

# COMMERCIAL DIPLOMACY OF THE MALDIVES: HOW TO TURN THE COUNTRY'S EXTERNAL COMMERCIAL DEPENDENCY INTO STRENGTH

**Ali Naseer Mohamed**

The Maldives Foreign Minister Abdulla Shahid, in a tweet on 15 July 2020, said that “Our Missions are Gov’s outposts to the world, and key to mobilise aid, promote tourism, facilitate trade & attract investment, especially in post COVID recovery.”<sup>1</sup> The tweet came a day after he and his executive team made a presentation to President Ibrahim Mohamed Solih with a plan to re-position the Maldives missions overseas towards enhancing “trade and investment opportunities for the Maldives, while bolstering the country’s tourism sector, obtaining foreign direct investment and assistance”.<sup>2</sup> The announcement marks a clear shift in strategy and focus, bringing commercial diplomacy from the periphery to the centre in the toolkit of the Maldives foreign policy. But this is not the first time that the Maldives has tried to prioritise commercial diplomacy; it has always been a requirement for a country that relies on external commerce to sustain economic growth.

## **The evolution of Maldives commercial diplomacy**

Commercial diplomacy (which generally refers to the tools that diplomatic missions overseas use in supporting the home country’s business sector)<sup>3</sup> was the defining character of the Maldives foreign relations, until the country gained independence in 1965. However, the scope, objective, and relative importance of commercial

<sup>1</sup> Foreign Minister Abdulla Shahid’s tweet, 15 July 2020.

<sup>2</sup> <https://presidency.gov.mv/Press/Article/23489>, 14 July 2020, Ref: 2020-319.

<sup>3</sup> G. R. Berridge and Alan James, *A Dictionary of Diplomacy*, 2nd ed. (New York: Palgrave, 2003), 38

diplomacy as an instrument of the foreign policy have varied over the years.

Starting from 1906, the Maldives mission in Colombo (established as the “Representative’s Office” in March 1906, which was later upgraded as the Maldives Embassy in Ceylon in 1965) was the main hub that led, directed, and even implemented the country’s

thrive to facilitate the emergence of other ambitious business ventures, such as the Maldives Shipping Limited (MSL), which owned and operated one of the largest shipping fleets in Asia. The MSL’s largest international office was also in Colombo.

The successes that the Representative’s Office gained in its commercial diplomacy in Colombo came at a

**Starting from 1906, the Maldives mission in Colombo ... was the main hub that ... implemented the country’s foreign relations. The main purpose of the Office was to facilitate the uninterrupted, stable, and predictable supply of food to the Maldives.**

foreign relations—including those activities, which could be listed under the heading of commercial diplomacy. The main purpose of the Office was to facilitate the uninterrupted, stable, and predictable supply of food to the Maldives from Sri Lanka. The Office had a larger budget than the Foreign Ministry in Malé and was staffed with some of the best talents in the country.

Equipped with such resources, the Representative’s Office was extraordinarily successful in its commercial diplomacy. It was not only able to facilitate food security of the Maldives, but also promoted ambitious overseas investment ventures of the Maldives Government. This included the setting up of the very first Maldivian investment overseas—the Maldives National Trading Corporation (MNTC)—in Sri Lanka in 1949. This investment would grow and

cost. By the time the Maldives gained independence, the country was exclusively dependent on Sri Lanka in almost every aspect of its economic life. Sri Lanka was the destination for all of the Maldives exports and the source of all of its imports, too. In the absence of a bank or any financial institution in the country, the Maldives government relied on Sri Lanka’s central bank to meet all of its banking needs, including foreign currency requirements.

One consequence of the exclusive dependency was it shrunk the space for the Maldives to manoeuvre in its foreign policy. Following the country’s political independence from Britain in 1965, the Maldives pursued a foreign policy which positioned the country away from its neighbours in South Asia. Its positions on some key issues, such as the conflict in Cambodia and the disagreements over China’s representation at the UN, were quite different from the

other South Asian countries. The policy choices that the Maldives made did not go well with neighbouring countries. The timing of some of the decisions that the Maldives made also coincided with Sri Lanka accelerating the implementation of its new domestic economic policies, which significantly restricted its international trade.

The changes in Sri Lanka had a significant impact on the Maldives putting the country in a precarious situation. It had to negotiate for special permissions from the Sri Lankan government for every shipment of exports and imports from that country. Moreover, Sri Lanka nationalised the Maldives National Trading Corporation in Colombo, a major source of foreign currency earnings for the Maldives, in 1972. In another development, a senior official of the Maldives government who was also the director of the MNTC was detained, albeit temporarily, at Sri Lanka airport for alleged violation of foreign currency regulations. The Maldives dependency on Sri Lanka was significant enough to attract the attention of some International

Relations scholars, citing the Maldives as an example of a country's inability to pursue an independent foreign policy because of dependency on one country for its international trade and finance.



## Re-purposing commercial diplomacy in 1970s

The difficult situation that the Maldives found itself in its commercial ties with Sri Lanka prompted the country to re-purpose its commercial diplomacy. The Commercial Section of the Maldives Embassy in Colombo—which incorporated many of the functions of the Trading Corporation and the MSL—reached out to the missions of other countries in Colombo in an effort to source critical imports and gain access to their markets for Maldives exports. These efforts were fruitful. India, for example, dispatched a delegation to the Maldives to promote bilateral economic cooperation. The discussions paved the way for MSL establishing its operations in Bombay and India opening a branch of the State Bank of India in Malé in 1974, the first financial institution of any kind in the country.

Despite the success in re-purposing the Colombo mission's commercial diplomacy, the government faced an acute shortage of foreign currency in the early 1970s. This resulted in re-sizing the Embassy in Colombo and closing the only other overseas mission—the Embassy in Washington—which also concurrently served as the Permanent Mission to the United Nations. (The Maldives also closed its

<sup>4</sup> See, for example, Marshall Singer, 'The Foreign Policies of Small Developing States', in *World Politics*, ed. James N. Rosenau; Kenneth W. Thompson and Gavin Boyd (New York: Free Press, 1976), 263-90.

Embassy in Colombo in 1976, which was re-opened in 1979.) With these changes, the objective and character of the Maldives commercial diplomacy changed; never to regain the prominence and the priority it once enjoyed in the toolbox of the country's foreign policy implementation.

In the late 1970s, the Maldives brought radical changes to its foreign policy priorities, and commercial diplomacy was not one of them. The country, for the first time, actively sought to mobilise foreign grant aid and concessional loans to finance critical infrastructure projects, including the construction of an international airport, and establishing international communication facilities. The commercial dimension of the country's diplomacy was mainly reactive, and it included negotiating economic and technical cooperation agreements with the neighbouring countries in South Asia. However, extending diplomatic support to the State Trading Organization (STO) and the Trade Ministry for sourcing basic food items and other critical imports would often become an urgent priority for the Foreign Ministry. This would always be in response to the needs and requirements of STO and not a permanent feature of the country's diplomacy.



## The re-emergence of commercial diplomacy

The Foreign Ministry developed its first Strategic Plan towards the end of 2007, during Abdulla Shahid's first tenure as Foreign Minister. The Plan sought to recalibrate the Maldives diplomacy, integrating commercial diplomacy into the toolkit of the Ministry and its missions overseas. By then, the Maldives had substantially enlarged its diplomatic presence overseas, increasing from three missions in 2004 to 12 by the end of 2007. The ambassadors who headed these missions included former cabinet ministers, who took enthusiastic interest in commercial diplomacy. The Embassy in Delhi in fact established a commercial section headed by a specialist deputed from the Economic Ministry. Many missions began to scale-up their own capacity in tourism, investment, and export promotion. Some missions hosted high profiled investment and tourism promotion delegations and others still played key roles in organizing and hosting tourism fairs.

These activities helped generate visibility for the Maldives and created a level of excitement in the target markets about the possibilities and opportunities that the country presents. At the same time, however, both the missions and the Foreign Ministry faced enormous challenges in ensuring that the

opportunities commercial diplomacy helped create, in fact, produce the intended results. The challenges emanated from the fact that the processes and procedures for communication among and between the missions, the Foreign Ministry, the sectoral agencies, and indeed the private sector businesses in the Maldives were, at best, ambiguous and did not produce certainty or predictability.

Despite the continuation and accumulation of other similar challenges, the Maldives missions have played key roles in facilitating some of the most crucial foreign investments into the country, especially since 2010. The missions, furthermore, have organised and hosted the largest investment forums that the Maldives have held overseas. The Maldives ambassadors, during the last ten years, through skilful public diplomacy, have facilitated visits to the country by leaders and owners of global iconic brands, looking for possibilities and opportunities in the country for business.

**Time is ripe to resurrect the Maldives commercial diplomacy... but in a more holistic and spectacular fashion. Almost all Maldives missions overseas have now integrated the key elements of commercial diplomacy into their toolkit, albeit at varying degrees.**

## **Time is ripe for resurrecting commercial diplomacy**

Time is, therefore, ripe to resurrect the Maldives commercial diplomacy, not just in a sporadic or ad hoc manner, but in a more holistic and spectacular fashion. Almost all Maldives missions overseas have now integrated the key elements of commercial diplomacy into their toolkit, albeit at varying degrees. That provides a sound basis on which work could begin in realising the government's vision of repositioning the missions as "outposts" in mobilising development assistance and in promoting tourism, foreign direct investment, and exports. Though ambitious, it is a realistic, feasible, and indeed, desirable set of goals to achieve. If achieved, they would be the key in managing the Maldives external dependency in a way that is most beneficial to the country.

The time is ripe, too, to take some basic steps, that are long overdue—which in many ways are pre-requisites—to ensure that commercial diplomacy leads to the intended and concrete results.

First, commercial diplomacy needs clearly defined objectives that are derived from the country's long-term strategic policy goals, and are decided at the highest political level. Such a decision will have the full buy-in from the sectoral agencies and state-owned

enterprises. It also requires the active engagement and continuous dialogue with the private sector to gain their trust in ensuring that the missions overseas are there to support them.

Second, make the division of labour very clear to all stakeholders. The sectoral agencies and private businesses must have a better and much clearer understanding of their roles in the country's commercial diplomacy.

Third, establish a system and a procedure for communication among and between all the stakeholders. Commercial diplomacy works best when there is a standard operation protocol that clearly articulates the procedure for communication between the missions, the Foreign Ministry, the sectoral agencies, and the businesses that the missions would support.

Fourth, leverage the Foreign Ministry and the missions with (both non-financial and financial) resources to make them fit for purpose. Maximising

returns from commercial diplomacy requires the missions to become the knowledge frontiers in the host country on issues covered in their commercial diplomacy. It also requires the missions to scale up their capabilities in cultivating relationships, building networks and constituencies, and above all, in crafting their communication in the most inspiring and persuasive fashion.

Fifth, commercial diplomacy activities of the missions require regular reviewing, monitoring, and evaluation to ensure the techniques used always remain at the cutting edge of diplomatic innovation, and that there is a process of learning from experience.

The Maldives will always remain an externally dependent country. It will continue to rely on foreign investors to undertake large-scale or more innovative business ventures. The country will also continue to depend on exports and tourism to generate foreign currency. That will not change. And that is not a bad thing, either. The challenge for the Maldives, though,



is how to manage that dependency in a way that does not place the country in precarious situations where it is required to compromise on its core values. Commercial diplomacy provides a rich and diverse set of tools in managing such situations. And if the business of diplomacy is, in fact, promoting businesses, a country's external dependency will appear to be its strength, too.

---



## ABOUT THE WRITER

*Ali Naseer Mohamed holds PhD in Diplomatic Studies from the Australian National University and Master of Arts in Diplomatic Studies (with Distinction) from the University of Leicester in the UK. He had been in the Maldives Foreign Service since 1985, and held a number of senior leadership positions including Foreign Secretary of the Maldives, Ambassador to the United Nations, Ambassador to the United States, and Director-General (Political Affairs). The views expressed in the article are that of his own and not the views or opinions of the Maldives Government.*

