

ISAS Insights

No. 358 – 25 October 2016

Institute of South Asian Studies
National University of Singapore
29 Heng Mui Keng Terrace
#08-06 (Block B)
Singapore 119620
Tel: (65) 6516 4239 Fax: (65) 6776 7505
www.isas.nus.edu.sg
<http://southasiandiaspora.org>



India's Neighbourhood Policy, and its Perception of China: The Case of Sri Lanka

India's perception of Chinese engagement in its neighbourhood is a major factor driving its 'Neighbourhood Policy'. One of the best examples of how Indian sensitivities are affected by China's engagement in its neighbourhood, is the case of Sri Lanka. The Indian reaction and its efforts to reduce Chinese influence in Sri Lanka, have resulted in negative outcomes for both India and Sri Lanka. This paper argues for a new approach in India's Neighbourhood Policy that better reflects the realities on the ground.

Srikanth Thaliyakkattil¹

Since the 1962 India-China War, China has played an important role as a balancing power against India for some of the South Asian countries. China was and is the best fit for this role, one reason being that China shares boundaries with India, Pakistan (de facto), Bhutan, Nepal and Afghanistan. Which makes it geographically a South Asian country. However, culturally China is a foreign country to South Asia, and except with India, China has not had any major military conflict with South Asian countries. India's actions and perceived proclivities towards hegemony in South Asia also acted as a push factor for the neighbouring countries to have more close relations with China. The rise of China in the last two decades has increased the

¹ Dr Srikanth Thaliyakkattil is Visiting Research Fellow at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore. He can be contacted at isasst@nus.edu.sg. The author, not ISAS, is liable for the facts cited and opinions expressed in this paper. The author would like to express thanks to his colleague, Ms Iromi Dharmawardhane, for her detailed review and insightful comments.

attractiveness of the China to South Asian countries as an economic partner as well as a security partner.

However for China, South Asia figures in as a lower level priority in its foreign policy agenda. Its economic engagement with South Asia also only forms a smaller part of its global engagement. In contrast to Chinese views, India perceives Chinese engagement in South Asia through a zero-sum framework, whereby increasing Chinese engagement in South Asia is seen as detrimental to Indian interests in the region. This view is also widely propagated by the Western media. By analysing the example of Chinese engagements with Sri Lanka and India's response to them, this paper argues that the Indian perception of China's increasing influence in its neighbourhood as a factor which harms India's interests in the region, is largely a misperception.

The Historical Setting

Indian leaders from the initial years of Independence itself saw Sri Lanka as a crucial part of India's defence and security strategy. In 1949, according to the then Congress President, Dr Pattabhi Sitaramayya, "India and Ceylon must have a common strategy and common defence strength and common defence resources. It cannot be that Ceylon is in friendship with a group with which India is not in friendship - not that Ceylon has no right to make its own alignments and declare its own affiliations - but if there are two hostile groups in the world, and Ceylon and India are with one or the other of them and not with the same group, it will be a bad day for both".² Jawaharlal Nehru, the first Prime Minister of India, pointing out Sri Lanka's close cultural relations with India, predicted that Sri Lanka will eventually draw in to union with India "presumably as an autonomous unit of the Indian Federation".³ The thinking of such Indian leaders can also be read as the Indian foreign policy framework towards Sri Lanka during this period. The Indian attitude eventually led to active interference in Sri Lankan internal and external policies. India was actively involved in the thirty-year Sri Lankan civil war between the Liberation Tigers of Tamil Eelam (LTTE) militant group and the Sri Lankan

² Kodikara, Shelton U. (1982): *Foreign Policy of Sri Lanka: A Third World Perspective*, New Delhi: Chanakya Publications, p.23.

³ Wiggins, William Howard (1960): *Ceylon: Dilemmas of a New Nation*, New Jersey: Princeton University Press, p. 399.

government, which resulted in India becoming the enemy of both sides.⁴ Many Sri Lankans believe that India is one of the main actors responsible for the prolonged and destructive civil war, and when from time to time India attempts to exert political pressure on Sri Lanka, this view is expressed by Sri Lankan politicians. For example, in 2013, the then Defence Secretary of Sri Lanka, Gotabaya Rajapaksa responded to Indian pressure by mentioning India's role in destabilising Sri Lanka. According to him, "Had India acted responsibly, Sri Lanka would not have experienced a 30-year war, and India [can] never absolve itself of the responsibility for creating terrorism in Sri Lanka".⁵

China and the Civil War

With the former Prime Minister Rajiv Gandhi's assassination by the LTTE, India became hostile to the LTTE. Following the September 11 terrorist attacks in New York and subsequent U.S. 'War on Terror', Sri Lanka also received some international support to eliminate LTTE. However, Western and Indian support were half-hearted, for example, not choosing to dismantle LTTE networks operating within their own countries and both also advocating that a military solution to the LTTE problem is impossible. Sri Lanka however pressed with the military solution to completely eliminate LTTE, but subsequently had to face Western sanctions for it. When in the name of Sri Lanka's deteriorating 'human rights' record, the United States ended providing military supplies to Sri Lanka in 2007 and Sri Lanka seemed to yet again succumb to the pressures of the West and India, China came to the help of Sri Lanka, both with financial aid and militarily equipment, supplying tens of millions of dollars' worth of sophisticated weapons as well as making a free gift of six F7 fighter jets to the Sri Lankan air force. Above all China also prevented the UN Security Council from taking an anti-Sri Lanka stance.⁶ While Pakistan provided a significant amount of arms to Sri Lanka and other countries also assisted to a lesser degree, it can be said that the main hope for Sri Lanka to defeat the LTTE was Chinese support and that without China's help Sri Lanka may not have won the war with LTTE.

⁴ Mishra, Akshaya: "Indira Gandhi helped train Tamil rebels, and reaped whirlwind," *First Post*, May 23, 2011, <http://www.firstpost.com/world/indira-gandhi-helped-train-tamil-rebels-and-reaped-whirlwind-13913.html> (accessed on September 6, 2016).

⁵ Srinivasan, Meera: "India responsible for 30-year war: Gotabaya Rajapaksa," *The Hindu*, April 11, 2013, <http://www.thehindu.com/news/international/south-asia/india-responsible-for-30year-war-gotabaya-rajapaksa/article4605639.ece> (accessed on September 7, 2016).

⁶ Popham, Peter: "How Beijing won Sri Lanka's civil war," *The Independent*, 23 May 2010, <http://www.independent.co.uk/news/world/asia/how-beijing-won-sri-lankas-civil-war-1980492.html#gallery> (accessed on September 6, 2016).

Since the three-decade civil war between the Sri Lankan state and the Tamil separatists ended in May 2009, China has provided an estimated US\$5 billion for infrastructure projects in Sri Lanka, thus boosting growth in the post-war economy.⁷ While Chinese assistance was immensely beneficial for Sri Lanka's post-war recovery and development, India as well as Western countries were opposed to the increasing Chinese involvement in Sri Lanka. Two of the biggest infrastructure projects in Sri Lanka's history, the Hambantota port and the Colombo Port City projects, became symbolic in raising the fears of India and the West about the 'China threat'.

China, Port and the President

The Hambantota port project was initially offered to India, and when bidding for development of the port was invited in 2005, Indian companies were mostly uninterested, doubting the wisdom of investing in a project which may not be commercially viable.⁸ In 2007 China won the bid to build the Hambantota port, but this port project was widely reported in the Western and Indian media as harmful to Indian interests in the region. The Indian diplomatic and strategic circles also seemed to be concerned. Another port project, the Colombo Port expansion project, partially funded by ADB, won by China, is also viewed through the 'China threat' angle, although just like Hambantota, it was won by Chinese companies through open bidding. No Indian entities participated in the bids for this project, leaving the Chinese consortium as the sole bidder for the terminal.⁹ "Colombo Port City" project which is to be built on the reclaimed land from the Colombo Port expansion project funded and built by Chinese companies, also became a source of worry for India and the West.

Mahinda Rajapaksa, under whose presidency Sri Lanka won the civil war with the LTTE, actively encouraged close economic relations with China, and thus became a target of Western

⁷ Patranobis, Sutirtho: "Chinese influence wanes on Sri Lanka's shifting sands," *Hindustan Times*, September 09, 2015, <http://www.hindustantimes.com/analysis/chinese-influence-wanes-on-sri-lanka-s-shifting-sands/story-G6t9dPhfnNt0aUte3oaFNK.html> (accessed on September 7, 2016).

⁸ "India refused to build Hambantota port: Rajapaksa," Rediff, March 18, 2010, <http://www.rediff.com/news/report/what-mahinda-rajapaksa-says-about-indo-lanka-ties/20100318.htm> (accessed on September 8, 2016); Anand, Vinod: "Strategic Connotations: Development of Hambantota Port," *Vivekananda International Foundation*, February 29 2012, <http://www.vifindia.org/article/2012/february/29/strategic-connnotations-development-of-hambantota-port> (accessed on September 6, 2016).

⁹ Bagchi, Indrani: China to build another port in Sri Lanka, *Times of India*, September 17, 2010, <http://timesofindia.indiatimes.com/india/China-to-build-another-port-in-Sri-Lanka/articleshow/6567958.cms> (accessed on September 6, 2016).

and Indian displeasure. Rajapaksa visited China seven times during his nine years (2005-2015) in office. Considering China is the second largest trading partner of Sri Lanka, largest investor in Sri Lanka and largest aid donor to Sri Lanka, it is easy to explain the Sri Lankan president's visits to China. The visit of a Chinese submarine to Sri Lanka in 2014 is considered the breaking point between the relations between Rajapaksa government and India, a visit which India claims it was not officially informed of. However according to Rajapaksa it was a normal visit, and that "Whenever Chinese submarines come to this part of the world [Sri Lanka], they always inform India. The Chinese President was here, so the subs were here". He also stated that when Indian Prime Minister came to Sri Lanka to attend the South Asian Association for Regional Cooperation (SAARC) summit in 2008, Indian submarines and warships also accompanied his visit to Sri Lankan waters.¹⁰ He was implying also that the Indian navy's presence in and around Sri Lanka is far more dominant and frequent which is apparent because of India's geographical proximity. Nevertheless, the perceived closeness of the Sri Lankan President with China was termed as against Indian interests by India.

Rajapaksa has blamed the US and European governments as well as India's secret service for his loss to Maithripala Sirisena at the presidential elections conducted on 8 January, 2015. According to him, "It was very open; Americans, the Norwegians, Europeans were openly working against me, and RAW [Research and Analysis Wing- Indian Intelligence Agency]".¹¹ Before the election defeat, the Rajapaksa government accused RAW of galvanising support for a joint opposition ticket for Maithripala Sirisena as a presidential candidate, after persuading him to split from Rajapaksa's cabinet. The Rainbow Coalition which supported Maithripala Sirisena for the presidency ran on an overtly anti-China plank. Sirisena promised to halt and review China funded and built port projects, and also to find cheaper loans from elsewhere. After his victory, his first visit was to India, and Indian Prime Minister Narendra Modi also visited Sri Lanka. Sirisena suspended the Chinese funded \$1.4 billion Port City project in Colombo that India considered a security risk especially as Chinese companies were to be given land on freehold basis, and ordered a review of other Beijing-financed projects and loans amid

¹⁰ Chowdhury, Debasish Roy: "Sri Lanka should thank China, not attack it, ex-president Rajapaksa says," *South China Morning Post*, March 12, 2015, <http://www.scmp.com/news/asia/diplomacy/article/1735379/sri-lanka-should-thank-china-not-attack-it-ex-president> (accessed on September 6, 2016).

¹¹ Press Trust of India, "As Modi visits Sri Lanka, Rajapaksa blames India for his election defeat," *Indian Express*, March 13, 2015, <http://indianexpress.com/article/world/neighbours/as-modi-visits-sri-lanka-rajapaksa-blames-india-for-his-election-defeat/> (accessed on September 7, 2016).

allegations of corruption.¹² However in the post-election scenario, the new government soon faced the macroeconomic realities: “it has failed in its stated aim of replacing 70 percent of the more than \$5 billion Sri Lanka owes to Chinese lenders with loans at cheaper interest rates and of longer durations from other governments”.¹³

About one year later, towards the end of 2015, Sri Lanka approved the resumption of the construction of the China-funded Port City, – albeit with land only given on a 99-year lease to Chinese companies – as well as other China-funded projects.¹⁴ Sri Lankan Prime Minister also mentioned that Sri Lanka will continue to have close relations with China, and also will allow visits of Chinese naval vessels and submarines.¹⁵ The Sri Lankan President Sirisena’s abandoning of the anti-China sentiment, points to the fact that Sri Lanka needs China more than China needs Sri Lanka. Sri Lanka is heavily dependent on China for its future economic development, for instance nearly seventy percent of the infrastructure projects in the country have been funded by China and built by Chinese companies since the end of the civil war. Sri Lanka’s relationship with China will help Sri Lanka to transform itself into a major transshipping hub in Asia – which will also be beneficial to Indian companies, considering seventy percent of transshipment business through the Colombo Port is Indian.

However, India’s fear of the “China threat” from Sri Lanka persists, a reflection of which is how India maintains four diplomatic missions in Sri Lanka, more than required in a small country like Sri Lanka. Moreover, one of the missions is located in Hambantota, and was inaugurated in 2010, after China got the project to build port there.¹⁶ One other factor which proves that the extent of India’s fear about China’s role in Sri Lanka is irrational, is that Sri Lanka also maintains close relations with India, the U.S and other major powers. For example,

¹² AFP, “Sri Lanka's new leader heads to China after winding back ties,” *Daily Mail*, 23 March, 2015, <http://www.dailymail.co.uk/wires/afp/article-3007166/Sri-Lankas-new-leader-heads-China-winding-ties.html> (accessed on September 6, 2016).

¹³ “All Chinese Infrastructure Projects to Proceed, Sri Lanka Says,” VOA, December 17, 2015, <http://www.voanews.com/content/all-chinese-infrastructure-projects-proceed-sri-lanka/3107722.html> (accessed on September 6, 2016).

¹⁴ Peiris, Vilani: “Sri Lankan government lifts suspension on China-funded Port City project,” *World Socialist Web Site*, December 28, 2015, <https://www.wsws.org/en/articles/2015/12/28/sril-d28.html> (accessed on September 7, 2016); Popham, Peter: “Sri Lanka is welcoming China – and its money – once more,” *Independent*, December 11, 2015, <http://www.independent.co.uk/voices/sri-lanka-is-welcoming-china-and-its-money-once-more-a6770201.html> (accessed on September 6, 2016).

¹⁵ Velloor, Ravi: “Sri Lanka to allow Chinese submarines to visit, says PM Wickremesinghe,” *The Straits Times*, October 18, 2015, <http://www.straitstimes.com/asia/south-asia/sri-lanka-to-allow-chinese-submarines-to-visit-says-pm-wickremesinghe> (accessed on September 6, 2016).

¹⁶ Anand, Vinod: “Strategic Connotations: Development of Hambantota Port,” *Vivekananda International Foundation*, February 29, 2012, <http://www.vifindia.org/article/2012/february/29/strategic-connnotations-development-of-hambantota-port> (accessed on September 6, 2016).

U.S. financial institutions are major investors in Sri Lankan bonds, the U.S. is the largest market for Sri Lankan exports (accounting to around twenty five percentage of its exports),¹⁷ and Sri Lanka has military agreements with the U.S. including the “Acquisition and Cross-Servicing Agreement” signed in 2007 which provides for more interoperability between the Sri Lankan military and U.S. military.¹⁸ India is the largest trading partner of Sri Lanka and has extensive investment relations with Sri Lanka. Thus, it may be said that China is only one of the players in Sri Lanka. For Sri Lanka today, China may be equally important as India or the U.S., but Sri Lanka deals with these powers according to its national interests and Sri Lanka would not want China’s presence to be detrimental to its relations with other major powers.

Conclusion

India’s fear of the increasing Chinese presence in its neighbouring countries, while understandable, is perhaps not in the best interest of India. A policy which seeks to reduce Chinese influence in its neighbourhood is not in India’s interest. China’s policies are driven more by China’s own economic interests, rather than isolating India. Besides, China’s economic reach is so large that it is influencing all parts of the globe, and India’s neighbourhood is only one part of it. Active engagement with China in the region will only benefit the region, and institutionalised mechanisms such as trilateral dialogues between India, China and individual South Asian countries should be established to reduce misperceptions and to increase Chinese awareness of Indian interests in the region.

.

¹⁷ Pennington, Matthew: “The US wants to lure a strategic South Asian island nation away from China,” *Business Insider*, February 2, 2015, <http://www.businessinsider.com/the-us-wants-to-lure-a-strategic-south-asian-island-nation-away-from-china-2015-2?IR=T> (accessed on September 7, 2016).

¹⁸ Reddy, B. Muralidhar, “U.S. Sri Lanka sign logistics pact,” *The Hindu*, March 6, 2007, <http://www.thehindu.com/todays-paper/tp-international/us-sri-lanka-sign-logistics-pact/article1806378.ece> (accessed on September 7, 2016).