



CHINA AND ITS PERIPHERIES **BEIJING AND INDIA-SRI LANKA RELATIONS**



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China has emerged as one of the important factors in India-Sri Lanka relations. It is important to contextualise this intervening variable, before going into various aspects of China's footprints in Sri Lanka and their impact on India-Sri Lanka relations. To Mohan Malik, China's strategy towards India have three elements: encirclement, envelopment and entanglement.

'Encirclement' is a kind of "strengthened Chinese strategic presence [encircling India] in Tibet, Pakistan, Nepal, Sri Lanka, Bangladesh, Burma and in the Indian Ocean island states." 'Envelopment' is essentially "integrating all of India's neighbours into the Chinese economy." And 'Entanglement' is "exploiting India's domestic contradictions and multiple security concerns."

For India, the above three elements of

Chinese strategy directly translate to strategic, economic and internal security concerns respectively.

I CHINA'S FOOTPRINTS IN SRI LANKA AND INDIA

In the Sri Lankan case, China's footprints go beyond the 'Encirclement' – popularly dubbed as "String of Pearls" framework – and 'Envelopment' strategies. Being a "time-tested friend" of Sri Lanka, China is one of the major players in the island in many fields. Though Sri Lanka recognised China in 1950, formal diplomatic relations was established only in February 1957 by the Left-of-the-Centre Sri Lanka Freedom Party (SLFP)-led government headed by SWRD Bandaranaike. Interestingly, SWRD Bandaranaike requested withdrawal of British Naval and Air bases respectively in Trincomalee and Katunayake in the same year.

However, the intensity of relations between Beijing and Colombo has picked up tremendously only in the recent years. In the present context, the bilateral

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relations between the two countries have been cast within the broad structure of the 'China-Sri Lanka All-round Cooperation Partnership of Sincere Mutual Support and Ever-lasting Friendship' proclaimed in 2005. Sri Lanka is seen as "an important hub on the Maritime Silk Road" by China. The Chinese involvement in Sri Lanka ranges from infrastructure development, economic aid, oil exploration, investments, trade, and a strong diplomatic support to the island state when in need, especially in the wake of human rights accountability issue that emerged after the end of 'Eelam War IV'.

Infrastructure development having wider strategic ramifications is the main Chinese footprint in Sri Lanka that has attracted considerable attention of India. Some of the important infrastructure projects developed by China in the island state include Hambantota port, Katunayake-Colombo Expressway, the Norochcholai Coal Power Project, Maththala Airport, Colombo South Harbour Expansion Project, 661-room Shangri La hotel and the Center for Performing Arts in Colombo. Statistically speaking, funding from China accounts for more than half of Sri Lanka's construction and development loans. In value terms, it is estimated at over USD six billion—more than any other country.

The most talked about project is Hambantota port. The first phase of the port was completed in 2010 by the China Harbour Engineering Co. Ltd at a cost of \$360 million. It includes a high-quality

passenger terminal, cargo handling, warehousing, bunkering, provisioning, maintenance and repair, medical supplies and customs clearing facilities. Colombo tries to project that "the Chinese interest in the Hambantota port is purely commercial." However, the harbour is strategically located not only for the Chinese merchant vessels and cargo carriers sailing to and from Africa and the Middle East to make a stopover, but can also be used by any military fleet.

A strong foothold for the Chinese in Hambantota would allow them to have dominance over a vast area of the Indian Ocean extending from Australia in the east, Africa in the west and up to Antarctica in the south. It may not be difficult for China to closely monitor all ships – military and non-military – that shuttle between east and west coasts of India encircling Sri Lanka. Ironically, Colombo had proposed building the Hambantota port as a joint venture with India, but while the talks were on China grabbed the opportunity. According to Sri Lanka, "China offered the best terms", and "we don't have favourites". India's reaction time in decision making could be better.

When it comes to infrastructure development, India's involvement in Sri Lanka is less, if not insignificant, in comparison to China. However, Sri Lankans rate the Chinese better in terms of timely completion of projects, cost effectiveness and quality of infrastructure. Most importantly, Beijing places no conditions in terms of "structural adjustments, policy reforms, competitive biddings, or transparency attached to their loans" or even human rights, except bringing in some off their own labourers. Indian companies have certain inherent disadvantages compared to their Chinese counterparts. While most Indian companies are privately owned, Chinese ones are state-owned and supported by state financial institutions like China Development Bank Corporation, Industrial and Commercial Bank of China (ICBC) China International Trade and Investment

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Corporation (CITIC), China Export and Credit Insurance Corporation (CECIC), and China Export-Import Bank. Profit motive comes last for the Chinese companies. Their priority is to look towards aspects like strategic advantages, diplomatic mileage and good will gained through projects. Most importantly, in the Indian case, the private sector and the government do not seem to complement each other's efforts and gains. Risk-averse Indian companies care less about projection of Indian 'soft power' without much state support and motivation. This point should be taken into consideration by the government of India in its economic diplomacy.

Sri Lanka is not alone where China's presence is increasingly seen. Beijing has for long been building maritime and other linkages with, apart from Sri Lanka, countries of eastern Africa, Seychelles, Mauritius, West Asia, Pakistan, Maldives, Bangladesh, Myanmar and Southeast Asian countries. The main objective behind is to ensure the security of its sea lanes, especially unhindered flow of critically-needed energy supplies from Africa and West Asia. At the same time, these linkages have doubled up as virtual encircling of India, which some experts call as "String of Pearls" construct.

Although India's presence in reconstruction of post-war Sri Lanka is huge, China's involvement is also notable. It has already provided one million dollars for the humanitarian needs. This apart, it gave tents meant for IDPs worth 20 million Yuan. But, India's involvement is huge and incomparable with any other country. Apart from immediate grant of USD 100 mn for relief and rehabilitation of internally displaced, India supplied 250,000 family relief packs, one million roofing sheets and 400,000 bags of cement for constructing temporary housing, provided 95,000 starter packs of agricultural implements, financed seven Indian de-mining teams, gifted 500 tractors along with other agricultural implements to farmer organisations in northern Sri Lanka, and

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provided 10,000 bicycles to IDPs and returnees in Northern Province. These apart, India has also committed to construct 50,000 new houses for the resettled, costing about USD 270 mn.

As far as economic engagement is concerned, the volume of trade between China and Sri Lanka reached nearly 2.1 billion US dollars in 2010 and grew further to USD 3.14 bn in 2011. Of this figure, Sri Lankan export was mere USD 153 mn as against China's USD 2.989. bn. The balance of trade is hugely in favour of China (ratio of 1:19 compared to 1:10 with India in 2011). Given the trend, this deficit is going to widen. Yet Sri Lankans are not complaining. And, India has not bothered to highlight this point to Sri Lankans. In 2012, India-Sri Lanka bilateral trade volume stood at USD 4.002 bn, compared to USD 4.86 bn in 2011, a decline of 17.59 per cent. In this Sri Lankan exports constituted over 14 per cent, which means the deficit is further closing in favour of Sri Lanka. The present decline of trade between India-Sri Lanka is likely to continue in 2013 in the wake of anti-Sri Lankan protests in Tamil Nadu and also in the light of India's vote to US-sponsored resolution on Sri Lanka at the United Nations Human Rights Council (UNHRC). In that case, China may soon overtake India as Sri Lanka's largest trading partner.

China is Sri Lanka's largest foreign investor and lender. To cite recent figures, China gave USD 1.2 billion and USD 821 million respectively in 2009 and 2010; this accounted for 54 percent of total foreign

loans in 2009 and 25 per cent in 2010. Sri Lanka's Central Bank announced in June 2011 that China's national currency, the Yuan (renminbi), would be allowed to be used in international transactions. On the other hand, the Indian rupee does not enjoy the same privilege, despite India remaining as Sri Lanka's largest trading partner and one of the largest donors and investors.

During 'Eelam War IV', China liberally supplied requisite arms and ammunition to Sri Lankan troops to defeat the LTTE. China provided Jian-7 fighter jets, antiaircraft guns, Type-85 heavy and Type-80 light machineguns, Type-56 rifles, 152mm howitzer, 81mm mortar shells, RPG-7 rockets and large quantities of ammunition. Sri Lanka justified arms procurement from China on two counts: lack of option and price worthy. In the words of the then Army Chief, Gen Sarath Fonseka:

India had told us they were not in a position to sell or send offensive weapons or even equipment like radars and basic communication equipment to meet our requirements. So we had no other option.... It was readily available and comparatively cheaper -- almost half the price compared to Russia. I think, we had no other option.

These fetched China tremendous good will from the Sri Lankan government and the Sinhalese in general. On the other hand, India insisted on providing only "non-lethal weapons" to Colombo during the war considering domestic political

implications, especially from Tamil Nadu. The same pressures have stalled long-pending Defence Cooperation Agreement between the two countries. Yet, India remains preferred destination for the training of Sri Lankan military officers. For instance, in 2011-12, 820 Sri Lankan officers undertook training in various Indian Military Establishments and in 2012-13, the number stood at 870 officers.

The more the Sri Lankans appreciate is China's diplomatic support to Colombo against the West-led call for international investigations on war crimes committed during 'Eelam War IV'. China, along with India and Russia, was instrumental in defeating the UN resolution in May 2009 censuring Sri Lanka. However, in March 2012, not satisfied with the Colombo's sincerity in carrying forward assurances on reconciliation and in finding long-term political settlement, India was compelled to vote in favour of the US-sponsored resolution. But, China once again supported Sri Lanka in voting against the resolution. Sri Lanka's disappointment with India was very much conspicuous when India voted in favour of UNHRC resolution in March 2013 as well. Although China's tenure in UNHRC ended by 2012, it tried to mobilise support, in favour of Sri Lanka in 2013.

There is no free lunch, however. In return, apart from deeply appreciating China's help, Sri Lanka has time and again reiterated its strict adherence to 'one China policy': "that the Government of the People's Republic of China is the sole legal government representing the whole of China and that Taiwan is an inalienable part of the Chinese territory." Sri Lanka has also supported China several times on human rights motions against China. Colombo does not seem to mind giving more leeway to Beijing in the island to strengthen its economy, which is the top priority at the moment. In the words of President Rajapaksa himself, "Sri Lanka's economy is currently at an important turning point and it is our country's strategy to enhance our ports-

There is a great difference between the Sino-Myanmar border as described above and the militarized and rather basic Indo-Myanmar one at Tamu-Moreh. Similarly rudimentary in nature are the India-Bangladesh border crossing points of Benapole-Petrapole, and other Indian surface cross-overs such as at Nathu La.

related economy." Rajapaksa's vision is to "reposition Sri Lanka as the 'pearl of the old Silk Route'." Colombo is more than happy to be one of the pearls in China's "String of Pearls". In turn, India's interests and concerns are not in Sri Lanka's radars, although the island state tries its best to do the fine balancing act to keep both big powers of Asia in good humour, while at the same time benefitting from both. To distinguish India from other players, President Rajapaksa recently observed"

We are a non-aligned country. Our neighbours are Indians. I always say, Indians are our relations. From the time of Asoka, we have had that culture... but that doesn't mean we won't get commercial benefits from others; from China, or Japan, or whoever. They will come here, they will build and they will go back. India comes here, they will build and they will stay. This is the difference....

Keeping this in mind, development projects are offered to both India and China from time-to-time. But, China is closer to the heart of present Left-of-the-Centre regime headed by Mahinda Rajapaksa.

India's involvement in Sri Lanka's infrastructure development cannot be underestimated. They range from helping fund the Matara-Colombo rail line, the dredging and refurbishment of the Kankesanthurai Harbor, and the renovation of Palaly Airport, construction of five Vocational Training Centres, renovation of the Duriappah Stadium in Jaffna, restoration of the Tiruketheeswaram Temple, interconnection of electricity grids between the two countries, construction of a 150-bed hospital in Dickoya, setting up a coal power plant in Sampur, rehabilitation of the Atchchuvely Industrial Zone near Jaffna, and construction of a new Cultural Centre in Jaffna. India's line of credit is about USD \$1.8 billion, although the figure is roughly half of China's current line of credit which stands at roughly USD \$3.4 billion. Sri

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Lanka's preference, therefore, is known.

Sri Lanka is now in a position to juggle India and China, but is closer to Beijing, which has "no strings attached", at least overtly, to any of the projects implemented or aid granted. Sri Lanka knows well that China will never demand to address the grievances of Sri Lankan minorities through a reasonable negotiated political settlement, and will not place restrictions on the involvement of any other country in the island in any manner. Beijing's interests in Sri Lanka are purely strategic and, to a little extent, commercial.

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INDIA'S CONCERNS AND RESPONSES

India is not panicky about China's footprint, but at the same time concerned about the strategic implications. The main concern is the possibility of use of infrastructure put in place by China against Indian interests.

In the Annexure of the India-Sri Lanka Accord of 1987 India and Sri Lanka have agreed that "Trincomalee or any other port in Sri Lanka would not be made available for military use to any country in a manner which is prejudicial to India's interest." India trusts that Colombo would abide by this provision seriously. But, caution is better, given the fact that Sri Lanka has not fully abided by even the core provisions of the Accord citing

various excuses and justifications. To flout this provision in the Annexure will not take much time. The matter of concern for India is the possibility of dual-use mode of certain infrastructure projects. Like for instance, China is allowed to have storage and fuelling facilities at Hambantota, although India has also been offered to enjoy the same facilities. Similarly, the Colombo port that handles about 70 percent of India's shipping is being modernised with Chinese assistance. If China's wishes, it can always turn these projects to India's disadvantage in a conflict situation.

New Delhi has indeed been taking various steps to address these concerns. In a similar situation in the 1980s, India was assertive in conveying its viewpoint. It in fact made sure that Sri Lanka was not used by forces inimical to India's interests through the bilateral Accord of July 1987. But, in the present context, India has been dealing the issue in a more subtle manner.

New Delhi has to understand its strengths and weaknesses when it comes to its role in a third country on development. It should strive to have an edge on whichever fields it could. Resettlement, tourism, cultural exchange, and trade are few areas that India has distinct advantage over other countries.

What is more important is to positively exploit the aspect of proximity. New Delhi should consciously build constituencies in the neighbourhood and should have dialogue with the concerned political, economic, social and cultural actors. If there are any apprehensions because of China's role in the neighbourhood, there is nothing wrong in dealing the issue bilaterally with China itself. India has to balance out between regional peace, its own strategic interests and that of long-

term peace, and development of Sri Lanka. The key is to sustain bilateral ties with Sri Lanka in the long run and make up for the lost ground.

