

Maldives

PARADISE RE-OPENED

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Ocean Jewels

Optimism is perhaps a necessary characteristic for a nation which, on average, stands just three feet above sea level. For the Maldivians, positive buoyancy is a state of mind; an attribute which renders the nation both resilient and progressive.

The 1,192 islands that pepper the Indian Ocean and make up the country are the summits of gigantic undersea mountains, whose highest point reaches only eight feet above the shoreline. Yet it is this precarious and unusual geographical structure that saved the Maldives from far greater damage when last year's tsunami swept rapidly through the atolls. While the Maldives was the only country to be affected nationwide by the disaster, the recovery – both in terms of infrastructure and tourism arrivals – has been swift.

We want our economy to be diversified to provide more opportunities for foreign investors ...

We want to create an atmosphere conducive for people to come and work here and to invest here

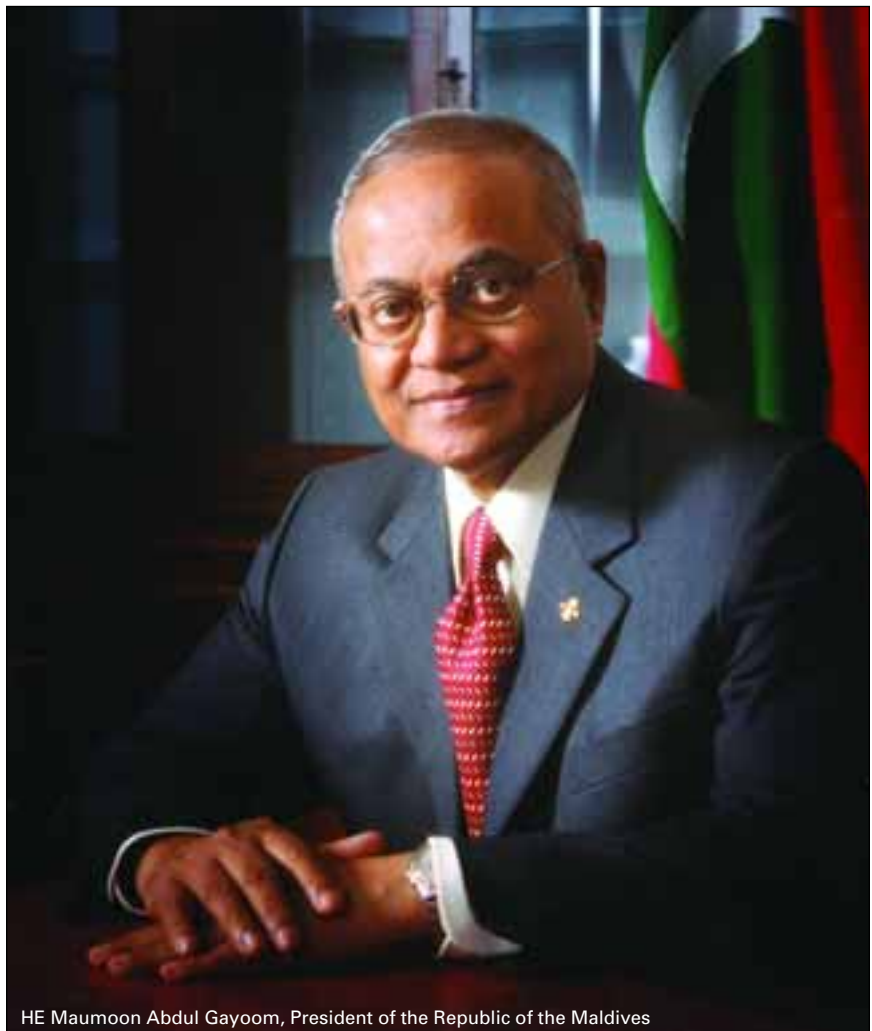
Today, the Maldives stands virtually peerless as the ultimate tropical island paradise destination. Nevertheless, the events of last Christmas highlighted the extent to which the country's fate rested on the whims of the international travel market and the consequent need to diversify the economy.

President Maumoon Abdul Gayoom takes up the point: 'Based on our Vision 2020 program, we want our economy to be diversified and to provide more opportunities for foreign investors to come here. We want a strong private sector and we want to create an

atmosphere conducive for people to visit, work and invest.'

The immediate priority, according to Finance Minister Qasim Ibrahim, 'Is to build upon the tourism industry. The Maldives has hundreds of uninhabited islands and this is something that could be explored by foreign investors.' President Gayoom says: 'We already have 87 resort islands functioning at the moment, and we have awarded contracts to build another 11'.

The Maldives' unique geography lends itself to such a rapid development of visitor numbers and market breadth



HE Maumoon Abdul Gayoom, President of the Republic of the Maldives

Cover Photo: Caroline Von Tuempling

without the usual risks that befall other tourism hotspots. While other destinations have seen growth of the mass-market dilute the luxury-end product, the Maldives' 'one-resort-one-island' strategy effectively eliminates the danger of overcrowding. At the same time, since each resort is quite literally an island unto itself, developers are able to sculpt an experience which caters to a highly targeted clientele. Every island is a miniature template of paradise, where pristine white beaches, turquoise waters and coral reefs come as standard. From this blank canvas can emerge an energetic bustle of activities for young visitors and group tours, or a luxurious and intimate getaway.

NATIONWIDE IMPACT

The consistent economic progress, which the Maldives has enjoyed for the past 25 years, has suffered due to the tsunami. As President Gayoom points out, taken as a whole, the Maldives was more affected than any other country. 'We lost 62% of our GDP in one day,' he said, 'and our losses have been estimated by the World Bank at around US\$470million, whereas the Maldives' total annual budget is roughly US\$400million.'

Minister of Foreign Affairs Dr Ahmed Shaheed says, 'My biggest priority is to mobilize funds for the tsunami recovery. Although the international media found few stories to compare what happened in Indonesia and Sri Lanka, the reality is that we are the only country to have had a nationwide disaster. We are talking about economic growth going from 7% to negative 3%.'

However, the tourist industry has recovered rapidly, with arrivals already back up to their pre-tsunami level of 600,000 a year. Many resorts have taken post-tsunami reconstruction as an

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opportunity to refurbish and upgrade, and the Minister of Tourism, Dr Shaugee, hopes to see tourist arrivals exceed one million in the near future.

INFRASTRUCTURE INVESTMENT

Tourism is recovering fast. Mohamed Jaleel, Minister of Economic Development and Trade, sees infrastructure industries such as ports and airports as 'equally important areas where large foreign investment can play a very significant role, because they provide the capacity for other sectors to grow'.

Finance Minister Qasim Ibrahim sees the Maldives' geographical position having huge potential as a transshipment point, with warehouses, fuel storage or refineries. 'There are major environmental issues that need to be taken into consideration', he says, 'but the Maldives could become a significant trading post for East-West trade'.

FISHERIES DEVELOPMENT SUCCESS

The fisheries sector emerged from the tsunami relatively unscathed. It currently represents the second largest contributor to GDP, but President Gayoom believes it could do more: 'Strengthening the fisheries industry is a priority for us'.

Clearly, fisheries represents a promising avenue for sustainable development and the President is mindful of the need to preserve this valuable resource. He is also keen to encourage investment in garment factories and other manufacturing, as well as expanding the hospital and pharmaceutical sectors.

ATTRACTIVE INVESTMENT

In light of these opportunities, the government is keen to exhibit that which makes the Maldives an attractive investment destination. Mr Ibrahim points out, 'The Maldives is a financially free country. There is no foreign exchange regulation here; anyone can take in or out any amount they want, and there is no income tax or tax on profits, only import duty.'

Establishing 'a swift and quick foreign investment facility is a priority', says Mr Jaleel, and it should be in place by early 2006. He emphasizes the need for 'financial-sector development as a catalyst in minimizing development risks, so that business enterprises can have improved access to long-term capital'. Mr Jaleel points out that the Maldives 'has managed its external debt very well, maintaining relatively stable low levels over a long period – no more than 5% with respect to net exports of goods and services, which is a very healthy level for a developing country'.

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Connecting the Dots



Photo: Jay Scott

The Maldives depends crucially on communication to bind together its many scattered islands – presenting infrastructure service providers with a testing operational environment.

Many of the key amenities of modern life – ATMs to provide ready cash, for instance – have arrived in the Maldives only recently. And this is in large part thanks to close co-operation between the Bank of Maldives and the leading telecoms provider, Dhiraagu.

Dhiraagu is 55% owned by the Maldivian government and 45% by Cable & Wireless.

As CEO Ismail Waheed points out, 'Dhiraagu provides most of the services which any fully-fledged telecoms company provides. That includes fixed-line services, internet and data, and mobile services. In terms of revenues', he says, 'internet is still very small at 5 to 6%.' However, Dhiraagu sees enormous potential for internet services once market penetration reaches critical mass.

For the present, fixed-line and mobile services contribute the bulk of revenues, with mobile being by far the most predominant. 'Market penetration for mobile is about 45% for the total population', says marketing manager (mobile) Mohamed Fahir. 'But if you look at the address book market, which is aimed at children, then it is over 70%.'

NETWORK COVERAGE

'Dhiraagu currently has a mobile network coverage of 85%, reaching all the major islands,' said Randolph Angell, head of mobile. 'We have coverage in all of the atolls. Wherever there is a significant population, we have coverage.'

The company is focused on delivering quality service and adopting innovations only when they are truly of use to the customer. 'We are very much looking into multimedia applications for the next generation of handsets', says Mr Waheed, 'both for data and voice services.' It is also restructuring the previously prohibitive roaming tariffs to encourage more foreign visitors to use their mobile phones while on holiday.

Just recently it has had to start competing with mobile market newcomer, Wataniya, whose aggressive marketing is rapidly winning customers. 'Although we only really entered into competition five months ago, we have been behaving as though we were in competition for three years', says Mr Angell, 'and have been progressively reducing our tariffs'.

The next stage of market growth depends on the fiber-optic cable link from Sri Lanka, which represents a major investment for the future. 'We are finalizing a deal', says Mr Waheed, 'and hope to finish the cable sometime late next year. It will improve the quality and speed of the services we provide, and be reflected in our tariffs due to the difference in cost between satellite and cable.'

ELECTRONIC BANKING

Dhiraagu has been closely involved with the Bank of Maldives in opening up

Internet is still very small at 5 to 6%. However, there is huge potential for internet services once market penetration reaches critical mass

The entry of HSBC brought a truly global player to the Maldives

electronic banking. It was the first bank to start rolling out ATMs and issuing debit and credit cards to its customers. It remains the sole issuer of Amex and Visa and has a far wider network than any of its foreign-owned rivals – advantages which its Singaporean-born CEO, Serene Ho Oi Kuen, is eager to capitalize upon.

'I want to build alliances to distribute insurance', she says, 'and create insurance awareness as well as savings awareness in the Maldives. Insurance is important, and the tsunami has made people realize this.

'Another important area', she adds, 'is what we call the micro-financing developing bank center'. This is aimed at atolls away from Malé, whose economy is based on fishing rather than tourism and services, and has government support. 'Micro-financing is accessed through concessionary funds from EFA and OPEC, it being of benefit both to the economy and society as a whole.'

INTERNATIONAL INVESTORS

The Bank of Maldives counts most of the largest corporates among its clients and is currently looking at an international capital-raising exercise. 'There is great room to increase the domestic capital', says Ms Kuen, since there is already 'a high level of domestic liquidity.' The bank has been working hard to improve access to international lines of credit, including the standby money market and trade confirmation lines that it did not have previously.

It sees its corporate mission as 'serving the nation', and champions the value of integrity, innovations such as e-commerce, respect between staff and customers, clarity of communication, and quality of service. In other words, it remains very much 'the people's bank', playing an integral part in the development of this island nation.

FORGING BUSINESS RELATIONSHIPS

While there has always been competition from foreign-owned banks, the entry of HSBC nearly three years



Photo: Brian Knuts

ago brought a truly global player to the Maldives. Rather than build a branch network from scratch, HSBC is focused on forging business relationships and electronic banking in the retail sector.

'Our system can connect customers who are scattered all over the Maldives on a 24-hour basis', says Sarath Weerakoon, HSBC's country manager, 'and we were the first to introduce global ATM services connected to our group network'.

Mr Weerakoon declares that HSBC's policy in the Maldives has been inclusive, encouraging all the financial services players to work closely together for the good of the islands. 'We have developed a Maldives banking forum where all the other bank managers get together every month to discuss how to develop financial services and keep advising the government about the issues we face. Although we are competing for business, we are also united in our ambition to contribute and develop the Maldives' economy.'

ALTERNATIVE OPPORTUNITIES

Among larger clients, Mr Weerakoon is targeting 'government trading houses and private establishments – particularly resorts, import and export companies, and tour operators, though we also have small and medium-sized customers involved in

general trading or fish exports'.

'We are offering them solutions to their working capital requirements, straight finance and, in some cases, structured finance. We are also involved in the financing of the new airport on Gan Island that is scheduled to open shortly.'

New offerings include linking up to HSBC internet trade services. As the Maldives enters more fully into the digital age, connectivity and the pace of change in both banking and telecommunications are going to take a quantum leap.

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Huvafen Fushi Dream Island

The Maldives is renowned for its unique island resorts, which combine calm and natural beauty with stylish luxury and world-class service; but with Huvafen Fushi – the recently redeveloped property run by Per Aquum – this winning formula has been taken to a new level.

IDYLIC SETTING

Set within its own lagoon amidst the Indian Ocean, Huvafen Fushi is an example of how thoughtful design can be dedicated to enhancing the tranquil pleasures of life. It is sensitive to the sustainability of the island's natural beauty and resources, yet at the same time shows imaginative verve – its Aquum Spa being the first in the world built underwater.

Huvafen Fushi is hidden away in North Malé Atoll and offers complete



privacy and a sense of returning to nature. Its white-sand walkways snake through virgin vegetation, linking the guests' luxurious bungalows and pavilions with the resort's expansive living and dining areas.

LUXURIOUS FACILITIES

In total there are just 43 guest bungalows, each of them equipped with its own private plunge pool and open-air bathroom, plasma screen/DVD player and Bose surround-sound system. All are decorated combining a minimalist contemporary design with Maldivian style and comes complete with 24-hour 'Thakuru' butler service.

GLOBAL CUISINE

There are three restaurants – the main bar 'Salt' hangs over the water,

'UMbar' offers minimalist chic and designer cocktails, while 'Vinum' occupies the cavernous underground wine cellar – whose cuisine ranges from Mediterranean to vibrant South East Asian. Besides which there is a yoga pavilion, over-water gym, PADI diving and other water sports. Huvafen Fushi means Dream Island in Maldivian – need we say more?

Huvafen Fushi is an example of how thoughtful design can be dedicated to enhancing the tranquil pleasures of life

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Maldives: Luxury Specialists

As a tourist destination, the Maldives is unmatched. A low-lying string of coral atolls that epitomize most people's idea of a tropical paradise. They offer palm-fringed, powder-white beaches and spectacular diving – all within easy flying times of Europe and East Asia.

As Dr Shaugee, Minister of Tourism, puts it: 'This is a place like no other in the world. We have been blessed to have such beautiful, pristine, clear, unspoilt islands that are just like gems in the Indian Ocean. The word 'Maldivé' is a Sanskrit word that means 'a necklace of jewels', and when you look at the Maldives on a map, it is almost like a necklace of jewels – with the deep blue Indian Ocean, the white beaches and the lagoons. It is just amazing.'

Tourism is absolutely vital to this island nation's economy. When support services and infrastructure are included, tourism has contributed nearly two thirds of total GDP and an even higher proportion of foreign exchange earnings. For which reasons new developments are subject to strict planning, environmental and licensing controls.

In most cases, licenses are only granted to develop uninhabited islands – of which there are more than a

With the deep blue Indian Ocean, the white beaches and the lagoons, it is just amazing



Photo courtesy of Crwon Tours

thousand – so as not to disturb the local population and traditional culture. Lease periods are currently limited to 25 years by the Maldives' constitution, or 35 years if the initial investment is US \$10 million or more, but the government is considering extended leases to appeal to larger investors.

EVERY RESORT HAS ITS OWN ISLAND

Mass-tourism has been deliberately avoided. There are no high-rise hotels or congested beachfronts. Instead, as Mohamed Umar Maniku, one of the pioneers of Maldivian tourism, points out, there evolved 'the unique concept where every resort has its own island.'

Mr Maniku founded Universal Enterprises, which operates half a dozen different island resorts, back in 1972. 'Each resort is like its own town', he explains. 'It has its own communication and transport system.' Most resorts also have their own electricity and water treatment services. In fact, once they have been leased from the government,

resort islands operate very much like 'Little Venices'. They are self-contained city-states that bring in everything – from revenue-generating guests, to staff and supplies – from outside. This is part of the reason why resorts, faced with high running costs and the need to squeeze value out of every square foot of space, are tending to position themselves upmarket. While this has resulted in a portfolio of products skewed towards the top end, it has also made the market highly adept at providing visitors with a seamlessly luxurious experience.

Transferring arrivals to far-flung resort islands from Malé's international airport, for now the only long-haul entry point, is either by the resort's own speedboat or water-taxi for islands within easy reach; or, if they are more distant, by seaplane. A.U.M. Fawzy, of Maldivian Air Taxi, is proud to head up the world's largest commercial seaplane operation with 'staff strength of about 300'.



'Two years ago' Mr Fawzy says, 'we had 18 aircraft, but last year, due to the consequences of the tsunami, we were forced to reduce the number of flights. With business looking good, we plan to increase the fleet to 21. We have a cozy terminal with seating capacity of 750 to keep our passengers comfortable until they board their flight, and a separate area to accommodate the VIPs.'

Mr Fawzy is proud of his company's safety record and maintenance standards, which he believes 'provide a differentiated product to that of our competitor, TMA. Our focus is more towards the traveller not wanting to compromise on the quality and comfort of service. Most VIPs, if not all, choose to travel with us.'

Island resorts operate like 'Little Venices': self-contained city-states that bring everything in from outside



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FUTURE DEVELOPMENT

But seaplanes do not have sufficient range to reach the more distant, and so far undeveloped, atolls, particularly in the south, and various options for creating new airports or upgrading existing domestic ones are being considered. 'In the future', Ahmed Ali Maniku, Managing Director of the Maldives Airports Company, predicts: 'the government and the private sector will develop smaller airports in the zones with the most tourist traffic, from where there will be transfer to the main areas.'

Because of these logistical constraints, tourism has previously radiated out from the capital Malé and its international airport. And while international luxury groups such as Four Seasons, Hilton, Taj and Banyan Tree are now an intrinsic part of the Maldives' tourism offering, most of the earliest resorts were founded by Maldivians themselves – many of whom combined trading and shipping activities with running island resorts.

Ali Shiyam of AAA Resorts is not atypical. 'Originally it was a trading business, though now we have four



Ahmed Siyam Mohamed,
Chairman, Sun Travels & Tours

We have more or less maintained an average of 90% occupancy all year round. It fetched us the national award for 'highest occupancy' in the Maldives for 3 years in a row

resorts – two medium and the others top end. Medhufushi is a five-star resort but prices are about 20-25% lower than the top brands like Four Seasons and Banyan Tree, so we are able to fill it without great difficulty.'

RAPID GROWTH

Others, like Sun Travels & Tours, started out as tour operators before moving into the hotel business. 'We started in the travel business in 1990 and only built our first hotel in 1998', says Chairman Ahmed Siyam Mohamed. Nowadays its Vilu Reef Beach & Spa Resort has 180 beds, while a second resort, Olhuveli Beach & Spa Resort, adds another 265 beds.

'Altogether we have over 800 employees', says Mr Siyam Mohamed, 'with a company turnover of about \$45 million'.

'We work with a lot of tour operators from around the world', he explains, 'and as there is such a high demand for this product we find it very easy to keep a good occupancy rate. Since we opened our first resort, we have more or less maintained an average of 90% occupancy all year round. It fetched us the national



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award for 'highest occupancy' in the Maldives for 3 years in a row.'

Ismail Hilmy is Managing Director of Halaveli Holiday Village in Ari Atoll and Eastinvest, which specializes in resort-related supplies. 'At the moment 80% of the allocation for Halaveli, a three-star resort, is taken by an Italian tour operator and they do the marketing themselves.' Echoing a widespread desire to move upmarket, Mr Hilmy explains: 'We are redeveloping the property as a five-star product', adding that 'we have an advantage in being not far from Malé and the international airport'.

POST-TSUNAMI

The Maldives' policy of carefully controlled expansion was working well, with good occupancy rates, until the tsunami struck on Boxing Day 2004. Because of the shelter provided by its reefs and lagoons, many of the resorts were scarcely affected. Some, however, were less fortunate.

'The tsunami hit both our resorts', says Mr Siyam Mohamed. 'We had to close them down for three months. The resort we re-opened is doing extremely well at the moment. However, the resort that experienced severe damage is being restored with a different concept.'

With the experience of the tsunami, we have naturally increased our focus on the security aspect, taking it into consideration in the re-designing process. We have, for example, raised the ground

floor of all buildings at least one and a half feet above the previous level.'

The tsunami also resulted in a drastic cutback in visitor arrivals and occupancy rates. 'The after-effects lasted eight months', comments Mr Siyam Mohamed, 'though now business is picking up extremely well and occupancy is getting back to where it was before.'

At Maldivian Air Taxi, Mr Fawzy notes that 'we were not badly affected, and were able to turn around the same day. However, our revenues were affected due to the drop in tourist arrivals.' But already numbers are back to near pre-tsunami levels. 'Most of our resorts are back to 85-90% occupancy, which I think is a very good sign of recovery' says Ally Ahmed, Director of Crown Tours, which has 'over 3,000 beds within our group and access to contracted beds in numerous other resorts'.

MARKET SEGMENTATION

With recovery in full swing, the future challenges lie in deciding which market segments to target and how resort islands go about distinguishing themselves. 'In my opinion, one can always differentiate between quality products and others', says Mr Siyam Mohamed.

'Our focus at Universal is luxury and mid-level', says Mr Maniku, 'and we have done well because people believe that our product is value for money. We are not a big international brand, but we have very good products like Huvafen Fushi, which is graded by Conde Nast as one of the best hotels in Asia while Per Aquum, one of our recently established brands, will offer more boutique-style hotels.'

'Altogether we have over a thousand rooms, which makes us one of the biggest players, and we are currently working closely with Starwood Group. We are also getting into the convention market, developing facilities to hold mid-size conferences.'

Most of our resorts are back to 85-90% occupancy

BUILDING BROADER APPEAL

Questions about precisely how the Maldives can further broaden its offering are currently being reviewed by the Minister of Tourism. 'Should we be hosting international sports events?', he suggests. 'Do we have the right kinds of physical facilities in terms of the space to introduce golf as a tourism product? Water sports: Why are we not holding international water sports festivities here? Windsurfing has already been introduced, but there may be others such as speedboating. Can we revive historical and cultural tourism in the Maldives? These kinds of product diversification will be an important part of the 2006 plan.'

Building up the necessary skill sets will be vital. Ali Shiyam at AAA Resorts says developing human resources is a 'huge challenge' and argues that the existing hotel school does not do justice to the Maldives' status as a destination. 'Human resources development is a large component of our corporate strategy', he adds. 'But in terms of human resource training, should we go and bid for international hotel schools to be located in the Maldives?'

Improving air links is another crucial factor. Mr Shiyam points out the imbalance between the quality of the resorts and the types of flights currently serving the country: 'We do not have enough seats, especially business-class seats, and scheduled flights. Because of the way islands are leased from the government, if we want an island then we have to propose a high lease rent. In general, your costs are high so you have to sell high.'

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People who travel on charters don't come to those resorts'. The other side of the same coin being, of course, that luxury travellers splashing out on expensive resorts will expect international transport to match. That is currently not available.

Currently Sri Lankan operates most flights from key markets in Europe to the Maldives. The Minister of Tourism says he wants to see more European airlines taking up licenses 'though it will be difficult for us to give any special concessions because we would not want to disadvantage any airline competitively. Also, we do have a plan to create our own airline and are in the process of finding

partners to join with the government.'

The other key decision is whether to continue focusing on the top end of the market, which offers better margins but is also more fickle, or to expand the number of medium-range resorts. That would be to reverse recent trends. At Crown Tours, Ally Ahmed has seen 'the middle and lower range of resorts slowly diminishing as most of the new resorts are going upmarket'. The downside could be 'brand dilution', though more expanding of the middle range could provide a more stable inflow of visitors. Whatever direction the product takes, concerns about the industry's over-dependence on tour operators to attract visitors is likely to see many resorts

wresting back control of their own marketing.

NEW MARKETS OFFER PROMISE

The loyalty of the Maldives' established markets was tested by the tsunami and proven by the speed of their recovery. As the Minister of Tourism notes: 'Our traditional markets are the UK, Italy, Germany, France, Switzerland and Japan, and we would like them to continue growing.' However, he is also looking at opportunities elsewhere.

'China', he says 'seems like a growth market for us in the future. I think Japan has a lot of further potential. India is also a growth market for us. The Middle East is another possibility, and North America, via the new generation of very long-haul flights.'

With the Maldives set to offer a greater scope of tourism product to a wider variety of visitor, these jewels of the Indian Ocean are set to sparkle all the more brightly in the future as their attractive facets become broader and even more highly polished.



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Oceans of Opportunity

The fishing industry has always been of paramount importance to the Maldives, where practically every family earns part of its living from the ocean. Indeed, one famous historian refers to the Maldivian people as 'the Children of the Sea'. Abundant fisheries continue to furnish the main source of protein for most of the population, and fish-related products remain the Maldives' most important export industry.

The Maldives has deliberately avoided any form of destructive or environmentally unsound fishing – whether in terms of fishing gear used, fishing methods employed, or processing techniques. Its fleet uses only traditional mas dhoni pole-and-line fishing, a highly species-specific method that permits

Maldives-caught tuna to be certified as dolphin-friendly. It also avoids the depletion of fish stocks and unnecessary damage to the marine environment.

FISHING GROWTH

By far the largest fisheries company is the government-owned Mifco, which

was founded in 1993 and now has operations on three islands. As Chairman Abdulla Jabir explains, the main units are 'a canning factory for exporting tuna, freeze-storage facilities, and a small island where we prepare specialty products such as yellow-fin tuna for export.

'We buy much of our product direct from fishermen but also have our own fleet of fishing and transport vessels. Our main export markets are Europe and China, and our products comply with EU standards.'

ROOM FOR INNOVATION

In an effort to increase capacity and remain internationally competitive, the industry first adopted mechanized boats and, more recently, fish tracking technology. But as Mr Jabir points out: 'The way much of the fishing industry



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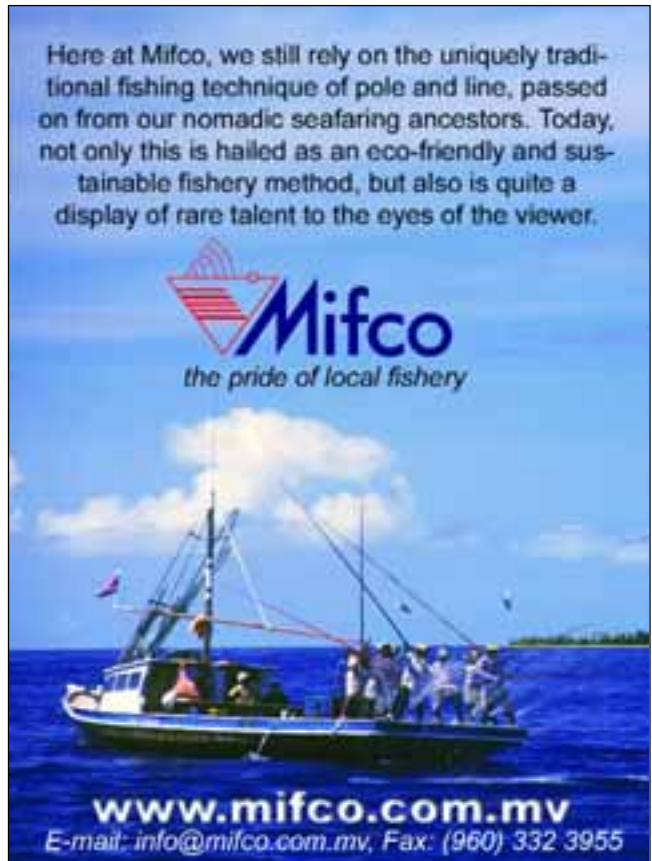
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operates is still very basic; there is room for innovation, and this is something the government is supporting. Also fuel prices have risen sharply, while the price we sell our fish for is fixed on the international market. So we need to become more effective.

'The tsunami seriously affected the fishing industry', said Mr Jabir, 'and consequently a large part of the population. Now we would be more than happy to be introduced to new technologies and new ways of working in order to improve one of our main sectors.'

ENCOURAGING INVESTMENT

Foreign investment is being encouraged in many areas of the fishing industry. 'We are currently making changes within the company in terms of investment policies', says Mr Jabir. 'We want to extend our business. There are certain atolls covered by our land-based facilities, but in others we have no presence and would like to invest in more advanced processing plants.

'Geographically', he explains, 'the Maldives is so spread out that you need processing facilities in all the different atolls to be price-efficient. Currently we bear heavy costs in transporting our products long distances by vessel. What we find difficult in our company is the high costs, both on land and at sea. We

really need to be innovative and find more efficient systems.'

LONG SHIPPING TRADITION

Besides fishing, the Maldives has a long involvement – stretching back more than 1,000 years – in ocean-going trade and shipping. Aimon Jaleel, Director of the government-owned Maldivian National Shipping Ltd, is typical of the shipping industry stalwarts: 'I have been in shipping throughout my life, from the day I left school. Always within this company but at various locations such as Singapore, Sri Lanka and the UK.'

Mr Jaleel explains that 'our fleet comprises four multi-purpose vessels. We already have been ISM-certified and are working on the ISO certification, which should be achieved this year. On environmental discipline we keep strictly to international standards. We have a subsidiary in Singapore and an office in Sri Lanka and, while they are independent business units, they complement our services in the region. Around 90% of our cargo is containers, though we have a dominant position carrying timber from the Far East into Sri Lanka.'

STRATEGIC POSITION

Given its strategic position astride the main shipping lanes between Europe, the Middle East and Africa, and the Far East, Mr Jaleel

We have an advantage in reducing the deviation times for container ships – an important factor since deviation times of even half-days can cost thousands of dollars

believes 'the Maldives could be a huge transshipment point. It offers deep ports though the infrastructure is still lacking because we have such a scattered country.'

However, competition within the region is growing. Mr Jaleel says: 'India is trying to become a transshipment point and Sri Lanka's Colombo is already established, though the Maldives could capture the overspill. We have an advantage in reducing the deviation times for container ships – an important factor since delays of even half-days can cost thousands of dollars.'

EXPANSION THROUGH PARTNERSHIPS

Maldivian National Shipping Ltd is currently looking to expand its network of partners and agencies through South East Asia and China. 'When we do partnerships with other shipping companies' says Mr Jaleel, 'we are extending to that network. That is our strategy of expanding our services into the areas we do not physically serve.' The company recently took delivery of another ship to serve the growing market from Singapore and the Far East into the Maldives. 'And we want to invest in more ships', says Mr Jaleel, 'though only if the market is good'.

It seems the entrepreneurial spirit of the original seafarers and merchant-venturers who populated the Maldives a millennium ago is still alive and well.

The entrepreneurial spirit of the original seafarers ... is still alive and well

Constructing Paradise

The Maldives is spread over a surface area ten times that of neighboring Sri Lanka, yet its total land mass is equivalent to a medium-sized city and its population less than a crowded city block. Moreover, because the islands are all coral atolls, the land rarely rises more than two meters above sea level.

This presents unique challenges for those engaged in construction and maintaining vital infrastructure. And unique opportunities for those companies who can meet those challenges.

There is the potential for development in the Maldives', says Abdulla Mohamed, Managing Director of Amin Construction, 'not only in the resorts, but in the capital Malé and Hulhumale' – the man-made 'suburb' where much new infrastructure is now being concentrated.

'Obviously', he explained, 'international finance will be required by the government or developers for further projects. We are very keen to work with financiers as a partner, contractor or sub-contractor; and, because the projects we undertake are mostly funded by the Maldives government or organizations like the World Bank, we are used to working to international standards.'

LOCAL ADVANTAGES

While local contractors can rarely compete on larger projects, such as the expansion of Malé International Airport, they are adept at working within the



Photo: Caroline Von Tuempling

Maldives' geographical constraints, by using specialized techniques. Amin is, for example, engaged in the construction of a 14-storey building with a foundation depth of just three meters. When it comes to winning contracts, its use of traditional, though efficient, means of inter-island transport often gives the company an edge on small projects.

WORLD-CLASS CONSTRUCTION

The upgrading of the airport – which includes expanding the departure terminal, building a new domestic terminal, an air traffic services centre and control tower, as well as introducing more sophisticated air traffic control technology – is crucial for the Maldives' future. 'It will greatly contribute to the national economy', says Ahmed Ali Maniku, Managing Director of Maldives Airports Company, 'and will set Malé International apart from other airports in the South Asia region'.

Upgrading the airport will set Malé International apart

The international airport has a central role to play in supporting the country's major industry – tourism – and it is vital that airlift capacity develop in line with the quantity and type of resorts.

Passenger numbers are anticipated to rise, Mr Maniku says 'from 1.43 million today to at least two million, and the airport will be able to handle 3,000 passengers per hour at peak'. Extensions to the passenger infrastructure in the airport buildings will be accompanied by a widening of the apron, to accommodate the widebody jets which will bring them.

The financing of the international airport's expansion, says Maniku, 'is mainly from multilateral funding, supplies credit and our internal resources', whereas the smaller regional airports are directly financed by the government.

INFRASTRUCTURE CHALLENGES

The challenges for infrastructure apply equally to providers of healthcare. ADK Group operates Malé's most popular privatized hospital as well as providing nationwide pharmaceutical services. But the company's imprint is far wider than the capital and embraces other infrastructure such as fiber optics and TV networks as well as fisheries.

ADK Group's founder, Mr Nashid, is investing in more private rooms to meet rising demand while at the same time focusing on ADK's core strengths – especially as the relatively high costs of medical treatment mean that many Maldivians go to India or Sri Lanka for treatment. Nevertheless, the ingredients are in place for the Maldives to establish an international reputation in certain specialist areas. Nashid observes that 'dental and plastic surgery are potential growth areas'.

ADK's pharmaceuticals and medical supplies business – which accounts for 57% of all related imports into the country – generates roughly the same revenues as the hospital. 'We are agents for Roche, Siemens and many other big names', says Mr Nashid, and are exclusive distributors for more than 30 companies, including ten medical equipment suppliers. In my role as an agency', he adds, 'I would like to expand my network through good collaborations with international parties.'

The national electricity supplier, STELCO, faces huge physical challenges. 'Transport is a major problem', says its chairman Dr Muhsin, 'not only of investment material like generators, but also fuel.'

STELCO has to operate very small generating capacities in order to service such a widely spread population. 'In some instances', he says, 'we might have to cross-subsidize between Malé and its large suburbs and the smaller islands. Nonetheless, STELCO provides electricity to the capital region and to 24 other inhabited islands, which covers about 70% of the population.'

'Priority number one', says Dr Muhsin, 'is our customers. Despite rising international fuel costs, we are bringing electricity prices down.' This, he



explains, is at the government's request and is achieved through the government making good any shortfalls. 'Also, we follow US environmental regulations, which are more stringent than those in some neighboring countries.'

STELCO invests strongly in its human resources – a key factor, Dr Muhsin points out, which helped restore power supply so quickly after the tsunami. It also helps drive innovations, such as the recent switch of two large generation sets from diesel to more cost-efficient heavy fuel-burning units.

CHANGING THE FUTURE

The future shape of the industry may be set to change too. 'We have a vision', says Dr Muhsin, 'of having partners – possibly international partners – working

We are seeking assistance from international companies to work with us to meet future demand

with us purely on generation.' That would leave STELCO responsible for electricity distribution and sales. He added that the company's 100% shareholder, namely the Government of Maldives, has 'tentatively agreed to the concept'.

Dr Muhsin is 'proud that so far we have been able to match demand, though this is growing exponentially. We are seeking assistance from international companies to work with us to meet future demand – an area where investment will definitely bring in revenue because electricity is such a vital factor.' He also points to the 'strong partnership between industry and the government. Any international investment that works with us will be supported by the government.'

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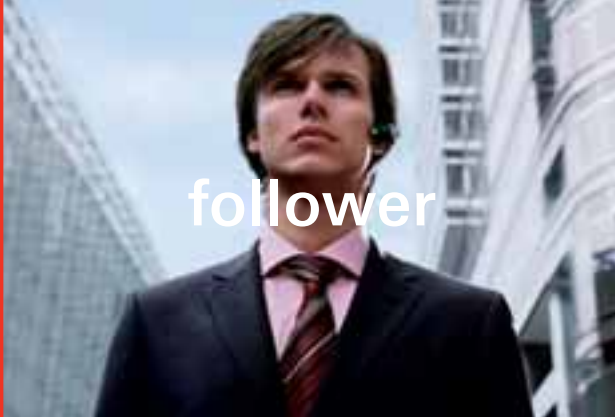
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