Sri Lanka’s port deal with China increases concerns in US and India

Vijith Samarasinghe
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The Sri Lankan government is anxiously trying to appease concerns in Washington and New Delhi that it is accommodating to the interests of Beijing by handing control over a strategic port to a Chinese company.

Sri Lanka last month signed a $US1.12 billion agreement to give the majority stake of the Chinese-built Hambantota port in the island’s south to Beijing’s state-owned China Merchant Port Holdings (CMPH) on a 99-year lease.

Two weeks later, on August 14, *Forbes* reported that Aviation and Transport Minister Nimal Siripala de Silva approved New Delhi’s application to buy a 70-percent share of the Mattala Rajapakse International Air Port (MRIA) on a 40-year lease for $205 million.

India’s MRIA bid was reported in the international press as a move to counter China. According to media reports, the Indian proposal has been sent to the cabinet for review. The airport is located in the Hambantota district, 250 kilometres from Colombo.

India considers Sri Lanka part of its sphere of influence and fears that China is trying to acquire a strategic foothold in the island. The port deal signed on July 29 was part of a privatisation program by the Colombo government and an attempt to offset debts of $8 billion due to China.

The construction of the $1.3 billion Hambantota harbour was completed under former President Mahinda Rajapakse’s government in 2011, at the same time as the nearby MRIA was built. Washington and New Delhi saw the project as a step by Rajapakse towards Beijing.

As part of its drive for global hegemony, the US has been pursuing a military and strategic buildup against China and wants Sri Lanka, located at the centre of the Indian Ocean, in its orbit. The Indian ruling elite, with its own global ambitions and a long-time rivalry with China, has backed the aggressive US drive.

After pressuring Rajapakse to distance himself from Beijing, Washington, supported by New Delhi, orchestrated a regime-change operation in Colombo in the 2015 January presidential election, effectively installing Maithripala Sirisena as president.

Sirisena quickly halted a number of Chinese projects, but was soon compelled to seek Chinese investment to bail out the government, which has a crippling external debt load of $65 billion. CMPH’s offer to take over Hambantota port on a long-term lease was accompanied by another proposal to develop a 5,000-hectare Special Economic Zone at Hambantota, which was partly initiated in January.

The signing of the Hambantota agreement was initially planned for January, but dragged for more than six months, partly because of working-class unrest. In December, 400 temporary workers went on strike and occupied the harbour, fearing job losses if it were privatised. The government used Navy commandos to suppress the struggle. In January police and army units attacked and arrested hundreds of protestors who opposed the planned takeover of their land to facilitate the Hambantota zone.

Strike action late last month by Ceylon Petroleum Corporation union members, who feared that the privatisation of oil bunkering would cut jobs, was suppressed after the government imposed an essential services order and deployed the army.

Between February and July there were also high-profile visits between Colombo and Delhi. Sri Lankan Prime Minister Ranil Wickremesinghe visited India in April, his Indian counterpart Narendra Modi travelled to Sri Lanka in May and Indian Foreign Secretary Subrahmanyam Jaishankar made unpublicised visits to Colombo.

In order to appease India and the US, the port agreement signed on 29 July significantly curtailed previous sweeping concessions to China. Instead of the original 80 percent stake, CMPH obtained only 70 percent. All sensitive port operations have been handed over to a second company, Hambantota Port Group Services, which will be 50.7 percent owned by the Sri Lankan government. A clause was inserted saying the Sri Lankan Navy is in charge of the port's security and no foreign country will be allowed to use its bases.

Sirisena and Wickremesinghe have not shifted from their foreign policy alignment and are developing close military ties with the US. Nevertheless, Western and Indian media reports on the port deal voiced consternation.

Professor Panos Mourdoukoutas of New York's Stony Brook University commented in a *Forbes* article: "Beijing converting its loans to equity is in essence turning Sri Lanka into a semi-colony." He labelled the port deal a "subtle" version of the military takeover of southern Chinese ports by European powers during the 19th century.

Indian political analyst C. Raja Mohan wrote in the *Indian Express*: "India no longer has the luxury of contesting Chinese strategic incursions into the subcontinent one piece at a time." He blamed Beijing's "strategic encirclement" of India on Delhi not being more assertive, saying India should "act vigorously on its frontier region development, military modernisation and regional economic integration."

The reality is that Chinese investment across the Indian Ocean marks an attempt by Beijing to wriggle itself out of the bellicose US encirclement launched under the Obama administration's "pivot to Asia."

CMPH executive vice president Hu Jianhua said the company wanted to develop Hambantota as a gateway to expanding economies in South Asia and Africa, as well as to "the Far East, to Europe and to the globe." Hu added that Sri Lanka would be well positioned to "play a strategic role" in Beijing's "One Belt One Road" initiative to link China to Europe.

Facing potential US military intervention in North Korea, provocative US "freedom of navigation operations" in the South China Sea and tensions in the Indian Ocean region, China is seeking to protect its vital sea trading routes.

These geopolitical manoeuvrings have intensified Sri Lanka's political crisis. Former President Rajapakse and the "joint opposition" parliamentary group supporting him have exploited the public anger against the government's privatisation program. But neither the government nor his group has any concern about the jobs and lives of tens of thousands of workers and peasants who will be affected by the privatisations.

Instead, both factions of the parliamentary establishment are fully committed to implementing the austerity measures imposed by the International Monetary Fund. They are desperately vying for power to protect the interests of the crisis-ridden ruling class, as the country is sucked into the maelstrom of great power conflict.