

INDIA, JAPAN COOL TO COLOMBO OFFER OF NEW PORT PROJECT

Relevant for: International Relations | Topic: India - Japan

Severed ties: Japan had reacted sharply to being removed from the MoC for the East Container Terminal project. File photo

Days after the Sri Lankan Cabinet decided to allocate Colombo's West Container Terminal (WCT) to an Adani Group consortium to compensate for cancelling the East Container Terminal (ECT) agreement, previously signed by India and Japan, both New Delhi and Tokyo have signalled their distancing from the decision.

"Our High Commission in Colombo has already conveyed to the Government of Sri Lanka (GoSL) that their media release, in so far as their reference to the approval of the (Indian) High Commission, is factually incorrect," Ministry of External Affairs (MEA) spokesperson Anurag Srivastava said on Friday, speaking about the Cabinet notification issued on March 1 (<https://www.dgi.gov.lk/news/cabinet-decisions>) that had said the proposal presented by the Adani group and Special Economic Zone Ltd, a consortium called APSEZ, had been "approved" by the Indian High Commission.

"We understand that GoSL has engaged directly with investors on this project," added Mr. Srivastava, indicating that New Delhi had not been apprised of the negotiations directly.

The Japanese government has not yet responded officially to the Sri Lankan offer for the WCT, but it had reacted sharply to being ousted from the previous Memorandum of Cooperation (MoC) with India and Sri Lanka for the neighbouring ECT project, and had called the decision "regrettable".

"We (Japan) have been in touch with (governments of) India and Sri Lanka, but Japan has not made any decision regarding the West Coast Terminal (WCT)," a senior diplomatic official told *The Hindu* on Friday.

However, another diplomatic source said both India and Japan were keen to remain engaged in Sri Lanka.

When it was signed in May 2019, the trilateral MoC between India, Japan and Sri Lanka for the ECT was a government-to-government agreement, expected to send a strong strategic signal in the region, as India and Japan planned to collaborate to fund and develop infrastructure projects in South Asia, where thus far China had a bigger role. Japan is understood to have offered very generous terms at the time, for a 40-year soft loan with a 0.1% interest rate to help fund the ECT.

Japan's reluctance to accept the WCT offer instead of the ECT could be a blow to the new agreement, which is now a public-private partnership driven by the Adani group.

"In the Sri Lanka port project, Adani group is committed to make investment to the tune of \$400 million (approximately Rs. 3,000 cr) to develop the terminal and other infrastructure," a senior Adani Group representative said in response to a query. He added that the investment would be met from the company's own resources, and not linked to funding from Japan.

(With Inputs from Mahesh Langa in Ahmedabad)

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