

RESEARCH REPORTS

A Comparative Study of India and China's Economic Assistance to Maldives

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ABSTRACT *This study aims to assess the comparative analysis of India and China's economic assistance to Maldives. Maldives is smallest country in South Asia. The republic of Maldives, so far, is one of the least known country in the international community. Maldives, a group of 1200 islands spanning around 90,000 square kilometres in the Indian Ocean Region, has been in the limelight for the last decade. It has population around 5 lakhs. The archipelago country is strategically important for both India and the Indian Ocean Region (IOR). The Maldivian economy is primarily driven by tourism and fish exports, and for decades India has been an important trade partner. At present, strategic significance of the Indian ocean region has been increased due to its location, vital for trade and defence. In the Indian Ocean and South Asia, China and India are gaining a dominant role. Both nations are striving for influence in South Asia and the Indian Ocean region. The Maldives and Indo-China have a significant diplomatic relationship. The Maldives' potential for self-development has been strengthened and their social and economic growth has been accelerated due to China's consistent assistance. Both countries provide economic and humanitarian assistance to South Asian countries, and Maldives is one of them. This paper is divided into three parts: Firstly, to evaluate financial help provided by China and India to the Maldives. Secondly, to assess the Maldives response to this assistance provided by China and India to the Maldives. Thirdly, to explore problems and prospects associated with the help providing by China and India to the Maldives.*

Keywords: India, China, Maldives, Economic Assistance, Infrastructure Development

Introduction

India and China are the two major economic powers in Asia. Both countries share a financial relationship with the Maldives. Both countries keep giving financial assistance to the Maldives from time to time. The Maldives have always relied on India as a source of both economic support and help in the form of assistance in capacity building. It has taken part in bilateral projects aimed at improving civil aviation, telecommunications, labour resources, infrastructure, and health. Additionally, it has provided considerable financial aid. It has provided aid to the Maldives in the fields of human resource expansion, disaster area, commercial area, medical field, etc. The contribution that India has made to the growth and development of the Maldives economy has been enormous (Kumar, 2016). China started giving financial assistance to the Maldives after establishing a diplomatic relationship in 1972. It has also given economic support to the Maldives in the fields of commerce, disaster relief, medicine, and infrastructural development. The

economy of the Maldives is based on tourism and fishing.

The Maldives have grown in geostrategic significance to India over the past ten years as a result of India's ambitions expanding further into the Indian Ocean. Not only has New Delhi continued to be committed to its help in the Maldives throughout the course of bilateral disagreements, but it has also demonstrated a tendency to increase its provision in recent times. Earlier, India's financial help for the Maldives economic growth was determined by three primary priorities: the preservation of cultural and historical linkages; access to commercial and financial opportunities; and, lastly, safety welfare, particularly the protection of essential sea lines of communication. India has stepped up its development cooperation with the Maldives at the same time that it has improved security protocols, demonstrating ambitious geostrategic goals in the Indian Ocean (Sharma, 2001).

When the Maldives attained freedom in 1965, India remained the only nation to start political ties with that nation. The two countries reached a decision on their maritime border in 1976. The South Asian Free Trade Agreement and the South Asian Association for Regional Cooperation (SAARC) have both been ratified in recent years by both nations (SAFTA). Though the two countries sign an extensive trade deal in 1981, the joint relationship was modest throughout the early decades of independence. However, after India intervened to put down a coup against the Maldivian government in 1988, bilateral connection made their first important growth. Order was quickly restored by the Indian armed forces, and relations between India and the Maldives touched a new height. Meanwhile, at that time, the Republic of India had given a significant amount of financial aid and exercised in the areas of health, the growth of public humanity, infrastructure, disaster relief, and telecommunications. India continued to support the Maldives even after the "soft coup" against the democratically elected Mohammad Nasheed in February 2012 (Jain, 2017). India has provided enormous support to the Maldives National Defence Force (MDNF) in the areas of training, equipment supply, capacity building, joint patrols, aerial and maritime surveillance, and medical care. On average, 35 courses a year are taken by Maldives National Defence Force staff. Maldives has received regular assistance from Indian warships and Dornier reconnaissance aircraft for maritime patrol and surveillance. The Maldives National Defence Force and Maldives Police Academy Composite Training Centre is being built with assistance from India (Nigam, 2015).

China has consistently helped the Maldives speed up their social and economic development and increase their capability for it. China is currently prepared to work with the Maldives to advance their friendly relations and mutually beneficial cooperation, which will result in more positive outcomes that are better for the two peoples. Since the two countries diplomatic relations were recognised in 1972, there has been a strong development momentum that has deepened and supported bilateral exchanges and cooperation. Beijing provided funding for a housing complex in Hulhumale under President Mohamed Nasheed, "the largest civilian housing project in the history of the country and the first commercial project undertaken by the Chinese in the Maldives." After Indian contractors were kicked out, China was given the contract to renovate Male International Airport. The Male-Hulhule Bridge, a Ministry of Foreign Affairs building, a national museum, housing developments, and investments in tourism, renewable energy, and telecommunications were among Chinese investments in the Maldives in 2014

(Greer, 2018).

Liu Jinsong, director-general of the external affair ministry's department of Asian affairs, met with Ms. Aishath Azeema, the ambassador of the Maldives to China, on June 27, 2022. The two sides engaged in a cordial and in-depth discussion about bilateral relations as well as global and regional matters of interest. Azeema offered favourable remarks about the two countries relations and hailed China for its significant assistance in the Maldives economic and social growth, infrastructure building, and pandemic response, claiming that the two countries are serious partners in mutual support. The China-Maldives Friendship Bridge, social housing, and other China-supported initiatives have exemplified the Chinese people's enduring friendship for the Maldivian people and established benchmarks for bilateral relations. The long-standing old relations and dedication to the values of sovereign equality and respect are the foundation of the good ties and strong mutual trust that exist between China and the Maldives (Khalid et al., 2017).

The traditional relationship between the peoples of China and the Maldives extends back thousands of years, and the two nations are friendly neighbours. The 50 years of political relations between China and the Maldives have seen mutual respect and support between the two nations, which has served as an excellent example of how nations of various sizes can treat one another equally and work toward mutually beneficial cooperation. In recent years, China and the Maldives have worked together to overcome obstacles and lend a helping hand to one another. They have also deepened their collaboration under the "Belt and Road" initiatives, ushering in the latest epoch in their two-sided relationships. The Maldives have received 200,000 vaccine doses from China as well as tonnes of anti-epidemic supplies.

Literature Review

Kumar (2016) analysed the connection between China and the Maldives and how it affects India. China has consolidated its interests in the South Asian region during the past few decades. The shift in China's foreign policy away from North and South East Asia suggests that the country is attempting to maintain its own peaceful rise. India, on the other hand, has recently emphasised a "Look East" foreign strategy. India and China both have significant diplomatic ties to the Maldives. However, India may have severe strategic concerns about China's expanding influence in the Maldives. Other nations should learn from how China's foreign policy has developed in recent decades to bolster its interests. China's Asian policy initially concentrated on North- and South-East Asia. However, South Asia has recently taken on a significant role in China's foreign policy, which at the moment aspires to uphold and support regional peace and stability and, as a result, support China's own peaceful rise.

Valiathan (2020) examines the China's Investments in Maldives and its Implications for India in the Indian Ocean Region. He also describes the Maldives important geographical locations in the Indian ocean region. It is geographically located overlooking India and some of the key international maritime shipping lanes also passes through its Exclusive Economic Zone (EEZ). The Maldivian economy is primarily driven by tourism and fish exports, and for decades India has been an important trade partner. China, although was investing in Maldives through the

later part of the first decade of the 2000s, but the intensity increased post 2013 because of its Belt and Road Initiative (BRI), providing loans for infrastructural projects and economic development. Maldives, a group of 1200 islands spanning around 90,000 square kilometres in the Indian Ocean Region, has been in the limelight for the last decade. The archipelago country is strategically important for both India and the Indian Ocean Region (IOR). The increasing Chinese presence, especially the movement of its naval ships near India's territorial waters, is a matter of great concern for the Indian subcontinent. The excessive dependence of Maldives on imports, gave China the opportunity to grant loans to the archipelago, therefore, giving rise to the possibility of Maldives finding itself in a debt trap in the near future. The paper intends to decode the Chinese infrastructural investments in Maldives and examine the possible implications of these investments on India.

Kumar (2016) analysed India's assistance to the Maldives in terms of neighbourhood first policy. India's foreign policy has traditionally placed more importance on the concept of "neighbourhood." The current administration recently emphasised it through its "neighbourhood first" strategy. Keeping in view the neighborhood policy, India always supports Maldives economically. the Maldives is strategically significant for India in terms of its geopolitical location, maritime security, economic cooperation, counterterrorism efforts, climate change concerns, cultural ties, and diplomatic influence in the Indian Ocean region. India's relationship with the Maldives is part of its broader foreign policy strategy in the Indo-Pacific region. India and the Maldives share economic ties, with India being one of the Maldives' largest trading partners. India provides developmental assistance and investment in infrastructure projects, contributing to the Maldives' economic development.

Trigunayat (2018) explores that Maldives is an important country for India in terms of maritime and strategic calculus and it has maintained good relationship with India under different regimes. Indian has always been economic supporter of Maldives in different circumstances. In this paper author has analysed the India's economic and defence assistance to the Maldives. The entire economic and security spectrum has received considerable financial, developmental, capacity-building, and infrastructure help from India. India has always been the first country to help the Maldives in an emergency. India had engaged militarily in 1988 at the request of the then-Gayoom government to bring about political stability due to its closeness and interest in the stability of the Maldives. Like this, India was the first nation to send aid and relief to the Maldives in the wake of natural disasters like the 2004 Tsunami. It also provided a budget support aid of Rs 10 crores to help with short-term financial issues caused by the disasters.

Poplin (2014) evaluated that as India follow the neighbourhood first policy it has always given the Maldives economic help as well as support for strengthening its capabilities. He also examines the bilateral relations between India and the Maldives, stressing India's expanding support for disaster relief, security cooperation, and commerce with the Maldives as well as examining the Maldives' geostrategic importance in the Indian Ocean region (IOR). India has served as the island nation's security provider, particularly during the failed coup attempt in 1988. Prior to the first democratically elected president of the Maldives being deposed in 2012, India was the nation's primary source of financial and political support. As India strives to increase its influence in the Indian Ocean, a strong

bilateral relationship with the Maldives remains crucial. India is attempting to play a far extra important part in the universal budget of the twenty-first century and balance out the expanding Chinese dominance in the region. As India tries to increase its influence in the Indian Ocean, a solid bilateral relationship with the Maldives remains crucial. India is attempting to play a far more significant role in the global economy of the twenty-first century and balance out the expanding Chinese dominance in the region.

Chakrabarty et al. (2016) examined that India and China has assisted the Maldives in different areas, including science and technology, human resource development, disaster relief, and the medical field. The strong relations between Maldives and India is important for human growth. Long-term and short-term exercise are provided to the Maldives as part of three main programmes: the Commonwealth Program, the Indian Technical Education Cooperation (ITEC) Program, and the Assistance to the Maldives Program. Short-range exercise includes IT, computer training, and other practical and occupational training programmes. Long-term exercise focuses on medicine, the social sciences, business, IT, and defence-related subjects. China's has also built several housing projects and roads and drainage system in the Male city. The major Chinese projects in the Maldives include China Maldives friendship bridge, expansion and upgradation of Velana international airport. China has also built foreign affairs Ministry building and national museum of the Maldives. The Maldives is the tiniest nation in South Asia.

Objectives

1. To evaluate economic assistance provided by India and China to Maldives.
2. To study the Maldives government response to the support provided by India and China to Maldives.
3. To explore the problems and prospects associated with this assistance provided by India and China to Maldives.
4. To analyse India's economic, security and defence assistance to Maldives.
5. To compare India and China's economic assistance to Maldives.

Methodology

The study is based on comparative, historical, and analytical methods. A historical method has been used to study the Indo-China historical relationship towards the Maldives. The comparative method is used in this study to assess and compare Indo-China's economic assistance to that of the Maldives, and an analytical method is used to analyse India-China's financial relationship with the Maldives. Both primary and secondary data are used as the study's basis. The primary sources comprise government annual reports, joint statements by the heads of state, statements and speeches of policymakers, issue briefs by think tanks, and official documents regarding India and China's economic assistance to the Maldives. Secondary tools of data comprise books, journals, articles, periodicals, newspapers, research papers, and internet sources that are published on the topic. This research employed a qualitative method. The study involves significant library research as well as research interviews with notable foreign policy practitioners, security analysts, and specialists in the field. The scenario of India and China's economic assistance to the Maldives is explained by the theoretical concept of

neorealist theory. Neorealism, commonly referred to as structural realist, is a theory of international relations that emphasises the significance of power politics, sees conflict and rivalry as permanent features, and leaves little room for collaboration. The neo-realist theory of international relations talks about cooperation between different states, especially economic cooperation. Researchers have visited different libraries in India for data collection, like the B. R. Ambedkar Library at Jawaharlal University, the Prime Minister Library in New Delhi, and the Institute for Defense Studies and Strategic Analysis in New Delhi. Different academics and experts in this field have been interviewed for this study.

Conceptual Framework

It is interesting to notice that both China and India have financial priorities for their respective developing economies. Yet, since the 1950s, aid has become a component of their foreign policies; however, they only began to follow their assistance strategy more decisively in the post-Cold War era, helped by their exceptional financial growth. India and China remain regarded as “new” donors. The two nations are battling for influence on a global and regional scale due to investments in their infrastructure and a desire to find new markets for their commodities. There is enough literature to analyse the goals of using assistance negotiations as a tool of foreign policy. At the time of the Cold War, the US and the former Soviet Union both used assistance negotiations to increase their influence and persuade nations to align with their respective ideological blocs (Surendra Kumar, 2016). Despite the fact that strategic goals have occupied priority over the elevated values of civil rights and democracy, human rights and democracy have gained popularity in assistance policy during the 1990s. In contrast to the West, neither China’s nor India’s aid or current investment is influenced by these idealistic standards. However, China emerged as a rival to western hegemony when the Western donor states chose to tense the screws and withhold external assistance as a tool of compulsion. India’s assistance strategy is complex due to the different types of regimes, unlike China’s. India has an attention to its South Asian edge because of the racial sympathy it shares with South Asia across the border, which has occasionally helped to ease the influx of refugees into India. As a result, India’s own stability can be directly impacted by the stability of its South Asian periphery. It will be fascinating to explore the gift notion, which is commonly referred to as “philanthropical” assistance (Waqas & Bukhari, 2003).

The French sociologist Marcel Mauss claimed in his well-known book, *The Present*, that since every gift serves a goal, there is nobody who can be referred to as a gratuitous gift. Instead, a gift may be offered in exchange for services provided or as a component of a future payment, and is thus given with expectations. There is no such thing as “free assistance.” As a result, the government cannot be viewed in isolation. It might not be a literal transaction, but it is undoubtedly a way to exercise abstract power and influence (Pattanaik, 2019). Most South Asian nations require investment, loans, and economic aid, one of them is the Maldives. They don’t hesitate to take out high-interest loans to support their expansion. To win an election, some governments are willing to endure the financial expenses of bolstering their position. Foreign aid has after all been a bulwark of diplomatic effort. It is by and large now agreed among the scholars of international relations that aid is a

vehicle for the ends of the donors who must gear their aid programmes to pursue foreign policy goals even though the superficial objective might be self-abnegation or self-abandonment. It may be couched in phrases such as “service of humanity” “helping mankind” or “sharing” economic benefits etc. But its real objective could be entirely different. According to political realist Hans Morgenthau, the basic function of all types of aid is political. Edward S. Mason, accepts the fact that foreign aid is an instrument of policy (Anwar, 2020).

In spite of being a recipient of massive assistance programme, India has developed economically to reach a stage of semi-industrialized and perhaps an effective middle power. India can be regarded as a donor to the least developed countries in South Asia. Its aid programme can in fact be viewed as the operational side of its foreign policy. Nehru’s perception of the world system made him visualize the increasing importance of the South Asia and its impact on the politico-economic structure of the region. In fact, it is in view of India’s future role as an emerging power which made it imperative for Nehru to follow the path of development diplomacy (Blanchard & Flint, 2017). The rationale for India’s aid diplomacy in South Asia is political, strategic, commercial and economic. In countries where India has concentrated her aid, it performs vital function of promoting national security. This applies in the case of the South Asian states including Maldives. In other countries, where Indian aid has been small in quantity it is expected to promote goodwill, share experience promote trade, help development process and to ensure solidarity and friendly relations. A credible foreign policy begins from nearer home and in case of India it must radiate from its neighbouring South Asian countries (Ghosh, 2014).

Being a leading power in South Asia, India’s security and vital interests are intimately tied up with the future of South Asia. Its strategic position, strength and industrial potential demands that to maintain stability in the region, India should play a dynamic role. India has always believed that its national interest would be best served by pursuing two inter related goals in the region, i.e. - promotion of stability in the South Asian region and peaceful co-existence among the South Asian countries. Indian diplomacy has to perform the great task of keeping away extra-regional influences and also make south Asian countries strong and self-reliance. India as a core country of the region has a vital role to play in winning over the confidence of its small neighbours provided it can remove the element of mistrust from the South Asian countries. Moreover, it must convince them that it has no intention to interfere in their internal affairs. Indian government made it clear that India has and wishes to have only friends and no satellites, and it sticks to panchsheel, the five principles of peace, and none of her neighbours entertain fear. Indeed, one of the threads running through India’s foreign policy since independence has been to give a helping hand to the countries around her to live and feel as equals of other nations. As of now, there is no explicit aid policy that explains how official help to certain nations is chosen, how investments are chosen, or why one nation’s needs take precedence over another. However, both nations describe their grants and aid in a charitable manner (Nigam, 2015). While India claims that its concessional Line of Credit (LoC) and aid/grants are based on the partner’s priorities and serve “shared interests” and “mutual advantages,” China calls its assistance “selfless.” Studies on the pattern of their investment and aid in Africa have received a lot of attention, but there are not many of these on the

South Asian region. The two nations' aid/LoC programmes differ and are driven by various, if imperfectly altruistic, motivations. For instance, the majority of Indian help is directed at its local neighbourhood, which is seen as the opening circle of its security perimeter and directly affects its stability. India, the largest democracy in the world and the second-largest donor to the UN Democracy Fund, does not emphasise democracy as a criterion for aid provision unless the neighbourhood democratic movement poses a threat to the strategic stability that India is pursuing in the region through its aid diplomacy (Fravel, 2011).

Benefits for China and India from the Maldives

The Maldives occupies a strategically important location in the Indian Ocean, which is crucial for China's maritime interests. Access to ports and facilities in the Maldives can enhance China's naval presence and influence in the region. Chinese companies have been involved in various infrastructure projects in the Maldives, including the construction of airports, bridges, and ports. These projects provide business opportunities for Chinese firms and contribute to economic growth in the Maldives (Arjun, 2020). China's presence in the Maldives allows it to exert geopolitical influence in the Indian Ocean region, potentially challenging the traditional dominance of countries like India in the area. It engages with the Maldives diplomatically and provides political support on various international issues. The Maldives' participation in international organizations often aligns with China's positions and interests, enhancing China's diplomatic influence. Its interests in the Maldives also extend to maritime security. It seeks to cooperate with the Maldives and other Indian Ocean nations to ensure the security of sea lanes and protect its maritime trade routes. China is a significant source of tourists for the Maldives. Chinese tourists visit the Maldives for its picturesque beaches and luxury resorts, contributing to the Maldivian economy (Kaura, 2018). This tourism flow has grown in tandem with China's rising middle class and their increased appetite for international travel. It engages with the Maldives diplomatically and provides political support on various international issues. The Maldives' participation in international organizations often aligns with China's positions and interests, enhancing China's diplomatic influence. Access to the Maldives' waters and exclusive economic zone can be important for China's resource and energy security. The Maldives is strategically located in the Indian Ocean, providing India with a maritime buffer and enhancing its security posture in the region. It is strategically important for India's maritime interests, as it lies close to key sea routes. India and the Maldives cooperate on maritime security, including efforts to combat piracy and ensure the safety of sea lanes. This cooperation is vital for India's naval and maritime security objectives. India has invested in various economic projects in the Maldives, including infrastructure development, fisheries, and tourism. These investments not only contribute to the Maldivian economy but also offer opportunities for Indian businesses. India and the Maldives collaborate in regional forums and organizations, such as the Indian Ocean Rim Association (IORA) and the South Asian Association for Regional Cooperation (SAARC) (N. Kumar, 2019). This cooperation helps India advance its regional and diplomatic objectives. Both India and the Maldives share concerns about climate change and rising sea levels, which pose significant threats to low-lying islands like the

Maldives. India has supported the Maldives in efforts to address climate change and environmental issues. Both countries have cooperated in counterterrorism efforts, sharing intelligence and working together to combat extremist threats in the region. India and the Maldives have historical and cultural ties. India has been involved in educational and cultural exchanges, providing scholarships and opportunities for Maldivian students to study in India (Pattanaik, 2021). Both countries have cooperated in counterterrorism efforts, sharing intelligence and working together to combat extremist threats in the region. India has provided assistance to the Maldives in building its defense and security capabilities. This includes training for Maldivian security forces and cooperation on issues related to counter-terrorism and counter-piracy. The Maldives is a popular tourist destination for Indian travelers. Indian tourists visit the Maldives for its stunning beaches, resorts, and water activities. This contributes to the Maldives' tourism industry and strengthens people-to-people ties. Overall, (Barber & Coe, 2011).

Economic Assistance Provided by India to Maldives

The following are the important development assistance projects that India has successfully finished:

1. Indira Gandhi Memorial Hospital (IGMH):

In 1995, the construction of the hospital was made possible by an Indian contribution (Pattanaik, 2021). IGMH underwent extensive renovations, which were finished in June 2017 owing to a contribution of INR 52 crore from the government of India.

2. Maldives Institute of Technical Education:

In March 1992, MOUs was signed for the establishment of an institute (Poplin, 2014). The completion of the Maldives Institute of Technical Education came at a rate of INR 12 crore, and it was handed over to the government of Maldives in September of 1996.

3. Faculty of Hospitality and Tourism Studies:

During his trip to the Maldives in September 2002, Prime Minister Bajpayee and President Gayoom announced the new faculty building together. In February of 2014, the faculty was officially handed over to the Government of Maldives.

4. National Centre for Police and Law enforcement (NCPLE):

NCPLE is the major funding initiative carried out by India in the Maldives (Barker-Gale & Shearer, 2018). It is funded by a grant from the Government of India totaling \$30 million. External Affairs Minister inaugurated the project during his visit in March 2022 by officially launching it.

5. Economic Package of US\$ 1.4 billion:

During the national call of President Solih to New Delhi on December 17–18, 2018, the Government of India proclaimed a US\$ 1.4 billion monetary support to fulfil the social and economic growth of the Maldives. This package included financial assistance in the amount of US\$ 50 million, the buying of Treasury bills

in the amount of US\$ 150 million, a currency swap in the amount of US\$ 400 million, and concessional Line of Credit in the amount of US\$ 800 million.

6. Currency Swap:

On July 22, 2019, the Reserve Bank of India (RBI) and the Financial Expert of the Maldives signed a bilateral currency exchange agreement. The legitimacy of the two-sided exchange contract has been prolonged by one year, to the 21st of July in 2021, in reply to an appeal from Government of Maldives. (Qais, 2021).

7. Projects Under Exim Bank Line of Credit of US\$ 800 million:

On March 18, 2019, an agreement for a credit line in the amount of 800 million US dollars was signed among the Department of Business, the Government of Maldives, and the EXIM bank of India. Following is a list of the projects that have been incorporated into the Line of Credit:

I. Water and Sanitation Project in 34 Islands:

By establishing an appropriate water supply circulation network, assuring the conservation of the ground water aquifer, and implementing sustainable water resource management, the scheme aims to progress the water supply and sewage amenities of 34 designated islands. Following a tendering process, the project was given to 4 Indian contractors in 6 packages (Mallempati, 2017). The work is moving along well on each of the 34 islands.

II. Addu Development Project:

It is a crucial piece of project that needs to be built in Addu for the city to become the regional hub for the south of the Maldives. Infrastructure, road lighting, storm water drainage, coast defense, and land recovery are all included in the scope of this project, which is intended to boost tourism infrastructure. The contract for the roads component was given to Asia Foundation and Construction Limited (AFCONS) in February 2021, and it was officially started in March 2022 by both President Solih and External affairs Minister together.

III. Expansion of MIFCO Facilities in Felivaru and Gemanafushi:

Now, the Maldives Industrial Fisheries Company Limited (MIFCO) oversees purchasing sixty percent of the tuna that is fixed by the fishermen at a cost that is predetermined by the government. MIFCO has the capability of adding a price to forty percent of the collection, while the remaining sixty percent is shipped as frozen tuna. This results in the exportation of frozen tuna to a nonprofit enterprise, which threatens the industry's ability to remain in business in the long term. (A. Kumar, 2016).

IV. Hulhumale Cricket Stadium:

During the visit of the External affairs Minister to the Maldives in March 2019, the government of the Maldives requested assistance from India in the construction of a cricket stadium in Hulhumale. It was agreed upon throughout the visit of the Indian Prime Minister in June 2019 that the stadium would be constructed with support from India.

Table 1

Indian Aid (GA and LoC) to the Region in the Last Five Years

Aid to Country	Grant Assistance (GA) Rs. Crore/ Line of Credit (LoC US\$m)	2013-14	2014-15	2015-16	2016-17	2017-18
Afghanistan	GA	585.31	723.52	880.44	263.02	365.96
Nepal	GA	381.37	303.26	309.94	332.72	376.62
	LoC	0.67	9.10	9.19	91.30	16.28
Myanmar	GA	164.86	104.34	117.07	123.62	223.55
	LoC	0	0	6.96	4.48	31.73
Sri Lanka	GA	420.80	499.70	403.80	99.16	77.89
	LoC	2.07	8.21	4.36	5.33	41.61
Maldives	GA	9.67	26.08	55.04	80.03	109.24
Bangladesh	GA	604.66	197.84	155.68	82.59	78.02
	LoC	13.12	13.68	69.63	91.30	40.11
Bhutan	GA	3926.79	4395.17	5368.46	3441.47	2475.87

Source: Ministry of External Affairs, 'Lok Sabha Question No.3496 Project in Neighbouring Countries, August 08, 2018.

Table 2

India's Aid to the Immediate Neighbours in US\$ million

S. No.	Country	BE 2017-18	RE 2017-18	BE 2018-19
1	Sri Lanka	125.00	75.00	150.00
2	Bangladesh	125.00	65.00	175.00
3	Afghanistan	350.00	350.00	225.00
4	Bhutan	2083.87	1779.07	1813.50
5	Nepal	375.00	375.00	650.00
6	Maldives	75.00	125.00	125.00
7	Myanmar	225.00	225.00	280.00

Source: Lok Sabha, Parliamentary Committee on External Affairs, p. 61.

Table 3
Some Projects of the Two Countries

Indian Projects in Maldives	China's Projects in Maldives
Indira Gandhi Memorial Hospital	\$800-million expansion of the country's main Airport by a Chinese company
Faculty of Engineering and Technology	China-Maldives Friendship Bridge, US\$ 224.2 million
India-Maldives Friendship Faculty of Hospitality and Tourism Studies	7,000 apartment housing project of Hulhumale Phase II
Institute for Security and Law Enforcement Studies	

Source: Lok Sabha, Parliamentary Committee on External Affairs, p. 61.

Bilateral Economic and Trade Relations

Table 4
Bilateral Trade Figures (Jan-Dec, in US\$ million)

Year	Total Exports to the Maldives	Total Imports to the Maldives	Total Trade
2013	154.00	12.30	156.30
2014	170.60	2.90	173.50
2015	225.82	3.00	228.82
2016	274.55	1.55	276.10
2017	282.04	4.12	286.16
2018	286.13	3.01	288.14
2019	290.27	3.42	293.69
2020	241.90	3.33	245.23
2021	317.35	5.94	323.29
2022 (Jan-May)	173.51	3.39	176.51

Source: Maldives Custom Service.

China's Economic Assistance to Maldives

Chinese assistance to the Maldives has been widely acknowledged at the same time. China has invested billions of dollars in several nations, especially in smaller economies, including the Maldives, for infrastructural development. According to the Maldivian Embassy in Beijing, diplomatic relations between the two date back to 1972, and China has been providing aid in the form of grants since then (Rajagopalan, 2019). Tourism in China too has unrealized potential, and the Maldives are working to promote themselves there. The Chinese government sets

aside a particular amount of money every year for the Maldives to support the many projects and initiatives it does there. Since 1981, China and the Maldives have been working together more closely in the areas of economics and technology (N. Kumar, 2019).

This cooperation has only grown stronger over the years. The Chinese have also constructed a museum, which currently serves as the location of China's Ministry of Culture and Heritage. Additionally, the Chinese constructed numerous housing schemes in Male in addition to the city's roadways and waste system. China is responsible for the construction of the Maldives new foreign ministry building (S. Kumar, 2015). In the aftermath of the devastating tsunami that hit in 2004, China also extended aid to the Maldives. The bilateral commerce among the two nations expanded to US \$98 million in 2013 and US \$104 million in 2014 as a result of China's provision of concessional credits and funds to the Maldives in the fisheries industry and aquatic products. China has become an important marketplace for Maldivian maritime products such as yellowfin tuna and marine cucumber in recent years. Additionally, in February 2015, the two countries got together and started working on a feasibility assessment for a free trade agreement (FTA) (Sajjanhar, 2018).

When the tourism business in the Maldives was going through a hard phase, China saw a chance to extend its economic influence over that country by lending assistance to the country's tourism sector. As a result, agreements were formed to make tourism more accessible. After revenues from fishing, the Maldives second-largest source of revenue comes from tourism. The United Kingdom and other European countries are now surpassed by China in terms of the number of visitors that visit their countries (Mishra, 2018). The number of Chinese visitors to the Maldives increased by 96 percentage points to 120,000 in 2010, compared to the number of visitors in the preceding year. In 2011, it is anticipated that Chinese visitors to the Maldives will reach a record high. 39,000 Chinese visitors visited the Maldives in the first quarter, up 53% from the same period in 2010. Additionally, Chinese financial institutions have been set up, purportedly to promote tourism. In the Maldives, 95% of the ATMs now offer cash withdrawal services for cardholders after China UnionPay (CUP) partnered with the country's largest bank on March 5, 2010 (Wagner, 2018).

China's Developmental Projects and Strategic Vision in Maldives

While investments made in these two islands are susceptible to strategic concerns, the most noticeable infrastructural investments have been in the capital, Male, and the neighbouring island of Hulhumale. These include the extension of the Velana global airport in Male and the building of the "Sinamale Bridge" or "China-Maldives Friendship Bridge" connecting the capital with Hulhumale (Ranjan, 2019). Incidentally, India's GMR was supposed to build it; however, later, the Maldives Government endorsed it to Beijing Urban Construction Group in 2014, which thereafter constructed a new runway, a new fuel farm, and a cargo terminal. Interestingly, when Maldives cancelled GMR's (India) agreement to modernise and operate the GMR Male International Airport Limited (GMIAL) for 25 years, the Indian company filed a case at the international arbitral tribunal, and thereafter Maldives were ordered to pay a compensation of \$ 270 million to GMR.

It is, therefore, suspected that China donated the amount for the Maldives, as the amount was paid promptly by the latter.

Table 5

EXIM - China in Maldives (Figures in Chinese Yuan (CNY) and USD)

Year	Projects	Currency	Amount
2016	China-Maldives Friendship Bridge	CNY	455,600,000
2015	Expansion and upgrading of the Velana International Airport (VIA) on Hulhulé Island	USD	373,838,500
2012	Development of 1500 Housing Units in the Maldives	CNY	982,500,000
2010	Development of 1000 Housing Units in Hulhumalé	CNY	481,000,000

Source: Export Import Bank of China.

In the last decade, the Export-Import Bank of China has been funding significant projects in the administrative and commercial centres and mainly prioritising the port cities. Similarly, in the Maldives, they have been investing and funding the core centres with the aim of projecting their soft power in the Indian Ocean region (IOR). Apart from China's involvement in developing the airport, it is also involved in constructing residential houses and apartments, as well as buildings for foreign missions. Moreover, this has been the Chinese trend in many smaller nations, whereby, by providing loans for development and connecting them with BRI, China gets access to the nation's coastal borders specifically and thereafter secures its hold in their respective economies as well. The modernization of Male Airport, the completion of the Friendship Bridge linking Male with Hulhule, as well as the funding and building of mass cover on the domestic land will cost US\$3 billion, which is close to 60 percent of the Maldives gross domestic product and is something the country can hardly afford. As a result, the new government is not particularly enthusiastic about continuing with the expensive inflow of finance from China (Weaver et al., 2021).

Results

After studying India and China's economic assistance to the Maldives, the study finds that India has hiked its aid assistance to the Maldives since 2014, representing the enhanced importance it gives to the Maldives. India and China are now fighting with one another for influence in "aid politics". India's neighbourhood first strategy and Maldivian President Solih's India first policy go hand in hand. India is the immediate neighbour and nearest goods and service supplier, along with providing ground-level assistance and development. India's outreach to the Maldives has intensified since President Solih came to power. India provides assistance to the Maldives without any conditions (Gupta, 2014). India's assertiveness in approaching its neighbours is important, as China has been increasing its presence in India's neighbourhood by means of infrastructural and financial assistance, especially in the smaller southern economies. India has also become more active since Narendra Modi's "Neighbourhood Policy," as it is imperative to get the trust

of your neighbours to thrive as a regional power. China assists the Maldives in accelerating its socioeconomic development and strengthening its capacity for independent growth through practical measures (Lim & Mukherjee, 2019). Life in the Maldives has changed dramatically because of the China-Maldives Friendship Bridge, the Velana International Airport extension and upgrade project, social housing, and other initiatives. China has a growing influence in the Maldives, particularly in the infrastructure and tourist sectors. It has taken the position of Europe as the primary supplier of tourism for the Maldives. Mega infrastructural projects are being financed and constructed by China, such as the Friendship Bridge connecting Male and Hulhule Island and a new housing on Hulhumale, a town developed on domestic ground, that will include 1,000 apartments. China served as a significant financial and growth companion for the Maldives President Abdulla Yameen between 2013 and 2018.

Since the Maldives Democratic Party (MDP)-led administration assumed office in 2018 with Ibrahim Solih as president, India has surpassed China as the nation's top development partner (Ghosh, 2014). Projects aided by India have been selected to build out the nation's extensive infrastructure. The Solih administration views Indian loans as transparent and reasonable. On the other hand, MDP leaders blame the Maldives high level of external debt on loans obtained from China for the construction of significant infrastructure during President Yameen's administration. Additionally, the global epidemic has given China a chance to strengthen its business connections with the Solih Administration. China sent the people of the Maldives a lot of goods and vaccines after the pandemic broke out. Due to India's generous visa-free policy, Maldivian students study there, and patients fly here for high specialised care. The establishment of an information technology village in Male and the marketing of the Maldives as a location for filmmaking were both announced in 2015 by the Indian government. The Minister had additionally pledged to improve connectivity by introducing a passenger-and-cargo ferry service between Kochi and Male by November 2011 on behalf of the Indian Government. Further discussions involved India giving a line of credit worth \$40 million for the housing industry and a soft loan worth \$100 million for a comprehensive economic development package. It is stimulating to note that, notwithstanding the existence of a trade agreement between the two nations and the formulation of bilateral negotiations, India did not seriously consider signing a formal BIT to ensure seamless investment and protect Indian investors who were interested in the same (Jain, 2017). It is significant to note that various defence agreements between India and the Maldives include intelligence sharing and active operational support provided by India's tri-services to the Maldives Armed Forces. According to this agreement, the two nations would increase their defence cooperation to improve Maldivian safety. India has promised to build a radar network across the Maldives as part of its extension activity, which will help the island state as it lacks a navy of its own. The Indian military surveillance equipment will be connected to these maritime network radars (Manoharan, 2014).

Conclusion

India and China are the major economic powers in Asia. Both countries keep giving financial assistance to the Maldives from time to time. Both nations have given

substantial financial support to the growth of civil aviation, telecommunications, labour resources, and infrastructure. Despite this, the Indian administration remains committed to offering unconditional growth assistance and collaboration to the Maldives to foster South-South cooperation, the formation of partnerships and alliances between developing countries, and good neighbour policy. India has historically provided the Maldives with financial help as well as support for improving their capabilities (Masood, 2017). Additionally, it has served as the island nation's security provider, particularly during the failed coup attempt in 1988. Prior to the first democratically elected president of the Maldives being deposed in 2012, India was the nation's primary source of financial and political support. India has also become more active since Narendra Modi's "Neighbourhood Policy," as it is imperative to get the trust of your neighbours to thrive as a regional power.

India's outreach to the Maldives has intensified since President Solih came to power. India has been providing developmental aid, and bilateral meetings are being held regularly. Maldives, due to its saltwater surroundings, most often faces a drinking water crisis; therefore, during such crises, India extends a helping hand and provides them with the required levels of drinking water. Even when it comes to medical infrastructure and education, India has provided sufficient support and encourages students from the island nation to visit India for their higher studies. Indeed, such soft power elements have been vital to India's engagement with the Maldives (Ramachandran, 2015). The Maldives is an evolving democracy that is working to enhance its institutions and build its capacity. India is still dedicated to helping the Maldivian government and people establish a strong, democratic, peaceful, and successful nation. Considering recent events, India is actively working with all parties involved in the reconciliation process to ensure that they keep moving the democratic process ahead. The Maldives were able to recover from the pandemic's effects on their health and economy due to India's medical and financial support. India was the first partner to give the Maldives Covid-19 vaccinations. To create the National College for Policing and Law Enforcement (NCPL) in Addu City, which was opened in March 2022, President Solih thanked Prime Minister Modi for his support.

China has been providing economic assistance to the Maldives in various forms over the years. This assistance has been part of China's broader strategy of increasing its influence in the Indian Ocean region and expanding its Belt and Road Initiative (BRI) (Pararajasingham, 2017). It has funded and carried out several infrastructure projects in the Maldives. One of the most prominent examples is the China-Maldives Friendship Bridge, officially known as the Sinamale Bridge, which connects the capital city of Malé to Hulhulé and Hulhumalé islands. This bridge has significantly improved transportation and connectivity in the Maldives. It has provided loans and financial assistance to the Maldives to support various development projects. These loans have often been criticized for their potential to create debt dependency, as the Maldives has accumulated significant debt to China. China and the Maldives have cooperated in the field of fisheries and maritime resources. This cooperation includes agreements on fishing rights and joint ventures in the fishing industry. It is worth noting that China's economic assistance and investments in the Maldives have not been without controversy. Concerns have been raised about the sustainability of some projects, the environmental impact of infrastructure development, and the potential for debt-related issues.

The Maldives has also sought to balance its relationships with various countries, including India, which has historically been a close partner. The island-nation is considered a valued partner of India and foremost country in her 'Neighbourhood First' policy. Since 2019, India has committed around US\$ 2 billion worth financial assistance in the form of the LOC, grant, and currency swap facility. Indian LOC and the grants are provided for demand-driven big infrastructure projects as well as for the High Impact Community Development Projects (Pararajasingham, 2017). The Maldivian Government has welcomed Indian financial assistance for its transparency and low-interest rates. India's ability to complete the developmental projects in the Maldives on time has also been noted and appreciated by the current Solih administration. The Male-Thilafushi link bridge is not only the largest infrastructure project in the island country; but also, India's largest infrastructure project in the entire neighbourhood. India and China are financing the Maldives for geopolitical, economic, and strategic reasons. They seek to enhance their influence in the region, secure economic interests, strengthen maritime security, and counterbalance each other's influence. Investments in the Maldives allows them to pursue these objectives and protect their respective interests. It is important to note that both India and China have different geopolitical interests in the Indian Ocean region. India has concerns about China's growing influence in the region, including in countries like the Maldives.

Conflict of Interest Statements

The author declares that there is no conflict of interest.

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