MALDIVES

The Maldives’ economic freedom score is 53.2, making its economy the 141st freest in the 2019 Index. Its overall score has increased by 2.1 points, with leaps in scores for government spending and trade freedom outpacing declines in government integrity and judicial effectiveness. Maldives is ranked 37th among 43 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

Funded in part by revenues from tourist visits, hotel and infrastructure-related construction recently surpassed tourism as the main driver of growth. The Maldives’ economy has also benefited from rapid growth in its fisheries sectors and other tourism-related industries. To guard against future boom-and-bust cycles, the economy needs greater diversification to protect it from global slowdowns. Other reforms to improve the business environment are also needed, as are reforms in public finance and stronger efforts against corruption, cronyism, and a growing drug problem.

**ECONOMIC FREEDOM SCORE**

<table>
<thead>
<tr>
<th>REGIONAL AVERAGE (ASIA-PACIFIC REGION)</th>
<th>WORLD AVERAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>60.6</td>
<td>60.8</td>
</tr>
</tbody>
</table>

**HISTORICAL INDEX SCORE CHANGE (SINCE 2009):** +1.9

**CONCERNS:** Fiscal Health and Financial Freedom

**RELATIVE STRENGTHS:** Tax Burden and Monetary Freedom

**QUICK FACTS**

| POPULATION: | 0.4 million |
| GDP (PPP):  | $6.9 billion |
| 4.8% growth in 2017 |
| 5-year compound annual growth 5.2% |
| $19,151 per capita |
| UNEMPLOYMENT: | 5.0% |
| INFLATION (CPI): | 2.8% |
| FDI INFLOW: | $517.5 million |
| PUBLIC DEBT: | 68.1% of GDP |

2017 data unless otherwise noted. Data compiled as of September 2018

**BACKGROUND:** Opposition politician Ibrahim Mohamed Solih handily defeated incumbent President Abdulla Yameen in the 2018 elections, surprising many and winning 58 percent of the vote. In 2015, Yameen’s government had sentenced former President Mohamed Nasheed to 13 years in prison based on dubious allegations, prompting large protests and cancellation of a planned state visit by India’s prime minister. Political tensions had continued as Yameen was widely perceived as seeking to weaken democratic institutions and curtail civil liberties and had moved the country closer to China at the expense of relations with India. The Muslim-majority Maldives archipelago lies southwest of India in the Arabian Sea. Driven by the rapid growth of its tourism and fisheries sectors, the Maldives has rapidly become a middle-income country.
**12 ECONOMIC FREEDOMS | MALDIVES**

**RULE OF LAW**

- Property Rights: 43.9
- Judicial Effectiveness: 36.4
- Government Integrity: 33.5

WORLD AVERAGE: (–1.1)  (–2.4)  (–3.1)

Property rights are generally weak, and most land is owned by the government and leased to private parties. The judiciary is legally independent but subject to executive influence. Laws are inconsistently enforced and sometimes target political opponents. Corruption pervades the government. Outrage at a biggest-ever corruption scandal involving the theft of millions in tourism revenues helped to fuel the opposition’s victory in the September 2018 election.

**GOVERNMENT SIZE**

- Tax Burden: 95.8
- Government Spending: 60.8
- Fiscal Health: 10.7

WORLD AVERAGE: (+1.5)  (+15.3)  (+4.0)

The Maldives’ government levies no personal income or corporate tax. Bank profits are subject to a profits tax. The overall tax burden equals 20.5 percent of total domestic income. Over the past three years, government spending has amounted to 36.1 percent of the country’s output (GDP), and budget deficits have averaged 7.9 percent of GDP. Public debt is equivalent to 68.1 percent of GDP.

**REGULATORY EFFICIENCY**

- Business Freedom: 78.3
- Labor Freedom: 70.8
- Monetary Freedom: 81.0

WORLD AVERAGE: (–0.3)  (+0.2)  (–2.3)

Impediments to sustained private-sector growth and diversification are considerable, caused in large part by the lack of supportive policies and infrastructure. Reforms to improve the business environment have been uneven. A new approval process has made obtaining a construction permit more difficult. The large public sector employs much of the labor force. The government’s budget for 2018 included food and electricity subsidies.

**OPEN MARKETS**

- Trade Freedom: 62.6
- Investment Freedom: 35.0
- Financial Freedom: 30.0

WORLD AVERAGE: (+14.2)  (No change)  (No change)

The combined value of exports and imports is equal to 150.4 percent of GDP. The average applied tariff rate is 11.2 percent, and nontariff barriers persist. The government screens foreign investment, and state-owned enterprises undermine investment expansion. The Maldives’ shallow financial sector is dominated by banking. Costly credit and limited access to financial services impede development of a vibrant private sector.