

SRI LANKA, JAPAN & INDIA SIGN DEAL TO DEVELOP CONTAINER TERMINAL

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

Sri Lanka, Japan and India on Tuesday signed an agreement to jointly develop the East Container Terminal at the Colombo Port.

The joint initiative is estimated to cost between \$500 million and \$700 million, a senior official of the Ministry of Ports, Shipping and Southern Development told *The Hindu* .

The signing of the Memorandum of Cooperation (MoC) is significant, given that the countries had been negotiating the deal since last year with little success.

As per the agreement signed on Tuesday, the Sri Lanka Ports Authority (SLPA) retains 100% ownership of the East Container Terminal (ECT), while the Terminal Operations Company is jointly owned, the SLPA said in a statement.

Sri Lanka will hold a 51% stake in the project and the joint venture partners will retain 49%. The ECT is located some three km away from the China-backed international financial city, known popularly as “port city”.

40-year soft loan

“Japan is likely to provide a 40-year soft loan with a 0.1% interest rate,” said Sudarshana Gunawardana, director of development communications at the Prime Minister’s office. The SLPA described the “envisaged Japanese loan” as “one of the best loan terms Sri Lanka has obtained”.

Details of India’s contribution to the initiative are awaited, but New Delhi’s interest in partnering the project is well known. Over 70% of the trans-shipment business at the strategically located ECT is linked to India, according to official sources.

However, last year, India’s possible role in developing the terminal had become a major flashpoint within the government. President Maithripala Sirisena had opposed any Indian involvement in the project, as roping in foreign actors for developing “national assets” remains a politically sensitive call in the island, especially among nationalist trade unions. Mr. Sirisena and Prime Minister Ranil Wickremesinghe had a heated argument on the matter during a Cabinet meeting in October 2018, with the PM apparently more inclined towards allowing Indian participation.

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