Geopolitics in Sri Lanka

What is the issue?

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The first phase of the Magumpura Mahinda Rajapakse Port at Hambantota was inaugurated recently.

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How much did China influence?

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- The government finalised an agreement to sell an 80% stake in the port's operations for $ 1.1 billion to China Merchant Ports Holding Company Ltd, which also has the contract for the Colombo Port.
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- Sri Lanka took this step to service the debt on the loan it took from Exim Bank China to build the port.
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- While India has not commented on the new agreement, the domestic protests continue.
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- Port workers and Ceylon Petroleum workers have struck work to protest the sale of Hambantota to the Chinese, as well as the Trincomalee agreement with India.
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Is it a successful venture?

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- The Hambantota Port adds to the nation's huge foreign debt.
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- A large portion of it owed to China as repayment of loans for infrastructure projects.
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- For the $ 1.5 billion Hambantota Port, 85% of the finances came as loan from

China’s Exim Bank, at an interest of 6.5%.
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- The rest came from the Sri Lankan government, which was borrowing heavily from other sources.
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- By 2016-end the commercial operations’ cumulative losses were estimated at over SL Rs 450 billion ($ 3 billion).
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- Rajapakse international airport is a second giant lossmaking project.
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- It was built by the Chinese, with the Exim Bank of China lending $ 190 million.
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How India’s interest is treated?

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- When the new government took office in Sri Lanka, it was expected that it would correct the China tilt in Sri Lanka’s foreign policy, and put relations with India on a firmer footing.
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- There is some disappointment in the Indian establishment that Sri Lanka did not altogether cancel all the Chinese infrastructure projects, including the controversial offshore Colombo Port city deal.
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- Sri Lanka believes it stands to benefit from One Belt One Road and China’s investments.
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- To normalise its relations with India, Sri Lanka signed a MoU on the development of Trincomalee harbour.
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Source: The Indian Express

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