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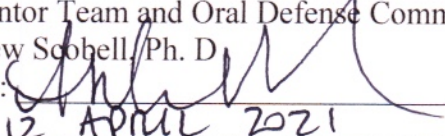
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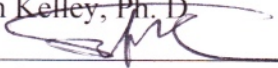
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Executive Summary

Title: Countering China: Opportunities for the United States in Sri Lanka

Author: Lieutenant Commander Michael Gossett, United States Navy

Thesis: American efforts in Sri Lanka can be mutually beneficial to the Sri Lankan economy as well as future U.S. Navy operations in the Indian Ocean, provided the U.S. takes full account of the regional situation and follows the example of India's successful involvement in Sri Lanka.

Discussion: Sri Lanka has enjoyed a cordial and beneficial relationship with China for over two thousand years. This relationship has often been conducted in the face of U.S. objections or cautions. Recently, however, China's Belt-Road Initiative has resulted in Sri Lanka becoming a debtor nation to China. Large infrastructure projects like the Hambantota seaport and airport have not yielded the economic gains Sri Lanka expected, and the government has been forced to cede control of these facilities to China. Conversely, India has pursued a program of economic assistance that has benefitted everyday Sri Lankans. As the U.S. has a dearth of logistics hubs in the Indian Ocean, Sri Lanka presents a tremendous opportunity to both serve the U.S. Navy's future logistics needs as well as provide benefit to the Sri Lankan economy to hedge against the burden of Chinese debt and the influence that debt conveys to China

Conclusion: Opportunities in Sri Lanka abound for the U.S., and a successful strategy in the Indian Ocean should follow the example of India in terms of gaining and maintaining influence in Sri Lanka.

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Preface

During my 2017 deployment with the NIMITZ Carrier Strike Group, I had the opportunity to visit Sri Lanka. I was enamored with the country and its people, and I also had an appreciation for the strategically significant position it occupied in the Indian Ocean. I had experienced firsthand the challenges associated with what we termed a logistics “black hole” in the Indian Ocean that resulted in our ships arriving on station in the Middle East with minimal fuel and supplies, broken equipment, and barely able to begin the months of tasking the U.S. Central Command had in store for us.

I had also seen firsthand the evidence of China’s presence in Sri Lanka. The Chinese-funded Lotus Tower dominates the skyline of Colombo, and we were questioned by taxi drivers, restaurant wait staff, and hotel employees about our opinions on China. I was inspired to choose this topic because of my experiences on that deployment, and I hoped to examine what a successful U.S. policy in the Indian Ocean could look like.

I would like to thank Dr. Andrew Scobell and CDR Stephen Kelley, Ph. D for their feedback and assistance in the process.

1. Introduction

In 2013, Chinese President Xi Jinping unveiled a major component of his country's 21st century foreign policy, at times termed the “new Silk Road,” more commonly referred to as the “Belt-Road Initiative” (BRI).¹ The BRI has taken the form of a massive global infrastructure project intended to modernize or create both overland and overwater trade routes to the benefit of China.² China's go-to mechanism for facilitating infrastructure development has often been foreign direct investment (FDI) in partner nations that are largely part of the developing world. However, some of the FDI involved is in the form of loans vice outright grants, leading some to wonder if China is effectively setting a “debt trap” in developing countries that are unlikely to be able to repay the loans.³

One such nation is Sri Lanka, located in a geographically advantageous position in the Indian Ocean. In 2017, the Sri Lankan government defaulted on a Chinese loan that was used to build a massive port facility and was forced to cede control of the port to China, which serves as just one example of how developing countries can fall prey to the BRI's investment debt traps.⁴ Although Chinese investment can have advantages for the recipient nations, it is not without its pitfalls. In this paper, I will seek to explore how Sri Lankan attitudes with respect to China may shift as the debt burden increases, and how this shift may open the door to future U.S. involvement. I will argue that the United States would be well-served by offering Sri Lanka more responsible alternatives to Chinese FDI and may gain a strategic foothold in the Indian Ocean by doing so.

¹ Chatzky, Andrew and James McBride. “Backgrounder: China's Massive Belt and Road Initiative.” Council on Foreign Relations, 2020. Online, available <https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative>.

² Scobell, Andrew et al. *At the Dawn of Belt and Road*. Santa Monica: RAND Corporation, 2018: xv.

³ Chatzky and McBride.

⁴ Frayer, Lauren. “In Sri Lanka, China's Building Spree is Raising Questions About Sovereignty,” All Things Considered, National Public Radio, December 13, 2019.

2. Literature Review

The published literature on Sri Lanka's strategic position with respect to nations wishing to operate in the Pacific and Indian oceans mainly focuses on the competing priorities of the United States and China within the region. To understand China's goals in Sri Lanka, one must first understand the relatively new BRI. In this literature review, I will begin with a summary of the existing literature regarding the background, goals, and current status of the BRI to display China's past involvements in countries like Malaysia and Djibouti in order to set the stage for a discussion of China's likely future actions. Second, I will explore the literature regarding the attitudes of the governments involved in China's BRI to assess whether these nations were willing participants in the BRI and believed that it benefitted their countries. Third, I will investigate the literature regarding Sri Lanka's past relationship with China to develop an understanding of how the Sri Lankan government would view continued Chinese BRI-related investment within its borders. This literature review is intended to be the precursor of an analysis of how China's BRI activities in Sri Lanka are viewed within the country, as well as whether there may be popular support for increased U.S. investments in the future.

2.1. China's Belt-Road Initiative

Since its announcement in 2013, China's BRI has manifested itself in a variety of ways worldwide. Additionally, the internal and external motivations behind the BRI have come to light since 2013. In Peter Cai's 2017 publication, he outlines some of the motivations of the BRI. Notably, from an external perspective, China "aims to strengthen Beijing's economic leadership through a vast program of infrastructure building throughout China's neighboring regions."⁵

⁵ Cai, Peter. "Understanding China's Belt and Road Initiative." The Lowry Institute for International Policy: March 2017, p. 1.

Likewise, from an internal perspective, China is pursuing trade relationships worldwide as a means of ridding itself of its excess production capacity, which would stagnate and create an economic burden in the absence of an initiative like BRI.⁶ In many ways, as Cai points out, BRI can be seen as a purely domestic project that aims to correct the huge economic gaps between the relatively wealthy provinces bordering China's seas and the relatively poor inland provinces by building internal and external infrastructures to play to China's manufacturing and trading strengths.⁷

In terms of the scope of BRI, Peter Ferdinand summarizes it as “a series of overlapping elements—upgraded and developed transcontinental railway routes, highways, port facilities, and pipelines” intended to level the playing field between China's provinces internally and increase China's trade prospects externally.⁸ Additionally, the vision behind BRI involved over “60 countries with a combined population of over 4 billion people, whose markets currently account for about one-third of global GDP.”⁹ Ferdinand clearly establishes that BRI is a large effort with both internal and external motivations, all aimed at improving China's economy and increasing its standing in world affairs.

The strategic outward-facing arm of the BRI is often demonstrated by the PLA(N), as reported by Timothy R. Heath in his publication addressing China's so-called “naval diplomacy.” Heath cites numerous examples of this type of diplomacy, including China's deployments of its hospital ship, *Peace Ark*, to show goodwill overseas and build strategic partnerships.¹⁰ Heath goes further to state that the BRI “provided a powerful incentive for the

⁶ Cai, 6.

⁷ Ibid.

⁸ Ferdinand, Peter. “Westward Ho.” *International Affairs* (Vol. 92, No. 4, 2016): 950.

⁹ Ibid.

¹⁰ Heath, Timothy R. “China Maritime Report Number 8: Winning Friends and Influencing People: Naval Diplomacy with Chinese Characteristics.” *U.S. Naval War College China Maritime Studies Institute Digital Reports*. September 2020, p. 2.

Chinese military to contribute to the building of a favorable security environment, in part through naval diplomacy.”¹¹

2.2. Belt-Road Initiative Beneficiaries: Malaysia

One case study that may prove instructive for future developments in Sri Lanka is that of Malaysia. In Malaysia, China was thought to be seeking “military and strategic influence in the Straits of Malacca” as well as a potential “railway ‘land bridge’ to circumvent the straits altogether.”¹² Concurrently, the developments Malaysia sought were driven by “commercial, economic, and political imperatives.”¹³ For these reasons, China and Malaysia were able to develop a mutually beneficial program in which “most BRI projects involved joint ventures between Chinese investors and Malaysian government-linked corporations.”¹⁴

There is a narrative of China building strategic partners through a phenomenon known as “debt-trap diplomacy,” in which China gains influence over other countries by undertaking massive infrastructure projects using high-interest loans that the debtor nation is unlikely to be able to pay off. However, Jones and Hameiri reject this narrative in the case of Malaysia, as they characterize China’s investments in Malaysia as “friendly [...] and opportunistic, reactive move[s], not the implementation of a strategy to build and then seize assets useful to China.”¹⁵ In other words, Jones and Hameiri posit that China stands to gain more from improving the infrastructure of its strategically placed neighbors—e.g. Malaysia’s position close to the Straits of Malacca—than it would from capturing said neighbors in a debt trap.

¹¹ Cai, 6.

¹² Jones, Lee and Shahar Hameiri. “Debunking the Myth of Debt Trap Diplomacy: How Recipient Countries Shape China’s Belt and Road Initiative.” Chatham House, August 2020: p. 20.

¹³ Ibid.

¹⁴ Ibid, 23.

¹⁵ Ibid, 25.

2.3 Belt-Road Initiative Beneficiaries: Djibouti

Another example of China's involvement with other nations under its BRI is that of Djibouti, as discussed in the publication of Dutton, et. al. This example is slightly different from the other nations with which China has been involved, as Djibouti represented an overtly stated strategic military location for China's operations in the Middle East and Africa. Like Malaysia, Djibouti is located in a strategically significant location, close to the route that shipping would take through the Arabian Sea and Gulf of Aden destined for the Red Sea, Suez Canal, and points westward. For this reason, China has maintained a military presence in these waterways as a means of protecting its valuable seaborne trade.¹⁶

In the case of Djibouti, China has maintained a cordial relationship with local government authorities. Djiboutian authorities are said to be "enthusiastic about the 'innovative model implemented by China Merchants and quite naturally seek the same extraordinary growth.'"¹⁷ Those same authorities have welcomed Chinese involvement with open arms, including allowing a Chinese bank to assume many of the government's formerly-held treasury functions.¹⁸ This enthusiasm for Chinese investment is likely driven by Djibouti's weak economy and the fact that, unlike Western nations, China "has not balked at the financial risk inherent in investing in Djibouti and has fast become the nation's principal economic partner and creditor."¹⁹ Although Djibouti may be seen as a risky financial investment for some countries, Dutton, et. al establish that the BRI has resulted in a mutually beneficial relationship for China and Djibouti—a strategic foothold in the region for one, and economic stimulus for the other.

¹⁶ Dutton, Peter A., Isaac B. Kardon, and Conor M. Kennedy. "China Maritime Report Number 6: Djibouti: China's First Overseas Strategic Strongpoint." *U.S. Naval War College China Maritime Studies Institute Digital Reports*. April 2020, p. 1.

¹⁷ Ibid, 7.

¹⁸ Ibid, 26.

¹⁹ Ibid, 6.

2.4. Sri Lanka's Relationship with China

China and Sri Lanka have enjoyed cordial trade relations since the Han dynasty circa 200 BCE, despite numerous evolutions in the governance of each nation.²⁰ Zhen Wang and Fang Ye summarize the history of Chinese-Sri Lankan relations adroitly and place said relations in the current context of China's BRI. Wang and Ye establish that the relationship between China and Sri Lanka has historically been one of mutual benefit that has often foregone the desires of western nations, to include the Rubber/Rice Pact of 1952, wherein Sri Lanka disregarded the warnings of the U.S. and supplied China with much-needed rubber in exchange for rice during the Korean War.²¹ The theme of Sri Lanka's preference for aligning with China vice the U.S. for mutual benefit will be central to my argument, and Wang and Ye illustrate several recent examples.

Sri Lanka's civil war, which took place between 1983 and 2009, devastated the country from physical, social, and economic perspectives. China provided military aid to Sri Lanka in the form of equipment and strategic backing on the world stage throughout the civil war—in exchange, Sri Lanka turned to China for economic assistance in repairing its economy following the end of hostilities in 2009.²² In other words, as Wang and Ye point out, Sri Lanka is not the victim of hegemonic bullying by China, as some may allege, but rather requested China's involvement, believing that the BRI is an “excellent opportunity” that will “boost investors’ confidence and may encourage future portfolio investments.”²³

²⁰ Wang, Zhen and Fang Ye. “China-Sri Lanka Relations in the Context of the 21st Century Maritime Silk Road: Motives, Challenges, and Prospects.” *Asian Perspective* (Vol. 43, No. 4, Summer 2019): 481.

²¹ Ibid, 483.

²² Ibid, 485-6.

²³ Ibid, 486.

Wang and Ye also illustrate an important disconnect between the media perspective and that of the people of Sri Lanka. The media has derided the infrastructure projects China has undertaken within Sri Lanka and the debt burden incurred by them, to include characterizing the China-funded Hambantota International Airport as the “world’s most empty airport,” and a “white elephant project.”²⁴ However, over 60% of Sri Lankans “believe that China is supportive of Sri Lanka’s national interests.”²⁵ This sentiment was reflected by the Sri Lankan rejection of a U.S. Millennium Challenge Corporation aid package of \$480 million to avoid incurring China’s wrath.²⁶

This is not to say that the available literature does not warn against incurring Chinese debt to finance infrastructure improvements. On the contrary, Ely Ratner outlines the risks of continued Chinese investment at potentially harmful interest rates. As Ratner states, “negative externalities will develop if recipient countries are [...] caught in debt traps that China exploits for political or strategic gains.”²⁷ Ratner correctly identifies that Sri Lanka’s debt burden to China, coupled with its massive debt incurred in the civil war, may make the government susceptible to coercive practices designed to have Sri Lanka forgive Chinese debts in exchange for China maintaining control over its infrastructure projects.²⁸ As a counter to this situation, Ratner recommends that countries like the U.S. consider making “funds available at affordable interest rates for governments stuck in BRI debt traps,” to include Sri Lanka.²⁹

²⁴ Wang and Ye, 496.

²⁵ Ibid.

²⁶ Igoe, Michael. “In Sri Lanka, with ‘Great Power Competition’ Comes Great Headaches for MCC.” Online, available <https://www.devex.com/news/in-sri-lanka-with-great-power-competition-comes-great-headaches-for-mcc-97844> (11 Dec 2020).

²⁷ Ratner, Ely. “Geostrategic and Military Drivers and Implications of the Belt and Road Initiative.” Prepared statement delivered to U.S.-China Economic and Security Review Commission, 2nd Session, 115th Congress (25 Jan 2018), 7.

²⁸ Ibid, 3.

²⁹ Ibid, 7-8.

3. Impacts of China's FDI in Sri Lanka

There are signs that Sri Lanka's government is tiring of the negative aspects of Chinese FDI and seeks to regain a measure of control over the infrastructure improvements within its borders. President Rajapaksa of Sri Lanka has acknowledged that relinquishing control of the Hambantota port, built with Chinese-loaned money, was a "mistake" and has vowed to "re-negotiate the contract with Beijing."³⁰ However, Sri Lanka has extremely limited bargaining power in that endeavor, as Sri Lanka's "debt-ridden economy is largely dependent on Chinese aid and funding for its day-to-day functioning."³¹ A combination of factors, including the end of the civil war in 2009 and increased BRI-related investments have sparked a nearly-exponential increase in Sri Lanka's GDP, from \$42 billion in 2009 to \$84 billion in 2019.³²

Concurrently, however, Sri Lanka's debt has increased significantly—from \$4.1 trillion in 2009 to \$8.5 trillion in 2015.³³ Compounding the increase in debt is a lack of sufficient foreign currency on hand to cover the debts: "Sri Lanka has failed to increase exports or FDI by a sufficient margin to match its rising foreign debt repayment obligations."³⁴ Although an examination of Sri Lankan GDP would seem to indicate a modest recovery since the civil war ended, the export economy has not kept pace with the economic recovery. In fact, Sri Lanka's export-to-GDP ratio fell from 39 percent in 2000 to 21 percent in 2017, which resulted in lower amounts of foreign currency flowing into the country to put against debt obligations.³⁵

³⁰ Saini, Deepak. "Sri Lanka's Dependence on China Adds to India's Security Dilemma." *Future Directions International*, September 2020. Online, available <https://www.futuredirections.org.au/wp-content/uploads/2020/09/Sri-Lankas-Dependence-on-China-Adds-to-Indias-Security-Dilemma.pdf>.

³¹ Ibid.

³² The World Bank. "GDP (Current US \$) – Sri Lanka." Online, available <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=LK>.

³³ The World Bank. "Central Government Debt – Sri Lanka." Online, available <https://data.worldbank.org/indicator/GC.DOD.TOTL.CN?end=2015&locations=LK&start=1990>.

³⁴ Moramudali, Umesh. "Is Sri Lanka Really a Victim of China's 'Debt Trap?'" *The Diplomat* (May 24, 2019).

³⁵ Ibid.

In order to meet its debt obligations, the Sri Lankan government has resorted to such measures as leasing control of the Chinese-funded Hambantota port back to the Chinese in an effort to increase the flow of foreign currency into the country.³⁶ This did not “forgive” the debt Sri Lanka incurred in the construction of the port, but rather provided an opportunity for the Sri Lankan government to profit from the port, which was “not generating sufficient return on investment.”³⁷ The government has also indicated that it is considering a similar lease arrangement for Mattala Rajapaksa International Airport, although in the case of the airport, the lease under consideration is to India vice China.³⁸ In the context of debt trap diplomacy, Sri Lanka seems to have fallen into a repetitive cycle of incurring debt followed by relinquishing control of some infrastructure projects in order to pay that debt.

4. Sri Lankan Attitudes Towards Chinese Presence

Considering the rising debt to China and subsequent loss of control of some major infrastructure improvement projects to China, it may be reasonable to expect a certain amount of resentment on the part of the Sri Lankans. On the contrary, however, attitudes seem split between government officials and the Sri Lankan populace. On the part of the government, President Rajapaksa has been vocal regarding the need to regain control of the Hambantota port facility, stating that “the next generation will curse our generation for giving away precious assets.”³⁹ Whether Rajapaksa has taken this stance as a face-saving measure is debatable; certainly, his task of building national unity in the wake of a civil war would drive him to publicly call for Sri Lankan control of valuable economic assets such as the port facility. Additionally, Rajapaksa has

³⁶ Frayer.

³⁷ Moramudali.

³⁸ Ibid.

³⁹ Saini.

been accused of receiving millions of dollars in Chinese support for his past political campaigns, so any argument he may offer against Chinese involvement in Sri Lankan affairs seems hollow and self-serving.⁴⁰

As far as the Sri Lankan citizenry is concerned, Chinese involvement in the country would appear to be viewed in a positive light. Although there should be legitimate concerns about the economic future of Sri Lanka, “most Sri Lankans across the country trust China and are happy about its many investments in their country.”⁴¹ This is likely due, in part, to the historically cordial and cooperative relationship between the two countries. A Sri Lanka-based think tank, the National Peace Council, posited that because “China has never been a historical enemy,” most Sri Lankans welcome Chinese investment and involvement.⁴² However, the involvement of other nations, notably the United States, would likely be met with skepticism because of the perceived history of U.S. military interventions overseas that could, in the view of the Sri Lankans, threaten their sovereignty and self-control even more than a Chinese debt trap.⁴³

China has also done work on the public affairs front to win the favor of the Sri Lankan people. State visits by Chinese President Xi Jinping to Sri Lanka have occurred on a regular basis since China began the BRI, and lower-level Chinese leaders have also visited the country to emphasize the need for a strong Chinese-Sri Lankan partnership.⁴⁴ Likewise, Sri Lankan leaders have visited China and pledged to “strengthen cooperation and enhance military-to-military ties.”⁴⁵ Despite the fact that the Sri Lankan economy can’t afford to pay off its foreign debt without arrangements such as the leasing of the Hambantota port facility, attitudes within the

⁴⁰ Frayer.

⁴¹ Ibid.

⁴² Ibid.

⁴³ Ibid.

⁴⁴ Scobell, 140.

⁴⁵ Ibid.

country regarding Chinese investment and presence seem to be positive and supportive of China's efforts. Further, the Sri Lankan people seem undeterred in their support by the fact that Chinese infrastructure projects are predominately employing only Chinese workers and not directly improving the lives of Sri Lankans. Additionally, the "issues of environmental impact, human rights, and labor" are largely dismissed by the Sri Lankan people in their support for Chinese FDI.⁴⁶

5. Opportunities and Obstacles for the United States in Sri Lanka

Recent relations between the U.S. and Sri Lanka have largely centered around helping the country recover from a civil war that spanned decades.⁴⁷ To this end, the U.S. Department of State has pursued foreign policy objectives in Sri Lanka to "increase human and economic security, improve public confidence in local and regional authorities, [and] promote political reconciliation and land reform."⁴⁸ There are signs that Sri Lankan leadership is resistant to western intervention, particularly as it pertains to investigating and punishing human rights abuses from the civil war: in 2009, then-President Rajapaksa referenced America's past human rights abuses in saying "[they] are trying to preach to us about civilians. I tell them to go see what they are doing in Iraq and Afghanistan."⁴⁹ The U.S. employed a heavy-handed approach in pushing the Sri Lankan government to end the civil war and investigate human rights abuses,

⁴⁶ Frayer.

⁴⁷ U.S. Library of Congress, Congressional Research Service, *Sri Lanka: Background and U.S. Relations*, by Bruce Vaughn, RL31707 (2011), 4.

⁴⁸ Ibid

⁴⁹ Ibid, 6.

including “substantial reductions in aid coming amidst demands for a ceasefire and resumption of peace talks.”⁵⁰

Ironically, it may have been the heavy-handed approach of the U.S. that drove Sri Lanka to pursue a deeper relationship with China in the first place. In fostering relationships with other regional partners, Sri Lanka was able to continue to receive external financial support while also attaining the “strategic autonomy needed to defeat the LTTE.”⁵¹ In other words, rather than meeting America’s prerequisite of peace with the LTTE in exchange for aid, Sri Lanka instead strengthened its ties with nations—primarily China—that did not have similar demands.

Sri Lanka’s growing relationship with China has caused alarm within another regional actor, India. China and India have historically been suspicious of each other’s strategic motives, and some within India saw China’s increasing engagement with Sri Lanka as a sign that the Chinese sought to use that engagement as a strategic foothold to balance against India’s historically cordial relationship with Sri Lanka.⁵² On the part of the Sri Lankans, however, cooperative relationships are not viewed “as a zero sum game where [Sri Lanka’s] relationship with China is at the expense of [Sri Lanka’s] relationship with India,” according to a former diplomat.⁵³ This perspective is important in understanding the options the United States has in fostering a relationship with Sri Lanka: considering that statement, it is unlikely that the Sri Lankan government would break ties with China simply to improve its relationship with the United States. A successful U.S. foreign policy would not demand such a precondition for aid or other support. Sri Lanka appears to be comfortable engaging with multiple strategic partners

⁵⁰ DeSilva-Ranasinghe, Sergei. “Sri Lanka – The New Great Game.” Future Directions International Strategic Analysis Paper (March 24, 2010). Online, available <https://www.futuredirections.org.au/wp-content/uploads/2011/05/FDI%20Strategic%20Analysis%20Paper%20-%2024%20March%202010.pdf>.

⁵¹ Ibid.

⁵² Curtis, Lisa. “U.S. – India Relations: The China Factor.” *The Heritage Foundation Backgrounder* (No. 2209), November 25, 2008, 1.

⁵³ DeSilva-Ranasinghe.

whose goals do not necessarily align for the sole purpose of self-interest. China is a convenient partner for Sri Lanka because it brings cheap money with little to no preconditions, unlike the strict requirements imposed by the U.S. and the World Bank.

Although China may have the advantage when it comes to providing funding with few strings attached, the U.S. does have opportunities to make inroads to gain influence in Sri Lanka and secure a key ally in the Indian Ocean. There is increasing evidence that China's investments in Sri Lanka have not necessarily resulted in the security and influence gains that China would likely prefer. In recent years, there have been accounts from Sri Lankan analysts that "a perception began to grow here that China was in fact using [Sri Lankan] corruption as a controlling device," a primary theme of Maithrepala Sirisena's 2014 successful presidential campaign against the aforementioned China-friendly Rajapaksa.⁵⁴ India has demonstrated a more appealing strategy to the Sri Lankan people; by "fund[ing] more socially oriented projects in railways and housing" vice China's investments in "large infrastructure projects that do not always have wide societal impact," India has shown the U.S. what a successful future strategy in Sri Lanka could look like.⁵⁵ The success of India's strategy has established a position of strength as "an important counterweight to Chinese influence."⁵⁶

In serving as a counterweight to Chinese influence, India has demonstrated the potential that a third party state in great power competition can bring to the situation, particularly if that third party state acts in good faith and does not employ the sort of debt-trap tactics that China has

⁵⁴ Lim, Darren J. and Rohan Mukherjee. "What Money Can't Buy: The Security Externalities of Chinese Economic Statecraft in Post-War Sri Lanka." *Asian Security* (December 28, 2017). Online, available https://www.researchgate.net/profile/Rohan_Mukherjee/publication/322111404_What_Money_Can't_Buy_The_Security_Externalities_of_Chinese_Economic_Statecraft_in_Post-War_Sri_Lanka/links/5b83de7a92851c1e1234fde4/What-Money-Cant-Buy-The-Security-Externalities-of-Chinese-Economic-Statecraft-in-Post-War-Sri-Lanka.pdf, 9.

⁵⁵ Ibid, 13.

⁵⁶ Ibid, 15.

used in the past. Because China has not undertaken projects with “transparent negotiations, clear guidelines, and significant financial potential” in Sri Lanka, their influence has the potential to decrease with the entrance of more honest third parties.⁵⁷ Although the past seems to show that the alleged corruption within the Sri Lankan government tends to align the government more towards Chinese than any other influence, recent events have shown that the government is “electing not to balance against India or China but to engage deeply with both, in essence facilitating the creation of two distinct regional spheres of influence.”⁵⁸

As Sri Lanka is a potential battleground for influence in the great power competition that exists between China and the U.S., one strategy U.S. policymakers might employ is to ally closely with India in their efforts in Sri Lanka. India has established the regional credibility as an honest and transparent partner with Sri Lanka, and the U.S. could capitalize on their access and relationships with the government. Sri Lanka has demonstrated a willingness to work with both China and India, but the U.S. may be able to create a regional hedge against Chinese influence by beginning joint Indo-American ventures within the country.

6. American Gains from Access to Sri Lanka and Strategic Recommendations

Setting aside the aspect of great power competition, there is still an immense amount to be gained from an American partnership with and continued access to Sri Lanka. The U.S. government has listed “maintain[ing] the Indian Ocean as a secure highway for international commerce, particularly between the oil-rich Gulf states and an economically dynamic East Asia” high among its security priorities.⁵⁹ Sri Lanka is geographically well-placed to serve as a

⁵⁷ Lim and Mukherjee, 15.

⁵⁸ Ibid.

⁵⁹ Green, Michael J. and Andrew Shearer. “Defining U.S. Indian Ocean Strategy.” *The Washington Quarterly* (Vol. 35, No. 2, Spring 2012), 177.

regional logistics and operational hub for the U.S. Navy and other forces to support this key strategy goal. Routine U.S. access to Sri Lankan ports would be mutually beneficial, as the income generated from American presence—port fees, services, and recreational spending ashore—could assist Sri Lanka in satisfying its debts to China incurred in building underutilized ports, and the U.S. would gain a key logistics hub in the Indian Ocean.

On the topic of military logistics hubs, there is presently a dearth of options between Singapore, where the U.S. Navy currently bases its logistics command and control node for the Western Pacific, and Bahrain in the Arabian Gulf.⁶⁰ This operational impediment has contributed to the U.S. Navy's desire to seek the establishment of a new numbered fleet focused on the Indian Ocean, with the goal of deterring Chinese expansion and establishing an enduring American presence in the region.⁶¹ This new fleet would free up the U.S. 7th Fleet to focus on the area surrounding Japan and the South China Sea and allow the proposed 1st Fleet to focus solely on the Indian Ocean region. Although this proposal is in its infancy, one could only imagine that such a command and control node would require basing and access to logistics hubs. One such hub could be Sri Lanka; and indeed, in an ironic twist, the Chinese-funded Hambantota Port could be used to support U.S. military presence operations.

A cost-benefit analysis of a hypothetical enduring U.S. presence in Sri Lanka would seem to indicate minimal cost to realize great benefits. As previously stated, the Hambantota Port facility has already been constructed and would be sufficient to serve the U.S. Navy's needs; likewise, the presently empty Hambantota International Airport could serve as a logistics hub for

⁶⁰ U.S. Department of State. "U.S. Embassy in Singapore – Navy Region Center Singapore." Online, available <https://sg.usembassy.gov/embassy/singapore/sections-offices/navy-region-center-singapore/>.

⁶¹ Trevithick, Joseph. "The Navy Wants to Stand Up a New Fleet Aimed at Deterring China in the Indian Ocean." *The Drive* (November 17, 2020). Online, available <https://www.thedrive.com/the-war-zone/37688/the-navy-wants-to-stand-up-a-new-fleet-aimed-at-detering-china-in-the-indian-ocean>.

U.S. forces operating in the region. Even if one sets aside the possibility of permanent basing, enduring access to these air and sea logistics hubs would yield benefits for the U.S. by adding an Indian Ocean foothold to reduce logistics lead times for carrier strike groups either operating in the area under the purview of the proposed 1st Fleet, or transiting through the region bound for the Middle East. Such access would make a positive contribution to the readiness of deployed Navy units and relieve the logistics burden presently shouldered by U.S. forces in Singapore and Bahrain.

One recent example of the utility of using Sri Lanka as a logistics hub occurred in 2019, when the JOHN C STENNIS carrier strike group benefitted from a pilot initiative between the U.S. and Sri Lanka. In this operation, a C-2 cargo plane from the strike group utilized a Sri Lankan airfield to transport previously-staged cargo to the strike group operating at sea.⁶² This initiative was reported in the press as a signal that Sri Lanka is “willing to balance its ties with Beijing,” and was viewed positively from the Indian perspective.⁶³ This relatively small resupply operation was estimated to contribute 25 million Sri Lankan rupees (approximately \$126,000) to the Sri Lankan economy, “supporting local businesses.”⁶⁴ Given the mutual benefit of this pilot initiative, it is likely that future carrier strike groups transiting through the region will continue to use Sri Lanka as a test case for a future logistics hub in the Indian Ocean. As both partners continue to benefit from these pilot initiatives, the U.S. would reap operational gains in the Indian Ocean from pursuing a permanent, formalized, logistics arrangement with Sri Lanka—whether in terms of basing or merely access.

⁶² Chaudhury, Dipanjan Roy. “Sri Lanka Supplies Logistics to U.S. Aircraft Carrier in Indian Ocean; Balances Ties with China.” *The Economic Times* (January 25, 2019). Online, available <https://economictimes.indiatimes.com/news/defence/sri-lanka-supplies-logistics-to-us-aircraft-carrier-in-indian-ocean-region-balances-ties-with-china/articleshow/67683046.cms?from=mdr>.

⁶³ Ibid.

⁶⁴ Ibid.

A successful Indian Ocean strategy for the United States would be one that did not provoke Chinese fears of American expansion that could “intensify the security dilemma against a better-resourced and resolved China.”⁶⁵ One strategy that may yield benefits for the United States would be to support Indian efforts to serve as a counterweight to Chinese expansion in Sri Lanka. Providing support to India could reinforce its position as a regional hegemon in the Indian Ocean region that would, in turn, counter China’s efforts to expand its hegemony to that region. This strategy also allows the United States to avoid the temptation to “over-reach” into a region that would reinforce the previously discussed Sri Lankan public opinion of skepticism toward American involvement given the history of heavy-handed military interventions around the world. Additionally, media advocacy such as the previously-cited Dipanjan Chaudhury article would demonstrate the advantages to U.S. involvement to the Sri Lankan people while also illustrating the disadvantages of some of the agreements Sri Lanka has entered into with China.

7. Conclusion

Although Sri Lanka has maintained a relationship with China for over two thousand years, this relationship has proven, in recent years, to be more to China’s benefit than that of Sri Lanka. Projects such as the Hambantota Port facility and the Hambantota International Airport were begun with great expectations of expanding profits on the part of the Sri Lankan government, only to have control of these modern infrastructure projects ceded back to the Chinese when those economic gains failed to materialize. Despite the seeming descent into a debt trap that these projects initiated, the public opinion of the Sri Lankan people remained

⁶⁵ Tarapore, Arzan. “Building Strategic Leverage in the Indian Ocean Region.” *The Washington Quarterly* (Vol. 43, No. 4, Winter 2021), 220.

positive toward China. This popular support for Chinese involvement in Sri Lanka lies in contrast with the Sri Lankan government's stated desire to renegotiate the terms of their agreements for the Hambantota facilities and the characterization of those agreements as mistakes. Although Sri Lanka has historically demonstrated a preference for working with China over U.S. objections, as was the case in the Rubber-Rice Pact of 1952, there are signs that China may be falling out of favor with the Sri Lankan government, creating opportunities upon which the U.S. could capitalize.

The Sri Lankan economy is in a fragile state following over two decades of a bloody and costly civil war that ended in 2009. The export to GDP ratio has failed to recover following the conflict, and the total foreign debt has doubled. These factors have left Sri Lanka in the difficult position of owing large sums to China while lacking the foreign currency infusion to pay these debts and regain control over the modern and China-funded infrastructure projects within its borders.

Any U.S. overtures for increased involvement in Sri Lanka must be undertaken cautiously and with a full understanding of the situation and attitudes within the country itself as well as the region within which it is situated. It is important to understand the historical context of Sri Lankan wariness towards U.S. intervention, considering the perceived pattern of unwelcome and unhelpful U.S. involvement in the region. Equally important is to understand the ongoing regional balancing between China and India that has served to divide Sri Lankan attitudes towards each power. It is critical to have an appreciation of the complex geopolitical environment of the Indian Ocean region in order to craft a successful U.S. strategy to maintain presence and influence in the region.

A successful U.S. strategy, therefore, would be one that reinforces regional partners such as India to provide a balancing counterweight against Chinese involvement in Sri Lanka. India has already demonstrated a desire to improve social conditions in Sri Lanka through its funding of everyday needs such as railways and housing that provide more value to the average Sri Lankan than China's costly and debt-incurring large scale infrastructure projects. The U.S. Navy has already demonstrated that using Sri Lanka as a logistics hub for operations in the Indian Ocean, even on a small scale, can yield financial benefits for Sri Lankan businesses. These pilot initiatives should be used to inform future U.S. decisions to pursue a lasting and formalized relationship with the Sri Lankan government.

Such a relationship would provide mutual benefits to both parties. For the people and government of Sri Lanka, the U.S. would provide a stable source of logistics needs that would flow through the airports and seaports that have proven to be underutilized and drains on the struggling economy. Likewise, the U.S. would gain a critical new logistics node to fill the gap in available airports and seaports of scales sufficient to service carrier strike groups operating between current the logistics options of Singapore and Bahrain. Creating a logistics hub in Sri Lanka would support the U.S. Navy's proposed 1st Fleet, focused on the Indian Ocean, and would also allow the aforementioned hubs of Singapore and Bahrain to focus their energies on the 7th and 5th Fleets, respectively.

Increased U.S. presence in Sri Lanka is not without its risks, though. Given the historically cordial relationship between China and Sri Lanka, the U.S. risks provoking Chinese aggression by aligning itself more closely with India—a Chinese adversary—and pursuing a strategic foothold in Sri Lanka. Additionally, the corruption resident in the Sri Lankan government currently being exploited by China could serve as an obstacle to U.S. involvement.

However, a strategy that emphasizes improving the lives of Sri Lankans and benefits businesses vice only the government is likely to influence public opinion regarding the U.S. presence and could sway the balance of power in terms of influence in favor of the U.S. and India. Such a strategy has already been successfully employed by India, and the U.S. would benefit from following their example.

It is also important to note that Sri Lanka has historically aligned itself more closely with China because the aid and foreign direct investment China provided did not come with anywhere near the cumbersome restrictions, conditions, and administrative burdens of money that the U.S., the World Bank, and others had offered. Future U.S. initiatives in the region should take notice of this phenomenon and structure their efforts accordingly. In any business venture, it is critical to understand what one's competition is offering, and in the case of China's efforts in the Indian Ocean, the U.S. has not historically provided a compelling reason to choose its cooperation over China's. In the pursuit of increased and potentially enduring presence in Sri Lanka, the U.S. should look for ways to increase Sri Lankan exports, benefit domestic businesses, and improve the lives of Sri Lankans that do not come with the restrictions and conditions of the aid that has been previously offered, for example setting the ending of the civil war as a precondition for providing aid.

There are opportunities for mutual benefit for increased U.S. involvement in Sri Lanka. These opportunities include a logistics hub for the proposed U.S. Navy's 1st Fleet, regional balancing against China, and financial gain for Sri Lanka's underemployed airports and seaports. This financial gain could allow Sri Lanka to break free of the Chinese debt trap it is currently in, while also shifting Sri Lankan public opinion in favor of the U.S. A successful strategy for the U.S. would be to follow the example of India while also highlighting the detrimental effects of

the debt burden to China. Although China may respond aggressively to American overtures to its historically close regional partner, improving public opinion within Sri Lanka may tip the scales in favor of U.S. partnerships.

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