

Dhivehi Qaumee Party

M.Mahd, 2nd Floor, Boduthakurufaanunagu, Male' 20188, Republic of Maldives



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Your Excellency Mr. Manmohan Singh,
Prime Minister,
Prime Minister's Office,
South Block, Raisina Hill,
New Delhi,
India-110011.

DQP/2012/53
19th September 2012

Your Excellency,

In the name of the long standing peaceful and friendly relationship between The Maldives and The Republic of India, I extend my heartfelt gratitude and good wishes to you and the friendly people of your country.

I am writing on behalf of Dhivehi Qaumee Party (DQP) to bring to your notice a matter of deep concern which is closely related to the security, stability and long standing bilateral friendship of our two countries.

The ties which hold our two countries together are far greater than simple geographical proximity. India has extended its brotherly aid and support to the Maldives over the years in a number of ways.

Our trade relations are the longest and most deep rooted. They have not been simply driven by the profit motive, but also by the values of mutual respect, aid and generosity. In addition, in the areas of health and education, India's contribution is invaluable.

Most significantly we still regard India's generosity in overcoming the 1988 armed attack on the Maldives as the hallmark of this steadfast and healthy relationship.

Like many Maldivians, my reaction is a 'Thank You' to you and all those who have held high public offices and maintained relations with us.

In recognizing all these positive elements, I think our two countries have had a long and mature enough relationship to be able to flag up issues of concern to each other.

This leads to me to express concern that actions by the Government of Maldives under its previous administration have created a climate where the mutual respect on both sides has been tarnished and as a result some Indian companies have been caught up in issues of mass corruption.

The most conspicuous issue was the award of a contract for the operation and development of Male' International Airport (later named Ibrahim Nasir International Airport) to a private Indian



company, GMR. It had previously been operated by the Maldives Airports Company Limited (MACL), a state-owned company. Below I set out the full story and explain why this matter is of such importance to us.

Male International airport

The airport is the gateway to the country and has served as the key piece of infrastructure to our country's tourism-based economy. Prior to the award of the airport contract to GMR, the MACL maintained all the domestic airports in the country. It also provided a USD10 million per year subsidy to the country's national carrier – Island Aviation. Various retail outlets, duty free shops and other commercial activities supported some 300 families. In addition to that some large number of Maldivians worked in the airport at a good level of pay. Most importantly fuel, ground handling and other services at the airport were provided at a reasonably low cost. As well as all these collateral elements that it supported, the company was able to make between USD50-60 million in profits annually on average, which supported our economy and supported our foreign exchange.

Before the award of the airport contract to GMR, the government had already developed a comprehensive master plan for the airport – the Sir Scott Wilson plan. Necessary development funding amounting to \$500 million had been negotiated and was in principle agreed with our trusted long term development partners. However, the Nasheed government suddenly changed its mind and rushed in awarding the airport to GMR in clear breach of our Constitution, public finance laws and against popular sentiment. The decision also was at variance with any business sense. I will explain this in more detail.

The Award process

Barely two weeks into office President Nasheed initiated a public tender process calling for interested parties to negotiate a viable and mutually beneficial joint venture to manage, develop and promote Male' International Airport.

The Government entered into a Financial Advisory Services Agreement with the International Financial Corporation (IFC) to facilitate this. The IFC was represented by Indian nationals from its Delhi based office. The IFC had declared in writing its interest with GMR on the ground that it had approval from the Indian government for the IFC to set up a special economic zone (SEZ) in 250 acres of land in Hyderabad near Rajiv Gandhi International Airport.

Instead of following the previous administration's Sir Scott Wilson's plan the IFC invited Halcrow Group Limited, a British company also based in Delhi, to do the technical design and engineering for the project. It came up with a plan that totally fitted in with the approach of GMR rather than being in the best interests of the Maldives. In developing its proposal Halcrow did not consult with any local experts.



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The government also agreed against the constitution to allow GMR to levy USD25 as a development charge and USD2 as an insurance charge from every departing passenger for the entire duration of the agreement. This alone is expected to generate USD2.7 billion dollars for GMR in return for its proposed USD380 million investment. The country's Civil Court has declared these charges unconstitutional. Former President Nasheed then agreed to deduct an equal amount from the money due to the government. The net result of this is that the Maldivian government now has to pay GMR for running the airport. In the last quarter alone the Government had to pay \$1.5 million. On this basis it is likely that the Maldivian government will end up paying about 8 billion Maldivian rufiyaa to GMR for the duration of the contract.

It is therefore not surprising that although the Maldives government is incurring a huge financial loss, GMR has already declared Male international airport to be its most profitable operation.

GMR's unacceptable behavior

GMR has evicted all the Maldivian duty free shop operators, café and restaurant operators at the airport. It is also systematically replacing Maldivians with low paid workers from India and elsewhere. This has created widespread discontent across the country.

GMR's reaction to such discontent was to attempt to buy out all politicians, MPs, and anyone who voiced concern over the GMR deal. Maldives being such a small State, and Male' being a densely packed place, every action and reaction of the politicians is under public scrutiny. As a result the public has full knowledge of all the underhanded dealings that go around. This in turn leads to further public anger and frustration. Politicians and MPs who end up in GMR's pocket keep silent but no one – with the exception of former President Nasheed and his key associates - has defended the indefensible GMR deal in public.

The rise of extremism

When politicians and legislators are unable to debate openly such important national issues, and address them in an appropriate manner the public starts to look for alternative voices. I fear that the only viable alternative for them appears to be nationalist and religious leaders, which could turn a bad situation ugly.

In a country where politicians and parliamentarians have lost public trust, GMR and India 'bashing' is becoming popular politics. Politicians are increasingly building their careers and destroying their rivals' careers on this issue. As a result the Maldives is becoming fertile ground for nationalistic and religious extremist politicians. I want to warn you now that there is a real danger that the current situation could create the opportunity for these extremist politicians to be elected to prominent positions, including the Presidency and Parliament on anti-GMR and anti-India platform. That would not be in the best interests of either the Maldives or India. You are well aware of the growing religious extremism in our country. Nationalism and religious extremism in India's backyard is not good for India or our small country.



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Allegations of corruption

GMR is alleged to have paid large amounts of money to senior government officials to secure the project. Its 2011 audit report has some USD35 million unaccounted for with its budget. GMR has also declared USD105 million as the airport acquisition cost when in fact it paid only USD78 million dollars as an advance to the government. The rest also remains unexplained. Shortly after winning the contract GMR awarded an airport reclamation project amounting to USD20 million to the then ruling MDP Parliamentary Group Leader Hon Rieko Moosa Manik. This was USD3 million more than the better offer made by far more experienced companies.

In addition to that GMR allegedly paid millions of dollars to buy MPs to get a parliamentary majority for the then ruling MDP.

Bilateral relationships threatened

As you know, diplomatic ties between India and the Maldives have been strong from time immemorial. Our mutual respect for each other's legal and economic boundaries has helped foster healthy relations between the two countries. However, since the transfer of the airport to GMR, all bilateral talks start with and end up on the subject of the GMR issue. As a result many other crucial discussions are delayed or are tied up with GMR. Normally straightforward issues such as simplifying the Indian visa for Maldivians end up being tied into the GMR issue.

At the same time the Indian diplomatic corps in the Maldives appears to be so passionate in protecting GMR interests that one often gets confused as to whether they are GMR employees or diplomats representing the Indian government. It is noteworthy that they do not seem to be so passionately concerned about ensuring the interests of more prominent Indian State institution and a larger Indian investors in the country.

It is not only bilateral relations that are affected. Multi lateral relations also appear to be linked to the GMR. Increasingly Maldivians believe that the unfair treatment of the Maldives by the Commonwealth is connected with the GMR and India. It appears to many Maldivians that some Indian officials are using its international leverage and contacts to influence Commonwealth Governments in forcing the way the Maldives is governed, thus impinging on our sovereignty. Some Indian diplomats continuously remind our senior government officials that the Maldives would be removed from the CMAG agenda the moment GMR issue is resolved.

Maldivian perceptions of GMR

GMR is increasingly seen as not just another foreign investor in our country. Maldivians are starting to think that it is a business where the Indian elites and retired military officers have a key stake. Also we Maldivians are being led to believe that GMR is one of the key financial backers of the Congress I. I want to draw to your notice that the Indian diplomatic corps as well as GMR senior officials do not miss any opportunity to inform our politicians and MPs of this, so it is not an empty allegation.

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Indian aid

Due to the negative connotations of the GMR issue, many positive elements of our relationship such as the vast amounts of grant and loans by India to the Maldives go unnoticed. Indians and the Indian government may find it difficult to understand the growing anti-Indian sentiments here in the Maldives in spite of the vast amount of aid and loans we receive from you.

It is not the amount of money that matters – as the US Government has sometimes learnt to its cost. Rather it is the approach of one government to another. We recognise that India has treated us with mutual respect and as equal partners over the years irrespective of our size. However, the unhelpful approach along with questionable Indian business interests in the country has led to a situation where Maldivians feel our respect is taken for granted, our sovereignty infringed and that India is developing a “big brother” approach to relations with us.

The Indian Foreign Secretary's visit to our country in February failed to resolve the political crisis largely because India is no longer seen as a friendly and fair neighbour who could broker an honest and fair deal. It cannot help India's international reputation to be seen as unable to resolve a crisis in its own backyard.

A way forward

The GMR has damaged and is continuing to damage our bilateral relations. The company is getting deeper and deeper into the local politics by buying out MPs and political leaders. Already we see the 2013 Presidential election as a referendum on GMR which will mean bashing at India will become even louder.

My suggestion to you is that India assist us in terminating the GMR contract as soon as possible, well before 2013 presidential election.

I hope that as Head of the Government of India, you will consider my candid letter and the issues it raises. Let me also reassure you that I have complete confidence in your integrity, and I believe that you would never allow such a deal on Indian soil.

With my best wishes,

Yours sincerely,

Dr. Hassan Saeed
President, Dhivehi Qaumee Party

