

Colombo East Container Terminal (ECT)

February 8, 2021

In news : Chinese hand is seen behind blocking India bid to develop East Container Terminal (ECT) at Colombo

What is the ECT project and why did Sri Lanka cancel the project with India?

- In 2019, India and Sri Lanka had signed an MoU “co-operation on economic projects” The MoU did not mention the Eastern Container Terminal, but India and Sri Lanka had already been in discussion for its development and operation.
- Opposition from Sri Lankan Trade Unions: The Sri Lankan cabinet is understood to have scrapped a tripartite memorandum of cooperation (MoC) signed in May 2019 with Japan and India to develop the East Container Terminal (ECT) at Colombo Port in the wake of strong protests from port unions
 - As many as 223 Sri Lankan trade unions and civil societies groups were backing the Sri Lanka port trade unions demand to cancel the ECT agreement.
- **Sinhala-Buddhist politicians:** Sinhala-Buddhist politicians either ride such opposition opportunistically when it suits them, sometimes using this as a pretext over the real reason, or are reluctant to go counter to the public sentiment for fear of being attacked for surrendering to “big brother India”.
- **Chinese hand:** Along with strategic interests, China has a commercial interest to stall India’s participation in a container loading facility in Colombo port.
 - China’s state-run China Merchants Port Holdings Company Ltd holds an 85 per cent stake in the 3 million TEUs-capacity Colombo International

Container Terminals Ltd (CICT), a joint venture terminal runs with Sri Lanka Ports Authority (SLPA).



MoC during Maithripala Sirisena-Ranil Wickremesinghe administration

- As per a Memorandum of Co-operation signed by the previous Maithripala Sirisena-Ranil Wickremesinghe administration, the Sri Lanka Ports Authority would have 100 per cent ownership of the ECT.
- The Terminal Operations Company (TOC) conducting all East Container Terminal operations was to be jointly owned, with Sri Lanka retaining a 51% stake, and the joint venture partners 49%, according to a statement by the Ports and Shipping Ministry at the time.
- A 40-year loan at an interest rate of 0.1% from Japan was expected to fund the development of the ECT

Offer of West Container Terminal (WCT) project

In order to compensate, Sri Lanka is believed to have offered

the proposed West Container Terminal (WCT) project to India and Japan. India has not commented on this offer.

What was the reaction of India and Japan?

- India's response was that Colombo should not be taking a unilateral decision on an existing tripartite agreement. India also said that all sides should continue to abide by the existing understandings and commitment
- Japan has called the decision "regrettable".

Significance of ECT

For India, the ECT deal was important as between 60 and 70 percent of transshipment that takes place through it is India-linked. The ECT is also considered more strategic than any other in Colombo Port. It is located next to the Colombo International Container Terminal (CICT) project, a joint venture between China Merchants Port Holdings Company Ltd. and SLPA