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SAINT LUCIA

Business and tourism in the Caribbean

Saint Lucia, taking aim to become queen of the Organization of Eastern Caribbean States.

Saint Lucia is a country with more than 168,000 inhabitants situated to the north of Saint Vincent and the Grenadines, and to the south of the island of Martinique in the Caribbean Sea. It is the second largest island in the Barlovento Islands with 158 km of coast and is a member of the Caribbean Community, the Organization of American States and the British Commonwealth of Nations.

Because of its excellent geographic location, the country was subject to a series of conquests by the French and British during the 16th and 17th centuries until the British gained definitive possession of the island in 1814. In 1967 the British Crown granted Saint Lucia greater autonomy to administer its internal affairs and on the 22nd of February, 1979 the island was given its independence. However, the country maintains the British monarchy as its sovereign and head of state.

The island's economy largely depends on the cultivation of bananas, though changes in European Union importation practices and growing competition from Latin American producers has forced diversification. In recent years, the tourist industry and international finance sectors have come to make up a significant part of its Gross Domestic Product, almost 73% of which is now generated by the service industry.

Saint Lucia's manufacturing sector, though of less importance, is one of the most highly diversified in the western Caribbean, and owing to its geographic and demographic conditions, a large amount of its supplies are imported.



John Compton
Prime Minister

"Since we established ourselves as a country of services, we have increased demand for self-improvement"

Brazil (41.7%), the USA (21.4%) and Trinidad and Tobago (11.9%) are the island's principal providers.

John Compton, the country's current Prime Minister and an important member of the United Workers Party, has dedicated almost his whole life to Saint Lucia. He has been President during two different periods: from 1964 to 1979, and from 1982 to 1996—the year in which he retired definitively. "That is unitl now," he says. "Now my country has asked me to return to the front line in the struggle."

A high crime rate and prevalence of corruption are important reasons for his return to the fray. "My government is working intensely so that Saint Lucia can recuperate the security and confidence that it deserves. We are regenerating agriculture, creating new jobs and making even more improvements to the infrastructure in order to consolidate the country's position as the leader in services of the Organization of Eastern Caribbean States," Compton declares.

Despite competition from other countries in the region, the Prime Minister appears confident. "Since we established



The Pitons, sandy beaches and Soufriere Harbour

ourselves as a country of services, we have increased our demand for self-improvement. What might have been of an acceptable standard in the past, for example, may no longer be the case. This forces us to rise up to the challenge and make our island competitive and fighting-fit to gain a reputation and more prestige within the region."

For his part, Ausbert d'Auvergne, Minister of Economic Affairs and Economic Planning, National Development and the Public Service, has marked as his objective that "the growth the island is experiencing results in substantial and tangible improvements which have an influence on the lives of the people and does not remain a simple statistic." This is an essential step in ensuring that the economic recovery does not bring with it social inequality and other ills that would harm the long-term

development of the country. In the tourism sector, d'Auvergne, along with the Ministry of Tourism, will head a pioneering initiative. "We are developing a "village tourism" strategy that consists of creating a nucleus of tourist activity, in all the cities and towns of Saint Lucia, made up of guest-houses, hotels and recreational activities that generate new jobs," explains the Minister, who foresees an optimistic future for the country.

One organization that has registered the growth referred to by d'Auvergne is the National Development Corporation (NDC), which was created in 1971 to promote investment, trade and exports. Nicholas John, its chairman and a specialist in corporate law and international financial services, considers the island to be "an ideal place to invest, since the legislation in force provides plenty of facilities for whoever wants to



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start a business." The fierce competition to attract investors that exists in the Caribbean and Latin America has motivated Saint Lucia to endeavor to "put itself on the map as a center for tourism in the zone and one that also offers some of the best financial services in the world," so John maintains.

The chairman believes the level of education in the country is outstanding, as he notes: "We have many highly qualified professionals." Indeed, despite the fact that Saint Lucia is a relatively young country, a number of its citizens

Among its other responsibilities, the NDC also acts as a mediator between foreign and native investors, who come together in order to develop new projects on the island, generally associated with the tourism sector. However, given that the north of Saint Lucia, especially Castries, its capital, is overloaded with large-scale plans, the NDC wants to give investors incentives to establish themselves in other areas.

"Le Paradis, to the east, and Vieux Fort, in the south, are excellent locations to get new projects underway and this is what

Holding Co. Ltd. Group (ECFH), it is one of the most prestigious in the country. The Group's managing director is Robert Norstrom, whose expansive career in the banking world includes years of service with Barclays Bank in the United Kingdom, and more recently, directing offshore operations for the Central Bank of Grenada, Guyana and Trinidad.

"The most important task I set myself upon arriving here in 2003 was to create a range of products and services that could compete with those offered in the United States, as well as introducing offshore loans and a business area based on insurance," Norstrom recalls. "In three years, we achieved these objectives and the bank grew by 300%."

What's more, both the Bank of Saint Lucia and the ECFH have many projects underway relating to tourism and the real estate sector. Norstrom affirms: "We are, in effect, constructing hotels and resorts over the whole island." A large part of this is being done with foreign capital.

As Norstrom explains: "Our policy on admissions, investment and our individualized treatment of each client are of extra value."

"Thanks to this and to our close relationship with the Bank of America,



Nicholas John
Chairman, NDC

"The legislation in force provides plenty of facilities for anyone who wants to start a business"

the UBS, the Bank of New York and other internationally prestigious banks, many investors trust in us and establish themselves in Saint Lucia to conduct business."

Nevertheless, many foreign companies have firmly established themselves on the island. "Given that these companies offer the same selection of products and services as us, they are our most direct competition, but we have grown by 10% in the shared market from 2003 to 2006, more than any other bank."

Because of this, Norstrom looks at the future with optimism. "That said, we don't want to remain in this position; we want to keep growing, and that is something we will achieve by studying the needs of the market and offering new

"Saint Lucia also offers some of the best financial services in the world."

have excelled in the fields of art or science at an international level, such as Derek Walcott, Nobel Prize winner for Literature in 1992 and Arthur Lewis, who won the Nobel Prize in Economics in 1979.

It must say something, John suggests, that this country "is the one with the highest number of Nobel Prizes per capita in the world."

we are trying to make investors understand," comments John, who doesn't want to see a long-term scenario in which all the attractions, resources and infrastructures are concentrated in just one place due to negligent planning.

In the financial services sector, the Bank of Saint Lucia is of special importance. Belonging to the East Caribbean Financial

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"We have grown by 10% in the shared market from 2003 to 2006, more than any other bank"

Robert Norstrom
Group Managing Director
ECFH

products and services that fulfill those needs," he concludes.

Meanwhile, Guy Joseph, Minister of Communications, Works, Transport and Public Utilities introduces us to the area of telecommunications on the island. "Just recently, they have been liberalized, although Cable & Wireless retains a monopoly on the landline telephone system," Joseph explains. "The government has granted licences for Internet, television and telephone services that will make the sector more competitive and attract investors to come to Saint Lucia."

John Boyle, who was recently named CEO for Cable & Wireless Eastern Caribbean, shares the Minister's opinion. "After a century of operating on the island as a monopoly, we welcome competition and the liberalization of the sector. The change has been important because the market has passed from being one where we were the only provider to being one where people can choose. Because of this, many investors have acquired licenses and are establishing themselves on the island. Nevertheless, we are confident of our infrastructures and we believe that we are prepared to compete with anyone," Boyle states.

Furthermore, Cable & Wireless is collaborating closely with the government and the Ministry of Education to search together for formulas that will encourage the use of computers and Internet on the island. "Broadband is still in its infancy, it must be developed much more and is yet to be introduced on the whole of the island," Boyle says. For him, the advancement of the country goes hand in hand with technological progress. "We expect that what will

St. Lucia Tourist Board



The island offers exotic flora and extraordinary golf courses

happen will be similar to what happened with the cell phone: when the competition entered the scene, the entire market, in both offer and demand, experienced spectacular growth."

Cable & Wireless has another interesting project on the horizon. "It's possible," says Boyle, "that we, together with the state, will participate in the creation of a call center on the island that will operate for North America and generate some 5,000 new jobs."

Without a doubt, however, tourism is the primary economic force in the country. And, according to Allen Chastanet, Minister of Tourism and Civil Aviation, "if the job is done correctly, it will keep growing in the short term."

all, its restaurants, the gastronomy on the island being very highly thought of."

Advertising these activities is a priority, then for Saint Lucia to effectively compete with its neighbors, and for promotion, one need look no further than the Tourist Board. It has a decisive role in the development of the sector on the island and, Chastanet believes, "it must be privatized in order to have at its disposal the necessary means to complete its tasks more efficiently."

Another essential part of the equation, according to the Minister of Tourism, is aviation, the portfolio of which he also controls. "We need more planes coming to Saint Lucia, so we are considering organizing flights to come through

control of public aviation. "This creates a very useful synergy between the two portfolios: we needed to extend our air services and increase the amount of flights to the island in order to strengthen tourism, and this is now being achieved," she states. However, the budget that the agency has at its disposal is not enough to complete all of the tasks that have been set.

"We need the private sector to become involved in marketing, to invest money in publicity, because combining our efforts, both public and private, we can obtain better results." Fowell is currently developing an energetic strategy for marketing on the Internet. "Online marketing is cheaper than conventional marketing, and its repercussions are enormous," she says. "So we are creating a website that will attract possible clients and generate numerous advertisements that will help us become known all over the Internet."

Informing people of the benefits that Saint Lucia has to offer is essential. "We possess three core attractions for tourists: water and adventure sports, wedding and honeymoon tourism, and the world of yachting, which has prospered in recent years," Fowell says, and will not rest until the whole world knows about all the virtues of her country.

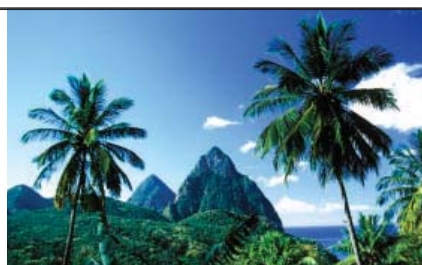
Chastanet is also confident the sector can overcome its challenges and believes Saint Lucia will continue to prosper as a country dedicated to services. **P**

"We are increasing the amount of flights to the island to strengthen tourism."

For this to happen, Chastanet believes "we must sell ourselves to the world, in the same way as Jamaica—a country that has exported its culture abroad brilliantly and effectively. Because of its characteristics, Saint Lucia is an ideal place to practice water sports, biking, hiking and other forms of eco-tourism. It also stands out for its excellent infrastructure: its hotels, golf courses, resorts and spas, the casino, and above

Barbados at no extra cost," he says. "What's more, we have contacts with American Airlines, Delta Air Lines and US Airways to have more flights from Dallas, New York and Miami, three of the most important cities in the United States, which is one of our natural markets."

Maria Fowell, director of tourism at Saint Lucia's Tourist Board is delighted that for the first time in the country's history the Minister of Tourism is also in



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PERÚ

The re-emergence of the Inca Empire

Perú is back on the map as a stable economic leader in the region.

The Republic of Perú is situated in the central and western part of South America. It is bordered by Ecuador and Colombia to the north, the Brazilian states of Amazonas and Acre to the east, Bolivia to the southeast, Chile to the south and the Pacific Ocean to the west. It has a surface area of approximately 1.3 million km² and a population of just over 28 million.

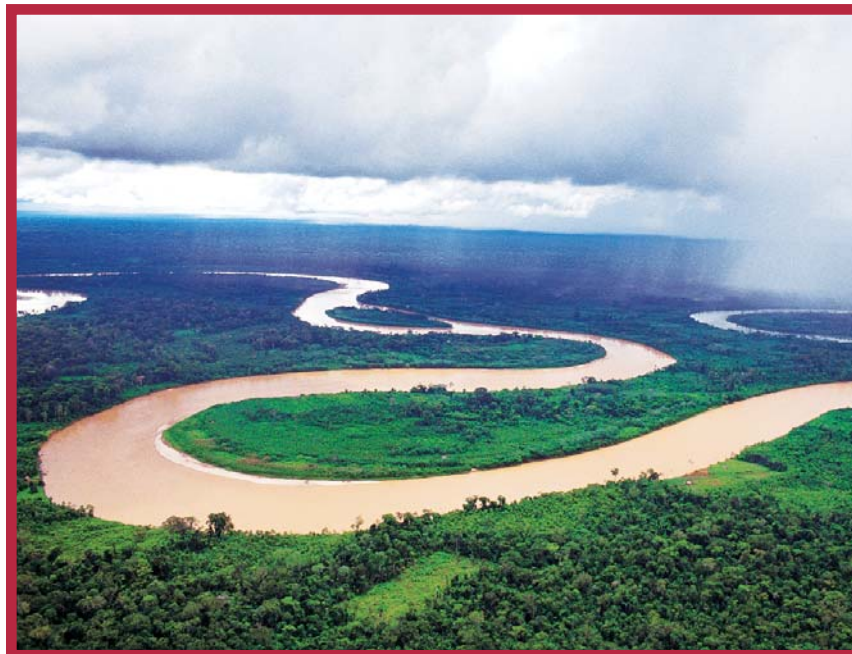
Its economy is the sixth largest in South and Central America and is based primarily on the exploitation, processing and exportation of its natural resources, principally agriculture, fishing and minerals. That said however, the service sector, particularly tourism, is also important as the country contains outstanding remains of the Inca Empire, as well as being a place of great cultural and historical richness admired by millions of visitors each year.

It is worth noting that during the 1990s, the country underwent an important process of industrialization which has led it to become one of region's the strongest, most stable and far-reaching economies.

For Jorge del Castillo, President of the Council of Ministers of Perú since July 2006, the country is enjoying an excellent period. He says: "Without a doubt, the low levels of inflation of the last few years, the smooth movements of our currency in relation to the dollar and the high levels of net reserves have created great macroeconomic strength."

This economic security has acted as an excellent inducement to private investment, which is on the rise. "It is thanks also to a political and judicial stability that guarantees the respecting of investment contracts, at whatever cost and regardless of the leanings of the government," del Castillo says. These investments, he hopes, will improve the current infrastructure of the country: "the base upon which we should sustain the growth of Perú," he states.

The government is currently negotiating



The legendary Amazon river meanders through exuberant jungle

the awarding of the control of ports and airports, "since they generate the investment necessary," the President of the Council of Ministers maintains, "to convert the country into a first class commercial hub on the Pacific east coast." That is without losing sight of its

interventionist attitude of Perú, which respects the contracts it signs."

The Ministry is currently focusing its efforts on promoting the sustainable development of energy and mining activities, stimulating private investment in a globally competitive framework and

"We want to convert the country into a first class commercial hub."

imminent signing of the Free Trade Agreement, which will constitute another step forward for the economy of Perú that will at last be able to establish itself in the competitive U.S. market.

The mineral-energy sector is another of Perú's chief industries, the potential of which not only covers the internal needs of the country, but has also allowed Perú to become an important exporter at an international level. Juan Valdivia, Minister of Energy and Mines, looks optimistically at the future of the sector. "Native and foreign companies value our natural resources and the non-

encouraging friendly relationships in the sector," according to Valdivia.

They are also prioritizing the preservation of the environment and the development of renewable and alternative energies, such as ethanol and liquid gas extracted from petrol.

Sustainable Mining is Key

One of the most influential bodies in the sector is the National Society for Mines, Petroleum and Energy (SNMPE), a commercial organization set up as a civil association without the aim of making profit, which works to unite the



"The signing of the Free Trade Agreement will enable us to establish ourselves within the U.S. market"

Jorge del Castillo

President of the Council of Ministers

companies involved in these activities. Its goal is to strengthen the development of mining and energy by the sustainable cultivation of its natural resources, and at the same time, promote social development and the creation of new jobs—all this while respecting completely the ruling legislation and finding new ways to make the sector as competitive as possible.

Meanwhile, Perúpetro is the state company that negotiates and supervises the contracts for the exploration and exploitation of hydrocarbons in the country. It acts with complete financial and administrative autonomy and according to the objectives, policies and strategies approved by the Ministry of Energy and Mines. Daniel Saba, chairman of the board, hopes to sign 25 agreements with gas and petrol companies this year to explore various areas of the Peruvian subsoil, thus setting a new record after the 16 agreements signed in 2006.

"Three years ago," he explains, "they discovered an oilfield in Camisea where there is estimated to be a reserve of one trillion cubic meters, and since then, the number of requests to explore the region has rocketed."

Perúpetro "offers its associates total freedom of movement in the handling of their affairs and allows them to sell the extracted hydrocarbons at the price they choose by means of tax-free exports," Saba adds. This has attracted numerous North American and Spanish companies,



"In the next few years, we will construct seven ports and complete numerous plans for irrigation"

Jorge Barata

Superintendent Director, Odebrecht Perú

such as Cepsa and Repsol that have spent years working in the country. And, Saba proudly points out, Perú invests an average of 50% of the earnings generated by the resources it exports, a factor that is helping the country to maintain the state of economic prosperity into which it has entered.

Igor Gonzáles, president of Barrick South America, points out that as well as trying to ensure that the projects are profitable for both government and the private companies, it is essential to carry out parallel plans of social responsibility and development.

"In Canada in 2005 we received a prestigious award for social responsibility," he comments. "The key is that we do not impose anything on the community, but instead create a program with the consensus of the local population, the state and the company, that results as being greatly beneficial for everyone."

New focus on infrastructure

Verónica Zavala, Minister of Transport and Communications considers Perú to be "weak in its development of

infrastructures, which are not in keeping with its economic reality," although she does note that the government is concentrating its efforts on trying to solve this problem. "This is why they are negotiating the awarding of contracts for the running of ports and airports, and why the state is using all the means at its disposal to promote public and private investment," she says.

One of the companies most active in working for the development of the country's infrastructure is Odebrecht, a Brazilian company that has been operating in Perú for 27 years. The company is also established in the United

system of roads; this, for Barata is "the most essential investment for Perú today." Furthermore, the problem can be extrapolated when looking at the relation of the country with the rest of the continent.

"Brazil and Perú have never been connected by road, which is incredible considering that they are two countries with complementary economies that share a common border of 3,000 km," Barata explains.

Because of this, Odebrecht is carrying out a program of Integration of Regional Infrastructures in South America (IIRSA), which, among other projects, will

beneficial is that of Sierra Exportadora. "People are conscious that wealth can not be generated if the country does not develop," Barata asserts, "and although there exists a 49% poverty threshold level, the Sierra Exportadora project will help to facilitate commerce in the mountainous area of Perú.

"We will also continue to support all the government's positive policies and development programs, plus we run the Odebrecht Foundation, created 40 years ago, that has dedicated itself to applying a pilot program of productive chains in Bahía (Brazil) during the last 12 years. There, we reached the conclusion that, for example, for the production of yucca to be sustainable it was necessary to produce 26 tons per hectare, when it had been just 6 tons per hectare. Working and implementing new techniques enabled us to produce 60 tons per hectare, which then allowed for the creation of a processing plant."

Odebrecht is currently trying to introduce this model into Perú, making it applicable to the products and idiosyncrasies of the country, and all the indications show that they will do this with the same success that has accompanied them up until now. **P**

"Perú invests around 50% of the earnings generated by the resources it exports, which helps maintain the economy."

States, where they currently have a contract worth US\$1,000 million with the Miami International Airport.

Jorge Barata, Odebrecht's superintendent director also believes that "the Andean country must develop its infrastructures urgently in order to take a significant leap forward. It has multiplied its exports by three in the last four years and should adapt its infrastructures to this economic growth if it doesn't want to run the risk of its system collapsing like a house of cards."

To avoid this, the government has an obligation to connect the more distant areas of the country by building a primary

facilitate the integration of both countries. "As well as that," Barata adds, "in the next few years we will construct seven ports and complete numerous plans for water irrigation."

Another project that will be very

Mining in Perú

The mining sector represents a solid foundation for the economic and social development of countries rich in mineral resources, such as Argentina, Perú and Chile.

Barrick's ability to develop deposits in this region has proved to be a winning formula for the Canadian miner. Its Pierina Mine in Perú, which began operations in 1998, has contributed to making the gold mining company one of the country's largest producers. They also operate the Lagunas Norte mine in Alto Chicama.

Igor Gonzales, Barrick South America region president, believes mining is an integral part of Perú's future development. "We are a mining country and we are proud of that," he says. "Almost every major mining company has invested here."

Barrick has won an important vote of confidence from credit rating agencies as well. As Gonzales explains: "Our program of corporate bonds shows the level of confidence

we have in the country. We want small investors to participate in our success. This successful history, our strong financial portfolio and various other criteria have resulted in an AAA rating by local credit rating agencies."

For Barrick, mining goes hand-in-hand with responsible development in the communities where it operates and forms part of the company's "responsible mining" philosophy. Along with economic development, "responsible mining" encompasses the use of proven technology, the highest safety standards and an unassailable commitment to environmental stewardship.

"Our experience around the world shows mining can coexist with agriculture, tourism and other traditional industries," says Gonzales. "In fact, in many cases they strengthen each other by leveraging a diversified set of economic opportunities."

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MALDIVES

Paradise isles open up to America

"One island, one resort" policy offers unique quality and investment opportunities in hideaway archipelago.

The Republic of Maldives, an archipelago of a thousand small coral reef islands set in the Indian Ocean, is still basking in the aftermath of Hollywood star Tom Cruise's honeymoon. Hard-hit by the late 2004 tsunami, the Maldives are also getting the attention of U.S. investors with new opportunities in infrastructure, transport and telecommunications, catalyzed by strong tourism and buoyant economic growth.

Even as the tsunami reconstruction effort continues, the resurgence of tourism allows for the cautious optimism of Maldivian President, Maumoon Abdul Gayoom. "This year, we expect to beat our 2004 record of more than 600,000 arrivals. Meanwhile, fisheries have shown resilience and together with the tourism growth, the fundamentals of our economy are recovering well," says Gayoom.

Indeed, the country's 18% growth rate in 2006 proves that the post-tsunami reactivation efforts are paying off. A tourism master plan calls for the development of 35 islands for resorts, ten new regional airports and investment in the traditional fishing sector. Minister of Finance and Treasury Qasim Ibrahim points to the interest of American international hotel chains to operate in the Maldives.

"For investors, the important point is that we have a free market economy, capital can flow freely and we have no income tax, only a tourism tax," explains Minister Qasim.

Hamdun Hameed, Minister of Planning and National Development, notes how the tsunami changed the Maldives economic strategies: "We have decided to be more proactive in attracting foreign direct investment in a variety of sectors, not just tourism," he says, referring to the "catalyst effect" brought by the resurgence of visitors to the paradise islands of the South Seas.



Bohemian chic in the Maldives

The Maldives tourism sector is just the beginning, according to the Minister of Economic Development and Trade, Mohamed Jameel. "The tourist needs support services, information and telecom support, financial services, logistics, transport... and that's where U.S. investors come in," he says. The islands have a young, English-speaking population and are setting up economic free zones to attract investment in the services sector.

Vital Reconstruction

The construction sector is one of the main beneficiaries of this effect. Minister of Construction and Public Infrastructure Mohamed Mauroof Jameel describes the industry as "bursting at the seams". "A few years ago, construction accounted for 17% of the GDP," he says. "Recent figures will probably show that this percentage has doubled."

Public projects already approved include the construction of a second capital city on the island of Hulhumale' to alleviate the population density of capital city Male', and repair of the 104 harbors damaged by the tsunami.

"The requirements for reconstruction in 2007 amount to US\$33 million. Also earmarked are US\$83 million for harbors and US\$20 million for primary access to islands," says Minister of Construction Mauroof Jameel.

The telecom sector also plays an important role in communicating the islands. The Maldives have two operators that provide cellular coverage over 90% of the territory, and are laying down submarine fiber-optic cabling to extend Internet coverage.

The International Airport in the capital city of Male' is also slated for reforms. With almost 80,000 passengers arriving every month, the airport is to gain a US\$400 million extension that includes a new runway and terminal building. "Right now there is so much air traffic we are looking at new apron projects to accommodate ten aircraft where now we can only put seven," says the managing director of the Maldives Airports Company, Ahmed Ali Maniku. Located a short boat ride from Male', the International Airport is the main arrival point for most tourists, who usually connect directly to the resort islands by



"The fundamentals of our economy are recovering well"

Maumoon Abdul Gayoom,
President of the Republic

sea-plane or speedboat.

While the airport provides vital connections with the rest of the world, harbors are by far the most important transport infrastructures for connecting the islands to one another. In charge of building harbors is the Maldives Transport and Contracting Company (MTCC), one of the major public companies in the country. MTCC managing director Ibrahim Athif Shakoor speaks of the importance of this work. "It is sometimes difficult for foreigners to understand the importance of our harbors, but because the sea is our highway, harbors mean access. They are a vital piece of infrastructure," says Shakoor.

With more than two and a half decades in operation, MTCC is the oldest public company in the Maldives, with ownership shared between the government, the general public and the private sector. The core business of the company is transport, but it has diversified into contracting, sales and rentals too. Despite having started contracting in recent years, this area already represents 50% of MTCC's net profit, as new constructions overlap with the ongoing reconstruction work.

The company's foremost project right now is the creation of reliable ferry links to all inhabited islands, a task which Shakoor describes as challenging.

"Transport in this country has not been centralized like in other countries, where

one has a central train station, a central bus station and so on. We have a more decentralized, charter-based model. Creating a strong transport network is a challenge, but it will boost the economy," he says.

Work to provide primary access to the handful of islands that still have no harbor has been strained by the reconstruction efforts, although the major thrust of efforts are still set on completing the harbor network.

"MTCC invests in transport hubs that get linked together, then once all the hubs are linked, it is good for business and good for the country as a whole. It's a huge investment but it ensures a solution for anyone needing transport," says Shakoor.

Aside from the contracting services, MTCC's diverse activities include sales of marine equipment and land-reclamation projects. The latter is of particular interest due to the geographical nature of the low-lying coral reef Maldivian islands.

"Islands want to be bigger, because they need a core size to develop. So all the sand we remove to build harbors, we try to use to expand islands," explains Shakoor.

Being a small economy with a population of only 300,000, expansion plans are looking towards regional contractors for major investment projects, among which shines the new transshipment port projected on the northern tip of the country.

Another company putting its resources into reconstruction and growth projects is AMIN Construction. Founded 26 years ago by managing director Abdulla Mohamed, the company began as a small sawmill and has grown into one of the Maldives' leading construction companies. Working on government contracts, AMIN has built schools and hospitals, and is currently building 600 homes for tsunami refugees.

Providing all the skills to complete buildings—such as doors, windows, cabling, painting—AMIN has also done hotels, administrative buildings and outfitted the new airport terminal. Right now, Mohamed is sitting on a 10,000 square-foot waterfront plot in Male' and



Qasim Ibrahim

Minister of Finance and Treasury

"The important point is that we have a free market economy and no income tax"

is open to those investors interested in hotel development.

Greening the Energy

Environmental awareness is no light matter in the post-tsunami Maldives. In a country where the largest island is no more than 4.5 miles in length, and the highest point is seven feet above sea-level, the concern is very real. Minister of Environment, Energy and Water Ahmed Abdullah speaks of the delicate balance between development and environment, and the role of U.S. companies in developing alternative energies, water distribution and sewage management together with local companies such as the State Trading Organization (STO) and the Male' Water and Sewerage Company (MWSC).

"The U.S. can help development in the pursuit of a safe environment."

"A country like the U.S. is interesting to provide such services, because they have wealth, technology and a desire to help development in the pursuit of a safe environment," says Abdullah.

The company in charge of developing these areas is the STO, with a 92.3 % government ownership. Originally chartered in 1964 as the sole importer of essential goods to assure the food security of the country, the STO is now a public company and the largest trading organization in the Maldives. Petroleum products and construction materials make up the bulk of the company's imports, in Joint Venture (JV) or subsidiary



Mirihi Island Resort, Maldives - visit us at www.crowntourismaldives.com

agreements with international providers. STO managing director Mohamed Hussain Maniku explains that the company is looking at JVs to diversify into the services industry, banking, financial and high-tech, without forgetting its core semi-manufacturing activities.

"Semi-manufacturing activities add value to the materials, even though we do not directly manufacture them. For example, we don't just import cooking gas, we bottle it in cylinders. We import rolls of steel and cut them into roofing sheets, and we pack and distribute the

the pilot phase demonstrates real business potential, large-scale application is set to begin in 2008.

Banking the Islands

Since its inception 25 years ago, the Bank of Maldives (BoM) has become a key player in the development of the country, covering the entire spectrum of banking services to the Maldivian community. As the only bank to offer a wide range of services to the general population, the BoM offers retail banking, credit cards, ATMs, housing loans and development banking, as well as corporate services.

"This is the national bank, committed to serving the nation and the community. It is positioned as the people's bank," says Serene Ho Oi Khuen, general manager and CEO of the BoM, who comes from Singapore with an international banking background. "In terms of pure size, we are rather small. Our net worth is of US\$14 million, but our business line is strong."

With a 45% share of the corporate lending market, from large tourism groups to SMEs, the BoM also leads in development loans for reconstruction and fishing activities, and is the only bank to have a housing loan portfolio and to issue credit cards in association with American Express.

Given the challenges of the widespread territory, the BoM is constantly innovating to provide better client service. Internet banking is underway, although the

cement we import in bulk," says Hussain Maniku.

In the area of renewable energies, STO is running pilot projects in a JV with an American company to provide solar water-heating at resorts and wind-turbine electricity. In order to find economically feasible methods of providing electricity to all the islands' communities, three hybrid generator systems combining diesel, gas and wind are projected on different islands. According to STO's chairman of the board Ahmed Mohamed, the company estimates it can provide not only cleaner but cheaper electricity than the current generators. If



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mobile phone banking initiative may prove more accessible, especially to the fishing community.

Pole-and-Line Industry

Fishing is the traditional industry of the Maldives, and remains the sector that feeds a majority of Maldivian households. It is second only to tourism in wealth generation. Specializing in skipjack and yellowfin tuna caught only with pole-and-line fishing, the Maldives accounts for 22% of all Indian Ocean tuna captures and 3% of the world total, most of which is exported to Europe and Asia. For the Minister of Fisheries, Agriculture and Marine Resources, Abdullah Kamaludeen, the fishing sector has great growth potential and must be expanded.

"We have plans to make the Maldives an international fishery hub to support the Arabian and Indian Ocean fleets and distribute value-added fish products from here to various parts of the world," explains Kamaludeen.

Until recently, the monopoly on the Maldivian fish market was held by the state-owned Maldives Industrial Fisheries

Company (MIFCO). With the sector liberalization, other tuna-processing companies entered the market, allowing MIFCO to concentrate its efforts and increase production. As MIFCO managing director Mohamed Adil Saleem explains: "The transition has worked very well for us, just after the monopoly ended we doubled our production," he says. "Since then we have been growing more than 30% every year, concentrating on our assigned zones to increase productivity."

MIFCO runs a tuna processing factory on the island of Felivaru, with a capacity to process 100 tons of fish a day, including the manufacture of its own cans and on-site facilities to house the workers. A fleet of 25 collector vessels visits fishing communities on different islands, returning with 30 to 40 tons of tuna that are then canned, vacuum-packed or frozen, depending on the final destination.

"Fishing is a solid and sustainable economy for our islands. The local population benefits directly from it. Tourism may contribute the largest share



"We have plans to make the Maldives an international fishery hub"

Abdullah Kamaludeen

Minister of Fisheries, Agriculture & Marine Resources

of national income, but if you visit a local island, not a resort, you will see the difference," says Adil Saleem.

The quality of Maldivian tuna is enhanced by the environmentally-friendly method of fishing without nets. The traditional pole-and-line method avoids the unnecessary capture and death of dolphins, sharks and turtles, adding value to the final product. Nevertheless, Adil Saleem believes that this safe but antiquated method will someday be improved upon. "We are very interested in technology transfers from the U.S.," he remarks. "Such technologies will maybe some day replace pole-and-line fishing."

With the opening of the fishing market in the Maldives, the islands' waters were divided into zones to be operated by different companies. One of the companies licensed to operate in Zone 3 was Funaddoo Tuna Products, an offshoot of a family business run by general manager Mohamed Nashiz. Funaddoo buys tuna from local fishermen, freezes and exports it to countries like Thailand, Iran and Qatar, but does not yet process.

"We are not into processing right now because our operations have just started, this is our fourth year and we are still pretty much in the learning phase, we need more experience. We need to explore the market some more before

going into further investments for processing," explains Nashiz.

During its first year of operation, in 2004, Funaddoo exported 7,000 tons of tuna, a number that rose to 9,000 tons the following year. To ensure the quality of the fish, the company's collector vessel stores the captures in ice, something the fishermen's simple wooden boats can not do. "Fishing is a good business in the Maldives, the quality of the fish is excellent. Because the fishing takes place right near our shores, the fish is very fresh when it reaches our facilities," explains Nashiz.

Paradise at One's Feet

While fishing is the main source of income for many Maldivian families, tourism is by far the country's greatest revenue generator. Branded with the slogan "The Sunny Side of Life", the Maldives offer countless white-sand beaches, beautiful lagoons, Robinson Crusoe-style retreats, luxury resorts and world-class diving. Some 20,000 people—almost half of which hail from neighboring countries—are directly employed within the tourist sector, which contributes a whopping 33% to the national GDP.

Minister of Tourism and Civil Aviation Mahamood Shougee points out that Europe and Asia provide the bulk of the 600,000 visitors that arrive to the islands each year, while only some 5,000 are Americans, mostly passionate divers, Asia residents and celebrities looking for a place to hide from the paparazzi.

"The U.S. is not really a market for us yet, because transport access is complicated. But it is a potential market, because of our high-end products. Americans will venture pretty far away for an experience such as ours," says Shougee.

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Those who have ventured to the Maldives are U.S. investor groups, notably hotel and resort chains like Hilton, Four Seasons and Starwood, bringing something of great value to the islands: skills and resources. For Sim Ibrahim Mohamed, secretary general of the Maldives Association of Tourism Industry (MATI), American know-how is a key ingredient for the industry in general.

"What we are looking for is people who can pass on their skills, people with technical and managerial know-how. The U.S. is ahead of many countries in these areas, and there is a lot to be learned from them. We have a young, trainable population, which means we are open to new trades: IT, banking and human resources such as hospitality and tourism training," says Ibrahim Mohamed.

Maldivian hospitality is best exemplified by Villa Hotels, a division of the Villa Group, one of the largest in the Maldives. Owned by Finance Minister Qasim Ibrahim, the Villa Group's investment portfolio includes oil, gas, cement manufacture and fish processing and export, in addition to real estate

investments in condominiums, resorts and airports.

Villa Hotels is a 100% Maldivian high-volume operator catering to the middle and high-end market with their resorts, with more than 2,000 beds on five different island resorts. Expansion plans call for three new boutique resorts over the next few years, adding 500 more beds in the high-end category.

Small, exclusive resorts are a Maldivian specialty that provide visitors with a taste of the good life, as Villa Hotels executive director Abdulla Nasif explains.

"In the Maldives, we have a "one island, one resort" policy which helps keep the feeling of an island retreat for visitors and maintains the exotic and relaxing feeling. There was a time when our tourist motto was "The Art of Doing Nothing", referring to the detachment from busy working lives. But our most unique feature is privacy. There are many island destinations in the world, but part of our attraction is that we're not so easily accessible, making the Maldives a perfect hideaway," he says.

Each Villa resort is designed with a different market in mind, ranging from young holiday-makers to luxury travelers. Holiday Island, with 142 rooms, caters to groups and younger people with a club-like operation, close to nature and with a fun atmosphere, while the Sun Island Resort & Spa, with its 426 rooms, is the largest resort island in the Maldives, directed to couples with children.

Close to capital city Male' is the Paradise Island Resort & Spa, a four-star plus operation that caters to a mix of markets. Being only a brisk 20-minute speedboat

ride from the airport, many honeymooners and divers choose this resort, as well as business travelers. As one of the few resorts in the Maldives that offers conference facilities, a large component of the Paradise Island's approach is geared to the business market.

For the high luxury market, Villa Hotels offers the Royal Island Resort & Spa, located in the Baa Atoll within 25 minutes by sea-plane. Geared to honeymooners in a setting which is very simple in appearance, close to nature but very sophisticated in its services, the resort's branded Herbal and Natural Spa offers rejuvenation of mind and body with traditional Indian techniques using rare herbs and oils.

Set to continue expanding, Villa Hotels is moving to align its offer to the global market, predicting a significant increase in demand for luxury destinations in coming years from Europe, Japan and emerging economies such as Russia and China. Meanwhile, it pursues the vision of becoming a global developer managed by international groups. "We are considering opportunities in other places, but as owners strategically partnered with international brands. This reduces the



"Our products are built for barefoot luxury"

Ahmed Siyam Mohamed,
Chairman & MD, Sun Travels & Tours

risks of moving outside our comfort zone in the Maldives," explains Nasif.

Another leading Maldivian resort company and tour operator is Sun Travels & Tours, founded in 1990 with very little capital by current chairman and managing director Ahmed Siyam Mohamed. His success story began as a tour operator at a time when there was very little awareness of travel as a business in the Maldives, gaining clients in the Japanese, Taiwanese and Hong Kong markets. After eight years concentrating on the travel, Sun Travels moved into the hotel business, and now operates two luxury hotels and has two more set to open this year.

The five star Olhuveli Beach & Spa Resort, in the South Male' Atoll, has 250

Moving upstream

The Male' Water and Sewerage Company (MWSC) has been providing cost-effective water and sewage services to the Maldivian capital since the utility was privatized in 1995.

Now, the company is seizing the expansion opportunities afforded by the archipelago's tourism boom. General manager, Mohamed Ahmed Didi, says: "In the past ten years, we have transformed ourselves from a water utility into an engineering company. We already provide technological solutions for water treatment and waste water systems to resorts via our commercial arm. We expect this business to grow hugely as more resorts open up."

MWSC was first established with two Danish partners, who owned a 30% share, with the Maldivian government owning the rest. Today, it is incorporated under the Private Company Act, with the government

owning 76% of shares. Didi joined the company in 1998 after stints with the Central Bank, the Maldives Money Authority and the Ministries of Finance and Foreign Affairs.

Didi says: "We currently supply about a third of Male's water requirements. So if a person needs, say, 120 liters a day, 35 liters of that will be desalinated water needed for drinking, cooking and bathing. That makes up about 85% of our activity.

"Our water treatment has grown tremendously in the last ten years. We have six plants in Male' and we also operate in the neighboring islands of Villingili and Hulhumale.

"Much of the country is not yet covered in terms of water sanitation so we have a tremendous opportunity to increase our activity. We would therefore be very happy to form partnerships with U.S. companies who wish to start operating here."

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beds and all the services and facilities of the category. The island's natural beauty has led Olhuveli to win the Best Beach Award—presented by the Dive and Travel Awards Committee of Japan—for five consecutive years. Sun Travels also operates the four-star Vilu Reef Resort, with 156 beds, in the South Nilandhe Atoll. The company's new projects include another five-star resort in the Maldives' northernmost atoll, named The Beach House at Manafaru.

The competitive advantage of Sun Travels is in its network, as Siyam Mohamed explains. "Because we started in the travel business, we have experience and connections. We work with some 20,000 travel agents worldwide, so even if each operator sends two bookings a day, we still keep occupancy high. That is our biggest advantage," he says.

"We also work with other hotels here in the Maldives, and in other places like Sri Lanka and Bali, so we understand which products sell best for different markets, be they European, Asian or Middle Eastern."

Barefoot Luxury

Indeed, Sun Travels's understanding of client preferences is reflected in the very philosophy of the resorts. "Many of our visitors are very connected with nature, so we keep open areas in the rooms, such as bathrooms and gardens. We favor individual bungalows, rather than putting several rooms together in one building, because it is easier to sell a product offering more privacy.

"We also leave our paths covered in beautiful white sand instead of marble or tiles, because people want to relax instead of wearing closed shoes. That is why we say that our products are built for barefoot luxury," says Siyam Mohamed.

The success of this approach provides a 40% rate of returning clients, who repeat once or even twice a year in the same resorts. The limited firing and hiring policy of Sun Travels means that returning clients find the same staff they already knew, providing the comforting feeling, as Siyam Mohamed puts it, that "they are coming home".

With so many luxury options available in the Maldives, it can be difficult to stand

out in this aspect. Nevertheless, the Crown Company, which operates two resorts including the Hilton Maldives and owns the Trans Maldivian Airways sea-plane company, has managed to turn its flagship resort into the reference point in luxury. The Hilton Maldives is marketed as a six-star hotel after a US\$50 million upgrade that includes the world's first undersea restaurant. In fact, according to Crown managing director Hussain Afeef,

the Hilton will soon be branded as Conrad Maldives, "because it is better than a Hilton".

Far from long-winded, flowery descriptions of his beautiful homeland, Afeef sums up all the reasons to visit the Maldives in one succinct sentence: "In this place, if you look up you see the heavens, if you look down you see paradise!"

Enough said. Now, how does one get there, exactly? **P**



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