

THE TALE OF TWO TERMINALS IN COLOMBO

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Transshipment hub:The Colombo Port has five terminals at present, including the Chinese-run CIC Terminal.

In a Cabinet decision on February 1 this year, Sri Lanka booted India and Japan out of a 2019 deal to jointly develop the East Container Terminal (ECT) at the Colombo Port, as trade unions and sections of the Buddhist clergy vehemently opposed foreign involvement in the strategic national asset. Further, some raised questions about the possible conflict of interest, given that the Adani Group operates about a dozen ports in India.

Both India and Japan expressed displeasure at the Sri Lankan government's "unilateral" decision.

As an alternative, the Rajapaksa administration offered the West Container Terminal (WCT) at the Port to India and Japan for joint development on new terms, with higher stakes of 85 % for the foreign partners. On March 1, the government approved a joint venture with the Adani consortium to develop the WCT, on a build-operate-transfer basis for 35 years. But Sri Lanka's change in course has been far from smooth.

Both India and Japan have distanced themselves from the decision. New Delhi has termed Colombo's statement that the Indian High Commission had approved the Adani Group's proposal to develop the WCT "factually incorrect". Japan is yet to name an investor, according to Sri Lanka's Cabinet spokespersons.

Colombo's response

Asked about New Delhi's reaction to Colombo's March 1 Cabinet decision, spokesman Udaya Gammanpila said on Tuesday, that the Indian government had "nominated" the Adani Group to invest in the ECT. Therefore, the Sri Lankan government "assumed" that the Group was the nominee for the WCT project too, as it was "the very same investment", and only a "change in investment location".

Two projects

The Colombo Port has five terminals at present — South Asia Gateway Terminal (SAGT), Jaya International Terminal (JCT), Colombo International Container Terminal (CICT), Unity Container Terminal, and the ECT. The proposed WCT is to come up at the Port's western end.

Although both ECT and WCT are located in the same port, there are crucial differences in their proposed development.

The ECT is partially functional with a 600-metre quay wall, backyard, and gate complex. It awaits further development to augment operations and cargo transfers, at an estimated cost of \$700-800 million. The WCT, on the other hand, exists only as an idea with no physical infrastructure, such that its development would require greater investment and take more time to be profitable.

In the ECT deal, the Sri Lanka Ports Authority (SLPA) was to hold a majority stake of 51%, while Indian and Japanese investors were to hold 49% together. The more recent WCT deal that Sri

Lanka's Foreign Secretary called a "compromise" envisages 85% for the Indian and Japanese investors, for 35 years, while the SLPA would hold the rest. The arrangement is similar to the CICT, where China Merchants Port Holdings Company holds an 85% stake.

According to Cabinet spokesman Mr. Gammanpila, the "nationalist forces" as well trade unions "strongly" view the ECT as "a strategically important terminal" and it should not be developed by a company with a conflict of interest. "But WCT is not considered as important as the ECT, therefore, their [Adani Group's] experience in the port sector would be considered as a positive factor, not a negative factor."

Questions about the deal

In terms of foreign relations, the government's abrupt exit from an existing international agreement surprised, and even shocked, many. Domestically, too, the government faces several questions.

While the government claims that a "majority" of trade unions are on board with the new proposal, a section of unions see the WCT offer to India, as being as problematic as the former ECT deal. Their opposition was principally to foreign involvement in national assets.

The government's political rivals, including the main opposition party Samagi Jana Balawegaya and the leftist-nationalist Janatha Vimukthi Peramuna are also opposing the decision, accusing the government of back-tracking.

Implications

Industry representatives, who favoured private partnerships to develop the Colombo Port as an international hub, are unconvinced of Colombo's policy switch. Rohan Masakorala, maritime shipping expert and CEO of the Shippers' Academy Colombo, said it was "a big mistake". "Making the ECT a 100% public terminal without a partnership with international consortiums or port operators is purely a political decision, not an economic one," he said, adding that the move could cost the Colombo Port in its efficiency in the medium to long term. "It also gives potential investors here mixed signals, because the government's position was volatile and not direction driven," he told *The Hindu*. The latest WCT proposal also begs the question that if there is no governmental agreement from India or Japan this time, why didn't Colombo choose the investor through a competitive international bidding process? Observing that "ideally" Colombo should have gone for such a bid, Mr. Masakorala said: "But we walked into a situation that required damage control."

Experts have for long maintained that if the Colombo Port is to become an international hub it would need to collaborate with foreign shipping companies, port operators and logistics companies. Especially because 81% of the total cargo arriving at the Colombo Port is transshipment cargo, while only 19% accounts for domestic cargo. Over 70% of the transshipment business is linked to the Indian market — a reason that successive governments cited for Indian involvement in the terminal development projects.

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