



THE MALDIVES

The jewel of the Indian Ocean entices investors

Warm welcome to paradise

With an ambitious government privatizing state-owned enterprises and seeking substantial foreign investment, the Maldives is set for major economic success as greater transparency and new regulatory controls create the perfect climate for Japanese investors.

Universally recognized as one of the world's most beautiful countries, the Maldives is entering a golden era as its ambitious government invites investors to explore a wealth of investment opportunities.

Comprising a chain of nearly 1,200 coral islands, the palm-fringed country has always been popular with tourists and honeymooners, thanks to its perfect beaches, warm turquoise waters and laid-back lifestyle.

While tourism is undoubtedly the strongest and most lucrative industry, other key sectors consist of fish processing, shipping, boat building, coconut processing, handicrafts, and coral and sand mining.

Japan is one of the country's main export partners, along with Thailand, France, the U.K., Sri Lanka, Algeria and Italy. Foreign enterprises operate successfully in sectors like air transport, resort management, manufacturing and accounting, but there is still plenty of untapped potential for foreign direct investment (FDI).

The country's unique natural beauty and marine ecosystem attract more than 600,000 tourists per year, with the majority staying on one of the 80 exclusive "resort islands," having first arrived at the international airport in the capital Malé. These impressive numbers have helped the economy record average annual growth of 8 percent over the past decade. The Maldives' young and highly literate workforce is one of its key assets for future growth.

Since the democratically elected government of President Mohamed "Anni" Nasheed came to power in November 2008, officials have set a number of strategic goals to reform the nation's regulatory framework and increase its social and economic



development. The blueprint aims to develop the country in a sustainable manner, boost living standards, diminish the gap between rich and poor, and provide free health care and basic pensions. However, a hefty budget deficit left by the previous administration means the Maldives is actively seeking partnerships with foreign private-sector companies in order to meet these targets and improve the quality of life for its 360,000 citizens.

"Our aim is to secure investments worth at least \$500 million to achieve these objectives," says President Nasheed. "We want to improve the quality of life for Maldivians and implement changes as quickly as possible. We are asking the international community not to give money to the government but to invest in the Maldives through the private sector."

"We might be a small country, but we cover a large area, and can provide a stable and safe environment in the Indian Ocean."

The Nasheed administration has embarked on a decentralization process to strengthen good governance and local democracy by dividing the country into seven regions. The plan will use the private sector to provide many local services, with joint ventures formed with international strategic partners in areas including real estate, utility networks and transport.

Officials are particularly interested in investments that are capital intensive and environmentally friendly, and that

"We want the international community to invest in the Maldives through the private sector."

Mohamed Nasheed, President

"There is a lot of potential here for Japan. It can use us as a bridge to Europe."

Mohamed Rasheed, Minister of Economic Development

enhance transfer of technology while introducing new skills. The government is also setting up special economic zones, industrial areas and incentives it hopes will act as a catalyst for FDI, and help diversify the economy into sectors such as shipping, offshore banking and ICT.

Economic Development Minister Mohamed Rasheed confirms that the government wants less involvement in the private sector, and instead wishes to act as facilitator and market regulator while bringing complete transparency to the system. "The government should only be making policies, evaluating and regulating," he says. "I see decentralization as a way to move forward. I believe there is a lot of potential here for Japan and I would like them to be investment partners now that we are looking into technology transfers. They can use the Maldives as a bridge to Europe."

Foreign investors, irrespective of their size, are encouraged to develop operations in all sectors. Major multinationals such as banking conglomerate HSBC, and accountancy giants Ernst & Young and PricewaterhouseCoopers are strongly established there.

Invest Maldives is a government agency entrusted with promoting, regulating and licensing FDI across the nation. It offers help and advice to investors, and its efforts to speed up the registration process mean companies can often commence operations in just two weeks.

"Invest Maldives is a one-stop shop for all investment coming into the Maldives," explains Mohamed Adil Saleem, minister of state for economic development. "If an investor comes to us, then Invest Maldives will take care of all their concerns



One&Only Reethi Rah, Maldives

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and help them find a partner for joint ventures if they so wish. We want to open up sectors such as transport, real estate, health care, education, airports, broadcasting and entertainment, plus the utilities, including gas, water and sanitation.

"We are trying to speed up this process and the whole investment system is now very transparent, with government projects no longer receiving preferential treatment as they did under previous administrations."

The State Trading Organization plc. (STO) is a public company that was initially founded to maintain food security but now has subsidiaries in construction and electronics.

Currently under privatization, it has begun operations in the tourism arena and is building two city hotels, with a convention center in the pipeline.

The entity runs an international trading company in Singapore and is seeking strategic partners across its complete spectrum of activities in order to privatize its different divisions.

"We are the main importers and suppliers of staple foods to the country," says STO Chairman Farooq Umar. "We are also responsible for providing energy security because we are the main importer and distributor of oil and fuel."

"We are very interested in developing a good relationship with Japan and are looking for FDI in hotel development as well as our commodity operations in Singapore. STO is most

"We want to open up sectors such as transport, real estate, health care, education, airports and utilities."

Mohamed Adil Saleem, Minister of State for Economic Development

"We want to develop some of our uninhabited islands and lease them to interested parties in the fisheries sector," states Ibrahim Didi, minister of fisheries and agriculture.

"The Japanese were instrumental in starting the fisheries sector in the Maldives and although we mainly export to Europe, there are some exports going to Japan."

State-run Maldives Industrial Fisheries Co. Ltd. (Mifco)

advantage of government plans to promote local fish products as a premium brand in global markets. The company's current production capacity stands at around 75,000 tons per year and it employs hundreds of local people in a range of roles.

"We are investing in a fresh fish plant and a 'katsubushi' [a fresh, chilled tuna popular in Japan] plant in Addu to coincide with plans to upgrade the airport there and the nearby development of a regional harbor," says Mifco Managing Director Ali Faiz. "To remain in a strong position we have to do a lot more marketing and be aggressive while doing business. We have plenty more capacity yet to be developed."

President Nasheed agrees: "We feel there is a lot of room for diversification in the fisheries industry and other ocean-related sectors as our marine resource base is very high. The Japanese know this and we export a lot of our yellowfin tuna there. We encourage Japanese investment in the fisheries sector in packing, processing and shipping to Japan."

produces and markets niche-branded, and internationally accredited Maldivian-origin products to Europe and Asia, with Japan, Thailand, Sri Lanka, Germany, France and the U.K. the main markets.

It has several production bases, and plans to diversify into aquaculture and mariculture. Mifco is well placed to take



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Gorgeous islands' golden future

Public-private partnerships are the driving force behind a dynamic development plan to boost living standards and power growth.

Housing, transport and the environment form key pillars of the government's economic and social development plan, which is good news for bustling Malé — currently one of the world's most densely populated cities. A severe housing shortage emerged after the 2004 tsunami when many people fled some of the smaller islands to live in the capital. Demand for housing is so great that Malé is now one of the most expensive places in the world for accommodations — higher even than Singapore.

Officials in the capital have unveiled plans for a \$500 million project to build 10,000 new homes in other parts of the country to relieve pressure on the capital. Work is due to get under way later this year and 20



percent of the new residential developments will be set aside for people from the lower income categories.

"The housing project that we envisage — a public-private partnership — will offer many investment opportunities," says Mohamed Aslam, minister of housing, transport and environment. "We are open for business and welcome investment from Japan. The Japanese have been heavily involved in development projects and we are sure this excellent relationship will continue to strengthen. We need to

develop our human resources, and research and development sector. The Japanese understand this and could play a role."

The ministry is also seeking partners to develop a comprehensive and sustainable public transport system in the atolls. The network would be divided into the seven regions drawn up under the government's new plan, and each region would have between 20 and 50 ferry terminals. Successful investors will be granted appropriate concessions and offered a package of incentives.

One of the potential issues facing the Maldives is rising sea levels from climate change. The majority of its terrain is only 1.5 meters above sea level. As part of the government's strategy to

"The tourism and fisheries sectors are growing very strongly — there is a lot of potential for investment."

Mohamed Amir,
Managing Director,
Maldives Airports Co. Ltd.

go completely carbon neutral within a decade, solar- and wind-power facilities are set to replace more traditional methods of power generation. "We want to become a showcase for renewable energy," states President Mohamed Nasheed. "We are seeking joint-venture entrepreneurs to come and invest in our energy sector, however, we would prefer alternative energy sources like solar, wind and waves. We know the Japanese are global leaders in the renewable energy sector, so it would be interesting to increase cooperation in this field."

Undoubtedly, one of the country's most important companies is Maldives Airports Co. Ltd. (MACL), which runs Malé International Airport — the key gateway to the nation and a busy domestic transport hub. The airport is seeking a joint-venture partner to help grow its passenger and cargo operations, develop an extra runway, and reclaim land from the sea on nearby Hulhumalé Island, which will be turned into space for warehousing and storage.

"The importance of this airport is the international link that we offer, and the supply of guests and goods to various resorts," MACL Managing Director Mohamed Amir tells *Global Insight*. "The amount of imported goods that we need here is huge. The amount of

products exported has also increased tremendously over the past few years."

Amir believes more leading global airlines will soon be offering travelers from further afield the chance to take holidays and relaxing breaks in the archipelago. "During high season, we have up to 25 international airlines at the airport, plus a fair number of private jets," he reveals. "We expect to see more flights from China, India and the United Arab Emirates. Our airport has the busiest seaplane operation in the world, with 450 movements daily. The Maldives is definitely opening up, and has a lot of potential for development and investment."

Established in 2008, Maldives Ports Ltd., previously the Port Authority, is wholly-owned by the government and handles around 50,000 containers per year. Up to 90 percent of all imported goods pass through its facilities and operations. As in the case of the international airport, ministers plan to privatize its operations through a public-private partnership in order to increase investment and boost efficiency. Mahdi Imad, managing director, says: "The ports are very important socially, politically and economically. They are a very profitable operation and would be a mutually beneficial joint venture for private investors."

Aviation & ICT set for takeoff

Air travel is a key ingredient of the Maldives' economy while the ICT sector is flourishing.

The Maldivian government has a very liberal policy when it comes to the civil aviation and telecommunications industry as it looks to open up its markets and benefit from strategic partnerships.

The Ministry of Civil Aviation and Communication is involved in the development of the international and domestic airports, and advances in the ICT sector and infrastructure on hundreds of islands.

"We are interested in finding a Japanese carrier that will fly to the Maldives," said Mohamed Jameel Ahmed, former minister of civil aviation and communication, who was succeeded by Mahmood Razee in May. "We see great potential in this market and are working with the Japanese authorities to finalize a deal. The tourism sector has been a very prosperous one for many years because our aviation policy has always been extremely liberal."

Very few countries in the world face such challenges as the Maldives when it comes to installing a decent communications system and network. However, such tests are being overcome and the sector is prepared for liftoff.

One major project currently being implemented is e-govern-

international partnerships to help it develop.

At the forefront of the nation's aviation and associated tourism sector is Island Aviation Services Ltd., which operates its airline under the Maldivian brand. The company is owned by the government and operates a fleet of turboprop aircraft. From next year, its regional route map will include foreign destinations such as Dubai and Bangalore when it buys several jet aircraft to increase its range. Core businesses include cargo, ground handling and engineering services.

Maldivian has 120 staff in positions such as pilots, cabin crew and support crew, and around 90 percent of the workforce is local.

"We operate around 10,000 domestic flights a year and receive excellent feedback from Japanese visitors because we are always on time," says Maldivian Managing Director Bandhu Saleem. "We have stable domestic operations and are continuing to invest in our employees, with 2.5 percent of total annual turnover spent on staff training."

Meanwhile, one of the country's oldest enterprises, having been founded in 1906, Maldives Post plays a vital role in trans-

The ICT sector in the Maldives looks set to thrive in the long term, especially if the government can find and form international partnerships.

ance, an initiative that will link government functions via ICT networks within the different atolls.

The government also hopes to provide free Internet to schools throughout the country by the end of this year. According to the ministry, there is a lot of entrepreneurship among young Maldivians in the ICT sector, which looks set to thrive in the long term, especially if the government can find and form

actions and communications between individuals and businesses. While its core focus is on postal services, current supplementary operations include money transfer, retailing, cargo and financial services. The company also plans to transform its postal outlets into one-stop service centers that will offer customers a range of payment and postal savings services across its extensive branch network on the many atolls.



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Tourism is key to success

The Maldives' sun-kissed shores and crystal-clear waters are a dream destination for any vacationer. Its tourism industry is thriving and in response, new luxury resorts and hotels — most of them foreign owned — are opening monthly as record numbers of visitors enjoy the country's stunning natural beauty, high-class hospitality and friendly welcome.

Tourism remains by far the strongest sector of the Maldivian economy, with more than 683,000 tourists staying at its wide selection of 94 resorts and 13 hotels in 2008 — a 1.1 percent increase from the previous year. Asia is the country's second-largest source of tourists, with 146,000 visiting in 2008, up 0.8 percent from 2007. The average duration of stay jumped to 8.8 days last year, from 7.8 days in 2007, as visitors continued to enjoy the islands' stunning natural beauty. Up to 15 new resorts and hotels are slated to open in the next year.

While many tourists focus solely on the beaches and turquoise-water lagoons, the Ministry of Tourism, Arts and Culture plans to showcase the country's rich 3,000-year history through heritage tourism. A national institute for tourism research is being launched to monitor and evaluate changes in the global tourism market so that the Maldives remains a leading destination.

"Tourism is the only organized industry in this country and it was the strength and vision of pioneering entrepreneurs that generated a boom in the sector," says Ahmed Ali Sawad, minister of tourism, arts and culture. "Our country is known for its beautiful beaches, but we also have an ancient



history with several heritage sites that we hope to excavate. I feel that Japan is more than just a market — it is also a partner to the tourism sector. We are trying to promote ourselves to the Japanese in different ways so that we can offer them something fresh and attractive."

Boasting five island resorts with more than 1,000 rooms, Villa Hotels is the largest hotel

has established marketing and sales offices in major cities such as Tokyo, Hong Kong, London, Frankfurt and Zurich as it looks to strengthen its position amid competition from global hotel groups.

"I think it's good for our company and the country that international hotel chains are coming as it puts the Maldives on the map, and we will benefit from that," says Ibrahim, who founded Villa Shipping and Trading Co. Pvt. Ltd. in 1986. "I have done a lot of business with the Japanese during my career, and am honored and privileged

have left it alone," he states. "We would like to privatize and encourage international ventures to come as we believe they can easily make a 12 percent return in some sectors."

Such potential has certainly attracted the attention of leading Hong Kong-based luxury hotel group Shangri-La Hotels and Resorts, which has invested millions of dollars in a breathtaking deluxe resort. The resort will blend large water villas on stilts with more traditional luxury accommodations amid 17,000 coconut trees on Villingili island. The gorgeous resort represents the Maldives' first luxury resort south of the equator, with the ambitious development located on an atoll three kilometers long and 600 meters wide.

"The island is truly stunning," says Shangri-La's Villingili Resort & Spa General Manager Jens Moesker. "We have 60 water villas, we have beach villas, we even have tree villas 3 meters off the ground. We also have quite an advantage with Island Aviation as our main carrier, as this allows our guests to fly to the resort the same day, rather than spend the night in the capital."

The brand-new five-star luxury resort of Prestige Vadoo has been designed according to authentic Japanese culture,



Shangri-La's Villingili Resort & Spa, Maldives

www.shangri-la.com

style and tastes. Only accessible by boat, Vadoo consists of 50 water villas that set new standards in luxury through a combination of excellent facilities, state-of-the-art technology and outstanding service. The resort is run by Sri-Lankan company ADAARAN, part of blue-chip giant Aitken Spence. "This is the first hotel in the Maldives designed specifically for the Japanese," Harry Jayawardena, Aitken Spence chairman explains. "We conform exactly to Japanese culture and tradition as seen in the concept of the rooms, the menus and the personnel. It is the Japanese that will make this resort a success in the paradise of the Maldives."

"Our luxury resort conforms exactly to the culture and tradition of Japan."

Harry Jayawardena,
Chairman, Aitken Spence

Luxury hotel group Turquoise Pvt. Ltd. is run by locally owned company Lily Hotels Pvt. Ltd. and operates two top hotels in the Maldives — Island Hideaway and Lily Beach Resort & Spa. "Given the variety of wonderful resorts in the Maldives, the challenge was to create unique experiences within the luxury segment," says Ahmed Hafeez, managing director of Lily Hotels.

"We have successfully produced two luxury resorts under the Turquoise Experience marketing umbrella to offer the discerning customer a unique Maldivian luxury experience.

"At Lily Beach Resort & Spa, we have introduced a premium all-inclusive Platinum Plan that is the first of its kind in the Maldives. Given the current turbulence worldwide, this product is the perfect answer for clients looking for absolute value."

Also in the high-end range, and created exclusively for the luxury resort market, One&Only Resorts are seen as hallmarks of excellence. The company's Reethi Rah development was recently voted the world's best resort by readers of a leading travel magazine. The resort has the perfect mix of water villas and beach villas.

This report was produced by Global Insight. It can also be read online at www.japantimes.co.jp/international-reports

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