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## China's New Project in Sri Lanka

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### Why in News

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Recently, a Chinese company has won a contract to set up **hybrid wind and solar energy projects on three Sri Lankan islands** off the northern Jaffna peninsula **45 km from Rameswaram in Tamil Nadu**.

**Asian Development Bank (ADB)** will fund the project, which will come up on **Delft, Nainativu and Analativu**, three islands in the **Palk Strait off Jaffna peninsula**.



### Key Points

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- **About the Islands:**

Delft, the largest of the three islands, is the **closest to Rameswaram, Tamil Nadu**, which lies to the island's south west.

- Between the two is **Kachchativu**, the tiny island that **India ceded to Sri Lanka in 1974**.
- The waters around these islands are an area of contest and **rivalry between Tamil Nadu and Jaffna fishers**.
- The matter has been on the bilateral agenda for decades.
- India and Sri Lanka agreed to set up a **Joint Working Group (JWG) on Fisheries in 2016** between the Ministry of Agriculture and Farmers Welfare of India and Ministry of Fisheries and Aquatic Resources Development of Sri Lanka as the mechanism to help find a permanent solution to the fishermen issue.

- **Sri Lanka's Stand:**

It cannot be blamed for this decision, because the **project is backed by the ADB, which has its "own procurement guidelines** that should be followed by the borrower".

- **India's Concern:**

- The **project site's proximity to the Indian coastline**.
  - Chinese presence in the vicinity is not welcomed especially when India already has many unresolved issues with China.
  - This deal came at a time when **India's confrontation with China in Ladakh** is yet to be resolved.
- Recently, the Sri Lankan government cancelled the contract with India and Japan for the **Eastern Container Terminal (ECT)**.
  - The tripartite agreement, signed by India, Sri Lanka and Japan, proposed to develop the ECT, which is located at the newly expanded southern part of the Colombo Port.
  - For India, the ECT deal was important as around 70% of transshipment that takes place through it is India-linked. The ECT is also considered more strategic than any other in Colombo Port.

- **India's Stand:**

India had lodged a **strong protest** with the Sri Lankan government on the contract to the Chinese company.

In 2018, **India voiced concern over China's USD 300 million housing project** for war-affected areas, accusing the Resettlement Ministry [of the former government] of holding an "opaque" bidding process.

The project was **eventually dropped**.

## **China's Rising Influence in South Asia**

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- **Recent Initiative:**

In January 2021 China held its **third multilateral dialogue** virtually **with countries from South Asia** to take forward closer cooperation on fighting **Covid-19 and coordinating their economic agendas**, reflecting a new approach in Beijing's outreach to the region.

- **Other Initiatives:**

According to the American Enterprise Institute's China Global Investment Tracker, **China has committed around 100 billion USD in the economies of Afghanistan, Bangladesh, the Maldives, Pakistan, Nepal and Sri Lanka.**

China is now the largest overseas investor in the Maldives, Pakistan, and Sri Lanka.

- **Concerns for India:**

- **Security Concerns:**

- Growing cooperation between Pakistan and China.
- Increasing nexus between Nepal and China.
- Acceptance to China-Pakistan Economic Corridor by south asian countries.

- **Leadership Roles in South Asia:**

It shows increasing chinese presence in south asia and its acceptance by the countries as a torch bearer for the region which India wants for itself.

- **Economic Concerns:**

- Over the past decade, **China has replaced India as the major trading partner of several South Asian countries.**
- For instance, the share of India's trade with Maldives was 3.4 times that of China's in 2008. But by 2018, China's total trade with Maldives slightly exceeded that of India.
- China's trade with Bangladesh is now about twice that of India. China's trade with Nepal and Sri Lanka still lags India's trade with those countries but the gap has shrunk.

## Way Forward

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- India does not have the economic capacity as China. Thus it should **cooperate with China for the development of these countries** such that fruits of development collectively reach South Asia. Further **India should invest in countries where China falls short** and maintain its good will in South Asia and prevent these nations from slipping off from India's Influence.
- Along with strongly condemning the plans for extension of the **China-Pakistan Economic Corridor**, India also **needs to focus more on its traditional and cultural ties** to improve relations with its neighbours.

**Source: TH**