MALDIVES

Maldives’ economic freedom score is 46.6, making its economy the 160th freest in the 2023 Index. Its score has decreased by 0.7 point from last year. The Maldives is ranked 36th out of 39 countries in the Asia-Pacific region, and its overall score is below the world and regional averages.

Reforms are needed to enhance prospects for long-term sustainable development. Significant impediments to sustained private-sector growth and diversification persist, in large part because of institutional deficiencies such as corruption and weak protection of property rights. The government still plays a large role in the economy through state-owned enterprises.

BACKGROUND: The Maldives archipelago lies southwest of India in the Arabian Sea. Ibrahim Mohamed Solih defeated incumbent President Abdulla Yameen in 2018, and his Maldivian Democratic Party won the most seats in the 2019 parliamentary elections. Yameen weakened democratic institutions, curtailed civil liberties, and tilted the country away from India toward China, from which he borrowed heavily. Multiple corruption charges against Yameen are pending before the court that could disqualify him from the 2023 elections. Driven by the rapid growth of tourism and fisheries, Maldives is a middle-income country, although its economy was seriously affected by the COVID-19 pandemic.
The overall rule of law is weak in Maldives. The country’s property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.

The regulatory framework remains relatively underdeveloped. Enforcement of labor regulations is not effective, and the large public sector employs much of the labor force. Lack of competition in the market has affected price levels, but monetary stability has been maintained.

The trade-weighted average tariff rate is 13.2 percent, and nontariff barriers persist. Foreign participation and ownership remain limited and restricted in some sectors. The shallow financial sector is dominated by banking. Costly credit and limited access to financial services discourage vibrant private-sector development.