

THE MALDIVES

Offering new investment opportunities across the board

Future Outlook: Sunny

As one of the world's most sought-after holiday destinations, the Maldives has bounced back from the tsunami disaster to outperform all financial predictions, and is looking to double its tourism capacity by 2010.

With its private resorts, coral reefs and white-sand beaches, the Maldives can lay easy claim to being the last word in paradise. Last year, tourist arrivals hit record levels with new resort developments swelling the economy by 18 percent.

To keep up with demand, the government is continuing to look to Japanese investors for win-win

solutions. "Having celebrated 40 years of diplomatic relations last year, Japan and the Maldives continue to forge strong ties and it continues to be one of our most important development partners," says Qasim Ibrahim, minister of finance. "There is good feeling and a strong friendship with the Japanese, and their role in terms of investment in our

key sectors, fishing and tourism, cannot be underestimated."

On the verge of graduating from Less Developed Country to Middle-Income status, the Maldives is seeing growth in international trade at between 10 percent and 15 percent, while an open economy makes it an attractive place to invest, as well as relax, in. Opportunities exist across all sectors, "especially in financial services," Qasim notes.

Mohamed Jaleel, minister of economic development and Trade notes that substantial inward investment will be needed if the country is to reach its target of having 1 million visitors and 367,000 beds within two years.

The announcement in 2006 that 35 islands were being made available for resort development will go some way to achieving this. For more than two decades, this "one island, one resort" has been a unique selling point, with a record 675,889 tourists arriving in 2007, 12 percent up on 2006.

Sim Ibrahim Mohamed of the Maldives Association of Tourism



Qasim Ibrahim,
Minister of Finance
& Treasury

Industry notes: "Most people are looking for private islands with personal space. They have a love of beauty and nature. Other segments represent people that have a love of scuba diving, surfing and sailing. Asian tourists tend to be interested in the spa resorts, and this will be the most important segment to be developed over the next couple of years."

"We received 41,121 visitors from Japan last year and are hopeful the market will continue to grow."

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Minister of Tourism
& Civil Aviation



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Abdulla Mausoom of the Maldives Tourism Promotion Board notes how the Japanese are the country's fifth most important source market, conveniently filling the low season gap between April and October. Mahamood Shougee, minister of tourism and civil aviation says: "We received 41,121 visitors from Japan last year, and are hopeful that the market will continue to grow with the expansion of tourism to the new atolls."

While the Maldives offers internationally renowned brands such as Conrad, Four Seasons, Anantara and One & Only Resorts, there are many locally owned ventures too. The Villa Group, founded by Minister Qasim, is proprietor of five exclusive island/spa resorts and its 2,008 beds make up 12.4 percent of the country's total resort capacity. Michael Luible of



One & Only Reethi Rah, Maldives

www.oneandonlyresorts.com

the One & Only Resort's Reethi Rah describes how this hotel is suitable for Japanese tastes. "We offer the highest quality in terms of accommodation, operations, food, design, discipline, follow-up care and responsibility. We are a lifestyle luxury product, and the Japanese indulge in this."

Luible notes how the Japanese have a high level of culture and education and, as such, make excellent guests. "Our hotel was designed with them in mind, and we have made a huge effort to meet their standards and make them feel at home," he says.

Meanwhile, as the name suggests, the Island Hideaway provides privacy and exclusivity in the luxury segment. Situated on the uninhabited virgin island of Dhonakulhi, the resort offers a spa, marina, butler service and real peace and tranquillity on 1.4 km of land.

"This is one of the first resorts to be opened in the north of the Maldives, so there are many opportunities," says Managing Director Ahmed Hafeez. "The rooms are almost 30 meters apart from each other, so guests have a real feeling of privacy."

The country's three Anantara resorts also cater to the Japanese market. Each resort is interconnected and the complex offers more than 100 water bungalows. The Naladhu recently upgraded from a four- to a five-star resort and hopes to increase its occupancy levels from 75 percent to 85 percent this year.

General manager Adriaan Erasmus says: "The Japanese enjoy the exclusivity of the Naladhu, and they love our tailor-made service — we offer butlers, for example, and exclusive villas with separate pools."

Sustainable sashimi brings Japan and the Maldives even closer

In the Maldives, fishing is much more than a tradition; it is the main source of income for the population. When the sector was liberalized in 2001, Horizon Fisheries won the bid to purchase, process and market skipjack and yellowfin tuna. Adnan Ali, MD of Horizon, had worked in the state-owned fishery monopoly Mifco for 25 years before going private, and after winning the bid, Horizon Fisheries bought Mifco's cold storage facilities and expanded capacity with a state-of-the-art cannery that had a 100-ton daily output.

Japan is one of Horizon's main customers for frozen and fresh tuna for the

sashimi market, a market that is expected to grow when the company's new *katsuobushi* plant goes into operation next year. This traditional Japanese dried fish production facility, designed and implemented with Japanese experts, will have a production capacity of 15 tons of fish a day. Adnan stresses the achievements of the young company, in particular its commitment to quality. "We have been awarded ISO accreditation, both for our processes and our environmental management. All fishing is sustainable, done by pole and line, which is a major indicator for future partners," he says.

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Supplying Demand

The expanding tourism sector is having a significant effect on the islands’ infrastructure, “the backbone of future developments.”

Although it has pumped millions of dollars into infrastructural projects in the last few years, the government is calling for more outside investment to help keep up with demand. As Mohamed Mauroof Jameel, minister of construction and public infrastructure, says: “Infrastructure is the backbone of future developments—the correct structures and facilities must be in place to welcome future investments.”

A construction boom is under way, keeping local supply firms busy. Ismail Jumayyil Waheed, head of Nalahiya Trading Pvt. Ltd., says: “It has been a good few years for us and we plan to bring in as much material as we can to supply the new resorts under construction.”

Sea and air transportation are also being upgraded to provide the best network possible. A national harbor program is being created to ensure the key atolls have the facilities they need for fishing, while those with poor access are improved, and a plan to build 10 new airports is under way. According to Mohamed Saeed, minister of transport and communication: “A transportation system that is safe, cost-effective and fast is in the hands of the private sector.”

Like Nalahiya, the Maldives Transport and Contracting Company Plc. (MTCC) is also enjoying rapid expansion. Although it deals primarily with harbors, airports and real estate projects, MTCC’s contracting division has been involved almost exclusively in the new harbor projects in recent years. Ibrahim Athif Shakoor, managing director, explains: “In the

The correct structures and facilities must be in place to welcome future investments.

Mohamed Mauroof Jameel, Minister of Construction and Public Infrastructure

well maintained, and we have a core team of trained and committed staff that provides the engineering and construction skills needed.”

There is a “dire need for partnerships,” Athif says. “Dubai World is looking to set up an international port and five-star resort next to Hulumale. We are the leading company in the Maldives, but if we are offering ourselves as a contractor for a project of this scale, we need to have more to offer than we currently can. We know the Maldivian environment, and we have the experience. What we lack is the resources. We are 60 percent government-owned, which should give incoming partners a high level of confidence.”

MTCC is also involved with the building of five new airports, part of an immense expansion project

being overseen by the Maldives Airports Company (MAC). With air capacity slated to increase by 30 percent to 40 percent — 100 percent in some areas — over the next two years, 10 new airports have been planned. The airport at Gan has been upgraded to international status to lessen the load at Male’ International Airport (MIA).

As the gateway into the Maldives, the MIA has to be big enough to handle the predicted flow. Management at the MAC are very optimistic that in the next three years, they will have achieved their mission to provide the best airport service in the region.

Meanwhile, recent ICT developments mean the islands can be electronically linked to the capital Male’ via e-government and other Internet initiatives, thus reducing the need to travel to the capital. Maldivians are also being trained to run satellite public offices further afield.

Dhiraagu, the Maldives’ state-owned telecoms operator, has invested more than RF1.6 billion in technologies and infrastructure and will see a further RF700



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Hussain Hilmy, Minister of Fisheries, Agriculture & Marine Resources

million coming in over the next three years. Ismail Rasheed, Dhiraagu’s CEO, says: “We have 95 percent penetration, and hope to reach 100 percent in 2008. Last year, we established our first international submarine cable to Sri Lanka (with the help of Japanese company, NEC), which has improved connectivity substantially. Investors can therefore rest assured that despite being on tropical islands in the middle of the Indian Ocean, they have the same world-class service as any metropolitan city.”

Technology is also a key feature of the Maldives’ second-biggest economic pillar: fisheries. In a bid to modernize the industry, the government has

introduced a satellite tracking system to help local fishermen find fish more easily and save on costly fuel consumption. Along with a tradition of pole and line fishing, the country has allowed the industry to avoid aggressive fishing, and it prides itself on sustainable and more environmentally friendly methods, which attract a better

market price. Japan has been a key element in the industry’s development. “We would like foreign companies to help us develop in a way that does not take the livelihoods away from our rural population,” Hussain Hilmy, minister of fisheries, agriculture and marine resources, says.

The fishing sector has been open for four years, yet despite increased competition, state-run Maldives Industrial Fisheries Company Ltd. (MIFCO) has benefited from streamlining its management and operations.

“Our catch has grown from 25,000 tons to 72,000 tons since the liberalization. Competition has made us more productive,” says Mohamed Adil Saleem, MIFCO’s MD. Fifteen percent of that was yellowfin tuna, of which Japan is the biggest importer.

The company also processes *katsubushi* specifically for the Japanese market. “It is a small part of our total production, less than 400 tons, but we have plans to double capacity over the next two years,” says Adil. The company is working with the Japanese to develop *katsubushi*

plants, and is looking for financial and technical assistance from large international corporations in the market.

EcoFisheries, a private limited fishing company, is also looking for Japanese partners to help it incorporate *katsubushi* into its expansion portfolio. Ahmed Hamza, manager, says: “Foreign technical knowledge is crucial for our future development.”

The company is proud to maintain its image as an eco- and dolphin-friendly exporter, and actively promotes sustainable fishing across the globe.

Water company brings winning products and services on stream

The Male’ Water and Sewage Company Pvt. Ltd. (MWSC) was established on 1st April 1995 with a mandate to design, develop and manage an efficient and cost-effective public water supply and sewerage system for the Maldives’ capital island Male’.

A private company, formed through a joint venture between a Danish company and the Maldives’ government, MWSC supplies a third of the Maldives’ population with fresh drinking water and its mission is to supply a sustainable, affordable and environmentally friendly service and improve the quality of life for all islanders. “We are expanding progressively and we want to continue establishing operations on other islands,” says Mohamed Ahmed Didi, MWSC’s managing director.

MWSC has not only grown in capacity to produce, distribute and manage public water and wastewater supply systems, but it has also ventured into

the provision of the trade and servicing of water and waste water appliances, for the population at large and also for the resorts. As Didi says: “Increasing prices is not an option for us so the only way to raise revenue is to expand into other sectors in the market.

“We work as consultants and information providers for resorts needing expertise on how to have the most effective water systems. So far we have worked with three resorts and have three contracts with the government to provide waste water systems on other islands. We hope to become the first solution for resorts seeking advice on how to implement water and waste distribution systems on the islands.”

Along with a subsidiary company, MWSC also produces the TaZa brand of mineral water, popular with both locals and tourists, which has gained around 30 percent of market share in just a few years.

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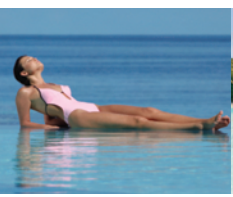
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