

THE GEO-POLITICAL SCENARIOS OF INTERACTIONS BETWEEN THE SOUTH ASIAN ISLAND COUNTRIES AND THE US, CHINA AND INDIA. CURRENT TRENDS AND FUTURE TRAJECTORIES

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Abstract

This desk study is intended to explore the current trends in the relationships between Sri Lanka and Maldives with the USA, China, and India to illuminate regional geopolitical calculus. Besides, the study also attempts to project the future scenarios of interactions among these nations based on the dynamics and policies of their contemporary relations. Sri Lanka and Maldives, two island nations in South Asia, hold a significant strategic position along the maritime sea lanes of the Indian Ocean. However, China's significant economic engagement with these two island countries, primarily through the Belt and Road Initiative (BRI), and their deepening relations with China in recent years have brought them under intense scrutiny from regional power India and extra-regional player USA. India and the US's shared perception of the alleged 'China threat' to their respective dominance prompts them, to some extent, to unite to 'counter China' in the Indian Ocean Region (IOR). Conversely, China emphasizes economic partnerships over military alliances or political meddling, unlike India and the US. The counter-measures adopted by the US and India against Beijing's growing inroads in smaller nations like Sri Lanka and the Maldives have imposed fresh constraints and complexities on the foreign policy manoeuvres of these smaller states. The study finds that the evolving geopolitical factors increasingly impact domestic politics and international alignment orientations in Sri Lanka and the Maldives. The future interactions and foreign policy choices of Colombo and Malé towards Washington, Beijing, and Delhi will be shaped by the complex interplay of three factors: political leanings of the ruling party, pressing economic needs, and the competition intensity between China and India, and the US and China over the IOR.

Keywords

Major Powers, Maritime Competition, Island Countries, Sri Lanka and Maldives, Future Projection.



Resumo

Este estudo documental pretende explorar as tendências atuais das relações entre o Sri Lanka e as Maldivas com os EUA, a China e a Índia para iluminar o cálculo geopolítico regional. O estudo também tenta projetar os cenários futuros das interações entre estas nações com base na dinâmica e nas políticas das suas relações contemporâneas. O Sri Lanka e as Maldivas, duas nações insulares do Sul da Ásia, ocupam uma posição estratégica significativa ao longo das rotas marítimas do Oceano Índico. No entanto, o significativo envolvimento económico da China com estes dois países insulares, principalmente através da Iniciativa "Uma Faixa, Uma Rota" (BRI), e o aprofundamento das suas relações com a China nos últimos anos colocaram-nos sob intenso escrutínio da potência regional Índia e do ator extra-regional EUA. A perceção partilhada pela Índia e pelos EUA da alegada "ameaça chinesa" ao seu domínio respetivo levaram, em certa medida, a unirem-se para "contrariar a China" na região do Oceano Índico (IOR). Por outro lado, a China privilegia as parcerias económicas em detrimento das alianças militares ou da ingerência política, ao contrário da Índia e dos EUA. As contra-medidas adoptadas pelos EUA e pela Índia contra as crescentes incursões de Pequim em nações mais pequenas, como o Sri Lanka e as Maldivas, impuseram novos constrangimentos e complexidades às manobras de política externa destes Estados mais pequenos. O estudo conclui que a evolução dos factores geopolíticos tem um impacto crescente na política interna e nas orientações de alinhamento internacional do Sri Lanka e das Maldivas. As futuras interações e escolhas de política externa de Colombo e Malé em relação a Washington, Pequim e Deli serão moldadas pela complexa interação de três factores: as inclinações políticas do partido no poder, as necessidades económicas prementes e a intensidade da concorrência entre a China e a Índia, e entre os EUA e a China, no que diz respeito à IOR.

Palavras-chave

Grandes Potências, Concorrência Marítima, Países Insulares, Sri Lanka e Maldivas, Projeção Futura.

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1. Background

Early international studies focused disproportionately on major powers, neglecting small-state agencies in global politics. However, after the Cold War and the Soviet Union's collapse, coupled with China's rise and the perceived decline of the United States, smaller states have assumed a more substantial role in global affairs than ever before (Wang and Tan, 2021). There is growing academic interest in how smaller states manage relations within major-power competition and preserve autonomy.

Likewise, two smaller South Asian Island nations in the Indian Ocean, Sri Lanka and Maldives have recently gained scholarly attention due to rising geopolitical competition in their vicinity. The strategic positions of these two island countries hold substantial importance in global maritime trade. Sri Lanka's strategic place in the Indian Ocean makes it crucial for oil-import-dependent countries, especially East Asian countries. It is a vital transit point for crude oil transportation from the Arab world to various nations. Therefore, countries like the US, China, Japan, India, Russia, and France invested in the island state (Awad and Todkar, 2021, p. 4091).

On the other hand, the Maldives, a small, 99% sea-covered island, is a vital link in the maritime lanes connecting East Asia to the Middle East. Its strategic significance lies in its role as "a chain of unsinkable aircraft carriers" strategically sited across the crucial sea lanes in the northern Indian Ocean. It plays a significant role in facilitating a substantial volume of shipping traffic crossing the Indian Ocean (Brewster, 2018, p. 15). Today, the Maldives, much like Sri Lanka, has a robust economic partnership with China and India. Although the US investment volume in the Maldives is lower than China and India's, it remains one of the country's leading sources of aid and foreign assistance.

However, both island nations' strategic significance in sea routes positions them at the forefront of competition from regional and extra-regional powers. They have become crucial actors in the prevailing geostrategic power dynamics within the Indian Ocean Region (IOR). For example, Sri Lanka is key to India's security due to its proximity. On the other hand, Sri Lanka is vital for China's energy import security under the much-



discussed 'Malacca Dilemma'. But amid the US forging strategic coalitions with India, the UK, Japan, and Australia to counter China's expanding influence, Sri Lanka finds itself entangled in this evolving geopolitical competition landscape (Wijekoon, 2022). The US and India actively participate in a competitive dynamic with the Chinese Belt and Road Initiative (BRI) within the Indian Ocean coastal regions through their Indo-Pacific strategy. Examples include US funding and Adani Group's involvement in the Sri Lankan port projects (Abeyagoonasekera, 2024).

The geopolitical competition among the US, India and China in the IOR challenges smaller South Asian states like Sri Lanka and the Maldives in balancing their relations with these powers. Each major power strategises its actions and role in the region based on its geostrategic concerns. China endorses its idea of a shared future and mutual growth through economic collaboration via the region's BRI and highlights the importance of regional linkage. It has expanded its presence in the IOR through financial investments, maritime infrastructure projects, and naval engagements. Beijing's focus on the IOR stems from its economic needs, energy security considerations, and the strategic importance of safeguarding maritime routes (Khan, Ahmad and Ullah, 2023, p. 141).

China underlines that its involvement revolves around peaceful development. But its competitors perceive these enterprises as superfluous, unwarranted, and objectionable (Iyer, Mukhopadhyay and Iyer, 2021) and as military-strategic policies focused on achieving supremacy in the Indian Ocean (Odhiambo, 2020). This perspective has driven the US to pursue its Indo-Pacific Strategy (IPS) under the 'Asia-Pacific Rebalance' policy. Conversely, India asserts itself as the "net security provider" in the region. It is pursuing the strategy of "security and growth for all" (Shahid, 2021: 40) out of apprehensions that Chinese BRI in South Asia could encircle it geographically. At the alliance level, Japan, Australia, India, and the US have formed the Quadrilateral Security Dialogue (QUAD) to counterbalance China's influence in the Indo-Pacific region.

Arguably, in the present circumstances, the US, India, and China are the three most influential powers in the IOR, while other powers align to varying degrees with these three (Lou, 2012, pp. 624-25). The competition among the US, China, and India over their visions and interests in maritime space and security in the region has led to diverse geopolitical power struggles. According to Len (2022), the strategic atmosphere of the area as a whole can be characterized by three distinct phases: strategic- (competition, alliances and dilemmas). The first phase involves major powers vying for influence; the second compels smaller states to choose sides among dominant actors, while the third highlights their alignment dilemma (Habib, Iqbal and Fatima, 2022, p. 2484). In such a geopolitical landscape, as Mitchell & Scheunemann (2014) explained, small states encounter several challenges, including whether to balance or bandwagon with powerful nations. Amid the geo-economic strategies powerful nations employ to pursue their interests, small states struggle to find a middle ground (Premaratna and Thrishali, 2020, p. 20).

States today employ three core foreign policy strategies: balancing, bandwagoning, and hedging. The balancing strategy includes enhancing internal military capabilities or establishing external alliances (Lobell, Ripsman and Taliaferro, 2009) to guarantee independence and protection against the threatening state. Bandwagoning is a tactic usually adopted by weaker states that opt to align themselves with a stronger nation to



avoid threats or reap advantages (Walt, 1987) instead of resisting them (balancing). Bandwagoning, such as economic bandwagoning, extends beyond mere submission to power; it can be a strategic manoeuvre to seize opportunities for gain (Schweller, 1994; Kirshner, 1995). On the contrary, hedging is an insurance-seeking strategy utilized in high-uncertainty scenarios where actors strive for autonomy by abstaining from aligning with any specific side (Kuik, 2021). It mixtures tactics like bandwagoning, limited confrontation, and engagement. Hedging a middle ground combining balancing and bandwagoning (Vinodan and Kurian, 2024). Chan (2010), Kang (2003), and Koga (2018) studies indicate that many countries in the Asian region practice hedging strategy. Rather than solely pursuing a pure form of balancing or bandwagoning, these countries navigate geopolitical competition by accommodating dominant and rising powers.

The Maldives and Sri Lanka's interactions with major powers show how small states utilize balancing, bandwagoning, and hedging in contested regions like the IOR. However, inconsistencies in strategic policies highlight the dilemmas small states face when navigating geopolitical competition dynamics. Divisions in domestic political circles regarding foreign policy strategies and practices are evident from regime preferences for engagement. This review study seeks to scrutinize the evolving interactions among the US, China, India, Sri Lanka, and the Maldives and anticipate these relationships' future developments.

2. Methodological Position

This study employs qualitative descriptive techniques to explore the relationship dynamics and strategic interactions among Sri Lanka, the Maldives, the US, China, and India within the present geopolitical landscape of the IOR through a comprehensive review of existing literature. It also outlines relationship trajectories based on data derived from relationship dynamics. The study relies on secondary data from various materials, including books, journals, reports from public and private institutions, newspaper articles, scholarly commentaries, online resources, and other written sources pertinent to the research issues. The article is structured in the following manner: it begins with a brief background study of how the relationships among the USA, China, India, the Maldives, and Bhutan are evolving and how they are strategizing their interactions. Lastly, concludes by presenting potential future relations dynamics and their implications.

3. Smaller/littoral States of the IOR/South Asia, Major Power Competitions and Strategies: Insights from Existing Literatures

Great-power-centric IR scholars persistently treat small states as passive objects rather than actors in the international system because of their perceived structural constraints to influence. This perspective emphasizes smaller states' need to align with major powers to safeguard their national interests. However, Lindell and Persson (1986), Hey (2003), Neumann and Gstöhl (2012), Chong (2010), Long (2017), Tang (2018), Bueger and Wivel (2018), Efremova (2019) studies suggest that small states also can influence major powers and sustain themselves in power struggles by utilizing specific capabilities, geographic positioning, institutional frameworks, international system dynamics &



norms, global tension, and political strategies. Similarly, the works of Robert D. Kaplan, Bertil Lintner, and Rory Medcalf shed light on the critical role that the geographic locations of small island states play in their significance within the geopolitics and power dynamics of the 21st century (Kaplan, 2010; Medcalf, 2020; Lintner, 2019). For example, Djibouti, with an area of only 23,200 square kilometres, drew major powers' attention, drew major powers' attention due to its location on the Bab al-Mandeb Strait. This strait is an entry point to the Suez Canal and a crucial pathway for ships travelling between the Mediterranean Sea and the Indian Ocean via the Suez Canal, Red Sea, and Gulf of Aden (Aliyev and Çalışkan, 2023, p. 194). Today, this small island hosts eight military bases, featuring the US, China, India, France, Russia, Germany, and Japan.

The Indian Ocean Region (IOR), significant for world trade and home to strategic straits, is again a theatre for great-power competition after Cold War dormancy (Azmie, 2017; Karim, Kayani and Bukhari, 2022; Anwar, Yousaf and Hussain, 2024). Nevertheless, out of all the other factors at play, two factors have substantially elevated the significance of IOR, especially the island nations, for major powers' competitive engagements. First is the transition of the world's political and economic center from the Atlantic to the Indo-Pacific region; 2nd is China's rise as a major power and its extensive engagements in the IOR (Attanayake and Ranjan, 2022). It is contended that China's rise has reconfigured the global power balance in a manner analogous to the emergence of a formidable Germany and the United States at the start of the 20th century (Baig, 2022, p. 518).

The existing global and regional powers perceive rising China and its growing global footprint as challenging their status quo. For instance, the United States regards China's economic expansion, military advancements, and international engagement as a threat to its hegemonic position, particularly in Asia (Zarkachi, 2023). Today, competition is the dominant context in US-China relations and influences key aspects of global politics (Boon and Teo, 2022). The Maritime Silk Road (MSR), integral to the BRI, has catalyzed responses like the US's 'Indo-Pacific strategy' (Baqai, 2021) to counter China's rise in the region. Washington's 'Pivot to Asia' was another strategic move explicitly designed to break Beijing's rising clout across Asia. This tactic involved reducing military commitments in other regions to increase investments and engagements in the Asia-Pacific, reflecting a renewed focus on China akin to pre-9/11 strategies (Tehseen, 2017). Under 'pivot to Asia', the US shifted 60% of its navy to the region (Roper, 2024). Washington faces allegations of actively undermining China-align regimes worldwide as part of its containment strategy. In countries like Myanmar and Sri Lanka, Washington, supported by New Delhi, has ousted China-friendly governments in favor of pro-US leaders (Zaidi and Saud, 2020).

From the US perspective, China's growing footprint in South Asia creates three key challenges: weakening economic leverage, heightening new security vulnerabilities, and accelerating strategic competition. Thus, the US is muscling against China in South Asia through a three-pronged strategy: strengthening diplomatic ties through high-level engagements and cultural exchanges, providing economic alternatives via trade and investment initiatives, and enhancing security cooperation with regional partners through joint military exercises and defense assistance (Hassan et al., 2024). The United States aims to exploit the region's immediacy to China for strategic surveillance. Thus, South Asia, historically pivotal in US containment strategies, will play a significant role in the future (Rashid, 2022).



Like other subregions in the broader IOR, South Asia's geopolitical dynamics have significantly evolved since the introduction of the BRI (Pattanaik, 2019). China has effectively expanded its economic and trade influence across South Asia, drawing all regional nations—except India and Bhutan—into its BRI framework. China is financing and constructing ports/infrastructure in Pakistan, Sri Lanka, Bangladesh, Myanmar, and the Maldives. Beijing's growing influence in South Asia and the Indian Ocean has intensified India's security worries.

India regards the Indian Ocean as an "Indian lake" (Khan, 2022) and sees Chinese maritime initiatives in the IOR through the MSR as threatening its naval goals. Tagging MSR projects' string of pearls', India has launched a counterstrategy termed the 'necklace of diamonds' (Mengal and Mirza, 2022) to build ports and stations in the IOR. India, the region's dominant power, considers the region its 'backyard' (Singh and Singh, 2023), interpreting the increasing Chinese influence in its traditional bastion as a challenge to its authority. India introduced the 'Neighbourhood-First Policy' to counter Chinese influence, ramping up assistance, trade, investment, economic involvement, and cultural connections in its immediate neighbour states (Bharti, 2024). While China strives to enhance its position in IOR, India is focused on preserving its current advantageous and prominent role in the region (Kılıç and Kaya, 2017).

According to Tan and Soong (2023), Vinodan and Kurian (2024) and Khan (2023), India is employing strategic hedging towards China, the US and Indo-Pacific amidst the China-US rivalry. This strategy incorporates both soft-balancing alliances and restricted hard-balancing policies such as engagement in QUAD, BRICS, SCO (Shanghai Cooperation Organisation) and G20, a nuanced stance on the Russian-Ukrainian war, intense criticism of BRI, a cautious line on joining vigorous armed groupings and engaging with neighbours by own designed programs. India is likely to stick to this strategy instead of bandwagoning with or balancing against China unless a direct US-China military war occurs, the US decreases its Indo-Pacific regional security commitment, or direct attacks on India's security interests by China.

The US and India are cautious about the BRI partnership, particularly the port infrastructures, fearing they could enhance Beijing's influence and naval capabilities. Therefore, the 'common enemy' idea aligns India and the US for collaboration to limit China's sway in maritime domains (Khan, 2022). China's growing economic and military strength drives India and the US toward a 'strategic convergence' in the Indo-Pacific (Sisodia, 2024; Abraham, 2020). America's Indo-Pacific strategy currently banks on backing rising India to counterbalance rising China (Scott, 2018). However, despite India and the US's red flag to the BRI, China has successfully strengthened its economic and trade ties in South Asia. Factors like the aspiration for infrastructure development, less stern conditionality, and trade opportunities have prompted small South Asian states to embrace Chinese finance and the BRI. Smaller countries want to leverage their engagement with China to counterbalance Indian dominance (Anwar, 2020).

China prioritizes human and economic development, which is evident in heavy investments in BRI projects. The BRI will grant China strategic access to the Middle East, bypassing the 'Straits of Malacca' and opening up Central Asian and European markets (Zaidi and Saud, 2020). China's objectives focus solely on protecting its economic interests and business ventures. It has refrained from overt military involvement with



nations engaged in the BRI. Ahmed (2020) finds China's IOR growth is primarily economic, with BRI military elements reflecting defensive postures amidst its SLOC vulnerabilities. Islam (2023) pointed out that Chinese economic involvement and strategic partnerships with coastal nations like Bangladesh and Sri Lanka are soft-balancing tactics against the US and India. This approach aims to mitigate challenges from the US and India regarding Chinese maritime security and economic interests. Therefore, Li (2017) argues that the Chinese IOR fleet via the MSR is a 'legitimate right'.

BRI is proving beneficial for the South Asia region, especially in infrastructure and education, which are essential for development. China is leveraging soft power tools like cultural engagement, citizen-to-citizen exchanges, economic collaboration, and infrastructural developmental aid to strengthen its ties with South Asia (Islam, 2017).

However, the US-India countermeasure, shaped by perceived 'threat perception', has escalated geopolitical tensions, creating ripple effects across smaller regional states. Deb and Jiayue (2024) argue that growing China-India tensions will likely drive India toward more substantial alignment with the US. But Lou (2012) believes the motivation to 'counter China' might not be compelling enough to solidify a robust US-India relationship in a future trilateral setting because of the deep-seated 'strategic contradictions' between the two nations regarding their visions for the Indian Ocean. While the US aims for absolute maritime supremacy in the IOR, India claims its 'natural right' to dominate the IOR to address security concerns.

The complex dynamic of relations between India and China, marked by 3C's conflict, competition, and cooperation, carries imperative implications for small South Asian countries. The growing China-India competition is increasing the geopolitical vulnerabilities of small states in the region, posing a challenge for these nations in crafting their foreign policies for sustainability (Pulami, 2021). In the age of globalization, where economic motives influence countries' strategies, allowing smaller nations to capitalize on competition for financial assistance and investments (Mohammed, 2023). Small states currently benefit from limited China-India competition in a globalized economy. The scales of Indian and Chinese investments in Maldives and Sri Lanka reflect this phenomenon. In such a situation, smaller countries can operate independently without positioning themselves with any specific side. However, if the competition escalates, small states may be compelled to align with one power, which certainly affects their bargaining power (Paul, 2019).

Small states often choose between bandwagoning, balancing, and hedging when engaging with major powers to safeguard their interests. Sri Lanka and the Maldives' recent policies exemplify this pattern. Babar (2024) frames Sri Lanka's foreign policy as a 'balancing act,' monetizing its geographic value for Chinese capital while preemptively addressing India's security sensitivities. Silva (2023) identifies domestic interest groups' pivotal influence in shaping Sri Lanka's foreign policy. His analysis contends that Gotabaya Rajapaksa's 'tightrope balancing', particularly in port infrastructure cooperation with India and China, partially succeeded but weakened Sri Lanka's ties with Japan. But Attanayake (2021) and Ranjan & Senevirathna (2022) characterize Sri Lanka's foreign policy toward India and China as 'strategic hedging,' aiming to secure developmental assistance while avoiding geopolitical entanglements. However, Samaranyake's (2023) study finds Sri Lanka's policy constituted neither balancing against India, bandwagoning



with China, nor hedging. Its policy choices were driven by 'domestic level interests and preferences', with bandwagoning treated only as a contingency measure, not simply between balancing, bandwagoning and hedging.

The Maldives' internal political dimension since 2008 unswervingly correlates with its divided foreign engagements between China and India. The polarized politics reflect its ambivalent strategic posture toward both regional powers (Hazarika and Mishra, 2016; Rahman, Disha and Rahman, 2024). Government policy choices reveal these divergent patterns: Nasheed (2008-2012) and Solih (2018-2023) favoured India, while Waheed (2012-2013) and Yameen (2013-2018) leaned toward China (Nahushal, 2024). Maldives' foreign policy alignment oscillates between pro-China and pro-India positions depending on the government in power is a 'flip-flop' strategy. This leadership-dependent alignment defies binary categorization, operating as a transactional hybrid of bandwagoning and hedging to optimize short-term political/diplomatic returns (Aryal and Droop, 2024).

4. Trends in Sri Lanka's Relations with China, India, and the US

Sri Lanka lies at the center of the global commerce and shipping chain. Sri Lankan ports are vital for vessels transiting between the East and West. Its strategic significance stems from its location between the Suez Canal and the Strait of Malacca and its position along the pathway from the Strait of Hormuz (Arachchige et al., 2021, p. 31). This strategically located island is increasingly becoming a vital port partner for competing Asian powers (Attanayake, 2023).

Post-independence, Sri Lanka adopted a British-aligned bandwagoning approach to counter perceived Indian expansionist threats. It transitioned to a balancing strategy by embracing a non-alignment posture in the Cold War era (Gunasekara, 2015). Since its independence, Sri Lanka has forged strong economic connections with major global powers. However, Sri Lanka's economy is tightly intertwined with India, China, the US, the UK, and the UAE. The island nation is actively pursuing its national objectives by fostering strong economic interactions with these countries. The financial data below highlights the significance of China, the United States, and India for the Sri Lankan economy:

**Table 01.** Sri Lanka's Top 3 Import Sources and Export Destinations

Year	Import Sources	Value (In US\$ Million)	Export Destinations	Value (In US\$ Million)
2018	1. India	4,231	1. United States	3,085
	2. China	4,116	2. UK	980
	3. UAE	1,835	3. India	777
2019	1. China	4,034	1. United States	3,141
	2. India	3,899	2. UK	998
	3. UAE	1,669	3. India	768
2020	1. China	3,579	1. United States	2,500
	2. India	3,079	2. UK	908
	3. UAE	1,035	3. India	606
2021	1. China	4,756	1. United States	3,108
	2. India	4,625	2. UK	938
	3. UAE	1,413	3. India	829

Source: Central Bank of Sri Lanka (2022).

Table 02. FDI Inflows to Sri Lanka (2012 -2017) and Stock Position (2018-2020) in US\$ Million

Country	2012	2013	2014	2015	2016	2017	2018	2019	2020
China	185	240	403	322	802	1,630	2,128	2,173	2,188
Hong Kong	252	140	175	174	108	1,344	951	1,031	1,067
India	26	33	35	44	44	1,077	1,563	1,688	1,803
Malaysia	49	180	42	77	152	980	967	1,083	1,044
UK	62	67	383	33	254	905	662	686	746
Netherlands	62	103	73	69	92	808	1,774	1,593	1,497
Singapore	56	92	68	71	62	885	1,030	1,145	1,406
UAE	185	102	42	41	51	550	368	397	418
USA	168	163	380	348	391	369	287	258	274

Source: Pradeep (2022); Central Bank of Sri Lanka (2022).

India-Sri Lanka relations, dating back over 2,500 years, are founded on extensive cultural exchanges and deep people-to-people interactions (Aliff, 2015, p. 321). The geographical proximity has been a key factor in influencing the relationship between the two nations. Their intertwined history is marked by significant cases of migration, especially from India to Sri Lanka (Moorthy, 2010, p. 4). But India's dual-track approach to Sri Lanka's civil war (1983-2009) - simultaneously supporting Tamil political rights while opposing separatism - created recurring significant distrust in bilateral relations (Thalpathwila, 2014; Imtiyaz, 2008; Shahid and Sakib, 2023).

Again, New Delhi's endorsement of the UNHRC resolution (2012, 2013) on Sri Lanka for balancing pressures from Tamil Nadu politics and strategic concerns regarding Sri Lanka left Colombo disillusioned during the sensitive post-war reconciliation period. Despite these political incongruities, economic relations between Sri Lanka and India continue to advance at their rhythm. The India-Sri Lanka Free Trade Agreement (ISFTA) was signed in 1998 and came into effect in March 2000. In 2010, India granted US\$ 27.5 million for reconstruction projects in Sri Lanka's Northern Province and extended US\$ 416.4 million in lines of credit for constructing the Northern railway line.



The post-2009 India-Sri Lanka relationship has evolved through five key drivers: security considerations, economic engagement, development assistance, post-conflict reconciliation, and managing great-power competition in the region (Mallampati, 2022). Beijing's growing presence in Sri Lanka, particularly through strategic infrastructure development, has emerged as a critical variable shaping New Delhi's engagement with Colombo. New Delhi fears Beijing may use these assets to undermine Indian interests (Manoharan and Chakravarty, 2016).

India's 'hands off' policy toward Sri Lankan civil war during the 1990s allowed China to step in. China filled the vacuum created by India's disengagement by bolstering its strategic ties through timely aid and assistance (Farooq, 2023). This ushered in a new era of relations between China and Sri Lanka, with China eventually becoming the island nation's major economic partner. Relations between China and Sri Lanka gained momentum under President Mahinda Rajapaksa from 2005 to 2015 (Samaranayake, 2019:5). China emerged as Sri Lanka's largest investor, lender and trading partner in less than a decade. It provided a US\$7.2 billion loan between 1971 and 2020. Notably, \$6.91 billion was given during 2005-2020, showcasing the level of economic ties during the period (Predeep, 2022).

Under its Maritime Silk Road dream, China invested heavily in infrastructure, including port and road construction. China is building long-term goodwill in Sri Lanka by developing China-friendly stakeholders across multiple sectors (Sri Lanka-China Friendship Association, Youth Friendship Association, Sri Lanka-China Journalists' Forum). Beijing actively strengthens cultural ties with Sri Lanka via platforms like the Sri Lanka-China Buddhist Friendship Association. China's patient investment in these people-centred ties suggests a long-term vision for the relationship beyond immediate geopolitical considerations.

Sri Lanka's proximity to China can be attributed to several factors. First, China's adherence to non-intervention principles contradicts India's hegemonic or "big brother" approach to regional engagement strategies. Second, India has been incapable of meeting the development financing needs of its smaller neighboring countries. Third, India's unilateral heavy engagement with the West has generated a sense of alienation among its neighboring nations. Fourth, India is reluctant to address several crucial bilateral issues with its neighboring states. Finally, India's domestic complexities have kept it from adopting a proactive policy towards its neighbors (Kumar, 2017, pp. 1120-1123).

The United States, on the other hand, has had longstanding diplomatic ties with Colombo since its independence. In recent years, it has become one of the consistent top destinations for Sri Lankan exports (refer to Table 01). Both countries actively participate in international institutions and are involved in the multilateral structure. However, the politico-economic affairs between Sri Lanka and the US have been diverse. Sri Lanka's US ties hinge on its ruling party: United National Party (UNP) governments favor Western alignment, while Sri Lanka Freedom Party (SLFP) administrations pivot Eastward (Kapur and Attanayake, 2021, pp. 1, 9). During the civil war's final stages, Colombo-US relations fractured over rights abuse claims versus interference in domestic matters. The Rajapaksa era (2005-2015) saw US-Sri Lanka tense relations over democratic backsliding



concerns and Chinese influence. Rajapaksa's China embrace turned Sri Lanka into a US/QUAD priority for monitoring Chinese Indo-Pacific influence.

Recent US moves in Sri Lanka - \$553M Adani port funding + nuclear pact - demonstrate integrated Indo-Pacific containment: partnering with India to offset Chinese BRI gains. However, India walks a tightrope in Sri Lanka—quietly welcoming US counterweight to China while publicly opposing external powers' military presence in its traditional sphere of influence (Abeyagoonasekera, 2023). The post-default geopolitical competition in Sri Lanka has seen Washington and New Delhi collaboratively promote the 'debt-trap' narrative, positioning Hambantota's lease as symptomatic of BRI's strategic predation through unsustainable infrastructure financing. They warned that Chinese loans and BRI will cause the same complications for other BRI-affiliated states. But Hammer and Rod's (2022) empirical research reveals that debt trap diplomacy is merely a political discourse and myth, Chinese loans are not solely responsible for Sri Lanka's debt default, and the Hambantota Sea Port 99-year lease is not a case of "debt-to-equity transfer.

The US and India are reinforcing their Sri Lanka engagement through financial initiatives. India's \$1 billion credit line, joint debt relief efforts with Japan and France, and IMF bailout support aim to regain strategic leverage. Unverified claims of Chinese military use of Hambantota Port and potential radar installations have intensified geopolitical tensions in Sri Lanka. Colombo has consistently denied these allegations, with President Wickremesinghe clarifying: 'No Chinese naval bases exist here - Hambantota remains purely a commercial venture with China Merchants Group' (Carrai, 2018). China's growing economic presence in Sri Lanka does not substantiate claims that Hambantota could become a Chinese military base. China's historical interactions with Sri Lanka reveal no evidence of colonization attempts despite the island's geostrategic value as a naval hub and resource-rich territory ideal for permanent basing (Kohona, 2024).

Perceptions of a 'China threat' shape US and India's Sri Lanka policies. Since the 2022 economic crisis, the interplay of IMF conditionalities, Chinese BRI leverage, and Indo-Pacific security concerns has compelled Sri Lanka to adopt a soft hedging strategy: allowing Chinese research ships (2022) to sidestep alienating Beijing while implementing Standard Operating Procedure (SOP) to address Indian security concerns (e.g., denying later vessel visits). However, the Chinese research ship ban (2024) demonstrates how Indian strategic pressures limit Sri Lanka's non-aligned flexibility.

Sri Lanka's domestic politics are deeply intertwined with its engagements with China, India, and the US. While India has traditionally held sway over its neighbors, China's growing regional role since the 2000s—alongside anti-India sentiment—fueled pro-China shifts in Sri Lankan politics. The Rajapaksa administrations (2005–2015, 2019–2022) prioritized Chinese investments, departing from Colombo's historically pro-India stance. However, Gotabaya Rajapaksa's 2019 decisions—advancing the India-backed East Container Terminal, making New Delhi his first official visit, and accepting a \$480 million US MCC grant—suggested a more balanced approach driven by post-war economic pragmatism rather than an outright pro-China alignment.

Beijing's consistent engagement across successive Sri Lankan governments—including the Rajapaksas' strategic alignment and Sirisena's balancing approach—reflects its long-term commitment to being a 'friend of Sri Lanka' beyond the regime. While Sirisena initially criticized BRI, he endorsed it to boost ties, showcasing Beijing's diplomatic



persistence. A recent survey by SAFN (South Asia Foresight Network), including respondents from journalists, scholars, university students, and government executives in Sri Lanka, showed that foreign intervention significantly influences domestic politics. The survey revealed that the US had the highest perceived intervention, while China scored the lowest. This survey result emphasizes China's effective strategic communication, which has bolstered its positive influence in Sri Lanka (Abeyagoonasekera, 2023).

Sri Lanka's current NPP-led government (headed by the JVP) is adopting a pragmatic foreign policy, balancing relations with India and China despite its leftist roots and historical opposition to the Indo-Lanka Accord. While President Dissanayake assured New Delhi that Sri Lankan territory would not threaten Indian security during his inaugural visit, he simultaneously pledged to 'open a new chapter' with Beijing, highlighting Colombo's delicate tightrope act. The administration prioritizes diversified partnerships and multilateral engagement to avoid overreliance on any single power, focusing on economic recovery. Concurrent China (\$3.7B oil) and India (defense/energy) deals exemplify Sri Lanka's pursuit of a balancing act.

5. Maldives's Contemporary Interactions with USA, China and India

The Maldives, an archipelago state in the West Indian Ocean, comprises around 1,300 coral islands and sandbanks. With a land area of only 180 square miles and a population of approximately 0.50 million, its strategic location along the Seven Degree Channel makes it geopolitically significant. Situated southwest of Sri Lanka and southern India, the Maldives intersects major east-west maritime trade routes, attracting attention and interest despite its small size. The economy of Maldives, like other smaller South Asian countries, today is closely connected by its economic interactions with China and India. Maldives' tourist sources (economic lifeline) and trading partner data validate the statement.

Strong traditional socio-ethnic contacts trademark the relationship between India and the Maldives. India was one of the first countries to recognize the status of the sovereign Maldives. Since the foundation of ambassadorial associations, Indian heads of the government have frequently visited the Maldives, and the island nation has consistently prioritized its relationship with India through its "India First" policy. However, during the premiership of Waheed and Yameen, India's relationship with the Maldives experienced a significant downturn due to its closeness to China (Aktar and Pailan, 2022, pp. a497-a498). In 2012, the government led by President Waheed secured a loan of \$500 million from China, which further solidified the growing relationship between the two countries. The 2015 China-Maldives Free Trade Agreement (FTA) and military assistance agreements form the core of bilateral ties (Shabbir, 2021).

**Tabel 03.** Top 3 Tourist Source Countries

Year	Country		
2014	China (363,626)	Germany (98,328)	UK (88,704)
2015	China (359,514)	Germany (105,132)	UK (101,843)
2016	China (324,326)	Germany (106,381)	UK (92,775)
2017	China (306,530)	Germany (112,109)	UK (103,977)
2018	China (283,116)	Germany (117,532)	UK (114,602)
2019	China (284,029)	India (166,030)	Germany (131,561)

Source: Maldives Monetary Authority, Annual Report 2019 & 2020

Table 04. Maldives Top 3 Import and Export Partners

Year	Import Sources	Value (CIF, Millions)	MVR	Export Destinations	Value (FOB, Millions)	MVR
2018	1. UAE	7,655.59	7,172.14	1. Thailand	1,014.23	
	2. China	5,142.24		2. Germany	355.43	
	3. Singapore			3. Great Britain	258.46	
2019	1. UAE	7,668.26		1. Thailand	885.77	
	2. China	6,969.60		2. Germany	286.72	
	3. Singapore	4,945.92		3. France	230.92	
2020	1. China	3,911.31		1. Thailand	1,089.55	242.38
	2. India	3,299.11		2. Germany	200.77	
	3. UAE	3,151.73		3. France		
2021	1. China	4,672.73		1. Thailand	1,086.35	
	2. India	4,370.09		2. Germany	265.82	
	3. UAE	4,248.75		3. Great Britain	157.89	

Source: Maldives Customs Service, Annual Statistical Review 2021

China's Maldives policy is a component of its integrated strategy in the Indian Ocean for safeguarding its maritime trade routes and energy supply chains (Bhatt, 2016). India and China maintain strong diplomatic ties with the Maldives. However, China's growing presence in the Indian Ocean islands is perceived as a significant strategic threat to India. While China strives to strengthen its economic maritime stakes in the region, India prioritizes security (Kumar, 2016, p. 24). China's Maritime Silk Route (MSR) drive plays a vital role in its significant presence in the Maldives. The bilateral relationship between China and the Maldives experienced dramatic growth after President Yameen took office in 2013. Maldives joined BRI under his presidency and received substantial infrastructure, health, accommodation, and tourism aid and loans. Since becoming a part of China's BRI in 2014, the Maldives has secured \$1.4 billion in Chinese funding for important projects, such as the \$200 million China-Maldives Friendship Bridge.

India enjoyed unparalleled influence in Maldives for 34 consecutive years (1978-2012). But the political shift 2013 under President Yameen marked a dramatic deterioration in India-Maldives relations, as Malé sidelined Indian companies in favor of Chinese investments while accusing New Delhi of political interference (Kumar, 2017). India's 2018 \$1.4B package for the Maldives, featuring multi-sectoral aid, was a strategic pushback against growing Chinese influence in the archipelago. The year 2021 saw India-



Maldives trade cross the \$300 million threshold for the first time (Bora, 2024). Despite initial tensions in 2024, India has injected \$220 million into the development of Addu City. This investment encompasses an \$80 million coastal protection initiative and \$70 million allocated for road and drainage enhancements.

Although the new president, Mr Muizzu, spoke positively about Chinese infrastructure projects in the Maldives, he has refuted any claims of being pro-China. Mr. Muizzu affirmed his commitment to the Maldives, stating that his priority lies with his country and its independence. He clarified that he does not favor or oppose any particular nation. Mr Muizzu emphasized that the Maldives should avoid involvement in global power struggles as a small nation. In October 2024, India inked a \$400 million and a 30-billion-rupee currency swap pact with the Maldives and committed to exploring a free trade agreement (FTA) centred on goods and services. India's concerns about the China-Maldives FTA and Modi's promotion of Lakshadweep tourism during Muizzu's trip to China hint at continued geopolitical complexities ahead. These events suggest India is uneasy about its neighboring country's legitimate engagement with China.

On the other hand, America continues to engage actively with the Maldives, having urged democratic reforms during the previous administrations. Washington emphasized the importance of free elections and judicial fairness, signalling its ongoing commitment to stability in the Indian Ocean region. The US first pursued a defense agreement with the Maldives in 2013, but the proposal stalled amid objections from Sri Lanka and India, with critics viewing it as an effort to establish a military presence between China and India. However, Washington eventually secured a similar pact in 2020, demonstrating its enduring strategic focus in the region. Notably, India—which had opposed the earlier deal—accepted the revised agreement, signalling shifting geopolitical dynamics (Ranjan, 2020). The US investments in the Maldives have mainly concentrated on tourism, notably in hotel chains and aviation. In 2023, the United States opened its embassy in the Maldives, demonstrating its strategic intent to deepen involvement in the Indo-Pacific region to counter China's growing impact.

Indian and Chinese initiatives in the Maldives span multiple sectors, including infrastructure, economic development, and intergovernmental security cooperation (Ahmad and Wagay, 2025). Maldives' foreign policy tilts sharply between India and China with changing leadership. From Abdulla Yameen's presidency to today, Maldives' foreign policy has oscillated between Indian and Chinese influence. Under President Ibrahim Mohamed Solih, ties with India strengthened, reversing Yameen's China-leaning stance, though Beijing retained economic importance. As Sultana (2024) notes, China-Maldives ties have strengthened through shared strategic goals, yielding mutual benefits, while India retains natural advantages through proximity and cultural ties.

6. Concluding Remarks

The strategic value of Indian Ocean littoral states lies in their position over crucial trade routes and maritime chokepoints. China's BRI and other forms of economic engagement have provided opportunities to bridge the infrastructure gaps necessary for holistic development in smaller states like Maldives and Sri Lanka. But China's sweeping BRI investments in these countries draw them into the geopolitical competition between



Beijing, Delhi, and Washington (Ali, 2020), despite Beijing's insistence on the peaceful nature of its activities aimed at protecting its Sea Lines of Communication (SLOC) and securing trade, commerce, and energy interests. China's growing strengths in the Indian Ocean region has created uneasiness and anxiety amongst Indian policymakers and concerns among the Americans (Sidhu and Rogers, 2015). This geopolitical dynamic has profound implications for small Asian countries navigating the complexities of the contention. Successfully navigating these conflicts and fostering collaboration will be pivotal in determining the Indian Ocean's geopolitical trajectory in the coming years (Yadav and Yadav, 2024).

International relations emphasize the study of conditional future trajectories rather than definitive predictions. It is the methodological distinction that underpins its analytical rigor. However, policymakers' need for early warnings has spurred greater academic engagement with forecasting in IR (Schneider, Gleditsch and Carey, 2011). In support of the current interactions involving the United States, China, India, Sri Lanka, and the Maldives, and considering the present global and regional geopolitical contexts, this analysis highlights the below likely direction of their relationships:

I. In both the Maldives and Sri Lanka, foreign policy trajectories remain intrinsically linked to domestic political dynamics, particularly the ideologies of incumbent parties. However, given the substantial economic influence wielded by India and China, these states will likely adopt economic bandwagoning—prioritizing development partnerships—while cautiously hedging through limited balancing tactics, including strategic engagement with the US. Only war-like situations may force to choose bandwagoning or balancing.

II. China's proactive and defensive strategy, combined with its economic and investment concentration in South Asia utilizing soft power, is expected to persist. However, the ongoing dissemination of anti-China narratives by the US and India and their policies aimed at countering China could challenge the existing strong relations between China and South Asian nations. The debt issue might also cast a shadow on the development of their growing partnerships.

III. India's policy towards Sri Lanka and the Maldives may operate under three strategic pillars: 1) providing alternative investments, either independently or in collaboration with partners like Japan, to counterbalance China's influence; 2) leveraging cultural and historical ties to strengthen political partnerships, and 3) employing restrained-balancing tools for managing competition and cooperation with both China and the US. The emphasis will be placed on exploiting China-US competition to advance its regional interests and influence.

IV. The United States is discreetly establishing a strategic network across the Indian Ocean to counter its global competitor, China. This strategy involves creating subtle security alliances through small yet effective trilateral agreements (US-India-Maldives/Sri Lanka) focusing on maritime security cooperation. These initiatives aim to complicate China's activities without inciting a crisis. Washington will empower New Delhi to lead while offering discreet support from behind.

V. Sri Lanka/Maldives may face mounting US-India pressure vs. Chinese economic sway, straining independent policymaking. If interference grows, domestic instability may spread regionally. Outcomes hinge on whether elites can balance external pressures



without triggering internal upheaval—a test of small-state agency in an era of competitive multipolarity.

VI. In the years ahead, Beijing's economic-focused engagement in South Asia will face unprecedented pressure. The growing strategic alignment between India and the US, which views China as a shared threat, will put Beijing's core foreign policy principles, i.e., non-interference and peaceful rise, to the test.

VII. China's disposition to guard the Maldives and Sri Lanka against US-Indian pressure will signal its reliability to other South Asian states. If Beijing delivers sustained support, alignment may grow; if it wavers, smaller nations could hedge. Intensifying Western-Indian coercion might paradoxically push some closer to China—but only if Beijing proves it can counterbalance pressure effectively.

VIII. US-India coordination to counter China may backfire if Washington's growing role in Sri Lanka/Maldives displaces New Delhi's regional leadership. Over time, sustained U.S. engagement could marginalize India's traditional leadership role, reducing New Delhi to a junior partner in its neighborhood. Smaller states, seeking maximal leverage, might bypass India entirely to negotiate directly with Washington.

IX. Economic interdependence, power asymmetry, and small-state hedging will make direct China-India-US massive confrontation unlikely. Instead, expect prolonged competition via proxies, trade wars, and naval posturing in the Indian Ocean.

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