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Changing Power Dynamics in  
the Indian Ocean Region:  
A Case Study of Sri Lanka

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# ***Changing Power Dynamics in the Indian Ocean Region: A Case Study of Sri Lanka***

## ***Abstract***

*Sri Lanka is situated at a geostrategic location which holds significance for many powerful states in the international system. India, China, and the US seek to exert their influence in the region due to varied interests, which sometimes overlap and lead to cooperation, and on the other hand some interests conflict and may lead to contestation. In this context, this paper examines how Sri Lanka manages its foreign policy with focus on the interests of foreign powers which, at moments, overlap or conflict with each other.*

*Colombo prefers to hedge its position to satisfy the three while rhetorically amplifying neutral or non-alignment policy. This strategy is not without challenges, as exemplified by bandwagoning towards China during the Rajapaksha regime, which often puts it in precarious situations. This foreign policy approach stems from the desire to safeguard its sovereignty, promote economic development, and maintain peaceful relations with all nations, but struggles to maintain equilibrium.*

*Sri Lanka cannot afford closeness to any particular country; therefore, balancing, though challenging, remains the viable option. Towards the end, this paper offers possible recommendations for India's approach in the region.*

**Keywords:** Indian Ocean Region, China, Hedging

## ***Introduction***

In the rapidly changing global environment, power dynamics between established and emerging global powers considerably impact how international relations evolve. As emerging powers like India and China are growing in prominence, the established powers like the US are being forced to rethink their traditional roles and find new ways to cooperate in a more multipolar world (Tellis et al.; 2013). For instance, through BRI, China has made huge investments in Asia, Africa, and Europe, challenging the US' economic clout. It played an important role in facilitating strategic peace deal between Iran and Saudi Arabia (Foreign Ministry PRC, 2023), a role usually the US takes on elsewhere. China's participation indicates

Saudi's willingness to diversify partnership while maintaining a strategic alliance with the US. The deal is a diplomatic success for China as it increasingly seeks to present an alternative vision to the U.S.-led global order. India's policy initiatives, like the Neighbourhood First Policy, seek to enhance engagement with neighbouring countries and intensified engagement with ASEAN, through the Act East Policy. It can be suggested that managing relations with rising powers is increasingly gaining traction in Washington.

As these powers interact on the global stage, a delicate balance between competition and cooperation emerges. One of the arenas where this phenomenon can be witnessed is the India Ocean Region (IOR), resulting in geopolitical rivalries. The existing regional dynamics has also been impacted by the rising powers. For instance, China's growing clout in Asia has caused anxiety in its neighbourhood (Paul, TV, 2018). India's development and growing ambitions has had an impact on the dynamics of South Asia as well, which has ramifications for how it interacts with its neighbours and powerful nations. Small states are hedging in order to avoid being seen to be aligning with either of the major powers in the region.

### ***Increased Competition in IOR***

While increased competition creates opportunities for smaller states, however, it comes with a price that forces smaller states to reevaluate and revise their approaches and policies in order to avoid getting involved in the tussle between the major powers (Attanayake, C, 2021). Beijing challenging US' dominance is the major existing reason behind power competition in the IOR (Kennedy, Paul, 1988). China's rapid economic and military transformation has got natural concerns for both India and the US. Given China's reliance on the critical shipping lanes, its expansion in IOR makes sense. However, it also becomes important for India to be wary of the Chinese presence. Some Indian strategists see influence in the Indian Ocean a precursor to be a great power (Sikri, R. 2009, p. 250). China's entry into the Indian Ocean and its strengthening regional ties are intended to isolate India through a plan of marine encirclement. (Brewster, D, 2016) Overlapping interests result in power struggle in the region. The competition has led to a simmering cold war situation which is taking shape in the IOR but it is unlikely that major powers will engage in direct confrontations for now. This is primarily because the countries in the region are prioritising economic growth and a war will adversely affect their economic goals. Maintaining freedom of the global maritime trade and upholding an international maritime order based on established rules is crucial for ensuring peace and prosperity in the world.

### ***Sri Lanka's Dilemma***

Sri Lanka, situated at the political and geographic centre of the Indian Ocean, has emerged as a focal point of power struggle in the 21st century. It attains geo-strategically significant position because two-thirds of the world oil trade and more than 1,00,000 ships (Stimson Centre, 2022) annually transit from south of Sri Lanka (Caliskan, 2022). In November 2016, while addressing the Galle Dialogue international seminar, Admiral Harris, the then-Pacific Commander of the United States Navy, stated that this nation's strategic importance was based on “Location, Location, and Location” (Harris, BH, 2016). But he cautioned that a location without security and safety is a hollow space. Geographical location is often a major factor in Sri Lanka's ability to attract many nations to focus their strategic interests on the Island nation and has consistently shaped its destiny (Colombage, J, 2017).

IOR is becoming centre stage, external actors like the US and China are making efforts to advance their interests in the region through multiple alliances, assistance and investments. India gives the argument of geographic proximity and historical ties to claim leadership role (Jacob, H., 2022). Both, India and Sri Lanka, are conscious of the volatility in the Indian Ocean Region and the conflicts between the economic, commercial, and strategic interests of the major powers playing in the region. However, their respective engagements with other countries and differences in opinions about what security entails continue to be the impediments from time to time (Mallempati, S., 2022). China's rise and its expanding strategic investments in vital maritime ports in the region has been a major factor driving the policy of India and the US towards the IOR in the last decade (White, Joshua.T, 2020). The major powers are using mostly economic incentives as a tool to influence Sri Lanka to have control of strategic assets. China, for instance, employed debt-trap diplomacy where it provided a large amount of loan with the objective of leveraging the debt burden for geopolitical interests. Hambantota Port is a case highlighting this strategy where large borrowings were made at a relatively higher interest rate and when the Sri Lankan government was unable to repay, China acquired Hambantota Port for 99 years lease (Abeyagoonsekara, A, 2023).

The growth of China and its expanding strategic investments in critical seaports in the area has significantly influenced the approaches of both India and the United States toward the Indian Ocean region over the past decade.

Small states are often expected to either ally or bandwagon with major powers (Paul, TV, 2018). Sri Lanka is anticipated to act similarly. Hypothetically, to avoid the challenges brought on by its small size and its military and economic deficiencies, it could forge a strong



partnership with India. However, since independence, Sri Lanka has been aligning with more distant partners to balance India. In recent years it has been leaning towards China. Shiv Shankar Menon argues that it is natural for smaller neighbouring states like Sri Lanka to engage with India and China to maximise gains. Exclusivity or expecting Sri Lanka to engage with India solely would be unrealistic (Menon, S, 2016). For Sri Lanka great powers present both opportunity and threat.

### ***Colombo's Response***

Some analysts suggest that Sri Lanka is neither bandwagoning nor balancing with any major powers competing in the region (Attanayake, Chulanee, 2021). Instead, it is making use of strategies, including hedging and multilateral alliances, to take advantage of the power competition and advance its own economic and foreign policy goals. Sri Lanka engages with multiple powers for rules-based order in the international system. It is doing some sort of a trade-off to balance the material benefits that it is getting and its autonomy (Waidyatilake, B, 2018).

Secondary states engage in hedging strategies when they encounter rising benefits for cooperation alongside growing disadvantages stemming from lost autonomy (Lim & Mukherjee, 2019). This is evident in the case of Sri Lanka; its bilateral relations with China, India, and the US are an apparent indication that Colombo is utilising strategic hedging. Sri Lanka is engaging with all three of the major powers in order to protect its interests. It has turned the rivalry among major powers to its benefit (Attanayake, Chulanee, 2021). Colombo's hedging strategy is exemplified by its welcoming of Chinese assistance to the northern Tamil community while simultaneously expressing all-out support to the 'India-First' posture (Abeyagoonsekara, A, 2023).

Apart from hedging, Sri Lanka has active engagements with major global powers and other countries in the IOR to avoid confrontation and protect its interests. Colombo, realising the opportunities it offers, aligned with the Chinese BRI strategy. BRI offers the prospects of connectivity, unhindered trade, financial integration, policy synchronisation, and people-to-people engagements (Abeyagoonasekara, A, 2021). Similarly, Sri Lanka is also a part of the US-led FOIP, which has benefited the island nation. The FOIP, which was initially developed by Japan and later led and advocated by the US and its allies in the Indo-Pacific, encourages uninterrupted access to oceans and sea lanes of communication for all of the region's nations.

China constructed Hambantota port, which was earlier offered to India. Since India did not see the potential of the port, China seized the opportunity to build it. This became a trigger point between India and China as the latter's involvement in building infrastructure grew exponentially with the port project. Post Hambantota, India's concerns increased about China's potential domination of its sphere of influence. India's position, however, strengthened in the Island nation after China almost withdrew during the recent economic crisis, forcing Sri Lanka to engage with India in order to get out of the crisis. Thus, it can be concluded that while strategic hedging provides flexibility, options, and leverage in dealing with multiple competing powers, it is not without difficulties.

After the recent economic crisis, India, Japan, and France launched a shared forum for talks amongst bilateral creditors to restructure Sri Lanka's debt, a step they believe would serve as a potential blueprint for addressing the debt challenges of middle-income economies (Reuters, 2023). In addition to this, the Island nation also secured a financial program worth \$2.9 billion program from the International Monetary Fund (IMF). A trilateral military agreement between Sri Lanka, India, and the Maldives is in place. Additionally, it has bilateral defense ties with the US, China, and India. India is Sri Lanka's primary partner in security-related negotiations. (Attanayake, Chulanee, 2021)

### ***Implications for India and the Way Forward***

India and Sri Lanka are the closest maritime neighbours. The geographical proximity is not the only factor; the extensive linkages and interests, both in terms of security and development, align them closely. While India and Sri Lanka have a close relationship, it is important to acknowledge a host of complex and sensitive issues in the relationship which require careful handling. These challenges range from ethnic issues, China's growing footprint in the country, the fishermen issue, counter-terrorism, and other security challenges. Also, there are opportunities and anxieties linked to trade investments between the two countries.

The changing power dynamics in the IOR can impact India's strategic interests. If Sri Lanka leans too heavily towards major powers, particularly China, it could potentially threaten India's interests. While China has made significant inroads, India continues to have more influence due to its historical, political, and social connections, which limits how deeply entrenched China can become. China's aggressive posturing in its neighbourhood, including Sri Lanka, is the principal strategic challenge that India is facing.

India views China as a direct and main threat. China's takeover of critical strategic assets in its neighbourhood, for instance, the case of Hambantota port in Sri Lanka and their eventual use for military means, is a great concern for India. A more pronounced presence of China in Sri Lanka has security concerns for India. It may force an increased naval presence and strategic activities in the region, leading to heightened tension and security challenges.

India has historically considered the Indian Ocean as its sphere of influence. Any diminishment of India's influence in the region could weaken its geopolitical standing and regional leadership. With the largest navy in the region and a fast-growing economy, India naturally wants to bolster its influence in the region. There is no doubt that Sri Lanka falls under India's sphere in terms of security of the sea and airspace because of their proximity. According to C Raja Mohan, the increased importance of trade, particularly seaborne trade, in India's economy is what is driving New Delhi's renewed interest in this region (Mohan, 2016). According to Shiv Shankar Menon, "Sri Lanka is like an aircraft carrier positioned just fourteen miles off the Indian coast" (Menon, 2016, p.144). India will not accept any threat to its national security coming from an external force that establishes its presence in Sri Lanka. India needs to expand its naval capabilities further and forge maritime security partnerships with Sri Lanka and across the region.

From a geopolitical perspective, India's strategic interests would likely be best served by a closer alignment with the United States (Rajagopalan, R. 2017). In recent years, India has already begun to cultivate a deeper strategic relationship with the United States. Also, it is important for India to engage with the West primarily because of the latter's economic significance. Since the self-interests of both India and the West align, the spurious correlation of the West's taking advantage of India is not logically sound.

Similar to non-alignment, India believes that it can safeguard its strategic objectives without necessarily forging alliances with the major nations. But if the threat level grows beyond India's limits, acquiring American help will not hurt India's strategic independence. In other words, an alliance with the US does not require giving up strategic independence in favour of the West. External alignment is the best strategic option, but only in the event that internal strategic compulsions become intolerable.

India can play a constructive role in supporting efforts to find political solutions to ethnic issues in Sri Lanka if called for. India can promote discussions among different stakeholders while remaining neutral, which can contribute to the stability of the country but only if invited to do so.

Trade and economic cooperation can be boosted by forging closer relationships between enterprises in both nations. This includes promoting collaborations, joint ventures, and business trips between Sri Lankan and Indian firms.

### **Conclusion**

The Indian Ocean has emerged as the focal point for issues on the global stage and continues to witness competition, cooperation, and conflict. The geopolitical dynamics concentrated in other geographic settings during the preceding century is now playing out in the Indian Ocean. These changes have impacted the behaviour of small states in the region. Everyone can gain if all work together and share a common understanding of security needs and threats. However, in the current international system, it is highly challenging to determine whether or not countries will actually collaborate due to the difficulty in determining their interests. The Indian Ocean is currently experiencing a maritime security conundrum. Sri Lanka is an interesting case study. Post-civil war, it has emphasised on the maritime front. The island nation is emphasising its Indian Ocean identity amid rising major power competition in the region. The evolving situation has offered opportunities, but they come with challenges. The competition has made Sri Lanka realise its strategic importance, giving it the opportunity to collaborate and maximise its gains. Sri Lanka must keep in mind the geostrategic and geopolitical realities and concerns of the major players in the region, particularly India. India views itself as the leading maritime power in the South Asian region and does not appreciate attempts by other maritime powers, particularly China, to sway its neighbours. Sri Lanka needs to take advantage of its geographic situation and keep unbiased relations with all parties involved while upholding bilateral relations with India.

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