

# Strategic Analysis Paper

24 March 2010

## Sri Lanka – The New Great Game

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### Summary

The defeat of the Liberation Tigers of Tamil Eelam (LTTE) in May 2009 brought an end to Sri Lanka's civil war. But the conflict also shed light on a bitter geopolitical struggle taking place against the backdrop of the declining influence of the West and the emerging influence of India and China.

### Analysis

Sri Lanka's foreign policy tilt away from the West has taken on a new dimension in recent years, especially since President Mahinda Rajapakse's coalition government was elected to office in November 2005.

When full-scale hostilities with the LTTE commenced in July 2006, Western pressure on Sri Lanka — specifically from the European Union and the United States — increased markedly, with substantial reductions in aid coming amidst demands for a ceasefire and resumption of peace talks.



Yet there was more to Western demands than just a push for peace — the measures also reflected implicit Western disapproval of Sri Lanka's growing ties with China and Iran, which had been fostered not only as a means of enhancing economic growth, but also to provide a

counter-weight to such pressure from the West. It ultimately gave Sri Lanka the strategic autonomy to defeat the LTTE.

‘Sri Lanka, confronted with the choice of economic blackmail or finding an accommodation with terrorism, had to strengthen its ties with alternative partners’, Dr. Palitha Kohona, Sri Lanka’s Foreign Secretary, told BBC News. Consequently, while China’s importance grew, so too did that of Iran, which provided soft loans and investment in major infrastructure projects such as the US\$450 million (\$492 million) Uma Oya hydroelectric project and the US\$750 million (\$819 million) upgrade of Sri Lanka’s only oil refinery at Sapugaskande.

In its efforts to defeat the LTTE, Sri Lanka moved to strengthen bilateral relationships with countries outside the Western orbit to reduce political and economic pressure (which was

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seen as supporting the bifurcation of Sri Lanka and as being largely sympathetic to the Tamil diaspora and the LTTE), while also containing India — including pressure from the state of Tamil Nadu — to avoid a scenario like Operation Liberation in 1987, when India extended a lifeline and prevented the defeat of the LTTE.

As the conflict drew to a close in the first half of 2009, there were a spate of diplomatic incidents that reflected growing

tensions between Sri Lanka and the West. Sri Lanka rejected Britain’s appointment of Des Browne as Special Envoy to Sri Lanka and declined entry to Swedish Foreign Minister Carl Bildt. In addition, a joint visit in April 2009 by British Foreign Secretary David Miliband and French Foreign Minister Bernard Kouchner to secure a ceasefire led to a further souring of relations. That same month, Sri Lanka’s application for a US\$1.9 billion (\$2.07 billion) loan from the International Monetary Fund met with US resistance. ‘We have raised questions about the IMF loan at this time. We think it is not an appropriate time to consider that until there is a resolution of the conflict,’ said US Secretary of State Hillary Clinton at the time.

Sri Lanka, for its part, felt that after nearly three decades of conflict, and the deaths of 100,000 people, it had good reason to reject any developments that could have prevented the total defeat of the LTTE, something that could have occurred with Western support for a ceasefire or evacuation of the LTTE leadership.

In addition, with the LTTE on the verge of defeat, there were determined attempts by the West, led by the EU, to table a resolution against Sri Lanka at the United Nations Security Council, a move that China and Russia vetoed on all five occasions.

Following the LTTE defeat in May, the EU sought to pursue a motion against Sri Lanka for war crimes investigations at the UN Human Rights Council, which collapsed when 29 countries of the 47-member council voted in solidarity with Sri Lanka. India itself came out

strongly in support of Sri Lanka at the Council and later even criticised the office of the United Nations High Commissioner for Human Rights.

Commenting on Sri Lanka's diplomatic feat, Sri Lankan Ambassador to the United Nations, Dayan Jayatillaka, said:

'This is not a lesson that Sri Lanka taught the West. It is a victory of the developing countries and the global south. It was not a defeat of the Tiger Diaspora alone. It was the defeat of a powerful bloc of forces. Geneva was a miniature diplomatic Dien Bien Phu or Bay of Pigs for the EU.'

The unfolding events earlier this year underscored the fact that Sri Lanka's confrontation with the West, which has seen relations plummet to their lowest point since the 1970s, has had less to do with human rights and more to do with a fierce geopolitical struggle for influence. There is little doubt that Sri Lanka's move to broaden relations with China and Iran, its rejection of Western demands in its internal affairs, the timing of its victory over the LTTE, and its acceptance in June 2009 as a Dialogue Partner to the Shanghai Cooperation Organization (SCO) were crucial in influencing the West's attempts to take punitive action against Sri Lanka — moves which served to further strengthen Sri Lanka's relations with China.

#### *Getting Cosy with China*

Sri Lanka has generally enjoyed cordial ties with China since relations were first established with the recognition of the People's Republic of China in 1950 and the signing of the Rubber-Rice Pact in 1952. Since then, and especially in the last decade, trade between the two countries has steadily expanded, culminating in the signing of a China-Sri Lanka Joint Communiqué in September 2005. This served as a benchmark for future expansion of the bilateral relationship, which Gotabaya Rajapakse, Sri Lanka's Defence Secretary, recently highlighted in *Lakbima News*:

'The president went to China three times, I went five times,' he said. 'Sometimes, the president speaks to the Chinese premier by phone. We have set up good relations. We have understood who is important to us.'

The growing ties have benefitted Sri Lanka in a number of ways. For example, China was willing to supply arms to Sri Lanka at concessionary prices when India was restricted in the type of military assistance it could provide due to opposition from its state of Tamil Nadu. Also, China demonstrated an interest in investing in the development of Sri Lanka's infrastructure by providing interest-free loans and preferential loans at subsidised rates.

As a result, Chinese aid and commercial investments have increased markedly throughout President Rajapakse's term, most notably the Hambantota Port Development Project (US\$1 billion); Norochcholai Coal Power Plant Project (US\$855 million); the Colombo-Katunayake Expressway (US\$248.2 million) and the National Performing Arts Theatre (US\$21.2 million). Indeed, from 2006 to 2008, Chinese aid to Sri Lanka grew fivefold, replacing Japan as Sri Lanka's largest donor.

China, for its part, views Sri Lanka as a strategically vital gateway for securing access to shipping arterials in the Indian Ocean. Hambantota will be more than three times the size of Colombo harbour and is designed to function as a Service and Industrial Port when fully completed, 14 years from now. It also has the potential to be developed into a major transshipment port. In addition, the port will be able to accommodate a new generation of mega-ships and is to include four terminals (12 berths), bunkering and refuelling facilities, liquefied natural gas refinery, aviation fuel storage facilities, bonded export processing zone and dry docks. The project is expected to generate more than 6000 jobs directly for the impoverished south of Sri Lanka, and another 50,000 indirectly in what is also President Rajapakse's home constituency. As the main symbol of growing Sino-Lankan relations, the new Hambantota port (construction of which began in January 2008) will serve as a key transit point for oil and gas tankers accessing the Red Sea, Persian Gulf, Malacca Straits and the ports of Gwadar in Pakistan and Sitwe in Burma. Hambantota will also serve as a key maritime transit point to China's expanding investments among Indian Ocean island nations.

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However, the strategic value of Hambantota and its commercial/naval potential has raised Indian suspicions of China's intentions in what it sees as its sphere of influence, and in the process has contributed to an escalating India-China rivalry.

#### *Indian Concerns*

India has long been concerned with China's increasing inroads into Sri Lanka and has demonstrated its displeasure on numerous occasions. In early 2007, Indian National Security Advisor MK Narayanan criticised Sri Lanka for attempting to purchase a Chinese built JY-11 3D radar system on the grounds that it would 'overarch' into Indian airspace.

'It is high time that Sri Lanka understood that India is the big power in the region and ought to refrain from going to Pakistan or China for weapons, as we are prepared to accommodate them within the framework of our foreign policy,' he said. There have also been tensions surrounding the construction of the massive Colombo South Harbour Development Project and mining rights to the Mannar Basin.

But India's concerns over Chinese investment in Hambantota are not based solely on military grounds and Sri Lanka is said to have initially offered the project to India, which declined it for undisclosed reasons. One reason may have been political and commercial considerations, and India's ambitions to upgrade its own ports in southern India, namely Vizhinjam, Tuticorin, and Cochin. Historically, there has been a fierce and longstanding rivalry between Indian and Sri Lankan ports, particularly Colombo, which dominates the region's lucrative transshipment trade.

B. Raman, a retired senior Indian intelligence official formerly affiliated with India's key external intelligence agency, the Research and Analysis Wing, is quoted as saying:

'Presently, the Colombo port enjoys a better reputation in international shipping circles than the ports in South India. The turn-over time for ships in Colombo is much less than in the ports of South India. The Sri Lankan authorities are worried that the Colombo port might lose the advantages presently enjoyed by it vis-à-vis the ports in South India when the construction of the Sethusamudram Canal and the work of modernisation of the ports in South India undertaken by the Government of India is completed.'

Such views do much to put the Hambantota port issue in context — the facility will diminish India's ability to compete. India's dilemma is compounded by Sri Lanka's ambition to harness its strategic location astride Indian Ocean shipping arterials, with Dr. Priyath Bandu Wickrama, Chairman of the Sri Lanka Port Authority, noting: 'Over 200 ships sail this route [daily] and we want to attract them. Our vision is to consolidate the position of Sri Lanka as the premier maritime logistic centre of the Asian region.'

#### *Getting the Balance Right*

As Rajapakse recently stated, the end of Sri Lanka's civil war has ushered in a new era in the nation's foreign policy. But in the aftermath of the LTTE defeat, there is likely to be growing strategic rivalry between India and China, something which will also complicate Sri Lanka's relations with the West.

So far, at least, Sri Lanka appears to have successfully balanced the competing interests of India and China. 'There are elements in America and India who would like to raise the China bogey,' former Sri Lankan diplomat Jayantha Dhanapala told the *Lakbima News*. 'This is not a zero sum game where our relationship with China is at the expense of our relationship with India. We cleverly balanced the relationship.'

If he is right, and if Sri Lanka handles its foreign policy judiciously, the country could continue to benefit from the new Great Game in the Indian Ocean.

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*This SAP is based on an article originally published in The Diplomat, 28 October 2009.*