Analysis Of China's Geoeconomic Strategy Through The BRI In Sri Lanka 2013 - 2023

Nathaniel Sturges Dotulong[1], Anugrah Ammar Fauzie[2], Putera Naufal Wicaksono[3]

UPN 'VETERAN' JAWA TIMUR

23044010089@student.upnjatim.ac.id[1], 23044010104@student.upnjatim.ac.id[2], 23044010112@student.upnjatim.ac.id[3]

ABSTRACT

China is one of the major powers in the world that has foreign economic policies on a global scale. One of them is the Belt and Road Initiative (BRI), an inclusive development strategy that aims to strengthen cooperation in cross-regional development while expanding China's political-economic influence. Sri Lanka is one of the key countries in the implementation of BRI due to its strategic position on the Indian Ocean shipping route. This research analyzes how China's geoeconomic strategy through BRI was implemented in Sri Lanka in the 2013 - 2023 period using Blackwill and Harris' geoeconomic theory, this research focuses on China using 3 main instruments of geoeconomics, namely investment, aid, and financial policy to achieve its political goals. Through large infrastructure projects such as Colombo Port City, CICT Colombo Terminal and Hambantota Port.

In addition, aid and loan assistance accompanied by currency swaps and AIIB funding further strengthened Sri Lanka's economic dependence on China. This has shown that BRI is an implementation of inclusive and sustainable economic and infrastructure growth, but also creates a complex dependency dynamic that has led to the controversial "debt trap" narrative. Meanwhile, internal factors such as weak governance and corruption also make Sri Lanka's dependence on China in economic terms. This study aims to make an empirical contribution to the understanding of contemporary geoeconomic practices, by highlighting how inclusive cooperation in the form of infrastructure development has been used as an alternative to coercive military action to create global influence, and how this strategy affects the sovereignty and stability of Sri Lanka.

Keywords: *Geoeconomy, BRI, Investment, Aid, Financial Policy.*

INTRODUCTION

The Belt and Road Initiative (BRI) is China's geoeconomic strategy, launched in 2013 under the leadership of President Xi Jinping. This strategy is a form of global development, initiated with the goal of improving infrastructure connectivity and trade between countries, with the expectation that the cooperation would be mutually beneficial for both China and its partner countries (Lindley, 2022). Within a decade, this cooperation project has expanded its reach to the African region. According to data from the Green Finance & Development Center, in the 10 years since it's announcement in 2013, BRI investments have reached USD 1.053 trillion, in the form of construction contracts and non-financial investments (Nedopil, 2024). The development of this project was further affirmed by the presence of 29 out of 130 world leaders and more than 70 representatives of international organizations at the BRI cooperation forum held in Beijing in mid-2017, and an 18% increase in cooperation from 2022 to 2023.

One of the regions most affected by and receiving the greatest share of this cooperation is Southeast Asia, along with some South Asian countries such as Sri Lanka. Historical ties and strong regional influence between China and Sri Lanka have supported the success of this partnership, driven by China's strategic initiatives. Several key historical milestones highlight this relationship, such as the initial cooperation agreement in the 1952 "Rubber-Rice Pact," which laid the foundation for bilateral relations, support for the Tamil nationalist movement, and increasing ties during the presidency of Mahinda Rajapaksa (Putera, Fasisaka, & Prameswari, 2019). Throughout the cooperation between China and Sri Lanka, the cumulative value of infrastructure investment reached USD 12.1 billion. Sri Lanka became the second-largest recipient of construction funding after Saudi Arabia, receiving USD 4.5 billion. Major BRI-related projects in Sri Lanka include the development of Colombo Port City, followed by several highway, water, and sanitation projects, and further investments such as the Hambantota Port project agreement in 2017 (Wignaraja, Panditaratne, Kannangara, & Hundlani, 2020).

The discussion of China's BRI implementation in Sri Lanka is a crucial topic to explore. One of the key reasons for choosing this topic is the geopolitical factor. The BRI phenomenon in Sri Lanka is a case driven by its strategic location in the Indian Ocean, lying along a major global trade route. This directly aids China in its goal of expanding its influence in the international market and enhancing its global standing. Additionally, Sri Lanka's location on the East-West maritime route serves as a vital asset in achieving BRI's connectivity goals (Wignaraja, Panditaratne, Kannangara, & Hundlani, 2020).

This position not only affects the regional order but also becomes a focal point in the broader geopolitical rivalry, particularly involving countries such as India and the United States. Furthermore, the widespread discussion surrounding the issue of "debt trap diplomacy" — often linked to Sri Lanka — such as the 2017 handover of 85% of operational rights of the Hambantota Port to China for 99 years, makes the analysis of BRI's strategy in Sri Lanka over the past decade (2013–2023) an important issue. The economic crisis in Sri Lanka during 2022–2023 forced the country into financial dependence on China, with debts accounting for more than 10% of its total external debt. This figure exacerbates its debt dependency on China, further emphasizing the urgency of this study in order to understand China's strategic adaptation amid the economic instability of its partners (Wignaraja, Panditaratne, Kannangara, & Hundlani, 2020).

From an academic perspective, this research enriches the literature by providing an in-depth analysis of the implementation of large-scale BRI projects in developing countries and their impacts on sovereignty, the economy, and regional power dynamics. Therefore, this discussion offers a significant theoretical contribution to understanding global and regional power interactions over the past decade. This paper's analysis of China's geoeconomic strategy through the BRI in Sri Lanka from 2013 to 2023 also seeks to determine whether the strategy is a well-crafted move by China or a consequence of Sri Lanka's domestic vulnerabilities. This topic was chosen because Sri Lanka has distinct characteristics compared to other countries involved in similar cooperation (Iswardhana, 2022). In preparing this paper, the author conducted a literature review of several journals and books with related discussions as sources to address the research problem and identify a research gap. In (Wibisono, 2019), the discussion centers on China's strategy in implementing the BRI in Sri Lanka, focusing on infrastructure development and its economic impact. The paper comprehensively presents data on the operation of Hambantota and several other projects, as well as explains the geopolitical influence of Sri Lanka on the China-India rivalry. However, it does not specifically detail other steps taken by China in the BRI implementation in Sri Lanka, particularly over the mentioned time frame. Instead, the focus is primarily on the Hambantota project and is not analyzed within a geoeconomic theoretical framework.

Another study by (Nurjayanti, 2020) discusses Sri Lanka's entrapment in debt to China and its ongoing economic dependence. The focus also revolves around the Hambantota project as a key issue. However, the study does not critically evaluate the claims of a debt trap narrative and does not apply geoeconomic theory in analyzing the case.

A third journal article by (Callahan, 2016) emphasizes BRI as a form of new geopolitics that highlights geoeconomics as a major theoretical instrument. The author also discusses the topic from the perspectives of soft and hard power theories. However, this work does not specifically analyze the methods or types of policies China applies in its BRI cooperation with Sri Lanka as a case study.

The final work by (Nahar, 2024) focuses on explaining the BRI as a geoeconomic strategy and China's aspiration to achieve a balance of power. The paper outlines the goals and regional/global impacts of BRI project implementation through several Chinese actions. However, it does not detail other measures taken by China, especially regarding specific projects in Sri Lanka, nor does it examine how geoeconomic strategies were applied and their effectiveness (Nahar, 2024).

From the conclusion of the literature review above, the author identifies a research gap: there is a lack of studies that analyze China's strategy through BRI in Sri Lanka using various instruments of geoeconomics. Based on the literature review and the identified gap, this paper will focus on answering the question of how China's geoeconomic strategy through BRI was implemented in Sri Lanka from 2013 to 2023. In this context, the geoeconomics theory — which focuses on the use of economic instruments to achieve political goals — will serve as the main conceptual framework in analyzing China's strategy. The author selected the period from 2013 to 2023 because significant changes occurred during this time, including increased investment that led to debt accumulation, Sri Lanka's worst economic crisis, the loss of operational rights to strategic assets, and the broader economic collapse in Sri Lanka (Jones & Hameiri, 2020).

METHODS

This research is a qualitative-descriptive study. Therefore, it does not primarily focus on analytical processes, but rather on understanding a phenomenon and explaining it in a narrative form that interprets both theory and the phenomenon itself. This research clearly describes and discusses the events that occur, without examining cause-and-effect relationships or testing hypotheses. The paper presents data and facts as they are, detailing the phenomenon as it unfolds. It also relies heavily on data gathered from literature studies, interviews, and netnography for its analysis.

RESULT AND DISCUSSION

Conceptual Framework

Geoeconomics

According to Blackwill and Harris (2016, p. 9), geoeconomics is a renewal of the geopolitical concept that emphasizes the use of economics as a tool for competition, in order to achieve national benefits and to provide advantages and impacts for a state. The term first emerged during the Cold War and the rise of global dominant powers. Various forms of geoeconomics can be carried out, such as trade policy, investment, sanctions, aid, and other instruments, all of which are adjusted to specific objectives and motives to be achieved.

Blackwill and Harris, in their writings, state that geoeconomics is characterized by the use of economic instruments to achieve geopolitical objectives, replacing the use of military tools. These geopolitical objectives are defined as strategic targets in the context of international relations, involving influence, power, and positions to be attained. Some examples of geopolitical objectives highlighted in their work include altering the foreign policy of partner countries, expanding regional and global influence, enhancing regional stability, and reducing the influence of strategic rivals (Blackwill & Harris, 2016).

Geoeconomics acknowledges that economic power can be transformed and combined into political influence, and it can be used to achieve a nation's objectives, alongside military or diplomatic power. Furthermore, Blackwill & Harris, in their book "War by Other Means: Geoeconomics and Statecraft" (2016, p. 49), emphasize that there are seven economic instruments suitable for advancing a country's political interests, or in simpler terms, tools to implement a geoeconomic strategy (Blackwill & Harris, 2016).

Trade policy is the most commonly used geoeconomic instrument, typically employed to provide incentives or impose penalties from one state to another based on its interests. Examples of trade policies include tariffs, economic embargoes, quotas, and export-import regulations.

The next is investment policy. Investment policy focuses more on controlling the inflows and outflows of investment. This may take the form of direct or portfolio investment from one state to another with the aim of influencing foreign policy. Such investments can serve as either rewards or threats, for example, infrastructure development funds.

Another geoeconomic instrument is economic and financial sanctions. These instruments focus on restricting access to global economic activities such as trade. They are intended to pressure partner countries into altering policies under economic threat.

Technology/cyber is centered on the use of technology to attack or influence the economic infrastructure of another state. This instrument can be used to sabotage economic systems or steal data needed for national advantage. In the modern era, this often manifests through espionage, the spread of viruses, and the theft of trade secrets.

Another geoeconomic instrument is aid. Aid focuses on providing financial inflows, technical assistance, grants, low-interest loans, or humanitarian assistance. Such aid is carried out with strategic and geopolitical motives, as mentioned earlier. The provision of aid is intended to exert indirect influence or strengthen a positive image in the society of the partner country, thereby fostering stronger loyalty.

Financial and monetary policy is another instrument of geoeconomics, utilizing financial dimensions such as interest rates and currency strength to exert external influence. These instruments can either pressure or assist other states, depending on a country's needs with its partner. A strong example is the United States, which holds dominance over global currency, thereby reinforcing global financial dominance.

The final geoeconomic instrument is commodities and energy. This emphasizes the use of vital resources and energy such as oil, natural gas, and others. The aim is to exert influence or pressure in line with specific goals, particularly by considering rational factors in the decision-making of partner states.

The seven instruments discussed above represent the practice of modern geoeconomic strategies, which replace military power while being interrelated. For instance, many trade policies are accompanied by sanctions and foreign aid as means of influencing a partner state's policy (Blackwill & Harris, 2016).

Argumentation

China's geoeconomic strategy in Sri Lanka through the Belt and Road Initiative (BRI) is an effort to achieve China's geopolitical objectives. These strategic objectives include the expansion of China's influence at both the regional and global levels. Beyond that, it also involves building strategic alliances capable of balancing the power of its global rivals, such as the United States and India. Another objective is securing major trade routes that can enhance connectivity and bring long-term benefits.

Through the BRI, China has engaged in numerous cooperative projects with Sri Lanka, which, naturally, are beneficial for both parties. Before analyzing further, the following table presents the BRI projects carried out in cooperation with Sri Lanka.

In achieving these objectives, China employs geoeconomic instruments as outlined by Blackwill and Harris (2016). These instruments include investment policies, implemented through strategic projects such as the Hambantota Port. Other instruments involve aid, including grants and humanitarian assistance to help Sri Lanka recover from economic crises, as well as concessional loans. The final instrument is fiscal and financial policy, which takes the form of providing foreign currency loans.

Based on the introduction, the research questions to be addressed, and their connection to the geoeconomic theory applied, the authors argue that China, in this cooperation, employs the three main instruments mentioned above. This cooperation generates one-sided benefits for China's geoeconomics, as evidenced by China's strengthened influence in trade and regional connectivity. While Sri Lanka gains access to capital and development, along with the possibility of positive economic growth in the future, the "debt trap" narrative—widely criticized by the international community—underscores how China has successfully used geoeconomic instruments to achieve its objectives in this partnership (Blackwill & Harris, 2016).

Geoeconomic Strategy of the BRI Through Cooperation with Sri Lanka

Within the framework of the BRI strategy, China has global objectives to expand and strengthen its influence in both the economic and political sectors. This ambition reflects China's effort to create a new form of multilateralism that breaks away from Western dominance. Through this strategy, China has succeeded in introducing a new model of power and political influence that had not been widely developed or recognized before. In reinforcing its dominance, China relies on an economic approach that implicitly functions as an extension of geopolitical influence.

This aligns with the concept of geoeconomics introduced by Blackwill & Harris (2016), which emerged as a response to the longstanding hegemony of Western powers. Development and economic cooperation—including investment and cross-border infrastructure projects—serve as the most concrete examples of this new model, which has begun to establish itself as a China-centered trend, in contrast to the Western approach that historically emphasized military action and colonialism. The implementation of assistance within such cooperation is framed by China as a win-win solution, positioning partners as equals to China as an investor, while offering a degree of implementation flexibility. This provides practical evidence of geoeconomic application in achieving geopolitical objectives, as described by Blackwill & Harris (2016).

According to Blackwill & Harris (2016), there are seven geoeconomic instruments that states can use to pursue geopolitical objectives. In the case of China–Sri Lanka cooperation, based on interviews and the author's observations, three main instruments are concretely applied within the BRI framework: investment policy, aid, and financial/monetary policy.

Investment Policy Instrument

Investment is one of the most widely used geoeconomic instruments in Sri Lanka under BRI cooperation with China. Referring to Blackwill & Harris (2016), both direct and indirect investments can serve as tools to achieve strategic objectives.

In 2013, at the start of the BRI, China strengthened its relationship with President Mahinda Rajapaksa to secure Sri Lanka's strategic location along one of the maritime Silk Road routes in the Indian Ocean—one of the main goals of the initiative. In 2014, through the China Exim Bank, China financed the second phase of the Hambantota Port project (building on the first phase in 2008), valued at USD 1.3 billion. These projects applied commercial interest rates as high as 6.3% under contracts without open bidding, placing Sri Lanka in financial imbalance. China also frequently required that investment projects in Sri Lanka be carried out by Chinese contractors, ensuring that much of the capital circulated back into China's economy.

Other projects financed by China included the Mattala International Airport—which later became underutilized due to operational funding difficulties—and the Colombo Port project worth nearly USD 1.4 billion. In 2015, Sri Lanka signed an agreement with Sinopec to build an oil refinery at Hambantota Port worth USD 3.7 billion. This energy infrastructure investment was seen as critical to reducing Sri Lanka's dependence on imports. That same year, President Maithripala Sirisena reviewed several projects amid concerns over debt burdens to China, even halting economic activity at Colombo Port (Callahan, 2016).

In 2017, Sri Lanka restructured its debts to China to stabilize national finances. The most controversial development was the leasing of Hambantota Port to China for USD 1.12 billion, creating the Hambantota International Port Group (HIPG), a joint venture. This triggered international criticism and accusations of a "debt trap," though Sri Lanka argued it was a measure to resolve short-term debt. China continued investing in oil refineries, highways, and industrial zones, including 15,000 hectares of port-adjacent land (Nurjayanti, 2020).

During the 2020 pandemic, Sri Lanka's economy weakened further, facing repayment obligations to China and other international creditors. By 2022, the country experienced its worst economic crisis, requesting a comprehensive debt restructuring from China, which was initially rejected. In 2023, China agreed to a partial restructuring while shifting investment toward renewable energy, alongside increasing foreign investment in Colombo Port. Through such projects, China used its economic strength to gain control of foreign assets without military force—consistent with geoeconomic theory. What began as economic assistance thus evolved into long-term domestic influence and strategic asset control, with economic tools transforming into instruments of global power.

Aid Instrument

Another geoeconomic instrument employed by China in Sri Lanka was aid. This did not only take the form of direct financial grants to the government but extended to other modalities. Much of the aid was closely linked to investment projects. A notable example was loans carrying high interest rates. With simplified administrative procedures, China could easily extend such loans to Sri Lanka.

In 2013, BRI supported the Colombo–Katunayake Expressway project, which had begun in 2009. This reduced travel time from central Colombo to the airport from two hours to 1.5 hours. The loan, worth around USD 248 million, was disbursed through the Export–Import Bank of China.

Beyond infrastructure, in 2015 China, through subsidiaries of China Harbour Engineering Company (CHEC), indirectly provided financial support to the Rajapaksa regime's election campaign (Wibisono, 2019).

Another example was the Lotus Tower telecommunications project, launched in 2012 and completed in 2019. The USD 88.6 million loan aimed to improve Sri Lanka's telecom capacity and support technological progress. The project was financed by CHEC, with profits largely funneled back to China via the China National Electronics Import & Export Corporation as the contractor.

During Sri Lanka's 2022 economic crisis, China offered clear assistance. According to one interviewee, Miss Umie, China's involvement helped Sri Lanka cope with its financial collapse and aimed to modernize its infrastructure. However, China refused to reduce Sri Lanka's foreign debt. The interviewee also noted that such aid was often accompanied by long-term political compromises, benefiting China as the donor (Wibisono, 2019).

In the long run, China also extended humanitarian aid such as university scholarships, interest-free post-crisis loans, and training programs in renewable energy and the Digital Silk Road. These initiatives not only strengthened ties with Sri Lanka but also bolstered China's public image within Sri Lankan society (Blackwill & Harris, 2016).

Financial and Monetary Policy Instrument

The final instrument employed by China in its geoeconomic strategy in Sri Lanka is financial and monetary policy. The establishment of the Asian Infrastructure Investment Bank (AIIB) is one of the most notable examples, not only in Sri Lanka but across BRI partner countries. AIIB plays a major role in financing investments and rebalancing global financial power away from Western-dominated institutions (Nahar, 2024).

In Sri Lanka, China adopted foreign reserve diversification strategies by channeling its reserves into Sri Lankan projects, effectively creating long-term assets. Crucially, most projects were carried out by Chinese companies, ensuring double financial gains for China. In 2021, the People's Bank of China and the Central Bank of Sri Lanka agreed to a USD 1.5 billion currency swap to stabilize Sri Lanka's depleting reserves (Wibisono, 2019).

Sri Lanka also issued yuan-denominated bonds worth USD 250 million and took a USD 1 billion syndicated loan from China Bank to diversify its borrowing instruments. However, such moves increased Sri Lanka's dependency, especially as the yuan appreciated against the rupee. China also promoted the use of RMB over USD in BRI projects, reinforcing its regional monetary influence while reducing reliance on the dollar.

Through these geoeconomic instruments, China's motivations went beyond economics, aiming to expand its influence over global trade routes and the Indian Ocean region. This served as an alternative to confrontations with India and Western powers. However, despite the capital and development benefits Sri Lanka received, the cooperation remained overshadowed by "debt trap" narratives in international media.

Based on the author's analysis of CAN Insider, China Insights, and interviews, such narratives were often reductionist, ignoring Sri Lanka's broader internal challenges. Blackwill & Harris (2016) also note that dependency can be a criticism of geoeconomics, but in Sri Lanka's case, the roots of dependency lay not solely with China.

Around 47% of Sri Lanka's debt consisted of international bonds held largely by Western creditors, while only about 10% was owed to China. Furthermore, the benefits of BRI projects must be evaluated directly by host states under formal agreements, providing context to the still-unproven debt trap narrative. Nevertheless, projects such as Hambantota Port highlight Sri Lanka's dependency, with long-term control granted to China under a 99-year lease. Interviews confirmed concerns over potential erosion of Sri Lanka's sovereignty, particularly in foreign policy.

At the same time, internal issues such as rampant corruption and weak governance were also identified as threats to the nation's sovereignty and sustainability. Social media analysis revealed that narratives about China's BRI were influenced by great power competition, particularly between the U.S. and India.

Still, some Sri Lankans viewed the cooperation positively, as a way to escape stagnation. Interviews also highlighted China's "people-to-people" initiatives, including scholarships, training, and local capacity building, which strengthened perceptions of China as a partner.

Meanwhile, Western criticism remains a strong source of polarization in global debates. China has responded adaptively, emphasizing sustainability and environmentally friendly technologies to address such concerns. These adjustments demonstrate that China's cooperation is not purely coercive, but rather responsive to global changes and criticism. This adaptability strengthens China's influence and increases the likelihood of achieving its geopolitical goals through economic strategy.

CONCLUSION

This study focuses on China's geoeconomic strategy through the Belt and Road Initiative (BRI) in Sri Lanka during 2013–2023. Geoeconomics represents a renewal of geopolitical concepts, emphasizing economics as a tool for competition and cooperation in pursuing national interests. The study demonstrates that China's BRI strategy embodies geoeconomic principles through instruments such as investment, aid, and fiscal/monetary policies. Investment was evident in projects like Hambantota Port and Colombo Port; aid appeared in concessional loans, Lotus Tower construction, and scholarships; while financial policy was manifested through AIIB and currency swaps.

Despite its benefits, the cooperation has faced Western criticism, particularly the "debt trap" narrative and concerns about Sri Lanka's sovereignty. Overall, China's geoeconomic strategy through the BRI illustrates a shift in global power, prioritizing economic instruments over military force as tools of geopolitical influence, signaling a broader transformation in modern international relations.

REFERENCES

Blackwill, R., & Harris, J. (2017). War by Other Means. London: Cambridge Massachusetts.

Callahan, W. (2016). China's ''Asia Dream'': The Belt Road Initiative and the new regional order. Asian Journal of Comparative Politic, 1-18.

Iswardhana, M. (2022). GEOEKONOMI BANK INVESTASI INFRASTRUKTUR ASIA (AIIB) : WUJUD DOMINASI TIONGKOK DI DUNIA. JURNAL DEFENDONESIA, 1-24.

Jones, L., & Hameiri, S. (2020). Debunking the Myth. Chatam House, 1-42.

Lindley, L. C. (2022). Assessing China's Motives: How the Belt and Road Initiative Threatens US Interests. Journal Of Indo-Pacific Affairs, 1-10.

Nahar, M. (2024). Analysis of China's Belt and Road Initiative (BRI) Policy In The Concept of Balance of Power. Harmonization : Jurnal Ilmu Sosial, Ilmu Hukum, dan Ilmu Ekonomi, 175-181.

Nurjayanti, V. (2020). Analisis Ketergantungan China-Sri Lanka dalam Proyek Pembangunan Pelabuhan Hambantota Tahun 2007-2017. Nation State : Journal of International Studies, 72-84.

WANG, C. N. (2024, februari 5). Hina Belt and Road Initiative (BRI) Investment Report 2023. Diambil kembali dari greenfdc.org: https://greenfdc.org/china-belt-and-road-initiative-bri-investment-report-2023/

Wibisono, A. (2019). China's "Belt and Road Initiative" in Sri Lanka : Debt Diplomacy in. MANDALA Jurnal Ilmu Hubungan Internasional, 222-245.

Wignaraja, G., Panditaratne, D., Kannangara, P., & Hundlani, D. (2020, Desember 11). Chinese Investment and the BRI in Sri Lanka. Diambil kembali dari Chathamhouse.org: https://www.chathamhouse.org/2020/03/chinese-investment-and-bri-sri-lanka-0/1-introduction