



U.S. DEPARTMENT OF STATE

DIPLOMACY IN ACTION

Executive Summary

The Republic of Maldives comprises 1,190 islands in 20 atolls spread over 900 km in the Indian Ocean. The Maldives attracts a million tourists annually, and tourism is the growth engine for the economy and accounts for about 70% of GDP. (Contribution is split 30% direct and 70% indirect via transportation, communication, and construction sectors.)

Maldives is a multi-party constitutional democracy. In 2008 Parliament ratified a new constitution that provided for the first multi-party presidential elections. In 2012, the first democratically-elected President, Mohamed Nasheed, stepped down, and Vice President Mohamed Waheed became the head of state. In September 7, 2013, Maldives held presidential elections, which international monitors commented as transparent, fair and credible. In a run-off election on November 16, 2014, Abdulla Yameen Abdul Gayoom was elected the new President.

Economic growth is projected around 4% in 2014. Maldives faces significant fiscal and balance of payment (BOP) problems. The Maldives Monetary Authority's (Central Bank) recent projections estimate that the country's current account deficit will widen to about \$270 million in 2014 or 11% of GDP. The International Monetary Fund (IMF) has been surprised by the Maldives economic resilience despite long standing economic problems. In December 2009, the IMF approved a \$93 million loan for the country. After the first two disbursements, the IMF withheld subsequent disbursements due to concerns that the budget deficit must be further reduced.

Maldives economic growth has been mainly powered by tourism. Many international resort operators own and operate resort islands in Maldives; tourism will likely remain the engine of the economy. The government of the Maldives is aggressively promoting building new island resorts.

Maldives will remain a small market with limited investment and business opportunities for U.S. companies. Although trade and investment have been liberalized, the Maldivian business community is small and close-knit, so new market entrants may find it difficult to make contacts. Businesses report that foreign exchange shortages are affecting business, and a vibrant black market for foreign exchange is reported.

Maldives became a member of the International Labor Organization in 2009. The law provides for the right of workers to form and join independent unions, but it does not protect against antiunion discrimination. The Freedom of Peaceful Assembly Act effectively prohibits strikes by workers in the resort sector, the country's largest money earner.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude Toward FDI

Maldives began opening up to foreign investment in the late 1980s. Foreign investments in Maldives have primarily involved resort management, but also include telecommunications, accounting, banking, insurance, air transport, courier services, and some manufacturing. In April 2014, the Government of Maldives held an investor forum in Singapore and invited foreign investors to invest in five large infrastructure development projects including an integrated atoll, expansion of the airport in capital Male, reclaimed city, new port, and oil and gas exploration. The Government is in the process of submitting a Special Economic Zones Bill to the Parliament to facilitate foreign investment projects of strategic significance.

Laws/Regulations of FDI

The Ministry of Economic Development is tasked with promoting and regulating foreign investments in all sectors, except for the tourism sector. The Ministry of Tourism (www.tourism.gov.mv) is in charge of setting policy and developing the tourism sector, while the Maldives Tourism Promotion Board (www.visitmaldives.com) promotes the Maldives as a destination. The Ministry of Economic Development reviews all proposed investments prior to granting licenses.

The ongoing political instability has led to increased uncertainty among foreign investors as both the former Waheed government and the current government cancelled or re-opened provisions of at least two foreign development agreements committed to by previous governments. In December 2012, the Maldivian government took over operation of the Male' International Airport from GMR, an Indian company, after the Maldivian government repudiated the 2012 contract. While a Singaporean Court allowed the takeover, subject to adequate compensation to GMR per the contract, many business contacts consider the government's move tantamount to expropriation. The \$1.4 billion sought by GMR for the termination exceeds the annual government budget and would increase the national debt to MVR 31 billion (\$2 billion) in 2014 if awarded. Initially, the Government indicated it would not compensate GMR, and the matter entered an arbitration process. In April 2014, the Yameen Government reversed itself and said it would compensate GMR appropriately, although it is not known how much will be paid or when. In addition, at least one resort developer has been told that the terms of its signed agreement will not be respected.

Foreign investment in Maldives is governed by Law No. 25/79, governing agreements between the Government and investors. A separate law (No. 4/79) governs business and trading activities by foreign nationals, while the Business Profit Tax Act (No. 5/11) governs taxation. A new Partnership Act was also introduced in 2011. Foreign investments are currently approved for an initial period of one year, with the option to renew. Banking licenses are issued by the Maldives Monetary Authority, and governed under the Banking Act (No. 24/2010), while the tourism sector falls under the Tourism Act (No. 2/99). The Ministry of Economic Development offers "one-stop shop" services to investors and incentives include import duty concessions, 100% foreign ownership, and no restrictions on repatriation of earnings or profits. Foreign investments were earlier required to pay annual royalty fees to the Government at 3% of gross income or 15% of profits, whichever is greater, for majority foreign-owned companies. However, with the

Business Profit Tax becoming effective from July 18, 2011, foreign investors are now exempt from royalty fees. Maldives currently does not have personal income taxes. In addition, a goods and services tax on the tourism sector, and a general services tax on all goods and services supplied in the Maldives came into effect in 2011. International arbitration is available for dispute settlement. Foreign investments within the tourism sector – such as resorts – are registered with the Ministry of Tourism.

Investment Approval Process

The Investment Registration Unit of the Ministry of Economic Development screens and reviews internally all foreign investment proposals. The process includes standard due diligence efforts such as a local police screening of all investors, determining the financial standing of the proposed shareholders through a bank reference, as well as performing a background check on the investors involved. The opinion of the related sector is also sought. Each case is reviewed based on its merits and other factors such as the number of existing investors in the area, and the employment and technology transfer potential demonstrated. A final decision is made by the Ministry of Economic Development. This has been a fairly transparent process to date.

Privatization Program

A new Privatization Act was introduced in January 2013, which will govern all future privatization and corporatization efforts by the Government. A Privatization and Corporatization Board has been established under the Act, tasked with planning, implementing, administering and monitoring the Government's privatization and corporatization efforts.

In 2009, the Government leased public primary school Ghiyaasuddin School to Indian Company ShriEducare under a 15-year contract, sold 20% of the Maldives Water and Sanitation Company (MWSC) to Japanese Company Hitachi Plant Technology in January, 2010, and did an IPO of telecommunications company Dhiraagu in October 2011.

Competition Law

Maldives does not have a competition law as yet, and hence there is currently no legal mechanism to review transactions for competition-related complaints. There are no laws or regulations in place that limit or prohibit foreign investment, participation, or control.

The Ministry of Economic Development encourages investment projects that: (1) establish and enhance the delivery of basic services required to be provided by the State; (2) promote economic diversification and demonstrate potential to structurally reduce the country's current dependence on the tourism sector; (3) expand the export base of the economy and support import substitution; (4) enhance the human capital development and employment opportunities for Maldivians on a significant scale; (5) promote innovative product development and new markets for the tourism sector; (6) bring enhanced improvements to the health and education sectors in terms of service delivery, quality, and accessibility; (7) expand and develop sports infrastructure and services in the Maldives; (8) promote the use of renewable energy in Maldives; and (9) promote incremental social and economic benefits from the available natural resources.

Sectors With Investment Potential

The following industries offer good potential for foreign investors:

Tourism: Opportunities exist in the entire range of services, including development and management of resorts, tourist activities, and land and sea transportation. New resorts require a range of equipment and products. The political and economic situation in Maldives, as serious as it is, has little impact on the tourism sector, since tourists only transit briefly through the Male' Airport and go directly to the resort islands. The resorts themselves are largely self-sufficient and source almost all of their food, fuel, and labor from outside Maldives. Most tourism bookings, in fact, do not come through Maldivian banks, but are handled at the point of sale in Europe, China, or elsewhere. Given the geographic distance between the atolls themselves as well, conflict in Male or an inhabited island may have little to no repercussions on a resort island.

Financial, banking, accounting, and management consulting: Maldives' financial sector consists mainly of banks, one of which is partially state-owned, and four branches of foreign-owned banks, and a partly state-owned bank providing sharia-compliant banking services. The lack of adequate banking laws had deterred entry, although a new Banking Act was introduced in December 2010. Financial services consulting and management services are also areas that offer potential. The Maldives Stock Exchange (MSE) (<http://www.mse.com.mv/>) is functional and has plans to expand. Currently six companies are listed on the MSE, including one foreign company.

Transportation and Shipping: The transport sector is dominated by maritime and air transportation, but additional transportation could be provided. There is potential to develop air and sea transport including inter-atoll transport services, bunkering, transshipment, and passenger cruises.

Telecommunications and information technology: There are currently three licensed operators in the telecommunication sector. The telecommunications sector offers good potential for equipment and technology input suppliers. The 2013 budget included a \$57 million IT infrastructure development project, with assistance from China, to establish a technology center and a unified communication system. The communication system aims to establish a hi-definition video-conferencing system across the nation, with 100 video-conferencing facilities and 10 tele-presence facilities.

Power: Virtually all electricity is provided by diesel generators. Tourist resorts consume about 60% of electricity used in Maldives. There is scope to provide renewable sources such as solar, wind, and biomass for energy needs. Studies have revealed good potential for wind energy-based power generation, with some pilot projects underway

Maldives has announced its objective of being the first carbon-neutral nation by 2020, which would provide extensive opportunities for renewable power suppliers. At the 2012 Rio Summit, Maldives also announced its objective of establishing the entire country as a biosphere reserve by 2017.

Retail trading, agriculture, and the fisheries industry are closed to foreign investment, although there are no limits on foreign ownership in other sectors. The production of any items that are illegal to import into Maldives is prohibited. Foreigners may engage in trading of products which are not offered by local traders with the approval from the Ministry of Economic Development.

TABLE 1: The following chart summarizes several well-regarded indices and rankings.

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions index	2013	Not listed	http://cpi.transparency.org/cpi2013/results
Heritage Foundation's Economic Freedom index	2013	145 of 177	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	95 of 189	http://doingbusiness.org/rankings
Global Innovation Index	2013	Not listed	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	\$5,750	http://data.worldbank.org/indicator/NY.GNP.PC.AP.CD

2. Conversion and Transfer Policies

Maldives maintained a fixed peg of 12.85 Maldivian Rufiyaa (MVR) to the dollar since 2001, but moved to a managed float on April 10, 2011. The exchange rate is now set at a 20% range around the previously fixed MVR 12.85 exchange, or between MVR 10.28 and MVR 15.42. The move to a float was essentially a devaluation of the rufiyaa, since the rufiyaa has moved to the top of the range (MVR 15.42). The Maldivian currency is non-convertible, and its true value cannot be determined. The heavy dependence on imports is a constraint for exchange rate management, although historically tourism receipts helped maintain hard currency liquidity.

Due to a foreign exchange shortage, the Maldives Monetary Authority (MMA) started rationing foreign exchange supplied to the banking system in 2009. This has led to restrictions on foreign exchange, and some current international transactions are conducted on the black market. Repatriation of funds and profits is allowed after local debts are settled. Local sources, however, confirm that dollar demand is met in the black market, although at higher premiums (5-7%).

Major international currencies can be bought and sold at banks and authorized moneychangers. Hotels and banks accept major credit cards and travelers' checks. Foreign currency accounts are available through banks. The U.S. dollar is the most widely-used foreign currency and is accepted by small shops and taxi drivers in Male'.

Gross foreign reserves at the end of December 2013 were approximately \$368 million, compared with \$304 in 2012, and were sufficient to finance 2.5 months of imports.

3. Expropriation and Compensation

According to the Law on Foreign Investment (No. 25/79), the Government may, with or without notice, suspend an investment, either where the investor indulges in an act detrimental to the security of the country or where temporary closure is necessary for national security. If, after due investigation, it cannot be concluded within 60 days of the temporary closure that the foreign investor had indulged in an activity detrimental to the security of Maldives, then the Government will pay compensation. Capital belonging to an investment that is closed for these reasons may be taken out of the country in a mutually agreed manner. The Act also requires Maldivian nationals to be employed, except in cases where the employment of foreigners is a necessity. This policy, however, is not enforced strictly in practice.

In December 2012, the Maldivian government took over operation of the Male' International Airport from GMR, an Indian-based company, after the Maldivian government repudiated the contract. While a Singaporean Court allowed the takeover, subject to adequate compensation to GMR per the contract, many business contacts consider the government's move tantamount to expropriation. GMR is claiming \$1.4 billion compensation from the Maldivian government.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The sources of law in Maldives are its constitution, Islamic Sharia law, regulations, Presidential decrees, international law, and English common law, with the latter being more influential in commercial matters. The Judicial Services Commission (JSC) is responsible for nominating, dismissing, and examining the conduct of all judges.

Lack of Judicial Qualification and Training

A Supreme Court was established for the first time in 2008 under the new Maldives Constitution. The Supreme Court is the highest judicial authority in Maldives. In addition to the Supreme Court, there are six courts in Male': a High Court; civil court; criminal court; family court; juvenile court; and a drug court. There are approximately 200 magistrate courts, one in each inhabited island. The Supreme Court and the High Court serve as courts of appeal. There are no jury trials. Though legal procedures are adequate, the judicial process is slow. In August 2010, the JSC reappointed – and confirmed for life – 191 of the 200 existing judges. Many of these judges held only a certificate in sharia, not a law degree. Court rulings are now made available to the public through the relevant court's website, increasing the transparency of the judicial system.

Pursuant to the Constitution, a Prosecutor General was appointed in September 2008. The Prosecutor General is tasked with the prosecution of criminal offences. The Attorney General acts as the legal advisor to the Government and represents the Government in all courts except on criminal proceedings represented by the Prosecutor General.

Legal Framework

The law on foreign investments guarantees the security of investments. Maldives has no laws pertaining to arbitration, but one was debated in Parliament in April 2012. Judgments of foreign courts are generally accepted and enforced by local courts. Maldives is not a member of the International Center for the Settlement of Investment Disputes (ICSID).

The Government of former President Nasheed initiated a broad program of economic reform, recognizing the underdeveloped legal and commercial framework. Under the program, the Government proposed legislation on new taxes, sole proprietorships, business registration, partnerships, mortgages, a mercantile court, and amendments to the Companies Act. The Partnership Act was ratified in December 2011, and the taxation bills were passed and ratified into law in 2011 and 2012.

Investment Disputes

GMR: The former Nasheed Administration awarded the build-and-operate contract for the Male International Airport (MIA) to GMR Male International Airport Holdings (GMR), a consortium of Indian and Malaysian companies in July 2010. The International Finance Corporation (IFC) supervised the bidding process for the whole contract. Political opponents in 2011 successfully contested the airport development charge (ADC) included in the contract, although the Government then allowed the consortium to deduct the ADC from concession fees. The contract was terminated by the later Waheed Administration through a cabinet decision with 7 days' notice, amid political protests and maneuvering, citing national interest concerns and bidding irregularities. A Singapore appellate court upheld the Government action. GMR has filed for compensation of \$1.4 billion for "wrongful termination" before an arbitration court in Singapore.

Tatva: The Waheed Government also renegotiated a Male' waste management project signed between the Nasheed Government and India-based Tatva Global Renewable Energy.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Maldives became an original member of the WTO on 31 May 1995. Maldives has not been involved in any disputes under the WTO Dispute Settlement Mechanism

Investment Incentives

The Ministry of Economic Development offers "one-stop shop" services to investors and incentives include import duty concessions, 100% foreign ownership, and no restrictions on repatriation of earnings or profits. Foreign investments were earlier required to pay annual royalty fees to the Government at 3% of gross income or 15% of profits, whichever is greater, for majority foreign-owned companies. However, with the Business Profit Tax becoming effective from July 18, 2011, foreign investors are now exempt from royalty fees.

6. Right to Private Ownership and Establishment

There is little private ownership of land, and foreign investors cannot own land. The Nasheed Administration drafted new legislation on land reform that could result in more trade and private ownership of property, but the bill is pending in Parliament.

An amendment to the Tourism Act passed in 2010 allows investors to lease an island for 50 years in general, and 99 years if the company: 1) is registered in Maldives; 2) floats at least 55% of the company's shares on the Maldives stock market; and 3) has development of tourist resorts listed as an objective in the company registration. Leases can be renewed at the end of their terms, but the formula for assessing compensation value of a resort at the end of a lease has not yet been developed. All other land may be leased for maximum periods ranging from 10 to 15 years, depending on the purpose for which the land was initially allocated.

Currently there are no property and real estate laws or a mechanism to allow foreign persons to hold title to land. As a result, Maldives ranks 151 on ease of registering property in the World Bank's 2013 Ease of Doing Business Report. Locals, however, can hold title to land.

7. Protection of Property Rights

Real Property

Secured interests in property, movable and real, are recognized and enforced under the 2002 Land Act, and registries are maintained by the councils on each island.

Intellectual Property Rights

The Parliament passed a copyright law that came into effect in April 2011 which was developed with assistance from the World Intellectual Property Organization WIPO to comply with the TRIPS agreement. The government then embarked on the process of only using authentic software within government offices, entering an agreement with Microsoft. The government also sought to build public awareness of the copyright law through TV and radio appearances, government announcements, school events, and meetings with relevant media and entertainment sector associations.

The Maldives government (GOM) is currently working on bills regarding Trademarks and Geographical Indicators, again with the assistance from WIPO. The GOM recently established an IPR unit within the Ministry of Economic Development, but has not yet signed international agreements or conventions on intellectual property rights. The Ministry states that it has conducted IPR training for the judiciary, but the results remain to be seen, as it appears individuals still prefer not to defer to courts on IPR issues.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Embassy point of contact: George Chane, ChaneGW@state.gov

Local lawyers list: <http://srilanka.usembassy.gov/service/legal-resources-in-sri-lanka.html>

8. Transparency of the Regulatory System

The Government initiated a new public accounting system in 2009, part of which has now been successfully implemented. A new Public Finance Law, an Audit Law, and a Civil Service Law came into force in 2006-2007, and the Maldives Financial Transactions Reporting regulation came into effect in July 2011. Existing legislation in Maldives does not criminalize money laundering, apart from a small provision in the Drugs Act. Maldives has established a small financial intelligence unit to combat money laundering and terrorist financing.

Contract law and financial sector regulations are weak and several major contracts have been cancelled.

9. Efficient Capital Markets and Portfolio Investment

Money and Banking System

The Maldives financial sector is narrow and dominated by the banking sector. The banking sector consists of one publicly-owned commercial bank – the Bank of Maldives – and branches of four foreign-owned commercial banks. The Maldives Islamic Bank, established through a partnership between the GOM and the Islamic Corporation for the Development of the Private Sector (ICD), commenced operations in March 2011, offering Islamic Sharia-compliant products. HSBC, the only global bank present, set up operations in 2002. The banking sector's total assets were slightly in excess of \$2 billion at the end of 2012. Non-bank financial institutions in the country consist of two insurance companies, a pension fund, and a finance leasing company.

All financial institutions currently operate under the supervision of the Maldives Monetary Authority, the central bank. The Maldives Monetary Authority Act was amended in 2007 to ensure independence of the Authority. Banking supervision has recently been upgraded, moving toward international best practices. A comprehensive banking act was enacted in December 2010 covering financial, prudential, supervisory matters, conservatorship, liquidation, and receivership.

Most lending usually comes through the parent banks of international commercial banks, and most foreign currency loans are made to foreign currency-earning tourist enterprises. Local sources of finance are limited in scope due to the small size of the capital market and the lack of instruments that are available in more developed nations. The Government commenced Treasury bill auctions in 2006. In a bid to fund large fiscal gaps, the Government also opened up the sale of Treasury bills to the private sector in August 2012. Local sources confirm that the bills during that auction were bought by a prominent businessman in the tourism sector, signaling the deep influence of that sector in all aspects of the Maldivian economy. No other financial instruments are offered to the public. The commercial banks provide short- and long-term credit to the private sector. No specialized financial institution exists to meet the investment needs of tourism, agriculture, and fisheries.

Foreign Exchange Shortage Leading To Black Market Transactions

Due to the foreign exchange shortage, the Maldives Monetary Authority started rationing foreign exchange supplied to the banking system in 2009. As a result, a black market has emerged with a premium over the official exchange rates.

Maldives Stock Exchange

The Maldives Stock Exchange (MSE), which first opened in 2002 as a small securities trading floor, was licensed as a private stock exchange in 2008. The legislature passed a Securities Act in January 2006, and the Government created a Capital Market Development Authority (CMDA) to regulate the capital market. The MSE functions under the CMDA. At present, the only investment opportunity available to the public is a limited number of shares in the Bank of Maldives, four state-owned public companies, and a foreign insurance company. The market capitalization of all companies listed on the exchange was MVR 7.5 billion (\$480 million) at the end of 2012.

A leasing company, Maldives Finance Leasing Company (Pvt) Ltd (MFLC), was established in May 2002 as a collaborative venture between five domestic public and private sector entities and two international parties, including the World Bank's International Finance Corporation (IFC). The MFLC aims to address the demand for long-term equipment financing from all sectors of the economy.

The Housing Development Finance Corporation is a Government company designed to provide housing loans with long repayment terms at favorable interest rates.

10. Competition from State-Owned Enterprises

At the end of 2012, 69 companies were either fully or partly Government-owned. Major operational companies within the 69 include the State Trading Organization, Dhiraagu (a telecom provider), and Maldives Water and Sewerage Company. There are no laws that ensure a primary role for SOEs in any specific sectors.

SOEs operate under the Companies Act with little Government influence. The Government appoints the board members of SOEs in proportion to the GOM ownership in the SOEs, and hence political affiliation has mattered in certain cases. However, these Boards and SOEs do not report to line ministers. All companies with capital over Rf.1 million, whether public or private, must submit to an independent audit. The larger SOEs make their audit reports available to the public.

Currently, Maldives does not have a sovereign wealth fund. Given its fiscal situation, it is unlikely that such a fund may be established in the near-term.

11. Corporate Social Responsibility

There is limited but growing awareness of corporate social responsibility among the business elite. There are no non-governmental organizations that promote or monitor CSR in the country.

12. Political Violence

Maldives has a homogeneous society of one culture, one religion (Sunni Islam), and one language (Dhivehi). In 2008, Maldives held its first multi-party Presidential elections, following a multi-year effort for constitutional reforms. President Nasheed took office in November 2008, but resigned in February 2012, amidst growing opposition. Although at the time the country saw violent demonstrations the week after Nasheed's resignation, subsequent demonstrations were relatively peaceful and infrequent.

On October 1, 2012, Afrasheem Ali, a Member of Parliament and vocal supporter of moderate Islam, was found stabbed to death in the stairwell of his apartment building. This was the first murder of a Maldivian official in recent history, although police investigations have not yet confirmed a political or religious motive behind the murder.

In June 2013, unknown assailants attacked local reporter and journalist Ismail Hilath Rasheed and slashed his throat. Rasheed survived and has since fled the country. Previously, he had been attacked in December 2011 by ten unknown men after he had organized a peaceful demonstration in support of religious tolerance in Male. He suffered a fractured skull in that incident. No arrests were made after either attack, which Rasheed alleges were arranged by religious extremists. The Ministry of Islamic Affairs, since November 2011, also continues to ban Rasheed's blog.

13. Corruption

Legal Framework and the Anti-Corruption Commission

The law on prevention and punishment of corruption (2000) defines bribery and improper pecuniary advantage and prescribes punishments. The law also outlines procedures for the confiscation of property and funds obtained through commission of the included offenses. Penalties range from 6 months to 10 years banishment, or jail terms. The Maldives acceded to the United Nations Convention against Corruption in March 2007, and under the new 2008 Constitution, an independent Anti-Corruption Commission was established in December 2008. The responsibilities of the Commission include inquiring into and investigating all allegations of corruption; recommending further inquiries and investigations by other investigatory bodies; and recommending prosecution of alleged offenses to the Prosecutor General, where warranted. The Anti-Corruption Commission is empowered to handle cases of corruption of members of parliament. It cannot, however, investigate corruption in the private sector. The Commission also cites limitations in the 2000 Anti-Corruption Act that restrict its investigative and enforcement powers. Corruption is seen to be most prevalent in government procurement.

Corruption Allegations in the Tourism Industry

Tourism is the largest industry in the Maldives, and local contacts confirm that resort owners and tourism operators control all aspects of the Maldivian economy. All the government treasury bills, when opened to the private sector in August 2012, were purchased by one prominent resort owner; transportation networks between the widely-scattered islands are controlled by two groups of resort owners; and a resort owner and wealthy businessman also sits on the JSC, which

appoints and oversees the appointment of judges. A number of prominent resort owners are in the Parliament, and a few have served as Ministers in all administrations. Nepotism and cronyism are also hallmarks in all areas, from the Judiciary, and the Executive to the private sector.

OECD Ant bribery Convention

The Maldives is not a party to the OECD Convention.

UN Convention

The UN Anticorruption Convention entered into force on December 14, 2005. The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The Maldives is a party to the UN Convention.

14. Bilateral Investment Agreements

The United States has not signed a bilateral investment or a double tax avoidance treaty with the Maldives. In 2009, the United States signed a Trade and Investment Framework Agreement (TIFA) with Maldives for the two countries to examine ways to enhance bilateral trade and investment.

Bilateral Taxation Treaties

Maldives currently does not have personal income taxes, although bank profits and business profits are taxed. In addition, a goods and services tax on the tourism sector, and a general goods and services tax came into effect in 2011.

Maldives has signed only one double taxation avoidance treaty which is a limited multilateral agreement between members of the South Asian Association for Regional Cooperation (SAARC) for avoidance of double taxation and mutual assistance in tax matters. The agreement was signed on 13 November 2005. Maldives is negotiating an agreement for exchange of information relating to tax matters with India.

Under the Business Profit Tax Act of 2011, a non-resident owner or charterer of a ship or aircraft may be exempt from the tax if the Commissioner General of Taxation of Maldives is satisfied that a reciprocal treatment for business profit tax or any other similar tax is granted by the taxpayer's country of residence to a Maldivian-resident taxpayer.

15. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) began operations in Maldives in 2011, but no projects have yet been identified. Maldives became the 165th member of the Multilateral Investment Guarantee Agency of the World Bank Group, on May 20, 2005.

16. Labor

Skilled and unskilled labor is scarce, and expatriate labor is allowed into Maldives to meet shortages. The Department of Immigration and Emigration (DIE) reported 111,579 registered expatriate workers in the country, mostly in tourism, construction, and personal services. There were also a reported 40,000 to 50,000 unregistered expatriate migrant workers. Expatriate labor is of equal cost or more expensive than local labor. Even when salaries are set lower, travel and other benefits typically make it more expensive overall to hire expatriates. However expatriate labor is still necessary; Young Maldivians from higher income families often travel abroad for education and expect higher salaries when they return to the Maldives.

Notwithstanding the labor shortage, unemployment in the Maldives is also high, as many youth leaving lower secondary school have few in-country avenues to pursue higher secondary education. The net enrollment rate for lower secondary education is 83.6% while the net enrolment rate for higher secondary is at 17%, leaving a large contingent of youth idle. Although resorts may offer employment opportunities, locals are less likely to take advantage of these jobs as the Maldivian resort structure requires employees to live and work on the island for long stretches of time, away from family. Religious and cultural reasons may also prevent youths from seeking employment on islands where alcohol is served.

Legal Framework

The laws covering labor were overhauled in 2008 with the enactment of the 2008 Maldives Constitution, the new Employment Act, and a subsequent amendment to the Employment Act. For the first time, the Constitution recognizes workers' right to strike and establish trade unions. Maldives plans to enact a separate trade union law providing rules for formation of trade unions and collective bargaining. Maldives also needs to enact regulations further defining the right to association.

The Employment Act provides for the establishment of a minimum wage, maximum hours of work, overtime, annual and sick leave, maternity leave, and work place safety. The Employment Act created a 48-hour/week with a compulsory 24-hour break after six days of continuous work. Resort workers may accumulate the weekly rest day. Overtime is available. Workers in tourist resorts may work an additional two hours a day and are paid a higher overtime rate. Employees are usually authorized 30 days of annual leave, 30 days of medical leave, 65 days of maternity leave, and 10 days of special annual leave to "attend important obligations." Either parent of a newborn child is entitled to one year's unpaid annual leave after the expiry of the maternity leave period. Employers are also required to provide a safe workplace. The law provides for agreements between the employer and the employee to guarantee the rights specified in the law.

In August 2011, Maldives published a strike regulation under the Employment Act. The regulation requires employees to negotiate with the employer first, and if this is unsuccessful, then the employees must file advance notice prior to a strike. There are six employees' associations, and collective bargaining involving employees' associations in the tourism sector began within days of the new constitution taking effect. Labor disputes arose in some resorts when employees' associations presented demands for wage increases and improvements in the conditions of work and stopped work.

Traditionally, wages in the private sector have been set by a contract between employers and employees and were based on rates for similar work in the public sector. The new employment law established a Pay Advisory Board to advise the Minister of Human Resources, Youth, and Employment on setting a minimum wage for the country.

The Employment Act granted workers the right to compensation if fired without cause. The Government has established a Labor Relations Authority to implement the new employment law. The law requires the Ministry of Human Resources to issue specific rules for employment of foreign workers. The Labor Relations Authority has also been established to check for workplace safety and health compliance. The Employment Act also makes provision for an Employment Tribunal, with the mandate of adjudicating employment matters.

The Employment Act does not cover emergency workers, air and sea crews, executive staff of any company and persons on on-call duty. ***Membership in International Labor Organizations and Adherence to Labor Conventions***

In December 2008, following the enactment of the new Employment Act, Maldives became a member of the International Labor Organization. In December 2009, the United States restored tariff preferences under the U.S. Generalized System of Preferences (GSP). The GSP facility to the Maldives was suspended in 1995 because Maldives did not have a mechanism to afford internationally recognized worker rights. Maldives is also eligible for Overseas Private Investment Credits (OPIC).

On January 6, 2013, the Maldives ratified the following core ILO Conventions: Convention 29 – Forced Labor (1930); Convention 87 – Freedom of Association and Protection of the Right to Organized Convention (1948); Convention 98 – Right to Organize and Collective Bargaining (1949); Convention 100 – Equal Remuneration (1951); Convention 105 – Abolition of Forced Labor (1957); Convention 111 – Discrimination (Employment and Occupation) (1958); Convention 138 – Minimum Age (1973); and Convention 182 – Worst Forms of Child Labor (1999).

17. Foreign Trade Zones and Free Ports

Section not provided.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Maldives Monetary Authority		USG or international statistical source		USG or international Source of data	
Economic Data	Year	Amount	Year	Amount		

Gross Domestic Product (GDP) (Millions U.S. Dollars)	2013	\$2,291	2012 2013	\$2,222 \$2,276	http://www.worldbank.org/en/country http://www.imf.org/external/pubs/ft/weo/2014/01/weodata/index.aspx
Per capita income (U.S. Dollars)	2013	\$5,274	2013	\$6,764	http://www.imf.org/external/pubs/ft/weo/2014/01/weodata/index.aspx
Population	2013	336,000	2012	338,400	http://www.worldbank.org/en/country
Tourist Arrivals	2013	1,125,000	2012	Not available	
Exports (Millions U.S. Dollars)	2013	\$388	2012 (proj)	\$204	http://www.worldbank.org/en/country
Imports (Millions U.S. Dollars)	2013	\$2,022	2012 (proj)	\$1,291	http://www.worldbank.org/en/country
External Debt (Millions U.S. Dollars)	2013	\$800	2012	Not available	
Current Account (Millions U.S. Dollars)	2013	\$562	2013	\$469	http://www.imf.org/external/pubs/ft/weo/2014/01/weodata/index.aspx
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source	USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other	
U.S. FDI in Maldives (Millions U.S. Dollars, stock positions)	2013	Not Available	2012	\$1	BEA
Maldives FDI in the United States (Millions U.S. Dollars, stock positions)	2013	Not Available	2012	0	BEA
Total inbound stock of FDI as % Maldives GDP	2013	Not Available	2012	-	

19. Contact Point at Post for Public Inquiries

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