

\$50 MILLION TREASURY BILL: ECONOMY

NEWS: Maldives thanks India for offering \$50 million financial support

WHAT'S IN THE NEWS?

India's rollover of a \$50 million treasury bill to Maldives highlights its continued strategic commitment to a key maritime neighbour, despite bilateral tensions and growing Chinese influence in the region.

Context:

- India has rolled over a \$50 million treasury bill to support the Maldives' economic stability amid its ongoing financial crisis.
- The move highlights India's strategic commitment to bilateral ties, despite current tensions in the relationship.

What are Treasury Bills?

- Treasury bills (T-bills) are short-term debt instruments issued by governments to meet immediate funding needs.
- They are generally zero-coupon securities, meaning they are sold at a discount and redeemed at face value upon maturity.

Details of the \$50 Million Rollover:

1. Financial Support to Maldives:

- The transaction provides temporary liquidity support to the Maldives.
- Reflects India's economic engagement strategy to assist its neighbours in times of financial distress.

2. Strategic Diplomacy:

- Despite diplomatic strains, India's move reiterates its long-term strategic interest in the Maldives.
- The transaction was executed via the State Bank of India (SBI), showcasing India's state-backed financial support.

India–Maldives Relations: Overview

1. Policy Alignment:

- Maldives is a key partner in India's 'Neighbourhood First' policy.
- It also aligns with India's Vision MAHASAGAR (Mutual and Holistic Advancement for Security and Growth Across Regions).

2. Multilateral Engagement:

- Both are founding members of SAARC, South Asian Economic Union, and signatories to SAFTA.
- India and Maldives actively engage in regional cooperation forums like the Indian Ocean Rim Association (IORA).

3. Economic Partnership:

- Trade Agreement (1981) facilitates export of essential Indian commodities to Maldives.
- Bilateral trade figures:
 - 2021: Crossed \$300 million
 - 2022: Crossed \$500 million
 - 2023: Stood at \$548 million
- India is also a major investor in Maldivian infrastructure and tourism-related sectors.

4. Defence and Security Cooperation:

- Since the 1988 Operation Cactus, India has been Maldives' primary security partner.
- Joint exercises, maritime patrols, coastal surveillance systems, and training of Maldivian defence forces are key elements.

5. Tourism Ties:

- India was the top source of foreign tourists to the Maldives in 2023, accounting for 11.8% of the market.
- An open skies agreement (2022) has improved air connectivity between the two nations.

6. Connectivity Initiatives:

- The Greater Male Connectivity Project (GMCP) — Male to Thilafushi Link — is India's largest infrastructure project in Maldives, promoting physical and economic connectivity.

Strategic Importance of the Maldives for India:

1. Geostrategic Location:

- Situated in the heart of the Indian Ocean, Maldives acts as a maritime sentinel along crucial trade routes.

2. Trade and Energy Security:

- It lies near vital routes between the Gulf of Aden and the Strait of Malacca, handling:
 - ~50% of India's external trade
 - ~80% of its energy imports

3. Counterbalancing China:

- India sees the Maldives as a buffer to Chinese influence in the Indian Ocean.
- China's increasing investments in infrastructure and port development in Maldives pose strategic concerns for India.

4. Diplomatic Leverage in IOR:

- A stable and friendly Maldives helps strengthen India's leadership in the Indian Ocean Region (IOR) and regional groupings like IORA.

Key Challenges in India–Maldives Relations:

1. Political Volatility:

- Frequent leadership changes in the Maldives disrupt continuity in bilateral cooperation.

2. Chinese Influence:

- Debt-trap diplomacy and large-scale Chinese infrastructure projects, such as the Sinamalé Bridge, raise alarms in New Delhi.

3. Non-Traditional Security Threats:

- Piracy, terrorism, and drug trafficking in the Indian Ocean require constant coordination between the two nations.

4. Radicalization Risks:

- Religious extremism and foreign terrorist influence are increasing in the Maldives, posing a shared security threat.

5. Trade Imbalance:

- India's export dominance in bilateral trade often sparks local calls in the Maldives to diversify trade partners, sometimes stirring anti-India sentiment.

Way Forward: Strengthening the India–Maldives Partnership

1. Navigating Geopolitical Shifts:

- India must maintain diplomatic flexibility to adapt to Maldivian domestic politics and regional realignments.

2. Deepening Economic Integration:

- Enhance bilateral trade balance, promote joint ventures, and support Maldivian MSMEs to reduce dependence on any single trade partner.

3. Reinforcing Security Cooperation:

- Expand maritime security, counter-terrorism, and cyber defence collaboration.
- Strengthen joint naval exercises, and coastal surveillance capabilities.

4. Investing in People-to-People Ties:

- Increase educational scholarships, cultural exchanges, and health partnerships to build grassroots goodwill.

5. Promoting Sustainable Development:

- Collaborate on climate change mitigation, renewable energy, and disaster resilience, aligning with the Maldives' vulnerability as a low-lying island nation.

Conclusion:

- The India–Maldives relationship is a blend of shared history, strategic geography, and economic interdependence.
- The \$50 million treasury bill rollover reaffirms India’s role as a reliable partner, even amidst diplomatic uncertainties.
- By addressing bilateral irritants and reinforcing mutual interests, both nations can build a future-ready, resilient, and mutually beneficial partnership in the Indian Ocean Region.

Source: <https://ddnews.gov.in/en/maldives-thanks-india-for-offering-50-million-financial-support/>