



## Pathfinder Economic Flash

### A Strategizing to Maximize Benefits from Chinese Economic Expansion and Diversification

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Akin to figures painted on a wall  
Friends do not dodge at all  
May he be in joy or grief  
Hedge of genuine friends no brief  
(Salalihini Sandeshaya- Thotagamuwe Sri Rahula Thero)

Sri Lanka has utilized its newly found freedom from 30 years of terrorism and bloodshed for the promotion of several development projects and programs over the past few years. The primary objective of these types of projects, is to make Sri Lanka an international and/or regional hub for maritime, aviation, commercial, education and energy businesses. Whilst this strategy has been conceptualized and presented as a manifesto in 2005, it appears to be very coincidental to the Sri Lankan pursuit of development that the Chinese Government has launched the Marine Silk Road (MSR) proposals that are primarily designed to facilitate trade and investment cooperation between the countries linked by their geographical proximity to the historical Silk Route. Due to its convenient location along the Silk Route, Sri Lanka is therefore well positioned to take the advantage of the MSR proposals. Hence, this is an opportune moment to reflect on the Sri Lanka-China relations with an especial focus on China's contribution to economic development process of Sri Lanka.

Common religious and cultural values have enabled China and Sri Lanka to sustain an excellent relationship over a period of 20 centuries. From the time of Fa Xian, The Chinese scholar monk who visited Sri Lanka in the 5<sup>th</sup> century AD until the time of Independence, several people to people exchanges have taken place between the two countries. Since Independence, irrespective of the political party that was in power, several landmark agreements have been reached between Sri Lanka and China. All these agreements have contained mutually beneficial clauses. More so, these agreements have impacted Sri Lanka more favorably. As an example, the most noteworthy of such landmark deal was the 1952 Sino-Lanka Rubber-Rice Pack which has been entered into

by the Sri Lankan leadership in spite of the objections from the US and other Western countries. This agreement invariably 'saved' Sri Lankans from being starved of their staple food.

Since the signing of first Agreement of Economic and Technological Cooperation in 1962, Sri Lanka and China have entered into many other agreements with the objective of providing large scale assistance to Sri Lanka's economic and social development.

With the spirit of true friendship, China's assistance has been directed to many other areas, especially in the construction of monumental structures with everlasting economic utility. The establishment of BMICH is one such example. Similarly, one can note the Sri Lankan Supreme Court Complex, Central Mail and Telegram Complex as being among the Chinese built landmarks in our capital city. Of course, the Nelum Pokuna Theater complex and the Nelum Kuluna (Lotus Tower) will probably be the key Chinese built structures to attract the attention of foreign visitors as well. Attention to the infrastructure has always been in the agenda between Sri Lanka and China. China has provided assistance with the Nilabey Hydropower Station, the Gin Ganga Flood Protection Project, Polonnaruwa Water Supply Scheme, Udawalawa Fresh Water Fish Breeding Station and many other similar projects. It is essential to note that since 2005, China has accelerated its assistance to Sri Lanka as a real friend helping another friend in need. When Sri Lanka's drive against the LTTE terrorism became a full-fledged war, only a few countries stood in solidarity with Sri Lanka until end. China was a major supplier of military assistance during this period. Since the end of war, China has continued its aid programs to facilitate development in our war ravaged economy. Therefore, Sri Lankans who enjoy the climate of peace today will never forget the role played by the friendly Chinese government in achieving the said peace as well as the role it played in creating a conducive environment for foreign and local investment.

End of the war also marked a period of hostility against Sri Lanka with allegations being made of Human Rights violations and a lack of interest in reconciliation. In the process many of our leading benefactors in 80s and 90s virtually abandoned Sri Lanka. The situation was further aggravated by the fact that the country reached a middle income country status. However the Chinese Government stood firmly committed to cooperating with Sri Lanka in matters not only limited to reconstruction but also with introducing modern infrastructure facilities. Some of the new infrastructure to emerge as a direct result of the Chinese cooperation include Roads, Highways, Sea Ports ( new Hambantota Port and new terminal at Colombo Port), Mattala Air Port and construction of Sri Lanka's first ever Coal Power Electricity Generation Plant. All these infrastructure development projects have facilitated the movement of goods people, thereby creating new opportunities for small and medium enterprises as well as facilitating the provision of electricity to over 95% of the residents in the country. Moreover, substantial changes in the physical and economic land scale that have been initiated so far are likely to go through an accelerated pace within the next couple of years.

In this context the visit of president of Xi's will be a key milestone. Among the projects agreed to be signed are the Outer Circular Highway(OCH)-Section 2 from Kadawatha to Kerawalapitiya, construction of roads and flyovers in Hambantota; International Hub Development Project which is covered under the Southern Expressway Expansion Project. In addition, several other road development and upgrading projects in Matara and Hambantota is also in the card. The feasibility studies on the proposed Ruwanpura Expressway spanning from Kahathuduwa Interchange of the Southern Express to Palmadulla are also on the agenda. Furthermore, another land mark achievement for Sri Lanka-China relationship will be the signing of an agreement for the proposed \$15Billion Port City and Colombo City Railway Project. It is also believed that the Colombo Port City will be an investment project rather than a Chinese government loan funded project. Earlier there were reports that the construction of the phase 1 of the Colombo-Northern Highway up to Ambepussa will also be launched soon again as an investment project by non-other than a Chinese company.

As already mentioned, it is believe that all these infrastructure development projects as well as related projects will facilitate Sri Lanka in its pursuit and drive to achieve steady economic development. It is my opinion that enabling Sri Lanka to become a commercial and navigation hub as a utilization of its advantageous geographical location will be a key factor in determining the direction of the Sri Lanka's future development.

Sri Lanka is the first country to accept the Chinese proposal of developing a Maritime Silk Road (MSR). It is also reasonable to assume, given that other factors continue to be positive, that we have a great potential to uncover economic benefits from the MSR and its associated developments.

However, despite of these positive developments experienced by Sri Lanka, (primarily due to cooperation extended by the Chinese leadership and enterprises to realize the optimum gains). Our country need to ensure that it:

1. Maintains a consistence, open economic policy.
2. Improves its business environment in order to compete with other competitor countries in the region and
3. Ensures sustainability of peace and harmony through inclusive and accommodating socio-political process of taking appropriate action to prevent destabilization by external forces.

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