

# Diplomatic row erupts between Sri Lanka and China

**W.A. Sunil****12 November 2016**

The Sri Lankan foreign ministry on Monday voiced its “displeasure” about comments made early this month by Chinese ambassador Yi Xianliang on Chinese financial assistance to Sri Lanka. The diplomatic row underscores the continuing strained relations between Sri Lanka and China since the pro-US President Maithripala Sirisena was installed in office in January 2015.

Yi’s comments were made in response to a reporter’s question at a November 1 press conference held during a seminar at the Chinese embassy. The ambassador was asked clarify “what they [the Sri Lankan government] call ‘expensive loans’ from China that were taken out by the previous regime [of President Mahinda Rajapakse].”

Yi said some Sri Lankan ministers and the media had spoken about “expensive loans” from China. He commented: “I talked with Ravi [Karunanayake], the minister of finance. Ravi criticised this many times publicly. I asked him, if you don’t like this one [loans from China] why have you spoken to me about getting another one?”

The ambassador explained that the interest rate for loans from China’s Exim Bank was 2 percent for friendly countries. He asked why this was considered expensive, when the rate for commercial loans from Europe was 5 percent.

Yi said claims that China’s loans were expensive were “really unfair.” He added: “The Sri Lankan people and the government should have a more thankful attitude towards China. For a long time, we have supported and assisted Sri Lanka in international forums and bilateral business fields.”

Yi also voiced his concerns over the slow progress of China-funded projects in Sri Lanka. He stated: “I do believe that political in-fighting should not be linked to

Chinese assistance.”

Sri Lankan Finance Minister Karunanayake angrily opposed the ambassador’s comments, telling the media: “I cannot imagine that the envoy of a friendly country thought it fit to make those remarks.” He declared that he was “Sri Lanka’s finance minister and not China’s.” The Colombo media reported that an unnamed senior Sri Lankan foreign ministry official had said the ambassador’s statements were “highly unprofessional.”

The Chinese foreign ministry responded by defending the ambassador. Foreign ministry spokesman Lu Kang said the ambassador had only “clarified some misunderstandings and misleading remarks regarding China-Sri Lanka cooperation at a seminar.”

On Monday, Sri Lankan foreign secretary Esala Weerakoon telephoned Yi to express the government’s concerns. Weerakoon later issued a statement declaring that he told Yi “it is not necessary for the ambassador to communicate his concerns through the media.”

While Karunanayake and the foreign ministry condemned the Chinese ambassador, senior Sri Lankan officials and members of parliament routinely criticise loans awarded to the government of former President Mahinda Rajapakse. These sorts of denunciations, along with allegations of corruption directed against Rajapakse, were commonplace during last year’s presidential election campaign.

In fact, the criticism of Chinese investments was an integral component of the US-led regime-change operation to oust Rajapakse and install Sirisena as Sri Lankan president.

Washington was hostile to Rajapakse’s close relations with Beijing, which cut across the US “pivot to Asia”—the aggressive economic and military effort to subordinate China to its geo-strategic interests—and

wanted him removed and replaced with a pro-US regime. India, a rival of China and its influence in other South Asian countries, backed Washington's campaign.

After coming to power, the Sirisena-led government suspended all Chinese-funded development projects, including the \$US1.4 billion Colombo Port City Project. Beijing regarded the port plan as a key part of its Maritime Silk Route initiative, linking China's sea routes in the Indian Ocean and Arabian Sea with West Asia and Africa. The cash-strapped Colombo government over the past months, however, has been making overtures to Beijing for new funding.

Sirisena and Prime Minister Ranil Wickremesinghe visited China separately twice this year, hoping to mend strained relations. Both leaders met with Chinese President Xi Jinping, signed economic agreements and invited investors. Both countries agreed to sign a Free Trade Agreement (FTA) in March next year. China is still Sri Lanka's top donor and investor, with \$409 million a year in direct investments.

Colombo eventually removed restrictions on the Port City Project, while amending clauses that promised to grant a portion of reclaimed land freely to the Chinese construction company. Beijing agreed to convert part of Sri Lanka's debts to equity, buying the Chinese-funded Hambantota sea port and Mattala airport in Sri Lanka's south. The Sirisena-Wickremesinghe regime also agreed to provide 15,000 acres, near Hambantota, for a special economic zone for Chinese companies.

While economic relationships between two countries have strengthened in recent months, diplomatic strains are intensifying as the Sri Lankan government steps up its involvement in the US and Indian efforts to isolate China.

Senior officials from the Obama administration, including Secretary of State John Kerry and US ambassador to the UN Samantha Power, visited Sri Lanka, hailing the new regime in Colombo. US Pacific Command (PACOM) officials also visited and new military training programs were put in place.

In August, the first Operational Level Bilateral Defence Dialogue was held between a PACOM delegation and Sri Lankan security forces at Sri Lanka's navy headquarters. According to reports, the discussion was held to "develop military engagements for the next three years, from 2016" and continue

training and other exercises involving the armed forces of both countries.

A group of members of parliament, known as the Joint Opposition (JO) and led by former President Rajapakse, is seeking to gain political advantage from the current diplomatic differences. The MPs, who are campaigning to topple the government, praised Yi's criticisms, declaring that China had "set the record straight."

The growing US military presence in Sri Lanka and in Indian waters is part of Washington's military preparations against China. Beijing clearly regards this as a threat to its interests in the region.



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