

ABSTRACT

China has invested in number of infrastructure development projects in Sri Lanka in post war era. Sri Lanka was received large sum of Foreign Direct Investments (FDI) through these robust Chinese infrastructure development projects. Indeed, the main objectives of Sri Lanka were to find out much needed foreign currency in to the country that needed to fast track its post war development effort and pay off the country's accumulated foreign debt installments. However, there was a huge controversy over the real motives of the China behind these investments. Some critics have claimed that these investments would only advance China's interest and Sri Lanka has to bear many strategic implications. Although such claim has been brought up repeatedly no research has been investigate its validity. In this study the researcher has explored the rationale behind why China has become the largest investor in Sri Lanka in post war scenario and strategic implications that Sri Lanka had suffered that are in geo political and geo economical nature. The researcher has adapted the case research approach to carry out the study which includes Hambantota International Port and Colombo International Financial City project along with the other Chinese funded Infrastructure developments projects to certain extend. The conclusion of study is that the Sri Lanka has chosen China for number of reasons. First, it was due to deepening and profound friendship between two countries that has built up since long period of time especially during the ethnic war. China had extended its immersive support towards Sri Lanka to fighting the terrorism against Tamil Tigers in terms of donations, military assistance by way of supplying of Arms, Ammunition and military training. Beside that China was one of the strongest supporters of the Sri Lanka to fight against allegations of war crimes and human rights violations at UN Human Rights Council. Secondly, the former president Mahinda Rajapaksha's political and economic link that had been maintaining with China since long period of time was

also mattered. Third, Chinese loans and aids are different and these loans are not following any conditions behind, like loans receiving from the Western countries and monetary organizations such as IMF and World Bank etc. Frothily India had reluctant to invest in Sri Lanka in soon after war due to huge pressure from Tamil Nadu politicians to the Indian central government and also India considered some of mega projects like Hambanthota Port were economically doomed and irrational. Lastly on the other hand the USA and the Western countries also had not showed much interest in investing in Sri Lanka citing unpleasant human rights and war crimes allegations record of the country. Instead China had shown much enthusiasm in investing in Sri Lanka as its geo strategic location which is very imported for China to maximize its strategic objectives such as control of international trade route to secure its energy security in the Indian Ocean, seizing strategically imported assets or resources, to establish a Base to increasing the level of influence over regional security their by challenging Indian and USA sphere of influence in the region . When it comes to main geo political implications that would include the breach of Sri Lanka's national security and sovereignty, increasing of vulnerability in victimizing in sponsored internal political crisis(2015 regime shift, Oct 26 constitutional crisis of 2018), Victimizing in foreign sponsored terrorism countries like in Syria, Iraq, or Libya, becoming a platform for power struggle among the powerful countries like USA, India and China, and war crimes and human rights allegations by USA and West in various international forums. The positive geo economic implications would include massive FDI influx to the country that bridge the significant infrastructure financing gap that ware much needed in post war development efforts and influx of much needed foreign currency to settle the accumulated foreign loan installments. Moreover when the time goes Chinese investments have generated investment competition among the interested countries that help accelerate large sum of FDI flow in to county there by leverage Sri Lankan economy. However Chinese "Debt Trap Diplomacy" and debt for equity swap of Sri Lankan strategic asserts were the most significant negative geo

economic implications. In addition Sri Lanka suffered lots of economic sanctions and cancellation of aids and grants (cancellation of GSP + concession in 2010) from USA and West as geo economic reaction in response to growing Chinese investments. All in all it can be concluded that although Chinese investments serve Sri Lanka to secure short term economic speculations in the longer run Sri Lanka has to bear several strategic implications if it unable to adapt comprehensive grate economic strategy.

Key Words: China, Sri Lanka, Investments, Geo politics, Geo-economics, infrastructure, strategic implications