

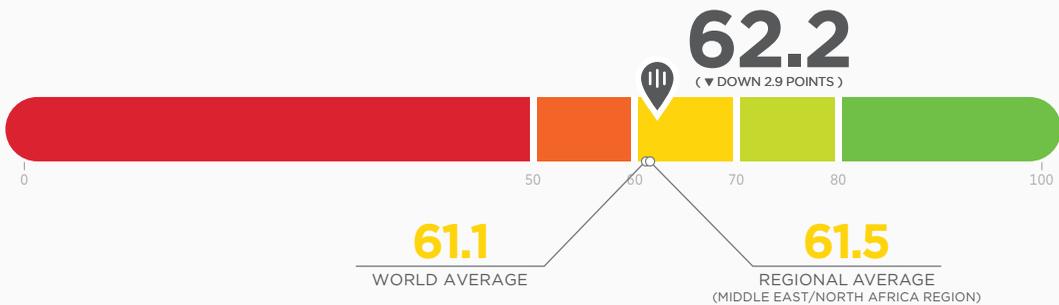
KUWAIT

Kuwait's economic freedom score is 62.2, making its economy the 81st freest in the 2018 *Index*. Its overall score has decreased by 2.9 points, with a very steep decline in the score for **government spending** and smaller declines in **government integrity**, **business freedom**, and **property rights** far outpacing improvements in **monetary freedom** and **trade freedom**. Kuwait is ranked 6th among 14 countries in the Middle East and North Africa region, and its overall score is above the regional and world averages.

Kuwait's failure to diversify its economy or bolster the private sector stems from an entitlement culture that stifles economic dynamism, as well as a poor business climate, institutional deficiencies, a large and inefficient public sector that employs three-quarters of the workforce, and an acrimonious relationship between the National Assembly and the executive branch that has stymied most economic reforms. The judicial system is subject to political influence and lacks transparency.



ECONOMIC FREEDOM SCORE

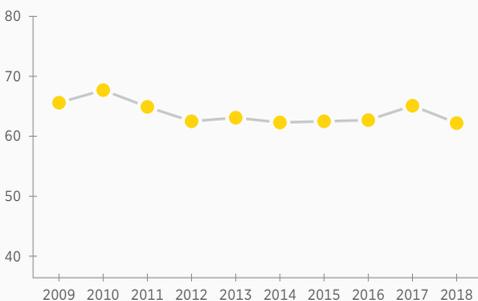


NOTABLE SUCCESSES:
Trade Freedom and Monetary Stability

CONCERNS:
Rule of Law, Government Spending, and Investment Freedom

OVERALL SCORE CHANGE SINCE 2014:
-0.1

FREEDOM TREND



QUICK FACTS

POPULATION:
4.2 million

GDP (PPP):
\$303.7 billion
2.5% growth in 2016
5-year compound annual growth 2.7%
\$71,887 per capita

UNEMPLOYMENT:
2.4%

INFLATION (CPI):
3.2%

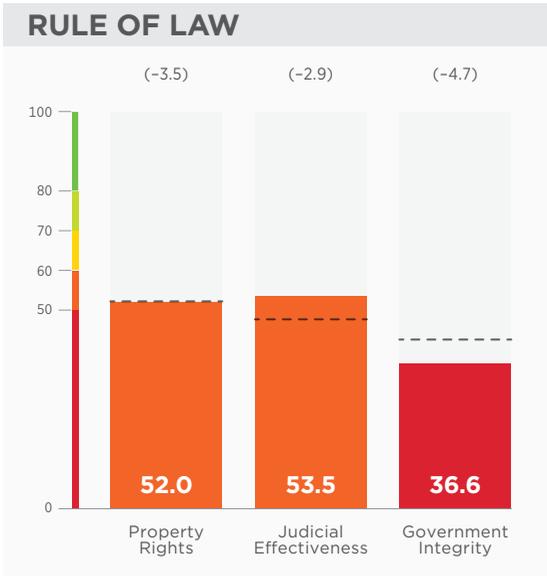
FDI INFLOW:
\$274.7 million

PUBLIC DEBT:
18.6% of GDP

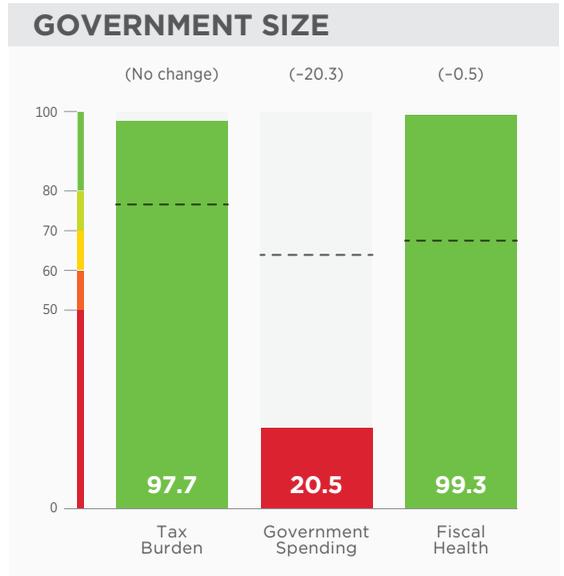
2016 data unless otherwise noted. Data compiled as of September 2017

BACKGROUND: The former British protectorate of Kuwait is a constitutional monarchy, ruled by the al-Sabah dynasty since the 18th century. After Islamists scored major gains in 2012 parliamentary elections, 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 2013, pro-government Sunni candidates won a significant majority. Kuwait controls approximately 6 percent of the world's oil reserves. Oil and gas account for nearly 60 percent of GDP and more than 90 percent of export revenues. The government saves at least 10 percent of revenue annually to cushion itself against the possible impact of lower oil prices.

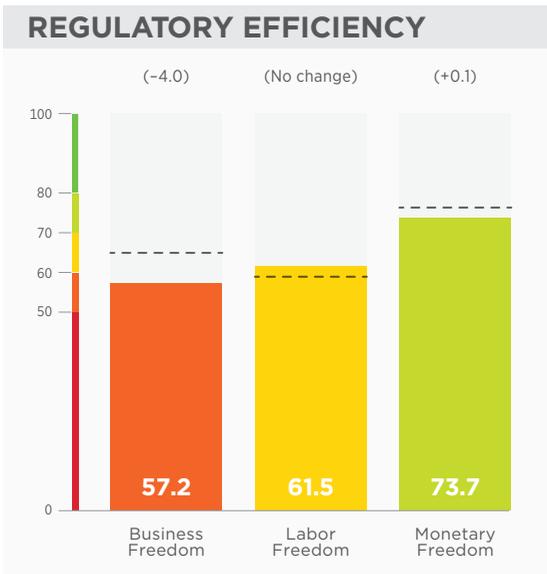
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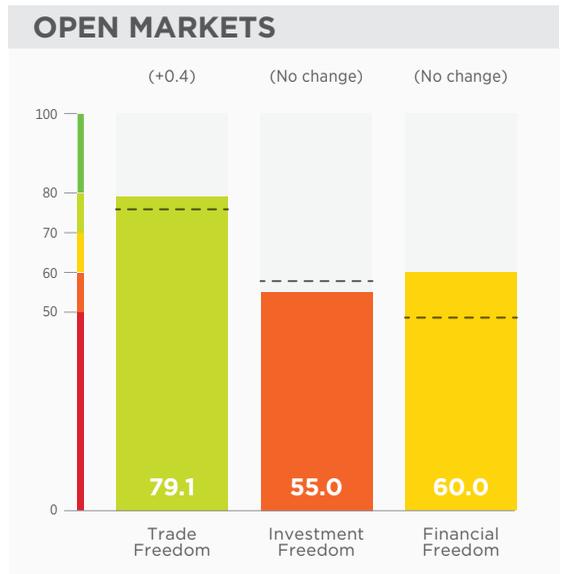
Property rights are respected in Kuwait, but only citizens of Gulf Cooperation Council countries may own land. The rule of law is weak, and the legal system is not well developed. Foreigners face difficulties enforcing provisions of contracts in local courts. The emir appoints all judges. Corruption is widespread, especially in the procurement and bidding processes for lucrative government contracts.



Individual income is not taxed. Foreign-owned firms and joint ventures are the only businesses subject to the flat 15 percent corporate income tax. The overall tax burden equals 1.4 percent of total domestic income. Over the past three years, government spending has amounted to 51.5 percent of total output (GDP), and budget surpluses have averaged 8.2 percent of GDP. Public debt is equivalent to 18.6 percent of GDP.



Kuwait has failed to diversify its economy or bolster the private sector, largely because of a poor business climate and a large public sector that employs about 76 percent of citizens. In 2016, Kuwait made starting a business more difficult by increasing the time required for the registration of new businesses. In 2017, the government continued to execute its 2015–2019 Development Plan to phase out its extensive system of subsidies.



Trade is significant for Kuwait's economy; the combined value of exports and imports equals 100 percent of GDP. The average applied tariff rate is 3.0 percent. Nontariff barriers impede trade. Government openness to foreign investment is below average. The financial sector continues to develop, and with nonperforming loans declining, the banking sector remains well capitalized.