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US and India pressure Sri Lanka over port deal with China

The Sri Lanka government formally handed over Hambantota Port to China Merchant Port Holdings (CMPH) on December 9, after almost two years of negotiations. The port is located on the country's southern coast, close to some of the world's busiest sea lanes.

Addressing the ceremonial hand-over, Prime Minister Ranil Wickremesinghe declared that Sri Lanka was “on its way to being the hub of the Indian Ocean.” Its port facilities—in Colombo, Hambantota and Trincomalee—were “part of the modern maritime silk route.”

China's Xinhua news agency reported that Sri Lanka had “joined China's Belt and Road Initiative (BRI)” through the Hambantota Port joint venture.

The US and India, its strategic regional ally, are hostile to Beijing's growing influence in the Indo-Pacific region. The BRI is aimed at connecting more than 60 countries in Asia, the Middle East, Africa and Europe via land and sea, ensuring China's ongoing access to oil and other energy supplies (see: “[China hosts international launch of One Belt, One Road initiative](#)”).

Under the Hambantota deal, Sri Lanka has sold a 70 percent stake in the port to CMPH via a 99-year lease, while retaining a 30 percent share under the state-owned Sri Lanka Ports Authority.

Two Chinese companies established to manage Hambantota Port operations were given a 32-year tax holiday. Prior to the deal, the government retrenched 435 port workers. Colombo is also handing over 15,000 acres of land near the port for Chinese companies to build an industrial zone.

After coming to power in January 2015, President Maithripala Sirisena suspended various Chinese-funded ventures, including the multi-million dollar Port City of Colombo project. Sirisena and his allies said the projects were initiated under former President Mahinda Rajapakse, accusing him of corruption.

The real reason for the suspensions, however, was fierce opposition from the US and India to Rajapakse's close economic and political relations with China. Beijing provided loans and investments as well as arms to Colombo for its war against the separatist Liberation Tigers of Tamil Eelam (LTTE).

Mounting government debt and falling national export earnings, however, have forced the Sirisena-Wickremesinghe government to turn back to China for financial help. The government revived talks with Beijing and, after modifications to the terms of the China-funded ventures, the projects resumed. This included the Hambantota Port deal, which has been used to reduce Colombo's debts to Beijing, recently estimated at more than \$US8 billion.

At the Hambantota Port ceremony, Wickremesinghe enthusiastically held up a large replica of a \$292 million cheque—the first instalment of the \$1.12 billion CMPH is paying for its share of the port. “With this agreement,” he declared, “we have started to pay back the loans.”

The US and India oppose the port deal and are stepping up their political pressure on Sri Lanka. Asked about the joint venture on December 14, Indian foreign ministry spokesman Raveesh Kumar declared: “We continue to take up with Sri Lanka issues related to security concerns in the region and expect that our Sri Lankan friends will keep in mind our security concerns and sensitivities.”

In other words, New Delhi regards Colombo's move as a threat to Indian “security” and will respond accordingly.

Colombo attempted to appease Indian concerns during the Hambantota Port negotiations by offering India a 70 percent stake in Mattala Mahinda Rajapakse International Airport, which is located close to Hambantota, and a share in the development work at Trincomalee's deep sea port.

Wickremesinghe visited India last month and met with Prime Minister Narendra Modi to discuss these deals. The Indian press reported that talks were also held on Indian investments in the Colombo Port's eastern terminal.

The Western press has published concerned reports on Colombo-Beijing relations and the Hambantota Port deal. A *New York Times* article on December 12 quoted Constantino

Xavier, a fellow at Carnegie India, who said: “India has been overwhelmed by China’s offensive in its strategic backyard.”

On December 20, *Project Syndicate* published a hostile critique on the port deal by Professor Brahma Chellaney from the pro-US Centre for Policy Research in New Delhi. Headlined, “China’s Creditor Imperialism,” the article accused China of using state loans to take control of other countries. “[A]s Sri Lanka’s experience starkly illustrates, Chinese financing can shackle its ‘partner’ countries,” Chellaney wrote.

Chellaney ludicrously claimed that Beijing was playing the role of 19th century Britain, which occupied Hong Kong via a 99-year lease, following the Opium Wars. “Now, China is applying the imperial 99-year lease concept in distant lands.”

Referencing a Chinese company’s acquisition of the Mediterranean port of Piraeus from the cash-strapped Greek government for \$436 million, he declared: “China has encouraged its companies to bid for outright purchase of strategic ports, where possible.”

Chellaney also noted China’s leasing of the Darwin port in Australia, a military installation in Djibouti, a few miles away from a US naval base, and its activities in Turkmenistan, Kenya and other countries. These countries, he claimed, “have been ensnared in a Chinese debt trap, forcing them to confront agonising choices in order to stave off default.”

In September, US Assistant Secretary of State for South and Central Asia Alice Wells told a congressional committee: “China is providing non-concessional loans that promote unsustainable debt burdens, which I think are increasingly now of concern to the Sri Lankan people in the government.”

The US and Indian response to growing Chinese influence in the region has been to step up their threats. When the Maldives government expressed its support for China’s BRI and signed a Free Trade Agreement with China, India’s Raveesh Kumar declared that New Delhi expected the island nation to be “sensitive to our concerns in keeping with its India first policy.” This was also a warning to the Sri Lankan government, which is currently negotiating a Free Trade Agreement with China.

At the same time as seeking financial assistance from Beijing, the Sri Lankan government is integrating the country into the US-led military build-up against China. The bitter reaction of the US and India to the Hambantota Port deal is a warning to Colombo that it must not deviate from a pro-US strategic agenda.