Trade and Transportation Audit in Maldives

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Background - Maldives

• Small island nation – 1200 islands

• Land Area – 115 sq miles; Population – 409, 163 (2015)

• Trade Liberalization Programme (removing import quotas, private sector involvement) – 1989

• GATT (1983)/WTO member (1995); Regional: SAFTA; Bilateral: India (1981); TIFA with USA (2009)


• Constrained by: absence of land based mineral resources, limited scope for expansion of the agriculture sector & vulnerability to natural disasters

• Major source of foreign exchange: Fisheries & Tourism
Background - Maldives

- Export performance key for foreign currency generation
- Exports – below 18% (2005-2013)
- Imports – 75% of GDP
- Key industries like tourism & construction - highly dependent on imports
- Improvements of TF
  - Improve competitiveness in the world markets
  - Improve TOT

[Graphs showing Exports and Imports as % of GDP]
Maldives – Trade Data

• Exports
  • Key Export Markets – Thailand, France, Iran
  • Main export product - ‘fish, crustaceans, molluscs & aquatic invertebrates ’ – 88% of Maldives’ total exports
    i.e. Fresh or chilled yellow fin tuna, tuna loin, frozen skipjack, and big eye tuna

• Share of SAARC in Maldives’ export basket – 14 %

<table>
<thead>
<tr>
<th>Country</th>
<th>CIF Value (USD) – exports</th>
<th>Main product</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>2.3 million</td>
<td>Scrap Metal</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>8.5 million</td>
<td>Dried Skipjack tuna</td>
</tr>
</tbody>
</table>

Source: Based on Customs Data, 2014
Trade Direction

- **Imports**
  - Main import markets → UAE, Singapore, India & Sri Lanka
  - Maldives imports from all South Asian countries except from Afghanistan

<table>
<thead>
<tr>
<th>Country</th>
<th>CIF Value (USD) Import</th>
<th>Main types</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>155.7 million</td>
<td>Sugars and sugar confectionery, Cereals, Milling products, malt, starches, inulin, wheat gluten, Edible vegetables and certain roots and tubers, Iron and steel</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>102.9 million</td>
<td>Electrical, electronic equipment, Machinery, Beverages, spirits and vinegar, Pharmaceutical products, Mineral fuels/oils/distillation products</td>
</tr>
<tr>
<td>Pakistan</td>
<td>9.1 million</td>
<td>Cereals, Vegetable, fruit, nut, etc., Cement, Plastics and articles thereof.</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>1.53 million</td>
<td>Beverages, spirits and vinegar, Dairy products, eggs, honey, edible animal product nes, Tobacco and manufactured tobacco substitutes, Pharmaceutical products, Articles of apparel, accessories, knit or crochet</td>
</tr>
<tr>
<td>Nepal</td>
<td>343 thousand</td>
<td>Carpets</td>
</tr>
<tr>
<td>Bhutan</td>
<td>14.87 thousand</td>
<td>Paper and paperboard, articles of pulp, paper and board</td>
</tr>
</tbody>
</table>

Source: International Trade Center Database (2014)
Trade Logistics Performance

- **Trading Across Borders**: 132 out of 189 (behind SL, Pakistan, India)
- Export – 21 days & Imports – 22 days
- Cost to export and import from/to the Maldives - 3rd highest in the region

<table>
<thead>
<tr>
<th>Country</th>
<th>Trading Across Borders (TAB) Rank</th>
<th>Exports</th>
<th></th>
<th>Imports</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Documents (number)</td>
<td>Time to export (days)</td>
<td>Cost to export (US$ per container)</td>
<td>Documents (number)</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>140</td>
<td>6</td>
<td>28.3</td>
<td>1281</td>
<td>9</td>
</tr>
<tr>
<td>Bhutan</td>
<td>165</td>
<td>9</td>
<td>38</td>
<td>2230</td>
<td>11</td>
</tr>
<tr>
<td>India</td>
<td>126</td>
<td>7</td>
<td>17.1</td>
<td>1332</td>
<td>10</td>
</tr>
<tr>
<td>Maldives</td>
<td>132</td>
<td>7</td>
<td>21</td>
<td>1625</td>
<td>9</td>
</tr>
<tr>
<td>Nepal</td>
<td>171</td>
<td>11</td>
<td>40</td>
<td>2545</td>
<td>11</td>
</tr>
<tr>
<td>Pakistan</td>
<td>108</td>
<td>8</td>
<td>20.7</td>
<td>765</td>
<td>8</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>69</td>
<td>7</td>
<td>16</td>
<td>560</td>
<td>7</td>
</tr>
</tbody>
</table>

Logistics Performance Index (LPI)

- Rank at 82/160 countries (2014); 104/155 (2012)
- 2014 - India and Pakistan perform the best in the region followed by Maldives

Source: World Bank
Main Trade Routes

- Main trade corridors - Male' Sea Port & Male' Airport
- Male’ airport – 3 times more declarations compared to sea port
- Sea cargo also handled at Kulhudhuffushi Port (North) and Gan Port (South)
- Regional airports for domestic cargo - Hanimaadhoo, Thimarafushi, Fuvah Mulah, Kaadedhoo, Koooodoo & Kadhhoo
- Cargo handled at domestic airports important because items such as dry fish can be airfreighted to Male’ airport

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Declarations</td>
<td>No. of Declarations</td>
</tr>
<tr>
<td>Male’ Airport</td>
<td>108,009</td>
<td>116,115</td>
</tr>
<tr>
<td>Male’ Seaport</td>
<td>38,461</td>
<td>39,887</td>
</tr>
<tr>
<td>Regional Customs</td>
<td>1,185</td>
<td>1,399</td>
</tr>
<tr>
<td><strong>Total processed Declarations</strong></td>
<td><strong>147,655</strong></td>
<td><strong>157,401</strong></td>
</tr>
</tbody>
</table>
Examines and evaluates difficulties, obstacles and inefficacies in the cross border movement of routine consignment to/from South Asia related,

(a) Publication & administration of policies related to trade issues
(b) Rules and procedures in exports and imports,
(c) Use of ICT to facilitate exports and imports
(d) Quality and efficiency of trade infrastructure and services
Methodology

• Survey - 30 respondents

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forwarder/ Agent/ Broker / Multimodal Transport operator</td>
<td>6</td>
</tr>
<tr>
<td>Exporter</td>
<td>5</td>
</tr>
<tr>
<td>Importer</td>
<td>6</td>
</tr>
<tr>
<td>Shipping line and ship’s agents</td>
<td>3</td>
</tr>
<tr>
<td>Port Authority</td>
<td>2</td>
</tr>
<tr>
<td>Airport authority</td>
<td>2</td>
</tr>
<tr>
<td>Customs authority</td>
<td>5</td>
</tr>
<tr>
<td>Ministry/ Department of Commerce</td>
<td>1</td>
</tr>
</tbody>
</table>

• Export Products – Fish

• Import Products – Rice & Medicine

• Challenges:
  • Regulated by government; limited private sector involvement
  • Most products imported/exported from/to non-South Asian countries, relatively few companies in the Maldives engage with exports/imports to/from South Asia
Findings

Publication of trade related rules and regulations

- Website

Availability of a National Customs Website & Availability of Information in the Website

<table>
<thead>
<tr>
<th>Availability</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>27</td>
</tr>
<tr>
<td>Do not know</td>
<td>3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Information</th>
<th>No. of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Import export procedures</td>
<td>25 Yes, 5 Do not know</td>
</tr>
<tr>
<td>Applicable customs duties</td>
<td>25 Yes, 5 Do not know</td>
</tr>
<tr>
<td>Customs clearance procedures</td>
<td>25 Yes, 5 Do not know</td>
</tr>
<tr>
<td>Applicable fees and charges</td>
<td>20 Yes, 2 No, 8 Do not know</td>
</tr>
<tr>
<td>Changes in regulations</td>
<td>20 Yes, 4 No, 6 Do not know</td>
</tr>
<tr>
<td>Average release time</td>
<td>11 Yes, 9 No, 10 Do not know</td>
</tr>
</tbody>
</table>

Source: Survey

- Enquire points exist in Maldives Customs Service, Maldives Ports Authority & Maldives Airports Company
- Overall coordination between border management agencies is rated as “average” (Male’ airports - Revenue & customs authority, Immigration service, Health authority, Quarantine inspection service, Plant health inspectorate, Food standards agency & Security agencies are present
Findings

- **Documentation**
  - **Exports**
    - 3-6 documents when exporting from Maldives to South Asia, while 4 to 6 documents are required to export to other countries

<table>
<thead>
<tr>
<th>Export Documents</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sea Cargo</td>
<td>Air Cargo</td>
</tr>
<tr>
<td>Customs Declaration (CUSDEC)</td>
<td>Customs Declaration (CUSDEC)</td>
</tr>
<tr>
<td>Commercial Invoice</td>
<td>Commercial Invoice</td>
</tr>
<tr>
<td>Packing List</td>
<td>Packing List</td>
</tr>
<tr>
<td>Bill of Lading</td>
<td>Airway Bill</td>
</tr>
<tr>
<td>Cargo Dispatch Note (CDN)</td>
<td>Cargo Dispatch Note (CDN)</td>
</tr>
<tr>
<td>Certificate or Origin (where necessary)</td>
<td>Certificate of Origin (where necessary)</td>
</tr>
</tbody>
</table>

- On average 3 to 4 signatures are required for exports
- No. of days for export document preparation: 2 to 3 days
- Average time taken to clear outward goods in Maldives - 1.6 days at Airport & 3.5 days at the sea port

**Average Times to Clear Outward Goods**

- **Male' Port**
  - 35% 1 day
  - 34% 2 days
  - 11% 4.8 days
  - 8% 6.5 days
  - 4% 7.5 days
  - 4% NA

- **Male' Airport**
  - 35% 1 day
  - 42% 2 days
  - 8% 2.5 days
  - 11% 3 days
  - 4% NA

Source: Survey
Findings

- **Automation of the Export/Import Procedure**
  - CUSDEC can be submitted/processed electronically/or online
  - Support documents can be submitted online
  - But, original copies of documents need to be handed over for goods to be released
  - Not adopted a SW yet

- **Advance Ruling**
  - Available but many not aware of the service

- **Risk/Threat Assessment Technique and Physical Inspection of Inward Cargo**
  - Green, yellow and red channels to assess risks/threats introduced recently.

- **Post Clearance Audit**
  - Post clearance audits currently limited to desk audits. WCO (2014) has recommended to change the current practice of desk audits to field audits
Priority Areas of Trade Facilitation

• Publication and Administration of Policies Related to Trade Issues
  • Not comprehensive, adequate or effective

• Rules & Procedures for Imports and Exports
  • Maldives - net food importing country & at the same time fish products are its main exports
  • Hence the need to reduce the time taken for clearance is a key area of concern in trade facilitation in Maldives
  • Priorities: (i) the need to reduce time taken to clear goods (ii) the need to reduce irregular payments/bribes (iii) the need to decrease the number/time required for export/import documents
Priority Areas of Trade Facilitation

• Information available on different procedures, but low usage of services available online low due unfamiliarity & lack of confidence.

• Opportunity to increase efficiency in obtaining the required documentation regarding standards
  • No. of days to prepare documents to export to SA lower than other developed countries - higher standards requirements to other countries, in items such as fish

• High levels of physical checks of inward goods – over 50%
Priority Areas of Trade Facilitation

- **Infrastructure at the port/airport**
  - Underdeveloped & does not meet the needs or the expectations of some traders.
  - i.e. no gantries in the Maldivian Port, hence ships transporting goods to Maldives need to have gantries in them.
  - Sea port owns only a handful of fork lifts (4 -5) to handle cargo & lack skilled technicians to operate machinery.
  - Safety related issues.
  - The need to infuse new technology to the Port operations as well as improving safety regulations in the port highlighted.
- **Airport**
  - does not provide facilities like trolley for exporters to transport their cargo
  - exporters take their own equipment for this purpose; specific storage unit/space is not provided
Priority Areas of Trade Facilitation

- **Storage & Warehouse Facilities**

  - Expensive due to limited storage facilities, stemming from the lack of space in Male’
    
    i.e. rent excluding utilities is around Rf. 70,000 -80,000

  - No regulation on charges, hence warehouse charges are high

  - Need for the government to invest in a ‘go-down’ in order to facilitate the reduction of costs attached to storing goods
Priority Areas of Trade Facilitation

• **Improvements in Inland transportation & loading/unloading facilities**
  • According to traders about 70% of the cargo loaded/unloaded to/from dhoni’s manually
  • This makes inland transportation costly & time consuming
  • Private dhoni charges are made trip-wise and not container-wiser driving costs high
  • Some freight forwarders have their own dhonis to keep costs low
Priority Areas of Trade Facilitation

• **Better Coordination between border management**
  - Currently, offices are scattered.
    i.e. Airlines do not have offices in the Airport & are located in a separate island.

  • Coordination could be achieved by introducing a consolidated portal where all actors in the trading process are linked.

  • Setting up a ‘one-stop shop’ where relevant organizations are physically brought into one location would be beneficial for traders till a SW is in place
Priority Areas of Trade Facilitation

• Authorised Trader Schemes not available in the Maldives. Such a scheme is necessary to facilitate customers with a good record.

• Maldives Monetary Authority (MMA) started rationing foreign exchange supplied to the banking system in 2009 → black market for foreign exchanged with high premiums of 5 to 9% in ER.

• Costs of air cargo, port services, airport services, and maritime transportation identified to be high.

• Post clearance audits need to be extended in order to speed up the physical verifications that are presently being undertaken.

• Need for improvement of efficiency particularly in airports/ports as congestion and constraint in space is a problem
Thank you!