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President Trump: Implications for Sri Lanka

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What Trump's general philosophy and approach to Asia will mean for small states like Sri Lanka.

Donald Trump's term as president of the United States has started as distinctively and contentiouslyⁱ as his electoral campaign. While small countries like Sri Lanka may be considered peripheral to U.S. foreign policy, the potential new dynamics of U.S.-Asia relations (especially U.S.-India and U.S.-China relations) can have a ripple effect on smaller countries in the region. This article considers the possible implications of Trump's presidency for Sri Lanka, especially for Sri Lanka's defense and trade relations.

Two aspects of Trump's business philosophy, which the president has shown initial signsⁱⁱ of following in office, could bear on his foreign policy – with significant consequences for small states like Sri Lanka. These two approaches, as articulated in his book, *The Art of the Deal*, can be described respectively as “use your leverage” and “maximize your options.”

Trump's maxim to “use your leverage” refers to bargaining from a position of strength and weeding out the weak.ⁱⁱⁱ In foreign relations, this indicates that Trump will lean on military and economic strengths to achieve his ends, rather than on means like rules-based frameworks. For a small country like Sri Lanka, this would translate into policy constraints, since Trump is likely to focus on hard power and shifting gears with “strong” players (such as China, Russia, and India), rather than soft power and building international frameworks with a wider spectrum of countries.

On the other hand, Trump's directive to “maximize your options” is about flexibility, or in other words, never becoming “too attached to one deal or one approach.” This indicates that Trump will renegotiate many long-held tenets of U.S. foreign policy, so as to “keep a lot of balls in the air” when planning a particular policy move. This renegotiation of the United States' role in the global order may offer some policy opportunities for Sri Lanka, as new partnerships and groupings are likely to surface and strengthen. Trump's renegotiation of established tenets of U.S. security and trade policy (namely America's pivotal role in the security of the Asia-Pacific, and its advocacy of free trade), may present some new prospects for Sri Lanka.

Defense: Watching the ‘India Factor’

Sri Lanka has no formal defense treaties with any country. In connection with the 1987 Indo-Lanka Accord, however, Sri Lanka agreed not to allow its ports^{iv} to be used by foreign militaries in a manner prejudicial to India's interests. While Sri Lanka has pursued defense relations with other countries (notably China^v), India appears to consider the 1987 Accord a hard limit. This was clear from India's protest over a Chinese submarine^{vi} docking at the Colombo Port in 2014.

More recently, former Indian National Security Advisor Shivshankar Menon made the stark observation that India regards Sri Lanka as an “unsinkable aircraft carrier 14 miles off [India’s] coast.”^{vii} Political and geographic realities therefore demand that Sri Lanka pursue its defense strategies in light of its relations with India. How Sri Lanka’s relations with India will fare under the Trump presidency will, in turn, depend on the Trump administration’s engagement with India.

It is early days yet, but Donald Trump has so far appeared largely positive about India.^{viii} After the election, Shalabh Kumar, citing a conversation with Trump,^{ix} stated that the new president would not tolerate a “dual role^x from India’s neighbors.” This statement is consistent with Trump’s business maxim of “using your leverage,” as it indicates Trump’s preference for dealing with regional strongmen (India) and being less attentive to smaller, less powerful neighbors.

While Kumar’s comment appears to have been directed at Pakistan, rather than at India’s other neighbors, Sri Lanka should watch closely for any elevation of U.S.-India relations. India was accorded the unique status of a “Major Defense Partner”^{xi} of the United States in December 2016, a development that was positively noted by Trump’s defense secretary, James Mattis,^{xii} in his Senate confirmation hearings. Mattis even indicated that he may “bolster” India’s status, a development that could limit Sri Lanka’s ability to “play the China card”^{xiii} against India.

Trump’s early overtures to India^{xiv} may, however, also create opportunities for Sri Lanka. In his confirmation hearings, Mattis referred to a “convergence of interests”^{xv} in U.S.-India relations, and reiterated support for Prime Minister Narendra Modi’s “Act East” policy.^{xvi} This may translate into a more hands-off approach by the United States, both in and east of the Indian Ocean region (IOR), and increased reliance on India to fill the gap. Recent, albeit conflicting, reports that India may gain special access to Sri Lanka’s port of Trincomalee^{xvii} – which previously appears to have been important for both the United States and India^{xviii} – would support this view. Overall, these developments are in keeping with Trump’s approach of “maximizing one’s options”; in this case, American options for security in the IOR.

If India is required to strengthen its contribution to regional security under a Trump presidency, New Delhi will rely more on good relations with neighbors like Sri Lanka. Sri Lanka is already party to a trilateral maritime security agreement^{xix} with India and the Maldives. Prime Minister Ranil Wickremesinghe, has suggested that Sri Lanka can play a key role^{xx} in securing Indian Ocean shipping lanes to the Strait of Malacca. Sri Lanka’s stake in the security of the IOR, combined with India’s awareness of its own limits^{xxi} in filling the gaps of any potential American “step back” in the region, offers Sri Lanka an opportunity to grow and leverage its role in the IOR.

Sri Lanka could thereby make strategic “trickle down” gains under a Trump administration, even if it faces possible constraints in leveraging Chinese interests and ties in Sri Lanka against India. In harnessing these gains, however, Sri Lanka should watch for any changes in the sub-text of U.S. references to its “convergence of interests” with India and, in particular, to any anti-Muslim undercurrents.^{xxii} It is in Sri Lanka’s interests to unequivocally distance itself from any such shift, and to continue to pursue relations with India and the United States on a strictly “secular” basis.

Trade Relations: Refocusing on the Neighborhood

The United States is Sri Lanka’s biggest single country export market,^{xxiii} accounting for over 20 percent of Sri Lanka’s exports. Trump’s protectionist rhetoric, especially if translated into acts affecting Sri Lanka’s export industries, therefore carries significant risks for Sri Lanka. In such an environment, Sri Lanka would be wise to continue focusing on free trade agreements and other opportunities in Asia, and on getting its own house in order.

While Trump has threatened a general tariff of 45 percent on all Chinese imports,^{xxiv} some have argued that this may only be a negotiating tactic^{xxv} to achieve somewhat better terms. As Trump himself admitted in *The Art of the Deal*, “I aim very high, and then I just keep pushing and pushing and pushing to get what I’m after.” Trump may therefore simply work out a “better” deal with China,^{xxvi} and perhaps also with India,^{xxvii} despite criticisms that a tariff war is not in anyone’s interests – including the United States’. In an environment where Trump prioritizes making bilateral deals with strong players, small countries like Sri Lanka stand to lose even more.^{xxviii}

The potential impact of a Trump administration on Sri Lanka’s trade, however, is not entirely negative. As with defense ties, Trump’s tenet of “maximizing options” – by renegotiating multilateral trade arrangements as well as the free market worldview underpinning them – offers possible opportunities for Sri Lanka. The new president has withdrawn from the proposed Trans-Pacific Partnership^{xxix} (TPP), and is skeptical of the benefits of multilateral trade^{xxx} deals for the United States. Under such conditions, other planned groupings, especially the Regional Comprehensive Economic Partnership (RCEP), involving ASEAN countries, India, China, Australia, and others, will assume greater significance.^{xxxi}

While Sri Lanka has not been part of either the stalled TPP or the proposed RCEP, the latter is by far the less stringent^{xxxii} of the two frameworks. It has been observed that RCEP could progress incrementally,^{xxxiii} to account for the needs of smaller and less sophisticated member economies. The relative latitude of RCEP, combined with its greater significance after U.S. abandonment of the TPP, may present a viable opportunity for Sri Lanka in the longer term.

Sri Lanka has some catching up to do,^{xxxiv} however, before it becomes a serious regional trading partner. In the 40 years since it liberalized its economy, Sri Lanka has signed only two bilateral free trade agreements (FTAs) and two multilateral FTAs.^{xxxv} The current government is trying to amend this deficiency by pursuing FTAs with Singapore^{xxxvi} and China,^{xxxvii} and elevating its existing, first-generation FTA with India^{xxxviii} to an Economic and Technology Cooperative Agreement in 2017.

The required regulatory reforms and resulting integration with neighboring markets would lay the groundwork^{xxxix} for potentially joining the RCEP arrangement. Another possible opportunity for Sri Lanka^{xl} lies in the increasing interest in developing intra-Commonwealth trade agreements^{xli} in the wake of Brexit. A recent study showed that, when two trading partners are Commonwealth members, they trade 20 percent more in goods and services^{xlii} than non-Commonwealth members.

In sum, Trump's protectionist outlook, and tendency to focus on the strong, poses risks for Sri Lanka's trade relations. The renegotiation of America's economic presence in Asia, however, is likely to strengthen the significance of alternative groupings, like RCEP and possible post-Brexit and Commonwealth frameworks. These may represent more plausible, albeit long term, targets for Sri Lanka than the TPP.

Summing up for Sri Lanka: Look Globally and Act Locally

On one hand, Trump's approach to the world would tend to constrain small countries like Sri Lanka, as he would focus on reaching the "best deal" with stronger players, and prioritize bilateral relations with those countries on issues where the interests of smaller countries are also at stake. However, his foreign policy could also lead to greater opportunities for Sri Lanka. In particular, to the extent that the United States steps back from its previously active roles in established global frameworks, Sri Lanka could step into the space created for regional powers and their neighbors to forge more substantial relationships and roles.

On security, a possible step back by the U.S. in the Asia-Pacific, accompanied by potentially greater expectations for India in and east of the IOR, would open up opportunities for Sri Lanka vis-à-vis India. Sri Lanka could build on its current trilateral agreement with India and the Maldives, by contributing more broadly to the security of IOR shipping lanes. It could then leverage that role in improving other aspects of its relations with India.

On trade, Trump's protectionist tone and withdrawal from the TPP indicates that Sri Lanka should focus on increasing trade with several regional partners, including via its planned FTAs with China, India and Singapore. In the long-term, with better regulatory frameworks and greater integration with neighboring markets, Sri Lanka may also be able to join the proposed RCEP and work towards a trade arrangement with selected Commonwealth countries.

While this article has attempted to map out some possible implications for Sri Lanka's security and trade, there are still considerable uncertainties about the Trump administration: the relative influences of Secretary of State Rex Tillerson and other Trump appointees,^{xliii} political maelstroms around the president,^{xliv} and the potential impact of the 2018 Congressional midterm elections.^{xlv} These uncertainties require Sri Lanka to remain a watchful and nimble global actor that can play to its small but strategic strengths, and especially in its own neighborhood.

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