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EVOLUTION OF CHINA-SRI LANKA RELATIONS

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Evolution of China-Sri Lanka Relations

Introduction

Over the last ten years China has been paying renewed attention to its ties with Sri Lanka. There has been a large rise in Chinese investments in various projects in Sri Lanka. Beijing has also diplomatically supported Colombo on various issues, especially on charges of human rights violations. In return, Sri Lanka has played an important role in helping China enhance its influence and prestige in the South Asian region. Notably, since taking over as president, Xi Jinping has accorded special focus to this relationship. Xi visited Sri Lanka in September 2014, the first visit by any Chinese President, in 28 years.¹

A study of the growing Chinese involvement in Sri Lanka could be divided into two phases. The first would roughly coincide with the end of the Eelam War in May 2009 under President Rajapaksa, to the end of 2014. The next phase would constitute the period from January 2015 when Rajapaksa lost the election and Sirisena assumed the presidency, to till date. The period under Rajapaksa was marked by major initiatives to strengthen the relationship with China. The warmth between China and Sri Lanka grew after 2009 because China was one of the few countries that continued to supply arms and defence equipment to the Sri Lankan Army during its war against the Liberation Tigers of Tamil Eelam (LTTE). Beijing also prevented the issue of genocide and killing of Tamil civilians from being taken up by international organisations. But these were not the only reasons for Rajapaksa's strong pro-China tilt; perhaps it was also because of his personal anti-India agenda, in the latter half of his tenure.

The New Phase

The new government under President Maithripala Sirisena came to power for a variety of reasons that have been extensively commented upon. One of these was the galloping growth of Chinese influence because of the largely opaque financial and commercial deals entered into by the previous regime. Sirisena, during the campaign and even after winning the election, remained very vocal about his anti-China approach. As a consequence, when he assumed office in early 2015, he froze all Chinese investment plans proposed by his predecessor,² and ordered a full review of those decisions.

However, China has begun to pay renewed attention to Colombo under Xi Jinping. With the proposed One Belt One Road (OBOR) initiative and the Maritime Silk Road (MSR) project the Chinese Government started paying greater attention to the way Beijing and Colombo perceived each other,

particularly with granting Sri Lanka an important hub in the MSR initiative. President Xi Jinping articulated the new approach in 2018, while congratulating Sri Lanka on the occasion of the 70th anniversary of its independence from British rule, when he said: “I pay high attention to the development of China-Sri Lanka relations, and I am willing to make concerted efforts with President Sirisena to push the China-Sri Lanka strategic cooperative partnership of sincere mutual assistance and long-standing friendship to keep achieving greater development in the better interest of the two countries and its people.”³

The increasing ‘warmth’ between China and Sri Lanka naturally caused concerns in India, especially in the context of growing Chinese involvement in the building of infrastructure projects of strategic significance, regionally, as well as domestically. Some of the important ones are discussed below.

Strategic Context

There has been a lot of discussion within the Indian and global strategic community as to how the Hambantota and Colombo Ports would adversely impact India’s strategic interests. These concerns became stronger after the docking of Chinese submarines at the Colombo Port in November 2014. Though the Rajapaksa government argued that the port was being regularly used by a number of countries, for docking and refuelling of warships and submarines, the increasing numbers of Chinese ships visiting the port raised concerns among Indian strategic experts. New Delhi justifiably felt that this trend would impact its long term security interests, and was in violation of the 1978 accord between Colombo and New Delhi which provided that both countries would not allow their ports to be used for activities which could affect the other’s “unity, integrity and security”.⁴ However, the Sri Lankan Government rejected China’s proposal for allowing submarine docking in 2017 - the general perception being, that this was to mitigate India’s security concerns.

Hambantota

The Sri Lankan Government had initially requested India to invest in the building of the Hambantota Port. However, because of serious doubts regarding its commercial and economic viability, the Indian Government declined the Sri Lankan request. So naturally, the Sri Lankan Government asked the Chinese for help. Beijing readily obliged and the construction work on the port began in 2008. The Chinese welcomed the opportunity as the port was geographically well located and connected the southernmost part of the Sri Lankan island to the prominent shipping lanes. The major attraction was the position of the port and the hope that it would help the Chinese reduce their dependence on the

regular shipping lanes and gain a major foothold in the Indian Ocean region. The Chinese Government invested almost \$1.5 billion in building the port.

Even though there was a lot of talk and fanfare about how this port would help the Sri Lankan economy positively, the reverse happened. The port did not generate enough traffic and revenue and consequently, Sri Lankan Government was unable to pay back the loans. As a result, the government was forced to sign a 99 year lease with the Chinese state-run shipping company. The deal also included letting out around 15000 acres in the nearby industrial zone to the China Merchants Port Holdings (CMPort) which was signed on July 29, 2017. A 70 per cent stake in the port is to be held by CMPort and the rest 30 per cent would be with the Sri Lanka Ports Authority. The Sri Lanka Ports Minister, Mahinda Samarasinghe, characterised the deal a “win-win situation for both the countries. We hope to strengthen the operations of the Hambantota Port which will be beneficial for Sri Lanka”.⁵ However, the figures do not favour Hambantota. As per reports, in 2012 the number of ships that berthed at Hambantota was 34 while 3,667 ships berthed at the Colombo Port.⁶ In 2017 the number of ships using the Hambantota Port rose to 183.⁷ Even though the port has proved to be non-profitable, on January 1, 2018 both Chinese and Sri Lankan flags were hoisted at this facility at the same height, indicating the hold which Beijing has gained.⁸ In addition to this the Chinese Government has also proposed the construction of a Special Economic Zone (SEZ) near the port, which may help in boosting the activity at the port. However, Sri Lankan farmers and fishermen are protesting against this as well.

There were always fears and worries in India regarding the use of Hambantota by the Chinese navy for strengthening its influence and hold in the Indian Ocean. However, in June 2018, the Sri Lankan navy announced that it would be moving its southern naval command to the Hambantota Port and informed the Chinese that they could not use this port for military purposes.⁹ The Indian Government has proposed investing in the airport near the port which is also likely to be a non-profitable venture, since it is not based on any economic calculation. The airport was built around 250 km from Colombo (around 40 km from Hambantota Port) with a Chinese investment of around \$190 million.¹⁰ In the words of David Brewster, “Control over Hambantota airport will give India considerable control over how the port is used. It is difficult to conceive of the Chinese navy developing a significant facility at Hambantota without also controlling the airport”.¹¹ If the Indian Government manages to gain sufficient control over the functioning of the airport it may ease some of India’s security concerns vis-à-vis the Chinese naval presence at Hambantota and in the Indian Ocean.

However, the Chinese Government has been strongly countering the allegations that the Chinese investments have put Sri Lanka in a 'debt trap'. Lu Kang, spokesperson of the Chinese foreign ministry said that, "According to the needs of Sri Lanka, Chinese financial institutions have provided support to Sri Lanka in solving the financing gap. Later, the Chinese side made efforts to adjust relevant asset allocation according to the wishes of the Sri Lankan side".¹² But the situation is not that simple. In 2016, the Sri Lankan prime minister had acknowledged in Parliament that the exact number and amount of the debt was 'unknown'.¹³ Reports suggest that Sri Lanka's foreign debt increased from 36 per cent of GDP in 2010 to 94 per cent in 2015. Sri Lanka was allocating 95 per cent of all government revenues to service its debt and for this it needed a \$1.5 billion bailout from the International Monetary Fund (IMF).¹⁴

Chinese media reports on the other hand suggested that the Indian reaction to the Chinese takeover of the Hambantota Port reflects a 'zero sum' mindset. The *Global Times* in an article quoted Zhou Yongsheng, a professor at the China Foreign Affairs University's Institute of International Relations as saying that "India's negative comments reflect its lack of common sense in international law, as they narrow-mindedly assume the Indian Ocean belongs to India".¹⁵

Colombo Port

Colombo Port was built during the British rule and has been upgraded from time to time. It is one of the busiest ports in the Indian Ocean. In 2016 it was ranked the 25th busiest port and it became the 13th best connected port in 2017.¹⁶ In January 2018 the Colombo Port handled around 564,155 containers and is expected to handle around seven million containers in 2018.¹⁷ The Chinese media has been reporting that the Colombo Port can handle more containers because of the new third terminal that was built by China. According to a report of the Asian Development Bank (ADB), 'the new facilities make it (Colombo) the only port in the South Asia region with a deep-water terminal that can accommodate the newest breed of 18,000 tonne container ships. Higher efficiency and faster delivery times will attract larger vessels and higher volumes of trade'.¹⁸

Colombo Port is strategically and economically important for India as Indian companies use this port for unloading of cargo from large ships and then ship it to India on smaller boats. Around 70 per cent of the trans-shipments at the Colombo Port come from India.¹⁹ However, the bid by New Delhi to invest and develop the East Container Terminal (ECT) of the Colombo Port did not

materialise because of domestic pressure and fears of loss of jobs, because of increased privatisation.²⁰

China has been investing heavily in the Colombo Port and surrounding areas and a number of earlier projects are being revisited and restarted. As per one plan, the Chinese CHEC Port City Colombo (Pvt) Ltd and the Sri Lankan Government will build a 'Colombo Port City' which will be developed in the next 25 years as a 'financial, residential and entertainment hub in the Indian Ocean region'.²¹ The whole city is to be built on 269 hectares of reclaimed land and will cost around \$1.4 billion.²² The *Xinhua* reported that, "Invested and developed by the China Communications Construction Company Limited (CCCC), Colombo Port City is the largest project between China and Sri Lanka under the China-proposed Belt and Road Initiative, especially the 21st Century Maritime Silk Road".²³ The port city will have three 60 story buildings near the Colombo Port and the plan is to make it an attractive commercial destination, on the lines of Singapore.²⁴ The Chinese media has portrayed this project as beneficial for Sri Lanka. According to a *China Daily* article, "The construction of the Port City will also create job opportunities for the locals, with a total of 83,000 jobs expected in the 20 years from implementation to completion of the project, he claimed".²⁵ The *China Daily* in another article quoted the Sri Lankan Prime Minister Ranil Wickremesinghe as saying that "the Sri Lanka-China Logistics and Industrial Zone will transform Sri Lanka into an important trading and logistics hub and attract massive investments to the Hambantota area".²⁶

Military Cooperation

Over the last few years the military cooperation between China and Sri Lanka has also been deepening. Some Chinese scholars like Wang Yiwei, Director, Centre for International Studies at the Renmin University of China, has argued that smaller countries in the South Asian region are seeking cooperation (with China) because they are worried about Indian military strength.²⁷ After the visit of the Chinese President to Sri Lanka, Vice Chairman of China's Central Military Commission, Xu Qiliang, met Gotabaya Rajapaksa, Sri Lanka's secretary for defence and urban development in September 2014. During the meeting both sides asserted the need for better military to military ties.²⁸

More recently, the Chinese military attaché at the embassy in Colombo announced that China will be gifting Sri Lanka a frigate in addition to the People's Liberation Army (PLA) training the Sri Lankan Army while also constructing an auditorium at the Sri Lankan military complex.²⁹ During the visit of Chinese State Councillor, Defence Minister Chang Wanquan (March

2017), President Sirisena had said that “Sri Lanka will energetically follow through joint cooperation projects with China and continue to make great efforts in deepening *pragmatic* cooperation with China in all fields.....Sri Lanka will, like as usual, steadfastly support China's stance in international and regional affairs as well as on issues of great concern to China”.³⁰

He had also stated that Sri Lanka’s trusts that China will continue to provide the required training to the Sri Lankan security forces.³¹ As an expression of the growing cooperation between the Chinese and Sri Lankan militaries, the Chinese hospital ship *Peace Ark*, paid a visit to the Colombo Port in August 2017. According to Maj. Gen. Guan Bolin, commander of the mission, “As military cooperation between China and Sri Lanka strengthens, Chinese naval hospital ship *Peace Ark* makes its first visit to Sri Lanka”.³²

China and Sri Lanka have concluded two rounds of the Defence Cooperation Dialogue. The first China- Sri Lanka Defence Cooperation Dialogue was held in Beijing in 2015 and the second in 2016. These were chaired by the defence secretary Hettiarachchi and Admiral Sun Jianguo, deputy chief of Joint Staff Department of China's Central Military Commission (CMC). At the end of the dialogue, the two countries signed two agreements: One, providing for \$ 2.6 billion of military assistance; and the second, for providing an Offshore Patrol Vessel (OPV) to Sri Lanka.³³

Chinese Investments

The Chinese Government had gained a large number of contracts for various infrastructure projects under the Rajapaksa government. The long drawn civil war had left Sri Lanka in need of assistance for growth, which the Chinese investments promised to meet. These Chinese investments were welcomed as Sri Lanka was in a dire need of development aid and loans. In the words of Luxman Siriwardena, a former finance ministry official who is now executive director of Colombo’s Pathfinder Foundation, “No one was interested in investing in Sri Lanka Anything is great when there is no alternative”.³⁴ However, after the allegations of corruption and other controversies, the new Government has been a little careful about granting such contracts. The flurry of investments resulted in the construction of four lane highways, the Hambantota Port, the new international airport, a cricket stadium and a conference centre.³⁵ However, on his visit to Beijing, after being elected president in 2015, Mathripala Sirisena guaranteed to the Chinese side that the proposed Chinese projects were still under consideration.³⁶ No surprise then that in July 2018 the Chinese Government announced a \$295 million ‘gift’ to Sri Lanka. The Sri Lankan president is expected to use this ‘gift’ to build a

kidney hospital in his home constituency of Polonnaruwa, which is around 230 km from Colombo.³⁷

In the year 2017, the Chinese Foreign Direct Investment (FDI) in Sri Lanka amounted to 35 per cent of the total FDI.³⁸ According to one report, in 2017, around 200,000 Chinese tourists visited Sri Lanka.³⁹ In May 2018 Sri Lanka's Megapolis and Western Development ministry signed a contract with the China Petroleum Pipeline Engineering (CPPE) to construct underground sewage and pipelines in Colombo with a completion deadline of 2020.⁴⁰ In addition to this, in May 2018 the Chinese Government also approved the loan of a billion dollars for the construction of the first phase of the road linking Colombo with Kandy.⁴¹

The Bank of China opened its first branch in Colombo in March 2018. During the opening ceremony, Sri Lankan Prime Minister Ranil Wickremesinghe said,

“The Bank of China is opening (its branch in Sri Lanka) at a time when Colombo city is transforming into a megapolis. Bank of China has a crucial role to play in helping this island by strengthening our local businesses while also being able to attract more Chinese investments into the country.”⁴²

Another area in which China-Sri Lanka ties have strengthened is in the field of space cooperation. In 2012 the Sri Lankan and Chinese companies, Supreme SAT (Pvt) Ltd and the China Great Wall Industry Corporation, launched a communication satellite.⁴³ This was seen in Colombo as a missed opportunity for India and indicated the level of closeness shared by China and Sri Lanka. This cooperation was further extended when in 2017, the China's Wuhan Optics Valley BeiDou announced its plans to establish 10 Continuously Operating Reference Stations (CORS) in Sri Lanka to extend its Beidou Navigation System (BDS). This is an effort to extend the Chinese navigation system to South Asia.⁴⁴ In 2018 Cai Xiaoru, chairman of the Shenzhen listed company, Tatwah Smartech announced its interest in investing upto \$30 million in SupremeSAT, the Sri Lankan satellite company. He also said that Sri Lanka was in a good position to get investments under the OBOR “because of Sri Lanka's unique geographical location”.⁴⁵

The trade between China and Sri Lanka has been consistently growing and in 2017 their bilateral trade was around \$4.4 billion.⁴⁶ However, the Sri Lankan Government appears to be cautious when it comes to the Free Trade Agreement (FTA) which was announced in August 2013. The Chinese and the Sri Lankan sides have been negotiating this deal as Sri Lanka is worried about the unrestricted flow of Chinese goods. The Sri Lankan ambassador to China, Karunasena Kodituwakku, expressed these concerns when he said, “Chinese

imports are very important to Sri Lanka, but opening up the whole thing in a short time may make some problems for local companies. Therefore, we have to balance it".⁴⁷ The two major hurdles in the way of concluding the pact are: First, the demand for 'revisiting the situation in ten years,' as Sri Lanka wants to be able to review the situation under the FTA in a decade which is not acceptable to Beijing; and second, Beijing wants a zero tariff agreement on almost 90 per cent of the goods traded between the two countries, while Colombo wants this to be applicable to around 50 per cent of the goods.⁴⁸

The delay in the FTA agreement also indicates that Sri Lanka wants to balance Indian concerns with the Chinese push for investments. It will also help Sri Lanka in maintaining some strategic autonomy and control over its domestic economy.

One Belt One Road

The OBOR, which is a grand global initiative proposed by Xi Jinping in 2013, is packaged by China as a win-win opportunity for everyone. The Chinese have announced major investment plans across the globe for the improvement of infrastructure and connectivity to help facilitate trade and the flow of people. Sri Lanka is an important part of this grand scheme of China. Even though Colombo has been struggling to repay the \$8 billion debt it owes China, the Chinese Government under the OBOR scheme, has shown its interest to invest a further \$24 billion.⁴⁹ The Sri Lanka foreign minister Ravi Karunanayake has defended his country's decision to join the OBOR by arguing that "We are a small country and our foreign policy is, friends with all, enemies with none".⁵⁰

A joint statement issued at the conclusion of the official visit of Prime Minister Ranil Wickremesinghe to China in April 2016, stated that Sri Lanka reiterated its active participation in the Belt and Road Initiative put forward by China, as Sri Lanka was in ancient times, the center of the Indian Ocean trade and, intends to re-establish this status once more. The two sides agreed to promote mutually beneficial cooperation for development. Sri Lanka shared the interest of China in building the 21st Century Maritime Silk Road for greater economic cooperation, which will be a road of friendship, economic cooperation, socio and cultural exchange and connectivity. The two sides will use the development of a 21st Century Maritime Silk Road as an opportunity to further advance infrastructure development, the China-Sri Lanka FTA negotiations, promote joint ventures and expand cooperation in the areas of economy, culture, science and technology and people to people contacts to ensure that development brings benefits and more deliverables to the people and to build a community that have a shared destiny.⁵¹

The Sri Lankan Minister for Foreign Affairs Tilak Marapana met Wang Yi, his Chinese counterpart in Beijing on October 30, 2017. During this visit Wang Yi asserted the importance of OBOR for this relationship and also highlighted five areas for mutual cooperation. These included, strengthening of traditional friendship and political trust, cooperation on major projects, traditional trade and investment cooperation, maritime cooperation, and people to people exchanges.⁵² However, the Sri Lankan Government has learnt its lesson, that even though China appears to be an alternative to existing lending institutions like the World Bank and International Monetary Fund (IMF), which are seen to be intrusive, the Chinese loans also come with major strings attached.⁵³ There is also no major gain for the domestic economy in terms of jobs and other avenues, as the Chinese companies tend to bring their own workforce and rarely employ the local people; even the machinery is imported from China.

The experience of Sri Lanka, generally referred to as the Sri Lankan model of Chinese investment, has been a major learning point for all the smaller South Asian countries, who appear keen to accept the supposedly ‘no strings attached’ loans and infrastructure investments from Beijing. Tom Miller argues that ‘For China to realise its Asian dream, it has to live up to its promises of delivering mutually beneficial development. For as long as the suspicion remains that Beijing’s much-vaunted ‘win-win’ diplomacy really represents a double victory for China – and that its friendly words about shared commercial gain are really a smokescreen for more self-interested objectives – it will fail to win the trust of its neighbours’.⁵⁴

The Chinese investments pattern looks more like a newly packaged ‘neo-colonialism’. China, which has never forgotten the unequal treaties and what they did to its economy and society, is actually repeating the same with other smaller and weaker countries. These new ‘unequal treaties’ are accompanied by the promise of investment and growth, but in the long run they are aimed at increasing Chinese control over territories and governments.

Conclusion

The growing Chinese investments in Sri Lanka have provided China with increased leverage in the South Asian region. These have also impacted the dynamics of the Sri Lanka-India relations. With large sums of money flowing from Beijing to Colombo, there has been an increase in Chinese influence in Sri Lanka. New Delhi has also been forced to wake up to the reality of China becoming increasingly more influential in South Asia. This realisation has pushed India to accept the concerns of its smaller neighbours, particularly the importance of timely delivery on promises. The acknowledgement of Chinese influence in Sri Lanka can be gauged from the

fact that both the Indian and the Chinese leaders visited the country, back to back, after a gap of around 28 years. The Indian prime minister again visited Sri Lanka in 2017, which is the smallest gap between visits, in the last three decades, further underpinning the importance of Sri Lanka for India and the role it plays in India's strategic concerns.

Realistically speaking, it will be difficult for India to compete with China on a project by project basis, as India has limited resources and it also needs to primarily focus on its domestic development. One will have to wait and see the direction this competition will take. India considers South Asia to be its natural sphere of influence, but with increasing Chinese inroads, it is forced to compete with China to maintain the position of leadership. There is a growing concern in the Indian strategic community over the increasing influence of China. India will have to adjust and accept the fact that the China has already become a prominent player in the South Asian region, especially in Sri Lanka. It has used its economic clout to gain strategic footholds and will continue to aggressively pursue its agenda. China has shown its desire for overseas bases with the inauguration of the Djibouti base. With these developments and the access to two very important ports in Sri Lanka the question is how will the Chinese use these bases. China has been strategically using its financial leverage to gain access and control of critical infrastructure in a number of countries and Sri Lanka is no different.

The Sri Lankan Government has been sending positive signals to the Indian side in the last few years. Both sides have been discussing the development of Special Economic Zones (SEZs). The Sri Lankan finance minister Ravi Karunanayake was quoted in the *Hindu* as saying, "We want to be to India what Hong Kong is to China."⁵⁵

In the last few years the Sri Lankan Government has attempted to withstand Chinese demands and has been trying to pursue an independent foreign policy, but only time will tell how long it will be able to resist Chinese pressure. The Sri Lankan Government has been 'welcoming' investments and agreements with New Delhi as well. Colombo has been arguing that after the successful conclusion of the FTA with Singapore it is keen to have similar agreements with both India and China. In the words of Foreign Secretary Prasad Kariyawasam, "Sri Lanka's goal is to be a hub for the Indian Ocean".⁵⁶ However, in 2017 the anti-Chinese investments protests vis-à-vis the Hambantota Port deal turned violent. The people are worried about their land and rights. According to a protestor (who is against the construction of the industrial zone by China), "We are firmly against this project. We don't want our land to be given to the Chinese. We are not leaving the area".⁵⁷

India will have to be more proactive in its 'Neighbourhood First' approach. It will also need to improve its track record of being able to fulfil its commitments and promises. India's benign image and its strong soft power have some appeal, but in order to make these more appealing, they will have to be accompanied by economic and military benefits. Fortunately, in recent months one has noticed a sense of urgency in the follow up action, particularly in Nepal and Bangladesh. That needs to be extended to Sri Lanka as well, where the Sirisena Government appears to be under greater pressure to deliver on promises and is looking for more energetic support from New Delhi.

Annexure

For easy and quick recapitulation, some of the major Chinese and Indian investment and cooperation projects in Sri Lanka, are listed below.

Chinese investments in Sri Lanka 2008 to 2013

- Hambantota port and a nearby airport were built from 2008 under the Rajapaksa government with the help of \$1.7 billion in Chinese loans.⁵⁸
- By 2010 China had become the biggest supplier to ports of cranes used to move shipping containers in Sri Lanka, overtaking South Korea and Japan.⁵⁹
- Till 2010 China, through the Export Import Bank had loaned Sri Lanka railways around 100 million dollars.⁶⁰
- Between 2012-2014, China had committed around \$2.18 billion, mostly as loans with a high rate of interest.⁶¹

Chinese investments in Sri Lanka 2013 to 2018

- In 2016 state-controlled China Merchants Port Holdings signed a deal with Sri Lanka for an 80 per cent stake in the Hambantota port. By the end of 2017, Sri Lanka signed a 99 year lease for the handling and maintenance of the Hambantota port.⁶²
- Chinese government under the OBOR scheme has shown interest to invest a further 24 billion dollars.⁶³
- China Harbour Engineering Company (CHEC) is building a port city from reclaimed land in Colombo which will consist of corporate buildings, housing complexes, hotels, beaches and commercial complexes. It has around two thirds of the leased land for 99 years with the aim of completing the project by 2040. This will invoke a foreign direct investment of around 15 billion dollars.⁶⁴

- China Communication Construction Company (CCCC) will invest \$800 million to build an underground road network in Sri Lanka's Port City, a \$1.4 billion project built on reclaimed land, a government minister said.⁶⁵
- In the year 2017 the Chinese Foreign Direct Investment (FDI) in Sri Lanka amounted to 35 percent of the total.⁶⁶
- In 2017 around 200,000 Chinese tourists visited Sri Lanka.⁶⁷
- In May 2018 Sri Lanka's Megapolis and Western Development Ministry signed a contract with the China Petroleum Pipeline Engineering (CPPE) to construct underground sewage and pipelines in Colombo with a completion timeline of 2020.⁶⁸
- In addition to this in May 2018 the Chinese government also approved a loan of 1 billion dollars for the construction of the first phase of the road linking Colombo with Kandy.⁶⁹
- The Bank of China has opened its first branch in Colombo in March 2018.
- The trade between China and Sri Lanka has been consistently growing and in the year 2017 bilateral trade was around 4.4 billion dollars.⁷⁰
- Investment of 295 million dollars for the construction of a kidney hospital at Polonnaruwa.⁷¹

Indian Investments in Sri Lanka

- In July 2018 the Indian government funded emergency ambulance service was launched in Sri Lanka. The total cost of this project is expected to be around 22.8 million dollars.⁷²
- In January 2018 the Indian government had announced financial assistance of 45.27 million dollars to help Sri Lanka upgrade its Kankesanthurai (KKS) Harbour in the north into fully a commercial port.⁷³
- The Indian Railways secured its largest export order to Sri Lanka Railways for the supply of 10 broad gauge diesel locomotives and six DMU (diesel multiple units) in April 2017. This deal is worth 97 million (as per 2018 conversion rate) (Rs 680 crore).⁷⁴
- In June 2017 India signed an agreement with Sri Lanka to provide 318 million dollars as line of credit to develop its railway sector. Till date India has provided four lines of credit of around 966 million

dollars. These have helped Sri Lanka develop and improve its northern and southern railway lines and also better the facilities.⁷⁵

- India has offered to set up a joint venture with Sri Lanka to manage and expand facilities at the loss-making Mattala airport, which sits adjacent to the Hambantota seaport. The initial investment would be \$293 million, of which India will provide 70 percent on a 40-year lease.⁷⁶
- Till 2017 India had provided development assistance worth over 2.5 billion dollars to Sri Lanka.⁷⁷
- Between the years 2015-2017 India's exports to Sri Lanka amounted to 5.3 billion dollars and its imports amounted to 743 million dollars.⁷⁸
- In 2017 the number of Sri Lankan refugees being taken care of by India in Tamil Nadu was around 100,000.⁷⁹
- As per 2017 India was actively involved in the construction of 46,000 homes in the north and east of Sri Lanka and also working towards the restructuring of the railway line from Omanthai to Pallai. These were a part of the 800 million dollars line of credit which was extended to Sri Lanka by India.⁸⁰
- In 2017 around 384,000 Indian tourists visited Sri Lanka⁸¹ while in the first half of 2018 around 206,337 Indians visited Sri Lanka and there are talks on for visa free entry.⁸²
- India has also shown interest in 2016 to develop a railway line from Trincomalee to Medawachchiya in Sri Lanka. This will be built at a cost of around 300 million dollars.⁸³
- In 2015 during the visit of Prime Minister Narendra Modi 27,000 new homes were given to Tamils in Jaffna who had become homeless during the Sri Lankan civil war. These homes were built with Indian assistance.⁸⁴
- India is among the top four investors in Sri Lanka. From 2003 to 2017 the total Indian investments in Sri Lanka amounted to 1 billion dollars.⁸⁵
- India and Sri Lanka had signed a Free Trade Agreement in December 1998 which came into force on March 1, 2000.⁸⁶ There are talks underway to expand the scope of the existing FTA to talks are on to widen the scope of this pact by including services and investments. It is expected that the talks will be concluded by December 2018.⁸⁷

Sri Lanka and India signed a MoU in 2017⁸⁸

- Setting up of a Liquefied Natural Gas (LNG) plant in suburban Colombo and a solar power plant in Sampur in Trincomalee;
- Indian assistance to enhanced use of natural gas in Sri Lanka;
- Joint investment in the petroleum sector and partnerships in highways and transportation,
- The proposed joint venture to develop a World War-era oil storage facility in Trincomalee, the strategically located port town on the island's east coast.

Endnotes

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