

China-Sri Lanka Relation: Strategic Partnership or Debt Trap?

Ms. Thejaneinu Rutsa

Research Scholar, Department of Political Science Nagaland University; Lumami Zunheboto

Abstract:

China has significantly increased its global influence, under the leadership of Xi Jinping with Sri Lanka emerging as a focal point in this expansion— as China's economic diplomacy has played a pivotal role in strengthening the relationship between the two countries in recent years. However, despite the positive developments, critics argue that the relationship may not merely be based on a strategic partnership but could involve the risk of a 'debt trap', as the large-scale loans extended by China, have become challenging for the latter to repay, this have raised questions about the long-term consequences of such financial engagements. This paper makes an attempt to explore the real motivations behind China's economic involvement with Sri Lanka, applying the theory of Realism as proposed by Hans J. Morgenthau. The study will employ a qualitative approach, drawing on secondary sources such as academic articles, journals, and other relevant literature. Through a thorough analysis, the paper concludes that the China-Sri Lanka relationship is driven primarily by national interests and power dynamics, which closely align with Morgenthau's principles of Realism. These dynamics shape the bilateral ties in ways that reflect the broader strategic interests of both countries.

Keywords: China-Sri Lanka Relation, Economic Diplomacy, Strategic Partnership, Soft Power.

Introduction: Historical Background

The historical background of China-Sri Lanka relations is characterised by a mix of cooperation, historical ties, political considerations, and economic interests, this two countries share a long history for centuries, the Chinese records mention— Sri Lanka by different names indicating ancient trade ties where the earliest recorded contact between the two countries can be traced back to the ancient Silk Road trade routes, through which Chinese goods like silk and porcelain reached Sri Lanka, they also foster cultural and economic connections where Sri Lanka became an important stopover for Chinese traders sailing to the Indian subcontinent. In addition to that, Buddhism also played a significant role in shaping China-Sri Lanka relations (Bastiampillai n.d., 5-6).

During the medieval era the maritime trade routes between China and Sri Lanka were further secured or consolidated, this period saw many Chinese maritime expeditions, with Admiral Zheng He leading several expeditions and visiting Sri Lanka on several occasions between 1405 and 1433, these visits made huge contributions to the growth of trade and diplomatic relations, facilitating the exchange of goods, services, ideas, culture between the two nations. In 1957, China and Sri Lanka formally established diplomatic ties which were further solidified after Sri Lanka gained independence from colonial powers, during 1960s and 1970s; China provided support and aid to Sri Lanka, aiming to promote socialism and economic development (Bastiampillai n.d., 1-15). However this relationship was

short-lived in the late 1970s and 80s when Sri Lanka adopted an open-market economic policy, gradually moving away from a socialist agenda, nonetheless, the relationship between the two countries gained significant momentum in recent decades (Kelegama 2014, 131-149).

Even though the China–Sri Lanka relationship remains complex and multifaceted it has attracted significant attention in recent years, one significant aspect of the China–Sri Lanka relationship is economic cooperation, which has grown rapidly in recent decades as China emerged as one of Sri Lanka’s major trade partners with bilateral trade reaching billions of dollars annually. Additionally China has become a vital source of foreign direct investment(FDI) because through Chinese assistance, various infrastructure projects like construction of ports, highways, airports, and power plants including the notable Hambantota Port in southern Sri Lanka and the Belt and Road Initiative (BRI) (Saravanamuttu 2019) which is a large-scale infrastructure development strategy aimed at connecting Asia with Europe and Africa (Bhatia 2016). All these forms of engagement serve as soft power tactics which allow China to build a positive perception strengthening diplomatic ties and enhancing its image on the global stage. When we further examine China’s engagement with Sri Lanka on the grounds that if it is strategic or indicative of a debt trap, different perspectives and analyses emerge for instance, some argue that China's involvement is primarily strategic aimed at expanding its geopolitical influence in the Indian Ocean region, where it has invested heavily in Sri Lanka’s infrastructure development, particularly in large-scale connectivity projects (Bhatia, 2016). However, some view that this involvement has raised concerns about the debt burden of Sri Lanka which were incurred as a result of these investments. The Hambantota Port, for instance, encountered financial difficulties and was ultimately leased to a Chinese company for 99 years as a means of debt repayment, which has intensified fears of Sri Lanka falling into a debt trap—becoming overly reliant on Chinese funding and facing significant challenges in managing and repaying its external debt.

The term ‘debt trap’ is often used to describe situations in which a country becomes heavily indebted to another resulting in economic and political dependence. In the case of Sri Lanka, some analysts argue that Chinese loans have exacerbated Sri Lanka’s debt burden, while others interpret that the relationship between the two countries are part of a broader strategic partnership making this divergence a complex and multifaceted issue shaped by competing narratives, geopolitical considerations, and the tangible outcomes of Chinese-funded initiatives on the ground. Therefore, this article contributes to the existing literature by exploring whether both countries are primarily driven by their national interests and power dynamics— as China’s influence in the region has expanded rapidly over the years with Sri Lanka occupying a key position in China’s Maritime Silk Road strategy, the study becomes particularly relevant within the field of international relations, especially given the growing concern surrounding the extent of influence and control China may eventually wield over Sri Lanka through sustained economic engagement and strategic investment (Brautigam 2020).

Research Question: Is the China-Sri Lanka relationship based on a strategic partnership or a debt trap?

Research Objective: The objective of this study is to explore China’s strategic interests in Sri Lanka within the context of broader maritime ambitions, offering a deeper understanding of the nature and scope of China’s involvement in the country, while also examining the wider implications of its influence on regional dynamics. It seeks make an assessment on whether the China–Sri Lanka relationship reflects on a genuine strategic partnership or leans more toward a debt-dependent dynamic by addressing the growing concerns about the extent of Chinese influence and control through a comprehensive analysis of economic cooperation, infrastructure investment and debt sustainability

ultimately aiming to uncover if the relationship is mutually beneficial or Sri Lanka is at risks of being caught up in a debt trap.

In terms of methodology, this paper adopts a qualitative approach rooted in the theory of Realism as proposed by Hans J. Morgenthau, which offers a useful lens for understanding the pursuit of national interests and power dynamics driving the engagement between the two countries. The study relies on secondary data drawn from a range of sources including academic journals, books, research papers, reports, and articles, allowing for a well-rounded and critical examination of China's economic and strategic motivations in Sri Lanka

The Significance of China–Sri Lanka Relations in International Relations

The study of China–Sri Lanka relations in international relations is significant for several reasons, particularly in understanding the shift on power dynamics regionally and globally. By analysing the evolving relationship between these two countries we can obtain valuable insights into how China rose as a global power and its engagement with smaller nations like Sri Lanka contributes to the reconfiguration of influence and authority within the international system. This dynamic highlights not only the regional impact on China's expansion but also the broader implications of the balance of power across the globe. One critical dimension of this relationship is its geopolitical significance as China's influence in the South Asian region has intensified in recent years. Understanding the nature of their bilateral ties and the strategic importance of this geographical region sheds light on China's broader ambitions and how these ambitions intersect with regional security and influence (Saravanamuttu 2019). Equally important is the study of alliances and alliance formation, which plays a crucial role in international relations. By illustrating how smaller states navigate their positions and manage their relationships with major powers amidst competing interests and regional complexities, the dynamics of China–Sri Lanka relations offer a lens through which one can examine the evolution of existing alliances and the potential for new alignments revealing how diplomatic strategies are employed to maintain influence, secure economic partnerships, and promote strategic objectives. Through this lens it can also provides a deeper understanding on China's diplomatic conduct particularly in terms of fostering long-term cooperation, expanding its sphere of influence, and aligning economic interests with political leverage. Furthermore, exploring the economic dimension of this partnership helps to unpack the broader implications for global, economic integration, trade agreements, and investment patterns etc. which offers insight into the consequences and opportunities that such relationships may hold for other countries and the international economic order (Dhal 1957, 201-215).

China's growing ties with Sri Lanka carry broader implications for multilateralism and regional cooperation, particularly through its involvement in organisations such as the Indian Ocean Rim Association (IORA) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). As Beijing strengthens its influence across the Indian Ocean region its engagement inevitably affects the functioning, agenda-setting, and decision-making processes within these regional platforms shaping the dynamics of cooperation among member states. This influence is not solely limited to strategic or economic realms but extends into softer dimensions such as cultural diplomacy and educational exchange where increased people-to-people connections between China and Sri Lanka have led to a deeper appreciation of each other's heritage, traditions, and social values, subtly shaping broader regional perceptions and interactions (Attanayake 2021, 114-133).

Within Sri Lanka the country's close engagement with China remains a subject of considerable political discourse and public debate highlighting the delicate balancing act that smaller states often perform when engaging with major global powers. The relationship serves as a lens through which one can examine how nations manage their sovereignty and political autonomy while pursuing economic development and strategic partnerships. This bilateral relationship not only sheds light on the shifting balance of power in the Indo-Pacific but also provides valuable insight into how China's rise is being perceived and responded to by neighbouring states. It offers a clearer picture of the evolving nature of regional structures, the complexities of diplomatic negotiation, and the broader currents shaping international relations in an increasingly multipolar world.

Theoretical framework

Hans J. Morgenthau, an influential international relations scholar known for his theory on realism, offers a comprehensive understanding of international politics based on observable human behaviour and the pursuit of power. In his book, "Politics among Nations," he outlines six principles of realism through which his theory continues to shape discussions and perspectives on international relations, emphasising on power dynamics, national self-interest, and the importance of states as primary actors in the global spectrum (Morgenthau 1948, 13-68). Critics argue that it oversimplifies the complexity of international relations by reducing power struggle and dismissing the role of morality and cooperation in shaping states' behaviour, nonetheless, realism has provided valuable insights in understanding the dynamics of power and the strategic calculations of states in the international arena (Cristol 2009, 238-244). Morgenthau's theory of realism has had a lasting and huge impact by influencing subsequent thinkers and scholars in the field of International Relations till today. His emphasis on the pursuit of power, anarchic nature of the international system, and the importance of states as primary actors has shaped discussions and debates on foreign policy, security studies etc., While some aspects of Morgenthau's realism have also been criticised or modified by later theorists, his principles continue to be influential and remain an essential part of the broader theoretical landscape of international relations (Hans J. Morgenthau, et., 2005, 4-17).

The China-Sri Lanka relationship can be examined through Morgenthau's lens of realism, a theory which views international relations as a continuous struggle for power driven by national self-interest. He argued that states are primarily motivated by the need to maximise their power, ensure security and that their actions are best understood in terms of strategic calculations. When we look into the case of China and Sri Lanka, several aspects of their relationship align closely with realist thinking highlighting power dynamics, regional competition, and calculated state behaviour, often at the expense of softer elements such as cultural affinity or shared values.

China's large-scale infrastructure investments in Sri Lanka — particularly the development of ports — reflect strategic motives rather than mere economic cooperation given Sri Lanka's pivotal location along key shipping routes in the Indian Ocean. China's involvement supports its 'String of Pearls' strategy, which seeks to secure a chain of maritime outposts stretches from mainland China to the Middle East and Africa. All these initiatives allow China to extend its naval and commercial reach, enabling it to project power beyond its immediate neighborhood and enhance regional influence. This aligns with the realist principle of securing strategic advantages to bolster national security (Attanayake 2021, 114-133). Secondly, the Belt and Road Initiative (BRI), which focuses on infrastructure development and trade connectivity, is a key factor in China's engagement with Sri Lanka. China has embedded itself in the

economic landscape of Sri Lanka by increasing dependency and gaining influence over domestic policy decisions. Likewise, when we examine from a realist point of view, economic tools are not merely for fostering mutual growth but serve as mechanisms for power projection and strategic dominance. This is evident in what has been labelled as ‘debt-trap diplomacy,’ whereby financial entanglement may compromise Sri Lanka’s autonomy and subtly compel alignment with China’s geopolitical agenda (Brautigam 2020).

Thirdly, China’s growing presence in Sri Lanka contributes to a shift in the regional balance of power particularly in the Indian Ocean where India has traditionally held sway. Realism emphasizes that states are in constant pursuit of altering power structures in their favour and China’s strategic foothold in Sri Lanka serves as a direct challenge to India’s influence by positioning China as a potential hegemon in the region thereby reshaping regional dynamics and diminish the power of rival actors which fits within the realist understanding of international politics as a zero-sum game (Deyshappriya, Nandasiri R 2019, 364-392).

China’s interest in Sri Lanka is not solely based on geographic positioning but also on access to valuable resources such as Hambantota and development zones like the Colombo Port City are viewed not only as commercial ventures but as means to secure strategic assets, offering control over critical infrastructure that could serve both economic and military purposes. Realism recognises that states often seek access to valuable resources to enhance their economic and military capabilities and ensure long-term power accumulation (Hans J. Morgenthau, et al., 2005, 127-129)

Realism portrays international politics as a realm of constant rivalry where states seek to outmanoeuvre others to secure their position and dominance. The competition for influence is further intensified by China’s rivalry with regional and global powers by deepening its ties with Sri Lanka through investments and infrastructure development, China aims to expand its sphere of influence and challenge the dominant position of other actors, by undermining the influence of India and the United States, thereby expanding its own sphere of control in the Indo-Pacific region.

Security considerations further underscore China’s strategic objectives as realism places great importance on state security. China’s investments in dual-use infrastructure, including ports with potential military functionality reflects a desire to protect key maritime trade routes and establish surveillance and logistics network in the Indian Ocean. This from a realist standpoint aligns with the need to secure national interests against external threats and ensure uninterrupted access to energy and trade supplies, which are vital to China’s continued rise (Hans J. Morgenthau, et al., 2005, 92-93).

Diplomatic manoeuvring is also evident in the China-Sri Lanka relationship, where economic partnerships serve as tools for exerting soft influence without direct coercion. In this case, China uses its financial clout to maintain a favourable image and secure long-term alliances while Sri Lanka, tactically navigates between global powers leveraging its relationship with China to gain economic benefits and bargaining for better terms with others. This reflects realism’s view that states act rationally to maximise gains and manage risks within a competitive international system. (Hans J. Morgenthau, et al., 2005, 158-162)

Critics argue that China’s growing economic footprint particularly under the BRI may erode Sri Lanka’s autonomy and place its decision-making under external influence this echoes realist concerns, as it emphasises on the significance of states own sovereignty and national interests; the vulnerability of weaker states when engaging with dominant powers, as dependence may translate into diminished

control over national policy and infrastructure and sovereignty concerns arise as a natural consequence of asymmetric power dynamics.

Finally, realism acknowledges that alliances and strategic partnerships are not fixed but evolve according to changes in the distribution of power and national interest. Sri Lanka's ongoing recalibration of its foreign policy — influenced by the actions of China, India, and the United States — reflects this adaptive behaviour. China's engagement with Sri Lanka is driven by its strategic and economic interests with a focus on power maximisation and security. States, according to Morgenthau continuously evaluate the international environment and align themselves with actors that best serve their security and strategic priorities. (Hans J. Morgenthau, et al., 2005, 187-197)

However, it is important to note that while realism provides a powerful framework for understanding the China-Sri Lanka relationship, this theory does not capture the entire picture; various factors such as domestic political dynamics, regional development goals and institutional cooperation, etc., also shape this relationship. Nonetheless, from a realist perspective, China's engagement with Sri Lanka reflects a strategy driven by power accumulation— influence expansion, and security consolidation in a highly contested region.

Strategic partnership or debt trap

The relationship between China and Sri Lanka can be interpreted as both a strategic partnership and a potential debt trap, depending on the lens through which it is analysed. Each perspective reveals important dimensions of the bilateral engagement.

Strategic Partnership

1. **Infrastructure Development:** China has made significant investments in Sri Lanka's infrastructure, including high-profile projects like the Hambantota Port and the Colombo Port City, these initiatives aim to enhance Sri Lanka's connectivity and position it as a key maritime hub in the Indian Ocean. They also contribute to the country's economic development by generating employment opportunities and improving logistics infrastructure.
2. **Economic Cooperation:** China is among Sri Lanka's largest trading partners and investors, the two countries have entered into multiple bilateral agreements to promote trade and investment, including discussions around free trade agreements. These economic ties have played a role in driving Sri Lanka's growth and integrating it more closely into regional and global markets.
3. **Military Cooperation:** In addition to economic engagement, China has provided military assistance to Sri Lanka in the form of equipment, training, and strategic support. This cooperation has bolstered Sri Lanka's defense capabilities and, from a broader perspective, contributed to regional security dynamics in the Indian Ocean.

Debt trap concerns

1. **High Debt Burden:** Sri Lanka has borrowed heavily from China to finance its infrastructure projects which has led to a high debt burden, with the country struggling to repay its loans. In a notable instance, Sri Lanka was compelled to lease the Hambantota Port to China on a 99-year agreement in 2017 through a debt-for-equity swap, raising concerns about Sri Lanka's sovereignty and the potential China's external influence over the country.
2. **Repayment Challenges:** Sri Lanka's strained capacity for debt repayment, has heightened concerns that it may fall into a cycle of borrowing from China to repay previous loans; this dependency on

further borrowing to meet existing obligations suggests a cycle of debt dependency that could undermine the country's financial autonomy and long-term economic stability. Chinese loans have raised questions about Sri Lanka's ability to maintain its economic independence.

3. **Strategic Implications:** Analysts argue that China's infrastructure investments and involvement in Sri Lanka projects have strategic motives; including gaining a foothold in the Indian Ocean region and enhancing its military presence which goes beyond economic development. Establishing a presence in key maritime locations allows China to expand its influence in the Indian Ocean and enhance its geopolitical reach, these moves have generated concern among regional powers, particularly India, and global actors wary of China's expanding footprint.
4. **Lack of Transparency:** Critics highlight the opaque nature of some of China's investment terms, which are often not subject to public or parliamentary scrutiny. Allegations of corruption, weak oversight, and one-sided agreements have fueled skepticism about the fairness and sustainability of Chinese-funded projects in Sri Lanka.

The China–Sri Lanka relationship is characterized by both opportunity and risk, while Chinese investments have supported infrastructure development and economic cooperation; they have also led to a significant debt burden and raised concerns about sovereignty, strategic influence, and transparency. For Sri Lanka, the challenge lies in navigating this complex relationship to ensure that national interests are safeguarded. Achieving this will require prudent debt management, improved transparency, and a balanced foreign policy approach that considers both the benefits and risks of deepening ties with a major global power like China.

Conclusion

The China-Sri Lanka relationship can be understood through the lens of economic and geopolitical interests, alongside diplomatic balancing or in other words, the strategic efforts to balance its relationships with major powers. China benefits significantly from its involvement in Sri Lanka—through infrastructure investments and loans, it gains access to key ports and maritime routes in the Indian Ocean, thereby enhancing its regional influence and deepening economic ties on the other hand for Sri Lanka, these engagements present both opportunities and risks, while infrastructure development and foreign investment offer short-term economic gains, the long-term implications raise concerns regarding sovereignty and economic stability. When we look from a realist perspective, the relationship resembles a zero-sum game shaped by national interests and power dynamics however, there is also potential for mutually beneficial cooperation if both parties prioritize balanced engagement but, Sri Lanka must remain cautious in negotiating agreements that serve its long-term interests and preserve its strategic autonomy.

Realism helps illuminate how China's expanding investments in Sri Lanka serve to project power and secure strategic advantages, while Sri Lanka seeks to maximise benefits without becoming overly reliant on one major power, this complex dynamic brings with it several challenge, Sri Lanka's increasing dependency on Chinese loans and large-scale infrastructure projects heightens the risk of falling into a debt trap, which could erode sovereignty and lead to the loss of control over critical national assets. Moreover, China's growing presence—particularly in port development and military cooperation—has raised alarm among other regional and global powers. This has the potential to fuel geopolitical competition, turning Sri Lanka into a strategic flashpoint, additionally; environmental concerns have emerged regarding projects like the Hambantota Port and Colombo Port City, with land reclamation and

construction threatening marine ecosystems and coastal communities, there have also been complaints about insufficient local labor involvement in Chinese-funded projects, leading to public dissatisfaction and social tension.

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