Chapter 20

The Maldives: Parallel paths of conventional and alternative tourism

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Introduction

Due to natural resource limitations, island destination planners often direct attention to tourism as an engine for development, with many embracing the industry as an ‘economic miracle’ capitalising on ample endowments of sun, sea and sand (Ioannides, 2000; Nowak, Sahli & Cortés–Jiménez, 2007). This may create hyper–dependency, whereby traditional industries such as fishing or agricultural monocultures are replaced by tourism. Government pro–growth proclivities and investment in tourism, however, are based on the assumptions that this sector will mitigate the numerous development constraints they face (Wilkinson, 1989). Indeed, tourism in island destinations is usually seen as a convenient and expeditious means for generating employment and foreign exchange earnings.

In focusing on tourism as a tool for economic growth, governments often ignore or downplay attendant environmental and sociocultural costs. Negligible local community participation in tourism development, a widespread phenomenon in small island tourism, can create a paradox whereby government and industry view tourism as sustainable on the basis of observed revenue and job creation, but locals regard it negatively due to perceptions of costs such as environmental degradation and social alienation (Shakeela & Weaver, 2014). Acknowledgement of tourism as an effective generator of economic benefits may also be contested when significant variances in remuneration between local and expatriate employees are perceived. In some island
destinations, culture and religion play a significant role as a barrier to female participation in tourism (Shakeela, Ruhanen & Breakey, 2010).

Industry and government attempts to maximise economic gains can result in stress on limited and fragile natural resources, reinforcing the view that attempts to balance development and sustainability is a game of trade-offs between the ‘triple bottom line’ of economy, environment and society. As Weaver (2006) noted, tourism sustainability is particularly challenging in the context of small tropical island destinations within the global ‘pleasure periphery’. This challenge is explored here in the context of the Maldives, a classic 3S pleasure periphery destination–state that nonetheless has also attempted recently to cultivate localised forms of tourism. We focus on government policies that influence tourism development, how they have evolved, and their implications for sociocultural, economic and environmental sustainability. Following an overview of the country and its basic tourism contours, the relevant policy environment and its impacts are presented. A discussion of implications for sustainability concludes the chapter.

**Tourism context**

The Maldives is the smallest Asian country, consisting of 1,192 coralline islands with a land mass of 298 km\(^2\) (roughly 1.7X the size of Washington, D.C.). The country is dispersed over an Exclusive Economic Zone of 859,000 km\(^2\), extending 820 km north to south, and 130 km east to west at its widest point. Geographically formed as 26 natural atolls, this small island nation is administered as seven provinces (Shakeela, 2015). On average, the islands are less than three metres above sea–level. The local population of 341,000 resides on 188 of the islands (National Bureau of Statistics, 2015).
The Maldives embodies classic features of 3S tourism (Shakeela & Weaver, 2014), offering international visitors what Butler (1993, p.71) referred to as the “Robinson Crusoe factor” in isolated enclave resorts. Tourism however was not purposefully introduced, due to practical constraints such as limited physical access to the destination. Indeed, in the late 1960s, a “UNDP consultant who visited the Maldives decided that tourism development was impractical” (Niyaz, 2002, p.18). Nevertheless, and as per the serendipity that often attends the onset of the ‘involvement’ stage of the destination life cycle (Butler, 1980), the Italian photographer and adventurer George Corbin and a group of tourists visited Maldives in 1971, staying at local homes at the capital island Malé, and visiting other islands within the atoll. Following opportunistic discussions between Corbin and three local élite entrepreneurs, in 1972 two uninhabited islands were developed as resorts (MTCA, 2008). These two resorts, with 280 beds, were owned and operated by Crescent Tourist Agency and Muman Agency, both government travel agencies (MOT, 1998). The President at the time, Mr Ibrahim Nasir, was a co–owner of these companies (MOT, 1998), illustrating the extent to which politics and industry in the Maldives are intertwined.

Since its inception, tourism has grown exponentially and is now well ensconced in the ‘development’ stage. As of 2015 there were 109 resorts, 18 hotels, 257 guesthouses, 123 safari dhoni, and two yacht marinas in operation, with a capacity of 31,627 beds (MOT, 2015c). An additional 112 properties, and over eight lagoons, are being developed as tourist facilities (MOT, 2015b). Enclave resorts account for 76% of total accommodation in the country (Figure 1).
This exponential growth in accommodation sector reflects increased tourism demand, with international tourist arrivals demonstrating consistent growth since 1972 (Figure 2).

The only significant decline (36%) in international tourist arrivals to the country followed the 2004 Asian tsunami. The resilience of the industry to recover from such disasters, however, was seen in years following the tsunami. By December 2014 the Maldives received 1,204,857 international tourists (MOT, 2015a), or 3.5 tourists for
each resident. According to the Maldives visitor survey (MTAC, 2013b) this destination is popular for honeymoons (23%) and diving (19%).

The average duration of stay fell from 8.6 days in 2009 to 6.3 days in 2013. In the same year, the average occupancy for resorts was 78.4%. Proximity and household income of generating markets influence duration of stay. International visitors from Asian countries, such as Chinese tourists stay on average three or four days in comparison to seven to 11 days for European tourists (MOT, 2014). Traditionally, the top ten generating countries were from Europe. Although Europe collectively remains dominant, since 2009 China has become the number one tourism generating market. To reflect this change, tourism products which were largely targeted at the Europeans have been slowly modified to Asian preferences.

Similar to many small island states, the Maldivian economy has become hyper–dependent on tourism. In 2013 the sector contributed 27% to GDP and 38% to government revenue (MOT, 2014), and it remains the largest foreign exchange earner and employer. With the introduction of the tourism land tax and GST on tourism in 2011, as well as revision of airport service charge, in 2013 over 42% of government tax revenue was generated from tourism–related taxes (National Bureau of Statistics, 2014), a tax revenue increase of 26% from 2008.

**Policies Governing Tourism Development**

The dominant resort–based mode of tourism development in the Maldives depends almost exclusively on the leasing of uninhabited government–controlled islands for that purpose. To better understand this critical dynamic, a brief analysis of the development and implementation of national laws and regulations is provided. Since the abolition of the monarchy in 1953, the country (which became a Republic) has
been subject to a presidential/parliamentary system of governance. The sixth and present Constitution (Government of the Republic of Maldives, 2008) instituted reforms including the separation of powers, a multi–party democratic system, decentralised local administrative structures, and mechanisms for accountability and transparency. Nevertheless, entrenched political and business élites exercise enormous influence within the institutions of the state. All Bills and regulations related to tourism and otherwise are passed through the Parliament, and ratified accordingly as an Act or Regulation.

Under the Constitution all islands are government–owned, and the Decentralisation Act (Ministry of Home Affairs, 2010) confers the President with power to proclaim an island ‘inhabited’ or ‘uninhabited’. The latter, in principle, are available for resort development, agriculture or manufacturing. Until the late 1970s, there was no open bidding process to access such opportunities, and uninhabited islands were often leased to affluent citizens who pay ‘varuvaa’ to the government. Historically, ‘varuvaa’ was the annual or monthly rent paid in the form of coconuts and/or other agricultural produce. Today, the term applies to leasing an uninhabited island for agricultural and industrial purposes, with the annual rent paid in local currency. Following recent changes to the Regulation on Uninhabited Islands (Regulation no: 2015/R–126, Ministry of Fisheries and Agriculture [MFA], 2015), 700 metres surrounding an uninhabited island can be used by the lessee, who is required to pay an annual rent for the utilised area, thereby in effect allowing resorts to establish an “exclusive zone”.

The Ministry of Tourism [MOT] designates islands for tourism development, resulting in their transfer from MFA to MOT, who leases uninhabited islands and land for
tourism purposes. Islands and land are in theory leased to the “best qualified” bidders identified by MOT through a public tendering process. Although the maximum lease period for resort development was originally 21 years (Department of Tourism and Foreign Investment, 1979), recent amendments to the Tourism Act (MOT, 2015d) have increased this to 99 years. This highlights the Maldivian government focus on tourism as the driver of the national economy but also the power of industry operators within Parliament to influence government policies.

Although a Government Tourist Board (now Ministry of Tourism) was established in 1976, the government was passive, leaving tourism policy, planning and development in the hands of investors and operators as informal processes. Such self–governance facilitated the establishment of a “Club Nature” nudist resort by Club Méditerranée (now Club Med) in 1973 (Shakeela et al., 2010). During this early period, a parallel trajectory of local or alternative tourism was also evidenced by a modest flow of tourists who travelled throughout the country, staying at local houses on the ‘inhabited islands’, or visiting local islands on day–trip excursions from the enclave resorts.

The government indirectly facilitated tourism growth in 1977 by developing an international airport at Hulhulé, near the capital city of Malé. As the number of international arrivals increased, signs of unsustainable mass tourism (Weaver, 2000) emerged. The nudist colony and tourists visiting inhabited islands were seen by some locals as personifying behaviour incompatible with local culture, customs and religion. To curtail social conflict, government enacted the Maldives Tourism Act (1979), which prohibited nudity, gambling, and guesthouses in inhabited islands other than Malé, and restricted safari dhoni (safari boat) movement to designated
tourism zones. Yet, under a permit system which reinforced this two-tier (resort-local) pattern of tourism development, resorts were able to sell alcohol in this Islamic country, an allowance extended to safari operations in 1990.

This and other early policies were focused on ensuring that non-employee locals and tourists had as little interaction as possible, enforcing in practice sharp ‘backstage/frontstage’ distinctions (MacCannell, 2011) between inhabited and uninhabited islands. For example, until as recently as 2007 Ministry of Education rules prohibited students from visiting resorts unless accompanied by a parent or a guardian (Shakeela et al., 2010). As of 2015, locals were still not allowed to visit a resort unless employed there or visiting as a domestic tourist. Local employees can now serve alcohol, but bartending is still restricted to expatriate employees.

**Exposing Residents to Tourism Again**

With the government decentralisation policy and establishment of Atoll and Island Councils in 2008, a significant policy shift from keeping tourism operations away from local communities to opening the whole country for tourism occurred. Accordingly, uninhabited islands continued to be leased for resort development, but local residents were once again permitted to develop guesthouses. Guesthouses are developed on land registered for residential use, while city hotels are typically high-rise hotels developed on public land on any inhabited island (MTAC, 2013a). The aspiration of this policy reform is “to bring direct benefits to island communities” (MTAC, 2013a, p.40). With these changes in tourism policy, growth in city hotels and guesthouses sector was seen. However, city hotels have remained largely concentrated at Malé, with only four hotels operating in outer atolls.
The guesthouse sector in particular expanded rapidly, with bed capacity increasing from 400 in 2008 to 3,769 in 2015 (MOT, 2015c), such accommodation having three to 37 rooms. Over 60% of guesthouses are located in the core tourism hubs of Kaafu, Alif–Alif and Alif–Dhaalu Atolls (close to the capital city of Malé). This has resulted in a “dilemma facing government as how to on the one hand encourage local councils to engage in tourism in constructive ways, but on the other hand limit the potential for inappropriate, non-viable and ill-advised developments” (MTAC, 2013a, p.42).

Despite such government concerns, a predisposition for expanding tourism to achieve widespread economic benefits is seen. The Second Tourism Master Plan (MOT, 1996) policy strategy directed tourism to nearby atolls around Kaafu Atoll as well as to the Southern region and promoted an equitable distribution of tourism within other regions. The development of a second international airport in the South as well as domestic airports and seaplane operations facilitated this decentralised spatial expansion. Indeed, air transport has been a key facilitator of tourism decentralisation. This diffusion of tourism to other atolls also coincided with the scarcity of suitable islands for tourism purposes within the core tourism atolls.

Although government policy aspires to provide tourism benefits to locals, tourism industry growth has not equated to income growth for average residents, as they do not have the financial capacity to invest in the sector. Tourism statistics (MOT, 2014) indicate a significant representation of foreign investors and operators. By late 2013, 14% of resort leases were held by foreign investors and a further 16% by local–foreign joint ventures. While 37% resorts were operated by foreign companies, 17% were operated through local–foreign joint ventures. Similarly, a significant proportion
of resort management is by foreign companies, with 42% solely foreign managed and 16% managed through local–foreign joint ventures. Due to weak banking regulations, revenue generated from tourism is commonly transferred overseas by foreign investors and operators.

Sustainability implications

The dual resort/local mode of tourism development in the Maldives adds complexity to a sustainability equation which cannot in any circumstances be readily disaggregated into discrete economic, sociocultural or environmental dimensions. The two former dimensions, in particular, display some intriguing interrelationships. Essentially, the contemporary wellbeing of the Maldivian people is underwritten by revenue from resort–based tourism which, paradoxically, involves elements such as alcohol and revealing beachwear that run counter to the conservative religious and cultural sensibilities of the society. These were already evident in the 1970s with the development of a nudist colony. Yet, notwithstanding similarities in culture and geography among the inhabited islands, homogeneity of impact and perception should not be assumed (see case study). The economic contribution, moreover, is neither evenly disbursed nor an unalloyed good, as evidenced by the disproportionate benefits – notwithstanding the rapid growth of the guesthouse industry – accruing to local élites and foreign interests.

The full economic benefits of tourism as an employer, additionally, are curtailed by reliance on expatriate labour and resulting leakages (Shakeela, Ruhanen & Breakey, 2012). Such reliance occurs because tourism is perceived by locals as an undesirable sector in which to work, and at best a necessary evil (Shakeela et al., 2010). While women are recognised as key contributors to national economies, they
tend to avoid tourism employment in the Maldives and account for only 2% of resort employees (Shakeela et al., 2010). The industry is also challenged to recruit locals, females and males, due to an ‘enclave paradox’ whereby residents support tourism because of the benefits they obtain from tourism revenue but refuse to personally experience the spatial/social isolation and low pay that attends employment in resorts (Shakeela & Weaver, 2012).

The aforementioned marine exclusion zones around enclave resorts generate additional social impacts even as they boost operator profits. For many island communities, fishing still represents a viable food source and significant revenue source. Given how atolls are formed, it is in addition often cheaper and safer to commute through shallow lagoons in the atoll rather than through main ocean channels. Another issue is that lagoons are traditionally used for recreation by island communities. Thus, where a resort is located within the vicinity of locally inhabited islands (as is almost always the case), restricting local access creates conflicts of interest. Tourism thus indirectly contributes to a variety of societal challenges. It is so far unclear whether the relatively incipient guesthouse sector offers a viable and more sustainable alternative to the resorts or just exposes residents more directly to some of the social ills associated with tourism.

The environmental implications of tourism also deserve investigation. Over the years, various policies were enacted to protect natural habitat on uninhabited islands, including those designated for resort development. Thus, the Regulation on Protection and Conservation of Environment in the Tourism Industry (MOT, 2006) permits only 20% of an uninhabited island to be developed, prohibits infrastructure within a five meter buffer from the vegetation line, and requires a two–metre distance
between guestrooms. Such policies indicate that planners are aware of the need to provide high yield tourist markets with a semblance of the pristine tropical marine environment that is promoted extensively.

However, these policies do not deter powerful members of industry from circumvention to fit their development purposes. Due to island smallness, resorts are compelled to operate as self-contained enclaves on a one-island/one-resort basis. Initial resort investment in the Maldives is therefore relatively high as each resort requires its own power generators, telecommunication system, water desalination plant, sewage treatment system, transport facilities, and souvenir shops (Shakeela, 2015). To compensate for built-up land area limitations as well as to diversify accommodation opportunities, water villas have been built on reef beds since the mid-1980s. This necessitates extensive reef engineering and manipulation. Furthermore, land reclamation through dredging and residual sedimentation by sandbagging beaches is undertaken to maximise land area for accommodation construction, resulting in additional negative impacts on the fragile littoral environment. McElroy and de Albuquerque (2002) contend that tourism activities in environmentally sensitive coastal areas induce increased beach erosion, siltation of lagoons and reef damage. Today, water villas are a common feature of Maldivian resorts, with the associated iconic imagery attracting tourists.

The Maldives has also attracted attention for its predicament under climate change scenarios, because projected sea level rise will eventually inundate the low-lying islands. Already, 60% of the 188 inhabited islands are experiencing serious erosion and saline encroachment. Accelerated marine biodiversity loss is also predicted. However, while international audiences are cognisant of these climate change risks,
several factors inspire more insouciant domestic reactions. Consequently, local tourism stakeholders are not incentivised to act immediately, and adaptation measures are woefully inadequate to cope with future climate risks (Shakeela & Becken, 2015) that may dwarf any impacts from tourism *per se* in their severity.

**Conclusions**

Applying élite theory (Darity, 2008) to the Maldivian tourism context, it is noted that political and economic power is concentrated within a relatively small and cohesive group of wealthy residents from privileged backgrounds. Many resort owners and operators are also members of Parliament who influence the Constitution to suit their interests. Examples include the extended resort lease period and the establishment of exclusive zones around leased islands. Such policies significantly reduce entry of potential new players to the industry and further concentrate power and wealth.

From a sustainability perspective and as per social exchange theory (Thibaut & Kelley, 1959), this economic outcome and other costs may be rationalised by locals as the ‘price to pay’ for material quality of life benefits otherwise unrealised. The enclave economy, however, is not the sole manifestation of the contemporary Maldivian tourism industry. It is important to note the ‘two track’ pattern of tourism development, whereby enclave resorts in the classic ‘frontstage’, controlled by Maldivian élites and foreign interests, can be contrasted with ‘backstage’ guesthouses accommodating seekers of a more alternative and localised destination experience. Local residents do benefit directly or indirectly from employment in the enclave resorts but experience concomitant costs such as isolation from families and onerous working conditions. Concurrently, non–élite residents can more directly participate through the growing guesthouse sector, albeit on a much smaller scale.
and with its own accompanying risks such as social intrusion and suboptimal management of waste and water. The capacity of small–scale entrepreneurs to succeed in this highly competitive service economy is also questionable, as is the ability of small inhabited islands to stimulate multiplier effects through the provision of sufficient goods and services. Regrettably, research into the actual impacts of this parallel tourism sector is not yet available.

Such considerations, finally, must be qualified by the reality that even the most enlightened tourism policies and intentions may be nullified by external factors such as climate change–induced sea level rises over which the sector and government have no control. With Maldives positioned as an exceptionally vulnerable destination, destination resilience – environmental but also cultural and social – must be featured as a central tenet and objective of its sustainable tourism policy, planning and management as it applies to both tracks of development.
Case Study

The Maldivian government has shifted its policy from keeping tourism away from local communities to permitting locals to develop tourism within their island communities so that it can “bring direct benefits to island communities” (MTAC, 2013a, p.40). Two contrasting island communities illustrate the relationship between residents and private sector and the extent to which local communities are involved in policy decisions, a factor that has implications for community support for and success of tourism.

Kaafu Atoll Huraa (local population 1,142, land area 25.1 hectares) is located within the main tourism hub of North–Malé atoll and has seven guesthouses (58 beds). Tourism is heavily concentrated in this atoll, with 25 resorts (5,844 beds), three of which share the same lagoon as Huraa. A further 17 resorts (3,132 beds) are located in South–Malé atoll. During the initial stage of tourism, Huraa was one out of four islands in Kaafu atoll which initiated local guesthouse development, allowing backpackers to stay at local houses. Although local guesthouse operations were banned in 1979, Huraa maintained a very close relationship with Kaafu atoll resort operators who sell day–trip excursions to tourists interested in local life. Islanders have proactively capitalised on these economic opportunities, establishing several souvenir shops and other tourist–oriented businesses. As such, this is a highly tourism–dependent community with a high tourist–to–host ratio, but one which harbours positive attitudes toward tourism. The local tourism strategy, moreover, can be situated here as complementing rather than countering the enclave sector through the provision of day–only excursions that benefit resort operators and locals.
The remote Gnaviyani Atoll Fuvahmulah (local population 8,579, land area 4.92
km²), is the third largest Maldivian island and an independent atoll accommodating
one guesthouse (8 beds). The opening of a domestic airport in 2011, and changes
brought to tourism policy directives, has opened tourism potential for this island. However, acceptance of tourism as a local economic activity is highly resisted. For instance, land leased for a city hotel development by the government has generated protests from local residents (Hamdhoon, 2005) on the basis that tourism will introduce alcohol to the community (Hamdhoon, 2010). In response, the government demarcated two zones of Fuvahmulah as “uninhabited islands” (Jameel, 2011), one highly contested by local community members. Due to local resistance, construction of the proposed city hotel had not yet proceeded as of mid–2015.

According to Simons and de Groot (2015), balanced power relationships and empowerment of community members foster healthier public and private partnerships, and successful community tourism projects. Local attitudes toward tourism in Huraa demonstrate that community members are more tolerant toward tourism due partly to the longer exposure to and participation in tourism, notwithstanding the contention of the tourism area life cycle that increased intensity equates with increased resident ambivalence toward tourism. As tourism has grown, Huraa residents have been able to maximise tourism benefits while minimising associated social and environmental costs. In contrast, although some men from Fuvahmulah work in resorts, the island generally has not been exposed to tourists and tourism and apparently fears such exposure. The reluctance of locals to engage in tourism development also owes to the alienation caused by a lack of involvement in local tourism policy decisions.
Guide to further reading


Relevant government websites

Maldives Association of Travel Agents and Tour Operators: http://www.matato.org/

Maldives Tourism Board: http://www.visitmaldives.com/

Ministry of Tourism: http://www.tourism.gov.mv/

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