



## China's New Project in Sri Lanka

### Why in News

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

- **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

- **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

- 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.

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