As Washington-Colombo ties strengthen, China exits Sri Lankan port project

Wilani Peiris and Rohantha De Silva
11 November 2026

China Merchants Port Holdings withdrew from its US$392 million South Asia Commercial and Logistics Hub (SACLH) project at the Colombo Port last month. The Chinese company's exit from the project occurred amid expanding US and Indian investments in Sri Lanka, including at the Colombo Port, and their opposition to China's presence in Sri Lanka.

China Merchants, which held a 70 percent stake, announced the termination on October 15, citing "changes in external circumstances" and the "commercial considerations of the parties." The Sri Lanka Ports Authority (SLPA) confirmed on October 19 that the project would not proceed.

Bimal Rathnayake, Minister of Transport, Highways and Urban Development and Transport, told Parliament that concerns over the agreement to allocate 10 acres of land at the Colombo Port were among the reasons for the government's opposition to the project. He added: "We could not proceed under the existing agreement, as the proper procedures had not been followed."

This statement is an attempt to cover up the pressure exerted to force the Chinese company to withdraw its investment. The decision represents a further step by President Anura Kumara Dissanayake's JVP-led government to cement its alignment with US imperialism and India.

Under the settlement, the SLPA will pay $21.9 million to the project company and seek a new investor through competitive bidding.

Part of China's Belt and Road Initiative (BRI), through which Beijing seeks to break out of US encirclement, the project was a 50-year build-operate-transfer (BOT) deal. It was initially meant to receive 15-year exemptions from corporate income and dividend taxes under the Strategic Development Projects (SDP) program, along with exclusive operating rights and a clause barring the SLPA from offering rival logistics operators rates lower than the project's royalty fees.

Unveiled in 2023, the logistics hub marked Sri Lanka's first major foreign investment after the country defaulted on its foreign debt in 2022. The *Diplomat* noted on October 27 that the "Colombo Port could have benefitted greatly from a logistics centre had it been completed as scheduled in late 2025," allowing Sri Lanka to earn more from cargo passing through the port.

Although commercial considerations were involved, China's withdrawal was not a routine business matter. It is no coincidence that the Chinese company's decision came after Lieutenant General "JB" Vowell, Deputy Commanding General of US Army Pacific, visited Sri Lanka from September 29 to October 1.

The Colombo *Daily Mirror* noted on October 20 that observers believed "geopolitical influence" was a factor behind the withdrawal. Maya Majueran, director of the think-tank Belt and Road Initiative Sri Lanka, told the newspaper: "India and the U.S. have consistently viewed Chinese involvement in Colombo's logistics infrastructure with concern, raising the political cost of proceeding."

The International Monetary Fund (IMF) insisted, under the terms of its March 2023 bailout deal, that Sri Lanka scrap the SDP tax concessions program. Reflecting Washington's decisive influence over the IMF, Colombo then refused the Chinese project its promised tax breaks.

This was no accident. Colombo Port sits on a key east-west shipping route linking the Middle East, Africa, Europe and East Asia, and India is its largest transshipment market. For Washington and New Delhi, influence at such nodes is indispensable to their military strategy against China; for Beijing, access to Indian Ocean ports is vital to protect its energy imports and trade from US naval pressure.

Chinese investment in Sri Lanka has expanded substantially since the early 2000s, particularly after

© World Socialist Web Site

Colombo turned to Beijing for financial assistance and military hardware during the final phase of the anti-Tamil war.

Chinese-financed projects include the $500 million Chinese-operated Colombo International Container Terminal, the Hambantota Port, the Colombo Port City land reclamation project, highways, power infrastructure and other port facilities. The 99-year lease of Hambantota Port for $1.12 billion became a central target of Western propaganda about a so-called Chinese "debt trap," even though Sri Lanka's larger debt burden lay with Western-dominated financial institutions.

US imperialism is pursuing a global confrontation with China—diplomatically, economically, militarily and technologically. Its aim is to isolate China and prepare for war against it. Sri Lanka has become an arena in this struggle.

India, which is integrated into the US military-strategic offensive against China, also regards Sri Lanka as part of its own strategic backyard and has long sought to prevent Chinese facilities from acquiring a durable foothold on the island. A November 20, 2025, paper by Aditya Gowdara Shivamurthy of India's Observer Research Foundation said Prime Minister Narendra Modi's 2014 "Neighbourhood First Policy" aimed "to counter Chinese presence and infrastructure projects by providing an alternative to its investments and assistance." It noted that Chinese port projects in Sri Lanka, including the SACLH, have "aggravated Indian concerns."

India has joined the US in seeking to counter Chinese influence at the Colombo Port. India's Adani Group holds a 51 percent stake in the West Container Terminal. In 2023, the US International Development Finance Corporation approved a $553 million loan for the terminal, but no money was paid out. Adani dropped the loan request in December 2024, after US bribery charges against Gautam Adani, and financed the project itself.

On October 16, a day after China Merchants announced its exit, US Ambassador Eric Meyer unveiled a $17 million grant to digitise port operations. According to the Embassy, the project would support "American businesses, securing U.S. supply chains, and expanding commercial opportunities," with American technology firms invited to bid.

The Janatha Vimukthi Peramuna (JVP)/National People's Power (NPP) government of President Anura Kumara Dissanayake came to office falsely promising a more "independent" foreign policy. It has instead ruthlessly intensified IMF-dictated austerity and unleashed state repression. Founded during the 1960s as a radical petty bourgeois outfit steeped in nationalism and Sinhala chauvinism, the JVP has evolved into a bourgeois party and an agency of international finance capital.

Sri Lanka's strategic orientation has decisively shifted towards Washington and New Delhi. Colombo has maintained the contentious Acquisition and Cross-Servicing Agreement (ACSA), signed a 2025 defence cooperation agreement binding Sri Lanka more closely to Washington's military networks, and welcomed top US military commanders. These developments are transforming the island into a US strategic outpost in the drive to encircle China.

The withdrawal of the port investment cannot be separated from the criminal US-led war against Iran, which began on February 28. Washington and Israel are preparing further devastating attacks on Iran as part of a broader strategy to dominate the Middle East, choke off China's access to Iranian oil and weaken Beijing's strategic position. Sri Lanka's conduct during the war, including its recent refusal to provide humanitarian assistance to stranded Iranian oil tankers, has exposed the hollowness of the government's claim to be neutral.

Who benefits from Sri Lanka's alignment with Washington? Not the workers and the poor, who face austerity, unemployment, rising prices and the growing threat of war. The beneficiaries are the US and its allies, competing for control of the Indian Ocean, and the Sri Lankan ruling elite, which has significant ties to Western markets. The US remains Sri Lanka's largest single export market, accounting for 23 percent of merchandise exports in 2025—nearly $3 billion.

The only alternative lies in the independent political mobilisation of the working class, against the JVP and all other parties of the capitalist class. Workers in Sri Lanka must join the socialist fight to unite workers internationally against the capitalist system that is driving the world into war.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site