

Saturday, December 9th 2017

Dear Mustafa,

I am not wanting to make you jealous but it's December and I am sitting in shorts and a t-shirt on the open veranda of a teak house forty yards from the Indian Ocean, 5 miles outside Tangalle on the south coast of Sri Lanka. This is my first time to an island my grandparents came to in the 1960s and declared it their favourite destination, I wonder how much it has changed?

Sri Lanka went through a long period of civil unrest, so mainstream tourism is only just returning. The man who is responsible for stopping the troubles was President Mahinda Rajapaksa, who is now a Tangalle resident. His reputation is mixed. His 'solution' was the wholesale annihilation of the rebels on a beach on the north east of the country, out of sight of the UN and the world's media. He also created a cult of personality around himself, and therefore when he unexpectedly lost the election in 2015 it must have been quite a shock. This would have been especially tough for a man who managed to link his ancestry to King Dutugamunu, an early Sri Lankan monarch, and through him to Buddha himself.

But Rajapaksa was not originally from Tangalle, he hailed from an even sleepier fishing town an hour down the coast called Hambantota. The President wanted to create a new and globally significant trading hub at Hambantota, and so in November 2010, financed exclusively by China, the Mahinda Rajapaksa port was opened, followed in 2013 by the Rajapaksa International airport. The finance surrounding the port and the road and rail links that

Mustafa Andrew
Clarmond Wealth
1 Holbein Place
London, SW1W 8NS



are still being completed was unsustainable. There has been a slightly opaque debt-for-equity swap which seems to have handed 80% of the port to China for 99 years. This could be a blue print for what will happen elsewhere in the world with China's 'One Belt...One Road' policy. Pakistan and Gwadar beware.

What of the airport? Well it is four times the size of the capital's airport in Colombo and, I am told, receives only one international flight a week (although I cannot find where it comes from). Well during this week the Sri Lankan government seems to have agreed a deal with India in which they will invest an additional \$200-300m to take a 70% share for the next 40 years.

China and India, two emerging world powers are an uneasy couple at the best of times. They are now sharing a table in a Sri Lankan ghost town - it all seems a bit odd. That is until you realise that Hambantota would also make an excellent place to locate a Chinese naval base in the years ahead. So maybe India's interest in the airport is not entirely philanthropic? One Belt...One Road will be having unexpected repercussions for years to come.

Looking forward to seeing you next week - though not coming back to a London winter.

Chris