

The Chinese Government this week sent Liu Jianchao, Assistant Minister of Foreign Affairs, as a Special Envoy to establish relations with Sri Lanka's new leadership. Mr Liu held a briefing at the Chinese Embassy in Colombo. He said his first visit to Sri Lanka was in 2005 when he travelled with a Chinese delegation to provide relief and assistance to Sri Lankans after the tsunami.

His second trip was ten years later, in September 2014, when he arrived with Chinese President Xi Jinping on a state visit which he called "another milestone in the China-Sri Lanka relationship and longtime friendship".

Excerpts from the press briefing:

"This time, I came as a special envoy to get into official touch with the new Government of Sri Lanka. My purpose is to work with the new Government of Sri Lanka and to push forward the existing wonderful relations between our two countries. We also exchanged views how we could achieve this. In the last two days since I arrived, I had the honour to call on the President, the Prime Minister, the Foreign Minister, Finance Minister and Foreign Secretary.

"Before everything, I met with the executives of Chinese companies and had a very useful discussion with them. Now I am coming towards the end of the trip and it's great to see the friends from the press. I would like to share with you the policies of the Chinese Government towards the new Government of Sri Lanka, what we discussed with Sri Lankan leaders and colleagues and what is the next step for our relationship.

"Throughout the visit, I was overwhelmed by the fond memories and the beautiful memories expressed by the Sri Lankan leaders and friends. Each and every of them was telling me that the China-Sri Lanka relationship is time-tested, and is time-honoured and has gone through different times but the relationship has always remained strong.

We started with the Rice-Rubber Pact and it has lasted for more than half a century and the relationship still remains strong. We have been supporting each other politically, economically and in the international arena. There is no any speculation or any doubt about this relationship. Everybody expressed a willingness to make the relationship stronger. I, on behalf of the Chinese Government, expressed our deep appreciation to the Sri Lankan leaders and Government officials for this strong support to China given back in the 1950s because we believe that the Rice-Rubber Pact is not only important in an economic way but also important in a political and strategic manner. This is something that the Chinese people have always cherished.

"These fine forms and moments in the development of the relationship between our two countries remain common assets of the peoples of the two countries. They are very dearly cherished in China. In the new century, and when China and Sri Lanka are turning a new page in our bilateral relations, we are confident to satisfy both sides that the relationship must remain strong and we will do everything that we can to put forward the strategic partnership between our two countries.

“First of all, we would like to enhance the strategic and political trust between us. Both of us expressed the determination that, despite the change of Government, and despite the political situation in each other’s countries, there will be no hindrance to the further development of bilateral ties.

“I was telling Sri Lankan leaders that China sees Sri Lanka as a very special friend and partner. We see Sri Lanka as an all-weather friend and partner and that view was shared by the Sri Lankan leaders and my colleagues in the Sri Lankan Government. I can only see the strong determination and commitment of the two sides in strengthening relations. And I also stressed to the Sri Lankan Government that China-Sri Lanka relationship is not targeted against any party. It is a relationship that is designed for the benefit of our two peoples. And it’s a relationship that is designed to benefit peace and stability in this region. This is something that is made very clear by me to the Sri Lankan leaders.

“On the other hand, rather, we are very happy to see that Sri Lanka will have more friends to deepen its relations with other countries in the region and in other parts of the world. Secondly, I think that both sides are determined to carry on with the economic and trade cooperation between the two countries. What China is trying through this economic and trade relations and, in particular, the major projects that have been going on between China and Sri Lanka in the past couple of years...the purpose, number one, is to achieve equality and mutual benefit and a common win-win scenario for both countries. The second purpose is to help Sri Lanka achieve even stronger economic and social development and to bring substantive benefits to the people of Sri Lanka. And the third purpose is actually to enhance the prospects of Sri Lanka for long-term development and sustainable development and also to improve the competitiveness of the economy of Sri Lanka.

“This is exactly what China is driving at in having major collaborations with Sri Lanka on all these very important projects including the power generation, including the ports, including the other infrastructure construction and projects. And China thanked Sri Lanka for Sri Lanka’s full support for China’s initiative of building the Maritime Silk Road and the Silk Road Economic Belt. I think this will not only benefit China, it will benefit Sri Lanka and also the countries along these lines. We are grateful for the support and we are determined to work with Sri Lanka and with other countries along the line to make this initiative a success.

“China has put in tremendous resources and efforts in, for example, initiating the Silk Road Fund that will also be used to finance the major infrastructure projects in the countries concerned. We have also initiated the proposal of setting up the AIIB which is the Asia Infrastructure Investment Bank where we will also get support from Sri Lanka.

“As for the speculations that have been going on relating to the major projects between the two countries, both sides stressed the willingness to find a proper solution to the outstanding questions relating to these projects. We have been very frank and also very responsible towards each other’s concerns. So China respects the policies of the new Government with regard to the reevaluation of all the projects, not only China’s, but the projects that have been conducted by other partners of Sri Lanka. On the other hand, we hope that all these projects will continue to proceed in a strong manner so that they will continue to benefit Sri Lanka. But at the same time, I think that after the reevaluation if there is

any pending problem for us to solve, I'm sure that the two sides will find settlement to these problems by taking into consideration the historical factors and also after taking into consideration the strong relations between the two countries. Both sides are determined that the strong relations between China and Sri Lanka should not be affected by these questions.

"China and Sri Lanka we are determined to strengthen the people-to-people relationship and in the areas like culture, tourism, education, science and technology, maritime cooperation. So I think these are the broad projects for the future relationship between our two countries.

"I, on behalf of the Chinese Government and on behalf of President Xi Jinping, conveyed the best greetings and regards to the leaders of Sri Lanka and also the people of Sri Lanka. We invite the leaders of Sri Lanka to visit China at a time which is convenient to both side and I got really a very warm and positive response.

"My colleagues and I, through these visits, feel inspired and we feel encouraged that the relations between the two countries will remain unshaken and will remain strong."

Nihal Rodrigo, retired diplomat and former Sri Lankan Ambassador to China, addressed the briefing, as did Executive Director of the Pathfinder Foundation Luxman Siriwardena. In response to them, Mr Liu said:

"China sees the world, and China is dealing with the world, not on the zero-sum basis. We seek common prosperity. We seek peace for all. We seek cooperative security and comprehensive security. So our relations with any country are not targeted on any other country.

"With regard to South Asia-China relationship, our purpose is to make the 'One road, one belt' initiative benefit the whole region and allow to contribute to peace and stability in this region. First of all, we would like to start with countries like Sri Lanka, with India, Pakistan, in our strong initiative and push forward the infrastructure projects so that when the countries get linked together, connected together, there is a better chance for communication, better chance for mutual understanding and there is a better chance for common prosperity.

"In China, we have the saying that if you want to get rich you have to build the road first and if you want your economy to take off you have to build the runway first. So this is why China is so determined to work with our partners in developing the infrastructure of all these countries. That's why we say that we want to improve your competitiveness and we want to make it possible for your long term and sustainable development.

"Thank you very much for mentioning the China-India relations. I think the China-India relationship is getting stronger, particularly with the State visit to India last September after Sri Lanka. The leaders of the two countries have agreed to stronger cooperation and also in infrastructure, for example, in railway construction, in industrial parks, in people to people relations, in education, in exchange of scholars, in exchange of movies, TV dramas. China and India are two most Asian civilizations. Altogether, we have a population of 2.5 billion. So if the two countries can work together, that means that more than one-third

of the world's people are enjoying good life and peace. So the Foreign Minister of India was in China last week and there was a very, very good conversation and very good discussion on how to develop and advance China-India relations. We are expecting Prime Minister Modi to visit China very soon so I do see a great prospect and strengthened trust between the two big nations.

"Thank you very much for mentioning the track two exchanges between our two countries. This is very, very important. We don't really want a relationship that is only based on Government-to-Government consensus, but more on a people-to-people consensus for a deepened and stronger friendship between the two countries. So the media can play a very important role, the think-tanks can play a very important role and even tourists can play a very important role.

"The (Chinese) Ambassador has been here for more than two years and the number of tourists from China to Sri Lanka has been doubled and redoubled. The number is still too small. It is about 150,000 Chinese tourists coming to this country but to figure to Maldives is double that of the number of tourists to Sri Lanka. But this is a very useful and strong starting point for a stronger cooperation in tourism.

Dr Saman Kelegama, Executive Director of the Institute of Policy Studies, also made a short address. In response, Mr Liu said:

"Thank you for mentioning the (China-Sri Lanka) Free Trade Agreement (FTA). I was telling the Foreign Minister that we are happy with the progress of negotiations between the two countries on the FTA. Both sides were taking a very positive approach to this initiative. Two rounds of negotiations have already been conducted. We hope that the process will be completed as soon as possible. China has established a number of FTAs with a number of countries from Latin America, from New Zealand, we are working on the FTA with South Korea and also we installed the FTA agreement with ASEAN countries in 2011. And all these very important efforts have really brought tremendous progress in the bilateral trade between China and the countries that we signed FTA with. We hope that the process will be completed soon with Sri Lanka and we will try to work with Sri Lanka in fulfilling your target of 20 billion exports by the year 2020.

"With the development of infrastructure, there's going to be a better chance for investment in manufacturing in this country. And with manufacturing, you are in a better position to export your exports. When you have all the infrastructure projects in place, the investment will be coming in a larger scale. This is essentially how China move forwards in the last twenty years. So we want to share this experience with you."

The floor was then opened to questions from the media.

Question: The Government recently said that, while they are committed to proceeding with the Port City Project in principle, they will look to renegotiate certain clauses. What are these clauses that would be renegotiated?

"This morning, I read in the newspaper that the Government of Sri Lanka is going to proceed with the Port City Project. We are happy with that. And I was told by the Government officials of Sri Lanka that

the reevaluation and assessments are still being done and there has not been any report yet so they cannot give me any specific comments on the results of these reevaluations. But we will continue to stay in touch on all these projects and we respect the policies of the new Government and at the same time we'll work with the Sri Lankan Government...that all these new issues will be settled in a very friendly manner and will not be impeding the further cooperation between the two countries. This is exactly what the two Governments are driving at. So I don't really see any major obstacle in finding a solution to these problems and I don't really see any interruption in the bilateral relations. This is very important. But we will try to find solutions to the possible questions in a very constructive way."

Question: Can you narrow it down for us to understand what the issues are? There has been a lot of debate over the last few years, and it's interesting that you are only now explaining all this to the media, because the speculation has been going on for a very long time. During the past two months or so, the Opposition has fuelled it very much and it is the same Opposition that is in Government now. It was not the media that said they were going to call off the Port City Project. It was the current Prime Minister Mr Ranil Wickremesinghe who said it. The media only reflected what he said. So there has been a lot of speculation about the costs of these projects. It narrows down to that. With the Port City, I think there was concern about giving ownership to China. I don't think it's a myth that the Indians are concerned about that. All this narrative we heard here, we understand, but we are also interested in knowing, now that we have your attention, what some of these issues are.

"Yes, for any project that is going on in any country, even in China itself, there is going to be some arguments, there will be some questions and, sometimes, some speculations against any project. This is a natural development. But you know the agreements that were signed between Sri Lanka and China over the past several years, all these projects, were all done through very serious, and very pragmatic and very businesslike procedures. So we were following the procedures, the rules, terms and conditions set out by the Sri Lankan Government. We show our full respect to these laws and regulations of the Sri Lanka Government. Otherwise, China will not have signed all these agreements with them.

"Second, why I came here today, now to discuss with our colleagues, it is because of the speculations has been going on and because we care about the relationship so much. So that's why we want all this projects to proceed in a smooth manner and we want to understand the policies and thinking of the new Government of Sri Lanka so we can find a reasonable solution to all these questions that might have risen in the past couple of weeks. It's out of this motive that I'm here and to learn more about the policy thinking of the new Government. And I'm happy with the way which we are talking and discussing all these issues. And I'm happy with the approach and attitude expressed by the leaders and also the Government officials of Sri Lanka in working with China on these issues.

"I think that the Chinese companies and the Chinese Government will work with the Sri Lankan Government on these issues together but at the same time we are all determined, both sides are determined, that all these issues will be settled in a friendly manner and in a manner that will not affect the strong relations between our countries. The purpose is to push forward the cooperation rather than to slow it down."

Question: Is it possible to have this level of transparency and discussion in future because I know that, as far as the media was concerned, a lot of worries arose from the fact that we didn't get answers.

“Yes, by all means. But you know China is working with the Government of Sri Lanka. So we respect the rules and terms and conditions. We will like that all these projects be transparent and open and understood by the people of Sri Lanka, by the parliament, by the media. But we leave it with the Sri Lankan Government to do so. Because Chinese companies are open. We have nothing to hide. And if you're talking about the cost, if the Government is doing the reevaluation, the Chinese companies can work with the Government in explaining why the costs are like this. We have full confidence in the competitiveness of Chinese companies. They are very efficient and they are very cost-saving and I'm sure that this will continue to be the advantage that the Chinese companies have.”

Question: Over the past few years, even though there is recognition among the media that China is doing massive projects and really helping Sri Lanka, there is a perception among the media and people that China does not concern about good governance, human rights, these factors when helping Sri Lanka. What is your reaction?

“No, China is working for the Government for the benefit of the people. All these projects are good for the infrastructure improvement of this country and are good for the strengthening of the economy of Sri Lanka. And all these projects are for the improvement of the living standard of the people in this country. As I explained just now, that in China, China's economy has been growing very fast in the last more than 30 years and we benefited from our improvement of infrastructure. So we want to share with the Sri Lankan Government and people. That's why in the last couple of years, we have provided about more than 300 million USD of grant to Sri Lanka. Also, China provided about 5 billion USD of concessional loans to SL. These are the ways how China is helping Sri Lanka and other friendly countries. But I'm sure that Sri Lanka is one of the countries that is benefiting most from China's financial support. I hope that all this support and assistance will bring true benefits to the people of Sri Lanka and economic development of this country. It's not that we don't care about the people. It's not that we don't care about good governance. We do care. We will make sure that all these projects are clean and we will make sure that all these projects will proceed in a smooth manner so that they can provide strength and power to Sri Lanka.”

Ambassador Wu Jianghai: “As Chinese Government and Chinese people, we don't like to tell our friends what is the good governance. What you did is not good. You have to correct it. We are not the teachers, like some Western countries.”

Mr Liu: “Yes, if I can elaborate a little bit further. That is we, China, is a country that is willing to learn from other countries who have learned a lot from the European countries, from America, from developing countries, from our friends like Sri Lanka. You used to be very further advanced than us back quite a number of years ago. But we would not like to be lectured because we only know what is best

for China. It's the Chinese people who know what is the best way for development, what is the best way that we can make our people happy. So, independence is so important for the development of any country because no other people know you better than you yourselves. So we respect the road that has been chosen by the Sri Lankan people in your economic, political and social development. We don't want to interfere, we don't want to really give lectures because we can't be, actually, but we want to share through our cooperation with you. And for certain projects, we will share with you what is the best way to go about this. This is how China is working with other countries."

Question: You met the President and Prime Minister in the morning. Did they give you the assurance that all the projects you have signed so far will continue or will they put a stop to it to reanalyze the projects?

Let me say this—that all these projects will continue after the reevaluation. They are waiting for the reports. After they receive the reports, what they are going to do will be discussed with the Chinese side.

Question: How many projects has China signed with Sri Lanka?

(Laughs) A dozen of them, I don't know. There are too many of them. During the time of the financial crisis in the world, China started to finance and to work with the Sri Lankan Government on all these projects. This is very, very important. At difficult times, a friend in need is a friend indeed. So, that's the way how we work with our partners in ASEAN countries. Back during the financial crisis in 1998, there was very strong speculation that China might devalue its currency. We were facing tremendous difficulty of our exports were going down and at that time exports was the driving engine of our economic growth. But we didn't do that. We didn't make things more difficult for our neighbours.

Question: Did the Government give you a time period for the report (from reevaluation of projects)?

We will just wait and see how long it will take for the Sri Lanka Government to get the report.

Question: During the election, there were concerns raised by India, particularly Indian media, about Chinese submarines in the Colombo Port. What is your response?

"Starting from, say, around eight or nine years ago, China started to send its ships to escort the trading vessels, the shipping vessels along this line. This is a very important sea lane for international trade so there are a lot of pirates in this area. China sends all these ships to escort, to protect the trading ships, the cargo ships, so this is only natural. It is for sure that China is playing a more significant and important role in the security arena in the future. And China has been asked to shoulder more responsibilities in making sure that the regions in the world are safe. This is one of the measures so don't take that too seriously. This is not against any country. We are not using Sri Lanka against another country.

Question: One of the reasons for the criticism of Chinese projects was the frequent breakdowns in the Norochcholai power project. How do you respond to that?

“Let me say this, for any projects there could be shortcomings. But if you focus only on the shortcomings rather than the benefits, that have been brought about by these projects is another issue. For example, I was told yesterday by the Chinese company managers that out of two lights in this room, one is lighted up by the power generated by the plant built by the Chinese companies. Yes, technology is something that is very sophisticated. Power plants that can work well in China, technology that can work well in China, will not naturally work well in other countries. So they have to do the testing. The Puttalam power plant is very well regarded in this country by the previous Government and once it has entered into operation, the price of electricity has been reduced by 25%. We are very happy with that. But if anything crops up, we will try to fix it.”

Question: There was a huge blackout of information on the Chinese part about the infrastructure development projects during the last two to three years. And it is only today that we get this kind of a lobbying, at least, and thank you for doing that. Earlier there was some speculation that, again because of these frequent breakdowns in this Norochcholai power plant, the previous Government was contemplating on giving back the project to the Chinese, in fact, selling the entire project, because it couldn't bear the frequent losses and shocks to Sri Lanka. Is there any truth in that? We are asking these because academics might have had more information but for journalists the information was totally closed.

Secondly, you mentioned about infrastructure projects. Are there any future Chinese investment projects? We have seen a lot of infrastructure projects but do we see any investment projects in the future with Sri Lanka and Sri Lankan President is due in March to China and do you have any specific idea of having any significant investment projects in Sri Lanka?

“With regard to the access to the media, with regard to the transparency to the media and to the parliament, to the people, bear in mind that for some of the, for most of the projects, China and the Chinese companies are just the contractors. Contractors should work with the Government, with the entity they are working with. It's really the Government that should be reachable, accessible, that will provide all this information. It's not really for the contractors to tell the press because the policies are shaped by the Sri Lanka Government. So they have to do the explanations. Chinese contractors will just follow, will just do, what they're told to do, within the framework of the laws and rules. So this is my comment on your question.

“Number two, with regard to the investment from China, investment is something that is governed not by the Government. Investment is something that is decided by the companies. It's only when they know that they get reasonable return from the investment will they make the decision to invest. So it depends on the legal framework in this country. It depends on the environment for investment in this country. It depends on the labour cost. It depends on the market. It depends on so many factors, so they have to do very serious study. But the Chinese Government will encourage the Chinese companies to do the study and to see the possible investment and the products and to encourage them to invest. For the improvement of the environment for investment, what is important? Good governance is very important. Chinese companies would be very much willing to work in an environment that is corruption free. Number two, any investor will see whether the infrastructure is there. When they have a shortage

of water supply, when they feel there is a shortage of power supply, they'll not invest. If they believe that their rights and their investment will not be properly protected by the laws, they'll not invest. So we have a long way to go to have a larger scale of investment from China.

"Having said this, we have already started to invest. The Port City itself is one of the major investments in this country. So, all the economic factors, all these economic entities and all these economic related factors will not move forward just on its own. There must be a combination of different measures, a combination of different actions that can really materialize the potential for further investment and further economic and trade cooperation.

"But we are very proactive and we will be following the development and also the policies of Sri Lanka very closely so that when Chinese companies decide that everything is good, the road has to be paved, naturally there will be a natural flow of investment. Actually, now China is, at home, deepening our reform. So we want to give a stronger priority to domestic consumption and that is going to be one of the driving forces of our economy. On the other hand, we are not only selling our products, we want to invest in other countries. And Sri Lanka is a very, very friendly country of China's and we want to take this advantage and also we want to work with the Sri Lanka Government and the Sri Lanka people in paving the ways for big investment."

Question: What about whether there were any plans to give back the Norochcholai plant to the Chinese Government?

Ambassador Wu: I don't know who you heard this from. Actually, this power plant is the first one in your country in the history. You have very good engineers but your lack of qualified labourers. So that's why several shutdowns happened after the first phase operation. But have you ever seen or heard new shutdown from last June of last year? To some extent, we can see with the support and cooperation between the Chinese company and the CEB, we have already done this job. No more shut down. And with regard to whether Chinese company will buy the power plant, what I heard is that some of the Chinese businessmen asked the CEB whether we can get some equity from the power plant. But the CEB said, no, no, no, this is a gold mine. It makes money every day because the cost of coal power plant is much cheaper than oil.

Question: Will the submarines continue to come to Colombo Port?

"I think that the normal cooperation and assistance between China-Sri Lanka with regard to the military... everything will be done in accordance with the consensus and agreement between the two sides. So we respect Sri Lanka. But believe us, we have no motives in whatever way to threaten Sri Lanka and other countries in this region. You have submarines from other countries, why not only from China? Don't follow speculations that other people have. Make your own judgment.

Ambassador Wu: Actually, the high-ranking officials from Sri Lankan army, navy, air force, they all visited the submarine.

Question: How would you compare this Government with the earlier Government?

(Laughter) We don't compare.

Ambassador Wu: We work with both of them