

# The Maldives, India, China, and the geopolitics of the Indian Ocean

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## IN MALDIVES, INDIA'S MODI SEES THE GLINT OF A CHINESE PEARL

• **The fall of Abdulla Yameen, the Maldivian strongman president seen as Beijing's man in Male, gives India a chance to regain influence**

• India's prime minister made his first visit to the nation last weekend

It was political change in the Maldives that prompted Prime Minister Narendra Modi to make his first visit to the Indian Ocean archipelago last weekend.

The Maldives was the only member of the South Asian Association for Regional Cooperation (SAARC) that Modi had yet to set foot in after more than four years in power. New Delhi's relations with Male had steadily deteriorated, as China cultivated ties with Abdulla Yameen, the strongman president who many believed was in Beijing's pocket. Chinese firms poured money into infrastructure projects, including an US\$830 million upgrade of the airport and a US\$400 million bridge linking the airport with the capital. Simultaneously, the Maldives had squeezed out Indian firms and workers from the country. Then, in elections in September, Yameen lost to a consensus opposition candidate, Ibrahim Mohamed Solih – and for his inauguration, Modi finally decided to visit.

## **Why the Maldives matters**

The Maldives remains an important component of New Delhi's plan to preserve its influence in the Indian Ocean. The Indian Navy oversees the waters between Qatar – the forward headquarters of the United States Central Command (Centcom) – and the Strait of Malacca, beyond which lies the hotly contested and militarised South China Sea. Each year, more than 100,000 ships carrying oil, minerals and manufactured goods travel the international shipping lanes running through the northern Indian Ocean. The Indian Navy has dominated these waters, thanks to two Indian archipelagos: the Lakshadweep Islands to the west and the Andaman and Nicobar Islands in the eastern Indian Ocean.

However, a Chinese base in the Maldives, not far from Lakshadweep, would enable a countervailing Chinese naval presence. New Delhi worries that Beijing – having obtained naval basing rights in Djibouti, in East Africa, while also building a port at Gwadar in Pakistan – is also flexing its financial

and commercial muscle to create bases in Myanmar, Bangladesh, Sri Lanka and the Maldives. These bases would be China's vaunted "string of pearls" – a potential maritime chokehold on India.

New Delhi has openly taken sides in the domestic politics of the Maldives. It welcomed Yameen being replaced by a more accommodating leader, evidenced by the joint statement released by Modi and Solih.

"The two leaders, while noting the resilience of the relations between India and the Maldives, expressed confidence in the renewal of the close bonds of cooperation and friendship with the election of Mr Solih as the President of the Maldives," it said.

The statement also emphasised "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".

Beijing's influence over Yameen illustrates the raw power of financial incentives and how they can override physical proximity – the Maldives is barely 100 miles from the southern tip of Lakshadweep – traditional links and also long-standing security ties.

India has long been the security guarantor for Indian Ocean island states – not just the Maldives, but also Seychelles and Mauritius – providing them patrol vessels, helicopters and training. Throughout the region, New Delhi has supported democracy but remained politically pragmatic. It backed the authoritarian Maldivian president Maumoon Abdul Gayoom for three decades, even flying in armed paratroopers to the Maldives in 1988 when Sri Lanka-based mercenaries launched a coup against Gayoom. But this influence waned in the face of a concerted Chinese push.

In 2012, China did not even have an embassy in Male. Yet, that year, Indian construction firm GMR, which was building an airport at Hulhule, found its contract annulled and its personnel asked to leave. Chinese firms were awarded the contract instead. By early this year, India's influence in Male was neutralised.

In February, with the political opposition united and the Supreme Court ruling against the president, Yameen imposed a 15-day state of emergency and ignored New Delhi's protests. Even as former president Mohamed Nasheed called for Indian military intervention, Yameen ordered an Indian Navy detachment operating two helicopters gifted by India to leave the country. An estimated 2,000 Indian workers were told their work visas would not be renewed. Foreign Policy magazine carried an article entitled: "Is Abdulla Yameen Handing Over the Maldives to China?"

### **New Delhi's weak hand**

If the situation has improved from New Delhi's perspective, Modi's government can hardly take the credit. Rather, Beijing's clumsy pursuit of strategic economic objectives in the Indian Ocean region has tipped the scales. This has been evident also in Myanmar, Pakistan and Sri Lanka.

Colombo could not resist China's offer to build a US\$500 million container terminal at Colombo Port but China Merchants Holdings International now owns 85 per cent of it. China's overhaul of Hambantota – including a port, airport, economic zone and motorway network – was supposed to transform the economy of one of Sri Lanka's least developed areas. Not coincidentally, it was also the political base of then president Mahinda Rajapaksa. Instead, with little traffic or economic activity to justify the billions spent, Colombo has been forced to lease the port and 15,000 acres of land around it to China for 99 years. Maithripala Sirisena, Sri Lanka's new, more India-friendly president, says Hambantota would never be used for anti-India activities but the fact remains China has control of a key port next to India, with one eye on the shipping lanes.

India's interests in Sri Lanka were salvaged not by clever strategy but because a pro-China leader happened to be voted out of power, when Sirisena defeated Rajapaksa in the 2015 elections. India's advantage is tenuous and temporary. Last month, Sirisena joined hands with Rajapaksa to try and reintroduce him as prime minister, a move narrowly defeated in parliament. Elections in January may decide the foreign balance of power within Sri Lanka.

Even Pakistan, China's "iron brother", has discovered the pitfalls that accompany Beijing's largesse. The China-Pakistan Economic Corridor (CPEC) initially seemed a godsend for Pakistan's development but a closer look at the fine print convinced Islamabad that high-interest loans baked into the project would eventually benefit China more than Pakistan. Newly elected Prime Minister Imran Khan visited Beijing earlier this month and reportedly urged projects be scaled back. However, China's vice foreign minister Kong Xuanyou declared: "There is no change at all. If there were, it would only be to increase, not decrease [the number of projects]."

Shyam Saran, the former Indian foreign secretary, said countries accepting loans from China will need to learn this lesson the hard way.

"Like other countries, Pakistan is discovering the difficulty in walking back from China's economic proposals, especially those related to the Belt and Road Initiative," Saran said. "A reduction of China's role is possible only at heavy political cost. Pakistan can limit its further exposure but not reduce what it has already committed to."

### **What can India do?**

Political good fortune notwithstanding, India has not developed the strategic capability to confront and turn back China's geo-economic offensive. The harsh reality: it simply cannot match China's financial resources. New Delhi has some countervailing advantages, including geographic proximity to the countries being wooed and, in economic terms, it can promote regional connectivity as the largest transit country for all its neighbours.

This would require the building of not only physical infrastructure but also the dismantling of tariff and non-tariff barriers that delay delivery of goods and services. At the Indo-Nepal border, for example, trucks queue for miles, awaiting clearance.

India also must also address limitations in creating connectivity structures with its neighbours. Many outreach initiatives founder against the politics of local economies. Bangladesh, for example, seeks to export textiles and fishery products to India but Indian trade lobbies object, preferring to protect the same sectors locally.

Politically, New Delhi has yet to pursue and sustain high-level political interaction with its neighbours. Relations with key interlocutors, such as Pakistan, remain episodic and mired in confrontation. With India's Ministry of External Affairs woefully understaffed, there is a lack of commitment to coordinating strategic, commercial and military initiatives.

The United States embassy in New Delhi reportedly has more diplomats than the Indian foreign ministry's offices in that city. If India is to challenge China's advances in the Indian Ocean region, practical capability creation will count for more than mere political good fortune.

During Modi's visit to Male, President Solih gave him a detailed brief on what the joint statement termed "the dire economic situation facing the country as he takes office". Solih asked for Indian help in building houses, and establishing water and sewerage systems in the outlying islands.

Such projects are well within India's capability, even though they are a far cry from the grandiose

infrastructure projects the Chinese are so good at.

But then, look at where that got them.

## **Ajai Shukla**

- South China Morning Post. 24 NOV 2018:

<https://www.scmp.com/week-asia/geopolitics/article/2174776/maldives-indias-modi-sees-glint-chinese-pearl>

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### **India offers Maldives \$1bn in loans to help repay China debt**

#### **New Delhi calls for stronger security ties in exchange.**

NEW DELHI — India is considering providing up to \$1 billion in loans to the Maldives to help it pay down its debt to China, but only if the island nation agrees to distance itself from Beijing, Indian government sources said.

India is in talks with the Maldives, offering low-interest loans over several installments in exchange for stronger security ties, including the permanent deployment of Indian military personnel in the island nation, according to the sources.

The countries are expected to iron out the details before Maldivian President Ibrahim Mohamed Solih, who took office on Nov. 17, visits India in December.

Under Solih's predecessor, Abdulla Yameen, the Maldives borrowed heavily from China to build bridges and housing as part of Beijing's Belt and Road infrastructure initiative. Yameen was even believed to have handed over some islands to China.

India, which sees the Indian Ocean as its own backyard, is alarmed by the possibility that China could build naval bases on the islands.

Negotiations appear to be going well. Maldivian Foreign Minister Abdulla Shahid and Indian External Affairs Minister Sushma Swaraj agreed to cooperate on economic and security issues at a Monday meeting in New Delhi.

Abdulla "reiterated that the government of Maldives will be sensitive towards India's security and strategic concerns," the Indian Foreign Ministry said in a statement, adding that India supports the Maldives "in ensuring fiscal and budgetary stability."

There is no official data available on the Maldives' debt to China. "From the information I have, the debt to China alone is \$3 billion," which the government will work to pay off while developing the country, former President Mohamed Nasheed told reporters early this month. Nasheed, now a close aide to Solih, believes it would be impossible to repay this from the national coffers alone. The Maldives collects less than \$1 billion in taxes a year.

Solih, a veteran member of Nasheed's Maldivian Democratic Party, unseated Yameen in an election in September. He is now cultivating closer ties with India, and plans to revise a free trade

agreement signed with China under Yameen last year.

India is currently advancing a vision for a “Free and Open Indo-Pacific” along with Japan, the U.S. and Australia, while the U.S. has announced its own infrastructure investments in Asia to balance China’s growing influence in the region.

YUJI KURONUMA, Nikkei staff writer

• Nikkei Asian Review. NOVEMBER 28, 2018 06:01 JST:

<https://asia.nikkei.com/Politics/International-Relations/India-offers-Maldives-1bn-in-loans-to-help-repay-China-debt>

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## **Why are China and India so interested in the Maldives?**

**Power balance between the two Asian giants may be about to shift**

**The Maldives, long a popular tourist destination, has grown in strategic importance in recent years as China and India vie for influence in the region, and as Beijing pushes ahead with its global trade and infrastructure plan.**

Spread over nearly 1,200 islands spanning more than 90,000 sq km, key shipping lanes – where Beijing and New Delhi compete to pursue their often conflicting maritime strategies – pass through this tiny Indian Ocean nation.

But after Abdulla Yameen, who has drawn the Maldives closer to China, was ousted as president in Sunday’s election, his successor and opposition leader Ibrahim Mohamed Solih could be about to tip the power balance between the two Asian giants in the archipelago.

**Why do China and India compete over this tiny resort nation?**

For years the Maldives – a country of around 400,000 people – has been in the sphere of Indian political influence. Beijing has stepped up its engagement in the country in recent years, seeing it as a key part of the investment route along its “Belt and Road Initiative”.

But China’s increasing presence there has fuelled New Delhi’s suspicion that the nation is part of Beijing’s “String of Pearls” strategy to build a network of economic and military ties in the region to contain India.

Those fears have grown as Yameen used Chinese money to build infrastructure in the Maldives, and after he endorsed Beijing’s new Silk Road initiative.

**How is China engaging with the Maldives?**

Beijing has made large investments in infrastructure projects in the Maldives during Yameen’s time in office.

They include a US\$830 million investment to upgrade the Maldives airport and build a 2km (1.3-mile) bridge to link the airport island with the capital Male, according to the Centre for Global Development.

Chinese are also building a 25-storey apartment complex and hospital in the Maldives.

Meanwhile, some 306,000 Chinese tourists visited the Maldives last year – accounting for 21 per cent of the country's total number of visitors.

When three Chinese naval ships docked in Male in August last year, it only amplified India's concerns.

### **How have the Maldives' ties with India fared under Yameen?**

Bilateral ties between India and the Maldives have deteriorated during Yameen's time in power.

In March 2015, Indian Prime Minister Narendra Modi cancelled his state visit to the island nation over the treatment of Mohamed Nasheed, the former pro-India Maldivian president who had been jailed.

The Maldives also declined India's invitation to take part in its biennial eight-day naval exercise, Milan, this year.

Yameen's government has also rejected visa renewals for Indians who were legally working in the Maldives, without giving any explanation.

Maldives looks to 'long lost cousin' China, despite 'brother' India's concerns

### **Are Chinese investments coming at a price for the Maldives?**

The small nation has racked up an estimated US\$1.3 billion of debt to China – more than a quarter of its GDP – mostly for large-scale infrastructure projects, according to Reuters.

Exiled former president Nasheed said in January that 80 per cent of the Maldives' foreign debt was owed to China.

He said Chinese interests had leased at least 16 islets of the 1,192 scattered coral islands which make up the country and were building ports and other infrastructure there, according to an Agence France-Presse report.

In the run-up to the elections, an opposition Maldivian Democratic Party spokesperson called the Beijing-funded projects "debt traps" and signs of corruption under Yameen.

Critics have warned that the debt may see the country making major concessions as its neighbour Sri Lanka has – it was forced to sign a 99-year lease with China for the port of Hambantota after it was unable to repay loans to develop the project.

China's foreign ministry has said Beijing never attached any political conditions to its Maldives aid, which has done no harm to the country's sovereignty and independence, nor jeopardised security in the Indian Ocean region.

In February, ministry spokesman Geng Shuang dismissed Nasheed's "land grab" accusation as "nonsense".

### **Lee Jeong-ho**

*Additional reporting by Keegan Elmer*

• South China Morning Post. 24 NOV 2018:

<https://www.scmp.com/news/china/diplomacy/article/2165597/why-are-china-and-india-so-interested->

[maldives](#)

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