

Issues with Hambantota port

What is the issue?

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

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

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What are the highlights of Hambantota port agreement?

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

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- 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. $\$

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What are India's Concerns on this issue?

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- \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.

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- 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

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Source: IDSA

