

Sino – Lanka Relations: A Critical Study on Chinese Importance in Sri Lankan Economic Development

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Abstract: China as an economic giant, desires for strategic interest in Asian countries to counter Indian rising. Sri- Lankan geopolitical location attracts China so that it can create a new hegemonic dimension in the Indian Ocean. This research aims to critically analyze to what extent Sri Lanka is more important to china and how china influence Sri Lanka's economic development. Besides this paper focuses on how political, economic and strategic interests of the China works behind to make Sri Lanka more and more dependent on them with the economic investment to Lankan projects and trade activities. To find the answers, it aims to convince the changes in economic conditions in Sri Lanka due to the power and investments of China as their strategic plans. Chinese importance towards Lankan economy is discussed with neo-realism theory, realism and liberalism with the support of critical theories in International Relations. Relating Chinese strategy in Sri Lanka, economic development projects highlighted by China, power expansion in the Indian Ocean and Chinese hiding intention aspects are correlated in this paper. In this process, several critical areas have also been highlighted and connected.

Keywords: Realism, Belt and Road Initiative, String of pearls, Hegemony, Strategic culture, Investment policy

I. INTRODUCTION

In the present world, corruption and political instability have a negative effect on growth and development. Openness, share of investment in GDP, investment in transport and communication, development of financial system and technology diffusion and innovation are considered as one of the governance-related factors which positively impact on the growth. Market distortions, inflation, budget deficits and share of government spending in GDP, on the other hand, are considered as the second category of variables which reflect the institution and negatively affect economic growth. All of the evidence shows that effective economic policymaking has to be coupled with strong institutional arrangements to sustain economic growth and social development.¹ China and Lanka have undertaken smooth extensive economic relations during

the past three decades starting in 1978.² At the period economic reforms were introduced, both nations have faced similar standards of economics crisis, particularly, low industrial and agriculture production, low per capita income and social conditions. These frustrating conditions influenced and helped the dramatic restructuring of their economies. It is the rise of China more than that of India that has become a major concern for major powers like the United States, the European Union (EU), and Japan. Economically, China has witnessed an annual growth rate of more than 10 percent in the last two decades. China is a prominent economy in the world and has also emerged as the largest trading partner of the US, EU, India and Japan. Due to the growing Chinese influence in Sri Lanka, the economic cooperation of the Indian Ocean island nation assumes increasing importance as a regional trading hub in one of the world's busiest important and sea lanes. Mean time in the recent years, Beijing has invested heavily in Sri Lanka's infrastructure as part of its- "string of pearls" policy aimed at establishing a naval presence across South Asia by building ports and other facilities in neighboring countries – including Pakistan, Bangladesh, and Myanmar.³ The expansion is part of its (OBOR) "One Belt, One Road" project, a new trade route linking China with the West, underpinned by billions of dollars of infrastructure investment. Ultimately Sri Lanka became a turning point of Chinese power expansion and gain huge scale development projects in economic aspects.

II. RATIONALE OF THE STUDY

Sri Lanka becomes one of the most important strategic geographical locations in the South- Asia. As a Regional superpower, China influenced Sri Lanka in many ways. Providing foreign aid is something that makes Sri Lanka much more dependent on China which ultimately can influence for fixing foreign policy of Si Lanka. So a careful and critical look at China's motivation behind investing and showing interest in Sri Lanka would be highly helpful in understanding

²ibid

³Singh, G. (2018). *Evolution of China - Sri Lanka Relations*, Retrieved from, [https://www. Evolution-of%20China-SriLanka-Relations.pdf](https://www.Evolution-of%20China-SriLanka-Relations.pdf).(Page-3).(Accessed on 1838, 18 September 2019)

¹Jayathilake, M. B. (2015). Economic Reforms and Growth Experiences: A Comparative Study of China and Sri Lanka. *International Journal of Management Science and Business Administration*. 5(1), 31-37. Doi: 10.18775/ijmsba.1849-5664-5419.2014.15.1003

the role of these regional power, and also many critical issues in international relations. Moreover, it will definitely help the countries and policy makers to give a second thought to deal with China. Unfortunately, island nation has already witnessed the traps of the Chinese political, economic and strategic plans.

III. OBJECTIVE OF THE STUDY

The basic purpose of the research paper is to investigate the current nature or Lanka's economy and importance of China through bilateral relations. It focused to examine economic reforms in Sri Lanka and what are the Chinese strategic and economic plans towards the island nation. It based on the various financial investments and economic support which china dominates policies over the small island nation in the Indian Ocean. The specific objectives include:

- Identify the key features of economic development in Sri Lanka;
- China's importance towards the Sri Lankan economic development;
- Strategically goals of China through the financial investments; and
- Identify the economic issues of Sri Lanka due to the Chinese power expansion through economic reforms.

IV. RESEARCH QUESTION

The central research question is, "to what extent Sri Lanka is more important to China and how does China influence on Sri Lankan economic development". This study seeks to find out how Sino importance changes the economy and achieving its strategic goals.

V. RESEARCH METHOD

This study is followed by exploratory research design based qualitative research approach. Where qualitative research is an unstructured, exploratory research methodology based on all secondary information. Data for this qualitative analysis were collected from secondary sources like, by consulting various relevant journals, studies conducted by various donor and development agencies, relevant books, reports and articles used and the information published in the various newspapers and websites in current times have been consulted in order to present relationship status between China and Sri Lanka. Collected data and information were then processed and analyzed to present the findings in a very logical and objective manner. A large share of the data has been collected from the internet and unjustified websites were carefully avoided in this regard.

VI. LITERATURE REVIEW

This chapter reviews the existing literature relevant to this study. This chapter also identifies theoretical background of this research and explains how conceptual model has been developed according to previous literature. Research has included the knowledge acquired by different research, books,

magazines, websites, and articles. Various statics and definitions have been mentioned and compared after observing the literature materials mentioned above. Therefore it's easy to identify economic development of Sri Lanka and how Chinese importance influenced that development procedure. At the end of the chapter researcher has noted down the significance of this study after comparing various research and analysis done by different authors Views.

A. Chinese contribution to the economic development and growth

According to the foreign policy of china which they have open to the outside developing countries focused on the mutual benefits, development and equality, extensive trade relations, technological and economic cooperation and also the exchange of cultural and scientific resources also important to promote common prosperity among developing countries. China has a long history of south- south co-operation which supports to the developing countries working together for their common challenges, development issues.⁴Technological, economic factors are more important which they seek for the Chinas' helping hand in various fields. Most of the countries diversify and expand the development links and economic co-operations through powerful tools, partnerships, creating more global interdependence and global governance under the present leader of Xi Jimping.⁵ Countries like Bangladesh, Myanmar is getting huge benefits and economic, political focused from Chinese side which seeks for the power and strategically benefits of those states by investing. This has become a trap to those developing countries which they kicked down towards problematic economic crisis. The importance of advanced innovation and moving towards technological development are the ways to Chinese power towards the developing nations.

B. Economic relationship between Sri Lanka and China

Sino and Lanka relations starting from the 1952 Rubber-Rice Pact, the economic relations between the two nations have grown over the years with unprecedented growth since 2005.Chinese military assistance helped overcome three decades of conflict with LTTE Sri Lanka and Soviet financial assistance to other areas of the Sri Lankan economy, in particular, infrastructure development has also strengthened. Although Sri Lanka's trade and investment ties with China are not very strong, the increased Chinese financial assistance has had some spill over effects in strengthening these in recent years.⁶ Sri Lanka has signed a Free Trade Agreement with

⁴ Asante, R. (2018). China and Africa: Model of South-South Cooperation? *Research gate*, 4(2), 259–279. Doi: 10.1142/S237774001850012

⁵Feng, D. and Cong, W. (2017). South Asia threatened by Chinese projects in Sri Lanka, *Global Times*

⁶Feng, D. and Cong, W. (2017). South Asia threatened by Chinese projects in Sri Lanka, *Global Times*

China in 2014 but growing economic bonding with China presents both opportunities and challenges to Sri Lanka.⁷

Island nation, during the era of president Rajapaksa wanted a good friend who shields him from the United Nation. In return, Sino power quickly became Sri Lankans' leading investor and lender, and its second highest importer. This all the agreement and the MOUs build the basic foundation for Sri Lankan economic development and economic growth. During the study it focused to review how this relations and agreement maximized the Chinese contribution on economic up liften and the Chinese gaining trough the investments and projects in present day. However, this can be a negative economic impact to the Sri Lanka which they facing a huge debt from 2017 to present. Chinese invisible and master plans can create an economic crisis in this developing country which they will not be able to stand with their own economic policies and structure in front of the world economy. China has now become a major trading partner of Sri Lanka where the total trade turnover between Sri Lanka and China was USD 4202 million in 2017, although the trade balance is not in Lankans' favor, the bilateral trade relationship is nevertheless beneficial to Sri Lanka. A further MoU on Trade and Economic Cooperation was signed in May 2013, where both countries agreed to establish a joint working group to study the feasibility of a China-Sri Lanka free trade agreement, and to discuss the expansion of Sri Lankan exports to China. The negotiations relating to the FTA are ongoing.⁸

C. Economic changes and development in Sri Lanka with Chinese influence

During the era of president Rajapaksa has changed the total policies and the bilateral relations between these two countries. However that changes through the projects of Mattala airport, Colombo port city project, Hambantota port and various other constructions change the total financial plans and functions of the country port city Colombo, financed by china agree to game changer for Sri Lanka and the government hopes for development of the country will help them, to become a trade hub between Europe, Africa, Middle East and the Asia. This port planed as the finance center accessing the Indian subcontinent's huge developing markets, attracting foreign investors and increasing the employment. Officials of Colombo port has anticipated that port can gain huge amount of overseas investments in next 25 years old also Beijing plans to make the Sri Lanka as central of "belt and road initiative" under the developing Eurasian transport infrastructure and trading route along with the silk roads. Sino focused has begun to pay renewed attention to

capital city of Colombo under Xi Jinping leadership.⁹ With the proposed One Belt One Road (OBOR) initiative and the Maritime Silk Road (MSR) project the Chinese Government started paying greater attention to the way of Beijing and Colombo perceived each particularly with permitting Sri Lanka an important hub in the MSR initiative.¹⁰ President Xi Jinping articulated the new approach in 2018, while congratulating island nation on the occasion of the 70th anniversary of its independence from English colony.¹¹ The increasing 'warmth' between China and Sri Lanka naturally caused concerns in India, especially in the context of growing Chinese involvement in the building of infrastructure projects of strategic significance, regionally, as well as domestically.

D. Importance of China through development activities

As the present condition concern Sri Lankan economy has huge downfall from the last few years. Economic statics of the 2017 to present has large debt rate which china gain the all benefits to their pockets. Here the largest portion of Sri Lankan foreign debt was international sovereign bonds, which amounted to 40% of the total foreign debt as of 2018. These are commercial borrowings obtained from international capital markets since 2007, and such bonds have resulted in responding to present treats of the economic development in Sri Lanka. External debt clearings highly affected to the domestic economic standards due to the nature of the debt and agreement they have signed. Unlike in huge loans obtained to carry out a specific development project, these financial borrowings do not have a long payback period or the option of payment in little installments.¹²

When sovereign bonds develop, it effects in a significant increase of external debt servicing costs, as the entire face value of the bond should be paid once as opposed to paying installments for mandatory loans. However, the real picture of Sri Lankan debt crisis, which is not often explained due to the political influenced of present ruling government. This has become a huge crisis in the various departments of the domestic development and functioning of the systems. Previous parties have the planning of development without seeking for future analysis on these huge economic debts to the China. This has become a burden to the local people for their day today activities which rising of the living cost in a huge margin for last few month. Rapid increasing of the fuel

⁷ Research gate, (2014). China Report 50(2),131-149 Doi: 10.1177/0009445514523646

⁸ Asirwatham, G. (2018). Overview of Sri Lanka-China relations, *Lik blogs on international relations*, retrieved from <https://www.lki.lk/blog/overview-of-sri-lanka-china-relations>.

⁹ Kleiner, F. (2018). South China Morning Post, Chinese-built port terminal in Sri Lanka makes waves, Retrieved from <https://www.scmp.com/business/companies/article/1876793/chinese-built-port-sri-lanka-makes-waves>, (accessed October 17,2019)

¹⁰ Xinhua, (2017). Sri Lankan cabinet approves agreement with China on Hambantota Port, china daily, Retrieved from http://www.xinhuanet.com/english/2017-07/26/c_136473054.htm, (accessed October 19,2019).

¹¹ Singh.G.(2018). Evolution of China - Sri Lanka Relations, Retrieved from https://www.Evolution-of%20China-SriLanka-Relation_s.pdf, (Pp-2-5),(Accessed on 1838, 18 October 2019)

¹² Umesh, M. (2019).The diplomat Is Sri Lanka Really a Victim of China's 'Debt Trap'?, Retrieved from <https://www.the-diplomat.com/2019/05/is-sri-lanka-really-a-victim-of-chinas-debt-trap/>

prices, taxes on vehicles and goods and services has kicked the middle class families to the hands of poor people. And also less developed people are not able to raise their head from this burning tax issues. Huge economic pressure on poor people and middle class people is guide towards more destructive era of Sri Lankan economy. Debt paid to China is in fact of the iceberg, and that should make the debt crisis all the more alarming. The famous Hambantota port deal and also Mattala airport is main two debt hub which has no income in large scale and benefits to the domestic economic goals. This also had a huge political influence to build and continue those projects under Chinese investments. These conditions are primary issue of Chinese debt that Sri Lanka has much larger economic issues which go well beyond the debt belong to China.

However present debt rate said that, island nation would have encountered concerns pertaining to external debt sustainability and persistent balance of payment issues even in the absence of Chinese debt. And also there were serious concerns regarding the economic sustainability and the necessity of the projects financed by the Chinese at the time those were initiated.¹³ However bigger issue behind Sri Lanka's debt crisis was the wish to borrow from international capital markets at commercial rates at a time when the country's exports were going rapid downfall while the government confidently failed to fix present systematic issues like the reduction of trade and commerce, risings security crisis of domestic economy, and reduction government revenue. Mainly those systematic issues, seriously focused regarding debt, financial management are burning issues to financial ministers and other governing bodies. Resolving the problem has becoming consistent effort for reforms, which involves serious political challenges. From 2015 after Mahinda Rajapaksa government was dominated the power in national elections, the new government increased the progress of Chinese projects. The Port City construction which is a main project halted from early 2015 started after the Chinese investors and the new government reached an agreement on land governing, resource handling and sharing income through those major projects. According to the statics and views of the present economist's this impact on the domestic agriculture, industries and development projects.¹⁴

VII. CONCEPTUAL FRAMEWORK

The analytical framework of the study has been drawn up on the basis of the definition of Structural realism, a theory of international relations that says power is the most important sector in international relations. The idea is firstly given by Kenneth Waltz in his 1979, *Theory of International Politics*.

Neo-realism is mainly focused theory which realism and liberalism also influenced and viewed the Lankans economic and political decisions relating to basic two theories in international relations. Liberalism focused by Chinese government is to expand co-operation and bilateral relations in south region of the Indian Ocean. Countries like Maldives, Bangladesh and Sri Lanka are main targets of this liberalism based activities of PRC which they expand their hands to the globe. Under the realism coming out from Indian orbit South Asian countries want Chinese cooperation. As a result China took the advantages through their various financial investments and economic policies. As the Chinese liberal strategies, its naval base is located in the Chinese control Port of Doraleh to the west of Djibouti City. To the South side of the city there are several other foreign military naval bases, including one of the United States Navy, Base of French Air Force, and the Japan Self-Defense Force base in the city Djibouti.¹⁵ Main importance of this fixed base is to establish their military power and have the Chinese control all around the Indian Ocean. Convergence of Chinese interest on Sri Lankan strategic and economic sector became critical from the post conflict period as it provided the platform for China to build more strong and powerful relation than other powerful countries.¹⁶ From the Sri Lankan view this relation with China focused on more liberal aspects that improve co-operation and bilateral ties to counter the threats from India. This research paper aims at discussing the impact of Sino importance on economic development on Sri Lanka. The main objective of the study is to theoretically analyze the economic development of Sri Lanka and Chinese interests on island nation strategically located through many financial influences. China is taking all measures and actions to gain rivalry in Indian Ocean as Sri Lanka is an ideal and important location in this power establishing against India. Chinese competition to achieve goodwill of their neighbors is also a huge fact for Chinese importance towards the island nation. Sri Lanka has become convergence point for China due to her strategic importance in the Indian Ocean and it was intensified after the conflictual period. Many nations attempted to attract the post conflict reconstruction projects after the huge financial and infrastructure wastages during war. But China could impress more positively on Sri Lankan policy makers since its aid came with no influences for domestic politics.¹⁷ Chinese approach was more peaceful and beneficial for Sri Lanka during post war period through various projects.

Most of the countries has their own distinguished interests and those interests are decided based on their status for economically more powerful, such importance of a state will

¹³Umesh, M. (2019).The diplomat Is Sri Lanka Really a Victim of China's 'Debt Trap'?. Retrieved from <https://www.the-diplomat.com/2019/05/is-sri-lanka-really-a-victim-of-chinas-debt-trap/>

¹⁴Amantha, P. (2017). China Daily, "China-funded Colombo Port City becoming 'shining pearl of Indian Ocean,' Retrieved from http://www.chinadaily.com.cn/business/2017-04/08/content_28843049.htm, (Accessed October 17,2019)

¹⁵Surendra, K.S.Y.(2017).Contemporary Chinese Political economy and Strategic Relations, Vol. 3, (Pp 1109 – 1138).

¹⁶Zhengang,G. &Yongli, Z .(2001).The New Silk Development Strategy. *Foreign economic relations and trade publishing house, Beijing.*

¹⁷Jayathilake, M. B. (2015). Economic Reforms and Growth Experiences: *A Comparative Study of China and Sri Lanka International Journal of Management Science and Business Administration.* 5(1), 31-37.Doi: 10.18775/ijmsba.1849-5664-5419.2014.15.1003

change according to their identity which they are experiencing in the international system. Thus, interests of an economically powerful state are extended in a vast range in global politics. These countries could be in regional and also in global flat form. Those countries could identify as regional powers, great powers or major powers and also the super powers according to their impact over the behavior of other states. Importance of these states will also be based on different concerns such as resources, geo strategic locations and etc. These countries around the globe use different types of strategies in order to fulfill the specific interest. Economic power is one of the major concepts which determine their capability of achieving the task of gain interests followed by China. If a state has an ability to control the behaviors of other nation by using their capabilities such countries could be identified as powerful nations.¹⁸ This could be happened at the regional level and also in the world level. So, nations who have more power capabilities than others always try to pursue their interests by using their own capabilities and resources especially powerful states that have great capabilities in form of economic, political, military, can influence directly or indirectly on other state's behaviors. China has climbed to significant standards in the contemporary world using its great powers because of the Chinese strategic model which can use to achieve national interests of powerful China.

China's interests in post conflict Sri Lanka emanate various effects that can be analyzed by looking at their economic relations and the way their relations impact domestic, regional and international politics. Because of strategic importance of Sri Lanka, China needs to make Sri Lanka as its ally because of strategic importance and to gain South Asian hegemony towards their interests. But as a regional power in South Asia, India try to restrict the involvement of China to protect its status in the region and its security. However China extended their economic projects and financial investments in the Lankan Island to counter India. The competition on island nation became more strategically and competitive level in post war period in Sri Lanka due to various policies and political influences.¹⁹ Thus the main research focus of this study is to theoretically analyze the importance of China and their impact on post economic development in Sri Lanka. Aghion et al (2008) argue that benefits from economic liberalization in different regions differ because of initial level of technology and institutional factors as well as security.

In addition to that Barro and Martin (1991) put forward four vital factors in explaining the variation in economic growth across countries. Those factors include low level of income, basic human capital, institutions and governance related issues. According to them, the low level of income has negative impact on growth. This type of behavior is known as the conditional convergence effect. Basic human capital is

supposed to have a positive impact on growth. According to Barro and Martin (1991) and Claessens and Laeven (2003), institutions include the rule of law, property rights, corruption and political stability and better maintenance of rule of law and property rights which have a positive effect on growth and development. At the same time corruption and political instability have a negative effect on growth.²⁰ Openness, share of investment in GDP, investment in transport and communication, development of financial system and technology diffusion and innovation are considered as one category of governance related factors which positively impact on the growth (Sachs and Warner, 1997; Easterly and Rebelo, 1993). Market distortions, inflation, budget deficits and share of government spending in GDP, on the other hand, are considered as the second category of variables which reflect the institution and negatively affect economic growth (Sachs and Warner, 1997; Barro and Martin, 1991). All of the evidence shows that effective economic policy making has to be coupled with robust institutional arrangements to sustain economic growth and social development.

Thorbecke and Wan (2004) developed a framework to explain divergence on growth especially related to East Asia. The framework consists of six elements putting emphasis on agriculture development and primary education, macroeconomic stability, opening up the economy to the world emulation of technology leaders, advantage of intra East Asian connections and unused growth potential. According to the Chinese perspective towards the power domination and the resource gaining from the binary countries has increased during last few decades. These strategies of future super power showed the impacts towards the third world nations and the co –operate them towards their own benefits.

VIII. FINDINGS

A. How does China contribute Lankan economic development?

When it is talked about Sri Lanka and China relations extend back hundreds of years back. The Sri Lanka-China relations refer to bilateral relations between the Democratic Socialist Republic of Sri Lanka and People's Republic of China. But the economic relations between both countries during the rule of Sri Lankan president, Mahinda Rajapaksa, become very strong resulted in many agreements and saw closer relations due to Rajapaksa's pro-China policies.²¹ Even at the present under the Sri Lankan president, Maithripala Sirisena, the bilateral relations remain strong. Number of recent developments has shown a Pro-China slant to Sri Lanka's present foreign policy shows the continuation of Chinese investment in Sri Lanka. Island nation wants a longer-time

¹⁸ Goh., E. (2016) *Rising China's Influence in developing Asia*. Oxford University Press: Oxford Scholarship Online

¹⁹ Pethiyagoda, K.. (2015). India vs China in Sri Lanka-Lessons for rising powers

²⁰ Mahendra, S. (2011). Shadows of Asian Giants Over Sri Lanka. *The Sunday Leader*. (Pp1- 7).

²¹ Wagner, C. (2017). *The Role of India and China in South Asia*, Retrieved from <https://www.eastwestcenter.org/publications/the-role-india-and-china-in-south-asia>

period to negotiate a free trade agreement with China as it is concerned about the economic impact towards the domestic economic development during the discussions. There has been improving concern in the South Asian island nation about Sino investment, a key part of Beijing's Belt and Road initiative to create a modern-day Silk Road across Asia. Chinese investment is shown below-

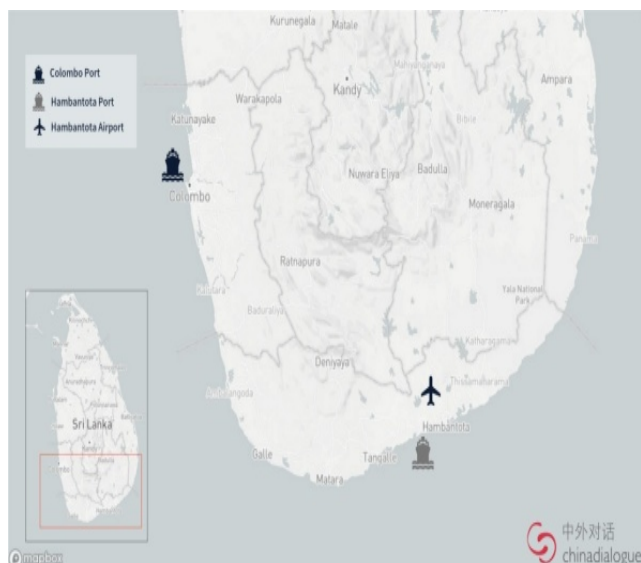


Figure 1: Major projects under Chinese investment
(Source: website China Dialogue)

In Sri Lanka, particularly during moments in recent history when much of the international community held off (example: Tsunami 2004), China supplied the Rajapaksa government with military aid and it promised large number of Sri Lankans clashed with police authorities at the opening year 2017 of a Chinese-invested industrial zone in the South, claiming they would not be moved from their land. It was added to history as first time opposition to Chinese investments in Sri Lanka had turned violent. Sri Lanka has also been trying to get investment for a little utilized airport on its Southern tip, in Mattala, (figure 1) construct at a cost of \$253 million by China, which also supplied \$230 million of funding.²² When Lankan's government first focused to develop a port on its Southern coast that faced the Indian Ocean, it went not to China, but to its neighbor, India. Then-Sri Lankan Prime Minister Mahinda Rajapaksa said the emergency needed funding to transform the harbor of his home town and asked Indian officials for helping with the project.²³ China has almost three decades invested to spend for rebuilding the country's damaged infrastructure during the post-war development era after 2009. During same period China agreed with the Hambantota port investments (figure 1), Beijing loaned Sri Lanka \$200 million in 2010 for a second international airport and a year later a further \$810 million for the "second phase

of the port project."²⁴ Beijing loaned Sri Lanka \$200 million in 2010 for a second international airport and a year later a further \$810 million for the "second phase of the port project. Main port in Colombo was constructed during the British rule and has been upgraded from time to time. It is one of the busiest ports in the Indian Ocean which has huge space to accommodate many ships.²⁵ In 2016 it was ranked the 25th busiest port and it became the 13th best connected port in 2017. In January 2018 the Colombo Port handled around 564,155 containers and is expand to handle around seven million containers in end of 2018.²⁶ Due to Chinese news has been reporting that the Colombo Port can handle more containers because of the new third terminal that was constructed with financial support by China. According to a report of the Asian Development Bank (ADB), 'the new facilities make it (Colombo) the only port in the South Asian region with a deep-water terminal that can accommodate the newest breed of 18,000 tone container ships.²⁷ Higher efficiency and faster delivery times will attract larger vessels and higher volumes of trade in Colombo Port.

China has now become a leading trading partner of Sri Lanka. The total trade turnover between Lanka and China was USD 4202 million in 2017; however the trade balance is not in Lankans favor, the bilateral trade and commerce relationship is nevertheless beneficial to Sri Lanka.²⁸ A further MoU on Trade and Economic Cooperation was signed in May 2013, where both countries agreed to establish a joint working group to study the feasibility of a China-Sri Lanka free trade agreement, and to discuss the expansion of Sri Lankan exports to China. The negotiations relating to the FTA are ongoing. These Sino investments were welcomed as Sri Lanka was in an emergency need of development aid and loans after the civil war period.²⁹ However, after the allegations of corruption and other issues, the new government has been a more careful about accepting such contracts. The huge amount of investments resulted in the construction of four lane highways, the Hambantota Port, the new international airport, a cricket stadium and a conference centre during the initial period of the Chinese projects. Below mentioned graph will help to understand Chinese investment in Lanka.

²⁴Feng, D. and Cong ,W. (2017 December 24). South Asia threatened by Chinese projects in Sri Lanka, *Global Times*.

²⁵ Economy Next, (2018). *Sri Lanka's Colombo ranked 13th best connected port in the world*. Retrieved from <http://www.economynext.com> (Accessed 0835, 19 October 2019).

²⁶ Xinhua, (2018). "Sri Lanka's Colombo Port aims to handle 7 million containers in 2018," (Accessed 19.25, 17 October 2019).

²⁷ China Daily, (2017). *China-funded Colombo Port City becoming 'shining pearl of Indian Ocean*. Retrieved from http://www.chinadaily.com.cn/business/2017-04/08/content_28843049.htm. (Accessed 17 October 2019).

²⁸ Surendra , K.S.Y.(2017). *Contemporary Chinese Political economy and Strategic Relations*, Vol. 3 (Pp. 1109 – 1138).

²⁹ Marlow , I. (2018). *China's Belt-and-Road Billions come With a Cost*. (Accessed 16, october 2019)

²² Mahendra, S. (2011). *Shadows of Asian Giants over Sri Lanka. The Sunday Leader*. (Pp1-7).

²³ Pethiyagoda, K.. (2015). *India Vs China in Sri Lanka-Lessons for rising powers*.

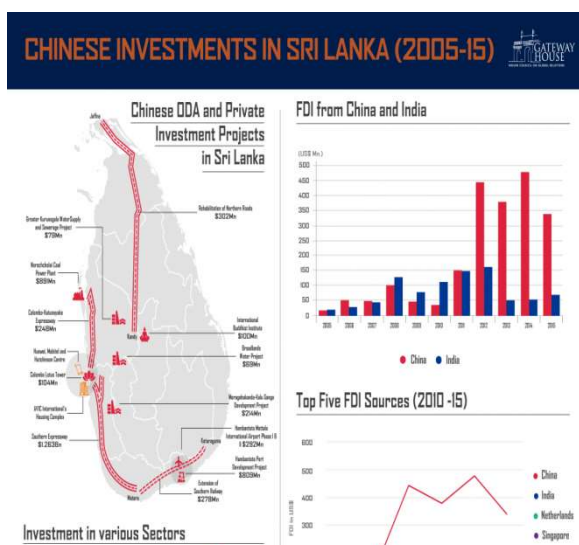


Figure 2: Chinese investments in Sri Lanka Since 2005 to 2015(Source: Gateway House, Indian Council on Global Relations)

During the year 2010, Beijing invested \$1.5 billion to build the port Hambantota under bilateral agreement.³⁰ The venture was identified economically unviable at the end, in the years that followed, the port sat empty and neglected, and Sri Lanka's debt ballooned. China's official licensing of the port in December 2017 gives it yet another point of access over a key shipping route with making economic ties between two countries. Moreover, Sri Lanka's decision to sign a 99-year lease agreement with a Chinese owned company for the Hambantota port to service some of the billions. It owes to Beijing has some researchers concerned other developing nations doing business with China as part of China's One Belt One Road initiative might fall into similar financial straits.³¹ A trap, they warn over Island nation that may well have them owing more than just money to Beijing. There was more \$272 million for a railway in 2013 and more than \$1 billion for the Colombo Port City project, ventures that hired mostly Chinese workers (one Sri Lankan report put the amount of Chinese labors dedicated to projects in 2009 at 25,000), and all with money Sri Lanka could barely afford to repay.³² According to the former president of Sri Lanka-China Business Council, L.Wickremasooriya express the Chinese Embassy's Minister of Economic and Commercial Office Yang Zuo Yuan spoke on marketing opportunities in China and entry strategies into the Chinese markets.³³ "Beginning,

³⁰Economic Times.(2017).China willing to give Sri Lanka \$ 24 billion more as part of OBOR.(Accessed on 17,October 2019).

³¹Feng, D. and Cong, W.(2017). South Asia threatened by Chinese projects in Sri Lanka, *Global Times*.

³²Mahendra ,S.(2011).Shadows of Asian giants over Sri Lanka, *The Sunday Leader*, (Pp1-7).

³³Kinling ,L. (2018).A Chinese flag flies over Sri Lanka as China extends its reach into India's backyard. *South China Morning Post*, Retrieved from <http://www.scmp.com/news/china/diplomacy-defence/article/2126897/chineseflag-flies-over-sri-lanka-china-extends-its>, (Accessed 17 October, 2019).

explore potential products or services with Sri Lankan characteristics and highlighting their special aspects is important. Now many companies from all over the world are in China which most of the products import by Lankan market. To stand out from those competitors, you must have a clear idea about what differentiates your product from others. Companies should have more effort put into creating good reputation in the Chinese market, strengthening brand awareness. Improving the quality of the products, Chinese people now have higher expectations for what is offered and companies have to set high standards for their products to better meet the changing needs of the Chinese people. This will help in appealing to the huge amount of middle-class group that is emerging in China. They have a large emphasis on the quality, personal traits and diversification of products. Expansion of production capacity, Sri Lanka has historical trade partners; China is at a middle rank compared with these countries in terms of the value of goods and services exported from Sri Lanka. With large demographic resources, China holds a huge market but the problem is that there is a shortage of Sri Lankan products, goods and services to be exported to China.³⁴ Taking full advantage of various platforms like the Chinese product courier services in Sri Lanka has developed the rate and efficiency of Chinese products in Lankan market. Development of the Chinese markets has influence to the Lankan domestic market development through large trade scale agreements.

"During most recent couple of years, the Chinese economy has kept up a middle high development rate. China positions as a market head among the significant nations with GDP ascending to \$12 trillion. China has kept up its situation as the second biggest economy and contributed over 30% of worldwide financial development.³⁵ With respect to the shopper advertise, in the year 2017, last utilization contributes 58.8% to monetary development.³⁶ As far as how this would influence Sri Lanka, visitor appearances from China arrived at 270,000, adding to the advancement of the travel industry area of the nation.³⁷ As of late an ever increasing number of Chinese organizations have additionally come to put resources into Sri Lanka. China has turned out to be one of the significant wellsprings of FDI for Sri Lanka. Contrasted and that, there is a moderately modest number of Sri Lankan

³⁴Wagner ,C. (2017). The Role of India and China in South Asia, *Eastwest center*. Retrieved from, <https://www.eastwestcenter.org/publications/the-role-india-and-china-in-south-asia>

³⁵Singh, G.(2018).Evolution of China - Sri Lanka Relations. Retrieved from, <https://www.Evolution-of%20China-SriLanka-Relations.pdf>.(P-3).(Accessed on 1838, 18 September 2019)

³⁶Pravakar, S. (2013). *The grooving dominance of China in South Asia: An Indian Perspective*, Retrieved from <https://www.tandfonline.com/China.Dominated/doi/abs/10.1080/08853908.2013.764241>

³⁷China Daily, (2017).Sri Lanka attracts over 200,000 Chinese tourists this year. *China Daily*, Retrieved from <http://www.chinadaily.com.cn/a/201710/10/WS5a0c000da31061a7384060fc.html>. (Accessed 15 October, 2019).

undertakings putting resources into China additionally," he explained. Talking on venture openings and how to draw in Chinese financial specialists, Hambantota International Port Group Function Manager Will Wang communicated that there should be upgrades to port improvement related industry approaches in the underlying time of the task.

"Sri Lanka needs a particular arrangement to help the advancement of the port-related industry at the Hambantota Port or even in Sri Lanka economic advancement. As a financial specialist, you have explicit necessities that should be met. At the point when you put resources into some spot it ought to have an unmistakable approach," he included.³⁸ As per him, the area of Hambantota lacking dependable foundation offices is likewise an inhibitor of potential future speculations. "From the speculators' perspective the power and water divisions are especially testing in the Hambantota zone. For financial specialists, they need continuous water and power supply to meet their prerequisites yet now when they go to the Hambantota port we can't guarantee them dependable utilities," he further expounded.³⁹ He expressed that if these perspectives were improved, more financial specialists and FDI would stream into the nation. Wong likewise proposed building noteworthy motivator projects and bundles so putting resources into Sri Lanka would be all the more speaking to future speculators.

In December 2017 the concessional concurrence as for the Hambantota port was marked between CM Port and the Sri Lankan Port Authority. China Merchants Group is the holding organization of China Merchants Ports which was established in 1872.⁴⁰ The organization set up the absolute first trader armada in China. Hambantota port is located just 10 nautical miles from the worldwide exchange course. Hambantota International Port Group is the single biggest port in Sri Lanka. It is an essential area of China's Merchant Port arrangement of more than 52 marine terminals crosswise over five landmasses.⁴¹ A backup organization, Hambantota is a national port assistance organization a joint endeavor of HIPG and Sri Lanka Port Authority. It is answerable for giving security, route and different offices inside the port. Lankan's are presently cooperating to guarantee the productivity and solid moving of all payload inside the port. Later on, the port-related industry will be created in Hambantota, making it a far-reaching import port in South Asia. In the coming years we will work in five distinct organizations in the Hambantota

port. Port activities, marine administrations, port related industry and as a venture hatchery are in these five organizations.⁴² Presently Hambantota port has been capable pull in numerous potential remote financial specialists and has gotten a few propositions from numerous neighborhood and global speculators. At present Hambantota port and HIPG completed as intently as conceivable with all potential nearby and worldwide financial specialists to acquire required endorsements and furthermore to consent to arrangements. The port related industry will be placed energetically sooner rather than later. As more speculators visit this port, their prerequisites likewise become exceptionally clear. EDB Director of Market Development Anoma Premathilaka talked on the job of the EDB in creating fares to China by expanding market assistance.

It is a major accomplishment contrasted and the situation of China on the rundown a couple of years back. On the import side, while India is our greatest shipper a nearby second is China with almost \$4 billion worth of imports. Lankan's primary fare items to China are attire, tea, elastic, coconut and flavors; however there is additionally a ton of rivalry in these business sectors.⁴³ To expand this pace of fares, the EDB is leading different endeavors with the goal that Sri Lankan exporters are better prepared to deal with rivalry. These endeavors incorporate limit building programs, exchange assistance, undertaking improvement bolster plans, exchange fairs and displays And additionally give preparing in send out strategies and operational viewpoints to make the up and coming age of nearby business visionaries to enter the fare markets," she stated. SLCBC Immediate Past President L. Wickremasooriya talked about the parts of working with Chinese accomplices. "The job that culture impacts the exchanges is enormous in China. It is essential to comprehend the social subtleties when working together in China. As a rule the social and language hindrance is the reason dealings come up short. Persistence and adopting a specialty strategy when working with Chinese accomplices is totally significant," he included. The event likewise incorporated a board dialogue directed by Daily FT Editor N.Cassim, to share their points of view on improving fares to China and pulling in ventures to Sri Lanka.

Huge amount of investments resulted in the building of four lane highways, the new international airport, a cricket stadium and a conference centre other than the port.⁴⁴ However, on his

³⁸Feng , D. and Cong , W.(2017). South Asia threatened by Chinese projects in Sri Lanka, *Global Times*.

³⁹Press trust of India (2018).China's acquisition of Sri Lankan Hambantota port highlights 'debt trap' to gain influence around world. *first post* .Retrieved from ,at <https://www.firstpost.com/world/chinas-acquisition-of-sri-lankan-hambantota-port-highlights-debt-trap-to-gain-influence-around-world-says-report-4599911.html>,

⁴⁰Scott, D. (2008). The Great Power 'Great Game' between India and China: *The Logic of Geography*.(Pp. 1 – 26.).

⁴¹Surendra, K.S.Y.(2017). Contemporary Chinese Political economy and Strategic Relations, Vol. 3 (Pp. 1109 – 1138).

⁴²Jayathilake, M. B. (2015). Economic Reforms and Growth Experiences: A Comparative Study of China and Sri Lanka. *International Journal of Management Science and Business Administration*,5(1), 31-37.Doi: 10.18775/ijmsba.1849-5664-5419.2014.15.1003

⁴³South China Morning Post. (2018). China trade pact talks with Sri Lanka hit major hurdles, Retrieved from <https://www.scmp.com/news/china/diplomacy-defence/article/2148748/china-trade-pact-talks-sri-lanka-hit-major-hurdles>, (Accessed 12 October,2019)

⁴⁴Haimin, H. (2017). China, Sri Lanka agree to deepen cooperation in all fields.*Xinhua*, Retrieved from. http://www.xinhuanet.com/english/2017-03/21/c_136145887.htm, (accessed october18, 2019).

visit to Beijing, after being elected president in 2015, Maithripala Sirisena guaranteed to the Chinese projects as new ruler in island nation. There was no surprise, then that in July 2018; the PRC Government announced a \$295 million 'gift' to Sri Lanka.⁴⁵ The Lankan president is expected to use this valuable 'gift' to build a kidney hospital in his home town of Polonnaruwa, which is around 230 km from Colombo.⁴⁶ During the year 2017, the Sino Foreign Direct Investment (FDI) in Sri Lanka amounted to 35% of the total FDI.⁴⁷ In May 2018 Lanka's Megapolis and Western Development ministry signed an agreement with the China Petroleum Pipeline Engineering (CPPE) to construct underground sewage and pipelines in Colombo with a completion deadline of 2020.⁴⁸ After number of investment projects, in May 2018 the PRC Government also accepted the loan of a billion dollars for the construction of the first phase of the road linking Colombo with Kandy.⁴⁹ The Bank of China opened its first official branch in capital city in March 2018. During the opening ceremony, Sri Lankan Prime Minister Ranil Wickremesinghe said, "The Bank of China is opening (its branch in Sri Lanka) at a time when Colombo city is transforming into a megapolis. Bank of China has a vital role to play in helping this island by strengthening our local businesses while also being able to attract more Chinese investments into the country" he added.⁵⁰ Another area in which Sino-Lanka relations have strengthened is in the field of space cooperation. In 2012 the Sri Lankan and Chinese companies, Supreme SAT private Ltd and the China Great Wall Industry Corporation, launched a communication satellite. This cooperation was further developed and expands in year 2017; the China's Wuhan Optics Valley BeiDou announced its plans to establish 10 Continuously Operating Reference Stations (CORS) in Sri Lanka to extend its Beidou Navigation System (BDS). This is an effort to extend the Sino navigation system to South Asian region.⁵¹ In 2018 CaiXiaoru, administrator of the Shenzhen

recorded organization, Tatwah Smartech reported its enthusiasm for putting up to \$30 million in Supreme SAT, the Lankan satellite organization. He additionally said that Sri Lanka was in a decent position to get ventures under the OBOR "as a result of Lanka's one of an important land location". The exchange among China and Sri Lanka has been reliably developing and in 2017 their two-sided exchange was around \$4.4 billion.⁵² However, the Sri Lankan Government gives off an impression of being mindful with regards to the Free Trade Agreement (FTA) which was declared in August 2013. The Chinese and the Lankan sides have been arranging this arrangement as Sri Lanka is stressed over the unlimited progression of Chinese products.

The Sri Lankan minister to China, Karunasena Kodituwakku, communicated these worries when he stated, "Chinese imports are imperative to Sri Lanka, yet opening up the entire thing in a brief timeframe may make a few issues for neighborhood organizations. Along these lines, we need to adjust it". The two significant obstacles in the method for finishing up the settlement are: First, the interest for 'returning to the circumstance in ten years,' as Sri Lanka needs to have the option to survey the circumstance under the FTA in 10 years which isn't worthy to Beijing; and second, Beijing needs a zero levy concurrence on just about 90 percent of the merchandise exchanged between the two nations, while Colombo needs this to be appropriate to around 50 percent of the goods. The deferral in the FTA understanding additionally shows that Sri Lanka needs to offset Indian worries with the Chinese push for speculations. It will likewise help Sri Lanka in keeping up some vital self-sufficiency and power over its household economy. One Belt One Road the OBOR, which is a terrific worldwide activity proposed by Xi Jinping in 2013, is bundled by China as a success win open door for everybody. The Chinese have declared significant venture designs over the globe for the improvement of framework and availability to help encourage exchange and the progression of individuals. Sri Lanka is a significant piece of this amazing plan of China. Despite the fact that Colombo has been attempting to reimburse the \$8 billion obligation it owes China, the Chinese Government under the OBOR conspire, has demonstrated its enthusiasm to contribute a further \$24 billion. The Sri Lanka outside priest Ravi Karunanayake has guarded his nation's choice to join the OBOR by contending that "We are a little nation and our international strategy is companions with all, foes with none".⁵³ A joint proclamation

⁴⁵Pattanaik, S.S. (2015). Controversy over Chinese investment in Sri Lanka. *East Asia Forum*, Retrieved from <http://www.eastasiaforum.org/2015/06/05/controversy-over-chinese-investment-in-sri-lanka/>, (Accessed, October, 2019).

⁴⁶ South China Morning Post, (2018) "Sri Lankan President Maithripala Sirisena welcomes US\$295 million 'gift' from Beijing despite controversy about reported election funding." Retrieved from <https://www.scmp.com/news/asia/south-asia/article/2156348/sri-lankan-president-maithripala-sirisena-welcomes-us295>, (accessed october, 15 2019).

⁴⁷ Xinhua. (2017). China tops in Sri Lanka's FDI for 2017. *Chinadaily*. Retrieved from <http://www.chinadaily.com.cn/a/201712/11/WS5a2df113a310eefe3e9a1651.html>, (Accessed October 18, 2019).

⁴⁸ Xinhua. (2018). Chinese company to construct underground pipes to prevent floods in Colombo. *China Daily* Retrieved from <http://usa.chinadaily.com.cn/a/201805/31/WS5b0f8cc5a31001b82571d702.html>, (Accessed October 18, 2019).

⁴⁹ NDTV. (2018). *China Clears \$1 Billion Road In Sri Lanka, Countering India Influence*. Retrieved from <https://www.ndtv.com/world-news/china-clears-1-billion-road-in-sri-lanka-countering-india-influence-1852149>, (Accessed October 15, 2019).

⁵⁰ Liangyu, J. (2018). Bank of China opens first branch in Sri Lanka. *Xinhua*. Retrieved from http://www.xinhuanet.com/English/2018-03/29/c_137074423.htm. (Accessed October 17, 2019).

⁵¹ Goh, D. (2017, April 3). China to Develop At Least 10 BeiDou Satellite Stations in Sri Lanka, *Tech Asia*, at <http://www.spacetechnasia.com/china-to-develop-at-least-10-beidou-satellite-stations-in-sri-lanka/>, (accessed October 18, 2019).

⁵² Daily News, (2018, May 22) "China Guangxi Products Exhibition concludes on high note," Retrieved from <http://www.dailynews.lk/2018/05/22/business/151539/china-guangxi-products-exhibition-concludes-high-not>, (Accessed October 18, 2019).

⁵³ Roche, E. (2017), "Sri Lanka defends decision to join China's One Belt One Road project," *Live mint*. Retrieved from <https://www.livemint.com/Politics/IZg4QfnterSduhYalbP9s/Sri-Lanka-defends-decision-to-join-ChinasObor-project.html>, (Accessed October 18, 2019).

gave at the finish of the official visit of Prime Minister Ranil Wickremesinghe to China in April 2016, expressed that Sri Lanka repeated its dynamic support in the Belt and Road Initiative set forward by China, as Sri Lanka was in old occasions, the focal point of the Indian Ocean exchange and, expects to restore this status again.⁵⁴ The different sides consented to advance commonly valuable collaboration for improvement. Sri Lanka shared the enthusiasm of China in building the 21st Century Maritime Silk Road for more prominent financial participation, which will be a street of fellowship, monetary collaboration, socio and social trade and network. The different sides will utilize the improvement of a 21st Century Maritime Silk Road as a chance to further propel foundation advancement, the China-Sri Lanka FTA exchanges, advance joint endeavors and grow collaboration in the zones of economy, culture, science and innovation and individuals to individuals contacts to guarantee that advancement carries advantages and more expectations to the individuals and to fabricate a network that have a common predetermination.



Figure 3: One Belt, One Road initiative China (OBOR)
(Source: Newspaper, Daily outlook Afghanistan 2017)

The Sri Lankan Minister for Foreign Affairs Tilak Marapana met Wang Yi, his Chinese partner in Beijing on October 30, 2017. During this visit Wang Yi stated the significance of OBOR for this relationship and furthermore featured five zones for shared participation. These included, reinforcing of customary fellowship and political trust, participation on significant undertakings, conventional exchange and venture collaboration, sea collaboration, and individuals to individuals exchanges.⁵⁵ However, the Sri Lankan Government has taken in its exercise, that despite the fact that China has all the

earmarks of being an option in contrast to existing loaning establishments like the World Bank and International Monetary Fund (IMF), which are believed to be meddlesome, the Chinese credits additionally accompany significant strings attached. There is likewise no significant increase for the household economy as far as occupations and different roads, as the Chinese organizations will in general bring their own workforce and seldom utilize the nearby individuals; even the apparatus is imported from China. The experience of Sri Lanka, for the most part alluded to as the Sri Lankan model of Chinese venture, has been a significant learning point for all the littler South Asian nations, who seem quick to acknowledge the as far as anyone knows 'no surprises' credits and framework speculations from Beijing. Tom Miller contends that 'For China to understand its Asian dream, it needs to satisfy its guarantees of conveying commonly advantageous advancement. For whatever length of time that the doubt remains that Beijing's abundantly vaunted 'win-win' strategy truly speaks to a twofold triumph for China – and that its well-disposed words about shared business increase are extremely a smokescreen for increasingly self-intrigued targets – it will neglect to win the trust of its neighbors'.⁵⁶ The Chinese ventures example looks progressively like a recently bundled 'neo - expansionism'. China, which has always remembered the inconsistent bargains and what they did to its economy and society, is really rehashing the equivalent with other littler and more fragile nations. These new 'inconsistent settlements' are joined by the guarantee of venture and development, however over the long haul they are planned for expanding Chinese command over domains economic control in the Sri Lankan soil.

B. Why Sri Lanka is much important in security and economy of People's Republic of China:

Relations between both countries during the rule of Sri Lankan president, Mahinda Rajapaksa up to 2015, become very strong resulted in many agreements and saw closer relations due to Rajapaksa's pro-China policies.⁵⁷ Even at the present under the Sri Lankan president, Maithripala Sirisena, the bilateral relations remain strong. More over Sirisena interested in balancing both India and China but recent developments have shown a Pro China slant to Sri Lanka's present foreign policy shows the continuation of Sino investment in Sri Lanka. When we are considering from the Chinese perspective Sri Lanka is located in one of the most important strategic location and it is un-doubtable that Sri Lanka is a very important country on the String of Pearls which is part of the Chinese strategic initiative in the Indian Ocean, known as the Maritime Silk Road and is part of the bigger development projects mainly countries like Sri Lanka. When we are talking about the reasons that China shows

⁵⁴ Goh, E.(2016) *Rising China's Influence in developing Asia*. Oxford University Press: Oxford Scholarship Online

⁵⁵ Ministry of Foreign Affairs: Sri Lanka. (2017). *Foreign Minister TilakMarapana meets with Chinese Foreign Minister Wang Yi in Beijing*, Retrieved from <http://www.mfa.gov.lk/foreign-minister-tilak-marapanameets-with-chinese-foreign-minister-wang-yi-in-beijing/> (accessed September 28, 2019).

⁵⁶ Miller, T. (2017). *China's Asian Dream: Empire Building Along the New Silk Road*. London: Zed Books, (p 195).

⁵⁷ Gopalaswamy . B. (2018). *Sri Lanka's Political Shake-Up Is a Win for China* ,Retrieved from <http://www.Foreign policy.com/2018/10/29/Sri - Lanka's - political- shake- up -is -a -win- for- china>

much interest on this small country, China is trying to secure energy resources and reduce its dependence on the Strait of Malacca, and has laid towards its “One Belt, One Road” (OBOR) initiative chain of project. So Sri Lanka becomes a most important strategic location in the Indian Ocean. More over China can deploy their naval forces in Hambantota and by establishing the naval base over there they can easily control the Indian Ocean. In the future Indian Ocean will be the battle field for many nations. Because as we know that the oil resources of middle east is getting over, and scientists found that there are huge portion of resources over the Indian ocean which gave the green signal for many of the nations including western world. Not only that Indian ocean is having one of the busiest trade root in the world again which gave the importance for China which ultimately China can put emphasis island nation was among the first nations to recognize People’s Republic of China.⁵⁸From then both the countries frequently exchanged high level visits resulting in a different types of agreements. As a result China is investing in a large scale, economically, and technologically and giving military assistance to Sri Lanka.As a result we can see that there are various investments from China in Sri Lankan infrastructural expansion. From 2004 to 2014, China provided 7 billion dollars as loans, especially including loans for the construction of a Sri Lankan port in Hambantota. In the case of Hambantota port, both the China and countries have recently come to a deal with Sri Lanka selling a majority stake in the port to the state-run by the Merchants Port Holdings of china, while Sri Lanka retains control of port security. At the same time this has open number of job opportunities to the local people in the area. More over Sri Lanka and China also share a military relationship, with China selling a range of modern armaments to the Sri Lanka Armed Forces which Sri Lanka became good market for both during and after the civil war with Liberation Tigers of Tamil Elam (LTTE). Chinese international students, business people and migrant workers have moved to the country back in 1990s and 2000s.⁵⁹ Again In recent years, Chinese engineering companies who have been contracted for projects in Sri Lanka have also brought in migrant workers from China for the larger scale Chinese. In the history such workers came back in 1970 to work on the Bandaranaike Memorial International Conference Hall. At the recent few years they worked on infrastructure projects at Hambantota, such as the Hambantota International Airport and the Port of Hambantota.⁶⁰ The port project that run by China Harbor Engineering Co Ltd, was reported to employ 328 Sri Lankan and 235 Chinese workers in the year

2008.⁶¹ Due to the involvement of Chinese workers, Hambantota locals have even begun doing sales growing and selling Chinese vegetables such as Chinese cabbage, Choy sum, and kale for their kitchens. The Norocholai Power Station, which is a fuel power plant station construction project closer Puttalam, reportedly employs 900 Chinese engineers, helpers, welders, and fitters, with the assistance of only other construction projects known to employ Chinese workers include the Colombo National Performing Arts Theater (reported to employ 1,000 Chinese workers) and a water-supply upgrade project in Colombo.⁶² Not only that but also Sri Lanka is having a huge market which china can get huge economic benefits. More over the despite its small size, Sri Lanka holds substantial strategic value by virtue of its geographic position: It is at the center of Asia's busiest maritime routes and over the years, Sri Lanka has attracted the interest of neighbor India, which intervened periodically in Sri Lanka's civil war, brokering a peace deal in 1987 and dispatching But the civil war also afforded India's regional competitor, China, the important chance to establish a footprint on the island nation. In 2005, when Indian powers left Colombo to deal with the conflict on its own, Beijing stepped in and offered the Lankan military \$1 billion in aid.⁶³ China continued to lend Sri Lanka, financial assistance even after the civil war end, providing loans and aids for development projects such as hydropower dams, roads and port infrastructure which help Sri Lanka to move towards some positive development. At present, the Lankan government owes Beijing \$8 billion, more than 12 percent of its total \$64.9 billion debt.⁶⁴



Figure 4: Hambantota port under OBOR
(Source: Colombo telegraph and Internet 2017)

⁵⁸Singh, G.(2018).Evolution of China - Sri Lanka Relations. Retrieved from, <https://www.Evolution-of%20China-SriLanka-Relations.pdf>.(Pp3-5).(Accessed on 1838, 18 September 2019)

⁵⁹Pattanaik, S.S, (2015). Controversy over Chinese investment in Sri Lanka. *East Asia Forum*, Retrieved from <http://www.eastasiaforum.org/2015/06/05/controversy-over-chinese-investment-in-sri-lanka/>, (Accessed, October, 2019).

⁶⁰Goh, .E.(2016). *Rising China's Influence in developing Asia*. Oxford University Press: Oxford Scholarship Online

⁶¹Feng , D. and Cong, W.(2017). South Asia threatened by Chinese projects in Sri Lanka. *Global Times*.

⁶²Goh, .E. (2016). *Rising China's Influence in developing Asia*. Oxford University Press: Oxford Scholarship Online

⁶³Mahendra, S.(2011).Shadows of Asian giants over Sri Lanka.*The Sunday Leader*, (P p1-7).

⁶⁴Moramudali, U. (2019).*Is Sri Lanka really a victim of china's debt trap?*.Retrieved from <http://www.the.diplomat.com>

Much of the ongoing political issues in Sri Lanka stems from China's growing influence in the country. More than 50 people were arrested in On Jan 8, 2018, after protests broke out at a ceremony marking the first brick laid at the Hambantota Industrial Zone, a 6,000-hectare (15,000-acre) industrial Meantime as the Hambantota demonstration, members of the Ceylon Ports General Employees Union staged sympathy protests at the ports of Colombo and Galle.⁶⁵ Identifying his moment carefully, former President Mahinda Rajapaksa sat for a meeting with China's ambassador to Sri Lanka to discuss concerns about the project, an initiative Rajapaksa himself proposed Members of the opposition object to the terms of the original agreement, which offers Merchants Port Holdings Co. Ltd Of China, a 99-year lease on the industrial park in exchange for granting Sri Lanka \$1.1 billion in debt relief.⁶⁶ (Activists have explained the project as the beginning of a "Chinese colony" on the island.) In the wake of the protests, the Sri Lankan government deferred signing the agreement, more to Beijing's dismay. It is not the first time China has weathered a political firestorm sparked by its development projects in the island country. In the year 2015 March, the \$1.4 billion Colombo Port City project came under criticism in Sri Lanka for appearing to grant the Chinese military capability to control of after continuous delays; the Colombo government finally gave the go-ahead to resume activities on the project, now known as the "Financial City," back in March 2016.⁶⁷ The government of China struck both deals when Rajapaksa had a tight hold on power. Since his defeat in 2015, the projects have become a source of contention between the Present administration and Rajapaksa's supporters in the opposition. The economic situation will continue to cause headaches for China, which has large scale investments in these strategic and lucrative development projects. So ultimately we can see that China is almost like the shadow of Sri Lanka who helps to develop the infrastructure and her economy. China had a stake in Sri Lanka's main port as well: China was building a new terminal there, which is known as Colombo Port City. Along with that deal came roughly 50 acres of land, solely held by the Chinese company, that Sri Lanka had no sovereignty over there. That was dramatically demonstrated toward the end of Rajapaksa's term, back in last few months in 2014. Chinese submarines docked at the harbor the same day that Prime Minister Shinzo Abe of Japan was visiting Colombo, in what was seen by the other regional members. When the new Lankan Government came to govern in 2015, it sought dilemma that the port would never again welcome Chinese submarines of particular concern because those are difficult to detect and which is

often used for intelligence gathering. At present, the control of Hambantota has given to the a live concerns about possible military use particularly as China has continued to militaries island holdings around the South Sri Lankan officials are quick to point out that the agreement explicitly rules out the use of China's military in site. But many note that Sri Lanka's Government, still heavily in debt to China, could be pressured to allow it. And, as de Silva, the State Minister for National Policies and Economic Affairs, put it, "Governments can change." Now, he and others are watching carefully as Rajapaksa, China's preferred partner in Sri Lanka, has been trying for a political comeback.⁶⁸ The Lankan government declared an open a railway line constructed between Matara and Beliatta in the southern part of the island country which will hopefully boost passenger traffic into the Deep South. The railway construction was financed by the Export-Import Bank of China (CEB) and the contract was awarded to China National Machinery Import and Export Corporation. A major part of the construction was carried out by China Railway Group 5 (CR5) and Sri Lanka's Central Engineering Consultancy Bureau (CECB).

C. Economic Conditions of Sri Lanka due to Chinese importance in economy

Small island nation is frequently depicted as a nation that fell into an obligation trap because of open speculation activities leading by China. Main such venture undertaking was Hambantota port, which was rented to China Merchant Port Holdings Limited (CMPHL) for a long time for \$1.12 billion of year 2017.⁶⁹ This undertaking is generally the explanation as to why Sri Lanka is broadly distinguish as a reasonable case of getting caught in Chinese obligation and being compelled to hand over resources with national and key significance to China. The regular conviction is by all accounts that Sri Lanka was not able result the credits got from China to develop Hambantota port in any case, and along these lines had no way out however hand over the port to Chinese control to satisfy the obligation. Be that as it may, the genuine picture of Sri Lanka's obligation emergency, which isn't regularly clarified, is altogether different and undeniably progressively damaging. An obligation owed to China is in actuality a hint of something larger, and that should make the obligation emergency all the all the more disturbing. The renowned Hambantota port arrangement isn't just an issue of Chinese obligation — Sri Lanka has a lot bigger financial issues that go well past the obligation owed to China. The facts confirm that the EXIM Bank of China subsidized the development of Hambantota port and the task absolutely was not a financially reasonable choice at the time given the monetary limitations of the economy. Indeed, there were not kidding worries about the need of developing an

⁶⁵Xinhu. (2017). Sri Lanka, China open Industrial Zone Office in southern port of Hambantota, *China Daily*. Retrieved from, <http://www.chinadaily.com.cn/a/201711/06/WS5a0d1c95a31061a7384089db.html>, (Accessed October 18, 2019).

⁶⁶Stacey, K. (2017). China signs 99-year lease on Sri Lanka's Hambantota port, *Financial Times*, Retrieved from <https://www.ft.com/content/e150ef0c-de37-11e7-a8a4-0a1e63a52f9c>. (Accessed October 15, 2019).

⁶⁷Feng, D. and Cong, W. (2017). South Asia threatened by Chinese projects in Sri Lanka, *Global Times*.

⁶⁸Mahendra, S. (2019). Political instability of Sri Lank. *The Sunday Leader*. (Pp1-7).

⁶⁹Feng, D. and Cong, W. (2017). South Asia threatened by Chinese projects in Sri Lanka, *Global Times*.

extra worldwide port in Sri Lanka, especially one financed through getting at business rates, and whether such a port would have the option to produce enough income to equal the initial investment. Sure enough, Hambantota port was not making enough income to reimburse China when credit installments came due. Be that as it may, the genuine explanation Sri Lanka moved to rent the port to China goes well past the troubles of satisfying the advance portions on obligation got to develop the port.⁷⁰ Alarming, the Hambantota handover demonstrates a far greater financial emergency in progress in Sri Lanka.

However, the Sino Government has been strongly countering the allegations that the Chinese investments have put Sri Lanka in a 'debt trap'. Lu Kang, spokesperson of the Chinese foreign ministry mentioned that, "According to the needs of Sri Lanka, Chinese financial institutions have provided support to Sri Lanka in solving the financing gap."⁷¹ After that the Chinese side made efforts to balance relevant property allocation according to the wishes of the Lankan government side". But the situation is not that per cent in 2015 at the end of Rajapaksha era.⁷² Sri Lanka was allocating 95 percent of all government revenues to service its debt and for this it needed a \$1.5 billion bailout from the International Monetary Fund (IMF).normal. In 2016, the Sri Lankan prime minister had acknowledged in Parliament that the actual number and amount of the debt was 'unknown'. Reports suggest that Sri Lanka's foreign debt increased from 36 per cent of GDP in 2010 to 94.

There was a lot of talk and fanfare about how Hambantota port would help the Sri Lanka for positive development, the reverse happened. The port did not generate expected traffic and revenue and consequently, Sri Lankan Government was unable to pay back the loans which they had to agree with Chinese policies. As a result, the government was forced to sign a 99 -year lease with the PRC state-run shipping company. The deal also included letting out around 15000 acres in the nearby industrial zone to the China Merchants Port Holdings (CMPH) which was signed and agreed on July 29, 2017.⁷³ A 70 per cent stake in the port is to be held by CMPH and the rest 30 percent would be with the Lankan Ports Authority. Sri Lanka's debt problem goes well beyond China. As a result of investing number of infrastructure projects, the portion of Sri Lankan foreign debt owed by the Chinese has increased drastically during the last decade or from 2008 to 2012, nearly 60 percent of foreign borrowing has received from China. It is affected to a change in foreign debt composition and domestic structural weaknesses of the economy, such as an overall reduction of trade, the rise of protectionism, and the reduction of government revenue. And also it has harm to the economic growth of the country for last few years. The currency of the island nation is continuously devaluing and increasing the inflation rate. As a result of this Lankan GDP has become the highest debt holder in Asia during the last year.

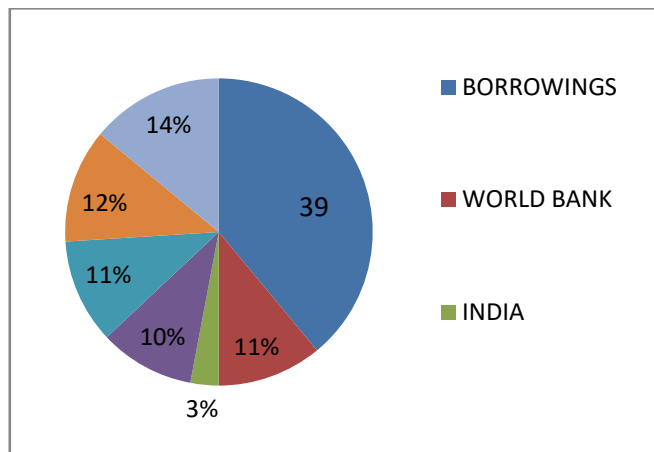


Figure 5: Sri Lankan debt stock by lenders 2017 (Source: Ministry of Finance, Sri Lanka as end of 2017)

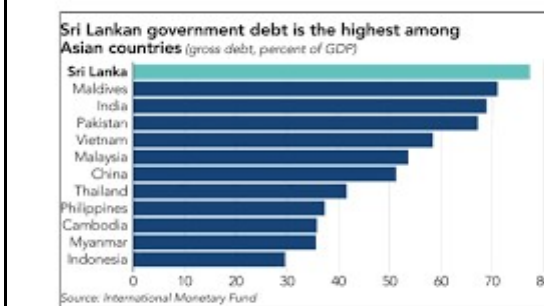
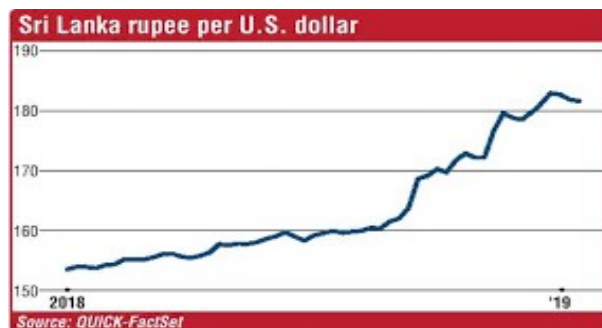


Figure 6: Devalue of rupee as per US dollar figure7: Debt rates in Asia (as per GDP) (Source: Internet Web site Quick-fact set)

⁷⁰ Surendra, K.S.Y. (2017). Contemporary Chinese Political economy and Strategic Relations, Vol. 3 (Pp. 1109 – 1138).

⁷¹ Francis, A. (2019). 'Chinese Debt-diplomacy' is drowning Sri Lanka's economy and environment, *TRT World*, Retrieved from <https://www.trtworld.com/magazine/chinese-debt-diplomacy-is-drowning-sri-lanka-s-economy-and-environment-25523>

⁷² Shepard, W. (2016). "Sri Lanka's Debt Crisis Is So Bad The Government Doesn't Even Know How Much Money It Owes," *Forbes*, Retrieved from, <https://www.forbes.com/sites/wadeshepard/2016/09/30/sri-lankas-debtcrisis-is-so-bad-the-government-doesnt-even-know-how-much-money-it-owes/#631f94334608>, (Accessed October 15, 2019)

⁷³ Stacey, K. (2017). China signs 99-year lease on Sri Lanka's Hambantota port, *Financial Time*, Retrieved from, <https://www.ft.com/content/e150ef0c-de37-11e7-a8a4-0a1e63a52f9c>, (Accessed October 17, 2019).

The nation owes in any event one-fifth of its over US\$50 billion outside obligation to China. The circumstance was exacerbated by a dormant economy and non-performing undertakings like the Mattala Rajapaksa International Airport, known as the world's emptiest air terminal. And also the huge number of staffs in this airport are gaining the same salary scales which other international airport staffs are getting by doing almost nothing. That is also a huge wastage of the government financial resources which is running an empty Airport without earnings. The new legislature of President Maithripala Sirisena and Premier Ranil Wickremasinghe thought of an arrangement: they would hand over a larger part control of the Hambantota Port to the Chinese.⁷⁴ Vimalabudhi was frightened that the understanding likewise included arrangements for an extra 15,000-section of land venture zone that would cover huge bits of land in Beragama. The whole way across Sri Lanka's Southern Province, huge land of farming area and bush wilderness have been cut open for Chinese sponsored tasks like deforestation due to the terminal activities using cranes and many other machineries. Seventy five percent of the 489-hectare venture goes through bush wilderness, as indicated by an ecological evaluation report got by the nearby rights body Center for Environmental Justice.⁷⁵ The report states including those creatures meander as much as 25 kilometers every day. Between 15-20% of the island's elephant populace could live in the undertaking territory, the office gauges. Data on the natural effects of the port and express ways has been constrained. In any case, accessible reports, for example, the ecological effect evaluation of the Southern Highway augmentation, or the beneficial natural effect appraisal of the Port City raise genuine concerns Landslides .A Right to Information solicitation to the Ministry of Higher Education and Highways in August uncovered that the specialists had recognized 13 avalanche inclined areas on the 143 kilometer distance of the Southern Highway between the capital city and Matara.⁷⁶ Four of the areas have just experienced avalanches alongside one other area that was not distinguished as being in threat. In May 2017, huge zones of the interstate were overflowed during high rainstorm downpours. One of the enduring pictures of the floods was the Southern exit of the interstate with its semi-round curve half submerged.⁷⁷ "We have never encountered any such thing around there. The rising waters used to stream downstream toward the west previously. The thruway looked as though it was obstructing the waters," said

Indrarathne Abeysinghe, who lives close to the exit point. Large regions of the southern interstate were overflowed during the not long after the floods at that point Minister of Megapolis Development Champika Ranawaka accused the catastrophe for impromptu advancement extends explicitly referencing the Southern Highway as running at present. This was a huge threat to local people security and day today activities. Port City South of Colombo includes enormous scale land recovery and the development of another money related locale (Source: Google Earth). There are worries that the Port City, close to the capital Colombo, could make comparable issues.⁷⁸ This includes huge scale land recovery south of the Colombo harbor and the development of another monetary locale. Beach front networks dread that the one-billion-dollar venture by China Harbor Engineering Company will prompt waterfront disintegration and mischief fish populaces. Further inland individuals stress over developing air contamination and traffic. Total with 95% of the work on the 2.3 square kilometer recovery zone, beach front networks and others presently need to keep more alert on the security of the coastal area and environment security.

Chinese imports in Sri Lanka is a generally in the top level which in 2000, Chinese imports spoke to just 3.5 percent of Sri Lanka's complete imports; by 2017 that had ascended to 20 percent.⁷⁹ There was an especially huge ascent in Chinese imports after 2010; from 2011 to 2018 Chinese imports expanded by right around multiple times. While Chinese imports have not recorded any negative development years in Sri Lanka since 2010, Indian imports contracted in quite a long while.⁸⁰ We can get a more profound point of view from the imports-to-GDP proportion, which is viewed as a superior pointer of the exchange elements of a nation. Since 2000, Sri Lanka's imports-to-GDP proportion has been declining alongside the fares to-GDP proportion. This shows a reasonable withdrawal of exchange and a simultaneous push toward protectionism, which is a significant reason for the financial issues Sri Lanka experiences today. The intriguing actuality is that Chinese imports to Sri Lanka expanded regardless of Sri Lanka's general compression in worldwide exchange and ascent of protectionist approaches. Sri Lanka's imports-to-GDP proportion was 36 percent in 2005; during that year the Chinese imports-to-GDP proportion was just 2.6 percent.⁸¹ By 2017, the imports-to-GDP proportion had dropped down to 23.8 percent while the Chinese imports-to-GDP proportion had expanded to 4.8 percent. This noteworthy

⁷⁴Perer, M.M. (2017). Chinese investments in Sri Lanka bring poverty and injustice, *Asia News*, Retrieved from, <http://www.asianews.it/news-en/Chinese-investments-in-Sri-Lanka-bring-poverty-and-injustice-17884.html>, (Accessed October 20, 2019).

⁷⁵Goh, E. (2016) *Rising China's Influence in developing Asia*. Oxford University Press: Oxford Scholarship Online

⁷⁶Press trust of India, (2018). China's acquisition of Sri Lanka's Hambantota port highlights 'debt trap' to gain influence around world. *first post*. Retrieved from ,at <https://www.firstpost.com/world/chinas-acquisition-of-sri-lankan-hambantota-port-highlights-debt-trap-to-gain-influence-around-world-says-report-4599911.html>,

⁷⁷ Ibid

⁷⁸. Xinhua. (2017). "Feature: Hearts bound together, city built together -- China, Sri Lanka co-develop Colombo Port City." *China daily*. Retrieved from, http://www.xin China daily.huanet.com/English /2018-05/15/c_137179880.htm, (Accessed October 18, 2019).

⁷⁹Pravakar, S. (2017). The grooving dominance of China in South Asia: An Indian Perspective, Retrieved from, <https://www.tandfonline.com/China.Dominated/doi/abs/10.1080/08853908.2013.764241>.

⁸⁰ Ibid

⁸¹Singh, G. (2018). Evolution of China - Sri Lanka Relations, Retrieved from [https://www. Evolution-of-%20China-SriLanka-Relations.pdf.\(Pp-2-5\).](https://www. Evolution-of-%20China-SriLanka-Relations.pdf.(Pp-2-5).) (Accessed on 1838, 18 October 2019).

increment in Chinese imports came even without China having an organized commerce understanding (FTA) with Sri Lanka.⁸² That implies Chinese imports are exposed to typical taxes, which may be disposed of under a FTA. In spite of this, India has a FTA with Sri Lanka, the Indo-Sri Lanka Free Trade Agreement (ISFTA), as a result from 2000. Indeed, even with that FTA, the Indian imports-to-GDP proportion for Sri Lanka has been fluctuating around 5 percent and has not seen a critical supported increment since 2005. This was a huge turn over towards the Chinese support by island nation that was a power domination by Sino government with the economic reforms.

D. Critical analysis:

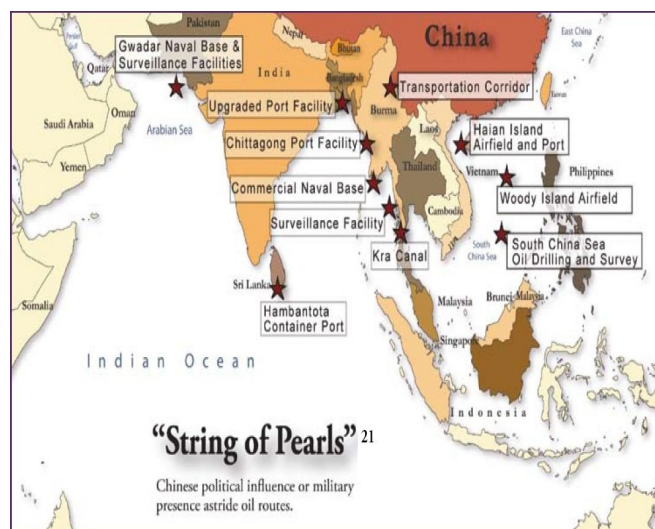


Figure 8: Chinese debt trap of constructing ports under “String of Pearls”
(Source: Quora Website)

At present Sri Lanka is in such a critical situation with a huge economic downfall due to debt rate and the economic growth rate of small island with High interest which a developing country like Sri Lanka Can't Pay easily and Can't come out of dependency over the China. This also a huge opportunity to take control over Lankan Economy without giving chance to Indian involvement's towards Sri Lanka. More over Sri Lanka has plunged further into the Chinese debt trap with Colombo yet again turning to Beijing with fresh loans, which has come during the final quarter of 2018.⁸³ The Central Bank of Lanka is participating with its Sino counterpart, People's Bank of China, to issue the equivalent of \$250 million worth of Yuan denominated Panda bonds, ET has learnt. China is already the top ranked lender to the island nation. Sri Lanka retains

⁸²Arangal, M. (2018). Sri Lanka-China FTA: Challenges and Opportunities, *Insights from Analysing China's Existing FTAs*, Retrieved from, https://www.veriteresearch.org/wp-content/uploads/2018/10/Sri-Lanka-China-FTA_-Challenges-Opportunities.pdf

⁸³Haimin, H. (2017). Feature: China-funded Colombo Port City becoming 'shining pearl of Indian Ocean. *Xinhua*, Retrieved from, http://www.xinhuanet.com/english/2017-04/08/c_136191207.htm, (Accessed October 16, 2019).

fondness for Chinese loans - rather than Going for international loans. But here the most important point is how Sri Lanka should response to her growing importance over China power expansion to become a regional leader in Indian Ocean. It is obvious that with the current scenario Sri Lanka need to open the gates to China for financial and economic activities as the policies. Because by following Anti-China policies the rapid developments of the infrastructure and economic will be stop and the island nations will face huge economic crisis due to debt and other monetary bonds with China. And even since Sri Lanka have given their internal Resources over the control of China It is not possible to work against them rather by doing that Sri Lanka will dig their own grave. So in this time Sri Lanka have to go for pro-Chinese economic policies under the same level of economic development at present. Current economic ties between the two countries, the partnership is entering a new era that has to contend with China's presence in Sri Lanka. However, China is still at second position in trading activities behind the India.⁸⁴ Sri Lanka also happens to be India's highest rate of trading member in the South Asian Association for Regional Cooperation and India is Sri Lanka's largest trading partner globally.

In comparison, bilateral trade activities between China and island nation recorded at US\$4 billion in the equal time frame, but with a higher rate of growth.⁸⁵ A Sri Lanka-China FTA is also on the control of China policies. China is the biggest financial specialist by a wide margin nation under Chinese political and economic domination. China wants to domain over the Indian Ocean and for that China is using and taking the advantage of Sri Lanka's geo-strategic location. Mainly the important thing is how China make Sri Lanka depend on them? So the answer is China gave huge amount of foreign aid to Sri Lanka with about US\$15 billion in subsidizing and interest in 2016 alone. Most of the public and private investment by China is in top level infrastructure projects mainly ports and airports. Sino interest in Sri Lanka is largely attributable to its strategic location on the route of China's Belt and Road Initiative .Given the growing dominance of China in South Asia and China's close connections with Sri Lanka, in recent years the relationship of Sri Lanka has centered around economic cooperation and security concerns with less emphasis on political matters. For example, protecting the Tamil populations from the excesses of the army after the collapse of the Liberation Tigers of Tamil Eelam (LTTE) was an important concern for the Lankan government. In any case, significant political issues have been dominated by the 'China factor' — the significant purpose behind worry between the two nations. China has siphoned a great many dollars into Sri Lanka's framework since the finish

⁸⁴Pethiyagoda, K.(2015). India vs China in Sri Lanka-Lessons for rising powers.

⁸⁵Jayathilake, M. B. (2015). Economic Reforms and Growth Experiences: A Comparative Study of China and Sri Lanka, *International Journal of Management Science and Business Administration*. 5(1), 31-37.Doi: 10.18775/ijmsba.1849-5664-5419.2014.15.1003

of its 26-year long considerate war in 2009. China's 'string of pearls' strategy is an attempt to expand its influence in South Asia and dominate the regional power, which is basically focusing established power hegemony over India.⁸⁶ China's lead extends in Sri Lanka are the Hambantota Port Development and the Colombo Port Project, both situated at key focuses in worldwide ocean exchange. Enormous activities like these make it simpler for Beijing to draw Sri Lanka into its 21st Century Maritime Silk Road venture — some portion of the Belt and Road Initiative within a short period of time.

During last few years India has focused on countering the growing presence of China in Sri Lanka by developing infrastructure and many financial investments to reduce Chinese importance of the Sri Lankan economy. Given these countries' proximity with Lanka, the ECTA would beneficial Sri Lanka's unique geo-strategic location, which is at the crossroads of major shipping routes. The ECTA would also increase regional integration and could make Sri Lanka the geo-economic center of South Asia. So far, the Sri Lankan government has been able to strike a smooth flow in its relations with China. Sri Lanka's financial engagement with China is deep and covers a vast gamut of activities - it depends on China for its developmental needs. Yet given the high level of regular interactions and ministerial-level meetings between Sri Lanka and India, their relations have established too and are at an all-time high. The present condition of the economy of Lanka's facing a various monetary issues which they cannot overcome within short period. At last I have to say that for come out of this dependency Sri Lanka have to stand by their own feet. For that Sri Lanka has to develop their Industrial as well as Agricultural sectors. Sri Lanka has to go for alternative exports Rather depend on RMG sector which makes GNP, GDP higher even from the last decade the Agro based exports level also gone down so the government should take the necessary steps to uphold those sectors. Limiting the imports from China will be another step that we can follow. By doing so Sri Lanka has to develop their primary level of industries which can full fill their own requirements and gain a large scale development in the domestic markets. Again to Come out of this dominance Sri Lanka can go for the allies with super powers or seek help from the world monetary institutions which has very less amount of interest. But since these all are controlled by the world dominance or the so-called rising super power Sri Lanka has to find out their own path to stand against these economic issues. As per the overall analysis of the study it can observe that Lankans future vision of economic development on the hand of china which they are lack of power and options against china domination. According to the discussions and current down fall of the economy of Sri Lanka has changed the living standards of the

people and the growth of the national economy making a huge threat to every citizen of the island nation.

IX: CONCLUSION

According to the importance of China, island nation is facing a huge economics issues through a shadow development in the real picture. The previous government had number of agreement and the policies with the Chinese government which they took all the advantages and economical influences to the Lankan government. However present development of the Sri Lanka has a huge risk in the near future which Sino government has control over many financial activities and higher contribution of the Sri Lankan imports at present society. Step by step Sri Lanka has become an ideal economic partner of Asian economic giant China. As the important turning point in the Indian ocean power expansion Chinese threat to Sri Lanka through their financial support to port under OBOR in Hambantota,⁸⁷ Mattala airport and Colombo port city projects are driving towards dominating economy of small island nation. Under these projects most of the labors and working staffs were from Chinese citizens who carried their own money as their salaries. As a result of this huge working force from china become a risk to the local people and the security of domestic activities. Power expansion of the Indian Ocean is the main aim and intention of China by making them as the primary source of economic development in island nation. Gaining the control of Hmbantota port more than 90 years leased system is the highest achievement Chinese government achieved by their economic master plans. Small economies like Sri Lanka cannot easily overcome this much financial loans and debt within a short time period. Therefore their development of the various sectors of the economy is going in vain to full fill their debts. Due to this government expenditure has increased and GDP growth rate has continuous going down with high inflation rate. As a result of that devalue of the Sri Lanka rupee has increased rapidly within last few year's comparisons to the U.S dollar rate.⁸⁸

As a tiny island nation at the tip of a large subcontinent, Sri Lanka has long struggled to counter civil war for more than three decades. The beginning of this relation between two countries tied from that era with military and economic support from Sino government. This often means bringing in powers from outside of the region, so it can fulfill its economic and security needs without having any future focus of the national economic development and national interest. After long years, economic bonding between two nations

⁸⁶Wagner , C. (2017). The Role of India and China in South Asia, *Eastwest center*, Retrieved from, <https://www.eastwestcenter.org/publications/the-role-india-and-china-in-south-asia>

⁸⁷Roche, E. (2017). Sri Lanka defends decision to join China's One Belt One Road project , *Live mint*, Retrieved from <https://www.livemint.com/Politics/IZg4QfnterSduhYalBP9sJ/Sri-Lanka-defends-decision-to-join-ChinasObor-project.html>, (Accessed October 18, 2019).

⁸⁸Franciscis, A. (2019). Chinese, Debt-diplomacy' is drowning Sri Lanka's economy and environment, *TRT World*, Retrieved from <https://www.trtworld.com/magazine/chinese-debt-diplomacy-is-drowning-sri-lanka-s-economy-and-environment-25523>

Chinese importance towards the resourceful country was increased through the BRI and other financial investments. Strategically importance of the Indian Ocean to small Island which link the main sea routes between Middle east, Africa and many other portions of the world indicate the Chinese main intention on development of the Lankan economy. Thus, it makes sense that recent geopolitical tussles over Sri Lanka between rivalries of China have focused on the construction of ports along these valued routes. China is a budding regional power in the process of translating its economic heft into military might. And keeping in mind that Beijing's emphasis stays on the South China Sea until further notice, the Indian Ocean is particularly in its sights too — as prove by the ongoing organization of troops to Djibouti for China's first lasting abroad military crucial. All those engagement by Chinese makes its own intention as a success for a long period of time.

Most of the projects and investment by Chinese in other countries has not huge harm to the economic growth and security. This new ports in Hambantota and others at Gwadar in Pakistan, Chittagong in Bangladesh and Djibouti constitutes the Indian Ocean leg of China's 21st Century Maritime Silk Road. And ever since construction began in Hambantota in 2008, China has taken on an increasingly prominent role in the project, which includes not only the \$1.4 billion port but also an airport, additional highways and an as-yet-unbuilt 15,000-acre technical and industrial zone. At first, Sri Lanka planned to construct the undertaking with enormous Chinese advances and work the port without anyone else, yet it has gone up against the trouble of making the port beneficial. Thus, in late 2016, Colombo announced a potential deal to trade an 85 percent stake in the project, which would include lease on land of the port area, Sri Lanka is \$8 billion in debt to China, and more than one-third of its government budget income goes to fulfilling that debt. Termination of this arrangement is that Hambantota and China's other port projects in Sri Lanka could serve as future bases for Chinese military vessels and also trade and commerce controller of the Indian Ocean. There have additionally been local fights against the Hambantota port, for example, those in January 2017, which involved Sri Lankan activists calling the project a potential "Chinese colony." As with other formerly colonized countries, Sri Lankan public sentiment against interference from foreign powers has long been a hallmark of domestic politics, Chinese financial support.⁸⁹ The unreleased agreement, some still need to be approved by Sri Lankan Parliament, would divide the management of Hambantota into a business side and a security side. China Merchants Port Holdings would retain its 85 percent share of the entity overseeing the daily operations of the port, and this share would decrease to 65 percent over a decade. Another element would deal with all security capacities, with a 50.7 percent

controlling offer held by the state-claimed Sri Lanka Port Authority and the rest of China. The understanding additionally expresses that outside military vessels won't dock at the port. However power of Chinese investments which condemned the docking of a Chinese submarine at Colombo in 2014 and May 2017 without any barriers and rejections of Sri Lankan port authorities.⁹⁰ Those events supported examples for the present situation about China's influence in Sri Lankan economy and the governing system. But it does not preview a future security or defense role for Beijing in the country. And in terms of domestic unrest, the reported details of the agreement do not limit China's 99-year lease of land — a major concern for local activists and the power domination inside the country.

In some ways, Indian pressure on Sri Lanka is convenient; it gives the tiny nation leverage to negotiate with China, just as Chinese interest gave Sri Lanka leverage to negotiate with India. What's more, the nation's key profound harbor at Trincomalee in the east has just offered one such affecting chance. At last, the overhauled arrangement with China over Hambantota won't end rivalry over Sri Lanka and its ports. After the tumultuous conclusion of the Sri Lankan civil war in 2009, the country was left internationally isolated. Sri Lanka was relied on Chinese, Pakistani and Iranian involvement. In the wake of these events, Chinese government achieved maximum benefits to achieve their importance and goals over the Lankans. Moreover, India who is competing with China simply does not have the economic heft or state control of businesses needed to assist Sri Lanka in the way that China does. This is also a big opportunity to expand the Chinese power in the economy of Sri Lanka.

On a broader scale, the regional rivalry of China grows ever stronger, as the world economic giant push for dominance over their shared bilateral and economic agreement with various neighbors. Not only the Asian countries but also many other African countries are victims of the Chinese future economic domination of the world. Sri Lankan economy is suffering through a huge economic crisis inside this limited development of China's infrastructure initiatives and their strategic trap. For those reasons now they have to take precautionary measures to get out of this terrible barrier from China, but the country will no doubt remain involved in the affairs of China in the future due to Chinese ties on political and economic policies. And while being a sufferer through this Chinese economic development trap a small nation has to search for the options to develop their economy and the security of the local people. Positive development projects by Chinese investment in the country, has become a grave to their suicide. Lankans economic development has not a reality and it's a success of Chinese importance on the island nation

⁸⁹Singh.G. (2018). Evolution of China - Sri Lanka Relations, Retrieved from <https://www.Evolution-of-%20China-SriLanka-Relations.pdf>.(Pp-2-5).(Accessed on 1838, 18 October 2019).

⁹⁰Reuters. (2017). China defends military ties with Sri Lanka after submarine visit blocked, Retrieved from <https://www.reuters.com/article/us-china-sri-lanka-defence/china-defends-military-ties-with-sri-lanka-after-submarine-visit-blocked-idUSKBN1881QM>, (accessed July 5, 2018).

and power rivalry. Future of the small island nation's economy is having a doubtful question mark as per the current red spots on the soil which Chinese had dug.

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