



The Visit of President of Maldives to China (6-9 December 2017)

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The visit of the President of Maldives Mr. Abdulla Yameen to China from 6th to 9th December 2017 and the signing of a Free Trade Agreement (FTA), the first such for Maldives with any country, has generated lot of debate over its implementation in the media and at the domestic level in Maldives. The increasing willingness of Maldives to move closer to China in political and economic terms has been evident since the formation of Mr. Yameen's government in 2013. In September 2014, China's President Mr Xi Jinping visited Maldives, and Mr. Yameen made official trips to China in 2014 and in 2015. This year, Maldives and China celebrated the 45th anniversary of the establishment of diplomatic relations.

The visit of Mr. Xi to Maldives in 2014 resulted in Maldives extending its support to China's Belt and Road Initiative and 21st Century Maritime Silk Road. In line with Maldives' support to Chinese projects, in the joint communiqué issued during the recent visit, both countries resolved to deepen the 'bilateral relationship from a strategic and long-term perspective, by elevating the existing China-Maldives Future-Oriented All-round Friendly and Cooperative Partnership to a new level'. The visit enabled Maldives to reiterate its support for participation in the 21st Century Maritime Silk Road and supported China's effort to enhance its relationship with the South Asian Association for Regional Cooperation (SAARC). China assured Maldives that it will encourage Chinese enterprises to invest in Maldives.

During the visit, both the countries signed "cooperation documents covering various areas such as Silk Road Economic Belt and the 21st Century Maritime Silk Road Initiative, free trade, economic and technological cooperation, human resource development, seawater desalination, solid waste treatment and recycling, health, meteorology and finance". The China-Maldives FTA signed during the visit was described by both as a "milestone in the development of China-Maldives economic and trade relations, which will further energize bilateral economic and trade cooperation, and benefit the enterprises and the people of both countries". The signing of the agreement was in the pipeline since 2014, when the Chinese President had visited the island.

Position taken by Maldives and China on Agreement

The agreement has generated considerable debate in the media in Maldives, China and India. The Government of Maldives defended the agreement on various grounds such as:

- The country became ineligible for tariff reductions for fish exports to the European Union, the single largest export partner by value, after graduating from the status of least developed country. Therefore, the agreement would open up the “world’s largest consumer market” to Maldivian fish products².
- The public would benefit from the availability of cheaper goods.
- Projects like bridge, airport, housing and roads are developed through loans taken from China. This will develop the capacity of the state to repay the loans. Hence, it is unlikely that Maldives will meet the same fate as Sri Lanka.
- The FTA would not allow China’s entrepreneurs to operate own businesses in the Maldives.³
- Maldives and China are also in the process of signing an agreement to maintain the quality of products, which is going to compliment the FTA signed with China.

This is the first FTA Maldives has signed with any country. According to the Maldives’ Ministry of Economic Development, some of the bilateral agreements on economic cooperation which are in place currently are Maldives-India Trade Agreement of 31st March 1981; Agreement on Trade and Economic Cooperation between China and Maldives signed on 28th March 2004; Trade and Investment Framework Agreement (TIFA) signed with the US on 17th October 2009 and Maldives and Qatar signed an agreement on Economic, Commercial and Technical Cooperation on 15th April 2013.

China perceives Maldives as a member of the ‘neighbouring extended family of China.The President of China’. Mr. Xi said it was the first visit by the head of state of a neighbouring country to China after the 19th National Congress of the Communist Party of China (CPC). He also said that, the Belt and Road Initiative proposed by him ‘is highly consistent with the development strategies of Maldives proposed by Mr. Yameen for utilising the country’s locational advantage and realizing economic take-off⁴.

For China, Maldives is an important partner in the South Asian region to advance its Maritime Silk Route and Belt and Road Project in the region. Maldives’ economic vulnerabilities due to availability of limited economic resources and its geographical location became an important factor for China to engage with the country to implement its strategic projects in the Indian Ocean region.

For example, China has been the Maldives’ ‘biggest source of tourists for seven consecutive years⁵. In 2016, according to Maldives’ Ministry of Tourism, ‘China remained the number one market for the Maldives holding a market share of 25.2%; and, tourist arrivals stood at 324,326 in the same year⁶. China systematically supported its “people in choosing Maldives as one of their travel destinations, which will promote bilateral people-to-people and cultural exchanges, and consolidate non-governmental friendship”⁷. China is also funding important

flagship projects Maldives such as China-Maldives Friendship Bridge Project (US 200 million) and the Expansion and Upgrading of Velana International Airport Project and social housing projects in Hulhumale'. Recently, China handed over to the government 1500 housing units developed by China Machinery Engineering Corporation.

The media in China defended the agreement and brushed aside the apprehensions expressed in Indian media on the deal by pointing out that “economic cooperation between China and the Maldives does not target any third party, India included⁸. The editorials in newspapers such as *Global Times* defended the expeditious signing of the trade pact by stating that the two countries urgently hope to tap the potential for cooperation due to their economic complementarity⁹”.

Maldives Opposition stand on the agreement

Maldives' opposition took the stand that the FTA was rushed through parliament on 29th November to pave the way for the visit of President Yameen to China to sign the agreement. The agreement draft was passed by thirty votes of the Progressive Party of Maldives (PPM), and opposition members belonging to Maldives Democratic Party (MDP) and the Jumhoori Party (JP) boycotted the process citing misinformation and lack of transparency. The opposition MDP called on the government to suspend implementation of the FTA until a proper feasibility study is conducted to ensure that the agreement is in Maldives' best interests”. The MDP also questioned the government on “why the deal had to be shrouded in such secrecy”.¹⁰ The MDP statement on the agreement mentioned that the “trade balance remains considerably in favour of China, and it will further increase the deficit”.¹¹ The MDP also opined that further entrenchment of the country into a Chinese debt trap will result in additional stress on strategic national assets, thereby increasing instability in the Indian Ocean region.

Economic and Political conditions in the country

The visit generated much debate owing to internal economic and political developments in the country and the opposition alliance's active campaign in international fora against the authoritarian government and its growing proximity to China which might endanger regional security. However, the FTA with China is seen as a major achievement by the Government of Maldives before the presidential elections which may be held probably early or middle of 2018, amidst growing pressure by the opposition to overthrow the government before the elections. The government's projection of the agreement as beneficial to Maldives economy is to counter to the opposition's allegations that the country is increasingly in a debt trap. Apart from the opposition, the International Monetary Fund (IMF) has warned that external borrowing for infrastructure projects might push up the country's debt.

The Government of Maldives led by Mr. Yameen has taken several steps to attract foreign investment such as ‘introduction of the Special Economic Zone Act, allowing 100% foreign ownership and high returns on investments in tourism’.¹² According to the IMF report on Maldives, ‘the external debt ratio is sharply increasing and it estimated that the total external

repayments are estimated to be US\$1.4 billion over 2016-2021', which include the government's mega projects mentioned above and funded by China.

The President of Maldives has time and again brushed aside the charges saying that 'Nasheed's government had amassed a debt of MVR 29 billion at the end of its short three-year reign, while the current administration's debt at the end of four years (2014- 2017) is MVR 14 billion'. He also said in a public meeting recently that his government had to pay MVR 5 billion to the GMR Group of India as compensation for the agreement Nasheed's government had signed to hand over operations of the Maldives' main airport to GMR'.¹³

The government led by Mr. Yameen is faced with a growing challenge from the opposition. That was also evident in the local council elections held in May 2017, in which the MUO secured a comfortable majority. The Maldives opposition is also gaining support and former Home Minister Mr. Umar Naseer joining the JP is evidence of that. However, arrests of opposition leaders continue unabated with the law being used against them. For instance, former defence minister Mohammed Nazim is still in jail as is AP President Sheikh Imran on terrorism charges. The JP leader Qasim Ibrahim and PPM fraction leader Faris Maumoon have been charged with bribery and, justice has not been meted out to perpetrators of hate crimes, such as the killing of journalist Rizwan and Abdulla Rasheed.

The Government is also trying to restrict the movement of law makers and the Local Government Authority (LGA)'s decision to ban local councils from meeting with foreign diplomats and organisations without special permission. This has attracted a lot of criticism. The LGA defended the decision on the ground that 'informal meetings between local council and foreign entities could undermine the Maldives' status as a unitary state under the Constitution, as well as compromise the nation's foreign and domestic policies. The authority added that such meetings could also infringe certain transactions and agreements ratified by the government'.¹⁴ In line with the decision, the government suspended three councillors for meeting India's Ambassador to Maldives Mr. Akhilesh Mishra in December 2017. The decision was widely condemned by other diplomats from the US, Australia and the UK. The decision by the government can also be seen in the context of the MDP leader's frequent visit to Sri Lanka to hold meetings with opposition leaders. For instance, former President, Mr Nashhed was in Sri Lanka on 6th December where he discussed the need to have free and fair elections in Maldives with the Prime Minister of Sri Lanka Mr. Wickremasinghe. The visit of Mr. Nasheed to Sri Lanka prompted the PPM leadership to say that the Sri Lankan government is aiding the Maldives' opposition in its attempts to overthrow the government in Maldives'.¹⁵ The PPM has repeatedly declared that Nasheed has "no legal chance" of running for president in 2018. Increasing control over freedom of movement and speech and increasing corruption at state level are the dominant political concerns. For example, according to the Ministry of Home Affairs' audit report for 2015, the state had illegally spent over MVR 66 million for Maldives' 50th Independence Day celebrations'.

India's position

Regarding the visit of the Maldives' President to China and signing of FTA, Ministry of External Affairs, Government of India Spokesperson said that "as long as development of bilateral relations contribute to peace and stability in the region, India will welcome the visit and India attaches the highest importance to its relations with Maldives and shares strong historical and civilizational linkages and also people to people contacts and it expects that as a close and friendly neighbour, Maldives will be sensitive to India's concerns in keeping with its India First policy".¹⁶ The position taken by India indicated that it expects Maldives to be sensitive to India's security and economic concerns while implementing the FTA with China.

Responding to Indian media concerns over the FTA with China, the Foreign Minister of Maldives, Dr.Mohammed Asim has said that Maldives will remain 'committed to strengthen ties with India and it is based on people to people contact and cooperation in several areas'¹⁷. Maldives is the only country the Indian Prime Minister is yet to visit in South Asia after he came to power in 2014. Due to political conditions, the planned visit two years back did not materialise. Despite assurances by the minister, it is evident that the present government in Maldives is clearly trying to manipulate relations between China and India.

There are attempts by the local media in Maldives to influence public opinion against India. The upcoming presidential election is also fuelling a debate over India's relations with Maldives as well as Maldives' relations with China. Even in past elections, political parties have tried to garner votes on pro and anti-India platforms. An article in local newspaper *Vaguthu* in December 2017 described India "as an enemy of Maldives and not a friend". The Maldives' united opposition led by MDP issued a statement condemning the editorial for taking an anti-India stand and said that the editorials of the newspaper are routinely approved by the President's office"¹⁸. The former president of Maldives, Abdulla Gayoom also criticised the newspaper, for "India has been and remains a very close and trusted friend of Maldives." Mr. Nasheed said that Maldives should be sensitive to India's security. The editorial was extremely critical of the Indian government and said that it is time for Maldives "to find a new friend, a friend who will work should-to-shoulder with the Maldives". Meanwhile, the President of Maldives' appealed for restraint in criticism and asked people not engage in negativity towards India, especially in the media as India is "Maldives' closest friend and ally". He also stated that the 'Maldives Government is currently working towards a free trade agreement between the Maldives and India'¹⁹. The editorial was later taken off from the website.

Conclusion

Through the FTA agreement with Maldives, China hopes to ensure implementation of its strategic projects in the region. The FTA agreement generated lot of debate in Maldives and its possible implications mainly because of the way the government has been trying to implement polices without transparency. Despite shrinking democratic space and freedom of movement and speech, questions are being raised on purpose of large scale Chinese investments, its implementation and

impact on overall security of the region. The forthcoming presidential elections may further fuel the debate on India and Maldives' relations with China.

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Disclaimer: The views expressed are that of the Researcher and not of the Council.*

Endnotes

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