

Sri Lanka and the Geopolitics of Indo-Pacific: Perceptions, Opportunities and Challenges

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Sri Lanka occupies a unique strategic location in the Indian Ocean that attracts major powers such as China, the United States (US), India and most recently, Japan and Australia. The paper explores how Sri Lanka confronts the struggle of power between major powers, mainly the US and China. This study examines the geopolitical and geo-economic interaction in the Indo-Pacific. It discusses the importance of global value supply chains, implications of China's political presence in the region, and the role played by multinational firms. Although Sri Lanka is a small country, it is concerned about the great powers' interactions due to its strategic location and geopolitical significance. The paper finds a mixed impact of the geopolitics in the Indo-Pacific on the foreign relations of Sri Lanka in relation to China and India in particular and Indo-Pacific in general. The study further finds that geopolitics act on geo-economic relationships directly and indirectly. Sri Lanka should take more seriously the geopolitical development in the Indo-Pacific region in crafting its foreign policies. The trend creates many opportunities for Sri Lanka. The island requires a substantial expansion and upgrading of its infrastructure and better connectivity to regional markets and value chains.

Keywords geopolitics, geo-economics, Sri Lanka, foreign policy, Indo-pacific

"We view Sri Lanka as a critical partner in the region and located at the nexus of the Indo-Pacific, Sri Lanka has the opportunity to shape the region's future," says Acting Principal Deputy Assistant Secretary Thomas L. Vajda of the US Bureau of South and Central Asian Affairs. With the end of the cold war, the power shifted from a bi-polar to a unipolar system in the international arena (Brown, 2014). After the demise of the Soviet Union, the US influenced the world as a superpower in the international system. As it became imperative for the world countries to confront the US threat, they adopted the strategy of balancing the power. In this way, some countries have evolved to become major powers in the world order especially, China which has become a threat to the US today. There is both an overt and covert cold war between China and the US emerging in the international trade system. Alongside, with the emergence of the significance of the Indo-Pacific region, most of the countries are concerned about their position in this region. According to the statement of Alfred Mahan, India Ocean has become a 21st century ocean in the world and due to that, as an island, Sri Lanka is also becoming a significant player in the Indian Ocean.

Firstly, around 80 per cent of the world's seaborne oil trade passes through the choke points of the Indian Ocean and therefore it literally connects the East to the West. Therefore, the Indian Ocean has become a major geostrategic point in the international system. The influence of Western countries is also a major factor in the Indian Ocean. Due to this, India, as a major power in the Indian Ocean, has become increasingly concerned about the Western dominance led by the US. In addition, India is deeply concerned about China's entrenched naval presence in the Indian Ocean and the choices of action facing New Delhi are difficult. In the wake of it, India has sought to create the Free and Open Indo-Pacific grouping (FOIP) and it wants to pursue their interests through the multilateral approaches. Jagannath P. Panda sees an opportunity for India to pursue a pluralistic foreign policy (Cannon, 2018). This means that India's outreach to Australia, Japan and the US should not be viewed as a China-containment strategy. Therefore, India seeks to balance China's strategic ambitions in the Indian Ocean.

Within this discourse, Sri Lanka has also become a concerned country. The US argues that Sri Lanka can get advantages by seeking new strategic implementations in the Indo-Pacific region. As an island in the Indian Ocean, Sri Lanka should be concerned about the major

powers' practices in the Indian Ocean. Especially Sri Lanka is engaging with countries under Indo-Pacific heading, and is engaging in significant bilateral and multilateral cooperation with the major powers such as USA, Australia, Japan, China and so, on in areas such as trade, security, socio-cultural, and infrastructure development (Gunawardena, 2019). Sri Lanka may see the multi-layered regionalism approach as an opportunity to position itself as a trade and maritime hub of the Indian Ocean. This paper mainly focuses on how Sri Lanka faces the challenges in the Indo-Pacific region with its new geopolitical trends and the opportunities which it can get by dealing with the major players actively engaged in the Indo-Pacific. Therefore, there should be a concentration on the geostrategic features which can be identified in the Indo-Pacific region for Sri Lanka. Admiral RK Dhowan, India Navy Chairman National Maritime Foundation (NMF) has stated that India and Sri Lanka have also a prominent location in the Indian Ocean Region as the countries sit astride busy sea lines of communication, over which nearly 120,000 ships transit every year carrying 66 percent the world's oil, 50 percent of the world's container traffic and 33 percent of the world's cargo traffic (2018). Therefore Sri Lanka can become a great player in the Indo-Pacific region particularly in the Indian Ocean. Sri Lanka can focus more areas such as port project related economic benefits, maritime security and safety, counter- terrorism, disaster risk reduction and post conflict management.

Sri Lanka can further build a multi-layered mechanism by cooperating with neighbouring countries like India, Pakistan, and Bangladesh. The SAARC (South Asian Association for Regional Cooperation) also can be a founding mechanism to build such bilateral, multilateral agreements with the South Asian countries. Not only the SAARC but also ASEAN (Association of Southeast Asian Nations) is a significant organisation, and a great deal in this situation as Sri Lanka can get more economic advantages from ASEAN through regional trade, regional foreign direct investment, tourism and economic collaboration. According to Ravinatha Aryasinha, Foreign Secretary, Sri Lanka as a sectoral dialogue partner will provide the necessary mechanism to "continue the historical legacy of partnership we have had with your region and your people," and Sri Lanka looked forward to working with the respective ASEAN countries to pursue its interests to strengthen and cement Sri Lanka's solidarity and partnership with ASEAN. Therefore, the need of building stable relations between ASEAN and Sri Lanka is emerging in Sri Lanka. Here the challenge for Sri Lanka is that the intervention by the external countries with ASEAN becomes a threat to small states such as Sri Lanka in the Indo-Pacific region.

In order to address the threat, the author seeks to argue that Sri Lanka needs to balance or bandwagon between major powerful countries. The examples of the trade and economic agreement of Sri Lanka can be taken as multilateral approaches taken by the Sri Lankan side. The recently concluded free trade agreement (FTA) with Singapore is one such example that may provide an opportunity to establish cooperation with other important regional platforms like the ASEAN and the Regional Comprehensive Economic Partnership (RCEP). Sri Lanka is currently signing Free Trade Agreements (FTAs) with other major regional economies, including China and Thailand, and has the intention to conclude the Bay of Bengal Initiative for Multi-Sectorial Technical and Economic Cooperation (BIMSTEC) FTA to integrate regional trade further (Gunawardena, 2018).

New Geopolitical Trends between Major Countries: USA, China and Japan

With the contest between the major powers on various fronts, the tensions in the international arena are increasing, and the focus of power struggle is gradually shifting from West to East. Alongside, economic ideologies have shifted from the Washington Consensus to the Beijing Consensus. This power shift is apparent in normative statements made by leaders about the "rule of law" or "sea lane safety." It has led increasingly to a constellation of hard and soft power and thereby the beginnings of a strategy that includes one great power (the United States), one economic power (Japan), one rising power (India) and one lynchpin power (Australia) (Cannon, 2018). With the emergence of the concept of 'pivot to Asia', the region has become a central region in the world. President Barack Obama's East Asia

Strategy represented a significant shift in the United States' foreign policy. It took the country's focus from the Middle Eastern/European sphere and began to invest heavily in East Asian countries. This interest has consolidated under the new president, Donald Trump. Under the Donald Trump Administration, the "Free and Open Indo-Pacific" (FOIP) strategy is a worthy addition to the US policy in Asia, consistent with prior strategic thinking about the region. According to the Pentagon's latest report on the subject in June 2019, the US Indo-Pacific strategy revolves around the simultaneous enhancement of long-standing objectives on economic engagement, security cooperation, and strengthened governance- a balance of priorities that aligns with the approaches of key partners like Japan and Australia. Therefore, it can be argued that the containment by the US is changing the base of the leadership. Henceforth, as a small country, Sri Lanka must address these threats and new geopolitical trends emerging from the Indo-Pacific region.

According to the neo-realistic approach, the countries always try to protect their country from external threats, and the goal is to achieve their national interest. Therefore, small nations must take decisions according to their foreign policy strategies. However, due to the lack of military and economic capacity of these nations, they must find another path to survive. As a result, small nations are prompting collective security as a strategy and building relations with more powerful nations. For example, Sri Lanka has been supportive of China's economic strategy, "One Belt- One Road". According to Realism, countries must take decisions according to a cost-benefit analysis, and Sri Lanka assumes that China can be a lead for Sri Lanka to sustain its economic development. With regard to Japan, Prime Minister Shinzo Abe has been the most prominent leader to lead the foundation for crystallising Japan's position in the Indo-Pacific Region. Japanese Prime Minister Shinzo Abe proposed the "Arc of Freedom and Prosperity" in 2006 to deepen cooperation among democracies such as the US, Australia, and India. In this way, the initial concept of the Indo-Pacific Strategy can be traced back to Prime Minister Abe's speech "Confluence of the Two Seas" to the US Congress in August 2007. Abe proposed connecting the Pacific and Indian Oceans to become the seas of freedom and prosperity for a broader Asia. Abe also emphasised the importance of sharing fundamental values in bringing democracies together, such as Japan, the US, Australia, and India (Ministry of Foreign Affairs, 2007).

Donald Trump's implications for the Indo-Pacific region differ from Abe's implications. Abe wants to improve connectivity between the Pacific and the Indian Ocean through his Indo-Pacific strategy. His concerns are grounded in economic reasons. Abe wants to strengthen the economic ties with other nations through the ASEAN. This is a new trend that can be seen in the Indo-Pacific region. Japan also shares its values with the Asia-Pacific Economic Cooperation (APEC). Regional cooperation is the most valuable step to strengthening the Indo-Pacific peace and prosperity. On the other hand, the US wants to implement the Indo-Pacific strategy due to its concern over China. Trump's Cabinet believes that the United States and China have strategic competition in the Indo-Pacific region. The above argument has further proved by the below statement made by Zhao Lijian "United States to use its Indo-Pacific strategy to suppress and contain China and undermine regional peace and stability". Further, the Trump administration observes the Indo-Pacific as a zone where America's economic future/strategies can be initiated. Trump administration's Indo-Pacific strategy is limited to trade, investment, and infrastructure development (Pitakdumrongkit, 2019). Nevertheless, the competition between the US and China highly affects the Indo-Pacific region. Former Secretary of State of the US, Rex Tillerson, heavily criticised China's proactive actions in the South China Sea as a direct challenge to international law and norms and emphasised that the US is already "capturing the benefits of the important trilateral agreements between the US, India and Japan (Yujen, n.d.). Here it can be seen how countries deal with other countries by analysing cost-benefits.

The contemporary engagement of the US in the Indo-Pacific region is the most important factor analysed in this paper. Donald Trump has stated three elements in his Indo-Pacific

strategy. Firstly, securing American economic and strategic interests, including refusing unfair trade relations with China and promoting themselves as a leading country in the world order. Secondly, to establish freedom and openness as the core concept and share the values and norms of the Indo-Pacific region, including respect for freedom of navigation, anti-coercion, an open market economy, and a private-enterprise centric approach to promote freedom, stability, and prosperity in the region. Thirdly, to oppose any unfair government subsidies to industry, any discriminatory treatment and limitation of foreign capital, and give a solid commitment to eliminating unfair and unsustainable trade relations to promote prosperity in the region (Kuo, 2017). According to the above strategies, Trump's role in the Indo-Pacific is complex, and his strategies show that the US is focusing more on the economic aspect. This trend can be identified as a geo-economic aspect in the Indo-Pacific region. Therefore, the US will strengthen its commitment to maintaining its influence, and Japan will play a more prominent role in sharing more responsibilities with the former in securing an open and free Indo-Pacific region.

Why 'Pivot to Asia'?

There are several reasons for the increasing emphasis of major nations across the world on East Asia and the Indo-Pacific. The Asian region, particularly East Asia has turned into one of the most economically dynamic in the world. On a global level, the region now accounts for nearly 30 per cent of world economic production. ADB has predicted that the contribution will become 52% by 2030. The region is the biggest market in terms of population. Though many states in the region continue to have powerful and emotionally charged memories of the past conflicts, in and of themselves, these are not enough to generate new conflicts in the present, especially in circumstances where regional trade is rising rapidly. Regionalism is more effective in the region for stability of the economic side. The countries' role in the East Asian region is more pacific and it shows how they manage to pursue the peace and harmony in the region (Kitchen, 2012). China is functioning as a leader in this region and it threatens the US directly, though not a military confrontation, it involves moves for economic containment. Here one can see that the idea of heartland introduced by Halford Mackinder has shifted from Eurasia to Asia.

Neo- Realism: Bandwagoning and Balancing of the Small States

This part examines the geostrategic significance of the Indo-Pacific and Sri Lanka's role in this region. Sri Lanka is known as a small nation, and Sri Lanka always depends on the other major countries due to the lack of capabilities in economic and military aspects. This section of the paper examines the key features of neo-realism and how geopolitics impacts Sri Lankan foreign policy decisions in the Indo-Pacific region.

Neorealism can be identified as an extension of the traditional realism theoretical approach. Neorealism focuses on state behaviour and argues that rational interests determine state practice, i.e., states deal with other nations according to their foreign policy and cost-benefit analysis. States are not doing an action without thinking logically. The simple idea of the rational model is that every state is pursuing their national interest with the cost-benefit analysis, and those practices are identified as bandwagoning or balancing. Balancing refers to "allying with others against the prevailing threat" (Walt, 1987). In contrast, "bandwagoning" refers to aligning with the source of danger. Some scholars have observed that "differences in state goals- whether states seek the minimum power required for security or additional power for goals other than security- have to be accorded equal consideration with anarchy and the distribution of capabilities." (Frankel, 1996). Likewise, Stephen Walt's balance of threat theory incorporates the traditional realist concern for state interests and intentions. Walt's statement is directly relevant to the state practice of Sri Lanka. Walt states, "[t]he weaker the state, the more likely it is to bandwagon. Balancing may seem unwise because one's allies may not be able to provide assistance quickly enough...states that are close to a country with large offensive capabilities (and that are far from potential allies) may be forced to bandwagon because balancing alliances are simply not viable." (1990).

Therefore, as the small states lack the resources and capacity to influence the international system, the key strategy for them is likely to be one of bandwagoning rather than balancing with powerful countries (Schweller, 1997). Sri Lanka should go for bandwagoning with the countries more than a balancing approach. As an island, every country knows that Sri Lanka is located strategically at the crossroads of major shipping lines to South Asia, the Far East, the Middle East, Africa, Australia, Europe and America, and from that point of view, Sri Lanka has to survive by depending on other powerful countries. Further, Sri Lanka is positioned in the Blue Ocean hub centre, which helps it get more advantages from the Indo-Pacific Region.

Geo-economics as Geopolitics

In recent years, many nations, particularly powerful nations have used their economic resources on the political battlefield. They adopt economic strategies such as trade policy, investment policy, particularly foreign direct investments, economic and financial sanctions, financial and monetary policy, and financial and economic assistance to play in geopolitics and such strategies become geo-economics. In the past, countries employed political and military power to show their power to the world and engaged in political and military colonisation. The trends have shifted to economic colonisation, which then has gained popularity as 'geo-economics'. Blackwill and Harris (2017) define geo-economics as "the use of economic instruments to promote and defend national interests, and to produce advantageous geopolitical outcomes; and the effects of other nations' economic actions on a country's geopolitical goals." Hence, geo-economics implies how countries employ economic and financial instruments to achieve their desired geopolitical goals. Blackwill and Harris (2017) listed seven economic tools that are employed by powerful nations to achieve geopolitical objectives: trade policy, investment policy, cyber-attacks, economic and financial sanctions, financial support, financial and monetary policies, and energy policy. This clearly shows that in the past two decades, military power has transformed into production power. This geo-economics is producing new and dynamic spaces of geopolitics in Asia (Forough, 2018). The Chinese Belt and Road Initiative (BRI) project is one of the most powerful initiatives in the area of geo-economics. It has six geo-economic corridors, namely (1) the New Eurasian Land Bridge; (2) the China-Central Asia-West Asia Corridor; (3) the China-Pakistan Corridor; (4) the Bangladesh-China- Myanmar Corridor; (5) the China-Mongolia-Russia Corridor; (6) the China-Indochina Peninsula Corridor.

Under BRI, China has invested a large amount of money in building infrastructure in Sri Lanka. BRI produces many opportunities and challenges for Sri Lanka. China and many other countries are interested in Sri Lanka due to its important strategic location in the world shipping lines. BRI influences Sri Lanka in many ways through its key five objectives, namely policy coordination, connectivity, financial integration, trade, and people-to-people bonds. It influences macroeconomic policies, infrastructure development, trade flows and investment cooperation, financial sector, and social values through cultural and academic exchange and tourism. Sri Lanka has economic relations mainly with China and India. The following table shows Sri Lanka's top 10 export and import markets.

TABLE 1. Sri Lanka's Top 10 export and import markets, 2017 (US\$ thousand)

		<i>US \$ thousand</i>	%			<i>US \$ thousand</i>	%
1	USA	2920209.8	24.87	India		4494065.7	21.08
2	UK	1043182.5	8.88	China		4189426.7	19.65
3	India	789586.1	6.72	USE		1563891.1	6.06
4	Germany	547124.7	4.66	Singapore		1292077.2	7.34
5	Italy	531646.2	4.53	Japan		1038078.2	6.06

6	China	430444.3	3.67	USA	813615.5	4.87
7	Belgium	347478.6	2.96	Malaysia	641100.2	3.82
8	UAE	301178.6	2.57	Thailand	518322.7	3.01
9	Turkey	234955.3	2.00	Hong Kong	438955.2	2.43
10	Singapore	233669.1	1.99	Germany	400460.2	2.06
	World	11741036.8	100	World	21316200.0	100.0
						0

Source: WITS (World Integrated Trade Solution)

In the Indo-Pacific region, among the powerful nations, India, China and Japan are only key trade partners of Sri Lanka. Sri Lanka exports to India goods valued at USD 790 million accounting for 6.72 per cent of Sri Lanka's total exports while Sri Lanka imports items valued at USD 4494 million (21 percent of total imports). Sri Lanka exports to China items valued at USD 430 million and imports from China about USD 4189 million equal items. Japan is not a key exporting country, but the 5th importing country. Sri Lanka imports from Japan goods valued at USD 1038 million. Australia is not among the top ten trade partners (Table 1).

Investment is another geo-economic tool that is employed by powerful nations to achieve geopolitical objectives. In the recent past, foreign direct investment (FDI) flowed to Sri Lanka mainly from China, Hong Kong, Mauritius, UK, India and UAE. Japan and Australia are not within the top ten foreign investors in Sri Lanka.

TABLE 2. Major Source of FDI in Sri Lanka, 2005 – 2017 (Top 10)

	<i>Countries</i>	<i>USD Million</i>
1	China	1,738
2	Malaysia	1,540
3	Hong Kong	1,441
4	India	1,164
5	UK	1,067
6	Netherlands	850
7	Singapore	665
8	Mauritius	610
9	UAE	593
10	USA	444

Source: BOI, Sri Lanka

FDI flows from China accounted for USD 1,738, about 15.5 per cent of total FDI from 2005 to 2017. Indian investment alone amounted to USD 1,164 from 2015 to 2017. The other two regional big players (Japan and Australia) are not among the top 10 FDI players. Sri Lanka has entered into 28 Bilateral Investment Promotion and Protection Treaties (BITs), protecting foreign investments within the country. China, India, Japan and Australia are among these 28 countries.

Development assistance is another area in geo-economic relationships. The four power-holders in the Indo-Pacific region provide development assistance to

post-independent Sri Lanka to support various development requirements of the country. Such development assistance comes in three major forms: loans, grants, and interest-free loans. After 2010, China has emerged as the largest provider of bilateral development assistance to Sri Lanka (Jayasundara, 2017). Before 2010, Japan was the single largest bilateral lending partner of Sri Lanka. The most recent discussion on development assistance concerns the Millennium Challenge Corporation (MCC), a US \$480 million Development Assistance Compact aiming to reduce poverty through economic growth. The Compact seeks to assist the Sri Lanka Government in addressing two of the country's binding constraints to economic growth: (1) inadequate transport logistics infrastructure and planning; and (2) lack of access to land for agriculture, the services sector, and industrial investors. Though this is not directly geopolitics, it shows how geo-economics play a role in geopolitics. As mentioned above, the BRI program is from the Chinese side, which provides various support to Sri Lanka. All of them happen because of the strategic location of Sri Lanka. Sri Lanka is geographically located in the middle of the Indian Ocean. Therefore Sri Lanka becomes a hub facilitating easy transit of goods from China to Sri Lanka and other South-east Asian and African countries. For example, currently China imports energy from the Middle East and minerals from Africa. All of them pass through Sri Lanka.

Geopolitical Factors influencing Sri Lankan Domestic and Foreign Policy

In the recent political and economic trends, geopolitical factors are highly significant in formulating a country's, particularly small nations', domestic and foreign policy, and Sri Lanka as a small nation is not an exception. From the geopolitical point of view, almost all the South Asian small nations except the largest one, India, with their specific geographical location, though Sri Lanka and the Maldives are small islands, are affected positively and negatively by two big powers- India and China. These two powerful nations directly or indirectly influence the internal and external affairs of these small nations in very many ways. With globalisation and economic liberalisation, such influences mainly come through economic affairs and relations such as financial assistance, foreign direct investment, and foreign trade (Blackwell & Harris, 2016).

Given the strategic location and India's geopolitical interest, India is one of the key influencing factors in Sri Lanka's foreign and domestic policies. Indian influence in Sri Lankan affairs can be seen in all the areas such as economic, political and social. One good example is the North and East civil conflict. It badly affected Sri Lanka's rapid economic growth after economic liberalization in 1977. Since the 1980s, Sri Lankans have lived with a frightening civil conflict for nearly thirty years. India directly influenced the establishment of the provincial council system in Sri Lanka. Sri Lankan government spends heavily to maintain provincial councils. However, Indian influence is largely driven by its geo-economic objectives. India influenced Sri Lanka by funding development projects such as housing projects in the North and the Estate sector through the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). China also uses geo-economics to influence Sri Lanka affairs. Hambantota Port, Colombo International Financial City, many road development projects as well as FDIs are some of the examples of Chinese geo-economic involvement in Sri Lanka. These come as a part of the 'Belt and Road' project. These examples show how geo-economics plays a role to maintain regional power (Søilen, 2012).

Opportunities of Geopolitics and Geo-economics

With this new development in geopolitics and geo-economics, Sri Lanka, with its rich resource base and strategically spirited location, is emerging as a region of immense economic potential. The region is growing faster than the global average. The region has become a new growth pole of the global economy. Under BRI, China supports Sri Lanka to build railways, highways, and aviation infrastructure, including ports, transmission lines and

telecommunication networks. In addition, the BRI will also improve soft infrastructures such as structural reforms and improvements in trade policy. In this way, the investment climate in the country will be improved and integrated into the global value chain. Geo-economic development (BRI and MCC, and others) is a good opportunity to create new job opportunities in Sri Lanka. Through direct involvement in the construction of new infrastructure facilities and the creation of new service industries, increased tourist arrivals and increased trade, those projects will boost employment within Sri Lanka. For example, it has been estimated that the CIFC (Colombo International Financial City) alone provides about 80000 jobs. This is also true for all South Asian countries; as Hina Rabbani Khar, the former Minister of Foreign Affairs of Pakistan, pointed out, “China’s growing economic investments in South Asia will inevitably create a sizable political space for the country. This will erode some of the influence the US and other western countries have had in South Asia. In emerging as an alternative source for infrastructure financing, the likes of the World Bank and the Asian Development Bank will also see their vast influence erode. Within South Asia, India will continue to look at China’s growing influence as a direct threat to its path of emerging as a regional power. For all of the reasons mentioned above, Pakistan, Bangladesh, Sri Lanka, and Nepal will be winners as China offers them much-needed funding in large-scale infrastructure and regional connectivity projects.” (2017).

Challenges and Geopolitical Dilemma

Small states face several challenges in the geopolitical environment. As pointed out by Mitchell and Scheunemann (2014), one of the challenges that small states face is ‘the balance-or-bandwagon’ dilemma. In many cases, small states struggle to balance foreign policy as powerful nations use geo-economics strategies such as aids, credit lines, and foreign direct investments to keep small states in their bays. Mongolia is one example of how two neighbouring giants, namely Russia and China, play geopolitics. Mongolia becomes so vulnerable. Sri Lanka is more vulnerable because of her strategic location in the world. The US is also interested in the South Asian region. Ambassador Robert D Blackwill in his speech at the Ananta Aspen Center once mentioned that

As you know, China claims almost the entire oil- and gas-rich South China Sea, and dismisses competing claims from Taiwan, Brunei, Vietnam, the Philippines and Malaysia. Japan also has a territorial row with China over islands in the East China Sea. In each of these cases, Beijing uses geo-economic instruments, including access to the Chinese market, to try to affect the policies of these governments. What should be the U.S. and Indian response? Surely not military. Instead, the strength of the economies of America’s Asian allies and of India will be preeminent factors in their ability to resist these PRC geo-economic instruments and to stand strong in maintaining the current balance of power in Asia and attempting to shape future Chinese external behaviour (2014).

As Sri Lanka engages with the BRI and the MCC, the country needs to balance the relationship with China, India and other major power-holders with an interest in the Indian Ocean. Balancing the relationships with all the power-houses is a real challenge because various types of pressures and risks come externally and well as internally. However, if Sri Lanka plays the game wisely, Sri Lanka will benefit.

Policy Implications

The recent development in geopolitics and geo-economics has the following implications for policymakers. Policymakers in different areas such as economic policy, foreign policy, industrial policy, and so on, cannot work out policies in isolation. All of the actors work together and carefully design policies by studying geopolitical trends regularly. Policymakers also need to understand that formulating and implementing foreign policy involves a greater range and diversity of actors than before. This means that policymakers need to understand the political economy of support and resistance for various development projects that the

government might accept or reject. Pure economic criteria is not good enough in evaluating development projects. Sri Lanka is already in a severe debt trap now. Without falling into the trap further, Sri Lanka needs a plan for economic diplomacy which must be far beyond political diplomacy. It must go with the long-standing aspiration of developing Sri Lanka as a tourist, trade and maritime hub of the Indian Ocean region. Sri Lanka requires a substantial expansion and upgrading of its infrastructure, and also needs to be better connected to regional markets and value chains. Necessary financial support can be obtained through the BIMSTEC, the BRI and the MCC. Effective and sustainable foreign policymaking in Sri Lanka will require an understanding and analysis of the geoeconomic forces that are buffeting the island state. Therefore, Sri Lanka needs strategic units to study and design foreign and economic policies. The units should be a structure for integrating international economic and strategic decisions. It may be a central unit located in the Presidential secretariat.

When one looks at the Sri Lankan policy implementation with regard to the Indo-Pacific Region, it can be seen that the Indian Ocean Region (IOR) was brought as a strong point of reference in the strong growing connection between the US and Sri Lanka. In the Maithreepaala Sirisena's Government, it has been noted that more than 200 foreign naval visits to Sri Lanka and President Sirisena were adopting the balancing foreign approach between US, China and India. As mentioned above, BRI (The Belt and Road Initiative) is a significant project which Sri Lanka is involved in to build the connections among other Indo-Pacific regions since this project aims to integrate Eurasia through the development of infrastructure (Abeyagoonasekara, 2019). Sri Lanka has implemented strategies; trade, security, socio-cultural as well infrastructure facilities under the region of Indo-Pacific. Sri Lanka conducts military exercises with India, China and Australia since the former began to support the idea for a free and open Indo-Pacific region.

Sri Lanka has engaged in regional cooperation/organization to enhance the multilateral relations in the Indo-Pacific region. It has become a platform for Sri Lanka to implement the policies in the Asia-Pacific region. To ensure maritime security in the Indo-Pacific region, Sri Lanka has joined several regional organizations like the annual Galle Dialogue on maritime security to enhance rule of law on the waters of the Indo-Pacific. The Indian Ocean Rim Association (IORA) as the lead Coordinator of its Working Group on Maritime Safety and Security; Sri Lanka as a dialogue partner of the Shanghai Cooperation Organization (SCO) and Sri Lanka as the current Chair of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) (Gunawardena, 2020). Going beyond Sri Lanka, it is also equally important to examine policy strategies in the key players in the region although it is not the main focus of the current paper. One should not forget that the historical rivalry between China and Japan is also a vital tension in the Indo-Pacific region. However, ASEAN is the main platform where China and Japan can build some good connections and that would be a great opportunity for the trade agreement and infrastructure projects in the region of Indo-Pacific.

Conclusion

Sri Lanka has become a primary target for many powerful nations due to its strategic location in the Indo-Pacific region. Among all the powerful nations, two immediate neighbours, China and India, heavily influence domestic affairs of Sri Lanka. At the same time Sri Lanka maintains relationships with the US, and Japan. As for Japan, until recently it was just confined to providing grants and financial aid, thus not reaping many tangible benefits. Therefore, in conclusion, Sri Lanka cannot survive independently as mentioned above, rather it has to choose what should be implemented as a small country. Sri Lanka's choice is to bandwagon or balance in the neighbourhood or extra regional countries. However, it should be determined by the cost benefit approach. Small nations are always interdependent with other powerful nations. Their security is in a dilemma. Hence, as a result of the increasing competition in the Indian Ocean and emerging uncertainties, Sri

Lanka should choose the strategy of bandwagoning. Since Sri Lanka cannot compete with the rival countries independently as it is still developing as well as a small nation, the suitable approach of Sri Lanka is to align with powerful countries who have accepted Sri Lanka as a friend.

In the balancing approach, countries have to face the threat of rival countries while in the bandwagoning approach, countries ensure survival by cooperating with the same capacity countries such as the relationship between Sri Lanka and China, Non-Aligned Movement (NAM) countries. Economics, politics, and military alliances in the world may no longer follow the same curve as before and there is no exception for the Indo-Pacific region. The future of the Region is fraught with challenges that require a much better understanding of both the strategic issues and economic interests. Countries look towards moving away from globalisation to regionalisation. In recent years, we see the rising wave of protectionism across the world. These may offer quick wins but over the long term may reduce growth, increase poverty and create more political and social unrest, especially for small countries like Sri Lanka.

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