

Sri Lanka: US Indo-Pacific Strategy at One Year

By Dr. Ranga Jayasuriya

Over a decade ago since Barak Obama [announced](#) America's Pivot or Rebalancing to Asia in a speech to the Australian Parliament in 2011, successive US administrations have considered the region central to America's geostrategic interests and pursued a strategy that primarily aims to confront China's growing economic, military and diplomatic power in the region.

Ranga Jayasuriya, Sri Lankan journalist for the Daily Mirror and Fellow of the Daniel K. Inouye Asia-Pacific Center for Security Studies in Hawaii, explains that "Under the West-leaning new president, the state is poised to be a more cooperative partner in America's Indo-Pacific strategy, though not necessarily in an explicit understanding of checking China's rise."

[The Biden administration's Indo-Pacific Strategy](#) unveiled in February last year states that America's objective is "not to change the PRC [People's Republic of China] but to shape the strategic environment in which it operates, building a balance of influence in the world that is maximally favorable to the United States, our allies and partners, and the interests and values we share."

However, during the past decade or so, small states in the region viewed this newfound American interest with unease and [professed their desire not to be a party to a great power competition](#). Such a desire for neutrality is understood, but the curious case was that many such states were already [beholden to China for loans, foreign investment, and even military hardware](#). The preference for China was partly due to a lacuna in the Indo-Pacific strategy, the relatively lightweight placed on economic development, which [pales compared](#) to China's massive loan-funded economic assistance to the region. Moreover, the personal-political considerations of local political elites, who prefer China's mercantilist economic diplomacy to America's moral preaching, also played a role.

Sri Lanka is a microcosm, even an extreme example, of this regional state behavior. This Indian Ocean island nation of 21 million people packs outsized geostrategic importance, given its location astride sea lanes of communication connecting the East and the West. Its geopolitical importance is amplified by China's growing strategic footprint in the country. Sri Lanka obtained [loans to the tune of \\$12.1 billion from China](#) from 2006 to 2019. China owns the majority stake in the Hambantota Port, a Chinese-funded port on Sri Lanka's southeastern coast that a Chinese state-owned enterprise (SOE) has leased for 99 years. Another Chinese SOE was awarded 110 hectares on a 99-year lease as a part of the [Colombo Port City Project](#). These investments are positioned to serve as lynchpins for China's Belt and Road initiative and enhance the mobility of the PLA Navy. In the zero-sum nature of great power competition, China's deepening economic and strategic inroads in the island nation, especially Chinese-funded dual-use infrastructure, provide it with a strategic advantage that is exaggerated under a compliant government in Colombo.

In fact, the Rajapaksa government was heavily dependent on China. In such an overwhelming dependency, foreign policy neutrality is a myth. So much so, when the United States offered a \$480 million Millennium Challenge grant, the government of Gotabaya Rajapaksa gave it little consideration, leading America to abandon the project, citing "the lack of partner country engagement."

Economic Crisis and Delegitimization of China's Oversized Role

However, in April last year, the facade of Chinese loan-fueled growth and the dynastic Rajapaksas political enterprise crumbled as the country suffered its worst-ever foreign exchange crisis and defaulted its [\\$35 billion foreign debt](#). Mass protests forced the resignation of the Cabinet and the president. As the Rajapaksas personified Sri Lanka-China relations, the dethroning of the former ruling coterie effectively amounted to the delegitimization of China's oversized role in the country. This reassessment was further vindicated by China's

foot-dragging on Sri Lanka's debt restructuring process and its [half-hearted assurances](#). China has also [opted out](#) of Paris Club and India-led debt restructuring committee.

The new political climate has created an opening for other countries to actively engage with Sri Lanka, unencumbered by China's oversized influence. India has now replaced China as Sri Lanka's preferred lender. Similarly, it is an opportune time for US diplomatic efforts. This past year, Washington committed [\\$240 million](#) in economic assistance to Sri Lanka. American Ambassador in Colombo Julie Chung has recently been vocally [supportive](#) of Sri Lanka's effort to overcome the economic crisis. Ambassador Chung also [called for timely local government elections](#) without being rebuffed for interfering with domestic affairs as she would have been in the past.

All Politics Is Local: Favorable Political Climate for the US Engagement

Ranil Wickremesinghe, the current president of the United National Party, is favorable to the West and is lobbying to revive the Millennium Challenge Cooperation grant and a [Japan-funded light railway project](#), which was also abandoned by the Rajapaksa administration. [Indo-Japanese collaboration to develop Trincomalee Port City](#) is expected to revive. The new government is also looking to expedite an [Indo-Sri Lankan oil tank farm investment project](#). It would be in the interest of America and its allies to support Sri Lanka's economic recovery through investment, market access, and cultivating local competitiveness.

Security Cooperation

Another area of potential cooperation that would serve US interest is Sri Lanka's planned military reforms—[a 50% force reduction coupled with a military modernization effort](#)—in the wake of the economic crisis. Sri Lanka's military is too large, which puts a drain on government coffers. Moreover, it is lacking in equipment and strategy. For instance, the Sri Lanka Navy has over 45,000 personnel—more than the Royal British Navy—and only eight blue water vessels. Sri Lanka's maritime strategy seeks to expand the Navy to 20 blue-water ships. The additional vessels will allow the Sri Lankan Navy to undertake an extended constabulary role in the Indian Ocean and meet collective security threats. It would be in the interest of the United States to assist in Sri Lanka's military restructuring process. Moreover, cultivating autonomous regional security cooperation in the littorals of the Indian Ocean would align with America's Indo-Pacific strategy as it enhances coordination and interoperability and nurtures a shared strategic outlook.

Interestingly, for the last two decades, all flagship vessels of the Sri Lankan Navy were gifts from the United States. [The third such vessel](#) was added to service in November 2022. Sri Lankan military forces conduct [regular military exercises](#) with their American counterparts, and the Navy also formed a separate Marine Corps with [assistance](#) from the United States. In contrast, for the last decade, Sri Lanka has held only one military exercise with China. The United States should continue to build on these military-to-military relations.

Conclusion

Realists tend to believe a state's external behavior is guided by pressures exerted by the international system. However, for many small states like Sri Lanka, whose survival is guaranteed by the rule-based international system, winning elections and domestic political considerations take precedence over distant systemic threats. Much of this proved to be parochial. As Sri Lanka sank deep into the economic crisis, those political machinations were discredited along with the old guard. Under the West-leaning new president, the state is poised to be a more cooperative partner in America's Indo-Pacific strategy, though not necessarily in an explicit understanding of checking China's rise. However, much depends on how Sri Lanka handles its difficult political and economic transition.

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