

Sri Lankan president signs “strategic cooperative partnership” with China

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During his visit to China late last month, Sri Lankan President Mahinda Rajapakse signed an agreement with Chinese President Xi Jinping to upgrade the relations between the two countries to a “strategic cooperative partnership.” Closer ties between Beijing and Colombo will not be welcomed by the US and India, thus further heightening tensions in South Asia.

While the new partnership covers trade and economic relations, it also involves greater cooperation in law enforcement, security and defence. The two countries will maintain high-level exchanges, enhance political communication and support each other in safeguarding “national independence”, “sovereignty” and “territorial integrity.”

China has already supported the Rajapakse government in opposing efforts by the US and its allies to pass limited resolutions in the UN Human Rights Council calling for Sri Lanka to address human rights abuses during the island’s civil war. Washington, which backed Colombo’s communal war against the separatist Liberation Tigers of Tamil Eelam (LTTE) is exploiting the issue to pressure Rajapakse to distance himself from Beijing.

In return, Beijing will expect Colombo’s backing against Washington’s aggressive campaign to undermine Chinese influence in Asia. Sri Lanka agreed to support China to enhance its cooperation with the South Asian Association for Regional Cooperation (SAARC)—the regional economic bloc dominated by India.

Indian concerns about the new Sri Lankan-Chinese agreement were expressed by commentator and former diplomat M.K. Bhadrakumar who described it as a “formidable challenge to Indian diplomacy.” Writing in the *Indian Punchline*, Bhadrakumar described the visit as a “landmark event” in South Asian politics. “Make

no mistake about it,” he stated, “the strategic cooperative partnership is a format of ties that signifies that Beijing attaches very high importance to the bilateral relations [with Sri Lanka].”

The strategic partnership also covers a range of economic issues, including bilateral trade and investment, financial assistance and cooperation in tourism.

Rajapakse discussed the launching of a telecommunication satellite by a Sri Lankan private company at a cost of \$320 million in partnership with China’s stated-owned Great Wall Industry Corporation. According to the Indian media, India’s National Security Adviser Shivshankar Menon immediately called for an assessment of the security implications for India. It was suggested that the Indian Space Research Organisation counter the Chinese plan by offering to assist Sri Lanka to build and launch a satellite.

Beijing also offered a fresh \$2.2 billion loan for infrastructure projects, especially for the northern express highway connecting the central highlands city of Kandy with the northern town of Jaffna at the cost of \$1.5 billion. While India is pressuring Sri Lanka to grant a form of regional autonomy to the predominantly Tamil northern province of the island, China is helping Colombo to tighten central control over the region and its resources.

Sri Lanka’s External Affairs Minister G.L. Peiris attempted to allay concerns in Washington and New Delhi. In an interview in China’s state-run *Global Times*, he declared that the friendship between China and Sri Lanka was not an exclusive one. Without naming any country he said, “the fears expressed [of other powers] have no foundation”, adding that the friendship with China “wouldn’t harm the interests of other countries.”

Peiris's comments are not going to pacify Washington, which as part of Obama's "pivot to Asia" is seeking to undermine Chinese influence throughout the region. The US has been particularly concerned over the closer ties between China and Sri Lanka as a result of Beijing's military and financial assistance during Colombo's war against the LTTE.

China has been involved in many major projects in Sri Lanka in recent years, including the building of the Hambantota port strategically located in the south of the island adjacent to major shipping routes across the Indian Ocean. The harbour is one of a number of ports built by the Chinese to safeguard its large and growing trade with Africa and the Middle East.

Sri Lanka has also just completed the new Mattala International Airport near Hambantota, with the aid of Chinese loans. The expansion of the Colombo port's southern terminal is also financed by China. From 2007 to 2011, China committed \$2.13 billion in loans to Sri Lanka.

Chinese companies are also involved in major projects. Sri Lanka is to build the largest tower block in Asia in the central Colombo at a cost of 11.9 billion rupees or \$87 million. Nelum Kuluna or Lotus Tower is to be constructed by two Chinese firms.

Rajapakse's visit to Beijing underlines his continuing dependence on Chinese aid and financial assistance. But he fears antagonising Washington and is seeking to improve relations with the US. Sri Lanka's High Commissioner in the US, Jaliya Wickramasuriya, recently declared: "Sri Lanka is well positioned to build on its 200-year-old trade partnership with the US and become a stronger geopolitical and strategic ally in the decades to come."

Moreover, Chinese loans are aggravating Sri Lanka's mounting debt crisis as the interest rates are far higher than those charged by the International Monetary Fund (IMF) and World Bank. The IMF recently warned that the country's national debt was on the "high side" at over 80 percent of gross domestic product. "Sri Lanka should be careful about mounting external liabilities and reserve adequacy," it declared.

The Rajapakse regime is already facing resistance from workers and youth who have been hard hit by the IMF's demands for austerity measures that have resulted in a wage freeze and severe cutbacks to social spending. The IMF is insisting that the budget deficit

be reduced to 5.2 percent of GDP by 2014.

The government faces criticism from the opposition United National Party (UNP), traditionally closely aligned to Washington, over its close relations with China. Addressing a media conference, UNP General Secretary Tissa Attanayake declared that "the massive loans taken by the government from China would push Sri Lankans into becoming citizens of a Chinese colony."

The Obama administration's efforts to contain China make it increasingly difficult for President Rajapakse to maintain his balancing act between China and the US. Sri Lanka is being drawn into the vortex of regional rivalry that is compounding the economic and political crisis confronting the whole Colombo political establishment.



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