

# Sri Lankan political turmoil linked to India-China investment rivalry

India fears the island nation, on one of the busiest shipping routes, could become a Chinese army base

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**G**leaming cranes stretch out on the waterfront in the Sri Lankan capital Colombo as Chinese companies construct a \$1.5 billion new commercial district, including hotels, marinas and a motor racing track. They have already built a giant container terminal nearby and a huge port in the south.

Now India, the traditional power in the region, is muscling into port and other projects, pushing back hard against China.

The big fear for India is that Sri Lanka, just off its southern coast and on one of the world's busiest shipping routes, could become a Chinese military outpost.

But the battle is creating political turmoil in Sri Lanka. A bust-up between President Maithripala Sirisena and Prime Minister Ranil Wickremesinghe over how far to accommodate Indian interests is a key reason the nation's unity government has just fallen apart, government officials and foreign diplomats said.

Wickremesinghe, who was fired on 26 October and replaced by veteran pro-China politician Mahinda Rajapaksa, told *Reuters* about arguments at a cabinet meeting chaired by the president last month over a proposal to grant development of a Colombo port project to a Japan-India joint venture. "There are arguments in the cabinet, sometimes heated arguments," he said.

Wickremesinghe did not name



Construction work at Colombo Port City, which is backed by Chinese investment. REUTERS

## The genesis of a political slugfest

Wickremesinghe in Oct spoke of dispute over proposal to grant Colombo port project to Japan-India JV

It was first account of what transpired in 16 Oct meet and the gov't's pushback against India

India had been pushing Sri Lanka for award of \$1 bn deal for a container terminal in Colombo

Colombo is mired in \$8 bn of Chinese debt, can't give any more of its assets to foreigners: Sirisena

the president but said: "There was a paper put forth to not give it to India, Japan."

He added that he insisted that the ultimate decision should respect a memorandum of understanding signed between India, Japan and Sri Lanka.

It was the first account of what transpired in the 16 October meeting and the government's pushback against India.

Wickremesinghe declined to respond when asked if he believed the China-India struggle was behind his firing. But Rajitha Sen-

aratne, a former government minister who attended, confirmed the president and the prime minister had argued at the meeting.

### Tension had been building between Sirisena and Wickremesinghe even before clash over the Colombo port project

Two Sri Lankan officials, as well as a Western diplomat and a person with knowledge of the matter in Indian government, who were all briefed on the meeting, corroborated the minister's account.

The president's office did not respond to requests for comment. Sirisena told a public meeting on Monday his political rivals were trying to drive a wedge between him and the Indian government

by painting him as anti-India.

The Indian foreign ministry said Delhi was committed to giving developmental assistance to Sri Lanka.

In a statement last week, the Chinese embassy in Colombo rejected allegations China was involved in a conspiracy to change Sri Lanka's leadership, saying it does not believe in such interference. Japan did not respond to a request for comment on the sacking of the government. But Wickremesinghe and an official from the Japan International Cooperation Agency said a \$1.4-billion soft loan for a light railway project in Colombo was on hold.

India had been pushing Sri Lanka for the award of an esti-

mated \$1 billion contract for a second foreign-operated container terminal in Colombo. It has pointed to a memorandum of understanding (MoU) Sri Lanka signed in April 2017.

*Reuters* has reviewed unpublished documents from that MoU and it lays out a blueprint for projects India would be involved in, including an oil refinery, roads, power stations and the container terminal.

The agreement also includes room for Indian involvement in the development of industrial zones.

The cabinet meeting was supposed to give clearance for the port project but President Sirisena said the country, already mired in \$8 billion of Chinese debt, couldn't give any more of its assets to foreigners, according to Senaratne. "There was a misunderstanding between the president and the prime minister," said Senaratne, who was the health minister in the deposed cabinet. The Colombo terminal should be left to the state-owned Sri Lanka Port Authority, which was already developing the facilities, he quoted the president as saying.

Tension had been building between Sirisena and Wickremesinghe even before the clash over the port project. The president did not approve of some economic reforms, such as opening up the services sector to foreign investment, being introduced by the prime minister.

Sri Lanka is only one of a number of South Asian countries where the China-India rivalry has roiled domestic politics.

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