

Chapter 7

The Countries

For more than two decades, the *Index of Economic Freedom* has chronicled and benchmarked the many factors underpinning economic freedom in countries around the globe. The country profiles in the *Index* provide many examples of the impact, both positive and negative, of government economic policies. Those that enhance economic freedom tend to be associated with greater economic and social progress and can be emulated by other countries that are willing to reform. Successful countries are those that chart not just one path to development, but as many as the ingenuity of humans can produce when they are free to experiment and innovate.

This chapter reports data on economic freedom for each of the countries included in the 2016 *Index of Economic Freedom*. Of the 186 countries included in this edition, 178 are fully scored and ranked. Because of insufficient data, eight countries—Afghanistan, Iraq, Libya, Somalia, Sudan, Syria, Yemen, and Liechtenstein—are covered without numerical grading. In the 2016 *Index*, Kosovo has been graded and ranked for the first time.

For analytical understanding and presentational clarity, the 10 economic freedoms are grouped into four pillars of economic freedom:

- **Rule of law** (property rights, freedom from corruption);
- **Government size** (fiscal freedom, government spending);
- **Regulatory efficiency** (business freedom, labor freedom, monetary freedom); and
- **Market openness** (trade freedom, investment freedom, financial freedom).

Ranked countries are given a score ranging from 0 to 100 on each of the 10 components of economic freedom, and these scores are then averaged (using equal weights) to compute each country's final economic freedom score. In addition to the scores, the country pages include in each case a brief overview describing the economic strengths and weaknesses and the political and economic background influencing a country's performance, as well as a statistical profile documenting the country's main economic indicators.

To assure objectivity and reliability within each of the 10 components on which the countries are graded, every effort has been made to use the same data source consistently for all countries; when data are unavailable from the

primary source, secondary sources are used. (For details, see Appendix, “Methodology.”)

DEFINING THE “QUICK FACTS”

Each country page includes “Quick Facts” providing basic statistical data. In order to facilitate comparisons among countries, the GDP and GDP per capita figures in the “Quick Facts” section have been adjusted to reflect Purchasing Power Parity (PPP). Caution should be used interpreting changes in these figures over time, as the PPP conversion rates are subject to regular revision by the IMF and World Bank. In order to provide accurate estimates of annual and 5-year GDP growth rates, these figures have been calculated using constant U.S. dollars for the most recent available years. Exact definitions and sources for each category of data reported are as follows.

Population: 2014 data from World Bank, *World Development Indicators Online*. For some countries, other sources include the country’s statistical agency and/or central bank.

GDP: Gross domestic product—total production of goods and services—adjusted to reflect purchasing power parity. The primary source is International Monetary Fund, *World Economic Outlook Database, 2015*. The secondary source for GDP data is World Bank, *World Development Indicators Online*. Other sources include a country’s statistical agency and/or central bank.

GDP growth rate: The annual percentage growth rate of real GDP derived from constant national currency units. Annual percent changes are year-on-year. The primary source is International Monetary Fund, *World Economic Outlook Database, 2015*. Secondary sources include World Bank, *World Development Indicators Online*; Economist Intelligence Unit, *Data Tool*; and a country’s statistical agency and/or central bank.

GDP five-year compound annual growth: The compound average growth rate measured over a specified period of time. The compound annual growth rate is measured using data from 2008 to 2013, based on real GDP expressed in constant national currency units. It is calculated by taking the n th root of the total percentage growth rate, where n is the number of years in the period being considered. The primary source is

International Monetary Fund, *World Economic Outlook Database, 2015*. Secondary sources are World Bank, *World Development Indicators Online*, and Economist Intelligence Unit, *Data Tool*.

GDP per capita: Gross domestic product (adjusted for PPP) divided by total population. The sources for these data are International Monetary Fund, *World Economic Outlook Database, 2015*; World Bank, *World Development Indicators Online*; U.S. Central Intelligence Agency, *The World Factbook 2015*; and a country’s statistical agency and/or central bank.

Unemployment rate: A measure of the portion of the workforce that is not employed but is actively seeking work. Data are from International Labour Organization, *Global Employment Trends 2015*.

Inflation: The annual percent change in consumer prices as measured for 2014 (or the most recent available year). The primary source for 2014 data is International Monetary Fund, *World Economic Outlook Database, 2015*. Secondary sources are Economist Intelligence Unit, *Data Tool*; Asian Development Bank, *Asian Development Outlook 2015*; and a country’s statistical agency and/or central bank.

Foreign direct investment (FDI) inward flow: The total annual inward flow of FDI in current 2014 U.S. dollars, reported in millions. FDI flows are defined as investments that acquire a lasting management interest (10 percent or more of voting stock) in a local enterprise by an investor operating in another country. Such investment is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments and both short-term and long-term international loans. Data are from United Nations Conference on Trade and Development, *World Investment Report 2015*.

Public debt: Gross government debt as a percentage of GDP, which indicates the cumulative total of all government borrowings less repayments that are denominated in a country’s currency. Public debt is different from external debt, which reflects the foreign currency liabilities of both the private and public sectors and must be financed out of foreign exchange

earnings. The primary sources for 2014 data are International Monetary Fund, *World Economic Outlook Database, 2015*; International Monetary Fund, *Article IV Staff Reports, 2012–2015*; and a country's statistical agency.

COMMONLY USED ACRONYMS

CARICOM: Caribbean Community and Common Market, composed of Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Lucia, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

CEMAC: Central African Economic and Monetary Community, which includes Cameroon, the Central African Republic, Chad, the Republic of Congo, Equatorial Guinea, and Gabon.

EU: European Union, consisting of Austria, Belgium, Bulgaria, Cyprus, Croatia, the Czech Republic, Denmark, Estonia, Finland, France,

Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

IMF: International Monetary Fund, established in 1945 to help stabilize countries during crises; now includes 188 member countries.

OECD: Organisation for Economic Co-operation and Development, an international organization of developed countries, founded in 1948; now includes 34 member countries.

SACU: Southern African Customs Union, consisting of Botswana, Lesotho, Namibia, South Africa, and Swaziland.

WTO: World Trade Organization, founded in 1995 as the central organization dealing with the rules of trade between nations and based on signed agreements among member countries. As of November 2015, there were 162 member economies.