

TERMINAL DECLINED: THE HINDU EDITORIAL ON SRI LANKA RENEGING ON COLOMBO EAST CONTAINER TERMINAL

Relevant for: International Relations | Topic: India - Sri Lanka

The [Rajapaksa government's decision to overturn Sri Lanka's tripartite agreement](#) to develop Colombo's East Container Terminal is [a setback to India and Japan](#). The project, worth an estimated \$500-\$700 million, was a key marker for infrastructure investment in the island nation where Chinese projects are most prominent. More than two-thirds of trans-shipment at this port is tied to India, making it an important trade and connectivity link. Japan has been a keen supporter of Sri Lanka's growth story, with its loans of about ¥1.1 trillion and grants and technical cooperation of about ¥300 billion. As a joint venture for India and Japan to invest in, the ECT project was also expected to showcase how the two Indo-Pacific partners, and also Quad members, could provide South Asia with viable, transparent and sustainable alternatives for financing and development. The sharp statements from New Delhi and Tokyo now reflect their deep disappointment and their suspicions about the motivations. The ostensible reason for the Rajapaksa government's decision is growing pressure from port union groups which have opposed any foreign participation, and threatened a "work-to-rule" agitation if ECT operations were handed to the Adani group, as proposed. India has also had some misgivings about whether the Rajapaksa brothers, who became President and Prime Minister in 2019-2020, would in fact honour the commitments made by the previous government, given the acrimony between the two governments. Similar commitments made by former PM Ranil Wickremesinghe during a visit to Delhi when he signed an MoU for developing the Eastern city of Trincomalee through oil and infrastructure projects also appear to have fallen by the wayside. The larger question of a possible Chinese role in the ECT decision also hangs over the decision, given that other terminal projects at the Colombo Port such as the Colombo International Container Terminal, have not faced similar pushback. It is also curious that given its financial difficulties, Sri Lanka felt confident in taking a decision guaranteed to upset such important donors.

New Delhi has said it continues to engage Sri Lanka on the ECT issue, although it remains cold to Colombo's alternative offer of developing the West Container Terminal. Over the past year, the Modi government has invested much time and resources to India-Sri Lanka ties, including a new credit line, currency swap agreement, and COVID-19 assistance and vaccines. NSA Ajit Doval and EAM S. Jaishankar have visited Colombo more than once, and Mr. Modi has hosted President Gotabaya and Prime Minister Mahinda. India has also set much store by its partnership with Japan, which could be a template for similar projects, as a counter to China's BRI. There is much at stake for all three countries to derail the partnership. It is in all their interest, but primarily Colombo's, to find a compromise formula to salvage a deal that has far-reaching consequences for the region.

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