



One Belt and One Road and Multi-Field Cooperation: A Sri Lankan Perspective

Janaka Wijayasiri, IPS

Bilateral Relations

- Centuries of friendship

"Both share the view that China and Sri Lanka are good friends who have been through the test of time and no matter what changes take place in the international landscape and in our domestic environment our friendship and cooperation will always move forward." Chinese PM Li Keqiang during SL PMs visit to China in April 2017

- Rubber & Rice Pact (1952); Establishment of diplomatic relations (1957)
- In 2014, CH and SL entered into a strategic cooperative partnership covering economy & trade, infrastructure development, science & technology, education & culture
- CH has made important contributions to SL's economic & social development
- CH has provided preferential loans of over RMB40 bn and donations of more than RMB 10mn
- CH has constructed a number of mega projects (A9, Colombo-Katunayake Expressway, Norochocholai Coal Power Plant, Colombo South Container, Mattala Airport, Hambantota Port)
- In the past, CH has donated: BMICH, Supreme Court Complex, Nelum Pokuna
- Health: support SL's efforts to deal with chronic kidney disease

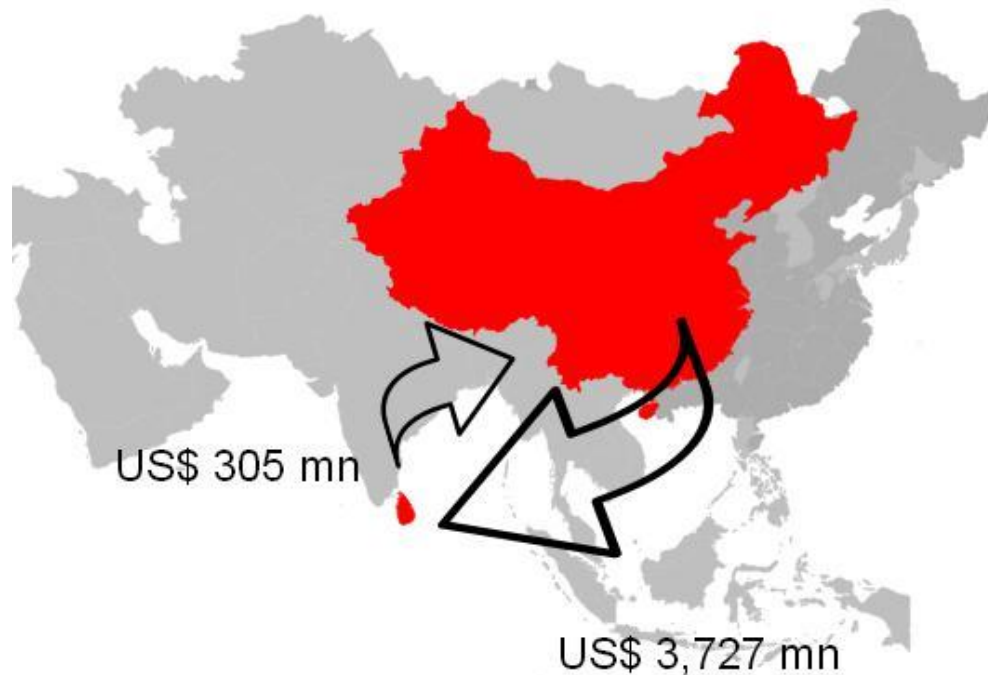
Human resource development: 12000 traineeships & scholarships

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Bilateral trade with China

Sri Lanka's trade with China has been growing faster than its trade with the rest of the world over the last 5 years and China has emerged as:



- Sri Lanka's 2nd largest trading partner
- 2nd largest source of imports after India
- 6th largest export market after USA, UK, India, Germany, Italy
- 5th largest FDI
- 2nd largest source of tourists

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OBOR and Sri Lanka

- SL recognizes OBOR as an important initiative and has pledged support.
- It coincides with SL's vision of establishing as a hub; SL can play an important role in building the MSR given its locational advantage in the Indian Ocean.
- SL played an active role in the ancient Silk route acting as an entreport of trade for exchanging commodities.
- SL connects Asia and Africa and links the South Asian Subcontinent
- SL's geographical location in the region combined with its historical involvement in maritime cooperation makes the island a strategic partner in the MSR.
- SL has relatively cordial relationship with nearly all SA neighbors. It is the only country, apart from Maldives, that does not share land borders with SA countries.
- It has played an intermediary role in inter-state issues/conflicts. If CH is to deepen its connection with the countries in the Indian Ocean region, especially in South Asia, SL is the most suitable platform.

OBOR and Sri Lanka

- CH has lent heavily to build highways, a port and airport in Hambantota, whilst it has made an investment of over \$ 500mn m to build a modern South Container Terminal in the Colombo Port
- Work will re-commence on Sri Lanka's largest FDI project: \$1.5 billion Colombo Port City Project by China Harbour Engineering Company Ltd., which will expand the development space of Colombo and stimulate investment and employment
- Houses a star class hotel, shopping and entertainment centers, offices, a marina and yacht club, a central boulevard, apartment complex, and a mini golf course, on 252 hectares of reclaimed land
- The initiative is an important stopover on the MSR and strengthen SL's position as a trade hub in the Indian Ocean
- CH will also be investing in an industrial zone in the south of the island as part of OBOR
- SL is a member of the Asian Infrastructure Investment Bank(AIIB) which will finance infrastructure development in region

OBOR & SL

- OBOR initiative includes five key cooperation priorities/objectives: 1) policy coordination, 2) connectivity, 3) unimpeded trade, 4) financial integration, and 5) people-to-people bonds.
- Already there have been a number of activities with regard to building 'connectivity' through Chinese mega infrastructure projects in Sri Lanka while Sri Lanka and China are working towards facilitating bilateral 'trade' through a FTA.
- With improved connectivity as a result of OBOR, countries participating in the initiative are likely to see an expansion of trade and investment with China.
- With regard to 'financial integration', Sri Lanka has already joined the AIIB and there has been considerable 'people to people' exchange through cultural and academic exchanges, technical cooperation, tourism, etc.

OBOR: Challenges

- OBOR initiative has raised suspicions on CH's intentions behind the ambitious plan. This is mainly due to the lack of cooperation and trust and competition for power with other super powers
- Success of the initiative will depend by and large on geo- political factors.
- Mutual trust will be important in addressing some of the challenges at hand
- SL can play a significant role in helping CH to gain trust from most countries in SA. SL can provide the necessary platform for the CH to connect further with Indian Ocean Region countries and cement relationships.
- Dialogue and discussions open to multiple parties and the outcome transparent to many.

OBOR: Challenges for SL

- Lax lending standards could undermine progress of OBOR, if countries use funds to pursue unfeasible development projects; CH investments will suffer as debtors struggle to pay back loans.
- So far, existing efforts have been geared towards enhancing infrastructure connectivity, while others have been given relatively less prominence.
- There is still very little awareness of the initiative in Sri Lanka.
- So far, the country's experience with OBOR has been strongly linked to infrastructure connectivity and unimpeded trade; less emphasis on other priority areas of cooperation.
- Though OBOR appears to be promising, the lack of a detailed plan makes it difficult to capitalize on the initiative fully and assess its long-term benefits and implications for the country.
- Going forward, Sri Lanka will benefit from greater information/participation on the OBOR to determine how best the initiative can be translated into concrete outcomes for the country in the years to come.



Institute of Policy Studies of Sri Lanka

100/2 Independence Avenue,
Colombo 7, Sri Lanka

T: +94 11 2143100

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