

## **Growth Prospects of Indo-Maldives Bilateral Trade : Issues and Challenges**

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### **Abstract**

*Maldives has a narrow economic and human resources base. Fishing and tourism are the mainstays of its economy. Given its economic vulnerability, the main thrust of Maldivian diplomacy is to mobilise greater international economic assistance. Over the years India has provided a variety of assistance and played a greater role in infrastructure development. It began in 1975 when India set up a fish canning plant with a grant of Rs.40 lakh. The plant enabled Maldives to sell its processed fish in foreign markets. Subsequently, India's assisted in setting up the Maldives International Airlines in 1977. It was managed and operated by the Indian Airlines under a wet lease agreement. India also modernised the country's only functioning commercial airport on Hulule island. In the post-independence period, the country has attached greater importance to its good neighbourly relations with India. This has resulted in frequent exchange of visits of political leaders. Maldives is the smallest and the most natural beautiful country of South Asia. Maldives still remains a least developed island nation mainly due to its geographical formation and limited resources.*

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## **Introduction**

In evolving harmonious relations the foreign policy postures of India and Maldives have remained an encouraging factor. As an archipelago of tiny coral islands whose strength and capabilities are absolutely matchless with India's overwhelming politico-economic and military power, Maldives was always assured by India, especially in the early period, that their relations would be based on equality and mutual respect for their independence, sovereignty and territorial integrity. This had an obvious geo-political compulsion. The experience is that the "larger powers generally seek to take over control of small, weak states because of where they are—and not just because they are small "Thus, the obsession of a small state is to resist a big power's temptation of flexing its domination reflexes. Considering the Maldivian concern as a genuine problem of a small country, India sought to assure the Maldivian leadership of its respect for the sovereignty of the atoll island state. The joint communiqués issued at the end of the visits by the Indian and the Maldivian leaders to each other's country in the 1970s emphasised on equality and mutual respect. It must be noted that in the last four decades of its diplomatic relations with India, Maldives has never criticized India on any matter. In other words, unlike countries like Sri Lanka and Bangladesh which had maliciously insinuated India on various occasions in the past as a big regional bully, Maldives has had no grievances against India. India's relations with its South Asian neighbours can be classified into three categories. In the first category, there are three countries—Sri Lanka, Bangladesh and Nepal—whose bilateral relationships have encompassed cooperation, irritants, problems and crisis at different points in time. With Pakistan, the relationship has been perpetually adversarial. The third category includes Bhutan and Maldives whose relations are marked by friendship and cooperation, free of any bilateral problems. Whereas the framework for India-Bhutan relations is provided by their bilateral treaty signed on 8 August 1949, India-Maldives relations are guided by the principle of beneficial bilateralism. Implicit in this principle is mutual appreciation of concerns and interests by the two countries, and equal respect and sympathy for each other's sensitivities. Both the countries are committed to an enduring friendship. As a matter of fact, changes in government and leadership have never changed the pattern of their bilateral relations.

The high level visits have cemented India-Maldives relations and developed mutual understanding between their leaders. Normally, it is not easy to evolve mutual trust and understanding between a regional power and micro state because the power disparity invariably tends to interplay with the geographical factor, historical memories and cross-boundary ethnic linkages, leading to the big power becoming a factor in the security of the small state. Indo-Sri Lanka relations, which became complex in the 1980s, should be viewed in this context. Unlike Sri Lanka, Maldives is not afflicted with the big

power versus small power syndrome for the simple reason that its relationship with India is based on “understanding, mutual respect and an inherent desire for cooperation and promotion of goodwill “That both the countries have observed these principles in the conduct of their bilateral relations was evident from the amicable way in which they reached an agreement in 1976 to demarcate their maritime boundary by adopting the median line principle.

India’s Trade Relations with Maldives: In present study the trend of India’s Trade with Maldives has been discussed in three parts

- (a) India’s Export to Maldives
- (b) India’s Import from Maldives
- (c) India’s Trade balance with Maldives

(a) India’s Export to Maldives:

India’s trade volume with Maldives is very low and there is a trade gap against Maldives also. Maldives is a growing market for consumer goods. So there is a potential for increasing export of a number of items to Maldives for which India should make an effort. At present India is exporting the following major items to Maldives

- 1 COFFEE
- 2 PULSES
- 3 TEA
- 4 RICE
- 5 WHEAT
- 6 OTHER CEREALS
- 7 DAIRY PRODUCTS
- 8 FLORICULTURAL PRODUCTS
- 9 TOBACCO
- 10 SPICES
- 11 SUGAR

In the present scenario India’s export to Maldives has increased at a fast rate as compared to earlier years. Table no. 1 depicts the India’s recent exports to Maldives. As per table India’s export to Maldives reaches to Rs. 153 Cr. in year 2002-03 from Rs. 128 Cr. in the year 2001-02. Thus there was a surplus of 19% on the 2001-02 exports of India’s to Maldives. Figure 1 also reflects the increased export with the help of green bar diagram during the year 2002-03 in which it has improved its height as compared with the 2001-02 bar. During the year 2003-04 India’s export to Maldives were gone to Rs. 194 Cr. from Rs. 153 Cr. in 2002-03, resulting again a significant increase of 27% on 2002-03 exports to the Maldives.

In the year 2004-05 India’s exports to Maldives were Rs. 214 Cr. as compared with the 2003-04 when it was Rs. 194 Cr. Thus the increase in trend of India’s export to Maldives during the year were 10% . Figure 1 also reflects the increased export with the help of green bar diagram during the year 2004-05 in which it has improved its height as compared with the 2003-04 bar.

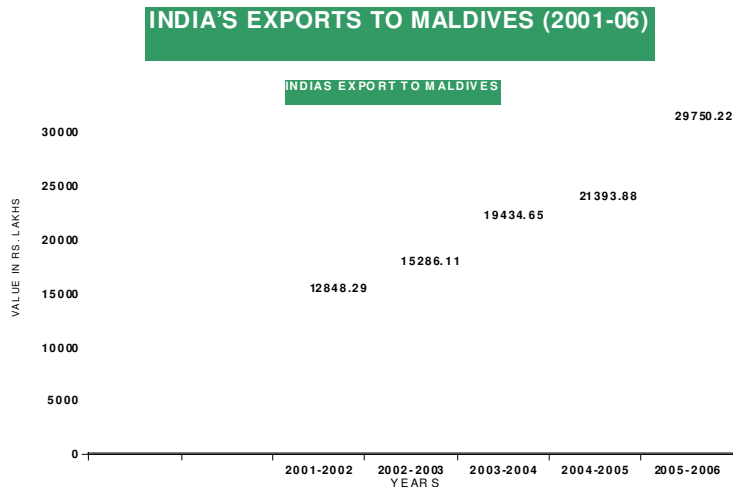
Table 1 also brings out that India’s export to Maldives during the year 2005-06 were Rs. 297 Cr. which in the year 2004-05 were Rs. 214 Cr. Comparing both the values the conclusion comes that there had again been an increase in the India’s export to Maldives and on computing this increase is approx. 39% on the 2004-05 exports, which means that in the present scenario the India’s export to Maldives is in growing stage.

**TABLE 1**

**INDIA’S EXPORT TO MALDIVES**

YEAR	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
VALUE IN RS. LAKHS	12848.29	15286.11	19434.65	21393.88	29750.22

**FIGURE 1**



**TRENDS OF INDIA’S EXPORT TO MALDIVES**

Using Least Square Trend Value Equation:  $Y = a + bX$

Where

Y = Required Trend Value of Export to Maldives.

X = Unit of time

a = Constant Value     a =  $\frac{\sum Y}{N}$

b = Intercept             b =  $\frac{\sum XY}{\sum X^2}$

**1. Table for Computing the Value of Constants**

( Values in 000' Rs. Lakhs)

YEAR	Y (EXPORT VALUE) IN 000' Rs. LAKHS	X (TIME DEVIATIONS) BASE YEAR= 2003-2004	X <sup>2</sup>	XY
2001-2002	12.85	-2	4	-25.70
2002-2003	15.28	-1	1	-15.28
2003-2004	19.43	0	0	00.00
2004-2005	21.39	+1	1	+21.39
2005-2006	29.75	+2	4	+59.50
N = 5	?Y = 98.70		? X <sup>2</sup> =10	?XY = 39.91

**2. Computation of the Value of Constants and Trend Value Equation**

( Values in 000' Rs. Lakhs)

Value of Constant (a)	Value of Constant (b)	Trend Value Equation
a = ?Y/N	b = ?XY/X <sup>2</sup>	Y = a + bX
a = 98.70/5 = 19.74	b = 39.91 /10 = 3.99	Y = 19.74 + 3.99X

**3. Forecasting the Trend Value of Total Exports to Maldives for 2006- 2007**

(Values in 000' Rs. Lakhs)

$$Y_{2006-2007} = a + b(+3)$$

$$Y_{2006-2007} = 19.74 + 3.99(+3)$$

$$Y_{2006-2007} = 19.74 + 11.97$$

$$Y_{2006-2007} = 31.71$$

or say Rs. 31,710 Lakhs

So from above we may say that the India's total Exports to Maldives for the year 2006-2007 can go to Rs. 31,710 Lakhs (approx).

**(b) India's Imports from Maldives:**

No doubt, Maldives is a very small country with very limited resources. As such there are only few items to supply to other countries. At present India is importing the following major items to Maldives

- 1 VEGTABLES & ANIMALS FATS
- 2 PULP AND WASTE PAPER
- 3 WOOD AND WOOD PRODUCTS
- 4 READYMADE GARMENTS
- 5 ORES & METAL SCRAP
- 6 ARTIFICIAL RESINS, PLASTIC MATERIALS
- 7 PAPER BOARD & MANUFACTURES

8 PRINTED BOOKS,NEWSPAPERS  
9 IRON & STEEL

Table no. 2 depicts the India’s recent imports from Maldives. As per table India’s import from Maldives reaches to Rs. 1.61 Cr. in year 2002-03 from Rs. 1.89 Cr. in the year 2001-02. Thus this resulted in an unexpected decrease of 15% on imports of 2001-02 imports of India’s from Maldives. Figure 2 also reflects the decreased import with the help of blue bar diagram during the year 2002-03 in which it has reduced its height as compared with the 2001-02 bar. During the year 2003-04 India’s import from Maldives were gone to Rs. 1.72 Cr. from Rs. 1.61 Cr. in 2002-03, Thus there was a surplus of 7% on the 2001-02 imports from the Maldives. It is also evident from the figure 2 that the growth of India’s import from Maldives during the year 2003-04 has gone up. Table no. 2 gives the commodity wise increase/decrease details of imports from Maldives for the said year.

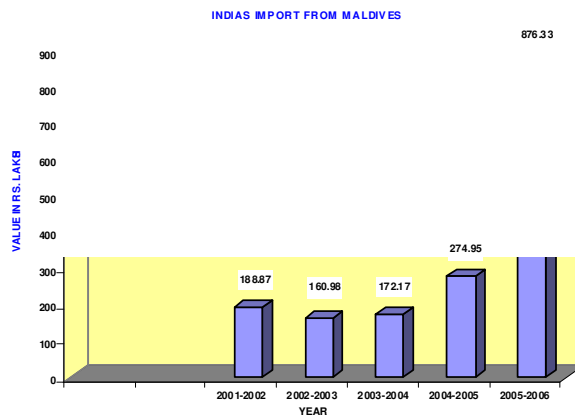
In the year 2004-05 India’s imports from Maldives were Rs. 2.75 Cr. as compared with the 2003-04 when it were Rs. 1.72 Cr. Thus the imports of India from Maldives during the year increased considerably. Comparing both the import values the increase was of 59% on the 2003-04 imports which is significant.

Table 8.63 also discloses that India’s imports from Maldives during the year 2005-06 were Rs. 8.76 Cr. which in the year 2004-05 were Rs. 2.75 Cr. Comparing both the values the conclusion comes that there had been a significant increase in the India’s import from Maldives and on computing this increase is approx. 220% on the import of 2004-05 which means that at present the India’s import from Maldives has become almost triple.

**TABLE 2**  
**INDIA'S IMPORT FROM MALDIVES**

YEAR	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
VALUE IN RS. LAKHS	188.87	160.98	172.17	274.95	876.33

**FIGURE 2**  
**INDIA'S IMPORTS FROM MALDIVES (2001-06)**



## TRENDS OF INDIA'S IMPORT FROM MALDIVES

Using Least Square Trend Value Equation:  $Y = a + bX$

Where

Y = Required Trend Value of Import From Maldives.

X = Unit of time

a = Constant Value  $a = \frac{\sum Y}{N}$

b = Intercept  $b = \frac{\sum XY}{\sum X^2}$

### 1. Table for Computing the Value of Constants

(Values in 000' Rs. Lakhs)

YEAR	Y (IMPORT VALUE) IN 0' R.S. LAKHS	X (TIME DEVIATIONS) BASE YEAR= 2003-2004	X <sup>2</sup>	XY
2001-2002	00.19	-2	4	-00.38
2002-2003	00.16	-1	1	-00.16
2003-2004	00.17	0	0	00.00
2004-2005	00.27	+1	1	+00.27
2005-2006	00.87	+2	4	+01.74
N = 5	? Y = 1.66		? X <sup>2</sup> =10	? XY =1.47

### 2. Computation of the Value of Constants and Trend Value Equation

(Values in 000' Rs. Lakhs)

Value of Constant (a)	Value of Constant (b)	Trend Value Equation
$a = \frac{\sum Y}{N}$	$b = \frac{\sum XY}{\sum X^2}$	$Y = a + bX$
$a = 1.66/5 = 00.332$	$b = 1.47/10 = 00.147$	$Y = 00.332 + 00.147X$

(Values in 000' Rs. Lakhs)

$$Y_{2006-2007} = a + b(+3)$$

$$Y_{2006-2007} = 00.332 + 00.147(+3)$$

$$Y_{2006-2007} = 00.332 + 00.441$$

$$Y_{2006-2007} = 00.773$$

or say Rs. 773 Lakhs

So from above we may say that the India's total imports from Maldives for the year 2006-2007 can reach to Rs. 773 Lakhs (approx).

### (c) India's Balance of Trade with Maldives:

Table 3 states India's recent balance of trade with Maldives. It is clear from the table that in recent years India has undergone to positive balance of trade with Maldives. Figure 3 depicts the India's balance of trade with bar diagrams in positive axis direction which supports the favorable balance of trade of India. The same figure depicts the exports by green color bar diagrams and imports by blue color bar diagrams.

In the year 2001-02 India's exports to Maldives were Rs. 128.48 Cr. and imports were Rs. 1.89 Cr. which resulted in a positive trade balance of Rs. 126.59

Cr. during the year. In the year 2002-03 India's total exports to Maldives jumped to Rs. 152.86 Cr. where as the imports reached to Rs. 1.61 Cr. which again resulted to a favorable balance of trade of Rs. 151.25 Cr. This favorable effect has an increase of 20 % p.a. on the 2001-02 trade balance of India. Figure 8.63 also depicts the same in the positive axis direction.

As per table 3 the positive trade balance has increased significantly in the year 2003-04. In the year 2003-04 India's total exports to Maldives amounts to Rs. 194.34 Cr. whereas the total imports from Maldives were Rs. 1.72 Cr. Thus this brought again a favorable trade balance of Rs. 192.62 Cr. in 2003-04 as compared to the preceding year 2002-03 where it was Rs. 151.25 Cr. As such there was a considerable increase in the positive effect @ 28% p.a. on the 2002-03 India's exports to Maldives.

The growth of India's export to Maldives during the year 2004-05 was Rs. 213.93 Cr. where the imports were Rs. 2.75 Cr. Comparing both the figures again a positive figure ( i.e favorable trade balance ) of Rs. 211.18 Cr. comes. In Table 3 the positive trade balance in the year 2003-04 was Rs. 192.62 Cr. and it went to Rs. 211.18 Cr. resulting an increase of 9% p.a. to the 2003-04 trade balance. Figure 3 represents the favorable balance of trade of the 2004-05 year in positive axis direction.

In 2005-06 India's exports to Maldives increased to Rs. 297.50 Cr. and imports went to Rs. 8.76 Cr. accounting a positive balance of trade of Rs. 288.74 Cr. On comparing it with the trade balance of the year 2004-05 of Rs. 211.18 Cr. an increase of 37% p.a. on the trade balance 2004-05 is recorded. Figure 3 represents the favorable balance of trade of the said year in positive axis direction.

**TABLE 3**

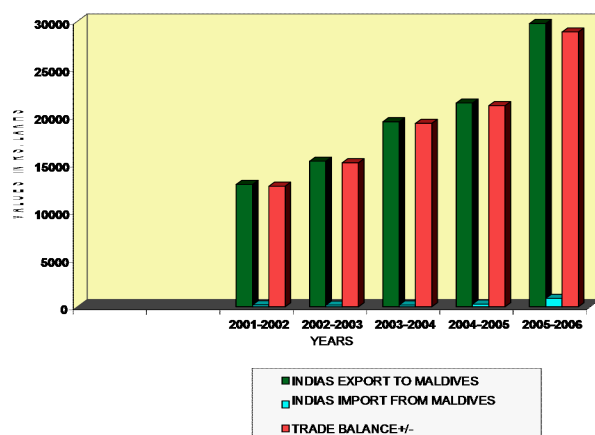
**INDIA'S TRADE BALANCE WITH MALDIVES**

YEAR	VALUE IN RS. LAKHS				
	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
INDIAS EXPORT TO MALDIVES	12848.29	15286.11	19434.65	21393.88	29750.22
INDIAS IMPORT FROM MALDIVES	188.87	160.98	172.17	274.95	876.33
TRADE BALANCE+/-	+12659.42	+15125.13	+19262.48	+21118.93	+28873.89



**FIGURE 3**

**INDIA'S BALANCE OF TRADE WITH MALDIVES (2001-2006)**



**Conclusion:**

As mentioned earlier India-Maldives relations are devoid of any bilateral irritants. In this context three principal reasons can be identified. First, the relationship is “neither complex nor unreasonably demanding on each other” Both the countries consciously want to avoid problems. Second, unlike India-Sri Lanka relations in that some of the bilateral issues (such as the stateless problem of the people of Indian origin) were left behind by the legacy of British colonial rule, India-Maldives relations have remained free of the colonial influence. Third, despite the Indo-centric character of the South Asian region, Indo-centrism has not been a dominant factor in Maldives’ bilateral interaction and moulding its regional perception. In other words, unlike other countries, Maldives does not live politically in the shadow of India and, as such, the internal political forces in both the countries do not influence the tone and tenor of their bilateral relations. This is due to the fact that Maldives’ socio-political and cultural history, particularly the ancestral antecedents of the Maldivians, is not inextricably interwoven with India. Despite being a small state, Maldives has always pursued an assertive foreign policy. While seeking to promote its national interests, it takes prides in its fearless articulation of what it considers right and proper both on international matters and issues involving India. India-Maldives relations exemplify harmony and friendship between a big power and a small state. The two countries enjoy mutual

understanding and tremendous goodwill. The regular high level interactions have cemented their relations, which can be appropriately termed as a model of good neighbourliness. The inference that could be drawn from India-Maldives relations is that countries with enormous disparity in power and capability can still coexist in harmony as friends if they mutually respect each other's concerns and interests and consciously strive to develop trust and confidence. Maldives' pragmatic foreign policy towards India and the latter's utmost sensitiveness to the aspirations and susceptibilities of the former are the noteworthy factors in their bilateral relations.

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