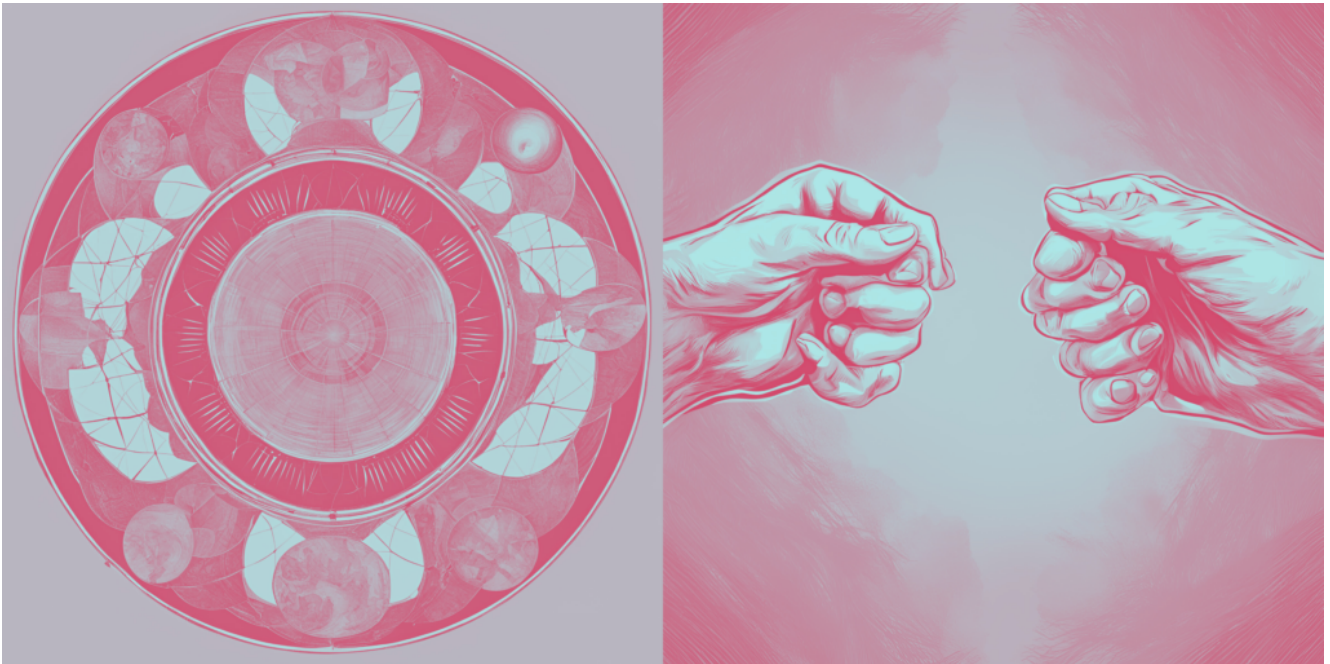


Navigating Complex Tides: India-Sri Lanka Cooperation Amid Strategic Autonomy(ies)

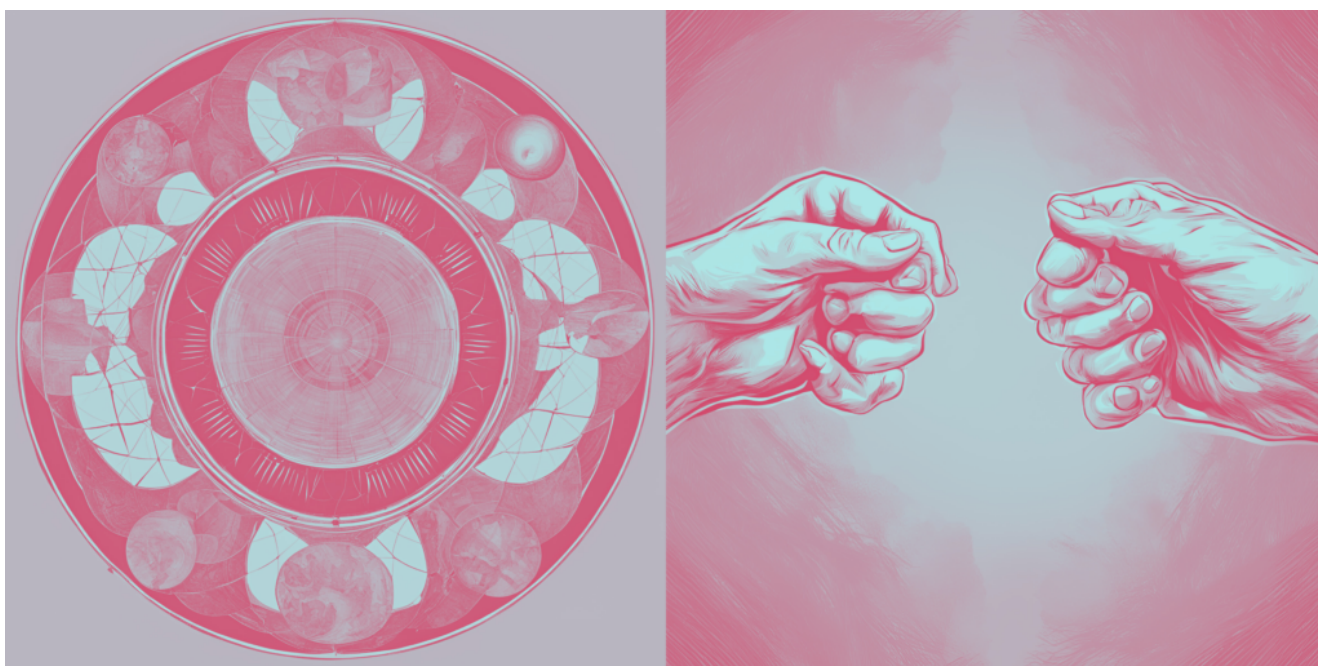
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On 20 June, during his first bilateral [visit](#) since being reappointed, Indian EAM Jaishankar traveled to Colombo and held talks with his Sri Lanka counterpart, MUM Ali Sabry. Reportedly, the primary focus lay on the implementation and progress of Indian-backed projects across the island nation. For example, in May, the Indian company Adani Green and Colombo [signed](#) a 20-year power purchase agreement, which hinges on the construction of two wind power plants by Adani Green in Sri Lanka. Furthermore, a new USD 6 million Maritime Rescue Coordination Centre (MRCC) was inaugurated by Jaishankar and Sri Lankan President Wickremesinghe. While the MRCC is designed to help broadcast weather warnings and security information across the region, independent analysts have also tied this development to New Delhi's [pursuit](#) of access to the Afanasy Nikitin (AN) Seamount, a seabed crust rich in cobalt – a critical mineral for India.

At first glance, the EAM's visit appeared successful and lent credence to the narrative of Indian influence over the IOR and Sri Lanka. Yet, further developments in successive weeks have painted a more complicated picture.

On 25 June, the Public Utilities Commission of Sri Lanka (PUCSL), a utility regulatory body, [refused](#) approval to award procurement of the 484 MW wind power plants in Mannar and Pooneryn to Adani Green. On 7 July, Sri Lankan Foreign Minister, Ali Sabry, revealed that Colombo will [not extend](#) and lift the one-year-long moratorium imposed on foreign research vessels. The moratorium was widely believed to have resulted from security concerns raised by India and the US in the wake of Chinese research vessels' activities in Sri Lankan waters.



Leveraging Economic Influence

In the aftermath of Sri Lanka's bankruptcy in late 2022, New Delhi [leveraged](#) the goodwill generated in Colombo by India's USD 4 billion emergency bailout to push through a flurry of business deals and agreements with the island nation. The aforementioned wind power projects were first approved in February 2023. At the same time, maritime security and bilateral defense cooperation increased over the year, and the strategic relationship stood in stark contrast to the nosedive

in India-Maldives ties. Sri Lanka's moratorium on foreign research vessels was cited by the strategic community in New Delhi as a fine example of Colombo accommodating Indian security interests.

In this context, the recent setbacks to Indian interests in Sri Lanka indicate fresh complications for New Delhi's ties with Colombo, even as they do not necessarily upend the bilateral relationship's erstwhile positive trajectory. In part, the setbacks are simply a function of Colombo's constraints (despite the current administration's close ties with New Delhi) and its need to safeguard its own economic and political interests in the middle of a national financial crisis and ahead of presidential elections.

For example, the Adani Green project has, in the recent past, attracted much [criticism](#) from Sri Lankan analysts and the opposition. The detractors have argued that the agreed-upon tariff of USD 0.0826 per kilowatt-hour (kWh) for twenty years would burden customers and lead to financial losses for the country. They have pointed out that a Technical Evaluation Committee appointed by Sri Lanka [recommended](#) purchasing electricity at USD 0.05 per kWh, while the Adani Group plans to sell power to the Indian state at less than USD 0.04 per kWh. The opposition has long insinuated corruption, and last month, a petition was filed in the Sri Lankan Supreme Court, which [alleged](#) procedural irregularities in the contract process (including the characterization of the project as a G-2-G deal), raised concerns about the project's environmental impact assessment (EIA), and challenged the basis for the negotiated tariff. Notably, the PUCSL's (itself named as a respondent in the petition) decision to refuse regulatory approval followed shortly after and appears to be an inadvertent consequence of institutional scrutiny in the wake of a political controversy.

Another Sri Lankan imperative at play is the need to manage geopolitical tensions between India, the US, and China and

assert the independence of Sri Lankan foreign policy. The decision not to extend the year-long moratorium indicates that Colombo can only go so far in upsetting Beijing, which remains its largest international creditor and a crucial economic partner.

Colombo's recent (and curious) move to hand over control of the strategically significant (and Chinese-built) Mattala International Airport (in Hambantota) to an India-Russia joint venture has been [celebrated](#) as evidence of New Delhi's "upper hand over Beijing" by some analysts. However, such a characterization appears exaggerated when assessed over a longer period. In 2017-18, New Delhi had plans to buy the airport and operate it as a joint venture with Sri Lanka in the wake of concerns over China's takeover of the Hambantota port. At the time, several Indian analysts raised alarm bells over the possibility of Beijing turning the port into a logistics point, if not a naval base, to facilitate a larger Chinese naval presence. Therefore, India's bid was seen as a move to deny aerial access to the port, as well as thwart any ambitions of maritime air surveillance capabilities that the Chinese may harbor. As one prominent analyst had [summarized](#), "India is spending US\$300 million buying an airport to block a Chinese naval base."

Yet, the plans did not materialize. In late 2019, the newly elected Rajapaksa administration (broadly viewed as pro-China) quietly [removed](#) the deal off the table. Four years later, and in the above context, it can be reasonably speculated that the presence of Russia (despite US concerns) in a joint venture with an Indian firm would arguably assuage any Chinese security concerns. Therefore, Colombo's move may, in reality, be yet another example of its shrewd balancing act.

Navigating Political and Economic Dynamics

Meanwhile, any Indian plans to explore the AN Seamount (and possibly undertake seabed mining) will take years to

materialize and will be contingent on crossing several potential hurdles. To begin with, deep seabed exploration remains largely unstudied and untouched, and countries such as the UK, Germany, and Brazil have [pursued](#) a halt or a temporary pause on deep-sea mining, citing concerns over potentially irreparable damage to marine ecosystems. Furthermore, New Delhi's application to the UN-affiliated International Seabed Authority (ISA) for exploration rights over the tract has been recently [contested](#) by Colombo. In 2009, the latter had separately applied to the United Nations Commission on the Limits of the Continental Shelf to extend Sri Lanka's continental shelf beyond the standard 200 nautical miles, which would consequently include the AN Seamount. In this context, recent reports indicate that Colombo has urged the ISA to refrain from accepting New Delhi's plea.

Interestingly, reports citing Indian officials have suggested that part of New Delhi's logic behind the application is to [pre-empt](#) the possibility of Chinese presence in the Bay of Bengal region. On the other hand, if Sri Lanka wants to undertake exploration activities, it will need to team up with foreign partners and vessels that have advanced maritime research capabilities, such as China. This could be another possible imperative behind the lifting of the moratorium and would be likely to cause further friction between New Delhi and Colombo.

More broadly, the trajectory of the India-Sri Lanka bilateral relationship could be significantly impacted by the island nation's presidential elections in mid-October. The state of the economy and concerns over the influence of foreign projects in Sri Lanka are major issues for the electorate, and President Wickremesinghe (largely viewed as pro-India) is [playing defense](#) on both matters. While the President's supporters celebrated his administration's successful negotiation of a bondholder deal with international creditors such as China, India, US, and Japan, despite geopolitical

tensions, the Sri Lankan economy is far from fixed, and the opposition has been adept at pointing this out. The [deal](#), which includes a haircut, lower interest rates, and a longer grace/repayment period, will also allow Colombo to resume infrastructure projects with its bilateral lenders that have remained suspended for two years and to launch new projects. However, any trickle-down benefits of the deal will take years to accrue. Meanwhile, the agreement with IMF [enforces](#) tight fiscal policies, preventing any populist welfare measures to woo voters. Even as the election is too close to call, a potential loss for the incumbent president could cast further uncertainty over New Delhi's influence in Colombo.