

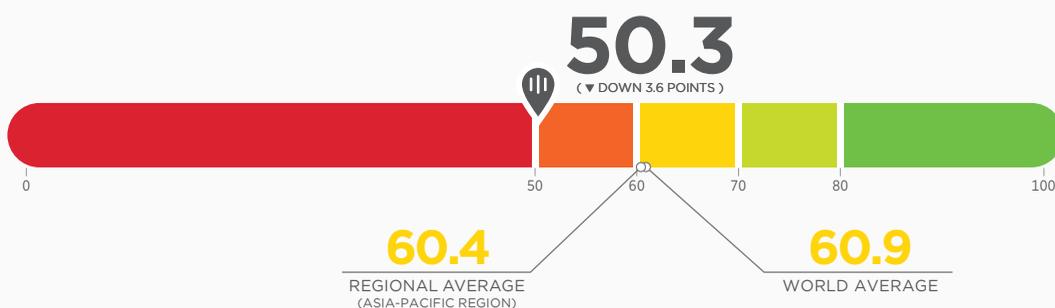
MALDIVES

WORLD RANK: **157** | REGIONAL RANK: **39**
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Tourism and related industries drive the Maldives' economy, which needs diversification to protect it from global slow-downs. Reforms to improve the business environment have been uneven. Corporations now have additional disclosure requirements for filing taxes, and it is harder to obtain a building permit. The government deficit is large and growing.

Foreign companies are now permitted to own land, but ambiguous foreign investment laws deter investors. Government corruption remains a serious problem; the Auditor General discovered during a special audit in February 2016 that \$79 million had been embezzled from the Maldives Marketing and Public Relations Corporation.

ECONOMIC FREEDOM SCORE



NOTABLE SUCCESSES:
 Tax Policy

CONCERNS:
 Rule of Law, Fiscal Health, and Open Markets

OVERALL SCORE CHANGE SINCE 2013:
 +1.3

FREEDOM TREND



QUICK FACTS

POPULATION:
 0.3 million

GDP (PPP):
 \$5.2 billion
 1.9% growth in 2015
 5-year compound annual growth 4.9%
 \$14,923 per capita

UNEMPLOYMENT:
 11.8%

INFLATION (CPI):
 1.4%

FDI INFLOW:
 \$323.9 million

PUBLIC DEBT:
 72.9% of GDP

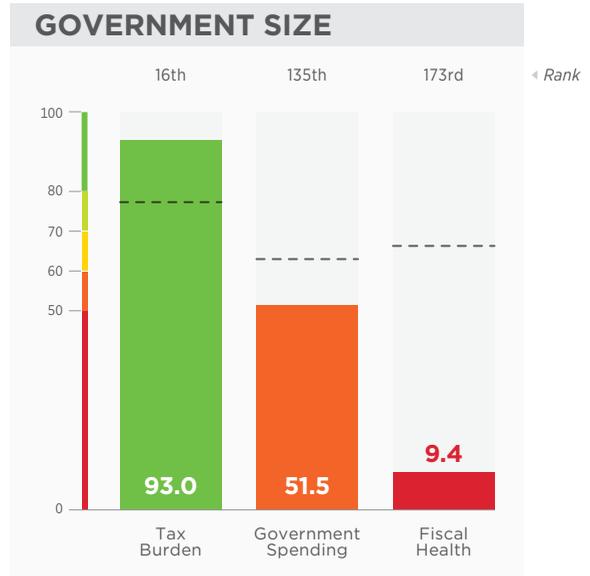
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: The military forced democratically elected President Mohamed Nasheed to step down in February 2012 after several weeks of anti-government street protests instigated by former dictator Maumoon Abdul Gayoom. In November 2013, Gayoom's half-brother Abdulla Yameen was elected president. Sixteen months later, Yameen's government sentenced former President Nasheed to 13 years in prison based on dubious allegations of terrorism, prompting large-scale protests among his supporters and cancellation of a planned state visit by India's prime minister. Nasheed was granted political asylum in London in May amid signs of increasing political repression by President Yameen. As calls for sanctions by Western countries have intensified, Yameen has turned increasingly toward Chinese and Saudi investment.

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Property rights are generally weak; most land is owned by the government and then leased to private owners or developers. Although legally independent, the judiciary is subject to influence amid numerous allegations of judicial impropriety and abuse of power. In 2016, former President Nasheed received a long prison sentence on a politically motivated terrorism charge, partly because he ordered the arrest of a corrupt judge in 2012.

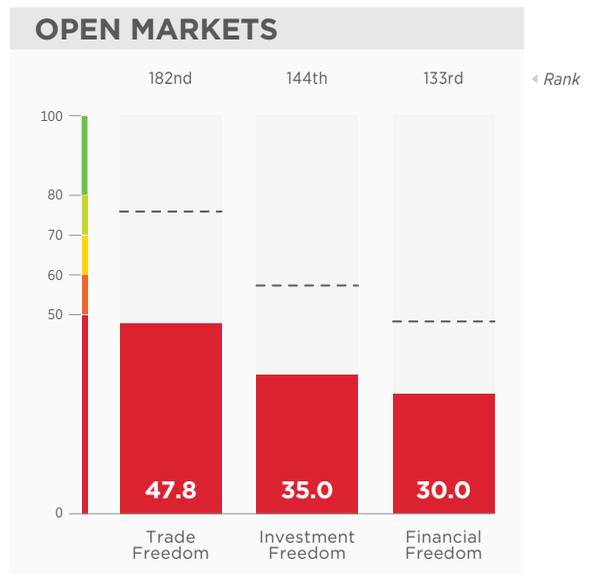


The government of the Maldives levies no personal income or corporate tax. Bank profits are subject to a profits tax. The overall tax burden equals 26.4 percent of total domestic income. Government spending has amounted to 40.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 8.6 percent of GDP. Public debt is equivalent to 72.9 percent of GDP.



Impediments to sustained private-sector growth and diversification remain considerable, in large part due to the lack of supportive policies and infrastructure. The large public sector employs much of the labor force. With the government facing an overall budget deficit of over 8 percent of GDP in 2016, the IMF recommended that it both find better ways to target welfare and food subsidies and eliminate electricity subsidies.

Reference from - Index of Economic Freedom



Trade is extremely important to the Maldives' economy; the value of exports and imports taken together equals 201 percent of GDP. The average applied tariff rate is 21.1 percent. The government screens foreign investment, and state-owned enterprises distort the economy. The shallow financial sector is dominated by banking. Costly credit and limited access to financial services impede development of a vibrant private sector.