

Financial Times expresses concerns over Sri Lanka taking Chinese loans

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24 September 2018

The London-based *Financial Times* (FT) recently published an article entitled “Sri Lanka sinks deeper into China’s grasp as debt woes spiral.” It is yet another expression of the concerns of US, European and major Asian powers about cash-strapped Sri Lanka relying more on China for economic support.

The US, with the backing of India and Japan, is increasingly putting pressure on Sri Lanka not to deviate from its efforts to undermine and encircle China.

The FT article is directed against Sri Lanka’s plan to issue \$US250 million worth of renminbi-denominated Panda bonds. Country has already agreed to a \$1 billion syndicated loan from China Development Bank in August. Its first instalment of \$500 million was to be released in the first week of this month.

The article also noted that Sri Lanka had accumulated foreign debt of \$55 billion of which Chinese lenders hold 10 percent, while Japan, the Asian Development Bank and World Bank have 13, 14 and 11 percent respectively.

However, the article claimed: “Sri Lanka’s mounting burden has earned some notoriety, with some observers saying the country is falling into a debt trap of Chinese design.” It added: “This view gained currency last year, after \$1.1bn in debt was written off in exchange for the deep water port of Hambantota, near the southern tip of Sri Lanka.”

The major powers and the international media are increasingly using the catch phrase “China’s debt trap.” They claim that Beijing provides “unsustainable loans” and investments to bring countries under its fold to achieve China’s strategic ambitions for global domination.

This claim has nothing to do with their concerns for the plight of Sri Lanka or, for that matter, any of the

backward countries facing mounting debts for which most of the major powers are directly responsible.

For decades, US imperialism has sought to undermine Beijing’s influence in Asia and Africa. Sri Lanka is among Washington’s major concerns because it is strategically located in the Indian Ocean astride important sea-lanes between North East Asia and Africa, the Middle East and Europe.

Washington was hostile to the close economic relations of the former President Mahinda Rajapakse government with Beijing, including the procuring of arms from China for the communal war against the separatist Liberation Tigers of Tamil Eelam (LTTE), which ended in mid-2009. Washington exploited human rights abuses by the Sri Lankan military to pressurise Rajapakse to distance himself from Beijing. Washington hypocritically used these war crimes though it fully backed Colombo’s war.

In the end, the Obama administration orchestrated a regime change operation in Colombo in the January 2015 presidential election to bring Maithripala Sirisena to power. To this end, Washington secured the help of right-wing United National Party (UNP) leader Ranil Wickremasinghe and former President Chandrika Kumaratunga.

After coming to power, Sirisena and Wickremesinghe immediately changed the foreign policy in favour of the US and India and even held up China-funded projects.

However, facing a financial crisis, the government has turned to China for funding. Colombo obtained a bailout loan from the International Monetary Fund (IMF) in June 2016 which was attached to far-reaching austerity measures for restructuring the economy and slashing government expenditure on basic services. This was the second IMF bailout loan in seven years—the first being obtained in 2009 under the

Rajapakse regime.

As well as allowing Chinese companies to resume work on stalled projects, the government ceded a majority share of the Chinese-funded Hambantota Port to China Merchant Port Holdings in December 2017 in an attempt to offset the debt incurred for the port project.

Eyeing more financial assistance, Wickremesinghe declared at the handing-over ceremony that Hambantota was “part of the modern silk route,” a reference to Beijing’s ambitious “Belt and Road Initiative” (BRI) project.

The US, India and Japan immediately expressed concerns over the handing of the Hambantota port to China, claiming that it would be used as a military base by China to control the Indian Ocean.

With its own regional ambitions, India considers Sri Lanka as part of its sphere of influence in South Asia. To counter China’s rise, New Delhi has developed a close strategic partnership with Washington, and lined up with Japan which is also hostile to China.

Last month Japanese Defence Minister Itsunori Onodera visited Sri Lanka to boost military ties after having discussions with his Indian counterpart, Nirmala Sitharaman. Onodera visited Hambantota and told Japan’s NHK that the “port should not be used for military purposes,” indirectly referring to China.

Begun under the Obama administration, Washington’s aggressive economic and military moves against Beijing have intensified under Trump. Trade war measures are being ramped up by the US against China while military alliances with India, Japan and Australia are being strengthened. The US is insisting that countries in the region line up with its actions against China.

An FT editorial on September 10 declared that “China’s reputation as development financier [was] on the line.” It added: “US officials now see a disturbing pattern in which Beijing has encouraged indebtedness in order to gain control of strategic assets when debtors default on repayments.” Declaring that eight out of 68 countries “already have unsustainable levels of sovereign debts,” the editorial called for the US to “raise its own game plan” to counter China.

Defending his government, Sri Lankan Prime Minister Wickremesinghe declared at ASEAN’s World Economic Forum in Hanoi on September 10: “We are

dealing with China. There is a fair amount of Chinese investments. There are China loans... I can’t see it as a threat.” He denied ceding the Hambantota port to China’s control.

There is no doubt that Sri Lanka will come under increasing pressure from the US and its allies to distance itself from China. The Sri Lankan military already has close relations with the US military and its warships frequently visit the island’s ports. Last week Colombo announced it will fully support US sanctions against Iran and halt oil imports from that country.



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