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By Rajeev Sharma

The Dragon's shadow is lengthening over Sri Lanka with every passing day. China has committed since 2005 contracts and investments worth US\$ 6.4 billion, as per treasury records. So far, \$ 3.6 billion has been disbursed. Projects worth \$ 2.8 billion are waiting to be signed. In another three years, the Chinese investment in Sri Lanka will nearly double and touch \$ 12 billion.

Is Mahinda Rajapaksa, the sixth president of Sri Lanka, lily white like the shining white dress he wears in public? The answer is a resounding no for a wide variety of things and facts that are surfacing as he entered the seventh year of his presidency.

Rajapaksa, who began his life by testing his luck in the tinsel world as an extra and clambered the political ladder with ruthless ease, is not a man of the masses as he presents himself with an earthy brown shawl to remind his interlocutors of his rural roots. His family rule puts to shame the Sukarnos, Bhuttos, Burnhams and Mugabes of the world.

Let the facts speak.

The Dragon's shadow is lengthening over Sri Lanka with every passing day. China has committed since 2005, as per treasury records, contracts and investments worth US\$ 6.4 billion. So far, \$ 3.6 billion has been disbursed; projects worth \$ 2.8 billion are waiting to be signed. In another three years, the Chinese investment in Sri Lanka will nearly double and touch \$ 12 billion.

As the African experience with Bamboo capitalism shows, China's investment is not benign but is aimed at cornering raw materials, markets and profits. It is also routed through middlemen to reduce risks.

The First Family

In Sri Lanka context, the gateway appears to be a close family friend of the Rajapaksas. And the friend has the word 'gateway' in the name of his very company.

Like in Africa, here also, commissions are paid to agents and front companies and these are really hefty probably because of the competition the Chinese are facing in grabbing local business.

Available data shows that the First Family (FF) stands to receive in commission anywhere between US\$1.2 to US\$ 1.8 billion during 2005-15. It works out to an annual 'intake' of \$120 to US\$ 180 million from the Chinese projects.

An intricate web of front companies is in place to receive and disburse the commissions, as is the practice with the Chinese.

The Chinese generally walk the extra mile to cover the tracks leading to the real beneficiary. But they have slipped up badly in their Colombo enterprise. So milestones along the way are clearly visible.

Names of two businessmen figure prominently in the shady business deals of the First Family. One of them, Bandula Weerawardena, Sri Lanka born British passport holder-businessman, is more or less history, as he gave way to the new star, Prabath Nanayakkara, the Chairman of Sri Lanka Gateway Industries.

A little known businessman, Prabath's meteoric rise ran parallel to President Mahinda Rajapaksa's ascent to power. The sobriquet of FF insider has helped him bag massive construction contracts and licenses for TV and other media network.

Prabath's mainstay is said to be Dilshan Wickremasinghe (38). He is the son of the President's brother-in-law, Nishantha Wickremasinghe, who is also the Chairman of Sri Lankan Airlines.

Dilshan is CEO of Asset Networks (Pvt) Ltd and Asset International, both subsidiaries of Prabath's Asst Holdings Pvt Ltd.

Chinese Projects

Chinese funded projects are mostly handled by five companies, and the FF hand is behind all of them, according to local business circles, though they are economical on details.

The FF is said to be pumping in four billion US dollars into Trincomalee, where decks are cleared for setting up a deep water jetty, bulk commodities terminal, and power plant amongst other facilities as a composite venture on develop, operate and manage basis.

Like in all other FF involvements, in Trinco deal also, Prabath signed the agreement with Board of Investment (BOI) on June 13, 2012. His Asset Holdings Pvt. Ltd is a partner in the Mitchell Consortium of Australia which had won a contract for setting up a heavy Industry Zone in Sampur.

Spread over 1200 acres, the project will see an investment of US \$ 2 bn. It will be completed in three phases and the first phase would come up at a cost of US \$ 700 million. The Rajapaksa cabinet approved the project on 23 February 2011.

The Mitchell consortium comprises four companies - Mitchell Group of Australia, Salva Corporation (mining services), Asset Holdings Pvt. Ltd (of Prabath Nanayakkara) and an unnamed Brazilian partner. Inquiries show that Mitchell Group could be a paper company acting as front for Prabath.

If so, could it be a case of rerouting of 'money' earned by the FF in the Chinese projects with Prabath acting as the Front Man of an Illegal Empire? Could it be a case of creating a long lasting vote bank in the South?

All questions with no ready answers. Only a deep probe can ferret out the truth.

Bandula Weerawardena

Prabath's association with the FF pre-dates Dilshan's involvement with Asset Networks (Pvt) Ltd and Asset International, in a manner of speaking. It began in 2005 when Bandula Weerawardena, who was then the sole liaison man for Chinese investors, switched his allegiance from President Chandrika Kumaratunga to Mahinda Rajapaksa.

Bandula's dealings as local agent for the Chinese companies were carried through his Bahama based Celweera Trading Limited. The scene changed by end 2006. Mahinda Rajapaksa became the President and his family set up several front companies to deal with the Chinese investors.

The FF ventures soon took over Bandula's Chinese liaison work and sole agency work to his dismay though he had funded liberally Rajapaksa's bid for presidency. He has either been replaced or his role is drastically reduced in the process; he is still around though; he shuttles between Communist China and Colombo, and spends time mostly in China.

When and how Prabath entered the scene is shrouded in mystery. He appears to have started his association with the FF in partnership with Bandula himself. And the decline of Bandula heralded the growth of Prabath Empire.

Till five-six years back, Prabath Nanayakkara, mainly owned and ran the hereditary 'Mount Jean Tea Plantation', which employs about 200 workers. Today, it is difficult to estimate the exact worth of his business empire.

Prabath and Dilshan's hand has become omnipresent with several projects that span the entire spectrum from highways to expressways and from roads and bridges to buildings.

Metallurgical Construction Co. (MCC), China Harbour Engg Co. (CHEC), Sinohydro Corp, China National Machinery & Equipment (CMEC), and China Huanqiu Contracting & Engineering Corporation (HQCEC) are the main Chinese players in Sri Lanka. These companies are doing virtually all the Chinese funded projects in the countries. Prabath's Asset Holdings is representing them though it is said that the tie-up with CMEC isn't exclusive.

The Commission

As local agent, its commission depends on the value of the project negotiated. Generally, it is said to be range between 10 and 15 percent of the contract value. Sometimes, it can be a little more depending upon the circumstances of the deal like, for instance, competition.

- CHEC and Sinohydro has implemented the first phase of US\$ 360 million Hambantota port; both are in talks to take up the second stage worth US\$ 1.0 billion plus.
- CHEC is also implementing Hambantota International airport; it executed a part of Southern Expressway at a cost of US\$ 200 million.
- Sinohydro is mostly into road projects. It recently bagged US\$ 252 million Moragahakanda Reservoir project.

- CMEC is setting up coal fired Norochcholai project to generate 900 MW. The project cost: US\$1.5 billion.
- HQCEC executed Hambantota Bunkering& Tank Farm project (US\$ 76.5 million) and is negotiating modernization and expansion of Sapugaskanda refinery (US\$2.0 billion).

The Lankan Tilt for China

It will be patently unfair to say that the tilt towards Beijing is a Rajapaksa innovation to win the Wanni War. The credit for taking Sri Lanka into China's fold goes to Chandrika's mother, Sirimao Bandaranayke, while her predecessor, JR Jayewardene, opened the windows to Pakistan.

Under Rajapaksas the ties with Beijing and Islamabad have become deepened and widened. Yes, he has personally ensured the successful sailing of several Chinese projects, while letting the Pakistani leaders put their money in the Lankan bourses.

Informed observers say that the commissions to the FF would be much more than US \$ 120 to 180 million per year projected at the outset in this article. The projection factors in only pure vanilla commission through Chinese projects alone, according to them.

So what would be the real 'intake'? It would be anywhere between US \$ 400 and \$ 500 million per year, say the knowledgeable.

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