



China and conflict-affected states

Between principle and pragmatism

SRI LANKA



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Acronyms: Sri Lanka

ADB	Asian Development Bank	MIC	Middle-income country
ATT	Arms Trade Treaty	OCHA	UN Office for Coordination of Humanitarian Affairs
CATIC	China National Aero Technology Import and Export Corporation	OECD	Organization for Economic Cooperation and Development
CFA	Ceasefire agreement	PLA	People's Liberation Army
DAC	Development Assistance Committee	R2P	Responsibility to Protect
DG Trade	Directorate General for Trade	SAARC	South Asian Association for Regional Cooperation
EU	European Union	SIPRI	Stockholm International Peace Research Institute
Exim Bank	China Export Import Bank	SLAF	Sri Lankan Armed Forces
FDI	Foreign direct investment	SLFP	Sri Lanka Freedom Party
GDP	Gross Domestic Product	UK	United Kingdom
GoC	Government of China	UN	United Nations
GoSL	Government of Sri Lanka	UNDP	UN Development Programme
ICC	International Criminal Court	UNHCR	UN High Commissioner for Refugees
IDP	Internally displaced person	UNHRC	UN Human Rights Commission
ILO	International Labour Organization	UNICEF	UN Children's Fund
IMF	International Monetary Fund	UNP	United National Party
INGO	International non-governmental organisation	UNSC	United Nations Security Council
IOM	International Office for Migration	US	United States
JVP	Janatha Vimukthi Peramuna	WFP	World Food Programme
LLRC	Lessons Learned and Reconciliation Commission	WTO	World Trade Organization
LTTE	Liberation Tigers of Tamil Eelam		

Sri Lanka



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Sri Lanka case study

3.1 Introduction

ACCORDING TO ONE CHINESE ACADEMIC, “the backbone of China’s South Asia policy has been to maintain and promote regional peace and stability”.¹ It could be asked whether China has played this role in Sri Lanka, where a three-decade war came to a violent end in 2009 with the military’s defeat of the Liberation Tamil Tigers of Tamil Eelam (LTTE). Today, the country faces the challenges of laying the foundations for longer-term stability. The last few years of the war in Sri Lanka coincided with a deepening of relations with China. This case study examines the role China played during this period and discusses what impact it had on the conflict. It also explores whether China’s engagement has affected the form and shape stability has taken in post-war Sri Lanka. The study is based on evidence collected from a desk-review of literature, media analysis and research interviews carried out in Colombo, Beijing, Shanghai and London with diplomats, officials, academics, analysts, journalists and civil society organisations.

Section 3.2 provides an overview of the war and highlights possible future conflict risks, suggesting that their likelihood is tied to what type of stability is built in Sri Lanka. The section also gives a brief overview of the main external actors in Sri Lanka. Section 3.3 examines China’s role in more detail, exploring its historical, political, military and economic relations with Sri Lanka, followed by a discussion on the interests that underpin its engagement. The impact of China’s role on peace and conflict dynamics is explored in Section 3.4, starting with its military co-operation and arms transfers. The section then examines the implications of China’s bilateral and multilateral diplomacy. Humanitarian and development assistance is also discussed, with special focus on post-war reconstruction in Sri Lanka. Finally, the section questions whether China might have a further impact in three indirect ways: through weakening the influence of Western states, challenging Western norms and raising tensions with India. Section 3.5 summarises the findings and outlines the key implications for policy.

China has come to be a major external actor in Sri Lanka and this has undoubtedly had repercussions for peace and stability in the country. The Sri Lanka case study also unveils some of the trends and implications of China’s engagement in other conflict-affected countries. Traditional assumptions of an international community of like-minded actors are being challenged and, to a degree, Western policy makers are being forced to question certainties about their own legitimacy and leverage. As one Western diplomat interviewed noted, “It’s hard to imagine that the 2009 end to the conflict would have played out in the same way 15 years ago. Today’s context is different”.² For policy makers in Beijing, serious questions are being raised as to how they will shape

¹ Zhao G, ‘South Asia’s position in the international order and the choice before China’, *South Asian Studies Journal (Chinese)*, 2010, no 1.

² Saferworld interview, Colombo, June 2011.

and employ China's influence in the future. The answers will have implications for peace and stability far beyond South Asia.

3.2 Setting the context

Conflict overview

Since independence (1948), ethnic rivalry has undermined stability and development in Sri Lanka as the majority Sinhala and minority Tamil populations have competed for political, economic and social influence, culminating in calls for secession by Tamil leaders. The failure of the state to manage these tensions lies at the epicentre of the conflict. In 1983 ethnic confrontation descended into a war that was driven by “the nature of the state, its political culture, the institutional framework of policy, uneven development patterns and competing nationalisms”.³ External actors, including neighbouring states and hard-line sections of the Tamil diaspora, played a role. Starting as a small but disciplined militant group in 1976, by 2006 the Liberation Tigers of Tamil Eelam (LTTE) controlled large areas in the North and the East of the country, governing over the local population in a largely repressive way and amassing an army of 20,000 with a nascent air force and navy.

Efforts to find a peaceful settlement were frustrated by continued cycles of violence and re-armament and the unwillingness of either party to instigate substantive reform of their policies and interests: the LTTE's refusal to discuss anything short of secession was matched by the Sri Lankan state's failure to offer a credible alternative to the Tamils. While the United National Party (UNP) was in power, and with strong backing from several states in the international community, a formalised ceasefire agreement and negotiation process was signed in 2002 (the CFA). However, fractures in the ceasefire began to emerge and in 2005 Mahinda Rajapaksa of the Sri Lanka Freedom Party (SLFP) won the presidency with an explicitly nationalist strategy for ending the conflict. A new cycle of violence and retaliation – including attacks on security forces, extra-judicial killings, suicide bombings and military action – left the peace talks behind and by July 2006 hostilities resumed to full force. In July 2007 the Sri Lankan Armed Forces (SLAF) took control of the East of the country. At the same time as conflict worsened, political space for journalists, civil society and international non-governmental organisations (INGOs) in Sri Lanka began to close.

Questions about continued development and military assistance to the Government of Sri Lanka (GoSL) were being raised in some Western capitals. For example, the United States (US) suspended grant aid in early 2007, pending improvements in the security situation; Germany reduced bilateral aid, while the United Kingdom (UK) suspended US\$3 million of debt relief. In Colombo, “there was incredible frustration amongst Western donors at the breakdown of the ceasefire”.⁴ The Sri Lanka Development Forum – a formal meeting of donors and the GoSL – which was held in early 2007, would prove to be the last. Tense divisions became apparent as donors made clear their opposition to an escalation of hostilities. The GoSL retorted that Sri Lanka's development was being held hostage by the LTTE, who it believed would never abandon armed struggle. Although it had already started to cultivate relations with non-Western states, in the opinion of one senior donor official this meeting conclusively confirmed to the Sri Lankan leadership that they would have to find political, military and financial support from elsewhere.⁵

The GoSL formally terminated the CFA in January 2008. Operations in the North intensified and by September international agencies were forced to withdraw after the GoSL refused to guarantee their safety. International calls for a ceasefire – to ensure civilian protection and allow for humanitarian access – fell on deaf ears. Having killed

³ Goodhand J *et al*, *Aid, conflict, and peacebuilding in Sri Lanka 2000–2005*, (UK, Sweden, Netherlands, Asia Foundation, World Bank, 2005).

⁴ Saferworld interview, Colombo, June 2011.

⁵ Saferworld interview, Colombo, June 2011.

or captured the LTTE leadership, in May 2009 the Government finally claimed military victory and announced that the Tamil people had been liberated. However some 280,000 displaced Tamils were in military-run camps, leading to concerted international pressure to release them.

Aside from the Government – LTTE conflict, it should be remembered that Sri Lanka has been convulsed by two insurrections waged by supporters of the Marxist-Sinhalese nationalist Janatha Vimukthi Peramuna (JVP) party. In 1971, the first JVP uprising is thought to have claimed 8,000–10,000 lives nationwide. Between 1987 and 1989, a second wave of upheaval began and spiralled into widespread violence and brutal counter suppression – claiming even more lives nationwide.⁶ As these episodes illustrate, the roots of instability in Sri Lanka extend far deeper than the state's confrontation with the LTTE.

Current context

In the end, the conflict between the GoSL and the LTTE cost tens of thousands of civilian lives, caused dramatic human suffering, countless displacements and a humanitarian crisis. The final five months of the war allegedly included serious violations of international law on a larger scale than at any other period in its history.⁷ In March 2011, a United Nations (UN) appointed panel of experts reported that it had found “credible allegations, which if proven, indicate that a wide range of serious violations of international humanitarian law and international human rights law was committed both by the GoSL and the LTTE, some of which would amount to war crimes and crimes against humanity”.⁸ The same report found that subsequent efforts by the GoSL to address issues of accountability have failed to “satisfy key international standards of independence and impartiality”.⁹ Sri Lanka's leaders continue to argue that its own process of accountability – the Lessons Learned and Reconciliation Commission (LLRC) – is sufficient and that the UN Panel findings lack legitimacy.

Sri Lanka has seen a centralisation of power, especially around the President's family, with the accusation of continued use of patronage politics long familiar to the country.¹⁰ Elections in 2010, which kept the popular SLFP in power, were followed by amendments to the constitution that concentrate the President's power and abolish term limits. The judiciary's independence has been curtailed, while the police remain under control of the Ministry of Defence. The GoSL has continued to use heavy-handed tactics against its critics, for example arresting the 2010 opposition presidential candidate, General Fonseka. According to one analyst, the “counter-terrorism strategies the Government adopted have radically compromised individual liberties and press freedom; created a dangerous executive-military nexus and a culture of impunity; and enabled an extra-judicial and extra-constitutional regime promoting soft authoritarianism”.¹¹ While temporary emergency regulations have been lifted, parallel and equally strong anti-terror laws have taken their place.¹²

⁶ Gunaratne R, *Sri Lanka: A lost revolution*, (Institute of Fundamental Studies, 1990); National Commission Against Proliferation of Illicit Small Arms (NCAPISA), *Hambantota: Pilot survey of illicit small arms*, (Saferworld/NCAPISA, 2006).

⁷ *War crimes in Sri Lanka*, (International Crisis Group (ICG), 2010), Asia Report no 191.

⁸ According to the report, this included indiscriminate Government shelling of areas where large amounts of civilians were trapped and the systematic shelling of No Fire Zones, hospitals and humanitarian operations despite detailed knowledge of their location. Most civilian casualties in the conflict were caused by shelling, at a time when humanitarian access was severely curtailed by the GoSL. The report also notes that some suspected LTTE members were summarily executed, while others disappeared. All IDPs were detained in closed camps for screening. For its part, the LTTE purposefully held civilians as hostages, forcibly recruited some (including children) and fired artillery and stored weapons from groups of IDPs, thus purposefully blurring the line between civilians and combatants. The LTTE executed civilians attempting to escape. UN Secretary-General, *Report of the Secretary-General's Panel of Experts on Accountability in Sri Lanka – March 2011*, (UN, 2011), p. ii.

⁹ *Ibid* p v.

¹⁰ According to one media report, the Rajapaksa family controls the Presidency, the Ministries of Defence, Finance, Aviation, Ports, Irrigation and Nation Building, as well as holding parliamentary and special advisor roles. In total, 70 percent of the budget is controlled by the family, which also controls substantial private economic interests. Page J, 'Rise of Sri Lankan President's son Namal Rajapaksa sparks concern', *The Sunday Times*, 22 February 2010.

¹¹ Clarke R, 'Conventionally defeated but not eradicated: Asian arms networks and the potential return of Tamil militancy in Sri Lanka', *Civil Wars* (2011), vol 13 No 2, p 162.

¹² *Sri Lanka: Post-War progress report*, (International Crisis Group (ICG), 2011a).

The Government's post-war strategy in the North and East has been to focus on economic development and recovery, which it sees as the primary way to address the root causes of the conflict. While high-security zones have been reduced, economic development in post-war areas occurs in a heavily top-down and securitised manner, with the Ministry of Defence playing a significant role and an increasingly permanent military presence being established.¹³ The GoSL has accelerated demining efforts, though the scale of the problem is enormous. Significant progress has been made in the release of displaced Tamils, but challenges remain, especially with regards to their resettlement and the continued internment of several thousand.¹⁴ The GoSL claims it has released over 8,000 ex-combatants and is still rehabilitating a further 3,000, though the process as a whole has not been without its critics.¹⁵

Numerous Sri Lankan leaders and officials have stated that they are ultimately committed to a political solution to the ethnic conflict, including reforms that would decentralise power and promote greater autonomy to the North and East. Meaningful movement towards this goal is yet to materialise and in 2011, Gotabaya Rajapaksa (Secretary for Defence and the President's brother) asserted that the "existing Constitution is more than enough for us to live together... devolution-wise we have done enough. I do not think there is a necessity to go beyond that."¹⁶ Alongside political reforms, efforts towards instituting ethnic reconciliation and transitional justice have been minimal.

Conflict risks

The defeat of the LTTE undoubtedly brought greater peace to Sri Lanka: there have been no bombings, no large-scale military operations and far fewer violent civilian deaths. For the majority of Sri Lankans, especially those in the North and the East, life is far more secure. The violent institutions and repressive leadership of the LTTE has been fully destroyed by security forces that now have control of the whole country. With the LTTE removed, political space has increased for more moderate Tamil parties to operate and elections have been held. In the North and East, schools, bridges and roads have been re-opened, trade eased, new businesses started and jobs created. Sri Lanka's three-decade war with the LTTE is well and truly over. Sri Lankans, and especially Tamils, are exhausted with war.

But stability is far from matured and long-term peace by no means guaranteed. As one Sri Lankan academic explains, "the war is over, but the conflict is not."¹⁷ The infrastructure to fight a war has largely been dismantled, but while life has improved, many of the root causes and grievances that underpinned it remain unresolved. To start with, the absence of a political solution means that a fundamental restructuring of the state's capacity to manage competing nationalisms is no closer. War triumphalism by Sinhalese politicians may instead only deepen feelings of humiliation amongst many Tamils. The widespread presence of security forces that are mistrusted by local communities in the North and East and use heavy-handed methods may only exacerbate this. So too will frustration over access to land and services, rising food prices, disparities in wealth and a belief that economic opportunities are allocated on an ethnic or political basis. Young men, released from camps and with little experience except fighting, might seek to mobilise these frustrations in a violent or opportunist manner. It should not be forgotten that the LTTE started with a mere 50 recruits. Added to this is the continued existence of hard-line elements of the diaspora and the fact that the regional arms network that supplied the LTTE could potentially be resurrected.¹⁸

¹³ *India and Sri Lanka after the LTTE*, (ICG, 2011b), Report no 206, p 10.

¹⁴ *Op cit* ICG (2011a).

¹⁵ *Annual report 2011: Sri Lanka*, (Amnesty International, 2011), www.amnesty.org/en/region/sri-lanka/report-2011, accessed on 12 November 2011.

¹⁶ Cited in: Suryanarayan V and Bonofer B, 'Sri Lanka goes back on its assurances – analysis', *Eurasia Review News and Analysis*, 11 September 2011.

¹⁷ Saferworld interview, Colombo, June 2011.

¹⁸ *Op cit* Clarke, p 165.

In the short-term, the likelihood of a major re-escalation of armed conflict in Sri Lanka is unlikely. The military's control is near absolute. Tamil grievances, if acted upon, will most likely take the form of smaller, asymmetrical attacks on military targets, or more worryingly, terrorist attacks on civilians. Violence in Sri Lanka could also occur in the form of localised clashes between ethnic and religious communities, made worse by the state's inability to manage their disputes. Land issues, exacerbated by decades of displacement, perceptions of unfairness and poorly functioning laws and institutions, are especially prominent. But according to one key informant, Sri Lanka's biggest threat to stability comes from the continued centralisation and personalisation of power at the national level, which has in turn been used coercively as a means to stamp out political opposition. The same informant goes on to argue that grievances are growing amongst some sections of society, such as relatively deprived young men in the South. Without political space, in which such grievances can be aired and managed, a nationalist armed uprising that mirrors that of the JVP in the 1970s is not impossible.¹⁹

The nature of the state and the effectiveness of its institutions continue to lie at the heart of potential conflict in Sri Lanka. Stability that is bought by patronage and imposed by state coercion is distinguishable from stability that is rooted in the effective management of competing nationalisms, responsive political institutions and equal access to economic opportunities. Given this, focus should not be restricted to immediate conflict drivers and short-term risks. For conflict prevention in the medium- and long-term, "the relevant questions in the Sri Lankan context are instead about the kind of peace which is currently emerging and how stable such peace will be".²⁰

Key external actors in Sri Lanka

The **Asian Development Bank (ADB)** is one of Sri Lanka's largest donors, largely aligning itself with the GoSL development priorities, focusing on infrastructure and service delivery. Its mandate prevents it from directly working on political issues and it has argued in the past that development aid should not be held hostage to progress in peace negotiations, as this will only make matters worse. At the same time, it has attempted to make its engagement more conflict-sensitive.²¹ The ADB will finance Sri Lanka with around US\$300 million annually over the next few years, with a focus on roads, water supply and sanitation.²² In 2010 the **World Bank** was Sri Lanka's fifth largest foreign financier, committing US\$347 million. It focuses on economic policy and service delivery, for example working with local governments to deliver services in the post-war North.²³ Faced with the same political restraints as the ADB, the Bank has tended to align itself closely with the GoSL and avoid working directly on conflict issues. At the same time it has developed a 'conflict filter' to its engagement, which poses certain questions regarding how its policies are implemented and what risk they have of exacerbating conflict. In July 2009 the **International Monetary Fund (IMF)** released a critical US\$2.6 billion loan to Sri Lanka to assist it with a balance of payments crisis. The decision to release the fund was delayed by opposition from several Western states (including the US, the UK and France) who argued that the timing was inappropriate.²⁴ While criticised for ignoring what impact the loan would have on conflict, the IMF maintained such factors were out of its mandate and should be dealt with in other forums. It has since claimed that its loan was instrumental for post-war economic reconstruction in Sri Lanka.²⁵

¹⁹ Saferworld interview, London, July 2011.

²⁰ Hoglund K and Orjuela C, 'Winning the peace: conflict prevention after a victor's peace in Sri Lanka', *Contemporary Social Science* (2011), vol 6, no 1, p 21.

²¹ Chapman N, Duncan D, Timberman D and Abeygunawardana K, *OECD DAC evaluation of donor-supported activities in conflict sensitive development and conflict prevention and peace building in Sri Lanka – A pilot test of OECD DAC guidance*, (OECD/DAC, 2009), p 8; ADB, *Evaluation of operations in conflict-affected North and East*, (ADB, 2007), p 11, www.adb.org/Documents/Evaluation/CAPES/SRI/conflict-affected-north-east.asp, accessed on 12 September 2011.

²² 'Sri Lanka gets \$300 million per year for infrastructure from ADB', *Lanka Business Online*, 7 April 2011, www.lankabusinessonline.com/fullstory.php?nid=1916127451, accessed on 18 September 2011

²³ Saferworld interview, Colombo, June 2011.

²⁴ Blakeley R, 'Britain to oppose IMF loan to Sri Lanka over plight of Tamil refugees', *The Sunday Times*, 24 July 2009.

²⁵ 'Post-conflict, brighter economic prospects for Sri Lanka', *IMF Survey Online*, 4 February 2011, www.imf.org/external/pubs/ft/survey/so/2011/car020411a.htm, accessed on 12 September 2011.

The **European Union (EU)** believes that it is an important trade, development and political partner with Sri Lanka. It has, on numerous occasions, called for a peaceful resolution of the conflict and played an important role as a co-chair to the 2002 peace process. In 2006 it designated the LTTE as a terrorist organisation, limiting its engagement with the rebels. EU aid has been more explicitly aimed at promoting peace and supporting minorities and independent voices. It has also tried to take a conflict-sensitive approach in its delivery of aid. Despite this, at least 16 EU countries (all governed by common export controls) supplied Sri Lanka with numerous arms up until 2008.²⁶ An official delegation, led by David Miliband from the UK and Bernard Kouchner from France, went to Sri Lanka in May 2009 and called for a ceasefire. Besides rejecting the visa for the delegation's third member (Carl Bildt from Sweden), President Rajapaksa rejected the call and said, "We don't need lectures from Western representatives".²⁷ The EU has since continued to call for accountability for human rights violations in the conflict. The EU is Sri Lanka's largest trade partner and in August 2010 revoked trade tariff concessions, due to legal conditions related to the fulfilment of human rights in countries receiving special status.

Various **UN agencies** operate in Sri Lanka, such as the UN High Commissioner for Refugees (UNHCR), the UN Development Programme (UNDP), the UN Office for Coordination of Humanitarian Affairs (OCHA), the International Labour Organization (ILO), the World Food Programme (WFP), the UN Children's Fund (UNICEF) and the International Organization for Migration (IOM). In general, many of these organisations disapproved either of the conflict or its conduct, but in the opinion of the UN panel of experts, did not do enough to voice their concerns.²⁸ While conveying their concerns to the GoSL may have remained a private affair, for many UN agencies maintaining humanitarian and development access to those in need remained the priority.

Given its regional role, size, proximity and close ties, **India** has long played an important but varied role in the GoSL – LTTE conflict, and of all external actors is believed to have the greatest level of influence in Sri Lanka.²⁹ Tamil Nadu, an Indian state of 70 million people with close ties and sympathies with Sri Lanka's own Tamils, has complicated India's policy toward the island. India is alleged to have supported the LTTE in the late 1970s and early 1980s by providing training, arms and refuge.³⁰ It later attempted to enforce a peaceful solution to the conflict by brokering the 1987 Indo-Lanka Peace Accord and deploying peacekeepers in a fateful mission that cost 1,500 Indian soldiers' lives by its withdrawal in 1990. The backlash against the intervention from all parties to the conflict left India with a lasting reluctance to try to overtly influence the Sri Lanka conflict. The LTTE's assassination of Rajiv Gandhi in 1991 ended mainstream political sympathy for the group in much of India.

Since then, New Delhi has consistently opposed the LTTE, but supported the protection of minority rights and called for a political solution to the conflict through devolution. It has not provided offensive or lethal weapons to Sri Lanka. It endorsed the political engagement between the GoSL and the LTTE in 2002, but remained largely outside of the process. In the final stages of the conflict, India is believed to have provided critical intelligence, radar, naval and military technical assistance to the GoSL, while at the same time quietly advocating for the protection of civilians, adherence to international humanitarian law and assistance for the displaced. According to some, the Indian Government wanted fighting to end before national elections in India, as coalition politics made it somewhat reliant on winning the support of Tamil Nadu political

²⁶ Indeed, as one report notes, there was a certain degree of irony when the Czech Republic, one of the EU's largest exporters to Sri Lanka, delivered a call for war crimes investigations as acting president of the EU in May 2009. Linberg *et al*, *Arms trade with Sri Lanka – global business, local costs*, (Pax Editors, 2011), p 74.

²⁷ Beaumont P and Williams R, 'IMF loan to Sri Lanka can go ahead', *The Guardian*, 1 May 2011.

²⁸ *Op cit* UN Secretary-General (2011), p 116.

²⁹ India has also played a critical role in other conflicts in Sri Lanka. For example during the 1971 uprising by JVP, it sent military support, including equipment for 5,000 troops, six helicopters and 150 Indian troops to guard the airport: Suryanarayan V, 'Explaining China's growing influence in Sri Lanka', *South Asia Analysis Group*, 6 May 2010.

³⁰ See, for example: Swamy M, *Inside an elusive mind*, (Literate World, 2003): *op cit* ICG (2011b).

parties that were critical of the GoSL's actions. Though it eventually called for a ceasefire to allow for civilians to escape, there was no evidence that New Delhi actively sought an end to the military operation.³¹ The Sri Lankan leadership allegedly promised Indian officials that a political solution would follow military action.³²

India has sought to expand its role since the end of the conflict, motivated by its own security concerns, electoral considerations in Tamil Nadu, commercial opportunities and geopolitical fears surrounding China and Pakistan's deepening relations with Sri Lanka.³³ It has continued to push for implementation of the 13th Amendment, a devolution passage of the constitution agreed during the Indo-Lanka Accord, while also pressuring the GoSL to lift emergency laws and enter into full talks with Tamil political parties.³⁴ While voicing concern over human rights accountability, it has opposed UN action on the issue. Although it still only provides non-lethal arms, India has re-engaged in security co-operation, for example recently holding joint naval exercises with Sri Lanka for the first time in six years.³⁵ India has given over US\$1.5 billion in humanitarian aid since 2008.³⁶ It has also provided development aid and, while significantly behind China, it is Sri Lanka's second largest international financier, committing US\$484 million in 2010.³⁷ A large amount of India's aid has come in the form of grants, especially for reconstruction in the North and East, such as US\$300 million to build 50,000 houses. Alongside other loans, a concessionary US\$800 million credit line has also been extended for Indian-constructed infrastructure.³⁸ While providing finance for some rail infrastructure in the South, most of India's loans have been aimed at the North, including railway development, the construction of a coal power station and the upgrading of a port and an airport. Trade has also grown substantially, making India Sri Lanka's second largest trade partner after the EU.³⁹

With projects dating to the 1970s, **Japan** was until recently Sri Lanka's largest donor. Before 2002, it worked around the conflict, providing funding for large infrastructure projects. However, Japan became significantly involved in the peace process from 2002, when a special peace envoy was appointed. In 2003 Japan hosted the Tokyo Conference, which it co-chaired with the EU, US and Norway. Conditional on progress in the peace process, the Tokyo Conference promised US\$4.3 billion of aid over four years to Sri Lanka. When the CFA collapsed in 2008 Japan put its assistance 'under conditional review', although in reality it went uncut. During the end of the conflict, Japan called for humanitarian law to be respected, civilians to be protected and for a ceasefire. However, Japan was reluctant for Sri Lanka to be placed on the UN Security Council (UNSC) agenda and was guarded in its criticism of the GoSL.⁴⁰ It has since stated its confidence in the GoSL's willingness to implement a political solution and a process of reconciliation, pledging US\$438 million in 2010 to make it the third largest donor after China and India.

The **US** has long provided aid to Sri Lanka for a broad spectrum of projects. During the 1980s and 1990s, it did not generally focus directly on peace and security issues, deferring instead to India's lead. The US designated the LTTE as a terrorist organisation in 1997. However, in late 2001 it became more deeply involved, endorsing the Tokyo process, applying conflict sensitivity and increasing aid to directly address causes of the conflict and create a peace dividend. It defined its interest in Sri Lanka as supporting a negotiated settlement and promoting democracy and human rights alongside

31 *Op cit* ICG (2011b) p 7.

32 *Ibid.*

33 *Ibid.*

34 *Ibid* p 11.

35 'Lanka, India start major naval exercise in six years', *The Times of India*, 20 September 2011.

36 *Op cit* ICG (2011b).

37 *Annual report 2010*, (Ministry of Finance and Planning, Sri Lanka, 2010), p 245.

38 'India loans \$87 mln for Sri Lanka's war-hit northern railway', *Reuters*, 17 August 2011a.

39 Samaranayake N, 'Are Sri Lanka's relations with China deepening? An analysis of economic, military and diplomatic data', *Asian Security* (2011), vol 7 issue 2, p 124; European Commission Directorate General for Trade (DG Trade), *Sri Lanka: EU bilateral trade and trade with world* (2011), http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113449.pdf, accessed on 18 September 2011

40 *Update report: Japan and the crisis in Sri Lanka*, (Asia-Pacific Centre for the Responsibility to Protect, 2009).

economic growth. At the same time, and within the context of the 'global war on terror', the US maintained substantial military and anti-terror co-operation with the GoSL, even as the peace process began to fall apart, possibly sending mixed messages. It has been reluctant to supply arms to Sri Lanka, with military aid being restricted to non-lethal weapons.⁴¹ In 2008, all military aid and transfers to Sri Lanka were suspended due to the breakdown of the peace process and alleged human rights violations. Both bilaterally and at the UNSC, the US was critical of the GoSL's conduct in the final stages of the war and remains so today. In 2010, the US resumed non-lethal military aid to Sri Lanka and sought to provide development assistance and private sector investment in the North, while potentially seeking to mend damaged political ties with the GoSL and rhetorically supporting its LLRC. However, in July 2011 the US Congress voted to ban all aid to Sri Lanka (except for humanitarian, mine-clearing and democracy promotion) unless alleged war crimes were investigated.⁴² The US is Sri Lanka's second largest export destination, accounting for 20.8 percent of its exports.⁴³

The **UK** has openly insisted on improvements in democracy and human rights, while also supporting the private sector as a means to promote development in the North. The UK is one of the biggest sources of foreign direct investment (FDI) in Sri Lanka. Its development finance is limited in comparison to the past, given that in 2006 it stopped providing bilateral aid. The UK, at least officially, consistently pushed for a negotiated settlement during the conflict. Despite this, it continued to be Europe's largest exporter of arms to Sri Lanka up until the breakdown of the CFA in 2008, after which all transfers were stopped.⁴⁴ In February 2009, the UK assigned a special envoy to the country, but the GoSL dismissed the move as a "disrespectful intrusion".⁴⁵ Vocally critical of how the war was being conducted, in April 2009 the UK called for a ceasefire to allow for civilians to escape. The UK also voiced opposition to donors directly financing the GoSL. Alongside promoting human rights, today the UK is officially "committed to helping build a peaceful, prosperous and equitable Sri Lanka where the rights of all communities are respected and protected. [It] focuses on supporting projects that underpin a transition to sustainable peace, improve human security and promote effective governance structures".⁴⁶ With relations damaged by its criticism of the GoSL, it is believed that the UK is seeking to improve ties.

Norway played a leading role as a mediator to the peace process in 2000, being part of a monitoring team and co-chair of the Tokyo Conference. Norway aimed to facilitate an ownership model towards the peace process, where the conflicting parties played a large role. However, facing serious contextual constraints and political realities, Norway's efforts in pushing for a negotiated settlement to the conflict ultimately failed and, as the conflict re-escalated, both sides ended up criticising Norway for failing to be impartial.⁴⁷ **Canada** has consistently called for a peaceful resolution of the conflict, while at the same time providing development aid to Sri Lanka. In 2011, the Canadian Prime Minister threatened to boycott a Commonwealth summit in Colombo on the basis of human rights concerns. Concerned about immigration issues amongst other interests, **Australia** has tripled its aid budget since 2008 to US\$55 million in 2011–12 and is now a significant bilateral donor, arguing the merits of engagement and co-operation over overly politicised criticism of the GoSL. At the same time, Australia has worked both directly on conflict issues and provided significant amounts of humanitarian aid.

⁴¹ However, and while it is unclear as to whether transfers have occurred, the US has in fact, in 2007 and 2008, given export licences to US companies to provide lethal weapons to Sri Lanka. *op cit* Linberg, p 49.

⁴² 'US panel votes to bar aid to Sri Lanka', *AFP*, 21 July 2011.

⁴³ *Op cit* European Commission DG Trade.

⁴⁴ *Op cit* Linberg, p 50.

⁴⁵ 'UK envoy in Sri Lanka peace talks', *BBC News*, 19 April 2009.

⁴⁶ *Conflict prevention and bilateral programme funding*, (British High Commission Colombo, 2011) <http://ukinsrilanka.fco.gov.uk/en/about-us/working-with-sri-lanka/bpf-cpp-assist/>, accessed on 25 September 2011

⁴⁷ For more on Norway's role, see: Sorbo G, Goodhand J, Klem B, Nissem A E and Selbervik H, *Pawns of peace: evaluation of Norway's peace efforts in Sri Lanka, 1997–2009*, (Norad, 2011).

Russia has, along with China, continued to protect Sri Lanka at the UNSC. In 2010 it signed an agreement for a US\$300 million credit line for weapons and other military equipment.⁴⁸ This made it Sri Lanka's fourth largest bilateral financier that year.⁴⁹ Russia has also begun oil exploration off the coast of Sri Lanka.⁵⁰ Israel, one of Sri Lanka's largest arms suppliers, has long provided various aircraft and naval ships, some of which proved crucial in the final fight against the LTTE. Israel has continued to provide arms to Sri Lanka after the war's end. In the final stages of the war, **Pakistan** supplied large amounts of small arms and ammunition to the Government and provided military technical assistance for the air force.⁵¹ In 2010 a US\$200 million loan, intelligence sharing and other agreements were announced.⁵² Encouraged by Colombo, Pakistan is likely to stay engaged in Sri Lanka with one eye on India. Since 2009, **Iran** has also played a role in Sri Lankan affairs, pledging development funds for an oil refinery, a new power plant and water and electricity projects. Iran has also extended US\$1.0 billion in interest-free credit for oil.⁵³

3.3 China's growing role in Sri Lanka

Historical relations

Official pronouncements of China – Sri Lanka relations often make reference to deep-seated historical ties, for example pointing to Chinese Buddhist monks visiting as early as 401 AD.⁵⁴ Sri Lanka was one of the first countries to recognise the People's Republic of China in 1950 and from this point continually supported its accession to the UN. In 1952, an agreement to trade large quantities of rice and rubber was signed, resulting in the US revoking all aid to Sri Lanka.⁵⁵

At the end of SLFP Prime Minister Bandaranaike's first term in the 1960s, the US and Britain suspended aid due to the state's takeover of foreign business, leading the Government to lean closer to China and Russia. In 1963, China and Sri Lanka signed a commercial maritime agreement to foster trade, though it was seen in India and by some in the West as an attempt by China to extend its naval presence.⁵⁶ In the 1965 elections, the UNP used the maritime agreement and the general influence of China as an electoral issue, taking a pro-Western tilt after its victory, symbolised by the seizure in 1967 of Maoist propaganda and a diplomatic stand-off with China.⁵⁷

1970 saw the return of the SLFP and in 1971 Sri Lanka co-sponsored the draft resolution that would eventually give the People's Republic a permanent seat at the UN. Conscious of their left-wing rhetoric, Premier Zhou Enlai condemned the first JVP uprising as a plot by reactionaries.⁵⁸ In 1972 numerous aid, trade and arms deals were signed and by 1975 China was Sri Lanka's largest export destination, leading some to wonder whether Sri Lanka made herself too reliant on the East Asian giant.⁵⁹ Despite a return of the UNP in 1979 and a slight tilt towards the West, economic co-operation and aid projects continued through the 1980s. China's engagement on the emerging Tamil conflict was low-key, though in private when visiting in 1986, President Li Xiannian urged Colombo to find a political solution to the conflict, even though arms transfers from China continued. In 1987, during a period of serious strain in Sino-Indian relations, China

48 *Op cit* Linberg, p 49.

49 *Op cit* Ministry of Finance and Planning Sri Lanka (2010), p 245.

50 'Russia to explore for oil in Lanka', *Sunday Observer*, 19 June 2011.

51 *Op cit* Linberg.

52 *Op cit* ICG (2011b), p 17.

53 Kumarasinghe U and Range I, 'Iran to fund Uma Oya project', *Daily News*, 22 August 2009.

54 Historical references can be selective. For example, the 1411 abduction of Sri Lanka's King by Admiral Zheng He – an explorer often referred to by Chinese officials as symbol of its China's ancient, peaceful and non-imperialist relations with the developing world – is omitted.

55 Aiming to contain communism, the Mutual Defense Act of 1951 banned US aid to countries that did business with communist countries.

56 For example, a newspaper report in London claimed that, in return for Chinese aid, an agreement had been made for a Chinese naval port "because China has stepped up activities in Africa and needs some staging posts in the Indian Ocean". The claim was flatly denied. Jawawardane A (ed), *Documents on Sri Lanka's foreign policy, 1947–1965*, (Regional Centre for Security Studies, 2000), p 200.

57 Anand J P, 'Sino-Sri Lanka relations: Twenty-fifth anniversary', in: *China Report* (1977), vol 13 no 6, p 5.

58 *Op cit* Suryanarayan (2010).

59 *Op cit* Anand, p 6.

was the only country to openly question India's intervention in Sri Lanka, while at the same time exporting significant arms to Sri Lanka.⁶⁰ In the 1990s China became a less important trade partner for Sri Lanka, although it continued to provide small amounts of aid and in 1991, made a very large arms deal with the country. Relations with China did not feature highly after the UNP took power in 2001, although after the SLFP and its coalition partners took control of parliament in 2004 and Rajapaksa's presidential term started in November 2005, it is clear that political, economic and military relations with China deepened substantially.

Political relations

According to one retired Sri Lankan diplomat, stable relations between Colombo and Beijing today are an excellent example of good relations between a large and a small country.⁶¹ There have been several visits by Rajapaksa to China since 2005, although President Hu Jintao has never visited Sri Lanka and Premier Wen Jiabao only once, in 2005. Altogether there have been 18 high level meetings of Chinese and Sri Lankan officials between 2005 and 2009.⁶² In 2007, the 'China – Sri Lanka Friendship Year' was announced to mark 50 years of full diplomatic ties and a series of deals were signed, followed by even more in December 2009 and June 2010. In July 2011, the Sri Lankan President stated that, "...it will be right to say that relations between China and Sri Lanka are at the highest levels of friendship and understanding".⁶³ The President's brother, Defence Secretary Rajapaksa, noted "We have understood who is important to us".⁶⁴

According to one official in China's Ministry of Foreign Affairs, it is directly due to the policy of non-interference that China has managed to maintain stable relations with Sri Lanka since independence.⁶⁵ Sri Lanka's former Foreign Minister has stated that China has never tried to "...dominate, undermine or destabilize Sri Lanka. She has come to our rescue with timely assistance on several occasions when there were threats to Sri Lanka's security and territorial integrity. There had been no strings attached to Chinese aid".⁶⁶ As explored in section 3, China's policy of non-interference has meant that it has not openly engaged on any political issues, including the conflict. For example, when a Chinese spokesperson was asked if China was concerned about the arrest of General Fonseka in 2010, the answer was straightforward: "Your question concerns the internal affairs of Sri Lanka. China never interferes with other country's internal affairs and I am not in a position to make comment on that".⁶⁷ At the UN, China has consistently used non-interference to justify its objections to international intervention in what it sees to fall within the island nation's sovereignty.

Military relations

There have been no major military-to-military exchanges or joint exercises between China and Sri Lanka made public in recent years. In 1985, Colombo was one of three ports visited by the Chinese Navy on its first visit to foreign countries. In March 2007 the Navy again visited Colombo on the way to China's first ever multilateral naval exercise with Pakistan. In 2009 and 2010 Chinese naval ships again visited Colombo, in one instance on the way to join anti-piracy operations in the Gulf of Aden, another first for China.⁶⁸ There has been some military training of Sri Lankan officers. For example, in 2009 it was announced that four senior Sri Lankan officers would be

⁶⁰ *Op cit* Suryanarayan (2010).

⁶¹ Saferworld interview, Colombo, June 2011.

⁶² *Op cit* Samaranyake, p 128.

⁶³ 'Interview: Sri Lanka looks forward to increased cooperation with China – President', *Xinhua News*, 8 July 2011.

⁶⁴ De Silva-Ranasinghe, 'Sri Lanka: The new great game', *The Diplomat*, 28 October 2009, <http://the-diplomat.com/2009/10/28/sri-lanka-the-new-great-game/>, accessed on September 12 2011.

⁶⁵ Saferworld interview, Beijing 2011.

⁶⁶ *Op cit* Suryanarayan and Bonofer.

⁶⁷ Ministry of Foreign Affairs of the People's Republic of China, *Foreign Ministry Spokesperson Ma Zhaoxu's Regular Press Conference*, February 11, 2010.

⁶⁸ *Op cit* Samaranyake, p 132.

placed at the National Defence University and that China would also train an additional 40.⁶⁹ Nonetheless, military-to-military relations may deepen: in October 2011, a visiting People's Liberation Army (PLA) delegation offered additional training for Sri Lankan officers, aid for the SLAF's Defence College and the opportunity for joint naval training and surveillance operations.⁷⁰ China has also provided assistance with demining in the North and provided the SLAF with demining equipment and training. In June 2011, the Sri Lankan military held a 'Seminar on defeating terrorism: The Sri Lankan experience.' The seminar was sponsored largely by two Chinese defence companies: Poly Technologies and China Electrical and Technologies Corporation.⁷¹

China has been Sri Lanka's largest supplier of conventional arms since relations were established in 1950. Throughout this period, China has provided considerable amounts of small arms, ammunition, landmines, naval vessels and aircraft. Some of these weapons (for example fighter aircraft) may have been provided as aid.⁷² In 1991, a US\$104 million arms deal was signed, a figure much larger than more recent transfers. In 1993, defence company NORINCO set up an arms warehouse in Southern Sri Lanka for rapid supply – by mid-2007 the GoSL allegedly owed it US\$200 million. In the same year, Sri Lanka switched to receiving arms from Poly Technologies.⁷³ Arms sales increased substantially in 2008, hitting US\$75 million (it should be noted that these figures do not include the transfer of small arms and light weapons).⁷⁴

According to Stockholm International Peace Research Institute (SIPRI) data, between 2005 and 2010 Sri Lanka was China's eighth largest arms market, although this is still a fairly small share of China's total arms trade. However, for Sri Lanka, China has been important: in the same period it was its largest supplier by a wide margin.⁷⁵ Nonetheless, Sri Lanka in fact cancelled a large arms order from China at the end of conflict, at the same time as receiving the credit line for Russian arms.⁷⁶ Since then, the only known transfers have been four aircraft delivered from China National Aero Technology Import and Export Corporation (CATIC) in 2010–11.⁷⁷ Some observers in Sri Lanka claim that the GoSL is still paying off debts to Chinese companies, partially explaining why the military budget remains so high.⁷⁸

The LTTE acquired weapons made in various countries using a mix of methods. There appears to be evidence that Chinese-produced weapons were part of its arsenal. One former combatant, now part of the GoSL, reportedly stated that a significant amount of the LTTE's arms were of Chinese origin.⁷⁹ A research report notes that the LTTE used Chinese-made rifles, howitzers and surface-to-air missiles.⁸⁰ In 2011, the Sri Lankan Ministry of Defence released a report on the conflict which contained detailed lists of weapons recovered from the LTTE, including nearly 13,000 Chinese-model rifles worth over US\$1.0 million.⁸¹ The origins of these weapons are discussed in more detail in Section Three.

Development assistance

Over the years, China has provided small amounts of humanitarian aid to Sri Lanka. During the Tsunami, Sri Lanka was a recipient of US\$1.5million from the Chinese

⁶⁹ *Ibid.*

⁷⁰ 'China offers assistance to SL Navy', *Times Online*, 15 October 2011; Ministry of Defense and Urban Affairs, 'PRC to assist in upgrading of Defense Services College', *Press Release*, 13 October 2011.

⁷¹ Radhakrishnan R, 'Managing India was key to victory against LTTE: Gotabaya', *The Hindu*, 31 May 2011.

⁷² Stockholm International Peace Research Institute (SIPRI), *Arms transfer database: Sri Lanka 1950–2010*, <http://www.sipri.org/databases/armstransfers>, accessed 23 September 2011.

⁷³ 'Sri Lanka turns to Pakistan, China for military needs', *Lanka Papers*, 2 June 2007.

⁷⁴ *Op cit* Samaranyake, p 133.

⁷⁵ *Op cit* SIPRI Arms Transfers Database.

⁷⁶ *Op cit* Linberg, p 51.

⁷⁷ 'Sri Lanka Air Force takes delivery of MA60 aircraft', *Daily News*, 30 September 2011.

⁷⁸ Saferworld interviews, Colombo, June 2011 and London, July 2011.

⁷⁹ 'LTTE secured arms from Ukraine and China – Karuna', *Daily Mirror*, 5 November 2009.

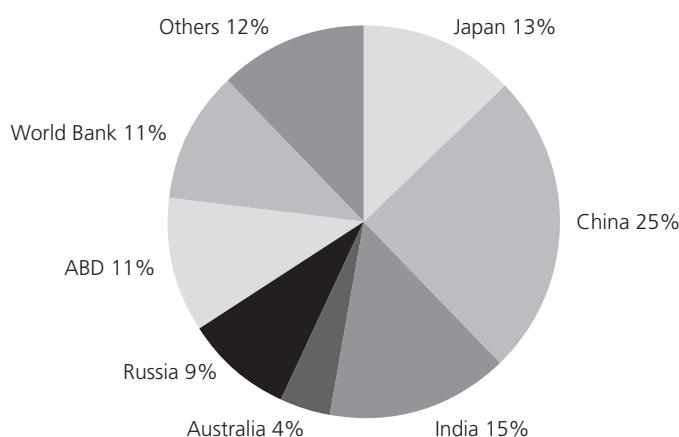
⁸⁰ *Op cit* Clarke, p 174.

⁸¹ Ministry of Defense, Democratic Socialist Republic of Sri Lanka, *Humanitarian operation factual analysis July 2006–May 2009*, p 122.

Government provided in humanitarian aid.⁸² China also sent medical teams to assist with the recovery and announced that it would cancel Sri Lanka's debts. In May 2009, China announced it would provide US\$1.0 million for those displaced by the conflict⁸³ and US\$1.5 million of humanitarian aid was sent from China in response to floods in January 2011.⁸⁴

China's engagement in Sri Lanka today is nonetheless overwhelmingly defined by its role in financing economic development: it was the country's largest lender in 2009 and 2010, giving US\$1.2 billion and US\$821 million respectively. In 2009 it accounted for 54 percent of total foreign finance and 25 percent in 2010.⁸⁵ While some have seen this only as a recent post-war development, China was in fact Sri Lanka's largest financier in 2005, several years before its role received serious attention.⁸⁶

Foreign finance commitments by major donors in 2010⁸⁷



Source: op cit Ministry of Finance and Planning Sri Lanka (2010), p 254

In 2011, China was set to be the largest financier again, already committing by July US\$760 million in loans, ahead of Japan's US\$413 million and US\$105 million from the World Bank.⁸⁸ The China Development Bank announced in June that it would finance infrastructure projects amounting to US\$1.5 billion over three years.⁸⁹ Indeed, following in the footsteps of past Asian donors, such as Japan and Korea, the vast proportion of Chinese finance goes on infrastructure development, mainly in the centre and South of the country. While it is extremely difficult to find detailed and comprehensive information, some of the major Chinese projects are outlined opposite.

Using GoSL statistics it is possible to paint a picture that shows an increase in Chinese aid from 2003, when it was minor, to smaller amounts between 2004–06 and then rapidly increasing from 2007 onwards.⁹⁰ Most of the increase in aid has been concessional loans; grant aid has remained at the same relatively small levels. But it is not aid that has made China the country's largest foreign financier. As the list of projects shows, much of what is often characterised as Chinese aid is in fact commercially priced loans and export credits from state-owned policy banks, especially China Exim Bank.⁹¹ While providing funding for GoSL infrastructure projects, concessional and

⁸² Kelegama S, 'China-Sri Lanka economic relations: An overview', presentation made to the Sri Lanka – China Business Forum, 25 September 2009, Institute of Policy Studies of Sri Lanka.

⁸³ 'China will give US\$ 1 million in humanitarian aid to Sri Lanka', *Asia Tribune*, 9 May 2011.

⁸⁴ 'China to offer emergency aid to flood-hit Sri Lanka', *China Daily*, 18 January 2011.

⁸⁵ 'Factbox: China-Sri Lanka economic ties', *Reuters*, 9 August 2011b.

⁸⁶ Op cit Samaranyake, p 128.

⁸⁷ Op cit Ministry of Finance and Planning Sri Lanka (2010), p 254.

⁸⁸ 'China tops Sri Lanka loan commitments', *Lanka Business Online*, 7 July 2011.

⁸⁹ 'Sri Lanka to get US1.5bn from China bank', *Lanka Business Online*, 23 June 2011.

⁹⁰ Drawn from annual information published on the website of the Department of External Resources of the Sri Lankan Government, www.erd.gov.lk/, accessed 28 October 2011.

⁹¹ The majority of finance offered by China cannot be defined as overseas aid. While some of China's assistance is at concessional rates (2.0–3.0 percent) with long-term maturity periods, most are non-concessional loans and export credits at considerably higher rates of 6.0–7.0 percent and thus cannot be counted as aid. These rates are higher than those offered by multilateral lending agencies such as the World Bank and the ADB (which typically charge around 0.25, 2.0 or 3.0 percent) and have shorter maturity periods. Some observers of Chinese assistance to Sri Lanka, believe that contractor companies themselves play a significant role in identifying possible projects in the first place, after which they turn to Exim Bank as a source of funding. Saferworld interview, Colombo, June 2011.

Major projects in Sri Lanka, funded by China

Project	Estimated value (US\$, million)	Believed source and type of finance
Construction of a coal power station in Puttalam	Phase I: \$455 Phase II: \$891	China Export Import (Exim) Bank, non-concessional loan
Construction of a port in Hambantota	Phase I: \$307 Phase II: \$810	Exim Bank, non-concessional loan
Nationwide road development	\$760	China Development Bank, non-concessional loan
Colombo Port Terminal Expansion	\$350	China Development Bank, non-concessional loan
Construction of Colombo – Katunayaka expressway	\$310	Exim Bank, concessional loan
Construction of international airport in Hambantota	\$190	Exim Bank, concessional loan
13 new diesel engines for Sri Lanka's railways	\$103	Exim Bank, concessional loan
Bunkering facility at Hambantota port	\$77	Exim Bank, non-concessional loan
Removal of a rock in Hambantota port	\$40	Unconfirmed project
Procurement for power sector development in the North	\$32	Exim Bank, non-concessional loan
Construction of Performing Arts Centre in Colombo	\$28	Government of China (GoC), grant aid
Presidential development fund	\$9	GoC, grant aid
Health and education support	\$8	GoC, grant aid
Panadura Fisheries harbour breakwater construction	\$2.7	GoC, grant aid
Construction of Southern Expressway	Unknown	Exim Bank part-financing (alongside ADB and Government of Japan)

Sources: Drawn from Saferworld interviews (Colombo, June 2011 and Beijing, July 2011), various media and GoSL reports. See for example: GoSL Ministry of Finance and Planning Sri Lanka (2010), GoSL Department of External Resources website; 'China tops Sri Lanka loan commitments' *Lanka Business Online* 7th July 2011; Reuters (2011a); Jansz, F 'Chinese Economic Hitmen and the Rajapaksas', *The Sunday Leader*, July 17th 2011; 'China Provides Rs300 mn for construction' *Daily News* 13th June 2011; 'China Development Bank to lend \$350m for CHMI-Spence Port Project' *Daily FT* 11th August 2011, Kelegama (2009).

non-concessional loans also serve to subsidise the entry of Chinese business into the Sri Lankan market: as dictated by financing terms, Chinese firms are usually lead contractors on all of the Chinese-funded infrastructure projects and normally at least 50 percent of procurement must come from China. According to one Chinese academic, this form of assistance to Sri Lanka illustrates a unique form of assistance: "We do not seek to simply transfer aid to host countries like Sri Lanka, but we hope to help them improve their economic opportunities and ours too. It is not a donor-recipient relationship, but win-win economic co-operation".⁹²

Economic relations

Economic co-operation is growing outside of infrastructure development too. State-owned China Merchants Group announced in August 2011 that it would invest US\$500 million in a container terminal facility in Colombo Port, making it the company's largest investment outside of China.⁹³ One of the biggest investments announced in post-war Sri Lanka came from Chinese defence company CATIC, which promised more than US\$500 million in return for the acquisition of Government-owned land

⁹² Saferworld interview, Shanghai, May 2011.

⁹³ 'China merchants to invest \$500m in Sri Lankan port', *China Business News*, 16 August 2011.

for hotel development. However, due to controversy surrounding the deal and political opposition from the UNP, the deal was later suspended.⁹⁴ The GoSL has also been actively courting investment, for example granting China an exclusive economic zone in 2009 and proactively highlighting investment opportunities through political delegations to China. However, Chinese FDI in Sri Lanka lags behind that of India, Malaysia, the UK and the United Arab Emirates. Yet while investment remains low, firms from China are playing a growing role in the Sri Lankan market, winning both commercial and Government tenders.⁹⁵ In 2006 China, along with India, was promised concessions for oil exploration off the coast of Sri Lanka.

China's trade with Sri Lanka has grown rapidly. In 1990, two-way trade totalled US\$125.6 million, growing to US\$256 million by 2000. By 2008, however, it had shot up to US\$1.1 billion.⁹⁶ China was Sri Lanka's third largest trade partner in 2010 (after the EU and India).⁹⁷ In the first six months of 2011, total trade between the two rose to US\$1.2 billion, a nearly 40 percent increase on the same period in 2010.⁹⁸ While Sri Lanka's exports to China are growing, trade between the two remains heavily lopsided in favour of Chinese imports to Sri Lanka.⁹⁹ For example, while China was the second largest source of imports in 2010, it ranked only 11th in terms of export destinations.¹⁰⁰ For now, China is yet to retake its 1975 position as Sri Lanka's most important overseas market.

People-to-people relations

A retired ambassador to Beijing comments that promoting tourism, a shared Buddhist heritage and other forms of people-to-people relations are important for policy makers in both Colombo and Beijing. He points to direct flights between the two countries, the growing number of Chinese tourists and Tsunami aid from the Chinese people as evidence of healthy relations – and China's growing soft power.¹⁰¹ It is difficult to tell how most Sri Lankans really perceive China. A poll carried out by Gallup found that in 2008, 39 percent of Sri Lankans approved of China, four percent disapproved and 57 percent did not know or refused to answer. In 2011 31 percent approved, 10 percent disapproved and 60 percent did not know or refused to answer.¹⁰² It might be questioned whether China has really made an impression at all. While pointing out that many people's perceptions of China are based on its perceived generosity (for example building theatres and conference centres with grant aid), some in Sri Lanka civil society asked why China was so opaque in its dealings and what it was trying to hide. Others have expressed worries about the large amount of debt being amounted by the GoSL.¹⁰³

China's interests in Sri Lanka

As illustrated by its support for China's seat at the UN, Sri Lanka has been a useful ally on the world stage. It played an active role in ensuring China gained observer status on the South Asian Association for Regional Cooperation (SAARC) and in 2000 actively supported its entry into the World Trade Organisation (WTO). Never having given

⁹⁴ The proposed project resulted in significant controversy over whether the sale of military land in central Colombo, brokered by the President's brother, Economic Development Minister Basil Rajapaksa, was transparent enough and legal. The sale was later turned into a 99-year lease, but after CATIC refused the deal it was promised other land. See: 'Sri Lanka cancels \$500mn Chinese hotel deal', *Reuters*, 25 October 2011c.

⁹⁵ For example, China's ZTE Corporation won a 5.0 billion Sri Lanka rupee tender in July 2011, to develop Sri Lanka Telecom PLC's telecommunications infrastructure. Chinese telecoms firm Huawei also plays a large role in the sector and is developing plans to extend telecoms infrastructure into the post-war North and East of the country. Winning a Government tender, the Metallurgical Corporation of China, a Chinese state-run building and engineering firm, is to design and build a section of a highway around the capital Colombo. See: Sirimanna B, 'Chinese firm clinches SLT and Mobitel expansion deals', *Sri Lankan Sunday Times*, 17 July 2011; 'Sri Lanka highway contract goes to China firm', *Lanka Business Online*, 4 August 2011.

⁹⁶ *Op cit* Samaranyake, p 124.

⁹⁷ *Op cit* European Commission DG Trade.

⁹⁸ *Op cit* Reuters (2011b).

⁹⁹ 'Sri Lankan Prime Minister hails cooperation with China', *Xinhua News*, 8 September 2011.

¹⁰⁰ *Op cit* European Commission DG Trade.

¹⁰¹ Saferworld interview, Colombo, June 2011.

¹⁰² Western countries have seen similar small falls in approval. For the US, the results in 2008 were 36% approve, 12% disapprove and 52% don't know / refuse. 2011 results were 24%, 26% and 51% respectively. For the UK, the results for 2008: 29%, 7.0%, 64% and 2011: 21%, 18%, 62%. Cynkar P, *Sri Lankans back their leadership amid Western criticism*, (Gallup Polling, 2011).

¹⁰³ Saferworld interview, Colombo, June 2011.

recognition to Taiwan, Sri Lanka has in various official statements reiterated its public support for the 'One China' policy.¹⁰⁴ China has sought to publicise links between Chinese and Sri Lankan Buddhists, countering accusations of religious persecution, while at the same time Sri Lanka has consistently denied the Dalai Lama visas to visit the country.¹⁰⁵ In 2010, Sri Lanka was one of the few countries to boycott the Nobel Peace Prize ceremony for a Chinese dissident.

While stressing that China has for a long time had relations with Sri Lanka, one senior figure at a Chinese think tank admits that "China did not have strategic interests in Sri Lanka until recently when its geographic position became more important to China's trade and energy routes".¹⁰⁶ About 62 percent of China's global trade and 90 percent of its imported energy passes through the Indian Ocean sea lanes surrounding Sri Lanka.¹⁰⁷ As the reach of Somali piracy extends further into the Indian Ocean, Chinese policy makers are concerned that in the event of a crisis, for example over Taiwan, vital supply routes will be vulnerable. Building and sustaining healthy relations with Colombo is one way in which Beijing can try and hedge against these risks.¹⁰⁸

Some suggest it aims to go further. Reminiscent of reactions to the 1963 Maritime Agreement with 'Red China', suspicions about the motives of 'Rising China' are equally prominent today. For some, China's engagement in Sri Lanka and elsewhere in South Asia is tit-for-tat strategic retaliation for India's engagement in China's own South East Asian backyard.¹⁰⁹ Others argue that "there should no longer be any doubt over China's determination to deploy its navy heavily in the Indian Ocean".¹¹⁰ Relations with Sri Lanka have been characterised as part of China's 'String of Pearls' strategy. This term – conceived in the US – contends that China seeks to eventually deploy its navy into the Indian Ocean and so requires a collection of strategically placed naval bases in Myanmar, Pakistan, Bangladesh and Sri Lanka, where the Chinese funded and constructed Hambantota Port has come under special scrutiny.¹¹¹ Western media has claimed that the port has a military purpose. For example, one British newspaper stated that China plans to use it "as a refuelling and docking station for its navy, as it patrols the Indian Ocean".¹¹²

However, there is little existing evidence that Hambantota currently serves a military function for China. Visiting naval ships can, as they have done in the past, dock in Colombo. Furthermore, when examined in greater detail, some analysts question whether an eventual naval base would have any military utility anyway.¹¹³ Additionally, it should be noted that China's overwhelming naval focus today remains on the Taiwan straits and Eastern and South China Seas.¹¹⁴ Lastly, it should not be forgotten that Sri Lanka first approached the Indian government for funding for the Hambantota Port but was turned down on the basis of economic sustainability. As such, Sri Lanka turned to China.¹¹⁵ Chinese officials argue that, "misplaced suspicion has turned a

¹⁰⁴ For example: "The Sri Lankan side reiterated that there is but one China, that the Government of the People's Republic of China is the sole legal government representing the whole of China and that Taiwan is an inalienable part of the Chinese territory. Sri Lanka reiterated that it opposes 'Taiwan independence' in whatever form, and will not have any official contacts with Taiwan", *Joint Press Communiqué of the Foreign Ministers of China and Sri Lanka* (2006). On the matter of Tibet, Sri Lanka made a speech at the UN as early as 1959, stressing that it was an inalienable part of China and effectively the internal affairs of the country.

¹⁰⁵ One example is that in 2006 the Dalai Lama was denied a visa to attend the 2550 Buddha Jayanthi celebrations and also pay homage to the tooth relic of Buddha. *Op cit* Suryanarayan and Bonofer.

¹⁰⁶ Saferworld interview, Shanghai, May 2011.

¹⁰⁷ *Op cit* Samaranyake, p 121.

¹⁰⁸ Saferworld interview, Colombo, June 2011.

¹⁰⁹ For example: India has held joint naval exercises with Japan, Vietnam, the Philippines, Malaysia, Singapore, and Indonesia. However this is not new: it has held such exercises since the 1990s. See: Roy B, 'South China Sea, India And China's assertiveness – analysis', *Eurasia Review News and Analysis*, 7 September 2011.

¹¹⁰ For example see: *ibid*.

¹¹¹ The 'string of pearls' theory was coined as early as 2004, in a report contracted by the US Department of Defense. It states that China is developing "a set of strategic relationships" in the Indian Ocean in "ways that suggest defense and offensive positioning to protect China's energy interests but also to serve it broader security objectives". Cited in: *op cit* Samaranyake, p 120.

¹¹² 'Chinese billions in Sri Lanka fund battle against Tamil Tigers', *The Times*, 2 May 2009.

¹¹³ Holslag J, *China and India: Prospects for peace*, (Columbia University Press, 2010) p 137.

¹¹⁴ *Ibid*, p 137.

¹¹⁵ Saferworld interview, Colombo, May 2011.

perfectly viable commercial port into a military port, which is seen as a threat”.¹¹⁶ Of course, this might not always be the case. As noted by one observer, “China is building up a bank of goodwill and political capital in Sri Lanka. If, in the future, geopolitical or military objectives arise, the GoSL would have to consider them very seriously”.¹¹⁷

Some are tempted to see China’s engagement with Sri Lanka as an offensive geostrategic manoeuvre to encircle India and dominate South Asia, which is planned, orchestrated and co-ordinated directly by the leadership in Beijing. However, while actively seeking to deepen economic ties, the idea that Beijing co-ordinates and directs all of its commercial actors to engage in Sri Lanka is far-fetched. If anything, Chinese commercial actors have led Beijing to Sri Lanka, not vice versa. China’s growing trade with the island state is the natural by-product of the fact that its trade with the whole of Asia has increased from US\$171 billion in 2002, to US\$732 billion in 2010.¹¹⁸ As with geostrategic objectives, the importance of commercial relations with Sri Lanka should not be overestimated either: Sri Lanka does not even make it into the list of China’s top 50 trade partners. While China has increased development finance to Sri Lanka, it has done so across the developing world. The growth of Chinese FDI to Sri Lanka is smaller than that to its South Asian neighbours; the same is true for contracted projects (with the exception of Bangladesh).¹¹⁹ In short, notwithstanding that it is strategically situated and a useful international ally, the idea that Beijing is directing special attention at Sri Lanka must be taken with some caution.

This is not to suggest that stability in Sri Lanka is irrelevant to China. Besides the obvious humanitarian case, Chinese officials stress that the end of the conflict in Sri Lanka has been a positive development for Chinese firms, which will no doubt expand their engagement.¹²⁰ Commercial actors, both private and state-owned, have the ability to shape Chinese priorities and policies towards Sri Lanka: as their interests in its economy deepen over time, so too will their stake in future stability. In the event of violence, Beijing will not only need to protect costly commercial investments, but also the safety of Chinese citizens. Furthermore, as one Chinese academic puts it, “stable neighbours create a stable environment for China’s economic growth”.¹²¹

To a degree, the stability of Sri Lanka’s leadership is dependent on the stability of the country. As such, and while it is unlikely that Chinese officials will admit it, instability could undermine the political investments that have been developed with Sri Lanka’s current leaders. As history shows, the SLFP’s main political opponents have not always seen China favourably. Situated near important sea lines and just off the coast from a potential foe, losing political allies in Sri Lanka is clearly not in Beijing’s interests. Nor is a situation that would potentially invite external intervention in the country, especially from India. For all these reasons, China’s clear interest in Sri Lanka’s stability will only continue to grow.

¹¹⁶ A senior analyst in a Chinese think tank also refutes the string of pearls theory: “China has a good image in Sri Lanka. However the port has been a problem for us, as it has given rise to a lot of suspicion. Frankly, the Chinese Government has not done enough to dispel these fears. But we should remember these suspicions are all about China’s rise, not Sri Lanka-China relations *per se*. Does China have an interest in the Indian Ocean? Of course. But we don’t want – or have the capacity – to enforce ourselves militarily”. However, as a more outspoken Chinese academic points out, “of course the port is for commercial purposes. But it’s a port: it can be used for whatever purpose it is needed for. So can it also be used for military purposes? Yes”. The same academic argues that just as is the case with other countries, China has a legitimate case for overseas naval ports. Saferworld interviews, Shanghai, May 2011.

¹¹⁷ Saferworld, Colombo, June 2011.

¹¹⁸ Ministry of Commerce of the People’s Republic of China, *Report on the Foreign Trade Situation of China* (2011), <http://english.mofcom.gov.cn/>, accessed on 12th October 2011

¹¹⁹ *Op cit* Samaranyake, p 129.

¹²⁰ Saferworld interview, Beijing, July 2011.

¹²¹ Saferworld interview, Shanghai, May 2011.

3.4 China's impact on conflict and security in Sri Lanka

Military co-operation

The low levels of transparency surrounding China – Sri Lanka military co-operation make it difficult to assess its impact on peace and conflict dynamics. Given the indiscriminate harm mines do to civilians, assistance for demining clearly plays a positive role. Aside from this, it is unclear whether military co-operation and training simply increases the Sri Lankan state's capacity to use force or whether it supports broader stability, which requires a responsible security sector that protects civilians and strictly follows basic norms and practices related to international humanitarian and human rights law. The UN's report on the conflict suggests that SLAF has fallen far short of some of these criteria and it is questionable whether co-operation with China will specifically seek to address this.

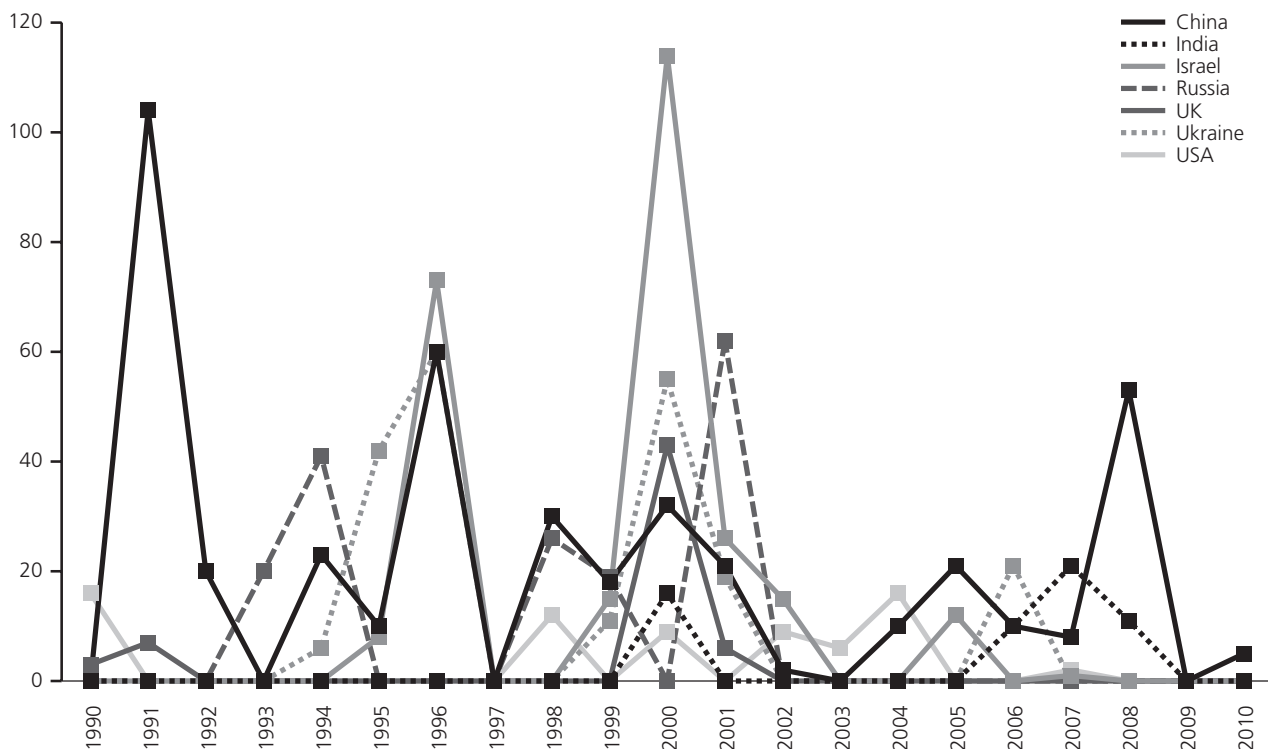
Chinese officials argue that military co-operation with Sri Lanka "is used to maintain stability and safeguard its sovereignty. As such, it is perfectly legitimate".¹²² Some Western officials might disagree, having for example suspended training for the SLAF on the basis of human rights concerns.¹²³ Clearly, there is a disconnect between Chinese and Western attitudes on how stability is best built and how legitimacy is defined.

Arms transfers to the GoSL

Even small quantities of relatively inexpensive weapons exported to Sri Lanka had a big impact on conflict. According to one report, although accounting for only 0.3 per cent of the global market in 2008–2009, arms transfers to the country facilitated the world's highest number of direct battle deaths in the same period.¹²⁴ As with military co-operation, the authorisation or denial of an arms transfer to another country speaks volumes about the perceived legitimacy of their use.

Arms transfers to Sri Lanka from largest international suppliers, 1990–2010

Figures are SIPRI Trend Indicator Values (TIVs) expressed in US\$m at constant (1990) prices.



Source: Stockholm International Peace Research Institute (SIPRI), Arms Transfers Database, accessed 23 September 2011.

¹²² Saferworld interview, Shanghai, May 2011.

¹²³ See for example: 'No US military training for Sri Lanka', *Sunday Times*, 28 March 2011.

¹²⁴ *Op cit* Linberg, p 7.

The above graph illustrates flows of arms to Sri Lanka from its seven most significant suppliers. As noted, China's largest transfer occurred in the early 1990s.¹²⁵ The 1999–2002 period saw the most substantial flows of arms to Sri Lanka, with Israel, Russia, Ukraine and the UK taking the lead. In 2008, the US and European countries ceased supplies, due to the collapse of the peace process and human rights concerns; India refused to send lethal arms. Since then, China has remained Sri Lanka's largest supplier. It should be noted that many of the Chinese arms delivered in 2008 were actually ordered in 2007, suggesting that the GoSL was already aware of the restrictions it faced from other suppliers.¹²⁶

It is undeniable that Chinese weapons played a significant role in the final stages of the civil war. China's officials clearly continued to believe that transfers to Sri Lanka would be used for legitimate self-defence, a core principle of China's export control regulations. According to several Chinese researchers, China's arms in fact directly contributed to stability.¹²⁷ For example, it is argued that:

“We have to understand that the Sri Lankan conflict lasted for three decades and that thousands died. The LTTE were terrorists, as even the UN agreed. The Sri Lankan Government was a legitimate sovereign state actor to procure arms. The end of the war was good news and we need to be frank that it was not mediation that achieved it.”¹²⁸

Fundamentally, this view illustrates a belief in the sovereign right of states to procure arms and an acceptance that a military solution to the conflict was justifiable. However, others argue that arms supplies fuelled and prolonged the conflict as the “influx of arms to one side in the conflict spurred the other side to re-arm, leading to an arms race. For decades, the arms flows were sufficient to prevent either side from militarily defeating the other”,¹²⁹ Secondly, while many accept the case for a military solution to the conflict, concerns were directed at how it was conducted, with high civilian casualties and alleged violations of international law making many reluctant to arm the Sri Lankan military.

Several observers play down the role of China, arguing that once the GoSL had chosen its path, it would have acquired weapons from other sources if not from China. They also point to the fact that it was not only Chinese weapons that were used: for example aircraft from Israel featured highly, as did Pakistani small arms and ammunition. Furthermore, it is entirely plausible that arms delivered in the 1999–2007 period from various sources, including Europe and the US, were used in the conflict's final phase. It should also be noted that both sides used the ceasefire periods to re-arm, a process the above graph shows Western states to be complicit in. One Sri Lankan analyst believes that Western criticism of China is unfounded: “I think the problem is that China is now doing what the West has always done”.¹³⁰

The LTTE's acquisition of arms

As has been noted, the LTTE used weapons of Chinese origin. It is not clear where these weapons were sourced. Captured SLAF weapons likely account for a large proportion of them. Using fake end-user certificates, some of these Chinese weapons may have been sourced from third countries such as Eritrea, a long time recipient of Chinese arms. Other sources may have been closer to home. Following the end of Indian support in 1987, the LTTE developed a sophisticated network of illicit sources and transit points that allegedly included North Korea, Thailand, Cambodia, Burma/

¹²⁵ This table is drawn from SIPRI statistics, which do not include small arms and ammunition, meaning that some critical arms supplies are not included (for example from Pakistan). Secondly, given the opaqueness of the arms trade, it is unlikely that SIPRI has captured all transfers (for example tanks from Pakistan do not appear in its records). Lastly, the table by no means includes all transfers recorded by SIPRI but instead flows from the top nine countries.

¹²⁶ *Op cit* SIPRI Arms Transfers Database.

¹²⁷ Saferworld interviews, Shanghai, May 2011 and Beijing, July 2011.

¹²⁸ Saferworld interview, Shanghai, May 2011.

¹²⁹ *Op cit* Linberg, p 36.

¹³⁰ Saferworld interview, Colombo, June 2011.

Myanmar, Indonesia, Pakistan, Afghanistan, India – and China.¹³¹ Alarming, there appears to be some evidence that weapons were directly acquired from Chinese defence companies with forged or illegally acquired end-user certificates. For example, one media report states that:

“According to former and current Sri Lankan intelligence officials, NORINCO sold the Tigers two consignments of assault rifles, light artillery, rockets and ammunition, each large enough to fill a 230-foot cargo ship. The purchases were arranged through a middle-man as part of a larger order certified with North Korean documents, presumably obtained through bribery, the officials said ... Senior Chinese officials were first warned of the purchases in July 2006, said a former Sri Lankan official who helped prepare a dossier laying out evidence for them. But a third order remained on track for delivery in spring 2007 until Sri Lankan President Mahinda Rajapaksa personally appealed to Chinese leaders in Beijing in February, the official said. Two officials said the Chinese, who were described as extremely apologetic, have launched an investigation into the sales.”¹³²

While it is difficult to substantiate how true this story is, one retired diplomat also suggested that the LTTE acquired arms from Chinese defence companies through using false end-user certificates illegally acquired in third countries.¹³³ It should be stressed that there is no evidence that Chinese officials ever intentionally authorised arms to the LTTE.

Whatever the sources, that the LTTE had access to arms is crucial to understanding how the conflict lasted so long. It facilitated and fuelled an arms race, decreased the likelihood of a political solution and made the eventual military confrontation a fierce contest. While the LTTE has gone, some analysts argue that should Sri Lanka slide into conflict again, it would rapidly escalate because the means through which it acquired arms can still be used today. In this way, continued proliferation presents a serious threat to future peace.¹³⁴

Three main implications stand out. Firstly, Chinese export control norms appear to have been poorly applied in practice: fake end-user certificates may have successfully duped its officials, exports to third states may have been illegally re-transferred, evidence of wrong-doing possibly went unheeded and, ultimately, Chinese weapons ended up in the hands of the LTTE. Secondly, the LTTE thrived off illicit regional networks and markets. When compared to efforts in Africa and Latin America, Asia has extremely weak, if not non-existent, regional mechanisms for tackling the illicit arms trade. Lastly, it should be remembered that the LTTE held weapons from a number of countries, not just China. While illegally acquired, all of these weapons originated from somewhere in the legal global arms market.

Diplomatic support

Bilateral diplomacy

Various Chinese statements have reiterated that the conflict fell into the domain of domestic affairs. In contrast to Western states, there is no evidence that Beijing has actively engaged politically with the GoSL on issues related to conflict and stability in the country, or sought to make its support conditional on changes in policy. Instead, China has publicly supported whichever position the GoSL has chosen to take, regardless of its nature.

China voiced support for the GoSL's position during the peace process period. For example, after Premier Wen Jiabao's visit in 2005, a Joint Communiqué stated that,

¹³¹ Chalk P, 'Liberation Tigers of Tamil Eelam's international organization and operations – A preliminary analysis', *CSIS Commentary No 77*, 1999: *op cit* Clarke, p 174.

¹³² Rosenberg M, 'Tamil Tiger rebels run a global fundraising and weapons-smuggling network', *Associated Press*, 11 November 2007. Also see: *op cit* Chalk (1999); 'LTTE got most of its arms from Ukraine – Karuna', *Indian Express*, 6 November 2009; 'Lanka concerned over Chinese-built LTTE arms', *Sunday Observer*, 24 June 2007.

¹³³ Saferworld interview, Colombo, June 2011.

¹³⁴ *Op cit* Clarke.

“China expressed confidence in the Government’s ongoing efforts to reach a peaceful negotiated settlement of all issues involved”.¹³⁵ While supporting the GoSL’s campaign against terrorism, a 2007 communiqué stated that China “welcomes the positive steps taken by the Government of Sri Lanka to reach a peaceful resolution of ethnic issues through negotiations”.¹³⁶

After the formal break down of the peace process Beijing remained largely silent, except to voice its support for the GoSL’s campaign against terrorism and its efforts to maintain territorial integrity. In the final stages of the conflict, as it quickly became clear that a humanitarian crisis was unfolding, it commented only that: “it is our sincere hope that Sri Lanka could realise national reconciliation, social stability and economic development at an early date through its own effort”.¹³⁷ In June 2009, a Chinese PLA general publicly “expressed his satisfaction with the Sri Lankan Government’s military defeat of the LTTE”.¹³⁸

After the end of the conflict, Vice Premier Zhang Dejiang “congratulated Sri Lanka for the end of the civil war, as well as the steady progress in rebuilding and social-economic development”.¹³⁹ In 2011, President Hu “pointed out that China is glad to see Sri Lanka’s political stability, rapid economic growth and positive progress made in the country’s post-war resettlement of civilians in recent years. China is delighted with Sri Lanka’s achievements and will continue to offer help within its ability for Sri Lanka’s economic and social development”.¹⁴⁰

While public statements cannot present a full picture, the evidence suggests that China has rhetorically supported all the GoSL’s choices, including its participation in the peace process, its military solution to the conflict and its choice of policies after the war. In short, China has followed its non-interference policy. A Sri Lankan civil society activist puts this differently: “China does not play a political role at all: it very clearly keeps its distance. China is not a conflict-manager, nor does it want to be”.¹⁴¹ In this regard, it could be argued that simply because it has not engaged on the issue, China’s bilateral relations with Sri Lanka have had very little direct impact on peace and conflict dynamics. While there is some truth to this argument, some critical points can be raised.

Firstly, as those in the Chinese policy community recognise, non-interference is not a passive policy but instead constitutes active support for the overriding precedence of the state. In Sri Lanka this effectively represents active support for one actor participating in the conflict. This was perhaps especially pronounced, as the GoSL was seen to be confronting what China describes as the most serious threats to a state’s integrity, characterised as the three evils: separatism, extremism and terrorism. However, it can be argued that the very nature of Sri Lanka’s state was one of the key drivers behind these threats in the first place. Effectively addressing them requires a political rather than a military solution. Furthermore, by not criticising the Government’s role in the conflict, China lent further legitimacy to its conduct. Again, non-interference is not a passive policy; silence can amount to support. In the eyes of those who oppose Sri Lanka’s leaders, either politically or through violence, China is far from impartial.

From some Chinese perspectives, the stability of a country is equated with a state’s capacity to control it and so implicit support for such efforts is seen to contribute to peace. Non-interference serves another purpose, which is to make sure relations between Beijing and other governments are stable and friendly. Although the West is

¹³⁵ ‘China, Sri Lanka issues Joint Communiqué to specific cooperation in all areas’, *People’s Daily*, 10 April 2005.

¹³⁶ *Joint Press Communiqué of the People’s Republic of China and the Democratic Socialist Republic of Sri Lanka*, (2007).

¹³⁷ Ministry of Foreign Affairs of the People’s Republic of China, *Foreign Ministry Spokesperson Ma Zhaoxu’s Regular Press Conference*, 19 May 2009.

¹³⁸ Ministry of Foreign Affairs of the Democratic Socialist Republic of Sri Lanka, ‘China pleased with end of terrorism in Sri Lanka’, *Press Release*, 7 June 2009.

¹³⁹ Embassy of the People’s Republic of China in the Democratic Socialist Republic of Sri Lanka, ‘Sri Lanka, China vow to enhance cooperation’, *Press Release*, 12 June 2010.

¹⁴⁰ Ministry of Foreign Affairs of the People’s Republic of China, ‘Hu Jintao meets with Sri Lankan President Rajapakse’, *Press Release*, 17 June 2011.

¹⁴¹ Saferworld interview, Colombo, June 2011.

of course no stranger to prioritising healthy relations and stable regimes, in the context of Sri Lanka China's engagement clearly differed from that of Western states. However, and as Western states have been forced to confront on countless occasions, it is questionable whether such an approach promotes stability or protects national interests over the long term. While some might still contend that China's non-interference meant that it did not directly *worsen conflict*, it cannot be denied that China still could have done more to *support peace* through, for example, openly urging the GoSL to return to talks rather than silently watching as the country slid back into violent hostilities in 2008. Clearly, Beijing did not want to become so deeply involved or risk damaging relations. In this way Sri Lanka illustrates its reluctance to become a conflict-manager.

China has also appeared reluctant to communicate or closely engage with other countries' representatives in Sri Lanka. Several diplomats and donor officials interviewed stated that they had extremely little or no contact with Chinese officials in the country. As one notes: "It's like we operate in parallel universes: they do what they do, we do what we do".¹⁴² Some suggested that efforts had been made, especially over the past three years, to invite officials from the Chinese Embassy to donor co-ordination forums. However, as one donor official concludes, "Did we try to involve China more? Yes we did. But it didn't work".¹⁴³

In 2006 the Chinese Embassy sent an economic counsellor to some of the Development Partner Coordination Forum meetings, where the World Bank, UN and ADB rotated as heads. However, the economic counsellor soon stopped attending. The Chinese counsellor reportedly complained that discussion only focused on human rights and conflict instead of economic development, which was both frustrating and irrelevant to Chinese engagement in Sri Lanka.¹⁴⁴ Chinese academics argue that these fundamental issues prevent co-operation: "The West says a lot but does little. China does a lot but says little".¹⁴⁵ Perhaps more importantly, it is open to question whether Chinese officials are prepared to engage in-country with other government representatives on such sensitive issues without explicit consent or direction from Beijing. Furthermore, Chinese officials argue that co-operation should only proceed if the host country requests it. At the end of the day, it is unlikely that Chinese policy makers or the GoSL see any value to be added in co-operation. China does not want to associate itself with interfering Western states, nor does it want to become constrained by them, preferring to conduct relations on a bilateral basis. For the GoSL, the very attractiveness of China is its difference and independence from traditional donors.

The commitment of Western states to open avenues of co-operation with China should not be exaggerated. While several diplomats and donors suggested they had tried, these appear in many cases to have been *ad hoc* attempts that were not expected to successfully materialise anyway. Others simply did not try, with one especially significant Western country stating that there had been no efforts at engagement with Chinese representatives in Colombo because the embassy had not been directed to do so and they did not believe that it fell into their mandate.¹⁴⁶

International diplomacy

Along with 51 other countries, China was a signatory to the 2003 Tokyo Conference. Aside from this, it does not appear that China participated in any other multilateral initiatives outside of the UN. Discussion on the final and bloody stages of the Sri Lanka

¹⁴² Saferworld interview, Colombo, June 2011.

¹⁴³ Saferworld interview, Colombo, June 2011.

¹⁴⁴ Another reason put forth for China's reluctance to engage with other donors or donor groupings is that while it provides finance, its aid is not that significant. It has also been suggested that language plays a role, as some of the relevant Chinese embassy staff did not speak good English. Finally, personalities no doubt play a role, with suggestions that a new Chinese Ambassador in 2009 was less open to engagement with Western government representatives. Saferworld interviews, Colombo, June 2011.

¹⁴⁵ Saferworld interview, Beijing, July 2011.

¹⁴⁶ Saferworld interview, Colombo, June 2011.

conflict at the UNSC was initially limited to informal dialogues. Although Russia was most vocal, China also objected to its inclusion on the Council's formal agenda, arguing that it presented no threat to international peace and security.¹⁴⁷ Objection was even raised to receiving a formal Council briefing on the situation by the UN Under-Secretary-General for Humanitarian Affairs. In March 2009, China reportedly blocked a discussion on Sri Lanka (to be addressed under 'Other Matters' as it was not on the formal agenda).¹⁴⁸ In May 2009, nearly a year and a half after the abrogation of the ceasefire and after four months of especially fierce fighting, the UNSC finally voiced "grave concern over the worsening humanitarian crisis". It condemned the actions of the LTTE and called on the Government to stop shelling civilian areas and allow for humanitarian access.¹⁴⁹ Along with Russia and Vietnam, China reportedly rejected the stronger language initially drafted by the UK, France and Austria.¹⁵⁰

In June 2010, China added its voice to opposition to the UN Secretary-General's appointment of an expert panel to investigate possible war crimes, arguing that GoSL had already set up its own investigation. Furthermore, Chinese officials argued that the international community should turn the page and not frustrate the Government's own efforts towards reconciliation.¹⁵¹ When the panel's findings were made public in April 2011, Chinese officials stated that any further international action would complicate matters and that instead Sri Lanka should be helped to "stabilize the country's internal situation and accelerate economic growth".¹⁵² While the UN experts' report calls for an independent international mechanism to fully investigate alleged violations of international law, it is unlikely that the Secretary-General will be able to push for such a probe without the GoSL's consent or a decision by the UNSC, the General Assembly or the UN Human Rights Commission (UNHRC). Likewise, any referral to the International Criminal Court (ICC) would require UNSC consent. China's critical support for any of these routes appears to be highly unlikely.

This is illustrated by China's position at the UNHRC on matters related to Sri Lanka. In May 2009, European efforts to launch a war crimes probe in Sri Lanka were thwarted at the 47-member Council. Instead, China joined 29 others in passing a Sri Lankan-authored resolution that commended the Government's actions, congratulated it for liberating the North and reaffirmed "the principle of non-interference in matters which are essentially within the domestic jurisdiction of states".¹⁵³ China has not changed its position. For example, at the 17th regular session of the UNHRC in June 2011, the Chinese delegation objected to the formation of an international monitoring mechanism, stating that China had "total confidence in the capability of the Government and people of Sri Lanka to resolve their own issues".¹⁵⁴ In September 2011, ahead of a UNHRC meeting, China's chief legislator, Wu Bangguo, said, "that China will continue to support Sri Lanka's efforts to safeguard its national independence, sovereignty and territorial integrity".¹⁵⁵

As its position at the UN demonstrates, state sovereignty and non-interference have been used by China to justify its opposition to international involvement in conflict management or post-war accountability in Sri Lanka. While Beijing argued that the UNSC had no legitimacy to act on Sri Lanka, as it did not constitute a threat to international peace, China has also signed up to the Responsibility to Protect (R2P) principles. Given the extent of civilian casualties in the final stages of the war it is difficult to argue that there was no legitimate mandate for international pressure, let alone a discussion at the UNSC. On matters related to accountability for violations of

147 'UN Council to discuss civilians in Sri Lanka war', *Reuters*, 26 March 2009.

148 'On Sri Lanka in UN Council, China blocks March 26 meeting, vote may be called', *Inner City Press*, 19 March 2009.

149 United Nations Department of Public Information, 'Security Council Press Statement on Sri Lanka', SC/9659, 13 May 2011, www.un.org/News/Press/docs/2009/sc9659.doc.htm, accessed November 12th 2011

150 Saferworld interview, London, July 2011.

151 Saferworld interview, Beijing, June 2011.

152 'China urges international community not to complicate Sri Lanka issue', *Xinhua*, 30 April 2011.

153 United Nations, S-11/1 *Assistance to Sri Lanka in the promotion and protection of human rights*, 28 May 2009.

154 'China, Russia back Lanka at UNHRC', *Sunday Observer*, 5 June 2011.

155 'China reiterates its support to Sri Lanka', *Official Government News Portal of Sri Lanka*, 8 September 2011.

international human rights and humanitarian law, the UN experts' panel has made it clear that the GoSL has fallen well short of resolving its own issues, making it difficult to accept the stated reasons behind China's opposition to international action through the UNHRC or other paths.

Sri Lanka is yet another case where differences between Western states and China on the legitimacy of external intervention have been made clear. To a degree, China has followed what has largely been a consistent position on internal conflicts and sovereignty; it is difficult to argue that China has taken a special position on Sri Lanka in order to further its own interests.¹⁵⁶ However, in a visit to Beijing in May 2011, the Sri Lankan Foreign Minister thanked China for helping in "safeguarding Sri Lanka's national independence, sovereignty and territorial integrity".¹⁵⁷ China's support has undoubtedly strengthened its relations with Sri Lanka's leaders and possibly contributed to the regime's own stability, as any investigation into war crimes would strike directly at its heart. As is the case with its bilateral relations, China has prioritised non-interference, stable relations and regime stability.

It would be wrong to assume that China's position at the UN was one it took in isolation. In the case of the UNSC, Russia, Vietnam and others voiced opposition to action on Sri Lanka. In the case of the UNHRC, 26 states voted in favour of Sri Lanka's 2009 resolution, including all the non-aligned movement states, Russia, Brazil, South Africa and India. In this regard, China is by no means exceptional: its positions are widely shared.

Economic co-operation and development assistance

Humanitarian aid

China has provided humanitarian aid to Sri Lanka on several occasions, both for natural disasters such as the Tsunami and for civilians affected by conflict. Inherent to the principles of humanitarian assistance is that it is neutral. However in the conflict-context of Sri Lanka, this principle has been seriously challenged. Both sides of the conflict allegedly manipulated their control over aid to meet political and military, rather than humanitarian, aims. For example the GoSL allegedly used the excuse of security threats to direct where aid was allocated, while the LTTE used it more directly as a means to cynically control the Tamil population.¹⁵⁸

Little is known of how Chinese humanitarian aid has been delivered in Sri Lanka, although at least some of the aid for Tsunami victims was distributed through the WFP. It can be assumed that aid for internally displaced persons (IDPs) in the conflict was delivered directly to the Government. Given the controversy that surrounded the military detainment of Tamil IDPs, questions might arise as to how this Chinese aid was allocated. While any extra humanitarian assistance from China should in principle always be welcomed, it is by no means immune from the common problems faced by others in complex emergencies.

Development assistance

Chinese officials and academics maintain that simply through providing financial assistance, especially in the area of infrastructure development, China is promoting development and so helping to tackle the root causes of conflict in Sri Lanka.¹⁵⁹

Economic factors certainly played a role in the conflict, with economic marginalisation fuelling grievances in the Northern and Eastern parts of the country. The war only

¹⁵⁶ China has consistently opposed international action in cases such as Burma/Myanmar, Zimbabwe and Sudan. However in the case of Sudan, China showed flexibility by pressuring Khartoum to accept the international community's will, and in 2011 China voted for and abstained on resolutions related to the protection of civilians in Libya.

¹⁵⁷ 'Chinese, Sri Lankan FMs meet on bilateral ties', *People's Daily*, 25 May 2011.

¹⁵⁸ Keen D, 'Compromise or capitulation? Report on WFP and the humanitarian crisis in Sri Lanka', *Humanitarian Assistance in Conflict and Complex Emergencies*, (2009) United Nations World Food Programme Conference Report.

¹⁵⁹ Saferworld interview, Beijing, July 2011.

further compounded this: development projects were blocked by insecurity, human and financial capital fled and basic infrastructure was destroyed.

Even though it saw some growth, Sri Lanka's Central Bank estimates the country as a whole lost two to three percent of gross domestic product (GDP) growth annually due to the uncertainty caused by the war.¹⁶⁰ President Rajapaksa's vision for national economic development, *Mahinda Chintana*, places great emphasis on infrastructure. This is reflected in the GoSL's plan for the North (*Uthuru Wasanthaya*), which is based on the belief that a return to growth in the North, spurred by large-scale infrastructure projects, will ultimately bring reconciliation and peace. While most of its projects are elsewhere in the country, China has supported this vision through contributing to power generation and road construction in the North. As such, it could be argued that through its assistance, China has supported both post-war reconstruction and peace in the North and longer-term stability for the country as a whole. The President has stated as much himself: "We appreciate very much the understanding shown by China on the pressures of the post-conflict period, and the support extended to heal the wounds of war".¹⁶¹

Nonetheless, several assumptions related to this approach need to be examined critically. Firstly, debate exists over whether infrastructure-focused development strategies are sufficient alone. Several Sri Lankan analysts and Western donors state that Sri Lanka desperately needs updated infrastructure and that it "is a purposeful and legitimate development goal for Sri Lanka and its people".¹⁶² However, some NGOs argue that infrastructure must be accompanied by a parallel focus on ensuring that the development it brings is equitable.¹⁶³ Others have criticised not the content, but the delivery of Chinese infrastructure projects, pointing to the fact that it is often more expensive than multilateral sources, it benefits Chinese firms, corruption is rife and deals are not transparent enough.¹⁶⁴ At the same time, one donor official admits that the Chinese are simply "following what the West used to do: we funded infrastructure, we tied aid to our own commercial interests, and yes, there was corruption involved".¹⁶⁵

Secondly, the extent to which economic development is a solution to Sri Lanka's instability is equally open to debate. Without denying its importance, relative underdevelopment was only one conflict driver among many. As one Sri Lankan analyst notes, "the conflict is driven by emotions of humiliation and anger that fuel the politics of nationalism. This has not yet been addressed. Tamil nationalism explicitly seeks a political solution – trying to tackle economic marginalisation cannot be seen as a substitute to addressing this".¹⁶⁶ This is in fact recognised by some Chinese analysts, with one for example arguing that:

*"We hope that the Tamils and other Sri Lankans can unite and that ethnic reconciliation is found rather than continued calls for Tamil independence. In Sri Lanka, the political institutions – democracy, elections, etc. – are there. But they do not have economic equality, there exists inequalities between ethnic groups, and without economic equality and development for all, there will be no peace. China can help the Government in the economic field to meet these aims. But reconciliation – which is political – is the responsibility of the Sri Lankan Government, and China cannot help there as it is internal affairs."*¹⁶⁷

Even though they regularly highlight the importance of economic factors, Chinese policy makers of course recognise that politics has a role to play too. However, there is little open recognition of how engagement in the economic landscape affects political –

¹⁶⁰ *Op cit* Linberg, p 32.

¹⁶¹ Cited in: *op cit* Xinhua (2011).

¹⁶² Saferworld interview, Colombo, June 2011.

¹⁶³ Saferworld interview, Colombo, June 2011.

¹⁶⁴ Saferworld interview, Colombo, June 2011.

¹⁶⁵ Saferworld interview, Colombo, June 2011.

¹⁶⁶ Saferworld interview, Colombo, June 2011.

¹⁶⁷ Saferworld interview, Shanghai, May 2011.

and conflict – dynamics. For example, while military victory was the basis of President Rajapaksa's first term, his second aims to be measured by its economic success.¹⁶⁸ As one observer notes, "China's assistance lends legitimacy to [the GoSL]: large scale and visible infrastructure projects demonstrate that it can deliver development".¹⁶⁹ Furthermore, most Chinese projects are currently outside of the North and the East, questioning the extent to which they actually address regional inequality and raising the possibility that uneven development might even be unintentionally exacerbated. In short, China is not immune from the complex reality other donors face: the way in which development assistance is delivered and how fairly its benefits are distributed has implications for conflict dynamics in Sri Lanka.

However, non-interference means that Chinese assistance comes with no such conditions attached. Added to its willingness to finance and deliver large-scale infrastructure projects, China is the ideal donor for the ideal recipient, unquestionably supporting the GoSL's vision of development. As Western donors admit, China presents opportunities for real national ownership of development assistance, as dictated by international agreements on good donor practice.¹⁷⁰ Some civil society activists are more critical, arguing that ownership belongs to the political elite, not the Sri Lankan people.¹⁷¹ Recent political reforms that further centralise power, alongside the continued use of heavy-handed security policies, may mean that such fears are not unfounded. They also argue that corruption, controlling access to employment opportunities, business contracts and the benefits of large-scale infrastructure projects have been used in Sri Lanka to cement political power for decades.¹⁷² When donors directly finance the Government's development projects they may be inadvertently exacerbating the very patronage politics that have fuelled grievances and weakened the state's ability to effectively manage conflict. Alongside efforts to cajole the GoSL into holding negotiations and protecting democracy and human rights, it is for this reason that Western governments have been reluctant to provide it with unconditional amounts of aid. In this way, China's impact on stability may be more complex than presented by its officials.

As noted, local level grievances are some of the most immediate conflict drivers in Sri Lanka today and, as with the national level, China's development assistance may have an impact on them too. For example, an infrastructure project that displaces communities from their land without adequate consultation or compensation may only aggravate pre-existing grievances. Little is known about what impact Chinese infrastructure projects have on the ground. Several observers said there was no consultation with local communities in Chinese-funded and constructed development projects – although neither does GoSL conduct such assessments. According to several observers in Colombo, there have also been some concerns over the use of Chinese labour in infrastructure projects, especially in areas where providing jobs for local men could significantly reduce the chances that they use skills developed from decades of fighting to join armed criminal or rebel groups in the future.¹⁷³ However, the actual number of Chinese workers in Sri Lanka is unknown, with estimates wildly ranging between 8,000 and 30,000.¹⁷⁴ Without detailed field assessments of Chinese projects and access to considerably more information, it is difficult to assess what impact Chinese development projects have on local conflict drivers.

China offers significant opportunities for economic growth in Sri Lanka. This should be welcomed. The knock-on effects of such assistance may prove to significantly dampen conflict drivers through addressing marginalisation, widening prospects for countless individuals and communities and increasing the costs of a return to conflict.

¹⁶⁸ Saferworld interview, Colombo, June 2011.

¹⁶⁹ Saferworld interview, Colombo, June 2011.

¹⁷⁰ Saferworld interview, Colombo, June 2011.

¹⁷¹ Saferworld interview, Colombo, June 2011.

¹⁷² Saferworld interviews, Colombo, June 2011.

¹⁷³ Saferworld interviews, Colombo, June 2011.

¹⁷⁴ Pathirana S, 'Sri Lanka gains from Indo-Chinese supremacy battle', *BBC News*, 21 November 2010.

For these reasons, China is by no means alone in seeing the benefits of an economic peace dividend. Nor is it alone in believing that the GoSL should take primary responsibility for choosing how and where resources are best allocated. However, it should be more openly acknowledged that economic development is not a substitute for political reconciliation, which is where Sri Lanka's future peace and stability lies. Secondly, development assistance cannot be divorced from conflict dynamics, whether at national or local levels. To a degree, how development assistance is delivered and whether it is perceived as equitable is more important for stability than whether it is delivered at all.

Indirect impacts

Declining Western influence

China has and continues to play a limited but direct role in peace and conflict dynamics in Sri Lanka. However, much of the Western focus on China's role has been on a more indirect form of impact. For example, one British newspaper article states:

*"[The end of the war] was achieved in the teeth of opposition from the US and its allies, and at appalling human and moral cost. How had it been allowed to happen? The answer, in one word, is 'China'".*¹⁷⁵

While agreeing that this is a rather simplified argument, some Western donors in Colombo tend to agree with its overall point: Sri Lanka has 'new friends' who have allowed it to ignore the demands of its 'old friends'. In the words of one diplomat, China's enormous development assistance "significantly undercuts the conflict sensitivity approach of other donors ... Western leverage is at its lowest level ever. We will do what we can, but we do not have many cards in our hand".¹⁷⁶ A leaked US Embassy cable from 2007 illustrates that such concerns were held before the final phase of the war. It notes that "As Sri Lanka taps into new sources of assistance, [Western donors] are at risk of losing leverage with the Rajapaksa Government, making it harder for us and others to prod the Government toward a peaceful solution to Sri Lanka's ethnic conflict, and address such concerns as human rights and corruption ... The new donors' no-string generosity may be convincing President Rajapaksa that he can have both his war and his infrastructure, instead of having to choose between the two".¹⁷⁷ Sri Lankan officials also appear to share these views, with the Foreign Secretary for example stating that, "Sri Lanka's traditional donors, namely the US, Canada and European countries, have receded into a very distant corner". He argued that donors like China were far more attractive, as they were rich and they conduct themselves differently: "They don't go around teaching each other how to behave".¹⁷⁸

Clearly, the rise of China has fundamentally altered the donor context in Sri Lanka. A simplified narrative is that without China, events would have taken a dramatically different turn in a direction more acceptable to the West. However, several underlying assumptions in this narrative need to be critically questioned. The first is to ask how committed Western states really were towards a peaceful resolution of Sri Lanka's conflict. Reaction to increasing violence was sporadic rather than sustained. As one report notes, "[m]uch of the international community turned a blind eye to the violations when they were happening ... they encouraged the Government's tough response while failing to press for political reforms to address Tamil grievances or for any improvement in human rights".¹⁷⁹ Similarly, others claim that several Western states unofficially supported the military solution, balking only when violence reached

¹⁷⁵ Popham P, 'How Beijing won Sri Lanka's civil war', *The Independent*, 23 May 2010. Also see: 'The Colombo consensus', *The Economist*, 8 July 2010; Foster P, 'China's malign influence in Sri Lanka', *The Daily Telegraph*, 9 February 2010. This view actually predated the conflict. For example see: 'Take aid from China and take a pass on human rights', *New York Times*, 9 March 2008.

¹⁷⁶ Saferworld interview, Colombo, June 2011.

¹⁷⁷ *Sri Lanka: Growing clout and appeal of non-Western donors*, Wikileaks cable 07CLOMBO250 (2007, released 2011).

¹⁷⁸ Cited in: *op cit New York Times* (2008).

¹⁷⁹ *Op cit ICG* (2010), p ii.

the intensity that it did.¹⁸⁰ While many would disagree with this assessment, pointing to public statements and various initiatives by Western countries, two points stand out. The first is that there exist different interpretations as to what a vigorous commitment to peace should really look like. The second is that for many of those who supported military action, the way in which it was conducted was unacceptable; and much of the criticism of the GoSL should be seen in this light.

Putting this aside, a second question is how important the West was to begin with. Changes in domestic politics rather than a relative reduction in Western influence were the key factor in the violent outcome of the conflict. Between 2002 and 2005 there was a degree of convergence between Western donors and the UNP government on the utility of negotiations. However the SLFP came to power on an explicitly nationalist ticket. The President's manifesto made explicit reference to the need to stop "foreign countries unnecessarily intervening in our internal affairs".¹⁸¹ The President saw through on his commitment by making it significantly harder for donors and other international actors, such as NGOs, to work directly on matters related to the conflict.¹⁸² Additionally, the SLFP's nationalistic rhetoric reflected a belief that the LTTE had to be militarily defeated. As several Sri Lankan analysts interviewed noted, there was simply never the possibility of a peaceful negotiated settlement to the conflict once the Government chose this path.¹⁸³ Importantly for a democratically elected government, this militarised patriotism was popular – and remains so today.¹⁸⁴

According to some researchers, the peace process itself was inherently flawed in its design from the start, mismanaged and too dependent on the UNP being in power, which was implementing unpopular economic reforms at the same time.¹⁸⁵ Sri Lankan nationalists felt that the peace deal would undermine Sri Lanka's integrity as a unitary state.¹⁸⁶ In the years leading up to 2009, the LTTE had also disengaged from the peace process, a development external actors had only limited control over. In the words of one Sri Lankan academic, "Western aid conditionalities are not relevant in Sri Lanka, they don't work and never really have: you cannot bribe a nationalistic agenda – on both sides – to abandon its central *raison d'être*".¹⁸⁷ In this regard, the collapse of the peace deal may have been somewhat inevitable, regardless of the West or China. Linked to this are questions about the effectiveness of the delivery of conditionalities in the first place. In contradiction to the terms of the Tokyo Conference, major multi-lateral donors continued to provide significant assistance to the GoSL despite the evident unravelling of peace. Furthermore, the influx of huge amounts of humanitarian aid in response to the Tsunami financially dwarfed conditional aid, rendering it largely meaningless.

A further limitation on the West's leverage was that Sri Lanka has become a low middle-income country (MIC) and so it did not qualify for bilateral aid from some Western countries. For example, the UK closed its development aid programme in 2006.¹⁸⁸ Because of its MIC status, the GoSL has begun to rely on new forms of non-concessional finance, of which China is an obvious source.¹⁸⁹ It is not entirely accurate to argue that Chinese aid has simply displaced Western aid. In fact, the Sri Lanka case might raise more questions about how relevant aid will be in the future for supporting peace in some conflict-affected countries.

¹⁸⁰ Saferworld interview, London, July 2011.

¹⁸¹ Rajapakse M, *Mahinda Chintana I: Towards a new Sri Lanka* (2005), p 34.

¹⁸² Saferworld interview, Colombo, June 2011.

¹⁸³ Saferworld interview, Colombo, June 2011.

¹⁸⁴ By November 2007, nearly 49 percent of Sinhalese supported the military option with only about 26 percent supporting a resumption of peace talks. Lewis D, 'The failure of liberal peace: Sri Lanka's counter-insurgency in global perspective', *Conflict, Security & Development* (2010), vol 5 no10, p 655.

¹⁸⁵ *Op cit* Goodhand and Walton (2009).

¹⁸⁶ *Op cit* Lewis, p 654.

¹⁸⁷ Saferworld interview, Colombo, June 2011.

¹⁸⁸ In fact, when explaining reduced leverage, several officials from Western bilateral donors in Sri Lanka stated that this was one of the most important factors in explaining their waning influence. Saferworld interview, Colombo, June 2011.

¹⁸⁹ *Op cit* Ministry of Finance and Planning Sri Lanka (2010), p 244.

One other factor undermined Western influence and that is the very cohesiveness of the West itself. In the words of one donor official, “The idea of China versus the traditional donor community is simply not true. There is not really a coherent and co-ordinated traditional donor community, but instead a wide spectrum of values and approaches”.¹⁹⁰ Some of Sri Lanka’s major traditional donors, like Japan, are not Western at all and had their own approaches to the conflict. Furthermore, a huge difference exists between multilateral lending institutions, which do not have a remit to work directly on political issues, and national bilateral donors, which have explicitly sought to support political reform. However, even within this latter group, perspectives, priorities and policies differed greatly, meaning that a common agenda did not always exist. Summarising these divisions, a 2009 Organization for Economic Cooperation and Development – Development Assistance Committee (OECD-DAC) evaluation of peacebuilding notes that donors became increasingly unco-ordinated in their approaches, potentially undermining what would otherwise be a powerful grouping of states.¹⁹¹

One further caveat worth considering is that Indian acquiescence was crucial.¹⁹² As Defence Secretary Rajapaksa admitted in May 2011, Sri Lanka had learned from India’s intervention in 1987 that having India onside in its fight against the LTTE was paramount to success. He noted that, “while other countries could mount pressure on us through diplomatic channels or economic means, only India could influence the military campaign”.¹⁹³ In this regard, it is perhaps not China but its neighbour who presents a serious challenge to Western influence.

China clearly changed the donor context and so generated more room for the GoSL, openly hostile to Western interventions, to manoeuvre *vis-à-vis* external actors. This may have been the case with how the war was conducted, with the GoSL feeling confident enough to be able to shrug off calls for a ceasefire. But the belief that the conflict would have been dramatically different without China’s engagement in the country must not be exaggerated, as this has the potential to misguide policy responses, which in turn may undermine effective support for future stability.

Firstly, Western decision makers may use China as an excuse for their own policy failings, which instead need to be assessed and improved in their own right. This is especially the case with regards to co-ordination failures with one another. Secondly, it might be assumed that as Western states have no leverage, engagement on difficult issues with the GoSL is pointless. However, while Western development assistance has declined in relative terms, it is not entirely insignificant to the GoSL. Additionally, both the EU countries and the US are Sri Lanka’s biggest export destinations, accounting for 37 percent and 21 percent respectively.¹⁹⁴ Furthermore, many in Sri Lanka’s middle class and policy community are uncomfortable with the ‘look East policy’. Many of them hold visas or have family members who carry Western passports. A Sri Lankan analyst stresses: “don’t forget the basic reality, which is that people crave for freedom, and this makes America and the West look so attractive to Sri Lankans. This soft power is important”.¹⁹⁵ Another suggests that, “While they needed short-term support from China, at the end of the day [the leadership] is not convinced that look East is the way to go ... they want to be part of the international community, not estranged by it”.¹⁹⁶ Sri Lanka has through its history played a balancing act between external actors; central to this act is not putting all the eggs in one basket. Western states will in the long-term retain some influence and it is in their interest to continue to use it in a principled way that supports stability.

190 Saferworld interview, Colombo, June 2011.

191 *Op cit* Chapman *et al*, p 14.

192 *Op cit* ICG (2011a), p 1.

193 *Op cit* Radhakrishnan.

194 *Op cit* European Commission DG Trade.

195 Saferworld interview, Colombo, June 2011.

196 Saferworld interview, Colombo, June 2011.

However, concerned about their diminishing influence *vis-à-vis* China, some states may have started to question their own commitment to pressuring the GoSL on issues related to accountability, human rights and political reforms. For example, one senior donor official admits that China changed their calculations: “we knew that if we stopped funding then China would be there and do it anyway. So what is the point of threatening to stop funding?”¹⁹⁷ Noting the role of China in Sri Lanka, a US Senate report argues that, “The US cannot afford to ‘lose’ Sri Lanka. While humanitarian concerns remain important, US policy towards Sri Lanka cannot be dominated by a single agenda. It is not effective at delivering real reform, and it short changes US geo-strategic interests in the region.”¹⁹⁸ Maintaining good relations with Sri Lanka’s leaders may end up trumping more unpopular measures that promote long-term stability. In fact, it is this very reaction to Chinese engagement by Western states that is perhaps the most critical way in which China has, and will continue to have, an indirect effect on Sri Lanka’s peace and conflict dynamics.

Liberal peace vs. Beijing consensus?

Aside from a decline in influence, it might also be argued that Sri Lanka illustrates the weakening of Western norms, that is, “shared expectations about appropriate behaviour held by a community of actors”.¹⁹⁹ The Western model of peacebuilding developed in the post-Cold War period, referred to as a ‘liberal peace’, includes emphasis on political solutions; human security; the rights of minorities to self-determination; the universal importance of human rights; freedom of speech and free and fair elections; market liberalisation; and a redefining of state sovereignty, with humanitarian intervention by external actors being an extreme but legitimate act.

Clearly, liberal peace did not guide the GoSL in its search for a solution to the conflict. In fact its approach may have been informed more by the so-called ‘Beijing consensus’, shorthand for a set of Chinese norms. This potentially includes a strong belief in the importance of territorial integrity; anti-secessionism, including opposition to special minority political representation; prioritisation of state security; emphasis on the role of the state in economic development, especially as a means to build stability; and the overriding prioritisation of sovereignty over external intervention. There are some official statements that might suggest Sri Lanka and China have much in common, for example jointly condemning the three evils while celebrating territorial integrity and sovereignty.²⁰⁰ Before a visit to Beijing, President Rajapaksa remarked that, “I expect to learn more of the progress and the management style that have contributed to the progress of China, and also see how we could learn from the experiences of China”²⁰¹

Simply through showing that alternatives exist, it is likely that China dilutes liberal norms and probes their foundation as universally accepted. However, notwithstanding some clear similarities, the idea that Sri Lanka represents a case where Chinese norms have replaced Western ones is unfounded. Firstly, Sri Lanka’s political system and traditions are still rooted much closer to the West than China. Secondly, as Chinese commentators are at great pains to stress, there is no Beijing consensus, a term coined in the West. Instead, Chinese officials argue that China’s model is still developing and that the only lesson to be learned is that every developing country should find and follow its own path. For now, there is no evidence of any intent by Chinese policy makers to export ideas overseas in the same way that Western nations explicitly seek to. The policy of non-interference means that China accepts as legitimate whatever

¹⁹⁷ Saferworld interview, Colombo, June 2011.

¹⁹⁸ United States Senate Committee on Foreign Relations, *Sri Lanka: Recharting U.S. strategy after the war*, (2009) Washington: US Government Printing Service.

¹⁹⁹ *Op cit* Lewis, p 658.

²⁰⁰ For example, a 2006 China-Sri Lanka Joint Press Communique appears to reflect shared understandings of insecurity, stating that, “The Chinese side reaffirmed that it would continue to support Sri Lanka in its efforts to defeat terrorism, and to safeguard the sovereignty, national unity and territorial integrity of the country. The two sides reaffirmed their opposition to the three evil forces of terrorism, separatism and extremism”. *Joint Press Communiqué of the Foreign Ministers of China and Sri Lanka* (2006).

²⁰¹ Cited in: *op cit* Xinhua (2011).

model governments choose, whether authoritarian or democratic. Statements supporting both the peace process and the military approach that the GoSL followed demonstrate this ideological blindness.

Furthermore, many of the beliefs listed above are by no means uniquely Chinese. For example, President Rajapaksa has pointed to the economic success of Korea and Singapore as guiding models. As noted in the discussion at the UNHRC, Sri Lanka shares norms on state sovereignty not only with China, but also with India, Russia, Brazil, South Africa and many others. Lastly, and without overstating the case, if there was an alternative set of norms that displaced the liberal peace, they also originated from the West, illustrated by the Government's repeated reference to the war on terror and discourse of counter-terrorism.²⁰² Not unfairly, Sri Lankan officials point to the conduct of some Western states when they are conflict actors themselves as evidence of hypocrisy. Indeed, the perceived contradiction between what is preached and what is practiced may have done substantial damage to the legitimacy of liberal peace norms. The war on terror discourse also dispels the idea that there was anything near universal condemnation of the GoSL's military strategy and conduct. For example, a May 2009 article in the Wall Street Journal discussing the military victory stated that:

"The event vindicates one of the major lessons of September 11: Most of the time, terrorists have to be defeated militarily before political accommodation is possible ... Mr Rajapaksa wisely ignored international calls for a ceasefire as he got closer to victory".²⁰³

Tensions with India

According to one Sri Lankan observer, while China "put the GoSL in a very strong negotiating position *vis-à-vis* the West, what was more important was that it also forced India to be less confrontational and interventionist. It can't meddle as much now".²⁰⁴ To an extent, the Government has been able to mute Indian criticism of the military solution to the conflict and soften pressures for post-war political reforms through playing its China card.²⁰⁵ A retired diplomat in Colombo claims that Sri Lanka has always had to balance the competing pressures from regional and international powers, including China and India. He argues that the Government today has largely succeeded in this regard, for example through allowing a Chinese-built port in the South and an Indian one in the north, allowing them both to develop infrastructure, providing two equally-sized zones for oil exploration and through constantly rotating its diplomats between Beijing and New Delhi.²⁰⁶

For now, the perception is that Colombo can play India and China off one another while reaping the benefits. However, should Sino-Indian relations deteriorate to confrontational depths – a development largely out of the GoSL's control – it may be Sri Lanka that pays the price. According to one Chinese commentator, the region "is becoming increasingly strategic in the face of China – India competition. It's a fact that great powers are seeking influence through aid and assistance. We also recognise that this external competition will have great effect on internal factors".²⁰⁷ Several Sri Lankan analysts point to different ways this might happen. Some are concerned that if India perceives that the GoSL is too close to Beijing, it will intervene as it has done before to undermine the regime, lacking a political stake in stability. Secondly, India might compensate for declining political leverage through utilising military leverage, disrupting internal security. Thirdly, if conflict was to break out again in Sri Lanka at

²⁰² *Op cit* Lewis, p 662.

²⁰³ 'A terrorist defeat', *The Wall Street Journal*, 20 May 2011.

²⁰⁴ Saferworld interview, Colombo, June 2011.

²⁰⁵ At the same time, some of the caveats that about shifting Western influence relative to China also apply to India: questions can be asked over its commitment to the peaceful solution anyway; its room for manoeuvre is restricted by the Tamil Nadu factor and economic interests; and based on past experiences, it remains somewhat reluctant to engage too heavily today. See: *op cit* ICG (2011a).

²⁰⁶ Saferworld interview, Colombo, June 2011.

²⁰⁷ Saferworld interview, Shanghai, May 2011.

the same time as intensifying Sino-Indian rivalry, the two powers might choose to support competing sides, thus fuelling the intensity and duration of conflict.

Tensions between India and China have risen. In 2006, India's National Security Advisor fumed that Colombo had turned to China for arms: "We are the big power in this region, let us make that very clear".²⁰⁸ Some Indian officials and analysts point to Chinese aid and arms transfers to Sri Lanka as proof of intent to "create another Pakistan that China can also use as an ally against India".²⁰⁹ Most suspicion is focused on the idea that China is using its relations with Sri Lanka as a means to facilitate its naval entry into the Indian Ocean – a move explicitly aimed to displace India's current dominance in the surrounding sea lines.²¹⁰ Some Chinese academics argue that India's growing power is generating regional instability, meaning China must take a geopolitical posture to protect its own interests.²¹¹ For example, one states that:

*"India wants to dominate in its region, which the Chinese Government does not want to allow. However China does not have the capacity to dominate the region, and the region in turn does not want Chinese dominance. So our interest is not to dominate in South Asia, but to prevent others from dominating. In other words, if we can't dominate, then we won't let others. This is the larger strategy vis-à-vis India".*²¹²

Clearly, China – India relations are tainted by mutual suspicion.²¹³ Perceptions – rather than actual intentions – may become self-fulfilling prophecies. However, a scenario of full confrontation between China and India in Sri Lanka is still far off. Firstly, even though Sri Lankan leaders are likely to continue a policy of carefully balancing between the two, "India is more important than China, and the Government knows this. They know that without its support life gets difficult".²¹⁴ It remains highly unlikely that Sri Lanka's leaders would seriously jeopardise relations with India in favour of those with China. On a visit to India, the Sri Lankan External Affairs Minister told reporters, "We will not allow one country to use Sri Lanka as a launching pad for hostile action against any other country ... there is no hostility or competition. Both are our friends. There is no reason for fears or suspicions".²¹⁵

Secondly, and perhaps as is recognised in Colombo, China currently values maintaining stable relations with India more than its relations with Sri Lanka. For example, trade with India was about US\$51.8 billion in 2008, compared to US\$1.1 billion with Sri Lanka.²¹⁶ The willingness to rock the boat is some way off: both rising powers have seen economic returns from the region grow exponentially and both desire a stable region that facilitates continued growth. Additionally, both potentially face being directly affected by non-traditional security threats in the region. To a degree, South Asia, and Sri Lanka within it, presents a growing source of security interdependence for China and India.²¹⁷ It could be argued that more co-operative approaches would serve both their interests, while at the same time simultaneously reducing tensions.

One prominent Chinese academic argues that China should fully support co-operative regional responses to security issues.²¹⁸ That China is an observer to SAARC suggests that a step in the direction of co-operation might be possible. Chinese and Indian leaders have also made announcements on regional co-operation for combating terrorism and the drugs trade. However, in reality, these announcements are largely symbolic.²¹⁹

²⁰⁸ *Op cit* ICG (2011a), p 15.

²⁰⁹ Saferworld interview, Colombo, June 2011. Also see: *op cit* Suryanarayan.

²¹⁰ As early as 1948, Jawaharlal Nehru remarked that "whatever power controls the Indian Ocean has, in the first instance, India's sea-borne trade at her mercy and, second, India's very independence itself." Today, more than 95 percent of India's trade exports and 81 percent of its imported oil passes through these surrounding waters. Cited in: *op cit* Holslag, p 133.

²¹¹ *Op cit* Zhao (2010).

²¹² Saferworld interview, Shanghai, May 2011.

²¹³ In the words of one Sri Lankan analyst: "The port *could* have a military use, and the airport *could* handle large military planes: This – rightly or wrongly – concerns the Indians." Saferworld interview, Colombo, June 2011.

²¹⁴ Saferworld interview, Colombo, June 2011.

²¹⁵ 'Won't allow anti-India activity by China: Sri Lanka', *The Hindu*, 17 May 2011.

²¹⁶ *Op cit* Samaranyake, p 125.

²¹⁷ *Op cit* Holslag, p 147.

²¹⁸ *Op cit* Zhao (2010).

²¹⁹ *Op cit* Holslag, p 153.

According to a Chinese analyst: “China and India share interests in South Asia but lack any mutual trust. [Co-operation] is at the moment not likely, nor in the near future”.²²⁰ Instead, it appears that fear of losing out to one another drives a policy of unilateral engagement. As Beijing and New Delhi vie for influence in Colombo, policies of engagement that might promote stability in the country are abandoned in favour of policies that prioritise good relations with the ruling regime. While not yet destabilising, this current reality is not conducive to supporting longer-term peace.

3.5 Conclusions and implications for policy

It should not be overlooked that China has been just as important to Sri Lanka in the past as it is today, whether as its largest export destination in 1975, or its largest supplier of arms in 1991. Nor should it be forgotten that this relationship has been the source of controversy before, leading to restrictions of foreign aid and becoming an electoral issue within Sri Lanka itself. Lastly, Colombo has long seen its external relations oscillate with changes of government and re-tilt through a careful policy of balancing. In short, history tells us that contemporary China – Sri Lanka relations are by no means unprecedented or guaranteed to stay the same.

Nonetheless, the relationship today symbolises China’s arrival as a global power. It is a growing trade partner for Sri Lanka, its largest financier, its most important source of arms and a vocal partner in international forums. The impact that China has had, on both the final phase of the war with the LTTE and subsequent efforts to stabilise the country, are summarised in this section. It is important to acknowledge that it is the GoSL’s responses and policies that will greatly determine to what ends China’s engagement is utilised in the future. However, this remains outside the scope of this section, which instead largely limits its focus to the policy implications for Chinese and Western policy makers. Furthermore, several key trends that might be applicable to China’s wider pattern of engagement with conflict-affected countries are identified.

Most likely weary of upsetting Sri Lanka’s northern neighbour, China’s military-to-military relations with Sri Lanka appear to have remained modest, despite deepening relations in other spheres. Depending on the temperature of Sino-Indian relations, this may change. It appears unlikely that the questions surrounding violations of international law and civilian protection will temper the PLA’s engagement with their Sri Lankan counterparts. However, Chinese officials have vocally argued that the international community must uphold R2P principles not through military intervention, but through supporting states’ capacity to protect civilians. Alongside operating in a more transparent manner and promoting universally agreed-upon international humanitarian law, the content of future co-operation would ideally reflect this.

China’s continued arms transfers to Sri Lanka speak volumes about its perceived legitimacy of their use. In this regard, arms transfers highlight that many Chinese policy makers may see arms as one way in which China can support a state facing civil war to enforce stability within its territory. Such an approach is, of course, not unique to China. What might separate China from the West, at least theoretically, is its apparent indifference to how weapons are used once they have been transferred, with fulfilment of state sovereignty being a sufficient condition to legitimise transfers. In this regard, China will continue to provide an alternative source of weapons for some countries that Western states may be hesitant to arm. In reality, the Sri Lanka case raises hard questions for a wide range of states – including supposedly more enlightened Western countries – about what role their weapons come to play in conflicts across the globe. The nature of the global arms trade means a wide range of states have supplied Sri Lanka with weapons but, as illustrated by changes in 2008, there exist very different interpretations as to what constitutes a responsible arms transfer. Fortunately, current

negotiations at the UN on an Arms Trade Treaty (ATT), which would establish a legally binding instrument to regulate the international transfer of arms, present an opportunity to build greater international consensus on this critical issue. All of Sri Lanka's suppliers – past and present – will need to take it seriously.

The acquisition of Chinese weapons by the LTTE worryingly suggests that in the past the enforcement of China's export control norms fell short. For policy makers in Beijing this will not only risk creating future embarrassment, but potentially undercut China's efforts to support stability in countries where it has political and economic interests. Aside from addressing the problem internally, China could also make greater efforts to promote regional co-operation to combat the illicit network of arms that encompasses a number of Asian countries. This should not distract from the fact that illicit weapons have a legal origin and that the LTTE's networks spread well beyond Asia. This only strengthens the case for an ATT that, among other measures, requires states to assess carefully the risks that their arms exports might be diverted into the illicit market.

China's non-interference policy has meant that it has officially supported whatever position the GoSL has taken. As noted, this is not a passive position. It denotes implicit support for state imposed solutions, regime stability, sovereignty and territorial integrity. It has also served to maintain healthy relations with Sri Lanka's leadership to the perceived benefits of Chinese interests. In these ways the Sri Lanka case demonstrates Beijing's reluctance to act as a conflict manager in internal conflicts overseas. However, as its interests in countries like Sri Lanka deepen and the cost of instability rises, the relative benefits of minimal engagement will slowly shrink: it is a matter of *when* China takes a more proactive role, not *if*. Given this reality, Western policy communities should already be sharing their views with China in order to help shape the *how*.

China's position at the UNSC restrained international action that might otherwise have forced the GoSL to permit greater levels of humanitarian access and consider a temporary ceasefire, possibly saving civilian lives. China's position at the UN has also served to obstruct international efforts to promote accountability for possible war crimes, action that would directly strike at Sri Lanka's top leaders. In the former case, Beijing's position contributed to an international environment where the GoSL could largely conduct its military operations as it saw fit; in the latter case it has helped sustain a culture of impunity and the regime's continued legitimacy. In other conflicts and crises Beijing has shown greater flexibility in its international diplomacy, but the experience of Sri Lanka seems to confirm that those cases may be exceptions rather than reflections of a fundamental change in policy direction.

It needs to be accepted that China is by no means Sri Lanka's only supporter at the international level: many other states have seen the GoSL's actions as legitimate and/or outside the mandate of international action. While most states have come to at least rhetorically support the R2P principles and accept the legitimacy of international humanitarian and human rights law, Sri Lanka has shown that the principle of sovereignty remains paramount for many – including for supposedly more liberal rising powers like India, Brazil and South Africa.

How China's humanitarian assistance to Sri Lanka interacts with conflict dynamics presents an area of potentially fruitful research by Chinese academics. China is a growing source of humanitarian aid to complex environments and there is space for closer collaboration and learning between Beijing and UN bodies, traditional donors and INGOs. While there is much China could learn about humanitarian aid in conflict environments, it also has much to offer on the basis of its own domestic experiences in rapid response to natural disasters.

China's prominent role as a source of finance for the GoSL offers opportunities for post-war reconstruction and development of the economy, possibly helping to address some of the structural causes of conflict in Sri Lanka. China is able and willing to fund

infrastructure development, filling a gap left by some traditional bilateral donors. It unquestionably supports government development plans rather than attempting to shape them. The fact that assistance comes without political conditions only makes it more alluring to governments. In these ways, Sri Lanka presents a useful case of a role that China will surely come to play in other countries emerging from conflict. Sri Lanka also raises critical issues that should be recognised and addressed by Chinese policy makers. The first is on the implementation process of projects, with problems associated with their transparency, possible corruption and the employment of local labour. The second is that economic assistance, no matter how effective, cannot be seen as a panacea for conflict or a substitute for more complex, but equally important, political factors. Thirdly, it should be acknowledged that development assistance has an impact on conflict dynamics: this can be at national level through, for example, inadvertently fuelling patronage or ethnic inequalities, and at local level through, for example, displacing local populations from land. How and to whom development assistance is delivered is more important for peacebuilding than whether it is delivered at all.

Such recognition does not infer that China must adopt Western style conditionalities in Sri Lanka or start using its aid to directly address conflict issues. Rather, it simply requires a more honest and responsible risk assessment of what impact its assistance might have on conflict. Non-interference need not be a major obstacle. The World Bank and the ADB have both shown how, despite an apolitical mandate, their aid delivery in Sri Lanka has been guided by conflict-sensitive practice. Given that China is a member of both institutions, it should seek to learn more from their experiences in Sri Lanka by for example seconding staff from China Exim Bank to their offices in Colombo. Indeed the concept of conflict sensitivity, which is still being adopted and developed by traditional donors, presents an excellent entry point to wider dialogue, co-operation and mutual learning with China. For China's policy community and researchers, Sri Lanka presents a potentially useful case on which a more nuanced debate about development assistance can be based.

China's role as a financier of the GoSL has changed the donor context in Sri Lanka, a trend likely to be seen elsewhere. More than two decades after the end of the Cold War, Western states no longer have the near monopoly on development assistance. Their legitimacy to represent the so-called 'international community' has ebbed. This is, on the whole, a potentially positive development: it gives recipient states more political autonomy, through allowing for choice between donors, and it gives them greater ownership of how and where to allocate aid. However, in the case of Sri Lanka, autonomy helped allow the GoSL to ignore Western criticism of its conduct of the war. It has also diluted subsequent outside pressures pushing the GoSL to address political issues. Sri Lanka's leadership has opted instead to focus on state-directed economic development as a path to stability. From this perspective, autonomy and ownership in countries at risk from conflict is not necessarily synonymous with international law or long-term stability.

China's impact in this regard should not be exaggerated. There is a danger that the rise of China is used as an excuse to adopt approaches that prioritise influence at the cost of core values, dressed in the rhetoric of being practical rather than principled. However the historical record demonstrates that time and time again, promoting only stable relations with stable regimes is short sighted and often ends in failure. While proactive engagement with the GoSL is a necessity, an unconditional *rapprochement* before key governance and human rights issues have been addressed will undermine longer-term stability and interests. It would also play directly into the GoSL's strategy to play external actors off one another and send the wrong message about Western commitment to values that many Sri Lankans aspire to. Sri Lanka must not become a case where the wrong lessons are learnt.

Instead, a long-sighted commitment to stability is required for Sri Lanka. This is dependent on three related policy goals. First and foremost, Western states should redouble their efforts to promote healthy state – society relations, representative and accountable political institutions, human rights and equal access to economic opportunities. Aside from the fact that this will leave Sri Lanka more stable, it will also help facilitate the creation of a much closer partner for the West. A shared set of norms and interests with Sri Lanka's leaders will make the need for leverage and influence less pressing. Furthering this agenda requires the use of a wider set of tools than official aid and a rethinking of the conventional wisdom of how best to engage on what are admittedly complex issues often well beyond the control of external actors. Secondly, strengthening co-operation between like-minded states should be identified as a top priority, leading to co-ordinated positions in multilateral forums, as well as at the bilateral level. As recent history has shown in Sri Lanka, without the benefits that accrue from a co-ordinated approach, the ability of Western donors to advocate effectively on the first objective may be weakened.

Thirdly, this grouping of states should seek to build a culture of co-operation with India and China. With regards to China, efforts to this end have been made, but they need to be given greater political backing and priority with dedicated in-country strategies and resources. Efforts should focus on finding joint development projects which Western donors and China can support bilaterally. This agenda needs to be developed on a step-by-step basis, progressing through dialogue, basic information sharing, better co-ordination and, finally, ending with co-operation on joint projects. To win Chinese support, co-operation will require consent and participation from the GoSL. As such, projects should be practical and non-contentious. Secondly, Western diplomats in Beijing must create and use a sustained process of dialogue (at both official and policy community levels) to generate Beijing's political backing for co-operation. Sri Lanka should be presented as a country where the eventual goal of co-operation will offer significant dividends for all parties involved. However, given its difficult political environment, failure to achieve concrete results in Sri Lanka should not be taken by Western states as evidence that such efforts are likely to fail elsewhere.

It also needs to be noted that for Chinese policy makers, engagement and co-operation with Western states in Sri Lanka does not appear to be a priority. State-to-state bilateral relations with the GoSL remain the parameters of China's engagement; ad-hoc efforts by Western states to work more closely with China appear to have come to little. At the same time, Chinese officials and academics complain that the West unfairly perceives China's engagement with Sri Lanka as inherently hostile and driven by a hidden agenda. While eschewing association with Western states may have some benefits for China *vis-à-vis* its relations with the current Sri Lankan leadership, it also undoubtedly fuels and sustains these negative perceptions of China. Its policy makers should make a longer-term assessment of the costs of a strategy that will potentially leave China isolated, especially if the political context in Sri Lanka evolves. Rectifying this does not require that China becomes 'more Western' or interferes in political issues, but that it shares more information, is more open to discussion and is willing to support joint initiatives in which it has an interest.

Some Western states also need to make more honest appraisals of long-term trends. For example, in comparison to China and India, many of them will only become less relevant to Sri Lanka's peace and security dynamics. At the same time, the future may see a continuation of great power contest between China and India, which could be dangerous for Sri Lanka. Lacking relative leverage, once-traditional Western donors might be forced to observe from the side-lines. While this might not happen soon, and Sri Lanka's leadership will continue to balance relations between the two giants for some time, Western policymakers should prepare for such a scenario and focus their co-operation strategy with New Delhi and Beijing with this in mind.

Meanwhile, policy communities in China and India need to also put more political effort into finding opportunities for co-operation in Sri Lanka. Even small-scale projects can serve as entry points to more meaningful actions that reduce mutual suspicion and diffuse tensions appearing on the horizon. However, if it is to meet the shared interest of continued stability in Sri Lanka, co-operation will need to focus on the root causes of the conflict rather than simply being a means through which they can jointly prop up the status quo.

The GoSL holds the key to all co-operation. Viewed in the short-term, it has no interest in facilitating what will undermine its own leverage. But aside from the fact that it will be in its own long-term interest, it should also be remembered that, nearly 50 years ago, Sri Lanka offered to mediate between China and India during their border dispute, summoning the Colombo Conference of non-aligned states. Today, the small island country is presented with yet another opportunity to help manage and improve relations between the two giants.

Saferworld works to prevent and reduce violent conflict and promote co-operative approaches to security. We work with governments, international organisations and civil society to encourage and support effective policies and practices through advocacy, research and policy development and through supporting the actions of others.

COVER PHOTO: Colombo, Sri Lanka – Construction machinery for infrastructure development donated by China to the Government of Sri Lanka line the streets of Colombo, December 2011



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