

Trade and Transport Facilitation Audit Maldives Country Report

2017



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This report 'Trade and Transport Facilitation Audit: Maldives Country Report' was prepared by a team of researchers at the Institute of Policy Studies of Sri Lanka (IPS).

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Table of Contents

<i>Table of Contents</i>	0
1. INTRODUCTION	1
1.1 ORGANIZATION OF THE STUDY AND KEY INSIGHTS	4
1.2 MALDIVES'S ECONOMIC AND TRADE PERFORMANCE	8
1.2.1 TRADE VOLUME AND DIRECTION	10
1.3 RATIONALE FOR THE STUDY AND ITS MAJOR OBJECTIVES	15
1.4 METHODOLOGY	16
2. MAIN TRADE ROUTES AND STATE OF TRADE LOGISTICS IN THE MALDIVES	18
2.1 MAIN TRADE ROUTES	18
2.2 TRADE LOGISTICS PERFORMANCE OF THE MALDIVES	18
3. TRADE PROCEDURES AND DOCUMENTATION AND AGREEMENTS	21
3.1 IMPORT PROCEDURES AND DOCUMENTATION	21
3.2 EXPORT PROCEDURES AND DOCUMENTATION	22
3.3 KEY AGREEMENTS AND CONVENTIONS AND RELEVANT INSTITUTIONAL ARRANGEMENTS	23
4. LITERATURE REVIEW AND KEY TRADE AND TRANSPORT FACILITATION ISSUES AND REFORMS IN MALDIVES	24
4.1 INSIGHTS FROM THE EXISTING LITERATURE	24
4.2 MAJOR TRADE FACILITATION MEASURES AND CONCERNS	25
5. TRADE AND TRANSPORT FACILITATION SURVEY: FINDINGS	27
5.1 PUBLICATION OF TRADE RELATED RULES AND REGULATIONS	28
5.2 EXPORT AND IMPORT PROCEDURES AND DOCUMENTATION REQUIREMENTS	29
5.2.1 EXPORT DOCUMENTS AND PROCEDURES	30
5.2.2 IMPORT DOCUMENTATION	31
5.2.3 CARGO-CLEARING TIME	32
5.2.4 AUTOMATION IN EXPORT AND IMPORT PROCEDURES AND SINGLE WINDOW SYSTEM	33
5.2.5 ADVANCE RULING AND PRE-ARRIVAL PROCESSING OF DOCUMENTS	34
5.2.6 RISKS/THREAT ASSESSMENT TECHNIQUE AND PHYSICAL INSPECTION OF INWARD CARGO	35
5.2.7 POST CLEARANCE AUDIT (PCA) AND AVAILABILITY OF NON-JUDICIARY REVIEW/APPEAL	35
5.2.8 IRREGULAR PAYMENTS AND BRIBES	36
5.3 TRADE RELATED INFRASTRUCTURE AND SERVICES	36
5.3.1 QUALITY OF INFRASTRUCTURE FACILITIES	36
5.3.2 EFFICIENCY OF SERVICE PROVIDERS AND QUALITY OF SERVICES	37
5.3.3 COST OF LOGISTIC SERVICES	38
5.3.4 LOSSES AND DAMAGES INCURRED	39
5.3.5 PHYSICAL VERIFICATION OF TRANSIT GOODS	40
6.0 PRIORITY REFORMS IN TRADE AND TRANSPORT FACILITATION IN MALDIVES	41
6.1 PUBLICATION AND ADMINISTRATION OF POLICIES RELATED TO TRADE	41
6.2 RULES AND PROCEDURES FOR IMPORTS AND EXPORTS	41
6.3 TRADE RELATED INFRASTRUCTURE	43
6.4 USING ICT TO FACILITATE EXPORTS AND IMPORTS	44
7 CONCLUSION AND RECOMMENDATIONS	46
8 REFERENCES	48

1. Introduction

Like other regional groupings, the South Asia region too has had major decline in tariffs thanks to the WTO-led multilateral trade negotiations along with the rapidly growing number of Regional Trade Agreements (RTAs such as SAFTA in South Asia) and Preferential Trade Arrangements (PTAs) have resulted in consistent and progressive decline in tariffs (Hoekman and Kostecki 2001; Rahman 2015). Such decline in trade costs—tariff being one component of it—coupled with improved logistics have driven formation and expansion of fragmented production or Global Value Chains (GVCs). Indeed, over half the manufacturing exports globally come from GVCs (Banga 2014). Increasingly, it is being argued that participation in GVCs is critical for export competitiveness, industrialization and overall growth and development (Gereffi 2014). However, participation in GVCs hinges critically on whether inputs such as intermediate components can be obtained at the required locations in a timely manner and at globally competitive price (Serieux 2014). Similarly, the finished products need to reach the required destinations efficiently, at reasonable costs and in the expected timeline. While seamlessly movement of inputs and output at reasonable costs and in a timely manner is a necessary condition for countries to participate and upgrade in GVCs, the same does not happen for the developing countries and regions such as South Asia (Basnett and Razzaque 2014).

Existing studies focused on the region evidence exorbitant trade-related transaction costs—or trade costs—in the region driven by a host of non-tariff barriers (NTBs) such as onerous and poorly harmonized trade procedures, ineffective publication and dissemination of trade procedures, inability to meet SPS-TBT standards requirements stipulated by the trading partner/s, weak trade logistics (like poor-quality roads, warehouses, railway or air transport services and testing facilities) and unpredictable transit regime (Basnett and Razzaque 2014). Such non-tariff obstacles are in fact a key component of trade costs in general. Kowalski et al. (2015) estimates that over 60 percent of trade costs are driven by non-tariff issues such as cumbersome trade procedures, transit access, weak deployment of ICT technologies in administering trade procedures and currency fluctuations. These NTBs drive delays and costs but more crucially result in uncertainty and unpredictability of international trade which instead undermines competitiveness and trade performance (WTO 2015). It is important to highlight that NTBs are often discretionary and are implemented to intervene in trade flows for protecting, for instance, human and plant health. These take the form of price control measures (antidumping action), financial measures (like advance duty payments), standards-related measures, licensing requirements (local content requirements, for instance) and seasonal restrictions.

Studies have evidenced that trade costs among country pairs in South Asia are 20 percent greater than among country pairs within the ASEAN region and nearly 3 times that in the North American Free Trade Agreement (NAFTA) region (Basnett and Razzaque 2014). Such trade cost structure mean that not only is intraregional trade in South Asia is among the lowest among regions globally—at about 5 percent of the region's total trade—but also that the order undermines possibilities of formation of regional value chains and

associated links (Rahman 2015; De 2014; Serieux 2014). Drawing from the existing literature (Rahman 2015; Basnett and Razzaque 2014; Hertel and Mirza 2009; De 2014; Wilson, Mann and Otsuki, 2005; Wilson, Mann and Otsuki, 2003) the key drivers of the existing trade cost structure in the region are:

1. Weak infrastructure both behind, on and beyond the border (of roads, ports and warehouses among others) mean, for instance, high connectivity costs as well as delays.
2. Poor publication and dissemination of trade procedures despite cultural similarities such as of language.
3. Cumbersome trade procedures and documentation requirements.
4. Poor coordination among border agencies of trading countries.
5. Weakly harmonized trade procedures among trade partners increase the costs in international trade. Furthermore, published rules and procedures are often inconsistently and arbitrarily applied raising uncertainty and unpredictability. De (2014) observes that routinely, consignments are subjected to multiple inspections by several authorities at various points on both sides of the border including in transit.
6. Weak testing and certification capabilities that creates difficulties in compliance to standards and SPS-TBT requirements. Weak testing capabilities also are a factor in absence of mutual recognition agreements. Equally problematic is the arbitrary, inconsistent and unpredictable application of such standards.
7. Opaque and discretionary application of para-tariffs and inconsistent and unpredictable application of customs and border procedures.
8. Corruption in the form of informal payments and bribes is widespread.
9. Testing facilities are frequently not located at customs point.
10. Para-tariffs further raise transaction costs in trade in South Asia.
11. Transit-related delays due to weak behind-the-border infrastructure as well as poor port infrastructure and congestion makes trade regime highly unpredictable and costly for landlocked countries in the region.

Whether it is reducing the number of inspections, enhancing harmonization, equipping testing laboratories further and entering into mutual recognition agreements, improving infrastructure or enabling greater cooperation among border agencies, the reforms aimed at lubricating supply chains are part of the trade and transport facilitation agenda which instead is linked with the WTO's Trade Facilitation Agreement that came up in 2013 Bali ministerial conference (WTO 2015). Maldives is yet to ratify the agreement. The trade and transport facilitation reforms include but not limited to (See WTO 2015):

1. Simplification and harmonization of customs procedures (valuation, inspection, testing, and documentation among others),
2. Effective publication and dissemination of trade procedures,
3. Enhancing border cooperation (coordination, information sharing, harmonization and simplification of procedures),
4. Developing and improving infrastructure (roads, warehouses, testing and certification labs, deployment of ICT and single window solutions),
5. Predictable and efficient transit mechanisms,
6. Mutual recognition of testing and certification and,
7. Other measures that enhance certainty and predictability of trade regime and remove arbitrariness and inconsistencies regarding interpretation and application of procedures.

Existing studies not only assess the drivers but also estimate the loss of exports due to high trade costs and lack of trade facilitation reforms. Armstrong, Drysdale and Kalirajan, (2008) shows that high trade costs mean the regional trade in South Asia at under 50 percent of the potential (US\$16.17 billion against the potential of US\$37.55 billion). Clark et. al (2004) estimates that improving the ports' efficiency by the existing 25th percentile to 75th percentile will lower the overall shipping cost by over 12 percent. Studies observe that protectionist tendencies among South Asian countries are a major dampener when it comes to lubricating trade in which efforts like the South Asia Preferential Trade Agreement (SAPTA) and South Asia Free Trade Agreement (SAFTA) have nevertheless been made (Hertel and Mirza 2009).

While few, there are studies that have studied the business and trading environment in Maldives and provide useful insights on its trade and transport facilitation obstacles. A 2003 study by JICA (Japan International Cooperation Agency) documents extremely high transaction costs in trade driven by onerous trade procedures and their opaque and unpredictable application. Reforms suggested by the study are improvement in testing and certification capacity and greater deployment of information communication technologies (ICT). Adam (2009), for instance, analyses frictions at Male Commercial Seaport, and evidences that low berth capacity meant long queues and problematic delays. Similarly, Wilson and Otsuki (2007) observes that congestion at South Asian ports raises turnaround time—and hence costs—and that there is a major need for improving port management. A 2015 ADB study finds that weak infrastructure in the form of poor-quality vessels and harbor facilities translate into poor connectivity among the 1200 atolls that Maldives comprises. Sea-based transport being the main transportation mode in Maldives, transportation costs are twice as greater compared to SIDSs (Small Island Developing States) like Mauritius. (ADB 2015). The poor quality of harbors and vessels also significantly hurts the tourism sector which is among the mainstays of Maldivian economy.

Against this backdrop, this study examines the status of trade and transport facilitation in Maldives with respect to its trade with the South Asian region. The paper analyses the major bottlenecks that raise trade costs. More crucially, the paper attempts to assess the priority trade and transportation facilitation reforms in Maldives. For the exercise, the paper relies significantly on a survey of 30 relevant private as well as public participants in trade including importers, exporters, shipping agents, port officials, airport authorities, customs officials and business associations.

1.1 Organization of the study and key insights

The introductory section (Section 1) sets the context by discussing concepts such as trade costs and how important it has become to keep such costs low to remain competitive. Drawing from the published literature, the section outlines some of the key drivers of trade costs the focus here being the region. Indeed, there has been a significant recognition of the need to reduce trade-related transaction costs which instead led to the 2013 Trade Facilitation Agreement under the aegis of the WTO. The chapter sheds light on the trade and transport facilitation agenda, its rationale—such as greater possibilities of industrialization and export competitiveness—as documented in studies and the measures the reforms encapsulate. Key sources of exorbitant trade costs in the region, which instead mean reduced competitiveness and minimal intraregional trade, are poor infrastructure (in Maldives’ case, its ports), weak information flows on procedures and unpredictable inconsistent application of customs and border procedures.

Subsection 1.2 discusses Maldives overall economic as well as its trade performance. The focus here is its trade with South Asia compared to other regions. The top five regions for Maldivian imports in 2015 are East Asia and Pacific, South Asia and Middle East and North Africa which account for 45, 20 and 19 percent of Maldivian imports respectively (Figure 2). United Arab Emirates, Singapore, India, Maldives and China are the top import markets that together account for around 60 percent of Maldives’ 2015 imports. On the export front, Europe and Central Asia combined are the biggest export regions for Maldives followed by East Asia and Pacific and South Asia (Figure 4). Country-wise, over 25 percent of the total exports went to Thailand, Maldives’ largest export market in 2015 followed by Sri Lanka (Figure 6). Maldives’s trade with South Asia is dominated by India. While 20 percent of the imports come from South Asia, nearly 60 percent of this comes from India and the rest being from Sri Lanka (Table 4; subsection 1.2). Major imports from South Asia are vegetables, chemicals, machinery and food products. In 2015, about a third of Maldives’ exports went to South Asia (Table: 5) countries. All of this is headed to India and to a lesser extent Sri Lanka. Scrap metal, processed fish and food products are the commodities.

Maldives’s overall trade performance, for instance, its export competitiveness and diversity, remains weak (ADB 2015). Trade with the region has been far below potential despite bilateral and regional initiatives like SAFTA and in this, high trade costs have been considered a key factor. Subsection 1.3 discusses the rationale for the study or why the study is timely and important. The subsection outlines the study’s major objectives the main ones being assessment of the status of trade and transport facilitation and based on it, suggesting the priority reforms. Subsection 1.4 presents the methodology which draws

from the Trade and Transport Facilitation Toolkit of the World Bank (World Bank 2010). Not only does the study rely significantly upon the primary data generated from an extensive survey of 30 trade participants—focused on understanding the major bottlenecks as well as the interventions required to lubricate trade in the region—but the same is also among the key contributions of the paper (See Section 1.4 and subsection 1.4.1).

Section 2 sheds light on Maldives's major trade routes. The Male region which includes Male seaport and Male airport, handles over 90 percent of Maldives' international trade while up to 75 percent of the customs declarations are processed at Male airport itself (Interview data). The discussion around trade routes is followed by an assessment of Maldives's trade logistics. To assess Maldives's trade logistics (in relation to countries in the region as well as outside) cross-country analyses like World Bank's Logistics Performance Index (LPI) and UNCTAD's Liner Shipping Connectivity Index are drawn from. Furthermore, to understand the documentation and procedures, World Bank's Trading Across Borders (TAB) component within the Ease of Doing Business analysis is referred to. LPI examines components like customs efficiency and quality and quality of infrastructure while the Liner Shipping Index latter looks at mainly how well countries are connected to global shipping lanes. Maldives' LPI performance has deteriorated significantly. Its overall ranking has slipped to 104th place in 2016 from 82nd in 2014 (Table 8). Maldives has experienced deterioration across all the components in the LPI. In 2014, Maldives was better ranked than Bangladesh and found itself shoulder to shoulder among India, Bangladesh, Maldives and Nepal. In 2016, it fared better than only Nepal. According to TAB 2015 assessment, it takes 21 days to export from Maldives, compared to 16 and 17 days in India and Sri Lanka, respectively. The costs to export and import in Maldives is the third highest in the region. Similarly, Maldives scores the least among the countries in the region when it comes to Liner Connectivity (Figure 7).

Section 3 presents the trade procedures and documentation requirements in Maldives drawing from legislations like Maldives' Export/Import Law (No: 31/79) and Taxation Law (No: 3/2013). In the case of imports, for instance, before shipments are released to be stored in bonded warehouses, customs officers inspect to see if the shipment is consigned to the said Bonded Warehouse. They also verify that the goods are in accordance with the permit issued by Ministry of Economic Development (Subsection 3.1). The discussion in Subsection 3.1 also sheds light on the institutions that oversee the trade procedures as well the trade and transport facilitation reforms. Subsection 3.2 documents the trade agreements and conventions that Maldives is a party to.

Studies have evidenced that Maldives' port infrastructure remains poor leading to congestion and, as a result, delays and costs (Adam 2009). On the other hand, procedures in trade are complex and are implemented inconsistently (JICA 2003). Subsection 4.1, the literature review, documents insights and evidence from the existing Maldives' studies focused on the trade and transport facilitation issues. Section 4 also presents some of the major trade facilitation reforms in the recent years such as express service for document processing, setting up of information kiosks and pre-payment system to customs (in Subsection 4.2).

Section 5 presents the trade and transport facilitation survey and its findings. The primary survey attempts to trace the major obstacles and bottlenecks that drive up trade

costs. Such an assessment guides us in identifying the key trade facilitation reform areas. The survey attempts to assess the quality of services provided to traders and collects data on five key components namely (i) the publication of rules, (ii) quality of trade logistics and infrastructure, (iii) efficiency in processing of trade by customs and border authorities and (iv) guided by the three components, the priority trade and transport facilitation reforms. The priority reforms are discussed in a separate chapter (Section 6). A total of 30 respondents including mainly private (traders, freight forwarders, transporters) but also public participants (public officials overseeing trade at major customs points and trade routes) were surveyed. Some of the key observations from the survey are as follows:

1. 90 percent respondents are familiar with the national customs website, 72 percent actually use it (Subsection 5.1). However, most suggest that the information on it is not regularly updated. When it comes to information on average clearance or release time, majority responded that the website does not provide such information. Furthermore, while there is information on applicable fees and charges, the same is often outdated. Relatedly, several freight forwarders observed that some of the information on the website is not accurate while the information is often not updated. When it comes to effectiveness of the website, majority consider it average although information on fees and charges, for instance, is considered effective. 20 out of 30 respondents say that inquiry points, which serve as an important function to publish and disseminate information, exist.
2. On efficiency in implementing trade procedures, over 60 percent respondents suggest that the service is good and that the documents can be submitted online. Relatedly, when it comes to quality of processing submitted documents, majority consider the service as good. While submission and processing happen online, traders suggest that they do not receive acknowledgements of documents having been received by the customs (Figure 12).
3. 17 out of 30 or 57 percent respondents show familiarity with advance rulings. However, they also suggest that the Maldives Customs does not specify the duration till which the same is to remain valid. Similarly, pre-arrival processing of trade is carried out for select traders with a good history of trading and the service has been ranked good (Subsection 5.2.5). In case traders are not satisfied with customs decisions such as valuation, 73 percent of the respondents suggest awareness of review and appeal mechanism.
4. Much like most other countries in the region, over half the respondents suggest making irregular payments and bribes although traders suggest that a miniscule proportion of consignments are subjected to such treatment (Subsection 5.2.8).

5. When it comes to trade-related infrastructure, port infrastructure is considered average by a majority while 42 and 33 percent respondents respectively rate warehousing and roads as good (Subsection 5.3).
6. 58 percent respondents rate the efficiency of road transport providers as average while 50 percent consider the quality of maritime transport providers to be average. Internal maritime transportation services are poor (rated “very low”) as there is no regular transportation system to most islands in the Maldives (Subsection 5.3.2). In terms of costs incurred in logistic services such as port charges and airport charges, a significant 42 percent respondents state that the road transportation costs are high (Subsection 5.3.3; Figure 18). It appears that almost all the stakeholders find the costs of logistic service providers high – over 50 percent state that air cargo charges were high while nearly 62 percent rate port charges high. The freight forwarders are considered expensive by slightly over 50 percent respondents (Subsection 5.3.3).
7. 85 percent of the respondents have experienced some form of loss and damage in the last five years, 36 percent said that they have incurred losses and damages but it has been less than five percent of their consignments (see Figure 19). The main reasons for the losses and damages were identified to be mishandling of cargo, improper operation of equipment, packaging defects, defects in cold storages and bad weather (Subsection 5.3.4; Figure 19).
8. We asked respondents to suggest the top trade and transport facilitation reforms. Within the trade procedures and its implementation, the priority reforms suggested are the following (Figure 22):
 - Reduction in time required to clear goods,
 - The need to reduce irregular payments/bribes,
 - Reducing time required to prepare export/import documents,
 - The need to improve pre-arrival processing of import documents and,
 - Devising better post clearance audit mechanisms and reducing the need to carry out physical inspection by customs.
9. In the trade-related infrastructure component, the top three reforms suggested are (Figure 23):
 - Improving quality of ports,

- Devising ways to reduce cost of logistics services such as transportation services and,
- Enhancing efficiency and quality of standards inspection bodies

The priority reforms are discussed in Section 6. Based on the above, the concluding section (Section 7) outlines recommendations.

The next subsections discuss Maldives's economic and trade performance focus being its relationship with South Asia followed by a discussion of the rationale of the study and its methodology.

1.2 Maldives's economic and trade performance

Classified as a Small Island Developing State (or SIDS)—or a group of 57 maritime countries sharing development challenges such as vulnerability to climate change and disasters, geographic remoteness, excessive dependence on specific commodities for exports and significant dependence on imports for most necessities—Maldives is made of nearly 1200 small islands and has about 300 sq.km area of land.¹ Infrastructure development significantly requires reclamation of land which makes such activity relatively costly. Tourism and fisheries are the mainstay of the economy with services making up almost 80 percent of the Maldivian GDP whereas agriculture accounts for around 5 percent (UNCTADstat).² Share of manufacturing is under 10 percent of the GDP (ADB 2015). Maldives's economic growth has averaged at about 6 percent in the recent years and this is driven largely by rapid expansion in tourism and marine exports. Fishery sector exports make up almost 93 percent of the country's overall merchandise exports tuna being the top export item (ADB 2015).³ Owing partly to rapid economic progress and social development, for instance, improvements in literacy, Maldives graduated from the Least Developed Country (LDC) status in 2011.

Although, the exports currently are almost entirely concentrated in the Fish and Seafood segment, this was not the case till the mid-2000s when garments made up about 60 percent of the total exports (ADB 2015). However, garment production, which was entirely in the hands of Sri Lankan capital, all but vanished by mid-2000 when the Multifiber Agreement (MFA) ended. In 2005, garments exports accounted for about 1 percent of the total exports. Export diversification is a policy priority since raw fish and allied products account for 80 percent of the total merchandise exports—under a fifth of the total fish exports undergo processing or value addition of any sort—while about half of Maldives' imports are consumer goods.

Almost 70 percent of the labor force is in the services sector, largely tourism. Unemployment, presently at around 40 percent, remains a major challenge especially in the 15-24 age group (ADB 2015).

¹ See [SIDS - UN-OHRLLS](#)

² See [UNCTADstat](#)

³ This brief introductory discussion on the Maldivian economy draws heavily from ADB (2015).

Maldives has a miniscule agricultural output mainly due to land scarcity. Manufacturing, too, fares no better as Maldives is characterized by heavy dependence on imports and minimal exports which raise vulnerabilities like frequent foreign exchange constraints. While most other SIDSs have similar export performance, Maldives is relatively disadvantaged even in the SIDSs club. For instance, three to four destinations such as Thailand, Sri Lanka, United States and France account for almost 60 percent of the total merchandise exports.⁴ Moreover, heavy dependence on tourism has not been without problems. External shocks, such as the Asian Financial Crisis of 1997 as well as the 2007-08 global financial crisis saw decline in inflow of tourists (ADB 2015).

During the 2005 - 2015 period, imports as a percentage of GDP were around 60 percent while the country's export performance has deteriorated considerably dropping from almost 15 percent of the GDP to around 7 percent in 2015 (Table 1).

Table 1: Maldives' International Trade

Year	2005	2010	2014	2015
Total Merchandise exports (million, US\$)	162	198	301	240
Total Merchandise Imports (million, US\$)	745	1091	1993	1896
GDP, Current (million, US\$)	1120	2323	3094	3435
Merchandise exports as percent of GDP	14.46	8.52	9.72	6.98
Merchandise imports as percent of GDP	66.51	46.96	64.41	55.19

Source: UNCTADstat

Figure 1: Imports and Exports as a percentage of GDP



⁴ WITS Data (<https://wits.worldbank.org/Default.aspx?lang=en>)



Source: UNCTADstat

From almost 15 percent of GDP in 2005, merchandise exports declined to less than 7 percent of GDP in 2015.

1.2.1 Trade volume and direction

The total value of imports in 2015 was US\$1.91 billion (Table 2). Mineral fuels, oils, aircraft, telegraphic equipment and wood are the top five imports accounting for around a fifth of the total merchandise imports.

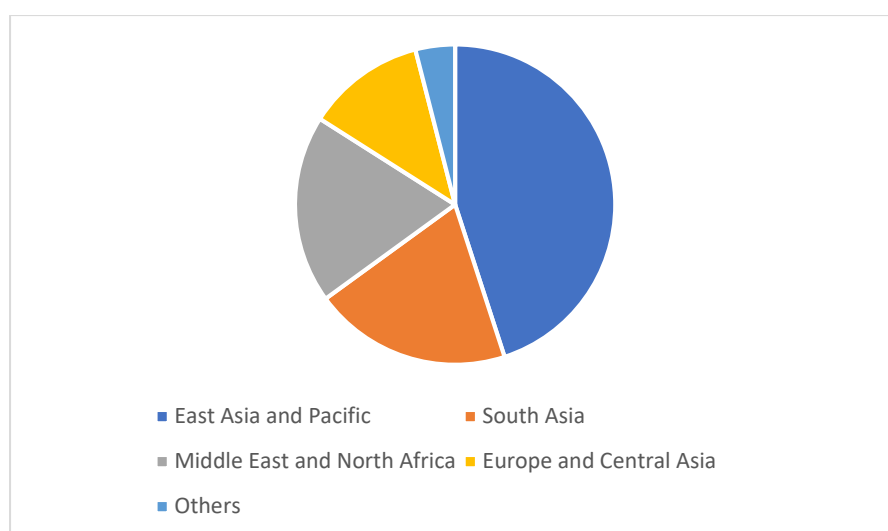
Table 2: Maldives' top imports 2015 (value in million US\$ and proportion)

Item	Value	Percent of total imports
Petroleum oil excluding crude	295.00	15.41
Imported aircraft	51.64	2.70
Telegraphic apparatus	30.62	1.60
Aircraft parts	25.28	1.32
Wood - sawn or chopped lengthwise or sliced	23.84	1.25
Others	1487.62	77.80
Total	1914.00	100

Based on WITS Trade Statistics

The top five regions for Maldivian imports in 2015 are East Asia and Pacific, South Asia and Middle East and North Africa which account for 45, 20 and 19 percent of Maldivian imports respectively (Figure 2). United Arab Emirates, Singapore, India, Sri Lanka and China are the top import markets that together account for around 60 percent of Maldives' 2015 imports.⁵

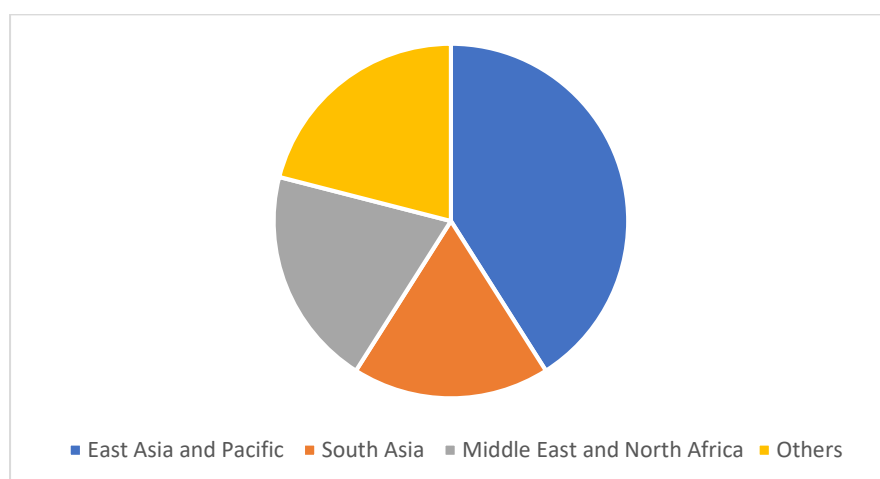
Figure 2: Maldives' major sources of import and share in total imports, 2015



Based on WITS Trade Statistics

The top import markets in 2010 were broadly similar (Figure 3).

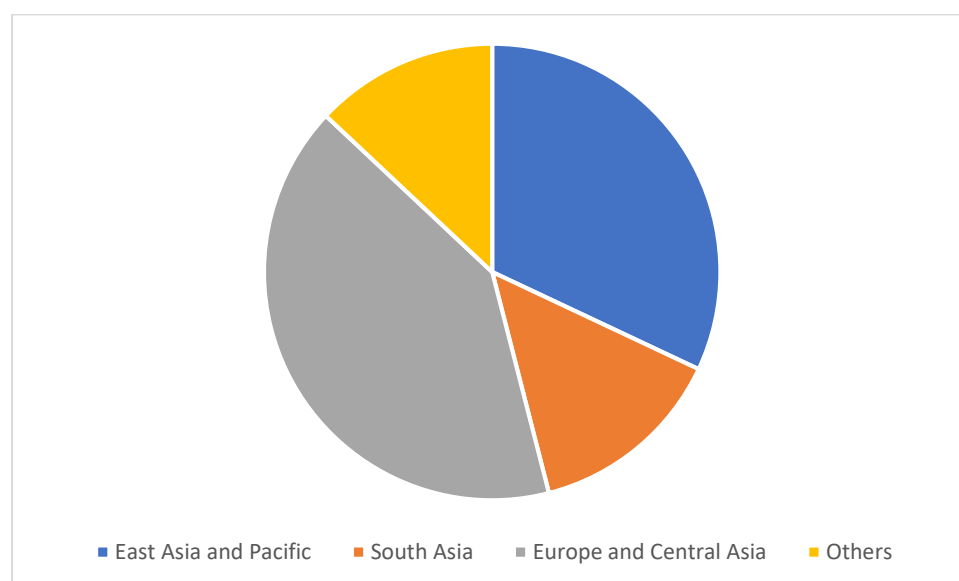
Figure 3: Maldives' major sources of import and share in total imports, 2010



Based on WITS Trade Statistics

⁵ Based on WITS data

Figure 4: Maldives' major exporting regions and share in total exports, 2015



Based on WITS Trade Statistics

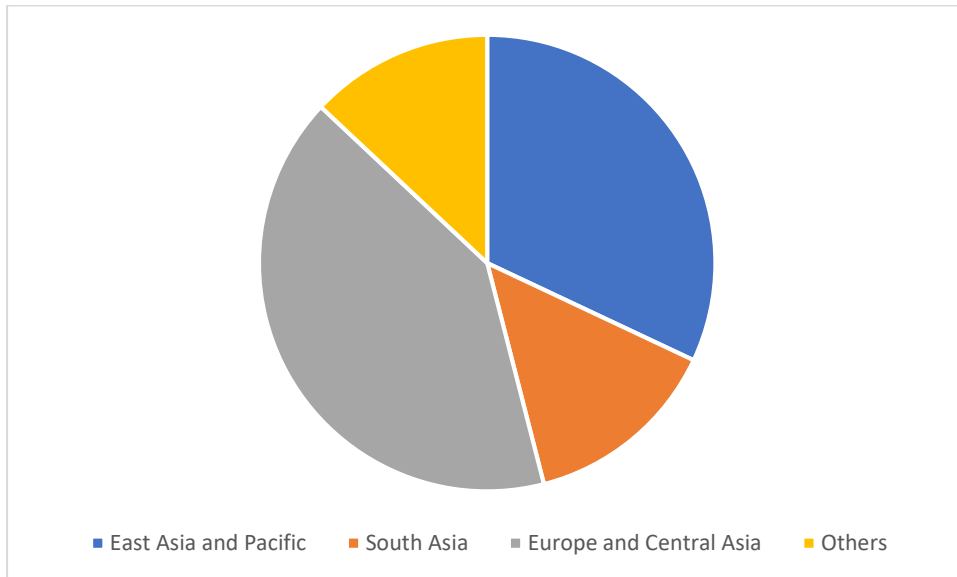
Roughly US\$144 million worth of merchandise was exported by Maldives in 2015 (See table linked to Figure:5). Over 80 percent of exports are fish or related commodities. The top export, accounting for almost a quarter of total exports, in 2015 was chilled or fresh fish fillet worth US\$34.71 million. Europe and Central Asia combined are the biggest export regions for Maldives followed by East Asia and Pacific and South Asia (Figure 4). Country-wise, over 25 percent of the total exports went to Thailand, Maldives' largest export market in 2015 followed by Sri Lanka (Figure 6). France, US and Germany are the other top export destinations together making up close to 30 percent of the total exports. The five markets absorbed around 60 percent of Maldives' total exports in 2015.

Table 3: Maldives' major exports 2015 (value in million US\$and proportion)

Items	Value	Percent of total exports
Fresh or chilled fish fillet	34.72	24.11
Fresh or chilled yellowfin tunas	32.55	22.60
Frozen skipjack or stripe - bellied bonito	26.73	18.56
Prepared or preserved tuna and bonito	13.85	9.62
Dried fish not smoked	9.80	6.80
Others	26.35	18.29
Total	143.80	100

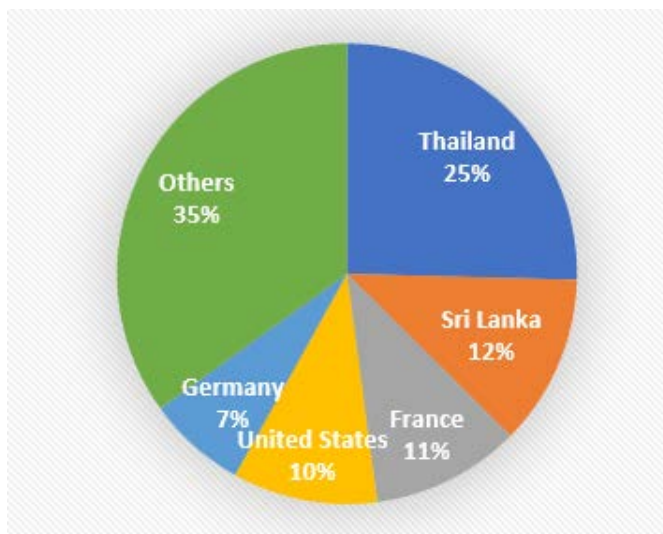
Based on WITS Trade Statistics

Figure 5: Maldives' major exporting regions and share in total exports, 2010



Based on WITS Trade Statistics

Figure 6: Maldives' major export markets and share in total imports, 2015



Based on WITS Trade Statistics

Between 2010 and 2015, South Asia's share in Maldivian imports stands at about 20 percent (Table 4). Of this, India alone accounts for over 11 percent (58 percent of South Asia) while Sri Lanka's share in Maldives' overall imports is nearly 8 percent (or 40 percent of South Asia).

Table 4: Maldives' imports from South Asia, 2015 (value in million US\$)

Country	Value	Main products (Broad classification)
India	211.29	Vegetables, Chemicals, Metals, Capital goods, Plastic or rubber, Wood
Sri Lanka	141.91	Machine and Electric, Food products, Chemicals, Metals, Woods, Textile and clothing
Pakistan	4.91	Vegetables, Food products, Textile and clothing
Bangladesh	1.57	Machine and electric, Vegetables, Textile and clothing
Nepal	0.002	Carpets
Bhutan	None	NA
Afghanistan	None	NA

Based on WITS Trade Statistics

The major imports are vegetables, food products and machines.

Table 5: Maldives' exports to South Asia, 2015 (value in million US\$)

Country	Value	Main products (Broad classification)
India	30.83	Scrap metals
Sri Lanka	17.29	Processed fish
Bangladesh	0.015	Food products
Pakistan	None	NA
Nepal	None	NA
Bhutan	None	NA
Afghanistan	None	NA

Based on WITS Trade Statistics

In 2015, about a third of Maldives' exports went to South Asia (Table: 5) countries. All of this is headed to India and to a lesser extent Sri Lanka. Scrap metal, processed fish and food products are the commodities.

1.3 Rationale for the study and its major objectives

Enhancing possibilities to participate and upgrade in GVCs, improving foreign trade performance and facilitating the inflow of foreign direct investment (FDI) are critical in growth and development story. Maldives, however, underperforms when it comes to export performance particularly when it comes to diversification and overall export volumes including with the region. Although trade-related transaction costs are an important determinant of export competitiveness and industrialization, the same remain high in Maldives including in its trade with the region. This is despite bilateral and regional initiatives like SAFTA. Adam (2009) suggests that low berth capacity at Male Commercial Seaport results in delays and long queues. Wilson and Otsuki (2007) evidences significant congestion at seaports in South Asian countries and observes that port efficiency needs to be enhanced via, for instance, greater deployment of ICT tools. JICA (2003) documents that traders face high trade costs due to cumbersome trade procedures and the opacity and unpredictability with which trade regulation and procedures are implemented. The study notes that there is a major need to improve infrastructure quality as well as auxiliary services like banking.

It is important to highlight that while the existing work provides some insight on trade costs, its drivers and consequences in Maldives, these studies do not give the required attention to trade and transport facilitation reforms as such. The existing works survey an extremely small number of stakeholders. Furthermore, to assess traders' perception and experience of trade procedures and the way these are applied, the existing studies provide limited information on the procedures and documentation requirements. This paper documents the current procedures and documentation requirements as well as traders' perception on whether the procedures are efficiently implemented at reasonable costs. Essentially, the existing studies has drawn upon the available information in a limited way. Given these limitations, the existing studies are of potentially limited policy relevance. The paper, entailing survey of 30 stakeholders—mainly private participants in trade but also public ones—as well as an assessment of the existing information, is timely and of significant policy relevance.

The paper assesses the trade and transport facilitation issues in Maldives's trade with the South Asian countries and documents the bottlenecks in supply chains emanating from mainly onerous trade procedures, their poor dissemination and problematic infrastructure. Based on such assessment, the study attempts to identify priority reform areas in lubricating Maldives's trade with the region South Asian the key guidance in this being the trade and transportation facilitation reforms identified by the 2013 Trade Facilitation Agreement. This analysis aims for the following:

1. Assess Maldives's current status of trade and transport facilitation in relation to trade with the region,

2. Understand the trade and transport bottlenecks in trading with the region as well as the state and quality of trade logistics,
3. Capture major trade and facilitation reforms as well as the implementing institutions,
4. Analysis of relevant trade policies and procedures and an updated documentation of existing trade procedures and documentation needs,
5. Assessing the quality of trade-related services delivered to relevant stakeholders,
6. Based on the above, identifying the priority interventions in trade and transport facilitation and,
7. Policy advocacy at the national and regional level

1.4 Methodology

This analysis relies heavily upon primary data generated via the survey of 30 relevant stakeholders involved in Maldives's trade—both private and public participants like exporters, importers, freight forwarders, transport operators and authorities like customs and those overseeing ports—with the South Asian countries (Table 6).

Table 6: Respondent types and number

Category	No. of Respondents
Forwarder/ Agent/ Broker/ Multimodal Transport operator	6
Exporter	5
Importer	6
Shipping line and ship's agents	3
Port Authority	2
Airport authority	2
Customs authority	5
Ministry/ Department of Commerce	1

The perception survey not only attempts to understand the stakeholders' experience of trade-related services and its quality but also captures the bottlenecks in supply chains emanating from mainly complexity in procedures, infrastructural weaknesses (congested ports), poor publication and dissemination mechanisms concerning trade procedures and inconsistent and hence unpredictable application of procedures and documentation. Subsequently, the respondents are asked to prioritize the key trade and transport facilitation reforms.

For the exercise, journal articles, reports and policy documents (from Maldives customs, for instance has been drawn upon to capture, the recent trade and transport facilitation reforms, relevant institutions and their mandate and the documented trade facilitation issues and challenges that drive trade costs.) Trade costs significantly depend on quality of logistics and hence the existing cross-country comparisons concerning quality of trade logistics (such as procedures, efficiency of trade authorities and trade documentation requirements) mainly the *Logistics Performance Index* (LPI) and the *Doing Business* Indicators (both from the World Bank) are referred to. LPI compares trade logistics' quality among countries via components like customs procedures and timeliness of shipments. To do this, it surveys logistics professionals. The Doing Business project of the World Bank examines and compares the overall business environment of countries and in this, it also analyses the trading environment by looking at components like documents required in trade and the time incurred to prepare such documentation.

Guided by the Trade and Transport Facilitation Toolkit of the World Bank (World Bank 2010), the primary survey was designed by South Asia Watch on Trade, Economics and Environment (SAWTEE) in consultation with researchers involved in the country studies. To finalize the 30 target respondents, 60 institutions/individuals were contacted. However, it was a challenge to find respondents in some categories, such as exporters of scrap metal – a major export from Maldives to India. Only two firms that were formally involved in exporting metal scrap could be traced. This points towards a large chunk of the scrap metal exports being carried out informally by individuals or foreigners. Some of these actors did not agree to be surveyed. Since both rice and medicine importers are regulated by the Government, there were only a handful of firms to be sampled. Rice is imported via a special license awarded by the Government and these few companies are assigned a quota. Import of medicines is even more controlled. Since most of Maldives' trade is with non-South Asian countries, only a few companies in the Maldives are engaged in trade with South Asia.

The questionnaire drew information on five following areas:

1. Publication of trade related rules and regulations,
2. Rules and procedures for export and import,
3. Trade-related infrastructure and services,
4. Treatment of goods in transit and,
5. Priority areas of trade facilitation.

While 27 questionnaires were administered face-to-face, three questionnaires were sent via email to be filled by the respondents themselves. One of the questions was whether the company was located in a special economic zone. At the time of the survey, this question was not applicable as the Special Economic Zone Act had been passed by Parliament only recently.

After the questionnaires were reviewed for quality and completeness, data entry was carried out using statistical package SPSS.

2. Main Trade Routes and State of Trade Logistics in the Maldives

2.1 Main Trade Routes

Maldives does not share land borders with any other country and seaports and airports are its gateways. The main ones are Male' Sea Port and Male' Airport. Both—that is the Male region—handle over 90 percent of Maldivian international trade (Zubair n.d; see also Table 7). Apart from these two, sea cargo is also handled at Kulhudhuffushi Port located in the north and Gan Port in the South. Regional airports in Hanimaadhoo, Thimarafushi, Fuvah Mulah, Kaadedhoo, Kooddoo, Kadhhoo and Gan handle domestic cargo. According to Maldives Customs Service officials, between 65 and 75 percent of the overall customs declarations are processed at the Male' Airport while much of the rest is handled by the Male' seaport (Interview data). Only about 1 percent of the customs declarations are dealt with outside of the Male' region. Hence, the quality of infrastructure—transportation or warehousing for instance—at airports as well as harbors are important.

2.2 Trade Logistics Performance of the Maldives

World Bank's *Trading Across Borders (TAB)* assessment which is one component of the Bank's *Ease of Doing Business* analysis, captures the time and cost associated with exporting and importing a standardized container of goods. Trading across borders documents the ease at which cross-border trade can be conducted. In terms of the overall TAB, Maldives ranks ahead of Bhutan, Nepal and Bangladesh but behind others in the region (Table 10).

Table 7: Trading Across Borders 2015

Country	Trading Across Borders (TAB) Rank	Export			Import		
		Documents (number)	Time to export (days)	Cost to export (US\$per container)	Documents (number)	Time to import (days)	Cost to import (US\$per container)
Bangladesh	140	6	28.3	1281	9	33.6	1515
Bhutan	165	9	38	2230	11	37	2330
India	126	7	17.1	1332	10	21.1	1462
Maldives	132	7	21	1625	9	22	1610
Nepal	171	11	40	2545	11	39	2650
Pakistan	108	8	20.7	765	8	18.4	1005
Sri Lanka	69	7	16	560	7	13	690

Source: Various Doing Business Reports, World Bank

According to TAB figures, it takes 21 days to export from Maldives, compared to 16 and 17 days in India and Sri Lanka, respectively. The costs to export and import in Maldives is the third highest in the region.

Components within trade logistics such as efficiency of customs, quality and competence of logistics (such as quality and efficiency of carriers) as well as that of infrastructure significantly shape the level of trade costs and hence competitiveness. If inefficiencies are high and when there are major deficits of say, infrastructure, the trade costs can be sizable (WTO 2015). Logistics Performance Index (LPI) of the World Bank documents the perception and experiences of freight forwarders and logistics companies' aspects concerning international trade (dimensions such as infrastructure quality, customs efficiency and quality of logistics). LPI provides us with cross-country comparisons between time-periods and countries for instance. Maldives's LPI performance has deteriorated significantly. Its overall ranking has slipped to 104th place in 2016 from 82nd in 2014 (Table 8). Maldives has experienced deterioration across all the components in the LPI. In 2014, Maldives was better ranked than Bangladesh and Nepal, but in 2016, it fared better than only Nepal.

Table 8: Logistic Performance Index 2014 and 2016

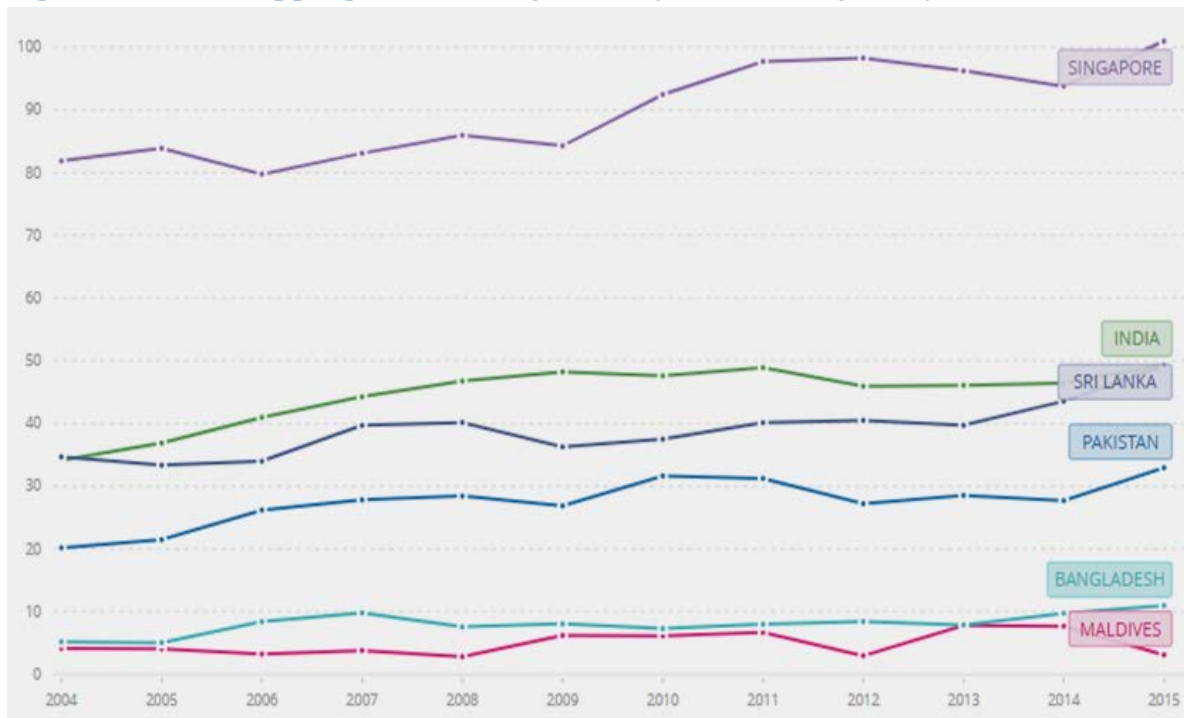
Country	Germany	India	Bangladesh	Nepal	Maldives
Year	2014	2014	2014	2014	2014
Overall LPI Score	4.12 (1)	3.08 (54)	2.56 (108)	2.59 (105)	2.75 (82)
Customs	4.10 (2)	2.72 (65)	2.09 (138)	2.31 (123)	2.95 (49)
Infrastructure	4.32 (1)	2.88 (58)	2.11 (138)	2.26 (122)	2.56 (82)
International shipments	3.74 (4)	3.20 (44)	2.82 (80)	2.64 (104)	2.92 (72)
Logistics quality and competence	4.12 (3)	3.03 (52)	2.64 (93)	2.50 (107)	2.79 (74)
Tracking & tracing	4.17 (1)	3.11 (57)	2.45 (122)	2.72 (87)	2.70 (92)
Timeliness	4.36 (4)	3.51 (51)	3.18 (75)	3.06 (92)	2.51 (148)

Country	Germany	India	Maldives	Bangladesh	Nepal
Year	2016	2016	2016	2016	2016
Overall LPI Score	4.23 (1)	3.42 (35)	2.51 (104)	2.66 (87)	2.38 (124)
Customs	4.12 (2)	3.17 (38)	2.39 (102)	2.57 (82)	1.93 (149)
Infrastructure	4.44 (1)	3.34 (36)	2.57 (81)	2.48 (87)	2.27 (112)
International shipments	3.86 (8)	3.36 (39)	2.34 (132)	2.73 (84)	2.50 (109)
Logistics quality and competence	4.28 (1)	3.39 (32)	2.44 (111)	2.67 (80)	2.13 (140)
Tracking & tracing	4.27 (3)	3.52 (33)	2.49 (102)	2.59 (92)	2.47 (109)
Timeliness	4.45 (2)	3.74 (42)	2.88 (110)	2.90 (109)	2.93 (104)

Source: Logistics Performance Index, World Bank

The Liner Shipping Connectivity Index by UNCTAD sheds light on a country's quality of shipping. The comparative assessment analyses how well the countries are linked to global shipping lanes and networks. Maldives fares poorly in comparison with peers in the region (Figure: 7)

Figure 7: Liner shipping Connectivity Index (score in the y-axis)



Source: UNCTAD Liner Shipping Connectivity Index

3. Trade procedures and documentation and agreements

3.1 Import procedures and documentation

Maldives' Export/Import Law (No: 31/79) and Taxation Law (No: 3/2013) state that any party wishing to import goods into Maldives must be registered at Maldives Inland Revenue Authority (MIRA). The entity must possess a license issued by Ministry of Economic Development or any other department/agent authorized by the state to issue it. The documents required for imports are:

- Goods Declaration Form (Soft Copy)
- Pre- valuation form
- Commercial Invoice
- Packing List
- Bill of Lading / Airway Bill
- Bond Receipt/Post Waybill (Postal Items)
- Courier Airway Bill (Courier Packages)
- Any other document stated in Article 108 of The Customs Regulation.

After the import declaration and submission for valuation and documentation at Maldives Customs (MC), the following documents need to be submitted to the MC cargo examination section requesting for examination of the shipment.

- Payment Assessment Notice (Original)
- Receipt of Payment to Customs (Copy)
- Delivery Order (3 Copies)

Before shipments are released to be stored in bonded warehouses, customs officers inspect to see if the shipment is consigned to the said Bonded Warehouse. They also verify that the goods are in accordance with the permit issued by Ministry of Economic Development.

The following documents, processed and completed by MC valuation and documentation section, should be submitted to MC cargo examination section, wherein a request is made for the release of goods to the bonded warehouses.

- Payment assessment notice (original)
- Receipt of payment to customs (copy)
- Delivery order (3 Copies)

If the items are consigned to a bonded warehouse at the Male' airport, only Delivery Order (3 copies) is to be submitted to the MC cargo examination section after the documentation stage is complete. A re-import permit will only be issued for goods stated in Article 140 of Customs Regulation.

The documentation for re-import shipments must be submitted to the MC valuation and documentation section. The following documents must be submitted to the MC, cargo examination section while requesting for shipment examination.

1. Payment assessment notice (original)
2. Receipt of payment to customs (copy)

3.2 Export procedures and documentation

The documents required for exports are:

- Goods declaration
- Commercial invoice
- Packing list
- Shipper's instruction for dispatch (SID) (applicable for air-cargo)
- Goods that require special permission from authorities must be accompanied by permit/letters/documents.
- Yellowfin tuna exporters, while exporting to EU countries, are required to attach a health certificate issued by the Maldives food and drug authority. They must also submit Catch Certificate issued by the ministry of fisheries and agriculture.
- Grouper and Live small fish exporters must present the Proforma fish export form.

In the case of transshipment, the following documents must be submitted so that the transshipment item gets sealed by the customs:

- Transshipment Cargo Manifest
- Bill of lading
- Agent's letter
- Delivery order (3 copies)

Documentation for commercial export shipments has to be submitted to the MC valuation and documentation section. After the submission, the following documents have to be submitted to the MC cargo examination section requesting shipment examination.

- Payment Assessment Notice (Original)
- Receipt of Payment to Customs (Copy)

For shipments that require transportation to non-official ports, for example- for loading purposes, the request must be accompanied by a form that permits the loading and offloading of goods at the said port. A vessel check form has to be submitted in cases where vessels are travelling without a customs officer on board.

The documentation for re-export shipments must be submitted to the MC valuation and documentation section after which the following documents must be submitted to the MC cargo examination section requesting for shipment examination.

1. Payment assessment notice (original)
2. Receipt of payment to customs (copy)

The following documents must be submitted to the customs for endorsement if the exporting party wishes to apply for duty exemptions from abroad.

- Generalized System of Preferences (GSP Certificate).
- SAARC Preferential Trading Agreement (SAPTA)
- South Asian Free Trade Area (SAFTA Certificate)
- The Special Preferential Tariff Program Grant by China (China C.O)
- Certificate of Origin and Consignment for Export (C.O)
- International Convention for the Conservation of Atlantic Tunas (ICCAT) Document
- Duty Free Tariff Preference.

3.3 Key agreements and conventions and relevant institutional arrangements

Maldives' trade facilitation agenda is largely under the mandate of Ministry of Economic Development and devises the trade facilitation policies. Other relevant ministries related with trade facilitation are Ministry of Foreign Affairs, Maldives Ports Authority, the Maldives customs service and Maldives Airports Authority. Ministry of Foreign Affairs holds particular significance as it is among the nodal ministries designated for trade facilitation related negotiations.

Maldives became a WTO member on 31 May 1995. It had been a GATT contracting party since April 1983. Maldives is party to the regional agreement, South Asia Free Trade Agreement (SAFTA), which it signed on 6 January 2004 during the Twelfth SAARC summit in Islamabad. SAFTA entered into force in 2006. Maldives is also party to a bilateral trade agreement with India signed in March 1981. In July 2006, Maldives signed a preferential zero tariff agreement with the People's Republic of China. This agreement is in force since February 2009. On 17th October 2009, Maldives signed Trade and Investment Framework Agreement with the United States.

4. Literature review and key trade and transport facilitation issues and reforms in Maldives

4.1 Insights from the existing literature

While the above discussion is largely centered on the region, there are indeed very few Maldives specific studies on trade facilitation issues. For instance, Adam (2009) analyzes the bottlenecks at Male' Commercial Seaport. The paper finds that the yard capacity at the port was greater than the berth capacity. This was a major driver of delays as poor berth capacity resulted in longer queues. A similar contention was put forth by Wilson and Otsuki (2007) in their study which focuses on South Asian countries. They found that port congestion in South Asia affects the turnaround time for ships negatively. They concluded that since delays increased costs, port efficiency needs to be improved through interventions, including employing ICT tools.

Japan International Cooperation Agency in a rather dated study, in 2003, estimated that transaction costs for private businesses are high due to rather complex import and export procedures as well as lack of transparency in the way regulations are enforced. The report highlighted that to reduce transaction costs, facilitating trade was an effective strategy. The report noted that an improvement of physical infrastructure and institutional characteristics could help to improve efficiency and facilitate trading activities. The areas that the report highlighted for reforms are the standards assessment system, improvement in telecommunication and transportation and banking. Several areas that the JICA study highlighted, have witnessed significant progress, for example online payments of customs duty.

Duval and Utoktham (2009) argue that it is not just trade facilitation reforms, like improving efficiency of customs and border authorities, that will lead to improvement in exports. Their paper contends that export competitiveness hinges significantly on being able to produce and supply a product of interest to others, competitively. Hence, not just trade facilitation, but also several behind the border interventions in the business environment are required as well. For example, readily available information on credit quality impacts producers and businesses significantly due to credit availability even though it is not a trade or customs specific measure. In a way, they argue for a synergy of both trade and business facilitation measures. The authors assess the relationship between trade facilitation and business facilitation by using the ease of doing business and the trading across border rankings of countries. The study shows that developed countries do better in both business facilitation and trading across borders. In general, they have better standings in trading across borders as well as business facilitation measures. Developing countries, mostly middle-income ones, have a better trading across border score than business facilitation. The third group is the Landlocked Least Developed Countries (LLDC) and other countries in transition. These fare poorly in trade facilitation which partly has to do with the structural constraints; nevertheless, the aim here is to make incremental gains by identifying areas that can be intervened into. Both trade facilitation and business facilitation rankings come from the Doing Business project

of the World Bank. Maldives was not grouped in any of the three groups in Duval and Utotkham (2009).

The robustness and credibility, not to mention a host of other weaknesses in the secondary literature just reviewed will be verified by the following audit that includes a survey of 30 stakeholder respondents from Maldives. They represent importers, exporters, shipping agents, port officials, airport authorities, customs officials and chamber of commerce.

4.2 Major trade facilitation measures and concerns

The Maldives customs has consolidated information on import and export procedures and much of it is available on its website. Similar initiatives have been taken by the Maldivian ports and airports authorities. However, the information is yet to be consolidated on a single website. The Maldives customs introduced a **Trade Facilitation Package** (TFP) in 2013, which includes the following initiatives:

- **Document processing express service** enables declaration of certain selected shipments to be processed faster.
- **Pre-entry classification service** helps traders to classify and make duty calculations before importing.
- **Customs portal and information kiosks** allows importers and exporters to check the declaration status and provide information online.
- **Pre-payment system** enables account holders to have secure access to the system and make customs payments regarding declarations and other dues.
- **Customs brokers** operate as middlemen between the customs and importers/exporters. They are given specific trainings by customs regarding import/export documentation, classification, valuation and other aspects of the clearance process.

World Customs Organization (2014) points out several areas of improvement in the current operation and functioning of Maldives' customs to reduce transaction costs in trade. WCO says that the Maldives customs does not apply risk management principles, such as analysing of trade profiles and having a systematic targeting mechanism for post clearance procedures in customs valuation. Audits are done at the desk level and the document is assessed at the respective customs office without field audit.

Concerns by importers and exporters include technical problems, such as website downtimes during which clients cannot determine if the documents have been uploaded. Some customers are not familiar with the system. Another issue used to be inability to make online payments. However, Maldives Customs Authority now has an electronic payment gateway. Among several reform areas for trade facilitation, upgradation of banking services should be a major priority. Maldives Monetary Authority (MMA) started rationing foreign exchange to the banking system in 2009. This led to restrictions being imposed by the government on foreign exchange. As a result, a black market has developed for foreign currency that charges high premiums, five to nine percent, over the

official exchange rates (USDS 2014). This is a major constraint for companies that import and export.

5. Trade and transport facilitation survey: Findings

In the assessment, 30 different participants in trade were surveyed. This included freight forwarders, exporters, importers, shipping lines/shipping agents, port authority, airport officials, customs officials, chamber of commerce and other relevant government ministries (Table 9).

To finalize the 30 target respondents, 60 institutions/individuals were contacted. However, it was a challenge to find respondents in some categories, such as exporters of scrap metal – a major export from Maldives to India. Only two firms that were formally involved in exporting metal scrap could be traced. This points towards a large chunk of the scrap metal exports being carried out informally by individuals or foreigners. Some of these actors did not agree to be surveyed.

Since both rice and medicine importers are regulated by the Government, there were only a handful of firms to be sampled. Rice is imported via a special license awarded by the Government and these few companies are assigned a quota. Import of medicines is even more controlled. Since most of Maldives' trade is with non-South Asian countries, only a few companies in the Maldives are engaged in trade with South Asia. Table 6 lists the categories and the number of respondents used for this survey:

Table 9: Respondents interviewed

Category	No. of Respondents
a. Forwarder/ Agent/ Broker / Multimodal Transport operator	6
b. Exporter	5
c. Importer	6
d. Shipping line and ship's agents	3
e. Port Authority	2
f. Airport authority	2
g. Customs authority	5
h. Ministry/ Department of Commerce	1

While 27 questionnaires were administered face-to-face, three questionnaires were sent via email to be filled by the respondents themselves. One of the questions was whether the company was located in a special economic zone. At the time of the survey, this question was not applicable as the Special Economic Zone Act had been passed by Parliament only recently. It was ratified by the president on 1 September 2014.

This section presents the survey results.

The responses are assessed broadly under four main trade facilitation reform categories:

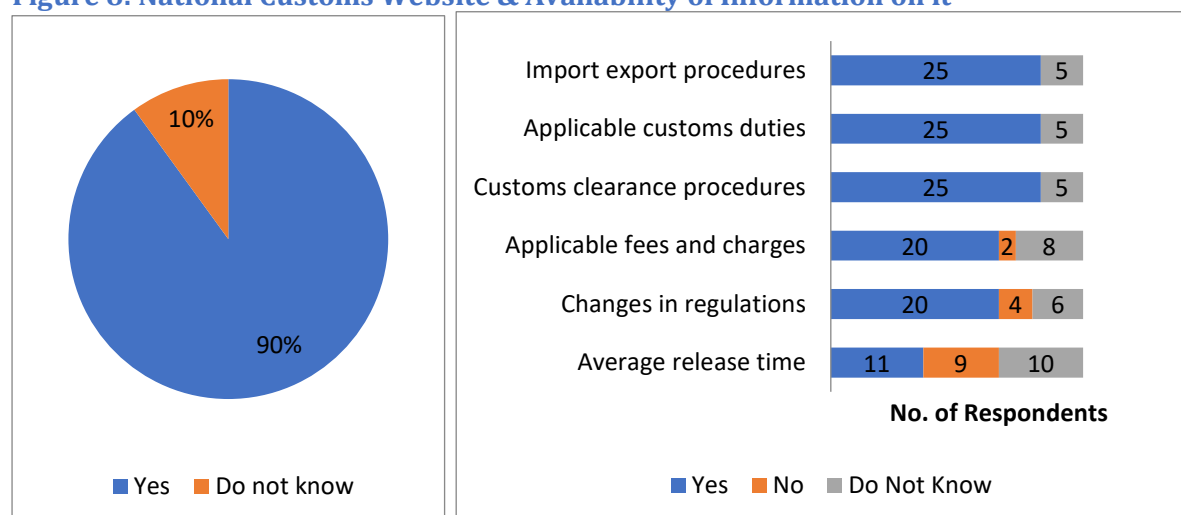
- (i) Publication of trade related rules and regulations
- (ii) Rules and procedures for export and import
- (iii) Trade related infrastructure and services and
- (iv) Treatment of goods in transit

Based on the above 4 components and guided by our framework, the survey asks respondents to identify priority reforms in trade and transport facilitation which is discussed in detail in the next chapter (Chapter 6).

5.1 Publication of trade related rules and regulations

The Maldives customs website provides information related to customs duties, various applicable fees, trade procedures and rules pertaining to transit. Out of 30 respondents, 27 (90percent) were aware of the of the website. However, a common view was that some information there was not up to date. Several respondents suggested that it was fairly common to contact the customs department for updated information. They also said that, often, they had to contact the customs department to the available information on their website. Respondents who used the website indicated that information on import export procedures, customs clearance procedures and applicable customs duties was available. Nonetheless, a majority said that the average release times are either not available or that they are unaware of its availability. Furthermore, applicable customs duties, fees and charges and information on regulations are available, but often they are not up to date.

Figure 8: National Customs Website & Availability of Information on it



Source: Survey

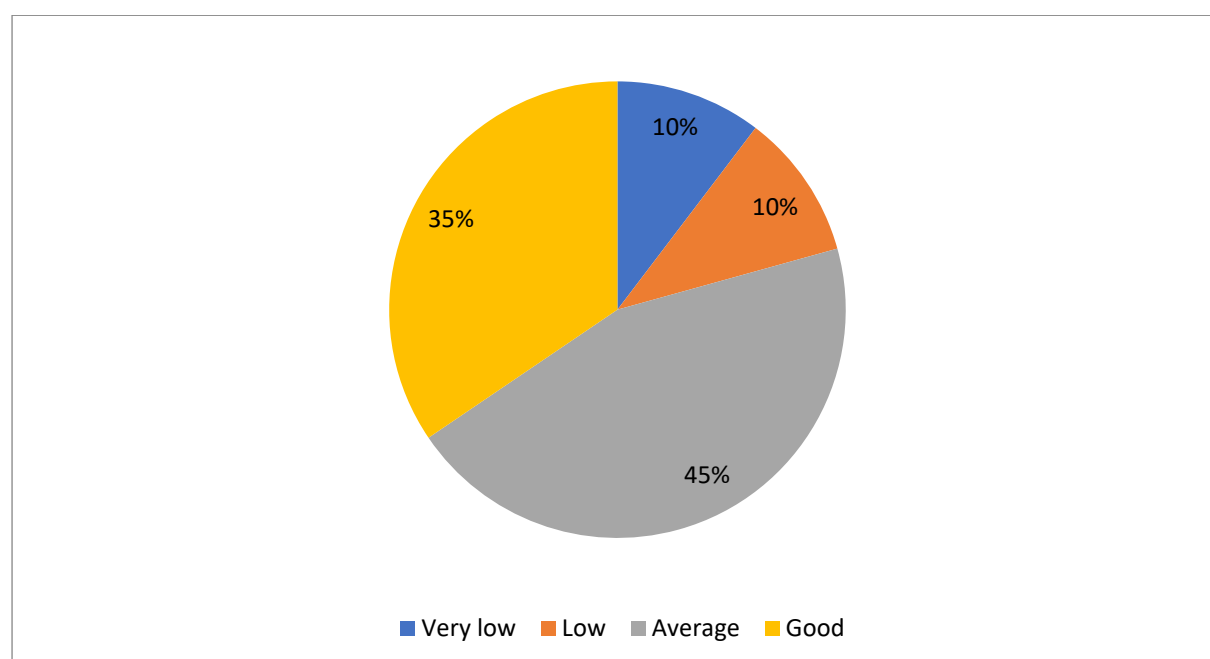
Respondents were asked to rate the overall effectiveness of the available information on the customs website. The majority responded that it was average. Regarding whether the available information on customs clearance, duties and applicable fees and charges on

the website was useful and effective, majority responded as “high” or “very high”. Since the details on average release time is currently not available on the website, the response to that was low. Respondents said that traders were often not aware that there was information available on the website.

On awareness of information points for queries on trade procedures and associated formalities, 20 out of 30 respondents said that there was an inquiry point, while eight were unaware of the availability. They said that inquiry points exist in the Maldives Customs Service, Maldives Ports Authority and Maldives Airports Company and that enquiries can be made via emails, telephone or by visiting the offices.

Officials of revenue and customs, immigration service, health authority, quarantine inspection service, plant health inspectorate, food standards agency and security agencies are present at Male’ Airport. The overall coordination between border management agencies was rated as “average” by 13 out of 29 respondents. Another 10 rated the coordination of border management agencies as “good” while six rated it “low” or very low” (also see figure 10).

Figure 9: Coordination between Border Management Agencies



Source: Survey

5.2 Export and import procedures and documentation requirements

5.2.1 Export documents and procedures

Between 3 and 6 documents are required for customs clearance when exporting from Maldives to South Asia and 4 to 6 are required to export to other countries (Table 10). The additional documents for other countries include standards certificates for EU members and duty exemption documents for China. The airport's document requirements depend on the type of product being exported. For dry the certificate of origin, the export license, the health certificate and a document from the Maldives National Defense Force. However, Maldives Ports Authority only requires a 'Cargo Booking form' to be filled and endorsed by agents. At times, a letter of request by the agent is required to release containers. 3 to 4 signatures are required for exports to South Asian and other countries at the following stages:

- Form verification and endorsement
- Payment endorsement after collecting relevant charges
- Verification confirming the wrap-up of the process.

According to the survey findings, two to three days are required to prepare export documents with respect to South Asian countries and around three to four days for other countries.

Table 10: Number of export documents and the documentation requirements

No. of Documents	South Asia (no. of respondents)		Developed Countries (no. of respondents)	
	Minimum	Maximum	Minimum	Maximum
2 documents	7	2	6	2
3 documents	4	4	4	3
4 documents	5	5	2	4
5 documents	2	4	1	2
6 - 7 documents	2	3	4	4
10 documents	3	6	3	6

Export Documents	
Sea Cargo	Air Cargo
Customs Declaration (CUSDEC)	Customs Declaration (CUSDEC)
Commercial Invoice	Commercial Invoice
Packing List	Packing List
Bill of Lading	Airway Bill
Cargo Dispatch Note (CDN)	Cargo Dispatch Note (CDN)
Certificate of Origin (where necessary)	Certificate of Origin (where necessary)

Source: Survey

Table 11: Number of days required to prepare export documents

No. of Days Required	South Asia (no. of respondents)		Developed Countries (no. of respondents)	
	Minimum	Maximum	Minimum	Maximum
1 day	16	8	13	6
2 days	3	7	3	7
3 days	1	2	1	2
4-5 days		1		1
6-7 days	1	1	1	1
10 & above days	1	2	1	2

Source: Survey

Most of the respondents said that the number of signatures required for South Asia bound exports was three. Some respondents said that four to five signatures were required.

5.2.2 Import documentation

For imports, the Male seaport requires a goods release note, a health form, security check, an invoice, a bill of lading and the packing list. If it is a plant, then a plant certificate needs to be submitted. The manifest Bill of Lading is submitted to Maldives Ports Limited by the shipping agent prior to the arrival of the vessel. For clearance at the port, the consignee needs to bring the delivery order. For air freight, in addition to the above documents, an airway bill and an island aviation form are required.

On average 3 to 4 signatures are required for imports. For sea freight, the delivery order has to be endorsed by Maldives Ports Limited and the customs. For clearance, signatures of the clearance officer and the customs officer are required on the gate pass. Further, for sea freight, signatures from Maldives' national defense force and port health authority are also required. For air cargo, signatures are required from Island Aviation, customs, and the national defense force. Most of the respondents said that it takes between 4 to 13 days to prepare documents for export to South Asian countries and about 10 to 13 days for other countries. Obtaining documents for import from SAARC countries is easier, in terms of duration and procedures, than other countries. Before the shipment arrives in Male', the supplier sends the airway bill, the bill of lading, the invoice, the packing list and the insurance certificate to the importer.

Table 12: Number and type of import documents

No. of Documents	South Asia (no. of respondents)		Developed Countries (no. of respondents)	
	Minimum	Maximum	Minimum	Maximum
1 document	2		2	
2 documents	4	2	4	2
3 documents	2	3	4	3
4 documents	5	3	4	2
5 documents	7	12	7	14
6 documents	2	1	2	1
7 documents	2			
8-10 documents	1	1	1	1
10-20 documents		3		1

Source: Survey

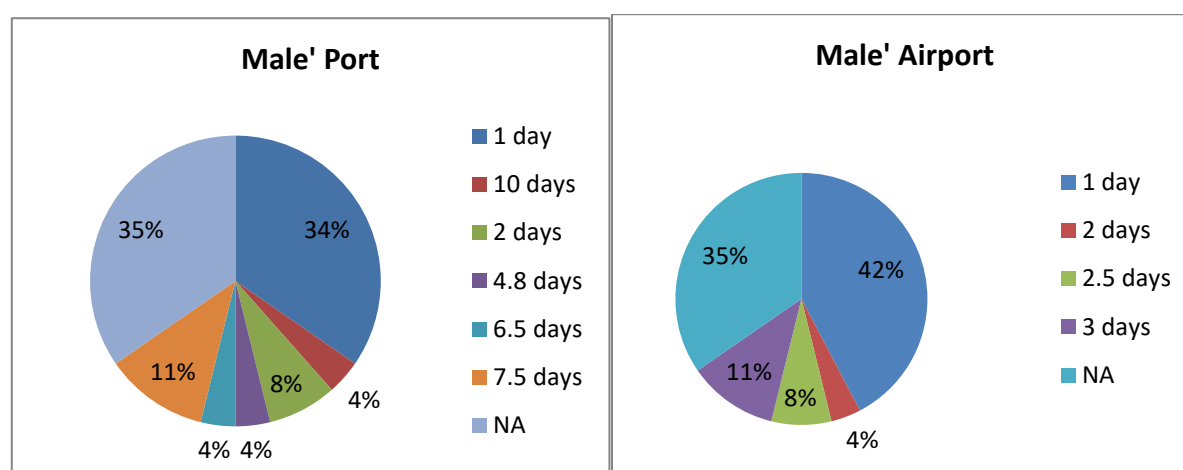
Import Documents	
Sea Cargo	Air Cargo
Customs Declaration	Customs Declaration
Commercial Invoice	Commercial Invoice
Packing List	Packing List
Letter of Credit	Letter of Credit
Bill of Lading (B/L)	Airway Bill
Delivery Order	Delivery Order

Source: Survey

5.2.3 Cargo-clearing time

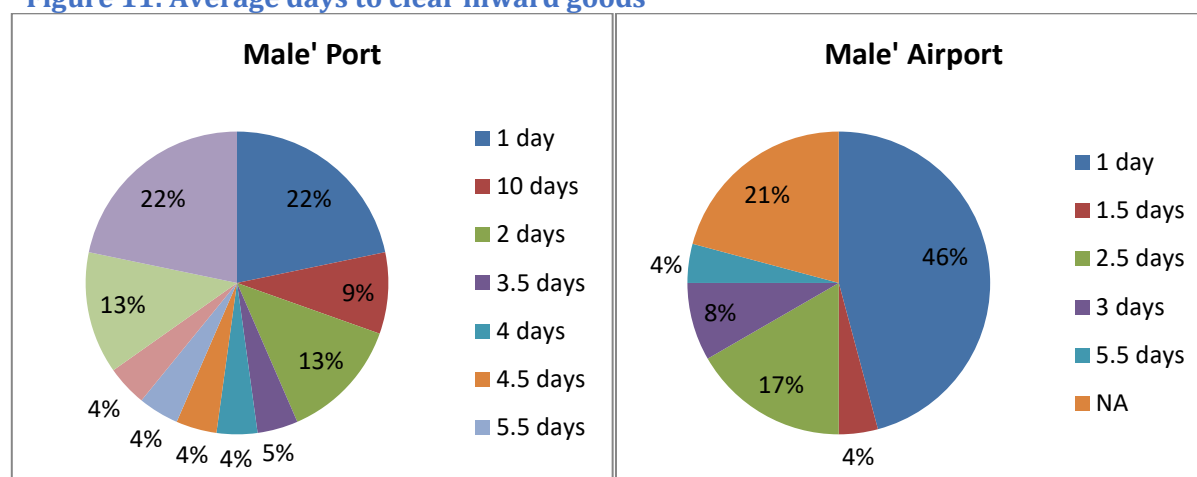
The average time taken to clear outward-bound goods in Maldives is 1.6 days at the airport and 3.5 days at the seaport. Respondents said that the inland container depot takes about two days to clear export consignments. At the customs, it takes around 2.5 days (Figure 10). The time to clear goods depends significantly on the type of cargo. For instance, perishables can be cleared within one or two hours while goods like timber can take up to 8 days. For inward bound goods, the survey found that it took 5 days to clear goods at the seaport. At the airport, the duration is 5 days and at the inland container depot, it is 2 days. The customs takes 4 days and the quarantine check post requires 2 days (Figure 11).

Figure 10: Average times to clear outward goods



Source: Survey

Figure 11: Average days to clear inward goods

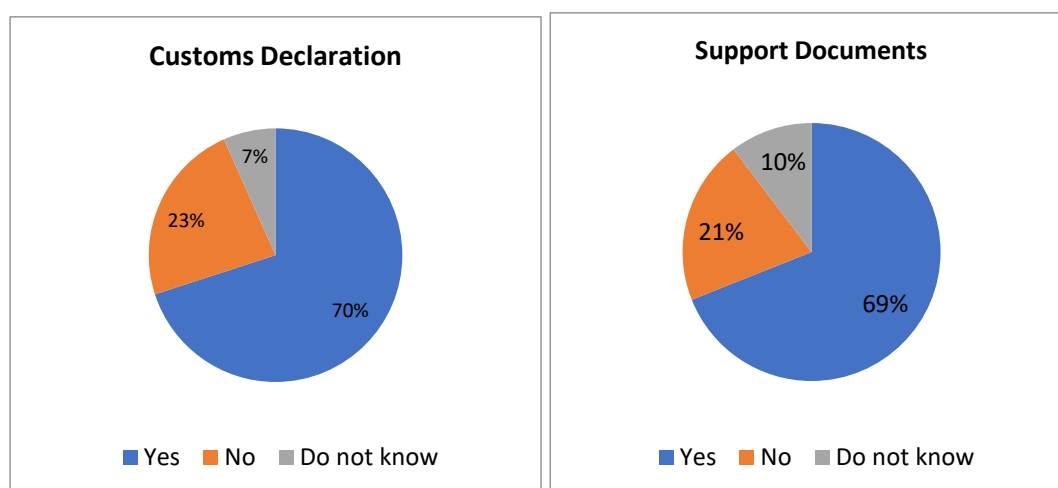


Source: Survey

5.2.4 Automation in export and import procedures and single window system

21 out of 30 respondents indicated that the CUSDEC can be submitted and processed online (Figure 13). Goods get released once original documents are submitted, provided that original documents and the ones submitted online are the same. 14 out of 21 respondents rated the quality of the services as “good”. Likewise, 20 out of 29 respondents said that supporting documents can be submitted online as well. Of the respondents who mentioned that the supporting documents can be submitted online, a majority indicated that the documents can be fully processed online. On the processing of supporting documents, a majority indicated that the quality of the system was good. However, they mentioned that while documents could be submitted online, no acknowledgment is provided by the portal upon receiving the documents.

Figure 12: Online submission and processing of CUSDEC



Note: out of 30 respondents

Source: Survey

Note: out of 21 respondents

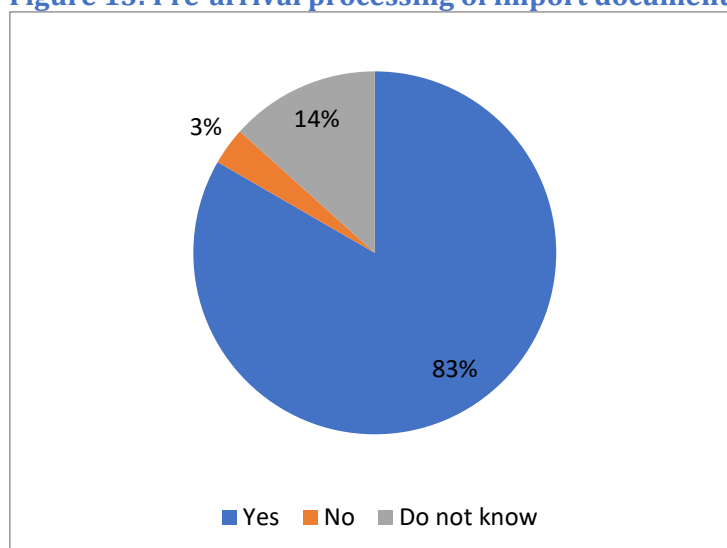
Source: Survey

Maldives has not adopted the single window system so far. Nonetheless, automation of systems has been carried out to some extent, for example, CUSDEC can be lodged and processed online. Maldives customs is currently working towards establishing a single window (Interview response).

5.2.5 Advance ruling and pre-arrival processing of documents

Customs does issue advance ruling, according to 57 percent of the respondents (17 out of 30). Another 33 percent (10 out of 30 respondents) said that they were not aware of such a service. Most of the respondents indicated that the advance ruling does not specify the number of days it remains valid. The Maldives customs allows pre-arrival processing of import documents (Figure 13). Respondents said that the allowance is for importers who have a good history of trading. The effectiveness of pre-arrival processing is “good”, according to 16 out of 25 respondents.

Figure 13: Pre-arrival processing of import documents



Source: Survey

5.2.6 Risks/Threat assessment technique and physical inspection of inward cargo

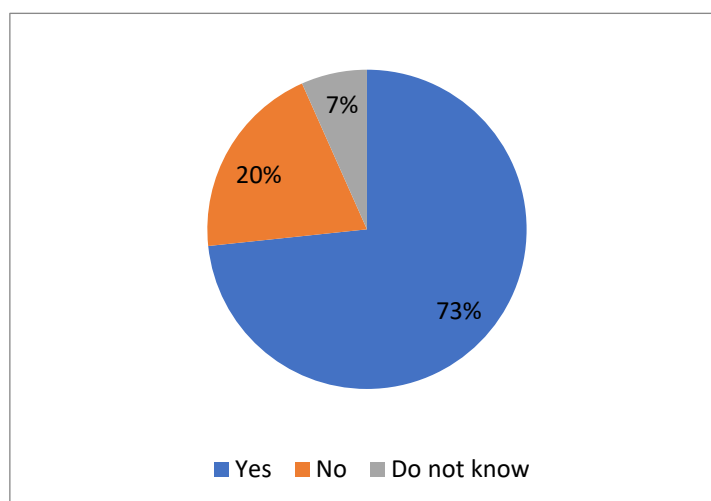
Based on their trading history, their trade volume and transaction and the kind of merchandise imported, the customs categorizes the traders and uses different risk assessment techniques. It recently introduced the green, yellow and red channels to assess risks/threats. On physical inspection of inward consignments, 6 out of 14 respondents mentioned that it is carried out for more than 50 percent of their consignments. Another 6 said that between 5 to 15 percent of their consignments are physically checked.

5.2.7 Post clearance audit (PCA) and availability of non-judiciary review/appeal

The customs conduct PCAs according to 63 percent of the respondents (19 out of 30). Of the respondents who were aware of the practice, 8 rated the system as good. However, the majority said that less than 5 percent of their consignments were subject to PCAs. A recent study by World Customs Organization (2014) has suggested to the Maldives customs to increase field audits, not just mere desk audits. It also recommended that the awareness of PCAs among traders about post clearance audits be increased.

If traders are not satisfied with a decision made by the customs, they can appeal to the customs integrity board. A majority, 73 percent of the respondents, were aware of this service (Figure 14).

Figure 14: Availability of non-judicial review/ appeal procedure

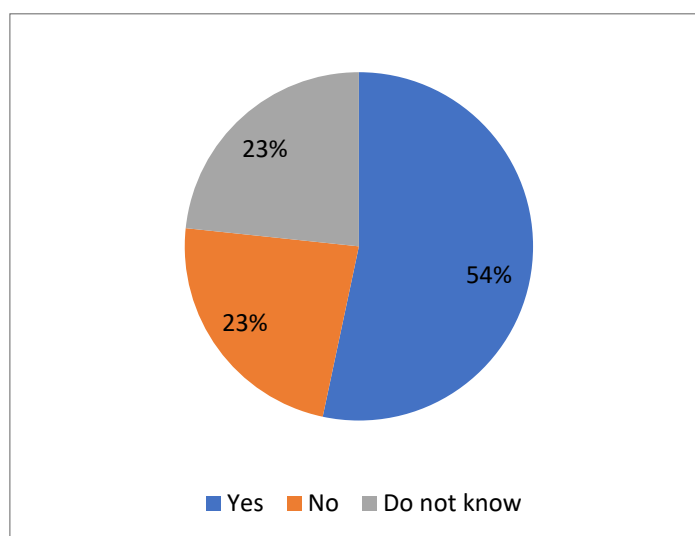


Source: Survey

5.2.8 Irregular payments and bribes

16 out of 30 respondents said that they need to make irregular payments/bribes in the trading process (Figure 15). The others said that they either did not know about such payments or did not make them. 5 out of 11 said that the frequency of irregular payments is less than 5 percent of overall transactions.

Figure 15: Irregular payments/ bribes



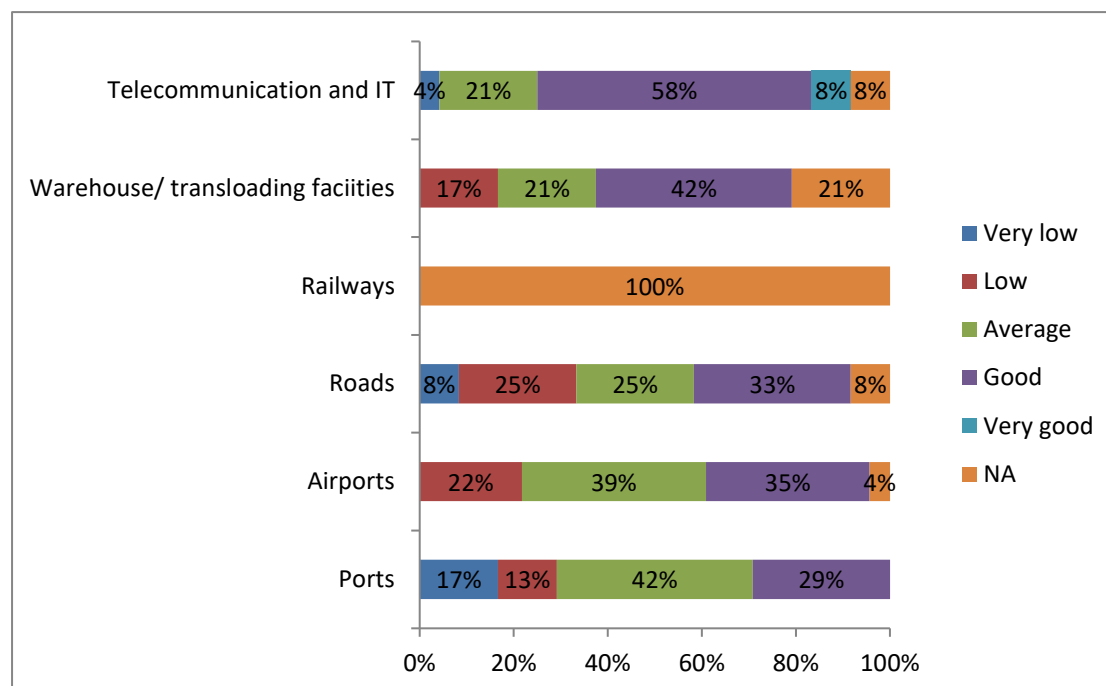
Source: Survey

5.3 Trade related infrastructure and services

5.3.1 Quality of infrastructure facilities

Regarding the infrastructure quality around telecommunication and IT services, warehouse/transloading facilities and road infrastructure, 58, 42 and 33 percent respectively rate it as good. However, narrow roads within Male do cause obstruction in the movement of goods. Eight percent of the respondents rated the quality of road infrastructure as “very low”. The overall infrastructure at the ports and the airport was rated as “average” by a majority (Figure 16). Due to the weaknesses in handling cargo in the warehouses, 17 percent of the respondents rated the warehouse and trans-loading facilities as “low”.

Figure 16: Quality of infrastructure facilities

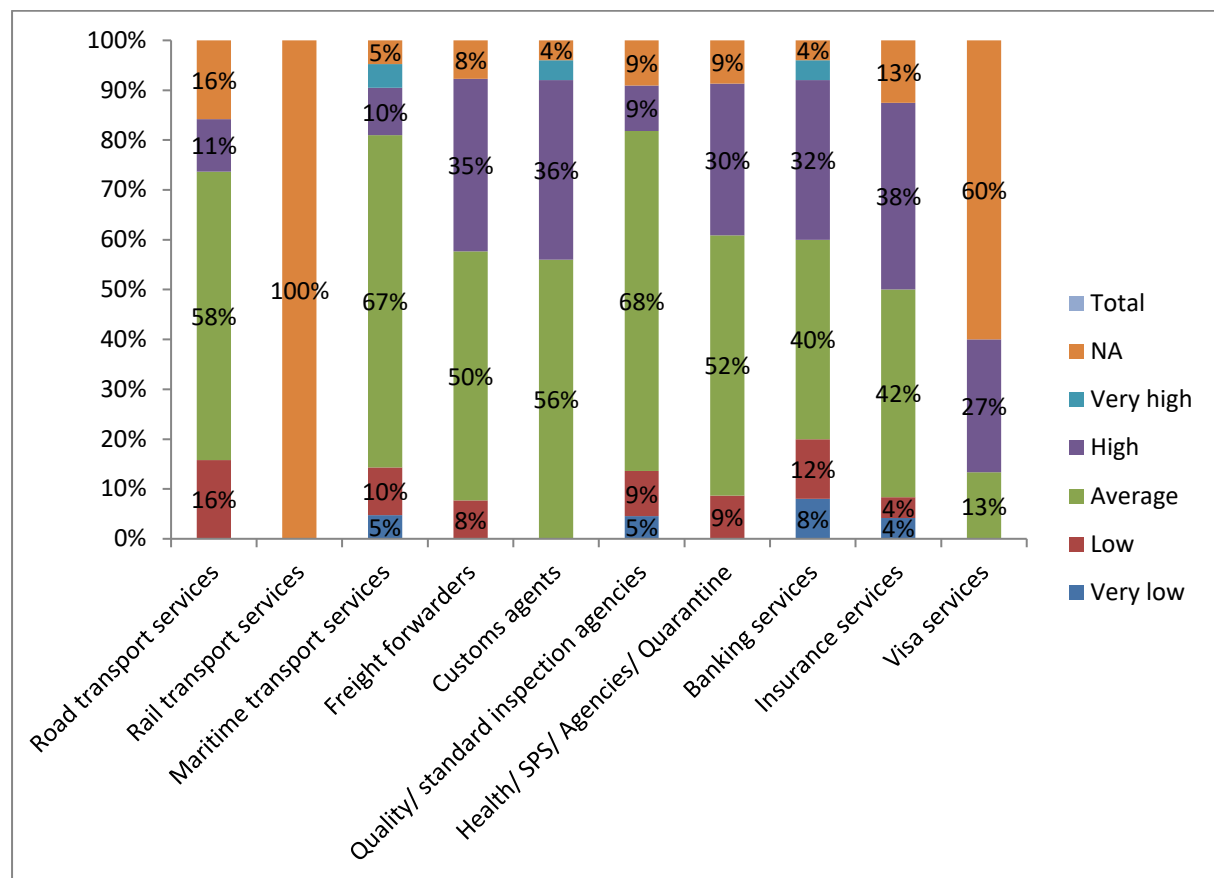


Source: Survey

5.3.2 Efficiency of service providers and quality of services

We asked respondents the efficiency and quality of trade services obtained - road as well as maritime transport services, services of freight forwarders, customs agents, quality/standard inspection agencies, health/SPS/quarantine agencies and banking and insurance services. 58 percent respondents rated road transport service providers are average. Moreover, at least 50 percent rated service-providers in maritime transport, freight-forwarders, customs (customs agent) and quarantine services as average. Roughly 40 percent service providers in banking and insurance were rated average. Over 30 percent rated the efficiency of freight forwarders, customs agents and health/SPS/quarantine agencies as “high” (Figure 17). Majority of the respondents mentioned that the access to credit in Maldives is very low as the banks in general have high collateral requirements. At the same time banks are located only in about 22 islands out of 198 economically active islands. Further, some respondents find that the internal maritime transportation services are poor (rated “very low”) as there is no regular transportation system to most islands in the Maldives. The respondents suggested that the suitability and quality of vessels to carry cargo was poor. Additionally, ships lack suitable equipment to load and unload cargo.

Figure 17: Efficiency of services and service providers

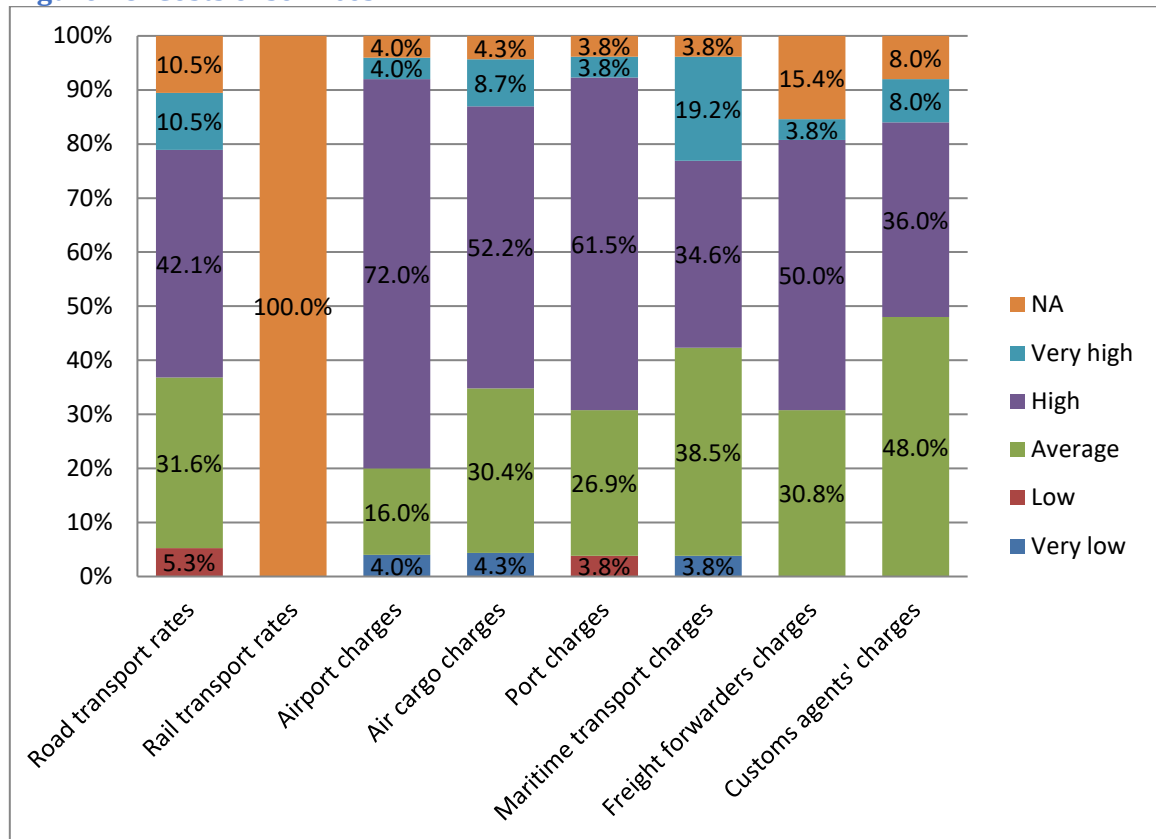


Source: Survey

5.3.3 Cost of logistic services

Over 40 percent respondents stated that the costs of road transport (42.1percent) was high. On the other hand, 72 percent stated that charges pertaining to airport was high (Figure 19). It appears that almost all the stakeholders find the costs of logistic service providers high – over 50 percent state that air cargo charges were high while nearly 62 percent rate port charges high. The freight forwarders are considered expensive by slightly over 50 percent respondents.

Figure 18: Costs of services

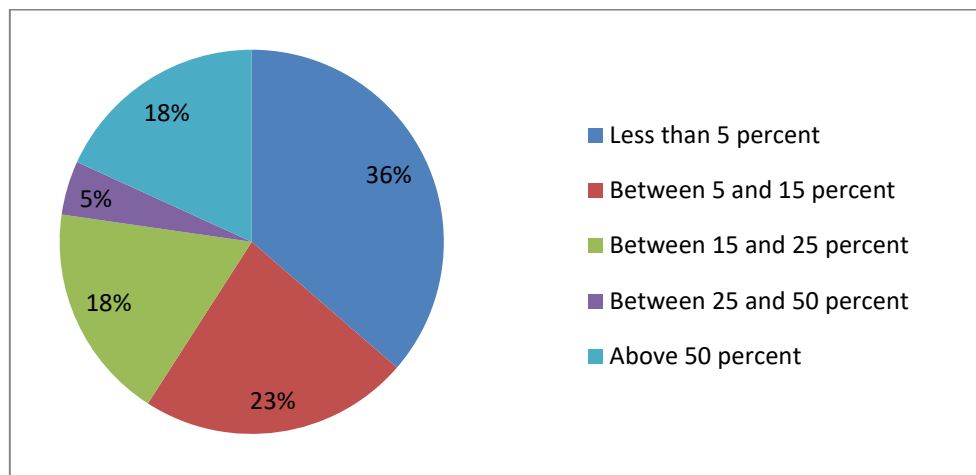


Source: Survey

5.3.4 Losses and damages incurred

85 percent of the respondents have experienced some form of loss and damage in the last five years, 36 percent said that they have incurred losses and damages but it has been less than five percent of their consignments (see Figure 19). The main reasons for the losses and damages were identified to be mishandling of cargo, improper operation of equipment, packaging defects, defects in cold storages and bad weather.

Figure 19: Losses and damages incurred

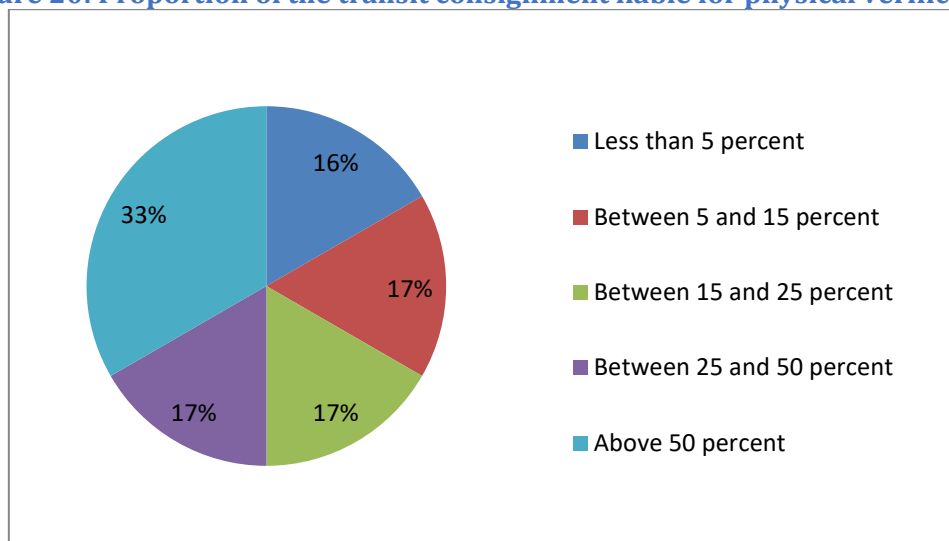


Source: Survey

5.3.5 Physical verification of transit goods

Around 42 percent of the respondents said that goods in transit were not subject to physical verification. Thirty percent of those surveyed said otherwise- that the transit goods were subject to physical verification. Further, most respondents said that above 50 percent of the transit goods were physically verified (Figure 20). A majority of the respondents said that there was no guarantee requirement for goods in transit. The respondents who said that it was required said that the guarantee was not limited to the value of duties and charges. Maldives does not have any transit goods agreement with neighboring countries although there are a few agreements with several airlines.

Figure 20: Proportion of the transit consignment liable for physical verification



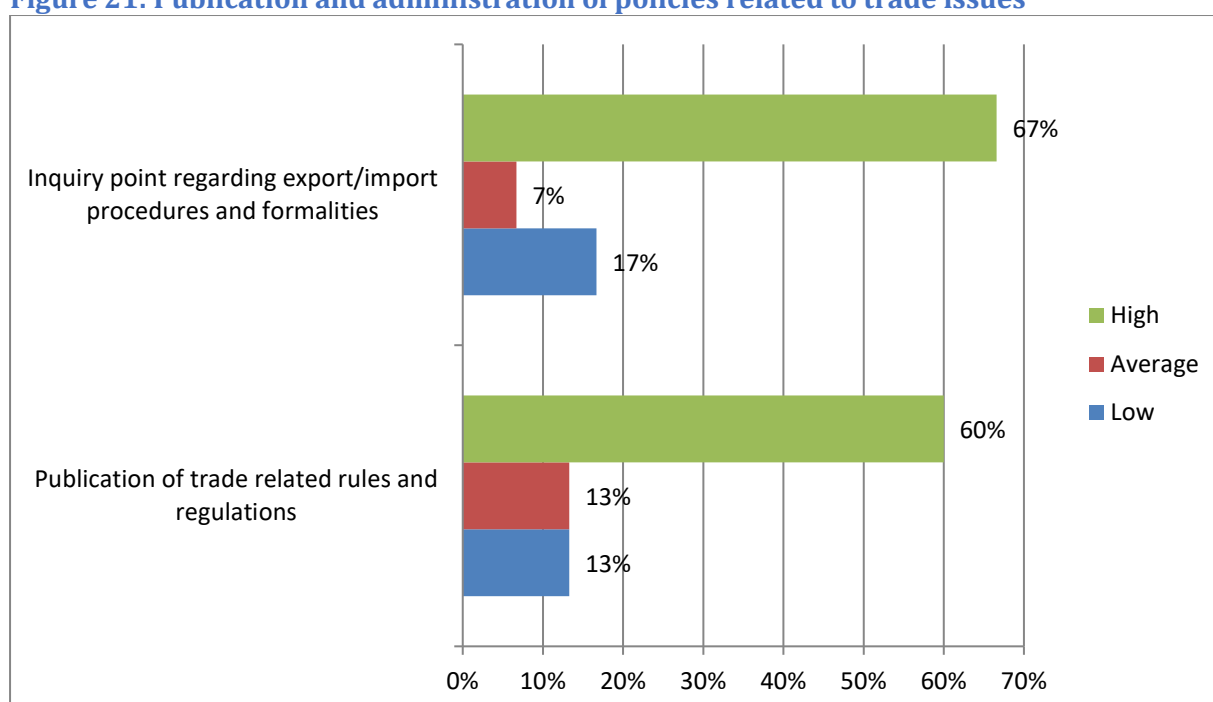
Source: Survey

6.0 Priority reforms in trade and transport facilitation in Maldives

6.1 Publication and administration of policies related to trade

A majority of the respondents rated the publication of related rules and regulations and the need for an inquiry point on export/import procedures as areas of high priority (Figure 21). Although such publication is carried out to some extent, it is not comprehensive, adequate or effective enough, they said. They also emphasized that an effective inquiry point is of greater significance to them than the publication of trade rules/regulations.

Figure 21: Publication and administration of policies related to trade issues



Source: Survey

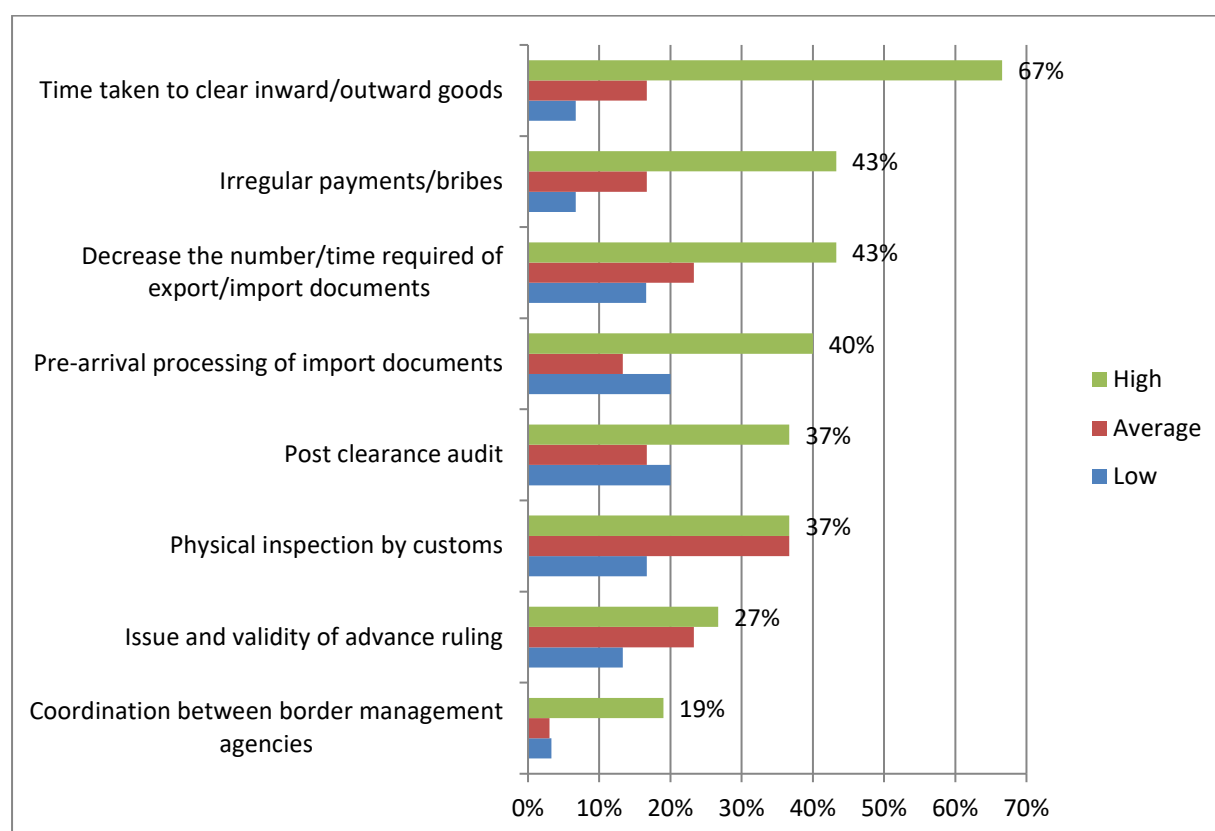
6.2 Rules and procedures for imports and exports

The top five priority areas under the trade facilitation agenda, according to the survey are presented below:

- (i) reduction in time required to clear goods
- (ii) the need to reduce irregular payments/bribes
- (iii) reducing time required to prepare export/import documents
- (iv) the need to improve pre-arrival processing of import documents and
- (v) devising better post clearance audit mechanisms and reducing the need to carry out physical inspection by customs (Figure 22).

Trade facilitation reduces costs leading to enhanced competitiveness for manufacturers. One of the ways it enhances export competitiveness is by cutting the landing cost of imports (WTO, 2015). Maldives relies exclusively on imports for almost all its food and agriculture needs. They make up at least a quarter of all its imports. Fish and allied products are its main exports accounting for over 80 percent of its total imports. High trade costs translate into greater landing costs as well as delays- both not so efficient outcomes, given that fish is a perishable product. While food and agricultural commodities need to land at reasonable prices as well as on time, perishables require faster clearance procedures at border points. Hence, there is a major need to reduce clearance time. The survey shows that the reduction in clearance duration is among the top priorities. The respondents found (i) the need to improve advance ruling issuance and (ii) coordination between border agencies at border points to be of lesser importance.

Figure 22: Priority areas in trade procedures



Source: Survey

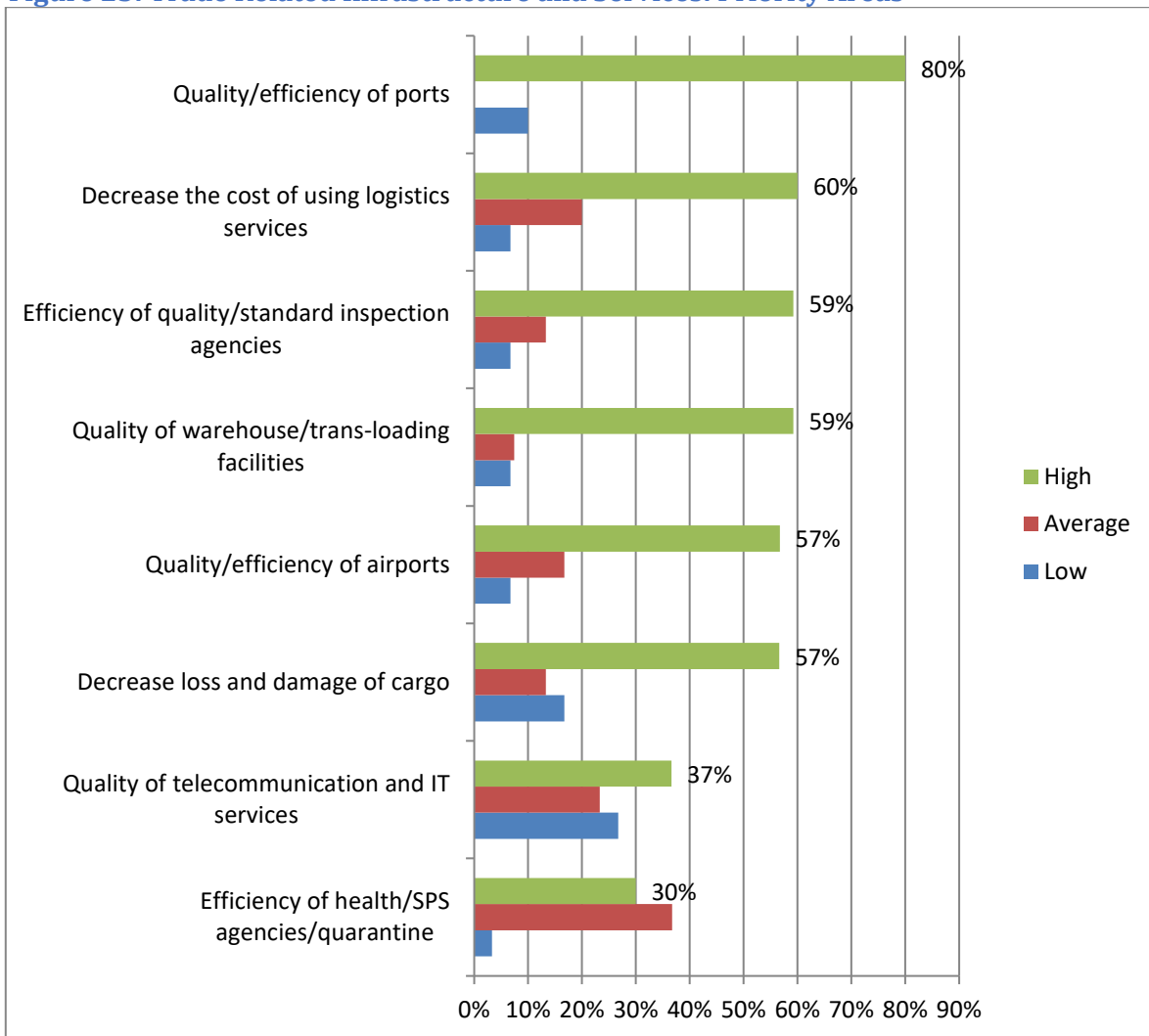
6.3 Trade Related Infrastructure

Improvement in quality and efficiency of ports and roads decreases the cost of logistics. Technically, and attitudinally, capable inspection and associated agencies, proper warehouses/trans-loading facilities and improved airports are some of the priority areas of infrastructure related trade facilitation. The survey has found that the majority of respondents see scope for improvement in logistics, ports and airports (Figure 23). Because of limited ferry services for maritime transport within Maldives, the respondents were worried about not just the costs but also the poor availability of such services.



Source: Authors

Figure 23: Trade Related Infrastructure and Services: Priority Areas



Source: Survey

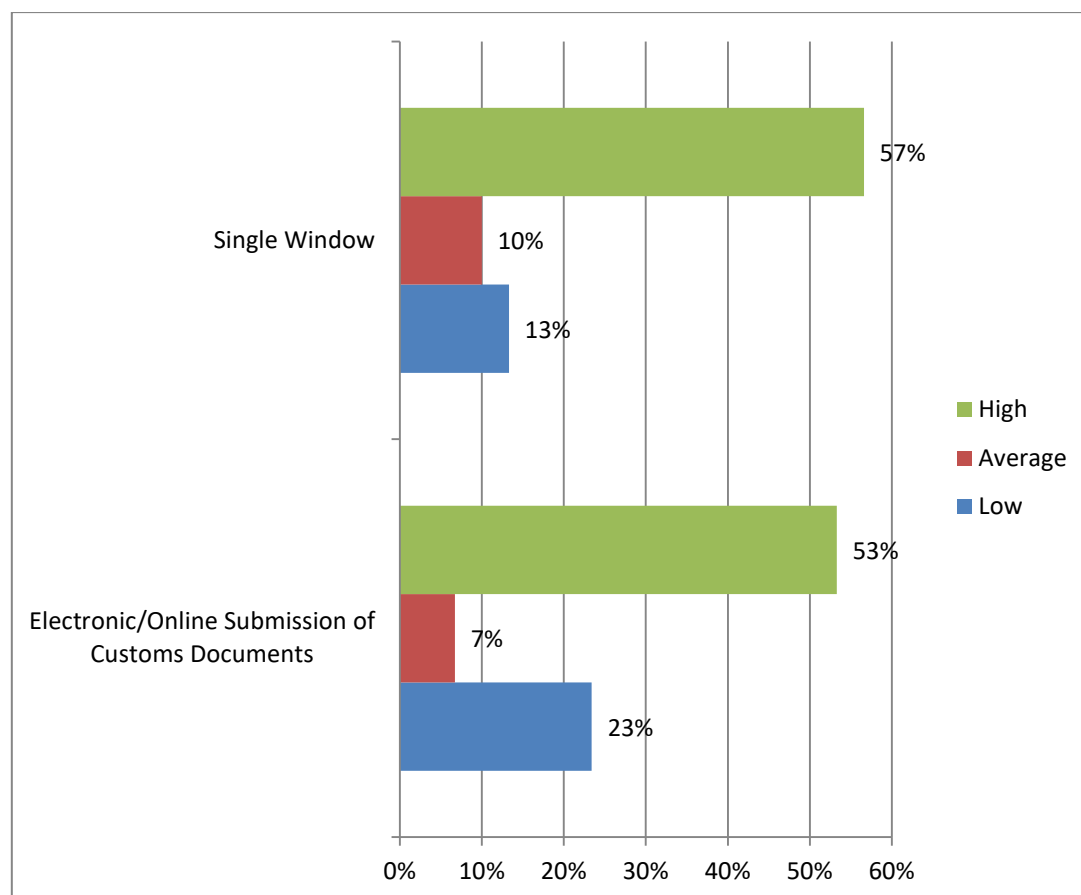
6.4 Using ICT to facilitate exports and imports

A majority of the respondents highlighted the need for a single window in the country (57percent) (Figure 24). Port Authority of Maldives is testing a system called e-Ports in which the following services are available:

- Bill of lading details
- Delivery order assignments details
- Container movement details including discharge date
- History of payment transactions
- Arrival/departure information and status
- ETA information and status
- Upload pilot booking information and status
- Upload pilot booking amendment and status

The customs use the ASYUCUDA system which covers most trade procedures. The system handles manifests and CUSDECs, accounting procedures and transit and suspense procedures. The system is yet to be fully implemented, which, when done, can be the single window mechanism. Most respondents mentioned that there is/are website(s) that give out information and that there are services available, but the extent of their usage or traffic is mostly unknown. Some respondents indicated that they did not use the online document submission facility. It has been reported that although documents can be submitted online, no confirmation is provided as to whether documents have actually been received by the officials. Most of the documents can be submitted online while some still need to be submitted as hard copies.

Figure 24: Use of ICT for exports and imports



Source: Survey

7 Conclusion and Recommendations

Most of the respondents said that information on different procedures was available, but actual usage of the online services is relatively low due to unfamiliarity and lack of confidence in using them. There is coordination between different organizations, but consolidation of the services and information has not been achieved yet.

The number of days required to prepare documents to export to South Asian countries is lower than for other developed countries. This is because of the documents required by other countries to show proof of higher standards in items such as fish. There is opportunity to increase efficiency in obtaining the required documentation regarding standards. For inward bound goods, more than 50 percent of the consignments are checked physically, which incur cost and time. On the other hand, post clearance audits are done at the desk. This needs to be augmented by field audits. It takes more time to clear goods from seaports compared to airports, particularly due to congestion.

Space constraints are common to both types of ports. This is an area that needs attention. It is also related to low rates of efficiency in trans-loading of cargo. There have been cases where items have been lost or damaged due to mishandling, improper storage and lack of proper equipment.

On enabling environment, banking is noted to have a low efficiency due to constraints in obtaining credit and foreign exchange. In addition, high costs in air cargo, port services, airport services and maritime transportation have been identified by the study.

One way to overcome the costs is through wider usage of information technologies, such as enabling documents to be uploaded online, but, still, some documents have to be submitted as hard copies. This, too, means delay and costs.

The following recommendations are based on the priorities identified by the survey:

- Infrastructure at ports/airports is underdeveloped and does not meet the needs or the expectations of some traders. For example, there are no gantries in Maldivian Port. Ships transporting goods into the country need to have gantries in them. Furthermore, according to some traders, the port owns only a handful of forklifts (4 -5) to handle cargo. The lack of skilled technicians to operate machinery at the seaport is another concern. The need to infuse new technology into port operations as well as improving safety regulations in the port remains another area that has been highlighted. The airport too lacks facilities like trolleys for exporters to transport their cargo from one place to another. Exporters are forced to take their own equipment for the purpose or they are allowed to keep their equipment at the airport to use them whenever they require. However, a specific storage unit/space is not provided for this purpose. There is also a need for improvement of efficiency in airports- as it is the country's main gateway for

most goods- as well as in ports where congestion and space constraint are a problem.

- Storage and warehouse facilities in the Maldives are expensive due to their scarcity stemming from the lack of physical space in Male'. The rent, excluding utilities, is around Rf. 70,000 -80,000 per (Interview data). There is no regulation on the storage fees being charged. Some of the interviewees even pointed the need for the government to invest in a 'go-down' to lower the storage cost.
- Improvements in inland transportation and loading/unloading facilities. About 70 percent of the cargo is loaded/unloaded to/from *dhonis* manually, according to traders. This makes inland transportation costly and time consuming. Furthermore, private *dhoni* charges are made trip-wise and not container-wise, thus, driving costs high. Some freight forwarders have their own *dhonis* to keep the costs low.
- Publication of trade rules and regulations is necessary. Then publication must include compiling and making available different rules and regulations on the customs website, or through kiosks that people can access at important border points.
- Coordination between border management needs to be improved. Trade related offices are scattered. The airlines do not have offices at the airport and are located on a separate island. Hence, if there is a related issue, which needs a visit to the airline office, traders lose time and money.
- Coordination could be achieved by introducing a consolidated portal, where all trade facilitation actors are linked. The introduction of a single window can help in this direction. Work has begun in this endeavor by training personnel from different organizations. However, for the interim until the Single Window comes into place, setting up a 'one-stop shop' where relevant organizations are physically brought into one location would be beneficial for traders.
- Post-clearance audits need to be extended in order to speed up the physical verifications that are presently undertaken. This can help minimize the percentage of physical verifications and facilitate faster processing of goods.
- Authorized Trader Schemes are also not available in Maldives. Such schemes are necessary to facilitate customers with a good record.

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