

# Seize the Moment and Engage Robustly with Maldives

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## Abstract

*The two key tenets of India's grand strategy to emerge as the leading power in 21<sup>st</sup> century are; firstly, to ensure its primacy in South Asia and the Indian Ocean Region (IOR) and; secondly, the need to maintain its strategic autonomy. India's geopolitical imperatives, however, dictate that before India can extend its reach to distant corners of the world, it must first consolidate its standing in its own neighbourhood. And to do that, it must contend with the mounting challenge posed by its principal strategic competitor: China. Therefore, the 'neighbourhood' has always been an important aspect of India's foreign policy. Within the construct of India's Maritime Strategy, India-Maldives relations assume significance far more than the size or the national strength of the country. While Maldives' relationships with India have generally been stable, this situation changed after the removal of the then President Mohamed Nasheed from power in February 2012 which led to a complex power play in the IOR. For past many years, India has been trying hard to regain stability in its bilateral relations with Maldives but has achieved only mixed results; the rough patch now seems to be behind us after the victory of President Solih.*

## Introduction

**A**nalysis of the key drivers of foreign policy of Maldives, the roller coaster relationship with India thus far, and study of the economic situation will help in identifying issues which we need to address in our relationship.

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Moreover, the realisation by leaders in the new government, in Maldives, that Chinese investments may lead to a debt trap opens up opportunities for India, if we, by ourselves or along with our strategic partners, present a credible alternative for investments. It is now time to seize the moment and engage robustly on both, security and economic issues with one of our strategically most important neighbour.

### **Key Drivers of Foreign Policy of Maldives**

Strategic location of the country is the key driver of its foreign policy; the other two are - the small size and religious identity. These have remained constant over the years.<sup>1</sup>

**Maldives is an Archipelagic Nation.** Situated in the middle of the Indian Ocean, it is located 300 miles from the southern coast of India and 450 miles southwest of Sri Lanka. It consists of 1,192 islands, of which nearly 200 are inhabited. With a population of about 350,000, it is one of the most dispersed countries in the world. It is a low lying nation and most parts of the country are barely a metre above sea level. This makes Maldives very vulnerable to the phenomenon of climate change and sea level rise.<sup>2</sup>

**The Strategic Location of Maldives.** Straddling important Sea Lanes of Communications (SLOCs) and its proximity to Diego Garcia - where the US has a logistic base - has aroused the interest of important world powers since long. In the past, countries like Iran, Libya, and the former Soviet Union had shown interest in leasing the erstwhile British base in Gan, one of the Islands of the archipelago - perhaps for military purposes. It is, therefore, not surprising that external powers have occasionally aided and abetted political conspiracies, bringing political instability in the country.

In recent times, the rise of China has resulted in heightened strategic competition between India and China in South Asia and IOR. China's strategic interests and logistical limitations in the Indian Ocean have prompted the country to increase its presence in the region. For example, China is using anti-piracy missions to expand regular naval activity. China is also reaching out to the Indian Ocean region through the "One Belt, One Road" project, which is premised on the idea of common development.<sup>3</sup> Both, China and India rely on safe trade routes crossing the Indian

Ocean, so both countries aim to boost their clout in the area. Maldives plays a key role in this geopolitical competition.

USA is a key 'extra regional player' in IOR with vital strategic and security interests in Maldives in particular. It was reported that secret move by Obama administration was made, in early 2013, to negotiate with Maldives about a Status of Forces Agreement (SOFA), which would have led to increased military cooperation between the two countries, possibly including US bases there.<sup>4</sup> But draft of the agreement was leaked to the press, and the US was forced to concede that such talks were indeed going on. The negotiations got derailed when Yameen was elected President in November 2013 by narrowly defeating Nasheed.

If the media reports are to be believed, the real US-Indian game plan is to create a "second island chain" (similar to the one in the Western Pacific) connecting Maldives with Diego Garcia and Seychelles, where India has a base on one of the islands and has concluded an agreement to build an airstrip and a sophisticated "monitoring station" at a cost of US\$45 million to curb the presence of Chinese submarines in the Indian Ocean and to control the SLOCs through which China conducts the bulk of its foreign trade. The US and India closely cooperate in monitoring the presence of Chinese submarines in the Indian Ocean.

It is for these reasons that most leaders of Maldives have concluded that it is imperative for the country to remain friendly with major powers like India, the US and China, as well as to join multilateral forums like the South Asian Association for Regional Cooperation (SAARC).

**100 per cent Sunni Muslim Country.** Maldives has also been close to the Islamic world, especially the Saudi Arabia. It is, therefore, not surprising that Maldives has been getting increasingly radicalised and coming under the influence of fundamentalist Wahhabi ideology. Islamic State (IS) and Lashkar-e-Taiba are also reported to have established bases in the country.<sup>5</sup> Several hundred young men and women had deserted their homes to fight for the IS in Syria and Iraq. The rapid growth of radical Islam in India's vicinity is a matter of serious concern for India and for regional security.

### **A Roller Coaster Relationship with India**

As close and friendly neighbours, India and Maldives share ethnic, linguistic, cultural, religious and commercial links steeped in antiquity and enjoy cordial and multi-dimensional relations. India was among the first to recognise Maldives after its independence in 1965 and to establish diplomatic relations with the country. India established its mission at Malé in 1972.<sup>6</sup> The bilateral relations have had a roller coaster ride up to now. A peep into the evolution of the relations suggests that India will have to engage with Maldives on a regular basis at the highest level and not leave it to the officials.

Maldivian foreign policy during the President Maumoon Abdul Gayoom's era was indifferent to India, although Gayoom successfully managed to create the impression that he was friendly with India. India had saved his regime from a coup. However, he still did not give any special privileges to India.<sup>7</sup> Gayoom tried to play China against India, as the democratic movement started to gather momentum. Gayoom probably feared that democratic India may not support him as strongly in the face of a democratic upsurge in his own country. This insecurity prompted him to look for new international partners. In this quest, he started relying increasingly on China - an emerging global power with important strategic interests in the Indian Ocean.<sup>8</sup>

Bilateral relations between India and Maldives saw some improvement with the onset of multi-party democracy, and the coming to power of President Mohamed Nasheed.<sup>9</sup> During his visit to India (before the October 2008 multiparty presidential elections), Nasheed openly accused Gayoom of cosyng up to China.<sup>10</sup> During Nasheed's presidency, tourism industry - the mainstay of the Maldivian economy - was going through some difficulty because of global economic recession. The Chinese sensed an opportunity there, and signed some agreements to develop tourism.<sup>11</sup>

Chinese also opened their embassy in Malé on 8 November 2011, during Nasheed's time. However, what surprised everyone was the plan of the Nasheed government to sign two agreements with China, for the supply of military hardware and for military training. These plans were later given up once they became known, and Maldives promised not to do anything that compromised the security environment of the Indian Ocean. In October 2011, Nasheed tried to allay Indian fears by stating that the Maldives

“will always be India’s friend”, and also added that he trusted “democracy far more than any other system”. The government of Nasheed claimed to follow an ‘India first’ foreign policy. Nasheed defined this policy as not having defence exercises with other countries, not to conduct domestic policy in a way that creates fear in India, not to give a base to the Chinese, or indeed anyone to create strategic infrastructure, like deep-water ports and airports.<sup>12</sup> This meant that the government under him prioritised Indian interests. It also meant that Maldives would not do anything which could jeopardise Indian security interests. He had allowed the installation of radars on 26 atolls. Indian and Maldivian navies were engaged in joint exercises. The Indian navy also provided training to the Maldives National Defence Force (MNDF).

The Maldivian approach to India shifted yet again under the stop-gap regime of President Waheed.<sup>13</sup> The Waheed government started on a clearly anti-India note by, for example, terminating the GMR contract ab-initio. The decision was not just a result of domestic politics; it seems to have been made under external influence, especially of China. The broad trends witnessed during the Waheed regime continued in the initial period of Abdulla Yameen’s regime. The foreign policy of Abdulla Yameen was driven by religion and the need to tackle the financial crisis of the Maldives.

The bilateral relationship with China continued to deepen under Yameen. The visit of Chinese President, Xi Jinping, to Maldives in September 2014 was the first visit of any Chinese President to the Maldives. The most important objective of visit was to get Maldivian support for his Belt and Road Initiative (BRI) project. Maldives agreed to participate actively in the initiative.<sup>14</sup>

Yameen also took two very controversial decisions, firstly, passing of a law that allows foreigners to own land in the Maldives and; secondly, he introduced amendments to the Tourism Act. It is widely believed that these moves would help China establish a foothold in the IOR. While the engagements with China were on the upswing, the relations with India deteriorated towards the end of his tenure.

### **Growing Economy with Many Challenges**

Since the late 1980s, economic policies have combined a liberal economic and investment regime – focused on tourism, fishing,

and manufacturing sector. The economy has been growing at an impressive rate of 6.5 per cent. This stable growth is supported by tourism and infrastructure projects.

Massive infrastructure and development investments across the tourist islands will contribute significantly to the economic growth. The expansion of the Velana International Airport and the construction of a new passenger terminal will facilitate the accommodation of more than seven million passengers per year, compared to one and a half million currently. The expansion is financed by Chinese, Saudi and Emirate investments. China has committed the biggest investment by far; as part of the Maritime Silk Road (MSR) initiative, US \$ 830 million (20 per cent of the Maldives' GDP) was released for the airport expansion. China has already financed a new airport runway, and a bridge between the airport island and the capital, Malé, both inaugurated in 2018.

The tourism sector (over a third of GDP) will remain a major contributor to growth and will need a secure environment to grow at the present rate. India, with its maritime power and strategic location, is in a position to become a net provider of security; we must jointly ensure a safe and secure environment for tourism and contribute towards the overall development of the State.

In order to attract investments, former President Yameen had signed Free Trade Agreement (FTA) with China in Dec 2017. According to sources within the Maldives government, there was pressure from China on signing of the FTA, the first by Maldives with any other country. A cursory study of the FTA document will be enough to understand that the FTA is Beijing driven, with little in it for Male. The preamble of the document includes 'strengthening cooperation on jointly building the 21st century Maritime Silk Road (MSR)', one of the key goals of the Chinese government under President Xi Jinping. The FTA is unlikely to boost Maldives exports to China, given its narrow export base, but, at the same time, burden Maldives with loans which it may not be able to repay.

### **Is Maldives Falling Victim to China's Debt Trap?**

The share of Chinese loans for construction investments as part of the MSR is worrisome, as it reaches 70 per cent of total national debt, and annual repayments to China take up around 10 per cent of the government budget. The reality is that Maldives



has borrowed heavily from China to finance infrastructure and other related projects. As a result, the Chinese will continue to exert influence over the archipelago nation.

A section of Indian establishment hopes that the new government in the Maldives will either roll back some of the China-linked infrastructure projects or put them in cold storage. Although, Solih has indicated that his government is in the process of revising the FTA with China, it seems unlikely that he will engage in a radical policy shift or seek to push off all Chinese engagement.

The harrowing experience of Sri Lanka, in not too distant past, will loom large on the minds of the new government. Despite his best efforts, President Sirisena was forced to confront the harsh realities of Beijing's debt-trap diplomacy as he was compelled to transfer control of its strategically situated Hambantota port to a Chinese state-owned company under a 99-year lease deal. The absence of other viable development financing options in the Indo Pacific helps explain why China's debt trap strategy has reaped such profitable dividends for Beijing thus far.

These highlights the role India can play, by taking the lead and getting other like-minded countries to generate sources of financing to the Maldives. India, Japan, the US, and the EU in the past have discussed mechanisms aimed at increasing overall investment in the Indo-Pacific, this initiative must fructify before it becomes too late. They will have to convince the countries in the region that more attractive alternatives to Beijing exist. This should be the cornerstone of our long-term strategy in IOR. If New Delhi can help pull Maldives out of its debt trap it will increase India's real influence in future.

### **Re-setting the Ties Post Elections**

Post September 2018 elections in Maldives, where President Ibu Solih was a surprise winner, India seized the opportunity to restore the balance in the bilateral relations. Prime Minister Narendra Modi, who was invited to the Inauguration Ceremony, held talks with the new President. Both leaders agreed on the importance of maintaining peace and security in the Indian Ocean and being mindful of each other's concerns and aspirations for the stability of the region. The two leaders also expressed their unwavering commitment and support for increased cooperation in combating terrorism, both within the region and elsewhere.

Solih also briefed Modi on the economic situation facing the country as he took office. The two leaders discussed ways in which India can provide economic assistance to help the new government in meeting its pledges to the people of the Maldives.<sup>15</sup> President Solih candidly admitted that Maldivian economy is facing crisis as it has incurred debts following China funded projects.<sup>16</sup>

During his maiden visit to India in December 2018, Solih affirmed his government's "India First Policy". Displaying nimble footed diplomacy, India reciprocated the gesture by announcing an assistance of US \$ 1.4 billion through a credit line and budgetary support to the Maldives. Enhancing cooperation in the IOR, particularly in the maritime security domain through coordinated patrols and aerial surveillance, was also the centrepiece of Modi-Solih discussions. Ibrahim Mohamed Solih has put distance between the Maldives and China and sought to rebuild ties with India instead. Whether this change of fortunes endure, will depend partly on whether New Delhi can assist economic development in the island without saddling it with the crushing financial liabilities that accompanied Chinese investments. NDA 2.0, under Prime Minister Modi, has the mandate to pursue the national interests with much more vigour and energy than ever before.

## **Conclusion**

Having been presented with an opportunity, it must now be ensured that the economic assistance is provided in a time bound manner and India's credibility to fulfil its promises is restored. India should also become provider of net security but needs to remain careful to avoid a Nepal-like situation, where New Delhi's perceived interference in Nepal's internal affairs had turned the Nepali people against India. Having a lighter diplomatic footprint but regular engagements at the highest level, backed by substantial assistance to boost the economy, is the best way forward in the Maldives.

## **Endnotes**

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<sup>15</sup> *ibid*