



India and China in the Maldives : Recent Developments and Emerging Trends

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ABSTRACT

The location of the Maldives in the Indian Ocean made it strategic relevant to China. China has long pursued an integrated strategy in the Indian Ocean, with both security of its sea lanes and energy imports. This policy is known as 'string of pearls' strategy.

Moreover, China seems interested in developing two of the Islands which are located in the north of Maldives: Ihavandhoo and Maarandhoo.

This paper makes an attempt to study China's equations with the Maldives. The purpose is to better understand China's Maldivian engagement and evolving role in the region. The paper can be grounded into following categories: What are the strategic interests of China and India in Maldives? How India-China are functioning Maldives in terms of trade? How Chinese investments in the Maldives are gearing up and its implications on India and summing up that includes the issue of Indian Ocean as an area of focus?

KEYWORDS : String of Pearls, Marao, Strategy

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India and China in the Maldives: Recent Developments and Emerging Trends

China has successfully established institutional linkages with all the regional organizations around the world encompassing ASEAN, Africa Union, APEC, Arab League, BCIM, BRICS, the European Union, G-20, MERCOSUR, SCO, WTO and Pacific Island nations. China has also become the observer state at the 14th South Asian Association of Regional Cooperation (SAARC) Summit meeting on 3-4th April, 2007 in India, New Delhi hosted by the then Prime Minister Dr. Manmohan Singh.

According to the World Bank's report on Global Economic Prospects for 2013, "South Asia is the world's fastest growing region with more than 7.4 % GDP growth in 2012." South Asia's GDP grew was recorded by 5.7 % in the 2013, and by 6.4 % and 6.7% in 2014 and 2015, respectively. The total length of South Asian land mass bordering China is something in the order of about 6000 km.

The location of the Maldives in the Indian Ocean made it also strategic relevant to China. China has long pursued an integrated strategy in the Indian Ocean, with both security of its sea lanes and energy imports. This policy has been often describes as 'string of pearls' strategy.

Moreover, China seems interested in developing two of the Islands which are located in the Haa Alif Atoll, situated in the north of Maldives namely: Ihavandhoo and Maarandhoo with transshipment ports. Apart from this project China also granted a US\$373 million loan for upgrading and infrastructure developing of the Ibrahim Nasir International Airport in December 2015.

China wants a presence in these islands because they are closest to India and will fulfill China's desire to get a foothold in the Indian Ocean.

According to a current affairs portal, 'Maldives Today', cited an unconfirmed report in November 2010 saying China had secured a military base with the capacity to deploy nuclear submarines on Maldives Marao Island.

This paper makes an attempt to study China's equations with India's neighbourhood with special reference to Maldives. The purpose is to better understand China's Maldivian engagement and evolving role in the region.

The paper can be grounded into following categories: What are the strategic interests of China and India in Maldives? How India-China are functioning Maldives in terms of trade? How Chinese investments in the Maldives are gearing up and its implications on India and summing up that includes the issue of Indian Ocean as an area of focus? Accordingly, the key research question of the paper is: How China is making inroads in Maldives and posing challenges to India?

1. Background

The seven 'South Asian' countries namely Bangladesh, Bhutan, India, the Maldives, Pakistan, Nepal and Sri Lanka are considered as the founding members of SAARC, which is an economic cooperation organization. Afghanistan joined the organisation as an eighth member in 2007. [1] The diplomatic relations between India and the Maldives was first established on 1st November 1965. [2] Since then, there has been a regular continuity in their relations in the field of strategic, military, economic and culture.

The success of 'Operation Cactus' is considered as an historical example of expansion of the relations between India and the Maldives significantly. Under the Prime minister-ship of Rajiv Gandhi on 3rd November 1988 the Indian army provided help to liberate the then president of the Maldives, Maumoon Abdul Gayoom from a military coup performed by a businessman and a politician of his own country. The politician and the businessman demanded for regime change in the Maldives and opposed their own president. Situation became more critical when they joined hands with Sri Lankan armed militants i.e People's Liberation Organisation of Tamil Eelam (PLOTE). [3] In 4th December 2014, Indian Navy provided humanitarian relief help to the Maldives when the latter faced a serious drinking water crisis in Male. India sent its heavy life transporters like C-17 Globemaster III. [4] The navy also sent her ships like INS Sukanya, INS Deepak and others which can produce fresh water using their onboard desalination plants. [5]

Since 2012 the relations between China and the Maldives has been increasing significantly. China turns out to be a great friend of Maldives and is providing aid to Maldives. Recent trends shows that China wants to set up a submarine base facility in the Maldives to secure footholds in the Indian Ocean Region. The logic behind China's aid to

Maldives is to consolidate friendly relations and economic and strategic cooperation with the Maldives. China's incentive-giving strategy to the developing countries made it an attractive partner and rather than a player in South Asia. This logic is followed up by with exchange of high level visits from both sides.

The Maldives was one State that received unprecedented and concentrated high level visits including of the Chairman of Chinese National People's Congress in May 2011 and the Politburo Standing Committee Member, Li Changchun in October 2012 and President and the General Secretary of the Communist Party of China, Xi Jinping in September 2014.

During his visit to the Maldives in October 2012, the member of the Politburo Standing Committee Member, Li Changchun met with his counterpart President Waheed Hassan and expressed China's commitment to provide assistance to its capacity to help promote the Maldivian social and economic growth.

Since 2012, the debate has been going in South Asia to include China as a new member of the SAARC groupings. At the 18th SAARC Summit meeting on 26-27 November, 2014 in Kathmandu-Nepal, the South Asian members had debate over China's role whether to restrict it to its observer status or allow it to play a more influential role intensified. Prior to the summit, China's interest to elevate its role in the SAARC from an observer to that of an active member to expand its influence in South Asia.

2. Significance of the Maldives Geographical Position

Richard Barnet once right said that "whoever controls the natural resources and its trade controls the world". Maldives might not be a target for its natural resources, but it controls the routes the resources move. The Maldives is an island nation and consists of approximately 1,190 coral islands grouped in double chain of 26 atolls oriented north-south off India's Lakshadweep islands between Minicoy Island and Chagos Archipelago, where the American base of Diego Garcia is located. [6]

The Indian Ocean shipping lanes has great strategic importance in the world. Thousands of the oil vessels carry oil from the West Asia and raw materials to South Asia, East Asia, and the Far East. These tankers provide more than 80 % oil to China. Over 97% of India's international trade by volume and 75 % by value passes through the Indian Ocean. According to the Journal of the Indian Ocean Region, more than 80 % of the world's seaborne trade in oil transits through Indian Ocean choke points, with 40 % passing through the Strait of Hormuz, 35 %through the Strait of Malacca and 8 % through the Bab el-Mandab Strait. Any disruption from terrorism, piracy, natural disaster or war could have devastating effects on these countries. [7]

3. China's Trade with the Maldives

In 2008, China's foreign trade to the Maldives stood US\$ 29,149.00 million. It further increased and reached to nearly US\$64 million in 2010 and US\$ 68,938.82 million in 2011 and the bilateral trade almost surpassed US\$100 million in 2014.

During his official visit to Columbo (Sri Lanka) on 24th August 2012, Maldives's President Mohammed Waheed stated China as a pivotal partner. He further expressed that his country needs to expand trade with economically powerful giant China. He put emphasis on cultural tourism for which Maldives is famous for and went ahead by saying that Maldives main source of income is tourism in which China is playing a pivotal role. Maldives is tourism based economy and since 2010 has benefited from huge number of visitors from China into Maldives.

Moreover, both the countries have signed a Preferential Zero Tariff Agreement on 23rd July 2006. It came in effect from 1st February 2009. The aim of the agreement is for the promotion of economic development of Maldives and to strengthen trade relationship between both the countries. Under this agreement, between both the countries, the government of Maldives is keen to explore other ranges of fishery (other than Chilled Yellow Fin Tuna) and other types of products that Maldives can potentially export to China.

Since last 10 years the findings revealed that few important points:

- China's trade with Maldives is negligible and confined to exports from China alone.
- China is emerging as a dominant trade partner for Maldives.
- While the trade balance is in favour of China, the increase in imports from China to Maldives in percentage terms is quite significant.
- Reflects China's seriousness about Maldives.

Trade Composition

China mainly imports fish and fisheries products from Maldives and exports high end products like electronics products, mobile phones, mechanical goods, ceramic tiles, chemicals, textiles etc. Maldives major exports to China are fish and fisheries products. The major imports from China includes rice, consumer goods, electronic products, mobile phones, toys, radios, mechanical goods, ceramic tiles, textiles and the chemicals etc.

4. India's Trade with the Maldives

India is a significant trade partner of the Maldives. India gives financial assistance to Maldives in the areas of medical health, infrastructure building, education and security etc. Both the government has signed a bilateral agreement of co-operation in trade on 31st March 1981. Import of certain products to Maldives from India such as pharmaceuticals that otherwise are banned for exports, is made possible through these bilateral arrangements.

On 7th February 1986, both the countries established a Joint Commission for Economic and Technical Cooperation. It has strengthened their trade ties. Investors are allowed from both countries to access the market of each other.

In 2008, India's foreign trade to the Maldives stood US\$ 144,008.35million. It further increased and reached to nearly US\$36,819.23 million in 2010. In 2011-12, India's total trade to the Maldives stood US\$ 127.74 million. It further increased and reached to nearly US\$ 129.71 million in 2012-13 and the bilateral trade almost surpassed US\$ 125.4 million in 2013-14. Table 1, shows the trade relations between India-Maldives since 2005 to 2013.

Table 1. India's Trade with the Maldives Unit: US\$ Million

Year	Imports	Exports
2005	83,538.21	1,015.23
2006	87,024.70	1,255.40
2007	125,900.00	1,972.05
2008	144,008.35	1,947.47
2009	116,505.38	1,723.16
2010	36,819.23	733.19
2011	110.7	17.04
2012	123.37	6.34
2013	120.97	4.43

Source: Maldives Customs Service

Since last 10 years the findings revealed that few important points:

- India's trade with Maldives is much more than China's trade with them.
- But China-Maldives growing trade relationship is showing that China has the potential to catch up India in years to come.

Trade Composition

The exports from Maldives to India are not much significance but the imports from India to the Maldives are quite substantial. Maldives's major exports to India includes, fisheries products such as live ornamental fish, frozen/fresh fish, chilled yellowfin Tunas, fillets, and loins etc. It also includes shells and battery waste, shark-liver oil and items such as aluminium, copper, tin, alloy steel waste and scrap. The major imports from India includes riversand and aggregates, groceries like onions, potatoes, egg, wheat flour, rice and sugar, cement, household & food stuffs including fruits and vegetables, garments, medical & surgical equipment's and Electronics. In 2011-12, India's total exports to Maldives stood US\$ 110.7 million and total imports from Maldives

were estimated at US\$ 17.04 million. Whereas in the next year in 2012-13, the total exports to Maldives came out as US\$ 123.37 million and total imports from Maldives was US\$ 6.34 million. Similarly in 2013-14, total exports to Maldives were US\$ 120.97 million and total imports from Maldives were US\$ 4.43 million.

5. Chinese Increased Investments in the Maldives: Implications on India

China uses foreign investment as a diplomatic tool in its foreign economic policy. In 1950, China took control of Tibet. This put the first dent in India-China relations. The situation became worse when Dalai Lama, Tibetan spiritual monk, sought asylum in India. After that China successfully resolved its border disputes with Nepal, Myanmar and Pakistan. With the deterioration of relations with India, China systematically started developing economic, political and military relations and increased its activities in the Indian Ocean region states such as Maldives and Sri Lanka.

China is increasing its activities with the Maldives through providing it loans, aids, building ports and airports, grants and undertaking various small and medium size infrastructure projects and acquiring energy resources. China is very serious towards Maldives and Maldives received high rank official visits including of Politburo Standing Committee Member, Li Ruihuan, Chief of the General Staff of the PLA, Fu Ruanyou and Premier Zhu Rongji, between 1997 and 2001. China has been attempting to convince Maldives to allow it to establish a naval base there. The diplomatic relations between China and Maldives were established on 14th October 1972. According to India's Ministry of Defence's Annual Report, 2000, *"the location of the Maldives astride the major searoutes in the Indian Ocean is of strategic relevance to India"*. China has long pursued an integrated strategy in the Indian Ocean, with both security and energy interests. [8]

Moreover, China seems interested in developing two of the islands which are located in the Haa Alif Atoll, situated in the north of Maldives namely: Ihavandhoo and Maarandhoo with transshipment ports. Apart from this project China also wants to take hold of a piece of action in the development of the Maldives second northern international airport at Hanimaadhoo. [9]

To counter China, India signed a bilateral pact to bolster defence cooperation and strengthen security for Maldives in August 2009. Indian Defence Minister Mr. A. K. Antony paid a visit to Maldives. It was agreed in the agreement that Indian Navy will assist the Maldivian security forces in monitoring and safeguarding the Maldives vast EEZ. As reported widely in the Indian media in late 2009, President Mohamed Nasheed stated that *"Maldives acceded to India's request to deploy 26 coastal radars to monitor its territorial waters. India is not trying to influence us. We wanted the radars. A lot of biomass poaching (poaching of fish and corals) happens in the area. So does a lot of illegal commercial fishing."*[10] Since 2009, India has been sending warships or naval aircraft to perform security roles for Maldives. India had transferred a fast-attack aircraft INS Tillanchang to the Maldivian Coast Guard in the year 2006. [11]

In addition, since 2001 the Government of China has been offering scholarships to the Government of Maldives. Higher education opportunities are available in business administration, structural engineering, machinery and equipment, international relations, diplomacy, internal medicines, surgery, pediatrics, finance, international trade etc. The number of Maldives students studying in China reached 117 in 2010. In his visit to Maldives on 28-31st May 2011, the Chairman of the Standing Committee of the National People's Congress (NPC) of China, Wu Bangguo, made an announcement regarding the offer of 11 scholarships to Maldivian students in 2011 and 2013. In February 2011, President Mohamed Nasheed visited India. The purpose of the visit was to enhance co-operation in trade, investment and security. In his statement he said about the importance of maintaining balance in the Indian Ocean. He said, *"India is a better investment destination. It's far easier to deal with India than with China. We had discussions on the Indian Ocean, piracy, climate change and trade and investment. Piracy is a very important issue for us. We are sitting right in the middle of the Indian Ocean."* [12] In October 2011, the Indian Navy based a Dornier aircraft to carry out surveillance of EEZ and anti-piracy vigil.

In its 2006 special advertising section of Businessweek an article mentioned that Maldives Transport and Contracting Company (MTCC), the premier contracting company for harbor development concerns is working with the Chinese government on an ambitious pledge to build some 60 new harbors, 40 of them access harbors and the rest larger ones, in the near future. [13] Maldives National Shipping Limited (MNSL) is considered as a support system to the tourism industry in its advent as the only a distributor of imported quality goods to the country. Its Managing director, Aimon Jameel expressed his wants to increase the number of Chinese goods into the country and is looking for strategic partners for Non Vessel Operating Common Carrier services to import more from China. In September 2012, Chinese Premier Wen Jiabao visited Male with the team of delegations. From this meeting there were three main important agreements were signed between both the governments. First agreement was related with the cooperation in the field of economic and technology which was signed by the Minister of Commerce of China Mr Chen Deming and the Minister of Foreign Affairs of the Maldives Dr Abdul Samad Abdulla. Under this agreement the Government of China granted to provide Renminbi Yuan 100 million as grant assistance to Maldives. Second was the framework agreement between the governments for preferential loans. This agreement was signed by the Minister of Commerce of China Mr Chen Deming and the Maldives Minister of Tourism, Arts and Culture Mr Ahmed Adheeb Abdul Ghafoor. Third agreement was of the preferential loan for Housing Program of 1500 housing units with EXIM Bank of China. Second and third agreements were signed by the same Ministers. In the second and third agreement Government of China granted to provide loan of Renminbi Yuan 982,500,000 for housing development. [14]

During this visit President Mohamed Waheed met with the Premier of China Wen Jiabao and expressed his gratitude to Premier Wen Jiabao for assistance and support to the socio-economic development of the Maldives.

Both the countries celebrated 40th anniversary of their diplomatic relations in 2012. On this occasion, Li Changchun, a member of the Standing Committee of the Political Bureau of the Communist Party of China Central Committee, visited Maldives. This meeting came up with the two important agreements signed between Maldives and China in the infrastructure development and environment sector. First is related with the feasibility study for the development of road in Laamu Atoll Gan to Fonadhoo stretch of islands. This agreement was signed by Minister of Housing and Infrastructure Dr. Mohamed Muizzu and Vice Minister of Commerce of China Mr. Jiang Zengwei. The Second was the signature of the Memorandum of Understanding (MOU) concerning the provision of goods for addressing climate change. The signatories were Minister of State for Environment and Energy Mr Abdul Matheen Mohamed and Chinese Ambassador to the Male Mr Yu Hongyao.

6. Recent Developments between China and the Maldives

In the last few years there has been an exchange of high level visits taking place between China and Maldives. In January 2011, the Speaker of the People's Majlis Abdulla Shahid visited China. During his visit he met the Chairman of the Standing Committee of the National People's Congress (NPC) of China, Wu Bangguo, and offered him to visit Maldives. In an interview on 29th May 2011, to the Chinese news agency, Xinhua, the Parliament Speaker Abdulla Shahid said Maldives and China relations are based on a solid foundation and fundamental understanding and that ties between the two countries will continue to prosper. To avail direct flight facility Maldivian citizens are required a prior Visa from the Embassy of China in Sri Lanka which hinders Maldivians from taking full advantage of the direct flights. The possibility of Maldivians traveling to China without a prior visa was on his list for further discussion with Chinese officials.

In 9-13th May 2011 Ibrahim Hussein Zaki, a leader of Maldivian Democratic Party (MDP) and special envoy of the President to China met Li Jinhua, vice Chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC). [15] The visit was succeeded by a four days visit of Wu Bangguo, Chairman of the Standing Committee of the National People's Congress (NPC) of China to Maldives on 28-31st May 2011. It is another development between China and Maldives relationship. This time he held bilateral meeting with

Abdulla Shahid. The purpose of his visit is for closer cooperation between the two parliaments with the aim of pushing forward bilateral relations. Hence, the visit of Wu Bangguo is likely to make India more anxious about China's growing influence in the Maldives.

China and Maldives bilateral relations received a major boost after China opened its embassy in Male (Maldives) on 8th November 2011. Male had already opened an embassy in Beijing in 2007. China's embassy opening in Male coincided with the SAARC Summit on 10-11th November 2011. President Mohamed Nasheed was elected as the Chairperson of the 17th SAARC Summit, which was held in Addu City, Maldives. This development has made India more intrigued.

On 22nd January 2013, The Hindu (Delhi) edition came up with a new development among the relationship between Maldives and China. It wrote that, Indian authorities have expressed concern over China's expanding influence in the Information Technology and telecom sectors in the Maldives. Indian intelligence agencies were alerted to the issue after the Maldives have requested a soft loan worth of US\$ 54 million for its Information Technology infrastructure from China. [16]

According to the Research and Analysis Wing (RAW) of India, 'It is a possibility that China can capitalize its influence over the Maldives to utilize the latter's network once the project is implemented'. Former Transport and Communication Minister, Dr. Ahmed Shamheed said that a 'smart card' project that had been signed between China and Maldives (President Mohamed Nasheed Government) to replace the National ID cards had sparked interest from the Indian Government. According to him, "the Indian Government wanted to provide Maldives with their own system instead of the Chinese one." [17]

7. Tourism

Table 2. Trends of China and India Tourist Arrivals and Market Share in Maldives, 2008-2011

	2011	2010	2009	2008
Country	Arrivals	Arrivals	Arrivals	Arrivals
China	198,655	118,961	60,666	41,511
United Kingdom	104,508	114,158	105,950	116,821
Germany	90,517	77,108	69,085	69,240
Italy	83,088	89,596	89,292	103,824
Russia	63,936	49,111	40,014	48,978
France	59,694	54,789	50,373	48,100
Japan	35,782	38,791	36,641	38,193
Switzerland	32,504	27,766	26,783	26,983
India	30,978	25,756	15,850	16,663
Korea	25,285	24,808	16,135	20,934

Source: Maldives Tourism Yearbook, 2012, 2011,2010,2009,2008.

Maldives is considered worldwide as a tourist destination. It is famous for its beaches, diving/snorkeling. Other reasons include sun, peacefulness and uniqueness. Hence, Maldives is a tourism based economy.

Tourism has become an emerging area for the bilateral cooperation between China and the Maldives in the recent years. Chinese arrivals to the Maldives have been growing since 2007. China became the number one market to the Maldives in 2010 and in 2011. Global economy was hit by an economic crisis in 2008 and 2009. Regardless of this challenge, tourist arrivals made a record in Maldives. Trend analysis has shown that China's tourism is more significant in Maldives as compared to India. [18] As Table 2 indicates trend of tourist arrivals in Maldives from 2007-2011.

8. "String of Pearl" Strategy

To gain control in the Indian Ocean China started giving aid to Indian ocean nations for building ports in Pakistan (Gwadar), Chittagong (Bangladesh) as well as Sri Lanka (Hambantota). India's navy chief, Adm. Sureesh Mehta, said in a speech in January 2008, expressing concern that naval forces operating out of ports established by the Chinese could 'take control over the world energy jugular.' [19]

As stated in the beginning of the paper that the aim of China is to contain Indian Navy in the Indian Ocean and this policy has often been described as 'string of pearls' strategy. It refers to the Chinese sea lines of communication. It extends from Chinese mainland to Port Sudan. For instance: Port Lamu of Kenya, Gwadar Port of Pakistan, Marao Port of Maldives, Hambantota Port of Sri Lanka, Chittagong of Pakistan, Sittwe Port of Burma.

Marao (Maldives) fits perfectly as one of the pearls in the "string of Pearls" strategy of China. China is approaching Maldives to allow opening of Chinese naval bases in Marao. Maldives does not have a navy of its own.

For instance, in 2005, Indian commentator, A.B. Mahapatra, asserted that:

Scientists warn that global warming is pushing up ocean and sea levels. They fear that most of Maldives will be submerged by year 2040. Marao may be one of the few large islands that may survive. In February 2001, a small delegation from Pakistan visited Maldives to boost cultural ties. "The Pakistanis put pressure on Male to facilitate Chinese plans for a naval base. "China used Pakistan to play the "Islamic card" with Maldives." [20]

The world is beginning to face a resource crunch, especially the two rising economies of Asia: China and India. Oil is at a premium and so are minerals. China's export driven economy would collapse if its oil imports via the Indian Ocean Region was to be stopped even for 2 to 3 weeks. In addition, China lags behind in two essentials i.e cheap labour for manufacturing and steady supply of energy and raw materials. Almost 80 % of its oil imports come from the Gulf, Iran and Africa and its industries depend on imported raw material, such as metals like cobalt, copper, aluminium and iron ore. A serious disruption in the Indian Ocean's Sea Lines of Communication (SLOC) would spell an economic crisis for China. Security Sea Lanes of Communication (SLOC) for energy (and raw materials) is the single-most pressing motivation behind the 'String of Pearls' Strategy which is a Grand National Strategy of China or an 'Encirclement of India' Strategy.

A composite picture of China's approach towards Maldives:

- China's approach is based on a clear objective of pursuing its national interest.
- The diplomacy of aid and trade are strategic and are used to create dependency.

9. Indian Ocean Issue: China's Maritime Interests and Energy Security

Very few would have heard of Gwadar in Pakistan, Hambantota in Sri Lanka and Sitwe in Myanmar and Marao before 2002. Since 2002, studies on maritime security have started making references to these plans. Initially, the focus was on Gwadar. The Chinese interest in these places and China's generous offer of assistance to these countries for converting these small fishing harbours into maritime ports of international standards is an indicator of China's strategic and energy concerns.

China's economic and strategic interest in Gwadar and Sitwe is obvious. It is worried over the possibility of disruptions in the movement of oil and gas tankers to China from the Gulf and Africa through the Malacca Straits due to attacks by pirates and/or terrorists. It wants to reduce its dependence on the Malacca Straits for the movement of its oil and gas pipelines. It, therefore, makes eminent sense to develop alternate routes. It seems to have devised two contingency plans for this. Under the first plan, some of the oil and gas tankers will go to Gwadar and from there the supplies will be sent to Xinjiang by pipelines via Pakistani territory, including Pakistan occupied Kashmir. The second plan envisages transporting some of the supplies to Yunnan by pipelines from Sitwe.

Pakistan has also agreed to let China set up a Special Economic Zone (SEZ) in Gwadar, exclusively for the use of Chinese industries manufacturing goods for export to Africa and other regions. The manufacturing and transport costs would be less if these industries were located in Gwadar instead of China. However, there is presently no proposal for a similar SEZ in Sitwe.

The Chinese interest in Gwadar port, which has already been completed, is not just economic and energy supplies related. It is much beyond this. It is of immense interest to its Navy – as a port of call, as a refueling halt and as a listening and watch tower to monitor developments in the Gulf particularly the movements of the US Navy. The construction of the naval base by the Chinese engineers has started and it is expected to be completed by 2010.

Since over last twenty years, China has been carefully developing political, economic and military relations with Myanmar, which was facing economic difficulties due to Western economic sanctions. The development of Sitwe into an international port meets China's military and economic interests. Details of the plan for the Chinese-aided development of Sitwe are not yet fully available.

China and Sri Lanka have signed an agreement on "establishment of friendship city relationship" involving Hambantota district. It includes development of a harbour, bunkering system and tank farm. However, it is not clear if the development of Hambantota harbour would be undertaken on the same pattern as that of Gwadar deepsea port in Pakistan. The Hambantota project is expected to cost around US\$ 420 million, of which US \$ 375 million would be given by China. Reports say that Sri Lanka has agreed to give the Chinese the same facilities at Hambantota as Sri Lanka has agreed to give the Chinese the same facilities at Hambantota as Sri Lanka has given or proposes to give to India at Trincomllee.

Hambantota may not have much of economic significance for China either from the point of view of its energy supplies or external trade in the same manner as Gwadar or Sitwe, yet its military and strategic significance is immense. China's navy might seek refueling facility and listening post at Hambantota.

China is also engaged in the development of Chittagong sea port. Media reports say with the completion of the port, China may get certain facilities for its naval ships in this region.

Various reports have indicated that Maldives has also leased 'Marao Island' to China for maritime traffic management. There are claims that the island is also used by the Chinese to monitor Indian and US warships in the Indian Ocean, and could be developed into a submarine base in the future. Sachin Parashar wrote in his article "China may build port in southern Maldives" which was published online in The Economic Times on 11 April 2016, that Chinese strategic engagement with Maldives is evident with the statement made by former Maldives foreign Minister Ahmed Nasseem to the Times of India in April 2016 when he said the Maldivian government had not yet confirmed but there were indications that Maldives was looking to let the Chinese build a port at Gaadhoo island in the southern atoll.

10. Emerging Trends: Seaborne Terrorism

Maldives acquired greater strategic significance particularly after India's Mumbai 26/11 attacks in 2008. Rise of Seaborne terrorism is a new reality. In the aftermath of the attack, Maldives the then President Mohamed Nasheed warned of an increased threat of militants using the seas to launch attacks in the future.

In a press conference in New Delhi on 24th December 2008, President Mohamed Nasheed said that fencing of the India-Pakistan border had pushed the terrorists to the Indian Ocean. He compared pirates to the terrorist. According to him the terrorists had adopted the methods of sixteenth century pirates to strike at land-based targets from the sea.

Mohamed Ibrahim Sheikh, a young seminary student from the Maldives had travelled to Pakistan and returned to Maldives in 1983. During his stay in Pakistan he has learned Salafism. He went against the regime of the then President Maumoon Abdul Gayoom propagated Sha'afi-Sunni traditions. Sheikh Ibrahim Fareed, the Qatar educated cleric was influenced by Mohamed Ibrahim Sheikh. After the Male's Sultan Park bombings the government of Maldives took action and sent troops and police to clear the Sharia-based mini-state in Himandhoo island. On the island of Himadhoo Sheikh Ibrahim Fareed was eventually to build a Sharia-based mini-state. In April 2005, Ibrahim Asif was arrested in Kerala after attempting to source weapons from Thiruvananthapuram, Kerala. Indian Intelligence Services believe that Ibrahim Asif may have been financed by Abu Issa. Abu Issa is be-

lieved to be a South Asian descent who have arrived in the Maldives after the 2005 Tsunami. According to Intelligence sources Abu Issa also traveled to Mumbai and Thiruvananthapuram. [21]

11. GMR (Male Airport) Issue and VISA Tightening

On 27th Nov. 2012, the Government of Maldives terminated the US\$511 million deal between GMR (India) and Male (Maldives). The deal was related to build Male Airport by India-Headquartered GMR in the capital of Maldives. Because of the GMR termination of the deal it developed tensions between the bilateral ties between the two governments.

Maldivian government went ahead by declaring the deal to develop Male Airport as 'void ab initio' means invalid. The reason cited by the Maldivian government is "national interest". In a telephone interview to The Hindu from Male on 4th December 2012, the Minister of Tourism, Arts and Culture of the Maldives, Ahmed Adeeb Abdul Gafoor, the termination was "totally economic decision" that is crucial to Maldives survival. He further said that the terms of the contract are not positive.

Maldivians wanted from GMR to pay for fuel concessions fees instead of billing Maldivians airport development charge. Situation became worse when the government of Maldives sent GMR a 7 days' notice to leave the country and also asked the company to vacate and remove all the property from the airport within 30 days.

GMR had won the contract during the regime of President Mohamed Nasheed in 2010. As per the agreement, in case of disagreement, the issue would be taken to either Singapore or the United Kingdom. The high court of Singapore suspended the Maldives government's decision to terminate the deal. However, the Maldives government decided to go ahead with the termination.

Termination of the deal leads to further implications and India had tightened its visa rules and regulations for Maldivian nationals. The Indian High Commission in Male in early December in 2012 informed to the general public that visa free travel facilities to India, available to Maldivian citizens, are valid for tourism purposes. Hence they informed that people are advised to apply and obtain the appropriate visas before traveling to India. From that on Maldivian nationals who intends to stay in India for more than 90 days for medical, study or any other purpose is obliged to obtain proper visa.

Moreover, India is not happy with the growing Chinese influence in the island nation. But the question arises that if Maldives wants to GMR out then who is going to replace it?

According to a Times of India article dated 17th December 2012, the Indian Intelligence agencies blamed China behind nixed GMR deal. Agencies claimed China's growing influence with the Maldives may be part of its larger scheme to dominate the strategically important sea lanes of the Indian Ocean region. Chinese companies are also eyeing the Gan International Airport in Addu Atoll in the Maldives. It is closer to India's Lakshadweep islands. [22]

The US has showed interest in the former British naval air force base in Gan for servicing its naval fleet, launching surveillance operations and routing military supplies. This is in sync with US President Barack Obama's "pivot Asia" policy.

To focus more on Asia Pacific is considered as cornerstone of American "pivot Asia" foreign policy. US armed forces are not limited to the US; it extends to include the whole world. Diego Garcia is an example of US another Navy and Air force base in the Indian Ocean. The location of Diego Garcia made it also strategic relevant to US. US have long remained present in Diego Garcia and efforts to control the greater West Asia (often known as greater Middle East) and its oil and natural gas supplies. In 2016, US 50 year old lease with Britain will expire but the unjust lease is subject to an automatic 20-year renewal which was already commenced in 2014.

On the other hand, one school of thought in India who sees international politics largely in terms of soft power is fearful of the growing closeness between China and the Maldives. Indian government dealt with maturity with respect to the termination of the GMR deal and

started initiating dialogues with the government of Maldives.

In January 2014 Maldivian President Abdulla Yameen visited New Delhi and the then Prime Minister of India Dr. Manmohan Singh requested the Maldives government to "amicably settle the issue of the Male International Airport". President Yameen assured his counterpart and said that his government is "willing to work out a mutually acceptable solution". According to him it will also enhance their economic ties and will solve the problems which some of Indian investors were facing since the termination of the deal.

12. India Needs to Consider the Following Aspects

1. How to maintain leading position and standing as a major regional economic power in the Maldives.
2. How to compete with the increasingly innovative Chinese companies in the Maldives.
3. Efforts should be made to increase the market share of India in tourism sector of the Maldives.
4. Impact of Chinese companies on Indian manufacturing sector if China opts to relocate major manufacturing in this region.
5. How Indian exports in this region would affect since China has opted to trade on preferential terms with Maldives.
6. How to counter increased Chinese investments in the Maldives.
7. China's linkages in the region to secure energy supplies from Indian neighbourhood overlooking Indian interests.
8. Impact of China's military relationship with Pakistan and Bangladesh.
9. India must make it very clear that it has the preeminent right and duty to preserve the stability and neutrality of the Indian Ocean, India should continue to offer cooperation to other stakeholders

13. Conclusion

Maldives is reliant on India not only for trade but for its security assistance. More Maldivian's live in India than any other country outside of the Maldives like in Thiruvananthapuram, Kerala. People mainly come here for medical treatment, as the health care facilities in Maldives are not as good as in India. The Kumarpuram area near Thiruvananthapuram Medical College has many hotels that cater exclusively to the Maldivians including the local cuisine.

India is considered as a 'big brother' among South Asian nations. If India wants to play big brother, it will need a kid brothers. Indian foreign policymakers should understand the sensitivities and requirements of small country.

China's presence in Maldives cannot be ignored. Chinese policy with respect to South Asia should not be seen as policy of containment but should be considered as its proactive policy towards South Asia. China is also a second largest economy. India's friendly relations and people to people contacts with the Maldives need to be nurtured, especially in view of the attention it is receiving from China at the highest level.

The multi-dimensional interplay between China and India requires that the two rising economies needs to build strategic partnerships and emerge together in an atmosphere of growth. There is an absence of dedicated academic institutions in India as well as in China. There is a need to enhance strategic and economic dialogue among Chinese study intellectuals in India. India through cultural diplomacy can work on this especially Buddhism. Cultural diplomacy is a part of soft power. Geo-strategy in Maldives is converted into Geo-economics. It is always better to extract benefit from regional hegemonic power rather than opposing it. India wants development in South Asia. India cannot develop north east without the help of Bangladesh. India is not self-sufficient in energy and Nepal and Bhutan are rich in hydrocarbons. We have to understand each other as neighbours. By that only an increasingly prosperous and powerful country like China will be restricted not with confrontation but with consultation.

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