

**POLITICO-ECONOMIC TRANSFORMATION IN INDIA'S NEIGHBORHOOD POLICY – AN ATTEMPT TO  
CAPACITY-BUILDING IN MALDIVES**
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**Abstract**

*In the fast-changing geo-political scenario, the world is undergoing a fundamental transformation. Many facets are emerging causing uncertainty. The article aims to understand in correlation with PM Modi's 'Proactive Engagement' neighborhood policy (as it develops in conjunction with the South-Asian neighbors) vis-à-vis Maldives. It is on multilateral policy of Indian government, with investments in Capacity-building Activities in the small island State in technical / vocational and medical training etc.*

*The objective of the study is:*

- *what is India's foreign policy in the Asia's sub-continent?*
- *why India needs to maintain relations with Maldives?*
- *how the emergence of China affects India-Maldives ties?*

*Maldives is a small island in Indian Ocean, affluent in natural resources and situated in strategically sensitive area. It gained independence in 1965 and has cultural, and commercial links steeped in antiquity with India. It opened a High Commission in New Delhi in 2004 and transitioned to a multi-party democracy (2008). The relations between two are deep and diverse but not flawless. The article highlights Maldives being a SAARC member having continuously supported India on the multilateral front (UN, SAARC, etc.) vis-à-vis the aim of Indian government to increase transactions and exploit its natural resources for common benefits. India welcomed Maldives in the Indian Ocean Rim (IOR) and explains the Indian stakes in Maldives as vital for multiple maritime commercial routes in the field of Navigation processes.*

*However, India's 'Neighborhood Policy' has taken a trajectory shift in the Indian Ocean Rim, since China's (BRIC member) setting its footprints by investing in such small countries laying debt traps.*

*Political instability in Maldives, coupled with increase of terrorist groups like IS and Jihadists, and the recent call of President Mohamed Muizzu, post winning elections with a strong mandate in September 2023, to India 'to pull out its security personnel from the Maldives' and honor the democratic aspirations of people has evidently miffed New Delhi. Both India and China are looking for opportunities to have substantial stake in the development process of the island. The basis for Indo-Maldives relations, however, remains as shared prosperity within the Modi's clarion call of 'Sabka Saath, Sabka Vikas', that translates as 'Collective Effort, Inclusive Growth and Mutual Trust'.*

*Key words: Neighborhood, maritime commercial route, security, investment, capacity-building.*

**Key words:** *Liberalization, Exchange rate, Volatility, Export, Import and GDP growth rate.*

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**Introduction:**

We are living in a well-connected and Inter-dependent multipolar world, where multiple partners are cooperating while competing. It is widely believed that the center of world politics is shifting away from the West to South - emerging powers. India is now a leading global power, given its status as the world's largest democracy. It has risen on the global front shaping its foreign policy *towards 'reform of global governance'*. India is committed to building capacities within South Asia, thereby achieving an inclusive regional growth.

In the changing *'geo-political scenario'* many facets are emerging causing uncertainties. trading system which was supposed to be *liberal has come across 'protectionism.'* The developing are facing risks of conditionality and the smaller nations and weak economies, are using strategic diplomacy for promoting national interests. India being a multi-aligned nation having distinct sub-continental geography, dictates that it develops in conjunction with its South Asian Neighbors. A good relationship with neighbors, both immediate and extended, is a priority of India's foreign policy as part of its *'Neighborhood First Policy'*.

In the last 75 years, we have faced several international events and foreign aggression war with neighbors, but has always stood united, *'thereby projecting the country as peace-loving, democratic and law-abiding in the realm of global politics.'* The paper aims to analyze:

- *what is India's foreign policy in the Asian sub-continent in conjunction with the South-Asian neighbors?*
- *Need for deeper cooperation with Maldives for global power status in the Indian Ocean Rim*
- *how it effectively manages its periphery to counterbalance China's increasing presence in Indian Ocean Rim Association (IORA)? and*

- *why is Maritime Security a priority for India in the region, with China's emerging footprints?*

The key feature of India's policy in its engagement with its neighbors in the sub-regional groupings (IORA, BIMSTEC), apart from. Promoting Blue Economy initiatives in the areas of ocean energy, sustainable fishing, exploring of mineral resources etc. which are vital instruments in the Indian Ocean reach. Both Maldives and Sri Lanka Island nations witnessed political crisis and are important partners in India's national and Indian Ocean security template, so it becomes imperative for India to understand external influences, notably China, which played a part in the crisis.

***Why Maldives is so important? A perspective of its historical significance:***

Maldives is a small island in Indian Ocean, affluent in natural resources and situated in strategically sensitive area. It is located close to the Minicoy Island and India's west coast. Their documented contact with the outside world began around 947 AD when Arab travelers began visiting the islands attracted by the abundance of pearls, spices, coconuts, dried fish and in particular, cowry shells that became accepted currency from Africa to China until the sixteenth century. Maldives officially converted to Islam in 1153 AD under the influence of these travelers, although they were known to practice Buddhism and ancient paganism before that - they were influenced by *'The Kalingas'* of ancient India, who were earliest sea traders and responsible for the spread of Buddhism. Subsequently, after the 16<sup>th</sup> Century, the colonial powers Dutch, Portuguese, and French, had influence over them and finally a part of British Protectorate in the 19<sup>th</sup> Century.

Thus, Maldives is intertwined with the history of the broader Indian Subcontinent and the surrounding regions, comprising the areas of South Asian and Indian Ocean and the modern nation consisting of 26

natural atolls, comprising 1194 Islands. It occupied importance because of its location on the major marine routes of the Indian Ocean and its closest neighbors are India, Sri Lanka, and British Indian Ocean Territory, having economic and cultural relations. They traded with ‘*Aceh*’ and many kingdoms which is today Indonesia and Malaysia.

It gained independence in 1965 and has cultural, and commercial links steeped in antiquity with India. It opened a High Commission in New Delhi in 2004 and transitioned to a multi-party democracy (2008). The Maldives are strategically significant to India because of their location in the Indian Ocean.

***A perspective of its Strategic Geographical Location:*** Maldives is situated in a strategically sensitive area in the Indian Ocean, has key shipping lanes which are extremely useful for supply of energy to India, China, and Japan. Its location offsets India’s maritime advantage of being located at the virtual apex of the Indian Ocean Rim and is part of South Asian Association for Regional Cooperation (SAARC) since 1985. It is a ‘**toll gate**’ between the western Aden and the Strait of Hormuz on one hand and the eastern Indian checkpoint of the Strait of Malacca on the other, and for this reason it is significant.

More than 97% of India’s international trade by volume and 75% by value passes through the region Maldives lies at the heart of vital international sea-lanes linking Europe and Middle East on one side and India and East Asia in the other. Around two-third of world’s oil and half its container shipments passes through these sea lanes. Today it is the heat of international geopolitics, as China’s strategic foray has been growing rapidly and China’s military intentions are fueled by construction of ports, dubbed as the ‘**String of Pearls**’ around India in the Indian Ocean.

The deepening Chinese inroads into Maldives under their ‘*Belt & Road Initiative*’ raise security concerns for India, as it is just 1200 kms from mainland of India.

China invested US\$830 million to upgrade Maldives airport and has built 2km bridge to link the airport island with the capital Male. China’s investment in infrastructure includes 25 storied apartment complex and hospitals in Maldives. It is a great tourist destination and nearly 21% of total visitors are from China) is the lowest lying country on the planet. In view of these natural traits, the existential threats from environmental catastrophes, such as Tsunamis and sea-level rise looms large over Maldives

***Why is India so concerned?*** India and Maldives share ethnic, linguistic, religious, and commercial links and enjoy cordial, multi-dimensional relations but it is not flawless. It is located close to the Minicoy Island on India’s west coast. But with the new leadership under President Muizzu, who assumed office in November 2023, it signaled a **departure ‘from India first approach’** of previous regimes, while adopting a softer tone towards China. The Chinese grabbed this opportunity and started sending tourists in hordes.

Even Religious *Radicalization*, rise of Jihadists and terrorist activism is a concern for India and must be seen in future which way Maldives will go to establish itself as a peace center in the region.

The analysis is based on Maldives being a small country, an underdeveloped economy, hugely dependent on tourism, would always like to have benign generosity of a big state.

#### **Framework of India-Maldives Ties:**

##### **i) Dimensions of Political Relations:**

The base and superstructure of the bond of relationship has been carefully strengthened and nurtured by regular contact at the highest levels, right from the establishment of diplomatic relations. India was among the first to recognize Maldives in 1965 and both are founding members of SAARC, South Asian Economic Union, and signatories of SAFTA. Both have been supporting each other in multi-lateral areas such as UN, and the NAM. Almost all the Prime Ministers of India

visited the Maldives from time to time. Former President Gayoom made several visits to India. President Nasheed visited India in 2008, and later to attend Conference on Climate Change and Technology Transfer (2009), and CII-Partnership Summit in Chennai and opening ceremony of 19<sup>th</sup> Commonwealth Games (2010). by signing number of MOUs.

Historically, India has been always responding to Maldives in times of crisis, be it the intervention during the 1988 coup attempt and restoring the Government, or the Tsunami crises. India has never hesitated in rising to the occasion to provide succor, relief, and any necessary aid – economic, technical or manpower. Several arrangements exist those were formalized over long period of the deep relationship nurtured by both sides, viz:

- a) Agreement on the Facilitation of Visa arrangements.
- b) MOU on Cultural Cooperation and Establishing Mutual Cooperation to Improve Ecosystem for Agribusiness.
- c) Joint Declaration of Intent on Cooperation in the Field of Information, and Communication Technology and Telecommunication.
- d) Agreements to expand and deepen cooperation and working together to create linkages in the areas of

**ii) Bilateral Assistance –**

Maldives being a SAARC member and a developing economy has been benefitting from India's soft-power Policy. Some high points of major projects executed by India at Maldives include:

1986	<b>Indira Gandhi Memorial Hospital (IGMH).</b> It is during the period of PM Rajiv Gandhi, a medical complex with 200 beds and advanced tertiary care was established .It is continuously provided with substantial assistance ,now maintained by Maldives government ,and renovated again in 2004,with Super- specialty facilities.
1996	<b>Maldives Institute of Technical Education (now called the Maldives Polytechnic):</b> The MoU for setting up Maldives Institute for Technical Education (MITE) was signed in March 1992. MITE was completed at a cost of INR 12 Cr and handed over to GoM in Sept 1996..

***Health, Mutual Legal Assistance on Criminal matters, Investment promotion, Human Resource Development, and Tourism.***

But the coming of President Abdulla Yameen government started showing increased interest in China cooperation and snubbed India with equal vehemence. After the elections of 2018, in Maldives, the Indian PM Modi visited Maldives to attend the swearing in ceremony of President Ibrahim Mohamed Solih that was followed by reaffirmations to maintain peace and security in the Indian Ocean. President Solih agreed to give priority to India but professed he will also maintain relations with other nations in the region to serve its national interest.. Indian policymakers remained preoccupied with the strategic unfolding in Maldives for better understanding of the fragile political landscape and its domestic politics.

Now President Mohd. Muizzu is again *seen as anti-India and pro-China*, by advocating campaign '**India out** 'of Maldivian soil and expecting Indian government to respect the democratic aspirations of the Maldivians. In a break from tradition, Muizzu visited Turkey and China on his first official visit after assuming office instead of India, which disturbed the Indian high officials.

2004	<p><b>Savior in Times of Crisis of Disaster:</b></p> <p>The relief measures undertaken by India for Maldives in view of the Tsunami, which badly affected Maldives in 2004. India undertook the task of providing food stuffs, medicines, repaired electricity generators and communication assistance and provided financial assistance. In 2007 Indian government gave a cash assistance of Rs 10 crores, on an appeal made by President Gayoom, in the aftermath of tidal surges in Maldives.</p>
2009-2010	<p><b>Credit Facility.</b></p> <p>In 2009, due to severe foreign exchange crisis in Maldives, the State Bank of India helped Maldives recover from shortage of Currency.</p> <p>US\$ 40 million Line of Credit for Housing Sector: In 2010, the Government of India provided the amount, at 2% concessional interest rates with a repayment period of 20 years for construction of 500 houses. It was to be facilitated with the EXIM Bank</p>
2014	<p><b>India-Maldives Faculty of Hospitality &amp; Tourism Studies:</b> The foundation stone for the Faculty was jointly laid by Late PM Vajpayee and President Gayoom during the former's visit to Maldives in Sept 2002. The Faculty, built with Indian grant assistance of INR 64.5 Crore, was officially handed over to GoM in Feb 2014.</p>
2014	<p>After the coming of Modi Government to power, in the wake of drinking water crisis in Male, due to collapse of the islands only water treatment plant, India responded by sending its heavy-lift transporters like Boeing C-17 Globemaster III, and Ilyushin II-76 carrying bottled water. The Indian Navy came forward and sent INS Sukanya, INS Deepak and other ships capable of producing freshwater using on board desalination plants.</p>
2019	<p><b>Covid-19 India and Maldives:</b> The cooperation between the nations was reflected in the view of epidemic and Maldives has been the beneficiary in terms of assistance given by India. India continued to supply crucial commodities to Maldives besides gifting doses, under Mission SAGAR</p>
January 2019 onwards	<p><b>Existential Problems</b></p> <p>President Solih appealed at Katowice Poland to the Global community, "Maldives is victim to climate crisis, due to rising water levels consequently. In the Climate Change talks, India which is championing the fight against climate change assured combat its impact-for Small Developing Islands and need to strengthen global response through the UNFCCC, and Paris Agreement.</p>
March 2022	<p><b>National College for Police and Law Enforcement (NCPLE):</b> With GoI grant funding of INR 222.98 Crore, NCPLE is the single-largest grant project executed by India in the Maldives. The project was inaugurated by EAM Dr S. Jaishankar during his visit.</p>

**iii). Education, Training and Scholarships:** India is one of the leading countries providing quality higher education to its citizens and scholars from all over the world. Education here is not only comparable to the best institutions in the world but also available at a relatively affordable cost. With its proximity to Maldives it makes Indian institutions of higher learning the best choice for the Maldivian students to pursue their higher studies, especially Engineering, Medical and Vocational Courses for Skill Development.

India is the key country **providing capacity-building and training assistance as well as skill development** to Maldives by offering large number of scholarships under hi-tech-programmes, ICCR scholarship SAARC Chair fellowship and others. India remains a preferred destination for them for education, medical treatment, business and recreation. It is helping finance a \$5.3million

In brief, following was the Scheme for offering Scholarships in 2021-22:

Name	No. of Scholarships	Courses Offered
Indian Council for Cultural Relations (ICCR) Scholarships	39	Bachelor of Arts; Bachelor of Science; Bachelor of Commerce; Bachelors in Business Administration
SAARC Chair Fellowship Scholarship Scheme	2 (scholarship) 1 (fellowship)	Under Graduate / Post Graduate level studies
Training under Indian Technical Economic Cooperation	25	Training in Accounts, Audit, Banking, Finance, Communication, IT, English, Management SME/Rural Development and other, specialised areas
Technical Cooperation Scheme (TCS) of Colombo Plan	5	Comprehensive and integrated training to enhance administrative and technical capabilities
Medical Scholarships	4(MBBS)1PG	MBBS, Post Graduate (MD/MS/ MCH)
India Science and Research Fellowship (ISRF) 2021-2022	10	3 to 6 months research fellowship

Source: [https://en.wikipedia.org/wiki/India%E2%80%93Maldives\\_relations](https://en.wikipedia.org/wiki/India%E2%80%93Maldives_relations)

project for technology adoption program in education sectors. More than 5000 Maldivian teachers and youth across Island have been trained in IT skills.

India has extended over a thousand scholarships over five years in the areas of judicial, policing and law-enforcement, audit, financial management, local governance, sports, innovation and entrepreneurship, art and culture. Thus making Capacity and Institution Building as the fulcrum of Bilateral Cooperation .

The objectives are :

- i) To become self-sufficient and employable;
- ii) To foster the ideals of Indian Foreign Policy, based on Peace, rule of law and security;
- iii) To implement the Modi Government's Policy of Sab ka Saath Sab ka Vikas.

It builds **'up human endeavour for sustainable environment.'**

**iv.) Bilateral Trade and Economic Cooperation:**

Both signed trade agreement in 1981, for export of essential commodities. India imports from Maldives common scrap metals while Indian exports to Maldives include agriculture, poultry products, sugar, edible items, medicines and variety of engineering and industrial products, sand, cement for building etc.

In 2020, India emerged as the second largest trade partner, along with heavy investments in infrastructural development. From August 2021, India - Maldives trade relations accounts for nearly US\$202.71 million with Indian exports to Maldives nearly US\$197.93 million and imports from Maldives remained around 4.78 million. India's imports from Maldives continue to be negligible in comparison to its exports, and the balance of trade is highly towards India.

**Indian Investments:** SBI is playing a vital role in the development of Maldives, since 1974 by providing loans for promotion of resorts, export of marine produces, and business enterprises. The Taj Group of India runs Resorts and Vivanta Coral Reef Resort in Maldives. In 2010, the GMI (India and KLIA Malaysia) took over the Male International Airport on 25 years lease to renovate and expand it. The SUZLON Energy of India signed a MOU to set up 25 MW wind farm and Bommidala signed an agreement for 25MW solar energy in upper Southern province. The Shri Educare of New Delhi signed an MOU and took over the management of Ghiyassudin School, an initiative of Privatization by Maldives.

**v.) Cooperation in Defense and Security:**

The presentation highlights the need for maritime security, which has the defense cooperation ranging from training and joint combat exercises to help in maritime surveillance as well as the supply of military equipment to the country. The coast Guards of the two countries have been conducting joint training exercises codenamed as 'DOSTI' since 1991, in addition to other defense interactions. India has always extended help to

Maldives in security matters.

**Operation CACTUS:1988** - when armed mercenaries attempted a coup against President Maumoon A Gayoom, India sent paratroopers and Navy vessels and was successful in restoring legitimate leadership.

**EKUVERIN** (Joint Military Training Exercise) - a bilateral annual exercise commenced in 2009, is held regularly alternately in India and Maldives, with the aim of enhancing military cooperation and interoperability between defense forces of the two nations. In December 2021 India Maldives conducted the 11<sup>th</sup> edition of it at Kadhdhoo Island, focused mainly on enhancing synergy and interoperability between the forces. The major focus was on understanding of transnational terrorism both on land and at sea, to initiate Counter terrorism and Counter-insurgency Operations and above all to share best military practices and exercises, so in future necessary steps can be taken in times of need.

**MNDF** (Maldives National Defense Forces): India provides the largest number of training opportunities for the MNDF, nearly meeting 70% of their defense training requirement.

**Harbor and dockyard:** The bilateral agreement signed between the two nations in February 2021, was to build a harbor and dockyard, for the Maldives National defense in *Uthuru Thila Falhu island*, through a \$50 million line of credit. relations.

**Greater Male Connectivity Project:** It consists of a 6.7 km long bridge and causeway link between Male and nearby islands of Villingli, Gulhifalhu and Thilafushi, to be used for renewable energy, by series of roads, causeways, and bridges project funded under Line of Credit.

**People to people contact:** A dimension which plays a pivotal role in our relationship is the diaspora, who visit Maldives *as tourists*, or find *job opportunities*. In hospitality, healthcare, education areas. Indians are the second largest expatriate community in Maldives with

around 28000, and work 2012 out of 400 doctors (145 were Indians) and 25% teachers in Maldives are Indians mostly at middle and senior levels.

Both nations share cultural links and efforts are underway to strengthen these links. The three historical mosques were restored by Indian experts from NRLCCP, Lucknow (*Friday Mosque Male, Fenfushi Mosque in South Ari Atol and the Dharumavantha Rasgefaanu Mosque, Male*) The efforts of Indian Cultural Centre in Male and the High Commission of India along with the Ministry of Tourism and Culture arrange for cultural meets regularly..

**Challenges:** Chinese Infra Structure investments: for Pakistan, Seychelles, Ethiopia, and Maldives, by controlling, help in managing ports, airfields, military bases and set up observatory posts across Indian Ocean. The assertive maritime polices of China in the Indian Ocean region, maneuvering to lure Maldives become a source of concern for India..

Even the pro-China stance has led to a shift in Maldives traditional foreign policy, has created apprehensions in India about China's growing influence in immediate neighborhood. India must develop a regulatory policy to check data theft by Chinese app, as digital space is used by hackers.

**Conclusion:**

India must play a key role within Indo-Pacific security space to ensure regional security in South Asia and surrounding maritime boundaries. Maldives and India enjoy relations based on shared democratic values, peaceful coexistence, and rule of law. India's policy of 'Neighborhood first' and Maldives 'India first' policies work in tandem to tackle the shared concerns and advance mutual interests (Annual Report Indian MEA,2021-22, p.44)

With the change in the Government in Maldives, the relation should **be exploited effectively** by India, to send a reverse message that China's hold in India's neighborhood can only be marginal. The assurances

made by Indian PM Modi should not remain only in books, but immediate action is required on the ground. Therefore, India must work on the way to *strengthen partnership, cooperate to combat terrorism, and discuss ways to develop partnership in view of precarious economic conditions prevailing in Maldives.*

The South Asian countries seek to extract maximum benefits from the rise of India on one hand and hedging and balancing India's pre-dominance by enabling involvement of China and USA..

As Deng Xiaping famously told Rajiv Gandhi in December 1988, the 21<sup>st</sup> Century would not be the Asian century if India and China did not both develop together. (Xiapong,1988, p.182-83)

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