

China-India Brief

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Guest Column

Sri Lanka Elects Leftist President Dissanayake: Shift in India-China Relations?

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On September 21, 2024, Anura Kumara Dissanayake, leader of the leftist National People's Power (NPP), was elected President of Sri Lanka. Dissanayake's victory marks a significant shift in Sri Lanka's political landscape, as the self-avowed Marxist was seen as a relative outsider to the country's mainstream political camps. He also heads the Janatha Vimukthi Peramuna (JVP), the main political party within the NPP, which led two armed **insurgencies** in 1971 and 1988-1989, and was known for its strong anti-India stance in the past.

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The *China-India Brief* is a monthly digest focusing on the relationship between Asia's two biggest powers. The Brief provides readers with a key summary of current news articles, reports, analyses, commentaries, and journal articles published in English on the China-India relationship. It features a Guest Column weighing in on key current issues in China-India relations.

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Like other small states in the region, Sri Lanka has had to navigate the competing political interests of India and China. The new president faces limited policy options, having to implement painful austerity measures led by the International Monetary Fund (IMF) and facilitated by India (and the West). However, Dissanayake's perceived ideological and political proximity to China has cast uncertainty over his foreign policy direction.

China and India's Position during the Sri Lankan Crisis

This election follows the 2022 economic crisis, when Sri Lanka defaulted on its foreign debt of USD 46.9 billion. During this period, India had extended over USD 4 billion in assistance to Sri Lanka and provided financing and debt relief support as assurances to facilitate Sri Lanka's entry into an IMF programme. China, too, provided **support** of around USD 75 million. Both India and **China** also backed Sri Lanka's foreign debt restructuring efforts, allowing Colombo to **postpone** bilateral loan repayments until 2028.

Sri Lanka's 2022 debt default reignited discussions around the 'Chinese debt trap diplomacy' trope, which accuses China of deliberately extending high interest loans for development projects plagued by corruption and low efficiency to trap recipient countries in unsustainable debt and gain strategic leverage.

However, Sri Lanka's largest debt burden has not come from Chinese loans, but rather **international sovereign bonds** issued largely by public and private enterprises based in the West. Although the economic crisis has prompted Sri Lanka to strengthen engagement with all key bilateral partners, China's post-2022 economic and diplomatic efforts have received comparatively less attention.

Emerging Uncertainty

The congratulatory messages from India and China following Dissanayake's election victory reflected their respective policy priorities.

Indian Prime Minister Narendra Modi **emphasised** Sri Lanka's "special place" in India's strategic regional frameworks, including the Neighbourhood First Policy and the Security and Growth for All in the Region (SAGAR) vision. Likewise, Indian External Affairs Minister S. Jaishankar **highlighted** India's focus on strengthening economic integration within South Asia, trusting the "realities of interdependence" to shape bilateral relations between the two countries.

On the other hand, Chinese President Xi Jinping spoke about the Belt and Road Initiative and the importance of the China-Sri Lanka strategic cooperative partnership. China's Ambassador to Sri Lanka took a notably optimistic tone, **congratulating** Sri Lankans on the beginning of a "new era" and the writing of a "new chapter" in their history.



Media coverage of the election in both India and China exposed the underlying uncertainties that each country has over the Dissanayake presidency. A day before the election, the *Times of India* **warned** that an NPP victory would strain relations with India and open doors for increased Chinese influence. Chinese media outlets, in turn, criticised India's zero-sum, **hegemonic** mindset which was fostering an 'India Out' mentality among its own neighbours. They also blamed Indian **influence** for Sri Lanka reneging on previous agreements with China and **refuted** the Chinese debt trap narrative.

Can Dissanayake Balance India and China?

Sri Lanka's bilateral relations with both India and China face recurring challenges, particularly regarding the presence of foreign research vessels in its waters.

In January 2024, Sri Lanka imposed a one-year ban on all foreign research vessels due to India's security concerns over the frequent docking of Chinese surveillance ships. This resulted in a Chinese research vessel being **denied approval** to dock in Colombo that same month. Yet, just two months later, Sri Lanka approved a similar request from a German research ship, prompting a **protest** from Beijing.

Other issues such as the **encroachment** of Indian and Sri Lankan fishing boats into each other's territorial waters and Modi's recent **comments** on the sovereignty of Sri Lanka's Kachchatheevu island continue to test the bilateral relationship. A new source of bilateral tensions is India challenging Sri Lanka's attempt to extend its continental shelf, in order to access the **cobalt-rich** Afanasy Nikitin Seamount. How Dissanayake responds to these issues will offer insights into his foreign policy priorities.

In Dissanayake's inaugural address to the nation, he **expressed** confidence in gaining the support of the international community. During his campaign speeches, Dissanayake also **emphasised** the importance of engaging with all major partners, especially India and China. Despite this official stance, his attention will likely be focused on addressing domestic problems, such as tackling corruption and delivering economic relief to the people.

Dissanayake's Marxist background may influence his foreign policy decisions, making it more difficult for Sri Lanka to remain neutral in its international relations. A recent statement by NPP committee member Lal Kantha **suggested** that Sri Lanka would leave the Commonwealth under an NPP government to free itself from the British monarchy's influence. During the election campaign, Dissanayake had also **pledged** to withdraw Sri Lanka from an agreement with India's Adani Group, prioritising his anti-corruption agenda over diplomatic considerations.

Challenges Ahead

Despite winning the election, Dissanayake had failed to garner substantial support from **minority groups**, particularly the northern Tamils, which presents another potential source of instability. Although fifteen years have passed since the end of the civil war, issues relating to Tamil rights remain unresolved, and further alienation

of the northern Tamil population risks exacerbating tensions that could spill over into Sri Lanka's foreign policy, especially with India.

Meanwhile, Dissanayake's pro-Sinhala Buddhist **stance** of promising immunity on alleged war crimes and rights violations could complicate Sri Lanka's relations with the United Nations Human Rights Council (UNHRC), and multilateral organisations like the European Union. To navigate these challenges, Dissanayake may have to turn to alternative institutions, such as BRICS and subregional organisations such as the Indian Ocean Rim Association (IORA) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). As such, it is crucial that Sri Lanka maintains good relations with both India and China, setting the stage for a challenging path ahead for President Dissanayake.

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