



Is It Too Late for the Maldives to Lift Itself Out From Under China’s Hold?

OE Watch Commentary: When President of the Maldives Abdulla Yameen was defeated by opposition leader Ibrahim Mohamed Solih in the September elections, it drew sighs of relief from critics, who feared Yameen had sold the country out to China in the midst of Beijing’s push with its global trade and infrastructure plan, known as the Belt and Road initiative (BRI). However, trying to reverse Yameen’s deals with China may not be as easy as critics in the Maldives would have hoped.

The Maldives, which has long been a popular tourist destination, has grown in strategic importance in recent years. As a result, there has been a tug-of-war between China and India to see who could gain the most influence. Maldives had long been loyal to India until Yameen took office in 2013, after which the country shifted its loyalty to China. The first accompanying excerpted article, published by the *South China Morning Post*, explains that this shift in loyalty fueled concern in India, which feared Beijing was using the Maldives as part of its “String of Pearls” strategy to build a network of economic and military ties in the region to contain India. After Yameen endorsed China’s new Silk Road initiative, China made huge investments in infrastructure projects in the archipelago nation. These projects included an \$830 million investment to update the Maldives’ Velana International Airport and a bridge to link the airport to Male (the capital of Maldives), a 25-story apartment complex, and a hospital. While the Maldives drew closer to China, its relations with India deteriorated.

Fast forward to 17 November 2018, when President-elect Solih is expected to assume the role as president. According to the second excerpted article, published by India-based *The Economic Times*, there is now talk that Solih might put on hold, or even cancel, Chinese-funded BRI projects within the country. Some of those projects have been completed, however and, as the article points out, Solih faces challenges. For example, there is the challenge of repaying Chinese loans that have already been extended for the projects. Maldives is facing some \$1.4 billion in liabilities, which account for approximately one third of the country’s gross domestic product. Seventy-five percent of the debt came from the BRI projects. Critics point to this “debt trap,” as making the Maldives one of the most at-risk countries of any involved with the BRI. The fear is that China could exert pressure on the Maldives if it cannot repay its debt for the projects. As the first article points out, the Maldives could be forced into major concessions, “as its neighbor Sri Lanka has – it was forced to sign a 99-year lease with China for the port of Hambantota after it was unable to repay loans to develop the project.” **End OE Watch Commentary (Hurst)**

“...the debt may see the country making major concessions as its neighbour Sri Lanka has – it was forced to sign a 99-year lease with China for the port of Hambantota after it was unable to repay loans to develop the project.”

Source: Lee Jeong-ho, “Why are China and India so Interested in the Maldives?,” *South China Morning Post*, 25 September 2018. <https://www.scmp.com/news/china/diplomacy/article/2165597/why-are-china-and-india-so-interested-maldives>

The Maldives, long a popular tourist destination, has grown in strategic importance in recent years as China and India vie for influence in the region, and as Beijing pushes ahead with its global trade and infrastructure plan.

But China’s increasing presence there has fueled New Delhi’s suspicion that the nation is part of Beijing’s “String of Pearls” strategy to build a network of economic and military ties in the region to contain India.

Those fears have grown as Yameen used Chinese money to build infrastructure in the Maldives, and after he endorsed Beijing’s new Silk Road initiative.

They [investments] include a US\$830 million investment to upgrade the Maldives airport and build a 2km (1.3-mile) bridge to link the airport island with the capital Male... a 25-story apartment complex and hospital in the Maldives.

Critics have warned that the debt may see the country making major concessions as its neighbour Sri Lanka has – it was forced to sign a 99-year lease with China for the port of Hambantota after it was unable to repay loans to develop the project.

China’s foreign ministry has said Beijing never attached any political conditions to its Maldives aid, which has done no harm to the country’s sovereignty and independence, nor jeopardized security in the Indian Ocean region.

Source: Dipanjan Roy Chaudhury, “President-Elect Ibu Solih May Look at Halting BRI Projects in Maldives,” *The Economic Times*, 19 October 2018. <https://economictimes.indiatimes.com/news/international/world-news/president-elect-ibu-solih-may-look-at-halting-bri-projects-in-maldives/articleshow/66278481.cms>

Solih’s challenge will, however, be the repayment of Chinese loans extended for the projects in the island-nation.

The Maldives is facing liabilities of \$1.4 billion, accounting for about a third of the country’s gross domestic product, due to Yameen’s policies.

Seventy-five percent of the debt was generated from the BRI projects. ... Maldives, a small economy heavily reliant on tourism, is one of the most at-risk countries of any involved with the BRI because of debt, according to the Center for Global Development, a Washington DC-based think-tank tracking the initiative.