

China-India Brief

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Guest Column

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

By Rajni Gamage and Harindra B. Dassanayake

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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 CENTRE ON ASIA
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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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News Reports

Bilateral relations

Indian Army enhancing combat prowess of artillery units along frontier with China

The Economic Times, September 27

India has procured new weapon systems and intelligence to enhance the capabilities and efficiency of its artillery units in the face of potential national security challenges.

'Illegal': China irked as Indian team names Arunachal Pradesh peak after Dalai Lama

Indian Express, September 27

Chinese Foreign Ministry spokesperson Lin Jian claimed that "It's illegal, and null and void for India to set up the so-called "Arunachal Pradesh" in Chinese territory."

Finally, some light in the China-India tunnel

The Straits Times, September 19

While full normalisation of ties remains out of reach, after four year, India and China have finally achieved a compromise on troop placements that could ease the stand-off between the two powers.

Troops disengaged in 4 areas, including Galwan valley: China

Times of India, September 14

Indian Foreign Minister S Jaishankar shared that India and China have resolved 75% of their "disengagement problems" in eastern Ladakh.

China and India in the Region

Why China's Southeast Asia belt and road push could give it edge in critical battleground

South China Morning Post, September 28

China's rail links with Southeast Asian countries will likely "[place the region] in a China-centered supply chain," resisting pressure from the United States to decouple from the Chinese economy.

India-China relationship is key to the future of Asia, New Delhi's foreign minister says

South China Morning Post, September 25

The Indian Foreign Minister highlighted that India-China relationship is the "key to the future of Asia" and ties between the two major powers will influence the future of the region and potentially the rest of the world.

Sri Lanka's new leader must balance ties between regional powerhouses India and China

AP News, September 25

The newly elected Sri Lankan government must maintain an "equal balance" between India and China to uphold regional stability while safeguarding its own national security and interests.

Quad leaders meet; group 'incites bloc confrontation'

Global times, September 23

The Chinese have claimed that the Quad has a confrontational nature and has been used to incite geopolitical tensions in Asia Pacific.

Trade and Economy

Indian steel producers warn of China import surge amid US tariff hike; ‘double whammy for us, says ISA

Mint, September 27

US tariffs on China will likely push the Chinese to offload their surplus stock in India, in turn hurting Indian producers.

India rules out joining world’s largest trade deal, accuses China of ‘very opaque’ trade practices

CNBC, September 22

“India is not going to join the RCEP because neither did it reflect the guiding principles on which ASEAN was started, nor is it in the nation’s interest,” India’s Minister of Commerce and Industry Piyush Goyal shared.

India overtakes China in the world’s biggest investable stock benchmark

Financial Times, September 18

India’s share of free-flow “investable” stock has rose to 2.33% this month, overtaking China.

India edges warily toward accepting more Chinese involvement

Nikkei Asia, September 10

In a bid to boost foreign direct investment, the Modi government is considering relaxing controls on Chinese investment to reduce the trade imbalance.

Energy and Environment

India seeks 6K MW of peak renewable power supply with storage

Business Standard, September 28

India is seeking for bids to supply 6000 megawatts of electricity from renewable energy power projects.

China’s advanced Hualong One reactor expands deployment, promotes green energy transition

Global Times, September 28

“By integrating China’s manufacturing capabilities with the Hualong One reactor technology, the country’s nuclear power industry is well positioned to drive sustainable energy transformation,” Liu Boqiang, director of the China Center for Energy Economics Research at Xiamen University, shared.

Clean energy: Hit by China’s predatory pricing, India ‘exploring ties with West’

Indian Express, September 26

Faced with pressure from China’s predatory pricing, India has sought to collaborate with several Western countries to protect its domestic clean energy sector.

‘Extremely serious’: India tops global plastic waste emissions with 9.3 million tonnes, study shows

South China Morning Post, September 8

India is now the world’s largest plastic polluter, producing one-fifth of global plastic emissions, while its plastic-related policies are still in their infancy.

Analyses

India Gives China the Cold Shoulder

Wall Street Journal, September 25

By Sadanand Dhume, Resident Fellow at the American Enterprise Institute

India has remained wary of China's dominant presence in Asia and has attempted to balance against it, including by partnering with the US.

The China Factor in India-Japan Relations

Observer Research Foundation, September 25

By Harsh V. Pant, Vice-President, Studies and Foreign Policy at Observer Research Foundation, New Delhi; and Shashank Mattoo, Junior Fellow at the ORF's Strategic Studies Program

Sharing similar concerns about China's rapid expansion of its maritime and military footprint in the Indian Ocean, India and Japan have made China a critical factor in their rapprochement strategy.

Quad struggles for relevance as it creates wariness in Asia Pacific

Global Times, September 23

By Zhou Shixin, Research Fellow at Shanghai Institutes for International Studies

The Quad's attempts to express its "expansionist ambitions through cooperative language" while seeking to "dominate regional affairs" have met with little success. Instead, it has "created more uncertainty in the region [and] does not justify its existence."

Sri Lanka caught in the crossfire of India-China maritime rivalry

East Asia Forum, September 19

By Chulanee Attanayake, a non-resident Research Fellow at the Institute of South Asian Studies, National University of Singapore

Sri Lanka is increasingly caught in a geopolitical tug-of-war between India and China in the Indian Ocean as the two powers seek to intensify efforts to secure strategic and mineral resources.

India-China Talks: Inching Towards Military Disengagement

ISAS Briefs, September 16

By C Raja Mohan, Visiting Research Professor at the Institute of South Asian Studies, National University of Singapore

The current intense political polarisation within India and the growing hyper-nationalism could complicate Modi's attempt at reducing tensions with China.

Books and Journals

Signalling through implicature: How India signals in the Indo-Pacific

The British Journal of Politics and International Relations, September 2024

By *Raphaëlle Khan*, Assistant Professor at the City College of New York; and *Kate Sullivan de Estrada*, Professor at University of Oxford

When signalling in the Indo-Pacific, India must manage several contradictory imperatives. Signals of resolve that explicitly frame China as a threat or order challenger can raise tensions with this more powerful neighbour. Yet, given India's strategic resourcing needs, some indication of resolve is necessary in order to project 'like-mindedness' with strategic partners – especially the United States – who seek to counter-balance China. Meanwhile, signals of reassurance to the United States and its allies may read as signals of resolve towards China in and of themselves, and/or lead to rhetorical entrapment into alliance-like relations that erode India's strategic autonomy. Since signalling is both purposeful and socially contingent, these complexities are reflected in India's discursive signalling strategy. We argue that India often signals via a mode of indirect speech known as *implicature*. When states *implicate*, they convey meaning beyond what is explicitly said, while depriving recipients of the rhetorical material to evidence resolve or reassurance.



As a signalling strategy, implicature aims to avoid breaches in India's distinctive social relationships with China and the United States. Signalling through implicature thus manifests as a mode of *social hedging*, intended to widen the choices of secondary states in the polarised signalling arena of the Indo-Pacific.

Our team



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OTHER CAG PUBLICATIONS

- *Partnership or Polarization? Southeast Asian Security between India and China* edited by Evan Laksmana and Byron Chong (Contemporary Southeast Asia, 2023)
- *Asian Conceptions of International Order: What Asia Wants* edited by Kanti Bajpai and Evan Laksmana (International Affairs, 2023)
- *How Realist Is India's National Security Policy?* edited by Kanti Bajpai (Routledge, 2023)
- *Deterring Conflict and Preserving Peace in Asia* edited by Drew Thompson and Byron Chong (Centre on Asia and Globalisation, 2022)
- *What Can the United States Learn from China about Infrastructure?* by Selina Ho in *The China Questions 2* (Harvard University Press, 2022)
- *India Versus China: Why they are Not Friends* by Kanti Bajpai (Juggernaut Books, 2021)
- *Winning the Fight Taiwan Cannot Afford to Lose* by Drew Thompson (Strategic Forum, 2021)
- *Routledge Handbook of China-India Relations* edited by Kanti Bajpai, Selina Ho and Manjari Chatterjee Miller (Routledge, 2020)



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