Issues with Hambantota port

What is the issue?

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- Recently Sri Lanka and China signed the Hambantota Port Concession Agreement.
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- This effectively converts the loans bought by Srilanka for the development of the port into equity.
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What are the highlights of Hambantota port agreement?

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- China will pay USD 1.12 billion upfront in a debt-equity swap in the ratio of 70:30 approximately.
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- The China Merchant Port Holdings Company (CMPort) gets 69.55% of the shares and the Sri Lanka Ports Authority (SLPA), holds the remainder.
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- The agreement leases out the port to CMPort for 99 years, after 10 years SLPA can buy equal shares.
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What are India's Concerns on this issue?

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- India’s main concern has been the long term impact of Chinese state-owned companies acquiring equity in the Sri Lankan economy.
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- The extent to which Chinese influence on Sri Lanka’s economy would affect Colombo’s ability to practice an independent foreign policy is also

an issue.
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- Chinese influence in Sri Lanka will have serious implications for the latter’s relationship with India.
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- Sri Lanka in its recent argument cleared that the port is specifically prohibited from activities involving military personnel and/or any kind/type of activities of military nature whatsoever.
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- But Sri Lanka is now fallen into Chinese debt trap whether it will keep its stand is a big doubt for India.
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Source: IDSA

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