



Department for  
Business & Trade

June 2023



## Information Note

for the Call for Input on a prospective  
Free Trade Agreement between the  
United Kingdom and Maldives

## Contents

### **1 Introduction**

### **2 Areas of interest in our Call for Input**

### **3 UK-Maldives economic and trading relationship**

#### **3.1 Overview of economies**

#### **3.2 Top goods traded with the world by Maldives**

#### **3.3 Trade flows between the UK and Maldives**

### **4 Trade in Goods**

### **5 Drafting a consultation response**

### **6 Conclusions**

### **7 Glossary**

## 1 Introduction

The Republic of Maldives (Maldives) is one of the only members of the Commonwealth that the UK does not either currently trade with under preferential terms or with whom we are seeking a trade agreement. As part of our ongoing FTA programme, we intend to seek a Goods-only FTA with Maldives to enhance trade.

We have agreed with Maldives an intention to commence FTA negotiations in 2023. In advance of agreeing a UK mandate for these negotiations, DBT is seeking input from members of the public, businesses, and any other interested stakeholders to inform which aspects of current trading arrangements with Maldives we should look to improve. The aim of this document is to provide:

- Background information on current trade flows between the UK and Maldives to better understand the existing trading relationship; and
- Information to help guide stakeholders to identify priority areas of the current trading relationship and expected impacts of an FTA with Maldives.

## 2 Areas of interest in our call for input

Our public consultation provides stakeholders with the opportunity to express their views on a goods-only FTA with Maldives. We are particularly interested in views about:

- Which areas of a goods-only FTA you would like the UK government to prioritise in trade talks with Maldives?
- Whether you are facing challenges or constraints when attempting to trade in goods with Maldives, and if so, how significant this is to your business activity?
- How do you expect your business to respond if restrictions were removed? For example, would a removal of restrictions encourage you to increase exports to or imports from Maldives, or start exporting or importing if you do not already do so?

## 3 UK-Maldives economic and trade relationship

### 3.1 Overview of economies

In 2021, Maldives had a gross domestic product (GDP) per capita of around US \$20,600 on a purchasing power parity (PPP) basis. This is compared to the UK's GDP per capita of around US \$50,800 over the same period.<sup>1</sup>

Maldives' economy is highly dependent on trade. In 2021, total trade (imports plus exports) was equal to around 143% of Maldives' GDP whereas trade was worth around 57% of GDP for the United Kingdom.<sup>2</sup>

**Table 1: Headline economic indicators for Maldives and the UK, 2021**

Economic Indicator	Maldives	UK
GDP, PPP (\$ billion)	\$11	\$3,420
GDP per capita, PPP (current international \$)	\$20,615	\$50,810
Trade (% GDP)	143.1%	56.7%
Population (million)	0.5	67.3
Agriculture, value added (% GDP)	5.3%	0.7%
Industry, value added (% GDP)	8.9%	17.5%
Manufacturing, value added (% GDP)	1.9%	8.8%
Services, value added (% GDP)	73.2%	71.5%

Source: World Bank: World Development Indicators

### 3.2 Top goods traded with the world by Maldives

Data presented here shows the top commodities traded to the world by Maldives.

As seen in table 2, the top imports of Maldives globally in 2021 were mineral fuels or oils (\$455m), machinery and mechanical appliances (\$271m), electrical machinery and equipment (\$222m), salt (\$86m), and dairy produce (\$80m).

Maldives' top sources of imports in 2021 were Oman (\$338m), United Arab Emirates (\$333m), China (\$324m), India (\$318m), and Singapore (\$262m).

---

<sup>1</sup> In current \$ values.

<sup>2</sup> World Bank: World Development Indicators.

**Table 2: Top goods imported from the world by Maldives in 2021**

Rank	HS Commodity	\$USD million	% of total goods imported
1	27 - Mineral fuels or oils, products of their distillation	455	17.7%
2	84 - Machinery and mechanical appliances	271	10.5%
3	85 - Electrical machinery and equipment	222	8.6%
4	25 - Salt; sulphur; earths and stone	86	3.3%
5	04 - Dairy produce; birds' eggs	80	3.1%

Source: UN Comtrade data

As seen in table 3, the top exports of Maldives globally in 2021 were fish and crustaceans (\$109m), preparations of meat or fish (\$32m), iron and steel (\$5m), residues and waste (\$3m), and copper (\$1m). Maldives top exporting destinations in 2021 were Thailand (\$70m), Germany (\$17m), United Kingdom (\$10m), France (\$6m), and India (\$6m).

**Table 3: Top goods exported to the world by Maldives in 2021**

Rank	HS Commodity	\$USD million	% of total goods exported
1	03 - Fish and crustaceans	109	71.9%
2	16 - Preparations of meat or fish	32	21.3%
3	72 - Iron and steel	5	3.5%
4	23 - Residues and waste (food industries)	3	2.2%
5	74 - Copper and articles thereof	1	0.5%

Source: UN Comtrade data

### 3.3 Trade flows between the UK and Maldives

Total bilateral trade in goods and services was £432m in 2022.<sup>3</sup> An agreement with Maldives has the potential to build on the existing £31m of goods trade. Tourism accounted for almost all the £401m trade in services.

As seen in Table 4, UK exports to Maldives were £142m in 2022. UK imports from Maldives were £290m over the same period.

<sup>3</sup> ONS, UK Total Trade: all countries, non-seasonally adjusted.

**Table 4: Trade between the UK and Maldives, 2022 (£ million)**

	Trade in goods	Trade in services	Total
Exports	18	124	142
Imports	13	277	290
Total	31	401	432

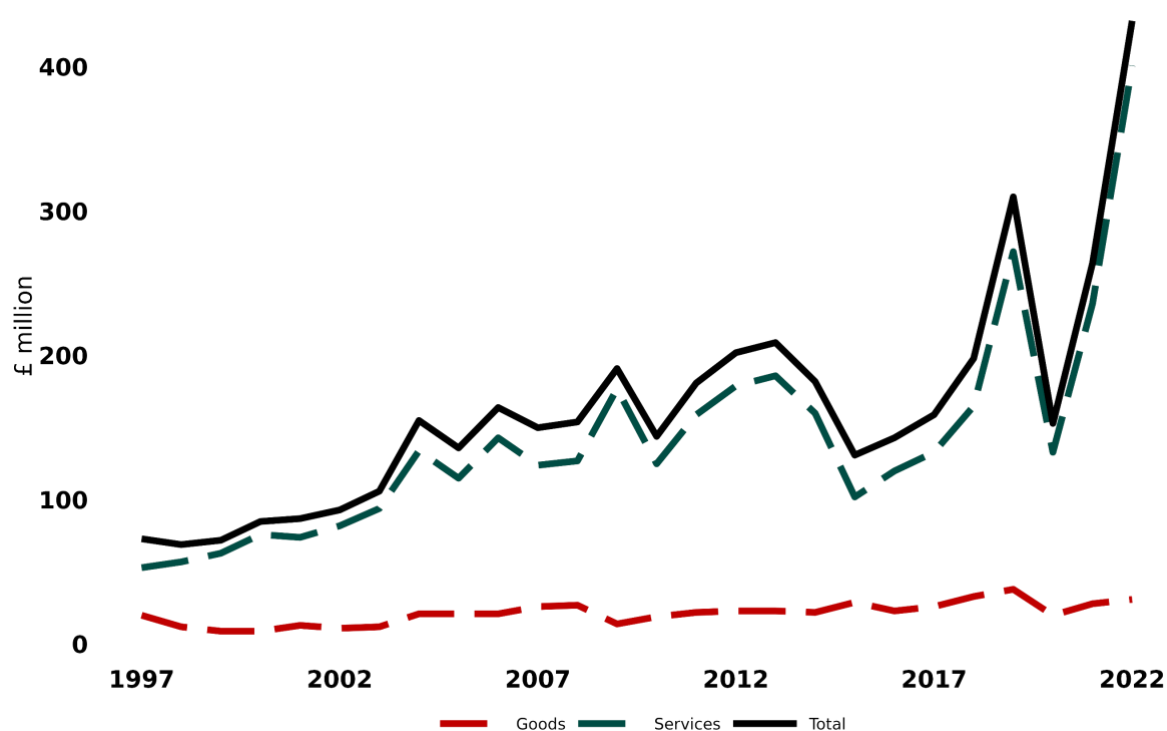
Source: ONS, UK total trade: all countries, seasonally adjusted

Figure 1 shows how UK trade with Maldives has evolved since 1999, broken down by goods and services. UK trade with Maldives has increased significantly since 1999. From 1999 to 2022, trade in goods increased by 5.5% per annum and trade in services (predominantly tourism) increased by 8.4%, faster than UK trade growth with the world.

Trade grew steadily from 1999 to 2018, increasing substantially in 2019. This was mainly due to a 64.8% increase in services trade in 2019 compared to 2018. During 2020, trade with Maldives fell by 50.6% compared to 2019, compared to a 14.6% fall in trade with the world. This was predominantly due to a significant fall in services trade, the majority of which was likely tourism that was highly affected by Covid 19 travel restrictions.

Services trade, particularly imports, makes up the majority of UK trade with Maldives. A breakdown of services trade by type is not available, but external data suggests that the vast majority of bilateral services trade consists of spending by UK tourists in Maldives. Travel services (tourism) has historically made up over 90% of Maldives' services exports<sup>4</sup> to the world and in 2019 the UK was the 5<sup>th</sup> highest source of tourists to Maldives.<sup>5</sup>

**Figure 1: UK trade with Maldives over time (£ million)**



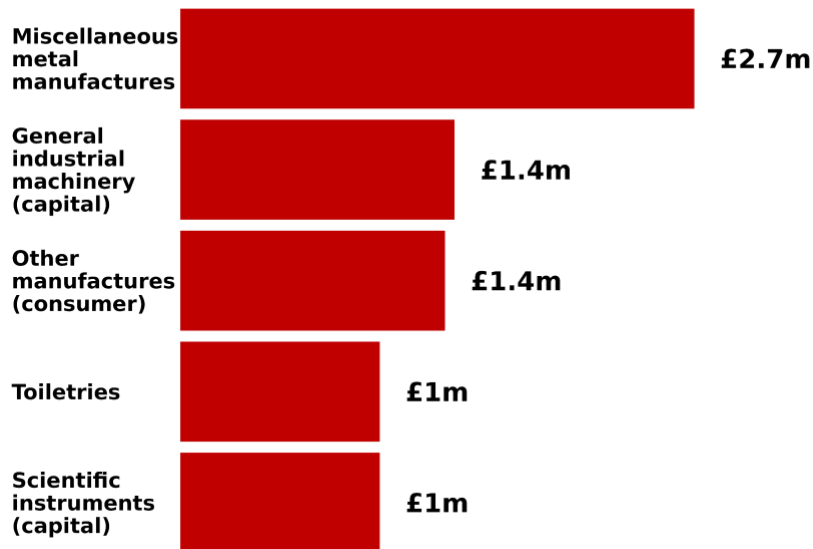
<sup>4</sup> World Bank Data, Travel services (% of service exports, BoP) – Maldives.

<sup>5</sup> Maldives Ministry of Tourism, Tourism Year Book 2021.

Source: ONS, UK total trade: all countries, seasonally adjusted

The top UK goods exported to Maldives in 2022 were miscellaneous metal manufactures (£2.7 million), general industrial machinery (capital) (£1.4 million) and other manufactures (consumer) (£1.4 million). The top 5 UK goods products lines exported to Maldives are shown in Figure 2.

**Figure 2: Top 5 UK goods exports to Maldives, 2022 (using SITC codes)**



Source: ONS Trade in goods: country-by-commodity imports and exports

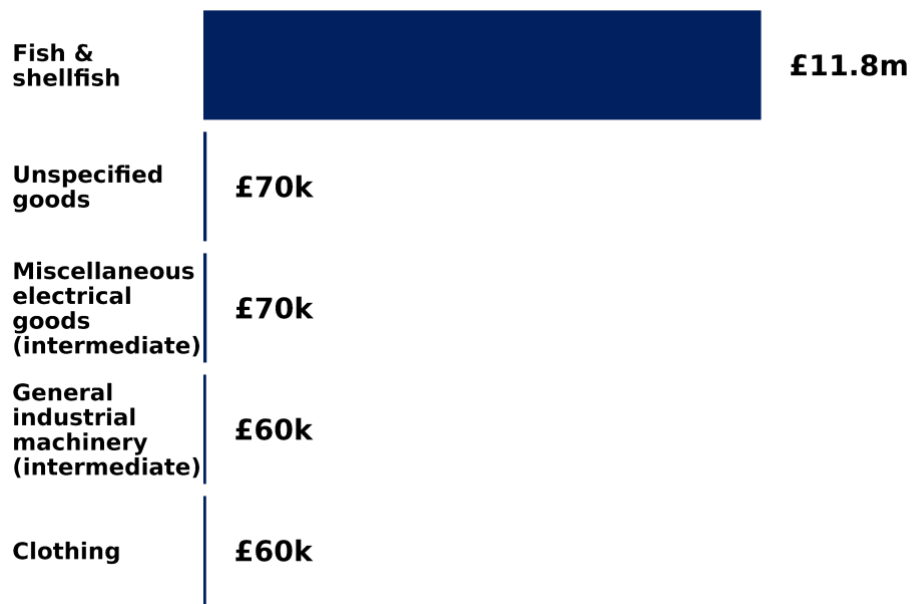
The UK's top goods imported from Maldives in 2022 were fish and shellfish (£11.8 million which made up 91% of total goods imports), unspecified goods (£70 thousand) and miscellaneous electrical goods (intermediate) (£70 thousand). More disaggregated import data from HMRC shows that over 80% of the imported fish and shellfish from Maldives are tuna.<sup>6</sup> The top UK goods products lines imported from Maldives in 2021 are shown in Figure 3.

---

<sup>6</sup> HMRC, Overseas trade data tables by SITC.



**Figure 3: Top UK goods imports from Maldives, 2022 (using SITC codes)**



Source: ONS Trade in goods: country-by-commodity imports and exports

## 4 Trade in Goods

The impact on trade in goods is typically driven by reducing tariff and non-tariff measures affecting goods trade.

Goods chapters in trade agreements set out the preferential tariffs that are provided to goods of each of the respective parties.

### 4.1 Tariffs

Tariffs are customs duties on goods imported into a country. Given the UK and Maldives do not currently have a trade agreement, they face each other's Most Favoured Nation (MFN) tariffs.

The simple average tariff on goods imported into the UK from Maldives is currently 5.7%. Imports of tuna into the UK from Maldives currently face tariffs of 20%.

In comparison, the simple average tariff on goods imported into Maldives from the UK is 13.0%.<sup>7</sup> An area where the UK has an export interest to Maldives is spirits, such as whisky, where Maldives has a compound MFN tariff of 25% + 50 Maldivian Rufiyaa (MVR) per litre.

### 4.2 Non-tariff measures affecting trade

A non-tariff measure is defined as being any policy measure other than customs tariffs that can potentially affect the quantity of international trade.

This can include technical barriers to trade, which include regulations, standards and procedures required to ensure that domestic legislative requirements are met, sanitary and phytosanitary measures, which cover any standards which a country applies to ensure food safety, animal health or plant health standards, and customs procedures.

---

<sup>7</sup> Only ad valorem tariffs are included in the calculation of the simple average tariff for Maldives (coverage of over 99% of tariff lines).

## 5 Drafting a consultation response

As with all other new FTAs, DBT is committed to negotiating an agreement which delivers benefits to stakeholders across the whole of the UK. The responses to this consultation will inform our policy making and negotiating positions for engaging with Maldives, and so it is important to us that you respond and set out your priorities for the shape of a future FTA.

Prior to submitting your response, we encourage you to talk to a range of experts in your business/organisation to understand the fullest picture of current trading priorities. *If you have accessibility issues and wish to request an offline version of the questionnaire, please contact [DBT.MaldivesCFI@trade.gov.uk](mailto:DBT.MaldivesCFI@trade.gov.uk)*

When responding, we would advise you to think about what you would want to see in an FTA that is designed for the future. Tell us which areas you think provide the most opportunities, and where we can secure provisions to help you overcome any barriers you are currently experiencing whilst trading and investing with Maldives.

When responding to the consultation you may find some questions are more applicable to you/your business/ organisation than others. Aim to answer these questions accurately, and in as much detail as possible. This may include suggestions on what you would like to see included in certain chapters, or examples of where other agreements have strong provisions that we could look to replicate. Where it is relevant, we welcome the inclusion of figures or data to illustrate the examples you give in your response. Remember that more detailed answers will help us to best understand your needs.

## **6 Conclusion**

This consultation will inform an evidence-based approach to decision-making and inform future assessments of the impacts of an FTA with Maldives. We are interested in better understanding your views on areas such as key opportunities in an FTA as well as current challenges in trading and investing in Maldives.

## 7 Glossary

### A) Glossary of trade terminology

**Bilateral agreement** - An agreement negotiated between two sides.

**Compound tariff** – Tariffs that have both a price per quantity and a percentage rate.

**Customs procedures** - Processes and procedures applied by customs authorities to control the export, import and transit of goods. Their improvement and simplification may lower costs and facilitate trade.

**Free Trade Agreement (FTA)** - A treaty among two or more countries to form a free trade area. This means having zero tariffs (or reduced tariffs) and reducing other regulatory restrictions on trade in substantially all goods and/or services.

**Gross Domestic Product (GDP)** - Gross domestic product (GDP) is the standard measure of the value added created through the production of goods and services in a country during a certain period.

**Rules of Origin (RoO)** - Rules used to determine where goods are “from”, for example, where they have been produced or had substantial work done to them. This is used in determining appropriate tariff rates, access to preferential trade arrangements or application of trade sanctions.

**Sanitary and Phytosanitary Measures (SPS)** - Measures to ensure that food is safe for consumers, and to prevent the spread of pests or diseases among animals and plants.

**Tariffs** - Refers to customs duties on imports of goods, levied either as a percentage of value or on the basis of a formula (e.g. 10 per cent or £7 per 100 kg).

**Technical Barriers to Trade (TBT)** - Provisions in trade agreements cover aspects relating to technical regulations, standards, and conformity assessment (testing) for goods. They play an important role in reducing non-tariff barriers for businesses. The Agreement commits the Parties to ensure regulations, including on labelling, are not unnecessarily trade restrictive, and to exchange information to help make testing a product against each other's rules easier. There are also commitments in the electronic goods and automotive annex to base regulations on international standards and to provide notification of measures in accordance with the TBT chapter.

**Trade liberalisation** - The removal or reduction of restrictions or barriers to trade.

**Trade remedies** - Measures which allow WTO members to operate a safety net and protect domestic industry from injury caused by unfair trading practices or from injury caused by surges in imports. They are taken in response to subsidies, dumping and import surges. These usually take the form of additional duties on those imports.

## Department for Business and Trade

We are the department for economic growth. We support businesses to invest, grow and export, creating jobs and opportunities across the country.

## Legal disclaimer

Whereas every effort has been made to ensure that the information in this document is accurate, the Department for International Trade does not accept liability for any errors, omissions or misleading statements, and no warranty is given or responsibility accepted as to the standing of any individual, firm, company or other organisation mentioned.

## Copyright

© Crown Copyright 2023

You may re-use this publication (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence.

To view this licence visit:

[www.nationalarchives.gov.uk/doc/open-government-licence](http://www.nationalarchives.gov.uk/doc/open-government-licence)

or email:

[psi@nationalarchives.gov.uk](mailto:psi@nationalarchives.gov.uk).

Where we have identified any third party copyright information in the material that you wish to use, you will need to obtain permission from the copyright holder(s) concerned.

All enquiries regarding this material should be sent to us at

[enquiries@trade.gov.uk](mailto:enquiries@trade.gov.uk)