

MALDIVES

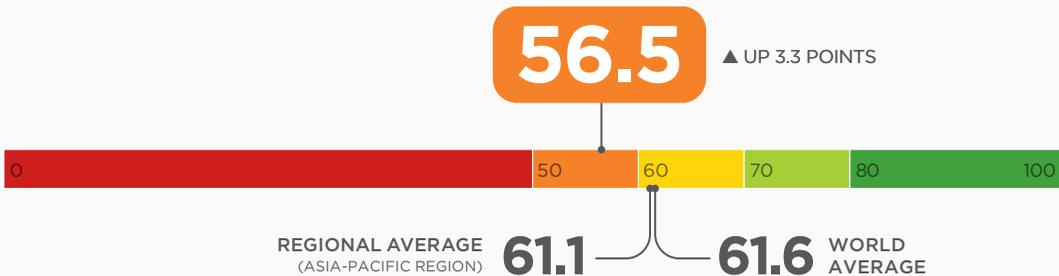
WORLD RANK: **119** | REGIONAL RANK: **27**
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

The Maldives' economic freedom score is 56.5, making its economy the 119th freest in the 2020 *Index*. Its overall score has increased by 3.3 points due to a large increase in the **fiscal health** score. The Maldives is ranked 27th among 42 countries in the Asia-Pacific region, and its overall score is well below the regional and world averages.

The economy of the Maldives has been mostly unfree for the past seven years. GDP growth, on the other hand, has been robust because of strong tourism receipts.

To enhance economic freedom, the government must confront weakness across many *Index* indicators including inadequate rule of law (property rights, judicial effectiveness, and government integrity); still-poor fiscal health; and a general lack of investment freedom and financial freedom. Improvement in these areas would help the government to deliver on its promises to reduce debt, tackle corruption and human rights abuses, and reform the judiciary.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): +5.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.4 million

GDP (PPP):
\$8.0 billion
7.0% growth in 2018
5-year compound annual growth 6.3%
\$21,760 per capita

UNEMPLOYMENT:
6.1%

INFLATION (CPI):
1.5%

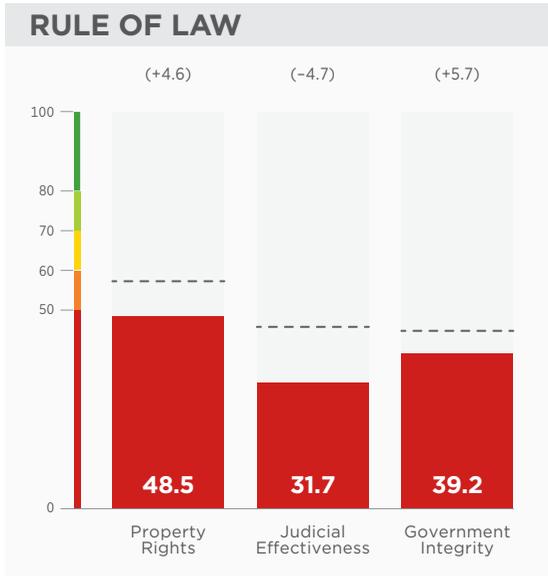
FDI INFLOW:
\$551.8 million

PUBLIC DEBT:
61.5% of GDP

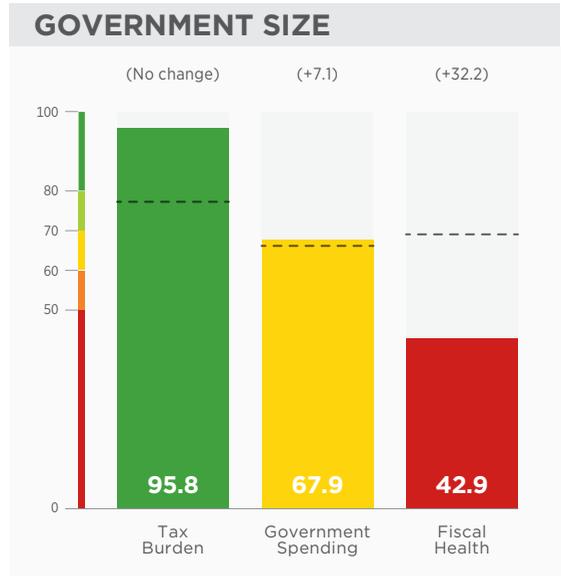
2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The Muslim-majority Maldives archipelago lies southwest of India in the Arabian Sea. Ibrahim Mohamed Solih handily defeated incumbent President Abdulla Yameen in the 2018 elections with a surprising 58 percent of the vote. Solih's Maldivian Democratic Party also won the most seats during the April 2019 parliamentary elections. In 2015, Yameen's government sentenced Solih's close friend, former President Mohamed Nasheed, to a long prison term on dubious charges. Political tensions increased when Yameen took actions that appeared to weaken democratic institutions, curtail civil liberties, and tilt the country away from India and toward China, from which he borrowed heavily. Driven by the rapid growth of its tourism and fisheries sectors, the Maldives has rapidly become a middle-income country.

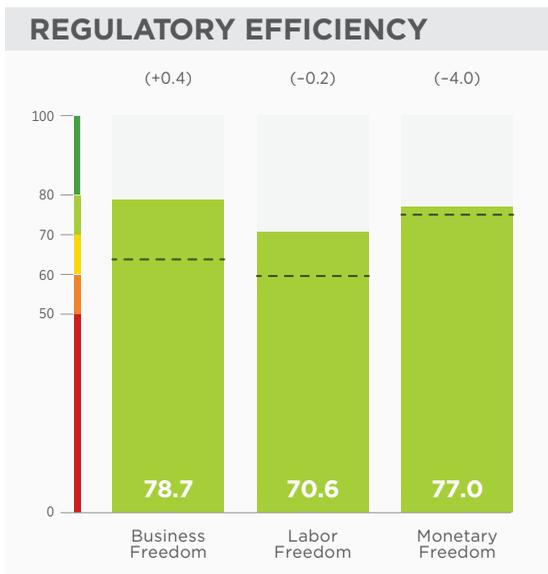
12 ECONOMIC FREEDOMS | MALDIVES



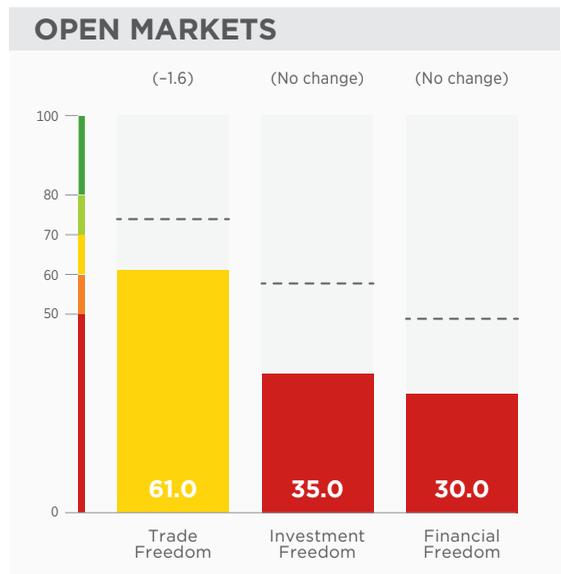
Secured interests in property are recognized and enforced, but overall property rights are generally weak, with most land owned by the government and then leased to private owners or developers. Judicial independence is seriously compromised. Many judges are unqualified, and the courts are widely viewed as vulnerable to corruption or political influence. Corruption pervades the government, and a quarter of all judges have criminal records.



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, with significant revenue coming from import tariffs. Government spending has amounted to 32.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 5.6 percent of GDP. Public debt is equivalent to 61.5 percent of GDP.



Strengthening the relatively weak legal and regulatory environment would improve the business climate. The recently passed Special Economic Zones Act includes numerous tax incentives for developers and investors in the zones. The labor market is highly dependent on the tourism sector. Higher government subsidies have decreased prices to consumers for food and electricity.



The total value of exports and imports of goods and services equals 139.9 percent of GDP. The average applied tariff rate is 12.0 percent, and nontariff barriers further increase the cost of trade. Bureaucracy in the investment approval process hampers the investment regime. Banking has expanded, but high costs and limited access to financial services contribute to the overall shallowness of the financial sector.