

Sri Lankan prime minister seeks financial help in China

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Sri Lankan Prime Minister Ranil Wickremesinghe visited China early this month to patch up strained relations between the two countries and seek financial assistance. Since taking office in January 2015, President Maithripala Sirisena's administration has distanced Sri Lanka from China and lined up behind US imperialism.

During his three-day visit from April 6, Wickremesinghe met with Chinese President Xi Jinping and Prime Minister Li Keqiang and other officials, making several agreements.

The Sirisena-Wickremesinghe government is facing a balance of payment crisis and a huge foreign debt burden. The International Monetary Fund (IMF) has indicated it would offer a loan of around \$US1.5 billion loan, but this is not sufficient to avert a financial crisis so the government has turned to other avenues, including China, to beg for assistance.

Relations with China soured when Sirisena's government suspended several major projects that commenced during former President Mahinda Rajapakse's government, funded by Beijing banks and companies. The pretexts for the suspensions were "irregularities, corruption" and "absence of proper environmental impact assessments." The real reason was the shifting of Colombo's foreign policy away from Beijing, in favour of Washington and India.

Sirisena, formerly a minister and leading figure in Rajapakse's government, defected from it to contest the presidential election in a regime-change operation, backed behind the scenes by the US and assisted by India. Washington and New Delhi were hostile to Rajapakse's close political and economic ties with Beijing. The Obama administration wanted Sri Lanka firmly lined up behind the US "pivot to Asia," a military and strategic encirclement of China.

Sirisena's suspension of the Chinese-funded Colombo Port City (CPC) project was particularly significant. Sri Lanka's single largest foreign investment, involving \$1.4 billion, it was meant to reclaim 233 hectares (575 acres) of land from the seafront adjacent to Colombo harbour.

Chinese President Xi opened this project when he visited the country in September 2014. It was considered to be a component of China's "Maritime Silk Road," placing Sri Lanka at the centre of links between China, South East Asia, the Middle East and Africa. After building the complex, the contractor, the China Communications Construction Company (CCCC), was to gain control of 108 hectares.

The Maritime Silk Road forms part of Beijing's plans to defend its vital trade routes, including the sea lanes through the Indian Ocean, in the context of US war plans against China. India and the US objected to the CPC project, with media reports that New Delhi claimed it was a threat to the security of India and the Indian Ocean.

Beijing has continually pressed the Colombo government to restart the project. Just before Wickremesinghe's visit, the Chinese government said Colombo had to pay \$125 million in damages for delaying the project. CCCC claimed it would lose \$380,000 a day as a result of the suspension of work, which would also affect about 5,000 workers directly and indirectly.

During Wickremesinghe's visit, it was agreed that the suspension would be lifted, but with the Chinese company handed a 99-year lease over 20 hectares, instead of previously-promised outright ownership.

This new condition is a message to New Delhi and Washington that Sri Lanka's pro-US and pro-India policy has not changed. Wickremesinghe later told a

Colombo press conference that a 40 percent stake in the CPC would be offered on the stock market, giving Indian and other companies the opportunity to invest. At the same time, to appease China, he said that Chinese companies would be given control over a section of the CPC in order to develop a financial district.

Wickremesinghe said the CPC would be included in the government's Western Province Mega Polis program, which seeks to develop a cluster of cities for financial, commercial, tourism and industrial ventures to attract foreign investments.

Sri Lanka has accumulated debts to China to the tune of \$US8 billion. During the Rajapakse government, an estimated 70 percent of infrastructure projects depended on Chinese funds. Wickremesinghe has proposed that Chinese state-owned companies convert billions of dollars of this debt into equity in these projects and domestic companies.

Development Strategies and International Trade Minister Malik Samarawickrama, who accompanied Wickremesinghe to Beijing, said the government was keen to sell some state-owned enterprises to China as well.

Wickremesinghe also offered 1,000 hectares for an exclusive Chinese economic zone in the Hambantota area in the country's south. The previous Rajapakse government built a seaport and airport in this region with the Chinese-funded loans. Wickremesinghe said that by offering the land to China he wanted to make use of these under-utilised facilities.

Acknowledging Wickremesinghe's offer, Chinese Premier Li told the media: "We welcome the resumption of the Colombo Port City project, and stand ready to work with Sri Lanka to push forward the construction steadily." The Chinese government also gave \$500 million to Colombo as a grant. However, Sri Lanka's request for debts to be transformed into equity has yet to be agreed.

A joint statement issued at the end of Wickremesinghe's visit said: "The two sides will use the development of a 21st Century Maritime Silk Road as an opportunity to further advance infrastructure development, the China-Sri Lanka FTA [Free Trade Agreement] negotiations, promote joint ventures and expand cooperation."

China's eagerness to patch up the relations with

Colombo and accommodate some of its requests shows Beijing's strategic concerns, amid the US aggressive military drive, which also involves stronger US ties with India.

India has officially kept silent on the Colombo government's concessions during Wickremesinghe's China visit. Expressing concerns within the Indian elite, however, the *Times of India* commented: "Sri Lanka has accepted China's bidding to make the Indian Ocean an economic hub, ignoring India's concern."

In an effort to placate New Delhi, Wickremesinghe told his Colombo press conference: "The project [Colombo Port City Project] will not have any impact on Indian security. We have discussed it with India and we are willing to discuss it with India further."

Wickremesinghe's visit to China underscores both the magnitude of Sri Lanka's economic crisis and the geo-political tensions engulfing the region as the US ramps up its military preparations against China.



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