

Analysis of Hambantota Airport takeover by Indo-Russian Joint Venture

Ajay Kumar Das

Introduction

The Apr 2024 decision of the Sri Lankan government cabinet to hand over the management of the Chinese funded Matalla Rajapaksa International Airport (MRIA), also known as the Hambantota Airport to a Joint Venture (JV) of India based Shaurya Aeronautics Pvt Ltd. and Airports of Regions Management Company of Russia for a 30 years lease period is an important development which has geopolitical implications.¹ This development is significant from an Indian perspective also as it tries to pursue its neighbourhood first policy and reduce the Chinese influence in the region.

It must be noted that the talks for handing over the management of the MRJA to India has been going on for past few years, but it has been always faced controversies and obstacles. Now with this recent decision, an India private firm seems to have cleared its way towards acquiring its control over this vital strategic airport. As the MRJA is also nearer to the Hambantota Port, which is feared to be converted into a Chinese naval base in future, this analysis looks into the geopolitical and security aspects of this recent event.

Sri Lanka's preference towards India instead of China

At first, we need to understand why Sri Lanka is now preferring to hand over the management of its loss-making white elephant infrastructure project to a JV of Indo-Russian firms and not to the Chinese like it did with the loss-making Hambantota port a few years ago? First, the Sri Lankan government after facing their worst economic crisis in 2022, partly due to Chinese debts, may not want to antagonise their citizens or the opposition political parties by again handing over an asset to the Chinese for a long lease period.

The Sri Lankan government has already faced difficulties in seeking a bailout/assistance from the International Monetary Fund (IMF) due to the cold attitude of the Chinese to restructure its outstanding debts. China has on many occasions shown its unwillingness to negotiate on its loans which it has lent to Sri Lanka to build these loss-making infrastructure assets.² This is because the Chinese are always looking out to acquire the loss-making vital assets and

gain full management control, rather than negotiate with their loans in any country. This helps the Chinese to spread their economic and political influence in smaller countries.

India, on the other hand has a different approach of providing assistance to its neighbours in their times of crisis. The Indian government being part of the Creditors Committee along with Japan and France has played an important role in provided assurance and guarantee to the IMF which helped Sri Lanka to acquire initial tranches of bailout packages from the IMF in 2023.³ India's image as a problem solver rather than an opportunist like China is another factor which may have compelled the Sri Lankan government to handover the airport management.

Finally, the Hambantota airport at present is a loss-making entity. It is estimated to be built at a cost of USD 209 mn, out of which almost USD 190 mn is from the Chinese loans. It has been dubbed as the world's emptiest international airport by Forbes. There are no flight traffics, no transit passenger arrival or departure. Many blame this due to the environmentally sensitive location of the airport.⁴ Therefore to prevent future losses and to generate revenue from this airport, the Sri Lankans are also looking towards the Indian company to pay for the salaries and wages to the airport staff. The Sri Lankans are hopeful that a portion of the revenue generated by the operation may be provided to the state and a massive cost can be saved as it takes around 2 bn LKR to operate and maintain the airport.⁵ Also since Russia and India send the largest number of tourists to Sri Lanka, the revival of this loss-making airport may bring and increase the footfall of Indian and Russian tourists to the island nation which can also revive the economy.

Opportunities for India

The MRIA airport, situated closer to the Hambantota port holds strategic value from India's point of view. With this decision, India could reap certain geopolitical benefits. The first is to strengthen the relations with Sri Lanka in its difficult times and to enhance India's neighbourhood first policy. This event also opens possibilities for India to acquire loss making assets built with heavy Chinese loans in Sri Lanka or other neighbouring countries where China has invested heavily using its Belt and Road Initiative (BRI) policy, thereby reducing the chances of vital strategic locations being sold off or leased in debt-trap conditions.

In fact, countries in Africa are more prone to this kind of scenario and India could extend its outreach to poor debt laden African countries to reduce their burden. Next, India can also increase its tourists to this destination, thereby giving more opportunities for Shaurya Aeronautics to enhance and strengthen their exposure and airport management operations in a foreign country. In fact, the flight handling charges and other logistic policies could be modified to suit Indian tourists.

The other important aspect of this airport deal is the security aspect. With this JV, India is expected to keep a check on the Chinese influence in the island nation. India can keep a check on Chinese activities in the Hambantota port. This would help India to checkmate any future plans of turning Hambantota port into a potential naval base, thereby preventing China from executing its String of Pearls strategy to encircle India. Experts believe that establishing an overseas naval base requires effective maritime air surveillance capabilities which could only happen with the help of an airport. Therefore, control over the Hambantota airport will give India considerable control over how the port is used. The Chinese will find it difficult to develop a significant naval base without controlling the airport.⁶

Finally, there is also an opportunity for India's Shaurya Aeronautics to contribute towards India's interests. Shaurya Aeronautics is reportedly owned by retired Air Marshal Denzil Keelor who has actively served Indian Air Force in the past. He actively participated in the 1965 Indo-Pak war. This fact signifies that Shaurya Aeronautics will be guided by the principles and vision of its chairman and there must be an element of feedback and guidance to enhance India's strategic interests in the long run.

Conclusion

The handover of the MRIA airport management to India's private firm is a game changing event in Sri Lanka. This shows Sri Lanka's partial preference towards India instead of China but one must be careful as Sri Lanka has a habit of band wagoning between great powers. This is also the first time an Indian firm is taking over management control of a Chinese built infrastructure asset in neighbourhood. India has long provided assistance in building infrastructure assets of its neighbours. Taking control of Chinese made projects is a strategic win for India. This sends a signal to the Chinese that the projects which are built with an intention to be a debt trap asset in any country can eventually be owned by a third-party

country, instead of being leased to China itself. This in future can jeopardise the Chinese intentions and plans of expanding BRI globally.

End Notes

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³ Dr. Samatha Mallempati, “Sri Lanka’s Economic Recovery: The IMF Review”, Indian Council of World Affairs, 16 Oct 2023,

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