducing production costs and enhancing goods’ competitiveness in alternative markets.

⁹ Robert E. Baldwin, *Non-Tariff Distortions of International Trade* (Washington: Brookings, 1970).

¹⁰ Robert Grundke and Christoph Moser, “Hidden protectionism?: Evidence from non-tariff barriers to trade in the United States,” *Journal of International Economics* 117 (March 2019): 143–57, <https://doi.org/>.

¹¹ Erin L. Murphy, “IPEF: Three pillars succeed, one falters,” *Center for Strategic & International Studies*, 21 November 2023, <https://www.csis.org/>.

Sri Lanka's strong access to US markets, particularly in the apparel sector, underscores the lack of incentive to implement costly reforms through the IPEF. Of the USD 5.5-billion worth of apparel and clothing accessories exported by Sri Lanka in 2022, USD 2.3 billion (42 percent) went to the United States. Despite facing relatively high tariffs—14 percent on knitted and 11 percent on nonknitted apparel—Sri Lankan products perform well in the US market.¹² Existing trade patterns and preferences suggest that Sri Lanka does not necessarily need tariff liberalization to compete in the US market, as demand for Sri Lankan apparel remains high. Consequently, participation in the IPEF offers no tangible benefits to trade. The main challenge, however, lies in the lack of diversified exports to the United States and the potential competition from emerging markets like Vietnam and Indonesia, which are rapidly expanding their apparel sectors.

Previous regional agreements, such as the South Asian Free Trade Area (SAFTA) and the Asia Pacific Trade Agreement (APTA), focused on reducing trade costs, creating strong mutual incentives to negotiate deals that improved market access in preferred sectors for all parties. When Vietnam sought lower tariffs on apparel and footwear in the TPP, it implemented significant and costly domestic reforms.¹³ Much like Sri Lanka, Vietnam heavily relies on the United States as a destination market for its apparel exports, as does Indonesia, another IPEF member. Table 1 shows the composition of apparel exports from Indonesia, Sri Lanka, and Vietnam to the United States.

Table 1. Apparel Exports to the United States (Source: International Trade Corporation (ITC). "Trade Map - Trade Statistics for International Business Development". ITC, <https://www.trademap.org/Index.aspx>, 2022.)

Product Group	Ad Valorem Tariff	Exporter	Total Value (USD, to 2 d.p)	Share of Product Exports	Average Annual Growth (2018–2022)
Articles of apparel and clothing accessories, knitted or crocheted	14%	Indonesia	USD 2.9 Bn	61%	8%
		Sri Lanka	USD 1.3 Bn	40%	2%
		Vietnam	USD 9.8 Bn	57%	6%
Articles of apparel and clothing accessories, not knitted or crocheted	11%	Indonesia	USD 2.6 Bn	53%	2%
		Sri Lanka	USD 1 Bn	46%	1%
		Vietnam	USD 6.2 Bn	48%	2%

¹² "Trade Map: Trade Statistics for International Business Development," *International Trade Centre*, 2022, <https://www.trademap.org/>.

¹³ Orit Frenkel, "Let's make it attractive to join the Indo-Pacific Economic Framework," *The Hill*, 23 May 2022, <https://thehill.com/>.

With larger labor forces and better access to technology and manufacturing capital, Indonesia and Vietnam have unsurprisingly experienced faster average growth in their apparel exports to the United States compared to Sri Lanka. Howard and Bram Nicholas compare Sri Lanka and Vietnam, highlighting the success of Vietnam's export-oriented manufacturing industries, driven largely by technological transformation and diversification.¹⁴ This success has left Sri Lanka's apparel sector internationally uncompetitive, lagging other regional exporters. Given that Indonesia and Vietnam export a similar range of manufactured apparel goods to the United States, their participation in the IPEF raises significant concerns. By aligning their product standards with the United States, improving transparency, and promoting good regulatory practices, Indonesian and Vietnamese apparel exports gain a competitive edge through non-price factors. If Indonesia and Vietnam can offer lower-cost apparel goods that meet US product standards, there is limited incentive for the United States to continue importing from Sri Lanka when it can satisfy demand with more attractive exporters.

If Sri Lanka intends to grow its apparel exports without being crowded out by other emerging markets, engaging with the IPEF may be a prudent strategy to ensure their exports continue to meet US demands. Thus, Sri Lanka's participation in this pillar would serve as an insurance policy to maintain a competitive tariff structure alongside other emerging economies in the face of US domestic protectionism. However, prospective members should not feel compelled to engage with the United States merely to hedge their bets. The IPEF's trade pillar must offer more tangible economic benefits that incentivize member countries to strengthen their economic ties with the United States and support their own domestic industries. These incentives currently do not exist, and the benefits to trade remain unclear, as evidenced by the challenges faced during negotiations when the trade pillar failed to reach its intended agreement.¹⁵

Pillar 2: Supply Chains

Recent economic shocks underscore the risks posed by globalized supply chains. In response, US industrial policy has sought to rebuild the American manufacturing sector by promoting domestic industries and "friend-shoring" production. In an increasingly globalized world, undiversified supply chains pose significant risks to

¹⁴ Howard Nicholas and Bram Nicholas, "An Alternative View of Sri Lanka's Debt Crisis," *Development and Change* 54, no. 5 (September 2023): 1114–35, <https://doi.org/>.

¹⁵ William, A. Reinsch, "Reality Bites," *Center for Strategic & International Studies*, 21 November 2023, <https://www.csis.org/>.

long-term economic productivity, as exogenous shocks—and policy-induced economic shocks by rivals—can severely disrupt production and create a fragile global economy.

The IPEF's focus on diversifying supply chains and building resilience reflects US concerns about China's influence over imports and production, which could be manipulated to gain an economic advantage. Although the United States is aware of Asian countries engaging with both US- and China-led initiatives such as the RCEP, China's omission from the IPEF and the agreement's non-tariff emphasis indicate US intentions to promote global sourcing from trusted economic partners in the region. Economic literature underscores the importance of diversifying global supply chains to mitigate the effects of exogenous economic shocks. Daron Acemoglu and Alireza Tahbaz-Salehi develop a framework to understand how negative economic shocks—and the resulting fall in productivity or higher costs—can push production firms into failure through disruptions to production technology and supply chain disruptions, which can spread contagiously throughout the supply chain.¹⁶

Supply shocks hit Sri Lanka particularly hard, affecting imports of pharmaceuticals, fuel, and fertilizer, leading to foreign exchange reserve depletion and disrupting essential domestic industries. Sri Lanka's economic crisis was fundamentally a supply-chain crisis, exacerbated by a historical failure to diversify away from price-volatile imports and build domestic capacity. The disruptions caused by COVID-19 and the Russian invasion of Ukraine worsened the situation. Without sufficient alternative suppliers of essential goods, Sri Lanka and its domestic firms were forced to maintain their supply under severe economic constraints, leading to failures in domestic industry and insufficient foreign exchange reserves to meet debt obligations.

Increasing tensions between China and Taiwan also influence the US decision to build supply-chain resilience and “onshore” production. Concerns about potential economic blockades restricting access to Chinese inputs in Taiwan could have serious implications for global industries, particularly the semiconductor market, which is crucial for technological innovation and security. Taiwan dominates the global semiconductor market, essential for US manufacturing and technology. It is estimated that losing access to Taiwan-produced semiconductor chips could lead

¹⁶ Daron Acemoglu and Alireza Tahbaz-Salehi, “Firms, failures, and fluctuations: The macroeconomics of supply chain disruptions,” *NBER Working Paper Series*, 27565 (working paper, National Bureau of Economic Research, July 2020), <https://www.nber.org/>.

to a 5- to 10-percent reduction in US gross domestic product, erasing up to USD 1 trillion per year from the global economy in the initial years.¹⁷

From an economic perspective, a US economic slowdown would significantly impact Sri Lanka, given the importance of the US as an export destination. Aligning with the United States' economic goals of diversifying semiconductor supply chains away from Taiwan is in Sri Lanka's economic interests as it builds resilience against future economic shocks. However, this remains a relatively weak incentive for Sri Lanka to engage with the IPEF, as this shift is a US priority regardless of Sri Lanka's involvement. By supporting the United States' transition away from China, Sri Lanka's participation in the IPEF would primarily serve as an "insurance" policy to preserve US economic stability and demand, rather than capitalizing on tangible economic benefits.

Sri Lanka could capitalize on pillar 2 by participating in the trade of intermediate goods. Ganeshan Wignaraja describes South Asia as a relatively minor player in global supply chains, with India accounting for less than 2 percent of global supply-chain trade and the rest of South Asia, including Sri Lanka, only 0.13 percent.¹⁸ Southeast Asian economies have historically benefited from supply chain spillover from China due to slower growth and rising wages. Sri Lanka must seek to benefit from similar transitions as the United States aims to diversify its supply chains. By leveraging India's engagement with the IPEF, Sri Lanka can promote intermediate goods trade, integrate into global supply chains, and attract FDI.

Participating in the IPEF and collaborating with the United States on supply-chain resilience would signal to firms and prospective investors that Sri Lanka adheres to high standards of supply-chain trade and aligns with the world's largest destination market. Combining these non-price factors with low wages, a highly educated labor force, and a strategically advantageous geographic location, Sri Lanka could offer significant benefits to firms aiming to diversify their supply chains and outsource intermediate production stages. As South Asia's most open economy, low tariffs and limited barriers to trade could provide compelling incentives for firms to incorporate Sri Lanka into their supply chains.

If the IPEF advances and significantly impacts South Asia, it could bolster Sri Lanka's efforts to build supply-chain resilience and develop policies beneficial to

¹⁷ Mercy A. Kuo, "US and Taiwan: Semiconductor Supply Chain Partnership," *The Diplomat*, 7 August 2023, <https://thediplomat.com/>; and Lotta Danielsson, ed., *U.S., Taiwan, and Semiconductors: A Critical Supply Chain Partnership* (Arlington, VA: US-Taiwan Business Council, 21 June 2023), <https://www.us-taiwan.org/>.

¹⁸ Ganeshan Wignaraja, "Sri Lanka's future lies in Emulating Factory Asia," *LSE Blogs*, 6 December 2017, <https://blogs.lse.ac.uk/>.

domestic industries producing intermediate goods. While the agreement emphasizes reducing non-tariff barriers, engaging with IPEF partners would enhance supply-chain logistics, connectivity, and efficiency through knowledge transfer. This engagement could attract further investment to improve infrastructure, security, and connectivity, thereby increasing Sri Lanka's competitiveness in global supply chains.

Pillar 3: Clean Economy

Sri Lanka faces significant challenges in meeting its ambitious climate targets amidst fiscal constraints exacerbated by the recent economic crisis. One of Sri Lanka's flagship Nationally determined contributions (NDC) is to generate 70 percent of its domestic electricity supply from renewable energy sources by 2030, reaching 100 percent by 2050.¹⁹ Although Sri Lanka has historically relied on hydroelectric infrastructure to supply electricity to the national grid, the share of renewable energy in total energy consumption dropped from 77 percent to 49 percent between 1990 and 2020. During the same period, net energy imports as a percentage of total energy consumption rose from 25 percent to 50 percent, indicating a structural shift toward imported fossil fuels.²⁰ Underinvestment in hydroelectric infrastructure has exacerbated this imbalance, leading to inefficiency and maintenance issues. Even in times of economic stability, investment in domestic energy infrastructure has been limited.

This lack of domestic investment is driven by policy missteps and financial constraints. Indebtedness and limited capacity to establish or upgrade energy infrastructure have increased reliance on imported fossil fuels to meet national demand. This dependence necessitated maintaining a sustainable stock of foreign exchange reserves to support the domestic energy supply, cultivating a highly vulnerable energy sector influenced by external economic factors. When COVID-19 and the Russian invasion of Ukraine caused falling global incomes and soaring fuel prices, Sri Lanka was forced to exhaust its foreign exchange reserves, making fuel imports unaffordable.

Sri Lanka's economic crisis underscored the urgent need for energy sector diversification. However, domestic financial constraints limit Sri Lanka's ability to mobilize resources for these investments. The IPEF presents an opportunity to support developing countries' green transitions both directly—by financing renewable energy

¹⁹ *Updated Nationally Determined Contributions under the Paris Agreement on Climate Change: Sri Lanka* (Colombo: Ministry of Environment, July 2021), <http://envmin.nsf.gov.lk/>.

²⁰ Michael Iveson, "Debt-for-Renewables' Swaps: How to Address Climate, Debt, and Energy Sector Vulnerabilities in Sri Lanka," *Lakshman Kadirgamar Institute of International Relations and Strategic Studies*, 26 September 2023, <https://lki.lk/>.

infrastructure projects—and indirectly—by enabling concessional, accessible, and sustainable finance. The United States must play a key role in enhancing cooperation and providing a blueprint for infrastructure investments that overcome challenges associated with bureaucracy, instability, and lack of transparency. By investing directly in renewable energy infrastructure through the IPEF, the United States could support economic development, energy security, and climate change mitigation in partner countries, while also fulfilling its own climate commitments through the implementation of Article 6.

Given the challenges of mobilizing investment in renewable energy infrastructure and the multifaceted benefits this would bring to Sri Lanka's economy, the IPEF can provide a robust framework to attract investment into this critical sector. Sri Lanka's energy sector boasts significant potential, with the World Bank estimating a 56-GW capacity for offshore wind and recent discussions signaling the integration of Sri Lanka and India's energy sectors, which could facilitate renewable energy exports.²¹ Sri Lanka's renewable energy sector has potential far beyond its own domestic green transition. India's strong relationship with the United States and its participation in the IPEF could leverage further US support in this regard.

By providing financial and technical assistance, the IPEF can bridge the capacity gap for Sri Lanka to fulfill its NDCs and facilitate a crucial green transition in the energy sector. Given the bureaucratic hurdles and administrative challenges that Sri Lanka's public enterprises face amid the constraints imposed by the economic crisis, private sector initiatives must also play a central role in the green transition. The IPEF's commitment to renewable energy infrastructure in Sri Lanka could transform the landscape, attract investors, and empower locally-led investments in clean energy.

Pillar 4: Fair Economy

The relationship between strong institutions and economic development is well-documented in the economic literature, with the prevailing view that institutions are the primary determinant of economic performance.²² Many economists argue that corruption is one of the most significant barriers to economic development and that institutional reforms are crucial for successful anticorruption

²¹ Erik Mohr et al., *Offshore Wind Roadmap for Sri Lanka* (Washington: World Bank, 2023), <https://documents1.worldbank.org/>.

²² Douglass C. North, *Understanding the Process of Economic Change* (Princeton, NJ: Princeton University Press, 2005).

campaigns.²³ However, Ha-Joon Chang suggests a stronger reverse causality, positing that economic development drives institutional reform.²⁴ Diverse economic literature underscores the complexities of this relationship, but Stefan Dercon effectively summarizes the need for a “unique development bargain” to incentivize public officials to act in the national interest while also serving their individual interests.²⁵

The IPEF places institutional development at the core of economic capacity building in the Indo-Pacific. The United States aims to increase transparency in the region to counter illicit engagements with China through its BRI projects. A study by AidData found that 35 percent of BRI projects have been challenged by corruption, excessive debt, or labor exploitation, enabled by weak institutions and a lack of transparency in policy development.²⁶ This could be perceived as a strategy to counter China’s economic influence in the region by increasing bureaucratic hurdles that Chinese FDI projects have typically overcome.

By emphasizing transparency and anticorruption, the IPEF signals to its regional partners that continuing economic engagement with the United States requires addressing structural issues that enable corruption. Capacity-building efforts and technical assistance through the IPEF could help mitigate corruption vulnerabilities, develop robust legal frameworks, and promote further economic engagements. The IMF Governance Diagnostic Assessment (GDA) identified governance weaknesses in public financial management (PFM), tax policy, and revenue administration in Sri Lanka, highlighting the need for institutional reforms.²⁷ Participation in the IPEF’s *fair economy* pillar presents an opportunity for Sri Lanka to partner with the United States and implement these necessary economic reforms.

The IMF agreement’s conditionalities require the Sri Lankan government to raise tax revenue to 14 percent of GDP by 2026, an ambitious target given the current economic climate. Frequent changes in tax design, lacking political and technical scrutiny, have exacerbated existing compliance and administrative issues within the system. Between 1990 and 2022, Sri Lanka’s tax revenue as a proportion

²³ Shang-Jin Wei, “Corruption in economic development: beneficial grease, minor annoyance, or major obstacle?” (working paper, World Bank, 28 February 1999), <https://documents.worldbank.org/>.

²⁴ Ha-Joon Chang, “Institutions and Economic Development: Theory, policy and history,” *Journal of Institutional Economics* 7, no. 4 (December 2011): 473–98, <https://doi.org/>.

²⁵ Stefan Dercon, *Gambling on Development: Why Some Countries Win and Others Lose* (London: Hurst & Company, 2023).

²⁶ Ammar A. Malik et al., *Banking on the Belt and Road: Insights from a new global dataset of 13,427 Chinese development projects* (Williamsburg, VA: AidData, September 2021), <https://docs.aiddata.org/>.

²⁷ Joel Turkewitz et al., *Sri Lanka: Technical Assistance Report–Governance Diagnostic Assessment* (Washington: International Monetary Fund, September 2023), <https://www.imf.org/>.

of GDP declined from 19 percent to 7.3 percent; national income increased but was not matched by a rise in tax collection.²⁸ In 2022, 69.5 percent of tax revenue was generated through indirect taxes, such as value-added tax, which disproportionately affect low-income households.²⁹ As of January 2024, the government raised value-added tax from 15 percent to 18 percent, facing backlash due to its inherently regressive nature. With presidential elections approaching, it is challenging to see how the government will be incentivized to implement difficult and unpopular taxation reforms to meet the IMF targets and address structural challenges in the Sri Lankan economy.

The IPEF holds promise for supporting structural reforms and capacity-building initiatives through financial and technical assistance. The *fair economy* pillar provides a robust framework for implementation and accountability, potentially benefiting both political leadership and Sri Lanka's broader economy. However, a significant challenge lies in enforcing standards within the anticorruption pillar. Currently, the IPEF lacks a clear enforcement mechanism that operates across international borders and fails to articulate the direct benefits of participation.³⁰

The IPEF has not established Dercon's "development bargain" for its partner countries, whereby there are incentives to eradicate corruption, making it difficult to gauge the effectiveness of this component of the framework. This also highlights the potential drawbacks of a decentralized approach. It fails to explain why prospective partners would voluntarily opt into the pillar unless key stakeholders stand to gain more from the economic benefits of the IPEF than from maintaining corruption. If prospective members can opt out of the fair economy pillar, it creates a selection bias that hinders the framework's effectiveness and inclusivity.³¹

Summary

Upon examining the potential economic benefits of Sri Lanka's participation in the IPEF, it becomes evident why discourse has remained minimal. While the IPEF's conceptual framework signifies a strong commitment to regional economic involvement, its incentive structures fail to attract prospective economic partners.

²⁸ Roshan Perera, Thashikala Mendis, and Janani Wanigaratne, "Reforming Sri Lanka's Tax System: A Path to Macroeconomic Stability and Sustainable Economic Growth," *The Morning* (Sri Lanka), 3 September 2023, <https://www.themorning.lk/>.

²⁹ Lakshila Wanigasinghe, "New Year, New VAT: Can Sri Lanka's Poor Cope with the Increase?," *Talking Economics* (blog), 10 January 2024, <https://www.ips.lk/>.

³⁰ David Lawder, "US, Indo-Pacific Partners agree on clean energy, anti-graft pillars," *Reuters*, 16 November 2023, <https://www.reuters.com/>.

³¹ Matthew P. Goodman and Aidan Arasasingham, "Regional Perspectives on the Indo-Pacific Economic Framework," *Center for Strategic & International Studies*, 11 April 2022, <https://www.csis.org/>.

The lack of concessional market access and clarity on immediate economic benefits explains why Sri Lanka's outward-looking economic recovery has not included prospective membership in the IPEF. Although substantial long-term economic gains such as international supply chain integration, decarbonization, and enhanced product standards are crucial for sustained economic development, Sri Lanka's ongoing IMF program and current focus on revenue-generating economic opportunities have shifted attention away from these longer-term prospects.

The responsibility of communicating the economic benefits of the IPEF falls on US policy makers. Critical issues such as supply chain resilience, clean energy transition, and anticorruption efforts remain inadequately addressed in the Indo-Pacific region, presenting an opportunity for Washington to contribute significantly to the region's economic transformation. However, engagement with the United States requires more attractive incentive structures to complement their ambitions and clearer communication of the IPEF's role as an economic framework rather than a regional trade agreement. Misconceptions surrounding the function of the IPEF could complicate bilateral relationships and leave countries disappointed by US engagement in the region. This economic analysis of Sri Lanka's potential membership in the IPEF demonstrates that while economic opportunities exist, their realization depends on more effective engagement from the United States to influence an economic recalibration in Sri Lanka.

Economic Ripple Effects: Navigating Non-Alignment and the Geopolitics of the IPEF

Deeper economic engagement alone does not capture the full complexity of the IPEF's expansion to potential states like Sri Lanka. Policy makers must also recognize the intricate connections between these decisions and the Indo-Pacific geopolitical landscape, particularly the dynamics among the United States, China, and India, and Sri Lanka's relationships with each. As the global economy increasingly pivots toward the Indo-Pacific region, Sri Lanka finds itself on a geopolitical battleground, acutely aware of the regional tensions between the United States and China, as well as Washington's growing partnership with New Delhi. This presents a formidable challenge for Sri Lankan foreign policy, which requires a contemporary and outward-looking approach to manage its relationships with the region's major powers. This section of the article analyzes each aspect of Sri Lanka's geopolitical dilemma and demonstrates that prospective engagement with the IPEF involves complexities beyond mere economics.

Sri Lanka and the Inevitable Tension between the United States and China

Tensions between the United States and China loom large over the Indo-Pacific region, significantly shaping Sri Lanka's foreign policy decisions. As a small littoral state, Sri Lanka faces challenges in navigating economic, security, and political concerns amid the competing interests of these two economic powerhouses. Issues such as tariff impositions, diplomatic fluctuations, and US wariness over China's escalating tensions with Taiwan contribute to regional imbalances and influence the foreign policies of smaller states.

The geopolitics between the United States and China have spilled over into their bilateral relationships with Sri Lanka. The United States remains Sri Lanka's top export partner, while China is its number two import partner. This dependency on both superpowers significantly influences Sri Lanka's international trade dynamics, as it constantly oscillates between the two.³² Furthermore, Chinese investments in infrastructure and development projects in Sri Lanka, such as the Hambantota and Port City initiatives, highlight the growing Sino-Lanka relationship. Although their efficacy has been challenged, China has filled a void left by the United States and its perceived lack of economic initiatives and infrastructure investments. However, the United States was quick to criticize China's slow response to the Sri Lankan debt crisis and provided immediate assistance in its debt restructuring efforts.³³ This tit-for-tat engagement between the United States and China in Sri Lanka underscores the inherent burden on Sri Lanka's foreign policy, which it must navigate carefully when considering agreements such as the IPEF.

Beijing has acknowledged the US attempt to supplant China's role as a regional economic power through the IPEF. Soon after the framework was announced, Chinese Foreign Ministry Spokesman Wang Wenbin expressed concerns that Beijing, along with other countries in the region, was worried about the potential drastic effects of the framework and the economic "decoupling with China."³⁴ However, the US Treasury Secretary Janet Yellen countered this by stating that a full decoupling of the two economies would "simply not be practical" and that "a full separation of our economies, or an approach in which countries including those in the Indo-Pacific are forced to take sides, would have significant negative global

³² "Sri Lanka Exports by Country," *Trading Economics*, 2022, <https://tradingeconomics.com/>.

³³ Bhagya Senaratne, "U.S. Relations With Sri Lanka: A Case of Impulsiveness, Missed Opportunities, and Strategic Competition," in *Routledge Handbook of US Foreign Policy in the Indo-Pacific*, ed. Oliver Turner, Nicola Nymalm, and Wali Aslam (New York: Routledge, 2022), 300–14, <https://doi.org/>; and "U.S. backs Sri Lanka's debt restructuring effort: Yellen," *Nikkei Asia*, 7 September 2022, <https://asia.nikkei.com/>.

³⁴ Martin Quin Pollard and Yew Lun Tian, "Beijing says U.S.-backed Asia plan seeks to 'decouple' countries from China," *Reuters*, 25 May 2022, <https://www.reuters.com/>.

repercussions.”³⁵ These concerns highlight both powers’ awareness of the consequences of overextending economic engagement in the region and implicitly recognize that the IPEF cannot exclude potential partners due to their deep economic ties with China.

The awareness of this rhetoric and the risk of overextending policy is not necessarily a challenge for US policy makers and was likely a critical consideration when formulating the regional strategy. By allowing partners to engage with both the IPEF and China-led regional agreements, such as the RCEP, the United States can indirectly influence engagements with China by upholding its own standards. If Washington can enforce certain standards and regulations on crucial industries in partner countries, these mechanisms will positively spill over into the economic relationships between their partner countries and China. By employing nonmarket mechanisms to influence industries and domestic policies across the region, the IPEF can coexist with China’s endeavors in the Indo-Pacific. This approach enables Washington to expand US influence in the region by indirectly shaping its partners’ engagements with China. Such economic influence, while not exclusionary, may concern Chinese policy makers when assessing their economic partners’ engagements with the United States through the “softer” economic mechanisms of the IPEF.

Rather than seeking to rival China’s economic engagement with regional partners, the IPEF aims to shape the context in which it occurs. From the US perspective, Colombo’s interest in joining the China-led RCEP reflects Sri Lanka’s desire to integrate with regional partners, not to supplant US influence in the country. Consequently, Washington should not view this with disdain. Instead, the IPEF’s expansions in trade and infrastructure offer the United States an opportunity to strengthen economic ties with Sri Lanka and address past criticisms of weak economic engagement.

For Sri Lanka, this dual engagement presents a strategic opportunity to benefit from its relationship with the United States while maintaining its ties with China. The key for Colombo is to emphasize to Washington the conditions of Sri Lanka’s participation in the IPEF and to articulate to Beijing that joining the framework does not constitute an abandonment of its significant economic and developmental relations with China.

Caught in this soft battle for economic influence, Sri Lanka must tread carefully with both bilateral partners. Engaging with the IPEF without straining its economic relationship with China will require a nuanced and balanced approach, ensuring that Sri Lanka maximizes benefits from both US and Chinese engagements.

³⁵ David Lawder, “Yellen: Indo-Pacific allies should not have to choose between US, China,” *Reuters*, 2 November 2023, <https://www.reuters.com/>.

The “Indo” in the IPEF and Implications for Sri Lanka

Fully understanding Sri Lanka’s potential engagement with the IPEF requires acknowledging India’s pivotal role in Sri Lankan foreign policy. Despite periods of turbulence, Indo-Lanka relations have featured prominently in Sri Lankan foreign policy, a notion that will persist as both countries’ roles in the region expand. In its trade relationship, India accounts for 27 percent of Sri Lanka’s total annual imports, making it Sri Lanka’s top import partner and its third-largest export partner, holding the distinction as the only country in the top three for both.³⁶ Additionally, India is one of the largest contributors of FDI to Sri Lanka, with total investments exceeding USD 2.2 billion.³⁷

Like the United States, India’s increasingly complex relationship with China has greatly shaped its emergence as a regional power and influenced its bilateral relationships with Sri Lanka. Direct security concerns, such as the India–China border issues, China’s increased naval presence in the Indian Ocean, and infrastructure financing projects through the BRI, have made India increasingly wary of China’s growing hegemonic influence in the region’s economic and security architecture. These apprehensions have directly affected Sri Lanka, where India and China continually compete in port and infrastructure investments, and engage in cyclical diplomatic and security tensions, especially when Chinese vessels dock at Hambantota Port.³⁸ Furthermore, while China responded slowly to Sri Lanka’s IMF debt crisis, India provided more than USD 4 billion in emergency humanitarian and financial assistance.³⁹ This dynamic between India and China’s respective engagements in Sri Lanka will continue to complicate Sri Lanka’s strategic dilemma. Balancing these relationships while considering potential IPEF engagement is crucial for Sri Lanka’s foreign policy strategy.

By its very name, the “Indo”-Pacific Economic Framework places India at the heart of its strategy, making New Delhi’s involvement crucial for the framework’s success and inclusivity for regional partners like Sri Lanka. For India, the IPEF offers an opportunity to strengthen ties with the United States and counter China’s regional economic and strategic dominance. Set to become the world’s third-largest economy by 2030, India prioritizes domestic growth and outward

³⁶ “Sri Lanka Exports by Country,” *Trading Economics*.

³⁷ “India-Sri Lanka Economic and Trade Engagement” (press release, Consulate General of India, Colombo, January 2023), <https://www.cgihambantota.gov.in/>.

³⁸ Sudha Ramachandran, “India and China Engage in War of Words Over Sri Lanka,” *The Diplomat*, 1 September 2022, <https://thediplomat.com/>.

³⁹ “India extends \$1bn credit line for Sri Lanka by a year,” *Al Jazeera*, 9 May 2023, <https://www.aljazeera.com/>.

economic strategies as part of its Neighbourhood First policy.⁴⁰ The IPEF promises benefits to India and its regional partners, particularly through supply chain development, which India hopes to lead in South Asia, building resilience on the principles of “trust, transparency, and timeliness” in the wake of COVID-19 and the Russia’s invasion of Ukraine.⁴¹ The visit from Sri Lankan President Ranil Wickremesinghe to India also signified Colombo’s desire to integrate further into India’s rapidly growing supply chains, especially in the southern part of the country.⁴²

New Delhi’s interest in developing clean energy initiatives, as addressed in pillar 3, can also provide tremendous benefits for India and the surrounding economies of the region. The United States and India Strategic Clean Energy Partnership (SCEP) seeks to increase energy investments to drive decarbonization through technological capacity-building in India, with potential extensions to other integrated states within the region.⁴³ Sri Lanka, which stands to benefit from the extension of this clean energy infrastructure, has begun discussions with India regarding energy-sector integration through an oil pipeline and power grid connections.⁴⁴ Engaging with the IPEF’s *clean energy* pillar could catalyze Sri Lanka’s growing connection to India and promote standards for long-term economic improvements.

India’s participation in the IPEF and its broader regional strategy directly impact Sri Lanka, irrespective of whether Sri Lanka itself joins the framework. Although New Delhi has historically maintained a nonalignment policy, India’s growing relationship with the United States and active role in the IPEF indicate a significant shift in its foreign policy approach. For Sri Lanka, engaging with the IPEF and partnering with India, a country increasingly wary of China, could strain Colombo’s own bilateral relationship with Beijing. However, the potential economic benefits from partnering with India through the IPEF could be highly advantageous for Sri Lanka’s debt-laden and recovering economy. Given these complex dynamics, Sri Lankan policy makers must carefully analyze the evolving geopolitical landscape before establishing a concrete policy for IPEF engagement moving forward.

⁴⁰ Nandan Mandayam, “India to be world’s third-largest economy by 2030—S&P Global Ratings,” *Reuters*, 5 December 2023, <https://www.reuters.com/>.

⁴¹ Asian News International, “PM Modi underlines 3Ts for resilient supply chains at Indo-Pacific Economic Framework meet in Tokyo,” *Times of India*, 23 May 2022, <https://timesofindia.indiatimes.com/>.

⁴² Ganeshan Wignaraja and Manjeet Jripalani, “India and Sri Lanka lay the groundwork for closer economic ties,” *East Asia Forum*, 2 August 2023, <https://eastasiaforum.org/>.

⁴³ “U.S-India Strategic Clean Energy Partnership-Renewable Energy Pillar” (fact sheet, US Department of Energy, October 2022), <https://www.energy.gov/>.

⁴⁴ Wignaraja, and Jripalani, “India and Sri Lanka lay the groundwork.”

Navigating the IPEF's Geopolitics within Sri Lanka's Foreign Policy

Understanding the context of Sri Lanka's foreign policy is essential to grasp how it can navigate the geopolitics of the IPEF. Rooted in the Non-Aligned Movement (NAM), of which it was a founding member, Sri Lanka's foreign policy has traditionally aimed to balance global tensions while exercising sovereignty and avoiding polarization. Described by Sri Lankan President J.R. Jayawardena as "the golden thread that runs through Sri Lanka's foreign policy," this principle of nonalignment has historically shaped Colombo's approach to international relations and its management of relationships with major regional powers.⁴⁵ Policy makers and experts in Sri Lanka recognize the importance of hedging between great powers in adherence to the nonalignment principle.

However, Sri Lanka's current economic and political crises, coupled with the evolving geopolitics of the Indian Ocean, challenge the extent to which it can maintain a non-aligned stance. Former Foreign Secretary H.M.G.S. Palihakkara articulated that Sri Lanka's foreign policy challenge is to secure "tangible economic benefits" while avoiding "geopolitical mischief" in the Indian Ocean.⁴⁶ Other experts argue that in an era of economics-driven foreign policy, Sri Lanka must partner with countries that offer the greatest economic benefits, rather than adhering strictly to nonalignment, which is more nuanced today than during its NAM formation.⁴⁷ Sri Lanka's prospective engagement with the IPEF would certainly test this historical approach.

Economic analysis reveals that Sri Lanka stands to gain significant benefits from engaging with the IPEF. The geopolitical question for Colombo, however, is not whether IPEF engagement constitutes an alignment with the United States and India, thereby threatening its relationship with China. Rather, it is whether Sri Lanka can pursue a foreign policy rooted in economic self-interest and forge a multi-aligned approach that maximizes tangible economic benefits while maintaining relations with all states. In a forum on nonalignment, Sri Lanka's Foreign Minister Ali Sabry stated: "Across party lines, Sri Lanka is yearning to continue its greatest legacy of an independent and sovereign foreign policy. That is there to stay. But the modalities as to how we progress with that in a pragmatic manner in

⁴⁵ Shahul A.C. Hameed, *Foreign Policy Perspectives of Sri Lanka: Selected Speeches 1977-1987* (Colombo: Lake House Investments Limited, 1988), 263.

⁴⁶ "LKI Foreign Policy Forum—Changing Global Dynamics: Implications for Sri Lanka," *Lakshman Kadirgamar Institute of International Relations and Strategic Studies*, 9 August 2023, <https://lki.lk/>.

⁴⁷ "Third LKI Foreign Policy Forum Reassess the Relevance of Non-Alignment in a Polarised World," *Lakshman Kadirgamar Institute of International Relations and Strategic Studies*, 21 February 2024, <https://lki.lk/>.

an ever-increasing polarised world is what we need to learn.”⁴⁸ If Colombo were to engage with the IPEF, it must recognize that while the “trilemma” between the United States, India, and China persists within the Indo-Pacific and within Sri Lanka itself, it should not hesitate to make decisions that benefit it as a sovereign and independent nation.⁴⁹

Colombo’s current foreign policy, while grounded in historic principles of non-alignment and mindful of Sri Lanka’s position amid geopolitical tensions, lacks the robustness to turn awareness of its challenges into coherent policy that benefits all sides. While countries like the United States, Japan, and India have outlined their respective Indo-Pacific strategies, Sri Lanka has yet to develop a comprehensive engagement strategy.⁵⁰ Experts and scholars have identified areas in Sri Lanka’s foreign policy that can work within the changing nature of nonalignment, yet this has not been articulated as a coherent and concrete strategy for economic engagement.⁵¹ To effectively engage with the IPEF amid geopolitical complexities, Sri Lanka first requires an evaluation of how Colombo can maximize the economic benefits of its bilateral relationships with the United States, India, and China. Furthermore, recent discussions on the future of Sri Lanka’s foreign policy emphasize that policy formulation should not be solely through the lens of great-power competition but also consider how Colombo can build relationships with other states in the Indo-Pacific and globally. If Sri Lanka undergoes this remodeling of its foreign policy strategy, it will be better suited to navigate the geopolitical challenges that lie ahead.

Evaluation and Conclusion

This article aimed to assess Sri Lanka’s potential engagement with the IPEF and analyze the economic and geopolitical implications of enhanced economic ties between the United States and Sri Lanka. Several overarching factors influence the role of the IPEF, including ongoing negotiations with current partners, the establishment of clear economic incentives, and Sri Lanka’s evolving foreign policy. Political uncertainty due to upcoming presidential elections in both the United States and Sri Lanka in 2024 adds complexity to the situation.

⁴⁸ “Foreign Minister Says ‘Non-alignment means you are not forced or coerced into a camp to take sovereign decisions’,” *Lakshman Kadirgamar Institute of International Relations and Strategic Studies*, 21 February 2024, <https://lki.lk/>.

⁴⁹ “LKI Foreign Policy Forum.”

⁵⁰ Pankaj Vashisht, “Indo-Pacific Strategies: What Do They Entail for India,” *Journal of Indo-Pacific Affairs* 6, no. 3 (March–April 2023): 109–28, <https://media.defense.gov/>.

⁵¹ Nilupul Gunawardena, “A Sri Lankan Perspective on the Indo-Pacific Concept,” *Lakshman Kadirgamar Institute of International Relations and Strategic Studies*, 8 January 2020, <https://lki.lk/>.

Sri Lanka's current president, Ranil Wickremesinghe, has historically favored open relationships with the United States and the West, contrasting with his protectionist, pro-China predecessors. However, his recent "pro-Sri Lankan" interview highlights his desire to assert Sri Lanka's sovereignty and engage with all partners in pursuit of the country's progress.⁵² Furthermore, other electoral candidates, including opposition leader Sajith Premadasa and National People's Party (NPP) candidate Anura Kumara Dissanayake, have expressed both skepticism and openness toward the United States.

As the results of the 2024 presidential election hang in the balance, so too does Sri Lanka's prospective engagement with the IPEF. Given Sri Lanka's recovery period from its economic crisis and the political consequences stemming from these policies, the outcomes of the first elections post-crisis will be particularly telling as to whether Sri Lanka is ready and receptive to sustainable economic changes. These changes could transform its domestic political landscape and align with the outward-looking, economically focused foreign policy that the IPEF seeks to promote.

However, Sri Lanka's engagement with the IPEF faces hurdles beyond its political turbulence. Progress in trade negotiations as part of pillar 1 of the IPEF has stalled due to US domestic concerns linked to the *Indo-Pacific Strategy*. Political candidates remain cautious about fully supporting the IPEF due to sensitivities among the electorate, particularly those favoring protectionist measures to empower domestic industries. Former President Donald Trump has clearly stated that if he wins in the fall, the IPEF—dismissively referred to as "TPP Two"—would be eliminated immediately.⁵³ This electoral uncertainty in the United States poses a significant barrier to not only the IPEF's strengthening and expansion but also its very existence.

Sri Lanka's successful engagement with the IPEF ultimately hinges on both economic and geopolitical factors. Given the geopolitical complications of engaging with regional economic agreements, clear and immediate economic benefits are necessary to incentivize prospective partners. However, the United States has not yet demonstrated the immediate economic benefits of IPEF participation, making it unsurprising that the framework has failed to attract Sri Lankan policy makers as part of their economic strategy. While longer-term economic benefits exist conceptually—such as international supply-chain par-

⁵² "I am not pro-Indian or pro-Chinese; I am pro-Sri Lankan," *Ada Derana*, 19 September 2023, <https://www.adaderana.lk/>.

⁵³ Nathan Layne, "Trump vows to kill Asia trade deal being pursued by Biden if elected," *Reuters*, 18 November 2023, <https://www.reuters.com/>.

ticipation, a clean energy transition, and anticorruption measures—Sri Lanka's current economic situation requires more immediate solutions.

Sri Lanka is pursuing economic self-interest as part of its foreign policy approach, and the IPEF currently fails to support this position. Without clear economic benefits, Colombo is constrained by the geopolitical complications that could arise without gaining a sufficient economic advantage to justify Sri Lanka's engagement. This lack of incentive is further exacerbated by the weakness of enforcement mechanisms, which limits the ability of the United States to secure its economic and strategic interests through the IPEF and raises questions about the tangible impact of participating in the IPEF altogether.

The IPEF epitomizes the geopolitical implications of economic policy making. Economic decisions are profoundly impacted by the shifting dynamics of the Indo-Pacific, compelling smaller, open economies like Sri Lanka to exercise caution when building mutually beneficial relationships with major powers. Given the confrontational nature of the IPEF and the economic uncertainty surrounding engagement, Sri Lankan policy makers are justified in withholding prospective membership until the proposed economic advantages outweigh the potential geopolitical consequences. As Sri Lanka emerges from its worst economic crisis in history, its economic policy will likely remain short-sighted, prioritizing stability over potential turbulence. ★

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The Role of Domestic Factors in Sri Lanka's Foreign Affairs

Implications for the United States' Engagements

TSHERING EUDON

Abstract

This article examines the geopolitical dynamics in South Asia, focusing on Sri Lanka's strategic position amid rising powers India and China. It explores how Sri Lanka's domestic political environment and socioeconomic needs shape Colombo's foreign policy engagements. The article highlights the impact of external shocks, such as the global pandemic and the Russian invasion of Ukraine, which have made Sri Lanka more susceptible to external influences. It critiques the United States' foreign policy approach, which prioritizes national security over economic development, creating a mismatch with Sri Lanka's domestic needs. The article suggests that the United States should revisit its approach toward Sri Lanka, prioritizing economic policy to achieve its strategic objectives. It underscores the significant role of domestic factors in shaping Sri Lanka's foreign policy, particularly in the postwar era, and how Western pressure has limited Sri Lanka's access to developmental assistance. The article calls for a more nuanced understanding of Sri Lanka's domestic situation in shaping foreign policy engagements.

Sri Lanka occupies a critical geostrategic space within maritime South Asia, a region historically preoccupied with internal affairs rather than geopolitical concerns. The ascent of China and its widening reach in foreign politics and economics has redrawn this landscape. Once under the unchallenged sway of India, Colombo now finds itself contending with China for influence. In this arena, smaller states like Sri Lanka find themselves caught in the crosscurrents of power dynamics among greater powers. In the contemporary era, the burgeoning ambitions and strategic interests of rising powers such as India and China—compounded by external shocks like the global pandemic and the Russian invasion of Ukraine—have triggered a succession of domestic crises (political, economic and social), rendering Sri Lanka increasingly susceptible and vulnerable to external pressures.

In such a precarious predicament, it becomes imperative for external stakeholders, notably the United States, to grasp the significance of domestic institutions and actors that shape Sri Lanka's external involvements. Since its independence, domestic needs and development aspirations have been the primary drivers in Sri Lanka's foreign policy engagements with China, India, and the United States.

Yet, US foreign policy in South Asia has been predominantly preoccupied with national security concerns and aspirations rather than economic development. Specifically, Washington has been ensnared by regional security dilemmas—ranging from Sino-Indian tensions to Pakistan-India relations—and the post-9/11 counterterrorism campaign, alongside normative issues relating to democracy, human rights, and development.¹ This mismatch impedes the US foreign policy apparatus from effectively prioritizing and accommodating Sri Lanka's domestic exigencies and critical needs.

This article explores the triangular power relationship that Sri Lanka finds itself enmeshed in and analyzes the implications of that three-way interplay on US engagements in South Asia. Specifically, it delves into the power dynamics and the implications of Sri Lanka's domestic political environment on its regional politics with India and China in Sri Lanka-US engagements. The leadership and their regimes have been crucial in shaping Sri Lanka's interactions with external powers, including India, China, and the United States. The article recommends that the United States revisit its approaches toward Sri Lanka, emphasizing a heightened emphasis on economic policies to effectively pursue strategic objectives.

Domestic Factors as Preconditions to Sri Lanka's Foreign Policy Conducts

Internal factors wield significant influence over the trajectory of Sri Lanka's foreign policy engagements. In the aftermath of the Sri Lankan Civil War (post-2009), Sri Lanka's socioeconomic landscape, developmental imperatives, and leadership dynamics have been pivotal in shaping its approach toward China, India, and the Western bloc. The nation's protracted history of internal political strife, particularly the Sinhala-Tamil tensions culminating in the civil war (1983–2009) with the Liberation Tigers of Tamil Eelam (LTTE), has profoundly influenced its domestic economic and political milieu.

Emerging from the ravages of war, Sri Lanka faced pressing demands for financial assistance to fuel its socioeconomic recovery. However, Western scrutiny, notably from the United States, regarding alleged wartime transgressions by the Sri Lankan government led to diplomatic isolation and constrained developmental aid—comprising concessional loans and assistance—from international donors

¹ Dinshaw Mistry, "U.S. Foreign Policy and Security and Governance in South Asia," in *Enduring and Emerging Issues in South Asian Security*, ed. Dinshaw Mistry and Sumit Ganguly (Washington: Brookings Institution Press, 2022): 1–24, <http://www.jstor.org/>; and Waseem Ishaque, Aman Ullah, and Fazal Noman, "United States Foreign Policy Towards South Asia: Analyzing Implications for Pakistan," *Global Political Review* 5, no. 3 (September 2020): 24–31, <https://www.gprjournal.com/>.

and organizations.² These funds, albeit limited, were contingent upon adherence to good governance standards, human rights accountability, and societal reconciliation. While well-intentioned, such conditionalities restricted the efficacy of the aid in addressing Sri Lanka's fundamental developmental requirements.

The diplomatic and economic ostracization compelled the Sri Lankan government to seek alternative avenues for support. As observed by Roshni Kapur and Chulanee Attanayake, the United States' "continuous pressure during and after the war," coupled with the resulting isolation by traditional partners, prompted the Rajapaksa administration to tilt toward China. This realignment facilitated an expansion of China's geopolitical influence within Sri Lanka.

In addition to seeking foreign aid and investment, the Mahinda Rajapaksa government found itself in need of diplomatic backing amid Western-led isolation. China emerged as a crucial ally, extending both political and diplomatic support to further Sri Lanka's interests on the global stage, while also providing substantial economic assistance for large-scale infrastructural development projects. Consequently, China assumed a prominent role in Sri Lanka's postconflict reconstruction and rehabilitation efforts, contributing to the construction of vital infrastructure such as roads, housing, and bridges, thereby challenging India's influence in the region.³

According to Sri Lankan scholars, the competition between China and India for influence in Sri Lanka intensified significantly from 2009 onward, coinciding with the final stages of the civil war and the onset of US-led isolation measures.⁴ Thus, the domestic dynamics of the Sri Lankan conflict profoundly influenced the country's initial approach toward China, consequently shaping the parameters within which subsequent engagement with the United States could unfold.

In tandem with these internal dynamics, shifts in the geopolitical landscape have magnified the roles of domestic actors in shaping Sri Lanka's foreign policy trajectory. Externally, the ascendance of China, alongside the entrenched leadership of Xi Jinping and Narendra Modi, coupled with the Obama administration's strategic pivot to Asia, heightened strategic competition and rivalries among external powers—namely, India, China, and the United States—over Sri Lanka and other smaller South Asian states.

² N.P. Ravindra Deyshappriya, "Sri Lanka–China Economic Relations in Comparative Perspective: Ample Room to Grow," *China Report* 55, no. 4 (2019): 364–92, <https://journals.sagepub.com/>; and Chulanee Attanayake and Archana Atmakuri, "Navigating the Sino-Indian power struggle in the Indian Ocean: The case of Sri Lanka," *Journal of the Indian Ocean Region* 17, no. 1 (2021): 114–33, <https://doi.org/>.

³ All the interviews for this research are conducted under the Chatham House rule. Interviewee 1, interview by author; 2 May 2023, Sri Lanka, Colombo; Interviewee 3, (written) interview by author, 2 May 2023, Sri Lanka, Colombo; and Interviewee 5, interview by author, 4 May 2023, Sri Lanka, Colombo.

⁴ Interviewees 1 and 3, and Interviewee 11, interview by author, 11 May 2023, Sri Lanka, Colombo.

Since 2013, China has pursued increasingly ambitious economic agendas, both regionally and globally, notably through initiatives such as the Maritime Silk Road (MSR) and the Belt and Road Initiative (BRI). Consequently, Sri Lanka's significance to China has been revitalized within the framework of these maritime ambitions in the Indian Ocean region (IOR).⁵ In the contemporary era, Sri Lanka holds geostrategic, geoeconomic, and military importance for China, with bilateral engagements between the two nations intensifying across political, economic, defense, and cultural domains.

Similarly, 2014 marked a turning point for India as Narendra Modi took the reins. With a watchful eye on China's growing influence in Sri Lanka, India found itself compelled to pragmatically reassess its foreign policies in South Asia. This shift in strategy is evident in the Neighbourhood First policy and the Security and Growth for All in the Region (SAGAR) diplomacy. But India did not stop there. New Delhi fortified its partnerships with the United States, Japan, and other members of the Quad alliance, enhancing maritime security cooperation.⁶ These foreign policies were not reactive but proactive, designed to engage with South Asian neighbors and mitigate China's influence.

The relationship between China and India deteriorated significantly following the 2017 Doklam clashes, further exacerbated by subsequent clashes in Galwan and Tawang in 2020 and 2022.⁷ This has contributed to the emergence of a South Asian regional framework characterized by heightened great-power rivalry between China and India, marked by conflicts and competition.⁸ Indian scholars posit that this dynamic has spurred a "healthy competition" for India, as the Sino-Indian rivalry fuels competition in economic, defense, and cultural arenas.⁹ Amid this backdrop, Sri Lanka has emerged as a geostrategic and geoeconomic milieu for

⁵ 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/>; Interviewee 11; and Interviewee 10, interview by author, 11 May 2023, Sri Lanka, Colombo.

⁶ Rahul Roy-Chaudhury and Viraj Solanki, "China-South Asia Relations: Indian Perspectives," in *Crossing the Himalayas: Buddhist Ties, Regional Integration and Great-Power Rivalry*, ed. Nian Peng, Ghulam Ali and Yi Zhang (Singapore: Springer, 2022), 37–57, <https://doi.org/>.

⁷ Interviewee 14, interview by author, 9 December 2022, India, New Delhi; Interviewee 15, interview by author, 11 December 2022, India, New Delhi; Interviewee 16, interview by author, 17 December 2022, India, New Delhi; and Interviewee 19, interview by author, 12 December 2022, India, New Delhi.

⁸ Jo Inge Bekkevold, "Norway's relationship with China Over 70 Years: Small State Idealism and Realism in the Face of a Great Power," *David Cowhig's Translation Blog*, 29 October 2021, <https://gaodawei.wordpress.com/>; Interviewees 14, 15, and 19; Interviewee 17, interview by author, 14 December 2022, India, New Delhi; and Interviewee 18, interview by author, 14 December 2022, India, New Delhi.

⁹ Interviewees 1 and 4.

these great-power politics, as both China and India want to “access to other regions through Sri Lanka and Indian Ocean, and for their security reasons.”¹⁰

Consequently, Sri Lanka, like other South Asian nations, must navigate its foreign policy within this complex regional-systemic structure and the intricate geopolitics it entails. Yet, the ongoing border tensions between India and China pose potential risks to Sri Lanka's hedging strategy. Should developmental needs remain paramount, Colombo's alignment may ultimately gravitate toward the state or bloc positioned to best meet these requirements.

Today, amid critical international events, Sri Lanka grapples with its worst political, economic, and social crisis. The nation faces bankruptcy and political and social instability, with the real gross domestic product (GDP) contracting by 7.8 percent and external debt reaching USD 49.678 billion.¹¹ Internally, the crisis stems from several factors, including the country's import-driven economic model, which has exacerbated the economic downturn. Sri Lanka's trade deficit plummeted to a record low of USD 5.2 billion in 2022 (see table 1).¹² Correspondingly, Sri Lanka's trade deficits with China and India in 2021 were USD 4.26 billion and USD 3.6 billion, respectively, due to growing imports and limited exports.¹³ Additionally, policy failures, entrenched corruption within the government, particularly within the Rajapaksa administration, and patron-client political structures have contributed to socioeconomic and political unrest, undermining the nation's sovereign authority.¹⁴ The government's “borrowing spree,” coupled with low returns

¹⁰ Interviewees 3, 5, 11.

¹¹ “Sri Lanka: Macroeconomic Developments in Charts, Second Quarter 2023,” Central Bank of Sri Lanka, 2023, <https://www.cbsl.gov.lk/>; and Department of Census and Statistics, “Economic Statistics of Sri Lanka 2023,” Ministry of Finance, Sri Lanka, August 2023, i–72, <http://www.statistics.gov.lk/>.

¹² *Annual Report (Volume I) of the Monetary Board to the Hon. Minister of Finance for the Year 2021* (Colombo: Central Bank of Sri Lanka, 2022), <https://www.cbsl.gov.lk/>.

¹³ Department of Commerce, “International Trade Statistics of Sri Lanka – 2021,” Ministry of Trade, Sri Lanka, 2021, ii–xxviii, <https://www.doc.gov.lk/>.

¹⁴ Interviewee 4 contends that the “patron-client relationship” between leaders and voters has spurred corruption-tainted, Chinese-funded “white elephant projects.” In this dynamic, leaders must repay voter loyalty by crafting policies like welfare systems, which distribute wealth to their supporters but don't necessarily promote national growth. The development activities in Hambantota, the home of the Rajapaksa family, exemplify this issue. The benefits from the construction and operation of the port primarily serve the leaders' supporters. Interviewees 5 and 11; Interviewee 4, interview by author, 3 May 2023, Sri Lanka, Colombo; and Interviewee 8, interview by author, 9 May 2023, Sri Lanka, Colombo.

on corruption-riddled mega-infrastructure projects, ill-conceived fiscal policies, and a controversial fertilizer ban, have only compounded the economic crisis.¹⁵

In the international arena, Sri Lanka's economic situation has deteriorated due to a confluence of factors: external loans, the COVID-19 pandemic, the war in Ukraine, and the ensuing global inflation. The pandemic thwarted the government's economic stimulation efforts through tax reductions, leading to an economic contraction of 3.6 percent in 2020. However, the economy rebounded slightly with a growth of 3.7% in 2021.¹⁶ The war between Ukraine and Russia, coupled with soaring global commodity prices, triggered a 57-percent surge in food inflation, exacerbating the already crisis-ridden economic situation.¹⁷ These external shocks have precipitated economic, political, and social crises in Sri Lanka. By 2021, Sri Lanka's external debt had ballooned to USD 51.8 billion. Interestingly, only 10 percent and 2 percent of this debt was owed to China and India respectively.¹⁸ This minimal share of total external debt owed to China and India underscores the prominence of domestic factors in the crisis. It is the ill-conceived domestic policies, whose impacts have been magnified by these external circumstances, which are at the heart of Sri Lanka's structural economic crisis.

¹⁵ These led to a mounting external debt (USD 50.7 billion), a drop in foreign-currency reserves slip (USD 1.6 billion by 2021), currency depreciation (50 percent against the US dollar), and inflation in 2022. According to an opinion poll conducted by Julie Ray, 61 percent of Sri Lankans in December 2021 expressed that their local economic conditions were getting worse, and 52 percent said they had no confidence in their national government. Julie Ray, "Sri Lankans Lose Faith in Leadership as Economy Spirals," Gallup, 25 April 2022, <https://news.gallup.com/>. This shows the public pessimism toward Sri Lankan leaders and their economic mismanagement. The 2022 field research this author conducted in Sri Lanka confirmed the pessimism and despair regarding the country's economy. See also, Amita Arudpragasam, "How the Rajapaksas Destroyed Sri Lanka's Economy," *Foreign Policy*, 28 April 2022, <https://foreignpolicy.com/>; and Ted Nordhaus and Saloni Shah, "In Sri Lanka, Organic Farming Went Catastrophically Wrong," *Foreign Policy*, 5 March 2022, <https://foreignpolicy.com/>.

¹⁶ *BTI 2022 Country Report: Sri Lanka* (Gütersloh: Bertelsmann Stiftung, 2022), <https://bti-project.org/>.

¹⁷ Uditha Jayasinghe, "Sri Lanka needs \$1.5 billion, help from China for essentials," *Reuters*, 7 June 2022, <https://www.reuters.com/>.

¹⁸ Central Bank of Sri Lanka, 2022; and External Development Board, "Sri Lanka's Export Performance in January 2022," External Development Board, Sri Lanka, 2022, <https://www.srilankabusiness.com/>.

Table 1. Sri Lanka's trade and external debt. (Source: Central Bank of Sri Lanka)

Year	Value (USD in Billion)			
	Imports	Exports	Trade Deficit	External Debt
2019	19.9	11.9	8.0	54.8
2020	16.1	10.0	6.0	49.2
2021	20.6	12.5	8.1	51.8
2022	18.3	13.1	5.2	49.7

Today, Sri Lanka's sovereign power and agency in its external engagements have been significantly eroded. The nation is in dire need of economic support and rescue from any willing actor. The stringent preconditions for an International Monetary Fund (IMF) bailout have profoundly impacted Sri Lanka's domestic and foreign policy making, particularly in relation to economic policy restructuring.¹⁹ This has drastically curtailed Sri Lanka's bargaining power, agency, and sovereignty. The nation is no longer able to favor one power over another or to antagonize India or the United States.²⁰ This situation underscores Sri Lanka's diminishing sovereignty and bargaining power with external powers, a consequence of its economic catastrophe.

Sri Lanka's predicament strongly suggests that economic stability is a prerequisite for a small power's foreign policy autonomy. Consequently, Sri Lanka is more susceptible to external influence, and foreign powers have increased leverage in shaping its domestic policy.²¹ Amid this, President Ranil Wickremesinghe is pursuing a nationalist and non-aligned foreign policy with any external power. However, in practice, his government aligns with the state that imposes the fewest restrictions on Sri Lanka's development and the ruling party's capacity to deliver that development. Under such fragile political and economic conditions, it is crucial for the United States to prioritize providing financial and economic assistance to Sri Lanka with minimal preconditions. In essence, it needs to position itself as a replacement for—or a preferred alternative to—China.

In sum, both domestic and international factors have been instrumental in shaping Sri Lanka's foreign policy conduct with its external powers since its independence. The role of domestic factors has become more pronounced in Sri Lanka's

¹⁹ Interviewees 5 and 11; Interviewee 12, interview by author, 11 May 2023, Sri Lanka, Colombo; and Interviewee 13, interview by author, 11 May 2023, Sri Lanka, Colombo.

²⁰ Interviewees 1, 4, and 5; and Interviewee 7, interview by author, 4 May 2023, Sri Lanka, Colombo.

²¹ Interviewee 7.

contemporary foreign policy making. Therefore, understanding the interplay of internal and external factors in Sri Lanka's foreign policy making—beginning with its foreign policy engagements with India and China—is crucial, as it has significant implications for Sri Lanka–US foreign policy engagements.

Contemporary Sri Lanka–China–India Relationships

Given that China and India are Sri Lanka's main economic and strategic partners, it is crucial to assess the role of domestic factors in its interactions with these nations and comprehend the implications for Sri Lanka–US relations. Despite its efforts to maintain a policy of non-alignment and strike a balance between India and China, domestic circumstances inevitably draw Sri Lanka into the orbits of these major powers.²² In the postwar era, domestic factors, such as regime types and leadership, have been the primary drivers of Sri Lanka's engagements with India and China. In the current scenario, the crisis—intensified by leadership—fundamentally shapes Sri Lanka's foreign policy and agency toward India, China, and other external powers.²³ This section delves into the impact of regime type and various leaderships on Sri Lanka's political, economic, and strategic engagements with India and China. It underscores the importance of understanding the interplay of domestic and international factors in shaping Sri Lanka's foreign policy.

Political Engagements

Leadership and domestic circumstances are the driving forces behind Sri Lanka's contemporary foreign policy engagements with China and India. Both China and India, as significant regional actors and neighbors, carry substantial economic and security implications for Sri Lanka. The strategic rivalry between China and India in South Asia has become more pronounced and competitive in the twenty-first century. With the ascendancy of China and India and the intensification of geopolitics, smaller actors like Sri Lanka have emerged as crucial partners in amassing power to shape the regional political landscape. Sri Lanka, along with other small South Asian states, must navigate their foreign policy engagements amid the escalating pressure and competitive geopolitics in the IOR, the United States' Indo-Pacific strategy, and the great-power politics in Asia. This regional structure allows domestic actors to play significant roles in Sri Lanka's foreign policy engagements with India and China.

²² Interviewees 1 and 5.

²³ Interviewees 1, 4, 5, and 7; and Interviewee 6, interview by author, 4 May 2023, Sri Lanka, Colombo.

In the twenty-first century, Sri Lanka has bolstered its political and strategic relations with external powers—China, India, and the United States—primarily due to its domestic and international needs and leadership preferences. As previously mentioned, the civil war and subsequent domestic and international circumstances have pushed (and continue to push) Sri Lanka and its leaders closer to China's orbit for economic and political security since the postwar era. Simultaneously, geographical proximity, domestic politics, and ethnic issues (i.e., Tamil politics) stemming from shared culture, history, ethnicity, and language have critically shaped Sri Lanka–India bilateral relations since independence.

In the current era, the leadership and their respective regimes largely shape Sri Lanka's foreign policy stance toward India and China. The regime of Mahinda Rajapaksa (2005–2015), under the banner of the Sri Lanka Freedom Party (SLFP), significantly fortified political and diplomatic relations with China. The two nations evolved into strategic partners and upgraded their bilateral relationship to a Strategic Cooperative Partnership in 2013.²⁴ The Rajapaksa leadership sought China's domestic and international backing for their regime's viability. China continues to extend diplomatic support to Sri Lanka against the United States-sponsored UNHRC resolutions for accountability and reconciliation regarding war crimes since 2009 (i.e., for the 2009, 2012, 2013, and 2021 UNHRC resolutions).²⁵ As the current Sri Lankan ambassador to China, Dr. Palitha Kohona, stated, "China has been a consistent ally of Sri Lanka and has been a great strength in international fora."²⁶ China emerged as an indispensable external power for Rajapaksa's leadership in both domestic and international arenas. Domestic circumstances and Western isolation have paved the way for an increase in Chinese influence in Sri Lanka since its postwar period.

A shift in leadership/regimes in both Sri Lanka and India nudged Sri Lanka closer to India between 2015 and 2019. Narendra Modi of the Bharatiya Janata Party (BJP) in India and Maithripala Sirisena of the coalition government of the United National Party (UNP) in Sri Lanka assumed power in 2014 and 2015, respectively. Both countries sought a more pragmatic approach, focusing on the

²⁴ Janaka Wijayasiri, "Balancing Economic Partnership for Growth in the Post-conflict Sri Lanka," in *Managing Domestic and International Challenges and Opportunities in Post-conflict Development*, ed. Dushni Weerakoon and Sirsira Jayasuriya (Singapore: Springer, 2019), 133–50, <https://doi.org/>.

²⁵ Ivan Campbell et al., *China and Conflict-Affected States: Between Principle and Pragmatism* (London: SAF-ERWORLD, January 2012), <https://www.ecosonline.org/>; and Marwaan Macan-Markar, "Sri Lanka assured of China's help in burying post-war obligations," *NIKKEI Asia*, 28 October 2020, <https://asia.nikkei.com/>.

²⁶ Macan-Markar, "Sri Lanka assured of China's help."

functional necessities of their contemporary bilateral relations.²⁷ Sri Lanka holds a “central place” in Modi’s Neighbourhood First policy aimed at containing China’s expanding presence and encirclement.²⁸ The Sirisena-Wickremesinghe regime sought a balanced approach between India and China and even suspended Chinese luxury real estate projects worth USD 1.5 billion in Colombo to mend ties with India.²⁹ This could suggest that Sri Lanka’s initiatives with India come at the expense of cooperation with China, a zero-sum game in which Sri Lanka has limited opportunities for change.

Between 2015 and 2017, there were numerous high-level visits.³⁰ President Sirisena visited India in February 2015, reciprocated by Modi’s visit in March 2015, marking the first visit by an Indian prime minister in twenty-eight years.³¹ India began to support Sri Lanka’s interests and the UNHRC resolutions in 2014 (and again in 2015, 2017, and 2019), respecting the commitments and reconciliation steps of Sirisena’s government.³² This occurred amid Sri Lanka’s growing strategic significance “as an avenue” to expand New Delhi’s footprint across the Indo-Pacific and challenge “China’s rising assertiveness” in Sri Lanka and the region.³³ Hence, the political relationships between Sri Lanka and India strengthened under the leadership of Sirisena and Wickremesinghe.

Similar to Mahinda Rajapaksa’s regime, his brother Gotabaya’s administration (2019–2022), under the Sri Lanka Podujana Peramuna (SLPP), maintained close relations with China. Gotabaya’s regime championed two significant foreign

²⁷ S. Chaminda Padmakumara and S.M.D.P. Harsha Senanayake, “Contemporary India–Sri Lanka Relations from Sri Lankan Perspectives,” in *India in South Asia*, ed. Amit Ranjan (Singapore: Springer, 2019), 203–13, <https://doi.org/>.

²⁸ *Annual Report | 2021–2022* (New Delhi: Ministry of External Affairs, 2022), <https://www.mea.gov.in/>; and Interviewee 7.

²⁹ Harsh V. Pant, *Indian Foreign Policy: An Overview* (Manchester, UK: Manchester University Press, 2017).

³⁰ Wijayasiri, “Balancing Economic Partnership.”

³¹ Pant, *Indian Foreign Policy*.

³² Santosh Chaubey, “Why India’s Vote Against Sri Lanka in UNHRC in 2012 and 2013 Should be Seen as an Aberration,” *NEWS 18*, 25 March 2022, <https://www.news18.com/>.

³³ However, domestic pressures drove the UNP regimes to engage with China, despite initially aiming for a balanced policy. Sirisena’s administration had to rekindle economic and trade ties with China to address the dire financial situation left by the Rajapaksa administration. In 2017, Sri Lanka even leased the Hambantota Port to the China Merchants Port Holdings Company (CMPorts) for 99 years, granting an 85-percent stake along with 1,235 acres of surrounding land. In return, Sri Lanka received USD 1.12 billion, which it used to bolster its foreign exchange reserves. See, Ganeshan Wignaraja, “Grappling with Great Power Rivalries: Reflections on Sri Lanka’s Engagement with the United States and China” (working paper, Lakshman Kadirgamar Institute, November 2019), 2–11, <https://lki.lk/>; Pascal Lottaz and Asanka Prabodani Jayathilake argue that this was inevitable due to the previous Rajapaksa government’s uncontrollable debt levels. Pascal Lottaz and Asanka Prabodani Jayathilake, “Sri Lanka Discovers Neutrality: Strategy or Excuse?,” *The Diplomat*, 19 March 2021, <https://thediplomat.com/>. Also, Chaubey, “Why India’s Vote against Sri Lanka.”

policies to rejuvenate: (1) the economy with a focus on security and sovereignty, and (2) relations with both China and India.³⁴ Initially, the regime advocated for a “friendly, non-aligned foreign policy,” articulating an “equidistant foreign policy” in an attempt to remain neutral between India and China.³⁵ The Chinese government withdrew from energy projects in the northern islands following pressure from India and Sri Lanka.³⁶ There was also an imbroglio over a shipment of inorganic fertilizer that caused a “diplomatic stink”³⁷ and led to the blacklisting of the People’s Bank of Sri Lanka. Uditha Devapriya argues that these diplomatic skirmishes with China occurred while pursuing amicable relations with India.³⁸ Despite this, Gotabaya’s regime forged closer economic ties with China, worked on the developments of the Colombo Port City project, and was further drawn toward Beijing for financial needs.³⁹ This is because Sinhalese Buddhist nationalist leaders like the Rajapaksa brothers “prefer . . . direct relations with (the) US and China rather than India,” while Sinhalese and Buddhist clergy “would indirectly instigate protests against Indian development plans.”⁴⁰ The images, ethnonationalism, perceptions, and Buddhist ideologies of the Rajapaksas shaped their domestic and foreign policy conduct.

Presently, the regime of Ranil Wickremesinghe (2022–current) strives to adopt a nationalist and nonaligned foreign policy with its external powers, including China, India, and the United States, to maximize international support and

³⁴ Chulanee Attanayake, “Sri Lanka in 2021: Foreign Policy in Prognosis,” *ISAS Briefs*, 18 January 2021, <https://www.isas.nus.edu.sg/>.

³⁵ Asanga Abeyagoonasekera, “Sri Lanka’s Foreign Policy: Past, Present, and Future,” in *Routledge Handbook on South Asian Foreign Policy*, ed. Aparna Pande (New York: Routledge, 2022), 349; and Ren Yuanzhe, “Sri Lanka’s Presidential Election 2019: A Chinese Perspective on its Impact on China-Sri Lanka Relations,” *ISAS Briefs*, 3 December 2019, <https://www.isas.nus.edu.sg/>.

³⁶ Zulfick Farzan, “China suspends northern islands power projects,” *NEWS 1st*, 2 December 2021, <https://www.newsfirst.lk/>.

³⁷ Anbarasan Ethirajan, “Ship-load of ‘toxic’ Chinese fertilizer causes diplomatic stink,” *BBC News*, 13 November 2021, <https://www.bbc.com/>.

³⁸ Uditha Devapriya, “Is Sri Lanka Under Gotabaya Rajapaksa Really Tilting Toward China?,” *The Diplomat*, 1 February 2022, <https://thediplomat.com/>.

³⁹ Paikiasothy Saravanamuttu, “The Rajapaksa Dynasty in Sri Lanka: Democracy in Decline,” *The Diplomat*, 1 August 2021, <https://thediplomat.com/>.

⁴⁰ The Sinhala–Tamil ethnic polarization is a divisive force in Sri Lanka’s foreign policy, influencing its interactions with India and China. The Buddhist clergy, Sinhalese, and their leaders “prefer . . . direct relations with . . . China rather than India” (Interviewee 3). Conversely, Tamils favor India due to ethnic ties, India’s initial support during the civil war, and its leverage over the Sri Lankan government on Tamil-related issues. Thus, it is not just the regimes but also their electoral supporters that shape the orientation between these two powers. Securing a social foothold in such an ethnically and religiously divided landscape will be problematic for any new power.

economic recovery amid the crisis.⁴¹ During a keynote address to the third annual Indo-Pacific Islands dialogue, President Wickremesinghe declared, “definitely, I am not pro-India . . . also not pro-China . . . I am pro-Sri Lanka. . . Today, our priorities are . . . economic, social, ecological”—a departure from the priorities of the great powers in the region—and “we are prepared to work with any actors, state or non-state actor, who will help us achieve these objectives.”⁴² This statement strongly reflects Sri Lanka’s economic priority and its practice of an economic-oriented foreign policy. Amid the economic crisis, Sri Lanka has resumed its negotiations on free trade agreements (FTA) with India, China, and other countries since 2023.⁴³ As Passang Dorji argues, such a pragmatic policy is a form of “strategic hedging—increasingly prominent in South Asian small states—where they avoid alignments with external powers, but rather become more (pro)nationalist for their greater foreign policy maneuverability.”⁴⁴

In such crisis-stricken situations, the urgent need for economic rescue has further empowered Sri Lankan elites in negotiating with domestic forces, while external powers exploit Sri Lanka’s vulnerable situation and the weakened negotiating/sovereign power.⁴⁵ The incumbent regime has also proposed the Anti-Terrorism Bill to replace the Prevention of Terrorism Act to curtail excessive executive powers and suppress domestic dissidents, thereby meeting the IMF’s restructuring conditions.⁴⁶ However, in its external dealings, Sri Lanka is greatly lacking in agency due to the “corrupted” political leadership and institutions that allow international communities to deal directly with individuals in power, bypassing state institutions. Hence, there is a “delicate connection between domestic affinities and foreign relations” in Sri Lanka.⁴⁷ As Sri Lankan scholars and journalists have commented, Sri Lanka lacks a “consistent foreign policy,” and it varies “depending on financial resources and economic-political needs” and leaderships.⁴⁸ Thus, the regime

⁴¹ Interviewee 5.

⁴² “Ocean Nations: The 3rd Annual Indo-Pacific Islands Dialogue,” hosted by the Carnegie Endowment on 18 September 2023. President Ranil Wickremesinghe made his keynote speech moderated by Dan Baer, Senior Vice President for Policy Research at the Carnegie Endowment for International Peace. The recorded talk is available at Carnegie’s YouTube page. Carnegie Endowment, “Islands Dialogue: Keynote Address: President Ranil Wickremesinghe,” *YouTube*, 19 September 2023, <https://www.youtube.com/>.

⁴³ M. Ramesh, “Sri Lanka will renegotiate FTAs with all countries, says Minister,” *businessline*, 11 August, 2023, <https://www.thehindubusinessline.com/>.

⁴⁴ Interviewee 26, interview by author, 19 January 2024, Thimphu, Bhutan.

⁴⁵ Interviewees 11, 12, and 13.

⁴⁶ “Call to Sri Lanka to revise anti-terrorism bill” (press briefing, Office of the High Commissioner for Human Rights, United Nations, Geneva, 19 January 2024), <https://www.ohchr.org/>; and Interviewee 11.

⁴⁷ Lottaz and Prabodani Jayathilake, “Sri Lanka Discovers Neutrality.”

⁴⁸ Interviewees 3 and 9.

in power determines Sri Lanka's foreign policy directions, but—in the absence of another long-term development partner—its structural domestic and international situations consistently swing Sri Lanka between China and India.

Economic Engagements

Much like political relations, Sri Lanka's economic engagements with China and India are largely governed by external and internal factors. In the immediate aftermath of the war, Sri Lanka found itself inevitably drawn toward China for economic interests, in addition to its diplomatic interests. Amid Western pressure and having graduated from the Least Developed Country Status (LDCS), Sri Lanka had limited access to concessional loans and aid, including those from the IMF and the World Bank, which came with conditionalities. China emerged as the “only bilateral partner” and non-traditional donor offering “quick loans and assistance with minimal prerequisites” and substantial foreign direct investment (FDI).⁴⁹ Since then, China has become an economically significant entity in Sri Lanka, eager to meet Sri Lanka's aid needs and challenge India's influence in Colombo.⁵⁰

China and India are important trade partners of contemporary Sri Lanka. China's maritime objectives and projects align with Sri Lanka's economic and developmental needs. The five major goals of China's BRI include “policy coordination, connectivity, unimpeded trade, financial integration, and people to people contacts.”⁵¹ Chinese investments through BRI projects have offered Sri Lanka opportunities for infrastructural development, increased trade and investment, the potential to become an economic hub in the Indian Ocean, participation in global value chains (GVC), growth in tourism, and other related soft and hard developments.⁵² Consequently, Sri Lanka welcomed Chinese investments and entered into numerous contracts for various infrastructure projects during Mahinda Rajapaksa's regime (2005–2015). The Hambantota Port and Colombo International Financial

⁴⁹ Artanayake and Atmakuri, “Navigating the Sino-Indian power struggle”; and Deyshappriya, “Sri Lanka–China Economic Relations in Comparative Perspective.”

⁵⁰ Interviewee 34, interview by author, Colombo, 2 May 2023, Sri Lanka, May 2, 2023; Interviewee 36, (written) interview by author, 2 May 2023, Colombo, Sri Lanka; and Interviewee 38, interview by author, 4 May 2023, Colombo, Sri Lanka.

⁵¹ Janaka Wijayasiri and Nuwanthi Senaratne, “China's Belt and Road Initiative (BRI) and Sri Lanka,” in *China: BRI o el nuevo camino de la seda*, ed. Arturo Oropeza (México: Universidad Nacional Autónoma de México/ Instituto de Investigaciones Jurídicas, 2018): 386, <https://archivos.juridicas.unam.mx/>.

⁵² Wijayasiri and Nuwanthi Senaratne, “China's Belt and Road Initiative.”

City (CIFC) are two flagship projects of BRI in Sri Lanka.⁵³ According to Lee Jones and Shahar Hameiri, the governments of developing countries and their associated political and economic interests “determine the nature of BRI projects on their territory.”⁵⁴ Within Sri Lanka, the Rajapaksa administrations largely decided on Chinese projects and investments.⁵⁵

Nonetheless, small and medium enterprises (SME) “lobbied against radical trade opening with China” under the proposed Sri Lanka–China FTA because of their “concerns” about the competitive market from “cheap Chinese imports, which benefit unfairly from state subsidies.”⁵⁶ Consequently, disagreements on the pace of trade liberalization—Sri Lanka advocated for a gradual approach while China insisted on a faster one—ultimately led to the suspension of the FTA in 2017.⁵⁷ Interestingly, the FTA, proposed in 2014 under the pro-China Mahinda regime, was halted under the pro-India Sirisena–Wickremesinghe regime in 2017. The incumbent pro-Western regime has since restarted the FTA negotiations with China. This suggests the importance of regimes and leadership in shaping Sri Lanka’s economic policy orientations between India and China. Therefore, domestic actors influence and even determine the nature of the Chinese-funded projects while ensuring further economic inroads for China. Beijing also capitalizes on “the Sinhalese’s fear of India” and the US–India’s “soft handling of Sri Lanka” to implement China’s plan and “make Sri Lanka a favorable country” for it.⁵⁸ The soft economic stance of India and the United States provides strategic space for China to expand its economic footprints in Sri Lanka.

Similarly, India’s domestic and regional interests have facilitated improved economic engagements with Sri Lanka in the immediate postwar era. Reconciliation efforts were at the forefront of Sri Lanka–India relations, aimed at improving the socioeconomic conditions of the Tamil minority in the northern and eastern provinces and incorporating the domestic interests of Tamil Nadu.⁵⁹ India’s substantial humanitarian assistance was primarily focused on the socioeconomic well-being of the Tamil communities in the north. Bilateral trade has surged since the implementation of

⁵³ Natasha Fernando, “Sri Lanka–China relations and the BRI.” *OBOReuropa*, 7 June 2020, <https://www.oboreurope.com/>.

⁵⁴ Lee Jones and Shahar Hameiri, “Debunking the Myth of ‘Debt-trap Diplomacy’: How Recipient Countries Shape China’s Belt and Road Initiative,” *Chatham House*, 19 August 2020, 3, <https://www.chathamhouse.org/>.

⁵⁵ Interviewees 8 and 11.

⁵⁶ Wignaraja, “Grappling with Great Power Rivalries.”

⁵⁷ Wignaraja, “Grappling with Great Power Rivalries.”

⁵⁸ Interviewee 3.

⁵⁹ Nagaiah Manoharan, “Brothers, Not Friends: India–Sri Lanka Relations,” *South Asian Survey* 18, no. 2 (2011): 225–36, <https://doi.org/>.

the Indo-Sri Lanka Free-Trade Agreement (ISFTA) in March 2000.⁶⁰ Much like Colombo's relations with China, economic interests and needs are key drivers in Sri Lanka's economic engagements with India.

Consequently, there has been a surge in Sino-Indian economic and commercial interactions with Sri Lanka in recent times. India held the position of the primary source of imports and trading partner from 2001 until China overtook it in 2016, with a value of USD 4.270 billion, accounting for 14.9 percent of the total, compared to India's share of 14.7 percent.⁶¹ India continued to be a significant trading partner from 2017, with a trade value exceeding the USD 5 billion threshold, until China surpassed it once again in 2020 with a total of 3.577 billion. However, India reclaimed its position as the main trading partner in 2021 and maintained this status in 2022.⁶² In 2022, Sri Lanka's share of imports from India and China stood at USD 4.7 billion (25.9 percent) and USD 3.3 billion (18 percent), respectively, while the respective exports were USD 0.85 billion (6.6 percent) and 0.25 billion (2 percent).⁶³

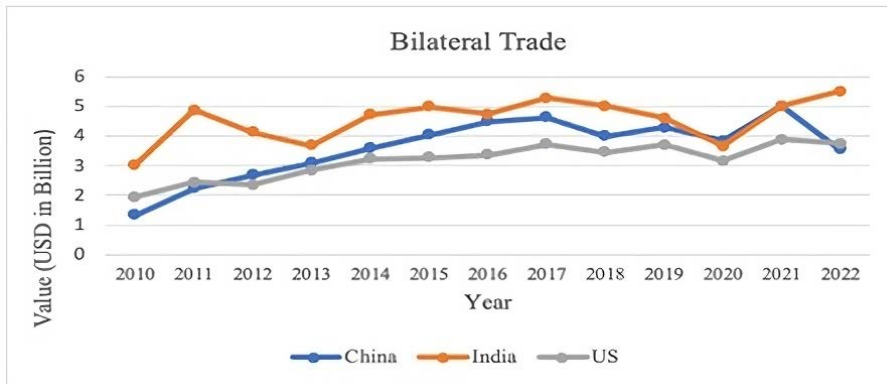


Figure 1. Sri Lanka's bilateral trade with China, India, and the United States. (Created by author. Source: International Trade Centre; Central Bank of Sri Lanka; World Integrated Trade Solution; Department of Commerce, Sri Lanka; US Department of State)

⁶⁰ Wijayasiri, "Balancing Economic Partnership"; and Angela Huettemann, Chathuni Pabasara, and Nikhita Panwar, "Sri Lanka—India Relations: Opportunities for a New Connectivity Strategy," Lakshman Kadirgamar Institute of International Relations and Strategic Studies, 21 August 2020, <https://lki.lk/>.

⁶¹ *Annual Report of the Monetary Board to the Hon. Minister of Finance for the Year 2016* (Colombo: Central Bank of Sri Lanka, 19 April 2017), <https://www.cbsl.gov.lk/>.

⁶² *Annual Report (Volume I) of the Monetary Board to the Hon. Minister of Finance for the Year 2020* (Colombo: Central Bank of Sri Lanka, 23 April 2021), <https://www.cbsl.gov.lk/>.

⁶³ *Economic and Social Statistics of Sri Lanka 2023* no. XLV (Colombo: Central Bank of Sri Lanka, August 2023), <https://www.cbsl.gov.lk/>.

In contrast to India, China holds a dominant position as Sri Lanka's source of FDI. From 2011 to 2015, China emerged as the top FDI donor country, accounting for the lion's share, with USD 989.6 million (15.5 percent) of Sri Lanka's total FDI inflows, and Beijing stands as a leading bilateral donor in grants.⁶⁴ In 2019, China maintained its position as the largest investor in Sri Lanka, with an FDI inflow of USD 293 million, while India was the third-largest source, contributing USD 139 million.⁶⁵ This is largely attributable to China's substantial investments in major infrastructure and connectivity projects such as airports, seaports, roads, special economic zones, power, and energy.⁶⁶ Also, as "Rajapaksa confidants have admitted," Beijing's financial support comes "with few conditions on transparency and accountability," a sentiment echoed by Sri Lankan scholars.⁶⁷

Specifically, China offers loans without attaching any preconditions, allowing recipient countries to determine the types of projects and investments. For instance, the widely cited "debt trap" project, the Hambantota port, was proposed and commissioned by Mahinda in 2006. It was funded by a "profit-seeking" (i.e., commercial loan) Chinese state-owned enterprise, the China Harbor Engineering Group (CHEG), after India and the US declined to provide assistance.⁶⁸ The project was labeled as "a corrupt and unsustainable developmental programme."⁶⁹

In contrast, the United States and India require Sri Lanka to uphold human rights, democratic values, and reconciliation with Tamils—as stipulated by the

⁶⁴ Wijayasiri and Senaratne, "China's Belt and Road Initiative"; and Wijayasiri, "Balancing Economic Partnership."

⁶⁵ The latest data as of June 2022 from the Board of Investment of Sri Lanka. The latest annual report on Sri Lanka's investment is available only until 2019. "Board of Investment of Sri Lanka: Annual Report 2019," Board of Investment of Sri Lanka, 2019, <https://investsrilanka.com/>.

⁶⁶ Chulanee Attanayake, "Sri Lanka Amid Sino-Indian Himalayan Rivalry," in *Crossing the Himalayas: Buddhist Ties, Regional Integration and Great-Power Rivalry*, ed. Nian Peng, Ghulam Ali, and Yi Zhang (Singapore: Springer, 2022), 111–32; and Deyshappriya, "Sri Lanka–China Economic Relations," 378.

⁶⁷ Marwaan Macan-Markar, "Sri Lanka Meltdown Exposes China Loan Policy: 5 Things to Know," *NIK-KEI Asia*, 13 May 2022, <https://asia.nikkei.com/>; and Interviewees 3, 12 and 13.

⁶⁸ The CHEG, initially deployed as the Chinese government's aid-policy implementer in Sri Lanka after the 2004 tsunami, evolved into a "full-fledged market actor," aligning its commercial interests with Mahinda Rajapaksa's development plan. (Zhu 2015: 8). It was CHEG that proposed transforming Mahinda's fisheries port in Hambantota into a major international port, facilitating the signing of memoranda of understanding between the Chinese and Sri Lankan governments (ibid.). Thus, all actors achieved their interests: (1) to Sri Lanka in meeting economic and infrastructural requirements in post-war reconstruction through large-scale projects and strengthening Rajapaksa's government; (2) to the CHEG in moving up in the Global Value Chains (GVCs) through increased capacity and "higher internal investment return"; and (3) to China's interest in its "commitment to international development by enabling Sri Lanka to enhance its own economic infrastructure." Xiao'ou Zhu, "Demystifying the Role of Chinese Commercial Actors in Shaping China's Foreign Assistance: The Case of Post-war Sri Lanka," *Stability* 4, no. 1 (2015), <https://doi.org/>.

⁶⁹ Jones and Hameiri, "Debunking the Myth of 'Debt-trap Diplomacy,'" 13.

UNHRC resolutions and the 13th Amendment—as preconditions for their development aid.⁷⁰ As previously mentioned, Sri Lankan leaders, particularly the Rajapaksas, inevitably gravitated towards Chinese loans and assistance in the postwar era. Also, “Sri Lanka prefers bilateral loans over multilateral” because of fewer preconditions.⁷¹ Moreover, as Sri Lanka holds “strategic and military importance to China (and India) in case of the war,” China expands its investments as its maritime interests grow.⁷² This supports the patron–client resource distribution patterns of the Sri Lankan leadership.⁷³

In comparison, India’s investments are concentrated in the information technology, banking and tourism services, real estate, and manufacturing and infrastructure sectors, primarily in Tamil provinces.⁷⁴ India’s own resource constraints, “long red-tape bureaucracy,” and preconditions (the 13th Amendment) also push Sri Lanka (and its neighbors) toward China for quick investments.⁷⁵ While Indian investments are located in northern and eastern Sri Lanka, such as the Trincomalee port city, Chinese investments dominate in the southern and western parts of the country, such as the Hambantota port city and Mattala airport.⁷⁶ Hence, their strategic dominance and influence in Sri Lanka. In short, India dominates in Sri Lanka’s trade while China dominates in investments. Nevertheless, similar to political and strategic relations, Sri Lanka’s own domestic needs and actors shape the nature of economic engagements with India and China.

⁷⁰ The 13th Amendment, a by-product of the 1987 Indo-Lanka agreement, remains a political tool for India in its dealings with Sri Lanka, impacting contemporary bilateral engagements. Interviewee 36.

⁷¹ Interviewees 12 and 13.

⁷² Interviewee 5.

⁷³ Political institutions are corrupted, and the “patron–client relationship” obliges leaders to return favors to their political supporters; thus, leaders formulate policies for resource distribution (Interviewee 4). This is evident as Sri Lankan citizens, including Rajapaksa’s supporters in Hambantota, view the Chinese-funded white elephant projects as the Rajapaksa family’s vanity projects. Two-thirds of the Chinese-funded projects are in the Hambantota district, and only the Rajapaksa family and the Chinese are believed to have benefited from them. Jones and Hameiri, “Debunking the Myth of ‘Debt-trap Diplomacy.’”) Consequently, Chinese-funded projects became white elephant ventures with no economic return, causing mounting debt and losses for the country. The Sri Lankan public blames their leadership for this economic mismanagement.

⁷⁴ Wijayasiri, “Balancing Economic Partnership,” 143

⁷⁵ Interviewees 3 and 6; Attanayake and Atmakuri, “Navigating the Sino-Indian power struggle”; Interviewee 20, interview by author, 24 May 2023, Male, Maldives; and Interviewee 22, interview by author, 11 June 2023, Male, Maldives.

⁷⁶ Interviewees 3 and 11.

Strategic Engagements

In the strategic realm, Sri Lanka and China have seen a steady increase in military ties across the army, navy, and air force since the 2000s. China has been the primary supplier of conventional arms to Sri Lanka, including small arms, ammunition, landmines, naval vessels, and aircraft, since the 1950s.⁷⁷ This trend significantly escalated since 2007 in response to Sri Lanka's demand.⁷⁸ During the war, China provided military aid, essential equipment, and training to the Sri Lankan forces.⁷⁹ High-level visits by military officials occurred in 2012 and 2014, and Chinese naval ships made port calls in 1985, 2007, 2009, and 2020.⁸⁰ China and Sri Lanka concluded two rounds of the Defense Cooperation Dialogue in 2015 and 2016 and signed two agreements to provide USD 2.6 billion in military assistance and an offshore patrol vessel to Sri Lanka.⁸¹ Defense ties have further intensified since 2018. The Chinese hospital ship *Peace Ark* visited the Colombo Port in August 2017 on its broader voyage across the Indian Ocean, reflecting its expanding military cooperation.⁸² Among small South Asian states, Sri Lanka holds military importance for China due to the port cities.⁸³ The final stage of the Sri Lankan Civil War provided a strategic opportunity for China to assist the former and to strengthen its security ties afterward, particularly during Mahinda Rajapaksa's regime.

In the case of India, geographical proximity and domestic factors of the respective countries shape defense and security cooperation. Sri Lanka and India hold strategic importance for each other's security. To Sri Lanka, India has been its security provider and first responder during crises, such as the final phase of the civil war, the 2019 Easter Sunday attack, the 2019 pandemic, and the economic crisis in 2022.⁸⁴ Sri Lanka also holds military significance for India (and China) due to its "natural harbor for deep seaports" and military drills with highly skilled

⁷⁷ S. Y. Surendra Kumar, "China's Strategic Engagement with Sri Lanka: Implications for India," *Contemporary Chinese Political Economy and Strategic Relations* 3, no. 3 (2017): 1109–38, <https://www.researchgate.net/>.

⁷⁸ M. Mayilvaganan, "Engaging Post-LTTE Sri Lanka: India's Policy Options," *India Quarterly* 68, no. 1 (2012): 17–28.

⁷⁹ Interviewees 1 and 3; and "China aided Sri Lanka's bloodbath," *Economic Times*, 8 June 2009, <https://economictimes.indiatimes.com/>.

⁸⁰ "Foreign Debt Summary (as of end April 2021)," Department of External Resources, Sri Lanka, 2021, <http://www.erd.gov.lk/>.

⁸¹ "China to provide Rs. 2.6 million worth military aid to Sri Lanka," *Business Standard*, 17 October 2016, <https://www.business-standard.com/>.

⁸² "China's naval hospital ship makes first visit to Sri Lanka," *ChinaDaily*, 7 August 2017, <http://www.chinadaily.com.cn/>.

⁸³ Interviewee 5; and Interviewee 9, interview by author, 10 May 2023, Colombo, Sri Lanka.

⁸⁴ Interviewee 9.

Sri Lankan military personnel from their long civil war.⁸⁵ India has consistently been involved in Sri Lanka's domestic security due to the civil war—either as a supporter of the LTTE (early in the war) or the Sri Lankan government (in the latter stages of the conflict). Furthermore, like other South Asian neighbors, India is wary of any foreign military presence in Sri Lanka. For instance, the military support from Pakistan and China during the war and Chinese economic assistance in the postwar era were perceived as threats to India's security sphere.⁸⁶ Hence, today, Sri Lanka and India have initiated and strengthened military, defense, and security ties.

In 2011, Sri Lanka and India agreed to initiate an annual defense dialogue, hold regular discussions between different military services, and conduct the first joint naval exercise in Sri Lankan waters. Additionally, India offered 1,400 training placements for the Sri Lankan security forces.⁸⁷ Trilateral meetings between the national security advisors (NSA) and deputy NSAs from the Maldives, Sri Lanka, and India, which began in 2011, ultimately led to the formation of a “minilateral group,” the Colombo Security Conclave (CSC), in 2020.⁸⁸ Since 2021, the CSC “has operationalized practical cooperation” and hosts “regular security-focused exercises,” including “maritime search and rescue; cybersecurity; coastal security; and investigation of terrorism cases.”⁸⁹ Despite certain setbacks due to Tamil Nadu politics, India provides support in military training (nearly 80 percent), building the navy's operational capacity, and strengthening Sri Lankan intelligence service and counter-terrorism training following the 2019 Easter Sunday Attack.⁹⁰ Amid the pandemic, there were high-level exchanges, programs, and dialogues between coast guards, police chiefs, the joint military exercise Mitra Shakti, and the joint working group on tourism. Comparatively, Sri Lanka maintains stronger defense

⁸⁵ Interviewee 9; and Interviewee 10, interview by author, 11 May 2023, Colombo, Sri Lanka.

⁸⁶ Mayilvaganan, “Engaging Post-LTTE Sri Lanka”; and Interviewee 3.

⁸⁷ R. K. Radhakrishnan, “India offers training slots for Sri Lankan military personnel,” *The Hindu*, 17 November 2021, <https://www.thehindu.com/>; and Christian Wagner, “India's Bilateral Security Relationship in South Asia,” *Strategic Analysis* 42, no. 1 (2018): 15–28, <https://doi.org/>.

⁸⁸ Mauritius became a member in 2020, while Bangladesh and the Seychelles remain observers. In March 2020, the CSC adopted an agenda with five pillars: “maritime safety and security; countering terrorism and radicalization; combating trafficking and transnational organized crime; cybersecurity and protection of critical infrastructure and technology; and humanitarian assistance and disaster relief.” Viraj Solanki, “The Colombo Security Conclave: What is it and what does it mean for Australia?,” *Observer Research Foundation*, 16 May 2023, <https://www.orfonline.org/>.

⁸⁹ Solanki, “The Colombo Security Conclave.”

⁹⁰ Christian Wagner, “India as a Regional Security Provider in South Asia,” *South Asia Scan* 8 (June 2020), <https://www.isas.nus.edu.sg/>; and Bharatha Mallawarachi, “India, Sri Lanka Agree to Step Up Anti-Terrorism Efforts,” *The Diplomat*, 10 June 2019, <https://thediplomat.com/>.

ties with India due to geographical proximity and shared traditional and non-traditional security concerns in the IOR. Consequently, the United States holds a comparative advantage over China in the strategic space due to the robust defense ties between Sri Lanka and India.

Triangular Summary

To sum up, both external and internal factors have equivalently shaped Sri Lanka's political, economic, and strategic relations with India and China since its postwar era. The pressures from the United States and the need for postwar reconstruction have economically and diplomatically steered Sri Lanka toward China. Today, Sri Lanka's geostrategic and geoeconomic significance in the IOR, the dynamics of great power politics, and domestic factors shape its foreign policy conduct with external powers. In recent years, poor domestic policies and mismanagement, compounded by a deteriorating external environment—the COVID-19 pandemic and the Russian invasion of Ukraine—have exacerbated a severe socio-economic and political crisis. This has ultimately weakened Sri Lanka's bargaining power amid bailout negotiations with the IMF and its lead creditors, namely India, China, Japan, and France.⁹¹ As a Sri Lankan scholar describes, Sri Lanka has become an “economic battleground for India and China whose supports come with pre-conditions for its domestic economic and political matters, and it does not have any say in it. We are not in a position to put pre-conditions on others.”⁹² As a result, Sri Lanka's “domestic policy is determined by (the) foreign powers.”⁹³ Amid the crisis and competitive Sino-Indian engagements, economic needs have consistently been Sri Lanka's priority. The overriding need to ensure the country's development dominates Sri Lanka's engagements with India and China. This need transcends regime typologies as greater development allows the party in power to meet both national needs and the demands of their clients.

Consequently, India has gained a comparative strategic advantage from the crisis due to its ability to provide immediate assistance to Sri Lanka. India favors a politically and economically stable neighbor for its own domestic and national security. The foreign policy between Sri Lanka and India is delicately connected to their respective domestic (i.e., Tamil politics) and external factors (i.e., geographical proximity). During the crisis, India ensured swift diplomatic support, extended a line of credit worth USD 1 billion, deferred USD 515 million, and

⁹¹ Interviewees 5, 11, 12, and 13.

⁹² Interviewee 1.

⁹³ Interviewee 7.

offered a currency swap of USD 400 million.⁹⁴ In contrast, China initially displayed wariness and reluctance, even adopting a “hands-off approach” to assisting the crisis after Sri Lanka approached the IMF for a bailout.⁹⁵ To the Sri Lankan public today, New Delhi is seen as a credible supporter and rescuer during the crisis, while Beijing’s reluctance has sparked greater public skepticism about Chinese-funded projects.⁹⁶ In this regard, India is perceived as strategically dominant over China in Sri Lanka during the crisis. Similarly, Sri Lanka’s current vulnerability presents a strategic opportunity for the United States to further extend its economic and financial assistance to Colombo, positioning itself as an alternative to China. Economic needs are the policy priority in Sri Lanka, and the United States has the potential to meet that need.

Implications for the United States’ Engagements in Sri Lanka

As mentioned, the United States’ foreign policy in South Asia has been primarily driven by national security issues, objectives, and ambitions—largely stemming from regional security issues: i.e., India–Pakistan nuclearization, Afghanistan and Pakistan in the aftermath of the global war on terrorism, and the emerging democratic partner India in the current geopolitics with China.⁹⁷ Economic priorities have taken a backseat to broader US geopolitical strategies within its security-oriented foreign policy objectives.⁹⁸ Unlike in other regions, the United States has not been both the strategic and economic guarantor of all states. While many states have benefited from the United States’ strategic umbrella and force deployment in the region, most states’ economic security has been provided by India. Even those states geopolitically or economically aligned toward other blocs have still enjoyed positive externalities arising from the United States’ presence in the region. Although India was politically nonaligned, its generally friendly orientation toward the United

⁹⁴ Smruti S. Pattanaik, “The India-China Geo-Economic Contest for Influence in Nepal, Sri Lanka and Maldives,” in *The Belt and Road Initiative and the Politics of Connectivity: Sino-Indian Rivalry in the 21st Century*, ed. Bhumitra Chakma and Xiudian Dai (Singapore: Springer, 2022), 216.

⁹⁵ Interviewee 5.

⁹⁶ Interviewees 5 and 11; and Harsh V. Pant, “Colombo at a crossroads: India’s balanced response to Sri Lanka crisis,” *ORF*, 14 May 2022, <https://www.orfonline.org/>.

⁹⁷ Mistry, “U.S. Foreign Policy and Security”; and Ishaque, Ullah, and Noman, “United States Foreign Policy.”

⁹⁸ Only recently, economic objectives started to gain prominence in the United States’ foreign policy making. In May 2022, the United States launched the Indo-Pacific Economic Framework for Prosperity (IPEF) with its Indo-Pacific partners to strengthen “technological innovation and the global economy” with a focus on four key pillars: connected economy, resilient economy, clean economy, and fair economy. This statement highlights the equal attention to economic policies in recent US foreign policy and diplomacy in the Indo-Pacific region.

States and Europe meant that this bifurcation of strategic and security interests did not present a challenge to the United States in the region. Thus, the United States' foreign policy in South Asia is based on the "zero-sum" game, but this largely overlooks the domestic situations, needs, and desires of South Asian nations like Sri Lanka.⁹⁹

The United States' foreign policy initiatives in Sri Lanka have fallen under a broader umbrella of its security-related foreign policy evolutions in Asia and through US–China–India relations since the Cold War politics. The declassified *U.S. Strategic Framework for the Indo-Pacific* policy document (hereafter, framework) in 2021 emphasized its South Asian foreign policy mainly from building a stronger and "enduring strategic partnership with India," primarily on defense and security grounds. The framework recognizes strengthening "the capacity of emerging partners in South Asia, including the Maldives, Bangladesh, and Sri Lanka, to contribute to a free and open order" and establishing "a new initiative with South Asian partners modeled on the Maritime Security Initiative in Southeast Asia to improve maritime domain awareness, interoperability, and data-sharing with the United States."¹⁰⁰ This reflects that US policy makers have only recently recognized the role of other small South Asian states, including Sri Lanka, along the sea lines of communication (SLOC) in strengthening its maritime security. This came amid intensifying Sino-Indian competition, the US–China rivalry, and the growing geostrategic and geoeconomic significance of Sri Lanka and other small maritime states along the SLOCs in the IOR.¹⁰¹ Locally, Sri Lanka is important for the "war preparations" of big countries such as India, China, and the United States, as "all countries are preparing for war" today.¹⁰² Since then, the US Navy has undertaken "significant exchanges with India and smaller-scale initiatives with . . . Sri Lanka" (besides Pakistan and Bangladesh).¹⁰³ Thus, contemporary Sri Lanka holds a strategic significance to the United States due to increasing Chinese activities—such as in the Hambantota port—in the island nation and elsewhere in the IOR.

Defense objectives, along with democracy and human rights, are the mainstays of the United States' foreign policy engagements with Sri Lanka. Despite establishing diplomatic relations in October 1948, bilateral interactions have become more dynamic in the twenty-first century. The "U.S. policy toward Sri Lanka is

⁹⁹ Ishaque, Ullah, and Noman, "United States Foreign Policy."

¹⁰⁰ "U.S. Strategy Framework for the Indo-Pacific," declassified, 2021, <https://trumpwhitehouse.archives.gov/>.

¹⁰¹ Interviewees 5, 10, 11 and 3; and Attanayake and Atmakuri, "Navigating the Sino-Indian power struggle."

¹⁰² Interviewees 6 and 7; and Zhen and Feng, "China-Sri Lanka Relations"; and Attanayake and Atmakuri, "Navigating the Sino-Indian power struggle."

¹⁰³ Mistry, "U.S. Foreign Policy and Security."

characterized by respect for its independence, sovereignty, and moderate nonaligned foreign policy; support for the country's unity, territorial integrity, and democratic institutions; and encouragement of its social and economic development."¹⁰⁴ The United States is a "strong supporter of ethnic reconciliation in Sri Lanka" following the conclusion of the civil war in 2009.¹⁰⁵ This reflects the United States' primary emphasis on security and institutions in Sri Lanka, while socioeconomic development has been a secondary objective. Since 2009, democracy, human rights, and reconciliation with the Tamil minority have been at the forefront of the United States' engagements with Sri Lanka. The insistence on human rights accountability as a prerequisite for political and economic engagements has impeded the United States from forging strong relationships with anti-Western leaders, Mahinda and Gotabaya Rajapaksa. Conversely, it has pushed Colombo further toward China, paving the way for Beijing's increased influence in Sri Lanka since then.

In a similar vein to India and China, the regime in power in both Sri Lanka and the United States plays a decisive role in shaping their engagements. In Sri Lanka, the foreign policy orientations of two dominant political parties dictate its external engagements: the foreign policy of the UNP is West-leaning, while that of the SLFP is Eastern-oriented.¹⁰⁶ Mahinda Rajapaksa's SLFP regime gravitated toward China as it offered development assistance and diplomatic support against the United States-sponsored UN Human Rights Council (UNHRC) resolutions for war crime accountability and reconciliation since 2009 (i.e., for the 2009, 2012, 2013, and 2021 UNHRC resolutions).¹⁰⁷ In the United States, the Obama administration's emphasis on human rights obscured US prioritization of Sri Lanka's urgent needs for socioeconomic development in the postwar reconstruction, further hindering relations under Mahinda Rajapaksa's administration. Similarly, the cancellation of the Millennium Challenge Compact (MCC) and withdrawal from the UNHRC in 2020 during Gotabaya Rajapaksa's SLPP administration strained bilateral relations.¹⁰⁸ Thus, the Rajapaksa brothers' view the United States under the Democrats as "pursuing an interventionist and intrusive foreign policy," while

¹⁰⁴ US Embassy in Sri Lanka, "U.S.-Sri Lanka Relations," n.d., <https://www.devex.com/>.

¹⁰⁵ US Embassy in Sri Lanka, "U.S.-Sri Lanka Relations."

¹⁰⁶ Kapur and Attanayake, "Human Rights, Geopolitics and National Priorities."

¹⁰⁷ Ivan Campbell et al., "China and Conflict-Affected States"; and Macan-Markar, "Sri Lanka assured of China's help."

¹⁰⁸ The Sri Lanka Podujana Peramuna (SLPP) serves as a political platform for members of the United People's Freedom Alliance who support Mahinda Rajapaksa. This affiliation underscores Mahinda Rajapaksa's enduring influence within the party. Furthermore, Gotabaya Rajapaksa's foreign policy, particularly his approach to China and the United States, is shaped by this legacy, reflecting a complex interplay of domestic politics and international relations.

the latter perceive the Rajapaksas as “populist, anti-democratic and authoritarian.”¹⁰⁹ These ideological differences between the regimes often pose constraints on Sri Lanka–US engagements.

In January 2015, the election of Sirisena–Wickremesinghe’s UNP regime “ushered in a new political era and opportunity for renewed U.S. diplomatic and development engagement” in Sri Lanka.¹¹⁰ Historically, Sri Lanka–U.S. relations have been stronger whenever the UNP-led government has been in power, and this trend continued from 2015 to 2019. During this period, the bilateral relationship significantly improved, with defense and political ties between the two countries cemented under the UNP regime.¹¹¹

Despite US President Donald Trump’s “America First” policy and relative indifference to human rights, evidenced by the U.S. withdrawal from the UNHRC in 2018, the US vision for containing China’s regional influence contributed to enhanced engagements.¹¹² This alignment of interests fostered cordial relationships during the UNP and Republican administrations in the late 2010s.

Since 2022, Wickremesinghe’s Western-aligned leadership has continued to pursue pragmatic foreign policy engagements with external powers, including the United States, to secure financial assistance amid the crisis. This approach provides a strategic opportunity for the United States to prioritize Sri Lanka’s domestic needs. In 2023, a significant policy initiative in the bilateral relationship was announced: a USD 553-million infrastructure investment by the United States—to build the West Container Terminal in Colombo in partnership with the Indian conglomerate Adani Group.¹¹³ This initiative directly aims to counter Chinese economic and military influence by offering alternative infrastructure investments to smaller nations.¹¹⁴

Despite political and ideological hurdles, the United States remains Sri Lanka’s largest export market, accounting for nearly USD 3 billion in annual exports. Since 2005, Sri Lanka has enjoyed an average trade surplus of USD 2.1 billion with the United States, in stark contrast to its substantial trade deficit with China. In 2022,

¹⁰⁹ Kapur and Attanayake, “Human Rights, Geopolitics and National Priorities.”

¹¹⁰ US Embassy in Sri Lanka, “U.S.-Sri Lanka Relations.”

¹¹¹ Kapur and Attanayake, “Human Rights, Geopolitics and National Priorities.”

¹¹² Kapur and Attanayake, “Human Rights, Geopolitics and National Priorities.”

¹¹³ Bloomberg, “US invests US\$553 million in Gautam Adani’s Sri Lanka port to curb China’s influence,” *South China Morning Post*, 10 November 2023, <https://www.scmp.com/>; and Skandha Gunasekara and Alex Travelli, “U.S. Finance Agency Lends to Sri Lankan Port to Counter Chinese Influence,” *New York Times*, 8 November 2023, <https://www.nytimes.com/>.

¹¹⁴ Biman Mukherji, “A China rivalry twist emerges in Sri Lanka’s new US-funded, Indian-built port,” *South China Morning Post*, 4 December 2023, <https://www.scmp.com/>; and Gunasekera and Travelli, “U.S. Finance Agency Lends to Sri Lankan Port.”

Sri Lanka's exports to and imports from the United States totaled USD 3.4 billion and USD 337 million, respectively, resulting in a trade surplus of USD 3.1 billion—a 25-percent increase from 2021.¹¹⁵ Figure 2 illustrates that bilateral trade and trade surplus with the United States rose during the UNP regime (2015 to 2019), with a decline in 2020 under the anti-Western SLPP regime. The UNP government facilitated US efforts to strengthen democratic systems, promote sustainable economic growth, and support marginalized and disaster-affected communities.¹¹⁶ Since 2002, the Trade and Investment Framework Agreement has served as the institutional framework guiding trade and economic cooperation between Sri Lanka and the United States.¹¹⁷ Sri Lanka's bilateral trade with the United States has steadily grown, driven by its significant exports compared to those with India and China. However, Sri Lanka's trade volume with China surpasses the total trade between the United States and Sri Lanka.

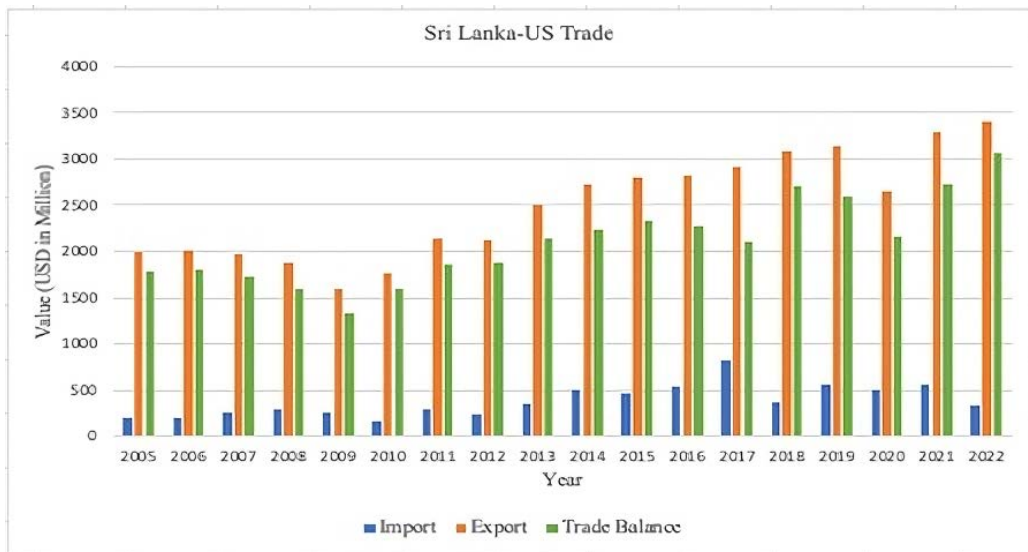


Figure 2. Sri Lanka's imports, exports, and trade surplus with the United States. (Created by author. Source: Central Bank of Sri Lanka; World Integrated Trade Solution; Department of Commerce, Sri Lanka; US Department of State)

The United States faces challenges in competing with Chinese investments in Sri Lanka due to limited aid and ideological differences. Through the United States

¹¹⁵ "Sri Lanka Trade & Investment Summary," Office of the United States Trade Representative, n.d., <https://ustr.gov/>.

¹¹⁶ Wignaraja, "Grappling with Great Power Rivalries," 4.

¹¹⁷ Department of Commerce, "International Trade Statistics of Sri Lanka."

Agency for International Development (USAID), the United States has provided more than USD 2 billion in assistance to Sri Lanka since 1956, supporting agricultural, educational, health, business, and humanitarian developments, among other areas.¹¹⁸ In 2022, the United States' FDI to Sri Lanka stood at USD 234 million, marking a 13-percent increase from 2021. In contrast, Chinese FDI from 2006 to 2019 totaled USD 12.1 billion, equivalent to 14 percent of Sri Lanka's 2018 GDP. During the pre-BRI (2006–2012) period, Chinese investment amounted to USD 5.4 billion across 15 projects, and during the BRI (2013–2019) period, it reached USD 6.8 billion across 13 projects.¹¹⁹ Chinese investments, primarily through commercial loans for mega-infrastructure projects, have significantly helped bridge Sri Lanka's infrastructure finance gap, thereby increasing economic reliance on China.¹²⁰

The United States emphasizes security, democratic institutions, and human rights accountability in its engagements with Sri Lanka, which has constrained bilateral relationships under the SLFP and SLPP regimes. However, for leadership credibility, regime stability, and ultimately institutional stability in South Asian developing nations like Sri Lanka, economic stability and development are crucial. These regimes aim to develop their economies and reduce dependency on regional powers.¹²¹ Therefore, the United States should align its engagement strategy more closely with the domestic and economic needs of Sri Lanka.

Conclusion

Domestic and international circumstances have crucially shaped Sri Lanka's domestic and foreign policy. Internal factors have become particularly significant in the postwar era. Leadership and economic objectives determine Sri Lanka's alignments with China, India, and the United States. The Sino-Indian rivalry and the complex geopolitics of the IOR have further complicated Sri Lanka's foreign policy. Amid these challenges, the economic crisis has severely limited Sri Lanka's agency and foreign policy maneuverability.¹²² Military and economic capabilities determine a country's agency, but Sri Lanka's economic woes have restricted its "active role," forcing it to cooperate passively at international forums.¹²³ Currently,

¹¹⁸ Interviewees 4; and Interviewee 23, interview by author, 12 June 2023, Male, Maldives.

¹¹⁹ Ganeshan Wignaraja et al., "Chinese Investment and the BRI in Sri Lanka," *Chatham House*, March 2020, <https://www.chathamhouse.org/>.

¹²⁰ Rahul Nath Choudhury, *Mapping Chinese Investment in South Asia* (Singapore: Palgrave Macmillan, 2023), 175–207, <https://doi.org/>.

¹²¹ Interviewee 23.

¹²² Interviewees 4 and 7.

¹²³ Interviewee 5.

Sri Lanka must “manage everyone and give concessions to every actor, including the United States. When the country is economically weak, big powers want to gain from it.”¹²⁴ As a result, Sri Lanka remains vulnerable to external influences, particularly from India and China.

As Sri Lanka strives for economic stability through pragmatic approaches, it is imperative for the United States to prioritize providing financial and development assistance. The 2023 Indian Ocean Conference and the Indo-Pacific Subcommittee hearing on the Indian Ocean identified a “gap” in the United States’ “free and open” Indo-Pacific strategy. These forums highlighted the need for stronger and broader engagements with smaller states to bolster regional economic value chains, enhance security through defensive capacity building, and build resilience against modern threats and great-power politics. This finding emphasizes that economic development is the key starting point for enhancing security. It reflects the developmental needs of smaller states in the IOR and offers a starting point for a more substantive US policy toward the region, particularly Sri Lanka.

New Delhi is already beginning to change India’s foreign policy approach toward its South Asian neighbors.¹²⁵ However, India’s financial constraints, bureaucratic red tape, and inefficient delivery push its neighbors further toward China.¹²⁶ The desire for political leadership to access quick and generous resources without conditions or internal interference naturally drives South Asian countries, including Sri Lanka, toward China. Consequently, China becomes an immediate alternative to India because of its generous and swift assistance (loans) without internal interference.¹²⁷ This dynamic shows China is financially and institutionally more attractive compared to the traditional economic partner, India.

Today, Sri Lanka seeks “a pragmatic strategic relationship” with the United States to expand its economic partnership and strengthen its security resilience. President Wickremesinghe has openly expressed a willingness to work with any state or nonstate actor willing to help achieve the country’s economic objectives, acknowledging that Sri Lanka’s priorities differ from those of great powers in the region.¹²⁸ Socioeconomic development has been a primary and consistent focus of all Sri

¹²⁴ Interviewee 7.

¹²⁵ As India’s “over-emphasis on its security linkages with its neighbours” – by being “extra-vigilant” to neighbors’ domestic and foreign policy – have caused resentments towards it, India is transforming its Neighbourhood First policy from “overt security-centric approach” to building developmental partnerships. Pattanai, “The India-China Geo-Economic Contest,” 440.

¹²⁶ Interviewees 22 and 20.

¹²⁷ Interviewees 14 and 20; Interviewee 21, interview by author, 8 June 2023, Male, Maldives; and Interviewee 24, interview by author, 13 June 2023, Male, Maldives.

¹²⁸ Carnegie Endowment, “Islands Dialogue.”

Lankan elites since the postwar era. China has provided generous funding and flexibility to recipient countries regarding the nature of investments, although trade and FDI inflows from external powers depend on the regimes. Today, development needs are crucial in contemporary Sri Lanka and other smaller states in their post-LDCS era, impacting leaders' legitimacy. Therefore, Washington should capitalize on Wickremesinghe's Western-oriented leadership, which emphasizes pragmatism, economy, and nationalism—attributes consistent with Sri Lanka's foreign policy practices. The US-India initiative to build the West Container Terminal in Colombo offers Sri Lanka breathing space in its infrastructural development as an alternative to Chinese-funded projects. It also provides a policy space to advance US-Sri Lanka geostrategic engagements.

Sri Lanka desperately needs economic support, a need shared by other smaller states in the region that prioritize economic opportunities over security concerns. Economic insecurity is the preeminent security threat to contemporary Sri Lanka. Regional powers—India and China—strategically compete over Sri Lanka primarily through economic and developmental lenses. For the United States to be successful in the long term, it needs to prioritize Sri Lanka's fundamental needs, which are socioeconomic, and offer development assistance that provides alternatives to those offered by other powers. Washington has strong security and defense ties with Colombo due to India. Emphasizing economic policy and carefully calibrating support to meet Sri Lanka's domestic needs would give the United States a strategic advantage in the IOR in the long run. ★

Tshering Eudon

Ms. Eudon is a PhD candidate studying public and international affairs at the City University of Hong Kong. Her research interests include small states in international relations, foreign policy and security studies, the Himalayan states, India, China, and South Asian small-big power politics.

Appendix

Field Research: Interview Table

Interviewee's Code Name	Profession/ Background	Affiliation	Place	Date
Interviewee 1	Scholar	University of Colombo	Colombo, Sri Lanka	2 May 2023
Interviewee 2	Scholar	University of Colombo	Colombo, Sri Lanka	2 May 2023
Interviewee 3	Senior Journalist and Political Analyst	N/A	Colombo, Sri Lanka	2 May 2023
Interviewee 4	Scholar	University of Colombo	Colombo, Sri Lanka	3 May 2023
Interviewee 5	Scholar	University of Colombo	Colombo, Sri Lanka	4 May 2023
Interviewee 6	Journalist	Ceylon Today	Colombo, Sri Lanka	4 May 2023
Interviewee 7	Scholar; Executive Member	University of Colombo; Bandaranaike Centre for International Studies (BCIS); Regional Centre for Strategic Studies (RCSS)	Colombo, Sri Lanka	4 May 2023
Interviewee 8	Scholar	University of Colombo	Colombo, Sri Lanka	9 May 2023
Interviewee 9	Scholar, Executive Member	University of Colombo; Regional Centre for Strategic Studies (RCSS)	Colombo, Sri Lanka	10 May 2023
Interviewee 10	Scholar	Jawaharlal Nehru University (JNU)	Colombo, Sri Lanka	11 May 2023
Interviewee 11	Staff	Movement for Land and Agricultural Reform (MONLAR)	Colombo, Sri Lanka	11 May 2023
Interviewee 12	Staff	MONLAR	Colombo, Sri Lanka	11 May 2023
Interviewee 13	Staff	MONLAR	Colombo, Sri Lanka	11 May 2023
Interviewee 14	Research Fellow	Centre for Social and Economic Progress (CSEP)	New Delhi, India	9 December 2022
Interviewee 15	Research Fellow	Observer Research Foundation (ORF)	New Delhi, India	11 December 2022
Interviewee 16	Journalist	Newsreel Asia	New Delhi, India	12 December 2022
Interviewee 17	Former Diplomat; Executive Member	India International Centre (IIC)	New Delhi, India	14 December 2022
Interviewee 18	Researcher	Observer Research Foundation (ORF)	New Delhi, India	14 December 2022

Interviewee's Code Name	Profession/ Background	Affiliation	Place	Date
Interviewee 19	Former Diplomat; Research Fellow	Centre for Social and Economic Progress (CSEP)	New Delhi, India	17 December 2022
Interviewee 20	Former Diplomat; Former politician	Affiliated to the Progressive Party of Maldives (PPM)	Male, Maldives	24 May 2023
Interviewee 21	Scholar	Affiliated to the PPM	Male, Maldives	8 June 2023
Interviewee 22	Former Diplomat; Former politician	N/A	Male, Maldives	11 June 2023
Interviewee 23	Former politician	N/A	Male, Maldives	12 June 2023
Interviewee 24	Journalist	Journalist Association of the Maldives	Male, Maldives	13 June 2023
Interviewee 25	Former politician	Academy of Dhivehi Language	Male, Maldives	7 June 2023
Interviewee 26 (Dr. Passang Dorji)	Former politician; Bhutanese scholar	N/A	Thimphu, Bhutan	19 January 2024

India's Extraordinary Support during Sri Lanka's Crisis

Motivations and Impacts

THILINA PANDUWAWALA

Abstract

India responded to Sri Lanka's 2022 economic crisis and sovereign default with USD 4 billion in financing facilities. This support enabled Sri Lanka to sustain essential imports and maintain sufficient foreign currency reserves to avoid defaulting on multilateral creditors. While India's assistance averted a deeper crisis, it was also driven by strategic motives. India's foreign policy hierarchy viewed Sri Lanka's crisis as an opportunity to counter China's influence on the island and to demonstrate India's growing capabilities in regional competition. Stabilizing the situation was crucial for protecting critical economic links and the interests of Indian firms operating in Sri Lanka. The goodwill generated by India's support facilitated Indian investments in Sri Lanka's strategic sectors and advanced several bilateral initiatives aimed at increasing economic integration. However, deeper engagement faces challenges from underlying anti-India sentiment in Sri Lanka and the need for Sri Lanka to balance relations with multiple major economies. Despite India's efforts, China remains a significant player in the island nation's economy.

Sri Lanka entered sovereign default in April 2022, a consequence of successive policy mistakes and an economic crisis that had intensified since mid-2021. The severe economic and social crisis triggered a political upheaval, with large public protests leading to a change in government. In response, India provided USD 4 billion in financing facilities to Sri Lanka, amounting to around 5 percent of Sri Lanka's precrisis gross domestic product (GDP), just under 1 percent of India's official foreign reserves, and exceeding the USD 3 billion the International Monetary Fund (IMF) is providing to Sri Lanka from 2023 to 2027. With Sri Lanka having lost access to most other sources of foreign financing by early 2022, India effectively became its lender of last resort.¹

¹ A *lender of last resort* is the place a person, firm, financial institution, or country to which a country turns when in urgent need of funds. As the term suggests, a lender of last resort is the only chance once all other options have been exhausted. While the International Monetary Fund (IMF) is the global institution that is meant to be the lender of last resort for sovereign states, the delays in governments' approaching the IMF and the length of the IMF's processes can often mean that other countries or institutions need to step in to provide emergency financing before IMF funding kicks in. For instance, the United States acted as a lender of last resort during Mexico's 1994 crisis.

This article explores the motivations behind India's decision to assume this role and evaluates the impact of its support on Sri Lanka, the bilateral relationship, and regional geopolitics. In examining India's motivations, the article delves into the evolution of Indian foreign policy under the Modi government, focusing on its approach towards its neighborhood, the Indian Ocean region, and China. The article argues that New Delhi's extraordinary financial support to Sri Lanka was an opportunistic move to demonstrate India's ability to compete with China and improve bilateral relations with Sri Lanka. However, beyond opportunism, there was a fundamental need to prevent Sri Lanka's economic crisis from escalating into a severe humanitarian disaster and to protect critical economic linkages, such as container transshipment through the Colombo port.

Assessing the impacts of India's intervention, this article examines how India has leveraged its financing to boost its trade share with Sri Lanka and increased Indian investments in strategic assets on the island. The critical medium-to-long-term impact hinges on whether the continued implementation of several bilateral initiatives can deepen Sri Lanka's economic integration with India. While there has been some progress, as explored in the article, upcoming national elections in Sri Lanka during 2024–2025 could disrupt this integration due to long-standing, underlying anti-India sentiment. Controversies surrounding Adani investments in Sri Lanka, which allegedly bypassed due process and competitive tenders, also threaten the goodwill generated by India's lender-of-last-resort actions. For Japan, Australia, the United States, and other countries with regional interests, India's expanding role in Sri Lanka and China's potential reactions will be crucial in shaping their own approaches to Sri Lanka.

India's Neighborhood Foreign Policy, China, and Sri Lanka's crisis

India's current foreign policy hierarchy views its intervention in Sri Lanka's 2022 crisis as a significant triumph within the Neighbourhood First Policy (NFP). Minister of External Affairs Subrahmanyam Jaishankar has emphasized this, even suggesting it helps counterbalance the negative impacts of India's interventions in Sri Lanka's civil conflict during the 1980s.²

Despite the NFP's long history, India has had a contentious record in applying it, with different administrations offering their own interpretations. The Indira Gandhi government's support for Tamil separatist groups in Sri Lanka left a lasting negative impression. This was compounded by Rajiv Gandhi's direct interventions through the Indo-Sri Lanka accords and the deployment of the Indian Peace

² S. Jaishankar, *Why Bharat Matters* (New Delhi: Rupa Publications India, 2024), Kindle.

Keeping Force (IPKF) in 1987, which signaled India's assertion as the regional hegemon. Such heavy-handed tactics fostered apprehension among smaller neighbors with asymmetrical relationships with India, prompting Sri Lanka to seek closer ties with other regional powers, including Pakistan and China.

As China's economic performance far exceeded India's, India struggled to counter China's growing influence in South Asia from the 2000s onward. Minister Jaishankar acknowledged this, highlighting China's capacity to invest substantial resources in regional countries through the Belt and Road Initiative (BRI).³ Sri Lanka's pivot toward large Chinese financing began before the BRI's official launch in 2012, with major projects like Norochcholai, Hambantota Port, and the Airport Expressway.⁴ India attempted to step in with significant financing for postconflict reconstruction during 2011–2013, but even this was dwarfed by Chinese financing (fig. 1).

With Chinese state-owned enterprises (SOE) acquiring strategic assets such as Colombo Port City, Colombo International Container Terminal, and Hambantota Port, India frequently voiced concerns about China's role in Sri Lanka during this period. Indian scholars were instrumental in framing Chinese financing as *debt-trap diplomacy*, portraying it as a strategy to seize strategic assets from indebted developing countries.⁵ Even the COVID-19 pandemic did not slow China's involvement in Sri Lanka, with Chinese financing maintaining its dominance during 2020–2021.

It was no surprise that India fully capitalized on Sri Lanka's 2022 economic crisis to expand its NFP and demonstrate its capacity to mobilize significant financial resources swiftly. Minister Jaishankar stated that New Delhi stepped forward in an unprecedented way, altering the region's perception of India.⁶ His role in leveraging this moment to enhance India's NFP was crucial. During 1988–1990, as First Secretary in Sri Lanka and political advisor to the IPKF, Jaishankar gained firsthand experience of India's foreign policy missteps in Sri Lanka. He also served as India's longest-serving ambassador to China from 2009 to 2013, handling a flare-up in the Indo-China border conflict. As a career Indian Foreign Service official turned Minister, Jaishankar has actively shaped and guided Prime Minister Narendra Modi's foreign policy. In South Asia, this involved a

³ S. Jaishankar, *The India Way: Strategies for an Uncertain World* (Gurugram: HarperCollins India, 2022), Kindle.

⁴ Umesh Moramudali and Thilina Panduwawala, "Evolution of Chinese Lending to Sri Lanka since the Mid-2000s: Separating Myth from Reality," China Africa Research Initiative, School of Advanced International Studies, John Hopkins University, Briefing Paper No. 8 (November 2022), <https://papers.ssrn.com/>.

⁵ Deborah Brautigam, "A Critical Look at Chinese 'Debt-Trap Diplomacy': The Rise of a Meme," *Area Development and Policy* 5, no. 1 (2020): 1–14, <https://doi.org/>.

⁶ "India facing 'very complicated challenge' from China, ensuring no attempt made to change status quo in border areas unilaterally: Jaishankar," *The Hindu*, 28 May 2023, <https://www.thehindu.com/>.

robust return to the NFP and expanded engagement within the Indian Ocean region (IOR) and the Bay of Bengal.

Jaishankar closely coordinated with Sri Lankan authorities during the COVID-19 pandemic, particularly in supplying vaccines and medical supplies. The relationships built during the pandemic transitioned into support during Sri Lanka's economic crisis. As 2022 began, Colombo was hoping for a miracle when India announced its first set of financing packages in mid-January, following direct negotiations in early December between India's External Affairs and Finance Ministers and Sri Lanka's then Finance Minister, Basil Rajapaksa.⁷ Jaishankar followed up with visits to Sri Lanka in March and October 2022, accompanied by additional financing and aid. In contrast, despite an official visit in January 2022 to Colombo by Wang Yi, China's then-Foreign Affairs Minister, no new financing from China was received (fig. 2). At a moment when China appeared to distance itself from Sri Lanka, India stepped up its support with unprecedented vigor and effort. As explored in subsequent sections, this was facilitated by expanding the financial capacity and tools available to India, particularly through the Reserve Bank of India (RBI) and state-owned financial institutions.

India's Extraordinary 2022 Financing Package to Sri Lanka

In January 2022, Sri Lanka faced a precarious external financing situation. The Central Bank of Sri Lanka (CBSL) estimated the government's and central bank's foreign currency repayment obligations for 2022 at USD 6.9 billion, including a USD 500-million international sovereign bond (ISB) maturing that January. However, the CBSL held only USD 1.6 billion in usable foreign reserves at the end of 2021, less than a quarter of the foreign currency debt repayments due in 2022. Sri Lanka was also unable to raise new foreign currency debt in international capital markets because its credit rating had been downgraded to just above default by late 2021, signaling a significant risk of default.⁸

Domestically, segments of the local business community and civil society were urging the government to consider a pre-emptive default on its external debt from late 2021 onward, before foreign reserves were fully depleted. Sri Lankan authorities, led by then-Governor of CBSL Nivard Cabraal, responded with vague plans to raise foreign currency financing from various sources, including currency swaps with other central banks, state asset sales, and bilateral credit lines to finance

⁷ High Commission of Sri Lanka in India, "Finance Minister Basil Rajapaksa concludes a successful visit to New Delhi," 3 December 2021, <https://slhcindia.org/>.

⁸ "Moody's downgrades Sri Lanka sovereign rating to Caa2," *EconomyNext*, 28 October 2021, <https://economynext.com/>.

imports. None of these materialized, except for drawing down the unusable Chinese swap facility, until India stepped in with several financing facilities.⁹ Thus, the Sri Lankan government sought a major support package from India due to the lack of any other alternatives.

In January 2022, India provided Sri Lanka with a critical set of financing facilities. These included a USD 400-million currency swap via the Reserve Bank of India's (RBI) South Asian Association for Regional Cooperation (SAARC) swap facility and the deferral of about USD 500 million in trade liabilities accumulated through the Asian Clearing Union (ACU), primarily from imports from India, which were otherwise due for repayment in January.¹⁰ These measures helped bolster Sri Lanka's foreign reserves, allowing for the repayment of external debt from reserves during the January to March 2022 period. While this provided some breathing room, internal disagreements over emergency steps, particularly regarding entering an IMF program, crippled the government.

Amid an escalating economic crisis, with growing public protests and rolling blackouts, key members of the Rajapaksa government hesitated to commit to severe austerity measures. These measures, including interest rate hikes, significant tax increases, expenditure containment, and substantial energy price hikes, were necessary to meet the prior actions required to enter an IMF program.¹¹

Since mid-2021, the banking sector had struggled to process letters of credit for imports and conduct regular forex transactions due to a foreign currency shortage.¹² State-owned banks, which accounted for about 40 percent of the banking sector,

⁹ A right to information request from the CBSL revealed that for the RMB 10-billion swap to be usable for transactions, the PBOC requires CBSL's forex reserves should be large enough to cover 3-months of goods imports and/or be larger than the predetermined net FX drains Sri Lanka faces in the next 12 months. But from December 2021, the CBSL's forex reserves have been below both metrics until late-2023. Therefore, throughout the crisis period the PBOC swap remained unusable as a reserve asset. But since it had been drawn down into a CBSL account, it had to be reported as part of CBSL's forex reserves.

¹⁰ "Dr. S. Jaishankar and Hon'ble Basil Rajapaksa finalize large Indian support to Sri Lanka" (press release, High Commission of India in Sri Lanka, 16 January 2022), <https://hccolombo.gov.in/>. The Asian Clearing Union (ACU) is a payment arrangement whereby the participants settle payments for intraregional transactions among the participating central banks on a net basis. It consists of seven South Asian countries (excluding Afghanistan) plus Myanmar and Iran. While the transactions occur through the banking system, outstanding net amounts are liabilities of the central banks and cleared on a net basis every two months. In effect, it allows the participating central banks to reduce the amount of dollar liquidity needed to settle trade between the member countries.

¹¹ These internal government disagreements and apprehensions are covered in detail in Sri Lanka's Supreme Court Judgements for Fundamental Rights petitions No. 195_2022 and No. 212_2022, provided on 14 November 2023, <https://www.supremecourt.lk/>.

¹² *Financial System Stability Review 2022* (Colombo: Central Bank of Sri Lanka, December 2022), <https://www.cbsl.gov.lk/>.

particularly struggled to source foreign currency and issue letters of credit to import fuel for the Ceylon Petroleum Corporation (CPC). The CPC, in turn, supplied fuel to the Ceylon Electricity Board (CEB), the monopoly electricity supplier. Both SOEs were suffering losses due to below-cost energy pricing imposed by successive governments.

In this context, the second set of financing facilities provided by India was crucial for allowing Sri Lanka to import essentials, especially fuel, food, and pharmaceuticals. The EXIM Bank of India provided a USD 500-million fuel import credit facility in March 2022, and the State Bank of India extended a USD 1-billion import credit facility in April 2022.¹³ Additionally, although not officially announced, Sri Lanka was permitted to accumulate up to about USD 2 billion in ACU trade credit, effectively allowing for an additional USD 1.45 billion in imports from India. In June 2022, the EXIM Bank of India followed up with a USD 55-million facility to finance fertilizer imports, critical for Sri Lanka's agriculture sector.¹⁴

Combined, these financing facilities meant that India had provided close to USD 4 billion in financing to Sri Lanka in 2022, covering over 80 percent of merchandise imports from India that year. Most of this financing was made available during the January–April 2022 period, a time when Sri Lanka faced significant uncertainty regarding sovereign default and entering an IMF program.

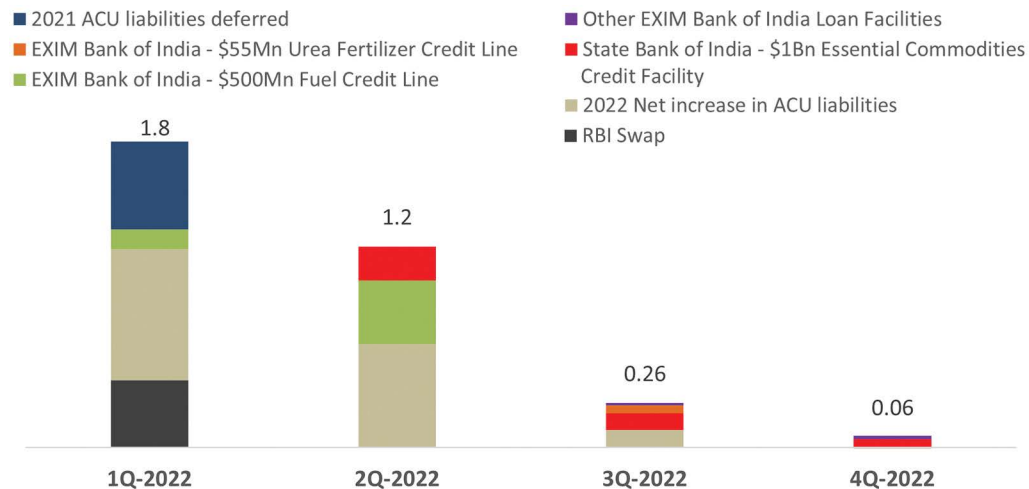


Figure 1. Breakdown of Indian financing facility disbursements in 2022 by quarter, USD billion. (Source: Author compiled based on External Resources Department (ERD) and CBSL data)

¹³ Press Trust of India, “SBI signs agreement to provide \$1-bn credit facility to Sri Lanka,” *Business Standard*, 17 March 2022, <https://www.business-standard.com/>.

¹⁴ “US\$ 55 million LOC for procurement of Urea Fertiliser” (press release, High Commission of India in Sri Lanka, 10 June 2022), <https://hccolombo.gov.in/>.

Sri Lanka utilized USD 3.3 billion of the USD 4 billion in Indian financing made available in 2022. Of this, USD 926 million was through the central government, and the remainder was through the CBSL. The scale of Indian financing becomes more apparent when compared to past Indian financial flows to Sri Lanka, especially against China, the largest bilateral creditor over the previous decade. Prior to 2022, India's share of foreign debt disbursements to Sri Lanka's central government had never exceeded 10 percent. In 2022, this share surged to 38 percent (fig. 2). In contrast, China's share had exceeded 10 percent every year since 2009, peaking at 42 percent in 2013. However, after significant financing in 2020 and 2021, China's share plummeted to just 3 percent in 2022, underscoring the difference in crisis support from India and China. When adjusted for repayments, Sri Lanka's government had net repayments of USD 266 million to China, compared to a net inflow of USD 878 million from India in 2022.

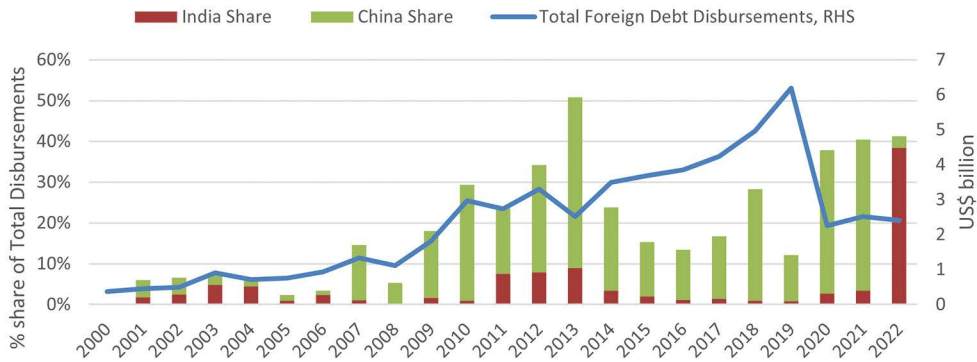


Figure 2. China and India share of foreign debt disbursements to Sri Lanka's central government. (Source: Author compilation based on ERD data)

Despite being a smaller bilateral lender to the Sri Lankan government, India has historically utilized central bank facilities to support trade continuously through the ACU and bilateral swap facilities from the RBI.¹⁵ The RBI's bilateral swaps were notably provided during periods of economic strain even before 2022, such as the USD 1.5 billion extended in mid-2015 when Sri Lanka's reserves were dwindling ahead of an IMF program that was finalized only in mid-2016. The use of ACU trade credit also saw an uptick during previous balance of payment crises in 2008, 2011, and 2015–2016. Therefore, the significance of utilizing ACU credit and RBI swaps in 2022 lay not in deploying new tools but in the magnitude and speed with which they were employed early in the year.

¹⁵ The Reserve Bank of India's SAARC swap facility has been available to all SAARC member countries since November 2012.

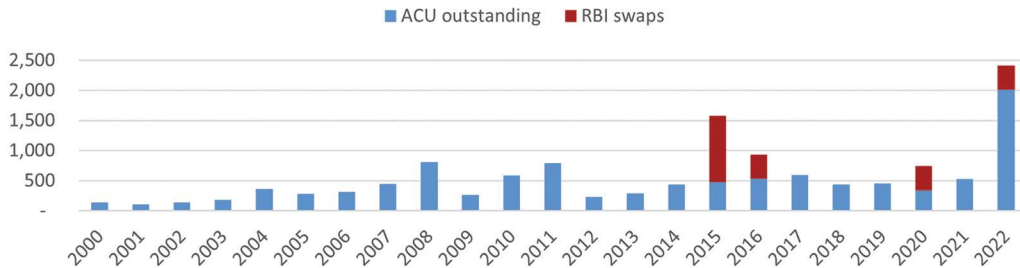


Figure 3. Central Bank financing facilities from India outstanding at year end, USD million. (Source: Author compilation based on CBSL data)

Indian Financing Sustained Essential Imports

India and China have been the largest sources of merchandise imports for Sri Lanka in recent years, with India accounting for 20.4 percent and China (including Hong Kong) for 21.9 percent of imports during 2019 to 2021. In 2022, Sri Lanka's merchandise imports contracted by USD 2.35 billion compared to 2021, with imports from China experiencing the steepest decline of USD 1.47 billion.¹⁶ Conversely, imports from India increased by USD 113 million. This increased India's share of Sri Lanka's imports to 26 percent in 2022, while China's share decreased to 18 percent (or 19.4 percent including Hong Kong).

Although India and China had similar import shares from 2019 to 2021, the composition of their imports differed significantly. Indian imports comprised substantial amounts of essential food and fuel, whereas Chinese imports were predominantly investment goods, machinery, and industrial inputs. During the 2022 crisis and recession, nonessential consumption, industrial activity, and investment contracted significantly. As a result, imports of construction materials, machinery/equipment, consumer durables, and industrial inputs declined, while Sri Lanka prioritized sustaining essential imports such as fuel, food, and medicines. Consequently, imports from China saw a sharper decline, while essential imports from India continued to flow. Indian financing played a crucial role in ensuring the continuity of these essential imports, particularly fuel and food, which increased in 2022 compared to 2021 (fig. 4). Maintaining the functionality of the Sri Lankan economy was also vital for India due to critical linkages, notably the Colombo Port's significant role in transshipment of container traffic to and from Indian ports. Avoiding a full-blown humanitarian crisis on its southern coast was imperative for India, given the potential costs involved.

¹⁶ Calculated from *Central Bank of Sri Lanka Annual Report 2022*, Special Appendix.

In 2022, of the Indian credit lines extended, USD 700 million was allocated specifically for fuel imports, all of which were fully utilized, bolstered by the Indian Oil Corporation's (IOC) presence in Sri Lanka's fuel market since 2003. Fuel imports from India surged to USD 1.156 billion in 2022, compared to USD 605 million in 2021 and just USD 447 million in 2019. Consequently, India supplied 30 percent of Sri Lanka's fuel imports in 2022, up from 13 percent in 2019. Food imports from India also saw a significant increase in 2022, reaching USD 1.018 billion, compared to USD 787 million in 2021 and USD 404 million in 2019. About 48 percent of Sri Lanka's food imports originated from India in 2022, up from 20 percent in 2019.¹⁷ These substantial rises in imports from India across these critical categories were facilitated by emergency Indian financing, countering declines seen in other import sectors, which was not the case for China. While China provided some aid grants, they were sharply smaller in comparison to India's support.

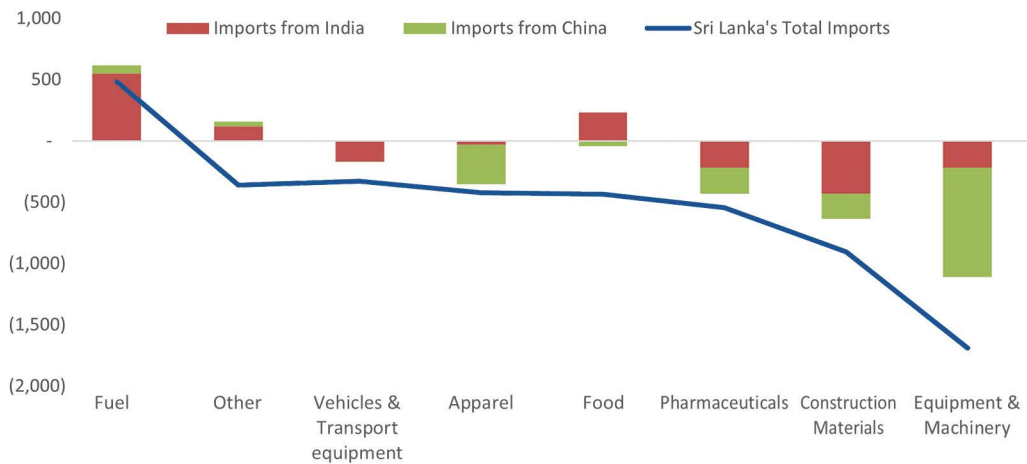


Figure 4. Change in imports by major category in 2022 compared to 2021, USD million. (Source: Author compiled using ITC data)

Sri Lanka's capacity to import from India was further strengthened by higher Sri Lankan merchandise exports to India compared to China, despite both countries being smaller export destinations for Sri Lanka. Since 2019, India has typically accounted for about 6 percent of Sri Lankan merchandise exports, whereas China's share has been around 2 percent. Including exports to Hong Kong with China raises the combined share to approximately 3 percent.

¹⁷ Calculated from data obtained via International Trade Centre, "Trade Map," n.d., <https://www.trademap.org/>.

The India-Sri Lanka Free Trade Agreement (ISFTA), effective since 2000, significantly bolstered Sri Lankan exports to India. The ISFTA facilitated substantial export growth in the early 2000s, with 31 percent of export expansion during 2000–2005 attributed to India. Export growth continued steadily post-2009, reaching more than USD 800 million by 2022. In contrast, annual exports to China and Hong Kong grew more gradually, surpassing USD 400 million by 2015 and remaining in the USD 300–400-million range thereafter, with the China-Sri Lanka Free Trade Agreement still under negotiation.

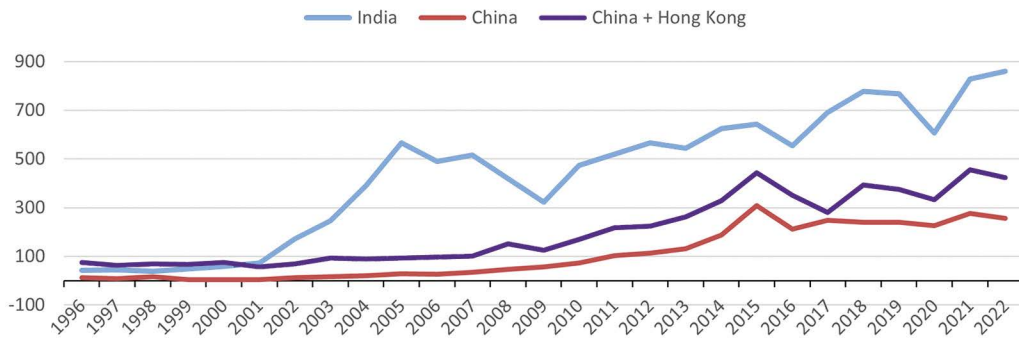


Figure 5. Sri Lanka's merchandise exports to India and China, USD million. (Source: Central Bank of Sri Lanka)

As a result of increased exports to India, Sri Lanka has maintained a smaller trade deficit with India compared to its combined deficit with China and Hong Kong from 2016 to 2021, although it remains significant. These deficits have been offset by Sri Lanka's trade surpluses with North American and European markets, remittances from the Middle East, tourism earnings, and foreign borrowings.

While substantial Chinese loans from 2005 to 2021 helped finance part of the deficit with China, such financial support did not materialize in 2022 to assist in financing the USD 3-billion trade deficit with China. In contrast, the USD 3.3-billion Indian emergency financing utilized in 2022 covered approximately 85 percent of the USD 3.8-billion trade deficit with India that year.

Preventing a Default to Multilateral Creditors

By the end of March 2022, Sri Lanka's usable reserves stood at approximately USD 343 million, barely sufficient to cover upcoming foreign debt repayments and fuel imports. This amount would have been depleted entirely if not for the USD 400-million currency swap provided by the RBI in January 2022, which was unconditional compared to the People's Bank of China (PBOC) swap. Furthermore, Indian import credit facilities helped reduce the drawdown of reserves for essential

imports. Without these measures, Sri Lanka's usable reserves would have dwindled to zero even before the decision to default in April (fig. 6).

Without Indian financing, Sri Lanka faced the risk of defaulting on repayments to multilateral creditors such as the IMF, World Bank, and ADB, which amounted to about USD 900 million in 2022. Defaulting on these obligations would have barred Sri Lanka from accessing further funding from these institutions, as seen in the case of Zimbabwe.¹⁸ By preventing default to multilateral lenders, India's financing effectively functioned as a lender of last resort. Continuing to honor its commitments to multilateral creditors throughout 2022 enabled Sri Lanka to negotiate toward an IMF program and access some World Bank and Asian Development Bank financing even before the IMF program started in March 2023. India's proactive measures were recognized by exempting the emergency financing from debt restructuring, similar to the preferred creditor treatment (PCT) enjoyed by multilateral creditors.¹⁹

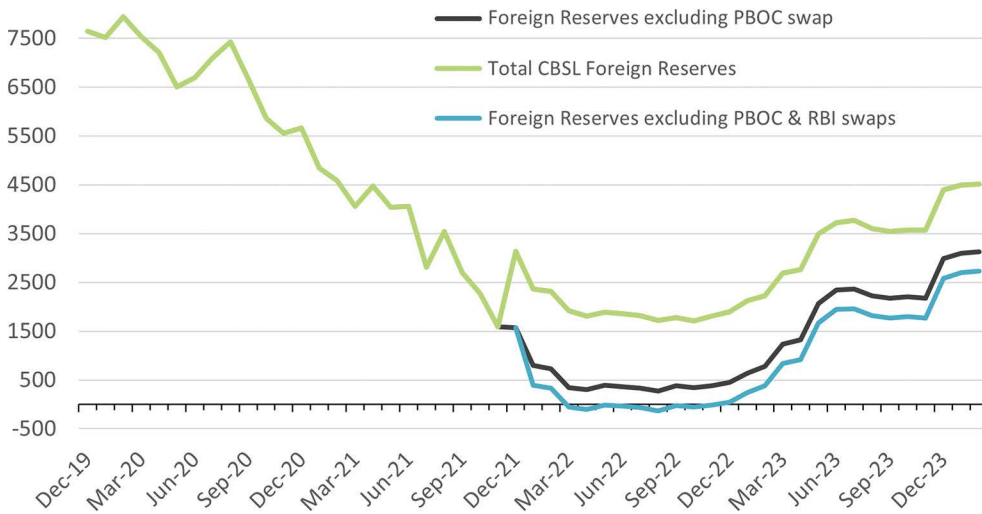


Figure 6. Sri Lanka's Central Bank Foreign Reserves accounting for bilateral swaps, USD million. (Source: Author compiled based on CBSL data)

¹⁸ N. Roubini, B. Setser, *Bail-Outs or Bail-Ins? Responding to Financial Crises in Emerging Economies*, Peterson Institution Press, Peterson Institute for International Economics, No. 378 (2004): 280.

¹⁹ PCT means that multilateral creditors continue to be repaid even when a country restructures debt to private and bilateral creditors, despite no strong legal backing for such a privilege. Tito Cordella and Andrew Powell, "Preferred and Non-Preferred Creditors," Policy Research Working Paper 8941 (working paper, World Bank Group, Washington, DC, July 2019), <https://documents1.worldbank.org/>.

India's Prominent Political Role in Sri Lanka's External Debt Restructuring

As Sri Lanka entered sovereign default, its ability to borrow externally was primarily limited to multilateral lenders. Even their lending was contingent upon Sri Lanka taking steps to restructure its external debt and emerge from default status. When Sri Lanka initiated its external debt restructuring process in 2022, it became evident that dealing with bilateral creditors would pose challenges. By the end of June 2022, China held 40.1 percent and India held 15 percent of Sri Lanka's bilateral debt, totaling 55.1 percent—larger than the Paris Club's share of 41.7 percent.²⁰ Unlike the standardized process followed by Paris Club creditors for debt relief and restructuring, non-Paris Club creditors like India and China lacked such a uniform framework.²¹ Therefore, Sri Lanka had to establish a platform where diverse bilateral creditor groups could discuss, coordinate, negotiate, and finalize debt-relief terms that each creditor found acceptable and comparable.

However, when considering the total external debt undergoing restructuring, China held a larger share while India's share was smaller. This disparity arises because the China Development Bank (CDB), a state-controlled policy bank, provided around USD 3 billion in commercial lending to Sri Lanka outside the bilateral framework. Similarly, a significant portion of India's outstanding bilateral loans to Sri Lanka, particularly the emergency credit facilities provided in early 2022, were exempted from restructuring. Of the total external public debt stock of USD 38.2 billion at the end of 2022, approximately USD 27 billion was subjected to debt restructuring. While all debt from China (both bilateral and from CDB) fell under restructuring, about USD 893 million of Indian lending through emergency credit facilities in 2022 was exempt. Consequently, only 4 percent of the external public debt undergoing restructuring in 2022 was from India, compared to 27 percent from China (16-percent bilateral and 11 percent from CDB).

²⁰ Ministry of Finance, "Investor Presentation – 23 September 2022," 19 October 2022, 18, <https://www.treasury.gov.lk/>.

²¹ The Paris Club is an informal group of official bilateral creditors who work together to resolve debt repayment crises faced by debtor countries. The members of the Paris Club that are creditors of Sri Lanka and are part of the Official Creditor Committee (OCC) include Australia, Austria, Belgium, Canada, Denmark, France, Germany, Japan, Korea, the Netherlands, Russia, Spain, Sweden, the United Kingdom, the United States.

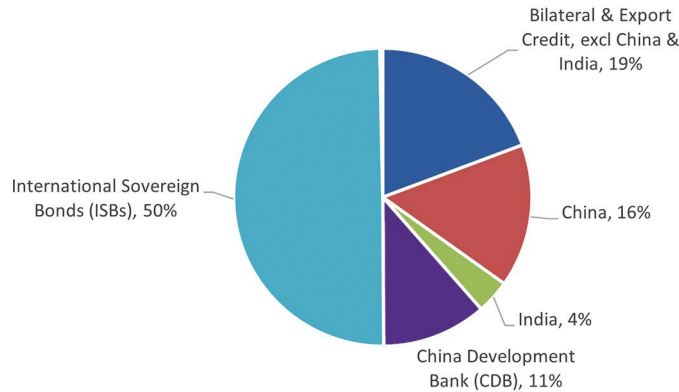


Figure 7. Sri Lanka's external public & publicly guaranteed debt under restructuring at end-2022, by type of creditor. (Source: Author compiled based on Ministry of Finance Public Debt Summary at end-2022)

Despite India's limited role in providing debt relief, New Delhi was the first creditor to offer the financing assurances required ahead of the IMF program board approval in March 2023. China, in alignment with IMF requirements, provided similar assurances only in early March 2023, a month and a half after India.²² The perceived delay in China's response on its approach to debt relief and financing assurances drew criticism both internationally and domestically in Sri Lanka. India emphasized its prompt action in providing necessary financing assurances, portraying it as a continuation of its exceptional support since early 2022.

When the Official Creditor Committee (OCC) was established in April 2023 for bilateral debt restructuring negotiations, it was jointly chaired by Japan, India, and France, with no official representation from China. India has assumed a significant diplomatic role in Sri Lanka's external debt restructuring process, despite its smaller share of the debt undergoing restructuring.

While India cannot offer substantial debt relief in restructuring Sri Lanka's government external debt, it effectively restructured the central bank financing facilities provided in 2022. The RBI's USD 400-million currency swap and approximately USD 2 billion in ACU trade credit were originally intended as short-term facilities to be repaid promptly. The IMF's March 2023 report anticipated

²² *Sri Lanka*, IMF Country Report No. 23/116 (Washington: IMF, March 2023), <https://www.imf.org/>.

repayment between 2023 and 2024. However, in October 2023, the RBI de facto restructured these facilities into a single USD 2.6-billion currency swap (including about USD 200 million in interest payments). This restructuring extended the maturity period, with repayments scheduled in monthly installments of USD 75 million from November 2024 to August 2026. This adjustment reduced pressure on Sri Lanka's foreign exchange reserves postcrisis.²³

India's Opportunity at Investing in Sri Lanka's Strategic Assets

The Indian government's significant involvement in emergency financing for essential imports and leadership in Sri Lanka's debt restructuring has been complemented by Indian firms investing in strategic sectors of the island nation. This is particularly crucial as Sri Lanka seeks foreign investment and aims to showcase successful investment stories to attract more investors, especially given its historically low levels of foreign direct investment (FDI), averaging less than 1.5 percent of GDP.²⁴

From 2013 to 2022, based on available country-specific data, approximately 28.8 percent of FDI inflows into Sri Lanka originated from China and India combined, with 14.2 percent from China and 14.6 percent from India. However, this figure may underestimate the actual FDI flows from Chinese and Indian firms, as many investments are routed through other jurisdictions such as Hong Kong and Mauritius. Around two-thirds of FDI flowing to and from mainland China passes through Hong Kong, while Mauritius serves as an offshore financial center with a significant role in reported FDI into India.²⁵ When considering investments routed through Hong Kong alongside those from mainland China, and investments through Mauritius alongside those from India, the combined FDI shares for China and India in Sri Lanka increase to an average of 20.3 percent and 19.1 percent, respectively.

²³ *Sri Lanka*, IMF Country Report No. 23/116.

²⁴ FDI data is obtained from the CBSL's annual reports and exclude foreign loans (other than intercompany loans) obtained by Board of Investment-registered FDI firms.

²⁵ Seth O'Farrell, "Mauritius can be a jurisdiction of repute, says minister," *fDi Intelligence*, 14 November 2023, <https://www.fdiintelligence.com/>.

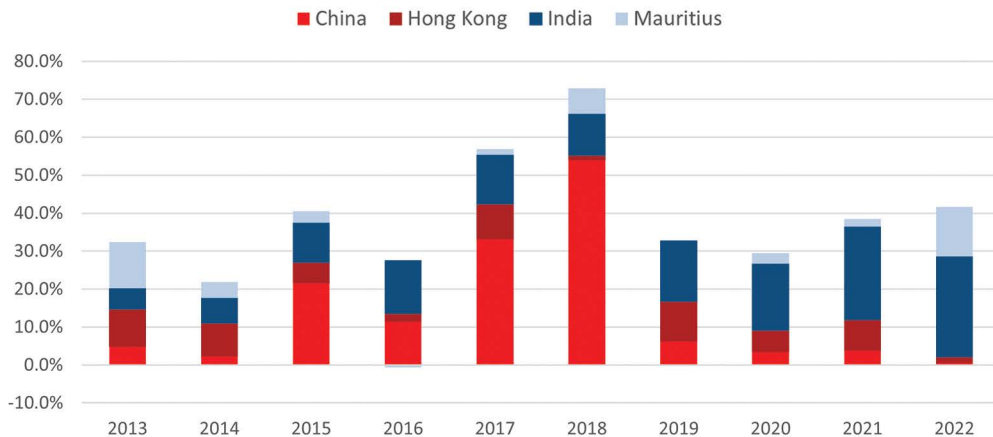


Figure 8. Share of FDI inflows to Sri Lanka, % of total FDI inflows. (Source: Author compilation based on Board of Investments of Sri Lanka data)

In China's case, the largest FDI inflow to Sri Lanka was the USD 1.5-billion Colombo Port City project by China Harbor Engineering Company (CHEC), with investments coming gradually since 2014. Another significant FDI was the 2017 lease of the Hambantota Port to China Merchant Port Group (CM Port) for 99 years, involving a USD 972-million investment disbursed during 2017 and 2018, marking a notable increase in Chinese FDI during those years. Excluding these two key projects—both of which drew considerable attention from India—FDI from China to Sri Lanka has been relatively modest and has decreased since 2019, falling behind investments from India.

In contrast, FDI inflows from India have shown less volatility, with a greater number of individual investments due to the substantial presence of Indian firms operating across various sectors in Sri Lanka. However, until recently, apart from the IOC's stake in the petroleum sector, Indian firms did not hold stakes in Sri Lanka's strategic assets such as electricity, ports, airports, telecom, and other critical infrastructure.

Adani's entry into Sri Lanka with two major investments has shifted this landscape significantly. This includes a 51-percent stake in the Colombo Port's West Container Terminal and investments in wind power projects in Mannar and Pooneryn. The port terminal project received backing from the United States through a USD 553-million loan from the US International Development Finance Corporation (DFC), positioned as an alternative to China's BRI.²⁶ In fact, this

²⁶ Benjamin Parkin and Chloe Cornish, "US lends \$553mn to majority Adani-owned port in Sri Lanka," *Financial Times*, 8 November 2023, <https://www.ft.com/>.

loan ranks as DFC's sixth-largest single financing program, and with nearly USD 1 billion in total commitments from DFC in recent years, Sri Lanka ranks among the largest recipients of DFC financing globally, second only to India in South and Southeast Asia.²⁷

However, both Adani investments bypassed competitive international bidding, with Sri Lankan authorities citing them as government-to-government initiatives aimed at circumventing legislative barriers that mandate competitive bidding for electricity-generation projects.²⁸ While the absence of competitive bidding sparked public outcry from opposition groups and civil society, the severity of the economic crisis provided ample grounds for protest on multiple fronts. The government also emphasized the urgent need for foreign investment to bolster the economy, and the goodwill generated by India's economic support helped mitigate broader opposition.

Apart from the Adani group, the IOC expanded its footprint in Sri Lanka, capitalizing on the liberalization of the petroleum sector. The IOC has doubled its market share in Sri Lanka and, even before Sri Lanka defaulted, took on expanded operations at the Trincomalee oil tank farm. HCL Technology Group also established a significant operational center in Colombo, supported by substantial tax concessions.

With ongoing Indian financing—amounting to USD 142 million in loans disbursed to the Sri Lankan government in 2023—Indian firms have sustained existing contracts and secured new ones for infrastructure projects commissioned by the Sri Lankan government.²⁹ Several Indian firms have submitted bids for state-owned assets slated for divestment by the Sri Lankan government, including Sri Lanka Telecom, Lanka Hospitals, and Sri Lanka Insurance.

Success Generates Challenges for India's Future Role in Sri Lanka's Economy

While Adani's and other Indian firms' investments in Sri Lanka underscore India's growing economic influence postcrisis, other significant developments are also unfolding. Central to these are advancements in bilateral initiatives that had previously stagnated, partly due to public resistance toward deeper economic ties with India. The goodwill fostered by India's substantial support has enabled Sri Lanka's government to advance these initiatives. These include integrating Indian rupee payment systems into Sri Lanka's financial framework, progressing negotiations toward a

²⁷ Author's calculation based on DFC active projects data as of the end of 2023: <https://www.dfc.gov/>.

²⁸ Nirupama Subramanian, "To Legalise Power Project Given to Adani Without Tender, Sri Lanka Wants it Turned Into Govt-to-Govt Deal," *The Wire*, 4 September 2023, <https://thewire.in/>.

²⁹ "Foreign Financing Disbursements 2023," External Resource Department, 2024, <https://www.erd.gov.lk/>.

comprehensive bilateral trade agreement, establishing an electricity grid interconnection, and exploring potential gas and oil pipeline connections. Successful implementation of these initiatives would enhance bilateral economic integration and attract more Indian FDI into Sri Lanka.

Looking ahead to the upcoming elections in late 2024, the prospects for further progress on these fronts remain uncertain. Sri Lanka has historically favored maintaining some distance from India, influenced significantly by past events, notably Indian involvement in Sri Lanka's civil conflict. These historical factors continue to shape the political landscape and pose challenges to deeper economic cooperation with India.

Previous attempts to deepen integration with India have met resistance in Sri Lanka's political landscape. The Indo-Lanka Accords of 1987, which brought the IPKF, triggered widespread antigovernment protests and civil unrest from 1987 to 1989. Subsequent efforts, such as the Comprehensive Economic Partnership Agreement (CEPA) finalized in 2005, faced setbacks under Mahinda Rajapaksa's administration due to opposition from nationalist factions crucial to his political base, stalling its signing. Similarly, the Economic and Technology Co-Operation Agreement (ETCA), intended as a follow-up to CEPA, encountered obstacles after 2019 with another change in government toward the Rajapaksas, amid concerns over competition from Indian imports and labor influx.

Despite intermittent negotiations, progress on the ETCA stagnated until late 2023 when discussions resumed. However, the upcoming 2024 elections could once again disrupt Sri Lanka's commitment to these agreements.

The visible expansion of Indian presence in Sri Lanka, including Adani's involvement bypassing competitive tenders, risks eroding the goodwill fostered by India's crisis support. Discussions about a potential physical land bridge across the Palk Strait between the two countries further exacerbate such erosion.³⁰ Historically, anti-India sentiment has been exploited by nationalist politicians and the People's Liberation Front (JVP), which leads a prominent political alliance poised as a major contender in the upcoming presidential elections in 2024.

Recent developments in the Maldives serve as a cautionary tale for those guiding Indo-Sri Lanka bilateral engagements. Maldivian politics have become polarized between pro-India and pro-China factions, complicating efforts to maintain a strategic balance between these crucial economic partners in tourism and financing for the archipelago. In times of fiscal constraint, politicians often capitalize on

³⁰ Dinuli Francisco, "India, Sri Lanka talks on land bridge," *Sunday Observer*, 7 April 2024, <https://www.sundayobserver.lk/>.

their inability to deliver economic promises by resorting to noneconomic, emotionally charged rhetoric against India or China.

Sri Lanka witnessed a similar dynamic on a smaller scale in 2015, following the electoral defeat of the Rajapaksas. The new government suspended China-backed projects like the Colombo Port City, previously touted as symbols of development by the Rajapaksas. Despite this suspension and a slowdown in Chinese lending during 2015–2016, Chinese investment and financing regained momentum from 2017 onward. The anti-China sentiment that surfaced during the 2015 elections yielded to priorities of economic growth, attracting FDI, achieving fiscal consolidation, and bolstering foreign reserves. This led to the resumption of projects such as the Port City, the lease of Hambantota Port, and the expansion of expressways.

Like its experience with China, Sri Lanka's current governments must pragmatically seek sources of economic growth and external financing. India, as a rapidly expanding economy and emerging creditor, presents both opportunities and challenges. Balancing potential anti-India sentiments, particularly in the lead-up to elections, with strategic policy priorities is crucial. Thus, despite domestic political maneuvering and concerns over Indian influence, advancing bilateral initiatives is likely to progress over time, albeit with occasional delays.

While tourism and remittance inflows have provided some relief to Sri Lanka's immediate foreign currency pressures, its non-tourism and non-remittance foreign earnings have remained stagnant in recent years. As previously noted, the period of increased economic integration with India through the ISFTA saw New Delhi contribute to 31 percent of export growth from 2000 to 2005. Leveraging India's economic growth and its integration into global supply chains could similarly benefit Sri Lanka in the coming years.

However, there is a risk that Indian entities could engage irresponsibly at a time when Sri Lanka is in dire need of foreign financing and investment. Concerns over procurement and tendering processes involving Chinese SOEs and firms were raised before Sri Lanka's sovereign default, potentially leading to overspending on certain projects.³¹ The bypassing of tender processes and the awarding of a higher guaranteed tariff rate for Adani's wind-power project in Mannar serve as reminders that Sri Lanka must improve governance standards regardless of the investor's origin.³² Enhancing governance and public-sector capacity is an area

³¹ Subhashini Abeysinghe et al., *The Lure of Chinese loans: Sri Lanka's Experiment with a Special Framework to Finance Its Infrastructure Investments* (Colombo: Verite Research, August 2022), <https://www.veriteresearch.org/>.

³² "Adani deal symptomatic of Sri Lanka's high costs from lack of competition: Analyst," *EconomyNext*, 15 May 2024, <https://economynext.com/>.

where countries like the United States, Japan, and the European Union have a vested interest in supporting Sri Lanka.

The United States has demonstrated its ongoing commitment to its interests in Sri Lanka in recent years, highlighted by the USD 480-million Millennium Challenge Corporation (MCC) grant until 2019 and increased financial activities through USAID and DFC since the 2022 crisis. Like India, the United States also aims to compete with China in the region, viewing Sri Lanka as strategically significant. Sri Lanka played a pivotal role in shaping the narrative around Chinese debt-trap diplomacy, which has influenced US policy makers' regional strategies.

However, akin to India's experiences, the United States encountered political uncertainties in Sri Lanka, illustrated by the MCC grant's failure to materialize after the 2019 elections. Therefore, both the United States with its *Indo-Pacific Strategy* and India with its NFP in Sri Lanka should anticipate potential setbacks during Sri Lanka's electoral cycles.

Balancing (Geo)Politics

Since 2022, India has ramped up its engagement in Sri Lanka, narrowing the gap with China in terms of economic influence. However, this does not imply that Sri Lanka will become excessively dependent on or fully integrated with India overnight. Sri Lanka maintains a diversified economy with substantial ties to other major economies. Its primary export markets remain the United States and European Union, and imports from China have begun to rebound as of early 2024. Despite Chinese policy banks refraining from new financing since late 2021, Chinese firms continue to operate and invest in Sri Lanka. Sinopec has expanded into the petroleum sector, securing approval for the country's second oil refinery, while CM Port is expanding operations at Hambantota Port. Moreover, a Chinese consortium has submitted bids for the divestment of government shares in Sri Lanka Telecom.

Even following debt restructuring, Chinese policy banks are likely to provide sufficient new loans to refinance existing repayments, following precedents set in countries like Ecuador. These banks also have exposure to Chinese SOEs invested in Sri Lanka, underscoring their interest in supporting Sri Lanka's economic recovery.

Given the long-term interests of both China and India in the island, Sri Lanka faces the challenge of balancing relations between these two Asian economic giants. A critical consideration is whether India can sustain a consistent and substantial flow of project financing, especially as China already has a pipeline of projects funded from its precrisis activities in Sri Lanka. For other major economies with stakes in Sri Lanka and the broader Indian Ocean region, such as the United States and Japan, India and Indian firms may serve as convenient partners for

financing and investments. The Adani investment in the Colombo Port serves as a promising example that could potentially evolve into joint ventures rather than mere loans. Engaging partners from diverse countries could mitigate concerns about India's perceived dominance in new projects and investments, which has the potential to stir domestic anti-India sentiments and dampen political support for deepening engagement with India. 🌟

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Ailing Healthcare, Eroding Trust

Sri Lanka's Healthcare Crisis and Its Geopolitical Implications

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Abstract

This article examines the healthcare crisis in Sri Lanka, which has been exacerbated by the country's economic downturn in 2022. Prior to the crisis, Sri Lanka had enjoyed a robust healthcare system and good health indicators. However, the current situation has led to shortages of essential medicines and medical devices, as well as a rise in out-of-pocket expenditures (OOPE) for healthcare. The article analyzes the root causes of the high OOPE, including inadequate public financing, inefficiencies in the healthcare system, and the lack of a national health insurance scheme. It also discusses the potential social and geopolitical implications of a strained healthcare system in Sri Lanka, such as the erosion of trust in the government, challenges in economic cooperation, and the potential for regional instability. The article concludes by suggesting potential solutions, including improving healthcare financing, implementing healthcare technology assessment, and fostering international cooperation to address the crisis. Addressing the healthcare challenges in Sri Lanka is crucial not only for the well-being of its population but also for regional peace and stability.

For years, Sri Lanka has prided itself on its robust healthcare system, boasting commendable health indices across all demographics and achieving numerous sustainable developmental goals (SDG).¹ However, the rising inflation and economic downturn in 2022 significantly impacted the delivery of effective healthcare in many developing countries, including Sri Lanka, previously depicted as a low-cost, high-efficacy model of quality healthcare.² The breakdown of healthcare service standards can trigger conflict, crime, and illegal migration, with global repercussions. Such breakdowns may contribute to geopolitical rifts in the

¹ "2018 Health SDG Profile: Sri Lanka" (fact sheet, World Health Organization, October 2018), <https://iris.who.int/>.

² Sonia Sarkar, "The devastating health consequences of Sri Lanka's economic collapse," *BMJ* (2022): 377 <https://doi.org/>.

Indo-Pacific region. Therefore, in 2024, we aim to discuss the magnitude of this issue and explore practical approaches to resolving the shortfall.

Health facilities, predominantly provided by the government sector, are largely free of charge and funded by taxes. Despite this, Sri Lanka's current health expenditure as a percentage of GDP has remained less than 4% over the past decade. In recent years, Sri Lanka has witnessed escalating out-of-pocket payments, primarily driven by rising private contributions.³ Universal health coverage (UHC) stands as the goal for all healthcare systems. The World Health Organization defines UHC as ensuring that all people obtain necessary health services without facing financial hardship. Monitoring progress toward UHC focuses on the proportion of the population accessing essential quality health services and the proportion spending a large portion of household income on health.

In healthcare financing, there is no one-size-fits-all strategy. Hybrid financing models often prevail, and a country must adopt the most suitable healthcare financing strategy to achieve UHC given its resources. Education and health are recognized as investments with high returns, as they enhance both the quantity and quality of human capital. Consequently, the Sri Lankan government continues to provide these services universally and free of charge.

According to the Central Bank of Sri Lanka, headline inflation for 2022 surged to 69.8 percent, with a relatively lower inflation rate of 30.7 percent observed in the "health" subcategory.⁴ The government of Sri Lanka, through gazette notifications, found it necessary to increase the prices of essential medicines by 40 percent in April, followed by another escalation for medical devices in September 2022.

For instance, considering the antibiotic Co-amoxiclav (625 mg tab) as an illustration of medication, the maximum retail price gazetted in 2019 stood at Rs 72.07, which soared to Rs 141.86 in April 2022, marking a staggering 97-percent increase.⁵ Similarly, examining coronary drug-eluting stents as essential medical devices, the price in September 2022 reached Rs. 236,224.80. Contrastingly, the maximum retail price was gazetted at Rs 168,732 in March 2022, Rs. 130,800.00 in August 2021, and Rs. 120,000.00 in March 2019 (pre-pandemic), indicating a 97-percent increase compared to the pre-pandemic level.⁶ This imparts substan-

³ Lalini Rajapaksa et al., *Sri Lanka Health System Review* (New Delhi: WHO Regional Office for South-East Asia, 2021), <https://iris.who.int/>.

⁴ "CCPI based headline inflation recorded at 69.8% on year-on-year basis in September 2022" (press release, Central Bank of Sri Lanka, Colombo, 30 September 2022), <https://www.cbsl.gov.lk/>.

⁵ *National List of Essential Medicines: Sri Lanka*, 4th revision (Colombo: Ministry of Health Care & Nutrition, Sri Lanka, 2009), <https://www.nmra.gov.lk/>.

⁶ "Price Controls," National Medicines Regulatory Authority (Sri Lanka), n.d., <https://www.nmra.gov.lk/>.

tial constraints in a country that has a high risk of conditions such as heart failure post myocardial infarction at a young age.⁷

The impact of these price hikes has been acutely felt by patients across numerous healthcare institutions, resulting in high out-of-pocket expenditure (OOPE) due to service shortages and the unavailability of essential or life-saving medications. Additionally, dwindling human resources due to migration and the retirement of key healthcare personnel have exacerbated the situation.

Despite earnest efforts by authorities and institutions to sustain health services, many specialists and patients commonly report a significant lack of access to quality care in both public and private health sectors. Recent clinical experiences further illustrate these challenges: essential cardiovascular medications such as thrombolytics for myocardial infarction, antiplatelet medications post-percutaneous coronary intervention (PCI) or bypass, anticoagulants for mechanical heart valves, and inotropes in intensive care units are often unavailable. Many institutions struggle to maintain a consistent supply of medicines even at higher prices. Moreover, constant changes in brands, sometimes provided as donations, can pose issues without proper assessment of pharmacological effectiveness and long-term product availability. This situation occasionally dissuades clinicians from initiating essential therapies. Furthermore, concerns arise regarding hospitals altering antibiotics based solely on availability rather than guidelines, which could contribute to the global emergence of antibiotic resistance in the long run.

Many medical or surgical devices have nearly doubled in price compared to pre-pandemic levels, reaching a point where even self-paying patients can no longer afford them. This challenge is compounded by the scarcity of health insurance options in the country, with the cost of enrollment on the rise. Moreover, most public health institutions, reliant solely on taxpayer funding, are struggling due to dwindling public resources.

Additionally, underlying issues such as chronic anxiety/stress, social deprivation, substance misuse, and the departure of healthcare providers further compound the challenges faced in healthcare provision and the maintenance of national health.

OOPE encompasses direct and indirect payments by households, including payments to health practitioners, pharmaceuticals, therapeutic devices, and other goods and services, as well as informal payments. Previous analyses have indicated that OOPE was primarily incurred by higher socio-economic strata, but recent findings suggest it is gradually encroaching upon lower socioeconomic strata as

⁷ Pandula Athauda-Arachchi, "Advanced interventional cardiac procedures and perioperative care required to prevent the epidemic of end-stage heart disease in Sri Lanka," *Sri Lanka Journal of Medicine* 28, no. 1 (2019): 54–60, <https://doi.org/>.

well.⁸ High OOPE for healthcare have been shown to deter individuals from seeking healthcare, deteriorate health-related quality of life, and push families towards impoverishment, thereby threatening equity in healthcare. OOPE is predominantly incurred for medical practitioners (Rs. 40 billion/yr.; 40.6 percent), drugs and laboratory services (Rs. 31 billion/yr.; 31.5 percent), and private hospitals and nursing homes (Rs. 20 billion/yr.; 20.3 percent). Chronic illnesses alone account for 7.4 percent of monthly income spent on healthcare expenses.⁹

The shift of focus towards COVID-19 care and subsequent post-pandemic fiscal insecurities have seemingly resulted in recurring shortages, particularly for medications used in non-communicable diseases (NCD). Consequently, the high OOPE stemming from this scarcity often leads to poor drug compliance, which, regrettably, can result in various adverse effects and complications. Systematic data collection is imperative to comprehensively assess these deficits. Figure 1 below presents a root-cause analysis of the high OOPE experienced by patients with NCDs.

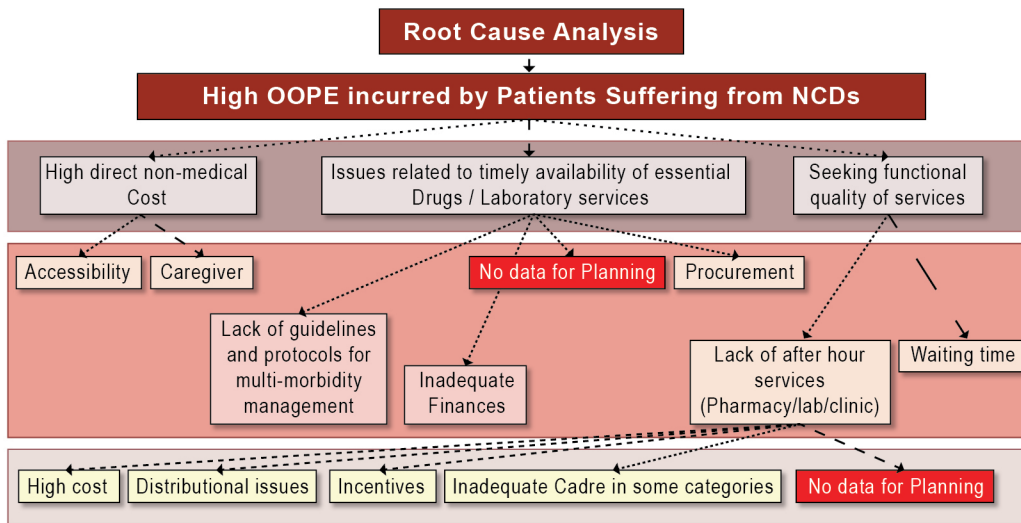


Figure 1. Root cause analysis. (Source: Anuji Upekshika Gamage et al., “Determinants of out-of-pocket health care expenditure in Sri Lanka,” *Journal of College of Community Physicians of Sri Lanka* 25, supp. (2019), 11, <https://storage.googleapis.com/>.)

⁸ Anuji Upekshika Gamage et al., “Determinants of out-of-pocket health care expenditure in Sri Lanka,” *Journal of College of Community Physicians of Sri Lanka* 25, supp. (2019), 11, <https://storage.googleapis.com/>.

⁹ *Household Income and Expenditure Survey: Final Report, 2019* (Colombo: Department of Census and Statistics, 4 April 2022), <http://www.statistics.gov.lk/>.

Discussion

Ensuring universal access to all essential medicines and laboratory tests would alleviate the financial burden on patients, yet this presents a challenge to the healthcare system in Sri Lanka, given its inadequate public finances. Therefore, it is imperative to scrutinize the model for providing essential medicines to ascertain its sustainability.

Key questions healthcare administrators in Sri Lanka should contemplate include the following: Is the implementation of national health insurance feasible? Can reallocating tobacco/alcohol tax revenues and enhancing efficiency savings benefit the state health sector? Is it viable for the Finance Committee to designate a specific budget for healthcare? What public-private partnerships could enhance the fiscal capacity of the Ministry of Health? How can sustainable and affordable pricing of medicines be achieved? Is it possible to produce essential medicines at scale to meet the demand for UHC? Can efficiency be attained despite the strain on the system?

Clinicians also emphasize the need for efficient medicine distribution and utilization. The current system is plagued by inefficiencies such as wastage due to improper storage, quality failures, and inadequate post-marketing surveillance. Urgent attention is warranted to rectify these issues.

Efficiency gains within healthcare systems are imperative. Inefficiencies often stem from service delivery, medication management, healthcare workforce issues, disjointed data systems, and resource leakages.¹⁰ Reforms must prioritize adequate budget allocations for essential medicines and the continuity of care for chronic illnesses.

Healthcare Technology Assessment (HTA) serves as a vital tool for evidence-based decision-making and the allocation of healthcare budgets to advance Universal Health Coverage (UHC). HTA bodies assess the effectiveness, costs, and health impacts of health technologies while considering ethical and equity issues.¹¹ Institutionalizing HTA requires a supportive environment and unwavering commitment. For example, the National Institute for Health and Care Excellence (NICE) in the United Kingdom focuses on the systematic evaluation of health technologies and cost-effectiveness analysis, facilitating evidence-based decision making. Establishing similar bodies in all countries is essential to ensure sustainable healthcare provision meeting adequate quality standards. International as-

¹⁰ Pierre L. Yong, Robert S. Saunders, and LeighAnne Olsen, eds., *The Healthcare Imperative: Lowering Costs and Improving Outcomes* (Washington: National Academies Press, 2010), <https://nap.nationalacademies.org/>.

¹¹ Anuji Upekshika Gamage and Chrisantha Abeyseena, "Health Technology Assessment (HTA) and Health Policy Making: A Narrative Review," *Journal of the College of Community Physicians of Sri Lanka* 26, no. 3 (2020): 175–82, <https://doi.org/>.

sistance and cooperation can play a pivotal role in enhancing and overseeing such bodies to improve healthcare quality globally.

Conclusion

A country with a poorly functioning healthcare system may be perceived as a liability by its allies and vulnerable to exploitation by others. Trust plays a pivotal role in international relations, and the inability to effectively manage health crises can undermine confidence in a nation's governance and leadership.

Geopolitical alliances often hinge on economic cooperation. If a country's healthcare system is deficient, it may struggle to maintain a healthy and productive workforce, posing challenges to economic collaboration within alliances and impeding shared prosperity and development goals.

A nation's soft-power projection, encompassing cultural, educational, and healthcare achievements, can be compromised by subpar healthcare outcomes. Social instability may arise from dissatisfaction with the government's handling of health issues affecting the populace. Migration and displacement of skilled and nonskilled workers from the country can exacerbate these challenges, straining relationships between nations and contributing to geopolitical tensions.

Countries with inadequate healthcare systems frequently rely on international aid and assistance. The geopolitics of aid can influence relationships between donor countries and recipients, affecting diplomatic ties and alliances.

Situated strategically at the nexus of major maritime routes in the Indian Ocean, Sri Lanka occupies a crucial position along sea lanes connecting the Middle East to Southeast Asia and East Asia. Given its proximity to the ambitions of major powers such as the United States, India, and China, all vying for dominance in the Indian Ocean, it is imperative for policy makers and global stakeholders to address medical shortages in Sri Lanka. This collective effort is essential to ensure regional peace, stability, and to prevent further disruption to global trade and food supply chains resulting from the potential loss of maritime security along yet another critical trade route to the West. 🌐

Prof. Pandula Athauda-Arachchi

Prof. Athauda-Arachchi is a UK board-certified consultant interventional cardiologist, currently serving at Durdans Heart Centre in Colombo and as a professor at the Faculty of Medicine, General Sir John Kotelawala Defence University. His previous roles include serving at renowned hospitals in the United Kingdom, such as Liverpool Heart and Chest Hospital, Royal Gwent Hospital, and others. Dr. Athauda-Arachchi has extensive experience in coronary intervention, aortic valve procedures, heart devices, and cardiac imaging, gained through specialized training in the UK and fellowships in Interventional Cardiology. Recognized for his clinical excellence, he has received the fellowship of the European Society of Cardiology and has presented his work internationally at prestigious conferences. A recipient of the International Gates-Cambridge Scholarship, Dr. Athauda-Arachchi earned his PhD from the University of Cambridge and has a distinguished academic record, including graduating with First Class

Honours from the University of Peradeniya, Sri Lanka. Dedicated to advancing cardiac care, he aims to provide evidence-based practice for the benefit of his patients.

Dr. Anuji Upekshika Gamage

Dr. Gamage is a board-certified consultant community physician, currently serving as a senior lecturer in Community Medicine at the Faculty of Medicine, General Sir John Kotelawala Defence University. With expertise in health economics, healthcare financing, and policy analysis, Dr. Gamage is actively engaged in healthcare reforms, focusing on primary healthcare strengthening and healthcare financing. She holds multiple qualifications, including MD and MSc degrees from the University of Colombo, and additional certifications in health economics from the University of Adelaide, Australia. Dr. Gamage has held various roles within the Ministry of Health in Sri Lanka, contributing to the advancement of community health initiatives. Committed to enhancing healthcare access and quality, she works diligently to improve the health outcomes of vulnerable communities, emphasizing the significance of migrants' health in achieving universal health coverage and sustainable development goals.

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Dr. Sridharan is a medical doctor in Sri Lanka, recognized for his contributions to patient safety, particularly in tertiary care women's hospitals in the Colombo District. His research centers on healthcare professionals' perspectives on patient involvement in safety measures. Dr. Sridharan's work underscores the significance of patient safety culture and engagement in treatment processes.

Prof. Amala De Silva

Professor De Silva currently serves as a professor in the Department of Economic, Faculty of Arts, at the University of Colombo. She holds a PhD and DPhil, along with a Master of Arts from the University of Sussex, and a Bachelor of Arts Honours degree from the University of Colombo.

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Prof. Fernandopulle holds the position of senior professor of pharmacology at the Faculty of Medicine, General Sir John Kotelawala Defence University. With a PhD from the University of Colombo, she has made notable contributions to the field of pharmacology through her involvement in diverse research projects and the publication of numerous scientific papers.

Citizen Science for Security

Harnessing Collaborative Citizen Science for Enhanced Security and Environmental Resilience in the Indo-Pacific

ADJUNCT ASSOCIATE PROFESSOR ADAM SMITH

ADMIRAL PIYAL DE SILVA, SRI LANKA NAVY, RETIRED

CHRIS SHOLES

Abstract

The Indo-Pacific region grapples with increasing volatility due to geopolitical tensions among major powers and the multifaceted impacts of climate change. In this context, both military and civilian stakeholders require comprehensive biodiversity data urgently. This article explores how collaborative citizen science initiatives, utilizing platforms like iNaturalist, can meet this demand. Drawing on experiences from marine biodiversity projects in the Maldives, Sri Lanka, and Palau, conducted alongside defense conferences and field expeditions, the paper examines the challenges, opportunities, and implications of such efforts. It offers recommendations for future projects, including strategies for addressing sampler bias and maximizing the utility of time series data. Additionally, it highlights advancements in technology, such as underwater housings for smartphones, as catalysts for broadening participation and enhancing data collection efforts.

The term *citizen science* refers to initiatives in which volunteers, typically not professional scientists or working outside their field of training, collect data for research purposes.¹ Mass participation projects involving citizen scientists have predominantly occurred in the fields of ecology (e.g., wildlife surveys) and astronomy. Historically, modern oceanography originated from a collaboration between the British Royal Navy and naturalists during the *Challenger* Expedition (1872–1876), aimed at collecting data on various oceanic features, including temperatures, seawater chemistry, currents, marine life, and seafloor geology.² While military personnel have traditionally been involved in military science, their direct participation in modern environmental or citizen science has been limited, albeit

¹ Leslie Ries and Karen Oberhauser, “A Citizen Army for Science: Quantifying the Contributions of Citizen Scientists to our Understanding of Monarch Butterfly Biology,” *BioScience* 65, no. 4 (April 2015): 419–30, <https://doi.org/>.

² “New citizen science project launched for U.S. Navy weather observations from World War II,” *Pacific Marine Environment Laboratory*, 6 April 2021, <https://www.pmel.noaa.gov/>.

with exceptions such as weather monitoring and butterfly tagging.³ A notable contemporary example of military involvement in marine citizen science is seen in coral restoration efforts in Sri Lanka.⁴

How Does iNaturalist Work?

iNaturalist operates as an online social network where individuals share biodiversity information to enhance mutual understanding of nature. Additionally, it serves as a crowdsourced system for species identification and recording organism occurrences. Users contribute observations, and the platform can support projects that aggregate data based on various criteria such as spatial area, time, specific biota, events, or organizations. As the largest citizen science network globally, iNaturalist boasts more than 158 million observations encompassing 431,284 species, contributed by 2,826,318 observers and 327,490 projects.⁵

Findings from Three Marine Citizen Science Initiatives

In 2022, a citizen science project was launched alongside the 2022 Indo-Pacific Environment Security Forum, aimed at fostering a deeper understanding of marine biodiversity. The project, centered around the Kurumba Resort on Vihamanafushi Island in the Maldives, encouraged conference participants to engage in snorkeling, photographing marine life, and uploading their findings to iNaturalist.⁶ To date, a total of 497 observations representing 227 species have been recorded by 13 observers and 78 identifiers, with data collection ongoing.

In 2023, a second project, Coral Reef Restoration Sri Lanka, was conducted in conjunction with the 2023 Indo-Pacific Environment Security Forum and field trip. This initiative yielded 155 observations across 83 species, documented by 5 observers and 33 identifiers.⁷

Additionally, in 2023, a third project focusing on the marine biodiversity of Palau was initiated alongside a Coastal Resilience Workshop. This endeavor amassed 5,402 observations spanning 1,001 species, contributed by 71 observers and 371 identifiers.⁸

³ Woods Hole Oceanographic Institute, “The Challenger Expedition,” *Dive and Discover*, 2024, <https://divediscover.whoi.edu/>.

⁴ Christine Luciano, “10,000 monarchs (and counting): Fort Hood Soldiers, civilians contribute as ‘citizen scientists’,” *US Army*, 21 October 2022, <https://www.army.mil/article/>.

⁵ Sri Lanka Navy, “Workshop on ‘Coral Species Identification and Reef Restoration’ held in Trincomalee,” *Ministry of Defence Sri Lanka*, 2022, <https://www.defence.lk/>.

⁶ “Observations,” *iNaturalist*, 2024, <https://www.inaturalist.org/>.

⁷ “Vihamanafushi Island (Kurumba, Resort) Maldives,” *iNaturalist Australia*, 2022, <https://inaturalist.ala.org.au/>.

⁸ “Coral Reef Restoration Sri Lanka,” *iNaturalist Australia*, 2023, <https://inaturalist.ala.org.au/>.

Engagement in citizen science projects by defense entities offers both regional and personal advantages. These include enhanced community, scientific, and policy knowledge, as well as personal benefits such as improved health and well-being, heightened scientific literacy, and positive shifts in attitudes and behaviors, particularly regarding environmental stewardship. Participation also fosters increased feelings of responsibility and success, alongside cognitive, political, social, and economic empowerment.

Citizen Science Impact

Quantifying the impact of citizen science presents challenges, yet a recent review identified over 500 marine and coastal citizen science projects across Europe. This equates to approximately one marine citizen science project per ~85 km of coastline, signaling exponential growth since 1990. Among these projects, beach-based initiatives are most prevalent, comprising 60 percent of the total, with an average project duration of 18–20 years.⁹

The benefits of citizen science for individuals are manifold, fostering positive collaboration between defense entities, civilians (including traditional owners), and other stakeholders. Such collaboration facilitates knowledge sharing, mutual trust, confidence, and respect regarding environmental issues and solutions.¹⁰ Projects promoting communal participation also have the potential to enhance security, cohesion, and trust within communities, contributing to peace rather than conflict.¹¹

For the scientific community, citizen science offers numerous advantages, including the ability to fill data gaps in regions of scarcity and expand monitoring beyond the constraints of research or authority budgets.¹² The surge in citizen science activity stems from both government or researcher-led initiatives and grassroots community projects.¹³ Furthermore, advancements in technology, such as underwater phone cases, have bolstered participation rates.¹⁴

⁹ “Marine biodiversity of Palau,” *iNaturalist Australia*, 2023, <https://inaturalist.ala.org.au/>.

¹⁰ Carlos Garcia-Soto et al., “Marine Citizen Science: Current State in Europe and New Technological Developments,” *Frontiers in Marine Science* 8 (24 March 2021), <https://doi.org/>.

¹¹ Doug Weir, “Can citizen science help close the environmental monitoring gap in conflicts?,” *Conflict and Environment Observatory*, 8 July 2020, <https://ceobs.org/>.

¹² David W. Walker, Magdalena Smigaj, and Masakazu Tani, “The benefits and negative impacts of citizen science applications to water as experienced by participants and communities,” *WIREs Water* 8, no. 1 (January–February 2021): e1488, <https://doi.org/>.

¹³ Florian Krampe, Farah Hegazi, and Stacy D. VanDeveer, “Sustaining peace through better resource governance: Three potential mechanisms for environmental peacebuilding,” *World Development* 144 (August 2021): 105508, <https://doi.org/>.

¹⁴ *Indo-Pacific Strategy of the United States* (Washington, DC: The White House, February 2022), <https://www.whitehouse.gov/>.

Citizen science outcomes typically fall into three categories: research, individual impacts, and policy or action. Beyond scholarly impacts, citizen science programs yield a plethora of beneficial outcomes. Project websites disseminate summaries of findings, raw data, and biodiversity information to thousands of visitors and media outlets, with many findings featured in popular press articles and other public forums.

The role of citizen scientists in environmental research is pivotal. While professional scientists face limitations in data collection due to constraints in time, funding, and manpower, the military possesses ample resources and an increasing interest in environmental security. Citizen science provides a popular platform for education, data-driven management, and fostering stronger community connections.

Limitations

Citizen science data, particularly from mass participation projects, often exhibit an “unstructured” nature, meaning that the times and locations of samples lack adherence to statistical design.

A persistent concern regarding citizen science revolves around data quality. It is undeniable that low-cost sensors cannot attain the precision of contemporary research-grade instrumentation. However, advancements in super materials and artificial intelligence may be narrowing this gap over time.

Policy Recommendations for Enhancing Citizen Science and Environmental Security

The following policy recommendations outline strategies for strengthening citizen science initiatives in collaboration with defense entities to bolster environmental security.

Project Design and Implementation: Design and implement at least one citizen science project in collaboration with partner countries, organizations, and communities at various levels and focusing on mutually agreed areas of interest, leveraging existing projects in regions like the Maldives, Sri Lanka, and Palau for comparison and continuity.

Training Initiatives: Provide comprehensive training for defense personnel and community members in citizen science methodologies, including online and field training on technology, project management, and communication, to facilitate meaningful participation in projects.

Resource Allocation: Ensure adequate resources for citizen science participation by providing compensation and necessary resources to defense personnel and civilians involved in priority projects, including provisions for transportation, meals, equipment such as cameras and underwater housings, and other essential gear.

Data Reporting: Establish a system for rapid and accessible data reporting at local, national, and global scales, with a focus on simplicity and ease of integration and sharing, utilizing platforms like iNaturalist for efficient data management and dissemination. Standardize reporting mechanisms, including the implementation of a simple report card system for national and global reporting requirements.

Climate Neutrality: Prioritize climate neutrality in all projects and activities, ensuring that greenhouse gas emissions are measured, mitigated, and offset to minimize environmental harm. Military facilities should lead by example by implementing mitigation strategies to reduce their environmental footprint.

Marine Plastic Pollution Reduction: Address the serious threat of marine plastic pollution by implementing measures to reduce, recycle, and clean up marine debris. Plastic pollution poses significant ecological threats to marine ecosystems, including coral reefs, marine organisms, and food networks, necessitating proactive measures for mitigation and prevention.

Conclusion

In conclusion, we emphasize the pivotal role of environmental security in safeguarding both human and national interests across the expansive Indo-Pacific region. Military-civilian collaboration through citizen science emerges as a paramount practice, poised for expansion through bilateral and multilateral partnerships. The *Indo-Pacific Strategy of the United States* underscores the imperative to bolster collective regional capabilities for addressing environmental and natural threats, alongside combating transnational issues such as weapons trafficking and drug trade.¹⁵

Citizen science offers a tangible, mutually beneficial avenue to operationalize this strategy, fostering enhanced leadership, regional capacity building, and knowledge exchange between defense entities and local communities. As global security challenges like climate change, extreme weather events, marine plastic pollution, and biodiversity loss escalate, there is a growing imperative for defense entities to engage, collaborate, and proactively address these issues alongside civilian stakeholders.

Notably, effective emergency response efforts hinge on established partnerships and collaboration between defense entities and communities, cultivated during peacetime initiatives like citizen science projects. Therefore, to optimize the benefits for defense entities, communities, and the environment, we propose six strategic recommendations. These recommendations encompass leadership and collaboration, comprehensive training, resource allocation, streamlined reporting mechanisms, and the implementation of climate-neutral projects. By embracing

¹⁵ *Indo-Pacific Strategy of the United States*.

these recommendations, defense entities can fortify their commitment to environmental security while fostering resilience and cooperation across the Indo-Pacific region. 🌟

Adjunct Associate Professor Adam Smith

Dr. Smith holds postgraduate degrees in science and management and serves as the CEO of Reef Ecologic Pty Ltd, an environmental consultancy based in Queensland, Australia. He is a prominent figure at defense conferences and workshops in the Indo-Pacific Region, frequently participating as a speaker, facilitator, and scientist. In 2023, he was honored with an Australia Day medal for Environment Excellence and Sustainability.

Admiral Piyal De Silva, Sri Lanka Navy, Retired

Admiral De Silva, the 23rd Commander of the Sri Lanka Navy and former ambassador of Sri Lanka to Afghanistan, boasts extensive experience in counterterrorism, counternarcotics, countersmuggling, disaster management, and marine environment conservation. He holds a Master of Business Administration in Human Resource Management and a Master of Science in Military Science and National Security Strategic Studies. Recognized with the Gold award for Professional Excellence in the marine defense sector in 2022, Admiral De Silva is also a PADI diving instructor and specialty Instructor in marine resource management.

Chris Sholes

Mr. Sholes, serving as the command environment officer with US Indo-Pacific Command, brings 25 years of experience in environmental remediation and international environmental security policy development to the table. Overseeing a myriad of projects ranging from USD 40,000 to USD 2.3 million in collaboration with partner nation agencies, he has demonstrated expertise in addressing diverse environmental concerns. Notably, Sholes spearheaded the creation of the Pacific Environmental Security Partnership, fostering collaboration with 34 countries to enhance policy development and environmental capacity building across the Indo-Pacific region. His certifications in project management and contract administration further augment his ability to facilitate military-civilian collaboration opportunities on an international scale.



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