

A New President in Sri Lanka: Ties with India and China

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Summary

This paper examines the foreign policy, geopolitical and economic implications of Anura Kumara Dissanayake's presidency in Sri Lanka, following the recently held presidential election amid the crisis-recovery period. This paper also highlights his focus on the country's sovereignty, anti-corruption measures and economic recovery, particularly navigating relationships with India and China. By analysing Dissanayake's political ideology and past statements, this paper discusses the potential foreign policy shifts primarily between New Delhi and Beijing, emphasising the need for a balanced approach to stabilise Sri Lanka while addressing domestic challenges like inflation and corruption. This paper also offers insights into how Dissanayake's leadership might influence Sri Lanka's strategic positioning in the Indian Ocean and its interactions with multilateral institutions, stressing the role of pragmatic diplomacy for economic growth and regional cooperation.

Introduction

On 21 September 2024, Sri Lankans, in a decisive and bold move, chose left-leaning Anura Kumara Dissanayake over mainstream political actors such as former president, Ranil Wickremesinghe, and opposition leader Sajith Premadasa.¹ Dissanayake's election marks a significant departure from Sri Lanka's traditional political landscape. This election was not only one of the most peaceful, but also resulted in a political shift in the country. It ended the two-party rule since this was the first time that neither of the two main political parties – the United National Party and the Sri Lanka Freedom Party – or their coalitions or political offshoots returned to power.

The election outcome was not surprising, given that the public has largely been disillusioned with mainstream political parties and their policies. Dissanayake is the leader of the Janatha Vimukthi Peramuna (JVP), leader of the winning National People's Power (NPP) alliance, comprising business groups, artists, academics, parties and women's groups that were set up in 2015 to change the country's political culture.

This paper delves into the foreign policy, geopolitical and economic ramifications of Dissanayake's presidency in Sri Lanka, which comes at a crucial moment as the country continues to grapple with economic recovery following a severe crisis in 2022. It focuses on Dissanayake's key priorities, including reinforcing national sovereignty, tackling corruption and implementing economic reforms aimed at stabilising the nation. Central to his approach is navigating Sri Lanka's complex relationships with major regional powers, India and China.

¹ Salikuddin, Tamanna and Nilanthi Samaranayake, "Sri Lanka's new president faces daunting challenges and high hopes", *USIP*, 1 October 2024, <https://www.usip.org/publications/2024/10/sri-lankas-new-president-faces-daunting-challenges-and-high-hopes>.

India's close ties with Sri Lanka have deepened in recent years, especially during the crisis period. Indian External Affairs Minister S Jaishankar visited Colombo in early October 2024 to reaffirm India's commitment to development assistance and ongoing projects in fuel supply, liquefied natural gas, energy and connectivity. Dissanayake's statement that "Sri Lankan territory would never be allowed to be used in a manner inimical to India's security interests",² indirectly addressing China's activities, suggests the new regime's alignment with India's security concerns. Additionally, Dissanayake's choice of India for his first official foreign visit highlights the new government's efforts to strengthen bilateral relations and its strategic approach to foreign policy and diplomacy.

This paper analyses Dissanayake's Marxist-leaning political ideology and public statements, suggesting potential shifts in Sri Lanka's foreign policy under his leadership. It emphasises the importance of a balanced, pragmatic approach to stabilise the economy while tackling domestic issues such as inflation, poverty, and corruption. Additionally, it situates these developments within Sri Lanka's broader geopolitical context, particularly its strategic position in the Indian Ocean, which is crucial for international trade and regional influence.

This paper also examines how the new regime might strengthen relationships with neighbouring powers and multilateral institutions, highlighting the importance of pragmatic diplomacy in promoting economic growth and regional cooperation. Dissanayake's leadership is viewed as pivotal for Sri Lanka's recovery and its future interactions within the evolving geopolitical landscape of South Asia and the Indian Ocean region.

Ties with India and China

As the new president assumes the task of stabilising the economy, the key question is how Dissanayake's leadership will shape Sri Lanka's foreign policy amidst competing influences from India and China.³ Given the economic and geopolitical scenario, pragmatism is likely to take precedence. Dissanayake is expected to adopt a balanced approach in Sri Lanka's foreign policy, focusing on economic development while managing ties with the two countries.⁴ India regained historical influence in Sri Lanka during the 2022 economic crisis by providing US\$4 billion (S\$5.44 billion) in financial aid whereas China contributed a meagre US\$75 million (S\$102 million) in humanitarian assistance.⁵ It was also reluctant to assist Colombo in debt restructuring but finally agreed in 2023.⁶ Nonetheless, both countries are expected to continue vying for strategic influence under the new administration.

Dissanayake's presidency signals a political shift in the region. Historically, the JVP has been perceived as anti-India when it opposed the Indo-Lanka Accord and Sinhala-Buddhist political force, raising concerns about how the new leadership will manage relations with its

² "“Will never allow Sri Lankan territory to be used inimical for India's security interests” – President”, *Adaderana.lk*, 5 October 2024, <https://www.adaderana.lk/news.php?nid=102467>.

³ Murali Krishnan, “Will a new president shift Sri Lanka's foreign policy?”, *DW*, 25 September 2024, <https://www.dw.com/en/will-a-new-president-shift-sri-lankas-approach-to-india-and-china/a-70322311>.

⁴ Ibid.

⁵ Amit Ranjan and Diotima Chatteraj, “The Tamil Issue in India-Sri Lanka Relationships: Priorities and Interest”, *India Quarterly*, 2018 78(1), 104-120.

⁶ Archana Shukla and Mariko Oi, “Sri Lanka crisis: Colombo reaches debt deal with China”, *BBC*, 13 October 2023, <https://www.bbc.com/news/business-67097443>.

largest neighbour. However, Dissanayake has projected himself as a pragmatic leader who would posture Colombo's foreign policy for a more balanced approach in its relations with India and China. It is likely to display a willingness to maintain ties with India, the country's closest neighbour and second-largest trading partner.

The JVP/NPP, despite its ideological orientation, cannot overlook how India provided an economic lifeline during the peak of the crisis in 2022.⁷ Hence, the new government is likely to be cognisant that it needs to maintain relations with New Delhi that could lead to greater economic assistance as the country is still recovering from the worst crisis in its history. Dissanayake and a few others from the NPP visited India in February 2024 that was widely reported by both Indian and Sri Lankan media. Jaishankar said after the largely symbolic meeting that, "A good discussion on our bilateral relationship and the mutual benefits from its further deepening," in reference to relations between the two sides.⁸

India's geopolitical and diplomatic influence may prompt Dissanayake to adopt a more assertive stance in protecting Sri Lankan interests while fostering cooperation with India, particularly in areas like trade, defence and regional security. Several promises in Dissanayake's manifesto, such as developing Sri Lanka into a maritime hub, a port and trading hub, and a regional logistics management hub, will depend on the latter's connectivity with India.⁹ Also, Dissanayake wants to improve tourism and information technology revenues for which India will again prove to be an important country. It is this growing importance of connectivity and economic leverage that has prompted the JVP to be sensitive to India's concerns. Its manifesto specifies that the country's land, sea and air spaces will not be permitted to threaten the national security of any country, particularly India.¹⁰ Ultimately, Sri Lanka's November 2024 parliamentary elections will influence New Delhi's support for Dissanayake.

It remains to be seen how India, in turn, will respond and engage the NPP government. New Delhi is likely to focus on three issues. First, India is likely to remain cautious of the JVP's past ties to Sinhala-Buddhist nationalism, given the party's shifting stance from Marxism through alliances with leftist parties to ethnic nationalism, opposing peace talks with the Liberation Tigers of Tamil Eelam and India's intervention. During the latter period, the JVP accused the government of compromising national sovereignty by allowing foreign influence, referring to India as "colonising" Colombo. Some analysts suggest that the JVP leans more towards Sinhala-Buddhist nationalism than Marxism, which could pose challenges for the NPP in building connections with both India and the minority groups, especially Sri Lankan Tamils. Second, India will closely monitor how Sri Lanka's new government manages its relationship with Beijing, given India's growing concerns about China's expanding influence in the region. Sri Lanka has historically balanced its ties

⁷ Sumit Ganguly, "Why Sri Lanka's election means for India", *Foreign Policy*, 24 September 2024, <https://foreignpolicy.com/2024/09/24/sri-lanka-election-means-india-dissanayake-president/>.

⁸ K. Ratnayake, "Leader of Sri Lanka's opposition JVP party visits India", *World Socialist Web Site*, 9 February 2024, <https://www.wsws.org/en/articles/2024/02/10/uxra-f10.html>.

⁹ Murali Krishnan, "Will a new president shift Sri Lanka's foreign policy?", *DW*, 25 September 2024, <https://www.dw.com/en/will-a-new-president-shift-sri-lankas-approach-to-india-and-china/a-70322311>.

¹⁰ Harsh Pant and Aditya Gowdara Shivamurthy, "Pragmatism set to define Sri Lanka's foreign policy", *Hindustan Times*, 26 September 2024, <https://www.hindustantimes.com/opinion/pragmatism-set-to-define-sri-lanka-s-foreign-policy-101727364769136.html>.

between the two powers – maintaining cultural and economic ties with India while accepting substantial Chinese investment, particularly through the Belt and Road Initiative (BRI), depending on the regime in power. Sri Lanka leaned towards China during Mahinda Rajapaksa's tenure, shifted closer to India under the *Yahapalana* (Good Governance) government and returned to China's orbit under Gotabaya Rajapaksa's reign in 2019. India is likely to emphasise its support through a bailout package and might offer further economic assistance to maintain positive relations with Colombo. Third, India is likely to monitor whether the new government will take concrete steps to devolve more power to the North-East. Although the NPP's 2024 manifesto promises constitutional reforms for equality, democracy and devolution of power to local governments, districts and provinces, it does not explicitly commit to fully implementing the 13th Amendment.

Despite the JVP's shift in policy to support power devolution, it is unlikely to back the full implementation of the amendment, especially in granting land and police powers to the North-East. Nonetheless, the new regime cannot antagonise Beijing. It is expected to seek strong support from China through foreign direct investment, technology, and tourism.¹¹ Chinese President Xi Jinping congratulated Dissanayake, emphasising the strong bilateral ties between the two nations. His government is likely to focus on economic recovery with pragmatic engagement with China, especially in light of Sri Lanka's involvement in the BRI. Analysts suggest Dissanayake will attract Chinese investments in infrastructure, with particular interest in port projects in Colombo and Hambantota.¹²

As one of the biggest lenders to Sri Lanka, Beijing will continue to engage with the government to further its interests in the Indian Ocean. This capacity to invest and assist will continue to woo an economically recovering Sri Lanka. However, having won the election with strong rhetoric on transparency and accountability, the government's balancing that is necessary amid growing geopolitical competition will be subject to more pressure. Dissanayake aims to promote a rigorous and transparent tender process for all foreign investments, avoid the privatisation of critical state-owned enterprises (SOEs), conduct detailed debt audits on foreign loans and enact legal action against those misusing these loans. On a short-term basis, this will be challenging current Indian and Chinese competition for a stake in crucial SOEs and their investments.

However, in the longer term, scrutinising loans and the new investment conditions (if implemented) are not likely to go down well with Beijing, which has exploited systemic loopholes, promoting corruption and opaque loans. On the contrary, this could be more beneficial for India and its like-minded partners who are genuinely interested in strengthening institutions and promoting transparency and accountability in the country's governance.¹³

¹¹ Cyril Lp, "Sri Lanka to seek 'maximum support' from China under new leader Dissanayake, analysts say", *South China Morning Post*, 24 September 2024, <https://www.scmp.com/news/china/diplomacy/article/3279800/sri-lanka-seek-maximum-support-china-under-new-leader-dissanayake-analysts-say>

¹² Ibid.

¹³ Harsh Pant and Aditya Gowdara Shivamurthy, "Pragmatism set to define Sri Lanka's foreign policy", *Hindustan Times*, 26 September 2024, <https://www.hindustantimes.com/opinion/pragmatism-set-to-define-sri-lanka-s-foreign-policy-101727364769136.html>.

Diplomatic Approach in a Changing Indian Ocean Landscape

Sri Lanka's geographic location places it along key shipping routes that connect the energy – rich Middle East with the growing economies of East Asia, making it an attractive partner for regional and global powers like India, China, the United States and Japan. These powers have strategic interests in ensuring secure and open sea lanes, and Sri Lanka's position can influence maritime security, trade logistics and regional power dynamics. Dissanayake's focus on national sovereignty and his emphasis on reducing Sri Lanka's dependency on any single global power suggest a possible recalibration in foreign policy, where Sri Lanka might seek to diversify its partnerships. This could involve renegotiating the terms of Chinese infrastructure investments while simultaneously seeking deeper economic ties with India, Japan, and Western countries.

The new government may focus on engaging with multilateral institutions like the International Monetary Fund, World Bank and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, positioning Sri Lanka as a key player in regional trade. Dissanayake's strategy could aim to develop Colombo and Hambantota ports into global transshipment hubs, enhancing Sri Lanka's role as a gateway between South Asia and Southeast Asia and boosting its significance in the Indian Ocean's maritime economy. Balancing foreign relations will be crucial for Sri Lanka to attract investments that can fuel its economic recovery, especially in the aftermath of its recent financial crisis. The challenge for Dissanayake will be to ensure that Sri Lanka's sovereignty is respected in negotiations with foreign investors and that national interests are prioritised in economic deals. The strategic decisions made under Dissanayake's leadership are expected to play a decisive role in determining Sri Lanka's long-term economic trajectory. By fostering economic development through regional partnerships and leveraging its geographic advantages, Sri Lanka could achieve a more stable and influential position within the Indian Ocean region. This, in turn, could enhance its standing in global forums such as the United Nations, World Trade Organization and other multilateral institutions where maritime security, trade regulations, and regional cooperation are central topics.

Dissanayake's leadership presents an opportunity for Sri Lanka to redefine its strategic role amidst a shifting geopolitical landscape, using pragmatic diplomacy to balance local needs with global opportunities. By doing so, Dissanayake can guide Sri Lanka through a period of economic recovery and geopolitical reorientation, positioning the nation as a key player in the Indian Ocean's strategic and economic dynamics.

Conclusion

The new government has made a promising start through initial reforms of dismantling corruption and authoritarian practices. However, it remains to be seen whether this trajectory will continue or will relapse into path dependency that happened to previous regimes when they were in power. As India grapples with its own regional challenges, it is motivated to maintain stable relations with Sri Lanka. Despite geopolitical pressures, both nations remain bound by geography and ethnic ties, making their relationship pivotal as Dissanayake navigates the delicate balance between India and China amidst Sri Lanka's ongoing economic and political challenges. However, it will be useful for New Delhi to no

longer view bilateral relations through the India-China prism. It should also learn from its past mistakes in the region, particularly Bangladesh.

Although previous elections in Sri Lanka had strong nationalist overtones, this election primarily focused on economic recovery, and foreign policy was not at the centre of campaigning. The NPP has recognised that India as the country's biggest neighbour cannot be isolated. New Delhi's regional influence is likely to remain a significant factor in Sri Lanka's geopolitical strategy, especially given the shared maritime interests in the Indian Ocean and historical ties.

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