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INDIA-MALDIVES RELATIONS

SYLLABUS:

GS 2 > International Relations >> India's Neighbourhood

REFERENCE NEWS:

Marking the reset in bilateral ties between India and Maldives, Prime Minister Narendra Modi attended the Independence Day celebrations of the island nation as the guest of honour. As Modi left for India in the evening, President Mohamad Muizzu said it was “a **defining visit that sets a clear path for the future of Maldives-India relations**”.

Recent Developments (2025)

- **PM Modi's Visit (July 25–26, 2025):** First Indian PM visit since Muizzu took office; attended **Maldives's 60th Independence Day** celebrations.
- **President Muizzu thanked India** for its “pivotal role” in addressing Maldives’ **economic and liquidity crisis**.
- **₹4,850 crore Line of Credit** extended by India — first time in **Indian Rupee denomination** for Maldives.
- **Debt restructuring deal:** Maldives' annual repayment reduced from **\$51M to \$29M** on previous \$800M credit.
- **Four MoUs and three agreements** signed in key areas: **fisheries, aquaculture, tourism, environment, digital cooperation**.
- **Negotiations on a Free Trade Agreement (FTA)** launched.
- Modi-Muizzu articulated a **joint vision for economic and maritime security partnership**.

Background Context

- **2023 Tensions:** Muizzu used the "India Out" campaign during elections; ties soured post-victory.
- **COP28 Dubai (Dec 2023):** First thaw — leaders agreed to rebuild economic and diplomatic relations.
- **Early 2024 Dip:** Controversial remarks by Maldivian ministers over Modi’s Lakshadweep visit led to a **Boycott Maldives** campaign in India.
- **Troop Withdrawal (May 2024):** India withdrew all military personnel per Muizzu’s demand; replaced them with **technical staff**.

Economic Assistance from India

- **\$750M Currency Swap (Oct 2024):** To address Maldives' foreign exchange crisis.
- **\$50M Treasury Bill (May 2025):** Rolled over to stabilise reserves.

- India emerged as a **crucial partner during Maldives' debt crisis**, preventing a potential default.

Symbolism and Strategic Outlook

- PM Modi is the **first Head of State to visit Maldives** after Muizzu became President in Nov 2023.
- Maldives is reaffirmed as central to India's **"Neighbourhood First"** and **"SAGAR (Security and Growth for All in the Region)"** policy.
- **India-Maldives ties seen as restored and revitalised**, with long-term strategic implications.

INDIA-MALDIVES OVER THE TIMELINE:

- **Pre-Independence and Early Years (Pre-1965):** India and the Maldives have had historical ties due to their proximity, with interactions primarily limited to trade and cultural exchanges. The Maldives' geographic location in the Indian Ocean made it a natural neighbour to India.
- **Early Years: Post-Independence (1965-1980s):** This period involved diplomatic engagement as India was one of the first to recognise Maldives soon after its independence in 1965. This move was largely driven to ensure stability in Indian Ocean region.
- **Operation Cactus: Strengthening Strategic Ties (1980s-1990s):** Operation Cactus to thwart a coup attempt underscored the geopolitical significance of India as a security provider in the region.
- **Growing Economic and Developmental Partnership (1990s-2000s):** This era was marked by developmental assistance for infrastructure development through soft loans and grants. This period also saw **People-to-People Ties** strengthening through educational exchanges and medical tourism.
- **Strategic Partnerships and Security Cooperation (2000s-2010s):** For a deeper maritime security cooperations both nations involved in joint naval exercises such as Dosti mooting SAGAR doctrine. As terrorism threat grew, both had counter terrorism efforts through training and capacity enhancement. China's involvement in large-scale infrastructure projects, such as the construction of the China-Maldives Friendship Bridge, was seen by India as part of Beijing's broader strategy of encircling India, often referred to as the "String of Pearls."
- **Strained Relations and Political Instability (2012-2018):** With changes in government and increasing authoritarianism under President Abdulla Yameen who pursued closer ties with China, leading to a deterioration in India-Maldives relations. The cancellation of a contract with Indian company GMR to develop the Male International Airport in favour of a Chinese company was a significant diplomatic setback. India engaged in **quiet diplomacy** to manage the situation, refraining from overt intervention but maintaining pressure on the Maldivian government through diplomatic channels.
- **Reset and Renewal: Restoring Strategic Depth (2018-Present):** India and the Maldives have renewed their strategic partnership, focusing on infrastructure development, health, education, and disaster management. India announced a \$1.4 billion financial assistance package to help the Maldives manage its debt and develop critical infrastructure. India continuing to assist in capacity building of the

Maldivian National Defence Force (MNDF) also handed over a **Dornier aircraft** to the Maldives, enhancing its surveillance capabilities.

India's support for the Maldives' successful bid to chair the Indian Ocean Commission (IOC) in 2021 underscores its strategy of bolstering **regional multilateralism** and promoting a **rule-based order** in the Indian Ocean region.

10 REASONS WHY MALDIVES IS IMPORTANT FOR INDIA

- 1 Strategically located in the Indian Ocean, Maldives archipelago comprising 1,200 coral islands lies next to key shipping lanes which ensure uninterrupted energy supplies to countries like China, Japan and India
- 2 Since China started to send naval ships to Indian Ocean roughly 10 years ago – and right up to Gulf of Aden in the name of anti-piracy operations – Maldives' significance has steadily grown and now it's at the heart of international geopolitics
- 3 As the pre-eminent South Asian power and a 'net security provider' in the Indian Ocean region, India needs to cooperate with Maldives in security and defence sectors
- 4 China's massive economic presence in Maldives is a major concern for India. With the country now said to owe 70% of its external aid to China, many believe that Yameen has done to Maldives what Rajapaksa did to Sri Lanka. India had to push back at some stage and the current political crisis might just have offered India the right opportunity
- 5 A large section of population which supports the opposition parties like Nasheed's MDP wants India to act against Yameen
- 6 Maldives is also a member of Saarc. It is important for India to have Maldives on board to maintain its leadership in the region. Maldives was the only Saarc country which seemed reluctant to follow India's call for boycott of Saarc summit in Pakistan after the Uri attack
- 7 Under Yameen, radicalisation grew rapidly and it was often said that archipelago accounted for one of the highest numbers of foreign fighters in Syria in terms of per capita. India can ill-afford a neighbour which fails to check Islamic radicalisation
- 8 India and Maldives share ethnic, linguistic, cultural, religious and commercial links. India was among the first to recognise Maldives after its independence in 1965 and later established its mission at Malé in 1972
- 9 There are 25,000 Indian nationals living in Maldives (second largest expatriate community). Indian tourists also account for close to 6% of tourists Maldives receives every year
- 10 India is also a preferred destination for Maldivians for education, medical treatment, recreation and business. According to MEA, more and more Maldivians are seeking long term visa for pursuing higher studies/ medical treatment in India

STRAIN IN THE RELATIONSHIP:

Political Instability in the Maldives

- **Internal Political Conflicts:** The Maldives has experienced significant political instability, including the ousting of democratically elected governments, allegations of corruption, and rising authoritarianism.
- **Shifts in Government Policies:** For instance, while President Ibrahim Solih's administration has been more aligned with India, previous governments under Abdulla Yameen had closer ties with China, creating fluctuations in bilateral relations.

China's Growing Influence

- **Economic Influence:** China's Belt and Road Initiative (BRI) has led to significant Chinese investment in the Maldives, including major infrastructure projects like the China-Maldives Friendship Bridge.
- **Strategic Concerns:** India is wary of the Maldives potentially falling into a debt trap with China, similar to what has been observed in other countries involved in the BRI. The possibility of the Maldives becoming more dependent on China could shift the regional balance of power, challenging India's strategic interests in the Indian Ocean.

- **"India Out" Campaign:** There has been a rise in anti-India sentiments in some segments of the Maldivian population, driven by nationalist groups and political opposition. This campaign has created diplomatic challenges, forcing India to tread carefully to avoid fueling further anti-India rhetoric.
- **Media Influence:** Maldivian media, sometimes influenced by political opposition, has played a role in stoking anti-India sentiments. This has complicated India's public diplomacy efforts and necessitated a more nuanced approach to engagement with Maldivian civil society and the broader public.

Security and Strategic Concerns

- **Maritime Security:** The Indian Ocean is a strategically vital region, and both India and the Maldives are concerned about non-state actors, piracy, and potential military incursions by external powers.
- **Militarization Concerns:** There are sensitivities in the Maldives about becoming overly militarized or too dependent on India for security, especially with regards to India's increasing presence in the region, such as the deployment of helicopters and other military assets.

Economic Dependencies and Debt Issues

- **Debt Repayment Pressures:** The Maldives' economic dependency on external aid and investment, particularly from China, creates vulnerabilities. India's financial assistance and infrastructure investments are often framed as counterweights to Chinese influence, but the debt burden from both sources poses long-term challenges for the Maldivian economy.
- **Tourism Dependency:** The Maldives' economy is heavily dependent on tourism, which has been significantly impacted by the COVID-19 pandemic. Economic recovery has been slow, and while India has provided economic support, including a \$250 million aid package during the pandemic, the overall economic instability creates challenges in sustaining robust bilateral relations.

Environmental and Climate Change Issues

- **Rising Sea Levels:** As a low-lying island nation, the Maldives is highly vulnerable to climate change, particularly rising sea levels. India has committed to assisting the Maldives with climate adaptation measures, but the scale of the challenge requires sustained and substantial international support, which can be a point of contention in bilateral and multilateral negotiations.
- **Sustainable Development Conflicts:** The balance between economic development and environmental sustainability is a challenge. While India supports the Maldives' development, there are concerns about the environmental impact of large infrastructure projects, particularly those funded by external powers like China.

Deepening Strategic Cooperation

- **Enhanced Security Collaboration:** Joint naval exercises, intelligence sharing, and counterterrorism efforts can be expanded. India's support in enhancing the capabilities of the Maldivian National Defence Force (MNDF) can help mitigate concerns about external threats, including piracy and terrorism.
- **Infrastructure Development with Sensitivity:** Transparent and consultative project planning can help address concerns about over-dependence on external powers and the environmental impact of development activities.

Managing the China Factor

- **Balanced Diplomacy:** By offering alternative models of development assistance that are less likely to lead to debt dependency, India can provide a counterbalance to Chinese investments.
- **Promoting Regional Cooperation:** India can work with other regional players through forums like the Indian Ocean Rim Association (IORA) to build a regional consensus on maintaining stability and preventing external powers from gaining undue influence in the Indian Ocean.

Addressing Domestic Sentiments

- **Engaging with Civil Society:** To counter the "India Out" campaign and similar sentiments, India should engage more directly with Maldivian civil society, media, and youth. Public diplomacy efforts, including cultural exchanges, scholarships, and people-to-people initiatives, can help build a positive image of India in the Maldives.
- **Transparent Communication:** India should ensure that its actions, particularly in the security and economic domains, are communicated transparently to the Maldivian public. This can help counter misinformation and reduce suspicion of Indian intentions.
- **Training of 1000 civil servants by India**

Supporting Economic Resilience

- **Tourism Cooperation:** Given the importance of tourism to the Maldivian economy, India could facilitate greater Indian tourist inflows to the Maldives through promotional campaigns and easier travel protocols. Joint tourism initiatives could also be explored.
- **Economic Diversification:** India can assist the Maldives in diversifying its economy beyond tourism, providing expertise and investment in areas like fisheries, renewable energy, and digital economy.

Climate Change and Environmental Cooperation

- **Climate Adaptation Support:** India should continue to support the Maldives in addressing climate change challenges, including rising sea levels. Collaborative projects in renewable energy, sustainable tourism, and disaster management can be key areas of focus.
- **Multilateral Engagement:** India can help amplify Maldivian concerns on climate change in international forums, advocating for greater global action on climate finance and adaptation support for small island nations.

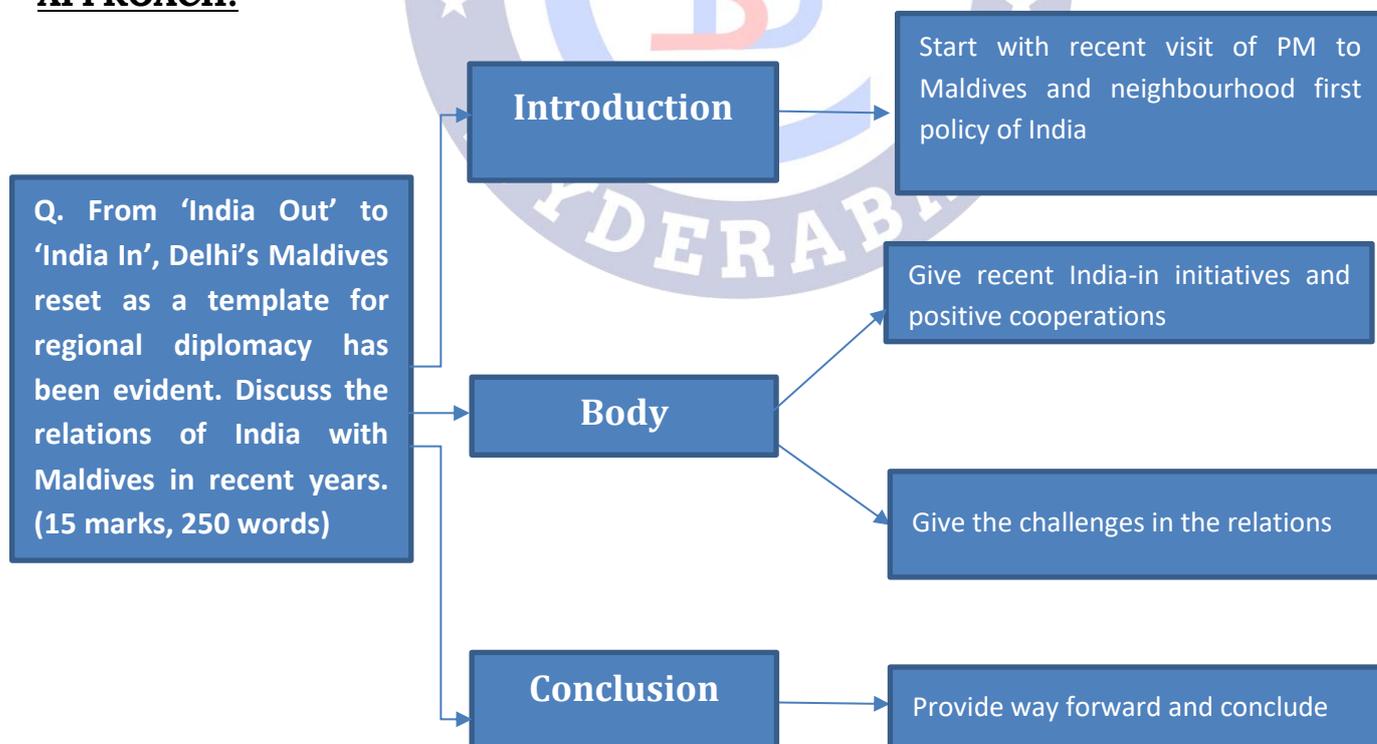
Political Stability and Diplomatic Engagement

- **Non-Interference with Active Support:** While respecting Maldivian sovereignty and non-interference in its internal affairs, India should remain a supportive partner, offering diplomatic and economic assistance during times of political instability.
- **Strengthening Multilateral Cooperation:** India can encourage the Maldives to engage more actively in regional organizations like SAARC and IORA, promoting regional stability and economic integration that benefits both nations.

PRACTICE QUESTION:

Q. From ‘India Out’ to ‘India In’, Delhi’s Maldives reset as a template for regional diplomacy has been evident. Discuss the relations of India with Maldives in recent years. (15 marks, 250 words)

APPROACH:



India-Maldives ties have undergone a significant transformation from diplomatic discord to strategic re-engagement. The recent “India-In” initiatives, led by Prime Minister Narendra Modi’s July 2025 visit to Male, mark a pivotal reset in bilateral relations, underscoring the success of India’s neighbourhood-first diplomacy.

Recent ‘India-In’ Initiatives

1. **PM Modi’s State Visit (July 25–26, 2025)** – First Indian PM to attend Maldives' **60th Independence Day**, reflecting deepening ties.
2. **₹4,850 crore Line of Credit (LoC)** – First LoC in **Indian Rupees**, supporting infrastructure and easing forex stress.
3. **Debt Restructuring Deal** – Maldives’ repayment reduced by **40%**, from \$51M to \$29M annually.
4. **Signing of MoUs** – In areas like **fisheries, aquaculture, tourism, environment, and digital cooperation**.
5. **FTA Negotiations Launched** – Terms of reference finalised to deepen bilateral trade and investment.
6. **Symbolic Acts** – Indian flags displayed across Male; commemorative stamp for 60 years of friendship released.

Positive Developments in Recent Years (2023–2025)

1. **\$750M Currency Swap Agreement** (Oct 2024) to address Maldives’ foreign exchange crunch.
2. **\$50M Treasury Bill Rollover** (May 2025) to stabilise Maldivian reserves.
3. **Joint Vision Statement** – On economic and maritime cooperation signed during Muizzu’s visit to India (Oct 2024).
4. **High-Level Engagements** – 6+ Maldivian ministerial visits to India in early 2025.
5. **Training & Capacity Building** – Indian technical staff replacing withdrawn troops; civil servant training continued.
6. **Public Diplomacy** – Increasing cooperation in **digital infrastructure and people-to-people exchanges**.

Challenges in the Relationship

1. **‘India Out’ Political Campaign (2023)** – Weaponised domestic politics to target Indian presence.
2. **Military Personnel Withdrawal** – All Indian military forces pulled out by May 10, 2024, due to sovereignty concerns.

3. **Anti-India Sentiments** – Sparked by derogatory comments from Maldivian ministers on Modi’s Lakshadweep visit.
4. **Boycott Maldives Campaign** – Intense backlash from Indian tourists in early 2024 affected Maldives’ tourism.
5. **Geopolitical Competition with China** – Maldives’ deepening ties with China remain a strategic concern.
6. **Trust Deficit** – Previous miscommunications and opaque policies undercut India’s development goodwill.

Way Forward

1. **Deepen Development Cooperation** – Through transparent and demand-driven infrastructure projects.
2. **Build Public Diplomacy** – Engage Maldivian civil society, youth, and media to foster grassroots goodwill.
3. **Enhance Maritime Security Cooperation** – Under **SAGAR, IORA, and India-Maldives Maritime Security Framework.**
4. **Promote Economic Resilience** – Use FTA, currency swaps, and investment-led aid to stabilise Maldives’ economy.
5. **Regular High-Level Dialogues** – Institutionalise foreign office consultations and joint commissions. ★
6. **Balance Strategic Interests** – Avoid zero-sum competition; ensure inclusivity while countering adversarial influence.

The shift from “India Out” to “India In” reflects India’s diplomatic resilience, strategic patience, and constructive neighbourhood approach. The Maldives reset exemplifies how economic diplomacy and respect for sovereignty can coexist to safeguard regional stability and strategic depth.