

MALDIVES

New horizons

Image: Brian Knutson

Situated

In the Indian Ocean, the Maldives is a country in the midst of transformation. The paradise coral islands, many of which were washed out by a tsunami just over two years ago, are now alive with new and planned developments and are winning back a good slice of the tourism market. Eighty-eight uninhabited islands have already been turned into resorts while another 35 have been slated for development.

In what has been a phenomenal turnaround, economic growth is expected to be around 12% this year. President Maumoon Abdul Gayoom says: "We are not yet back to normal—we are still relocating some of our people, rebuilding their homes, and repairing and redeveloping our infrastructure. However, in economic terms, there has been a huge surge in tourism and we expect to beat our 2004 record of 616,000 arrivals this year. Fisheries have shown resilience, and our exports have grown. So our country has bounced back and the fundamentals of our economy have recovered well."

The onus now is on sustainable diversification, as the country strives to become a middle-income country by the year 2011. As Gayoom notes: "We are looking at achieving healthy growth in tourism, fisheries, infrastructure development, IT and numerous other sectors. There are many opportunities for growth, a factor that is generating a healthy interest from foreign investors."

Key expansion projects, such as a new terminal at Male' International Airport and a new transshipment port, to harness the as yet unexploited business beckoning from important sea links, have already created interest. Investors can establish 100% foreign investments or enter the market through joint ventures and there are no income or corporate taxes to pay.

"By 2020, the country will have become a hub of regional free trade. Key projects between now and then include a new transshipment port and economic free zones"

Meanwhile, constitutional reforms have been high on the agenda, and should be in place in time for the presidential elections next year. Ahmed Shaheed, Minister of Foreign Affairs, says: "The road map for change remains a very credible document and we are cooperating with the Commonwealth to promote democracy and boost the march towards a reformed constitution."

"The Vision 2020 document forms the basis of our reform program that aims to develop a rules-based society where people will have a better quality of life and live in a mature democracy. It includes a reform of our legal framework, which will facilitate greater confidence among investors, and set the foundation for the investment of more foreign capital in the country."



**Maumoon Abdul
Gayoom**
President of Maldives



Hamdun Hameed
Minister of Planning &
National Development



Qasim Ibrahim
Minister of Finance
& Treasury

Minister of Finance and Treasury, Qasim Ibrahim adds: "We aim to provide a better investment framework that can attract new business to the Maldives and are encouraging greater transparency in our procedures, by creating an independent monetary authority, and moving ahead with plans to privatize state-owned companies."

With increased global competitiveness in mind, Minister of Economic Development and Trade, Mohamed Jaleel, who also heads the Foreign Investment Service Bureau, is hoping to set up a one-stop shop that can help foreign investors coming to the Maldives. He says: "We recognize our reliance on tourism, so we want to establish the most conducive conditions for brisk commerce and economic activity. By 2020, the country will have become a hub of regional free trade."

"Key projects between now and then will include the construction of a new maritime port, economic free zones and a major transshipment port that promises to create a unique link between eastern and western markets."

On a local level, more inclusive policies are also being explored. The government is intent on creating population clusters that will create larger economies of scale and increase access to basic services such as health and education as well as employment. Hamdun Hameed, Minister of Planning and National Development says: "We are looking to resettle populations through incentives to migrate from islands that are environmentally vulnerable or that have populations of fewer than 1,000 people."

The "Population and Development Consolidation Strategy" as it is known, will speed up development of the urban areas and improve opportunities. A successful model has already been piloted at Hulhumalé. Hameed says: "To drastically improve national transport connections and help drive economic growth, the government will award construction and operation of ten new regional airports to the corporate sector this year."

"The new airports and maritime port development are major initiatives that also promise to increase investor confidence in transportation while promoting the diversification of the economy. Vision 2020 is a major program that provides the guidelines for our national development plan, while keeping our focus on the strategic advantages and the future potential of the country. This is just the beginning. Thinking big is the new motto of the government."



Mahamood Shougee
Minister
of Tourism
& Civil Aviation

Worth around U.S.\$210 million a year, tourism is the mainstay of the Maldivian economy. Direct revenues from the sector make up a third of the country's gross domestic product (GDP), while its wider impact on services accounts for more than 70% of GDP. More than two thirds of the population are employed in this sector and it is responsible for more than 60% of the Maldives' Foreign Exchange.

Since the first tourism resort was established in 1972, almost 90 islands have been developed, providing a total bed capacity of 19,000. The number of tourists visiting the Maldives, mainly from Europe, increased from 1,100 in 1972 to 617,000 in 2004. Since 2001, visitor numbers have increased by 33.6%. The government's announcement to auction off 35 more islands for development will boost the country's resort portfolio by 58% and increase bed capacity by 20%.

This last point is important. According to the Ministry of Tourism, there is pressure within the industry to meet the increasing demand for beds. Mahamood Shougee, Minister of Tourism and Civil Aviation says: "The Maldives is seeing record numbers of visitors, and this year we plan to maintain an average occupancy of 80%, which is quite positive for the industry. The excess demand is what prompted us to move ahead with the development of new resorts. This is an exclusive destination and we need to grow gradually in order to keep our reputation for excellence. This involves developing our infrastructure, our human resources and our know-how, while keeping up with our construction capacity. This is essential for sustainability."

The government is focusing on a five-year tourism master plan to determine the strengths and weaknesses of the sector as they prepare the new islands for development. Shougee says: "I am proud to say we were named World's Leading Dive Destination and Indian Ocean's Leading Destination at the 2006 World Travel Awards. It is an indication of our hard work and dedication to make the Maldives one of the best tourism destinations in the world."

Shougee sees great potential in new markets such as India and China and is also looking at developing MICE (Meetings, Incentives, Conference and Exhibitions) events plus retirement packages.

"On the one hand, you find resorts from international brands and on the other, you can escape to traditional Maldivian resorts that take you away from the norm"

The Maldives' diversity is key, Shougee acknowledges. "On the one hand, you will find resorts from international brands, such as One&Only, Six Senses and Starwood, who have just finished their new W Retreat & Spa," he says. "On the other hand, you can escape to traditional Maldivian resorts that take you away from the standard tourism experience. As this sector grows, we look forward to building upon this diversity and the uniqueness of our resorts."

Already, more than a billion dollars have been invested in the tourism resorts of the Maldives—a testament to the openness of the industry. Shougee points to at least seven resorts that have been established through foreign direct investments and many others that are managed by top hotel chains through management or sub-leasing contracts. However, those within the industry are aware that foreign direct investors have plenty of choice when it comes to location and are lobbying for improvements that will make the Maldives an even more attractive prospect. Mohamed Umar Maniku is chairman of the Maldives Association of Tourism Industry (MATI), a private sector outfit that represents a broad base of industry operators, ranging from resort managers to contractors, service suppliers and tour operators. He says: "We are competing in a global market, so we need to be open and versatile in order to adapt to new trends and shifts in the global tourism industry. I believe this is the issue that will drive the adoption of a new and responsive investment framework in the Maldives. Also, because we have only focused on high-end tourism, transport and air access is limited, which could stifle our development."

Umar Maniku is in a good position to make predictions. He was one of the pioneers of the Maldivian tourism industry, forming Universal Enterprises Pvt. Ltd. in 1972. Today, the international



Mohamed Umar Maniku
chairman, Maldives
Association of Tourism
Industry (MATI)

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Abdullah Jabir,
chairman & MD, Yacht Tours

resort group owns and manages seven resorts in the Maldives and another in the Seychelles. The group's luxury division, Per Aquum Resorts & Spas, currently runs three Maldivian resorts and is rapidly expanding in Morocco, Dubai and the Seychelles. Also under the Universal umbrella is W Retreat & Spa. The well known "city" brand selected the Maldives as its first resort destination, opening its hotel there as a joint venture with Universal Enterprises in September last year. Damon Page, general manager, says: "Doing business in the Maldives is much less challenging than we expected. The government was extremely supportive of our product and seemed to clearly realize that new products are important for the country, particularly in the light of the important contribution of this sector to the economy."

Abdullah Jabir, chairman and MD of Yacht Tours Maldives Pvt. Ltd., is also concentrating on diversity. The business that started with a small resort of 25 rooms has grown to more than 100 rooms, while three more resorts, two five-star and one six-star, will open later this year. Jabir is optimistic that inward investment in infrastructure will help the increase in volume. He says: "The government has already committed to expanding the international airport and private sector investors have succeeded in the business through collaboration with foreign operators."

He adds: "On a worldwide basis, we are still operating with a small quantity of tourists, yet our 'one island, one resort' policy is unique."

"On a worldwide basis, we are still operating with a small quantity of tourists, yet our 'one island, one resort' policy is unique"

The products we are designing at Yacht Tours offer maximum luxury in harmony with nature and our unique environment."

Villa Hotels, meanwhile, is one of the groups currently dominating the middle-range sector. Owned by Finance Minister Qasim Ibrahim, Villa is already engaged in developing and managing three properties on the newly opened islands as it attracts new players to the sector. Executive director Abdulla Nasif says: "The properties will be developed by a world-renowned brand, as we needed to achieve a yield that would sustain our business needs. However, the middle market remains the major driver of our industry, so we are also upgrading our four existing properties."

Nasif notes how the sector has evolved. He says: "These days, everybody is looking for international names, such as Four Seasons, Marriott, InterContinental, Starwood, Hilton and so on. There are even rumors that luxury brands such as Armani Hotels and Resorts are coming in, which will set a new precedent. The internationals will



Yacht Tours PVT Ltd. is taking Maldivian tourism into a new dimension

channel the business through their marketing networks. This will create problems for local operators in terms of market reach as the exposure will be on the brands."

Undeterred, however, Villa is busy developing a central reservation system that will be accessible worldwide. Nasif says: "We are working with one of the best Microsoft developers in India to come up with a central system and hope to launch it this year."

With 50% of the new islands going to the top-end market, Nasif mirrors Umar Maniku's concerns about flight connections, pointing out the restricted numbers of business and first-class seats. He says: "It is an issue that needs to be addressed by the whole industry." Human resources is another concern. He says: "We have a Hospitality and Tourism College here, which has a maximum output of 200 a year. The new islands will need around 7,000 employees. There are many Maldivians willing to work but they need to be trained and the government and industry have to prepare for this. Villa Group is already the largest agency to fund education and training. We send at least 60 students abroad every year and have continuous internal training programs. Meanwhile, we are affiliating with various colleges in neighboring countries and plan to open our own hotel management college in the near future."

For now, the company is focused on its new property in the central Male' region—a 100-roomed, five-star luxury resort that will be managed by an international chain. It is also upgrading a four-star plus property to a 140-roomed resort, which will target the middle to upper middle market. "Next," says Nasif, "is an exclusive top brand 75-roomed property, which will be categorized as five-star plus. Finally, we expect to sign with a very exclusive designer for a 22-roomed property as part of our Beyond the Stars range."

Villa is also investigating the potential of new markets, particularly the Baltic States and the Adriatic Coast. Nasif says: "The Russian



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market is becoming hugely successful here, representing a 19% increase for the Villa Group over the last year. The Middle East is also an area we need to look into, particularly due to the proximity and availability of regular flights. Kazakhstan is one of my new focus areas. The Chinese market is booming and we are formulating strategies particularly for Chinese tastes."

Meanwhile, Crown Company Pvt Ltd. is concentrating on quality. Managing director Hussain Afeef says: "We have recently invested U.S.\$50 million in the refurbishment of the Hilton Maldives Resort & Spa, which includes the only aquarium-style undersea restaurant in the world." Like



Hussain Afeef
managing director
Crown Company

others in the industry, Afeef believes that while the expansion program will be healthy for the market, transport will be a challenge. He says: "There is so much demand

for beds, I believe tour operators could already sell twice as much as they do. A total of 3,000 beds we can handle. However our infrastructure will need to adapt and improve transport services to the resort."

Crown Company is a shining example of the entrepreneurial spirit that has become so indicative of the Maldives. What started in 1982 as a joint project with friends to open a shop with capital of just U.S.\$30,000, is now a U.S.\$120 million company. Afeef says: "We have two resorts in the Maldives: the Hilton Maldives Resort & Spa and the Veligandu Island Resort. However, through Crown and Champa Resorts, I also hold shares in 11 other hotels here, and have invested in hotels in Sri Lanka, the Seychelles and Egypt.

"I work in all segments of the market, from three- to five-star properties, yet for each one, I seek to innovate and develop new products. In the Maldives, you have to be innovative and a pioneer to succeed. Therefore, it has always been important for me to develop new and exciting creations that will differentiate our resorts."

This commitment has not gone unnoticed. Last year, the Hilton Maldives Resort & Spa was voted Leading Resort in the Indian Ocean by World Travel Awards and Most Exclusive Hotel in the World by VIP Traveller Magazine. Carsten Schieck, general manager of the hotel, believes the recognition is due to the diversity of the product. He says: "Our slogan is "One resort, two islands, three luxurious experiences" and that is the mark of our success. At the end of the day, a successful product comes down to service. Anybody can build anywhere in the world, if they have the funds, an architect and an interior designer. But to build something relevant to the market, to the Maldives, is not something you can transfer anywhere."

Schieck too would like to see more direct flights from Europe. He says: "We have yet to see a flight carrier from a major market, such as the likes of British Airways, Lufthansa, KLM or Air France. I do not believe the European carriers realize how much of the market share they are losing. Airlines such as Emirates and Qatar on the other hand are making the most of Dubai as a hub and taking a stronger share of the market. I believe the government will make concessions towards some airlines in terms of landing rights, fuel costs etc., just to entice other airlines in. As more resorts come on board, we anticipate a corresponding growth in flights."

Meanwhile, Crown Company chief Afeef is committed to ensuring that the local population benefits from tourism. He currently chairs the Maldives Tourism Development Corporation (MTDC), a government and people-owned entity that enables greater direct ownership of tourism resources by the public. He says: "Today, we have more than 19,000 shareholders, which is a tremendous achievement."

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Travels & Tours Pvt. Ltd. has 17 years' experience in the tourism industry and was founded in 1990 by Ahmed Siyam Mohamed, who is also the chairman and managing director of the company.

Over the last decade or so, Sun Travels & Tours Pvt. Ltd. has grown from being a relatively small business to one of the top ranked inbound operators in the country. The company has strong ties with the resorts in the Maldives, as well as tour operators worldwide, and provides its clients with the best value without compromising on comfort and style. Sun Travels & Tours now represents an average of 20,000 passengers each and every year. The British market makes up approximately 30% of the overall arrivals into the Maldives, closely followed by Italian and German visitors, with flights departing from the U.K. and Europe daily.



Ahmed Siyam Mohamed
chairman
& managing director,
Sun Travels & Tours

Siyam is currently operating two four-star deluxe hotels in the Maldives: Olhuveli Beach & Spa Resort and Vilu Reef Beach & Spa Resort. These are both renowned for



Manafaru, Haa Alifu Atoll

their unique attention to detail and excellent customer service. Olhuveli has, in fact, received many awards for the natural beauty of its beach. Siyam says: "We are now ready to branch into the five-star luxury market with our new Manafaru Retreat resort in the north of the Maldives, which is due to open in late 2007. Designed with barefoot luxury in mind, the island encompasses a selection of beach villas, water villas and grand water suites—perfect for a romantic honeymoon or a luxury diving experience!" Siyam's other resort—the locally named Irufushi—is scheduled to open early 2008, but he is keeping his cards close to his chest and is not disclosing the details until the launch later this year. "However, one thing is for sure," he says. "You are guaranteed a top class resort,



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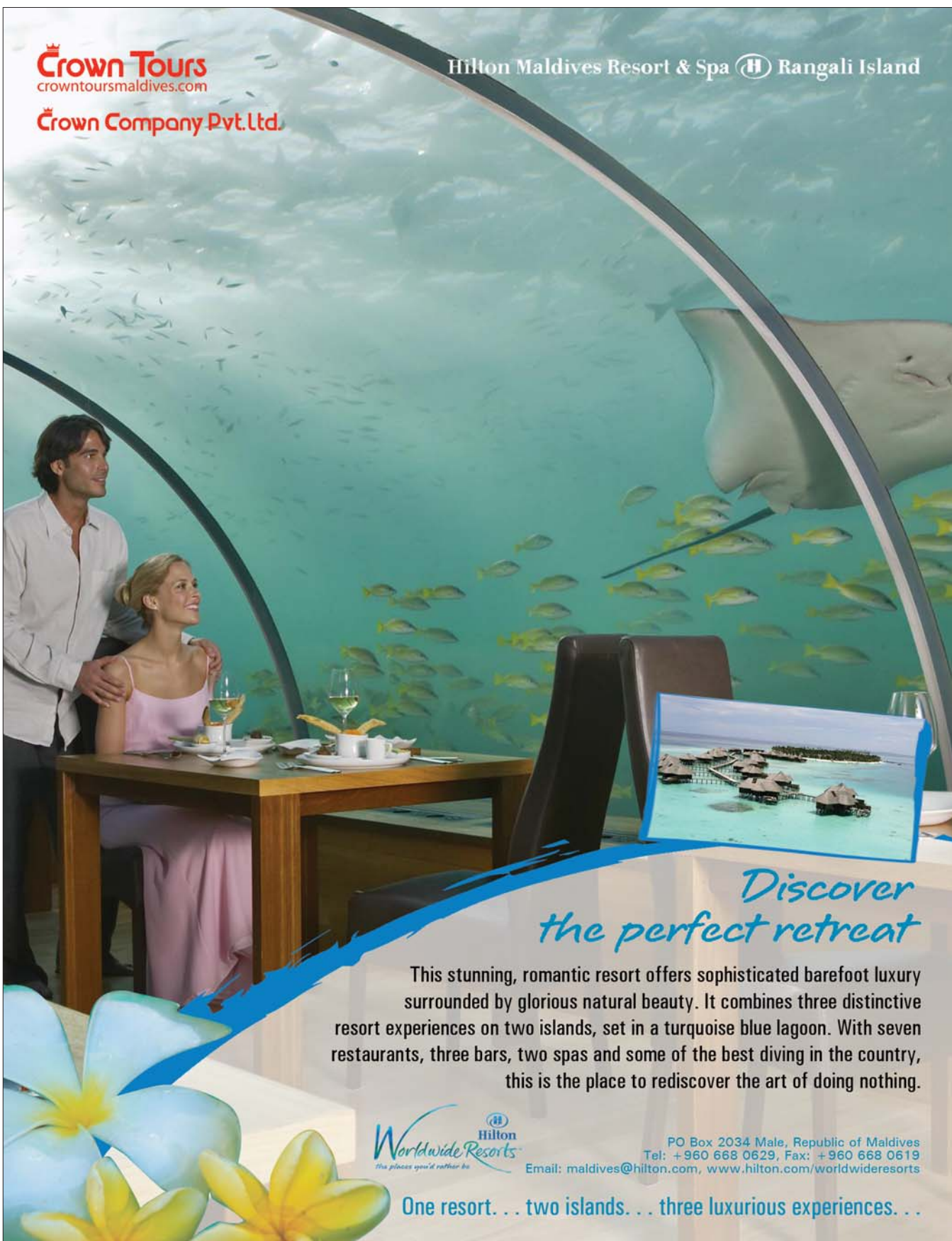
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Riding the growth wave

Transport, telecoms and construction will all benefit from the tourism boom

The knock-on effect of a growing tourism sector has meant good news for other sectors. Transport, communications and construction are all taking off as never before with the two former sectors making up more than 15% of the GDP. Minister of Transport and Communication, Mohamed Saeed says: "Ninety percent of the population have a mobile phone. Given that our islands are so dispersed, building up communications is not an easy task, so I congratulate the operators for having done this."

In transport, a transshipment port is also planned to exploit the country's location within major shipping routes. Four domestic airports are being developed, and the government recently invested U.S.\$20 million into Gan, a former British Air Force base, to increase the terminal capacity and put in other necessary facilities.

Maldives Transport and Contracting Company Plc. (MTCC) will be playing a key role in the modernization process. Managing director Ibrahim Athif Shakoor says: "It is not a question of a lack of capacity. Capacity is always available. It is a matter of getting the project right and making it attractive enough to work in. For example, harbors are an essential component for growth. In the Maldives, a harbor is as important as a highway—it links one community to another. And there are major commercial harbors to be developed. We could be building around 60 new harbors."

The national plan to consolidate the population through a wide-reaching access program will greatly benefit MTCC. Shakoor says: "As a commercial company, and the oldest public company, our major shareholder is the government and we are actively participating in this. The most essential component of providing each island with the access it needs should be completed this year or next. We have invested in this and have a timeframe to make it happen. And as we build, we will also create economic incentives."

In the past year, MTCC has been expanding on all fronts. At present, it is working on 18 different harbors and considering new transport initiatives for the islands. Shakoor says: "We are thinking

"With tourism expanding in the atolls, we are confident this transport network will flourish. We have already introduced ferries to two of the islands"

in an innovative way about our scheduled ferries. Right now, when the islanders want to go somewhere, they have to charter a boat. So we have introduced ferries to two of the islands. With tourism expanding in the atolls, we are confident this transport network will flourish. We have also expressed an interest in the new regional airport developments."

Shakoor is realistic about how much the MTCC can achieve on its own, however. He says: "We are actively seeking good alliances, because we understand our limitations, especially with the harbors. We have to provide good transport networks of a different magnitude and that is not something we can do by ourselves."

Image: Brian Kruttsen



The Maldives' capital Male' is becoming a regional hub for business



Mohamed Jaleel
Minister of
Economic Development
and Trade



Mohamed Saeed
Minister of Transport
and Communication



Mohamed Hussain Maniku
managing director,
State Trading
Organization (STO)

The Maldives National Shipping Ltd. is also looking for partnerships and joint ventures that will allow them to increase in both size and capacity and acquire the know-how and technology they need to become more efficient. The national cargo transporter already boasts impressive credentials; it is growing at 16% each year and has a turnover of U.S.\$25 million. Managing director Aimon Jameel says: "We are very strong within the Maldives and have the capacity to deliver anything. Thanks to our major distribution network, Maldives National Shipping can act as the central partner and service provider for any foreign company entering the national market."

Incoming import traffic for the new resort developments is having a very positive impact on the shipping company, although Jameel believes this will stabilize within the next two to three years. More lasting benefits will be seen with the new transshipment port. Jameel says: "Heavy investment is needed there, but we could use the port as a base and provide a feeder network within the region. Similarly, partnership with a major world player would help us extend our cargo business to markets where we are strong."

The aviation industry is also expanding. Island Aviation Services (IAS) Ltd. is the domestic airline of the Maldives, operating scheduled flights to the four regional airports in the country, namely



Image: MTPB

A great biodiversity of species can be found in the coral waters

Hanimaadhoo Airport, in the northern atoll of Haa Dhaalu, Kadhdhoo in South Central Laamu Atoll, Kaadedhdhoo in Southern Gaafu Dhaalu Atoll and Gan in Addu Atoll, the southernmost atoll.

The company operates a fleet of Dash-8 series 200 aircraft (37-seater) and Dornier-228s, which have seating capacity for 16 passengers. Domestic air travel is expected to soar with the government's recent announcement to develop four new airports with private sector participation as it strives to create convenient air access to the new tourism zones in the country.

Island Aviation plays a vital role in linking the far-flung atolls by air and facilitates modernization. CEO Bandhu Ibrahim Saleem says: "We are linking up the islands by operating more frequent scheduled flights that allow both the local Maldivian and tourists to visit the atolls at convenient times with a same-day return, thus improving the economy and quality of life of the Maldivian people."

The company has embarked on investing as one of the shareholders of Madivaru Holdings Pvt. Ltd., taking the lead in creating a new airport from scratch in Lhaviyani Atoll, an existing tourism zone located 75 miles north of Male', using private and public sector capital. Saleem says: "Although there have been some challenges in terms of engineering and designing, we have successfully managed the project, which has given us a sense of accomplishment." This airport is expected to commence operations sometime at the end of 2008 and the company has plans to operate a daily shuttle service between Male' International Airport and Madivaru Airport.

As the ground handling company in the Maldives, IAS also handles all flights operating in and out of Male' International Airport, which includes all passenger and baggage handling, load control, airport lounges and cargo for both import and export through a purpose-built cargo warehouse.

CEO Saleem says the company's success is due to the competitiveness of IAS and the strong commitment of its staff. He says: "We are continually investing in training and upgrading at an average cost of US\$800 per employee per annum. In IAS, the customer is king and they need to be taken care of and we don't make false promises. It is an honest and open business relationship between us and our customer and the airline operator."

Maldives Airports Company is completing Phase 4 of Male' International Airport's million-dollar expansion. A state-of-the-art control tower has been opened, a new energy center built, and the existing international departure terminal expanded from three to six gates. On top of that, new ground handling equipment has been acquired, and a terminal for domestic passengers will open shortly.

Ahmed Ali Maniku, managing director of the company, says: "The next phase will include the construction of a new international terminal, with a runway that can service A380 jumbo jets. This involves investment of about U.S.\$469 million." Ali Maniku believes this will go a long way towards meeting the increased demand. He says: "Male' International Airport is one of the fastest growing airports in the region. It is a dynamic hub for business and leisure. Travelers will find direct scheduled and charter flights linking destinations across Asia, Europe and the Middle East, with connections to hundreds more across the world. There are no current restrictions on expansion, so we plan to increase air traffic accordingly."



Ibrahim Athif Shakoor
MD, Maldives Transport & Contracting Company

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"We have more than 150 international flights arriving weekly, and today we have the capacity to serve over 700,000 passengers a year. In 2005, the World Travel Awards named us The Indian Ocean's Leading Airport, which is certainly a testament to the airport's potential as future transport center for the region."

Meanwhile, providing modern telecommunications in a disconnected archipelago is an unenviable task, but the Maldives has coped admirably. The U.K.'s Cable and Wireless (C&W) were called in to organize international telecommunications in 1977, a move which helped the economy grow exponentially. Ten years later, C&W formed a joint venture with local company, Dhivehi Raajeyge Gulhun, which means "the Maldivian connection." The new company, shortened to Dhiraagu, was then given the license to operate telecoms services in all the islands. "Even then," Dhiraagu's CEO Ismail Waheed remembers, "each resort had one-to-one communication." In 1994, an agreement was reached that before the end of the millennium all inhabited islands would have basic telephone services or pay phones. Waheed says: "By the end of 1999, this had been achieved. As well, we were providing mobile services in 1997 (upgraded to GSM in 1999), and Internet in 1996." The market has been liberalized since 2000.

As in all modernizing countries, the Maldivian telecoms infrastructure is constantly improving and changing. Dhiraagu is currently focused on rolling out services via a newly laid fiber-optic cable, linked to Sri Lanka, which has cost U.S.\$20 million. Waheed says: "Until now, we have been relying on satellite for all our international connections, but by implementing this, we hope to reduce operating costs for international connectivity and the use of Internet, and pass the savings onto our customers. The quality of service will also improve."

For the last three years, Dhiraagu has invested around U.S.\$30 million a year in expanding its services to fulfill its obligations to improve connectivity for the locals and the resorts. Waheed says: "We are already offering our wide range of services to the new resorts. Ninety-nine percent of the resorts have our services. In terms of mobiles, we are able to provide services to 72 countries and 179 operators throughout the world, and we have roaming agreements with all the U.K. companies."

The company plans to offer broadband connection to about 60% of the population from this year. "Next year, we want to cover the whole country. There has been under-investment in this area so far, but this should improve with the new cable," Waheed explains.

In the medium term, Waheed is eyeing up the country's potential as an ICT hub with interest, particularly in terms of call centers. He says: "India obviously has economies of scale that we cannot match, but we have a literate population, English is widely spoken here and our quality can be maintained. Our young people are clearly moving into ICT applications. I think we can create a market."

"We would like to become a facilitator for investment by providing the necessary technology and bandwidth for companies to set up call centers here in the Maldives."

Meanwhile, construction is such a booming industry, it warrants its own ministry. While the devastating tsunami brought new impetus to the sector—some 3,000 homes had to be rebuilt and 5,000 more repaired—there is also work to be done under the government's access improvement program. Minister for Construction and Public Infrastructure, Mohamed Mauroof Jameel,



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Maitri

says: "We have always had to attract investment for development because we have such a small population. In the past, the private sector played a major part, especially within tourism. For example, almost all the resorts have been built on a build-operate-transfer (BOT) basis. We are now trying to make that an attractive option for other infrastructural projects."

Large-scale projects such as Male' International Airport's first terminal and various resort developments have grown Alia Investments Pvt. Ltd. into one of the country's biggest construction outfits. Having just completed its flagship project—the One&Only Reethi Rah Resort—Alia has been quick to make another strategic alliance to fully exploit new opportunities. Director Atho Ali, whose father started the company in 1965, says: "We have partnered up with a Singapore contractor to bid for the main telecommunications building in the Maldives. It is a multi-million dollar, state-of-the-art, high-rise structure. The competitive market pushes us to establish international alliances in order to deliver a high standard and develop unique concepts for resort operators."

Amin Construction is also associated with high-rise structures and is helping to change the face of Male' as it is transformed into a modern, dynamic regional capital. Abdulla Mohamed, managing director, says: "The STELCO building was a great accomplishment for us. It was one of the first modern buildings in the capital. We are now building a 14-story government building—the first of its kind in the Maldives." The company's goal is to be a first-class contractor producing neat, quality buildings. Mohamed says: "Propelled by this, we consciously put our best effort into every area of our operation, from management to staff training and development using the latest building technology and products."

"The country is growing rapidly and there are many opportunities. One of them is a 14-story hotel and serviced apartment concept in downtown Male'. We have recently acquired the freehold and are seeking a foreign investor or long-term financier. This will unquestionably be a landmark project for the city and will add much to the Male' waterfront."



Mohamed Mauroof Jameel
Minister of
Construction and
Public Infrastructure

Meanwhile, the State Trading Organization Plc. (STO) is literally keeping the wheels of industry oiled as the main petroleum supplier. A public company, State Trading is 92% government-owned with the remainder held by the public after an Initial Public Offering two years ago. Mohamed Hussain Maniku, managing

director, says: "We were initially set up as the sole trading arm of the government but that has changed completely. Now we are seen as the country's major importer for all products, not only oil. Whether it is basic food items or energy products, we have to make sure it is available to the public. We also distribute construction materials, pharmaceuticals and branded items like electronics. We are now competing with the private sector for business."

Nonetheless, it is a lucrative business. According to Hussain Maniku, STO turned over around U.S.\$500 million last year. U.S.\$10 million of that was profit. "However, you have to consider that 50% of the turnover is due to fuel sales, the central part of our business," he explains. The company has recently undertaken joint ventures with Lafarge Cement and a private cooking gas supplier. STO now plans to launch an IPO for subsidiary Allied Insurance, the country's leading insurance company, which will allow investors to enter this lucrative market. "We will look into further share offerings in 2008," Hussain Maniku promises, adding: "The STO will continue to act as a strong partner for any investor willing to come here."

Tourism's indirect impact on construction and trade represents about 50% of the economy so the financial markets are also booming. The country's central bank, Bank of Maldives, is gearing up for the country's growth and is focused on lending to the atolls so the wealth is redistributed. Serene Ho Oi Khuen, general

"The State Trading Organization will continue to act as a strong partner for any investor willing to come here"

manager and CEO, Bank of Maldives says: "Most of our growth comes from domestic deposits. Of course, cash-rich companies deposit their assets here, which provides for liquidity in our operations, but our growth has come from the people."

The trend for state companies to go public has also made a difference. Ho Oi Khuen says: "The strategy is to build up capital markets and help promote ownership in state-owned entities. This also prepares the companies to become more transparent and open for foreign investment."

"Now the economy has developed and the Male' atoll has a growing middle class, there is an interest from Maldivians to become shareholders." The central bank is now working with the IMF to draft a new banking act that will put the Maldives on par with London's or Singapore's financial standards.



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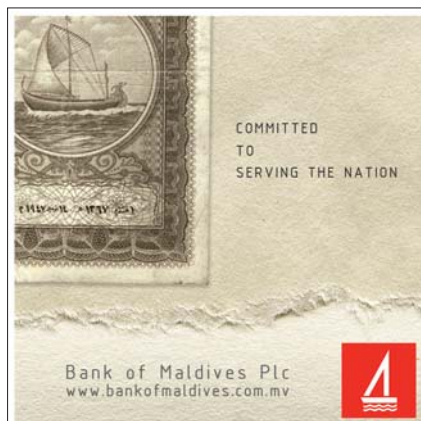
M. Alia, Haveeree Higu, Male', Maldives
Tel: +960 3315335, 3323445,
Fax: +960 3324564,
admin@aliamaldives.com.mv



AMIN
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private limited

52, Boduthakurufaanu Magu,
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Tel: (960) 3316161
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Villa Holidays Touristik GmbH
Tel: (49) 69 91 39 6544
Fax: (49) 69 91 39 6545
villa@tm@aol.com

UNITED KINGDOM
Villa Tours & Holidays Ltd.
Tel: (44) 20 8781 1854/5
Fax: (44) 20 8781 1656
info@ameholidays.com

HONG KONG OFFICE
Villa Holidays Pvt. Ltd.
Tel: (852) 28516243/ 852 28519190
Fax: (852) 28516075
Email: info@villaholidays.com.hk

MALAYSIA OFFICE
Villa Hotels Maldives
Tel: 03 2775 8698
Fax: 03 2775 8698
Email: villahotels.maldives@time.net.my