

# **Issues with Hambantota port**

### What is the issue?

\n\n

∖n

• Recently Sri Lanka and China signed the Hambantota Port Concession Agreement.

\n

- This effectively converts the loans bought by Srilanka for the development of the port into equity.  $\gamma_n$ 

\n\n

## What are the highlights of Hambantota port agreement?

\n\n

∖n

• China will pay USD 1.12 billion upfront in a debt-equity swap in the ratio of 70:30 approximately.

\n

- The China Merchant Port Holdings Company (CMPort) gets 69.55% of the shares and the Sri Lanka Ports Authority (SLPA), holds the remainder.  $\n$
- The agreement leases out the port to CMPort for 99 years, after 10 years SLPA can buy equal shares.  $\$

\n\n

### What are India's Concerns on this issue?

\n\n

\n

- $\bullet$  India's main concern has been the long term impact of Chinese stateowned companies acquiring equity in the Sri Lankan economy.  $\n$
- The extent to which Chinese influence on Sri Lanka's economy would affect Colombo's ability to practice an independent foreign policy is also

an issue.

∖n

- Chinese influence in Sri Lanka will have serious implications for the latter's relationship with India.  $\n$
- Sri Lanka in its recent argument cleared that the port is specifically prohibited from activities involving military personnel and/or any kind/type of activities of military nature whatsoever.  $\n$
- But Sri Lanka is now fallen into Chinese debt trap whether it will keep its stand is a big doubt for India.  $\n$

\n\n

\n\n

#### Source: IDSA

