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Maldives: Background and Issues Facing Congress

Background

The Republic of Maldives is an archipelagic nation of approximately 515,000 people located in the Indian Ocean near strategic sea lanes southwest of Sri Lanka. About 188 of Maldives' 1,192 low-lying coral islands are inhabited. Maldives has been extremely vulnerable to the effects of climate change and sea level rise. Approximately 41% of the population lives in the capital of Malé. Since 2020, the United States has increased its engagement with Maldives in response to challenges in the Indo-Pacific, including strategic competition between the People's Republic of China (PRC or China) and India, and the PRC and the United States. Congress has enacted legislation supporting the United States' increased diplomatic presence in Malé.

Politics

Maldives is a unitary presidential republic with a unicameral legislature, the People's Majlis. Between 1978 and 2008, the country's political scene was dominated by President Maumoon Abdul Gayoom. During his presidency, Maldives experienced periods of instability and repression before embarking on a process of political reform in 2004.

Maldives adopted a new constitution in 2008 and has since held multiparty presidential and parliamentary elections. Some parts of civil society have expressed concerns about the integrity of the democratic process. In September 2023, Malé Mayor Mohamed Muizzu of the People's National Congress Party (NCP) defeated incumbent Ibrahim Mohamed Solih of the Maldivian Democratic Party in a presidential election "assessed positively" by the European Union Election Observation Mission. President Muizzu assumed office in November 2023 for a five-year term. In April 2024, Muizzu's NCP won a parliamentary majority.

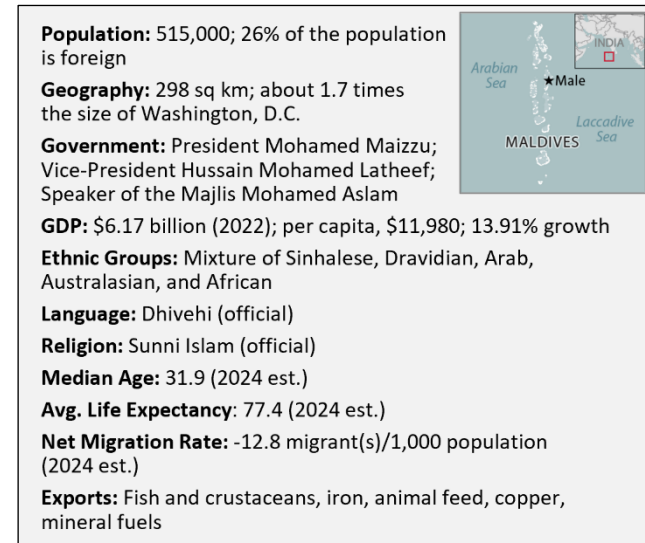
Economy

Maldives is an "upper-middle-income country with a robust growth trajectory" according to The World Bank. In 2022, the most recent year for which confirmed data are available, Maldives had a gross domestic product (GDP) of \$6.17 billion. The Maldivian economy is concentrated in the service sector (73%), followed by industry and manufacturing (11%), and agriculture (5%). Tourism accounts for approximately 30% of economic activity. Maldives registered over 1.8 million tourist arrivals in 2023, including from India (11%), Russia (11%), and China (9%). In 2023, the largest sources of goods imports into Maldives were India (16%), Oman (15%), and United Arab Emirates (13%). Its largest goods export destinations were Thailand (54%), the United Kingdom (14%), and Germany (8%).

In May 2024, the International Monetary Fund assessed that Maldives "remains at high risk of external and overall debt

distress" without "significant policy changes." According to Maldives' official figures, the Export-Import Bank of China owned roughly \$555 million (25%) of Maldives' external debt and was the country's biggest creditor as of June 2023. Substantial portions of the country's external debt are owned by external bondholders (23%) and the Export-Import Bank of India (13%).

Figure 1. Maldives in Brief



Source: Maldivian Census 2022, Central Intelligence Agency *World Factbook*, U.S. Department of State, U.N. Comtrade.

Foreign Relations

Since 2013, some analysts have noted intensifying competition between India and China for influence in Maldives. Maldives shares extensive ethnic, linguistic, cultural, religious, and commercial links with India. In 1988, India intervened militarily to thwart an attempted coup in Maldives. Under former President Abdullah Yameen Abdul Gayoom (in office 2013-2018), half-brother of Maumoon Abdul Gayoom, popular sentiment grew critical of India's military presence in Maldives. The resulting "India Out" campaign has since become a rallying point for some political groups. One day after taking office in November 2023, President Muizzu—who has sought to diversify Maldives' partnerships away from India—officially requested India withdraw military personnel stationed in the archipelago. India complied with the request and replaced military with civilian personnel in Maldives. Diplomatic rows between Maldivian and Indian officials have strained bilateral ties further.

Relations between Maldives and the PRC deepened during Yameen's presidency (2013-2018). Under Yameen, Maldives and the PRC agreed to several infrastructure and

housing projects, as well as a free trade agreement. Some of these deals were financed with loans provided by the PRC. The Solih Administration (2018-2023) favored cultivating ties with India. The Muizzu Administration has renewed Maldives' engagement with China. In January 2024, President Muizzu made his first overseas trip as president to Beijing. During the visit, Maldives and the PRC "exchanged" 20 agreements in areas including "grant assistance," "social housing," and state broadcasting. The two sides also agreed on a five-year "action plan" to build a "comprehensive strategic partnership." In March 2024, Maldives and the PRC reached an agreement on military assistance under which Maldives will "obtain the different forms of training required by the Maldives' military, and [is] to be granted various non-lethal military equipment free of charge," according to Muizzu.

Muizzu has dismissed claims that he is "pro-China," countering that he is "pro-Maldives." Following his trip to Beijing, Muizzu asserted that Maldives is not "in anyone's backyard" and is an "independent and sovereign state." He also has stated that Maldives "is too small to become embroiled" in a rivalry between China and India.

Religion

Maldives' constitution designates Islam as the state religion, stipulates that non-Muslims "may not become [citizens] of the Maldives," and includes adherence to the Sunni school of Islam among "qualifications" for many higher offices. Per the U.S. State Department's 2022 Report on International Religious Freedom, "the law criminalizes 'criticism of Islam' and speech 'in a manner likely to cause religious segregation'" and "the penal code permits the administration of certain sharia punishments, such as flogging, stoning, and amputation of hands." In May 2021, former President Mohamed Nasheed—a vocal critic of religious extremism—was injured in an apparent assassination attempt. Maldives authorities said Nasheed "was targeted because the perpetrators believed he publicly mocked and insulted Islam."

According to the State Department's 2022 Integrated Country Strategy for Maldives, "[m]edia reports continue to indicate Maldives provided the highest number of foreign fighters per capita to terrorist organizations, including both the Islamic State and al-Qaeda." According to the 2022 Report on International Religious Freedom, "U.S. officials regularly raise concerns with Maldivian counterparts about the harassment of individuals and organizations characterized as 'irreligious' and have urged the government to formulate a long-term strategy to deal with online hate speech and harassment of [nongovernmental organizations] and individuals, threats against individuals targeted as 'secularists' or 'apostates,' and promote tolerance of religious traditions."

Climate Change

Climate change is an "existential threat" to the islands that make up Maldives, according to the U.N. Development Program. According to a 2016 World Bank assessment, "the entire country could be submerged before the end of the [21st] century as 80% of land is less than 1 meter above sea level. With 42% of the population and more than 70% of critical infrastructure within 100 meters of shoreline, in

the medium term, rising sea levels would have dire social and economic consequences."

U.S.-Maldives Relations and Congressional Interests

U.S. engagement with the Maldives has increased since 2020, when the United States announced plans to open an embassy in Malé. In July 2023, the Senate confirmed Hugo Yue-Ho Yon as the United States' first resident ambassador to Maldives. Since the establishment of bilateral relations in 1966, the U.S. ambassador to Sri Lanka concurrently served as U.S. ambassador to the Maldives. U.S. Mission Maldives currently operates out of U.S. Embassy Colombo in Sri Lanka and "will focus on the establishment of a physical embassy in Maldives ... to further strengthen the U.S.-Maldives relationship." The U.S. Department of State requested \$2.1 million "for operating costs of the planned U.S. Embassy in Maldives interim facility" in its Congressional Budget Justification for FY2025.

In December 2023, U.S. Agency for International Development Administrator Samantha Power led an official U.S. delegation to President Muizzu's inauguration. In January 2024, the Commander of U.S. Indo-Pacific Command met with Muizzu in Malé, where they discussed "mutual initiatives for bolstering national and regional security and sovereignty."

The United States has sought to "support Maldives' ongoing democratic initiatives, economic development, and social and environmental ambitions," according to the State Department. U.S. foreign assistance to Maldives is aimed at strengthening democratic institutions, civil society, fiscal transparency, maritime security, counterterrorism, and law enforcement. Between September 2018 and October 2023, Congress appropriated \$36 million in bilateral foreign assistance to Maldives. Over that same period, Congress appropriated more than \$10.8 million in Foreign Military Financing to Maldives under the Bay of Bengal Initiative, in support of Maldives' maritime security capacity. For FY2024, Congress has appropriated \$9.5 million in bilateral foreign assistance via P.L. 118-47.

In July 2023, the U.S. Department of the Treasury's Office of Foreign Assets Control added alleged Maldivian supporters of the terrorist groups ISIS and al-Qaeda—including 18 alleged ISIS and ISIS-Khorasan facilitators and two alleged al-Qaeda operatives, along with 29 associated companies—to the Specially Designated Nationals List pursuant to Executive Order 13224.

Congressional interest in Maldives has focused on the strategic value of the country's geographic position in the Indo-Pacific. Section 5595 of the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 (P.L. 117-263) requires the Assistant Secretary of State for the Bureau of East Asian and Pacific Affairs to submit to the congressional foreign affairs committees a report outlining a two-year strategy assessing the resources and activities required to achieve certain policy objectives in the Indo-Pacific region, defined explicitly to include Maldives.

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