

Should India Bail Out Debt-ridden Maldives?

Author: Rajesh Soami*

Date: 29 November 2018

Maldives has borrowed heavily from China in the last five years putting it at serious [risk of debt distress](#). Now Male has [sought support](#) from India to tide over its financial problems. The Foreign Minister of Maldives Abdulla Shahid along with the Finance Minister Ibrahim Ameer and the Minister for Economic Development Fayyaz Ismail visited New Delhi for a two-day trip on 26th November 2018 and met officials of the Indian government to seek assistance. This came in the backdrop of the recent transition of power in Maldives. The government of Abdulla Yameen, which had an undulating relationship with India, has given way to the new dispensation led by President Ibrahim Solih. Solih is related to the former President Mohamed Nasheed through family ties and is also a close friend of the latter. The Prime Minister of India, Narendra Modi, made it a point to attend the inauguration ceremony of the incoming President.

The new government in Male is considered to be friendly to India. It has been making the right noises regarding the relationship between the two countries. In a symbolic gesture for instance, the new government stated that it will [retain the two helicopters](#) gifted by India in 2013 which the previous government had wanted to return. The Ibrahim Solih government has also criticised China for what it claims is the execution of infrastructure projects in Maldives at [inflated prices](#). Notwithstanding the recent developments, the larger question for India is whether it should support the new government in Male financially and if yes, to what extent?

Ever since the democratic transition in 2008, India has been anxious over developments in Maldives and for a good reason. For almost half a century, India had uncontested political influence in the small atolls that constitute Maldives. In the last decade though, the political leaders in the country have been looking to diversify their relationship to other powers. This was not a problem for India so long as New Delhi ranked first in priority in Male. However, the

inroads that China has made into Maldives in the last couple of years started to ring alarm bells in the corridors of power in Delhi.

Maldives is strategically located as it straddles major international shipping lanes. Any loss of Indian influence in the country could cause long-term deterioration of its security situation in the Indian Ocean Region (IOR). A section in the Indian strategic community sees the country as having already been surrounded by the Pakistan-China quasi-alliance on its northern and western land borders. Giving up influence in the Indian Ocean Region (IOR) and allowing China to gain a foothold would complete the encirclement of India. This is a strict red line for Delhi and it is therefore pushing back now.

However, this is easier said than done. The size of the Chinese economy is almost six times that of India. It gives Beijing a clout that India is finding difficult to match. The Chinese government is investing massively in infrastructure development projects under the ambit of the Belt and Road Initiative (BRI), which is the flagship project of Chinese President Xi Jinping. The cash-strapped countries of South Asia and IOR are happy to board the 'gravity train' offered by Beijing. There is no way that India can match the largesse being offered by China. Besides, the larger buying capacity of the Chinese citizenry is also beginning to wield its own influence. This is true particularly in the tourism sector which is the mainstay of the Maldivian economy.

China sends the largest number of tourists to Maldives. Depending on the season, tourists from China now constitute up to [16 to 30](#) percent of the international tourist arrivals in the country. This helps Male earn vital foreign currency, needed for importing other essential items. The massive jump in the number of Chinese tourists has taken place largely due to the commencement of flights between China and Male. If Beijing were to discourage these flights and/or their tourists from visiting the island state, it would cause immense damage to the country's economy. There is a precedent to this. When Turkey shot down a Russian plane in 2015, Moscow retaliated by stopping chartered flights between the two countries. The impact on the Turkish tourism industry forced the government to reconcile with Russia.

Among other issues, the situation in Maldives remains volatile. Politically, the country is divided. Abdullah Yameen and his pro-China policies continue to receive support from a large section of the Maldivian population. Therefore, any assumption that the political wind in Male will continue to favour India in the future may be premature. The recent ominous developments in Sri Lanka, whose economic situation Maldives now mirrors, are a lesson. Besides, Maldives has moved in a conservative direction with religion playing a major role in

politics. As a matter of fact, Maldives has contributed the largest number of fighters to ISIS (Islamic State of Iraq and Syria) on a per capita basis, with anywhere between 200 to 400 Maldivians joining the dreaded terrorist organization. The narrative of a small Islamic island country being pushed around by big India has been used on social media and in hushed tones in the political circles by those opposed to New Delhi.

These factors must be accounted for when India decides whether or not it wants to bail out the debt-ridden Maldives. If Delhi decides to lend a helping hand, it needs to analyse the extent to which it may be willing to get drawn into the Maldivian quagmire. If the aim is to pushback China and reduce its influence in Male, this might be a difficult goal to achieve. Beijing has more arrows in its quiver, based on its larger economic profile. We need to remember that China is now the [largest trading partner](#) of more than 120 countries in the world today. India cannot simply buy away Chinese influence everywhere. Moreover, a pay cheque to retain influence in one neighbouring country could open the floodgates with other countries expecting similar handouts. This simply cannot be a viable or sustainable policy for a developing country with its own needs.

Moreover, the political situation in Maldives has not stabilised as yet. While it may be true that India now has a relatively friendlier dispensation in Male, it would be premature to assume that this will continue to remain so. A change in government could see another U-turn in Male's foreign policy. The historically close ties between the two nations must be thought of as a thing of past. All new democratic governments in the country are likely to weigh their options internally before choosing one.

India must make itself indispensable to Male if it wants to retain its influence in the country. This must be done by Investing in infrastructure development in the country the way China is doing. But that is not all. The investments must be screened by different stakeholders of the country to ensure that political changes do not have an impact on these projects. The lesson [from the GMR](#) fiasco of 2012 must be learnt.

As far as the immediate needs of the Maldivian economy are concerned, India must call upon all international stakeholders to help Male. India must seek the support of [Quad](#) states (Quadrilateral Security Dialogue) to alleviate the problems being faced by Maldives. The security of the shipping lanes in IOR is as important for other members of the Quad as it is for India. Besides, the financial aid to Maldives must be provided in accordance with the principles of the International Monetary Fund (IMF). A review of the economic situation of the country

by an expert panel must be carried out and recommendations given. A path must also be decided by which Maldives would pay back the support it receives. A blank cheque is the sure-shot way to ensure continued bad practices and return for more aid in future. India must think of a long-term solution to the issues at hand rather than act in an insecure manner just because the Chinese are knocking on the doors in IOR.

**Rajesh Soami is an Associate Fellow at the National Maritime Foundation. The views expressed here are his own, and do not reflect the official policy or position of the NMF. He can be reached at rajesh96_isg@jnu.ac.in or associatefellow4.nmf@gmail.com*