

The tourism industry of the Maldives, - have we gone beyond ‘regulatory capture’?

IBRAHIM ATHIF SHAKOOR

ABSTRACT Since the introduction of the concept of ‘regulatory capture’ by George Stigler in 1971, there has been ample evidence, published globally, on how world class companies and powerful industries influence, and otherwise prompt regulators to act in a manner favorable to them. The Maldivian tourism industry is the biggest industry in the Maldivian economy. While few other industries like construction, transport, and communication have made modest contributions in the economy lately, much of the vigor and verve of these emerging industries too, depend on the vitality of the tourism industry. The tourism industry is not only the biggest industry, it is also the biggest employer and the steward of largest swaths of land allocated for economic activity. Even though this article is written as an opinion piece, appropriate evidence to aptly suggest ‘regulatory capture’ by the tourism industry is offered. Also because of its virtual dominance in the economy the question whether the industry might have gone beyond ‘regulatory capture’ will be raised.

The objective of this article is firstly to introduce the concept of ‘regulatory capture’ and offer an understanding of how almost all major industries, in all economies, manage regulatory capture. Giving examples from selected published accounts an attempt will be made to show how the regulations and the actions of regulators are fashioned to benefit the business rather than that of the general public.

Evidence will then be offered for the dominant role, the tourism industry play in the local economy. Not only as the biggest GDP contributor, but also as the biggest foreign currency earner, the biggest employer and the landlord, whose stewardship of uninhabited land is the largest.

The article, in developing the theme, will also essay the impact of COVID-19 on the Maldivian tourism industry showing how regulators responded to the negative impact on 44000 employees, as the industry grounded to a halt.

The question will then be raised whether there is any doubt, that the Maldivian tourism industry would have, from the position of such dominance, shied away from regulatory capture and in fact may not have gone beyond.

The concept of ‘regulatory capture’

In an article titled ‘The Theory of Economic Regulation’ George Stigler, in 1971 introduced the concept of ‘regulatory capture’ writing that regulation is “acquired by the industry and is designed and operated primarily for its benefit” (Stigler,

1971)

While Stigler never actually used the term ‘regulatory capture’ in his writings, the term ‘regulatory capture’ has become well known since Stigler and is today defined as

The tendency of regulators to identify with the interest of the industry they are supposed to regulate. This occurs when a public authority charged with regulating an industry in the public interest comes to identify the public interest with the interests of producers in the industry, rather than the interests of its customers, or the general public. (Oxford Reference, 2020)

Today, there is ample published evidence of regulatory capture in many industries including Banking in Daniel Hardy’s 2006 ‘Regulatory Capture in Banking’, published by IMF (Hardy, 2006) and Financial markets in Manolis Kalaitzake’s, ‘Political capture by the financial industry’ (Kalaitzake, 2015)

Professor Holden of the University of New South Wales, in February of 2019, wrote an aptly titled article ‘When guard dogs become pets- The problem of regulatory capture’ in which he posed the relevant question ‘but what happens when regulators meant to check individual interests fail to promote the public interest?’. (Holden, 2019) In his words ‘...there is a swathe of evidence that across industries and time, regulators often act more in the interests of industries than the public’. (Holden, 2019)

Of late, after the deathly debacle of the Boeing 737 Max, there has been published horror stories of how regulators palmed off their regulatory responsibilities to the very companies they were supposed to oversee. Writing on the 15th of March 2019, D. Saint Germain, in an article titled ‘The Boeing debacle is the latest example of regulatory capture’ said

‘... in 2005 the FAA turned its safety certification responsibilities over to the manufacturers themselves (if manufacturers met some requirements). In plain speak, this means that Boeing got to decide if Boeing’s airplanes were safe enough to fly — with little additional oversight. The FAA said the purpose of this change was to save the aviation industry roughly \$25 billion between 2006 to 2015.’ (Germain, 2019)

While not every instance of regulatory capture might result in a sleuth of dead and mangled bodies, their economic impact has enormous consequences against the best economic interests of the economy and of the general public.

It is, without a doubt true that our industries may not have the might of a global, banking or airline industry or even that of Boeing as a company. However, a journey will be embarked on to examine some of the reasons why it is, perhaps inevitable that our local regulatory agencies would have been brought under regulatory capture by the Maldivian Tourism Industry.

The prevalent economic picture.

Whilst, the decision to refer to the Maldives ‘as a country solely dependent on tourism’ (Ministry of Economic Development & UNDP, 2020 May 28) might be a stretch, by no means may it be condemned as a gross exaggeration.

The rapid development of the country from LDC status to the ranks of a

developing nation is, no doubt, in large measure due to the rapidly expanding tourism industry since the first coy advent of the tourism industry in 1972.

The Maldivian economy has been dominated by the tourism sector since the 1970s. The share of tourism in GDP has remained high, at almost 30 percent for the past two decades. The share of the primary sector (including fisheries and agriculture) has declined over the years. In 1984, fisheries constituted 11.8 percent of GDP and agriculture accounted for 6.6 percent of GDP. In 2013, the figures stood at 1.6 percent and 2.3 percent respectively. ...The contribution of the primary sector declined to 3.4 percent by 2012, with the fisheries sector contributing 1.7 percent and agriculture an equal 1.7 percent.¹⁷ (UNDP, 2014)

By 2001 the Government was officially acknowledging the dominance of the tourism industry by reporting to an International Conferences that

Tourism sector has been the engine of growth of the economy during the last decade, earning much needed foreign currency. The sector accounted for 34.5 percent of GDP during 1995-1998, with a growth rate of 7.8 percent during the same period. In comparison the Fishery sector, which is the other mainstay of the economy registered a sluggish growth rate of 3.8 percent during 1995-1998 while accounting for 7.2 percent of GDP during that period...The good performance of the tourism sector was largely responsible for the growth of the economy. Tourism tax accounted for 29 per cent of the tax revenues in 1996. Furthermore, import duty revenues also include duties paid by the tourism sector, given the fact that tourist sector imports constitute a large part of the total imports. In addition, ground rents received by the government from tourist resorts account for 30 percent of non-tax revenues. In total direct revenue earnings from the tourism sector account for 30 per cent of public revenues. If it is assumed that 50 per cent of the import duties are tourism related, then the total contribution by the tourism sector accounts for 46 per cent of public revenues. (Government of Maldives, 2001)

Today, in the space of nearly 5 decades of rapid expansion of tourism, it has grown to dominate the Maldivian Economy, become the largest employer, and manage and control land assets in excess of the inhabited land mass and much of its lagoons and reefs. It is not surprising, therefore that the Tourism industry is referred to in common parlance as the one that lays the golden egg in the Maldivian Economy.

Additionally, the industries that are emerging are heavily dependent on the dynamism and growth of the tourism industry. Perhaps the biggest of the emerging industries; Construction Industry with its inherent problems about retaining earnings in the economy (Shakoor, 2019) is much dependent on the new developments in the tourism industry. The growth of the transport and communication industries too, reflect the geographical spread of the tourism industry in the country and the increasingly complicated logistical process of transporting tourists to resorts and guest houses throughout the 850km length of the Maldivian archipelago. At the same time, the communication industry too, relies heavily on the usage of data and other means of communication in the resorts, guest houses and safari boats in the tourism industry.

Even the primary industries of fishery and agriculture too, are much reliant on the appetite of the tourism industry to sell their harvest. The dependence of the

whole economy on the tourism industry, not just for its direct GDP contribution and employment figures, but also as the main buyer for so many other activities became stark and evident when the Covid-10 pandemic hit and the tourism industry closed its doors

Yet, while the dominance of the tourism industry is over-encompassing and the dependence of the other industries mighty, the tourism industry, it seems, is not anchored deep into the Maldivian economy. Vast and influential though the industry might be, it was able, with relative ease to flee, as has been recently demonstrated, leaving the employees stranded, the assets unutilized, the other industries weakened and the economy in limbo.

For the last 20 years or more of 48 years of tourism in the Maldives, almost all commentators including the World Bank and other multinational agencies, and the crop of perennial politicians have often repeated the mantra of the danger of single industry domination of the economy and the critical need for economic diversification.

19 years ago, in 2001 the government of Maldives offered a Country Presentation to the United Nations Conference on Least Developed Countries held in Brussels from 14-20 May 2001 titled 'Action Programme for the Development of Maldives 2001- 2010'. This presentation in 2001 acknowledged that

As the narrow economic base stems from its smallness and associated structural constraints, such as small domestic market, lack of resources such as financial, material and skilled human resources as well as isolation from major markets, the challenge is to make concerted efforts to diversify the economy by addressing these problems. (Government of Maldives, 2001)

In 2005; the year following the Boxing Day Tsunami of 2004, tourism growth slipped by -33% and National GDP slipped to -8.1 as travelers took time to regain confidence. Following the global housing crisis of 2008/9 again tourism growth slipped to -5.4% and national GDP fell by the same amount. (Chart 1)

In 2012 FAO quite explicitly stated '...However, the economic dependency upon the vagaries of international tourism has brought in several challenges; including marginalization of rural communities and issues of social disharmony. (FAO, 2012)

Emphasizing that no country should look to depend so much on an industry that is so fragile to so many external factors beyond local control, UNDP in 2014 went on to state that

With a narrow economic base and minimal vertical and horizontal diversification, the economy is highly vulnerable to world travel trends. A decline in the tourism industry could have a serious impact on the cost and standard of living, development activities, provision of public services, level of economic activity and employment. (UNDP, 2014)

Time again, the deleterious effects on the total economy when tourism is negatively impacted have been seen. The, by now quite well-known and often repeated mantra, of the importance and essential need to diversify our economy is heard, yet again, and the tone of our supposed national concern for diversification rises by a full octave. However, as the economy recovers, more dependent on the tourism

industry than before, the chorus soon fades into a deep falsetto.

Therefore, it is not surprising that when the COVID-19 pandemic brought a sudden and abrupt halt to the Tourism Industry, it also practically acted as a knell to the other industries and generally to the whole economy with the World Bank announcing that 'Real GDP is expected to contract by 8.5 percent in 2020, 13.9 pp lower than the baseline (pre-COVID-19)' predicting that our economy will be the worst hit in the region. (World Bank, 2020)

Dominance of the Tourism Industry in the Economy

The Tourism Industry is the dominant industry of the Maldives. Even though the share of GDP has slipped from 33-34% in the 90's to 24.5% today, (Graph 1) this is only because industries like construction, telecommunication and transport are making their presence felt. However, even while new industries emerge and grow, their share in the GDP numbers remain modest at best. The share of the construction industry for the 10-year period 2004-2018 remained 5.47% even while it grew at 17.8% average during the past 5 years. (Shakoor, 2019) Transport industry's share was 6.02% and Communication 2.49% during the decade. (Table 1)

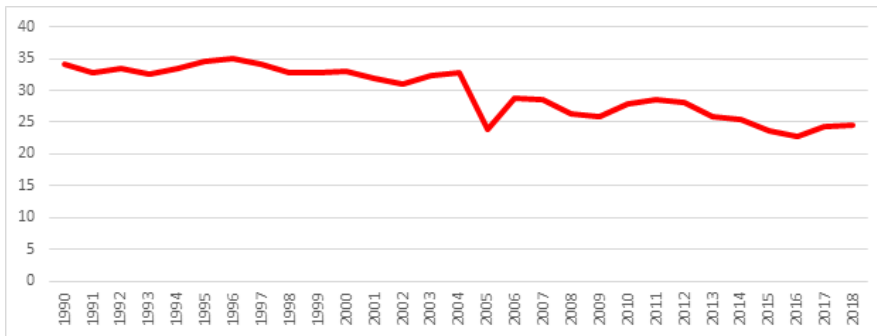
Table 1:
Share of National GDP (2009-2018)

Industry / Economic Activity	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	average
Agriculture	1.7	1.7	1.6	1.5	1.5	1.4	1.4	1.3	1.2	1.2	1.44
Fisheries	5.4	4.7	4.3	4.2	4.2	3.9	3.8	3.6	3.7	3.7	4.17
Construction	4.7	4.8	5.3	5.0	4.1	4.9	6.1	6.7	6.4	6.8	5.47
Tourism	25.2	26.3	26.4	25.7	26.4	25.2	23.6	22.7	24.3	24.5	25.04
Transportation	5.2	5.6	5.5	6.3	6.6	6.5	6.7	6.5	5.9	5.5	6.02
Postal & Communication	3.0	3.7	3.3	3.3	3.1	3.0	3.6	3.8	4.2	3.9	3.49

Source: Bureau of Statistics, Ministry of National Planning

Therefore, even as other industries like transport, communication and construction have emerged and made their presence felt, resulting in the share of the tourism industry slipping to %23, it is important to stress here that the relative decline to %23 of GDP should be understood as illusory, because GDP share is a percentage calculation and any other industry that makes its presence even modestly felt, will inevitably reduce the % share of other industries.

Graph 1:
Share of GDP in the Tourism Industry (2009-2018)



Source: Bureau of Statistics, Ministry of National Planning

Hence, the GDP numbers in conjunction with the dependence of the other sectors of the economy leave no doubt of the dominance of the tourism industry in the Maldivian Economy.

Biggest, but perhaps not the best Employer.

The tourism industry is not only the biggest GDP contributor, it is also the biggest employer of the country. For a long time there have been no reliable published numbers giving details of employees in the tourism industry. The 2004 census categorized employees under a more generic ‘Accommodation and Food Category’ with 41,355 employees as the category with the biggest employment numbers. The write-up to the 2016 census states ‘More than a fifth of the employed are engaged in the tourism industry. Of the total employed, 27,837 or 14 percent work in the resorts.’ (National Bureau of Statistics, 2016) The fast and rapid growth of the guest house industry in the recent past and its tighter integration into the local communities in which they operate, leads to the inference that the % of locals working in the tourism industry would have actually increased in the recent past.

Fortunately and timely for this work, on the 8th of June 2020, the National Statistics Bureau has, to much relief, published the ‘Employment in Tourism in the Tourism Sector 2019’, report stating that at the end of 2019 there were a total of 44,954 employees in resorts and that this was an increase of %62 from the 2014 census. (National Statistics Bureau, 2020).

However, the industry impacts not only the employees in the resorts, but also have its roots into almost all aspects of Maldivian life. Effectively the employees of the industry include the tour operators, the travel agents, the resort representatives, the dive boat operators, the beach cleaning crew from nearby islands, the small laundry operators in guest house islands, the cafes and small shops in guest house islands, are all employees of the tourism industry, even if they are not directly employed at a resort.

Remuneration and Wages

Even while the Tourism Industry was the biggest employer of the country, there had been reports of relatively meagre wages that were being paid in the industry for blue-collar workers.

The International Labor Organization manages the 'The Industrial Relation Net' from their regional office for Asia and the Pacific and in May 2015 published concerns and effort of the resort workers seeking better pay. The web article said '..it has been reported that at least half of the Maldivian Resort Workers have signed a petition for a 600\$ Minimum Wage.' (ILO Regional Office for Asia and Pacific, 2020)

According to the report

Some 5,300 out of 11,426 Maldivians employed in the multi-billion dollar industry have signed the petition launched in April by the Tourism Employees Association of the Maldives (TEAM). ...The petition was circulated in 77 of the Maldives' 108 operating resorts. Only three to seven percent of all tourism revenue is spent on employee wages. The average resort worker only earns US\$ 250 per month," said TEAM's vice president Ahmed Saleem. (ILO Regional Office for Asia and Pacific, 2020)

The referred to petition was carried out by Tourism Employees Association of the Maldives (TEAM)- an NGO whose active effort is visible in the social media at least from 2010 as '...an organization of workers formed to protect the rights and advance the interests of its members concerning wages, benefits and working conditions», according to their facebook page. (Tourism Employees Association of Maldives (TEAM), n.d.)

The above report was also referred to in other international sources including The International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF) - an international federation of trade unions composed of 427 affiliated trade unions in 127 countries representing over 10 million workers according to their website. (The International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations, 2015)

Ratio of staff between local and foreign

In addition to the referred to relative low wages for blue collar workers in the industry, the resorts also had not apparently kept, neither to the spirit nor to the letter of the employment ratios between local and expatriate staff. Prior to 2011 the ratio was regulated to be %50 but the % of expatriate ratio was increased %55 in 2011 to better reflect ground reality.

While actual historical numbers are not published, statistics published with the draft 4th Tourism Master Plan 2017-2013 (December 2011) show that local employment was only %31 at the time of the Draft. Subsequently, no official document has been published giving the exact ratios of employment in the resorts. The 2014 Census too, does not offer a clear picture of employment in resorts and instead refer to 'Accommodation and Food' as the largest employment sector.

In the absence of official reports, until of late, there is a limitation to anecdotes and social media posts to back the claim that the employment ratios in some, if not most of the resorts have indeed worsened with one resort reported to have just the one local employed. The news report referenced earlier in the website of the ILO regional office in fact claimed that %59 of tourism employees were expatriates. (ILO Regional Office for Asia and Pacific, 2020)

However, the 8th June report named above, reports improvement in the ratio of local staff reporting that ‘...local-foreign ratio also had improved towards locals. In 2014, out of the total resort employees, %41 was local. While in 2019, the locals accounted for %47 of the total resort employees.’ (National Statistics Bureau, 2020)

Job Security

Whilst the first case of COVID-19 in the Maldives was officially declared only on 7th March 2020, from early 2020, it was understood that unavoidably the pandemic will reach our shores and that the tourism industry of the country was going to be badly impacted.

And therefore, almost inevitably, reports started to circulate of resorts taking pre-emptive action including termination and/or mandatory leaves for their staff including and even up to whole-sale closure of resorts. By 17th March, Villa Group- the group that manages the most of number of beds, announced that they will close 4 of their 5 resorts leaving open only Paradise Island. The week before they had reduced the salary of all staff starting at %10 for the lowest salary bandwidth. (Naisa, 2020)

On March 19th Universal group announced that they will be closing all their resorts for 3 months. (maldives.net.mv, 2020). The web article, correctly, identified, Universal Resorts as the ‘... pioneering establishment that has led the development of the travel and tourism industry in the Maldives for over 46 years, playing a key part in the transformation of the country from an island nation to one of the most sought-after travel destinations in the world.’ (maldives.net.mv, 2020)

Such major developments in the tourism industry and the biggest employer apparently only came to the notice of the Labour Relations Authority- the authority tasked with the observance and compliance of the Employment Act, on 29th March. On this day their circular No. 458/CIR/2/2020 stated that ‘it has come to their attention of this Authority that a number of aforementioned actions taken by some employees against the Employment Management Act (2008/02). (Labour Relations Authority, 2020)

On the 31st March local media reported that TEAM had expressed concerns over approximately 11,000 resort employees who were forced to go on no-pay leave due to the shutdown of resorts across the country amidst the global COVID-19 pandemic, via a public statement posted on its website. The statement, the reports said included ‘...the names of 79 resorts (a full %50 of operating resorts) reported as suspending employees, enforcing salary reductions and forcing employees to take no pay leave.’ (Mohamed, 2020)

While the Ministry of Tourism had issued a circular cautioning ‘tourism establishments of the importance of compliance with the Employment Act of

Maldives..' (Ministry of Tourism, 2020) on 11th March 2020, it was not until 3rd April, well after the majority of the resorts had announced and in fact implemented major staff reductions, suspensions and terminations that the regulator's updated Circular stated

'...many concerns and complaints have been lodged ..by resort employees for being forced to take no pay leave and being terminated without a notice. Also the Ministry is receiving concerns from foreign employees being sent off without confirmed flights and getting stranded at airports. It closes by saying that 'action will be taken against facilities not complying the Employment Act. (Ministry of Tourism, 2020)

Yet, all the regulatory noise proved to be ultimately for nought. The official report authored by the Ministry of Economic Development and the UNDP titled 'Impact of the COVID-19 Crisis in the Maldives' and issued on 28th May 2020 is very candidly states

Approximately 22,000 local payroll employees of resorts are being affected as a direct result of COVID-19. With the inclusion of foreign payroll employees, more than 45,000 employees in tourist resorts alone are being affected. In addition, a large number of people working for third-party service providers of the resorts are affected. For those employees who have been retained, a large proportion of employees have lost their incomes completely as majority are put on no-pay for the for the period April-June 2020 (Ministry of Economic Development & UNDP, 2020 May 28)

Living Conditions

Apart from low wages, low ratios of local employees and low job security, there has been what can only be referred to as constant static about unhealthy and injurious working conditions and living quarters in the resorts.

While the official criteria of standards against which the resorts are regularly monitored include specific standards and conditions with which staff quarters are supposed to be built and maintained, social media reports often say otherwise. Mention is made only of the many posts, images, audios and videos posted in two Facebook pages 'Resort Boys Maldives' (Resort Boys Maldives, n.d.) with more than 24 thousand followers and the earlier referred to Facebook Page of TEAM with more than 12 thousand followers. Posts in the referred to pages offer graphic evidence of the actual living conditions, the precarious nature of job security to any who make public their unhappiness, and the reality of their meagre wage and allowances. A reality that does not reflect the glossy upmarket and luxurious, if not opulent conditions which the resorts portray so well in their well-funded marketing campaigns.

The custodian of the largest land resources not inhabited

With %99 of our archipelago consisting of sea, the scarcest resource in the Maldives is land. The 2019 Statistical Yearbook published by the Statistical Bureau in 'Table 1.5 Population, land area, population density and distance to Male' and atolls capitals by locality' (National Bureau of Statistics, 2019) allows for the calculation

of the total inhabited land surface of the Maldives at 13,174 hectares or 131.74 sq kms.

In 2019 tourist resorts paid 107,353,786.00 US \$ as land rent payments to the Maldives Inland Revenue Authority (MIRA). (Maldives Inland Revenue Authority, 2020) New regulations gazetted on 30th of December 2010 stipulated that the basic measure of the land rent calculation as 8 US \$/ sq meter. (Government Gazette, 2010) . The 8 US \$/sq meter land rent for resorts allow for a figure of 13,419,223.25 sq kms as the land space for which the payment was made.

However, Article 5 of the aforesaid regulation allow for the rent amounts to be capped at 1,500,000 ,1,000,000 and 2,000,000 US \$ depending on the size of the land. (Government Gazette, 2010) This means that the actual land space occupied by resorts is bound to be slightly larger than the figure arrived at by a straight division by US 8 US \$/sq meter. Yet in the absence of published figures, it allows a workable estimate of 13.42 sq kms of land leased for tourist resorts at the end of 2019. This simple calculation allows us to acknowledge that even at the end of 2019 that land leased for tourist resorts was %9.82 of the land inhabited by the people of the country.

While the land rent of 2019 was paid for 157 registered resorts at end March 2020, published statistics show that at end March 2020, the number of resorts increased to 166; a 9 establishment increase from end 2019. At its website, the Tourism ministry also lists 124 new resorts as under construction. (Ministry of Tourism, 2020)

Apart from total control of the land, thus leased, the lease also allows for the control of the house reef and the lagoon (hence virtually all life on the island, the lagoon and the reefs) to the resort and almost all these properties are leased for 99 years.

However, it is not only the resorts and marinas that are under the manifest control of the tourism industry, there are also 626 Guest Houses spread across all atolls of the country. Apart from the Guest Houses, now a fact of life in all atolls, most islands that host such properties also reserve a specific area of their beach, commonly referred to as 'bikini beach' for tourists to enjoy the sun, sea and sand in a less restrictive fashion- which areas are restricted for locals. 'A bikini beach is a blocked off area where only tourists and those dealing in the tourism industry are allowed to enter' is how Julio Mareno described the concept of Bikini Beach in a 2017 article titled 'Maldives Travel – What is a 'Bikini Beach?'' (Moreno, 2017). The article is complete with photos from such Bikini Beaches in Dhangethi and Dhigurah together with photos of the appropriate signs saying 'Tourist Area'.

Famous travel advisory sites like 'tripadvisor' and 'agoda' have been advertising and making bookings for these facilities for some time now. A search for 'bikini beach Maldives, listed 102 sites at the famous travel site Agoda (Agoda, 2020) and 'trip advisor offered 255 reviews for just the secluded beach at Maafishi Island. (Trip Advisor, 2020).

In addition, the state, from some time back, had been leasing picnic islands for tourism related purposes from the early 2000s.

Speaking to Minivan News, former Tourism Minister Dr Mariyam Zulfa said the concept of a "picnic island" dated back to the 30-year rule of former President Maumoon Abdul Gayoom. .. While islands leased for tourism went through a

bidding process, land provided for tourism related purposes was said to have been provided on an “ad hoc” basis at the tourism ministry’s discretion, according to Dr Zulfa. “These were often leased for the purposes of day picnics for tourists, safe harbours and other ancillary facilities of resorts,” she stated. “These islands were only for the use of those persons allowed by the leaseholder (and not available for public use). These islands came to be known as ‘picnic islands’, leased by the Ministry of Tourism.” (Minivan News , 2013)

Under a gazette announcement titled ‘Procedure to Follow Where the Government Undertakes Joint Venture Investment in Islands or Land’ dated 28th January 2013, the then government, created a legal mechanism whereby Article 7 ‘Islands Leased for Purposes Related to Tourism, Save Those Leased to develop as Tourist Resorts’ laid down the mechanism for the creation of Joint Venture Companies with a minimum shareholding of %10 to be held by state, which then allow for Joint Venture Companies to be formed to manage such picnic islands. (Gazetter v.42. No2013 ,17) While a list of picnic islands leased thus is not available, information released with the budget papers of the 2019 budget listed 29 such joint venture companies. (Ministry of Finance, 2018)

Therefore, with %9.82 of the total land mass of the country under 99 year lease of resorts by the end of 9 ,2019 more in operation since March 626 ,2020 Guest Houses and their reserved beaches in operation and a trove of the best picnic islands and sand banks ceded to the control of resorts, it is by no means a flight of fancy to claim that land allocated for tourism purposes would have by now be, at a minimum %15 of total land area of the country, now under the stewardship of the tourism industry. The additional 124 new resorts, and more guest houses under construction, will only add to this grim statistic.

Have we moved beyond ‘state capture’?

There have been, as stated, ample evidence of regulatory capture throughout the world. All industries, regardless of size, or dominance in the relevant economy, attempt to influence regulators. Here in the Maldives, the dominance of the tourism industry, not only as the biggest industry but also as the biggest employer, the steward of the largest chunk of scarce land resources but also as the industry upon which much of the dynamism of the other industries depend on is demonstrated.

The Tourism industry had been seen and indeed promoted as a benign and benevolent protector of the Maldivian Economy. While the corresponding graphical images have never been created, the captains of the tourism industry were seen, much as the lords of the English countryside of yesteryears. Far-seeing, wise and above all kindly people, who in times of attacks by hordes of barbarians, protect the people and in times of sunshine and plenty, offer gainful employment in the fields.

However, as the COVID-19 pandemic hit, and as the tourism industry took action to save costs, the general public saw, for the first time perhaps, the actual face of the Industry. Even while regulatory agencies issued muted circulars and politicians politely appealed for restraint, the referred to May 28th report of the Ministry of Economic Development and UNDP reported 45,000 employees in tourist resorts including 22,000 local staff as being affected. (Ministry of Economic Development & UNDP, 2020 May 28).

Meanwhile, the tide of retrenchment continues into mid-June, 2 weeks from the publication of the above-mentioned report dated 28th May, with social media posts offering details of additional 200 plus staff being terminated/put on leave. These posts are accompanied with the names of the resorts acting thus and the name of staff who have affected.

As the resorts acted post haste to shut down their operations, placing their staff on leave and hunkering down, their employees, their family, and the general public, witnessed the spectacle with palpable dismay and helplessness. While the action of the industry may be almost a reflexive response from any enterprise when the business climate sours, the impact was too widely felt, the hurt too deep and the disappointment too sour. After all, this was the Tourism Industry, the largest employer, the biggest landlord, the major foreign currency earner and the arbiter of much else that happens in the national economy.

The hurt to the Economy resulted in injury - injury that in time will heal, as the world recovers and travel and tourism rejuvenates, and the Maldivian Economy too recovers. However, the hurt and injury will also leave a scar in the Maldivian psyche. Would-be employees and returning employees will be that much more cautious and therefore look for better assurances and improved employment guarantees. The nation at large too, including relevant policy makers would, it is hoped, would require better job security, and finally seek and implement means to diversify the economy.

There has been ample evidence in the social media posts referred above offering graphic evidence of the actual living conditions of some of the workers in the industry. There is evidence, which has been offered in ILO related websites of low pay. There is evidence of termination of those who dared to speak out. In spite of regulatory 'blindness' the workers, the so called 'Resort Boys' Facebook page continue their effort. TEAM and their members continue to strive. These trespasses on the rights of workers are not hidden secrets that can be found only with a mighty quest by a heroic knight. Yet, the industry is able, with relative ease, to continue to operate and expand with impudence and without any effective remedial measures by regulatory agencies.

Given the dominance of the industry, as demonstrated above, it would be surprising if the industry has not completed 'regulatory capture' in the Maldivian context. When it behooves on the tourism industry to shoulder the burden of keeping the entire economy of a country afloat, it is also perhaps unavoidable and inevitable.

If the premise of the Tourism Industry having effectively completed what looks like a moderately mundane task of total regulatory capture, a more disturbing and ultimately more insidious question naturally arise. Is it possible, given the context of the Maldivian economy, that the Tourism Industry has moved beyond regulatory capture to the more ominous concept of 'state capture'?

Author's Note: This article is submitted on 12th July 2020 and, and reflects known reality on the ground as of that date. The author, believes that this statement is warranted because hitherto unavailable, yet critical information was published only after the initial submission deadline of 31st May had passed.

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