

Sri Lanka, China sign USD 1.1 billion Hambantota port deal

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Colombo: After several months of delay caused by protests, Sri Lanka today finally signed a USD 1.1 billion deal with China to lease the southern Hambantota port to Beijing. Hambantota port, overlooking the Indian Ocean, is expected to play a key role in China's "One Belt, One Road"™ initiative, otherwise known as the new Silk Road, which will link ports and roads between China and Europe.

The amended agreement was signed between the Sri Lanka Ports Authority (SLPA) and the China Merchant Port Holdings at the Ministry of Ports and Shipping under the auspices of Prime Minister Ranil Wickremesinghe. "We are giving the country a better deal without debt," Wickremesinghe told media. Sri Lanka's government said that money from the deal will help repay foreign loans.

Under the proposal, a state-run Chinese company will have a 99-year lease on the port and about 15,000 acres nearby for an industrial zone. The plan envisaged the eviction of thousands of villagers but the government said they will be given new land. The deal had been delayed by several months over concerns that the port could be used by the Chinese military. In a move to ease those concerns, the Sri Lankan government announced a revised deal to cut the Chinese firm's stake to 70 per cent.

Officials also made assurances that the port would not be used by the Chinese military. "We are giving the country a better deal without any implications on security," Wickremesinghe said on Friday.

The Sri Lankan government said that China will run only commercial operations from the port, on the main shipping route between Asia and Europe and the deal will help it to get out of the debt trap. It borrowed billions of dollars from China to build roads, ports and airports to revive the economy after the end of the civil war in 2009. Now it is struggling to repay Beijing. The money from the deal, officials said, will be used to repay part of the loan.

Those who oppose the agreement argue that Sri Lanka is giving away its land to China. The Hambantota port deal between the two countries concerns India as it helps China gain a foothold close to its southern tip. Beijing is already developing ports in Myanmar and Pakistan. These ports are expected to play a key role in China's "One Belt, One Road"™ initiative or the new "Silk Road"™ - with huge investment in ports and roads to boost trade with rest of the world.

Colombo said that the Sri Lankan Navy will be in charge of security at the Hambantota port and no foreign Navy will be allowed to use it as a base.

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