



TRADE POLICY REVIEW

REPORT BY

MALDIVES

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Maldives is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Maldives.

Contents

1 INTRODUCTION	4
2 OVERVIEW OF THE ECONOMY	4
2.1 Production, Prices and Employment.....	4
2.2 Public Finance/Fiscal Policy	5
2.3 Financial Sector and Monetary Development.....	6
2.4 Balance of Payments and External Sector.....	8
3 TRADE POLICY AND PERFORMANCE	9
3.1 Trade Policy Objectives and Framework	9
3.2 Bilateral Trade Arrangements	9
3.3 Regional Trade Agreements	10
3.4 External Trade Performance	10
3.5 Law on Export and Import and Law on Prohibited Imports	11
3.6 Customs Valuation and Modernization.....	13
3.7 Sanitary and Phytosanitary (SPS) Measures	14
3.8 Environmental Measures.....	15
3.9 Services.....	16
3.10 Trade Related Intellectual Property Rights	16
4 INDUSTRIAL DEVELOPMENT AND DIVERSIFICATION.....	16
4.1 Industrial Development	16
4.2 Measures for Industrial Development.....	17
4.3 Industry Diversification	18
4.3.1 Tourism.....	18
4.3.2 Fisheries.....	19
4.3.3 Agriculture.....	19
4.3.4 Energy	19
5 FOREIGN DIRECT INVESTMENT, SPECIAL ECONOMIC ZONES AND PRIVATISATION.....	20
5.1 Trade and Investment Policy	20
5.2 Increasing Flows of Foreign Direct Investment	20
5.3 Legal and Regulatory Regime Governing Foreign Investment	21
5.3.1 Normal Regime governing Foreign Investments.....	22
5.3.2 Special Economic Zones Regime:	22
5.4 Public Private Partnership	24
5.5 Providing Investments Opportunities to SMEs	24
5.5.1 Formalization of the sector	24
5.5.2 Facilitating Financial Access.....	24
5.5.3 Business Service Support and Entrepreneurship Development	25
5.5.4 Facilitating Market Access	25
6 GRADUATION OF MALDIVES AS A DEVELOPING COUNTRY	25

6.1	Graduation of the Maldives from LDC Status.....	25
6.2	Trade Impact of LDC graduation	25
6.3	Trade Related Technical and Financial Assistance	27
6.4	Continued Access for Trade Related Technical and Financial Assistance.....	27
6.5	Moving forward as a developing country	28
6.6	Future Outlook.....	28

CHARTS

Chart 3.1	Import and export trend, 2009-2014	11
Chart 5.1	Investment Approval Process under SEZ	23

TABLES

Table 2.1	Interest Rates on Loans and Advances, 2007–2014.....	7
Table 3.1	Export, import and balance of payment, 2009-2015	11
Table 4.1	Manufacturing contribution to GDP, 2009 -2014	16
Table 5.1	Restricted Areas for foreign Investments	22
Table 6.1	Fish Exports to EU.....	26

1 INTRODUCTION

1.1. Maldives has experienced rapid economic growth along with relative political stability and social harmony for the last three decades. Since gaining independence from Britain after 78 years as a protectorate, the country has continued on a path of development and building self-confidence in many aspects of economic and social development.

1.2. Over the last six years since its second trade policy review in 2009, Maldives has continued to achieve excellent levels of economic development relative to its neighbours, despite political turbulence in the wake of the country adopting a new constitution, with enhanced political and civil rights. Maldives has continued to pursue economic development within the context of a liberalized economy with much improved and transparent trade policies.

1.3. Following the adoption of a new constitution in August 2008, a multi-party democratic election was held in October 2008. The newly elected government, had the challenge of consolidating the political reform programme initiated by the previous Administration, instituting a new process of reform and modernisation of democratic institutions. The new constitution allowed for far greater political and civil rights and greater involvement of the public in the governance process. The new constitution also introduced new democratic architecture allowing for the independent functioning of the Executive, Parliament and Judiciary, and putting in place several independent watchdog institutions. The economic and financial cost of the new democratic constitution was significant for the State, which quickly took steps to re-structure the economy, particularly to find new ways to raise additional sources of finances to meet the state expenditures.

1.4. The country has now emerged strong with 6 registered political parties, which provided the citizens with a robust democratic arena to express their aspirations and at the same time made it possible to build political consensus on issues of national significance. The international community welcomed the institution-building efforts of the government, and provided sustained support to these efforts.

1.5. Maldives is one of the few Millennium Development Goals (MDG) plus countries in the South Asia region with 5 out of 8 of the MDG targets achieved. Rapid progress was made on poverty, education and health targets. Significant improvement is seen on empowerment of women as well.

2 OVERVIEW OF THE ECONOMY

2.1 Production, Prices and Employment

2.1. Maldives has achieved robust growth during the period under review. Both per capita income and per capita GDP have risen substantially, accompanied by a marked improvement in social indicators during this period. Average GDP growth for the review period (2009-2014) was 4.0%, driven by a stable growth in the tourism sector and a booming construction industry. GDP growth for 2014 was 6.5% and the expected GDP growth rate for 2015 is 4.8%.

2.2. Nominal GDP stood at US\$3,055.9 million as at end 2014. Maldives is one of the fastest growing economies in South Asia, with a per capita GDP of US\$6,791.6. Reflecting the growing and expanding economy, the country graduated from Least Developed Country (LDC) status in January 2011, and is now categorized as an upper-middle income country.

2.3. Being a small open economy with limited resources, Maldivian economy is largely driven by its tourism sector, with tourism being the main foreign exchange earner. Although the share of the fishery industry in its contribution of GDP has dwindled over the years, it still remains an important means of livelihood for the community.

2.4. Apart from these two industries, transport, construction, wholesale and retail trade, are significant contributors to GDP growth. Moreover, the public sector has played a key role in the provision of socio-economic services and infrastructure.

2.5. Government involvement in commercial activities is still strong, with around 91 enterprises with state shareholdings, as of date. Of these, around 26 are state-owned enterprises (SoEs) with active involvement of the state with substantial shareholdings. Many of the remaining enterprises include JV's that were created for infrastructure and tourism development.

2.6. An important development since the last Trade Policy Review has been the enactment of the Privatization, Corporatization, Monitoring and Evaluation of Government Businesses Act (3/2013) in January 2013. The purpose of this Act is to strengthen the governance and performance of SoEs, establishing a framework for monitoring their performance and fostering commercial sector development in economic activities. Under the Act a seven member Privatization and Corporatization Board (PCB) was established for the first time in June 2013.

2.7. There are six SOEs currently listed on the Maldives Stock Exchange, which are subject to additional disclosure and regulatory requirements applicable for listed companies.

2.8. Total labour force in the Maldives was at 189,763 in 2013 increasing to 195,149 in 2014.¹ This is supplemented by a relatively large expatriate labour force. Labour force participation rate for 2014 is at 67%.² Unemployment as a percentage of labour force in 2013 is estimated to be around 11.6%.³

2.2 Public Finance/Fiscal Policy

2.9. Given the demands of delivering on the new constitution, an expanded government system, deficiencies in public infrastructure, and the continued spread of the population in scattered islands, state expenditure has increased substantially since the last Trade Policy Review.

2.10. Government expenditure has increased from Rf 11.1 billion in 2009 to Rf 16.5 billion in 2014. The expansion in public expenditure has come concurrent with an expansion in public debt, especially domestic debt.

2.11. Total public debt has increased from Rf 19.7 billion in 2010 to Rf 31.3 billion by 2014, with a debt-to-GDP ratio of 66% in 2014. In 2014, over 65% of public debt was held domestically.

2.12. It is understood that an effective reduction in expenditure would not be possible as long as the population of the Maldives remains dispersed, with accompanying social services and public infrastructure being provided and maintained at the dispersed island level. As such it is a policy of the government to develop selected urban centres across the Maldives, which would draw in the dispersed population, into fewer population centres.

2.13. In the spirit of taking public finances and the fiscal policy towards a more sustainable path, the People's Majlis passed a Fiscal Responsibility Act in April 2013, which came into effect in May 2014.

2.14. Furthermore with the delivery of the 2016 government budget, the Minister of Finance and Treasury appealed to the People's Majlis to review the various laws that have been enacted since the new constitution which imposes substantial burden on public finances.

2.15. The 2016 budget promises to set the stage for further economic development and increase the pace of growth, through investments in necessary infrastructure development and further empowerment of the private sector. The 2016 budget has proposed the highest Public Sector Investment Program (PSIP) to date, with Rf 9.1 billion budgeted for government led investment projects.

2.16. Since the last Trade Policy Review, major reforms have been brought to the revenue framework of the State. Prior to 2011, the primary source of revenue for the government was import duties, tourism bed tax and lease rent on resorts. In 2011 major steps were taken to bring a modern tax system to the Maldives. In the year 2011, a Tourism Goods and Services Tax

¹ World Bank Data (Modeled ILO estimate), <http://data.worldbank.org/indicator/SL.TLF.CACT.ZS>

² World Bank Data (Modeled ILO estimate), <http://data.worldbank.org/indicator/SL.TLF.CACT.ZS>

³ UN Data – World statistics yearbook, <http://data.un.org/CountryProfile.aspx?crName=MALDIVES>

(T-GST) was introduced on the value of goods and services supplied by tourism establishments. Subsequently, the scope of GST has been broadened under the Goods and Services Tax (GST) Act of 2011, with a dual tax rate of T-GST applied to goods and services from tourism establishments and a General GST (G-GST) applicable for other goods and services.

2.17. Additionally, a Business Profit Tax was introduced in 2011 with a tax rate of 15% on profits exceeding Rf 500,000 in a tax year, and a withholding tax of 10% on specific payments made by businesses to non-residents.

2.18. The government introduced a green tax of US\$6 per bed-night from each arriving tourist, staying in tourist establishments, excluding guest houses. The Green tax collection was commenced from 1 November 2015, and is meant to be utilized for environmental protection, conservation and waste management.

2.19. Since 2011 the proportion of government revenue generated from taxation has increased substantially. While 46% of the government revenue was generated from taxes in 2010, more than 70% of the revenue in 2014 was generated from taxes.

2.20. The government acknowledges that the tax system still needs further refinement to make it more efficient. The government policy is to further reform the tax system that facilitates private sector development while at the same time supporting fiscal consolidation efforts.

2.3 Financial Sector and Monetary Development

2.21. The Maldives' financial sector remains at a nascent stage of development, and is dominated by banks. These include two locally incorporated banks, four branches of foreign banks and one subsidiary of a foreign bank, together accounting for more than 62% of the financial sector assets.⁴ Among these banks, two to three dominate all lending activities. Other financial institutions operating in the Maldives include a specialized housing finance institution, a financial leasing company, insurance companies, money remittance companies, a pension fund, and insurance brokers and agents and securities market intermediaries.

2.22. The banking sector of the Maldives is highly exposed to the tourism sector, with more than 40% of the loans being granted to the tourism sector. This places the local banking sector of the Maldives extremely vulnerable to external shocks that affect tourism.

2.23. The cost of borrowing is generally high in the Maldives, and it remains as a major impediment for investments. It has been cited in central bank's annual economic reviews that the lending rates of commercial banks are generally very high, 'reflecting the risk component and the insufficient competition in the market'.⁵ The lending interest rate has remained in double digits in November 2015 at 10.77%.

2.24. Effective from 20 August 2015, the Maldives Minimum Reserve Ratio (MRR) was reduced from 20% to 10% of the average local and foreign currency deposits, excluding inter-bank deposits of other banks in Maldives and L/C margin deposits. The reserve requirement for local currency is to be met in the form of rufiyaa deposits, while reserve requirement for foreign currency is to be met in the form of U.S. dollar deposits. With regard to the interest on reserves, the rufiyaa MRR balances are remunerated at 1% per annum and U.S. dollar MRR balances are remunerated at 0.01% per annum.

⁴ Financial sector assets are calculated as the sum of total assets of MMA, commercial banks and other financial corporations

⁵ Annual Economic Review 2011, Maldives Monetary Authority. The same observation was made in the Annual Economic Review of 2009 and 2010, respectively.

Table 2.1 Interest rates on Loans and Advances^a, 2007–2014

(% per annum, end of period)

	2007	2008	2009	2010	2011	2012	2013	2014 ^c
Public non-financial corporations								
Min nc	8.00	8.00	8	7.50	7.50	7.50		
Max nc	13.00	13.00	13	12.00	12.00	12.00		
Weighted Average nc	–	–	–	8.75	8.71	8.95	11.02	10.81
Min fc	7.50	5.50	5.5	8.50	7.00	7.00		
Max fc	13.00	13	13.00	13.00	13.08	13.00		
Weighted Average fc	–	–	–	10.01	9.73	9.33	9.24	9.05
Private Sector								
Min nc	8.00	8.00	8.00	5.00	5.00	5.00		
Max nc	13.00	13.00	13.00	14.00	14.00	14.00		
Weighted Average nc	–	–	–	10.45	10.17	10.51	11.42	11.43
Min fc	7.50	5.50	5.50	2.91	2.00	2.86		
Max fc	13.00	13.00	13.00	19.30	18.00	18.00		
Weighted Average fc	–	–	–	8.28	8.42	8.68	8.58	8.43
Treasury Bills ^b								
28-day (weighted average)	6.00	6.00	5.97	4.51	6.97	7.87	10.03	9.12
91-day (weighted average)	6.25	6.25	6.13	5.35	6.96	7.90	10.21	9.52
182-day (weighted average)	–	–	–	5.50	6.97	7.85	10.00	10.57
364-day (weighted average)	–	–	–	–	–	7.86	10.50	9.00

a Loan and Advances minimum and maximum rates include the penal rates charged on unplanned advances or overdrafts and overdue instalments.

b Treasury Bills were issued on 11 September 2006 replacing certificates of deposit. Since 27 December 2009, the rates represent the weighted average interest rate accepted by the government.

c Figures are averages for January to May 2014.

Note: – = not indicated, nc = rufiyaa denominated loans, fc = foreign currency denominated loans.

Source: MMA Annual Economic Review 2013, Table 16; MMA Monthly Statistics, June 2014, Table 8.

2.25. There are several areas in the financial services sector that have witnessed significant growth.

2.26. Islamic banking has grown rapidly in recent years, with the establishment of the first Islamic bank in Maldives in 2011 and the issuance of financial instruments through the Maldives Stock Exchange. Moreover, significant growth has also been observed in the insurance sector. There are three locally incorporated insurance companies in the Maldives including one composite company which provides both life and non-life insurance policies.

2.27. Capital Market Development Authority (CMDA) as the regulator of the capital market in the Maldives has implemented a number of strategies and initiated various projects towards further development of the market. The most recent of which is the Capital Market Strategic Plan 2015 – 2019, which details strategic priorities and provides directions on the strategies to be achieved for specific objectives under the priority areas. The development of domestic capital markets began only in 2006 with the enactment of Maldives Securities Act.

2.28. Insurance penetration in the Maldives increased from 0.80% in 2010 to 1.09% in 2014; a similar trend has followed in insurance density, which rose from US\$60.2 to US\$97.70 during the same period. Life insurance business in Maldives is low, with the proportion of life insurance business in relation to total insurance premium (both life and general) being insignificant.

2.29. Due to under-developed nature of the Maldives banking sector, it is reported that financing needs, particularly investments, in many of the sectors, including tourism, are serviced by foreign sources.

2.30. Though Maldives has not made any binding commitments on financial services under GATS, the Government of Maldives has allowed foreign investments in financial services industry, including, banking, leasing, housing finance, islamic finance, insurance and money transfer services.

2.31. As part of Government's economic diversification plans, development of financial services is considered a key priority area. Moreover, given the ambitious plans of the Government for tourism and other infrastructure development projects, opportunities lie ahead for firms operating in the financial service sector.

2.32. In 2014, the financial services share in GDP accounted for 2.1% as per real GDP at market price and 4.5% as per nominal GDP at market price. The sector is estimated to have contributed US\$137million to the economy in 2014. During the period 2011-2014, the sector has grown at an average rate of 1.9% while it is projected to grow at an average rate of 2.5% for the period 2015-2017.

2.33. By the end of 2014, there were a total of 35 bank branches to cater to a population of 341,256 dispersed across 184 islands. Ratio of commercial bank assets to GDP declined slightly by 1 percentage point from 88% in 2011 to 87% in 2014 while the ratio of non-banking financial institutions assets to GDP rose during the same period. Compared to the banking sector, insurance sector representation is very low, with insurance company assets to GDP of 1.78%, while pension fund deposits to GDP stands at 16.4%.

2.4 Balance of Payments and External Sector⁶

2.34. Maldives depends mainly on imports for consumption. The lack of import substituting industries and manufacturing capacity for exports results in persistent current account deficits. However the current account deficit has been reducing over the review period and recorded at US\$125 million in 2014. The current account deficit as a percent of GDP averaged at around 9% during the review period. The improvement in current account was largely due to the services account surplus with the increase in travel receipts which offset the payments for imports.

2.35. The main reason for the continued current account deficit has been due to the rise in imports. During the review period, imports increased with the rise in global prices together with the demand for imports. Of the total imports petroleum and food products, increased substantially due to the increases in global prices. Likewise, with the increase in infrastructural projects coupled with the increase in global construction material prices, imports of construction materials increased over years.

2.36. Exports, which comprises of domestic export and re-export, was on an increasing trend during the review period. The domestic export, which consists almost entirely of fish exports, increased on average by 8% while re-export, mainly jet-fuel, increased by 5% during the review period.

2.37. The services account is dominated substantially by the inflows of foreign exchange earnings from the tourism sector. During the review period, earnings on export of services rose with the increase in travel receipts which recorded a 10% increase on average. Meanwhile, the deficit on the income account widened with the increase in outflows due to dividend payments made to the direct investors and government interest payments made on public external debt. Balance on current transfers continue to be in deficit during the review period and the deficit increased on average by 8% reflecting the increase in workers remittances by the expatriate labour force.

2.38. The equity capital inflow from Foreign Direct Investment to Maldives dominates the financial account of the balance of payments registering a net inflow during period. In order to attract portfolio investments into the country a modern capital market needs to be developed.

2.39. At the beginning of the review period, the overall balance recorded a deficit, which bounced back and recorded a surplus in 2014. This was mainly due to the increase in the net inflows on the financial account, which offset the deterioration in the current account deficit. As a result, gross international reserves increased over the review period and stood at US\$614.7 million at the end of 2014 which is equivalent to 3.7 months of imports.

⁶ In MMA's efforts to improve the coverage of BOP statistics, some of the assumptions and methodology used in the compilation process has been revised as of 30 October 2014. Therefore, data for 2011-2014 is not comparable with publications before November 2014.

2.40. By the end of 2014, external debt of the government and commercial banks stood at US\$738.5 million which has decreased on an average by 3% over the review period. This was mainly due to a substantial decrease in external debt of commercial banks.

2.41. The lack of a statistical framework for collecting data on external debt limits the external debt statistics to public and publicly guaranteed foreign borrowings of the government and foreign liabilities of the commercial banks.

2.42. There is no exchange control legislation in the Maldives. Both residents and non-residents may freely import and export capital through the foreign exchange market and residents do not require permission to maintain foreign currency accounts either at home or abroad. There is no distinction made between foreign nationals residing in Maldives and Maldivians in terms of accounts held with the banks operating in the Maldives. Inward direct investments require prior government approval for investment. However, there are no restrictions on the repatriation of profits or earnings.

2.43. The Maldives moved from the conventional peg to the United States (US) dollar and adopted a new type of an exchange rate regime during the review period. Taking effect from 11 April 2011, the Maldivian Rufiyaa was allowed to fluctuate within a horizontal band of 20% on either side of a central parity of Rf 12.85 per U.S. dollar. Since the introduction of the exchange rate band, the exchange rate of rufiyaa per U.S. dollar has moved towards the upper limit of the band (15.42) and stood at 15.40 at the end of 2014.

3 TRADE POLICY AND PERFORMANCE

3.1 Trade Policy Objectives and Framework

3.1. Maldives has always maintained an outward oriented and liberal trade regime and successive governments have consistently followed this policy.

3.2. Trade policy is geared towards expanding mutual co-operation with our key trade partners with the objective of ensuring market access for our limited export products, facilitate consumer choice for locals and to fill the gaps in the provision of services trade, through a very liberal and transparent services trade regime.

3.3. With the graduation of the country from the LDC group, and with the gradual erosion of previously accorded preferential trade arrangements, the Government of Maldives has intensified efforts to engage with its bilateral partners. The main driver of these initiatives is to improve market access for its limited export products, find new avenues to increase the productive capacity of the country in tradable goods and to widen the scope of services trade beyond the current tourism services.

3.4. Maldives is a founding member of the World Trading Organization (WTO) and the South Asian Association for Regional Cooperation (SAARC). In addition, Maldives is a member of the Organization of Islamic Cooperation (OIC) and is signatory to the Framework Agreement on Trade Preferential System among the Member states of the Organization of the Islamic Conference (ratified on April 2006).

3.2 Bilateral Trade Arrangements

3.5. Maldives has always maintained strong relations with its bi-lateral partners.

3.6. Trade policy of the Maldives is geared towards expanding mutual cooperation with its key trade partners with the objective of ensuring market access for its export products, enable import of quality merchandise and to facilitate services trade.

3.7. The oldest bilateral arrangement, as identified in the first Trade Policy Review report, is the "Trade Agreement between the Government of the Republic of Maldives and the Government of the Republic of India" in force since 31 March 1981.

3.8. Maldives benefitted from a preferential Zero Tariff Treatment to 60% of the products Agreement with China which ceased being effective on 31 December 2013, as a result of Maldives' graduation from an LDC to a middle income country.

3.9. Maldives signed an agreement on Trade and Economic Cooperation with the Government of the People's Republic of China in 16 December 2008.

3.10. On 15 April 2013, an Agreement on Economic, Commercial and Technical Cooperation between the Government of the State of Qatar and the Government of Maldives was signed.

3.11. A Trade and Economic Cooperation Agreement between the Government of the Kingdom of Thailand and the Government of Maldives was signed in June 2013.

3.12. On 15 September 2014, an agreement on establishing a Joint Committee on Economic and Trade Cooperation between the Government of the People's Republic of China and the Government of Maldives was signed. As an outcome of discussions under this Agreement, an MOU between China and Maldives was signed on 8 September 2015, launching formal negotiations for a possible China-Maldives Free Trade Agreement.

3.13. On 16 December 2014, Maldives signed an MOU between the Ministry of Commerce of China and the Ministry of Economic Development of Maldives on Joint Construction of Maritime Silk Road of the 21 Century under the Framework of China-Maldives Joint Committee for Economic and Trade Cooperation.

3.14. MOU on Promoting construction of Male'-Hulhule'-Bridge Project between Ministry of Commerce of China and Ministry of Economic Development was signed on 15 September 2014.

3.15. The government is also at the discussion stages to conclude similar cooperation agreements with Turkey, the State of Kuwait, Bulgaria and Mauritius.

3.3 Regional Trade Agreements

3.16. Maldives enjoyed tariff-free entry to the EU for its canned and fresh fish exports, under the Everything but Arms (EBA) until 31 December 2013 until the scheme expired due to Maldives' graduation from LDC status. The EU market is the second most important market for Maldives exports, accounting for more than 30% of total exports.

3.17. Maldives has been an active member of the South Asian Agreement on Regional Co-operation (SAARC) and its trade liberalization initiative, South Asian Free Trade Agreement (SAFTA) since its inception. Maldives is also a signatory of the SAARC Agreement on Trade in Services (SATIS), which was signed in April 2010. The agreement brought in services trade within the ambit of SAFTA.

3.18. Currently Maldives is in the process of exchanging the services offer list with the member countries and is considering to make specific commitments that would be WTO plus.

3.19. Maldives joined Organization of Islamic Cooperation on August 1974. Maldives is a party to the Trade Negotiation Committee (TNC), a committee that is negotiating to establish a Trade Preference system specific to Organization of Islamic Cooperation (OIC) member states.

3.4 External Trade Performance

3.20. The country's total export in 2014 decreased from Rf 5,103 million to Rf 4,639 million, a decrease of 9.1% over the year 2014 (Table 3.1). Average growth rate for the past years is 5.03%. Fish and fish related products have always been the main export products from Maldives.

3.21. The biggest single shares in the fish exports category were attributable to fresh, chilled or frozen tuna (82.22%) and canned or pouched fish (11.36%).

3.22. Imports grew at an average rate of 8.31% for the period 2009-2014, as presented in Table 3.1 and Chart 3.1.

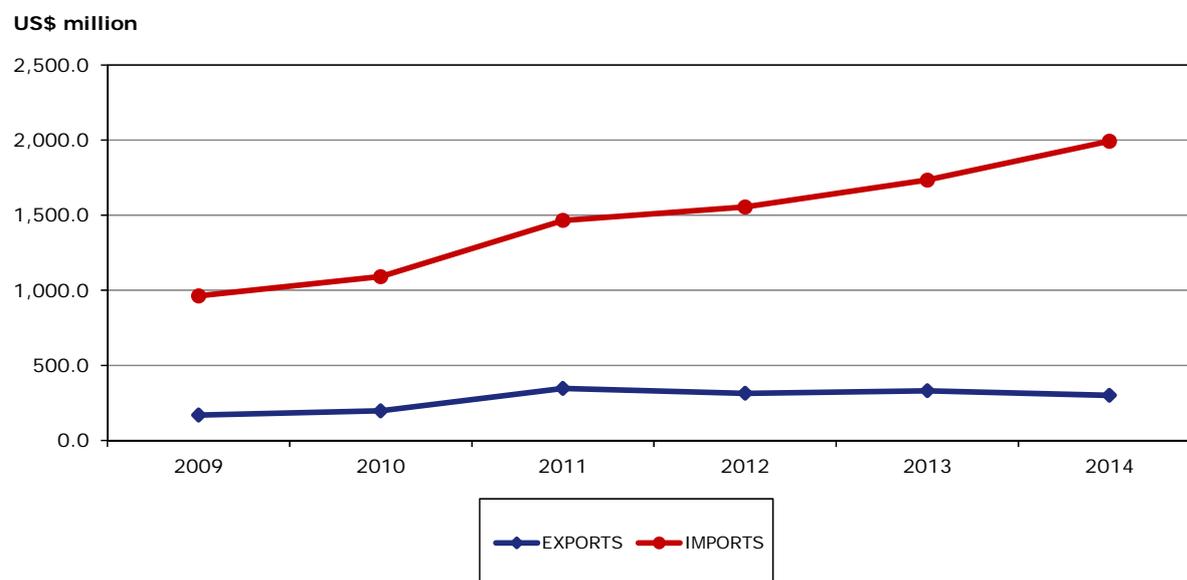
Table 3.1 Export, import and balance of payment^a, 2009-2015

	2009	2010	2011	2012	2013	2014	2015 (Jan-Sep)
EXPORTS							
Total (f.o.b. in US\$ million)	169.04	197.50	346.37	314.42	330.97	300.87	188.94
Fish exports (f.o.b. in US\$ million)	71.98	68.26	120.58	156.07	161.32	139.15	105.18
Fish products, sea food, marine product nes & live fish (f.o.b. in US\$ million)	1.72	2.03	2.36	1.95	1.77	1.95	2.03
Garments & other exports (f.o.b. in US\$ million)	2.67	3.63	4.44	3.57	3.44	3.75	3.30
IMPORTS							
Total (f.o.b. in Rf million)							
Total (f.o.b. in US\$ million)	962.53	1,090.86	1,465.32	1,554.31	1,733.41	1,992.54	1,401.17
BALANCE OF PAYMENTS (in US\$ million)							
	2009	2010	2011	2012	2013	2014	2015 (estimate)
Trade Balance			-1,370.5	-1,261.4	-1,372.0	-1,660.0	-1,896.9
Current account balance			-383.4	-184.5	-127.4	-124.6	-399.9
Overall balance			-15.2	-30.4	63.8	247.2	-25
Services (net)			1,523.5	1,608.20	1,895.60	2,230.20	2,183.20
Current transfers (net)			-241.8	-259.2	-287.2	-324.7	-358.1
Capital account			28.5	17.4	7.9	6.6	46.3
Financial account			416.4	187.7	67.4	507	301.7

a The export figures includes re-exports.

Source: MMA.

Chart 3.1 Import and export trend, 2009-2014



3.5 Law on Export and Import and Law on Prohibited Imports

3.23. The main law governing international trade is the Law on Export and Import of 31/1979 which stipulates the conditions and procedures for the import and export of goods. The Law entrusts the Ministry of Economic Development (MED) as the government authority to regulate export and import, as well as determine tariffs.

3.24. The tariff remains the main trade policy measure to regulate foreign trade. Its traditional significance as a revenue instrument has diminished with the roll-out of a new progressive tax

regime in the country. By end of 2014, the share of the customs tariff revenue in the total tax receipt has declined from 67.7% in 2009 to 16.5%.

3.25. The basic MFN tariff structure remains the same over the review period with all duties being levied on ad valorem basis except a specific duty of Rf 1.25 per stick on cigarette.

3.26. As stipulated in the Export and Import Act, tariffs are levied at 13 different rates⁷ by the MCS, using the 2012 version of World Customs Organization's Harmonised System (HS-2012). Under the current tariff structure, Maldives national tariff lines have 8,659 items at the ten-digit level. However due to lack of imports under some lines, currently only 6,422 tariff lines are used at ten digit level. Over 99% of tariff lines are ad valorem, levied on the c.i.f. value of imports.

3.27. The MFN tariff rates applied at the border underwent significant changes since 2012, with the revisions brought to the Import Export Act. Duty is levied on less than 66% of the tariff lines. Less than 6% of the tariff lines are subject to a duty rate equal or higher than 35%. Approximately, 34%⁸ of the tariff lines are subject to a zero rate and is applied to essential goods such as food, medicine, construction goods including cement, sand and wood, fertilizers, garments, domestic electric appliances, environment friendly goods, machineries and vehicles which run on renewable energy.

3.28. The highest rate of duty currently imposed is 400%, levied on non-biodegradable plastic bags and polythene sheets as a measure to protect the fragile ecosystem and environment of the country.

3.29. The Government acknowledges that the applied tariff rates of some of the products are higher than the WTO bound rates. The government is committed to further consolidate the modern tax system introduced in 2009 to provide the government added flexibility, with less dependence on tariff revenues. This would provide an opportunity for government to further liberalize tariff rates in future.

3.30. Except for ambergris, no duty or taxes are levied on exports. Maldives does not impose a quota system on any general import items under its current policies. However, on environmental grounds, Maldives imposes a quota on the import of substances that deplete the ozone layers such as HCFC gas and also on export of live tropical aquarium fish. Maldives has also banned export of 20 marine products to protect the endangered fauna.

3.31. As a member country of Montreal Protocol on Substances that Deplete the Ozone Layer, Maldives has to phase-out HCFCs by 2030. The HCFC Phase-out Management Plan (HPMP) of Maldives is aimed for an accelerated phase-out of HCFC consumption by 2020. As per the HCFC phase-out target of the Maldives, the import of HCFCs has been controlled since 2011 and it can be imported to the country with prior approval from the Ministry of Environment and Energy.

3.32. The National Ozone Unit allocates national annual HCFC and HCFC blends quota for each importer based on importer's import history and other relevant considerations, following the HPMP of the Maldives and the phase-out schedule. Companies granted HCFC import quotas are selected through open bidding process annually. An internal evaluation committee is formulated within the Ministry of Environment and Energy to evaluate the bids submitted to obtain HCFC import quotas. The committee looks into various established criteria for selections and allocation of import quotas, including the past year's performance of the company on HCFC import and distribution in the country.

3.33. Following amendments to the Export Import Law during the review period, government has the discretion to exempt duty for imports, especially if goods imported are used to commence economically significant activities, for industrial purposes and development of infrastructure and tourist resorts. Duty exemptions for such purposes are afforded to high value machineries, capital goods and construction materials. Duty concessions are also granted to environmentally friendly products and to foster value addition activities in industries such as poultry farming, fisheries and agriculture.

⁷ 12 *ad valorem* and one specific duty.

⁸ If all tariff lines (including inactive lines) are included it will be 31.5%.

3.34. There are no changes to the Law⁹ on Prohibited Imports since the last trade policy review. Under this, goods are prohibited on the basis of national security and religious grounds. Goods subjected to restricted imports require prior permits from the relevant government authorities.

3.6 Customs Valuation and Modernization

3.35. During the review period, a new Customs Act came into force in May 2011. Under the Law, Maldives Customs Service (MCS) is mandated with the responsibilities of monitoring and controlling the movement of passengers, goods and conveyances arriving in and departing from Maldives; administering all functions relating to import and export as stipulated under the Laws governing foreign trade; and collection of Customs revenue.

3.36. The Customs Act and its supporting regulations and policies are formulated in accordance with the international laws, regulations and standards, including the International Convention on the Harmonized Commodity Description and Coding System, and the WTO Valuation Agreement.

3.37. Government is also in the process of obtaining accession to the Revised Kyoto Convention (RKC).

3.38. With the implementation of the new Customs Act, the previous practise of undertaking custom valuation based on MCS valuation database compiled from the rates generally declared to customs by importer has been completely phased out.

3.39. Currently, valuation is undertaken as specified in the WTO Valuation Agreement, and the primary method for appraising the customs value of the goods is based on the transaction value of the goods. In addition a Post Clearance Audit system is in place in accordance with the guidelines of WCO, which would serve as a control mechanism for the current valuation process and procedure.

3.40. Custom procedures are based on the use of modern methods and effective controls to combat fraud and to protect legitimate trade.

3.41. In this context, during the reporting period, various modernization and trade facilitation initiatives have been introduced to speed up and simplify import and export formalities. These include:

- Express channels to expedite customs clearance,
- Online submission and processing of Customs declaration and online payment system,
- Pre-arrival declaration processing service,
- Online manifest submission system,
- Pre-payment account system,
- Simplified customs declaration for individuals,
- Import licence issuance by Customs.

3.42. In addition, Maldives Customs Services has initiated work to upgrade the goods clearance system to ASYCUDA World, with a view towards introducing a paper-less trading environment.

3.43. The Government of Maldives has also announced its intention to develop a National Single Window for Trade Facilitation and is working with a number of donors to realize this goal.

3.44. Maldives Customs Services is committed to further improving the speed and efficiency of Customs procedures through risk management and modern trade facilitation measures and is

⁹ Law No. 4/75.

working on providing further facilitation for importers and exporters with high levels of compliance. Towards this end, Maldives Customs Service has introduced a Risk Management Framework and is working with the technical assistance of ADB to modernize the risk management process.

3.7 Sanitary and Phytosanitary (SPS) Measures

3.45. Measures relating to export of food items including fish and fishery products and import/export of pharmaceutical products, as well as sanitary measures of general food items are overseen by Maldives Food and Drug Authority (MFDA) under Ministry of Health (MOH).

3.46. MFDA undertakes inspection of import documentation, compliance with food labelling requirements as well as physical inspection of food items imported at the entry point under the Public Health Protection Act (7/2012). Personnel conducting food safety inspections have been trained by MFDA, and follow national standards prepared by MFDA based on WHO/FAO CODEX Alimentarius.

3.47. Export standards for fish and fishery products follow the importing countries standards such as following European Union (EU) regulations/Council's Directives when exporting to EU.

3.48. MFDA is responsible for ensuring fishery exports meets international quality standards including regulations of European Union Council. MFDA also issues hygiene certification, confirming fish processing factories and vessels meet the minimum HACCP requirements. In this regard, all EU approved factories are audited in compliance with relevant EU regulations by MFDA every six months and samples are tested for both chemical and biological parameters.

3.49. In the absence of a national law or regulation, the country uses codex guidelines to ensure food safety within the country. Maldives is a signatory to Codex Alimentarius Commission and Maldives Food and Drug Authority (MFDA) acts as the focal point for the Commission. MFDA is currently drafting a Food Bill.

3.50. On the import side, in addition to the import licence, importers are still required to obtain specific licence from the MFDA when importing pharmaceutical drugs and traditional or herbal medicine. All pharmaceutical drugs and traditional or herbal medicine imported to Maldives must be listed in the MFDA approved drugs list.

3.51. MED may suspend or prohibit imports of a good based on public health, religious, environmental grounds, upon recommendations by the relevant ministry, department or agency.

3.52. Efforts are undertaken by MED to strengthen the national standards regime under the program, United Nations Industrial Development Organization (UNIDO) – SAARC Market Access and Trade Facilitation Support for Asian LDCs through the strengthening Institutional and National Capacities Related to Standards, Metrology, Testing and Quality (SMTQ) project, funded by Norwegian Agency for Development Cooperation (NORAD).

3.53. Measures related to plant and animal health are under the purview of Ministry of Fisheries and Agriculture (MOFA).

3.54. MOFA regulates the import of live animals and birds through the live animal importation regulation and the bird import regulation.

3.55. MOFA also acts as the National Plant Protection Organization (NPPO) and regulates the plant and animal health services related to import of all live animals and plants. Plant health is regulated through the Plant Protection Act (Law No 12/2011).

3.56. Currently, the services provided by MOFA are limited to the inspection of phytosanitary documentation accompanying imports, physical inspection of plants imported for planting and limited pest surveillance activities.

3.57. Importers are required to submit state veterinary certificate when they import live animals, birds and phytosanitary certificate for plants. A prior permit should be taken from MOFA for import of live animals, birds and plants.

3.58. In order to strengthen phytosanitary and quarantine procedures, MOFA set-up a Plant and Animal Quarantine Unit at the Ibrahim Nasir International Airport (INIA) in Hulhulhe'. However, much needs to be done to fully implement the SPS agreement. Government has plans to set-up similar Plant and Animal Quarantine Units at its main ports and also establish legal framework required for such establishments.

3.59. Government is also considering the development of a national phytosanitary certificate based on the Food and Agriculture Organization (FAO) – International Plant Protection Convention (IPPC) model and good manufacturing practices and national standards for fish and fish products based on Codex standards.

3.60. Maldives is a member of World Health Organization (WHO). The WHO International Health Regulation (IHR 2005) requires that all WHO member states implement measures to prevent the international spread of disease with minimal interference to international travel and trade, and thus are within the context of WTO. The Ministry of Health (MOH) is the focal point for IHR implementation and MFDA is responsible for preparing standards for food safety.

3.61. Maldives is also a member of the WHO/FAO Codex Alimentarius from March 2008, International Office Epizootics from November 2007, and IPPC from October 2006. IHR (2005) is implemented in Maldives by adhering to the standards of the WHO/FAO Codex Alimentarius for food imports to the country and by implementing the Public Health Protection Act of 2012.

3.62. Maldives is also a member of World Organization for Animal Health (OIE) and MOFA acts as the focal point for the organization. As a member of the OIE, Maldives adheres to the international standards endorsed and promoted by OIE on plant health, animal health and aquatic species health.

3.63. In addition, the Government of Maldives is in the process of finalizing an Animal Health Bill and is working on drafting a Fisheries and Aquatic Animal Health Bill to localize international standards to national laws. In the absence of national laws, the country adopts and adheres to IOE voluntary regulations on plant, animal and aquatic species health.

3.8 Environmental Measures

3.64. During the review period, the Government continued to adopt economic and social policies with environment considerations as key priorities.

3.65. High tariff is charged on plastic bags and zero tariffs on biodegradable bags in order to discourage import of those plastic bags and its use, that are harmful to the environment.

3.66. The Convention on International Trade in Endangered Species (CITES) regulation. CITES implementation is carried out in collaboration with Maldives Customs Service. As the management authority of CITES implementation, Ministry of Environment and Energy issues CITES permits. CITES listed species and products are confiscated at the border by Customs if the relevant CITES permit is missing. Ministry of Environment and Energy is working on developing a draft Act on CITES to pave way for effective implementation and enforcement of CITES in Maldives. This is expected to come into force soon.

3.67. Strategic Approach to International Chemicals Management (SAICM) is due to be published in February 2016. SAICM is a voluntarily adopted framework by Maldives and does not constitute regulations, nor it is legally binding.

3.68. The Government has set import duties for renewable energy related imports at zero percent, and is formulating policies and regulations to promote renewable energy integration. In addition, research on feasible alternative energy sources is being undertaken.

3.69. In 2012, the Maldives formulated a medium-term investment plan to scale up renewable energy investments (including large-scale renewable energy development) to meet the rising demand for electricity and to increase national energy security.

3.9 Services

3.70. Maldives follows an open and liberal regime with respect to services trade.

3.71. Share of service trade in GDP accounts for 83% and was valued at US\$2.1 billion. The sectors which dominate the services trade consist of tourism (29.4%), communication (10.7%), transport (9.1%), construction (8.5%) and real estate (7.6%).

3.72. As an economy dependent on services trade, it is expected that future growth and employment creation will be driven by growth in the services sector, the most notable of which is tourism.

3.73. From its establishment in 1972, the tourism industry has grown exponentially and currently boasts world-renowned brands in its 111 tourist resorts. In addition, 19 hotels, 156 Guest-houses, and 162 Safari Vessels are in operation (up till June 2014) providing board and lodging facilities for tourists.

3.74. In 2014, tourism sector is estimated to have brought in over US\$2 billion into the economy, equivalent to nearly 83% of the foreign exchange earnings.

3.75. The tourism industry marked a milestone in 2013 celebrating the arrival of over 1 million tourists in a single year.

3.10 Trade Related Intellectual Property Rights

3.76. Maldives became a member of World Intellectual Property Organization (WIPO) in 2004. The Government set up an IP function in the MED in 2007. Currently its main function is to work towards the establishment of a modern IP regime in Maldives, to protect local industries and to lay out a IP legal regime to attract FDIs.

3.77. Law on Copyright and Related Rights was enacted during the review period in 2010 (Law No. 23/2010). Regulation on the registration of Copyright and related rights are in place since 2011 (Regulation No. 2011/R-16).

3.78. The Government of Maldives with the help of World Intellectual Property Organization has drafted a Trademark Bill and a Geographical Indication Bill and is now in the process of translating the texts in to the local language Dhivehi. The two bills are expected to be submitted to the Parliament on the first half of 2016.

3.79. Though International Trademarks are not registered or protected in Maldives, foreign advertisers, in their print advertisements in local newspapers give Cautionary Notices on protection of their Trademarks.

4 INDUSTRIAL DEVELOPMENT AND DIVERSIFICATION

4.1 Industrial Development

4.1. The share of the manufacturing sector in the GDP has remained stagnant over the review period with an average share of 4.57%. Though the sector's contribution to GDP has declined over the years, the sector plays an important role in creating employment in the economy, especially for locals.

Table 4.1 Manufacturing contribution to GDP, 2009 -2014

	2009	2010	2011	2012	2013	2014
Percentage of GDP	4.3	4.0	4.8	5.3	4.6	4.4

Source: National Bureau of Statistics, Statistical Year Book 2015.

4.2. Fish processing, boat building, handicrafts, furniture, food and beverage products, brick-making, cement production are the main manufacturing industries in the Maldives. Fish processing, which is the main industry, is geared towards exports and is dominated by small and medium enterprises. Maldives Industrial Fisheries Company (MIFCO), a state owned enterprise still continues to play a pivotal role in fish exports.

4.3. Most of the traditional home based industries such as manufacturing of coir (a rope made from dried coconut fibres), mat weaving and handicraft making have lost significance as economic activities. Except for handicrafts, products manufactured by traditional industries have lost demand in the domestic market due to imported cheaper substitutes. Handicrafts are mainly targeted for the local tourism market.

4.4. While the fishery industry has undergone major mechanization, use of nets continues to be illegal in the Maldives. Traditional pole & line and long line fishing in the EEZ are the only approved forms for catching fish.

4.2 Measures for Industrial Development

4.5. In November 2014, the Government published new regulations governing long line fisheries in the Exclusive Economic Zone (EEZ). Under the regulations, licences are issued for long line fisheries to catch yellow fin and big eye tuna under a quota system. Licence for fishing in the EEZ of the country is issued under Article 6 of the Fisheries Act but are issued only to local companies.

4.6. To promote fisheries sector industrial development activities and to maximize export receipts, the government encourages value addition in the sector. Effective from January 2012, import duties are exempted for items imported for use in value addition activities in fisheries sector. In addition to tariff incentives, the government promotes and has been supporting formation of co-operatives at the island level and offers financing options under Small and Medium Enterprise Development program of the government to undertake value addition activities.

4.7. To address adverse impacts of preference erosion in the main fishery export markets following the country's graduation from LDC status in January 2011, and to promote Maldives fishery industry and products overseas, the Government established a Fisheries Promotion Board in November 2013. The Board, comprising of private and public sector representatives and established under the auspices of Ministry of Fisheries and Agriculture (MoFA), facilitates participation of Maldives fish exporters in major global fisheries fairs and conferences.

4.8. The Government's fisheries sector export promotion strategy focuses to ensure high quality and sustainable nature of Maldives fish exports, obtain premium value for fish products and alleviating supply and market bottle necks faced in the export of such products. To improve export prospects for fishery products and to increase the value of Maldivian fish exports, the pole and line skipjack and yellow fin tuna caught in Maldives has obtained Marine Stewardship Certification (MSC) in November 2012. Similarly halal labelling scheme was introduced in 2013 to facilitate exports to non-traditional markets in the middle-east. As the competent authority for ensuring food safety and certification, Maldives Food and Drug Authority (MFDA) ensure fishery exports from Maldives meets international quality standards including regulations of European Union and conducts regular audits of fish processing factories and vessels to ensure compliance with health and hygiene standards.

4.9. As part of its export promotion strategies, strengthening the quality assurance system for Maldivian goods and services remains a priority of the Government. During the review period, with technical assistance from UNIDO, efforts are being made to build national institutional capacity to implement a quality assurance system through strengthening capacity of MFDA and national metrology laboratory services, covering calibration, certification, metrology standards and regulation. Metrology services were expanded out of the capital region during the review period to make such services more accessible to MSMEs, traders and exporters operating out of the capital city.

4.10. To address low levels of manufacturing and export capacity in the goods sector, the government encourages value addition activities in agriculture sector and handicraft sector. During the review period, with FAO and IFAD assistance and through the government SME initiative,

agricultural value addition activities have been supported. The outcomes of the pilot initiatives implemented during the review period have been promising with new products introduced targeting the tourist and export markets. Similarly the efforts on craft sector development are showing some positive results. Though the initiatives are showing promising results, the level of mechanization and technological advancements and reliance on imported raw materials impacts the production capacity and export potential of these industries.

4.11. In addition to the above initiatives, to increase the manufacturing and export capacity, during the review period the government has launched a support program on MSME development and a Special Economic Zones (SEZ) development initiative. The former program, which is into its 7th year of implementation, seeks to foster local level enterprise development while the latter seek to create infrastructure and facilities such as ports, airports warehousing and export processing zones to foster export oriented manufacturing and service industries.

4.12. Despite the on-going initiatives to increase the productive and export capacity, Maldivian exporters face a number of difficulties when exporting products. Some of these constraints are specific to the key export sector, fisheries, and some are general constraints. Some of these difficulties include; financing; limited export promotion services, access to latest technology, transport and logistics issues.

4.13. The on-going infrastructure and institutional developments initiated by the new Government will assist in addressing some of the key supply side constraints to a considerable extent. In particular, the efforts to expand the capacity and to modernize the air and seaports, coupled with on-going efforts to strengthen domestic transport network and MSME support infrastructure will address some of the pertinent supply-side bottlenecks. These key infrastructure developments will also facilitate market linkages, trade facilitation and industrial development and diversification activities.

4.3 Industry Diversification

4.14. During the review period, the government has formulated a National Economic Diversification Strategy and has identified a number of promising sectors for growth and expansion. Achieving economic diversification, including both vertical and horizontal diversification within industries, is a key policy pillar of the current government's economic reform agenda.

4.15. The economic diversification strategies of the current administration seek to reduce the dependence on a single sector for shaping our future economic growth and to create a diversified export base. In this regard, the diversification strategies seek to introduce and expand new industries as well as opportunities for small and medium enterprises to enter into existing and new industries. The strategy also acknowledges active engagement with private sector including foreign investors to deliver strategic infrastructure projects to aid diversification goals and economic transformation vision of the government. The following policy measures will be put in place to achieve industry diversification in the medium to long term.

4.3.1 Tourism

4.16. As the pivotal sector, during the review period, the government has pursued policies to expand and spread luxury, eco-friendly and sustainable tourist properties in all the regions of the country as a means to bring additional economic activities to the north and south of the country. With the changing tourist clientele and trends in global tourism, the government is focusing on mid-market resort and private island developments, further expansion of additional segments including water sports, cruising, yachting, live-a-boards; development of domestic tourism, expansion of cultural and wellness tourism; and development of international hotel schools to provide world class hospitality training.

4.17. To ensure tourism growth is inclusive and to facilitate SME investment in the sector, from 2009 investments in guesthouse tourism in inhabited islands are allowed. More recently in 2014, government has launched integrated resort development projects removing a significant market barrier in the sector and allowing medium size enterprises to invest in the tourism.

4.18. To back tourism sector expansion and facilitate the completion of unfinished tourist properties, effective from 2014 and until end of December 2017, the government grants import duty concession for all capital goods and construction materials imported for development of new resorts or refurbishment of resorts in operation. In addition, to facilitate investment financing needs for resort development, the government has implemented a policy of issuing sovereign guarantees for loans borrowed at less than 4% interest rate, for development projects. In addition, to facilitate tourism sector expansion and to cater new segments such as the booming guesthouse tourism, Government has been investing and strengthening both air and marine transport infrastructure.

4.3.2 Fisheries

4.19. As a major employment generating sector for local population, and considering bulk of fish products are exported with little or no processing, measures are being undertaken to promote value addition and to encourage export of value added fishery products. To encourage uptake of new fishing methods, long line fishing is now allowed under a quota based licensing scheme in the EEZ zone to harvest Yellow fin and Big eye Tuna, the latter a rarely harvested and exported species from Maldives.

4.20. In addition, new measures such as introduction of mari-culture, research and training facilities are currently being implemented as pilot projects to further diversify the sector. Participation of SMEs in the fisheries sector value chain is further fostered under the government's SME development programmes and through exemption of import duties for imports used in fishery sector value added activities. Measures are also taken to ensure the sustainable nature of Maldivian fisheries and seek premium value for exports by ensuring compliance with internationally accredited schemes such as MSC certification.

4.3.3 Agriculture

4.21. Agriculture in Maldives is limited due to the salinity of the soil and due to smallness of land available for arable production. Yet, agriculture plays a vital role in creating rural livelihood and employment, thereby making substantive contribution to economic and social welfare in the islands. With government's efforts to commercialize agriculture activities, the sector's contribution to GDP has been gradually increasing in the recent years. As a net food importing country, efforts are made to shift small scale farming practises to sizable commercial operations as a means to enhance food security, cater to the needs of the growing tourism market as well as to build economic resilience in the face of the global climate change and its likely impact.

4.22. The government encourages investments in new technology, such as hydroponics and auto-pot cultivation systems, growing of new crop varieties conducive to the climate and geography and value addition activities to further diversify the sector. Incentives in the form of duty exemption are provided for imports brought for use in agriculture sector development and incentivised loans are provided to SMEs to scale up production and value addition activities.

4.23. To further increase agricultural sector output, the government supports and encourage development of poultry and livestock production. Currently, these production activities include rearing of chickens in free range, backyard and cage systems while livestock production is limited to goat husbandry.

4.3.4 Energy

4.24. Increasing energy security and diversification of the energy sector is an important policy of the government. Dependency on imported fuel products is being gradually reduced through use and investment in alternative fuels and renewable sources of energy. To meet the rising demand for electricity and reduce the dependency on imported fossil fuel Maldives has already started to harvest electricity from locally available renewable energy sources.

4.25. To date it has installed 4MWp of solar PV and has a plan to meet 30% of day time peak load of electricity in all its inhabited islands from renewable energy sources within the next 4 years under the government's Scaling-up Renewable Energy Program (SREP) Investment Plan 2013-2017. Investments in solar, wind and waste to energy generation are encouraged under the

SREP plan while at the same time government promotes energy efficiency practices and encourage adoption of low-carbon technologies in production, distribution and energy consumption.

4.26. As part of the government's broader diversification plan and economic transformation agenda, it is undertaking geological surveys to assess availability of oil and gas reserves in the country.

5 FOREIGN DIRECT INVESTMENT, SPECIAL ECONOMIC ZONES AND PRIVATISATION

5.1 Trade and Investment Policy

5.1. Investment regime of the country is designed with a view to provide a transparent, fair and simple environment to conduct business.

5.2. The current Government's economic agenda places great importance on transforming the economy through deeper engagement and involvement of the private sector. The cornerstone of the Government's economic transformation strategy is the delivery of a diversified, resilient and inclusive economy. The government acknowledges the central role of the private sector in the development efforts of the country, and recognizes the importance of establishing a modern legal environment for business growth. As such, the Government is working on introducing new legislations and amending existing legislations, with a view to improving the business climate of the country

5.3. The Special Economic Zones Act and the recent amendments to the Constitution, allowing for foreign ownership of land for investments over US\$1 billion, are landmark legislations, which has been introduced by the current administration to facilitate and improve the investment regime.

5.4. Other legislations under consideration include amendments to the Company's Act and Foreign Investment Act, introduction of a Bankruptcy and Insolvency Bill, e-Commerce bills, Marks and Geographic Indications Bill.

5.5. In 2015, the Government also published for the first time a "Doing Business Guide on Maldives", with the objective of providing up to date information on all aspects of doing business in the Maldives.

5.6. Bridging the existing infrastructure gap and introduction of new economic sectors are envisaged as practical interventions that will steer the economy towards this target, and foreign direct investment will be the key source of delivering these initiatives.

5.7. Almost all economic sectors of the country are open for foreign investment except for limited segments within the retail sector. There are no restrictions on the percentage of foreign shareholding, and a simple 5-step process ensures that the businesses are registered within a period of 3-5 days. Business proceeds can be transferred freely as there are no capital controls.

5.8. The open investment regime has benefited the country through broad based investments in areas such as telecommunication, water, transport and tourism, with renowned international brands having a presence in the country, and having a long term positive impact on the country's overall standing in the international market place.

5.2 Increasing Flows of Foreign Direct Investment

5.9. The key arm of the government in charge of promoting investment into the country is Invest Maldives¹⁰, operating under the Ministry of Economic Development.

5.10. Increasing the flow of foreign direct investment into the country, especially in delivery of the key strategic and trade-facilitating infrastructure forms a crucial part of the Government's economic agenda.

¹⁰ <http://www.investmaldives.org/>

5.11. A new initiative for promotion of foreign direct investment, the 'Maldives Investment Forum' (MIF); a platform for promoting investment opportunities in the Maldives, was launched in 2014. MIF aims to promote Maldives as an investment destination and create opportunities for the Maldivian and global investment community to partner and network in bringing about new investments, introduce new technology and enhance economic development of the country.

5.12. The first investment forum was hosted in Singapore in 2014, where 5 strategic priority projects of the Government were launched. The forum was attended by over 300 participants from both the Maldives and international community. The second edition of the MIF was hosted in October of 2015 in Beijing, China. Investment opportunities in the financial sector, real estate and renewable energy were featured as priority investment areas in the Beijing MIF.

5.13. Some of the key priority projects for foreign investment that the government is currently working on include:

- Re-location of Male Port to Thilafushi: development of the main international maritime gateway to Maldives as modern port with warehousing and logistics services.
- Hulhumale' Youth City Project: an integrated development project that envisages catering to the housing needs of the country, commercial developments as well as a dedicated tourism and ICT development area.
- Strengthening the financial sector through introduction of new banks and capital market services.
- Ihavan integrated project: development of an industrial cluster that will diversify the Maldives economy with a transshipment port as the key driver supported by nine adjacent industries all related to the port; bunkering, maritime security, processing, warehousing, manufacturing.
- Male- Hulhule bridge connection: a project that is expected to re-shape and totally change the socio-economic dynamics of the capital city, opening up new urban living opportunities and transforming the real estate sector in the region.

5.3 Legal and Regulatory Regime Governing Foreign Investment

5.14. The legal and regulatory framework for Foreign Direct Investments (FDI) in the Maldives is simple and transparent. Currently, there are two regimes governing foreign investments in the Maldives.

- Normal Regime governed under the Business Registration Act and the Foreign Investment Law.
- Special Economic Zone Regime governed under the Special Economic Zones Law.

5.15. Maldives allows foreign investments in all major sectors of the economy apart from the following areas, which are reserved for locals only:

1. Photography and related activities
2. Souvenir trading and related business (wholesale and retail trade)
3. Inter-island passenger transfer services by sea (foreign investors can engage in this areas with 51% local shareholding)
4. Water sports and related activities (foreign investors can engage in this area with 51% local shareholding)
5. Operation of bonded warehouses in the customs area
6. Fishing within the Exclusive Economic Zone (EEZ) of Maldives
7. Purchasing, processing and export of Skipjack Tuna
8. Retail of mobile phone and related accessories

5.3.1 Normal Regime governing Foreign Investments

5.16. All foreign investments allowed under the normal regime are governed under the Business Registration Act and the Foreign Investment Act, which requires both the investor and government, to enter into a foreign investment agreement.

5.17. Tourism related investments are subjected to the Tourism Act (Law No. 2/99).

5.18. Businesses in the Maldives can be undertaken through any of the following four legal vehicles, Companies; Partnerships; Sole Traders and Cooperative Societies, with each vehicle governed by a separate law.

5.19. Effective 18 July 2011 the foreign investment royalty that was previously applied to all foreign investments into the country, except for those investments in the tourism sector, was revamped.

5.20. Currently, foreign investments made in accordance with the normal regime follow a non-discriminatory tax regime applied to all businesses operating in the Maldives. However, the government reserves the right to exempt selected foreign investments from the Business Profit Tax, provided such exemptions are covered in the foreign investment agreement.

5.21. Since 2010, a total of 187 foreign investments were approved.

Table 5.1 Restricted Areas for foreign Investments

Restricted Areas for foreign investments

1. Retail Sector
2. Photography and related activities
3. Passenger Transfer service identified as retail sector, but can seek approval within the below conditions;
 - Only in instances, where 51% of the company is owned by a Maldivian (individual or a legal entity).
 - And where the company engage in provision of maritime transfer services on a wholesale basis by seeking contracts from resorts.
4. Specific areas where local small businesses engage in
5. Operation of Bonded warehouse in Customs Area
6. Water sports and related activities, but can seek approval within the below condition;
 - Foreign investors can engage in this sub-sector with at least 51% local shareholding).
7. Souvenir trading and related business (Wholesale and Retail Trade)
8. Retail of mobile phone and related accessories

5.3.2 Special Economic Zones Regime:

5.22. In line with Government's agenda to deliver key pieces of infrastructure through or in partnership with local and foreign private investors, a Special Economic Zones (SEZ) Law was introduced in September 2014.

5.23. The SEZ Law grants special tax and non-tax incentives for large-scale investment projects of above US\$150 Million, complying with strategic objectives of the Government as outlined in the Law. The strategic priorities as outlined in the SEZ Law include:

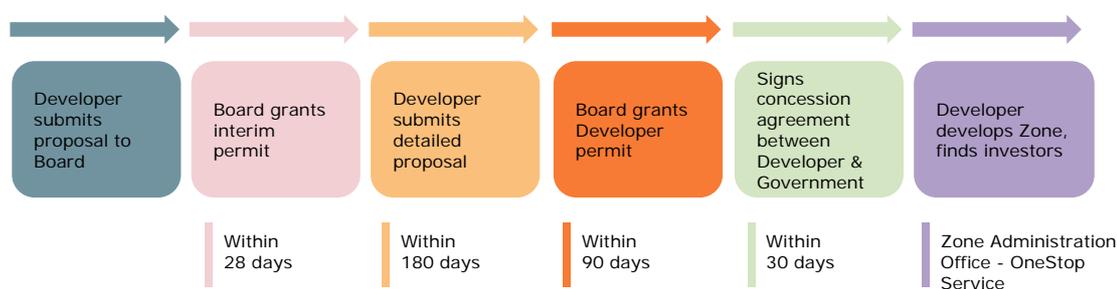
1. Manufacturing and processing activities with a focus on exports

2. Transshipment port, international logistics, port, airport, bulk breaking, bunkering, docking services
3. University, tertiary hospital, super specialty hospital, and research and development facilities
4. Information Communication Technology (ICT) parks and related facilities
5. International financial services
6. Renewable energy, oil & gas exploration
7. Initiatives that introduce new technologies to the Maldives

5.24. SEZ Law outlines the following process of submitting an investment proposal to the Board of Investment established under the Law. The Board of Investment is the principal authority making decisions with respect to all SEZ proposals submitted.

Chart 5.1 Investment Approval Process under SEZ

Approval Process



5.25. As a SEZ investment, following qualification and incentives are applicable to the developer and investors operating in a zone.

1. Exemption from business profit tax
2. Exemption from goods and services tax
3. Exemption from withholding taxes
4. Flexible procedures in foreign employment
5. Exemption from taxes in sale and purchase of land
6. Option of freehold land to registered companies in Maldives with at least 50% local shareholding

5.26. The specific durations for tax exemption will depend on the business area of proposed investment and scale of investment.

5.27. Further to the SEZ Law, reforms allowing foreign ownership of land were affected in 2015. As per amendments brought to the constitution, foreign parties carrying out a project can acquire land located at the designated project site if the project meets the following criteria¹¹;

1. The project has been approved under an Act of Parliament enacted for the purpose;
2. A minimum of One Billion United States Dollars will be invested within the territory of the Maldives under the project; and
3. At the time of completion of the project, 70% of land at the project site must have been reclaimed for the project.

5.28. In addition to the above criteria, the Government cannot designate more than 10% of the existing land area of the Maldives as project sites.

5.29. Right to 100% foreign ownership, legally backed investment guarantees, overseas arbitration of disputes, freedom of repatriation of profits and capital, long term lease of land for

¹¹ Eligibility criteria found in Article 304 of the Maldivian Constitution.

large scale projects, freedom to use foreign managerial, technical and unskilled workers and no exchange controls are some of the attractive incentives offered by Maldives.

5.30. Furthermore, the SEZ Law provides for asset protection rules, security against new and increased taxes as well as provisions for SEZ residency in addition to providing an attractive set of tax incentives.

5.4 Public Private Partnership

5.31. Public Private Partnership continues as an important model of the Government in partnering with private investors; especially in delivery of infrastructure and social development projects.

5.32. The newly enacted SEZ Law foresees public private partnership models as one of the key modes of delivery of SEZ projects. In fact, SEZ Law provides a legal opening for private investors to approach the Government and follow the full process of getting an investment approved and operational.

5.5 Providing Investments Opportunities to SMEs

5.33. SMEs are viewed as a source of flexibility and innovation, and make a significant contribution to the country's economic development. In Maldives, SMEs play an important role in the development and acceleration of the economic growth through employment creation and has helped building up a middle-income population.

5.34. Government efforts to develop SME's is driven by research into the sector, which has identified SME's access of finance, skill deficiencies, costs, asymmetric market information, the inadequate level of business development services especially in the atolls, and the exorbitant costs of inter-island transportation and generation of power, as key constraints for the sectors development. In addition to these noted challenges, structural issues related to both tourism and financial sectors act as major impediments to SME development.

5.35. The lack of adequate information on SMEs makes it difficult to measure the exact contribution they play in both social and economic development of the country. The MSME Act (6/2013), ratified by the President on 14 April 2013, lays out provisions to bridge the main challenges faced by the SME sector in the areas of access to finance, market access and business development services.

5.36. The Government's SME development agenda focuses on the following main aspects:

5.5.1 Formalization of the sector

5.37. With a view to formalizing the SME sector and providing targeted support to the SME sector, a SME Law was passed in 2013. The SME Act provides for categorization of MSMEs under Micro, Small and Medium Enterprises and makes it mandatory for all registered business entities falling under these categorizations to register with MED.

5.38. Under the Act, a Small and Medium Enterprises Council is also established. The SME Council is the key authority providing guidance and strategic direction towards strengthening of the sector.

5.5.2 Facilitating Financial Access

5.39. Commencing in 2009, the Government has been carrying out targeted loan schemes for the MSME sector. These loan schemes have more flexible terms compared to the commercial loans offered by the banking sector, with the intention of providing the opportunity to smaller entrepreneurs to access financing for much needed business start-up and expansion projects, as well as to facilitate access in non-conventional sectors where the country's banking sector is reluctant to consider.

5.40. The MSME Law has provisions to establish a financial assistance fund to provide affordable credit to the MSME sector and to set aside an amount of Rf 50 million from the government budget each year for the purposes of this fund.

5.41. This fund has since been established and loan programs are underway. Additionally, the fund also aims to contribute in setting up of a MSME Credit Guarantee Scheme. The MSME Credit Guarantee Fund will provide the necessary security for financial institutions, who are willing to lend to SME's for viable businesses.

5.5.3 Business Service Support and Entrepreneurship Development

5.42. Majority of MSMEs in the outer atolls as well as in the central region lack the necessary business planning and business strategizing skills to successfully start-up and sustain viable businesses.

5.43. As such, with the objective of inculcating within these small entrepreneurs the importance of business planning and operating businesses based on sound strategies, marketing and financial planning, the Government established Business Centers (BC's) in selected locations of the country in 2010. Currently, there are six such BC's operating across the country. The objective of the BC's is to work with the small businesses in enhancing their capacity and developing a business mind-set among the home based and small scale entrepreneurs.

5.44. The SME Act makes it mandatory for the Government to establish and operate BC's in various regions of the country.

5.5.4 Facilitating Market Access

5.45. Access to market is the key to any successful business venture. In the Maldives, tourism being the major economic driver and considering it's inter linkages into the wider economy; there exists great potential to benefit the MSME sector through linkages with the tourism industry.

5.46. The Governments SME program places increasing importance in creating and nurturing such mutually beneficial partnerships. BC's work in close partnership with the tourist resorts in facilitating market access for small businesses within their regions.

5.47. Ministry of Economic Development has been relying on assistance provided through various loan and grant funded projects in implementing the SME programme. Currently, both the Asian Development Bank and Islamic Development Bank are funding the small and medium enterprises sector through loan and grant assistance worth up to USD 20 million dollars.

6 GRADUATION OF MALDIVES AS A DEVELOPING COUNTRY

6.1 Graduation of the Maldives from LDC Status

6.1. Maldives was officially removed from the Least Developed Country (LDC) list in January 2011 and the three-year smooth transitional period extended to the Maldives expired on 31 December 2013. The specific LDC benefits that Maldives received, as a Least Developed Country was instrumental to the country's economic growth. These benefits included preferential treatment in trade; concessionary financing at low interest rates and longer repayment periods; and grant aid through Overseas Development Assistance (ODA). The Maldives also received technical assistance granted to LDCs by the United Nations (UN) agencies and other multilateral bodies.

6.2 Trade Impact of LDC graduation

6.2. The transition to a Middle Income Country has resulted in the removal of trade benefits and a gradual decline in ODA flows and technical assistance for the country, leading to a new landscape and with a different set of challenges. As a small island state with inherent unique vulnerabilities, Maldives believes that modalities for special treatment for SIDS are crucial to ensure that the country's positive development trajectory is not disrupted.

6.3. In 2013, Maldives submitted a request to apply for EU GSP + to seek continued market access, similar to EBA terms. However, the Government in December of 2013 withdrew the application partly because Maldives will not enjoy the desired market access benefits for a longer term as per the requirements of the reformed EU GSP regulations.

6.4. Maldives completely lost preferential access to EU market effective from 1 January 2015 following the enactment of the revised EU GSP regulations in June 2012. As part of the smooth transition strategy, Maldives enjoyed preference access to EU market from January 2011 until 31 December 2013 and subsequently as an adjustment measure enjoyed a concession of 3.5% up until 31 December 2014. Currently in the EU market, Maldives exports are subjected to an MFN import tariff between 12-24%, which places exports from Maldives less competitive in relation to exports from competing countries, which enjoys preferential market access to the EU market.

6.5. According to the latest data available from Maldives Customs Service, in 2013, Maldives exported US\$60.73 million worth of fish and fishery products to EU countries accounting for 37% of the total fish exports from Maldives to the rest of the world. Compared to 2013, Maldives fish exports to EU declined by 12% with a recorded export value of US\$53.48 million in 2014. Despite the decline in export volumes, in 2014 the market share of the EU remained at a stable rate of 38%. Export volumes in 2014 declined largely due to decline in fish catch and lower levels of international tuna prices.

6.6. Though the export volumes have not experienced a significant decline over the period 2011-2014, it is observed that the EU market share has gradually declined during the same period as indicated in table below. At the start of the LDC smooth transition period, share of Maldives exports to EU was 45% while at the end of 2014, post LDC graduation, its share declined to 38%.

Table 6.1 Fish exports to EU

Year	Total fish exports (in US\$ million)	Fish exports to EU (in US\$ million)	Share of exports to EU
2011	122.9	54.98	45%
2012	158.1	71.95	46%
2013	163.2	60.73	37%
2014	141.2	53.48	38%
June 2015	76.3	29.45	39%

Source: Maldives Customs Service.

6.7. Main export products to EU remained the same through-out the period 2011-2014 and consisted of canned tuna (21%) and fresh or chilled yellow fin tuna (78%).

6.8. Preferential access to Japanese market was lost beginning from January 2011. In the Japanese market, Maldives exports are subjected to an MFN tariff of 5-15%.

6.9. Maldives was reinstated to the US GSP scheme in 2009 and enjoy preferential market access to some of its export items. For a brief period, the preferential access to US market was suspended following the expiry of the legal authorization of the US GSP programme on 31 July 2013. Effective from 29 July 2015 the scheme has been retroactively renewed and hence currently Maldives continues to enjoy preferential access to US market.

6.10. Under the zero-tariff agreement signed between Maldives and China, Maldives enjoyed duty free market access for 4,762 items during the three-year smooth transition period. Effective from 1 January 2014, Maldives lost the preferential treatment to Chinese market and since then the Government of Maldives has initiated formal talks with the Chinese Government to enter into a Free Trade Agreement with the objective of seeking market access for Maldivian exports and to increase bilateral investment and trade flows. The first round of negotiations commenced in December 2015. The average MFN import tariff rate applied to Maldives fish exports to China is 10.2%.

6.11. The loss of preferential market access for Maldives fish exports has posed challenges in terms of maintaining its export volumes in the tradition markets due to stiff competition from other more competitive MFN exporters. Nonetheless, following graduation, the combined promotional efforts of the government and the private sector since, has enabled the country to maintain total export volumes and enter into new markets by positioning Maldives fish as a niche premium product.

6.3 Trade Related Technical and Financial Assistance

6.12. After graduation, Maldives no longer benefit from most of the forms of Special and Differential treatment accorded to LDCs and has increased its level of obligations in the WTO in terms of both commitments and time. It has also experienced a gradual slowdown in accessing trade related financial assistance extended for participation in different trade related events, seminars, workshops and training courses.

6.13. During the smooth transition phase, Maldives succeed in its initiative to adopt a UN General Assembly resolution to extend travel-related benefits for a duration not exceeding three years and to secure full access to Enhanced Integrated Framework (EIF) benefits for a period of three years with an additional extension of two years on a case by case basis. Maldives has an on-going two projects funded from EIF programme. During the transition phase Maldives has benefited from a number of Technical Assistance (TA) projects from the IF participating agencies and donors such as ADB/IDB. As a developing country, Maldives still continues to benefit from a range of TA programmes though some of the programmes are either subjected to partial payment.

6.14. The DAC-ODA database indicates that Maldives received US\$165.27 million as development assistance for the period 2011-2013, which was 42.27m less than the previous two years combined. The Government's budget indicates that US\$151.14 million was received as ODA for the period 2014-2015 while US\$873.88 million are projected to be received as ODA for the period 2016-2018, the majority of it coming in the form of concessional loans from non-traditional donors.

6.15. The government has succeeded in maintaining a steady flow of ODA assistance since graduation. However, the share of ODA allocated directly to trade sector development is comparatively small compared to social and environmental sectors. The bulk of ODA received for the last seven years has been predominately used for social and environment sector projects and more recently to develop economic infrastructure projects such as air and sea ports, roads, bridges, and energy projects.

6.16. During the period 2014-2015, government's Aid for Trade efforts were intensified. Active engagement with bilateral trade partners and international financial institutions has reaped benefits to attract increased ODA for strategic infrastructure development projects such as airport development, renewable energy installation and bridge construction. Such projects will address some of the supply side constraints impeding economic growth and trade.

6.17. With Maldives ceasing to be an EIF beneficiary from 2016 onwards, to offset potential loss of access to predictable financing for trade sector development, the country has recently joined a number of regional initiatives to ensure access to financing for trade sector. In this regard, Maldives became a member of South Asian sub-regional co-operation (SASEC), Asian Infrastructure Bank and member of Chinese Maritime Silk Road initiative.

6.4 Continued Access for Trade Related Technical and Financial Assistance

6.18. While some of the key trade related infrastructure gaps are currently being addressed with ODA assistance, Maldives still requires access to predictable financing and technical assistance, to address supply side and productive capacity gaps to effectively integrate into global value chains and to increase international competitiveness as a small island economy. To deepen integration into global economy, Maldives requires substantive investments to transform and expand its economic base by investing in non-traditional sectors and industries. Continued access to investment and trade financing, hence, is crucial to achieve the economic diversification targets set for the country.

6.19. Maldives also seeks assistance for technology transfer and investments to scale up production capacity of MSMEs operating in industries such as craft making, food processing etc. to increase export potential of locally manufactured products. The on-going donor funded pilot projects in industries like fisheries, agriculture, poultry, craft making have shown positive results on the ground. Additional investments in the form of technology, financing and skills development are paramount to ensure growth of these infant industries.

6.20. Maldives has yet to attain the required levels of skills, technology and institutional capacity in par with other developing countries, to realize the benefits of a globalized economy, which is dynamic, increasingly unpredictable and fiercely competitive. Upgrading legal and regulatory framework and support for strengthening institutional setups in areas such as IP, standards, trade and investment facilitation are immediate priorities where assistance is required. The limited legal and regulatory capacity in the areas of IP and Standards hinders development of export-oriented industries and in general facilitation of international trade.

6.21. Considering the gaps highlighted above and in light of the Government's new economic reform program, Maldives continue to seek access to predictable financing and technical assistance to continue implementation of priority trade capacity building activities. It is in this context and to sustain the development achievements as a new developing country, Maldives would like to call upon its development partners to increase the level of Aid for Trade support extended to graduated countries like the Maldives.

6.5 Moving forward as a developing country

6.22. The Government of Maldives is committed to ensure that the country does not backtrack on the development it has made. The Government is focused on making the country economically resilient, with a rigorous focus on increasing investment, not aid, in major sectors, diversification of the economy, generating jobs and creating opportunities for the youthful population to engage in productive activities. There is also a focus on finding new markets for tourism and Maldivian exports.

6.23. The Government's current plans are geared to achieve the above objectives and various programs and projects have been drawn up and are being implemented towards achieving the above-mentioned objectives. These include targeted programs to promote investments into infrastructure development and economic diversification projects, as well as the set-up of a more permanent nationwide network for supporting the financial and technical assistance requirements for small and medium enterprises.

6.24. To this effect, the current administration has embarked on a number of new initiatives to aid achievement of the above objectives. Such initiatives include, convening of annual investment forums to increase interaction and engagement with the global investor community; initiation of negotiations with bilateral trade partners to enter into free trade agreements to improve market access conditions, creating a more transparent and predictable investment climate by initiating discussions with bi-lateral trade partners to sign investment protection and promotion agreements and avoidance of double taxation agreements; and signing up to regional initiatives such as SASEC, AIB and silk road initiative to deepened regional level integration. Simultaneously, work is being carried out to roll out a business law reform initiative to modernize the legal framework governing trade, investments and doing business.

6.25. With respect to efforts on the investment promotion side, a Special Economic Zones (SEZ) Law has been enacted to solicit large scale investments into infrastructure and development projects. The Board of Investment has been established and the SEZ office is already operational to realize investments for strategic projects.

6.26. Moving forward, the Government intends to step up its efforts to engage with its trade partners, International Financial Institutions and the international donor community to achieve the economic transformation vision for the country. The Government is optimistic, that its efforts to shift trade sector development strategy from an aid to an investment led approach will yield results in the short to medium term.

6.6 Future Outlook

6.27. The future trade and economic policies of the current Government is clearly stated in the Government's election manifesto of 2013. The document succinctly specifies short and medium term policy targets for major economic sectors such as fisheries, agriculture, energy, tourism and development of new industries through Special Economic Zones.

6.28. The new Government's trade and economic policy agenda seeks to quickly address the country's existing structural challenges by facilitating measures for increased productive capacity, attend to fiscal consolidation through necessary revisions to the current tax regime and implement necessary programmes to reduce public expenditures to achieve the desired economic transformation goals set out in its election manifesto.

6.29. The manifesto explicitly specifies the continuation of the open and liberal approach and an emphasis to deepen engagement with private sector, foreign investors and bilateral partners to help expand our export potential and develop enabling infrastructures, such as ports and airports, which are critical for Maldives to remain in the projected growth trajectory. The openness pledged however, is within the context of sustainability, good governance and targeted towards boosting the long-term productive capacity of the country. The policies also put a particular emphasis on diversifying the productive and tradable sectors, as defined in the National Diversification Strategy of 2012.

6.30. The proposed policy changes will contribute towards more private sector development, increased flow of FDI. Further, the policy changes will encourage industry diversification, regional economic development and employment generation through tourism, fisheries, agriculture and new growth sectors such as transport.

6.31. In addition, the future oriented policies of the government seeks to strengthen our bilateral trade relations, through FTA's as a means to provide enhanced market access for Maldivian products in the global market place.

6.32. The policies will address the existing distributional inequalities in wealth and income and greater involvement of SMEs in the local economy.
