

The Many Maldives - A commentary on the political economy of a fledgling democracy

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History often repeats itself--sometimes as a tragedy, sometimes as a farce. Some editorials over the past few weeks have referred to the Maldives' 2008 elections as a precursor of the Arab spring, now reversed; others are puzzled by the rapidity with which the international community acknowledged the new President, and abandoned Nasheed - who had, after all, enjoyed substantial political support from Prime Minister Cameron's UK Conservatives and has been likened with Presidents Mandela and Obama. This commentary however will not attempt to dissect the political disarray and violence in the Maldives - such events need to be written up by independent and impartial observers who are on the ground. The intention is instead to look into the political economy of the Maldives - as a contribution to better understanding the underlying dynamics unfolding today.

The burning turmoil and violence in the Maldives has come as a shock for those who equate the small country either hedonistically with the sun, beaches and high-end tourist resorts; or, as environment activists, appreciate the Maldives as a leader of visible and vocal action to address climate change; or as proponents of democracy have welcomed its introduction in the Indian archipelago. The ex-president Mohammed Nasheed led the movement of small island states and other countries at sea level for drastic action on global warming, speaking with evidence and passion at the UN General Assembly, in the climate summits, and hosting a dramatic underwater cabinet session to raise awareness. He was also the recipient of the Anna Lindh Award for bringing democracy to the Maldives.

Nasheed, leader of the Maldives Democratic Party (MDP), had been elected President in 2008, in the country's first multiparty elections after 30 years of autocratic rule by former President Maumoon Abdul Gayoom, the longest serving leader of any Asian country. Nasheed cobbled together a coalition government - including an Islamist party (Adhalaath Party), and a one-parliamentarian party (Gaumme Itihaad), whose leader, Mohamed Waheed Hussain Manik, was elected vice-president. Very recently, Mohamed Waheed Hussain became President when Nasheed resigned on February 7, 2012 following weeks of protests by police dissidents over a tendentious decision by Nasheed to arrest Abdulla Mohammed, Chief Justice of the Criminal Court, over corruption charges. Proponents claim it was a legal and smooth handover as per the Maldivian constitution. However, Nasheed and his supporters have declared it a police-backed coup d'état, and have refused to acknowledge the legitimacy of the new government now comprising former Gayoom loyalists.

Economically and socially, there are three Maldives. One world, Maldives "I" is that of the sparkling, mostly top-of the league resorts on coral islands reserved for tourism. These are nominally government property, but had been leased out on long terms and low prices to a section of the country's elite who benefit personally from the income generated. Tourism is the largest industry, and the basis of the Maldives' average per capita income estimated to be currently about \$5,250 in current USD. However, much of the revenue is deposited directly in offshore banks, and is not taxed appropriately -

a flat rate of 8\$/bed irrespective of the room rate - depriving the government of crucial foreign exchange and fiscal revenues. Migrant workers from Sri Lanka, India and Nepal supply the labour in these resorts, as they have no restrictions about serving alcohol or seeing tourists in bathing attire. Maldivians cannot work on resorts, and until the Nasheed regime, were banned from even visiting the tourist islands. The resort leasers represent a substantial and powerful economic interest group in the country.

Maldives "II" and "III" are local economies. Maldives "II", comprising the 1,192 islands (approximately 200 are inhabited) of the archipelago geographically dispersed across 90,000 square kilometres, is home to some 205,000 Maldivians who make a living from coastal fishing and related occupations. It is one of the most geographically dispersed places in the world. High-value added fish catch - skipjack tuna etc. - are marketed for domestic consumption, and for export from Malé island. The offshore fishing in the 200-mile-zone is leased out to foreign fleets, notably from Japan. Combined local and foreign fishing is the economy's second largest sector and accounts for the lion's share of Maldives' product exports.

The third economy is the capital island of Malé. An estimated 103 thousand people live on the 1.2 square km island, making it one of the most densely populated locations globally. Construction and government administration are the main sources of income. Construction, services in the Malé hotels, garbage collection, etc. are undertaken by migrant workers from Bangladesh, India, Nepal and the Philippines, who earn more than they would in their origin countries but at a fraction of Maldivian wages. Employment in construction is frowned upon, and the 35,000 Maldivian youth (between 20-24) who enter the labour market every year have few alternative prospects apart from scattered jobs in retail, or in the creative industries such as bespoke yacht-building and the fledgling cinema and music industry.

Geographic dispersion and remoteness combined with the fact that some islands have fewer than 50-100 people living on them translates to high unit costs of delivering public services such as education, hospitals, clinics, and local administration. Under the Gayoom regime, a majority of the islands, despite their geographical remoteness, were successful in achieving high rates of literacy and good health outcomes - perhaps the best in the South Asian region. The early years of the millennium were also years of rapid growth - in the Maldives as well as in South Asia. Maldives had already achieved universal primary and lower secondary education - for both boys and girls. This was accompanied by progress in reducing child and maternal mortality and virtually eliminating communicable diseases.

The central challenge for the newly elected President in 2008 was to keep this good performance going as it inherited titanic budget deficits and monumental government indebtedness while at the same time a severe global contraction literally cut the wings off the tourism sector. Consequently, existing problems were magnified and new ones such as child abuse, drug addiction, HIV/AIDS, joblessness and youth disaffection arose. Nasheed's government focused on raising connectivity by expanding the water transport network, universalising health insurance while protecting the social sectors (health, education, child and family welfare) and attempting to trim the public sector and the wage bill. At the same time, the government sought investment resources through a programme of public-private partnerships for certain key sectors. Plans for

atoll self-governance and fiscal federalism were detailed in the government's new development plan.

With scant fiscal leverage, the financial strategy evolved around monetising the deficit, seeking grant (or loan) inflows from donors, and rescheduling medium and long term debt obligations. Combined with rising international prices of food and fuel this strategy fuelled inflation--especially within Malé a major hub of exchange. The more elaborate reforms - such as replacing universal subsidies for some items (e.g., electricity) with targeted subsidies, introducing a business tax for the non-banking sector, replacing the flat tourist bed tax of \$8 with an ad-valorem tax, or introducing a GST and a green tax - have yet to be implemented, due to political opposition as well as capacity limitations.

In the midst of continued economic uncertainty and rapid changes in political power coalitions, these wide-ranging policy and reform initiatives may have alienated a wide range of interest groups, ranging from the average household confronted with rising costs of living amidst increasing joblessness; former public sector staff laid off; business lobbies opposing taxation; former coalition party members frustrated at not getting special subsidies and concessions for their constituencies; and opposition groups opposing the reduction in public sector spending or wanting other laws passed (banning of alcohol for instance).

Are there parallels with the Arab world and the Arab spring? Yes and no. The Arab spring uprisings in the Middle East protested against absolute monarchy and autocracy, excessive concentration of wealth and power, government corruption and inefficiency, and economic decline, factors closely linked to political sentiment, and structural demographic factors such as the presence of an increasingly large, educated youth base unable to find decent work.

Compared to the Arab world, democracy has had more traction, at least nominally, in South Asia. Nevertheless, democracy in South Asia, as elsewhere in the world, when brokered by coalitions, does tend to be fragile. Like its neighbouring countries in South Asia, Maldives currently finds itself enmeshed in the complex waters of pluralist coalition politics and deeply divisive socio-economic undercurrents. The recent coup attempt in Bangladesh, the continued political stalemate in Nepal, the recent interference by the Supreme Court in Pakistan against an elected albeit ineffective government, and continued civil strife problems in Sri Lanka suggest that genuine democracy remains under threat in at least five South Asian countries - including the Maldives.

In 2008, the newly introduced multi-party system in the Maldives enabled free opinion and constructive dissent in Parliament and in the media. Imprisonment and torture of political opponents - a feature of the Gayoom regime - were said to have been abolished - although the recent violence suggests a different picture. The Nasheed presidency also ushered in, for the first time in the Maldives, a separation of powers between the executive, legislative and judicial branches of government and heralded the promise of local governance in atolls. However, the vibrant promises of this nascent democracy teetered within a year of the new presidency: the coalition collapsed in 2009 from fractious internal politics while at the same time the global food price, fuel price and economic crises of 2008/2009 reversed the rapid post-tsunami gains and ravaged the tourism (and import)-based Maldivian economy. A

breakaway coalition altered the distribution of power yet again within the space of a few years. In June 2010, all cabinet ministers resigned en masse, citing inability to perform their duties due to the opposition dominated parliament 'hijacking' executive powers - each member of the cabinet had been threatened with a no-confidence motion by the parliament.

With regard to efforts at establishing democratic procedures, the Maldives is ahead of the Arab spring. Economically and politically, on the other hand, there are several parallels to factors that triggered change in the Arab world. These include:

- A split economy, very similar to those of the Gulf States, with highly segmented labour markets. Locals are banned from some employment and occupations - such as lucrative work as staff in resorts - and shun other activities such as construction. Such workplaces are filled by exploited and socially excluded migrant workers. The younger generation also are said to want to move away from fishing. Youth unemployment and a lack of creative leisure opportunities on the minute islands are leading to increasingly intense youth disaffection; substance abuse and youth gangs are becoming a frequent outlet.
- Drastically rising food and energy price costs. Just as it was recovering from the tsunami, the food, fuel and financial crises unfolding through 2008-2011 took its toll on the Maldivian balance of payments as well as on overall growth as critical sectors such as tourism, fisheries and construction suffered seriously. Rising food prices are a result of the volatility in global prices as well as the devaluation of the currency. Apart from fish, vegetables and fruit, all other staples - notably rice - need to be imported, and prices have risen substantially over the last few years, reaching double digit consumer price inflation recently. High costs of energy stem from rising international prices and the reduction in electricity subsidies. The impact of inflation, as is well known, is the hardest on poorer households, women and children, especially those living on the most remote islands. Given the current euro-zone crises coupled with the recent devaluation of the rufiyaa, and expansionary monetary interventions of the Maldives Monetary Authority, the economy may face serious troubles in the year ahead.
- The rise of fundamentalist Islam. The 2006 tsunami damaged 69 of the countries 200 inhabited islands and displaced nearly 13,000 Maldivians. Apart from the devastation, the tsunami had another nefarious effect: the import of fundamentalist Islam. The Gulf States and notably Saudi Arabia offered help in the form of reconstruction funds, and capacity building such as the education of imams and teacher training. This was coupled with the imposition of the Wahabi and Salaist interpretations of Islam - a version of Islam instilling fear of damnation if one does not comply with oppressive dictums. The tsunami was cast as a punishment for the earlier liberal Islamic practice of the Maldives. Some imams preach oppression of women and anti-Semitism. Flogging was reintroduced, and there are reports of Maldivian Taliban in Afghanistan. As a more superficial indication, most women and even girls now wear tight headscarves and ankle-length skirts or trousers, not seen in the country ten years ago. The Islamic party in Maldives' parliament for instance tabled a law banning massage and alcohol on the tourist islands;

this decision was however quickly repealed, as it was not in the interest of the resort-leaser faction of the elite, but similar agitations have resumed under the new government. - This reading of Islam jars obviously with youth aspirations and the democratic trajectory, leading to severe and explosive tensions.

These many currents - the economic fissures, inflationary pressures, and the conflicting political positions, juxtaposed with efforts to establish democratic practice and to focus on the global issue of climate change - illustrate that there is no easy solution for the Maldives. Political parties are divided in terms of the interests they represent and strategies they propose, but many workable proposals are available. One can only hope that there will be a rapid return to a democratic, participatory and non-violent procedure to work things out for the "many Maldives".

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Views expressed are those of the authors.