

Impact of Non-Arrival of Chinese Tourists to Maldives

November 2022



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1. Introduction

1.1. Executive Summary

1.1.1. This research paper examines the impact of Chinese tourism in the Maldives. In particular, it examines the perceived risks to the Maldives of the Chinese government “turning off the tourism tap” and preventing or dissuading Chinese tourists from visiting the Maldives.

1.1.2. The paper attempts to answer whether perceived risks associated with the threat of “turning the tap-off” on Chinese tourists:

- (a) Are real in pecuniary terms; and
- (b) Justify changing foreign policy positions to appease Beijing.

1.1.3. Beijing has “turned the tap-off” of Chinese tourists when it was unhappy with foreign policy decisions taken by third countries. Maldives in the years prior to the outbreak of COVID-19 may have capitulated foreign policy positions in order to appease Beijing in order to avoid facing an unknown risk i.e., effects of “turning the tap-off” of Chinese tourists to Maldives.

1.1.4. Prior to the global outbreak of COVID-19, China was the leading inbound tourist market to the Maldives between 2016 and 2019. Flights between China and Maldives were suspended and the Chinese market share in Maldives’ tourism industry dropped from 16.7% in 2019 to 8.9% in the first quarter of 2020.

1.1.5. The strict border closure regime maintained in China post the COVID-19 pandemic offers Maldives a unique opportunity to test the real-world impact of having no Chinese tourist arrivals in the latter three quarters of the 2020 and in all of 2021.

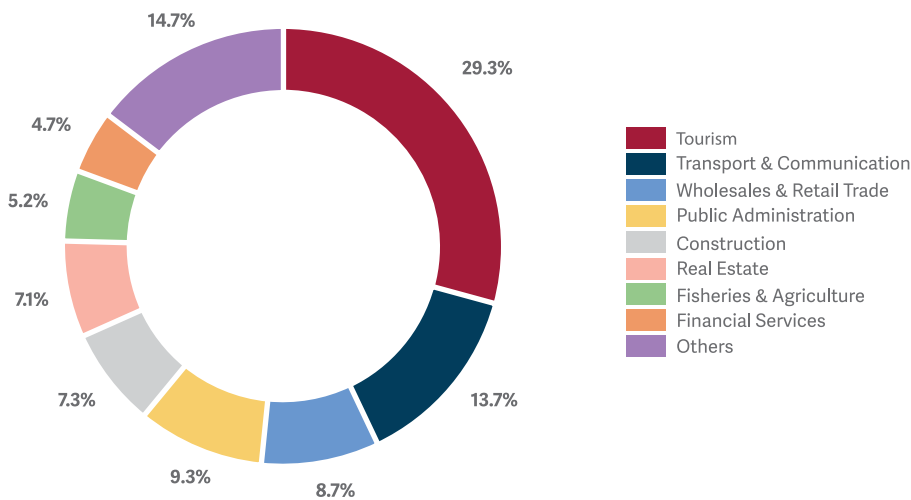


1.2. Overview of tourism sector in Maldives

1.2.1. Maldives opened its doors to its first tourists in 1972.¹ This was a game changer for the small island nation’s economy that had prior to 1972 been dependent on fisheries and agricultural exports.² Tourism in Maldives grew rapidly from only 1,097 in 1972 to reach 100,000 arrivals by 1985. Presently, the tourist arrival numbers have remarkably surpassed 1 million per annum – is it therefore no surprise that tourism is now the largest industry in Maldives making the highest contribution to the country’s GDP.³

1.2.2. The latest published GDP figures at the time of writing show that the tourism industry’s contribution amounted to 26.3% of GDP.⁴ More than one third of the government revenue is generated from tourism.⁵

GDP Contribution by Major Economic Sectors of Maldives, 2019



1 Ministry of Tourism, 'Ministry of Tourism Launches Tourism Golden Jubilee Year Logo' (10 March 2021) https://www.tourism.gov.mv/news/ministry_of_tourism_launches_tourism_golden_jubilee_year_logo accessed 14 May 2022

2 Statistical Archive of Maldives, Table 15.2, <<http://statisticsmaldives.gov.mv/yearbook/statisticalarchive/>> accessed 14 May 2022

3 Ministry of Tourism, 'Tourism Yearbook 2021' (2021) <<https://www.tourism.gov.mv/dms/document/2f11c02edec48b0fa37014122e7c39e6.pdf>> accessed 14 May 2022

4 Ibid

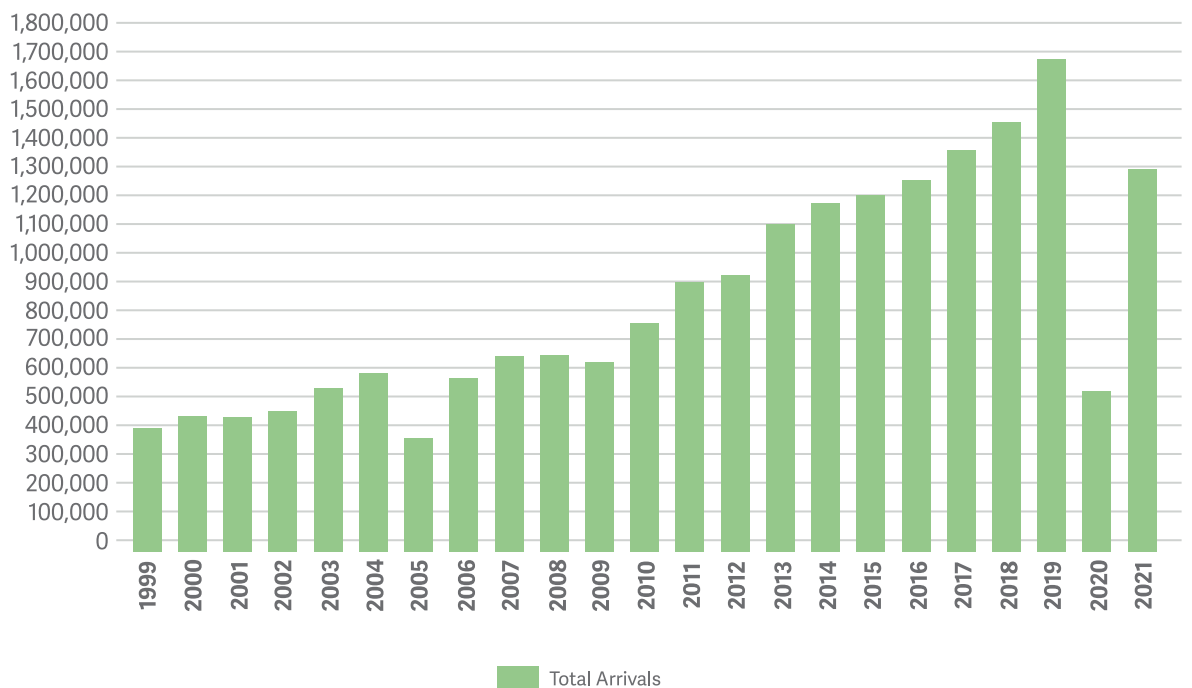
5 Ibid

1.3. Tourist Arrivals and Market Trends

1.3.1. The Maldivian government allocates significant resources to promote tourism and to facilitate a positive and attractive environment for investors.⁶ Such efforts, by the government and also the private sector, have helped ensure a steady upward trend in tourist arrivals. Maldives welcomed 500,000 tourist arrivals in 2003 and by 2010 this number exceeded 700,000. In 2011, the Maldives reached a new milestone reaching a total of 931,333 arrivals - registering an impressive 17.6% growth over 2010. The UNWTO World Tourism Barometer, March 2012 edition, recorded Maldives among the countries which recorded the fastest growth for the year.

1.3.2. Through the decades Maldives and its resorts have won awards in tourism and hospitality culminating in the Maldives being recognized as the “World’s Leading Destination” at the World Travel Awards (WTA) in 2021.⁷

Tourists Arrivals to Maldives 1999-2021



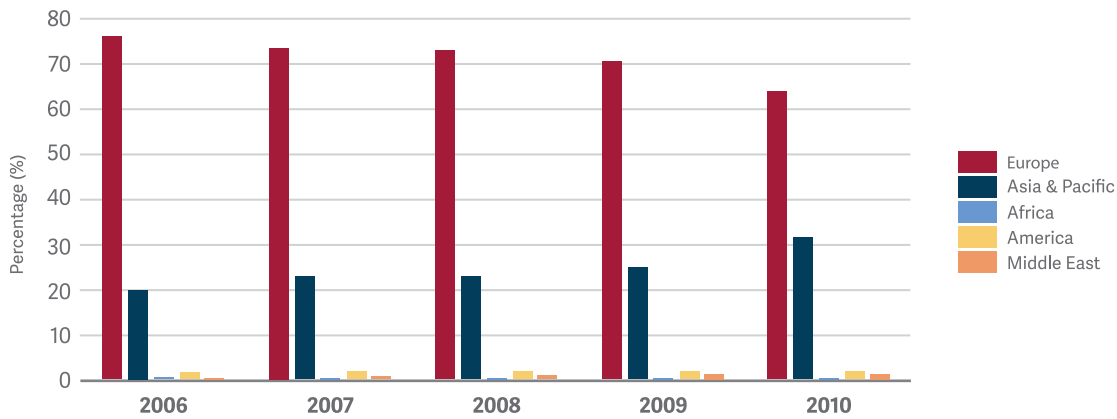
1.3.3. The above graph shows the steady rise in tourist arrivals to the Maldives. There are three noticeable drops, i.e., one between 2004 and 2005 following the 2004 Indian Ocean tsunami; the other between 2008 and 2009 following the Global Financial Crisis of 2007-2008; and the most marked dropped between 2019 and 2020 following the Covid-19 pandemic.

6 Statistics Section, Ministry of Tourism ‘Tourism Statistics 2004’ (2004) <<https://archive.tourism.gov.mv/pubs/stat2004/copy.htm>> accessed 14 May 2022

7 Ministry of Tourism, ‘Tourism Bulletin’ (January 2022) <<https://www.tourism.gov.mv/en/downloads/bulletin>> accessed 14 May 2022

1.3.4. Tourism arrivals in Maldives from 1972 to 2008 mainly comprised of Western Europeans from countries like Italy, UK and Germany⁸. This report shall therefore refer to this segment as Maldives’ “Traditional market”. The Traditional market dropped in market share following the global financial crisis in 2008. Maldives’ economy weathered through the post-financial-crisis storm and slowly shifted away from the Traditional market to new arrivals coming initially from China and subsequently from India.⁹

Market Share by Regions, 2006-2010



1.3.5. Europe’s market share dropped by 12% from 2006 to 2010, while Asia and Pacific share increased from 20.8% to 31.6%.

1.3.6. Italy was the leading market generator in Maldives from inception until 2006¹⁰. The United Kingdom became the leading market generator from 2007 to 2009 but was quickly replaced by China in 2010.¹¹ China, since 2010, remained the leading market until the Covid-19 pandemic; in 2020, it was replaced by India.¹²

8 Statistics Section, Ministry of Tourism ‘Tourism Statistics 2004’ (2004) <<https://archive.tourism.gov.mv/pubs/stat2004/copy.htm>> accessed 14 May 2022

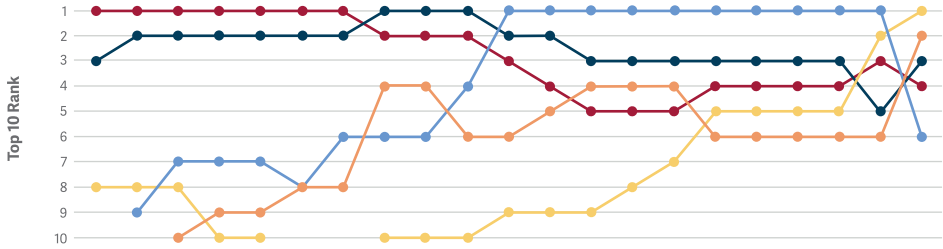
9 Ministry of Tourism, Arts & Culture, ‘Tourism Yearbook 2011’ (September 2011) https://archive.tourism.gov.mv/pubs/tourism_yearbook/tourism_year_book_2011.pdf > accessed 14 May 2022

10 Statistics Section, Ministry of Tourism ‘Tourism Statistics 2004’ (2004) <<https://archive.tourism.gov.mv/pubs/stat2004/copy.htm>> accessed 14 May 2022

11 Ministry of Tourism, Arts & Culture, ‘Tourism Yearbook 2011’ (September 2011) https://archive.tourism.gov.mv/pubs/tourism_yearbook/tourism_year_book_2011.pdf> accessed 14 May 2022

12 Ministry of Tourism, ‘Tourism Yearbook 2021’ (2021) <https://www.tourism.gov.mv/dms/document/2f11c02edec48b0fa37014122e7c39e6.pdf>> accessed 14 May 2022

Market Trends 2000-2020



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Italy	1	1	1	1	1	1	1	2	2	2	3	4	5	5	5	4	4	4	4	3	4	
UK	3	2	2	2	2	2	2	1	1	1	2	2	3	3	3	3	3	3	3	3	5	3
China		9	7	7	7	8	6	6	6	4	1	1	1	1	1	1	1	1	1	1	1	6
India	8	8	8	10	10			10	10	10	9	9	9	8	7	5	5	5	5	5	2	1
Russia			10	9	9	8	8	4	4	6	6	5	4	4	4	6	6	6	6	6	6	2

1.3.7. The above figures demonstrate that Maldives’ reliance on Traditional markets is shifting to new markets such as China, Russia and India. The arrivals from Traditional markets however remain important.

2. Tourist arrivals from China

2.1. Before 1978, China was largely closed to the outside world. Few Chinese citizens were allowed to travel to other countries. Those who did were either businessmen, government officials, or students. Taking a trip abroad for pleasure was unthinkable unless it was disguised as a trip driven by a legitimate need other than leisure.¹³ The Chinese government had placed strict restrictions on outbound travel of its citizens except to a few neighboring countries, until 1990. Since the early 1990s, the Chinese government softened its travel restrictions by implementing the 'Approved Destination Status' (ADS) policy. An ADS is granted to a third country through a bilateral agreement signed between the two governments. This agreement allows Chinese tourists to travel to that third country with few restrictions.

2.2. The implementation of the ADS policy led to a significant increase in Chinese tourists globally. According to the UNWTO, China is the fastest growing tourism source market in the world and top international tourism spender since 2012.¹⁴

2.3. Maldives received its ADS in December 2002 which enabled Maldives to officially commence promotion of Maldives tourism in China. This was a culmination of a number of bilateral efforts between Maldives and China to build closer ties between the two countries, which are addressed below.

2.4. China became the leading market for Maldives from 2010 to 2019 with a total number of 118,961 arrivals in 2010. China was the first non-European market to be the leading arrivals market. China has maintained its position on the top for a decade¹⁵. The Chinese market share was between 25.2% and 16.7% from 2016 to 2019¹⁶. These numbers demonstrate that China has recently become and continues to be an important market for tourist arrivals to Maldives.

13 James Mak, Shawn Arita & Sumner La Croix, 'How China's Approved Destination Status Policy Spurs and Hinders Chinese Travel Abroad' (Association for Asian Studies, Spring 2013) <<https://www.asianstudies.org/publications/aaa/archives/how-chinas-approved-destination-status-policy-spurs-and-hinders-chinese-travel-abroad/>> accessed 14 May 2022

14 UNWTO "China-The New Number One Tourism Market in the World", (UNWTO, 4 April 2013) <https://www.unwto.org/archive/global/press-release/2013-04-04/china-new-number-one-tourism-source-market-world> accessed 14 May 2022

15 Ministry of Tourism, 'Tourism Yearbook 2021' (2021)

16 Ibid

3. Historical background of Maldives foreign Policy and bilateral relations with China

3.1. A brief history leading up to Maldives' establishment of foreign relations with China

3.1.1. Due to its location in the Indian ocean and its geography – comprised of islands scattered over a distance of 871 km – Maldives remained largely secluded from the world until recently.

3.1.2. The Maritime Silk Route which is the maritime section of the historic Silk Road that connected Southeast Asia, China, the Indian subcontinent, the Arabian peninsula, Somalia, Egypt and Europe brought travellers to the Maldives from the 2nd century BC and until the late 15th century AD. Records of such limited contact remain sparse.¹⁷

3.1.3. Maldives' contact with the outside world is better recorded after the British Empire reached Ceylon (modern day Sri-Lanka) in 1769. Maldives' sultanates remained close to the British Empire in the sub-continent and formalized Maldives' status as a British protectorate in 1887.¹⁸

3.1.4. Maldives became independent in 1965 and shortly thereafter joined the United Nations.¹⁹

3.1.5. During the Presidency of H.E. Ibrahim Nasir, then Foreign Minister, Ahmed Zaki (Minister from 1968–1975) initially focused on relations at a regional level with a primary focus on India and Sri Lanka²⁰. President Nasir also focused on expanding relations with the West but with limited success. During the Cold War, the Maldives was largely insignificant to Western strategic interests. Moreover, the British had retained the Chagos Islands, to the south of the Maldives, which meant that Britain had no strategic need in having a presence in Maldives post-1965.

¹⁷ Accounts in Ibn Batuta in the Maldives and Ceylon and The Voyage of François Pyrard of Laval to the East Indies, the Maldives, the Moluccas and Brazil confirm accounts of such contact which are passed down in Maldives' oral traditions.

¹⁸ Adam Zeidan, 'History of Maldives' (Britannica) < <https://www.britannica.com/place/Maldives/History>> accessed 14 May 2022

¹⁹ United Nations, 'The UN in Maldives', < <https://maldives.un.org/en/about/about-the-un>> accessed 14 May 2022

²⁰ Clarence Maloney, 'The Maldives: New Stresses in an Old Nation' [July 1976] 16 UCP 7, 654-671

3.1.6. After Ahmed Zaki, during the Gayyoom years²¹, Fathullah Jameel (Foreign Minister from 1978 to 2005) continued Maldives' focus on relations in the sub-continent. Maldives was, as such, a founding member of the South Asian Association for Regional Cooperation (SAARC) which was established in 1985 and in a culmination of these efforts, the 5th SAARC summit was held in Maldives in November 1990.

3.1.7. President Gayyoom, being educated in Egypt at Al-Azhar University during Gamel Abdel Naseer's tenure, was inspired by Nasserist ideals and pan-Arabism²². Maldives therefore in foreign relations turned towards the Arab world and strictly followed a non-alignment policy in regards to the Cold War.

3.1.8. Maldives was nonetheless closer to Britain because of historic ties and stepped away from non-alignment in order to join the Commonwealth of Nations, a club of former British colonies, in 1982²³.

3.1.9. During the mid-1990s to early-2000s, following the fall of the Berlin Wall, Maldives recognized the need to reassess its non-alignment foreign policy and moved towards preparing for a unipolar world. As such, Maldives looked to expand its links with the West namely, United States of America, United Kingdom and the European Union.

3.1.10. In the late 2000s, one of the key driving influences of Maldives foreign policy was its inclusion on the United Nation's Least Developed Countries (LDC) list²⁴. Countries are kept on this list through United Nations Conference on Trade and Development's (UNCTAD) Committee for Development Policies' studies, presented to the UN General Assembly. The LDC status enabled Maldives to access grants and concessional loans and was critical to the country's development.

3.1.11. In 2001, the UN Committee for Development Policy reviewed the Maldives' LDC status and recommended graduating Maldives from the LDC list in 2004²⁵. The Maldives was fervently opposed to its removal from the LDC list, noting that the aid and assistance it got from being included in the list was critical to the proper financial management of the state and the country.²⁶ The Maldives further pleaded that it was not ready to manage its financial affairs without assistance from UNCTA²⁷D. Many of Maldives' new found allies in the West opposed Maldives' plea to have its inclusion in the LDC list maintained. This resulted in Maldives realising the need to have relations with new countries, and expanding diplomatic links to other regions including East Asia, including China.

21 H.E. Maumoon Abdul Gayyoom was the President of Maldives from 1978 to 2008

22 Adam Zeidan, 'Pan Arabism' (Britannica) < <https://www.britannica.com/topic/Pan-Arabism>> accessed 14 May 2022

23 The Commonwealth, 'Maldives', < <https://thecommonwealth.org/our-member-countries/maldives>> accessed 14 May 2022

24 United Nations, 'Official Triennial review dataset (2000-2001)'

25 CDP Secretariat, 'Monitoring of Graduated Countries from the Category of Least Developed Countries – Maldives' [16-17 January 2012]

26 UNCTAD Supports Maldives After LDC Graduation, (IISD, 28 January 2011) <<http://sdg.iisd.org/news/unctad-supports-maldives-after-ldc-graduation/>> accessed 14 May 2022

27 Ibid

3.2. Bilateral Relations between China and Maldives

3.2.1. Maldives and China established diplomatic relations in 1972 and during the decades of friendship, Maldives had in the early days maintained a considerate and prudent relationship with China. During Maldives' UN LDC removal debacle (discussed above), Maldives reached out to China, and China supported Maldives' bid to remain on the UN LDC list. Maldives and China continued to expand cooperation, resulting in the bilateral agreement granting Maldives the ADS, allowing Chinese tourists to travel freely to the Maldives. Maldives opened an embassy in China in 2007, and China opened an embassy in Male' in 2011.

3.2.2. During Mohamed Nasheed's presidency (Maldivian Democratic Party, 2008 to 2012), China provided Maldives with assistance for developing 1,000 residential housing units, and facilitated direct flights between the two countries. Nevertheless, this period also witnessed significant strains between the pro-Western Nasheed, and Beijing (see box).

During President Nasheed's tenure (2008-2012), the Maldives accepted a request from the United States to re-settle Uyghur terrorists being held at Guantanamo Bay, as part of US President Barack Obama's push to close the detention center. China took offence to this agreement. Furthermore, an op-ed published in 2009 in the Guardian entitled "How do I know China wrecked the Copenhagen deal? I was in the room" by Mark Lynas, a member of the Maldivian delegation who was in the crunch Heads of Government meeting at the talks, accused China of having "wrecked the talks". The op-ed resulted in China formally lodging a complaint against the Maldives with the UN. On both these occasions, high ranking officials in the Maldivian embassy in Beijing were summoned to the Chinese Foreign Ministry. Chinese officials mentioned the importance of trade between the two countries, and pointedly noted that Chinese tourist arrivals in Maldives were better than ever. The Maldivian diplomats took this as a warning that China might revoke Maldives' Approved Destination Status if Male' continued to antagonise Beijing.

3.2.3. The bilateral relations between China and Maldives improved when President Yameen Abdul Gayyoom of the Progressive Party of Maldives (PPM) came into power at the end of 2013. During his presidency, China became the Maldives' closest ally, helping the government to reach its development targets and meet Yameen's campaign pledges, such as building a bridge between Male' and Hulhumale.

3.2.4. In September 2014, President Xi Jinping visited the Maldives on an official visit.²⁸ This marked the beginning of an ever-closer relationship between Maldives and China. This was the first time in history that a Chinese Head of State visited the Maldives. During his visit, Maldives and China discussed the creation of the 21st Century Maritime silk route and Maldives to become involved in this development framework²⁹. President Xi's visit underscored the importance China gave to the Maldives and its desire to expand China's presence in the Indian Ocean.

28 'Xi Jinping arrives in Male', Starting his State visit to Maldives' (The Ministry of Foreign Affairs of the People's Republic of China, 15 September 2014) <https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zjzg_663340/yzs_663350/gjlb_663354/2737_663478/2739_663482/201409/t20140916_517876.html> accessed 14 May 2022

3.2.5. By 2018, the deepened relations between China and Maldives caused grave concern to Maldives' neighboring countries, especially India, since China was obtaining more access to the Indian Ocean region through Maldives.³⁰ This in turn led to more focus on scrutinizing the actions of China, by the then opposition party, MDP.³¹

3.2.6. In the 2018 presidential elections, President Yameen (PPM) lost to Ibrahim Mohamed Solih from MDP. Following this change, bilateral relations between both countries weakened, as Male' prioritised relations with New Delhi over Beijing.

3.2.7. As the above analysis shows, the Maldives' strategic importance for global powers declined between 1965 and the late 1990s. In that period, Maldives sought ever expanding multilateral links as any small state would in a shifting in multi-polar world. Recently, however, Maldives' strategic importance for global powers has once again resurfaced owing to China's renewed strategic interests in the Indian subcontinent. Maldives' internal politics has reacted to these external pressures resulting in a partisan split between the main two parties – MDP and PPM – with PPM being more China facing and MDP being more open to India and the West. While Maldives and China have gone through notable strains in their relations, China continues to maintain Maldives' ADS for Chinese tourists — although the threat of that being revoked continues to be ever present.

3.2.8. It is therefore clear that Maldives needs to understand the real-world impact of ADS being revoked, and the resulting closure of the Chinese tourism tap to Maldives.

3.3 Turning the tap off - Global examples

In the past China has used access to its large market as leverage to pressure other countries. For instance, after former Australian Prime Minister Scott Morrison raised questions regarding the origins of the coronavirus, China threatened to stop Australian beef and wine exports to China.³² Similarly, in 2017, the Chinese government was accused of coercing travel agencies to boycott South Korea after it decided to host a U.S. missile system in the country, a decision that deeply upset the Chinese Communist Party.³³ In 2019, China caused over \$900 million in lost revenue to Taiwan after it suspended a travel program to the island nation in retaliation over deepening ties between Taiwan and the United States.³⁴ Philippines encountered a similar fate

30 Sudha Ramachandran, 'The China-Maldives Connection' (The Diplomat, 25 January 2018) <<https://thediplomat.com/2018/01/the-china-maldives-connection/>> accessed 14 May 2022

31 Mohamed Junayd, 'Maldives ruling party pledges probe into Chinese deals after landslide win' (Reuters, 10 April 2019) <<https://www.reuters.com/article/cnews-us-maldives-politics-idCAKCN1RL2IW-OCATP>> accessed 14 May 2022

32 Levi Parsons, 'Chinese ambassador warns Australia's education and tourism industries could be next on the chopping block after ban hammered wineries' (Daily Mail, 30 April 2021) <<https://www.dailymail.co.uk/news/article-9527517/China-warns-Australias-education-tourism-chopping-block.html>> accessed 20 November 2022

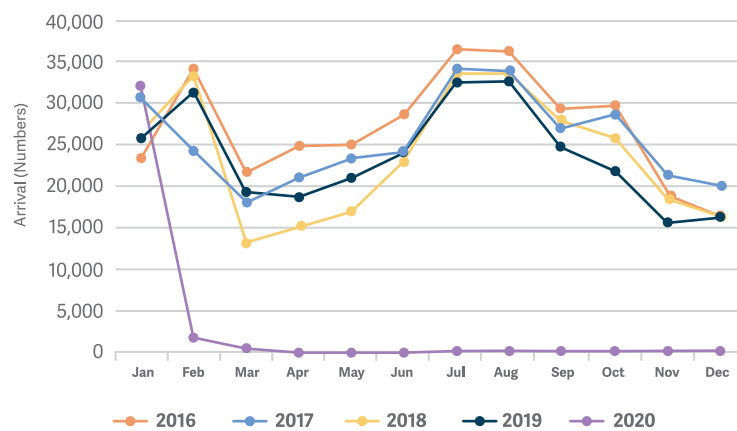
33 Jethro Mullen, 'China's 'unofficial' Sanctions Rattle South Korea' (CNNMoney, 3 March 2017) <<https://money.cnn.com/2017/03/03/news/economy/china-south-korea-thaad-tourism-trade-sanctions/index.html>> accessed 20 November 2022

34 TheEconomist, 'China is trying to browbeat Taiwan by keeping its tourists away' (TheEconomist, 10 August 2019) <<https://www.economist.com/>>

in 2014, after China issued a travel advisory against the country over territorial disputes in the South China Sea.³⁵ Following the advisory, beach resorts in Philippines that were teeming with Chinese tourists were left deserted.

3.4. Relationship between Chinese tourist arrivals surges and strategic foreign policy decisions

3.4.1. We have in the above sections established that the threat of “turning the tap-off” of Chinese tourists is one which has been mentioned in government-to-government talks between China and Maldives at points where relations have strained between the two nations.



3.4.2. We have also established revocation of the ADS has not been utilized in instances where relations between the two countries have been strained. While such a draconian step has not been taken to date, there remains a question as to whether softer levers are at play. The Chinese government’s pressure on Chinese private companies to give China’s ruling Chinese Communist Party (CCP) greater say in corporate governance through the use of “Party Cells” is no secret.³⁶ Private tour operators and travel agencies in China are the only feasible way Chinese citizens can book holidays to the Maldives. The Chinese local travel agencies are held accountable by the Chinese government, which can sanction them if, for instance, a Chinese tourist fails to return to China after their holiday.³⁷ While we cannot determine with certainty how softer levers might work in practice, the levers for the Chinese government to pressure Chinese travel agents not to promote, or sell holidays to the Maldives (or any other country) exist, should it wishes use them.

3.4.3. It is therefore important to see whether such soft levers have been at play. In

[china/2019/08/08/china-is-trying-to-browbeat-taiwan-by-keeping-its-tourists-away](https://www.bbc.com/news/world-asia-29684938) accessed 20 November 2022

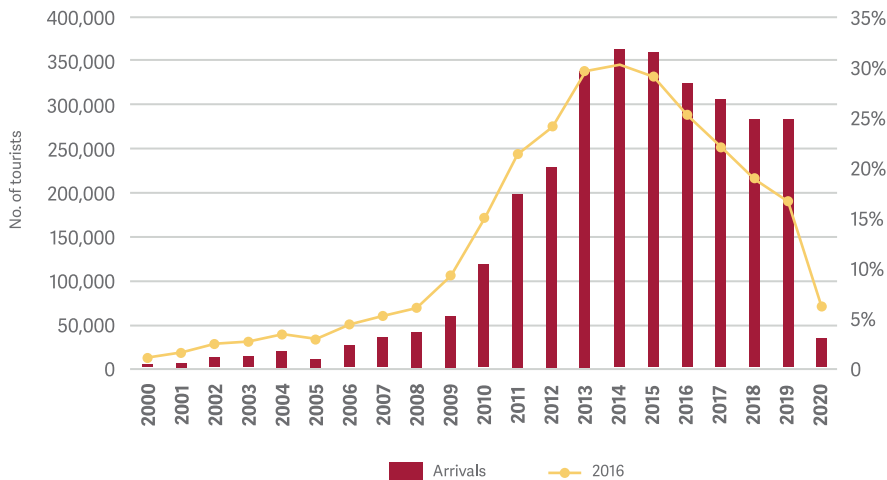
35 Aurora Almendral, ‘Philippines feels force of China travel warning’ (BBC, 22 October 2014) <<https://www.bbc.com/news/world-asia-29684938>> accessed 20 November 2022

36 Ann Listerud, ‘Chinese Communist Party Cells in Private Companies: Though Not Yet Universal, Increasingly Situation to Play Greater Roles in Corporate Governance’ (Sayari, 4 July 2021) <<https://sayari.com/resources/chinese-communist-party-cells-in-private-companies-though-not-yet-universal-increasingly-situated-to-play-greater-roles-in-corporate-governance/>> accessed 14 May 2022

37 ‘Approved Destination Status (ADS) Policy’ (China Contact) <<https://chinacontact.org/information/ads.html>> accessed 14 May 2022

this regard, this report proposes to identify the changes in Chinese tourist arrivals, and overlay that with important foreign relations landmarks between the two countries.

3.4.4. From the above figure it can be seen that the monthly Chinese tourist arrival patterns are relatively the same for every year, except for 2020 in which tourist arrivals from China stopped due to pandemic. Each year, the tourist arrivals peak during the months February due to Chinese New Year holidays and in the summer months due to Chinese school holidays in July and August. There is also a significant increase during October, which coincides with the Chinese National Day Golden week.



3.4.5. Based on the above, the arrival trends observed in Maldives is in line with the seasonal travel patterns of Chinese tourists where more people travel during the holiday periods.

3.4.6. Although China remained the leading market generator for Maldives, the tourist arrival numbers in Maldives peaked in 2014. From then on, there has been a decline in tourist arrivals, and the market share dropped steadily.

3.4.7. The continuous decline of Chinese tourist arrivals between 2015 and 2019 were affected by two instances of travel advisories issued by the Chinese Government advising its citizens not to travel to the Maldives. These are:

- (a) On November 2016, a travel advisory was issued by the Chinese government following risk of Zika virus in the Maldives.³⁸
- (b) During February 2018, a travel advisory was issued requesting all Chinese to cancel all travel to Maldives following political unrest and the declaration of a State of Emergency by President Yameen.³⁹

38 Aishath Mihna Nasih, 'China issues Travel Advisory to Maldives due to Zika' (the Edition, 3 November 2016) <<https://edition.mv/news/1409>> accessed 14 May 2022

39 PTI, 'China upgrades travel warning to Maldives, asks its citizens to cancel plans' (The Times of India, 6 February 2018) <<https://timesofindia.indiatimes.com/world/china/china-upgrades-travel-warning-to-maldives-asks-its-citizens-to-cancel-plans/articleshow/62804424.cms>> accessed 14 May 2022

3.4.8. The following table shows key bilateral events from 2010-2019, and an assessment of whether they had an impact on Chinese tourist arrivals.

Period	Bilateral meetings/events	Impact on Chinese tourist arrivals
2010 to 2012	5,924	7,218
November 2013	536	658
September 2014	9,598	11,818
2016	The sixth round of bilateral meetings between Maldives and China is concluded	No significant change in tourist arrivals peaks in 2014
December 2017	President Yameen visits China on an official visit. During the visit a total of 12 agreements are signed including the MOU on Silk route framework, and Free Trade Agreement	Although bilateral relations between both countries, are at the highest level, there was no positive change seen in the tourist arrival numbers in this period. In fact, the arrivals dipped from 300,000 in 2017, to 280,000 in 2018
August 2018	Representative of the Chinese government and Head of International Development Cooperation Agency paid a courtesy call on President Yameen.	There was no evident change in the arrival trend related to this visit.
Sept 2019	Foreign Minister of Maldives visited China on an official visit.	No evident change noted. Tourism numbers continue to decline.

Based on the above data, there is no evidence to support that any changes (positive or negative) in the bilateral relations made any direct impact on the Chinese tourist arrivals in the Maldives.

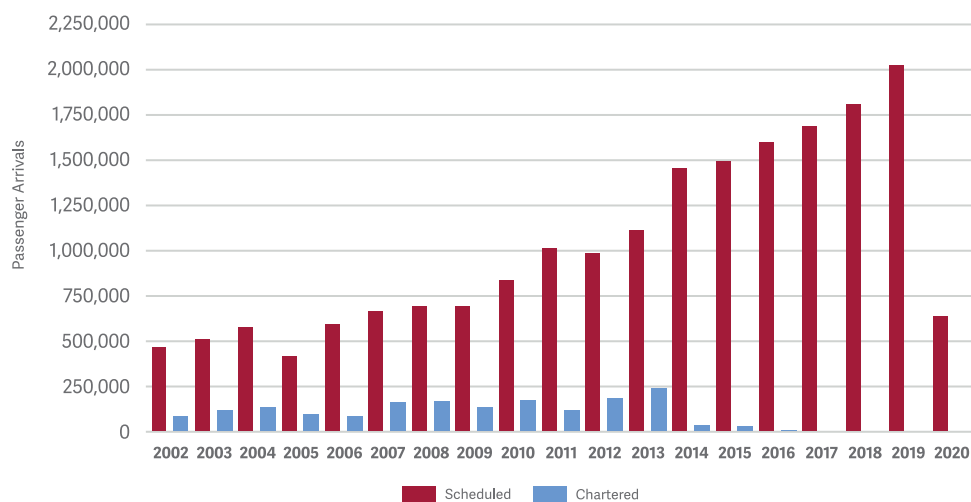
3.5. Factors affecting the changes in Chinese tourist arrivals

3.5.1. Maldives being an island nation, the majority of tourists arrive via international airlines, either scheduled or chartered. At the start of the tourism industry and up until year 2000, there were few scheduled flights to Maldives, which resulted in most tourists arriving via chartered carriers.

3.5.2. However, from 2002 onwards the number of scheduled airlines started increasing, making Maldives more accessible to tourists across the globe. The total number of passenger arrivals on scheduled international carriers increased from 466,144 in 2002 to over 2 million in 2019.⁴⁰ This growth attributes to continuous efforts made by the private sector to tap into various markets to diversify their customer base.

40 Ministry of Tourism, 'Tourism Yearbook 2021' (2021) <<https://www.tourism.gov.mv/dms/document/2f11c02edec48b0fa37014122e7c39e6.pdf>> accessed 14 May

3.5.3. Prior to the establishment of bilateral relations between Maldives and China, commercial links existed and continued to strengthen. As such, resort owners, guest house operators, safari operators, airline operators and travel agents play a critical role in shaping the Maldives tourism industry. Unsurprisingly, their work and efforts have a more direct effect on Chinese tourist arrivals. This direct effect is far more palpable and visible than effects which may be in place through bilateral relations between the two countries.



3.5.4. The following figure depicts the passenger arrivals by type of international carrier.

Market Share by Regions, 2006-2010

Taking a closer look at the Chinese market, the number of scheduled flights operated between Maldives and China increased significantly, opening cheaper and direct access for Chinese tourists to visit Maldives.

3.5.5. The following are some of the scheduled flights which operated between Maldives and China from 2000 onwards:

- (a) 2006 – 2008: Viva Macau operated direct flights to Macau
- (b) 2007 – 2009: China Eastern operated scheduled flights to select Chinese cities
- (c) 2010 – 2012: Shanghai Airlines operated direct flights to Shanghai
- (d) 2011 – 2012: China Southern Airlines operated direct flights to Guangzhou
- (e) 2011 – 2017: Mega Maldives Airlines operated direct flights to Hong Kong, Beijing, Macau, Chengdu, and Shanghai
- (f) 2013: Maldivian Airlines commenced direct flights to Chongqing, Guangzhou, Wuhan, Kunming, and Chengdu
- (g) 2010: China Eastern re-started scheduled flights

- (h) 2014: China Southern Airlines re-started scheduled flights
- (i) 2014: Hong Kong Airlines started scheduled flights
- (j) 2015: Beijing Capital Airlines started flights

By July 2014, there were direct flights operating to 7 cities (Beijing, Shanghai, Chongqing, Guangzhou, Chengdu, Kunming, Wuhan) in mainland China.⁴¹

3.5.6. This increase in scheduled, direct flights between Maldives and China had an evident impact on the number of Chinese tourists travelling to the Maldives⁴², resulting in the Chinese market becoming the leading market from 2010 to 2019.

3.5.7. Among the airlines operating scheduled direct flights to China, Mega Maldives Airlines carried the highest number of Chinese tourists.⁴³ Mega Maldives Airlines operated from 2011 until 2017 and had a positive correlation with the total number of Chinese tourist arrivals, seen in the graph below.

Comparison of Chinese tourist arrivals with arrivals on Mega Maldives Airlines



3.5.8. Chinese Tourist arrivals to Maldives are closely related to increased access to scheduled direct flights and the Chinese holiday periods, as opposed to any changes in bilateral relations.

3.5.9. Therefore, there is no evidence that the Chinese government implemented any soft levers — to change the number of Chinese tourists travelling to Maldives — as means to exercise influence over the Maldives.

41 “The Chinese Ambassador to Maldives H.E. Wang Fukang attends the ceremony of Maldivian’s first flight from Wuhan to Male” (Embassy of the People’s Republic of China in the Republic of Maldives, 6 July 2014) <http://mv.china-embassy.gov.cn/eng/sgsd/201407/t20140706_1620878.htm> accessed 14 May 2022

42 Ministry of Tourism, ‘Tourism Yearbook 2014’ (2014) <https://archive.tourism.gov.mv/pubs/tourism_yearbook/tourism_year_book_2014.pdf> accessed 14 May 2022

43 Ministry of Tourism, ‘Tourism Yearbook 2019’ (2019) <<https://www.tourism.gov.mv/dms/document/f5f522de183dde8f0f012884cecb1706.pdf>> accessed 14 May 2022

3.5.10. However, this does not negate the fact that the Chinese government does have the power to pull soft levers, such as pressuring Chinese travel agents, or indeed removing Maldives' status as an ADS. Such moves would create an impact on Chinese arrivals to the Maldives, and removing Maldives from the ADS would cause tourism between China and Maldives to stop altogether.

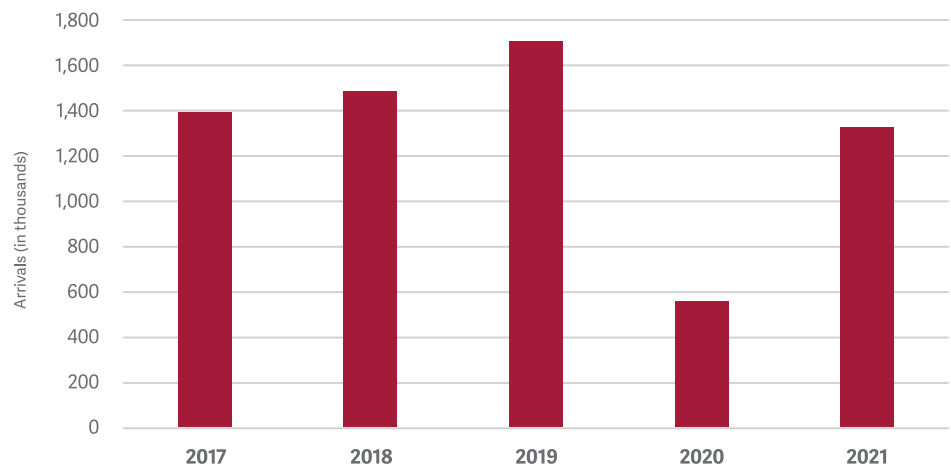
4. Post Covid-19 tourist arrivals

4.1. Recovery of Maldives' Tourism Industry

4.1.1. Maldives closed its borders from 27 March to 14 July 2020 due to the Covid-19 pandemic. The detrimental effects of a prolonged lockdown on Maldives' tourism-based economy was readily apparent. The government therefore began a rapid vaccination drive to make Maldives a safe destination for tourists. As a result, Maldives became one of the first countries in Asia to reopen its borders, in July 2020, and welcomed a total of 1,752 tourists the same month.⁴⁴

4.1.2. Maldives having secured a surplus of vaccines in the early days of the pandemic promoted its 3V strategy i.e., "Visit, Vaccinate, and Vacation". Under this slogan Maldives promoted the opportunity to visit Maldives and get vaccinated and then stay quarantined in "Covid-safe" resorts for a socially distanced vacation. In addition, Maldives offered the opportunity for Indians seeking to travel to Middle East to use Maldives as a hub for quarantine prior to their onward travel. The travel corridor opened between India and Maldives led to a boom in Indian tourists.

4.1.3. The proactive efforts from the Government and the tourism industry resulted in an astounding bounce back in tourism within a short period of time. Following the re-opening of borders in July 2020, Maldives reached total arrivals of 555,494 tourists in 2020 and 1,321,932 in 2021.⁴⁵ It is interesting to note that the Maldives achieved these tourist numbers while its leading market - China - remained closed off from the beginning of 2020.



Source: Ministry of Tourism

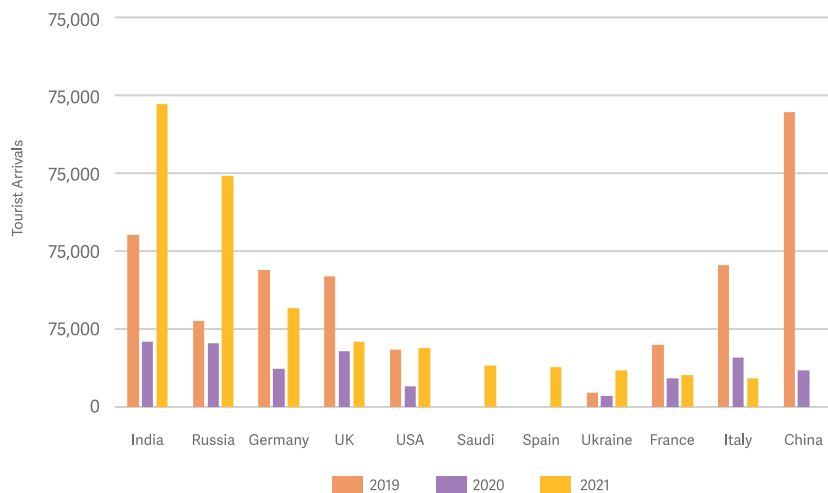
44 Ministry of Tourism, 'Tourism Yearbook 2021' (2021)

45 Ministry of Tourism, 'Tourism Bulletin April 2022' (12 April 2022) <<https://www.tourism.gov.mv/dms/document/cbfcf481abc2911eec3b450f586035b9.pdf>> accessed 14 May 2022

4.2. Significant Changes to Top Markets

4.2.1. The dynamics of the tourism sector in Maldives changed drastically post-pandemic. China, from its top market position, dropped to zero arrivals. The gap in Chinese arrivals was plugged by new arrivals from India, Russia and the CIS (Commonwealth of Independent States)

Top Ten Markets 2019 - 2021



4.2.2. For the first time since data has been collected, India became the leading market with a market share of 11.3% in 2020⁴⁶ and 22.1% in 2021⁴⁷.

4.2.3. Russia in 2020 and 2021 maintained a steady market share and played an essential role in the recovery of Maldives tourism industry. The Russian market grew rapidly and became the second largest market with a market share of 11.1% in 2020⁴⁸ and 16.8% in 2021. ⁴⁹

4.2.4. Ukraine, Saudi Arabia and Spain made it to the Top Ten Markets as new entrants in 2021.

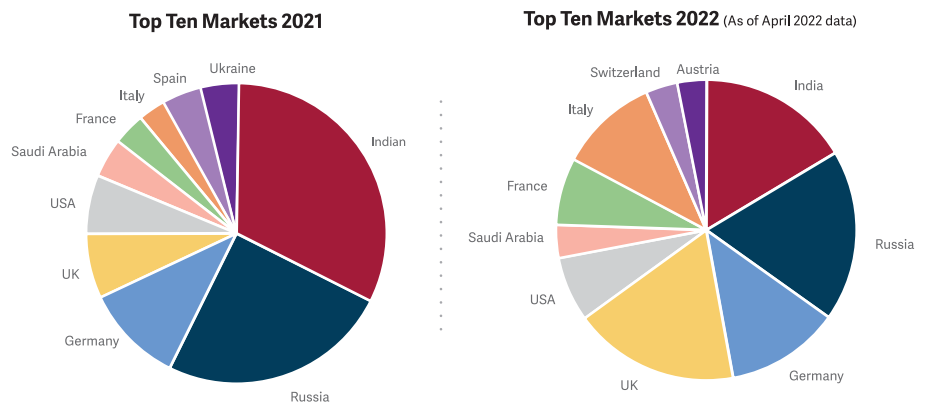
46 Ministry of Tourism, 'Tourism Yearbook 2021' (2021) Ministry of Tourism, 'Tourism Yearbook 2021' (2021) <https://www.tourism.gov.mv/dms/document/2f11c02edec48b0fa37014122e7c39e6.pdf> accessed 14 May 2022

47 Ministry of Tourism 'Tourism Bulletin – January 2022' (7 January 2022) < <https://www.tourism.gov.mv/dms/document/ae72020a418e47ac4b31fa852115c8d.pdf>> accessed 14 May 2022

48 Ministry of Tourism, 'Tourism Yearbook 2021' (2021) <https://www.tourism.gov.mv/dms/document/2f11c02edec48b0fa37014122e7c39e6.pdf> accessed 14 May 2022

49 Ministry of Tourism, 'Tourism Bulletin January 2022' (7 January 2022) <<https://www.tourism.gov.mv/dms/document/ae72020a418e47ac4b31fa852115c8d.pdf>> accessed 14 May 2022

4.2.5. The USA continues to grow steadily moving up to 5th position among the Top Ten markets in 2021, with 55,760 arrivals.



4.2.6. Although India was the leading market for 2020 and 2021, arrivals from India in 2022 declined by 20.9% compared to 2021.⁵⁰ This was expected as travel restrictions eased and the special travel corridor became of less utility to Indian tourists because they could travel to third countries directly. Furthermore, as more destinations have opened their borders and more airline routes have resumed their operations post-pandemic, the unique advantage Maldives had — as one of the few open countries, and one where social distancing is easy — was less relevant.

4.2.7. The Traditional Markets showed positive growth post-pandemic, especially Germany, United Kingdom and France.

4.2.8. Despite the growth of other markets, the arrival numbers are not sufficient to plug the void created by the non-arrival of Chinese tourists. The Chinese market has always been bigger in comparison with other markets. In 2019, a total of 284,029 Chinese tourists arrived in the Maldives – a higher number of visitors than that from India and Russia combined (90,474 Indian and 70,935 Russian tourists in 2019).

⁵⁰ Ministry of Tourism, 'Tourism Bulletin May 2022' (11 May 2022) <<https://www.tourism.gov.mv/dms/document/70d1a8b9dcb3f80bc2d590e3c980c4fe.pdf>> accessed 14 May 2022

4.3. Changes to geopolitics and impact of Russia-Ukraine conflict

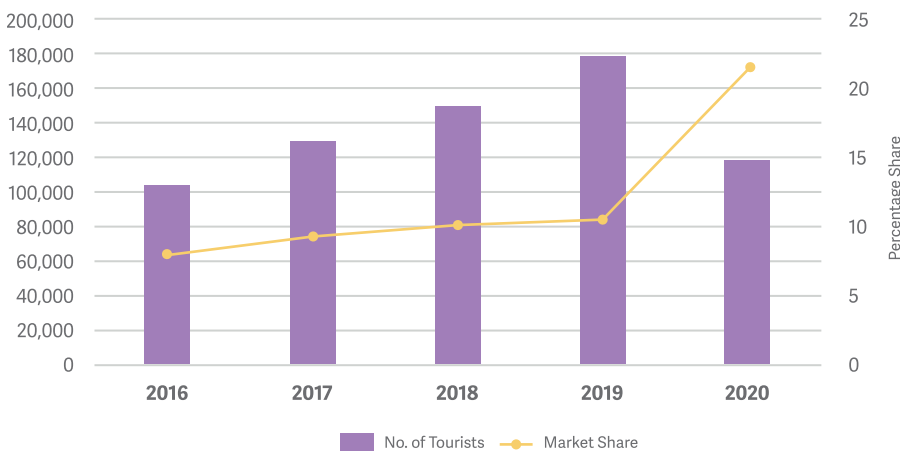
4.3.1. The Ukrainian market was growing steadily in 2019, 2020, and 2021 and showed lots of potential as a new market for Maldives. Unsurprisingly the Russia-Ukraine conflict has had a significant negative effect on the market leading to cancellation of bookings and arrivals.

4.3.2. With the international pressure to impose sanctions on Russia, the Russian flag carrier Aeroflot suspended operations worldwide in March 2022 over, “fears that they could be seized by foreign governments.”⁵¹ While many countries were quick to give direct assurances to Russia that Aeroflot planes would not be seized, Maldives was slow to respond despite the Russian Transport Authority’s written request to the Maldives Civil Aviation Authority.⁵²

4.3.3. Aeroflot operates eight scheduled routes to Maldives as well as chartered direct flights between Male’ and Moscow and carries majority of the Russian tourists to Maldives. With the suspension of flights, tourist arrivals from Russian market dropped. After almost 2 months of suspended operations, Aeroflot resumed daily direct flights to Maldives on 14 May 2022.⁵³

4.3.4. As the Russia-Ukraine conflict continues, the Russian and Ukraine markets as well as the other Central / Eastern European markets such as Kazakhstan and Czech Republic are bound to be adversely affected for a prolonged time.

Central / Eastern Europe Tourist Arrivals & Market Share 2016



51 'Aeroflot’s halting all foreign flights, minus Belarus, from March 8', (Al Jazeera, 5 March 2022) <www.aljazeera.com/news/2022/3/5/aeroflot-halting-all-foreign-flights-minus-belarus-from-march-8#:~:text=Move%20comes%20after%20aviation%20agency,as%20part%20of%20Western%20sanctions.> accessed 14 May 2022

52 'Russia requests assurance of service for its flight in Maldives' (The Edition, 20 April 2022) <<https://edition.mv/news/24484>> accessed 14 May 2022

53 'Aeroflot to resume flights to Maldives in May' (Raajje.mv, 25 April 2022) <<https://raajje.mv/116853>> accessed 14 May 2022

4.4. Although Maldives' tourism industry managed to recover from the non-arrival of Chinese tourists during and post-pandemic, it will be far harder to sustain another collapse, this time to the Russian and Central / Eastern European markets. The industry appears able to absorb one blow, but not two at the same time.

4.5. Furthermore, at a time when countries are still recovering from the economic impacts of the pandemic, the chances of Maldives finding new markets to plug this shortfall seems improbable.

5. Macro-Economic impact of non-arrival of Chinese tourists in Maldives

5.1. Tourism is the main contribution to the Maldives' GDP. A slowdown in tourism creates a negative multiplier effect across the economy. This was experienced when the country closed its borders due to Covid-19 pandemic bringing the tourism industry to a standstill, which in turn led to several companies declaring redundancies as well as some closing down operations for good.

5.2. With the negative effect on tourism, there was a sudden reduction of foreign currency inflow to Maldives, which required the Maldives Monetary Authority (MMA) to take steps in partnership with the domestic banks to ease foreign exchange shortages. The measures taken included providing debt moratoriums, income support for locals whose employment was terminated, specific lending to large businesses, and loans for SMEs.

5.3. In addition to this slowdown of the overall economic activities, the construction industry and all government infrastructure projects were paused.

5.4. For the purposes of this study, this section attempts to identify the overall impact of the non-arrival of Chinese tourists. Although there is no specific data on the actual impact of non-arrival of Chinese tourists, the following figure shows an estimate of the influence of the Chinese market on the tourism industry in general.

Fiscal Year	Total Tourism Revenue (Rf.)	Total Revenue by Chinese Tourists (Rf.)	% Revenue by Chinese Tourists
2016	2,564,004,588.09	646,567,702.48	25.22
2017	2,832,620,862.00	624,870,117.51	22.06
2018	3,048,165,535.63	581,418,547.90	19.07
2019	3,355,255,102.88	559,631,820.32	16.68
2020	1,530,572,405.82	94,356,468.36	6.16
2021	3,743,543,289.55	6,335,707.18	0.17

Source: MIRA. The above depicts the revenue received as TGST which are based on duration of stay

5.5. It is important to note that there are significant differences noticed in different markets which are briefly described below:

(a) Traditional markets such as UK, Germany, Italy, tourists prefer to visit mid-range resorts, stay longer (an average of 7 days) since they arrive on long haul flights and prefer to rest and relax during their holidays. They spend more on spa and bar facilities.

(b) Japan, China and East Asian tourists prefer to stay in water villas, and for a shorter period of 3-4 days. They spend more on activities such as water sports and excursions. The revenue received from Chinese tourists, per day, is more than tourists from traditional markets.

(c) Indian tourists generally have different requirements and prefer accommodation in local guest houses.

(d) Russian tourists prefer to book luxury resorts often booking private islands and host private luxury parties. They demand high-end drinks and entertainment. According to industry experts, 40% of revenue generated in Maldives' tourism is through Russian tourists. Any decline in the Russian market therefore has an outsized impact on the industry.

5.6. Given these distinctions, the revenue brought into Maldives through tourists from different markets is different and cannot be compared on a one-to-one basis. The gap created by the loss in revenue from 1 Russian tourist cannot be plugged by 1 tourist from any other market.

5.7. Due to unavailability of statistics on revenue generated country-by-country, it is impossible to identify accurately the actual impact of non-arrival of tourists from a specific market.

5.8. Despite this, the general macro-economic impact of non-arrival of tourists was a sudden squeeze on foreign exchange inflows which sent ripples throughout the local economy. Prior to pandemic, China's market share ranged between 15% to 20% of total tourist arrivals, which inevitably means that the non-arrival of Chinese tourists has a significant impact on reducing foreign exchange inflows.

6. Micro-Economic impact of non-arrival of chinese tourists on resorts dependent on Chinese market (Case Study-Sun Siyam Resorts)

6.1. As part of a case study on the micro-economic impact of non-arrival of Chinese tourists on local resort operations, the research team looked at Sun Siyam Resorts. Sun Siyam Resorts had many tourist arrivals from China and East Asia prior to the pandemic. The Sun Siyam team has however weathered the pandemic well, despite the closure of Chinese borders. This chapter outlines insights from an interview with Ms. Zulaikha Manik, Director of Marketing at Sun Siyam Resorts.

6.2. The research team also spoke to industry experts in other resorts and found the responses from Sun Siyam Resorts to encapsulate the general industry trend. Ms. Manik's responses are therefore set out below as a case study demonstrative of the general impact of non-arrival of Chinese tourists on mid-market tourism in the Maldives.

6.3. Importance of Chinese market to Sun Siyam Resorts

6.3.1. Ms. Manik observed that their dependence on Chinese market increased with the decline of the Traditional Markets following the Global Financial Crisis in 2008.

6.3.2. Ms. Manik noted that Chinese tourists from Tier 1 cities (cosmopolitan areas) and those from Tier 3 cities (rural areas) vary in their preferences and spending patterns. She noted that Chinese tourists from Tier 1 cities were no different and, if anything, generated more revenue than tourists from Traditional Markets. As a general observation regarding tourists from East Asia, Ms. Manik noted that their stay is shorter, usually 4-5 days compared to Europeans' 7-10 day period. She also observed that Chinese and East Asian tourists prefer to stay in more expensive accommodation (such as water villas) and spend more on a fully packed itinerary, while they spent less at the bar and spa. In Ms. Manik's experience, tourists from Traditional Markets prefer to stay in less expensive beach villas and do not spend a lot on activities such as

destination dining, excursions, and water sports. The Chinese and East Asian tourist's packed itinerary brings more revenue to the resort compared to their European counterparts. China therefore continues to remain a very important market.

6.4. Impact from non-arrival of Chinese Tourists on Sun Siyam Resorts

6.4.1. Following to the re-opening of the Maldivian border, the first Sun Siyam resort re-started operations in July 2020, and the rest started in August and October 2020. During this long period of suspension of operations, Sun Siyam Resorts did not terminate any employees but managed to keep the business afloat by reducing staff salaries.

6.4.2. Various measures were taken by Sun Siyam Resorts to address the short-term impact of the decrease in Chinese market. In Ms. Manik's view, Sun Siyam Resorts did not receive the financial support from the Government it required to keep its operations ongoing. Sun Siyam Resorts therefore had to take commercial loan facilities to cover the shortfall.

6.4.3. Despite the Government granting lease payment deferrals and local banks providing interest moratoriums, Ms. Manik observed that this proved only a short-term solution to a much bigger problem. Sun Siyam Resorts were still left to pay back lease rent and interest over periods within which it had not earned any revenue.

6.4.4. Ms. Manik recognized that the efforts by the Maldivian Government to market Maldives as a tourist destination where social distancing could be maintained was a contributing factor to Sun Siyam Resorts' recovery.

6.5. Strategies implemented by Sun Siyam Resorts to address the impact

6.5.1. In order to survive post-pandemic, Sun Siyam Resorts had to tap into markets other than the Chinese.

6.5.2. Based on Sun Siyam Resorts' experience, the Russia market had always remained one of the top three markets, even prior to the pandemic, and has been one of the top markets since, with direct chartered flights from Moscow. Subsequently, Sun Siyam Resorts shifted its focus from Chinese market to Russian and Commonwealth of Independent States (CIS) regions including Central Asia, one of the Maldives' upcoming markets. Sun Siyam Resorts found Kazakhstan as a new market that has been making a favorable impact.

6.5.3. Sun Siyam Resorts prioritized efforts to maintain positive relationships with tour operators in Russia and the CIS region. These tour operators were considered as an extension of the local sales force and its main connection to the markets, which led to Sun Siyam Resorts achieving a lot of success with the Russian and CIS Region markets.

6.5.4. Post-pandemic, Sun Siyam Resorts' sales strategies has shifted from tour

operator based sales to greater direct sales through the company website and Online Travel Agencies. Sun Siyam Resorts' revenue generated through direct sales has increased from its pre-Covid figures of 10-15% to 20-25% post pandemic. This is highly favorable considering that online sales are made at a higher rate compared to contract rates given through tour operators.

6.6. Imminent challenges and long-term view

6.6.1. The ongoing Russian-Ukraine conflict has already made a negative impact on Sun Siyam Resorts' revenue. Russia being one of its top markets, the company incurred a loss of 20-25% of its total revenue, since the invasion.

6.6.2. Attempts to seek out new markets are looking futile as Sun Siyam Resorts has already sought out all potential markets during the pandemic. The following is the outlook on potential new markets:

- Brazil is a potential new market. Although tourists from Brazil take two days to travel to the Maldives, Brazil became a good market during the pandemic.
- ASEAN market remains as a possible market for the company to shift its focus to.
- The Traditional markets; UK, Germany and Italy remain as they were. However, the Russia-Ukraine conflict and its impact on inflation has eroded the disposable income of tourists from Traditional markets. This has resulted in a decrease in rate of forward bookings from these markets.

6.6.3. Ms. Manik saw the near future of the Maldivian tourism industry to be bleak as the Russia-Ukraine conflict continues. Russia and Ukraine combined add up to 19% of the Maldivian tourism market, which is a huge void to fill even if new markets are found. In fact, the conflict is bound to have a worse impact on the tourism industry unless the Chinese borders re-open quickly.

6.6.4. According to industry experts, Summer 2022 was expected to be the most profitable in three years for the Maldivian tourism industry, with an increase in leisure travel following the end to the pandemic. Unfortunately, with the Russia-Ukraine conflict and the lack of Chinese tourist arrivals, the possibilities are not looking favorable.

7. Observations

7.1. This research paper attempted to answer whether perceived risks associated with the threat of “turning the tap-off” of Chinese tourists arrivals to Maldives:

- Are real in pecuniary terms; and
- Justify foreign policy aimed at appeasing Beijing.

7.2. Whilst, we have seen that there is no evidence of soft levers being used by China to achieve particular foreign policy/ political goals, we know that tourism between the countries has been mentioned at high level state to state conversations when relations between the two countries were strained. Given that China has used tourism as a coercion tool against other states, as highlighted in this paper, there is a very real possibility of China revoking Maldives from ADS status. We can therefore conclude that the perceived risk of China turning off the tourism tap is in fact a real one.

7.3. We know that the macro-economic impact of non-arrival of tourists is a sudden squeeze on foreign exchange inflows. We also know that China has been the leading market generator to the Maldives for almost a decade prior to the pandemic. The threat to Maldives’ economy from non-arrival of Chinese tourists is real in pecuniary terms. In the two years post-pandemic, Maldives was able to plug the gap by being one of the few destinations attracting travellers from India via the travel corridor, and by refocusing on Russia and the CIS. However, with the pandemic coming to an end and more destinations re-opening, the travel corridor with India no longer attracts nearly as many Indian visitors. Furthermore, while the economy was able to weather one-hit i.e., the Covid-19 pandemic, it is unlikely to be able to weather the present negative impact of the Russia-Ukraine conflict at the same time. The Russia-Ukraine conflict has resulted in China’s potential re-opening as being the main hope for Maldivian tourism.

7.4. In the present climate, purely looking at arrival numbers and its impact on the economy, it would be unsurprising if Maldives attempted to appease China in order to hasten the re-opening of Chinese borders.

