WORLD RANK: 61 | REGIONAL RANK: 6

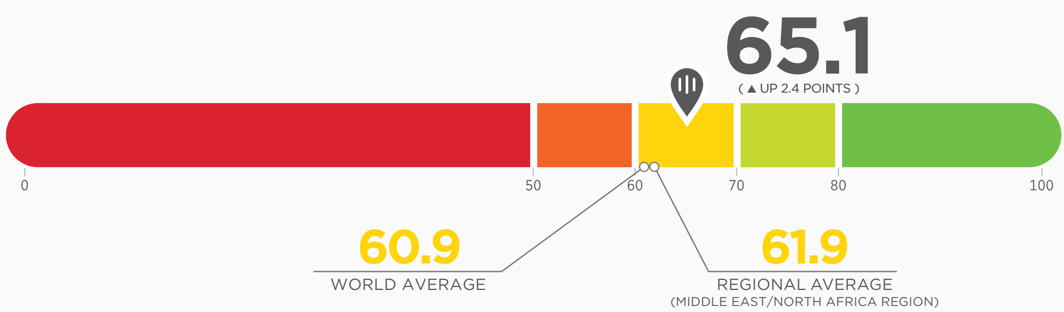
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

KUWAIT

Kuwait is trying to modernize the structure of its economy and scores relatively well in many of the 12 economic freedoms. The economy benefits from high levels of openness to global commerce and good monetary stability. Progress on enhancing the efficiency of business regulations, however, has been mixed.

The availability of high oil revenues has delayed privatization and other structural reforms that would diversify the economy; following the collapse of oil prices in 2015, Kuwait recorded a budget deficit for the first time in 15 years. Institutional deficiencies stemming from state bureaucracy and an entitlement culture stifle economic dynamism. The judicial system is subject to political influence and lacks transparency.

ECONOMIC FREEDOM SCORE

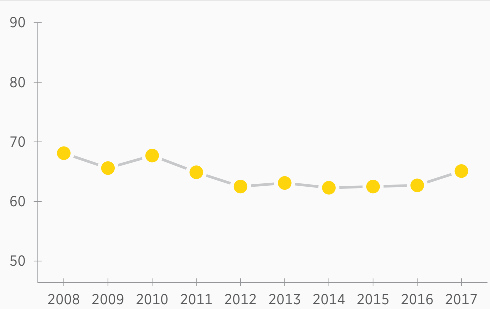


NOTABLE SUCCESSES: Trade Freedom and Monetary Stability

CONCERNS: Rule of Law, Business Freedom, and Labor Freedom

OVERALL SCORE CHANGE SINCE 2013: +2.0

FREEDOM TREND



QUICK FACTS

POPULATION:
4.1 million

GDP (PPP):
$288.4 billion
0.9% growth in 2015
5-year compound annual growth 4.0%
$70,166 per capita

UNEMPLOYMENT:
3.5%

INFLATION (CPI):
3.4%

FDI INFLOW:
$293.5 million

PUBLIC DEBT:
10.6% of GDP

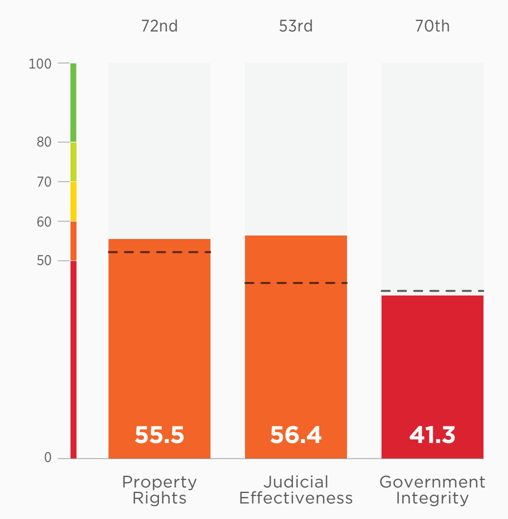
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Kuwait, the first Gulf Arab country to establish an elected parliament, is a constitutional monarchy ruled by the al-Sabah dynasty. After Islamists scored major gains in parliamentary elections in February 2012, Emir Sabah al-Ahmad al-Jabr al-Sabah annulled the results and changed the election laws. This sparked protests and a boycott of the subsequent election, the results of which were annulled by the Constitutional Court. In July 2013 balloting, pro-government Sunni candidates won a significant majority. Kuwait controls roughly 6 percent of the world's oil reserves. Oil and gas account for nearly 60 percent of GDP and 94 percent of export revenues.

KEY: – – WORLD AVERAGE

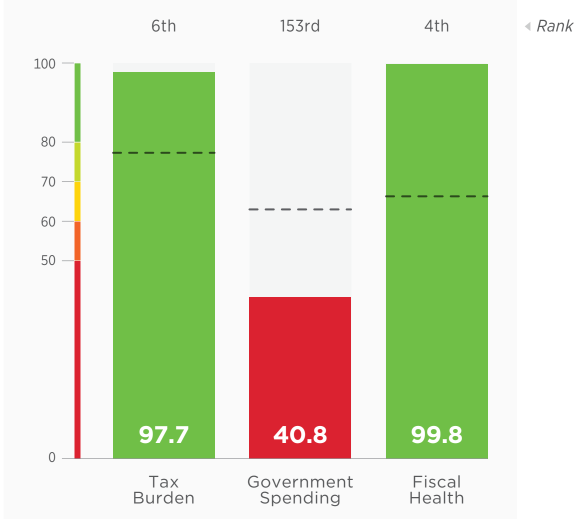
12 ECONOMIC FREEDOMS | KUWAIT

RULE OF LAW



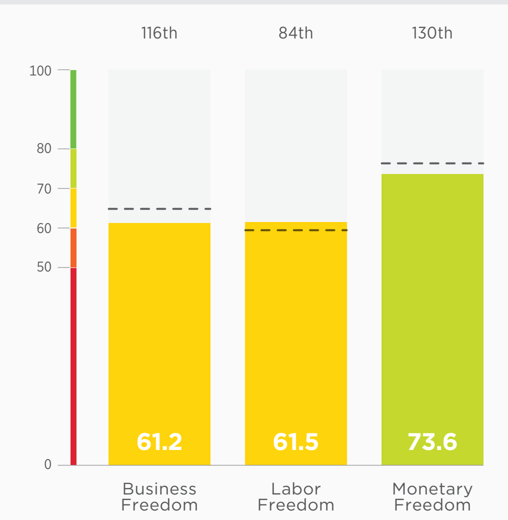
Only citizens of Gulf Cooperation Council countries may own land. The legal system is not well developed, and foreigners face difficulties enforcing contract provisions in local courts. The emir appoints all judges. The ruling family has blocked attempts by the opposition in parliament to investigate corruption. Transparency in government spending and operations is inadequate, and the rule of law is weak.

GOVERNMENT SIZE



Individual income is not taxed. Foreign-owned firms and joint ventures are the only businesses subject to the corporate income tax, which is a flat 15 percent. The overall tax burden equals 0.9 percent of total domestic income. Government spending has amounted to 44.4 percent of total output (GDP) over the past three years, and budget surpluses have averaged 20.6 percent of GDP. Public debt is equivalent to 10.6 percent of GDP.

REGULATORY EFFICIENCY



In an effort to enhance the economy's overall competitiveness, Kuwait has taken steps to improve its regulatory framework, but progress has been slow. The labor market is highly segmented. The public sector employs over 70 percent of the labor force. In 2016, public opposition slowed implementation of the government's five-year (2015–2019) development plan for the gradual phasing out of Kuwait's extensive system of subsidies.

OPEN MARKETS

Trade is important to Kuwait's economy; the value of exports and imports taken together equals 99 percent of GDP. The average applied tariff rate is 3.2 percent. Foreign investment may be screened by the government. The financial sector continues to evolve. The number of nonperforming loans is declining, and the banking sector remains well capitalized. Kuwait's stock exchange was privatized in 2016.