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China's Foreign Policy towards Sri Lanka: An Economic Approach to Sustainable Development

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ABSTRACT

China's expanding investment, trade, and assistance linkages are widely seen as a powerful tool of statecraft, creating significant security externalities. However, there is a scarcity of research establishing the specific processes that relate economic links between "sender" and "target" states to a genuine security influence. Sri Lanka's relations with India are hampered by weak infrastructure design and implementation, local politics and regional competitors, and emerging powers, with the ability to transform Beijing's vast economic resources into Sri Lanka strategically. Many potential areas of cooperation could prosper together if both friendly countries utilize them. This paper identified several possible areas of cooperation and argued that to attain sustainable development, Sino-Sri Lanka relations need to be strengthened more and more. This study explored the potential areas through various channels for greater interest, friendship, and opening up a new era in bilateral issues. This study examines and investigates the difficulties and prospects for enhancing economic relations between China and Sri Lanka. This study included both primary and secondary sources. This study based on the secondary sources of information and data, including academic journals,

scholarly texts, research papers, articles, investigative papers, books, and other relevant materials are examples of secondary sources. Primary data was used in the trade data. Although the qualitative and quantitative methodologies were employed in the analysis, the quantitative approach was frequently used to make the study more transparent. At the end of this paper, some policy suggestions or recommendations are provided for the economic relationship between China and Sri Lanka. The study recommends a wide

range of factors including bilateral treaties, free economic zones, joint ventures, improving microeconomic policy, reducing bureaucracy, and corruption, pursuing competitive advantage policy and working jointly to solve regional and global problems to promote Sino-Sri Lanka trade relations. This study is necessary, timely and significant for a better understanding of Chinese foreign policy towards Sri Lanka.

KEYWORDS: Economic relations, bilateral trade, foreign policy, investment

INTRODUCTION

China's phenomenal economic progress and modernization, according to academic and policy circles, has provided its leadership with strong economic statecraft weapons. It is depicted as a state's deliberate control of financial relations to realize more prominent vital points (Norris, 2016). In expansion to its developing military capabilities, Beijing is progressively seen as having the control and impact to impact approach choices made by foreign countries (Mingjiang & Kalyan, 2014). The classic story of China as a "rising control," whose making strides in capabilities will empower Beijing to challenge the joined together the states' set arrangement and authority by growing its circle of impact within the Asia-Pacific, is based on an economic policy (Jacques, 2009). Moreover, China is pointing to creating a major delicate control exterior of the West, which might offer assistance to Beijing to make a favorable territorial environment for its remote arrangement (Zanardi, 2016). After gaining freedom from Britain in February 1948, Sri Lanka recognized the People's Republic of China (PRC) in January 1950. The two nations set up formal political relations and exchanged envoys in February 1957. The China-Sri Lanka Rice-Rubber Assertion, marked in April 1952, shaped a vital portion of the two countries' financial ties and was regularly recharged. China and Sri Lanka marked the primary Financial and Innovative Participation Understanding and the Sea Understanding in 1962 and 1963, individually. The Sri Lanka-China Society was established in 1981, and the Sino-Lanka Joint Commission for Financial and Exchange Participation was shaped in 1991 when the Joint Exchange Committee and the Financial and Exchange Participation Committee were combined. Sri Lanka-China Trade Participation Board (SLCBCC) was established in 1994. These patterns recommend that China has been a critical commerce accomplice and a source of outside financial help to Sri Lanka all through the years (Fernando, 2010). China's 'String of Pearls' may be organized of vital joins traversing the Indian sea coast from the Center East to East Asia, with the essential reason of guaranteeing a more secure and solid oil stream to China through the Malacca Strait (MacDonald, Donahue, & Danyluk, 2004). President Hu Jintao broached the subject in 2003, noting China's concerns over the closure of the Malacca Strait trade route (Lam, 2007). To realize the national objectives including guaranteeing security, advancing financial development, broadening weaponry buys, and boosting commerce and investment, the United States (US) has got to work with as numerous countries as conceivable.

China must be numbered as the world's most crowded nation and have rising financial and military power. More crucially, Colombo aimed to encourage other nations to interact with India for their interests, to undermine India's dominance (Suryanarayan, 1994). To decide the presence of power and impact emerging from the financial contacts, a two-step method is vital. The primary arrangement is to decide in case, why, and how states react to political challenges that imperil the cross-border financial relationships (Davis & Meunier, 2011). How can the threat of economic loss produce externalities through political pressure to act, particularly appeasing a key economic partner's security and foreign policy preferences? For the sending state, externalities in the form of soft

power may also be produced through economic exchanges if the target state considers the sender state's economic model to be one worth imitating. Second, how do authorities within the target state adjust such political weight against the political and security threats of participating with the sender state's requests (Kirshner, 1997)? Because economic concerns are thought to be the cause of such externalities, economic interests are sometimes prioritized over the security or other political goals.

Here, China has many strategic interests in engaging with Sri Lanka such as economic, diplomatic, strategic, security and defense as well as environmental and climate interests. Very few academic studies have been done on China's foreign policy towards Sri Lanka in the changing political-economic relations in the early 21st century. The US decision to counter the Chinese assertive role, particularly in Asia and India's moves to go along with that approach makes this study further significant and timely.

This study is designed to focus on China's foreign policy trends towards Sri Lanka. It aims to explore the economic and strategic interests of China's foreign policy orientation towards Sri Lanka. The purpose of this study is to explore the factors responsible for China's foreign policy trends towards Sri Lanka.

LITERATURE REVIEW

There are several foreign policy reports, diplomatic relations, and commercial linkages between China and Sri Lanka. However, research on altering economic and trade ties has not been thoroughly thoughtout. Significant and relevant literature has been briefly evaluated in this study.

Theories of international relations made an effort to explain, characterize, and forecast phenomena including conflict, peace, cooperation, war, and the structure and norms of the global political order as well as changes in state behavior as a result of diverse situations and developments. These theoretical frameworks' underlying presuppositions were based on liberalism and realism. When attempting to analyze state behavior in the 21st century, realism remained the most potent theory and influential idea, and it remained the predominant explanation of state behavior. The ideas of realism, such as the never-ending battle for security and power in anarchic systems, are still significant in modern international politics. The realism paradigm seemed more applicable and helpful in explaining China's conduct when it was viewed as a growing power aiming to increase its regional and global influence. From the standpoint of ties between China and Sri Lanka, both nations have "cooperation" as a defining feature of their interaction, which would more appropriately be a subset of liberal theoretical discourse. As a result, the theoretical justification of China–Sri Lanka relations would be rather complicated. The study would conduct a theoretical examination of China and Sri Lanka's strategic cooperation to address this theoretical complexity. It would contend that the alignment of political, economic, and strategic interests of both countries was explained by the complex interdependence envisioned in terms of liberal and neo-liberal discourses. The extension of strategic cooperation between the two nations, on the other hand, is geared toward achieving 'power' goals that are anchored in a realist worldview, i.e., motivating states to sustain survival and sovereignty through maintaining, maximizing, and deploying power. The realism paradigm would be the most effective in explaining this behavior pattern of both countries.

It would be appropriate to include some of the thinkers and academics from around the world who had a significant influence on developing the realism worldview of political interactions between states to describe the realist paradigm. Those who were well-known were Sun Tzu (544 BC–496 BC), author of *Art of War*, Thucydides (460

BC–400 BC) wrote History of Peloponnesian War, Chanakya Kauṭilya (350 BC–275 BC), an Indian statesman who authored the ancient Indian political treatise, known as Arthashastra. Niccolo Machiavelli (1469–1527) shared his political philosophy in his famous book *The Prince*, Thomas Hobbes (1588–1679), a political thinker wrote *Leviathan* and Carl von Clausewitz (1780–1831), the Prussian General and military theorist, wrote *On War*. These writers' writings showed their grasp of the many political events of their times and provided their perspectives on such events.

The realist theories of international relations sprang to prominence as the dominant paradigm for explaining international politics between the two World Wars and then concentrating on the inter-state relations in the years following the Second World War. The idea, however, had its origins in earlier eras when people fought for power and survival. The wealthy would make a difference in this process. After World War I, when there was a tremendous death toll that compelled scholars to examine the catastrophe's causes and consider the best way to prevent future wars, the realist paradigm's broad contours became clear. The study of international relations theory led to the conclusion that all schools or varieties of realism shared a fundamental concept of power, specifically the military and economic superiority of one state over another. Realistic thinking would describe a state's ongoing battle to seize and then hold onto power in every way possible. The three significant realist writers, on whose works realism was founded, would be studied before the techniques and different strands of realism were defined to define realism in its simplest form.

As old as the Peloponnesian War it is the idea of realism. Thucydides, a Greek historian, general, and author of *The History of the Peloponnesian War*, was cited more than any other writer in the realist tradition (Forde, 1992). Thucydides, who is credited with founding the tradition of political realism, provided his political analysis of the Peloponnesian War, which lasted twenty-eight years between Sparta and Athens. He believed that the concepts of power and self-interest constituted the foundation of interstate relations. It was a combat story that contrasted "heroism and brutality, victory and defeat, brilliance and stupidity, honor and deceit," among other things (Viotti et al., 1999). The quest for political and military dominance had to be the main focus of the Peloponnesian Wars narrative. The stability of the system was determined by the strength or weakness of the hierarchy, and the Peloponnesian War was the result of Athens' growing dominance over Sparta (Kemos, 1997). The effect of Thucydides on realist academics and its consequences after 1945 were discernible. The same affected American diplomacy throughout the Cold War era and smaller states' behavior at the time (Mindle, 1985).

Niccolo Machiavelli was yet another significant realist. After the publication of his classic work *The Prince* in 1513, Machiavelli a Florentine registry official emerged as a realist philosopher and thinker and left his mark on the political behavior of the state and the rulers. His counsel to political rulers in his book, which served as a textbook for them, was to gain power so that they could choose to do whatever it took to keep it. Aside from the debate over whether his writing was moral or unethical, Machiavelli's view of politics as a tool used by the ruler to gain and hold power came to be known as realism. According to Machiavelli, the international political system would exonerate states of their moral obligations, and he would support the stronger countries' persecution of the weaker ones (Viotti & Kauppi, 2019). He believed that politics and ethics were two distinct notions and that the world was not as it should be. Though Machiavelli's advice to the rulers seemed unethical at the time, it later came to reflect a realist approach. Another significant realist writer and thinker is Thomas Hobbes. His work

Leviathan was regarded as a crucial examination of political philosophy and Western political thought. He had a negative perspective of human nature because most of his work dealt with problems that had an impact on the social and political structure of the period. After patriotic moralism, which suggested a conflict between right and wrong, realism was thought to be the oldest viewpoint on world affairs. Thomas Hobbes was one of the intellectuals who came after Thucydides and Machiavelli but who did not stick to tradition and who held the same view of world politics. Hobbes was usually considered a philosopher with a realist perspective of international politics who popularized the idea that everyone is at war with everyone else. However, Nuri Yurdusev (2006) argued that Hobbes did not always favor conflict and did have a preference for alliances and cooperation in global politics. It is essential to analyze realism and its several subtypes, such as classical realism, neo-realism, neoclassical realism, aggressive realism, and defensive realism, after discussing three of the most influential intellectuals of their day.

The most influential theoretical paradigm in history would be realism. Although realism included several theories and approaches that will be covered in the paragraphs that follow, it was based on the idea that states would seek power primarily through economic and military might. Realism provided a sort of "manual" that was supposed to maximize interests in hostile settings (Dunne et al., 2021). Realist thinking would be at odds with ideals based on ethics and morality. In the realistic scenario, governments would compete with one another for security; therefore, the states would fortify their militaries, amass large arsenals, and join a variety of alliances to deal with the threat resulting from such security rivalries.

This study focused on the theoretical foundations of the approach and how Complex Interdependence came to be. Additionally, it would look into how the bilateral ties between two states that pursued similar goals came to be so phenomenally explained by interdependence. We would consider complex interdependence as a paradigm that runs counter to realism. Before delving deeply into the idea of interdependence, a realist viewpoint on the term would also be briefly presented, and a pluralistic idea of interdependence would also have a realism emphasis. Realistically speaking, interdependent relationships are always based on dominance-dependence relationships, with the dependent party being more susceptible to the dominating party. Realists advocate for governments to have independence or the least amount of dependency feasible, which runs counter to the idea of interdependence. Realists believed that interdependence would increase weak state vulnerability and provide the stronger state an advantage. But depending on the situation, different actors' vulnerabilities and sensitivities would change.

The realist paradigm's flaws, which became apparent in the 1970s, prompted the development of the theory of interdependence. The realism paradigm's proponents argued that states were fundamental to international politics and that all of a state's decisions, regardless of how strong or weak they were, were influenced by their stature. The interdependence theorists, on the other hand, asserted that non-state entities, such as various corporations, would start to have a powerful role in the international political sphere. They believed that competition for power or security would be given much less weight. Interdependence researchers would anticipate optimism in human nature and would view it as something that is both helpful to both parties and at odds with realist ideology. The theory of Complex Interdependence provides the greatest justification for friendly bilateral relations between two states. Richard N. Cooper introduced the idea of economic interconnectedness in his 1972 paper using the phrase "economic transactions between two or more nations to economic developments within those nations" (Cooper,

1972). Robert O. Keohane and Joseph Nye later proposed the concept of complex interdependence to understand international politics in terms of interdependence. When realism, despite being a dominant theoretical discourse, fell short of addressing specific aspects of international politics and state relations in the 1970s, the theory of complex interdependence emerged.

States would be reliant on one another in the era of globalization. Dependence impacted by outside forces refers to reciprocal effects between states or other state actors. Interdependence may have two aspects: sensitivity and vulnerability. While vulnerability interdependence can refer to an actor's susceptibility to suffering something forced upon them by outside factors, sensitivity interdependence can be social, political, or economic. Keohane and Nye contend that interdependence necessitates cooperation among states rather than interstate rivalry. Economic factors for interdependence become more important in the post-second world war context. Sources, benefits, costs, and symmetry were Nye's four dimensions for interdependence. In the contemporary era, Cooper's widely accepted theory of economic interdependence—which acquired a lot of traction after the Second World War and during the Cold War—became a reality. International politics saw major transformations in the post-Cold War era. International players changed their political and economic agendas to suit their global and regional aims to achieve their goals of gaining and maintaining influence over the global and regional arena. Traditionally, the competition among the states was driven by security considerations, but discussions about fostering interdependence and cooperation for the benefit of all the states have gained traction. The academics started a discussion on how genuine power would go beyond amassing armies. Real power would instead come from strong economics, which would affect the economy and modern technology breakthroughs. This paradigm provided governments with numerous opportunities for collaboration and interdependence.

The world has grown intertwined in many realms of human contact, according to Henry Kissinger, a renowned realist of the post-World War Two era, who had accepted the change (Leendertz, 2018). The theoretical outlook on international politics underwent alterations in the aftermath of numerous global political events. Five paradigms predominated the discourse of international relations throughout the post-Cold War era, according to Tahir Amin's article, "World Orders in Theory and Practice of International Relations: Implications for Pakistan." These five paradigms are Coming Anarchy, Multipolarity, Clash of Civilizations, End of History, and End of History (Amin, 2009). Intricate interconnectedness imagined that there were numerous levels of interconnection and interdependence between states, as well as different international links. The 1970s-era work of Keohane and Nye presented a challenge to those who believed in the political realism of world politics.

In international politics, the concept of power has become elusive. The realists only thought of power in military terms, while interdependence theorists had a different explanation for it. Power, according to Keohane and Nye, was the capacity of an actor to compel another actor to perform in ways that the other actor ordinarily would not. Keohane and Nye defined interdependence as a circumstance in which there was not an "evenly balanced mutual dependence" before emphasizing several aspects of Complex Interdependence (Cowhey, 1978). Furthermore, when dealing with another actor, asymmetries in dependence may grant one actor a powerful position. A less reliant actor would have an advantage in using his position as a tool for negotiation on one matter and might have an impact on other matters as well. Complex interdependence could either refer to the bilateral or multiple interdependence that governments develop in several

areas of international governance affecting other states. Complex interdependence was viewed as ideal by those who supported it since it reflected the current global political reality. Globalization, which introduced the idea of multi-dimensional bilateral interdependences, was another closely connected idea (Jones, 2001). The idea was based on the interdependence of states, with a focus on their shared interests. Realistic and complicated interdependence-related presuppositions were investigated to give a theoretical foundation for answering the problems posed in this dissertation. The study looked at two aspects of relations between China and Sri Lanka. An unprecedented level of collaboration and interdependence characterizes China and Sri Lanka relations, and this alignment of interests can be described by intricate interdependence in terms of liberal and neo-liberal ideologies. The second level involved strategic collaboration between the two nations with a realist paradigm-based focus on 'power' goals. States had been safeguarding sovereignty in this situation by maintaining, maximizing, and using power. The realism paradigm would best explain this behavior pattern of both nations. The study examined China-Sri Lanka relations in the context of regional dynamics and global imperatives in light of the assumptions mentioned above (Cowhey, 1978). This can be a strategic relation between two nations.

Deyshapriya (2019) analyses the contemporary changes in Sri Lankan-Chinese economic ties, focusing on tourism, investment, and trade. Even though bilateral economic connections between China and Sri Lanka have become stronger over time, the article highlights Sri Lanka's poor ranking among China's trading partners. As a result, the essay suggests the several policy goals for ensuring mutually beneficial economic relationships. It suggests marketing Sri Lanka's brand on social media and Chinese e-tourism websites, developing user-friendly tourist applications in Chinese, improving air connections, and celebrating Chinese holidays.

Kelegama (2014) fills a gap in the literature by concentrating on China's and Sri Lanka's expanding economic ties. The author also discusses how economic ties between the two nations have expanded steadily since the 1952 Rubber-Rice Pact, with an exceptional increase since 2005. China's military support has helped Sri Lanka overcome three decades of civil strife in the north and east, whereas Chinese monetary help to other sectors of the economy, particularly infrastructure advancement, has increased. Even though Sri Lanka's commercial and business ties with China aren't particularly strong, growing Chinese financial aid has helped to strengthen them in recent years.

Suryanarayan (1994) indicates that how to form the South Asian community in the post-Cold War period should be a top priority for all major powers, not just the region's governments. Despite the truth that the East-West fight has finished, the world has not gotten to be quiet yet. It's a bizarre catch, but it's genuine that when the Cold Struggle finished, a hot war started in West Asia. An assortment of ethnic and devout debates in Europe emerged, already covered up behind the superpower competition. In terms of South Asia, all of the nations are still beset by major domestic and regional wars. The author also said that, furthermore, the South Asian Association for Regional Cooperation (SAARC) has yet to establish itself as a credible and significant regional mediation and cooperation vehicle.

Patnaik and Haldar (1980) discuss the rationale and nature of China's economic ties with Sri Lanka. The authors also stated that China's overall foreign policy governs economic interaction. The authors also address how to acquire a better understanding of China's economic commitment to Sri Lanka and the nature of its trade and assistance operations, it is crucial to explore China's vision of the international system, especially how it has developed over time.

Wignaraja (2008) examines how the acquisition of technological skills and learning from consumers, in addition to foreign ownership, impact apparel manufacturers' decisions to export or not export in China and Sri Lanka. The model also describes the influence of additional explanatory factors as a result of the exercise. The data also shows that foreign ownership, technological skills, and learning from customers are all positively and substantially connected with the likelihood of exporting in Sri Lankan and Chinese textile enterprises, according to the author. Salary adjustments for skills are likewise significant, with a negative sign as expected. A significant technique for confirming and expanding the discoveries of intensive trade case ponders on development and learning in creating countries is comparative econometric analysis.

Several studies have been conducted on China's foreign policy toward Sri Lanka. Furthermore, many have sought to understand it from a political standpoint. Some of them have attempted to explain it in terms of economics. Based on my analysis, I believe that these studies only addressed a portion of the issues; I want to learn more about how internal variables shaped Sino-Sri Lankan economic relations in the early twenty-first century.

RESEARCH METHODS

This study is conducted using qualitative and quantitative research methods. The quantitative data is collected by using a nano-structured and open-ended questionnaire survey. It involves using primary and secondary sources like books, journals, magazines, archival materials, official documents, letters, and materials like these to make in-depth analysis, interpretation, and re-interpretation, and describe and explain the issue of this study. Since it is proposed here for an interpretative and analytical study of the determinants, nature, and significance of China's foreign policy trends towards Sri Lanka, the qualitative method is considered the most appropriate one for this study. Some rudimentary aspects of the quantitative tools, like trade data, are conducted using this study. The research is conducted descriptive and exploratory.

RESULTS

Current China-Sri Lanka Trade and Economic Relations

Regarding Investment and Trade

The Rubber-Rice Settlement concurred between China and Sri Lanka in 1952 earlier to the foundation of official conciliatory ties in 1957, is broadly recognized as a watershed minute in Sino-Lankan relations. Despite the ideological contrasts between the two nations, this understanding has been demonstrated to be one of the most durable and effective in history, with a 25-year life expectancy (Naizer, 2009). China agreed to pay a premium for Sri Lankan rubber while selling rice at a far lower price than the market rate under the conditions of the deal. After the release of American rubber inventories during the Korean War decreased market prices, Sri Lanka entered into this assertion after the US fizzled to offer a sensible cost for Sri Lankan elastic (Gunewardena, 2003). Tamil Nadu and Kerala are home to India's space installations (Raman, 2008). As one of the driving universal accomplices for the advancement of the war-torn north, China has given demining gear and overwhelming apparatus contributed in infrastructural back frameworks such as railroad and street systems and given compassionate help within the frame of tents and a \$100 million cash gift (Zee News, 2010). China has given us the Central Media transmission Trade, the Preeminent Court Complex, and the recreation of the Woman Ridgeway Children's Clinic, but none is more fabulous or noteworthy than the (BMICH) Bandaranaike Dedication Universal Conference Lobby. It was made as an

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image of goodwill between the people groups of China and Sri Lanka amid the prime of the Non-Aligned Movement.

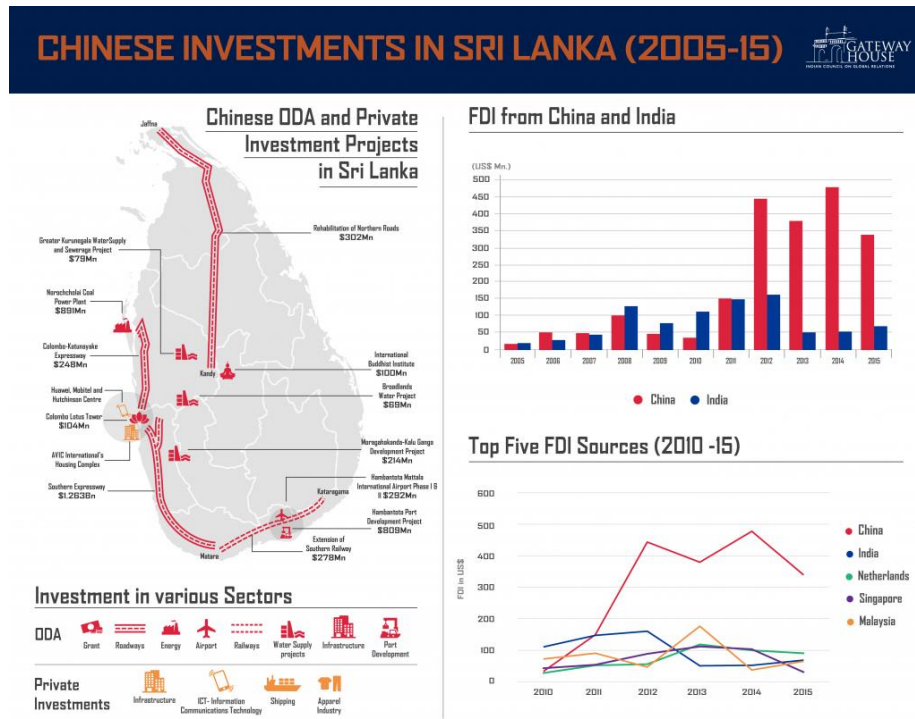
Table 1
The Exchange between Sri Lanka and China (2010 to 2019)

Year	Exports	Imports	Total Trade	Balance of Trade
2010	89.11	1240.09	1329.2	- 1,150.98
2011	95.80	2133.63	2229.43	-2,037.83
2012	108.12	2568.01	2,676.13	-2459.89
2013	121.63	2962.59	3,084.22	-2,840.96
2014	173.48	3,414.40	3,587.88	-3,240.52
2015	293.05	3731.64	4024.69	-3438.59
2016	199.15	4,273.58	4,472.73	-4,074.43
2017	415.14	4191.22	4,606.36	-3,776.08
2018	230.54	4,121.07	4,351.61	-3,890.53
2019	228.94	4,033.58	4,262.52	-3,804.64

Source: The Embassy of Sri Lanka in the People's Republic of China, (2020).

Table 1 show that the exchange between the two countries has swung conclusively in China's favor. As a result, Sri Lanka's exchange lopsidedness with China has broadened impressively in later a long time, with imports expanding quickly whereas exports remained stagnant.

Figure 1
Sri Lanka's Chinese Investments



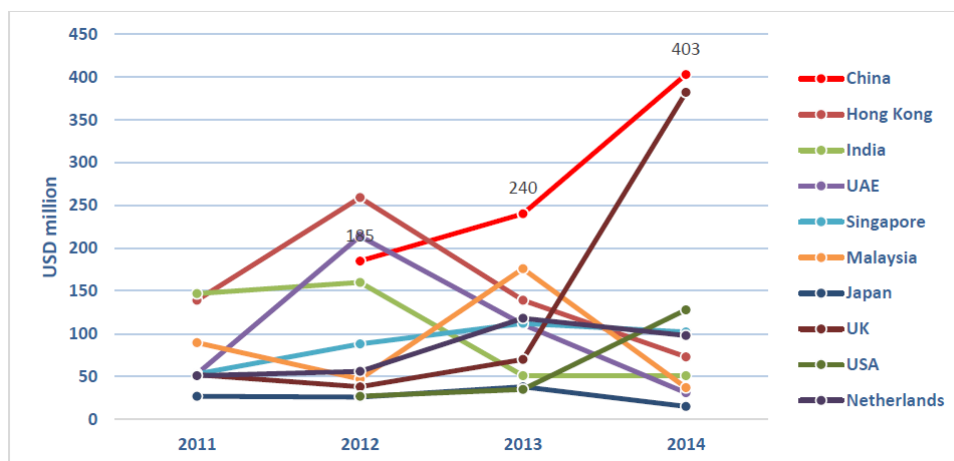
Source: Chinese investments in Sri Lanka, Gateway House, (2016).

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China was the major source of (ODA) Official Development Assistance and (FDI) Foreign Direct Investment in Sri Lanka from 2005 to 2015, with a total of \$14 billion. The vast bulk of it comes in the form of loans and grants, totaling \$12 billion in sectors including energy, services and infrastructure. Private Chinese investment is also present, with a total value of \$2 billion and increasing (Bhatia, Kulkarni & Gayakwad, 2016).

Figure 2

Inflows of Foreign Direct Investment (FDI) into Sri Lanka from China and Other Source Countries



Source: China is Sri Lanka's biggest source of FDI, but there is room for more, Board of Investment Annual Reports, (2011 to 2014)

The chart shows FDI inflows to Sri Lanka from China and other nations from 2011 to 2014. It underlines that China was the third-largest FDI supplier to Sri Lanka in 2012 and rose to end up the most FDI benefactor country in 2014, climbing from \$185 million to \$403 million in that time. Most other giver countries saw a diminishment in FDI to Sri Lanka amid this time, though the UK is closely taking after China's lead (Deyshappriya, 2017).

Table 2

The largest Sri Lankan Exports to China from 2015 to 2019

HS code	Item description	2015	2016	2017	2018	2019
6162	Apparel	53.72	65.31	59.72	52.92	67.39
0902	Tea	34.39	31.98	49.06	46.55	47.91
3802	Activated carbon	4.17	6.64	10.05	13.66	17.74
530500	coconut (coir) Molded products	20.34	20.68	22.31	15.75	17.20
8542	Electronic integrated circuits	3.38	4.42	6.54	8.02	7.33
27101960	Fuel oil	1.46	1.20	6.47	11.70	6.70
9999	Other Exports	1.66	3.09	2.40	5.03	5.53
4008	Plates, sheets, strip, rods and profile shapes, of vulcanised rubber	.50	.24	.86	2.26	5.05

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26	Ores, slag and ash	9.65	7.67	6.68	7.07	5.01
9404	Mattress supports	.01	.19	1.55	4.21	4.53

Source: The Embassy of Sri Lanka in the People's Republic of China, (2020).

Table 2 shows that Sri Lanka has exported various products to China from 2015 to 2019. The export amount was higher in 2019 than in 2017 and 2018. The export of apparel, activated carbon, electronic integrated circuits, fuel oil, ores, slag, and ash increased in 2018.

I also see the export of apparel, tea, activated carbon, coconut (coir) molded products, plates, sheets, strips, rods and profile shapes, vulcanized rubber, mattress supports, and other exports have increased in 2019.

Table 3

Sri Lanka's Major Imports from China from 2015-2019

HS Code	Item Description	2015	2016	2017	2018	2019
7273	Iron and Steel	443.66	431.72	376.00	429.31	371.82
60	Knitted or crocheted fabrics	247.48	268.23	308.06	294.10	336.53
8517	Telephones sets	237.37	293.64	343.98	394.26	306.73
55	Man-made staple fibres	198.63	218.95	212.33	214.28	248.04
52	Cotton	188.22	252.16	257.17	278.25	235.42
84	Nuclear reactors, boilers, machinery and mechanical appliances	151.70	187.52	177.79	180.54	172.01
9999	Other Imports	136.80	142.17	123.86	133.88	127.67
39	Plastics and articles thereof (Except Hs 392321)	113.75	102.43	112.05	124.79	125.80
58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	68.55	104.64	103.53	106.39	114.07
54	Man-made filaments	58.83	63.58	77.75	102.38	103.33

Source: The Embassy of Sri Lanka in the People's Republic of China, (2020).

Table 3 demonstrates that Sri Lanka imported various products from China from 2015 to 2019. They imported a significant amount of iron, steel, knitted or crocheted fabrics, telephone sets, cotton as the number of imports was higher in 2018 than in 2017 and 2019. Imports of iron and steel, telephone sets, cotton, nuclear reactors, boilers, machinery, mechanical appliances, and other items also increased in 2018.

In 2019, I also see an increase in imports of knitted or crocheted fabrics, man-made staple fibers, plastics and articles thereof, special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery, and man-made filaments.

Sri Lanka's Preferential Exports to China under the Asia Pacific Trading Agreement (APTA)

The Asia Pacific Trade Agreement (APTA), originally known as the Bangkok Agreement, was signed in 1975 between Sri Lanka and China, Bangladesh, China, India,

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the Lao People's Democratic Republic, Sri Lanka and the Republic of Korea are all members of APTA.

Table 4

Under the APTA, Sri Lankan exports to China are given preferential treatment. (Value in Mn.US\$)

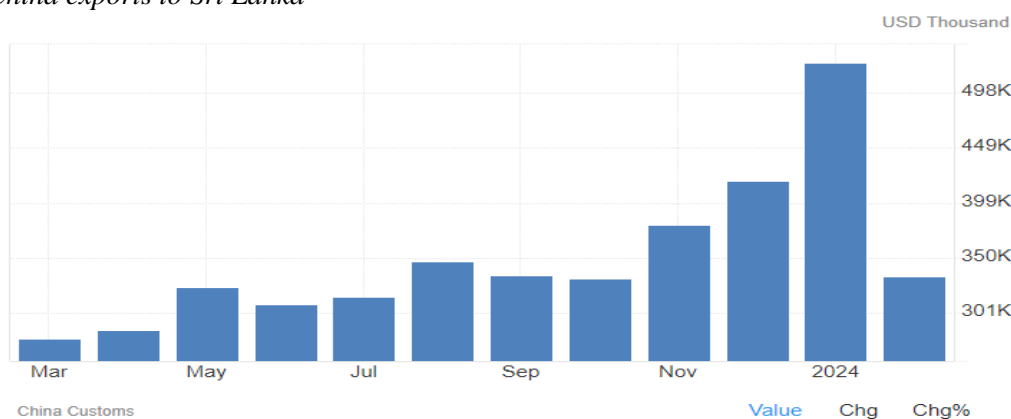
	Exports to China under APTA	Total exports under APTA	Exports to China under APTA as a % of total exports under APTA
2007	9.03	27.03	33%
2008	19.0	35.3	54%
2009	28.9	49.4	59%
2010	41.4	69.7	59%
2011	44.8	69.8	64%
2012	36.2	61.72	59%
2013	60.30	84.17	72%
2014	86.13	118.51	73%
2015	89.20	118.69	75%
2016	91.88	125.57	73%
2017	117.5	150.8	78%
2018	122	155.85	78%
2019	137.34	179.27	77%

Source: The Embassy of Sri Lanka in the People's Republic of China, (2020).

In Table 4 above, APTA is significant for Sri Lanka since it is the country's only trade deal with China. As a dynamic regional agreement, APTA has been crucial in achieving positive results for Sri Lanka. From 2007 to 2019, the table above appears Sri Lanka's trades to China beneath the APTA. Trades to China beneath the APTA have consistently expanded over time. Coir things, materials, tea, wooden furniture, characteristic elastic, angle items, actuated carbon, tiles, silver adornments, and porcelain product are among the most trades secured by APTA.

Figure 3

China exports to Sri Lanka



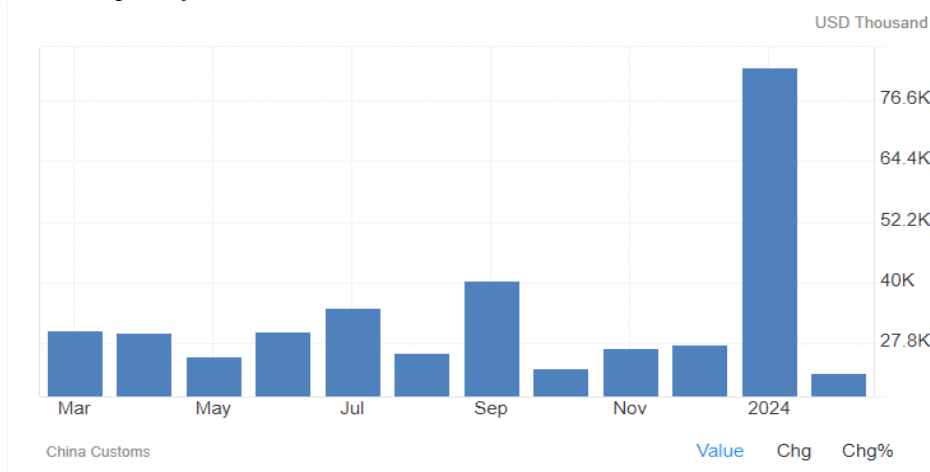
Source: Trending Economics, (2025a).

China's exports to Sri Lanka fell from 523981 USD thousand in January 2024 to 334060 USD thousand in February. China's exports to Sri Lanka were 351389.27 USD

China's Foreign Policy towards Sri Lanka

thousand on average between 2014 and 2024; they peaked in January 2022 at 585691.00 USD thousand and fell to a record low in February 2023 of 146192.00 USD thousand (Trending Economics, 2025a).

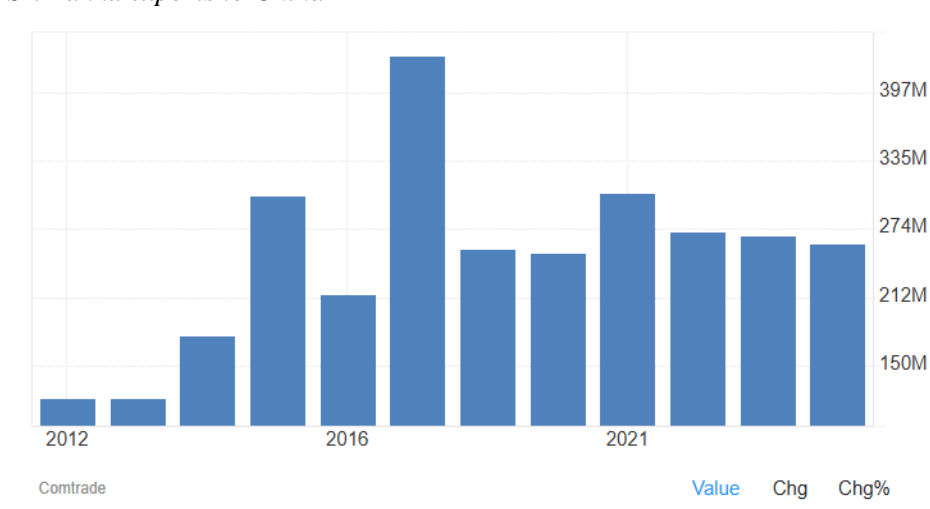
Figure 4
China Imports from Sri Lanka



Source: Trending Economics, (2025b).

Imports from Sri Lanka in China decreased to 21969 USD thousand in February from 83213 USD thousand in January of 2024. Imports from Sri Lanka in China averaged 31409.84 USD thousand from 2014 until 2024, reaching an all-time high of 141852.00 USD thousand in July of 2021 and a record low of 12091.00 USD thousand in February 2015 (Trending Economics, 2025b).

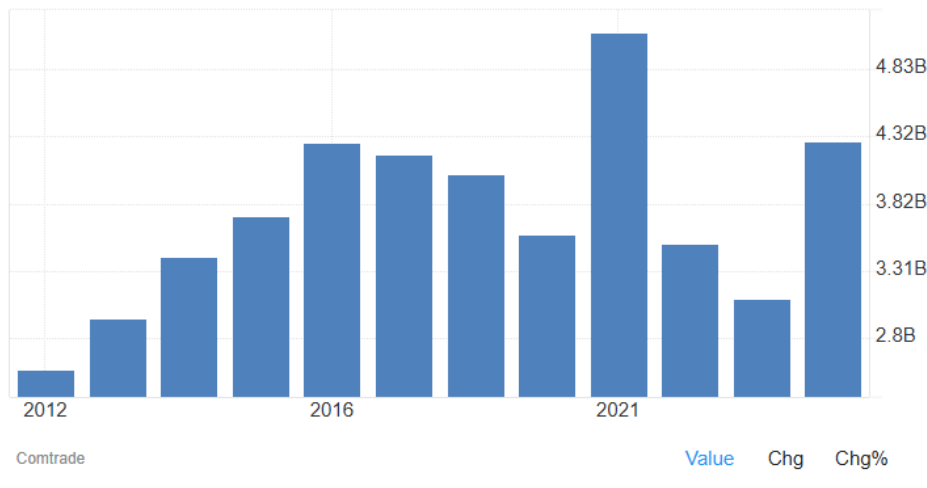
Figure 5
Sri Lanka exports to China



Source: Trending Economics, (2025c).

Sri Lanka exports to China was US\$261.06 Million during 2024, according to the United Nations COMTRADE database on international trade. Sri Lanka exports to China – data, historical chart and statistics – was last updated on April 2025 (Trending Economics, 2025c).

Figure 6
Sri Lanka imports from China



Source: Trending Economics, (2025d).

Sri Lanka imports from China was US\$4.28 billion during 2024, according to the United Nations COMTRADE database on international trade. Sri Lanka imports from China – data, historical chart and statistics – was last updated on April 2025 (Trending Economics, 2025d).

Major Problems in China – Sri Lanka Trade and Economic Relations ***Debt and Financial Insecurity Are a Bad Combination***

Sri Lanka's high credit costs and slow growth have led to increased debt obligations, causing a trend of countries using advances for financial purposes at the expense of long-term FDI and trade (Dharmawardhane, 2016). Sri Lanka's government shifted its stance on China after the Colombo Port City project was authorized in 2016, questioning who else would provide financial support during challenging times in the West (Akita, 2016). Sri Lanka's Prime Serve Wickremesinghe negotiated a \$125 million penalty for the project's suspension in Beijing, suggesting trading \$8 billion in bonds for stock in framework ventures, as seen in the Hambantota project (Kawase, 2016).

Leverage Is Gained through Business Failure

The debt burden on a target state requires a steady cash flow for loan repayment. The Chinese foundation projects in Sri Lanka are often labeled as operational or commercial failures, increasing government costs and requiring extra assistance. To maintain the good relations with Beijing, Sri Lanka needs to increase China's lease use. The low-return ventures can benefit developing nations by improving indigenous capabilities and skills (Lim & Mukherjee, 2019).

Insufficient Information

Before 2015, Sri Lanka's China-sourced finance was largely undisclosed. The discovery of a significant change in the Hambantota airport rate led to suspicions about a drop in Chinese shareholding. The mystery also hindered negotiations and limited entrepreneurs' control over the country's financial commitments. The Sirisena government delayed the Colombo Harbour City extension due to concerns over transparency (Blanchard, 2016).

Corruption

The procedural corruption can lead to activities being supported for political or individual advantage instead of the country's long-term financial advantage. This is evident in the commercial disappointments of Hambantota's harbor and air terminal. China's non-interfering approach to investment decisions makes political-based ventures more financially unviable than those based on thorough market analysis and return on investment (Zhu, 2015).

The Debt Trap in China

Sri Lanka's Hambantota harbor faces financial difficulties due to ongoing maintenance costs, interest payments, and interest payments. The country's total debt is around USD 64.9 billion, with \$8 billion owed to China. In 2015, the Siresena organization took over the debt, leading to a financial crisis. President Maithripala Sirisena is considering converting loans into cash to reduce the country's debt to China (Patrick, 2017).

Political Issues

Accusations of corruption have been leveled against the island nation regularly as a result of China's unilateral investment. The first is allowing the Chinese corporation to gain large infrastructure projects without going through a competitive procedure. It also contributed to the general notion that the previous Rajapaksa administration was pro-China. During the Rajapaksa administration, multiple non-viable commercial infrastructure projects were signed with Chinese corporations. These infrastructure projects are not only named after the former President, but they are also in his hometown of Hambantota (Patrick, 2017).

Social Issues

Sri Lanka's Hambantota area faced protests against a Chinese port expansion project, causing riots and demonstrations. Workers were on the verge of losing their jobs, and protesters believed the proposed zones would become a "Chinese colony," causing cultural and demographic shifts (Patrick, 2017).

Initiatives Taken by China and Sri Lanka to Improve the Trade and Economic Relations

Soft Power

The Confucian culture in Asia faces social contrasts between China and Sri Lanka due to history, dialect, and society. Despite Chinese tourism growth, Sri Lankan attitudes have shifted, with 23% of Sri Lankans recognizing China's professionals as good in 2014, compared to 42% in 2006. The Asia-Pacific endorsement rating has declined from 27% to 22%, with the Chinese leadership serving as an intermediary for Chinese residential shows (Jayasinghe, 2015).

Military Relations

Sri Lanka primarily imported armaments from China during the civil conflict, with India and Western nations limited to providing intelligence and non-lethal weapons due to domestic political sensitivities (Ghosh, 2014; Nayanthara, 2017; Samaranayake, 2011). During the closing phases of the conflict, China moved in to fill the hole, providing unflinching assistance to the Sri Lankan government (Jayawardena, 2018). Sri Lanka's arms build-up with Chinese weapons has now raised suspicions about Chinese

motives and Sri Lanka's possible military bandwagoning with China (Samaranayake, 2011). The highest concern concerning Sri Lanka's military bandwagoning with China came about in 2014 when Sri Lanka permitted two Chinese submarines to dock at the Colombo port (Mitra, 2017). India expressed concern over Chinese submarines near India. Sri Lanka's Prime Minister promised to inform India about future actions but refused a port call by a Chinese submarine after India's visit in 2017 (AFP, 2018).

Diplomatic Relations

China and Sri Lanka maintain strong bilateral ties, with mainstream political parties adopting a pro-China agenda, and Sri Lanka maintains close relations with China regardless of power (Wu, 2016). Following the civil war, Sri Lanka sought China's non-interference and sovereignty principles as an international partner. In 2009, Sri Lanka was awarded a "dialogue partner" position in the Shanghai Cooperation Organization, and in 2017, India joined (Samaranayake, 2011; Waidyatilake, 2018).

Security Issues

The Chinese company will gain benefits like commercial operations rights, marine transportation control, and ship repairs at Hambantota Port. The Sri Lankan government will oversee the overall security, but the Chinese corporation will solely supervise interior security. This could lead to significant changes to port law, but would not threaten sovereignty or military presence (Patrick, 2017).

Policy Collaboration at the Global Level

Sri Lanka relied on Chinese influence at the UN to counter international criticism, using its permanent membership to prevent the UN from considering war crimes and rejecting a resolution on Sri Lanka's civil conflict. China also opposed foreign engagement in 2011 over human rights breaches (Kumar, 2017; Nayanthara, 2017; Samaranayake, 2011). In Tibet and Taiwan, Sri Lanka also supports the "One-China" policy. Despite being a Buddhist country, Sri Lanka has repeatedly refused to give visas to the Dalai Lama in favor of the 'One-China' policy (Venkataraman, 2016). Sri Lanka balances China's influence with India's policy interests, supporting India's goal for UNSC participation and supporting India's policy interests (Ministry of External Affairs Govt. of India, 2005). Pakistan encouraged Sri Lanka as a mediator for Kashmir, but Sri Lanka remained neutral due to India's reservations about having a third party (Behuria, 2012).

Common Interest of China-Sri Lanka Trade and Economic Relations

Foreign Policy Interests

Sri Lanka's ties with China have not affected its survival, but Colombo's commitments have limited financial independence and access. President Sirisena's decision to close Chinese-funded ventures and cancel Chinese submarine docking at Colombo harbor has been criticized, and the government is reevaluating its decision (English, 2010). In January 2016, the prohibition was lifted, and Chinese ships arrived in Colombo (Iyengar, 2015). Despite initial inversions, the public's response to China's excessive dependence on Sri Lanka, particularly due to the Rajapaksa government's misdeeds, has served as a strong counterweight, as seen in the 2015 race and display challenges (Times News Network, 2016).

Security Interests

Within the setting of great-power competition, the target state's security interface might restrain the sender state's impact in a momentous way. Within the case of Sri Lanka and China, India is the self-evident third-party state, and it has long played a significant part in Sri Lanka's remote approach calculations. Since 1987, the Indo-Sri Lanka Agreement, which put Colombo beneath Delhi's circle of impact, has formalized this relationship. According to formal archives traded as a portion of the arrangement, Sri Lanka was anticipated to cut ties with nations such as the USA, Pakistan, and China. Colombo acknowledged, specifically, that "Trincomalee or any other port in Sri Lanka shall not be made accessible for military use by any nation in a way adverse to India's interests" (Panda, 2015).

Economic Relations

Sri Lanka's trade with China has grown significantly, from \$660 million in 2005 to \$1,138.3 million in 2008. While trades with China have also grown, imports from China have grown faster, resulting in a developing exchange shortfall of \$1,044.7 million in 2008. The total trade between Sri Lanka and China, including Hong Kong, reached \$1,937.3 million in 2008, making it Sri Lanka's second-largest import source after India and the thirteenth-largest export destination. Key Chinese imports include crude coconut coir, materials, tea, and textiles (Kelegama, 2009).

Chinese trade surplus is primarily used for exporting goods like clothing and consumer electronics. China also provides venture and financial support to Sri Lanka, becoming the largest foreign investor in 2009. In 2009, China provided \$1.2 billion in external aid, including venture credits and gift bookkeeping. In 2010, China's Exim Bank funded \$290 million for Sri Lanka's airport development and railroad restoration (Fernando, 2010).

Relationships of Investment

Sri Lanka has looked for venture ties with created nations in arrange to reinforce its mechanical segment and assist its improvement as a creating nation. In comparison to other nations, Sri Lanka has as of late been fruitful in pulling in an impressive amount of Chinese speculation. Despite the reality that exchange and speculation ties between Sri Lanka and China are similarly vital to both nations, the number of later Chinese ventures in Sri Lanka has pulled in more nearby and universal considerations than exchange relations. This segment analyzes the venture associations between Sri Lanka and China, with a center on foundation advancement, remote coordinate venture (FDI), outside borrowings and help, and remote subsidizing guarantees and payment (Deyshappriya, 2019).

Development of Infrastructure

China has positioned Sri Lanka as a key player in a "string of pearls" relationship, focusing on boosting its ties through mega-investment projects. This is driven by the country's lower-middle-income status, limited concessionary credits, and the need for two-sided partnerships with India and China. The significant amount of China's support and the need for Western conditions has sparked interest in Sri Lanka-China trade ties. The goal is to create ports with Chinese support and avoid financial and human rights issues from the former US envoy Ashley Wills (Samaranayake, 2011).

Foreign Direct Investment

The (SLCBCC) Sri Lanka China Trade Participation Committee has played a key part in drawing in and directing Chinese financial specialists to Sri Lanka. The Board has given sufficient data for both Sri Lankan and Chinese financial specialists by supporting fundamental occasions such as the "Kunming Exchange Reasonable" in 2011 to 13 and "How to Do Trade in China" (Kelegama, 2014). In expansion to the SLCBCC's work, the Sri Lankan government has advertised "Moment Domestic" identifications to Chinese financial specialists who contribute at the slightest \$25 million (Fernando, 2010).

Relations in the Tourism Industry

Due to its island location and common excellence, Sri Lanka has long been known as the "Pearl of the Indian Ocean," drawing in a huge number of visitors from all over the world. As a result, Sri Lanka's visitor industry has been respected as a key driver of financial development. Sri Lanka's visitor industry created \$2431.1 million in income in 2014, as well as 129,790 and 170,000 coordinate and circuitous work openings (Fernando, 2010).

Ways for China-Sri Lanka to Develop Trade and Economic Relations (Recommendations)

Sri Lanka, in particular, can move forward with its trade execution while decreasing its exchange shortage with China. The paper proposes several policy initiatives, which are listed below:

- To distinguish the unused trade commodities, such as printed circuit sheets, electronic coordinate circuits and micro-assemblies, chemical and related mechanical arrangements that may be traded duty-free to China.
- To introduce the items with expanding Chinese demand, such as leather, bananas, footwear, chemicals and manioc, to underserved Chinese markets.
- To utilize the existing competitive points of interest within the material and elastic divisions to deliver modern send-out commodities like therapeutic gear, as Teacher Ricardo Hausmann points out.
- To empower commonly advantageous exchange courses of action based on individual cities' shopper inclinations and advertising requests, make city-to-city joins based on mayor-to-mayor partnerships.
- To keep up and fortify Sri Lanka's near relationship with the AIIB in arrange to pull in potential FDI, advances, and awards, especially given the expanding boundaries to such back from Western education due to the country's middle-income status.
- To focus on infrastructure development, protecting a well-established and straightforward lawful framework and moving forward Sri Lanka's Ease of Doing Trade List ranking.
- To make it simpler for Sri Lankans to visit China in quest of investment possibilities by simplifying the procedure of obtaining business visas.
- To assist the Chinese investors in overcoming linguistic barriers while investing overseas, translate websites, notably the Sri Lankan Board of Investment's site, into conventional and rearranged Chinese.
- To help assist Sri Lankan understudies in China pick up internships with high-potential Chinese endeavors, construct relationships from the bottom up, and build long-term investments and business partnerships.

DISCUSSION

In recent decades, the amount of trade between China and Sri Lanka has risen significantly. China and Sri Lanka's trading relations were originally intermittent, and China was mainly an exporter, selling extremely large quantities to Sri Lanka rather than importing. As China is the biggest trading partner, trade ties between the countries play a very significant role in economic growth, employment creation and growing entrepreneurial activities in Sri Lanka. But the growing trade deficit mainly, more imports than the exports of Sri Lanka from China are making the nation the main consumer of China. Sri Lanka can follow the Indian strategy of growing trend of importing raw and secondary products (40%), e.g. parts of the car to assembly instead car itself, parts of toys or other devices instead of the finished products to produce (convertible) finished products to minimize the trade deficits and growth of entrepreneurship, employment and socio-economic development.

Overall, the relationship between China and Sri Lanka has not developed as much as expected, and there are several issues that need to be addressed. The two countries need to work on improving trade and investment relations and fully utilize the potential for cooperation in various fields. If these initiatives are successful, they will help to diversify the economic ties between the two countries. The benefits of such diversification would include increased job creation, technology transfer, access to new markets, etc. If China and Sri Lanka will maintain diplomatic relations, there will be a steady growth of bilateral trade and cooperation in various fields. The most important limitation is that information is not always easily available from the official level of the two countries. The research would have been more enriched if the information was easily available from the official level of the two countries. Data was collected through surveys, interviews, document analysis, and observations, which may have inherent limitations such as response biases, document availability, and access to certain information. These suggestions or recommendations can help to improve China-Sri Lanka relations. Both nations should focus on strengthening their diplomatic ties, enhancing trade and economic cooperation, promoting cultural exchange programs, expanding educational ties, collaborating on regional and global issues, and sports diplomacy to deepen their mutual understanding and promote cooperation. Very few academic studies have been done on China's foreign policy towards Sri Lanka in the changing political-economic relations in the early 21st century.

This research will help to understand details about Sino-Sri Lanka relations, its change and continuity in the Late 20th–Early 21st Century as a result of politico-economic and military rise of China. This research is likely to fill the void or can add to my limited knowledge about the new politico-economic and military security milieu of Asia in general and South Asia in particular, Sino-Sri Lanka relations.

CONCLUSION

As a result of the capital system, China has gained significant influence over the Sri Lankan government. Although it is difficult to link leverage potential to actual use, several empirical themes have emerged that could help researchers build new theoretical insights into the conflicts of the great powers of South Asia. Failure to invest capital by the sending state, instead of their success, could weaken the destination state, possibly resulting in security breaches through the capital system. Debt, project failures, lack of transparency, and corruption are all factors that have put Chinese negotiators in a strong position. Despite President Ranil Wickremesinghe's political intentions, Sri Lanka's reliance on Chinese money remains unchanged. Sri Lanka's bolster for Beijing's key

programs, such as the arrangement of docking rights for Chinese submarines at Sri Lankan ports and the Oceanic Silk Street, has been connected to China's financial benefits. Colombo's area has so distant been constrained to many submarine docks and high-level discretionary visits.

The Sri Lankan government can impact its Chinese partners through different channels. They ought to be particularly specified. At first, the government looked to diversify the sources of foundation financing. This may be seen in India's association in Trincomalee, ADB's key part within the Colombo harbor extend, and India's key proposition for harbor advancement in Hambantota. Such differing qualities diminish the chance of getting to be excessively subordinate to a single supply source, such as China. Second, in a similar spirit, the Ranil Wickremesinghe government has chosen to actively engage with both China and India, maintaining a balance of conflicting interests and permitting the creation of two unmistakable territorial circles of impact inside its domain, one to the south and one to the northeast.

In Colombo, the government is anticipated to grant a contract to an Indian consortium for the improvement of a third terminal at the harbor of Colombo. Sri Lanka has concocted an arrangement to restrain Chinese impact while expanding its income. At long last, Colombo looks for participation with a wide run of nations and organizations through different channels. Whereas intensely obligated to a target state can be a source of control for the sending state, pushing the envelope as well as distance can disintegrate that control, particularly when a third party is accessible to supply cash and security. A more in-depth analysis of other South Asian countries, China's financial approach seems to shed more light on the circumstance in which Rashtracraft has succeeded in affecting the remote approaches of India's neighbors. Presently, the circumstance in Sri Lanka represents China's economic state constraints as well as its commitment.

CONFLICT OF INTEREST DECLARATION

I hereby wish to declare that I do not have any conflict of interests to disclose. However, I declare that the manuscript has not been published before and is not being considered for publication elsewhere.

AUTHOR CONTRIBUTIONS

I declare that this manuscript is originally produced by me.

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Turkey, Romania, Ukraine, Jordan, Indonesia, Bangladesh, India, Pakistan, Nepal, The Philippines, Thailand, Sri Lanka, Malaysia, UAE, Brazil, and Kenya. His fields of interest are: Foreign Policy of Major Powers, Foreign Policy of South Asian Countries, China's Foreign Policy Towards South Asia, China's Foreign Policy Towards Russia, China's Foreign Policy Towards USA, India's Foreign Policy Towards Russia, India's Foreign Policy Towards Nepal, China's Foreign Policy Towards Australia, China's Foreign Policy Towards Canada, China's Foreign Policy Towards Sri Lanka, Foreign Policy of Bangladesh, Foreign Policy of China, Foreign Policy of Pakistan, Foreign Policy of Sri Lanka, Foreign Policy of Myanmar, Foreign Policy Analysis, Planning and Project Management are some of the topics covered in this course.

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