Silk Cage Series - VI

Ports, Power, and Political Access: China's Strategic Grip over Sri Lanka

Webinar Report

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Institute for Security & Development Policy

Stockholm Center for South Asian and Indo-Pacific Affairs (SCSA-IPA)

About ISDP

The Institute for Security and Development Policy is a Stockholm-based independent and non-profit research and policy institute. The Institute is dedicated to expanding understanding of international affairs, particularly the interrelationship between the issue areas of conflict, security and development. The Institute's primary areas of geographic focus are Asia and Europe's neighborhood.

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LIST OF SPEAKERS

Tabita Rosendal is a Postdoctoral Researcher at the University of Copenhagen, Denmark. She completed her PhD at Lund University, Sweden, in June 2025, where she examined China's foreign policy in Sri Lanka through the lens of the actors, practices, and objectives shaping bilateral relations. Her research focused on the implementation of the "Belt and Road" Initiative, particularly in the ports of Hambantota and Colombo, and explored the agency of Chinese and Sri Lankan stakeholders involved in these projects.

Nilanthi Samaranayake is an Adjunct Fellow at the East-West Center in Washington and has spent most of her career researching Indian Ocean and South Asian security. She is author of the forthcoming book, Smaller South Asian Countries: Great-Power Competition, Asymmetry, and Agency (Bloomsbury Academic, 2027). Previously, Samaranayake served as Director of the Strategy and Policy Analysis Program at the Center for Naval Analyses and as a Visiting Expert at the US Institute of Peace. Before joining CNA, she analyzed public opinion for a decade at Pew Research Center and completed a fellowship at the National Bureau of Asian Research.

Dr. Ivan Lidarev is a Research Fellow at the Institute of South Asian Studies (ISAS), National University of Singapore (NUS), and a Visiting Lecturer at Sofia University "St. Kliment Ohridski". He specialises in China-India relations, Asian security, and EU-Asia relations. He obtained his PhD from King's College London and has substantial think tank experience, having held fellowships at institutions such as Observer Research Foundation (ORF), Institute of International Relations (IIR, Prague), and LSE IDEAS. He also served as an advisor at Bulgaria's National Assembly (2014-2017), Graduate Teaching Assistant at the Defence Academy of the UK (2018-2019), and Associate Features Editor of E-International Relations (2015-2016).

Dr. Smruti S. Pattanaik is a Research Fellow at the Manohar Parrikar Institute for Defence Studies and Analyses (MP-IDSA), New Delhi, where she coordinates the South Asia Centre. She holds a PhD from Jawaharlal Nehru University's School of International Studies and specialises in South Asian regional security, foreign policy, and neighbourhood dynamics. With nearly 30 years of research experience, Dr. Pattanaik has held prestigious international fellowships and visiting positions, including ICCR Chair Professor at the University of Colombo, Visiting Fellow at the International Peace Research Institute Oslo (PRIO), Postdoctoral Fellow at FMSH/CERI (Sciences Po, Paris), and Ford Foundation Asia Fellow at the University of Dhaka. She has lectured extensively across South Asia and internationally, including at the universities of Melbourne, Dhaka, Karachi, Peshawar, and Colombo.

Moderator

Dr. Jagannath Panda is the Head of the Stockholm Center for South Asian and Indo-Pacific Affairs (SCSA-IPA) at the Institute for Security and Development Policy (ISDP), Sweden. Dr. Panda is also a Professor at the Department of Regional and Global Studies at the University of Warsaw; and a Senior Fellow at The Hague Center for Strategic Studies in the Netherlands. As a senior expert on China, East Asia, and Indo-Pacific affairs, Prof. Panda has testified to the US-China Economic and Security Review Commission at the US Congress on 'China and South Asia'. He is the Series Editor for *Routledge Studies on Think Asia*.

DISCUSSION

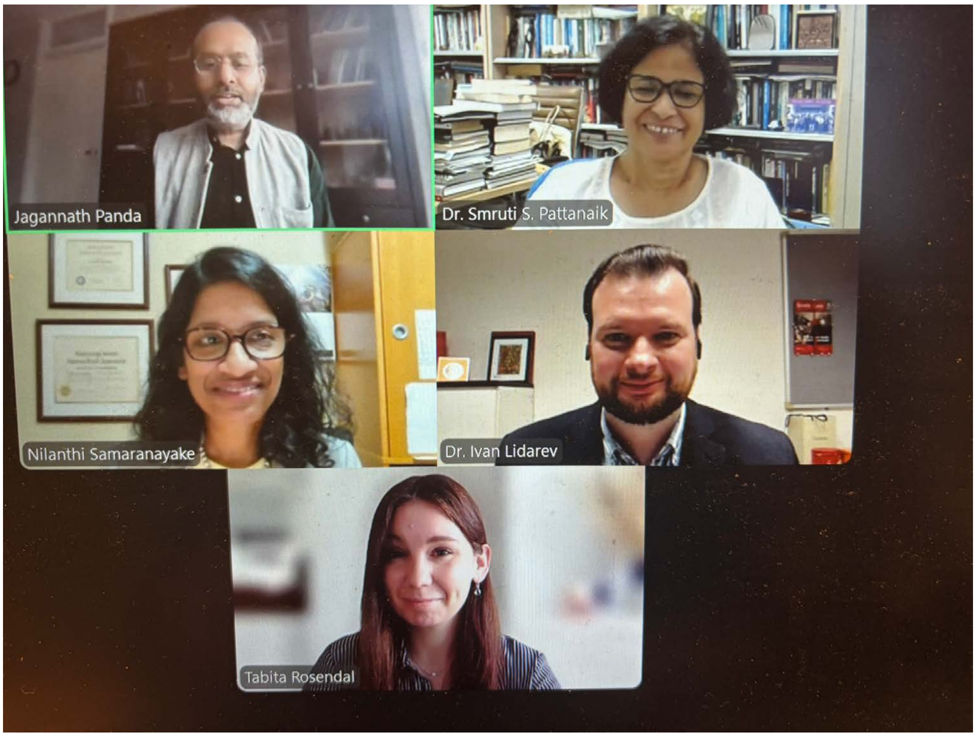
Contextual Background

The Stockholm Center for South Asian and Indo-Pacific Affairs of the Institute for Security and Development Policy (ISDP) held a two-hour webinar on August 31, 2026, during which China's influence through the Belt and Road Initiative and Sri Lanka's role in the Indian Ocean were discussed. Our four speakers were Tabita Rosendal, Postdoctoral Researcher at the University of Copenhagen; Nilanthi Samaranayake, Adjunct Fellow at the East-West Center in Washington; Dr. Ivan Lidarev, Research Fellow at the Institute of South Asian Studies (ISAS), National University of Singapore (NUS), and a Visiting Lecturer at Sofia University "St. Kliment Ohridski"; and Dr. Smruti S. Pattanaik, Research Fellow at the Manohar Parrikar Institute for Defence Studies and Analyses (MP-IDSA), New Delhi, with ISDP's head of the Center for South Asian and Indo-Pacific Affairs (SCSA-IPA) Dr. Jagannath Panda serving as moderator.

The webinar aimed to discuss the following subjects: whether China's engagement with Sri Lanka can be characterized as being focused on development or long term political and maritime strategy; to what degree Chinese coastal projects form an integrated port-and-logistics architecture; how China influences Sri Lanka's political environment; in what way Sri Lankan political parties and elites have interacted with China's presence; and how Sri Lanka can preserve its interests while balancing external partners. The webinar was recorded and has been made available on YouTube. **This report summarizes the main takeaways from the webinar in order to, among others, highlight some key factors in China's relations to Sri Lanka and the wider strategic environment in the Indian Ocean.**

China's Changing Strategy

It is important to recognize that Sri Lanka's role within the Belt and Road Initiative (BRI) and China's wider strategy has changed over time. Chinese strategic investment in Sri Lanka targets local commercial development while also integrating Sri Lanka into a wider network of China-developed ports and maritime infrastructure. The economic development of Sri Lanka has been central to China's investments and has consisted of a multi-faceted approach. Different models of financing have been used, with both Chinese foreign direct investment and loans being used to fund construction. The International Terminal in Colombo Port and Hambantota International Port have been



constructed to handle different types of cargoes and traffic while the Colombo Port City is intended as an international financial city. These developments have been based on economic interests, like securing natural resource and oil imports, while facilitating exports and trade, interests which overlap between the Chinese state and state-owned enterprises (SOEs). In this way, Chinese expansion in Sri Lanka has been influenced by mutually supporting economic and political imperatives.

While investments support economic development, they also increase China's global presence in both material and ideational terms. Sri Lanka was an early advocated for BRI and has played a part in shielding China from accusations by the United Nations Human Rights Council (UNHRC). This has been significant both for Chinese regime stability and for its international standing. China has in turn supported Sri Lanka against United Nations High Commissioner for Refugees (UNHCR) resolutions brought by the United States relating to Sri Lanka's ethnic conflict.

Another aspect of China's expansion in Sri Lanka is the potentially dual use nature of Chinese investments. The expansion of maritime infrastructure in Sri Lanka has created the possibility of China gaining access to a naval port in a strategically significant part of the Indian Ocean, providing replenishment and basing opportunities for the People's Liberation Army Navy (PLAN) assets beyond the Bay of Bengal. While its geographical proximity to India would render such basing vulnerable to Indian assets, this may still be valuable by providing basing for nominally civilian research vessels capable of mapping the ocean floor and other reconnaissance systems. Concerns over China's supposed dual use intentions for infrastructure in the Indian Ocean have however been undermined by the limited presence of the PLAN which was previously projected to have a far more considerable role in the Indian Ocean that it does today.

China's expansion in Sri Lanka has also resulted in failures, the rise of negative narratives, and criticism of both political and economic nature according to which China has adjusted its policy. This has for example become highlighted by the Chinese lease of the Hambantota International Port and associated allegations of China pursuing a debt trap policy, where Chinese loans are supposedly aimed to provide the basis for a neo-colonial foreign policy. While this has been largely dismissed, China has been receptive to the negative narratives which this has resulted in and has modified its investment strategy in response. This has included increased diplomatic pushes, like charity projects and outreach activities.

The limited success of some Chinese projects in Sri Lanka has been the result of the limited capacity of the Sri Lankan economy and its ability to absorb Chinese investments as well as its crisis prone political situation, something which was illustrated by the Sri Lankan economic crisis and Aragalaya protest movement. This has limited the prospects of long-term Chinese state influence, especially when paired with Indian and U.S. pressure. In part due to this, it has been argued that Sri Lanka's role in wider Chinese strategy has become a lower priority. This may be reflected in Chinese engagements and publications regarding Sri Lanka which were generally higher in the previous decade compared to today.

These negative experiences paired with China's interest in long-term strategic engagement have caused a shift to a model focused on smaller investments with lesser emphasis on state-led enterprises compared to private actors, increased engagement with civil society and other actors which were previously not regarded during investments, as well as greater consideration for the ability of local actors to absorb investments.

China has prioritized political access and the role of elites, including party-to-party and religious diplomacy. This has included engagement with the Maha Sangha community of Buddhist monks and other political parties including the opposition and even Tamil diaspora elites. In this way, China is aiming to guarantee a degree of regime stability by ensuring that its political and economic interests are taken into account by any future Sri Lankan administration, even if Sri Lanka's political landscape was to change.

Multiple Chinas and Multiple Indias

It is important to avoid a state-centric approach when analyzing the role of China. In Chinese politics, there are different stakeholder within different institutions who all have varying strategic goals. These include religious organizations, the United Front Work Department, the International Department, and Embassy staff who all have different goals when it comes to Sri Lanka. In addition, there are also economic actors, especially the major state-owned enterprises, like China Merchants Group, China Harper Engineering, and Costco. While they must act somewhat in line with the party's policy, they also have economic goals, and their commercial concerns take the highest priority.

Other than that, there are a myriad of other small-scale individual stakeholders. For Sri Lanka, this means that relations to China are fragmented and many actors are involved. This results in many overlapping interests but also local mismanagement. However, this also provides an opportunity to engage with different actors on different levels as it is a way to surpass geopolitical tensions that overshadow the interests on-site.

However, India cannot be seen as a monolithic actor either. While there is India as a political actor of non-alignment, strategic partnerships, and a neighborhood first policy, there is also India as a religious center of Buddhism, and India's public sector undertakings with economic interests. This diversity of Indian interests could be seen when it played a pivotal role in the Sri Lankan Civil War. India had a geopolitical interest to support the government of Sri Lanka in the civil war because otherwise China and Pakistan could have materialized on the lack of Indian regional governance in its neighboring countries.

However, even though India's support for Sri Lanka's government was crucial, it did not emphasize this role because the so-called Liberation Tigers of Tamil Eelam (LTTE), who wanted to form an independent state in the north of Sri Lanka, had strong religious ties to the south of India. Whether this cultural nearness to Sri Lanka is in India's interest or not highly depends on the local elites that oversee Sri Lankan politics at the moment since both India and China have strong relations to them.

Geopolitics and Economics

When it comes to geoeconomics, it is important to keep in mind the complexity of the actors involved. Sri Lanka, as a small state, tries to balance the influence of the great powers that surrounds it or even profit from the power competition between India and China in the Bay of Bengal. However, Sri Lanka also struggles with balance of payments and thus is not in the position to tie foreign investments to values or any specific preferences which makes it hard for them to balance between India and China.

There are different opinions about whether Sri Lanka is a geopolitical priority to China or not. Some say that Sri Lanka is only a small piece of China's Indo-Pacific strategy and less important to it since it is entrenched in the sphere of influence of both the U.S. and India.

In contrast, it can also be argued that it is exactly the location of Sri Lanka that makes it an attractive geostrategic asset for China since it could provide China with power projection capabilities far away from its borders. From a Chinese perspective, this could represent recognition by external actors of a China that has influence in the Indian Ocean and stability of its own regime that is strong enough to compete with dominant actors outside its sphere of influence. China has used its local elite relations effectively, making Chinese SOEs important actors in Sri Lanka.

Indo-Chinese competition in Sri Lanka perfectly showcases the importance of maritime investments in a geopolitical context. While China has the resources to finance large infrastructure projects, India acts in an asymmetric way where they must utilize less resources when competing with Chinese investments. India does this by usually being the first one to support Sri Lanka and neighboring countries in an immediate crisis. Furthermore, India tries to utilize its cultural and religious ties to gain support among the civil society of Sri Lanka through welfare aid and Buddhist cultural exchange.

While India is the key regional actor, Dr. Jagannath Panda highlighted that other actors such as Japan play an equally important role. For Japan, it is a crucial national interest to secure the sea lanes in the Indian Ocean to access its adjacent markets because of domestic economic stagnation. Sri Lanka's geographic important position in that region makes it a relevant actor for Japan and explains why Japan is a major partner of Sri Lanka when it comes to economic assistance.

There seems to be a division of labor between the democratic allies, namely Japan and the U.S. where Japan provides economic assistance to Sri Lanka and other countries of the Bay of Bengal, whereas the U.S. are more active when it comes to military practices. Even though the U.S. rarely uses state resources to directly engage economically with developing countries, they attempted to fund the Colombo West International Terminal in Sri Lanka as a response to Chinese activities, highlighting the importance of Sri Lanka to the U.S. Even India is concerned with the growing U.S. influence around Sri Lanka. However, for China, the U.S. represents their systemic rival in that region, not India.

Sri Lanka's Agency

It is worth cautioning against characterisation of Sri Lanka relations as being akin to great power competition with external actors like China, India, and the U.S. necessarily being the most significant actors. Far from being at the mercy of the foreign policy of more powerful states, Sri Lankan domestic politics play a fundamental role in shaping its geopolitical and economic development. Sri Lankas' ruling dynasties like the Rajapaksas have played a role in instrumentalizing China's investments to serve their own political and economic goals. Chinese funding has

Capturing Small State Dynamics Within Great Power Competition

Nilanthi Samaranayake presented her theoretical framework of how domestic drivers collide with the international system:

Step 1 – The small state moves toward a big actor from another region

The small state, in that case Sri Lanka, decides to make a decision that is in favor of a certain country which is not the dominant actor in that region. For instance, when Sri Lanka allowed Chinese naval submarines to visit the Colombo Port. Even though it might give the impression that decision does not necessarily indicate that Sri Lanka chooses China over the regional dominant actor India. The decision is mainly driven by the domestic interest of Sri Lanka, its strategic culture of welcoming foreign ships and the economic incentive to transform Colombo port into an Indian Ocean maritime hub.

Step 2 – Indias response as the dominant regional power

Even though Sri Lanka was not directly choosing China over India, as the dominant regional power, India sees Chinese activities in its sphere of influence as a potential security threat and responds by diplomatic and political pressure towards Sri Lanka.

Step 3 – The small state adjusts because of the dominant regional actor

Sri Lanka responds to the diplomatic pressure and stops allowing Chinese submarine visits. This is called bandwagoning as a last resort and does not mean that Sri Lanka can now be seen as an Indian ally but as the weaker state in its asymmetric relationship to India, it restrains its national interests since the cost of challenging India are too high.

See Nilanthi Samaranayake, "Sri Lanka Navigating Major Power Rivalry: How Domestic Drivers Collide with the International System," *Small States & Territories* 6, No. 1, (2023), https://www.um.edu.mt/library/oar/bitstream/123456789/109184/1/SST6(1)A4.pdf.

played a role in stabilising the rule of the incumbent government, allowing economic investment to be transformed into political capital in Sri Lanka.

Sri Lankan politicians who have previously been outspoken critics of China have also, in some cases, been convinced to change their stance over time, illustrating the importance of foreign investment in securing electoral victories. Changes in Sri Lankan relations to other states has been the result of more than pure great power politics and instead reflect Sri Lankas' domestic elite patronage networks. Rather than being a case of Sri Lankan politics simply pursuing a balancing strategy, domestic politics are highly dependent on access to external money supply to secure electoral victory. As China has generally been more risk tolerant in providing these funds compared to India and the U.S., this has in turn provided China with a political advantage through Sri Lankan investments. Meanwhile, domestic protest movements have also caused pushback against Indian projects to China's benefit. While Sri Lankan elites have significantly benefited from foreign investments, certain civil society groups and in particular environmental organizations have opposed Chinese projects.

Foreign investment in Sri Lankan infrastructure does not simply serve a purpose for the maritime strategy of foreign states but is something which Sri Lanka, as a developing country, desires and needs. These investments have been particularly important after the 2004 tsunami and following the end of the Sri Lankan Civil War. At the same time, Sri Lanka is keenly aware of the vying great power interests in its infrastructure. Even with this interest in developing infrastructure, it is necessary for Sri Lanka to ensure that new projects provide a return on investment. The current government has also shown itself to be more risk averse than its predecessor, but cooperation with China continues at a significant scale. Part of China's strategy of investment is in providing elites with immediate advantages, but the economic gain for the general population will take longer to materialize. A challenge for Sri Lanka is therefore to juggle different external actors while also protecting their own interests. Sri Lanka must establish a set of investment regimes that are of general national interest, independent from local elites and ruling parties, to secure long-term sovereignty, critical infrastructure, and independence of foreign influence.

As a small state, it is difficult for Sri Lanka to pursue its domestic interests. Its foreign policy does not implicate choosing India over China, but it is a strategy to navigate between major powers without becoming targeted by any of them.

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