

World Rank: **151** Regional Rank: **34**

The Maldives' economic freedom score is 49.2, making its economy the 151st freest in the 2012 *Index*. Its score has increased by 0.9 point from last year, with a strong improvement in business freedom. The Maldives is ranked 34th out of 41 countries in the Asia-Pacific region, and its overall score is below the world and regional averages.

Despite uneven overall progress toward greater economic freedom, the Maldives' regulatory framework has been streamlined and has become more conducive to entrepreneurial activity. Continuing much-needed reform measures to enhance the prospects for long-term sustainable development remains vital.

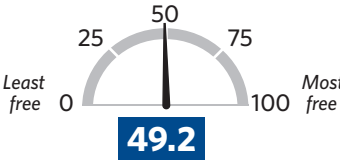
Impediments to sustained private-sector growth and diversification remain considerable, in large part due to institutional deficiencies such as corruption and the weak protection of property rights. Other weaknesses include chronically high government spending and the inefficiency of the outsized public sector. The government still plays a large role in the economy through state-owned enterprises, limiting and crowding out private-sector activity. Public ownership is widespread in every sector except tourism, and the public sector remains the largest source of jobs, employing over one-third of the labor force.

BACKGROUND: The Maldives held its first multi-party presidential elections in October 2008. President Mohammed Nasheed was sworn into office on November 11, 2008, succeeding Maumoon Abdul Gayoom, who had ruled the country for 30 years. The Maldives has largely recovered from the devastation caused by the 2004 Asian tsunami. Tourism is the centerpiece of the economy, contributing 30 percent of GDP in 2009. Fishing employs about 11 percent of the labor force, and manufacturing provides less than 7 percent of GDP. Street protests broke out in June 2011, prompting a power struggle between President Nasheed and the opposition-led parliament.

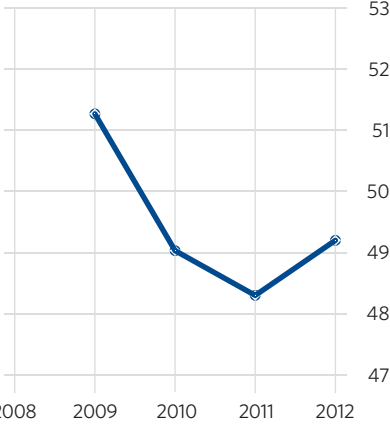
How Do We Measure Economic Freedom?
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

MALDIVES

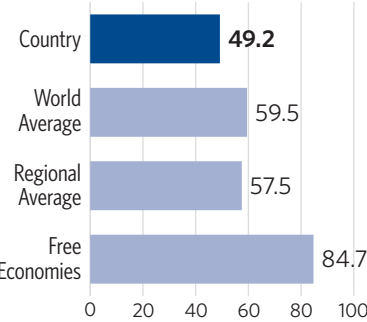
Economic Freedom Score



Freedom Trend



Country Comparisons

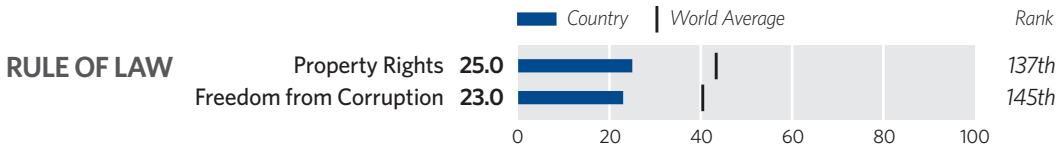


Quick Facts

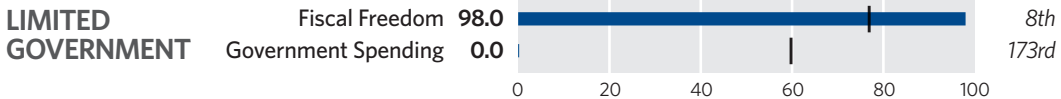
- Population:** 0.3 million
- GDP (PPP):** \$2.7 billion
- 8.0% growth in 2010
- 5-year compound annual growth 9.7%
- \$8,541 per capita
- Unemployment:** 14.6%
- Inflation (CPI):** 5.0%
- FDI Inflow:** \$163.8 million
- Public Debt:** 59.3% of GDP

2010 data unless otherwise noted.
Data compiled as of September 2011.

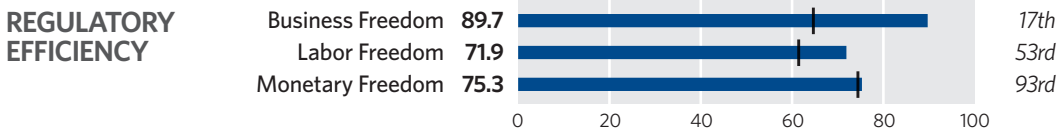
THE TEN ECONOMIC FREEDOMS



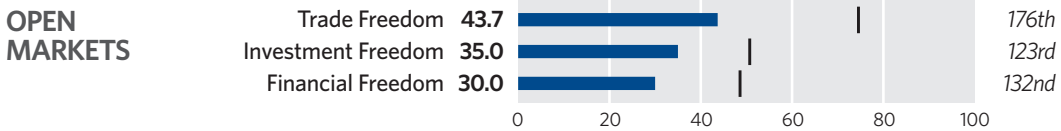
There is little private ownership of land, although land reform has been under consideration. The rule of law remains uneven across the country. The inefficient judicial system is subject to political influence, and application of laws is inconsistent. Enforcement of intellectual property rights is weak. Corruption remains systemic throughout the economy, considerably undermining the foundations of economic freedom.



There is no income or corporate tax. Bank profits are subject to a profits tax. Overall tax revenue is estimated to be 14.1 percent of total domestic income. Government spending remains quite high at a level equivalent to 65 percent of GDP. The budget deficit has been chronically high at over 10 percent of total domestic output, and public debt has reached around 60 percent of GDP.



The regulatory framework has become streamlined and less cumbersome. Launching a business takes less than the world averages of seven procedures and 30 days. Enforcement of labor regulations is not effective, and the labor market is underdeveloped. Much of the labor force is employed in the large public sector. Lack of competition in the market has inflated price levels, hurting the standard of living.



The trade weighted average tariff rate is prohibitively high at 20.6 percent, with non-tariff barriers adding further to the cost of trade. Heavy bureaucracy in the investment approval process severely hampers the already weak investment regime. Banking has expanded, with short-term financing widely available. However, high costs and limited access to financial services contribute to the overall shallowness of the financial sector.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+2.4	Business Freedom	+8.2	Trade Freedom	-0.1
Freedom from Corruption	-2.0	Government Spending	0	Labor Freedom	-1.5	Investment Freedom	0
				Monetary Freedom	+1.2	Financial Freedom	0