



# India Announces Package to Maldives

## Why in News

India has committed to Maldives a five-pronged package including air, sea, intra-island and telecommunications to help it deal with the economic impact of the [Covid-19](#) pandemic.



## Key Points

### ▪ The package includes:

#### ◦ **Greater Malé Connectivity Project (GMCP)**

- A financial package consisting of a grant of 100 million USD and new line of credit of 400 million USD.
- This will be the **largest civilian infrastructure project in Maldives**, connecting Malé (the capital) with three neighbouring islands — Villingili, Gulhifalhu (**where a port is being built under Indian line of credit**) and Thilafushi (new industrial zone) - by construction of a bridge-and-causeway link.
- This will boost economic activity, generate employment and promote holistic urban development in the Malé region.

#### ◦ **Direct Cargo Ferry Service:** It will be run between India and Maldives.

- The service is expected to enhance sea connectivity and provide predictability in supplies for importers in Maldives and exporters in India.

#### ◦ **Air Travel Bubble Between India and Maldives:** This will facilitate movement of people for employment, tourism and medical emergencies.

- Maldives is the **first neighbouring country** of India with which an [air bubble](#) is

being operationalised.

- **Quotas for Supply of Essential Commodities:** This was renewed for 2020-21. The commodities include food items as well as river sand and stone aggregates to assure food security, and supply of essential construction items.
- **Financial Aid:** In addition a financial aid of 250 million USD will be provided to Maldives by India.

#### ▪ **Impact on India-Maldives-China**

- The Indian aid is being appreciated and contrasted with the previous expensive commercial loans to Maldives by China which are being termed “**debt-trap diplomacy**” of **China**, wherein China intentionally **extends excessive credit to another country** with the intention of extracting economic or political concessions from the debtor country.
- The GMCP is also being compared to the Chinese built **Sinemale Friendship bridge** connecting Male to two other islands as it will be much bigger than the latter.
- The India-Maldives relationship suffered a setback when Maldives entered into a **Free-Trade Agreement (FTA)** with China in 2017.
  - However with the [election of a new pro-India government in Maldives](#), the relationships have improved and Maldives is also considering **pulling out of the FTA with China**.
- Since September 2018, India and Maldives have seen a number of bilateral visits.
  - [India’s Prime Minister visited Maldives](#) to attend the swearing-in ceremony of President Solih.
  - [Maldives President also visited India](#) in December 2018.
  - The [Home Minister of Maldives met Indian Home Minister](#) on 21<sup>st</sup> February, 2020.
- At present, India-assisted projects in the region include **water and sewerage projects on 34 islands**, reclamation projects for the Addl island, a port on Gulhifalhu, airport redevelopment at Hanimaadhoo, and a hospital and a cricket stadium in Hulhumale.
- India had also announced a 800 million USD Line of Credit to Maldives in December 2018.

#### **Significance of Maldives for India**

##### ▪ **Geographical:** Maldives’ proximity to the west coast of India.

- Maldives is barely 70 nautical miles away from Minicoy -the southernmost island of Lakshadweep.
- Lakshadweep group is separated from Maldives by **Eight Degree Channel**.
- It is situated at the **hub of commercial sea-lanes** running through Indian Ocean. More than 97% of India’s international trade by volume and 75% by value passes through the region.

##### ▪ **History:** India and Maldives share ethnic, linguistic, cultural, religious and commercial links.

- India was among the first to recognize Maldives after its independence in 1965 and later established its mission at Male in 1972.
- **Operation Cactus:** In 1988, in response to a request from the Maldives, India activated Operation Cactus to deploy its military and ensure regime continuity in Male.

##### ▪ **Defence:** Its potential to allow a third nation’s naval presence in the area.

- Since China’s naval expansion into the Indian Ocean, Maldives' significance has steadily grown and now it’s at the heart of international geopolitics.
- India provides the largest number of training opportunities for Maldivian National Defence Force (MNDF), meeting around 70% of their defence training requirements.
- ‘Ekuverin’ is a joint military exercise between India and Maldives.

##### ▪ **Geo-political:** Maldives is an important aspect of India’s [‘Neighbourhood First’ policy](#).

- **‘India First’** has been a stated policy of the Government of Maldives.
- Maldives is a member of the [South Asian Association for Regional Cooperation \(SAARC\)](#) and the **South Asia Subregional Economic Cooperation (SASEC)**..

- **Trade and Tourism:** India is Maldives' 4th largest trade partner after UAE, China and Singapore. In 2018, India was the 5th largest source of tourist arrivals in Maldives.
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  - India and Maldives signed a trade agreement in 1981, which provides for export of essential commodities.
  - India-Maldives bilateral trade now stands at US\$ 288.99 Million heavily in favour of India.
- **Disaster Management:** The Government of India has provided large-scale assistance to Maldives in the aftermath of the 2004 Indian Ocean tsunami and during the 2014 Male water crisis.
- **Diaspora:** There is a **significant Indian diaspora in the Maldives**. Indians are the second largest expatriate community in Maldives with an approximate strength of around 22,000. About 25% of Doctors and Teachers in Maldives are Indian nationals.

## Way Forward

Given the economic hardships being faced by Maldives due to Covid-19 pandemic and previous debts, this package will definitely warm up the relationship between both the countries. This will also provide a strategic edge to India over China with regards to Maldives.

[Source : TH](#)

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