

A New Chapter in India-Maldives Relationship

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Executive Summary

The Maldivian President's visit to India has re-established close bonds between the two countries. India has agreed to provide much needed economic assistance to the Maldives and the two countries also agreed to cooperate on security matters in the Indian Ocean.

In his first overseas visit after taking over as the President of Maldives, Ibrahim Mohamed Solih was in India from 16 to 18 December 2018. He was accompanied by a high level delegation comprising the ministers for finance, infrastructure, economic development and foreign [affairs](#). In New Delhi, Solih met the Indian President Ram Nath Kovind, Vice-President Venkaiah Naidu, Prime Minister Narendra Modi and Minister for External Affairs Sushma Swaraj.

Since he took an oath to office in November 2018, Solih's visit to India was much expected. To prepare the groundwork for his visit, Maldivian Foreign Minister Abdulla Shahid visited India in the last week of November 2018 accompanied by the finance and economic development ministers. During his meeting with Swaraj, Shahid reiterated his government's "India First" policy. He also reiterated the new Maldivian government's sensitivity towards India's security and strategic [concerns](#).

During Solih's visit to India, Modi announced a US\$1.4 billion (S\$1.7 billion) loan to the [Maldives](#). This was mainly to help the Solih government pay Maldives' Chinese debt of around US\$1.5 billion (S\$1.8 [billion](#)). Most such loans were taken during Abdulla Yameen's tenure (2013-2018) as the President of the Maldives. During his term, Maldives became a part of the One Belt One Road project and also signed a free trade agreement with China, which former President and Advisor to the present government, Mohamed Nasheed, called a "[lop-sided](#)" one. Both of these initiatives attracted China to make large-scale investments, through high interest-bearing loans to the Maldives pushing the island nation into a debt.

However, the political environment changed after the defeat of Yameen in the September 2018 presidential elections. Solih's win has been taken as a reflection of the growing influence of India in the island nation. The importance of the leadership change in Maldives to India is underscored by Modi's attendance at Solih's swearing-in-ceremony. All such developments have infuriated China. According to Nasheed, soon after Solih took charge, the Chinese ambassador to the Maldives, Zhang Lizhong, handed the government an invoice of US\$3.2 billion (S\$3.6 [billion](#)). However, China maintained that the amount was nearer to US\$1.5 billion (S\$ 1.8 [billion](#)). To meet the Maldivian crisis, India stepped forward and offered a loan to [Maldives](#). This was seen by many commentators and media persons as a payoff to establish its military base in the Maldives – a point that was refuted by [Shahid](#).

In his press statement to announce the financial aid to Maldives during Solih's visit, in his press statement, Modi said: "For Maldives' social and economic development we are providing a financial assistance of US\$ 1.4 billion in the form of budgetary support, currency swap agreements and concessional lines of [credit](#)". India and the Maldives also signed- an agreement on the facilitation of visa arrangements, a Memorandum of Understanding (MoU) on cultural cooperation, an MoU to establish mutual cooperation to improve the ecosystem for agribusiness, and a Joint Declaration of Intent on Cooperation in the field of information & communications technology and [electronics](#).

To boost economic cooperation between India and Maldives, on the day of his arrival, Solih met members of the Indian business community and invited them to invest in the [Maldives](#). Solih said: "India is our closest neighbour and our people have ties of friendship and cultural affinity and within those close links trade and commerce have flourished. India is not only our closest friend, it is also one of our largest trading [partners](#)." The two countries also agreed to work together to create institutional linkages and cooperate in areas such as: health issues, particularly cancer treatment, mutual legal assistance on criminal matters, investment promotion, human resource development and [tourism](#). It was also agreed that India would provide 1000 additional slots over next five years for training and capacity building in fields such as judiciary, policing and law-enforcement, audit and financial management, local governance, community development, Information Technology, e-governance, sports, media, youth and women empowerment, leadership, innovation & entrepreneurship, and art and [culture](#).

On security issues, speaking during the visit, Solih said that the two sides agreed to strengthen maritime security cooperation in the Indian Ocean region through coordinated patrol and aerial [surveillance](#). Solih also pledged Maldives' support to India's candidature for permanent membership in the expanded United Nations Security Council.

The Maldivian President's visit was very successful in terms of re-establishing the India-Maldives relationship, which was strained during Yameen's tenure. India's economic assistance to Maldives is a sign of closer friendship and strategic acumen. Obviously, this visit would be closely watched and the agreements and the MoUs must have been carefully read by China, which does not want to lose its strategic footprint in the Maldives.

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