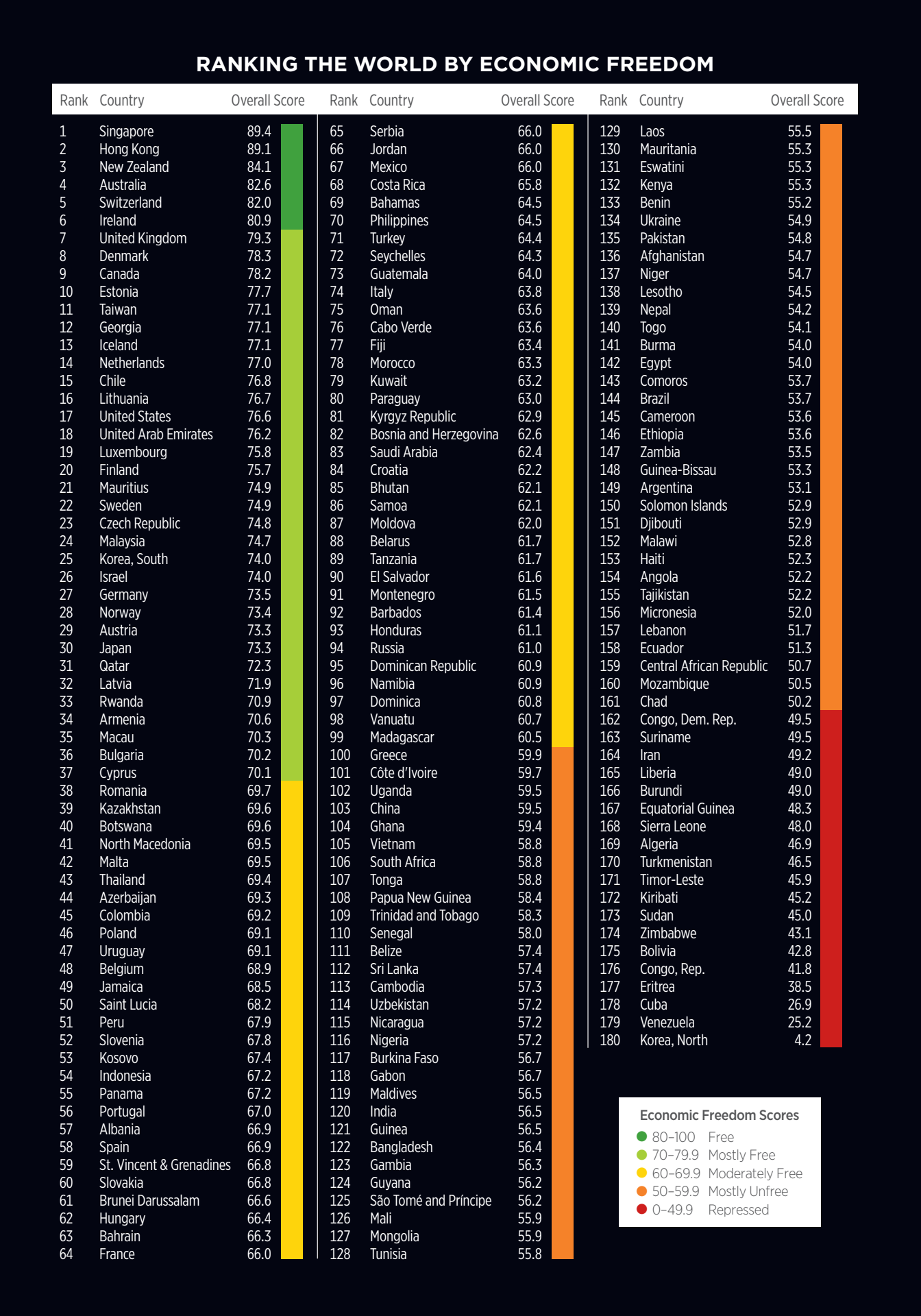
The Heritage Foundation
2020 INDEX OF
ECONOMIC
FREEDOM
Terry Miller
Anthony B. Kim
James M. Roberts

RANKING THE WORLD BY ECONOMIC FREEDOM

Rank	Country	Overall Score
1	Singapore	89.4
2	Hong Kong	89.1
3	New Zealand	84.1
4	Australia	82.6
5	Switzerland	82.0
6	Ireland	80.9
7	United Kingdom	79.3
8	Denmark	78.3
9	Canada	78.2
10	Estonia	77.7
11	Taiwan	77.1
12	Georgia	77.1
13	Iceland	77.1
14	Netherlands	77.0
15	Chile	76.8
16	Lithuania	76.7
17	United States	76.6
18	United Arab Emirates	76.2
19	Luxembourg	75.8
20	Finland	75.7
21	Mauritius	74.9
22	Sweden	74.9
23	Czech Republic	74.8
24	Malaysia	74.7
25	Korea, South	74.0
26	Israel	74.0
27	Germany	73.5
28	Norway	73.4
29	Austria	73.3
30	Japan	73.3
31	Qatar	72.3
32	Latvia	71.9
33	Rwanda	70.9
34	Armenia	70.6
35	Macau	70.3
36	Bulgaria	70.2
37	Cyprus	70.1
38	Romania	69.7
39	Kazakhstan	69.6
40	Botswana	69.6
41	North Macedonia	69.5
42	Malta	69.5
43	Thailand	69.4
44	Azerbaijan	69.3
45	Colombia	69.2
46	Poland	69.1
47	Uruguay	69.1
48	Belgium	68.9
49	Jamaica	68.5
50	Saint Lucia	68.2
51	Peru	67.9
52	Slovenia	67.8
53	Kosovo	67.4
54	Indonesia	67.2
55	Panama	67.2
56	Portugal	67.0
57	Albania	66.9
58	Spain	66.9
59	St. Vincent & Grenadines	66.8
60	Slovakia	66.8
61	Brunei Darussalam	66.6
62	Hungary	66.4
63	Bahrain	66.3
64	France	66.0
65	Serbia	66.0
66	Jordan	66.0
67	Mexico	66.0
68	Costa Rica	65.8
69	Bahamas	64.5
70	Philippines	64.5
71	Turkey	64.4
72	Seychelles	64.3
73	Guatemala	64.0
74	Italy	63.8
75	Oman	63.6
76	Cabo Verde	63.6
77	Fiji	63.4
78	Morocco	63.3
79	Kuwait	63.2
80	Paraguay	63.0
81	Kyrgyz Republic	62.9
82	Bosnia and Herzegovina	62.6
83	Saudi Arabia	62.4
84	Croatia	62.2
85	Bhutan	62.1
86	Samoa	62.1
87	Moldova	62.0
88	Belarus	61.7
89	Tanzania	61.7
90	El Salvador	61.6
91	Montenegro	61.5
92	Barbados	61.4
93	Honduras	61.1
94	Russia	61.0
95	Dominican Republic	60.9
96	Namibia	60.9
97	Dominica	60.8
98	Vanuatu	60.7
99	Madagascar	60.5
100	Greece	59.9
101	Côte d'Ivoire	59.7
102	Uganda	59.5
103	China	59.5
104	Ghana	59.4
105	Vietnam	58.8
106	South Africa	58.8
107	Tonga	58.8
108	Papua New Guinea	58.4
109	Trinidad and Tobago	58.3
110	Senegal	58.0
111	Belize	57.4
112	Sri Lanka	57.4
113	Cambodia	57.3
114	Uzbekistan	57.2
115	Nicaragua	57.2
116	Nigeria	57.2
117	Burkina Faso	56.7
118	Gabon	56.7
119	Maldives	56.5
120	India	56.5
121	Guinea	56.5
122	Bangladesh	56.4
123	Gambia	56.3
124	Guyana	56.2
125	São Tomé and Príncipe	56.2
126	Mali	55.9
127	Mongolia	55.9
128	Tunisia	55.8
129	Laos	55.5
130	Mauritania	55.3
131	Eswatini	55.3
132	Kenya	55.3
133	Benin	55.2
134	Ukraine	54.9
135	Pakistan	54.8
136	Afghanistan	54.7
137	Niger	54.7
138	Lesotho	54.5
139	Nepal	54.2
140	Togo	54.1
141	Burma	54.0
142	Egypt	54.0
143	Comoros	53.7
144	Brazil	53.7
145	Cameroon	53.6
146	Ethiopia	53.6
147	Zambia	53.5
148	Guinea-Bissau	53.3
149	Argentina	53.1
150	Solomon Islands	52.9
151	Djibouti	52.9
152	Malawi	52.8
153	Haiti	52.3
154	Angola	52.2
155	Tajikistan	52.2
156	Micronesia	52.0
157	Lebanon	51.7
158	Ecuador	51.3
159	Central African Republic	50.7
160	Mozambique	50.5
161	Chad	50.2
162	Congo, Dem. Rep.	49.5
163	Suriname	49.5
164	Iran	49.2
165	Liberia	49.0
166	Burundi	49.0
167	Equatorial Guinea	48.3
168	Sierra Leone	48.0
169	Algeria	46.9
170	Turkmenistan	46.5
171	Timor-Leste	45.9
172	Kiribati	45.2
173	Sudan	45.0
174	Zimbabwe	43.1
175	Bolivia	42.8
176	Congo, Rep.	41.8
177	Eritrea	38.5
178	Cuba	26.9
179	Venezuela	25.2
180	Korea, North	4.2



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2020 INDEX OF ECONOMIC FREEDOM

Terry Miller
Anthony B. Kim
James M. Roberts
with Patrick Tyrrell

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CONTRIBUTORS

Ambassador Terry Miller is Director of the Center for International Trade and Economics, of the Kathryn and Shelby Cullom Davis Institute for National Security and Foreign Policy, and Mark A. Kolokotrones Fellow in Economic Freedom at The Heritage Foundation.

Anthony B. Kim is Research Manager in the Center for International Trade and Economics and Editor of the *Index of Economic Freedom* at The Heritage Foundation.

James M. Roberts is Research Fellow for Economic Freedom and Growth in the Center for International Trade and Economics.

Patrick Tyrrell is Research Coordinator in the Center for International Trade and Economics.

Kay C. James is President of The Heritage Foundation.

Gabriella Beaumont-Smith is Policy Analyst for Macroeconomics in the Center for Data Analysis, of the Institute for Economic Freedom, at The Heritage Foundation.

Simon Lester is Associate Director of the Herbert A. Stiefel Center for Trade and Policy Studies at the Cato Institute.

Paul D. Ryan is Vice President for Trade and Competitiveness at the Association of Global Automakers.

Tori K. Smith is Jay Van Andel Trade Economist in the Thomas A. Roe Institute for Economic Policy Studies, of the Institute for Economic Freedom, at The Heritage Foundation.

Dr. Takashi Terada is a Professor in the Faculty of Law Department of Political Science, at Doshisha University.

Riley Walters is Policy Analyst for Asia Economy and Technology in the Asian Studies Center, of the Kathryn and Shelby Cullom Davis Institute for National Security and Foreign Policy, at The Heritage Foundation.

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Ambassador Terry Miller
Anthony B. Kim
James M. Roberts
January 2020

PREFACE

Just a few months ago, in November 2019, people around the world celebrated the 30th anniversary of the fall of the Berlin Wall, the most vivid symbol of the division between the free world and the authoritarian socialist rule of the Soviet Union and Eastern Europe. Shortly after that historic event, The Heritage Foundation began to measure the economic results of the worldwide march toward freedom with its annual *Index of Economic Freedom*.

Over the past 26 years, the Index has become an essential policy guide that analyzes the undeniable links between economic freedom, individual liberty, and prosperity in nations around the world. The data are indisputable: Free markets and free people have worked hand in hand to increase prosperity and the quality of life for people. Freer economies have also led the world in innovation and economic growth, and their governments have been made increasingly accountable to those they govern.

While we have clearly seen what happens when people and economies are unleashed from the chains of excessive government control, we must practice constant vigilance so that our nations do not fall prey to the false promises of the ever-present statists. Statists push bigger government and socialist and collectivist policies that are wrapped in deceptive emotional appeals to things like social justice and equality—yet their policies deliver none of it.

The simple fact is that socialism has failed in every country every time it has been tried. Even in countries with free market–oriented economies, decades of data show that big-government policies continue to fail over and over again and that, more often than not, they end up hurting the very people we were told they would help.

Perhaps one of the most important lessons we have learned in this regard is that, despite their proven superiority to the alternatives, economic and individual liberty must constantly be defended and their value taught to each new generation in order to counter the never-ending campaigns to discredit them. The data and analysis presented in the *Index of Economic Freedom* can serve as the critical foundation for that defense and for the education of future generations.

Like its predecessors, this 2020 edition of the *Index* provides substantial evidence that the countries that have failed to adopt policies that create more economic freedom and personal liberty have left their citizens lagging behind—and often stuck in poverty. The *Index* also shows that year after year in country after country, the nations that find the political will and wisdom to promote freedom will see their citizens prosper in the years ahead.

However, this prosperity is not just an end in itself. Prosperous peoples have the resources to take better care of their poor and their environments, create better health care and education systems, ensure an abundance of food and clean water, and solve many of the other societal problems that nations face, and that makes life better for *all* people.

Kay C. James
President
The Heritage Foundation
January 2020

KEY FINDINGS OF THE 2020 *INDEX*

Economic freedom is a critical aspect of human well-being and a vital feature of any free civil society. For 26 years, the *Index of Economic Freedom* has analyzed economic policy developments in countries around the world and compared those results to indicators of economic growth and human well-being. The results are clear: The path to prosperity is through freedom—the freedom of individuals to decide for themselves how best to achieve their dreams and aspirations, both for themselves and for their families. The 2020 edition of the *Index* once again reinforces this conclusion.

GLOBAL ECONOMIC FREEDOM CONTINUES TO EXPAND

- Economic freedom has taken an upturn in a majority of economies over the past year. The global average economic freedom score of 61.6 is the highest ever recorded in the *Index*. The 0.8 point gain translates into a 1.3 percent increase in worldwide economic freedom from 2019 to 2020. According to the *Index*'s rating standards, the global economy is "moderately free."

- Increases in economic freedom were registered by 124 of the 180 economies graded in the 2020 *Index*. Scores declined in 50 countries, and six were unchanged.

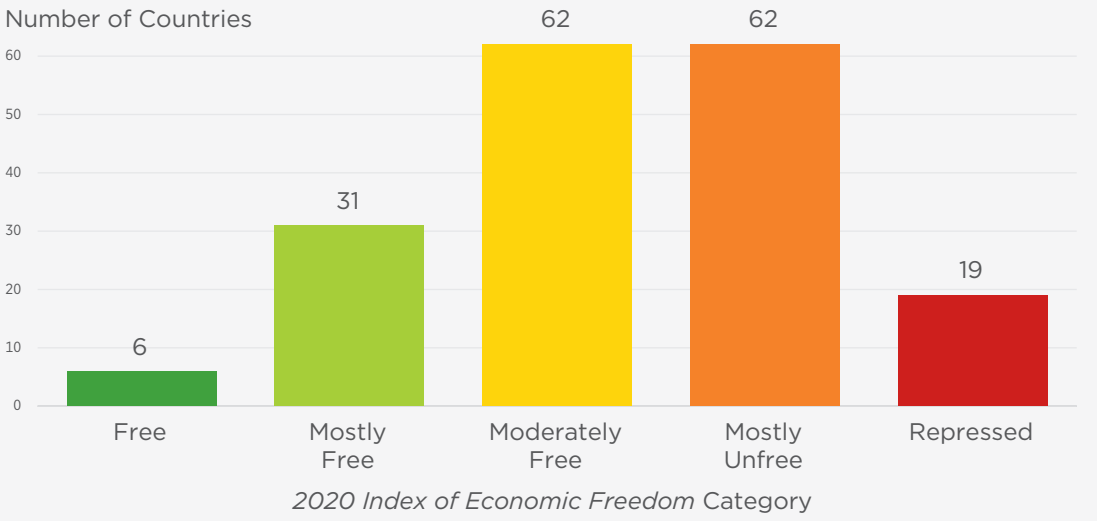
- Six economies (**Singapore**, **Hong Kong**, **New Zealand**, **Australia**, **Switzerland**, and **Ireland**) earned very high economic freedom scores of 80 or more, putting them in the ranks of the economically "free."

- Thirty-one countries earned a designation as "mostly free" by recording scores between 70 and 80, and an additional 62 countries can be considered at least "moderately free," with scores between 60 and 70. Thus, a total of 99 economies, or 55 percent of all nations and territories graded in the 2020 *Index*, provide institutional environments in which individuals and private enterprises benefit from at least a moderate degree of economic freedom in the pursuit of greater economic development and prosperity.

- On the opposite side of the spectrum, 45 percent of the countries graded in the *Index* (81 economies) have registered economic freedom scores below 60. Of those, 62 economies are considered "mostly unfree" (scores of 50–60). These economies may have adopted some features of the market system but typically fall short in areas related to the rule of law and the openness of their markets. Major economies such as **China**, **India**, and **Brazil** fall into this group.

- At the bottom of the rankings are 19 countries in which individuals enjoy almost no economic freedoms whatsoever (scores below 50). Government domination of finance and the centralized ownership or

COUNTRIES IN EACH ECONOMIC FREEDOM CATEGORY



SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

Chart 1 heritage.org

control of property and resources typical in these economies leave little if any space for individual initiative or entrepreneurship. Many citizens in these countries survive by engaging in informal or subsistence economic activities.

- Average levels of economic freedom vary widely among the five regions of the world. Europeans on average enjoy the highest levels of economic freedom with an average score of 69.8, far higher than the world average of 61.6. The Middle East/North Africa, Asia–Pacific, and Americas regions have average economic scores near the world average at 61.8, 61.1, and 60, respectively, while the Sub-Saharan Africa region falls significantly short at only 55.1.

THE POWER OF ECONOMIC FREEDOM

- Economies rated "free" or "mostly free" in the 2020 *Index* enjoy incomes that are more than twice the average levels in all other countries and more than five times higher than the per capita gross domestic product (GDP) of "repressed" economies.

- Economic freedom is closely related to openness and limited government, both of which encourage entrepreneurial activity. Given this relationship, governments wishing to stimulate economic activity should exercise caution in increasing their own spending or putting in place more layers of regulation, both of which reduce economic freedom. The best results are often achieved instead through policy reforms that limit the role of government and create greater economic dynamism in the private sector.

- There is a robust relationship between improvements in economic freedom and levels of economic growth per capita. Whether long-term (25 years), medium-term (15 years), or short-term (five years), the relationship between positive changes in

TOP FIVE ECONOMIC FREEDOM GAINERS, BY REGION

Change in Overall Score in the *Index of Economic Freedom*, 2019 to 2020

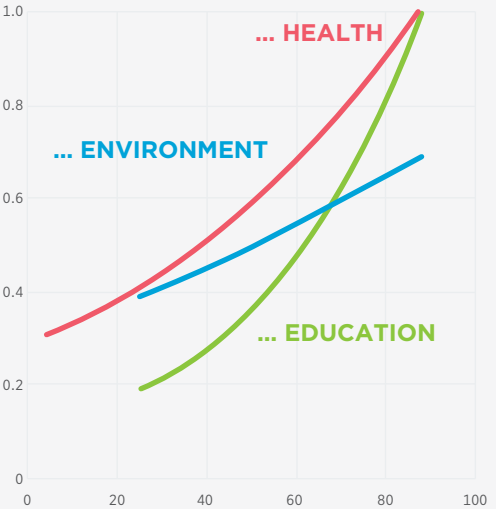
The Americas	Ecuador	+4.4
	Belize	+2.0
	Colombia	+1.9
	Brazil	+1.8
	Bahamas	+1.6
Asia-Pacific	Vanuatu	+4.3
	Kazakhstan	+4.2
	Uzbekistan	+3.9
	Vietnam	+3.5
	Maldives	+3.3
Europe	Azerbaijan	+3.9
	Belarus	+3.8
	Armenia	+2.9
	Moldova	+2.9
	Ukraine	+2.6
Middle East/ North Africa	Oman	+2.6
	Kuwait	+2.4
	Saudi Arabia	+1.7
	Egypt	+1.5
	Israel	+1.2
Sub-Saharan Africa	Equatorial Guinea	+7.3
	Djibouti	+5.8
	Gambia	+3.9
	Madagascar	+3.9
	Togo	+3.8

SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

Table 1 ☎ heritage.org

MORE ECONOMIC FREEDOM ALSO MEANS BETTER ...

Adjusted Index Score



Overall Score in the *2020 Index of Economic Freedom*

NOTE: Chart shows trend lines for countries appearing in both the indicated index and the *Index of Economic Freedom*. Scores have been adjusted to appear on a universal scale.
SOURCES: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index; United Nations Development Program, "Human Development Index," http://hdr.undp.org/en/content/human-development-index-hdi (accessed December 10, 2019); and Yale University, "2018 Environmental Performance Index," https://epi.envirocenter.yale.edu/epi-topline (accessed September 30, 2019).

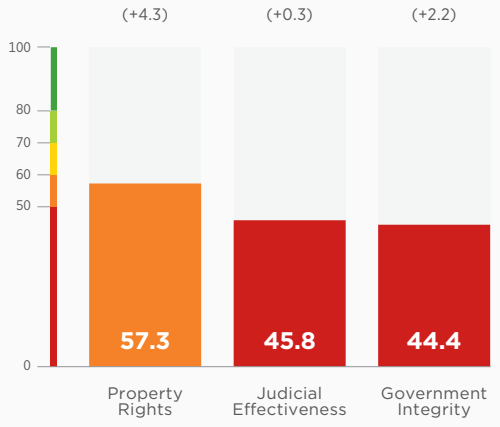
Chart 2 ☎ heritage.org

economic freedom and rates of economic growth is consistently positive.

- The most improved countries in the 2020 *Index of Economic Freedom* include **Equatorial Guinea**, **Djibouti**, **Ecuador**, **Vanuatu**, **Kazakhstan**, **Uzbekistan**, **The Gambia**, **Madagascar**, **Azerbaijan**, **Belarus, and Togo**. The average GDP growth rate among these countries in 2018 was over 3 percent.
- The link between economic freedom and overall human development is clear and strong. People in economically free societies live longer, have better health, are able to be better stewards of the environment, and push forward the frontiers of human achievement in science and technology through greater innovation.

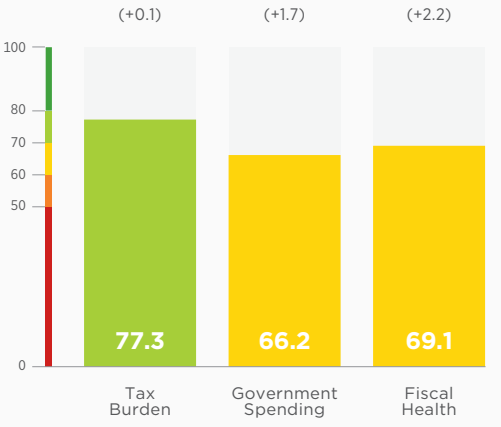
12 ECONOMIC FREEDOMS: A GLOBAL LOOK

RULE OF LAW



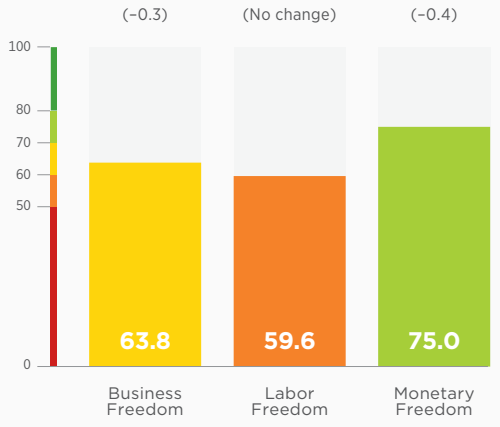
Several governments made progress in enhancing judicial effectiveness by increasing institutional independence and accountability, and the worldwide average score for judicial effectiveness increased accordingly. Global scores for property rights and government integrity also improved markedly in the 2020 *Index*. However, the low average scores for the three rule-of-law indicators reflect persistent problems in the protection of private property as well as the systemic corruption of government institutions in many countries by such practices as bribery, cronyism, and graft.

GOVERNMENT SIZE



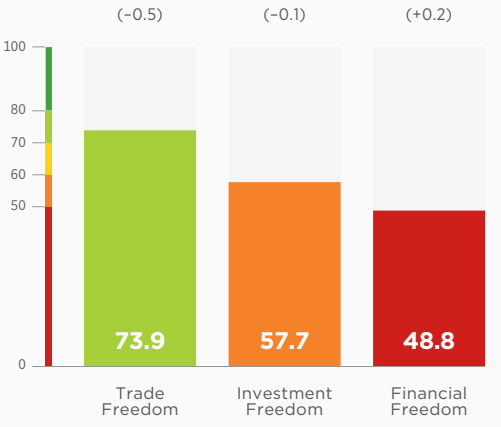
The average top individual income tax rate for all countries in the 2020 *Index* is about 28.5 percent, and the average top corporate tax rate is 23.9 percent. The average overall tax burden as a percentage of GDP corresponds to approximately 21.9 percent. The average level of government spending as a percentage of GDP is equal to 32.1 percent. The average level of gross public debt for countries covered in this year's *Index* is equivalent to about 56.7 percent of GDP.

REGULATORY EFFICIENCY



Many economies have continued to streamline and modernize their business frameworks, and the overall pace of reform in developing countries has often exceeded the pace in developed countries. Nevertheless, the global score for business freedom declined in the 2020 *Index*, reflecting the ongoing temptation among governments to try to micromanage business decision-making to achieve politically motivated goals. Monetary freedom also decreased slightly, reflecting a somewhat greater tendency by governments to influence prices. The global score for labor freedom this year was the same as the score in the 2019 *Index*.

OPEN MARKETS



Global trade freedom suffered a setback in this year's *Index*, and the worldwide average of countries' trade-weighted applied tariff rates rose from 5.9 percent to 6.1 percent. Investment freedom remained virtually unchanged, and investment policy measures in many countries remain geared to the promotion of sectoral investment rather than to general market openness. The global score for financial freedom increased slightly, but substantial and repressive government involvement in the sector continues in many countries.

2020 INDEX OF ECONOMIC FREEDOM WORLD RANKINGS

World Rank	Regional Rank	Country	Overall Score	Change from 2019	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
1	1	Singapore	89.4	0.0	96.8	92.9	92.4	90.3	91.1	80.0	92.8	90.9	85.6	94.8	85.0	80.0
2	2	Hong Kong	89.1	-1.1	93.6	76.8	84.7	93.0	90.3	99.9	96.2	89.1	80.7	95.0	80.0	90.0
3	3	New Zealand	84.1	-0.3	93.3	79.1	93.9	71.0	57.8	98.3	90.4	86.7	87.0	92.2	80.0	80.0
4	4	Australia	82.6	1.7	82.8	86.1	89.3	63.0	61.6	91.8	87.8	84.0	86.2	88.2	80.0	90.0
5	1	Switzerland	82.0	0.1	87.4	81.5	90.1	70.1	65.3	96.7	74.2	72.4	84.4	86.6	85.0	90.0
6	2	Ireland	80.9	0.4	86.6	64.4	82.8	76.4	78.8	91.4	82.7	75.9	85.3	86.4	90.0	70.0
7	3	United Kingdom	79.3	0.4	92.2	82.7	89.9	64.7	49.5	78.1	94.7	73.1	80.3	86.4	80.0	80.0
8	4	Denmark	78.3	1.6	86.3	84.6	93.0	42.0	19.7	97.7	88.7	86.2	84.6	86.4	90.0	80.0
9	1	Canada	78.2	0.5	87.7	72.7	90.3	76.5	50.9	83.3	81.7	72.0	76.0	87.0	80.0	80.0
10	5	Estonia	77.7	1.1	83.2	73.7	85.9	81.1	53.3	99.9	73.5	57.3	78.6	86.4	90.0	70.0
11	5	Taiwan	77.1	-0.2	86.9	70.1	68.9	75.0	90.5	91.0	93.9	60.3	82.7	86.0	60.0	60.0
12	6	Georgia	77.1	1.2	68.6	57.9	64.8	87.1	73.6	94.4	85.3	76.3	78.3	88.6	80.0	70.0
13	7	Iceland	77.1	0.0	87.6	63.2	90.3	71.7	44.1	97.5	84.7	63.5	80.3	86.8	85.0	70.0
14	8	Netherlands	77.0	0.2	90.0	73.9	90.1	51.7	45.2	94.1	80.4	60.2	82.5	86.4	90.0	80.0
15	2	Chile	76.8	1.4	69.9	61.1	73.4	76.4	80.8	90.5	75.0	64.7	85.2	89.0	85.0	70.0
16	9	Lithuania	76.7	2.5	77.9	62.1	67.4	84.9	66.0	97.4	71.9	76.5	79.7	86.4	80.0	70.0
17	3	United States	76.6	-0.2	81.8	83.7	77.2	74.6	56.5	54.3	83.3	87.9	75.5	79.8	85.0	80.0
18	1	United Arab Emirates	76.2	-1.4	80.3	84.6	64.6	99.2	72.1	94.1	78.6	81.3	79.6	80.4	40.0	60.0
19	10	Luxembourg	75.8	-0.1	86.4	74.4	90.3	64.1	45.4	99.0	66.8	45.3	76.4	86.4	95.0	80.0
20	11	Finland	75.7	0.8	92.3	80.5	96.1	67.5	11.2	90.7	84.8	50.3	83.6	86.4	85.0	80.0
21	1	Mauritius	74.9	1.9	75.8	62.6	53.3	91.5	82.1	79.3	82.5	60.2	73.8	88.2	80.0	70.0
22	12	Sweden	74.9	-0.3	88.8	79.9	91.4	43.6	25.8	97.0	85.3	53.8	81.2	86.4	85.0	80.0
23	13	Czech Republic	74.8	1.1	76.8	49.9	64.2	82.0	52.7	97.8	69.7	77.6	80.8	86.4	80.0	80.0
24	6	Malaysia	74.7	0.7	86.5	74.6	49.4	85.7	84.6	80.2	87.8	74.5	81.6	82.0	60.0	50.0
25	7	South Korea	74.0	1.7	82.5	61.0	67.5	63.9	67.7	96.7	90.5	56.2	82.1	80.0	70.0	70.0
26	2	Israel	74.0	1.2	82.3	71.8	77.2	61.0	53.5	89.2	72.2	64.4	84.9	86.2	75.0	70.0
27	14	Germany	73.5	0.0	80.5	74.3	82.8	60.9	42.2	92.9	82.8	53.0	76.7	86.4	80.0	70.0
28	15	Norway	73.4	0.4	84.3	82.8	95.6	57.7	25.6	97.3	86.1	57.4	74.8	83.8	75.0	60.0
29	16	Austria	73.3	1.3	87.3	73.2	84.0	51.3	27.2	87.9	73.0	68.3	81.0	86.4	90.0	70.0
30	8	Japan	73.3	1.2	86.6	71.4	80.5	68.3	55.8	62.0	81.4	78.7	84.4	80.0	70.0	60.0
31	3	Qatar	72.3	-0.3	66.9	58.7	64.6	99.8	64.6	93.7	71.1	65.9	80.6	81.6	60.0	60.0
32	17	Latvia	71.9	1.5	72.3	51.1	46.4	76.9	58.3	96.5	77.0	72.4	80.2	86.4	85.0	60.0
33	2	Rwanda	70.9	-0.2	76.5	78.3	57.6	79.2	79.8	86.7	60.3	81.8	79.8	70.4	60.0	40.0
34	18	Armenia	70.6	2.9	60.7	54.1	43.4	84.9	80.6	68.8	81.0	72.5	76.0	80.6	75.0	70.0
35	9	Macau	70.3	-0.7	60.0	60.0	33.5	75.0	89.8	99.9	60.0	50.0	70.0	90.0	85.0	70.0
36	19	Bulgaria	70.2	1.2	64.2	45.4	44.2	90.3	66.1	99.2	62.6	68.1	85.7	86.4	70.0	60.0
37	20	Cyprus	70.1	2.0	77.4	50.5	57.6	74.8	58.6	80.0	76.6	59.7	84.3	86.4	75.0	60.0
38	21	Romania	69.7	1.1	72.5	56.1	55.1	90.3	70.4	85.6	58.6	63.0	78.1	86.4	70.0	50.0

2020 INDEX OF ECONOMIC FREEDOM WORLD RANKINGS

World Rank	Regional Rank	Country	Overall Score	Change from 2019	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
39	10	Kazakhstan	69.6	4.2	61.3	62.1	40.9	92.3	85.5	84.1	74.6	86.0	68.1	80.2	50.0	50.0
40	3	Botswana	69.6	0.1	60.9	45.2	46.4	87.0	69.1	97.5	69.3	68.2	73.6	82.8	65.0	70.0
41	23	North Macedonia	69.5	-1.6	62.5	42.7	42.2	91.5	71.0	87.7	80.6	67.0	77.7	86.2	65.0	60.0
42	22	Malta	69.5	0.9	70.5	49.6	55.1	64.8	60.0	95.9	68.0	61.1	77.1	86.4	85.0	60.0
43	11	Thailand	69.4	1.1	59.5	48.0	43.4	80.7	85.9	96.4	83.0	63.7	74.0	83.0	55.0	60.0
44	24	Azerbaijan	69.3	3.9	67.1	53.9	38.7	88.0	63.0	99.2	80.8	66.2	69.8	74.6	70.0	60.0
45	4	Colombia	69.2	1.9	61.1	32.8	46.1	70.4	77.0	85.5	71.3	78.0	77.5	81.2	80.0	70.0
46	25	Poland	69.1	1.3	63.1	42.8	64.6	74.7	48.8	92.2	62.6	62.0	82.0	86.4	80.0	70.0
47	5	Uruguay	69.1	0.5	72.0	59.8	73.5	75.2	66.5	72.3	73.6	71.0	72.7	77.4	85.0	30.0
48	26	Belgium	68.9	1.6	84.5	62.5	80.2	46.7	17.2	77.0	75.2	61.1	80.5	86.4	85.0	70.0
49	6	Jamaica	68.5	-0.1	62.1	50.5	46.8	80.0	74.8	80.2	77.7	74.0	77.7	68.4	80.0	50.0
50	7	Saint Lucia	68.2	-0.5	69.8	62.6	41.8	76.9	80.6	83.8	76.7	66.4	82.0	73.2	65.0	40.0
51	8	Peru	67.9	0.1	54.9	30.6	33.5	80.8	86.4	89.0	67.1	62.9	86.3	88.4	75.0	60.0
52	27	Slovenia	67.8	2.3	76.5	48.6	67.4	59.2	42.9	90.3	78.4	61.4	82.2	86.4	70.0	50.0
53	28	Kosovo	67.4	0.4	66.3	54.1	39.2	92.6	76.5	94.0	75.0	61.0	78.4	76.2	65.0	30.0
54	12	Indonesia	67.2	1.4	59.8	56.2	37.2	83.4	91.7	90.2	70.0	49.2	78.4	80.8	50.0	60.0
55	9	Panama	67.2	0.0	58.8	30.0	37.2	85.3	85.7	91.2	70.8	43.3	79.4	79.2	75.0	70.0
56	29	Portugal	67.0	1.7	75.4	65.6	68.9	59.6	39.8	74.4	76.5	44.1	83.0	86.4	70.0	60.0
57	30	Albania	66.9	0.4	57.1	33.0	38.8	85.9	74.6	86.3	65.7	52.1	81.2	88.4	70.0	70.0
58	31	Spain	66.9	1.2	74.9	51.8	55.1	62.1	48.3	62.6	66.8	57.7	82.0	86.4	85.0	70.0
59	10	Saint Vincent and the Grenadines	66.8	1.0	50.5	62.6	46.1	72.4	73.7	89.0	75.8	73.3	80.8	67.2	70.0	40.0
60	32	Slovakia	66.8	1.8	73.1	41.7	49.7	78.5	50.2	92.6	55.3	52.6	75.9	86.4	75.0	70.0
61	13	Brunei Darussalam	66.6	1.5	69.8	56.8	49.6	89.8	61.5	20.0	84.1	90.5	77.1	85.0	65.0	50.0
62	33	Hungary	66.4	1.4	64.8	45.7	47.5	79.9	34.5	83.6	60.2	64.6	79.9	86.4	80.0	70.0
63	4	Bahrain	66.3	-0.1	70.6	48.4	51.0	99.4	66.1	2.6	70.5	71.1	81.1	79.4	75.0	80.0
64	34	France	66.0	2.2	85.9	71.2	83.3	48.8	4.5	67.1	82.5	46.1	76.7	81.4	75.0	70.0
65	35	Serbia	66.0	2.1	55.4	46.8	44.0	83.7	49.7	94.1	72.6	66.9	80.7	78.0	70.0	50.0
66	5	Jordan	66.0	-0.5	64.8	54.6	49.6	91.8	73.5	55.9	60.1	52.5	77.6	81.2	70.0	60.0
67	11	Mexico	66.0	1.3	58.3	34.7	36.7	76.1	79.3	87.5	67.0	58.4	70.9	87.6	75.0	60.0
68	12	Costa Rica	65.8	0.5	66.7	54.4	57.2	78.9	88.4	39.7	66.5	55.0	81.2	81.4	70.0	50.0
69	13	Bahamas	64.5	1.6	54.9	46.4	46.0	96.8	87.4	69.2	69.0	70.0	76.3	47.8	50.0	60.0
70	14	Philippines	64.5	0.7	54.6	34.2	38.7	76.7	87.9	96.3	59.5	57.4	66.9	81.6	60.0	60.0
71	36	Turkey	64.4	-0.2	57.4	53.7	44.6	76.7	64.1	86.1	67.0	49.2	66.1	78.0	70.0	60.0
72	4	Seychelles	64.3	2.9	68.3	46.4	53.3	76.8	58.9	93.2	65.3	62.8	78.6	82.6	55.0	30.0
73	14	Guatemala	64.0	1.4	45.5	32.2	29.6	79.2	95.6	95.7	62.6	48.4	77.4	82.2	70.0	50.0
74	37	Italy	63.8	1.6	75.4	51.3	62.2	56.0	28.5	71.1	70.4	50.9	83.2	86.4	80.0	50.0
75	6	Oman	63.6	2.6	66.4	66.2	64.6	98.4	36.2	14.8	74.6	56.9	78.4	81.6	65.0	60.0

2020 INDEX OF ECONOMIC FREEDOM WORLD RANKINGS

World Rank	Regional Rank	Country	Overall Score	Change from 2019	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
76	5	Cabo Verde	63.6	0.5	47.5	48.0	46.1	77.7	71.7	66.2	58.5	55.6	83.1	68.2	80.0	60.0
77	15	Fiji	63.4	1.2	69.9	42.6	45.6	80.5	68.9	84.2	62.6	76.2	72.5	52.8	55.0	50.0
78	7	Morocco	63.3	0.4	66.3	48.0	39.2	71.8	72.8	67.2	70.4	33.0	77.0	78.6	65.0	70.0
79	8	Kuwait	63.2	2.4	57.1	47.0	46.0	97.7	22.4	99.6	61.3	62.2	73.2	76.4	55.0	60.0
80	15	Paraguay	63.0	1.2	44.7	26.4	29.6	96.1	88.6	98.0	60.9	29.0	72.5	75.4	75.0	60.0
81	16	Kyrgyz Republic	62.9	0.6	53.6	31.3	32.0	94.1	58.5	66.7	73.6	79.6	76.4	79.2	60.0	50.0
82	38	Bosnia and Herzegovina	62.6	0.7	44.4	33.9	41.8	83.6	49.3	97.3	45.7	67.4	82.7	80.0	65.0	60.0
83	9	Saudi Arabia	62.4	1.7	64.6	72.3	49.6	99.8	61.8	19.3	66.6	63.3	81.0	75.4	45.0	50.0
84	39	Croatia	62.2	0.8	69.9	39.6	51.0	65.9	34.7	89.1	53.6	44.0	77.6	86.4	75.0	60.0
85	17	Bhutan	62.1	-0.8	69.9	46.4	51.2	82.9	71.1	74.8	68.2	79.4	71.6	79.4	20.0	30.0
86	18	Samoa	62.1	-0.1	60.5	31.7	31.5	79.6	62.5	94.6	76.6	78.8	79.5	64.6	55.0	30.0
87	40	Moldova	62.0	2.9	60.5	31.7	37.2	86.1	71.6	96.2	68.1	37.0	72.0	78.0	55.0	50.0
88	41	Belarus	61.7	3.8	63.2	48.4	37.4	88.8	54.1	95.4	76.4	74.8	69.8	82.0	30.0	20.0
89	6	Tanzania	61.7	1.5	41.9	43.4	32.5	80.6	91.6	92.9	45.9	66.4	72.2	67.8	55.0	50.0
90	16	El Salvador	61.6	-0.2	41.6	30.1	31.6	77.8	82.8	80.0	53.6	52.3	78.6	80.8	70.0	60.0
91	42	Montenegro	61.5	1.0	59.1	55.3	47.5	85.4	32.1	23.4	70.8	74.8	80.3	83.8	75.0	50.0
92	17	Barbados	61.4	-3.3	56.6	36.1	44.0	73.6	69.2	63.1	69.4	60.0	77.9	56.6	70.0	60.0
93	18	Honduras	61.1	0.9	48.6	34.2	28.6	82.3	78.2	96.7	56.7	31.5	72.2	79.4	65.0	60.0
94	43	Russia	61.0	2.1	56.8	44.4	41.3	88.5	63.8	98.7	80.2	52.1	68.2	77.8	30.0	30.0
95	19	Dominican Republic	60.9	-0.1	55.8	18.2	31.2	84.5	90.5	82.4	50.3	57.5	73.5	76.6	70.0	40.0
96	7	Namibia	60.9	2.2	58.9	58.5	46.0	65.7	58.1	28.7	65.6	84.9	75.9	83.2	65.0	40.0
97	20	Dominica	60.8	-2.8	59.8	62.6	51.2	70.5	16.0	86.2	70.4	60.7	83.5	68.4	70.0	30.0
98	19	Vanuatu	60.7	4.3	68.3	36.1	37.4	97.1	61.1	78.4	51.8	54.6	74.6	63.4	65.0	40.0
99	8	Madagascar	60.5	3.9	45.6	39.6	25.0	90.7	91.5	90.6	47.3	44.6	72.7	73.6	55.0	50.0
100	44	Greece	59.9	2.2	57.0	48.6	51.2	59.0	31.5	80.0	73.7	52.0	79.4	81.4	55.0	50.0
101	9	Côte d'Ivoire	59.7	-2.7	48.5	33.0	25.5	77.8	82.5	66.9	62.3	49.2	75.7	69.4	75.0	50.0
102	10	Uganda	59.5	-0.2	45.6	36.9	21.4	80.3	88.4	64.3	46.0	83.1	78.0	75.4	55.0	40.0
103	20	China	59.5	1.1	60.9	76.3	46.0	70.4	67.9	67.5	76.8	64.4	71.1	72.4	20.0	20.0
104	11	Ghana	59.4	1.9	52.5	46.1	32.2	78.4	88.1	35.6	58.4	59.3	68.9	63.8	70.0	60.0
105	21	Vietnam	58.8	3.5	52.6	40.1	33.8	79.5	75.9	58.0	65.6	62.5	68.2	79.6	40.0	50.0
106	12	South Africa	58.8	0.5	58.4	38.0	46.6	63.7	67.4	64.0	62.0	58.8	75.9	75.8	45.0	50.0
107	22	Tonga	58.8	1.1	60.9	26.5	44.2	85.2	42.8	95.2	75.0	69.8	71.4	74.0	40.0	20.0
108	23	Papua New Guinea	58.4	0.0	54.9	48.4	29.7	71.5	86.4	76.4	58.4	69.6	70.7	79.8	25.0	30.0
109	21	Trinidad and Tobago	58.3	1.3	56.6	42.1	37.4	82.6	66.5	15.9	67.3	76.0	77.4	67.8	60.0	50.0
110	13	Senegal	58.0	1.7	52.4	39.8	40.6	70.2	84.4	75.2	50.4	38.1	79.7	65.4	60.0	40.0
111	22	Belize	57.4	2.0	44.4	46.4	33.5	79.5	66.3	53.9	60.9	54.3	80.4	64.2	55.0	50.0
112	24	Sri Lanka	57.4	1.0	47.7	39.2	34.7	84.8	88.9	39.3	76.5	58.6	71.1	67.6	40.0	40.0
113	25	Cambodia	57.3	-0.5	43.1	28.1	14.8	89.4	83.9	94.8	31.2	62.5	74.8	65.4	50.0	50.0

2020 INDEX OF ECONOMIC FREEDOM WORLD RANKINGS

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114	26	Uzbekistan	57.2	3.9	59.1	34.2	28.2	91.6	74.7	98.9	72.6	59.9	59.9	67.6	20.0	20.0
115	23	Nicaragua	57.2	-0.5	33.5	19.5	24.3	76.3	77.5	87.2	55.1	55.5	71.5	75.4	60.0	50.0
116	14	Nigeria	57.2	-0.1	38.1	32.2	22.3	85.1	96.2	64.1	54.7	84.0	61.7	62.4	45.0	40.0
117	15	Burkina Faso	56.7	-2.7	46.9	42.6	34.1	81.3	77.0	49.2	47.6	52.1	82.4	61.8	65.0	40.0
118	16	Gabon	56.7	0.4	36.9	20.8	36.7	74.3	89.3	88.9	52.1	52.3	77.3	51.2	60.0	40.0
119	27	Maldives	56.5	3.3	48.5	31.7	39.2	95.8	67.9	42.9	78.7	70.6	77.0	61.0	35.0	30.0
120	28	India	56.5	1.3	63.0	64.1	47.2	79.4	77.9	13.1	65.6	41.2	73.0	73.4	40.0	40.0
121	17	Guinea	56.5	0.8	38.7	33.3	16.1	70.0	91.4	93.8	55.4	58.0	70.6	60.4	50.0	40.0
122	29	Bangladesh	56.4	0.8	41.0	36.1	26.6	72.7	94.3	76.8	52.3	68.4	70.0	63.6	45.0	30.0
123	18	Gambia	56.3	3.9	43.9	43.4	39.2	74.6	85.6	25.3	53.5	67.4	63.3	64.6	65.0	50.0
124	24	Guyana	56.2	-0.6	53.6	42.6	34.1	66.0	64.4	58.6	58.9	62.1	82.5	66.8	55.0	30.0
125	19	São Tomé and Príncipe	56.2	2.2	41.0	26.5	37.4	88.3	77.1	73.0	64.8	43.4	68.1	64.2	60.0	30.0
126	20	Mali	55.9	-2.2	36.1	32.7	20.7	69.2	85.8	73.6	49.2	52.2	81.6	65.0	65.0	40.0
127	30	Mongolia	55.9	0.5	50.3	23.0	36.9	87.4	66.6	9.3	63.6	75.7	74.2	74.0	50.0	60.0
128	10	Tunisia	55.8	0.4	56.4	43.6	39.7	74.2	73.1	38.8	78.1	49.8	73.9	66.4	45.0	30.0
129	31	Laos	55.5	-1.9	42.5	37.3	32.0	87.0	86.6	53.3	54.3	58.6	76.8	82.0	35.0	20.0
130	21	Mauritania	55.3	-0.4	32.5	20.8	21.9	80.9	76.4	85.9	61.7	51.3	79.6	62.6	50.0	40.0
131	22	Eswatini	55.3	0.6	49.8	42.4	37.2	72.8	62.8	17.6	58.9	67.9	75.2	88.6	50.0	40.0
132	23	Kenya	55.3	0.2	63.2	48.6	28.2	78.7	79.6	13.5	55.0	55.8	75.0	60.4	55.0	50.0
133	24	Benin	55.2	-0.1	41.3	36.4	29.6	69.0	84.2	46.6	58.0	53.7	84.3	49.4	60.0	50.0
134	45	Ukraine	54.9	2.6	47.5	42.2	37.9	81.1	47.2	83.9	61.3	48.3	63.0	81.2	35.0	30.0
135	32	Pakistan	54.8	-0.2	48.3	43.2	29.7	80.4	86.8	40.4	54.9	41.3	72.5	64.8	55.0	40.0
136	33	Afghanistan	54.7	3.2	48.3	30.0	24.8	91.4	79.2	99.9	54.7	61.6	81.0	66.0	10.0	10.0
137	25	Niger	54.7	3.1	45.6	42.6	33.4	76.7	79.0	44.7	55.4	47.9	74.8	61.2	55.0	40.0
138	26	Lesotho	54.5	1.4	45.2	47.0	29.6	73.0	34.4	60.3	52.8	58.8	75.7	82.2	55.0	40.0
139	34	Nepal	54.2	0.4	40.7	32.0	31.5	83.4	77.9	98.1	61.6	53.7	71.2	60.4	10.0	30.0
140	27	Togo	54.1	3.8	41.6	31.7	31.2	67.5	78.6	59.4	55.0	46.9	79.5	63.2	65.0	30.0
141	35	Burma	54.0	0.4	32.5	14.3	31.5	86.6	87.5	84.6	53.1	59.9	77.5	70.8	30.0	20.0
142	11	Egypt	54.0	1.5	48.5	51.2	34.0	86.1	69.9	2.8	62.0	51.5	61.3	70.2	60.0	50.0
143	28	Comoros	53.7	-1.7	43.1	31.7	23.8	63.6	73.6	85.0	47.8	60.3	81.7	59.2	45.0	30.0
144	25	Brazil	53.7	1.8	57.3	46.7	45.6	70.4	54.6	4.6	60.5	49.5	77.2	67.8	60.0	50.0
145	29	Cameroon	53.6	1.2	45.3	30.8	20.8	74.8	88.3	63.7	46.0	50.1	84.1	59.6	30.0	50.0
146	30	Ethiopia	53.6	0.0	36.5	45.1	29.4	77.4	90.8	79.2	48.6	57.6	62.7	60.8	35.0	20.0
147	31	Zambia	53.5	-0.1	45.2	31.3	28.4	73.2	81.7	18.4	66.4	47.0	72.2	72.6	55.0	50.0
148	32	Guinea-Bissau	53.3	-0.7	41.3	48.4	14.8	88.7	86.7	67.3	39.1	61.2	82.7	49.0	30.0	30.0
149	26	Argentina	53.1	0.9	50.5	47.0	49.7	69.6	50.7	24.7	60.2	46.5	53.7	69.2	55.0	60.0
150	36	Solomon Islands	52.9	-1.7	54.6	53.7	33.5	65.6	34.2	76.6	67.7	72.0	84.3	48.0	15.0	30.0
151	33	Djibouti	52.9	5.8	58.8	31.7	25.5	75.3	53.6	10.9	62.3	60.6	76.5	49.8	80.0	50.0

2020 INDEX OF ECONOMIC FREEDOM WORLD RANKINGS

World Rank	Regional Rank	Country	Overall Score	Change from 2019	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
152	34	Malawi	52.8	1.4	43.1	42.1	24.8	79.0	71.7	23.6	41.9	62.8	69.1	75.4	50.0	50.0
153	27	Haiti	52.3	-0.4	16.4	23.3	22.3	80.2	89.4	96.3	33.6	62.3	61.5	67.0	45.0	30.0
154	35	Angola	52.2	1.6	36.9	14.3	15.1	87.3	85.7	71.9	57.7	61.1	59.6	66.2	30.0	40.0
155	37	Tajikistan	52.2	-3.4	49.1	50.0	32.0	91.8	62.3	26.0	65.9	47.7	71.0	75.0	25.0	30.0
156	38	Micronesia	52.0	0.1	30.1	26.5	22.3	92.9	0.0	99.2	56.9	78.2	82.2	70.8	35.0	30.0
157	12	Lebanon	51.7	0.6	44.6	30.8	25.0	90.8	72.5	0.0	45.6	47.8	75.6	77.4	60.0	50.0
158	28	Ecuador	51.3	4.4	40.4	20.7	33.4	77.5	57.9	62.3	53.8	48.0	81.0	66.0	35.0	40.0
159	36	Central African Republic	50.7	1.6	38.1	31.7	24.3	65.5	93.5	95.3	24.3	40.4	73.3	47.2	45.0	30.0
160	37	Mozambique	50.5	1.9	34.9	31.7	23.2	74.1	69.6	40.3	55.3	41.7	72.0	78.0	35.0	50.0
161	38	Chad	50.2	0.3	32.4	27.4	15.1	45.8	93.5	95.6	26.8	43.0	76.1	47.2	60.0	40.0
162	39	Dem. Rep. Congo	49.5	-0.8	30.1	26.5	13.1	74.4	95.4	98.0	51.2	41.6	49.6	64.6	30.0	20.0
163	29	Suriname	49.5	1.4	45.6	19.5	36.9	70.5	74.8	10.3	48.2	71.9	76.1	69.8	40.0	30.0
164	13	Iran	49.2	-1.9	36.9	37.1	33.5	81.0	89.2	86.5	57.3	50.7	49.0	54.6	5.0	10.0
165	40	Liberia	49.0	-0.7	31.1	37.9	23.8	86.1	65.5	59.7	48.2	38.2	62.1	60.6	55.0	20.0
166	41	Burundi	49.0	0.1	24.9	26.9	22.3	73.7	85.8	13.2	55.1	67.4	70.3	68.2	50.0	30.0
167	42	Equatorial Guinea	48.3	7.3	38.1	19.5	15.1	75.1	86.4	77.2	37.5	34.2	78.1	48.8	40.0	30.0
168	43	Sierra Leone	48.0	0.5	40.7	39.4	21.8	87.5	83.5	9.8	50.1	29.7	64.2	69.4	60.0	20.0
169	14	Algeria	46.9	0.7	37.9	35.0	28.3	75.4	52.6	17.3	63.0	50.5	76.2	66.2	30.0	30.0
170	39	Turkmenistan	46.5	-1.9	20.1	20.0	21.4	95.9	93.1	94.5	30.0	20.0	68.7	74.2	10.0	10.0
171	40	Timor-Leste	45.9	1.7	45.2	12.6	32.5	96.3	5.3	19.9	64.0	58.9	76.5	75.0	45.0	20.0
172	41	Kiribati	45.2	-2.1	47.5	34.2	24.3	72.4	0.0	99.0	40.6	62.9	82.2	23.8	25.0	30.0
173	44	Sudan	45.0	-2.7	33.7	20.8	25.5	86.1	94.5	12.4	53.5	60.0	77.0	52.0	5.0	20.0
174	45	Zimbabwe	43.1	2.7	33.7	28.3	18.9	62.3	88.0	36.2	39.1	43.1	62.8	70.0	25.0	10.0
175	30	Bolivia	42.8	0.5	20.1	11.2	23.1	86.3	54.2	14.2	58.3	52.9	69.9	67.8	15.0	40.0
176	46	Rep. Congo	41.8	2.1	40.7	30.0	23.1	63.3	56.2	0.6	37.5	35.3	83.2	56.8	45.0	30.0
177	47	Eritrea	38.5	-0.4	32.5	14.3	21.4	81.4	74.7	0.0	18.2	69.7	61.0	69.2	0.0	20.0
178	31	Cuba	26.9	-0.9	20.1	10.0	38.7	49.5	0.0	14.8	20.0	20.0	64.1	65.6	10.0	10.0
179	32	Venezuela	25.2	-0.7	10.1	12.6	14.6	72.8	66.3	0.0	30.8	27.7	0.0	58.0	0.0	10.0
180	42	North Korea	4.2	-1.7	20.1	5.0	15.1	0.0	0.0	0.0	5.0	5.0	0.0	0.0	0.0	0.0
N/A	N/A	Iraq	N/A	N/A	43.9	11.2	20.8	N/A	59.5	76.6	52.6	44.8	76.4	N/A	N/A	N/A
N/A	N/A	Libya	N/A	N/A	30.1	20.8	18.9	N/A	0.0	N/A	40.7	53.9	53.6	N/A	5	N/A
N/A	N/A	Liechtenstein	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	85	80
N/A	N/A	Somalia	N/A	N/A	20.1	26.5	13.1	N/A	N/A	N/A	31.6	N/A	N/A	N/A	N/A	N/A
N/A	N/A	Syria	N/A	N/A	45.6	20.8	21.9	N/A	N/A	N/A	48.9	59.3	58.8	51.6	0	N/A
N/A	N/A	Yemen	N/A	N/A	22.5	20.1	21.9	N/A	96.5	60.1	43.9	43.8	42.6	70	50	N/A

12 ECONOMIC FREEDOMS: POLICIES FOR PROGRESS AND PROSPERITY

Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man.

—Adam Smith, The Wealth of Nations

We know from the data and findings of the *Index of Economic Freedom* over the past 25 years that each measured aspect of economic freedom has a significant effect on economic growth and prosperity. Policies that allow greater freedom in any of the areas measured tend to spur growth. Growth, in turn, is an essential element in generating more opportunities for people to advance themselves economically, reducing poverty and building lasting prosperity.

As a vital component of human dignity, autonomy, and personal empowerment, economic freedom is valuable as an end itself. Just as important, however, is the fact that economic freedom provides a proven formula for economic progress and success.

Economic freedom is not a single system, however. In many respects, it is the absence of a single dominating system. Over the past 25 years, the *Index* has demonstrated that economic freedom is not a dogmatic ideology. It represents instead a philosophy that rejects dogma and embraces diverse and even competing strategies for economic advancement. The *Index* provides compelling evidence that it is not the policies we fail to implement that hold back economic growth. Rather, it is the dreadful policies that, all too often, our governments put in place.

Those who believe in economic freedom believe in the right of individuals to decide for themselves how to direct their lives. The added benefit from society's point of view is the proven power of self-directed individuals, whether working alone or working together in associations or corporations, to create the goods and services that best respond to the needs and desires of their fellow citizens.

No country provides perfect freedom to its citizens, and those that do permit high levels of freedom differ with respect to which aspects they believe are most important. That is consistent with the nature of liberty, which allows individuals and societies to craft their own unique paths to prosperity.

Throughout the previous editions of the *Index*, we have explored many critical aspects of the relationships between individuals and governments. In measuring economic freedom, we have focused on a comprehensive yet far from exhaustive range of policy areas in which governments typically act, for good or ill. However, the concept of freedom, by its very nature, resists a narrow definition, and each year seems to bring new challenges from those who seek to impose their own views or control the economic actions of others.

As new threats to economic freedom arise, our definitions and methodologies will continue to evolve so that we can provide as true a picture as possible of the state of economic freedom around the world.

DEFINING ECONOMIC FREEDOM

Economic freedom is at its heart about individual autonomy, concerned chiefly with the freedom of choice enjoyed by individuals in acquiring and using economic goods and resources. The underlying assumption of those who favor economic freedom is that individuals know their needs and desires best and that a self-directed life, guided by one's own philosophies and priorities rather than those of a government or technocratic elite, is the foundation of a fulfilling existence. Independence and self-respect flow from the ability and responsibility to take care of oneself and one's family and are invaluable contributors to human dignity and equality.

Living in societies as we do, individual autonomy can never be considered absolute. Many individuals regard the well-being of their families and communities as equal in importance to their own, and the personal rights enjoyed by one person may well end at his neighbor's doorstep. Decisions and activities that have an impact or potential impact on others are rightly constrained by societal norms and, in the most critical areas, by government laws or regulations.

In a market-oriented economy, societal norms, not government laws and regulations, are the primary regulator of behavior. Such norms grow organically out of society itself, reflecting its history, its culture, and the experience of generations learning how to live with one another. They guide our understanding of ethics, the etiquette of personal and professional relationships, and consumer tastes. Democratic political systems, at their best, reflect societal norms in their laws and regulations, but even democratic governments, if unconstrained by constitutional or other traditional limits, may pose substantial threats to economic freedom. A constraint imposed on economic freedom by majority rule is no less a constraint than one imposed by an absolute ruler or oligarch. It is thus not so much the type of government that determines the degree of economic freedom as it is the extent to which government has limits beyond which it may not, or at least does not, go.

Inevitably, any discussion of economic freedom will focus on the critical relationship between individuals and the government. In general, state action or government control that interferes with individual autonomy limits economic freedom.

However, the goal of economic freedom is not simply the absence of government coercion or constraint, but rather the creation and maintenance of a mutual sense of liberty for all. Some government action is necessary for the citizens of a nation to defend themselves and to promote the peaceful evolution of civil society, but when government action rises beyond the minimal necessary level, it is likely infringing on someone's economic or personal freedom.

Throughout history, governments have imposed a wide array of constraints on economic activity. Such constraints, though sometimes imposed in the name of equality or some other ostensibly noble societal purpose, are in fact imposed most often for the benefit of societal elites or special interests. As Milton and Rose Friedman once observed:

> A society that puts equality—in the sense of equality of outcome—ahead of freedom will end up with neither equality nor freedom. The use of force to achieve equality will destroy freedom, and the force, introduced for good purposes, will end up in the hands of people who use it to promote their own interests.[1]

Government's excessive intrusion into wide spheres of economic activity comes with a high cost to society as a whole. By substituting political judgments for those of the marketplace, government diverts entrepreneurial resources and energy from productive activities to rent-seeking, the quest for economically unearned

benefits. The result is lower productivity, economic stagnation, and declining prosperity.

ASSESSING ECONOMIC FREEDOM

The *Index of Economic Freedom* takes a comprehensive view of economic freedom. Some of the aspects of economic freedom that are evaluated are concerned with a country's interactions with the rest of the world (for example, the extent of an economy's openness to global investment or trade). Most, however, focus on policies within a country, assessing the liberty of individuals to use their labor or finances without undue restraint and government interference.

Each of the measured aspects of economic freedom plays a vital role in promoting and sustaining personal and national prosperity. All are complementary in their impact, however, and progress in one area is often likely to reinforce or even inspire progress in another. Similarly, repressed economic freedom in one area (for example, a lack of respect for property rights) may make it much more difficult to achieve high levels of freedom in other categories.

The 12 aspects of economic freedom measured in the *Index* are grouped into four broad categories:

- **Rule of law** (property rights, judicial effectiveness, and government integrity);
- **Government size** (tax burden, government spending, and fiscal health);
- **Regulatory efficiency** (business freedom, labor freedom, and monetary freedom); and
- **Market openness** (trade freedom, investment freedom, and financial freedom).

Rule of Law

Property Rights. In a functioning market economy, the ability to accumulate private property and wealth is a central motivating force for workers and investors. The recognition of private property rights and an effective rule of law to protect them are vital features of a fully functioning market economy. Secure property rights give citizens the confidence to undertake entrepreneurial activity, save their income, and make long-term plans because they know that their income, savings, and property (both real and intellectual) are safe from unfair expropriation or theft.

Property rights are a primary factor in the accumulation of capital for production and investment. Secure titling is key to unlocking the wealth embodied in real estate, making natural resources available for economic use, and providing collateral for investment financing. It is also through the extension and protection of property rights that societies avoid the "tragedy of the commons," the phenomenon that leads to the degradation and exploitation of property that is held communally and for which no one is accountable. A key aspect of property rights protection is the enforcement of contracts. The voluntary undertaking of contractual obligations is the foundation of the market system and the basis for economic specialization, gains from commercial exchange, and trade among nations. Even-handed government enforcement of private contracts is essential to ensuring equity and integrity in the marketplace.

Judicial Effectiveness. Well-functioning legal frameworks protect the rights of all citizens against infringement of the law by others, including by governments and powerful parties. As an essential component of the rule of law, judicial effectiveness requires efficient and fair judicial systems to ensure that laws are fully respected, with appropriate legal actions taken against violations.

Judicial effectiveness, especially for developing countries, may be the area of economic freedom that is most important in laying the foundations for economic growth, and in advanced economies, deviations from judicial effectiveness may be the first signs of serious problems that will lead to economic decline.

There is plenty of evidence from around the world that an honest, fair, and effective judicial system is a critical factor in empowering individuals, ending discrimination, and enhancing competition. In the never-ending struggle to improve the human condition and achieve greater prosperity, an institutional commitment to the preservation and advancement of judicial effectiveness is critical.

Government Integrity. In a world characterized by social and cultural diversity, practices regarded as corrupt in one place may simply reflect traditional interactions in another. For example, small informal payments to service providers or even government officials may be regarded variously as a normal means of compensation, a "tip" for unusually good service, or a corrupt form of extortion.

While such practices may indeed constrain an individual's economic freedom, their impact on the economic system as a whole is likely to be modest. Of far greater concern is the systemic corruption of government institutions by practices such as bribery, nepotism, cronyism, patronage, embezzlement, and graft. Though not all are crimes in every society or circumstance, these practices erode the integrity of government wherever they are practiced. By allowing some individuals or special interests to gain government benefits at the expense of others, they are grossly incompatible with the principles of fair and equal treatment that are essential ingredients of an economically free society.

There is a direct relationship between the extent of government intervention in economic activity and the prevalence of corruption. In particular, excessive and redundant government regulations provide opportunities for bribery and graft. Corrupt practices like bribery and graft, in turn, are detrimental to economic growth and development. In addition, government regulations or restrictions in one area may create informal or black markets in another. For example, by imposing numerous burdensome barriers to conducting business, including regulatory red tape and high transaction costs, a government can incentivize bribery and encourage illegitimate and secret interactions that compromise the transparency that is essential for the efficient functioning of a free market.

Government Size

Tax Burden. All governments impose fiscal burdens on economic activity through taxation and borrowing. Governments that permit individuals and businesses to keep and manage a larger share of their income and wealth for their own benefit and use, however, maximize economic freedom.

The higher the government's share of income or wealth, the lower the individual's reward for his or her economic activity and the lower the incentive to undertake work at all. Higher tax rates reduce the ability of individuals and firms to pursue their goals in the marketplace and thereby lower the level of overall private-sector activity.

Individual and corporate income tax rates are an important and direct constraint on an individual's economic freedom and are reflected as such in the *Index*, but they are not a comprehensive measure of the tax burden. Governments impose many other indirect taxes, including payroll, sales, and excise taxes, as well as tariffs and value-added taxes (VATs). In the *Index of Economic Freedom*, the burden of these taxes is captured by measuring the overall tax burden from all forms of taxation as a percentage of total gross domestic product (GDP).

Government Spending. The cost, size, and intrusiveness of government taken together are a central economic freedom issue that is measured in the *Index* in a variety of ways. Government spending comes in many forms, not all of which are equally harmful to economic freedom. Some government spending (for example, to provide infrastructure, fund research, or improve human capital) may be considered investment. Government also spends on public goods, the benefits of which accrue broadly to society in ways that markets cannot price appropriately.

All government spending, however, must eventually be financed by higher taxation and entails an opportunity cost. This cost is the value of the consumption or investment that would have occurred had the resources involved been left in the private sector.

Excessive government spending runs a great risk of crowding out private economic activity. Even if an economy achieves faster growth through more government spending, such economic expansion tends to be only temporary, distorting the market allocation of resources and private investment incentives. Even worse, a government's insulation from market discipline often leads to bureaucracy, lower productivity, inefficiency, and mounting public debt that imposes an even greater burden on future generations.

Fiscal Health. A government's budget is one of the clearest indicators of the extent to which it respects the principle of limited government. By delineating priorities and allocating resources, a budget signals clearly the areas in which government will intervene in economic activity and the extent of that intervention. Beyond that, however, a budget reflects a government's commitment (or lack thereof) to sound financial management of resources, which is both essential for dynamic long-term economic expansion and critical to the advancement of economic freedom.

Widening deficits and a growing debt burden, both of which are direct consequences of poor government budget management, lead to the erosion of a country's overall fiscal health. Deviations from sound fiscal positions often disturb macroeconomic stability, induce economic uncertainty, and thus limit economic freedom.

Debt is an accumulation of budget deficits over time. In theory, debt financing of public spending could make a positive contribution to productive investment and ultimately to economic growth. Debt could also be a mechanism for positive macroeconomic countercyclical interventions or even long-term growth policies. On the other hand, high levels of public debt may have numerous negative impacts such as raising interest rates, crowding out private investment, and limiting government's flexibility in responding to economic crises. Mounting public debt driven by persistent budget deficits, particularly spending that merely boosts government consumption or transfer payments, often undermines overall productivity growth and leads ultimately to economic stagnation rather than growth.

Regulatory Efficiency

Business Freedom. An individual's ability to establish and run an enterprise without undue interference from the state is one of the most fundamental indicators of economic freedom. Burdensome and redundant regulations are the most common barriers to the free conduct of entrepreneurial activity. By increasing the costs of production, regulations can make it difficult for entrepreneurs to succeed in the marketplace.

Although many regulations hinder business productivity and profitability, the ones that most inhibit entrepreneurship are often those that are associated with licensing new businesses. In some countries, as well as many states in the United States, the procedure for obtaining a business license can be as simple as mailing in a registration form with a minimal fee. In Hong Kong, for example, obtaining a business license requires filling out a single form, and the process can be completed in a few hours. In other economies, such as India and parts of South America, the process of obtaining a business license can take much longer and involve endless trips to government offices and repeated encounters with officious and sometimes corrupt bureaucrats.

Once a business is open, government regulation may interfere with the normal decision-making or price-setting process. Interestingly, two countries with the same set of regulations can impose different regulatory burdens. If one country applies its regulations evenly and transparently, it can lower the regulatory burden by facilitating long-term business planning. If the other applies

regulations inconsistently, it raises the regulatory burden by creating an unpredictable business environment.

Labor Freedom. The ability of individuals to find employment opportunities and work is a key component of economic freedom. By the same token, the ability of businesses to contract freely for labor and dismiss redundant workers when they are no longer needed is essential to enhancing productivity and sustaining overall economic growth.

The core principle of any economically free market is voluntary exchange. That is just as true in the labor market as it is in the market for goods.

State intervention generates the same problems in the labor market that it produces in any other market. Government labor regulations take a variety of forms, including minimum wages or other wage controls, limits on hours worked or other workplace conditions, restrictions on hiring and firing, and other constraints. In many countries, unions play an important role in regulating labor freedom and, depending on the nature of their activity, may be either a force for greater freedom or an impediment to the efficient functioning of labor markets.

Onerous labor laws penalize businesses and workers alike. Rigid labor regulations prevent employers and employees from freely negotiating changes in terms and conditions of work, and the result is often a chronic mismatch of labor supply and demand.

Monetary Freedom. Monetary freedom requires a stable currency and market-determined prices. Whether acting as entrepreneurs or as consumers, economically free people need a steady and reliable currency as a medium of exchange, unit of account, and store of value. Without monetary freedom, it is difficult to create long-term value or amass capital.

The value of a country's currency can be influenced significantly by the monetary policy of its government. With a monetary policy that endeavors to fight inflation, maintain price stability, and preserve the nation's wealth, people can rely on market prices for the foreseeable future. Investments, savings, and other longer-term plans can be made more confidently. An inflationary policy, by contrast, confiscates wealth like an invisible tax and distorts prices, misallocates resources, and raises the cost of doing business.

There is no single accepted theory of the right monetary policy for a free society. At one time, the gold standard enjoyed widespread support. What characterizes almost all monetary theories today, however, is support for low inflation and an independent central bank. There is also widespread recognition that price controls corrupt market efficiency and lead to shortages or surpluses.

Market Openness

Trade Freedom. Many governments place restrictions on their citizens' ability to interact freely as buyers or sellers in the international marketplace. Trade restrictions can manifest themselves in the form of tariffs, export taxes, trade quotas, or outright trade bans. However, these are not the only impediments to the freedom to trade, which may be hampered as well by non-tariff barriers that are related to various licensing, standard-setting, and other regulatory actions. In addition, given the development of global supply chains and cross-border production processes, businesses increasingly value stability in trade policy. Capricious government actions that create uncertainty about future trade conditions may thus have a negative impact on trade freedom beyond their immediate economic effect.

The degree to which government hinders the free flow of foreign commerce has a direct bearing on the ability of individuals to pursue their economic goals and maximize their productivity and well-being. Tariffs, for example, directly increase the prices that local consumers pay for foreign imports, but they also distort production incentives for local producers, causing them to produce either a good in which they lack a comparative advantage or more of a protected good than is economically ideal. This impedes overall economic efficiency and growth.

In many cases, trade limitations also put advanced-technology products and services beyond the reach of local entrepreneurs, limiting their own productive development.

Investment Freedom. A free and open investment environment provides maximum entrepreneurial opportunities and incentives for expanded economic activity, greater productivity, and job creation. The benefits of such an environment flow not only to the individual companies that take the entrepreneurial risk in expectation of greater return, but also to society as a whole. An effective investment framework is characterized by transparency and equity, supporting all types of firms rather than just large or strategically important companies, and encourages rather than discourages innovation and competition.

Restrictions on the movement of capital, both domestic and international, undermine the efficient allocation of resources and reduce productivity, distorting economic decision-making. Restrictions on cross-border investment can limit both inflows and outflows of capital, thereby shrinking markets and reducing opportunities for growth.

In an environment in which individuals and companies are free to choose where and how to invest, capital can flow to its best uses: to the sectors and activities where it is most needed and the returns are greatest. State action to redirect the flow of capital and limit choice is an imposition on the freedom of both the investor and the person seeking capital. The more restrictions a country imposes on investment, the lower its level of entrepreneurial activity.

Financial Freedom. An accessible and efficiently functioning formal financial system ensures the availability of diversified savings, credit, payment, and investment services to individuals and businesses. By expanding financing opportunities and promoting entrepreneurship, an open banking environment encourages competition in order to provide the most efficient financial intermediation between households and firms as well as between investors and entrepreneurs.

Through a process driven by supply and demand, markets provide real-time information on prices and immediate discipline for those who have made bad decisions. This process depends on transparency in the market and the integrity of the information being made available. A prudent and effective regulatory system, through disclosure requirements and independent auditing, ensures both.

Increasingly, the central role played by banks is being complemented by other financial services that offer alternative means for raising capital or diversifying risk. As with the banking system, the useful role for government in regulating these institutions lies in ensuring transparency and integrity and promoting disclosure of assets, liabilities, and risks.

Banking and financial regulation by the state that goes beyond the assurance of transparency and honesty in financial markets can impede efficiency, increase the costs of financing entrepreneurial activity, and limit competition. If the government intervenes in the stock market, for instance, it contravenes the choices of millions of individuals by interfering with the pricing of capital—the most critical function of a market economy.

ECONOMIC FREEDOM: MORE THAN A GOOD BUSINESS ENVIRONMENT

To be sure, economic freedom is about much more than a business environment in which entrepreneurship and prosperity can flourish. With its far-reaching impacts on various aspects of human development, economic freedom empowers people, unleashes powerful forces of choice and opportunity, gives nourishment to other liberties, and improves the overall quality of life.

No alternative systems—and many have been tried—come close to the record of free-market capitalism in promoting growth and enhancing the human condition. The undeniable link between economic freedom and prosperity is a striking demonstration of what people can do when they have the opportunity

to pursue their own interests within the rule of law.

To get ahead based on sheer merit and hard work, citizens of any country need a system that maintains non-discriminatory markets, allocates resources impartially, and rewards individual effort and success. That is the proven recipe for economic freedom and real human progress.

ENDNOTE

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SPECIAL FOCUS: THE FREEDOM TO TRADE

THE FIGHT FOR FREE TRADE

Tori K. Smith and Riley Walters

Over the past seven decades, the benefits of free trade have been recognized by growing numbers of individuals, businesses, and countries throughout the world. The creation of the General Agreement on Tariffs and Trade in 1947, establishment of the World Trade Organization in 1995, and negotiation of scores of preferential trade agreements have eased the flow of goods and services between individuals and firms, have added value to local economies, and have contributed enormously to the growth of the global economy.

Today, however, many people are questioning the benefits of trade and calling for protectionist trade policies as the way to address almost any perceived flaw within the global economy. In such an environment, the need to defend the freedom to trade could not be more important or more urgent.

THE ECONOMIC CASE FOR FREE TRADE

The trade freedom rankings in the *Index of Economic Freedom* correlate strongly with overall indicators of prosperity and human development.

As shown in Chart 1, countries with greater trade freedom have higher—and often much higher—income per capita. The individuals within these countries enjoy greater food security, healthier environments, increased political stability, and higher levels of social progress.

Despite these manifest benefits, governments impose a wide variety of regulations and restrictions on trade that distort or limit opportunities for businesses and consumers. Policies like tariffs and quotas that restrict imports and even policies like subsidies that are meant to support exports all disrupt the natural flow of trade. Such policies arbitrarily increase costs, reduce efficiency, and can stifle the research and investment that are essential for growth and development.

FIGHTING A RETURN TO PROTECTIONISM

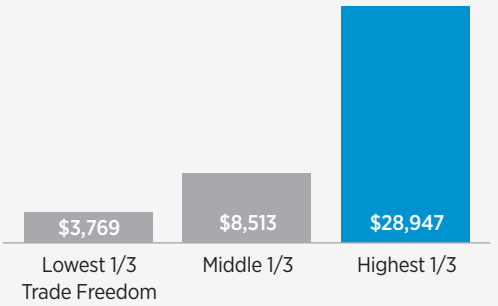
Unfortunately, protectionist pressures seem to be increasing. The United States, although historically in favor of trade, has imposed tariffs on more than 14 percent of its total imports over the past several years,[1] making trade less free and causing its average applied tariff rate to increase by 73 percent.[2] Countries like France are now imposing non-tariff trade barriers on e-commerce businesses. And developing countries like India continue to maintain high levels of tariffs on agricultural imports in an attempt to protect domestic industries and farmers.

Recently, however, there have been efforts to protect the efficient global trading system that has developed over the past several decades. At the end of 2018, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPPTP), which includes seven Asian countries and two in South America as

NATIONS WITH MORE TRADE FREEDOM ALSO HAVE ...

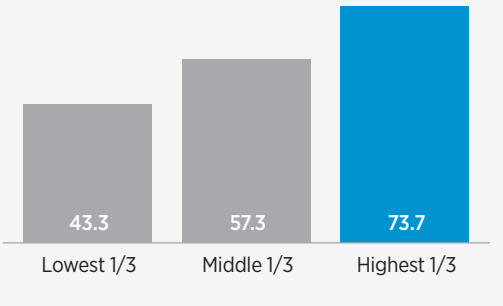
... Higher Average National Income

Average National Income



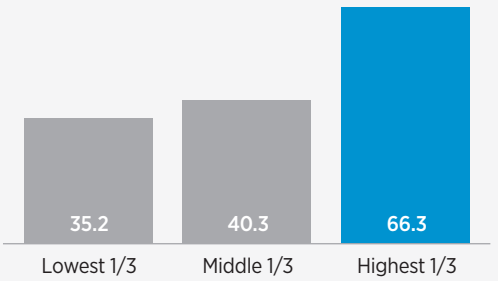
... More Food Security

Higher scores indicate more food security



... More Political Stability and Less Violence and Terrorism

Higher scores indicate more political stability and less politically motivated violence and terrorism



... Healthier Environments and Less Polluted Ecosystems

Higher scores indicate better environmental protection

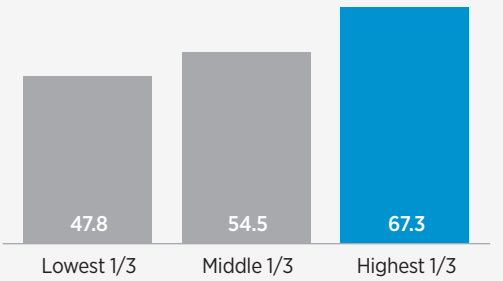


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Chart 1 heritage.org

well as Canada and Mexico, entered into force.[3] Just a few months later, the European Union and Japan finalized an economic partnership agreement. And in the summer of 2019, the European Union signed a trade agreement with the Mercosur states of Argentina, Brazil, Paraguay, and Uruguay.

Equally notable, some African countries have also been advancing a free trade agenda. Of the 55 African Union states, 54 signed the African Continental Free Trade Agreement (AfCFTA), and 27 countries have ratified the agreement. In addition, a number of other bilateral trade agreements have been formalized

that extend the benefits to trade beyond the most favored nation requirements of the World Trade Organization.

The lesson would seem to be clear: While some countries may fall victim to the blandishments of protectionism, the world can continue to trade without them. Moreover, the 25 years' worth of authoritative data compiled and analyzed in the *Index of Economic Freedom* makes it equally clear that freer trade, not protectionism, is the way to prosperity.

PROTECTING OUR TRADE FREEDOMS

The following essays examine the intricacies of the global trading system. The authors provide insights into the threats facing the system, the complexities of its management, and its constantly evolving nature.

- Paul D. Ryan of the Association of Global Automakers discusses the intricacies of global supply chains from the perspective of the North American automotive industry;

- Simon Lester from the Cato Institute discusses one of the most important institutions of the global trading system, the World Trade Organization, the WTO's role in promoting free trade, and the future of the organization;

- Gabriella Beaumont-Smith of The Heritage Foundation discusses the increasing role of digital trade and how it can be enhanced or hindered by government intervention; and

- Dr. Takashi Terada from Doshisha University in Tokyo, Japan, discusses the future of trade agreements and the complexity involved in making new trade deals.

Debates about trade are likely to continue in the years ahead, and those who love freedom will be called upon to defend the openness of our international system and the rights of individuals to engage in commerce wherever and with whomever. The freedom to trade is the foundation of economic advancement, and the expansion of global markets has proven to be a powerful engine for growth and a key factor in the worldwide fight against poverty. Governments that curtail trade freedom in order to insulate their producers from international competition ultimately condemn both those producers and their citizens as a whole to second-class economic status. The goal of the *Index of Economic Freedom*, by contrast, is to identify policies that can allow any country to rise into the top ranks of freedom and prosperity. This special focus section on the freedom to trade is intended to advance that goal.

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SUPPLY CHAINS: THE ODYSSEY OF A HONDA

Paul D. Ryan

The Honda Odyssey is made in Lincoln, Alabama. Or maybe it would be more accurate to say that in Lincoln, Alabama, parts and components from all over the world meet to become a Honda Odyssey.

The same is true in Georgetown, Kentucky, where the Toyota Camry is built; West Point, Georgia, where they build the Kia Telluride; Chattanooga, Tennessee, and Tuscaloosa, Alabama, where Volkswagens and Mercedes-Benz products, respectively, roll off the lines, as well as Warren, Michigan (Ram trucks); Wayne, Michigan (Ford trucks); and Arlington, Texas (Cadillac Escalades and Chevy Tahoes, among other products).

The story of every modern motor vehicle the world over—and a great many manufactured goods more generally—is the story of complex manufacturing and sales processes that can be as circuitous and often unexpected as the tale laid out in the Honda minivan's namesake. The Odyssey ventures into multiple countries and involves numerous actors. Technology, trade rules, and competitive pressures have combined to enable the creation of a web of supply chains that have bound the global economy together and resulted in higher-quality, more innovative products that give consumers greater choice at lower costs. Not coincidentally, those global supply chains have kept the North American auto industry and North American auto production globally competitive.

WHAT ARE SUPPLY CHAINS?

With globalization blamed for many of the ills of the modern era, it is worth recounting what supply chains are, how they operate, and the benefits of the complex supply chains companies now employ. In short, supply chains are the steps required to get a product to the customer, including developing a product, producing it, transporting it, and selling it.

At points in the past, these functions were performed in one country—even in one location. The most famous example is the River Rouge plant in Michigan that Henry Ford built, where sand and iron ore were poured in at one end and a car popped out at the other end. Today, the mass production system model for which Henry Ford is rightly famous has been both retained and refined: Production functions that once were centralized have been spread out with a view to ensuring that a finished car or truck is cost-competitive, quality-competitive, and delivered to the customer on a timely basis.

Today, the global supply chain is not just about manufacturing. Major automakers whose headquarters may be in Europe or Asia have design and styling, research and development (R&D), and testing facilities across the United States. All of this is part of the effort to satisfy the world's most discerning customers in the world's most open and competitive auto market.

In the automotive sector, product design and development may occur in an automaker's dedicated facility. Parts production takes place at both in-house and outside supplier locations,

with final assembly of the finished vehicle conducted at yet another of the automaker's plants. In setting up supply chains, automakers identify their own core and non-core competencies and establish relationships with outside suppliers with expertise in non-core areas.

TECHNOLOGICAL DEVELOPMENTS AND TRADE AGREEMENTS

Complex supply chains have been facilitated by a series of technological, regulatory, and business developments over the past several decades.

For example, advances in information and communications (ICT) technology have provided critical tools necessary for effective supply chain management. Information management software, ever more powerful computers, and communications technologies such as broadband service and smartphones have made it possible to coordinate the process of ordering and delivering the many thousands of parts required to manufacture a car. GPS and radio-frequency identification (RFID) technologies likewise have made it possible to track the movement of supplies to ensure timely deliveries. Specialized businesses have carved out a niche deploying these technologies in the areas of logistics, communication, and business services to partner with multiple companies and industries so that they can further increase the effectiveness of supply chains and reduce their cost.

Another breakthrough technology that facilitated complex supply chains and international trade more generally was the development of standardized shipping containers and intermodal transport systems for those containers. This greatly reduced the cost of shipping goods both domestically and internationally, opening up new doors for drawing on supply sources remote from the final assembly facility, including internationally. At the same time, emerging markets overseas improved their transportation and other infrastructure that enabled them to link into global supply chains.

Along with these technological developments, trade agreements have reduced tariff and nontariff barriers to moving goods across borders and have contributed to greater certainty and stability in the international business environment. This too has opened the door to broadening supply sources and moving inputs and finished goods internationally at lower cost. In the automotive sector, for example, the North American Free Trade Agreement (NAFTA) facilitated fully integrated North American supply chains in which parts for any given vehicle are typically sourced from all three NAFTA countries. In many cases, the production process for a finished part is itself broken up into multiple locations, with the part traveling across borders several times before completion.

A TYPICAL PRODUCTION PROCESS: TRAVELING ACROSS BORDERS

Two years ago, Bloomberg took a fascinating look at the journey of some parts going into modern vehicles:[1]

- A Grand Rapids, Michigan, company buys capacitors from a company in Colorado, which gets them from a number of suppliers in Asia.
- Those capacitors are shipped to Mexico, where they are integrated into a circuit board.
- The boards are stored in El Paso before being shipped to another plant in Mexico, owned by a Norwegian company, that puts the circuit boards into a seat actuator—basically, the mechanism that allows you to fold the seats in a minivan or an SUV with the simple touch of a button.
- The actuators are then shipped to plants in Texas and in Ontario, Canada, where an American company makes finished seats.

- Once finished, those seats are installed in vehicles built a short distance away.

All told, the parts may cross international borders five or six times before going to the final assembly facilities in the U.S. You could deconstruct (literally) just about any vehicle and find hundreds of similar examples.

Producers look for the greatest freedom in sourcing lower-cost, commodity-type parts, but while cost is one factor in developing a supply chain, it is not the only consideration. "Just-in-time" manufacturing processes like those in the auto sector require that key parts be sourced from locations and suppliers that present a low risk of supply disruption. In addition, quality and safety requirements also frequently lead to sourcing from locations relatively close to a final assembly facility, both to ensure proper oversight of the supplier's operations and to ensure that problems can be corrected promptly. Parts specific to a vehicle under development may likewise be sourced more locally in order to allow better coordination with design or engineering teams.

Thus, considerations of cost, reliability, and quality all play a part in developing supply chains. The most apparent results for consumers are lower prices for automobiles, but the cost savings that complex supply chains generate also allow automakers to invest more in developing innovative features and to offer these features in vehicles at reasonable prices. All of this boosts vehicle demand to the benefit of both companies and their employees.

The competitive advantages of complex supply chains are such that access to them is a central consideration in company decisions about where to invest and produce. Technology, infrastructure, and the integrated North American market created by NAFTA have made the United States a highly effective supply chain hub and, thus, a very competitive manufacturing platform. As a result, the United States has attracted billions of dollars of investment in manufacturing, design, and R&D facilities.

International automakers alone have invested nearly $82 billion in the United States, directly employing 133,000 Americans at nearly 500 facilities. Together, these companies create jobs for 1.29 million Americans in design, R&D, manufacturing, sales, finance, and dealership operations as well as other businesses. They produced nearly half of all cars, SUVs, vans, and light trucks made in America last year and accounted for nearly half of vehicle exports in 2016, exporting 17 percent of their production to 140 countries and territories.

LOOKING TO THE FUTURE: ELECTRIFIED AND AUTONOMOUS TRANSPORTATION

As the auto industry looks to the future, the role and importance of global production chains are only going to increase, for several reasons. Foremost among these reasons is the major transformation to electrified and autonomous transportation that the worldwide auto industry is currently undergoing. Automakers have made enormous investments and commitments to bring electrified vehicles to market over the next five years. One can properly debate the best policies for achieving the goals of zero-emission or carbon-neutral transportation—sustainable market incentives will be more successful and enduring than government mandates—but the direction is clear.

The enormous capital investments required to transform the fleet increase the competitive pressures on companies to find the best and lowest-cost components to bring about the transformation. Electrified vehicles have narrowed the cost gap with internal combustion vehicles in recent years, and there is still a distance to go. But if the public policy goal is to reduce emissions from motor vehicles through electrification, it makes no sense to limit the ability of manufacturers to obtain the best low-cost electric motors, batteries, and raw materials that will make a zero-emission future possible.

The same is true for autonomous vehicles. Whether we get to a driverless future or not, many of the technologies that could make

autonomous vehicles possible will provide tangible safety and other benefits to the public today. For example, emergency braking systems are already at work to reduce collisions. The sensors that warn you of an impending crash are constantly being refined and improved for future uses. Artificial intelligence capabilities are expanding rapidly. The ability of cars to talk to each other (vehicle connectivity) will provide another layer of protection from crashes.

Automated and connected vehicles will save us time, lives, and money. As with electrified vehicles, however, if the benefits of automated and connected vehicles are to be fully realized, manufacturers must be able to use the best technologies available at the lowest cost possible.

It should also be noted that many of the new entrants into the auto industry—companies looking to build electrified and automated transportation—have established U.S. offices *in advance* of beginning full-scale production. Some of them even describe themselves as "virtual auto companies," knitting together worldwide operations in a manner and scale far different from what we have known.

Critics of global supply chains often overlook the fact that the jobs that add the highest value to a product often stay in locations closest to the customers (in this case, in the United States). For example, the high-value-added design and intellectual property of an iPhone remains in Cupertino, California, even though Foxconn might manufacture the actual phone in Asia. Similarly, some of the most legendary auto products were designed by teams working in California for U.S. and globally based companies. All told, 12 international automakers operate 36 automotive design and R&D operations in California, taking advantage of the state's reputation as a center of fashion and design.

CONCLUSION

The basic question is: If not for global supply chains, would auto production in the U.S. be as strong, innovative, and competitive as it is today, particularly in the face of increasing competition from both old and new business ventures? The answers are revealed by the facts: The U.S. auto industry is not just viable. It continues to stand at the leading edge of innovation and competitiveness worldwide.

ENDNOTE

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THE CENTRAL ROLE OF THE WTO IN THE WORLD TRADING SYSTEM

Simon Lester

In 1947, a trade agreement called the General Agreement on Tariffs and Trade (GATT) was signed by 23 nations. Its lasting impact may not have been clear to its creators at the time. It was supposed to be part of a larger project called the International Trade Organization, but that institution was rejected by the U.S. Congress a couple of years later and never came into force.

The GATT could have been just another trade agreement that was surpassed by subsequent trade agreements. Instead, it became permanent, with new elements added over time, and was expanded to cover many new countries. In 1995, the GATT was transformed into the World Trade Organization (WTO), the overarching framework of rules that governs today's world trading system.

Like most trade agreements, the WTO consists of individual elements that cover a range of trade policy issues: tariffs, agriculture, domestic regulations, services, government procurement, and intellectual property, among others. Just as important, however, it is an institution. Early in the GATT era, a Secretariat was established to oversee the GATT's functioning. That Secretariat has continued under the WTO and is a key element of the WTO's success in a number of areas. The WTO is far from being any kind of "world government," but through its rules and its staff, it offers an international framework for promoting and managing freer trading relationships among most of the world's countries.

FUNDAMENTAL IMPORTANCE OF THE WTO

As bilateral, regional, and plurilateral trade agreements proliferate, it may seem that the WTO's role has diminished over time. However, there are several aspects of the trading system's liberalization that only the WTO has accomplished—or in some cases even could have accomplished—in comparison with preferential trade agreements. What follows are some key areas in which the WTO is vital and that make it unlikely that the system will be either replaced or abandoned.

Tariff Reductions and Trade Liberalization for Everyone. Free trade agreements (FTAs) make a lot of headlines these days. Hundreds of bilateral, regional, and plurilateral trade agreements are now in existence, and it seems as though there is always a new one being negotiated. Despite their number, however,

The Index of Economic Freedom includes coverage of every WTO member and observer except Andorra and the Holy See. While the European Union enjoys special status by joining its constituent countries as a full member of the WTO, the Index limits its EU coverage to individual EU member states.

WORLD TRADE ORGANIZATION AGREEMENTS

AGREEMENTS	DESCRIPTION
General Agreement on Tariffs and Trade (1947)	The legal framework that established the modern World Trade Organization as we know it. It has allowed for the removal of barriers to trade in an effort to build a more fair international trading system between members.
Agreement on Agriculture	Reduces domestic support for agricultural produces like export subsidies and limited market access. Also addresses issues of food security, environment, and concerns of developing countries.
Agreement on the Application of Sanitary and Phytosanitary Measures	Increases transparency for the trade of plants and animals produced with certain additives like pesticide. Prevents governments from restricting imports based on overtly restrictive additive rules.
Agreement on Technical Barriers to Trade	Removes non-tariff restrictions on trade like standards, testing, and certifications for products. Eases the regulatory process for trade between members.
Agreement on Trade-Related Investment Measures	Removes barriers to investment between members that could restrict or distort trade. This includes allowing members' equal treatment for investment as well as restrictions on local content requirements.
Agreement on Implementation of Antidumping	Limits members' ability to apply antidumping measures without first going through a sufficient investigation at the World Trade Organization.
Agreement on Implementation of Customs Valuation	Normalizes the customs value of imported goods between members.
Agreement on Preshipment Inspection	Ensures governments cannot excessively use preshipment inspections to restrict the outflow of trade.
Agreement on Rules of Origin	Increases transparency and a long-term standard for the trade of goods originating from certain areas that is not excessively restrictive.
Agreement on Import Licensing Procedures	Increases the information required, and the amount of restrictions applicable, for import licenses.
Agreement on Subsidies and Countervailing Measures	Establishes a more definitive definition and rules for subsidies for industry groups and the level of countervailing duties against imports.
Agreement on Safeguards	Sets limits on members' ability to enact safeguard measures to protect domestic industry from import competition.
General Agreement on Trade in Services	Establishes an equal treatment for services across members.
Agreement on Trade-Related Aspects of Intellectual Property Rights	Establishes rules and disciplines around the protection of intellectual property including a dispute settlement.
Understanding on Rules and Procedures Governing the Settlement of Disputes	Strengthens the existing dispute settlement system to enable members to litigate and resolve issues over other agreements.
Trade Policy Review Mechanism	Establishes a periodic review for members and whether they are upholding the various agreements.
Agreement on Trade in Civil Aircraft	Removes tariff and non-tariff barriers to civil aviation trade.
Agreement on Government Procurement	Increases transparency and non-discrimination for the goods and services purchased by members.

SOURCE: World Trade Organization, "Legal Texts: the WTO Agreements," https://www.wto.org/english/docs_e/legal_e/ursum_e.htm (accessed September 27, 2019).

Table 1 ☎ heritage.org

these agreements do not cover all of the trading relationships covered by the WTO.

The GATT started with 23 "contracting parties," but over the years, the accession process, with the assistance of the Secretariat, added many more. Most trade agreements remain static in their membership; the WTO has grown tremendously. The WTO now has 164 members, and many more accessions are underway. That means the WTO covers the trading relationship between each member and 163 other members.

At its core, the GATT/WTO has always been about trade liberalization. For each WTO member government, there have been commitments to reduce tariffs. "In eight rounds of negotiations between 1947 and 1994," as a leading WTO textbook explains, "the average level of tariffs imposed by developed countries on industrial products was brought down from over 40 per cent to less than 4 per cent."[1] In addition, for each WTO member government, there is a commitment not to use domestic regulations and taxes to discriminate against foreign goods.

The WTO provides an overarching framework of general principles and specific obligations that applies to the trading relationships of almost the entire world, including all of its major economies. FTAs can supplement that, but they cannot replace it.

Most Favored Nation Principle. One specific principle that FTAs cannot offer is most favored nation (MFN) treatment. This principle means that countries agree to treat all other WTO member countries equally in relation to trade. For example, if a government commits to lowering its automobile tariffs to 2.5 percent, it must charge that same rate to all countries rather than discriminate among them with a variety of rates. Along the same lines, where it has domestic regulations (for example, in the area of food safety), it commits to applying those regulations to all of its trading partners in the same way.

In contrast to this, FTAs are fundamentally at odds with the MFN principle. By their very nature, FTAs discriminate in favor of some countries and against others. They offer lower tariffs to the FTA partners than they offer to other countries. They represent preferential trade rather than free trade.

While FTAs violate the MFN principle, WTO rules do allow FTAs, provided they meet certain conditions, as an exception, but the conditions in this exception act as a constraint on the development of sectoral trade alliances through FTAs. Only deep FTAs (or customs unions) that cover substantially all trade are allowed; sector-specific arrangements are prohibited. FTAs also must focus on lowering internal barriers between the partners rather than raising barriers to trade with outsiders. Without such constraints, FTAs could undermine the whole enterprise of multilateralism, and the trading system could see a downward spiral toward trade alliances and greater conflict.

Dispute Settlement Understanding. The WTO's dispute settlement system is currently under attack. Nonetheless, for the past several decades, it has been the international trade dispute mechanism of choice for resolving trade conflict. As of this writing, in the years since the establishment of the WTO in 1995, under the Dispute Settlement Understanding (DSU), 586 complaints have been filed, in addition to which there have been 242 panel rulings, 141 appellate rulings, and 51 arbitration rulings. By contrast, the hundreds of FTAs in existence have led to only a handful of complaints. The most active non-WTO dispute mechanism has been the NAFTA's, but in 2000, the United States blocked the appointment of a panel, and no panels have been set up since then.[2] When countries have complaints about trade barriers, they generally go to the WTO for resolution.

One of the key reasons for the WTO dispute settlement system's continued success is the existence of an independent Secretariat to manage the process. Two divisions of the WTO Secretariat provide primary assistance to the panels, and a separate Secretariat assists the Appellate Body, the standing group of seven appellate "judges" who hear appeals of panel reports. The role of the WTO staff is crucial in making sure panels are appointed when needed,

as well as providing administrative and legal support in handling complex litigation. For FTA disputes, parties have to figure out the process from scratch each time. At the WTO, by contrast, an efficient and effective system is already in place for every dispute that might arise.

The DSU has been successful in part because it strikes a good balance between enforcement and flexibility. It strongly encourages compliance with panel and Appellate Body rulings, but it does not force governments to take actions that are politically infeasible. If a government is found to have violated WTO obligations, it can choose not to change its policies and instead accept retaliation from the complainant. In this way, the balance of commitments is maintained.

Disguised Protectionism Jurisprudence. The DSU has dealt with a wide range of issues, but there is one in particular where clarifications by panels and the Appellate Body have been helpful: the rules on disguised protectionism, such as those in GATT Article III, paragraphs 2 and 4, or the agreements on Technical Barriers to Trade and on Sanitary and Phytosanitary Measures. These provisions explain in broad terms that domestic regulations and taxes are not to be used to protect domestic producers of goods from foreign competition. How to apply these rules to specific government measures, however, is not always straightforward.

Over the years, WTO panels and the Appellate Body have applied these obligations in specific cases in a way that has provided a great deal more certainty about the boundaries. In cases where the tax or regulation explicitly treats foreign goods worse than similar domestic ones, the protectionism is obvious, but sometimes the discrimination is implicit. For example, a Chilean law that taxed liquor products on the basis of alcohol content looked neutral on its face. However, the panel and the Appellate Body were able to figure out that most foreign goods had a high alcohol content, most domestic goods had a low alcohol content, and the true purpose of the law was thus to protect domestic producers.[3]

In theory, cases of disguised protectionism could be handled in an FTA if one applies between two countries, but because of the well-developed jurisprudence under the DSU, the WTO has become the natural place to hear these cases.

Obligations on Trade Remedies and Subsidies. While there is a great deal of overlap in the coverage of the WTO and FTAs, there are certain policy areas for which the WTO has extensive disciplines but that FTAs do not cover and are unlikely ever to cover. Two of particular significance are trade remedies and subsidies.

"Trade remedies" refers to certain tariffs and other measures that can be used in response to both "unfair" and "fair" trade that causes or threatens economic injury to domestic producers. These measures include antidumping and countervailing duties and safeguards. Such remedies may be politically necessary in order to get trade deals completed, but they are potentially subject to abuse by domestic industries seeking protection from foreign competitors. What the WTO rules in this area do is offer a set of procedural and substantive rules that help to prevent this protectionist abuse.

Over the years, trade remedies have been one of the main subjects of WTO dispute settlement. Of the 586 complaints that have been initiated under the DSU, 196 have been related to trade remedies. In such cases, without the WTO disciplines, it would be much more difficult to keep the often disguised protectionism of trade remedies in check.

As for subsidies, the WTO provides general constraints on the use of subsidies for goods. It specifically prohibits export subsidies and domestic content subsidies, and it also has obligations related to any subsidies that cause "adverse effects" (loosely speaking, economic harm to foreign competitors). In addition, through the WTO's Agreement on Agriculture, governments have made commitments not to provide subsidies to designated products beyond a certain amount, and these amounts are subject to reduction commitments over time.

Unlike tariffs, which can be applied on a country-by-country basis, subsidies have a broad

effect on all trading partners. As a result, they are not likely to be disciplined through FTAs.

Transparency. Many of the WTO's benefits, like those described above, are well known, but others are more subtle and receive less attention. One that gets less acclaim than it should is the transparency on laws, regulations and other trade measures that the WTO provides. It does this in a number of ways.

First, through several specific obligations, the WTO requires governments to publicize and notify all of their measures that might affect trade so that other governments will be aware of them. In this regard, Article X, paragraph 1 of the GATT requires the publication of a wide range of measures:

> Laws, regulations, judicial decisions and administrative rulings of general application… pertaining to the classification or the valuation of products for customs purposes, or to rates of duty, taxes or other charges, or to requirements, restrictions or prohibitions on imports or exports or on the transfer of payments therefor, or affecting their sale, distribution, transportation, insurance, warehousing inspection, exhibition, processing, mixing or other use, shall be published promptly in such a manner as to enable governments and traders to become acquainted with them.[4]

In addition, each of the individual WTO agreements on particular subjects requires that the covered measures be notified to the WTO.

However, publication and notification are not the end of the story. The WTO has a number of committees where governments meet to discuss measures that have been notified and raise concerns about their trade effects. In this way, many trade conflicts can be resolved without reaching the formal dispute stage.

Finally, the WTO periodically conducts country-specific "trade policy reviews" of each member. During these reviews, governments provide detailed information on their trade policy actions and respond to questions from other governments. With assistance from the Secretariat, this is a very useful exercise that allows governments to enhance their understanding of each other's trade policies and raise issues outside of the more contentious litigation process.

CURRENT CRISES AT THE WTO

Despite all of these benefits, it is clear that not all is well with the WTO. After the immense success of the Uruguay Round, which led to the establishment of the WTO, expectations were high for the future. However, protests at the 1999 Seattle Ministerial Conference and the failure of the Doha Round talks launched in 2001 have caused a great deal of angst about the future of the WTO as a negotiating forum. There have been some successes, such as the Trade Facilitation Agreement, but broader liberalization has remained elusive.

One source of problems is the broader membership that exists today and the growing power of certain middle-income countries, which makes agreement harder to reach. In the past, agreement among the United States, the European Union, Japan, and Canada might have been enough to bring the rest of the membership along and serve as the basis for a deal. Now, though, China, Brazil, India, and others have to be on board as well. Some have suggested that perhaps the WTO negotiations should focus on plurilateral agreements by which countries willing to move forward can do so on their own without having to seek others' consent. E-commerce and services are two areas where attempts are being made, but the success of this approach has not yet been demonstrated.

In addition, the Trump Administration has put forward several serious criticisms of the existing system, and it is not clear at this point how these issues should be resolved.

- **Role of the Appellate Body.** In the view of the United States, the Appellate Body—the WTO's appeals "court"—has been engaged in "judicial activism" (exceeding its mandate in various ways) and has deviated from the agreed upon rules. The Bush and Obama Administrations voiced some criticisms of the Appellate Body on this basis and blocked the reappointment of certain appellate "judges," substituting new judges

in their place. The Trump Administration has ratcheted up the criticism and tactics and has refused to appoint any new judges until its concerns are addressed. As a result, by the end of 2019, there may not be enough judges to hear new appeals.

- **Notifications.** The United States has expressed concern that some countries (China in particular, but many other developing countries as well) are not properly notifying their laws, regulations, and other measures and has proposed harsh penalties for governments that fail to notify properly.

- **Development Status.** The United States believes that some countries are claiming developing country status without a proper basis, thus allowing them to avoid taking on their fair share of commitments. The United States would like to apply objective criteria to determine whether a country should be classified as developing rather than letting it be purely a matter of self-selection as it is now.

These issues have put the future functioning of the WTO in a state of uncertainty. With regard to the Appellate Body crisis, which is the most serious and pressing issue, other WTO members have responded with various reform proposals, but none of these has satisfied the Trump Administration. The Administration has insisted that the system should reflect the rules as written in 1995 but has not put forward its own ideas about how to achieve that. In all likelihood, there will be workarounds that members can adopt, such as agreements not to appeal a case or the use of *ad hoc* arbitrations for appeals, but the potential disappearance of the Appellate Body poses a real threat to the dispute settlement system.

CONCLUSION

The WTO is a fundamental and foundational part of the world trading system. U.S. Trade Representative Robert Lighthizer, although a long-time critic of the WTO, has emphasized its importance: "The WTO is a valuable institution, and offers many opportunities for the United States to advance our interests on trade. As I have said before, if we did not have the WTO, we would need to invent it."[5] Bilateral and regional FTAs can supplement the WTO, but they cannot replace it.

Nevertheless, no organization or set of rules is ever perfect. The current crises at the WTO represent an opportunity to address some weaknesses and concerns about its functioning. A good-faith effort on all sides should lead to a strengthening of the WTO in order to preserve its place at the center of the world trading system.

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DIGITAL TRADE: PROPELLING TRADE INTO THE FUTURE

Gabriella Beaumont-Smith

In the 1990s, the World Wide Web changed everything. Until 1991, the National Science Foundation had restricted commercial use of the Internet.[1] Once such restrictions were lifted, the Internet increased the freedom of people all over the world by making it easier for them to share information and expand marketplaces. This was the beginning of e-commerce and, more broadly, digital trade. The capabilities of the Internet increased the freedom to trade—a key component of economic freedom.

The Internet gives people access to almost anything at the touch of their fingertips, pushing businesses to be more competitive and to advance innovative solutions. However, such freedom has sometimes faced roadblocks in the name of security, privacy, or law enforcement. More often than not, these issues are masks for protectionism. Digital trade is making traditional trade more efficient, enhancing the benefits that the freedom to trade has already brought to millions of people. Policymakers should refrain from erecting barriers that would reduce economic freedom and discourage innovation.

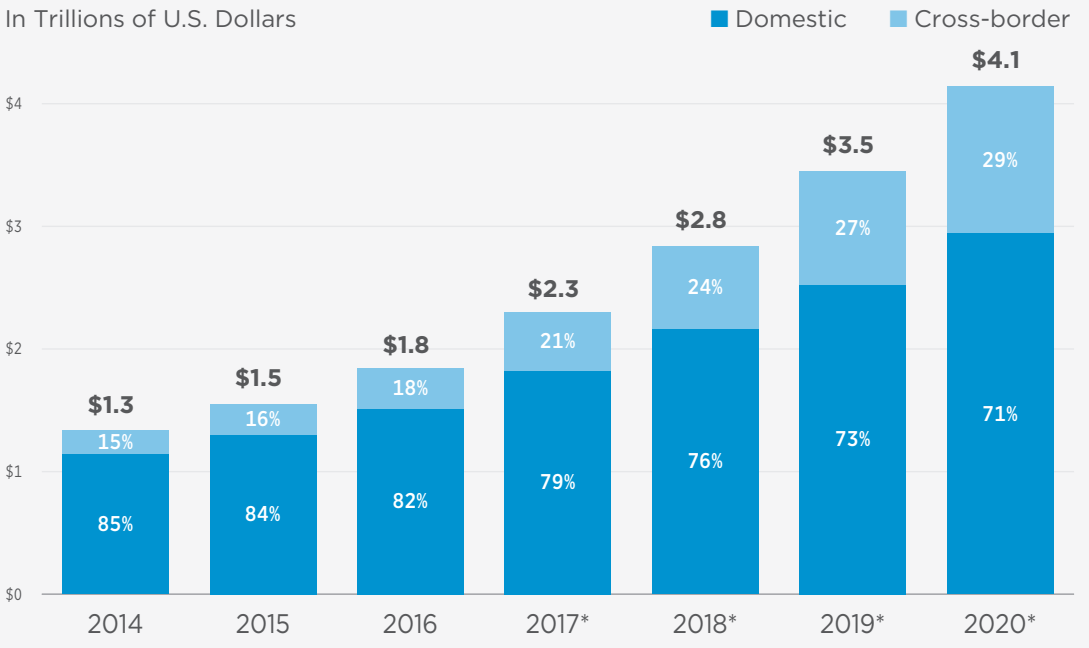
DEFINING DIGITAL TRADE

Before the 1990s, e-commerce and digital trade did not exist. The closest concept was teleshopping, popularized in the 1970s.[2] Then advances in computers made steps toward widespread digitalization possible. In the 1980s, personal computers became increasingly accessible, but early versions could be used only for video games, word processing, and programming; the Internet was not available for the public until 1991.[3] Thus, e-commerce and digital trade were not possible until the Internet became widely available.

In 1995, Amazon.com was launched. Beginning as an online bookstore, it is now the world's largest online retailer. One of the most effective tactics that Amazon uses is reviews, a tactic now commonplace in online retail but groundbreaking in its infancy.[4] Amazon is only one example of what was to come, and it is more accurately an example of e-commerce than of digital trade.

E-commerce is simply the buying of goods and services over the Internet; digital trade is broader. There is no standard definition of digital trade, but there is a consensus that it captures the sale of goods and services, data flows that facilitate global supply chains, services that power smart manufacturing, and other digital platforms and applications.[5] Digital trade encompasses transactions that are digitally processed and digitally or physically delivered. It is increasingly important for the competitiveness of businesses.

GLOBAL BUSINESS-TO-CONSUMER E-COMMERCE



* Projected

SOURCE: Sebastian Rovira, "The Growing Role of Data and Cross-Border E-commerce in the World Economy and Latin America and the Caribbean, Intergovernmental Group of Experts on E-Commerce (IGE) and the Digital Economy," ECLAC, p. 5, April 3, 2019, https://unctad.org/meetings/en/Presentation/tdb_ede3_2019_p04_SRovira_en.pdf (accessed August 15, 2019).

Chart 1 heritage.org

DIGITALIZATION TRANSFORMING SUPPLY CHAINS

Digital trade can, of course, involve transactions that occur within a single country, but the term is more generally understood to involve transactions that involve cross-border data flows.[6] Such flows are the foundation of trade in services and increasingly support trade in goods. By 2020, global e-commerce directly from business to consumer (B2C) is projected to reach $4.1 trillion, 30 percent of which will be cross-border—double the amount seen in 2014. (See Chart 1.)

These projections illustrate how important data flows are to trade freedom. Data is an informational tool for businesses that supports production and makes supply chains more efficient. However, data itself can also be traded. Trading data makes the production process more efficient because it organizes the important information upon which businesses rely in making investment decisions. Customer responses to products, for example, can be used to determine trends in purchasing and whether investment is needed to improve or discontinue a product or production should be increased. Collecting such data allows firms to meet their customers' needs more effectively.

Almost all businesses are partially digitally enabled,[7] and digitalization has become a crucial feature of competitiveness on the international market. Digitalization can support scale and scope by increasing the speed of trade, not only in the final sale transaction stage, but also in facilitating payments, enabling collaboration, finding alternative funding mechanisms

such as crowdfunding, and avoiding investment in fixed assets by using cloud-based services.[8] These options are made possible by the Internet of Things (IoT), which consist of devices that are connected to the Internet. The IoT connects over 5 billion objects, including (among others) cars, refrigerators, locomotives, airplanes, and buildings. It is estimated that by 2024, 27 billion devices will be generating and transferring data across rooms and borders.[9] This access to data will help small businesses to break into markets and help businesses to run more efficiently.

The manufacturing sector has seen enormous gains because of digital trade. The sector creates more data, at every stage of the supply chain, than any other sector in the U.S. economy. Businesses rely on the data from research and development, factory operations, and services to evaluate productivity and cost efficiency. Metal companies such as steelmakers use data and the IoT to analyze the physical properties of raw materials and constraints of production plants to help them find ways to improve efficiency and reduce energy consumption.[10]

Technological innovation and evolving business models are blurring the lines between businesses that produce goods and businesses that produce services, creating companies that produce and supply a combination of both. For example, if a business in the United States wants a product printed by a 3D printing company in the United Kingdom, a cross-border service is taking place because of the design aspect of 3D printing. Once the printed product is shipped to the U.S., it is now a good being traded.

Digitalization can allow a company to provide both a good and a service in the same transaction. Smart refrigerators, for example, are a good embedded within a service. A company that produces smart refrigerators may produce both the physical appliance and the embedded software, or it may contract with a software company to embed the service into the product.

BARRIERS TO DIGITAL TRADE FREEDOM

Data Localization and Restrictions on Cross-Border Data Flows. Some governments are using digitalization as a protectionist tool. Examples include implementing data localization requirements or restricting cross-border data flows.

- Data localization is a type of regulation that requires a business operating in a territory to store the data it collects in a computing facility in that territory.

- Restrictions on cross-border data flows involve a range of regulations that restrict or prohibit what is considered to be routine cross-border transfers of information.

All of these regulations negatively affect cloud computing and cloud-based services, the purpose of which is to provide information from anywhere.

Cloud computing is a network of remote servers hosted on the Internet so that data can be stored, managed, and processed more efficiently than is possible on a local server or personal computer. Cloud-based services can be used on the Internet on demand from a cloud computing–provider's servers. These different servers can be anywhere because of the Internet and create a network infrastructure that underpins the digitalization of other services. Businesses and global supply chains rely on cloud computing and services because they increase the access to and delivery speed of information that is necessary for production and supply.

Data localization is defended by policymakers for a variety of reasons. The most common involve cybersecurity and privacy. However, physical location is not likely to protect data. Data localization increases costs by preventing firms from transferring data that is needed for day-to-day activities. Firms may pay for duplicative services or increase expenditures "on compliance activities, such as hiring

a data-protection officer, or putting in place software and systems to get individuals' or the government's approval to transfer data."[11] Requiring businesses to store data in a specific territory burdens them with additional costs, both because they need the necessary infrastructure in that territory and because they need to be sure that they are in compliance with the law. These additional costs reduce trade freedom and undermine a firm's competitiveness.

A growing number of jurisdictions are introducing or strengthening data localization requirements. For example:

- China has prohibited foreign companies from providing cloud computing services directly to customers in China. In addition, if foreign suppliers of services wish to enter the market, they must work with a Chinese company and share all technology, intellectual property, and brands.[12]

- In October 2018, India implemented a measure that required suppliers of payment services to store all information related to electronic payments made by Indian citizens within India. India has been a hub for information communication technology (ICT) and business services companies for decades because of its cheap skilled labor. However, the government has stated that it needs to exert more control over its citizens' data for national security and commercial reasons. If businesses do not store data in India, government officials will have to submit requests to foreign technology firms, creating bureaucratic burdens. It seems that India's data localization policies are driven by digital protectionism as it tries to encourage the development of Indian technology companies.[13]

- In Indonesia, categories of data that are subject to data localization rules have been expanded, and any provider of a "public service" must establish local data centers and disaster recovery centers.[14]

- South Korea restricts the cross-border use of cloud computing for financial services, which is a serious impediment to market access for foreign companies.[15]

- Nigerian laws force businesses to store any data in Nigeria that concern Nigerian citizens and require businesses to host any governmental data locally unless exemptions are granted.[16]

- Electronically collected data on Russian citizens must be processed and stored in Russia. Numerous Internet protocol (IP) addresses that are associated with U.S. cloud services have been blocked, and because of this, U.S. firms must consider whether the Russian market is worth the legal uncertainty.[17]

- Saudi Arabia has a framework for cloud computing that requires cloud and other ICT companies to install government filtering software and localize certain data.[18]

- Turkey limits the transfer of personal data abroad, requires suppliers of electronic payment services to maintain information systems in Turkey, and requires any publicly traded company to keep its primary and secondary information systems and data in Turkey.[19]

- Vietnam passed a cybersecurity law that forces online service suppliers to store data in Vietnam.[20]

A recent study found that imports of services would rise on average by 5 percent across all countries if restrictions on cross-border flows of data were lifted.[21] Cross-border data flows are important for services such as advertising: "For instance, advertising on search engines such as Google and Bing bring[s] together overseas buyers and sellers and is often how consumers learn of the goods and services available in other countries."[22] This increases consumer choice.

Cross-border data flows are also important for financial transfers and communications, which are key to increasing trade freedom.

However, many countries are restricting cross-border data flows. China has implemented a policy to restrict data flows that include a broad range of information falling into the undefined category of being "important."[23] South Korea restricts the export of geo-location data. This is disadvantageous for foreign companies that incorporate services like traffic updates and navigation into their products.[24]

Data localization policies and restrictions on cross-border data flows are protectionist in nature and reduce the freedom to share information across borders. Requiring businesses to use local data centers fractures their ability to compete. The Internet has given businesses of all sizes an easier and more efficient way to break into the international market, and data localization and restrictions on cross-border data flows threaten this progress. They raise costs and, in response, disrupt services. As a result, some firms may exit the market, thereby reducing competition and artificially ceding dominance to domestic firms. Reducing trade freedom in the digital sector will stunt growth and harm consumers who benefit from the varieties of goods and services that a competitive industry can provide.

Digital Taxation. Taxation has typically been based on physical location. However, as physical location is ambiguous when it comes to the Internet, policymakers have claimed that physical location is no longer an appropriate standard. Physical location matters for tax purposes because local governments are better equipped with cultural knowledge to estimate the impact of a tax on an industry. Destination-based taxes give distant politicians the ability to involve themselves in local affairs, threatening individual liberties and thereby reducing economic freedom.[25]

Digital taxes have been floated in the European Union (EU)[26] and Indonesia. The European Commission proposed a directive to member states about levying a tax on the revenues of large companies from digital services, including online advertising, online marketplaces, and data services, even if they did not have a physical presence in the EU.[27] As the tax would be revenue-based, it is economically inefficient because it could be imposed on a firm that has no net income in the jurisdiction yet is still required to pay the tax.[28]

Digital services benefit Europeans because they allow companies to tailor products to their customers. The digital tax would likely cause companies to increase prices so that the cost falls on their customers. This adds risk and administrative burden to doing business in a foreign market, as well as expense, thus reducing trade freedom and competition in the digital sector.

Indonesia implemented a new regulation that establishes tariff lines for digital products that are electronically transmitted, including software, apps, videos, and music. The tariffs are currently set at zero, but duties could be imposed in the future. Indonesia's regulation may violate a World Trade Organization commitment (the Declaration on Global Electronic Commerce) not to impose duties on electronic transmissions.[29]

Digital protectionist measures such as these are limited only by the imagination of potential beneficiary companies and national authorities. There is no doubt that finding and enforcing measures to ensure data openness and freedom will play an increasingly important role in trade negotiations and disputes in the future.

BLOCKCHAIN AND INTERNATIONAL TRADE

Blockchain could be one solution to the tradeoff between the free flow of data and privacy. Blockchain is a virtual distributed ledger that records transactions held by multiple distinct parties. It is connected by nodes, which are devices such as a smartphone or computer. These distributed nodes securely add and store transaction data, creating a full blockchain transaction history that is recorded across the numerous participating nodes.[30]

New information must be added by consensus.[31] Consensus removes the need for a centralized third-party authenticator. Any new transaction is considered new information, and "a majority of nodes must confirm the history over which the new information will be built." Following this confirmation, "the blockchain log is then updated across all nodes."[32]

This process is important because it illustrates the key attribute of blockchain: encryption. Encryption makes it extremely difficult to tamper with new and stored data because only authorized parties can access the information. As there is no centralized third party recording transactions, it becomes very difficult to hack or steal information. The combination of encryption and the distributed ledger results in trustworthy and efficient cross-border data flows. Users can freely transfer information knowing that it is protected by incorruptible code and validated by numerous other users.[33]

Blockchain may also play a role in easing cross-border processing and increasing the speed of delivery. Improved efficiencies from digitalization need to be met with evolving procedures at the border, primarily in the area of providing customs forms and payment options online.

Blockchain could be widely applicable in this area. The distributed ledger is a communication tool and could help inspectors to verify that a shipment has been inspected and is compliant with regulations,[34] helping customs and law enforcement to detect illicit trade and mitigating risks.[35] It could also be used by a carrier to verify receipt of cargo, log temperature, and track GPS data while a shipment is in transit.[36] In short, using blockchain could reduce the bureaucratic burden for traders and make procedures more efficient, allowing customs officials to increase the speed and accuracy of accepted shipments.

Finally, as policymakers aim to increase economic freedom through trade liberalization, more businesses are attracted to the international market. This can exacerbate the traditional and often difficult problem of determining the provenance of traded goods. Through the distributed ledger, blockchain could help supply chains to manage information about the origin and movement of goods in real time.[37]

CONCLUSION

The Internet has been integral to increasing the trade freedom of individuals and businesses worldwide. Digital trade may be expanding beyond the Internet, but it also would not be possible without it. Digitalization is facilitating the speed at which the global economy is integrating, providing businesses with better resources and consumers with better products.

However, the borderlessness of the digital economy has brought new waves of policy issues. Admittedly, important matters such as security, privacy, and law enforcement must be considered in international trade; however, digital protectionism is not the solution.

Several recent trade agreements have addressed digital trade, including provisions that ban data localization, restrictions on cross-border data flows, and the forced transfer of source code. Trade liberalization and digitalization enhance the benefits of trade. The freedom to trade has increased living standards around the world and pulled millions out of poverty. Embracing digital trade will propel this effort, increase transparency, and help countries to hold each other accountable for illegitimate trade actions.

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THE EVOLVING FRAMEWORKS FOR INTERNATIONAL TRADE NEGOTIATIONS

Takashi Terada

Globalization has fundamentally shifted the nature of international economic relations. Countries increasingly rely on international institutions and agreements in managing their trading relations with other economies. Given that the world economy has become more globalized, countries face greater difficulty in pursuing isolationist economic policies. The modalities of international trade negotiations have evolved significantly over time, but it seems clear that cooperation through multilateral efforts will become increasingly important, and perhaps more complex or difficult, as trade becomes less reliant on the physical concept of borders and as automation changes the nature of employment.

Eager to promote liberalization for economic growth in the age of globalization, countries have adopted a variety of trade policy strategies. These strategies include efforts and negotiations at the multilateral, regional, and bilateral levels, and often some mix of all three. Countries have attempted to maximize opportunities for flows of trade, investment, and services, meanwhile harmonizing or otherwise reconciling different domestic rules and regulations. This multilayered trade strategy has required government officials to engage in complex negotiations through multiple legal frameworks in support of widely diverse constituencies that include domestic producers, multinational corporations and international service providers, and consumers.

Each of the three trade policy "layers" (global, regional, and bilateral) has distinctive features in terms of negotiations and rules. The global layer includes the World Trade Organization (WTO), which replaced the General Agreement on Tariffs and Trade (GATT) in 1995. The WTO is a consensus-based institution that is used for negotiations that involve competing interests within a broader shared vision aimed at greater economic welfare. The GATT/WTO system is today the embodiment of a U.S.-led international liberal order built through a series of multilateral negotiating rounds over the past six decades. The key guiding principle of this order is nondiscrimination, as stipulated in the GATT Article 1, with its egalitarian most favored nation treatment among members. This is meant to avoid trade discrimination among WTO members by granting equal treatment to all.

Many nations have come to view the long-serving GATT/WTO system as essential to maximizing the benefits from a more interconnected global economy, but the WTO has become increasingly ineffectual in trade

liberalization negotiations. This became evident in the 1999 Ministerial Meeting in Seattle with the growing influence of developing countries and non-governmental organizations. These newly empowered members and increasingly prominent outside groups were strong enough to hamper further global liberalization in the WTO, which still operated under a consensus-based decision-making approach among its then nearly 150 members. The motives for the resistance varied from old-fashioned protectionism to fears of neocolonialism to radical environmental and anti-capitalist stances. Although the WTO managed to launch the Doha Development Round two years later, negotiations continued to be bogged down.

The breakdown in global trade negotiations pushed a great number of members to pursue alternative bilateral and regional trading agreements for which there was no set model. Countries thus faced a whole new set of questions and options, and the result was increasing diversity in the specific agendas and norms for trade negotiations. An examination of the power relationships between countries provides an interesting perspective on how and why specific agendas were chosen for certain free trade agreements (FTAs) and not others.

THE ROLE OF POWERFUL ECONOMIES IN BILATERAL FTA PROLIFERATION

Countries' agendas are the basis for any kind of international negotiation or policy coordination. Countries have to identify interests that will be commonly pursued, or problems to be jointly solved, in international arrangements such as trade agreements. Norms that underpin these agendas also serve as important elements in international cooperation. An examination of a variety of FTAs over the years shows that powerful economies have had an important role not just in influencing the agenda of trade agreements, but also in establishing broad acceptance of the norms underpinning them. In other words, the creation and maintenance of FTAs are generally contingent upon the powerful party's ability to impose its values on others, and its interests will largely determine the agenda and rules of the trading agreement.

While multilateral efforts at trade liberalization through the WTO have stalled to a large extent since the start of the millennium, FTAs have continued to proliferate at a rapid pace. This is because "FTAs provide participating countries with flexibility in view of both picking their partner countries and the content of these agreements."[1] But they also allow countries to cover a wider range of issues, a fact that can be attributed in large part to powerful states with huge markets attempting to impose their own regulatory and legal standards on their trading partners.

For instance, both the European Union (EU) and the United States have instruments in place to provide assistance to workers and industries that are hit by trade liberalization.[2] Both usually require potential trading partners to comply with core International Labour Organization (ILO) standards, such as the "Fundamental Principles and Rights at Work,"[3] which stop "countries—for example, Colombia, Peru and South Korea—from amending or failing to enforce domestic labour standards to gain a competitive advantage in trade or investment."[4]

The EU has targeted Asian countries as potential FTA partners and in the process is attempting to propagate globally its agendas and norms such as deregulation in government procurement. In 2006, the European Commission published its Global Europe Communication, which announced a marked shift in the EU's trade strategy from a "multilateralism first" approach to a more strategic approach based on bilateralism with a focus on major Asian trading partners.[5] This strategy has manifested itself in the conclusion of the following FTAs with key Asian trading nations:

- Vietnam (signed June 30, 2019, and yet to enter into force);
- Japan (entered into force February 1, 2019);

- Singapore (signed October 19, 2018, and yet to enter into force); and
- South Korea (entered into force July 1, 2016).[6]

The EU negotiating agenda also targeted some key developing nations in Asia:

- India (negotiations started in 2007, although rounds halted in 2013);
- Indonesia (negotiations started in 2016);
- Malaysia (negotiations started in 2010);
- Myanmar (negotiations started in 2015);
- Philippines (negotiations started in 2015); and
- Thailand (negotiations started in 2013, although none have taken place since 2014).[7]

The EU's pursuit of these bilateral FTAs with Asian developing states has contributed to the changing nature of the international trade environment, including the multitude of FTAs proliferating across the Asia–Pacific region. There currently are as many as 158 FTAs in Asia (signed and entered into effect).[8]

In addition, the EU has viewed trade negotiations as a way to capitalize on and improve human rights, labor standards, and environmental protection while pursuing economic benefits. For example, the EU–Vietnam Trade and Investment Agreements include "sanitary and phytosanitary measures" designed to "protect human, animal or plant life or health in the territory of each Party while facilitating trade between the Parties and to ensure that SPS [Sanitary and Phytosanitary] measures adopted by each Party do not create unnecessary obstacles to trade."[9]

While powerful states can set the agenda for bilateral FTA negotiations, they can also affect negotiations in a negative way by hampering the launch of more liberalized FTAs. For instance, Japan has concluded an FTA with the Association of Southeast Asian Nations (ASEAN) and separate bilateral FTAs with seven ASEAN member countries. In most cases, Japan concluded these FTAs without even broaching the subject of eliminating tariffs on its agricultural produce. Instead, in order to conclude negotiations, Japan offered to provide economic cooperation such as human resource development, further delaying the liberalization of its domestic agricultural sector.

This is a unique feature of Japan's FTA negotiations. Although Japanese trade negotiators request that the tariffs levied on most goods in ASEAN countries be eliminated, with the exception of textiles, tariffs on nearly all of Japan's industrial products have already been eliminated or their tariff rates have been reduced, so Japan cannot provide that "prime cut" known as preferred market access to FTA counterparties. For example, of the 940 items for which tariffs were *not* eliminated in FTAs that Japan concluded before the existence of the Trans-Pacific Partnership (TPP) agreement, 850 were agricultural, forestry, or marine fisheries products, including rice and grain.

As long as there remain domestic political difficulties in eliminating tariffs on agricultural produce in Japan, the country will be forced to rely on offering other benefits to conclude FTAs. Such benefits have included the promotion of direct investment, economic and technical cooperation, or the movement of people. A recent example is the intake of nurses and caregivers from the Philippines and Indonesia.

Article 24 of the GATT recognizes any FTA or tariff union as a legitimate exemption to most favored nation tariff treatment. This exemption allows for the abolishing of tariffs on "essentially all trade" between countries party to the agreement. This "essentially all" means, for practical purposes, 90 percent of all trade of each country party to the agreement, making it possible for Japan to exempt items such as rice and sugar. Therefore, FTAs concluded between

Japan and Southeast Asian nations are examples of liberalization without political pain.

Sticking to this approach, Japan has concluded only FTAs that have avoided, to every extent possible, promises to liberalize its agricultural industry. That changed in 2013 when Japan became a negotiating member of the TPP, now succeeded by the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), following the withdrawal of the U.S., where Japan made concessions on pork and beef tariffs in response to U.S. demands for greater market access. The U.S. proved to be powerful enough to secure these Japanese agricultural liberalizations in the negotiations and has apparently resecured them in more recent talks with Japan on a bilateral FTA in 2019.

Generally, however, when it comes to regional FTAs, or multilateral negotiations where three or more countries seek to enhance their trading relations, the "powerful party" dynamic you might see in bilateral FTAs is much less significant. This is true even if the negotiations include less-developed economies. Once a powerful party enters into negotiations in a multiparty framework, it has strong incentives to want those negotiations to succeed and will often relent from even core policy interests rather than run the risk of the FTA's collapsing under its demands.

The TPP, again, is a useful example. It included chapters on health, the environment, and labour rights,[10] all high priorities for the U.S under President Barack Obama. In addition, the U.S. had emphasized the importance of promoting competition policy and dealing with state-owned enterprises (SOEs). However, when the U.S. sought to ensure a level playing field or competitive neutrality between SOEs and private companies, Malaysia, Vietnam, and Singapore, all of which possess their own SOEs, expressed their vigorous opposition to the U.S. proposal. Eventually, the U.S. made exceptions for local SOEs and sovereign wealth funds for the TPP. The U.S. decision not to impose its own will on the other members was therefore important for the successful conclusion of the original TPP in 2015.

INFLUENCES OF SUPPLY-CHAIN PRODUCTION NETWORKS

The use of bilateral or regional FTAs to promote trade liberalization has received an important boost from the growing political influence of multinational corporations (MNCs) with large supply-chain networks. These companies have identified FTAs as an effective way to lower the cost of producing and selling abroad. They see FTAs as promoting stability and efficiency, especially when it comes to previously fragmented supply-chain networks where parts or components are produced in different countries and products frequently cross borders before getting to the final consumption stage. This global production pattern encourages MNCs to "lobby for liberalization with countries from which they source."[11]

The emergence of "global value chains" has boosted the share of intermediate goods in trade as more firms and countries join these diffuse production networks. As firms focus more on specialized tasks and less on the complete production process, new opportunities arise for firms in developing countries, including in the least developed countries, to become part of these regional and global networks.[12]

In this context, the "Rise of the South"[13] has precipitated a change in the nature of global trading relations. As of 2015, 47 percent of global manufacturing exports (in value terms) originated in the Global South or developing countries generally,[14] and the direction of global trade flows, including flows of intermediate goods, has switched from an overwhelmingly South–North orientation to one that includes large elements of South–South trade.

In terms of a percentage of world trade, South–South trade "rose slowly from 11.4 per cent in 1995 to 12.8 per cent in 2000, then expanded dramatically to 25.3 per cent in 2015."[15] Asia is particularly important in this regard, "account[ing] for approximately 75 per cent of the trade between developing countries over the 1995–2015 period."[16] These developing states, with much lower labor costs, are already attractive destinations for investments by

MNCs. FTAs add further value to these countries' investment attractiveness.

Yet the different product coverage and time framework for liberalization through a number of FTAs could make it difficult for MNCs as they attempt to identify which FTAs would be most effective in cost-saving for their businesses. In these instances, MNCs end up facing a "spaghetti bowl" of regulations when they must deal with various rules of origin with specific standards and involving specific procedures. From a business prospective, there is thus now a strong incentive to support mega-FTAs in order to simplify compliance costs to the greatest possible extent. Even these, however, risk fragmenting the world trading system into competing blocs.

CONCLUSION

The effective collapse of the Doha Round in 2015 and the emergence of mega-regional FTAs such as the TPP point to a great weakening of the centrality of the WTO in global trade. Speaking globally, however, mega-regionals are "not a good substitute for multilateralization inside the WTO" because those mega-FTAs would make the world trading system fragmented (as they are not harmonized among themselves) and exclusive (as China and India are not generally included now and may never be).[17]

Uncertainties in the global rule-based and open trading system highlight the WTO's importance in providing "a common language for problem solving, dispute resolution, regulation and administration."[18] But as long as there continue to be inefficiencies in this system, countries will continue to use a variety of bilateral, multilateral, and regional trade agreements to implement their selected agendas and pursue trade liberalization in a more discriminatory way.

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ECONOMIC FREEDOM IN 2020

ECONOMIC FREEDOM: GAINING GROUND AROUND THE WORLD

The Heritage Foundation's annual *Index of Economic Freedom* provides compelling evidence that economic freedom is the key to progress and prosperity. Nations with higher scores on the *Index* protect and promote individual liberty and empowerment and the free exchange of goods and services in markets that are characterized by open domestic and international competition. Economically free nations benefit from the dynamic growth that is generated and reinforced through the markets' efficient resource allocation, value creation, and innovation.

Economic freedom continues to provide the surest pathway to prosperity. When governments respect the property rights of individuals and provide fair and evenhanded access to justice; when they limit their own use of society's resources and impose regulations only with a view to economic efficiency, health, and safety; and when they open themselves to productivity-enhancing resources and competition from around the world, they ensure an environment in which individuals and companies can best prosper now and best confront whatever conditions might imperil their progress and security in the future.

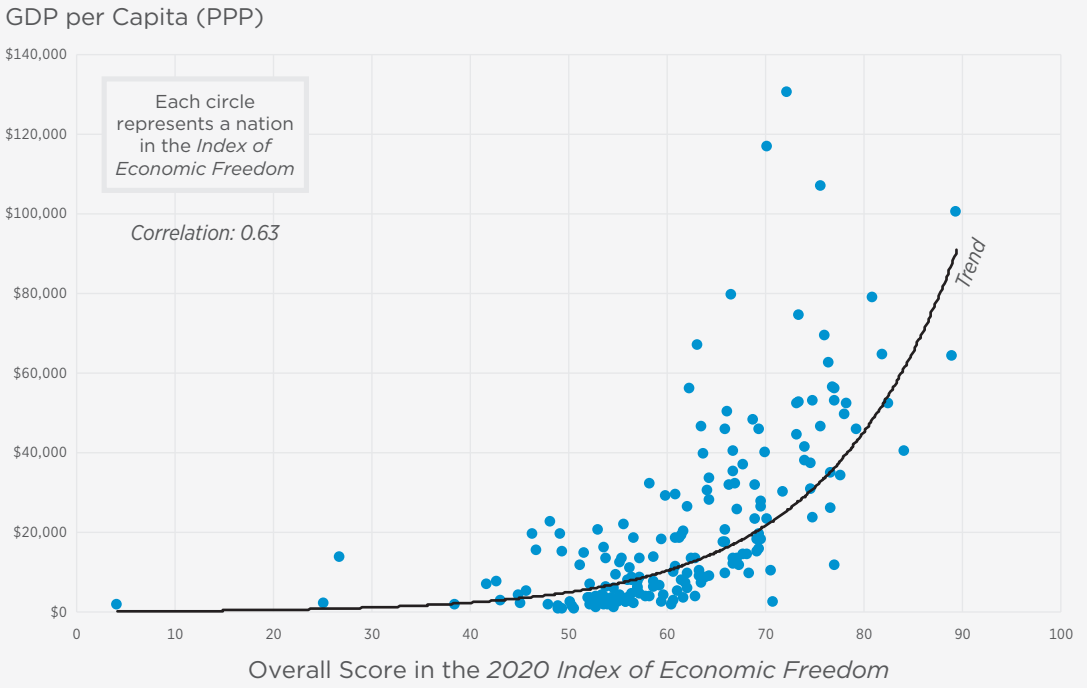
In an increasingly global environment characterized by rapid and sometimes unexpected change, the imperative to advance economic freedom and vibrant entrepreneurial growth is stronger than ever. No other economic system has proven as adaptive to change as has free-market capitalism built on the principles of economic freedom. The dispersed information-gathering processes and price-setting power of free markets incentivize and guide change far more efficiently than centralized political processes that are typically slow and often biased toward the status quo. They inspire the innovation in all realms that is necessary for progress, enabling better jobs, better products, and healthier, cleaner, and safer societies.

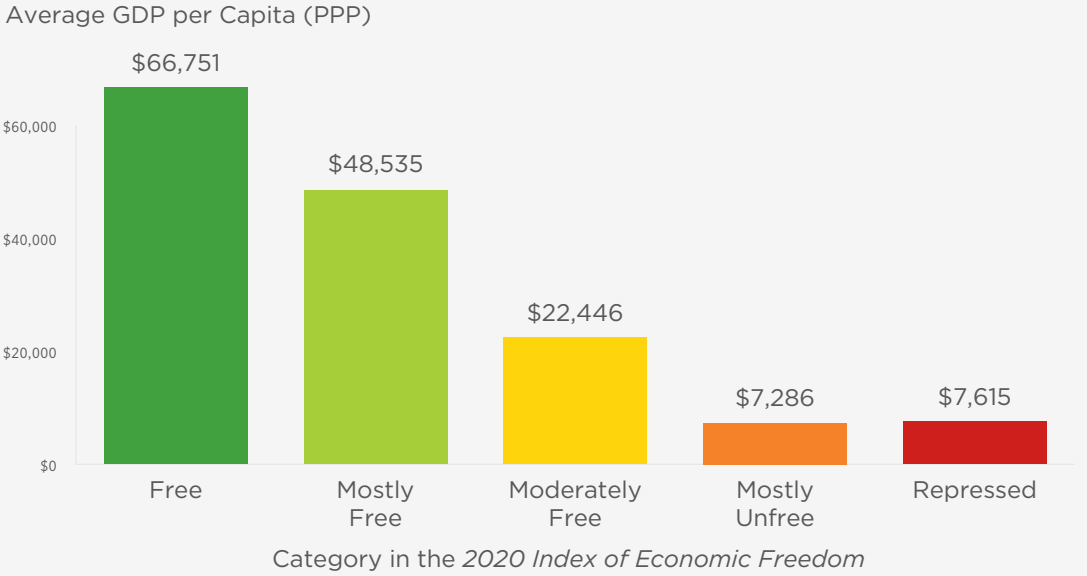
GLOBAL ECONOMIC FREEDOM HAS ADVANCED

The 2020 *Index* reveals a world economy that as a whole continues to be "moderately free." Global average economic freedom has advanced slightly by 0.8 point to 61.6 over the past year. This represents a full four-point overall improvement since the inception of the *Index* in 1995 and is the highest average score in *Index* history. According to the 2020 *Index*:

- Per capita incomes are much higher in countries that are more economically free. Economies rated "free" or "mostly free" in the 2020 *Index* generate incomes that are more than double the average levels in other countries and more than five times higher than the incomes of people living in countries with "repressed" economies.

ECONOMIC FREEDOM AND STANDARD OF LIVING

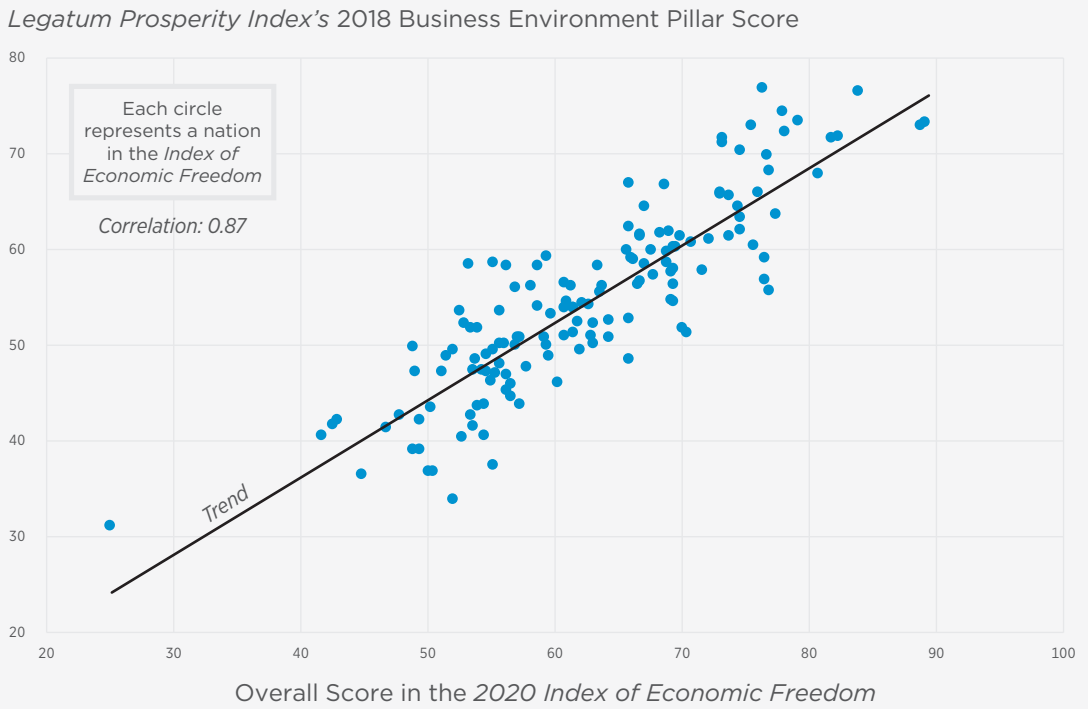




NOTE: Represented are the 180 nations that are in both datasets.
SOURCES: International Monetary Fund, World Economic Outlook Database, April 2019, http://www.imf.org/external/pubs/ft/weo/2019/01/weodata/weoselgr.aspx (accessed December 12, 2019), and Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

Chart 1 heritage.org

ECONOMIC FREEDOM AND ENTREPRENEURIAL DYNAMISM



NOTE: Represented are the 146 nations that are in both datasets.
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Chart 2 heritage.org

- Economic freedom is also strongly correlated with overall well-being, including such factors as health, education, the environment, innovation, societal progress, and democratic governance.

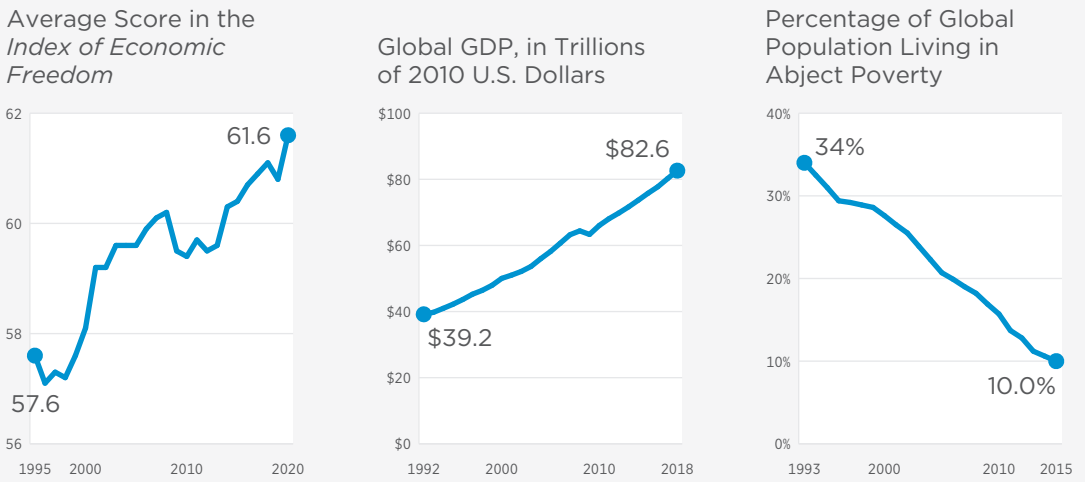
- There is a robust relationship between improving economic freedom and achieving higher per capita economic growth. No matter what their existing level of development may be, countries can get a measurable boost in their economic growth by implementing steps to increase economic freedom through policies that reduce taxes, rationalize the regulatory environment, open the economy to greater competition, and fight corruption.

ECONOMIC FREEDOM: THE VITAL LINK BETWEEN OPPORTUNITY AND PROSPERITY

Today's successful economies are not necessarily geographically large or richly blessed with natural resources. Many economies have managed to expand opportunities for their citizens by enhancing their economic dynamism and integration into global markets. In general, the overarching objective of economic policies must be to create an environment that provides the best chance to translate opportunity into prosperity.

The *Index* results demonstrate that sustaining economic dynamism is achievable for countries at all stages of development when governments adopt economic policies that empower

AS ECONOMIC FREEDOM RISES, THE GLOBAL ECONOMY EXPANDS AND POVERTY FALLS



NOTES: Some poverty figures have been interpolated.
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Chart 3 heritage.org

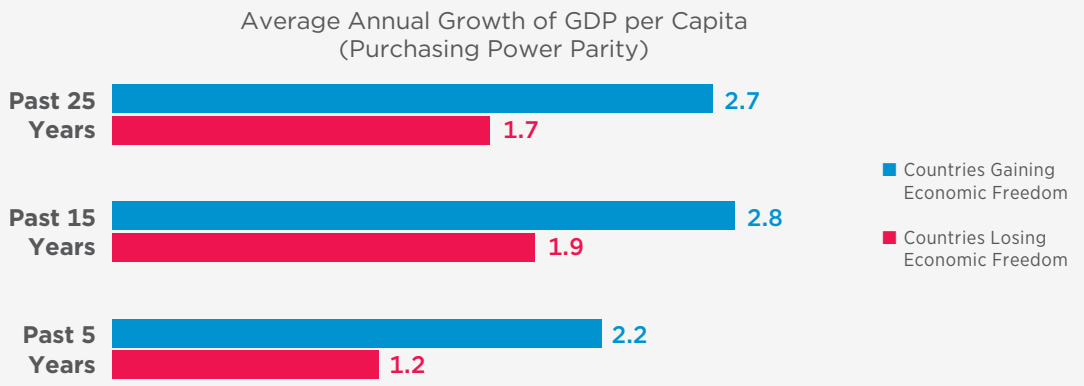
individuals and firms with more choices, encouraging greater entrepreneurship.

It is noteworthy that despite the recent years' policy missteps in responding to the global economic slowdown and the ongoing political assault on capitalism, the free-market system of economic freedom is not at the verge of breakdown or blunt dismissal. The evidence instead is that a growing number of people around the world have understood the economic damage that is inflicted too often by heavy-handed and misguided government policies that result in subpar growth, deteriorating entrepreneurial environments, and lower employment growth. The demand for greater freedom is thus stronger than ever.

The most fundamental benefit of economic freedom stems from the strong positive relationship between economic freedom and levels of per capita income. As indicated in Chart 1, countries moving up the economic freedom scale show increasingly high levels of average income. For countries achieving scores that reflect even moderate levels of economic freedom (60 or above), the relationship between economic freedom and per capita gross domestic product (GDP) is highly significant.

In addition, economic freedom is closely related to the openness to entrepreneurial activity that allows individuals to innovate, to respond to new opportunities in the marketplace, and to enjoy success based on their own efforts. Chart 2 shows the close correspondence between economic freedom and entrepreneurial opportunity measured by the Business Environment pillar of the 2018 *Legatum Prosperity Index*, which "measures a country's entrepreneurial environment, its business infrastructure, access to credit, investor protections and labour market flexibility."[1] Given this positive relationship, governments should be cautious in undertaking stimulus programs

INCREASING ECONOMIC FREEDOM AND ECONOMIC GROWTH



NOTES: Figures are country averages in which both *Index* scores and data on GDP growth are available over the same time period. Five-year growth rates include 169 countries, 15–year growth rates include 148 countries, and 25–year growth rates include 132 countries.
SOURCES: The World Bank, "GDP per Capita Growth (Annual %)," https://data.worldbank.org/indicator/NY.GDP.PCAP.KD.ZG (accessed December 12, 2019), and Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

Chart 4 ☎ heritage.org

that increase their own spending or increase layers of regulation, both of which reduce economic freedom. The best results are likely to be achieved instead through policy reforms that improve the incentives that drive entrepreneurial activity. These include improvements in the efficiency of business and labor regulations, reductions in tariffs and other barriers to trade or investment, and financial reforms to increase competition, ensure stability, and improve and broaden access to credit.

ECONOMIC FREEDOM: THE CURE TO POVERTY

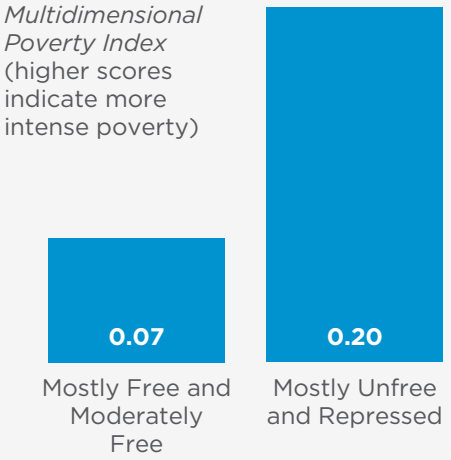
By a great many measures, over the past decades, those countries that have adopted some version of free-market capitalism, with economies supported by efficient regulations and open to the free flow of goods, services, and capital, have broken the vicious cycle of poverty and dependence.

Unquestionably, the free-market system that is rooted in empowerment of the individual and open competition has fueled unprecedented economic growth around the world. As Chart 3 illustrates, over the past two-and-a-half decades in which the global economy has moved toward greater economic freedom, the world economy has more than doubled in size. This progress has lifted hundreds of millions of people out of poverty, and the global poverty rate has declined by two-thirds. Opening the gates of prosperity to ever more people around the world, economic freedom has made the world a profoundly better place. More people are living longer and more fulfilling lives than ever before.

The key driver of poverty reduction is dynamic and resilient economic growth. As documented here and in previous editions of the *Index*, as well as in volumes of academic research, vibrant and lasting economic growth is likely when governments implement economic freedom–enhancing policies that empower individuals with greater choice and more opportunities. Advancing economic freedom is a proven strategy for dynamic economic expansion and is likely to be the surest path to true progress for the greatest number of people.

As Chart 4 demonstrates, there is a robust relationship between improving economic freedom

POVERTY INTENSITY



SOURCES: United Nations Development Programme, *2019 Global Multidimensional Poverty Index*, http://hdr.undp.org/en/2019-MPI (accessed December 12, 2019), and Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

Chart 5 ☎ heritage.org

and achieving higher per capita economic growth. Whether long-term (25 years), medium-term (15 years), or short-term (five years), the relationship between changes in economic freedom and changes in economic growth is consistently positive. Improvements in economic freedom are a vital determinant of rates of economic expansion that the record shows will reduce poverty.

Undeniably, countries moving toward greater economic freedom tend to achieve higher growth rates of per capita GDP over time. Over all the time periods considered, the average annual per capita economic growth rate of countries that have increased economic freedom most is significantly higher than that of countries where freedom has stagnated or declined.

Greater economic freedom also has a major positive effect on the impact of poverty. Poverty intensity, as measured by the United Nations Development Programme's 2019 *Multidimensional Poverty Index*, which assesses the nature and intensity of deprivation at the individual level in education, health outcomes, and standard of living,[2] is also much lower on average in countries with higher levels of economic freedom. As depicted in Chart 5, the intensity of poverty in countries whose economies are considered "mostly free" or "moderately free" is only about one-third the level in countries that are rated "less free."

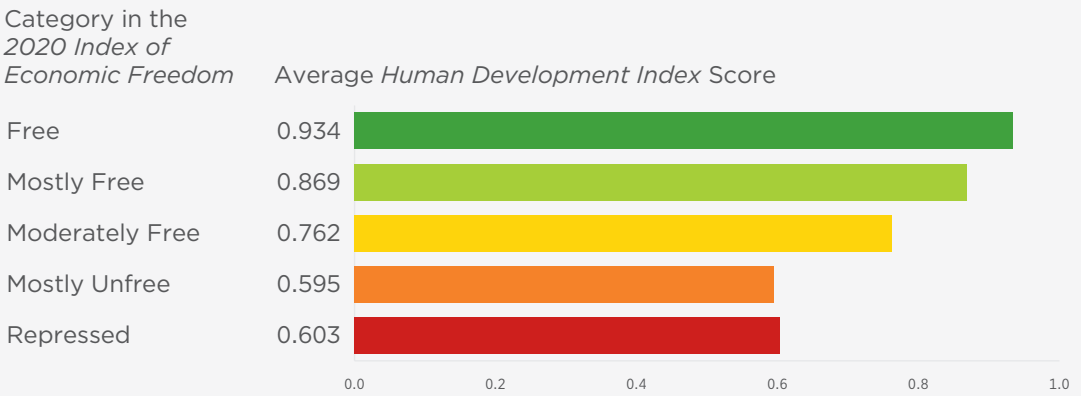
ECONOMIC FREEDOM: THE FOUNDATION FOR GREATER DEVELOPMENT AND DEMOCRATIC PROGRESS

Growing economic freedom is unequivocally about achieving greater overall prosperity that goes beyond materialistic and monetary dimensions of well-being. The societal benefits of economic freedom extend far beyond higher incomes or reductions in poverty. As Chart 6 shows, countries with higher levels of economic freedom enjoy higher levels of overall human development as measured by the United Nations *Human Development Index*, which evaluates life expectancy, literacy, education, and standards of living in countries worldwide.[3]

In recent years, government policies and actions concerning the environment have been more intrusive and economically distortionary. Many governments around the world are pushing programs to tax carbon emissions, increase taxes on gasoline, and set up nontransparent and economically harmful exchanges and marketplaces for the buying and selling of carbon emissions and are using government revenue to subsidize various types of so-called clean energy. Such policies impose a huge cost on society and retard economic growth. Fortunately, the same free-market principles that have proven to be the key to economic success can also deliver environmental success. (See Chart 7.)

In countries around the world, economic freedom has been shown to increase the capacity for environmentally friendly innovation. The positive link between economic freedom and higher levels of innovation ensures greater capacity to cope with environmental challenges, and the most remarkable improvements in clean energy use and energy efficiency over the past

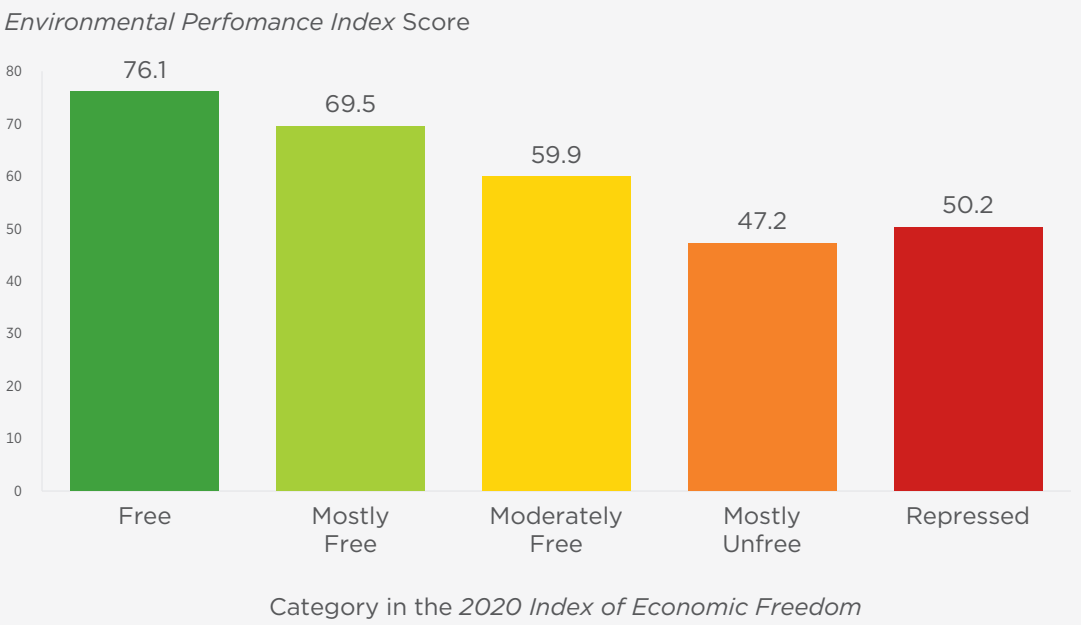
ECONOMIC FREEDOM AND HUMAN DEVELOPMENT



NOTE: Represented are the 176 nations that are in both datasets.
SOURCES: U.N. Human Development Programme, "Human Development Indices and Indicators, 2018 Statistical Update," http://hdr.undp.org/sites/default/files/2018_human_development_statistical_update.pdf (accessed December 12, 2019), and Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

Chart 6 ☎ heritage.org

ECONOMIC FREEDOM AND ENVIRONMENTAL PERFORMANCE



SOURCES: Yale University, *2018 Environmental Performance Index* (New Haven, CT: Yale University, 2018), https://epi.envirocenter.yale.edu/ (accessed December 12, 2019), and Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

Chart 7 ☎ heritage.org

ECONOMIC FREEDOM AND GLOBAL INNOVATION

NOTE: Represented are the 128 nations that are in both datasets.
SOURCES: The Global Innovation Index, *2019 Global Innovation Index*, https://www.globalinnovationindex.org/gii-2019-report (accessed December 12, 2019), and Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

Chart 8 heritage.org

decades have occurred not as a result of government regulation, but rather because of advances in economic freedom and freer trade. The regulatory power of the marketplace, generally ignored and certainly underappreciated by advocates of big government, pushes firms to identify ever more efficient means of production and respond to consumer demands for environmental cleanliness and sustainability. The end result is a virtuous cycle of investment, innovation (including in greener technologies), and dynamic economic growth. (See Chart 8.)

Greater economic freedom can also provide more fertile ground for effective and democratic governance. Undoubtedly, the achievement of political freedom through a well-functioning democratic system is a messy and often excruciating process, but the positive relationship that exists between economic freedom and democratic governance is undeniable. (See Chart 9.) By empowering people to exercise greater control of their daily lives, economic freedom ultimately nurtures political reform by making it possible for individuals to gain the economic resources that they can use to challenge entrenched interests or compete for political power, thereby encouraging the creation of more pluralistic societies.

ECONOMIC FREEDOM AND DEMOCRATIC GOVERNANCE

NOTE: Represented are the 162 nations that are in both datasets.
SOURCES: The Economist Intelligence Unit, *Democracy Index 2018*, https://www.eiu.com/topic/democracy-index (accessed December 12, 2019), and Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

Chart 9 ☎ heritage.org

Pursuit of greater economic freedom is thus an important stepping-stone to democracy. It empowers the poor and builds the middle class. It is a philosophy that encourages individual initiative and disperses economic power and decision-making throughout an economy.

ECONOMIC FREEDOM: ENSURING UPWARD MOBILITY AND GREATER SOCIAL PROGRESS

The massive improvements in global indicators of income and quality of life in recent years largely reflect a paradigm shift in the debate over how societies should be structured economically to achieve the most optimal outcomes. In recent decades, this debate has largely been won by free-market capitalism. Criticisms persist, however, based primarily on the inequality of outcomes in a system that rewards individual effort and ability, which differ within any population, and where differences in individuals' starting positions can sometimes have a profound effect on their end results.

Alternatives to free-market capitalism, such as socialism or Communism, have proven both unequal to the task of eliminating inequality and counterproductive in that they tend to slow

ECONOMIC FREEDOM AND SOCIAL PROGRESS

NOTE: Represented are the 148 nations that are in both datasets.
SOURCES: The Social Progress Imperative, *2019 Social Progress Index*, https://www.socialprogress.org/index (accessed December 12, 2019), and Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

Chart 10 heritage.org

economic growth and thus reduce the resources that society has available to address poverty or pollution. Most advanced societies have thus opted for some version of free-market capitalism with various types of government intervention to redistribute resources within society. It is our hope that the *Index of Economic Freedom*'s data on governments' tax, spending, and regulatory activities can shed light on the relative impact of such interventions.

Ultimately, discussions of inequality are more about a society's values than its economic system. At the heart of ensuring upward economic mobility is the task of advancing economic freedom so that dynamic and inclusive growth can occur meaningfully for ordinary people. The evidence is strong that societies based on economic freedom are the ones in which social progress is strongest. Advancing economic freedom is really about putting in place growth-inducing pro-market policies that benefit the greatest possible number of people rather than the select few.

As shown in Chart 10, countries that provide an environment that is conducive to social progress also largely embrace economic freedom.[4] Countries that improve their competitiveness and open their societies to new

ideas, products, and innovations have largely achieved the high levels of social progress that their citizens demand. It is not massive redistributions of wealth or government dictates on income level that produce the most positive social outcomes. Instead, based on the evidence, mobility and progress seem to require lower barriers to entry, freedom to engage with the world, and less (or at least much better targeted) government intervention.

ECONOMIC FREEDOM MATTERS TODAY MORE THAN EVER

The 2020 *Index of Economic Freedom* shows economic freedom on the rise in an interconnected yet challenging global environment, reaching the highest point in the 26-year history of the *Index*. Behind this record are stories of human progress and the achievements of countries and their citizens—billions of people around the world whose lives have measurably improved and who continue to strive for greater freedom to liberate themselves from the shackles of poverty and the socialism and stifling government policies that so often are implicated in its perseverance.

People in countries that have advanced economic freedom have reaped enormous rewards. By contrast, those who live in countries where freedom remains curtailed lag in every indicator of human well-being.

A recurring theme of human history has been resilience and revival. The results of the 2020 *Index of Economic Freedom* highlight that by building on what works, countries can accelerate their progress against even the most difficult challenges and chart ever greater economic success.

ENDNOTES

1. Legatum Institute, *The Legatum Prosperity Index™ 2018*, p. 8, https://li.com/wp-content/uploads/2018/11/2018_Prosperity_Index.pdf (accessed December 13, 2019).
2. United Nations Development Programme and Oxford Poverty and Human Development Initiative, *Global Multidimensional Poverty Index 2019: Measuring Inequalities*, http://hdr.undp.org/sites/default/files/mpi_2019_publication.pdf (accessed December 13, 2019).
3. United Nations Human Development Programme, *Human Development Indices and Indicators: 2018 Statistical Update*, http://hdr.undp.org/sites/default/files/2018_human_development_statistical_update.pdf (accessed December 13, 2019).
4. The *Social Progress Index* defines social progress as "the capacity of a society to meet the basic human needs of its citizens, establish the building blocks that allow citizens and communities to enhance and sustain the quality of their lives, and create the conditions for all individuals to reach their full potential." Social Progress Imperative, *2019 Social Progress Index*, "Overview," https://www.socialprogress.org/index/global (accessed December 13, 2019).

ECONOMIC FREEDOM: REGIONAL VARIATIONS (REGIONAL AVERAGE)

Regional Ranking	The Americas (60.0)	Asia-Pacific (61.1)	Europe (69.8)	Middle East/ North Africa (61.8)	Sub-Saharan Africa (55.1)
1	Canada	Singapore	Switzerland	United Arab Emirates	Mauritius
2	Chile	Hong Kong	Ireland	Israel	Rwanda
3	United States	New Zealand	United Kingdom	Qatar	Botswana
4	Colombia	Australia	Denmark	Bahrain	Seychelles
5	Uruguay	Taiwan	Estonia	Jordan	Cabo Verde
6	Jamaica	Malaysia	Georgia	Oman	Tanzania
7	Saint Lucia	South Korea	Iceland	Morocco	Namibia
8	Peru	Japan	Netherlands	Kuwait	Madagascar
9	Panama	Macau	Lithuania	Saudi Arabia	Côte d'Ivoire
10	St. Vincent & Grenadines	Kazakhstan	Luxembourg	Tunisia	Uganda
11	Mexico	Thailand	Finland	Egypt	Ghana
12	Costa Rica	Indonesia	Sweden	Lebanon	South Africa
13	Bahamas	Brunei Darussalam	Czech Republic	Iran	Senegal
14	Guatemala	Philippines	Germany	Algeria	Nigeria
15	Paraguay	Fiji	Norway	Iraq	Burkina Faso
16	El Salvador	Kyrgyz Republic	Austria	Syria	Gabon
17	Barbados	Bhutan	Latvia	Libya	Guinea
18	Honduras	Samoa	Armenia	Yemen	Gambia
19	Dominican Republic	Vanuatu	Bulgaria		São Tomé & Príncipe
20	Dominica	China	Cyprus		Mali
21	Trinidad & Tobago	Tonga	Romania		Eswatini
22	Belize	Vietnam	Malta		Kenya
23	Nicaragua	Papua New Guinea	North Macedonia		Mauritania
24	Guyana	Sri Lanka	Azerbaijan		Benin
25	Brazil	Cambodia	Poland		Niger
26	Argentina	Uzbekistan	Belgium		Lesotho
27	Haiti	India	Slovenia		Togo
28	Ecuador	Maldives	Kosovo		Comoros
29	Suriname	Bangladesh	Portugal		Cameroon
30	Bolivia	Mongolia	Albania		Ethiopia
31	Cuba	Laos	Spain		Zambia
32	Venezuela	Pakistan	Slovakia		Guinea-Bissau
33		Afghanistan	Hungary		Djibouti
34		Nepal	France		Malawi
35		Burma	Serbia		Angola
36		Solomon Islands	Turkey		Central African Republic
37		Tajikistan	Italy		Mozambique
38		Micronesia	Bosnia & Herzegovina		Chad
39		Turkmenistan	Croatia		Dem. Rep. Congo
40		Timor-Leste	Moldova		Burundi
41		Kiribati	Belarus		Liberia
42		North Korea	Montenegro		Equatorial Guinea
43			Russia		Sierra Leone
44			Greece		Sudan
45			Ukraine		Zimbabwe
46			Liechtenstein		Rep. Congo
47					Eritrea
48					Somalia

Economic Freedom Scores

- 80–100 Free
- 70–79.9 Mostly Free
- 60–69.9 Moderately Free
- 50–59.9 Mostly Unfree
- 0–49.9 Repressed
- Not Graded

REGIONAL DEVELOPMENTS IN ECONOMIC FREEDOM

Average levels of economic freedom vary widely among the five regions of the world. Europeans typically enjoy the highest levels of economic freedom with an average score of 69.8, far higher than the world average of 61.6. The Middle East and North Africa score of 61.8 is slightly above the world average, while the scores for the Asia–Pacific and Americas regions are near the world average at 61.1 and 60.0, respectively. The Sub-Saharan Africa region falls significantly short at only 55.1.

The benefits of economic freedom—greater income and wealth, better health, and cleaner environments, among many others—are evident in every region, but there are substantial differences among the regions in terms of levels of development and social and economic culture that affect the relative importance of the various factors that influence an economic freedom score.

The 12 indicators that make up an economic freedom score are equally weighted in determining the rankings. For individual countries looking to improve their scores, however, a focus on the indicators in which they perform most poorly provides the greatest opportunity for major increases in economic freedom. A country that lags in fiscal health, for example, might want to focus on reducing fiscal deficits and debt. A country that lags in the rule of law could concentrate on addressing corruption, judicial effectiveness, and the protection of property rights. Such focus can bring significant immediate gains in economic freedom and corresponding improvements in economic growth and prosperity.

While there is diversity within every region, certain patterns have emerged that point to the relative importance of various factors in holding back or promoting economic freedom in each region. The countries of the Americas, for example, lag significantly in the rule of law and regulatory efficiency. Particularly for most of the Latin American countries in the region, a culture of corruption holds back foreign investment and job growth, and the typically poor quality of the region's regulatory environment stifles entrepreneurship. These, then, are the most important areas for reform in a typical country in the Americas.

In the Asia–Pacific region, on average, investment freedom and financial freedom fall far below world standards. Rule-of-law indicators such as judicial effectiveness and government integrity also need to be improved. Action by populous countries such as India to relax restrictions on foreign investment and open their banking systems to competition from around the world would improve the livelihoods of hundreds of millions of people. High-performing Asian economies such as those of Singapore, New Zealand, and Australia have shown the way.

It is in the area of government size that the European countries tend to lose points in their economic freedom scores. In many countries, burdensome levels of taxation and extraordinarily high levels of government spending have

led to unsustainable fiscal balances that crowd out more productive private-sector activities.

The Middle East and North Africa region falls far behind others in fiscal health, with governments using debt to finance high spending on consumer subsidies and income-redistribution schemes. Problems related to the rule of law are notable throughout the region, as is a serious lack of investment freedom in many countries.

Sub-Saharan African countries trail world averages in almost every category of economic freedom, especially in scores for fiscal health and business freedom. Ongoing deficiencies in scores for property rights, judicial effectiveness, and government integrity continue to reflect problems in governance that are both the cause and the effect of high levels of political instability and conflict throughout the region.

The following pages provide a summary snapshot of economic freedom in the various regions while highlighting significant developments in a few notable countries.

THE AMERICAS

THE AMERICAS

The Western Hemisphere's North and South American continents form a region of 32 sovereign countries, ranging from the advanced economies of Canada and the United States to the Caribbean's tiny island states and the huge emerging markets of Latin America. The region accounts for more than one-quarter of the globe's landmass and is one of its most economically diverse. Poor nations in Central America, for example, share Iberian-rooted culture and history but little else with potential economic powerhouses like Mexico, Brazil, and Argentina. Ideological differences are strong as well: The toxic legacy of Cuba's late dictator Fidel Castro and his acolyte, the late Hugo Chavez of Venezuela, continues to blight some nations in the region that cling stubbornly to long-discredited Communist/socialist economic theories that for the most part have lost sway elsewhere.

The continent-wide and sweeping pivot away from those flawed theories and back to market-based democracy that began in 2015 has received boosts and suffered setbacks.

- Voters in Brazil, disgusted by the disastrous consequences of more than a decade of socialism, decisively rejected the Workers' Party and elected reform-minded Jair Bolsonaro as President;
- Ecuadoran President Lenín Moreno has rejected the *Chavista* policies of his predecessor, ex-President Rafael Correa, in favor of market-friendly and pro-Western policies;
- Late in the year, Bolivians forced *Chavista* President Evo Morales to flee the country after he tried to steal reelection to a fourth term;
- The biggest setback for economic freedom in the region in 2019 was the return to power of the left-wing populist Peronist Party in Argentina, which defeated center-right President Mauricio Macri; and
- The late-breaking decision by the Chilean government to conduct an April 2020 constitutional referendum could portend trouble ahead for Latin America's freest economy.

The total population of the Americas is just under one billion. Among the five global regions in the *Index*, the Americas has the second-largest population-weighted GDP per capita ($32,570 at purchasing power parity). Within the region, economies have expanded at an average rate of just 1.3 percent over the past five years. The regional average rate of unemployment has dropped to 6.5 percent, but the regional average rate of inflation (excluding Venezuela) has risen to 4.7 percent. The region's average level of public debt, already the highest in the world, rose to 81.5 percent of GDP in the past year.

The slight improvement in the region's overall average economic freedom score in the 2020

THE AMERICAS: QUICK FACTS

TOTAL POPULATION:	999 million
Population-Weighted Averages	
GDP PER CAPITA (PPP):	$32,570
1-YEAR GROWTH:	1.5%
5-YEAR GROWTH:	1.3%
INFLATION:	4.7%*
UNEMPLOYMENT RATE:	6.5%
PUBLIC DEBT:	81.5% of GDP

* Excludes Venezuela.
SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

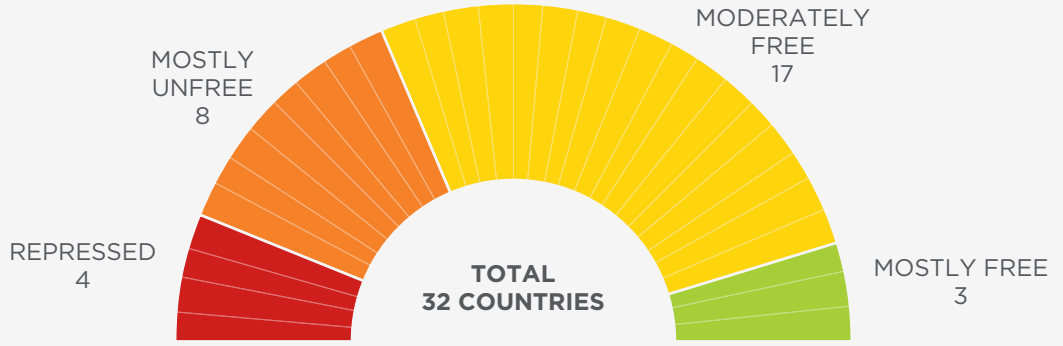
heritage.org

THE AMERICAS

SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

Map 1 heritage.org

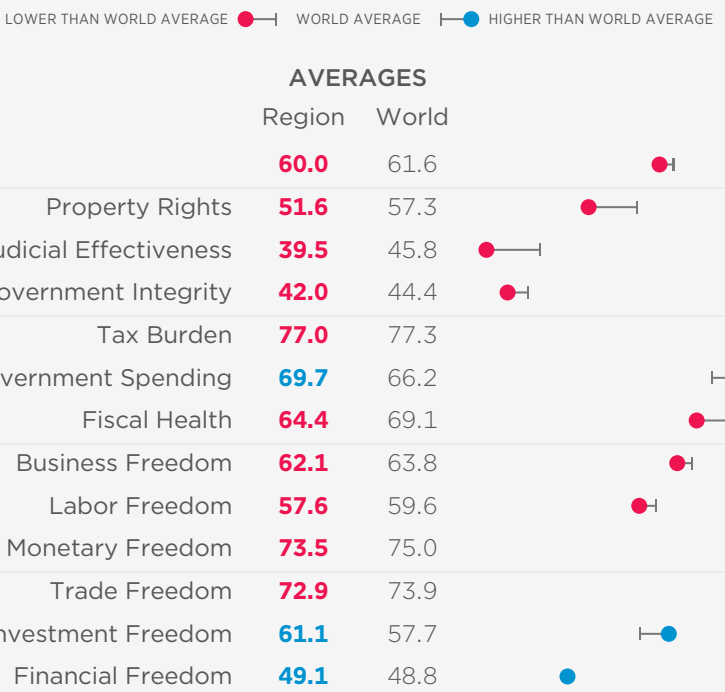
THE AMERICAS: ECONOMIC FREEDOM SUMMARY



SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

Chart 1 heritage.org

THE AMERICAS: COMPONENTS OF ECONOMIC FREEDOM

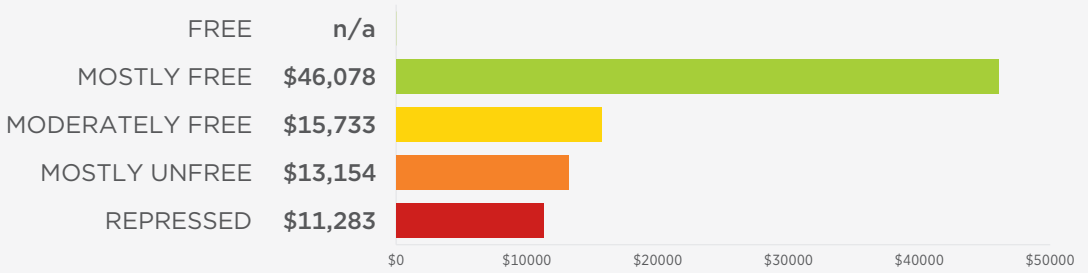


		AVERAGES	
		Region	World
OVERALL		**60.0**	61.6
RULE OF LAW	Property Rights	**51.6**	57.3
	Judicial Effectiveness	**39.5**	45.8
	Government Integrity	**42.0**	44.4
GOVERNMENT SIZE	Tax Burden	**77.0**	77.3
	Government Spending	**69.7**	66.2
	Fiscal Health	**64.4**	69.1
REGULATORY EFFICIENCY	Business Freedom	**62.1**	63.8
	Labor Freedom	**57.6**	59.6
	Monetary Freedom	**73.5**	75.0
MARKET OPENNESS	Trade Freedom	**72.9**	73.9
	Investment Freedom	**61.1**	57.7
	Financial Freedom	**49.1**	48.8

SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

Chart 2 heritage.org

THE AMERICAS: AVERAGE GDP PER CAPITA, BY ECONOMIC FREEDOM CATEGORY



NOTES: Figures are GDP per capita, purchasing power parity (PPP), in current international dollars for 2018.
SOURCES: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index, and International Monetary Fund, "World Economic Outlook Database," April 2018, http://www.imf.org/external/pubs/ft/weo/2018/01/weodata/weoselgr.aspx (accessed December 2, 2019).

Chart 3 heritage.org

Index reflects somewhat higher scores for the property rights and government integrity indicators. The overall score is still slightly below the global average, however. The foundations of a well-functioning free market remain shallow in many Latin American countries, with widespread corruption and still-weak protection of property rights aggravating such systemic shortcomings as regulatory inefficiency and monetary instability that is caused by various government-driven market distortions.

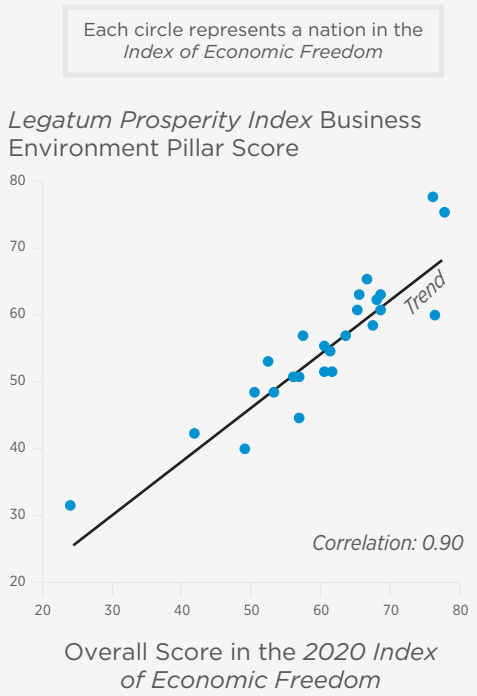
In the English-speaking Caribbean, only the Bahamas, Trinidad and Tobago, and St. Vincent and the Grenadines registered overall gains in economic freedom. The protectionism that contributes to the high cost of living on many of the islands continued unabated in 2020. Only Dominica, the Dominican Republic, and St. Vincent and the Grenadines registered modest gains in trade freedom this year, and the rule of law remains a problem in many of these countries. In North America, Mexico and Canada registered slight gains in economic freedom while policymakers waited nervously for U.S. congressional approval of the U.S.–Mexico–Canada trade agreement, but the U.S. lost ground as new protectionist policies eroded trade freedom.

Chart 1 shows the distribution of countries in the Americas according to their economic freedom. The region does not have any economically "free" countries. Three of the 32 graded countries in the Americas region (Canada, Chile, and the United States) are rated "mostly free." Most countries in the region fall into the category of "moderately free" or "mostly unfree." Four countries (Suriname, Bolivia, Cuba, and Venezuela) are rated "repressed."

An examination of the various components of economic freedom evaluated in the *Index* reveals that the countries of the Americas as a whole perform as well as or better than the world average on only three of the 12 *Index* indicators. The government spending score highlights the region's continuing acceptance of the principle of limited government, and levels of market openness (especially investment freedom and financial freedom) are generally consistent with world standards. On the other hand, as shown in Chart 2, the rule of law and regulatory efficiency continue to be major problem areas, reflecting long-standing weaknesses in the protection of property rights, judicial effectiveness, and government integrity.

Chart 3, which highlights the vivid positive correlation between high levels of economic

THE AMERICAS: ECONOMIC FREEDOM AND ENTREPRENEURIAL DYNAMISM



NOTE: Based on the 25 countries in the Americas that appear in both indexes.
SOURCES: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index, and Legatum Institute, *The Legatum Prosperity Index 2018*, 2018, http://www.prosperity.com/rankings (accessed December 2, 2019).

Chart 4 ☎ heritage.org

freedom and high GDP per capita, reveals a large freedom gap within the Americas. The failed populist policies implemented by leaders of such repressive economies as Venezuela, Cuba, and Bolivia continue to threaten regional development and stability, trapping millions in poverty while their neighbors in freer countries forge ahead.

As shown in Chart 4, it is noteworthy that countries with greater degrees of economic freedom generally tend to achieve the higher levels of entrepreneurial dynamism that lead to higher growth.

In fact, for the Americas as a whole, there was some encouraging news this year. Nineteen countries in the region posted gains in economic freedom in the 2020 *Index*, and one was unchanged, leaving just 12 in which economic freedom declined. Although many of the overall score improvements were very slight, collectively, it was enough to raise the overall regional average.

NOTABLE COUNTRIES

- This year, the Americas region country with the largest overall score increase was **Ecuador**, which rejected *Chavista* socialism and recorded a substantial increase in fiscal health and upticks in scores for government integrity, monetary freedom, and property rights. To continue this upward trajectory, the government is implementing ambitious structural reforms, but to attract new investment, it will also need to make a major push to strengthen Ecuador's weak rule of law.

- Among the Hemisphere's larger countries, one of the biggest improvements in both *Index* ranking and overall score was achieved by **Brazil**. The new center-right government is committed to a program of deep structural economic reforms, and that commitment is reflected in higher scores this year for government integrity and investment freedom. In 2020, the government, having already won a vitally important set of reforms in Brazil's unsustainably costly pension system, plans to continue to pursue its free-market agenda by seeking congressional approval for simplification of the tax code.

- The overall score for the **United States** declined slightly due to a drop in the trade freedom score, causing its ranking in the 2020 *Index* to fall by five places. Reckless and ongoing deficit spending by Congress and the Executive under both parties explains the lowest U.S. *Index* category

ECONOMIC FREEDOM IN THE AMERICAS

World Rank	Regional Rank	Country	Overall Score	Change from 2019	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
9	1	Canada	78.2	0.5	87.7	72.7	90.3	76.5	50.9	83.3	81.7	72.0	76.0	87.0	80	80
15	2	Chile	76.8	1.4	69.9	61.1	73.4	76.4	80.8	90.5	75.0	64.7	85.2	89.0	85	70
17	3	United States	76.6	–0.2	81.8	83.7	77.2	74.6	56.5	54.3	83.3	87.9	75.5	79.8	85	80
45	4	Colombia	69.2	1.9	61.1	32.8	46.1	70.4	77.0	85.5	71.3	78.0	77.5	81.2	80	70
47	5	Uruguay	69.1	0.5	72.0	59.8	73.5	75.2	66.5	72.3	73.6	71.0	72.7	77.4	85	30
49	6	Jamaica	68.5	–0.1	62.1	50.5	46.8	80.0	74.8	80.2	77.7	74.0	77.7	68.4	80	50
50	7	Saint Lucia	68.2	–0.5	69.8	62.6	41.8	76.9	80.6	83.8	76.7	66.4	82.0	73.2	65	40
51	8	Peru	67.9	0.1	54.9	30.6	33.5	80.8	86.4	89.0	67.1	62.9	86.3	88.4	75	60
55	9	Panama	67.2	0.0	58.8	30.0	37.2	85.3	85.7	91.2	70.8	43.3	79.4	79.2	75	70
59	10	St. Vincent & Grenadines	66.8	1.0	50.5	62.6	46.1	72.4	73.7	89.0	75.8	73.3	80.8	67.2	70	40
67	11	Mexico	66.0	1.3	58.3	34.7	36.7	76.1	79.3	87.5	67.0	58.4	70.9	87.6	75	60
68	12	Costa Rica	65.8	0.5	66.7	54.4	57.2	78.9	88.4	39.7	66.5	55.0	81.2	81.4	70	50
69	13	Bahamas	64.5	1.6	54.9	46.4	46.0	96.8	87.4	69.2	69.0	70.0	76.3	47.8	50	60
73	14	Guatemala	64.0	1.4	45.5	32.2	29.6	79.2	95.6	95.7	62.6	48.4	77.4	82.2	70	50
80	15	Paraguay	63.0	1.2	44.7	26.4	29.6	96.1	88.6	98.0	60.9	29.0	72.5	75.4	75	60
90	16	El Salvador	61.6	–0.2	41.6	30.1	31.6	77.8	82.8	80.0	53.6	52.3	78.6	80.8	70	60
92	17	Barbados	61.4	–3.3	56.6	36.1	44.0	73.6	69.2	63.1	69.4	60.0	77.9	56.6	70	60
93	18	Honduras	61.1	0.9	48.6	34.2	28.6	82.3	78.2	96.7	56.7	31.5	72.2	79.4	65	60
95	19	Dominican Republic	60.9	–0.1	55.8	18.2	31.2	84.5	90.5	82.4	50.3	57.5	73.5	76.6	70	40
97	20	Dominica	60.8	–2.8	59.8	62.6	51.2	70.5	16.0	86.2	70.4	60.7	83.5	68.4	70	30
109	21	Trinidad & Tobago	58.3	1.3	56.6	42.1	37.4	82.6	66.5	15.9	67.3	76.0	77.4	67.8	60	50
111	22	Belize	57.4	2.0	44.4	46.4	33.5	79.5	66.3	53.9	60.9	54.3	80.4	64.2	55	50
115	23	Nicaragua	57.2	–0.5	33.5	19.5	24.3	76.3	77.5	87.2	55.1	55.5	71.5	75.4	60	50
124	24	Guyana	56.2	–0.6	53.6	42.6	34.1	66.0	64.4	58.6	58.9	62.1	82.5	66.8	55	30
144	25	Brazil	53.7	1.8	57.3	46.7	45.6	70.4	54.6	4.6	60.5	49.5	77.2	67.8	60	50
149	26	Argentina	53.1	0.9	50.5	47.0	49.7	69.6	50.7	24.7	60.2	46.5	53.7	69.2	55	60
153	27	Haiti	52.3	–0.4	16.4	23.3	22.3	80.2	89.4	96.3	33.6	62.3	61.5	67.0	45	30
158	28	Ecuador	51.3	4.4	40.4	20.7	33.4	77.5	57.9	62.3	53.8	48.0	81.0	66.0	35	40
163	29	Suriname	49.5	1.4	45.6	19.5	36.9	70.5	74.8	10.3	48.2	71.9	76.1	69.8	40	30
175	30	Bolivia	42.8	0.5	20.1	11.2	23.1	86.3	54.2	14.2	58.3	52.9	69.9	67.8	15	40
178	31	Cuba	26.9	–0.9	20.1	10.0	38.7	49.5	0.0	14.8	20.0	20.0	64.1	65.6	10	10
179	32	Venezuela	25.2	–0.7	10.1	12.6	14.6	72.8	66.3	0.0	30.8	27.7	0.0	58.0	0	10

scores: government spending and fiscal health. Approval of the recently renegotiated NAFTA (now the United States–Mexico–Canada Agreement) should help to ensure continued growth, and resolution of the U.S.–China trade dispute could boost trade freedom.

- **Venezuela's** continuing economic collapse was reflected by another all-time-low overall *Index* score, with its fiscal health score now at zero, matching North Korea's. The policies of the deeply corrupt socialist Maduro government have caused hyperinflation and severe shortages of basic goods that have led to one of the country's worst economic contractions in history and Latin America's worst migration crisis.

ASIA-PACIFIC

ASIA–PACIFIC

The Asia–Pacific region covers the globe's largest geographic area, encompassing 42 countries that stretch from Japan, Southeast Asia, and New Zealand in the East to Mongolia in the North, the islands of the southern Pacific, and all the way across India to the Caspian Basin in the West. With more than four billion inhabitants, the region contains over half of the world's population: Of the total regional population, China alone accounts for a little more than one-third, and nearly another third is in India.

The region has continued to lead worldwide economic growth, expanding by an average annual rate of about 6.3 percent over the past five years, driven largely by China, India, and other trade-oriented economies. The region also has the world's lowest average unemployment rate (3.4 percent) and lowest average inflation rate (3.1 percent). Among the five global regions in the *Index*, however, the Asia–Pacific region has the second-lowest population-weighted GDP per capita ($14,050 at purchasing power parity).

The Asia–Pacific is unique among the five global *Index* regions in the extraordinary disparity among its countries' levels of economic freedom. The consequences for the people of the region are enormous. The huge gap in living standards between North Korea, at last place ("repressed") in the *Index*, and South Korea, at 25th place ("mostly free"), for example, illustrates the benefits of economic freedom versus its absence almost as vividly as does the famous nighttime photograph from space that contrasts the brightly lit South with a North shrouded in darkness.

Chart 1 shows the distribution of countries in the Asia–Pacific region by level of economic freedom. Four of the world's six truly "free" economies (Singapore, Hong Kong, New Zealand, and Australia) call the region home. Another five of the region's 42 economies (Taiwan, Malaysia, South Korea, Japan, and Macau) are rated "mostly free." The majority of the other countries remain "mostly unfree." Four countries (Turkmenistan, Timor-Leste, Kiribati, and North Korea) have economies that are considered "repressed."

Although the region's overall economic freedom score of 61.1 is just below the world average in the 2020 *Index*, the Asia–Pacific scored equal or better this year than the world averages in seven of the 12 economic freedom indicators: property rights, judicial effectiveness, tax burden, government spending, fiscal health, business freedom, and labor freedom. (See Chart 2.) In other critical areas of economic freedom such as government integrity, monetary freedom, trade freedom, investment freedom, and financial freedom, the Asia–Pacific region as a whole lags behind world averages.

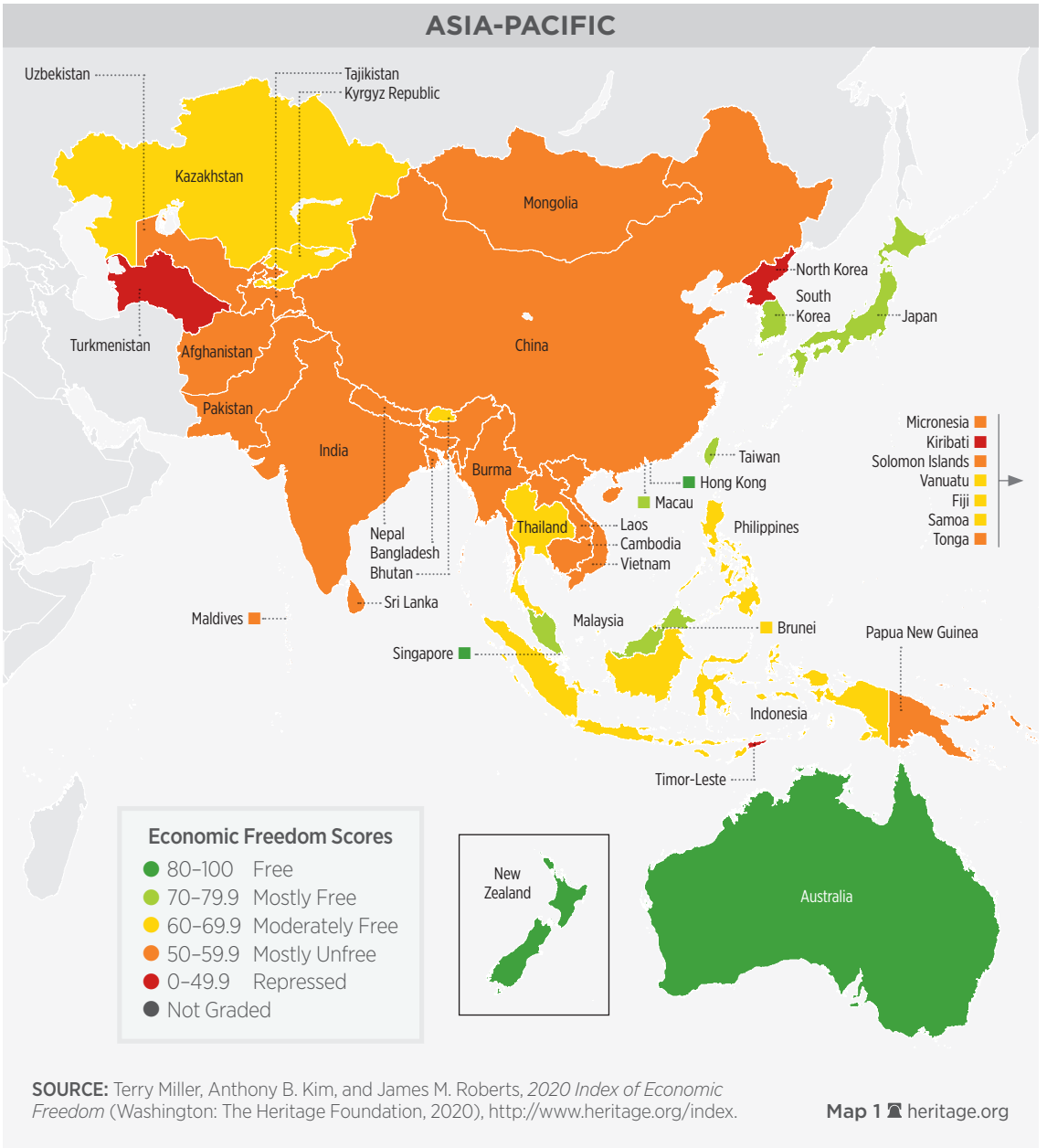
As shown by the scores, many of the Asia–Pacific countries are performing well in controlling the size of government, maintaining the rule of law, and regulating economic activity efficiently. For a region that still remembers the hardships of the financial crisis of 1997–1998, the above-average score for fiscal health is a measure of the successful adoption

ASIA-PACIFIC: QUICK FACTS

TOTAL POPULATION:	4.18 billion
Population-Weighted Averages	
GDP PER CAPITA (PPP):	$14,050
1-YEAR GROWTH:	6.1%
5-YEAR GROWTH:	6.3%
INFLATION:	3.1%
UNEMPLOYMENT RATE:	3.4%
PUBLIC DEBT:	59.9% of GDP

SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

heritage.org



SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

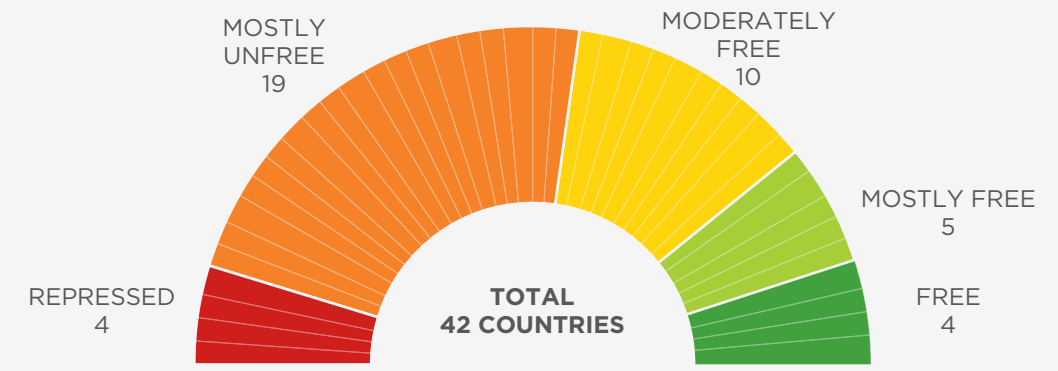
Map 1 heritage.org

of significant fiscal and monetary reforms. Although the labor freedom score also beats the world average, many small Pacific island economies still lack fully developed formal labor markets.

As shown in the top two bars of Chart 3, the four "free" and five "mostly free" Asia–Pacific countries far outpace other countries in the region in GDP per capita. However, it is among the region's less free countries—notably China and India, both "mostly unfree" and ranked only 103rd and 120th, respectively—that we find some of the region's highest growth rates. In part, this is simply the result of the much lower base from which economic growth is being measured.

On the other hand, one of the most interesting findings of the *Index* year after year (and again in 2020) is that economic growth is more highly correlated with a dynamic trend

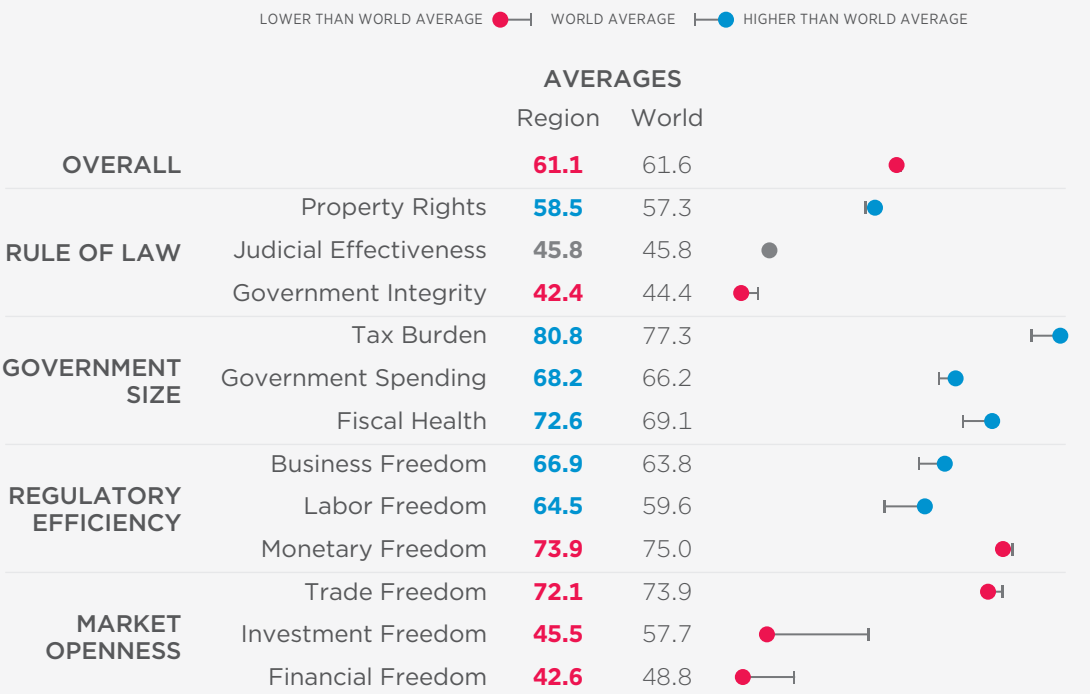
ASIA-PACIFIC: ECONOMIC FREEDOM SUMMARY



SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

Chart 1 heritage.org

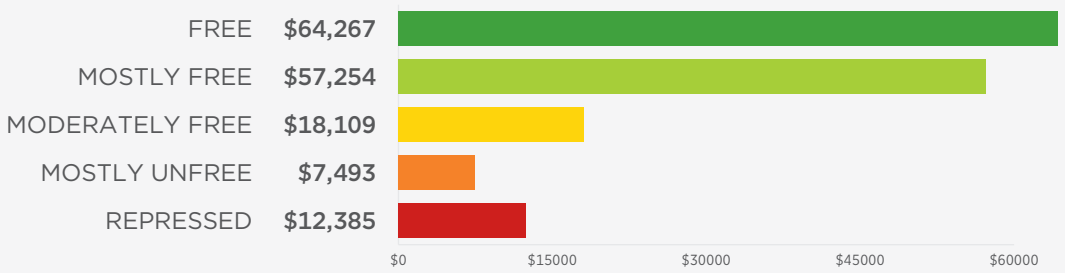
ASIA-PACIFIC: COMPONENTS OF ECONOMIC FREEDOM



SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

Chart 2 heritage.org

ASIA-PACIFIC: AVERAGE GDP PER CAPITA, BY ECONOMIC FREEDOM CATEGORY

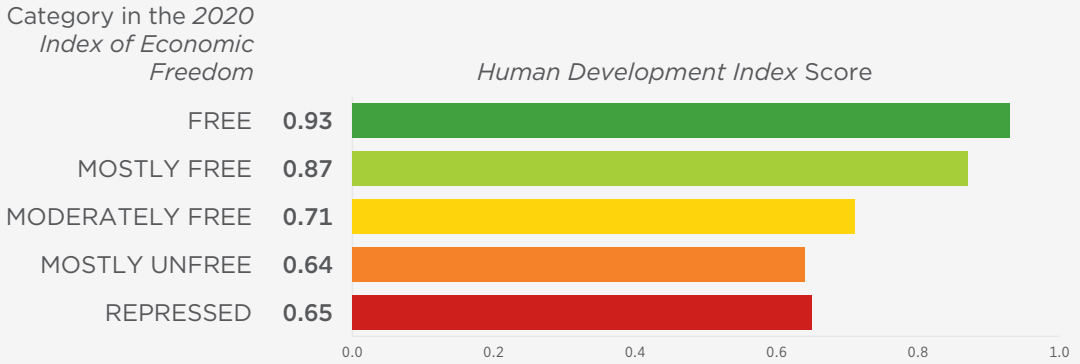


NOTES: Figures are GDP per capita, purchasing power parity (PPP), in current international dollars for 2018.
SOURCES: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index; International Monetary Fund, "World Economic Outlook Database," April 2018, http://www.imf.org/external/pubs/ft/weo/2018/01/weodata/weoselgr.aspx (accessed December 2, 2019); and *The CIA World Factbook*.

Chart 3 heritage.org

of improvement in economic freedom than it is with the actual level of economic freedom. In this context, it should be noted that both China's and India's economic freedom scores have shown notable improvement over the life of the *Index*. Nevertheless, the foundations of economic freedom continue to be shaky in both countries, with reforms often stymied by those who have a political interest in maintaining the status quo.

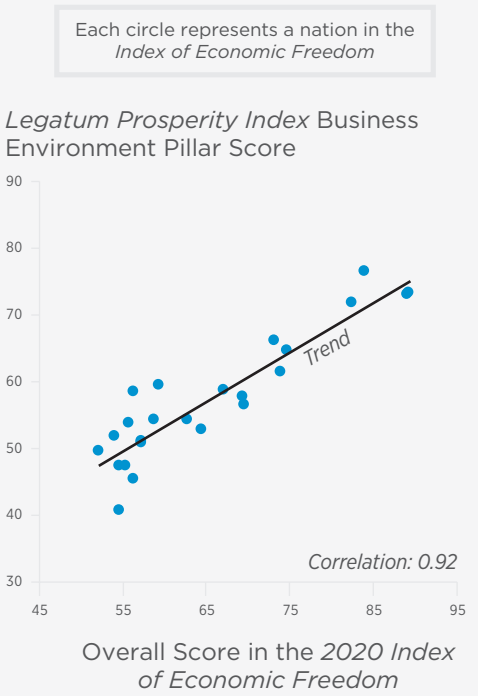
ASIA-PACIFIC: ECONOMIC FREEDOM AND HUMAN DEVELOPMENT



NOTE: Based on the 39 countries in Asia-Pacific that appear in both indexes.
SOURCES: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index; U.N. Human Development Program, "Human Development Indices and Indicators 2018 Statistical Update," http://hdr.undp.org/en/2018-update (accessed December 2, 2019); and United Nations Development Program Human Development Reports, "Human Development Data," http://hdr.undp.org/en/data (accessed December 2, 2019).

Chart 4 heritage.org

ASIA-PACIFIC: ECONOMIC FREEDOM AND ENTREPRENEURIAL DYNAMISM



NOTE: Based on the 24 countries in the Asia-Pacific that appear in both indexes.
SOURCES: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index, and Legatum Institute, *The Legatum Prosperity Index 2018*, 2018, http://www.prosperity.com/rankings (accessed December 2, 2019).

Chart 5 heritage.org

In the 2020 *Index*, the scores of 26 countries in the Asia–Pacific region have improved, those of 14 have declined, and two were unchanged. As depicted in Chart 4 and Chart 5, it is clear that countries in which economic freedom is high are likely to benefit both socially and economically.

As the charts make clear, greater economic freedom is strongly correlated with higher rates of human development and with an improved business climate. That is not mere coincidence. In fact, the two concepts are intertwined, and they are critical to improved standards of living in the world's most populous region.

Regional advances in human development indicators such as better health care and greater literacy correlate with reduced rates of poverty, greater personal financial security, and better living conditions such as access to water, sanitation, and electricity. This progress, in turn, creates a better business climate. The better business climate makes it easier to start or expand a business. The new or expanded business creates more jobs and increases tax revenue, and that revenue can be used to support additional advancements in health care and literacy. It is a virtuous circle, the key to which is a commitment to expanding economic freedom.

NOTABLE COUNTRIES

- **India's** economic freedom score and ranking improved in the 2020 *Index*, led by a higher business freedom score. Although the Asia–Pacific's second-largest economy still languishes in the mid-range of the "mostly unfree" category, it has benefitted from several recent waves of economic liberalization. GDP growth over the past five years has been robust, driven by higher private domestic consumption. One area still lagging is financial freedom: The government needs to correct inadequacies in banking regulation and begin to privatize state-owned banks. There is also plenty of room for improvements in the tax code, the investment regime, and labor regulations.

- Significant improvements in scores for fiscal health, investment freedom, and financial freedom drove **Vietnam's** economic freedom ranking and score higher in the 2020 *Index* for the third year in a row. Strong GDP growth over the past five years, driven by export-focused manufacturing and processing sectors, has mirrored this improvement. Economic freedom will be enhanced in Vietnam if the government

can successfully expand economic liberalization by promoting international trade and restructuring state-owned enterprises, but progress on the latter is likely to be limited by pushback from established interests within the Communist Party. Improvement of the investment climate will be slow without improvements in judicial effectiveness and stronger efforts to fight corruption.

- **China's** economic freedom ranking dropped in the 2020 *Index*, although its overall score increased slightly. Ongoing tensions in the U.S.–China economic relationship and worldwide pushback against China's debt-trap diplomacy have heightened business uncertainties. Despite impressive but declining growth rates that are likely overstated by the government, the Communist country remains "mostly unfree." Nontransparent state-owned enterprises continue to dominate the financial sector and many basic industries. General Secretary Xi Jinping's official ideology of "Socialism with Chinese Characteristics" continues to chill liberalization, heighten reliance on mercantilism, raise bureaucratic hurdles to trade and investment, weaken the rule of law, and strengthen resistance from vested interests that impedes more dynamic economic development. Major reforms of the financial system have not occurred. Overall, the economic freedom that does exist in China lacks depth and breadth, and the government needs to ensure that business-friendly policy changes are understood and implemented nationwide, not just in Beijing or the major commercial centers.

- The economic freedom rank of the **Solomon Islands** fell 17 places in the 2020 *Index*. GDP growth over the past five years has been solid because of continued infrastructure development, expansion of tuna processing, and construction of the Tina River hydropower project. An expansion of economic freedom needs to begin by addressing ongoing problems with government integrity. Tackling corruption was a key electoral promise of the current government, and parliament passed an anticorruption bill in 2019.

- **Japan's** overall score improved in the 2020 *Index*, but its economy remains stuck in the lower ranks of the "mostly free" category, where it has resided more than a decade. GDP growth has been constrained for many years as well. The chief culprit holding back greater economic freedom in Japan has been too much government spending. To address fiscal issues, the government is focused on reducing the cost of pensions in an aging society by introducing social security reforms to raise the labor force participation rate and extend the retirement age to 70. More fundamental structural reforms will be required to eliminate cronyism and boost entrepreneurship.

ECONOMIC FREEDOM IN ASIA-PACIFIC

World Rank	Regional Rank	Country	Overall Score	Change from 2019	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
1	1	Singapore	89.4	0.0	96.8	92.9	92.4	90.3	91.1	80.0	92.8	90.9	85.6	94.8	85	80
2	2	Hong Kong	89.1	–1.1	93.6	76.8	84.7	93.0	90.3	99.9	96.2	89.1	80.7	95.0	80	90
3	3	New Zealand	84.1	–0.3	93.3	79.1	93.9	71.0	57.8	98.3	90.4	86.7	87.0	92.2	80	80
4	4	Australia	82.6	1.7	82.8	86.1	89.3	63.0	61.6	91.8	87.8	84.0	86.2	88.2	80	90
11	5	Taiwan	77.1	–0.2	86.9	70.1	68.9	75.0	90.5	91.0	93.9	60.3	82.7	86.0	60	60
24	6	Malaysia	74.7	0.7	86.5	74.6	49.4	85.7	84.6	80.2	87.8	74.5	81.6	82.0	60	50
25	7	South Korea	74.0	1.7	82.5	61.0	67.5	63.9	67.7	96.7	90.5	56.2	82.1	80.0	70	70
30	8	Japan	73.3	1.2	86.6	71.4	80.5	68.3	55.8	62.0	81.4	78.7	84.4	80.0	70	60
35	9	Macau	70.3	–0.7	60.0	60.0	33.5	75.0	89.8	99.9	60.0	50.0	70.0	90.0	85	70
39	10	Kazakhstan	69.6	4.2	61.3	62.1	40.9	92.3	85.5	84.1	74.6	86.0	68.1	80.2	50	50
43	11	Thailand	69.4	1.1	59.5	48.0	43.4	80.7	85.9	96.4	83.0	63.7	74.0	83.0	55	60
54	12	Indonesia	67.2	1.4	59.8	56.2	37.2	83.4	91.7	90.2	70.0	49.2	78.4	80.8	50	60
61	13	Brunei Darussalam	66.6	1.5	69.8	56.8	49.6	89.8	61.5	20.0	84.1	90.5	77.1	85.0	65	50
70	14	Philippines	64.5	0.7	54.6	34.2	38.7	76.7	87.9	96.3	59.5	57.4	66.9	81.6	60	60
77	15	Fiji	63.4	1.2	69.9	42.6	45.6	80.5	68.9	84.2	62.6	76.2	72.5	52.8	55	50
81	16	Kyrgyz Republic	62.9	0.6	53.6	31.3	32.0	94.1	58.5	66.7	73.6	79.6	76.4	79.2	60	50
85	17	Bhutan	62.1	–0.8	69.9	46.4	51.2	82.9	71.1	74.8	68.2	79.4	71.6	79.4	20	30
86	18	Samoa	62.1	–0.1	60.5	31.7	31.5	79.6	62.5	94.6	76.6	78.8	79.5	64.6	55	30
98	19	Vanuatu	60.7	4.3	68.3	36.1	37.4	97.1	61.1	78.4	51.8	54.6	74.6	63.4	65	40
103	20	China	59.5	1.1	60.9	76.3	46.0	70.4	67.9	67.5	76.8	64.4	71.1	72.4	20	20
105	21	Vietnam	58.8	3.5	52.6	40.1	33.8	79.5	75.9	58.0	65.6	62.5	68.2	79.6	40	50
107	22	Tonga	58.8	1.1	60.9	26.5	44.2	85.2	42.8	95.2	75.0	69.8	71.4	74.0	40	20
108	23	Papua New Guinea	58.4	0.0	54.9	48.4	29.7	71.5	86.4	76.4	58.4	69.6	70.7	79.8	25	30
112	24	Sri Lanka	57.4	1.0	47.7	39.2	34.7	84.8	88.9	39.3	76.5	58.6	71.1	67.6	40	40
113	25	Cambodia	57.3	–0.5	43.1	28.1	14.8	89.4	83.9	94.8	31.2	62.5	74.8	65.4	50	50
114	26	Uzbekistan	57.2	3.9	59.1	34.2	28.2	91.6	74.7	98.9	72.6	59.9	59.9	67.6	20	20
119	27	Maldives	56.5	3.3	48.5	31.7	39.2	95.8	67.9	42.9	78.7	70.6	77.0	61.0	35	30
120	28	India	56.5	1.3	63.0	64.1	47.2	79.4	77.9	13.1	65.6	41.2	73.0	73.4	40	40
122	29	Bangladesh	56.4	0.8	41.0	36.1	26.6	72.7	94.3	76.8	52.3	68.4	70.0	63.6	45	30
127	30	Mongolia	55.9	0.5	50.3	23.0	36.9	87.4	66.6	9.3	63.6	75.7	74.2	74.0	50	60
129	31	Laos	55.5	–1.9	42.5	37.3	32.0	87.0	86.6	53.3	54.3	58.6	76.8	82.0	35	20
135	32	Pakistan	54.8	–0.2	48.3	43.2	29.7	80.4	86.8	40.4	54.9	41.3	72.5	64.8	55	40
136	33	Afghanistan	54.7	3.2	48.3	30.0	24.8	91.4	79.2	99.9	54.7	61.6	81.0	66.0	10	10
139	34	Nepal	54.2	0.4	40.7	32.0	31.5	83.4	77.9	98.1	61.6	53.7	71.2	60.4	10	30
141	35	Burma	54.0	0.4	32.5	14.3	31.5	86.6	87.5	84.6	53.1	59.9	77.5	70.8	30	20
150	36	Solomon Islands	52.9	–1.7	54.6	53.7	33.5	65.6	34.2	76.6	67.7	72.0	84.3	48.0	15	30
155	37	Tajikistan	52.2	–3.4	49.1	50.0	32.0	91.8	62.3	26.0	65.9	47.7	71.0	75.0	25	30
156	38	Micronesia	52.0	0.1	30.1	26.5	22.3	92.9	0.0	99.2	56.9	78.2	82.2	70.8	35	30

ECONOMIC FREEDOM IN ASIA-PACIFIC

World Rank	Regional Rank	Country	Overall Score	Change from 2019	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
170	39	Turkmenistan	46.5	–1.9	20.1	20.0	21.4	95.9	93.1	94.5	30.0	20.0	68.7	74.2	10	10
171	40	Timor-Leste	45.9	1.7	45.2	12.6	32.5	96.3	5.3	19.9	64.0	58.9	76.5	75.0	45	20
172	41	Kiribati	45.2	–2.1	47.5	34.2	24.3	72.4	0.0	99.0	40.6	62.9	82.2	23.8	25	30
180	42	North Korea	4.2	–1.7	20.1	5.0	15.1	0.0	0.0	0.0	5.0	5.0	0.0	0.0	0	0

EUROPE

EUROPE

The European continent stretches from Iceland in the North Atlantic, to Ireland and the Normandy beaches, then far along the Arctic Circle to the Ural Mountains of Russia and south to the Caspian Basin, the Black Sea, and the Mediterranean. It was from its soil that the idea of free markets and individual freedom first sprouted, but it was also in Europe that the collectivist philosophies of Socialism and Communism were developed and took root. Ultimately, the Communist systems of Eastern Europe collapsed, having proved incapable of generating living standards for their citizens that even remotely approximated those of Western European democratic capitalist countries. The Communist and socialist philosophy, of course, lives on, having spread to parts of Asia, Africa, Latin America, and even the United States, and the struggle continues to this day both in those regions and within countries almost everywhere.

Although the authoritarian political impulse is manifesting itself anew in Europe, the economic rivalries of the Cold War have been eclipsed to a great extent by a new, technology-driven globalization and submerged throughout much of the continent under the evolving umbrella of the European Union. One thing, however, is clear: Today, many of the large economies in Europe that were built on a quasi-market welfare state model are looking for ways to improve their competitiveness, and small fast-growing European countries such as Switzerland and Ireland are showing them the path toward economic freedom. The United Kingdom's struggle to extricate itself from the EU is another sign of this trend.

The European region encompasses nations as diverse as Russia, Ukraine, Switzerland, Iceland, and Greece. Its population-weighted average GDP per capita is the highest in the world ($36,453 at purchasing power parity), with inflation (4.0 percent) generally under control. However, the European continent has long been plagued by high unemployment rates (7.3 percent) and heavy, although slightly declining, levels of public debt (60.8 percent of GDP on average).

Chart 1 shows the distribution of countries in Europe within the five categories of economic freedom. The region boasts two of the world's six truly "free" economies (Switzerland and Ireland).

It is notable that over half of the world's 37 freest countries (with overall scores above 70) are in Europe, which is the only one of the five global regions in the *Index* to have a distribution of economies that is skewed toward relatively higher levels of economic freedom. Most countries in the region fall into the categories of "mostly free" or "moderately free."

Only two countries (Greece and Ukraine) have economies that are rated "mostly unfree." Ukraine, which continues to experience political and security turmoil, remains the region's least economically free economy.

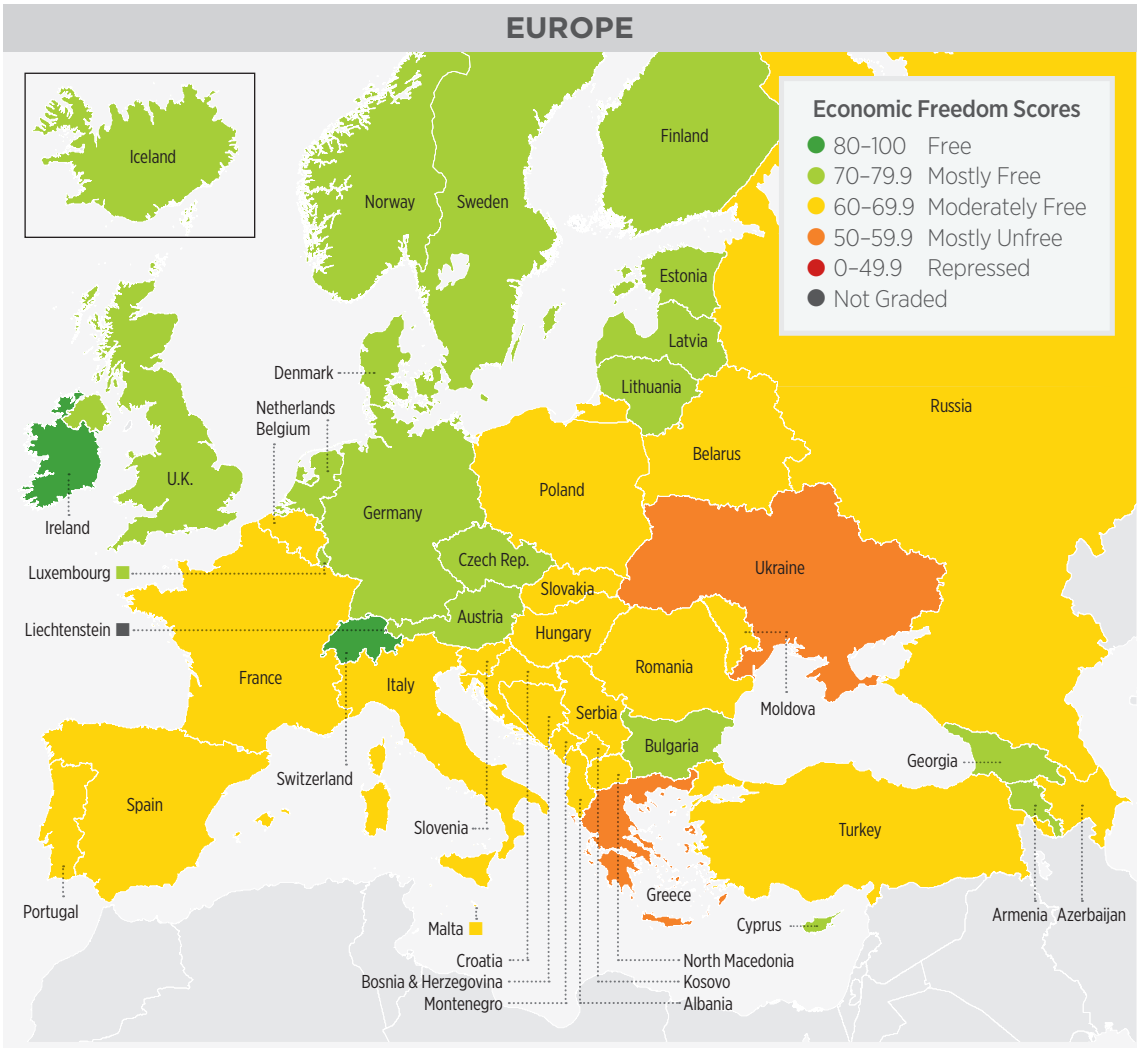
Relatively extensive and long-established free-market institutions in a number of

EUROPE: QUICK FACTS

TOTAL POPULATION:	840.1 million
Population-Weighted Averages	
GDP PER CAPITA (PPP):	$36,453
1-YEAR GROWTH:	2.4%
5-YEAR GROWTH:	2.0%
INFLATION:	4.0%
UNEMPLOYMENT RATE:	7.3%
PUBLIC DEBT:	60.8% of GDP

SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

heritage.org



SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

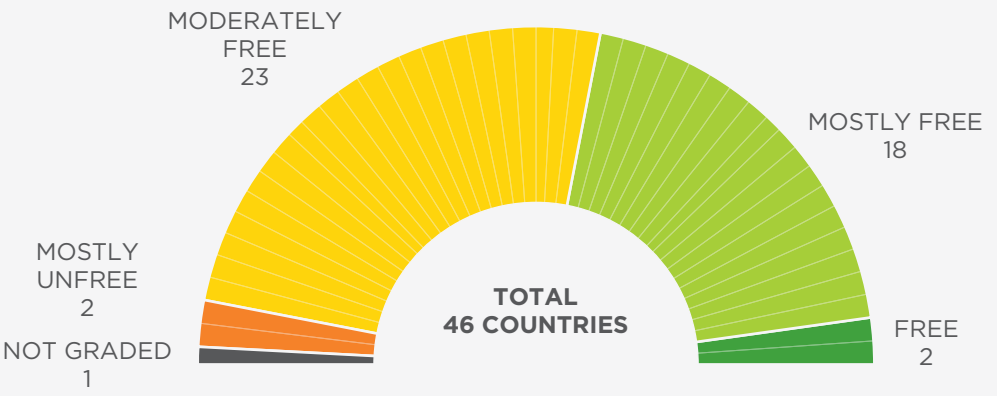
Map 1 heritage.org

countries allow the region to score far above the world average in most measures of economic freedom. (See Chart 2.) Europe is at least 10 points ahead of global averages in judicial effectiveness, trade freedom, and financial freedom and almost 20 points higher in fiscal health. The region's average scores on property rights, government integrity, and investment freedom in 2020 exceed world averages by more than 15 points.

However, Europe still struggles with a variety of policy barriers to vigorous economic expansion, such as overly protective and costly labor regulations, high tax burdens, various market-distorting subsidies, and continuing problems in public finance caused by years of public-sector expansion. The result has been stagnant economic growth, which has exacerbated the burden of fiscal deficits and mounting debt in a number of countries in the region.

Chart 3 shows the strongly positive correlation between high levels of economic freedom and high GDP per capita. Western Europe has benefited from substantial internal economic competition over the centuries, which may help

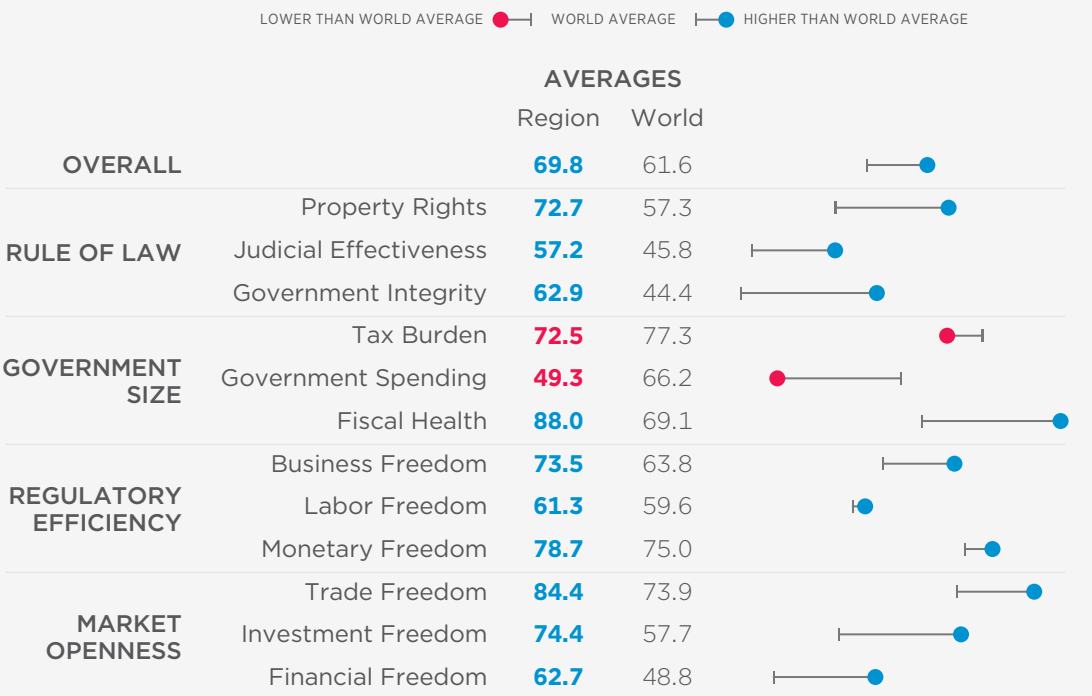
EUROPE: ECONOMIC FREEDOM SUMMARY



SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

Chart 1 heritage.org

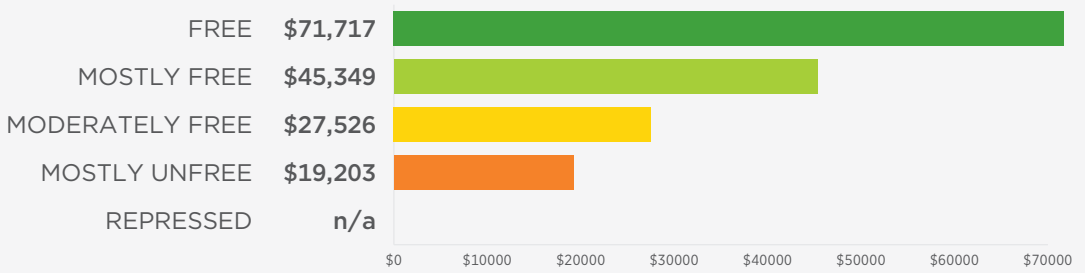
EUROPE: COMPONENTS OF ECONOMIC FREEDOM



SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

Chart 2 heritage.org

EUROPE: AVERAGE GDP PER CAPITA, BY ECONOMIC FREEDOM CATEGORY



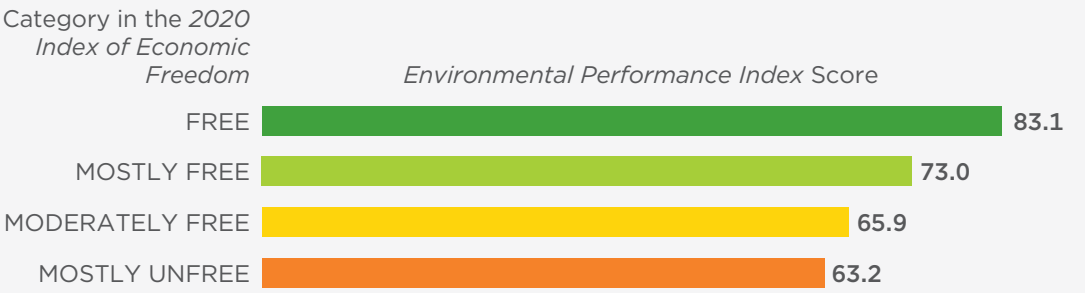
NOTES: Figures are GDP per capita, purchasing power parity (PPP), in current international dollars for 2018.
SOURCES: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index, and International Monetary Fund, "World Economic Outlook Database," April 2018, http://www.imf.org/external/pubs/ft/weo/2018/01/weodata/weoselgr.aspx (accessed December 2, 2019).

Chart 3 heritage.org

to explain why economic repression there is so rare. Some of the Eastern European countries, however, insulated from both internal and external competition for decades under their former Communist regimes, still have not instituted needed reforms. Many post-Communist countries, such as Moldova, Russia, Belarus, and Ukraine, are found at the "less free" end of the distribution.

Remarkably, the scores of 39 of the 45 countries graded in the European region in the 2020 *Index* have improved. Just four declined, while the scores for Germany and Iceland were unchanged. As shown in Chart 4, around the region, countries with greater economic freedom tend to maintain cleaner environments and greater protection of ecosystem vitality.

EUROPE: ECONOMIC FREEDOM AND THE ENVIRONMENT



NOTE: Based on the 44 countries in Europe that appear in both indexes.
SOURCES: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index, and Yale University, *2018 Environmental Performance Index* (New Haven, CT: Yale University), https://epi.envirocenter.yale.edu (accessed December 2, 2019).

Chart 4 heritage.org

NOTABLE COUNTRIES

- Economic freedom in the **United Kingdom** increased again in the 2020 *Index*. The U.K.'s economy has slowly been climbing the ranks of the "mostly free" for the past decade and is now very close to the "free" category. GDP growth has been solid for the past five years, although it slowed in 2018 amid confusion about Brexit. The U.K. has one of the world's most efficient business and investment environments, but the future of economic freedom in the country, as well as the immediate prospects for economic growth, are inextricably tied to the issue of withdrawal from the EU.

- **Slovenia, Hungary, and Slovakia** all improved their scores in the 2020 *Index*, primarily because of higher scores on government integrity as they continue to shed the toxic legacy of Communism. Although all three are now solidly in the "moderately free" category, Slovenia is furthest ahead, with two of its rule-of-law indicators (property rights and government integrity) now higher than the regional averages. The biggest threat to economic freedom for all three countries is excessive government spending.

- **Armenia's** economic freedom ranking rose 13 places in the 2020 *Index*, primarily due to an improvement in fiscal health. The government is pursuing structural reforms, export promotion, and greater foreign investment to boost future economic growth. To attract greater investment, however, Armenians will need to focus more intently on improving judicial effectiveness and government integrity. Right next door, **Azerbaijan**, which is included this year in the European rather than Asia–Pacific regional rankings, also recorded a dramatic rise in economic freedom. Its ranking rose 16 places in the 2020 *Index* as a result of dramatically higher scores for business freedom, investment freedom, and fiscal health. Further improvements in areas like government integrity and judicial effectiveness will depend to some extent on the government's willingness to undertake significant institutional and structural changes in what is still an authoritarian political and economic system. For both Armenia and Azerbaijan, settlement of their long-running conflict in Nagorno–Karabakh should be a high priority that could release significant resources for peaceful development.

- **France's** economic freedom score increased in the 2020 *Index*, and its ranking rose seven positions. The government continues to push its package of reforms to lower stubbornly high unemployment, especially among young people; improve foreign investors' negative views of the country; increase competitiveness; and improve public finances. Unfortunately, the proposed reforms, even if implemented, would probably not have much impact either in curtailing levels of government spending that are among the highest in the world or in reducing stifling rigidities in the labor market.

- **Germany's** economic freedom score was unchanged in the 2020 *Index*. The German economy has resided in the lower half of the "mostly free" ranks for more than a decade. Excessive government spending and costly labor regulations have slowed the expansion of economic freedom, and near-term prospects for market-oriented reforms are slim. The government remains committed to expensive measures to address climate change. Nevertheless, Germany remains the most politically and economically influential nation in the EU. Its robust business environment should continue to attract the private investment needed for continued growth.

ECONOMIC FREEDOM IN EUROPE

World Rank	Regional Rank	Country	Overall Score	Change from 2019	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
5	1	Switzerland	82.0	0.1	87.4	81.5	90.1	70.1	65.3	96.7	74.2	72.4	84.4	86.6	85	90
6	2	Ireland	80.9	0.4	86.6	64.4	82.8	76.4	78.8	91.4	82.7	75.9	85.3	86.4	90	70
7	3	United Kingdom	79.3	0.4	92.2	82.7	89.9	64.7	49.5	78.1	94.7	73.1	80.3	86.4	80	80
8	4	Denmark	78.3	1.6	86.3	84.6	93.0	42.0	19.7	97.7	88.7	86.2	84.6	86.4	90	80
10	5	Estonia	77.7	1.1	83.2	73.7	85.9	81.1	53.3	99.9	73.5	57.3	78.6	86.4	90	70
12	6	Georgia	77.1	1.2	68.6	57.9	64.8	87.1	73.6	94.4	85.3	76.3	78.3	88.6	80	70
13	7	Iceland	77.1	0.0	87.6	63.2	90.3	71.7	44.1	97.5	84.7	63.5	80.3	86.8	85	70
14	8	Netherlands	77.0	0.2	90.0	73.9	90.1	51.7	45.2	94.1	80.4	60.2	82.5	86.4	90	80
16	9	Lithuania	76.7	2.5	77.9	62.1	67.4	84.9	66.0	97.4	71.9	76.5	79.7	86.4	80	70
19	10	Luxembourg	75.8	–0.1	86.4	74.4	90.3	64.1	45.4	99.0	66.8	45.3	76.4	86.4	95	80
20	11	Finland	75.7	0.8	92.3	80.5	96.1	67.5	11.2	90.7	84.8	50.3	83.6	86.4	85	80
22	12	Sweden	74.9	–0.3	88.8	79.9	91.4	43.6	25.8	97.0	85.3	53.8	81.2	86.4	85	80
23	13	Czech Republic	74.8	1.1	76.8	49.9	64.2	82.0	52.7	97.8	69.7	77.6	80.8	86.4	80	80
27	14	Germany	73.5	0.0	80.5	74.3	82.8	60.9	42.2	92.9	82.8	53.0	76.7	86.4	80	70
28	15	Norway	73.4	0.4	84.3	82.8	95.6	57.7	25.6	97.3	86.1	57.4	74.8	83.8	75	60
29	16	Austria	73.3	1.3	87.3	73.2	84.0	51.3	27.2	87.9	73.0	68.3	81.0	86.4	90	70
32	17	Latvia	71.9	1.5	72.3	51.1	46.4	76.9	58.3	96.5	77.0	72.4	80.2	86.4	85	60
34	18	Armenia	70.6	2.9	60.7	54.1	43.4	84.9	80.6	68.8	81.0	72.5	76.0	80.6	75	70
36	19	Bulgaria	70.2	1.2	64.2	45.4	44.2	90.3	66.1	99.2	62.6	68.1	85.7	86.4	70	60
37	20	Cyprus	70.1	2.0	77.4	50.5	57.6	74.8	58.6	80.0	76.6	59.7	84.3	86.4	75	60
38	21	Romania	69.7	1.1	72.5	56.1	55.1	90.3	70.4	85.6	58.6	63.0	78.1	86.4	70	50
42	22	Malta	69.5	0.9	70.5	49.6	55.1	64.8	60.0	95.9	68.0	61.1	77.1	86.4	85	60
41	23	North Macedonia	69.5	–1.6	62.5	42.7	42.2	91.5	71.0	87.7	80.6	67.0	77.7	86.2	65	60
44	24	Azerbaijan	69.3	3.9	67.1	53.9	38.7	88.0	63.0	99.2	80.8	66.2	69.8	74.6	70	60
46	25	Poland	69.1	1.3	63.1	42.8	64.6	74.7	48.8	92.2	62.6	62.0	82.0	86.4	80	70
48	26	Belgium	68.9	1.6	84.5	62.5	80.2	46.7	17.2	77.0	75.2	61.1	80.5	86.4	85	70
52	27	Slovenia	67.8	2.3	76.5	48.6	67.4	59.2	42.9	90.3	78.4	61.4	82.2	86.4	70	50
53	28	Kosovo	67.4	0.4	66.3	54.1	39.2	92.6	76.5	94.0	75.0	61.0	78.4	76.2	65	30
56	29	Portugal	67.0	1.7	75.4	65.6	68.9	59.6	39.8	74.4	76.5	44.1	83.0	86.4	70	60
57	30	Albania	66.9	0.4	57.1	33.0	38.8	85.9	74.6	86.3	65.7	52.1	81.2	88.4	70	70
58	31	Spain	66.9	1.2	74.9	51.8	55.1	62.1	48.3	62.6	66.8	57.7	82.0	86.4	85	70
60	32	Slovakia	66.8	1.8	73.1	41.7	49.7	78.5	50.2	92.6	55.3	52.6	75.9	86.4	75	70
62	33	Hungary	66.4	1.4	64.8	45.7	47.5	79.9	34.5	83.6	60.2	64.6	79.9	86.4	80	70
64	34	France	66.0	2.2	85.9	71.2	83.3	48.8	4.5	67.1	82.5	46.1	76.7	81.4	75	70
65	35	Serbia	66.0	2.1	55.4	46.8	44.0	83.7	49.7	94.1	72.6	66.9	80.7	78.0	70	50
71	36	Turkey	64.4	–0.2	57.4	53.7	44.6	76.7	64.1	86.1	67.0	49.2	66.1	78.0	70	60
74	37	Italy	63.8	1.6	75.4	51.3	62.2	56.0	28.5	71.1	70.4	50.9	83.2	86.4	80	50
82	38	Bosnia & Herzegovina	62.6	0.7	44.4	33.9	41.8	83.6	49.3	97.3	45.7	67.4	82.7	80.0	65	60

ECONOMIC FREEDOM IN EUROPE

World Rank	Regional Rank	Country	Overall Score	Change from 2019	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
84	39	Croatia	62.2	0.8	69.9	39.6	51.0	65.9	34.7	89.1	53.6	44.0	77.6	86.4	75	60
87	40	Moldova	62.0	2.9	60.5	31.7	37.2	86.1	71.6	96.2	68.1	37.0	72.0	78.0	55	50
88	41	Belarus	61.7	3.8	63.2	48.4	37.4	88.8	54.1	95.4	76.4	74.8	69.8	82.0	30	20
91	42	Montenegro	61.5	1.0	59.1	55.3	47.5	85.4	32.1	23.4	70.8	74.8	80.3	83.8	75	50
94	43	Russia	61.0	2.1	56.8	44.4	41.3	88.5	63.8	98.7	80.2	52.1	68.2	77.8	30	30
100	44	Greece	59.9	2.2	57.0	48.6	51.2	59.0	31.5	80.0	73.7	52.0	79.4	81.4	55	50
134	45	Ukraine	54.9	2.6	47.5	42.2	37.9	81.1	47.2	83.9	61.3	48.3	63.0	81.2	35	30
N/A	N/A	Liechtenstein	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	85	80

- Although **Russia's** economic freedom score increased in the 2020 *Index* and the Russian economy became "moderately free" for the first time in more than a decade, GDP growth remains weak, burdened by structural weaknesses, low levels of investment, and a poor demographic outlook. As long as the government pursues statist, nationalist, and protectionist economic policies and maintains a cautious approach to inward foreign investment, the advancement of economic freedom in Russia will be difficult. A subservient judiciary, rampant corruption, and links among bureaucrats and organized criminal groups compromise government integrity. Large and corrupt state-owned institutions and an inefficient public sector dominate the economy.

MIDDLE EAST AND NORTH AFRICA

MIDDLE EAST AND NORTH AFRICA

Stretching from Morocco's Atlantic coast across the Nile, Jordan, and Euphrates river valleys to Iranian and Yemeni beaches on the Persian Gulf and the Arabian Sea, the Middle East and North Africa (MENA) region remains at the center of global politics. Although the countries of the region are successors to some of the world's most ancient civilizations, relatively few are enjoying the benefits of economic freedom in the 21st century. The demographic profiles of most of these countries, at once blessed and cursed by enormous mineral resources, tend to be distinguished by extreme concentrations of wealth and poverty. Most worrisome is the region's ongoing notoriety as the world's most acute hot spot for economic, political, and security vulnerabilities. This instability is illustrated by the fact that four of the six countries in the 2020 *Index* that cannot be graded or ranked because of lack of data are in the MENA region.

The region's population-weighted average GDP per capita is the third highest among the five *Index* global regions (approximately $21,975 at purchasing power parity). The regional population-weighted average rate of inflation is 8.0 percent. In the past five years, the MENA region has registered soft annual economic growth (2.9 percent) and has continued to suffer from high levels of unemployment (9.8 percent), particularly among the young.

Many countries in the region have been grappling since 2011 with fallout from social upheaval or outright conflict growing out of citizens' demands for more freedom. Unfortunately, the lives of most people have not changed for the better in the past eight years. The most vivid illustration of this regional policy failure is in Tunisia, birthplace of the "Arab Spring," where the country's 2019 *Index* economic freedom score dropped sharply and the 2020 score increased only negligibly. Scores declined in two of the region's three economic freedom leaders: the United Arab Emirates and Qatar. Overall, the region's score improved only very slightly in 2020. The grading of economic freedom for Iraq, Syria, Libya, and Yemen remains suspended because of ongoing violence and unrest.

Chart 1 shows the distribution of countries in the MENA region according to the five categories of economic freedom measured by the *Index*. The region does not have any economically "free" countries, and the United Arab Emirates, Israel, and Qatar are its only "mostly free" economies. The majority of the 14 countries in the region that are graded in the *Index* fall into the "moderately free" or "mostly unfree" categories, with Iran and Algeria categorized as "repressed."

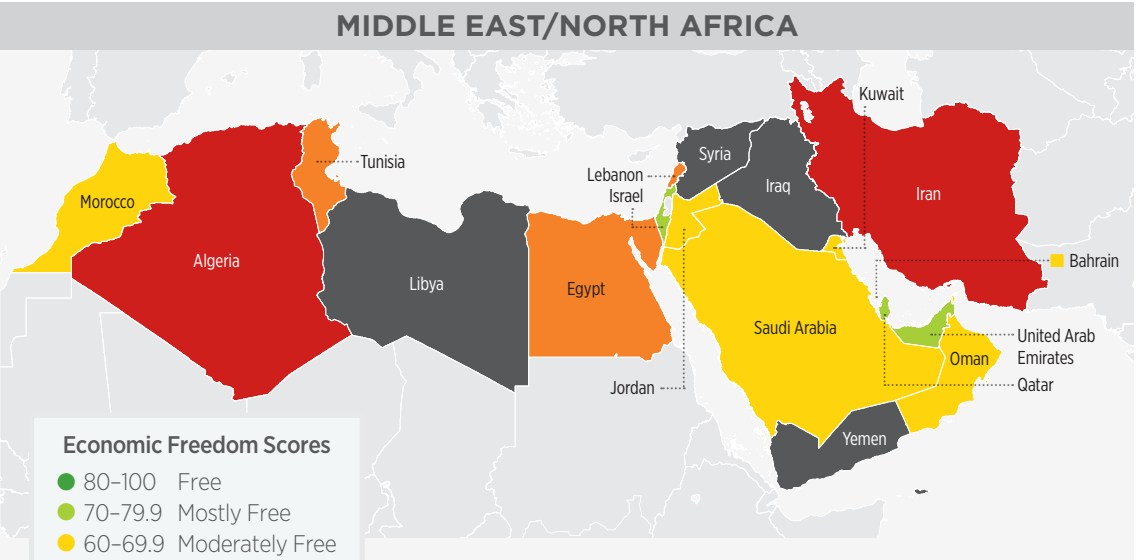
Structural and institutional problems abound, and private-sector growth in the region still lags far behind levels needed to provide enough job creation for proliferating populations. Despite exports of crude oil for energy generation, the region's overall trade flows

MIDDLE EAST/NORTH AFRICA: QUICK FACTS

TOTAL POPULATION:	444.1 million
Population-Weighted Averages	
GDP PER CAPITA (PPP):	$21,975
1-YEAR GROWTH:	1.6%
5-YEAR GROWTH:	2.9%
INFLATION:	8.0%
UNEMPLOYMENT RATE:	9.8%
PUBLIC DEBT:	55.2% of GDP

SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

heritage.org



SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

Map 1 heritage.org

remain very low, reflecting a lack of economic dynamism and vitality. The MENA region's lack of economic opportunities remains a serious problem, particularly for the younger working-age population, whose average unemployment rate exceeds 25 percent. Social upheaval is the predictable result.

There is one *Index* indicator in which the MENA region is the clear global leader: tax burden. (See Chart 2.) The region's tax burden score beat the world average by more than 10 points again in 2020, a level reached because of the low income tax rates typical in the oil kingdoms. The region also scores above the world average in all three indicators related to the rule of law and in business freedom, trade freedom, and financial freedom.

The MENA region is endowed with the world's highest concentration of oil reserves, but that does not automatically translate into high levels of economic freedom. Even so, the positive relationship between high levels of economic freedom and high GDP per capita still holds true in the region, as illustrated by Chart 3. The ongoing transformation of relatively economically advanced states such as the United Arab Emirates, Qatar, and Israel may yet show the way to broader-based economic growth, more political stability, and greater economic freedom in this region.

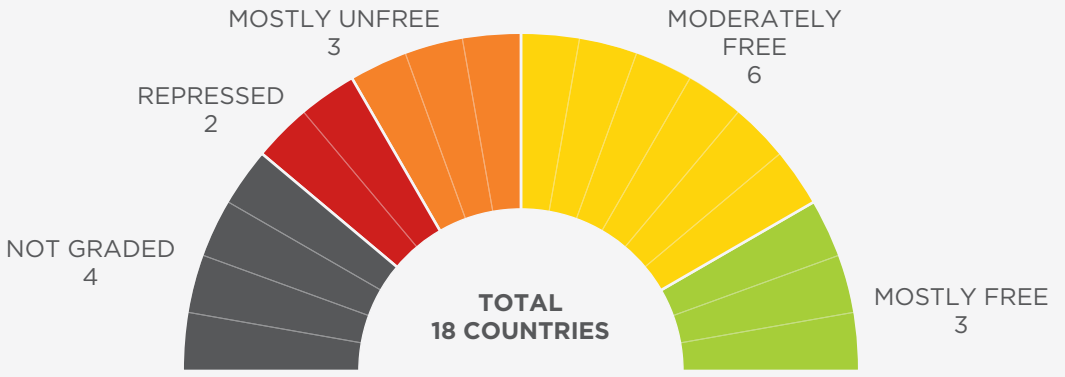
In the 2020 *Index*, the scores of nine countries in the MENA region improved, and the scores of the other five graded countries declined. As shown in Chart 4, across the region, greater economic freedom is also strongly correlated with overall human development as measured by the United Nations Human Development Index, which measures life expectancy, literacy, education, and standard of living.

The results of the 2020 *Index* reflect that the region's underlying political and economic architecture, dominated by authoritarian governments, continues to repress economic freedom a decade after the exhilarating promises of the Arab Spring. Costly subsidies to quell social and political unrest are still being funded by too many of the region's governments, even at the cost of heavy and unsustainable budget deficits.

NOTABLE COUNTRIES

- **Israel's** economic freedom score and ranking increased in the 2020 *Index*. The

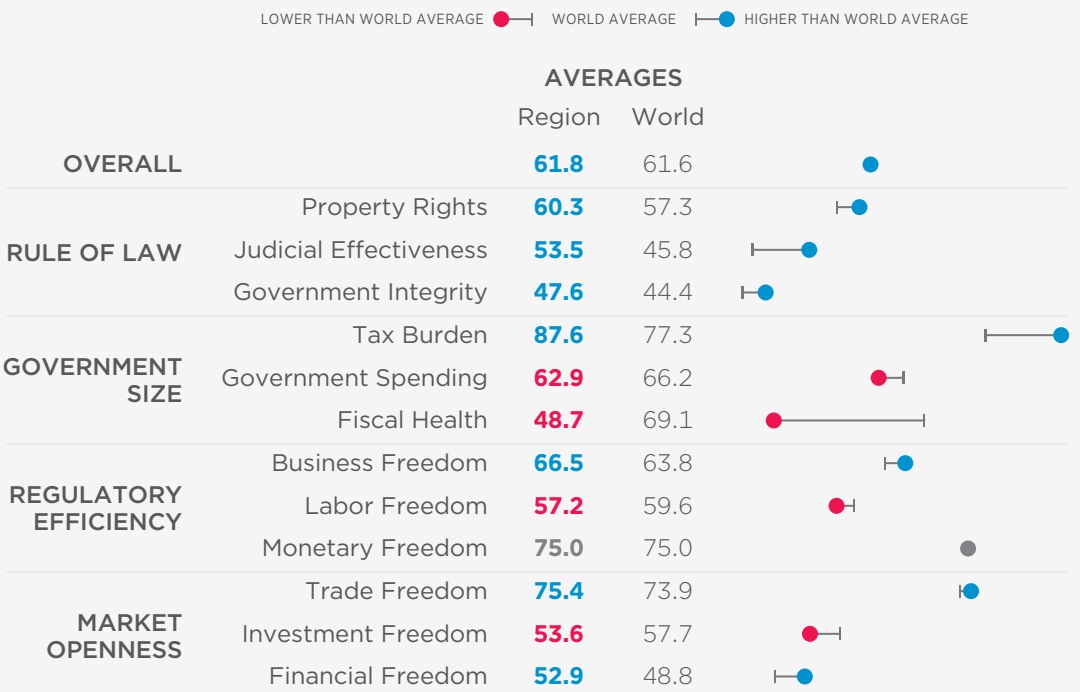
MIDDLE EAST/NORTH AFRICA: ECONOMIC FREEDOM SUMMARY



SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

Chart 1 heritage.org

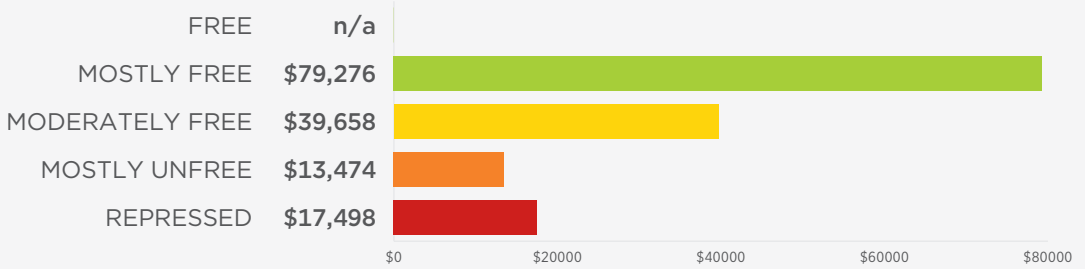
MIDDLE EAST/NORTH AFRICA: COMPONENTS OF ECONOMIC FREEDOM



SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

Chart 2 heritage.org

MIDDLE EAST/NORTH AFRICA: AVERAGE GDP PER CAPITA, BY ECONOMIC FREEDOM CATEGORY



NOTES: Figures are GDP per capita, purchasing power parity (PPP), in current international dollars for 2018.
SOURCES: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index, and International Monetary Fund, "World Economic Outlook Database," April 2018, http://www.imf.org/external/pubs/ft/weo/2018/01/weodata/weoselgr.aspx (accessed December 2, 2019).

Chart 3 heritage.org

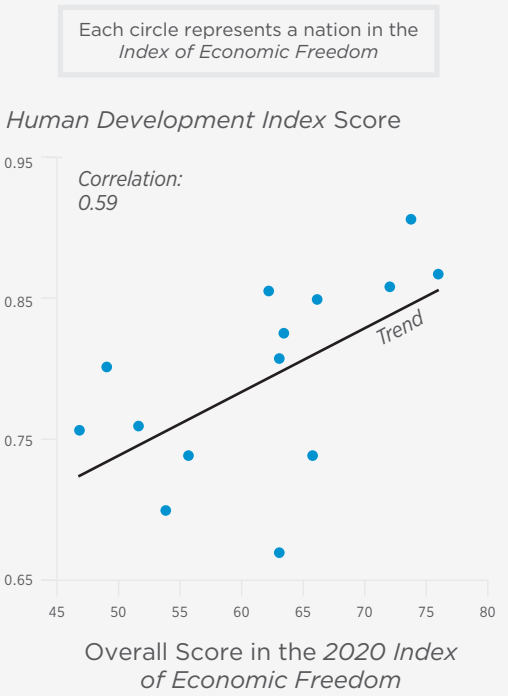
Israeli economy has risen higher in the "mostly free" category for the third year in a row. Ever since the beginning of the *Index* in 1995, government spending has consistently hindered greater economic freedom in Israel. It remains to be seen whether a new government can muster the political will to address the problem by implementing spending cuts and other fiscal restraints. The economic competitiveness of the "Start-up Nation" has been anchored in strong protection of property rights, efficient coordination of regulatory processes, and a sound judicial framework that sustains the rule of law.

- Economic freedom in **Egypt** also improved in the 2020 *Index*. The Egyptian economy has languished in the "mostly unfree" category for more than two decades. Growth of GDP in the past five years, however, has been healthy. The construction and energy sectors are the main engines of growth. To begin making real progress in expanding economic freedom, the government will need to pursue pro-business policies to improve the investment climate; hold fast to its schedule of cuts in subsidies; and continue fiscal reforms (such as the pension reform passed in 2019) to reduce its crippling level of public debt.

- **Saudi Arabia's** economic freedom rank and score increased markedly in the 2020 *Index*. The Saudi economy has been rated "moderately free" for most of the past two decades. The government is continuing efforts to diversify the economy away from its dependence on oil, but the momentum of its ambitious Vision 2030 program has been diminished as its main proponent, Crown Prince Mohammad bin Salman, has been embroiled in controversy surrounding the murder of dissident journalist Jamal Khashoggi. The greatest need at present is perhaps to restore Saudi Arabia's somewhat tarnished reputation for government integrity.

- The most improved country in the region this year was **Oman** due to significant gains in the rule of law. Oman's economy has been in the "moderately free" category for 25 years, and further improvements

MIDDLE EAST/NORTH AFRICA: ECONOMIC FREEDOM AND HUMAN DEVELOPMENT



NOTE: Based on the 13 countries in Middle East/North Africa that appear in both indexes.
SOURCES: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index; U.N. Human Development Program, "Human Development Indices and Indicators 2018 Statistical Update," http://hdr.undp.org/en/2018-update (accessed December 2, 2019); and United Nations Development Program Human Development Reports, "Human Development Data," http://hdr.undp.org/en/data (accessed December 2, 2019).

Chart 4 ☎ heritage.org

should help the government's efforts to develop the nonoil economy. GDP growth over the past half-decade has been steady but unremarkable. An effort is underway to develop a new bankruptcy and insolvency law, which would help to improve the business environment and increase foreign direct investment inflows.

- The biggest regional drop in rank in the 2020 *Index* was by **Jordan.** The Jordanian economy has been in the "moderately free" category for all but one year since the inception of the *Index* in 1995 but has been held back from rising to the ranks of the "mostly free" by consistently low scores on such rule-of-law indicators as property rights and (especially) government integrity.

ECONOMIC FREEDOM IN MIDDLE EAST/NORTH AFRICA

World Rank	Regional Rank	Country	Overall Score	Change from 2019	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
18	1	United Arab Emirates	76.2	–1.4	80.3	84.6	64.6	99.2	72.1	94.1	78.6	81.3	79.6	80.4	40	60
26	2	Israel	74.0	1.2	82.3	71.8	77.2	61.0	53.5	89.2	72.2	64.4	84.9	86.2	75	70
31	3	Qatar	72.3	–0.3	66.9	58.7	64.6	99.8	64.6	93.7	71.1	65.9	80.6	81.6	60	60
63	4	Bahrain	66.3	–0.1	70.6	48.4	51.0	99.4	66.1	2.6	70.5	71.1	81.1	79.4	75	80
66	5	Jordan	66.0	–0.5	64.8	54.6	49.6	91.8	73.5	55.9	60.1	52.5	77.6	81.2	70	60
75	6	Oman	63.6	2.6	66.4	66.2	64.6	98.4	36.2	14.8	74.6	56.9	78.4	81.6	65	60
78	7	Morocco	63.3	0.4	66.3	48.0	39.2	71.8	72.8	67.2	70.4	33.0	77.0	78.6	65	70
79	8	Kuwait	63.2	2.4	57.1	47.0	46.0	97.7	22.4	99.6	61.3	62.2	73.2	76.4	55	60
83	9	Saudi Arabia	62.4	1.7	64.6	72.3	49.6	99.8	61.8	19.3	66.6	63.3	81.0	75.4	45	50
128	10	Tunisia	55.8	0.4	56.4	43.6	39.7	74.2	73.1	38.8	78.1	49.8	73.9	66.4	45	30
142	11	Egypt	54.0	1.5	48.5	51.2	34.0	86.1	69.9	2.8	62.0	51.5	61.3	70.2	60	50
157	12	Lebanon	51.7	0.6	44.6	30.8	25.0	90.8	72.5	0.0	45.6	47.8	75.6	77.4	60	50
164	13	Iran	49.2	–1.9	36.9	37.1	33.5	81.0	89.2	86.5	57.3	50.7	49.0	54.6	5	10
169	14	Algeria	46.9	0.7	37.9	35.0	28.3	75.4	52.6	17.3	63.0	50.5	76.2	66.2	30	30
N/A	N/A	Iraq	N/A	N/A	43.9	11.2	20.8	N/A	59.5	76.6	52.6	44.8	76.4	N/A	N/A	N/A
N/A	N/A	Libya	N/A	N/A	30.1	20.8	18.9	N/A	0.0	N/A	40.7	53.9	53.6	N/A	5	N/A
N/A	N/A	Syria	N/A	N/A	45.6	20.8	21.9	N/A	N/A	N/A	48.9	59.3	58.8	51.6	0	N/A
N/A	N/A	Yemen	N/A	N/A	22.5	20.1	21.9	N/A	96.5	60.1	43.9	43.8	42.6	70.0	50	N/A

SUB-SAHARAN AFRICA

SUB-SAHARAN AFRICA

The Sub-Saharan region of Africa spans most of the world's second-largest continent, traversing southward from the vast Sahara Desert thousands of miles to South Africa's Cape of Good Hope and stretching from the Indian Ocean beaches of Mozambique to the North Atlantic coast of Senegal and Mauritania. In the 2020 *Index*, the scores for the 47 countries in this region that were graded generally fall into the lower categories of economic freedom. Although there was only a very slight improvement in the region's overall economic freedom this year, a second year of economic growth that is significantly higher than the world average could permit those nations to make the additional but politically painful institutional reforms that are needed to ensure long-term economic development.

The region's continuing underperformance reflects repeated failures to implement policy changes to improve the business and investment climate and strengthen the rule of law. The missed economic opportunities due to corruption and conflict, in particular, represent a tragedy for the region's huge population of young people, who lose developmental ground that is increasingly difficult to make up as such conditions persist. Successful efforts at structural reform have been rare, and the modernization of infrastructure and institutions lags severely throughout most of Sub-Saharan Africa. Many countries in the region are overly dependent on exports of agricultural and mineral commodities that contribute little to sustained increases in productivity and broad-based job creation, and few have made any sustained progress toward economic diversification. The result is a deeply ingrained pattern of suboptimal and uneven growth that leaves a substantial proportion of the population in many countries living at or near subsistence levels.

The population-weighted average GDP per capita for the region is the lowest for any of the five global regions in the 2020 *Index* ($4,148 at purchasing power parity). Unemployment dropped to 6.3 percent, however, possibly indicating some progress in reducing widespread underemployment and shrinking the region's large informal sectors.

Chart 1 shows the distribution of countries in the Sub-Saharan African region by level of economic freedom. Unlike regions that benefit from having a diverse range of competitive and innovative free-market economies, the distinctions among economies in Sub-Saharan Africa are defined primarily by the countries' relative lack of economic freedom. There is not a single "free" economy in the region. Only Mauritius and Rwanda are counted among the ranks of the "mostly free," and another six countries are considered to have "moderately free" economies, but a clear majority of the 47 nations graded in the 2020 *Index* are ranked either "mostly unfree" or "repressed." In fact, nine of the total of 19 "repressed" economies in the entire world—almost half—are in Sub-Saharan Africa.

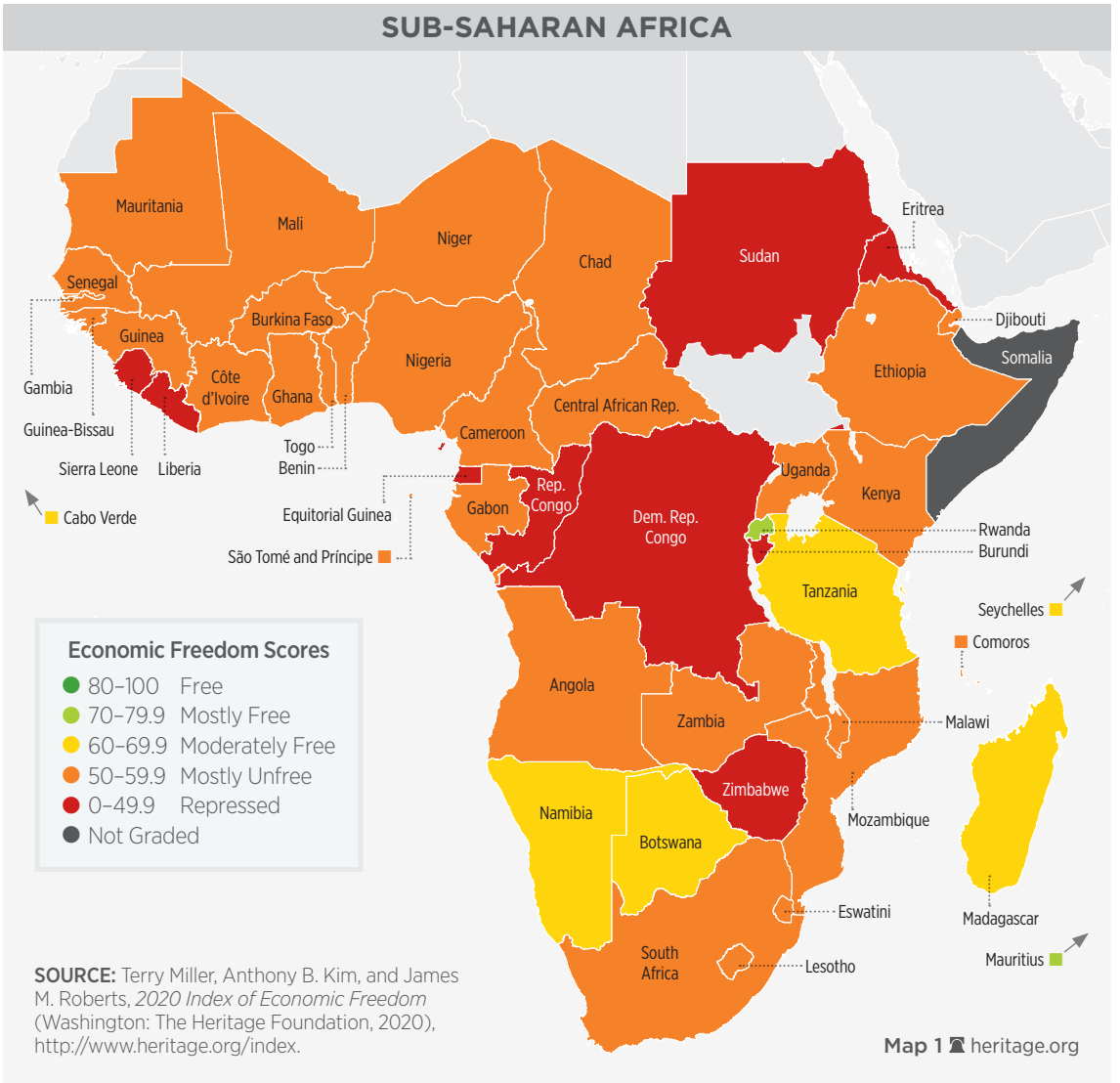
As shown in Chart 2, the only one of the 12 indicators in which the region scores higher

SUB-SAHARAN AFRICA: QUICK FACTS

TOTAL POPULATION:	1.04 billion
Population-Weighted Averages	
GDP PER CAPITA (PPP):	$4,148
1-YEAR GROWTH:	3.9%
5-YEAR GROWTH:	4.3%
INFLATION:	11.9%
UNEMPLOYMENT RATE:	6.3%
PUBLIC DEBT:	51.7% of GDP

SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

heritage.org

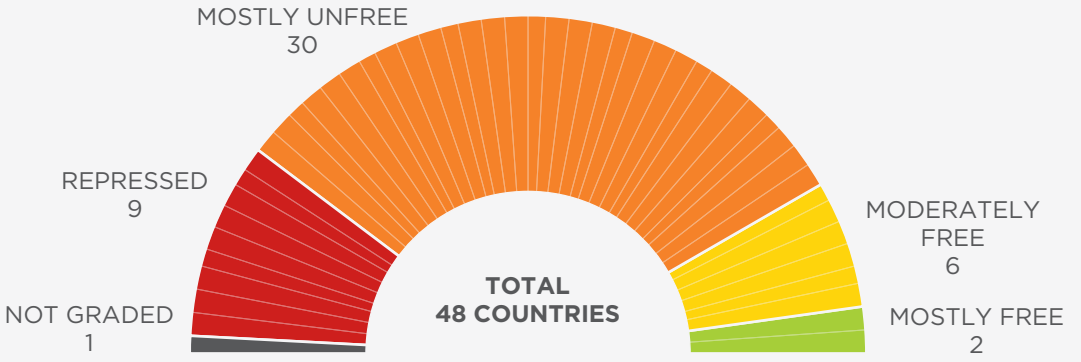


than the world average is government spending. That is a hollow victory, however, since the score reflects the inability of underresourced governments in the region to perform the complicated tasks required to manage 21st century economies more than it does any particular efforts at spending restraint.

Another irony emerges from the region's relatively positive average tax burden score, which reflects the ineffective or corrupt administration of existing tax laws rather than any particular restraint in the desire to extract revenue from the population. Labor freedom is restricted in the formal labor markets, resulting in large amounts of unreported informal economic activity in which workers enjoy no protections whatsoever. The 2020 *Index* scores also document the region's continuing lack of progress in improving the rule of law, regulatory efficiency, and open markets, thereby providing additional metrics that confirm how the region is falling behind the rest of the world.

Overall, the depressing landscape painted by the numbers in Chart 2 depicts a region dominated by dozens of nations with uneven economic playing fields that are further pockmarked by weak rule of law, inadequate protection of property rights, cronyism, and endemic

SUB-SAHARAN AFRICA: ECONOMIC FREEDOM SUMMARY



SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

Chart 1 heritage.org

SUB-SAHARAN AFRICA: COMPONENTS OF ECONOMIC FREEDOM

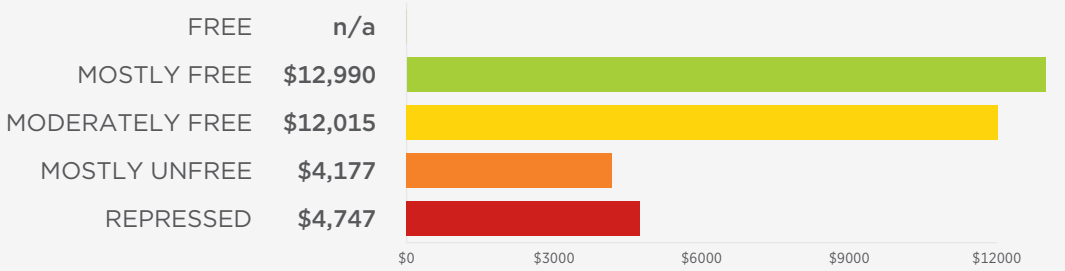
LOWER THAN WORLD AVERAGE — WORLD AVERAGE — HIGHER THAN WORLD AVERAGE

		AVERAGES	
		Region	World
OVERALL		**55.1**	61.6
RULE OF LAW	Property Rights	**44.6**	57.3
	Judicial Effectiveness	**36.7**	45.8
	Government Integrity	**29.2**	44.4
GOVERNMENT SIZE	Tax Burden	**76.1**	77.3
	Government Spending	**79.4**	66.2
	Fiscal Health	**57.3**	69.1
REGULATORY EFFICIENCY	Business Freedom	**52.2**	63.8
	Labor Freedom	**55.5**	59.6
	Monetary Freedom	**73.5**	75.0
MARKET OPENNESS	Trade Freedom	**65.7**	73.9
	Investment Freedom	**51.6**	57.7
	Financial Freedom	**39.6**	48.8

SOURCE: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index.

Chart 2 heritage.org

SUB-SAHARAN AFRICA: AVERAGE GDP PER CAPITA, BY ECONOMIC FREEDOM CATEGORY



NOTES: Figures are GDP per capita, purchasing power parity (PPP), in current international dollars for 2018.
SOURCES: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index, and International Monetary Fund, "World Economic Outlook Database," April 2018, http://www.imf.org/external/pubs/ft/weo/2018/01/weodata/weoselgr.aspx (accessed December 2, 2019).

Chart 3 heritage.org

corruption. The region's scores on property rights, government integrity, fiscal health, and business freedom are all lower than world averages by 10 points or more.

The message to the vast majority of citizens of Sub-Saharan Africa who lack political connections is that their prospects for a brighter future are severely limited absent improvements in economic freedom.

Although Chart 3 confirms that the strong relationship between high levels of economic freedom and high GDP per capita holds true even in Sub-Saharan Africa, the region's deep economic distortions are also evident in the counterintuitive spike in average per capita GDP in the "repressed" category. That is because the high GDP of the small, profoundly repressive, and corrupt but oil-rich nation of Equatorial Guinea perversely skews upward the average GDP per capita for the region's least economically free countries.

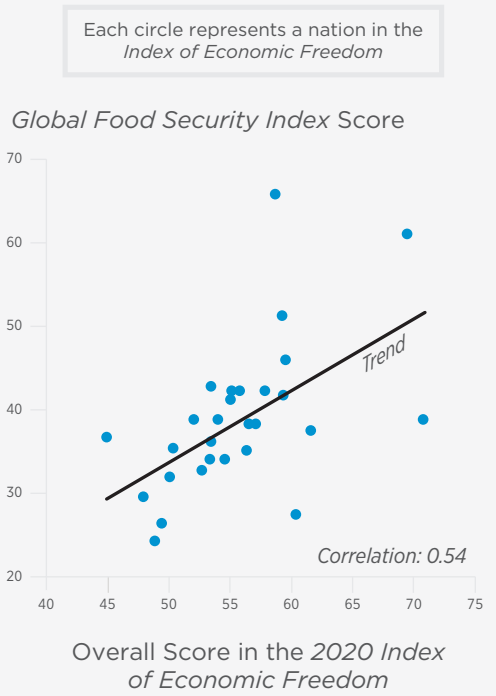
In a bit of good news in the 2020 *Index*, the scores of 31 countries in the Sub-Saharan Africa region improved, one was unchanged, and only 15 declined, producing an increase of nearly one point in the region's overall economic freedom average score, although it remains in the "mostly unfree" category.

Perhaps the most tragic consequence of the dearth of economic freedom in Sub-Saharan Africa is its correlation (shown in Chart 4) with severe food shortages and poor nutrition, which in turn are directly and causally related to the region's political instability, high infant mortality rates, disease outbreaks, childhood learning disabilities, and frequent famines. In the longer term, foreign aid from the West cannot solve the food security problem in Sub-Saharan Africa. The solution to that problem—and to many other challenges in the region—is more economic freedom.

NOTABLE COUNTRIES

- Economic freedom in **Togo** registered a strong improvement in both score and rank in the 2020 *Index*, and the economy avoided a return to the "repressed" category. Achieving the government's ambitious goal of establishing Togo as a financial and logistics hub will require massive economic freedom–friendly changes including reforms in the judicial system and a commitment to tackling the serious and long-standing problem of corruption.

SUB-SAHARAN AFRICA: ECONOMIC FREEDOM AND FOOD SECURITY



NOTE: Based on the 28 countries in Sub-Saharan Africa that appear in both indexes.
SOURCES: Terry Miller, Anthony B. Kim, and James M. Roberts, *2020 Index of Economic Freedom* (Washington: The Heritage Foundation, 2020), http://www.heritage.org/index, and The Economist Intelligence Unit, *Global Food Security Index 2018*, http://foodsecurityindex.eiu.com/ (accessed December 2, 2019).

Chart 4 heritage.org

- **Madagascar's** economy returned to the ranks of the "moderately free" in the 2020 *Index* after three years as "mostly unfree." The government aims to maintain economic growth through a structural reform agenda designed to enhance investment capacity and reduce the fiscal risks of its state-owned electricity and water utilities. To achieve those goals, the government will need to strengthen the rule of law, make the labor market more flexible, and maintain political stability to boost investor confidence.

- The neighboring island of **Mauritius** remained Sub-Saharan Africa's economically freest country in the 2020 *Index*. To put economic freedom in Mauritius on a faster trajectory and make the leap to a top-10 ranking, the government will need to take even stronger action to correct continuing serious deficits in government integrity and judicial effectiveness, which are eroded by levels of corruption that are more typical of much poorer and less-developed countries.

- **South Africa's** economic freedom increased slightly, but its rank dropped in the 2020 *Index*, and it remains "mostly unfree." To turn the trajectory of economic freedom positive again in South Africa and achieve its goals of economic growth and job creation, the government needs to confront persistent labor market rigidities and pursue stricter application of rules against anticompetitive behavior.

- **Zimbabwe** remains near the bottom of the 2020 *Index*. The government's ambitious economic reform program to promote and protect private enterprise, reduce the costs of doing business, and encourage foreign direct investment has the potential for positive results, but its implementation is hamstrung by the lack of government integrity and flawed governance practices across many sectors.

ECONOMIC FREEDOM IN SUB-SAHARAN AFRICA

World Rank	Regional Rank	Country	Overall Score	Change from 2019	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
21	1	Mauritius	74.9	1.9	75.8	62.6	53.3	91.5	82.1	79.3	82.5	60.2	73.8	88.2	80	70
33	2	Rwanda	70.9	–0.2	76.5	78.3	57.6	79.2	79.8	86.7	60.3	81.8	79.8	70.4	60	40
40	3	Botswana	69.6	0.1	60.9	45.2	46.4	87.0	69.1	97.5	69.3	68.2	73.6	82.8	65	70
72	4	Seychelles	64.3	2.9	68.3	46.4	53.3	76.8	58.9	93.2	65.3	62.8	78.6	82.6	55	30
76	5	Cabo Verde	63.6	0.5	47.5	48.0	46.1	77.7	71.7	66.2	58.5	55.6	83.1	68.2	80	60
89	6	Tanzania	61.7	1.5	41.9	43.4	32.5	80.6	91.6	92.9	45.9	66.4	72.2	67.8	55	50
96	7	Namibia	60.9	2.2	58.9	58.5	46.0	65.7	58.1	28.7	65.6	84.9	75.9	83.2	65	40
99	8	Madagascar	60.5	3.9	45.6	39.6	25.0	90.7	91.5	90.6	47.3	44.6	72.7	73.6	55	50
101	9	Côte d'Ivoire	59.7	–2.7	48.5	33.0	25.5	77.8	82.5	66.9	62.3	49.2	75.7	69.4	75	50
102	10	Uganda	59.5	–0.2	45.6	36.9	21.4	80.3	88.4	64.3	46.0	83.1	78.0	75.4	55	40
104	11	Ghana	59.4	1.9	52.5	46.1	32.2	78.4	88.1	35.6	58.4	59.3	68.9	63.8	70	60
106	12	South Africa	58.8	0.5	58.4	38.0	46.6	63.7	67.4	64.0	62.0	58.8	75.9	75.8	45	50
110	13	Senegal	58.0	1.7	52.4	39.8	40.6	70.2	84.4	75.2	50.4	38.1	79.7	65.4	60	40
116	14	Nigeria	57.2	–0.1	38.1	32.2	22.3	85.1	96.2	64.1	54.7	84.0	61.7	62.4	45	40
117	15	Burkina Faso	56.7	–2.7	46.9	42.6	34.1	81.3	77.0	49.2	47.6	52.1	82.4	61.8	65	40
118	16	Gabon	56.7	0.4	36.9	20.8	36.7	74.3	89.3	88.9	52.1	52.3	77.3	51.2	60	40
121	17	Guinea	56.5	0.8	38.7	33.3	16.1	70.0	91.4	93.8	55.4	58.0	70.6	60.4	50	40
123	18	Gambia	56.3	3.9	43.9	43.4	39.2	74.6	85.6	25.3	53.5	67.4	63.3	64.6	65	50
125	19	São Tomé & Príncipe	56.2	2.2	41.0	26.5	37.4	88.3	77.1	73.0	64.8	43.4	68.1	64.2	60	30
126	20	Mali	55.9	–2.2	36.1	32.7	20.7	69.2	85.8	73.6	49.2	52.2	81.6	65.0	65	40
130	21	Mauritania	55.3	–0.4	32.5	20.8	21.9	80.9	76.4	85.9	61.7	51.3	79.6	62.6	50	40
131	22	Eswatini	55.3	0.6	49.8	42.4	37.2	72.8	62.8	17.6	58.9	67.9	75.2	88.6	50	40
132	23	Kenya	55.3	0.2	63.2	48.6	28.2	78.7	79.6	13.5	55.0	55.8	75.0	60.4	55	50
133	24	Benin	55.2	–0.1	41.3	36.4	29.6	69.0	84.2	46.6	58.0	53.7	84.3	49.4	60	50
137	25	Niger	54.7	3.1	45.6	42.6	33.4	76.7	79.0	44.7	55.4	47.9	74.8	61.2	55	40
138	26	Lesotho	54.5	1.4	45.2	47.0	29.6	73.0	34.4	60.3	52.8	58.8	75.7	82.2	55	40
140	27	Togo	54.1	3.8	41.6	31.7	31.2	67.5	78.6	59.4	55.0	46.9	79.5	63.2	65	30
143	28	Comoros	53.7	–1.7	43.1	31.7	23.8	63.6	73.6	85.0	47.8	60.3	81.7	59.2	45	30
145	29	Cameroon	53.6	1.2	45.3	30.8	20.8	74.8	88.3	63.7	46.0	50.1	84.1	59.6	30	50
146	30	Ethiopia	53.6	0.0	36.5	45.1	29.4	77.4	90.8	79.2	48.6	57.6	62.7	60.8	35	20
147	31	Zambia	53.5	–0.1	45.2	31.3	28.4	73.2	81.7	18.4	66.4	47.0	72.2	72.6	55	50
148	32	Guinea-Bissau	53.3	–0.7	41.3	48.4	14.8	88.7	86.7	67.3	39.1	61.2	82.7	49.0	30	30
151	33	Djibouti	52.9	5.8	58.8	31.7	25.5	75.3	53.6	10.9	62.3	60.6	76.5	49.8	80	50
152	34	Malawi	52.8	1.4	43.1	42.1	24.8	79.0	71.7	23.6	41.9	62.8	69.1	75.4	50	50
154	35	Angola	52.2	1.6	36.9	14.3	15.1	87.3	85.7	71.9	57.7	61.1	59.6	66.2	30	40
159	36	Central African Republic	50.7	1.6	38.1	31.7	24.3	65.5	93.5	95.3	24.3	40.4	73.3	47.2	45	30
160	37	Mozambique	50.5	1.9	34.9	31.7	23.2	74.1	69.6	40.3	55.3	41.7	72.0	78.0	35	50
161	38	Chad	50.2	0.3	32.4	27.4	15.1	45.8	93.5	95.6	26.8	43.0	76.1	47.2	60	40

ECONOMIC FREEDOM IN SUB-SAHARAN AFRICA

World Rank	Regional Rank	Country	Overall Score	Change from 2019	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
162	39	Dem. Rep. Congo	49.5	–0.8	30.1	26.5	13.1	74.4	95.4	98.0	51.2	41.6	49.6	64.6	30	20
165	40	Liberia	49.0	–0.7	31.1	37.9	23.8	86.1	65.5	59.7	48.2	38.2	62.1	60.6	55	20
166	41	Burundi	49.0	0.1	24.9	26.9	22.3	73.7	85.8	13.2	55.1	67.4	70.3	68.2	50	30
167	42	Equatorial Guinea	48.3	7.3	38.1	19.5	15.1	75.1	86.4	77.2	37.5	34.2	78.1	48.8	40	30
168	43	Sierra Leone	48.0	0.5	40.7	39.4	21.8	87.5	83.5	9.8	50.1	29.7	64.2	69.4	60	20
173	44	Sudan	45.0	–2.7	33.7	20.8	25.5	86.1	94.5	12.4	53.5	60.0	77.0	52.0	5	20
174	45	Zimbabwe	43.1	2.7	33.7	28.3	18.9	62.3	88.0	36.2	39.1	43.1	62.8	70.0	25	10
176	46	Rep. Congo	41.8	2.1	40.7	30.0	23.1	63.3	56.2	0.6	37.5	35.3	83.2	56.8	45	30
177	47	Eritrea	38.5	–0.4	32.5	14.3	21.4	81.4	74.7	0.0	18.2	69.7	61.0	69.2	0	20
N/A	N/A	Somalia	N/A	N/A	20.1	26.5	13.1	N/A	N/A	N/A	31.6	N/A	N/A	N/A	N/A	N/A

THE COUNTRIES

WORLD RANK: **136**

REGIONAL RANK: **33**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

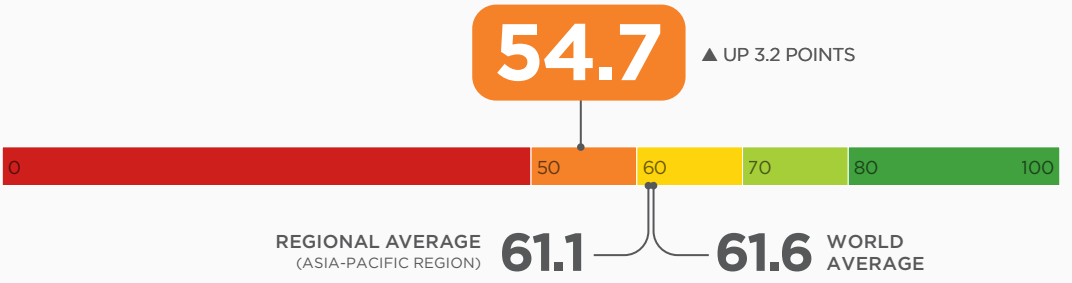
AFGHANISTAN

Afghanistan's economic freedom score is 54.7, making its economy the 136th freest in the 2020 *Index*. Its overall score has increased by 3.2 points, primarily because of a significant improvement in **property rights**. Afghanistan is ranked 33rd among 42 countries in the Asia–Pacific region, and its overall score is well below the regional and world averages.

In the years since scoring of Afghanistan began in 2017, the country has seen a modest increase in economic freedom, but its economy remains mostly unfree. GDP growth, which has registered moderate gains in recent years, remains impeded by political instability, narco-trafficking, and a very dangerous security environment.

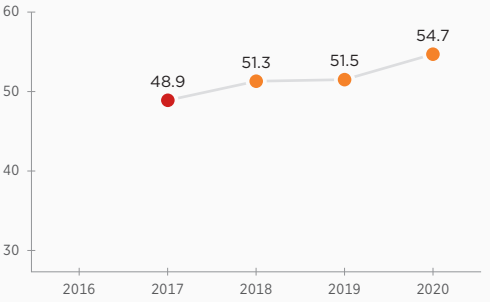
For Afghanistan to make sustained progress toward greater economic freedom, its business operating environment will have to be dramatically improved, and stronger national and regional institutions will have to be developed in order to strengthen the rule of law, investment freedom, and financial freedom.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2017): +5.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION: 36.0 million

GDP (PPP): $72.6 billion
2.3% growth in 2018
5-year compound annual growth 2.2%
$2,017 per capita

UNEMPLOYMENT: 1.5%

INFLATION (CPI): 0.6%

FDI INFLOW: $139.2 million

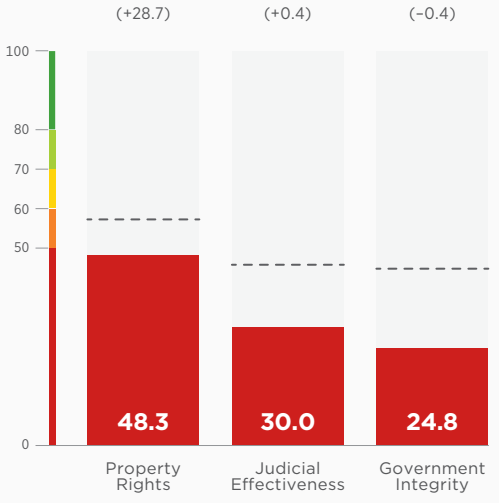
PUBLIC DEBT: 7.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Former World Bank technocrat Ashraf Ghani Ahmadzai became president in 2014 following an election marred by allegations of vote rigging. After much political wrangling, Ghani and former Foreign Minister Abdullah formed a unity government with Abdullah as the newly created chief executive officer. The September 2019 presidential election, conducted with the Taliban lurking in the background, was marked by low turnout and competing claims of victory by Ghani and Abdullah. Afghanistan is heavily dependent on international military and economic assistance, which constituted an estimated 19.37 percent of gross national income in 2017. Its living standards are among the world's lowest. Legal exports include table grapes and raisins, but the economy remains heavily dependent on illicit opium cultivation.

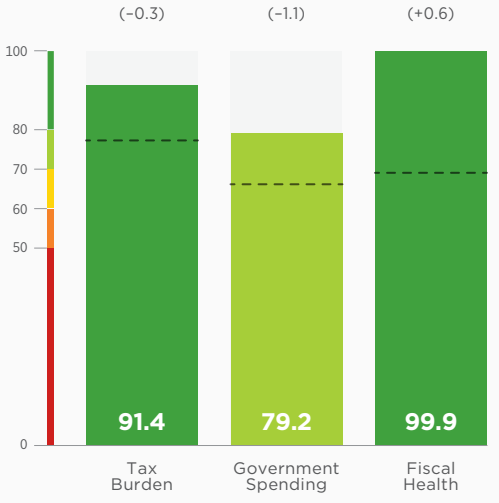
12 ECONOMIC FREEDOMS | AFGHANISTAN

RULE OF LAW



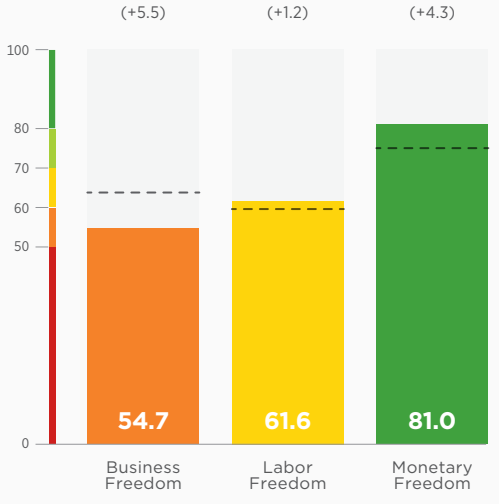
Protection of property rights is weak, as evidenced by reports of "land grabs" in 2018 that were due in part to slow-moving commercial courts and the lack of a comprehensive land titling system. The judicial system operates haphazardly through a mix of legal codes overseen by inadequately trained judges and local elders or shuras. Corruption is endemic throughout society and hampers economic development. Reforms to reduce corruption remain stalled.

GOVERNMENT SIZE



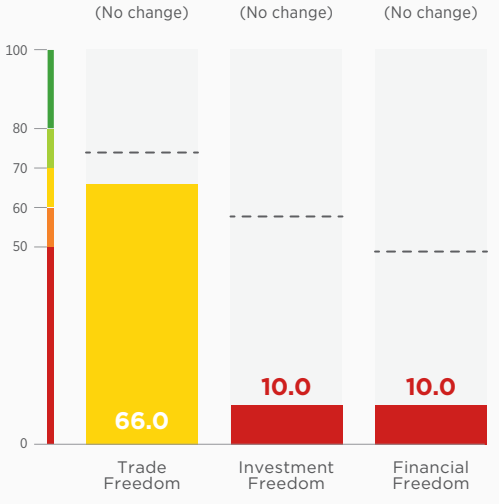
The top income and corporate tax rates are 20 percent. The overall tax burden equals 7.6 percent of total domestic income. Government spending has amounted to 26.3 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 0.1 percent of GDP. Public debt is equivalent to 7.1 percent of GDP. Security challenges have caused increased budgetary uncertainty and fiscal vulnerability.

REGULATORY EFFICIENCY



A number of business-friendly changes were put in place recently, but a lack of capacity by regulatory bodies continues to put a dent in business activity. There is an acute shortage of skilled labor and a need for trained workers. The government's influence on monetary policy is limited because of Afghanistan's severely underdeveloped financial system.

OPEN MARKETS



The total value of exports and imports of goods and services equals 51.2 percent of GDP. The average applied tariff rate is 7.0 percent, and 22 nontariff measures are in force. Legal and security obstacles continue to impede much-needed investment. The underdeveloped financial system's limited capability hampers entrepreneurial growth. Laws governing banking are not enforced effectively, and the sector remains fragile.

ALBANIA

WORLD RANK: **57** | REGIONAL RANK: **30**

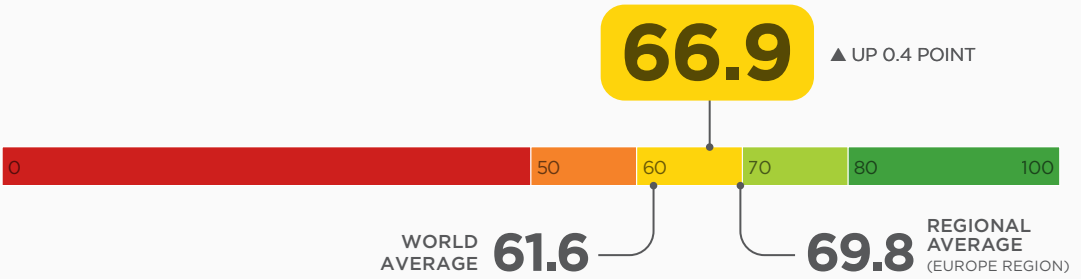
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Albania's economic freedom score is 66.9, making its economy the 57th freest in the 2020 *Index*. Its overall score increased slightly by 0.4 point, led by an improvement in **fiscal health**. However, the country dropped five positions in the 2020 *Index* rankings, reflecting relatively better performances by other countries. Albania is ranked 30th among 45 countries in the Europe region, and its overall score is below the regional average and above the world average.

Economic freedom has increased steadily in Albania, and its 2020 score matches its highest, which was recorded in 2014. The economy is considered moderately free and continues to register a healthy rate of GDP growth.

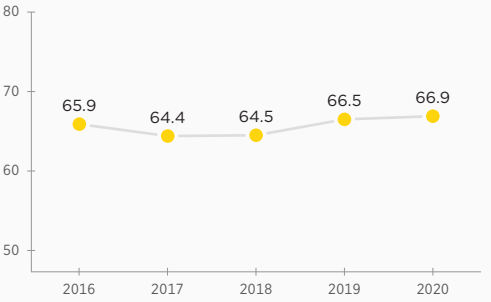
The government has made progress in controlling the budget deficit, stabilizing public debt, and creating a more business-friendly environment. To improve its chances for eventual accession to the EU, Albania must record significant increases in its scores for property rights, judicial effectiveness, and government integrity.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +17.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
2.9 million

GDP (PPP):
$38.4 billion
4.2% growth in 2018
5-year compound annual growth 3.1%
$13,345 per capita

UNEMPLOYMENT:
13.9%

INFLATION (CPI):
2.0%

FDI INFLOW:
$1.3 billion

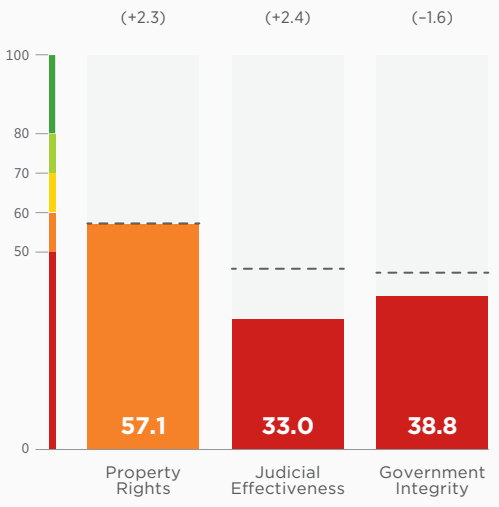
PUBLIC DEBT:
68.6% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The Balkan nation of Albania transitioned from Communist rule to multiparty democracy in 1991. Edi Rama became prime minister in 2013, and his Socialist Party won a parliamentary majority in 2017. Opposition accusations of corruption and fraud led to calls for snap elections in 2019. Albania's accession to the EU has stalled in the absence of additional reforms to fight corruption and improve the rule of law. Agriculture dominates the economy and employs about half of the workforce, but services and tourism are increasingly important. Albania remains one of Europe's poorest countries, with sluggish economic growth hindered by a large informal economy and weak energy and transportation infrastructure. High unemployment and a lack of opportunity encourage substantial emigration.

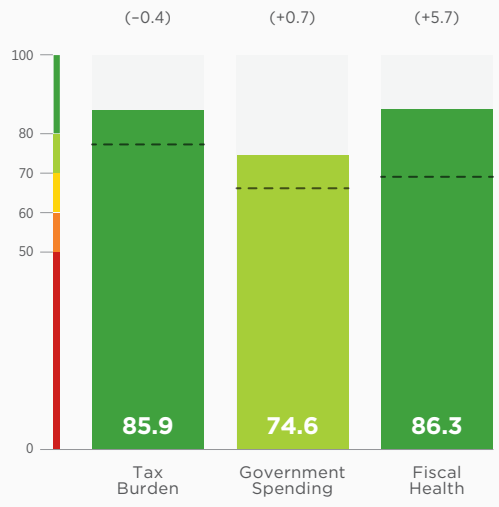
12 ECONOMIC FREEDOMS | ALBANIA

RULE OF LAW



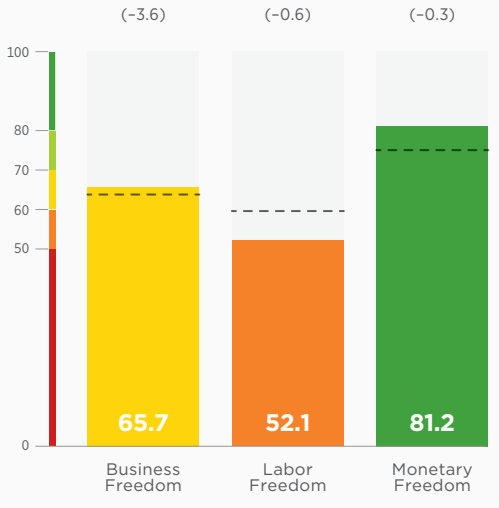
Protection of property rights remains weak. Real estate registration procedures are cumbersome and subject to demands for bribes. The judiciary is independent but subject to political pressure, intimidation, and limited resources, although a 2016 rewrite of one-third of the constitution accomplished the most significant judicial reforms since the end of Communism. Public administration continues to be plagued by inefficiency and corruption.

GOVERNMENT SIZE



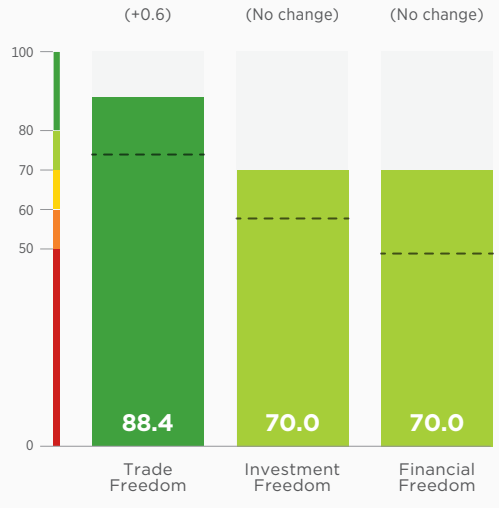
The top individual income tax rate is 23 percent, and the top corporate tax rate is 15 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 25.7 percent of total domestic income. Government spending has amounted to 29.1 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.6 percent of GDP. Public debt is equivalent to 68.6 percent of GDP.

REGULATORY EFFICIENCY



Enforcement of contracts has become easier but remains problematic. Similarly, unemployment has decreased in recent years but remains high. Outward migration of skilled labor remains a concern. The European Commission reported in 2019 that public subsidies remain low overall, but increasing reliance on public–private partnerships raises the potential for state influence in certain markets.

OPEN MARKETS



The total value of exports and imports of goods and services equals 77.3 percent of GDP. The average applied tariff rate is 0.8 percent, and 196 nontariff measures are in force. Despite some progress in modernizing the investment regime, there are limits on foreign ownership. The financial system remains relatively stable. The banking sector is well provisioned, but the share of nonperforming loans has been rising.

WORLD RANK: **169** | REGIONAL RANK: **14**

ECONOMIC FREEDOM STATUS: **REPRESSED**

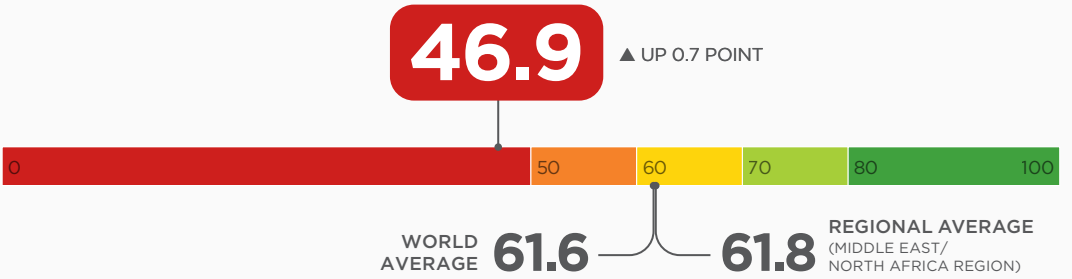
ALGERIA

Algeria's economic freedom score is 46.9, making its economy the 169th freest in the 2020 *Index*. Its overall score has increased by 0.7 point due to an improvement in the **property rights** score. Algeria is ranked 14th among 14 ranked countries in the Middle East and North Africa region, and its overall score is well below the regional and world averages.

Algeria's economic freedom scores have been on a downward trajectory for the past decade, and its economy has long been considered repressed. Although the government has targeted an ambitious GDP growth rate of 6.5 percent in the nonoil economy for the next 10 years, the average GDP growth rate for the past five years has been less than half of that goal.

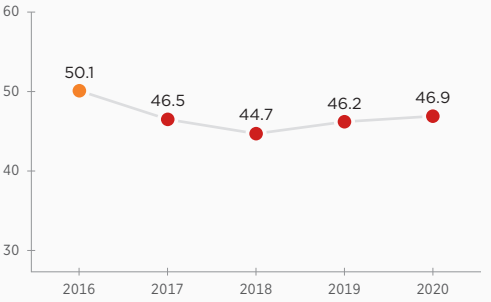
To put their country on the path to greater economic freedom, Algerians must make significant progress in the areas of rule of law and fiscal health.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –8.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
42.6 million

GDP (PPP):
$657.5 billion
2.1% growth in 2018
5-year compound annual growth 2.8%
$15,440 per capita

UNEMPLOYMENT:
12.2%

INFLATION (CPI):
4.3%

FDI INFLOW:
$1.5 billion

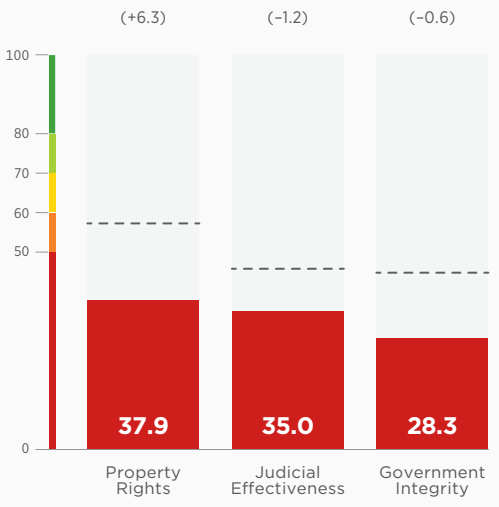
PUBLIC DEBT:
36.9% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The National Liberation Front has dominated politics ever since Algeria won independence from France in 1962. President Abdelaziz Bouteflika was forced out of office in April 2019 after 20 years in power, and Abdelkader Bensalah was named interim president. Elections were scheduled for July 2019 but later were postponed indefinitely. Political stability has been eroded by widespread popular disillusionment with the political system and by Algeria's weak economy. Since 2015, Algeria has pursued an import substitution policy, adopting protectionist measures to encourage domestic production. Algeria is the world's sixth-largest exporter of natural gas; oil and gas account for almost 95 percent of export revenues and more than 30 percent of GDP.

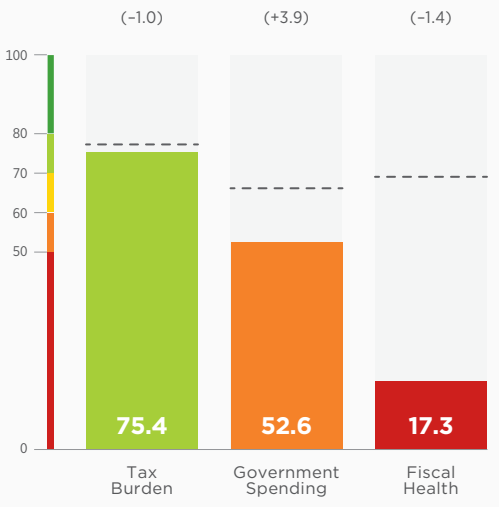
12 ECONOMIC FREEDOMS | ALGERIA

RULE OF LAW



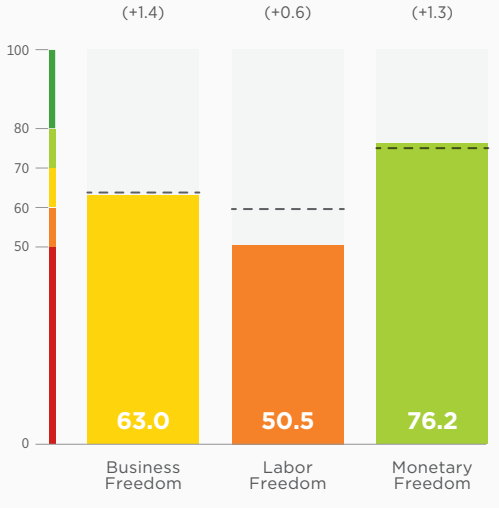
Although secured interests in property are generally recognized and enforceable, court proceedings can be lengthy, and results can be unpredictable. The government controls most real property, and unclear titles and conflicting ownership claims make the purchase of private real estate difficult. The judiciary is generally weak, slow, and subject to political pressure. Cronyism and corruption plague the business and public sectors, especially in energy.

GOVERNMENT SIZE



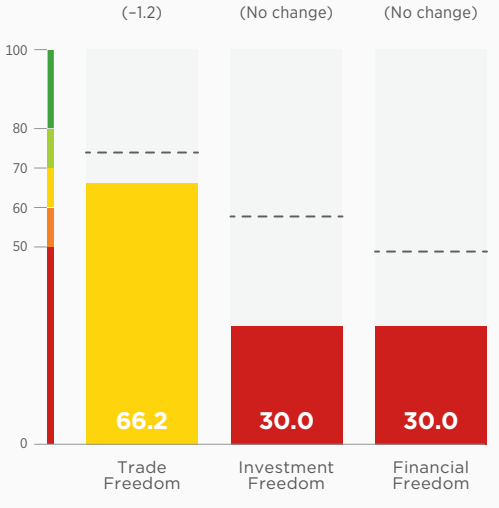
The top income tax rate is 35 percent, and the top corporate tax rate is 23 percent. Other major taxes include a value-added tax. The overall tax burden equals 26.6 percent of total domestic income. Government spending has amounted to 39.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 8.3 percent of GDP. Public debt is equivalent to 36.9 percent of GDP.

REGULATORY EFFICIENCY



Obtaining an electricity connection has been made easier, and this facilitates business formation, but an overdependence on state-driven economic growth encourages ongoing rigidity in the labor market. Despite lower global oil prices and declining reserves, the government has spent as much as 20 percent of its budget on generous but unsustainable subsidies to quell political instability.

OPEN MARKETS



The total value of exports and imports of goods and services equals 56.1 percent of GDP. The average applied tariff rate is 9.4 percent. Layers of nontariff barriers significantly impede dynamic flows of trade. Government policies such as restrictions on foreign ownership levels continue to limit foreign investment. Access to credit is difficult, and the equity market is underdeveloped with a capitalization of less than 5 percent of GDP.

WORLD RANK: **154** | REGIONAL RANK: **35**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

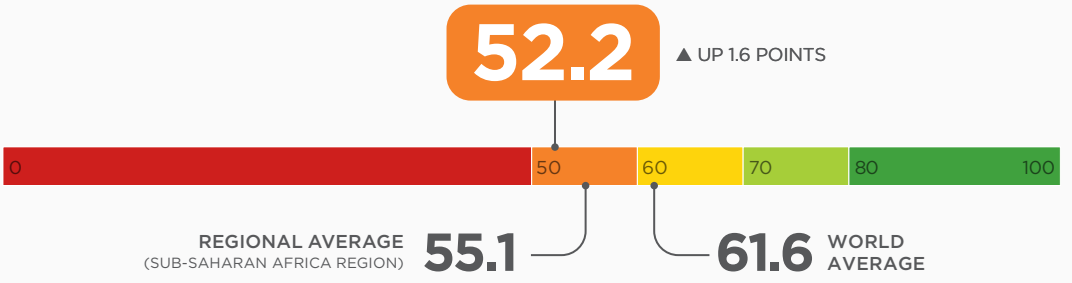
ANGOLA

Angola's economic freedom score is 52.2, making its economy the 154th freest in the 2020 *Index*. Its overall score has increased by 1.6 points, with a sharp increase in the score for **fiscal health** just outpacing a sharp drop in **judicial effectiveness**. Angola is ranked 35th among 47 countries in the Sub-Saharan Africa region, and its overall score is slightly below the regional average and well below the world average.

Angola's economy was considered repressed for many years until 2019, when it barely squeezed into the mostly unfree category, and its improvement continues this year. Nevertheless, GDP growth has been stagnant or negative for the past five years, and the country's economic prospects remain poor.

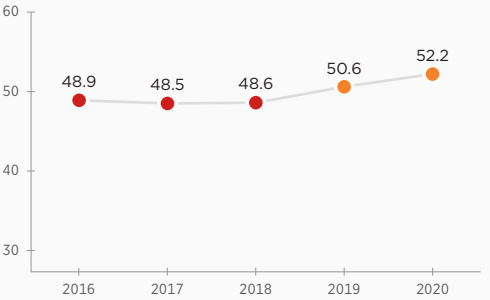
For Angola to begin making real strides toward greater economic freedom, the government will have to address severe failings in the country's rule of law and also make substantial progress in the areas of investment freedom and financial freedom.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +24.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
29.3 million

GDP (PPP):
$199.3 billion
–1.7% growth in 2018
5-year compound annual growth 0.3%
$6,814 per capita

UNEMPLOYMENT:
7.3%

INFLATION (CPI):
19.6%

FDI INFLOW:
–$5.7 billion

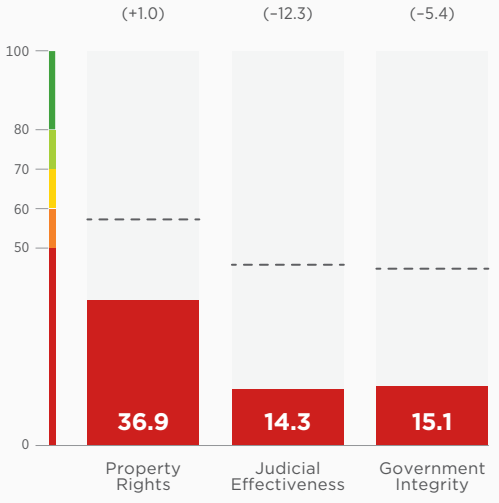
PUBLIC DEBT:
88.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: When former President José Eduardo dos Santos stepped down in 2017 after 38 years in power, former Defense Minister João Manuel Gonçalves Lourenço from dos Santos's ruling Popular Movement for the Liberation of Angola was elected president. Lourenço quickly moved to terminate the dos Santos family's control of the Sonangol state oil company and Angola's sovereign wealth fund. Angola is one of Africa's largest oil producers, but production problems have contributed to a decline in crude oil exports, which have fallen to their lowest level in more than a decade. Despite the country's oil, diamonds, hydroelectric potential, and rich agricultural land, most Angolans remain poor and dependent on subsistence farming.

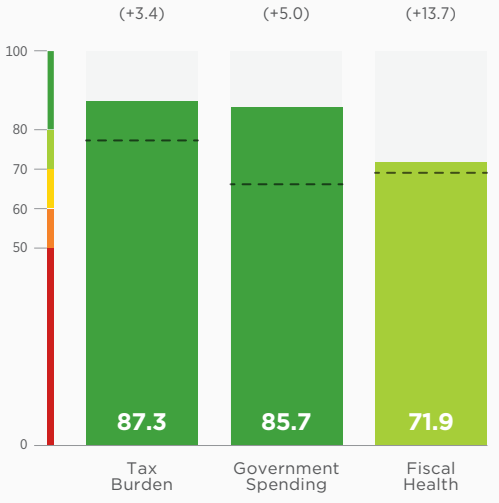
12 ECONOMIC FREEDOMS | ANGOLA

RULE OF LAW



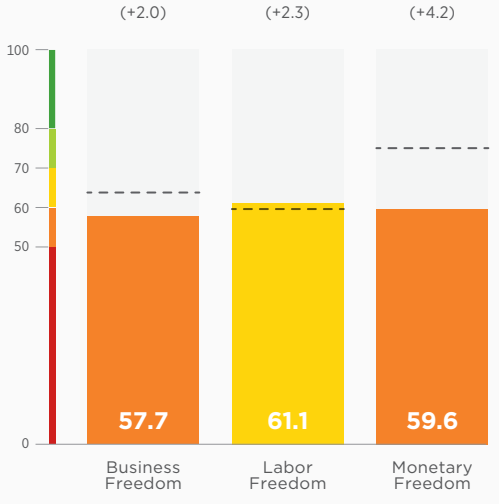
Land grabbing, difficulties in completing land claims, and the lack of reliable government records weaken the protection of property rights. The president appoints Supreme Court judges for life without legislative input. Corruption and political pressure undermine judicial independence. Government corruption and nepotism are widespread, and predatory elites tend to disrupt or co-opt emerging new businesses.

GOVERNMENT SIZE



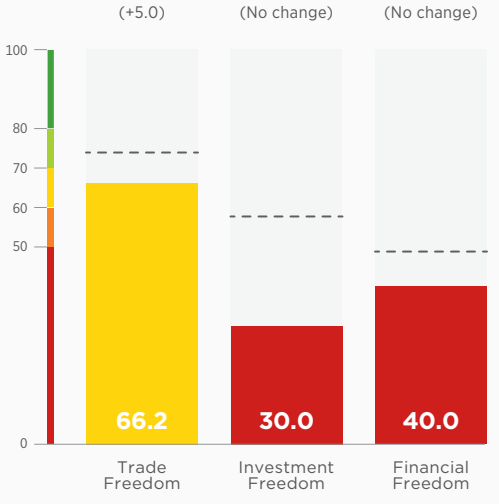
The top income tax rate is 17 percent. The top normal corporate tax rate is 30 percent, but rates for the mining and oil industries are as high as 50 percent. The overall tax burden equals 9.2 percent of total domestic income. Government spending has amounted to 21.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.8 percent of GDP. Public debt is equivalent to 88.1 percent of GDP.

REGULATORY EFFICIENCY



Although the government has improved its monitoring and management of power outages, the overall business operating environment remains difficult. The economy is extremely vulnerable to global oil price volatility, and the formal labor market is underdeveloped. The government has taken steps to reform fuel, electricity, and water subsidies but has increased some agricultural and fisheries subsidies.

OPEN MARKETS



The total value of exports and imports of goods and services equals 52.3 percent of GDP. The average applied tariff rate is 9.4 percent. Nontariff barriers significantly undercut the benefits of trade. Sectoral restrictions and a nontransparent investment framework continue to limit foreign investment. Public use of banking services remains low, and the capital market is underdeveloped.

ARGENTINA

WORLD RANK: **149** | REGIONAL RANK: **26**

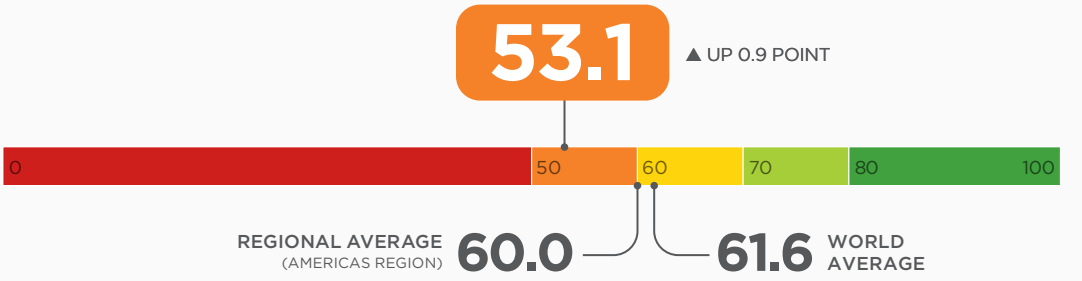
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Argentina's economic freedom score is 53.1, making its economy the 149th freest in the 2020 *Index*. Its overall score has increased by 0.9 point, primarily because of a higher **government integrity** score. Argentina is ranked 26th among 32 countries in the Americas region, and its overall score is well below the regional and world averages.

Argentina's economy, which had fallen into the repressed category from 2012–2016, made slow but steady progress during the Macri administration, but a recession that began in 2018 caused a contraction in GDP growth. Economic reforms intended to reduce inefficiencies and increase productivity were stalled by policy disagreements between the Congress and the president.

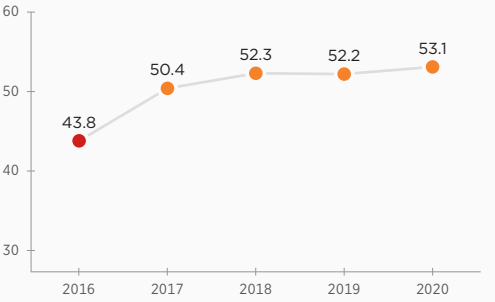
With the return to power in 2019 of the left-wing populist Peronist party, whose policies caused such economic damage to Argentina earlier in this century, the prospects for new reforms that would improve economic freedom have dimmed.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –14.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
44.6 million

GDP (PPP):
$915.1 billion
–2.5% growth in 2018
5-year compound annual growth –0.3%
$20,537 per capita

UNEMPLOYMENT:
9.5%

INFLATION (CPI):
34.3%

FDI INFLOW:
$12.2 billion

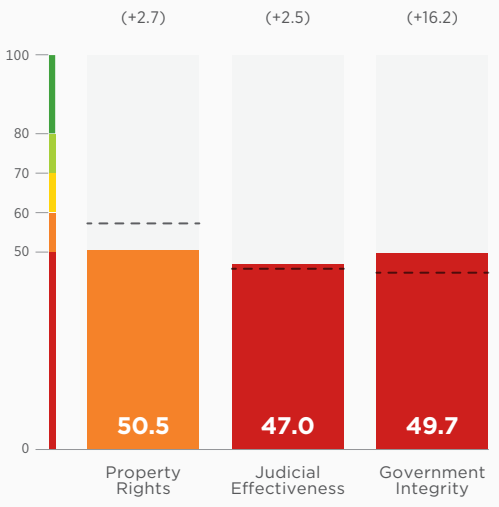
PUBLIC DEBT:
86.3% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Argentina is South America's second-largest country. Once one of the world's wealthiest nations, it has vast agricultural and mineral resources and a highly educated population, but it also has a long history of political and economic instability. Center-right President Mauricio Macri lost his bid for re-election to Peronist candidate Alberto Fernández in October 2019 elections that also brought his predecessor, Cristina Fernández de Kirchner, back to power as vice president. Popular unease with the state of the economy, rising inflation, cripplingly high interest rates, and currency volatility overshadowed the progress Macri had made in mending relations with investors, seeking new trade and investment opportunities, and implementing numerous policy reforms with help from the International Monetary Fund.

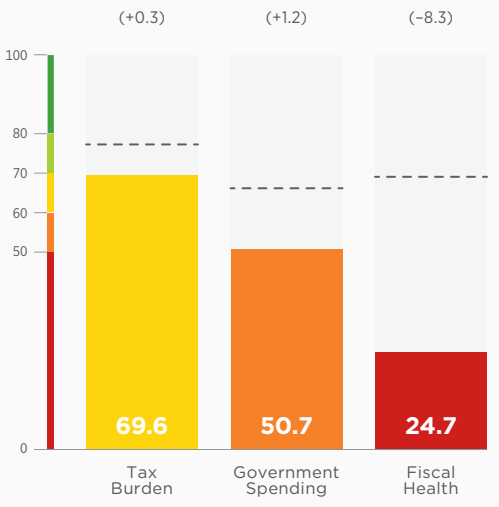
12 ECONOMIC FREEDOMS | ARGENTINA

RULE OF LAW



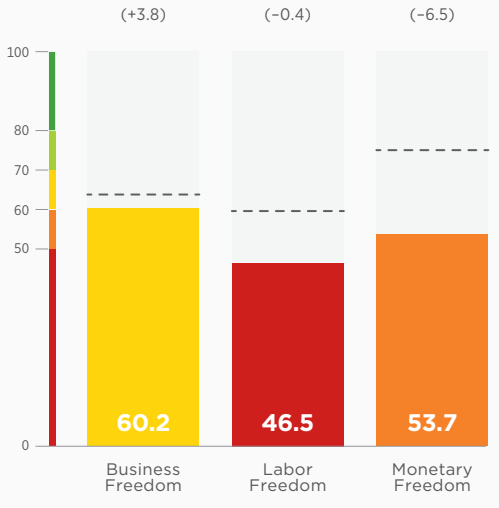
The government has improved the protection of intellectual property rights, but deficiencies persist within the regimes for protection of patent and regulatory data. Secured interests in real property are recognized and enforced. The Macri administration's "Justice 2020" initiative was intended to improve transparency and rule of law, but the weakness of anticorruption bodies and politicization of the judicial system have hampered progress.

GOVERNMENT SIZE



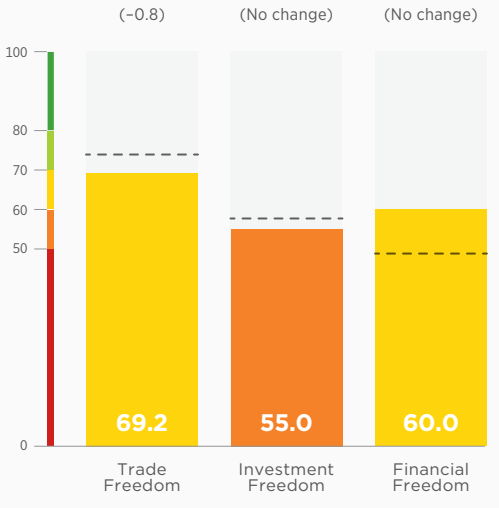
The top individual income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added, wealth, and financial transactions taxes. The overall tax burden equals 30.3 percent of total domestic income. Government spending has amounted to 40.5 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 6.1 percent of GDP. Public debt is equivalent to 86.3 percent of GDP.

REGULATORY EFFICIENCY



Procedures for establishing limited liability companies have been streamlined, but economic and political hurdles have blocked other pro-business reforms. Argentina has a highly skilled and well-educated workforce, but taxes for pensions, the cost of health care, and other labor taxes remain high. Although the Macri government reduced many subsidies after taking office in 2015, it restored some of them in the run-up to the 2019 presidential election.

OPEN MARKETS



The total value of exports and imports of goods and services equals 30.8 percent of GDP. The average applied tariff rate is 7.9 percent, and 139 nontariff measures are in force. Foreign investment in various sectors remains regulated. The government exercises considerable control of financial activities. The presence of foreign banks has increased, but state-owned banks account for over 40 percent of total assets.

ARMENIA

WORLD RANK: **34**

REGIONAL RANK: **18**

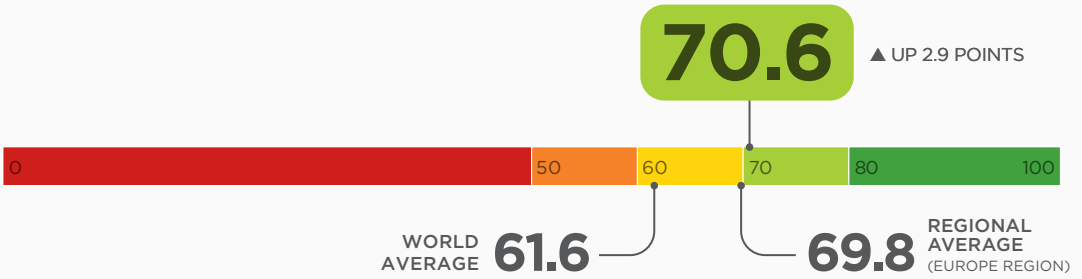
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Armenia's economic freedom score is 70.6, making its economy the 34th freest in the 2020 *Index*. Its overall score has increased by 2.9 points due to a significant spike in the **fiscal health** score. Armenia is ranked 18th among 45 countries in the Europe region, and its overall score is just above the regional average and well above the world average.

Economic freedom has remained fairly constant in Armenia during the past 15 years, with the economy vacillating between moderately free and mostly free. GDP growth in the past two years has been especially robust as the economy has rebounded from a 2015–2016 regional slowdown. The government is pursuing structural reforms, export promotion, and greater foreign investment to boost future economic growth.

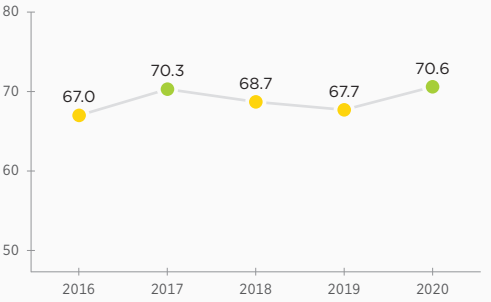
To attract greater investment and finally break out of its holding pattern to move higher into the mostly free category, Armenia will need to focus more intently on improving judicial effectiveness and government integrity.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +28.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
3.0 million

GDP (PPP):
$30.4 billion
5.0% growth in 2018
5-year compound annual growth 3.9%
$10,176 per capita

UNEMPLOYMENT:
17.7%

INFLATION (CPI):
2.5%

FDI INFLOW:
$254.3 million

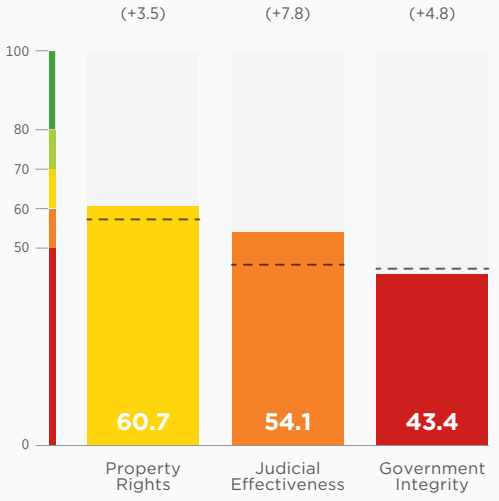
PUBLIC DEBT:
48.5% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Armenia was a Soviet republic until independence in 1991. Massive protests against corruption in 2018 led to the election of a new reform-minded government headed by Prime Minister Nikol Pashinyan with the support of a sizeable parliamentary majority, but corruption remains a persistent problem. Armenia's 25-year occupation of neighboring Azerbaijan's Nagorno–Karabakh region and other territories remains one of post-Soviet Europe's frozen conflicts. The economy relies on manufacturing, services, remittances, and agriculture. Russia is Armenia's principal export market, and Armenia joined Russia's Eurasian Economic Union in 2015. It also signed a Comprehensive and Enhanced Partnership Agreement with the European Union in 2017. The government relies heavily on loans from Russia and international financial institutions.

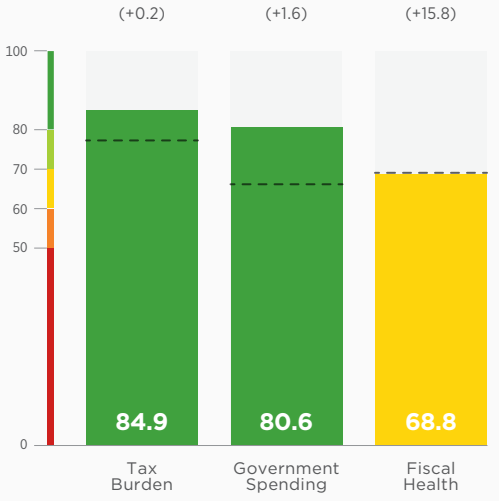
12 ECONOMIC FREEDOMS | ARMENIA

RULE OF LAW



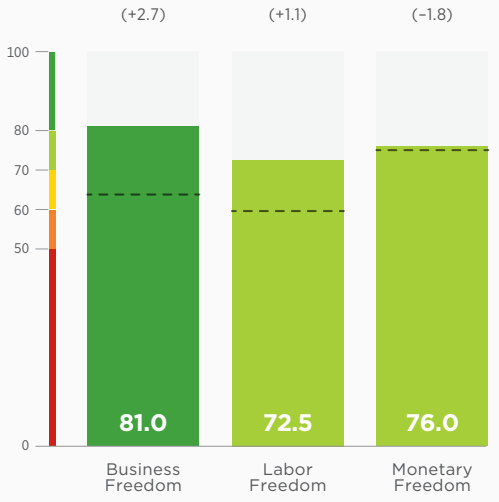
The World Bank's 2019 *Doing Business* report ranked Armenia 14th among 190 economies for ease of property registration. Courts suffer from low levels of efficiency, independence, and professionalism, and strengthening the judiciary needs to be a priority. Corruption is pervasive, is not regularly prosecuted, and has been aggravated by Russia's consolidation of its influence over Armenia's economy and regional security.

GOVERNMENT SIZE



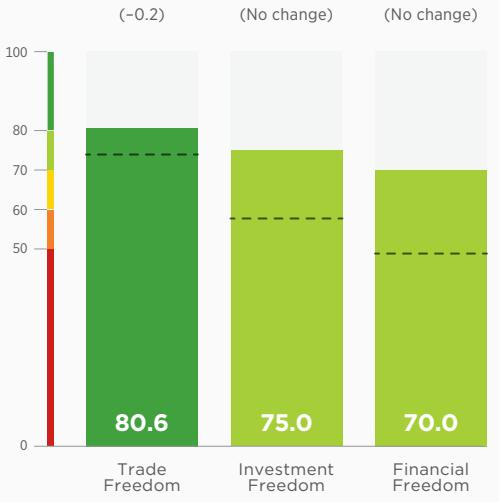
The top individual income tax rate is 26 percent, and the top corporate tax rate is 20 percent. Other taxes include value-added and excise taxes. The overall tax burden equals 20.8 percent of total domestic income. Government spending has amounted to 25.4 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.1 percent of GDP. Public debt is equivalent to 48.5 percent of GDP.

REGULATORY EFFICIENCY



The processes for starting a business and enforcing contracts have been streamlined. The time needed to connect to the electricity grid has been reduced, and protections for minority investors have been strengthened. There is an abundance of skilled labor but a shortage of vocational workers. The government continues to subsidize electricity and began a new program of subsidized community grants in 2018.

OPEN MARKETS



The total value of exports and imports of goods and services equals 90.4 percent of GDP. The average applied tariff rate is 2.2 percent, and nine nontariff measures are in force. In general, government policies do not significantly impede foreign investment. The financial sector, dominated by banks, is evolving. The relatively small and fragmented banking sector is fairly well capitalized and open to foreign competition.

WORLD RANK:	REGIONAL RANK:
4	4

ECONOMIC FREEDOM STATUS: **FREE**

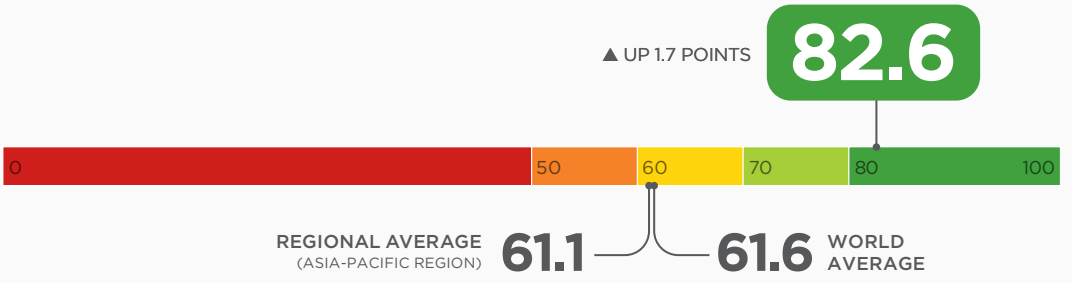
AUSTRALIA

Australia's economic freedom score is 82.6, making its economy the 4th freest in the 2020 *Index*. Its overall score has increased by 1.7 points, led by improvements in scores for **government integrity** and **fiscal health**. Australia is ranked 4th among the 42 countries in the Asia–Pacific region, and its overall score is substantially higher than the regional and world averages.

Australia has been a leader in economic freedom ever since the inception of the *Index* in 1995, and its economy has been in the highest, free category for the past 14 years. GDP has recorded steady gains, although the growth rate could slow in coming years because of softer world trade growth and faltering investment.

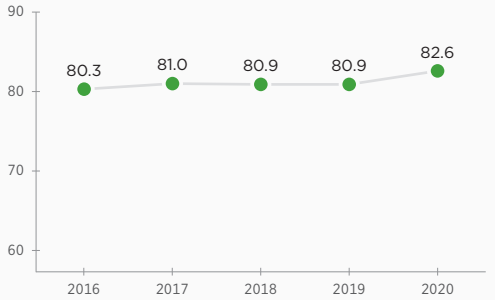
Far from resting on its laurels, the new government plans to promote investments in infrastructure, cybersecurity, and digital payments platforms while also pursuing further regulatory and industrial policy reforms as well as personal income tax cuts, all of which should drive economic freedom in Australia even higher.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +8.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
25.2 million

GDP (PPP):
$1.3 trillion
2.8% growth in 2018
5-year compound annual growth 2.6%
$52,373 per capita

UNEMPLOYMENT:
5.4%

INFLATION (CPI):
2.0%

FDI INFLOW:
$60.4 billion

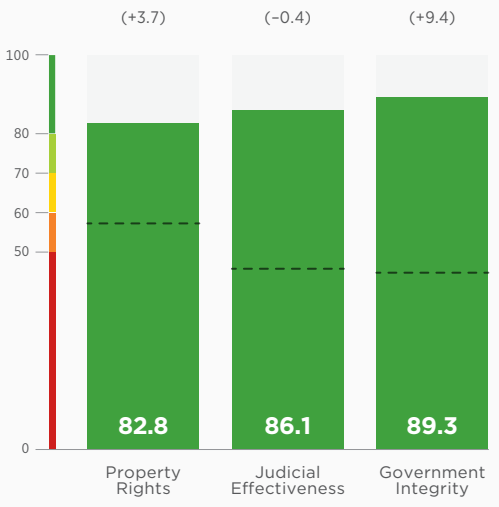
PUBLIC DEBT:
40.7% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Australia is one of the wealthiest Asia–Pacific nations and has enjoyed more than two decades of economic expansion. After Prime Minister Malcolm Turnbull resigned his seat in 2018, Scott Morrison formed a new Liberal Party minority government and went on to lead his party to an upset victory in May 2019 parliamentary elections. Australia is internationally competitive in financial and insurance services, technologies, and high-value-added manufactured goods. Mining and agriculture are important export sectors. Australia's 10 free-trade agreements include FTAs with the U.S., China, Japan, South Korea, and the Association of Southeast Asian Nations. Negotiations on similar agreements are ongoing with the European Union and are expected to begin with the United Kingdom following Britain's exit from the European Union.

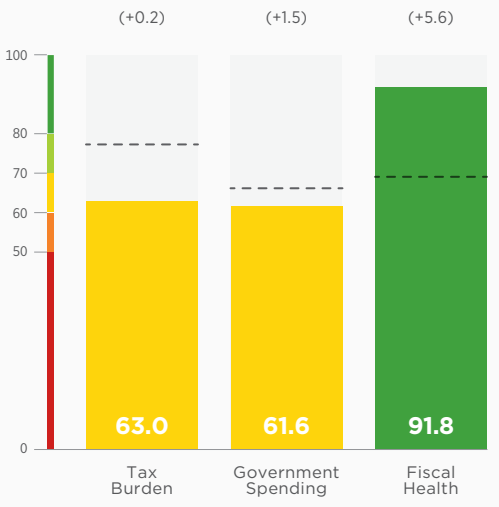
12 ECONOMIC FREEDOMS | AUSTRALIA

RULE OF LAW



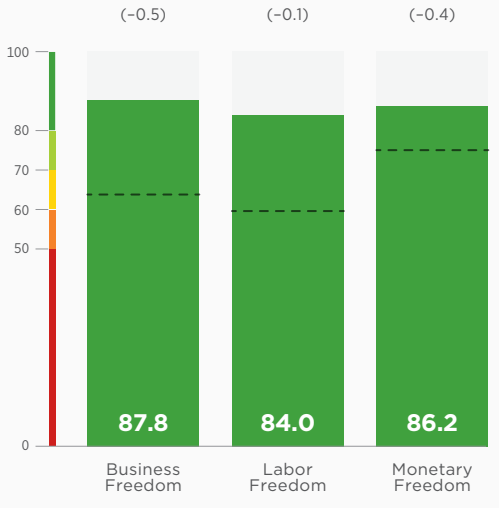
Strong legal frameworks protect property rights, and Australia's robust rule of law minimizes corruption. Expropriation is highly unusual, and enforcement of contracts is reliable. Australia's stable political environment supports a strong judicial system, which operates independently and impartially. In December 2018, the prime minister announced the formation of a new anticorruption commission.

GOVERNMENT SIZE



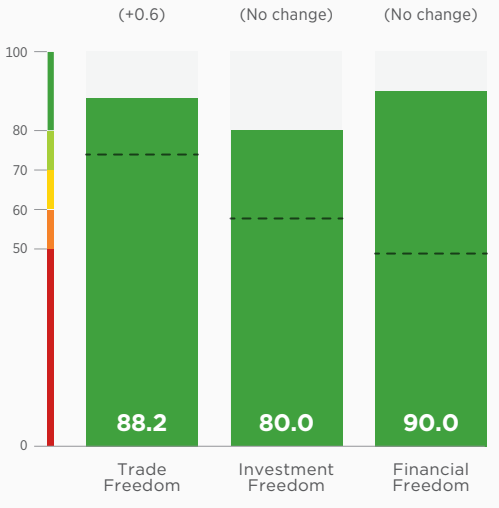
The top income tax rate is 45 percent, and the flat corporate tax rate is 30 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 27.8 percent of total domestic income. Government spending has amounted to 35.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.8 percent of GDP. Public debt is equivalent to 40.7 percent of GDP.

REGULATORY EFFICIENCY



Australia has one of the world's most transparent and efficient regulatory environments. New government regulations generally may not be imposed unless all affected parties have first been consulted. The country's modern and flexible employment code invigorates the labor market. In 2019, the IMF estimated that annual energy subsidies in Australia total $29 billion, representing approximately 2.3 per cent of GDP.

OPEN MARKETS



The total value of exports and imports of goods and services equals 43.0 percent of GDP. The average applied tariff rate is 0.9 percent, and 320 nontariff measures are in force. Facilitated by a transparent investment framework, foreign firms generally compete with domestic companies on equal terms. The financial sector is competitive and well developed. All banks are privately owned and subject to prudent regulations.

AUSTRIA

WORLD RANK: **29**

REGIONAL RANK: **16**

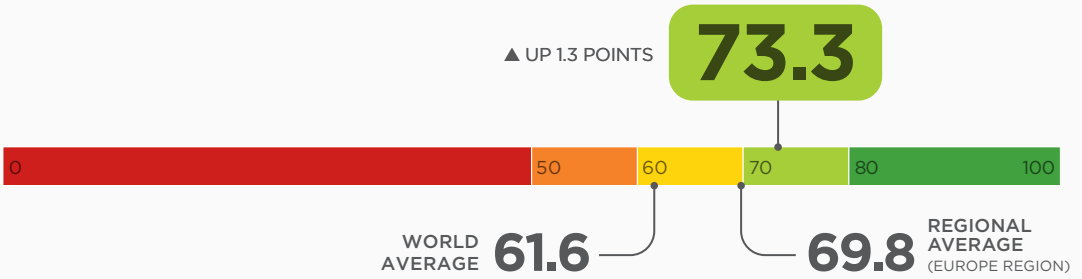
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Austria's economic freedom score is 73.3, making its economy the 29th freest in the 2020 *Index*. Its overall score has increased by 1.3 points, led by a higher score for **government integrity**. Austria is ranked 16th among 45 countries in the Europe region, and its overall score is above both the regional average and the world average.

Austria's economic freedom scores have remained in the low 70s at the low end of the mostly free category for 15 years. In 2019, the economy decelerated somewhat from its relatively robust performance from 2016–2018 because of a still-weak German economy and sluggish trade growth.

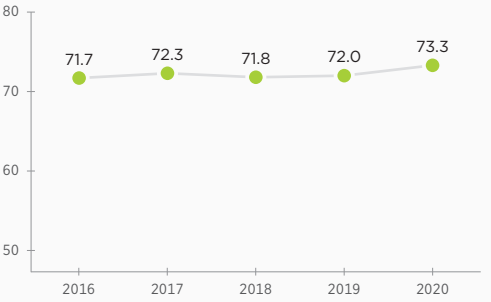
The government's attention is directed mostly to immigration problems, and it is tightening migration controls, curtailing benefits for asylum-seekers, and cutting child benefits for non-German (or English) speakers. For Austria to rise higher among the mostly free, the government will need to make the reduction of government spending a higher priority.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +3.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
8.9 million

GDP (PPP):
$463.2 billion
2.7% growth in 2018
5-year compound annual growth 1.8%
$52,137 per capita

UNEMPLOYMENT:
4.8%

INFLATION (CPI):
2.1%

FDI INFLOW:
$7.6 billion

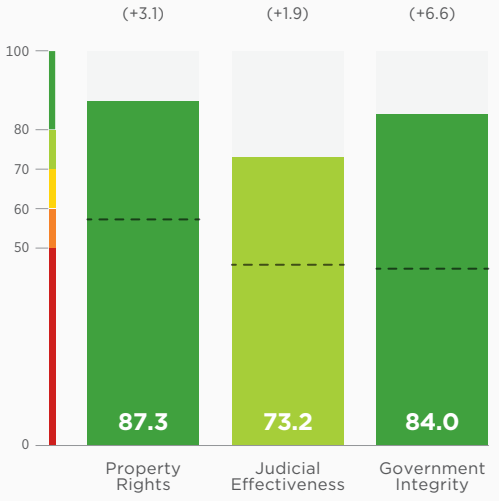
PUBLIC DEBT:
74.2% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Austria regained full sovereignty from the World War II victors in 1955. Alexander Van der Bellen, a Green Party member running as an independent, was elected to the largely ceremonial presidency in 2016. Chancellor Sebastian Kurz's conservative People's Party gained seats in September 2019 snap elections but fell short of a majority. A bribery scandal involving its former coalition partner, the populist Freedom Party (FPO), precipitated the elections, which saw support for the FPO and the center-left Social Democratic Party decline. Austria has large services and industrial sectors and a small, highly developed agricultural sector. The government is pursuing significant upgrades to its telecommunications infrastructure, aiming for nationwide 5G coverage by 2025. Challenges include assimilation of migrants and strains on labor markets and public finances caused by an aging population.

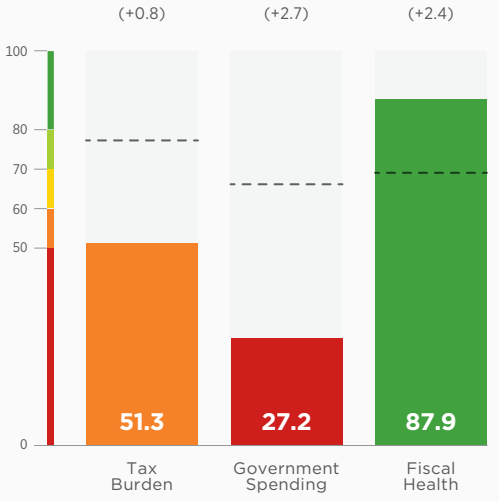
12 ECONOMIC FREEDOMS | AUSTRIA

RULE OF LAW



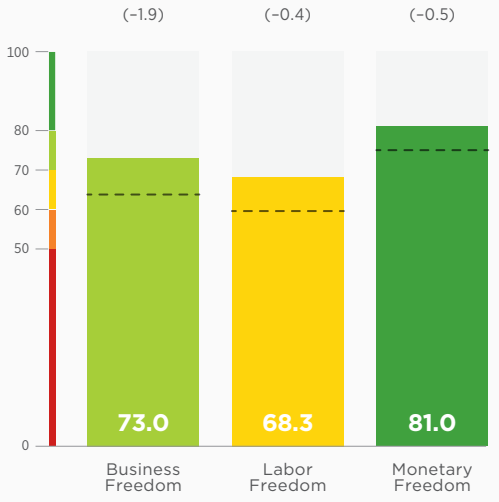
A reliable and accessible land registry system safeguards secured interests in property. The country's investment climate has been enhanced by its stability and strong rule of law. The independent judiciary provides an effective means for protecting real and intellectual property rights and enforcing contracts. Corruption is relatively rare, although scandalous accusations of political corruption brought down the last government in May 2019.

GOVERNMENT SIZE



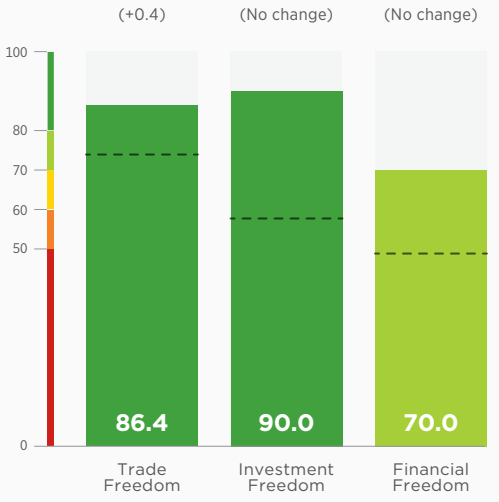
The top income tax rate is 50 percent, and the top corporate tax rate is 25 percent. High social security contributions are shared by employers and employees. The overall tax burden equals 41.8 percent of total domestic income. Government spending has amounted to 49.3 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 0.8 percent of GDP. Public debt is equivalent to 74.2 percent of GDP.

REGULATORY EFFICIENCY



Transparent and efficient regulations, although complex, aid productivity growth, and high levels of internal competitiveness enhance business friendliness. The maximum allowable workweek has been raised to 60 hours per week and 12 hours per day. The government capped its subsidized incentive package for the purchase of electric vehicles in 2019 at a maximum of 3,000 euros for a 50,000-euro vehicle purchased for private use.

OPEN MARKETS



The total value of exports and imports of goods and services equals 105.5 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Openness to investment is relatively well institutionalized. The modern banking sector offers a wide range of financial services, and the five largest banking groups account for more than 50 percent of total assets.

WORLD RANK: **44**

REGIONAL RANK: **24**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

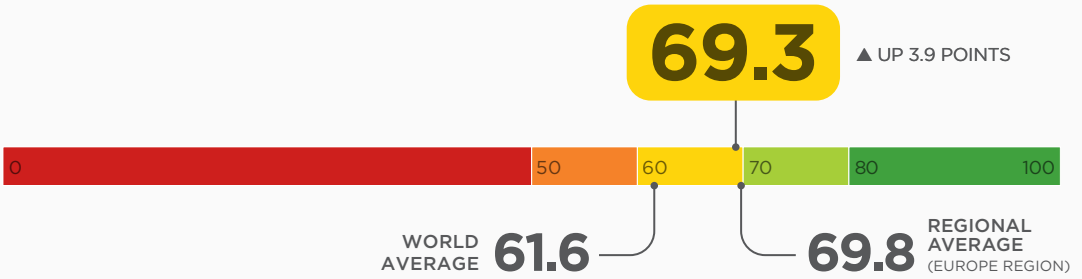
AZERBAIJAN

Azerbaijan's economic freedom score is 69.3, making its economy the 44th freest in the 2020 *Index*. Its overall score has increased by 3.9 points because of big gains in scores for **business freedom**, **investment freedom**, and **fiscal health**. Azerbaijan is ranked 24th among 45 countries in the Europe region, and its overall score is just below the regional average and well above the world average.

Azerbaijan has made progress in its economic freedom scores since first being included in the *Index* in 1996. Its economy is now on the verge of joining the ranks of the mostly free. GDP growth, however, has remained stagnant for the past five years.

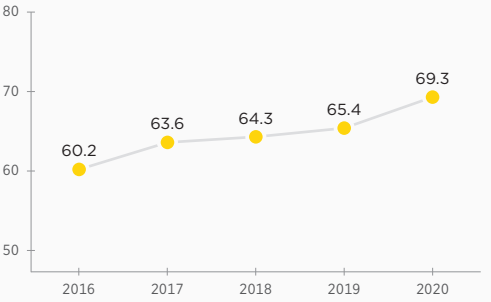
To set the conditions for greater economic freedom, the government will need to focus on improving government integrity and judicial effectiveness, and that will require significant institutional changes in the authoritarian political system, the overlapping of corporate and political interests, and the economy's highly concentrated ownership structure.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +39.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
9.9 million

GDP (PPP):
$179.7 billion
1.4% growth in 2018
5-year compound annual growth 0.4%
$18,076 per capita

UNEMPLOYMENT:
5.2%

INFLATION (CPI):
2.3%

FDI INFLOW:
$1.4 billion

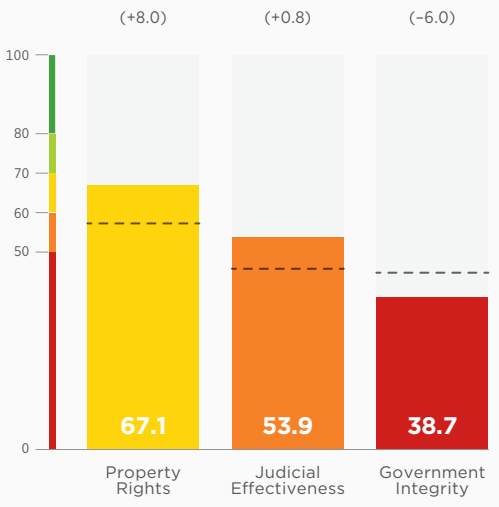
PUBLIC DEBT:
19.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: President Ilham Aliyev was elected to a fourth term in 2018 amid allegations of electoral fraud. His father, Heydar, ruled Azerbaijan as a Soviet republic and later as an independent country until his death in 2003, when his son succeeded him. Armenia's 25-year occupation of 20 percent of Azerbaijan's internationally recognized territory in the Nagorno–Karabakh region and seven neighboring districts is one of post-Soviet Europe's frozen conflicts and exacerbates regional instability. Efforts to boost Azerbaijan's energy production are underway. The construction of the Southern Gas Corridor, which will increase gas exports, is expected to reach completion by 2020–2021. Some nonenergy segments of the economy, such as agriculture, logistics, and information technology, require more development.

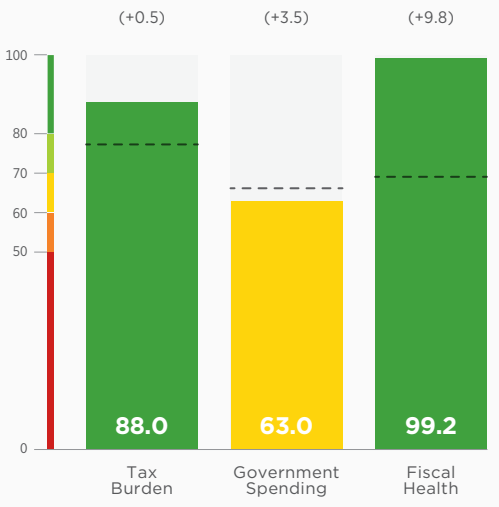
12 ECONOMIC FREEDOMS | AZERBAIJAN

RULE OF LAW



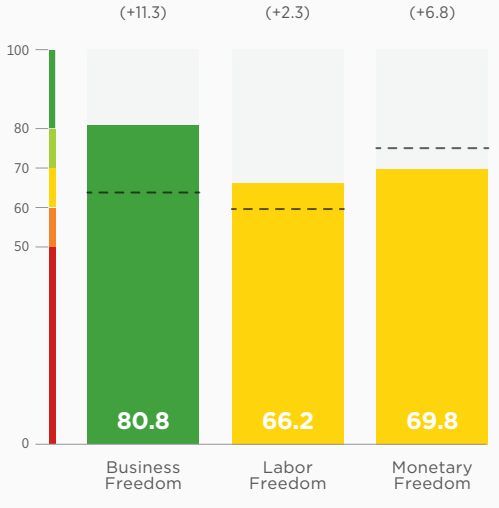
Amendments to Azerbaijan's constitution in 2016 enabled authorities to expropriate private property, with compensation, for purposes of "social justice and efficient use of the land." The corrupt and inefficient judiciary is subject to political pressure, and outcomes frequently appear to be predetermined. Corruption is widespread, and tax reforms announced in January 2019 were aimed partly at reducing corruption in tax administration.

GOVERNMENT SIZE



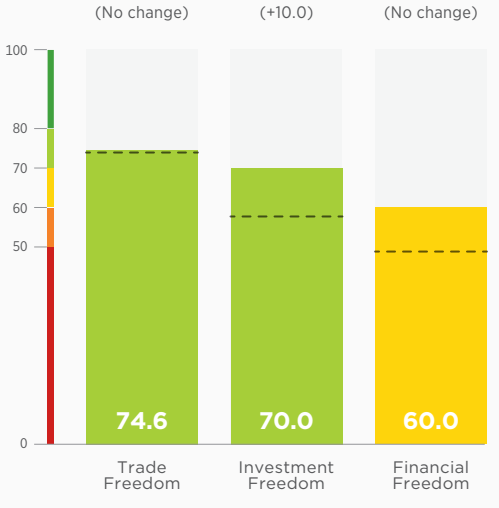
The top individual income tax rate is 25 percent, and the top corporate tax rate is 20 percent. Other taxes include value-added and property taxes. The overall tax burden equals 13.3 percent of total domestic income. Government spending has amounted to 35.1 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 0.5 percent of GDP. Public debt is equivalent to 19.4 percent of GDP.

REGULATORY EFFICIENCY



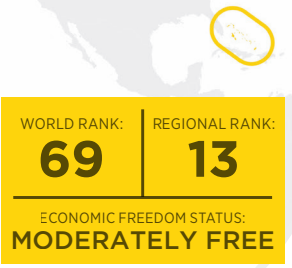
Azerbaijan recently enacted a variety of reforms that have improved the business climate. Resolution of insolvency, for example, has been made easier. Government-connected holding companies' dominance of the economy prevents the formation of a more fluid labor market. Ongoing subsidies continue to create price distortions for such goods as alcohol, drugs, energy, food and other agricultural products, and electricity.

OPEN MARKETS



The total value of exports and imports of goods and services equals 92.0 percent of GDP. The average applied tariff rate is 5.2 percent. Despite some progress in modernizing the trade regime, nontariff barriers linger. The oil and gas sectors have attracted the majority of foreign investment, but the country has moved toward diversification of its economy. The financial sector is dominated by state-owned banks but remains stable.

THE BAHAMAS

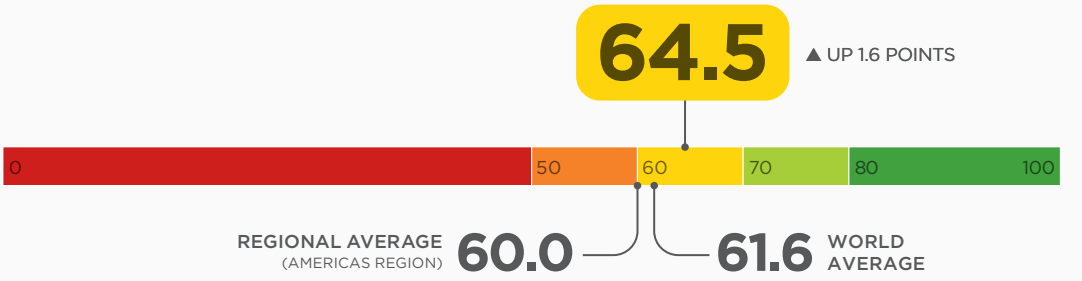


The Bahamas' economic freedom score is 64.5, making its economy the 69th freest in the 2020 *Index*. Its overall score has increased by 1.6 points due to a much higher score for **property rights**. The Bahamas is ranked 13th among 32 countries in the Americas region, and its overall score is slightly above the regional and world averages.

The Bahamas' economic freedom score has declined significantly over the past decade, and an economy that was firmly in the mostly free category for many years is now entrenched in the ranks of the moderately free. This decline has been accompanied by stagnant economic growth.

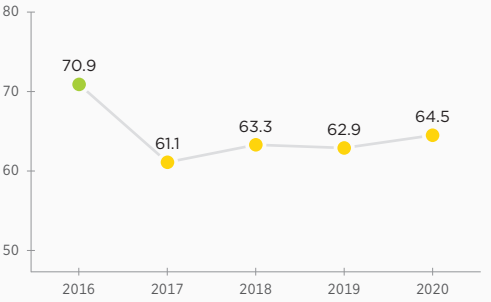
The islands' economy was shattered in 2019 by Hurricane Dorian, and the rebuilding process, though daunting, provides opportunities for enhancing openness and the rule of law, which would help to ensure greater robustness and higher standards of living in the future.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –7.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.4 million

GDP (PPP):
$12.6 billion
2.3% growth in 2018
5-year compound annual growth 0.6%
$33,494 per capita

UNEMPLOYMENT:
11.9%

INFLATION (CPI):
2.2%

FDI INFLOW:
$942.8 million

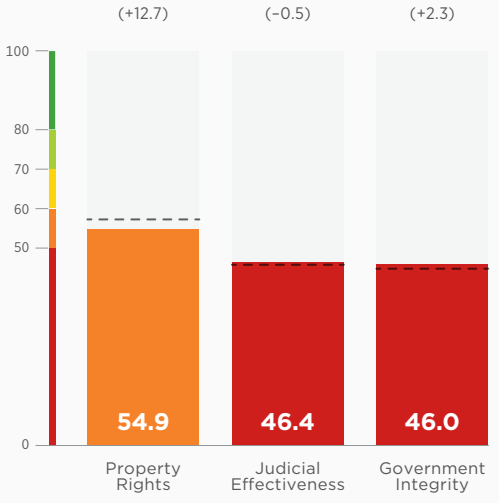
PUBLIC DEBT:
61.0% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Prime Minister Hubert Minnis of the Free National Movement was elected to a five-year term in 2017. He continues to benefit from his party's strong position in the legislature, which will help him in the multiyear rebuilding effort that lies ahead in the wake of a devastating Category 5 hurricane that struck the northern Bahamas in September 2019, causing an estimated $7 billion in damage. Tourism accounts for more than 60 percent of GDP. Financial services are also important. Debate continues regarding how to replace the tariff revenues that could be lost if the Bahamas joined the World Trade Organization. Proximity to the U.S. makes the Bahamas a transshipment point for illegal drugs and human trafficking.

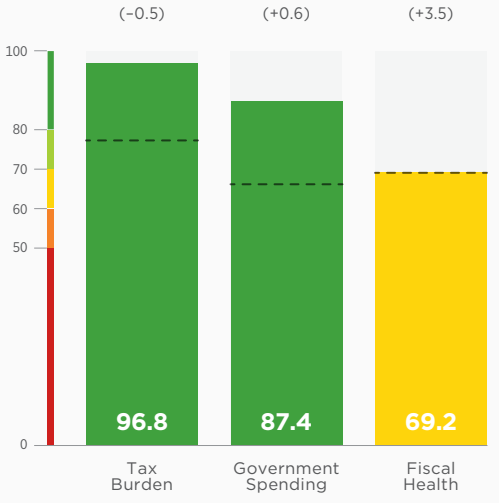
12 ECONOMIC FREEDOMS | THE BAHAMAS

RULE OF LAW



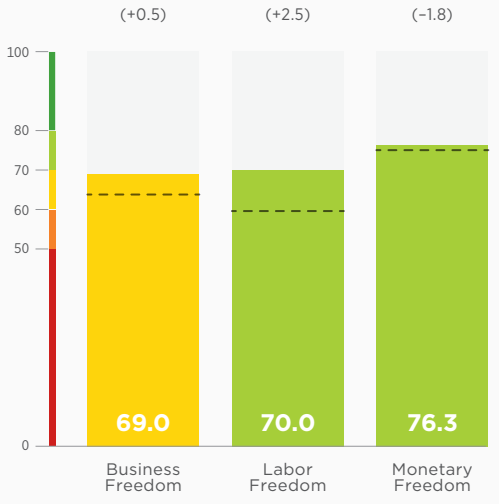
The Bahamas' score for ease of property registration in the World Bank's 2018 *Doing Business* report remains low (169th out of 190 countries). Contracts are enforced by the independent legal system, which is based on British common law. The judicial process is inefficient and time-consuming, although steps are being taken to improve it. Money laundering and corruption are problems at all levels of government.

GOVERNMENT SIZE



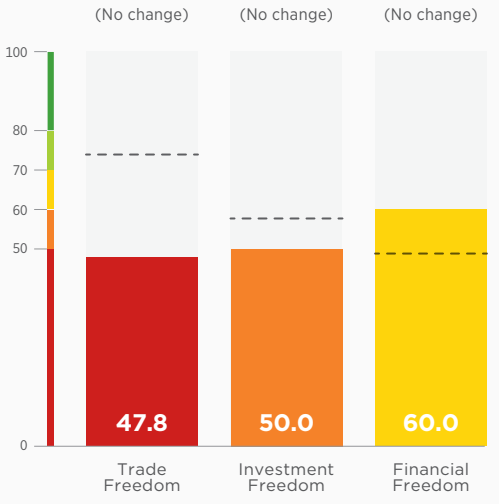
The government imposes national insurance, property, and stamp taxes but no income, corporate income, capital gains, or wealth taxes. The overall tax burden equals 17.9 percent of total domestic income. Government spending has amounted to 20.5 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 3.8 percent of GDP. Public debt is equivalent to 61.0 percent of GDP.

REGULATORY EFFICIENCY



The process for resolution of business disputes can be very time-consuming. The system for filing and paying value-added taxes recently became simpler, and access to credit has been improved. There is a shortage of skilled and unskilled labor. Although subsidies to state-owned Bahamas Air dipped slightly in 2019, health care subsidies rose by 20 percent.

OPEN MARKETS



The total value of exports and imports of goods and services equals 75.5 percent of GDP. The average applied tariff rate is 18.6 percent. Emergence of a more dynamic and sustainable private sector has been held back by nontariff barriers and an inefficient investment framework. The diversified banking sector remains stable, but the number of nonperforming loans has increased.

BAHRAIN

WORLD RANK:	REGIONAL RANK:
63	4

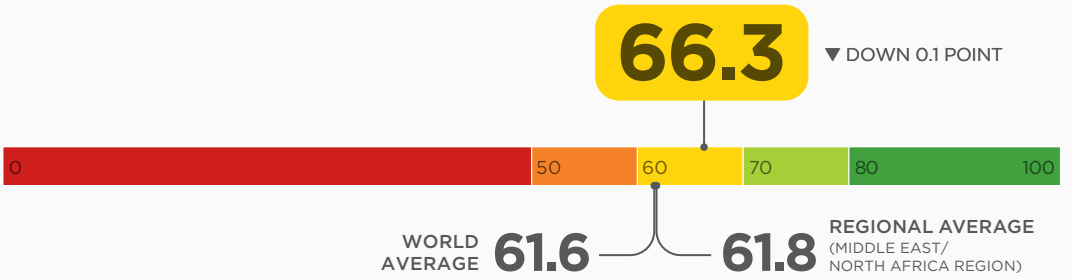
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Bahrain's economic freedom score is 66.3, making its economy the 63rd freest in the 2020 *Index*. Its overall score has decreased by 0.1 point, with lower scores on many indicators overcoming a solid gain in the score for **property rights**. Bahrain is ranked 4th among 14 countries in the Middle East and North Africa region, and its overall score is well above the regional and world averages.

Bahrain's economic freedom scores have declined for the past five years, and an economy that was firmly in the mostly free category for many years is now considered only moderately free. GDP growth has remained robust, however, propelled by massive government spending.

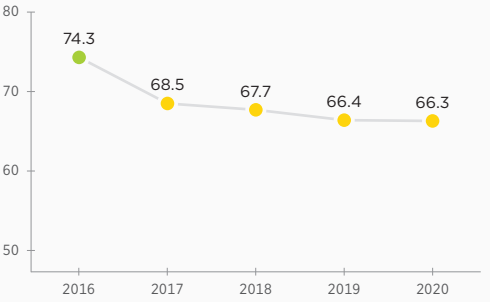
To rejoin the ranks of the mostly free, Bahrain will have to pursue policies that address both its unsustainable budget deficits and its poor fiscal health.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –9.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
1.5 million

GDP (PPP):
$74.1 billion
1.8% growth in 2018
5-year compound annual growth 3.3%
$50,057 per capita

UNEMPLOYMENT:
1.0%

INFLATION (CPI):
2.1%

FDI INFLOW:
$1.5 billion

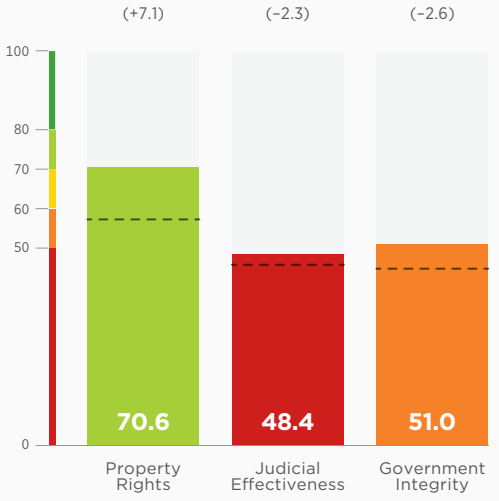
PUBLIC DEBT:
93.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Ruled since the 18th century by the Al-Khalifa family, initially as a British protectorate, Bahrain gained independence in 1971 and became a constitutional monarchy in 2002. In 2011, Bahrain was engulfed by domestic unrest spearheaded by Shia political activists demanding a new constitution and greater political power. King Hamad bin Isa Al-Khalifa authorized a crackdown that was supported by Gulf Cooperation Council security forces. A national dialogue led by the crown prince and the adoption of key reforms eventually eased tensions, but the November 2018 parliamentary elections were held only after some opposition parties were banned. Oil revenues support 85 percent of the government budget. A banking and financial services hub, Bahrain is the regional home for many multinational firms.

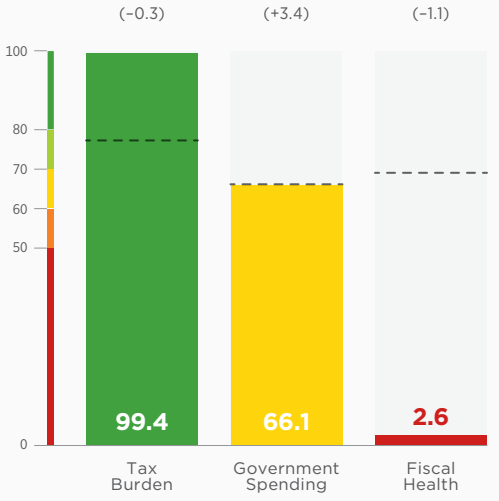
12 ECONOMIC FREEDOMS | BAHRAIN

RULE OF LAW



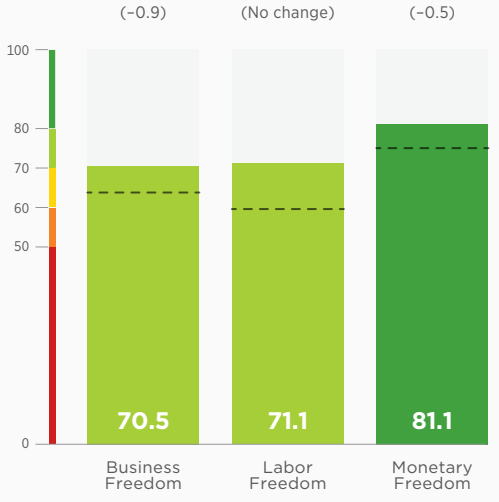
The government enforces property rights protections for land and homeowners. Most land has a clear title. The Al-Khalifa royal family appoints all judges, and the judicial system is seen as corrupt, with outcomes often depending on connections. Government tendering procedures are not always transparent, and contracts are not always awarded based solely on price and technical merit. Petty corruption is relatively rare.

GOVERNMENT SIZE



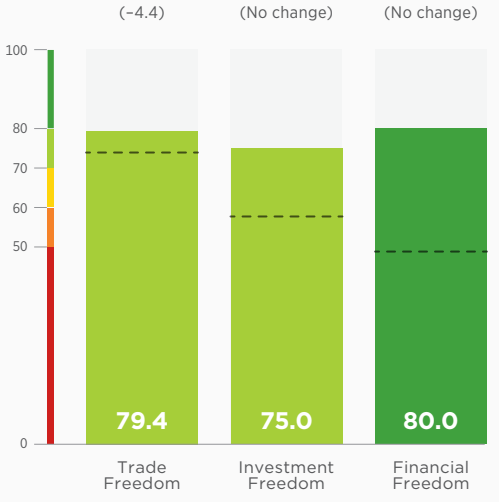
Bahrain imposes no taxes on personal income. Most companies are not subject to a corporate tax, but a 46 percent tax is levied on oil companies. The overall tax burden equals 7.8 percent of total domestic income. Government spending has amounted to 33.6 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 14.5 percent of GDP. Public debt is equivalent to 93.4 percent of GDP.

REGULATORY EFFICIENCY



Protections for minority investors were increased recently in a number of ways. The government maintains an outsized public sector, partly as a result of popular pressure. In May 2019, the government scrapped a plan to reform its cumbersome and expensive but politically popular subsidy system.

OPEN MARKETS



The total value of exports and imports of goods and services equals 159.2 percent of GDP. The average applied tariff rate is 7.8 percent, and nine nontariff measures are in force. In general, government policies do not interfere significantly with foreign investment. The modern financial sector offers a wide range of services and accounts for over 25 percent of GDP. The banking sector remains well capitalized.

BANGLADESH

WORLD RANK: **122** | REGIONAL RANK: **29**

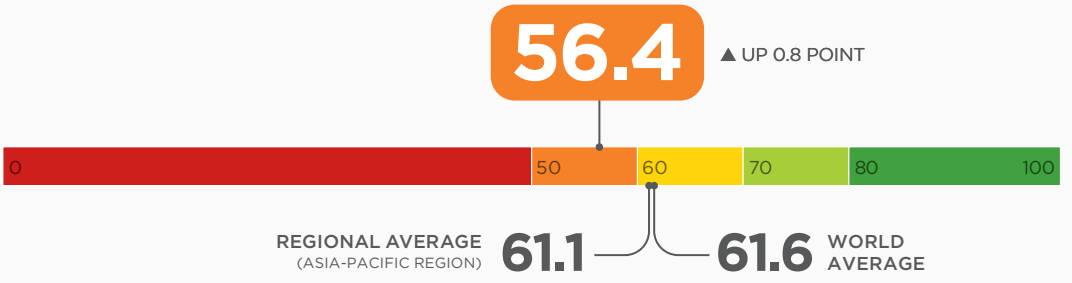
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Bangladesh's economic freedom score is 56.4, making its economy the 122nd freest in the 2020 *Index*. Its overall score has increased by 0.8 point, led by a higher score for **property rights**. Bangladesh is ranked 29th among 42 countries in the Asia–Pacific region, and its overall score is well below the regional and world averages.

Bangladesh has made steady albeit incremental progress toward greater economic freedom during the past five years. Although its economy has remained stuck in the mostly unfree category, its GDP growth during the same period has been robust. A welcoming attitude toward foreign investment and restraint on the growth of government may partially explain the discrepancy.

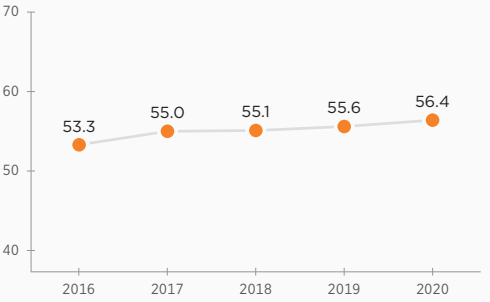
For Bangladesh finally to break into the ranks of the moderately free, the government would have to make a sustained, multiyear effort to improve the three rule-of-law indicators and permit the entry into the country of more international banks and the best practices they would bring with them.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +15.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
164.9 million

GDP (PPP):
$761.7 billion
7.7% growth in 2018
5-year compound annual growth 7.1%
$4,620 per capita

UNEMPLOYMENT:
4.3%

INFLATION (CPI):
5.6%

FDI INFLOW:
$3.6 billion

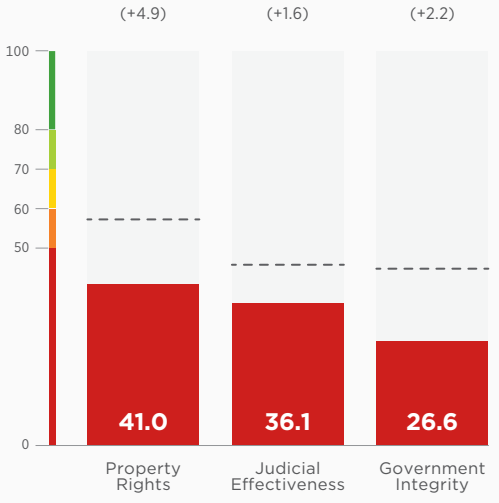
PUBLIC DEBT:
34.8% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Bangladesh is a large Muslim-majority democracy that shares borders with India and Burma. The British partition of India in 1947 resulted in the creation of West Pakistan and, in the Muslim-majority areas of Bengal east of India, East Pakistan. Following a brutal conflict for independence from West Pakistan, East Pakistan, aided by India, declared itself the independent state of Bangladesh in 1971. Two political parties have alternated in power for decades. Prime Minister Sheikh Hasina of the Awami League secured her third consecutive term with a landslide victory in December 2018 elections. The opposition Bangladesh Nationalist Party won only seven seats. Despite political instability and poor economic freedom indicators, economic growth has been robust, led by garment exports.

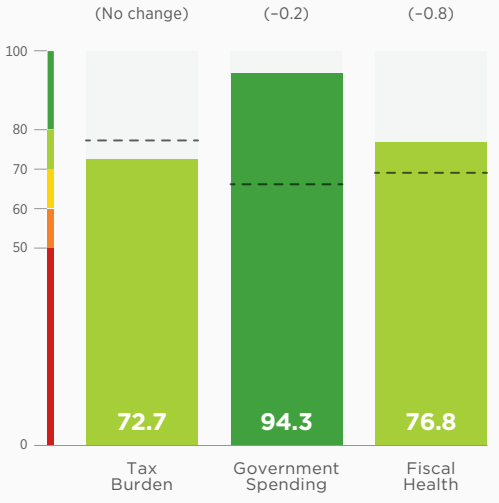
12 ECONOMIC FREEDOMS | BANGLADESH

RULE OF LAW



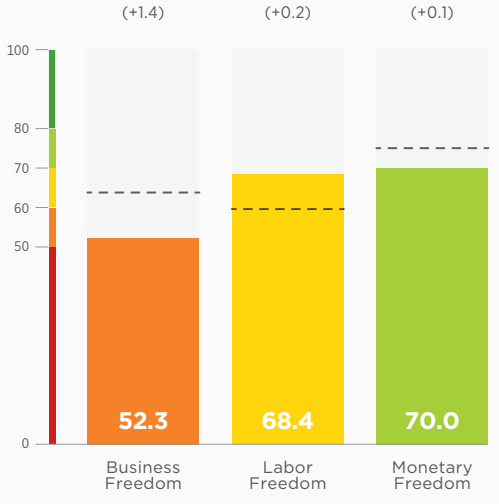
Antiquated real property laws and poor record-keeping systems can complicate land and property transactions. The weak judiciary is slow and lacks independence. Contract enforcement and dispute settlement procedures are inefficient. Endemic corruption and criminality, weak rule of law, limited bureaucratic transparency, and political polarization undermine government accountability and seriously impede investment and economic growth. High-profile corruption cases are common.

GOVERNMENT SIZE



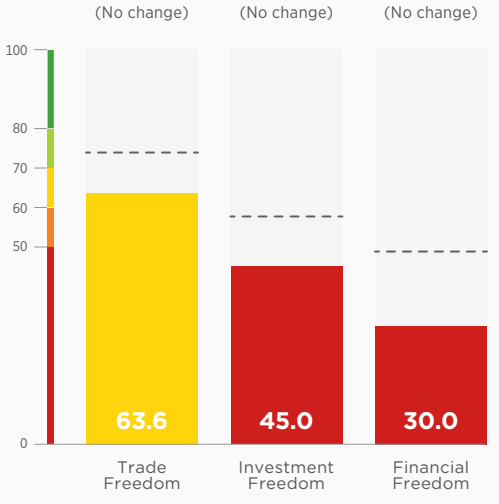
The top income tax rate is 25 percent, and the top corporate tax rate is 45 percent. Other taxes include a value-added tax. The overall tax burden equals 9.1 percent of total domestic income. Government spending has amounted to 13.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 3.6 percent of GDP. Public debt is equivalent to 34.8 percent of GDP.

REGULATORY EFFICIENCY



Incremental progress in streamlining business regulations has been undermined by an uncertain regulatory environment, a shortage of financing tools, and bureaucratic delays. Bangladesh boasts a young and hard-working labor force and has made notable progress in addressing fire and workplace safety. The government subsidizes energy and agricultural products and maintains price controls for some essential pharmaceutical products.

OPEN MARKETS



The total value of exports and imports of goods and services equals 38.2 percent of GDP. The average applied tariff rate is 10.7 percent. Layers of nontariff barriers impede dynamic flows of trade. Government openness to foreign investment is less than average. The financial sector remains underdeveloped and vulnerable to government interference. The level of state ownership and control of banking is considerable.

BARBADOS

WORLD RANK: **92**

REGIONAL RANK: **17**

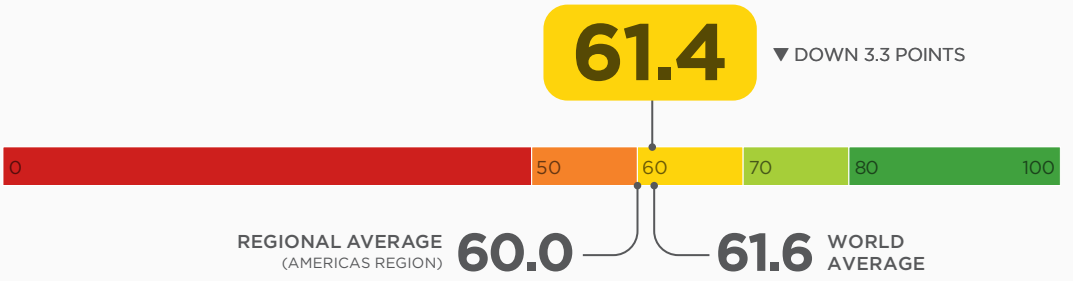
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Barbados's economic freedom score is 61.4, making its economy the 92nd freest in the 2020 *Index*. Its overall score has decreased by 3.3 points, dragged down by plummeting scores for **judicial effectiveness** and **fiscal health**. Barbados is ranked 17th among 32 countries in the Americas region, and its overall score is approximately equal to the regional and world averages.

Although the Barbadian economy had nearly reached the mostly free category a decade ago, it fell all the way down to mostly unfree by 2017 and only this year has regained moderately free status. Economic growth during the past five years has likewise been depressed.

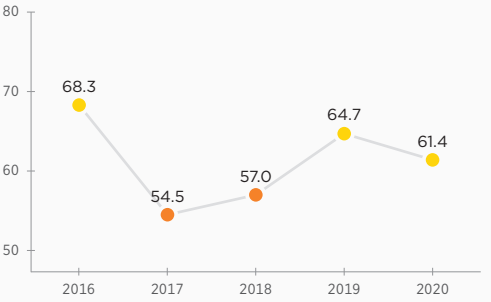
For economic freedom to resume an upward trajectory in Barbados, the government needs to build on its low tax burden and relatively strong scores for monetary and trade freedom. To restore investor confidence, efforts to shrink the country's extremely large public debt and implement structural reforms must continue.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): –0.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.3 million

GDP (PPP):
$5.3 billion
–0.5% growth in 2018
5-year compound annual growth 0.7%
$18,534 per capita

UNEMPLOYMENT:
9.6%

INFLATION (CPI):
3.6%

FDI INFLOW:
$195.1 million

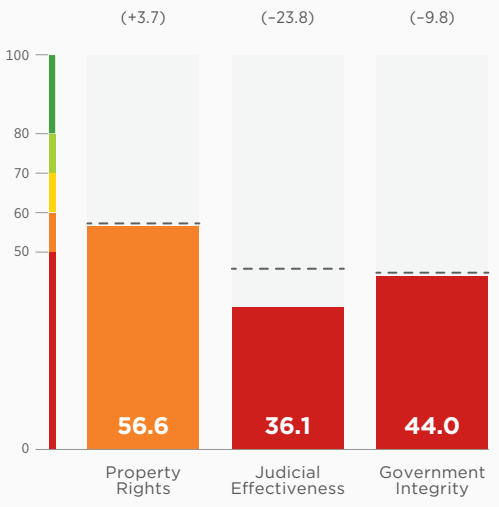
PUBLIC DEBT:
124.5% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Independent from the United Kingdom since 1966, Barbados is a stable parliamentary constitutional monarchy. Prime Minister Mia Mottley was elected to a five-year term in 2018. Her center-left Barbados Labor Party won all 30 parliamentary seats in a stunning upset that created an unprecedented single-party legislature and gave the country its first female leader. Mottley faces the challenge of enacting structural fiscal reforms to strengthen public finances against a backdrop of weak economic growth. Barbados has transformed itself from a low-income agricultural economy into a more diversified, middle-income economy built on tourism and offshore banking that generates one of the Caribbean's highest per capita incomes. Tourism receipts have improved, but serious challenges to medium-term economic growth remain.

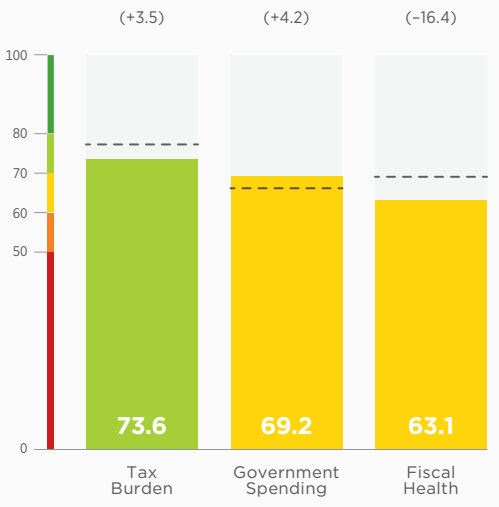
12 ECONOMIC FREEDOMS | BARBADOS

RULE OF LAW



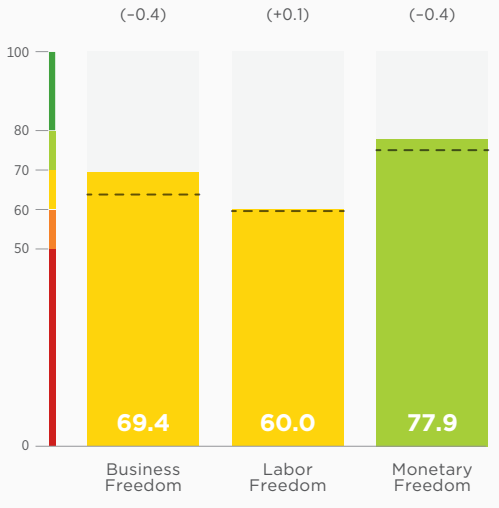
Civil law protects physical property and mortgage claims, but property registration in Barbados is very time-consuming and expensive. The court system is based on British common law and is generally unbiased and efficient. Protection of property rights is strong, and the rule of law is respected. Despite evidence of official corruption, the government has failed to implement key anticorruption measures.

GOVERNMENT SIZE



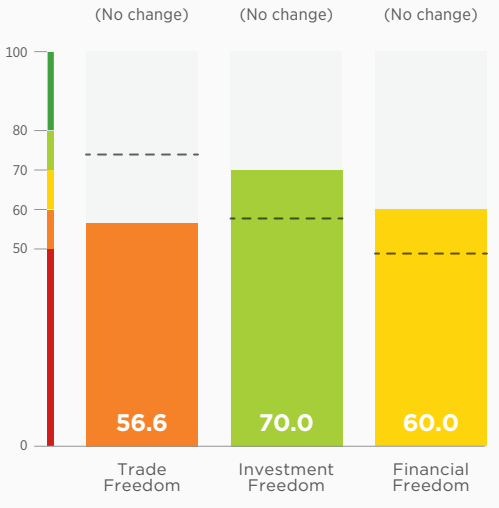
The top income tax rate has been increased to 40 percent, but the top corporate tax rate has been cut to 5.5 percent. Other taxes include value-added and property taxes. The overall tax burden equals 31.8 percent of total domestic income. Government spending has amounted to 32 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 3.3 percent of GDP. Public debt is equivalent to 124.5 percent of GDP.

REGULATORY EFFICIENCY



Barbados was ranked below the regional average in the 2019 World Bank *Doing Business* report. The labor market is relatively flexible, and employers are not legally obligated to recognize unions. Wages are among the highest in the Caribbean. The government announced a restructuring of the state-owned LIAT airline that is expected to reduce the airline's cost to taxpayers dramatically.

OPEN MARKETS



The total value of exports and imports of goods and services equals 82.8 percent of GDP. The average applied tariff rate is 14.2 percent, and 128 nontariff measures are in force. There are no quotas or other restrictions on foreign ownership, although the state reserves the right not to allow certain investments. The banking sector provides a wide range of services for domestic and foreign investors, but securities markets are relatively illiquid.

BELARUS

WORLD RANK: **88** | REGIONAL RANK: **41**

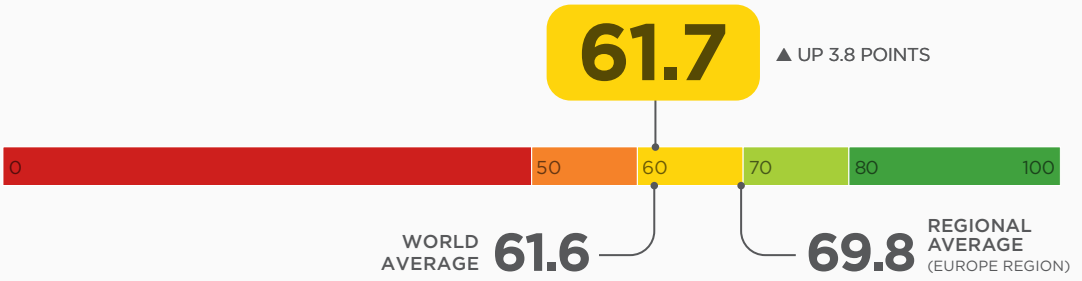
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Belarus's economic freedom score is 61.7, making its economy the 88th freest in the 2020 *Index*. Its overall score has increased by 3.8 points, driven by higher scores for **fiscal health** and **financial freedom**. Belarus is ranked 41st among 45 countries in the Europe region, and its overall score is well below the regional average and slightly below the world average.

Notwithstanding its political problems, economic freedom has risen dramatically in Belarus during the past five years. The economy climbed into the moderately free category for the first time in 2020. GDP growth has yet to catch up, however, primarily because of the continuing recovery from recession and commodity price weakness in 2015–2016.

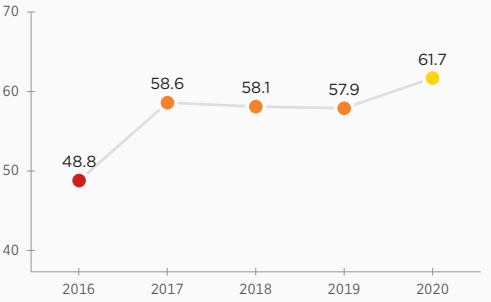
With higher world oil prices and a pickup in Russian demand for Belarusian manufactured goods, the government has an opportunity to enact additional reform measures to strengthen judicial effectiveness and government integrity that would help to increase economic freedom in Belarus.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +21.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
9.5 million

GDP (PPP):
$189.2 billion
3.0% growth in 2018
5-year compound annual growth 0.2%
$20,003 per capita

UNEMPLOYMENT:
5.7%

INFLATION (CPI):
4.9%

FDI INFLOW:
$1.5 billion

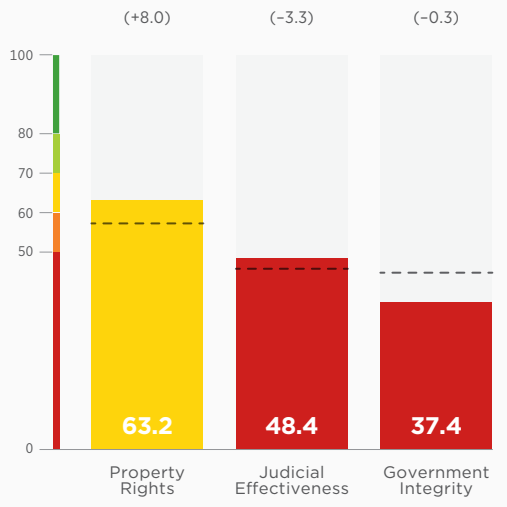
PUBLIC DEBT:
47.8% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Belarus is a former Soviet republic. President Alexander Lukashenko, in power since 1994, controls all branches of government. Belarus has one of Europe's worst human rights records. Opposition groups united in a coalition for the 2016 parliamentary elections, which international observers viewed as rigged, but failed to make meaningful gains. Lukashenko faced no serious competition in the 2015 presidential election, which also was neither free nor fair, and may seek another term in 2020. Industries and state-controlled agriculture are not competitive. New non-Russian foreign investment has essentially disappeared in recent years, largely because of Belarus's unfavorable investment climate. Belarus is heavily dependent on Russia for its energy supplies and joined the Russia-backed Eurasian Economic Union in 2015.

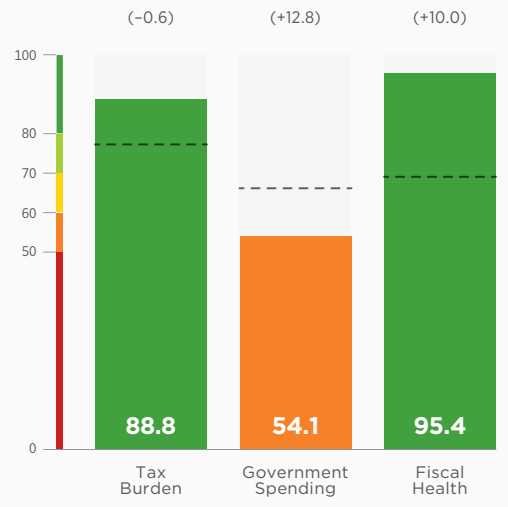
12 ECONOMIC FREEDOMS | BELARUS

RULE OF LAW



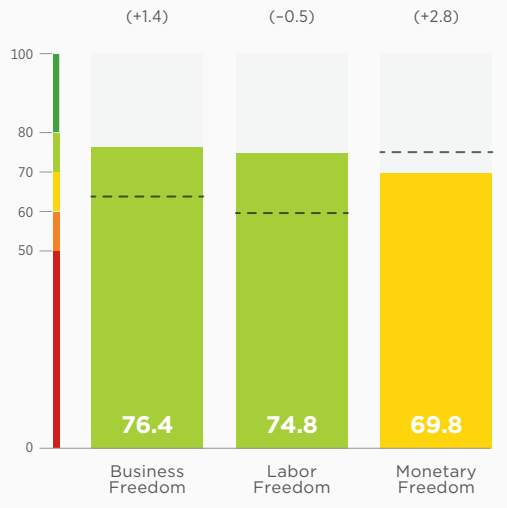
Property rights are enforced by the civil code. Mortgages and liens are available, and the property registry system is reliable. Constitutionally vested powers give the president control of the government and the courts, and presidential decrees carry greater force than ordinary legislation. The state's control of 70 percent of the Belarusian economy feeds widespread corruption. Lack of transparency and lack of government accountability encourage graft.

GOVERNMENT SIZE



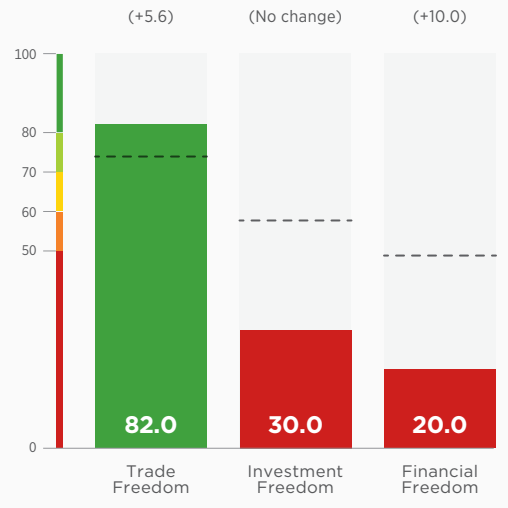
The personal income tax rate is 13 percent, and the top corporate tax rate is still 18 percent. Other taxes include excise and value-added taxes. The overall tax burden equals 25.1 percent of total domestic income. Government spending has amounted to 39.1 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 0.1 percent of GDP. Public debt is equivalent to 47.8 percent of GDP.

REGULATORY EFFICIENCY



The abolition of some requirements and loosening of others has made it easier to start a business. The process of dealing with construction permits has been streamlined. Government policies, however, reflect a Soviet-style distrust of private enterprise, and state-owned enterprises do not compete with private enterprises on an equal basis. Energy subsidies from Russia have accounted for up to 10 percent of GDP and have allowed the government to subsidize inefficient state firms.

OPEN MARKETS



The total value of exports and imports of goods and services equals 139.3 percent of GDP. The average applied tariff rate is 1.5 percent, but lingering nontariff barriers still impede trade dynamism. Despite some progress in opening up the economy, government policies like sectoral restrictions limit foreign investment. Development of the financial sector has progressed slowly. Large state banks dominate the banking system.

BELGIUM

WORLD RANK: **48**

REGIONAL RANK: **26**

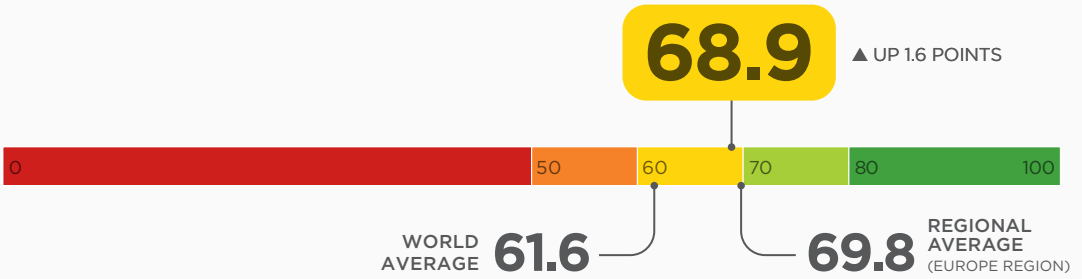
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Belgium's economic freedom score is 68.9, making its economy the 48th freest in the 2020 *Index*. Its overall score has increased by 1.6 points, led by an increase in the **government integrity** score. Belgium is ranked 26th among 45 countries in the Europe region, and its overall score almost matches the regional average and is well above the world average.

Belgium's economy has been trapped in the moderately free category for nearly a decade, having fallen from the mostly free rank it held earlier. GDP growth over the past five years has been similarly lackluster.

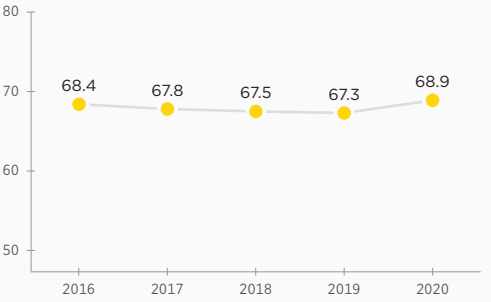
To return to the ranks of the mostly free, the government must rein in chronically high and unsustainable government spending. This would increase the prospects for successful implementation of its economic policy agenda, which is aimed at boosting job creation, strengthening competitiveness, and consolidating public finances.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +2.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
11.4 million

GDP (PPP):
$550.5 billion
1.4% growth in 2018
5-year compound annual growth 1.5%
$48,245 per capita

UNEMPLOYMENT:
6.3%

INFLATION (CPI):
2.3%

FDI INFLOW:
$4.9 billion

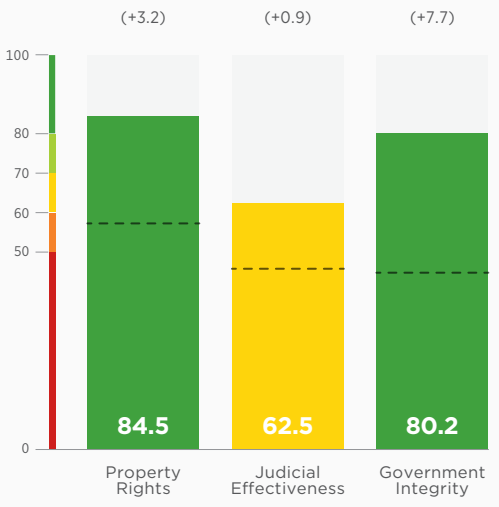
PUBLIC DEBT:
101.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Belgium is a federal state with three culturally different regions: Flanders, Wallonia, and the capital city of Brussels, which hosts the headquarters of NATO and the European Union. Belgium held federal, regional, and European elections in May 2019. In the federal elections, the center-right New Flemish Alliance won the most seats in a fractured parliament. Coalition building is difficult because separatist Flemish parties gained in Flanders, and the Greens and far-left Workers' Party of Belgium increased their support in Wallonia. Neighboring countries have a strong political and economic impact on Belgium. The services sector accounts for a large portion of GDP in the export-driven economy. Belgium boasts a dense network of rails and roadways and Europe's second-busiest port, Antwerp.

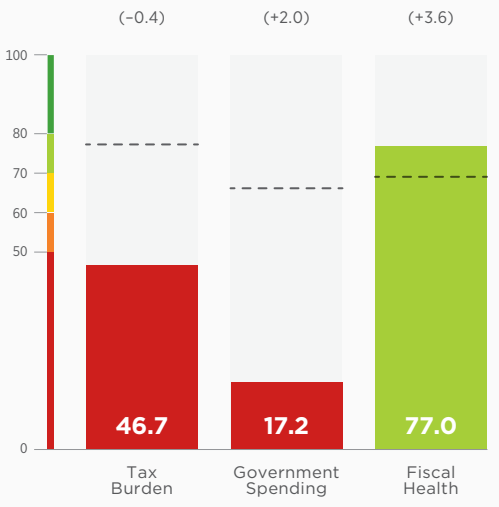
12 ECONOMIC FREEDOMS | BELGIUM

RULE OF LAW



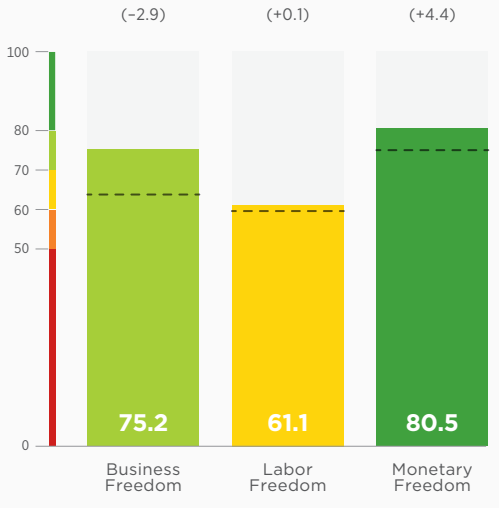
Property rights are well protected by law, although property registration is cumbersome and enforcement of intellectual property rights can be protracted. Laws are well codified, and the independent judicial system functions professionally, albeit with a growing backlog of cases. Corruption is relatively rare in Belgium and is most serious in government procurement and public works contracting. Public officials can face heavy fines and imprisonment for corruption.

GOVERNMENT SIZE



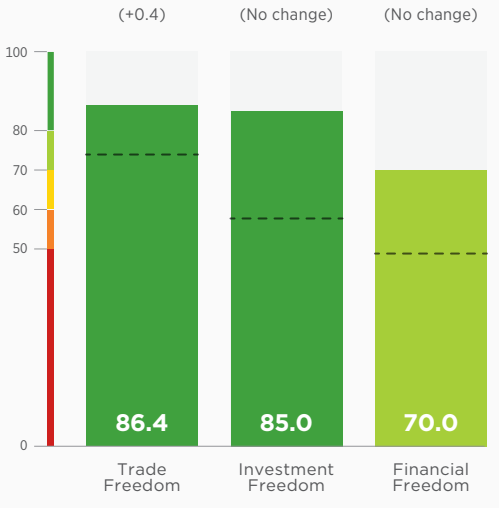
The top income tax rate is 50 percent, and the top corporate tax rate is 29 percent. Other taxes include value-added and estate taxes. The overall tax burden equals 44.6 percent of total domestic income. Government spending has amounted to 52.5 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.4 percent of GDP. Public debt is equivalent to 101.4 percent of GDP.

REGULATORY EFFICIENCY



Access to credit has been strengthened by the new Pledge Law and the establishment of a unified and modern collateral registry. Resolution of insolvency has been made easier. Employment regulations have been loosened gradually since 2015 from their previous highly burdensome levels. Significant fragmentation of the labor market continues. In 2019, the parliament adopted a law aimed in part at further reducing subsidies granted to offshore wind electricity production.

OPEN MARKETS



The total value of exports and imports of goods and services equals 175.6 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. The economy has long benefited from openness to foreign investment, and government policies are not a significant deterrent. The banking sector has undergone restructuring, and the overall financial system remains stable.

BELIZE

WORLD RANK: **111** | REGIONAL RANK: **22**

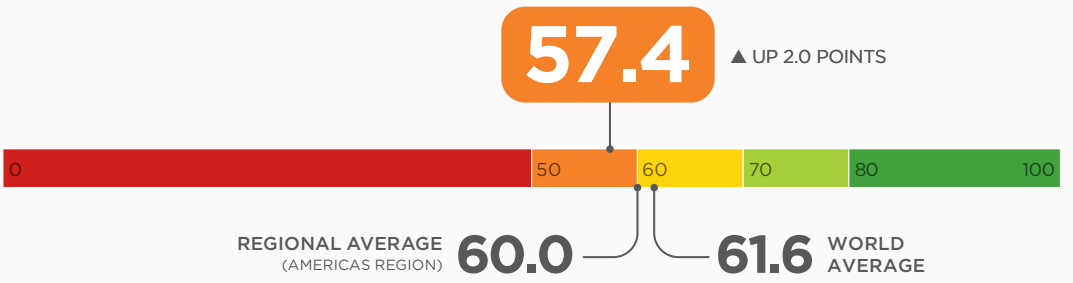
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Belize's economic freedom score is 57.4, making its economy the 111th freest in the 2020 *Index*. Its overall score has increased by 2.0 points, led by a big increase in the score for **fiscal health**. Belize is ranked 22nd among 32 countries in the Americas region, and its overall score is below the regional and world averages.

The Belizean economy has languished in the mostly unfree category for the past seven years after having enjoyed moderate freedom for more than a decade. Moderate GDP growth during those seven years has been due mostly to growing tourism receipts and rising volumes of goods and other services exports.

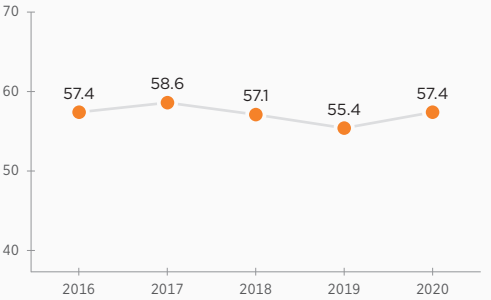
To sustain progress toward greater economic freedom, the government will need to continue efforts to rein in public debt and narrow the fiscal deficit. Addressing chronic problems related to corruption and the weak rule of law, however, must be its first priority.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –5.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.4 million

GDP (PPP):
$3.4 billion
3.0% growth in 2018
5-year compound annual growth 2.2%
$8,501 per capita

UNEMPLOYMENT:
9.4%

INFLATION (CPI):
0.3%

FDI INFLOW:
$119.5 million

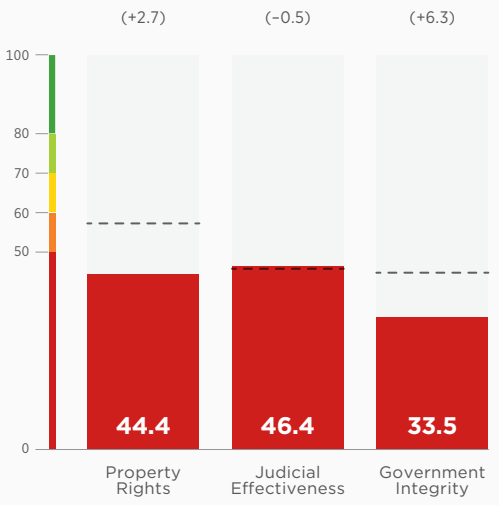
PUBLIC DEBT:
94.8% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The former colony of British Honduras gained independence in 1981 as a parliamentary democracy. Facing elections in 2020, Prime Minister Dean Barrow's United Democratic Party has been weakened by social unrest and an upsurge in violent crime. The economy relies primarily on tourism and exports of marine products, citrus, sugar, and bananas. Belize's vulnerability to fluctuating agricultural commodity prices complicates policymaking. Actions to tighten controls against money laundering and the financing of terrorism have heightened scrutiny of international financial transactions in Belize. Foreign reserves remain under pressure as the government continues to make U.S. dollar payments to settle a dispute arising from the 2009 nationalization of Belize Telemedia.

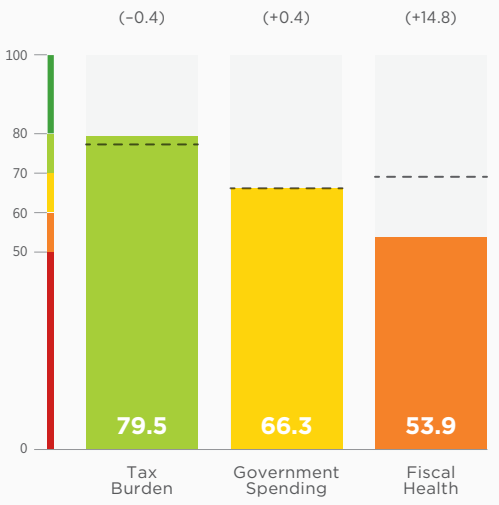
12 ECONOMIC FREEDOMS | BELIZE

RULE OF LAW



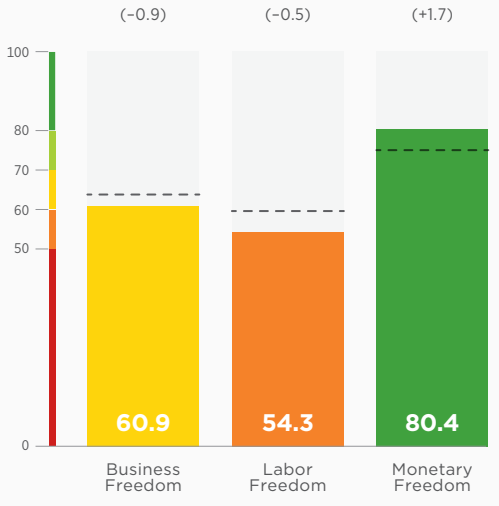
Individuals have the right to own property and establish private businesses, but legal regulations can be poorly enforced. The judiciary, though lacking in resources, is generally independent. Several measures are being implemented to reduce backlogs, time delays, and costs. Belize's geographical location, porous borders, poverty, and limited material and personnel resources leave it vulnerable to illicit trafficking, illegal migration, transnational criminal organizations, and corruption.

GOVERNMENT SIZE



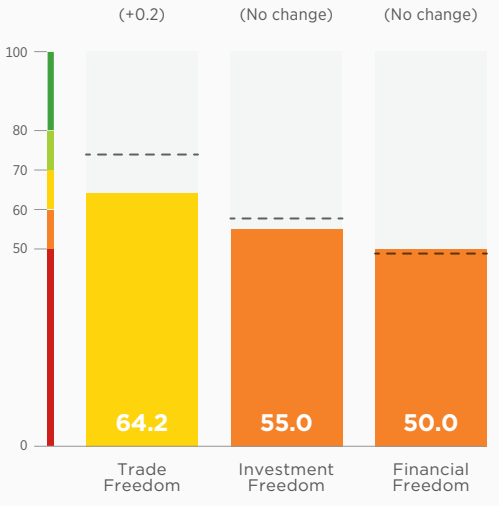
The top income and corporate tax rates are 25 percent; petroleum profits are taxed at a rate of 40 percent. Other taxes include a goods and services tax and a stamp duty. The overall tax burden equals 28.2 percent of total domestic income. Government spending has amounted to 33.5 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.2 percent of GDP. Public debt is equivalent to 94.8 percent of GDP.

REGULATORY EFFICIENCY



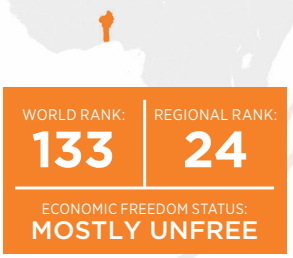
The World Bank's 2019 *Doing Business* report ranked Belize very low on access to credit and ease of starting a business. In general, employers are free to adjust their workforces in response to changes in the business environment. Two-thirds of new entrants to the labor force are female. The government continues to maintain price controls on such basic foods as rice, sugar, bread, and flour, as well as on butane gas and all utilities.

OPEN MARKETS



The total value of exports and imports of goods and services equals 111.8 percent of GDP. The average applied tariff rate is 10.4 percent, and two nontariff measures are in force. Dynamic growth in investment is constrained by lingering policy and institutional weaknesses, although there are no restrictions on foreign ownership. The financial system is small. There is no stock market, and capital market operations are rudimentary.

BENIN



WORLD RANK: **133** | REGIONAL RANK: **24**

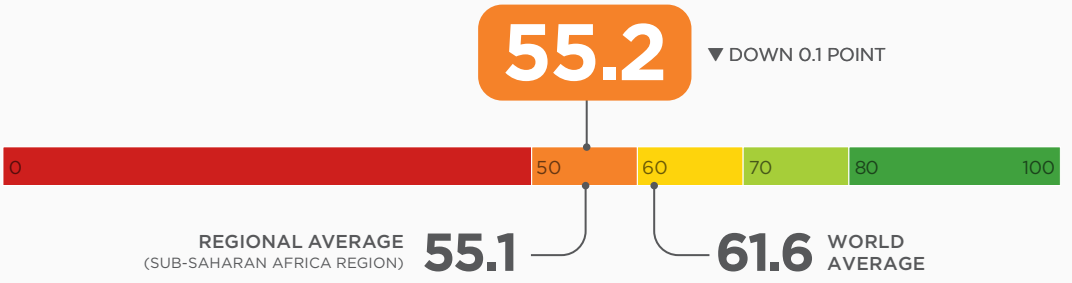
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Benin's economic freedom score is 55.2, making its economy the 133rd freest in the 2020 *Index*. Its overall score decreased by 0.1 point, with an improvement in the score for **fiscal health** not enough to overcome drops in several other indicators. Benin is ranked 24th among 47 countries in the Sub-Saharan Africa region, and its overall score is slightly higher than the regional average and well below the world average.

Benin continues its slide toward less economic freedom, with scores dropping steadily from a high-water mark in 2016. Its economy is now well entrenched among the mostly unfree. Over the past five years, however, GDP growth has been robust, perhaps because of Benin's membership in the G20 Compact with Africa initiative.

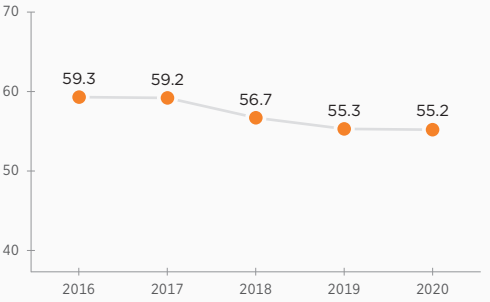
Although the government has tried to attract foreign investment by continuing its efforts to improve the business environment, ongoing civil unrest, bureaucratic inefficiencies, and infrastructure gaps have deterred most investors.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +0.7

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
11.4 million

GDP (PPP):
$27.7 billion
6.5% growth in 2018
5-year compound annual growth 5.0%
$2,426 per capita

UNEMPLOYMENT:
2.1%

INFLATION (CPI):
1.0%

FDI INFLOW:
$207.5 million

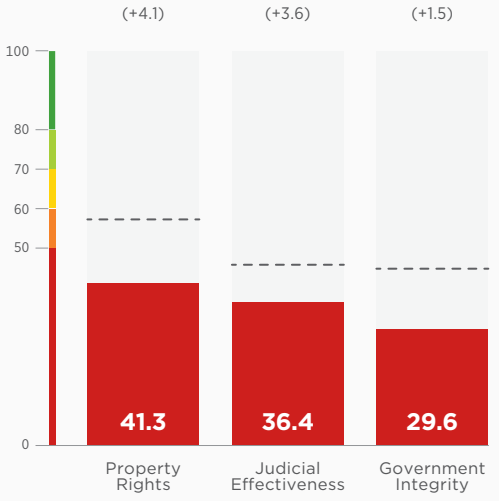
PUBLIC DEBT:
54.6% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: One of Africa's largest cotton producers, the former French colony of Benin nevertheless remains underdeveloped and dependent on subsistence agriculture and regional trade. Wealthy businessman Patrice Talon was elected to a five-year presidential term in 2016 on a clean-government platform, but critics have accused him of various power grabs since taking office. Under a new electoral code, only the two political parties supporting Talon were permitted to contest the April 2019 parliamentary elections, which were marked by low turnout. Government efforts to increase power generation capacity should stimulate economic growth. Expansion of the privately managed port of Cotonou, which accounts for approximately 60 percent of GDP, will further encourage economic growth by increasing port services for regional neighbors.

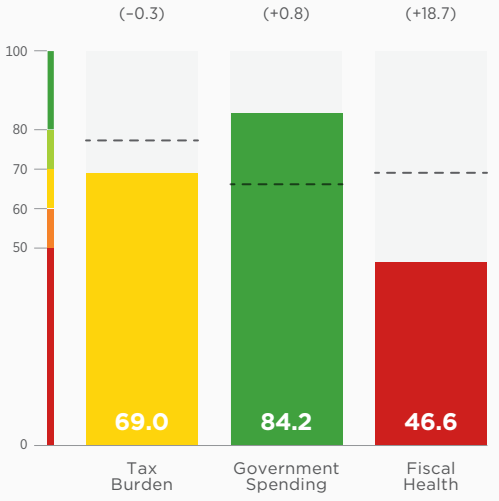
12 ECONOMIC FREEDOMS | BENIN

RULE OF LAW



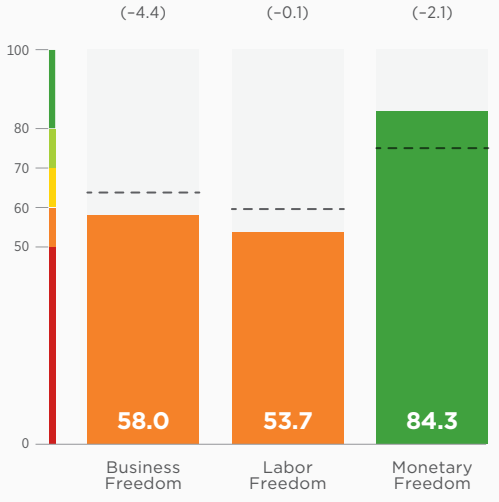
Although property rights are recognized and enforced, property registration remains difficult, and enforcement of contracts is uneven. The judiciary has demonstrated some independence, but the courts are inefficient and susceptible to corruption. The government's main anticorruption body, the National Anti-Corruption Authority, can hear complaints, recommend measures, and pass cases to the courts, but it has no enforcement authority.

GOVERNMENT SIZE



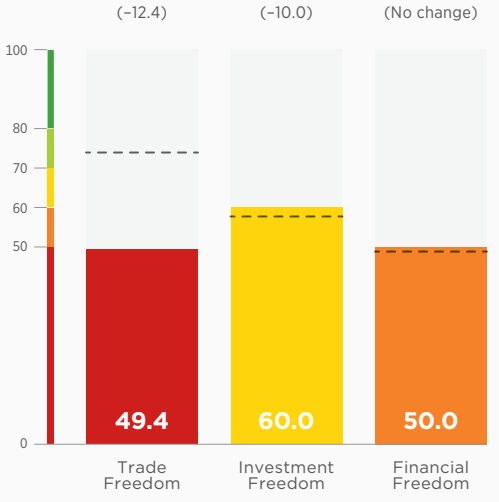
The top income tax rate is 45 percent, and the top corporate tax rate is 30 percent (45 percent for oil companies). Other taxes include a value-added tax. The overall tax burden equals 13.2 percent of total domestic income. Government spending has amounted to 23 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 5.4 percent of GDP. Public debt is equivalent to 54.6 percent of GDP.

REGULATORY EFFICIENCY



The World Bank's 2019 *Doing Business* report ranked Benin very low on three factors: getting electricity, paying taxes, and contract enforcement. Greater participation in the economy by the private sector is needed to create jobs, alleviate poverty, and generate resources to build infrastructure. Subsidies to weak and inefficient state-owned enterprises have cost the equivalent of 1.5 percent of GDP since 2014 and continue to be a burden on the government budget.

OPEN MARKETS



The total value of exports and imports of goods and services equals 79.6 percent of GDP. The average applied tariff rate is 17.8 percent, and one nontariff measure is in force. Bureaucratic barriers interfere with foreign and domestic investment. The financial system remains underdeveloped. Banks have continued to increase their domestic assets, and there are many microfinance institutions, but overall access to credit remains limited.

WORLD RANK: 85 | REGIONAL RANK: 17

ECONOMIC FREEDOM STATUS: MODERATELY FREE

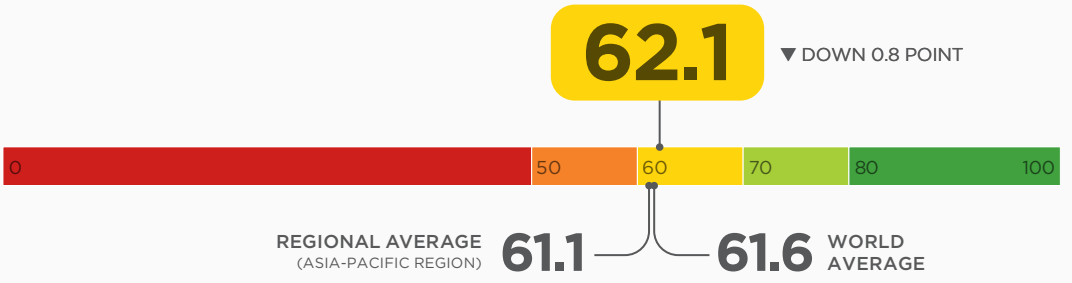
BHUTAN

Bhutan's economic freedom score is 62.1, making its economy the 85th freest in the 2020 *Index*. Its overall score has decreased by 0.8 point, primarily because of a sharp drop in the score for **judicial effectiveness**. Bhutan is ranked 17th among 42 countries in the Asia–Pacific region, and its overall score is approximately equal to the regional and world averages.

Bhutan's economy rose from the mostly unfree to the moderately free category in 2018 and has maintained that rank. That progress is mirrored by very healthy GDP growth over the past five years.

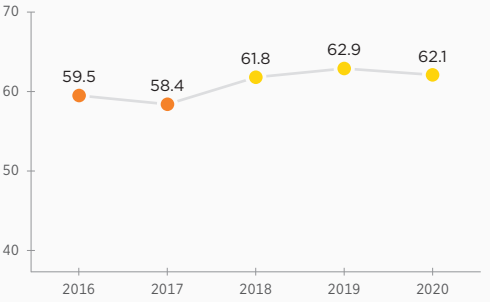
The government's principal focus is on reducing income inequality, but the best way to achieve that goal would be to encourage greater economic freedom in areas in which Bhutan's *Index* indicators currently fall short. Specifically, reforms are needed to increase judicial effectiveness and government integrity, and additional reforms are needed to improve investment freedom and financial freedom.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): +4.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.8 million

GDP (PPP):
$7.8 billion
5.8% growth in 2018
5-year compound annual growth 6.1%
$9,540 per capita

UNEMPLOYMENT:
2.2%

INFLATION (CPI):
3.6%

FDI INFLOW:
$5.9 million

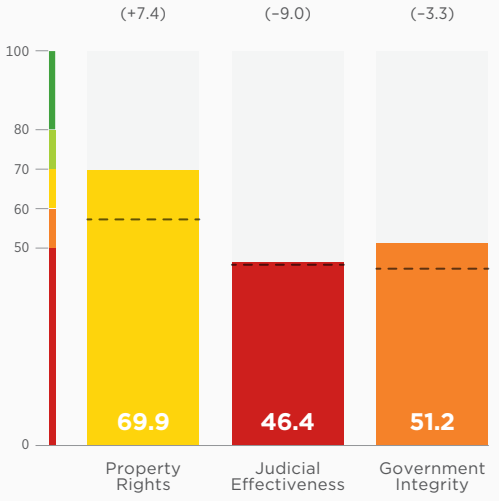
PUBLIC DEBT:
102.6% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The small Himalayan kingdom of Bhutan made the transition from absolute monarchy to constitutional parliamentary democracy in 2008. Former Prime Minister Tshering Tobgay's People's Democratic Party, which won a majority in the National Assembly in 2013, lost unexpectedly to Lotay Tshering's Bhutan United Party in 2018 elections. Bhutan has one of the world's smallest and least-developed economies. Even into the late 20th century, the landlocked country was largely agrarian with few roads, little electricity, and no modern hospitals. Recent interregional economic cooperation featuring growing trade with Bangladesh and India is stimulating economic growth. Connections to global markets are limited and dominated by exports of hydropower to India, but those exports could increase if chronic construction delays were resolved.

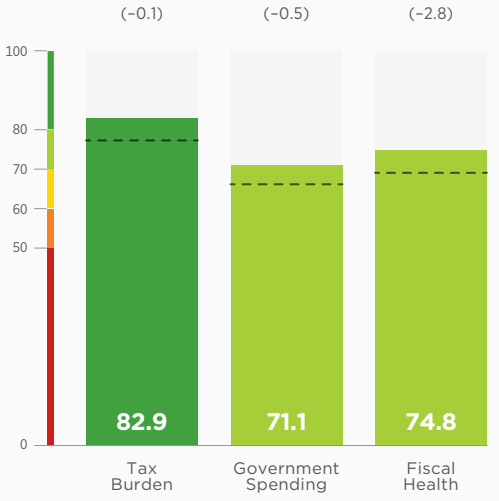
12 ECONOMIC FREEDOMS | BHUTAN

RULE OF LAW



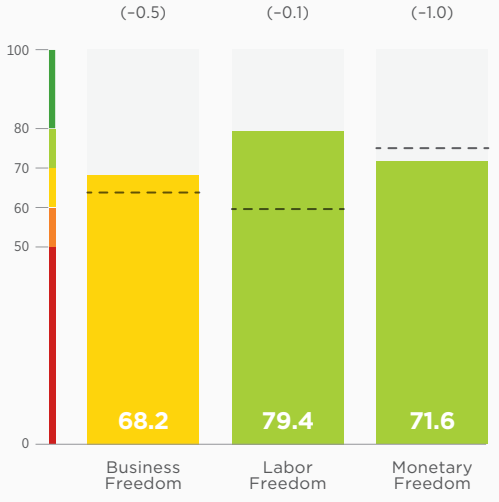
Individuals generally have rights to own property and establish businesses, but registration of property or new businesses can be cumbersome. Judicial independence is respected, but court rulings are often inconsistent. The law provides criminal penalties for corruption by officials, and the government generally implements these laws effectively. However, nepotism and favoritism in public procurement and government employment remain problems.

GOVERNMENT SIZE



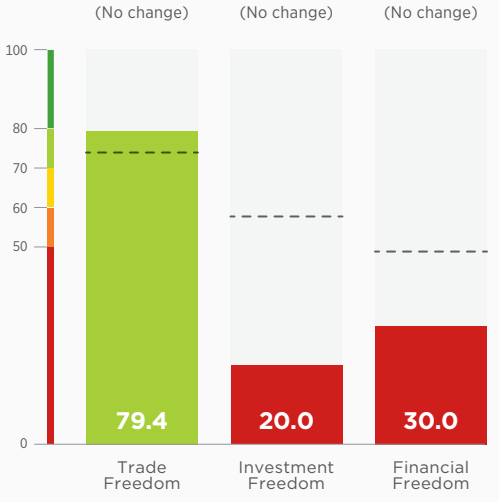
The top income tax rate is 25 percent, and the corporate tax rate is 30 percent. Other taxes include property and excise taxes. The overall tax burden equals 13.6 percent of total domestic income. Government spending has amounted to 31.1 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.8 percent of GDP. Public debt is equivalent to 102.6 percent of GDP.

REGULATORY EFFICIENCY



The creation of a new online platform for filing corporate and personal income tax returns has made it easier to pay taxes. Barriers to skilled immigration as well as restrictions on foreign direct investment exacerbate the labor supply-and-demand imbalance. The state maintains significant financial and commercial controls, and Bhutan is the largest recipient of Indian foreign aid, especially through the co-financing of numerous hydropower projects.

OPEN MARKETS



The total value of exports and imports of goods and services equals 78.6 percent of GDP. The average applied tariff rate is 2.8 percent. Nontariff barriers significantly impede trade. Sectoral restrictions and other barriers limit foreign investment. Despite some progress in improving efficiency, the state-controlled financial sector does not meet private-sector credit needs sufficiently, and the banking sector is burdened with nonperforming loans.

BOLIVIA

WORLD RANK: **175** | REGIONAL RANK: **30**

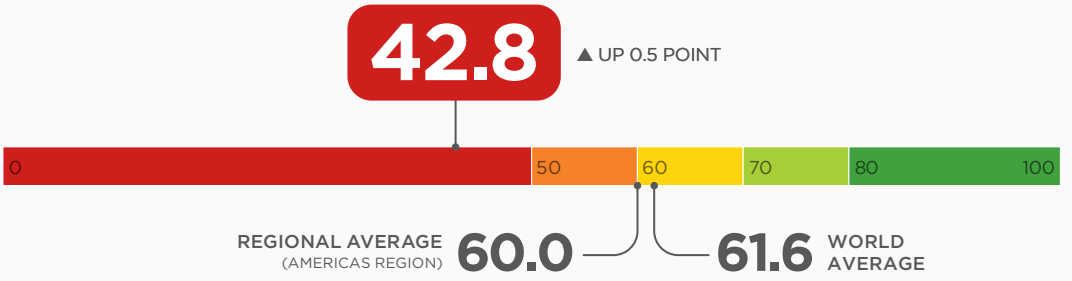
ECONOMIC FREEDOM STATUS: **REPRESSED**

Bolivia's economic freedom score is 42.8, making its economy the 175th freest in the 2020 *Index*. Its overall score has increased by 0.5 point, with higher scores for **government integrity** and the **tax burden** partially offset by drops in **fiscal health** and **trade freedom**. Bolivia is ranked 30th among 32 countries in the Americas region, and its overall score is well below the regional and world averages.

Bolivia's economy has been repressed for a decade, reflecting the pernicious impact of *Chavista* socialism. Even in a bad policy environment, however, the economy has achieved moderate growth driven by hydrocarbon and mineral exports.

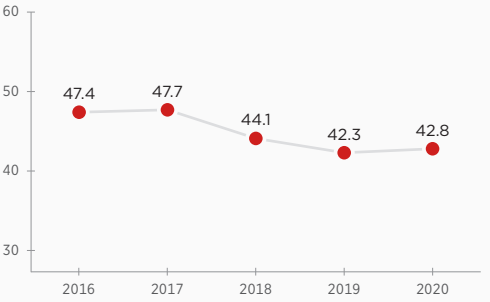
The single-party authoritarianism of the Morales regime was particularly damaging to economic freedom in Bolivia. The rule of law has been both arbitrary and capricious, and the business and investment climate has endured intentional damage from policies designed to repress or contain the private sector and ensure government dominance. A new government will face severe challenges in rebuilding economic freedom.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –14.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
11.2 million

GDP (PPP):
$84.1 billion
4.3% growth in 2018
5-year compound annual growth 4.6%
$7,477 per capita

UNEMPLOYMENT:
3.3%

INFLATION (CPI):
2.3%

FDI INFLOW:
$255.1 million

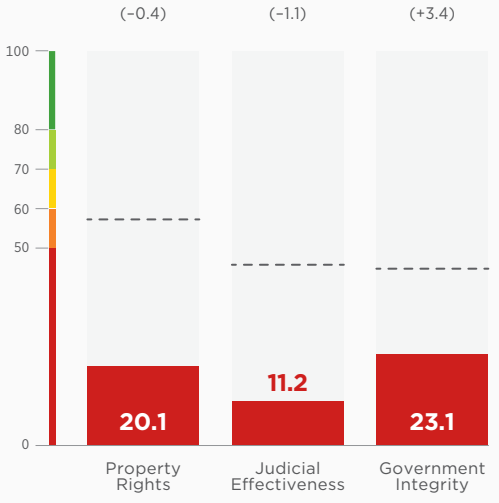
PUBLIC DEBT:
53.9% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Exports of natural gas to Brazil and Argentina have supported the Bolivian economy in recent years, but the country also faces deeply rooted poverty, social unrest, and illegal drug activity. In November 2019, the military forced leftist President Evo Morales to flee to political asylum in Mexico after he tried to steal re-election to a fourth term by halting vote-counting in the first round of the October elections. Jeanine Añez of the Movimiento Demócrata Social party took over as the constitutional interim leader, pledging to hold new elections. The unstable political situation will complicate the implementation of economic policies. Reduced output of hydrocarbons and weakness in the mining and construction sectors has slowed GDP growth. Nearly 40 percent of Bolivians remain below the poverty line.

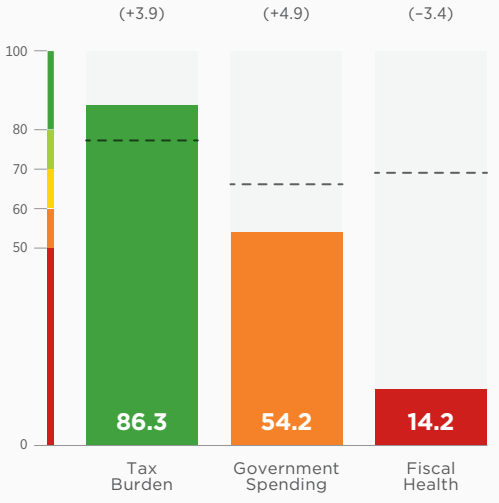
12 ECONOMIC FREEDOMS | BOLIVIA

RULE OF LAW



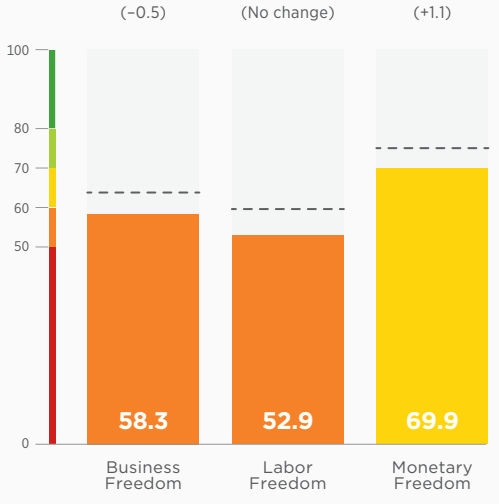
Real property rights are legally protected and recorded in the Real Estate Office, but delays in registration and demands for bribes have led to land title disputes, especially in rural areas. In addition to being politicized, the judiciary remains overburdened. Corruption affects a range of government entities, including law enforcement bodies and extractive industries.

GOVERNMENT SIZE



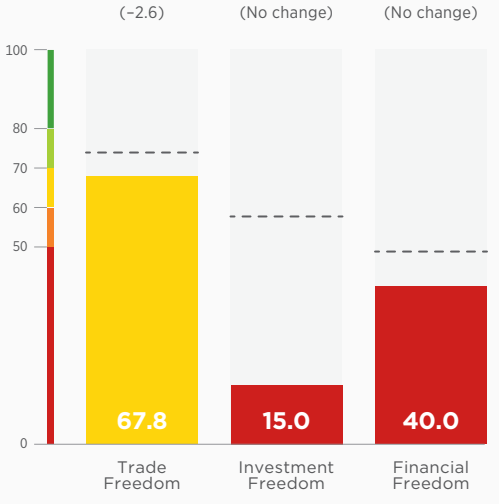
The top income tax rate is 13 percent, and the corporate tax rate is 25 percent. Other taxes include value-added and transactions taxes. The overall tax burden equals 23.9 percent of total domestic income. Government spending has amounted to 39.1 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 7.6 percent of GDP. Public debt is equivalent to 53.9 percent of GDP.

REGULATORY EFFICIENCY



The regulatory framework for businesses includes significant market restrictions. The assets of private companies are not secure from government theft. Unprofitable state-owned enterprises rely on government largesse. Wage increases are negotiated between the government and the main labor union. Energy subsidies have been estimated to range from 2 percent to 7 percent of GDP in recent years, and the government controls the prices of such products as sugar, maize, and bread.

OPEN MARKETS



The total value of exports and imports of goods and services equals 57.1 percent of GDP. The average applied tariff rate is 6.1 percent, and three nontariff measures are in force. The prevalence of state-owned enterprises limits foreign investment. The financial sector remains vulnerable to state interference, with credit to the private sector expanding slowly. Capital markets are focused on trading in government bonds.

BOSNIA AND HERZEGOVINA

WORLD RANK: **82**

REGIONAL RANK: **38**

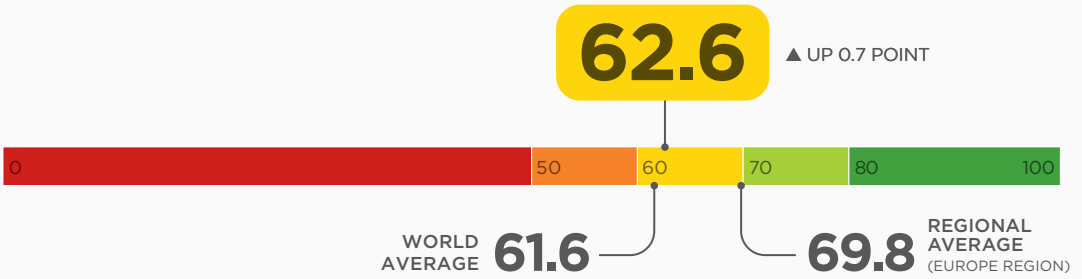
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Bosnia and Herzegovina's economic freedom score is 62.6, making its economy the 82nd freest in the 2020 *Index*. Its overall score has increased by 0.7 point, aided by a spike in the score for **government integrity**. Bosnia and Herzegovina is ranked 38th among 45 countries in the Europe region, and its overall score is well below the regional average and approximately equal to the world average.

Scoring of Bosnia and Herzegovina in the *Index* began in 1998. Since then, the country has made slow but steady progress. Its economy has been designated moderately free for the past four years. GDP growth during that period has also been solid.

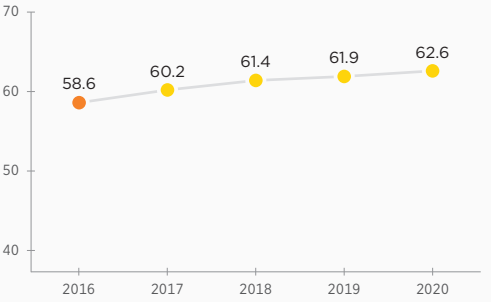
The main impediment to greater economic freedom is very poor performance on the rule-of-law indicators: property rights, judicial effectiveness, and government integrity. Adopting reforms and changing the culture at judicial and other government institutions would not only bring the country a higher ranking in the *Index*, but also enhance prospects for its accession to the European Union.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1998): +33.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
3.5 million

GDP (PPP):
$47.3 billion
3.1% growth in 2018
5-year compound annual growth 2.7%
$13,491 per capita

UNEMPLOYMENT:
20.8%

INFLATION (CPI):
1.4%

FDI INFLOW:
$467.7 million

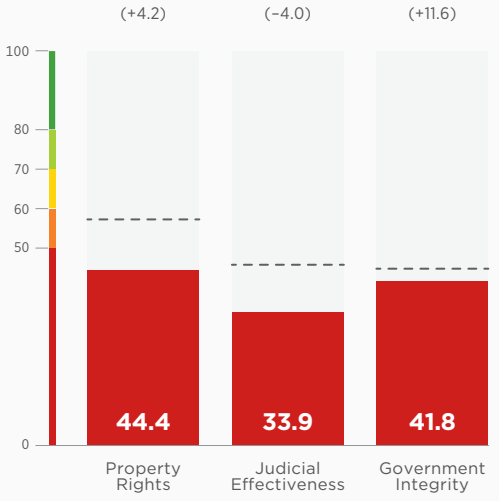
PUBLIC DEBT:
37.0% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The 1995 Dayton Agreement finalized Bosnia and Herzegovina's independence. Two separate entities exist under a loose central government: the Republika Srpska (Serbian) and the Federation of Bosnia and Herzegovina (Muslim/Croat). Bosnian Serb nationalist leader Milorad Dodik and Sefik Dzaferovic of the large Muslim Bosniak party won the Serb and Bosniak seats in Bosnia's triumvirate presidency in October 2018 elections. The slow pace of reform has delayed accession to the EU. The economy relies heavily on exports of metals, energy, textiles, and furniture as well as on remittances, foreign aid, and Chinese infrastructure investment, particularly in the energy sector. Tourism has been rising, but a large increase in migrant arrivals caused by shifting smuggling routes in the Balkans has strained resources.

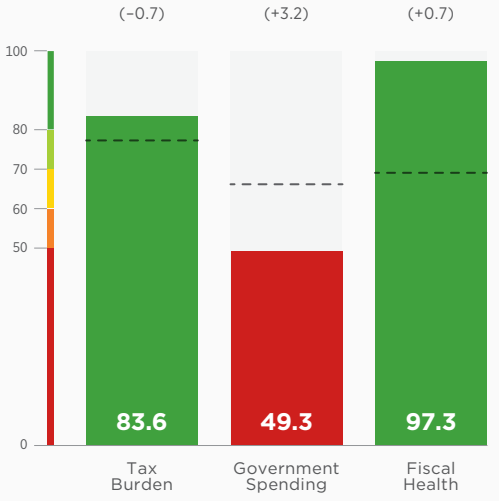
12 ECONOMIC FREEDOMS | BOSNIA AND HERZEGOVINA

RULE OF LAW



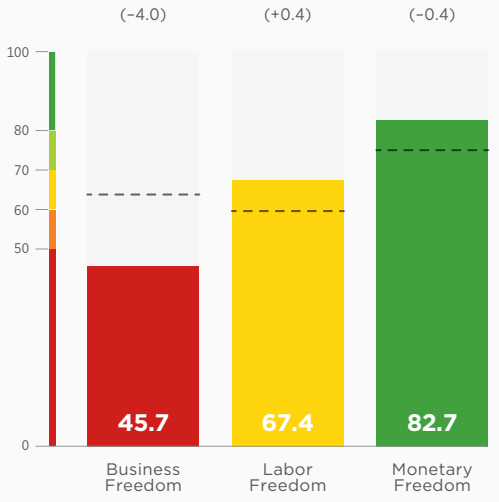
A significant portion of land and real estate property lacks a clear title because of restitution issues, and property registries are largely unreliable. The judiciary remains susceptible to political influence and faces a large backlog of cases. Corruption remains prevalent in many political and economic institutions in Bosnia and Herzegovina and raises the costs and risks of doing business.

GOVERNMENT SIZE



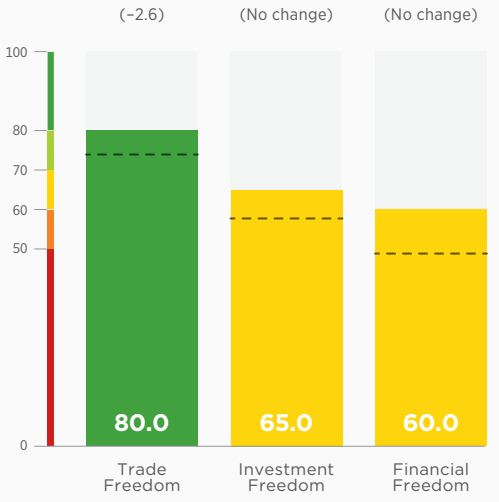
The top income and corporate tax rates are 10 percent, but various governing entities have different tax policies. The overall tax burden equals 37.9 percent of total domestic income. Government spending has amounted to 41.1 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 1.5 percent of GDP. Public debt is equivalent to 37.0 percent of GDP.

REGULATORY EFFICIENCY



The legacy of socialism still burdens entrepreneurs in the form of an overly complex legal and regulatory framework. Mandatory contributions to labor unions by employers discourage the hiring of new workers and fuel informal labor. New labor laws passed in 2016 are meant to modernize the labor code. The government is reforming the finances of state-owned enterprises that have been a drain on the budget.

OPEN MARKETS



The total value of exports and imports of goods and services equals 98.2 percent of GDP. The average applied tariff rate is 2.5 percent. Nontariff barriers reduce the potential benefits of trade. Inadequate legal protections and an opaque regulatory framework deter investment. The banking sector remains stable, but the number of nonperforming loans is still considerable. Foreign-owned banks account for over 70 percent of total banking assets.

BOTSWANA

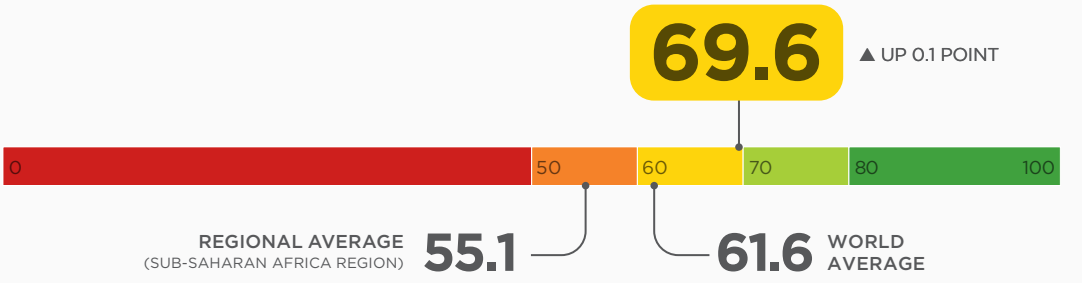
WORLD RANK: **40**
REGIONAL RANK: **3**
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Botswana's economic freedom score is 69.6, making its economy the 40th freest in the 2020 *Index*. Its overall score has increased by 0.1 point, aided by an improvement in **fiscal health**. Botswana is ranked 3rd among 47 countries in the Sub-Saharan Africa region, and its overall score is well above the regional and world averages.

Economic freedom in Botswana has dipped slightly in recent years. GDP growth, however, has remained solid, bolstered by upswings in the volatile diamond market.

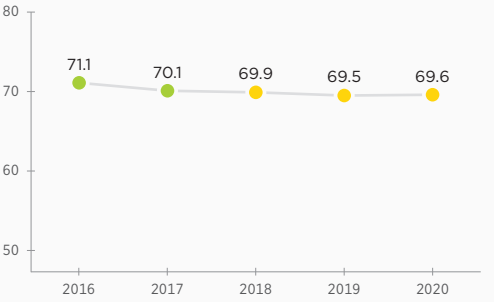
For Botswana's economy to return to the ranks of the mostly free, the government will have to implement deep, broad, and well-institutionalized reforms to improve government transparency, ensure the impartiality and efficiency of judicial decision-making, and undertake a serious review of the country's many state-owned enterprises with a view to privatization of those that are engaged in purely commercial activity.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +12.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
2.3 million

GDP (PPP):
$41.9 billion
4.6% growth in 2018
5-year compound annual growth 2.9%
$17,965 per capita

UNEMPLOYMENT:
17.9%

INFLATION (CPI):
3.2%

FDI INFLOW:
$228.7 million

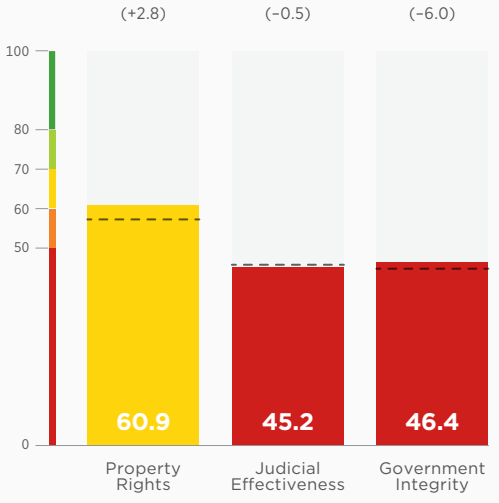
PUBLIC DEBT:
12.9% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Sparsely populated Botswana has a land area larger than Spain that is dominated by the vast Kalahari Desert. The Botswana Democratic Party (BDP) has governed this multiparty democracy since independence from the United Kingdom in 1966. A divided BDP failed to secure a huge majority in the October 2019 elections but is expected to remain in power. Former BDP President Ian Khama's opposition Botswana Patriotic Front party appealed to dissatisfied young and urban middle-class voters. Overall, however, risks to political stability remain low. Botswana has abundant diamond and other natural resources, a market-oriented economy, and one of Africa's highest sovereign credit ratings. Ecotourism in the country's extensive nature preserves is helping to diversify the economy.

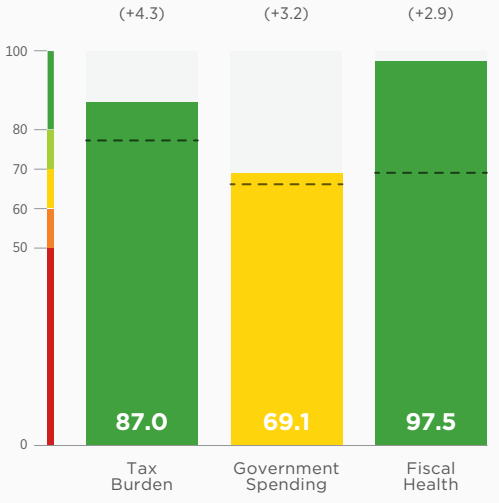
12 ECONOMIC FREEDOMS | BOTSWANA

RULE OF LAW



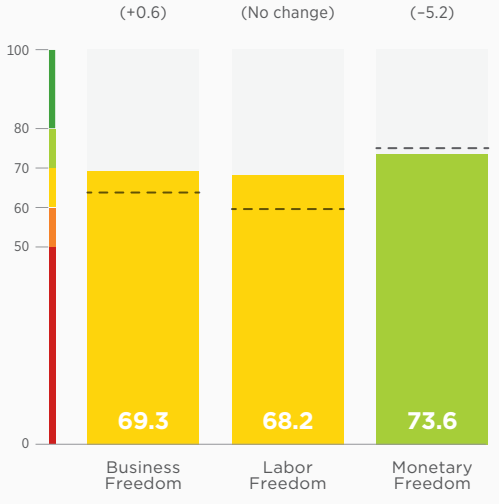
Botswana has generally sound legal protections for property rights that are enforced in practice. Tribal land represents 70 percent of all land. Courts enforce commercial contracts. The judiciary is generally independent and free from interference. Botswana is still rated the least corrupt country on the African continent, but officials tasked with enforcement of anticorruption statutes lack adequate training and resources.

GOVERNMENT SIZE



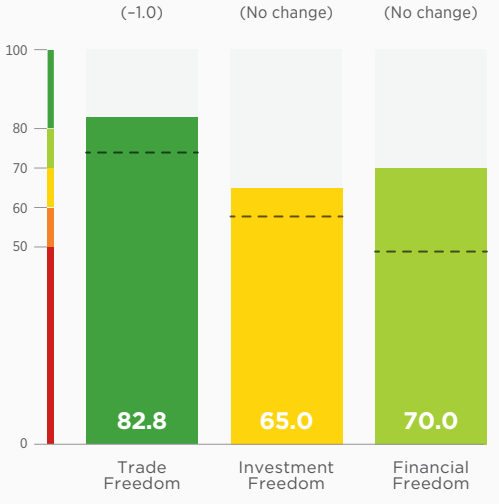
The top personal income tax rate is 25 percent, and the top corporate tax rate is 22 percent. Other taxes include property, inheritance, and value-added taxes. The overall tax burden equals 14.0 percent of total domestic income. Government spending has amounted to 32.1 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.2 percent of GDP. Public debt is equivalent to 12.9 percent of GDP.

REGULATORY EFFICIENCY



Botswana has made construction permitting less complicated by streamlining the inspection system. The government plans to liberalize policies for visa and work permits and to privatize, close, or merge inefficient public enterprises. Labor strife is minimal. In response to a severe drought in 2019, the government expanded its program of subsidies to the agricultural sector.

OPEN MARKETS



The total value of exports and imports of goods and services equals 76.6 percent of GDP. The average applied tariff rate is 1.1 percent, and 44 nontariff measures are in force. Openness to foreign investment has supported the country's competitiveness. The small but vibrant financial sector encourages economic diversification. Private-sector access to credit is maintained by the banking sector and well-functioning capital markets.

WORLD RANK: **144**

REGIONAL RANK: **25**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

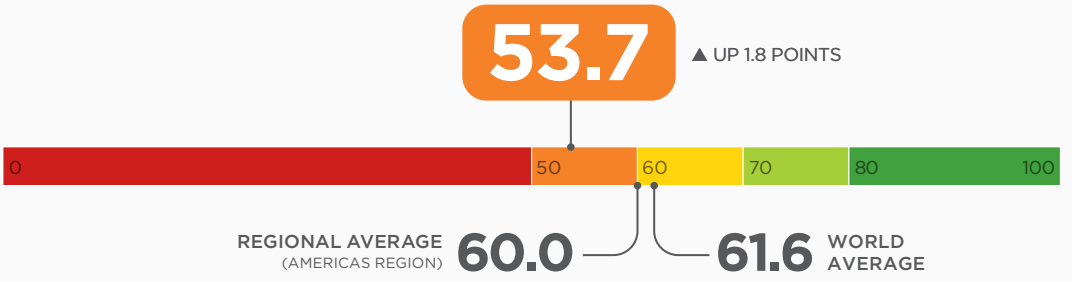
BRAZIL

Brazil's economic freedom score is 53.7, making its economy the 144th freest in the 2020 *Index*. Its overall score has increased by 1.8 points, led by dramatic increases in scores for **government integrity** and **investment freedom**. Brazil is ranked 25th among 32 countries in the Americas region, and its overall score remains well below the regional and world averages.

Brazil's score this year marks an encouraging turnaround after 15 years of steadily declining *Index* scores. It means that Brazilians can begin to hope cautiously that their economy will continue on an upward trajectory and escape eventually from the mostly unfree category. Brazil's economy continues to recover from the deep 2015–2016 recession and achieved GDP growth of slightly more than 1 percent in 2018.

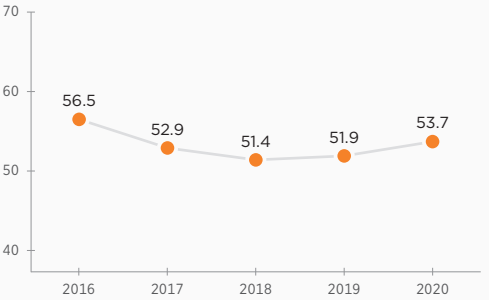
A major reform of the country's pension system passed by the government in 2019 should greatly improve future government spending scores. If a tax reform package is approved in 2020, a higher rate of economic growth is likely.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +2.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
208.3 million

GDP (PPP):
$3.4 trillion
1.1% growth in 2018
5-year compound annual growth
–0.8%
$16,154 per capita

UNEMPLOYMENT:
12.5%

INFLATION (CPI):
3.7%

FDI INFLOW:
$61.2 billion

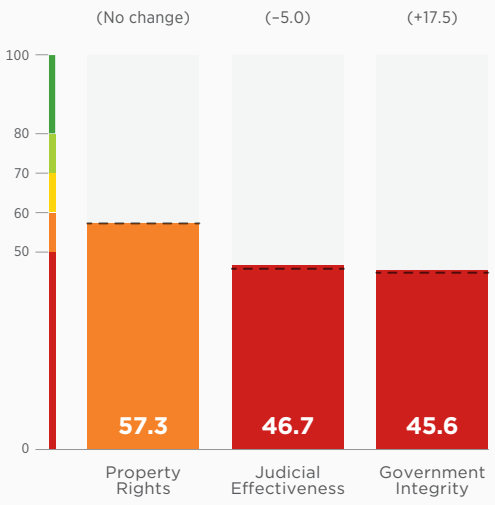
PUBLIC DEBT:
87.9% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Brazil, the world's fifth-largest country, has a mostly coastal population of more than 200 million and is dominated geographically by the Amazon River and the world's largest rain forest. In 2018, after a long period of political chaos prompted by massive public corruption scandals, angry voters elected Jair Bolsonaro of the Social Liberal Party to serve as president. A virtually unknown conservative Congressman, Bolsonaro took office in January 2019 and had a tumultuous first year contending with fractious relations among the many parties in Congress and a still-weak economy. Bolsonaro has generally pursued a free-market agenda and has sought approval from Congress to simplify the tax code and reform Brazil's unsustainably costly pension system.

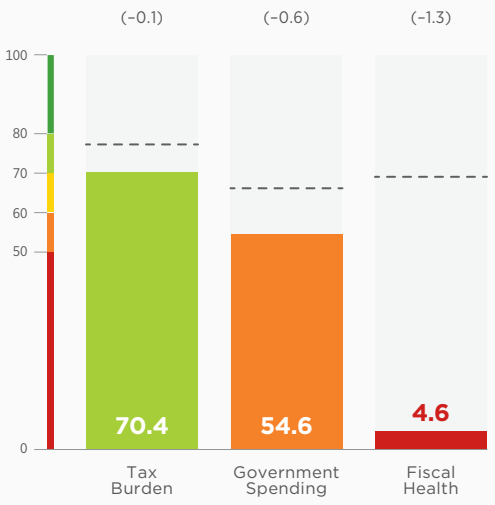
12 ECONOMIC FREEDOMS | BRAZIL

RULE OF LAW



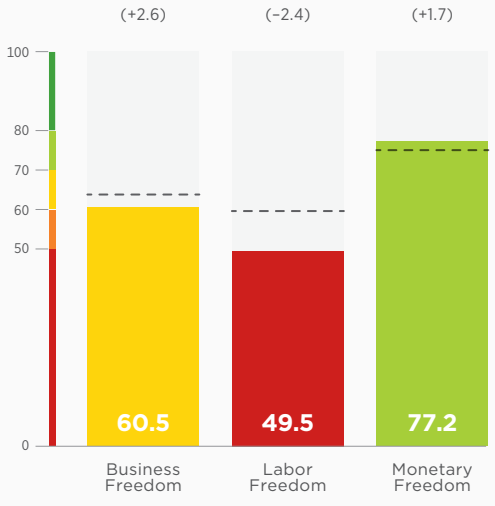
Property rights are generally enforced, although the system for mortgage registration is uneven. The judicial system is generally independent but burdened by a huge backlog of cases. Elected in part because of public outrage at corruption scandals, the Bolsonaro government sent an anticrime package to Congress in February 2019 to consolidate gains in the fight against rampant corruption and take on organized crime.

GOVERNMENT SIZE



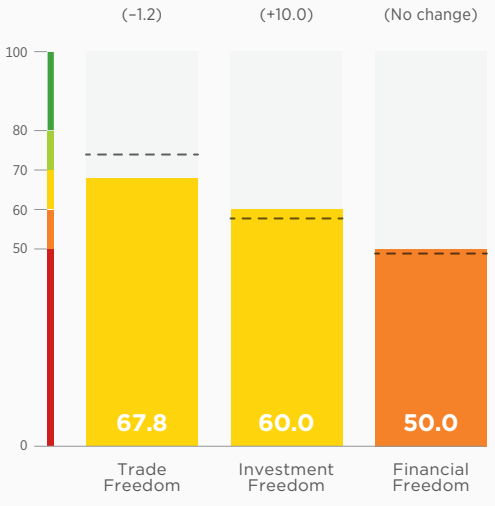
The personal income tax rate is 27.5 percent. The standard corporate rate is 15 percent, but other taxes, including a financial transactions tax, make the effective rate 34 percent. The overall tax burden equals 32.3 percent of total domestic income. Government spending has amounted to 38.9 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 7.9 percent of GDP. Public debt is equivalent to 87.9 percent of GDP.

REGULATORY EFFICIENCY



Starting a business, getting electricity, and obtaining credit have become easier, and Brazil scored slightly above the regional average on the World Bank's 2019 Ease of Doing Business survey. Rigid and outmoded labor regulations undermine employment growth, but President Bolsonaro has pledged to reform the labor code. The new government has also pledged to cut subsidies, but a politically unpopular 2019 hike in the price of diesel fuel was cancelled.

OPEN MARKETS



The total value of exports and imports of goods and services equals 29.1 percent of GDP. The average applied tariff rate is 8.6 percent, and 635 nontariff measures are in force. Efforts to improve the investment framework are ongoing, but bureaucratic hurdles remain considerable. Banking and capital markets are diversified and growing, but state involvement in credit markets lingers, and public banks account for about 50 percent of loans.

WORLD RANK: **61** | REGIONAL RANK: **13**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

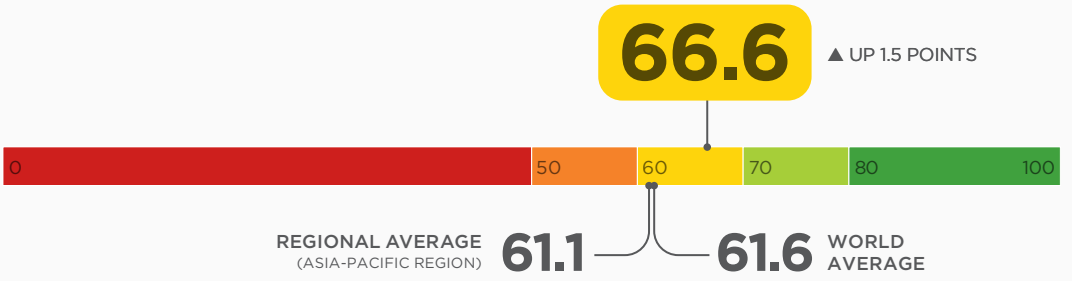
BRUNEI DARUSSALAM

Brunei Darussalam's economic freedom score is 66.6, making its economy the 61st freest in the 2020 *Index*. Its overall score has increased by 1.5 points, led by higher scores for **property rights** and **government integrity**. Brunei Darussalam is ranked 13th among 42 countries in the Asia–Pacific region, and its overall score is well above the regional and world averages.

Economic freedom has declined slightly in Brunei Darussalam over the past five years, and the country's economy remains firmly in the moderately free category. That perfomance has been mirrored by weak GDP growth during the same period.

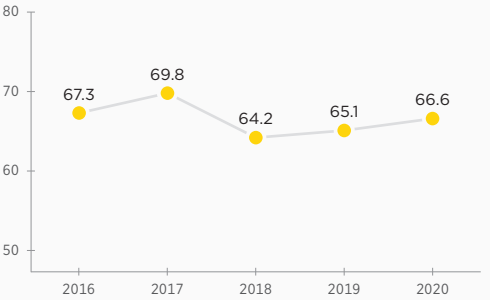
The major factor holding back Brunei Darussalam in the *Index of Economic Freedom* is its very poor performance on the fiscal health indicator. Its relatively low score on financial freedom also needs to be addressed. Although the government is making efforts to improve the business environment, the energy sector's continuing domination of the economy is likely to limit reforms in other sectors.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2014): –2.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION: 0.4 million

GDP (PPP): $34.6 billion
–0.2% growth in 2018
5-year compound annual growth –0.9%
$79,530 per capita

UNEMPLOYMENT: 9.2%

INFLATION (CPI): 0.1%

FDI INFLOW: $504.0 million

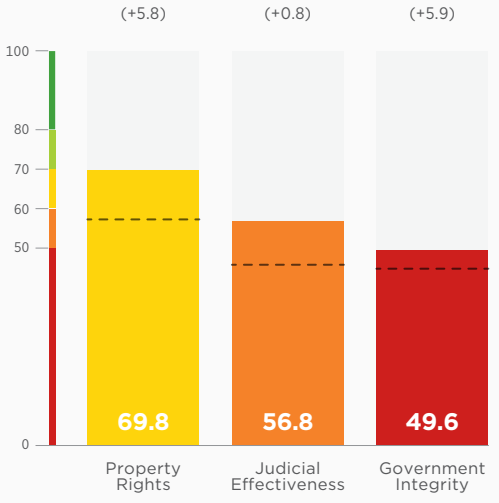
PUBLIC DEBT: 2.5% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Brunei, consisting geographically of two enclaves surrounded by Malaysia, lies on the northern coast of Borneo. The sultan serves as prime minister, minister of defense, foreign minister, and minister of finance. He appoints several advisory councils, including a Legislative Council and Privy Council. The sultan's 2019 decision in favor of partial implementation of Sharia law was met with international condemnation. Oil and gas production, which provides 90 percent of government revenue and 90 percent of exports while generating few jobs, accounts for more than half of Brunei's GDP. Most people work directly for the government. Economic growth has stagnated because of lower global oil prices and OPEC production caps. Brunei has little manufacturing capacity and imports most of its manufactured goods and food.

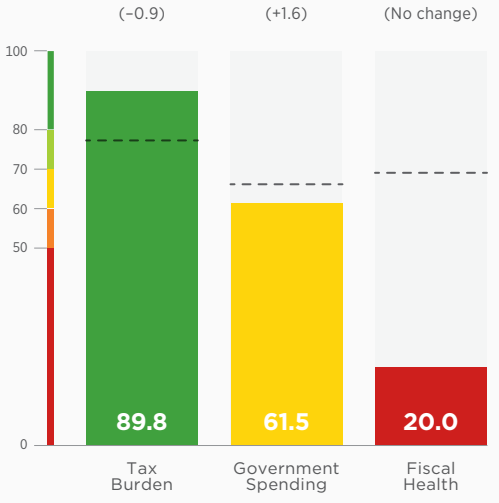
12 ECONOMIC FREEDOMS | BRUNEI DARUSSALAM

RULE OF LAW



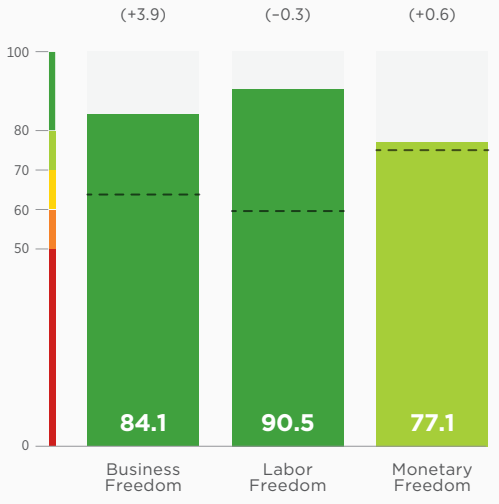
Protections for private property are not strong, although property registration has improved. The government established a commercial court in 2016 to enforce contracts. Only citizens may purchase land. The constitution does not provide for an independent judiciary. Brunei is one of the world's last remaining autocracies, and the sultan wields nearly absolute power. The levels and extent of corruption are relatively low.

GOVERNMENT SIZE



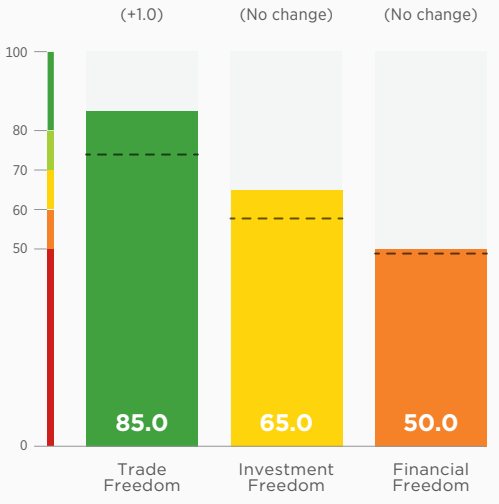
Brunei has no personal income tax. The top corporate tax rate is 18.5 percent for most companies and 55 percent for oil and gas companies. The overall tax burden equals 26.0 percent of total domestic income. Government spending has amounted to 35.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 13.6 percent of GDP. Public debt is equivalent to 2.5 percent of GDP.

REGULATORY EFFICIENCY



In an effort to diversify beyond hydrocarbon exports, the government has simplified the processes for starting a business and getting electricity and has improved access to credit. The Manpower Planning Council is setting up a labor–management information system to reduce unemployment among college graduates. Heavy government subsidies continue for many basic goods and services such as fuel, power, food, health care, and education.

OPEN MARKETS



The total value of exports and imports of goods and services equals 93.9 percent of GDP. The average applied tariff rate is 0.0 percent, and one nontariff measure is in force. The economy is open to foreign investment as the government continues its economic diversification efforts to limit its reliance on oil and gas exports. The small financial sector remains dominated by banking, which is open to foreign competition.

BULGARIA

WORLD RANK: **36**

REGIONAL RANK: **19**

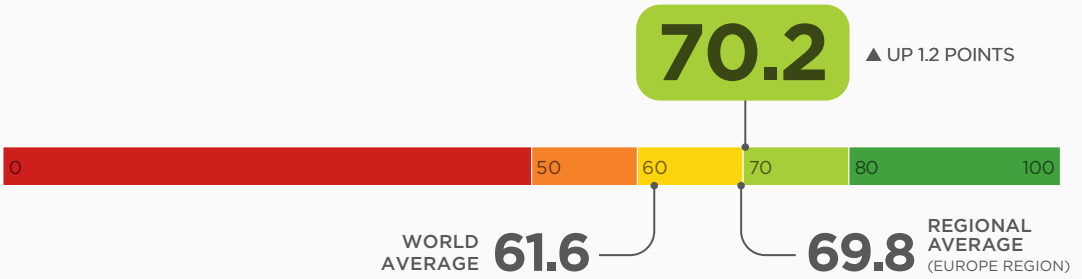
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Bulgaria's economic freedom score is 70.2, making its economy the 36th freest in the 2020 *Index*. Its overall score has increased by 1.2 point due to an increase in the score for **government integrity**. Bulgaria is ranked 19th among 45 countries in the Europe region, and its overall score is just above the regional average and well above the world average.

Bulgaria has been making steady progress in economic freedom for more than a decade, and this year, its economy has finally entered the ranks of the mostly free. Improved economic freedom has been tracked closely by steady and healthy GDP growth during the past five years.

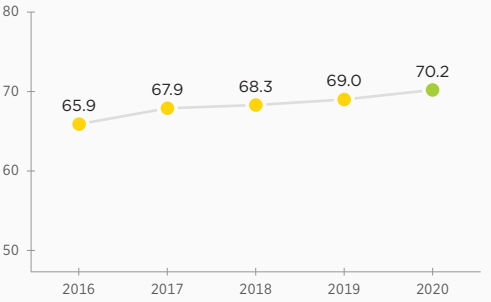
For the Bulgarian economy to move higher in the mostly free category, the government will have to implement reforms that address the additional deficiencies that are reflected in the country's still-low scores for judicial effectiveness and government integrity.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +20.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
7.0 million

GDP (PPP):
$162.3 billion
3.2% growth in 2018
5-year compound annual growth 3.3%
$23,156 per capita

UNEMPLOYMENT:
5.3%

INFLATION (CPI):
2.6%

FDI INFLOW:
$2.1 billion

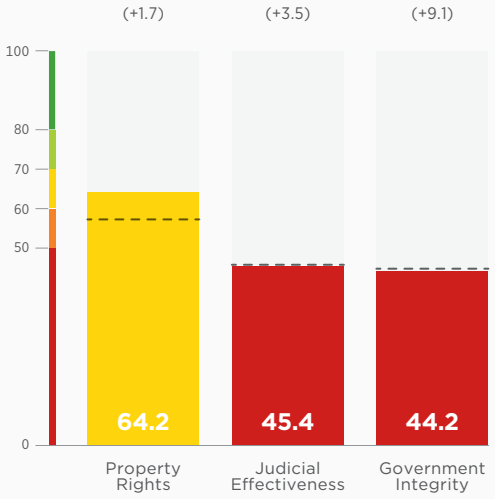
PUBLIC DEBT:
20.5% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Communist domination of the former People's Republic of Bulgaria ended in 1990. The country joined NATO in 2004 and the European Union in 2007. Boyko Borissov of the center-right GERB party was elected prime minister for the third time in 2017, supported by three nationalist parties in a United Patriots coalition that has been weakened by a series of corruption scandals. Pro-Russian independent Rumen Radev won the largely ceremonial presidency in 2016. Tourism, information technology and telecommunications, agriculture, pharmaceuticals, and textiles are leading industries. Bulgaria has been trying (so far unsuccessfully) to join the eurozone and Schengen Area. Heavily dependent on Russian gas, Bulgaria is seeking a link to the new Turkish Stream pipeline.

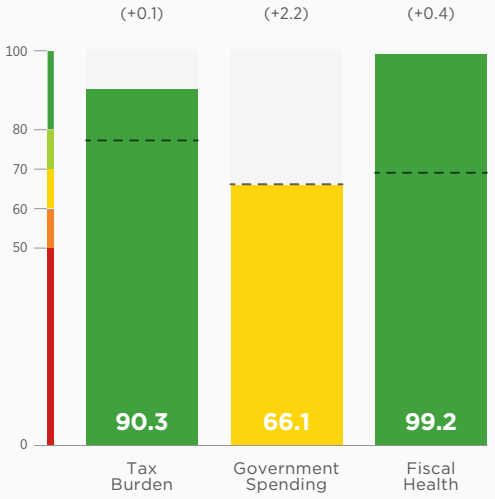
12 ECONOMIC FREEDOMS | BULGARIA

RULE OF LAW



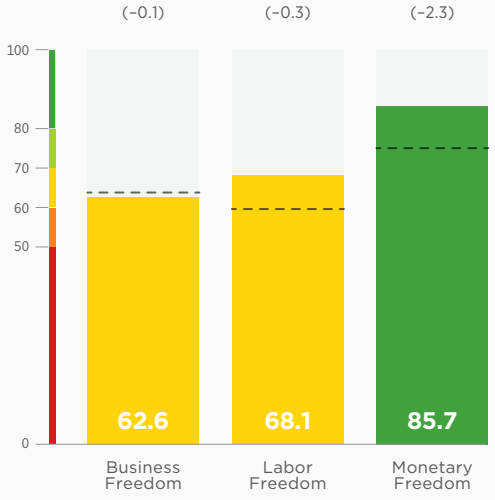
Property rights are not well protected. Jurisprudence is inconsistent, and the judiciary continues to be the least trusted institution in the country. Bulgaria has one of the lowest scores in Europe on the *Corruption Perceptions Index*, and Transparency International reports persistent and unaddressed problems that include dirty money in politics, unregulated lobbying, a lack of uniform anticorruption policies, nontransparent appointments to key public offices, and no clear ethics policy for the parliament.

GOVERNMENT SIZE



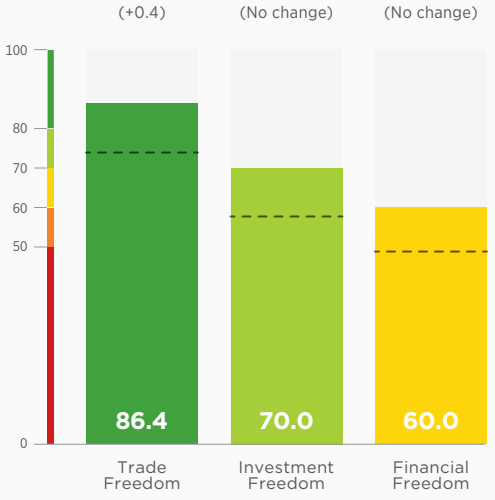
The individual income and corporate tax rates are a flat 10 percent. Other taxes include value-added and estate taxes. The overall tax burden equals 27.7 percent of total domestic income. Government spending has amounted to 33.6 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 0.8 percent of GDP. Public debt is equivalent to 20.5 percent of GDP.

REGULATORY EFFICIENCY



The weakest areas in the World Bank's 2019 Ease of Doing Business score for Bulgaria are for getting electricity and resolving insolvency. The government has extended the waiting period required for eligibility to file for unemployment benefits, but growth of labor productivity has declined. Despite the relative importance of Bulgaria's farming sector in providing employment, EU agricultural subsidies are expected to diminish.

OPEN MARKETS



The total value of exports and imports of goods and services equals 128.1 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Bulgaria has an additional 116 country-specific nontariff barriers. Bureaucratic and regulatory hurdles continue to hamper the investment climate. The financial sector is underdeveloped but relatively stable.

WORLD RANK: **117**

REGIONAL RANK: **15**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

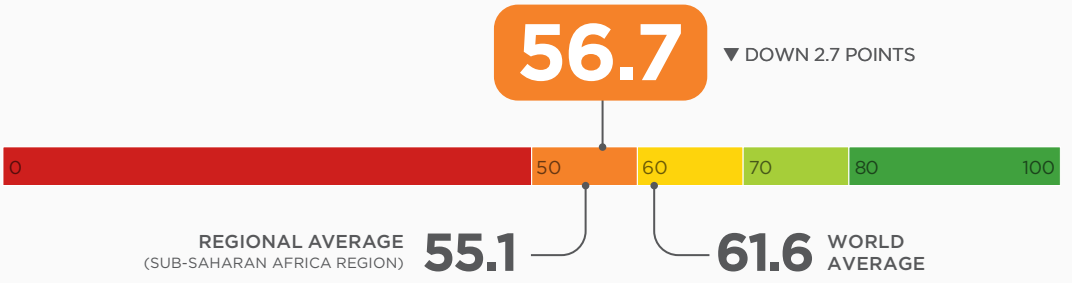
BURKINA FASO

Burkina Faso's economic freedom score is 56.7, making its economy the 117th freest in the 2020 *Index*. Its overall score has decreased by 2.7 points, with a plunge in the score for **fiscal health**. Burkina Faso is ranked 15th among 47 countries in the Sub-Saharan Africa region, and its overall score is slightly above the regional average and below the world average.

The dip in Burkina Faso's economic freedom is the first significant decline in the past 10 years, during which the economy had briefly touched the moderately free ranks. Despite that relatively stagnant performance, GDP growth has been robust for the past five years, albeit in the context of extremely low per capita income.

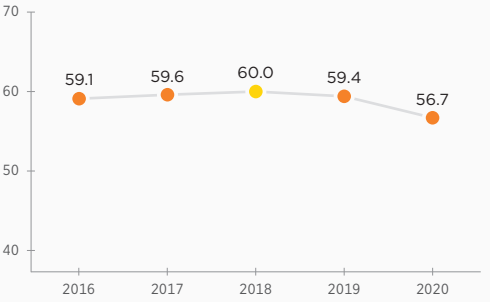
For the economy of Burkina Faso, now mostly unfree, to make the leap to moderately free, the government will have to implement deep, broad, and well-institutionalized reforms to improve scores for property rights, judicial effectiveness, and government integrity, while also addressing shortcomings in the regulatory environment for businesses and banks.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +7.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
19.5 million

GDP (PPP):
$38.8 billion
6.0% growth in 2018
5-year compound annual growth 5.3%
$1,996 per capita

UNEMPLOYMENT:
6.1%

INFLATION (CPI):
2.0%

FDI INFLOW:
$480.0 million

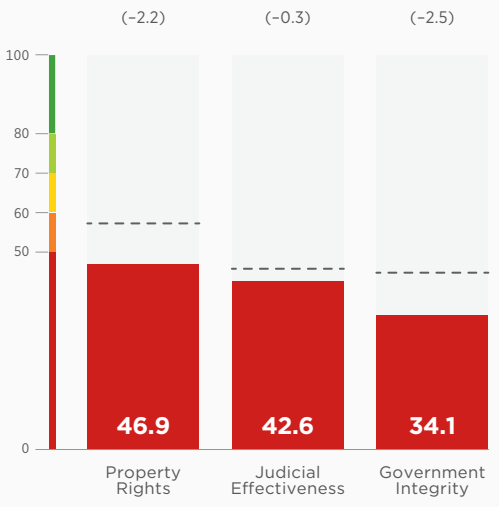
PUBLIC DEBT:
43.0% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The former French colony of Burkina Faso is one of the world's poorest countries. After popular protests forced President Blaise Compaoré from office in 2014, Roch Marc Christian Kaboré of the People's Movement for Progress was elected to a five-year term as president in 2015. In January 2019, the country's prime minister and its entire cabinet resigned, most likely in response to a recent dramatic surge in terrorist attacks in Burkina Faso. About 90 percent of the population is engaged in subsistence farming, and cotton is the principal cash crop. Literacy rates are well below the regional average. Other challenges include political insecurity in neighboring Mali, unreliable energy supplies, and poor transportation links.

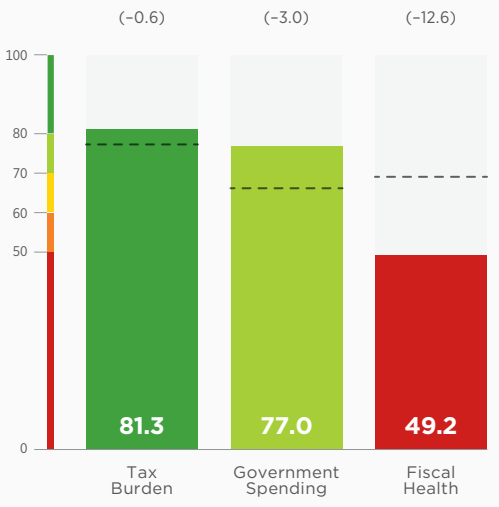
12 ECONOMIC FREEDOMS | BURKINA FASO

RULE OF LAW



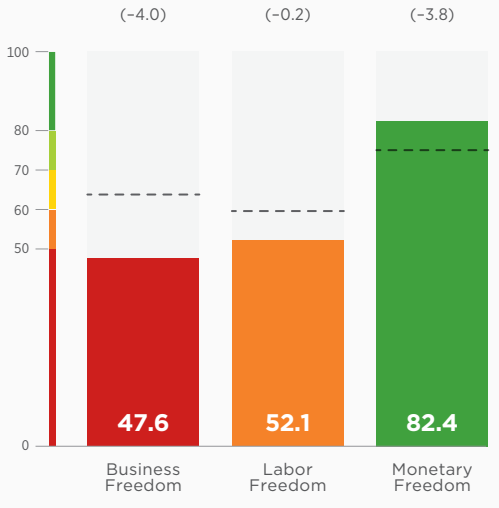
Protection of private property is weak. Since passage of the 2009 land tenure reform law, the government has been engaged in an effort to issue titles recognizing land ownership rights. The judiciary is formally independent but historically has been subject to executive influence and corruption. Corruption is widespread, particularly in the police force. Anticorruption laws and bodies are generally ineffective.

GOVERNMENT SIZE



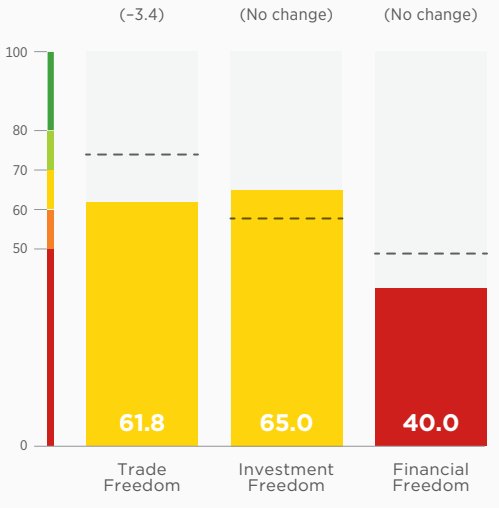
The top individual income tax rate is 27.5 percent, and the top corporate tax rate is 28 percent. Other taxes include a value-added tax. The overall tax burden equals 18.1 percent of total domestic income. Government spending has amounted to 27.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 5.4 percent of GDP. Public debt is equivalent to 43.0 percent of GDP.

REGULATORY EFFICIENCY



Burkina Faso improved some protections for minority investors in 2018, but those protections still lag behind those of most countries in the World Bank's rankings. Enforcement of contracts has been made easier. The archaic labor market largely revolves around the production of two commodities: cotton and gold. Despite the availability of expensive state subsidies for insecticides, fertilizers, and irrigation facilities, cotton production fell significantly in 2019.

OPEN MARKETS



The total value of exports and imports of goods and services equals 63.6 percent of GDP. The average applied tariff rate is 9.1 percent. Coupled with the nontransparent regulatory framework, layers of nontariff barriers continue to undermine the benefits of open trade. Bureaucratic barriers hinder investment. Despite the development of microfinance institutions, overall access to credit remains low.

BURMA

WORLD RANK: **141** | REGIONAL RANK: **35**

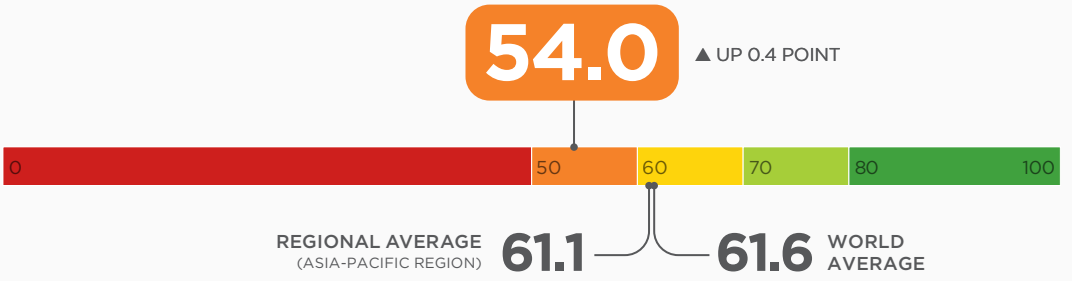
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Burma's economic freedom score is 54.0, making its economy the 141st freest in the 2020 *Index*. Its overall score has increased by 0.4 point, with a particularly notable improvement in **monetary freedom**. Burma is ranked 35th among 42 countries in the Asia–Pacific region, and its overall score is well below the regional and world averages.

Nevertheless, economic freedom has continued to improve slowly, and the economy is ranked in the mostly unfree category for the fourth year in a row since first escaping from the ranks of the repressed in 2017. GDP growth has been exceptionally robust, led by heavy investment and growing domestic demand.

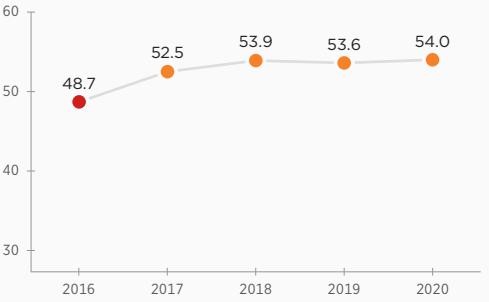
For Burma's economy to continue to accelerate on an upward trajectory, the government will have to implement deep, broad, and well-institutionalized reforms that dramatically improve respect for property rights, judicial effectiveness, and government integrity. Additional reforms will also be needed to improve aspects of investment freedom and financial freedom.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +8.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
52.8 million

GDP (PPP):
$328.4 billion
6.7% growth in 2018
5-year compound annual growth 6.8%
$6,217 per capita

UNEMPLOYMENT:
1.6%

INFLATION (CPI):
5.9%

FDI INFLOW:
$3.6 billion

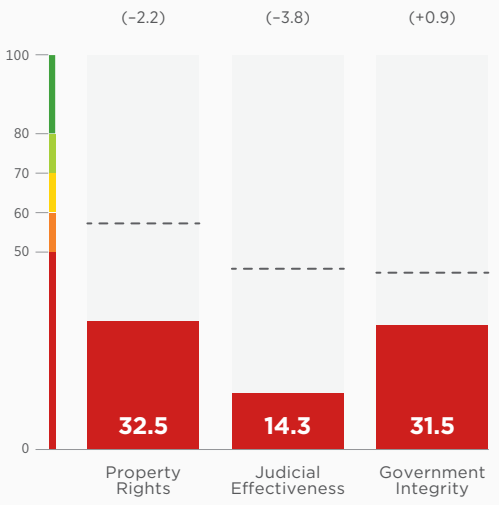
PUBLIC DEBT:
38.2% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Burma's slow transition from military dictatorship advanced when National League for Democracy (NLD) leader Aung San Suu Kyi was released from detention in 2010. She now acts as state counsellor and leader of the NLD, which won an absolute parliamentary majority in 2015. The army remains a major political force and controls several cabinet portfolios, including defense, border, and home affairs. Burma is scheduled to hold elections in 2020. The country has received international censure for its treatment of the Rohingya and other ethnic minorities. It has also been criticized for a stalled political reform process. Wages in Burma remain low compared with wages elsewhere in Asia, and more than 25 percent of the population lives in poverty.

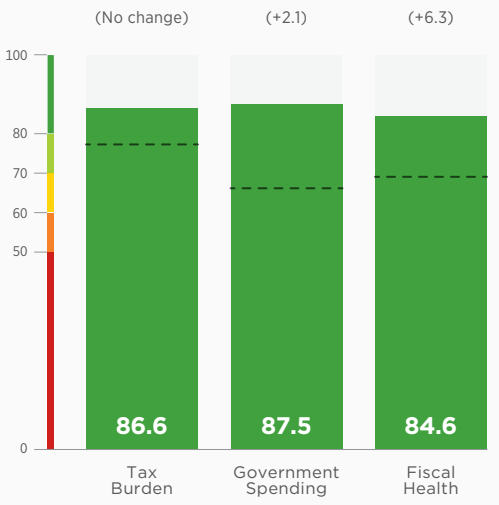
12 ECONOMIC FREEDOMS | BURMA

RULE OF LAW



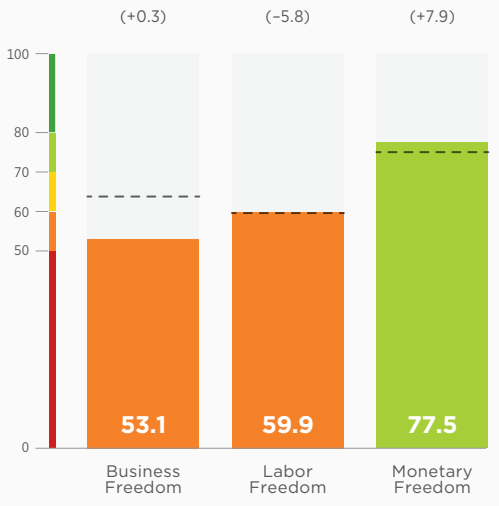
Property rights for large plots of land are commonly disputed because ownership is not well established, particularly following a half-century of military expropriations. The judiciary is not independent, and courts at times fail to rule impartially. The country has a deeply rooted problem with graft but still lacks a framework that would support a sustained, systematic, and effective fight against corruption.

GOVERNMENT SIZE



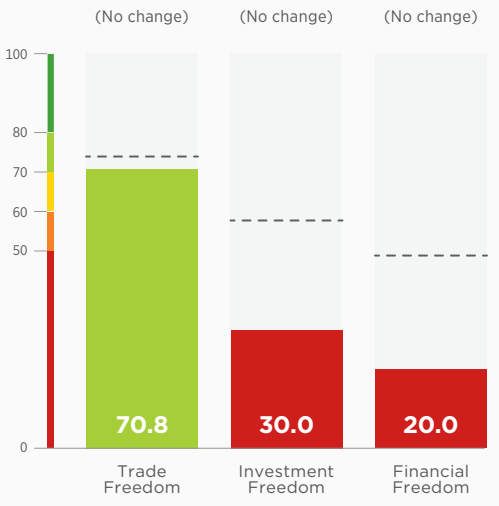
The top individual income tax rate is 20 percent, and the top corporate tax rate is 30 percent. Other taxes include commercial and capital gains taxes. The overall tax burden equals 6.1 percent of total domestic income. Government spending has amounted to 20.4 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.6 percent of GDP. Public debt is equivalent to 38.2 percent of GDP.

REGULATORY EFFICIENCY



The government has reduced the cost of starting a business by lowering registration fees, and the management of power outages has been improved. Nevertheless, Burma ranked in the bottom 10 percent of countries in the World Bank's 2019 *Doing Business* report. Due to decades of counterproductive education policies, the demand for skilled labor and managerial staff far outstrips supply. Electricity tariffs have been raised to reduce subsidy costs.

OPEN MARKETS



The total value of exports and imports of goods and services equals 48.0 percent of GDP. The average applied tariff rate is 4.6 percent, and one nontariff measure is in force. However, other barriers to trade persist. The government's reforms to attract foreign investment have included a managed currency float and operational independence for the central bank, but overall progress has been slow. Access to credit remains poor.

BURUNDI

WORLD RANK: **166** | REGIONAL RANK: **41**

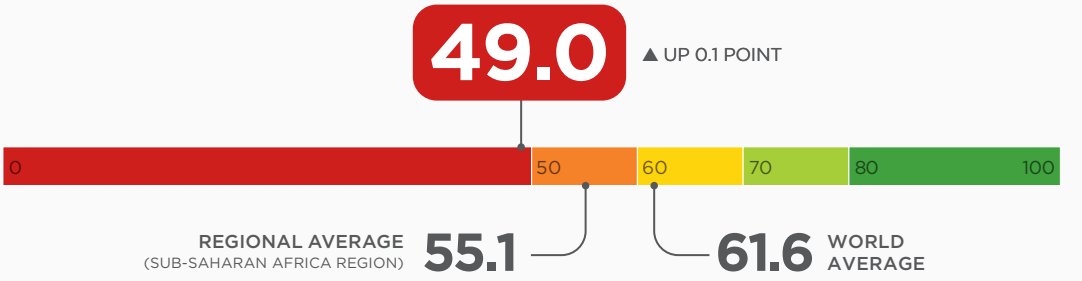
ECONOMIC FREEDOM STATUS: **REPRESSED**

Burundi's economic freedom score is 49.0, making its economy the 166th freest in the 2020 *Index*. Its overall score has increased by 0.1 point, despite a large decline in **fiscal health**. Burundi is ranked 41st among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

Economic freedom in Burundi has drifted steadily lower in the past five years, and its economy has fallen back into the repressed category. That performance has been matched by five years of flat growth in GDP.

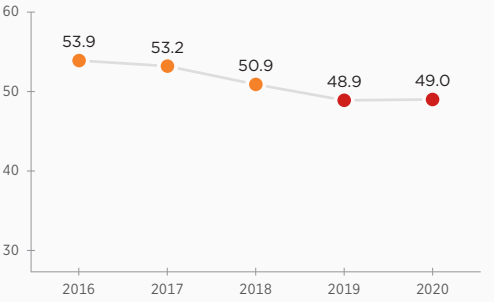
For Burundi's economy to climb back from the ranks of the repressed, the government will have to implement deep, broad, and well-institutionalized reforms that dramatically improve its scores for property rights, judicial effectiveness, and government integrity. Other reforms will also be needed to improve several other indicators, including fiscal freedom and financial freedom.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1997): +3.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
11.2 million

GDP (PPP):
$8.2 billion
0.1% growth in 2018
5-year compound annual growth –0.1%
$733 per capita

UNEMPLOYMENT:
1.5%

INFLATION (CPI):
1.2%

FDI INFLOW:
$1.0 million

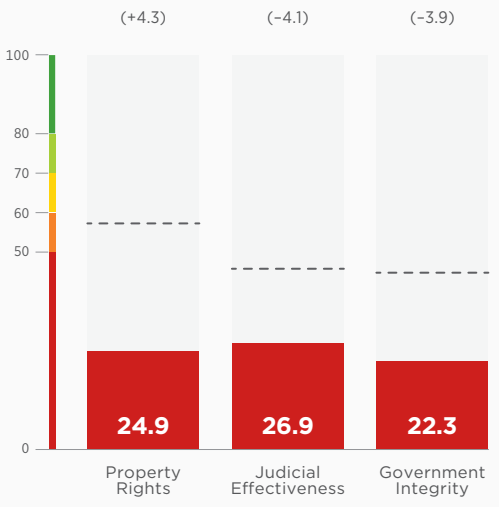
PUBLIC DEBT:
58.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Burundi has had a turbulent history since gaining independence from Belgium in 1962: Its first democratically elected president was assassinated in 1993 after only 100 days in office. Sidestepping the two-term constitutional limit, President Pierre Nkurunziza was elected to a third term in 2015, sparking violence that killed hundreds of Burundians. The government used violence and intimidation to ensure passage of a 2018 referendum that further centralized presidential power. In 2019, the government shut down two Western radio stations and ordered a United Nations office to close as part of a broader campaign to assert government control. Subsistence agriculture dominates the economy, and well over half of the population lives below the poverty line.

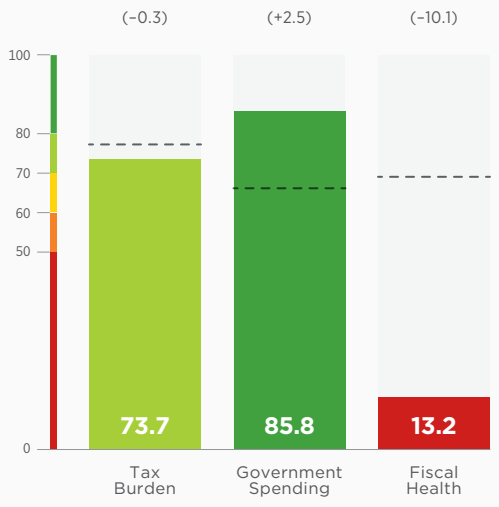
12 ECONOMIC FREEDOMS | BURUNDI

RULE OF LAW



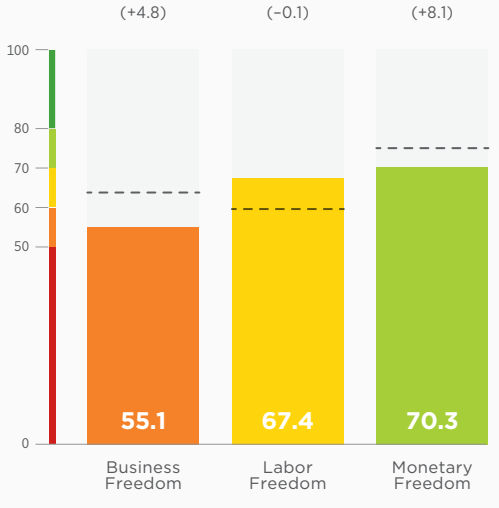
Secured interests in property are nominally recognized under Burundian law, but private property is vulnerable to government expropriation and armed banditry, and property registration is difficult. The judiciary is nominally independent but lacks capacity. Judges are subject to political pressure. Burundi remains one of sub-Saharan Africa's most corrupt countries. Corruption is most pervasive in the awarding of licenses and concessions, and it is reported that customs officials regularly extort bribes.

GOVERNMENT SIZE



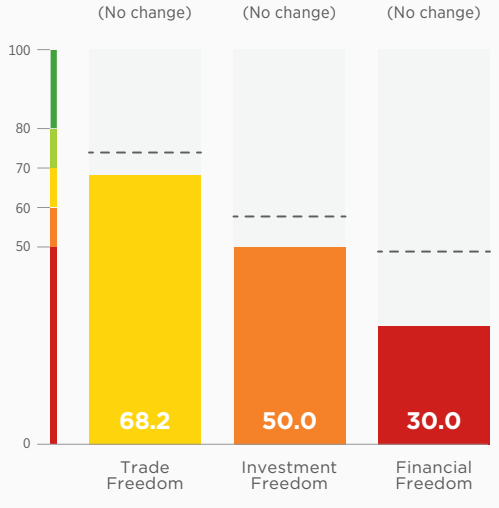
The top individual income and corporate tax rates are 35 percent. A value-added tax recently replaced the general sales tax. The overall tax burden equals 13.6 percent of total domestic income. Government spending has amounted to 21.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 7.5 percent of GDP. Public debt is equivalent to 58.4 percent of GDP.

REGULATORY EFFICIENCY



Registering a business has become easier, and the processes for obtaining construction permits and resolving insolvency have been streamlined. Poor governance and de facto capital controls constrain businesses. Skilled labor is scarce, and labor productivity is low. A revision of the labor code is underway. Energy subsidies are in place, fuel and electricity are rationed, and other prices are influenced through state-owned enterprises and agriculture support.

OPEN MARKETS



The total value of exports and imports of goods and services equals 23.1 percent of GDP. The average applied tariff rate is 5.9 percent, and three nontariff measures are in force. Inefficient state-owned enterprises distort the economy, undermining private investment. The financial sector, hampered by extensive state controls and structural problems, lags in productivity growth and lacks dynamism.

CABO VERDE

WORLD RANK: **76**

REGIONAL RANK: **5**

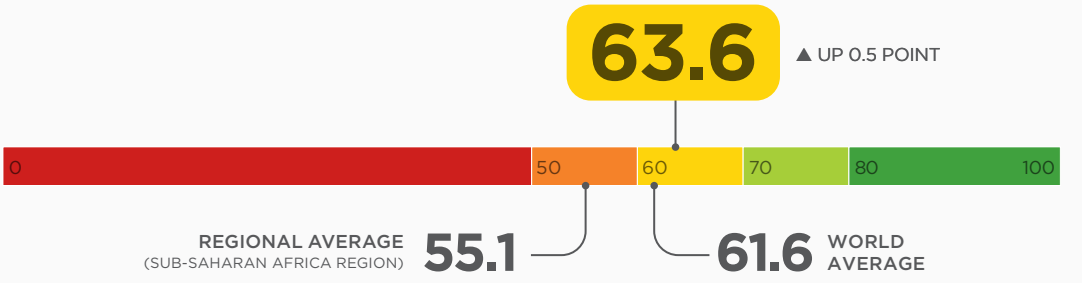
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Cabo Verde's economic freedom score is 63.6, making its economy the 76th freest in the 2020 *Index*. Its overall score has increased by 0.5 point due primarily to an increase in its **fiscal health** score. Cabo Verde is ranked 5th among 47 countries in the Sub-Saharan Africa region, and its overall score is well above the regional average and slightly above the world average.

Cabo Verde's economic freedom continues to rebound, although it has not yet regained its most recent highs. The economy remains moderately free, and the country, while an economic freedom leader in sub-Saharan Africa, needs further reforms to bolster property rights, judicial effectiveness, and government integrity.

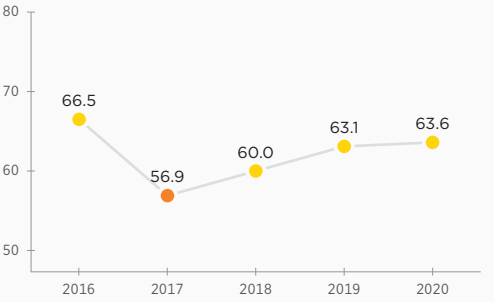
The relatively strong growth of GDP in Cabo Verde over the past five years has been driven by rising private consumer spending and the robust growth of exports.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +13.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.6 million

GDP (PPP):
$4.0 billion
4.7% growth in 2018
5-year compound annual growth 3.0%
$7,316 per capita

UNEMPLOYMENT:
12.3%

INFLATION (CPI):
1.3%

FDI INFLOW:
$99.6 million

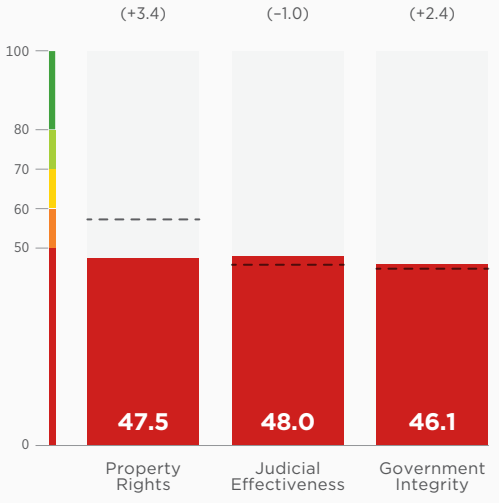
PUBLIC DEBT:
127.7% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Colonized by the Portuguese in the 15th century, Cabo Verde has few natural resources but has managed to become a trading center and is now a stable, multiparty parliamentary democracy. President Jorge Carlos Fonseca of the Movement for Democracy was elected to a second five-year term in 2016. The economy relies on services, which account for about 75 percent of GDP. Tourism and emigrants' remittances are also important. Foreign aid finances the country's traditionally high trade deficit. The government wants to generate all energy through renewables by 2020. China invests heavily in Cabo Verde as part of its "One Belt, One Road" initiative.

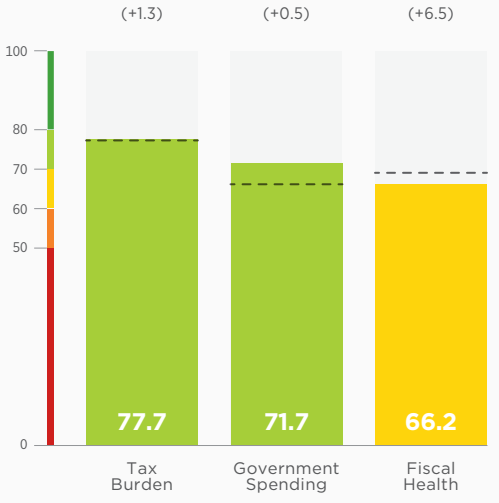
12 ECONOMIC FREEDOMS | CABO VERDE

RULE OF LAW



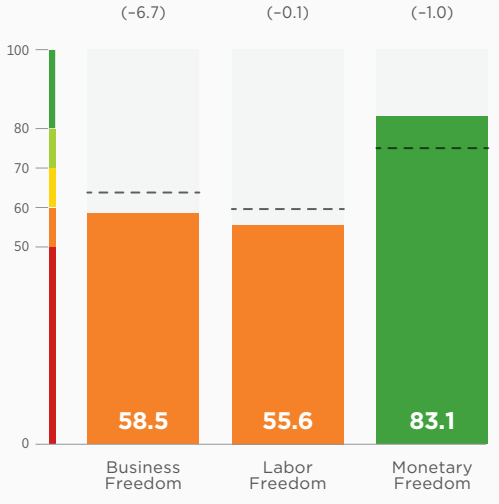
Property rights are generally respected, although enforcement is hampered by legal and bureaucratic inefficiency. The government is implementing reforms to increase the reliability and protection of land information. The judicial system is widely seen as transparent and independent, but long delays are typical. Compared to other African nations, Cabo Verde has relatively high levels of transparency and relatively low levels of corruption.

GOVERNMENT SIZE



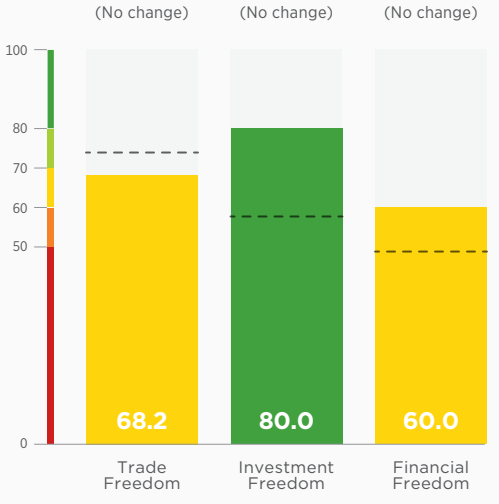
The top personal income tax rate is 35 percent, and the top corporate tax rate is 24 percent. Other taxes include a value-added tax. The overall tax burden equals 20.7 percent of total domestic income. Government spending has amounted to 30.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.9 percent of GDP. Public debt is equivalent to 127.7 percent of GDP.

REGULATORY EFFICIENCY



Reforms of money-losing state-owned enterprises are underway. The service-oriented economy suffers from high unemployment, limited resources, and limited education and vocational training of the labor force. The large tourism sector depends on economic conditions in the eurozone countries. The fiscal deficit fell slightly in 2019 following the privatization of several loss-making state-owned companies.

OPEN MARKETS



The total value of exports and imports of goods and services equals 116.6 percent of GDP. The average applied tariff rate is 10.9 percent, and four nontariff measures are in force. In general, government policies do not interfere significantly with foreign investment. The financial system is dominated by banking. The share of nonbank financial institutions is negligible except for the state-owned pension fund.

CAMBODIA

WORLD RANK: **113** | REGIONAL RANK: **25**

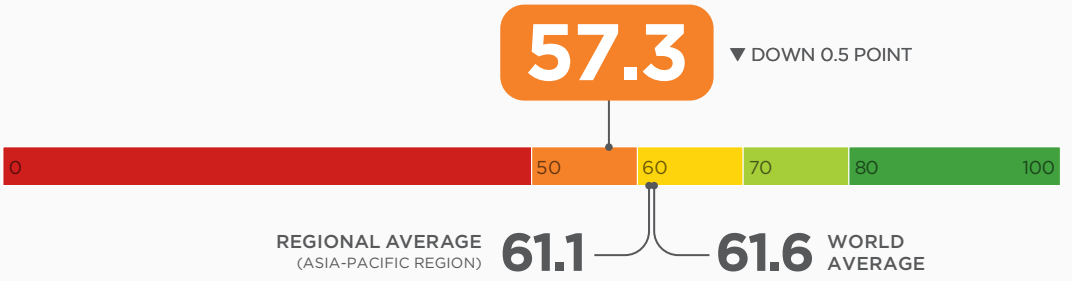
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Cambodia's economic freedom score is 57.3, making its economy the 113th freest in the 2020 *Index*. Its overall score has decreased by 0.5 point because of a drop in the score for **investment freedom**. Cambodia is ranked 25th among 42 countries in the Asia–Pacific region, and its overall score is slightly below the regional average and well below the world average.

Economic freedom has been in decline in Cambodia since 2017, and this year, its economy is again considered mostly unfree. Economic growth, however, has benefitted from the openness of other countries, particularly the European Union, to exports of garments and strong demand for travel goods and remains strong at an average of 7.1 percent over the past five years.

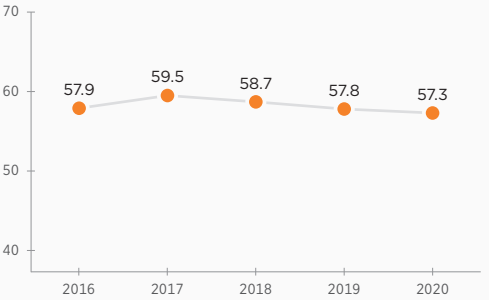
Sustained growth over the long term will require the implementation of deep, broad, and well-institutionalized reforms to improve scores for judicial effectiveness and government integrity, as well as improved property rights and a better regulatory environment to enhance the domestic business environment.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1997): +4.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
16.3 million

GDP (PPP):
$70.5 billion
7.3% growth in 2018
5-year compound annual growth 7.1%
$4,335 per capita

UNEMPLOYMENT:
1.1%

INFLATION (CPI):
2.4%

FDI INFLOW:
$3.1 billion

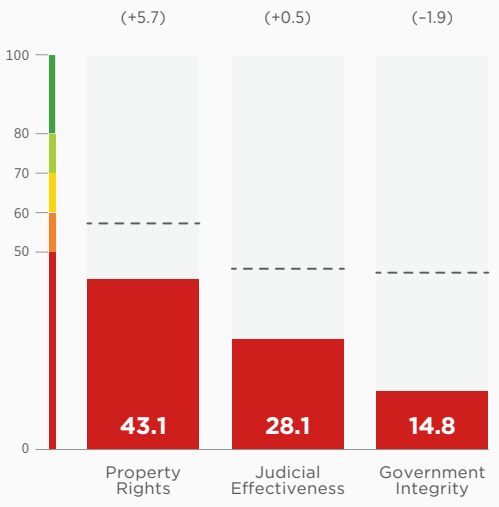
PUBLIC DEBT:
29.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Cambodia has been ruled by former Khmer Rouge member and now Prime Minister Hun Sen since 1985. In 2017, his Cambodian People's Party executed an unprecedented crackdown against the opposition Cambodia National Rescue Party (CNRP) in the lead-up to local elections, and the CNRP was later banned and dissolved by the Cambodian Supreme Court. Elections in 2018 confirmed Cambodia's status as a one-party state. The economy remains heavily dependent on tourism revenues and garment exports. More than half of the labor force is engaged in subsistence farming, and Cambodia remains one of Asia's poorest countries. The European Union, Cambodia's largest export market, is currently considering the imposition of trade sanctions against Cambodia because of the country's backsliding on democracy.

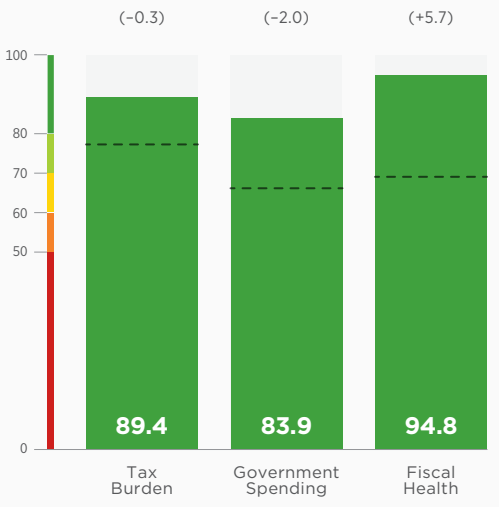
12 ECONOMIC FREEDOMS | CAMBODIA

RULE OF LAW



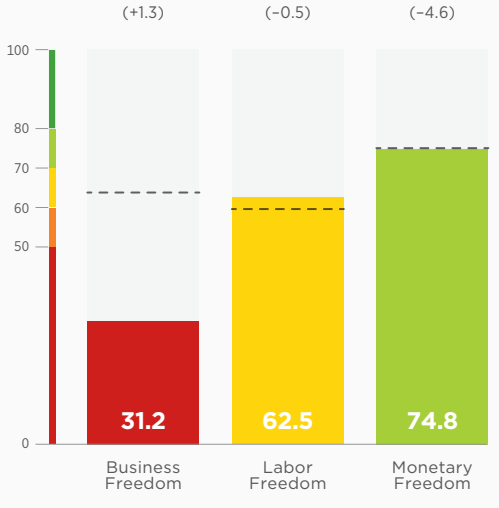
The majority of property owners lack documentation proving ownership, and the titling system is cumbersome, expensive, and subject to corruption. The judicial system, marred by inefficiency, poorly trained judges, and a lack of independence, is perceived as unreliable and susceptible to external political influence or bribery. Corruption is rampant in public procurement, tax administration, customs administration, and other state processes.

GOVERNMENT SIZE



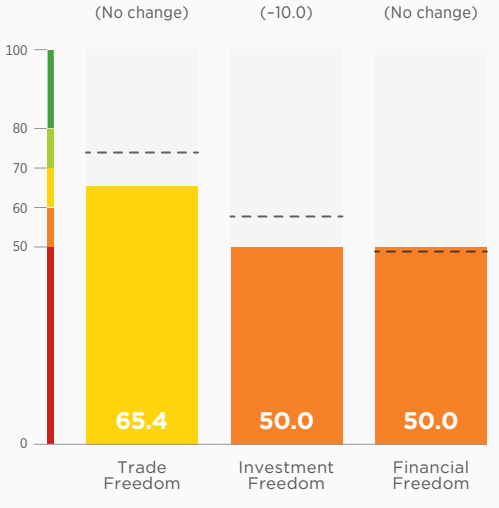
The top individual income and corporate tax rates are 20 percent. Other taxes include excise and value-added taxes. The overall tax burden equals 16.2 percent of total domestic income. Government spending has amounted to 23.2 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.5 percent of GDP. Public debt is equivalent to 29.4 percent of GDP.

REGULATORY EFFICIENCY



Fees needed to obtain a building permit were reduced in 2018, but the government still does not consult the business community in advance of new economic policies and regulations. An ongoing consequence of the 1975–1979 genocide is the shortage of workers with higher education or specialized skills. In 2019, the government introduced $50 million in additional subsidies to reduce the domestic price of electricity.

OPEN MARKETS



The total value of exports and imports of goods and services equals 124.9 percent of GDP. The average applied tariff rate is 9.8 percent, and one nontariff measure is in force. State-owned enterprises distort the economy, preventing much-needed dynamic investment. Credit is generally allocated on market terms, but credit for entrepreneurial activity is limited by lack of access to the full range of financing instruments.

CAMEROON

WORLD RANK: **145** | REGIONAL RANK: **29**

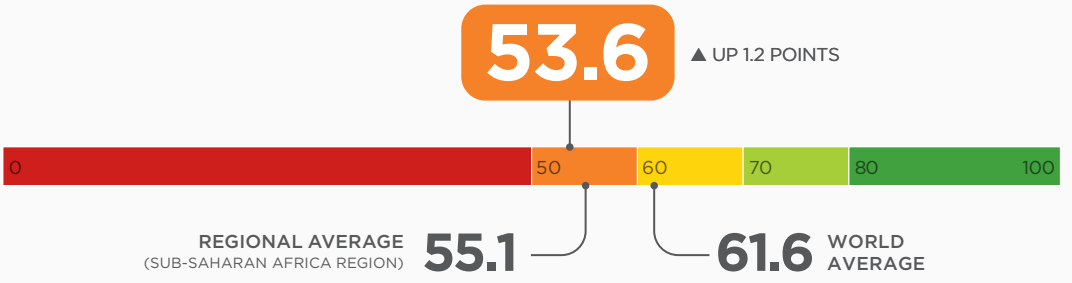
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Cameroon's economic freedom score is 53.6, making its economy the 145th freest in the 2020 *Index*. Its overall score has increased by 1.2 points as a result of increases in scores for **trade freedom** and **fiscal health**. Cameroon is ranked 29th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

Generally speaking, Cameroon's economy has been stranded in the lower reaches of the mostly unfree category ever since the inception of the *Index* in 1995. Despite that lackluster performance, the country has recorded fairly robust GDP growth for the past five years, supported by the start of natural gas production from a new liquefied natural gas offshore terminal and improved electricity supply from new hydroelectric dams.

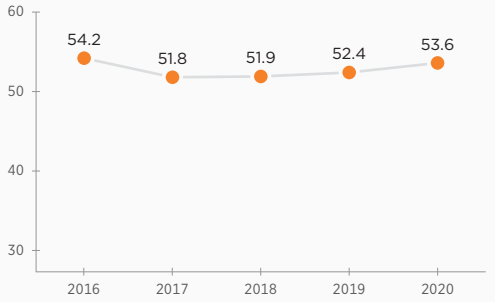
To increase economic freedom in Cameroon and lay the foundation for a stronger, more broad-based domestic economy, the government will need to focus on improving its performance on the three rule-of-law indicators: property rights, judicial effectiveness, and government integrity.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +2.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
24.9 million

GDP (PPP):
$95.3 billion
4.0% growth in 2018
5-year compound annual growth 4.8%
$3,828 per capita

UNEMPLOYMENT:
3.4%

INFLATION (CPI):
0.9%

FDI INFLOW:
$701.7 million

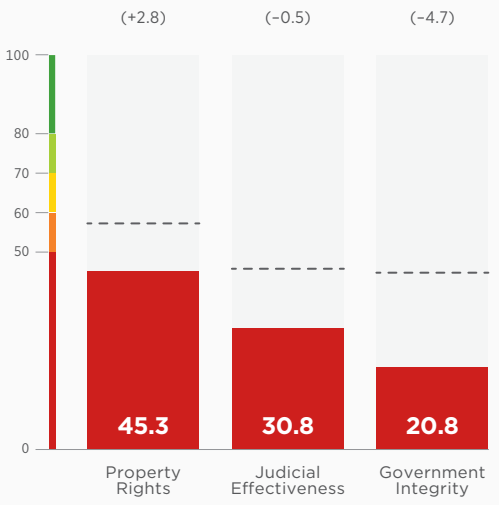
PUBLIC DEBT:
37.7% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Former French and British colonies merged in the 1960s to form Cameroon. President Paul Biya, now 85 years old, is Africa's second-longest-ruling head of state. He abolished term limits in 2008 and went on to win seven-year terms of office in 2011 and again in 2018 in elections that were marred by irregularities. Tensions between the Anglophone minority and the central government erupted into violence, with atrocities reportedly committed by both sides. The Islamist terrorist group Boko Haram frequently attacks across Cameroon's 1,230-mile border with Nigeria. The economy depends on oil for about 40 percent of export earnings. Cameroon is building Central Africa's only deep-sea port in Kribi, financed primarily by China's Export–Import Bank, and is expanding hydropower generation.

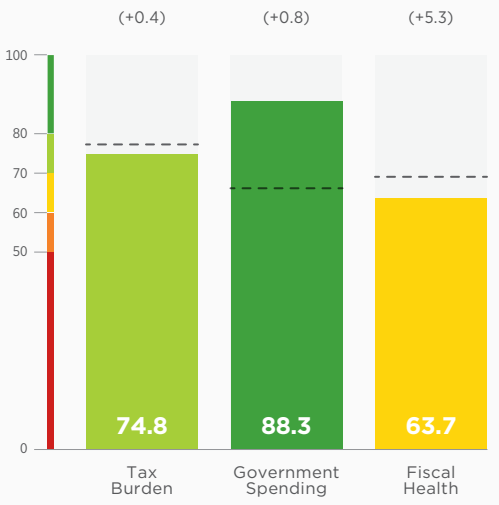
12 ECONOMIC FREEDOMS | CAMEROON

RULE OF LAW



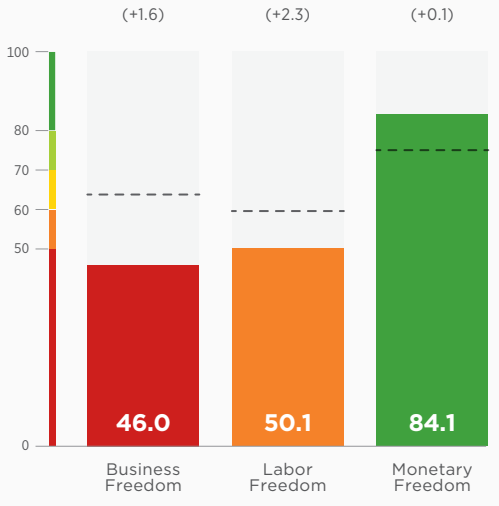
Property rights are recognized by law, but Cameroon's weak judiciary makes enforcement sporadic, and land disputes are common. The inefficient judicial system is also vulnerable to political interference. Corruption and cronyism are systemic, and demands for bribes, from gaining school admission to fixing traffic infractions, are common. Revenues from oil and minerals extractions are not openly reported. Enforcement of anticorruption statutes targets political opponents.

GOVERNMENT SIZE



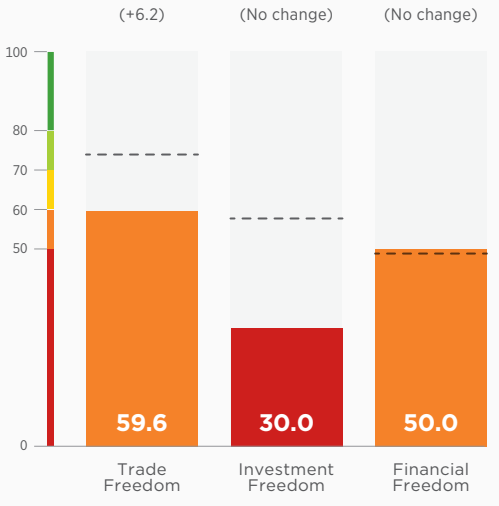
The top individual income tax rate is 35 percent, and the top corporate tax rate is 33 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 14.4 percent of total domestic income. Government spending has amounted to 19.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.6 percent of GDP. Public debt is equivalent to 37.7 percent of GDP.

REGULATORY EFFICIENCY



Cameroon ranks in the bottom decile of the World Bank's 2019 *Doing Business* report, with especially notable deficiencies in property registration, paying taxes, and trading across borders. Informality in labor arrangements exists even in the formal sector. Underemployment is quite high. The government subsidizes electricity, retail gasoline, diesel, and liquefied natural gas and maintains price controls for food and other consumer goods.

OPEN MARKETS



The total value of exports and imports of goods and services equals 39.3 percent of GDP. The average applied tariff rate is 12.7 percent, and nontariff barriers prevent more dynamic trade from taking place. The inadequate judicial and regulatory systems undermine foreign investment. The financial sector remains underdeveloped. Shallow markets and a lack of available financial instruments restrict overall access to credit.

WORLD RANK: **9**

REGIONAL RANK: **1**

ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

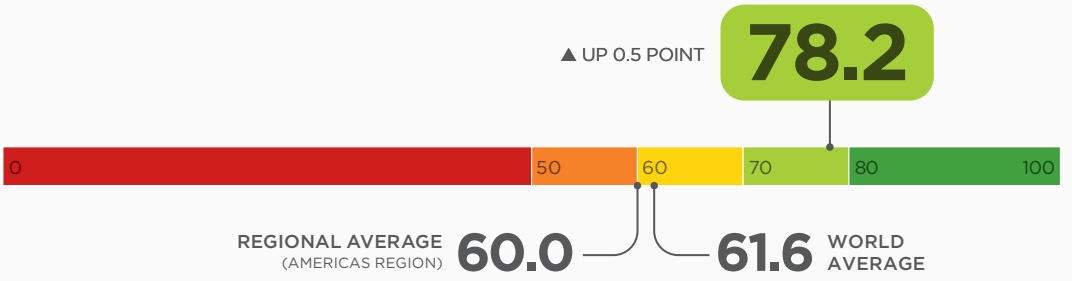
CANADA

Canada's economic freedom score is 78.2, making its economy the 9th freest in the 2020 *Index*. Its overall score has increased by 0.5 point due primarily to an increase in the score for **government integrity**. Canada is ranked 1st among 32 countries in the Americas region, and its overall score is well above the regional and world averages.

The last time Canada's economy was rated fully free was in the 2014 edition of the *Index*; since then, it has been stuck in the mostly free category. That weaker performance has been mirrored by relatively lackluster GDP growth averaging just 1.9 percent over the past five years.

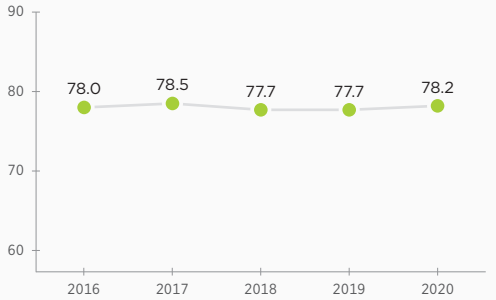
For Canada's economy to be rated free, the government would need to reduce spending and reform labor laws to create a more flexible labor market. That seems unlikely given the 2019 budget that increased spending, in part to support partial nationalization of the pharmaceuticals sector, help first-time home buyers, and retrain workers.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +8.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
37.0 million

GDP (PPP):
$1.8 trillion
1.8% growth in 2018
5-year compound annual growth 1.9%
$49,651 per capita

UNEMPLOYMENT:
5.9%

INFLATION (CPI):
2.2%

FDI INFLOW:
$39.6 billion

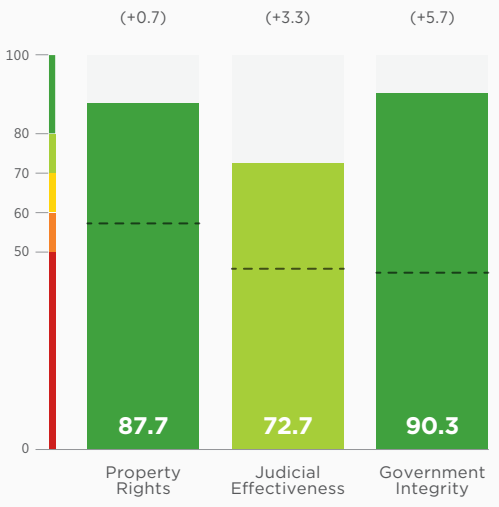
PUBLIC DEBT:
90.6% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Canada is the world's second-largest country by land area and has its 10th-largest economy. Prime Minister Justin Trudeau's Liberal Party managed to win a second term in office in October 2019 national elections despite a corruption scandal that tarnished Trudeau's political brand. Although Trudeau remains in power, he was forced to form an inherently unstable minority government. Canada closely resembles the U.S. in its market-oriented economic system. Leading sectors include automotive and other manufactures, forest products, minerals, and petroleum. About three-quarters of Canada's exports are to the United States, so the continuation of a free- trade arrangement with its southern neighbor is critical to Canada's economic well-being.

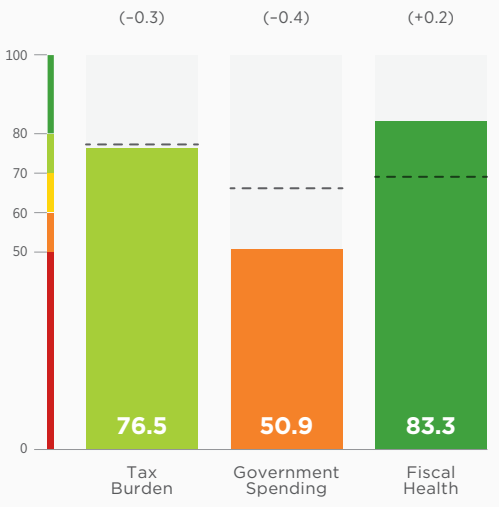
12 ECONOMIC FREEDOMS | CANADA

RULE OF LAW



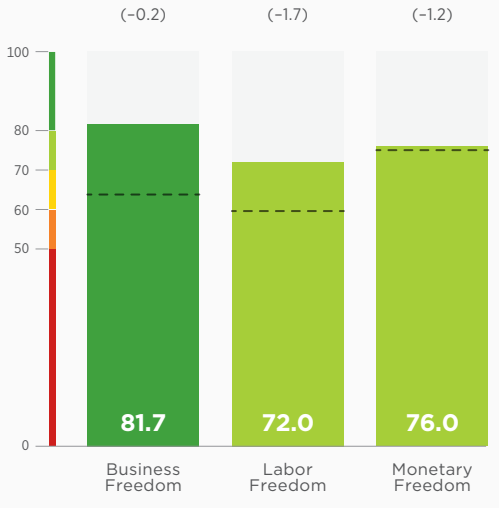
Property rights are generally well protected, both by law and through the enforcement of contracts. Expropriation is highly unusual. The judicial branch of government is independent, and courts are considered procedurally competent, fair, and reliable. Canada's reputation for clean government with little corruption was tainted in 2019 when Justin Trudeau became the first Canadian prime minister to be found to have broken federal ethics rules.

GOVERNMENT SIZE



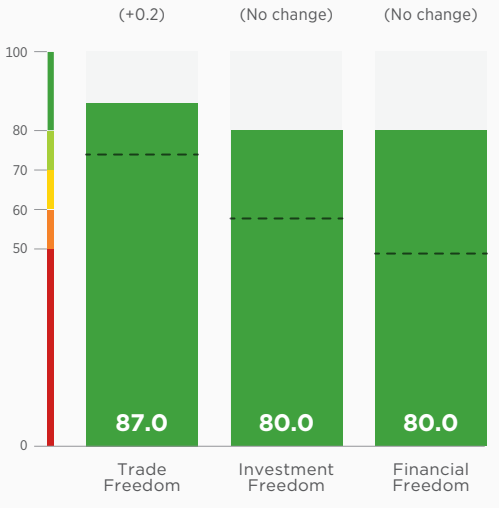
The top federal personal income tax rate is 33 percent, and the top corporate tax rate is 15 percent. Other taxes include value-added and property taxes. The overall tax burden equals 32.2 percent of total domestic income. Government spending has amounted to 40.5 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 0.4 percent of GDP. Public debt is equivalent to 90.6 percent of GDP.

REGULATORY EFFICIENCY



Regulations are transparent and well defined for the most part, allowing businesses to run efficiently and dynamically. Paid annual leave and paid sick days were increased recently. Provincial labor codes differ somewhat from one jurisdiction to another. A 2019 University of Calgary report estimated that business subsidies from the four largest Canadian provinces amount to about $29 billion annually.

OPEN MARKETS



The total value of exports and imports of goods and services equals 65.9 percent of GDP. The average applied tariff rate is 1.5 percent, and 451 nontariff measures are in force. The overall investment framework is efficient and transparent. The financial sector provides a full range of competitive services. The six principal banks remain dominant, but it is relatively easy for foreign banks to enter the market.

WORLD RANK: **159** | REGIONAL RANK: **36**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

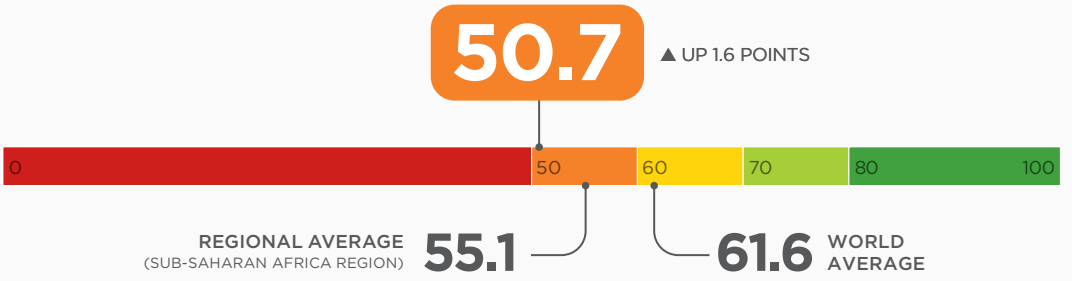
CENTRAL AFRICAN REPUBLIC

The Central African Republic's economic freedom score is 50.7, making its economy the 159th freest in the 2020 *Index*. Its overall score has increased by 1.6 points due to an increase in the **property rights** score. The Central African Republic is ranked 36th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

Economic freedom in the Central African Republic has declined over time. Considered moderately free in 2003, the country has been ranked more typically as mostly unfree or repressed in the years since then. GDP growth in the past five years, however, has been solid, helped by expanded exports of diamonds.

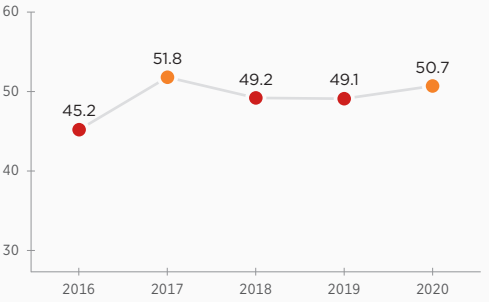
The Central African Republic is one of the world's poorest countries. If political stability could be achieved, the government could prioritize improvements in business freedom and the rule of law.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2002): –9.1

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
5.1 million

GDP (PPP):
$3.6 billion
4.3% growth in 2018
5-year compound annual growth 3.8%
$712 per capita

UNEMPLOYMENT:
6.5%

INFLATION (CPI):
3.0%

FDI INFLOW:
$18.0 million

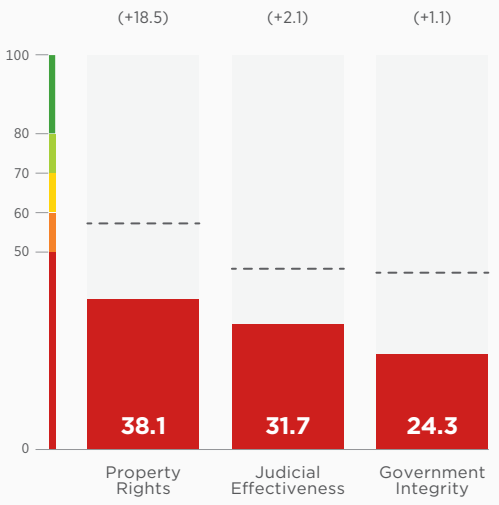
PUBLIC DEBT:
48.5% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: A former French colony, the Central African Republic became independent in 1960. In 1993, after more than 30 years of mostly incompetent and frequently brutal military regimes, a democracy was established. It ended in 2003 with a military coup led by François Bozizé, who was later elected president. In 2013, mostly Muslim Séléka rebels led by Michel Djotodia overthrew Bozizé. Subsequent sectarian violence precipitated French military intervention and the deployment of U.N. peacekeepers. Djotodia stepped down in 2014, and former Prime Minister Faustin-Archange Touadéra was elected president in 2016. Militia violence continues to fuel population displacement and hunger. The CAR has abundant timber, gold, and uranium, and previously banned exports of diamonds have resumed in some parts of the country.

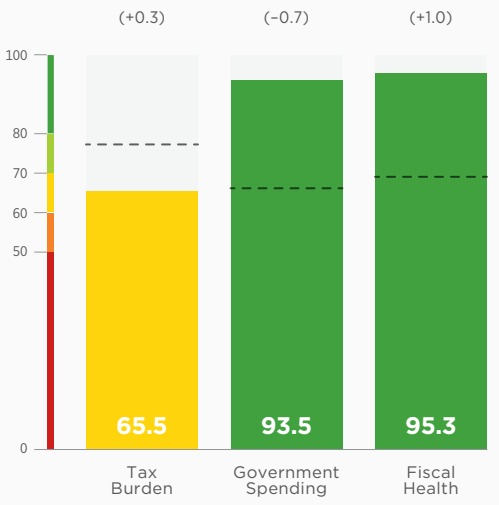
12 ECONOMIC FREEDOMS | CENTRAL AFRICAN REPUBLIC

RULE OF LAW



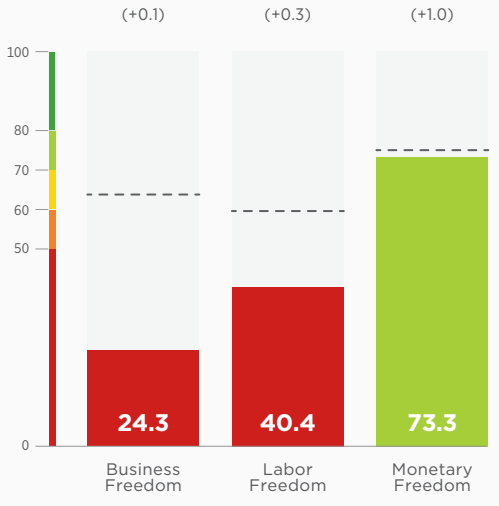
Protection of property rights is weak. Businesses and homes are regularly looted or extorted by armed militants, who enter homes without judicial authorization, seize and damage property without due process, and evict persons from their places of residence both in Bangui and throughout the countryside. Courts are inefficient and politicized and do not enforce their rulings. Corruption and nepotism remain pervasive.

GOVERNMENT SIZE



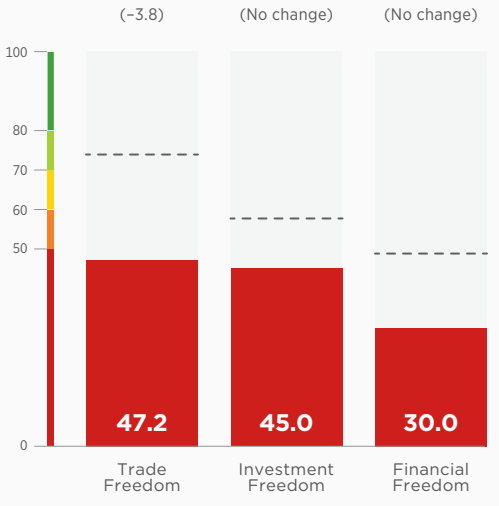
The top personal income tax rate is 50 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax. The overall tax burden equals 6.9 percent of total domestic income. Government spending has amounted to 14.7 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 0.4 percent of GDP. Public debt is equivalent to 48.5 percent of GDP.

REGULATORY EFFICIENCY



It has become slightly easier to start a business and enforce contracts, but burdensome and opaque regulations and the precarious security situation undermine business development. Private-sector economic growth that reaches more people is needed to create jobs and reduce poverty. Government distortions of the economy through subsidies and price controls are aggravated by political instability that undermines the basic functioning of state institutions.

OPEN MARKETS



The total value of exports and imports of goods and services equals 46.1 percent of GDP. The average applied tariff rate is 16.4 percent, and nontariff barriers further impede trade. Openness to foreign investment remains severely constrained by political instability. The high cost of credit and scarce access to financing deter private-sector development. A large part of the population remains outside of the formal banking sector.

WORLD RANK: **161**

REGIONAL RANK: **38**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

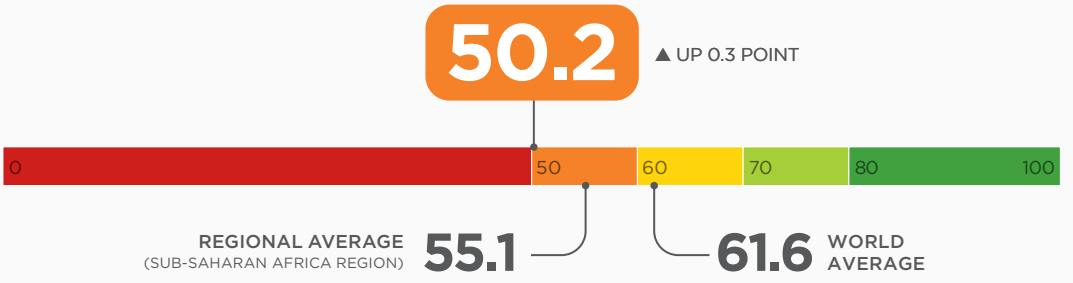
CHAD

Chad's economic freedom score is 50.2, making its economy the 161st freest in the 2020 *Index*. Its overall score has increased by 0.3 point, with an improvement in **fiscal health** offsetting sharp declines in two other indicators. Chad is ranked 38th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

Chad's economy has vacillated between mostly unfree and repressed for more than two decades. That performance has been reflected in flat average GDP growth over the past five years, although economic growth recovered in 2018 from a steep downturn in 2016–2017.

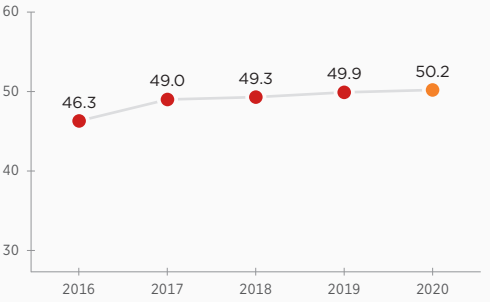
Chad is one of the world's 20 poorest countries according to the World Bank. Desperately needed reforms to improve business freedom, property rights, judicial effectiveness, and the integrity of government seem unlikely to occur under the present regime.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1997): +5.1

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
12.5 million

GDP (PPP):
$30.2 billion
3.1% growth in 2018
5-year compound annual growth 0.4%
$2,415 per capita

UNEMPLOYMENT:
2.2%

INFLATION (CPI):
2.5%

FDI INFLOW:
$662.2 million

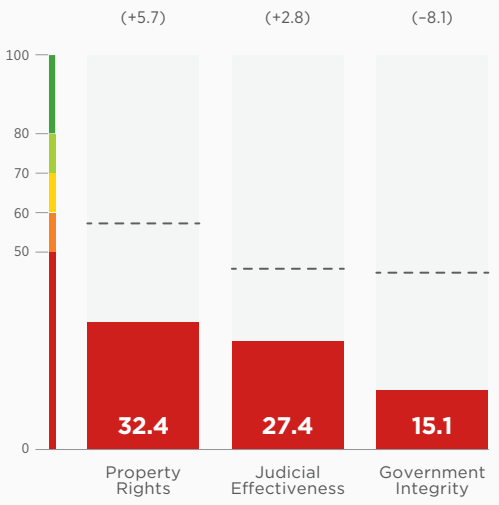
PUBLIC DEBT:
46.6% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Chad, a former French colony, endured three decades of civil war and invasions before the restoration of peace in 1990. A rebellion in northern Chad flares up sporadically, and the country remains at war with the Islamist terrorist group Boko Haram, based in neighboring Nigeria. President Idriss Déby seized power in 1990 and won a fifth term in 2016, touching off large protests. In 2018, a new constitution expanded presidential power and restored nonretroactive term limits, clearing Déby's path to holding power until 2033. Landlocked Chad pays dearly for imported goods, and oil accounts for approximately 60 percent of export revenues. Cotton, cattle, livestock, and gum arabic account for the largest portion of nonoil exports.

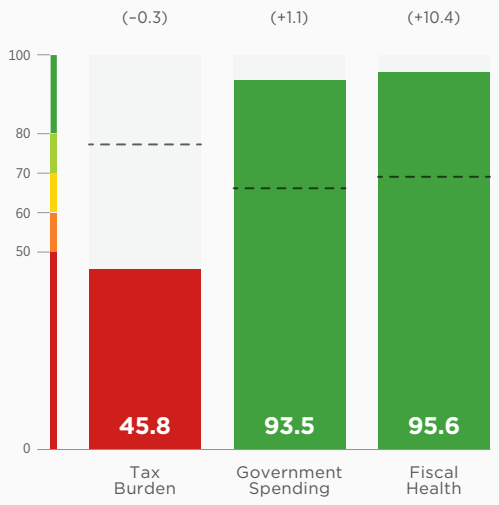
12 ECONOMIC FREEDOMS | CHAD

RULE OF LAW



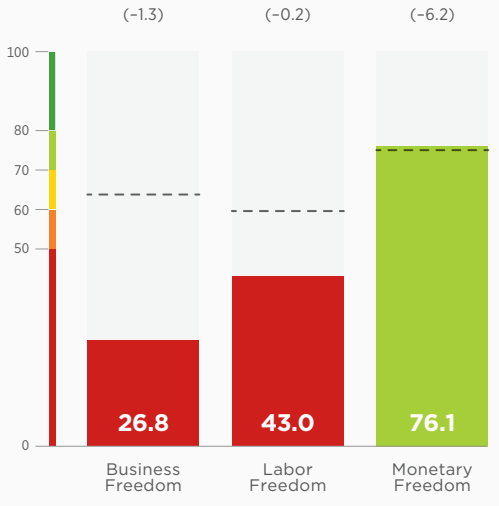
Although the civil code protects real property rights, enforcement is difficult because most landowners lack a title or a deed for their property, and property registration costs are high. The rule of law is weak. The judiciary lacks real independence and is subject to executive influence. Corruption, bribery, and nepotism are endemic and pervasive, especially in government procurement, customs, and tax collection.

GOVERNMENT SIZE



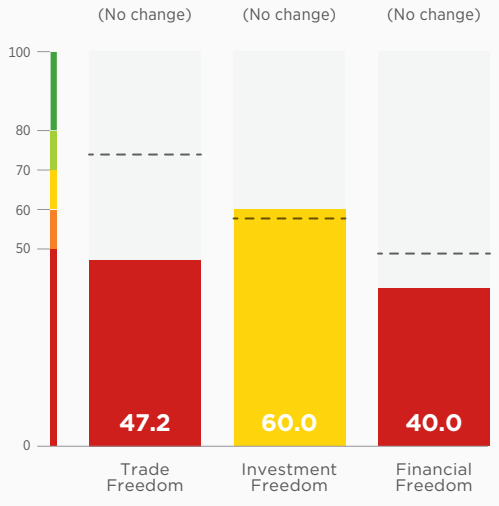
The top individual income tax rate is 60 percent, and the top corporate tax rate is 45 percent. Other taxes include value-added and property taxes. The overall tax burden equals 7.7 percent of total domestic income. Government spending has amounted to 14.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 0.2 percent of GDP. Public debt is equivalent to 46.6 percent of GDP.

REGULATORY EFFICIENCY



Chad ranks near the bottom of the World Bank's 2019 *Doing Business* report with notable deficiencies in paying taxes and resolving insolvency. The labor force suffers from a deficiency of human capital. The oil sector dominates the economy, but the majority of Chadians work in agriculture and livestock breeding. The government still subsidizes inefficient state-owned enterprises, and the economy remains distorted by heavily subsidized oil.

OPEN MARKETS



The total value of exports and imports of goods and services equals 73.7 percent of GDP. The average applied tariff rate is 16.4 percent, and nontariff barriers significantly hamper trade. The investment framework is inadequate, impaired by ongoing institutional shortcomings. Poor access to credit hinders private-sector growth. The banking system remains highly dependent on the government and state-owned companies.

WORLD RANK: **15** | REGIONAL RANK: **2**

ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

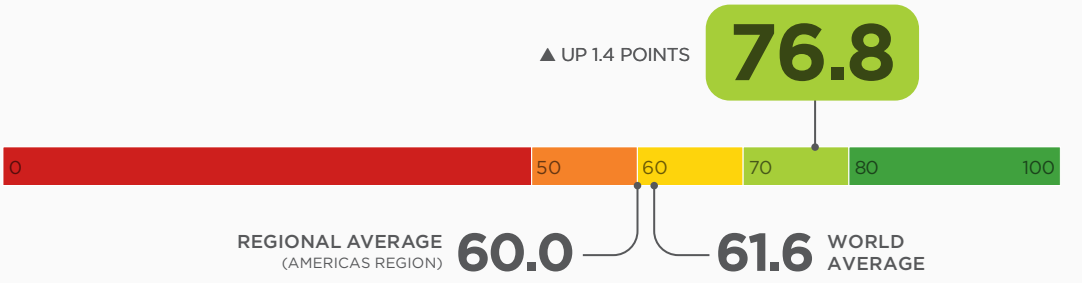
CHILE

Chile's economic freedom score is 76.8, making its economy the 15th freest in the 2020 *Index*. Its overall score has increased by 1.4 points, led by a significant increase in the score for **government integrity**. Chile is ranked 2nd among 32 countries in the Americas region, and its overall score is well above the regional and world averages.

Economic freedom in Chile declined from 2013, when its economy was on the verge of joining the ranks of the free, to 2018 but has been on a positive trajectory since then. The recent acceleration of GDP growth most likely reflects that positive trend.

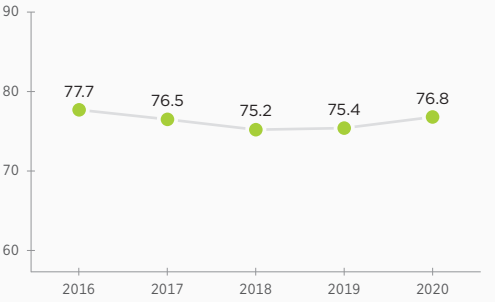
The government's efforts to seek legislative approval of any further business-friendly tax, pension, and regulatory reforms will be complicated by the social unrest that was triggered in October by a hike in subway fares and then disintegrated into riots that took a dozen lives. The forced cancellation of the previously scheduled APEC summit in Santiago reflected a serious deterioration of the rule of law in Chile that could have a negative impact on its economic freedom in the future.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +5.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
18.5 million

GDP (PPP):
$481.8 billion
4.0% growth in 2018
5-year compound annual growth 2.2%
$25,978 per capita

UNEMPLOYMENT:
7.2%

INFLATION (CPI):
2.3%

FDI INFLOW:
$7.2 billion

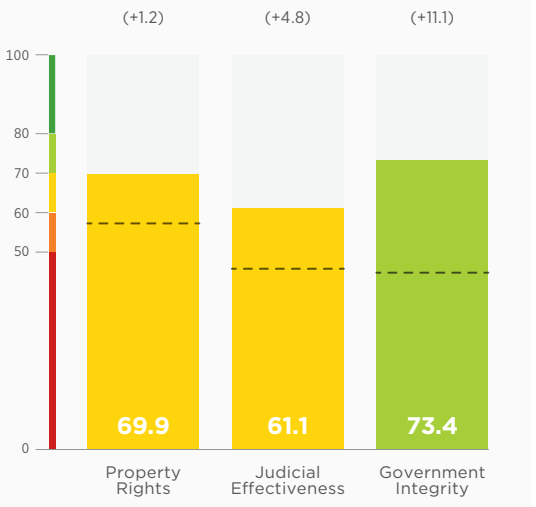
PUBLIC DEBT:
25.6% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Chile is the world's leading copper producer, and its exports of minerals, wood, fruit, seafood, and wine drive GDP growth. Center-right President Sebastian Piñera, in office since 2017, has been undermined by stiff resistance from left-leaning parties in Congress. A dramatic escalation of violent antigovernment protests in late 2019 caused the highest level of political instability since the restoration of democracy in the 1990s. Although Chile's solid economic fundamentals had undergirded continued GDP expansion in early 2019, uncertainty caused the economy to contract late in the year. Chile retains the Pacific Alliance's best investment profile, benefits from many free-trade agreements, and led the 2019 creation of the Forum for the Progress of South America (PROSUR), a free-market-oriented regional economic and social cooperation bloc.

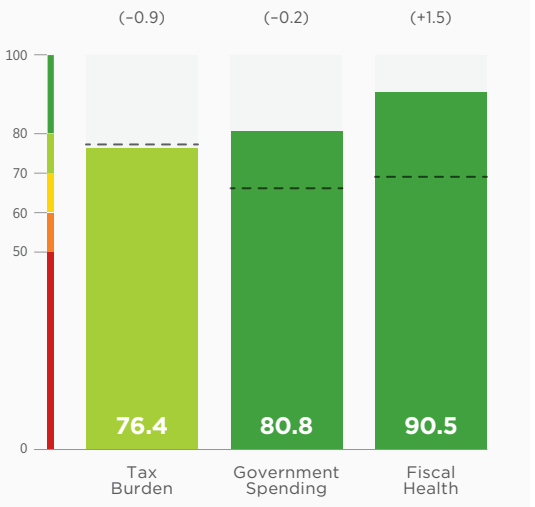
12 ECONOMIC FREEDOMS | CHILE

RULE OF LAW



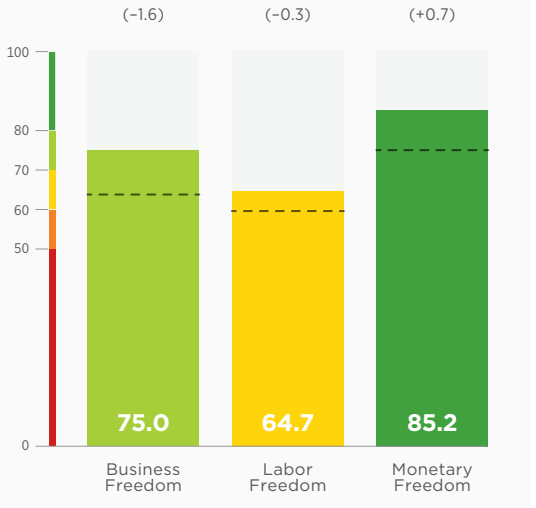
Secured interests in real property are recognized and generally enforced in Chile. Expropriation is rare. There is a recognized and generally reliable system for recording mortgages and other forms of liens. The judiciary is independent, and the courts generally enforce property and contractual rights competently and are generally free from political interference. Chile is the second least corrupt country in South America after Uruguay.

GOVERNMENT SIZE



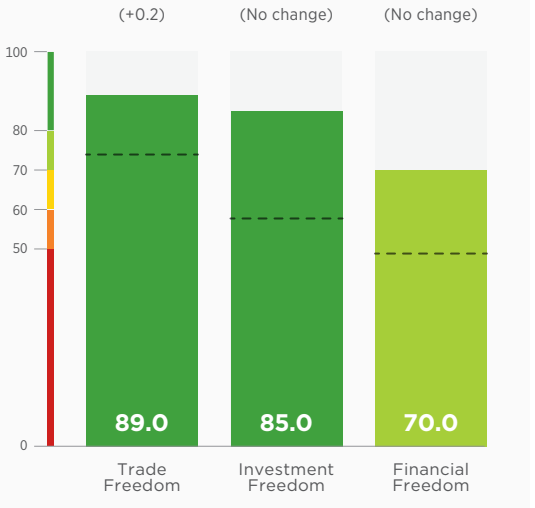
The top individual income tax rate is 35 percent, and the top corporate tax rate has increased to 27 percent. The overall tax burden equals 20.2 percent of total domestic income. Government spending has amounted to 25.3 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.3 percent of GDP. Public debt is equivalent to 25.6 percent of GDP.

REGULATORY EFFICIENCY



Chile recently modernized some aspects of starting a business and enforcing contracts. The process for gaining approval for large projects, however, has become increasingly unpredictable and time-consuming. Labor laws are generally well defined and evenly enforced. Chile is one of the few countries in the world that is not subsidizing the development of its extensive sources of renewable (wind and solar) energy.

OPEN MARKETS



The total value of exports and imports of goods and services equals 57.5 percent of GDP. The average applied tariff rate is 0.5 percent, and 105 nontariff measures are in force. Market openness to investment and an efficient business environment have provided a solid basis for economic dynamism. The financial system facilitates high levels of bank usage and relatively efficient access to financing.

CHINA

WORLD RANK: **103** | REGIONAL RANK: **20**

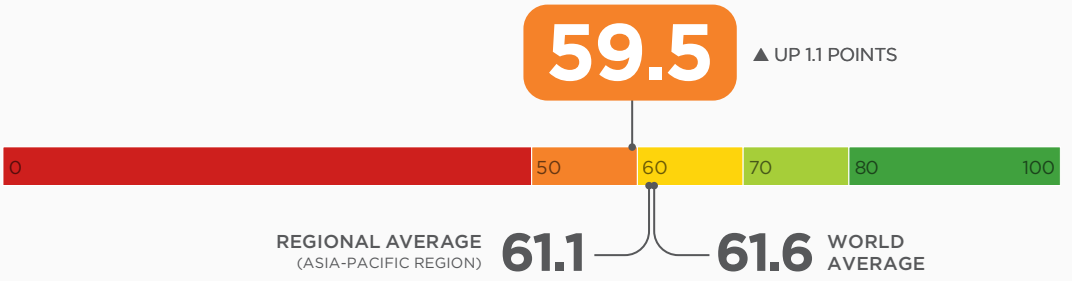
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

China's economic freedom score is 59.5, making its economy the 103rd freest in the 2020 *Index*. Its overall score has increased by 1.1 points due to increases in scores for **business freedom** and **property rights**. China is ranked 20th among 42 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

China's economic freedom score has improved over the past five years, with most of the gains coming in areas related to the rule of law and, more recently, business regulation. The overall gains track with a continuing high rate of GDP growth.

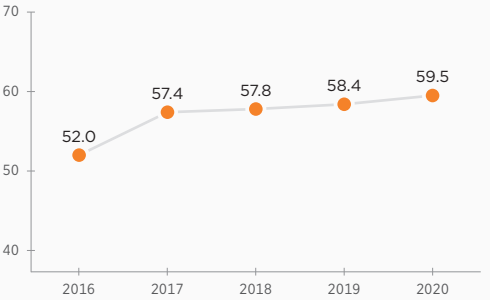
Major reforms of the financial system have not occurred, but there is hope that a new investment law that is expected to take effect in 2020 may improve regulatory transparency. Overall, the economic freedom that does exist in China lacks depth and breadth, and the government needs to ensure that business-friendly policy changes are understood and implemented nationwide, not just in Beijing or the major commercial centers.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +7.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
1.4 billion

GDP (PPP):
$25.3 trillion
6.6% growth in 2018
5-year compound annual growth 6.9%
$18,110 per capita

UNEMPLOYMENT:
4.4%

INFLATION (CPI):
2.1%

FDI INFLOW:
$139.0 billion

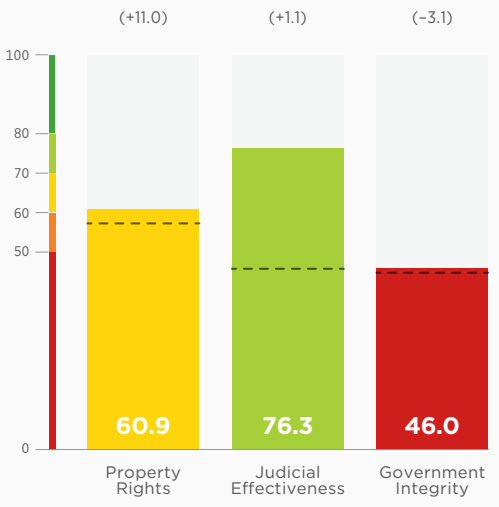
PUBLIC DEBT:
50.5% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Xi Jinping succeeded Hu Jintao as president of China in 2013. Xi has centralized his authority, ousted internal political enemies, and backed authoritarian policies to tighten control of civil society. China is the world's second-largest economy and biggest exporter, but its per capita income is below the global average. A slowdown in economic growth, which may be more severe than is officially acknowledged, poses serious challenges, both for the government and for Xi's new ideological economic framework. Since 2017, the U.S. and China have been engaged in serious trade negotiations that have been accompanied by the imposition of tariffs by both sides. The outcome of these negotiations will likely have a significant impact on the global economy.

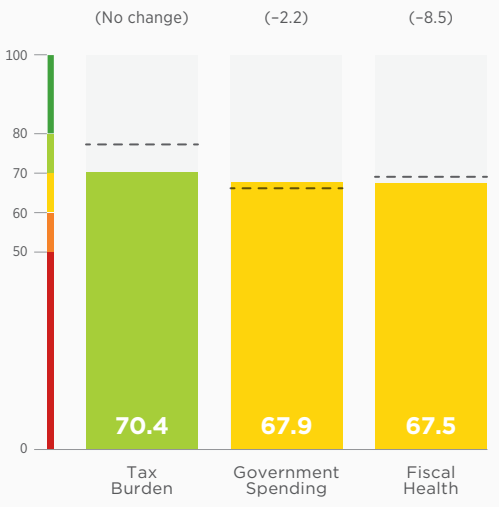
12 ECONOMIC FREEDOMS | CHINA

RULE OF LAW



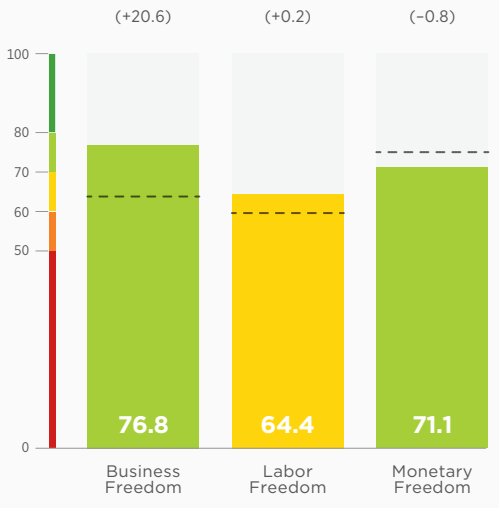
Theft of foreign-owned intellectual property is widespread. All land in China is owned either by the state or by rural collectives. Government agencies and the Chinese Communist Party heavily influence the judicial system. Courts lack the sophistication and educational background needed to understand complex commercial disputes and operate without transparency. Corruption remains endemic. The absence of a free press and the lack of governmental capacity hamper anticorruption efforts.

GOVERNMENT SIZE



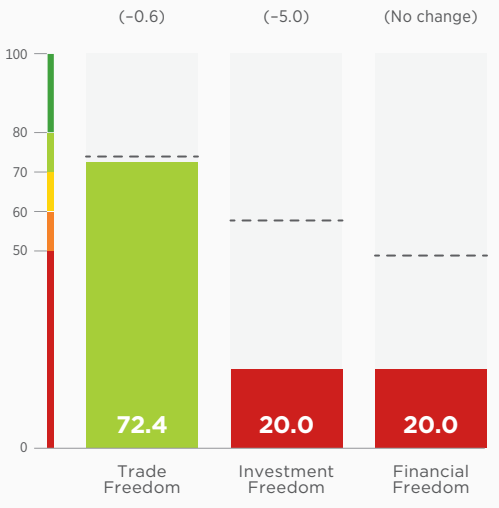
The top personal income tax rate is 45 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and real estate taxes. The overall tax burden equals 17.5 percent of total domestic income. Government spending has amounted to 32.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.1 percent of GDP. Public debt is equivalent to 50.5 percent of GDP.

REGULATORY EFFICIENCY



China has made some business-friendly reforms, but the government continues to protect and favor its nontransparent state-owned enterprises, as well as private enterprises that are deemed "national champions," providing both types of firms with substantial state subsidies. Labor laws are changed frequently and applied differently in different localities. There are price controls for essential goods and services.

OPEN MARKETS



The total value of exports and imports of goods and services equals 38.2 percent of GDP. The average applied tariff rate is 3.8 percent, and 385 nontariff measures are in force. A new Foreign Investment Law of the People's Republic of China may improve the transparency of foreign investment policies, but it will not take effect until 2020. The state maintains its tight grip on the financial system.

WORLD RANK: **45**

REGIONAL RANK: **4**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

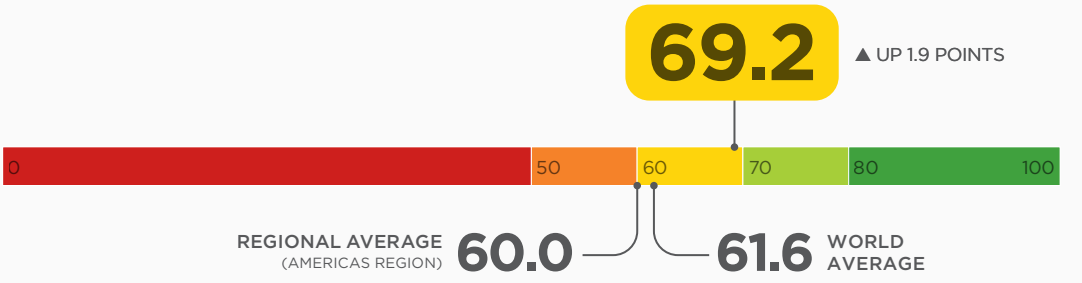
COLOMBIA

Colombia's economic freedom score is 69.2, making its economy the 45th freest in the 2020 *Index*. Its overall score has increased by 1.9 points, largely because of a significant improvement in **government integrity**. Colombia is ranked 4th among 32 countries in the Americas region, and its overall score is well above the regional and world averages.

Colombia's improved score this year increases the possibility that its economy could eventually reenter the ranks of the mostly free, the category that it last occupied in 2016. Solid GDP growth underscores the economy's positive direction.

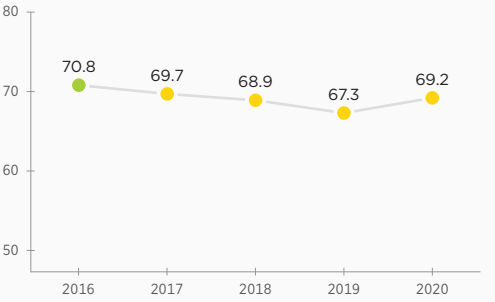
In an effort to propel the economy forward, the government is pursuing fiscal, constitutional, judicial, and other reforms that would improve judicial effectiveness and government integrity and reduce the tax burden. Growing political polarization and the increasingly negative impact of Venezuelan migration, however, are making that task more difficult.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +4.7

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
49.8 million

GDP (PPP):
$744.7 billion
2.7% growth in 2018
5-year compound annual growth 2.8%
$14,943 per capita

UNEMPLOYMENT:
9.1%

INFLATION (CPI):
3.2%

FDI INFLOW:
$11.0 billion

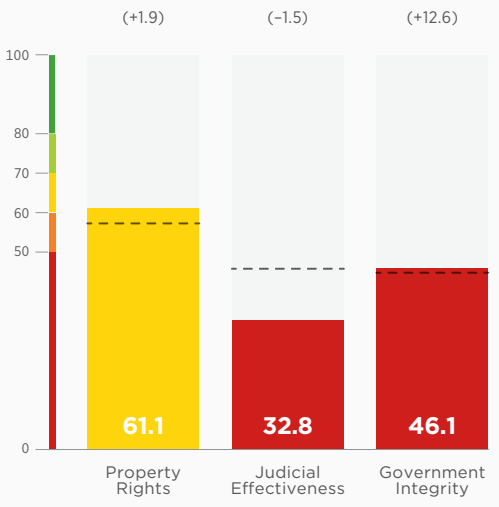
PUBLIC DEBT:
50.5% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Colombia is South America's oldest democracy and third-largest economy. A five-decade guerrilla insurgency led principally by the narco-funded Revolutionary Armed Forces of Colombia (FARC) has caused hundreds of thousands of casualties. Center-right President Iván Duque, elected to a four-year term in 2018, has faced governance challenges because of his party's lack of a majority in Congress, low approval ratings, and a worsening security situation caused by his predecessor's flawed peace deal with the FARC. Colombia's economy is heavily dependent on exports of petroleum, coffee, and cut flowers. Colombia is a founding member of the Pacific Alliance and has free-trade agreements with the U.S. and many other nations. It also is the world's top producer and exporter of cocaine.

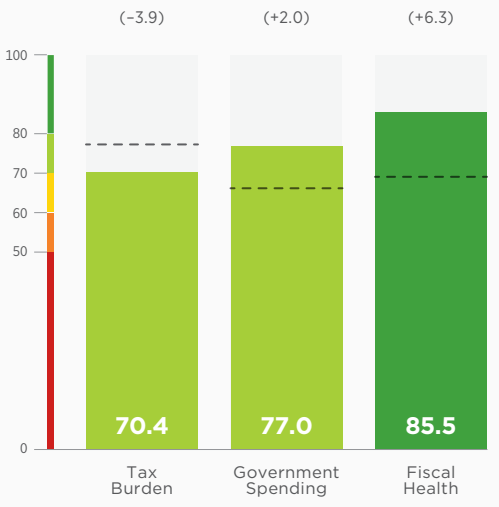
12 ECONOMIC FREEDOMS | COLOMBIA

RULE OF LAW



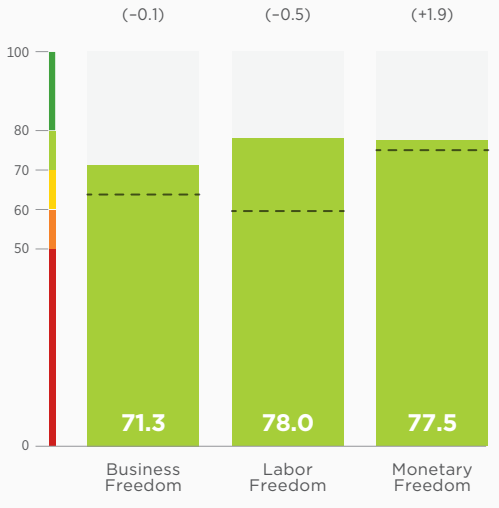
Secured interests in real property are generally protected, but violence and instability threaten them in some areas. The judicial system is generally regarded as competent, fair, and reliable, although corruption, bribery, influence peddling, and abuse of privileged information remain ongoing problems. Violence and corruption engendered by drug trafficking continue to erode institutions. A series of high-profile corruption cases in 2018 included accusations against Supreme Court justices.

GOVERNMENT SIZE



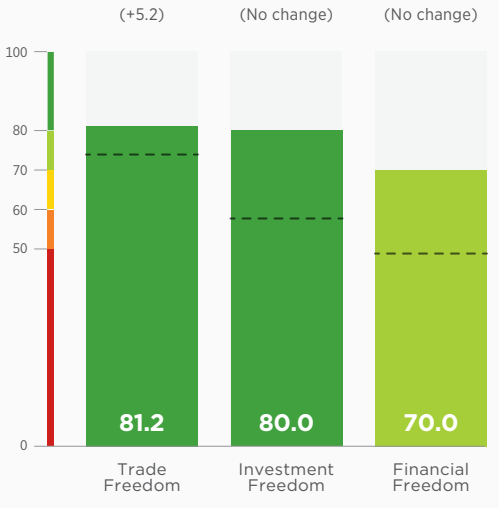
The top individual income tax rate is 39 percent, and the top corporate tax rate is 33 percent. Other taxes include value-added and financial transactions taxes. The overall tax burden equals 18.8 percent of total domestic income. Government spending has amounted to 27.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.4 percent of GDP. Public debt is equivalent to 50.5 percent of GDP.

REGULATORY EFFICIENCY



Private businesses benefit from easy access to credit but also must contend with costly and inefficient government bureaucracy. Labor regulations are not burdensome, but nonwage costs are high. Almost half of the labor force worked in the informal economy in 2018. The government increased subsidies to coffee growers in 2019 amid low international prices.

OPEN MARKETS



The total value of exports and imports of goods and services equals 36.8 percent of GDP. The average applied tariff rate is 4.4 percent, and 155 nontariff measures are in force. In general, government policies do not interfere significantly with foreign investment. The financial sector remains resilient. Reforms continue to promote the development of capital markets by enhancing flexibility and competition.

COMOROS

WORLD RANK: **143** | REGIONAL RANK: **28**

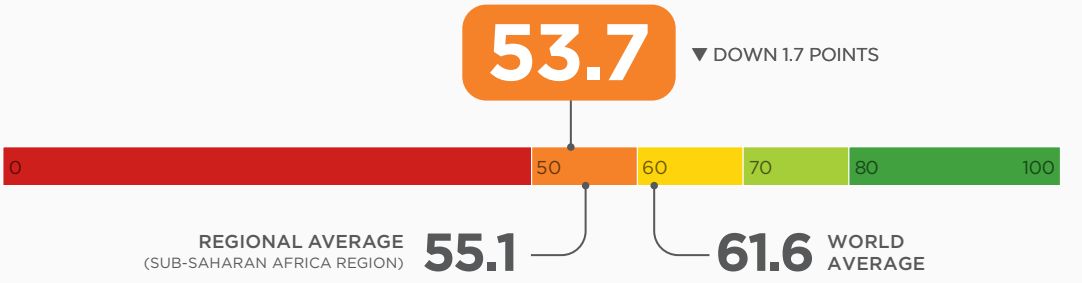
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Comoros's economic freedom score is 53.7, making its economy the 143rd freest in the 2020 *Index*. Its overall score has decreased by 1.7 points, dragged down by large drops in scores for **trade freedom** and **business freedom**. Comoros is ranked 28th among 47 countries in the Sub-Saharan Africa region, and its overall score is just below the regional average and well below the world average.

This is the second consecutive year that the score for Comoros has declined from its all-time high in 2018. Scoring for the country began in 2009, and in earlier years, Comoros recorded steady increases until the economy finally emerged from the repressed states in 2014. GDP growth over the past five years has generally tracked with relatively stronger performance in the *Index*.

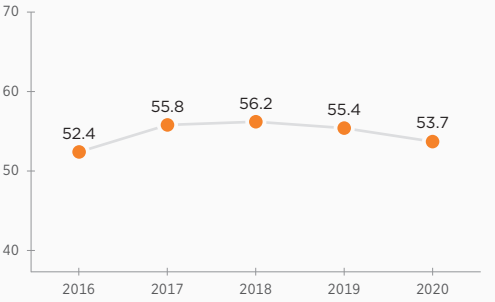
For Comoros to resume an upward trajectory, the government will have to address the severe institutional deficiencies reflected in its scores for property rights, judicial effectiveness, and government integrity.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): +10.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.8 million

GDP (PPP):
$1.4 billion
2.8% growth in 2018
5-year compound annual growth 2.1%
$1,632 per capita

UNEMPLOYMENT:
3.7%

INFLATION (CPI):
2.0%

FDI INFLOW:
$7.9 million

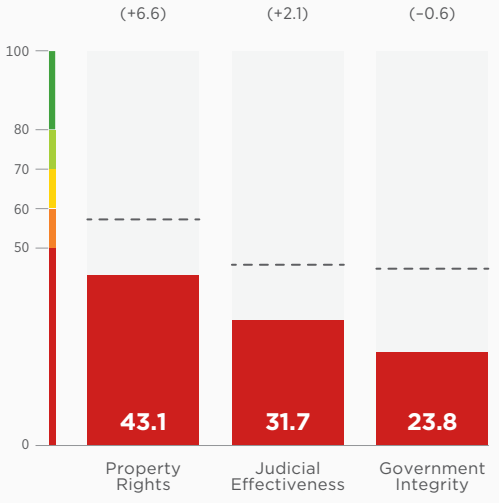
PUBLIC DEBT:
31.2% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The Union of the Comoros has experienced more than 20 attempted coups since independence in 1975, most recently in 2013. Under a constitution adopted in 2001, the presidency rotates among the country's three islands. In 2018, former coup leader turned President Azali Assoumani suspended the constitutional court, cracked down on the opposition, and won a referendum to centralize executive power. He was reelected in 2019 in an election that was discredited by international observers. As a former colony, Comoros prioritizes its aid and trade relations with France, and the French Treasury guarantees the Comorian franc. Comoros is a leading producer of ylang-ylang, cloves, and vanilla. In 2018, it became a full member of the Southern African Development Community.

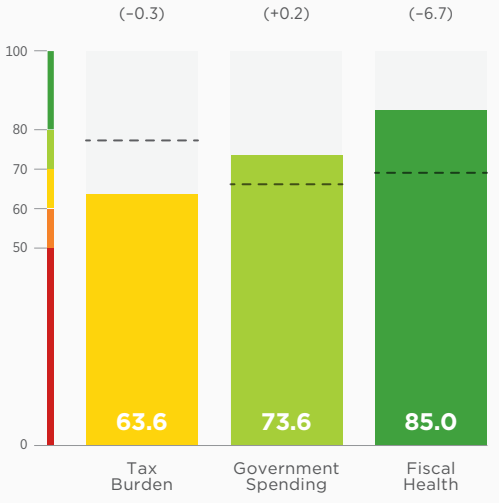
12 ECONOMIC FREEDOMS | COMOROS

RULE OF LAW



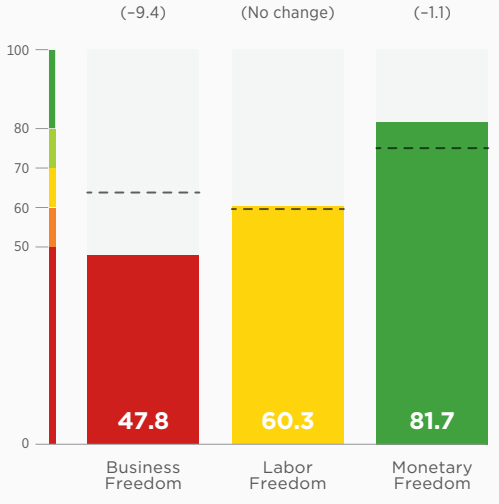
Property rights are not well protected, and contracts are weakly enforced. The judicial system, based on both the French legal code and Sharia (Islamic) law, is weak and subject to political influence. Anticorruption laws are in place but not enforced. Corruption is reported at all levels of government and is driven in part by internal political disputes and the three island administrations' competition for resources.

GOVERNMENT SIZE



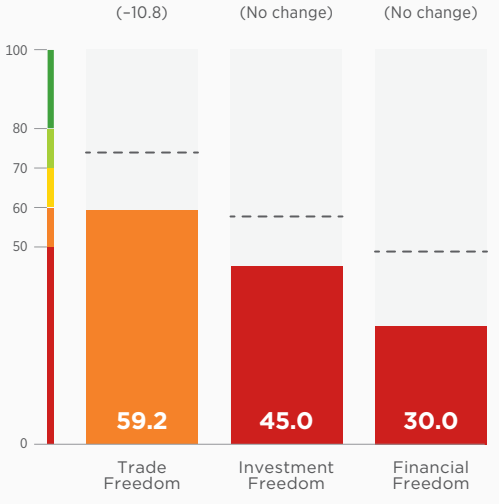
The top personal income tax rate is 30 percent, and the top corporate tax rate is 50 percent. Other taxes include value-added and insurance taxes. The overall tax burden equals 15.5 percent of total domestic income. Government spending has amounted to 29.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.9 percent of GDP. Public debt is equivalent to 31.2 percent of GDP.

REGULATORY EFFICIENCY



Businesses are held back by an uncertain political situation, a burdensome regulatory environment, expensive telecommunications, subpar transportation infrastructure, and electricity shortages. A poorly educated labor force engages primarily in subsistence activities. Dependence on aid is high. The government increased subsidies for food imports after weather-related crop losses but improved transparency with respect to subsidies for fuel and state-owned enterprises.

OPEN MARKETS



The total value of exports and imports of goods and services equals 40.1 percent of GDP. The average applied tariff rate is 10.4 percent. Overall, policies to enhance market openness have not advanced. Persistent nontariff barriers and impediments to investment are made worse by political volatility. The financial system is underdeveloped, and access to financing for businesses remains very limited.

DEMOCRATIC REPUBLIC OF THE CONGO

WORLD RANK: **162**

REGIONAL RANK: **39**

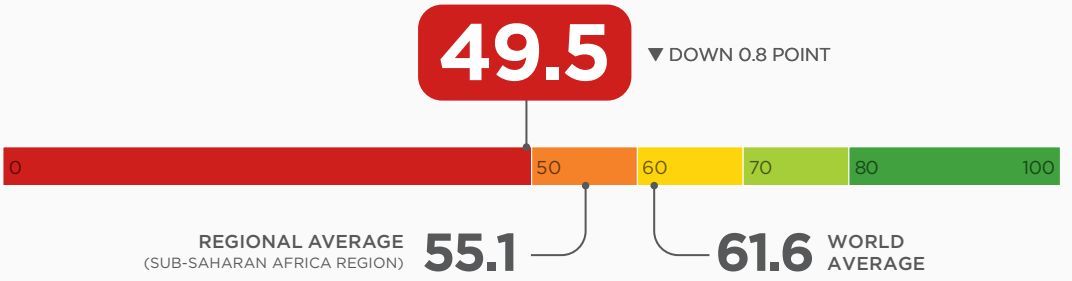
ECONOMIC FREEDOM STATUS: **REPRESSED**

The Democratic Republic of the Congo's economic freedom score is 49.5, making its economy the 162nd freest in the 2020 *Index*. Its overall score has decreased by 0.8 point because of a huge drop in the **government integrity** score. The Democratic Republic of the Congo is ranked 39th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

Index scoring for the DRC resumed in 2009 after an eight-year absence when credible data were not available because of instability and violence, and the level of economic freedom has improved only sporadically since then. GDP growth has been robust in the past five years, however, due to rising global prices for commodities.

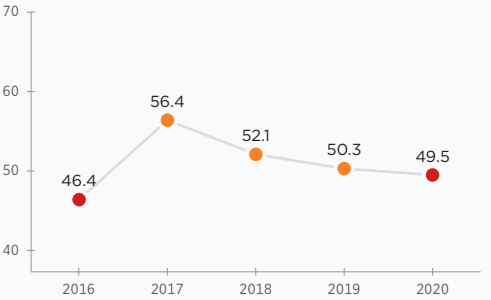
If the DRC is to have any chance at sustainable development, the government will need to prioritize reforms to improve financial freedom and attract foreign investment. It also will have to make substantial gains in the rule of law.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +8.1

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
95.0 million

GDP (PPP):
$72.9 billion
3.9% growth in 2018
5-year compound annual growth 5.2%
$767 per capita

UNEMPLOYMENT:
4.2%

INFLATION (CPI):
29.3%

FDI INFLOW:
$1.5 billion

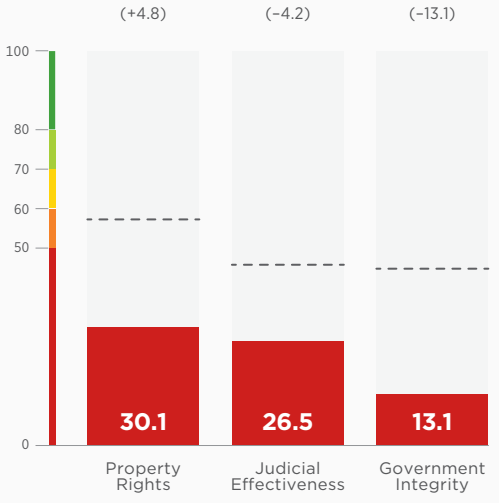
PUBLIC DEBT:
15.7% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Joseph Kabila, who won the DRC's first multiparty election in 40 years in 2006, finally left the presidency under international pressure in 2019. Felix Tshisekedi was declared the winner of the 2019 presidential election, probably due to a corrupt bargain with Kabila that gave Tshisekedi the presidency in exchange for Kabila's maintaining influence. Militia groups are active throughout the country. The DRC's immense natural resource wealth includes large deposits of rare earth minerals used in many high-technology products. The DRC is Africa's largest copper producer and the world's largest cobalt producer, but its political instability and high inflation discourage international investors. The country is among the world's least developed.

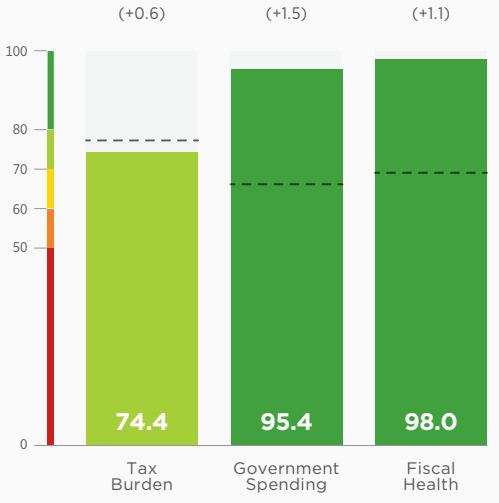
12 ECONOMIC FREEDOMS | DEMOCRATIC REPUBLIC OF THE CONGO

RULE OF LAW



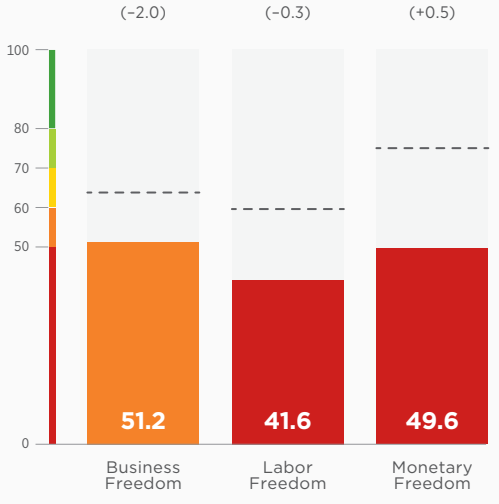
Although the constitution protects the ownership of private property, enforcement is lacking, and armed groups and government soldiers have seized private property and destroyed homes in conflict zones. Apart from a few reasonably well-functioning commercial courts, the judicial system is weak, unreliable, and corrupt. Endemic corruption in the government, security forces, and mineral extraction industries has impeded basic public services and development efforts.

GOVERNMENT SIZE



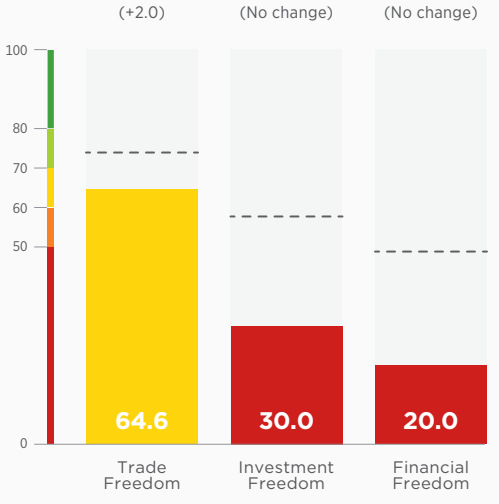
The top personal income tax rate is 30 percent, and the top corporate tax rate is 40 percent. Other taxes include rental and vehicle taxes. The overall tax burden equals 7.6 percent of total domestic income. Government spending has amounted to 12.4 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.0 percent of GDP. Public debt is equivalent to 15.7 percent of GDP.

REGULATORY EFFICIENCY



Rent-seeking, patronage, and many unhelpful regulations plague the business community. Poverty is widespread, and much economic activity takes place in the informal sector. Only the extractive sector exhibited significant growth in 2018. The heavily subsidized and loss-making state-owned SNEL power utility produces nearly all of the country's electricity, but only about 10 percent of the population has access to it.

OPEN MARKETS



The total value of exports and imports of goods and services equals 71.0 percent of GDP. The average applied tariff rate is 10.2 percent, and one nontariff measure is in force. Poor economic management aggravated by repeated political crises has severely constrained domestic and foreign investment, trapping much of the population in a persistent shortage of economic opportunity. Companies have very limited access to financial services.

WORLD RANK: **176** | REGIONAL RANK: **46**

ECONOMIC FREEDOM STATUS: **REPRESSED**

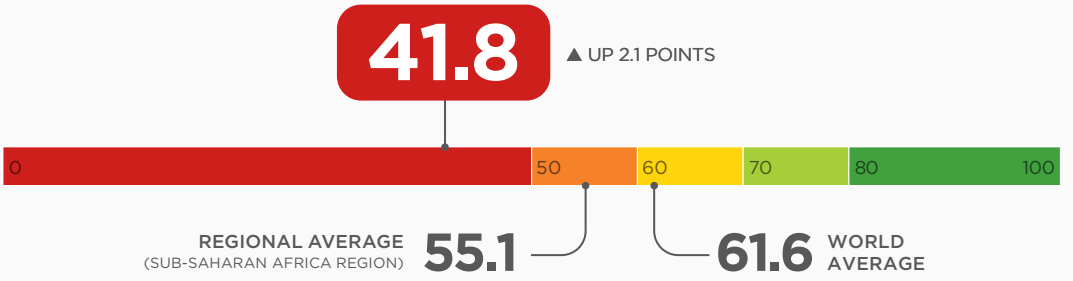
REPUBLIC OF THE CONGO

The Republic of the Congo's economic freedom score is 41.8, making its economy the 176th freest in the 2020 *Index*. Its overall score has increased by 2.1 points, with a modest gain in **property rights** and better control of **government spending**. Congo is ranked 46th among 47 countries in the Sub-Saharan Africa region, and its overall score is far below the regional and world averages.

Congo's economy has been in the lower half of the economically repressed category for 22 of the past 24 years. Matching that performance, GDP growth has been very weak for the past five years.

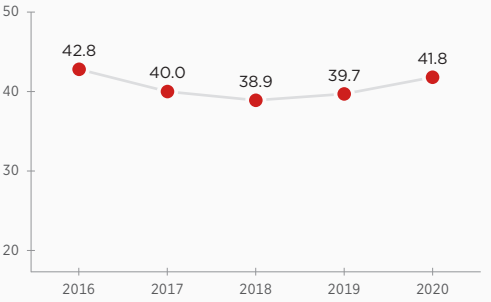
Scores for nine of Congo's 12 *Index* indicators are below 50; its score for fiscal health is the fifth lowest in the world. The government is under pressure from the IMF to pursue economic and financial reforms aimed at restoring macroeconomic stability and debt sustainability and improving governance to achieve greater efficiency and transparency in the management of public resources.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +1.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
4.5 million

GDP (PPP):
$30.3 billion
0.8% growth in 2018
5-year compound annual growth 0.9%
$6,799 per capita

UNEMPLOYMENT:
10.4%

INFLATION (CPI):
1.2%

FDI INFLOW:
$4.3 billion

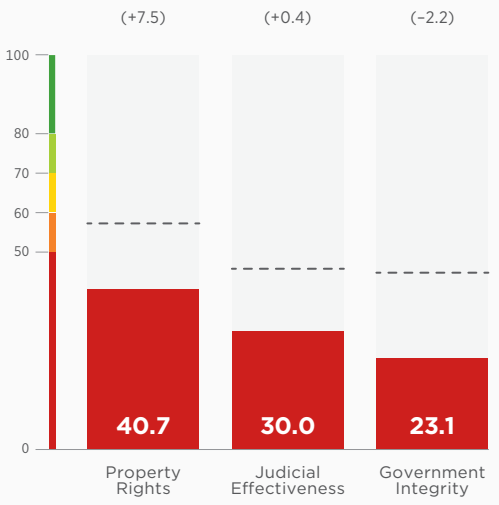
PUBLIC DEBT:
98.5% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The Republic of the Congo became independent from France in 1960. Denis Sassou-Nguesso seized power in 1979 and ruled until 1992, when he allowed a multiparty election to be conducted and was defeated. He seized power again following a 1997 civil war and then won flawed elections in 2002, 2009, and 2016. A referendum approved in 2015 modified the constitutional limits to permit Sassou-Nguesso to run again. Congo is one of sub-Saharan Africa's largest oil producers, but it lacks the infrastructure needed to exploit its natural gas reserves and hydropower potential. China plans to build a special economic zone in the port city of Pointe-Noire, and Congo shipped its first iron ore exports early in 2019.

12 ECONOMIC FREEDOMS | REPUBLIC OF THE CONGO

RULE OF LAW

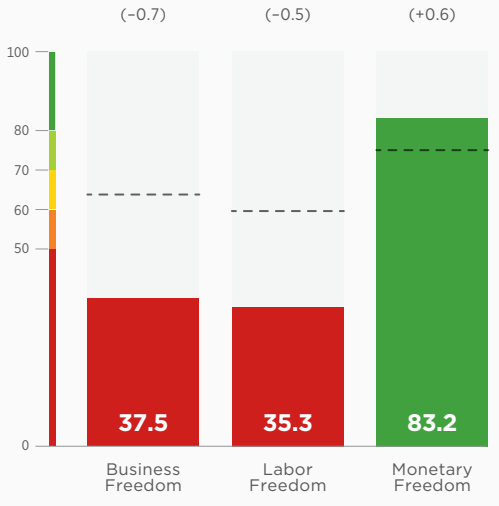


Enforcement of property rights is inconsistent. Contract terms are not transparent, and "informal" tax collectors regularly solicit bribes. The judiciary, independent in principle but crippled by institutional weakness and a lack of technical capability, is vulnerable to corruption and political influence. Corruption remains rampant. The president's family and advisers effectively control the state oil company without any meaningful oversight.

GOVERNMENT SIZE

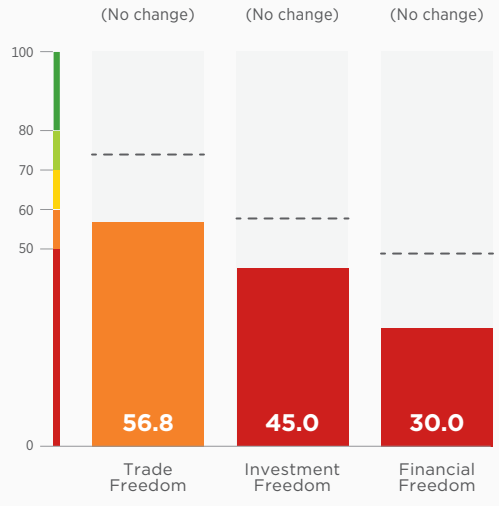
The top individual income tax rate is 45 percent, and the top corporate rate is 34 percent. Other taxes include a value-added tax and a tax on rental values. The overall tax burden equals 22.1 percent of total domestic income. Government spending has amounted to 38.2 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 7.5 percent of GDP. Public debt is equivalent to 98.5 percent of GDP.

REGULATORY EFFICIENCY



Obstacles include a lack of transparency and government inefficiency in obtaining land titles, paying taxes, and negotiating natural resources contracts. The security situation is tumultuous, and infrastructure and Internet access are limited. The unemployment rate is very high. A modern labor market has yet to develop. Government subsidies have been reduced due to the reorganization of some formerly heavily subsidized and loss-making power and water state-owned enterprises.

OPEN MARKETS



The total value of exports and imports of goods and services equals 154.9 percent of GDP. The average applied tariff rate is 11.6 percent. Nontariff barriers further undercut the dynamic benefits of trade. Government openness to foreign investment is below average, and the investment framework is inadequate. The underdeveloped financial system is dominated by banks, and overall financial intermediation is low.

COSTA RICA

WORLD RANK: **68** | REGIONAL RANK: **12**

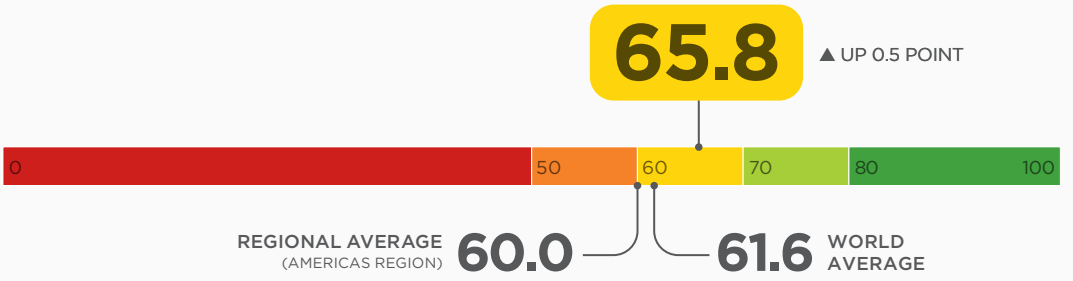
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Costa Rica's economic freedom score is 65.8, making its economy the 68th freest in the 2020 *Index*. Its overall score has increased by 0.5 point due to an improved score for **property rights**. Costa Rica is ranked 12th among 32 countries in the Americas region, and its overall score is well above the regional and world averages.

Costa Rica's economy has been stuck in the mid-range of the moderately free category since the inception of the *Index* in 1995. GDP growth has mirrored that solid but unspectacular performance over the past five years.

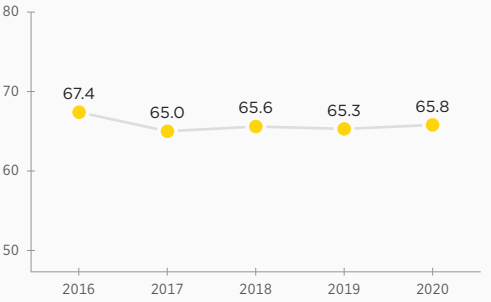
For the economy finally to break through this inertia and begin a sustained trajectory toward greater freedom and prosperity, the government, while continuing its broadly orthodox economic policies, will need to find the will to undertake politically difficult reforms to liberalize labor policies and reduce budget deficits.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –2.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
5.0 million

GDP (PPP):
$88.2 billion
2.7% growth in 2018
5-year compound annual growth 3.5%
$17,559 per capita

UNEMPLOYMENT:
8.1%

INFLATION (CPI):
2.3%

FDI INFLOW:
$2.1 billion

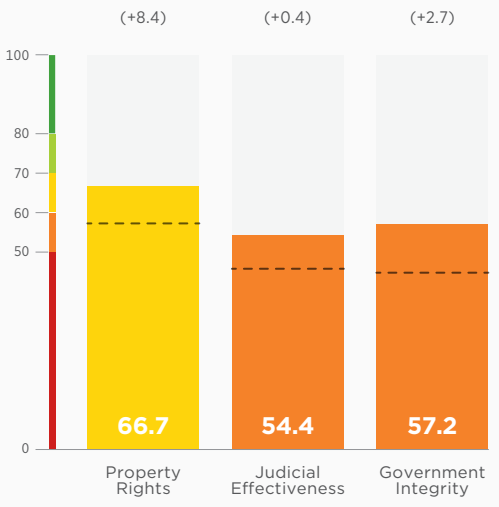
PUBLIC DEBT:
53.5% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The most prosperous of the Central American Common Market's five countries, Costa Rica has a long history of democratic stability and one of Latin America's highest levels of foreign direct investment per capita. President Carlos Alvarado of the center-left Citizen Action Party, elected to a four-year term in 2018, faces a complicated political landscape marked by a fragmented legislature, high public dissatisfaction with the political class, a tangled political system, and economic and fiscal problems. Traditional agricultural exports of bananas, coffee, sugar, and beef are still the backbone of its commodity-driven export economy, but Costa Rica is also one of Central America's most popular ecotourism destinations and an exporter of medical devices and other high-value-added goods and services.

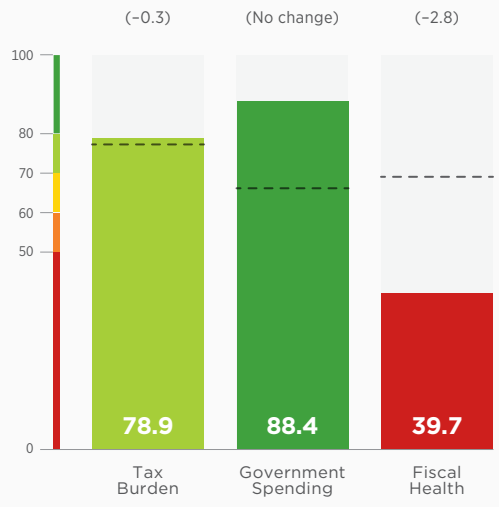
12 ECONOMIC FREEDOMS | COSTA RICA

RULE OF LAW



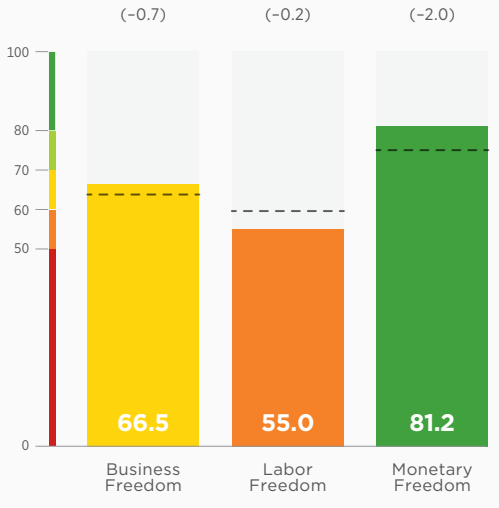
The laws governing investments in land, buildings, and mortgages are generally transparent. Secured interests in both chattel and real property are recognized and enforced. The courts are independent and impartial, and their authority is respected. Laws against corruption are effective and generally well enforced. Transnational criminal organizations engage in money laundering and other financial crimes, exploiting the weakness of enforcement.

GOVERNMENT SIZE



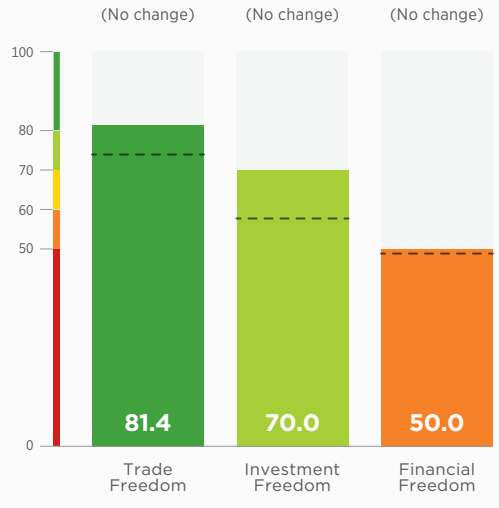
The top personal income tax rate is 25 percent, and the top corporate tax rate is 30 percent. Other taxes include general sales and real property taxes. The overall tax burden equals 24.1 percent of total domestic income. Government spending has amounted to 19.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 5.8 percent of GDP. Public debt is equivalent to 53.5 percent of GDP.

REGULATORY EFFICIENCY

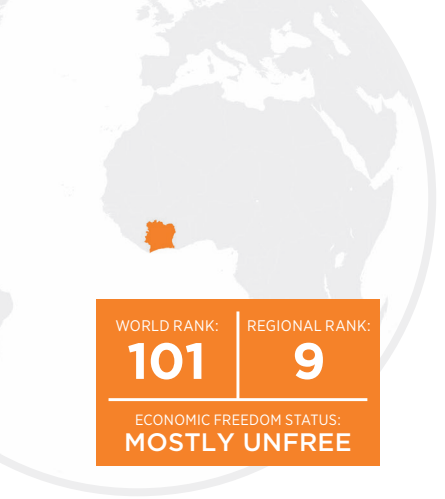


Businesses face a number of new regulatory requirements and challenges. A new legal entities tax has made starting a business more difficult. Informal employment as a share of all employment has been rising. As of mid-2019, several labor-related bills were pending before the National Assembly. The government subsidizes hydroelectric power generated by the state-owned electric utility. Agricultural subsidies increased in 2019.

OPEN MARKETS



The total value of exports and imports of goods and services equals 66.8 percent of GDP. The average applied tariff rate is 1.8 percent, and 65 nontariff measures are in force. Foreign and domestic investors are generally treated equally under the law. Credit is generally allocated on market terms. Despite increased market competition, state-owned financial institutions dominate the banking sector and influence lending.



WORLD RANK: **101**

REGIONAL RANK: **9**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

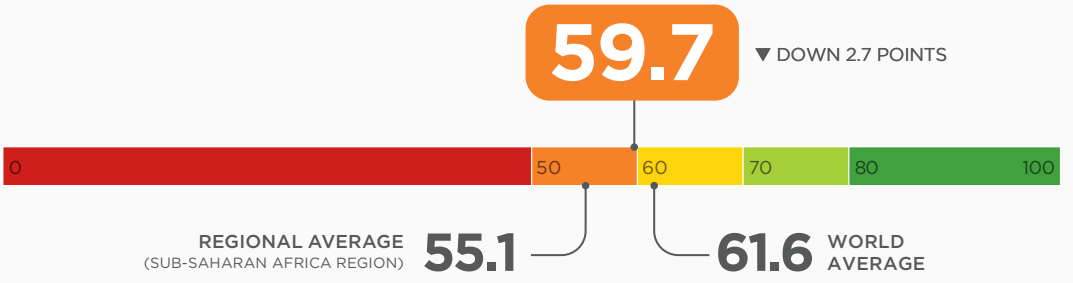
CÔTE D'IVOIRE

Côte d'Ivoire's economic freedom score is 59.7, making its economy the 101st freest in the 2020 *Index*. Its overall score has decreased by 2.7 points due to steep drops in scores for **judicial effectiveness** and **government integrity**. Côte d'Ivoire is ranked 9th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average and just below the world average.

Côte d'Ivoire's economy fell into the mostly unfree category this year after four years in the ranks of the moderately free. Notwithstanding that weak performance, economic growth has been surging, with average annual GDP gains of 8.1 percent over the past five years reflecting high foreign investment inflows attracted by pro-business policies.

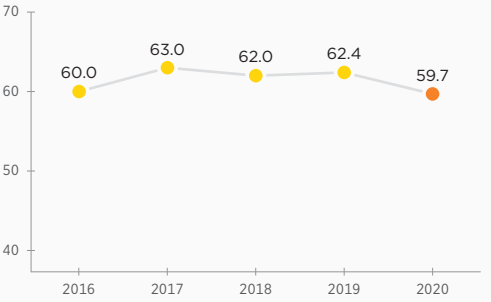
Since 2018, the government has adopted more pro-market reforms to streamline bureaucratic procedures, simplify corporate taxes, and support small and medium-size enterprises. The ultimate impact of such reforms will depend in large measure on the extent of its success in reforming the judicial system and reducing corruption.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +6.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
25.6 million

GDP (PPP):
$107.0 billion
7.4% growth in 2018
5-year compound annual growth 8.1%
$4,178 per capita

UNEMPLOYMENT:
2.5%

INFLATION (CPI):
0.3%

FDI INFLOW:
$912.9 million

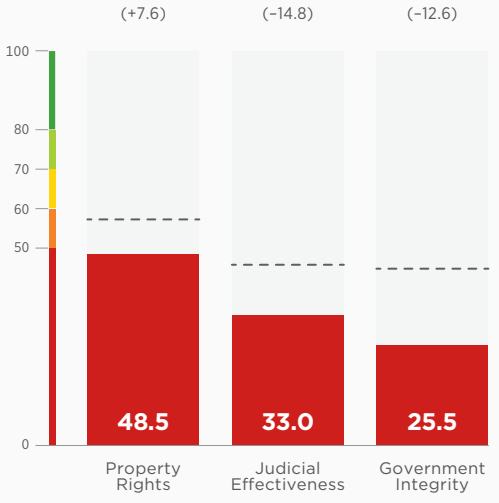
PUBLIC DEBT:
52.2% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Following independence in 1960, cocoa and cashew exports made Côte d'Ivoire West Africa's second-largest economy, but prosperity did not prevent political turmoil. A North–South civil war ended in 2007, but intervention by the U.N. and France was necessary to ensure that the internationally recognized winner of the 2010 election, Alassane Ouattara, took office. Ouattara won a second five-year term in 2015. Political tensions are likely to grow in advance of the 2020 election, and Quattara has not ruled out running for a third term. Pro-business reforms and strong private investment in such areas as agriculture, agribusiness, mining, light manufacturing, housing, and services have driven robust economic growth in recent years. Côte d'Ivoire joined the Asian Infrastructure Investment Bank in 2019.

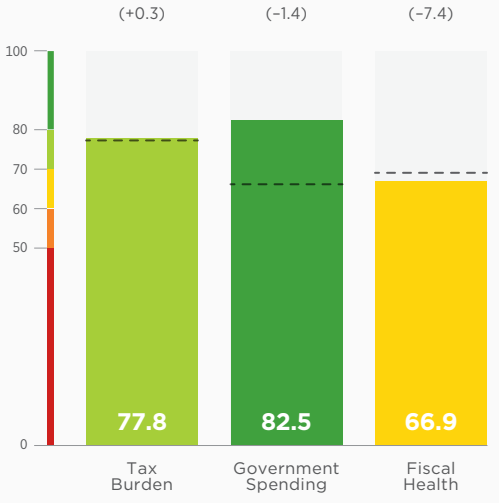
12 ECONOMIC FREEDOMS | CÔTE D'IVOIRE

RULE OF LAW



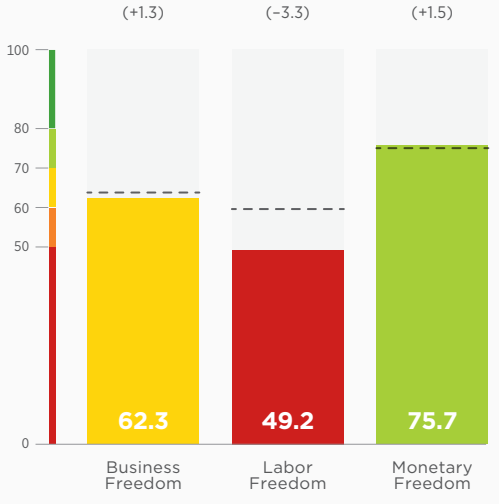
The right to own and transfer private property is guaranteed, although laws regarding rural land tenure make it prohibitively difficult to do so. Contracts are enforced. The judiciary is ostensibly independent, but judges can be subject to political or financial influence and sometimes fail to base decisions on legal or contractual merits. Corruption in many forms is deeply engrained in both public-sector and private-sector practices.

GOVERNMENT SIZE



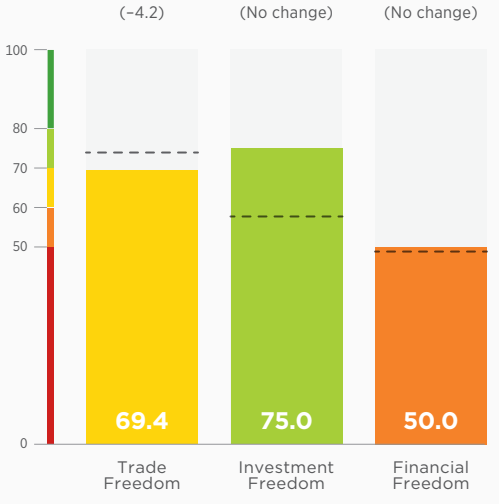
The top individual income tax rate is 36 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and interest taxes. The overall tax burden equals 17.4 percent of total domestic income. Government spending has amounted to 24.2 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.2 percent of GDP. Public debt is equivalent to 52.2 percent of GDP.

REGULATORY EFFICIENCY



Security concerns persist, and regulatory decision-making is slow and lacks transparency. The recent easing of procedures to get construction permits, obtain credit, and pay taxes has facilitated business start-ups. There is a shortage of skilled labor. Child labor is a serious problem. The government supports farmers with free or subsidized seeds and tools and maintains price controls in the gas, power, and water sectors.

OPEN MARKETS



The total value of exports and imports of goods and services equals 59.0 percent of GDP. The average applied tariff rate is 10.3 percent, and 15 nontariff measures are in force. In most sectors, there are no laws that limit foreign investment. Credit allocation is based on market terms and has increased to support the private sector and economic development.

CROATIA

WORLD RANK: **84**

REGIONAL RANK: **39**

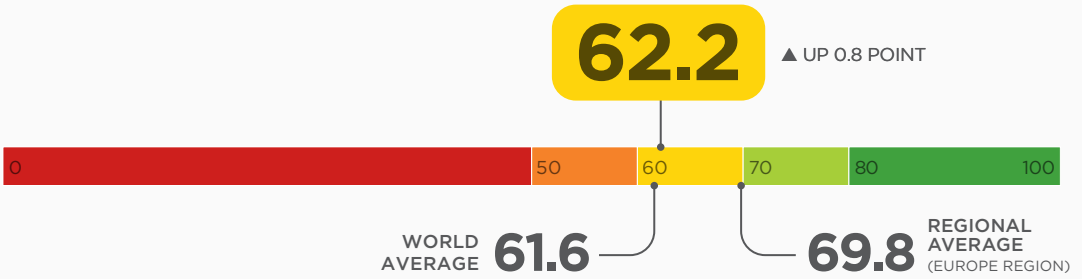
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Croatia's economic freedom score is 62.2, making its economy the 84th freest in the 2020 *Index*. Its overall score has increased by 0.8 point due to an increase in the score for **government integrity**. Croatia is ranked 39th among 45 countries in the Europe region, and its overall score is well below the regional average and slightly above the world average.

This year, Croatia's economy moved a little higher in the moderately free category, where it has been for eight years during the past decade. That progress has been accompanied by solid growth of GDP.

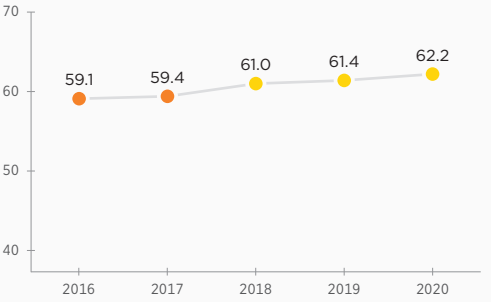
To expand economic freedom in Croatia, the government needs to accelerate implementation of its structural reform package so that it can reduce government spending and improve the functioning of the judicial system and labor markets. An aging population, increasing outmigration, global trends of technological change, and the evolving nature of work combine to make that task even more difficult.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +14.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
4.1 million

GDP (PPP):
$107.4 billion
2.7% growth in 2018
5-year compound annual growth 2.3%
$26,221 per capita

UNEMPLOYMENT:
8.9%

INFLATION (CPI):
1.5%

FDI INFLOW:
$1.2 billion

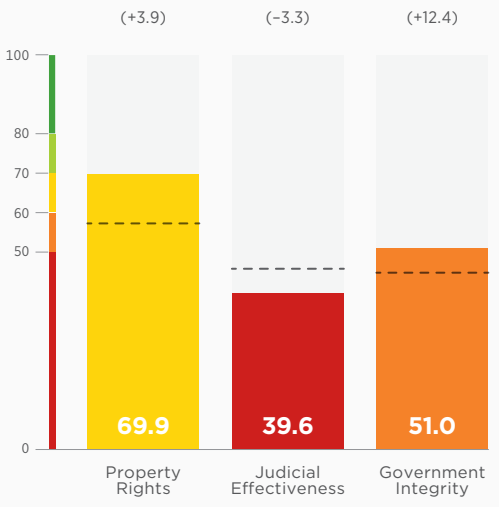
PUBLIC DEBT:
73.9% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Croatia's declaration of independence in 1991 contributed to the breakup of Yugoslavia along ethnic and religious lines. Croatia joined NATO in 2009 and the European Union in 2013. Prime Minister Andrej Plenkovic of the center-right HDZ party formed a coalition with the liberal Croatian People's Party and several smaller parties in 2017. Political uncertainty hinders economic progress. Shipbuilding and tourism are major industries. A 2018 agreement to avoid bankruptcy positioned a Russian bank as the principal shareholder in Croatia's largest private company, Fortenova Group. A weak export base, emigration, labor shortages, and the slow pace of privatization remain significant challenges. Construction of a liquid natural gas import terminal at Krk Island began in 2019.

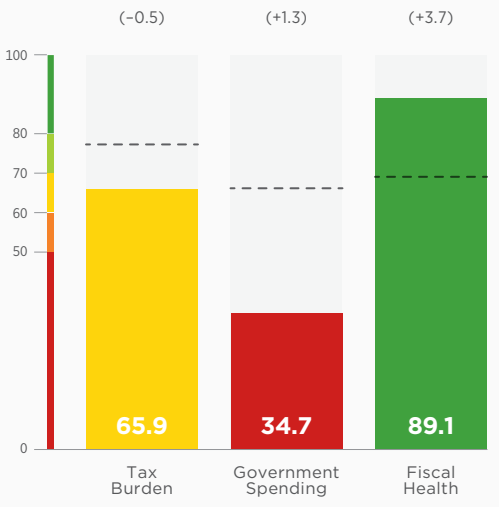
12 ECONOMIC FREEDOMS | CROATIA

RULE OF LAW



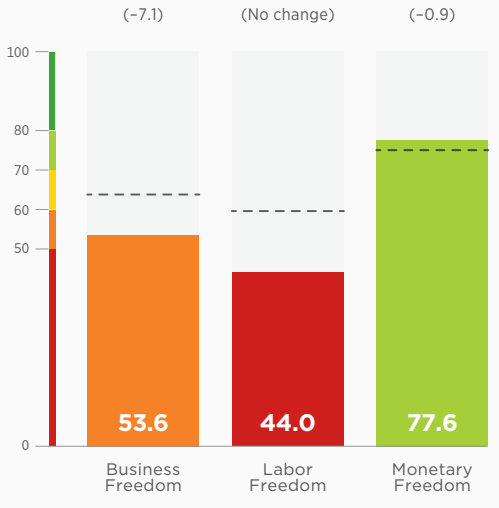
Private property rights are well established, but conflicting claims and legal ambiguity can cloud some title cases. Judicial independence is generally respected. Although reforms are underway, investors often face problems related to lengthy court procedures, legal certainty, contract enforcement, and judicial efficiency. Corruption in Croatia's public sector is perceived as widespread and getting worse according to Transparency International.

GOVERNMENT SIZE



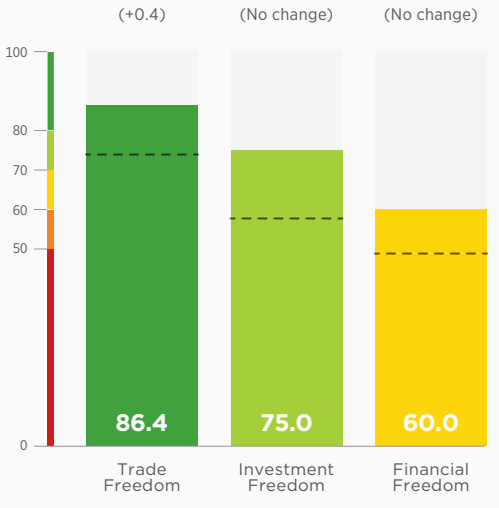
The top personal income tax rate is 40 percent, and the top corporate tax rate has been cut to 18 percent. Other taxes include value-added and excise taxes. The overall tax burden equals 38.6 percent of total domestic income. Government spending has amounted to 46.6 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 0.2 percent of GDP. Public debt is equivalent to 73.9 percent of GDP.

REGULATORY EFFICIENCY



The overall regulatory environment is burdensome and inefficient; the dispute resolution structure is weak, and reforms to improve the business climate are nascent. Migration and aging have led to labor shortages in certain professions. Structural unemployment is high. Progress has been slow on European Commission–mandated structural reforms to reduce subsidies and privatize state-owned enterprises.

OPEN MARKETS



The total value of exports and imports of goods and services equals 101.1 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Croatia has an additional eight country-specific nontariff barriers. In general, government policies do not interfere significantly with investment. The banking sector is relatively well developed and open to competition.

CUBA

WORLD RANK:	REGIONAL RANK:
178	31

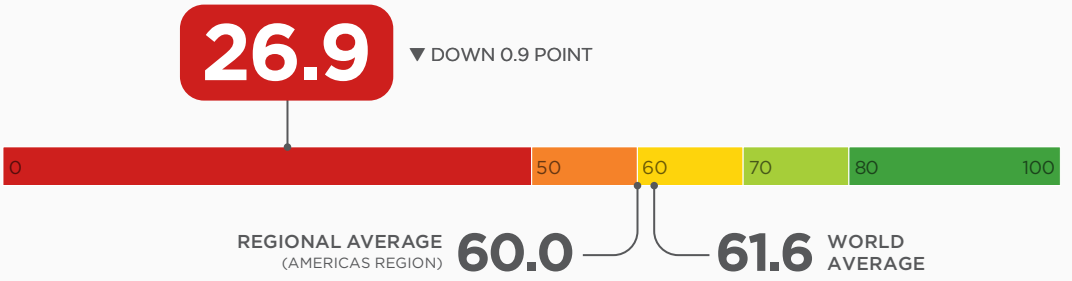
ECONOMIC FREEDOM STATUS: **REPRESSED**

Cuba's economic freedom score is 26.9, making its economy the 178th freest in the 2020 *Index*. Its overall score has decreased by 0.9 point due to a plunge in the score for **property rights**. Cuba is ranked 31st among 32 countries in the Americas region, and its overall score is one of the lowest in the world.

The Cuban economy has been at the bottom of the repressed category since the inception of the *Index* in 1995. Only two of Cuba's 12 *Index* indicators have scores above 50. The modest level of GDP growth reported by this Communist economy does not reflect the actual living conditions of most of the population.

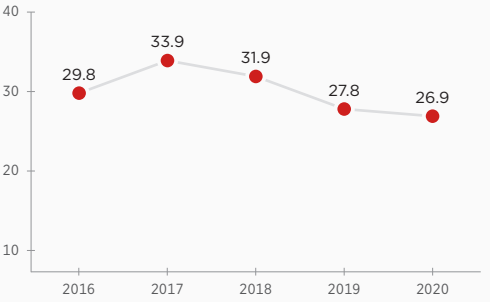
For the Castro regime, desperation is setting in as the Cuban economy begins to disintegrate. Panic-driven reforms were rolled out in 2019 both to loosen the regime's grip slightly by, for example, codifying the right to private property and private enterprise and to make foreign investment the highest priority.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –0.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION: 11.3 million

GDP (PPP): $155.9 billion
2.3% growth in 2018
5-year compound annual growth 2.0%
$13,750 per capita

UNEMPLOYMENT: 2.3%

INFLATION (CPI): 6.9%

FDI INFLOW: n/a

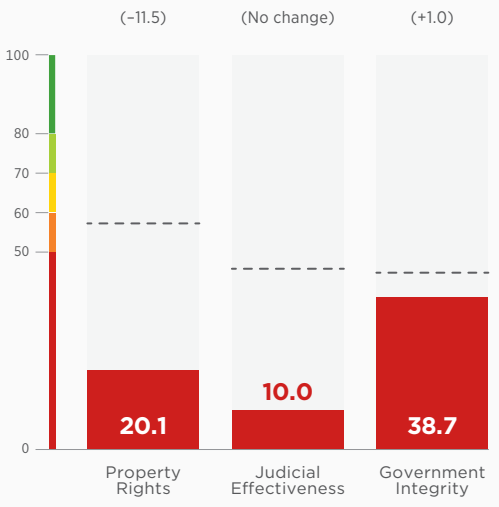
PUBLIC DEBT: 51.0% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Cuba has been governed by a Communist dictatorship for six decades. After Raúl Castro stepped down as president, Miguel Díaz-Canel was selected as a figurehead ruler in 2018, but Castro retains the real power as head of the Communist Party and the armed forces, which control much of the economy. Citing the regime's continuing repression of the Cuban people and its promotion of instability in Venezuela and Nicaragua, the United States has reimposed more stringent controls on travel and financial interactions with the island nation. Increased international sanctions on Cuba's allies in Venezuela have deprived Havana of subsidized oil and hard currency needed for import purchases. The state-run agriculture sector is starved for investment, and the banking system is primitive.

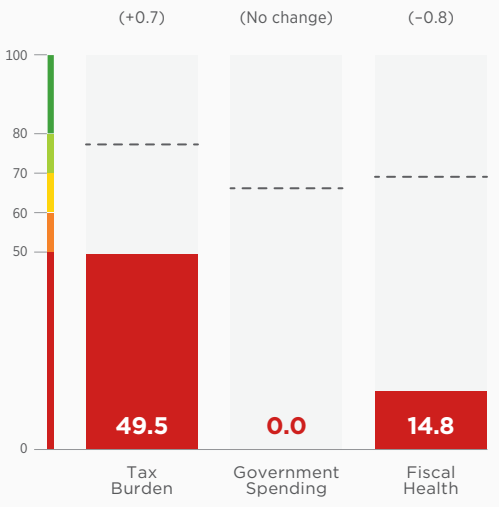
12 ECONOMIC FREEDOMS | CUBA

RULE OF LAW



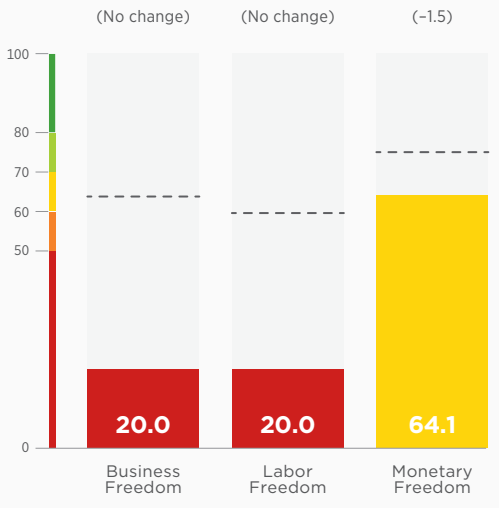
Most means of production are owned by the state. Property seizures by police without legal justification are common. There is practically no separation between the judiciary, the National Assembly, and the Communist Party, which can appoint or remove judges at any time. Corruption is a serious problem that remains unaddressed. Widespread illegality permeates the limited private sector and the vast state-controlled economy.

GOVERNMENT SIZE



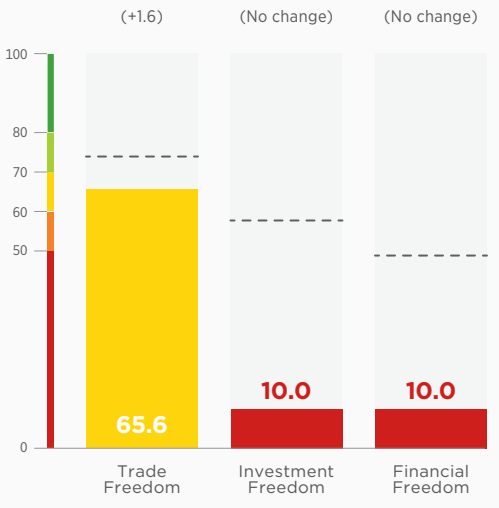
The top income tax rate is 50 percent, and the top corporate tax rate is 30 percent. Other taxes include property transfer and sales taxes. The overall tax burden equals 40.6 percent of total domestic income. Government spending has amounted to 64.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 7.9 percent of GDP. Public debt is equivalent to 51.0 percent of GDP.

REGULATORY EFFICIENCY



Cuba is not a member of the World Bank and is not included in the World Bank's 2019 *Doing Business* report. The state controls the formal labor market but has opened some retail services to what it calls self-employment. New U.S. sanctions in 2019 and the economic collapse of Venezuela, which had been providing Cuba with billions in energy subsidies, have forced the widespread rationing of goods.

OPEN MARKETS



The total value of exports and imports of goods and services equals 26.2 percent of GDP. The average applied tariff rate is 7.2 percent, and 50 nontariff measures are in force. The government screens and regulates foreign investment. The financial sector is heavily regulated, and financial-market shallowness severely impedes access to credit for entrepreneurial activity. The state maintains capital and exchange controls.

CYPRUS

WORLD RANK: **37**

REGIONAL RANK: **20**

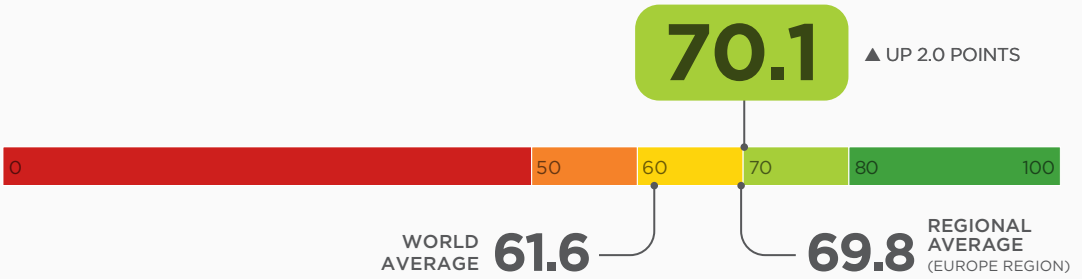
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Cyprus's economic freedom score is 70.1, making its economy the 37th freest in the 2020 *Index*. Its overall score has increased by 2.0 points due primarily to improvements in **government integrity**. Cyprus is ranked 20th among 45 countries in the Europe region, and its overall score is approximately equal to the regional average and well above the world average.

Cyprus has rejoined the mostly free category for the first time since 2012. The acceleration of GDP growth in 2018 is consistent with the improved economic freedom.

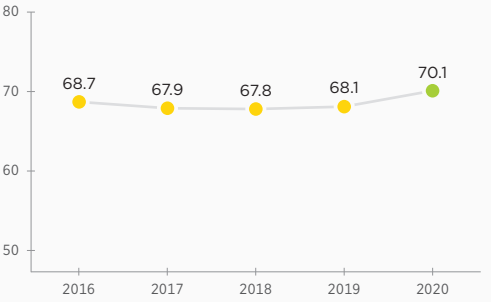
Significant reforms in recent years have included a new insolvency and foreclosure framework, a reformed supervisory and regulatory banking framework, reforms to boost the efficiency and liquidity of banks, and initial steps to fix a dysfunctional title-deeds transfer mechanism. Additional reforms are needed to improve the speed and efficiency of the judicial system.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +2.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.9 million

GDP (PPP):
$34.5 billion
3.9% growth in 2018
5-year compound annual growth 2.8%
$39,973 per capita

UNEMPLOYMENT:
8.1%

INFLATION (CPI):
0.8%

FDI INFLOW:
$3.3 billion

PUBLIC DEBT:
102.5% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

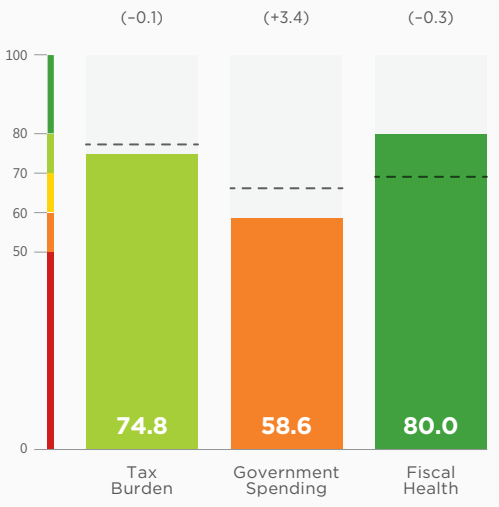
BACKGROUND: Cyprus gained independence from the United Kingdom in 1960. Tensions between the Greek majority and the Turkish minority have led to repeated episodes of violence, and a U.N. buffer zone has separated the Greek Cypriot Republic of Cyprus from the Turkish Republic of Northern Cyprus since 1974. The Republic of Cyprus joined the European Union in 2004. U.N.-brokered reunification talks collapsed in 2017 and have yet to resume. Center-right Cyprus President Nicos Anastasiades, who has served as head of state and head of government since 2013, won a second five-year term in 2018. Services such as tourism, finance, shipping, and real estate account for more than 80 percent of GDP. Development of offshore hydrocarbon resources is a priority.

12 ECONOMIC FREEDOMS | CYPRUS

RULE OF LAW

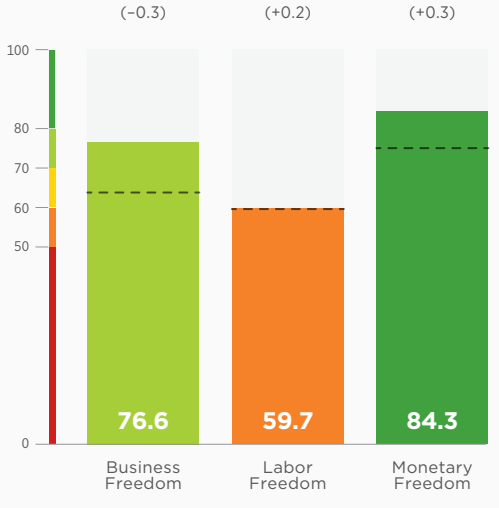
Cyprus ranks relatively low on ease of property registration and effectiveness of contract enforcement. An independent and impartial judiciary that operates under British traditions and upholds due process rights retains high levels of public trust in the Republic of Cyprus, although long delays in courts tend to undermine that trust. Corruption, patronage, and a lack of transparency continue in the Turkish-controlled area.

GOVERNMENT SIZE



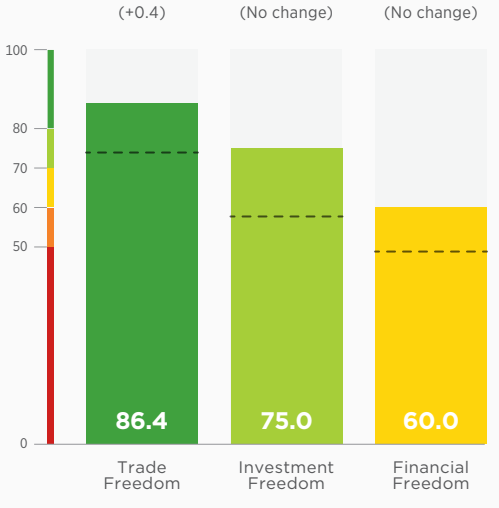
The top personal income tax rate is 35 percent, and the top corporate tax rate is 12.5 percent. Other taxes include value-added and real estate taxes. The overall tax burden equals 33.7 percent of total domestic income. Government spending has amounted to 37.1 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 1.7 percent of GDP. Public debt is equivalent to 102.5 percent of GDP.

REGULATORY EFFICIENCY



The World Bank's 2019 Doing Business Survey reports that Cyprus scores relatively high on resolving insolvency, protecting minority investors, paying taxes, and trading across borders. Unit labor costs are modest. In 2019, the government launched a 25 million euro subsidy program to fund development of renewable energy sources and announced new housing subsidies.

OPEN MARKETS



The total value of exports and imports of goods and services equals 130.3 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Cyprus has an additional nine country-specific nontariff barriers. Facilitated by openness to investment, efforts to restructure the banking sector have enabled a relatively rapid return to international credit markets.

CZECH REPUBLIC

WORLD RANK:	REGIONAL RANK:
23	13

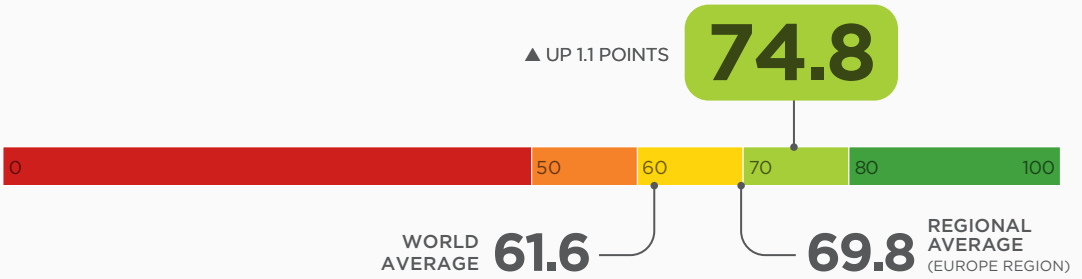
ECONOMIC FREEDOM STATUS: MOSTLY FREE

The Czech Republic's economic freedom score is 74.8, making its economy the 23rd freest in the 2020 *Index*. Its overall score has increased by 1.1 points due to an improvement in the score for **government integrity**. The Czech Republic is ranked 13th among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

The Czech economy has made steady advancements in the mostly free category since 2013, and these advancements have been matched by a healthy rate of average GDP growth over the past five years.

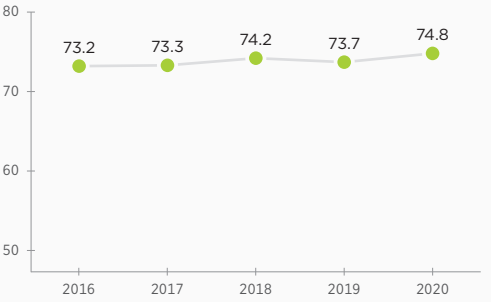
The further expansion of economic freedom in the Czech Republic will require concentrated reforms to improve the complex and sometimes slow judicial system and continued efforts to ensure efficient spending and the integrity of government. Achieving additional reforms in these areas would make the country an even more desirable destination for foreign direct investment.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +7.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
10.6 million

GDP (PPP):
$395.9 billion
2.9% growth in 2018
5-year compound annual growth 3.5%
$37,371 per capita

UNEMPLOYMENT:
2.4%

INFLATION (CPI):
2.2%

FDI INFLOW:
$9.5 billion

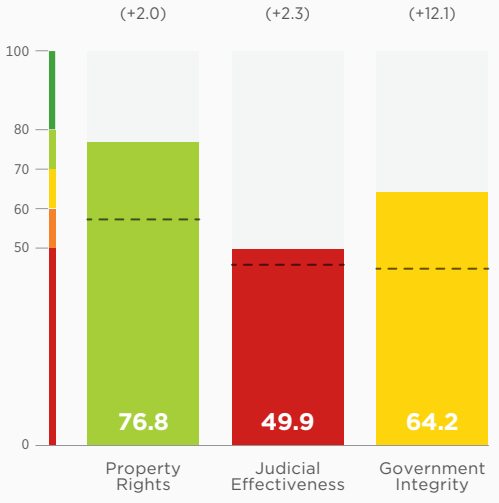
PUBLIC DEBT:
33.0% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The "Velvet Revolution" ended Czechoslovakia's Communist dictatorship in 1989, and the Czech Republic became independent from Slovakia in 1993. President Miloš Zeman of the center-left Czech Social Democrat Party won a second term in 2018. Prime Minister Andrej Babis of the populist ANO movement, a billionaire former finance minister, formed a fragile minority coalition government in 2018 with the Social Democrats but relies on the support of the Communist Party. Babis survived a no-confidence vote and frequent protests in 2019; ANO remains popular despite an ongoing fraud investigation. The Czech Republic's prosperous market economy, led by automobile exports, boasts one of the European Union's highest GDP growth rates, one of its lowest unemployment levels, and a rising standard of living.

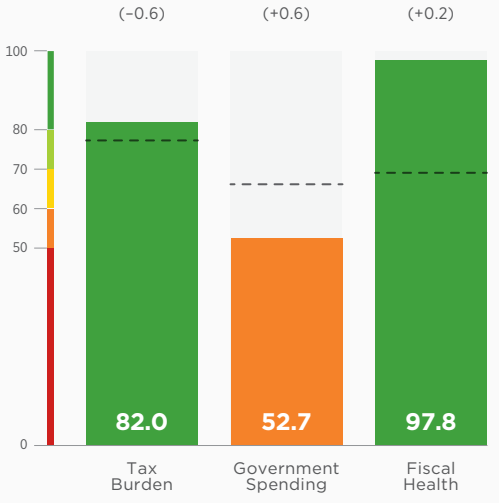
12 ECONOMIC FREEDOMS | CZECH REPUBLIC

RULE OF LAW



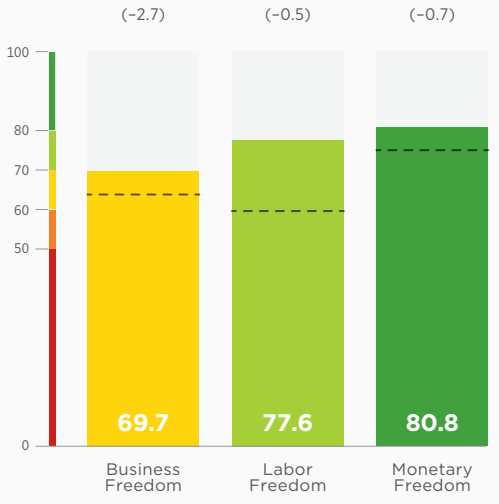
Almost all land in the Czech Republic has clear title. Property rights are relatively well protected, and contracts are generally secure. The independence of the judiciary is largely respected, although its complexity and multilayered composition have led to slow delivery of judgments. Corruption remains a problem in Czech politics, but institutions have generally been responsive to corruption allegations and scandals.

GOVERNMENT SIZE



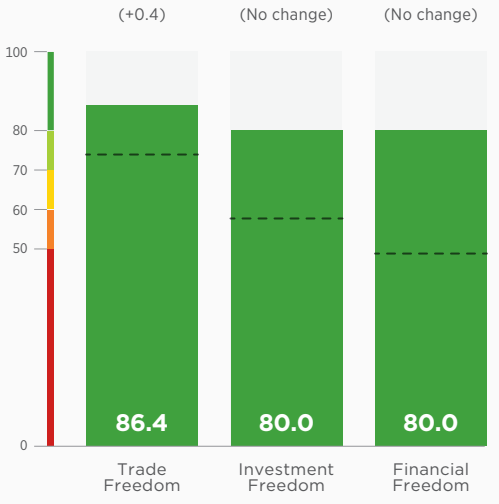
The individual income tax rate is a flat 15 percent, and the standard corporate tax rate is 19 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 34.9 percent of total domestic income. Government spending has amounted to 39.7 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 1.2 percent of GDP. Public debt is equivalent to 33.0 percent of GDP.

REGULATORY EFFICIENCY



Government transparency is increasing steadily, and high scores for trading across borders and getting electricity lead the country's World Bank 2019 Doing Business Survey results. Demand for highly skilled technical workers exceeds supply. The national unemployment rate is low but varies by region. Czech wages trail wages in such neighbors as Germany and Austria. The Finance Ministry administers a variety of prices for food, fuel, pharmaceuticals, water, and sewage treatment.

OPEN MARKETS



The total value of exports and imports of goods and services equals 151.5 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. The Czech Republic has an additional 80 country-specific nontariff barriers. The investment framework generally facilitates new business activities. The resilient banking sector offers a wide range of financial products.

DENMARK

WORLD RANK: **8**

REGIONAL RANK: **4**

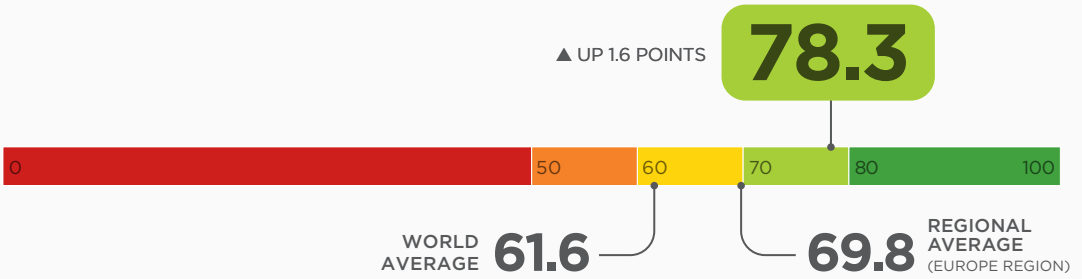
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Denmark's economic freedom score is 78.3, making its economy the 8th freest in the 2020 *Index*. Its overall score has increased by 1.6 points, led by increases in scores for **government integrity** and **judicial effectiveness**. Denmark is ranked 4th among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

Denmark's economy has been in the mostly free category for 19 years but still has not broken through to the top ranks of the free. The reasons are excessive government spending and a tax burden that is simply too heavy. Those two problems may explain why GDP growth over the past five years has been modest.

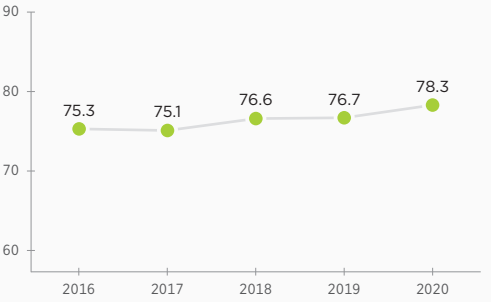
Unfortunately, the government is going in the opposite direction from what is needed: toward much heavier spending, funded by higher taxes, to reduce carbon emissions and expand an already large welfare state.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +11.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
5.8 million

GDP (PPP):
$301.3 billion
1.2% growth in 2018
5-year compound annual growth 2.0%
$52,121 per capita

UNEMPLOYMENT:
5.0%

INFLATION (CPI):
0.7%

FDI INFLOW:
$1.8 billion

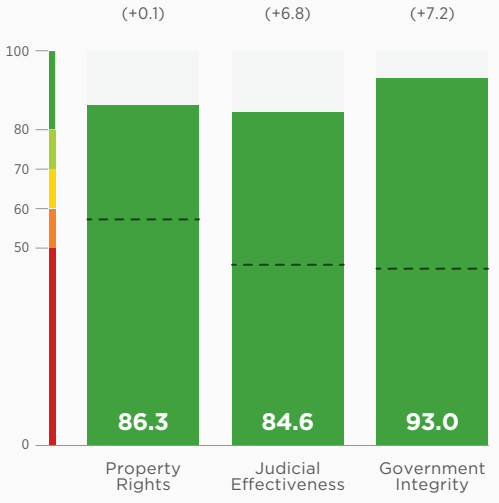
PUBLIC DEBT:
34.3% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Denmark, a modern economy well integrated into the global marketplace, has been a member of the European Union since 1973. Mette Frederiksen of the center-left Social Democratic Party became the country's youngest prime minister after forming a one-party minority government in June 2019. To pass legislation, she will rely on support from three leftist parties: the Socialist People's Party, the Red-Green Alliance, and the Social-Liberal Party. The Social Democrats campaigned to ease austerity measures, increase welfare spending, and cut greenhouse gas emissions. Denmark's migration policies are not expected to change. The economy depends heavily on foreign trade, and the private sector includes many small and medium-size companies with world-leading firms in pharmaceuticals, maritime shipping, and processed foods.

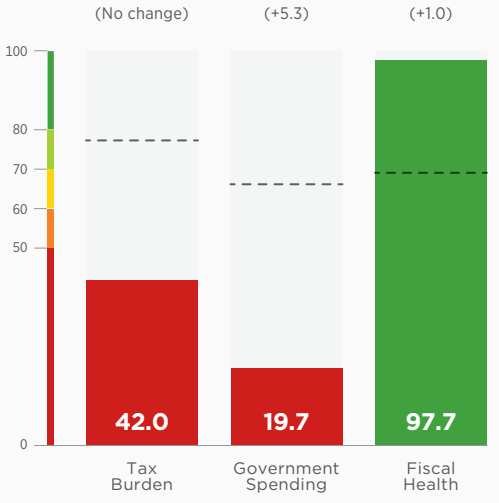
12 ECONOMIC FREEDOMS | DENMARK

RULE OF LAW



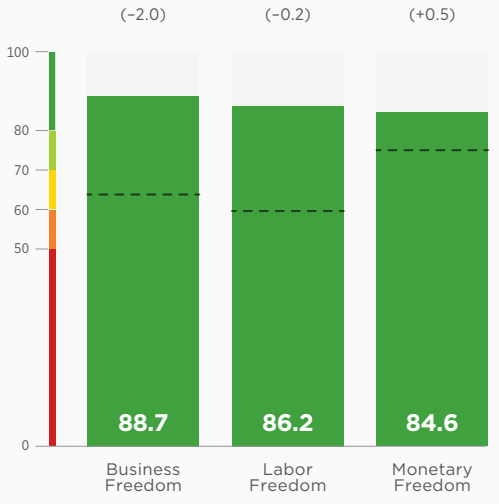
Protections for property rights are strongly enforced, with a trustworthy, independent, and fair judicial system institutionalized throughout the economy. Intellectual property rights are respected, and enforcement is consistent with world standards. Long known as one of the world's least corrupt nations, Denmark was ranked first out of 180 countries in Transparency International's 2018 *Corruption Perceptions Index*.

GOVERNMENT SIZE



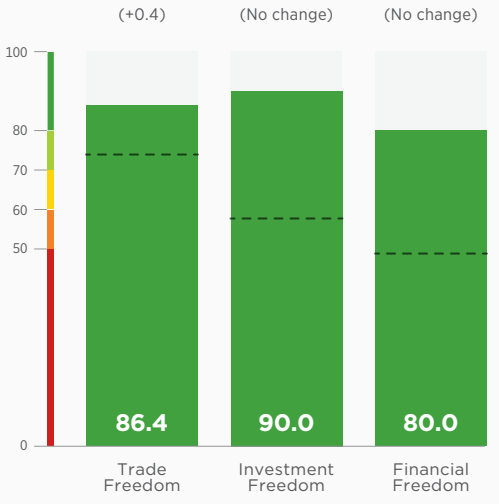
The top personal income tax rate is 56 percent, and the top corporate tax rate is 23.5 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 46.0 percent of total domestic income. Government spending has amounted to 51.7 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 0.3 percent of GDP. Public debt is equivalent to 34.3 percent of GDP.

REGULATORY EFFICIENCY



Denmark boasts one of the world's most attractive business environments, characterized by economic, political, and regulatory soundness. Danish labor laws generally allow employers to adjust their workforces rapidly in response to changing market conditions. The public sector accounts for about 25 percent of all employment. Denmark's first offshore, subsidy-free wind farm opened in 2019.

OPEN MARKETS



The total value of exports and imports of goods and services equals 104.0 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Denmark has an additional 15 country-specific nontariff barriers. Open-market policies that sustain competitiveness facilitate large flows of investment. The financial sector is well institutionalized and resilient.

DJIBOUTI

WORLD RANK:	REGIONAL RANK:
151	33

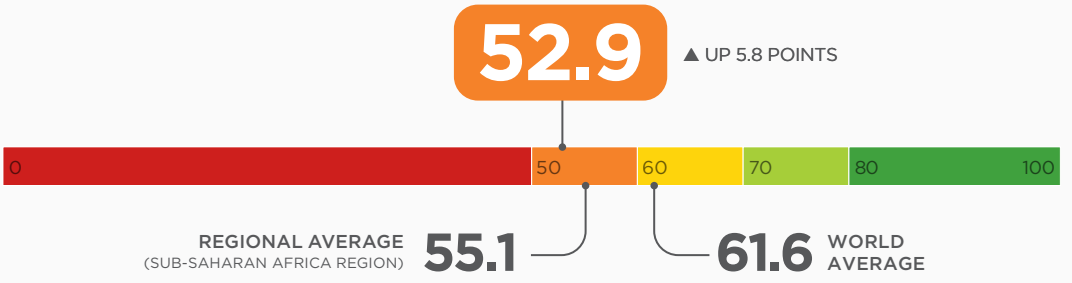
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Djibouti's economic freedom score is 52.9, making its economy the 151st freest in the 2020 *Index*. Its overall score has increased by 5.8 points due to a spike in the **property rights** score. Djibouti is ranked 33rd among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

The economy of Djibouti, repressed for three of the past five years, barely made the mostly unfree category in 2020. Despite that stagnation, GDP growth has been robust, reflecting surging private consumption and fixed investment as well as strong exports of services.

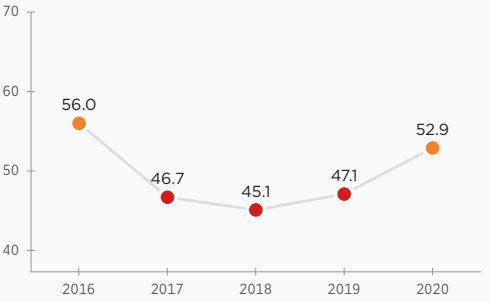
To avoid returning to the ranks of the repressed, the government should reduce its spending and cut its debt. Unfortunately, a huge portion of this debt reflects the debt trap into which Djibouti fell when it accepted a massive loan from China to build a railway to Addis Ababa in exchange for giving the Chinese a military base.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1997): –1.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
1.0 million

GDP (PPP):
$4.0 billion
6.7% growth in 2018
5-year compound annual growth 6.5%
$3,786 per capita

UNEMPLOYMENT:
11.1%

INFLATION (CPI):
–0.1%

FDI INFLOW:
$265.0 million

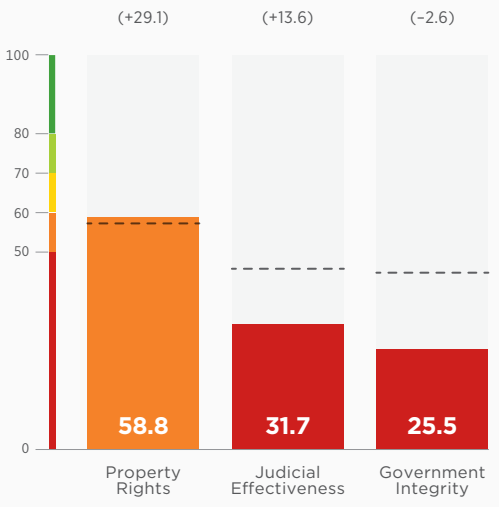
PUBLIC DEBT:
67.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The French Territory of the Afars and the Issas became Djibouti in 1977. President Ismael Omar Guelleh won a fourth five-year term in 2016 after parliament eliminated a constitutional two-term limit. Djibouti is home to the only permanent U.S. military base in Africa and also hosts bases maintained by China, France, Italy, and Japan. Its service-based economy depends on commerce related to Djibouti's strategic location at the mouth of the Red Sea, which makes its railway and deep-water port facilities key assets. In 2018, Djibouti launched Africa's biggest free-trade zone, which will be managed by Chinese companies. In 2019, a court ordered Djibouti to compensate an Emirati company for unilaterally terminating the company's lease to operate a container terminal.

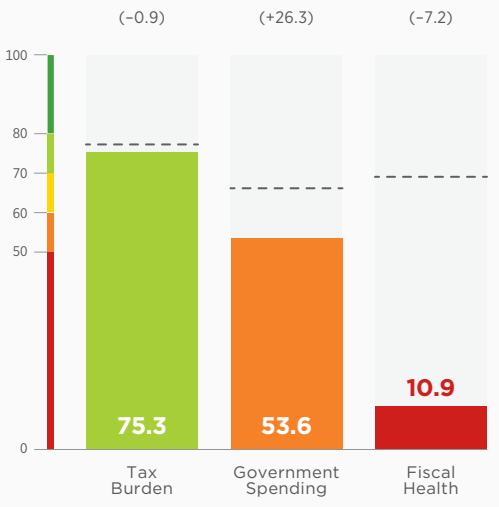
12 ECONOMIC FREEDOMS | DJIBOUTI

RULE OF LAW



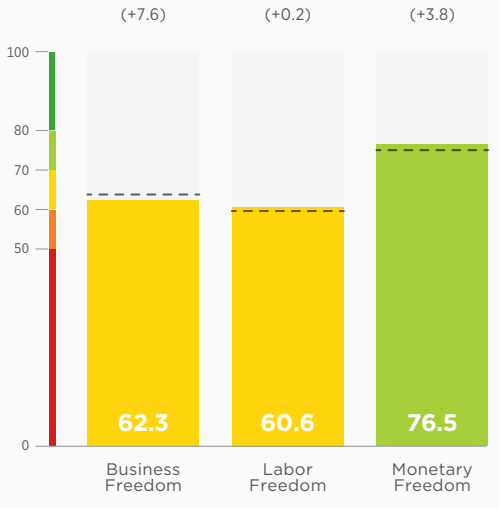
Djibouti's legal system officially protects the acquisition and disposition of all property rights, but the quality of enforcement of those rights is well below the global average. Courts are not independent and reportedly suffer from corruption and executive interference. Power remains heavily concentrated in the hands of the president. Repression of the political opposition is common. Corruption remains a serious problem.

GOVERNMENT SIZE



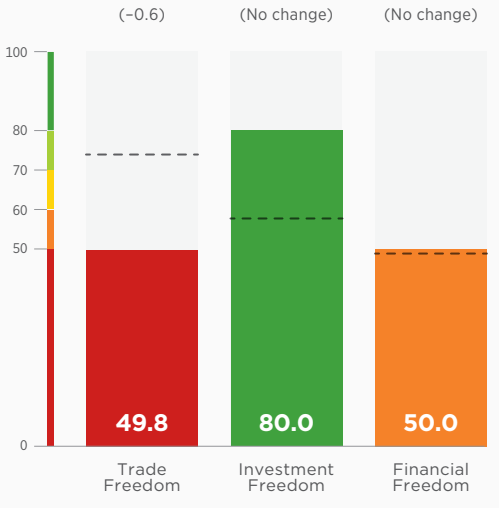
The top personal income tax rate is 30 percent, and the top corporate tax rate is 25 percent. Other taxes include property and excise taxes. The overall tax burden equals 30.8 percent of total domestic income. Government spending has amounted to 39.3 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 7.3 percent of GDP. Public debt is equivalent to 67.4 percent of GDP.

REGULATORY EFFICIENCY



Improvements in starting a business, registering property, getting credit, and protecting minority investors were noted in the World Bank's 2018 and 2019 *Doing Business* reports. A modern labor market has not been fully developed. The government wants all domestic energy to be supplied from renewable sources by 2020 but has made little progress in constructing a planned state-owned 300-megawatt solar power complex.

OPEN MARKETS



The total value of exports and imports of goods and services equals 116.9 percent of GDP. The average applied tariff rate is 17.6 percent, and nontariff barriers further undermine the benefits of trade. Foreign investment is screened, and state-owned enterprises continue to distort the economy and affect long-term development prospects. The underdeveloped and state-controlled financial sector limits access to credit.

DOMINICA

WORLD RANK: **97**

REGIONAL RANK: **20**

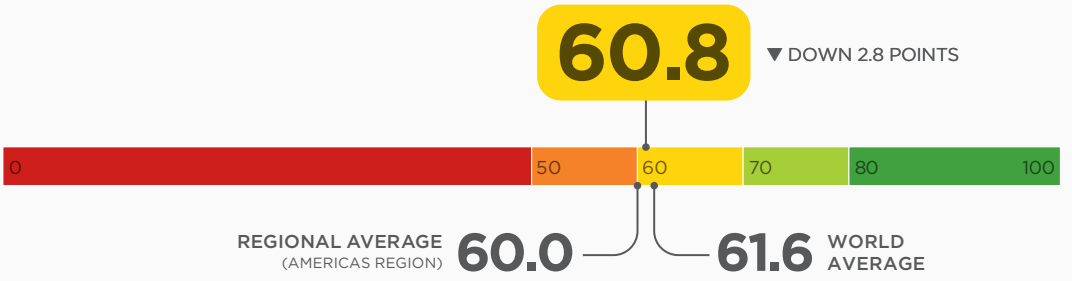
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Dominica's economic freedom score is 60.8, making its economy the 97th freest in the 2020 *Index*. Its overall score has decreased by 2.8 points due to a steep decline in the **government spending** score. Dominica is ranked 20th among 32 countries in the Americas region, and its overall score is above the regional average and slightly above the world average.

For the most part, Dominica's economy has languished at the lower end of the moderately free category since the beginning of *Index* scoring of the country in 2009. Significantly negative GDP growth in 2018 tracks with this relatively poor performance on economic freedom and also reflects both the massive impact of storm damage on the economy and the high cost of recovery.

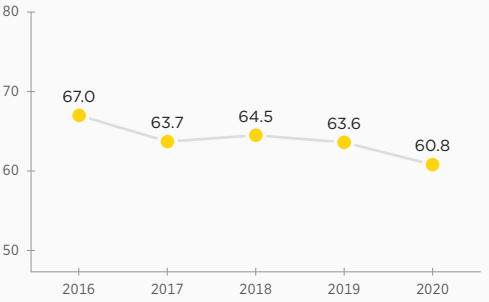
To expand economic freedom in Dominica, the government should lighten its regulatory footprint in the financial services sector, reduce its intervention in banks and other financial firms, and cease any efforts to influence the allocation of credit.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): –1.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.1 million

GDP (PPP):
$0.7 billion
–12.0% growth in 2018
5-year compound annual growth –2.8%
$9,886 per capita

UNEMPLOYMENT:
n/a

INFLATION (CPI):
1.4%

FDI INFLOW:
–$37.2 million

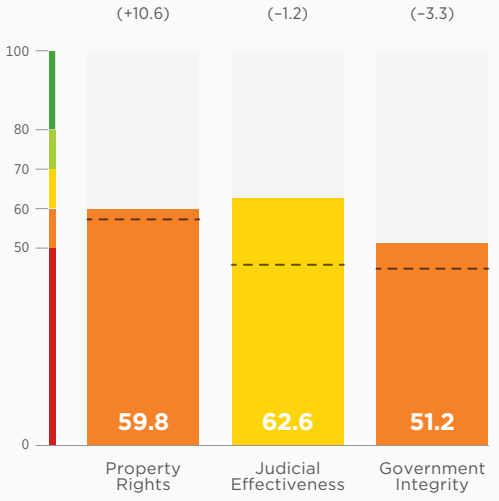
PUBLIC DEBT:
83.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: A small and mountainous island in the Lesser Antilles, Dominica is a member of the Organization of Eastern Caribbean States (OECS). Prime Minister Roosevelt Skerrit of the Dominica Labour Party has been in office since 2004 and may run for a fourth term in December 2019. Historically, the economy has depended on agriculture (primarily bananas) and tourism. The government's efforts to promote diversification have led to creation of an offshore medical education sector and have encouraged investments in such agricultural exports as coffee, patchouli, aloe vera, exotic fruits, and cut flowers. Devastation from Hurricane Maria, which destroyed much of the country's agricultural sector and damaged its transportation and physical infrastructure in 2017, has stressed the government's already fragile finances.

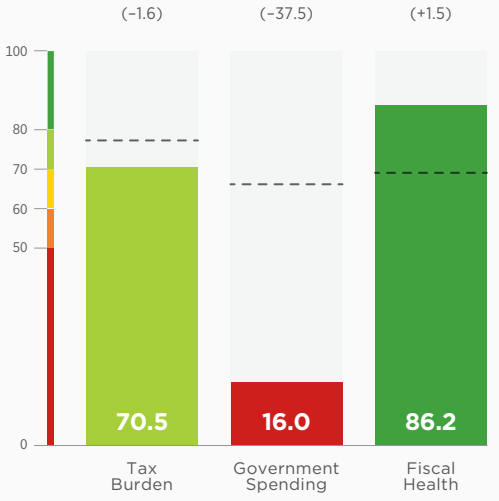
12 ECONOMIC FREEDOMS | DOMINICA

RULE OF LAW



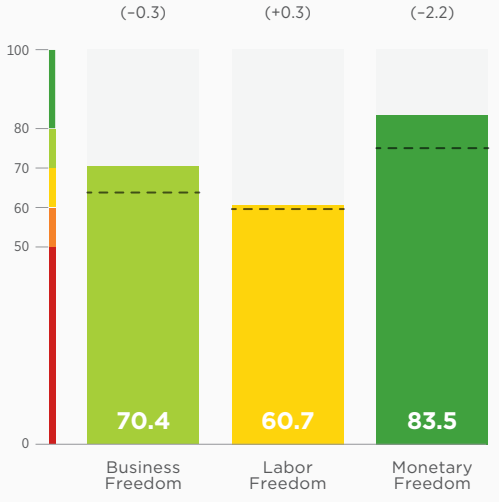
Although private property rights are generally respected, ease of property registration is ranked very low by the World Bank. The judiciary is independent and based on English common law. Appeals are heard by the inter-island Eastern Caribbean Supreme Court. Corruption is not a major problem, although some officials reportedly engage in corrupt practices with impunity. Nonbank financial institutions are monitored to combat money laundering and terrorist financing.

GOVERNMENT SIZE



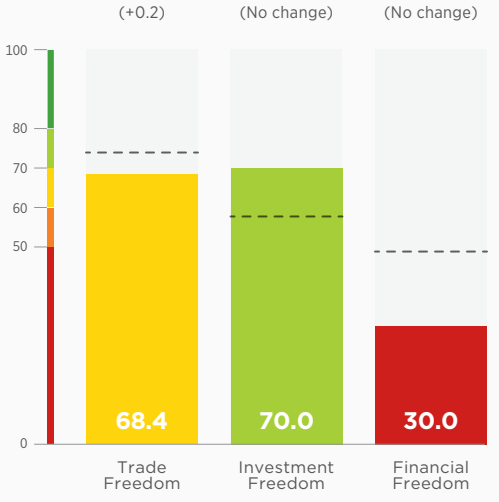
The top individual income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and environmental taxes. The overall tax burden equals 28.7 percent of total domestic income. Government spending has amounted to 52.9 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 0.4 percent of GDP. Public debt is equivalent to 83.1 percent of GDP.

REGULATORY EFFICIENCY



Dominica is ranked higher than the regional average in the World Bank's 2019 Doing Business Survey but lags behind in measures related to registering property, getting credit, and resolving insolvency. Waivers and exceptions regarding the application of labor laws are not granted. Government expenditures to repair hurricane damage to state-owned electricity, water, and sanitation infrastructure continued to outpace revenues in 2019.

OPEN MARKETS



The total value of exports and imports of goods and services equals 118.2 percent of GDP. The average applied tariff rate is 8.3 percent, and two nontariff measures are in force. Gradual reform has improved the overall investment framework over the years, but the financial sector remains underdeveloped. Shallow markets and a lack of available financial instruments restrict overall access to credit.

DOMINICAN REPUBLIC

WORLD RANK: **95**

REGIONAL RANK: **19**

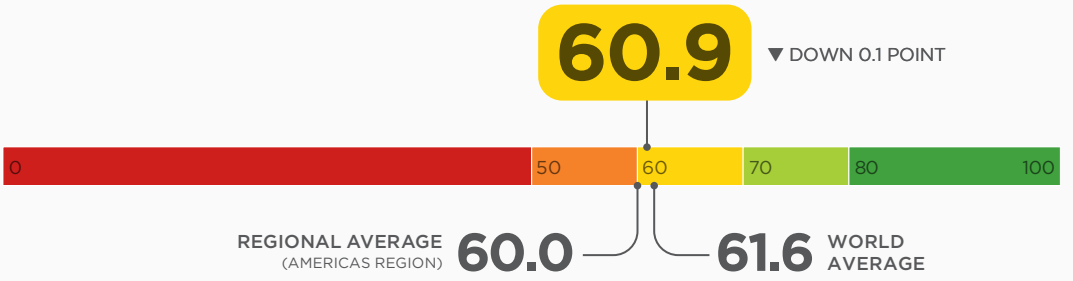
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

The Dominican Republic's economic freedom score is 60.9, making its economy the 95th freest in the 2020 *Index*. Its overall score has decreased by 0.1 point, primarily because of a drop in the **fiscal health** score. The Dominican Republic is ranked 19th among 32 countries in the Americas region, and its overall score is approximately equal to the regional and world averages.

Economic freedom has stagnated in the Dominican Republic over the past five years, with the economy stuck at the bottom of the moderately free category. GDP growth over the same period has surged, however, as growth in construction, tourism, and free-trade zones has caused the service sector to surpass agriculture as the largest source of employment.

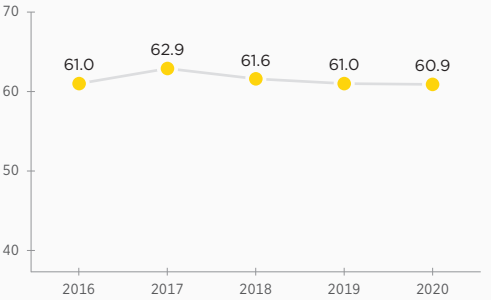
For the economy to gain more freedom, the government must improve such institutions as the judiciary and otherwise strengthen the rule of law by, for example, streamlining complex and slow administrative procedures that increase opportunities for corruption.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +5.1

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
10.3 million

GDP (PPP):
$189.2 billion
7.0% growth in 2018
5-year compound annual growth 6.6%
$18,425 per capita

UNEMPLOYMENT:
5.8%

INFLATION (CPI):
3.6%

FDI INFLOW:
$2.5 billion

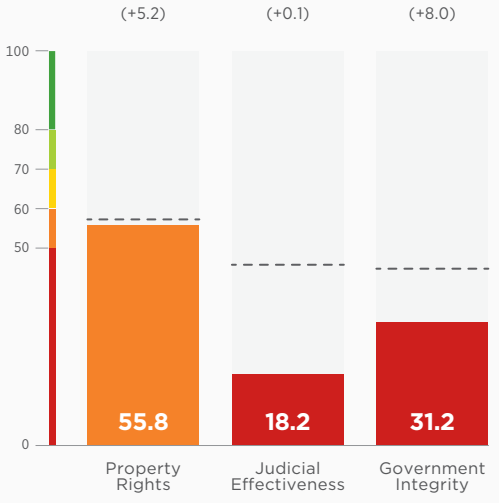
PUBLIC DEBT:
41.6% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The Dominican Republic occupies the more verdant and arable eastern two-thirds of the island of Hispaniola. President Danilo Medina of the long-ruling Dominican Liberation Party (PLD) won a second four-year term in 2016, and the PLD is likely to be well-positioned to remain in power after the May 2020 election. The PLD's dominance of government contributes to political stability but also risks undermining checks and balances, fueling corruption, and weakening the country's multiparty democracy. Long viewed primarily as an exporter of sugar, coffee, and tobacco, the economy has been the Caribbean's most vibrant in recent years, driven by mining activity and strong growth in such service-based sectors as tourism and finance.

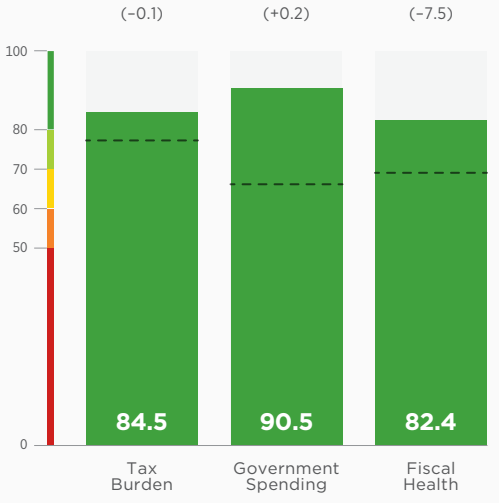
12 ECONOMIC FREEDOMS | DOMINICAN REPUBLIC

RULE OF LAW



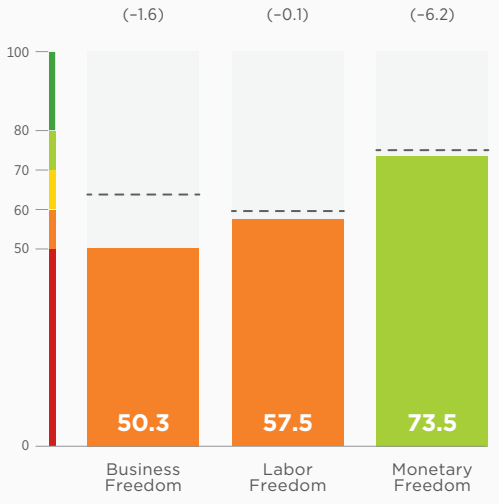
To promote the titling of real property, the government has developed a cadaster with digitized property titles and has expanded the number of land registry offices. Economic insecurity is driven by government expropriation, institutional weaknesses, inconsistent and nontransparent courts, and inadequate law enforcement. Corruption is a serious systemic problem at all levels of the government, judiciary, and security forces and in the private sector.

GOVERNMENT SIZE



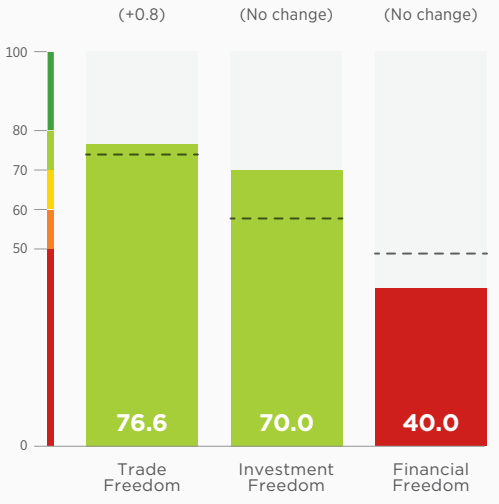
The top individual income tax rate is 25 percent, and the top corporate tax rate is 27 percent. Other taxes include value-added, estate, and net wealth taxes. The overall tax burden equals 13.9 percent of total domestic income. Government spending has amounted to 17.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 3.0 percent of GDP. Public debt is equivalent to 41.6 percent of GDP.

REGULATORY EFFICIENCY



Protections for minority investors were recently strengthened, but businesses frequently complain about requests for bribes, bureaucratic delays, weak intellectual property rights, sometimes biased judicial and administrative processes, and delayed government payments. About half of the labor force works in the informal sector. Reforms in the electricity sector, long a drag on public finances and competitiveness, were delayed again in 2019.

OPEN MARKETS



The total value of exports and imports of goods and services equals 55.0 percent of GDP. The average applied tariff rate is 4.2 percent, and 89 nontariff measures are in force. In general, government policies do not interfere significantly with foreign investment. The small financial sector remains relatively stable and continues to evolve. The underdeveloped and state-controlled banking sector limits access to credit.

ECUADOR

WORLD RANK:	REGIONAL RANK:
158	28

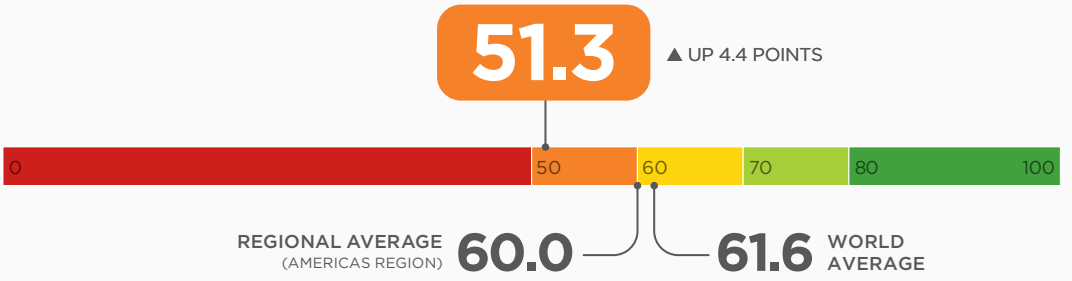
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Ecuador's economic freedom score is 51.3, making its economy the 158th freest in the 2020 *Index*. Its overall score has increased by 4.4 points due to significant improvements in the **fiscal health** and **government integrity** scores. Ecuador is ranked 28th among 32 countries in the Americas region, and its overall score is well below the regional and world averages.

This year, for the first time in a decade, economic freedom has made a dramatic turn for the better in Ecuador, and the economy has reemerged from the ranks of the repressed where it resided under the previous socialist government. GDP growth has yet to make the same turnaround, as the economy is still shackled by many years of bad policies.

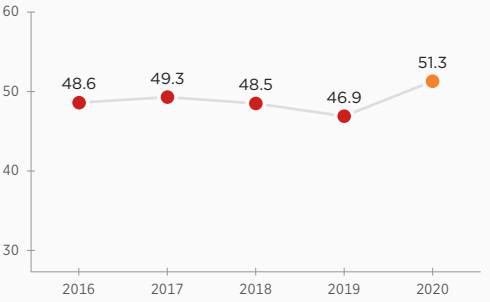
To continue this upward trajectory, the government is implementing ambitious structural reforms and austerity measures, but to attract new investment, it will also need to make a major push to strengthen Ecuador's weak rule of law.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –6.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
17.0 million

GDP (PPP):
$199.5 billion
1.1% growth in 2018
5-year compound annual growth 1.2%
$11,718 per capita

UNEMPLOYMENT:
3.9%

INFLATION (CPI):
–0.2%

FDI INFLOW:
$1.4 billion

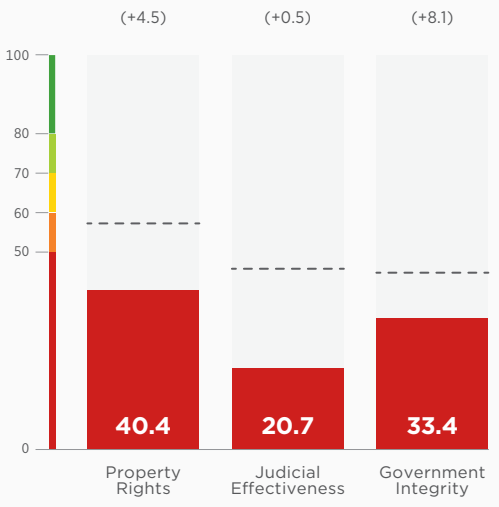
PUBLIC DEBT:
46.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The "Republic of the Equator" initially gained independence from Spain in 1830. President Lenín Moreno was narrowly elected to a four-year term in 2017, succeeding former two-term President Rafael Correa. In a stunning rebuke of his predecessor's legacy, Moreno has adopted a pragmatic foreign policy, reestablished close relations with the United States, and moved his country toward the political center. The world's largest banana exporter, Ecuador also remains a major transit country for narco-trafficking. Its dollarized economy depends substantially on petroleum, which accounts for more than half of export earnings and approximately 25 percent of public-sector revenues. More than 20 percent of the population still lives below the poverty line.

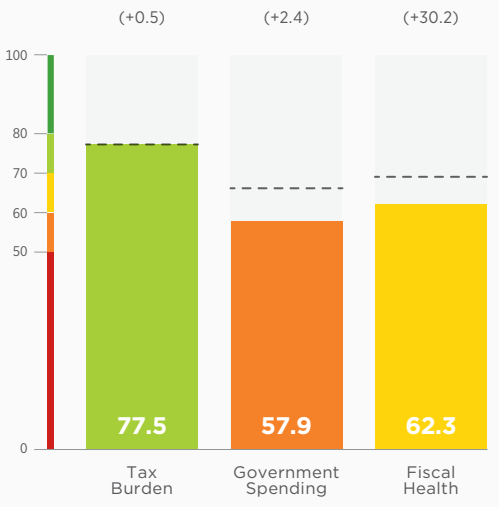
12 ECONOMIC FREEDOMS | ECUADOR

RULE OF LAW



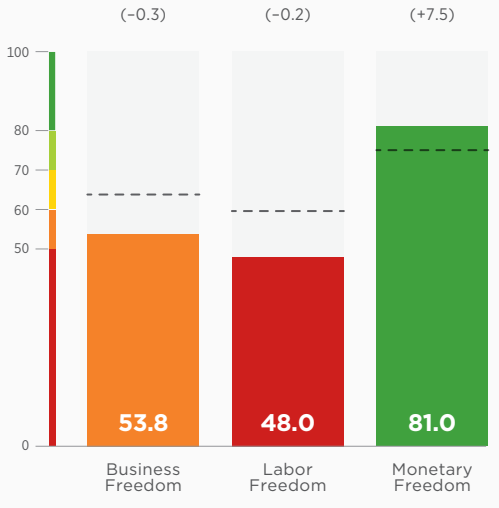
Historically, protection of property rights and enforcement of contracts have been weak in Ecuador. As part of his anticorruption initiative, President Moreno has moved to increase judicial independence, but judicial processes remain slow. In 2019, the government continued to probe high-level corruption and illegal campaign contributions to former President Rafael Correa's regimes, calling Correa's administration a "well-structured criminal organization."

GOVERNMENT SIZE



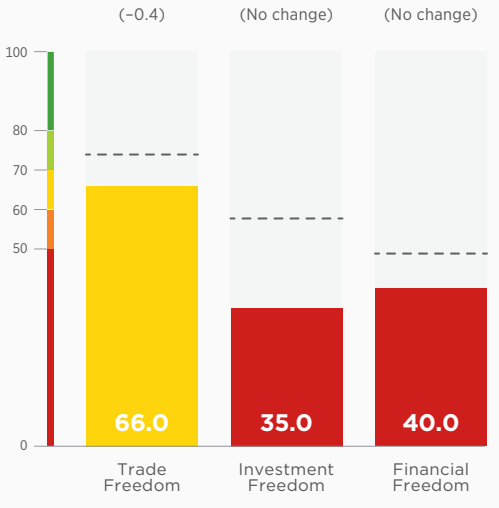
The top personal income tax rate is 35 percent, and the corporate tax rate has been raised to 25 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 19.9 percent of total domestic income. Government spending has amounted to 37.5 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.6 percent of GDP. Public debt is equivalent to 46.1 percent of GDP.

REGULATORY EFFICIENCY



Discontinuation of the "solidarity" contributions paid by employers and employees and allowing employers to deduct more of the cost of private medical insurance have made it easier to do business. Overly rigid labor regulations harm labor market flexibility. Labor costs are high relative to productivity. To help reduce its debt-to-GDP ratio, the government is gradually lowering expensive fuel subsidies and reducing other untargeted subsidies.

OPEN MARKETS



The total value of exports and imports of goods and services equals 45.9 percent of GDP. The average applied tariff rate is 7.0 percent, and 281 nontariff measures are in force. Government openness to foreign investment is below the global average. Although the banking sector has grown, state meddling constrains the overall growth of financial services. The number of nonperforming loans has been increasing.

EGYPT

WORLD RANK: **142**

REGIONAL RANK: **11**

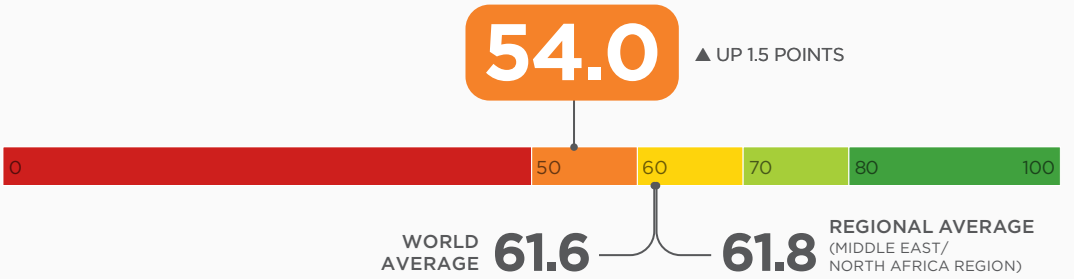
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Egypt's economic freedom score is 54.0, making its economy the 142nd freest in the 2020 *Index*. Its overall score has increased by 1.5 points, primarily because of a higher **property rights** score. Egypt is ranked 11th among 14 countries in the Middle East and North Africa region, and its overall score is well below the regional and world averages.

The Egyptian economy has languished in the mostly unfree category for more than two decades. Growth of GDP over the past five years, however, has been healthy. The construction and energy sectors are the main engines of growth.

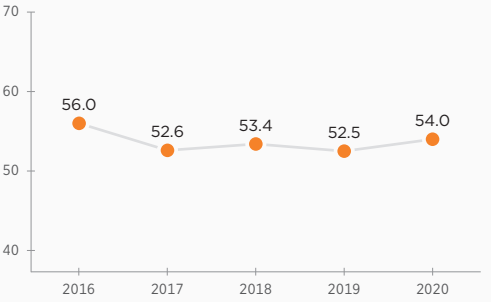
To begin making real progress in expanding economic freedom, the government should pursue pro-business policies to improve the investment climate, hold fast to its schedule of cuts in subsidies, and continue fiscal reforms (such as the pension reform passed in 2019) to reduce Egypt's crippling level of public debt.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +8.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
97.0 million

GDP (PPP):
$1.3 trillion
5.3% growth in 2018
5-year compound annual growth 4.2%
$13,366 per capita

UNEMPLOYMENT:
11.4%

INFLATION (CPI):
20.9%

FDI INFLOW:
$6.8 billion

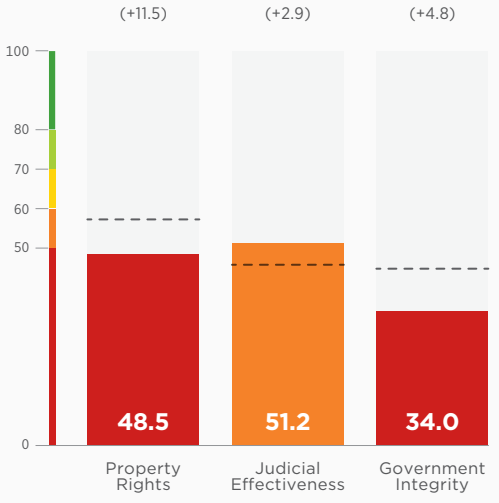
PUBLIC DEBT:
92.6% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: After the army deposed longtime President Hosni Mubarak in 2011 amid the Arab Spring protests, the ensuing political instability ultimately led the army to oust Mubarak's elected but increasingly unpopular successor, Mohamed Morsi of the Muslim Brotherhood. Under a new constitution, President Abdel Fattah el-Sisi was elected to a four-year term in 2014 and reelected in 2018. Constitutional amendments approved in April 2019 strengthened presidential authority and could permit el-Sisi to rule until 2030. Most economic activity takes place in the highly fertile Nile Valley. Despite sporadic terrorist attacks, the vital tourism industry has rebounded, but Egypt remains dependent on aid from Saudi Arabia and international financial institutions.

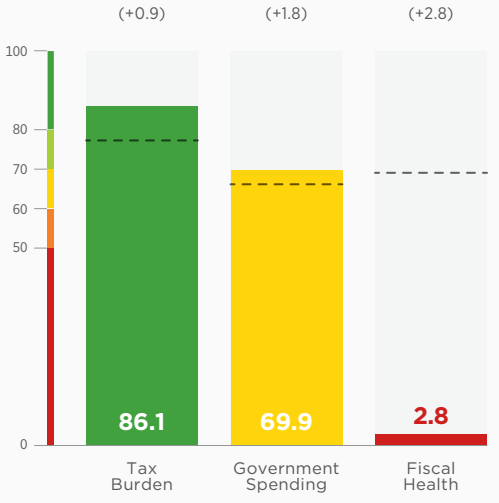
12 ECONOMIC FREEDOMS | EGYPT

RULE OF LAW



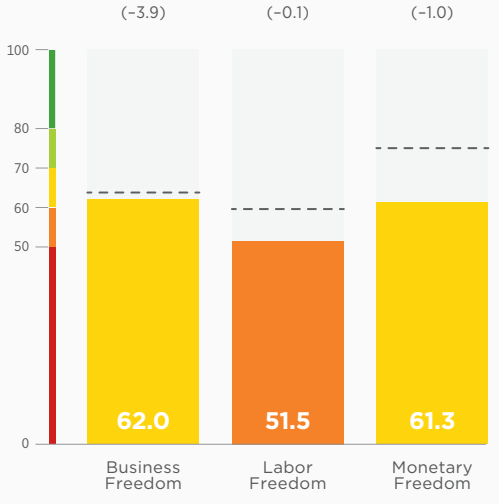
The Egyptian legal system provides protection for real and personal property, but complicated real estate laws make it difficult to establish and trace property titles, causing enforcement to be delayed. The judiciary has a proud history of independence, but the system's slowness and dependence on paper processes hurt its overall competence and reliability. Corruption remains pervasive at all levels of government.

GOVERNMENT SIZE



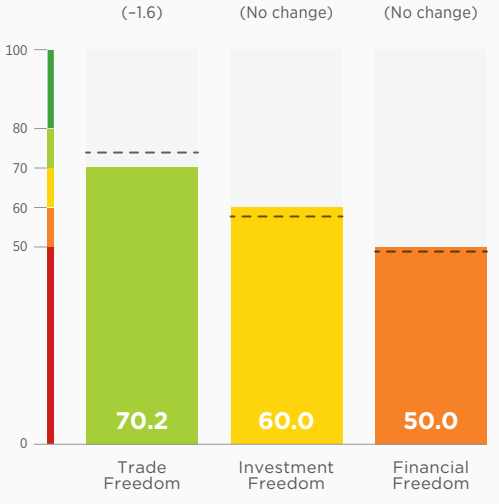
The top individual income tax rate is 25 percent, and the top corporate tax rate is 23 percent. Other taxes include property and general sales taxes. The overall tax burden equals 15.2 percent of total domestic income. Government spending has amounted to 31.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 10.8 percent of GDP. Public debt is equivalent to 92.6 percent of GDP.

REGULATORY EFFICIENCY



Progress has been made in the ease of starting a business, getting credit, protecting minority investors, paying taxes, and resolving insolvency. Dispute resolution, however, takes three to five years. Most of the nonagricultural workforce works informally. The unemployment rate is especially high among women. In 2019, the government took the fifth and final step in a multiyear program that has now fully eliminated all petroleum product subsidies.

OPEN MARKETS



The total value of exports and imports of goods and services equals 48.3 percent of GDP. The average applied tariff rate is 7.4 percent, and 154 nontariff measures are in force. The government has focused on improving the investment environment and restoring financial stability. The state's presence in the financial sector has gradually been phased out, but modernization of the sector has progressed slowly.

EL SALVADOR

WORLD RANK: **90**

REGIONAL RANK: **16**

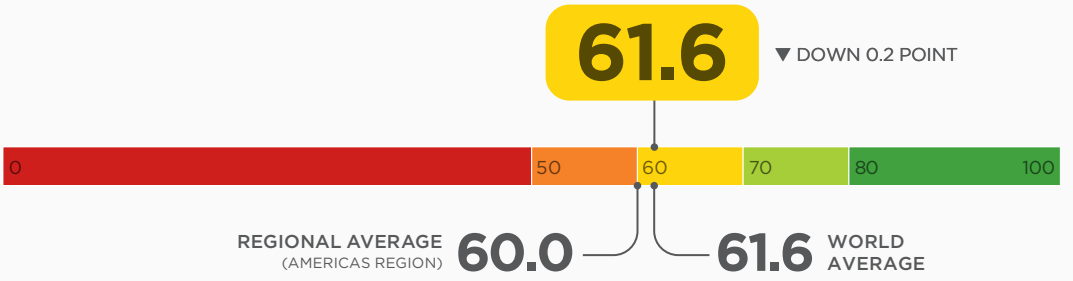
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

El Salvador's economic freedom score is 61.6, making its economy the 90th freest in the 2020 *Index*. Its overall score has decreased by 0.2 point due to deteriorated **business freedom** and **investment freedom** scores. El Salvador is ranked 16th among 32 countries in the Americas region, and its overall score is slightly above the regional average and equal to the world average.

The Salvadoran economy began its long slide from the mostly free category to the lower reaches of the moderately free 15 years ago. GDP growth has been relatively modest as well because of such structural factors as the country's low productive base and an uncompetitive wage structure.

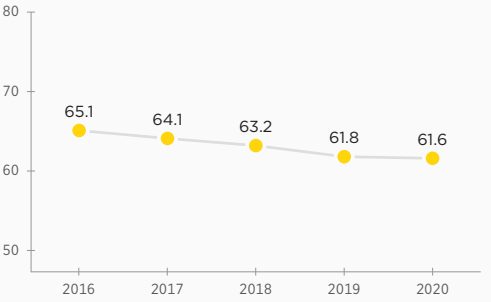
For the economy of El Salvador to reverse its declining level of economic freedom, the new government would have to prioritize policies to improve business freedom, labor freedom, and the three rule-of-law indicators: property rights, judicial effectiveness, and government integrity.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –7.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
6.6 million

GDP (PPP):
$53.4 billion
2.5% growth in 2018
5-year compound annual growth 2.3%
$8,041 per capita

UNEMPLOYMENT:
4.4%

INFLATION (CPI):
1.1%

FDI INFLOW:
$839.6 million

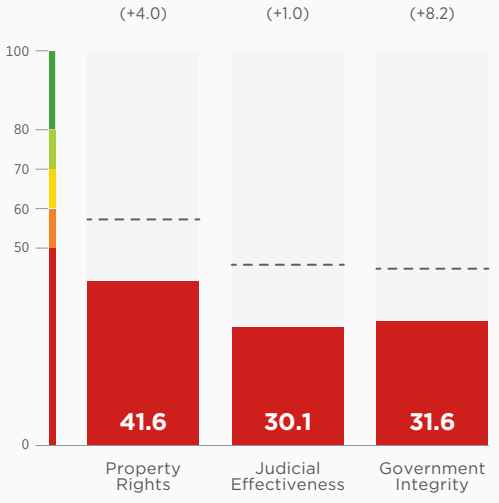
PUBLIC DEBT:
67.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: After its 12-year civil war ended in 1992, El Salvador enjoyed strong export-led economic growth under pro-market, center-right National Republican Alliance (ARENA) presidents until the leftist and statist Farabundo Martí National Liberation Front (FMLN) took power for a decade in 2009. The 38-year-old former mayor of San Salvador, Nayib Bukele, of the small center-right Gran Alianza por la Unidad Nacional (GANA) party won a landslide victory and began a five-year term as president in June 2019. Bukele will need ARENA support, however, to confront anemic economic growth; weak government effectiveness; and a surge in violence, homicides, and drug trafficking. Remittances account for nearly one-fifth of GDP, and about one-third of the population lives below the poverty line.

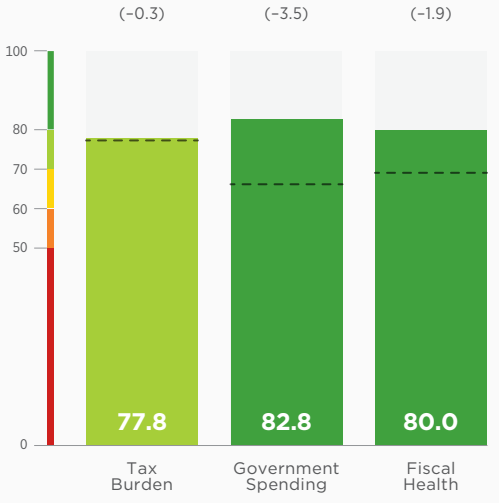
12 ECONOMIC FREEDOMS | EL SALVADOR

RULE OF LAW



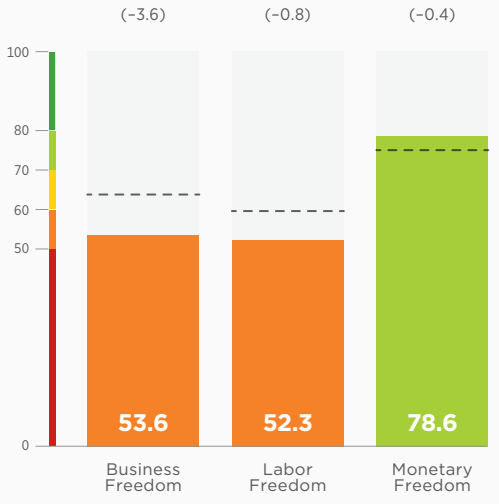
Real and personal private property rights are recognized, but the slow, costly, and unproductive judicial system makes execution of real estate guarantees difficult. Investment and commercial dispute resolution proceedings routinely last years. The judiciary is independent but may be subject to political influence. Corruption is a serious problem: Three of the past four presidents have been indicted, and a former attorney general is in prison on corruption-related charges.

GOVERNMENT SIZE



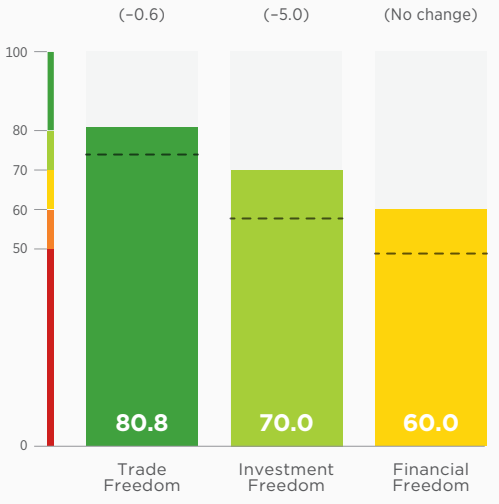
The top personal income and corporate tax rates are 30 percent. Other taxes include value-added and excise taxes. The overall tax burden equals 20.4 percent of total domestic income. Government spending has amounted to 23.9 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.6 percent of GDP. Public debt is equivalent to 67.1 percent of GDP.

REGULATORY EFFICIENCY



The outgoing government made only tepid attempts to improve the business climate. Laws and regulations are not applied uniformly, and businesses face lengthy bureaucratic delays. The Salvadoran workforce is hard-working but for the most part lacks education and professional skills. According to the International Monetary Fund, energy and transport subsidies amounted to about 2.5 percent of GDP in 2018.

OPEN MARKETS



The total value of exports and imports of goods and services equals 77.5 percent of GDP. The average applied tariff rate is 2.1 percent, and eight nontariff measures are in force. Cumbersome bureaucracy and institutional weaknesses continue to undercut investment flows. The financial sector is dominated by banks that are mostly foreign-owned. Two state-owned banks focus on mortgages and agricultural-sector financial services.

EQUATORIAL GUINEA

WORLD RANK: **167** | REGIONAL RANK: **42**

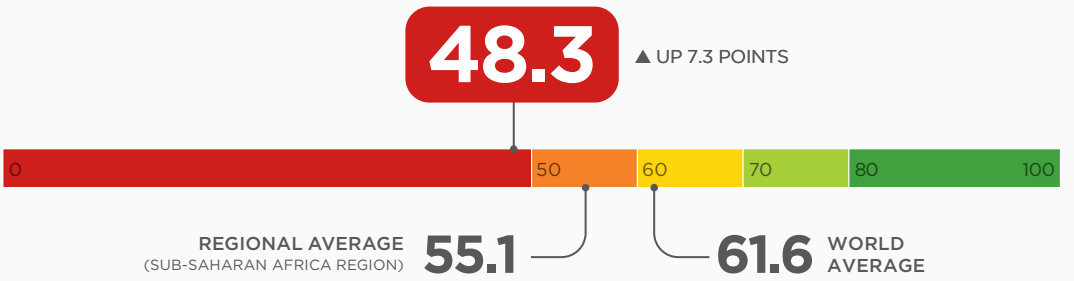
ECONOMIC FREEDOM STATUS: **REPRESSED**

Equatorial Guinea's economic freedom score is 48.3, making its economy the 167th freest in the 2020 *Index*. Its overall score has increased by 7.3 points due to a large increase in the score for **fiscal health**. Equatorial Guinea is ranked 42nd among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

The economy of Equatorial Guinea has been repressed for the past decade. GDP growth had been robust in the past, owing to exports from the country's oil and gas sector, but in recent years, GDP has recorded significantly negative growth because of lower world oil prices and declining output. Beyond the energy sector, economic prospects are weak.

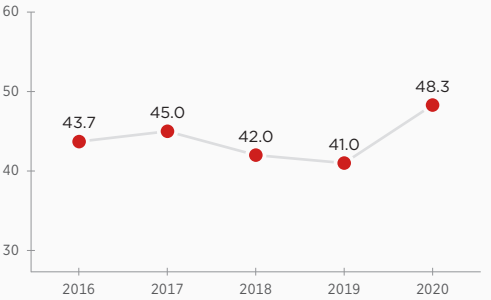
Although the government has made impressive investments in infrastructure and is building a new capital to inspire development on the mainland, private-sector growth outside of the oil sector will continue to lag without significant reforms to improve the rule of law and the regulatory environment.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1999): +3.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
1.3 million

GDP (PPP):
$29.8 billion
–5.7% growth in 2018
5-year compound annual growth –5.6%
$22,710 per capita

UNEMPLOYMENT:
9.2%

INFLATION (CPI):
1.3%

FDI INFLOW:
$395.9 million

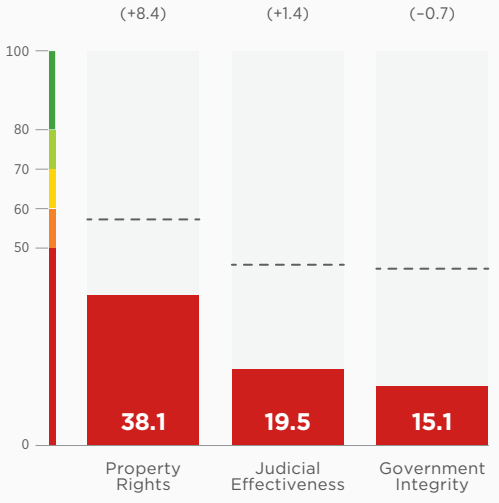
PUBLIC DEBT:
35.9% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Equatorial Guinea gained independence from Spain in 1968. President Teodoro Obiang, currently Africa's longest-serving leader, seized power in a 1979 coup and won reelection to another seven-year term in 2016 with 93 percent of the vote. The opposition protested the result as fraudulent. The ruling party controls 99 of 100 parliamentary seats. In 2018, the Supreme Court approved the dissolution of the main opposition party and 30-year prison sentences for nearly two dozen opposition members; Obiang later declared a total amnesty for political prisoners. Equatorial Guinea was once one of Africa's fastest-growing economies and sub-Saharan Africa's third-largest oil producer, but its economy is now in decline because of corruption, falling oil revenues, and lack of diversification.

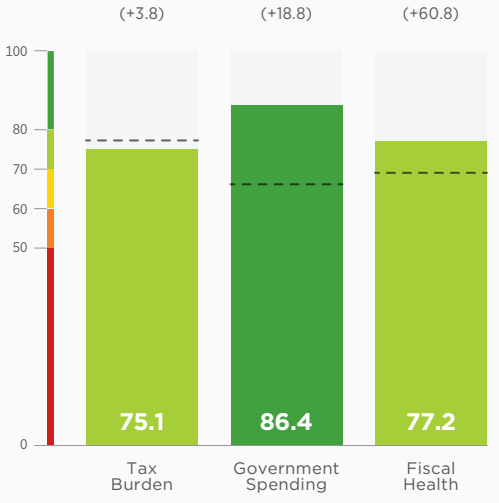
12 ECONOMIC FREEDOMS | EQUATORIAL GUINEA

RULE OF LAW



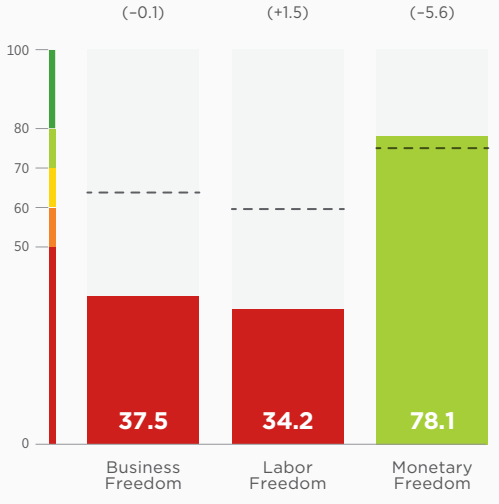
Property rights are enforced selectively, and the government can seize land with very little if any due process. The judicial system is not independent, as the president is also the chief magistrate. Graft and nepotism are rampant. Foreign companies must guard against the taint of money laundering, which occurs frequently through cross-border currency transactions and illegal international cash transfers by local companies or corrupt individuals.

GOVERNMENT SIZE



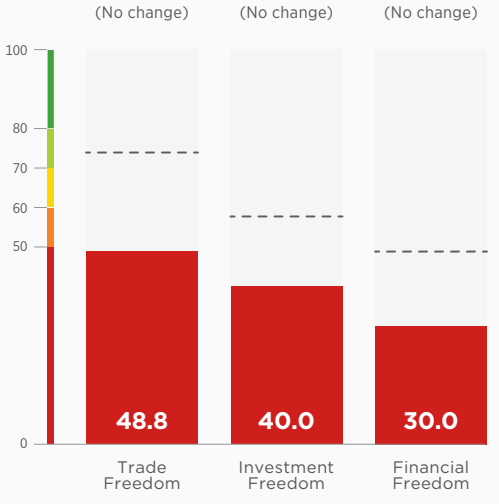
The top personal income and corporate tax rates are 35 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 5.9 percent of total domestic income. Government spending has amounted to 21.3 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 3.6 percent of GDP. Public debt is equivalent to 35.9 percent of GDP.

REGULATORY EFFICIENCY



Equatorial Guinea ranks in the bottom 10 percent of countries for ease of doing business in the 2019 World Bank Doing Business Survey, with very weak scores for starting a business and paying taxes. Labor laws are antiquated and unevenly enforced and add excess rigidity to the labor market. Spending on subsidies in such categories as fuel, aircraft maintenance, and family benefits increased in 2018.

OPEN MARKETS



The total value of exports and imports of goods and services equals 97.5 percent of GDP. The average applied tariff rate is 15.6 percent, and nontariff barriers further impede trade flows. Foreign investment in several sectors of the economy is restricted, and state-owned enterprises distort markets. Equatorial Guinea's financial system remains very underdeveloped. Capital markets are nonexistent, and long-term financing is hard to obtain.

ERITREA

WORLD RANK:	REGIONAL RANK:
177	47

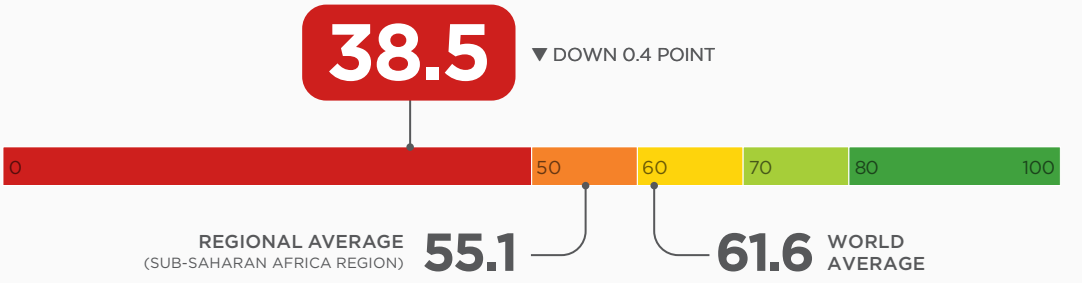
ECONOMIC FREEDOM STATUS: **REPRESSED**

Eritrea's economic freedom score is 38.5, making its economy the 177th freest in the 2020 *Index*. Its overall score has decreased by 0.4 point due to lower scores for **property rights** and **judicial effectiveness**. Eritrea is ranked 47th among 47 countries in the Sub-Saharan Africa region, and its overall score is one of the lowest in the world.

Index grading of Eritrea began in 2009, and its economy has scored higher than 40 only three times since then. GDP growth rates, fueled by the agricultural and mining sectors, are relatively meaningless in a country that remains one of the world's least developed, with 65 percent of its people living in rural areas and 80 percent of them dependent on subsistence agriculture for their livelihoods.

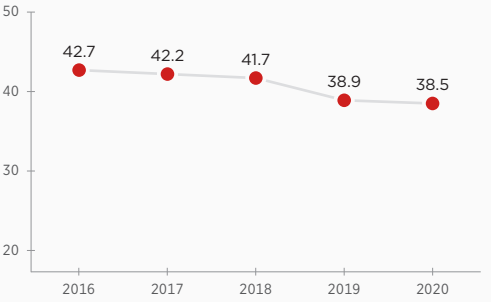
Perhaps in the future, the authoritarian Eritrean government will give way to one that pursues the broad reforms needed to transform the country into a market-based economy.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): 0 (NO CHANGE)

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
6.0 million

GDP (PPP):
$10.0 billion
4.2% growth in 2018
5-year compound annual growth 3.3%
$1,657 per capita

UNEMPLOYMENT:
6.5%

INFLATION (CPI):
9.0%

FDI INFLOW:
$61.0 million

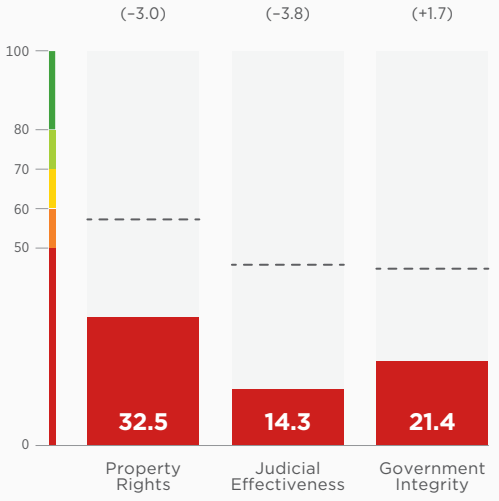
PUBLIC DEBT:
129.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Ethiopia's annexation of Eritrea in 1962 sparked a violent 30-year struggle for independence that ended in 1991 with Eritrean rebels defeating government forces. The autocratic and repressive rule of Isaias Afewerki has created a rigidly militarized society. Mandatory conscription can be for indefinite periods. Eritrea and Ethiopia normalized relations in 2018, and Eritrea and Djibouti made progress in resolving their border dispute. Given those positive diplomatic developments, the U.N. lifted the targeted sanctions on Eritrea that had been in place since 2009. The government has expanded military-owned and party-owned businesses in pursuing the president's development agenda. Copper and gold are important exports, but military spending drains resources needed for the construction of public infrastructure.

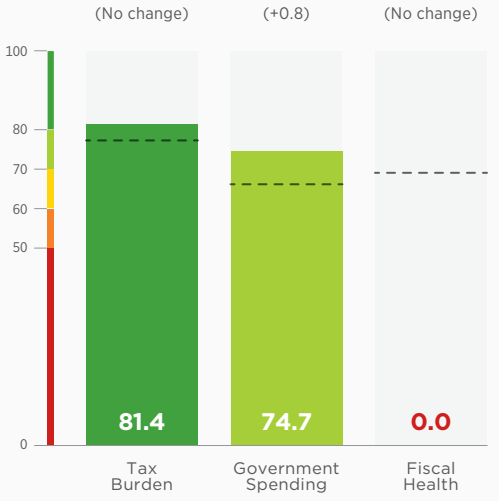
12 ECONOMIC FREEDOMS | ERITREA

RULE OF LAW



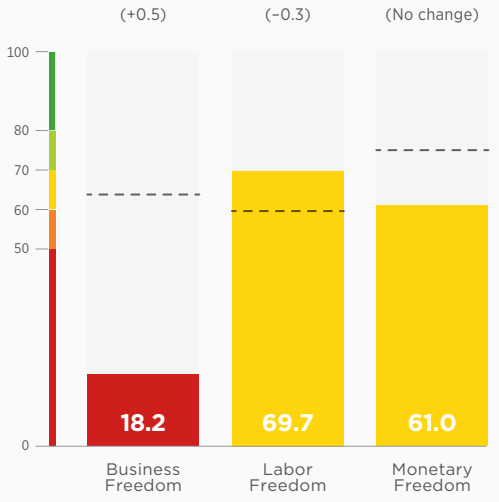
Virtually all land is considered state-owned, and property rights are nearly nonexistent. The little private property that does exist can be expropriated without due process or compensation. The politicized and militarized judiciary is understaffed, underfunded, and unprofessional. The autocratic one-party state, widely considered to be one of the world's most repressive, is ruled by the president and his inner circle. Corruption is endemic.

GOVERNMENT SIZE



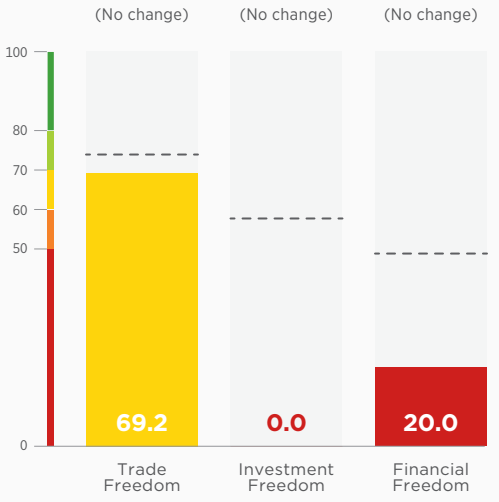
The top personal income and corporate tax rates are 30 percent. The overall tax burden equals 8.0 percent of total domestic income. Government spending has amounted to 29.1 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 14.1 percent of GDP. Public debt is equivalent to 129.4 percent of GDP.

REGULATORY EFFICIENCY



Few large private businesses exist, and the government places tight restrictions on economic activity. Most of the population engages in subsistence, rain-fed agriculture. Having a large share of the labor force engaged in military service has interfered with agricultural production and helped to derail more robust economic development. Monetary stability is weak, and subsidies and price controls continue to be core features of the command economy.

OPEN MARKETS



The total value of exports and imports of goods and services equals 53.3 percent of GDP. The average applied tariff rate is 5.4 percent. Made worse by institutional shortcomings, productivity growth is impeded by nontariff barriers. Onerous regulations are impediments to foreign and domestic investment. Credit costs are high, and access to financing is very limited.

ESTONIA

WORLD RANK: **10**

REGIONAL RANK: **5**

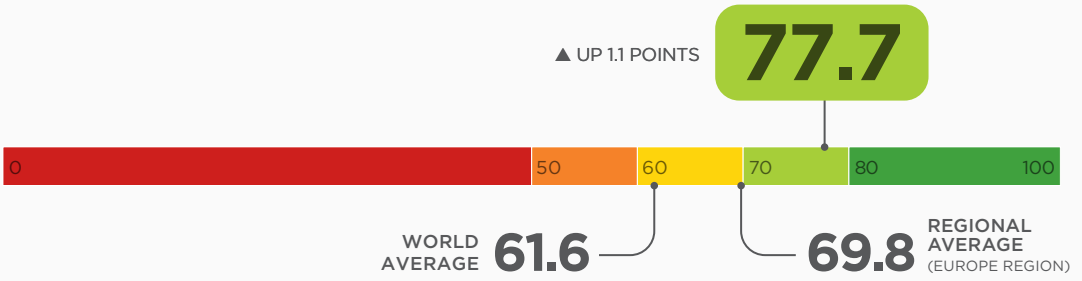
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Estonia's economic freedom score is 77.7, making its economy the 10th freest in the 2020 *Index*. Its overall score has increased by 1.1 points, led by a higher score for **government integrity**. Estonia is ranked 5th among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

The economy of Estonia has been fluctuating in the upper reaches of the mostly free category for nearly two decades. Solid GDP growth has followed accordingly with increases in both private consumption and investment.

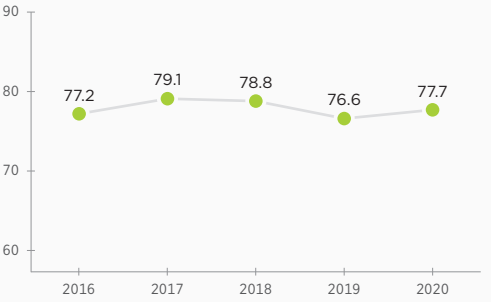
What holds Estonia back from reaching the topmost ranks of the economically free are high levels of government spending and lingering rigidities in labor regulations that impede growth in productivity. Forecasts suggest modest but increasing budget deficits in the near future.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +12.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION: 1.3 million

GDP (PPP): $45.0 billion
3.9% growth in 2018
5-year compound annual growth 3.4%
$34,096 per capita

UNEMPLOYMENT: 5.5%

INFLATION (CPI): 3.4%

FDI INFLOW: $1.3 billion

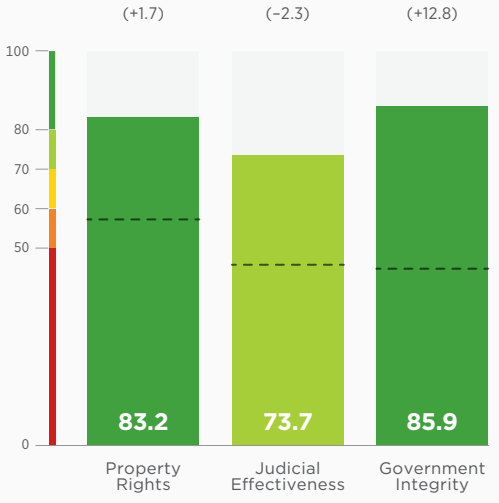
PUBLIC DEBT: 8.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Estonia has been independent since 1991 and has become a stable multiparty democracy. It joined NATO and the European Union in 2004 and the OECD in 2010. In 2010, it became the first former Soviet state to adopt the euro. The center-right, pro-market Reform Party won the most seats in March 2019 elections but failed to form a coalition. Jüri Ratas, leader of the left-leaning Centre Party, remained prime minister, leading a coalition with the nationalist Conservative People's Party of Estonia and the center-right Isamaa. The economy relies on robust electronics and telecommunications sectors and strong regional trade ties. Estonia has been upgrading border security infrastructure along its nearly 183-mile land boundary with Russia.

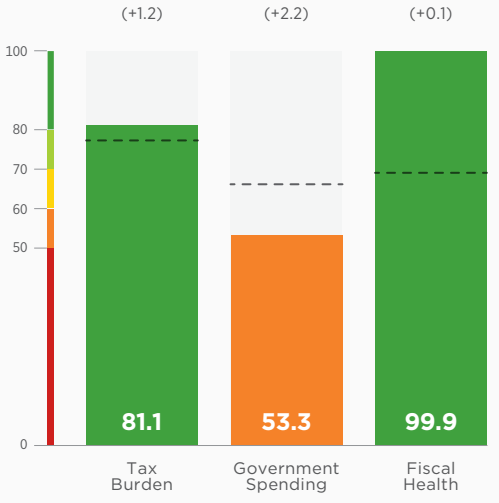
12 ECONOMIC FREEDOMS | ESTONIA

RULE OF LAW



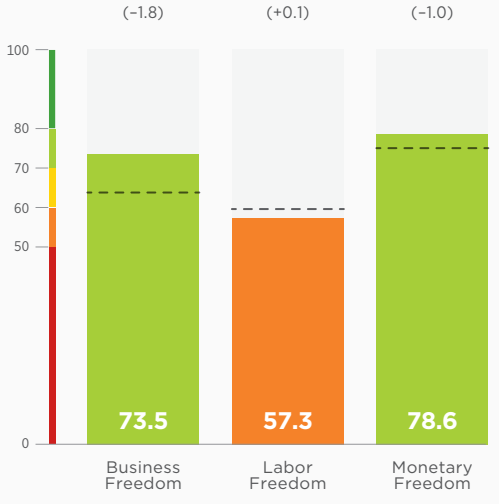
Contracts and secured interests in property are recognized and well enforced. The judiciary is independent and well insulated from political influence. Institutions are characterized by their high levels of integrity and transparency. Isolated cases of public-sector corruption are investigated and punished, although a 2018 investigation of money laundering through a major private bank raised questions about the performance of Estonia's regulatory and supervisory bodies.

GOVERNMENT SIZE



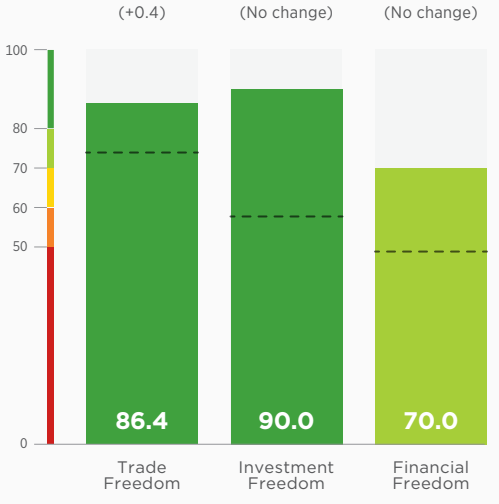
The top personal income and corporate tax rates are 20 percent. Undistributed profits are not taxed. Other taxes include value-added and excise taxes. The overall tax burden equals 33.0 percent of total domestic income. Government spending has amounted to 39.4 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 0.1 percent of GDP. Public debt is equivalent to 8.1 percent of GDP.

REGULATORY EFFICIENCY



Business freedom is robust amid a transparent regulatory framework that is relatively free of government favoritism. The long-term supply of labor faces demographic challenges. The unemployment rate is low, and many employers have difficulty finding enough workers. In anticipation of reduced EU subsidies after Brexit, the government is planning to improve its targeting of subsidies for education, health care, and energy.

OPEN MARKETS



The total value of exports and imports of goods and services equals 147.0 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Bulgaria has an additional six country-specific nontariff barriers. In general, government policies do not interfere significantly with foreign investment. The financial sector has an efficient supervisory framework.

ESWATINI

WORLD RANK: **131** | REGIONAL RANK: **22**

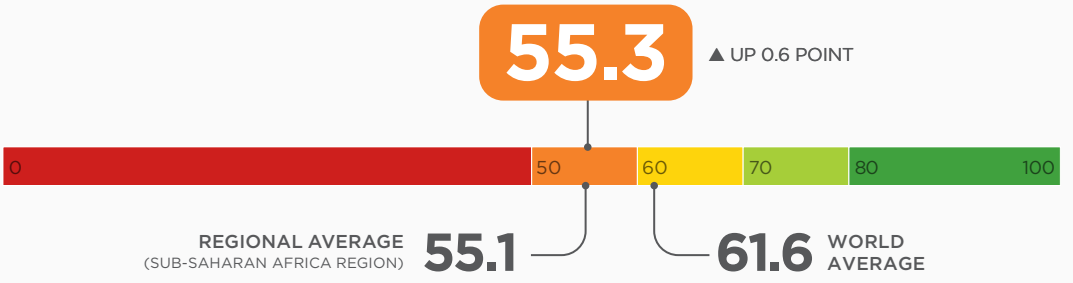
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Eswatini's economic freedom score is 55.3, making its economy the 131st freest in the 2020 *Index*. Its overall score has increased by 0.6 point, helped by a better score for **property rights**. Eswatini is ranked 22nd among 47 countries in the Sub-Saharan Africa region, and its overall score is close to the regional average and well below the world average.

Eswatini's economy has been scored moderately free only twice in the past decade, and it remained in the mostly unfree category in 2020 for the third year in a row. GDP growth remains lower than optimal as well.

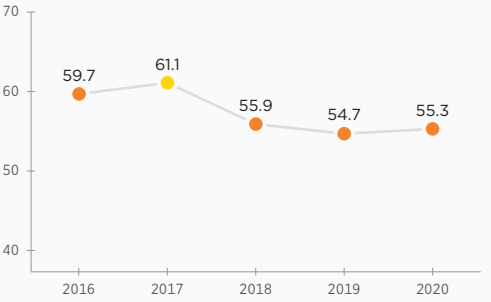
With policymaking ultimately in the hands of the king, significant economic reform appears unlikely. In 2019, however, his government identified the large fiscal deficit, stagnating economic growth, and a poor business environment as the three major challenges facing the economy. If those problems were corrected, scores for such *Index* indicators as fiscal health, investment freedom, and financial freedom would likely improve.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –8.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
1.1 million

GDP (PPP):
$12.1 billion
0.2% growth in 2018
5-year compound annual growth 1.5%
$11,020 per capita

UNEMPLOYMENT:
22.5%

INFLATION (CPI):
4.8%

FDI INFLOW:
$25.4 million

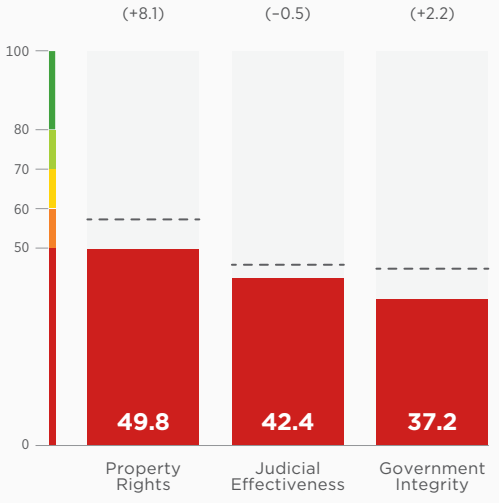
PUBLIC DEBT:
34.9% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Eswatini (formerly Swaziland) gained independence from the United Kingdom in 1968. King Mswati III, who changed the country's name in 2018, holds absolute power. Political parties are banned, and rights groups accuse the government of imprisoning journalists and pro-democracy activists. Chiefs loyal to the king pick parliamentary candidates, and international observers declared the 2018 elections not credible. Eswatini has the world's highest HIV/AIDS rate, but the rate of new infections has declined. The country depends on South Africa for the vast majority of its trade. Approximately 70 percent of the population works in subsistence agriculture, and unemployment is high. Manufacturing was diversified in the 1980s and 1990s but has grown little in the past decade.

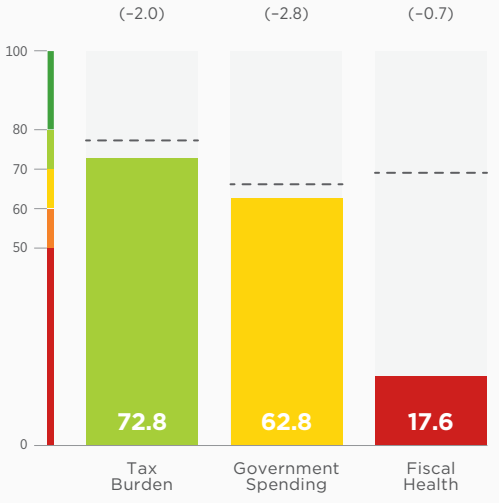
12 ECONOMIC FREEDOMS | ESWATINI

RULE OF LAW



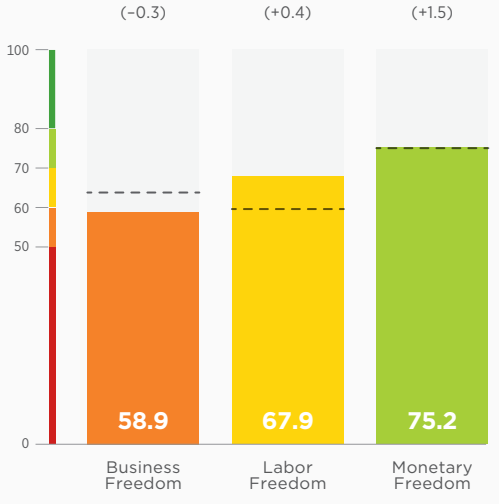
The right to own property is protected by law, although most Swazis reside on Swazi Nation Land that is not covered by this constitutional protection. The constitution provides for an independent judiciary, but the king's absolute power to appoint judges limits judicial independence. Corruption and impunity are major problems. The legal and regulatory environments are underdeveloped, opaque, and inconsistent.

GOVERNMENT SIZE



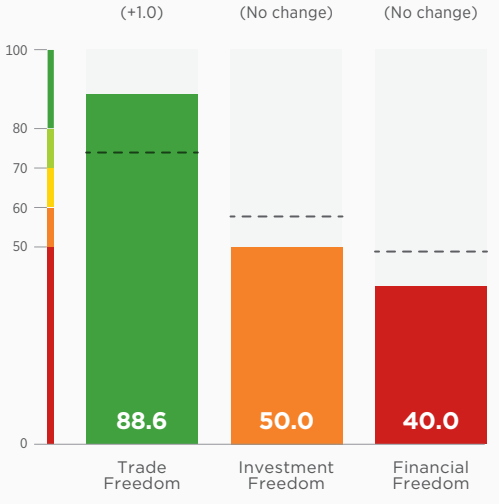
The top individual income tax rate is 33 percent, and the top corporate tax rate is 28 percent. Other taxes include fuel and sales taxes. The overall tax burden equals 29.1 percent of total domestic income. Government spending has amounted to 35.2 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 9.1 percent of GDP. Public debt is equivalent to 34.9 percent of GDP.

REGULATORY EFFICIENCY



The government has been trying to encourage private businesses to expand operations through tax incentives and a special economic zone, but so far with only limited success. Eswatini's poor record of human rights and labor freedom discourages many entrepreneurs and donors from investing in or supporting the country. Some recent reforms have improved the legal framework. The International Monetary Fund has recommended reductions in subsidies and transfers.

OPEN MARKETS



The total value of exports and imports of goods and services equals 110.6 percent of GDP. The average applied tariff rate is 0.7 percent, but nontariff barriers persist and deter development of more dynamic trade activity. Foreign investment is screened, and state-owned enterprises distort the economy. The financial sector remains underdeveloped, and most of the population still lacks access to credit.

ETHIOPIA

WORLD RANK: **146** | REGIONAL RANK: **30**

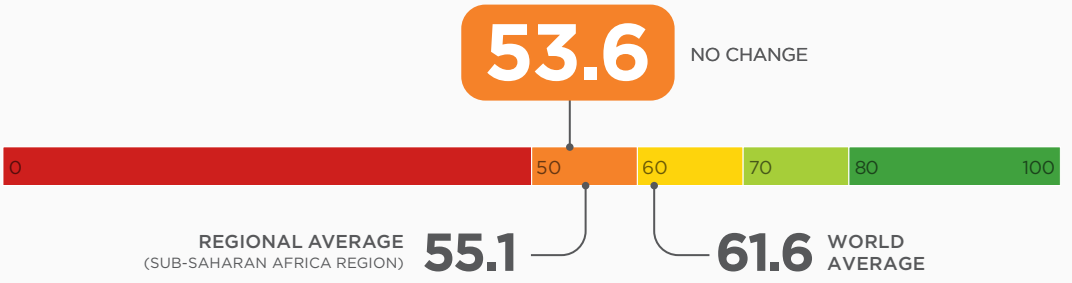
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Ethiopia's economic freedom score is 53.6, making its economy the 146th freest in the 2020 *Index*. Its overall score is unchanged, with an improvement in **judicial effectiveness** offset by a decline in **fiscal health**. Ethiopia is ranked 30th among 47 countries in the Sub-Saharan Africa region, and its overall score is just below the regional average and well below the world average.

The Ethiopian economy has slowly climbed the ranks of the mostly unfree for the past five years. At the same time, GDP growth has been surging, partly because of rising business confidence and increased levels of foreign investment.

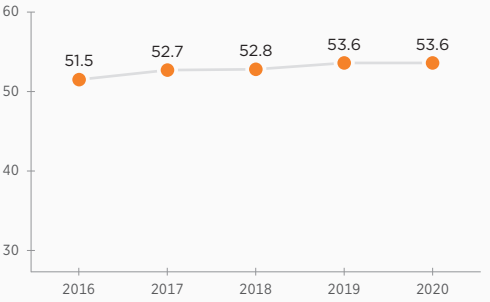
Prime Minister Abiy Ahmed's efforts to privatize state-owned enterprises and establish a multiparty democracy supported by strong institutions that respect human rights and the rule of law earned him the Nobel Peace Prize in 2019. These and other reforms, if fully realized, would improve *Index* indicators for business freedom and government integrity.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +11.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
94.1 million

GDP (PPP):
$219.5 billion
7.7% growth in 2018
5-year compound annual growth 9.3%
$2,332 per capita

UNEMPLOYMENT:
1.8%

INFLATION (CPI):
13.8%

FDI INFLOW:
$3.3 billion

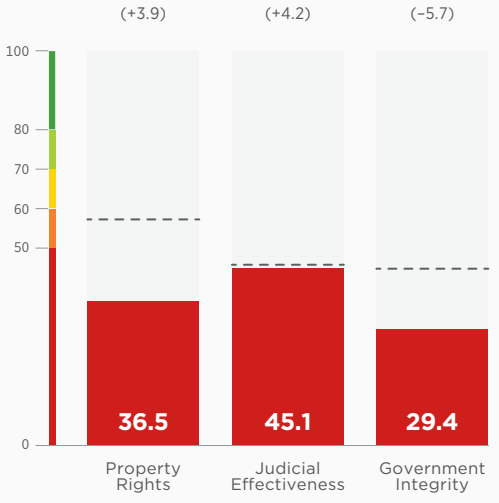
PUBLIC DEBT: 61.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: A military junta deposed Emperor Haile Selassie in 1974 and established a socialist state. The Ethiopian People's Revolutionary Democratic Front overthrew the junta in 1991, replacing it with a repressive one-party state. Protests by Ethiopia's marginalized Oromo tribe in 2018 led to the surprise rise to power of Prime Minister Abiy Ahmed, who released political prisoners and launched ambitious reforms to increase the role of women in government, partially privatize state-owned enterprises, and seek rapprochement with longtime rival Eritrea. In 2018, the United Arab Emirates deposited $1 billion in Ethiopia's central bank to help with a foreign exchange shortage. The agriculture-based economy's strong growth has reduced poverty, but Ethiopia still must contend with high unemployment, persistent poverty, ethnic tensions, and a large debt burden.

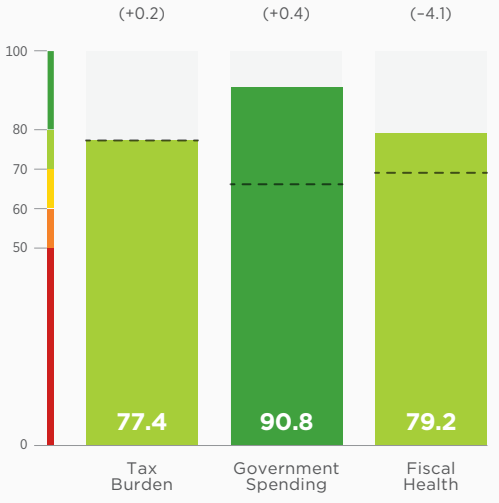
12 ECONOMIC FREEDOMS | ETHIOPIA

RULE OF LAW



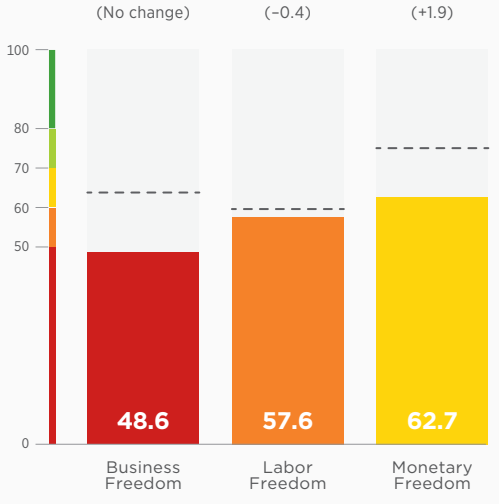
All land must be leased from the state. While the officially independent judiciary has been subject to political interference, the November 2018 appointment of a highly respected Supreme Court chief justice raised hopes for judicial reform. Corruption and unequal resource distribution have contributed to the unrest that has plagued Ethiopia in recent years, but Prime Minister Abiy's administration has taken some steps to address the issue.

GOVERNMENT SIZE



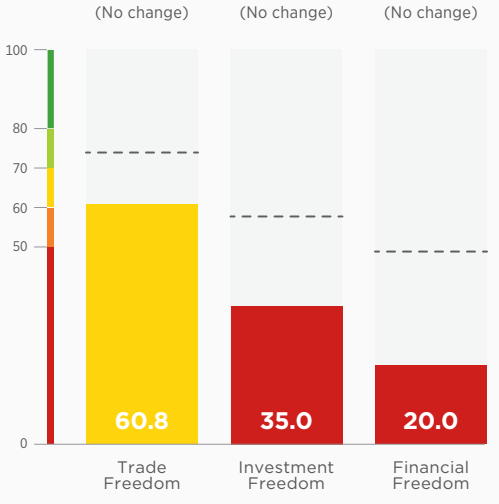
The top individual income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 11.6 percent of total domestic income. Government spending has amounted to 17.5 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.9 percent of GDP. Public debt is equivalent to 61.1 percent of GDP.

REGULATORY EFFICIENCY



Key business sectors owned by the state include telecommunications, banking and insurance, and power distribution. The underdeveloped labor market makes it hard for individuals to escape poverty. Much of the labor force is trapped in the informal economy. The government plans to phase out implicit subsidies by gradually raising electricity tariffs and reducing borrowing by state-owned enterprises.

OPEN MARKETS



The total value of exports and imports of goods and services equals 31.2 percent of GDP. The average applied tariff rate is 12.1 percent, and nontariff barriers impede trade. Ethiopia is not a member of the World Trade Organization. Market openness to foreign investment is below average. Although the state has allowed the private sector to participate in banking, it influences lending decisions and funds state-led development projects.

FIJI

Fiji's economic freedom score is 63.4, making its economy the 77th freest in the 2020 *Index*. Its overall score has increased by 1.2 points, primarily because of a higher **government integrity** score. Fiji is ranked 15th among 42 countries in the Asia–Pacific region, and its overall score is slightly above the regional and world averages.

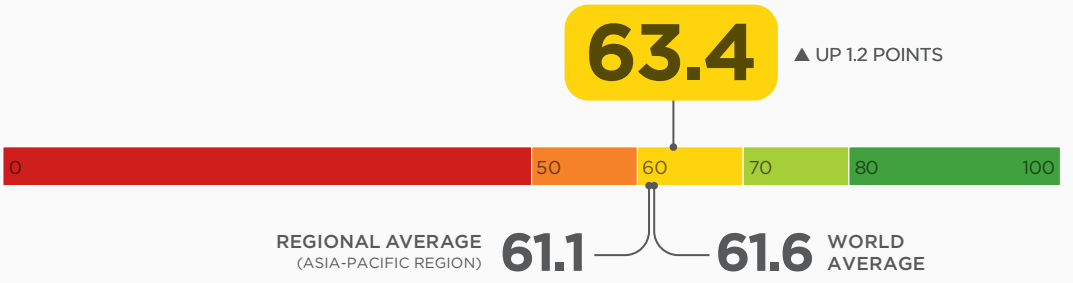
The Fijian economy has earned a spot in the moderately free category for the fourth year in a row. GDP growth during the same period has also been progressing at a respectable rate, partly reflecting the normalization of agricultural and tourism export earnings following 2016's Cyclone Winston.

To continue its positive trajectory in the moderately free rankings, the government will need to prioritize policies to lower tariffs, ease investment restrictions, and privatize state-owned enterprises. Additional measures to curb corruption are essential.

WORLD RANK:	REGIONAL RANK:
77	15

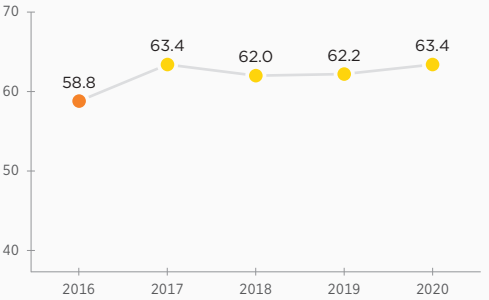
ECONOMIC FREEDOM STATUS: MODERATELY FREE

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +8.7

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.9 million

GDP (PPP):
$9.1 billion
3.2% growth in 2018
5-year compound annual growth 3.3%
$10,234 per capita

UNEMPLOYMENT:
4.2%

INFLATION (CPI):
4.1%

FDI INFLOW:
$344.1 million

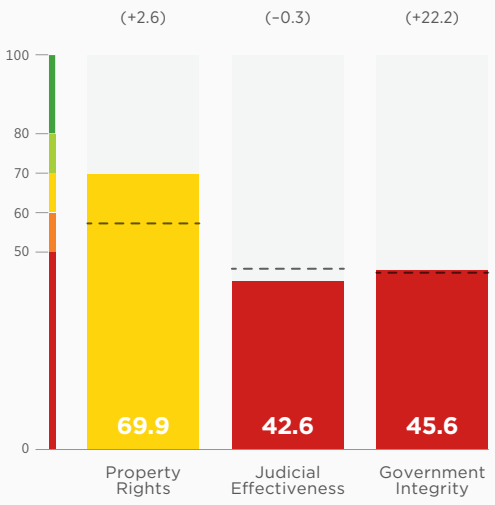
PUBLIC DEBT:
49.7% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The former British colony of Fiji gained independence in 1970. Military strongman Commodore Frank Bainimarama, who has ruled this Pacific Island nation for more than a decade, maintained control of the government in the November 2018 general election. Although a reduced parliamentary majority for the ruling Fiji First Party could lead to greater oversight of government decision-making, no significant policy changes are expected. There is a long history of ethnic tension between the indigenous, mostly Christian population and a large minority of Hindu and Muslim Indo-Fijians. Fiji's economy relies heavily on tourism, remittances, and the sugar industry. The government's principal priority is infrastructure construction with a particular focus on the energy sector.

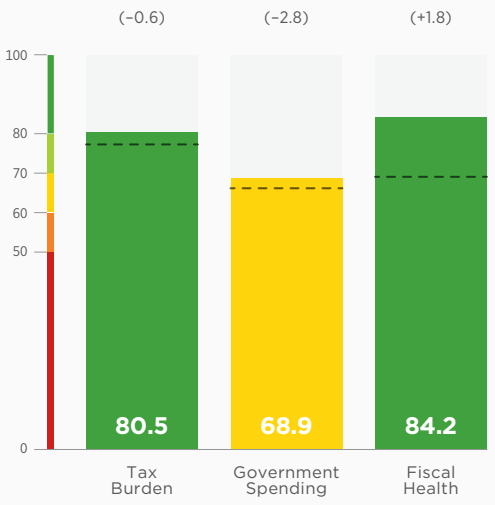
12 ECONOMIC FREEDOMS | FIJI

RULE OF LAW



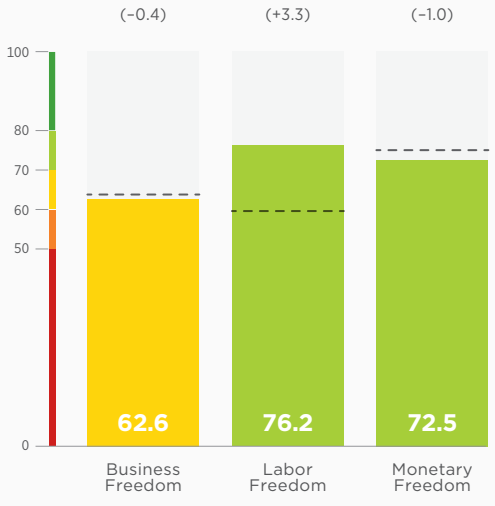
Property rights are generally respected, although land tenure and usage in Fiji are highly complex and sensitive issues, and it is hard to obtain land titles. The judiciary, based on British law, is constitutionally independent but subject to executive influence. Corruption remains a serious problem, and officials can act with impunity. The law provides criminal penalties for corruption, but it is not implemented effectively.

GOVERNMENT SIZE



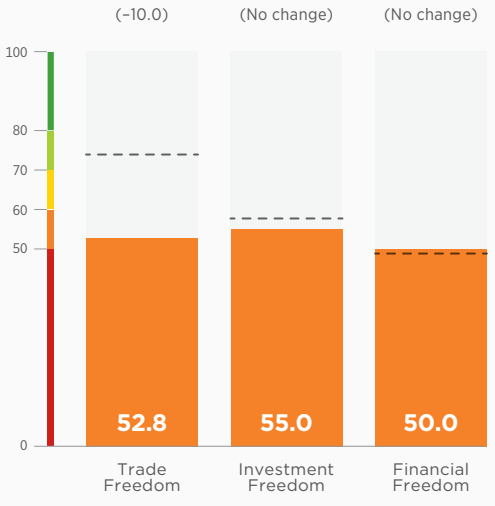
The top individual income tax rate is 29 percent, and the top corporate tax rate is 20 percent. Other taxes include value-added and land sales taxes. The overall tax burden equals 26.6 percent of total domestic income. Government spending has amounted to 32.2 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.6 percent of GDP. Public debt is equivalent to 49.7 percent of GDP.

REGULATORY EFFICIENCY



Businesses in Fiji have had to cope with increasing bureaucratic interference and a complex land ownership system. Members of the business community are often not consulted on policies that affect them. The labor force participation rate increased recently, but acute shortages of labor exist in skilled and, to a lesser extent, semiskilled occupations. In 2019, the government expanded its subsidy programs for agriculture.

OPEN MARKETS



The total value of exports and imports of goods and services equals 85.4 percent of GDP. The average applied tariff rate is 16.1 percent, and the benefits of open trade are further undermined by nontariff barriers. Market openness to foreign investment is below average. Foreign participation in the banking sector has gradually increased. Foreign exchange controls have been eased but still limit repatriation of capital and profits.

WORLD RANK: **20**

REGIONAL RANK: **11**

ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

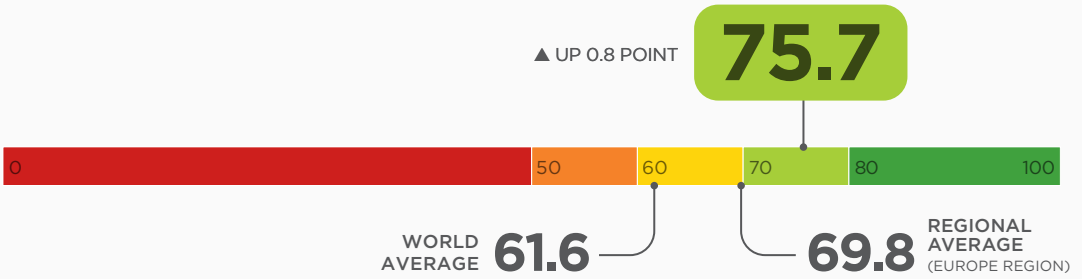
FINLAND

Finland's economic freedom score is 75.7, making its economy the 20th freest in the 2020 *Index*. Its overall score has increased by 0.8 point, helped by a higher score for **fiscal health**. Finland is ranked 11th among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

The Finnish economy has benefited from gradually rising economic freedom over the life of the *Index*. GDP growth has been positive but modest.

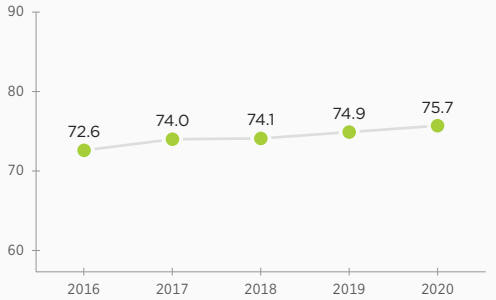
For Finland to move higher in the mostly free ranks, the government would have to make significant cuts in spending, reform the labor code to make it more market friendly, and reduce taxes. The new center-left government, however, has announced a program of higher spending on education, health care, and welfare services along with an increase in infrastructure development.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +12.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
5.5 million

GDP (PPP):
$256.5 billion
2.4% growth in 2018
5-year compound annual growth 1.4%
$46,430 per capita

UNEMPLOYMENT:
7.8%

INFLATION (CPI):
1.2%

FDI INFLOW:
$1.2 billion

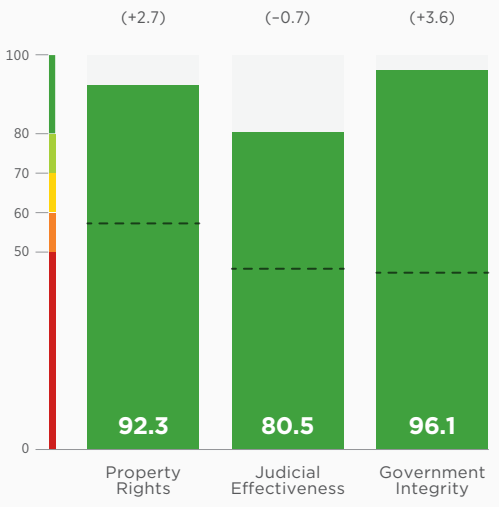
PUBLIC DEBT:
60.5% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Formerly part of Sweden and later of the Russian Empire, Finland gained independence in 1917, joined the European Union in 1995, and adopted the euro in 1999. Failure to pass health care reform precipitated the collapse of former Prime Minister Juha Sipilä's center-right government, and after April 2019 elections produced a highly fragmented parliament, Antti Rinne of the Social Democratic Party of Finland (SDP) became prime minister after forming a center-left coalition with the Centre Party, the Left Alliance, and the Green League. President Sauli Niinistö of the National Coalition Party won a second term in 2018. The export-led economy is centered on manufacturing, principally in the wood, metals, telecommunications, and electronics industries, and has enjoyed steady growth.

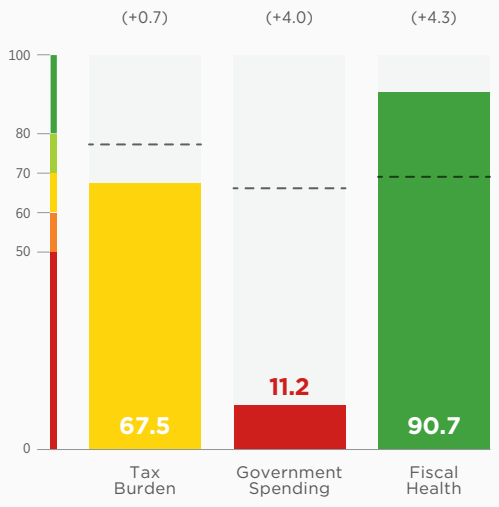
12 ECONOMIC FREEDOMS | FINLAND

RULE OF LAW



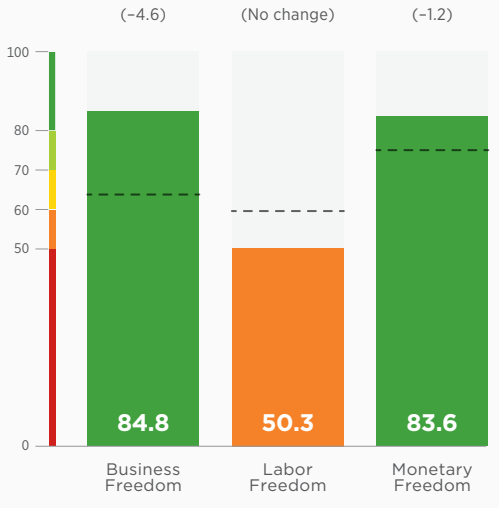
Finland maintains one of the world's strongest regimes for the protection of property rights and ranked first among 125 countries in the 2018 *International Property Rights Index*. Contractual agreements are strictly honored. The quality of the judiciary is generally high. Corruption is not a significant problem in Finland, which was ranked 3rd out of 180 countries surveyed in Transparency International's 2018 *Corruption Perceptions Index*.

GOVERNMENT SIZE



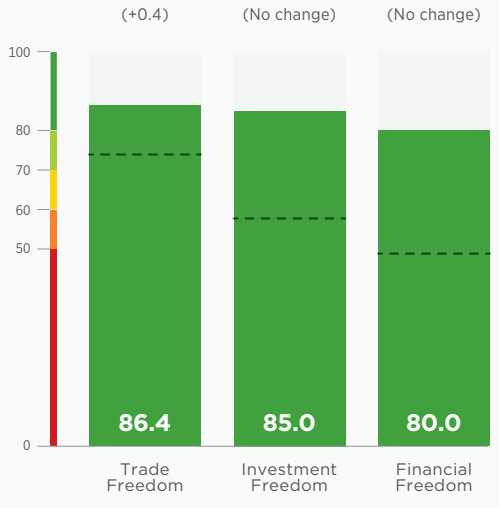
The top personal income tax rate is 31.25 percent, and the top corporate tax rate is 20 percent. Other taxes include value-added and capital income taxes. The overall tax burden equals 43.3 percent of total domestic income. Government spending has amounted to 54.4 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.1 percent of GDP. Public debt is equivalent to 60.5 percent of GDP.

REGULATORY EFFICIENCY



Structural reforms may be needed to boost productivity. A reduction in the labor contribution tax rate has eased the cost of running a business. Social protection and unemployment benefits have been reformed to encourage work, but Finland is considering the idea of a universal basic income. The rising cost of subsidies for a rapidly aging population has increased political support for the streamlining of health care services.

OPEN MARKETS



The total value of exports and imports of goods and services equals 78.5 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Finland has an additional nine country-specific nontariff barriers. In general, government policies do not interfere significantly with foreign investment. The competitive financial sector provides a wide range of services.

FRANCE

WORLD RANK: **64**

REGIONAL RANK: **34**

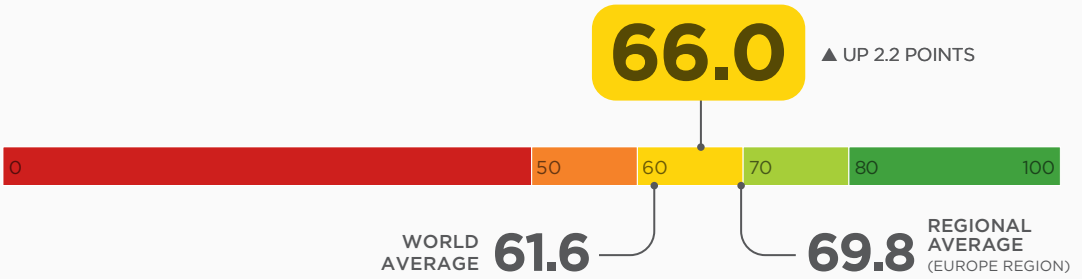
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

France's economic freedom score is 66.0, making its economy the 64th freest in the 2020 *Index*. Its overall score has increased by 2.2 points, primarily because of an increase in the score for **government integrity**. France is ranked 34th among 45 countries in the Europe region, and its overall score is below the regional average and well above the world average.

The French economy has languished in the moderately free category since 2004. GDP growth over the past five years has likewise been tepid.

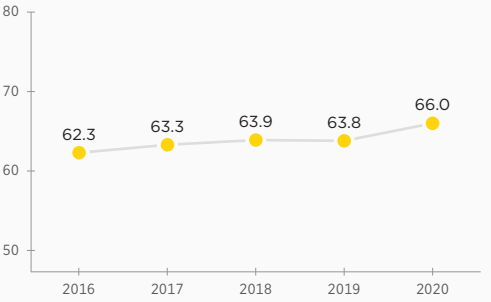
The government continues to push its package of legislative reforms aimed at lowering the stubbornly high rate of unemployment, especially among young people; improving foreign investors' negative views of the economic environment; increasing competitiveness; and improving public finances. Unfortunately, it is doubtful that the proposed reforms, even if implemented, would have much impact either in curtailing levels of government spending that are among the highest in the world or in reducing stifling rigidities in the labor market.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +1.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
64.7 million

GDP (PPP):
$3.0 trillion
1.5% growth in 2018
5-year compound annual growth 1.4%
$45,775 per capita

UNEMPLOYMENT:
9.2%

INFLATION (CPI):
2.1%

FDI INFLOW:
$37.3 billion

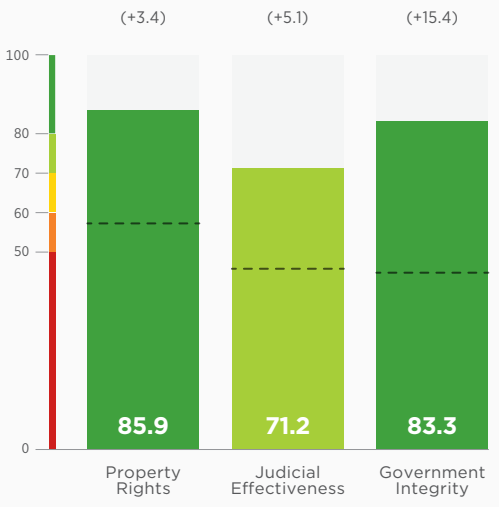
PUBLIC DEBT:
98.6% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: France is one of the world's most modern countries and sees itself as a leader among European nations. The populist "Yellow Vest" movement has disrupted French society and politics since 2018, staging ongoing protests over the cost of living, economic inequality, fuel prices, and taxes. Embattled President Emmanuel Macron of the center-left La République en Marche (REM) was elected in 2017 but remains unpopular. Although his coalition won a majority of parliamentary seats in 2017 elections marked by a record-low turnout, Macron's planned economic reforms have stalled. France's diversified economy is led by tourism, manufacturing, and pharmaceuticals. The government has partially or fully privatized many large companies but maintains a strong presence in such sectors as power, public transport, and defense.

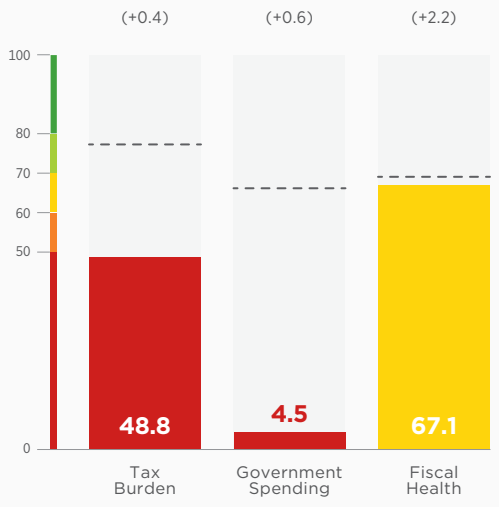
12 ECONOMIC FREEDOMS | FRANCE

RULE OF LAW



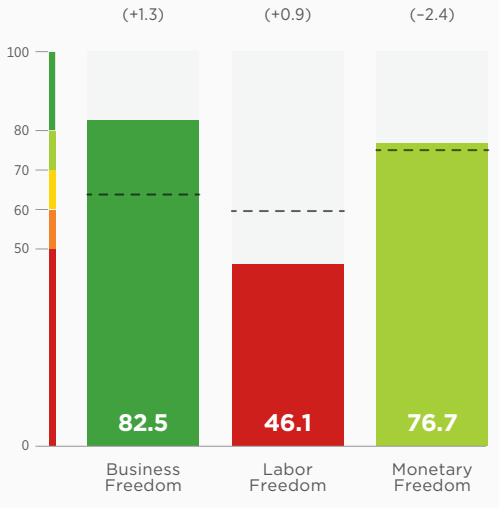
Real property rights are regulated by the French civil code and are uniformly enforced, although highly specialized lawyers are needed to handle residential and commercial conveyance and registration. France has robust laws protecting intellectual property rights. The judiciary is independent, and the judicial process is known to be competent, fair, and thorough albeit time-consuming. The government has strengthened its anticorruption legal framework.

GOVERNMENT SIZE



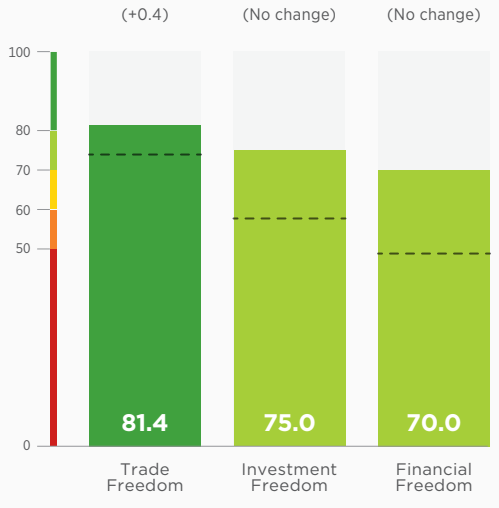
The top individual income tax rate is 45 percent, and the top corporate tax rate is 31 percent. Other taxes include a value-added tax. The overall tax burden equals 46.2 percent of total domestic income. Government spending has amounted to 56.4 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.9 percent of GDP. Public debt is equivalent to 98.6 percent of GDP.

REGULATORY EFFICIENCY



The overall managerial environment is bolstered by France's modern business culture, mature financial markets, skilled entrepreneurs, and well-protected intellectual property rights. Badly needed and long-postponed labor market reforms are finally in sight. The government has pledged to fight a planned post-Brexit 5 percent reduction in agricultural subsidies under the EU's Common Agricultural Policy (CAP).

OPEN MARKETS



The total value of exports and imports of goods and services equals 63.4 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. France has an additional 28 country-specific nontariff barriers. In May 2019, the PACTE Act, which strengthens foreign direct investment screening mechanisms, entered into force. The financial sector is competitive.

GABON

WORLD RANK:	REGIONAL RANK:
118	16

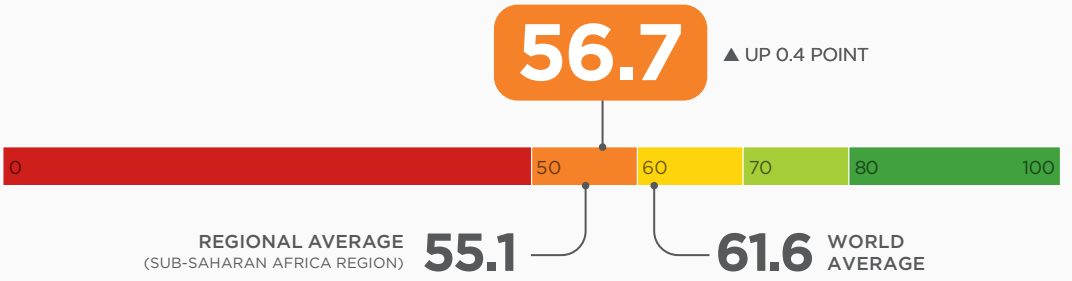
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Gabon's economic freedom score is 56.7, making its economy the 118th freest in the 2020 *Index*. Its overall score has increased by 0.4 point, helped by a slightly higher **property rights** score. Gabon is ranked 16th among 47 countries in the Sub-Saharan Africa region, and its overall score is slightly above the regional average and well below the world average.

With the exception of one year (1999), Gabon's economy has been in the mostly unfree category since the inception of the *Index* in 1995. GDP growth in the past five years has been feeble by developing-country standards but understandable in the context of an oil-based economy and lower global oil prices.

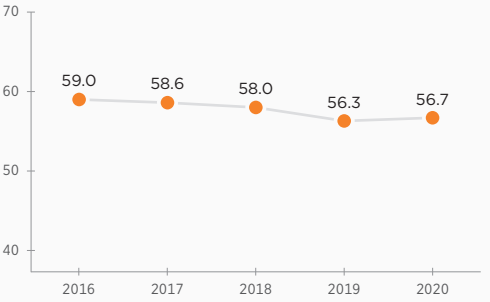
Recent political instability has further dampened already dim prospects for economic reform in Gabon. A ruling elite sustained by oil-sector revenues has little incentive to undertake regulatory reforms that might improve the business climate for entrepreneurs or increase labor freedom. Declining judicial effectiveness and levels of corruption that are among the worst in the world reflect the perilous state of the rule of law.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –0.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
2.1 million

GDP (PPP):
$38.0 billion
1.2% growth in 2018
5-year compound annual growth 2.4%
$18,496 per capita

UNEMPLOYMENT:
19.5%

INFLATION (CPI):
4.8%

FDI INFLOW:
$845.8 million

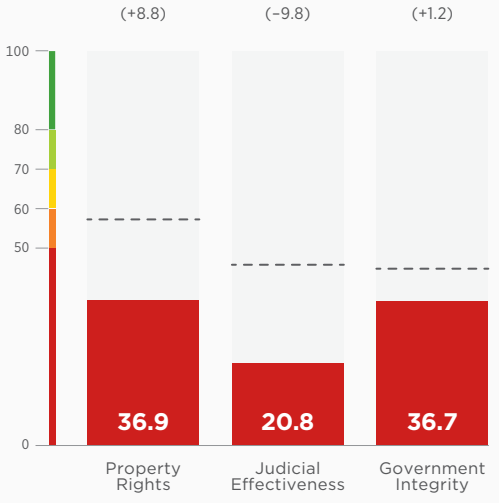
PUBLIC DEBT:
58.2% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Gabon gained independence from France in 1960 and was ruled by Omar Bongo for more than 40 years until his son, Ali Bongo Ondimba, became president in 2009. Opposition leaders accused the Bongo family of electoral fraud to ensure dynastic succession. Bongo secured his second seven-year term in disputed 2016 elections. He suffered an apparent stroke in 2018, and this was followed by an attempted military coup in 2019. Despite abundant natural wealth, poor fiscal management and overreliance on oil have stifled the economy. Power cuts and water shortages are frequent. Gabon has one of Africa's highest average per capita incomes, but oil wealth is held by few, and most Gabonese live in poverty.

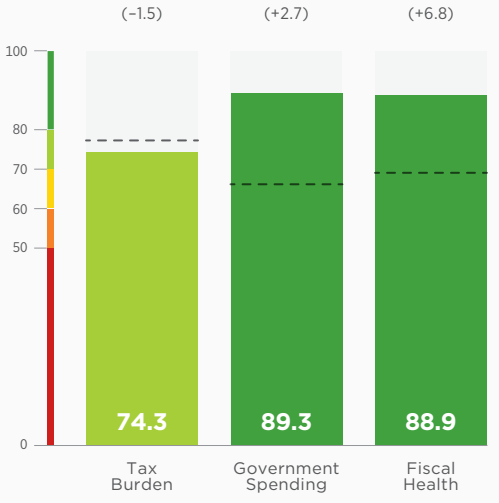
12 ECONOMIC FREEDOMS | GABON

RULE OF LAW



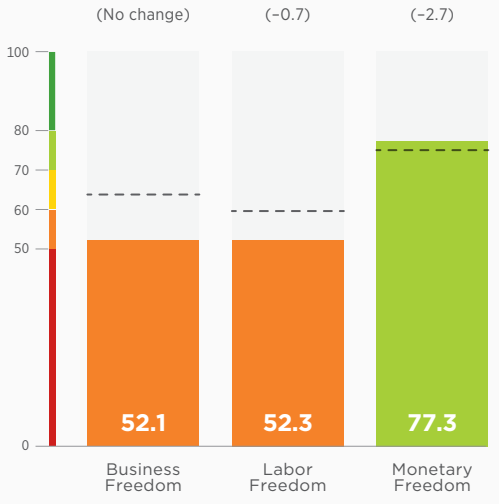
At least 85 percent of Gabon's land area is legally owned by the state. Enforcement of contracts and property rights is weak, and the process for property registration is lengthy. The judiciary is inefficient and not independent. Dispute resolution takes nearly three years on average. Corruption and impunity remain major problems. Authorities have reportedly used anticorruption efforts to target opponents of the regime.

GOVERNMENT SIZE



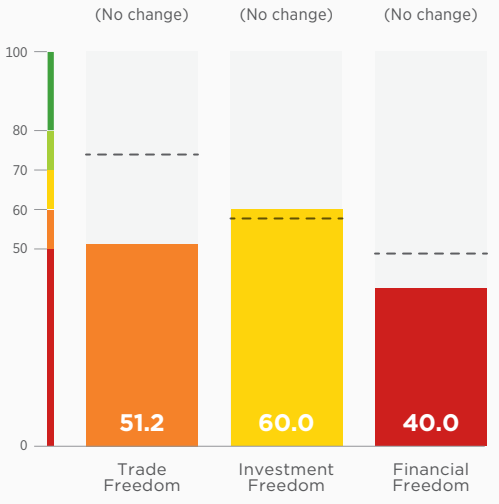
The top individual income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax. The overall tax burden equals 21.1 percent of total domestic income. Government spending has amounted to 18.9 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.7 percent of GDP. Public debt is equivalent to 58.2 percent of GDP.

REGULATORY EFFICIENCY



Rules regarding business practices lack transparency. The levying of the new special solidarity contribution tax and the tax for professional training has made running a business more costly. Rigid labor regulations prevent more vibrant employment growth. In recent years, rates of inflation have been at generally low levels of less than 3 percent due to government subsidies on many basic goods, including food staples.

OPEN MARKETS



The total value of exports and imports of goods and services equals 75.1 percent of GDP. The average applied tariff rate is 16.9 percent, and two nontariff measures are in force. Political influence and inadequate infrastructure impede dynamic investment growth. The underdeveloped financial sector is controlled by the state. Credit costs are high, and the state-owned development bank controls long-term lending.

THE GAMBIA

WORLD RANK: **123** | REGIONAL RANK: **18**

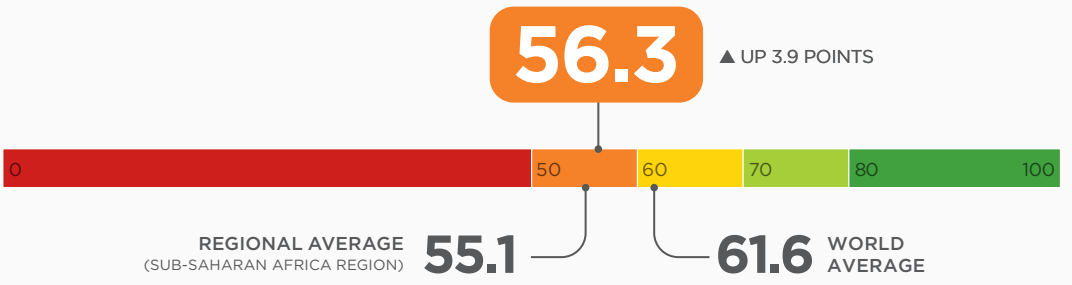
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

The Gambia's economic freedom score is 56.3, making its economy the 123rd freest in the 2020 *Index*. Its overall score has increased by 3.9 points, reflecting a large improvement in **fiscal health**. The Gambia is ranked 18th among 47 countries in the Sub-Saharan Africa region, and its overall score is approximately equal to the regional average and well below the world average.

The Gambian economy has been mostly unfree since the beginning of its *Index* scoring in 1997. GDP growth has been stronger, aided by rebounding tourism, a recovery in private-sector credit, and increased investment in public infrastructure funded by foreign aid.

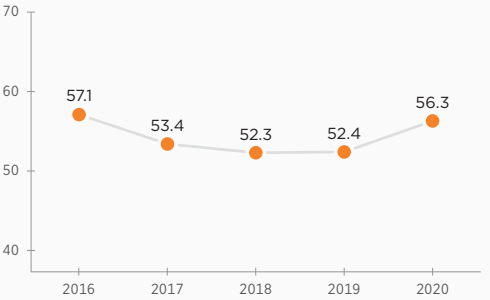
The new government has been pursuing policy initiatives (such as simplifying regulatory complexities, reducing corporate taxes, and easing access to land) that are intended to rebuild investors' confidence. These would improve business freedom and perhaps financial freedom. To expand economic freedom, however, the government would have to focus intensively on measures to strengthen the rule of law.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1997): +3.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
2.2 million

GDP (PPP):
$6.1 billion
6.6% growth in 2018
5-year compound annual growth 3.3%
$2,792 per capita

UNEMPLOYMENT:
8.9%

INFLATION (CPI):
6.5%

FDI INFLOW:
$29.1 million

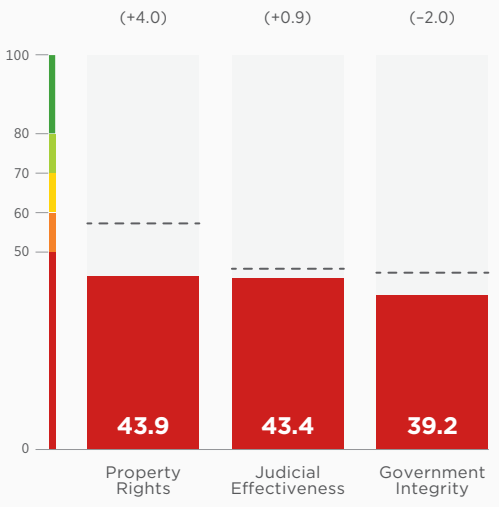
PUBLIC DEBT:
83.2% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The Gambia gained independence from the United Kingdom in 1965. Dictator Yahya Jammeh took power in 1994 and won a fourth term in 2011 in flawed elections. Adama Barrow defeated Jammeh in the 2016 presidential election. After Jammeh refused to step down, Economic Community of West African States member countries intervened militarily in 2017 and forced him to leave the country. In 2019, *The Guardian* reported official estimates that Jammeh's regime looted nearly $1 billion of public funds. The new government is courting Chinese investment and has signed a duty-free trade agreement with China. The Gambia's eponymous river is surrounded geographically by Senegal, and revenue depends heavily on peanut exports, leaving the economy vulnerable to price fluctuations and market shocks.

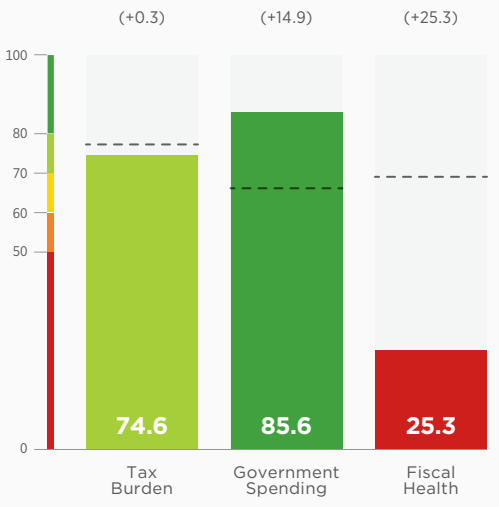
12 ECONOMIC FREEDOMS | THE GAMBIA

RULE OF LAW



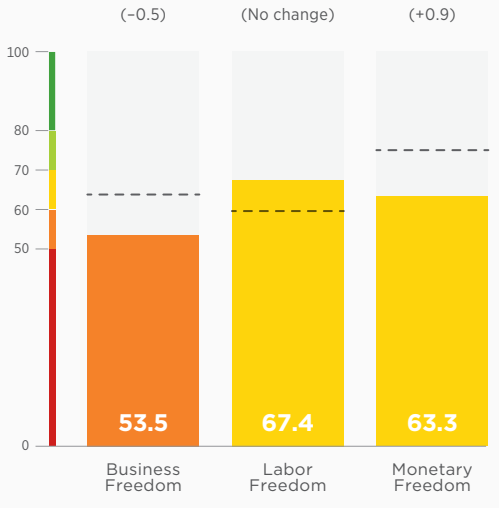
Property rights are protected only weakly in practice, but the government has pledged to enforce them and to issue reliable title deeds. Although the courts are not totally free from executive branch influence, they occasionally demonstrate independence. Laws are in place to combat corruption by public officials, but the government has undertaken only limited initiatives to reduce corruption, which remains a serious problem.

GOVERNMENT SIZE



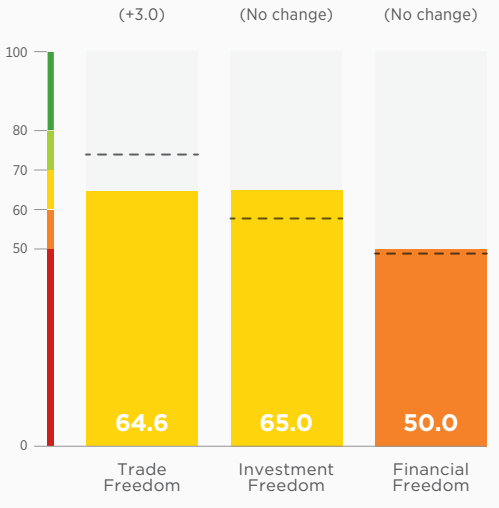
The top personal income tax rate is 35 percent, and the top corporate tax rate is 32 percent. Other taxes include capital gains and sales taxes. The overall tax burden equals 17.2 percent of total domestic income. Government spending has amounted to 21.9 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 6.2 percent of GDP. Public debt is equivalent to 83.2 percent of GDP.

REGULATORY EFFICIENCY



Financial mismanagement and graft under the Jammeh regime harmed business freedom. Regulatory transparency needs improvement. Private business activity has recently been on the rise, but an efficient labor market has not developed. Chronic unemployment persists. The large financial deficits of the highly indebted state-owned National Water and Electricity Company and other public enterprises are a particularly acute problem.

OPEN MARKETS



The total value of exports and imports of goods and services equals 62.1 percent of GDP. The average applied tariff rate is 12.7 percent, and one nontariff measure is in force. Foreign and domestic investments generally receive equal treatment, but the overall investment environment remains poor. The banking sector has expanded and benefited from increased competition. Credit to the private sector has gradually increased.

GEORGIA

WORLD RANK:	REGIONAL RANK:
12	6

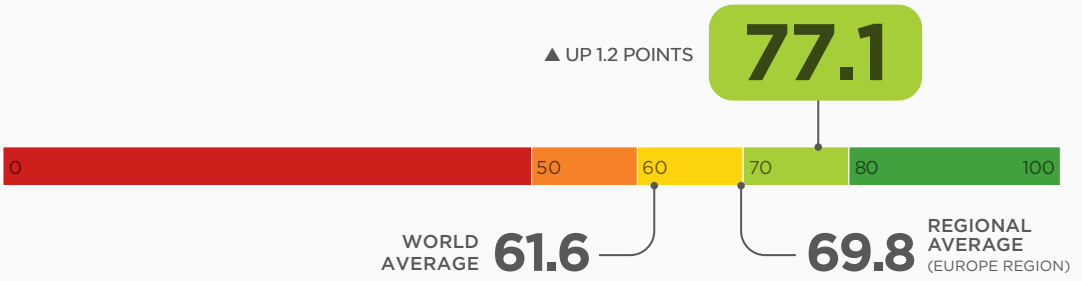
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Georgia's economic freedom score is 77.1, making its economy the 12th freest in the 2020 *Index*. Its overall score has increased by 1.2 points with noticeable improvements on all indicators related to the rule of law. Georgia is ranked 6th among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

The Georgian economy continues its spectacular, seven-year run up the ranks of the mostly free. GDP has also been expanding at a healthy rate for the past five years.

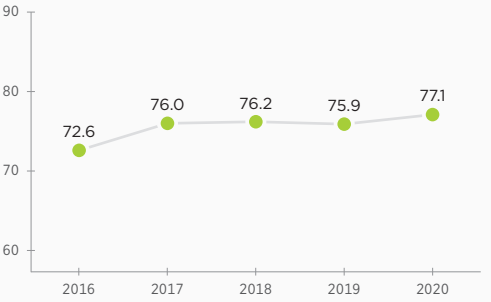
Multi-year reforms to reduce corruption, cut regulation, and simplify taxes have led to upward movement in all aspects of economic freedom. A top-10 ranking will require even more intensive efforts to improve perceptions of government integrity and judicial effectiveness. A good first step to avoid controversies over judicial appointments would be legislative action to protect the independence of the judiciary.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +33.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
3.7 million

GDP (PPP):
$42.6 billion
4.7% growth in 2018
5-year compound annual growth 4.0%
$11,485 per capita

UNEMPLOYMENT:
14.1%

INFLATION (CPI):
2.6%

FDI INFLOW:
$1.2 billion

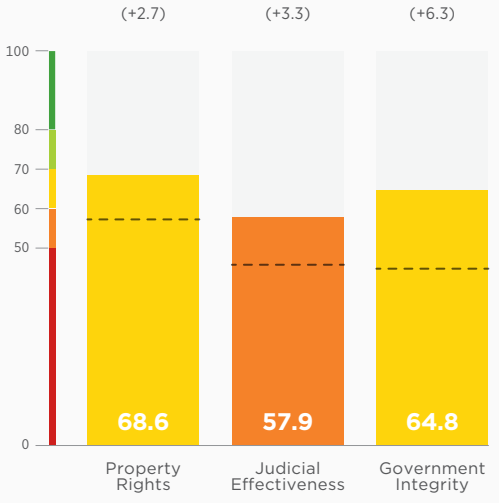
PUBLIC DEBT:
44.5% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Georgia was forcibly incorporated into the Soviet Union in 1921 and regained its independence in 1991. Russia invaded Georgia in 2008 and continues to occupy the South Ossetia and Abkhazia regions, which account for approximately 20 percent of Georgia's territory. Weeks of protests in mid-2019 highlighted continuing Georgia–Russia tensions. Georgian Dream continues to be the country's ruling party, but Mamuka Bakhtadze was replaced as prime minister in September 2019 by controversial Minister of Internal Affairs Gerogi Gakharia, whose resignation had been demanded during the protests. Georgia's economy has improved noticeably after years of economic recession. Agriculture and related industries employ over half of the workforce. Georgia remains an official aspirant for NATO membership.

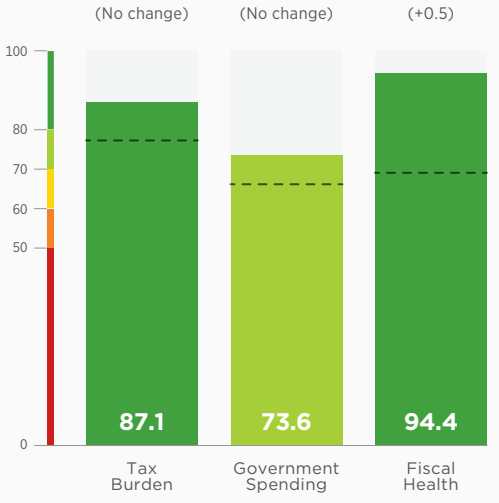
12 ECONOMIC FREEDOMS | GEORGIA

RULE OF LAW



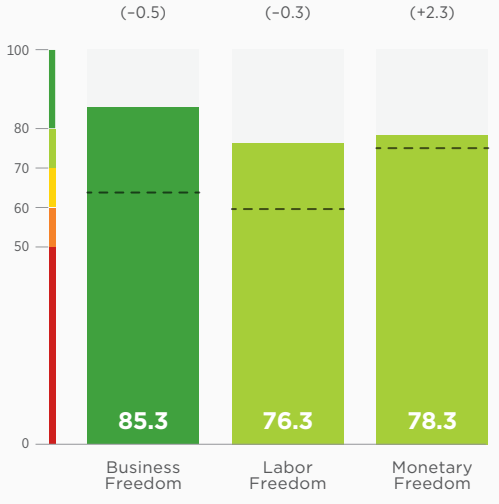
Secured interests in both real and personal property are recognized and recorded, but deficiencies in court operations can keep investors from realizing their rights in property offered as collateral. Despite ongoing judicial reforms, substantial executive and legislative interference in the courts persists. Georgia has made great progress in fighting petty corruption, but high-level "elite corruption" by public officials remains a problem.

GOVERNMENT SIZE



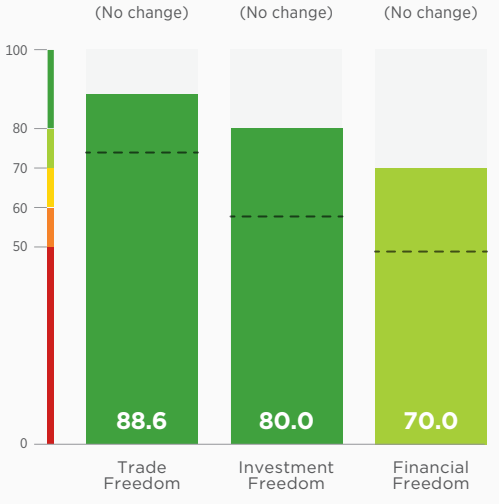
The flat individual income tax rate is 20 percent, and the flat corporate tax rate is 15 percent. Other taxes include value-added and dividends taxes. The overall tax burden equals 25.7 percent of total domestic income. Government spending has amounted to 9.6 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.0 percent of GDP. Public debt is equivalent to 44.5 percent of GDP.

REGULATORY EFFICIENCY



Georgia has recently made a number of business-friendly changes, although requiring that a value-added tax must be levied on advance payments for goods and services has increased business costs. Business friendliness outstrips business friendliness in other post-Soviet countries. Labor costs are low. Privatization of many water and power utility companies in Georgia has reduced the cost of government subsidies.

OPEN MARKETS



The total value of exports and imports of goods and services equals 121.7 percent of GDP. The average applied tariff rate is 0.7 percent, and 66 nontariff measures are in force. Foreign and domestic investments receive equal treatment, but transparency is an issue. With the banking sector growing and modernized, access to financing has improved. The stock exchange is small and underdeveloped.

GERMANY

WORLD RANK: **27** | REGIONAL RANK: **14**

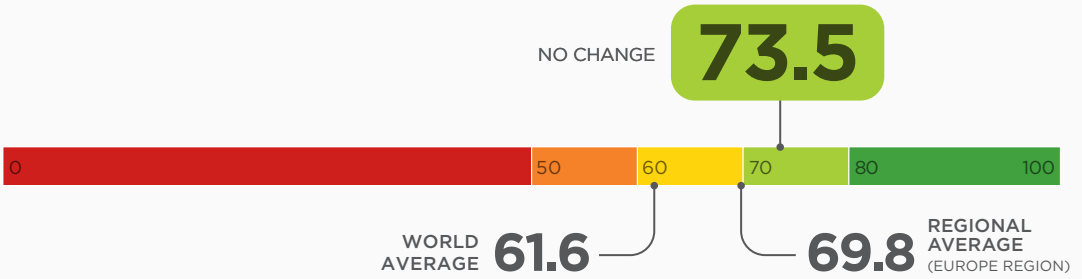
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Germany's economic freedom score is 73.5, making its economy the 27th freest in the 2020 *Index*. Its overall score is unchanged from the 2019 *Index*, with an uptick in the **government integrity** score offset by a drop in **judicial effectiveness**. Germany is ranked 14th among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

The German economy has resided in the lower half of the mostly free ranks for more than a decade. GDP growth has been expanding steadily although perhaps less than optimally.

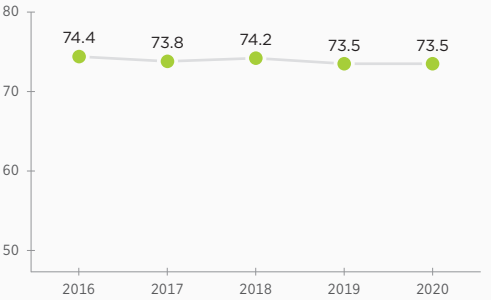
Excessive government spending and costly labor regulations are the chief culprits slowing the expansion of economic freedom and the economy itself in Germany. Prospects for market-oriented reforms in either category are slim under the current administration. The government has doubled down on an expensive package of measures to address climate change that *The Economist* estimates will cost €54 billion by 2023.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +3.7

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
82.9 million

GDP (PPP):
$4.4 trillion
1.5% growth in 2018
5-year compound annual growth 1.9%
$52,559 per capita

UNEMPLOYMENT:
3.4%

INFLATION (CPI):
1.9%

FDI INFLOW:
$25.7 billion

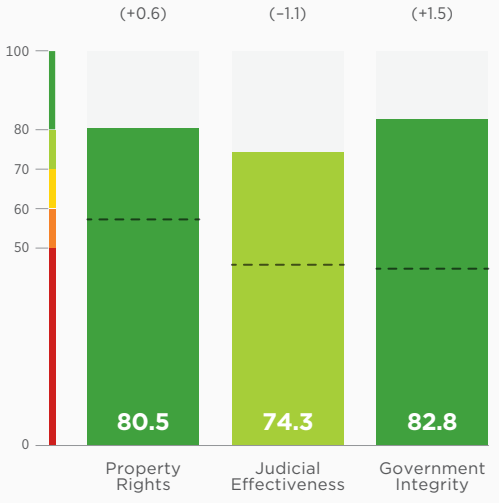
PUBLIC DEBT:
59.8% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Germany remains the European Union's most politically and economically influential member nation. Chancellor Angela Merkel, in office since 2005, secured a fourth term in 2018 when her centrist Christian Democratic Union and Christian Social Union parties formed a tenuous coalition with the Social Democratic Party after inconclusive 2017 parliamentary elections. The ongoing political stalemate and the general weakness of centrist political parties have hampered the government's ability to address key issues. Germany's solid economy, the world's fourth largest and Europe's largest, is based on exports of high-quality manufactured goods. Germany has come under fire from other European countries and the United States for its low level of defense spending and construction of a second natural gas pipeline link with Russia.

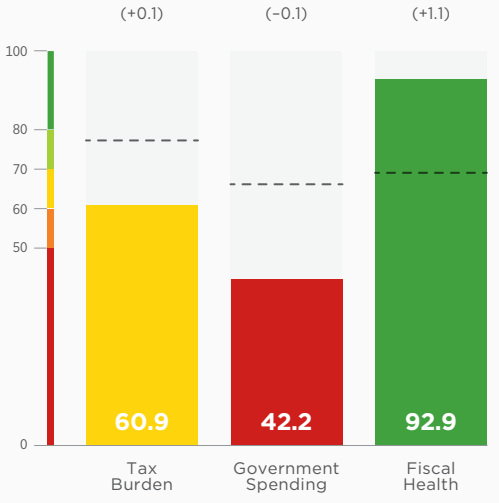
12 ECONOMIC FREEDOMS | GERMANY

RULE OF LAW



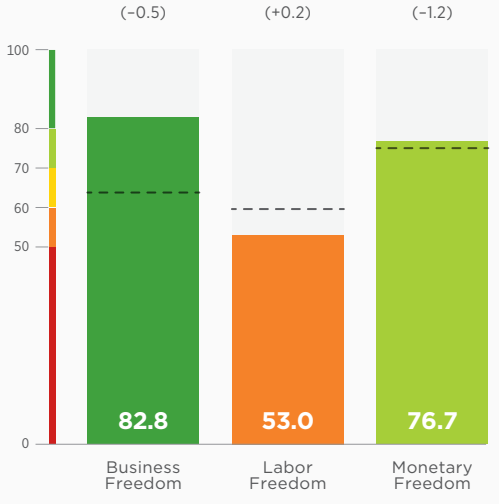
Under the government's policy of national treatment, property owned by foreigners is fully protected under German law. Secured interests in property, both chattel and real, are recognized and enforced. The judiciary is independent, judges are highly competent, and the rule of law prevails. Rare cases of public corruption occur (for example, in the construction sector), but corrupt acts are typically prosecuted and punished.

GOVERNMENT SIZE



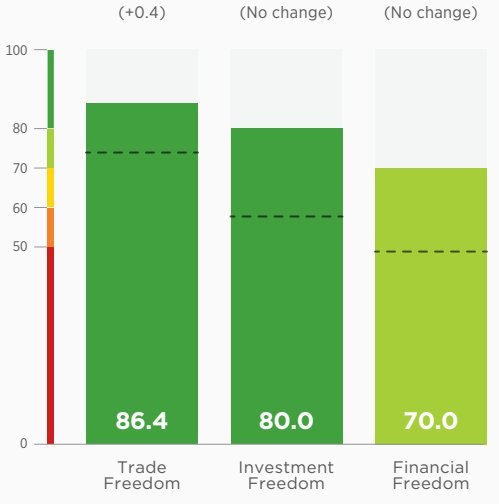
The top personal income tax rate is 47.5 percent (including a 5.5 percent surcharge). The federal corporate rate is 15.8 percent (effectively above 30 percent with other taxes). The tax burden equals 37.5 percent of total domestic income. Government spending has amounted to 43.9 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 1.2 percent of GDP. Public debt is equivalent to 59.8 percent of GDP.

REGULATORY EFFICIENCY

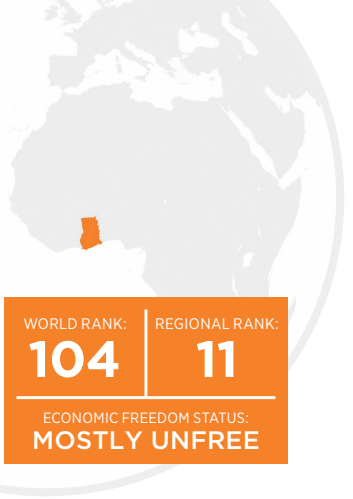


Germany's legal, regulatory, and accounting systems can be complicated but are transparent and generally applied evenly. The nationwide statutory minimum wage was raised again in 2019. Germany's "dual vocational training" teaches and develops practical skills that employers value. The government continues to fund heavy green energy subsidies, especially for electric vehicles, although falling technology costs may permit those subsidies to be reduced.

OPEN MARKETS



The total value of exports and imports of goods and services equals 87.2 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Germany has one additional country-specific nontariff barrier. In late 2018, the government expanded the scope of its foreign direct investment screening mechanism. The competitive financial sector offers a full range of services.



WORLD RANK: **104** | REGIONAL RANK: **11**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

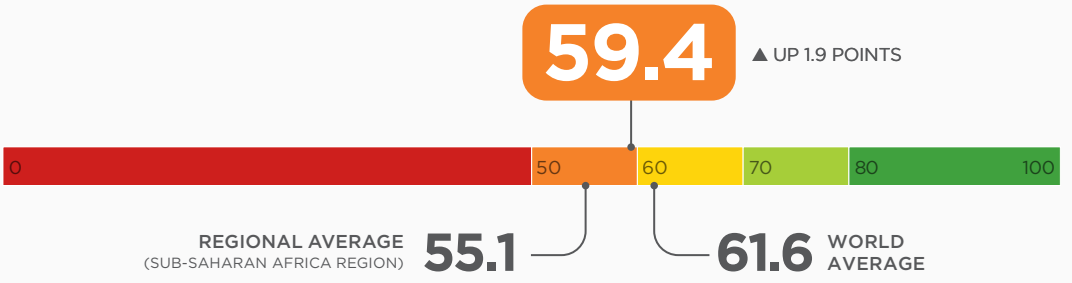
GHANA

Ghana's economic freedom score is 59.4, making its economy the 104th freest in the 2020 *Index*. Its overall score has increased by 1.9 point, helped by a higher **fiscal health** score. Ghana is ranked 11th among 47 countries in the Sub-Saharan Africa region, and its overall score is well above the regional average and slightly below the world average.

The Ghanaian economy has been in the mostly unfree category since 2017, although it has been progressing back toward the moderately free ranks for the past two years. An acceleration of GDP growth matches that rise, although much of it derives from the expanding oil and gas sector.

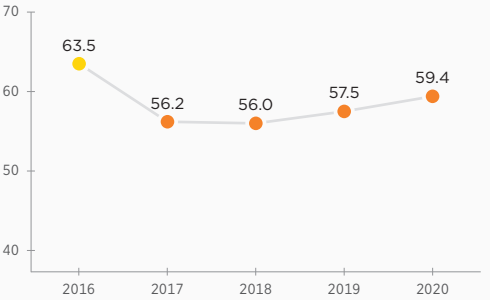
For Ghana to return to the ranks of the moderately free and stimulate growth of the nonoil sector, the government needs to strengthen fiscal health by not contracting additional debt (including from China) and prioritize further improvements in the three rule-of-law indicators: property rights, judicial effectiveness, and government integrity.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +3.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
29.6 million

GDP (PPP):
$190.7 billion
5.6% growth in 2018
5-year compound annual growth 4.5%
$6,452 per capita

UNEMPLOYMENT:
6.7%

INFLATION (CPI):
9.8%

FDI INFLOW:
$3.0 billion

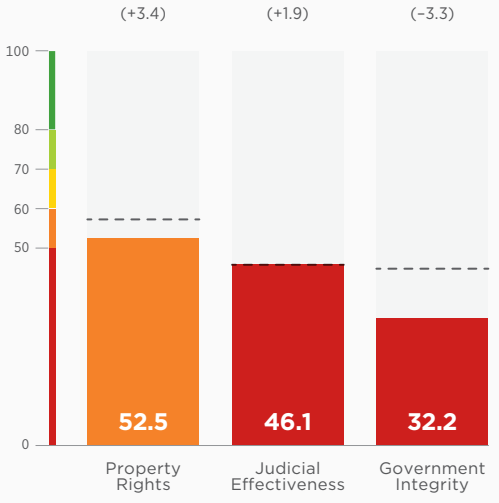
PUBLIC DEBT:
59.6% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Formed from the British colony of Gold Coast and the Togoland trust territory in 1957, Ghana became the first sub-Saharan country to gain its independence. It has been a stable democracy since 1992. In 2016, President John Dramani Mahama of the National Democratic Congress lost his bid for reelection to Nana Akufo-Addo of the New Patriotic Party, marking the third time that the presidency has changed parties since the return to democracy. The long-running and escalating conflict between farmers and herders in Ghana's North mirrors a trend in other parts of West Africa. Ghana is Africa's second-biggest gold producer and second-largest cocoa producer in addition to being rich in diamonds and oil.

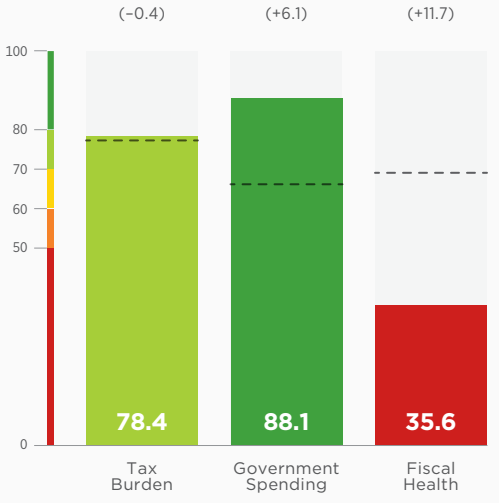
12 ECONOMIC FREEDOMS | GHANA

RULE OF LAW



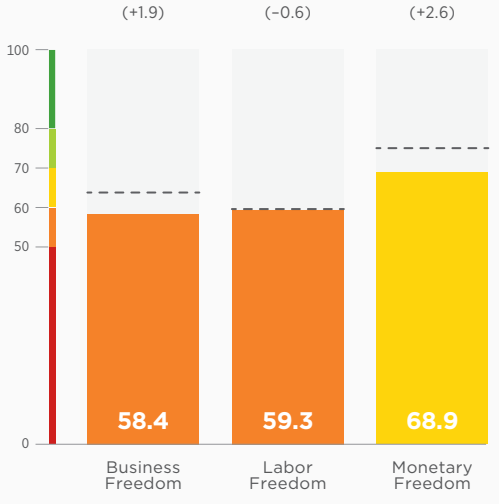
Secured interest in property is recognized and enforced, although the process for getting clear title over land is difficult, complicated, and lengthy. Ghana's legal system is based on British common law and local customary law. Scarce resources compromise and delay the judicial process, and poorly paid judges are tempted by bribes. Corruption, although comparatively less prevalent than elsewhere in the region, remains a serious problem.

GOVERNMENT SIZE



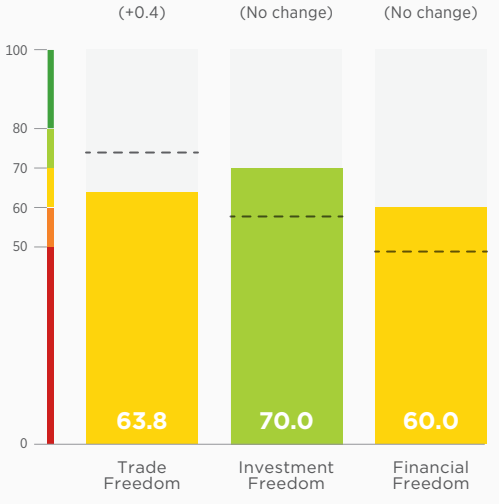
The top personal income tax rate has been raised to 35 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 17.6 percent of total domestic income. Government spending has amounted to 20 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 6.0 percent of GDP. Public debt is equivalent to 59.6 percent of GDP.

REGULATORY EFFICIENCY



Some progress has been made in enabling business success, but financial services, electricity, and water supply remain expensive. The bureaucracy is burdensome. Labor laws are relatively rigid, and child labor remains a severe problem. The government's efforts to restructure its debt-ridden, subsidized, and state-dominated energy sector advanced in 2019 when the Electricity Company of Ghana (ECG) was partially privatized.

OPEN MARKETS



The total value of exports and imports of goods and services equals 73.6 percent of GDP. The average applied tariff rate is 10.6 percent, and three nontariff measures are in force. Although the government generally does not discriminate against foreign investors except in key sectors, the overall investment regime lacks efficiency and transparency. The financial sector has undergone restructuring, but access to financing remains limited.

GREECE

WORLD RANK: **100** | REGIONAL RANK: **44**

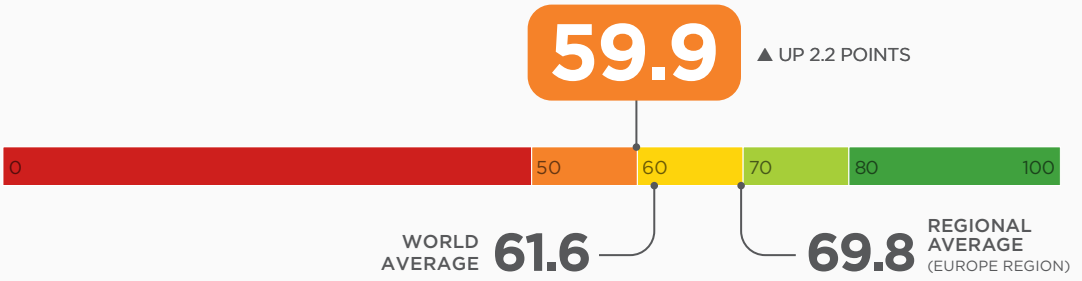
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Greece's economic freedom score is 59.9, making its economy the 100th freest in the 2020 *Index*. Its overall score has increased by 2.2 points, primarily because of a higher **government integrity** score. Greece is ranked 44th among 45 countries in the Europe region, and its overall score is well below the regional average and slightly below the world average.

The Grecian economy has been in the mostly unfree category since the beginning of the second Greek financial crisis in 2012. GDP growth during that period has likewise been extremely depressed and has only begun to recover.

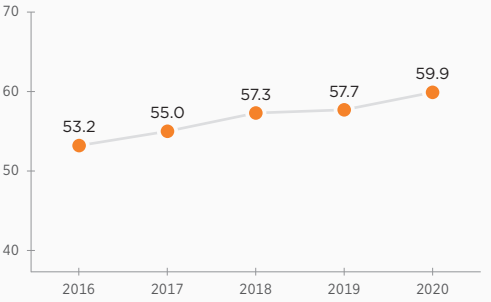
The new government will likely focus on actions to preserve strong gains made in tourism arrivals and competitiveness. Since Greece remains subject to the strict policy conditionality imposed by the "Troika" (the European Commission, European Central Bank, and IMF), to protect these gains and expand economic freedom, both financial freedom and the investment climate will have to be improved.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –1.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
10.7 million

GDP (PPP):
$312.7 billion
2.1% growth in 2018
5-year compound annual growth 0.7%
$29,123 per capita

UNEMPLOYMENT:
19.2%

INFLATION (CPI):
0.8%

FDI INFLOW:
$4.3 billion

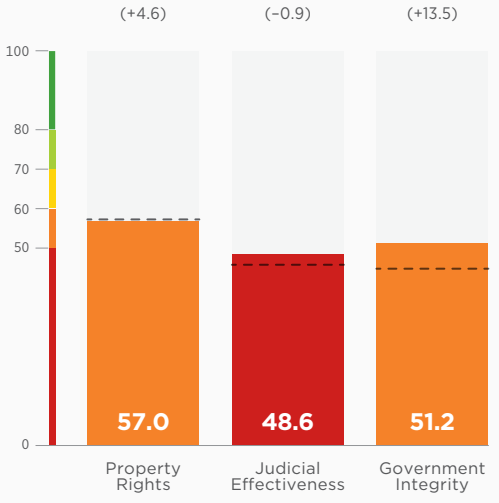
PUBLIC DEBT:
183.3% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Independent from the Ottoman Empire since 1830, Greece joined NATO in 1952 and the European Union in 1981 and entered the eurozone in 2002. New Prime Minister Kyriakos Mitsotakis led his center-right New Democracy party to a comfortable victory over the left-wing Syriza party in a July 2019 snap election. In 2018, Greece exited from an eight-year bailout program conditioned on economic reforms and deeply unpopular austerity measures. Economic growth has recovered, led by shipping and tourism, but unemployment and public debt remain high. Significant Chinese investment includes a controlling stake in the port of Piraeus. An agreement ratified by Greek voters in January 2019 led to the resolution of a long-standing name dispute with North Macedonia.

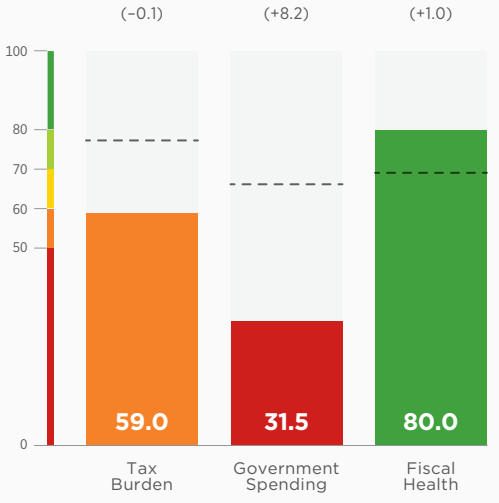
12 ECONOMIC FREEDOMS | GREECE

RULE OF LAW



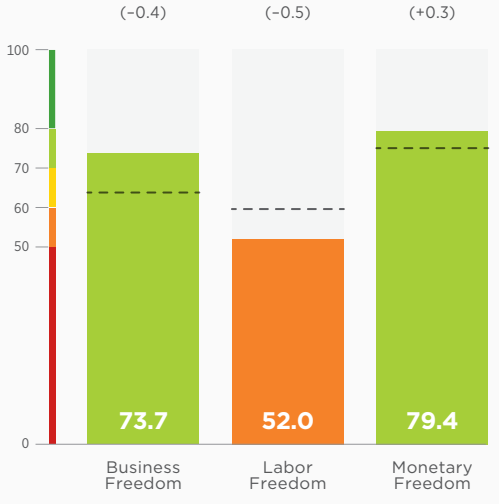
Greek laws extend protection of property rights to both foreign and Greek nationals, but enforcement is inadequate because of bureaucratic obstacles. Although independent, the judiciary is inefficient, slow, and understaffed. Official corruption has complicated the government's fiscal reform efforts. Anticorruption institutions are inadequately resourced. The vast majority of employees in Greek businesses regard corruption as widespread.

GOVERNMENT SIZE



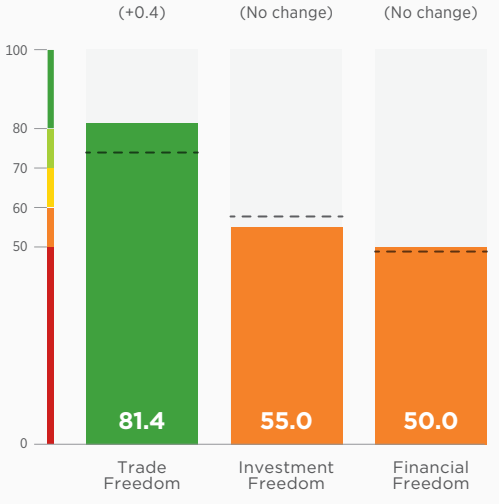
The top personal income tax rate is 42 percent, and the top corporate tax rate is 28 percent. The overall tax burden equals 39.4 percent of total domestic income. Government spending has amounted to 47.8 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 0.7 percent of GDP. Public debt is equivalent to 183.3 percent of GDP.

REGULATORY EFFICIENCY



High taxes cause many businesses to operate in the shadows of the black market. Registering property was recently made more difficult by a requirement for a tax certificate when registering a property transfer. Labor regulations are restrictive. Many workers do not report their income. The government opposes a planned 5 percent post-Brexit reduction of EU Common Agricultural Policy subsidies, calling it a threat to the Greek agricultural sector.

OPEN MARKETS



The total value of exports and imports of goods and services equals 72.5 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. The inefficient investment regime is constrained by a lack of transparency. The number of domestic credit institutions has diminished drastically since 2009, and state involvement in the financial sector continues.

GUATEMALA

WORLD RANK: **73**

REGIONAL RANK: **14**

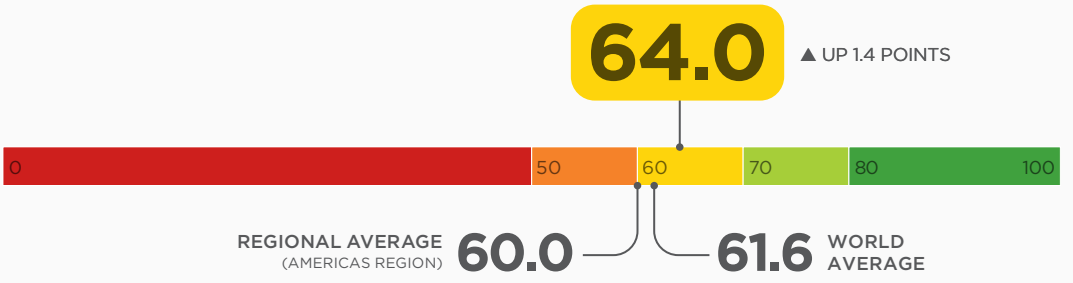
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Guatemala's economic freedom score is 64.0, making its economy the 73rd freest in the 2020 *Index*. Its overall score has increased by 1.4 points, primarily because of a higher **business freedom** score. Guatemala is ranked 14th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

The Guatemalan economy has slowly been climbing the ranks of the moderately free for the past decade, and that improvement has been matched by healthy GDP growth.

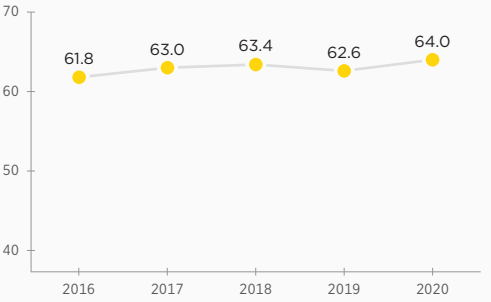
The challenge now is to expand economic freedom more rapidly in order to improve the prospects for more substantial and broad-based growth. To achieve those goals, the new government will need to liberalize the financial system and prioritize reforms in such institutions as the courts, the prosecutors, and other law enforcement agencies. Improvements in the property registration system are also needed to avoid conflicts over land ownership.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +2.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
17.3 million

GDP (PPP):
$145.6 billion
3.1% growth in 2018
5-year compound annual growth 3.5%
$8,436 per capita

UNEMPLOYMENT:
2.7%

INFLATION (CPI):
3.8%

FDI INFLOW:
$1.1 billion

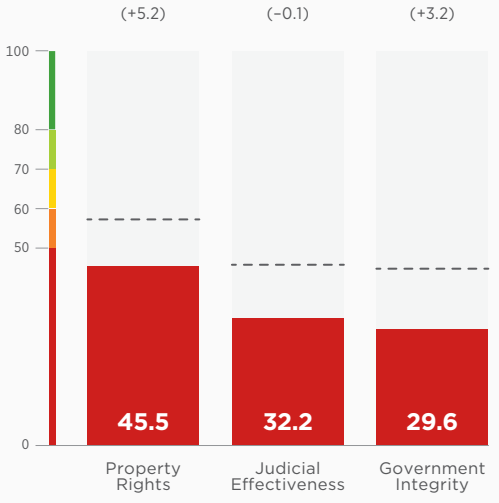
PUBLIC DEBT:
24.5% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: After a multidecade guerrilla war that killed more than 200,000 people ended in 1996, macroeconomic and political reforms attracted foreign investment in Guatemala. Political neophyte Jimmy Morales began a four-year term as president in 2016, but his administration was plagued by serious allegations of corruption. Alejandro Giammattei of the center-right Vamos party was elected to succeed him in an August 2019 election that was marked by low turnout and focused on public corruption, inclusive economic growth, and job creation to forestall emigration pressures. More than half of the population lives in poverty, and 50 percent of children under five years of age are chronically malnourished. Rampant insecurity related to drug trafficking and gang violence continues to impede economic development.

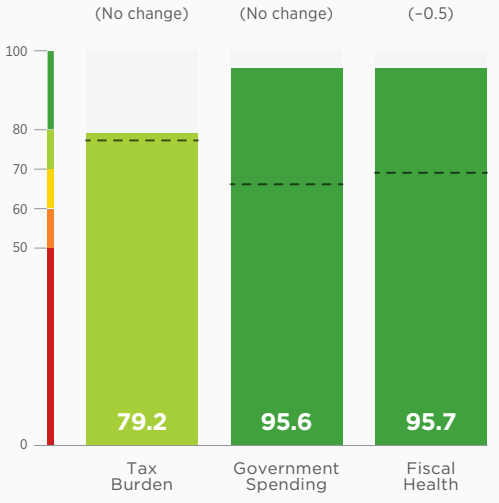
12 ECONOMIC FREEDOMS | GUATEMALA

RULE OF LAW



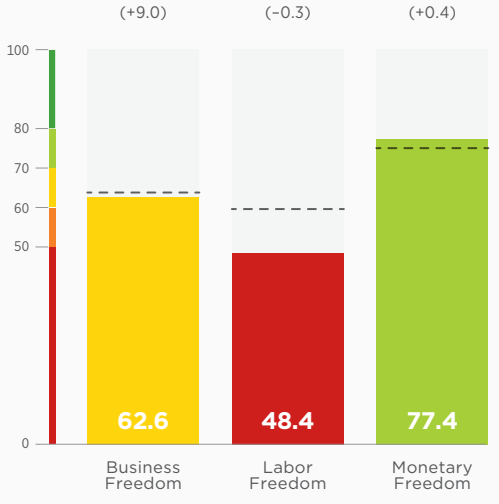
Although the government maintains a registry system for real property, defects in titles and ownership gaps in the public record can lead to conflicting claims of land ownership, especially in rural areas. The judiciary is hobbled by corruption, inefficiency, capacity shortages, and the intimidation of judges and prosecutors. Corruption and mismanagement remain widespread, especially in the customs and tax agencies.

GOVERNMENT SIZE



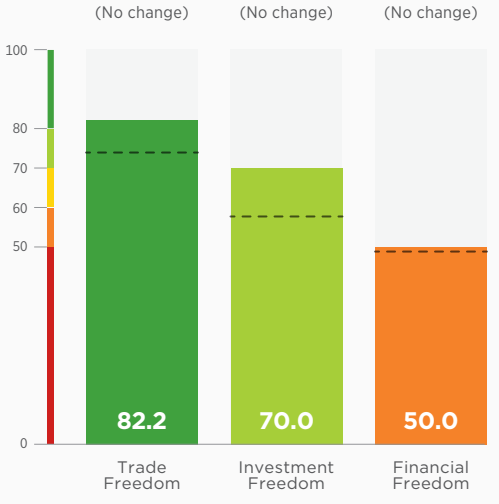
The top individual income and corporate tax rates are 31 percent. Other taxes include value-added and real estate taxes. The overall tax burden equals 12.4 percent of total domestic income. Government spending has amounted to 12.1 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.4 percent of GDP. Public debt is equivalent to 24.5 percent of GDP.

REGULATORY EFFICIENCY



The fees and minimum capital requirements for starting a business have been lowered, but bureaucratic hurdles and confusing regulations can still impede private businesses. There is an education mismatch, with secondary and tertiary education focused on social science careers at a time when technical and managerial workers are in short supply. There are few price controls, but poorly targeted subsidies (for example, for electricity) continue.

OPEN MARKETS



The total value of exports and imports of goods and services equals 45.8 percent of GDP. The average applied tariff rate is 1.4 percent, and 30 nontariff measures are in force. Foreign investors technically receive national treatment, but regulatory hurdles can serve as barriers to investment. The financial sector is dominated by bank-centered financial conglomerates, and the five largest banks account for over 60 percent of total assets.

WORLD RANK: **121**

REGIONAL RANK: **17**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

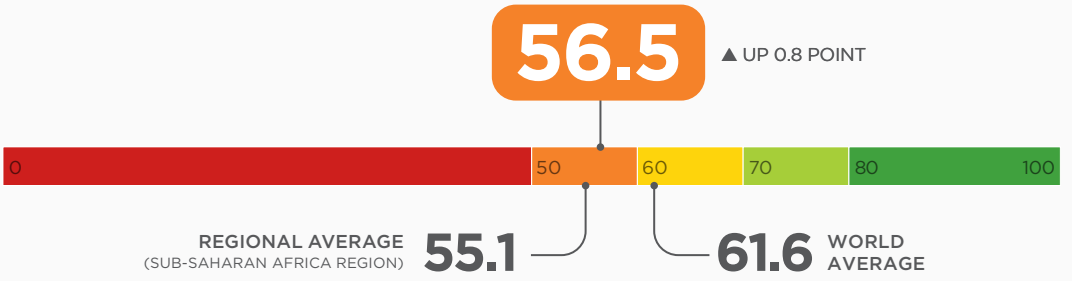
GUINEA

Guinea's economic freedom score is 56.5, making its economy the 121st freest in the 2020 *Index*. Its overall score has increased by 0.8 point due to an improvement in the score for **fiscal health**. Guinea is ranked 17th among 47 countries in the Sub-Saharan Africa region, and its overall score is slightly above the regional average and well below the world average.

With a few exceptions, the Guinean economy has been in the mostly unfree category since the inception of the *Index* in 1995. GDP growth, however, has been robust, driven by mining exports and investment.

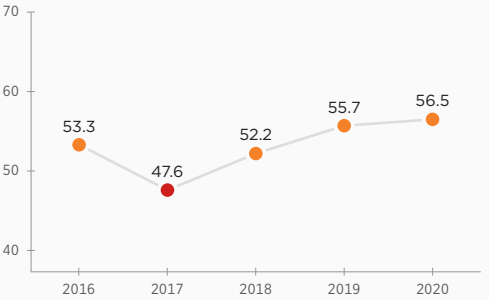
Guinea is one of the world's poorest countries. The lack of political stability is a serious drag on business confidence, and the export earnings from extractive industries have not generated either broad-based economic activity or the development of domestic markets. Any serious effort to move toward greater economic freedom will need to start with a serious effort to address corruption and improve the rule of law.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –2.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
13.3 million

GDP (PPP):
$30.7 billion
5.8% growth in 2018
5-year compound annual growth 6.7%
$2,310 per capita

UNEMPLOYMENT:
3.6%

INFLATION (CPI):
9.7%

FDI INFLOW:
$482.7 million

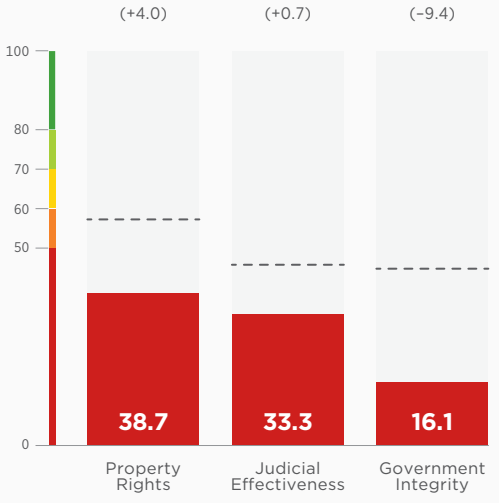
PUBLIC DEBT:
38.7% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: In 2010, Alpha Condé won Guinea's first presidential election since independence from France in 1958, but the election was marred by irregularities and political violence. Condé easily won a second five-year term in 2015 after the opposition boycotted the elections. His Rally of the Guinean People coalition lost its slim parliamentary majority in 2017. As a result of a constitutional change, and despite hundreds of Guineans being killed during violent anti-Condé protests in 2018 and 2019, Condé was expected to be elected to a third term in late 2019 or 2020. Guinea has huge bauxite reserves and large deposits of iron ore, gold, and diamonds. Despite this great mineral wealth, however, many Guineans face a dearth of jobs, power cuts, and a lack of drinking water.

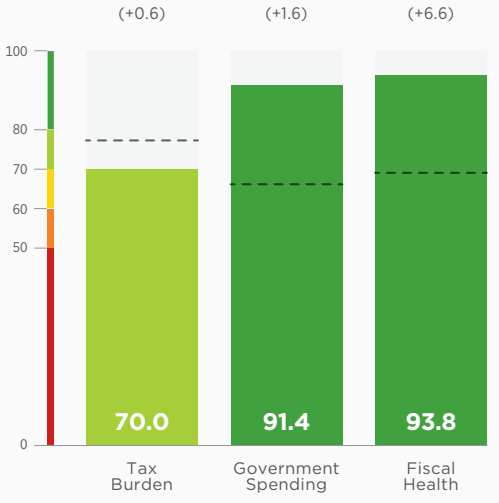
12 ECONOMIC FREEDOMS | GUINEA

RULE OF LAW



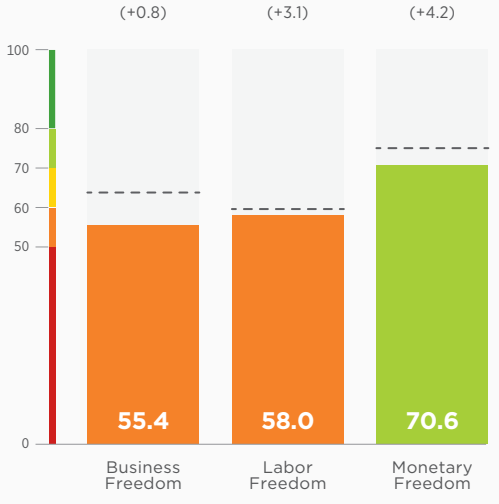
Land sales and business contracts generally lack transparency. Enforcement of property rights depends on the inefficient Guinean legal and administrative system. The same piece of land may have several overlapping deeds. Although the constitution and law provide for an independent judiciary, the judicial system lacks independence and is underfunded, inefficient, and vulnerable to corruption. A pervasive culture of impunity and corruption hampers business activity.

GOVERNMENT SIZE



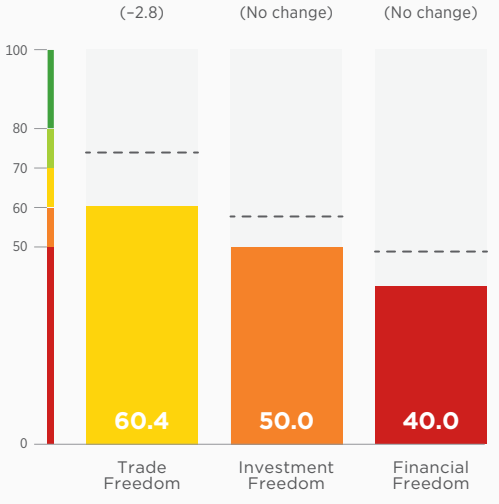
The top personal income tax rate is 40 percent, and the top corporate tax rate is 35 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 13.3 percent of total domestic income. Government spending has amounted to 16.9 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.4 percent of GDP. Public debt is equivalent to 38.7 percent of GDP.

REGULATORY EFFICIENCY



Guinea has made some regulations and fees simpler and less costly. Small and medium-size companies often face a shortage of credit availability. The labor force participation rate has increased. Mandatory benefits are avoided by the hiring of contractors. Widespread, illegal, and dangerous child labor persists. Guinea maintains some state-owned enterprises for public utilities (water and electricity), but the government is gradually privatizing them.

OPEN MARKETS



The total value of exports and imports of goods and services equals 132.1 percent of GDP. The average applied tariff rate is 12.3 percent, and nontariff barriers further constrain trade freedom. Political instability has deterred foreign investment. The financial sector remains underdeveloped. The country has fewer than 10 commercial banks, and most economic activity remains outside of the formal banking sector.

GUINEA–BISSAU

WORLD RANK: **148** | REGIONAL RANK: **32**

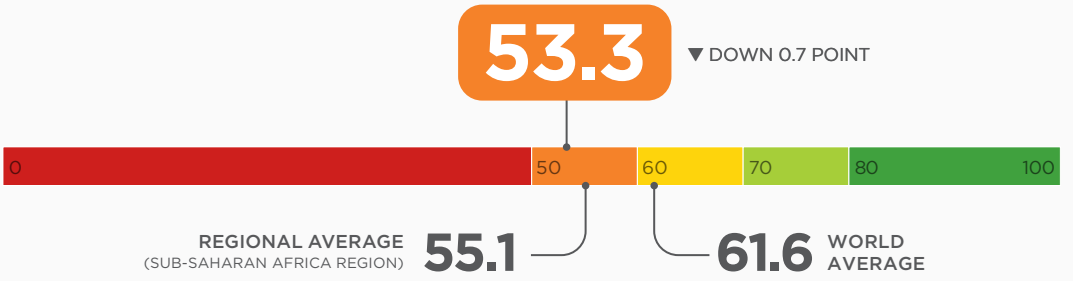
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Guinea–Bissau's economic freedom score is 53.3, making its economy the 148th freest in the 2020 *Index*. Its overall score has decreased by 0.7 point due to a drop in the **fiscal health** score. Guinea–Bissau is ranked 32nd among 47 countries in the Sub-Saharan Africa region, and its overall score is slightly below the regional average and well below the world average.

The economy of Guinea–Bissau has been at the lower end of the mostly free category since 2012 when it escaped the ranks of the repressed. GDP growth, fueled by cashew nut exports and foreign aid inflows, does not benefit the majority of the population.

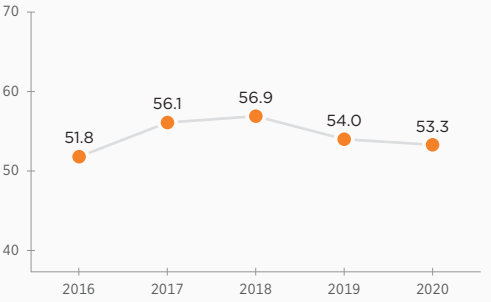
Guinea–Bissau is one of the world's poorest countries. Institutional weaknesses and the prevalence of corruption have created an environment in which illegal activity flourishes and power struggles take precedence over policy improvement. Rule-of-law indicators are far below international norms, and business regulations encourage graft and stifle entrepreneurial activity.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1999): +19.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
1.7 million

GDP (PPP):
$3.4 billion
3.8% growth in 2018
5-year compound annual growth 4.6%
$1,937 per capita

UNEMPLOYMENT:
4.1%

INFLATION (CPI):
1.4%

FDI INFLOW:
$17.3 million

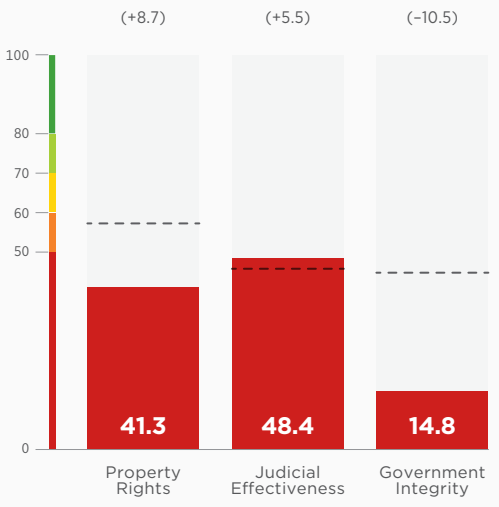
PUBLIC DEBT:
56.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Conflict has wracked Guinea–Bissau almost continuously since independence from Portugal in 1974. José Mário Vaz was elected president in 2014. In 2015, he sparked a political crisis by firing the first of a series of prime ministers. In 2019, the ruling party won a plurality of seats in parliament in delayed legislative elections, although it had to enter a coalition with other parties to achieve a working majority. Guinea–Bissau is highly dependent on subsistence agriculture, the export of cashew nuts, and foreign assistance, which normally accounts for approximately 80 percent of its budget. The incomes of approximately two-thirds of the population are below the extreme-poverty line.

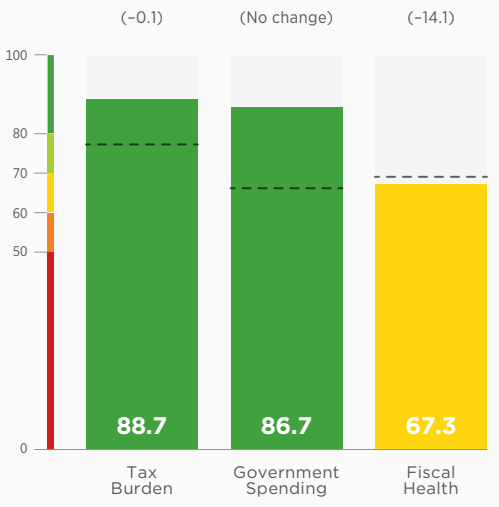
12 ECONOMIC FREEDOMS | GUINEA–BISSAU

RULE OF LAW



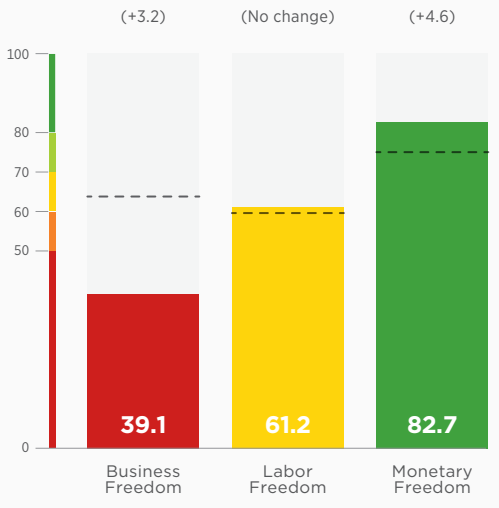
Due to a weak and painfully slow legal system, protection of property rights is generally weak, and enforcement of contracts is not easy. The judiciary has little independence and is barely operational. Judges are poorly trained, inadequately and irregularly paid, and subject to corruption. Guinea–Bissau's status as a transit hub for cocaine trafficking from South America to Europe exacerbates its endemic corruption.

GOVERNMENT SIZE



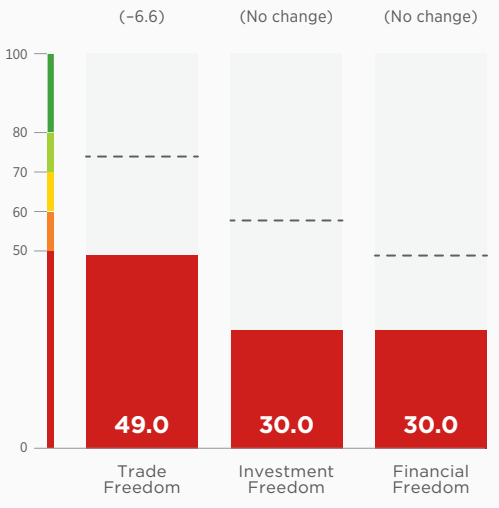
The top personal income tax rate is 20 percent, and the top corporate tax rate is 25 percent. The sales tax on certain commodities is 10 percent. The overall tax burden equals 10.3 percent of total domestic income. Government spending has amounted to 21.1 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.1 percent of GDP. Public debt is equivalent to 56.1 percent of GDP.

REGULATORY EFFICIENCY



Weak institutions and an opaque regulatory environment hinder entrepreneurial activity. The formal economy is based on cashew nuts and fishing. Subsistence agriculture employs many people. Narcotics trafficking and illegal logging encompass large swaths of the economy. Heeding the IMF's advice, the government has reduced subsidies on fuel and raised electricity rates.

OPEN MARKETS



The total value of exports and imports of goods and services equals 57.8 percent of GDP. The average applied tariff rate is 15.5 percent, and bureaucratic customs procedures add to the cost of trade. Political instability and inadequate regulatory capacity discourage foreign investment. A large part of the population is still outside of the formal banking sector. High credit costs severely impede entrepreneurial activity.

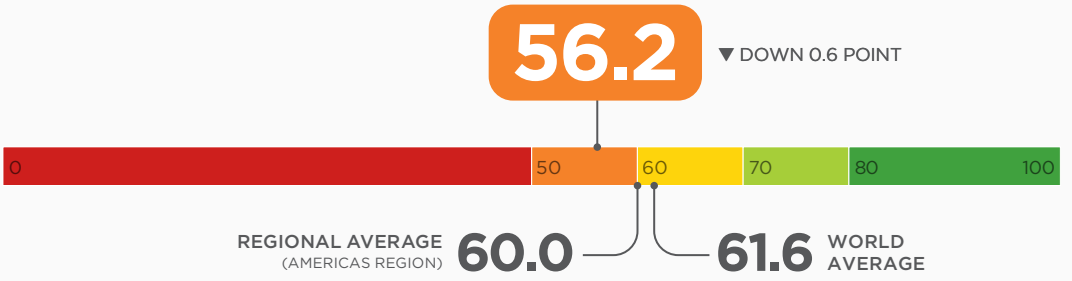
GUYANA

Guyana's economic freedom score is 56.2, making its economy the 124th freest in the 2020 *Index*. Its overall score has decreased by 0.6 point due to a decline in the **fiscal health** score. Guyana is ranked 24th among 32 countries in the Americas region, and its overall score is well below the regional and world averages.

Guyana's economy has been considered mostly unfree since 2012. GDP growth, however, has been improving in advance of an oil boom that will come on stream in 2020 and has the potential to transform the country, as a petrostate, into the fastest-growing economy in the region.

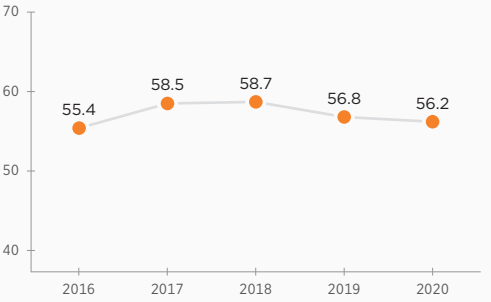
With an oil windfall poised to materialize in 2020, it would be in Guyana's best interest for the government to take firm steps immediately to strengthen the rule of law, especially judicial effectiveness and government integrity, and improve the freedom and competitiveness of financial institutions.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +10.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.8 million

GDP (PPP):
$6.7 billion
3.4% growth in 2018
5-year compound annual growth 3.2%
$8,519 per capita

UNEMPLOYMENT:
12.2%

INFLATION (CPI):
1.3%

FDI INFLOW:
$494.8 million

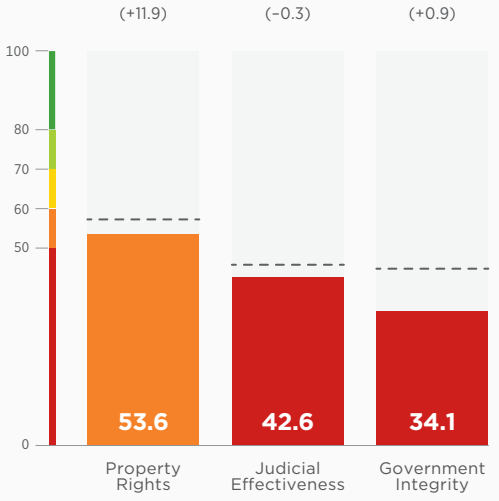
PUBLIC DEBT:
57.0% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: After former slaves in British Guyana settled in urban areas, indentured servants from India were recruited to work on plantations. The resulting ethno-cultural divide has led to turbulent politics. Government corruption, endemic violent crime, and drug trafficking have been aggravated by the collapse of neighboring Venezuela. Guyana has been independent since 1966, and its governments have been socialist-oriented. In 2019, President David Granger's democratic-socialist coalition was forced to put policymaking aside because the year was dominated by ongoing debate and legal maneuvering over the timing of the next general election, now set for March 2020. The principal opposition party is the left-wing People's Progressive Party/Civic. Exports of sugar, gold, bauxite, shrimp, timber, and rice currently represent nearly 60 percent of formal GDP.

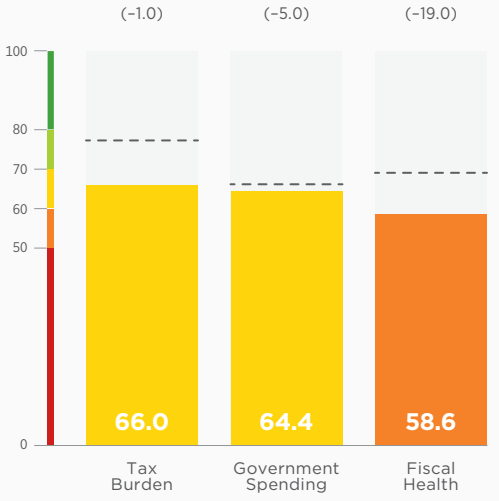
12 ECONOMIC FREEDOMS | GUYANA

RULE OF LAW



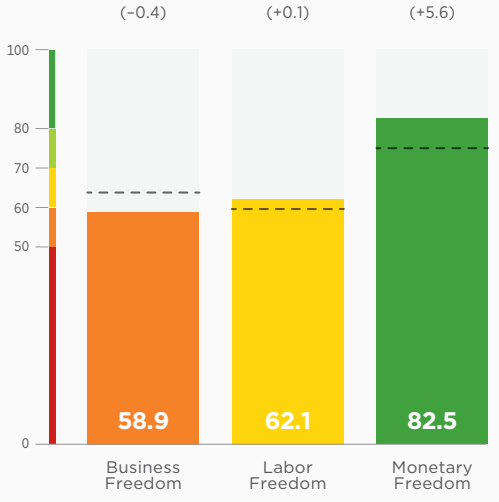
Guyana's property rights system is overly bureaucratic and complex, partly because of overloaded, overlapping, contradictory, and nontransparent regulations. Personnel shortages, delays, and inefficiencies undermine the judicial system. Courts are slow and ineffective in enforcing contracts or resolving disputes. The public generally perceives officials at all levels as corrupt. Compliance with legislation is uneven.

GOVERNMENT SIZE



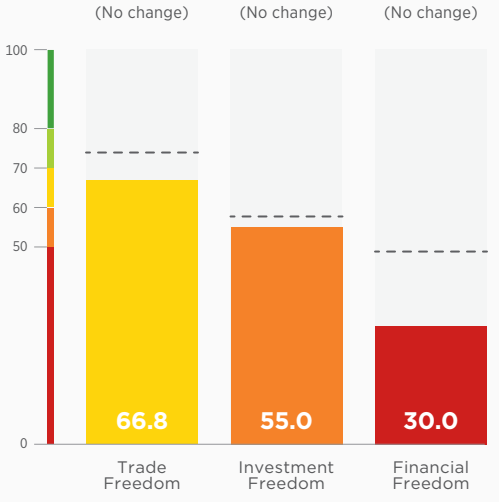
The top personal income tax rate is 33.3 percent, and the top corporate tax rate is 40 percent. Other taxes include property and value-added taxes. The overall tax burden equals 26.2 percent of total domestic income. Government spending has amounted to 34.5 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.7 percent of GDP. Public debt is equivalent to 57.0 percent of GDP.

REGULATORY EFFICIENCY



A lack of transparency makes it hard to run a private business, but some progress is being made. Further regulatory and administrative reforms are needed. The labor force lacks skills. The IMF recommends more flexible work arrangements to increase female labor participation. After years of losses requiring heavy subsidies equaling 1 percent to 2 percent of GDP, the government has taken steps to sell the state-owned Guyana Sugar Corporation.

OPEN MARKETS



The total value of exports and imports of goods and services equals 106.0 percent of GDP. The average applied tariff rate is 6.6 percent, and various nontariff measures limit overall trade freedom. Most new foreign investments are screened. The approval process for investments can be burdensome and nontransparent. The banking sector, plagued by inefficiency and a poor institutional framework, has become more fragile.

HAITI

WORLD RANK: **153** | REGIONAL RANK: **27**

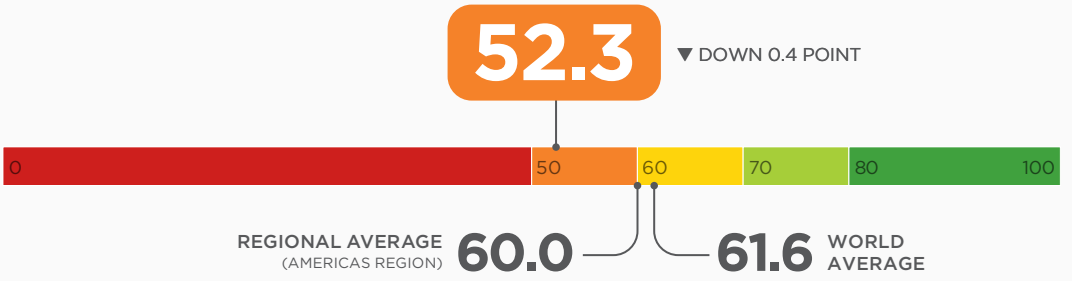
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Haiti's economic freedom score is 52.3, making its economy the 153rd freest in the 2020 *Index*. Its overall score has decreased by 0.4 point because of drops in scores for **monetary freedom** and **trade freedom**. Haiti is ranked 27th among 32 countries in the Americas region, and its overall score is well below the regional and world averages.

The Haitian economy is sliding back in the mostly unfree ranks toward the repressed category from which it had emerged in 2018. GDP continues to register very weak growth.

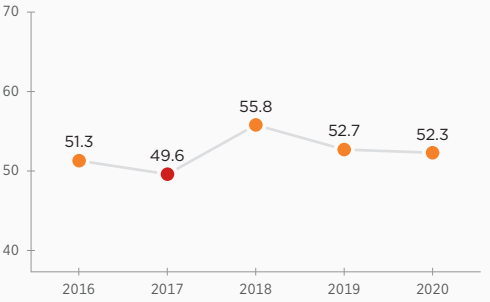
Poor economic management and crippling natural disasters have taken a terrible human and economic toll in Haiti. Years of political volatility have severely undermined better performance on such *Index* indicators as financial freedom, business freedom, property rights, judicial effectiveness, and government integrity. Any hope for a more prosperous future will depend on the government's willingness and capacity to undertake serious reforms in these areas.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +9.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
11.1 million

GDP (PPP):
$20.7 billion
1.5% growth in 2018
5-year compound annual growth 1.6%
$1,864 per capita

UNEMPLOYMENT:
13.5%

INFLATION (CPI):
13.5%

FDI INFLOW:
$105.0 million

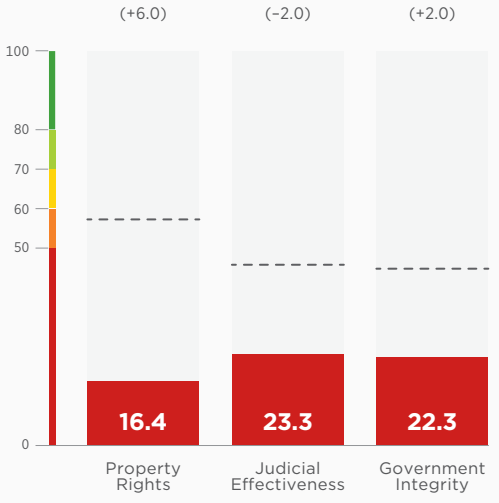
PUBLIC DEBT:
33.0% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The Western Hemisphere's poorest country, Haiti is plagued by widespread corruption, gang violence, drug trafficking, and organized crime. Risks are growing that President Jovenel Moïse may be ousted before the end of his term in 2022 because of a stagnating economy and his alleged involvement in the embezzlement of as much as $2 billion from Venezuela's now-defunct PetroCaribe program. Ongoing demonstrations in 2019 quickly escalated into violent and deadly riots. Blocked roads made the distribution of food, water, medicines, and utilities difficult, and the lack of a parliamentary government has prevented fresh loans from the International Monetary Fund to pay for fuel. Ongoing reconstruction from storm damage is another major challenge. One-quarter of Haiti's people live in extreme poverty.

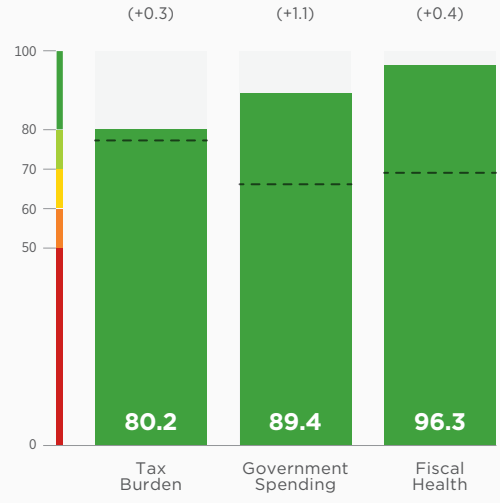
12 ECONOMIC FREEDOMS | HAITI

RULE OF LAW



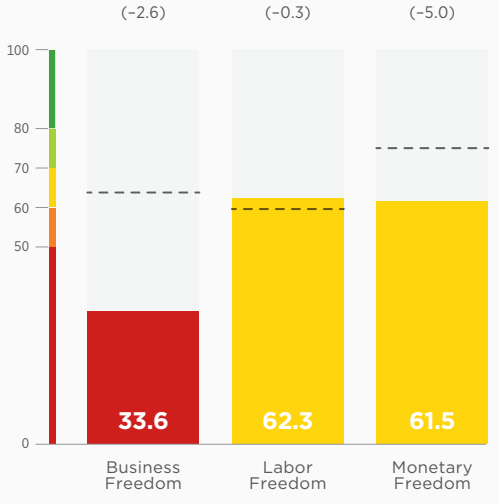
Real property interests are impaired by the absence of a comprehensive civil registry. Bona fide property titles are often nonexistent. Bureaucratic red tape impedes the functioning of the judicial system, as do an antiquated penal code, opaque court proceedings, lack of judicial oversight, and widespread corruption. Political instability has undermined the rule of law. Corruption, including bribery, has raised the costs and risks of doing business.

GOVERNMENT SIZE



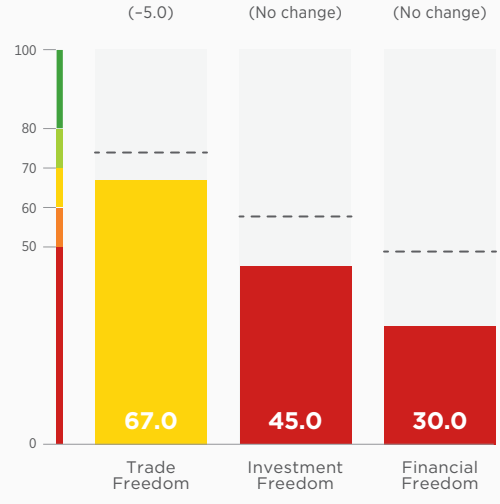
The top personal income and corporate tax rates are 30 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 13.3 percent of total domestic income. Government spending has amounted to 18.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.0 percent of GDP. Public debt is equivalent to 33.0 percent of GDP.

REGULATORY EFFICIENCY



Haiti has launched a new credit registry. Labor legislation pertaining to the 24-hour weekly rest period, weekly holiday and night work premiums, distribution of hours, and minimum working age has been amended. Over two-thirds of the labor force lack jobs. In 2019, the government continued to face violent protests against IMF-mandated attempts to reduce fuel subsidies.

OPEN MARKETS



The total value of exports and imports of goods and services equals 75.5 percent of GDP. The average applied tariff rate is 6.5 percent, and overall trade freedom is hampered considerably by nontariff barriers. Foreign investors are granted national treatment, but the investment regime lacks efficiency. Most financial transactions are handled informally, and credit for new business ventures is severely constrained.

HONDURAS

WORLD RANK: **93**

REGIONAL RANK: **18**

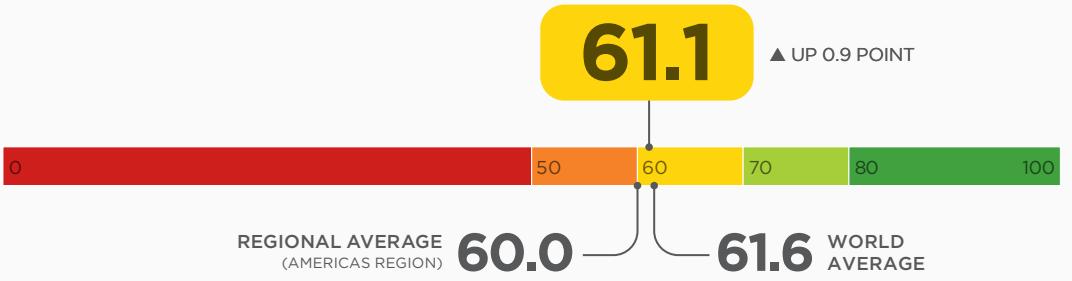
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Honduras's economic freedom score is 61.1, making its economy the 93rd freest in the 2020 *Index*. Its overall score has increased by 0.9 point, led by an improvement in the **property rights** score. Honduras is ranked 18th among 32 countries in the Americas region, and its overall score is approximately equal to the regional and world averages.

The Honduran economy has remained moderately free for the third year in a row. That progress has been matched by solid growth in GDP over the past five years.

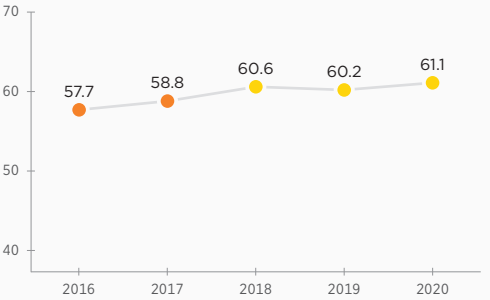
Promoting investor confidence and fighting corruption are among the policy priorities of the Hernández administration's second term. To achieve those goals, which would also help to ensure that Honduras remains on an upward trajectory toward greater economic freedom, the government could prioritize improvements in labor freedom and business freedom with particular emphasis on reducing corruption and improving the effectiveness of the judiciary.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +4.1

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
9.4 million

GDP (PPP):
$49.2 billion
3.7% growth in 2018
5-year compound annual growth 3.9%
$5,212 per capita

UNEMPLOYMENT:
4.1%

INFLATION (CPI):
4.3%

FDI INFLOW:
$1.2 billion

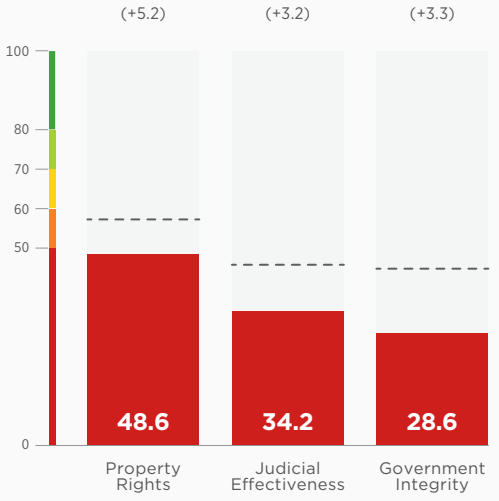
PUBLIC DEBT:
40.3% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Honduras is Central America's second-poorest country and has one of the world's highest homicide rates. Gangs and transnational criminal networks prey on communities, often in collusion with authorities. The country's location leaves it vulnerable to narco-trafficking. Although President Juan Orlando Hernández of the center-right National Party remains tainted by accusations of fraud arising from his 2017 reelection, U.N.-led talks have contributed to political stability, and the government has a working majority in Congress. In 2018, the government adopted U.N. proposals regarding electoral reforms and human rights. Historically dependent on exports of bananas and coffee, Honduras has diversified its export base to include apparel and automobile wire harnesses, but the economy remains heavily dependent on remittances.

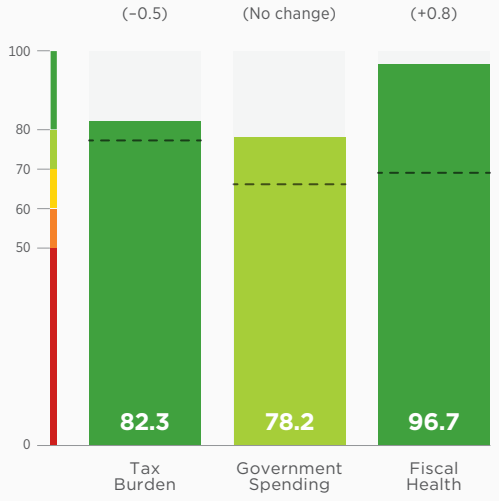
12 ECONOMIC FREEDOMS | HONDURAS

RULE OF LAW



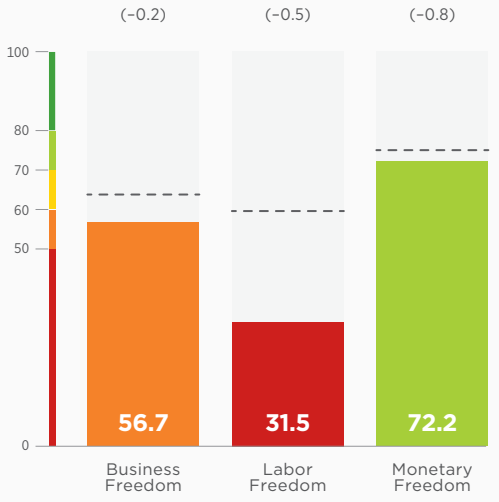
Although the law recognizes secured interests in movable and real property, approximately 80 percent of the privately held land in Honduras is either untitled or improperly titled. Because the judicial system is weak and politicized, it often takes years to resolve title disputes. Rampant corruption and weak state institutions make it virtually impossible to combat threats posed by violent transnational gangs and organized criminal groups.

GOVERNMENT SIZE



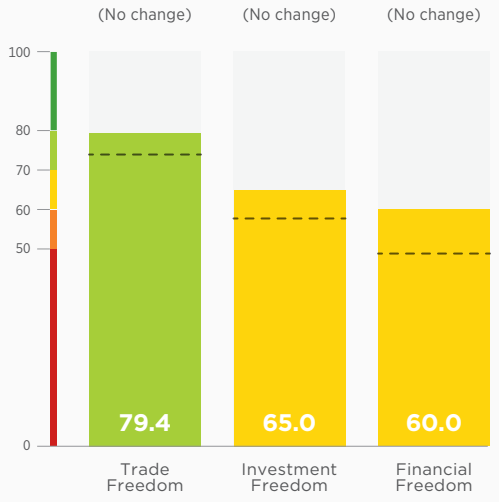
The top individual income and corporate tax rates are 25 percent (27.5 percent for corporations with an added social contribution tax). The overall tax burden equals 22.8 percent of total domestic income. Government spending has amounted to 26.9 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 0.2 percent of GDP. Public debt is equivalent to 40.3 percent of GDP.

REGULATORY EFFICIENCY



The overall business environment is burdensome. Lack of regulatory transparency and widespread violence are major challenges to the operation of private businesses. There is a high level of informality. The government maintains price controls for basic food items, fuel, water, telecommunications, and ports and often imposes temporary price controls on other basic goods.

OPEN MARKETS



The total value of exports and imports of goods and services equals 102.1 percent of GDP. The average applied tariff rate is 2.8 percent, but various nontariff barriers remain onerous. Although the government is generally open to foreign investment, weak institutions, exacerbated by high levels of crime, hamper the overall investment environment. Reforms in recent years appear to have strengthened and stabilized the banking sector.

HONG KONG

WORLD RANK:	REGIONAL RANK:
2	2

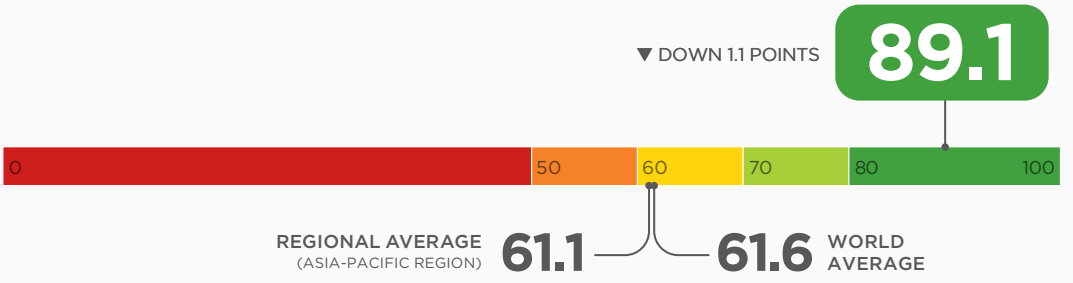
ECONOMIC FREEDOM STATUS: **FREE**

Hong Kong's economic freedom score is 89.1, making its economy the 2nd freest in the 2020 *Index*. Its overall score has decreased by 1.1 points due primarily to a decline in the **investment freedom** score. Hong Kong is ranked 2nd among 42 countries in the Asia–Pacific region, and its overall score is well above the regional and world averages.

Hong Kong's economy was rated the freest in the world from 1995 through 2019. The ongoing political and social turmoil has begun to erode its reputation as one of the best locations from which to do business, dampening investment inflows.

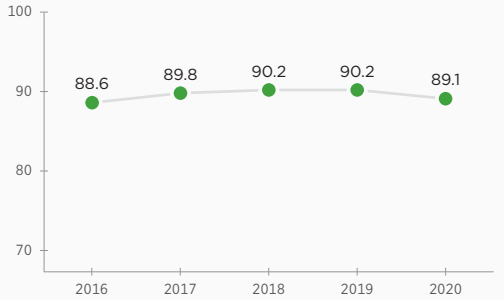
GDP had been growing steadily over the past five years, but the territory fell into recession in 2019. Hong Kong's traditionally open and market-driven economy has become increasingly integrated with the mainland through trade, tourism, and financial links. Risks to Hong Kong's economic freedom have grown correspondingly.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +0.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION: 7.5 million

GDP (PPP): $480.5 billion
3.0% growth in 2018
5-year compound annual growth 2.8%
$64,216 per capita

UNEMPLOYMENT: 2.8%

INFLATION (CPI): 2.4%

FDI INFLOW: $115.7 billion

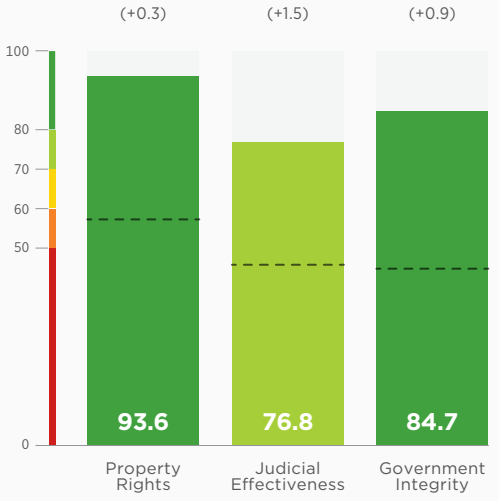
PUBLIC DEBT: 0.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Hong Kong became a Special Administrative Region of the People's Republic of China in 1997. Under the "one country, two systems" agreement, China granted Hong Kong a high degree of autonomy in all matters except foreign and defense policy for 50 years. The political, social, legal, and economic tensions inherent in such an arrangement bubbled over in 2019, triggered by a government proposal that would have facilitated extradition from Hong Kong to the mainland. The massive demonstrations that ensued have been followed by months of political unrest and violence that have impeded economic activity and heightened fears of mainland interference. Despite its recent troubles, however, Hong Kong remains one of Asia's most important financial and trading centers.

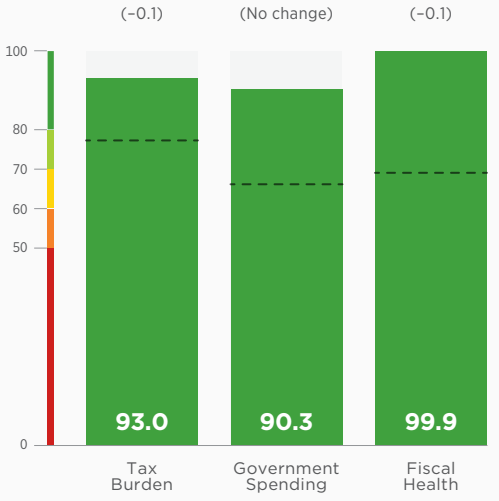
12 ECONOMIC FREEDOMS | HONG KONG

RULE OF LAW



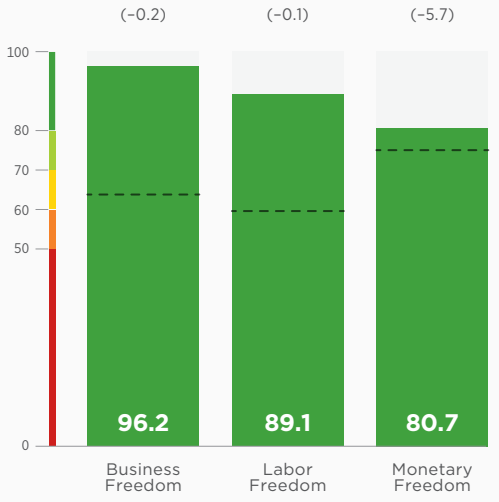
Property rights are recognized, and contracts are enforced. The independence of Hong Kong's judicial system was seriously imperiled in 2019 by a government proposal for an extradition law (since withdrawn) that could have permitted political dissidents to be arrested and transferred to the mainland. Although rates of corruption are generally low, Hong Kong residents perceive the government as lagging in the fight against corruption.

GOVERNMENT SIZE



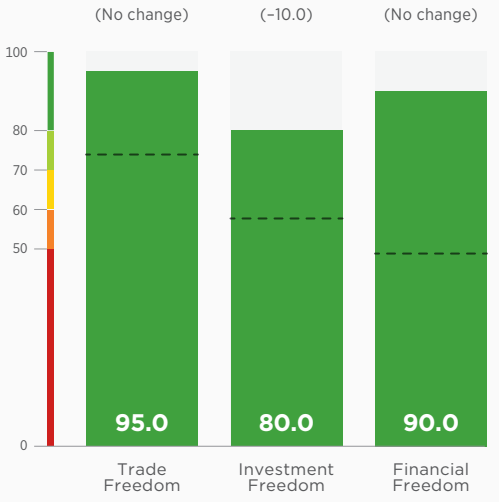
The standard personal income tax rate is 15 percent, and the top corporate tax rate is 16.5 percent. The tax system is simple and efficient. The overall tax burden equals 14.1 percent of total domestic income. Government spending has amounted to 18.0 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 4.0 percent of GDP. Public debt is equivalent to 0.1 percent of GDP.

REGULATORY EFFICIENCY



Traditionally, Hong Kong's business environment has been among the best in the world. The services sector contributes more than 90 percent of GDP. Prudent administration of minimum wage regulations has reduced any potentially negative impacts on employment. Hong Kong has a variety of subsidy programs in areas such as business development, housing, and energy, and implemented a new public transport subsidy in January 2019.

OPEN MARKETS



The total value of exports and imports of goods and services equals 376.0 percent of GDP. The average applied tariff rate is 0.0 percent, and 149 nontariff measures are in force. Intensifying uncertainties related to security issues have undermined an otherwise favorable investment climate. The territory remains a dynamic global financial center with a high degree of competitiveness and openness, but the sense of risk is also heightened.

HUNGARY

WORLD RANK: **62**

REGIONAL RANK: **33**

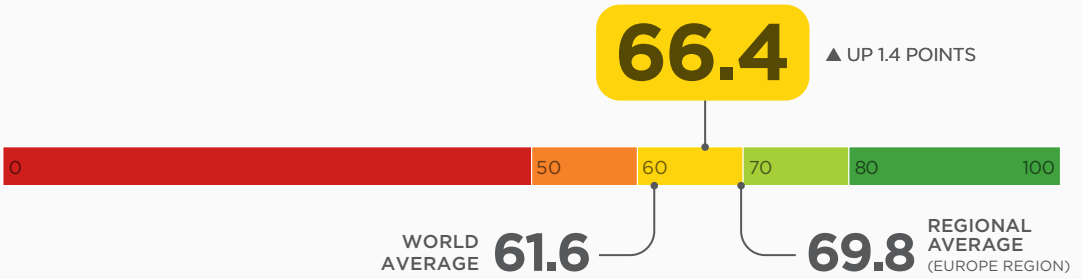
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Hungary's economic freedom score is 66.4, making its economy the 62nd freest in the 2020 *Index*. Its overall score has increased by 1.4 points due particularly to a higher **government integrity** score. Hungary is ranked 33rd among 45 countries in the Europe region, and its overall score is well below the regional average and well above the world average.

The Hungarian economy has been in the upper ranks of the moderately free for more than a decade. GDP growth has been respectable over the past five years and increased in 2018, stimulated by strong consumer demand, industrial activity, and construction.

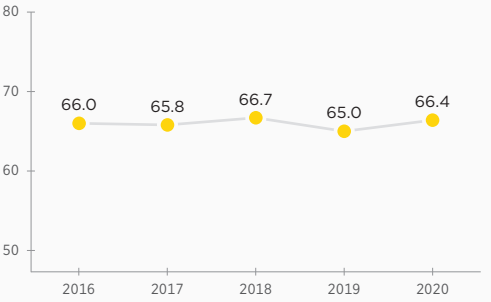
The biggest threat to continued economic growth and economic freedom in Hungary is the excessive level of government spending. The country's 2020 budget, approved by parliament in July 2019, is promising in this regard because the main target of the budget is reduction of the fiscal deficit to 1 percent of GDP.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +11.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
9.8 million

GDP (PPP):
$311.9 billion
4.9% growth in 2018
5-year compound annual growth 3.8%
$31,903 per capita

UNEMPLOYMENT:
3.7%

INFLATION (CPI):
2.8%

FDI INFLOW:
$6.4 billion

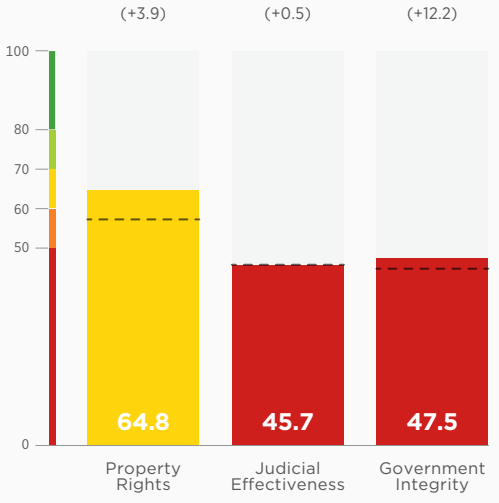
PUBLIC DEBT:
69.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Once part of the Austro–Hungarian Empire, Hungary emerged from 45 years of Communist rule to become fully independent in 1990. It joined NATO in 1999 and became a member of the European Union in 2004. Prime Minister Viktor Orbán, in office since 2010, won reelection to a third term in 2018. His center-right Fidesz-Hungarian Civic Alliance won two-thirds of the seats in parliament. Orbán's government has clashed repeatedly with the European Union, particularly over migration issues. Economic growth is led by exports, domestic demand, and the construction industry. Unemployment is low. The government's more nationalist and populist approach to economic management has set the country somewhat apart from its neighbors.

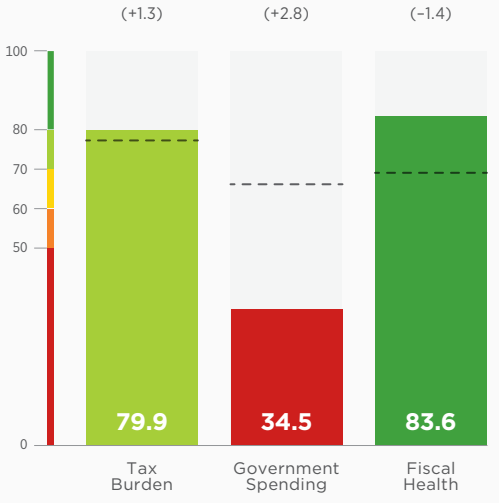
12 ECONOMIC FREEDOMS | HUNGARY

RULE OF LAW



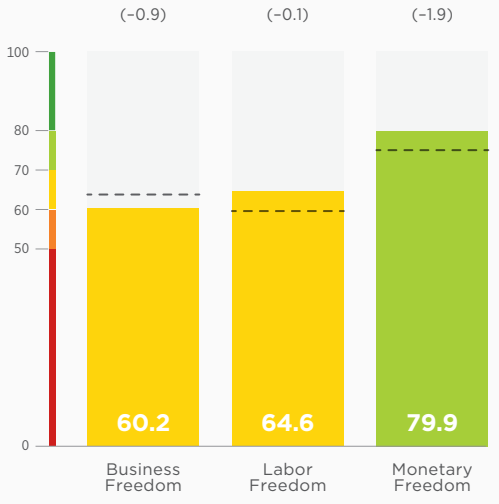
Secured interests in property, both moveable and real, are recognized and enforced, in part through a reliable land registry. Although it is generally felt that ordinary courts operate independently under largely fair and reliable judicial procedures, concerns about growing executive branch influence on the court system and intimidation of judges by court administration are increasing. Corruption and cronyism plague the public sector.

GOVERNMENT SIZE



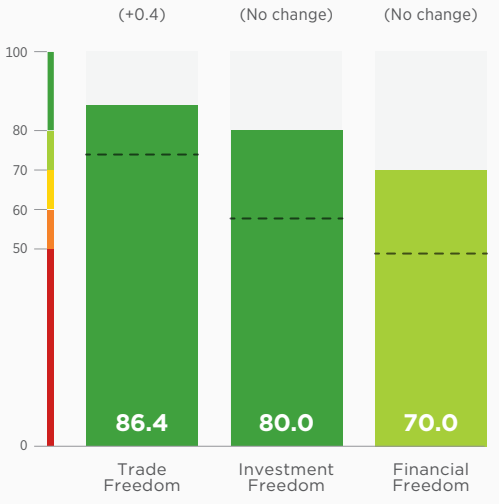
The personal income tax rate is a flat 15 percent, and the top corporate tax rate is 19 percent. The overall tax burden equals 37.7 percent of total domestic income. Government spending has amounted to 46.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.1 percent of GDP. Public debt is equivalent to 69.4 percent of GDP.

REGULATORY EFFICIENCY



Taxes paid by employers have been lowered, facilitating the ease of doing business. Unpopular amendments to the labor code passed in 2018 allow employers to request more overtime and extend "time banking" schemes for up to three years, which could delay payment for overtime. Most prices in Hungary are set by the market, but prices are administered in such sectors as pharmaceuticals, telecommunications, and electricity.

OPEN MARKETS



The total value of exports and imports of goods and services equals 168.3 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Hungary has an additional 95 country-specific nontariff barriers. A new measure for national security review of foreign investments has been in place since January 2019. The state has largely withdrawn from the banking sector.

ICELAND

WORLD RANK: **13**

REGIONAL RANK: **7**

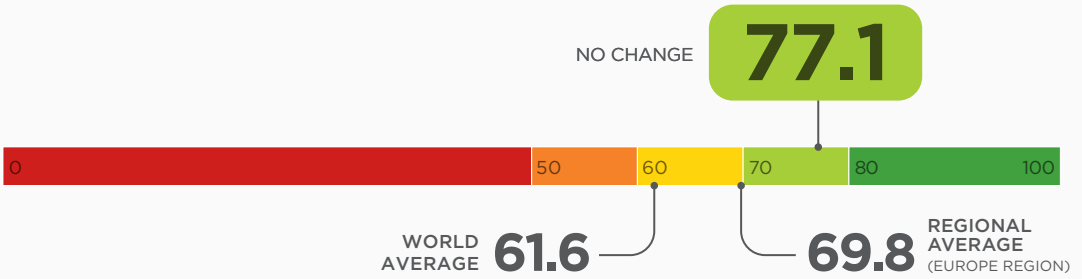
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Iceland's economic freedom score is 77.1, making its economy the 13th freest in the 2020 *Index*. Its overall score is unchanged from 2019, with a higher **government integrity** score offset by lower scores on other indicators. Iceland is ranked 7th among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

The Icelandic economy has been climbing the ranks of the mostly free for the past decade. GDP growth has been expanding at a healthy rate as well.

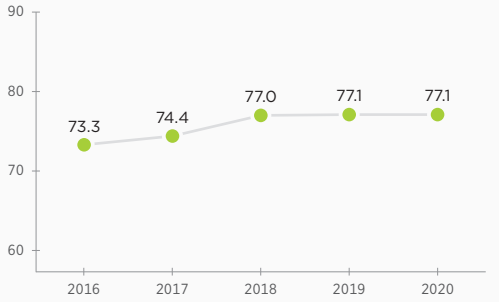
For Iceland to clear the final hurdle and join the ranks of the free economies, the government would have to address its weakest-performing *Index* indicator: government spending. That is not likely to happen under the current center-left government, which has prioritized heavy spending to make Iceland carbon neutral by 2040, provide tax incentives to Iceland's industries, and improve the country's roads, public transport, and airports.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1997): +6.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.3 million

GDP (PPP):
$19.5 billion
4.6% growth in 2018
5-year compound annual growth 4.5%
$55,917 per capita

UNEMPLOYMENT:
2.9%

INFLATION (CPI):
2.7%

FDI INFLOW:
–$335.8 million

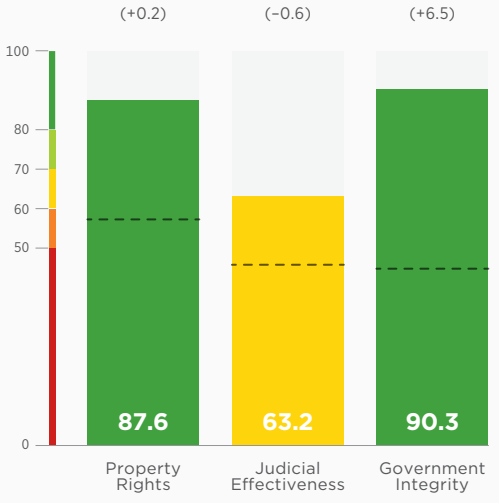
PUBLIC DEBT:
35.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Iceland is one of the world's oldest democracies. Independent Guðni Jóhannesson, a historian, was elected in 2016 to the largely ceremonial presidency. Katrin Jakobsdottir of the Left-Green Movement became the country's sixth prime minister since 2009 after forming a coalition with the center-right Independence Party and the populist Progressive Party in 2017. Iceland's economy was adversely affected in 2019 by a poor fishing season and contraction of the tourism industry, which was negatively affected by the March 2019 bankruptcy of a low-cost air carrier. Although Iceland officially withdrew its application for membership in the European Union in 2015, it enjoys free trade and movement of capital, labor, goods, and services with the EU.

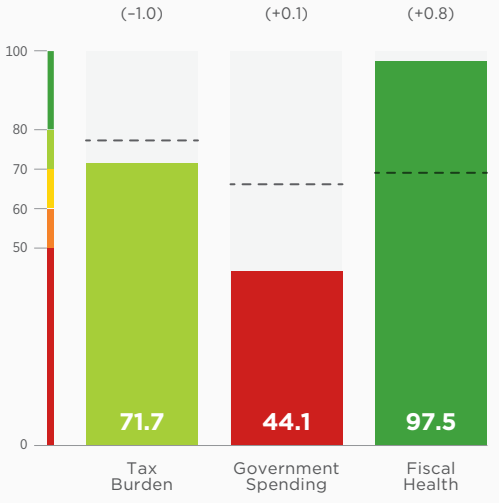
12 ECONOMIC FREEDOMS | ICELAND

RULE OF LAW



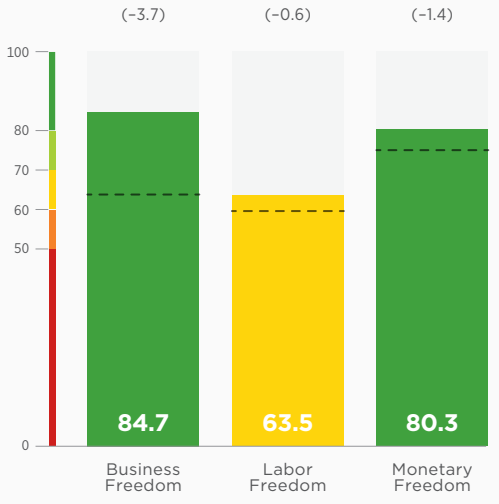
The Icelandic civil law system enforces property rights and contractual rights. Iceland has a solid legal institutional framework to enforce laws protecting intellectual property. The judiciary is independent, and accountability and transparency are institutionalized. Corruption is well controlled. Iceland is ranked 14th out of 180 countries in Transparency International's 2018 *Corruption Perceptions Index*.

GOVERNMENT SIZE



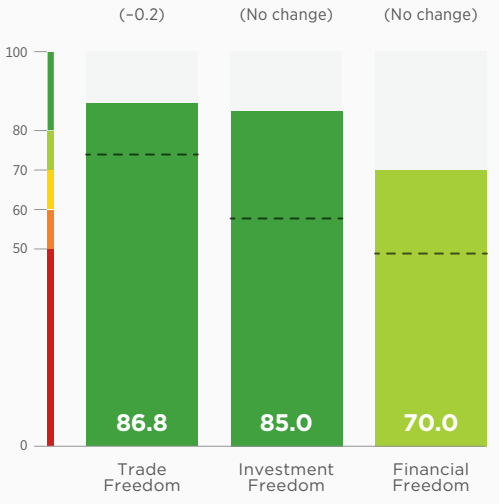
The top personal income tax rate is 31.8 percent, and the flat corporate tax rate is 20 percent. Other taxes include value-added and estate taxes. The overall tax burden equals 37.7 percent of total domestic income. Government spending has amounted to 43.2 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 4.7 percent of GDP. Public debt is equivalent to 35.4 percent of GDP.

REGULATORY EFFICIENCY



Regulations are transparent, aiding efficient business formation and operation. The abrupt cessation of budget airline Wow Air injects some uncertainty into the business climate. The labor market is characterized by broad wage settlements and high unionization. Monetary policy was tightened in 2019 in anticipation of the need to respond to a contraction in the event of a "hard" Brexit, given that the United Kingdom is Iceland's main trading partner.

OPEN MARKETS



The total value of exports and imports of goods and services equals 91.3 percent of GDP. The average applied tariff rate is 1.6 percent, and 89 nontariff measures are in force. The investment regime is transparent and supports vibrant investment growth. Capital controls have been lifted since 2017. The banking sector has been recapitalized, but ownership of two of the three major banks remains primarily in the hands of the state.

WORLD RANK: **120** | REGIONAL RANK: **28**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

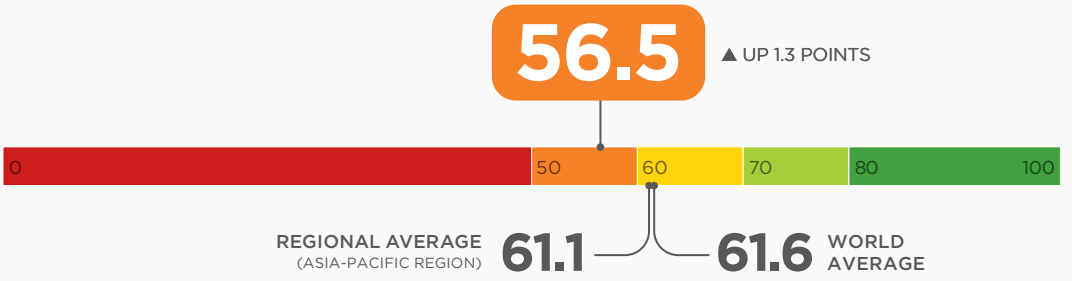
INDIA

India's economic freedom score is 56.5, making its economy the 120th freest in the 2020 *Index*. Its overall score has increased by 1.3 points, led by an increase in the **business freedom** score. India is ranked 28th among 42 countries in the Asia–Pacific region, and its overall score is well below the regional and world averages.

The Indian economy has languished in the mid-range of the mostly unfree category for nearly two decades. GDP growth over the past five years, however, has been robust. As the country continues to benefit from the effects of economic liberalization, economic growth has been driven by higher private domestic consumption.

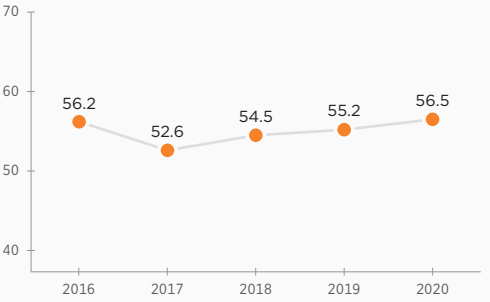
In addition to taking steps to improve India's fiscal health, the government needs to correct inadequacies in banking regulation and begin to privatize state-owned banks to increase financial freedom. Other *Index* indicators would likely improve with reforms in the tax code, the investment regime, and the labor code.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +11.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
1.3 billion

GDP (PPP):
$10.5 trillion
7.1% growth in 2018
5-year compound annual growth 7.6%
$7,874 per capita

UNEMPLOYMENT:
2.6%

INFLATION (CPI):
3.5%

FDI INFLOW:
$42.3 billion

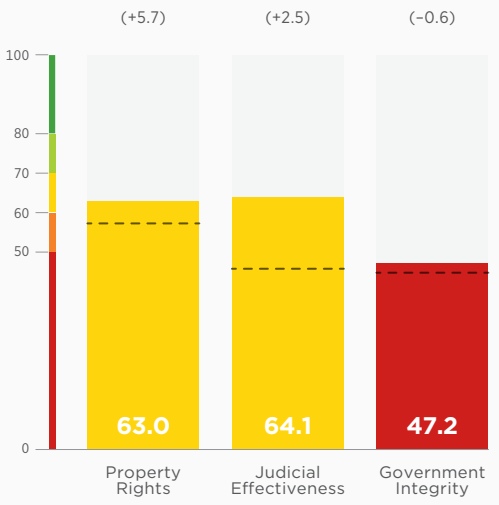
PUBLIC DEBT:
69.8% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: India is a stable democracy. Its people are 80 percent Hindu, but it is also home to one of the world's largest Muslim populations. Prime Minister Narendra Modi, leader of the Bharatiya Janata Party (BJP), took office in 2014 and reinvigorated India's foreign policy to balance China's growing influence in South Asia and the Indian Ocean. Modi promised sweeping economic reforms, but results have been modest. Elections in 2019 resulted in a landslide victory for Modi's BJP. India's diverse economy encompasses traditional village farming, modern agriculture, handicrafts, and a wide range of modern industries. Capitalizing on its large educated, English-speaking population, India has become a major exporter of information technology services, business outsourcing services, and software workers.

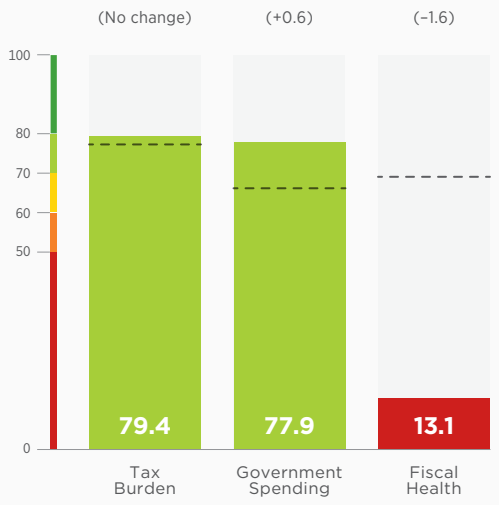
12 ECONOMIC FREEDOMS | INDIA

RULE OF LAW



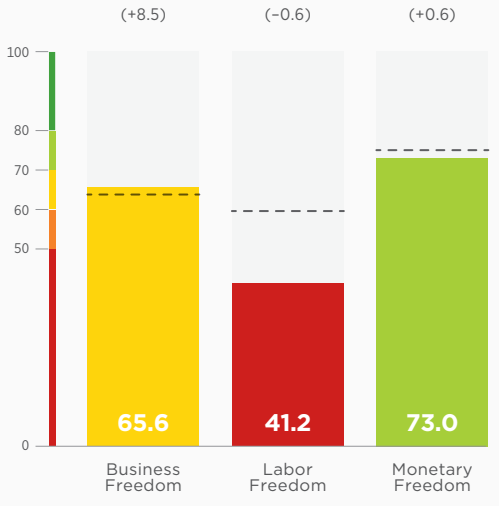
Property rights are generally enforced in major metropolitan areas, although titling in some other urban and rural areas remains unclear. The judiciary is independent, but lower-level courts are understaffed, lack technology, and are rife with corruption. Most citizens have great difficulty securing justice. Prosecution of corruption has been effective only among the lower levels of the bureaucracy; senior bureaucrats have generally been spared.

GOVERNMENT SIZE



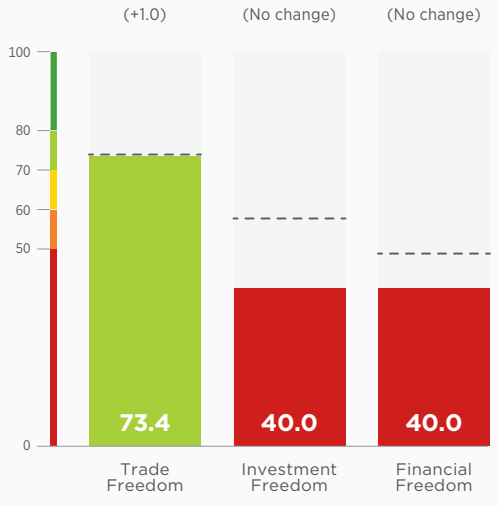
The top individual income tax rate is 30.9 percent (including an education tax), and the top corporate tax rate is 32.4 percent. The overall tax burden equals 7.3 percent of total domestic income. Government spending has amounted to 27.1 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 6.9 percent of GDP. Public debt is equivalent to 69.8 percent of GDP.

REGULATORY EFFICIENCY



India's positive reforms have made it easier to start a business, deal with construction permits, get electricity, obtain credit, pay taxes in Delhi and Mumbai, and trade across borders. Labor regulations are in flux and vary across the country. The government came under pressure in 2019 to reduce subsidies for fuel and agricultural commodities such as sugar, as well as general export subsidies.

OPEN MARKETS



The total value of exports and imports of goods and services equals 43.1 percent of GDP. The average applied tariff rate is 5.8 percent, and 375 nontariff measures are in force. India's bureaucratic investment framework remains constrained by an unfavorable environment for new investment. Despite some liberalization, state-owned institutions dominate the banking sector and capital markets. Foreign participation is limited.

WORLD RANK: **54**

REGIONAL RANK: **12**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

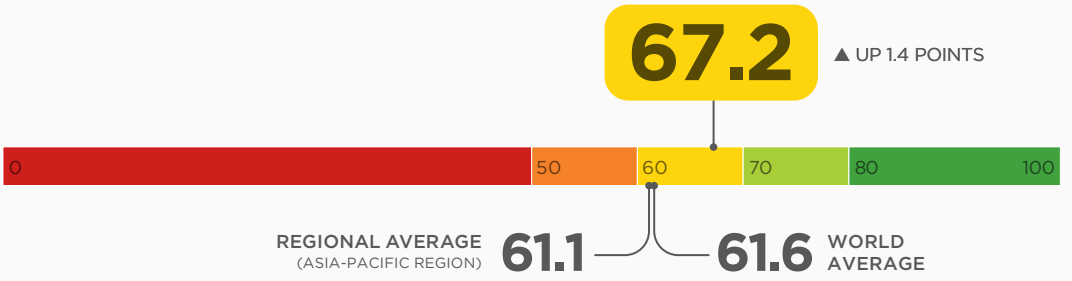
INDONESIA

Indonesia's economic freedom score is 67.2, making its economy the 54th freest in the 2020 *Index*. Its overall score has increased by 1.4 points, primarily because of a higher **property rights** score. Indonesia is ranked 12th among 42 countries in the Asia–Pacific region, and its overall score is well above the regional and world averages.

The Indonesian economy has been climbing steadily higher in the ranks of the moderately free since 2017. GDP growth has moved up sharply as well during the past five years.

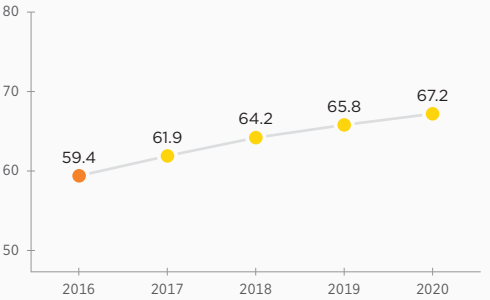
The second Widodo administration is expected to continue efforts to encourage more private investment in infrastructure and manufacturing. The government can take long strides toward achieving that goal by reducing corruption, modernizing and simplifying investment regulations, and ensuring that labor market controls (such as minimum wages) do not arbitrarily stifle employment growth.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +12.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
264.2 million

GDP (PPP):
$3.5 trillion
5.2% growth in 2018
5-year compound annual growth 5.0%
$13,230 per capita

UNEMPLOYMENT:
4.3%

INFLATION (CPI):
3.2%

FDI INFLOW:
$22.0 billion

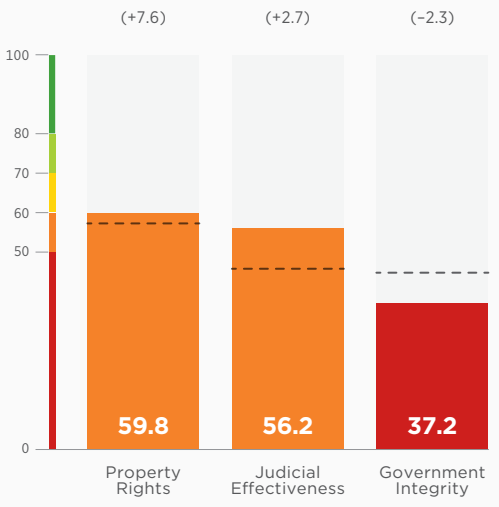
PUBLIC DEBT:
29.2% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Indonesia is the world's most populous Muslim-majority country. Since 1998, when long-serving authoritarian ruler General Suharto stepped down, Indonesia's 262 million people have enjoyed a wide range of political freedoms, and participation in the political process is high. Joko Widodo, former businessman and governor of Jakarta, won a five-year presidential term in 2014 and was reelected in 2019. Indonesia is Southeast Asia's largest economy. Key exports include mineral fuels, animal and vegetable fat, electrical machinery, rubber, machinery, and mechanical appliance parts. Continued improvements in infrastructure should help to reduce high transport and logistical costs. Indonesia's significant untapped maritime resources could spur future development, but barriers to international trade and investment undermine prospects for growth.

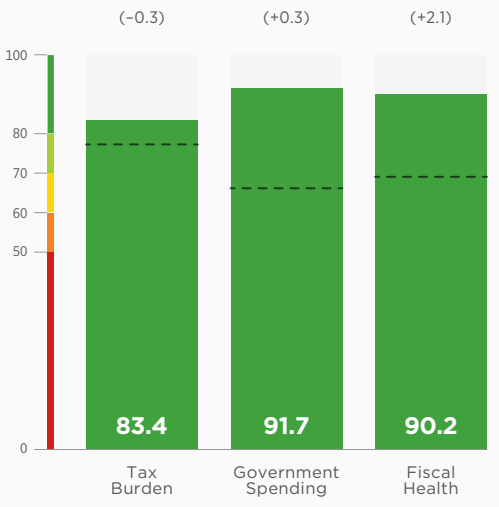
12 ECONOMIC FREEDOMS | INDONESIA

RULE OF LAW



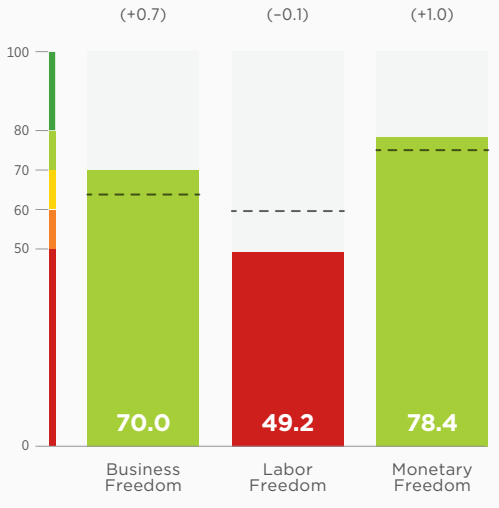
Private ownership of land is recognized, although property registration, as a result of decentralization, is sometimes complicated by local government requirements and claims. The judiciary has demonstrated some independence, but the court system remains plagued by corruption and other weaknesses. Corruption remains endemic at all levels, including in national and local legislatures, the civil service, the judiciary, and the police.

GOVERNMENT SIZE



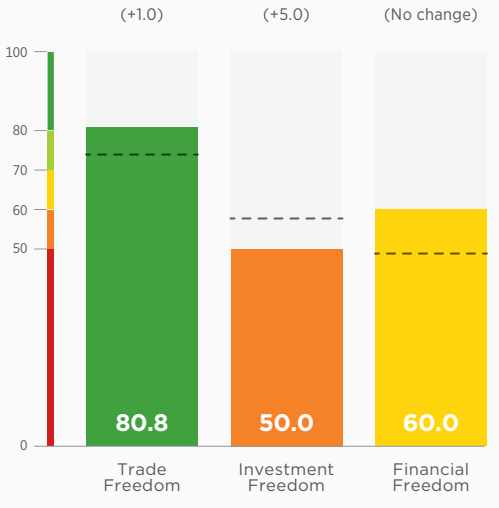
The top individual income tax rate is 30 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and property taxes. The overall tax burden equals 11.5 percent of total domestic income. Government spending has amounted to 16.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.2 percent of GDP. Public debt is equivalent to 29.2 percent of GDP.

REGULATORY EFFICIENCY



Indonesia has made it easier to start a business, register property, and obtain credit, but businesses complain that the government changes rules affecting them without notice and without consultation. Its labor laws are more complicated than labor laws in other Asian countries and hurt competitiveness. The government has tightened energy subsidies, replacing the indirect liquefied petroleum gas subsidy with a targeted direct payment scheme.

OPEN MARKETS



The total value of exports and imports of goods and services equals 43.0 percent of GDP. The average applied tariff rate is 2.1 percent, and 112 nontariff measures are in force. Although Indonesia publicly welcomes foreign investment, investors face hurdles because of lingering inconsistencies in the investment codes. The financial sector is dominated by commercial banks that include state-owned banks. Capital markets are not fully developed.

IRAN

WORLD RANK: **164** | REGIONAL RANK: **13**

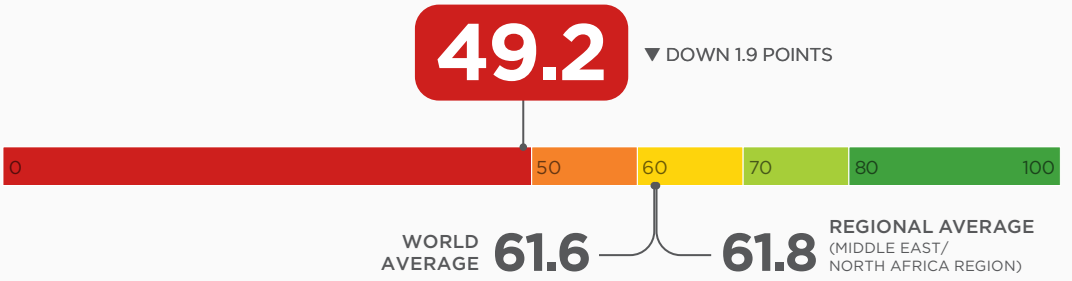
ECONOMIC FREEDOM STATUS: **REPRESSED**

Iran's economic freedom score is 49.2, making its economy the 164th freest in the 2020 *Index*. Its overall score has decreased by 1.9 points due to a plunge in the **monetary freedom** score that reflects soaring inflation. Iran is ranked 13th among 14 countries in the Middle East and North Africa region, and its overall score is well below the regional and world averages.

The Iranian economy has fallen back from mostly unfree into the ranks of the repressed, where it has resided for all but four years since its inclusion in the *Index* in 1996. Significant negative GDP growth in 2018, correlated with tightened U.S. sanctions, mirrored the deterioration in economic freedom.

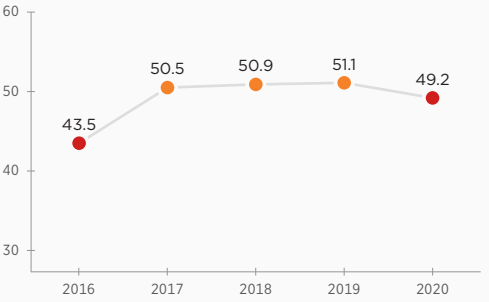
Powerful interest groups, mostly linked to the security and religious establishments, are opposed to the pursuit of economic liberalization and reengagement with the global economy. Given Iran's excessive reliance on the oil sector, sustainable economic growth will remain a long-term objective rather than a short-term possibility.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +13.1

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
82.4 million

GDP (PPP):
$1.6 trillion
–3.9% growth in 2018
5-year compound annual growth 2.8%
$19,557 per capita

UNEMPLOYMENT:
12.0%

INFLATION (CPI):
31.2%

FDI INFLOW:
$3.5 billion

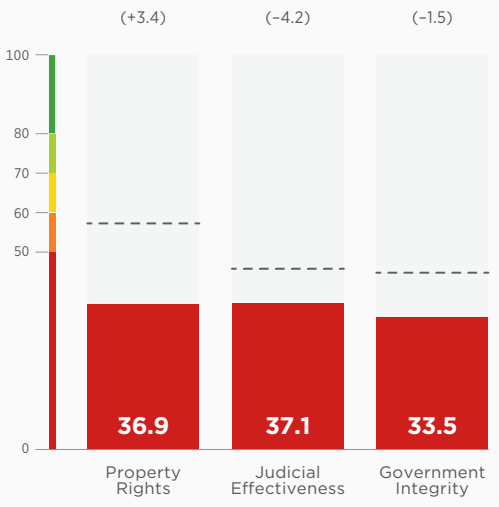
PUBLIC DEBT:
33.2% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Iran's economy, one of the Middle East's most advanced before 1979, has been plagued by mismanagement, international sanctions, and pervasive graft. The repressive Islamic government is dominated by Shiite religious authorities. President Hassan Rouhani, reelected in 2017, has reportedly tried to steer a more pragmatic path, but Supreme Leader Ayatollah Ali Khamenei continues to promote radical policies. Iran has the world's second-largest reserves of natural gas and fourth-largest reserves of crude oil. Although the 2015 nuclear agreement briefly allowed Tehran to expand oil exports, attract greater foreign investment, and increase trade, the reimposition of U.S. sanctions after Washington withdrew from the agreement in May 2018 has slashed Iran's oil exports and pushed the country into a deepening recession.

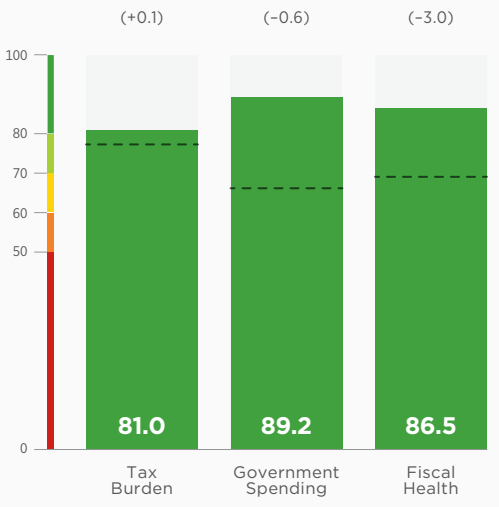
12 ECONOMIC FREEDOMS | IRAN

RULE OF LAW



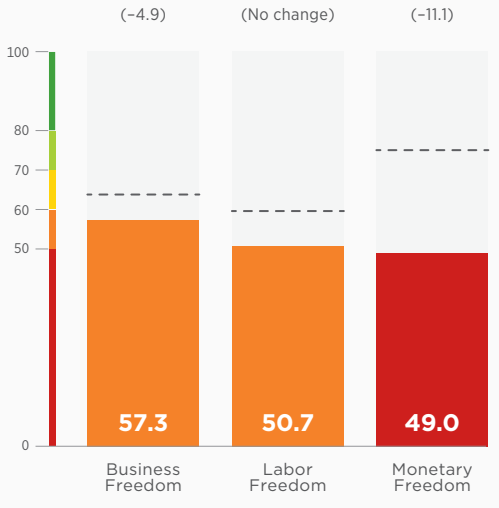
Iranians have the legal right to own property and establish private businesses, but the payment of bribes is often needed to register property or obtain business licenses. The judicial system is not independent, as the supreme leader controls the judiciary and uses it to silence critics of the regime. Corruption is pervasive. Criminal penalties for corruption exist, but the government uses them to target political opponents.

GOVERNMENT SIZE



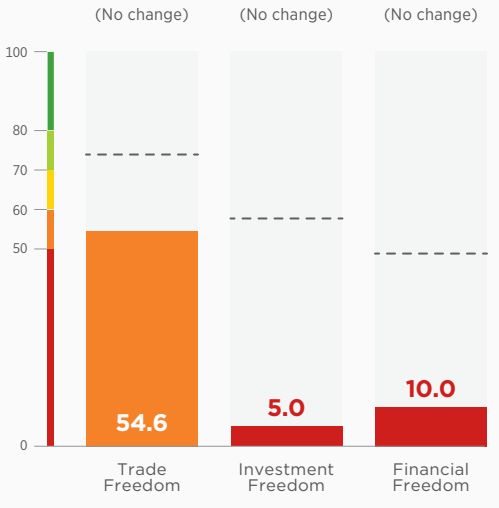
The top personal income tax rate is 35 percent, and the top corporate tax rate is 25 percent. All property transfers are subject to a standard tax. The overall tax burden equals 7.3 percent of total domestic income. Government spending has amounted to 19 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.7 percent of GDP. Public debt is equivalent to 33.2 percent of GDP.

REGULATORY EFFICIENCY



Large numbers of state-owned enterprises and other firms controlled by Iranian security forces crowd out private-sector activity. Billions of dollars of nonperforming loans compromise the banking sector. Notable informal market activity endures. Since the Islamic Revolution, Iran's government has maintained economically deleterious price controls and has funded subsidies that exceed $60 billion annually.

OPEN MARKETS



The total value of exports and imports of goods and services equals 48.8 percent of GDP. The average applied tariff rate is 15.2 percent, and layers of nontariff barriers further restrict trade activity. The investment regime is heavily regulated by the state, and foreign investment is banned in many sectors. State-owned banks account for a majority of total banking-sector assets, and the allocation of credit is directed by state officials.

IRAQ

WORLD RANK: **N/A** | REGIONAL RANK: **N/A**

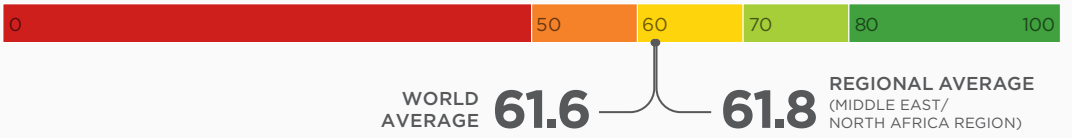
ECONOMIC FREEDOM STATUS: **NOT GRADED**

Iraq is not ranked in the 2020 *Index* because of the continuing lack of reliable relevant data. Iraqi forces have defeated the Islamic State territorially, but ISIS remains a terrorist threat. The outlook for the country depends mainly on whether the government is able to reduce social unrest, resolve its dispute with the Kurds, and prevent the return of Islamic State influence.

Economic policy priorities include reining in fiscal spending, curbing corruption, improving fiscal management, and strengthening the financial sector. The economy is largely dependent on the oil sector, but production will remain constrained by lack of investment. Combating corruption and reducing government spending will be politically challenging; civil service positions are used to reward loyal political allies. Diversification, the key to Iraq's long-term economic development, will require a strengthened investment climate to bolster private-sector engagement, which in turn will require an improved security environment and restoration of the rule of law.

ECONOMIC FREEDOM SCORE

N/A NOT GRADED THIS YEAR



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): N/A

RECENT FREEDOM TREND

QUICK FACTS

POPULATION:
38.1 million

GDP (PPP):
$673.3 billion
0.6% growth in 2018
5-year compound annual growth 3.1%
$17,659 per capita

UNEMPLOYMENT:
7.9%

INFLATION (CPI):
0.4%

FDI INFLOW:
–$4.8 billion

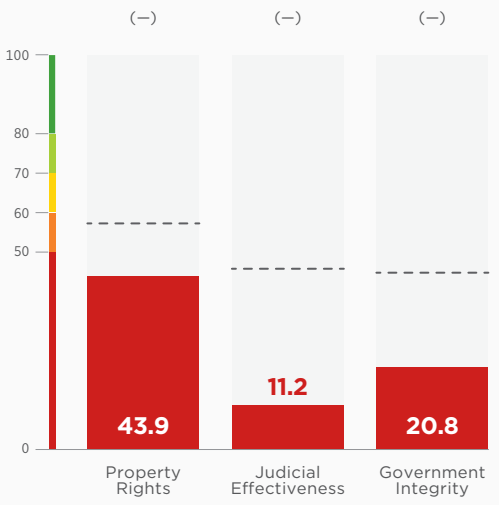
PUBLIC DEBT:
48.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Iraq is slowly recovering from the traumatic war against the Islamic State, which seized large swaths of territory in western Iraq in 2014 and continues to pose a terrorist threat. Results of the May 2018 parliamentary elections increased the power of populist firebrand and Shia cleric Moqtada al-Sadr, who backed Adil Abdul-Mahdi, the former vice president of Iraq from 2005 to 2011 who became prime minister in October 2018. Iraq's state-dominated economy is led by the oil sector, which provides approximately 85 percent of government revenue. The war against the Islamic State imposed a high cost on the economy, which also has been hurt by rampant corruption, sluggish oil prices, and war-related damage to infrastructure.

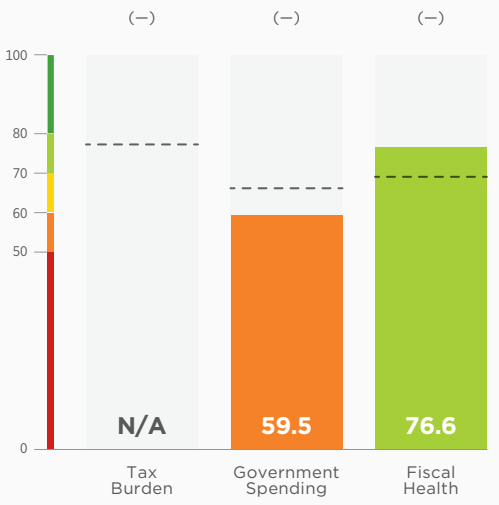
12 ECONOMIC FREEDOMS | IRAQ

RULE OF LAW



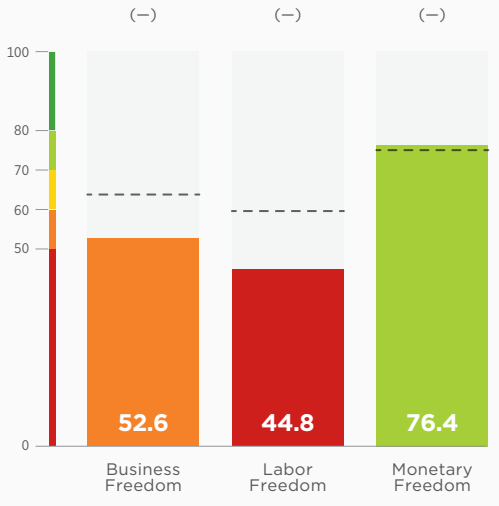
Although Iraqis are legally free to own property and establish businesses, property rights and contract enforcement are impaired by corruption and conflict. Commercial jurisprudence is relatively underdeveloped. Corruption and bureaucratic bottlenecks remain significant problems for the judicial system. Corruption is pervasive in procurement, and government officials can engage in corrupt practices with impunity. Bribery, money laundering, nepotism, and misappropriation of public funds are common.

GOVERNMENT SIZE



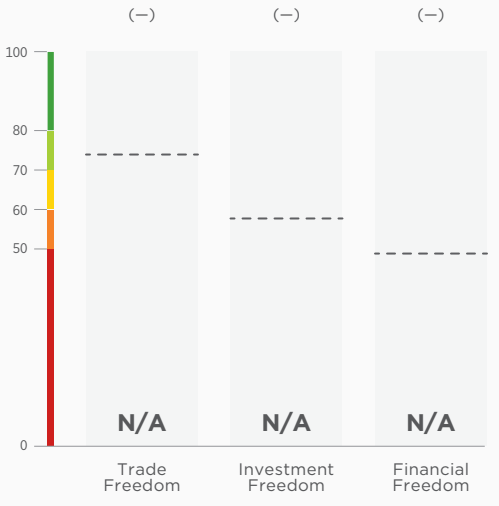
Individual and corporate income tax rates are capped at 15 percent. Because of high levels of evasion and lax enforcement, tax revenue as a percentage of GDP is negligible. The overall tax burden equals 2.0 percent of total domestic income. Government spending has amounted to 36.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 3.2 percent of GDP. Public debt is equivalent to 48.4 percent of GDP.

REGULATORY EFFICIENCY



The continuing lack of security and threat of resurgent extremist groups are impediments to entrepreneurial activity among returning refugees. Many Iraqis who are seeking employment have little choice but to work in the informal sector. Iraq's 2019 budget increased by 45 percent to fund some of the world's highest subsidies per capita, which amount to about 40 percent of the country's GDP.

OPEN MARKETS



Trade flows remain far below potential as broad-based commercial activity is still suppressed. Numerous nontariff barriers add to the cost of trade. Iraq is open to foreign investment in principle, but bureaucratic inertia, policy uncertainty, and security concerns deter investment growth. State banks dominate credit markets, and the largely cash-based economy lacks the infrastructure of a fully functioning modern financial system.

IRELAND

WORLD RANK: 6 | REGIONAL RANK: 2

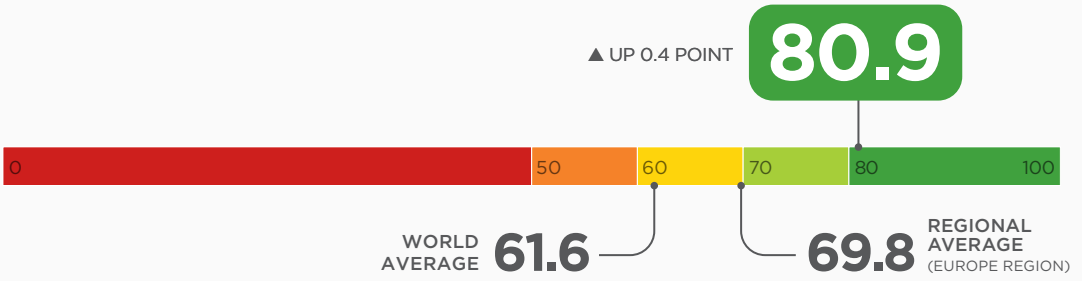
ECONOMIC FREEDOM STATUS: FREE

Ireland's economic freedom score is 80.9, making its economy the 6th freest in the 2020 *Index*. Its overall score has increased by 0.4 point, with a modest increase in the **government integrity** score balancing a similar decline in **judicial effectiveness**. Ireland is ranked 2nd among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

The Irish economy made it back into the ranks of the economically free in 2018 and has maintained that rank in the years since then. GDP growth has been spectacular for the past five years.

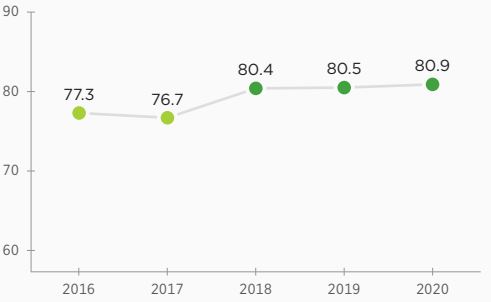
Further reforms aimed at improving the quality of judicial processes and fully privatizing the banking sector would help to solidify Ireland's status as a free economy. Given the ongoing uncertainties concerning Brexit, particular care is going to be needed to sustain the openness of trade and investment flows.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +12.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
4.9 million

GDP (PPP):
$385.9 billion
6.8% growth in 2018
5-year compound annual growth 10.5%
$78,785 per capita

UNEMPLOYMENT:
5.7%

INFLATION (CPI):
0.7%

FDI INFLOW:
–$66.3 billion

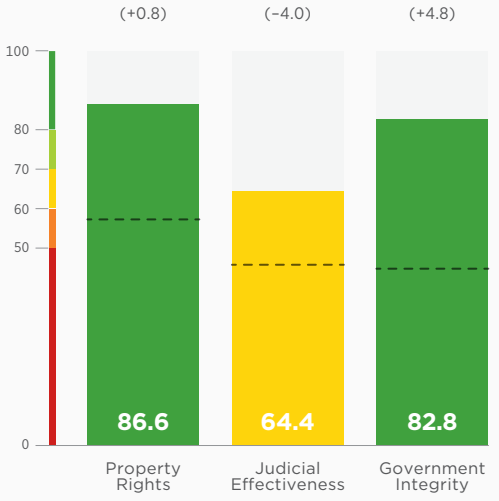
PUBLIC DEBT:
65.2% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Leo Varadkar, the youngest prime minister in Irish history, leads the center-right Fine Gael party at the head of a minority government. In December 2018, the main opposition party, the conservative Fianna Fail, agreed to extend its support for the government until 2020. A 2018 vote ending a strict constitutional ban on abortion reflected an increasingly secular and socially liberal electorate. The small, modern, and trade-dependent economy has performed extraordinarily well for decades and was among the first in the European Union to recover from the 2008 financial crisis. Foreign multinationals dominate the export sector, led by machinery and equipment, computers, chemicals, medical devices, pharmaceuticals, foodstuffs, and animal products. Post-Brexit trade and border arrangements with the United Kingdom are key issues.

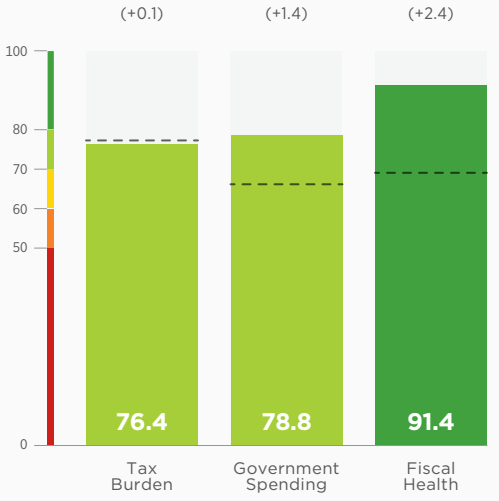
12 ECONOMIC FREEDOMS | IRELAND

RULE OF LAW



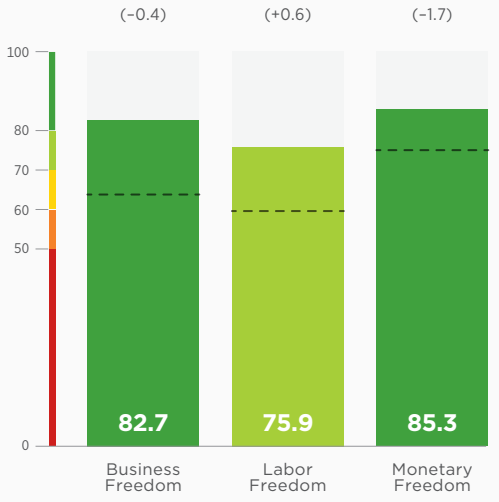
Property rights are well protected, and secured interests in property are recognized and enforced. Contracts are secure, and expropriation is rare. The judiciary is independent, but performance is only average on an index measuring the quality of judicial processes. Corruption is not a serious problem. Antibribery and anticorruption laws that make it illegal for Irish public servants to accept bribes are enforced adequately.

GOVERNMENT SIZE



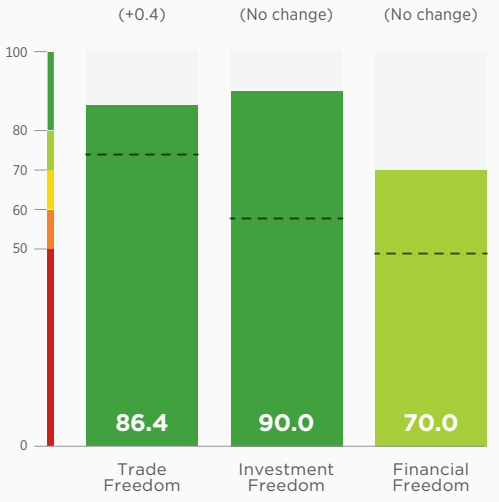
The top personal income tax rate is 41 percent, and the top corporate tax rate is 12.5 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 22.8 percent of total domestic income. Government spending has amounted to 26.6 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 0.2 percent of GDP. Public debt is equivalent to 65.2 percent of GDP.

REGULATORY EFFICIENCY



Ireland has improved access to credit and has made enforcement of contracts easier, but the stamp duty on nonresidential property transfers has been increased. The labor force is less regulated than the labor forces in most of the EU countries on the continent. The government has estimated that Brexit might result in a deficit of up to 1.5 percent of GDP due to higher subsidy payments in significant sectors of the economy.

OPEN MARKETS



The total value of exports and imports of goods and services equals 209.8 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Domestic and foreign firms receive equal treatment under a competitive and efficient investment regime. The banking sector has been stable. The government retains majority or minority ownership stakes in several bank groups.

ISRAEL

WORLD RANK: **26**

REGIONAL RANK: **2**

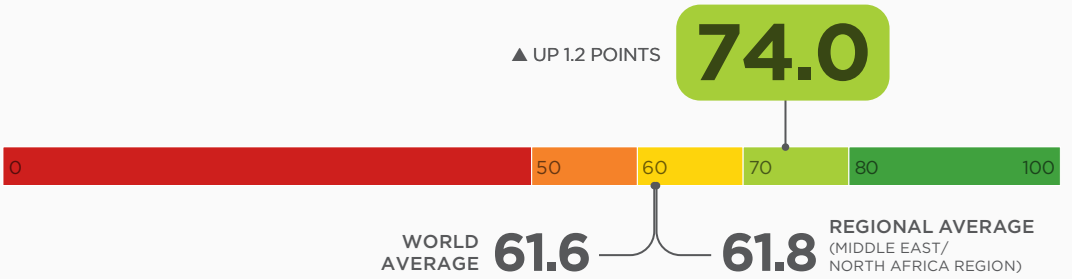
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Israel's economic freedom score is 74.0, making its economy the 26th freest in the 2020 *Index*. Its overall score has increased by 1.2 points, with a notable gain in the score for **government integrity**. Israel is ranked 2nd among 14 countries in the Middle East and North Africa region, and its overall score is well above the regional and world averages.

The Israeli economy has risen higher in the mostly free category for the third year in a row. That performance has been mirrored by healthy GDP growth.

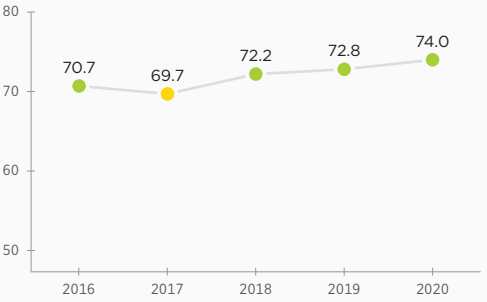
Since the inception of the *Index* in 1995, government spending has been the indicator that has consistently hindered greater economic freedom in Israel. It remains to be seen whether a new government can muster the political will to address the problem by implementing spending cuts and other fiscal restraints. Other pro-business policies, including monetary stability, free trade, and open capital markets, enjoy widespread support and should ensure the continuation of steady economic progress.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +12.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
8.9 million

GDP (PPP):
$337.2 billion
3.3% growth in 2018
5-year compound annual growth 3.4%
$37,972 per capita

UNEMPLOYMENT:
4.0%

INFLATION (CPI):
0.8%

FDI INFLOW:
$21.8 billion

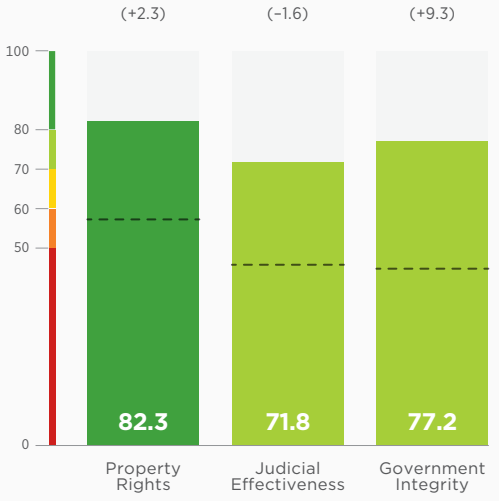
PUBLIC DEBT:
59.6% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Israel won its war for independence in 1948 after Arab states rejected a U.N.-proposed partition of Great Britain's Palestinian Mandate. Subsequent military defeats of Arab armies have deepened tensions. Israel's vibrant democracy remains unique in the region. Prime Minister Benjamin Netanyahu was unable to form a new government after elections in April and September 2019 ended in stalemates. Israel's thriving high-technology sector attracts considerable foreign investment, and the discovery of large off-shore natural gas deposits has improved its energy security and balance-of-payments prospects. Despite the 2006 war against Hezbollah in Lebanon, frequent military campaigns against Hamas in Gaza, and the constant threat of terrorism, Israel's modern market economy remains fundamentally sound and dynamic.

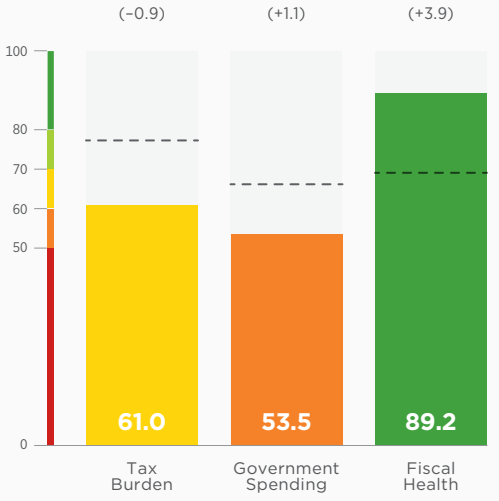
12 ECONOMIC FREEDOMS | ISRAEL

RULE OF LAW



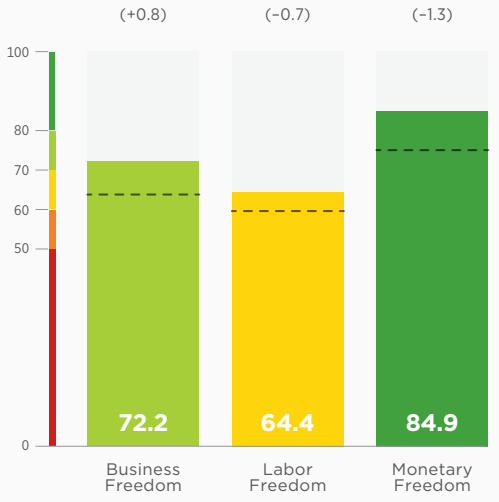
Property rights are recognized and protected, and contracts are enforced, although the process for registering or obtaining land rights is cumbersome. Israel's modern judicial system is independent and based on British common law. Bribery and other forms of corruption are illegal. A strong societal intolerance for graft has strengthened the foundations of economic freedom.

GOVERNMENT SIZE



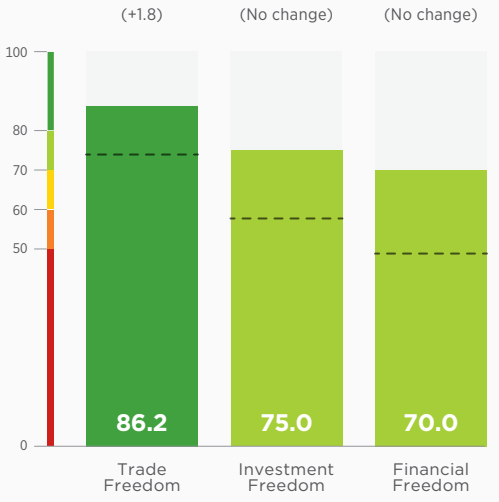
The top personal income tax rate is 48 percent, and the corporate tax rate has been cut to 23 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 32.7 percent of total domestic income. Government spending has amounted to 39.4 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.5 percent of GDP. Public debt is equivalent to 59.6 percent of GDP.

REGULATORY EFFICIENCY



Israel incubates numerous science and technology start-ups and has a highly educated workforce. The government has made registration of property easier, and regulations pertaining to working hours per week, overtime hours, and maternity leave have been changed. The government offers subsidies to foreign investors, and price controls for basic foods, medicines, gasoline, and basic banking services have been in place for many years.

OPEN MARKETS



The total value of exports and imports of goods and services equals 56.8 percent of GDP. The average applied tariff rate is 1.9 percent, and 88 nontariff measures are in force. The investment regime is modern and efficient, supporting vibrant levels of foreign investment. Financial institutions offer a wide range of services, and credit is readily available on market terms. Capital markets have gradually been liberalized.

ITALY

WORLD RANK: **74**

REGIONAL RANK: **37**

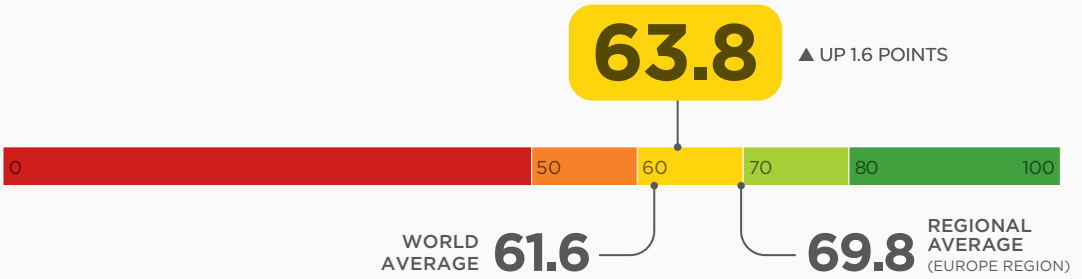
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Italy's economic freedom score is 63.8, making its economy the 74th freest in the 2020 *Index*. Its overall score has increased by 1.6 points, primarily because of an improved **government integrity** score. Italy is ranked 37th among 45 countries in the Europe region, and its overall score is well below the regional average and slightly above the world average.

The Italian economy has been mired in the bottom ranks of the moderately free category for most of the years since the inception of the *Index* in 1995, dragged down by one consistently very low-scoring indicator: government spending. Perhaps as a result, GDP growth has been exceptionally weak for the past five years.

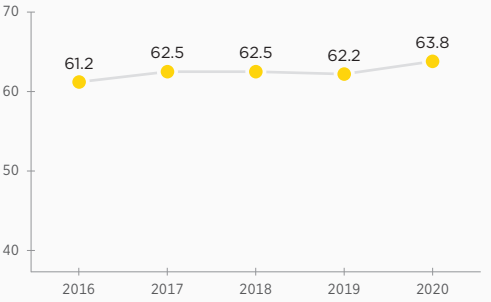
The new government's policy priorities—higher spending on research, education, and welfare; introduction of a minimum wage; incentives for small and medium-size enterprises; and pension guarantees for young people—will do nothing to increase economic freedom in Italy.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +2.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
60.5 million

GDP (PPP):
$2.4 trillion
0.9% growth in 2018
5-year compound annual growth 0.9%
$39,637 per capita

UNEMPLOYMENT:
10.2%

INFLATION (CPI):
1.2%

FDI INFLOW:
$24.3 billion

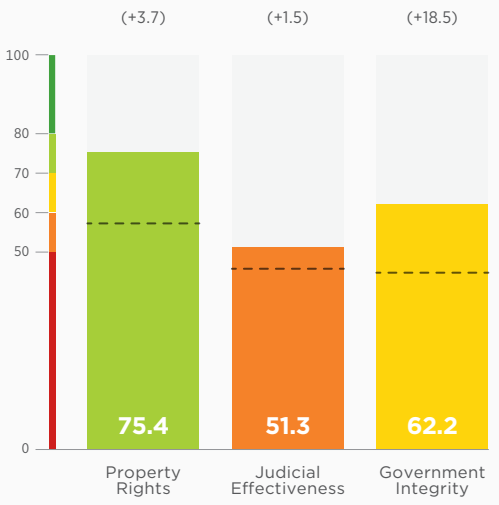
PUBLIC DEBT:
132.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Italy is a charter member of NATO and the European Union. In September 2019, a new and more stable coalition government, led again by Prime Minister Giuseppe Conte and comprising the populist Five Star Movement and the center-left Democratic Party, obtained votes of confidence in both houses of parliament. The new coalition will be less confrontational toward EU rules on migration and fiscal policy. Italy's diversified economy is bifurcated between the highly developed industrial North, dominated by private companies, and a less-developed, highly subsidized agricultural South, where unemployment is higher. Migration remains the most highly charged political issue, and the prior government's changes in immigration policy led to a significant decline in migrant arrivals.

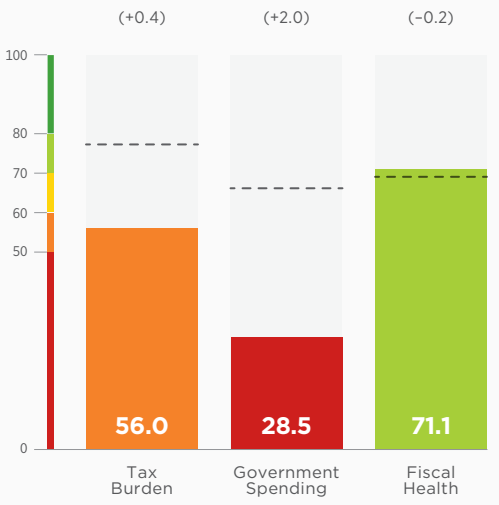
12 ECONOMIC FREEDOMS | ITALY

RULE OF LAW



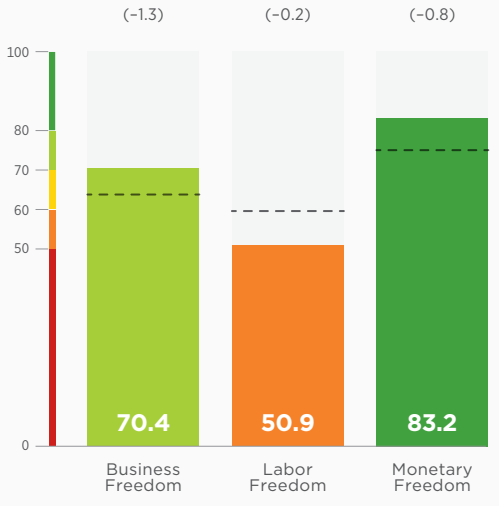
Real property rights are enforced in Italian courts, but registration costs an average of 4.4 percent of property value. Delays in court proceedings can undermine contract enforcement. Although the judiciary is generally independent, judicial corruption and political interference persist. Corruption and organized crime continue to be significant impediments to investment and economic growth, despite efforts by successive governments to reduce risks.

GOVERNMENT SIZE



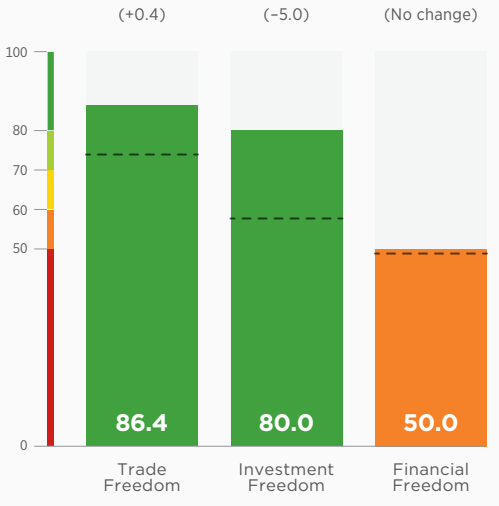
The top personal income tax rate is 43 percent, and the top corporate tax rate is 27.5 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 42.4 percent of total domestic income. Government spending has amounted to 48.4 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.4 percent of GDP. Public debt is equivalent to 132.1 percent of GDP.

REGULATORY EFFICIENCY



Taxes have increased, partly because some exemptions on social security contributions were reduced. In 2018, the government introduced the so-called Dignity Decree, which includes incentives to hire workers under 35 years old, sets limits on short-term contracts, and makes it costlier to fire workers. The government allows most prices to be set by the market except for electricity, transportation, pharmaceuticals, telecommunications, water, and gas networks.

OPEN MARKETS



The total value of exports and imports of goods and services equals 61.0 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. A decree strengthening the foreign direct investment screening mechanism in areas of strategic importance was adopted in 2019. Restructuring and consolidation of the banking sector continue, and the number of nonperforming loans is declining.

JAMAICA

WORLD RANK: **49** | REGIONAL RANK: **6**

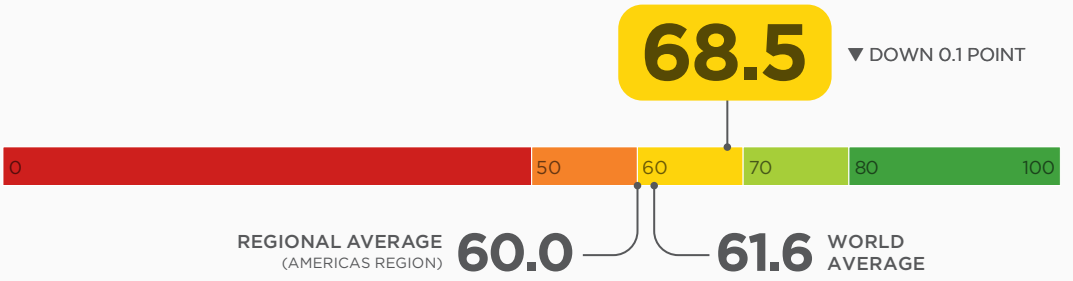
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Jamaica's economic freedom score is 68.5, making its economy the 49th freest in the 2020 *Index*. Its overall score declined by 0.1 point, with a sharp drop in the **monetary freedom** score counterbalanced by improvements in other indicators. Jamaica is ranked 6th among 32 countries in the Americas region, and its overall score is well above the regional and world averages.

The Jamaican economy has been mired in the moderately free category since the inception of the *Index* in 1995. GDP growth has been weak for the past five years.

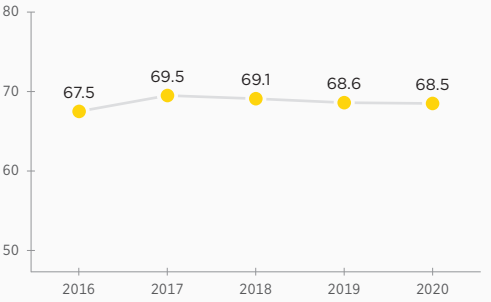
The biggest *Index* factors holding back more economic freedom in Jamaica are a consistently weak performance on financial freedom and a lack of sufficient government integrity. The government's failure to pursue allegations of misuse of public funds in the state-owned Petrojam oil refinery and other public bodies energetically does not bode well for improvement of the latter factor.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +4.1

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
2.9 million

GDP (PPP):
$27.0 billion
1.4% growth in 2018
5-year compound annual growth 1.0%
$9,447 per capita

UNEMPLOYMENT:
9.5%

INFLATION (CPI):
3.7%

FDI INFLOW:
$774.7 million

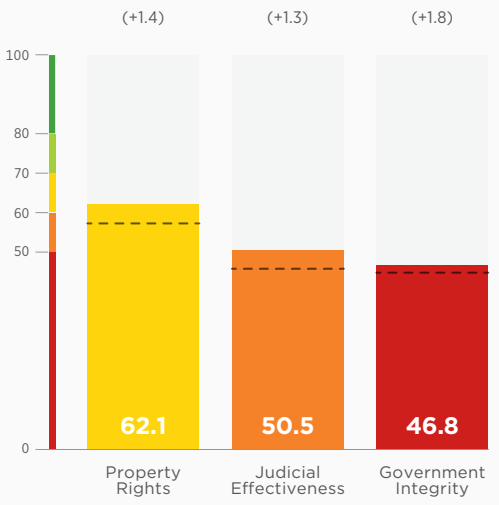
PUBLIC DEBT:
99.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: English planters seized Jamaica from Spain in 1655 and established a plantation economy based on slave labor. The island gained independence from the United Kingdom in 1962. Long-standing recurrent violence among powerful organized crime networks that are involved in international drug smuggling and money laundering and also affiliated with major political parties remains an ongoing problem. Prime Minister Andrew Holness's center-left Jamaica Labour Party remains popular, enhancing his chances for reelection in 2021. Once a major sugar producer, Jamaica is now a net sugar importer, and services account for more than 70 percent of GDP. The economy is diverse, but industries lack investment and modernization. Remittances, tourism, and bauxite generate most foreign exchange.

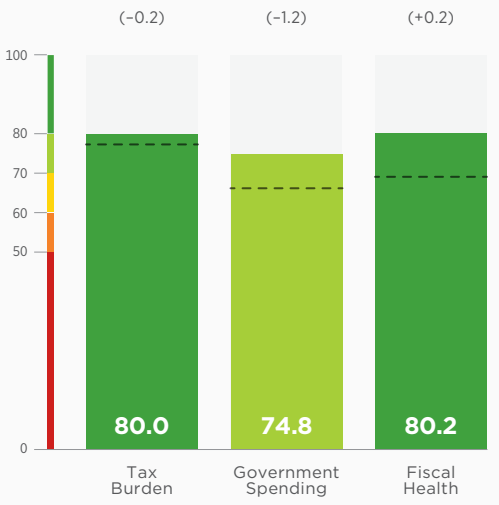
12 ECONOMIC FREEDOMS | JAMAICA

RULE OF LAW



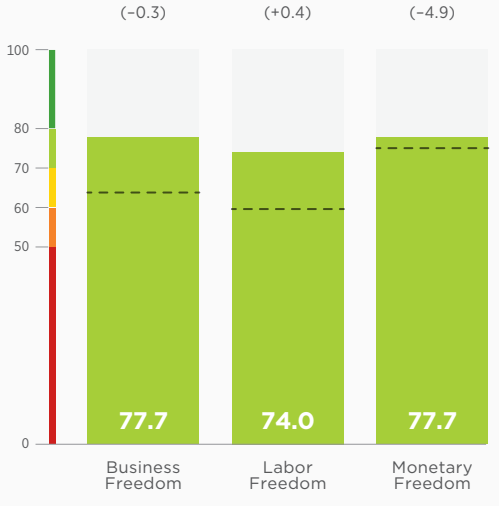
Although property rights are constitutionally guaranteed, bureaucratic red tape makes registration of property difficult, and a large percentage of properties lack a current title. The judiciary is widely considered to be independent, but resolution of court cases can take years or even decades. Many Jamaicans believe that corruption is one of the root causes of Jamaica's high crime rate and economic stagnation.

GOVERNMENT SIZE



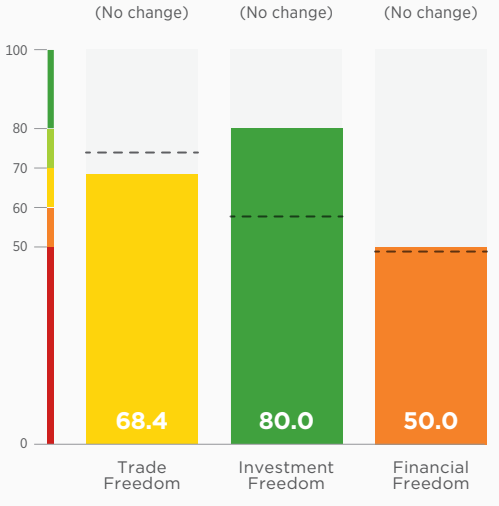
Jamaica's top individual income and corporate tax rates are 25 percent. Other taxes include property transfer and general consumption taxes. The overall tax burden equals 27.3 percent of total domestic income. Government spending has amounted to 29 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 0.2 percent of GDP. Public debt is equivalent to 99.4 percent of GDP.

REGULATORY EFFICIENCY



Business confidence is high. Jamaica recently improved access to credit by making data from utility companies available. The public sector lacks efficiency and cost-effectiveness. Unemployment is close to all-time lows. The government continues to subsidize medications and health care through the National Health Fund and regulates utility prices for water, electricity, and telecommunications services.

OPEN MARKETS



The total value of exports and imports of goods and services equals 82.6 percent of GDP. The average applied tariff rate is 10.8 percent, and five nontariff measures are in force. Jamaica officially encourages foreign investment, but the investment regime lacks transparency and efficiency. Although some financial services are still not available, the private sector has access to a wide range of credit instruments.

JAPAN

WORLD RANK:	REGIONAL RANK:
30	8

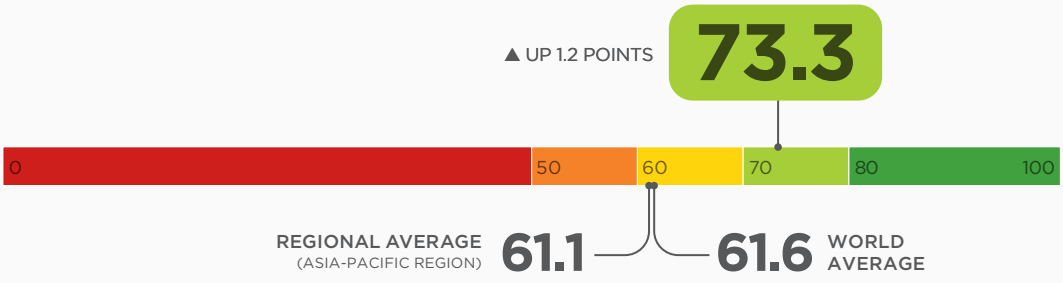
ECONOMIC FREEDOM STATUS: MOSTLY FREE

Japan's economic freedom score is 73.3, making its economy the 30th freest in the 2020 *Index*. Its overall score has increased by 1.2 points due primarily to an improvement in **fiscal health**. Japan is ranked 8th among 42 countries in the Asia–Pacific region, and its overall score is well above the regional and world averages.

The Japanese economy typically hovers in the lower ranks of the mostly free category. GDP growth has been constrained for many years as well.

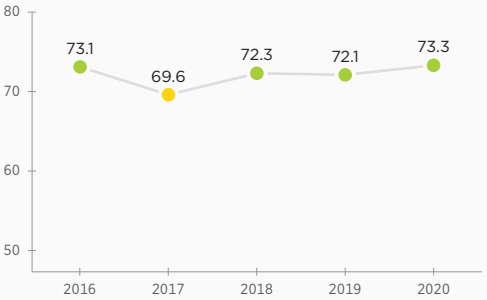
The chief culprit holding back greater economic freedom in Japan has been too much government spending. To address fiscal issues, the government is focused on reducing the cost of pensions in an aging society by introducing social security reforms to raise the labor force participation rate and extend the retirement age to 70. More fundamental structural reforms will be required to eliminate cronyism and boost entrepreneurship.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –1.7

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
126.5 million

GDP (PPP):
$5.6 trillion
0.8% growth in 2018
5-year compound annual growth 1.0%
$44,227 per capita

UNEMPLOYMENT:
2.5%

INFLATION (CPI):
1.0%

FDI INFLOW:
$9.9 billion

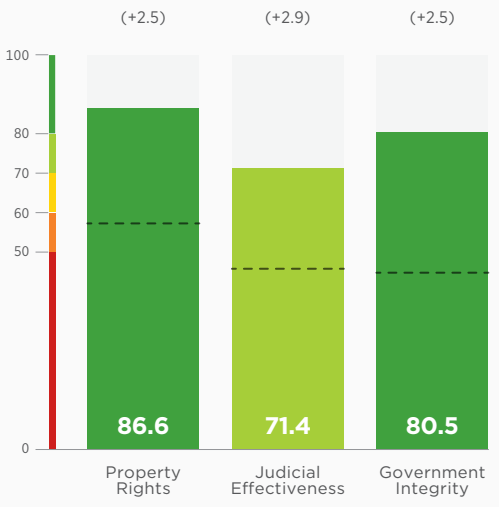
PUBLIC DEBT:
237.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: A longtime global economic power and Western ally, Japan has had a history of revolving-door leadership in recent years. Prime Minister Shinzo Abe, in office since 2012 and elected to a historic third term in 2017, has provided much-needed political stability and in late 2019 became Japan's longest-serving prime minister. The public wants deeper reforms to remedy Japan's endemic economic problems but fears the upheaval that such measures would cause. The government's "Abenomics" policy implemented monetary easing and fiscal stimulus, but structural reform is still needed to encourage long-term economic growth. Security concerns include North Korea's nuclear and missile threats and China's claims of sovereignty in the East and South China Seas.

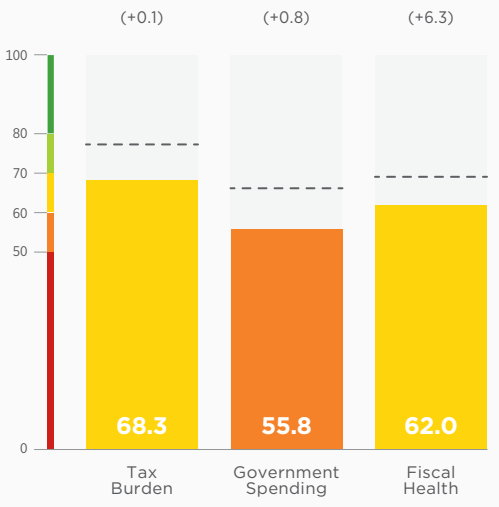
12 ECONOMIC FREEDOMS | JAPAN

RULE OF LAW



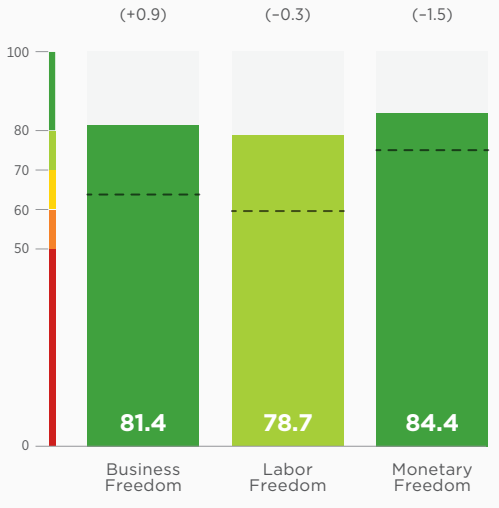
Property rights are enforced effectively. Japan's independent judiciary applies commercial laws consistently. Levels of corruption are low, but close relationships among companies, politicians, and government agencies foster an inwardly cooperative business climate that is conducive to corruption. The traditional practice of *amakudari* (granting retired government officials top positions within Japanese companies) is common in multiple sectors.

GOVERNMENT SIZE



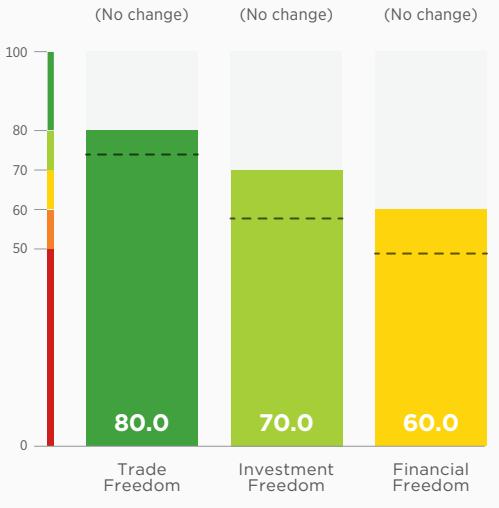
The top personal income tax rate is 40.8 percent. The top corporate tax rate is 23.9 percent, which local taxes can further increase. The consumption tax has been raised. The tax burden equals 30.6 percent of total domestic income. Government spending has amounted to 38.4 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 3.4 percent of GDP. Public debt is equivalent to 237.1 percent of GDP.

REGULATORY EFFICIENCY



Traditionally weak corporate governance has been improved. The legal and regulatory systems are generally fair and balanced. Unemployment was near a 25-year low in March 2019. Most measures in the Workstyle Reform package bills, which revised eight labor laws, took effect in April 2019. The Japanese government offers many subsidies, tax credits, and other incentives to attract foreign investment.

OPEN MARKETS



The total value of exports and imports of goods and services equals 34.6 percent of GDP. The average applied tariff rate is 2.5 percent, and 390 nontariff measures are in force. A May 2019 measure expanded the list of business activities in which foreign investments are subject to prior notification requirements. The financial sector is vulnerable to political influence. Reform of the state-owned postal savings system has been delayed.

JORDAN

WORLD RANK: **66**

REGIONAL RANK: **5**

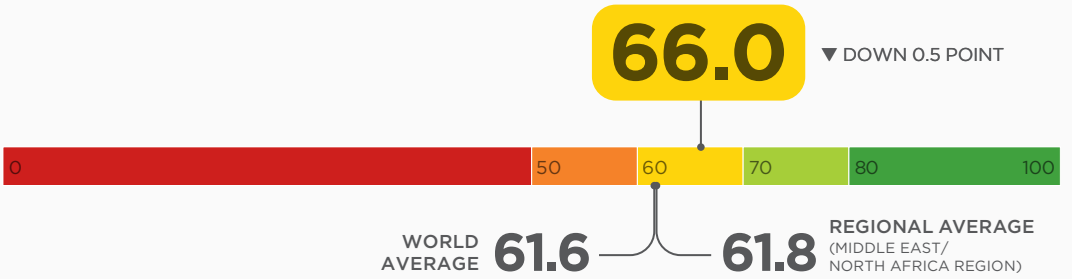
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Jordan's economic freedom score is 66.0, making its economy the 66th freest in the 2020 *Index*. Its overall score has decreased by 0.5 point due to a decline in the **monetary freedom** score. Jordan is ranked 5th among 14 countries in the Middle East and North Africa region, and its overall score is well above the regional and world averages.

The Jordanian economy has been in the moderately free category for every year but one since the inception of the *Index* in 1995. It has been held back from rising to the ranks of the mostly free by consistently low scores on such rule-of-law indicators as property rights and, especially, government integrity. GDP growth has been constrained for the past five years, increasing the level of public discontent.

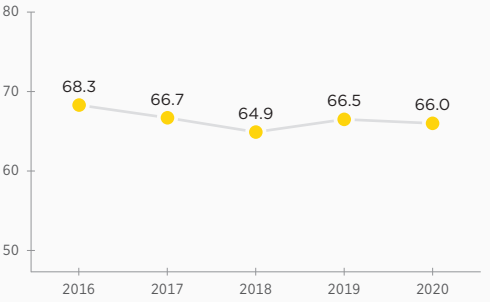
The government is trying to consolidate public finances, which will improve fiscal health and maintain political stability while modernizing the economy.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +3.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
9.9 million

GDP (PPP):
$93.4 billion
2.0% growth in 2018
5-year compound annual growth 2.3%
$9,433 per capita

UNEMPLOYMENT:
15.0%

INFLATION (CPI):
4.5%

FDI INFLOW:
$949.9 million

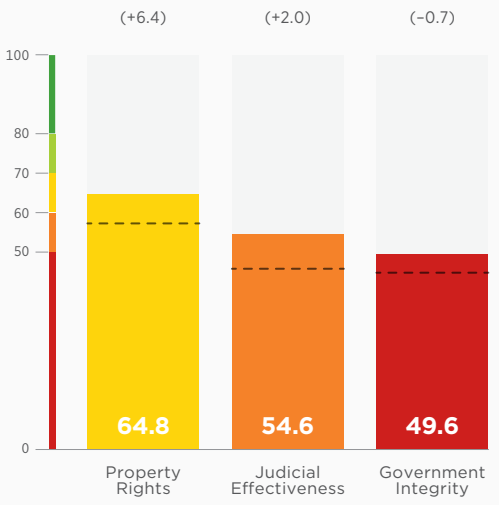
PUBLIC DEBT:
94.2% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Independent from the United Kingdom since 1946, the Hashemite Kingdom of Jordan is a constitutional monarchy with relatively few natural resources. King Abdullah II assumed the throne in 1999 with an ambitious reform agenda. The economy, one of the region's smallest, is supported by foreign loans, international aid, and remittances from expatriate workers. In 2000, Jordan joined the World Trade Organization and signed a free trade agreement with the United States. In June 2018, the king appointed Omar al-Razzaz as prime minister to defuse popular protests over tax hikes. Ongoing conflicts in Iraq and Syria have severely disrupted Jordan's economy and regional trade, and more than 1.3 million Syrian and Iraqi refugees have strained its limited resources.

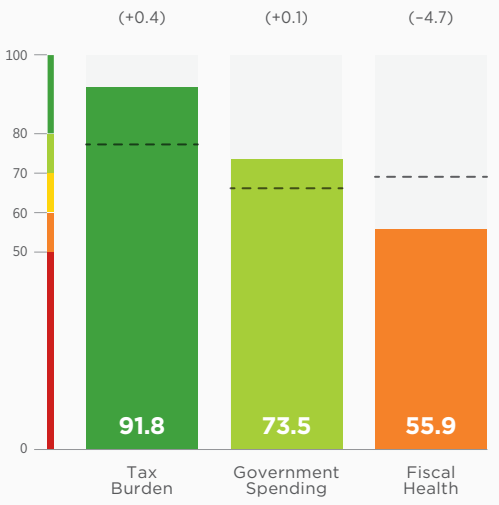
12 ECONOMIC FREEDOMS | JORDAN

RULE OF LAW



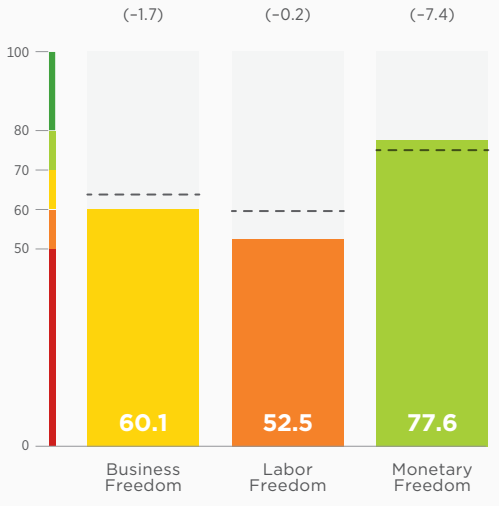
In 2019, 13 laws were consolidated in a new property law that governs ownership, addresses zoning issues, and facilitates ownership and leases for foreign investors. Jordan's legal system is a mixture of civil law, Sharia law, and customary law. The judiciary is generally independent, but the king has ultimate authority. Corruption is widespread, and anticorruption efforts are undermined by a lack of independent enforcement institutions.

GOVERNMENT SIZE



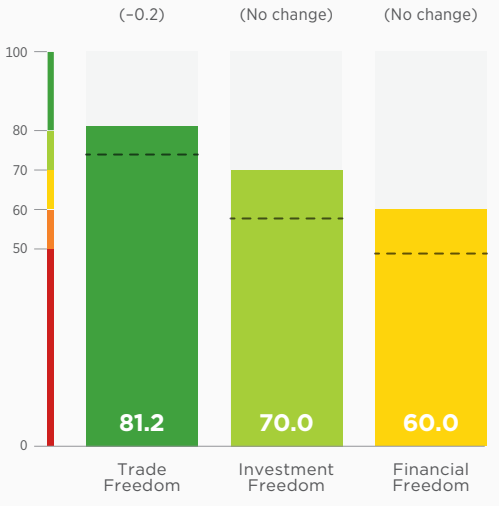
The top individual income tax rate is 14 percent, and the standard corporate tax rate is 20 percent. The overall tax burden equals 15.0 percent of total domestic income. Government spending has amounted to 29.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.1 percent of GDP. Public debt is equivalent to 94.2 percent of GDP.

REGULATORY EFFICIENCY



Access to credit information, protections for minority investors, contract enforcement, and sales tax procedures have been enhanced. Under pending amendments to the labor law, firms whose employees have a total of 15 or more young children would have to provide child care facilities. Protests in 2018 over the attempt to reduce subsidies on fuel and other goods were addressed by the naming of a new prime minister, the eighth in the past decade.

OPEN MARKETS



The total value of exports and imports of goods and services equals 89.5 percent of GDP. The average applied tariff rate is 4.4 percent, and 20 nontariff measures are in force. Foreign investors receive national treatment, but bureaucracy and inconsistent enforcement of regulations inhibit new investment. Consolidation of smaller banks has progressed. The state owns no commercial banks but does own specialized credit institutions.

KAZAKHSTAN

WORLD RANK: **39** | REGIONAL RANK: **10**

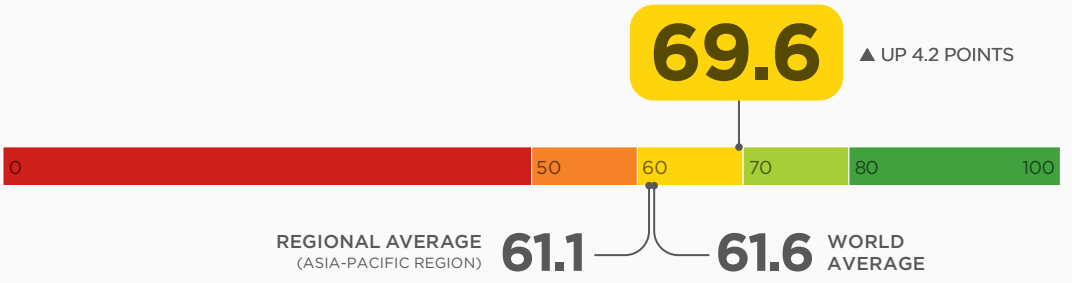
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Kazakhstan's economic freedom score is 69.6, making its economy the 39th freest in the 2020 *Index*. Its overall score has increased by 4.2 points due to a large increase in the **fiscal health** score. Kazakhstan is ranked 10th among 42 countries in the Asia–Pacific region, and its overall score is well above the regional and world averages.

Kazakhstan's economy has been in the upper reaches of the moderately free category for the past four years. GDP growth has also tracked higher during that time.

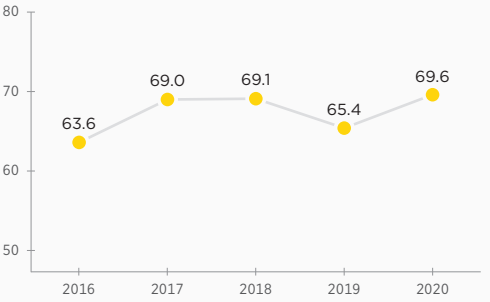
The new government wants to boost productivity, diversify the economy away from hydrocarbons, reduce the role of the state, and increase the efficiency of the bureaucracy. Those goals would be advanced if long-standing shortcomings identified over the years by the *Index*, including in government integrity, investment freedom, and financial freedom, were addressed. The country's poor business environment, weak competition in some sectors, and long distances to global markets remain significant constraints.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1998): +27.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
18.5 million

GDP (PPP):
$508.6 billion
4.1% growth in 2018
5-year compound annual growth 2.9%
$27,550 per capita

UNEMPLOYMENT:
4.9%

INFLATION (CPI):
6.0%

FDI INFLOW:
$3.8 billion

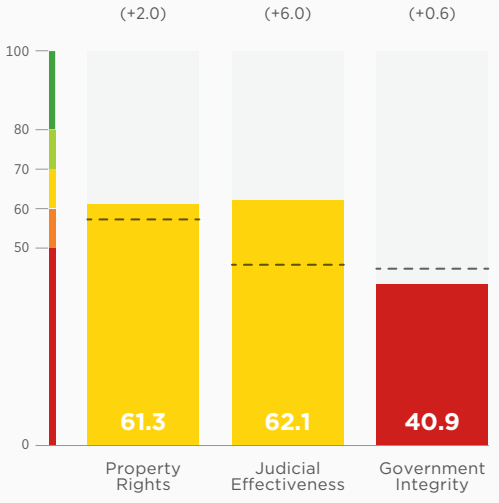
PUBLIC DEBT:
21.9% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: A vast semiarid steppe, Kazakhstan was once the largest Soviet republic. President Nursultan Nazarbayev, whose rule lasted nearly 30 years, resigned in March 2019 to secure his legacy, name his successor, and influence the political transition. Kassym-Jomart Tokayev won the snap presidential election in June 2019. Over the past several years, Kazakhstan has been transitioning from the Cyrillic alphabet to the Latin alphabet. Oil production is booming, primarily because of a nearly $37 billion expansion of the Tengiz oil field. Kazakhstan's vast hydrocarbon and mineral reserves, especially in the Caspian Basin, form the backbone of its economy. The country is the world's largest producer of uranium and has a large agricultural sector featuring livestock and grain.

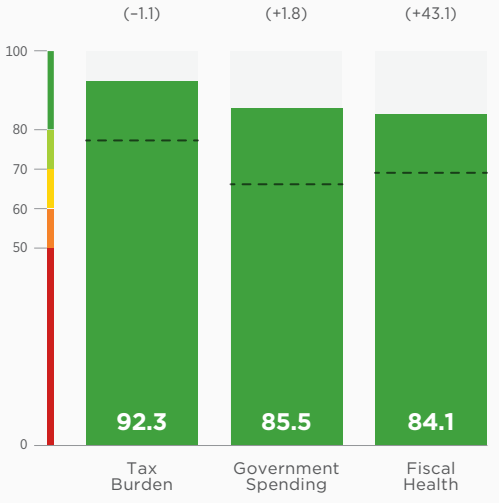
12 ECONOMIC FREEDOMS | KAZAKHSTAN

RULE OF LAW



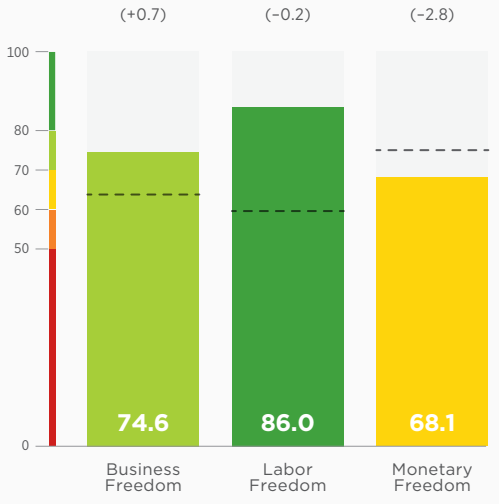
Although the law protects private property rights, those rights are limited in practice by bureaucratic hurdles and the undue influence of politically connected and wealthy elites. The judiciary is subservient to the executive branch. The president directly appoints judges, making them susceptible to political influence. Corruption is a problem throughout the judicial system and is also widespread at all levels of government.

GOVERNMENT SIZE



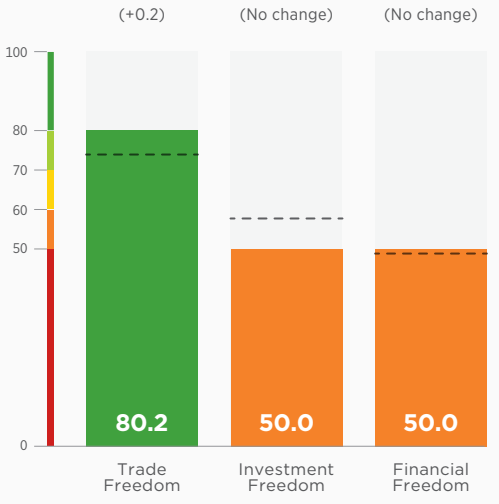
The flat personal income tax rate is 10 percent, and the standard corporate tax rate is 20 percent. The overall tax burden equals 16.4 percent of total domestic income. Government spending has amounted to 22 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 3.1 percent of GDP. Public debt is equivalent to 21.9 percent of GDP.

REGULATORY EFFICIENCY



Kazakhstan has made it easier to start a business. Trade across borders has been facilitated, and a customs administrative fee has been cut. Enforcement of contracts has become more transparent. Efforts to remove bureaucratic barriers have been moderately successful. In 2019, the government increased subsidies for agriculture and energy and maintained a wide range of other subsidies in the face of weaker economic performance.

OPEN MARKETS



The total value of exports and imports of goods and services equals 60.6 percent of GDP. The average applied tariff rate is 2.4 percent, and 35 nontariff measures are in force. Foreign investment is officially welcome, but unclear legal codes and inconsistent application of regulations are deterrents. Troubled banks have been recapitalized, and the financial sector is stable. Capital markets remain underdeveloped.

KENYA

WORLD RANK: **132** | REGIONAL RANK: **23**

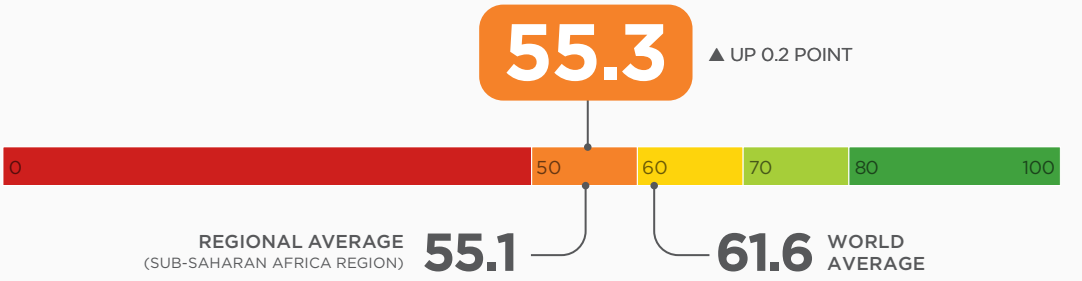
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Kenya's economic freedom score is 55.3, making its economy the 132nd freest in the 2020 *Index*. Its overall score has increased by 0.2 point, but a higher **property rights** score was largely offset by a drop in the **labor freedom** score. Kenya is ranked 23rd among 47 countries in the Sub-Saharan Africa region, and its overall score is approximately equal to the regional average and well below the world average.

The Kenyan economy has been mostly unfree for more than two decades. GDP growth over the past five years, however, has been robust, led by expanded consumer demand.

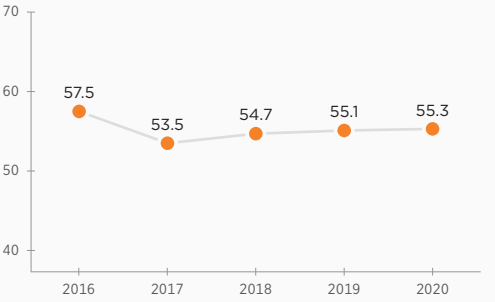
Historically, economic freedom in Kenya has been hampered by weak rule of law (especially government integrity) and less-than-stellar performance in investment freedom and financial freedom. Although the government seeks to alleviate structural obstacles to more rapid economic growth and to prioritize trade liberalization, policymaking and implementation remain vulnerable to such risks as drought, insecurity, corruption, and political squabbling.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +0.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
48.0 million

GDP (PPP):
$177.3 billion
6.0% growth in 2018
5-year compound annual growth 5.6%
$3,691 per capita

UNEMPLOYMENT:
9.3%

INFLATION (CPI):
4.7%

FDI INFLOW:
$1.6 billion

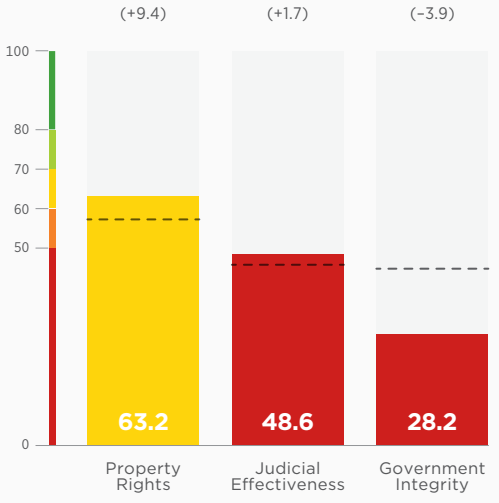
PUBLIC DEBT:
57.2% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: In 2013, Uhuru Kenyatta, the son of Kenya's inaugural president, won the first presidential election conducted under a 2010 constitution that added checks on executive power. Kenyatta was declared the winner of a high-turnout August 2017 presidential election, but the Supreme Court annulled the result and upheld main opposition challenger Raila Odinga's claim of irregularities. Kenyatta won an October 2017 revote in an election marred by low turnout. Kenyatta and Odinga appeared to reconcile in 2018. Kenya is East Africa's economic, financial, and transport hub, and its real GDP growth has been robust in recent years. Kenya owes China $5.3 billion, which is about three-quarters of its bilateral debt and a tenfold increase since 2013.

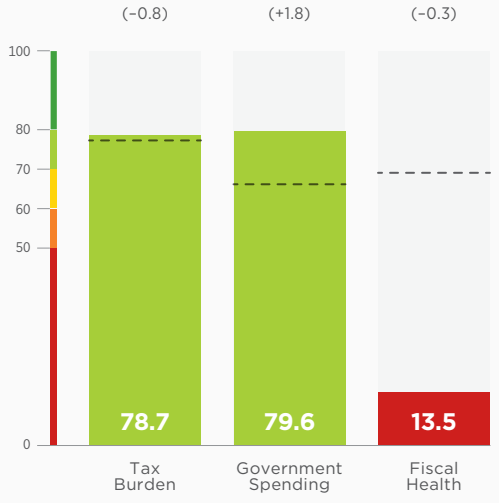
12 ECONOMIC FREEDOMS | KENYA

RULE OF LAW



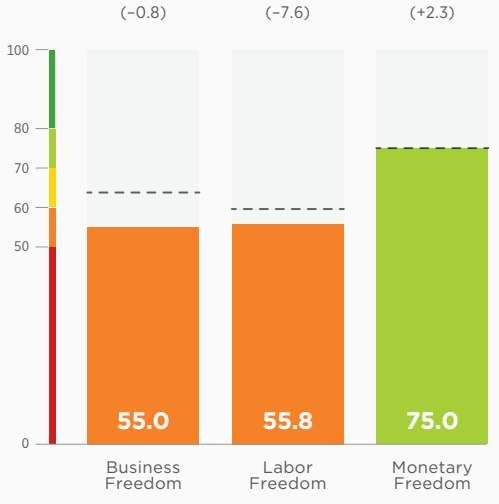
The cumbersome and opaque process required to acquire land raises concerns about security of title, particularly given past abuses related to the distribution of public land. Foreigners may not own land in Kenya. The legal system is based on English common law, and the judiciary is generally independent, but courts are undermined by weak institutional capacity. Entrenched corruption is pervasive throughout the country.

GOVERNMENT SIZE



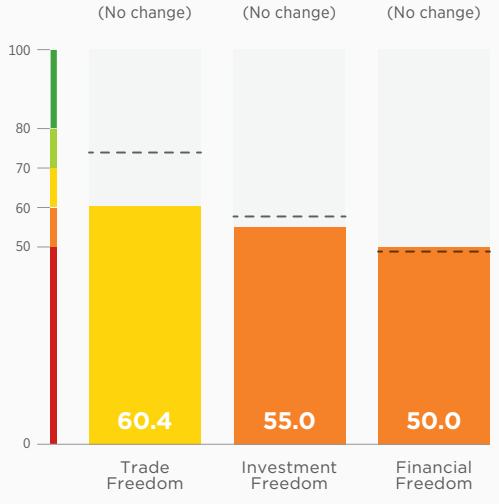
The top individual income and corporate tax rates are 30 percent. Other taxes include a value-added tax and a tax on interest. The overall tax burden equals 18.1 percent of total domestic income. Government spending has amounted to 26.1 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 7.8 percent of GDP. Public debt is equivalent to 57.2 percent of GDP.

REGULATORY EFFICIENCY



Kenya continues to try to improve its business environment but still lags in some areas. The government is the largest formal-sector employer. The nonsalary cost of employing a worker is low. Labor inspectors are routinely bribed not to report illegal child labor. The government continues to regulate prices through subsidies (for example, for electricity and maize); agricultural marketing boards; and state-owned enterprises.

OPEN MARKETS



The total value of exports and imports of goods and services equals 36.2 percent of GDP. The average applied tariff rate is 12.3 percent, and 53 nontariff measures are in force. The poor investment regime lacks efficiency and transparency, discouraging investment activity. The financial sector remains vulnerable to government intervention. The state owns or holds shares in financial institutions and influences the allocation of credit.

WORLD RANK: **172** | REGIONAL RANK: **41**

ECONOMIC FREEDOM STATUS: **REPRESSED**

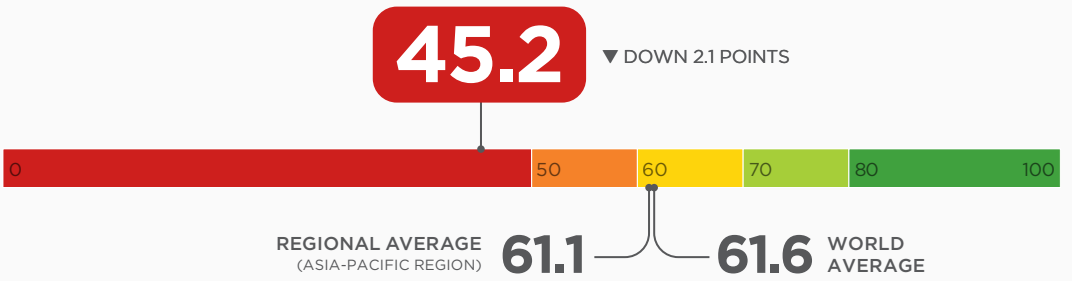
KIRIBATI

Kiribati's economic freedom score is 45.2, making its economy the 172nd freest in the 2020 *Index*. Its overall score has decreased by 2.1 points due to a plunge in the **trade freedom** score. Kiribati is ranked 41st among 42 countries in the Asia–Pacific region, and its overall score is well below the regional and world averages.

The economy of Kiribati generally has been considered repressed since its *Index* grading began in 2009. GDP growth over the past five years has been healthy, however, driven in part by budget support from mining revenues and foreign aid.

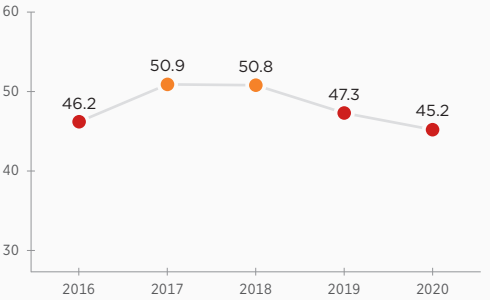
A shortage of skilled workers, weak infrastructure, and remoteness from international markets constrain greater development and economic freedom in Kiribati. The public sector dominates economic activity through ongoing infrastructure projects and inefficient state-owned enterprises. Economic growth is further undermined by regulations that hinder private-sector development. The financial sector remains underdeveloped, leaving much of the population without formal access to banking services.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): –0.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.1 million

GDP (PPP):
$0.2 billion
2.3% growth in 2018
5-year compound annual growth 3.5%
$2,086 per capita

UNEMPLOYMENT:
30.6% (2010 estimate)

INFLATION (CPI):
1.9%

FDI INFLOW:
$0.6 million

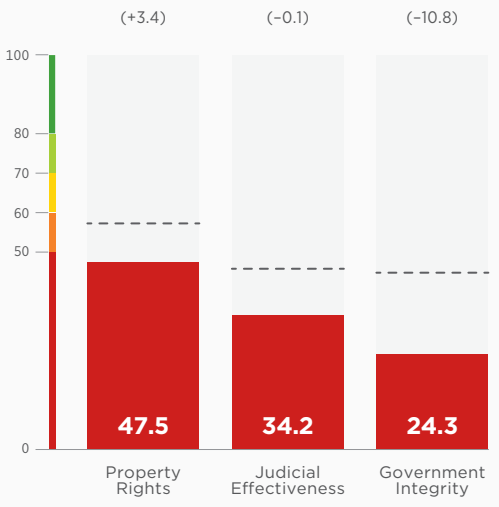
PUBLIC DEBT: 21.9% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Comprised of 33 scattered coral atolls, Kiribati has few natural resources and is one of the least-developed Pacific Island countries. Kiribati gained independence from the United Kingdom in 1979, and its government functions democratically. Taneti Maamau of the Tobwaan Kiribati Party was elected president in 2016 after 12 years of rule by Anote Tong of the Boutokaan Te Koaua. Economic activity once centered on the mining of phosphates, but those deposits have been exhausted. A $500 million fund created with mining revenues continues to provide significant budget support. Kiribati relies on foreign assistance, emigrants' remittances, fishing, coconut exports, and tourism. Crippling algae in the corals are a serious threat to the fishing industry.

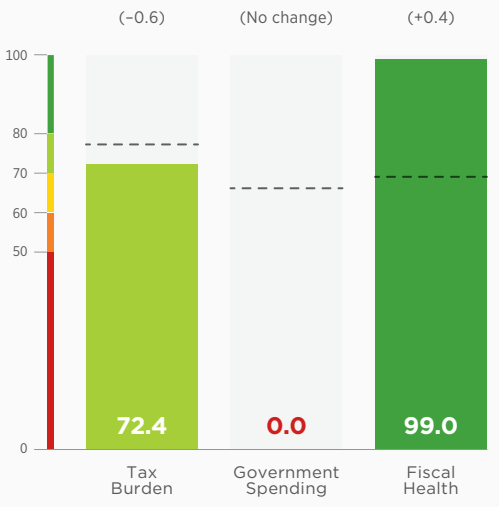
12 ECONOMIC FREEDOMS | KIRIBATI

RULE OF LAW



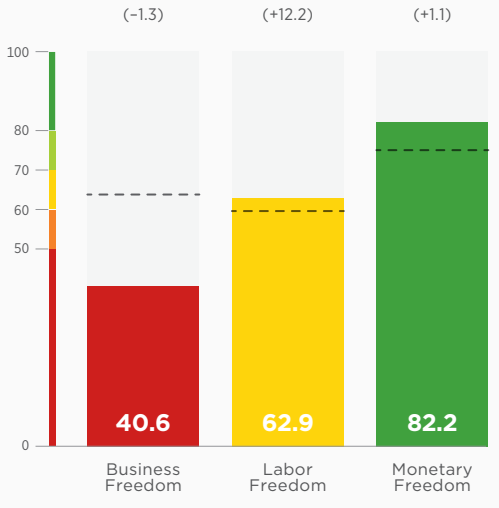
Property rights are weak. The judicial system, modeled on English common law, provides adequate due process rights, but the rule of law remains uneven across the country. Contracts are weakly enforced, and courts are relatively inexperienced in commercial litigation. Official corruption, nepotism, and other abuses of privilege are serious problems. Government oversight institutions charged with implementing anticorruption measures are inadequately resourced and ineffective.

GOVERNMENT SIZE



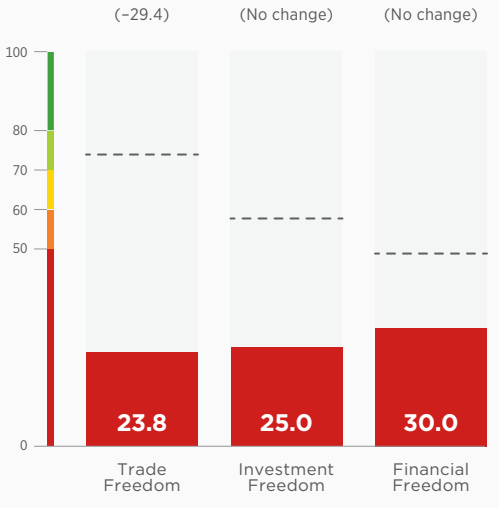
The top individual income and corporate tax rates are 35 percent. Taxation remains erratic and poorly administered. The overall tax burden equals 17.5 percent of total domestic income. Government spending has amounted to 125.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.5 percent of GDP. Public debt is equivalent to 21.9 percent of GDP.

REGULATORY EFFICIENCY



Weaknesses in governance, regulations, and access to credit exacerbate the geographical hurdles that businesses face. Fishing earnings have recently been at record highs but are volatile. The labor market lacks dynamism. Although monetary instability is mitigated by Kiribati's use of the Australian dollar, the government funds price-distorting subsidies for some agricultural products.

OPEN MARKETS



The total value of exports and imports of goods and services equals 105.2 percent of GDP. The average applied tariff rate is 28.1 percent, and import and export licensing add to the cost of trade. A modern investment framework is not in place. High credit costs and constrained access to financing severely impede entrepreneurial activity and development of the private sector.

NORTH KOREA

WORLD RANK: **180** | REGIONAL RANK: **42**

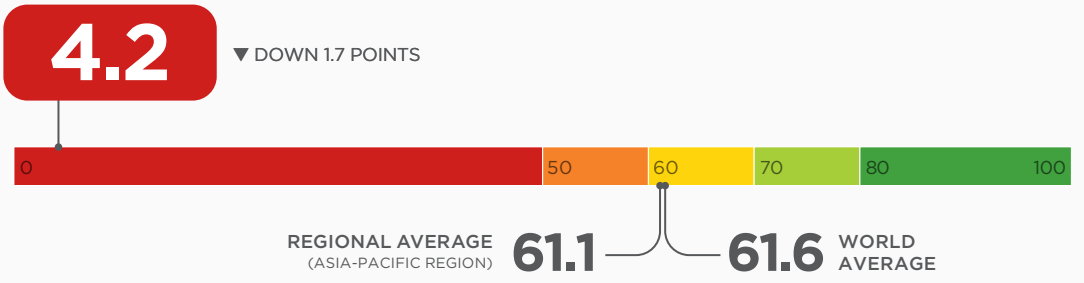
ECONOMIC FREEDOM STATUS: **REPRESSED**

North Korea's economic freedom score is 4.2, making its economy the 180th freest in the 2020 *Index*. Its overall score has decreased by 1.7 points due to drops in the scores0 for **property rights** and **government integrity**. North Korea is ranked 42nd among 42 countries in the Asia–Pacific region, and its overall score is the lowest in the world.

The economy of North Korea is severely repressed and has been the lowest-ranked in the world since the inception of the *Index* in 1995. GDP growth is estimated to have been negative in 2018 and very weak during the previous four years.

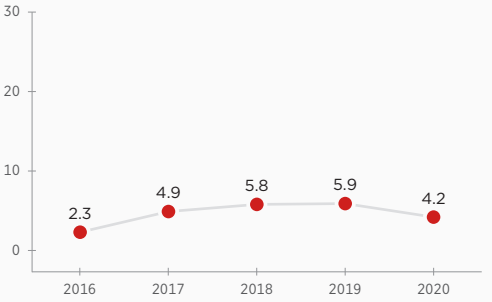
Beset by chronic structural problems in one of the world's most centrally commanded and least open economies, North Korea's despotic military regime has tolerated modest development of markets and limited private entrepreneurship in order to boost government revenue. In a country that lacks even the most basic policy infrastructure of a free-market economy, economic freedom is nearly impossible.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –4.7

RECENT FREEDOM TREND



QUICK FACTS

POPULATION: 25.6 million

GDP (PPP): $40.0 billion (2015 estimate)
–4.1% growth in 2018 (2018 estimate)
5-year compound annual growth –0.8%
$1,700 per capita (2015 estimate)

UNEMPLOYMENT: 3.3%

INFLATION (CPI): n/a

FDI INFLOW: $52.0 million

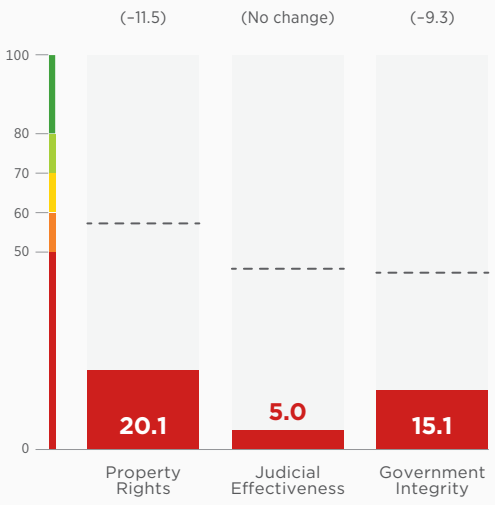
PUBLIC DEBT: n/a

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Founding President Kim Il-sung's family has ruled the Democratic People's Republic of Korea with an iron fist since 1948. After years of self-imposed isolation, Kim Il-sung's grandson, Kim Jong-un, burst onto the international diplomatic stage in 2018, initiating summits with South Korea, China, and the United States. Kim's offer to discuss denuclearization raised hopes for a long-sought diplomatic solution, but they were subsequently dashed when Pyongyang made it clear that it refuses to disarm unilaterally as required under U.N. resolutions. Despite repeated attempts at engagement, no progress toward denuclearization has been made. After decades of economic mismanagement and resource misallocation, the DPRK has faced chronic food shortages since the mid-1990s.

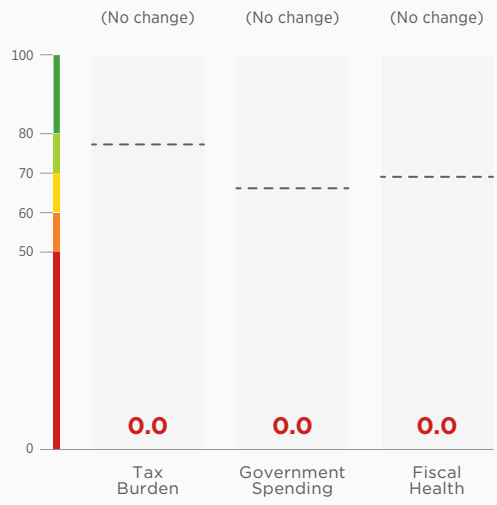
12 ECONOMIC FREEDOMS | NORTH KOREA

RULE OF LAW



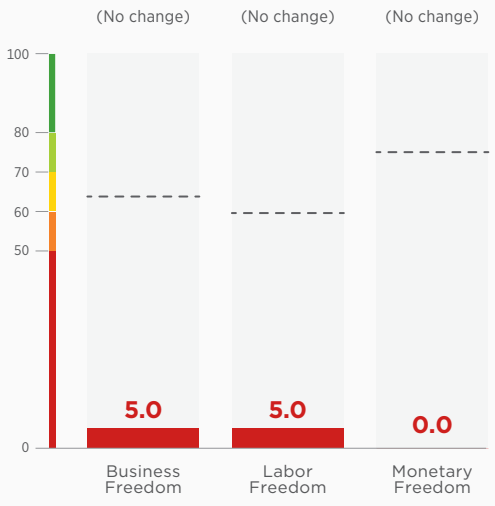
Almost all property belongs to the state. Government control extends even to chattel property. There is no functioning judiciary, and the rule of law is weak. Corruption and bribery are rampant throughout the government, and state institutions are opaque. The ruling Workers' Party, the Korean People's Army, and members of the cabinet run all companies earning foreign exchange.

GOVERNMENT SIZE



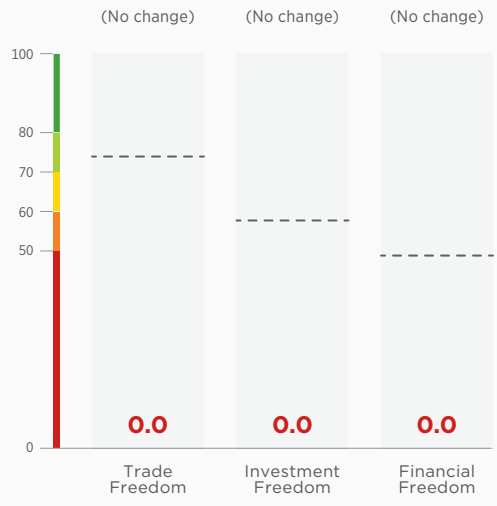
No effective tax system is in place. The government commands and dictates almost every part of the economy and directs all significant economic activity. The government sets production levels for most products, and state-owned industries account for nearly all of North Korea's GDP. Large military spending further drains scarce resources. Despite the state's attempts to crack down on them, black markets have grown.

REGULATORY EFFICIENCY



North Korea is a strictly controlled autocratic state in which the regime dominates all business activities. The regime views all business activities through the lens of maintaining political control and holds an iron grip on labor activity, preventing the emergence of any semblance of a labor market. The monetary regime is completely controlled, leading to price distortions, while China continues its extensive subsidies of the country's food and energy.

OPEN MARKETS



Formal trade is restricted and minimal. The stricter enforcement of U.N. sanctions had an intended impact on North Korea's external sector. China continues to be the DPRK's main trading partner. Inter-Korean trade remains constrained. Limited foreign participation is allowed in the economy through special economic zones where investment is approved on a case-by-case basis. The closed financial sector is tightly controlled by the state.

SOUTH KOREA

WORLD RANK: **25** | REGIONAL RANK: **7**

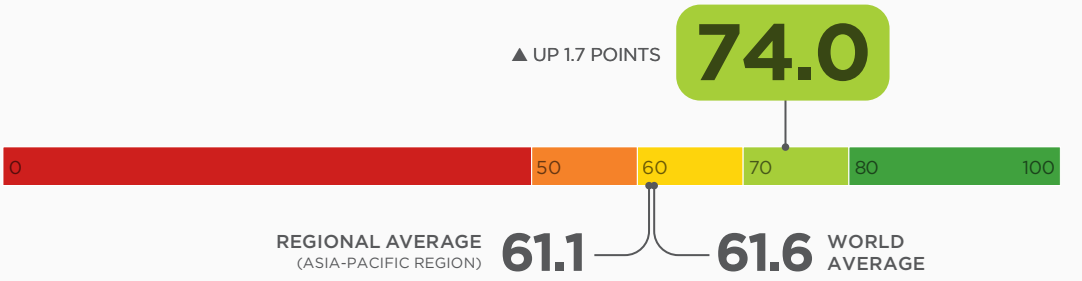
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

South Korea's economic freedom score is 74.0, making its economy the 25th freest in the 2020 *Index*. Its overall score has increased by 1.7 points due to higher scores in the rule-of-law pillar. South Korea is ranked 7th among 42 countries in the Asia–Pacific region, and its overall score is well above the regional and world averages.

The potential benefits of South Korea's relatively high degree of market openness are undercut by less impressive performance in judicial effectiveness, government integrity, and the management of public spending. South Korea's economy, rated moderately free through most of the history of the *Index*, has advanced to mostly free in the past eight years.

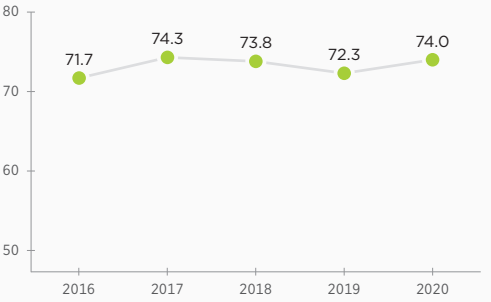
A dynamic private sector with a well-educated labor force and high capacity for innovation has capitalized on openness to global trade and investment. A sound legal framework is in place, but lingering corruption continues to undermine equity and trust in government.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +2.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
51.7 million

GDP (PPP):
$2.1 trillion
2.7% growth in 2018
5-year compound annual growth 3.0%
$41,351 per capita

UNEMPLOYMENT:
3.8%

INFLATION (CPI):
1.5%

FDI INFLOW:
$14.5 billion

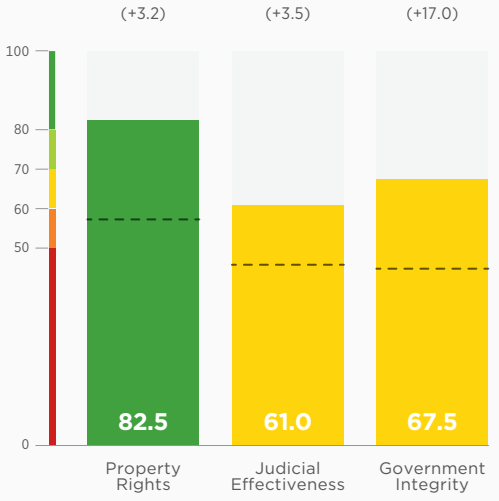
PUBLIC DEBT:
40.7% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Since his election in 2017, progressive President Moon Jae-in has sought to reduce tensions and improve relations with North Korea by offering economic benefits that include massive infrastructure projects. All economic activity with Pyongyang, however, is constrained by international sanctions, and North Korea subsequently dismissed Seoul's diplomatic endeavors, even rejecting humanitarian assistance. After decades of rapid economic growth and global integration, South Korea has become a high-tech, industrialized, $2 trillion economy led by such sectors as electronics, telecommunications, automobile production, chemicals, shipbuilding, and steel. Nevertheless, President Moon faces daunting challenges that include an aging population, low worker productivity, and the need to implement a structural shift away from overreliance on an export-led growth model.

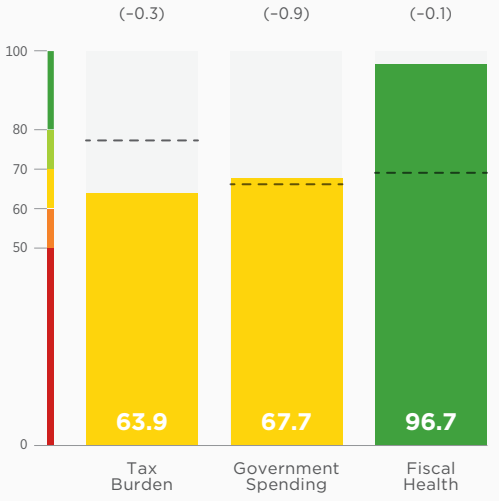
12 ECONOMIC FREEDOMS | SOUTH KOREA

RULE OF LAW



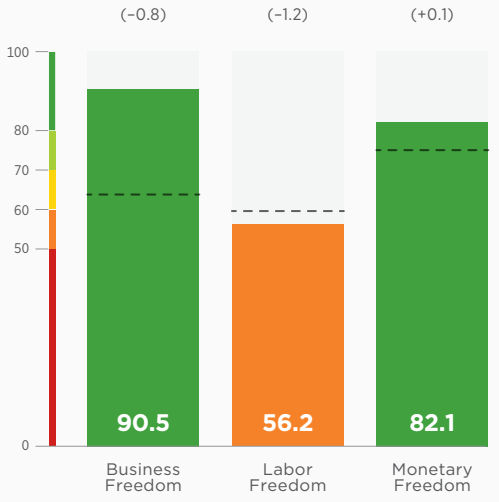
Property rights and interests are enforced, and a reliable system for registering mortgages and liens is managed by the courts. The judiciary is generally considered to be independent, and efforts are being made to ensure that the judicial process is fairer and more reliable. Despite government anticorruption efforts, bribery, influence peddling, nepotism, and extortion persist in politics, business, and everyday life.

GOVERNMENT SIZE



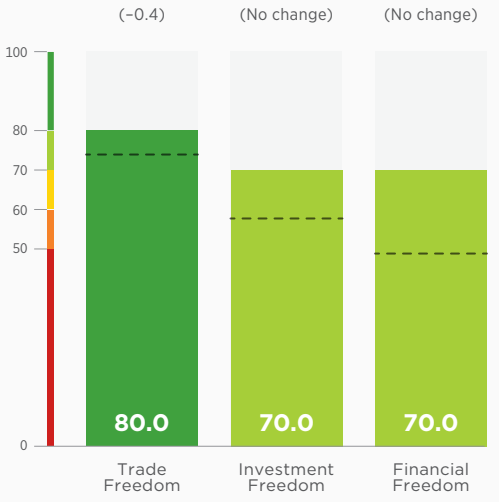
The top personal income tax rate is 42 percent, and the top corporate tax rate is 25 percent. Both rates are subject to a 10 percent surtax. The overall tax burden equals 26.9 percent of total domestic income. Government spending has amounted to 32.8 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 2.3 percent of GDP. Public debt is equivalent to 40.7 percent of GDP.

REGULATORY EFFICIENCY



The government has sought input from businesses regarding new and existing regulations because of concern that Korea's complicated regulatory framework is becoming outmoded. Rigid labor regulations sometimes cause employers to make decisions they otherwise would not make that are not good for either employers or employees. The government increased green subsidies and expanded subsidies for electric vehicles in 2019.

OPEN MARKETS



The total value of exports and imports of goods and services equals 83.0 percent of GDP. The average applied tariff rate is 5.0 percent, and 422 nontariff measures are in force. The overall investment regime has become more transparent. Certain tax incentives for foreign investments have been abolished, effective from January 2019. The financial sector has undergone consolidation, and transparency and efficiency have been improved.

KOSOVO

WORLD RANK: **53**

REGIONAL RANK: **28**

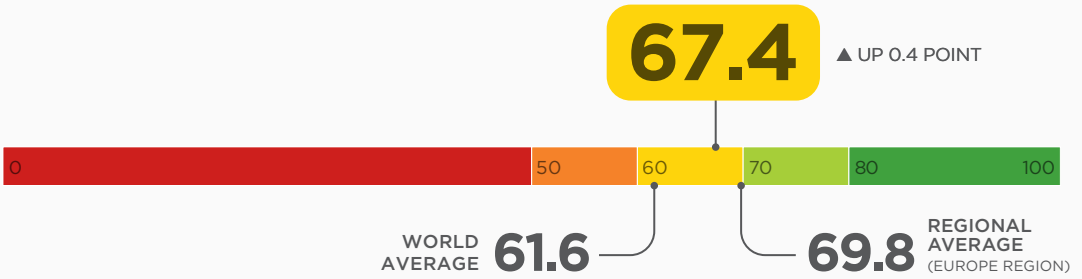
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Kosovo's economic freedom score is 67.4, making its economy the 53rd freest in the 2020 *Index*. Its overall score has increased by 0.4 point due to an improvement in the score for **property rights**. Kosovo is ranked 28th among 45 countries in the Europe region, and its overall score is slightly below the regional average and well above the world average.

Kosovo's economy has been climbing in the ranks of the moderately free since the beginning of its *Index* grading in 2016. GDP growth has likewise been healthy during that period.

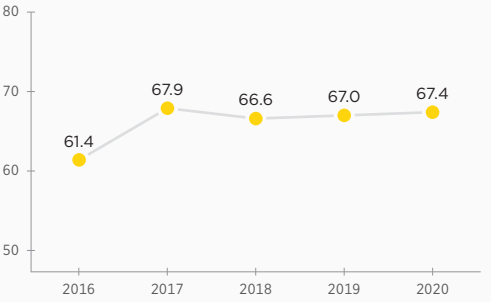
Although Kosovo's economy continues to progress, economic freedom is still stymied by a lack of economic reforms and private-sector investment that has left unemployment too high and living standards too low. The economy is characterized by extremely limited regional and global economic integration, political instability, corruption, unreliable energy supply, a large informal economy, unresolved property disputes, and a tenuous rule of law. Improvements in economic freedom will depend on the extent to which these problems can be successfully addressed.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2016): +6.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION: 1.8 million

GDP (PPP): $20.9 billion
4.0% growth in 2018
5-year compound annual growth 3.5%
$11,552 per capita

UNEMPLOYMENT: 30.5% (2017 estimate)

INFLATION (CPI): 1.1%

FDI INFLOW: $3.59 billion (2017)

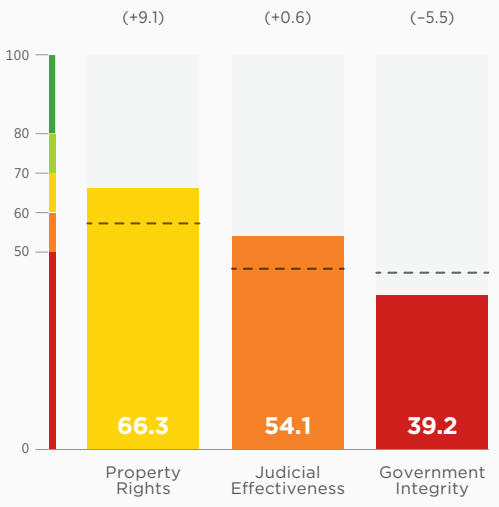
PUBLIC DEBT: 17.0% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Kosovo gained independence from Serbia in 2008, and its sovereignty has been recognized by most members of the European Union. Nevertheless, NATO still maintains a peacekeeping force in the country. Hashim Thaci was elected president in 2016. Ramush Haradinaj, a former guerrilla fighter, began a second nonconsecutive term as prime minister in 2017 after his center-right Alliance for the Future of Kosovo formed a coalition government following inconclusive snap parliamentary elections. Tensions with neighboring Serbia remain high; in December 2018, the parliament created an independent army. Despite having made some progress in transitioning to a market-based economy with macroeconomic stability, Kosovo is still highly dependent on remittances and financial and technical assistance from Western donors and the diaspora.

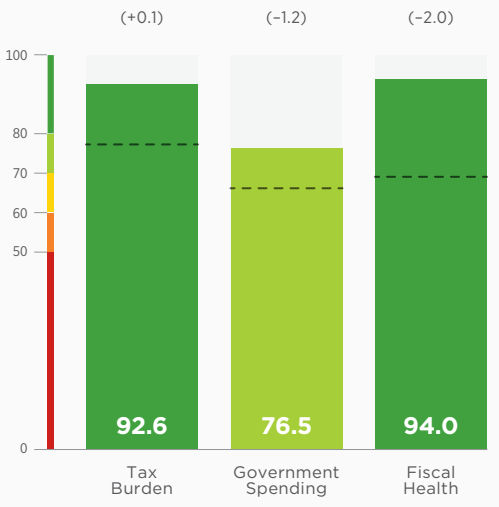
12 ECONOMIC FREEDOMS | KOSOVO

RULE OF LAW



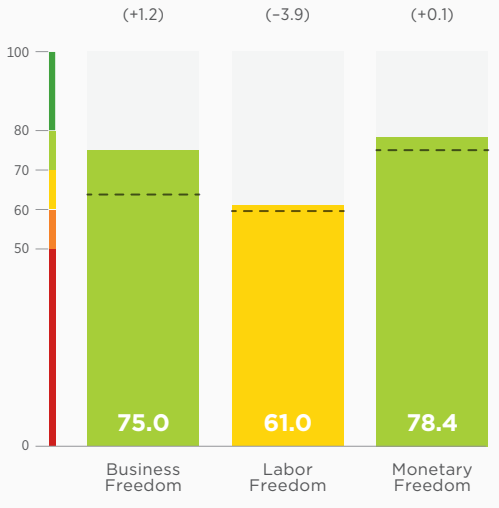
Property rights are enforced, but weaknesses in the legal system and the difficulty of establishing title to real estate can make enforcement difficult. Despite significant improvements in court efficiency, the judiciary lacks subject-matter expertise on complex economic issues. Corruption is widespread in public procurement. Anticorruption efforts have deteriorated, and corrupt officials can act with brazen impunity.

GOVERNMENT SIZE



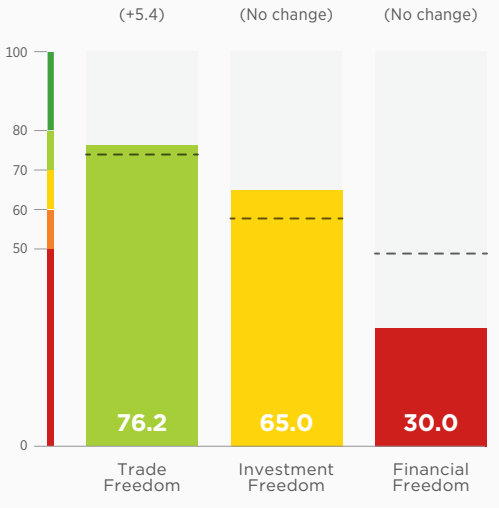
The top personal income and corporate tax rates are 10 percent. Other taxes include value-added and property taxes. The overall tax burden equals 23.3 percent of total domestic income. Government spending has amounted to 28 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.8 percent of GDP. Public debt is equivalent to 17.0 percent of GDP.

REGULATORY EFFICIENCY



Kosovo recently implemented some business-friendly reforms, but limited regional and global economic integration and political instability remain impediments to business success. A recent EU-commissioned estimate puts informal and black market activity at 31 percent of GDP. Large agricultural and energy-related subsidies by the government and international donors continue and amount to more than one-third of Kosovo's GDP.

OPEN MARKETS



The total value of exports and imports of goods and services equals 83.1 percent of GDP. The average applied tariff rate is 4.4 percent, and customs clearance has been streamlined. Investment regulations apply equally to foreign and domestic entities. However, the lack of a single entity supporting potential investors undercuts investment flows. The banking sector is well capitalized, but access to credit for the private sector remains limited.

KUWAIT

WORLD RANK: **79**

REGIONAL RANK: **8**

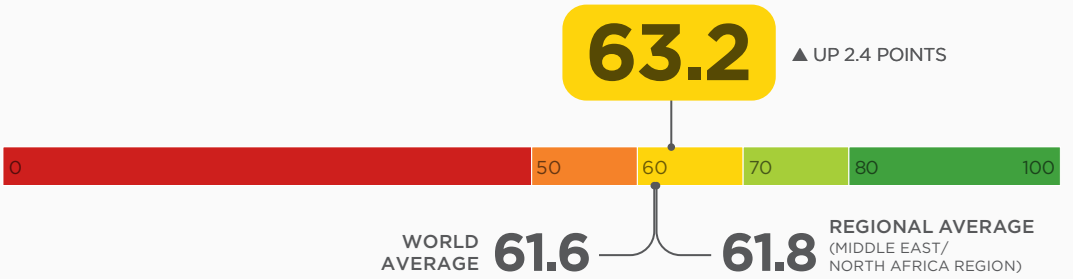
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Kuwait's economic freedom score is 63.2, making its economy the 79th freest in the 2020 *Index*. Its overall score has increased by 2.4 points, primarily because of a higher score for **government integrity**. Kuwait is ranked 8th among 14 countries in the Middle East and North Africa region, and its overall score is just above the regional and world averages.

The Kuwaiti economy has been stuck in the moderately free category since its inclusion in the *Index* in 1996. GDP growth has stagnated over the past five years.

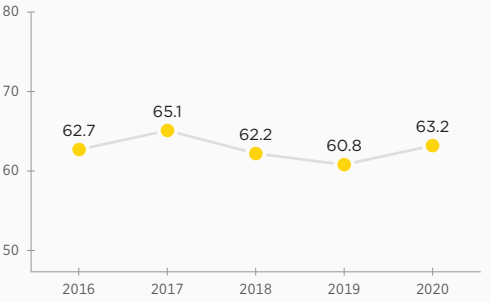
The government's priority is to fast-track economic reform and diversify the economy away from its reliance on hydrocarbons. To do this and also expand economic freedom, the government should first address long-standing problems caused by government corruption, a bloated and inefficient bureaucracy, and a relatively poor business and investment climate.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): –2.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
4.6 million

GDP (PPP):
$306.4 billion
1.7% growth in 2018
5-year compound annual growth 0.5%
$67,000 per capita

UNEMPLOYMENT:
2.1%

INFLATION (CPI):
0.7%

FDI INFLOW:
$345.5 million

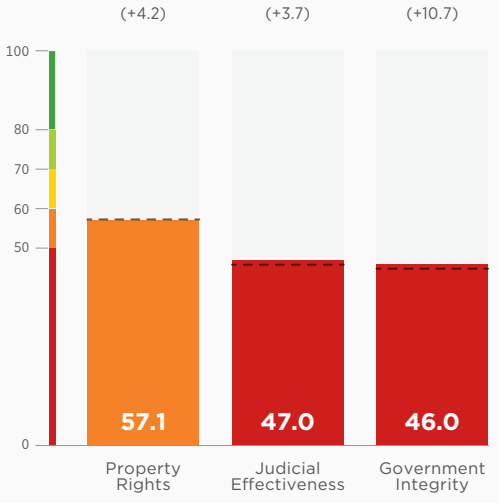
PUBLIC DEBT:
14.8% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The former British protectorate of Kuwait is a constitutional monarchy and has been ruled by the al-Sabah dynasty since the 18th century. Islamists scored major gains in 2012 parliamentary elections, and Emir Sabah al-Ahmad al-Jabr al-Sabah's efforts since then to repress growing opposition from Islamists and tribal populists have sparked protests. In the 2016 parliamentary elections, opposition candidates won almost half of the seats, complicating economic reform efforts. Kuwait controls approximately 6 percent of the world's oil reserves. Oil and gas account for nearly 60 percent of GDP and about 92 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.

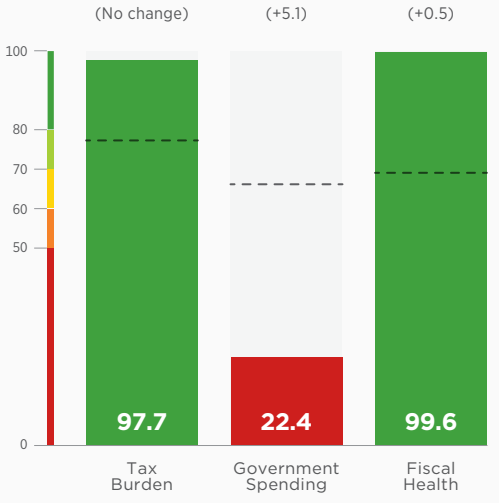
12 ECONOMIC FREEDOMS | KUWAIT

RULE OF LAW



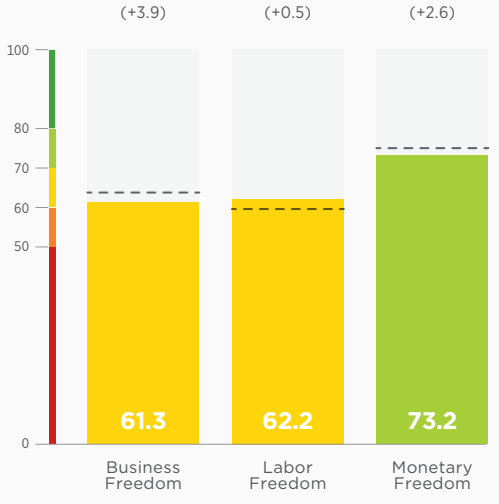
Noncitizens of Gulf Cooperation Council countries may not own land without special permission and face additional hurdles in the poorly developed legal system. The emir appoints all judges, and the judiciary is not independent. Corruption is pervasive, and allegations of corruption lodged by lawmakers against government ministers have been at the heart of Kuwait's recurring political crises.

GOVERNMENT SIZE



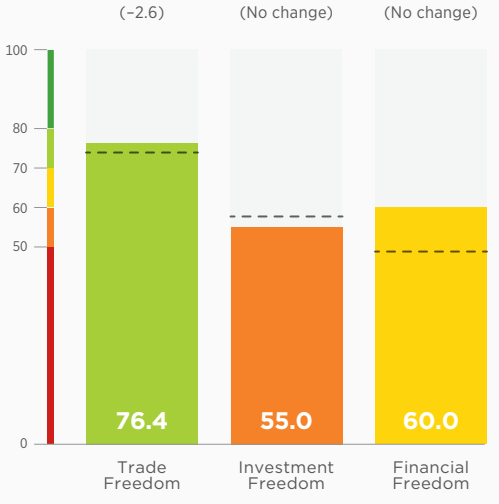
Individual income is not taxed. Foreign-owned firms and joint ventures are the only businesses subject to the flat 15 percent corporate income tax. The overall tax burden equals 1.4 percent of total domestic income. Government spending has amounted to 50.9 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 6.1 percent of GDP. Public debt is equivalent to 14.8 percent of GDP.

REGULATORY EFFICIENCY



Starting a business has been made easier, and protections for minority investors are improved. The Kuwaiti population has become used to assured government jobs with considerable government benefits. More than 80 percent of working-age Kuwaiti citizens are employed by the government. Although the government had planned to end all subsidies by 2020, they still accounted for over three-quarters of expenditures in the 2019–2020 budget.

OPEN MARKETS



The total value of exports and imports of goods and services equals 98.4 percent of GDP. The average applied tariff rate is 4.3 percent, and six nontariff measures are in force. Foreign investment is generally welcome, but lingering bureaucracy hinders dynamic growth in new investment. The relatively well-developed financial system offers a wide range of financial services.

KYRGYZ REPUBLIC

WORLD RANK:	REGIONAL RANK:
81	16

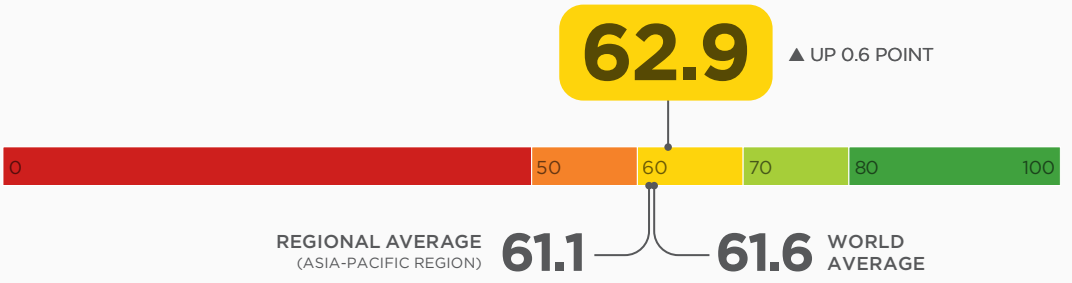
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

The Kyrgyz Republic's economic freedom score is 62.9, making its economy the 81st freest in the 2020 *Index*. Its overall score has increased by 0.6 point, with increases in the three rule-of-law indicators (**property rights**, **judicial effectiveness**, and **government integrity**) offsetting a drop in the **fiscal health** score. The Kyrgyz Republic is ranked 16th among 42 countries in the Asia–Pacific region, and its overall score is slightly above the regional and world averages.

The economy of the Kyrgyz Republic has been ranked among the moderately free for the past four years. GDP growth during that time has been solid, thanks to gold exports and robust household spending (boosted by remittance inflows from Russia and Kazakhstan); robust wage growth; and a slowdown in inflation.

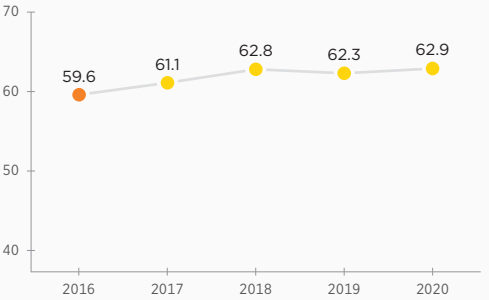
Advancements in economic freedom are being blocked by ongoing and endemic corruption, weak protection of property rights, and excessive government spending that crowds out private-sector activity.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1998): +11.1

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
6.4 million

GDP (PPP):
$24.5 billion
3.5% growth in 2018
5-year compound annual growth 4.1%
$3,844 per capita

UNEMPLOYMENT:
7.2%

INFLATION (CPI):
1.5%

FDI INFLOW:
$47.0 million

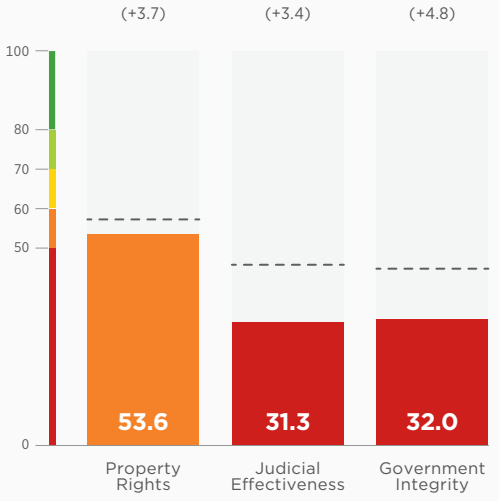
PUBLIC DEBT:
56.0% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Kyrgyzstan is a former Soviet republic that has been plagued since independence by weak governance, organized crime, and corruption. Former Prime Minister and ruling Social-Democratic Party of Kyrgyzstan member Sooronbai Jeenbekov defeated former President Almazbek Atambayev in 2017 elections that were the most competitive in the country's history. The influx of Chinese workers, nontransparent Chinese loans and investment, and government contracts won by Chinese firms have bred voter resentment and political instability. Kyrgyzstan is a member of the Russia-backed Eurasian Economic Union. Its economy is heavily dependent on gold exports and remittances from Kyrgyzstani migrants working in Russia and Kazakhstan. Cotton, wool, and meat are the main agricultural products, but only cotton is exported in any quantity.

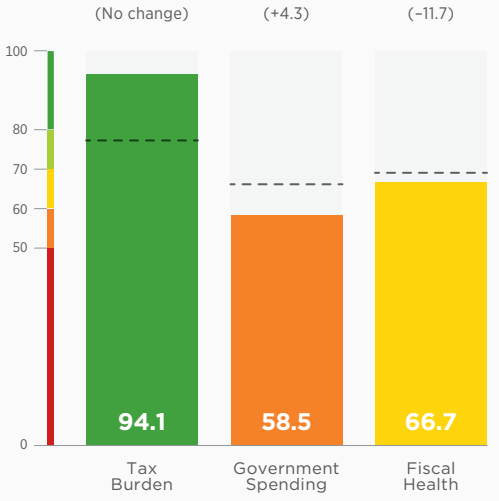
12 ECONOMIC FREEDOMS | KYRGYZ REPUBLIC

RULE OF LAW



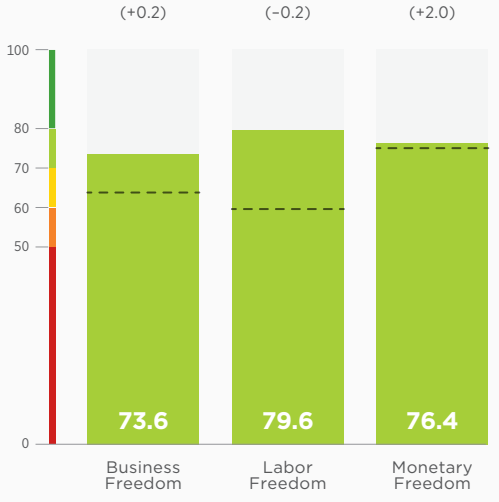
Despite significant legislative amendments, the government continues to lack the capacity to enforce property rights properly. Further efforts are needed to reform a judicial system that, though technically independent, is plagued by political interference and corruption. Corruption remains a serious problem at all levels of Kyrgyz society and in all sectors of the economy.

GOVERNMENT SIZE



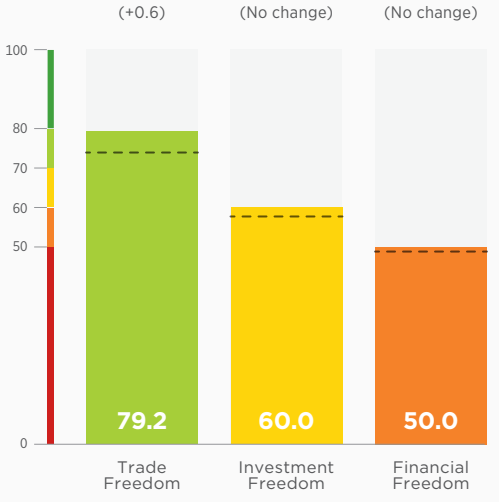
The personal income and corporate tax rates are a flat 10 percent. Taxation remains erratic and poorly administered. The overall tax burden equals 19.8 percent of total domestic income. Government spending has amounted to 37.2 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.1 percent of GDP. Public debt is equivalent to 56.0 percent of GDP.

REGULATORY EFFICIENCY



Recent improvements include strengthened protections for minority investors, streamlining of exports within the Eurasian Economic Zone, more efficient resolution of insolvency, and better contract enforcement. Remittances from migrant workers make up more than a quarter of GDP. The government has used financial subsidies from the Eurasian Economic Union to expand customs, sanitary, and economic infrastructure.

OPEN MARKETS



The total value of exports and imports of goods and services equals approximately 102 percent of GDP. The average applied tariff rate is 2.9 percent, but layers of nontariff barriers undermine freedom to trade. The economy is open to foreign investment, but the overall investment framework is not transparent. Financial intermediation has increased, with 25 commercial banks operating and microfinance growing. Credit costs remain high.

LAOS

WORLD RANK: **129** | REGIONAL RANK: **31**

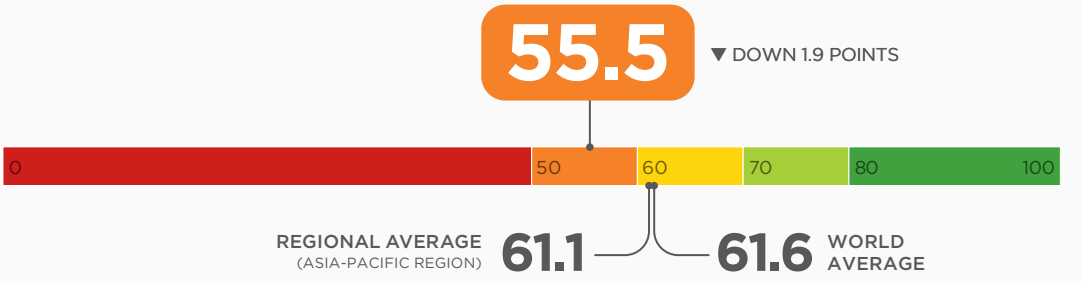
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Laos's economic freedom score is 55.5, making its economy the 129th freest in the 2020 *Index*. Its overall score has decreased by 1.9 points due primarily to a plunge in **fiscal health**. Laos is ranked 31st among 42 countries in the Asia–Pacific region, and its overall score is well below the regional and world averages.

The Laotian economy climbed higher in the mostly unfree category this year and has been there for the past four years. GDP growth has been robust during that period, underpinned by continued growth in the services sector, the completion of a number of hydropower projects, continuing work on large transport infrastructure projects, and repair work on infrastructure damaged by floods in 2018.

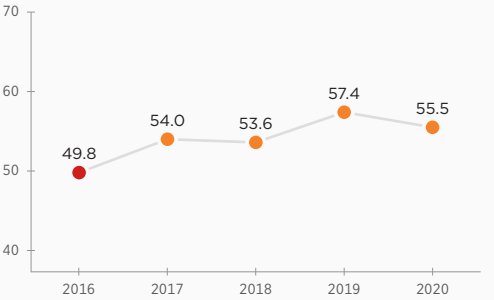
Hopes for greater economic freedom hinge on the government's willingness to undertake more effective measures to fight corruption and protect property rights, along with additional steps to improve the business and investment climates.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +17.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
6.8 million

GDP (PPP):
$53.7 billion
6.5% growth in 2018
5-year compound annual growth 7.0%
$7,925 per capita

UNEMPLOYMENT:
0.6%

INFLATION (CPI):
2.0%

FDI INFLOW:
$1.3 billion

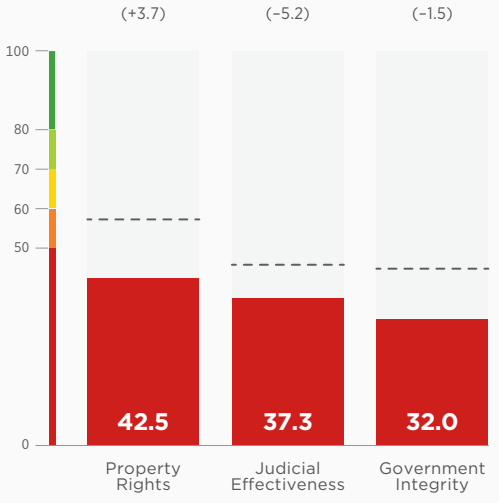
PUBLIC DEBT:
63.0% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Laos is a one-party state. In the early years of its rule, the Communist government that took power in 1975 destroyed the economy. Minimal liberalization, begun in 1986, has yielded some progress, but civil liberties remain heavily restricted. In 2016, the National Assembly elected 79-year-old Bounnhang Vorachith to a five-year term as President of Laos and General Secretary of the Lao People's Revolutionary Party. According to the World Bank, Laos has one of the highest poverty rates in Southeast Asia. Approximately 80 percent of the rural population works in subsistence farming. The economy relies heavily on such capital-intensive natural resource exports as copper, gold, and timber.

12 ECONOMIC FREEDOMS | LAOS

RULE OF LAW

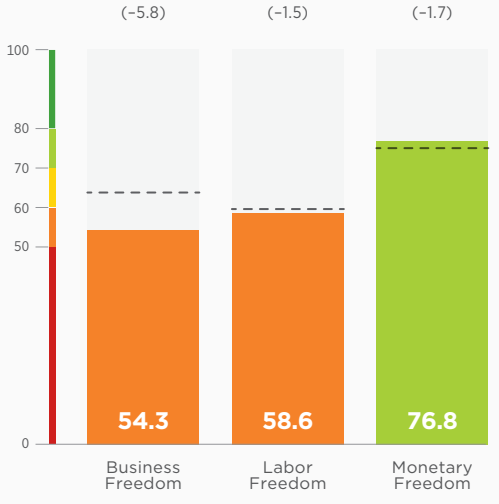


Protections for property rights are weak, titles are unclear, and some areas practice communal titling. The judicial system is inefficient, underdeveloped, corrupt, and controlled by the ruling party. Corruption and graft by government officials are serious problems in Laos. Despite passage of several anticorruption laws, enforcement remains weak, and very few high-profile cases ever come to trial.

GOVERNMENT SIZE

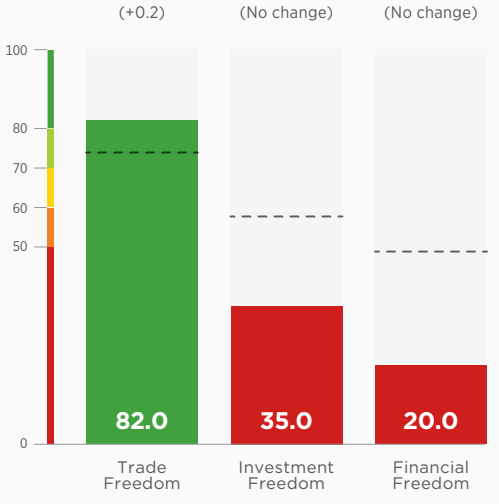
The top personal income and corporate tax rates are 24 percent. Other taxes include vehicle and excise taxes. The overall tax burden equals 12.0 percent of total domestic income. Government spending has amounted to 21.1 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.9 percent of GDP. Public debt is equivalent to 63.0 percent of GDP.

REGULATORY EFFICIENCY



The business environment is shackled by onerous registration requirements, differences between how laws are written and how they are implemented, and regulations that contradict other regulations. The labor market is rigid and undiversified and does not provide for significant mobility. The government influences many prices through subsidies and state-owned enterprises to advance its socialist "state-managed market-oriented economy."

OPEN MARKETS



The total value of exports and imports of goods and services equals 75.8 percent of GDP. The average applied tariff rate is 1.5 percent, but layers of nontariff barriers constrain trade flows. The minimum capital requirements for certain foreign investors have been removed, but the investment regime lacks transparency. The financial sector is underdeveloped, and the lack of long-term credit hinders private-sector growth.

LATVIA

WORLD RANK: **32**

REGIONAL RANK: **17**

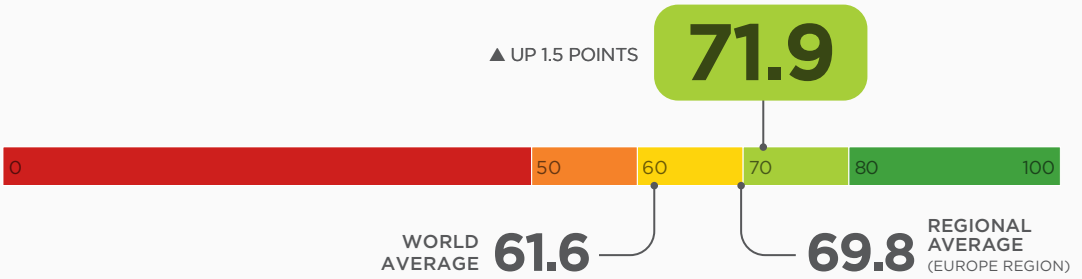
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Latvia's economic freedom score is 71.9, making its economy the 32nd freest in the 2020 *Index*. Its overall score has increased by 1.5 points, primarily because of a higher **government integrity** score. Latvia is ranked 17th among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

The Latvian economy retained its mostly free rank for the fifth year in a row in 2020. GDP growth during that period has been solid.

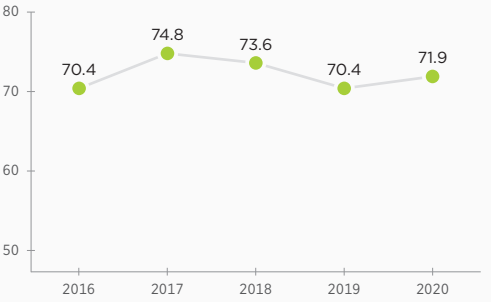
Every government since independence has been center-right, has had a pro-business agenda, and has taken a fiscally conservative stance. To expand economic freedom in Latvia, the government needs to step up its fight against corruption and, in particular, make additional reforms to restore the credibility of the financial sector, which has been turbulent since early 2018 due to several money-laundering scandals. Further efforts to curtail government spending and improve its efficiency could release additional resources for private investment.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +16.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
1.9 million

GDP (PPP):
$57.8 billion
4.8% growth in 2018
5-year compound annual growth 3.3%
$29,901 per capita

UNEMPLOYMENT:
7.9%

INFLATION (CPI):
2.6%

FDI INFLOW:
$879.4 million

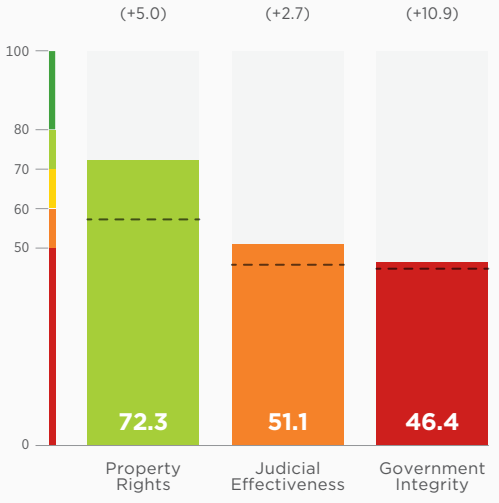
PUBLIC DEBT:
37.6% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Latvia regained its independence from the Soviet Union in 1991, joined the European Union and NATO in 2004, and joined the eurozone in 2014. Despite the fact that his center-right New Unity party holds the fewest seats in parliament, Arturs Krišjānis Kariņš became prime minister in January 2019. He heads a five-party coalition that excludes only the Union of Greens and Farmers and the pro-Russian Harmony party, which remains the largest party in parliament. Latvia's small, open economy relies heavily on exports. Because of the country's geographical location, transit services are highly developed, as are timber and wood processing, agriculture and food products, and the machinery manufacturing and electronics industries.

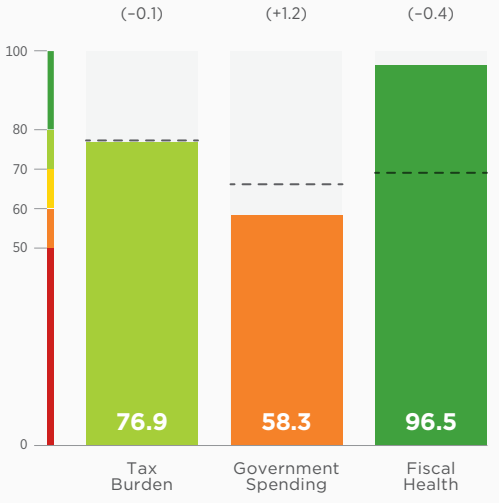
12 ECONOMIC FREEDOMS | LATVIA

RULE OF LAW



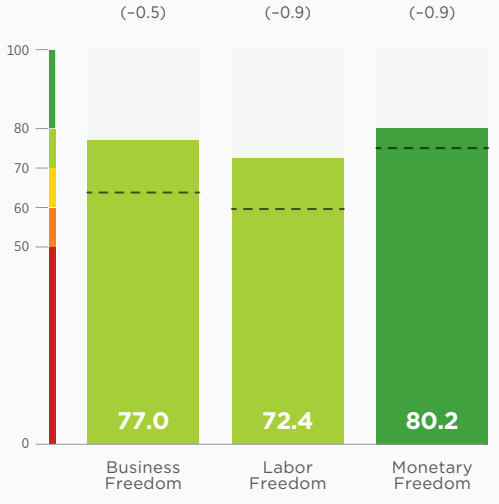
Latvia recognizes real and movable property rights and enforces mortgages and liens. There are no major problems with unclear legal titles. Judicial independence is mostly respected, but inefficiency, politicization, a lack of professionalism, and corruption persist within the judicial system. Corruption is widespread throughout the government, and there is a perceived lack of fairness and transparency in the public procurement process.

GOVERNMENT SIZE



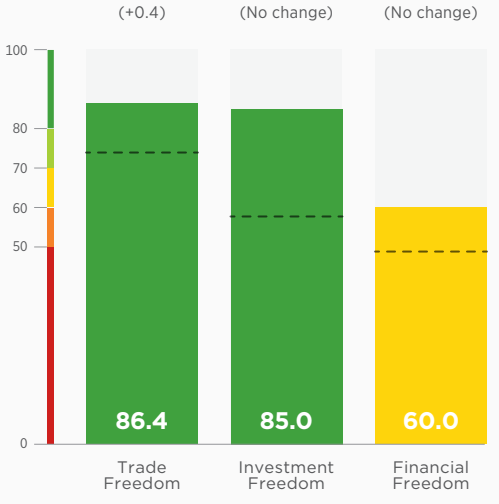
The individual income tax rate has been increased to 31.4 percent, and the corporate tax rate is 20 percent. The overall tax burden equals 30.4 percent of total domestic income. Government spending has amounted to 37.3 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 0.7 percent of GDP. Public debt is equivalent to 37.6 percent of GDP.

REGULATORY EFFICIENCY



Rules regarding the formation and operation of private enterprises are not burdensome. Latvia recently implemented Startup Latvia, a law meant to support entrepreneurship. Skilled workers often find better employment abroad, and emigration is a problem. In 2019, the prime minister came under pressure to improve transparency in the allocation of subsidies, and agricultural subsidies were increased because of an ongoing drought.

OPEN MARKETS



The total value of exports and imports of goods and services equals 118.4 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Latvia has an additional four country-specific nontariff barriers. Investment regulations are relatively transparent, but the state may discriminate against foreign investors in some key sectors. The small financial sector is open and stable.

LEBANON

WORLD RANK: **157** | REGIONAL RANK: **12**

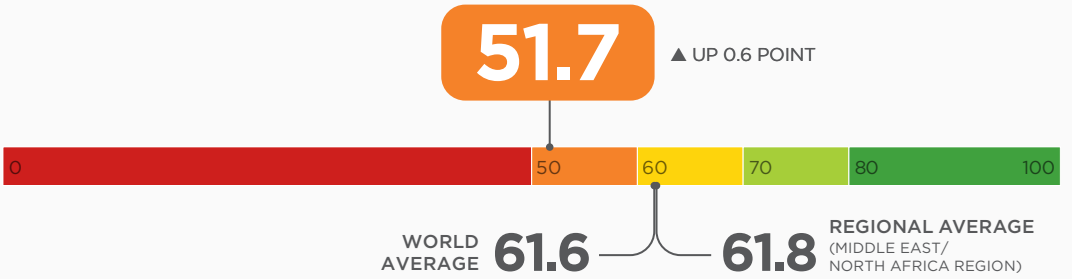
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Lebanon's economic freedom score is 51.7, making its economy the 157th freest in the 2020 *Index*. Its overall score has increased by 0.6 point, primarily because of an increase in the **government integrity** score. Lebanon is ranked 12th among 14 countries in the Middle East and North Africa region, and its overall score is well below the regional and world averages.

The Lebanese economy has been mostly unfree for eight years in a row. GDP growth has been correspondingly weak.

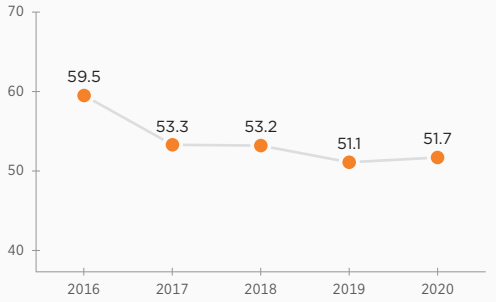
Lebanon's feeble political institutions have been unable to address the deep structural issues that have resulted in severely compromised rule of law, one of the main conditions stifling economic freedom in the country. The government's economic policy in recent years has concentrated on improving fiscal management and strengthening foreign investor confidence, but implementation of reforms has been weak, and the results have been mixed.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): –11.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
6.1 million

GDP (PPP):
$89.5 billion
0.3% growth in 2018
5-year compound annual growth 0.9%
$14,684 per capita

UNEMPLOYMENT:
6.2%

INFLATION (CPI):
6.1%

FDI INFLOW:
$2.9 billion

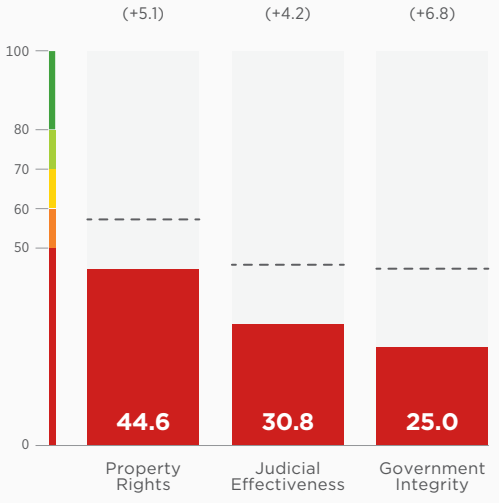
PUBLIC DEBT:
150.9% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: A once-prosperous leading regional center for finance and trade, Lebanon has been severely damaged in recent decades by political turmoil. Since 1975, the country has been destabilized by civil war, Syrian occupation, and clashes between Israel and Hezbollah, the Iran-backed Shia Islamist movement. Syria's army withdrew in 2005 after its government was implicated in the assassination of Lebanese Prime Minister Rafiq al-Hariri. Sectarian tensions have hindered political cooperation. Elections in 2018 left Hezbollah's coalition with a majority of parliamentary seats and Saad al-Hariri's Sunni-dominated Future Movement party with substantial losses. Although contentious negotiations finally resulted in Hariri's return as prime minister in January 2019, he was forced to resign in October, increasing the odds of continuing instability.

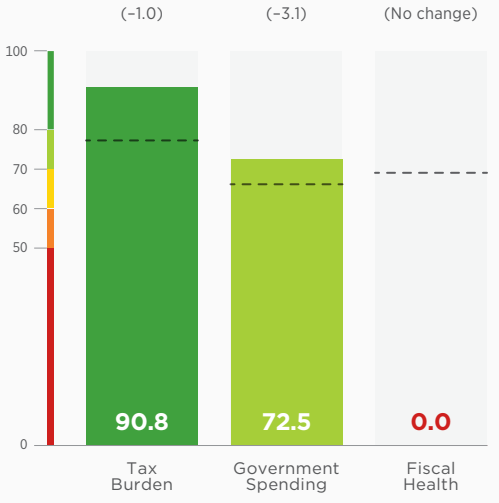
12 ECONOMIC FREEDOMS | LEBANON

RULE OF LAW



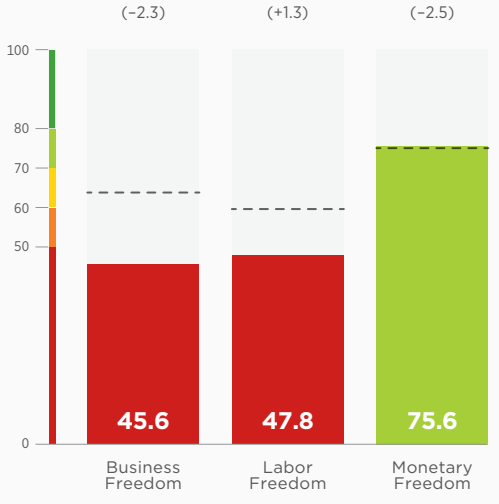
Laws to protect real private property are respected, although occasional land grabs by the rich and powerful go unpunished. The nominally independent judiciary is susceptible to political pressure. The courts are ineffective and struggle to enforce judgments. Corruption is reportedly pervasive in government contracting, taxation, elections, judicial rulings, and real estate registration. Anticorruption measures are poorly enforced.

GOVERNMENT SIZE



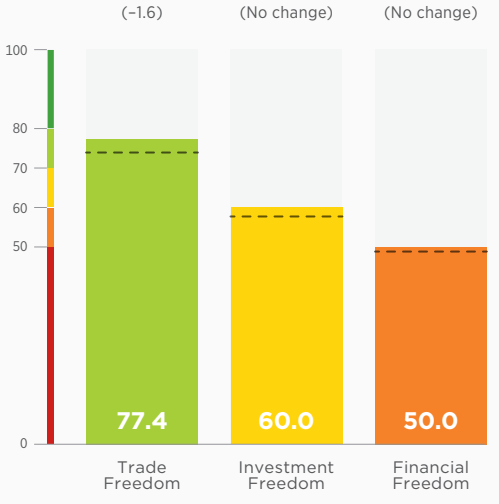
The top personal income tax rate is 20 percent, and the top corporate tax rate is 17 percent. The overall tax burden equals 15.3 percent of total domestic income. Government spending has amounted to 30.3 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 9.7 percent of GDP. Public debt is equivalent to 150.9 percent of GDP.

REGULATORY EFFICIENCY



New reforms meant to facilitate private-sector growth had not been approved by the legislature as of July 2019. Other laws such as the code of commerce and the law on judicial intermediation were not yet implemented. The labor market is saturated by over a million refugees from Syria. State energy subsidies have led to one of the world's heaviest public debt burdens, but in June 2019, the courts halted a plan to cut electricity subsidies in half.

OPEN MARKETS



The total value of exports and imports of goods and services equals 62.9 percent of GDP. The average applied tariff rate is 3.8 percent, but lingering nontariff barriers reduce trade flows. Lebanon is not a member of the WTO. Arbitrary interpretation of laws and political instability impede investment. The banking sector is among the region's better-developed but still manages to serve only about half of the population.

LESOTHO

WORLD RANK: **138** | REGIONAL RANK: **26**

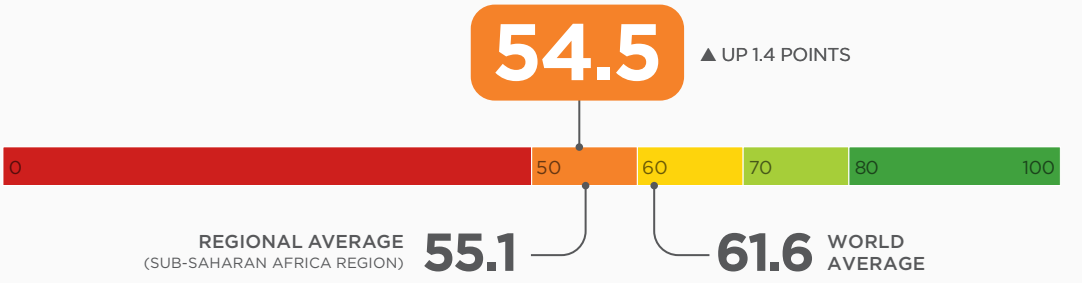
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Lesotho's economic freedom score is 54.5, making its economy the 138th freest in the 2020 *Index*. Its overall score has increased by 1.4 points due to a lessening of the **tax burden**. Lesotho is ranked 26th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

The economy of Lesotho has been climbing higher in the mostly unfree category for five years. GDP growth has not been quite as strong, however, constrained by a downturn in the mining sector and continued sluggish economic growth in South Africa.

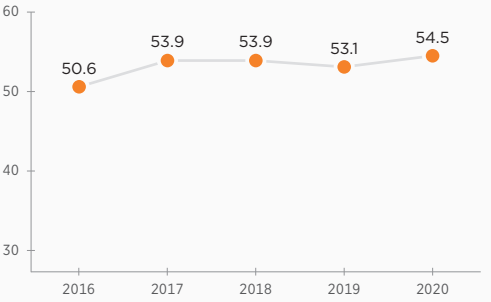
To expand economic freedom, the government would have to redouble its efforts to fight corruption and take other meaningful steps to improve the business and investment climate. The population is particularly underserved in the area of financial services, and reforms are urgently needed to reduce the cost of credit and increase its availability.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +7.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
2.0 million

GDP (PPP):
$6.9 billion
1.5% growth in 2018
5-year compound annual growth 1.7%
$3,394 per capita

UNEMPLOYMENT:
23.6%

INFLATION (CPI):
5.2%

FDI INFLOW:
$39.3 million

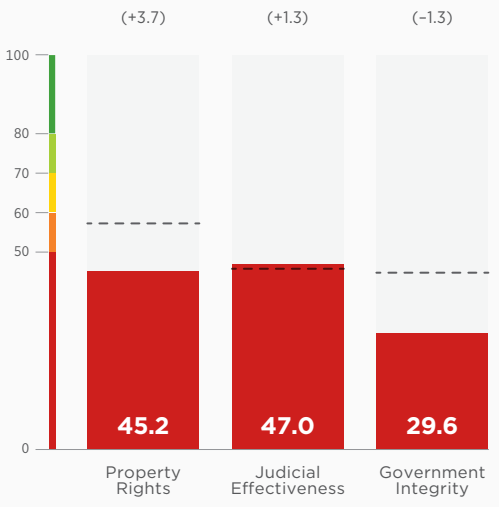
PUBLIC DEBT:
39.0% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Landlocked within a mountainous area of South Africa, Basutoland was renamed the Kingdom of Lesotho upon independence from the United Kingdom in 1966 and is a parliamentary constitutional monarchy, currently headed by King Letsie III. Political power has alternated between former Prime Minister Pakalitha Mosisili and current Prime Minister Thomas Thabane, whose All Basotho Convention won a parliamentary plurality in 2017. Lesotho's narrow economic base consists of textile manufacturing, agriculture, diamond mining, remittances from Basothos working in South Africa, and regional customs revenue. About three-fourths of the population is engaged in animal herding and subsistence agriculture. A large dam and tunnel infrastructure project will divert water to South Africa and provide money and hydropower to Lesotho.

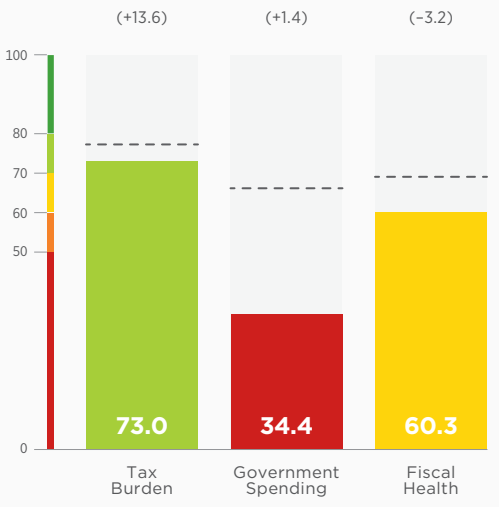
12 ECONOMIC FREEDOMS | LESOTHO

RULE OF LAW



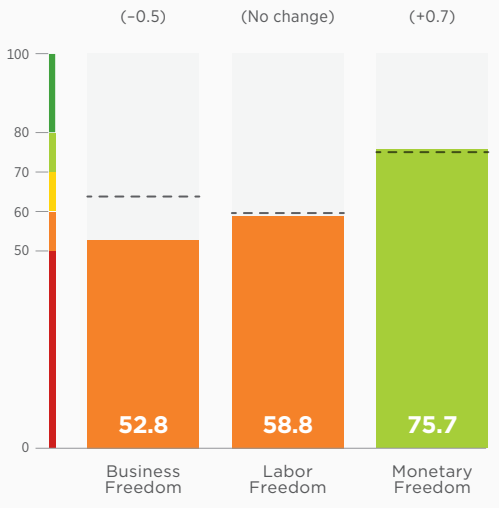
The right to private property is protected under the law. The judicial system is procedurally and substantively fair, upholds the sanctity of contracts, and enforces contracts in accordance with their terms and on a nondiscriminatory basis. The judiciary is relatively independent but inefficient: Courts are overburdened and underfunded, and it can take years to resolve cases. Official corruption and impunity remain problems.

GOVERNMENT SIZE



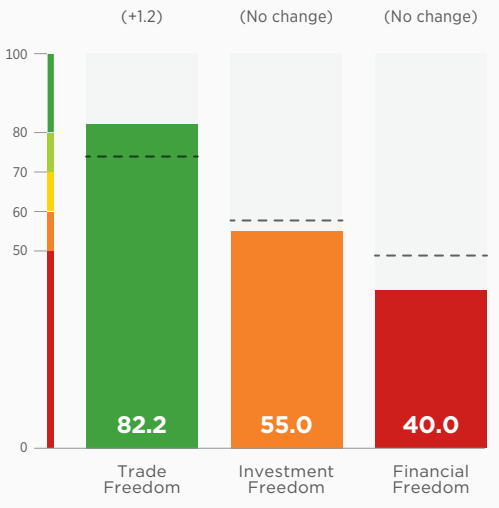
The top personal income tax rate is 35 percent, and the top corporate tax rate is 25 percent. The overall tax burden equals 29.1 percent of total domestic income. Government spending has amounted to 46.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.8 percent of GDP. Public debt is equivalent to 39.0 percent of GDP.

REGULATORY EFFICIENCY



The business climate has been improving recently, but political instability and limited access to credit remain problems. The labor market remains underdeveloped, and an abundance of unskilled workers contrasts with a shortage of skilled workers. Monetary stability is affected by the South African rand, and the government maintains food subsidies and influences other prices through state-owned enterprises.

OPEN MARKETS



The total value of exports and imports of goods and services equals 123.6 percent of GDP. The average applied tariff rate is 1.4 percent, but import licensing and other nontariff barriers raise the cost of trade significantly. The inadequate and nontransparent regulatory system inhibits investment. Much of the population lacks adequate access to banking services. The high cost of credit hinders entrepreneurial activity.

LIBERIA

WORLD RANK:	REGIONAL RANK:
165	40

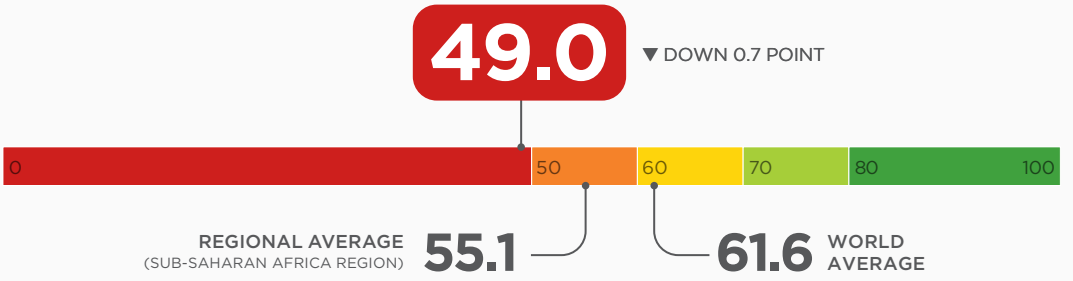
ECONOMIC FREEDOM STATUS: **REPRESSED**

Liberia's economic freedom score is 49.0, making its economy the 165th freest in the 2020 *Index*. Its overall score has decreased by 0.7 point, primarily because of a drop in the **fiscal health** score. Liberia is ranked 40th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

The Liberian economy has fallen further into the repressed category this year. GDP growth has also recorded a weak performance over the past five years.

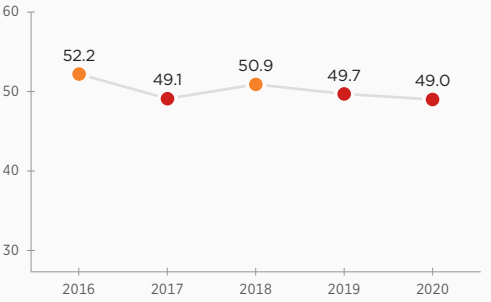
The government's desires to reduce poverty, create new jobs, meet critical infrastructure needs, and develop the agricultural sector to increase food production are not likely to be fulfilled without significant steps to improve the business and investment climates. The rule of law is not enforced effectively, and weak property rights and the judicial system's lack of transparency seriously impede private-sector development. Sustained economic revitalization will depend on diversification, strengthened institutions, action to combat corruption, and political stability.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): +0.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
4.5 million

GDP (PPP):
$6.3 billion
1.2% growth in 2018
5-year compound annual growth 0.6%
$1,418 per capita

UNEMPLOYMENT:
2.0%

INFLATION (CPI):
23.4%

FDI INFLOW:
$122.2 million

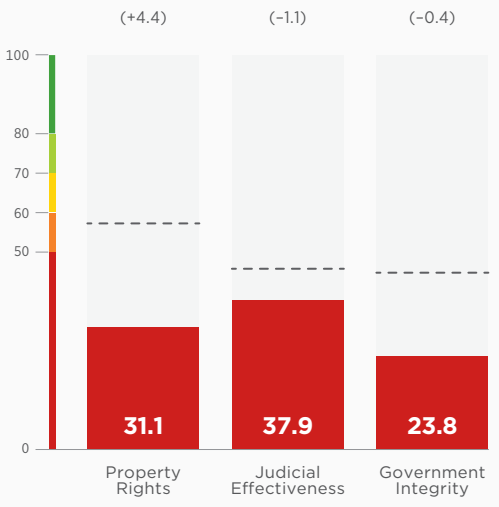
PUBLIC DEBT:
40.5% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Settled in the 18th century by freed slaves, predominantly from the United States, Liberia enjoyed relative peace until a long and bloody civil war that ended in 1995. Rebel leader Charles Taylor was forced to step down as president in 2003 and was later convicted of war crimes. Ellen Johnson Sirleaf became president in 2006 and stabilized the country during her two terms. U.N. peacekeepers departed in 2016. Former soccer star George Weah defeated Vice President Joseph Boakai in the 2017 presidential election following delays while allegations of fraud were being investigated. Liberia is rich in natural resources, including rubber, mineral resources, and iron ore, but suffers from widespread poverty.

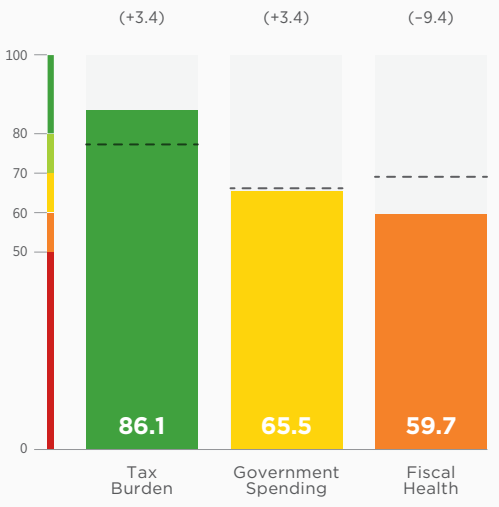
12 ECONOMIC FREEDOMS | LIBERIA

RULE OF LAW



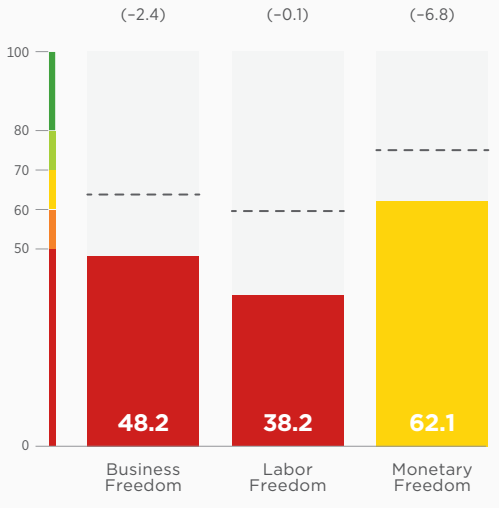
In September 2018, the government passed the Land Rights Act, which guarantees legal certainty for every category of land ownership and provides the legal basis for resolving historical land problems that have caused conflicts over the years. Enforcement of contracts is a lengthy process. The judiciary is independent but weak and inadequately resourced. Some officials engage in corrupt practices with impunity.

GOVERNMENT SIZE



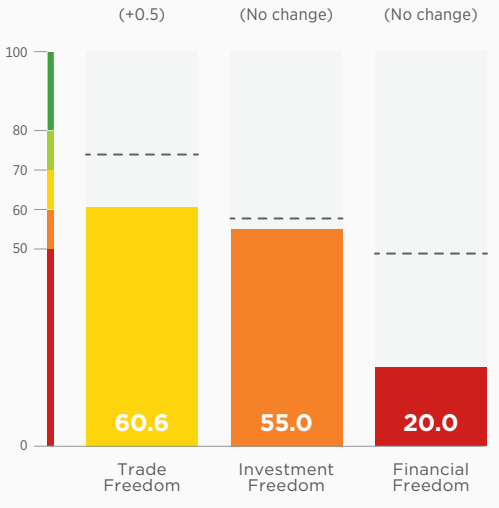
Liberia's top individual income and corporate tax rates are 25 percent. Other taxes include property taxes and goods and services taxes. The overall tax burden equals 11.9 percent of total domestic income. Government spending has amounted to 33.9 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.8 percent of GDP. Public debt is equivalent to 40.5 percent of GDP.

REGULATORY EFFICIENCY



The government recently launched a Business Climate Working Group involving three branches of government and some business representatives. Access to electricity is increasing. Reliable labor force statistics do not exist. Most formal employment is with the government. The Liberian government influences the prices of many basic goods, and there are no plans for privatization of state-owned enterprises.

OPEN MARKETS



The total value of exports and imports of goods and services equals 120.9 percent of GDP. The average applied tariff rate is 12.2 percent, and nontariff barriers further restrict the freedom to trade. Foreign investment is permitted, but inadequate administrative infrastructure and a lack of transparency are deterrents. The high cost of credit and scarce access to financing hold back development of the private sector.

WORLD RANK: **N/A** | REGIONAL RANK: **N/A**

ECONOMIC FREEDOM STATUS: **NOT GRADED**

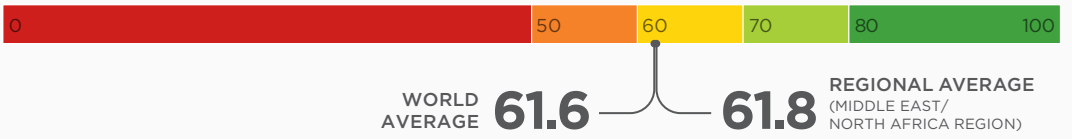
LIBYA

Libya is not ranked in the 2020 *Index* because of the lack of reliable comparable data on all facets of the economy. Official government compilations of economic data are inadequate, and data reported by many of the international sources upon which *Index* grading relies remain incomplete.

Political instability, factional clashes, and security threats from domestic and foreign followers of the Islamic State have caused economic recovery and development in Libya to be fragile and uneven. The government faces the daunting challenges of disarming and demobilizing militias, enforcing the rule of law, and reforming the state-dominated economy. Power outages are widespread. Living conditions, including access to clean drinking water, medical services, and safe housing, have declined as more people have been internally displaced by civil war. These problems will likely persist until a permanent government is in place. U.N.-sponsored parliamentary elections to unite rival eastern and western factions may occur in 2020.

ECONOMIC FREEDOM SCORE

N/A NOT GRADED THIS YEAR



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): N/A

RECENT FREEDOM TREND

QUICK FACTS

POPULATION: 6.5 million

GDP (PPP): $74.7 billion
17.9% growth in 2018
5-year compound annual growth 1.7%
$11,469 per capita

UNEMPLOYMENT: 17.3%

INFLATION (CPI): 23.1%

FDI INFLOW: n/a

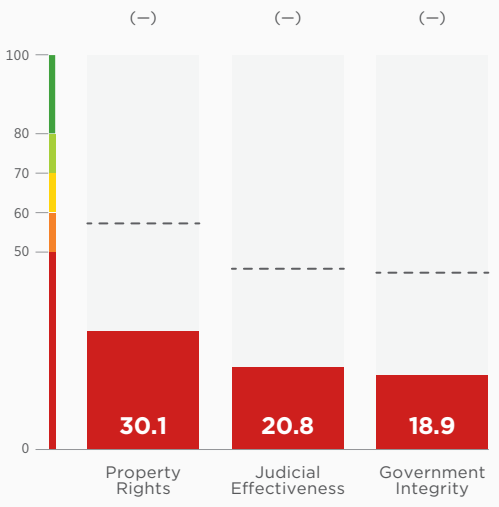
PUBLIC DEBT: 4.9% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Muammar Qadhafi seized power in 1969 and ruled as a dictator until he was overthrown and executed in 2011. Since then, the country has been engulfed in bitter factional infighting that has polarized Libyans along political, ethnic, tribal, and regional lines. In 2016, the U.N. brokered the establishment of a national unity government to replace two rival administrations, but unification of the country has not progressed since then to any significant degree. Oil and natural gas dominate the economy and provide almost all export revenues. Various militias, including the Islamic State in 2018, have attacked oil fields and seized oil infrastructure, threatening government control of oil and gas revenues.

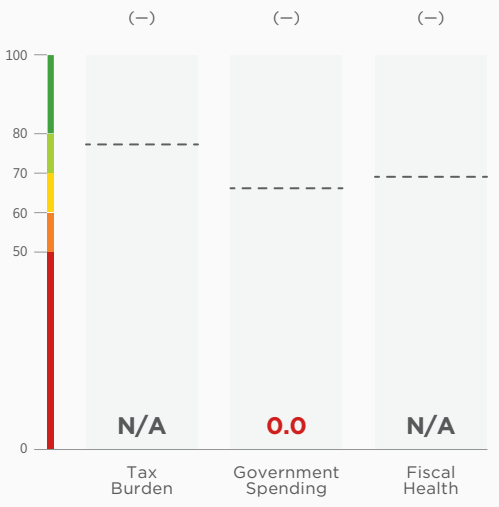
12 ECONOMIC FREEDOMS | LIBYA

RULE OF LAW



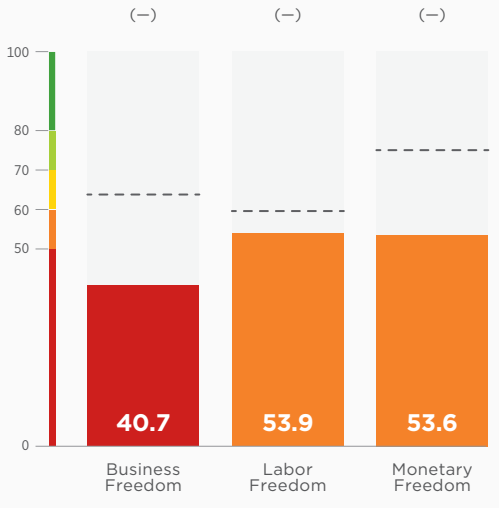
Although Libyans may legally own property and start businesses, property rights are not protected, and contracts are not enforced. Property may be seized arbitrarily. Militants have confiscated businesses and homes in Benghazi and other eastern regions. Without a permanent constitution, the role of the judiciary remains unclear. Corruption is pervasive, and a general lack of security hinders reforms.

GOVERNMENT SIZE



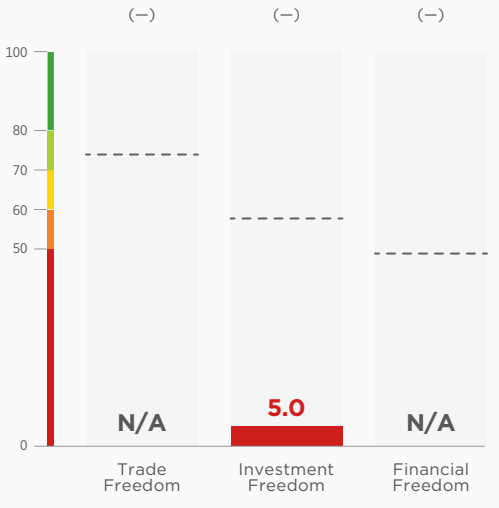
The top income tax rate is 10 percent, but other taxes make the top rate much higher in practice. Taxation has not been enforced effectively for years. Oil and gas revenues have enabled government spending at a level equivalent to over 60 percent of total domestic output. However, an expansionary fiscal policy has led to significant budget deficits over the past years. Public debt is equivalent to 4.9 percent of GDP.

REGULATORY EFFICIENCY



Ongoing civil war and political uncertainty make running a business in Libya a high-risk and difficult endeavor. Libya ranked 186th out of 190 countries in the World Bank's 2019 *Doing Business* report. The labor market remains destabilized. Subsidies amounting to 10.6 percent of GDP in 2019 are forecast to remain high in 2020 due to Libya's complex political economy, which delays needed reforms.

OPEN MARKETS



Tariffs on imported goods were abolished in 2005 and replaced by a 4 percent "port services tax." In general, political instability, exacerbated by ongoing security threats, continues to be a significant impediment to foreign trade and investment. Libya's financial infrastructure has been significantly degraded. Limited access to financing has severely impeded any meaningful private business development.

LIECHTENSTEIN

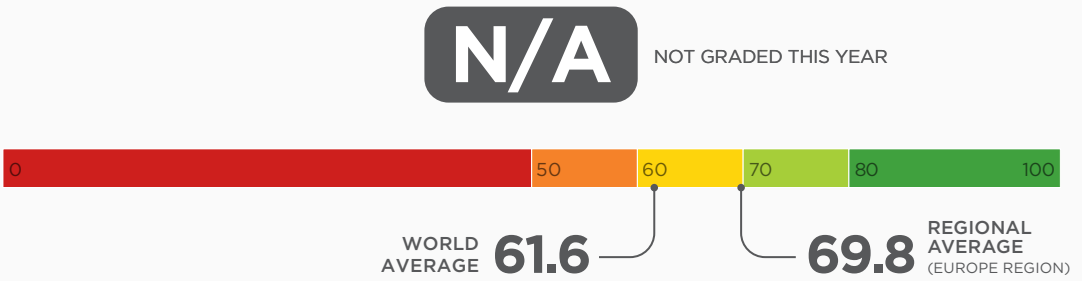
WORLD RANK: N/A | REGIONAL RANK: N/A

ECONOMIC FREEDOM STATUS: NOT GRADED

Liechtenstein is not graded in the 2020 *Index* because of the unavailability of relevant comparable statistics on all facets of the economy. Despite its small size and lack of natural resources, Liechtenstein has developed into a prosperous, highly industrialized free-enterprise economy with a vital financial services sector. The country is closely linked to Switzerland, whose currency it shares, and the European Union. Liechtenstein is a member of the European Free Trade Association, the Schengen Area, and the European Economic Area.

Flexibility and openness to global commerce have been the cornerstones of Liechtenstein's modern and widely diversified economy. Minimal barriers to trade and investment foster vibrant economic activity, and a straightforward, transparent, and streamlined regulatory system supports an innovative entrepreneurial sector. Banking has benefited from Liechtenstein's high levels of political and social stability and its sound and transparent judicial system.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): N/A

RECENT FREEDOM TREND

QUICK FACTS

POPULATION: 38,114 (2017)

GDP (PPP): n/a

UNEMPLOYMENT: 1.8% (2017)

INFLATION (CPI): 0.5% (2017)

FDI INFLOW: n/a

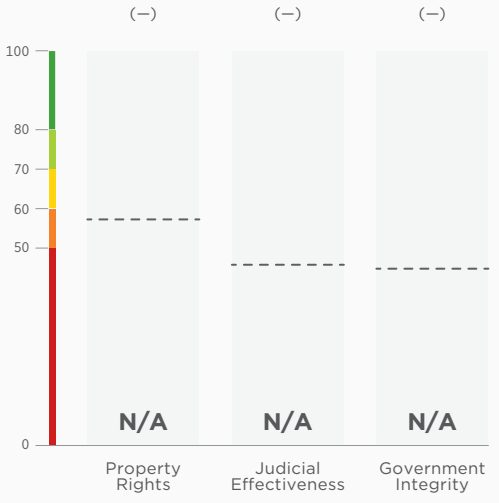
PUBLIC DEBT: n/a

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Prince Hans-Adam II is this tiny principality's head of state, but his son Prince Alois wields considerable power as regent and can dismiss the government and veto bills. The center-right Progressive Citizens' Party won a reduced share of the vote in 2017 parliamentary elections but still captured the most seats. Prime Minister Adrian Hasler, in office since 2013, remains head of government. Traditions of strict bank secrecy have helped financial institutions to attract funds as well as interest from block chain and cryptocurrency businesses. The government has signed an agreement with the European Union to allow automatic exchanges of financial account information. In 2018, Liechtenstein and Switzerland entered into a similar agreement to exchange tax information.

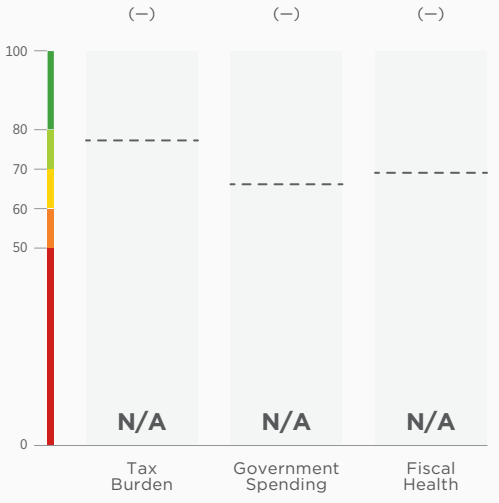
12 ECONOMIC FREEDOMS | LIECHTENSTEIN

RULE OF LAW



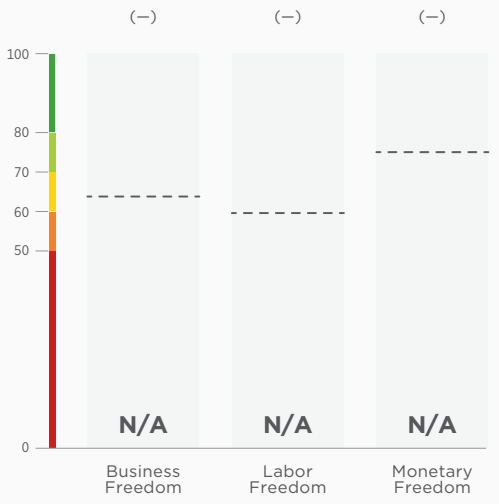
Property rights and contracts are secure. Despite the appointment of judges by the hereditary monarch, the constitutionally independent judiciary is impartial. Liechtenstein is largely free of corruption, and the government enforces anticorruption laws effectively. Although the country is a leading offshore tax haven and traditionally has maintained tight bank secrecy laws, the government has made efforts to increase transparency in banking.

GOVERNMENT SIZE



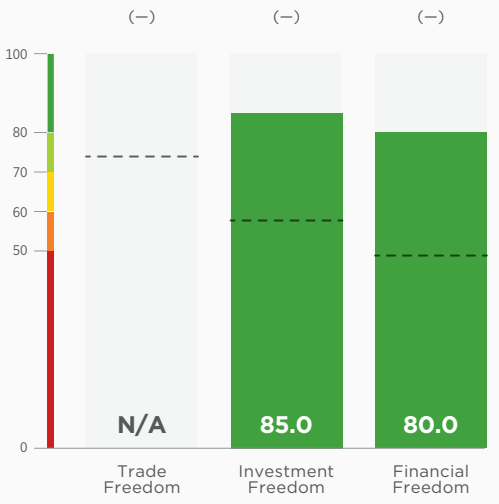
Liechtenstein has a competitive tax system and imposes relatively low taxes on nationals and non-nationals. The national personal income tax rates comprise eight tax bands with a maximum rate of 8 percent. The corporate tax rate is now a flat 12.5 percent, and there are no capital gains, inheritance, or gift taxes. Although the fiscal system lacks transparency, government fiscal management has been relatively prudent.

REGULATORY EFFICIENCY



The business climate is identical in most respects to that of Switzerland because of integration into the Swiss economy. The number of people employed in Liechtenstein outnumbers its domestic population. As of 2016, GDP per capita was the highest in the world. Liechtenstein has a de facto monetary union with Switzerland, although the principality has no say over the Swiss National Bank's monetary policies.

OPEN MARKETS



Liechtenstein's trade regime is generally open, with minimal nontariff barriers in place except in agriculture. Foreign investment is welcome, and the overall investment environment encourages dynamic private-sector growth. There are no restrictions on repatriation of profits or currency transfers. Liechtenstein is a major financial center, particularly in private banking. The banking sector remains stable under a prudent regulatory regime.

LITHUANIA

WORLD RANK: **16**

REGIONAL RANK: **9**

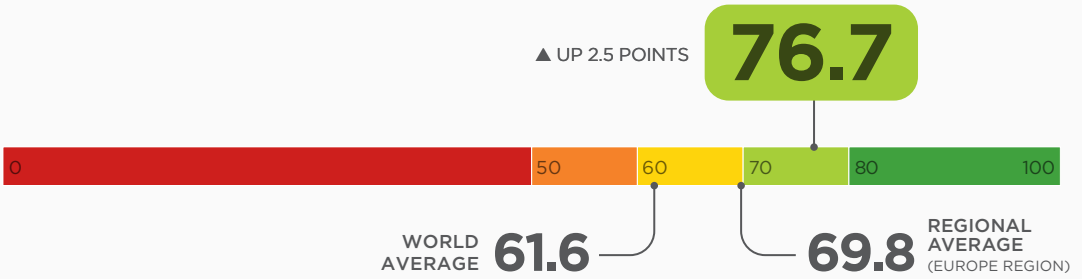
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Lithuania's economic freedom score is 76.7, making its economy the 16th freest in the 2020 *Index*. Its overall score has increased by 2.5 points, due primarily to a higher **government integrity** score. Lithuania is ranked 9th among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

Over the past decade, the Lithuanian economy has gradually improved its position in the mostly free category. GDP growth has moved along smartly as well over the past five years, reflecting one of the eurozone's most robust economies.

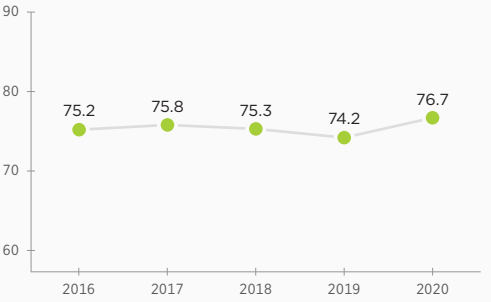
While the government's policies are in many ways among the best in the EU, Lithuania's integration into the West is still in some respects a work in progress. For the country to enter the ranks of the economically free, the government will need to achieve progress in three areas in particular: nurturing and broadening a cultural intolerance of corruption in all its forms, improving the efficiency and targeting of government spending, and improving labor productivity.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +27.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
2.8 million

GDP (PPP):
$97.0 billion
3.4% growth in 2018
5-year compound annual growth 3.1%
$34,826 per capita

UNEMPLOYMENT:
6.0%

INFLATION (CPI):
2.5%

FDI INFLOW:
$905.1 million

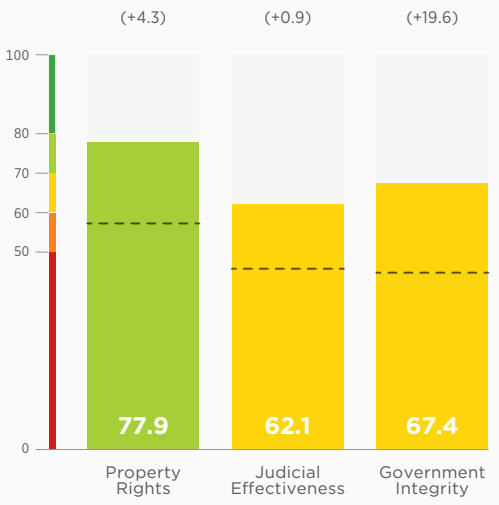
PUBLIC DEBT:
35.9% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Lithuania regained independence in 1991, joined the European Union in 2004, and is seeking to join the Organisation for Economic Co-operation and Development. Political independent Gitanas Nauseda was elected president in May 2019. Prime Minister Saulius Skvernelis of the centrist Lithuanian Peasants and Green Union, who has been in office since 2016, heads a minority coalition government with the support of the Lithuanian Social Democratic Labor Party. The privatization of most state-owned enterprises helped the economy to rebound and become one of the fastest-growing in the EU, although many younger workers have emigrated for jobs elsewhere in Europe. Lithuania's reliance on Russian natural gas has declined markedly since the opening of an offshore liquefied natural gas terminal at Klaipeda.

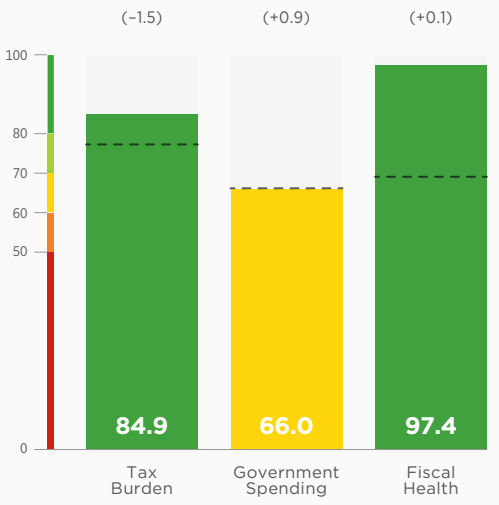
12 ECONOMIC FREEDOMS | LITHUANIA

RULE OF LAW



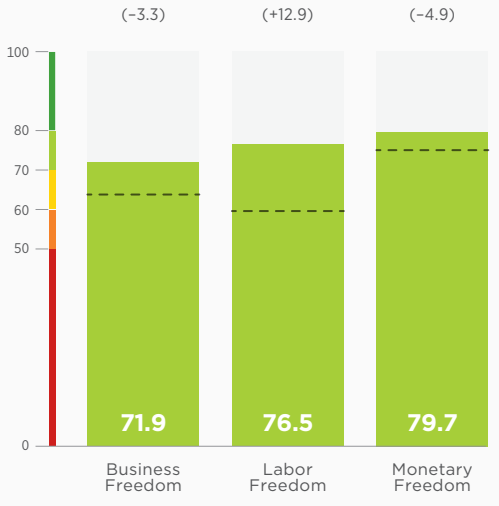
The constitution and other laws protect all forms of private property against nationalization or requisition. Successive Lithuanian administrations have worked to maintain a well-regulated market economy. Domestic courts generally operate independently of government influence, although business interests can exert pressure on the judiciary. A 2017 Eurobarometer survey found that Lithuania lags behind other EU countries on corruption perception scores.

GOVERNMENT SIZE



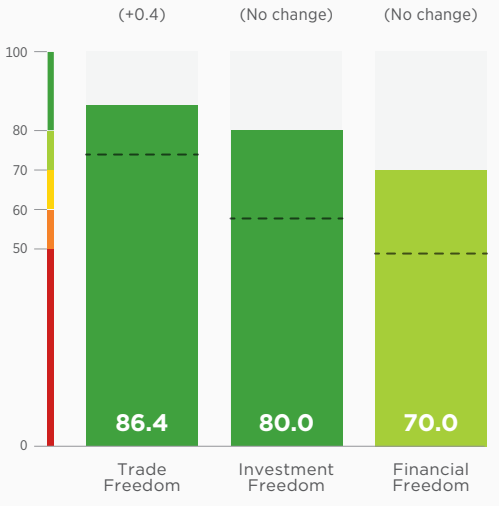
The top individual income tax rate is 20 percent, and the top corporate tax rate is 15 percent. Other taxes include inheritance and value-added taxes. The overall tax burden equals 29.8 percent of total domestic income. Government spending has amounted to 33.7 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 0.6 percent of GDP. Public debt is equivalent to 35.9 percent of GDP.

REGULATORY EFFICIENCY



Public disclosure of the compensation of high-ranking corporate officials has increased, tax payment mechanisms have been streamlined, and exporting procedures have been simplified. Management–labor relations are generally harmonious. A new labor code is intended to simplify employment conditions and clarify requirements. European Union subsidies to Lithuania over the past 15 years have consistently exceeded the country's contributions to the EU budget.

OPEN MARKETS



The total value of exports and imports of goods and services equals 162.0 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Lithuania has an additional four country-specific nontariff barriers. The investment regime is conducive to new investment. The financial sector offers a full range of financial services, and the small capital market functions relatively well.

LUXEMBOURG

WORLD RANK: **19**

REGIONAL RANK: **10**

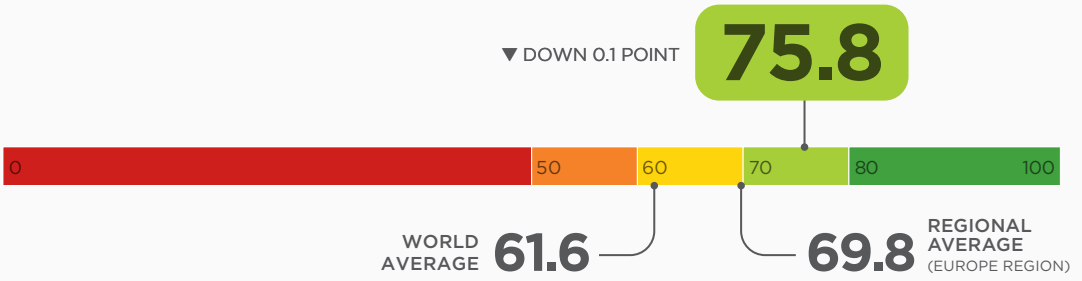
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Luxembourg's economic freedom score is 75.8, making its economy the 19th freest in the 2020 *Index*. Its overall score has decreased by 0.1 point due to a decline in the **monetary freedom** score. Luxembourg is ranked 10th among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

Luxembourg's economy has been in the mid-ranks of the mostly free category for more than two decades. GDP growth, driven primarily by exports of financial services, has fluctuated around an average level of about 3 percent annually for the past five years.

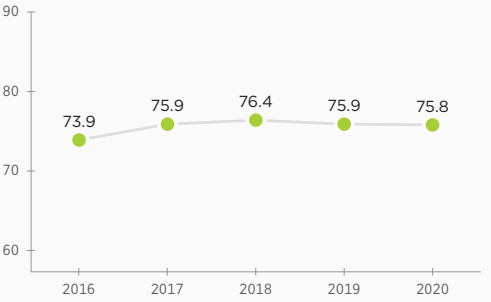
Luxembourg's unsustainably high rate of government spending has long blocked it from attaining the highest economic freedom rank. Prospects for improvement are dim, as the coalition government is expected to continue to incur budget deficits as it pursues higher public-infrastructure investment spending and faces increasing demands on the pension and health care funds from the country's aging population.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +3.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.6 million

GDP (PPP):
$64.2 billion
3.0% growth in 2018
5-year compound annual growth 3.0%
$106,705 per capita

UNEMPLOYMENT:
5.5%

INFLATION (CPI):
2.0%

FDI INFLOW:
–$5.6 billion

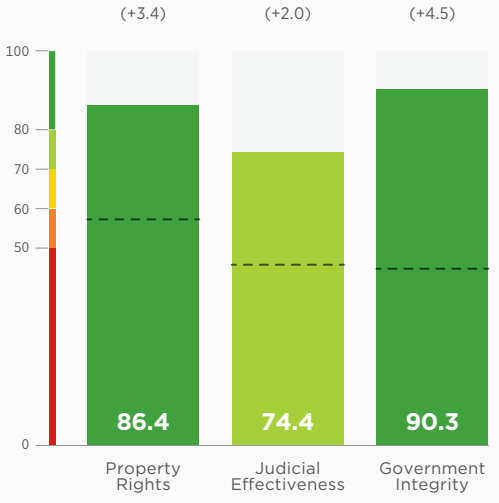
PUBLIC DEBT:
21.8% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: A founding member of the European Union in 1957 and the eurozone in 1999, the small Grand Duchy of Luxembourg continues to promote European integration. Democratic Party Prime Minister Xavier Bettel's three-party left-leaning coalition barely held on to power in October 2018 elections. Luxembourg enjoys high levels of prosperity; the recession provoked by the economic crisis in 2009, for example, was its first in 60 years. Growth is strong, and unemployment is under control. During the 20th century, Luxembourg evolved into a mixed manufacturing and services economy with a strong financial services sector. With its low energy costs, reliable electricity grid, and stable governance, the country is attracting interest as a hub for the 21st century information economy.

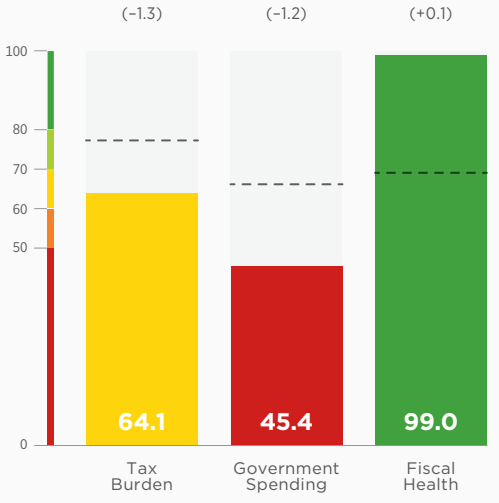
12 ECONOMIC FREEDOMS | LUXEMBOURG

RULE OF LAW



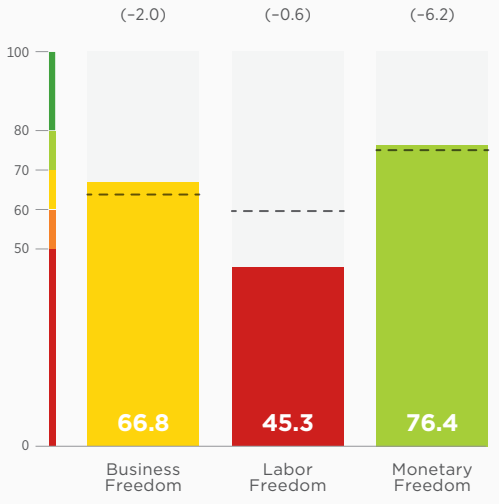
Property rights are recognized and well protected. Contracts are secure. The judiciary is procedurally competent, fair, and reliable but also slow. Corruption is not widespread, and allegations of corruption are prosecuted.

GOVERNMENT SIZE



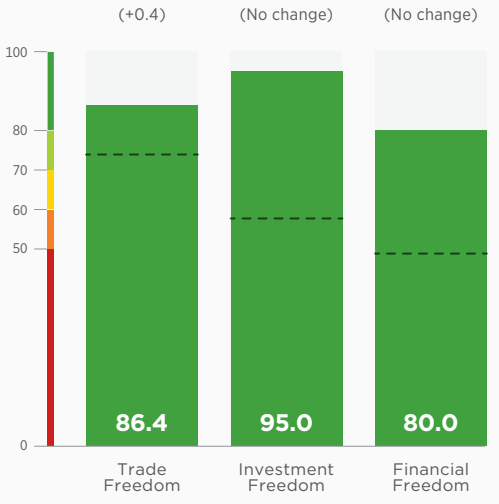
The top individual income tax rate is 42 percent, and the top corporate tax rate has been reduced from 19 percent to 18 percent. The overall tax burden equals 38.7 percent of total domestic income. Government spending has amounted to 42.7 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 1.9 percent of GDP. Public debt is equivalent to 21.8 percent of GDP.

REGULATORY EFFICIENCY



The freedom to start, operate, and close a business is generally not infringed upon by the government. Luxembourg has increased maternity leave, amended provisions for taking leave for personal reasons, introduced state co-financing of professional training, and amended pre-retirement rules. Monetary stability has been well maintained, but the agricultural sector is highly subsidized, and fuel subsidies per capita remain the highest in Europe.

OPEN MARKETS



The total value of exports and imports of goods and services equals 415.5 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. The efficient investment regime facilitates foreign investment without heavy bureaucratic interference. The modern financial system is competitive, and the well-capitalized banking sector offers a wide range of services.

WORLD RANK: **35**

REGIONAL RANK: **9**

ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

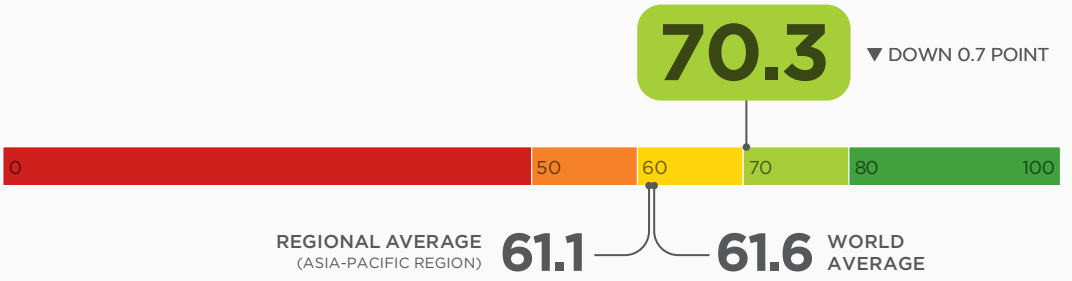
MACAU

Macau's economic freedom score is 70.3, making its economy the 35th freest in the 2020 *Index*. Its overall score has decreased by 0.7 point due to a decline in the **monetary freedom** score. Macau is ranked 9th among 42 countries in the Asia–Pacific region, and its overall score is well above the regional and world averages.

The economy of Macau has been in the lower reaches of the mostly free category since the beginning of its *Index* grading in 2009. Average annual GDP growth over the past five years has been positive but modest.

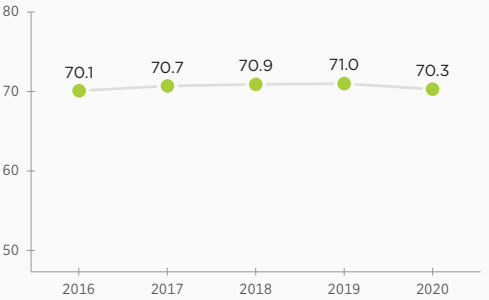
Several factors have been holding back greater economic growth and economic freedom in Macau, including inadequate protection of property rights, deficiencies in fighting corruption that have damaged government integrity, insufficient labor market flexibility, and the absence of serious regulatory reform. The government will have to address and correct these inadequacies if it hopes to stimulate economic growth that is not based on gaming.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): –1.7

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.7 million

GDP (PPP):
$77.3 billion
4.7% growth in 2018
5-year compound annual growth –1.8%
$116,808 per capita

UNEMPLOYMENT:
2.0%

INFLATION (CPI):
3.0%

FDI INFLOW:
$1.1 billion

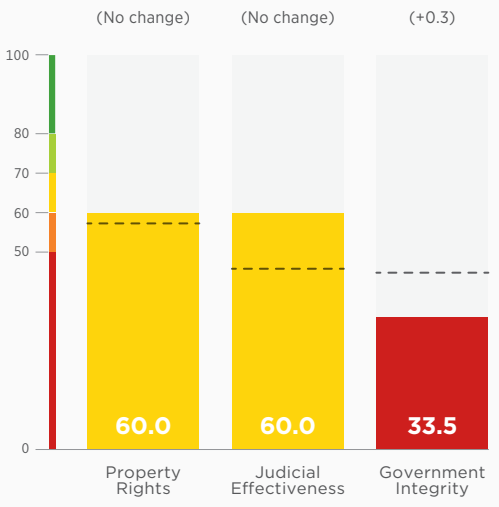
PUBLIC DEBT:
0.0% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Colonized by the Portuguese in the 16th century, Macau became a Special Administrative Region of the People's Republic of China in 1999, and its chief executive is appointed by Beijing. The world's largest gaming center, Macau is the only place in China where casinos are legal. The Macanese economy is growing so strongly that the International Monetary Fund is now projecting that by 2020, Macau will overtake Qatar and become the country with the world's highest GDP per capita. Gaming-related taxes account for about 80 percent of government revenues. There is a paucity of attractions for nongambling tourists, and government efforts to encourage economic diversification face formidable constraints.

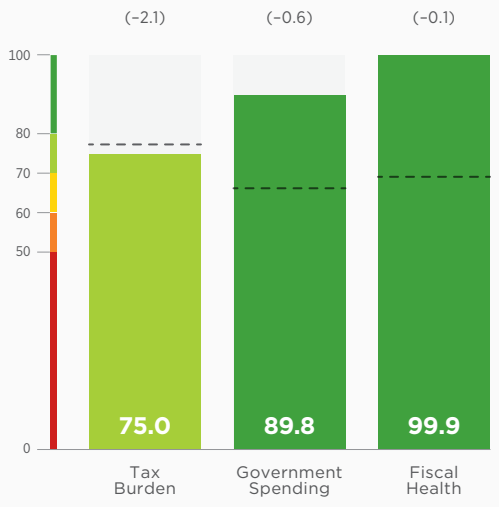
12 ECONOMIC FREEDOMS | MACAU

RULE OF LAW



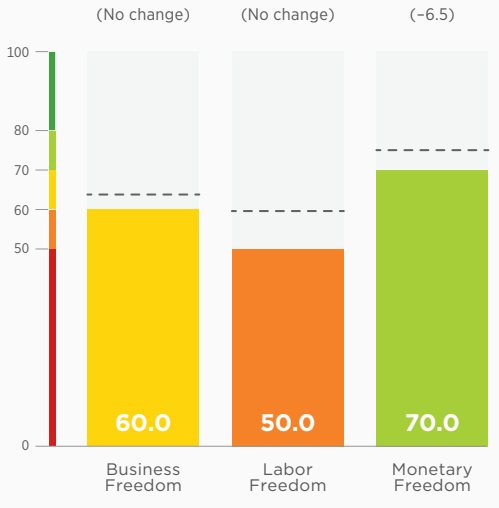
Private ownership of property and contractual rights are established in the Basic Law, which serves as the territory's constitution. Under "one country, two systems," Continental European law is the foundation of Macau's legal system. Judicial processes are generally regarded as procedurally competent, fair, and reliable. In January 2019, the government took steps to make procurement more transparent.

GOVERNMENT SIZE



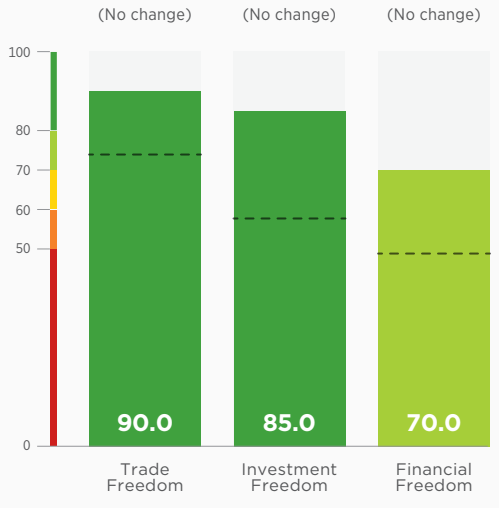
The top personal income tax rate is 12 percent, and the top corporate tax rate is 39 percent. Gambling tax revenues are quite high. The overall tax burden equals 28.9 percent of total domestic income. Government spending has amounted to 18.5 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 12.9 percent of GDP. Public debt is equivalent to 0.0 percent of GDP.

REGULATORY EFFICIENCY



The business environment is relatively favorable for enterprises, but the pace of business-friendly reform lags behind the pace in other countries. The labor market lacks dynamism and in many ways is dominated by casino operators. Gambling revenues surpass Las Vegas and are higher than anywhere else in the world. Monetary stability has been relatively well maintained, but spending on generous government subsidies increased by 45 percent in 2019.

OPEN MARKETS



The total value of exports and imports of goods and services equals 116.4 percent of GDP. The average applied tariff rate is 0.0 percent, and 31 nontariff measures are in force. The government does not officially discriminate between foreign and domestic investors, but services markets are subject to a few restrictions. A relatively small financial system, dominated by banking, provides easy access to financing.

WORLD RANK: **99**

REGIONAL RANK: **8**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

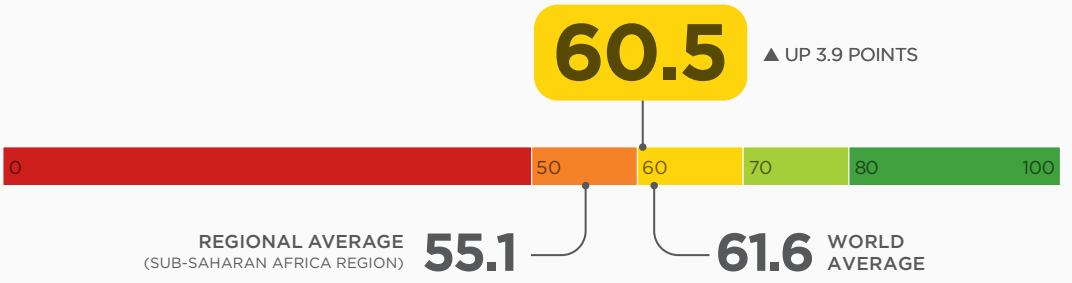
MADAGASCAR

Madagascar's economic freedom score is 60.5, making its economy the 99th freest in the 2020 *Index*. Its overall score has increased by 3.9 points because of higher scores for **judicial effectiveness** and **property rights**. Madagascar is ranked 8th among 47 countries in the Sub-Saharan Africa region, and its overall score is well above the regional average and approximately equal to the world average.

This year marks the return of Madagascar's economy to the ranks of the moderately free after three years as mostly unfree. GDP growth has been on the upswing as well.

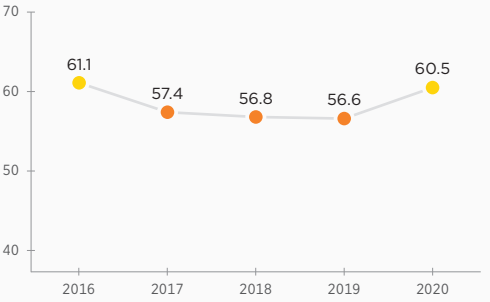
The government aims to maintain economic growth through a structural reform agenda that is intended to enhance investment capacity and reduce the fiscal risks of its state-owned electricity and water utilities. To achieve those goals, the government will need to strengthen the rule of law, make the labor market more flexible, and maintain political stability to boost investor confidence.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +8.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
26.3 million

GDP (PPP):
$42.9 billion
5.2% growth in 2018
5-year compound annual growth 4.0%
$1,630 per capita

UNEMPLOYMENT:
1.7%

INFLATION (CPI):
7.3%

FDI INFLOW:
$349.1 million

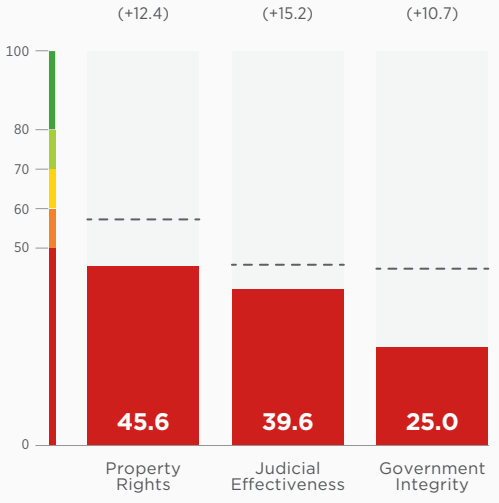
PUBLIC DEBT:
39.7% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Madagascar, a former French colony, has been rocked by military coups, political violence, and corruption for decades. In 2014, after years of instability, Hery Rajaonarimampianina was elected president, and international donor assistance was resumed. In 2018, protests against proposed changes in the election law forced the prime minister to resign. Andry Rajoelina, a former president installed by a coup, reclaimed the presidency in a December 2018 runoff election. His ruling coalition gained a working majority in May 2019 legislative elections. Madagascar produces 80 percent of the world's natural vanilla. Agriculture, forestry, and fishing are economic mainstays. Interruptions in the power supply caused by deficient infrastructure and natural disasters like cyclones are frequent.

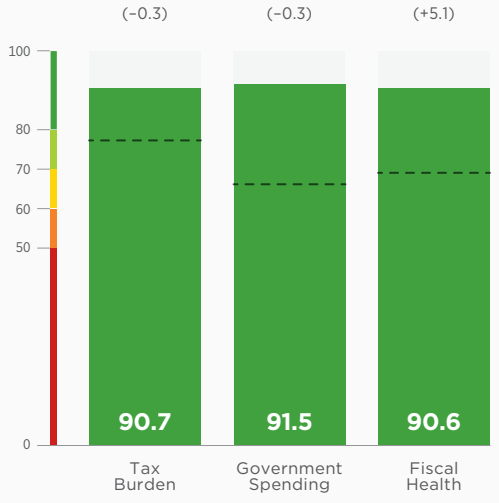
12 ECONOMIC FREEDOMS | MADAGASCAR

RULE OF LAW



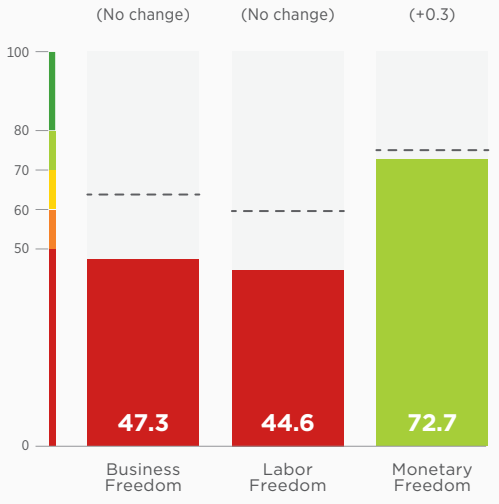
French colonial land tenure policies are still in effect, with presumed state ownership of all land and central government control of all land titles. The judiciary is subject to executive influence and suffers from corruption, slowness, and inefficiency. High levels of corruption exist in nearly all sectors, especially in the police and in the tax, customs, land, trade, mining, industry, environment, education, and health care administrations.

GOVERNMENT SIZE



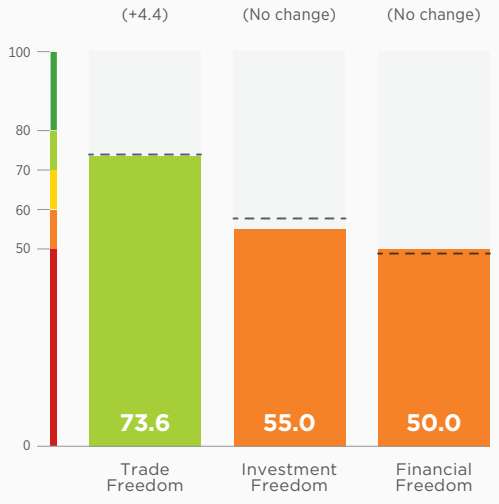
The top individual income and corporate tax rates are 20 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 11.5 percent of total domestic income. Government spending has amounted to 16.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.0 percent of GDP. Public debt is equivalent to 39.7 percent of GDP.

REGULATORY EFFICIENCY



Poor regulatory governance has a negative effect on the business climate, although construction permitting and credit access have been improved. A new system that randomly assigns judges to cases and allows them to manage cases electronically has improved the enforcement of contracts. Agriculture, fishing, and forestry employ roughly 80 percent of the population. The government plans to reduce spending on fuel and electricity subsidies.

OPEN MARKETS



The total value of exports and imports of goods and services equals 74.7 percent of GDP. The average applied tariff rate is 5.7 percent, and 11 nontariff measures are in force. The investment regime's inefficiency and lack of transparency undermine prospects for dynamic growth in new investment. The relatively high cost of financing is a barrier to entrepreneurial growth in the private sector, particularly for small and medium-size firms.

WORLD RANK: **152** | REGIONAL RANK: **34**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

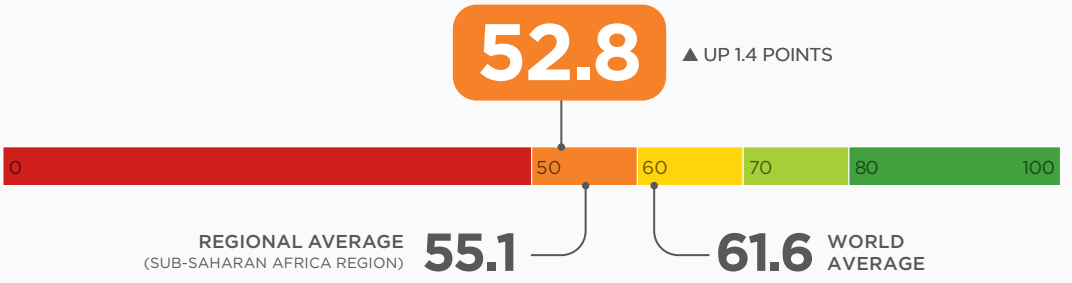
MALAWI

Malawi's economic freedom score is 52.8, making its economy the 152nd freest in the 2020 *Index*. Its overall score has increased by 1.4 points, helped by a higher **property rights** score. Malawi is ranked 34th among 47 countries in the Sub-Saharan Africa region, and its overall score is slightly below the regional average and well below the world average.

The economy of Malawi has been in the mostly unfree category since the inception of the *Index* in 1995. GDP growth in the past half-decade has been moderate as generally favorable weather conditions have increased crop yields.

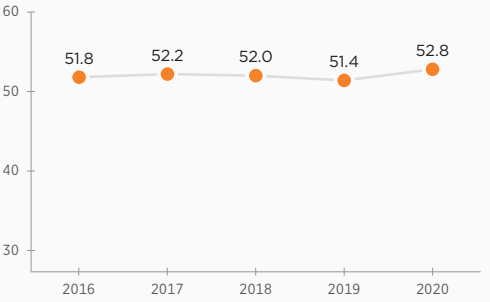
Greater economic freedom in Malawi has long been held back by several factors. The ineffective rule of law, indicated clearly by weaknesses in property rights protection, judicial effectiveness, and government integrity, has had a strongly negative impact on the business and investment climates, and the government's ongoing payment of wasteful producer and consumer subsidies has strained the budget.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –1.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
19.7 million

GDP (PPP):
$23.7 billion
3.2% growth in 2018
5-year compound annual growth 3.6%
$1,199 per capita

UNEMPLOYMENT:
5.4%

INFLATION (CPI):
9.2%

FDI INFLOW:
$101.6 million

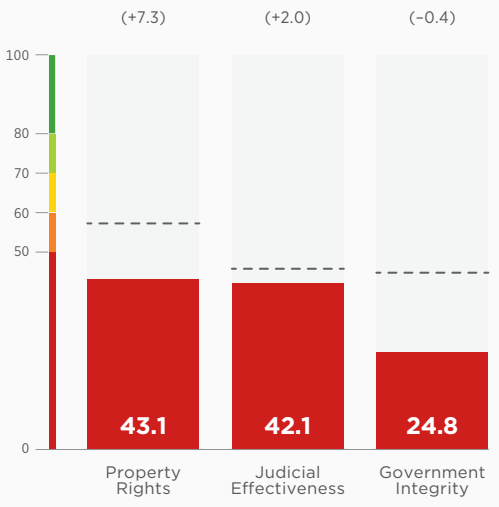
PUBLIC DEBT:
61.3% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Malawi achieved independence from the United Kingdom in 1964 and was ruled as a one-party state by Dr. Hastings Kamuzu Banda for 30 years. Arthur Peter Mutharika won the presidency in 2014 in elections of questionable legitimacy. His brother, former President Bingu wa Mutharika, had died in office in 2012. Despite having been accused of corruption by the country's Anti-Corruption Bureau in 2018, Mutharika was narrowly reelected in May 2019 in general elections that were marred by irregularities. More than half of the population lives below the poverty line, dependent primarily on subsistence agriculture. Tobacco, tea, and sugar are important exports. A border dispute with Tanzania centers on Lake Malawi and its potentially large oil and gas reserves.

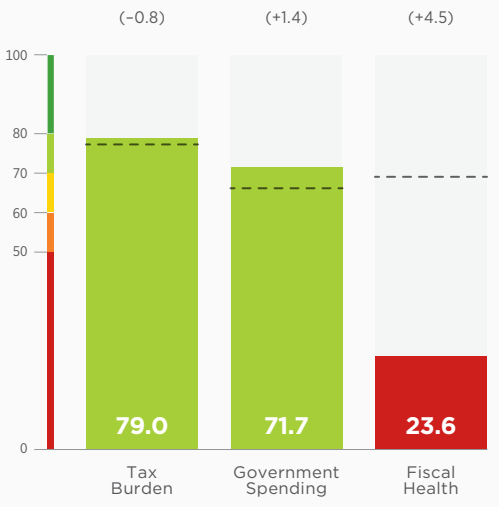
12 ECONOMIC FREEDOMS | MALAWI

RULE OF LAW



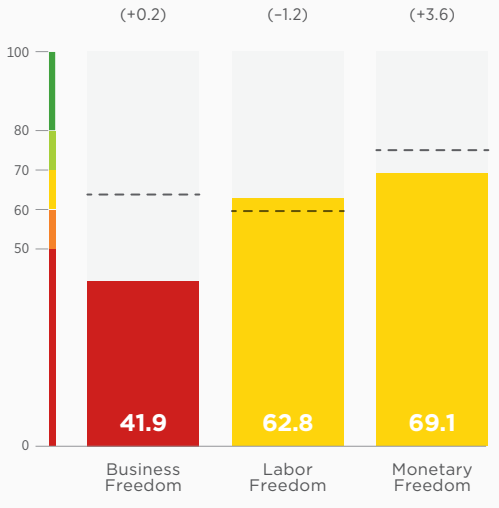
Malawi has laws that govern rights to both real and intellectual property, but enforcement is weak. Record-keeping for the registration of land ownership is centralized and inefficient. Although judicial independence is generally respected, heavy caseloads, staffing limitations, and inadequate funding can contribute to delays. Corruption is endemic at all levels of government.

GOVERNMENT SIZE



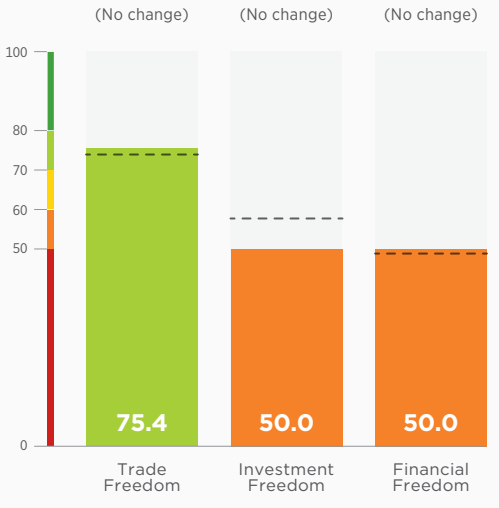
The top individual income and corporate tax rates are 30 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 17.3 percent of total domestic income. Government spending has amounted to 30.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 6.6 percent of GDP. Public debt is equivalent to 61.3 percent of GDP.

REGULATORY EFFICIENCY



The government, aided by international donor assistance, increased access to electricity in 2018. The vast majority of the labor force works informally. There is an acute shortage of skilled and semiskilled labor in many fields, including financial management, law, economics, information technology, engineering, and medicine. According to the IMF, the government spent more than $250 million on subsidies in 2018.

OPEN MARKETS



The total value of exports and imports of goods and services equals 65.3 percent of GDP. The average applied tariff rate is 4.8 percent, and nontariff barriers further restrict trade flows. Both foreign and domestic investors are subject to government restrictions and heavy bureaucracy. The financial sector, dominated by banking, remains underdeveloped, and a full range of modern financing tools is not readily available.

MALAYSIA

WORLD RANK:	REGIONAL RANK:
24	6

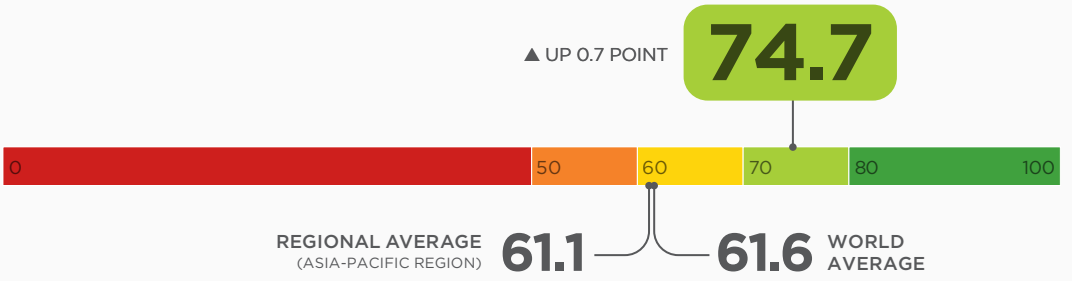
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Malaysia's economic freedom score is 74.7, making its economy the 24th freest in the 2020 *Index*. Its overall score has increased by 0.7 point due primarily to an increase in the **judicial effectiveness** score. Malaysia is ranked 6th among 42 countries in the Asia–Pacific region, and its overall score is well above the regional and world averages.

The Malaysian economy has been climbing the ranks of the mostly free for the past six years. Economic expansion during that time has been impressive as well.

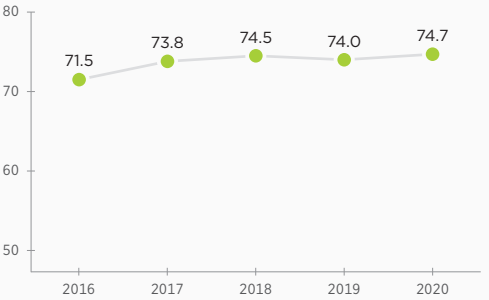
The government means to keep its promises to implement an anticorruption plan and consolidate public debt, both of which would enhance economic freedom, and its prosecution of former Prime Minister Najib Razak on charges of orchestrating a multibillion-dollar fraud involving a government fund is a step in the right direction. Other steps are needed to strengthen government integrity by ending such practices as bribery, extortion, nepotism, cronyism, patronage, embezzlement, and graft.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +2.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
32.4 million

GDP (PPP):
$999.4 billion
4.7% growth in 2018
5-year compound annual growth 5.2%
$30,860 per capita

UNEMPLOYMENT:
3.4%

INFLATION (CPI):
1.0%

FDI INFLOW:
$8.1 billion

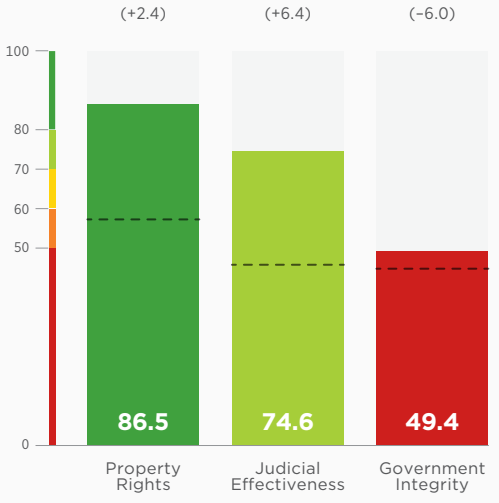
PUBLIC DEBT:
56.2% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: In 2018 elections, the opposition Alliance for Hope defeated the long-ruling National Front, bringing 94-year-old Prime Minister Mahathir Bin Mohamad back to office for a second time. During his 1981–2003 tenure, Mahathir diversified the economy away from dependence on exports of raw materials and expanded manufacturing, services, and tourism. Running on his economic record, he crafted a winning political coalition in the wake of a massive scandal involving the state-run development board. Mahathir has announced that he intends to transfer power to Anwar Ibrahim, a previously imprisoned former deputy prime minister and opposition leader, but has yet to effect such a transfer. Malaysia's leading exports include consumer electronics, petroleum, chemicals, and palm oil.

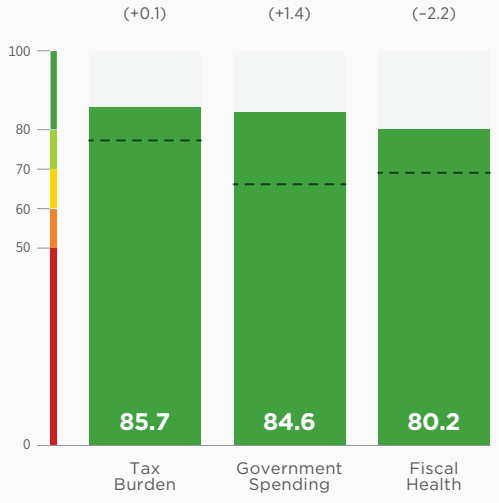
12 ECONOMIC FREEDOMS | MALAYSIA

RULE OF LAW



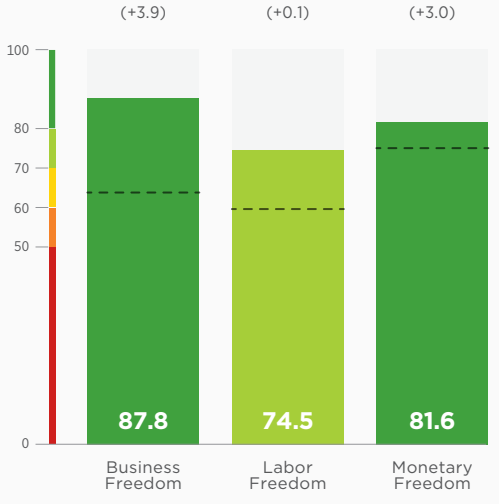
Malaysian law affords strong protections to owners of real property. Real property titles are recorded in public records, and attorneys review transfer documentation to ensure the efficacy of title transfers. Malaysia's legal system generally reflects English common law. The independence of the judiciary has been strengthened in recent years. High-level corruption under the last government contributed to its defeat. Demands for bribes are commonplace.

GOVERNMENT SIZE



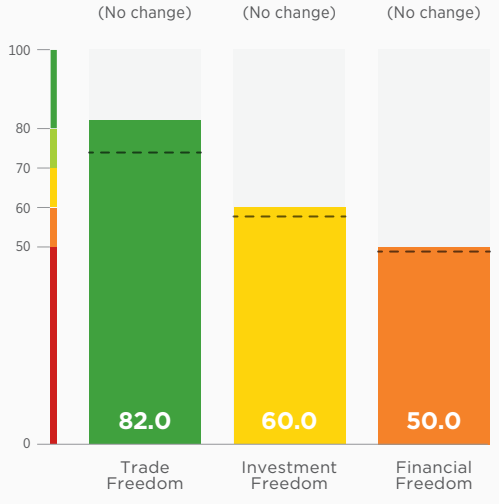
The top individual income and corporate tax rates are 25 percent. Other taxes include a capital gains tax. The overall tax burden equals 13.6 percent of total domestic income. Government spending has amounted to 22.6 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.9 percent of GDP. Public debt is equivalent to 56.2 percent of GDP.

REGULATORY EFFICIENCY



Processes for starting a business, construction permitting, obtaining electricity, registering property, trading across borders, and resolving insolvency have been improved. A chronic shortage of skilled labor has impeded economic growth. The new government is amending labor laws in an effort to boost competitiveness and combat forced labor. A new directly targeted fuel subsidy program utilizes direct cash handouts.

OPEN MARKETS



The total value of exports and imports of goods and services equals 132.3 percent of GDP. The average applied tariff rate is 4.0 percent, and 62 nontariff measures are in force. Foreign investment is officially welcome, and efforts to attract more flows have been made, but a lack of transparency may deter dynamic growth in new investment. The banking sector remains stable.

WORLD RANK: **119**

REGIONAL RANK: **27**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

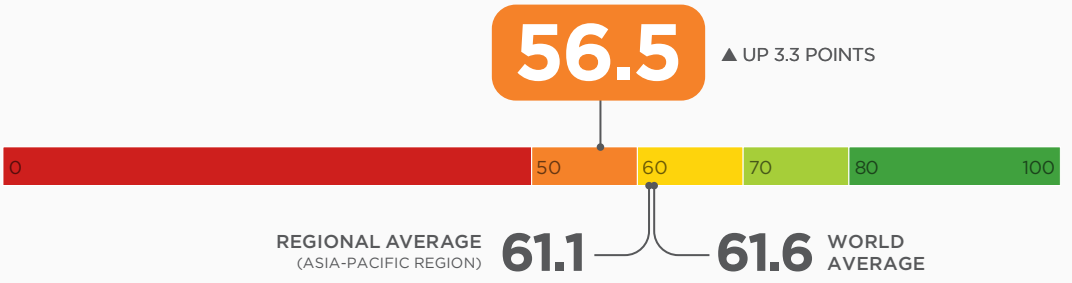
MALDIVES

The Maldives' economic freedom score is 56.5, making its economy the 119th freest in the 2020 *Index*. Its overall score has increased by 3.3 points due to a large increase in the **fiscal health** score. The Maldives is ranked 27th among 42 countries in the Asia–Pacific region, and its overall score is well below the regional and world averages.

The economy of the Maldives has been mostly unfree for the past seven years. GDP growth, on the other hand, has been robust because of strong tourism receipts.

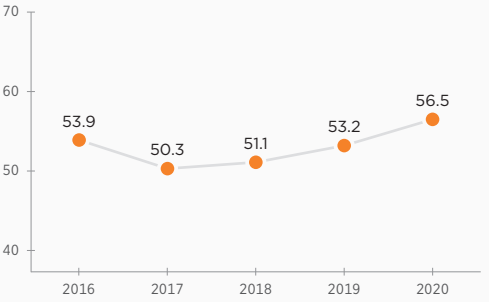
To enhance economic freedom, the government must confront weakness across many *Index* indicators including inadequate rule of law (property rights, judicial effectiveness, and government integrity); still-poor fiscal health; and a general lack of investment freedom and financial freedom. Improvement in these areas would help the government to deliver on its promises to reduce debt, tackle corruption and human rights abuses, and reform the judiciary.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): +5.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.4 million

GDP (PPP):
$8.0 billion
7.0% growth in 2018
5-year compound annual growth 6.3%
$21,760 per capita

UNEMPLOYMENT:
6.1%

INFLATION (CPI):
1.5%

FDI INFLOW:
$551.8 million

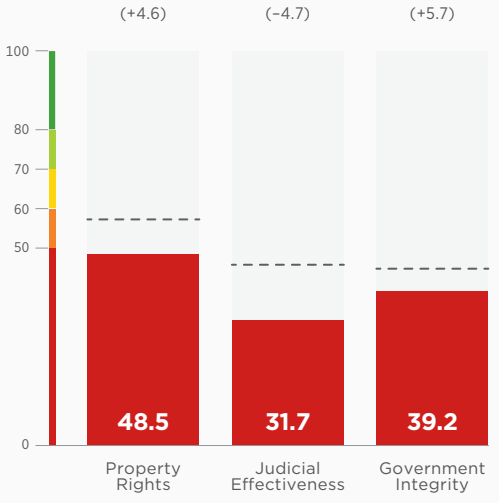
PUBLIC DEBT:
61.5% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The Muslim-majority Maldives archipelago lies southwest of India in the Arabian Sea. Ibrahim Mohamed Solih handily defeated incumbent President Abdulla Yameen in the 2018 elections with a surprising 58 percent of the vote. Solih's Maldivian Democratic Party also won the most seats during the April 2019 parliamentary elections. In 2015, Yameen's government sentenced Solih's close friend, former President Mohamed Nasheed, to a long prison term on dubious charges. Political tensions increased when Yameen took actions that appeared to weaken democratic institutions, curtail civil liberties, and tilt the country away from India and toward China, from which he borrowed heavily. Driven by the rapid growth of its tourism and fisheries sectors, the Maldives has rapidly become a middle-income country.

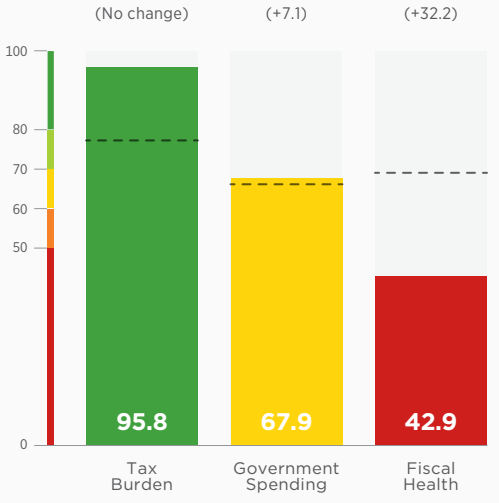
12 ECONOMIC FREEDOMS | MALDIVES

RULE OF LAW



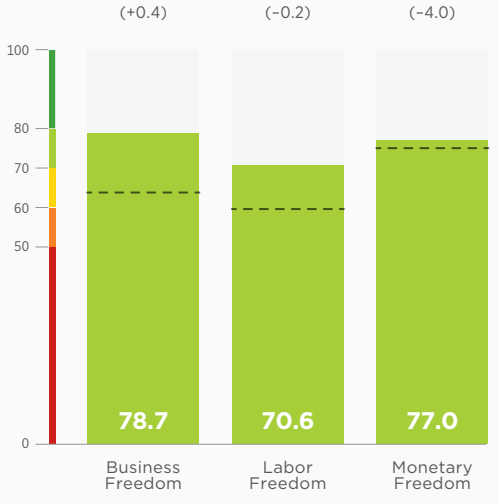
Secured interests in property are recognized and enforced, but overall property rights are generally weak, with most land owned by the government and then leased to private owners or developers. Judicial independence is seriously compromised. Many judges are unqualified, and the courts are widely viewed as vulnerable to corruption or political influence. Corruption pervades the government, and a quarter of all judges have criminal records.

GOVERNMENT SIZE



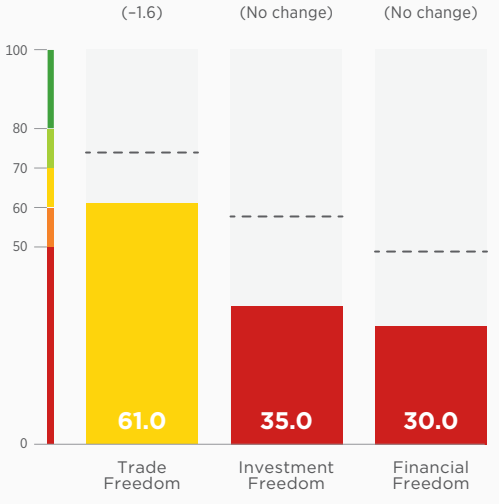
The Maldives' government levies no personal income or corporate tax. Bank profits are subject to a profits tax. The overall tax burden equals 20.5 percent of total domestic income, with significant revenue coming from import tariffs. Government spending has amounted to 32.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 5.6 percent of GDP. Public debt is equivalent to 61.5 percent of GDP.

REGULATORY EFFICIENCY



Strengthening the relatively weak legal and regulatory environment would improve the business climate. The recently passed Special Economic Zones Act includes numerous tax incentives for developers and investors in the zones. The labor market is highly dependent on the tourism sector. Higher government subsidies have decreased prices to consumers for food and electricity.

OPEN MARKETS



The total value of exports and imports of goods and services equals 139.9 percent of GDP. The average applied tariff rate is 12.0 percent, and nontariff barriers further increase the cost of trade. Bureaucracy in the investment approval process hampers the investment regime. Banking has expanded, but high costs and limited access to financial services contribute to the overall shallowness of the financial sector.

WORLD RANK: **126**

REGIONAL RANK: **20**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

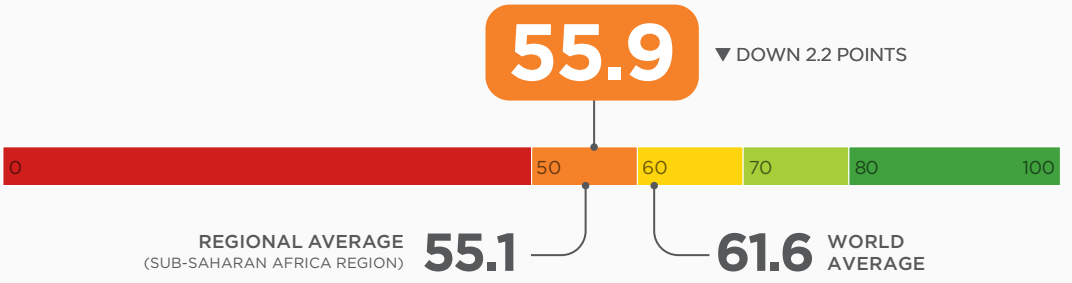
MALI

Mali's economic freedom score is 55.9, making its economy the 126th freest in the 2020 *Index*. Its overall score has decreased by 2.2 points, dragged down by deteriorating **fiscal health**. Mali is ranked 20th among 47 countries in the Sub-Saharan Africa region, and its overall score is slightly above the regional average and well below the world average.

The economy of Mali has been mostly unfree for the past 18 years. GDP has been expanding at a good rate for the past five years due to an increase in gold production, but the benefits of that growth are not widely shared.

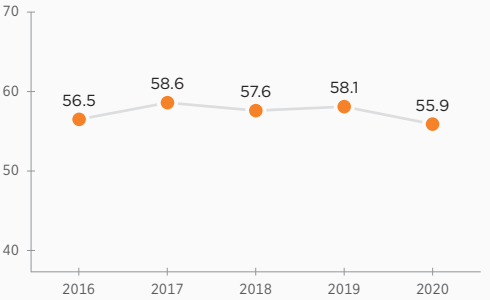
For countries like Mali, one of the least developed and poorest in the world, weak rule-of-law institutions constitute an almost insurmountable obstacle to development. Without protection of private property or an honest and transparent judicial system, and with a seeming cultural tolerance of corruption, it is virtually impossible to stimulate domestic demand or build investor confidence.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +3.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
18.5 million

GDP (PPP):
$44.2 billion
4.9% growth in 2018
5-year compound annual growth 5.9%
$2,384 per capita

UNEMPLOYMENT:
9.6%

INFLATION (CPI):
1.7%

FDI INFLOW:
$365.9 million

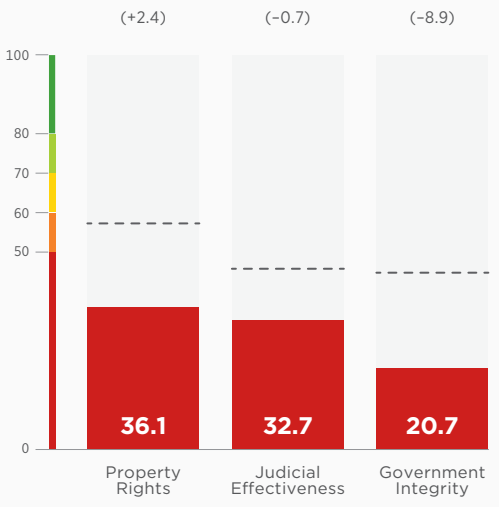
PUBLIC DEBT:
36.6% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: After decades of French colonial rule and a brief federation with Senegal, the Republic of Mali was established in 1960. Following a 2012 military coup, Tuareg separatists and militants linked to al-Qaeda took control of northern Mali, prompting a French military intervention. In 2015, the government signed a peace accord with an alliance of Tuareg separatist groups. Failure of the accord led to the deployment of French and U.N. peacekeeping troops. Ibrahim Boubacar Keita easily won a second five-year term in a low-turnout 2018 vote amid allegations of fraud. The prime minister and the cabinet resigned in 2019 amid escalating sectarian and terrorist violence. One of the world's 25 poorest countries, Mali depends on gold mining and agricultural exports.

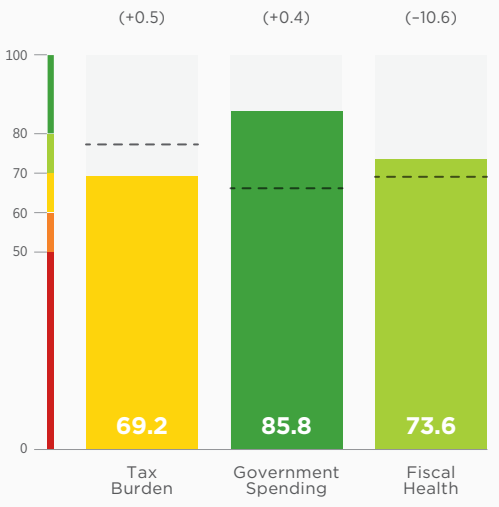
12 ECONOMIC FREEDOMS | MALI

RULE OF LAW



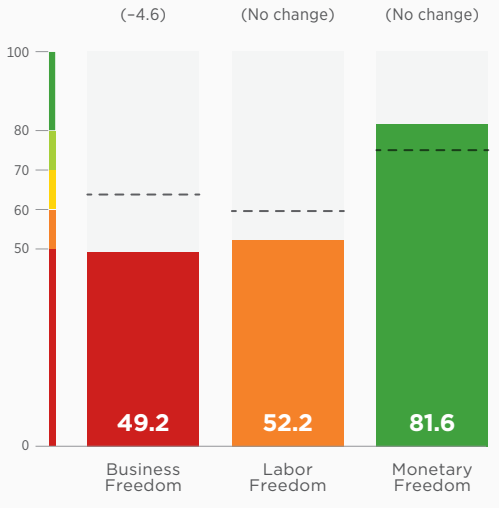
Property rights are protected by law, but the absence of a nationwide land registry leads to competing claims for land. The judicial sector is neither independent nor transparent, and corruption is common. There is a general perception that minor economic crimes are prosecuted while high-level official corruption goes largely unpunished. Corruption is allegedly most common in government procurement and dispute settlement.

GOVERNMENT SIZE



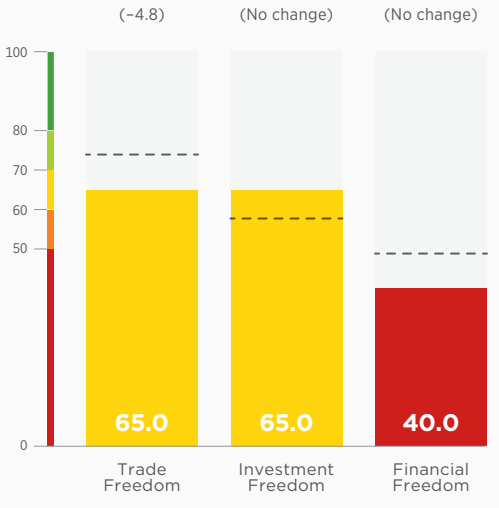
The top individual income tax rate is 40 percent, and the top corporate tax rate is 35 percent. Other taxes include a value-added tax. The overall tax burden equals 16.1 percent of total domestic income. Government spending has amounted to 21.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 3.9 percent of GDP. Public debt is equivalent to 36.6 percent of GDP.

REGULATORY EFFICIENCY



Unreliable electricity makes operating a business difficult. Terrorism, drug trafficking, and smuggling in conflict-affected regions create uncertainty and risk. Privatization of several state-owned enterprises is ongoing. Forced labor and the worst forms of child labor continue. Although the government has eliminated fuel subsidies through market pricing, it still maintains other extensive subsidies, and price caps for agricultural and staple goods remain in effect.

OPEN MARKETS



The total value of exports and imports of goods and services equals 61.4 percent of GDP. The average applied tariff rate is 10.0 percent, and 20 nontariff measures are in force. Other barriers increase the cost of trade considerably. The investment regime remains severely hampered by instability and a lack of reform. With financial intermediation minimal, the banking sector lacks the capacity to provide adequate access to financing.

MALTA

WORLD RANK: **42**

REGIONAL RANK: **22**

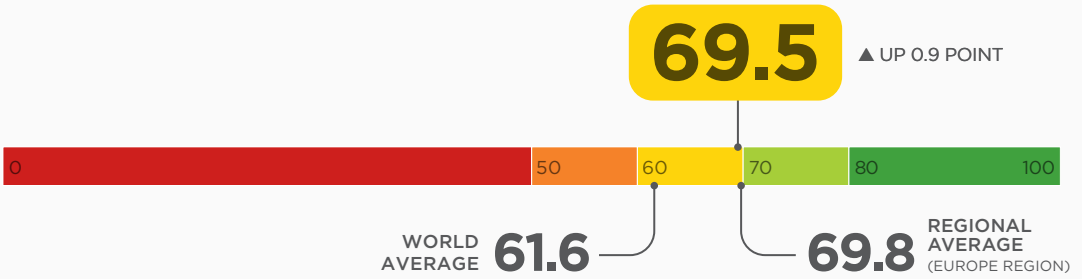
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Malta's economic freedom score is 69.5, making its economy the 42nd freest in the 2020 *Index*. Its overall score has increased by 0.9 point due to a higher **government integrity** score. Malta is ranked 22nd among 45 countries in the Europe region, and its overall score is approximately equal to the regional average and well above the world average.

The Maltese economy has slowly been climbing the ranks of the moderately free for two decades. GDP growth has been expanding vigorously for the past five years, driven by private consumption, ongoing construction and investment projects, healthy external demand, and tourism receipts.

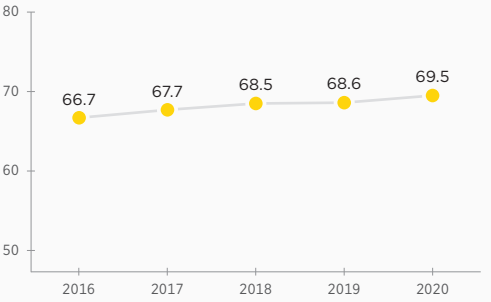
For Malta to improve economic freedom by clearing the hurdles into the mostly free category, the government will have to prioritize spending cuts and continued pension and health care reform as the country's aging population puts increasing pressure on its public finances. Reform of the labor code could drive the already robust labor market higher.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +13.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.5 million

GDP (PPP):
$21.3 billion
6.4% growth in 2018
5-year compound annual growth 7.6%
$45,606 per capita

UNEMPLOYMENT:
4.6%

INFLATION (CPI):
1.7%

FDI INFLOW:
$4.1 billion

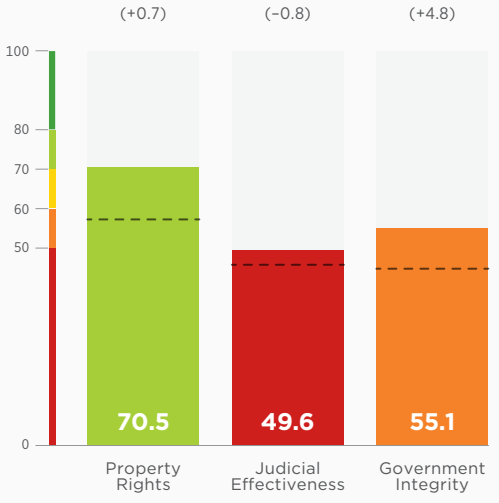
PUBLIC DEBT:
45.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Malta joined the European Union in 2004 and the eurozone in 2008. Joseph Muscat has been prime minister since 2013, and his center-left Labour Party won an absolute majority in 2017 snap elections. With few natural resources, the tiny island nation imports most of its food, most of its fresh water, and all of its energy. The government maintains a sprawling socialist bureaucracy that oversees heavy entitlement spending, but Malta's unemployment rate is one of the European Union's lowest, and its growth rate is among the EU's strongest. The economy depends on tourism, trade, and manufacturing. Well-trained workers, low labor costs, and EU membership attract foreign investment. Challenges include substantial immigration from politically unstable North African neighbors.

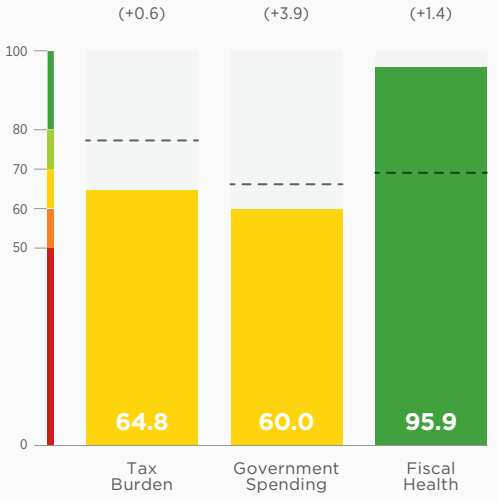
12 ECONOMIC FREEDOMS | MALTA

RULE OF LAW



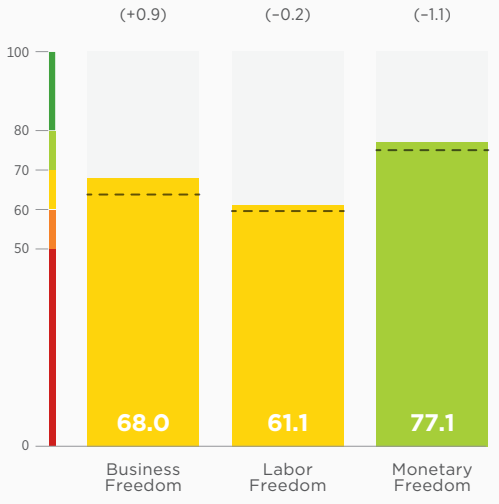
Property and contractual rights are enforced, and secured interests in immovable property are publicly registered. The judiciary is generally independent, but some weaknesses in the justice system undermine judicial independence. In a January 2019 report, the European Parliament criticized the Maltese government for the small number of its criminal investigations into money laundering flowing from revelations in the Panama Papers.

GOVERNMENT SIZE



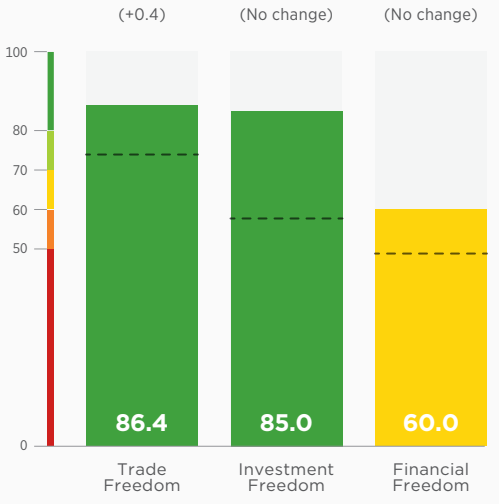
The top individual income and corporate tax rates are 35 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 32.7 percent of total domestic income. Government spending has amounted to 36.5 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 1.8 percent of GDP. Public debt is equivalent to 45.4 percent of GDP.

REGULATORY EFFICIENCY



Business freedom scores for Malta have been among the highest in the EU. The process for obtaining a building permit has been simplified, but the time involved in issuing building permits has increased. The labor force is 82 percent male. The unemployment rate is low. Labor costs are lower than those in most EU countries, but labor regulations are relatively rigid. The government increased subsidies for rent and other forms of supplementary assistance in 2019.

OPEN MARKETS



The total value of exports and imports of goods and services equals 267.8 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Foreign investment is welcome, and investment regulations are generally transparent. The financial sector has undergone gradual restructuring and expansion, and the banking sector is generally competitive.

MAURITANIA

WORLD RANK: **130** | REGIONAL RANK: **21**

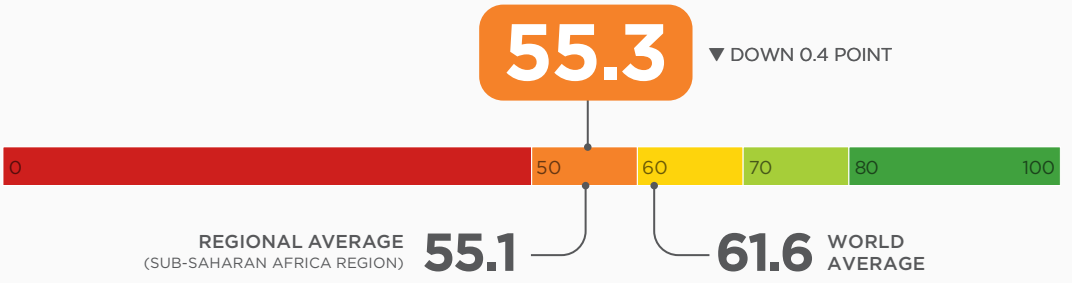
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Mauritania's economic freedom score is 55.3, making its economy the 130th freest in the 2020 *Index*. Its overall score has decreased by 0.4 point due to declines in scores for **judicial effectiveness** and **government integrity**. Mauritania is ranked 21st among 47 countries in the Sub-Saharan Africa region, and its overall score is approximately equal to the regional average and well below the world average.

The Mauritanian economy has been mostly unfree for almost two decades. GDP growth has been modest for a developing country.

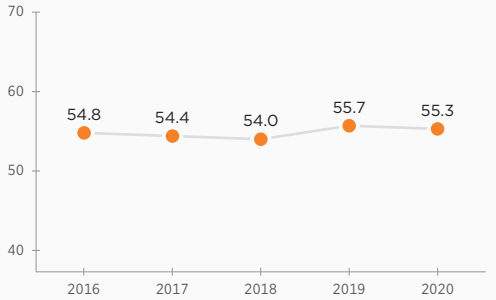
Future growth, dependent on construction, services, and commodity exports from the mining, oil, and agriculture sectors, would be helped by improved economic freedom. The government should focus especially on better protection of property rights, improvements in the judicial system, and a tougher and more consistent stance against public corruption in all its forms. More democratic and stable rule of law would also increase investment freedom and financial freedom.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +9.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
4.5 million

GDP (PPP):
$18.1 billion
3.0% growth in 2018
5-year compound annual growth 2.8%
$3,990 per capita

UNEMPLOYMENT:
10.3%

INFLATION (CPI):
3.1%

FDI INFLOW:
$70.8 million

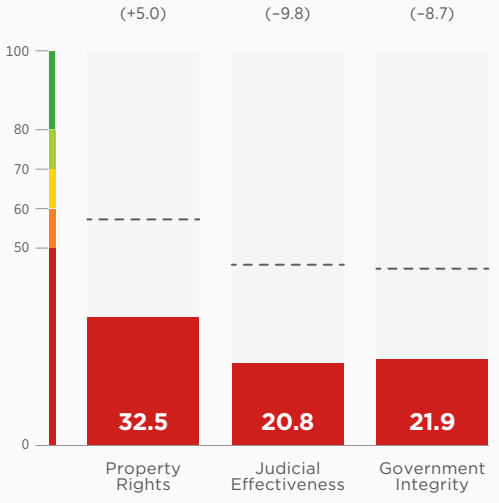
PUBLIC DEBT:
83.9% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The Islamic Republic of Mauritania emerged from French colonial rule in 1960. Since independence, the country has been governed by a series of dictators and authoritarian regimes, each typically ended by a military coup. Mohamed Ghazouani's victory in the June 2019 presidential elections was described by some as the first peaceful transfer of power in the country's history but, because of Ghazouani's military background, criticized by others as "just another coup." Societal tensions run high among Arabic-speaking descendants of slaves, Arabic-speaking "White Moors," and sub-Saharan ethnic groups. In 1981, Mauritania became the last country in the world to outlaw slavery, although the practice persists. Terrorist groups are active in the mostly desert country. Extractive industries (oil and mines), fisheries, and agriculture dominate the economy.

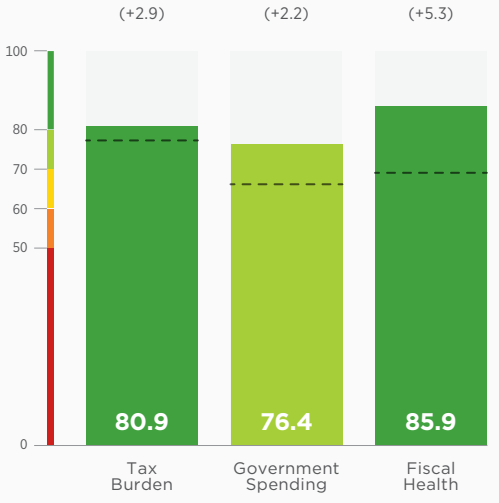
12 ECONOMIC FREEDOMS | MAURITANIA

RULE OF LAW



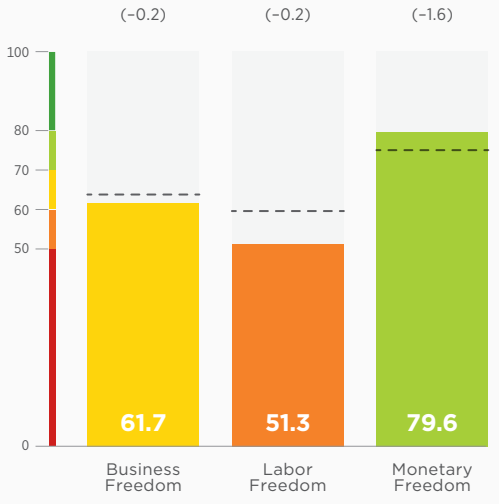
There is a well-developed property registration system for land and real estate in most areas of the country, but courts generally do not protect property rights well. The judicial system is weak, chaotic, and heavily influenced by the government, in part because judges receive nonstandardized training in two separate and distinct legal systems, Sharia law and French law. Public-sector corruption is pervasive.

GOVERNMENT SIZE



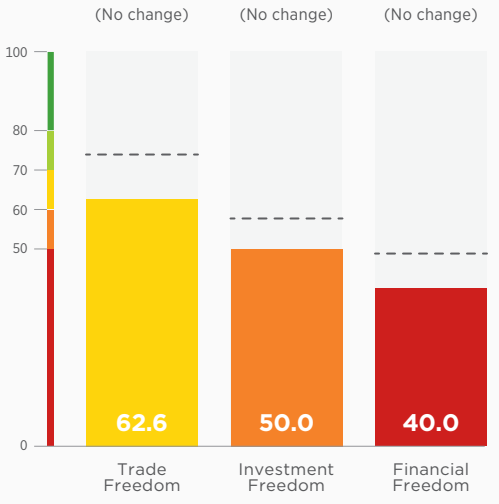
The top individual income tax rate is 30 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax. The overall tax burden equals 19.7 percent of total domestic income. Government spending has amounted to 28.0 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 0.3 percent of GDP. Public debt is equivalent to 83.9 percent of GDP.

REGULATORY EFFICIENCY



Some business-creation processes have been improved, but bureaucratic procedures are complex and time-consuming. As of 2019, Mauritania is ineligible for benefits from the U.S. under the African Growth and Opportunity Act because of insufficient progress against forced labor. Effective monetary policy is constrained by a vast informal grey economy, although the government is trying to implement a more disciplined fiscal policy.

OPEN MARKETS



The total value of exports and imports of goods and services equals 125.7 percent of GDP. The average applied tariff rate is 8.7 percent, and numerous nontariff barriers further constrain the freedom to trade. Investors continue to be subject to complicated bureaucratic procedures and uncertainty caused by political instability. Given the lack of depth in the financial system, capital markets are virtually nonexistent.

WORLD RANK: **21** | REGIONAL RANK: **1**

ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

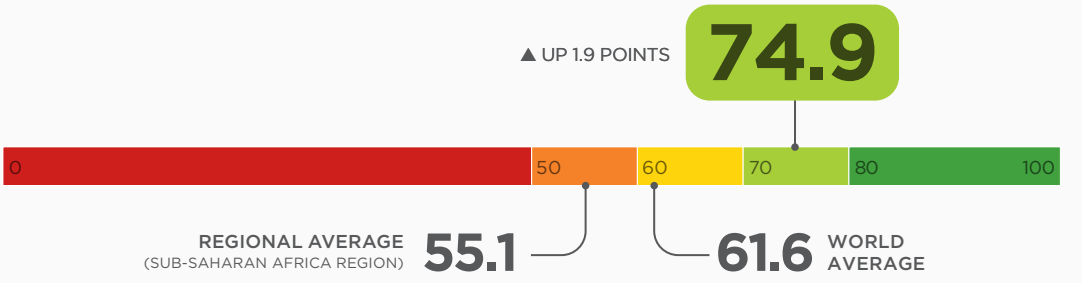
MAURITIUS

Mauritius's economic freedom score is 74.9, making its economy the 21st freest in the 2020 *Index*. Its overall score has increased by 1.9 points, primarily because of a higher **government integrity** score. Mauritius is ranked 1st among 47 countries in the Sub-Saharan Africa region, and its overall score is well above the regional and world averages.

The economy of Mauritius has been mostly free for more than a decade. Economic expansion as measured by the average annual rate of GDP growth has been solid for the past five years.

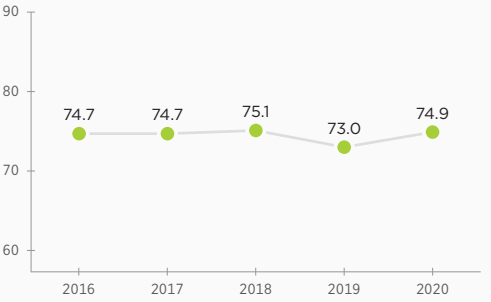
To put economic freedom in Mauritius on a faster trajectory and make the leap to a top-10 ranking, the government must take even stronger action to correct a continuing serious deficit in government integrity, which is eroded by levels of corruption that are more typical of much poorer and less-developed countries. Additional efforts to improve the consistency and efficiency of the judicial system and broaden participation in the formal labor market are also needed.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1999): +6.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
1.3 million

GDP (PPP):
$30.0 billion
3.8% growth in 2018
5-year compound annual growth 3.7%
$23,699 per capita

UNEMPLOYMENT:
6.9%

INFLATION (CPI):
3.2%

FDI INFLOW:
$371.5 million

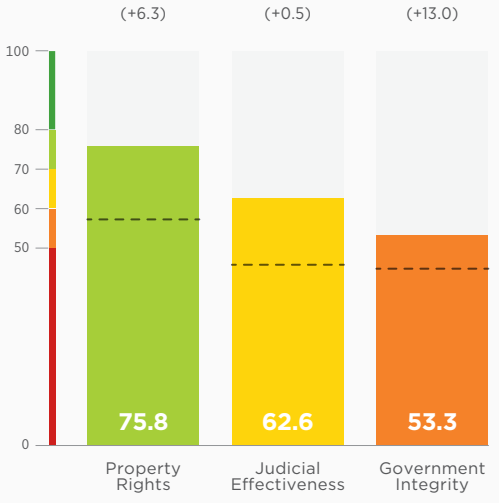
PUBLIC DEBT:
65.2% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Mauritius gained independence from the United Kingdom in 1968. Sir Anerood Jugnauth, a former president, became prime minister for the third time in 2014 but resigned in 2017 in favor of his son Pravind. A general election was scheduled for December 2019. Mauritius has undergone a remarkable economic transformation from a low-income, agriculturally based economy to a diversified, upper-middle-income country that has attracted considerable foreign investment and has one of the Africa region's highest per capita GDPs. The government is trying to modernize the sugar and textile industries while promoting diversification into such areas as information technology and financial and business services. Services and tourism remain important economic drivers, and maritime security is a priority.

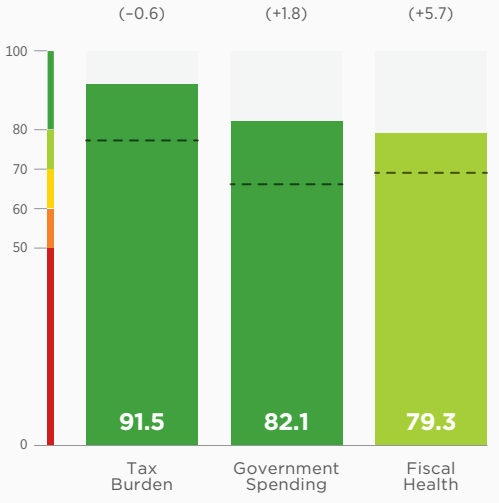
12 ECONOMIC FREEDOMS | MAURITIUS

RULE OF LAW



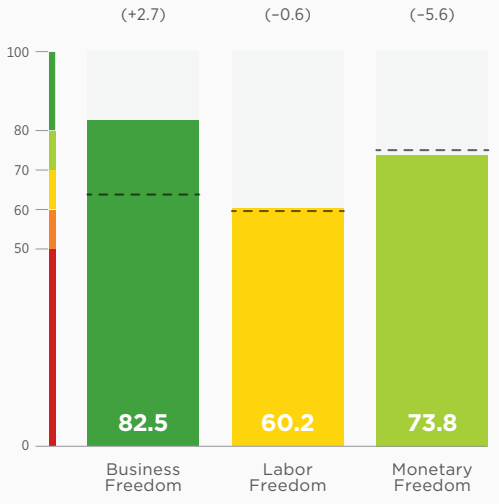
Property rights are respected, and the recording system for mortgages and liens is reliable. Contracts are legally enforceable and binding. The generally independent judiciary, headed by the Supreme Court, administers a legal system that combines French and British traditions. The prevalence of corruption in Mauritius is low by regional standards.

GOVERNMENT SIZE



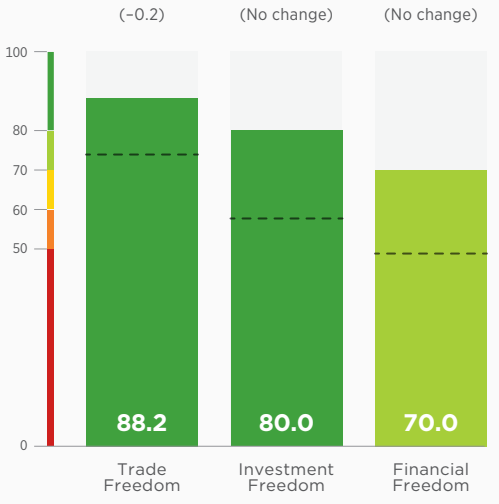
The personal income and corporate tax rates are a flat 15 percent. Other taxes include a value-added tax. The overall tax burden equals 20.0 percent of total domestic income. Government spending has amounted to 24.4 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.8 percent of GDP. Public debt is equivalent to 65.2 percent of GDP.

REGULATORY EFFICIENCY



Mauritius has one of the region's most efficient and transparent business environments. The Business Facilitation Act, passed in 2019, eliminated some redundant or unnecessary requirements for starting a business and simplified the payment of taxes. Labor regulations are relatively flexible. Subsidies to state-owned enterprises, poorly targeted welfare benefits, and price controls on petroleum, gas, wheat, rice, and bread continue to consume fiscal resources.

OPEN MARKETS



The total value of exports and imports of goods and services equals 94.9 percent of GDP. The average applied tariff rate is 0.9 percent, and 12 nontariff measures are in force. The investment framework is open and efficient, facilitating the flow of new investment. The growing financial sector, dominated by private commercial banks, is competitive. The banking sector is well capitalized and has shown resilience in the face of external shocks.

WORLD RANK: **67**

REGIONAL RANK: **11**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

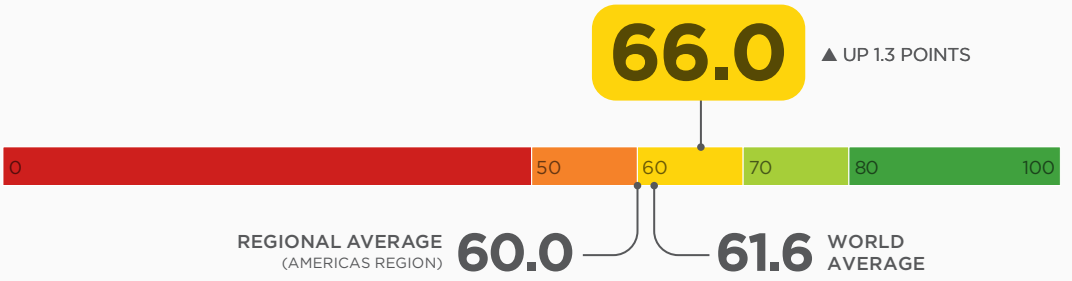
MEXICO

Mexico's economic freedom score is 66.0, making its economy the 67th freest in the 2020 *Index*. Its overall score has increased by 1.3 points due primarily to a higher score for **government integrity**. Mexico is ranked 11th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

The Mexican economy has been ranked moderately free for two decades. Moderate GDP growth over the past five years began to slow in 2018, reflecting weak investor confidence amid the policy uncertainty of the new administration, the unstable finances of the state-owned Pemex oil company, and questions about future trade relations with the U.S.

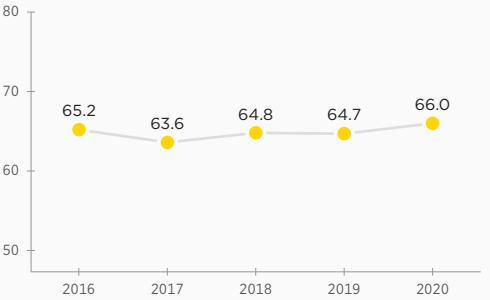
Corruption remains a serious problem in Mexico. While the government integrity indicator did improve in 2020, perhaps partly as a result of the president's anticorruption efforts, Mexico is still ranked in the bottom half of the *Index* in this area.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +2.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
124.7 million

GDP (PPP):
$2.6 trillion
2.0% growth in 2018
5-year compound annual growth 2.6%
$20,602 per capita

UNEMPLOYMENT:
3.3%

INFLATION (CPI):
4.9%

FDI INFLOW:
$31.6 billion

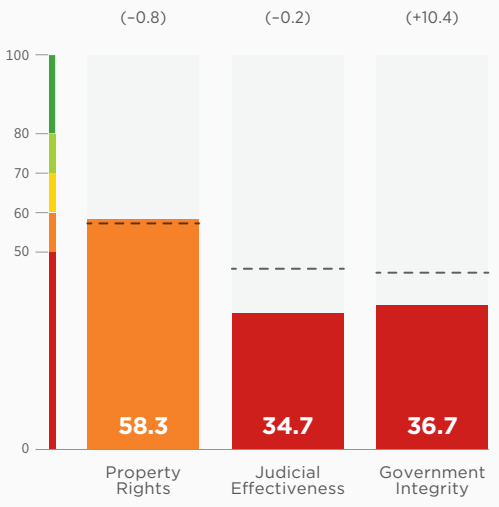
PUBLIC DEBT:
53.6% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The Institutional Revolutionary Party (PRI), which ruled Mexico for 70 years until its defeat by the center-right National Action Party in 2000, regained the presidency in 2012 under Enrique Peña Nieto. In 2018, however, Andrés Manuel López Obrador of the MORENA party won a landslide victory, and his party took control of Congress. As president, López Obrador has pursued anticorruption measures but also has implemented nationalistic economic policies. He has reversed many of his predecessor's reforms in such areas as education and energy. He has supported the U.S.–Mexico–Canada trade agreement but also has faced intense pressure from the United States to discourage migrants from Central America who are seeking to enter the U.S. Mexico's powerful drug cartels contribute to surging homicide rates.

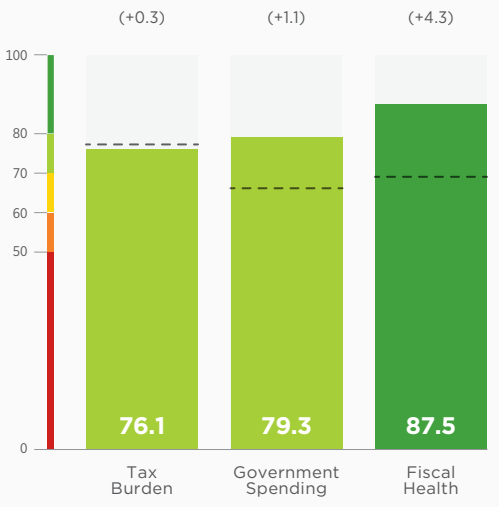
12 ECONOMIC FREEDOMS | MEXICO

RULE OF LAW



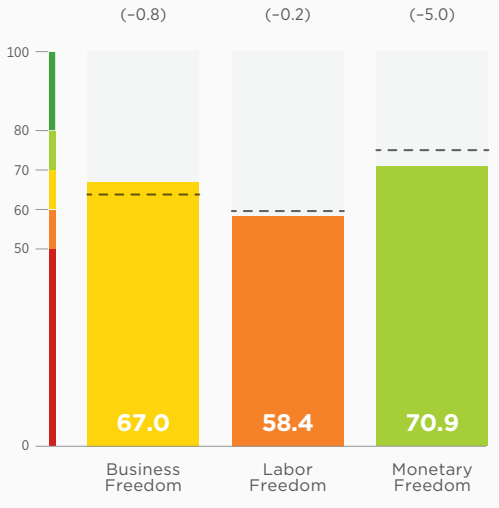
Property rights are protected by law, but a weak judiciary, frequent solicitation of bribes by bureaucrats and officials, and the high incidence of criminal extortion undermine the security of property. Mexico's justice system is plagued by delays, unpredictability, and corruption, leading to impunity. One of President López Obrador's declared top priorities is to combat corruption, which is pervasive and fed by billions of narco-dollars.

GOVERNMENT SIZE



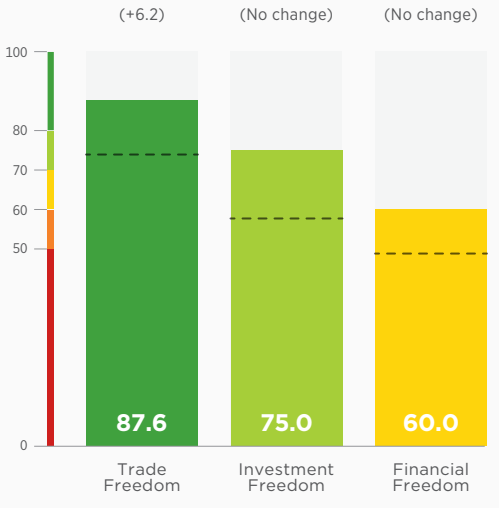
The top individual income tax rate is 35 percent, and the corporate tax rate is 30 percent. Other taxes include a value-added tax. The overall tax burden equals 16.2 percent of total domestic income. Government spending has amounted to 26.3 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.1 percent of GDP. Public debt is equivalent to 53.6 percent of GDP.

REGULATORY EFFICIENCY



Increases in some fees affecting construction permits have affected the business environment. Uncertainty about contract enforcement and physical insecurity are concerns among business owners. More people work informally than is usual for a country with a GDP per capita as high as Mexico's. The new government's reversal of prior reforms has greatly increased the cost of subsidies and the budgetary drain of inefficient state-owned enterprises.

OPEN MARKETS



The total value of exports and imports of goods and services equals 80.3 percent of GDP. The average applied tariff rate is 1.2 percent, and 240 nontariff measures are in force. Despite a strong desire to attract more foreign investment, the investment regime lacks efficiency and is hampered by instability. The financial sector has become more competitive and open, and the banking system remains relatively well capitalized.

MICRONESIA

WORLD RANK: **156** | REGIONAL RANK: **38**

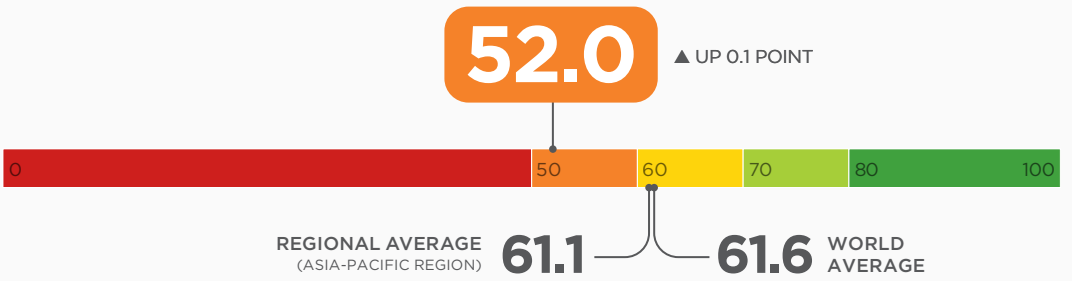
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Micronesia's economic freedom score is 52.0, making its economy the 156th freest in the 2020 *Index*. Its overall score has increased by 0.1 point due to a higher **property rights** score. Micronesia is ranked 38th among 42 countries in the Asia–Pacific region, and its overall score is well below the regional and world averages.

The economy of Micronesia moved from being repressed to mostly unfree in 2016 and remains there in 2020. Economic expansion during the past five years has been unexceptional.

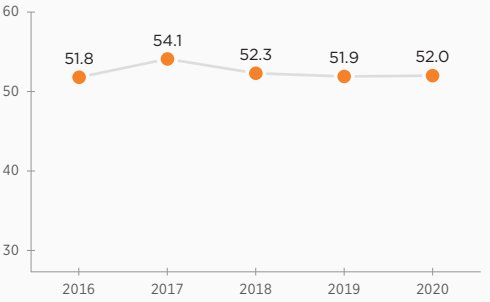
The lack of economic freedom in Micronesia is partly the legacy of its long-time dependence, which has had an enervating and debilitating impact on entrepreneurship and economic initiative. Low scores for property rights protection, judicial effectiveness, and government integrity are indicative of undependable enforcement of laws and high levels of corruption. That is particularly alarming given the exceedingly large percentage of the workforce that is employed directly by the government.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): +0.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION: 0.1 million

GDP (PPP): $0.4 billion
2.1% growth in 2018
5-year compound annual growth 1.6%
$3,482 per capita

UNEMPLOYMENT: 16.2% (2010 estimate)

INFLATION (CPI): 2.0%

FDI INFLOW: $20.2 million (2014)

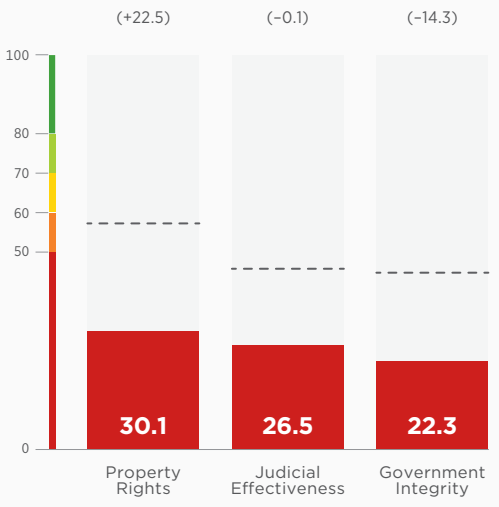
PUBLIC DEBT: 20.2% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The widely scattered Caroline Islands in the southwestern Pacific Ocean were part of a U.N. Trust Territory under U.S. administration after World War II. The eastern four island groups (Pohnpei, Chuuk, Yap, and Kosrae) adopted a constitution in 1979 and became the Federated States of Micronesia. The 607-island archipelago's central government has only limited powers. Elections for the unicameral parliament took place in March 2019. In the same month, David Panuelo was elected president by a narrow margin. Under a Compact of Free Association signed in 1986, the U.S. is responsible for Micronesia's defense and currently provides about $130 million annually in economic assistance. Economic activity consists largely of subsistence farming and fishing.

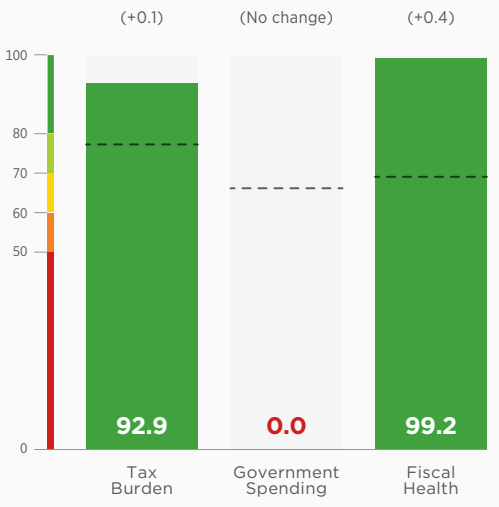
12 ECONOMIC FREEDOMS | MICRONESIA

RULE OF LAW



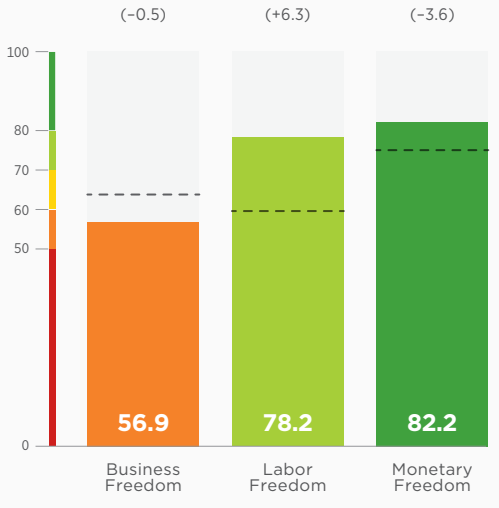
Micronesia is ranked at the bottom of the World Bank's *Doing Business* assessment of property registration. Foreign ownership of land is prohibited. There is no system for land title insurance. The judiciary is independent, but it is also slow and weak and lacks the ability to enforce judgments properly. Official corruption is a problem, but there is no government agency that is specifically assigned to combat corruption.

GOVERNMENT SIZE



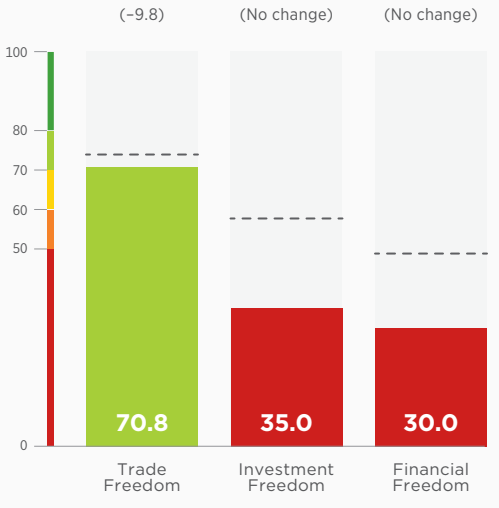
Tax laws are administered and enforced erratically. The personal income tax rate is 10 percent, and the corporate tax rate is 21 percent. The overall tax burden equals 13.0 percent of total domestic income. Government spending has amounted to 63.2 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 15.2 percent of GDP. Public debt is equivalent to 20.2 percent of GDP.

REGULATORY EFFICIENCY



Decreasing Micronesia's dependence on grants and aid from the U.S. will require invigoration of the small and stagnant private sector. Lowering business start-up costs, decreasing time to settle disputes, and digitalizing the land registry would be important first steps. The government employs over two-thirds of the adult working population; has monopolies in fuel, telecommunications, and copra production; and is heavily dependent on U.S. subsidies.

OPEN MARKETS



The total value of exports and imports of goods and services equals 99.0 percent of GDP. The average applied tariff rate is 7.1 percent, and layers of nontariff barriers undercut trade flows. The undeveloped investment framework does not facilitate vibrant flows of investment. High credit costs and scarce access to financing constrain the private sector. Much of the population remains outside of the formal banking sector.

MOLDOVA

WORLD RANK: **87**

REGIONAL RANK: **40**

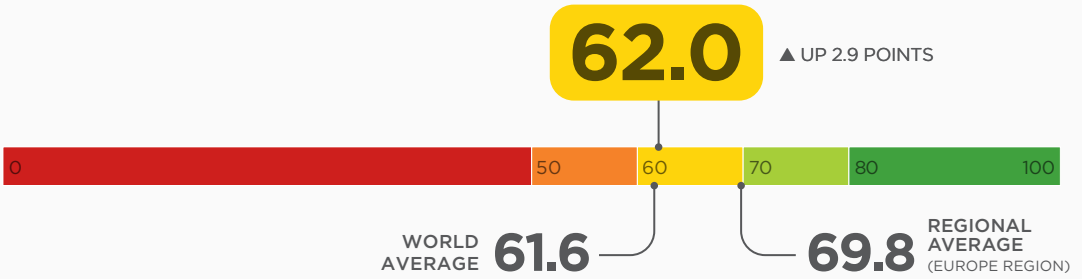
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Moldova's economic freedom score is 62.0, making its economy the 87th freest in the 2020 *Index*. Its overall score has increased by 2.9 points, with improved scores for **government integrity** and **government spending**. Moldova is ranked 40th among 45 countries in the Europe region, and its overall score is well below the regional average and approximately equal to the world average.

The Moldovan economy moves up to the moderately free category this year. GDP growth has been healthy for the past five years.

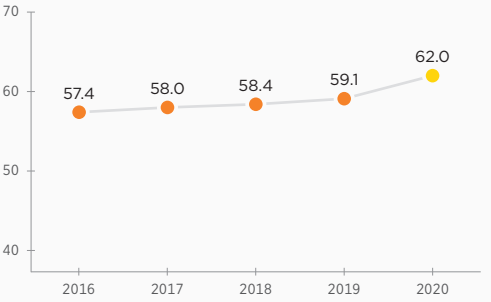
Economic freedom is constrained by post-Soviet Moldova's ongoing vulnerability to corruption, political uncertainty, weak administrative capacity, vested bureaucratic interests, a rigid labor code, dependence on energy imports, Russian political and economic pressure, heavy dependence on agricultural exports, and unresolved separatism in the country's Transnistria region. The rule of law, in particular, remains very weak. Protection of property rights and effectiveness of the judiciary rank with the repressed.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +29.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
3.5 million

GDP (PPP):
$25.9 billion
4.0% growth in 2018
5-year compound annual growth 3.6%
$7,305 per capita

UNEMPLOYMENT:
3.4%

INFLATION (CPI):
3.1%

FDI INFLOW:
$227.7 million

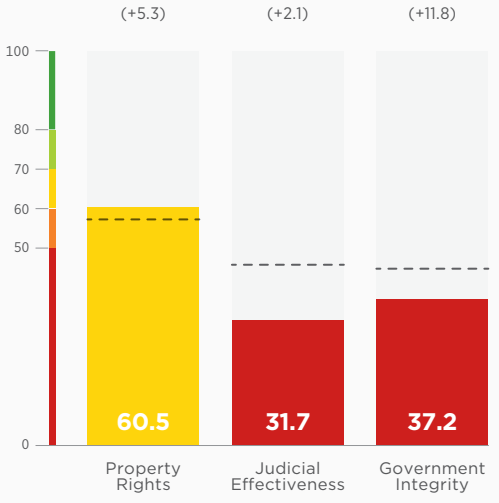
PUBLIC DEBT:
27.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Moldova gained independence after the collapse of the Soviet Union in 1991 but is vulnerable to economic pressure from Russia and has to contend with a secessionist pro-Russian movement in its Transnistria region, which is currently home to about 1,000 Russian troops. The February 2019 Moldovan parliamentary elections ended with most of the vote in parliament split among three parties: the pro-Russia Socialist Party, the pro-Europe Democratic Party, and the ACUM bloc. No durable governing coalition had been formed by late 2019. Pro-Russian Socialists triumphed in October 2019 local elections. Moldova's economy depends on emigrants' remittances and agricultural products like fruits, vegetables, wine, and tobacco. It is also one of the weakest economies in Europe.

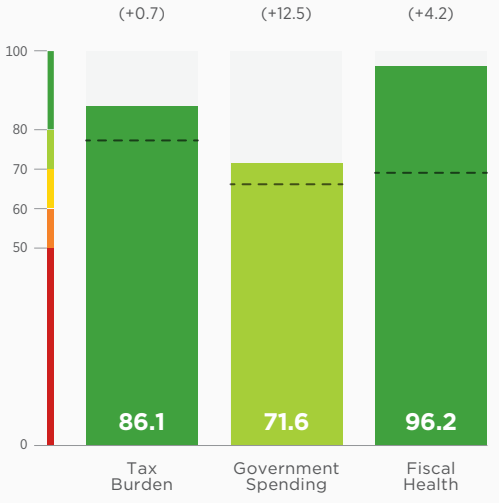
12 ECONOMIC FREEDOMS | MOLDOVA

RULE OF LAW



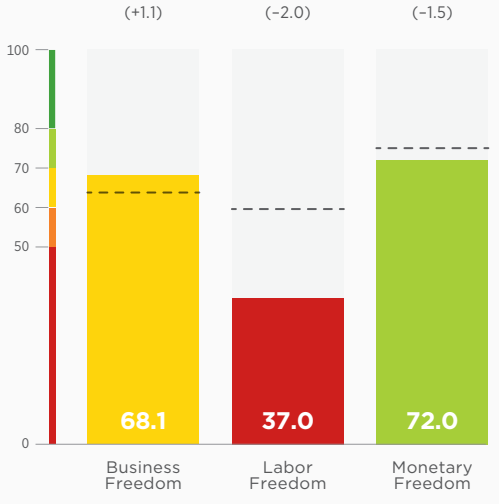
Property rights, although guaranteed by Moldovan law, are undermined by a weak and corrupt judiciary. Widespread corruption and related advantages for politically connected business owners affect normal business activity and undermine fair competition. The judiciary is susceptible to political pressures that limit its independence. Corruption remains widespread at all levels of government, and existing anticorruption laws are inadequate.

GOVERNMENT SIZE



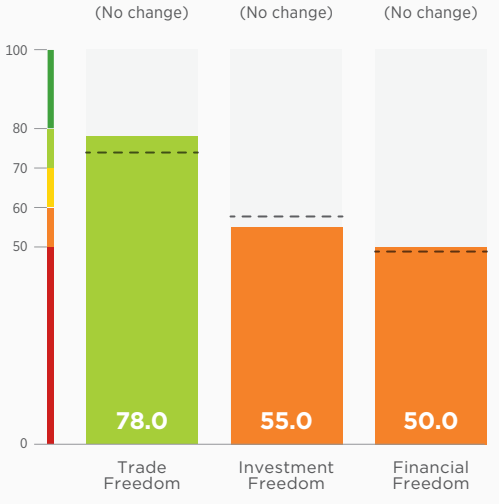
The top personal income and corporate tax rates are 12 percent. Other taxes include a value-added tax. The overall tax burden equals 33.2 percent of total domestic income. Government spending has amounted to 30.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.2 percent of GDP. Public debt is equivalent to 27.1 percent of GDP.

REGULATORY EFFICIENCY



Private businesses must deal with political uncertainty, weak administrative capabilities, and enmeshed bureaucratic interests. Starting a business has been facilitated by the removal of redundancy in registration. The inefficient labor market is fed by an inefficient education system. Better educated Moldovans often leave to work elsewhere. Government expenditures on agricultural and other subsidies expanded ahead of the 2019 legislative elections.

OPEN MARKETS



The total value of exports and imports of goods and services equals 86.7 percent of GDP. The average applied tariff rate is 3.5 percent, although numerous nontariff barriers and a lack of transparency increase the cost of trade. Foreign and domestic investors are treated equally, but the overall investment regime is not conducive to dynamic investment growth. The level of overall financial intermediation remains shallow.

MONGOLIA

WORLD RANK: **127** | REGIONAL RANK: **30**

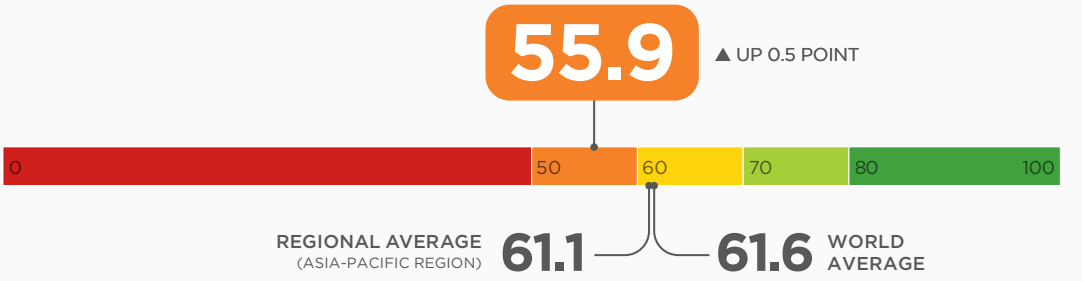
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Mongolia's economic freedom score is 55.9, making its economy the 127th freest in the 2020 *Index*. Its overall score has increased by 0.5 point because of an increase in the score for **government integrity**. Mongolia is ranked 30th among 42 countries in the Asia–Pacific region, and its overall score is well below the regional and world averages.

Economic freedom has deteriorated in Mongolia in recent years. GDP growth, however, has continued at a good pace due to stronger coal and copper prices and increasing exports to China.

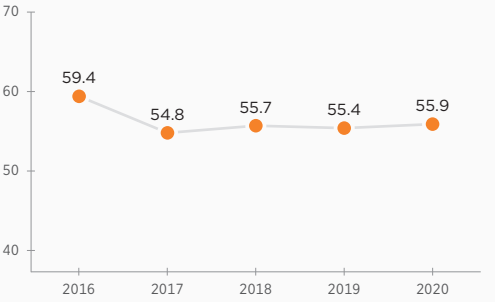
One of the biggest obstacles to more economic freedom is the country's woefully inadequate rule of law. Government corruption is pervasive, and courts are unreliable. Some minor measures to increase transparency have been proposed, but introduction of more substantive measures such as bans on unethical business practices, increased mandatory sentences for corruption offenses, or tougher anticorruption efforts is not likely.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +8.1

RECENT FREEDOM TREND



QUICK FACTS

POPULATION: 3.2 million

GDP (PPP): $43.5 billion
6.9% growth in 2018
5-year compound annual growth 4.7%
$13,447 per capita

UNEMPLOYMENT: 6.3%

INFLATION (CPI): 7.7%

FDI INFLOW: $2.2 billion

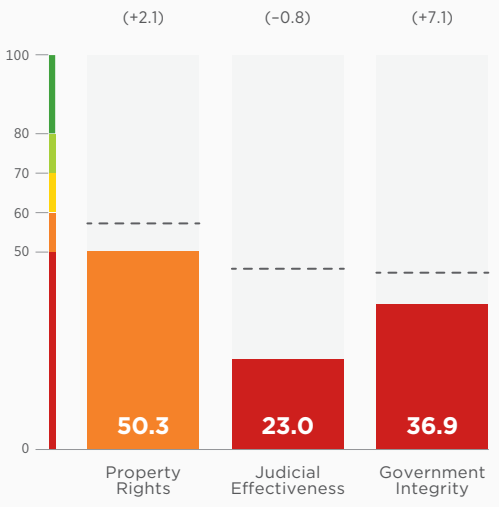
PUBLIC DEBT: 73.3% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: After adopting a new constitution in 1992, Mongolia was transformed from a closed single-party Communist state to a dynamic multiparty democracy. This transition has been accompanied by the gradual introduction of free-market reforms and relatively well-maintained political stability. Nevertheless, the Soviet-era Mongolian People's Party (MPP) won a parliamentary majority in 2016, and the MPP's Khaltmaagiin Battulga was elected president in 2017. Economic issues figured prominently in both elections. Agriculture and mining remain the most important sectors of the economy. Internationally, Mongolia enjoys observer status in the Shanghai Cooperation Organization and is being considered for membership in the Asia–Pacific Economic Cooperation forum. The majority of ethnic Mongolians today live in the People's Republic of China.

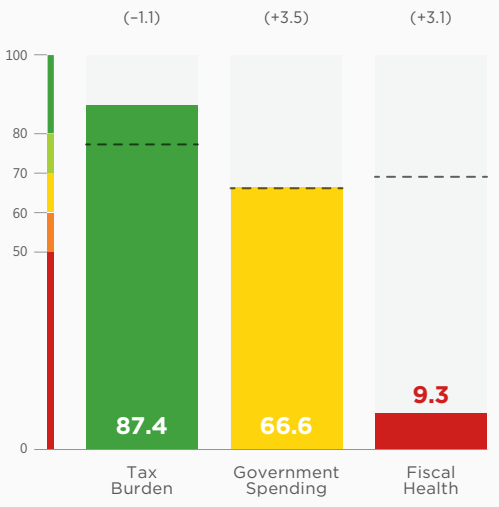
12 ECONOMIC FREEDOMS | MONGOLIA

RULE OF LAW



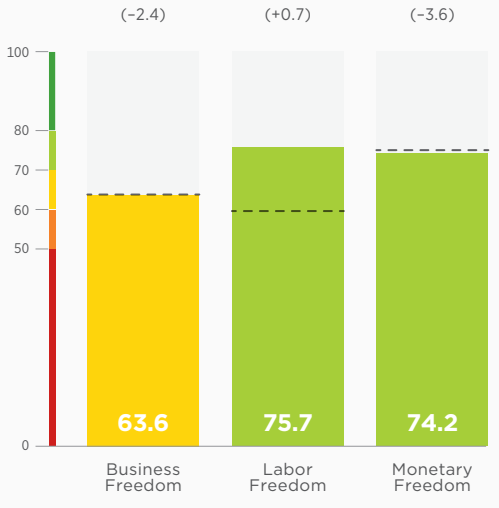
Although there is a well-established register for real property, there is no central register for use rights, and purchasers have no easy way to learn who might have conflicting rights. A new regulation adopted in April 2019 simplifies the president's ability to remove judges and prosecutors and is seen as a potential threat to judicial independence. Corruption is endemic.

GOVERNMENT SIZE



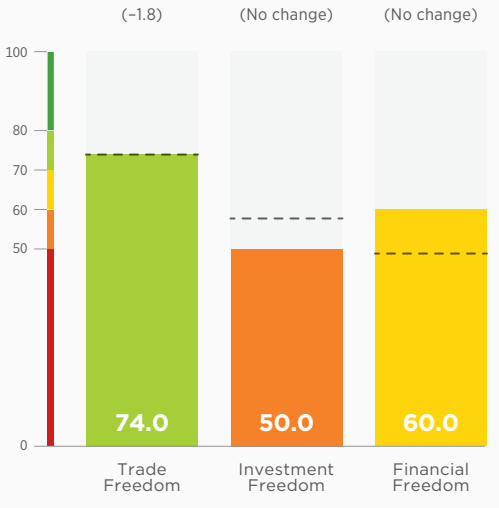
The individual income tax rate is a flat 10 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and excise taxes. The overall tax burden equals 23.2 percent of total domestic income. Government spending has amounted to 33.4 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 7.4 percent of GDP. Public debt is equivalent to 73.3 percent of GDP.

REGULATORY EFFICIENCY



Legislation is often drafted and implemented with little input from businesses. Fees that plaintiffs pay were recently reduced, but businesses report long delays in attaining judgments and then again before the judgments are enforced. Labor laws are not restrictive. Many professional categories requiring advanced degrees face labor shortages. Higher mining revenues have helped to reduce budget deficits.

OPEN MARKETS



The total value of exports and imports of goods and services equals 123.8 percent of GDP. The average applied tariff rate is 5.5 percent, and nontariff barriers constrain the freedom to trade. Foreign investment is welcome, but the legislative framework is still developing. In 2019, Mongolia opened its one-stop center for foreign investors. The financial system has undergone modernization, and the banking sector remains relatively well capitalized.

MONTENEGRO

WORLD RANK: **91**

REGIONAL RANK: **42**

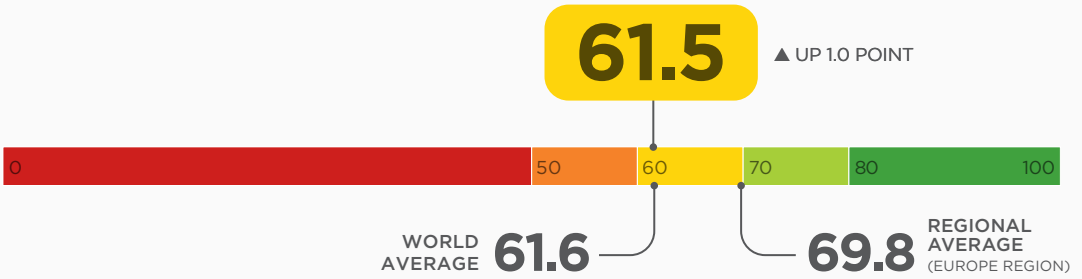
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Montenegro's economic freedom score is 61.5, making its economy the 91st freest in the 2020 *Index*. Its overall score has increased by 1.0 point, primarily because of a higher **government integrity** score. Montenegro is ranked 42nd among 45 countries in the Europe region, and its overall score is well below the regional average and approximately equal to the world average.

The economy of Montenegro has been moderately free for over a decade. GDP growth has been good by European standards, driven by household consumption, investment in infrastructure, and higher tourism receipts.

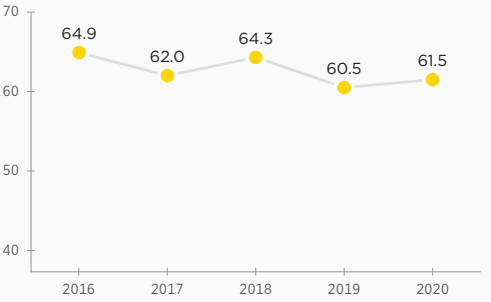
Montenegro's long-term political stability remains uncertain. Political tensions are fueled in part by discontent about corruption, the weak rule of law, and limited media freedom. The same concerns hold back greater economic freedom. The government is seeking to address and strengthen public-sector finances, which would improve weak indicators for government spending and fiscal health, but no similar efforts are underway to strengthen the rule of law.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2002): +14.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.6 million

GDP (PPP):
$11.9 billion
4.5% growth in 2018
5-year compound annual growth 3.5%
$19,043 per capita

UNEMPLOYMENT:
15.5%

INFLATION (CPI):
2.6%

FDI INFLOW:
$489.6 million

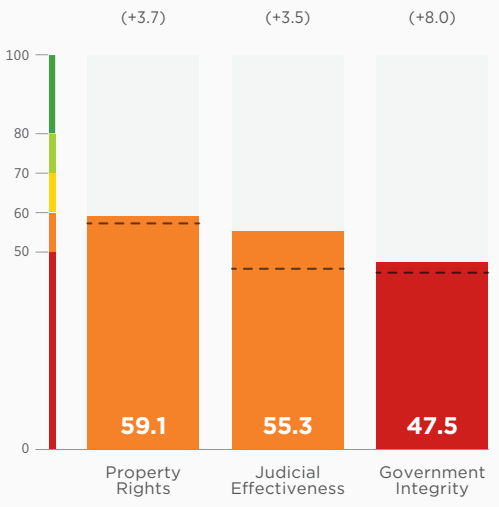
PUBLIC DEBT:
72.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Montenegro declared independence from Serbia in 2006, introduced significant privatizations, and adopted the euro despite lack of membership in the eurozone. It joined NATO in 2017. Milo Đukanovic won election to a second, nonconsecutive term as president in 2018. Đukanovic has served as president or prime minister for nearly all of the past 25 years and has steered the country in a generally pro-Western direction. Although his Democratic Party of Socialists won the most seats in 2016 parliamentary elections, it failed to secure a majority, and his longtime ally Duško Markovic became prime minister in a coalition government. Growing tourism along Montenegro's Adriatic coast has been generating jobs and investment.

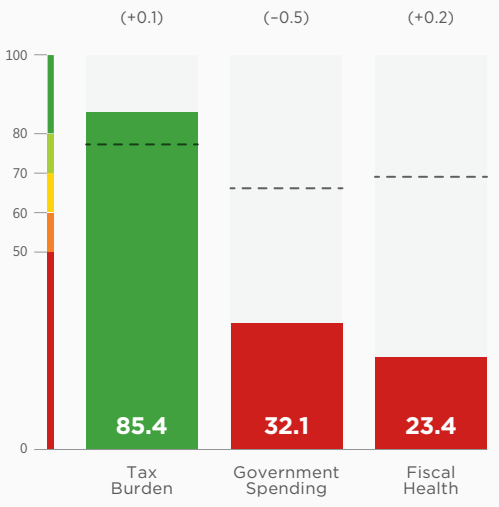
12 ECONOMIC FREEDOMS | MONTENEGRO

RULE OF LAW



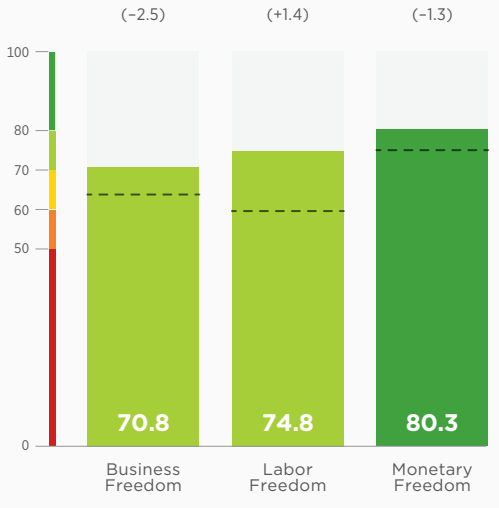
The Real Estate Administration has taken steps over the past few years to improve the quality and service provided in the registry, but additional improvements are needed. Despite continuing efforts to bolster judicial independence, the judiciary remains susceptible to pressure from the government, and judicial corruption persists. Corruption and cronyism remain widespread, and corrupt high-level officials rarely face prosecution.

GOVERNMENT SIZE



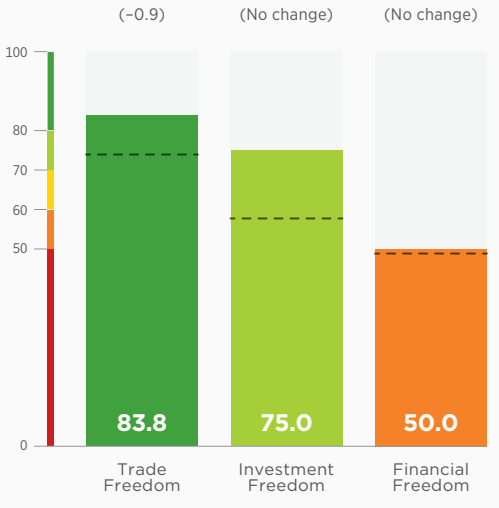
The personal income and corporate tax rates are a flat 9 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 36.0 percent of total domestic income. Government spending has amounted to 47.6 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 6.4 percent of GDP. Public debt is equivalent to 72.1 percent of GDP.

REGULATORY EFFICIENCY



Montenegro continues to transition to a market system, and around 90 percent of its state-owned enterprises have been privatized. Labor force participation is low, and the unemployment rate is high. About 25 percent of the labor force works informally. The government is trying to sell money-losing state-owned assets and announced in 2019 that it would not subsidize construction of small hydropower plants.

OPEN MARKETS



The total value of exports and imports of goods and services equals 110.6 percent of GDP. The average applied tariff rate is 3.1 percent, but cumbersome nontariff barriers increase the cost of trade. Although foreign investment is officially welcome, the investment regime remains bureaucratic and undercuts more dynamic investment growth. The small financial sector has gradually become more competitive and diversified.

MOROCCO

WORLD RANK:	REGIONAL RANK:
78	7

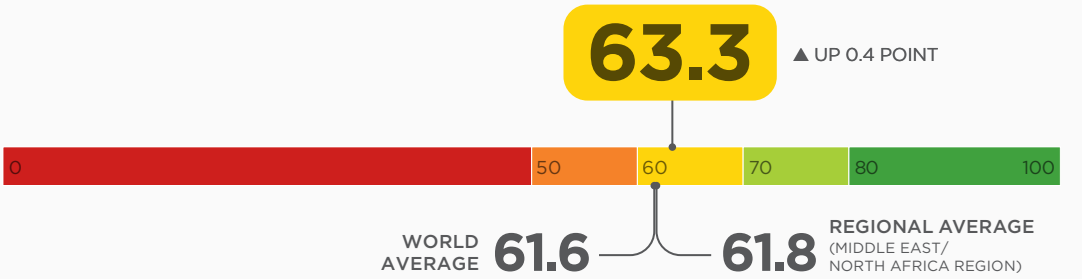
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Morocco's economic freedom score is 63.3, making its economy the 78th freest in the 2020 *Index*. Its overall score has increased by 0.4 point, reflecting an improved score for **property rights**. Morocco is ranked 7th among 14 countries in the Middle East and North Africa region, and its overall score is slightly higher than the regional and world averages.

The Moroccan economy is in the moderately free category for the sixth year in a row. GDP growth during that time has been solid.

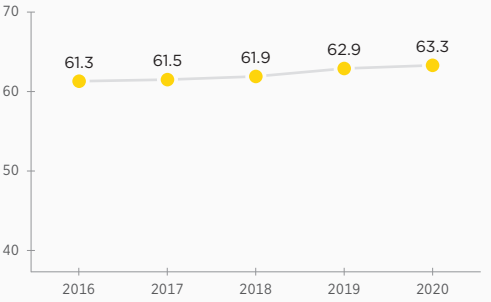
Three *Index* areas in particular are holding back economic freedom in Morocco. The first is the lack of government integrity; additional efforts are needed to fight corruption relentlessly. Closely related is the need to make the judicial system more reliable and transparent. Third is the need to address rigidities in the labor market to improve productivity. The government's top economic policy priority, which should have a positive impact, is to respond to public disquiet about corruption and inequality.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +0.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
35.2 million

GDP (PPP):
$314.6 billion
3.1% growth in 2018
5-year compound annual growth 3.1%
$8,933 per capita

UNEMPLOYMENT:
9.0%

INFLATION (CPI):
1.9%

FDI INFLOW:
$3.6 billion

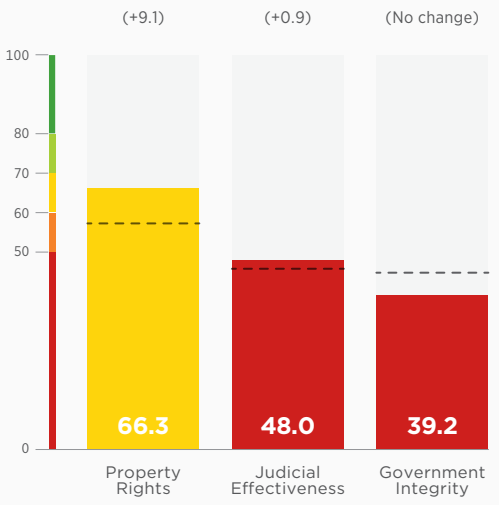
PUBLIC DEBT:
65.2% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Morocco's Alaouite royal family dates from the 17th century. A constitutional monarchy with an elected parliament, Morocco has been a key Western ally in the fight against Islamist terrorism. Although King Mohammed VI took steps after 2011 to increase the power and independence of the prime minister (currently Saadeddine Othmani) and provide greater civil liberties, the king retains significant power as chief executive and remains a key stabilizing influence. In addition to a large tourism industry and a growing manufacturing sector, a nascent aeronautics industry has attracted foreign investment. The United Nations has monitored a cease-fire between Morocco and the Polisario Front in the phosphate-rich Western Sahara since 1991, but peace talks have been deadlocked since 2008.

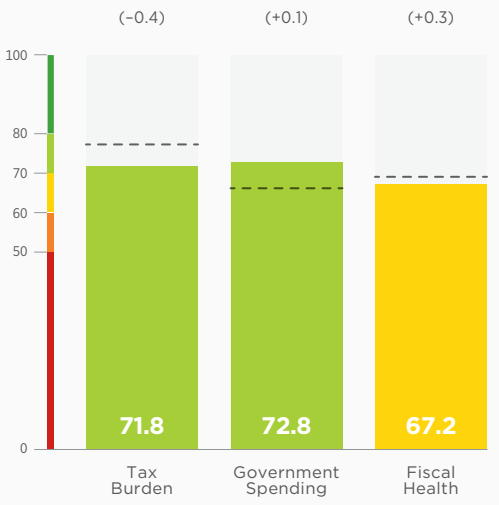
12 ECONOMIC FREEDOMS | MOROCCO

RULE OF LAW



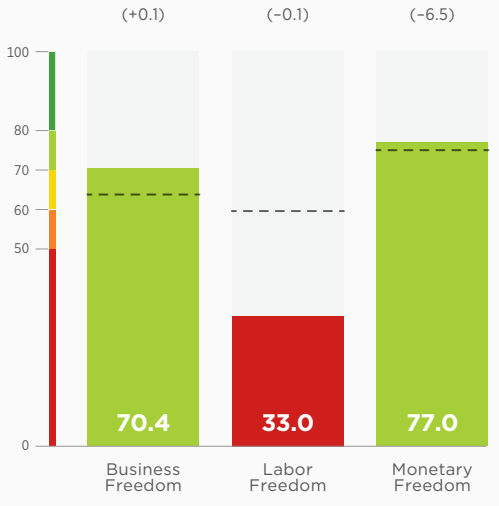
The World Bank's *Doing Business* rating of Morocco for "Registering Property" improved in 2019 after the government made property registration easier by increasing the transparency of the land registry/cadaster and streamlining administrative procedures. The court system is not independent of the monarch, and the courts are regularly used to punish opponents of the government. Corruption is rife in state institutions and the economy.

GOVERNMENT SIZE



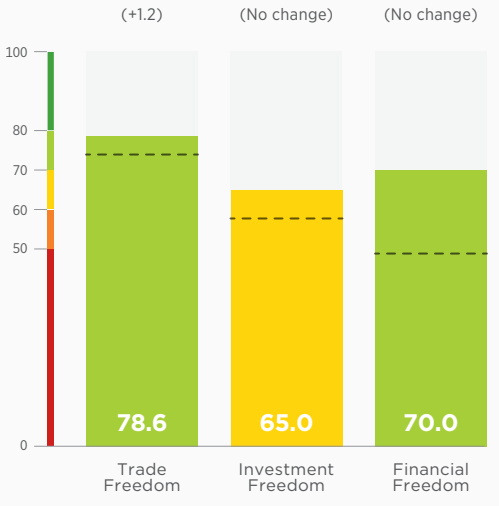
The top individual income tax rate is 38 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and gift taxes. The overall tax burden equals 21.8 percent of total domestic income. Government spending has amounted to 30.1 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 3.9 percent of GDP. Public debt is equivalent to 65.2 percent of GDP.

REGULATORY EFFICIENCY



Morocco has improved its business environment, but remaining challenges include inefficient government bureaucracy, weak intellectual property rights, and slow regulatory reform. Resolution of insolvency improved last year. Rigid labor regulations discourage a more dynamic labor market. Many university graduates are unprepared to succeed in the job market. The cost of government butane gas, fuel, sugar, and flour subsidies has increased.

OPEN MARKETS



The total value of exports and imports of goods and services equals 87.1 percent of GDP. The average applied tariff rate is 3.2 percent, and 42 nontariff measures are in force. Foreign investment is welcome, but sector restrictions continue, particularly in areas in which the state maintains a monopoly. The financial system is fairly well developed, and financial intermediation is gradually increasing. Credit costs remain relatively high.

WORLD RANK: 160 | REGIONAL RANK: 37

ECONOMIC FREEDOM STATUS: MOSTLY UNFREE

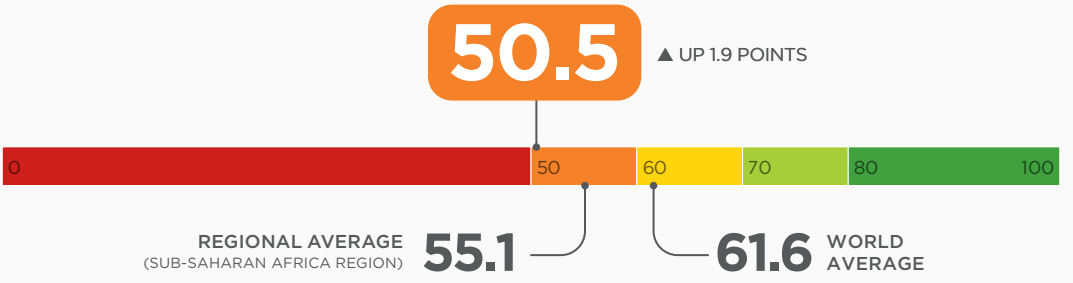
MOZAMBIQUE

Mozambique's economic freedom score is 50.5, making its economy the 160th freest in the 2020 *Index*. Its overall score has increased by 1.9 points, reflecting a significant improvement in the **fiscal health** score. Mozambique is ranked 37th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

Mozambique reentered the mostly unfree category this year after three years as a repressed economy. GDP growth has also increased its pace with a rebound in agriculture.

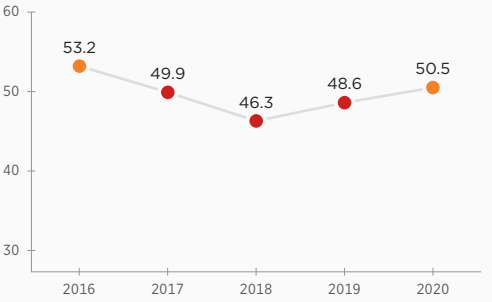
Mozambique is one of the world's 10 poorest countries, and greater economic freedom is just a dream for most of its citizens. The primary obstacle is weak rule of law, which represents an almost insurmountable obstacle to development for most citizens. Without protection of private property, an honest and transparent judicial system, and a consistently applied intolerance of public corruption, it is virtually impossible to stimulate domestic growth or build investor confidence.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +5.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
30.3 million

GDP (PPP):
$39.2 billion
3.3% growth in 2018
5-year compound annual growth 5.0%
$1,291 per capita

UNEMPLOYMENT:
3.2%

INFLATION (CPI):
3.9%

FDI INFLOW:
$2.7 billion

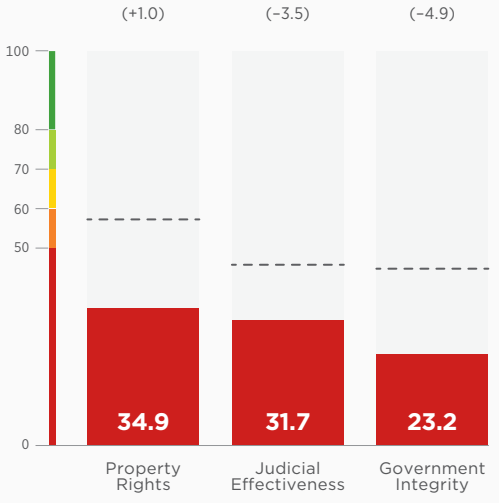
PUBLIC DEBT:
100.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The Mozambique Liberation Front (FRELIMO), headed since 2015 by President Filipe Nyusi, has been in power since independence from Portugal in 1975. Nyusi was reelected in a landslide in an October 2019 election that was deemed neither free nor fair. A 16-year civil war between FRELIMO and the rebel Mozambican National Resistance (RENAMO) ended with a peace agreement in 1992, but there has been sporadic violence since 2013. Two powerful cyclones early in 2019 killed hundreds and devastated Mozambique's food supply. The furtive accrual of massive unauthorized government debt has prompted aid donors to suspend budgetary support pending the results of criminal proceedings. More than half of the population remains below the poverty line and reliant on subsistence agriculture.

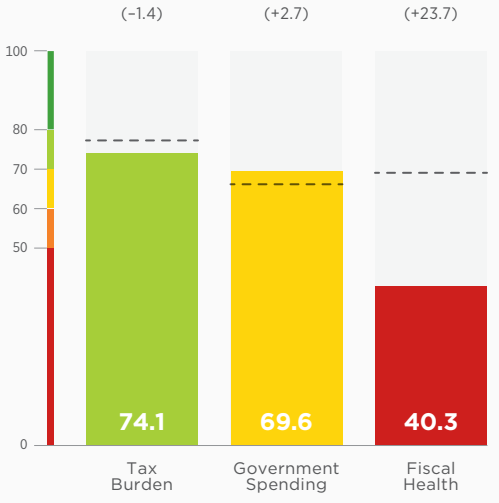
12 ECONOMIC FREEDOMS | MOZAMBIQUE

RULE OF LAW



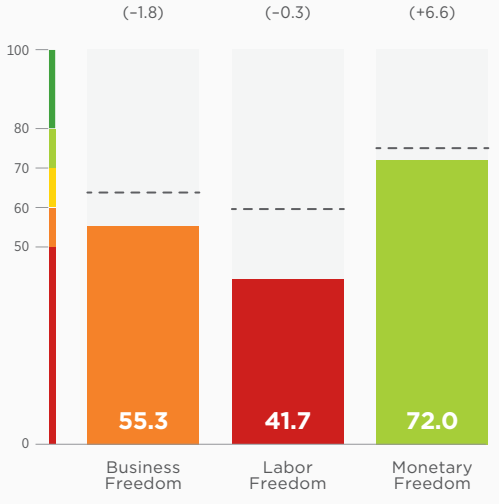
The law does not recognize private property outside of urbanized areas. The process for awarding land concessions in rural areas is opaque, and the government at times has granted overlapping concessions. Judicial independence is undermined by the dominance of the executive branch. Corruption remains widespread at the highest levels of government. Patronage networks are deeply entrenched, with various groupings competing for state resources.

GOVERNMENT SIZE



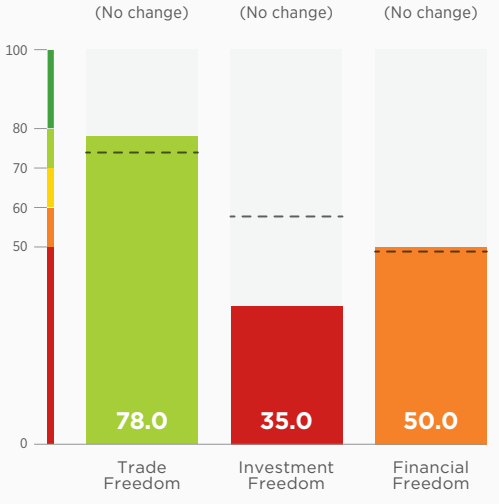
The top individual income and corporate tax rates are 32 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 23.2 percent of total domestic income. Government spending has amounted to 31.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 5.0 percent of GDP. Public debt is equivalent to 100.4 percent of GDP.

REGULATORY EFFICIENCY



Ambiguous regulations, tight and expensive access to credit, and relatively weak governance make the conduct of business difficult. Labor market rigidities persist. The vast majority of the workforce is employed in subsistence agriculture. In the wake of the "secret debt" financial crisis, subsidies on fuel and wheat prices were eliminated and fuel, electricity, and public transportation subsidies were reduced.

OPEN MARKETS



The total value of exports and imports of goods and services equals 117.3 percent of GDP. The average applied tariff rate is 3.5 percent, and nontariff barriers significantly restrict trade freedom. Despite some progress in enhancing the investment framework, layers of bureaucratic procedures hamper the more vibrant growth of new investment. The financial sector remains hindered by weak infrastructure and state controls. Most citizens still lack adequate access to financial services.

NAMIBIA

WORLD RANK: **96** | REGIONAL RANK: **7**

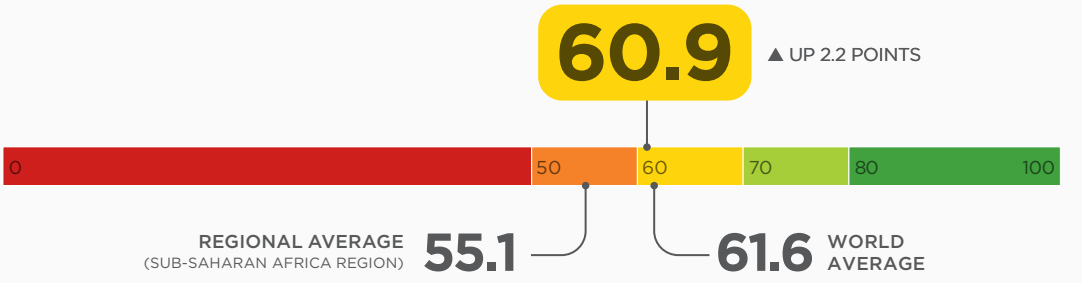
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Namibia's economic freedom score is 60.9, making its economy the 96th freest in the 2020 *Index*. Its overall score has increased by 2.2 points due to an increase in the score for **fiscal health**. Namibia is ranked 7th among 47 countries in the Sub-Saharan Africa region, and its overall score is well above the regional average and slightly below the world average.

Namibia's economy climbed back into the moderately free category in 2020 after a two-year absence. GDP growth had been moderately good for the past five years, but it dipped in 2018 because of lower government spending and less demand for Namibian exports to South Africa.

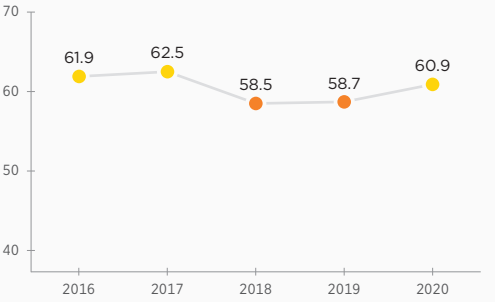
To address some of the shortcomings in government integrity that have held back economic freedom, the quasi-socialist government plans to try to close leakages in state finances by improving accountability for corruption and waste. This would also improve the country's fiscal health.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1997): –0.7

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
2.4 million

GDP (PPP):
$27.1 billion
–0.1% growth
in 2018
5-year compound
annual growth 2.4%
$11,229 per capita

UNEMPLOYMENT:
23.1%

INFLATION (CPI):
4.3%

FDI INFLOW:
$195.8 million

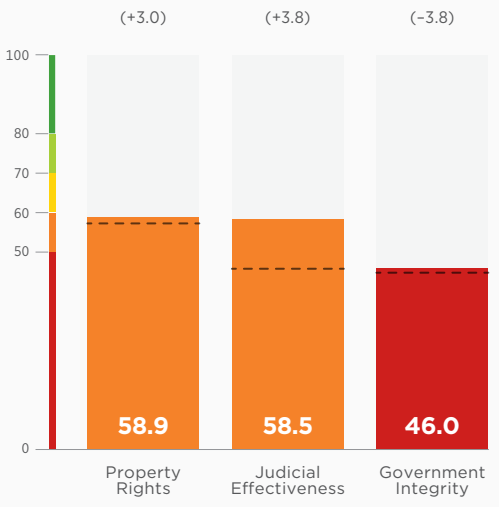
PUBLIC DEBT:
47.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Namibia has been politically stable since gaining independence from South Africa in 1990. President Hage Geingob was elected to a five-year term in 2014. The ruling South West Africa People's Organization (SWAPO) has won every election by large majorities since 1990. An election was scheduled for late 2019. The mining sector brings in more than 50 percent of foreign exchange earnings, and Namibia is projected to become the world's third-largest uranium producer once a Chinese-run mine is fully online. Namibia's economy is closely linked to South Africa's, and its credit rating is one of the highest in the region. The government is considering possible land reforms, including expropriation of land with "fair compensation" for redistribution to the black majority.

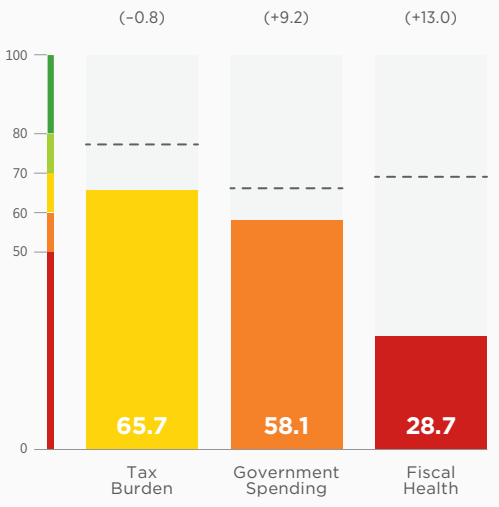
12 ECONOMIC FREEDOMS | NAMIBIA

RULE OF LAW



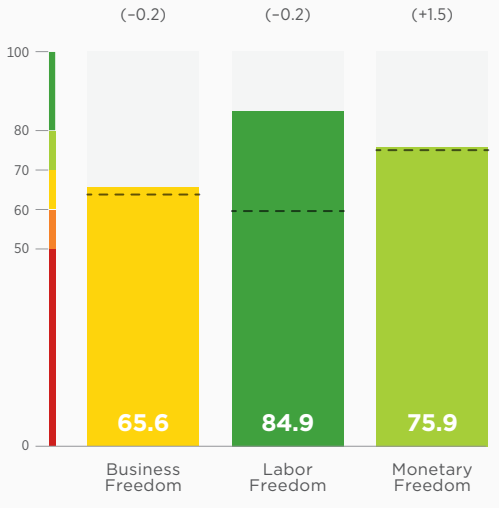
Property rights are constitutionally guaranteed, but parliament may expropriate property and regulate the property rights of foreign nationals. The judiciary is impartial and independent but understaffed, and judges are poorly trained. Although anticorruption legislation is in place to combat public corruption, there are significant weaknesses in transparency and government accountability, and a majority of Namibians regard the level of corruption as very high.

GOVERNMENT SIZE



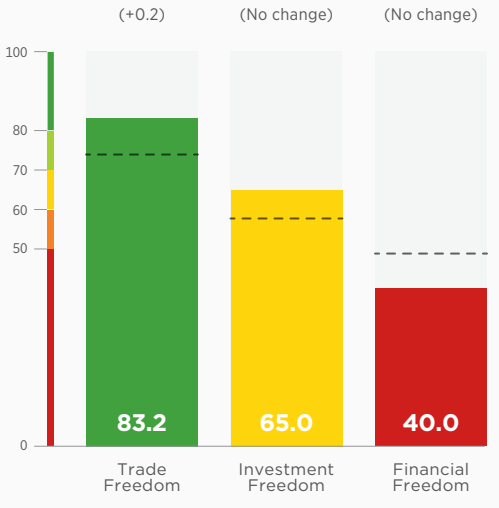
The top individual income tax rate is 37 percent, and the top corporate tax rate is 34 percent. Other taxes include a value-added tax. The overall tax burden equals 30.1 percent of total domestic income. Government spending has amounted to 37.4 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 6.5 percent of GDP. Public debt is equivalent to 47.1 percent of GDP.

REGULATORY EFFICIENCY



A new electronic filing system and electronic case management system have made the enforcement of contracts easier, but the pace of reform is slow. Labor laws are fairly flexible. Low labor productivity and a shortage of specialized skilled labor obstruct business growth. There are government subsidies for education, medical care, roads and infrastructure, and agriculture.

OPEN MARKETS



The total value of exports and imports of goods and services equals 83.7 percent of GDP. The average applied tariff rate is 0.9 percent, but extensive nontariff barriers raise the cost of trade significantly. Although foreign investment is encouraged, necessary regulatory infrastructure for spurring growth in new investment is not in place. The financial sector remains underdeveloped, and access to credit is limited.

NEPAL

WORLD RANK: 139 | REGIONAL RANK: 34

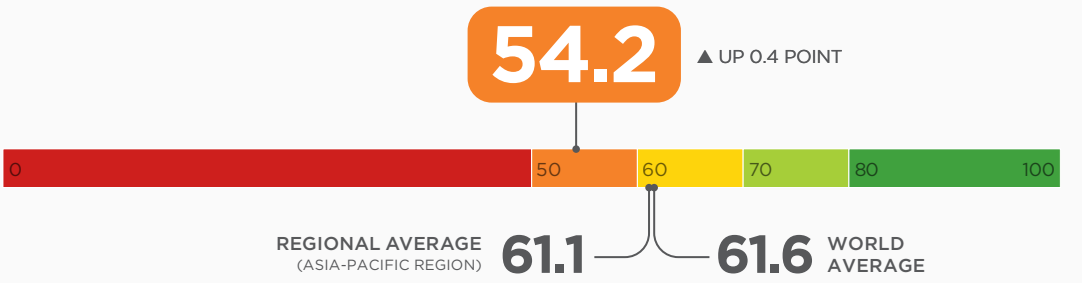
ECONOMIC FREEDOM STATUS: MOSTLY UNFREE

Nepal's economic freedom score is 54.2, making its economy the 139th freest in the 2020 *Index*. Its overall score has increased by 0.4 point with improvements in scores for **labor freedom** and **government integrity**. Nepal is ranked 34th among 42 countries in the Asia–Pacific region, and its overall score is well below the regional and world averages.

The Nepalese economy has been mostly unfree for a quarter of a century. Economic growth, on the other hand, has been trending upward, led by a rebound in private consumption and continued strength in investment, supported by accelerated progress on earthquake reconstruction projects.

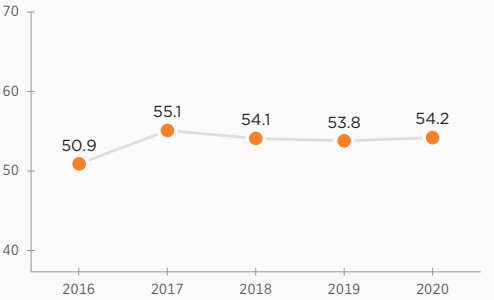
Expanding economic freedom in the near term may be too much to hope for under a Communist government that has already announced budget-busting redistributive and populist spending programs. Surprisingly, however, the ruling party's control of parliament will ensure quicker passage of business-friendly reforms and an easing of regulatory burdens.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +3.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
29.6 million

GDP (PPP):
$86.1 billion
6.3% growth in 2018
5-year compound annual growth 4.8%
$2,905 per capita

UNEMPLOYMENT:
1.3%

INFLATION (CPI):
4.2%

FDI INFLOW:
$160.8 million

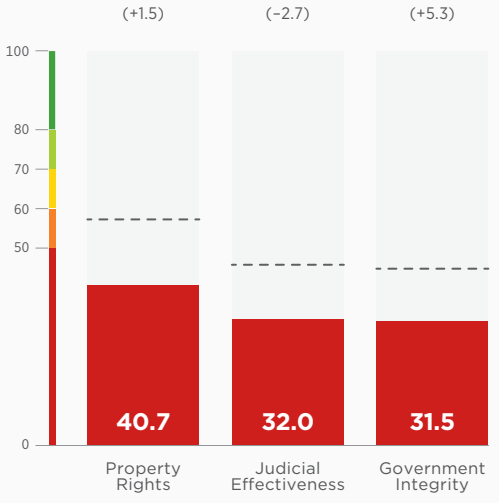
PUBLIC DEBT:
30.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The Kingdom of Nepal, a small Hindu-majority nation wedged between India and China in the Himalayas, became a multiparty federal republic in 2008. In the years since then, Nepal has faced nearly continuous political instability, and it remains one of the world's poorest and least-developed countries. Khadga Prasad Oli of the Maoist-leaning Communist Party became the country's 41st prime minister in 2018. Also in 2018, China and Nepal agreed to establish a rail link and signed a deal to boost Chinese investments in Nepal's power grid. China's growing footprint has become a source of contention with India, which traditionally has enjoyed outsized influence over Nepal's foreign and economic policies.

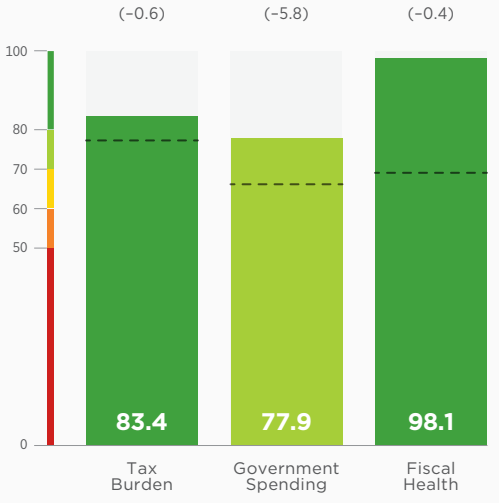
12 ECONOMIC FREEDOMS | NEPAL

RULE OF LAW



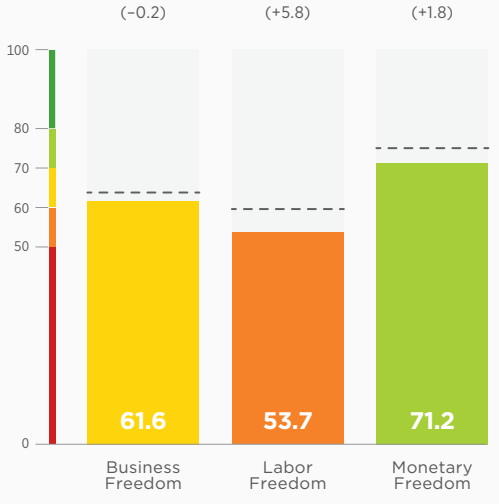
Property rights are not protected effectively. Property disputes can take years to resolve. The law provides for an independent judiciary, and court procedures are generally competent, fair, and reliable, but judicial independence is compromised by endemic corruption in most courts. Corruption is rampant in politics and government, especially in the awarding of licenses, government procurement, and revenue management, and often goes unpunished.

GOVERNMENT SIZE



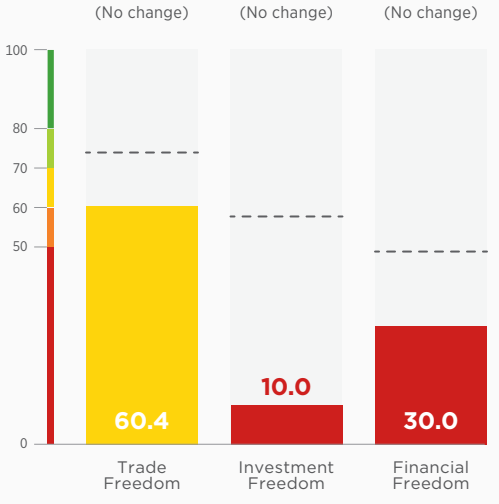
The top individual income and corporate tax rates are 25 percent. Other taxes include value-added and property taxes. The overall tax burden equals 20.3 percent of total domestic income. Government spending has amounted to 27.2 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.8 percent of GDP. Public debt is equivalent to 30.4 percent of GDP.

REGULATORY EFFICIENCY



Widespread underdevelopment, political gridlock, and inconsistent electricity supply make the business climate difficult. Running a business became harder when the government imposed several new taxes on labor. Nepal recently overhauled its labor laws, modernizing regulations dating from 1993. The government continues to provide subsidies to private-sector industries, primarily in the agricultural and export sectors.

OPEN MARKETS



The total value of exports and imports of goods and services equals 54.3 percent of GDP. The average applied tariff rate is 12.3 percent, and pervasive nontariff barriers further suppress the freedom to trade. The inefficient investment regime impedes dynamic flows of foreign investment. The financial sector remains fragmented, and government ownership continues to be substantial.

NETHERLANDS

WORLD RANK: **14**

REGIONAL RANK: **8**

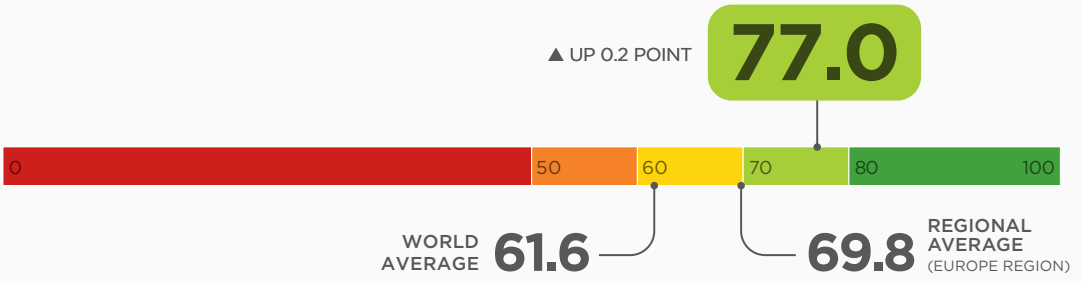
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

The Netherlands' economic freedom score is 77.0, making its economy the 14th freest in the 2020 *Index*. Its overall score has increased by 0.2 point due to modest increases in **property rights** and control of **government spending**. The Netherlands is ranked 8th among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

The Dutch economy has been mostly free for two decades yet never seems to make it over the final hurdle into the ranks of the free. Moderate GDP growth over the past five years has begun to slacken as slower growth has set in among the economy's largest eurozone trading partners. There are concerns that U.S.–China trade problems will also curtail trade growth for economies like that of the Netherlands.

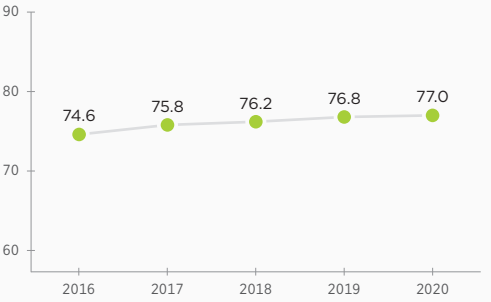
As is the case with many large EU economies, the biggest obstacle to greater economic freedom in the Netherlands is too much government spending, although the government has managed to cut budget deficits in recent years.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +7.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
17.2 million

GDP (PPP):
$969.2 billion
2.5% growth in 2018
5-year compound annual growth 2.2%
$56,383 per capita

UNEMPLOYMENT:
3.9%

INFLATION (CPI):
1.6%

FDI INFLOW:
$69.7 billion

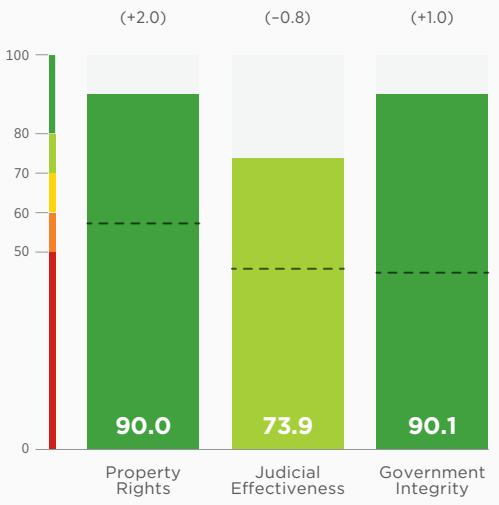
PUBLIC DEBT:
54.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Prime Minister Mark Rutte has been in office since 2010. His center-right People's Party for Freedom and Democracy, which won a plurality of seats in 2017 parliamentary elections, heads a governing coalition with the center-right Christian Democrat Appeal, center-left Democrats 66, and center-right Christian Union Party. Geert Wilders' populist Party for Freedom, despite receiving the second-highest number of votes in 2017, remains out of government. The nationalist Forum for Democracy party, which favors strict controls on immigration, has been gaining popularity. A European transportation hub, the Netherlands has the EU's sixth-largest economy, supported by exports of chemicals, refined petroleum, and electrical machinery as well as by a highly mechanized and profitable agricultural sector.

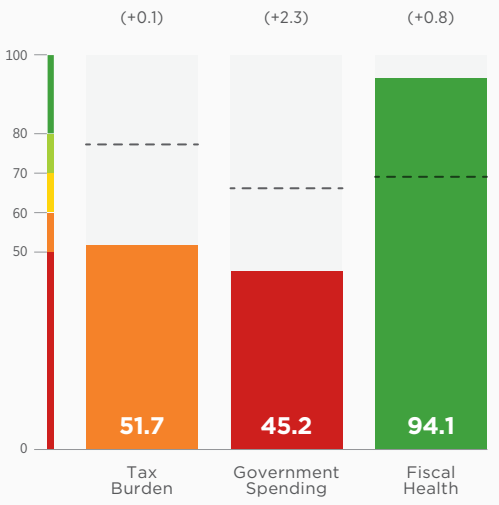
12 ECONOMIC FREEDOMS | NETHERLANDS

RULE OF LAW



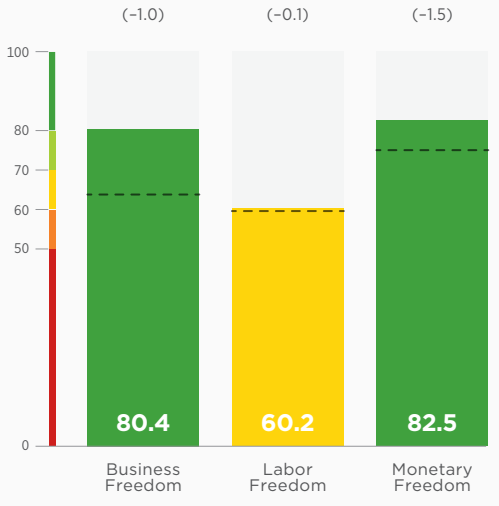
Private property rights are strongly protected, and contracts are reliably enforced. The judiciary is independent of political interference and provides impartial adjudication of disputes. The Dutch do not tolerate political corruption, and the cases that do arise are prosecuted expeditiously. Anticorruption laws are effective and promote government integrity. The Netherlands is signatory to major international anticorruption conventions.

GOVERNMENT SIZE



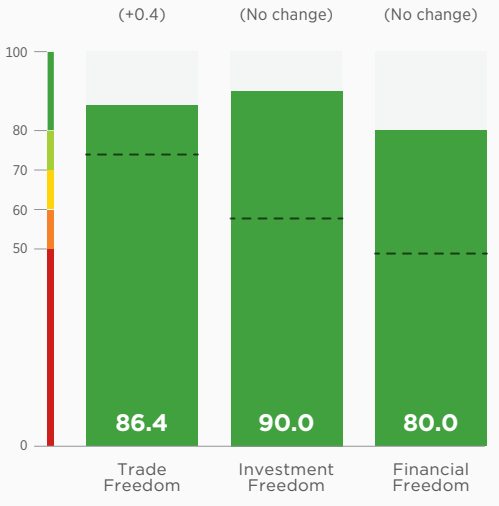
The top personal income tax rate is 52 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and environmental taxes. The overall tax burden equals 38.8 percent of total domestic income. Government spending has amounted to 42.7 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 0.7 percent of GDP. Public debt is equivalent to 54.4 percent of GDP.

REGULATORY EFFICIENCY



The transparent regulatory framework allows businesses to compete effectively in their fields, innovate, and enhance productivity. The labor market is heavily regulated. Labor costs ranked near the highest in Europe in 2018 at 35.9 euros per hour. In 2019, the government imposed a "climate tax" on airline tickets and removed aviation subsidies while continuing to subsidize renewable energy sources such as solar power.

OPEN MARKETS



The total value of exports and imports of goods and services equals 155.3 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. The Netherlands has an additional four country-specific nontariff barriers. The investment environment is favorable to dynamic growth in new investment and production. The well-developed financial sector is competitive.

NEW ZEALAND

WORLD RANK:	REGIONAL RANK:
3	3

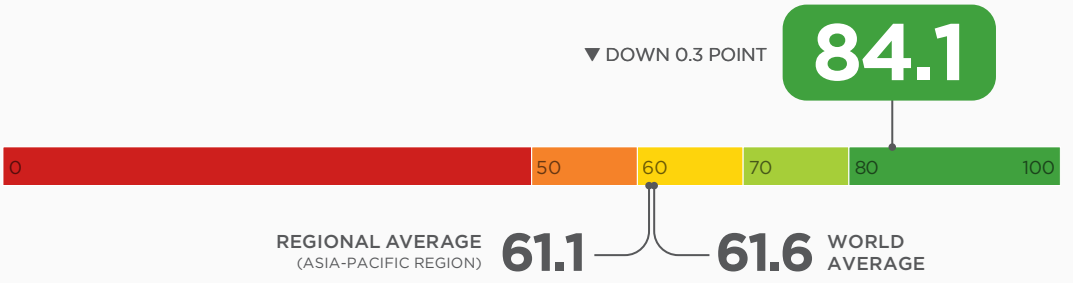
ECONOMIC FREEDOM STATUS: **FREE**

New Zealand's economic freedom score is 84.1, making its economy the 3rd freest in the 2020 *Index*. Its overall score has decreased by 0.3 point, with small declines in scores for **property rights**, **judicial effectiveness**, and **government integrity** slightly offsetting an improved **government spending** score. New Zealand is ranked 3rd among 42 countries in the Asia–Pacific region, and its overall score is well above the regional and world averages.

The economy of New Zealand has ranked as one of the freest in the world over the past 25 years. Steady GDP growth reflects that outstanding performance.

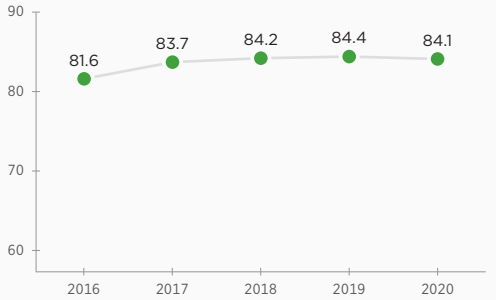
The only significant area for improvement that would lead to even more economic freedom is the ongoing problem of too much government spending. Unfortunately, progress in this area is not likely in the short term because the center-left government has announced a "well-being" budget to fund many new welfare programs.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +6.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
4.9 million

GDP (PPP):
$197.8 billion
3.0% growth in 2018
5-year compound annual growth 3.4%
$40,135 per capita

UNEMPLOYMENT:
4.5%

INFLATION (CPI):
1.6%

FDI INFLOW:
$1.4 billion

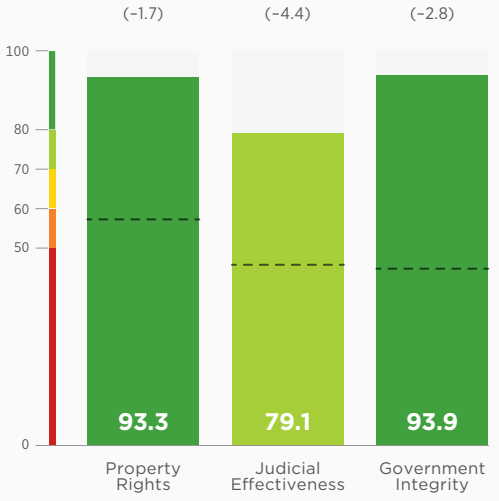
PUBLIC DEBT:
29.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The former British colony of New Zealand is one of the Asia–Pacific region's most prosperous countries. Elections in 2017 resulted in a hung parliament, with the "kingmaker" and populist New Zealand First party subsequently forming a minority coalition, enabling new Prime Minister Jacinda Ardern's center-left Labor Party to return to power. Far-reaching deregulation and privatization since the 1980s have largely liberated the economy. Agriculture is important, as are manufacturing, tourism, and a strong geothermal energy resource base. The trade war between the U.S. and China is of concern to New Zealand, especially given its heavy reliance on China for export revenue. New Zealand's economy has been expanding since 2010.

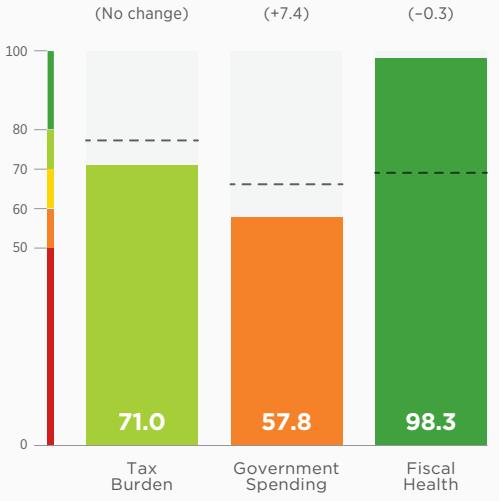
12 ECONOMIC FREEDOMS | NEW ZEALAND

RULE OF LAW



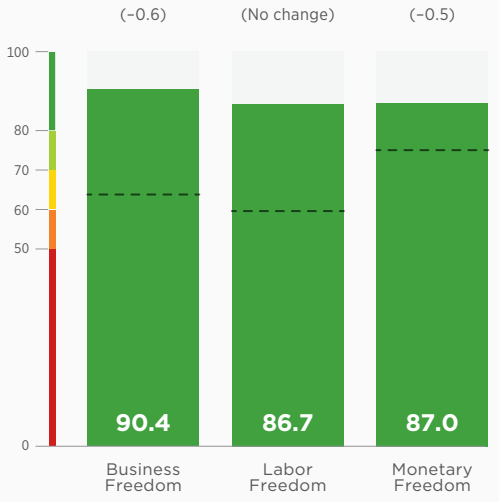
Private property rights are strongly protected, and New Zealand ranks among the world's top countries for security of contracts. The judicial system is independent and functions well. New Zealand ranked second out of 180 countries surveyed in Transparency International's 2018 *Corruption Perceptions Index* and is renowned for its efforts to ensure a transparent, competitive, and corruption-free government procurement system.

GOVERNMENT SIZE



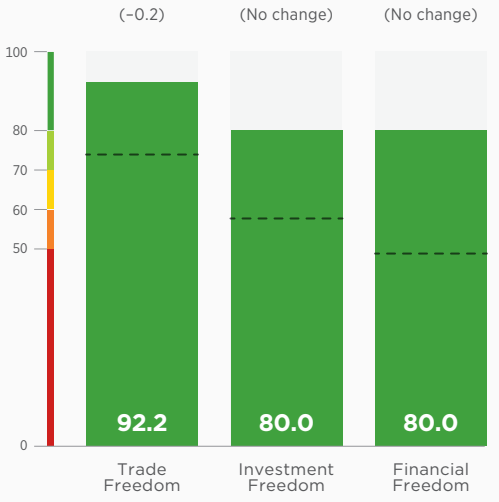
The top individual income tax rate is 33 percent, and the top corporate tax rate is 28 percent. Other taxes include goods and services and environmental taxes. The overall tax burden equals 32.0 percent of total domestic income. Government spending has amounted to 37.5 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 0.8 percent of GDP. Public debt is equivalent to 29.4 percent of GDP.

REGULATORY EFFICIENCY



The regulatory framework is efficient. The labor market has tightened after a prolonged period of record population growth. In April 2019, the Labor Party–led government raised the minimum wage to NZD 17.70 (USD 12.04); the party campaigned on raising it to NZD 20 (USD 13.60) by April 2021. Subsidies are the lowest among OECD countries, and this has spurred the development of a vibrant and diversified agriculture sector.

OPEN MARKETS



The total value of exports and imports of goods and services equals 54.2 percent of GDP. The average applied tariff rate is 1.4 percent, and 243 nontariff measures are in force. There are very few limitations on investment activity, and foreign investment has been actively encouraged. The well-developed financial sector offers a wide range of financing instruments. Overall financial regulations are prudent and transparent.

NICARAGUA

WORLD RANK: **115**

REGIONAL RANK: **23**

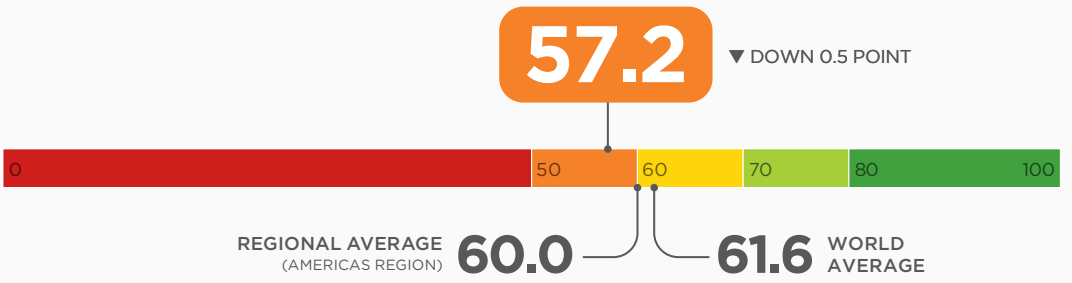
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Nicaragua's economic freedom score is 57.2, making its economy the 115th freest in the 2020 *Index*. Its overall score has decreased by 0.5 point due to a drop in the **fiscal health** score. Nicaragua is ranked 23rd among 32 countries in the Americas region, and its overall score is slightly below the regional average and well below the world average.

The Nicaraguan economy fell from the moderately free ranks in 2009 and has been mostly unfree ever since then. GDP growth had been modestly positive for five years until 2018, when it turned sharply negative as the authoritarian government tightened its grip on the country and economic deterioration accelerated.

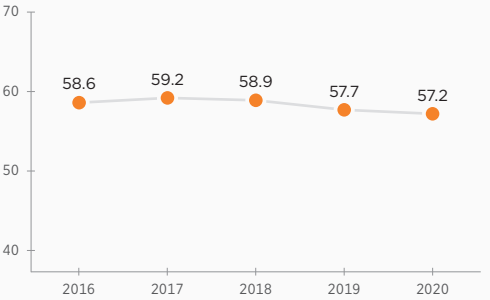
If market-based democracy is ever restored in Nicaragua, the first step needed to resuscitate economic freedom is a complete overhaul of the rule-of-law institutions to protect property rights, establish a transparent and reliable judicial system, and expunge the many forms of corruption that flourish under a socialist system.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +14.7

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
6.3 million

GDP (PPP):
$35.7 billion
–4.0% growth in 2018
5-year compound annual growth 3.0%
$5,683 per capita

UNEMPLOYMENT:
4.5%

INFLATION (CPI):
5.0%

FDI INFLOW:
$359.2 million

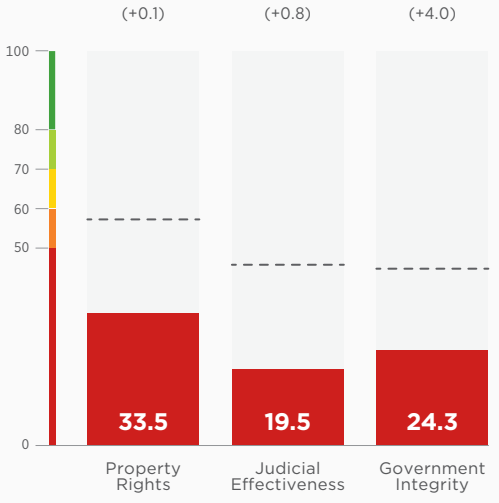
PUBLIC DEBT:
37.2% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: In the late 1970s, Sandinista National Liberation Front (FSLN) leader Daniel Ortega overthrew the authoritarian Somoza dynasty and headed a provisional FSLN-led government until losing several free and fair elections. Finally elected president in 2006, he was reelected for a third five-year term in a 2016 election that was deemed illegitimate. Ortega and his wife (who is also his vice president) fully control the government, security forces, and key sectors of the economy. Since April 2018, the country has been locked in a political crisis engendered by Ortega's brutal response to antigovernment demonstrations. As a result of the political turmoil, the economy has deteriorated. Agricultural goods and textile production account for 50 percent of exports. Nicaragua remains Central America's poorest nation.

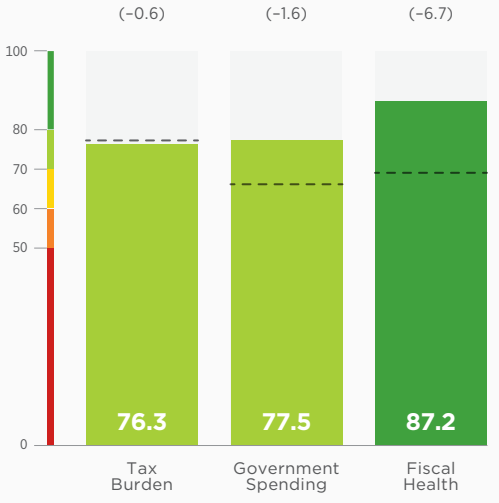
12 ECONOMIC FREEDOMS | NICARAGUA

RULE OF LAW



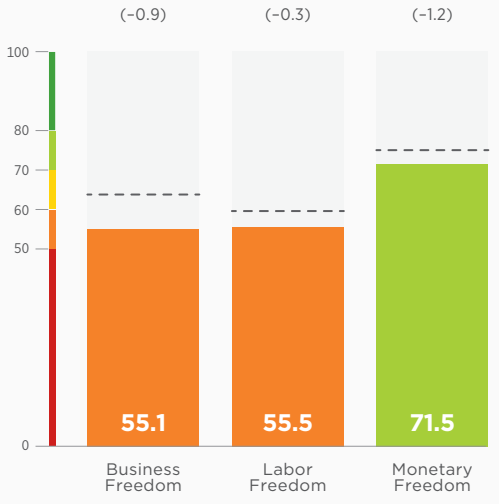
Private property rights are not protected effectively, especially for foreign investors. Contracts are not always secure. The judicial system suffers from corruption and long delays; the government controls the politicized Supreme Court. Public-sector corruption and bribery of public officials are major challenges. The Ortega family's ongoing authoritarian rule is the greatest threat to the rule of law.

GOVERNMENT SIZE



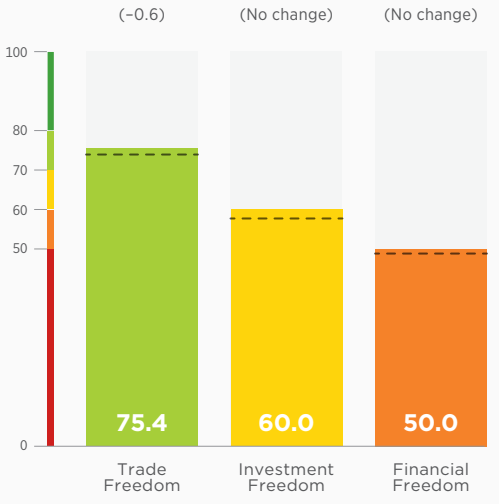
The top individual income and corporate tax rates are 30 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 23.8 percent of total domestic income. Government spending has amounted to 27.4 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.5 percent of GDP. Public debt is equivalent to 37.2 percent of GDP.

REGULATORY EFFICIENCY



Political instability undermines consumer and business confidence, hurting private businesses. A new unified collateral registry has strengthened access to credit, but bank credit had shrunk by late 2018 because of multiple shocks to the economy. The already low level of formal employment contracted further. The government controls prices of butane gas, electricity for households, and pharmaceuticals while heavily subsidizing fuel and water.

OPEN MARKETS



The total value of exports and imports of goods and services equals 93.3 percent of GDP. The average applied tariff rate is 2.3 percent, and 54 nontariff measures are in force. Foreign investment is formally welcome, but the investment regime is neither transparent nor efficient. Lingering political instability adds to the risk of long-term investment. The financial sector remains underdeveloped, providing a limited range of services.

WORLD RANK: **137** | REGIONAL RANK: **25**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

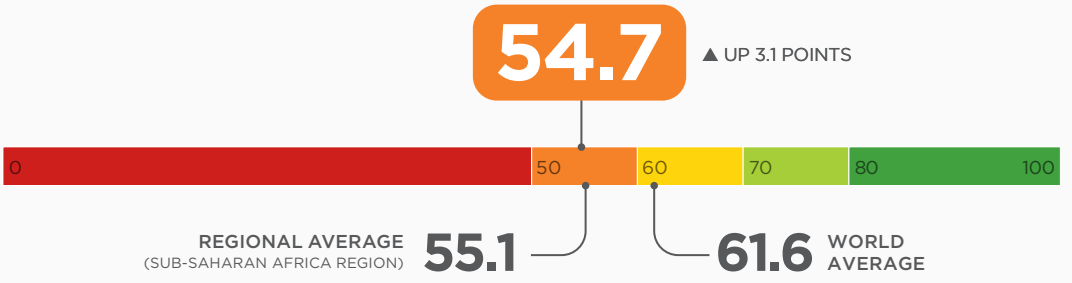
NIGER

Niger's economic freedom score is 54.7, making its economy the 137th freest in the 2020 *Index*. Its overall score has increased by 3.1 points due to an improvement in the **fiscal health** score. Niger is ranked 25th among 47 countries in the Sub-Saharan Africa region, and its overall score is approximately equal to the regional average and well below the world average.

The Nigerien economy has been mostly unfree for well over a decade. The economy has been expanding at a healthy rate, however, driven by agriculture, donor-financed infrastructure projects, and exports of oil, uranium, and gold.

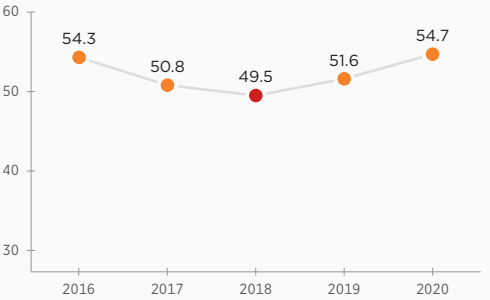
The government is under pressure from international lenders and its own citizens to improve investor confidence, strengthen public finances, and curb corruption. All of those improvements would have the added benefit of raising the country's future economic freedom rankings.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +8.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
19.3 million

GDP (PPP):
$23.5 billion
5.2% growth in 2018
5-year compound annual growth 5.4%
$1,217 per capita

UNEMPLOYMENT:
0.3%

INFLATION (CPI):
3.0%

FDI INFLOW:
$460.1 million

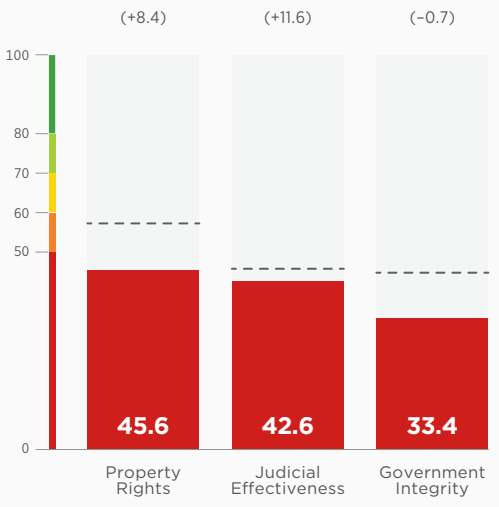
PUBLIC DEBT:
55.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: After independence from France in 1960, a single-party military regime governed Niger for three decades until elections led to democratic government in 1993. The military overthrew President Mamadou Tandja in 2010 after he tried to extend his rule beyond the constitutional two-term limit. Mahamadou Issoufou of the Nigerien Party for Democracy and Socialism was elected in 2011 and reelected to a second five-year term in 2016 after his chief rival was imprisoned. Ongoing challenges include a restive Tuareg population in the North, spillover violence from conflicts in Libya and Mali, and terrorist groups linked to al-Qaeda and the Islamic State. Niger has some of the world's largest uranium deposits, but its economy is centered on subsistence crops and livestock.

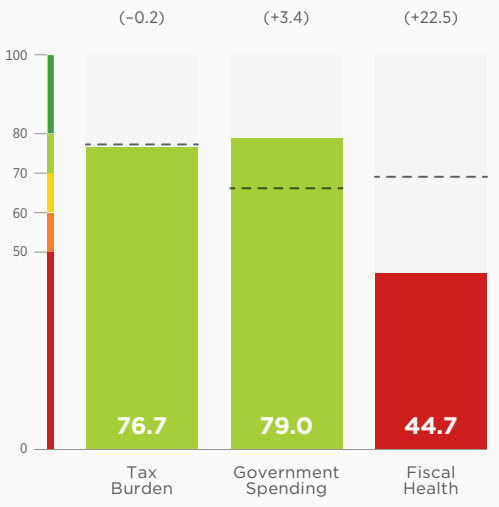
12 ECONOMIC FREEDOMS | NIGER

RULE OF LAW



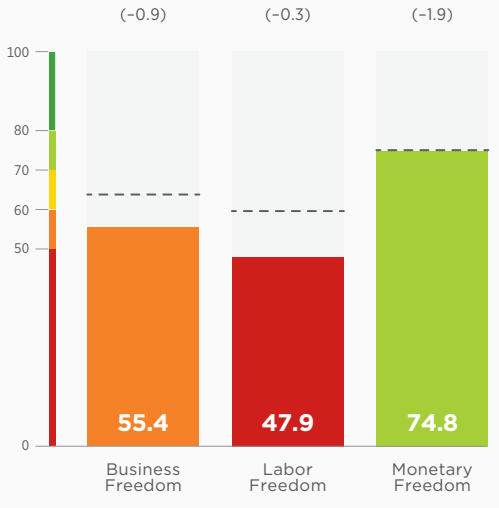
A number of complications undermine legal guarantees of the right to own property. Few people hold titles to their land, and property disputes are common. Foreign ownership of land requires government authorization. The judicial framework is ineffective, and the court system is weak and vulnerable to political pressure. Corruption is particularly high in the taxation agencies. Bribes are sometimes required to access public services.

GOVERNMENT SIZE



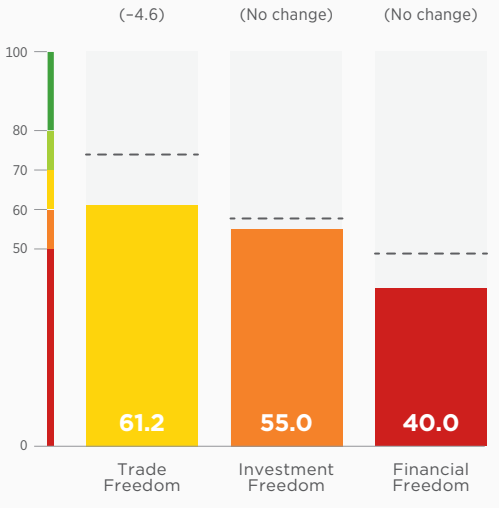
The top personal income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include interest and capital gains taxes. The overall tax burden equals 14.4 percent of total domestic income. Government spending has amounted to 26.5 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 5.5 percent of GDP. Public debt is equivalent to 55.1 percent of GDP.

REGULATORY EFFICIENCY



Niger has simplified business regulation by reducing the cost of building permits, improving access to electricity, making property registration faster, and improving the process to enforce contracts, but the pace of reform has been too slow to improve its position relative to other countries. There are few opportunities for work outside of subsistence farming and herding, and most labor is informal. The government subsidizes food, fuel, and other basic goods.

OPEN MARKETS



The total value of exports and imports of goods and services equals 49.6 percent of GDP. The average applied tariff rate is 11.9 percent, and extensive nontariff barriers further increase the cost of trade. The investment framework remains outmoded and nontransparent, deterring vibrant growth in private investment. Financing options for starting or expanding private businesses are limited. Bank credit to the private sector remains low.

WORLD RANK: **116**

REGIONAL RANK: **14**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

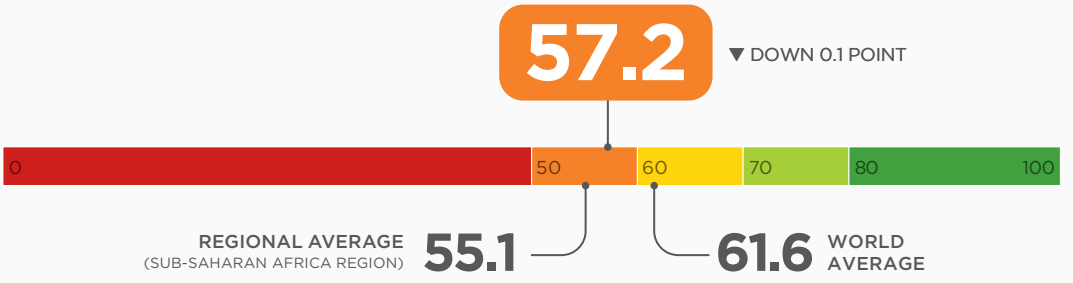
NIGERIA

Nigeria's economic freedom score is 57.2, making its economy the 116th freest in the 2020 *Index*. Its overall score has decreased by 0.1 point, reflecting a decline in the **fiscal health** score. Nigeria is ranked 14th among 47 countries in the Sub-Saharan Africa region, and its overall score is slightly above the regional average and well below the world average.

The Nigerian economy has been mostly unfree since 2007, when it emerged from the repressed category. GDP growth over the past five years has been unimpressive for such a resource-rich developing country.

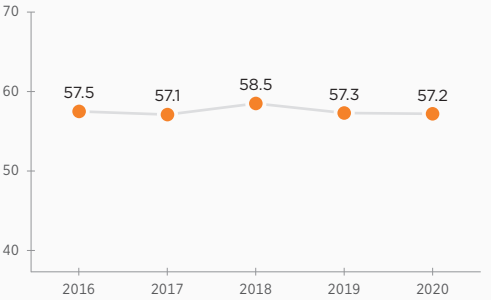
Economic freedom and economic development have been battered by Nigeria's chronic and severe political instability, intervention in the economy by the central bank and government, and pervasive corruption. The government maintains an overvalued official rate for Nigeria's currency so that gasoline subsidies can be maintained. Additionally, the economy is held back by power shortages, insecurity, high inflation, and tight credit conditions.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +9.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
193.9 million

GDP (PPP):
$1.2 trillion
1.9% growth in 2018
5-year compound annual growth 2.0%
$6,027 per capita

UNEMPLOYMENT:
6.0%

INFLATION (CPI):
12.1%

FDI INFLOW:
$2.0 billion

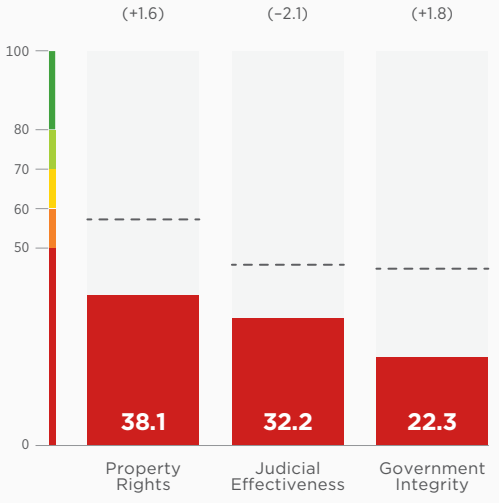
PUBLIC DEBT:
28.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: A former British colony, Nigeria is Africa's most populous country. A new constitution established civilian government in 1999. President Muhammadu Buhari won reelection in 2019 despite long absences from the country and rumors of ill health. Although a multinational coalition has expelled the Islamist terrorist organization Boko Haram from many of its strongholds in northeast Nigeria, frequent attacks continue, including attacks by the increasingly powerful Islamic State West Africa Province. There also have been lethal outbreaks of violence between herders and farmers in the Middle Belt region. Low global oil prices have battered the petroleum-based economy. Agriculture, telecommunications, and services are contributing to modest economic growth, but more than 60 percent of Nigeria's people still live in extreme poverty.

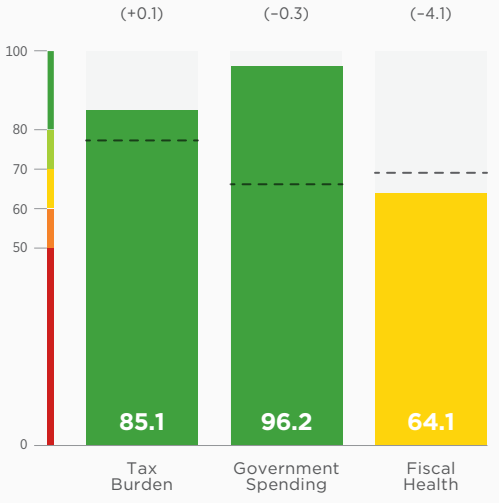
12 ECONOMIC FREEDOMS | NIGERIA

RULE OF LAW



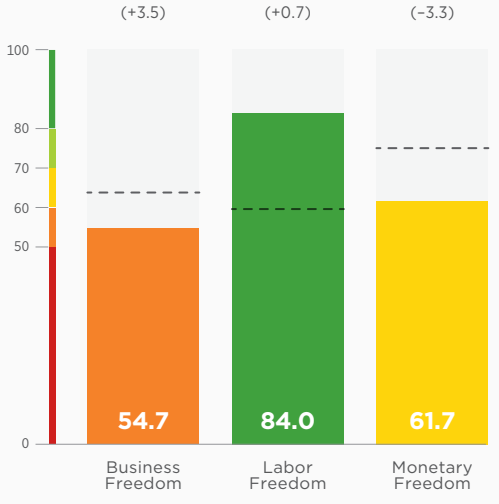
Protection of property rights is weak. Bribery is a common practice when starting a business and registering property. The judiciary is hobbled by political interference, understaffing, underfunding, inefficiency, and corruption. Pervasive corruption is rarely investigated or prosecuted, and impunity remains widespread at all levels of government. Nigeria is a major drug transshipment point and a significant center for financial crime and cybercrimes.

GOVERNMENT SIZE



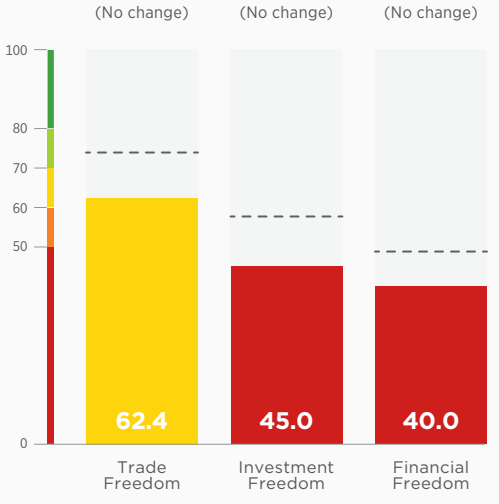
The top individual income tax rate is 24 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 3.6 percent of total domestic income. Government spending has amounted to 11.2 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.6 percent of GDP. Public debt is equivalent to 28.4 percent of GDP.

REGULATORY EFFICIENCY



Incremental improvements in starting a business, getting electricity, and enforcing contracts outweigh the added opaqueness that has been added to the property registration system. More than 60 percent of Nigeria's people live in extreme poverty. A vibrant labor market has yet to develop. The cost of funding government electricity and fuel subsidies soared in 2019 as the country grappled with fiscal deficits and rising debt levels.

OPEN MARKETS



The total value of exports and imports of goods and services equals 26.3 percent of GDP. The average applied tariff rate is 11.3 percent, and onerous nontariff barriers further deter growth in trade. Most sectors are open to private investment, and regulations formally treat foreign and domestic investment equally, but the investment regime lacks efficiency and transparency. The state continues to influence the allocation of credit.

NORTH MACEDONIA

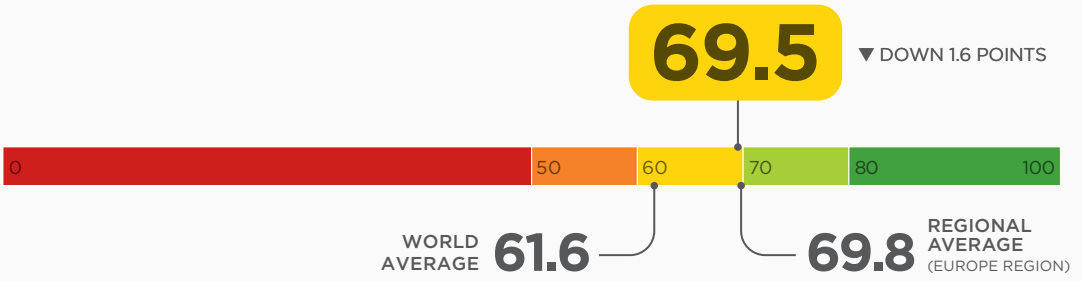
WORLD RANK: **41**
REGIONAL RANK: **23**
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

North Macedonia's economic freedom score is 69.5, making its economy the 41st freest in the 2020 *Index*. Its overall score has decreased by 1.6 points, dragged down by a drop in the **judicial effectiveness** score. North Macedonia is ranked 23rd among 45 countries in the Europe region, and its overall score is approximately equal to the regional average and well above the world average.

The Macedonian economy fell back into the moderately free category this year after three years in the ranks of the mostly free. GDP, however, has been expanding at a moderate pace for the past five years, driven by private and public consumption.

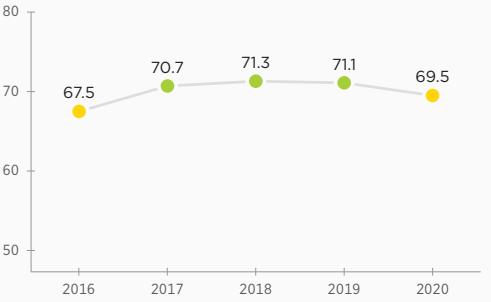
The government's reliance on high levels of public expenditure to fund public infrastructure projects and support social programs in the recent past has depressed performance on the government spending indicator. Achievement of another goal, promotion of foreign direct investment in export-oriented industries, would be encouraged by stronger enforcement of anticorruption statutes.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2002): +11.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
2.1 million

GDP (PPP):
$32.6 billion
2.7% growth in 2018
5-year compound annual growth 2.6%
$15,709 per capita

UNEMPLOYMENT:
21.6%

INFLATION (CPI):
1.5%

FDI INFLOW:
$737.1 million

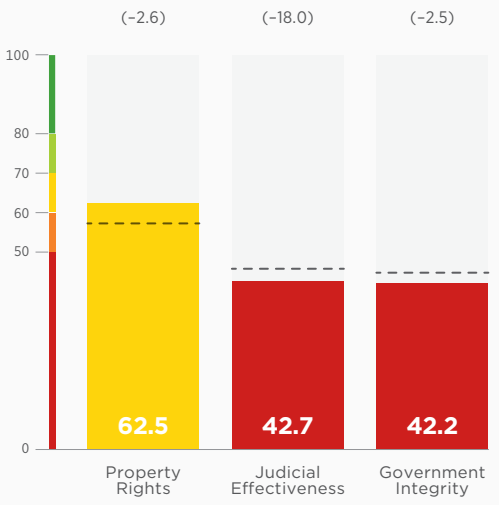
PUBLIC DEBT:
39.5% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Newly named North Macedonia gained independence from the former Yugoslavia in 1991. The center-right VMRO-DPMNE party won a plurality of seats in 2016 parliamentary elections. Zoran Zaev of the center-left Social Democratic Union became prime minister in 2017 after forging a coalition with two ethnic Albanian parties. The European Union is the country's principal trade and investment partner, and their economies are intertwined. An agreement with Greece by which the Republic of Macedonia consented to changing its official name to the Republic of North Macedonia may have paved the way to NATO membership for North Macedonia. The name-change agreement remains controversial because some Macedonians think it does not do enough to preserve their unique national, cultural, and linguistic identity.

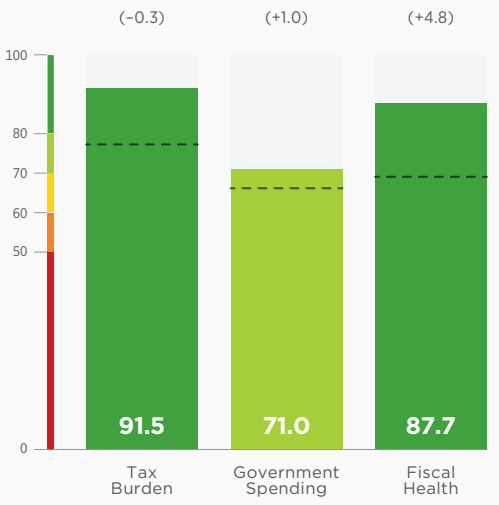
12 ECONOMIC FREEDOMS | NORTH MACEDONIA

RULE OF LAW



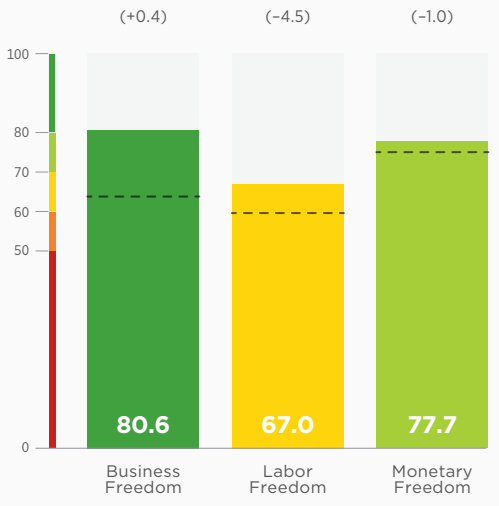
The legal basis for protection of movable, intellectual, and real property exists, but enforcement is inadequate. Improvement of the cadaster system has increased the security and speed of real estate transactions. Limited judicial independence, politicization of the judicial oversight body, and inadequate funding of the judiciary are ongoing concerns. Corruption remains a serious problem, and government officials reportedly commit corrupt acts with impunity.

GOVERNMENT SIZE



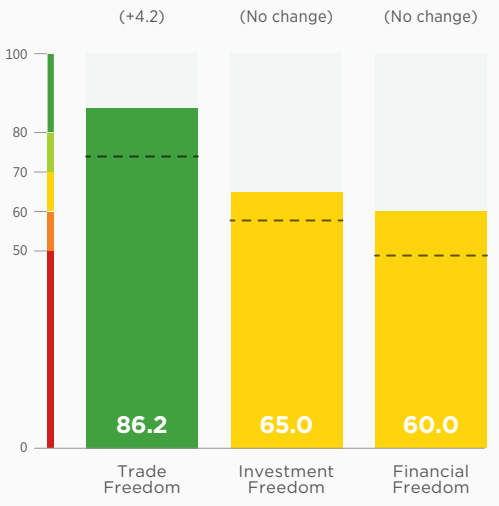
The individual income and corporate tax rates are a flat 10 percent. Other taxes include value-added and property transfer taxes. The overall tax burden equals 25.5 percent of total domestic income. Government spending has amounted to 31.1 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.4 percent of GDP. Public debt is equivalent to 39.5 percent of GDP.

REGULATORY EFFICIENCY



Reduction of land development fees has made the construction permitting process less expensive. Labor market weaknesses caused by skills shortages and skills mismatches have been a negative pull on the economy. As part of its effort to meet European Union air pollution requirements, the government plans to subsidize purchases of low-emission and zero-emission cars.

OPEN MARKETS



The total value of exports and imports of goods and services equals 133.2 percent of GDP. The average applied tariff rate is 1.9 percent, and four nontariff measures are in force. Despite reforms in the investment regime, bureaucracy deters dynamic growth in new investment. The financial sector has been strengthened in recent years, and government involvement has been limited primarily to enacting prudent and efficient regulations.

WORLD RANK: **28**

REGIONAL RANK: **15**

ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

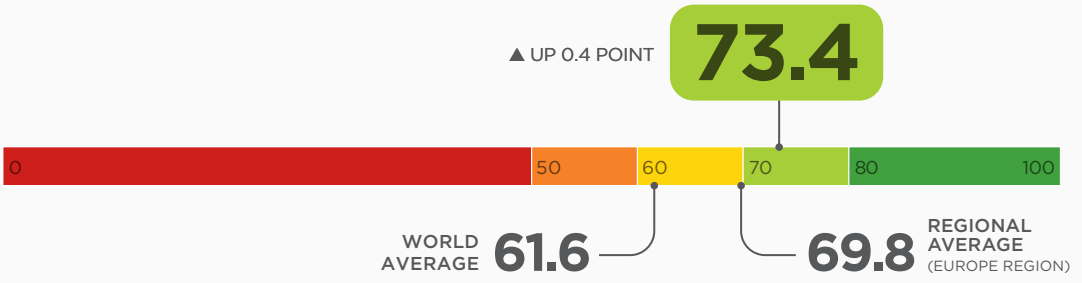
NORWAY

Norway's economic freedom score is 73.4, making its economy the 28th freest in the 2020 *Index*. Its overall score has increased by 0.4 point due to a higher **labor freedom** score. Norway is ranked 15th among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

The Norwegian economy has been rated mostly free for eight years. GDP growth, however, has poked along at less than 2 percent annually for the past five years.

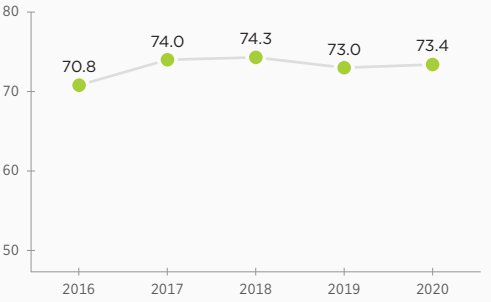
The greatest impediment to greater economic freedom in Norway is too much government spending. Reducing it will be difficult, however, because a large part of the economy and an even larger percentage of the government's budget are structured around revenue from Equinor, the state-owned oil, gas, and wind-energy company. It would be easier for the government to reform another lagging *Index* indicator, labor freedom, to make the labor market more competitive.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +8.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
5.3 million

GDP (PPP):
$395.9 billion
1.4% growth in 2018
5-year compound annual growth 1.7%
$74,356 per capita

UNEMPLOYMENT:
3.9%

INFLATION (CPI):
2.8%

FDI INFLOW:
–$18.2 billion

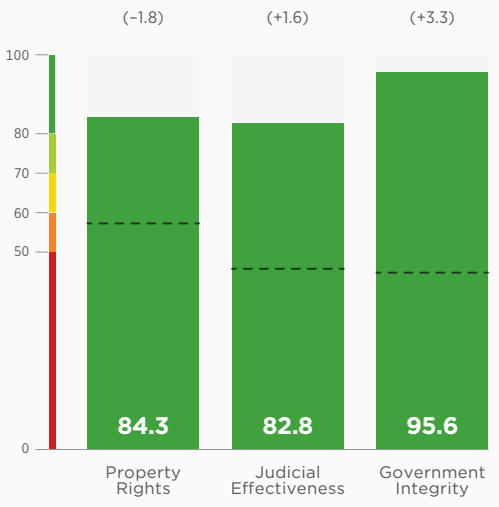
PUBLIC DEBT:
36.8% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Norway abandoned its traditional neutrality and became a charter member of NATO in 1949 and joined the European Free Trade Association. Conservative Prime Minister Erna Solberg was narrowly reelected in 2017. She heads a center-right coalition government that, with the addition of the Christian Democrats in January 2019, became the first non-socialist majority coalition since 1985. Norway is one of the world's most prosperous countries, and oil and gas production account for 20 percent of its economy. Other important sectors include hydropower, fish, forests, and minerals. State revenues from petroleum are deposited in the world's largest sovereign wealth fund. Unemployment is low, but an aging population could prove challenging in the future.

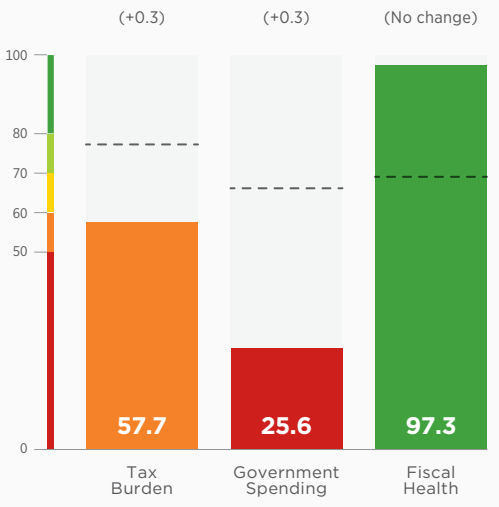
12 ECONOMIC FREEDOMS | NORWAY

RULE OF LAW



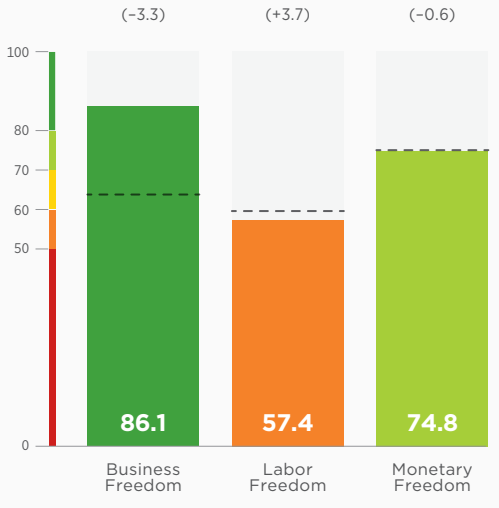
Secured interests in property, both movable and real, are recognized. The system for recording interests in property is recognized and reliable. The judiciary is independent, and the court system operates fairly. Business is generally conducted "above the table," and Norway ranks 7th out of 180 countries on Transparency International's 2018 *Corruption Perceptions Index*. Corrupt activity by government officials is a criminal offense.

GOVERNMENT SIZE



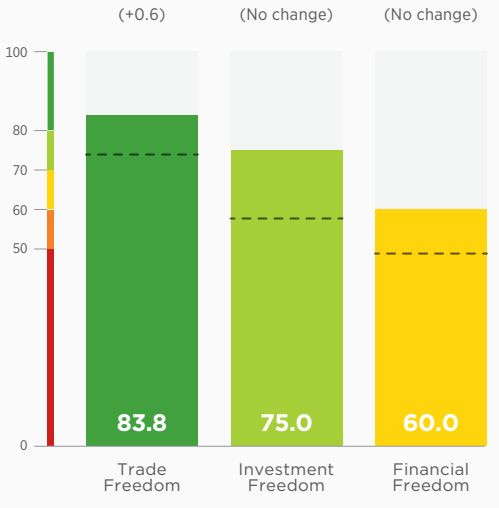
The top personal income tax rate is 47.8 percent, and the corporate tax rate is 22 percent. Other taxes include value-added and environmental taxes. The overall tax burden equals 38.2 percent of total domestic income. Government spending has amounted to 49.8 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 5.5 percent of GDP. Public debt is equivalent to 36.8 percent of GDP.

REGULATORY EFFICIENCY



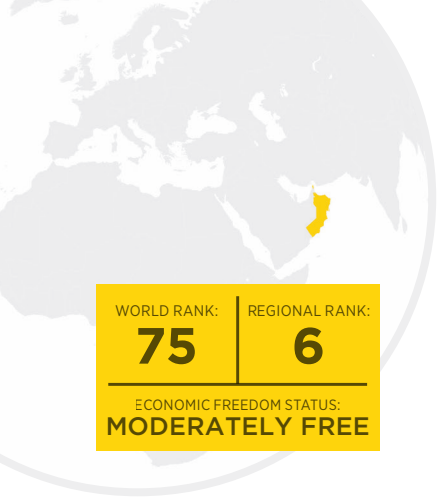
A fair legal system, transparent regulations, and political stability make Norway a secure and transparent place in which to do business, but long-term demographic shifts threaten the business environment. Labor costs are high. Labor market regulation was recently amended to allow more work at night. Monetary stability has been well maintained, but tax incentives and subsidies to encourage home ownership have added to high and rising house prices.

OPEN MARKETS



The total value of exports and imports of goods and services equals 70.6 percent of GDP. The average applied tariff rate is 3.1 percent, and 236 nontariff measures are in force. The investment code is efficiently administered. A new law that introduced control of acquisitions based on national security considerations was adopted in June 2018. The modern financial sector is competitive, although the state retains ownership in the sector.

OMAN



WORLD RANK: **75** | REGIONAL RANK: **6**

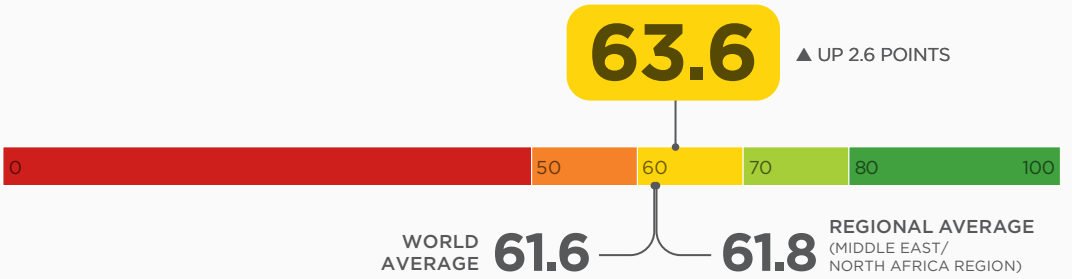
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Oman's economic freedom score is 63.6, making its economy the 75th freest in the 2020 *Index*. Its overall score has increased by 2.6 points, with significant improvements in all areas related to the rule of law. Oman is ranked 6th among 14 countries in the Middle East and North Africa region, and its overall score is slightly above the regional and world averages.

Oman's economy has been in the moderately free category for 25 years. GDP growth over the past half-decade has been steady but unremarkable.

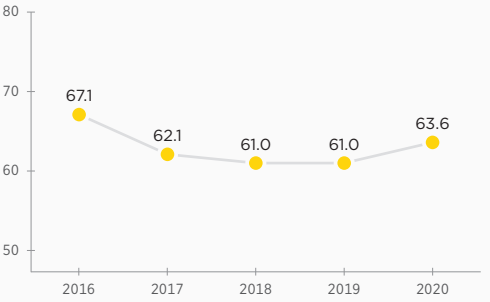
Further improvements in economic freedom would aid the government's efforts to develop the nonoil economy. An effort is underway to develop a new bankruptcy and insolvency law, which would help to improve the country's business environment and increase foreign direct investment inflows. Currently, the sultan appoints and removes all judges, and judicial effectiveness would be further strengthened if the judiciary were independent.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –6.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION: 4.3 million

GDP (PPP): $198.5 billion
2.1% growth in 2018
5-year compound annual growth 2.4%
$46,584 per capita

UNEMPLOYMENT: 3.1%

INFLATION (CPI): 0.9%

FDI INFLOW: $4.2 billion

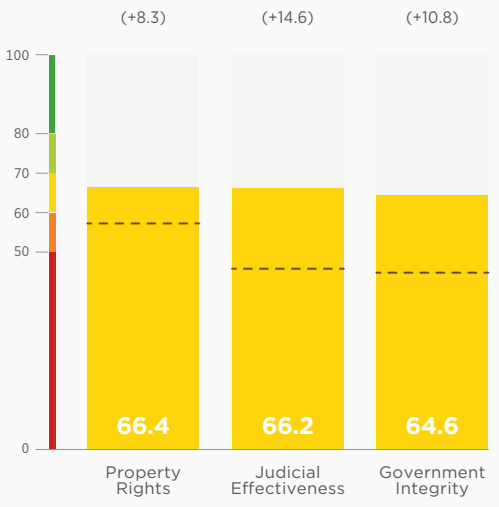
PUBLIC DEBT: 50.9% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Oman, a relatively small oil-producing kingdom that prospered from Indian Ocean trade, is one of the least populous Arab countries. It has been ruled by Sultan Qaboos bin Said Al-Said since 1970. After the Arab Spring protests in 2011, the sultan changed cabinet ministers and implemented reforms by expanding government regulatory and legislative powers. As part of its efforts to decentralize authority and allow greater citizen participation in local governance, Oman conducted its first municipal council elections in 2012. Oman joined the World Trade Organization in 2000 and is heavily dependent on its dwindling oil resources, which generate about four-fifths of government revenue. Tourism, shipping, mining, manufacturing, and gas-based industries are key components of the government's diversification strategy.

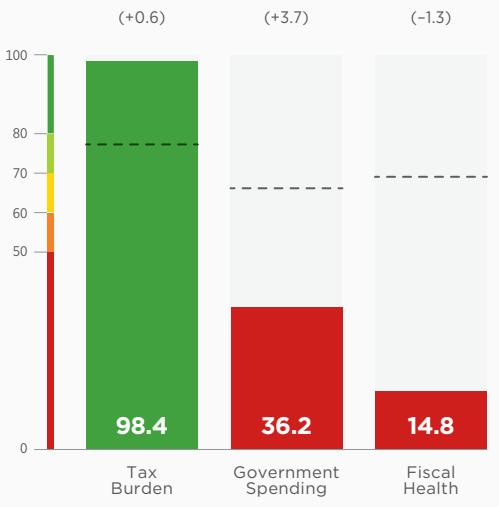
12 ECONOMIC FREEDOMS | OMAN

RULE OF LAW



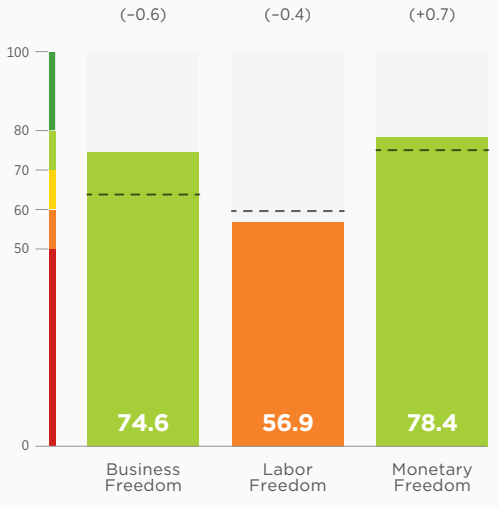
Securitized interests in both moveable and real property are recognized and enforced. The legal system generally facilitates the acquisition and disposition of property rights. The judiciary is not independent and remains subordinate to the sultan and the Ministry of Justice. Oman has stiff laws, regulations, and enforcement against corruption, and authorities have pursued several high-profile cases.

GOVERNMENT SIZE



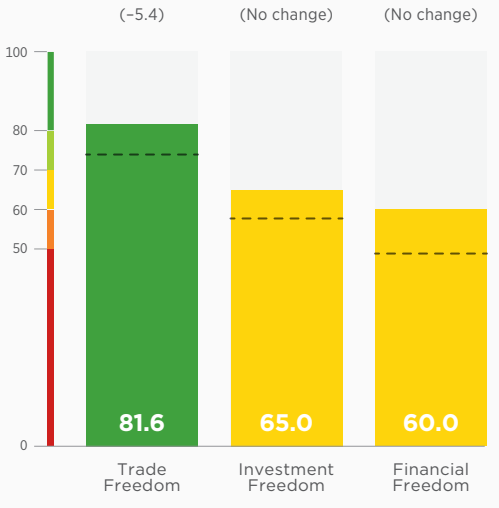
There is no individual income tax, and the top corporate tax rate is 12 percent. There are no consumption or value-added taxes. The overall tax burden equals 4.2 percent of total domestic income. Government spending has amounted to 46.1 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 13.9 percent of GDP. Public debt is equivalent to 50.9 percent of GDP.

REGULATORY EFFICIENCY



The regulatory environment for business is inefficient. Small and medium-size businesses face major hurdles in the form of burdensome bureaucratic procedures and onerous requirements that they employ native Omanis. The cost of government electricity subsidies increased in the 2018–2019 budget.

OPEN MARKETS



The total value of exports and imports of goods and services equals 108.1 percent of GDP. The average applied tariff rate is 1.7 percent, and 19 nontariff measures are in force. Although foreign investment is welcome, sectoral restrictions can be nontransparent and inconsistent. The state continues to dominate a significant portion of the banking sector. Most credit is offered at market rates, but the government subsidizes some loans.

WORLD RANK: 135 | REGIONAL RANK: 32

ECONOMIC FREEDOM STATUS: MOSTLY UNFREE

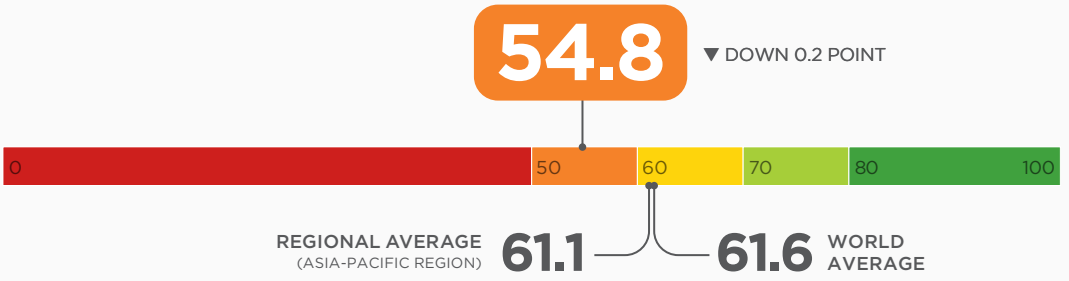
PAKISTAN

Pakistan's economic freedom score is 54.8, making its economy the 135th freest in the 2020 *Index*. Its overall score has decreased by 0.2 point because of a drop in the **fiscal health** score. Pakistan is ranked 32nd among 42 countries in the Asia–Pacific region, and its overall score is well below the regional and world averages.

The Pakistani economy has been mostly unfree since the inception of the *Index* in 1995. GDP growth, however, has been vigorous for the past five years, led by exports of cotton textiles.

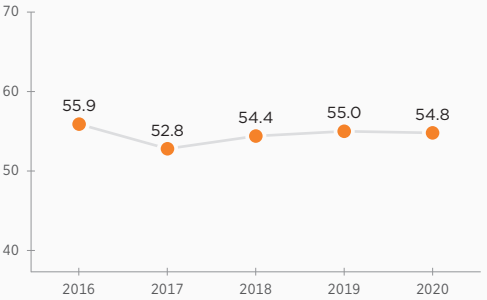
Economic freedom in Pakistan is impeded by inadequate protection of property rights and the government's failure to enforce anticorruption statutes and laws against crimes like money laundering and financing of terrorism. Regulatory inefficiencies, complex labor laws, and an unreliable security situation continue to burden the business environment. High tariffs reduce the buying power of average Pakistanis' income and hurt efforts to reduce poverty.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –2.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
201.0 million

GDP (PPP):
$1.1 trillion
5.2% growth in 2018
5-year compound annual growth 4.7%
$5,680 per capita

UNEMPLOYMENT:
3.0%

INFLATION (CPI):
3.9%

FDI INFLOW:
$2.4 billion

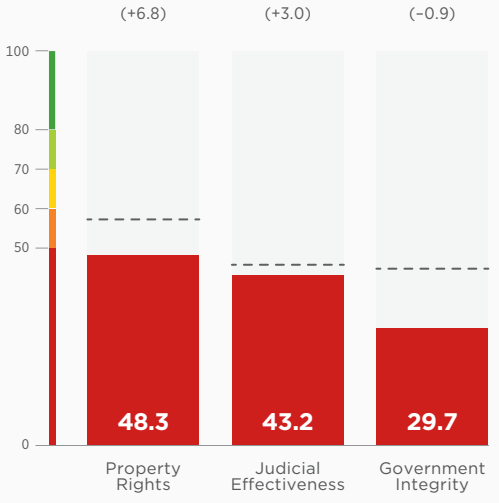
PUBLIC DEBT:
72.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Created during the partition of India in 1947, Pakistan remains a relatively unstable democracy that is threatened by sectarian and terrorist violence. Former cricket star Imran Khan became prime minister after his Pakistan Tehreek-e-Insaf (PTI) party won a plurality in the July 2018 election on promises of job creation, new housing, and economic reforms. Tensions between India and Pakistan remain high. Political and social instability continue to hinder economic development in Pakistan. Textiles and apparel account for most export earnings, but much of the economy is informal, and underemployment remains high. China has pledged over $60 billion in infrastructure and energy investments in a China–Pakistan Economic Corridor.

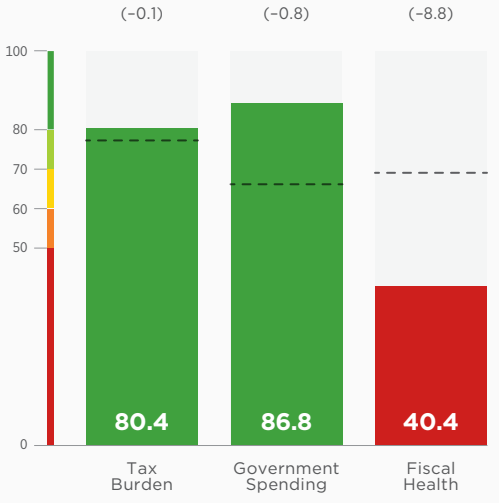
12 ECONOMIC FREEDOMS | PAKISTAN

RULE OF LAW



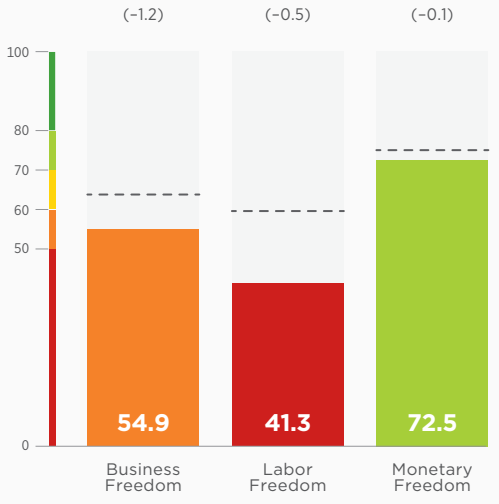
Private property is guaranteed in principle and in law. In practice, however, organized crime, corruption, a weak regulatory environment, and subversion of the legal system often render property rights precarious. The judiciary is politicized and frequently issues rulings that are seen as aligned with the priorities of the military. Prime Minister Imran Khan was elected in 2018 on a pledge to root out corruption among the political elites.

GOVERNMENT SIZE



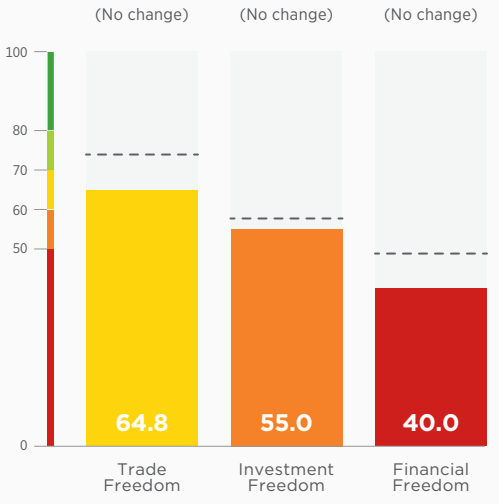
The tax system remains complex despite previous reforms to cut rates and broaden the tax base. The top personal income and corporate tax rates are 30 percent. The overall tax burden equals 12.5 percent of total domestic income. Government spending has amounted to 21 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 5.5 percent of GDP. Public debt is equivalent to 72.1 percent of GDP.

REGULATORY EFFICIENCY



The entrepreneurial spirit of individual Pakistanis finds little support in the business regulatory environment. Minor improvements in the business start-up process fall far short of what is needed. Much of the economy is informal, and underemployment is pervasive. To obtain a $6 billion bailout from the International Monetary Fund in 2019, the government agreed to cut subsidies for fuel and other commodities.

OPEN MARKETS



The total value of exports and imports of goods and services equals 28.0 percent of GDP. The average applied tariff rate is 10.1 percent, and 79 nontariff measures are in force. The investment regime remains inefficient, impeded by political instability, sectarian conflict, and heavy bureaucracy. A majority of commercial banks are private, but the banking sector remains vulnerable to state interference.

PANAMA

WORLD RANK: **55** | REGIONAL RANK: **9**

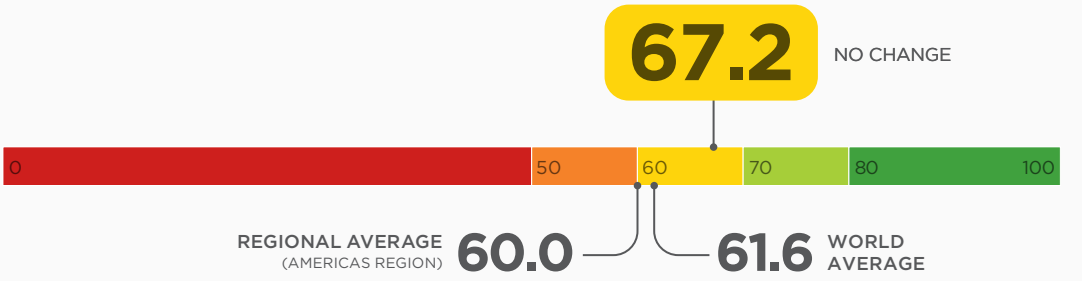
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Panama's economic freedom score is 67.2, making its economy the 55th freest in the 2020 *Index*. Its overall score is unchanged from the 2019 *Index*, with an improved score in **government integrity** offset by declines in other indicators. Panama is ranked 9th among 32 countries in the Americas region, and its overall score is well above the regional and world averages.

The Panamanian economy was considered mostly free in the early years of the *Index* but has been judged only moderately free for the past 19 years. GDP growth over the past five years has been solid due to Panama's role as a logistics and financial hub.

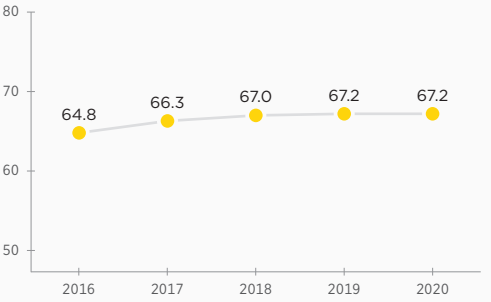
The new president has pledged to tackle institutional weaknesses and fight corruption, which would address government integrity, one of the biggest obstacles to greater economic freedom in Panama. However, the new administration will struggle to shake off poor perceptions of judicial independence and low public trust in politicians, which weigh heavily on another *Index* indicator: business freedom.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –4.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
4.2 million

GDP (PPP):
$106.8 billion
3.9% growth in 2018
5-year compound annual growth 5.0%
$25,675 per capita

UNEMPLOYMENT:
3.9%

INFLATION (CPI):
0.8%

FDI INFLOW:
$5.5 billion

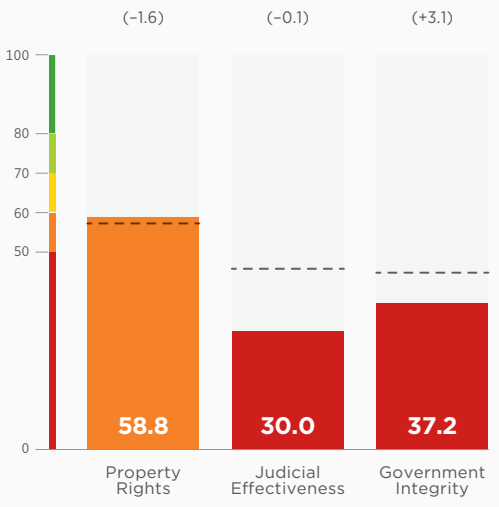
PUBLIC DEBT:
39.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Panama's isthmian canal connecting the Caribbean Sea and Pacific Ocean has been a vital conduit for global commerce ever since it opened in 1914. An ambitious expansion project was completed in 2016. After former President Juan Carlos Varela's single five-year term ended, President Laurentino "Nito" Cortizo of the Revolutionary Democratic Party (PRD) was elected president and took office in July 2019. Although its growth has slowed somewhat in recent years, Panama's U.S. dollar–based economy has been fueled by the canal's expansion and other public infrastructure improvement projects and is based primarily on a well-developed services sector that accounts for more than 75 percent of GDP. A longtime money-laundering hub, Panama recognized China diplomatically in 2017 and began negotiations on a free-trade agreement.

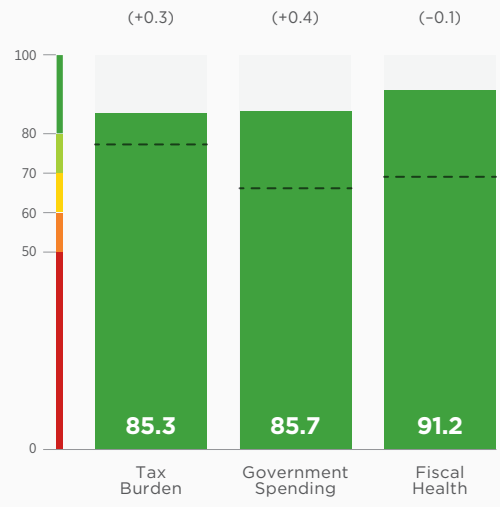
12 ECONOMIC FREEDOMS | PANAMA

RULE OF LAW



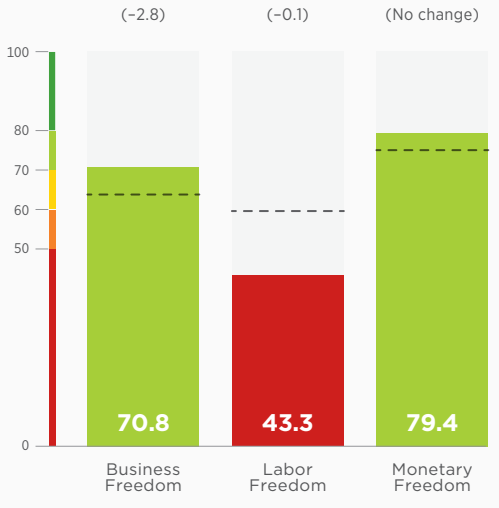
The majority of land in Panama is not titled. Laws to address the lack of titled land have proven ineffective because of institutional deficiencies. The judicial system's capacity to resolve contractual and property disputes is generally considered weak and open to corruption and undue influence. Corruption is rampant in the private sector and at all levels of the Panamanian government.

GOVERNMENT SIZE



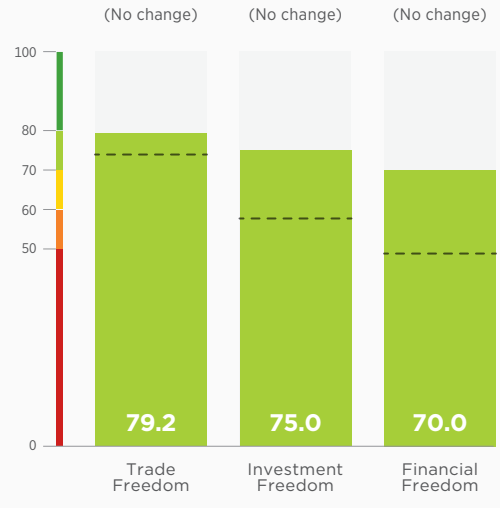
The top personal income and corporate tax rates are 25 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 14.7 percent of total domestic income. Government spending has amounted to 21.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.9 percent of GDP. Public debt is equivalent to 39.4 percent of GDP.

REGULATORY EFFICIENCY



Businesses are generally able to operate without excessive government interference, but the process of applying for permits and titles is opaque and can entail bribes. Panama has one of Latin America's few service-based economies. Lack of skilled labor and English speakers limits business growth. The new government has phased out price controls on basic foodstuffs but has increased subsidies to the agricultural sector to stimulate local food production.

OPEN MARKETS



The total value of exports and imports of goods and services equals 87.6 percent of GDP. The average applied tariff rate is 5.4 percent, and 20 nontariff measures are in force, adding to the cost of trade. Foreign investment is officially welcome and subject to national treatment, but there are sectoral restrictions. The financial sector is vibrant and generally well regulated and provides a wide range of services.

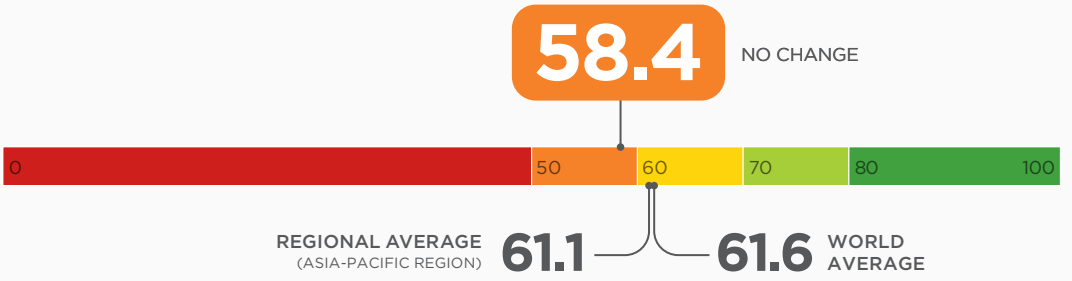
PAPUA NEW GUINEA

Papua New Guinea's economic freedom score is 58.4, making its economy the 108th freest in the 2020 *Index*. Its overall score is unchanged from the 2019 *Index*, with an improved **property rights** score offset by deteriorated scores in other indicators. Papua New Guinea is ranked 23rd among 42 countries in the Asia–Pacific region, and its overall score is slightly below the regional and world averages.

The economy of Papua New Guinea has been mostly unfree since *Index* grading of the country resumed in 2009. GDP growth, powered by oil and gold exports, was interrupted in 2018 by a severe earthquake.

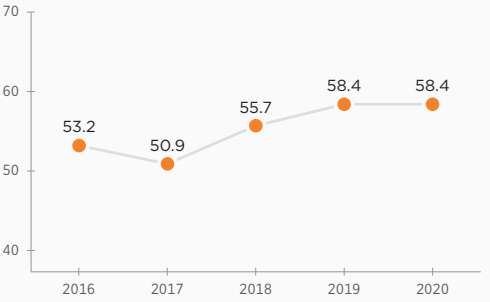
With the fiscal position of the country deteriorating, the government passed a supplementary budget in 2019 that imposed significant spending cuts. A scandal that erupted in 2019 over a large financial transaction involving the government's purchase of partial interest in an oil company highlighted the need to accelerate efforts to fight corruption.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): –0.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
8.4 million

GDP (PPP):
$30.9 billion
0.0% growth in 2018
5-year compound annual growth 5.0%
$3,662 per capita

UNEMPLOYMENT:
2.4%

INFLATION (CPI):
4.7%

FDI INFLOW:
$335.2 million

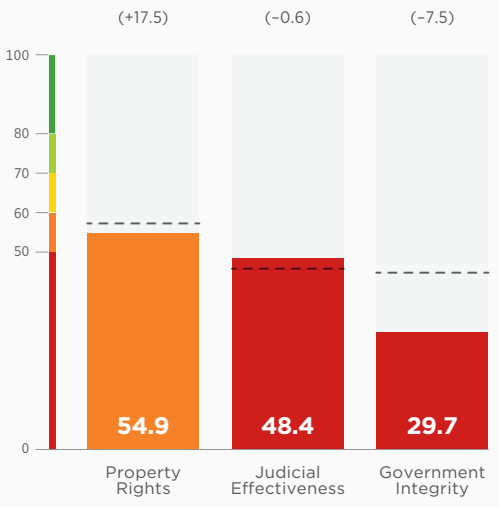
PUBLIC DEBT:
36.9% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Formerly administered by Australia, Papua New Guinea became an independent parliamentary democracy in 1975. Its more than 8 million people speak over 840 different languages. Elections held in 2017 that were marred by violence resulted in a second term in power for the People's National Congress (PNC). Prime Minister James Marape of the Pangu party, however, replaced the PNC's Peter O'Neill in May 2019. Papua New Guinea is richly endowed with natural resources, and its economy's small formal sector is focused on exports of such commodities as gold, copper, oil, and natural gas. The vast majority of the population lives below the poverty line and works informally in subsistence agriculture. Activities related to recovery from the 2018 earthquake will heavily influence the economy over the next several years.

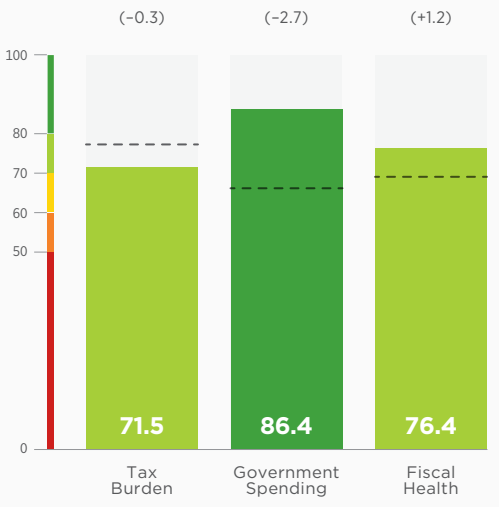
12 ECONOMIC FREEDOMS | PAPUA NEW GUINEA

RULE OF LAW



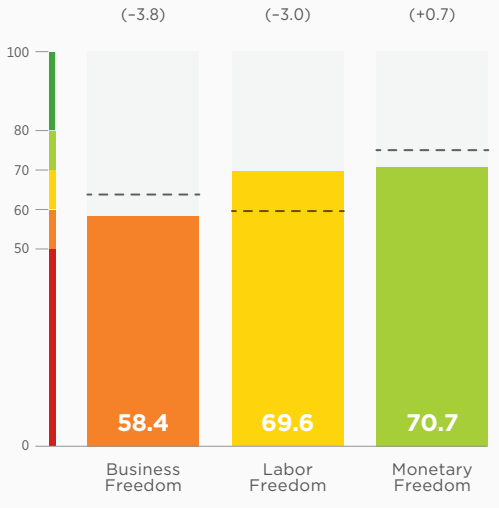
The legal system protects and facilitates the acquisition and disposition of all property rights, but there are substantial delays. Over 80 percent of land is held "customarily" without legal title. Although it is often slow, the judicial system is widely viewed as independent from government interference. Corruption is widespread, particularly the misappropriation of public funds, "skimming" of inflated contracts, and nepotism.

GOVERNMENT SIZE



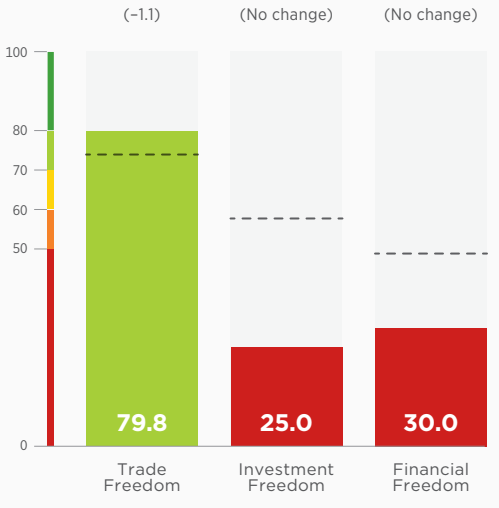
The top individual income tax rate is 42 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and excise taxes. The overall tax burden equals 13.7 percent of total domestic income. Government spending has amounted to 21.3 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 3.6 percent of GDP. Public debt is equivalent to 36.9 percent of GDP.

REGULATORY EFFICIENCY



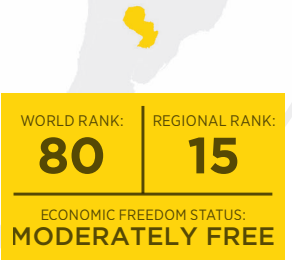
Government interference in the private sector and weak and inefficient government institutional capacity make running a business expensive. Resolution of insolvency is especially costly. Labor regulations are relatively flexible, but informal labor is prevalent. Heavily subsidized state-owned enterprises provide substandard services for power, water, banking, telecommunications, air travel, and seaports.

OPEN MARKETS



The total value of exports and imports of goods and services equals 106.1 percent of GDP. The average applied tariff rate is 2.6 percent, but lingering nontariff barriers add to the cost of trade. Inefficient investment-related regulations stifle the growth of new investment. The availability of financial services is inconsistent throughout the economy, and much of the population remains unserved by the formal banking sector.

PARAGUAY



WORLD RANK: **80** | REGIONAL RANK: **15**

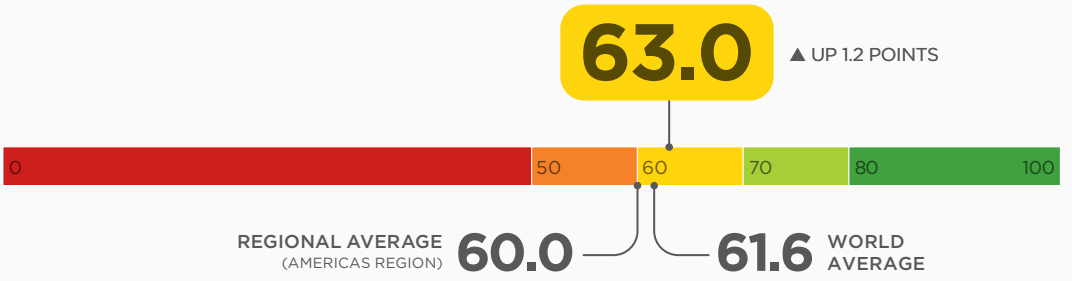
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Paraguay's economic freedom score is 63.0, making its economy the 80th freest in the 2020 *Index*. Its overall score has increased by 1.2 points, primarily because of better control of **government spending**. Paraguay is ranked 15th among 32 countries in the Americas region, and its overall score is slightly above the regional and world averages.

The Paraguayan economy has been moderately free for more than a decade. GDP growth over the past five years has been solid, although it is being affected by slower growth in the region.

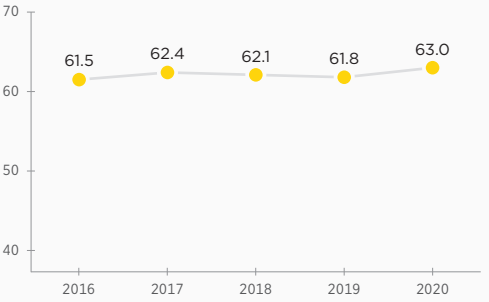
The government is under pressure to take tough action against the growing power of Paraguayan and Brazilian narcotics gangs and pass anti–money laundering legislation. Lingering problems in all areas relating to the rule of law are primarily responsible for Paraguay's long-term failure to advance economic freedom. The government wants to pursue structural tax and pension reforms that would likely boost business confidence and investment, but the proposals are opposed by unions and the left-wing opposition.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –2.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
7.1 million

GDP (PPP):
$94.5 billion
3.7% growth in 2018
5-year compound annual growth 4.2%
$13,395 per capita

UNEMPLOYMENT:
4.7%

INFLATION (CPI):
4.0%

FDI INFLOW:
$453.9 million

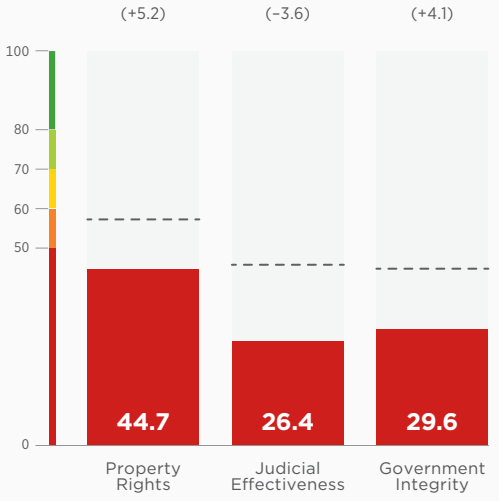
PUBLIC DEBT:
21.6% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Paraguay was established in the 19th century, along with Bolivia and Uruguay, as a buffer state between regional powers Brazil and Argentina. It is a global leader in hydroelectricity production, one-quarter of which is generated by the state-owned Itaipú dam, one of the world's largest and co-owned by Brazil. In the 2018 elections, Mario Abdo of the Colorado Party (PC) was elected to a five-year term, maintaining the PC's control of the presidency. Despite government efforts, Paraguay remains a significant international money-laundering and illicit smuggling hub. Economic growth depends on exports of electricity and such agricultural goods as soybeans, beef, and rice, as well as attractiveness to foreign direct investment.

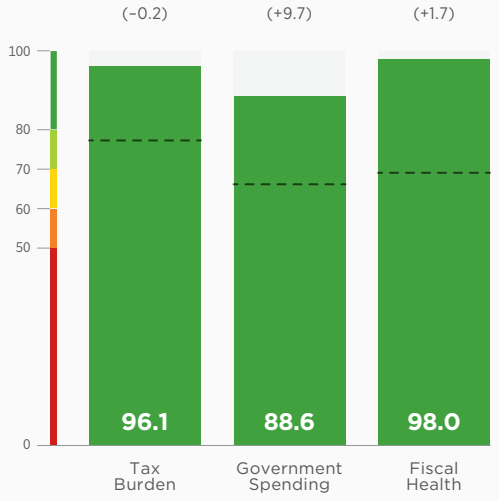
12 ECONOMIC FREEDOMS | PARAGUAY

RULE OF LAW



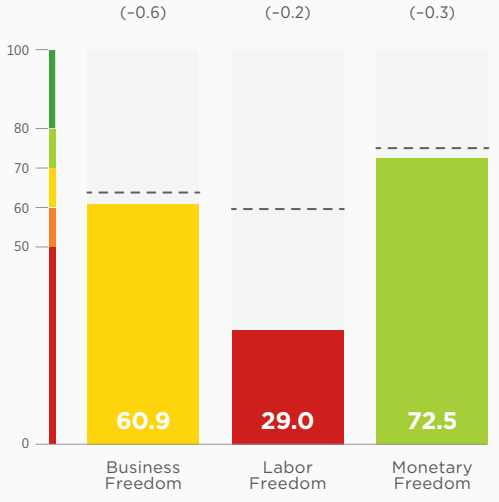
A lack of consistent property surveys and registries often makes it difficult to acquire title documents for land, leaving property rights and contracts insecure. The judiciary is nominally independent, but money laundering, drug trafficking, and other criminal operations, particularly in regions adjacent to Brazil, sometimes intimidate judges. Corruption is a serious problem, and anticorruption laws have been poorly implemented.

GOVERNMENT SIZE



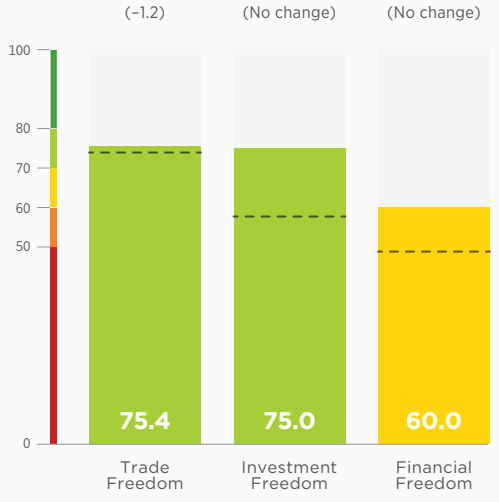
The top personal income and corporate tax rates are 10 percent. Other taxes include value-added and property taxes. The overall tax burden equals 13.8 percent of total domestic income. Government spending has amounted to 19.5 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 0.8 percent of GDP. Public debt is equivalent to 21.6 percent of GDP.

REGULATORY EFFICIENCY



The slow pace of structural reform has adversely affected entrepreneurism. The difficulty of firing long-term full-time workers encourages the hiring of "temporary" workers with periodically renewed contracts, which is one indicator of an outsized informal sector. The government sets electricity rates and subsidizes state-owned enterprises in public transport, fuel importation and distribution, telecommunications, alcoholic beverages, and cement.

OPEN MARKETS



The total value of exports and imports of goods and services equals 69.8 percent of GDP. The average applied tariff rate is 4.8 percent, and 16 nontariff measures are in force. Most sectors are open to private investment, and equal treatment of foreign investment is formally guaranteed, but the overall investment regime lacks efficiency. The level of financial services and intermediation has been improving gradually.

WORLD RANK: **51**

REGIONAL RANK: **8**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

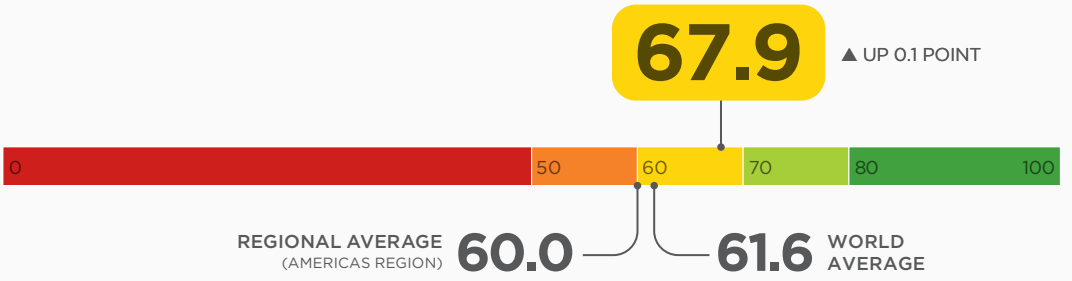
PERU

Peru's economic freedom score is 67.9, making its economy the 51st freest in the 2020 *Index*. Its overall score has increased by 0.1 point due to slight increases in scores for **monetary freedom** and **trade freedom**. Peru is ranked 8th among 32 countries in the Americas region, and its overall score is well above the regional and world averages.

The Peruvian economy has been in the upper reaches of the moderately free category for over a decade. GDP growth over the past five years has been solid.

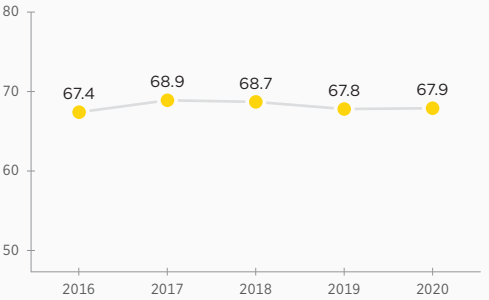
The president's priorities—antigraft reform, pro-competition policy, and infrastructure development—would address weaknesses identified by the *Index* that hold back economic freedom in Peru. The government has also proposed legislation to reduce high nonwage labor costs.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +11.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
32.2 million

GDP (PPP):
$457.5 billion
4.0% growth in 2018
5-year compound annual growth 3.2%
$14,224 per capita

UNEMPLOYMENT:
2.8%

INFLATION (CPI):
1.3%

FDI INFLOW:
$6.2 billion

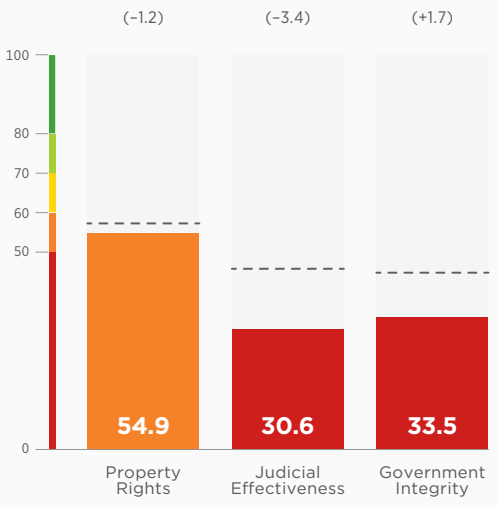
PUBLIC DEBT:
26.8% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: In the last third of the 20th century, Peru alternated between military rule and democracy. A violent multidecade guerilla insurgency was defeated in the 1990s by ex-President Alberto Fujimori, an authoritarian who nevertheless implemented a liberal economic reform agenda. President Martín Vizcarra of the center-right Peruvians for Change party, which holds just nine seats in the 130-seat Congress, assumed office in 2018 after allegations of corruption forced the former president to resign. Vizcarra accused the legislature of blocking his antigraft reforms, and after repeated clashes, he dissolved Congress in September 2019. A founding member of the Pacific Alliance, natural resource–rich Peru has implemented free-trade agreements to promote export-led growth. Peru remains the world's second-largest producer of cocaine.

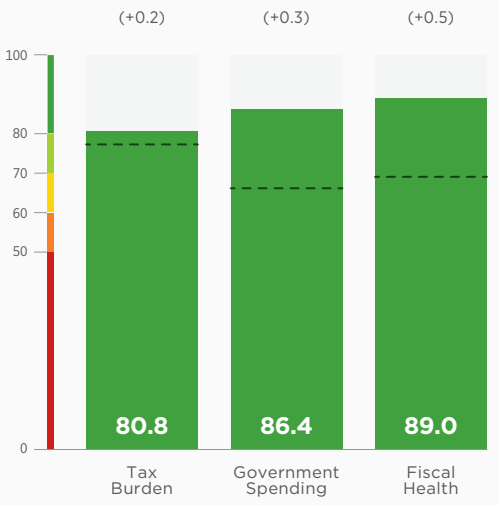
12 ECONOMIC FREEDOMS | PERU

RULE OF LAW



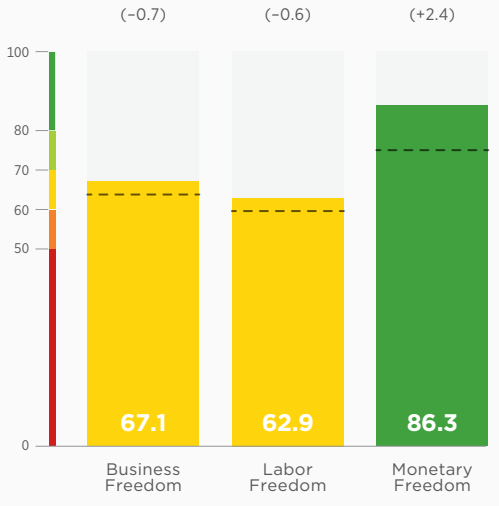
Property rights are enforced. Mortgages and liens are possible, and the recording system is reliable. The judiciary is slow to hear cases and issue decisions and is perceived as one of the most corrupt institutions in the country. Corruption is widespread, particularly in public procurement, eroding faith in Peru's institutions and damaging the country's generally positive investment climate.

GOVERNMENT SIZE



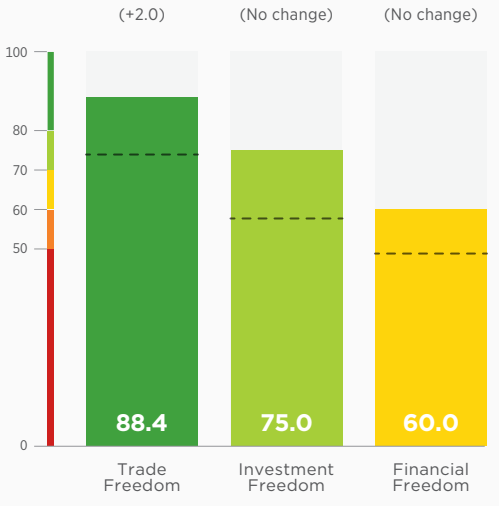
The top personal income tax rate is 30 percent, and the top corporate tax rate is 28 percent. Other taxes include value-added and financial transactions taxes. The overall tax burden equals 15.3 percent of total domestic income. Government spending has amounted to 21.3 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.4 percent of GDP. Public debt is equivalent to 26.8 percent of GDP.

REGULATORY EFFICIENCY



Peru continues to chip away at regulations that impede business formation (for example, by shortening the time it takes to obtain a municipal license and a building safety technical inspection). The overall pace of reform, however, is slow. The number of new entrants to the labor market exceeds the number of available jobs, but the overall unemployment rate is low. Lower oil prices in 2019 have led to reduced government expenditures on subsidies.

OPEN MARKETS



The total value of exports and imports of goods and services equals 49.0 percent of GDP. The average applied tariff rate is 0.8 percent, but numerous nontariff barriers raise the cost of trade. Lingering bureaucratic deficiencies continue to hamper investment growth. The financial sector has undergone gradual transformation. Credit to the private sector has increased steadily, and foreign participation in the financial sector is also growing.

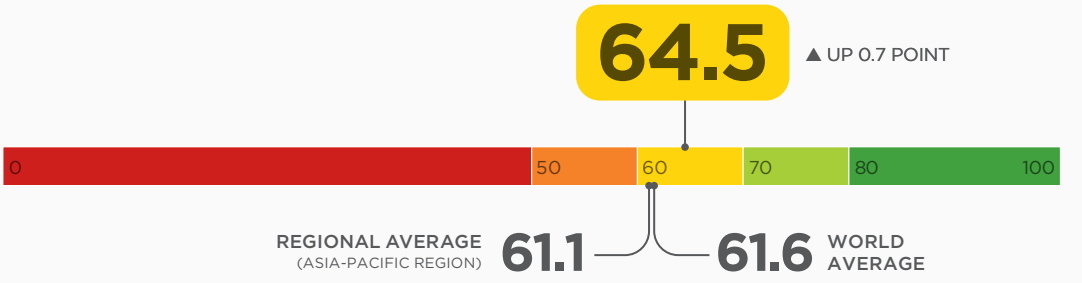
PHILIPPINES

The Philippines' economic freedom score is 64.5, making its economy the 70th freest in the 2020 *Index*. Its overall score has increased by 0.7 point due primarily to a higher **government integrity** score. The Philippines is ranked 14th among 42 countries in the Asia–Pacific region, and its overall score is well above the regional and world averages.

The Philippine economy has retained its moderately free rank for the seventh year in a row. GDP growth has boomed as well, averaging more than 6 percent for the past five years, but the pace of growth is slowing along with global commerce.

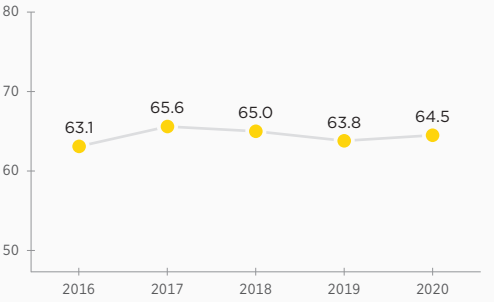
To boost economic growth and continue to gain more economic freedom, the government needs to focus on the country's lagging *Index* indicators related to the rule of law and the regulatory environment. The president's 2019 veto of a bill to make labor laws more rigid was a good sign, as was the indictment of the former chief of the Philippine National Police on corruption charges.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +9.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
106.6 million

GDP (PPP):
$952.6 billion
6.2% growth in 2018
5-year compound annual growth 6.4%
$8,936 per capita

UNEMPLOYMENT:
2.5%

INFLATION (CPI):
5.2%

FDI INFLOW:
$6.5 billion

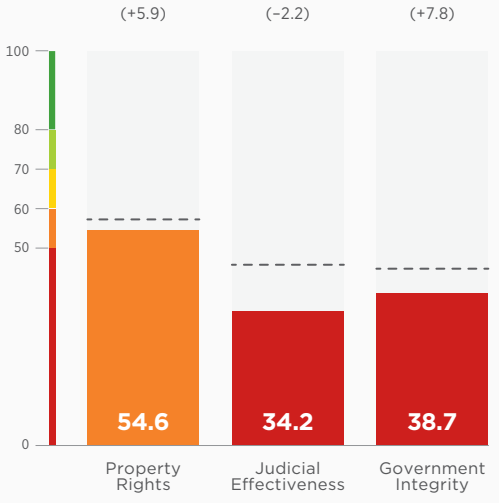
PUBLIC DEBT:
39.6% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: A former colony of Spain and then of the United States that is spread over 7,000 linguistically diverse Western Pacific islands, the Philippines became a self-governing commonwealth in 1935. President Rodrigo Duterte, elected in 2016, has consolidated power by marginalizing his opponents. The brutality of his crackdown on illegal drug trafficking reflects authoritarian tendencies. Nevertheless, in a sign of widespread public support, Duterte was strengthened politically when his allies swept the 2019 midterm Senate elections. To improve economic relations, Duterte has downplayed tensions with China. Agriculture is still a significant part of the economy, but industrial production in such areas as electronics, apparel, and shipbuilding has been growing rapidly. Remittances from overseas workers are equivalent to 10.5 percent of GDP.

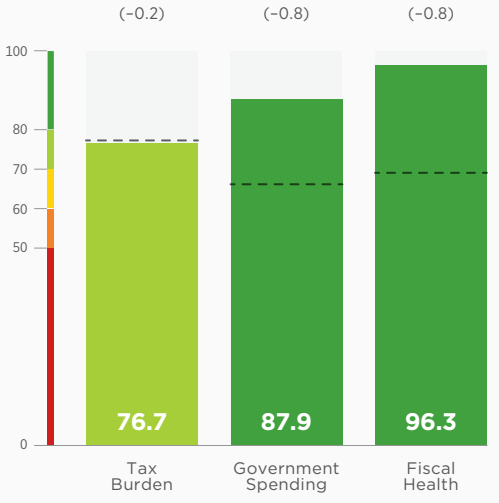
12 ECONOMIC FREEDOMS | PHILIPPINES

RULE OF LAW



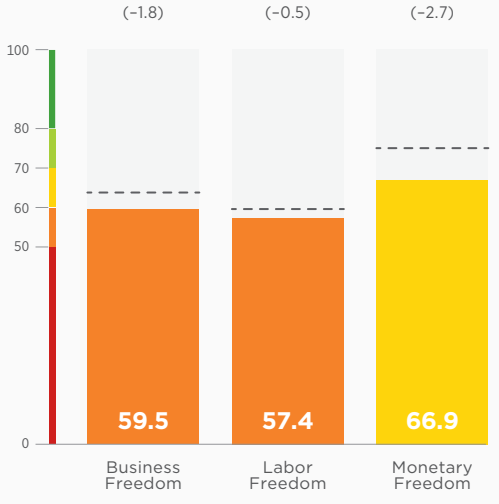
The Philippines recognizes property rights, but the enforcement of relevant laws is weak and fragmented. Property registration processes are tedious and costly. Judicial independence has deteriorated under the Duterte administration. Courts are inefficient, biased, corrupt, slow, and hampered by low pay, intimidation, and complex procedures. Corruption and cronyism are pervasive, and a culture of impunity hinders anticorruption efforts.

GOVERNMENT SIZE



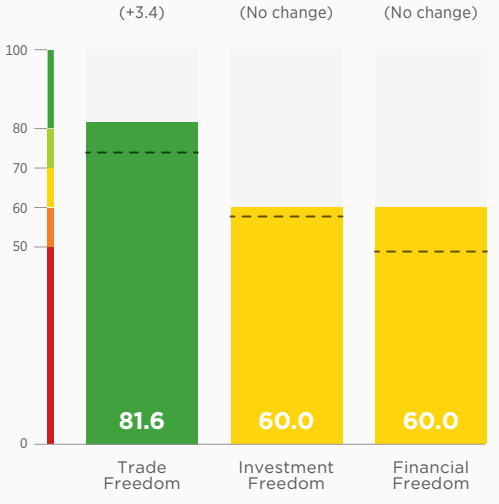
The top individual income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and environmental taxes. The overall tax burden equals 14.2 percent of total domestic income. Government spending has amounted to 20.1 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 0.6 percent of GDP. Public debt is equivalent to 39.6 percent of GDP.

REGULATORY EFFICIENCY



Protection of minority investors and risk-management practices in the construction sector have been improved, but the overall competitiveness of the business regulatory environment has deteriorated. Tax registration costs have increased. Labor costs are low. Workers are highly motivated. The government budgeted more funds for subsidies to state-owned enterprises in 2019, but actual payments to some SOEs have declined.

OPEN MARKETS



The total value of exports and imports of goods and services equals 76.1 percent of GDP. The average applied tariff rate is 1.7 percent, and 285 nontariff measures are in force. In a move to attract longer-term foreign investment, foreign ownership ceilings in a number of sectors have been raised. The financial sector, which is gradually modernizing, remains relatively stable and sound.

POLAND

WORLD RANK: **46** | REGIONAL RANK: **25**

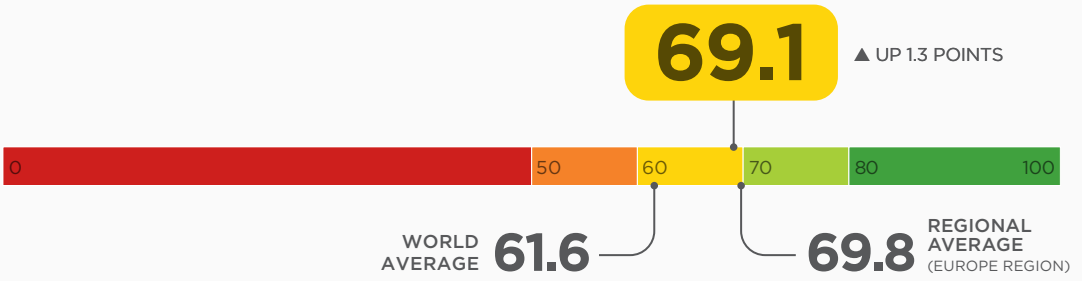
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Poland's economic freedom score is 69.1, making its economy the 46th freest in the 2020 *Index*. Its overall score has increased by 1.3 points, primarily because of a higher **government integrity** score. Poland is ranked 25th among 45 countries in the Europe region, and its overall score is approximately equal to the regional average and well above the world average.

The Polish economy has been climbing the ranks of the moderately free for more than a decade. That progress has been matched by steady GDP growth over the past five years, driven by booming private consumption and investment.

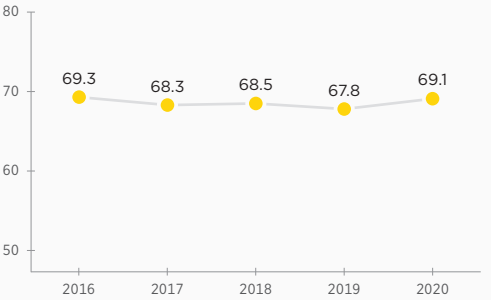
To make it over the hurdle into the ranks of the mostly free economies, the government will have to confront its most problematic *Index* indicator: government overspending. Cognizant of that imperative, the newly reelected government has tabled a draft 2020 budget that targets a balanced central government budget and a general government shortfall of just 0.3 percent of GDP.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +18.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
38.0 million

GDP (PPP):
$1.2 trillion
5.1% growth in 2018
5-year compound annual growth 4.0%
$31,939 per capita

UNEMPLOYMENT:
3.7%

INFLATION (CPI):
1.6%

FDI INFLOW:
$11.5 billion

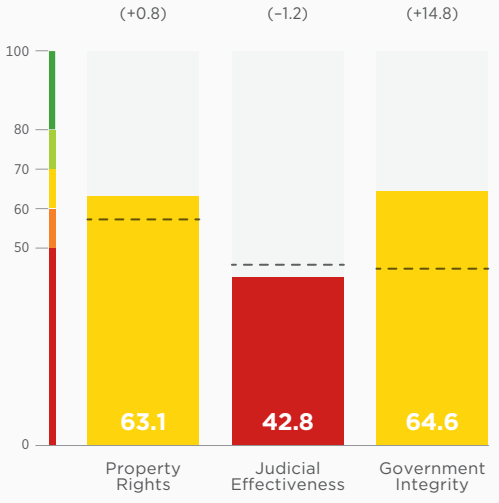
PUBLIC DEBT:
48.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Poland helped to bring down the Soviet Union in 1990, joined NATO in 1999, and became a member of the European Union in 2004. The conservative and euroskeptic Law and Justice Party (PiS), first elected to power in 2015, won an even bigger parliamentary majority in October 2019 elections. The government continues to clash with the EU over mandatory migrant quotas. Encouraged by a strong manufacturing sector and infrastructure investment, Poland has become the EU's eighth-largest economy, although it is somewhat constrained by labor shortages in such key sectors as construction and information technology. Tensions exist between the poorer and rural eastern region of the country and the more prosperous and industrialized western region.

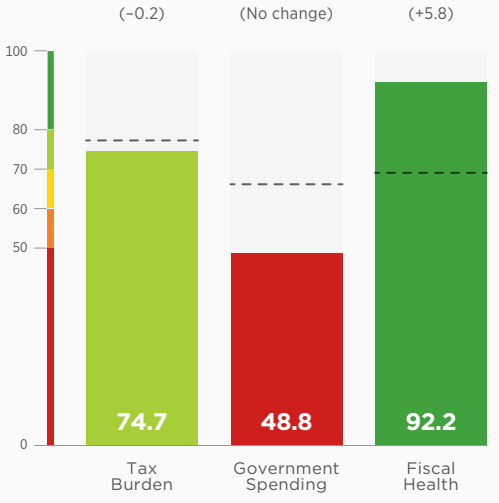
12 ECONOMIC FREEDOMS | POLAND

RULE OF LAW



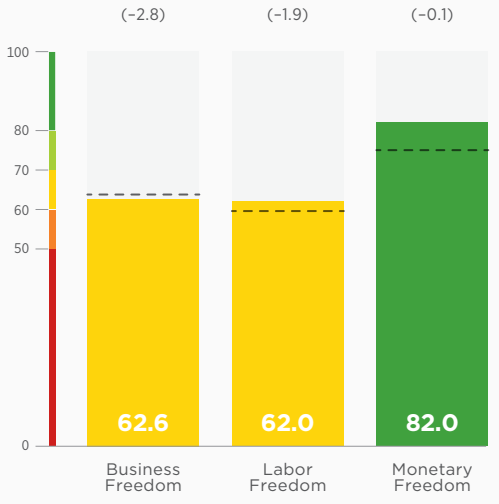
Secured interests in property, both movable and real, are recognized and enforced through a reliable recording system. A key concern regarding the judiciary is the executive's recently expanded power to remove up to 40 percent of the Supreme Court's judges and the justice minister's power to discipline judges. Allegations of corruption occur most frequently in connection with government contracts and the issuance of regulations or permits.

GOVERNMENT SIZE



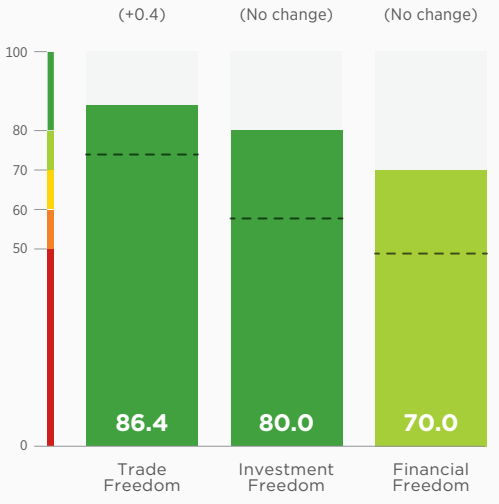
The top individual income tax rate is 32 percent, and the corporate tax rate is a flat 19 percent. Other taxes include value-added and property taxes. The overall tax burden equals 33.9 percent of total domestic income. Government spending has amounted to 41.3 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.4 percent of GDP. Public debt is equivalent to 48.4 percent of GDP.

REGULATORY EFFICIENCY



The tax system for businesses has become somewhat more complicated. Policy changes are sometimes fast-tracked without input from businesses or labor unions. Rules supported by powerful labor unions cause employers to use more temporary and contract workers that they can fire more easily. In late 2018, the government received a waiver from new EU electricity market regulations to permit state subsidies to coal-fired power stations beyond 2025.

OPEN MARKETS



The total value of exports and imports of goods and services equals 107.2 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Poland has an additional 340 country-specific nontariff barriers. Foreign and domestic investors are generally treated equally. The financial sector consists mainly of private banks, and capital markets are expanding.

PORTUGAL

WORLD RANK:	REGIONAL RANK:
56	29

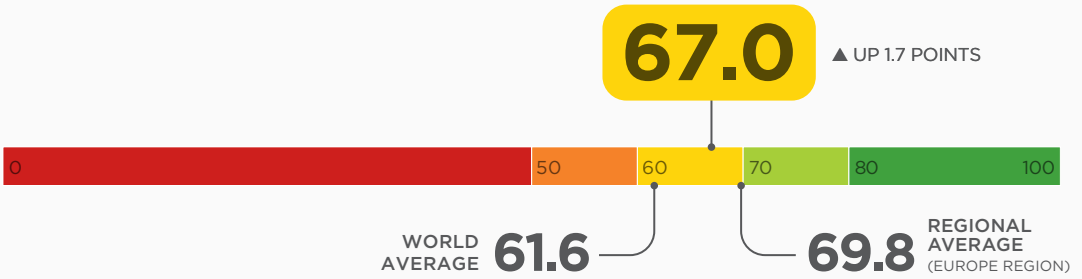
ECONOMIC FREEDOM STATUS:
MODERATELY FREE

Portugal's economic freedom score is 67.0, making its economy the 56th freest in the 2020 *Index*. Its overall score has increased by 1.7 points due primarily to an increase in the **government integrity** score. Portugal is ranked 29th among 45 countries in the Europe region, and its overall score is slightly below the regional average and well above the world average.

The Portuguese economy has been rated moderately free since the inception of the *Index* in 1995. GDP growth has been soft for the past five years as investment growth and exports have contracted in the context of weaker eurozone momentum.

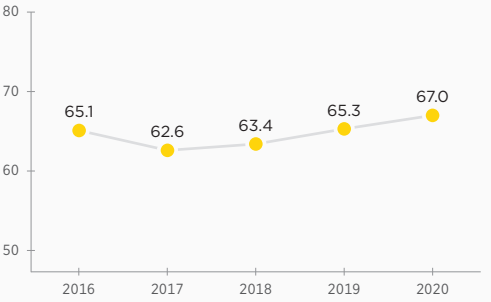
The two lagging *Index* indicators that the last conservative government tried to improve (government spending and labor freedom) are still the main problems holding back economic freedom in Portugal. Now, however, with GDP growth slowing and a weak financial sector posing risks, there is a growing political consensus around the types of fiscally prudent policies that the socialists recently rejected.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +4.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
10.3 million

GDP (PPP):
$329.2 billion
2.1% growth in 2018
5-year compound annual growth 1.9%
$32,006 per capita

UNEMPLOYMENT:
6.9%

INFLATION (CPI):
1.2%

FDI INFLOW:
$4.9 billion

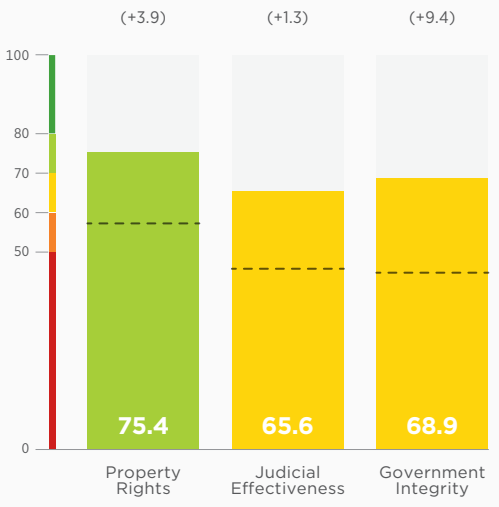
PUBLIC DEBT:
121.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Portugal returned to democracy in 1976 and joined the European Union in 1986. Socialist Prime Minister António Costa, first elected in 2015, was able to form another minority government after October 2019 elections. To pass legislation, he will depend, as before, on the support of the Communists and other hard-left parties. Costa terminated many of his predecessor's reforms that had reduced the deficit, allowed a return to bond markets, and reduced labor market rigidities. Leading sectors include financial services, telecommunications, and a buoyant tourism industry. In April 2019, shareholders of Portugal's largest electrical utility blocked a takeover bid by its largest shareholder, a Chinese state-owned enterprise. Unemployment has fallen significantly since 2013, but joblessness among youth remains persistently high.

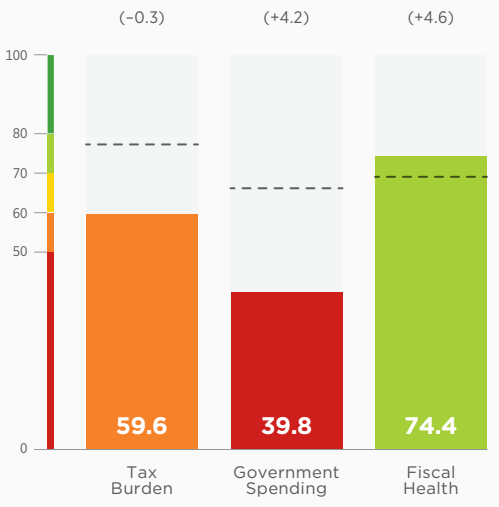
12 ECONOMIC FREEDOMS | PORTUGAL

RULE OF LAW



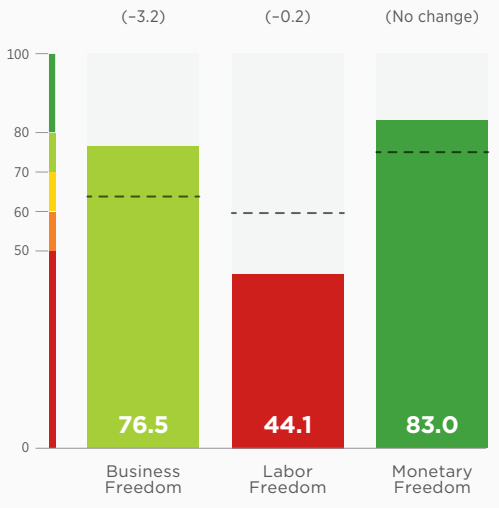
Enforcement of property rights is reliable. Online registration of property is fairly easy. The independence of the judiciary is respected, although staff shortages and inefficiency have created a large case backlog. Lawmakers have made progress in further criminalizing corruption, but a 2019 Council of Europe report found Portugal to be the least compliant European country in the upgrading of anticorruption measures.

GOVERNMENT SIZE



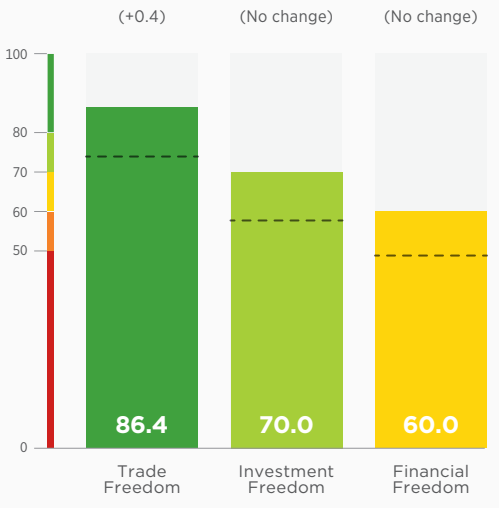
The top personal income tax rate is 48 percent, and the top corporate tax rate is 23 percent. Other taxes include a value-added tax. The overall tax burden equals 34.7 percent of total domestic income. Government spending has amounted to 41.3 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.9 percent of GDP. Public debt is equivalent to 121.4 percent of GDP.

REGULATORY EFFICIENCY



With an efficient regulatory framework and transparent rules for forming and operating a private enterprise, the overall business environment is still attractive. The inflexibility of labor regulations remains burdensome and costly. Low labor productivity is also a challenge. In 2019, the European Commission approved a €320 million program to subsidize state-owned biomass energy production at stations with a high risk of forest fires.

OPEN MARKETS



The total value of exports and imports of goods and services equals 87.0 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. The overall investment framework is efficient, but some sectors are restricted. The financial sector has undergone an intense restructuring process that has resulted in greater solvency, liquidity, and asset quality.

QATAR

WORLD RANK: **31**

REGIONAL RANK: **3**

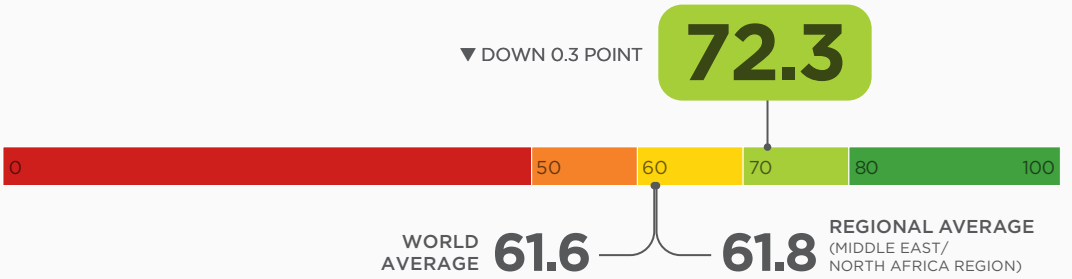
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Qatar's economic freedom score is 72.3, making its economy the 31st freest in the 2020 *Index*. Its overall score has decreased by 0.3 point due to a drop in the **government integrity** score. Qatar is ranked 3rd among 14 countries in the Middle East and North Africa region, and its overall score is well above the regional and world averages.

2020 marks the 10th anniversary of the Qatari economy's inclusion in the *Index*'s mostly free category, although it has not risen very far up those ranks. GDP has recorded modest growth during the past five years.

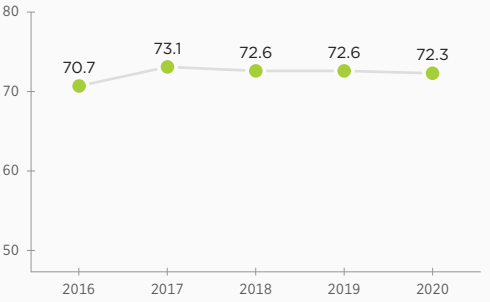
The "Arab Quartet" boycott's effect on Qatar has dampened economic growth. The government feels forced to maintain a high level of spending. State-run institutions have launched initiatives aimed at diversifying and localizing aspects of operations, and the economy more broadly, over the next few years. These actions will not ameliorate the problems that dampen economic freedom in Qatar.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1999): +10.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
2.7 million

GDP (PPP):
$354.8 billion
2.2% growth in 2018
5-year compound annual growth 2.7%
$130,475 per capita

UNEMPLOYMENT:
0.1%

INFLATION (CPI):
0.2%

FDI INFLOW:
–$2.1 billion

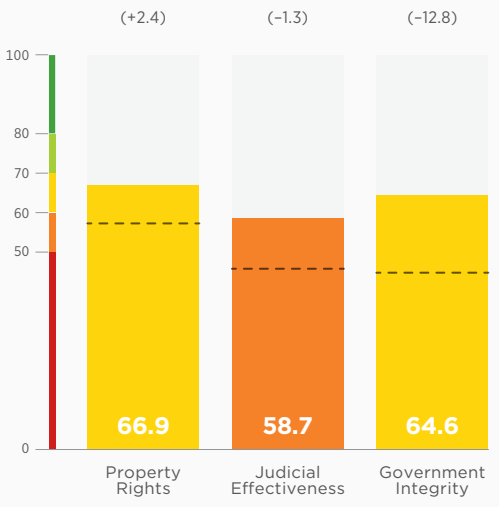
PUBLIC DEBT:
48.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Once a poor British protectorate noted mainly for pearling, Qatar gained independence in 1971 and has become one of the world's richest countries because of its massive reserves of oil and natural gas. Sheikh Tamim bin Hamad Al-Thani, in power since 2013, has promoted improvements in infrastructure, health care, and education, as well as expansion of Qatar's manufacturing, construction, and financial services sectors. In 2017, Saudi Arabia, Bahrain, Egypt, and the United Arab Emirates broke diplomatic relations with Qatar, citing its support for Islamist extremists and its friendly relations with Iran. Since winning its controversial bid to host the 2022 World Cup, the government has expedited large infrastructure projects including roads, light rail transportation, a new port, stadiums, and other sporting facilities.

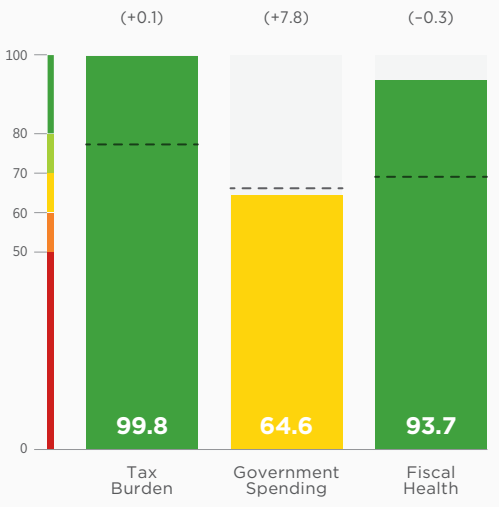
12 ECONOMIC FREEDOMS | QATAR

RULE OF LAW



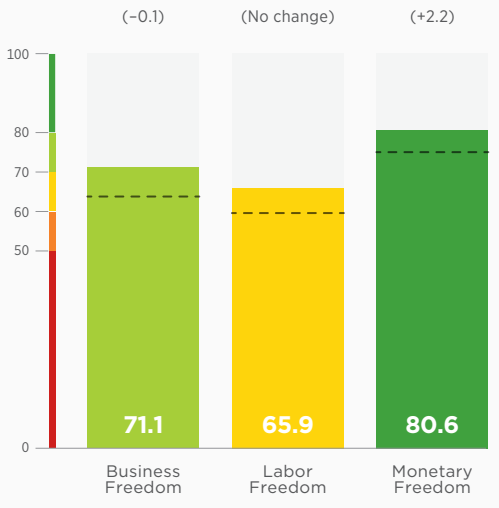
Property leasehold rights are enforced, although property rights for non-Qataris are restricted. The judiciary is not independent in practice. Many judges are foreign nationals serving under temporary contracts. The Supreme Judicial Council nominates Qatari judges for appointment by the emir. Although Qatar is one of the least corrupt Middle Eastern countries, critics have accused the government of using corrupt tactics to win the 2022 World Cup.

GOVERNMENT SIZE



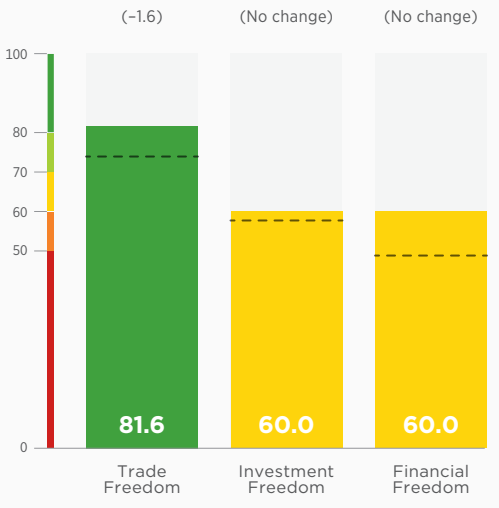
There is no personal income tax or domestic corporate tax. Foreign corporations operating in Qatar are subject to a flat 10 percent corporate rate. The overall tax burden equals 4.9 percent of total domestic income. Government spending has amounted to 34.3 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.0 percent of GDP. Public debt is equivalent to 48.4 percent of GDP.

REGULATORY EFFICIENCY



Qatar has made minor adjustments to the process for starting a business and has guaranteed borrowers the legal right to access credit data kept by the credit registry. The vast majority of workers are foreigners. The unemployment rate is among the lowest in the world. Gasoline subsidies have been eliminated, and utility subsidies have been reduced, but the government allegedly has funneled billions in subsidies to state-owned Qatar Airways.

OPEN MARKETS



The total value of exports and imports of goods and services equals 88.3 percent of GDP. The average applied tariff rate is 4.2 percent, and lingering nontariff barriers increase the cost of trade. In 2019, a new law was enacted to ease restrictions on foreign investment. The financial sector has undergone modernization, attracting more foreign firms. The government retains considerable ownership in the sector.

ROMANIA

WORLD RANK: **38**

REGIONAL RANK: **21**

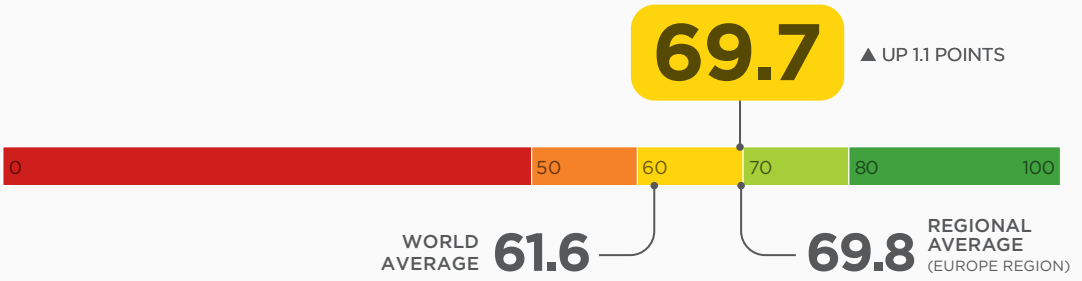
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Romania's economic freedom score is 69.7, making its economy the 38th freest in the 2020 *Index*. Its overall score has increased by 1.1 points due to a higher **government integrity** score. Romania is ranked 21st among 45 countries in the Europe region, and its overall score almost matches the regional average and is well above the world average.

The Romanian economy has been rising through the ranks of the moderately free for more than a decade. GDP has been expanding at a healthy pace as well.

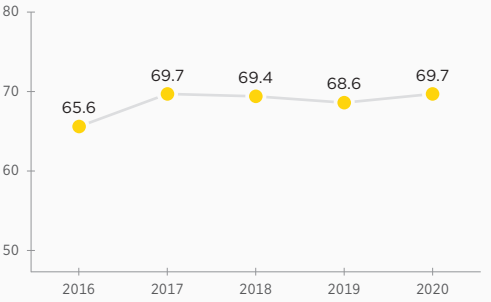
For Romania to make the leap into the mostly free economic freedom category, the government will have to repair the weakest link in the country's economic freedom chain: the low integrity of the government and its ineffective fight against corruption.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +26.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
19.5 million

GDP (PPP):
$516.3 billion
4.1% growth in 2018
5-year compound annual growth 4.6%
$26,447 per capita

UNEMPLOYMENT:
4.3%

INFLATION (CPI):
4.6%

FDI INFLOW:
$5.9 billion

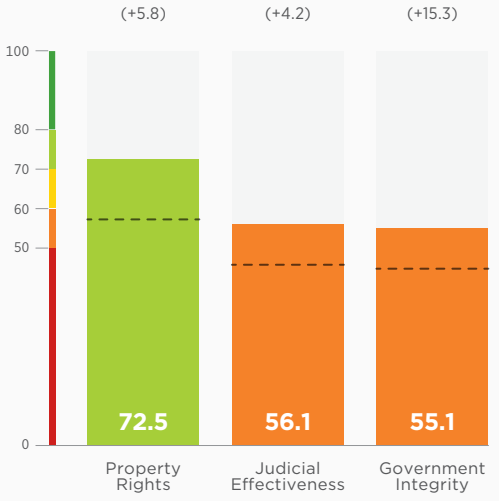
PUBLIC DEBT:
36.6% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Romania's transition to a free-market economy began with its new constitution in 1991, followed by membership in NATO in 2004 and the European Union in 2007. The former center-left Social Democratic Party (PSD) government was ousted in October 2019 in a no-confidence vote triggered by attempts to weaken anticorruption laws and judicial independence. Prime Minister Ludovic Orban's conservative National Liberal Party formed a minority government. Independent President Klaus Iohannis also rode his opposition to PSD reforms to a landslide reelection victory in November. With a strategic position on the Black Sea, Romania has extensive natural resources, a productive agriculture sector, and one of Europe's most rapidly growing economies. Leading economic sectors include manufacturing, auto assembly, textiles and footwear, petroleum refining, mining, and timber.

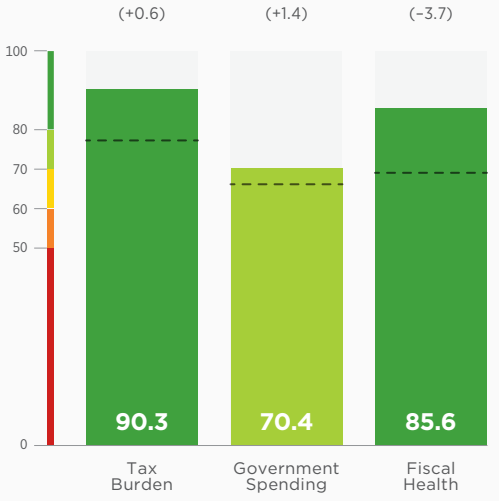
12 ECONOMIC FREEDOMS | ROMANIA

RULE OF LAW



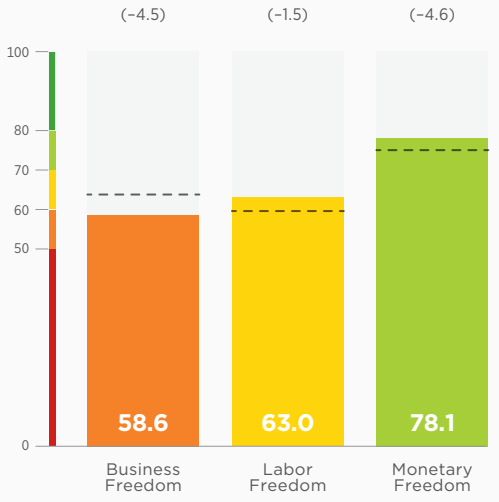
Although the right to ownership of private property is guaranteed by law, the property registry is inadequate and an impediment to investment. Inconsistency and a lack of predictability in the jurisprudence of the courts and the interpretation of the laws remain major concerns. High levels of corruption, bribery, and abuse of power remain problems.

GOVERNMENT SIZE



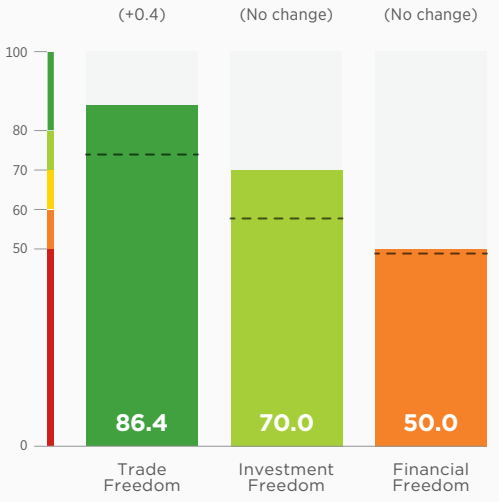
The personal income tax rate has been cut to a flat 10 percent, and the corporate tax rate is a flat 16 percent. Other taxes include value-added and environmental taxes. The overall tax burden equals 24.7 percent of total domestic income. Government spending has amounted to 31.4 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.7 percent of GDP. Public debt is equivalent to 36.6 percent of GDP.

REGULATORY EFFICIENCY



Legislative instability, unpredictable decision-making, and the low quality of institutions create an uphill battle for business owners. Labor force participation is among the lowest in the European Union, and the labor market is heavily regulated. The transfer of payroll taxes from employers to employees in 2018 increased administrative costs. The government opposes the EU's move to reduce farm subsidies and continues to subsidize the energy sector.

OPEN MARKETS



The total value of exports and imports of goods and services equals 86.5 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Romania has an additional 20 country-specific nontariff barriers. Despite some progress, foreign investment is undercut by regulatory inefficiency. The level of financial intermediation remains one of the lowest in the region.

WORLD RANK: **94**

REGIONAL RANK: **43**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

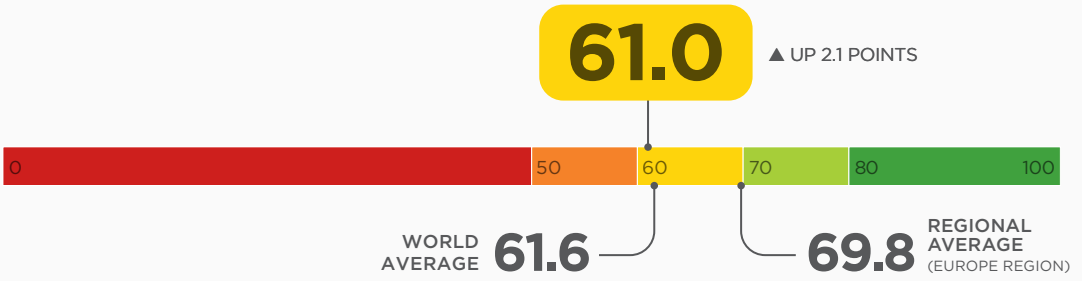
RUSSIA

Russia's economic freedom score is 61.0, making its economy the 94th freest in the 2020 *Index*. Its overall score has increased by 2.1 points due primarily to a higher **fiscal health** score. Russia is ranked 43rd among 45 countries in the Europe region, and its overall score is well below the regional average and approximately equal to the world average.

The Russian economy is ranked moderately free for the first time this year after more than a decade in the ranks of the mostly unfree. GDP growth has been weak over the past five years, burdened by structural weaknesses, low levels of investment, and a poor demographic outlook, but improved in 2018.

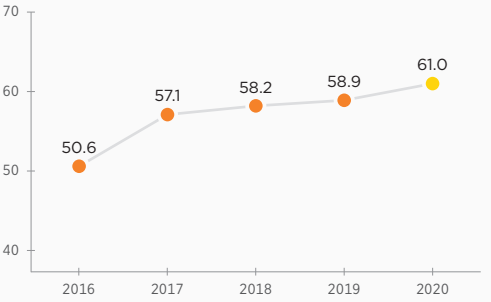
As long as the government pursues statist, nationalist, and protectionist economic policies and maintains a cautious approach to inward foreign investment, expansion of economic freedom in Russia will be difficult. A subservient judiciary, rampant corruption, and links among bureaucrats and organized criminal groups compromise government integrity.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +9.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
144.0 million

GDP (PPP):
$4.2 trillion
2.3% growth in 2018
5-year compound annual growth 0.5%
$29,267 per capita

UNEMPLOYMENT:
4.7%

INFLATION (CPI):
2.9%

FDI INFLOW:
$13.3 billion

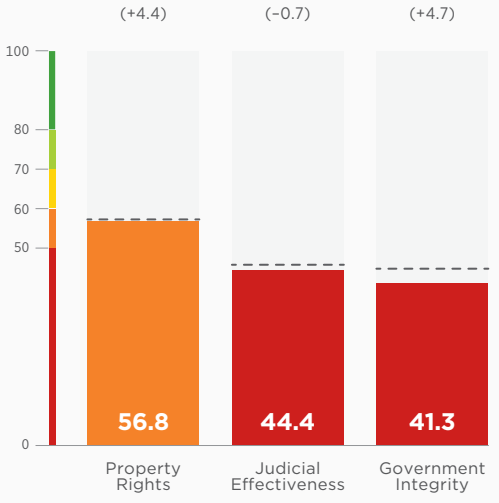
PUBLIC DEBT:
14.0% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Vladimir Putin was reelected president in 2018 amid allegations of electoral fraud. Russia illegally annexed Ukraine's Crimean Peninsula early in 2014 and continues to foment instability by supplying weapons and troops in eastern Ukraine's Donbas region. Ongoing Western economic sanctions have spurred a brain drain and capital flight. Russia's economy depends heavily on exports of oil and gas. Low oil prices, the financial burden of the Crimea annexation, and efforts to rearm the military have strained public finances in recent years, but the higher recent global demand for oil has caused the economy to improve slightly. Because of its actions in Ukraine, Russia's bid to join the Organisation for Economic Co-operation and Development has been postponed.

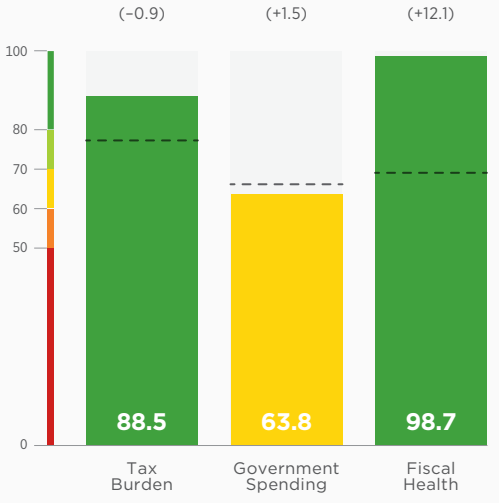
12 ECONOMIC FREEDOMS | RUSSIA

RULE OF LAW



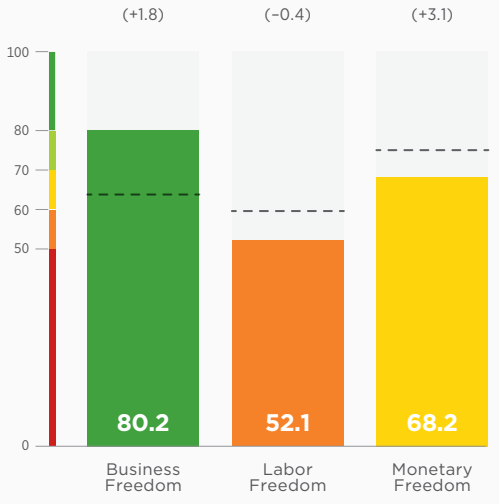
The connection between political power and property is strong in Russia, with some senior officials reportedly using their government positions to amass vast property holdings. The judiciary lacks independence. Corruption is pervasive in the highly centralized authoritarian government. Private businesses are routinely targeted for extortion by both law enforcement and organized criminal groups.

GOVERNMENT SIZE



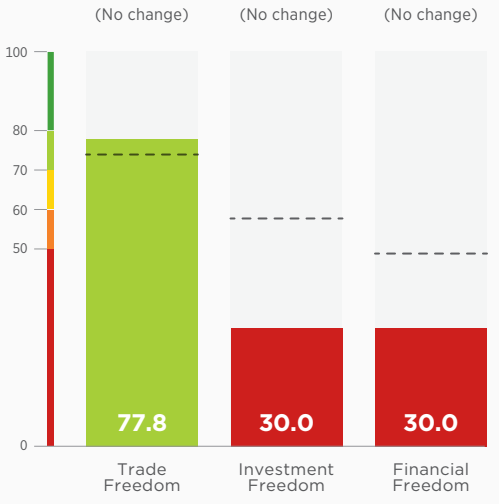
The personal income tax rate is a flat 13 percent, and the top corporate tax rate is 20 percent. The overall tax burden equals 24.2 percent of total domestic income. Government spending has amounted to 34.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 0.8 percent of GDP. Public debt is equivalent to 14.0 percent of GDP.

REGULATORY EFFICIENCY



The government has streamlined the processes for obtaining a construction permit, getting hooked up to the electricity grid, paying taxes, and trading across borders, but only in Moscow and St. Petersburg. The labor code is outmoded and ineffective, and the labor market is inefficient. State-owned enterprises and the public sector employ 33 percent of workers. Most prices were liberalized in the early 1990s (with significant exceptions), but the government maintains a wide range of subsidy programs.

OPEN MARKETS



The total value of exports and imports of goods and services equals 51.5 percent of GDP. The average applied tariff rate is 3.6 percent, and layers of bureaucratic nontariff barriers further distort the flow of goods and services. Except in the energy sector, growth in foreign investment has been elusive because of the deficient investment framework. The financial sector is dominated by banks, and the five largest banks are state-controlled.

RWANDA

WORLD RANK: **33**

REGIONAL RANK: **2**

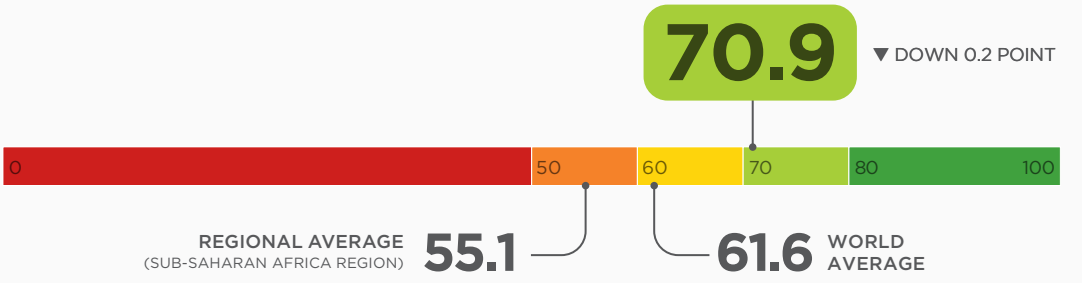
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Rwanda's economic freedom score is 70.9, making its economy the 33rd freest in the 2020 *Index*. Its overall score has decreased by 0.2 point due to a drop in the **government integrity** score. Rwanda is ranked 2nd among 47 countries in the Sub-Saharan Africa region, and its overall score is well above the regional and world averages.

This is the second year that the Rwandan economy has been rated mostly free after eight years in the moderately free category. GDP growth has been booming for the past five years, driven by export-focused agriculture and a high level of private investment inflows.

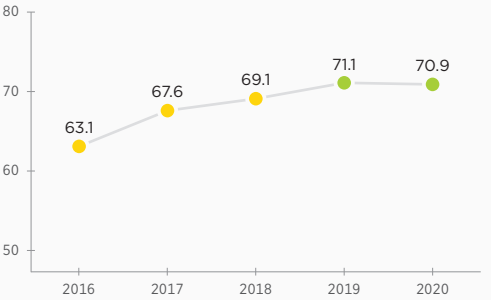
To climb higher in the mostly free ranks, the government needs to focus on two lagging *Index* indicators that are holding back economic freedom. Rwanda is already known as the region's most business-friendly country, but it needs to do more to attract investment. Also, the president's commitment to fighting corruption must be bolstered to improve government integrity.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1997): +32.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
12.0 million

GDP (PPP):
$27.4 billion
8.6% growth in 2018
5-year compound annual growth 7.4%
$2,280 per capita

UNEMPLOYMENT:
1.0%

INFLATION (CPI):
1.4%

FDI INFLOW:
$398.5 million

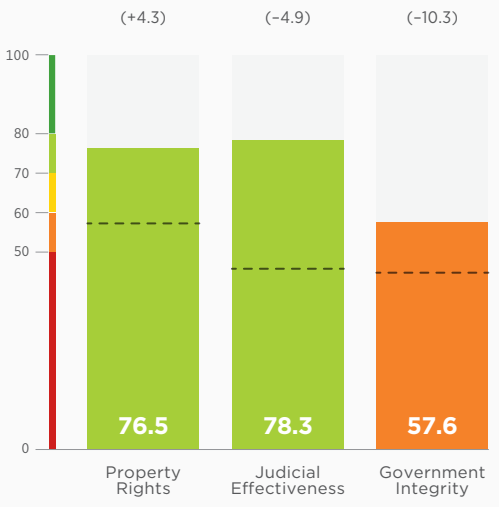
PUBLIC DEBT:
40.7% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Decades of violence followed Rwanda's independence from Belgium in 1959. In 1994, Paul Kagame's Tutsi-led Rwandan Patriotic Front seized power after state-sponsored genocide killed an estimated 800,000 people, primarily Tutsis. Kagame has been president since 2000 and was reelected to seven-year terms in 2010 and 2017 amid allegations of fraud, intimidation, and violence. In 2015, voters approved a constitutional change that would permit the 62-year-old Kagame to govern until 2034 and strengthen his authoritarian rule. A border standoff with Uganda began in 2019 as each side accused the other of trying to overthrow its government. Tourism, minerals, coffee, and tea are the main sources of foreign exchange. Although poverty remains widespread, government figures indicate that it has been declining rapidly.

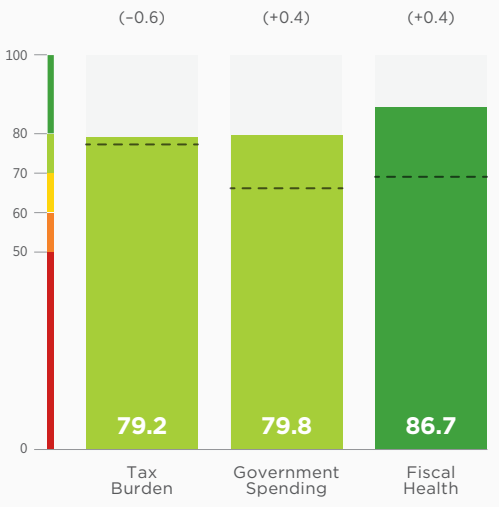
12 ECONOMIC FREEDOMS | RWANDA

RULE OF LAW



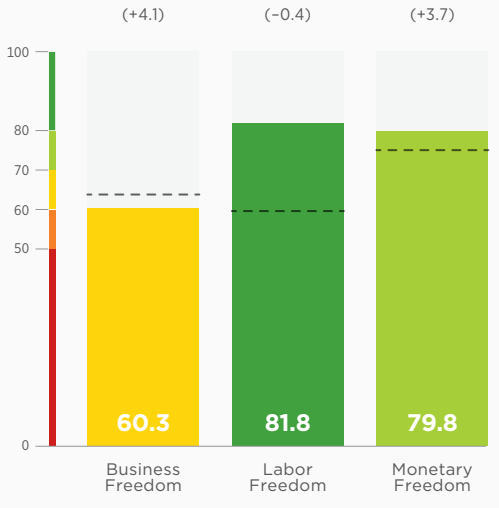
The law protects and facilitates acquisition and disposition of property, but the government has been criticized for seizing land for infrastructure and development projects without proper compensation. The judiciary lacks independence from the executive and suffers from a lack of resources and a heavy case backlog. Rwanda is rated among the least corrupt African countries in Transparency International's 2018 *Corruption Perceptions Index*.

GOVERNMENT SIZE



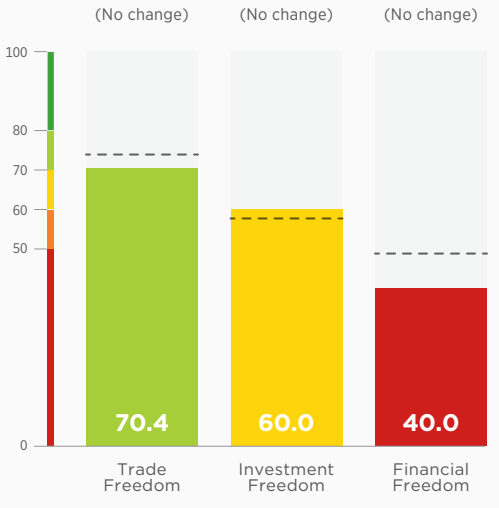
The top personal income and corporate tax rates are 30 percent. Other taxes include value-added and property transfer taxes. The overall tax burden equals 16.6 percent of total domestic income. Government spending has amounted to 26 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.5 percent of GDP. Public debt is equivalent to 40.7 percent of GDP.

REGULATORY EFFICIENCY



Recent pro-business regulatory reforms include improvements in getting electricity and enforcing contracts, among others, but resolution of insolvency was made more difficult. A 2018 labor law contained a mixture of pro-employee and pro-business provisions the ultimate impact of which is uncertain. The government subsidizes agriculture, maintains price controls, and subsidizes power for the 20 percent of the population that has access to electricity.

OPEN MARKETS



The total value of exports and imports of goods and services equals 51.5 percent of GDP. The average applied tariff rate is 7.3 percent, and 30 nontariff measures are in force. Most sectors are open to foreign investment, but the investment regime is still evolving and has not yet produced a dynamic expansion of new investment. Despite some progress, the cost of financing remains high, and access to banking services is limited.

SAINT LUCIA

WORLD RANK: **50**

REGIONAL RANK: **7**

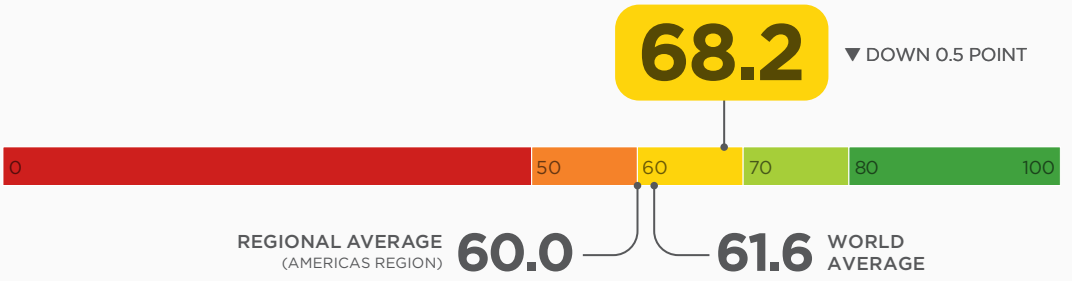
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Saint Lucia's economic freedom score is 68.2, making its economy the 50th freest in the 2020 *Index*. Its overall score has decreased by 0.5 point due to a lower **government integrity** score. Saint Lucia is ranked 7th among 32 countries in the Americas region, and its overall score is well above the regional and world averages.

Saint Lucia's economy is in the moderately free category for the fourth straight year, having fallen from the mostly free ranks in 2017. GDP growth for the past five years has been very modest.

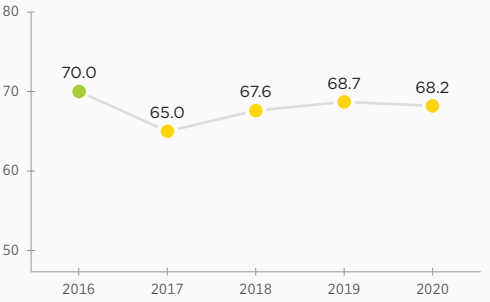
The economy of Saint Lucia has benefitted from a business-friendly entrepreneurial climate and foreign direct investment in its leading sectors, but greater economic freedom is hindered by relatively rigid labor laws, a lack of financial freedom, and persistent government corruption that compromises government integrity. Several state institutions are responsible for combating corruption, but their effectiveness is limited by a lack of resources.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): –0.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.2 million

GDP (PPP):
$2.5 billion
1.0% growth in 2018
5-year compound annual growth 1.8%
$14,355 per capita

UNEMPLOYMENT:
20.9%

INFLATION (CPI):
1.9%

FDI INFLOW:
$135.1 million

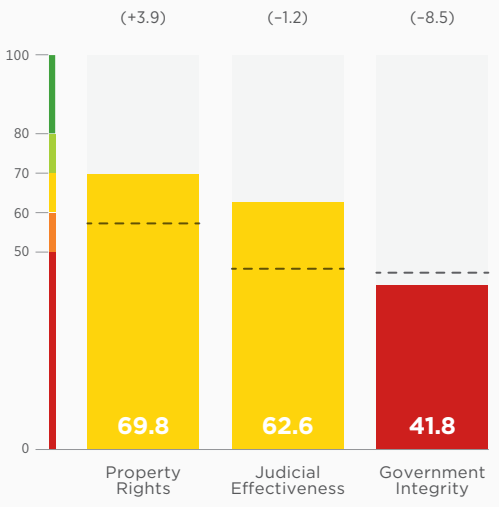
PUBLIC DEBT:
66.8% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Saint Lucia, an island nation in the Lesser Antilles known for its two distinctive "Piton" mountains, is a two-party democracy with a bicameral parliament. Former Tourism Minister Allen Chastanet of the United Workers Party became prime minister in 2016. Saint Lucia is a member of the Caribbean Community and Common Market and hosts the headquarters of the Organization of Eastern Caribbean States. The economy depends primarily on tourism, banana production, and some light manufacturing. Recent improvements in roads, communications, water supply, sewerage, and port facilities, combined with a well-educated workforce, have attracted foreign investment. The government encourages farmers to diversify from bananas to other crops and prioritizes growth of the communications and information technology sectors.

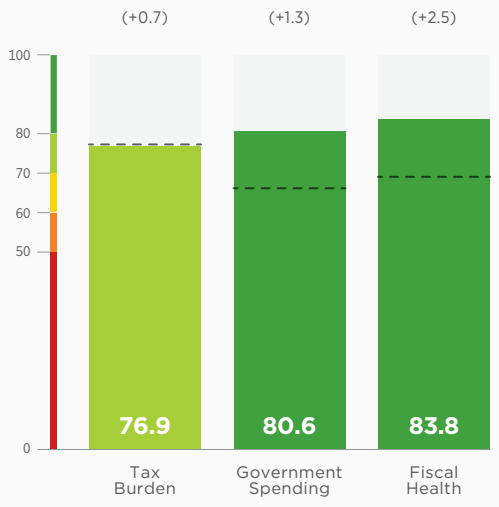
12 ECONOMIC FREEDOMS | SAINT LUCIA

RULE OF LAW



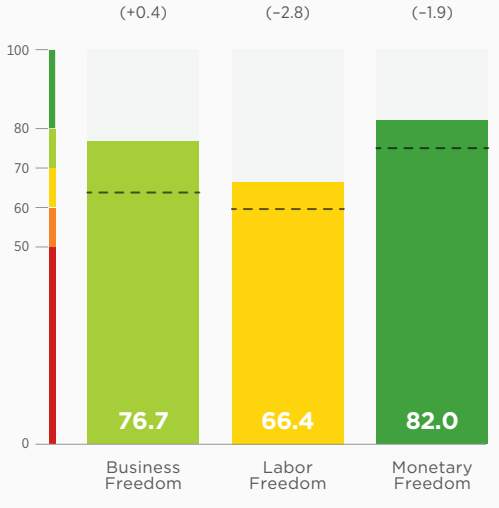
Civil law protects physical property and mortgage claims. Special licenses are required to acquire land, develop buildings, and expand existing construction and for the tourism industry. The independent judicial system operates under the Eastern Caribbean Supreme Court; lower courts are understaffed and slow. Although Saint Lucia has generally low levels of corruption, there have been some widely publicized allegations against government officials.

GOVERNMENT SIZE



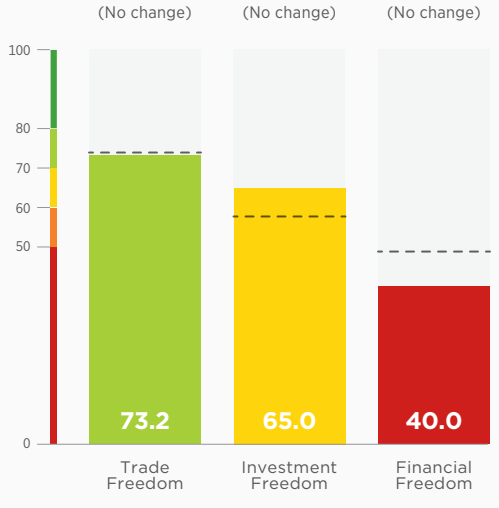
The top personal income and corporate tax rates are 30 percent. Other taxes include consumption and property transfer taxes. The overall tax burden equals 22.5 percent of total domestic income. Government spending has amounted to 25.5 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.1 percent of GDP. Public debt is equivalent to 66.8 percent of GDP.

REGULATORY EFFICIENCY



It takes 11 days and five procedures to start a business in Saint Lucia and two years and 9 percent of an estate's value to resolve insolvency. Saint Lucia's high labor market rigidities contribute to its high level of structural unemployment. In 2019, Prime Minister Chastanet said the government would consider a request for a $600,000 subsidy payment to regional air carrier LIAT if the airline undertook significant restructuring.

OPEN MARKETS



The total value of exports and imports of goods and services equals 80.0 percent of GDP. The average applied tariff rate is 5.9 percent, and time-consuming nontariff barriers and poor trade infrastructure further raise costs. Long-term foreign direct investment is scarce, with bureaucracy deterring investment. A considerable portion of the population is outside the formal banking sector, and access to financing is limited.

SAINT VINCENT AND THE GRENADINES

WORLD RANK: **59**

REGIONAL RANK: **10**

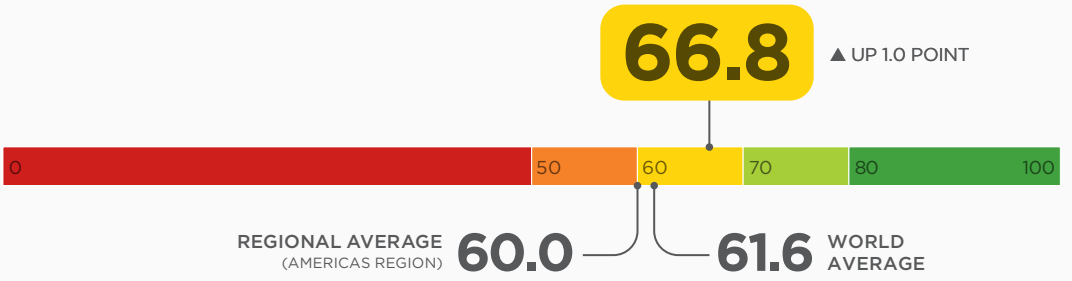
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Saint Vincent and the Grenadines' economic freedom score is 66.8, making its economy the 59th freest in the 2020 *Index*. Its overall score has increased by 1.0 point due to a higher **property rights** score. Saint Vincent and the Grenadines is ranked 10th among 32 countries in the Americas region, and its overall score is well above the regional and world averages.

The economy of Saint Vincent and the Grenadines has been considered moderately free ever since its first grading in the *Index* in 2009. GDP growth for the past five years has been tepid.

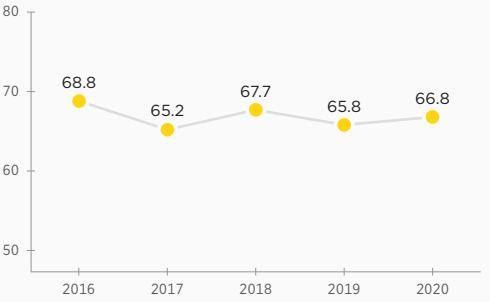
Many fundamentals for greater economic freedom, such as flexible regulations, an efficient legal system that secures private property, and macroeconomic stability, are in place. Greater access to private financing and more openness to trade and international investment would improve the business climate as well as those *Index* indicators. Establishment of a specialized national anticorruption agency would improve government integrity.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): +2.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.1 million

GDP (PPP):
$1.3 billion
2.0% growth in 2018
5-year compound annual growth 0.9%
$11,956 per capita

UNEMPLOYMENT:
19.8%

INFLATION (CPI):
2.4%

FDI INFLOW:
$100.5 million

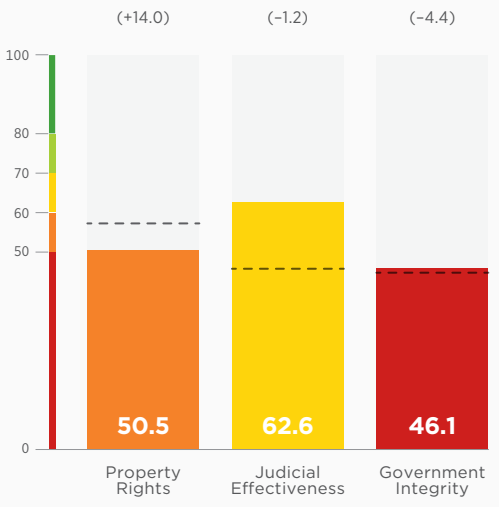
PUBLIC DEBT:
73.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Situated in the Windward Islands of the Lesser Antilles, Saint Vincent and the Grenadines gained full independence from the United Kingdom as a parliamentary democracy in 1979. Prime Minister Ralph Gonsalves of the leftist Unity Labour Party, in office since 2001 and reelected to a fourth five-year term in 2015, was one of the few Western Hemisphere leaders to maintain support in 2019 for the government of Nicolás Maduro in Venezuela. Agriculture and tourism employ a significant portion of the workforce. Although the economy remains vulnerable to global price fluctuations and natural disasters, it has grown modestly in recent years as a result of renewed growth in construction and increased tourist arrivals at the country's new international airport.

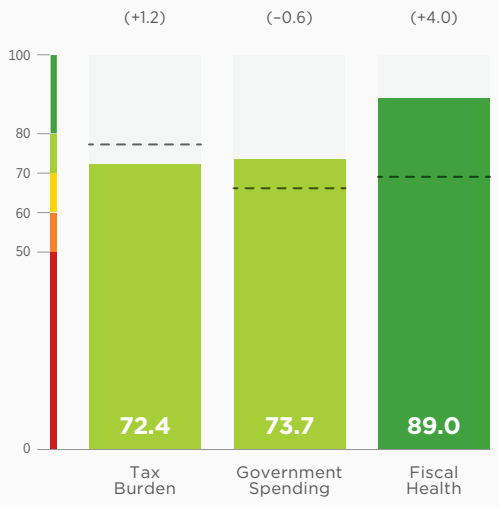
12 ECONOMIC FREEDOMS | SAINT VINCENT AND THE GRENADINES

RULE OF LAW



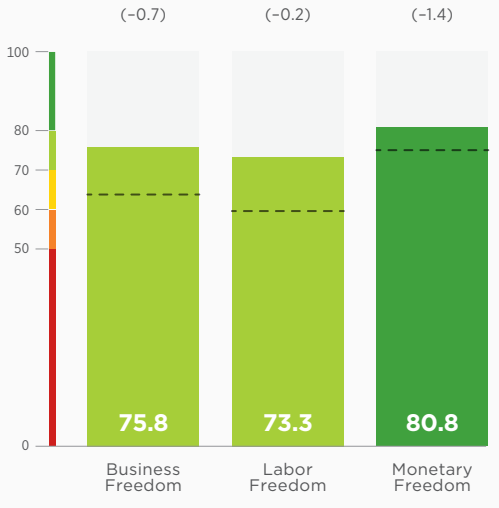
Although the World Bank's 2019 *Doing Business* report ranks St. Vincent and the Grenadines very low in terms of ease of property registration, the relatively independent and efficient judicial system, based on English common law, protects property rights and enforces contracts. Judicial effectiveness is hampered by a lack of resources. The rule of law is stronger and corruption is less pervasive than in some neighboring countries.

GOVERNMENT SIZE



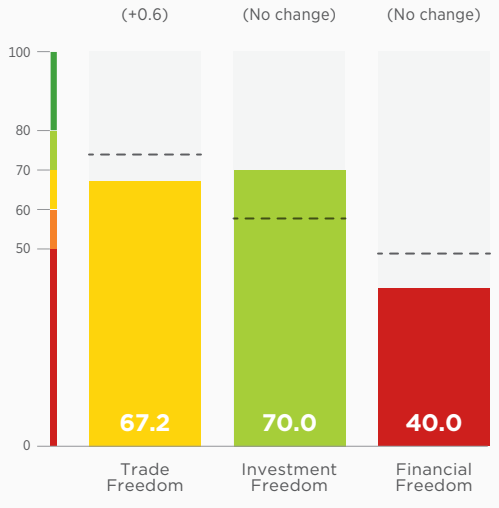
The top personal income tax rate is 30 percent, and the corporate tax rate is 33 percent. Other taxes include property and value-added taxes. The overall tax burden equals 27.8 percent of total domestic income. Government spending has amounted to 29.6 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 0.4 percent of GDP. Public debt is equivalent to 73.1 percent of GDP.

REGULATORY EFFICIENCY



Policies and laws in the areas of tax, labor, environment, health, and safety are clearly defined and foster competition. Accounting, legal, and regulatory procedures are generally transparent. Much of the labor force is employed in agriculture or tourism. The nonsalary cost of employing a worker is moderate. Reducing subsidies and transfers to state-owned enterprises could save more than 3 percent of GDP.

OPEN MARKETS



The total value of exports and imports of goods and services equals 90.5 percent of GDP. The average applied tariff rate is 8.9 percent, and onerous nontariff barriers further constrain the freedom to trade. Investment-related regulations are complex and nontransparent, thwarting the prospects for attracting new investment. The financial system is dominated by banking. Credit to the private sector has been expanding slowly.

SAMOA

WORLD RANK: **86**

REGIONAL RANK: **18**

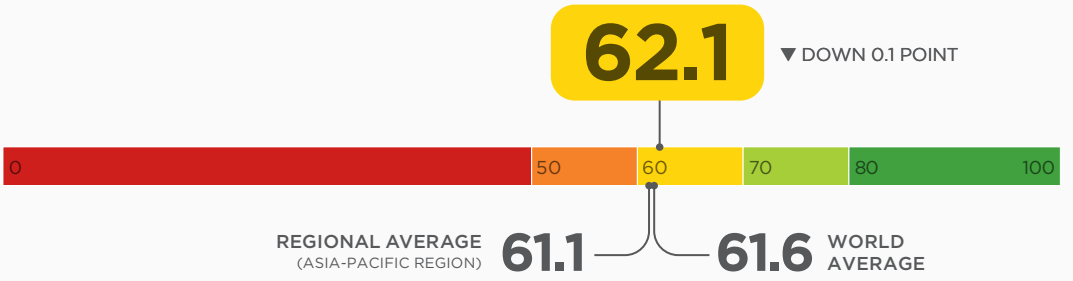
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Samoa's economic freedom score is 62.1, making its economy the 86th freest in the 2020 *Index*. Its overall score has decreased by 0.1 point, with lower scores for **government integrity** and **monetary freedom** outpacing a higher **property rights** score. Samoa is ranked 18th among 42 countries in the Asia–Pacific region, and its overall score is approximately equal to the regional and world averages.

The Samoan economy has remained moderately free for three years in a row. GDP growth over the past five years has been solid.

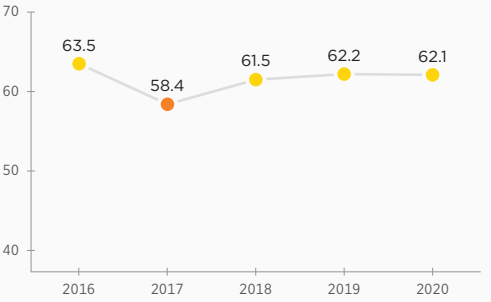
The government is focused on developing agriculture, tourism, and construction projects. Improving trade freedom, investment freedom, and financial freedom would enhance its chances of achieving these goals. In addition, a more serious government effort to bring public finances under control could put the country on a secure path to faster growth.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +14.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.2 million

GDP (PPP):
$1.2 billion
0.7% growth in 2018
5-year compound annual growth 2.7%
$5,890 per capita

UNEMPLOYMENT:
8.3%

INFLATION (CPI):
3.7%

FDI INFLOW:
$16.7 million

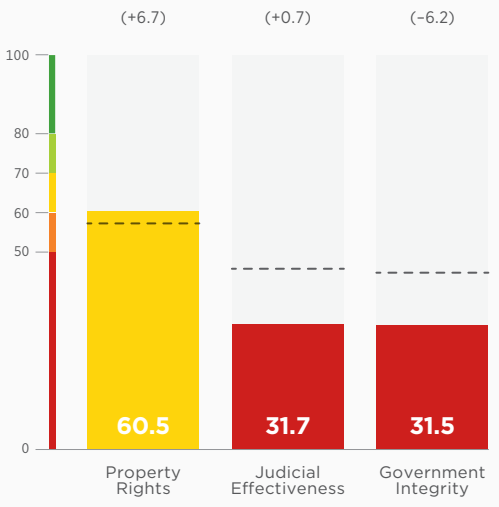
PUBLIC DEBT:
50.2% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: A small South Pacific archipelago with a population of fewer than 200,000, Samoa was administered by New Zealand until independence in 1962. It is now a multiparty, unicameral parliamentary democracy dominated by the Human Rights Protection Party, which holds 47 out of 50 seats in parliament. Prime Minister Tuilaepa Aiono Sailele Malielegaoi, in office since 1998, was reelected in 2016. Two-thirds of the workforce is employed in fishing and agriculture, which produce 90 percent of exports, and the economy relies on emigrants' remittances. The government is encouraging more offshore banking and foreign investment in manufacturing. Samoa hosted the 2019 Pacific Games, which supported economic growth through infrastructure investments and higher tourism receipts.

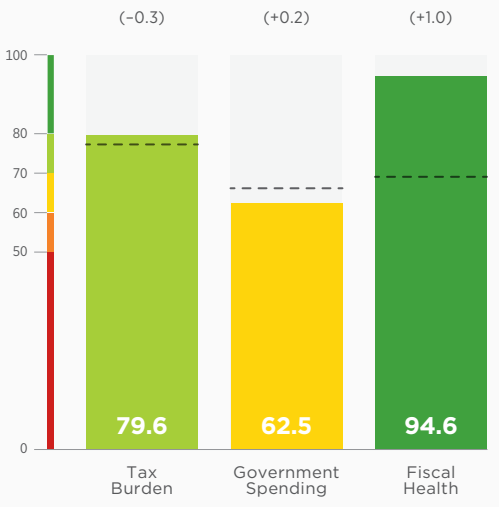
12 ECONOMIC FREEDOMS | SAMOA

RULE OF LAW



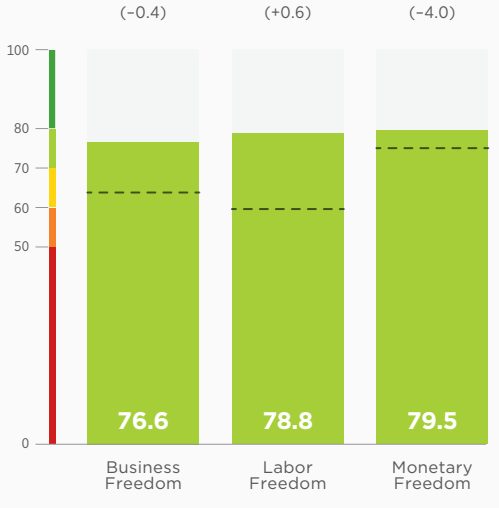
Samoa lacks an efficient legal framework for adequate protection of property rights and enforcement of contracts. The judiciary is independent, but it is also perceived as being subject to a great deal of influence from the executive branch. Official corruption is still a major cause of public discontent. Anticorruption statutes are not always enforced evenly, and Samoa does not have an anticorruption tribunal.

GOVERNMENT SIZE



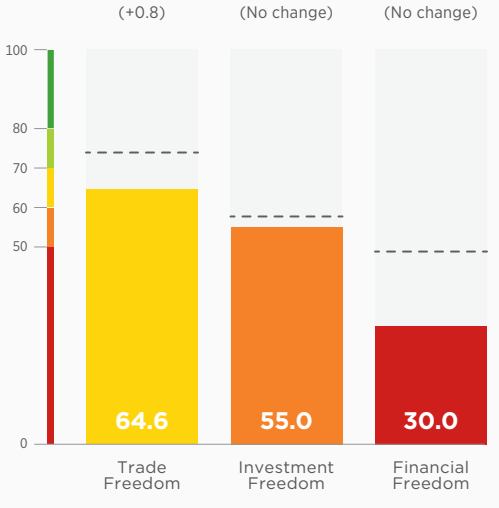
The top individual income and corporate tax rates are 27 percent. Other taxes include value-added and excise taxes. The overall tax burden equals 24.1 percent of total domestic income. Government spending has amounted to 35.3 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 0.5 percent of GDP. Public debt is equivalent to 50.2 percent of GDP.

REGULATORY EFFICIENCY



Improving the processes for resolving insolvency and accessing credit would enhance the business environment. About half of the formally employed labor force works in the services sector. Labor force participation in the formal labor market is low. The nonsalary cost of employing a worker is not high. The government has taken no serious steps to privatize such state-owned enterprises as the inefficient and highly subsidized electricity generation company.

OPEN MARKETS



The total value of exports and imports of goods and services equals 76.6 percent of GDP. The average applied tariff rate is 10.2 percent, and complex nontariff barriers add to the cost of trade. Nontransparent regulations and a deficient investment regime continue to deter the dynamic growth of private investment. Scarce access to banking and financial services keeps much of the population outside of the formal banking sector.

SÃO TOMÉ AND PRÍNCIPE

WORLD RANK:	REGIONAL RANK:
125	19

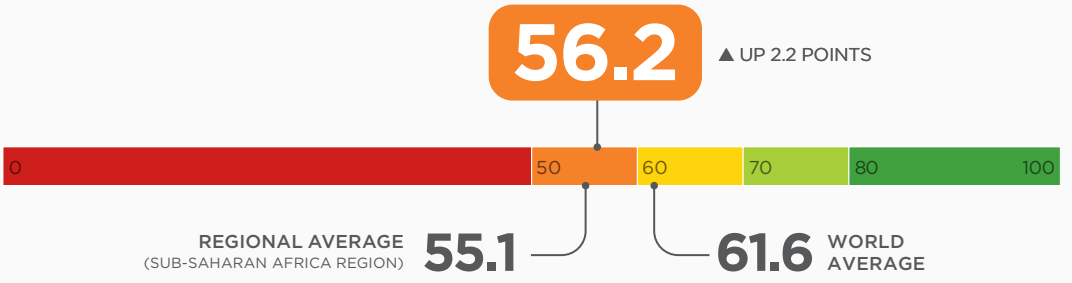
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

São Tomé and Príncipe's economic freedom score is 56.2, making its economy the 125th freest in the 2020 *Index*. Its overall score has increased by 2.2 points due primarily to higher **fiscal health** and **government spending** scores. São Tomé and Príncipe is ranked 19th among 47 countries in the Sub-Saharan Africa region, and its overall score is approximately equal to the regional average and well below the world average.

The economy of São Tomé and Príncipe has been mostly unfree since 2015. GDP growth, however, has been solid for the past five years.

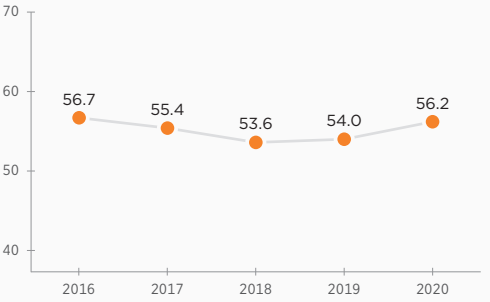
The government is under pressure from international lenders to institute economic and structural reforms aimed at fiscal consolidation and debt reduction. In 2019, in an effort to strengthen the judiciary's independence, the National Assembly removed three senior judges on numerous misconduct charges. If the government continues such reform efforts, economic freedom in São Tomé and Príncipe is bound to improve.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): +12.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.2 million

GDP (PPP):
$0.7 billion
3.0% growth in 2018
5-year compound annual growth 4.3%
$3,324 per capita

UNEMPLOYMENT:
13.3%

INFLATION (CPI):
7.9%

FDI INFLOW:
$17.5 million

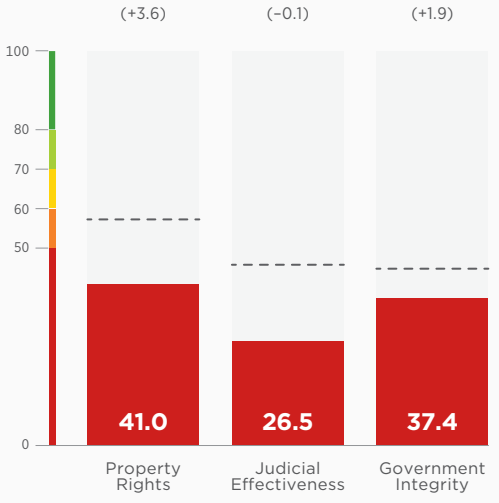
PUBLIC DEBT:
81.3% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: This former Portuguese colony's sugar-based economy gave way to coffee and cocoa in the 19th century. Independence was achieved in 1975, but democratic reforms were not instituted until the late 1980s. Evaristo Carvalho won the presidency in 2016 in a runoff election marred by accusations of irregularities and a boycott by incumbent President Manuel Pinto da Costa. Jorge Bom Jesus became prime minister following his predecessor's resignation at the end of 2018. Cocoa production, an economic mainstay, has declined in recent years because of drought and mismanagement, but there is potential for tourism. The country is seeking to develop oil fields in the Gulf of Guinea jointly with Nigeria, but whether the project will prove commercially viable is unclear.

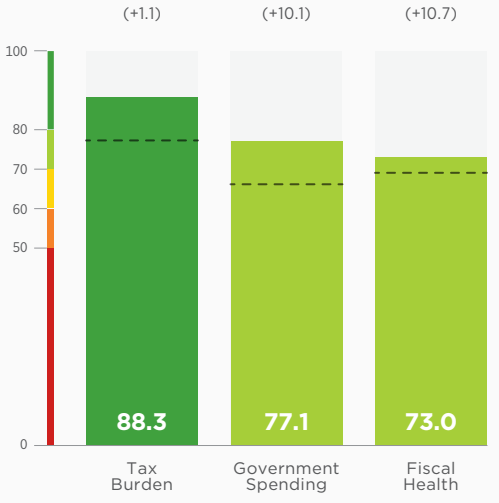
12 ECONOMIC FREEDOMS | SÃO TOMÉ AND PRÍNCIPE

RULE OF LAW



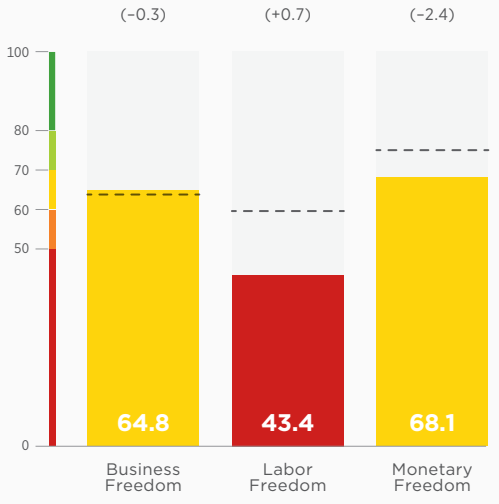
Property rights are not well protected. The government owns the vast majority of land; private owners hold less than 10 percent. The judiciary is independent but weak and frequently caught in the middle of partisan political battles. Corruption is a major problem. Oversight mechanisms, the opposition, and the media have repeatedly uncovered evidence of official malfeasance, but the anticorruption laws are poorly enforced.

GOVERNMENT SIZE



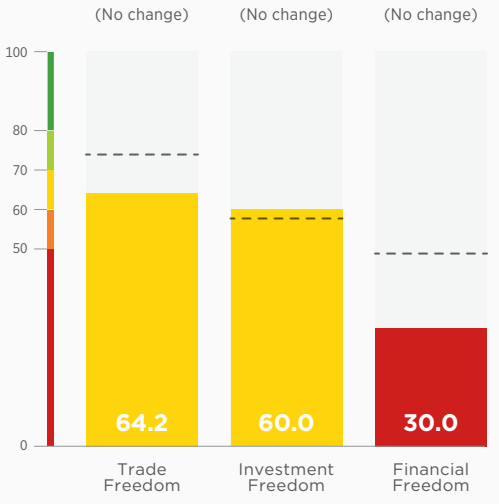
The top personal income tax rate is 20 percent, and the corporate tax rate is a flat 25 percent. Other taxes include sales and dividend taxes. The overall tax burden equals 12.1 percent of total domestic income. Government spending has amounted to 27.6 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.9 percent of GDP. Public debt is equivalent to 81.3 percent of GDP.

REGULATORY EFFICIENCY



The government is taking steps such as simplifying and reducing court fees related to enforcing contracts that are meant to improve the business environment, but the justice system remains slow, and obtaining credit is expensive. Existing labor laws are enforced only sporadically. Fuel subsidies to lower consumer prices continue to burden the government, and the IMF suggests eliminating them in order to pursue economic reforms.

OPEN MARKETS



The total value of exports and imports of goods and services equals about 55 percent of GDP. The average applied tariff rate is 10.4 percent. Nontariff barriers are numerous, and accession to the World Trade Organization has moved slowly since the country's application in 2005. The inefficient investment regime lacks transparency. The underdeveloped financial sector does not provide adequate access to banking services.

SAUDI ARABIA

WORLD RANK: **83**

REGIONAL RANK: **9**

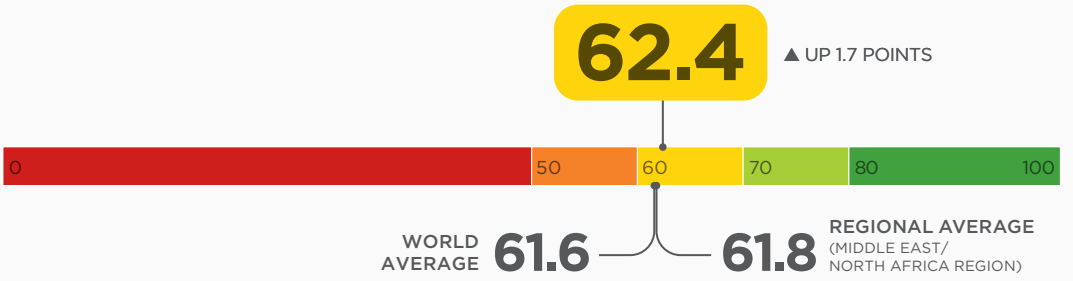
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Saudi Arabia's economic freedom score is 62.4, making its economy the 83rd freest in the 2020 *Index*. Its overall score has increased by 1.7 points due to higher **property rights** and **judicial effectiveness** scores. Saudi Arabia is ranked 9th among 14 countries in the Middle East and North Africa region, and its overall score is approximately equal to the regional and world averages.

The Saudi economy has been moderately free for most of the past two decades. GDP growth has been modest over the past five years, partly because of OPEC-coordinated production cuts.

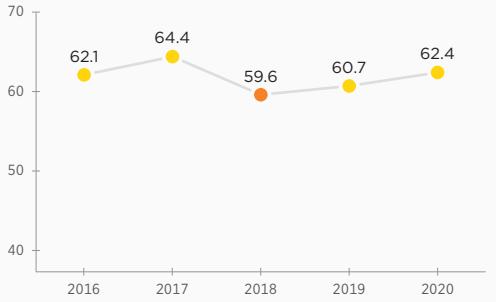
The government is continuing its efforts to diversify the economy away from dependence on oil, but the momentum of its ambitious Vision 2030 program has been diminished as its main proponent, Crown Prince Mohammad bin Salman, has been embroiled in controversy surrounding the murder of dissident journalist Jamal Khashoggi. The greatest need at present is perhaps to restore Saudi Arabia's somewhat tarnished reputation for government integrity.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): –5.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION: 33.2 million

GDP (PPP): $1.9 trillion
2.2% growth in 2018
5-year compound annual growth 2.2%
$55,944 per capita

UNEMPLOYMENT: 5.9%

INFLATION (CPI): 2.5%

FDI INFLOW: $3.2 billion

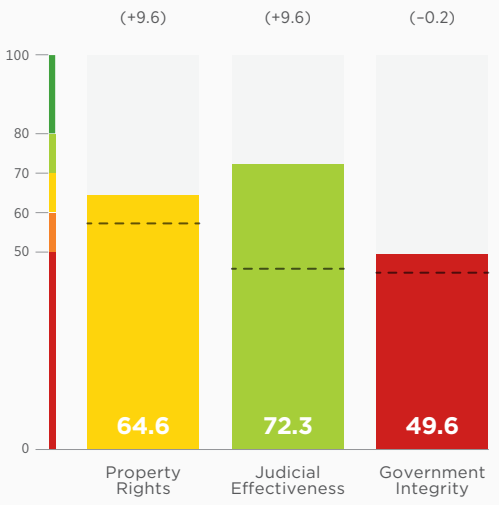
PUBLIC DEBT: 19.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The birthplace of Islam and home to its two holiest shrines in Mecca and Medina, Saudi Arabia is an absolute monarchy ruled by King Salman bin Abdulaziz Al Saud. The country embraces a particularly strict form of Sunni Islam known as Wahabbism that over the years has been influential with groups such as al-Qaeda, the Taliban, and the Muslim Brotherhood. The Saudi government is pushing back against Iranian efforts to radicalize Saudi Arabia's Shia minority and has intervened in Yemen in opposition to Iran-backed Houthi rebels. Oil exports account for more than 85 percent of government revenue. Saudi Arabia is the world's largest exporter of petroleum and a leader in OPEC.

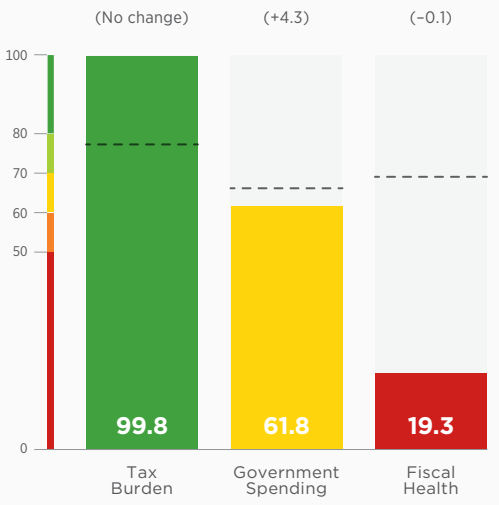
12 ECONOMIC FREEDOMS | SAUDI ARABIA

RULE OF LAW



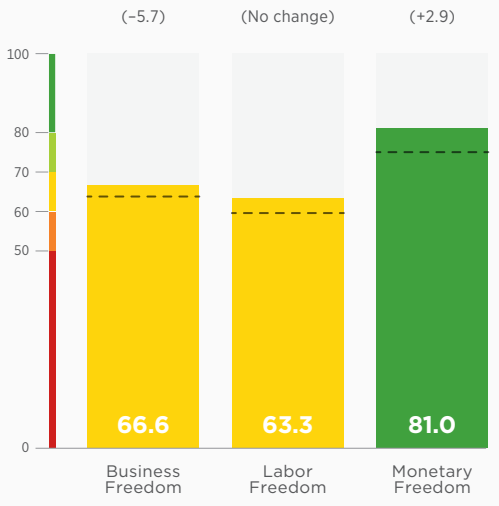
The Saudi legal system protects and facilitates acquisition and disposition of all property, consistent with Islamic practice of upholding private property rights. There is a system for recording security interests, and plans exist to modernize the land registry system. The slow and nontransparent judiciary is not independent and must coordinate its decisions with the executive branch. Corruption remains a significant problem.

GOVERNMENT SIZE



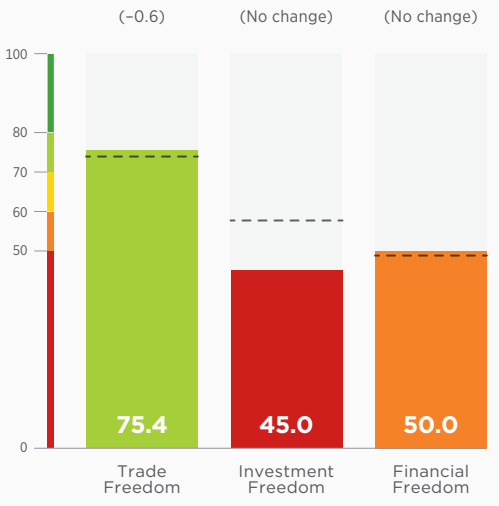
Saudi nationals or citizens of the Gulf Cooperation Council and corporations pay a 2.5 percent religious tax mandated by Islamic law. The overall tax burden equals 3.4 percent of total domestic income. Government spending has amounted to 35.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 10.4 percent of GDP. Public debt is equivalent to 19.1 percent of GDP.

REGULATORY EFFICIENCY



Business-friendly reforms over the past year have improved electricity reliability, minority shareholder protections, and the enforcement of contracts and have made exporting and importing easier. Female workforce participation was given a boost in 2018 when women were allowed to drive. Islamic law prohibits price controls, and the government made progress in 2019 in reducing subsidies for fuel, natural gas, and electricity.

OPEN MARKETS



The total value of exports and imports of goods and services equals 66.5 percent of GDP. The average applied tariff rate is 4.8 percent, and 129 nontariff measures are in force. Despite progress, the investment regime remains restrictive, with controls in some sectors. The financial sector has undergone gradual transformation with the easing of some limits on foreign investment in financial services.

SENEGAL

WORLD RANK: **110**

REGIONAL RANK: **13**

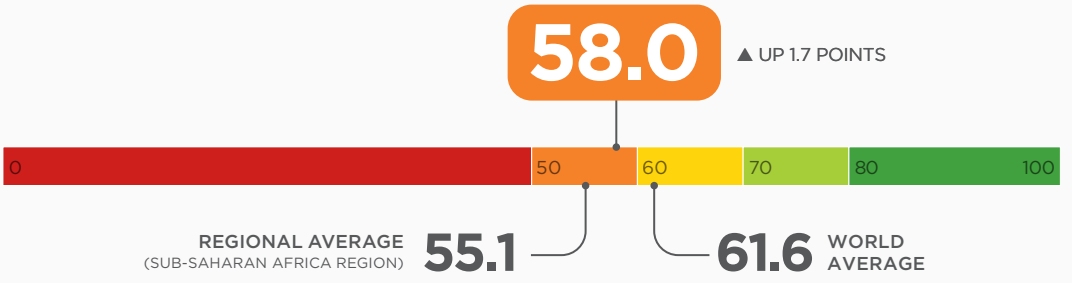
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Senegal's economic freedom score is 58.0, making its economy the 110th freest in the 2020 *Index*. Its overall score has increased by 1.7 point due to a higher **fiscal health** score. Senegal is ranked 13th among 47 countries in the Sub-Saharan Africa region, and its overall score is slightly above the regional average and well below the world average.

The Senegalese economy has been mostly unfree for more than two decades. Economic expansion over the past five years has been robust, however, driven by high levels of private investment, particularly in oil, energy, transport infrastructure, agriculture, tourism, textiles, and information technology.

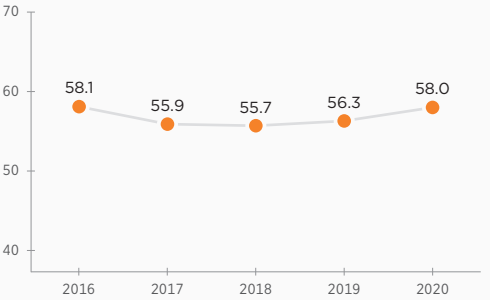
Apart from those leading sectors, economic freedom is held back by a defective judicial system, low government integrity, lack of business freedom, and too much government intervention in the labor market. Aware of these deficiencies, the government is seeking to foster a more competitive and diverse business economy, particularly by developing a skilled workforce.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): –0.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
16.3 million

GDP (PPP):
$59.5 billion
6.2% growth in 2018
5-year compound annual growth 6.5%
$3,651 per capita

UNEMPLOYMENT:
6.5%

INFLATION (CPI):
0.5%

FDI INFLOW:
$629.3 million

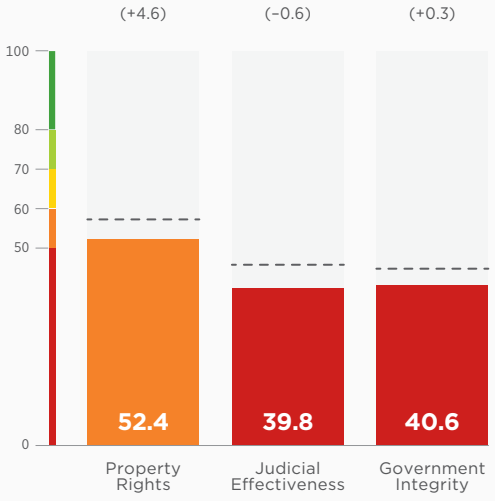
PUBLIC DEBT:
64.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Senegal is a former French colony that achieved its current form only in 1989 after several decades of failed confederations with neighboring countries. President Macky Sall was reelected to a five-year term in 2019 in accordance with a 2016 constitutional referendum that shortened presidential terms from seven to five years, prohibited more than two terms, and reduced presidential power in favor of the legislature. The exclusion of Sall's two primary competitors from the election was based on what the opposition claims were trumped-up charges of corruption. Phosphate mining, fertilizer production, construction, tourism, fisheries, and agriculture propel Senegal's economy. Major offshore oil and gas fields are also being developed.

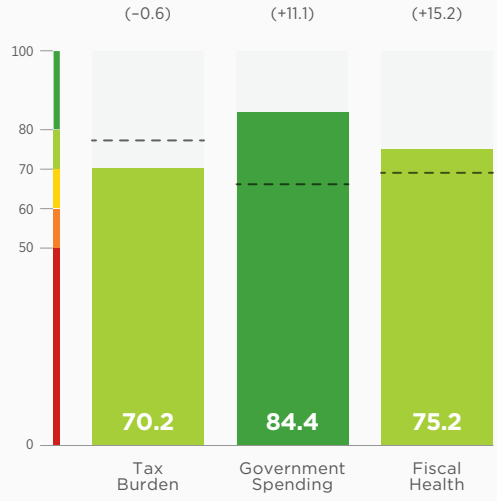
12 ECONOMIC FREEDOMS | SENEGAL

RULE OF LAW



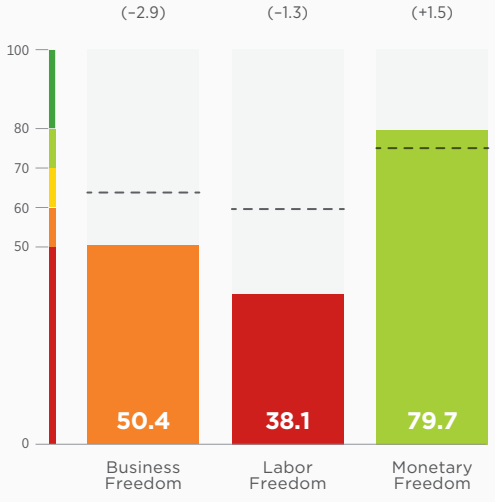
The civil code facilitates ownership of private property, and property rights are generally respected, but property title and land registration protocols are inconsistently applied. The judiciary is formally independent, but the president controls appointments to the Constitutional Council, the Court of Appeal, and the Council of State. Corruption remains a serious problem, and high-level officials often act with impunity.

GOVERNMENT SIZE



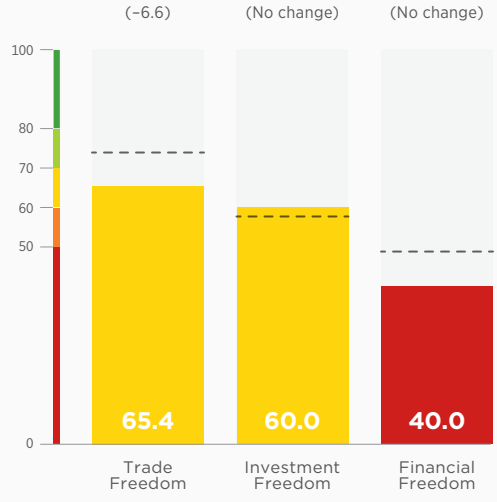
The top individual income tax rate is 40 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and insurance taxes. The overall tax burden equals 22.0 percent of total domestic income. Government spending has amounted to 22.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 3.2 percent of GDP. Public debt is equivalent to 64.4 percent of GDP.

REGULATORY EFFICIENCY



The business climate is undermined by bureaucratic bottlenecks. Electricity costs are among the highest in the world. Reforms have made it easier to register property and enforce contracts. The sectors that drive Senegal's economy mainly employ people in rural areas. Government subsidies needed to maintain fixed energy prices increased in 2018, raising the budget deficit by 0.5 percent of GDP.

OPEN MARKETS



The total value of exports and imports of goods and services equals 57.9 percent of GDP. The average applied tariff rate is 12.3 percent, and layers of complex nontariff barriers add to the cost of trade. The bureaucratic approval process and poor infrastructure remain considerable impediments to investment. Outmoded regulation, high credit costs, and scarce access to financing continue to constrain the small private sector.

SERBIA

WORLD RANK: **65**

REGIONAL RANK: **35**

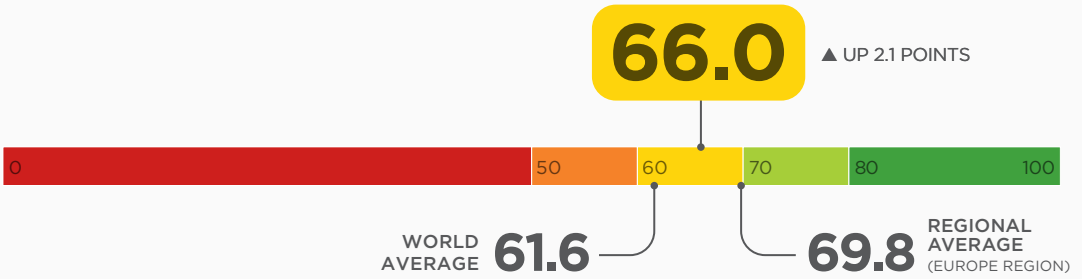
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Serbia's economic freedom score is 66.0, making its economy the 65th freest in the 2020 *Index*. Its overall score has increased by 2.1 points, with improvements in seven of the 12 measured categories. Serbia is ranked 35th among 45 countries in the Europe region, and its overall score is well below the regional average and well above the world average.

The Serbian economy is moderately free for the third year in a row, solidifying an upward trend. GDP growth edged higher in 2018 amid robust private consumption and fixed investment.

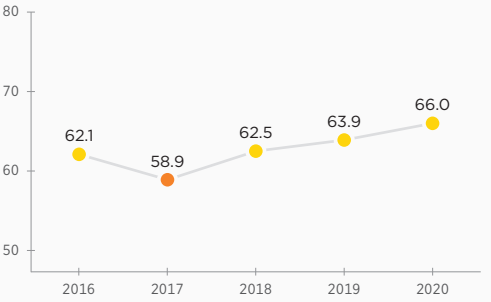
Improved economic and financing conditions in recent years have attracted higher capital spending from foreign and domestic sources. To maintain that positive momentum, the government has continued incremental reform of the business environment, improvements in the governance and efficiency of public administration, and progress for loss-making state-run firms. Unfortunately, the pace of those reforms appears to have slowed, and the country is at risk of falling behind its neighbors.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2002): +19.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
7.0 million

GDP (PPP):
$122.8 billion
4.4% growth in 2018
5-year compound annual growth 2.0%
$17,555 per capita

UNEMPLOYMENT:
13.5%

INFLATION (CPI):
2.0%

FDI INFLOW:
$4.1 billion

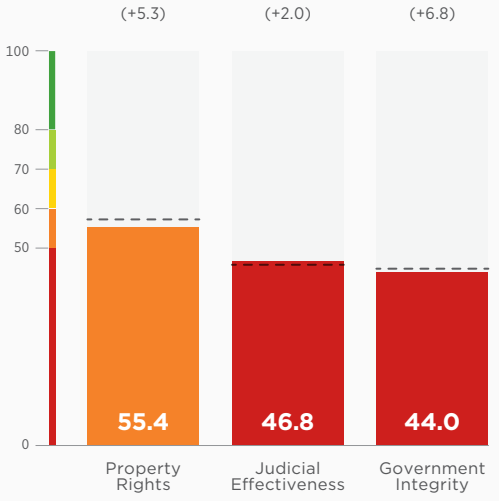
PUBLIC DEBT:
54.3% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Independent since the collapse of Yugoslavia in 1991, Serbia applied for membership in the European Union in 2009. A 2013 agreement normalized relations between Serbia and Kosovo. Former Prime Minister Aleksandar Vucic of the center-right Progressive Party, which had won snap parliamentary elections in 2016, was elected president in 2017 and now controls nearly every lever of power. Serbia cannot become a member of the EU without additional reforms, stronger rule of law, and improved relations with regional neighbors. In addition, EU membership risks displeasing Russia, with which Serbia has historical ties and upon which it remains dependent for energy. Serbia's largely market-based economy relies on manufacturing and exports, and state-owned companies remain a significant presence in certain sectors.

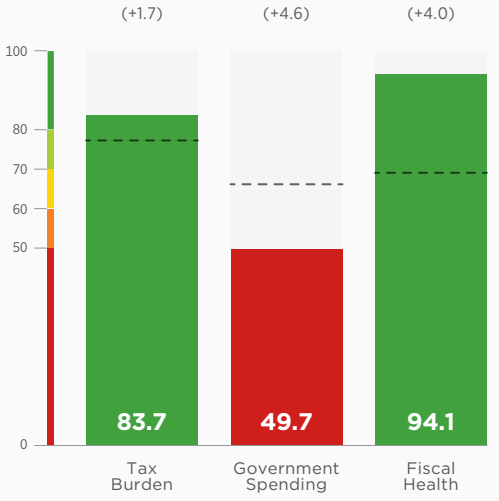
12 ECONOMIC FREEDOMS | SERBIA

RULE OF LAW



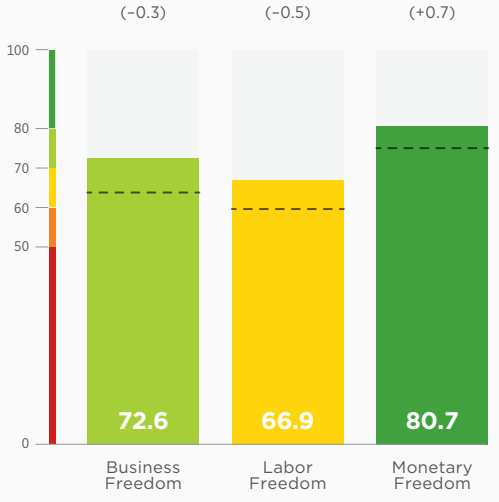
There is an adequate body of laws for the protection of property rights, but enforcement through the judicial system can be very slow, and problems such as illegal construction and fraud persist. The independence of the judiciary is compromised by political influence on judicial appointments and external pressures on judges. Corruption is perceived as pervasive but is difficult to quantify.

GOVERNMENT SIZE



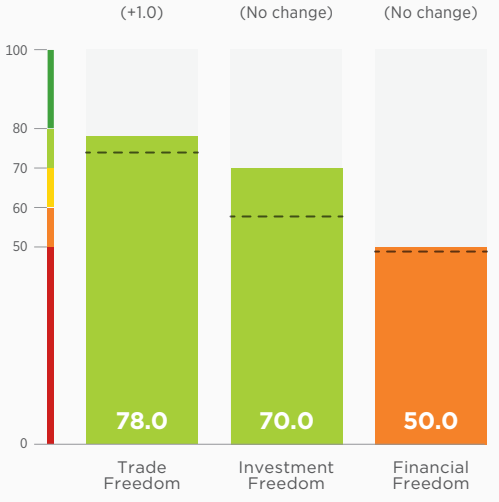
The top personal income tax rate is 10 percent, and the corporate tax rate is a flat 15 percent. Other taxes include value-added and property taxes. The overall tax burden equals 36.1 percent of total domestic income. Government spending has amounted to 40.9 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 0.3 percent of GDP. Public debt is equivalent to 54.3 percent of GDP.

REGULATORY EFFICIENCY



The adoption of business-friendly reforms has outpaced their implementation, and the pace of reform has slowed. A new electronic application system for construction permits went live in 2018. Amendments to the Labor Law of 2014 that made it easier to hire or dismiss a worker and changed collective bargaining and severance pay rules should have a positive impact. The government increased agricultural subsidies in its 2019 budget.

OPEN MARKETS



The total value of exports and imports of goods and services equals 110.2 percent of GDP. The average applied tariff rate is 6.0 percent, and nontariff barriers add to the cost of trade. Most sectors are open to foreign investment, but the lack of transparency deters more dynamic investment growth. The banking sector has been expanding, although the level of financial intermediation remains relatively low.

SEYCHELLES

WORLD RANK:	REGIONAL RANK:
72	4

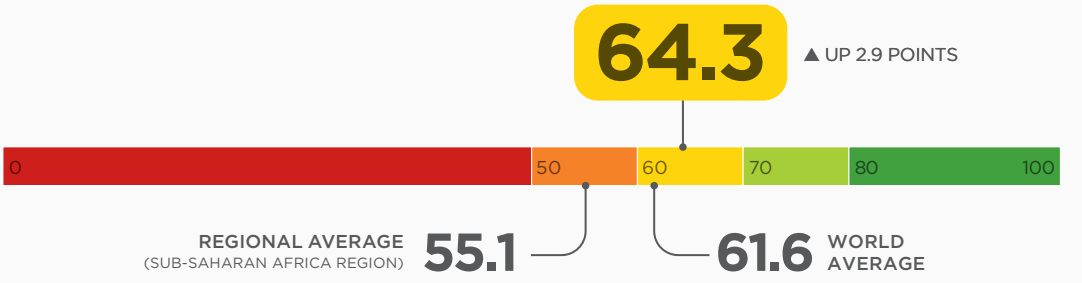
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

The Seychelles' economic freedom score is 64.3, making its economy the 72nd freest in the 2020 *Index*. Its overall score has increased by 2.9 points due to higher scores for **government integrity** and **property rights**. The Seychelles is ranked 4th among 47 countries in the Sub-Saharan Africa region, and its overall score is well above the regional average and slightly above the world average.

This is the fifth year in a row that the economy of the Seychelles has been judged moderately free. Reflecting that trend, GDP growth during the same period has been quite healthy.

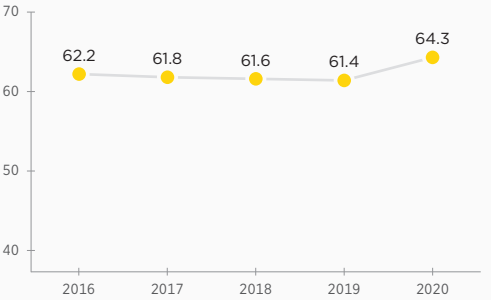
To maintain and accelerate the momentum toward greater economic freedom, the government should address several lagging *Index* indicators—financial freedom, investment freedom, and judicial effectiveness—that could impede successful implementation of its plan to focus on fiscal consolidation, debt reduction, and diversification of the economy.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): +16.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.1 million

GDP (PPP):
$2.9 billion
3.6% growth in 2018
5-year compound annual growth 4.6%
$30,505 per capita

UNEMPLOYMENT:
3.0% (2017 estimate)

INFLATION (CPI):
3.7%

FDI INFLOW:
$123.9 million

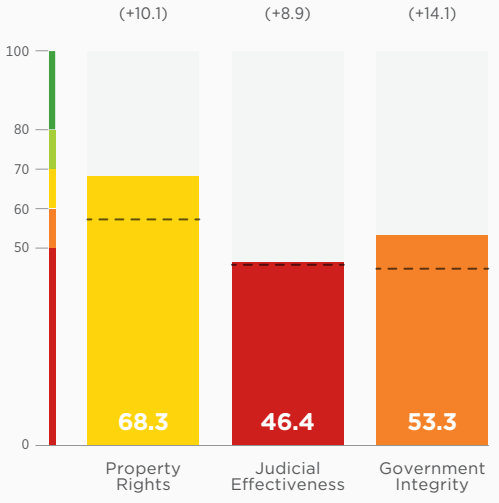
PUBLIC DEBT:
58.2% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: After independence from the United Kingdom in 1976, France-Albert René of the People's Party seized power in a bloodless coup in 1977. In 1993, he was elected to serve as Seychelles' first president. In 2004, he ceded power to Vice President James Michel, who was elected to his third five-year presidential term in 2015. In 2016, President Michel resigned and transferred power to Vice President Danny Faure. Seychelles enjoys a stable economic environment with lucrative fishing and tourism industries. In recent years, the government has encouraged foreign investment to upgrade hotels and other services while at the same time moving to reduce dependence on tourism by promoting the development of farming, fishing, and small-scale manufacturing.

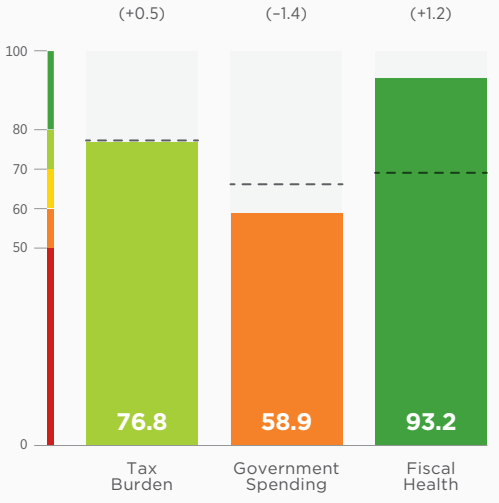
12 ECONOMIC FREEDOMS | SEYCHELLES

RULE OF LAW



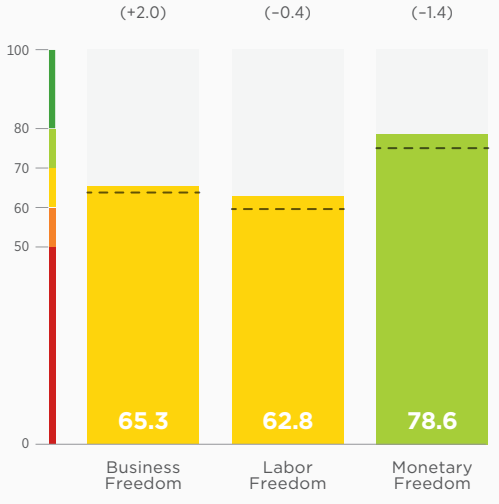
The courts enforce interests in real property, including mortgages and liens. The legal system blends English common law, the Napoleonic Code, and customary law. The judiciary is independent, but judges sometimes face interference in major cases. Seychelles ranked 28th out of 180 countries in Transparency International's 2018 *Corruption Perceptions Index*, its best performance since the inception of the *Index of Economic Freedom* in 1995.

GOVERNMENT SIZE



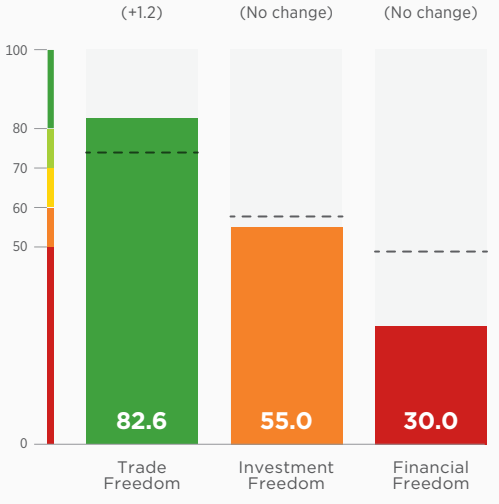
The personal income tax rate is a flat 15 percent, and the top corporate tax rate is 33 percent. Other taxes include interest, vehicle, and value-added taxes. The overall tax burden equals 31.7 percent of total domestic income. Government spending has amounted to 37.0 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 0.3 percent of GDP. Public debt is equivalent to 58.2 percent of GDP.

REGULATORY EFFICIENCY



Electricity costs are high. Poor access to financing constrains many businesses. The business climate could benefit from further privatization of state-owned enterprises and an accelerated insolvency process. There is a skills mismatch in the labor market. The economy is reliant on tourism and the tuna industry. The IMF reported in 2019 that high electricity rates in the Seychelles are partially the result of inefficient cross-subsidies.

OPEN MARKETS



The total value of exports and imports of goods and services equals 189.1 percent of GDP. The average applied tariff rate is 3.7 percent, and 11 nontariff measures are in force. Investment is hindered by heavy bureaucracy and inadequate infrastructure. A large part of the population lacks access to formal banking services, and limited capacity for lending to the private sector inhibits growth.

SIERRA LEONE

WORLD RANK: **168** | REGIONAL RANK: **43**

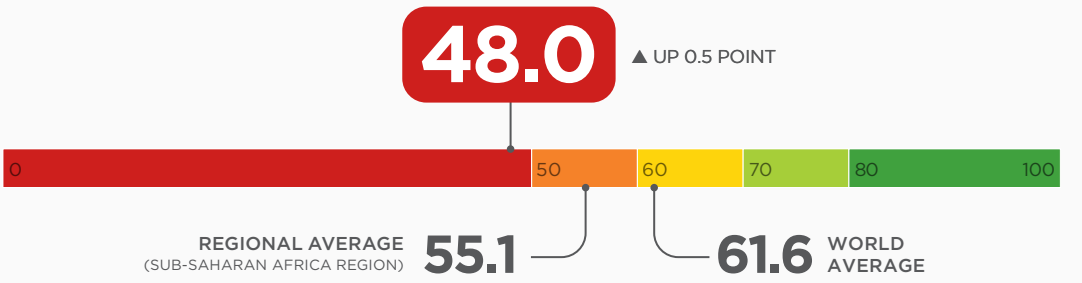
ECONOMIC FREEDOM STATUS: **REPRESSED**

Sierra Leone's economic freedom score is 48.0, making its economy the 168th freest in the 2020 *Index*. Its overall score has increased by 0.5 point due to higher scores for **property rights** and **judicial effectiveness**. Sierra Leone is ranked 43rd among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

Although its economic freedom had improved earlier in the decade, Sierra Leone fell back into the repressed category in 2019 and remains there in 2020. GDP growth plunged during the 2015 Ebola outbreak but by 2018 had become relatively positive.

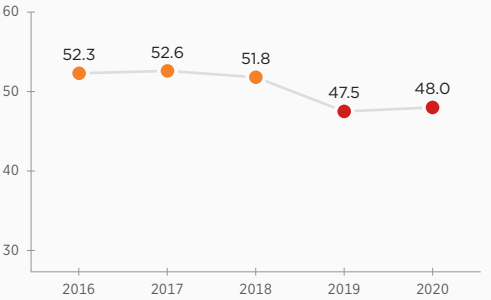
As one of the world's 10 most impoverished and least developed countries, Sierra Leone faces a daunting set of challenges to begin the move toward greater economic freedom. The most pressing areas for improvement are fiscal health, financial freedom, government integrity, and labor freedom.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –1.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
7.6 million

GDP (PPP):
$12.3 billion
3.7% growth in 2018
5-year compound annual growth
–0.4%
$1,620 per capita

UNEMPLOYMENT:
4.3%

INFLATION (CPI):
16.9%

FDI INFLOW:
$599.0 million

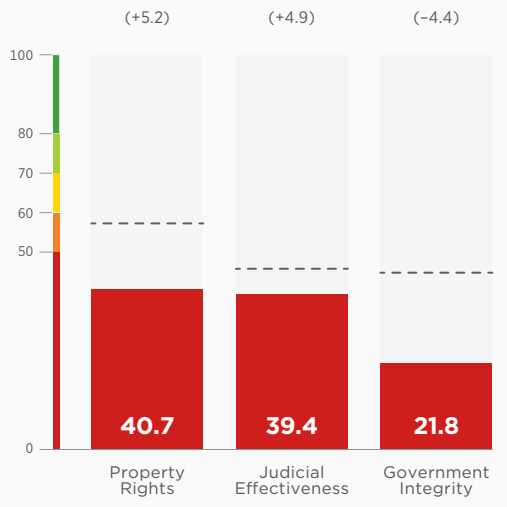
PUBLIC DEBT:
71.3% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Sierra Leone became independent from the United Kingdom in 1961, but a civil war in the 1990s killed or displaced about a third of the population. The country enjoyed its first peaceful transition of power in 2007. Former junta leader Julius Maada Bio of the Sierra Leone People's Party won the presidency in 2018, and his investigations of alleged corruption in the former regime have raised political tensions in the country. Although mining of iron ore has been suspended until 2021, gem-quality diamonds account for high rates of economic growth and nearly half of exports. Nevertheless, Sierra Leone remains extremely poor, and many Sierra Leoneans depend on subsistence agriculture. Political instability has hindered development of substantial mineral, agricultural, and fishery resources.

12 ECONOMIC FREEDOMS | SIERRA LEONE

RULE OF LAW

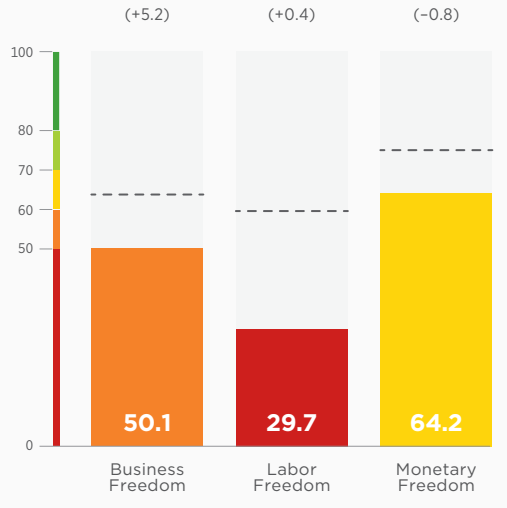


Property rights are constitutionally guaranteed, but the laws do not protect those rights effectively. There is no land titling system. The ineffective judicial system is slow, inadequately resourced, and subject to financial and political influence. Systemic corruption remains pervasive at every level of government. In August 2019, Transparency International released a damning report on "Blood Diamonds and Land Corruption in Sierra Leone."

GOVERNMENT SIZE

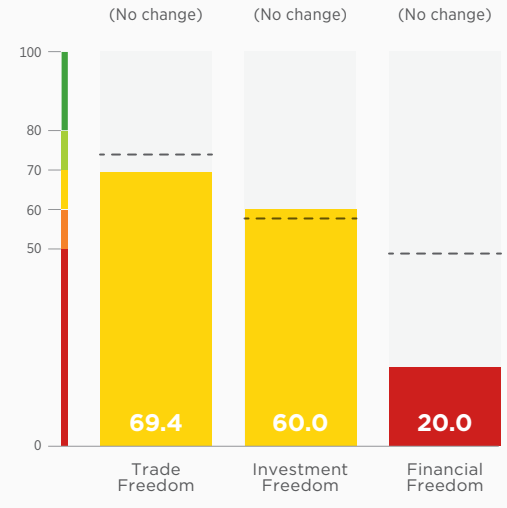
The top individual income tax rate has been cut to 15 percent, and the top corporate tax rate is 30 percent. Other taxes include goods and services and interest taxes. The overall tax burden equals 11.1 percent of total domestic income. Government spending has amounted to 23.4 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 8.0 percent of GDP. Public debt is equivalent to 71.3 percent of GDP.

REGULATORY EFFICIENCY



Sierra Leone has made starting a business easier by combining redundant registration procedures and eliminating some unnecessary procedures, but the overall business environment is very challenging and lacks transparency. Nearly half of the working-age population is employed in subsistence agriculture. Although fuel subsidies were removed in 2018, the government has been slow to remove subsidies for rice production.

OPEN MARKETS



The total value of exports and imports of goods and services equals 74.1 percent of GDP. The average applied tariff rate is 10.3 percent. In recent years, measures have been taken to reduce nontariff barriers. The government acknowledges the benefits of foreign investment but has done little to improve the investment environment. State interference in the financial sector remains heavy through direct ownership and credit allocation.

WORLD RANK: 1 | REGIONAL RANK: 1

ECONOMIC FREEDOM STATUS: FREE

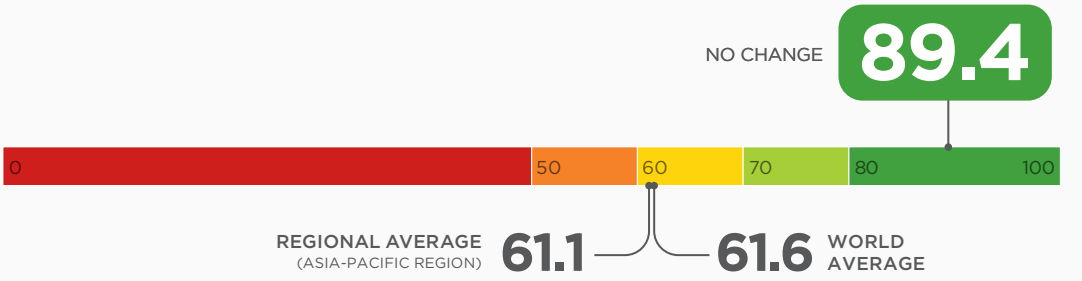
SINGAPORE

Singapore's economic freedom score is 89.4, making it the world's freest economy in the 2020 *Index*. Its overall score is unchanged from 2019, with a small improvement in the **business freedom** score offset by a small decline in the **government integrity** score. Singapore is ranked 1st among 42 countries in the Asia–Pacific region, and its overall score is well above the regional and world averages.

Singapore has ranked among the freest economies in the world over the life of the *Index* but gains the top spot this year for the first time. Its sustained extraordinary performance has resulted in one of the world's highest per capita incomes and solid rates of GDP growth.

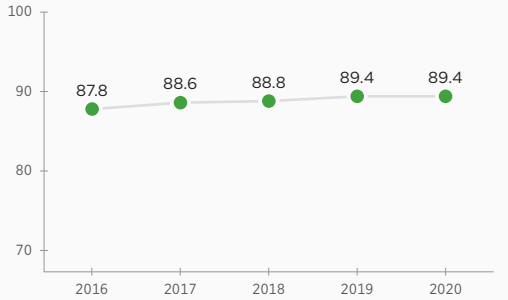
Singapore is the only country in the world that is considered economically free in every *Index* category. Ongoing restrictions on civil liberties, while not directly affecting the country's score, may have an indirect impact on economic freedom and remain a concern.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +3.1

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
5.6 million

GDP (PPP):
$565.8 billion
3.2% growth in 2018
5-year compound annual growth 3.3%
$100,345 per capita

UNEMPLOYMENT:
3.8%

INFLATION (CPI):
0.4%

FDI INFLOW:
$77.6 billion

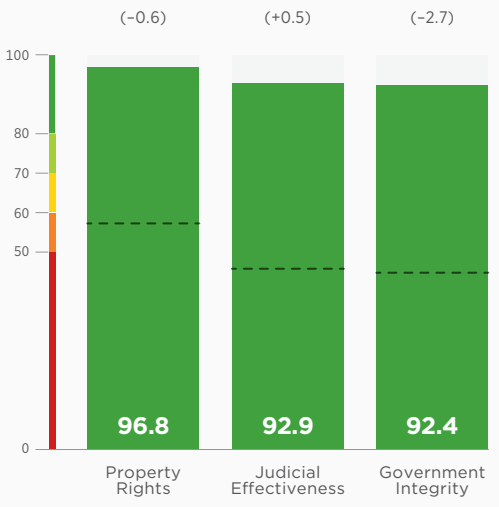
PUBLIC DEBT:
108.3% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Singapore is one of the world's most prosperous nations, with a business-friendly regulatory environment and a very low unemployment rate. Despite an active parliamentary opposition, it has been ruled by one party, the People's Action Party (PAP), for many decades. Prime Minister Lee Hsien Loong has led the government since 2004 and will oversee a PAP leadership transition before the next parliamentary election, which is slated for 2021. Although certain civil liberties remain restricted, the PAP has championed economic liberalization and international trade. Services dominate the economy, but Singapore is also a major manufacturer of electronics and chemicals and operates one of the world's largest ports. Principal exports include integrated circuits, refined petroleum, and computers.

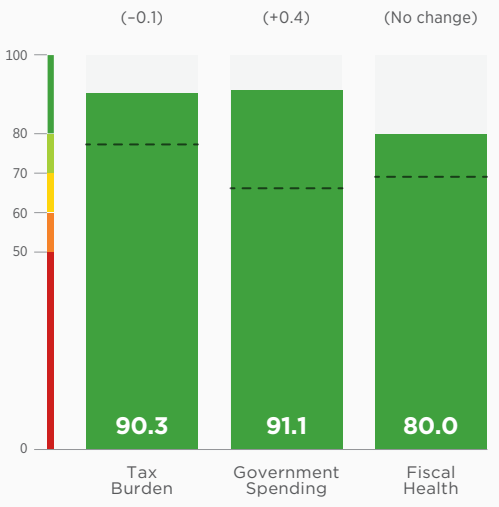
12 ECONOMIC FREEDOMS | SINGAPORE

RULE OF LAW



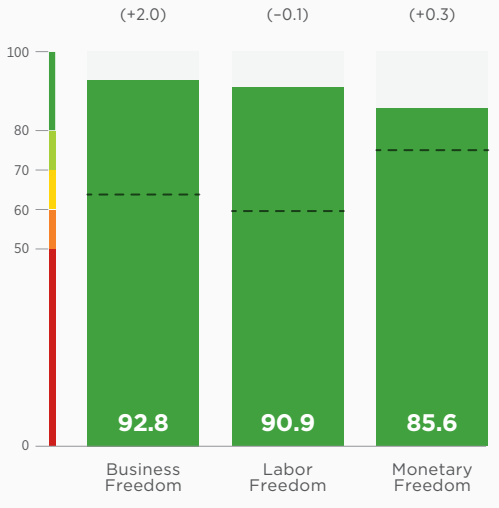
Property rights are recognized and enforced effectively. Judicial processes are procedurally competent, fair, and reliable, and the judiciary is regarded as independent, although the government does have an overwhelmingly successful record in court cases. The government actively enforces its strong anticorruption laws and maintains well-institutionalized anticorruption processes. Singapore is considered one of the world's least corrupt countries.

GOVERNMENT SIZE



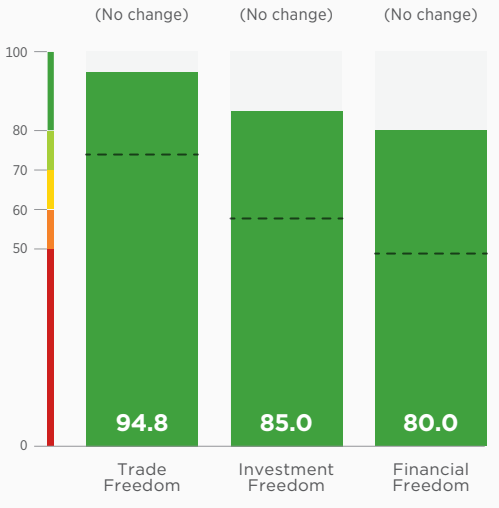
The top individual income tax rate is 22 percent, and the top corporate tax rate is 17 percent. The overall tax burden equals 14.1 percent of total domestic income. Government spending has amounted to 17.2 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 4.7 percent of GDP. Public debt is equivalent to 108.3 percent of GDP.

REGULATORY EFFICIENCY



Singapore is consistently ranked as one of the world's most business-friendly countries. In 2019, the government introduced measures to decrease the ratio of foreign workers to local employees, threatening labor supply in the services sector. The government funds generous housing, transport, and health care subsidy programs and influences other prices through regulation and state-linked enterprises.

OPEN MARKETS



The total value of exports and imports of goods and services equals 326.2 percent of GDP. The average applied tariff rate is 0.1 percent, and 182 nontariff measures are in force. Foreign and domestic businesses are treated equally under the law, and nearly all sectors of the economy are open to 100 percent foreign ownership. The sophisticated financial sector is robust, and the number of foreign banks in the market has steadily increased.

SLOVAK REPUBLIC

WORLD RANK:	REGIONAL RANK:
60	32

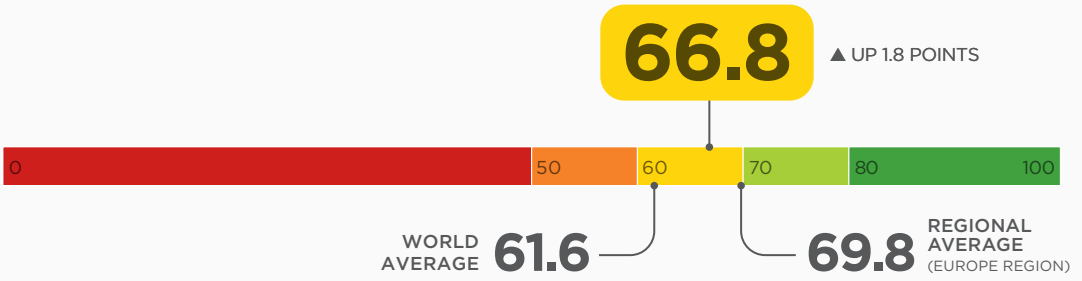
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Slovakia's economic freedom score is 66.8, making its economy the 60th freest in the 2020 *Index*. Its overall score has increased by 1.8 points due to an improved **government integrity** score. Slovakia is ranked 32nd among 45 countries in the Europe region, and its overall score is slightly below the regional average and well above the world average.

The Slovakian economy has maintained its moderately free ranking for more than a decade, although scores have slackened in recent years. Nevertheless, GDP continues to expand at a healthy rate.

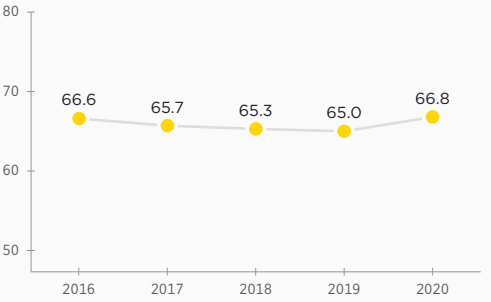
The government's priorities are to combat corruption and improve the quality of the public sector, but efforts in the first years of its term have been limited. Parliament approved a budget for 2020–2022 that projects a deficit of 0.5 percent of GDP in 2020, which would improve the government spending indicator, but most observers think the deficit will be higher.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +6.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
5.4 million

GDP (PPP):
$191.2 billion
4.1% growth in 2018
5-year compound annual growth 3.5%
$35,130 per capita

UNEMPLOYMENT:
6.8%

INFLATION (CPI):
2.5%

FDI INFLOW:
$475.1 million

PUBLIC DEBT:
48.8% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

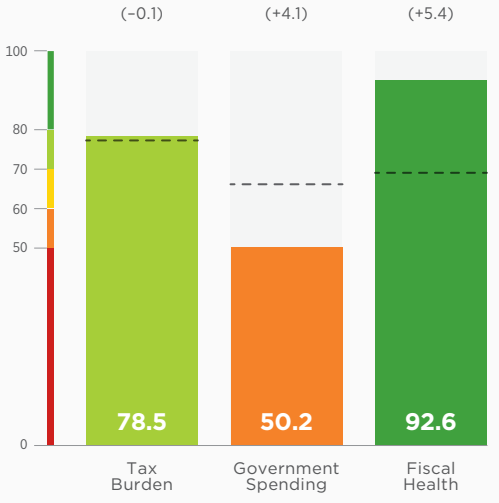
BACKGROUND: After it gained independence from the former Czechoslovakia in 1993, market reforms made Slovakia one of Europe's rising economic stars. It entered the European Union and NATO in 2004 and the eurozone in 2009. After the resignation of longtime Prime Minister Robert Fico in 2018 following massive protests against corruption, Prime Minister Peter Pellegrini of the center-left Direction-Social Democracy Party (Smer) formed a coalition with the Slovak National Party and the center-right Bridge (Most-Híd) party. Slovakia's first female president, independent Zuzana Čaputová, was elected in May 2019. Slovakia has rebuffed EU plans for mandatory migrant quotas. Its small, open economy is driven mainly by automobile and electronics exports. The jobless rate has dropped, but youth unemployment remains high.

12 ECONOMIC FREEDOMS | SLOVAK REPUBLIC

RULE OF LAW

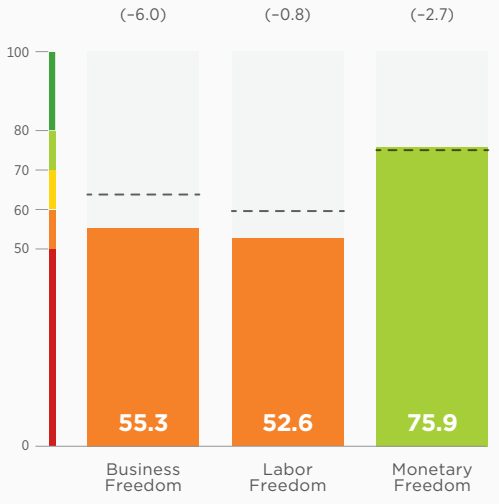
Secured interests in property and contractual rights are recognized and enforced. Despite laws that guarantee judicial independence, there is a widespread perception of a lack of transparency and an abundance of corruption in the judicial system. Corruption is a long-standing problem, and few high-profile anticorruption cases have led to convictions. Critics claim that political influence impedes investigations of corruption.

GOVERNMENT SIZE



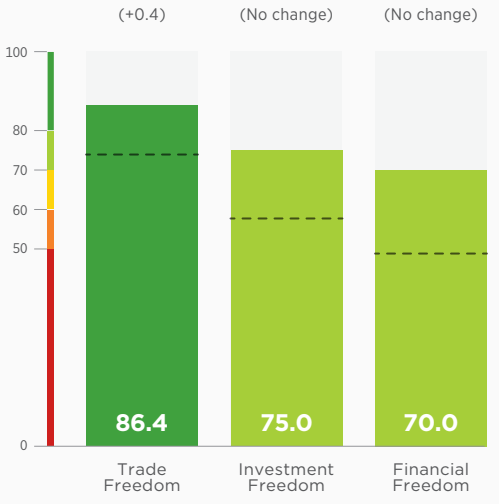
The top individual income tax rate is 25 percent, and the top corporate tax rate is 21 percent. Other taxes include value-added and property taxes. The overall tax burden equals 32.9 percent of total domestic income. Government spending has amounted to 40.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.3 percent of GDP. Public debt is equivalent to 48.8 percent of GDP.

REGULATORY EFFICIENCY



Public administration is weak, and businesses sometimes face challenges caused by an inefficient judiciary. Workers are known for their motivation and productivity, but there is a skills mismatch that is due in part to inadequate secondary and higher education systems. Farmers took to the streets in 2019 to protest what they saw as inequalities in the distribution of EU agricultural subsidies in the country.

OPEN MARKETS



The total value of exports and imports of goods and services equals 192.3 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Slovakia has an additional 44 country-specific nontariff barriers. Full foreign ownership is permitted in most sectors. The financial sector has undergone significant liberalization, and the banking sector remains relatively sound.

SLOVENIA

WORLD RANK: **52**

REGIONAL RANK: **27**

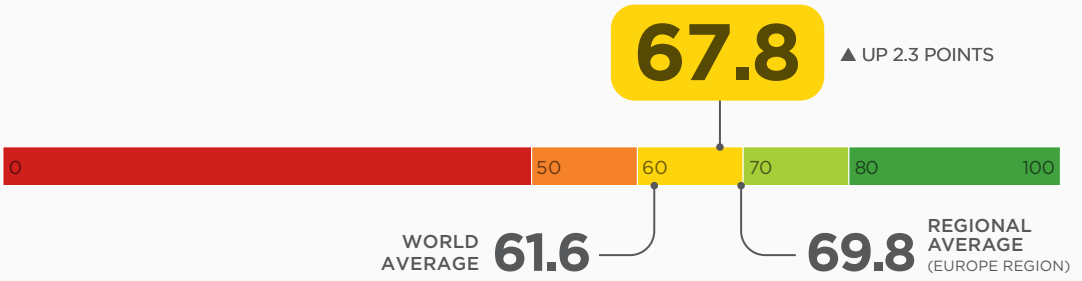
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Slovenia's economic freedom score is 67.8, making its economy the 52nd freest in the 2020 *Index*. Its overall score has increased by 2.3 points, primarily because of a higher **government integrity** score. Slovenia is ranked 27th among 45 countries in the Europe region, and its overall score is slightly below the regional average and well above the world average.

The Slovenian economy has climbed higher in the moderately free category for the third year in a row. Higher rates of GDP growth mirror that performance.

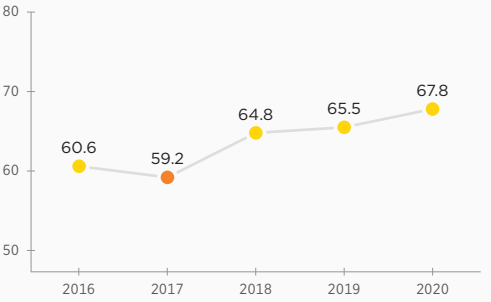
Government economic policy is focused on three areas: privatization, including banks; public-sector wage negotiations; and reforms in several public-sector systems, including the judiciary. Success in all three could improve such lagging *Index* indicators as financial freedom, government spending, and judicial effectiveness. The new center-left government, however, is already pushing the budget into deficit with new programs that will increase spending. The fractious minority government might also have difficulty implementing the reforms.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +17.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
2.1 million

GDP (PPP):
$76.0 billion
4.5% growth in 2018
5-year compound annual growth 3.5%
$36,746 per capita

UNEMPLOYMENT:
5.5%

INFLATION (CPI):
1.7%

FDI INFLOW:
$1.4 billion

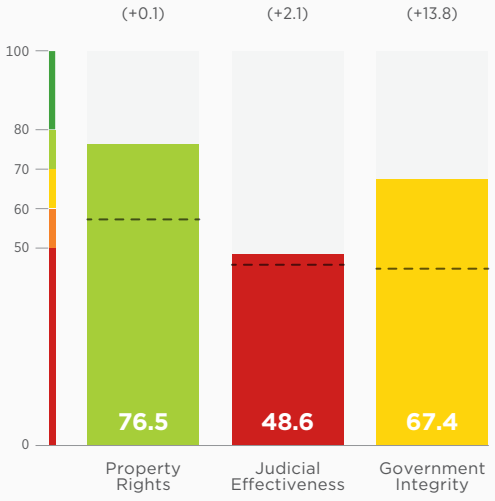
PUBLIC DEBT:
68.5% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Slovenia joined the European Union and NATO in 2004 and adopted the euro in 2007. The center-right and euroskeptic Slovenian Democratic Party won a plurality of seats in 2018 parliamentary elections after campaigning against the EU's migrant quotas and in favor of tighter border security and lower taxes. In September 2018, after a two-month deadlock, Prime Minister Marjan Sarec of the center-left List party, which placed second in the elections, formed a minority government. A series of resignations in 2019 weakened the fragile government. With its excellent infrastructure, well-educated workforce, and strategic location between the Balkans and Western Europe, Slovenia has one of Central Europe's higher per capita GDPs. Despite political uncertainty, the economy continues to register strong growth, powered by exports.

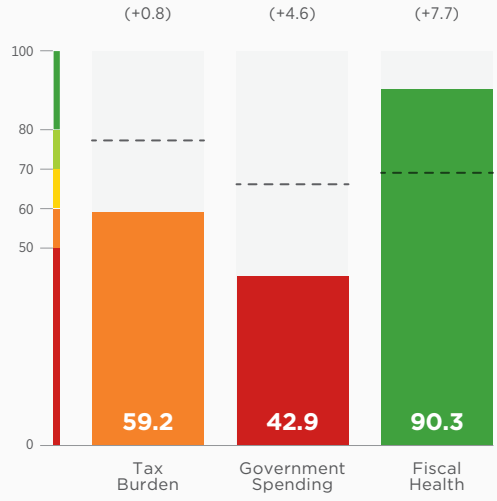
12 ECONOMIC FREEDOMS | SLOVENIA

RULE OF LAW



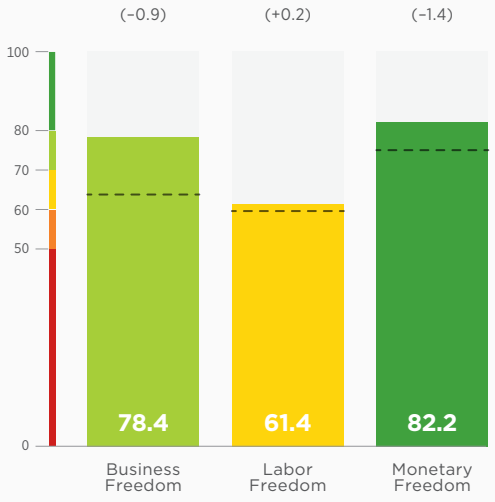
Virtually all land has a clear title. Increased automation in the land registry has greatly reduced property registration delays. The judiciary is independent and transparent, but courts are inefficient, overburdened, and inadequately resourced. The prevalence of corruption is relatively limited, although the small size of Slovenia's political and economic elite breeds a lack of transparency in government procurement as well as widespread cronyism.

GOVERNMENT SIZE



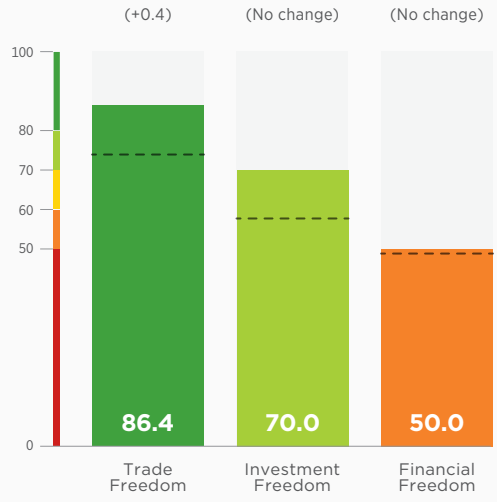
The top individual income tax rate is 50 percent, and the top corporate tax rate is 17 percent. Other taxes include value-added and property transfer taxes. The overall tax burden equals 36.0 percent of total domestic income. Government spending has amounted to 43.6 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 0.4 percent of GDP. Public debt is equivalent to 68.5 percent of GDP.

REGULATORY EFFICIENCY



Slovenia recently made enforcement of contracts easier by improving the pre-trial process, but starting a business was made more complicated by a new requirement. At least half of Slovenia's economy is state-owned or state-controlled. Rigid labor regulations hamper the development of more dynamic employment growth. In 2019, the IMF urged the government to accelerate efforts to privatize several state-owned enterprises.

OPEN MARKETS



The total value of exports and imports of goods and services equals 160.9 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Slovenia has an additional 31 country-specific nontariff barriers. Most sectors are open to foreign investment. Privatization of state-owned financial institutions is incomplete, and the banking sector has been under strain.

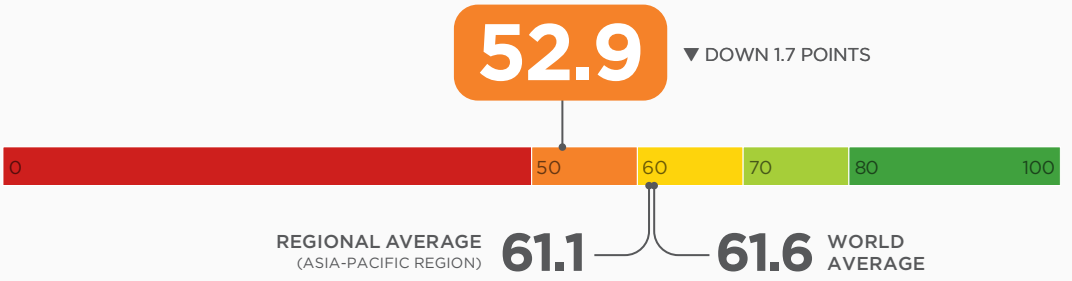
SOLOMON ISLANDS

The Solomon Islands' economic freedom score is 52.9, making its economy the 150th freest in the 2020 *Index*. Its overall score has decreased by 1.7 points due to a drop in the **fiscal health** score. The Solomon Islands is ranked 36th among 42 countries in the Asia–Pacific region, and its overall score is well below the regional and world averages.

The economy of the Solomon Islands climbed into the mostly unfree category in 2017 and has remained there ever since then. GDP growth over the past five years has been solid due to continued infrastructure development, expansion of tuna processing, and construction of the Tina River hydropower project.

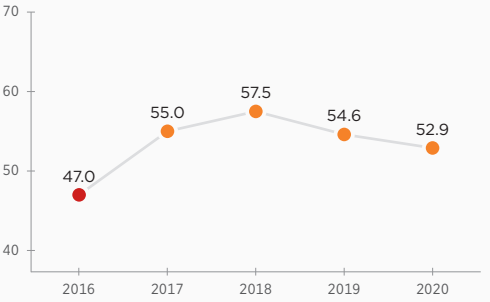
To expand economic freedom in the Solomon Islands, the government would have to address the most pressing problems first, beginning with government integrity. Tackling corruption was a key electoral promise of the current government, and parliament passed an anticorruption bill in 2019.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): +6.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.6 million

GDP (PPP):
$1.4 billion
3.4% growth in 2018
5-year compound annual growth 3.0%
$2,242 per capita

UNEMPLOYMENT:
1.8%

INFLATION (CPI):
1.0%

FDI INFLOW:
$11.7 million

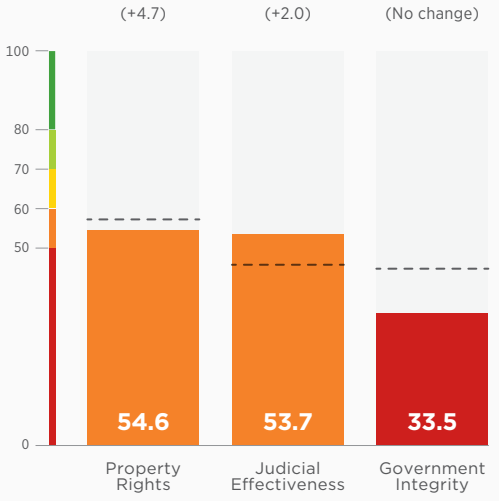
PUBLIC DEBT: 12.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The scene of some of World War II's bitterest fighting, the South Pacific archipelago of the Solomon Islands gained independence from the United Kingdom in 1976 and became a parliamentary democracy. In 2003, after years of ongoing and economically destructive ethnic violence, an Australian-led multinational force disarmed ethnic militias, restored law and order, and rebuilt government institutions. In 2019, Manasseh Sogavare was reelected prime minister, having previously served as prime minister from 2014 to 2017. Although the islands are rich in timber and such undeveloped mineral resources as lead, zinc, nickel, and gold, much of the population continues to work in subsistence farming, fishing, and artisanal forestry. The Solomon Islands remains one of Asia's poorest nations.

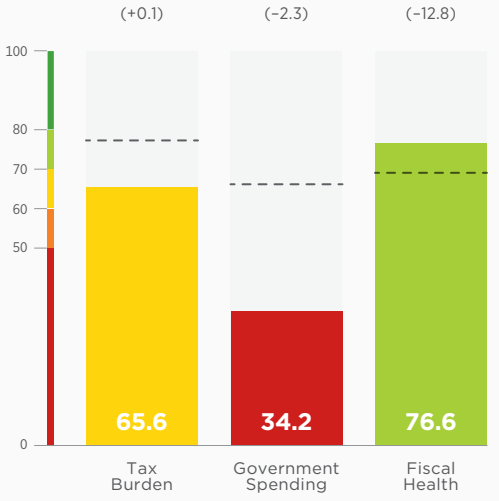
12 ECONOMIC FREEDOMS | SOLOMON ISLANDS

RULE OF LAW



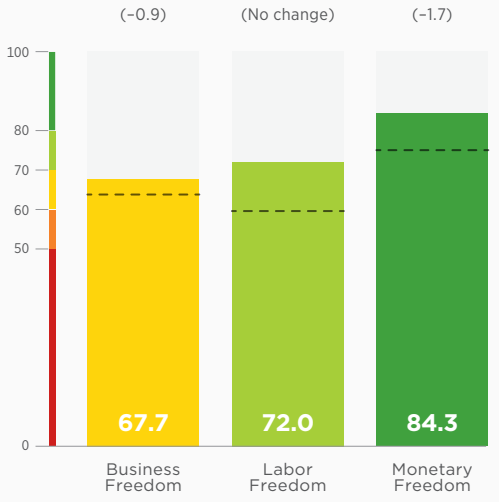
Land ownership is reserved for Solomon Islanders, and conflicts over land tenure have been a major source of civil unrest. The judiciary's lack of resources hinders the conduct of timely trials and leads to weak enforcement of contracts. Residents of rural areas have limited access to the formal justice system. Corruption is a serious problem in the judicial, mining, and fishing sectors.

GOVERNMENT SIZE



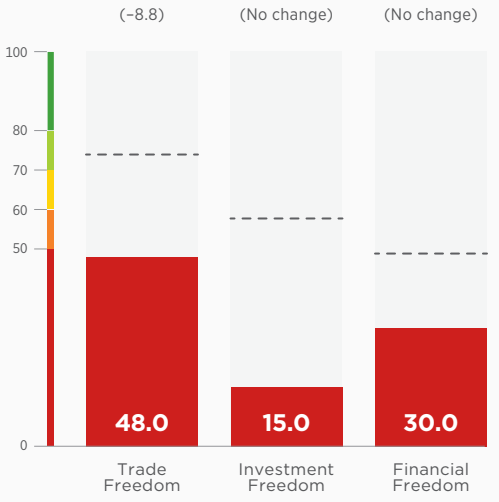
The top personal income tax rate is 40 percent, and the top corporate tax rate is 30 percent. Other taxes include property and sales taxes. The overall tax burden equals 30.6 percent of total domestic income. Government spending has amounted to 46.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 3.8 percent of GDP. Public debt is equivalent to 12.1 percent of GDP.

REGULATORY EFFICIENCY



Action to advance business freedom has been marginal. The new government is trying to formulate its priorities regarding business-friendly reforms. The formal labor market has not fully developed, and most of the population relies on agriculture, fishing, and forestry for all or part of its livelihood. Subsidies for infrastructure development projects, funded mainly by international donors, comprise about one-third of total public spending.

OPEN MARKETS



The total value of exports and imports of goods and services equals 98.4 percent of GDP. The average applied tariff rate is 18.5 percent, and extensive layers of nontariff barriers further constrain the freedom to trade. Investment laws are outmoded, and bureaucracy is slow and inefficient. Banking dominates the underdeveloped financial sector, and access to credit, particularly long-term credit, remains very limited.

WORLD RANK: N/A | REGIONAL RANK: N/A

ECONOMIC FREEDOM STATUS: NOT GRADED

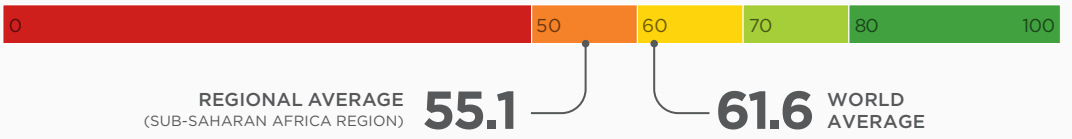
SOMALIA

Somalia is not graded in the 2020 *Index* because of the continuing unavailability of relevant comparable statistics on all facets of the economy. Although Somalia lacks effective national governance because of ongoing violence and political unrest, its largely informal economy is able to function through remittance/money transfer companies and telecommunications. The central government controls only part of the country, and formal economic activity is largely restricted to urban areas such as Mogadishu and a few regional capitals.

Stability in Somalia is extremely fragile because of fierce clan-based rivalries within the political elite and the continuing influence of Islamist insurgents. The lack of central authority makes the rule of law inconsistent and fragmented, with different militias, authorities, and tribes applying varying legal frameworks. Traditional Islamic jurisprudence (Sharia law) has become entrenched. Levels of corruption remain high, and the lack of transparency and formal bookkeeping makes government revenues vulnerable to embezzlement.

ECONOMIC FREEDOM SCORE

N/A NOT GRADED THIS YEAR



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): N/A

RECENT FREEDOM TREND

QUICK FACTS

POPULATION:
11.3 million
(2018 estimate)

GDP (PPP):
$21.2 billion
3.1% growth in 2018
5-year compound
annual growth 2.9%
n/a per capita

UNEMPLOYMENT:
14.0%

INFLATION (CPI):
1.5% (2017 estimate)

FDI INFLOW:
$409.0 million

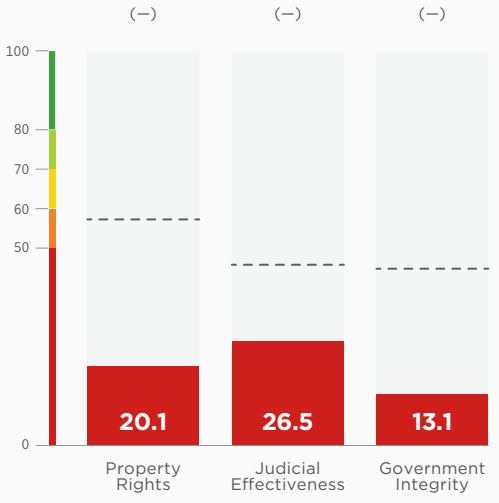
PUBLIC DEBT: n/a

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: British and Italian Somalilands merged to form Somalia in 1960. A coup led by Mohamed Siad Barre in 1969 ushered in two decades of brutal socialist rule. Since the collapse of Barre's regime in 1991, multinational military peacekeeping missions—currently, the African Union Mission to Somalia (AMISOM)—have protected a succession of weak and short-lived governments, most recently against the Islamist terrorist group al-Shabaab. In 2017, Mohamed Abdullahi Mohamed won the presidency in a delayed and corruption-ridden electoral process. The government remains distracted by ongoing squabbles with federal member states over the delineation of power. Somalia's GDP and living standards are among the world's lowest; many Somalis depend on remittances from abroad. Livestock, agriculture, and fishing are economic mainstays.

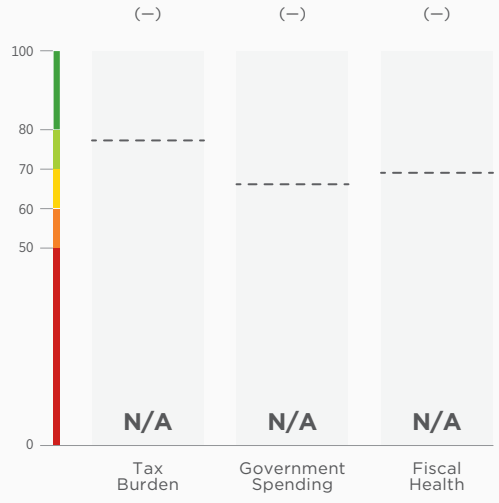
12 ECONOMIC FREEDOMS | SOMALIA

RULE OF LAW



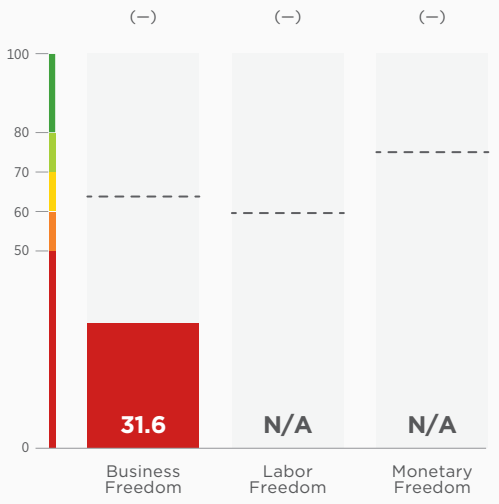
The provisional constitution guarantees property rights, but a mixture of formal and informal or traditional systems governing land rights complicates securing ownership. Corruption and other barriers impede property registration. Land disputes can lead to intimidation and violence. The judicial system is corrupt, fractured, and understaffed. Corruption is rampant. Impunity is the norm for public officials accused of malfeasance.

GOVERNMENT SIZE



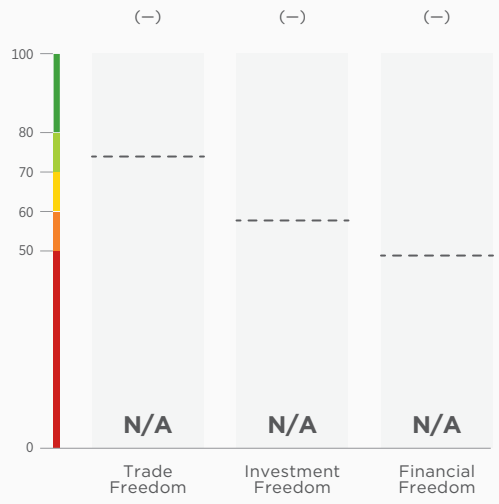
There is no fully effective national government that can provide basic services to the population. Other than the collection of very limited duties and taxes, little formal fiscal policy is in place. In southern Somalia, taxes are often levied by local warlords or clan leaders and used to pay militiamen. In Somaliland, duties levied at the port are estimated to provide around 80 percent of government revenue.

REGULATORY EFFICIENCY



Violence and unrest prevent most business activity, although hotels with their own private-security militias continue to operate. The industrial sector has been looted. The country has a nascent financial sector and no control over monetary policy, but Somalia's informal agricultural, construction, and telecommunications sectors have experienced modest growth without subsidies.

OPEN MARKETS



Political instability, an outmoded regulatory environment, and inadequate infrastructure significantly deter trade and investment activities. Much of the population remains outside of the formal banking sector, and private investment remains extremely limited. Foreign firms have shown some interest in investing in the hydrocarbons sector and ports infrastructure, but investments have been held up by political disputes between central and state-level agencies.

SOUTH AFRICA

WORLD RANK: **106** | REGIONAL RANK: **12**

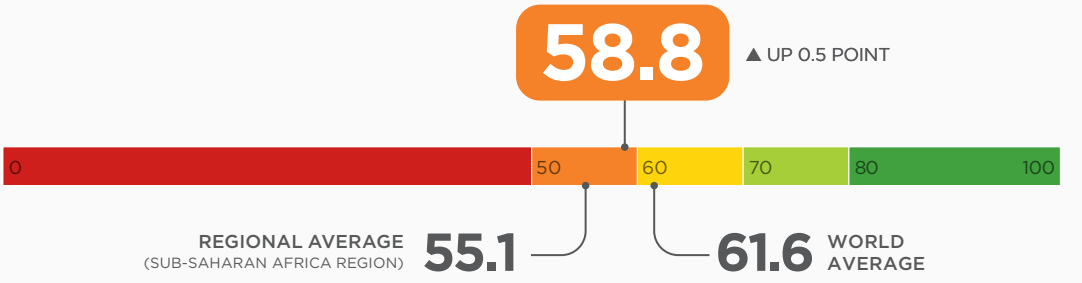
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

South Africa's economic freedom score is 58.8, making its economy the 106th freest in the 2020 *Index*. Its overall score has increased by 0.5 point due to a higher **government integrity** score. South Africa is ranked 12th among 47 countries in the Sub-Saharan Africa region, and its overall score is well above the regional average and slightly below the world average.

The South African economy fell back into the mostly unfree category in 2019 after 24 years in the ranks of the moderately free. It remains mostly unfree in 2020. GDP growth has been anemic for the past five years.

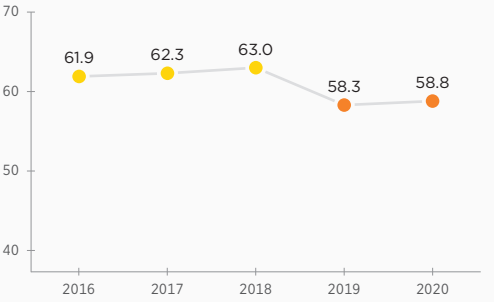
To turn the trajectory of economic freedom positive again in South Africa and achieve its goals of economic growth and job creation, the government needs to confront persistent labor market rigidities and pursue stricter application of rules against anticompetitive behavior. The progressive politicization of economic decision-making is a threat to the private sector and long-term development.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –1.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
57.7 million

GDP (PPP):
$789.4 billion
0.8% growth in 2018
5-year compound annual growth 1.1%
$13,675 per capita

UNEMPLOYMENT:
27.0%

INFLATION (CPI):
4.6%

FDI INFLOW:
$5.3 billion

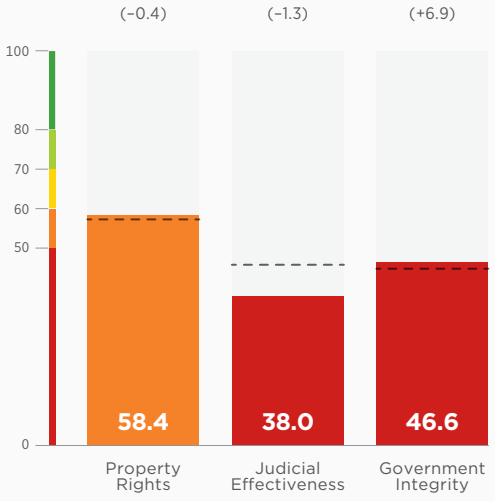
PUBLIC DEBT:
56.7% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The African National Congress (ANC) has dominated politics in South Africa since the end of apartheid in 1994. Corruption scandals forced two-term president Jacob Zuma to resign in 2018. He was replaced by current President Cyril Ramaphosa, who secured his own five-year term when the ANC won the May 2019 elections with 57 percent of the vote, the lowest percentage in ANC history. A radical leftist party pushing land expropriation received 10 percent of the vote. South Africa has a highly developed economy and advanced infrastructure. One of the world's largest exporters of gold, platinum, and other natural resources, it also has well-established financial, legal, communications, energy, and transport sectors as well as the continent's largest stock exchange. Rates of formal-sector unemployment and crime are high.

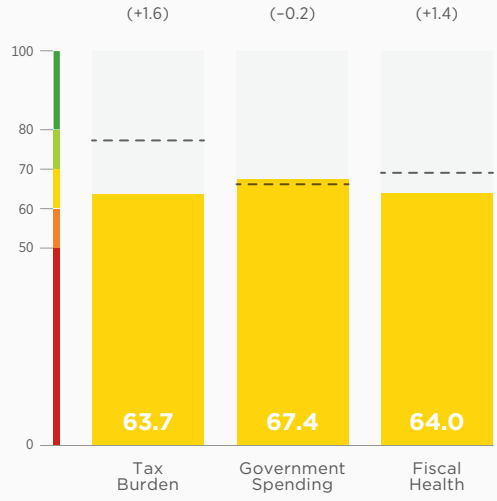
12 ECONOMIC FREEDOMS | SOUTH AFRICA

RULE OF LAW



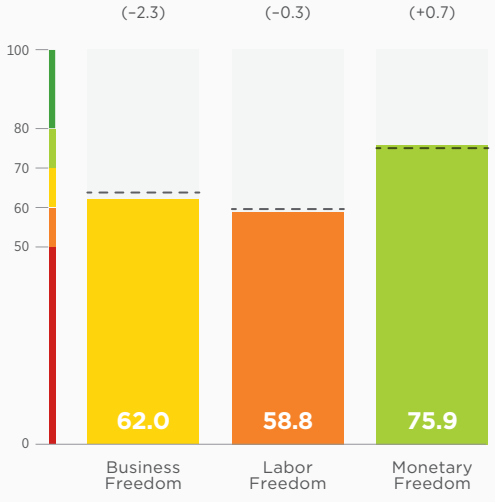
Property rights are relatively well protected, and contracts are generally secure, but economic growth and food security are threatened by a highly charged land reform debate and proposals to redistribute land rights. South Africa benefits from a robust legal framework and courts that process judicial cases reliably and competently. There is a robust anticorruption framework, but the laws are inadequately enforced, and public-sector accountability is low.

GOVERNMENT SIZE



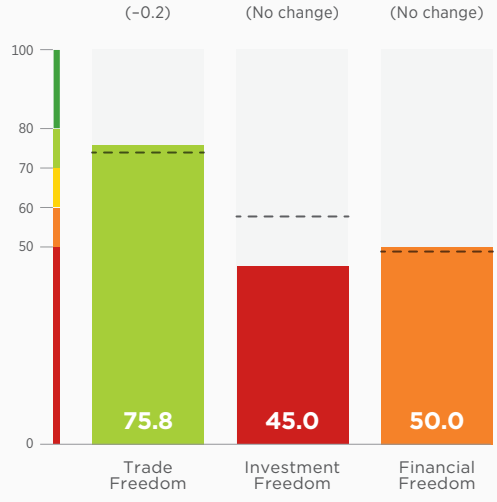
The top personal income tax rate is 45 percent, and the top corporate tax rate is 28 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 28.6 percent of total domestic income. Government spending has amounted to 33.0 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.3 percent of GDP. Public debt is equivalent to 56.7 percent of GDP.

REGULATORY EFFICIENCY



Policy uncertainty, weaknesses in regulatory oversight, violent crime, labor unrest, and unprofitable state-owned enterprises have a negative effect on business activity. Labor market rigidity has contributed to extremely high unemployment rates. The government has abolished price controls on all but a handful of items, such as coal, petroleum and petroleum products like diesel and paraffin, and utilities.

OPEN MARKETS



The total value of exports and imports of goods and services equals 59.8 percent of GDP. The average applied tariff rate is 4.6 percent, and 175 nontariff measures are in force. Private investment continues to be hindered by nontransparent laws, and foreign investments face additional restrictions that breed inefficiency. The financial sector has undergone modernization, and the banking sector is regarded as resilient and sound.

SPAIN

WORLD RANK:	REGIONAL RANK:
58	31

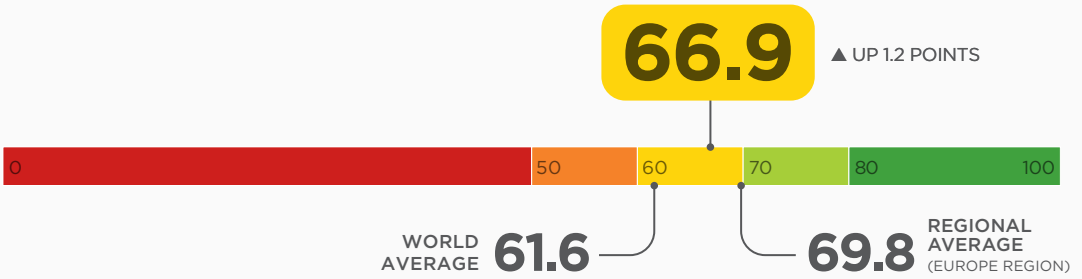
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Spain's economic freedom score is 66.9, making its economy the 58th freest in the 2020 *Index*. Its overall score has increased by 1.2 points, due primarily to a higher **fiscal health** score. Spain is ranked 31st among 45 countries in the Europe region, and its overall score is slightly below the regional average and well above the world average.

The Spanish economy has been rated moderately free for nine years. GDP growth has decelerated in the past two years as private consumption growth has slowed slightly and external demand has softened more significantly.

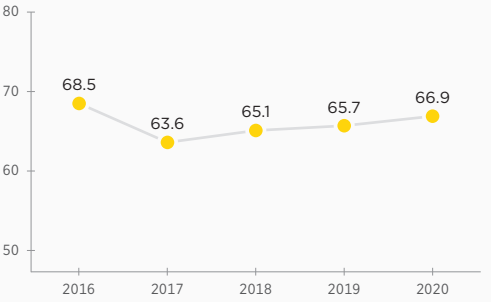
The principal obstacles to greater economic freedom in Spain are the lack of labor freedom and, especially, the size and the cost of government. If government spending and related sovereign borrowing were reduced, a liberated private sector could boost growth and employment. Unfortunately, the socialist government has proposed an ambitious plan for new spending programs as well as rollbacks of the last center-right government's labor code reforms.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +4.1

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
46.4 million

GDP (PPP):
$1.9 trillion
2.5% growth in 2018
5-year compound annual growth 2.7%
$40,139 per capita

UNEMPLOYMENT:
15.5%

INFLATION (CPI):
1.7%

FDI INFLOW:
$43.6 billion

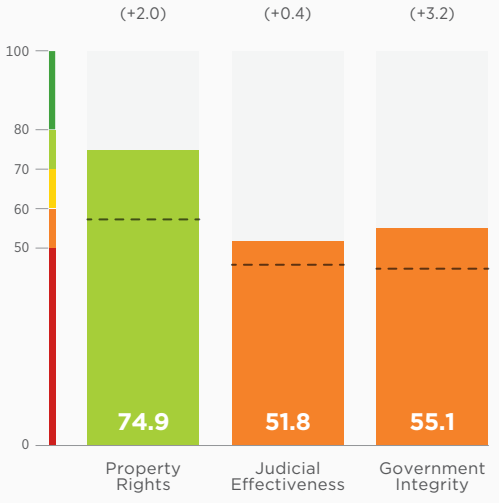
PUBLIC DEBT:
97.0% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Since returning to democracy in 1975, Spain has become the eurozone's fourth-largest economy. The government in Madrid removed a rogue regional government in Catalonia after an illegal 2017 independence referendum, but the December 2018 regional elections resulted in the installation of another pro-independence cabinet. A November 2019 snap election resulted in an even more fragmented parliament, with the conservative Vox party surging to third place at the expense of the main center-right People's Party. Prime Minister Pedro Sánchez's ruling center-left Spanish Socialist Workers' Party was forced to form an unstable minority coalition government with the radical left Podemos party. Spain's diversified economy includes manufacturing, financial services, pharmaceuticals, textiles and apparel, footwear, chemicals, and a booming tourism industry.

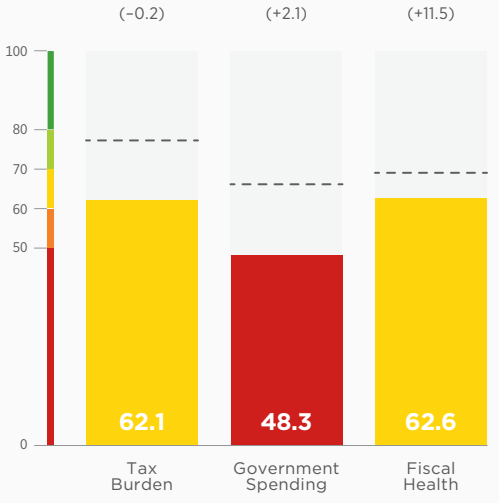
12 ECONOMIC FREEDOMS | SPAIN

RULE OF LAW



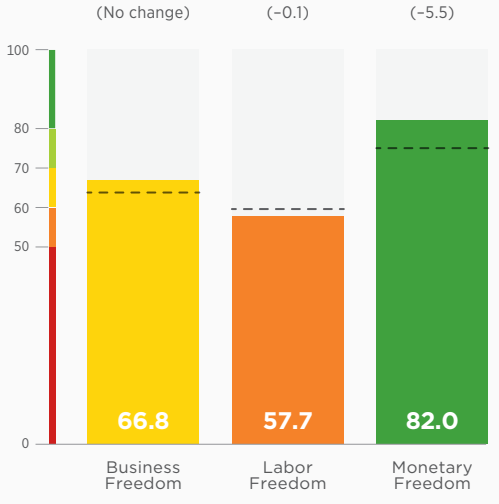
Spanish law protects property rights. There generally are no restrictions on foreign ownership of real estate. The land registration system is rigid but functions efficiently. The judicial system is open and transparent but sometimes slow-moving. Judges are in charge of prosecutions and criminal investigations. The government enforces anticorruption laws on a generally uniform basis. Concerns about official corruption often center on campaign financing.

GOVERNMENT SIZE



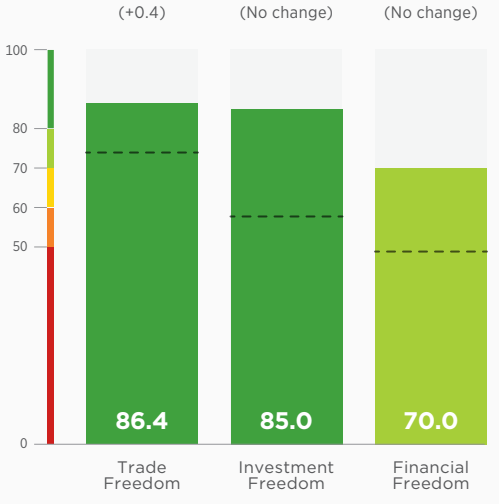
The top individual income tax rate is 45 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax. The overall tax burden equals 33.7 percent of total domestic income. Government spending has amounted to 41.5 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 3.4 percent of GDP. Public debt is equivalent to 97.0 percent of GDP.

REGULATORY EFFICIENCY



The overall regulatory environment remains burdensome, but bankruptcy laws, which were reformed in 2014, are fair and transparent. Labor-market reform is urgently needed both to facilitate hiring and job growth and to bring more workers into the formal economy. The government has stepped up efforts to subsidize purchases of electric cars, light-commercial vehicles, and motorcycles.

OPEN MARKETS



The total value of exports and imports of goods and services equals 66.6 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Nearly all sectors are open to foreign investment, and approval procedures have been streamlined. The financial sector has regained its stability, and the number of nonperforming loans continues to decline. There are 12 banking groups.

SRI LANKA

WORLD RANK: 112 | REGIONAL RANK: 24

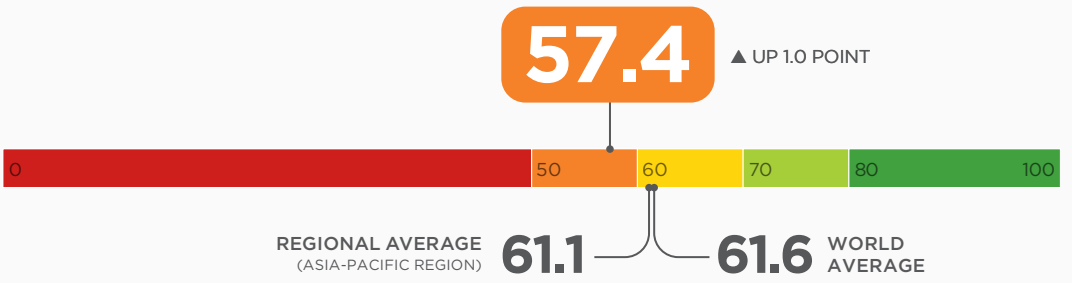
ECONOMIC FREEDOM STATUS: MOSTLY UNFREE

Sri Lanka's economic freedom score is 57.4, making its economy the 112th freest in the 2020 *Index*. Its overall score has increased by 1.0 point due to a higher **fiscal health** score. Sri Lanka is ranked 24th among 42 countries in the Asia–Pacific region, and its overall score is well below the regional and world averages.

The economy of Sri Lanka has been rated mostly unfree for the sixth year in a row. Economic growth during that time was strong, however, reflecting a peace dividend that helped the transition from a predominantly rural-based economy toward a more urbanized economy oriented around manufacturing and services.

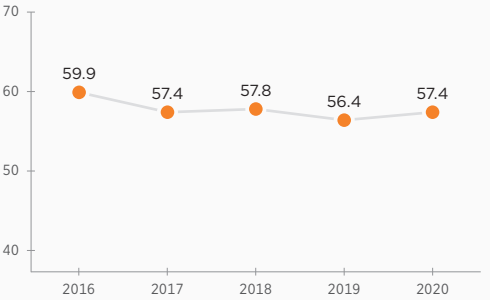
Nine of Sri Lanka's 12 *Index* indicators are below global average levels. For economic freedom to expand, the government will need to prioritize anticorruption efforts, reduce debt, and reform the judiciary to improve its independence and integrity.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –3.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
21.7 million

GDP (PPP):
$290.6 billion
3.0% growth in 2018
5-year compound annual growth 4.2%
$13,397 per capita

UNEMPLOYMENT:
4.4%

INFLATION (CPI):
4.3%

FDI INFLOW:
$1.6 billion

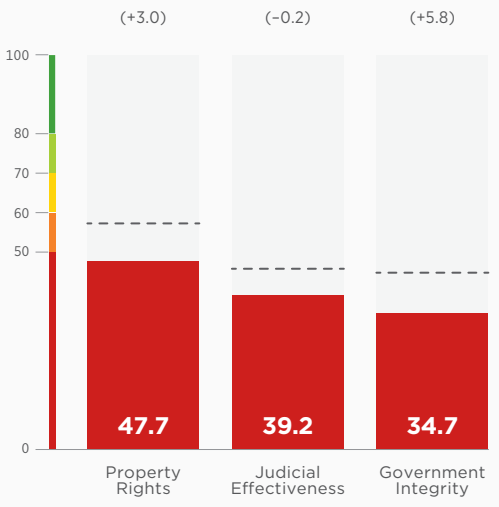
PUBLIC DEBT:
84.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The island nation of Ceylon off the southeast coast of India gained independence from the United Kingdom in 1948; its name was changed to Sri Lanka in 1972. Maithripala Sirisena was elected president in 2015 on pledges to restore parliamentary democracy, rein in corruption, and review infrastructure deals signed with China. In 2018, Sirisena sparked a constitutional crisis when he attempted to suspend parliament and appoint a former president as prime minister. The crisis was resolved when Sirisena's actions were rejected by the country's parliament and Supreme Court. Social unrest caused by religious and ethnic tensions continues to threaten political stability. The economy is based on exports of processed commodities and garments.

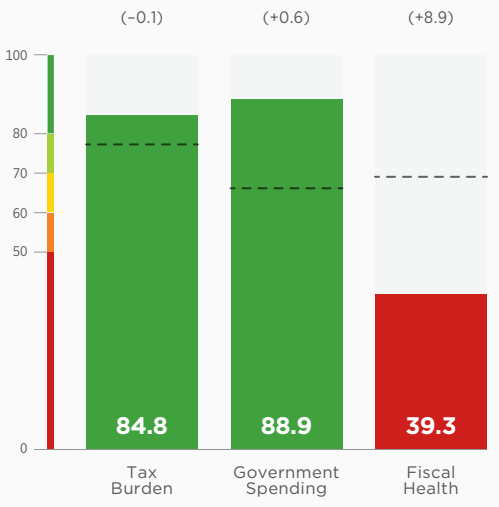
12 ECONOMIC FREEDOMS | SRI LANKA

RULE OF LAW



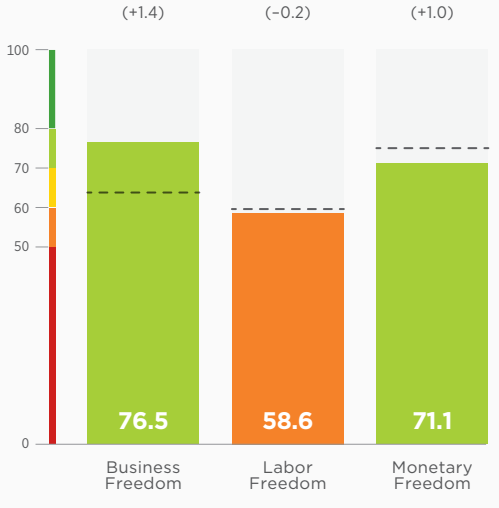
Secured interests in property are generally acknowledged, but enforcement can be difficult. A reliable private property registration system is undermined by fraud and forged documents. Political interference with and intimidation of the judiciary have abated somewhat under the Sirisena administration. The government's efforts to fight corruption have produced few convictions. Corruption remains a problem in the judiciary, public procurement, and customs.

GOVERNMENT SIZE



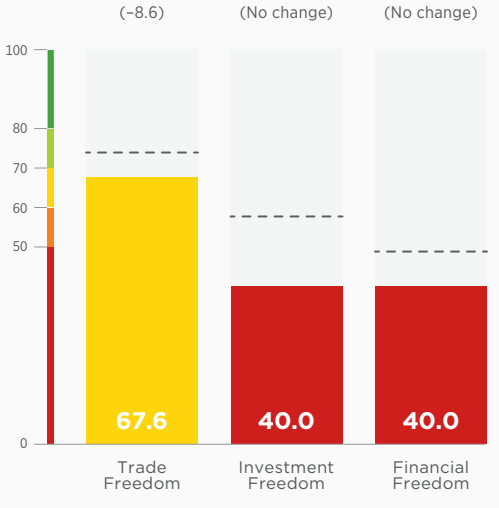
The top personal income tax rate is 24 percent, and the top corporate tax rate is 28 percent. Other taxes include a value-added tax. The overall tax burden equals 12.6 percent of total domestic income. Government spending has amounted to 19.2 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 5.4 percent of GDP. Public debt is equivalent to 84.1 percent of GDP.

REGULATORY EFFICIENCY



A series of reforms, including improvements in dealing with construction permits, registering property, paying taxes, and enforcing contracts, have been implemented in the past year. The bloated civil service contributes to a lack of efficiency in the labor market. There is an imbalance between labor supply and demand in a number of sectors. The government has reduced fuel subsidies but maintains a complex web of energy, water, and fertilizer subsidies.

OPEN MARKETS



The total value of exports and imports of goods and services equals 52.9 percent of GDP. The average applied tariff rate is 8.7 percent, and 19 nontariff measures further undermine trade flows. Burdensome bureaucracy hinders much-needed dynamic growth in private investment. Nonperforming loans remain a problem in the banking system, and the state continues to influence the allocation of credit.

SUDAN

WORLD RANK: **173** | REGIONAL RANK: **44**

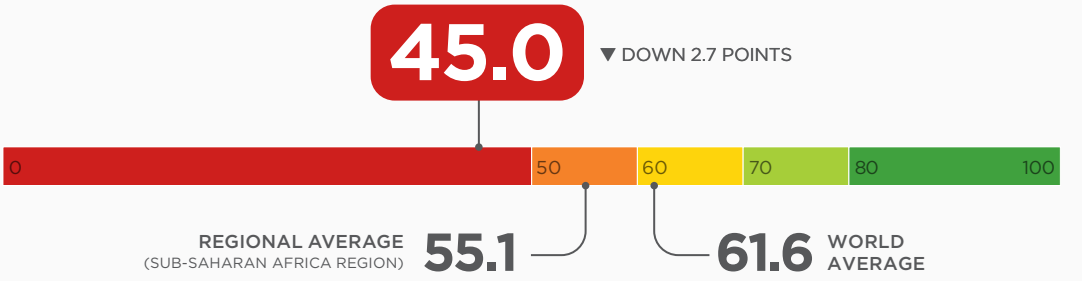
ECONOMIC FREEDOM STATUS: **REPRESSED**

Sudan's economic freedom score is 45.0, making its economy the 173rd freest in the 2020 *Index*. Its overall score has decreased by 2.7 points due to a substantial drop in the **fiscal health** score. Sudan is ranked 44th among 47 countries in the Sub-Saharan Africa region, and its overall score is well below the regional and world averages.

The Sudanese economy has been considered repressed ever since the resumption of its *Index* grading in 2017. GDP has contracted because of high inflationary pressures and sharp currency movements that have dampened private consumption and deterred investment.

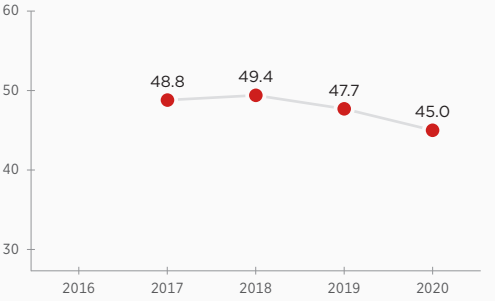
For most of its independent history, Sudan has been beset by conflict, making it nearly impossible to secure economic freedom. Even if the country could achieve political stability, massive reforms would be required to address serious shortcomings in fiscal health, investment freedom, and the three critical facets of the rule of law: property rights, judicial effectiveness, and the integrity of government.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +5.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
42.0 million

GDP (PPP):
$177.7 billion
–2.1% growth in 2018
5-year compound annual growth 1.8%
$4,232 per capita

UNEMPLOYMENT:
12.9%

INFLATION (CPI):
63.3%

FDI INFLOW:
$1.1 billion

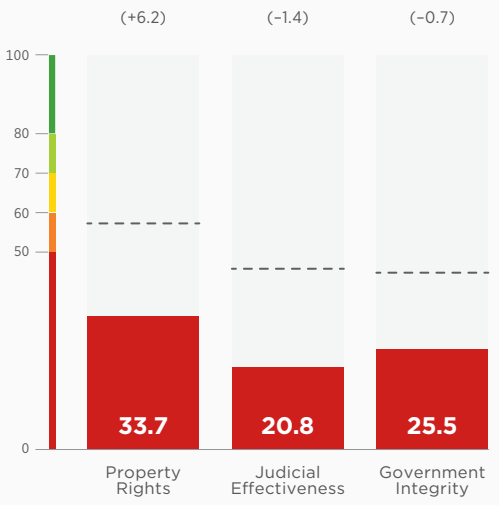
PUBLIC DEBT:
163.2% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Islamic-oriented military regimes have dominated Sudanese politics since independence from Anglo–Egyptian rule in 1956. In April 2019, after months of sustained mass nationwide protests, the army ousted long-time Islamist dictator Omar Hassan al-Bashir, who faces two international arrest warrants for war crimes. The political situation remains chaotic, however, as protesters persist in demanding a civilian-led government. The protests began after decades of economic mismanagement and corruption precipitated an economic crisis in 2018 that included inflation and shortages of food and water. The oil sector has driven much of Sudan's GDP growth, but the secession of South Sudan cost Sudan two-thirds of its oil revenue. Close to half of the population is at or below the poverty line and reliant on subsistence agriculture.

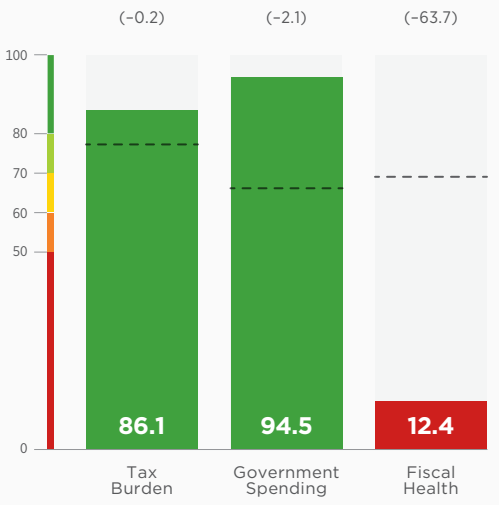
12 ECONOMIC FREEDOMS | SUDAN

RULE OF LAW



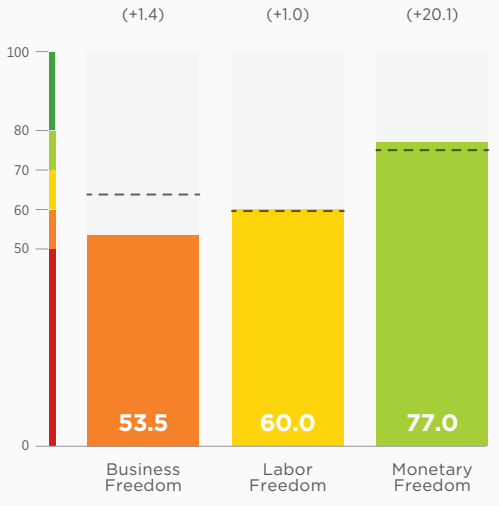
There is little respect for private property, and enforcement of property rights is uneven. The judiciary is not independent, and years of political conflict have deformed the legal framework. Sudan is one of the world's most corrupt nations and was ranked 172nd out of 180 countries in Transparency International's 2018 *Corruption Perceptions Index*. Former President Omar al-Bashir was indicted in 2019 on corruption and money-laundering charges.

GOVERNMENT SIZE



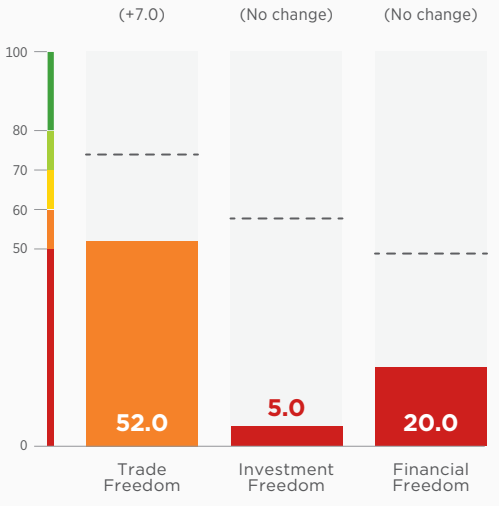
The top personal income tax rate is 10 percent, and the top corporate tax rate is 35 percent. The overall tax burden equals 8.0 percent of total domestic income. Government spending has amounted to 13.6 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 6.5 percent of GDP. Public debt is equivalent to 163.2 percent of GDP.

REGULATORY EFFICIENCY



Some reforms were instituted over the past year in an effort to make it easier to do business, but most business activity outside of the oil sector occurs in the informal economy. Agriculture employs about 80 percent of the workforce. Nationwide riots touched off by an attempt to reduce subsidies for bread and fuel led to the downfall of the Bashir government in April 2019.

OPEN MARKETS



The total value of exports and imports of goods and services equals 22.6 percent of GDP. The average applied tariff rate is 14.0 percent, and extensive nontariff barriers further constrain the freedom to trade. Political instability and an outmoded regulatory environment significantly deter private investment. A large portion of the population remains outside of the formal banking sector, and access to credit remains limited.

WORLD RANK: **163**

REGIONAL RANK: **29**

ECONOMIC FREEDOM STATUS: **REPRESSED**

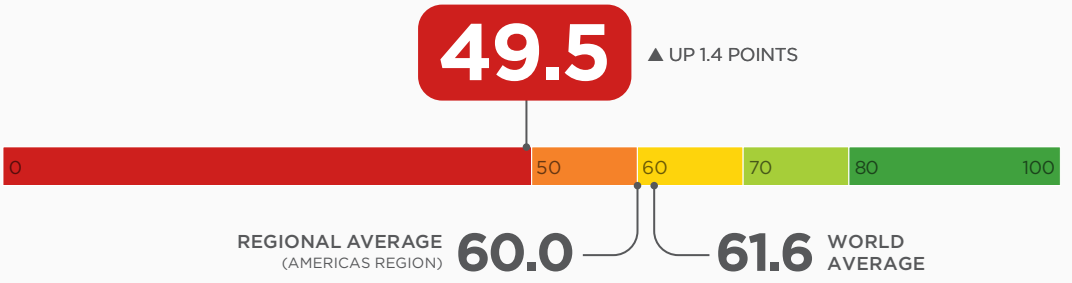
SURINAME

Suriname's economic freedom score is 49.5, making its economy the 163rd freest in the 2020 *Index*. Its overall score has increased by 1.4 points due to a higher **monetary freedom** score. Suriname is ranked 29th among 32 countries in the Americas region, and its overall score is well below the regional and world averages.

The economy of Suriname is rated repressed again in 2020 for the fourth year in a row. GDP growth during that time has been weak.

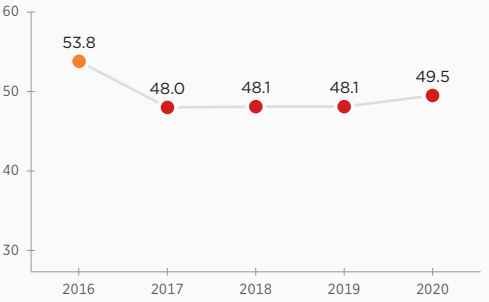
In the run-up to the general election in 2020, the government is unlikely to make progress in addressing pressing economic concerns, such as export diversification (90 percent of export revenue comes from mining); fiscal consolidation; and modifications in the regulatory environment to boost private investment. Achievement of any of those policy goals would contribute to greater economic freedom in Suriname. Unfortunately, fiscal deficits are large, and public debt is expected to rise in coming years unless strong fiscal consolidation is implemented.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +12.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.6 million

GDP (PPP):
$8.9 billion
2.0% growth in 2018
5-year compound annual growth –1.0%
$15,105 per capita

UNEMPLOYMENT:
7.6%

INFLATION (CPI):
6.9%

FDI INFLOW:
$190.2 million

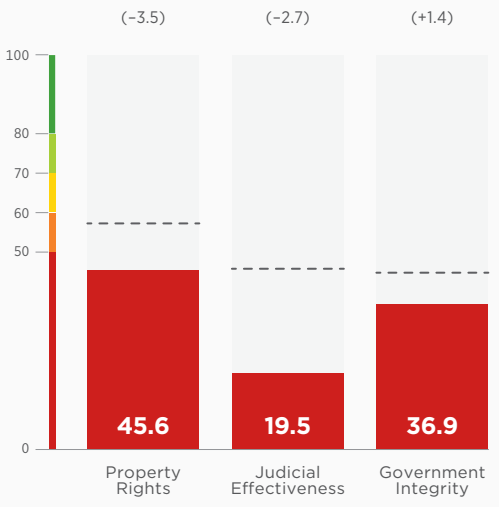
PUBLIC DEBT:
69.6% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Desire "Dési" Bouterse of the National Democratic Party, a convicted cocaine trafficker, was elected to a second consecutive five-year term as president in 2015, and his popularity is such that he might be able to win another term in 2020. Bouterse seized power in a 1980 military coup and ruled until 1987. He was given legislative amnesty for the 1982 murders of 15 politically prominent young men who criticized his military dictatorship. Suriname's economy relies primarily on the extraction of natural resources. There is some tourism potential, but tourist infrastructure is extremely limited. The former Dutch colony remains one of South America's poorest and least-developed countries.

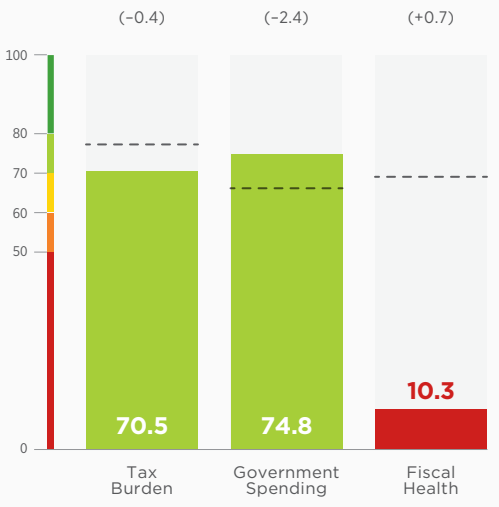
12 ECONOMIC FREEDOMS | SURINAME

RULE OF LAW



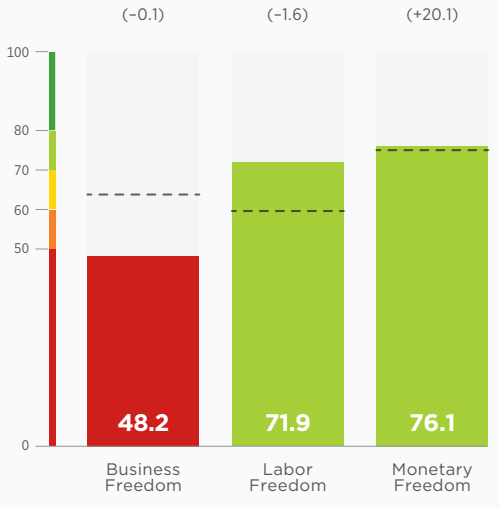
The percentage of land in Suriname that lacks a clear land title is unknown. The government makes no effort to identify property owners and register land titles. There is no publicly accessible land title office. The courts are financially dependent on executive agencies, and executive influence on the understaffed judiciary remains a concern. Government corruption is pervasive, and there is virtually no enforcement of anticorruption statutes.

GOVERNMENT SIZE



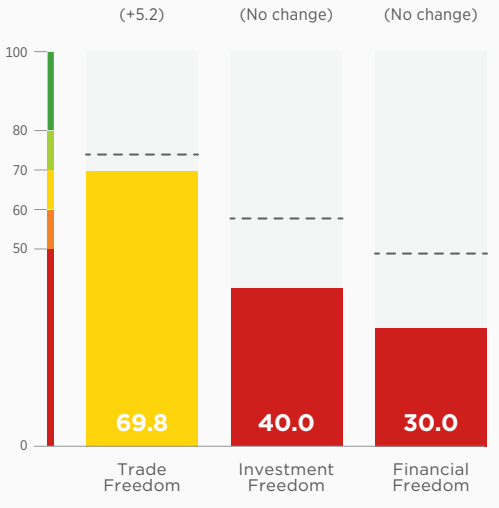
The top personal income tax rate is 38 percent, and the top corporate tax rate is 36 percent. Other taxes include property and excise taxes. The overall tax burden equals 14.6 percent of total domestic income. Government spending has amounted to 29 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 7.8 percent of GDP. Public debt is equivalent to 69.6 percent of GDP.

REGULATORY EFFICIENCY



Burdensome and inefficient regulations constrain businesses, as do weak fiscal governance, the few legal protections for investors, and the high cost of doing business. The labor market is inflexible. The education system leaves many workers ill-prepared for jobs in the modern world. The government further reduced electricity tariff subsidies in urban areas in 2019 but continues to fully subsidize electricity in the interior of the country.

OPEN MARKETS



The total value of exports and imports of goods and services equals 226.1 percent of GDP. The average applied tariff rate is 7.6 percent, and pervasive nontariff barriers further limit the freedom to trade. The onerous and nontransparent investment regime still deters much-needed long-term foreign investment. The financial sector is underdeveloped, and credit decisions are subject to state influence.

WORLD RANK: **22**

REGIONAL RANK: **12**

ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

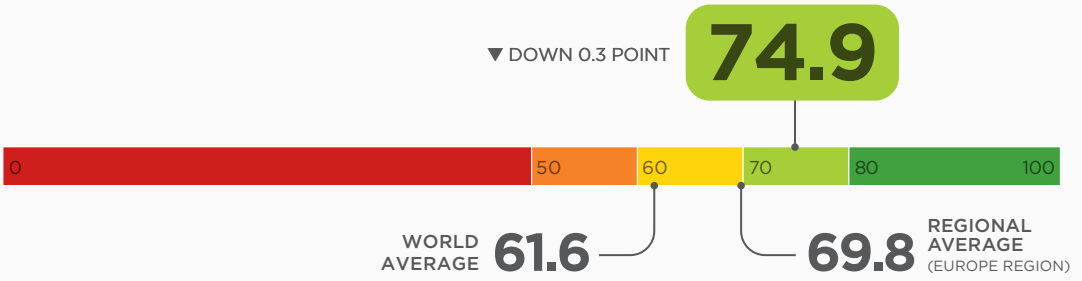
SWEDEN

Sweden's economic freedom score is 74.9, making its economy the 22nd freest in the 2020 *Index*. Its overall score has decreased by 0.3 point due to declines in scores for **judicial effectiveness** and **business freedom**. Sweden is ranked 12th among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

The Swedish economy has been rated mostly free for more than a decade. GDP growth has been solid but not noteworthy for the past five years.

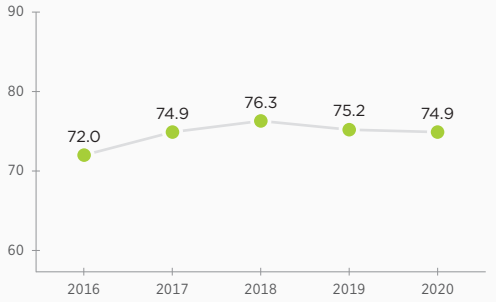
Sweden's weakest *Index* indicator is government spending. Fortunately, the current minority center-left government made an agreement with the center-right parties in parliament to avoid an expansionary budget for 2020. Instead, they have crafted a spending and taxation plan that is expected to produce a surplus. That should enhance the prospects for greater economic freedom and sustained economic growth in Sweden.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +13.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
10.2 million

GDP (PPP):
$542.0 billion
2.3% growth in 2018
5-year compound annual growth 2.8%
$52,984 per capita

UNEMPLOYMENT:
6.4%

INFLATION (CPI):
2.0%

FDI INFLOW:
$11.1 billion

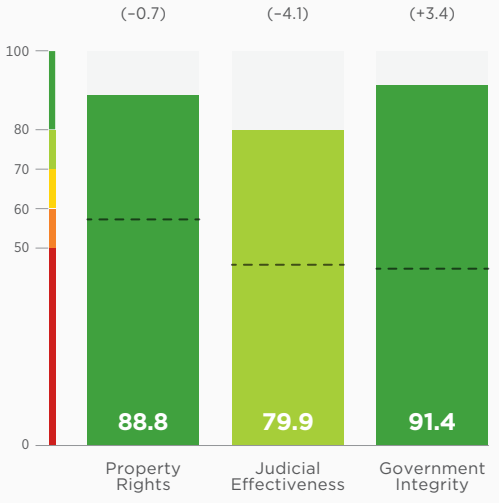
PUBLIC DEBT:
39.0% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Sweden joined the European Union in 1995, but voters rejected adoption of the euro in 2003. The influx of large numbers of migrants since 2015, a terrorist attack in 2017, and rising gang violence have made immigration a central political issue. In January 2019, despite a poor showing in the September 2018 elections and after months of stalemate, Prime Minister Stefan Löfven was able to form a minority center-left Social Democratic Party–Green Party governing coalition. Maintaining that coalition could prove difficult, however. The populist Sweden Democrats party, campaigning to restrict immigration, placed third in the elections. Timber, hydropower, and iron ore constitute the resource base of a vibrant and outward-oriented manufacturing-based economy.

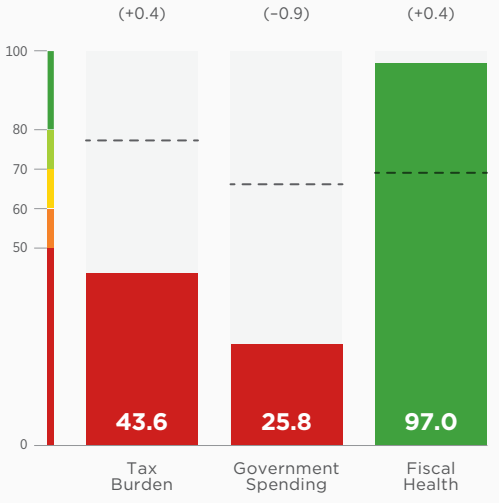
12 ECONOMIC FREEDOMS | SWEDEN

RULE OF LAW



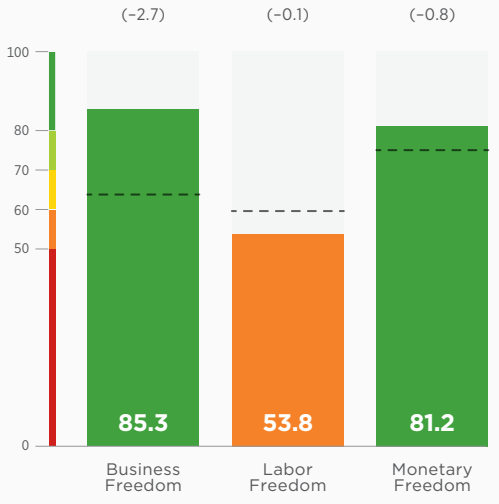
The law protects property rights. Enforcement of contracts is firmly established, and the rule of law is well maintained. The judicial system operates independently, impartially, and consistently. Corruption rates are low, partly because of deregulation, budgetary self-restraint, and a stable political environment. Effective anticorruption measures discourage bribery of public officials and uphold government integrity.

GOVERNMENT SIZE



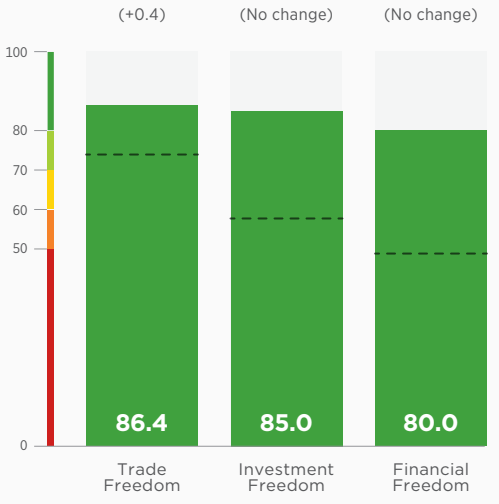
The top personal income tax rate is 57 percent, and the top corporate tax rate is 21.4 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 44.0 percent of total domestic income. Government spending has amounted to 49.7 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 1.1 percent of GDP. Public debt is equivalent to 39.0 percent of GDP.

REGULATORY EFFICIENCY



Rigid labor laws and regulations and the high nonsalary cost of employing a worker temper the business-friendly and efficient regulatory landscape that otherwise facilitates entrepreneurial activity. Dismissing an employee is costly and burdensome. There are few price controls in Sweden, but the government provides significant subsidies to encourage renewable energy.

OPEN MARKETS



The total value of exports and imports of goods and services equals 90.9 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Sweden has an additional eight country-specific nontariff barriers. The investment regime is open and transparent. The number of foreign bank branches has increased. The state owns one bank, which mainly offers mortgage loans.

SWITZERLAND

WORLD RANK:	REGIONAL RANK:
5	1

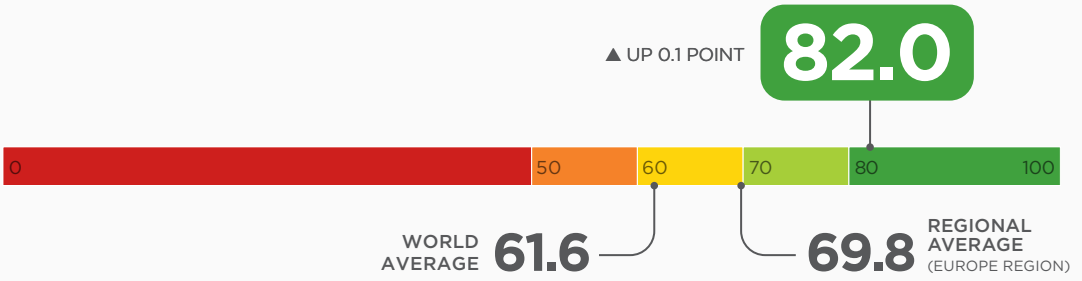
ECONOMIC FREEDOM STATUS: **FREE**

Switzerland's economic freedom score is 82.0, making its economy the 5th freest in the 2020 *Index*. Its overall score has increased by 0.1 point due to slightly higher scores for **property rights** and **government integrity**. Switzerland is ranked 1st among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

The Swiss economy has been rated free for more than a decade. GDP growth has slowed in recent years because of risks from the escalating trade war between China and the United States, the rising Swiss franc, and the drastic economic slowdown in neighboring Germany.

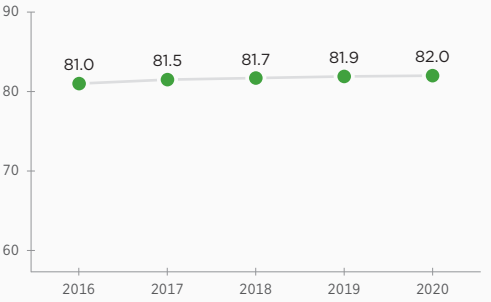
Economic freedom is well established and institutionalized in Switzerland. Its lowest-scored *Index* indicator is government spending, but even there the federal government projected a 2019 budget surplus of 2.8 billion Swiss francs, more than double the initially budgeted amount. The draft 2020 budget that the government proposed in June 2019 features a surplus of 600 million Swiss francs.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +5.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
8.5 million

GDP (PPP):
$548.5 billion
2.5% growth in 2018
5-year compound annual growth 1.9%
$64,649 per capita

UNEMPLOYMENT:
4.9%

INFLATION (CPI):
0.9%

FDI INFLOW:
–$87.2 billion

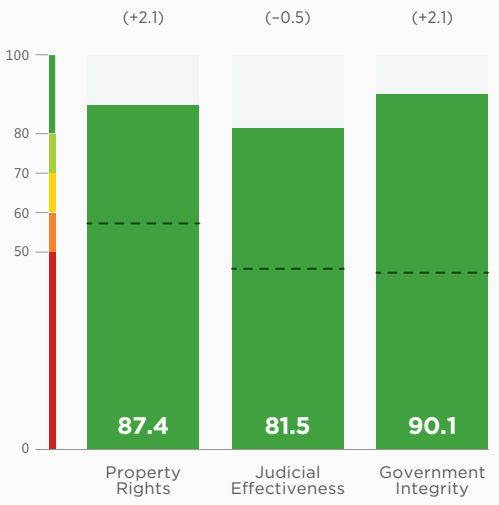
PUBLIC DEBT:
40.5% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Switzerland's federal canton system of government disperses power widely. Executive authority is exercised by a seven-member Federal Council. Switzerland has a long tradition of openness to the world but jealously guards its independence and neutrality. Reflecting voters' concerns about climate change, the Green Party surged to fourth place in October 2019 elections and overtook one of the parties in the coalition government, the Christian Democrats. Policy proposals are frequently subjected to referenda, including 2019 measures on gun control and the financing of the Swiss pension system. Switzerland has one of the world's highest per capita GDPs and a highly skilled labor force. The economy relies on financial services, precision manufacturing, metals, pharmaceuticals, chemicals, and electronics.

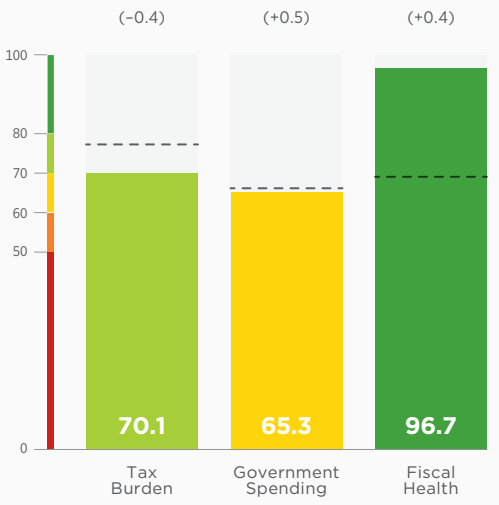
12 ECONOMIC FREEDOMS | SWITZERLAND

RULE OF LAW



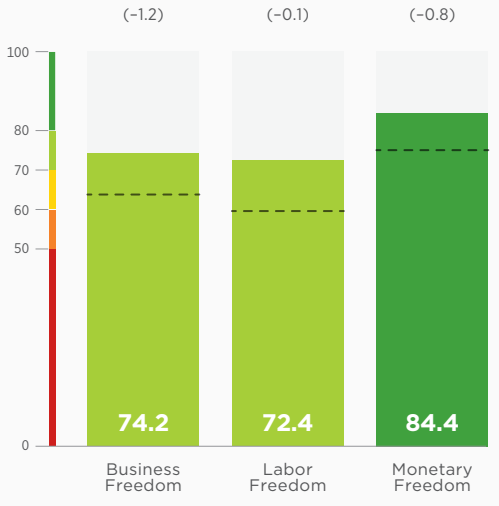
Physical property rights and intellectual property rights are recognized and enforced. The court system is independent, competent, and fair. Commercial and bankruptcy laws are applied consistently and efficiently. The law provides criminal penalties for official corruption, and the government generally implements the law effectively. The government is free from pervasive corruption. Switzerland is ranked 3rd out of 180 countries in Transparency International's 2018 *Corruption Perceptions Index*.

GOVERNMENT SIZE



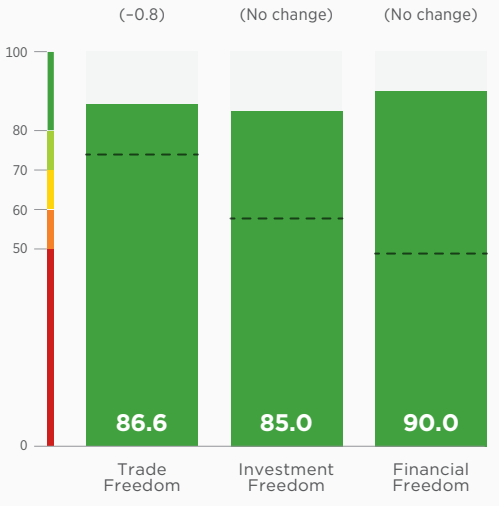
Cantonal-level taxation is more burdensome than federal-level taxation. The top federal personal income tax rate is 11.5 percent, and the federal corporate tax rate is 8.5 percent. The overall tax burden equals 28.5 percent of total domestic income. Government spending has amounted to 34.0 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 0.4 percent of GDP. Public debt is equivalent to 40.5 percent of GDP.

REGULATORY EFFICIENCY



The highly competitive business climate reflects strong regulatory efficiency and openness to free trade. Swiss public administration enjoys the highest public confidence of any national government in the OECD. Labor productivity is high outside of the heavily subsidized agricultural sector. Switzerland has few price controls, but the government intervenes if it finds monopolistic pricing and maintains price and margin controls for all agricultural goods.

OPEN MARKETS



The total value of exports and imports of goods and services equals 118.8 percent of GDP. The average applied tariff rate is 1.7 percent, and 152 nontariff measures are in force. The investment code is transparent and efficiently administered. The modern and highly developed financial sector provides a wide range of financing instruments. Banking remains well capitalized and sound.

SYRIA

WORLD RANK: **N/A** | REGIONAL RANK: **N/A**

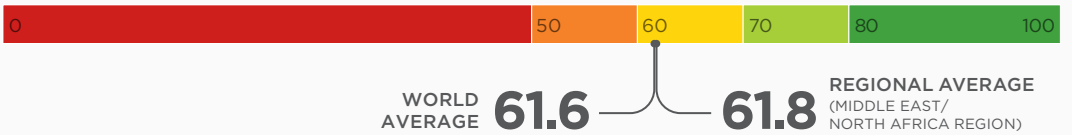
ECONOMIC FREEDOM STATUS: **NOT GRADED**

Ongoing chaos and the devastation of conflict preclude ranking Syria in the 2020 *Index*. In addition to its horrific death toll, the long civil war has caused the near collapse of economic output in Syria. With fighting becoming more geographically restricted, the economy is beginning to recover. The Assad regime controls southern, western, and central Syria, largely due to support from Russia and Iran. As a result, a de facto partition of the country into a Turkish-backed rebel-held area in the North, a mainly Kurdish area in the East, and the government-held West will probably take hold.

The World Bank estimates the cumulative GDP loss from 2011 to 2016 at $226 billion. Reconstruction in areas controlled by the regime will cost an estimated $390 billion and is expected to accelerate in 2020. Russian and Iranian businesses will secure key infrastructure and energy investment deals but will have to compete with Gulf businesses as well as businesses from China and India.

ECONOMIC FREEDOM SCORE

N/A NOT GRADED THIS YEAR



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): N/A

RECENT FREEDOM TREND

QUICK FACTS

POPULATION:
18.3 million

GDP (PPP):
$64.5 billion
5.0% growth in 2018
5-year compound annual growth −3.1%
$3,520 per capita

UNEMPLOYMENT:
8.1%

INFLATION (CPI):
0.9%

FDI INFLOW: n/a

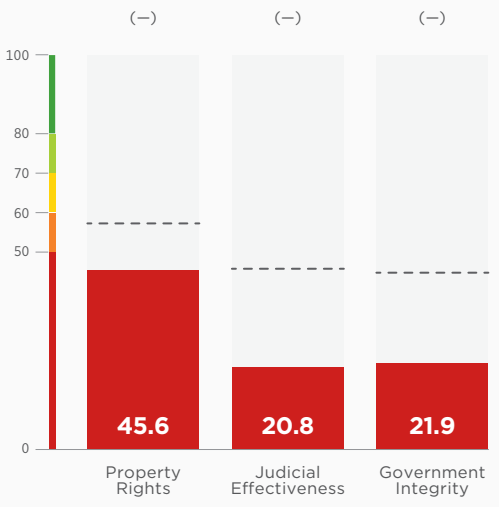
PUBLIC DEBT:
130.6% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The Assad family has ruled Syria since Hafez al-Assad's military coup in 1970. Bashar al-Assad succeeded his father in 2000 but failed to keep his promises to open the socialist economy and ease political repression. A brutal crackdown after 2011's Arab Spring protests sparked an armed uprising against Assad that by 2012 had become a sectarian civil war between the predominantly Sunni rebels and the Alawite-dominated regime. Assad's regime, supported by Iran, Russia, and Hezbollah, has largely defeated the fractured armed opposition. The conflict has killed more than 500,000 Syrians and driven nearly 5.5 million refugees out of the country. Syria's economy declined by more than 70 percent from 2010 to 2017.

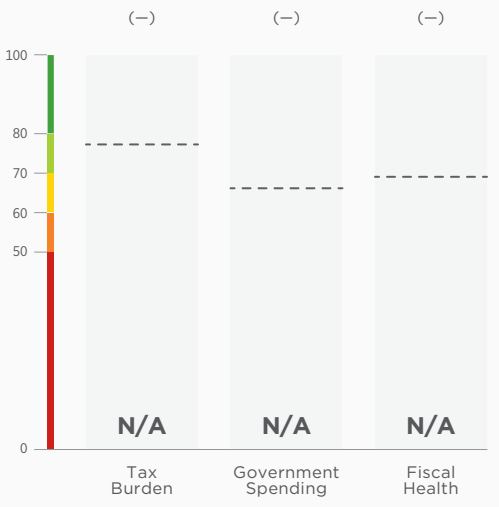
12 ECONOMIC FREEDOMS | SYRIA

RULE OF LAW



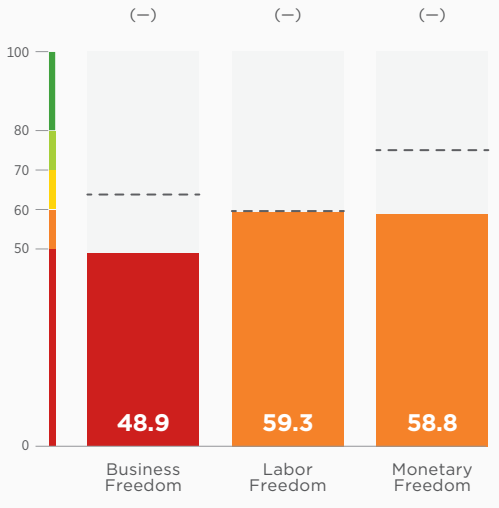
The rule of law is weak, and corruption is pervasive. Property rights have been ignored throughout the civil war. Militias extort businesses and confiscate private property to varying degrees. Leaders of the regime's constitutionally protected Baath Party dominate the judiciary and all other branches of government and act with impunity. Those who question or act against state policy face harassment, imprisonment, or death.

GOVERNMENT SIZE



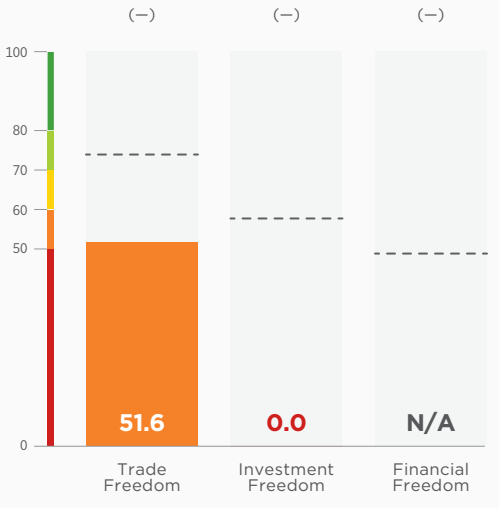
Economic policy has focused on protecting the regime and maintaining the military's fighting capacity. Government spending has been driven by the regime's political concerns and the need to protect its own interests. Budget revenue from oil and taxes has severely diminished. Faced with limited financial resources and ongoing international sanctions, the regime continues to rely partly on Iranian financial support and Russian loans.

REGULATORY EFFICIENCY



Resolution of the ongoing conflict is necessary for the business climate to recover. Before the war, the business environment lacked transparency and efficiency. Functioning labor markets are limited to specific parts of the country and subject to heavy state interference and control. The 22 percent 2019 budget increase was caused mostly by higher subsidies for wheat and flour, which left little spending room for other government priorities.

OPEN MARKETS



Political instability, exacerbated by the ongoing civil war and mounting security threats, is a significant impediment to trade and investment. The Assad regime's brutality and economic mismanagement have caused the near collapse of the economy. The financial infrastructure has been significantly degraded by unstable political and economic conditions. Severely limited access to financing impedes any meaningful private business development.

TAIWAN

WORLD RANK:	REGIONAL RANK:
11	5

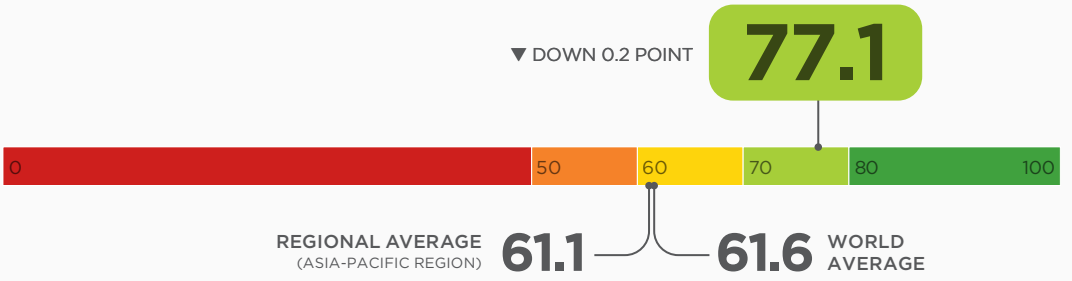
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Taiwan's economic freedom score is 77.1, making its economy the 11th freest in the 2020 *Index*. Its overall score has decreased by 0.2 point due to slight declines in scores for **monetary freedom** and **trade freedom**. Taiwan is ranked 5th among 42 countries in the Asia–Pacific region, and its overall score is well above the regional and world averages.

The Taiwanese economy has been rated mostly free for a decade. GDP growth over the past five years has been steady.

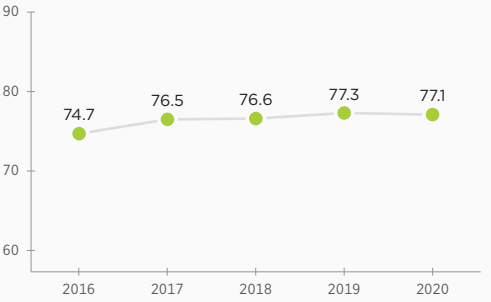
The weakest link in Taiwan's economic freedom is in the area of labor freedom, where government policies aimed at increasing worker welfare, including an increase in the minimum wage, may hurt productivity and flexibility. In 2019, the government simplified the process for the application, screening, and approval of foreign investment, and this should encourage higher levels of foreign direct investment.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +2.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
23.6 million

GDP (PPP):
$1.3 trillion
2.6% growth in 2018
5-year compound annual growth 2.4%
$53,023 per capita

UNEMPLOYMENT:
3.7%

INFLATION (CPI):
1.5%

FDI INFLOW:
$7.0 billion

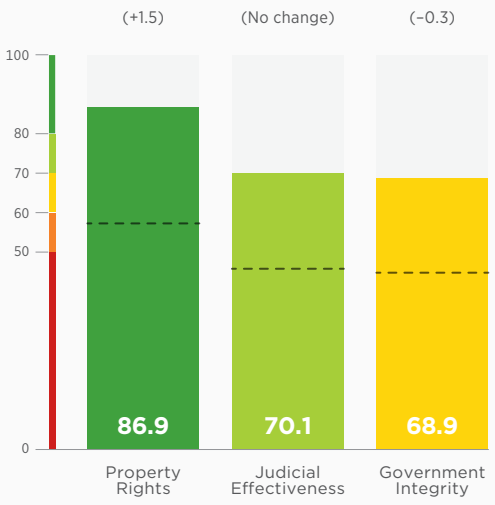
PUBLIC DEBT:
35.0% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Taiwan's dynamic multiparty democracy operates under a 1947 constitution that was drawn up originally to include all of China. Its economy is one of the wealthiest in Asia. The Democratic Progressive Party (DPP) returned to power when Tsai Ing-wen was elected president in 2016 but was defeated decisively in local elections held in 2018. It is expected that the presidential election scheduled for 2020 will be very competitive. China's ongoing attempts to isolate Taiwan diplomatically place pressure on the country's long-term ability to maintain its presence in overseas markets. Taiwan's dynamic capitalist economy is driven largely by industrial manufacturing, especially exports of electronics, machinery, and petrochemicals.

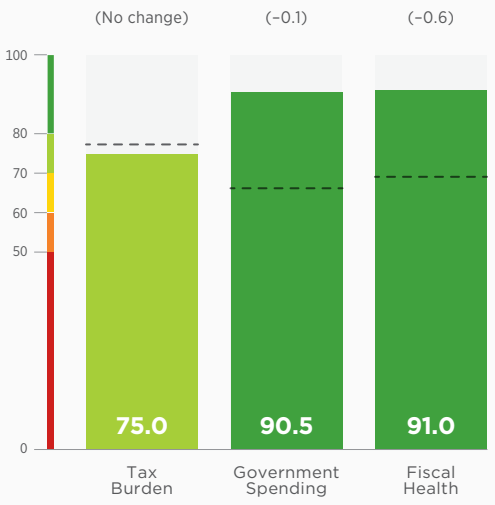
12 ECONOMIC FREEDOMS | TAIWAN

RULE OF LAW



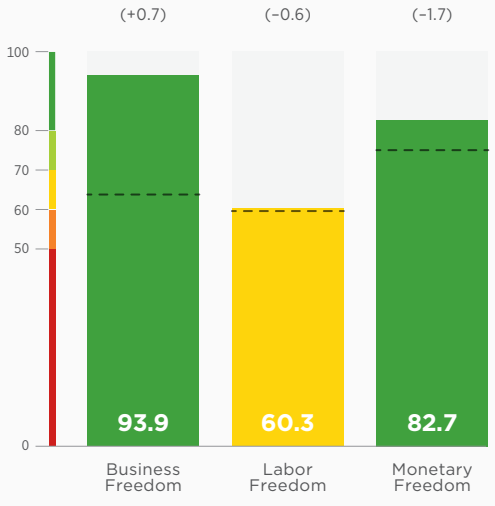
Interests in property are enforced, and the government has a reliable recording system for mortgages and liens. Enforcement of contracts is strong. The judiciary is independent, and the court system is largely free of political interference. Corruption is significantly less pervasive than in the past, but it remains a problem. Political and business interests are closely intertwined, and this leads to malfeasance in government procurement.

GOVERNMENT SIZE



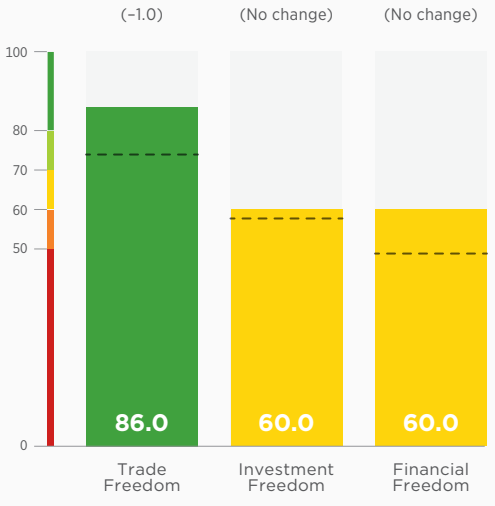
The top personal income tax rate is 45 percent, and the top corporate tax rate is 20 percent. Other taxes include value-added and interest taxes. The overall tax burden equals 8.9 percent of total domestic income. Government spending has amounted to 17.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.0 percent of GDP. Public debt is equivalent to 35.0 percent of GDP.

REGULATORY EFFICIENCY



The overall freedom to conduct business is relatively well protected under the transparent regulatory umbrella. A core theme of the current Tsai administration is improving labor welfare, and unemployment has remained under control. Most prices are determined by the market, but state-owned enterprises in the utilities, energy, postal, transportation, financial, and real estate sectors exert market influence.

OPEN MARKETS



The total value of exports and imports of goods and services equals about 123.0 percent of GDP. The average applied tariff rate is 2.0 percent, and 369 nontariff measures are in force. New foreign investment may be screened by the government, but the overall investment regime is transparent. The financial sector, dominated by banking, has gradually become more competitive, offering a range of financial instruments on market terms.

TAJIKISTAN

WORLD RANK: **155** | REGIONAL RANK: **37**

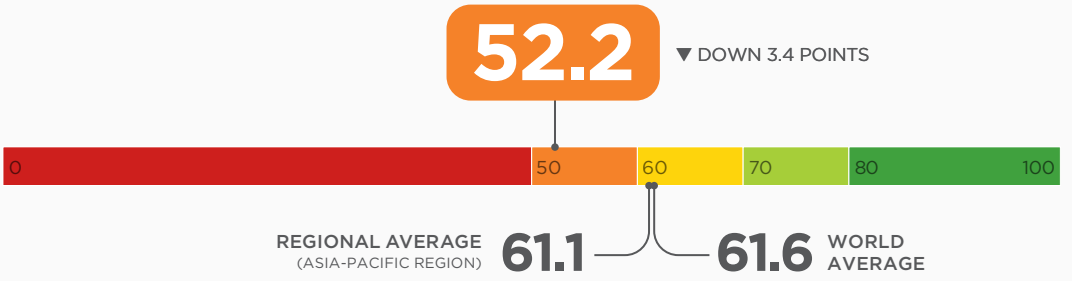
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Tajikistan's economic freedom score is 52.2, making its economy the 155th freest in the 2020 *Index*. Its overall score has decreased by 3.4 points due to a lower score for **fiscal health**. Tajikistan is ranked 37th among 42 countries in the Asia–Pacific region, and its overall score is well below the regional and world averages.

The economy of Tajikistan has been ranked mostly unfree for 16 years. GDP growth has risen, however, driven by higher household spending of increased remittances from Russia, investment, and exports of minerals such as gold, lead, and zinc.

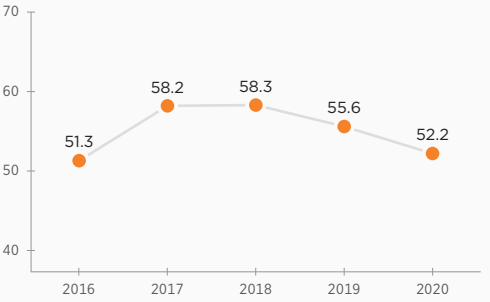
Economic freedom in Tajikistan remains shackled by an authoritarian post-Soviet regime. The result has been poverty, unemployment, austerity, power shortages, and political oppression. To put Tajikistan on the road to greater freedom, a more liberal and democratic government would have to make radical reforms to strengthen the rule of law, reform the labor market, and create a more welcoming investment climate.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1998): +11.1

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
9.1 million

GDP (PPP):
$31.1 billion
7.0% growth in 2018
5-year compound annual growth 6.7%
$3,416 per capita

UNEMPLOYMENT:
10.9%

INFLATION (CPI):
3.8%

FDI INFLOW:
$316.7 million

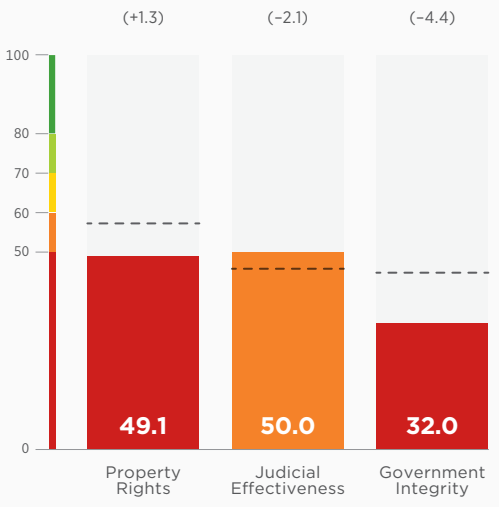
PUBLIC DEBT:
47.9% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The land of the Tajiks, a mountainous landlocked region north of Afghanistan in Central Asia, was buffeted and absorbed within ancient empires and, in the 20th century, by the Soviet Union. Modern Tajikistan gained full sovereign independence in 1991. Autocratic President Emomali Rahmon has been in power since 1994, and abuse of human rights is widespread. His ruling party's parliamentary election victory in 2015 was criticized by international monitors. Tajikistan relies heavily on revenues from exports of aluminum, gold, and cotton. With less than 10 percent of its land arable, and given high state-mandated cotton production, the country must import much of its food. The economy is growing but remains one of Asia's poorest, partly dependent on remittances and narco-trafficking.

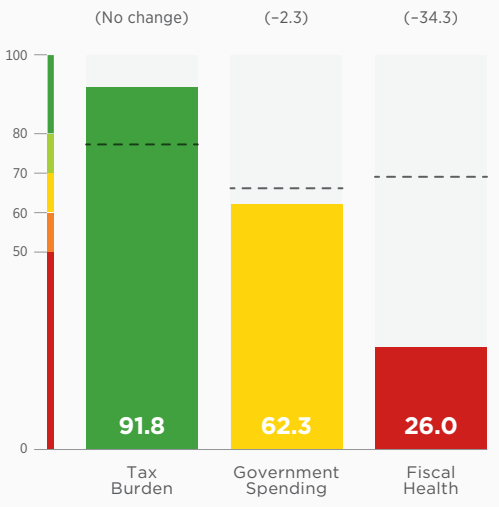
12 ECONOMIC FREEDOMS | TAJIKISTAN

RULE OF LAW



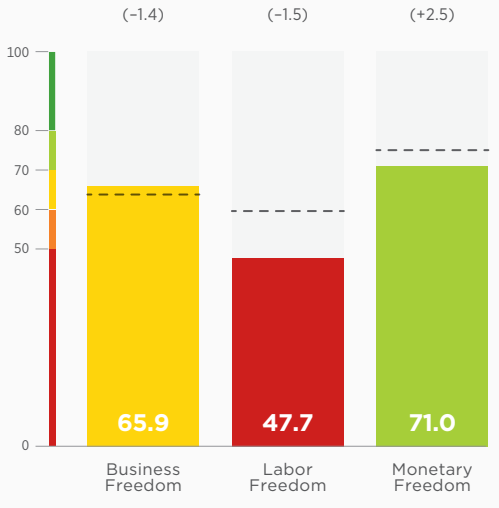
By law, all land belongs to the state. The government uses a cadaster system to record, protect, and facilitate acquisition and disposition of property, but the system needs modernization. The executive branch controls the nominally independent judiciary. Many judges are poorly trained, and bribery is reportedly widespread. Corruption is pervasive and rarely punished. Nepotism, hiring bias, and patronage networks are central features of political life.

GOVERNMENT SIZE



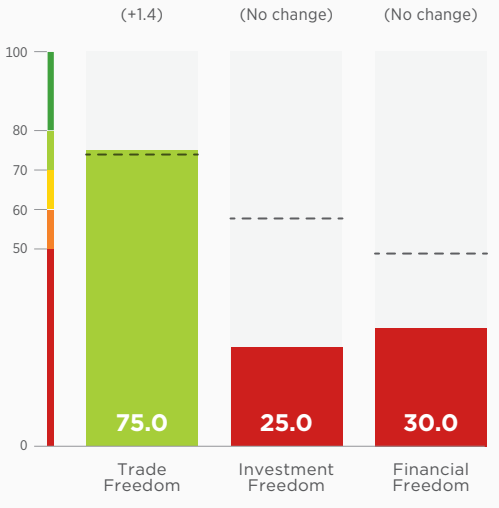
The top individual income tax rate is 13 percent, and the statutory corporate tax rate is 15 percent. Other taxes include a value-added tax. The overall tax burden equals 20.6 percent of total domestic income. Government spending has amounted to 35.4 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 6.6 percent of GDP. Public debt is equivalent to 47.9 percent of GDP.

REGULATORY EFFICIENCY



Half-hearted attempts at business reforms and privatization of the economy have not improved the lukewarm business climate to any significant extent. Remittances from overseas employees account for a large portion of domestic spending. The government influences prices through regulations and large subsidies to numerous state-owned and state-trading enterprises that continue to incur large losses.

OPEN MARKETS



The total value of exports and imports of goods and services equals 56.6 percent of GDP. The average applied tariff rate is 5.0 percent, and the overall trade regime remains costly and time-consuming. Foreign investment is subject to government screening. The financial sector remains underdeveloped and subject to heavy state control that poses serious obstacles to broad-based development of the private sector.

TANZANIA

WORLD RANK:	REGIONAL RANK:
89	6

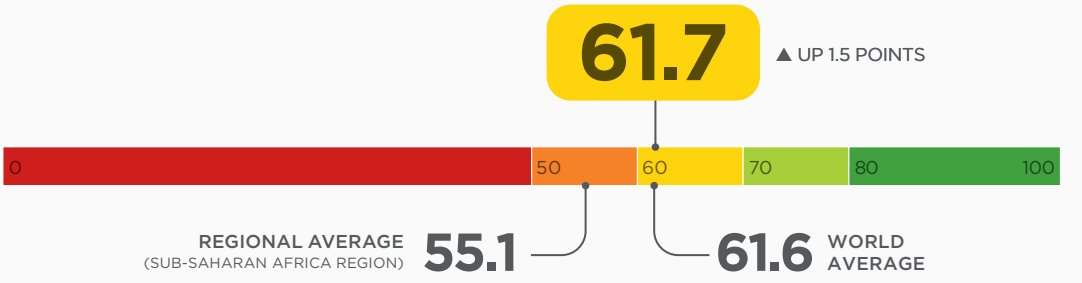
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Tanzania's economic freedom score is 61.7, making its economy the 89th freest in the 2020 *Index*. Its overall score has increased by 1.5 points due to higher scores for **property rights** and **fiscal health**. Tanzania is ranked 6th among 47 countries in the Sub-Saharan Africa region, and its overall score is well above the regional average and approximately equal to the world average.

The Tanzanian economy has been in the moderately free category for two consecutive years. GDP growth has recorded healthy gains for the past five years, driven by the industrial sector, construction, and mineral exports.

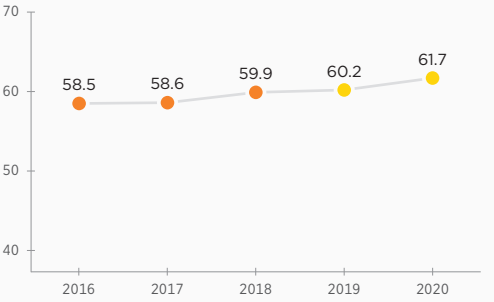
The government says it prioritizes industrialization and job creation with a commitment to pursuing a development strategy led by the private sector. However, its tilt toward economic nationalism and its erratic regulatory changes, abrupt tax increases, and lack of transparency have combined to undermine the achievement of its stated priorities.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +4.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
51.0 million

GDP (PPP):
$175.8 billion
6.6% growth in 2018
5-year compound annual growth 6.6%
$3,444 per capita

UNEMPLOYMENT:
1.9%

INFLATION (CPI):
3.5%

FDI INFLOW:
$1.1 billion

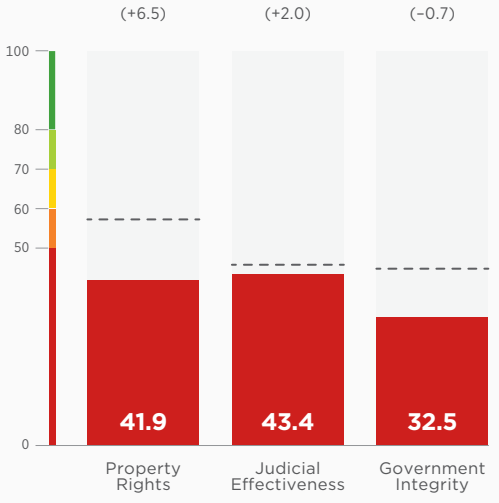
PUBLIC DEBT:
36.0% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: In 1964, shortly after independence from Britain, Tanganyika and the island of Zanzibar merged to form Tanzania. The Chama Cha Mapinduzi (CCM) party has been in power continuously since independence. John Magufuli of the CCM, who was elected to a five-year term as president in 2015, launched an aggressive anticorruption campaign but also cracked down on political opponents and civil society. Despite vast mineral and natural resources and tourism, most Tanzanians are poor and dependent on subsistence agriculture. In 2016, a large helium gas field was discovered, and Uganda and Tanzania are negotiating the details of a proposed oil pipeline from western Uganda to Tanzania's Tanga port. Tanzania is also exploring construction of a pipeline to pump natural gas to Uganda.

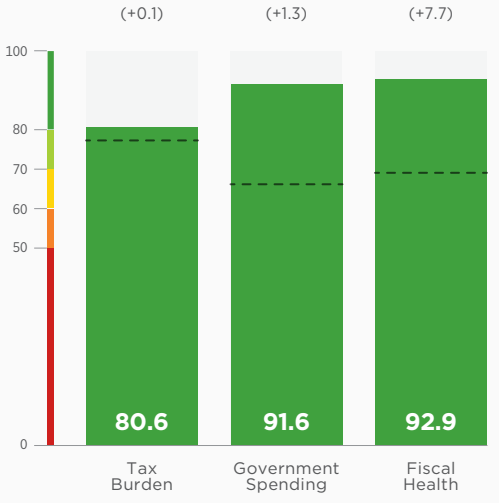
12 ECONOMIC FREEDOMS | TANZANIA

RULE OF LAW



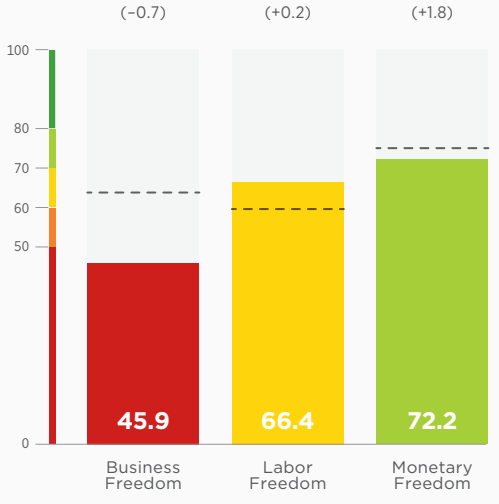
Secured interests in property are recognized and enforced, but complex land laws have provoked numerous disputes, and land ownership remains restricted. The judiciary suffers from underfunding and corruption. Judges are political appointees, and the judiciary's lack of an independent budget makes it vulnerable to political pressure. Despite some progress in recent years, corruption remains a problem.

GOVERNMENT SIZE



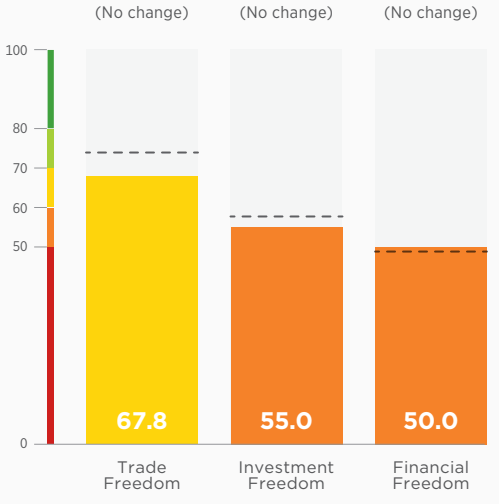
The top personal income and corporate tax rates are 30 percent. Other taxes include a value-added tax and an interest tax. The overall tax burden equals 11.8 percent of total domestic income. Government spending has amounted to 16.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.7 percent of GDP. Public debt is equivalent to 36.0 percent of GDP.

REGULATORY EFFICIENCY



Tanzania has launched online company registrations, but draconian regulations such as the ban on all private land ownership constrict the business environment. A vibrant labor market does not exist. About 65 percent of the workforce is employed in agriculture. The government provides large subsidies to state-owned enterprises and maintains price controls on fuels, utilities, and agricultural commodities.

OPEN MARKETS



The total value of exports and imports of goods and services equals 32.2 percent of GDP. The average applied tariff rate is 8.6 percent, and nontariff barriers further undercut flows of trade. Bureaucratic delays and other institutional hurdles discourage foreign investment. Credit is allocated largely at market rates, and commercial credit instruments are available to the private sector, but capital markets are rudimentary.

THAILAND

WORLD RANK:	REGIONAL RANK:
43	11

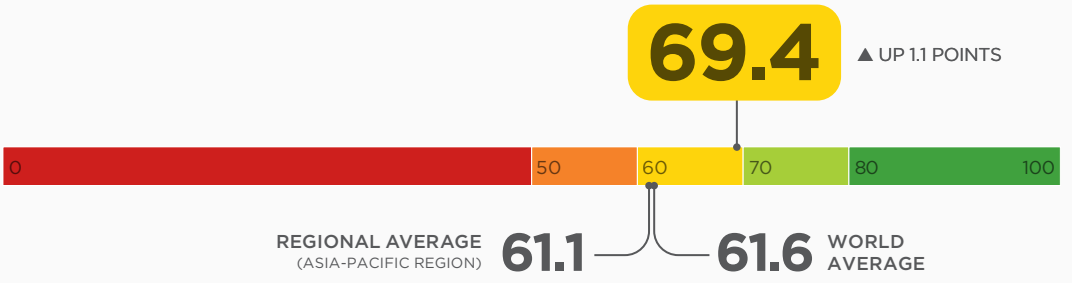
ECONOMIC FREEDOM STATUS: MODERATELY FREE

Thailand's economic freedom score is 69.4, making its economy the 43rd freest in the 2020 *Index*. Its overall score has increased by 1.1 points due to higher scores for **government integrity** and **property rights**. Thailand is ranked 11th among 42 countries in the Asia–Pacific region, and its overall score is well above the regional and world averages.

The Thai economy has been moderately free for two decades. GDP growth has been solid, although it could decelerate in 2020 because of slower domestic and foreign demand.

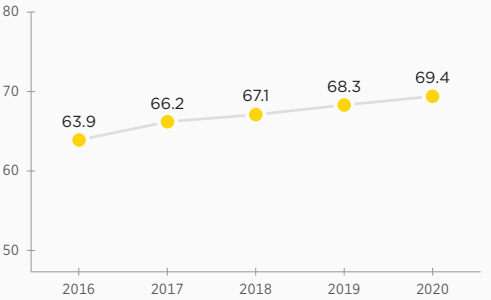
Thailand has made remarkable progress in expanding economic freedom, moving from a low-income to an upper-income country in less than a generation. The new military-backed government continues to prioritize economic revival and an improved investment climate. Until it confronts its own sorry record of deep corruption, however, which is reflected in weak performance on the judicial effectiveness and government integrity *Index* indicators, further progress toward greater economic freedom will be impeded.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –1.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
67.8 million

GDP (PPP):
$1.3 trillion
4.1% growth in 2018
5-year compound annual growth 3.1%
$19,476 per capita

UNEMPLOYMENT:
0.7%

INFLATION (CPI):
1.1%

FDI INFLOW:
$10.5 billion

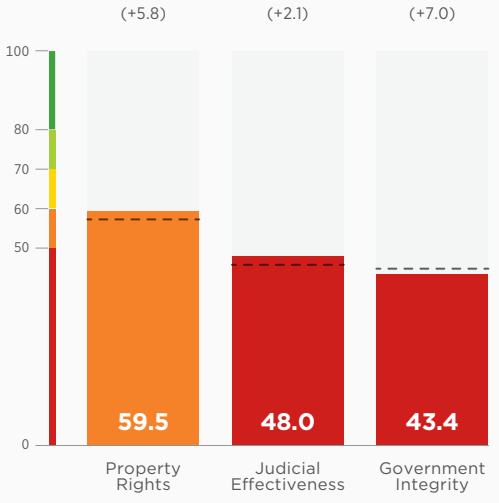
PUBLIC DEBT:
42.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Thailand has had 19 military coups since becoming a constitutional monarchy in 1932. The period since 2006 has been particularly turbulent and ultimately resulted in a 2014 coup led by former army commander and current Prime Minister Prayut Chan-ocha. National legislative elections held in March 2019 solidified the power of the junta-aligned Phalang Pracharat party and will likely result in ongoing military influence and policy continuity. After the death of long-ruling and much-loved King Bhumibol Adulyadej, his son, King Maha Vijiralongkorn, was crowned in May 2019. Thailand's free-enterprise economy benefits from relatively well-developed infrastructure. Exports of electronics, agricultural commodities, automobiles and parts, processed foods, and other goods account for about two-thirds of GDP.

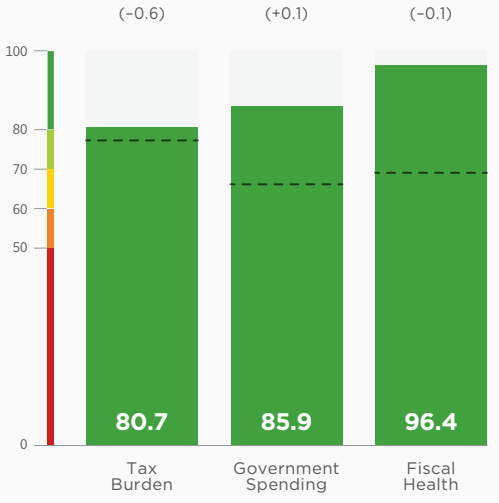
12 ECONOMIC FREEDOMS | THAILAND

RULE OF LAW



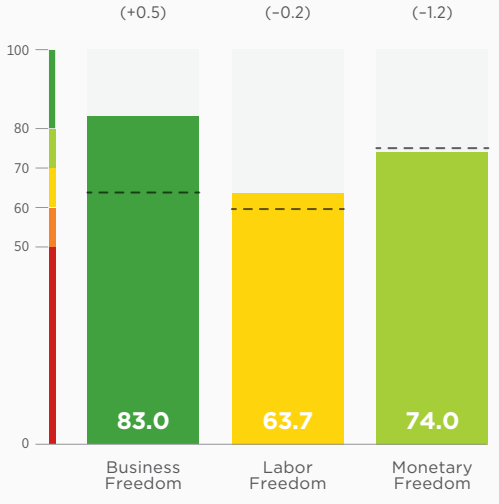
Property rights are guaranteed by law. Secured interests in property are recognized and enforced. The new constitution grants independence to the judiciary, but Thailand's courts are politicized, and corruption is common in the judicial branch. Although it overthrew the previous government because of corruption, the current regime has engaged in corruption, cronyism, and nepotism. Corrupt high-level officials have acted with impunity.

GOVERNMENT SIZE



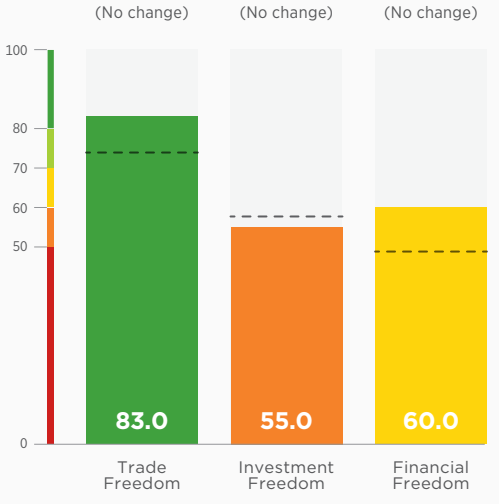
The top personal income tax rate is 35 percent, and the top corporate tax rate is 20 percent. Other taxes include value-added and property taxes. The overall tax burden equals 17.6 percent of total domestic income. Government spending has amounted to 21.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 0.2 percent of GDP. Public debt is equivalent to 42.1 percent of GDP.

REGULATORY EFFICIENCY



Pro-business reforms in 2018 have made it easier to start a business, get electricity, pay taxes, and trade across borders. Low fertility, an aging population, and a skills mismatch worsen labor shortages. About 55 percent of the labor force earns income informally. The government has eliminated price controls on sugar but uses subsidies to offset fluctuating oil prices and heavily subsidizes the politically sensitive rice industry.

OPEN MARKETS



The total value of exports and imports of goods and services equals 123.3 percent of GDP. The average applied tariff rate is 3.5 percent, and 244 nontariff measures are in force. Foreign investment is subject to government screening, and investment in several sectors is limited. The financial sector, dominated by banks, is relatively resilient and diversified, but the private debt market remains underdeveloped.

TIMOR-LESTE

WORLD RANK: **171** | REGIONAL RANK: **40**

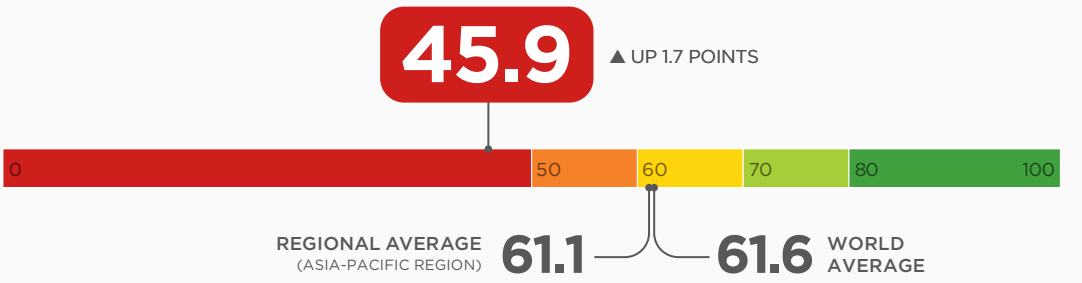
ECONOMIC FREEDOM STATUS: **REPRESSED**

Timor-Leste's economic freedom score is 45.9, making its economy the 171st freest in the 2020 *Index*. Its overall score has increased by 1.7 points due to a higher score for **property rights**. Timor-Leste is ranked 40th among 42 countries in the Asia–Pacific region, and its overall score is well below the regional and world averages.

The economy of Timor-Leste has registered few signs of economic freedom since its inclusion in the *Index* in 2009. GDP growth has been weak.

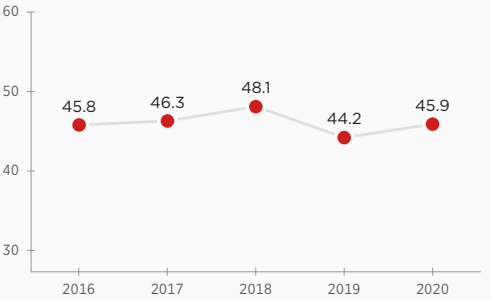
The Timorese economy has become increasingly dependent on government expenditures funded by drawdowns from the Petroleum Fund. Other impediments to greater economic freedom are pervasive corruption, which weakens government integrity, and the ineffectiveness of the judicial system. Unfortunately, the independent Anti-Corruption Commission has no arrest or prosecution powers, and public procurement processes remain largely opaque.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): –4.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION: 1.3 million

GDP (PPP): $6.7 billion
0.8% growth in 2018
5-year compound annual growth 1.9%
$5,242 per capita

UNEMPLOYMENT: 3.0%

INFLATION (CPI): 2.3%

FDI INFLOW: $47.9 million

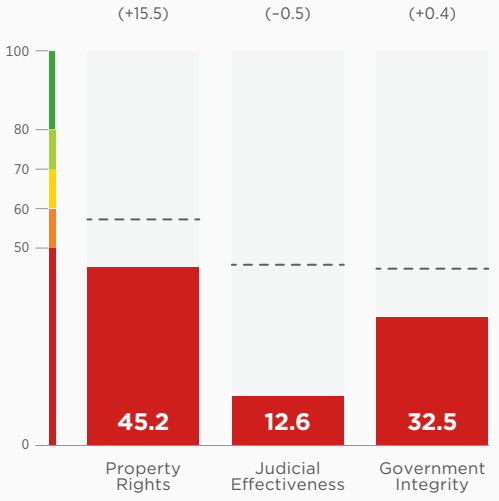
PUBLIC DEBT: 5.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The Democratic Republic of Timor-Leste gained independence from Indonesia in 2002 and has struggled to achieve political stability. U.N. peacekeepers were required until 2012. Current President Francisco Guterres and Prime Minister Taur Matan Ruak have clashed as they maneuver for power. Timor-Leste remains one of East Asia's poorest countries and is heavily dependent on foreign aid. Economic liberalization has mostly stalled. Oil and gas account for more than 95 percent of government revenue, which is consigned to a Petroleum Fund that had assets of $16.93 billion at the end of June 2018. The technology-intensive oil industry has done little to create jobs.

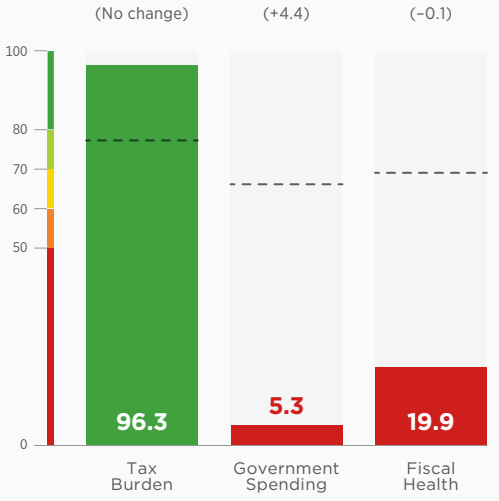
12 ECONOMIC FREEDOMS | TIMOR-LESTE

RULE OF LAW



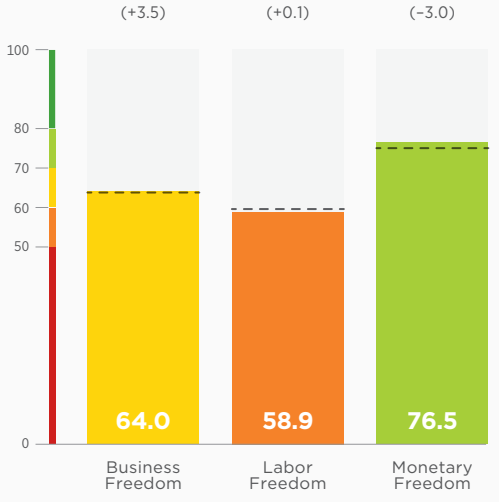
The legal regime governing land and property ownership in Timor-Leste remains unclear, and uncertainty is aggravated by conflicting governing statutes from the Portuguese, Indonesian, and post-independence eras. The overly complex legal framework reflects that same confusing pedigree. The judiciary is not independent. Corruption and nepotism continue across the country. Anticorruption bodies lack enough funding to operate effectively.

GOVERNMENT SIZE



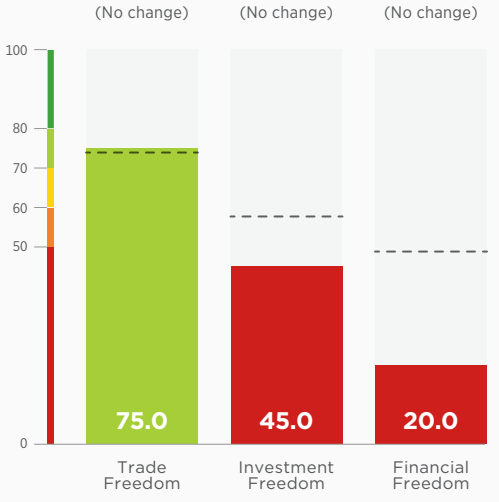
The top personal income and corporate tax rates are 10 percent. Most government revenue comes from offshore petroleum projects in the Timor Sea. The overall tax burden equals 13.1 percent of total domestic income. Government spending has amounted to 56.2 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 23.7 percent of GDP. Public debt is equivalent to 5.4 percent of GDP.

REGULATORY EFFICIENCY



Incomplete, unclear, and unevenly enforced legislation causes problems for businesses. The labor market remains underdeveloped, and the formal economy has yet to diversify beyond offshore oil and gas drilling. Preliminary plans exist to develop gas processing production facilities. Petroleum revenues have enabled the government to stimulate domestic consumption through direct or indirect subsidies, but better fiscal management is needed.

OPEN MARKETS



The total value of exports and imports of goods and services equals 121.0 percent of GDP. The average applied tariff rate is 2.5 percent, but layers of nontariff barriers are pervasive. Restrictions on foreign land ownership and a slow-moving bureaucracy deter foreign investment. The financial sector is still at a nascent stage of development. Access to credit remains limited, and the commercial banking sector remains very small.

TOGO

WORLD RANK: **140** | REGIONAL RANK: **27**

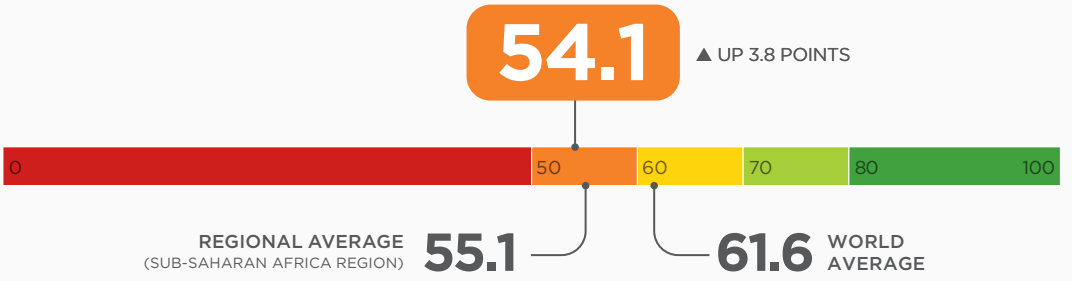
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Togo's economic freedom score is 54.1, making its economy the 140th freest in the 2020 *Index*. Its overall score has increased by 3.8 points due to a higher **fiscal health** score. Togo is ranked 27th among 47 countries in the Sub-Saharan Africa region, and its overall score is approximately equal to the regional average and well below the world average.

The Togolese economy is rated mostly unfree for the second consecutive year. GDP growth, however, has been healthy for the past five years, driven by large public investments.

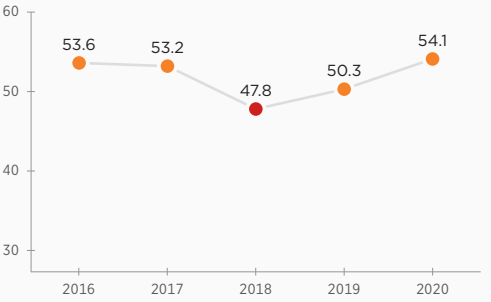
The government has an ambitious development plan to attract private investment to establish Togo as a financial and logistics hub and, to advance that goal, has started privatizing key sectors of the economy, including telecommunications and banking. Success, however, will require such economic freedom–friendly changes as reforms to the judicial system and a commitment to tackling the serious and long-standing problem of corruption.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1999): +5.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
8.0 million

GDP (PPP):
$14.0 billion
4.7% growth in 2018
5-year compound annual growth 5.3%
$1,746 per capita

UNEMPLOYMENT:
1.7%

INFLATION (CPI):
0.7%

FDI INFLOW:
$102.0 million

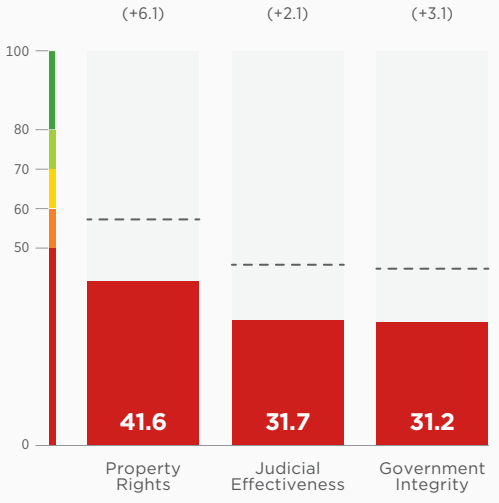
PUBLIC DEBT:
74.6% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: French Togoland became Togo in 1960. General Gnassingbé Eyadema, installed as military ruler in 1967, remained in power for almost four decades. Faure Gnassingbé, appointed to the presidency by the military in 2005 following the death of his father, was elected president later that year. His Union for the Republic dominates the political landscape. In 2015, he won a third five-year term, and in 2019, the law was changed to permit him to serve two additional terms. The economy depends heavily on commercial and subsistence agriculture, which employs about 60 percent of the labor force. Togo has one of West Africa's few natural deep-water ports, and its secure territorial waters have become a relatively safe zone for international shippers.

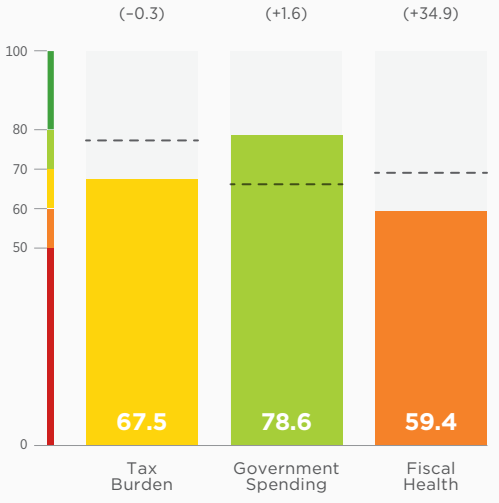
12 ECONOMIC FREEDOMS | TOGO

RULE OF LAW



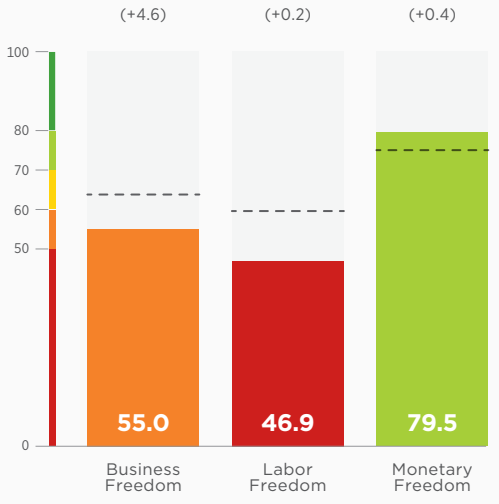
Property rights and interests are enforced, although nearly 80 percent of court cases reportedly involve disputes over land titles. The judiciary is constitutionally independent but heavily influenced by the presidency in practice. Togo practices a code-based legal system inherited from the French system. Graft and other forms of corruption are serious and long-standing problems.

GOVERNMENT SIZE



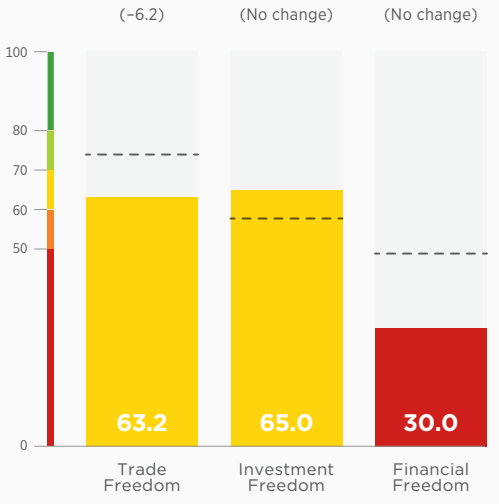
The top individual income tax rate is 45 percent, and the top corporate tax rate is 27 percent. Other taxes include value-added and property taxes. The overall tax burden equals 22.2 percent of total domestic income. Government spending has amounted to 26.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.3 percent of GDP. Public debt is equivalent to 74.6 percent of GDP.

REGULATORY EFFICIENCY



Starting a business and enforcing contracts have been made easier, and other reforms have reduced the cost of entrepreneurial activity. The formal labor market lacks dynamism, and informal labor activity remains substantial. The government introduced a program in 2019 to subsidize expenditures on solar energy. It also has increased fertilizer subsidies.

OPEN MARKETS



The total value of exports and imports of goods and services equals 74.3 percent of GDP. The average applied tariff rate is 13.4 percent. Nontariff barriers persist, although the time required for border compliance has been reduced. The overall investment framework lacks efficiency. The financial sector is rudimentary, and the banking system is underdeveloped. Capital transactions are subject to government approval and controls.

WORLD RANK: **107** | REGIONAL RANK: **22**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

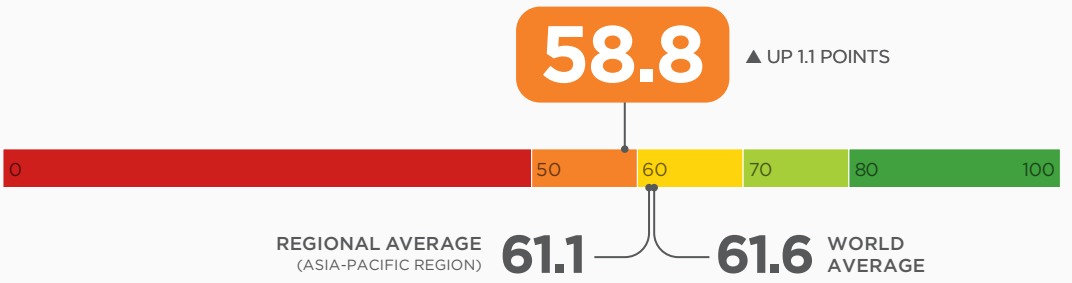
TONGA

Tonga's economic freedom score is 58.8, making its economy the 107th freest in the 2020 *Index*. Its overall score has increased by 1.1 point due to a higher **government integrity** score. Tonga is ranked 22nd among 42 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

The economy of Tonga fell from moderately free to mostly unfree in 2019 and remains there in 2020. GDP growth has been driven by ongoing reconstruction work following Cyclone Gita and by inflows of donor assistance from Australia and New Zealand.

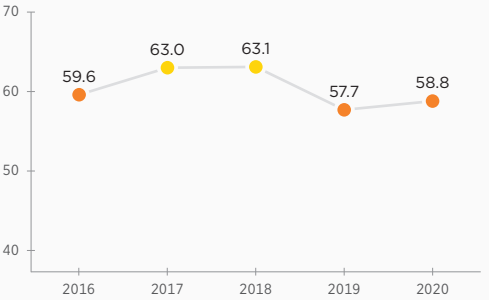
The government's goal is to build a "higher quality of life for all," but high public-sector costs and funding shortfalls for basic services will limit the achievement of these social objectives. Advancements in the rule of law and improvements in the investment and financial systems would be more likely to bear fruit.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): +4.7

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.1 million

GDP (PPP):
$0.6 billion
1.8% growth in 2018
5-year compound annual growth 3.0%
$6,111 per capita

UNEMPLOYMENT:
1.0%

INFLATION (CPI):
3.9%

FDI INFLOW:
$8.2 million

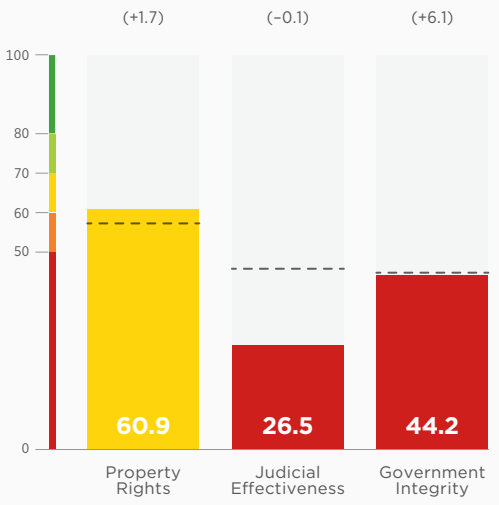
PUBLIC DEBT:
49.2% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The archipelagos of the Friendly Islands were united in 1845. The Kingdom of Tonga, the South Pacific's last Polynesian monarchy, withdrew from British protection and became fully independent in 1970. The royal family of King Tupou VI, hereditary nobles, and a few other landholders control politics. Tonga held its first elections in 2010 under a newly formed constitutional monarchy. The Democratic Party of the Friendly Islands (DPFI) won a plurality in parliament and subsequently retained power in elections held in 2014 and again in 2017. The economy depends on such agricultural products as squash, vanilla beans, and yams as well as on tourism and fish exports. Emigrants' remittances account for nearly one-third of GDP.

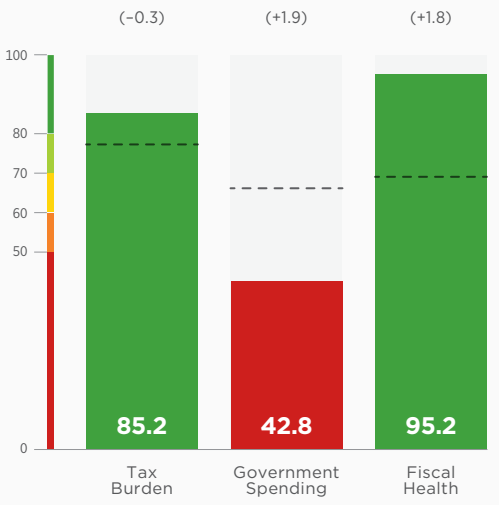
12 ECONOMIC FREEDOMS | TONGA

RULE OF LAW



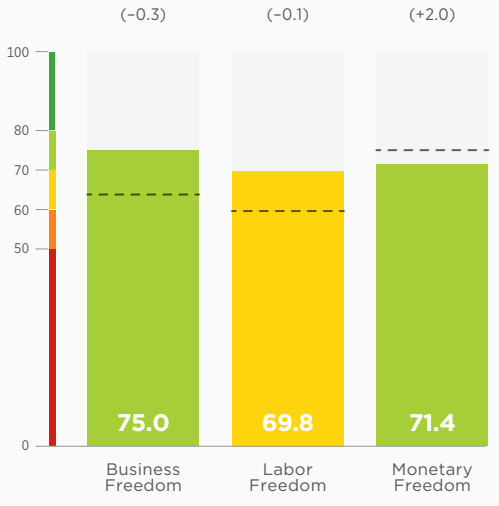
Property rights are ill-defined in law, and their enforcement is weak. The judicial system is generally independent but inadequately resourced and slow. Corruption is generally punished effectively, even among high-ranking officials. Recently arrived immigrants from China have been implicated in human trafficking, prostitution, kidnapping and ransom, smuggling, corruption, bribery, gambling, arson, and murder.

GOVERNMENT SIZE



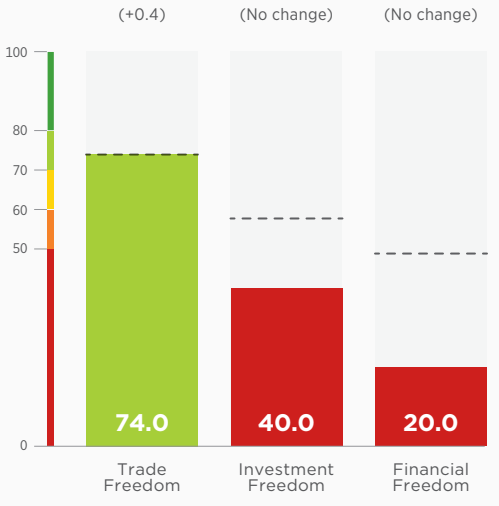
The top personal income tax rate is 20 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and interest taxes. The overall tax burden equals 21.3 percent of total domestic income. Government spending has amounted to 43.7 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 1.7 percent of GDP. Public debt is equivalent to 49.2 percent of GDP.

REGULATORY EFFICIENCY



A dynamic private sector has not yet emerged, although the regulatory environment is relatively business-friendly on paper. Remittances from overseas workers make up an important part of national income. Unemployment among the young is high. The government is dependent on foreign aid and remains under pressure from international donors to scale back subsidies for electricity and loss-making state-owned enterprises.

OPEN MARKETS



The total value of exports and imports of goods and services equals 94.8 percent of GDP. The average applied tariff rate is 5.5 percent, and nontariff barriers further impede trade flows. Foreign investment is screened by the state, and investment in some sectors is restricted. The underdeveloped legal system impedes the development of a modern financial sector. Much of the population remains outside of the formal banking sector.

WORLD RANK: **109**

REGIONAL RANK: **21**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

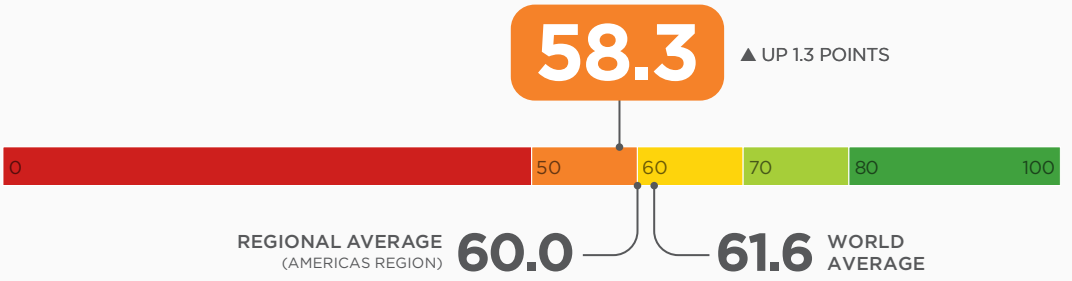
TRINIDAD AND TOBAGO

Trinidad and Tobago's economic freedom score is 58.3, making its economy the 109th freest in the 2020 *Index*. Its overall score has increased by 1.3 point due to higher scores for **property rights** and **government integrity**. Trinidad and Tobago is ranked 21st among 32 countries in the Americas region, and its overall score is below the regional and world averages.

The economy of Trinidad and Tobago fell from the ranks of the moderately free in 2018 and remains in the mostly unfree category in 2020. Economic growth has been correspondingly slow.

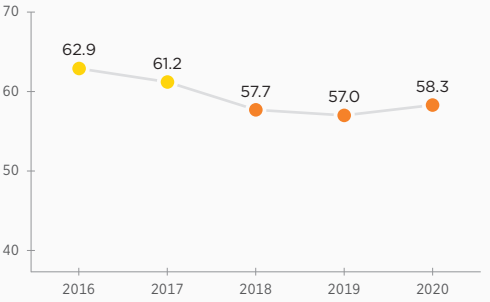
Two events in 2019 highlight the impediments to greater economic freedom in Trinidad and Tobago. The minister for public administration was dismissed in mid-August following her arrest on corruption charges. That was a blow to an already weak reputation for government integrity. In addition, a mid-year budget review for fiscal year 2018–2019 projected a wider fiscal deficit, which will likely further erode the country's already poor fiscal health.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): –10.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
1.4 million

GDP (PPP):
$44.4 billion
0.3% growth in 2018
5-year compound annual growth –1.5%
$32,254 per capita

UNEMPLOYMENT:
2.8%

INFLATION (CPI):
1.1%

FDI INFLOW:
–$436.1 million

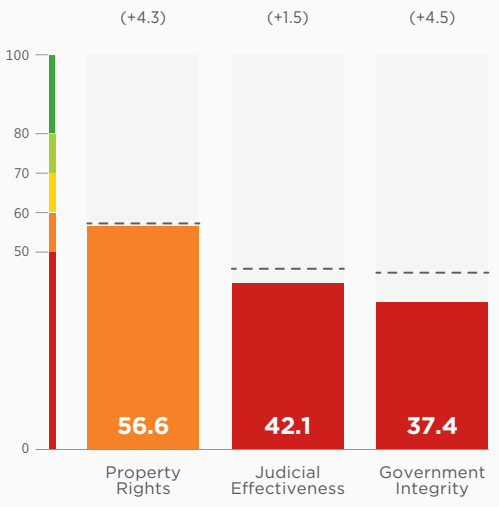
PUBLIC DEBT:
45.3% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Trinidad and Tobago is one of the Caribbean's wealthiest nations. Hydrocarbons account for more than 40 percent of GDP and 80 percent of exports. Prime Minister Keith Rowley of the center-left People's National Movement was elected to a five-year term in 2015 with a sizeable parliamentary majority, but his government must contend with weak economic growth and rising crime. Dr. Rowley has struggled to adapt the country to fluctuating international oil and gas prices, which have a direct impact on government revenues. Oil production has declined over the past decade as the country has focused on natural gas. Financial services and construction have been among the strongest non-energy subsectors, and tourism has the potential for significant growth.

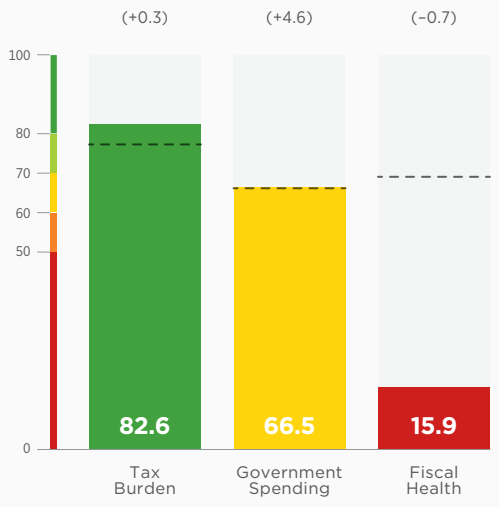
12 ECONOMIC FREEDOMS | TRINIDAD AND TOBAGO

RULE OF LAW



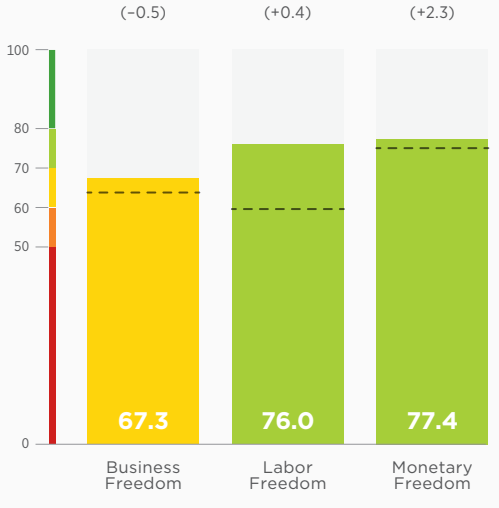
Property rights are protected under the constitution. Secured interests in property are recognized, but enforcement is hobbled by inefficient regulations and complicated registration. The independent judicial system, based on English law, is competent and procedurally and substantively fair. High levels of violent crime, much of it drug-related, have contributed to a backlog of cases and delays. Corruption remains pervasive.

GOVERNMENT SIZE



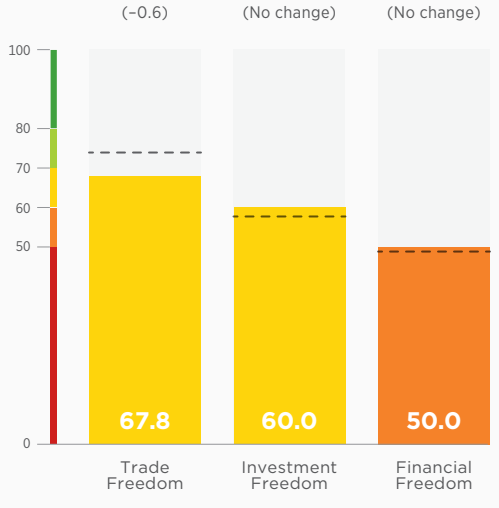
Both the top personal income tax rate and the standard corporate tax rate are 25 percent. Other taxes include value-added and property taxes. The overall tax burden equals 22.2 percent of total domestic income. Government spending has amounted to 33.4 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 9.7 percent of GDP. Public debt is equivalent to 45.3 percent of GDP.

REGULATORY EFFICIENCY



There is respect for contracts, but the regulatory system can lack transparency and clarity. The flexible labor market facilitates the matching of jobs to available workers. Accountants and lawyers are abundant, but there is a shortage of unskilled workers. Increased costs for fuel subsidies that put additional financial strain on the government in 2019 are projected to increase again in 2020.

OPEN MARKETS



The total value of exports and imports of goods and services equals 150.0 percent of GDP. The average applied tariff rate is 8.6 percent, and lingering nontariff barriers undercut the benefits of trade flows. The overall investment framework is open, but foreign ownership of land is limited. Financial regulations have been modernized, and there is little state influence in the financial sector. Various financing options are available.

TUNISIA

WORLD RANK: **128** | REGIONAL RANK: **10**

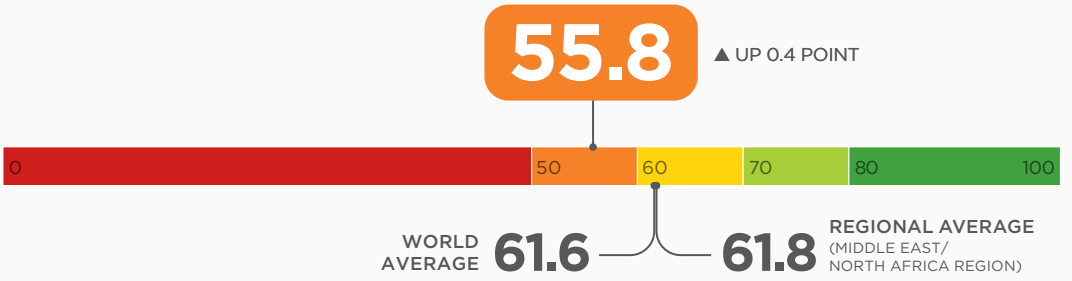
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Tunisia's economic freedom score is 55.8, making its economy the 128th freest in the 2020 *Index*. Its overall score has increased by 0.4 point due to an improvement in **property rights** and other rule-of-law indicators. Tunisia is ranked 10th among 14 countries in the Middle East and North Africa region, and its overall score is well below the regional and world averages.

The Tunisian economy has been in the ranks of the mostly unfree for more than a decade, belying the hopes of the 2011 Arab Spring for greater liberalization. GDP growth for the past five years has been fairly tepid for a middle-income developing country.

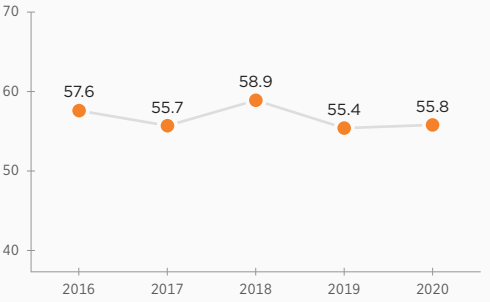
To improve economic freedom in Tunisia, the new government would have to address shortcomings in fiscal health, financial freedom, and government integrity. However, necessary fiscal reforms requiring spending cuts would likely stoke public unrest, and the influence of powerful trade unions and the presence of a large number of political parties in the newly elected parliament will make policymaking cumbersome.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –7.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
11.7 million

GDP (PPP):
$144.2 billion
2.5% growth in 2018
5-year compound annual growth 1.9%
$12,372 per capita

UNEMPLOYMENT:
15.5%

INFLATION (CPI):
7.3%

FDI INFLOW:
$1.0 billion

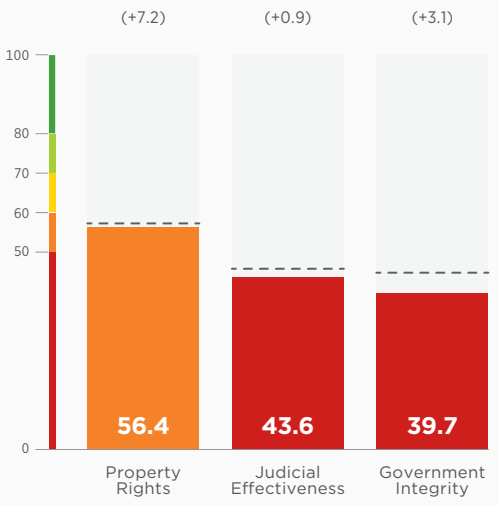
PUBLIC DEBT:
77.0% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Tunisia was the birthplace of the Arab Spring protests, which in 2011 ousted longtime President Zine al-Abidine Ben Ali. Kaïs Saïed, a politically independent center-left constitutional lawyer, was elected president in an October 2019 landslide that highlighted a strong antiestablishment sentiment among Tunisians, particularly younger voters. Hizb al-Nahda, a moderately Islamist party, won the most parliamentary seats. Despite notable progress in democratization and ongoing reform efforts, Tunisia's transformation to a more market-oriented economy has been slowed by political instability and violent protests engendered by austerity measures. Key exports include textiles and apparel, food products, petroleum products, chemicals, and phosphates, with about 80 percent of exports bound for Tunisia's principal trading partner, the European Union.

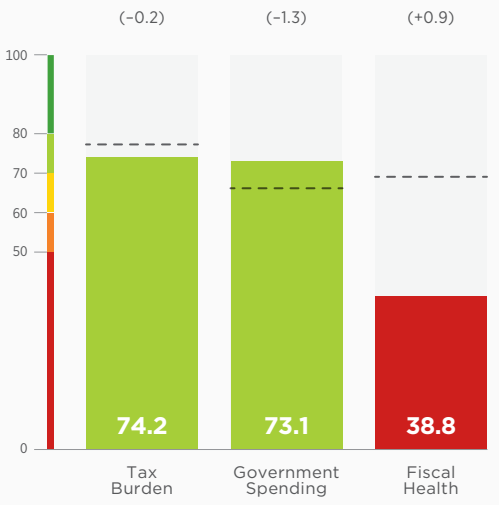
12 ECONOMIC FREEDOMS | TUNISIA

RULE OF LAW



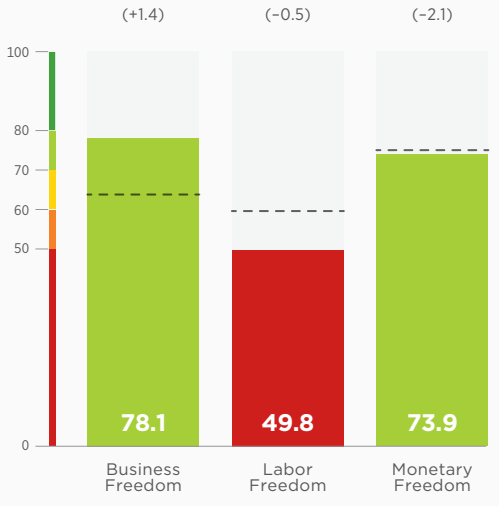
High levels of corruption and a large backlog of property disputes hamper the protection of property rights. While the 2011 constitution calls for a robust and independent judiciary, judicial reform has proceeded slowly. Corruption is endemic in Tunisia, and corrupt high-level officials often act with impunity. Routine procedures for doing business (customs, transportation, and some bureaucratic paperwork) involve corrupt practices.

GOVERNMENT SIZE



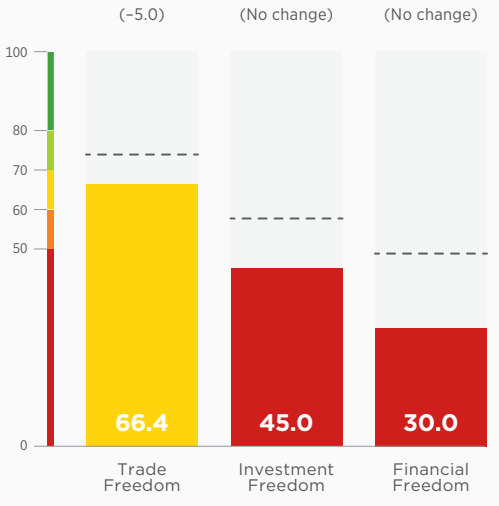
The top personal income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and property transfer taxes. The overall tax burden equals 21.4 percent of total domestic income. Government spending has amounted to 30.0 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 5.6 percent of GDP. Public debt is equivalent to 77.0 percent of GDP.

REGULATORY EFFICIENCY



Recent business reforms have included combining different registrations for starting a business and improving protections for minority investors. Levels of youth unemployment are high, and strikes in the phosphate sector indicate a certain level of labor unrest. The government faces pressure from foreign lenders to reduce public spending, including subsidies on food and fuel, but cuts will be politically sensitive.

OPEN MARKETS



The total value of exports and imports of goods and services equals 99.5 percent of GDP. The average applied tariff rate is 9.3 percent, and nontariff barriers further raise the cost of trade. Despite efforts to attract more foreign investment, growth in long-term investment has been inhibited by bureaucracy and political uncertainty. The weak financial sector remains fragmented and dominated by the state. Access to credit is limited.

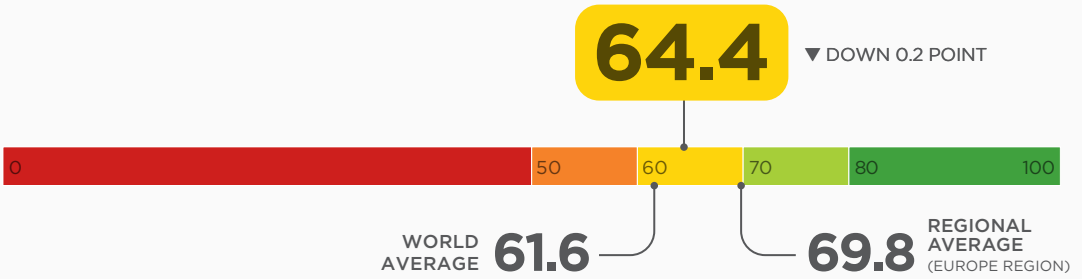
TURKEY

Turkey's economic freedom score is 64.4, making its economy the 71st freest in the 2020 *Index*. Its overall score has decreased by 0.2 point due to a lower **fiscal health** score. Turkey is ranked 36th among 45 countries in the Europe region, and its overall score is well below the regional average and above the world average.

The Turkish economy has been moderately free for more than a decade. GDP growth had been robust until 2018, when a currency and debt crisis pushed the economy into recession.

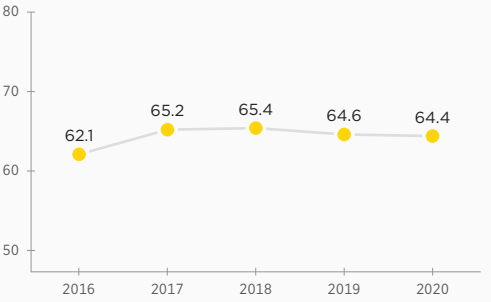
The resilience of Turkey's economy is due to solid public finances, well-capitalized banks, and a dynamic and diversified private sector. Moving into the mostly free ranks of economic freedom, however, will require reforms to make the labor market more competitive. More urgently, the government will have to strengthen judicial effectiveness and the fight against corruption, both of which were damaged in the aftermath of the crackdown that followed the attempted coup in 2016.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +6.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
82.0 million

GDP (PPP):
$2.3 trillion
2.6% growth in 2018
5-year compound annual growth 4.9%
$27,956 per capita

UNEMPLOYMENT:
10.9%

INFLATION (CPI):
16.3%

FDI INFLOW:
$12.9 billion

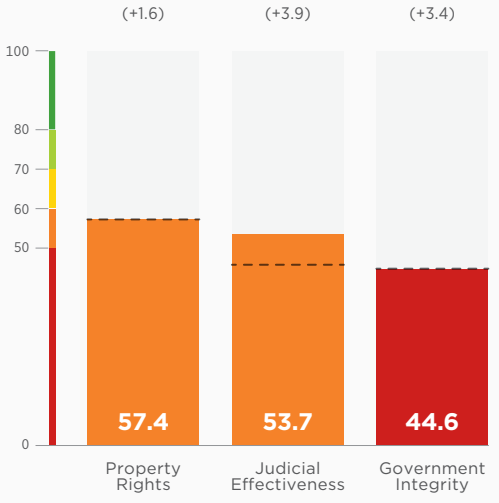
PUBLIC DEBT:
29.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Turkey is a constitutionally secular republic, but President Recep Tayyip Erdogan's Justice and Development Party (AKP) has pushed an Islamist agenda and eroded democracy. Erdogan further consolidated power after 2018 elections allowed an AKP coalition with the Nationalist Action Party to retain control of the unicameral national assembly while Erdogan eked out a slim victory for a second four-year term as president. Turkey's largely free-market and diversified economy is driven by its industrial and service sectors, but traditional agriculture still accounts for about 25 percent of employment. Although the economy has shown resilience in the past, political instability has blocked needed reforms, and a 2018 currency crisis and recession have put severe pressure on the country.

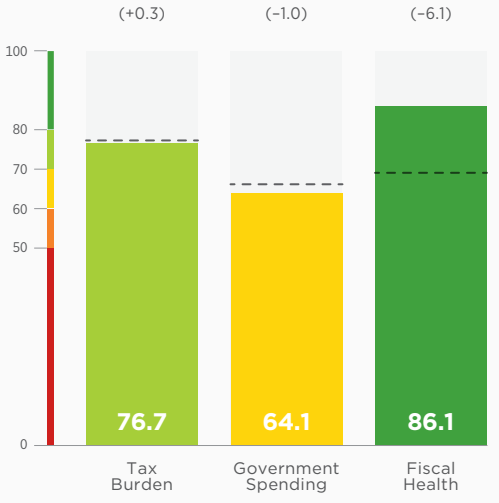
12 ECONOMIC FREEDOMS | TURKEY

RULE OF LAW



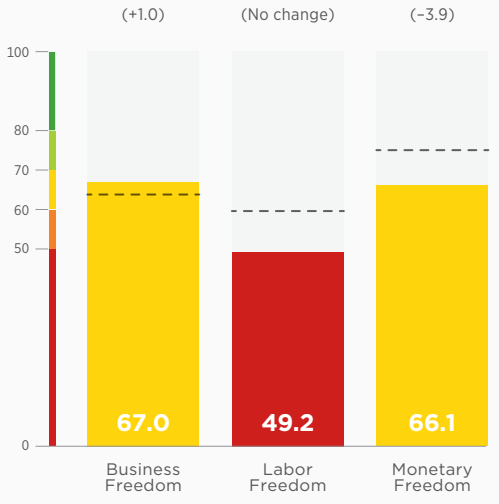
Secured interests in property are recognized and enforced, and public record-keeping is reliable. Following the July 2016 coup attempt, the government confiscated over 1,100 companies. Judicial independence has been severely weakened since the coup attempt. Corruption, including money laundering, bribery, and collusion in the allocation of government contracts, remains a major problem even at the highest levels of government.

GOVERNMENT SIZE



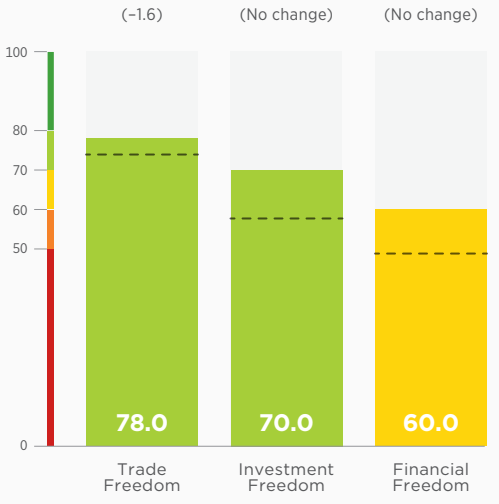
The top personal income tax rate is 35 percent, and the top corporate tax rate is 22 percent. Other taxes include value-added and environment taxes. The overall tax burden equals 24.9 percent of total domestic income. Government spending has amounted to 34.6 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.8 percent of GDP. Public debt is equivalent to 29.1 percent of GDP.

REGULATORY EFFICIENCY



Government decision-making can be opaque, and arbitrary regulatory enforcement hampers businesses. Several business-friendly reforms were adopted in the past year, but transferring property became more costly. The workforce is relatively well educated, but the labor market remains rigid. Although Turkey had few price controls historically, the government tried to tamp down increases in food prices in 2019 by imposing price controls at the wholesale level.

OPEN MARKETS



The total value of exports and imports of goods and services equals 60.4 percent of GDP. The average applied tariff rate is 3.5 percent, and 335 nontariff measures are in force. Foreign investment is welcome, but restrictions remain in effect in a number of sectors. Investors face lingering bureaucracy in the regulatory environment. The financial system is evolving toward greater transparency and competitiveness.

WORLD RANK: 170 | REGIONAL RANK: 39

ECONOMIC FREEDOM STATUS: REPRESSED

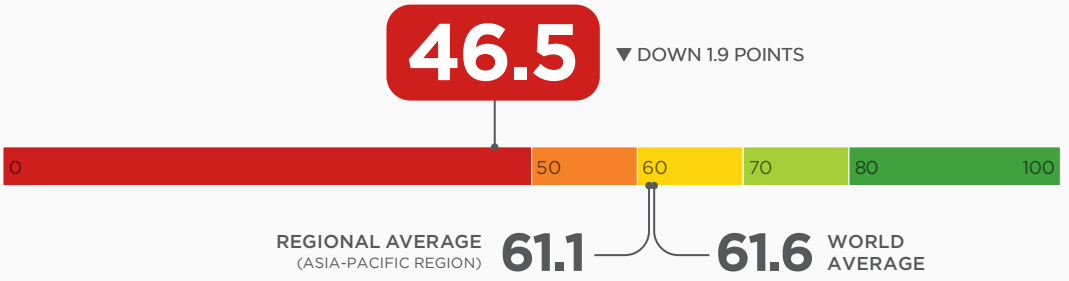
TURKMENISTAN

Turkmenistan's economic freedom score is 46.5, making its economy the 170th freest in the 2020 *Index*. Its overall score has decreased by 1.9 points due primarily to a lower **property rights** score. Turkmenistan is ranked 39th among 42 countries in the Asia–Pacific region, and its overall score is well below the regional and world averages.

The economy of Turkmenistan remains one of the most repressed in the *Index*. The GDP growth reported by the government is quite high, however, apparently driven by government consumption, investment, and the external sector.

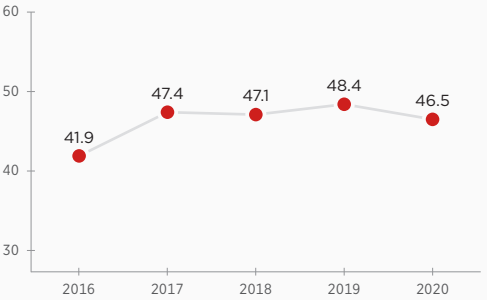
Turkmenistan is a repressive authoritarian state in which political rights and civil liberties are almost completely denied in practice. Economic freedom is not attainable in any meaningful sense as the governing regime is currently constituted. In the absence of a robust private sector, the state plays an extremely important role in economic activity and maintains monopoly control of the development of new onshore hydrocarbon fields.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1998): +11.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
5.8 million

GDP (PPP):
$112.7 billion
6.2% growth in 2018
5-year compound annual growth 7.1%
$19,527 per capita

UNEMPLOYMENT:
3.8%

INFLATION (CPI):
13.6%

FDI INFLOW:
$2.0 billion

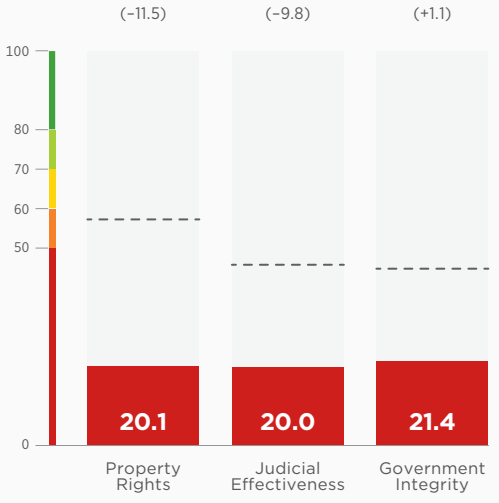
PUBLIC DEBT:
29.3% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Once an important stop on the Silk Road, the former Soviet republic of Turkmenistan is now a dictatorship and one of the world's most secretive, closed, and authoritarian countries. The presidency of Gurbanguly Berdymukhamedov, who has governed since 2007 and was reelected to a third term in 2017, has not brought about any advances in political, social, or media freedom. The economy remains dominated by state-owned monopolies and is based on intensive agriculture in irrigated oases, sizable oil resources, and the world's sixth-largest reserves of natural gas. China is currently its largest export market, especially for gas, but natural gas deliveries to Russia were resumed in 2019.

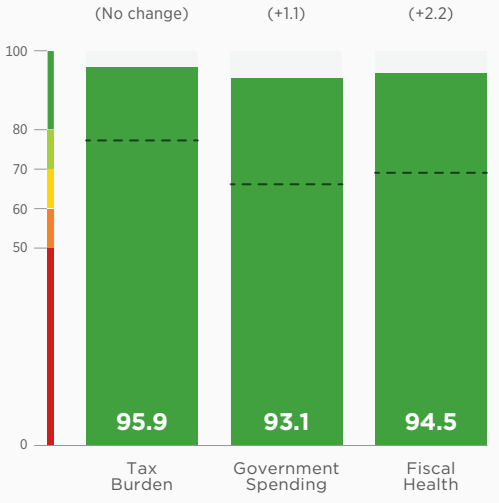
12 ECONOMIC FREEDOMS | TURKMENISTAN

RULE OF LAW



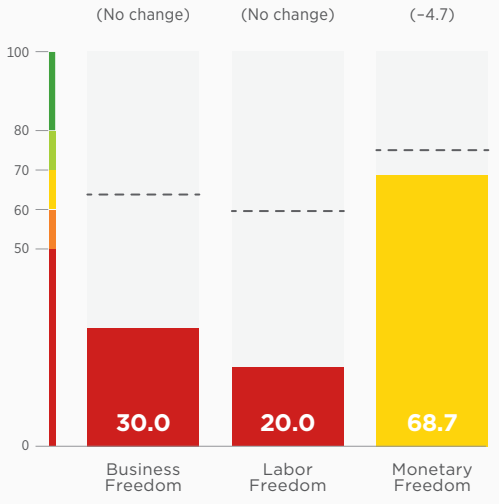
The government owns all land, and other rights to ownership of real property are limited. The enforcement of contracts and protection of property rights are ineffective. The nominally independent judiciary is subservient to the president, who appoints and removes judges at will. Laws are poorly developed, and judges are poorly trained and open to bribery. Corruption is rampant. Nepotism and conflicts of interest are unchecked.

GOVERNMENT SIZE



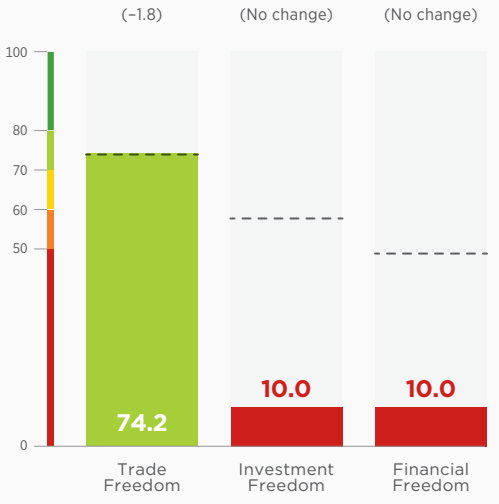
The personal income tax rate is a flat 10 percent, and the corporate tax rate is 8 percent. Other taxes include value-added and property taxes. The overall tax burden equals 15.6 percent of total domestic income. Government spending has amounted to 15.1 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.5 percent of GDP. Public debt is equivalent to 29.3 percent of GDP.

REGULATORY EFFICIENCY



Turkmenistan's autocratic government allows little business freedom. The level of labor freedom depends on a citizen's place of origin. Under a decree that President Berdymukhamedov signed in 2016, residents from regions outside the capital city of Ashgabat are discriminated against in the labor market. In 2019, the government sought to privatize much of the state-owned transport system and ended free access to water, gas, and electricity.

OPEN MARKETS



The total value of exports and imports of goods and services equals 35.2 percent of GDP. The average applied tariff rate is 2.9 percent, but bureaucratic customs procedures severely impede trade. The overall investment regime is inefficient, with state-owned enterprises dominating key sectors of the economy. The financial system remains government-controlled, and the flow of financial resources is restricted.

UGANDA

WORLD RANK: **102** | REGIONAL RANK: **10**

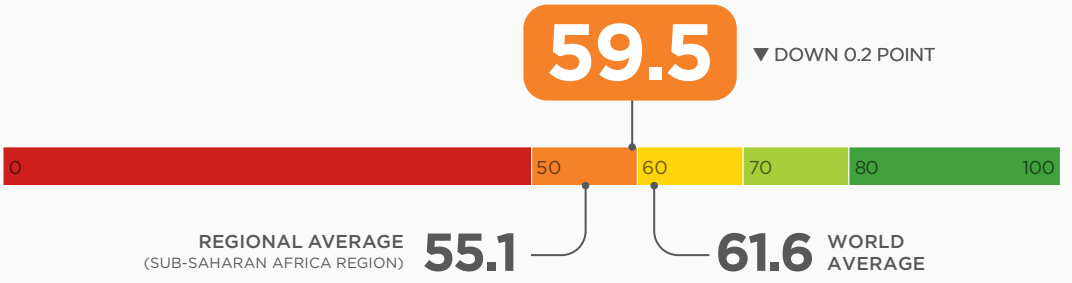
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Uganda's economic freedom score is 59.5, making its economy the 102nd freest in the 2020 *Index*. Its overall score has decreased by 0.2 point due to lower scores for **fiscal health** and **government integrity**. Uganda is ranked 10th among 47 countries in the Sub-Saharan Africa region, and its overall score is well above the regional average and approximately equal to the world average.

The Ugandan economy fell back into the mostly unfree ranks in 2019 and remains there in 2020. GDP growth has been robust, however, driven largely by growth in services, higher agricultural output, and investment in oil production infrastructure.

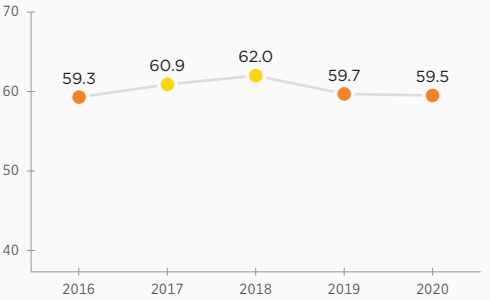
The government wishes to transform Uganda into an upper-middle-income country by 2040. This would require greatly expanded economic freedom to attract needed investment, which in turn would mean addressing the weak institutional capacity that is reflected in such *Index* indicators as government integrity, judicial effectiveness, and business freedom.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –3.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
38.8 million

GDP (PPP):
$97.0 billion
6.2% growth in 2018
5-year compound annual growth 4.7%
$2,498 per capita

UNEMPLOYMENT:
1.7%

INFLATION (CPI):
2.6%

FDI INFLOW:
$1.3 billion

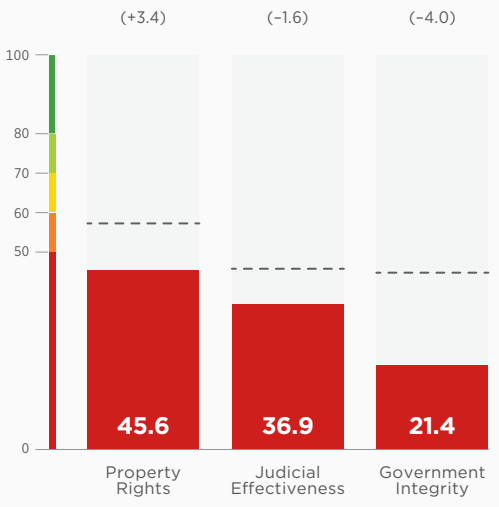
PUBLIC DEBT:
42.2% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The mix of politically and culturally diverse ethnic groups within the former British colony of Uganda complicated governance after independence in 1962. President Yoweri Museveni and his National Resistance Movement have been in power since 1986. In 2016, Museveni won a fifth five-year term in elections that were tainted by government intimidation and multiple arrests of the principal opposition leader. Harassment of other political opponents has intensified amid allegations of creeping authoritarianism. Parliament has amended the constitution several times to allow Museveni's continued rule. Uganda has significant natural wealth including gold, recently discovered oil, and rich agricultural lands from which more than two-thirds of the workforce derives employment.

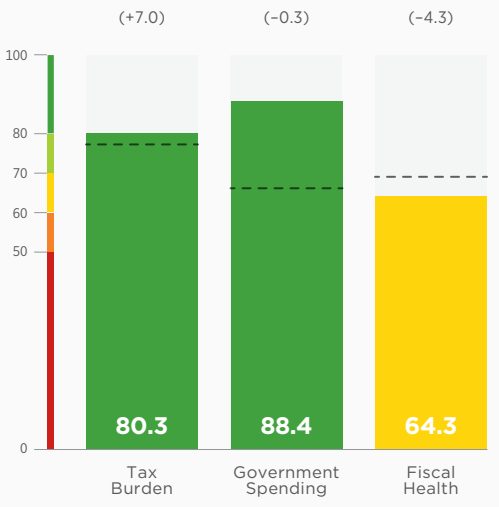
12 ECONOMIC FREEDOMS | UGANDA

RULE OF LAW



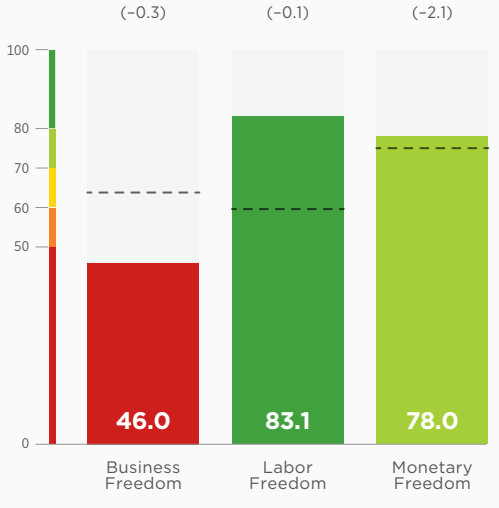
Land disputes, some of them violent, are common, particularly when private development projects are at stake. Property rights are guaranteed by law, but enforcement lacks effectiveness and consistency. Influence exerted by the executive and the military undermines judicial independence, as does systemic corruption. In what is considered one of the most corrupt countries in East Africa, bribery and graft are often practiced with impunity.

GOVERNMENT SIZE



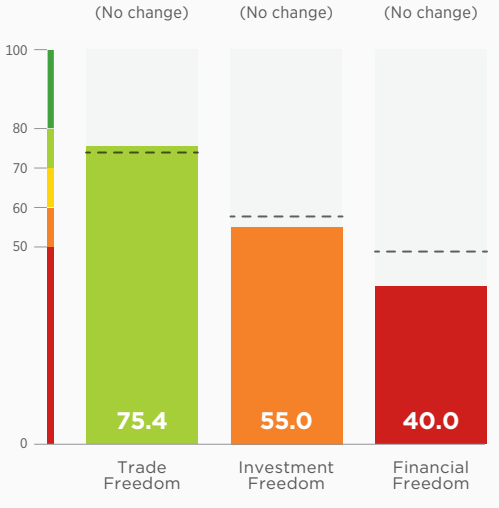
The top individual income and corporate tax rates are 30 percent. Other taxes include value-added and property taxes. The overall tax burden equals 13.1 percent of total domestic income. Government spending has amounted to 19.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.5 percent of GDP. Public debt is equivalent to 42.2 percent of GDP.

REGULATORY EFFICIENCY



Poor management of the economy and the government's lack of investment in the health and education of the young population put stress on the business climate. Agriculture employs 72 percent of the workforce, but the lack of modern farming technology restrains productivity. In 2019, ignoring IMF advice to the contrary, the government pushed ahead with its ambitious infrastructure spending plan for state-owned enterprises.

OPEN MARKETS



The total value of exports and imports of goods and services equals 47.8 percent of GDP. The average applied tariff rate is 7.3 percent, and nontariff barriers further constrain the freedom to trade. The investment regime is complex and nontransparent, although foreign investment is allowed in most sectors. The financial sector is dominated by banking. Access to financial services has been expanding gradually throughout the country.

WORLD RANK: **134** | REGIONAL RANK: **45**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

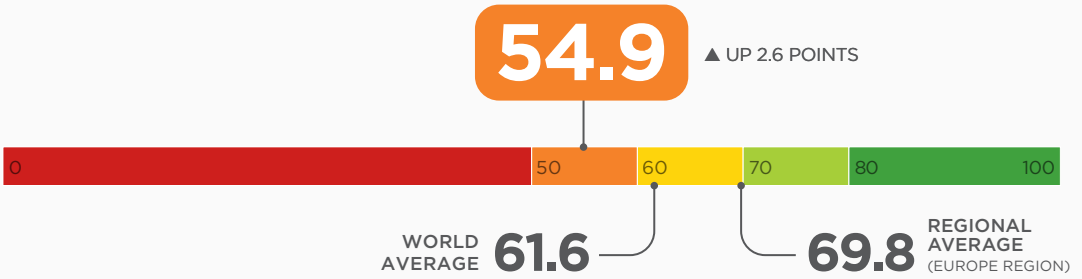
UKRAINE

Ukraine's economic freedom score is 54.9, making its economy the 134th freest in the 2020 *Index*. Its overall score has increased by 2.6 points due to a higher scores for **judicial effectiveness**, **government integrity**, and **trade freedom**. Ukraine is ranked 45th among 45 countries in the Europe region, and its overall score is well below the regional and world averages.

The Ukrainian economy ascended from the ranks of the repressed in 2018 and has climbed in the mostly unfree category for three years in a row. In 2018, the economy emerged from a severe downturn that began in 2013.

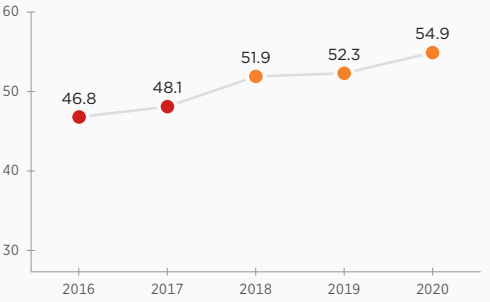
In a positive development for government integrity, the new government has already ended the immunity from criminal prosecution that had been enjoyed by parliamentary deputies. Another proposal would lift the current moratorium on the sale of agricultural land, which the World Bank estimates would increase annual GDP by about 1.5 percentage points.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +15.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
42.0 million

GDP (PPP):
$390.3 billion
3.3% growth in 2018
5-year compound annual growth –1.6%
$9,283 per capita

UNEMPLOYMENT:
9.4%

INFLATION (CPI):
10.9%

FDI INFLOW:
$2.4 billion

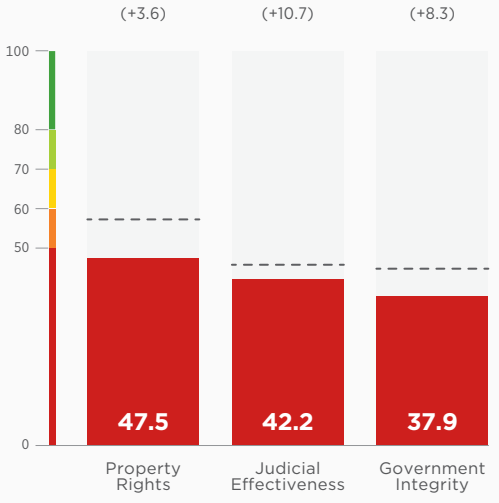
PUBLIC DEBT:
63.9% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Long known as the "Breadbasket of Europe" because of its fertile black soil, Ukraine gained independence after the Soviet Union collapsed in 1991. In the six years since the "Maydan" revolt, Ukraine's political landscape has been transformed. Rival business–political networks continue to exercise significant influence, but a generational change is in progress. Actor and comedian Volodymyr Zelensky, a 42-year-old political newcomer, won the April 2019 presidential election, and his party won an absolute majority in July 2019 parliamentary elections. Russia's illegal annexation of the Crimean Peninsula and destabilization of the eastern Donbas region continue to damage the Ukrainian economy, which relies heavily on the production of wheat and exports of industrial and energy products.

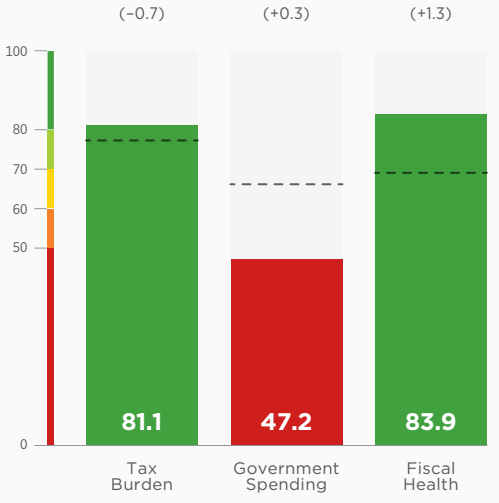
12 ECONOMIC FREEDOMS | UKRAINE

RULE OF LAW



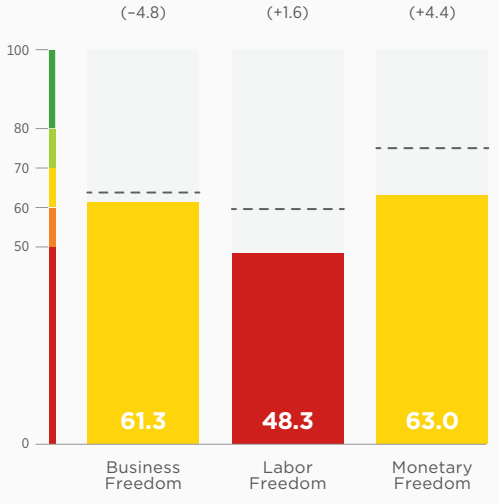
Ukraine's regulatory framework theoretically protects and registers property interests. Mortgages and liens are recorded, but enforcement of property rights by the judicial system is lacking. Enforcement of contracts is time-consuming and costly. The judiciary is susceptible to political pressure and fraught with corruption and bribes. Corruption remains a serious problem, and there is little political will to fight it despite strong pressure from civil society.

GOVERNMENT SIZE



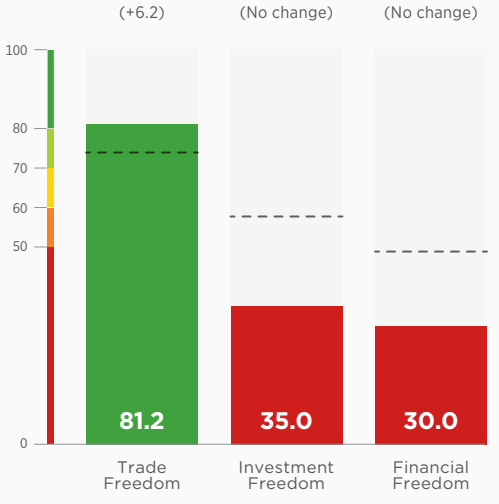
The top individual income tax rate is 20 percent, and the top corporate tax rate is 18 percent. Other taxes include value-added and property taxes. The overall tax burden equals 34.2 percent of total domestic income. Government spending has amounted to 42.0 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.2 percent of GDP. Public debt is equivalent to 63.9 percent of GDP.

REGULATORY EFFICIENCY



The pace of business-friendly reforms decreased over the past year, although the reforms implemented in recent years brought some macroeconomic stability and improved the business environment. Entrenched vested interests are a problem for entrepreneurs. The labor code is antiquated and lacks flexibility. If it can muster the political will, the new government will have the opportunity to bring transparency to an opaque system of subsidies.

OPEN MARKETS



The total value of exports and imports of goods and services equals 99.0 percent of GDP. The average applied tariff rate is 1.9 percent, and 142 nontariff measures are in force. Despite some improvements, excessive bureaucracy deters much-needed growth in private investment. Nonperforming loans continue to be a drag on the banking system. The capital market is underdeveloped, and this limits financing options.

UNITED ARAB EMIRATES

WORLD RANK: **18**

REGIONAL RANK: **1**

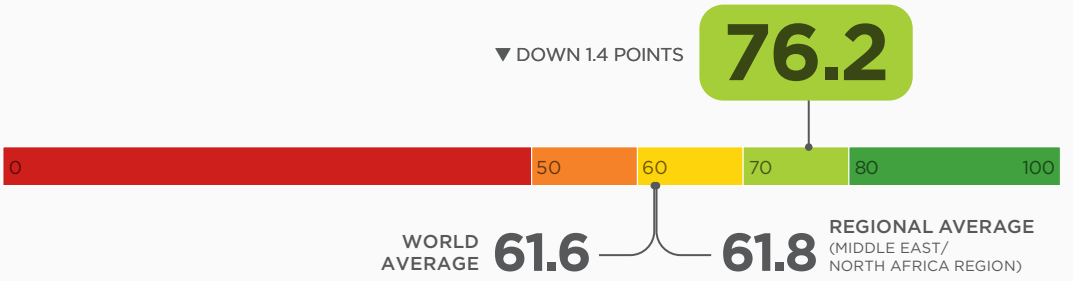
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

The United Arab Emirates' economic freedom score is 76.2, making its economy the 18th freest in the 2020 *Index*. Its overall score has decreased by 1.4 points due to a lower **government integrity** score. The United Arab Emirates is ranked 1st among 14 countries in the Middle East and North Africa region, and its overall score is well above the regional and world averages.

The economy of the United Arab Emirates has slowly been climbing the ranks of the mostly free since 2013. The five-year average GDP growth rate had been expanding at a healthy 3 percent until the economy dipped in 2018.

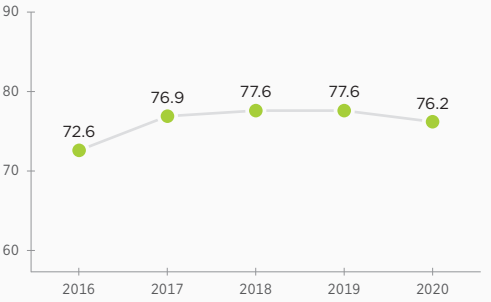
Economic policy at both the federal and emirate levels will continue to focus on reducing the economy's dependence on the hydrocarbons sector. In 2018, Abu Dhabi launched the Ghadan 21 (Tomorrow 2021) development plan, a three-year, $13.6 billion program that includes 50 initiatives intended to boost competitiveness and entrepreneurship.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +4.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
10.4 million

GDP (PPP):
$723.7 billion
1.7% growth in 2018
5-year compound annual growth 3.0%
$69,382 per capita

UNEMPLOYMENT:
2.6%

INFLATION (CPI):
3.1%

FDI INFLOW:
$10.4 billion

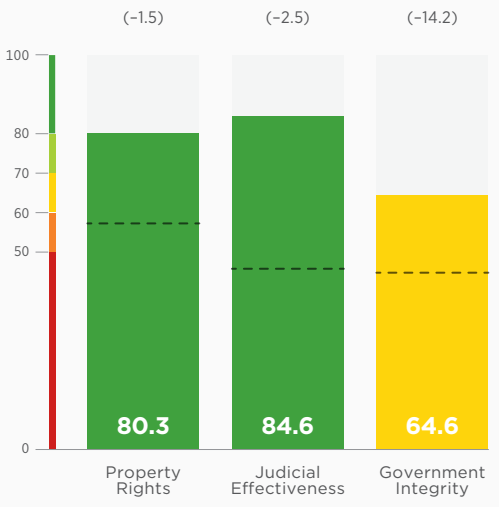
PUBLIC DEBT:
18.7% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The United Arab Emirates (UAE) is a federation of seven monarchies: Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al-Khaimah, Sharjah, and Umm al-Qaiwain. The Federal Supreme Council selects the president and vice president for five-year terms with no term limits. Abu Dhabi ruler Sheikh Khalifa bin Zayed al-Nahyan has been president since 2004. The UAE has an open economy with a high per capita income and a sizable annual trade surplus. The oil and gas sector currently accounts for about 30 percent of GDP.

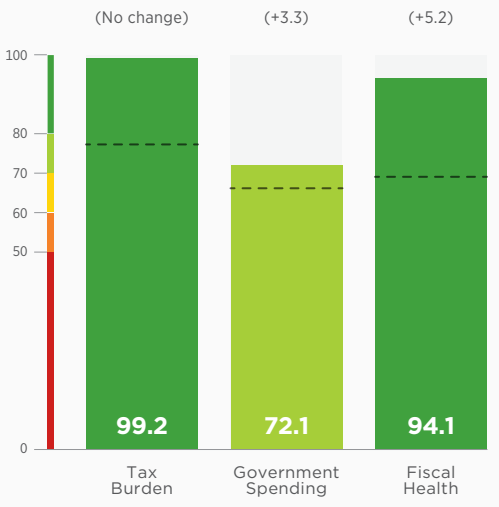
12 ECONOMIC FREEDOMS | UNITED ARAB EMIRATES

RULE OF LAW



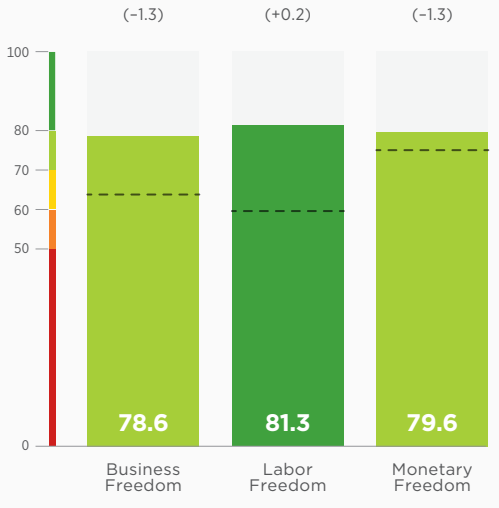
Privately held land parcels are recorded in an immovable property registry, and associated rights are protected by the government. Unregistered desert land is owned by emirate-specific governments. The judiciary is not independent. Court rulings are subject to review by the political leadership, but the rule of law is generally well maintained, and the UAE is considered one of the region's less corrupt countries.

GOVERNMENT SIZE



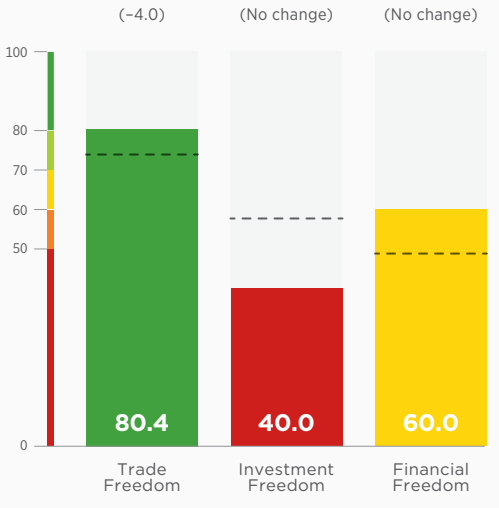
The UAE has no income tax and no federal-level corporate tax. Different corporate tax rates exist in some emirates, and a new value-added tax has been introduced. The overall tax burden equals 9.2 percent of total domestic income. Government spending has amounted to 30.5 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.8 percent of GDP. Public debt is equivalent to 18.7 percent of GDP.

REGULATORY EFFICIENCY



The UAE maintains regulations that are generally favorable to the formation and operation of private businesses. Foreigners account for more than 85 percent of residents and more than 95 percent of the private-sector workforce. Labor unions and strikes are prohibited. The UAE deregulated its monthly fuel price in 2015 to allow retail gasoline and diesel prices to track the price of Brent crude and to cut subsidies.

OPEN MARKETS



The total value of exports and imports of goods and services equals 161.8 percent of GDP. The average applied tariff rate is 4.8 percent, and 73 nontariff measures are in force. Steps to ease the 49 percent foreign ownership cap have been taken. The modern financial sector is competitive, offering diversified services. State-owned banks have maintained a strong presence, but foreign banks have over 100 branches around the country.

UNITED KINGDOM

WORLD RANK: **7** | REGIONAL RANK: **3**

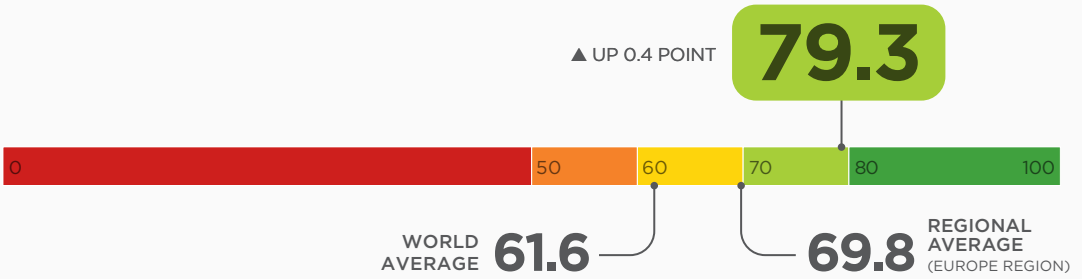
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

The United Kingdom's economic freedom score is 79.3, making its economy the 7th freest in the 2020 *Index*. Its overall score has increased by 0.4 point due to improvements in **government integrity** and **fiscal health**. The United Kingdom is ranked 3rd among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

The economy of the United Kingdom has slowly been climbing the ranks of the mostly free for the past decade. GDP growth has been solid for the past five years but slowed in 2018 amid confusion about Brexit.

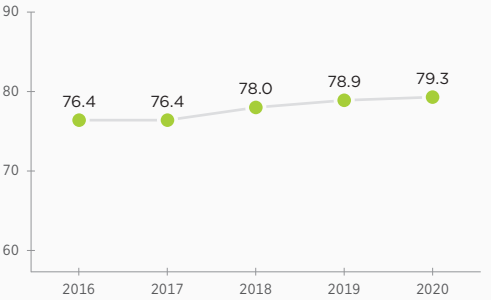
The strong majority secured by the Conservative Party in the 2019 parliamentary elections has positioned the government to move forward expeditiously with the Brexit process. Although some economic disruptions are likely, the U.K. will also have new opportunities to expand economic freedom, especially by reducing the tax burden and government spending and pursuing new trade agreements with the United States and other countries.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +1.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
66.5 million

GDP (PPP):
$3.0 trillion
1.4% growth in 2018
5-year compound annual growth 2.1%
$45,705 per capita

UNEMPLOYMENT:
4.0%

INFLATION (CPI):
2.5%

FDI INFLOW:
$64.5 billion

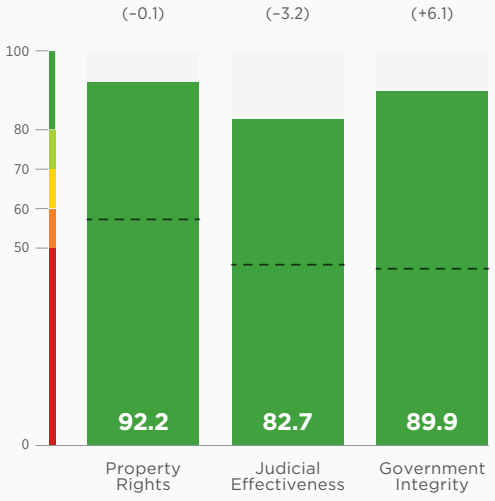
PUBLIC DEBT:
86.9% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Steady growth has made Britain's economy, which has thrived ever since former Prime Minister Margaret Thatcher's market reforms in the 1980s, the world's fifth largest. In 2016, the U.K. voted in a popular referendum to leave the European Union. After leading more than three years of inconclusive negotiations over the terms of the U.K.'s departure, Prime Minister Theresa May resigned and was replaced by Boris Johnson, who led the Tories to their largest electoral victory since 1987 in December elections viewed as reaffirming the government's Brexit mandate. Services, particularly banking, insurance, and business services, are key drivers of GDP growth. Large oil and natural gas reserves are declining.

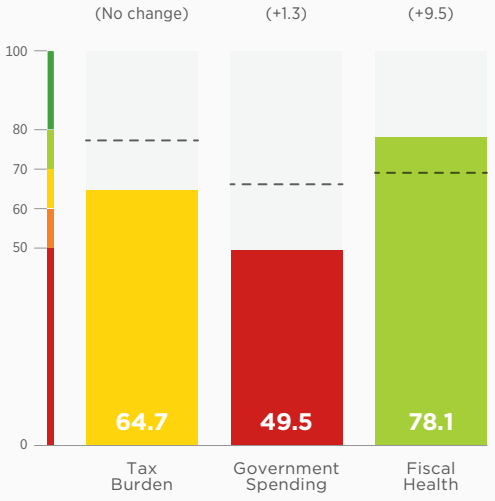
12 ECONOMIC FREEDOMS | UNITED KINGDOM

RULE OF LAW



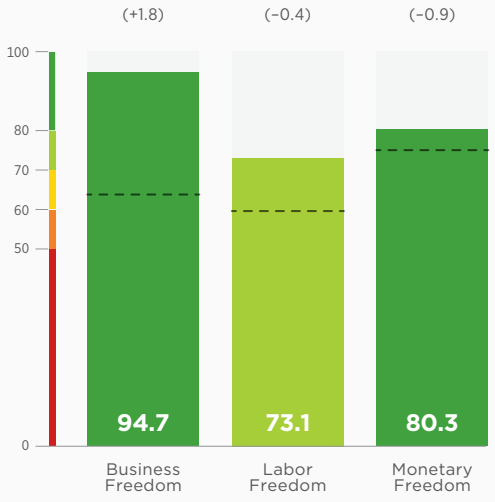
The U.K. has robust real property laws. Contracts are very secure. There is a long history of applying the rule of law fairly to business disputes. The current judicial process remains procedurally competent, fair, and reliable. Despite isolated instances of bribery and corruption, investors generally have not identified corruption of public officials as a factor in doing business in the U.K.

GOVERNMENT SIZE



The top personal income tax rate is 45 percent, and the top corporate tax rate is 20 percent. Other taxes include value-added and environment taxes. The overall tax burden equals 33.3 percent of total domestic income. Government spending has amounted to 41.0 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.1 percent of GDP. Public debt is equivalent to 86.9 percent of GDP.

REGULATORY EFFICIENCY



Legal, regulatory, and accounting systems are transparent and efficient. The legal system provides a high level of protection for businesses under a well-defined rule of law. The labor market is relatively efficient. The government maintains few price controls (for example, for utilities and some prescription drugs) and plans to emulate New Zealand's zero-agricultural subsidies model post-Brexit.

OPEN MARKETS

The total value of exports and imports of goods and services equals 61.3 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. The U.K. has an additional eight country-specific nontariff barriers. The overall investment framework is efficient, but uncertainty surrounding Brexit has been an adverse factor. The sophisticated financial sector remains competitive.

UNITED STATES

WORLD RANK:	REGIONAL RANK:
17	3

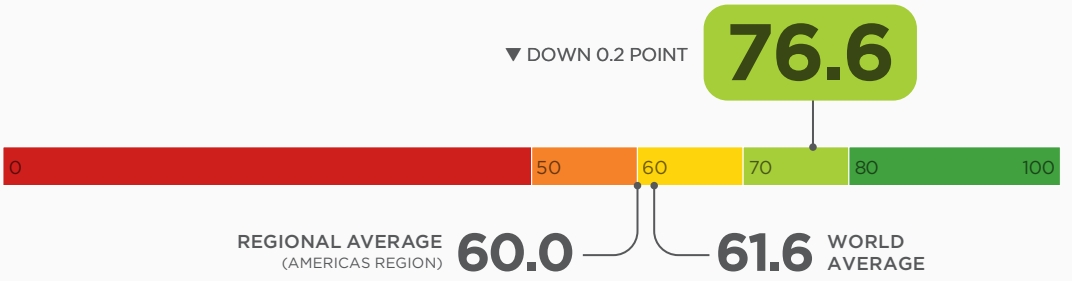
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

The United States' economic freedom score is 76.6, making its economy the 17th freest in the 2020 *Index*. Its overall score has decreased by 0.2 point due primarily to a lower **trade freedom** score. The United States is ranked 3rd among 32 countries in the Americas region, and its overall score is well above the regional and world averages.

Economic freedom has declined in America over the past decade, primarily because of excessive government spending and intrusive regulation of the health care and financial sectors, although scores have stabilized in recent years. GDP growth has been good recently as well.

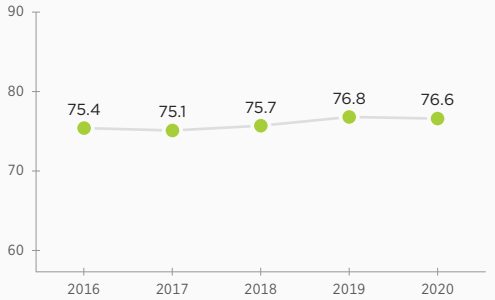
Reckless deficit spending by Congress and the Administration under both parties explains the weakest *Index* indicators: government spending and fiscal health. Approval of the recently renegotiated NAFTA (now the United States–Mexico–Canada Agreement) should help to ensure continued growth, and resolution of the U.S.–China trade dispute could boost trade freedom.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –0.1

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
327.4 million

GDP (PPP):
$20.5 trillion
2.9% growth in 2018
5-year compound annual growth 2.4%
$62,606 per capita

UNEMPLOYMENT:
3.9%

INFLATION (CPI):
2.4%

FDI INFLOW:
$251.8 billion

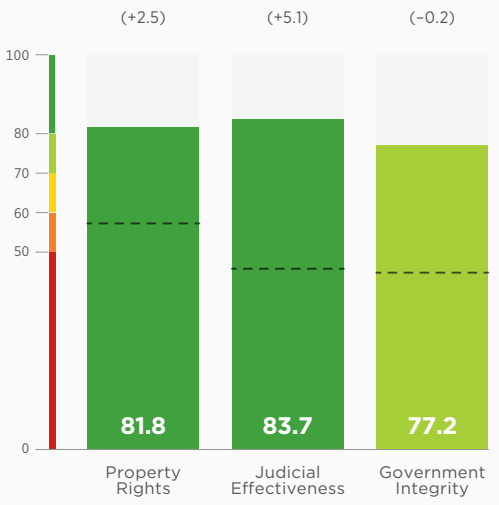
PUBLIC DEBT:
105.8% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The United States has one of the world's wealthiest and most diversified economies. President Donald Trump sparked relatively robust economic growth by reducing burdensome regulations and signing a major tax reform bill into law, but deficit spending has continued unchecked. The Administration's protectionist trade policies will increasingly be a drag on economic growth if newly applied tariffs are not reversed. The Democratic Party took control of the House of Representatives in January 2019, dimming prospects for passage of major legislation affecting economic policy before the 2020 election. Although services account for about 80 percent of GDP, the U.S. remains the world's second-largest producer of manufactured goods and the leader in research and development.

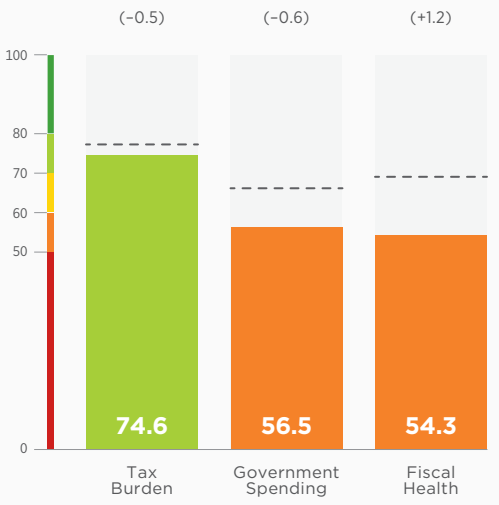
12 ECONOMIC FREEDOMS | UNITED STATES

RULE OF LAW



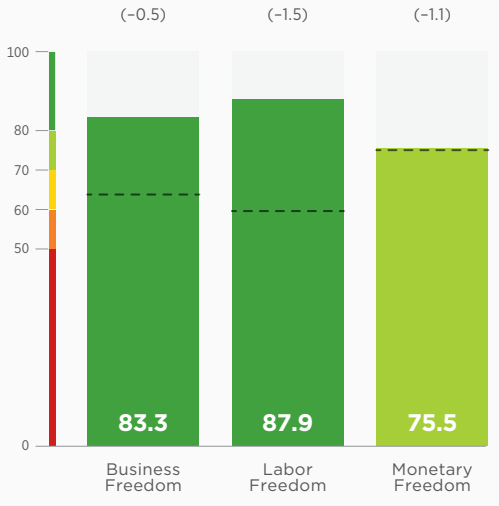
Private property rights are widely respected, but the federal government still owns about 28 percent of all land. Contracts are enforced effectively. The judiciary functions independently and predictably, although the judicial appointments process is subject to increasing politicization. Corruption does not represent a significant business risk, and government actively enforces a well-established anticorruption legislative framework.

GOVERNMENT SIZE



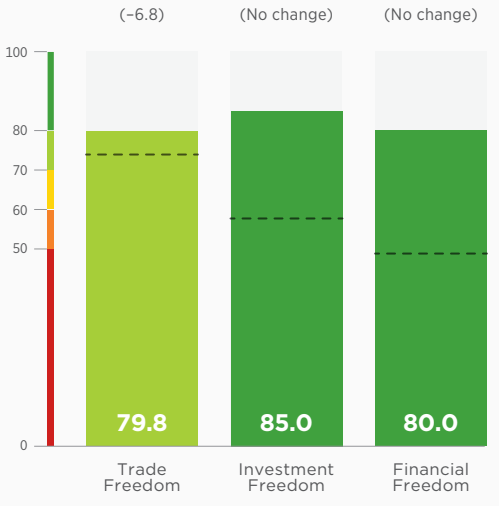
The top individual income tax rate is 37 percent, and the top corporate tax rate is 21 percent. The overall tax burden equals 27.1 percent of total domestic income. Government spending has amounted to 38.1 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.0 percent of GDP. Public debt is equivalent to 105.8 percent of GDP.

REGULATORY EFFICIENCY



The legal and political environments generally support entrepreneurial activity. Tax and regulatory reforms have pushed the unemployment rate to its lowest level in over 50 years, with unemployment among minority demographic groups at record lows. However, agricultural subsidies have been increased to offset the effects of increased tariffs, and subsidies continue for health care, so-called green energy, and various forms of corporate welfare.

OPEN MARKETS



The total value of exports and imports of goods and services equals 27.1 percent of GDP. The average applied tariff rate is 2.6 percent, and over 2,000 nontariff measures are in force. Protectionist policies have created considerable uncertainty for businesses, adding to the overall cost of trade and investment. The financial sector, which is among the most developed in the world, is competitive and stable.

URUGUAY

WORLD RANK:	REGIONAL RANK:
47	5

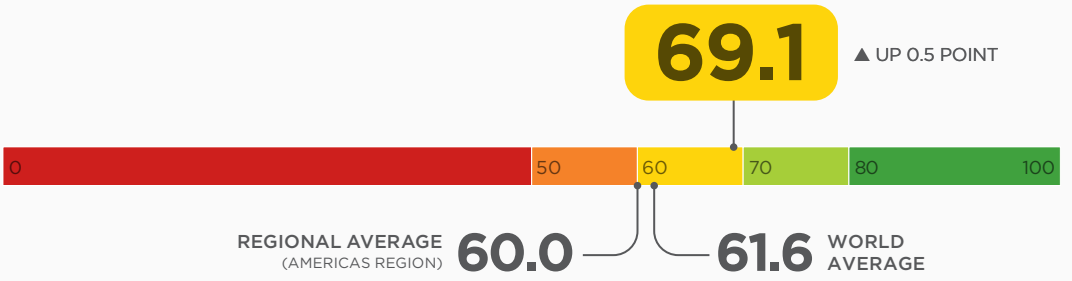
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Uruguay's economic freedom score is 69.1, making its economy the 47th freest in the 2020 *Index*. Its overall score has increased by 0.5 point due to an increase in the **government integrity** and **property rights** scores. Uruguay is ranked 5th among 32 countries in the Americas region, and its overall score is well above the regional and world averages.

The Uruguayan economy has been moderately free for all but two years (when it was in the ranks of the mostly free) since the inception of the *Index* in 1995. GDP growth for the past five years has been moderate as well.

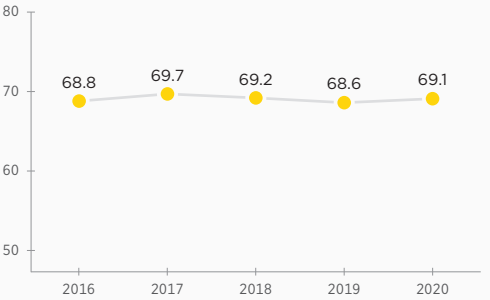
To improve economic performance and expand economic freedom, the next government could introduce reforms to improve the business environment and boost growth, including by making the labor market more flexible and opening the banking sector. With corruption well controlled, another priority could be court reform (for example, reducing the case backlog) to improve judicial effectiveness.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +6.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
3.5 million

GDP (PPP):
$81.6 billion
2.1% growth in 2018
5-year compound annual growth 2.0%
$23,274 per capita

UNEMPLOYMENT:
8.0%

INFLATION (CPI):
7.6%

FDI INFLOW:
–$626.5 million

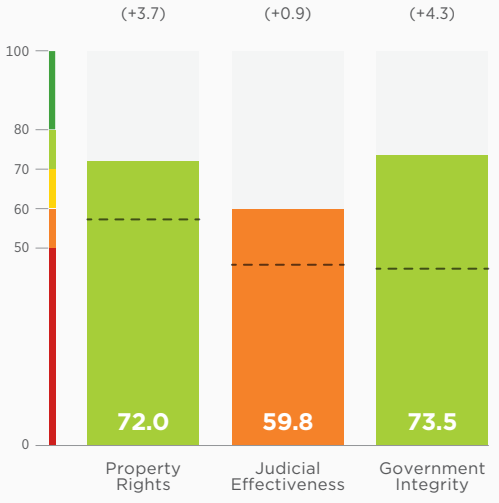
PUBLIC DEBT:
70.0% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Uruguay, Bolivia, and Paraguay were established in the 19th century as buffers between regional powers Brazil and Argentina. Public outrage at Marxist guerrilla violence in the 1960s facilitated a military takeover of the government in 1973. Civilian rule was restored in 1985. President Luis Lacalle of the National Party, elected in November 2019, ushered in a conservative government after 15 years of rule by the left-wing Broad Front. The once-dominant Colorado Party forms part of the Lacalle administration. Pressures on government revenue have forced cuts in programs that are popular with his political base. The economy, based on exports of commodities like milk, beef, rice, and wool, suffered in 2019 from economic recession in Argentina.

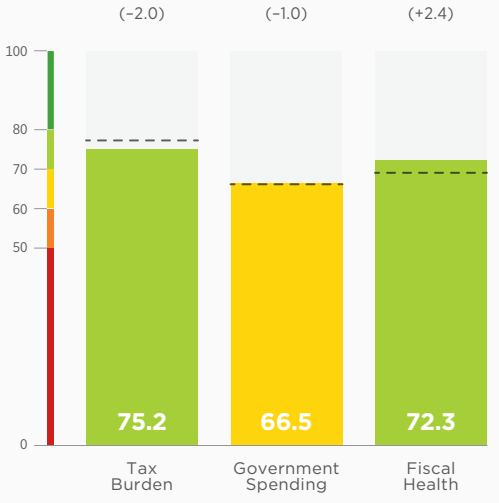
12 ECONOMIC FREEDOMS | URUGUAY

RULE OF LAW



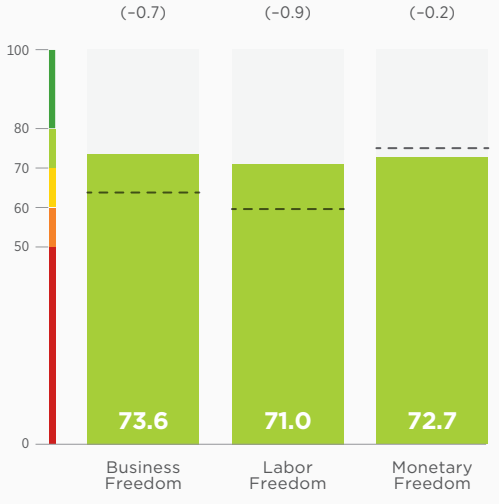
Secured interests in property and contracts are recognized and enforced. Mortgages exist, and there is a recognized and reliable system for recording such securities. The judiciary is transparent and independent, although the courts function slowly. Transparency International ranked Uruguay as having the lowest levels of perceived corruption in Latin America and the Caribbean in the 2018 edition of its *Corruption Perceptions Index*.

GOVERNMENT SIZE



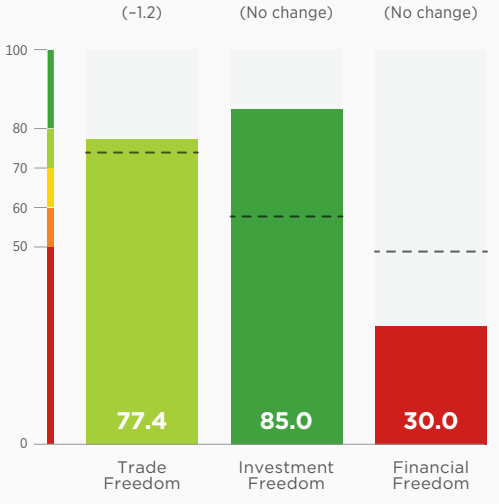
The top individual income tax rate is 30 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 30.9 percent of total domestic income. Government spending has amounted to 33.4 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 3.3 percent of GDP. Public debt is equivalent to 70.0 percent of GDP.

REGULATORY EFFICIENCY



Uruguay is one of the most transparent and business-friendly nations in the Americas; political risk is low, and property rights are secure. However, labor unions have widespread influence, labor laws are rigid, and labor conflicts are frequent. Uruguay has eliminated some price controls, but the government still sets prices for electricity, fuels, rents, inter-departmental transport, medicines, natural gas, pasteurized milk, taxi fares, tolls, and water.

OPEN MARKETS



The total value of exports and imports of goods and services equals 40.0 percent of GDP. The average applied tariff rate is 6.3 percent, and 53 nontariff measures are in force. Foreign and domestic investors are treated equally under the law, and there are no ownership limits in most sectors. The financial sector is open, but the state remains involved through ownership and credit allocation. Capital markets are underdeveloped.

UZBEKISTAN

WORLD RANK: **114**

REGIONAL RANK: **26**

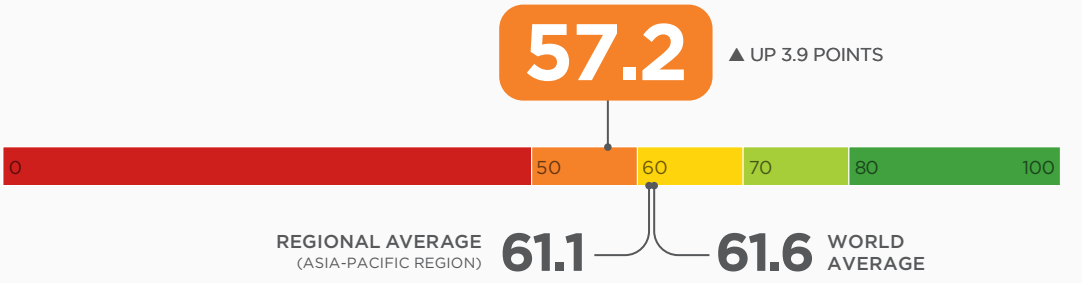
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Uzbekistan's economic freedom score is 57.2, making its economy the 114th freest in the 2020 *Index*. Its overall score has increased by 3.9 points due to higher scores for **investment freedom**, **financial freedom**, and **property rights**. Uzbekistan is ranked 26th among 42 countries in the Asia–Pacific region, and its overall score is well below the regional and world averages.

The Uzbek economy was repressed until 2017 and remains mostly unfree today. GDP growth has surged in recent years as liberalizing policy reforms have begun to have an effect.

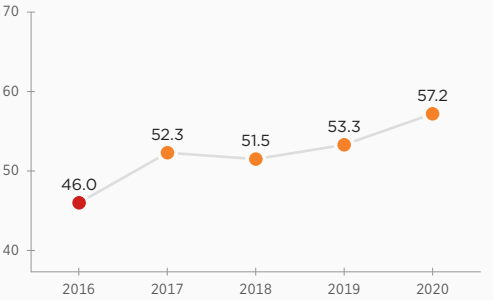
The government's new reform road map includes policy goals to maintain macroeconomic stability and accelerate the transition of the economy from a state-led economy to one in which the market plays an increasingly important role. Ongoing development goals include reforming agriculture, finance, and banking and improving the investment climate by reducing state regulation and assuring property rights.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1998): +25.7

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
32.7 million

GDP (PPP):
$250.3 billion
5.0% growth in 2018
5-year compound annual growth 7.8%
$7,665 per capita

UNEMPLOYMENT:
5.2%

INFLATION (CPI):
17.9%

FDI INFLOW:
$412.4 million

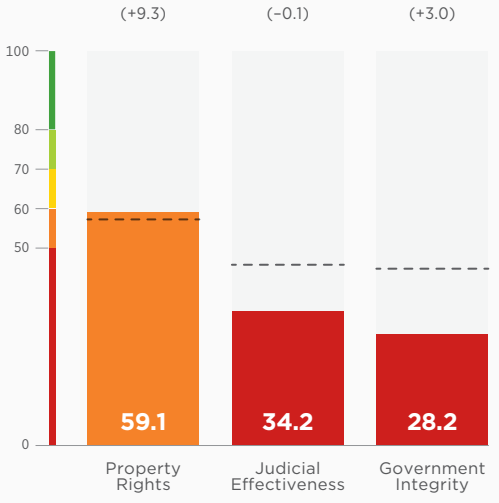
PUBLIC DEBT:
23.5% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Islam Karimov ruled Uzbekistan with an iron fist from the late 1980s until his death in 2016. He never reformed the highly subsidized Soviet-era command economy. Karimov was succeeded by former Prime Minister and current President Shavkat Mirziyoyev, who initially committed to policy continuity but more recently has demonstrated some willingness to reform. Uzbekistan is dry and landlocked, and approximately 9 percent of the land is cultivated in irrigated river valleys. More than 60 percent of the population lives in densely populated rural communities. Uzbekistan is the world's fifth-largest exporter and seventh-largest producer of cotton, but unsound cultivation practices have degraded the land and depleted water supplies. The economy also relies on exports of natural gas and gold.

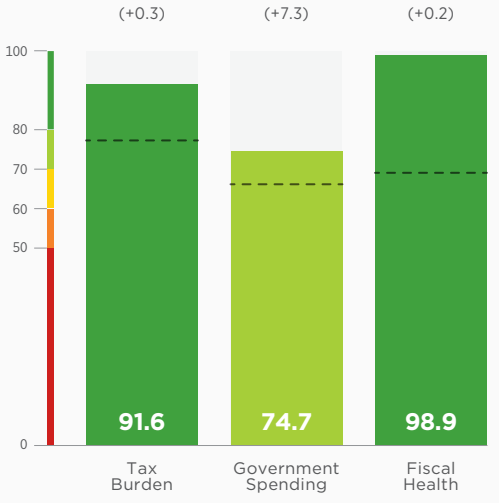
12 ECONOMIC FREEDOMS | UZBEKISTAN

RULE OF LAW



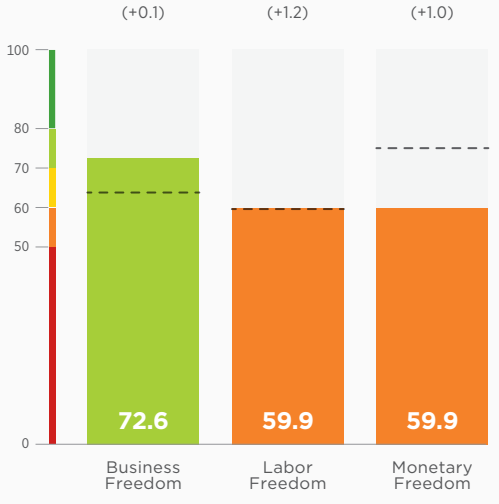
All land is owned by the state, but inheritable use rights or long-term leases are available and largely respected. The judiciary is nominally independent but subservient to executive law enforcement bodies. Corruption, graft, and bribery are widespread, although the government has launched an anticorruption campaign. Uzbekistan was ranked 158th out of 180 countries in Transparency International's 2018 *Corruption Perceptions Index*.

GOVERNMENT SIZE



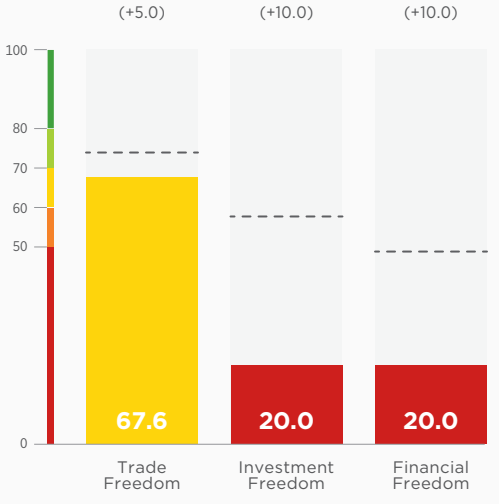
The top personal income tax rate is 22 percent, and the top corporate tax rate has been cut to 7.5 percent. Other taxes include value-added and property taxes. The overall tax burden equals 17.3 percent of total domestic income. Government spending has amounted to 29.0 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 2.4 percent of GDP. Public debt is equivalent to 23.5 percent of GDP.

REGULATORY EFFICIENCY



The regulatory environment for businesses has been essentially stable, but improvements in tax, trade, and investment policies have had a positive impact on the business environment. The labor market lacks flexibility, partly because of a skills gap, and inefficient regulations undermine dynamic employment growth. The government reduced subsidies for bread in 2018 but increased export subsidies in 2019.

OPEN MARKETS



The total value of exports and imports of goods and services equals 67.8 percent of GDP. The average applied tariff rate is 8.7 percent. The time and procedure for export and import documentary compliance have been reduced. Measures to modernize the overall investment regime have been taken, and the privatization of 64 state-owned enterprises from various sectors has been approved. Capital controls have been eased.

VANUATU

WORLD RANK: **98** | REGIONAL RANK: **19**

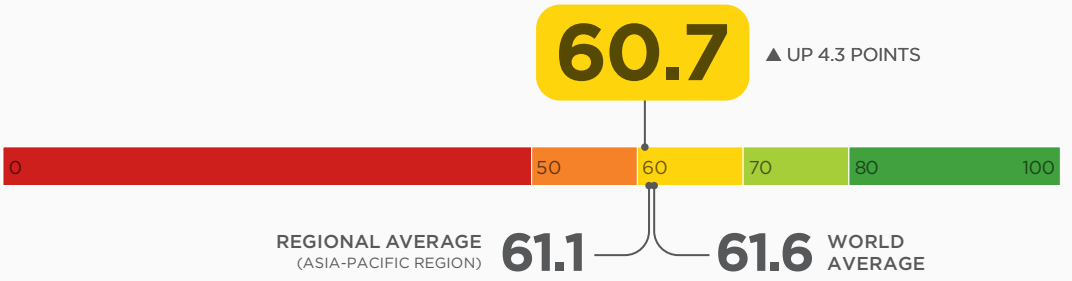
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Vanuatu's economic freedom score is 60.7, making its economy the 98th freest in the 2020 *Index*. Its overall score has increased by 4.3 points due to a significant recovery in **fiscal health**. Vanuatu is ranked 19th among 42 countries in the Asia–Pacific region, and its overall score is approximately equal to the regional average and slightly below the world average.

The economy of Vanuatu returned to the ranks of the moderately free this year, but just barely. GDP growth during the past five years has been solid.

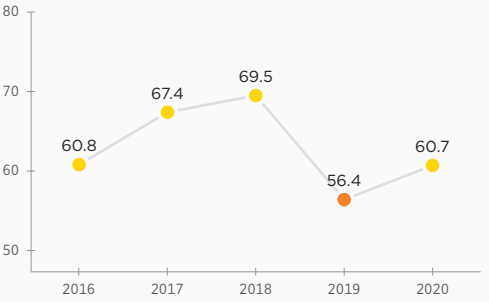
Economic freedom could be improved in Vanuatu if the government took steps to improve the business climate, reform the judicial system, open the financial sector to more competition, and fight corruption more energetically. Frequent changes of allegiance by members of parliament, as well as tight restrictions on when and for how long parliament can sit, continue to have a negative effect on the formulation and implementation of policy.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): +2.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.3 million

GDP (PPP):
$0.8 billion
3.2% growth in 2018
5-year compound annual growth 2.7%
$2,862 per capita

UNEMPLOYMENT:
5.4%

INFLATION (CPI):
2.8%

FDI INFLOW:
$38.0 million

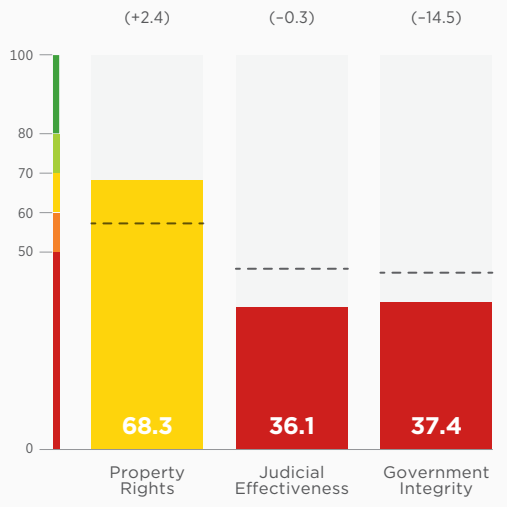
PUBLIC DEBT:
50.5% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Waves of colonizers migrated to the South Pacific's New Hebrides archipelago in the millennia preceding European colonization in the 18th century. The Republic of Vanuatu won independence from joint British–French administration in 1980 and today is a parliamentary democracy divided between its English-speaking and French-speaking citizens. Charlot Salwai of the Reunification of Movements for Change became prime minister in 2016 following snap elections called after 14 members of parliament were convicted of bribery. Vanuatu is heavily dependent on agriculture, particularly subsistence farming, and tourism, which comprises 40 percent of the economy. Much of the reconstruction needed to recover from 2015's destructive Cyclone Pam, which had a devastating impact on tourism, ended in 2019.

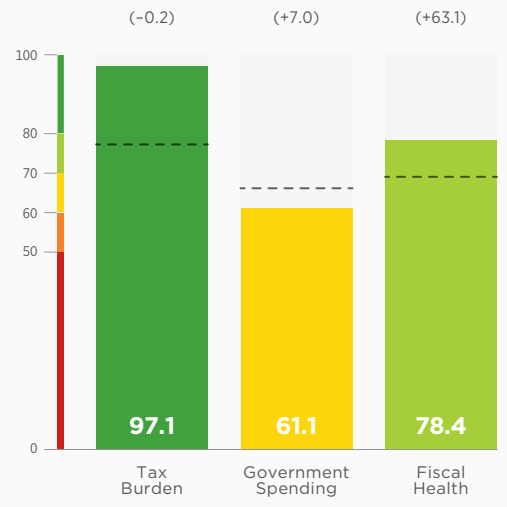
12 ECONOMIC FREEDOMS | VANUATU

RULE OF LAW



The legal framework generally supports property rights, but irregularities surrounding land deals and corruption in the Lands Ministry are persistent problems. The judiciary is largely independent but lacks the resources to retain qualified personnel. It takes an average of 480 days to resolve a dispute. Factionalism continues to undermine political stability, making the government vulnerable to corruption.

GOVERNMENT SIZE

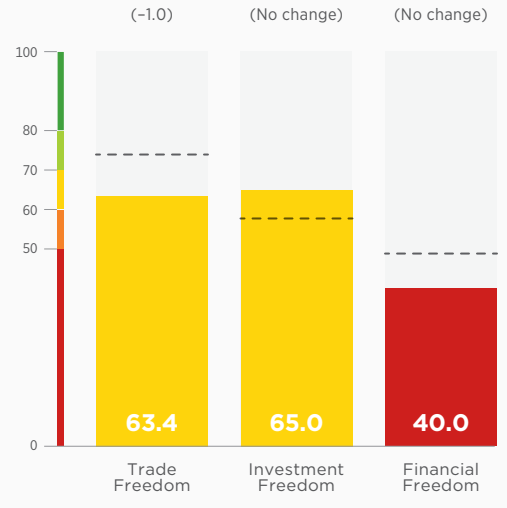


Vanuatu imposes no individual or corporate income tax. Taxes include a value-added tax and import duties. The overall tax burden equals 17.1 percent of total domestic income. Government spending has amounted to 36.0 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 3.2 percent of GDP. Public debt is equivalent to 50.5 percent of GDP.

REGULATORY EFFICIENCY

Complex and nontransparent bureaucratic procedures are an impediment to entrepreneurial activity. Rigid and outmoded labor codes keep a formal labor market from developing. The country continues to subsidize poorly managed and money-losing state-owned enterprises in such sectors as agriculture, airports, banking, and broadcasting.

OPEN MARKETS



The total value of exports and imports of goods and services equals 97.9 percent of GDP. The average applied tariff rate is 8.3 percent. Vanuatu has taken measures to streamline its customs procedures. The state screens new foreign investment, and foreign investors may lease but not own land. The financial sector remains rudimentary. The state-owned National Bank of Vanuatu has the country's largest branch network.

WORLD RANK: **179**

REGIONAL RANK: **32**

ECONOMIC FREEDOM STATUS: **REPRESSED**

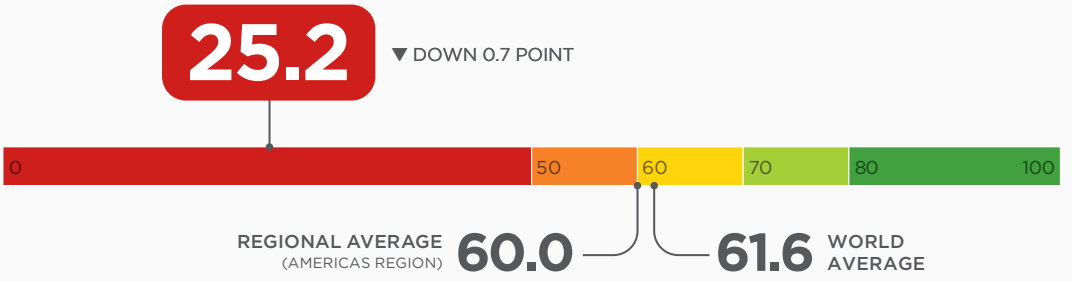
VENEZUELA

Venezuela's economic freedom score is 25.2, making its economy the 179th freest in the 2020 *Index*. Its overall score has decreased by 0.7 points, reflecting a catastrophic further decline in **fiscal health**. Venezuela is ranked 32nd among 32 countries in the Americas region, and its overall score is the second lowest in the world.

The Venezuelan economy has been plunging ever more deeply into repression for the past 17 years. GDP has contracted severely over the past five years.

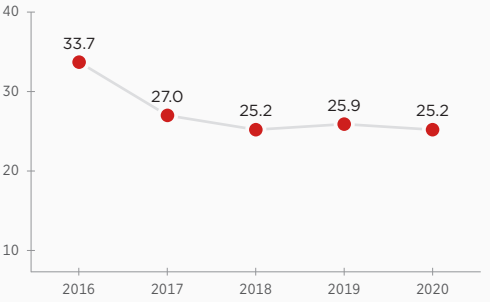
Economic freedom has been suffocated in Venezuela under the Maduro regime. If a transitional government could take power and begin the long return to market democracy, it would have to end hyperinflation, restructure public debt, and rebuild institutions to restore confidence and promote investment. Cuba, Russia, and China have increased their assistance to Maduro, whose regime is otherwise supported by the proceeds from narco-trafficking, illegal gold mining, and in-kind trades of oil for goods.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –34.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
29.2 million

GDP (PPP): $277.8 billion (Economist Intelligence Unit)
–18.0% growth in 2018
5-year compound annual growth –12.2%
$8,800 per capita (Economist Intelligence Unit)

UNEMPLOYMENT:
8.4%

INFLATION (CPI):
929,789.5%

FDI INFLOW:
$956.0 million

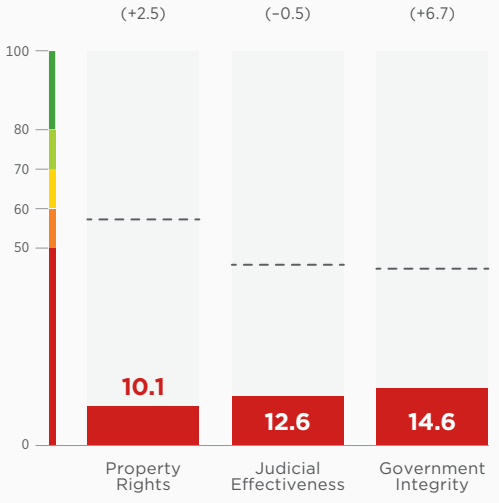
PUBLIC DEBT:
175.6% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Venezuela's modern democratic era lasted from the end of military rule in 1959 until the election of Hugo Chávez in 1999. His successor, Nicolás Maduro, completed the destruction of democratic institutions and established a repressive authoritarian dictatorship in 2017. The deeply corrupt socialist government's policies have caused hyperinflation and severe shortages of basic goods that have led to one of the worst economic contractions in history and Latin America's worst migration crisis. Following international censure of Maduro's fraudulent 2018 reelection, the head of the National Assembly, Juan Guaidó, became interim president in January 2019. Venezuela has the world's largest proven oil reserves, but production has plummeted because of corruption and mismanagement of the state-owned PDVSA oil company.

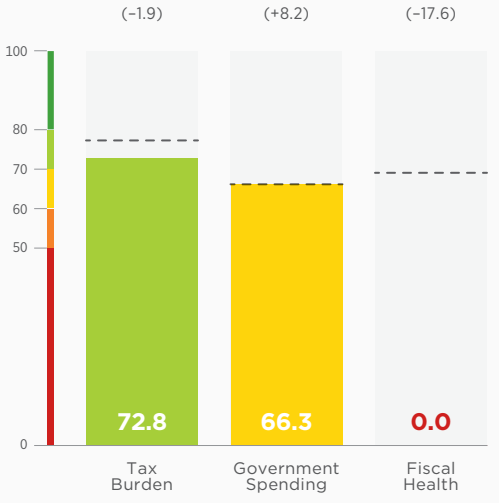
12 ECONOMIC FREEDOMS | VENEZUELA

RULE OF LAW



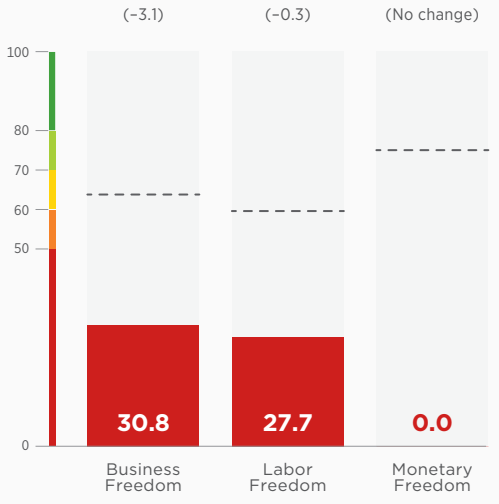
Expropriations, weak public-sector institutions, nationalizations, overregulation, soaring crime rates, corruption, and a thoroughly politicized judiciary have greatly undermined real property rights in Venezuela. The government's economic policies, particularly currency and price controls, have greatly increased black-market activity, and collusion between public officials and organized crime networks is rampant.

GOVERNMENT SIZE



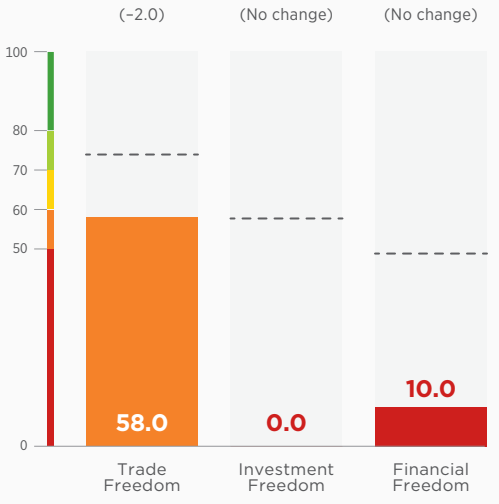
Both the top personal income tax rate and the top corporate tax rate are 34 percent. Other taxes include a value-added tax. The overall tax burden equals 20.2 percent of total domestic income. Government spending has amounted to 33.5 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 21.3 percent of GDP. Public debt is equivalent to 175.6 percent of GDP.

REGULATORY EFFICIENCY



The private sector has been decimated by government encroachment into the marketplace. Bureaucratic meddling has stymied business operations and halted productivity growth. The government's strict control of the labor market severely impedes any job growth. The IMF has forecast inflation at the level of 10 million percent because of severe scarcities of food, fuel, and almost all imported goods.

OPEN MARKETS



The total value of exports and imports of goods and services equals 48.1 percent of GDP. The average applied tariff rate is 11.0 percent, and 134 nontariff measures are in force. State interference continues to hamper private investment, and hostility to foreign investment, coupled with threats of expropriation, persists. The financial sector is tightly controlled by the state, which often allocates credit based on political expediency.

VIETNAM

WORLD RANK: **105** | REGIONAL RANK: **21**

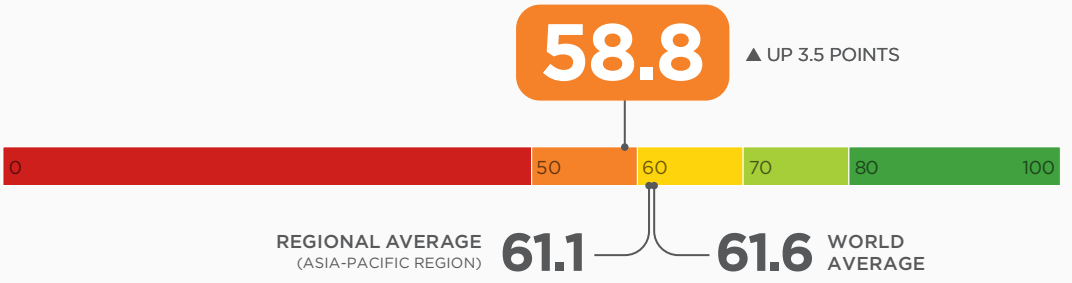
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Vietnam's economic freedom score is 58.8, making its economy the 105th freest in the 2020 *Index*. Its overall score has increased by 3.5 points due to a dramatic gain in **fiscal health**. Vietnam is ranked 21st among 42 countries in the Asia–Pacific region, and its overall score is slightly below the regional and world averages.

The Vietnamese economy has gradually been climbing the ranks of the mostly unfree since 2011. Strong GDP growth over the past five years has mirrored this improvement, driven by export-focused manufacturing and processing sectors.

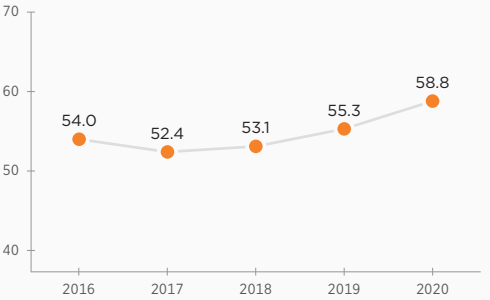
Economic freedom will be enhanced in Vietnam if the government can successfully expand economic liberalization by promoting international trade and restructuring state-owned enterprises, but progress on the latter is likely to be limited by pushback from established interests within the Communist Party. Improvement of the investment climate will be slow without improvements in judicial effectiveness and stronger efforts to fight corruption.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +17.1

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
94.6 million

GDP (PPP):
$710.3 billion
7.1% growth in 2018
5-year compound annual growth 6.6%
$7,511 per capita

UNEMPLOYMENT:
1.9%

INFLATION (CPI):
3.5%

FDI INFLOW:
$15.5 billion

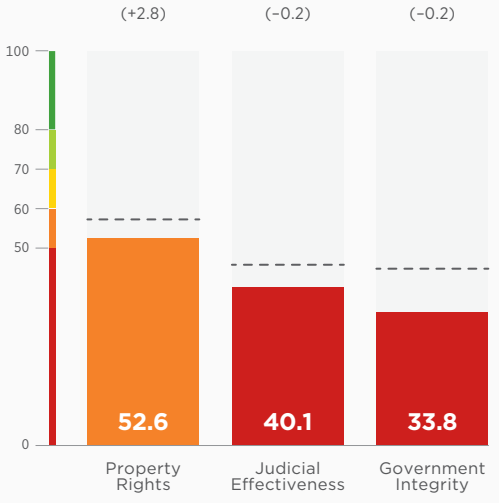
PUBLIC DEBT:
57.5% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The Socialist Republic of Vietnam remains a Communist dictatorship characterized by repression of dissenting political views and the absence of civil liberties. Economic liberalization, however, began in 1986 with *doi moi* reforms aimed at transitioning to a more industrial and market-based economy. Vietnam's economic growth, based on tourism and manufactured exports, was among the world's fastest during the decade-long tenure of former Prime Minister Nguyen Tan Dung. In 2016, Dung was forced out after losing election as General Secretary of the Communist Party, but state-managed economic liberalization has continued under General Secretary Nguyen Phu Trong. Vietnam joined the World Trade Organization in 2007 and signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership in 2018.

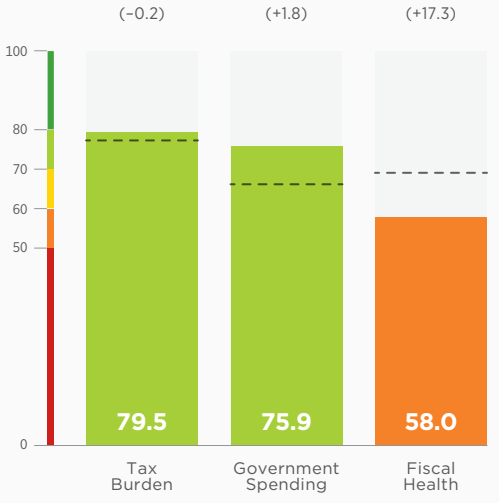
12 ECONOMIC FREEDOMS | VIETNAM

RULE OF LAW



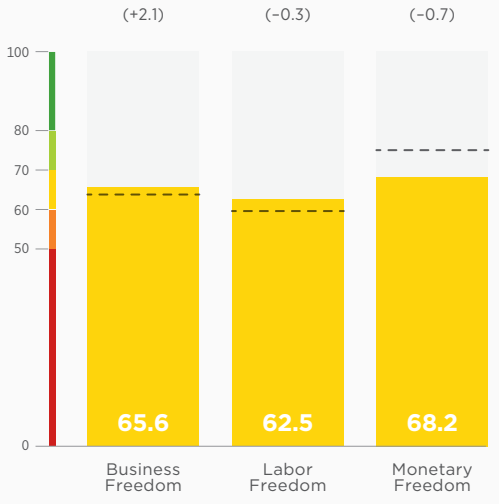
Although all land is collectively owned and managed by the state, as of September 2018, the government had issued land-use rights certificates for 96.9 percent of land in Vietnam. The underdeveloped judiciary is subordinate to the Communist Party of Vietnam, which controls the courts at all levels. Corruption and nepotism are endemic and plague almost every sector of the government, the Communist Party, and state-owned companies.

GOVERNMENT SIZE



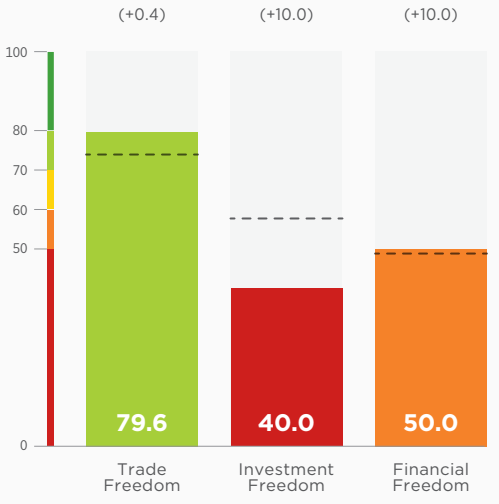
The top personal income tax rate is 35 percent, and the top corporate tax rate is 22 percent. Other taxes include value-added and property taxes. The overall tax burden equals 18.6 percent of total domestic income. Government spending has amounted to 28.3 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.7 percent of GDP. Public debt is equivalent to 57.5 percent of GDP.

REGULATORY EFFICIENCY



Starting a business has become easier, and the cost of business registration has been cut. Corporate governance standards and the enforcement of labor laws are weak. Price stabilization controls remain in effect for fuel, energy and water utilities, natural resources, and pharmaceuticals. In 2019, the government pledged to continue subsidies to the national air carrier for up to 10 years.

OPEN MARKETS



The total value of exports and imports of goods and services equals 187.5 percent of GDP. The average applied tariff rate is 2.7 percent, and 80 nontariff measures are in force. The overall investment framework has been modernized and facilitates foreign investment, but it lacks efficiency. The financial sector continues to evolve, and directed lending by state-owned commercial banks has been scaled back in recent years.

YEMEN

WORLD RANK: N/A | REGIONAL RANK: N/A

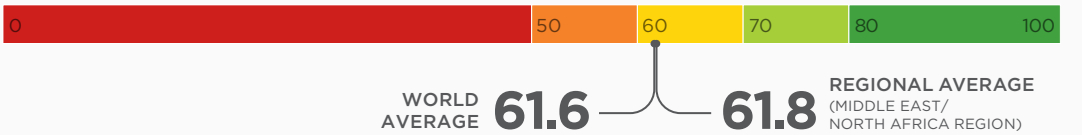
ECONOMIC FREEDOM STATUS: NOT GRADED

Numerical grading of Yemen's overall economic freedom could not be resumed in the 2020 *Index* because of the continuing lack of reliable economic statistics for the country. Although greater global focus on Yemen will increase calls for an end to its civil war, prospects for peace are still slight.

The civil war has devastated the economy and destroyed critical infrastructure. Even before the current conflict, years of mismanagement and corruption and the depletion of oil and water resources had led to chronic poverty, underdevelopment, and minimal access to such basic services as electricity, water, and health care in much of the country. The conflict has aggravated that situation, and significant international assistance will likely be needed when the civil war ends. For the time being, the lack of incentive for the rebel Houthis to negotiate and the unacceptability for Saudi Arabia of having a perceived Iranian proxy on its borders in the form of the Houthis mean that there is little common ground.

ECONOMIC FREEDOM SCORE

N/A — NOT GRADED THIS YEAR



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): N/A

RECENT FREEDOM TREND

QUICK FACTS

POPULATION:
30.8 million

GDP (PPP):
$73.3 billion
–2.7% growth in 2018
5-year compound annual growth –7.8%
$2,377 per capita

UNEMPLOYMENT:
12.9%

INFLATION (CPI):
41.8%

FDI INFLOW:
–$282.1 million

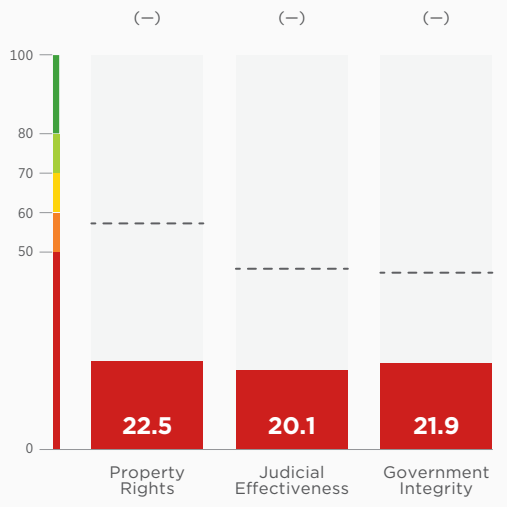
PUBLIC DEBT:
63.2% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Yemen, one of the poorest Arab countries, is highly dependent on declining revenues from its relatively small oil and gas reserves. A complex and intense civil war since 2014 has created a humanitarian crisis and exacerbated economic problems, unemployment, and shortages of food, water, and medical resources. President Abed Rabbo Mansour Hadi's government was ousted in January 2015 by the Houthis, a Zaydi Shia rebel movement backed by Iran. In March 2015, a military coalition led by Saudi Arabia attempted to restore Hadi to power, but the Houthis retain significant territorial gains. Al-Qaeda in the Arabian Peninsula (AQAP) and the smaller Islamic State terrorist group have flourished in the chaos generated by the civil war.

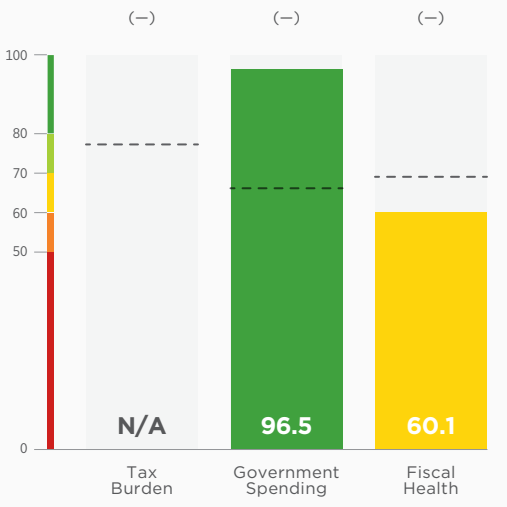
12 ECONOMIC FREEDOMS | YEMEN

RULE OF LAW



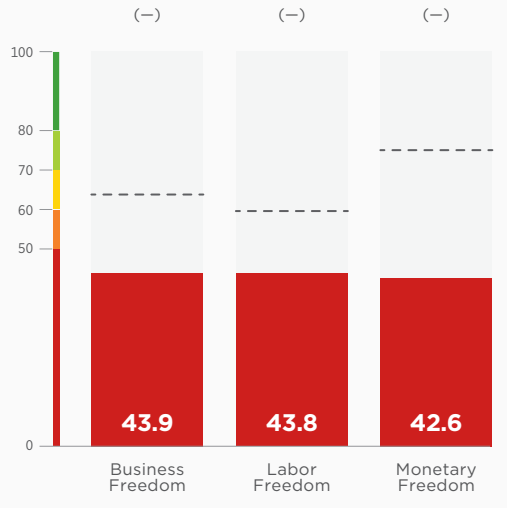
Property rights are impaired by insecurity, nepotism, the retreat of state authorities from large areas of the country, and patronage networks. The nominally independent judiciary is weak and susceptible to executive interference. Judicial rulings are rarely enforced. The political elite is able to circumvent the burdensome criminal justice system. The consequence of years of mismanagement, corruption, and depletion of natural resources has been chronic poverty.

GOVERNMENT SIZE



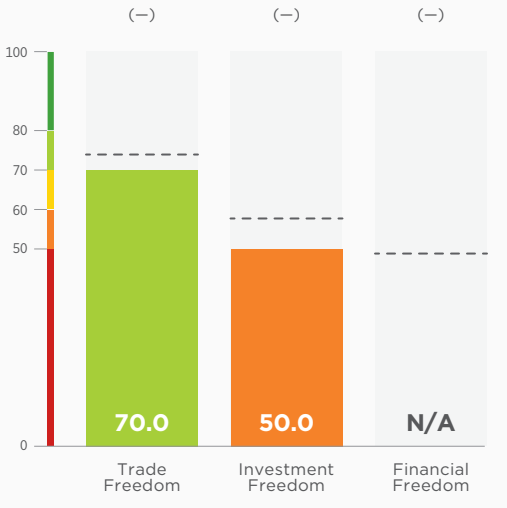
Political turmoil and civil conflict have severely damaged the fiscal situation, with the impact of the escalating cost of the war compounded by a collapse in oil and tax revenue. The overall tax burden equals 7.4 percent of total domestic income. Government spending has amounted to 10.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 5.9 percent of GDP. Public debt is equivalent to 63.2 percent of GDP.

REGULATORY EFFICIENCY



Security issues on the ground prevent most private businesses from prevailing. Access to food and other critical commodities is limited. Chronic unemployment and a large informal sector continue. Rapid currency depreciation for most of 2018, which significantly increased the price of imports, and ongoing insecurity drove inflation above 30 percent in 2019.

OPEN MARKETS



The total value of exports and imports of goods and services equals 47.1 percent of GDP. The average applied tariff rate is 5.0 percent. Ongoing civil unrest is a deterrent to international trade and investment. Foreign investors find the investment environment hard to navigate. The financial sector remains underdeveloped and dominated by the state, and the limited availability of financing precludes new economic activity.

WORLD RANK: **147** | REGIONAL RANK: **31**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

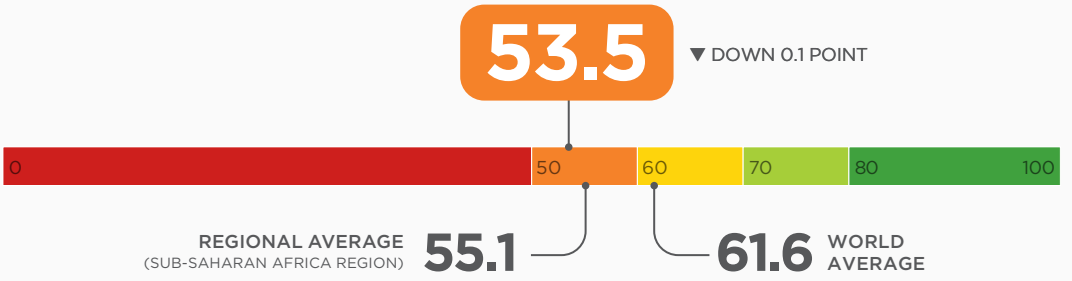
ZAMBIA

Zambia's economic freedom score is 53.5, making its economy the 147th freest in the 2020 *Index*. Its overall score has decreased by 0.1 point due to declines in scores for **business freedom**, **judicial effectiveness**, and **government integrity**. Zambia is ranked 31st among 47 countries in the Sub-Saharan Africa region, and its overall score is slightly below the regional average and well below the world average.

The Zambian economy has been sinking lower in the mostly unfree category since 2015. GDP has expanded at a healthy rate for the past five years due to copper exports and a strong services sector, but the incomes of about two-thirds of the population are below the poverty line.

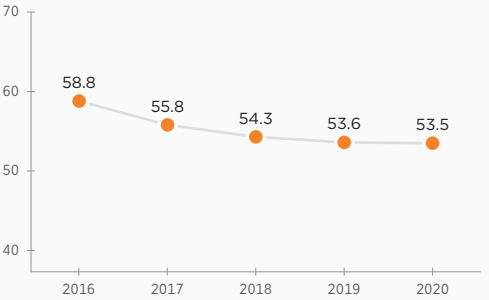
Economic freedom will increase in Zambia if the government succeeds in its attempt to stimulate value-added industrialization and promote economic diversification by leveraging private investment and foreign direct investment, but the country's poor scores on *Index* indicators related to the rule of law highlight the difficulty of achieving those goals.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –1.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
17.8 million

GDP (PPP):
$72.9 billion
3.5% growth in 2018
5-year compound annual growth 3.6%
$4,104 per capita

UNEMPLOYMENT:
7.2%

INFLATION (CPI):
7.0%

FDI INFLOW:
$569.0 million

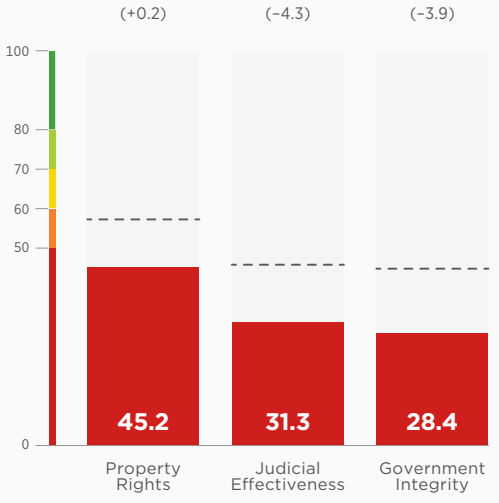
PUBLIC DEBT:
72.4% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Independent from the United Kingdom since 1964, Zambia traditionally has been one of southern Africa's most politically stable countries. Edgar Lungu of the Patriotic Front narrowly won a 2015 presidential special election after his predecessor's death in office and was elected to a full five-year term in 2016. The arrest of opposition leader Hakainde Hichilema on charges of treason in 2017 reflects a trend of shrinking democracy under Lungu. Debt has ballooned as the country has taken on loans, the terms of which have frequently been opaque, to finance significant infrastructure spending. Zambia is Africa's second-largest producer of copper, and an uptick in world mineral prices would spur higher output and boost export receipts.

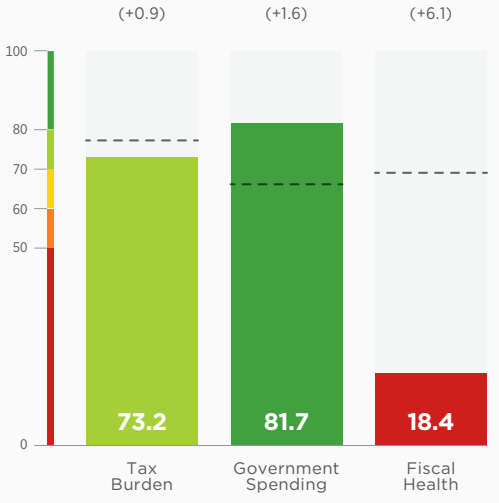
12 ECONOMIC FREEDOMS | ZAMBIA

RULE OF LAW



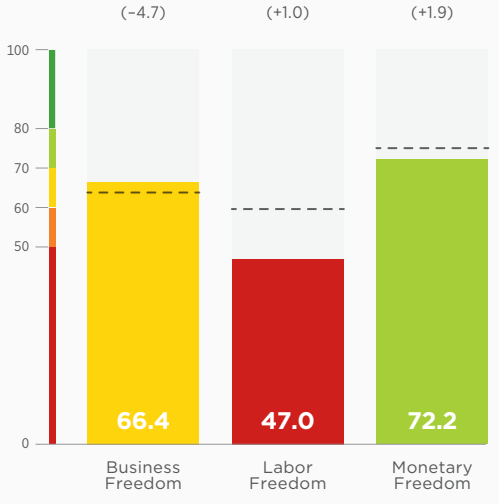
Property rights and the sanctity of contracts are well defined in principle but weakly enforced in practice. The judiciary, although independent, is slow-moving and subject to political pressure. Despite some progress in the past decade, Zambia was ranked 105th out of 180 countries in Transparency International's 2018 *Corruption Perceptions Index*, down from 96th out of 180 countries in TI's 2017 report.

GOVERNMENT SIZE



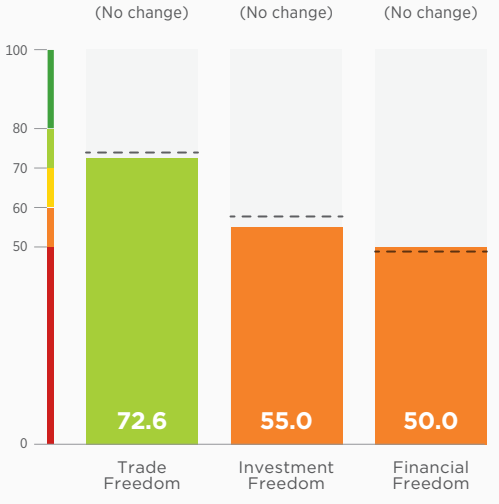
The top personal income and corporate tax rates are 35 percent. Other taxes include value-added and property transfer taxes. The overall tax burden equals 15.2 percent of total domestic income. Government spending has amounted to 24.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 6.7 percent of GDP. Public debt is equivalent to 72.4 percent of GDP.

REGULATORY EFFICIENCY



Judgments rendered in commercial matters at the appellate and Supreme Court levels are now accessible to all, but the quality of judicial processes has suffered setbacks in other areas. Labor demand does not keep up with supply. Gaps exist between how labor laws are written and how they are implemented. Drought and higher oil prices have limited the government's ability to control electricity prices with subsidies, increasing inflationary pressure.

OPEN MARKETS



The total value of exports and imports of goods and services equals 75.7 percent of GDP. The average applied tariff rate is 6.2 percent, and costly and time-consuming nontariff barriers further constrain trade flows. Foreign and domestic investors are generally treated equally under the law, but the investment regime is unreliable and lacks clarity. Overall financial intermediation and credit to the private sector are limited.

ZIMBABWE

WORLD RANK: **174** | REGIONAL RANK: **45**

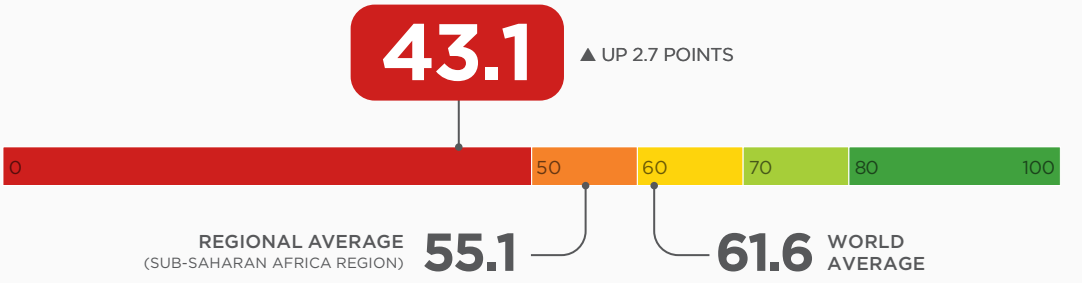
ECONOMIC FREEDOM STATUS: **REPRESSED**

Zimbabwe's economic freedom score is 43.1, making its economy the 174th freest in the 2020 *Index*. Its overall score has increased by 2.7 points due to a higher **fiscal health** score. Zimbabwe is ranked 45th among 47 countries in the Sub-Saharan Africa region, and its overall score is far below the regional and world averages.

Although Zimbabwe's economy is still deeply repressed, it has become slightly less so in the past four years. GDP expanded by an average of 2.6 percent over the past five years, but a severe contraction is forecast in 2020 as drought continues to affect agricultural output and energy production from hydropower and as the ongoing currency and liquidity crises hamper economic activity.

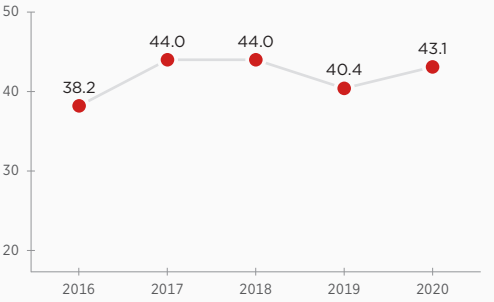
The government's ambitious economic reform program to promote and protect private enterprise, reduce the costs of doing business, and encourage foreign direct investment has the potential for positive results, but its implementation is hamstrung by the lack of government integrity and by flawed governance practices across many sectors.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): –5.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
15.3 million

GDP (PPP):
$42.5 billion
3.4% growth in 2018
5-year compound annual growth 2.6%
$2,788 per capita

UNEMPLOYMENT:
4.9%

INFLATION (CPI):
10.6%

FDI INFLOW:
$744.6 million

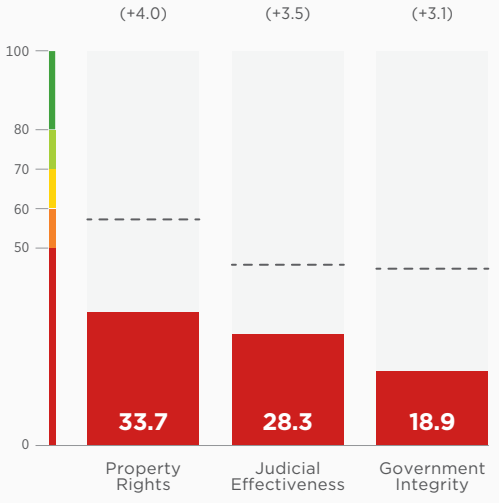
PUBLIC DEBT:
29.8% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The former British colony of Rhodesia became the fully independent Zimbabwe in 1980. A 2017 coup forced out the late longtime President Robert Mugabe of the Zimbabwe African National Union–Patriotic Front (ZANU–PF) and elevated former Vice President Emmerson Mnangagwa to the presidency. Following Mnangagwa's victory in a 2018 election that was marred by vote rigging and voter intimidation, security services cracked down on the opposition. The economy depends heavily on mining and agriculture, but political instability and protracted economic crisis have severely damaged the country's economic potential. In the wake of the Mugabe regime's campaign of violent expropriation of white-owned land, Zimbabwe's white population, which numbered almost 300,000 at the time of independence, has dwindled to fewer than 30,000.

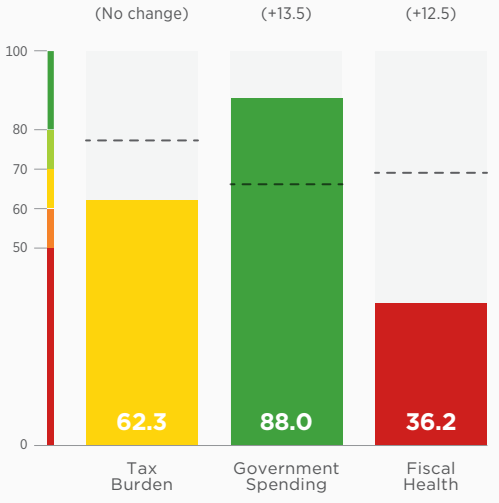
12 ECONOMIC FREEDOMS | ZIMBABWE

RULE OF LAW



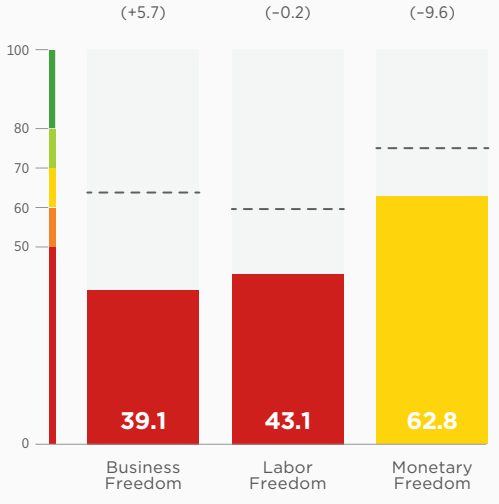
The government enforces interests in residential and commercial properties in cities, but agricultural land has been nationalized. Pressure from the executive has substantially eroded the independence of the judiciary, and its credibility has been undermined by its overt bias toward the ruling party. Corruption is endemic. Transparency International ranked Zimbabwe 160th out of 180 countries in its 2018 *Corruption Perceptions Index*.

GOVERNMENT SIZE



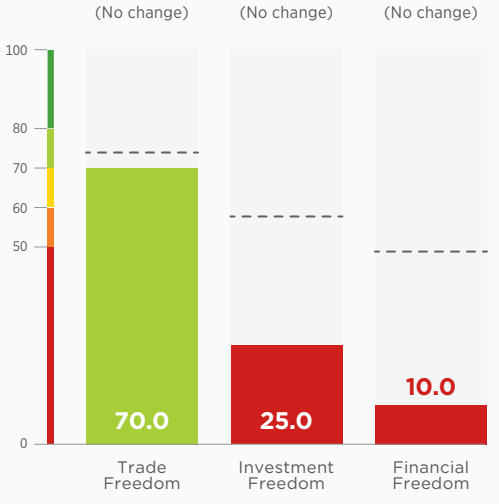
The top personal income tax rate is 51.5 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 22.1 percent of total domestic income. Government spending has amounted to 20.0 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 6.2 percent of GDP. Public debt is equivalent to 29.8 percent of GDP.

REGULATORY EFFICIENCY



Processes for starting a business and obtaining permits have been eased, but scars remain from decades of excessive government interference. Oppressive rules against firing workers and state-sponsored intimidation of various groups distort the labor market. Ongoing economic weakness, high inflation, and shortages of hard currency have made it impossible for the government to fully mitigate the impact of soaring food and fuel prices.

OPEN MARKETS



The total value of exports and imports of goods and services equals 48.4 percent of GDP. The average applied tariff rate is 5.0 percent, and other pervasive nontariff barriers are in force, severely constraining trade flows. Foreign investment in several sectors is capped. Government intervention has undermined the financial sector, and many banks lack liquidity. The state has used banks to finance deficit spending.

APPENDIX

INDEX OF ECONOMIC FREEDOM SCORES, 1995–2020

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Afghanistan	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	48.9	51.3	51.5	54.7
Albania	49.7	53.8	54.8	53.9	53.4	53.6	56.6	56.8	56.8	58.5	57.8	60.3	61.4	62.4	63.7	66.0	64.0	65.1	65.2	66.9	65.7	65.9	64.4	64.5	66.5	66.9
Algeria	55.7	54.5	54.9	55.8	57.2	56.8	57.3	61.0	57.7	58.1	53.2	55.7	55.4	56.2	56.6	56.9	52.4	51.0	49.6	50.8	48.9	50.1	46.5	44.7	46.2	46.9
Angola	27.4	24.4	24.2	24.9	23.7	24.3	N/A	N/A	N/A	N/A	N/A	43.5	44.7	46.9	47.0	48.4	46.2	46.7	47.3	47.7	47.9	48.9	48.5	48.6	50.6	52.2
Argentina	68.0	74.7	73.3	70.9	70.6	70.0	68.6	65.7	56.3	53.9	51.7	53.4	54.0	54.2	52.3	51.2	51.7	48.0	46.7	44.6	44.1	43.8	50.4	52.3	52.2	53.1
Armenia	N/A	42.2	46.7	49.6	56.4	63.0	66.4	68.0	67.3	70.3	69.8	70.6	68.6	69.9	69.9	69.2	69.7	68.8	69.4	68.9	67.1	67.0	70.3	68.7	67.7	70.6
Australia	74.1	74.0	75.5	75.6	76.4	77.1	77.4	77.3	77.4	77.9	79.0	79.9	81.1	82.2	82.6	82.6	82.5	83.1	82.6	82.0	81.4	80.3	81.0	80.9	80.9	82.6
Austria	70.0	68.9	65.2	65.4	64.0	68.4	68.1	67.4	67.6	67.6	68.8	71.1	71.6	71.4	71.2	71.6	71.9	70.3	71.8	72.4	71.2	71.7	72.3	71.8	72.0	73.3
Azerbaijan	N/A	30.0	34.0	43.1	47.4	49.8	50.3	53.3	54.1	53.4	54.4	53.2	54.6	55.3	58.0	58.8	59.7	58.9	59.7	61.3	61.0	60.2	63.6	64.3	65.4	69.3
Bahamas	71.8	74.0	74.5	74.5	74.7	73.9	74.8	74.4	73.5	72.1	72.6	72.3	72.0	71.1	70.3	67.3	68.0	68.0	70.1	69.8	68.7	70.9	61.1	63.3	62.9	64.5
Bahrain	76.2	76.4	76.1	75.6	75.2	75.7	75.9	75.6	76.3	75.1	71.2	71.6	71.2	72.2	74.8	76.3	77.7	75.2	75.5	75.1	73.4	74.3	68.5	67.7	66.4	66.3
Bangladesh	40.9	51.1	49.9	52.0	50.0	48.9	51.2	51.9	49.3	50.0	47.5	52.9	46.7	44.2	47.5	51.1	53.0	53.2	52.6	54.1	53.9	53.3	55.0	55.1	55.6	56.4
Barbados	N/A	62.3	64.5	67.9	66.7	69.5	71.5	73.6	71.3	69.4	70.1	71.9	70.0	71.3	71.5	68.3	68.5	69.0	69.3	68.3	67.9	68.3	54.5	57.0	64.7	61.4
Belarus	40.4	38.7	39.8	38.0	35.4	41.3	38.0	39.0	39.7	43.1	46.7	47.5	47.0	45.3	45.0	48.7	47.9	49.0	48.0	50.1	49.8	48.8	58.6	58.1	57.9	61.7
Belgium	N/A	66.0	64.6	64.7	62.9	63.5	63.8	67.6	68.1	68.7	69.0	71.8	72.5	71.7	72.1	70.1	70.2	69.0	69.2	69.9	68.8	68.4	67.8	67.5	67.3	68.9
Belize	62.9	61.6	64.3	59.1	60.7	63.3	65.9	65.6	63.5	62.8	64.5	64.7	63.3	63.0	63.0	61.5	63.8	61.9	57.3	56.7	56.8	57.4	58.6	57.1	55.4	57.4
Benin	N/A	54.5	61.3	61.7	60.6	61.5	60.1	57.3	54.9	54.6	52.3	54.0	55.1	55.2	55.4	55.4	56.0	55.7	57.6	57.1	58.8	59.3	59.2	56.7	55.3	55.2
Bhutan	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	57.7	57.0	57.6	56.6	55.0	56.7	57.4	59.5	58.4	61.8	62.9	62.1
Bolivia	56.8	65.2	65.1	68.8	65.6	65.0	68.0	65.1	64.3	64.5	58.4	57.8	54.2	53.1	53.6	49.4	50.0	50.2	47.9	48.4	46.8	47.4	47.7	44.1	42.3	42.8
Bosnia and Herzegovina	N/A	N/A	N/A	29.4	29.4	45.1	36.6	37.4	40.6	44.7	48.8	55.6	54.4	53.9	53.1	56.2	57.5	57.3	57.3	58.4	59.0	58.6	60.2	61.4	61.9	62.6
Botswana	56.8	61.6	59.1	62.8	62.9	65.8	66.8	66.2	68.6	69.9	69.3	68.8	68.1	68.2	69.7	70.3	68.8	69.6	70.6	72.0	69.8	71.1	70.1	69.9	69.5	69.6
Brazil	51.4	48.1	52.6	52.3	61.3	61.1	61.9	61.5	63.4	62.0	61.7	60.9	56.2	56.2	56.7	55.6	56.3	57.9	57.7	56.9	56.6	56.5	52.9	51.4	51.9	53.7
Brunei	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	69.0	68.9	67.3	69.8	64.2	65.1	66.6
Bulgaria	50.0	48.6	47.6	45.7	46.2	47.3	51.9	57.1	57.0	59.2	62.3	64.1	62.7	63.7	64.6	62.3	64.9	64.7	65.0	65.7	66.8	65.9	67.9	68.3	69.0	70.2
Burkina Faso	N/A	49.4	54.0	54.5	55.0	55.7	56.7	58.8	58.9	58.0	56.6	55.8	55.1	55.7	59.5	59.4	60.6	60.6	59.9	58.9	58.6	59.1	59.6	60.0	59.4	56.7
Burma	N/A	45.1	45.4	45.7	46.4	47.9	46.1	45.5	44.9	43.6	40.5	40.0	41.0	39.5	37.7	36.7	37.8	38.7	39.2	46.5	46.9	48.7	52.5	53.9	53.6	54.0
Burundi	N/A	N/A	45.4	44.7	41.1	42.6	N/A	N/A	N/A	N/A	N/A	48.7	46.9	46.2	48.8	47.5	49.6	48.1	49.0	51.4	53.7	53.9	53.2	50.9	48.9	49.0
Cabo Verde	N/A	49.7	47.7	48.0	50.7	51.9	56.3	57.6	56.1	58.1	57.8	58.6	56.5	57.9	61.3	61.8	64.6	63.5	63.7	66.1	66.4	66.5	56.9	60.0	63.1	63.6
Cambodia	N/A	N/A	52.8	59.8	59.9	59.3	59.6	60.7	63.7	61.1	60.0	56.7	55.9	55.9	56.6	56.6	57.9	57.6	58.5	57.4	57.5	57.9	59.5	58.7	57.8	57.3
Cameroon	51.3	45.7	44.6	48.0	50.3	49.9	53.3	52.8	52.7	52.3	53.0	54.6	55.6	54.3	53.0	52.3	51.8	51.8	52.3	52.6	51.9	54.2	51.8	51.9	52.4	53.6

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Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Canada	69.4	70.3	67.9	68.5	69.3	70.5	71.2	74.6	74.8	75.3	75.8	77.4	78.0	80.2	80.5	80.4	80.8	79.9	79.4	80.2	79.1	78.0	78.5	77.7	77.7	78.2
Central African Republic	N/A	N/A	N/A	N/A	N/A	N/A	N/A	59.8	60.0	57.5	56.5	54.2	50.6	48.6	48.3	48.4	49.3	50.3	50.4	46.7	45.9	45.2	51.8	49.2	49.1	50.7
Chad	N/A	N/A	45.1	46.6	47.2	46.8	46.4	49.2	52.6	53.1	52.1	50.0	50.1	47.8	47.5	47.5	45.3	44.8	45.2	44.5	45.9	46.3	49.0	49.3	49.9	50.2
Chile	71.2	72.6	75.9	74.9	74.1	74.7	75.1	77.8	76.0	76.9	77.8	78.0	77.7	78.6	78.3	77.2	77.4	78.3	79.0	78.7	78.5	77.7	76.5	75.2	75.4	76.8
China	52.0	51.3	51.7	53.1	54.8	56.4	52.6	52.8	52.6	52.5	53.7	53.6	52.0	53.1	53.2	51.0	52.0	51.2	51.9	52.5	52.7	52.0	57.4	57.8	58.4	59.5
Colombia	64.5	64.3	66.4	65.5	65.3	63.3	65.6	64.2	64.2	61.2	59.6	60.4	59.9	62.2	62.3	65.5	68.0	68.0	69.6	70.7	71.7	70.8	69.7	68.9	67.3	69.2
Comoros	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	43.3	44.9	43.8	45.7	47.5	51.4	52.1	52.4	55.8	56.2	55.4	53.7
Dem. Rep. Congo	41.4	39.5	39.5	40.6	34.0	34.8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	42.8	41.4	40.7	41.1	39.6	40.6	45.0	46.4	56.4	52.1	50.3	49.5
Rep. Congo	N/A	40.3	42.2	33.8	41.6	40.6	44.3	45.3	47.7	45.9	46.2	43.8	44.4	45.3	45.4	43.2	43.6	43.8	43.5	43.7	42.7	42.8	40.0	38.9	39.7	41.8
Costa Rica	68.0	66.4	65.6	65.6	67.4	68.4	67.6	67.5	67.0	66.4	66.1	65.9	64.0	64.2	66.4	65.9	67.3	68.0	67.0	66.9	67.2	67.4	65.0	65.6	65.3	65.8
Côte d'Ivoire	53.4	49.9	50.5	51.3	51.7	50.2	54.8	57.3	56.7	57.8	56.6	56.2	54.9	53.9	55.0	54.1	55.4	54.3	54.1	57.7	58.5	60.0	63.0	62.0	62.4	59.7
Croatia	N/A	48.0	46.7	51.7	53.1	53.6	50.7	51.1	53.3	53.1	51.9	53.6	53.4	54.1	55.1	59.2	61.1	60.9	61.3	60.4	61.5	59.1	59.4	61.0	61.4	62.2
Cuba	27.8	27.8	27.8	28.2	29.7	31.3	31.6	32.4	35.1	34.4	35.5	29.3	28.6	27.5	27.9	26.7	27.7	28.3	28.5	28.7	29.6	29.8	33.9	31.9	27.8	26.9
Cyprus	N/A	67.7	67.9	68.2	67.8	67.2	71.0	73.0	73.3	74.1	71.9	71.8	71.7	71.3	70.8	70.9	73.3	71.8	69.0	67.6	67.9	68.7	67.9	67.8	68.1	70.1
Czech Republic	67.8	68.1	68.8	68.4	69.7	68.6	70.2	66.5	67.5	67.0	64.6	66.4	67.4	68.1	69.4	69.8	70.4	69.9	70.9	72.2	72.5	73.2	73.3	74.2	73.7	74.8
Denmark	N/A	67.3	67.5	67.5	68.1	68.3	68.3	71.1	73.2	72.4	75.3	75.4	77.0	79.2	79.6	77.9	78.6	76.2	76.1	76.1	76.3	75.3	75.1	76.6	76.7	78.3
Djibouti	N/A	N/A	54.5	55.9	57.1	55.1	58.3	57.8	55.7	55.6	55.2	53.2	52.4	51.2	51.3	51.0	54.5	53.9	53.9	55.9	57.5	56.0	46.7	45.1	47.1	52.9
Dominica	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	62.6	63.2	63.3	61.6	63.9	65.2	66.1	67.0	63.7	64.5	63.6	60.8
Dominican Republic	55.8	58.1	53.5	58.1	58.1	59.0	59.1	58.6	57.8	54.6	55.1	56.3	56.8	57.7	59.2	60.3	60.0	60.2	59.7	61.3	61.0	61.0	62.9	61.6	61.0	60.9
Ecuador	57.7	60.1	61.0	62.8	62.9	59.8	55.1	53.1	54.1	54.4	52.9	54.6	55.3	55.2	52.5	49.3	47.1	48.3	46.9	48.0	49.2	48.6	49.3	48.5	46.9	51.3
Egypt	45.7	52.0	54.5	55.8	58.0	51.7	51.5	54.1	55.3	55.5	55.8	53.2	54.4	58.5	58.0	59.0	59.1	57.9	54.8	52.9	55.2	56.0	52.6	53.4	52.5	54.0
El Salvador	69.1	70.1	70.5	70.2	75.1	76.3	73.0	73.0	71.5	71.2	71.5	69.6	68.9	68.5	69.8	69.9	68.8	68.7	66.7	66.2	65.7	65.1	64.1	63.2	61.8	61.6
Equatorial Guinea	N/A	N/A	N/A	N/A	45.1	45.6	47.9	46.4	53.1	53.3	53.3	51.5	53.2	51.6	51.3	48.6	47.5	42.8	42.3	44.4	40.4	43.7	45.0	42.0	41.0	48.3
Eritrea	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	38.5	35.3	36.7	36.2	36.3	38.5	38.9	42.7	42.2	41.7	38.9	38.5
Estonia	65.2	65.4	69.1	72.5	73.8	69.9	76.1	77.6	77.7	77.4	75.2	74.9	78.0	77.9	76.4	74.7	75.2	73.2	75.3	75.9	76.8	77.2	79.1	78.8	76.6	77.7
Eswatini	63.3	58.6	59.4	62.0	62.1	62.6	63.6	60.9	59.6	58.6	59.4	61.4	60.1	58.4	59.1	57.4	59.1	57.2	57.2	61.2	59.9	59.7	61.1	55.9	54.7	55.3
Ethiopia	42.6	45.9	48.1	49.2	46.7	50.2	48.9	49.8	48.8	54.5	51.1	50.9	53.6	52.5	53.0	51.2	50.5	52.0	49.4	50.0	51.5	51.5	52.7	52.8	53.6	53.6
Fiji	54.7	57.4	58.0	58.2	58.4	57.8	53.7	53.9	54.7	58.0	58.2	58.4	60.8	61.8	61.0	60.3	60.4	57.3	57.2	58.7	59.0	58.8	63.4	62.0	62.2	63.4

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Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Finland	N/A	63.7	65.2	63.5	63.9	64.3	69.7	73.6	73.7	73.4	71.0	72.9	74.0	74.6	74.5	73.8	74.0	72.3	74.0	73.4	73.4	72.6	74.0	74.1	74.9	75.7
France	64.4	63.7	59.1	58.9	59.1	57.4	58.0	58.0	59.2	60.9	60.5	61.1	62.1	64.7	63.3	64.2	64.6	63.2	64.1	63.5	62.5	62.3	63.3	63.9	63.8	66.0
Gabon	57.5	55.7	58.8	59.2	60.5	58.2	55.0	58.0	58.7	57.1	54.8	56.1	54.8	54.2	55.0	55.4	56.7	56.4	57.8	57.8	58.3	59.0	58.6	58.0	56.3	56.7
Gambia	N/A	N/A	52.9	53.4	52.1	52.7	56.6	57.7	56.3	55.3	56.5	57.3	57.7	56.9	55.8	55.1	57.4	58.8	58.8	59.5	57.5	57.1	53.4	52.3	52.4	56.3
Georgia	N/A	44.1	46.5	47.9	52.5	54.3	58.3	56.7	58.6	58.9	57.1	64.5	69.3	69.2	69.8	70.4	70.4	69.4	72.2	72.6	73.0	72.6	76.0	76.2	75.9	77.1
Germany	69.8	69.1	67.5	64.3	65.6	65.7	69.5	70.4	69.7	69.5	68.1	70.8	70.8	70.6	70.5	71.1	71.8	71.0	72.8	73.4	73.8	74.4	73.8	74.2	73.5	73.5
Ghana	55.6	57.7	56.7	57.0	57.9	58.1	58.0	57.2	58.2	59.1	56.5	55.6	57.6	57.0	58.1	60.2	59.4	60.7	61.3	64.2	63.0	63.5	56.2	56.0	57.5	59.4
Greece	61.2	60.5	59.6	60.6	61.0	61.0	63.4	59.1	58.8	59.1	59.0	60.1	58.7	60.6	60.8	62.7	60.3	55.4	55.4	55.7	54.0	53.2	55.0	57.3	57.7	59.9
Guatemala	62.0	63.7	65.7	65.8	66.2	64.3	65.1	62.3	62.3	59.6	59.5	59.1	60.5	59.8	59.4	61.0	61.9	60.9	60.0	61.2	60.4	61.8	63.0	63.4	62.6	64.0
Guinea	59.4	58.5	52.9	61.0	59.4	58.2	58.4	52.9	54.6	56.1	57.4	52.8	54.5	52.8	51.0	51.8	51.7	50.8	51.2	53.5	52.1	53.3	47.6	52.2	55.7	56.5
Guinea-Bissau	N/A	N/A	N/A	N/A	33.5	34.7	42.5	42.3	43.1	42.6	46.0	46.5	46.1	44.4	45.4	43.6	46.5	50.1	51.1	51.3	52.0	51.8	56.1	56.9	54.0	53.3
Guyana	45.7	50.1	53.2	52.7	53.3	52.4	53.3	54.3	50.3	53.0	56.5	56.6	53.7	48.8	48.4	48.4	49.4	51.3	53.8	55.7	55.5	55.4	58.5	58.7	56.8	56.2
Haiti	43.0	41.0	45.8	45.7	45.9	45.7	47.1	47.9	50.6	51.2	48.4	49.2	51.4	49.0	50.5	50.8	52.1	50.7	48.1	48.9	51.3	51.3	49.6	55.8	52.7	52.3
Honduras	57.0	56.6	56.0	56.2	56.7	57.6	57.0	58.7	60.4	55.3	55.3	57.4	59.1	58.9	58.7	58.3	58.6	58.8	58.4	57.1	57.4	57.7	58.8	60.6	60.2	61.1
Hong Kong	88.6	90.5	88.6	88.0	88.5	89.5	89.9	89.4	89.8	90.0	89.5	88.6	89.9	89.7	90.0	89.7	89.7	89.9	89.3	90.1	89.6	88.6	89.8	90.2	90.2	89.1
Hungary	55.2	56.8	55.3	56.9	59.6	64.4	65.6	64.5	63.0	62.7	63.5	65.0	64.8	67.6	66.8	66.1	66.6	67.1	67.3	67.0	66.8	66.0	65.8	66.7	65.0	66.4
Iceland	N/A	N/A	70.5	71.2	71.4	74.0	73.4	73.1	73.5	72.1	76.6	75.8	76.0	75.8	75.9	73.7	68.2	70.9	72.1	72.4	72.0	73.3	74.4	77.0	77.1	77.1
India	45.1	47.4	49.7	49.7	50.2	47.4	49.0	51.2	51.2	51.5	54.2	52.2	53.9	54.1	54.4	53.8	54.6	54.6	55.2	55.7	54.6	56.2	52.6	54.5	55.2	56.5
Indonesia	54.9	61.0	62.0	63.4	61.5	55.2	52.5	54.8	55.8	52.1	52.9	51.9	53.2	53.2	53.4	55.5	56.0	56.4	56.9	58.5	58.1	59.4	61.9	64.2	65.8	67.2
Iran	N/A	36.1	34.5	36.0	36.8	36.1	35.9	36.4	43.2	42.8	50.5	45.0	45.0	45.0	44.6	43.4	42.1	42.3	43.2	40.3	41.8	43.5	50.5	50.9	51.1	49.2
Iraq	N/A	17.2	17.2	17.2	17.2	17.2	17.2	15.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ireland	68.5	68.5	72.6	73.7	74.6	76.1	81.2	80.5	80.9	80.3	80.8	82.2	82.6	82.5	82.2	81.3	78.7	76.9	75.7	76.2	76.6	77.3	76.7	80.4	80.5	80.9
Israel	61.5	62.0	62.7	68.0	68.3	65.5	66.1	66.9	62.7	61.4	62.6	64.4	64.8	66.3	67.6	67.7	68.5	67.8	66.9	68.4	70.5	70.7	69.7	72.2	72.8	74.0
Italy	61.2	60.8	58.1	59.1	61.6	61.9	63.0	63.6	64.3	64.2	64.9	62.0	62.8	62.6	61.4	62.7	60.3	58.8	60.6	60.9	61.7	61.2	62.5	62.5	62.2	63.8
Jamaica	64.4	66.7	67.7	67.1	64.7	65.5	63.7	61.7	67.0	66.7	67.0	66.4	65.5	65.7	65.2	65.5	65.7	65.1	66.8	66.7	67.7	67.5	69.5	69.1	68.6	68.5
Japan	75.0	72.6	70.3	70.2	69.1	70.7	70.9	66.7	67.6	64.3	67.3	73.3	72.7	73.0	72.8	72.9	72.8	71.6	71.8	72.4	73.3	73.1	69.6	72.3	72.1	73.3
Jordan	62.7	60.8	63.6	66.8	67.4	67.5	68.3	66.2	65.3	66.1	66.7	63.7	64.5	64.1	65.4	66.1	68.9	69.9	70.4	69.2	69.3	68.3	66.7	64.9	66.5	66.0
Kazakhstan	N/A	N/A	N/A	41.7	47.3	50.4	51.8	52.4	52.3	49.7	53.9	60.2	59.6	61.1	60.1	61.0	62.1	63.6	63.0	63.7	63.3	63.6	69.0	69.1	65.4	69.6
Kenya	54.5	56.4	60.1	58.4	58.2	59.7	57.6	58.2	58.6	57.7	57.9	59.7	59.6	59.3	58.7	57.5	57.4	57.5	55.9	57.1	55.6	57.5	53.5	54.7	55.1	55.3
Kiribati	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	45.7	43.7	44.8	46.9	45.9	46.3	46.4	46.2	50.9	50.8	47.3	45.2
Korea, North	8.9	8.9	8.9	8.9	8.9	8.9	8.9	8.9	8.9	8.9	8.0	4.0	3.0	3.0	2.0	1.0	1.0	1.0	1.5	1.0	1.3	2.3	4.9	5.8	5.9	4.2

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Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Korea, South	72.0	73.0	69.8	73.3	69.7	69.7	69.1	69.5	68.3	67.8	66.4	67.5	67.8	68.6	68.1	69.9	69.8	69.9	70.3	71.2	71.5	71.7	74.3	73.8	72.3	74.0
Kosovo	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	61.4	67.9	66.6	67.0	67.4
Kuwait	N/A	66.1	64.8	66.3	69.5	69.7	68.2	65.4	66.7	63.6	64.6	66.5	66.4	68.1	65.6	67.7	64.9	62.5	63.1	62.3	62.5	62.7	65.1	62.2	60.8	63.2
Kyrgyz Republic	N/A	N/A	N/A	51.8	54.8	55.7	53.7	51.7	56.8	58.0	56.6	61.0	60.2	61.1	61.8	61.3	61.1	60.2	59.6	61.1	61.3	59.6	61.1	62.8	62.3	62.9
Laos	N/A	38.5	35.1	35.2	35.2	36.8	33.5	36.8	41.0	42.0	44.4	47.5	50.3	50.3	50.4	51.1	51.3	50.0	50.1	51.2	51.4	49.8	54.0	53.6	57.4	55.5
Latvia	N/A	55.0	62.4	63.4	64.2	63.4	66.4	65.0	66.0	67.4	66.3	66.9	67.9	68.3	66.6	66.2	65.8	65.2	66.5	68.7	69.7	70.4	74.8	73.6	70.4	71.9
Lebanon	N/A	63.2	63.9	59.0	59.1	56.1	61.0	57.1	56.7	56.9	57.2	57.5	60.4	60.0	58.1	59.5	60.1	60.1	59.5	59.4	59.3	59.5	53.3	53.2	51.1	51.7
Lesotho	N/A	47.0	47.2	48.4	48.2	48.4	50.6	48.9	52.0	50.3	53.9	54.7	53.2	52.1	49.7	48.1	47.5	46.6	47.9	49.5	49.6	50.6	53.9	53.9	53.1	54.5
Liberia	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	48.1	46.2	46.5	48.6	49.3	52.4	52.7	52.2	49.1	50.9	49.7	49.0
Libya	N/A	31.7	28.9	32.0	32.3	34.7	34.0	35.4	34.6	31.5	32.8	33.2	37.0	38.7	43.5	40.2	38.6	35.9	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Liechtenstein	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lithuania	N/A	49.7	57.3	59.4	61.5	61.9	65.5	66.1	69.7	72.4	70.5	71.8	71.5	70.9	70.0	70.3	71.3	71.5	72.1	73.0	74.7	75.2	75.8	75.3	74.2	76.7
Luxembourg	N/A	72.5	72.8	72.7	72.4	76.4	80.1	79.4	79.9	78.9	76.3	75.3	74.6	74.7	75.2	75.4	76.2	74.5	74.2	74.2	73.2	73.9	75.9	76.4	75.9	75.8
Macau	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	72.0	72.5	73.1	71.8	71.7	71.3	70.3	70.1	70.7	70.9	71.0	70.3
Madagascar	51.6	52.2	53.8	51.8	52.8	54.4	53.9	56.8	62.8	60.9	63.1	61.0	61.1	62.4	62.2	63.2	61.2	62.4	62.0	61.7	61.7	61.1	57.4	56.8	56.6	60.5
Malawi	54.7	56.2	53.4	54.1	54.0	57.4	56.2	56.9	53.2	53.6	53.6	55.4	52.9	52.7	53.7	54.1	55.8	56.4	55.3	55.4	54.8	51.8	52.2	52.0	51.4	52.8
Malaysia	71.9	69.9	66.8	68.2	68.9	66.0	60.2	60.1	61.1	59.9	61.9	61.6	63.8	63.9	64.6	64.8	66.3	66.4	66.1	69.6	70.8	71.5	73.8	74.5	74.0	74.7
Maldives	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	51.3	49.0	48.3	49.2	49.0	51.0	53.4	53.9	50.3	51.1	53.2	56.5
Mali	52.4	57.0	56.4	57.3	58.4	60.3	60.1	61.1	58.6	56.6	57.3	54.1	54.7	55.6	55.6	55.6	56.3	55.8	56.4	55.5	56.4	56.5	58.6	57.6	58.1	55.9
Malta	56.3	55.8	57.9	61.2	59.3	58.3	62.9	62.2	61.1	63.3	68.9	67.3	66.1	66.0	66.1	67.2	65.7	67.0	67.5	66.4	66.5	66.7	67.7	68.5	68.6	69.5
Mauritania	N/A	45.5	47.0	43.7	42.8	46.0	48.5	52.5	59.0	61.8	59.4	55.7	53.6	55.2	53.9	52.0	52.1	53.0	52.3	53.2	53.3	54.8	54.4	54.0	55.7	55.3
Mauritius	N/A	N/A	N/A	N/A	68.5	67.2	66.4	67.7	64.4	64.3	67.2	67.4	69.4	72.6	74.3	76.3	76.2	77.0	76.9	76.5	76.4	74.7	74.7	75.1	73.0	74.9
Mexico	63.1	61.2	57.1	57.9	58.5	59.3	60.6	63.0	65.3	66.0	65.2	64.7	66.0	66.2	65.8	68.3	67.8	65.3	67.0	66.8	66.4	65.2	63.6	64.8	64.7	66.0
Micronesia	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	51.7	50.6	50.3	50.7	50.1	49.8	49.6	51.8	54.1	52.3	51.9	52.0
Moldova	33.0	52.5	48.9	53.5	56.1	59.6	54.9	57.4	60.0	57.1	57.4	58.0	58.7	57.9	54.9	53.7	55.7	54.4	55.5	57.3	57.5	57.4	58.0	58.4	59.1	62.0
Mongolia	47.8	47.4	52.9	57.3	58.6	58.5	56.0	56.7	57.7	56.5	59.7	62.4	60.3	63.6	62.8	60.0	59.5	61.5	61.7	58.9	59.2	59.4	54.8	55.7	55.4	55.9
Montenegro	N/A	N/A	N/A	N/A	N/A	N/A	N/A	46.6	43.5	N/A	N/A	N/A	N/A	N/A	58.2	63.6	62.5	62.5	62.6	63.6	64.7	64.9	62.0	64.3	60.5	61.5
Morocco	62.8	64.3	64.7	61.1	63.8	63.2	63.9	59.0	57.8	56.7	52.2	51.5	56.4	55.6	57.7	59.2	59.6	60.2	59.6	58.3	60.1	61.3	61.5	61.9	62.9	63.3
Mozambique	45.5	48.4	44.0	43.0	48.9	52.2	59.2	57.7	58.6	57.2	54.6	51.9	54.7	55.4	55.7	56.0	56.8	57.1	55.0	55.0	54.8	53.2	49.9	46.3	48.6	50.5
Namibia	N/A	N/A	61.6	66.1	66.1	66.7	64.8	65.1	67.3	62.4	61.4	60.7	63.5	61.4	62.4	62.2	62.7	61.9	60.3	59.4	59.6	61.9	62.5	58.5	58.7	60.9
Nepal	N/A	50.3	53.6	53.5	53.1	51.3	51.6	52.3	51.5	51.2	51.4	53.7	54.4	54.1	53.2	52.7	50.1	50.2	50.4	50.1	51.3	50.9	55.1	54.1	53.8	54.2

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Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Netherlands	N/A	69.7	70.4	69.2	70.2	70.4	73.0	75.1	74.6	74.5	72.9	75.4	75.5	77.4	77.0	75.0	74.7	73.3	73.5	74.2	73.7	74.6	75.8	76.2	76.8	77.0
New Zealand	N/A	78.1	79.0	79.2	81.7	80.9	81.1	80.7	81.1	81.5	82.3	82.0	81.4	80.7	82.0	82.1	82.3	82.1	81.4	81.2	82.1	81.6	83.7	84.2	84.4	84.1
Nicaragua	42.5	54.1	53.3	53.8	54.0	56.9	58.0	61.1	62.6	61.4	62.5	63.8	62.7	60.8	59.8	58.3	58.8	57.9	56.6	58.4	57.6	58.6	59.2	58.9	57.7	57.2
Niger	N/A	45.8	46.6	47.5	48.6	45.9	48.9	48.2	54.2	54.6	54.1	52.5	53.2	52.9	53.8	52.9	54.3	54.3	53.9	55.1	54.6	54.3	50.8	49.5	51.6	54.7
Nigeria	47.3	47.4	52.8	52.3	55.7	53.1	49.6	50.9	49.5	49.2	48.4	48.7	55.6	55.1	55.1	56.8	56.7	56.3	55.1	54.3	55.6	57.5	57.1	58.5	57.3	57.2
North Macedonia	N/A	N/A	N/A	N/A	N/A	N/A	N/A	58.0	60.1	56.8	56.1	59.2	60.6	61.1	61.2	65.7	66.0	68.5	68.2	68.6	67.1	67.5	70.7	71.3	71.1	69.5
Norway	N/A	65.4	65.1	68.0	68.6	70.1	67.1	67.4	67.2	66.2	64.5	67.9	67.9	68.6	70.2	69.4	70.3	68.8	70.5	70.9	71.8	70.8	74.0	74.3	73.0	73.4
Oman	70.2	65.4	64.5	64.9	64.9	64.1	67.7	64.0	64.6	66.9	66.5	63.7	65.8	67.3	67.0	67.7	69.8	67.9	68.1	67.4	66.7	67.1	62.1	61.0	61.0	63.6
Pakistan	57.6	58.4	56.0	53.2	53.0	56.4	56.0	55.8	55.0	54.9	53.3	57.9	57.2	55.6	57.0	55.2	55.1	54.7	55.1	55.2	55.6	55.9	52.8	54.4	55.0	54.8
Panama	71.6	71.8	72.4	72.6	72.6	71.6	70.6	68.5	68.4	65.3	64.3	65.6	64.6	64.7	64.7	64.8	64.9	65.2	62.5	63.4	64.1	64.8	66.3	67.0	67.2	67.2
Papua New Guinea	N/A	58.6	56.7	55.2	56.3	55.8	57.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	54.8	53.5	52.6	53.8	53.6	53.9	53.1	53.2	50.9	55.7	58.4	58.4
Paraguay	65.9	67.1	67.3	65.2	63.7	64.0	60.3	59.6	58.2	56.7	53.4	55.6	58.3	60.0	61.0	61.3	62.3	61.8	61.1	62.0	61.1	61.5	62.4	62.1	61.8	63.0
Peru	56.9	62.5	63.8	65.0	69.2	68.7	69.6	64.8	64.6	64.7	61.3	60.5	62.7	63.8	64.6	67.6	68.6	68.7	68.2	67.4	67.7	67.4	68.9	68.7	67.8	67.9
Philippines	55.0	60.2	62.2	62.8	61.9	62.5	60.9	60.7	61.3	59.1	54.7	56.3	56.0	56.0	56.8	56.3	56.2	57.1	58.2	60.1	62.2	63.1	65.6	65.0	63.8	64.5
Poland	50.7	57.8	56.8	59.2	59.6	60.0	61.8	65.0	61.8	58.7	59.6	59.3	58.1	60.3	60.3	63.2	64.1	64.2	66.0	67.0	68.6	69.3	68.3	68.5	67.8	69.1
Portugal	62.4	64.5	63.6	65.0	65.6	65.5	66.0	65.4	64.9	64.9	62.4	62.9	64.0	63.9	64.9	64.4	64.0	63.0	63.1	63.5	65.3	65.1	62.6	63.4	65.3	67.0
Qatar	N/A	N/A	N/A	N/A	62.0	62.0	60.0	61.9	65.9	66.5	63.5	62.4	62.9	62.2	65.8	69.0	70.5	71.3	71.3	71.2	70.8	70.7	73.1	72.6	72.6	72.3
Romania	42.9	46.2	50.8	54.4	50.1	52.1	50.0	48.7	50.6	50.0	52.1	58.2	61.2	61.7	63.2	64.2	64.7	64.4	65.1	65.5	66.6	65.6	69.7	69.4	68.6	69.7
Russia	51.1	51.6	48.6	52.8	54.5	51.8	49.8	48.7	50.8	52.8	51.3	52.4	52.2	49.8	50.8	50.3	50.5	50.5	51.1	51.9	52.1	50.6	57.1	58.2	58.9	61.0
Rwanda	N/A	N/A	38.3	39.1	39.8	42.3	45.4	50.4	47.8	53.3	51.7	52.8	52.4	54.2	54.2	59.1	62.7	64.9	64.1	64.7	64.8	63.1	67.6	69.1	71.1	70.9
Saint Lucia	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	68.8	70.5	70.8	71.3	70.4	70.7	70.2	70.0	65.0	67.6	68.7	68.2
Saint Vincent and the Grenadines	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	64.3	66.9	66.9	66.5	66.7	67.0	68.0	68.8	65.2	67.7	65.8	66.8
Samoa	N/A	47.6	51.5	49.9	58.7	60.8	63.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	59.5	60.4	60.6	60.5	57.1	61.1	61.9	63.5	58.4	61.5	62.2	62.1
São Tomé and Príncipe	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	43.8	48.8	49.5	50.2	48.0	48.8	53.3	56.7	55.4	53.6	54.0	56.2
Saudi Arabia	N/A	68.3	68.7	69.3	65.5	66.5	62.2	65.3	63.2	60.4	63.0	63.0	60.9	62.5	64.3	64.1	66.2	62.5	60.6	62.2	62.1	62.1	64.4	59.6	60.7	62.4
Senegal	N/A	58.2	58.1	59.7	60.6	58.9	58.7	58.6	58.1	58.9	57.9	56.2	58.1	58.3	56.3	54.6	55.7	55.4	55.5	55.4	57.8	58.1	55.9	55.7	56.3	58.0
Serbia	N/A	N/A	N/A	N/A	N/A	N/A	N/A	46.6	43.5	N/A	N/A	N/A	N/A	N/A	56.6	56.9	58.0	58.0	58.6	59.4	60.0	62.1	58.9	62.5	63.9	66.0

INDEX OF ECONOMIC FREEDOM SCORES, 1995–2020

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Seychelles	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	47.8	47.9	51.2	53.0	54.9	56.2	57.5	62.2	61.8	61.6	61.4	64.3
Sierra Leone	49.8	52.3	45.0	47.7	47.2	44.2	N/A	N/A	42.2	43.6	44.8	45.2	47.0	48.3	47.8	47.9	49.6	49.1	48.3	50.5	51.7	52.3	52.6	51.8	47.5	48.0
Singapore	86.3	86.5	87.3	87.0	86.9	87.7	87.8	87.4	88.2	88.9	88.6	88.0	87.1	87.3	87.1	86.1	87.2	87.5	88.0	89.4	89.4	87.8	88.6	88.8	89.4	89.4
Slovakia	60.4	57.6	55.5	57.5	54.2	53.8	58.5	59.8	59.0	64.6	66.8	69.8	69.6	70.0	69.4	69.7	69.5	67.0	68.7	66.4	67.2	66.6	65.7	65.3	65.0	66.8
Slovenia	N/A	50.4	55.6	60.7	61.3	58.3	61.8	57.8	57.7	59.2	59.6	61.9	59.6	60.2	62.9	64.7	64.6	62.9	61.7	62.7	60.3	60.6	59.2	64.8	65.5	67.8
Solomon Islands	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	46.0	42.9	45.9	46.2	45.0	46.2	47.0	47.0	55.0	57.5	54.6	52.9
Somalia	N/A	25.6	25.6	27.8	27.8	27.8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
South Africa	60.7	62.5	63.2	64.3	63.3	63.7	63.8	64.0	67.1	66.3	62.9	63.7	63.5	63.4	63.8	62.8	62.7	62.7	61.8	62.5	62.6	61.9	62.3	63.0	58.3	58.8
Spain	62.8	59.6	59.6	62.6	65.1	65.9	68.1	68.8	68.8	68.9	67.0	68.2	69.2	69.1	70.1	69.6	70.2	69.1	68.0	67.2	67.6	68.5	63.6	65.1	65.7	66.9
Sri Lanka	60.6	62.5	65.5	64.6	64.0	63.2	66.0	64.0	62.5	61.6	61.0	58.7	59.4	58.4	56.0	54.6	57.1	58.3	60.7	60.0	58.6	59.9	57.4	57.8	56.4	57.4
Sudan	39.4	39.2	39.9	38.3	39.6	47.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	48.8	49.4	47.7	45.0
Suriname	N/A	36.7	35.9	39.9	40.1	45.8	44.3	48.0	46.9	47.9	51.9	55.1	54.8	54.3	54.1	52.5	53.1	52.6	52.0	54.2	54.2	53.8	48.0	48.1	48.1	49.5
Sweden	61.4	61.8	63.3	64.0	64.2	65.1	66.6	70.8	70.0	70.1	69.8	70.9	69.3	70.8	70.5	72.4	71.9	71.7	72.9	73.1	72.7	72.0	74.9	76.3	75.2	74.9
Switzerland	N/A	76.8	78.6	79.0	79.1	76.8	76.0	79.3	79.0	79.5	79.3	78.9	78.0	79.5	79.4	81.1	81.9	81.1	81.0	81.6	80.5	81.0	81.5	81.7	81.9	82.0
Syria	N/A	42.3	43.0	42.2	39.0	37.2	36.6	36.3	41.3	40.6	46.3	51.2	48.3	47.2	51.3	49.4	51.3	51.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Taiwan	74.2	74.1	70.0	70.4	71.5	72.5	72.8	71.3	71.7	69.6	71.3	69.7	69.4	70.3	69.5	70.4	70.8	71.9	72.7	73.9	75.1	74.7	76.5	76.6	77.3	77.1
Tajikistan	N/A	N/A	N/A	41.1	41.2	44.8	46.8	47.3	46.5	48.7	50.4	52.6	53.6	54.4	54.6	53.0	53.5	53.4	53.4	52.0	52.7	51.3	58.2	58.3	55.6	52.2
Tanzania	57.3	57.5	59.3	59.6	60.0	56.0	54.9	58.3	56.9	60.1	56.3	58.5	56.8	56.5	58.3	58.3	57.0	57.0	57.9	57.8	57.5	58.5	58.6	59.9	60.2	61.7
Thailand	71.3	71.0	66.1	67.3	66.9	66.6	68.9	69.1	65.8	63.7	62.5	63.3	63.5	62.3	63.0	64.1	64.7	64.9	64.1	63.3	62.4	63.9	66.2	67.1	68.3	69.4
Timor-Leste	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	50.5	45.8	42.8	43.3	43.7	43.2	45.5	45.8	46.3	48.1	44.2	45.9
Togo	N/A	N/A	N/A	N/A	48.2	46.4	45.3	45.2	46.8	47.0	48.2	47.3	49.7	48.9	48.7	47.1	49.1	48.3	48.8	49.9	53.0	53.6	53.2	47.8	50.3	54.1
Tonga	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	54.1	53.4	55.8	57.0	56.0	58.2	59.3	59.6	63.0	63.1	57.7	58.8
Trinidad and Tobago	N/A	69.2	71.3	72.0	72.4	74.5	71.8	70.1	68.8	71.3	71.5	70.4	70.6	69.5	68.0	65.7	66.5	64.4	62.3	62.7	64.1	62.9	61.2	57.7	57.0	58.3
Tunisia	63.4	63.9	63.8	63.9	61.1	61.3	60.8	60.2	58.1	58.4	55.4	57.5	60.3	60.1	58.0	58.9	58.5	58.6	57.0	57.3	57.7	57.6	55.7	58.9	55.4	55.8
Turkey	58.4	56.7	60.8	60.9	59.2	63.4	60.6	54.2	51.9	52.8	50.6	57.0	57.4	59.9	61.6	63.8	64.2	62.5	62.9	64.9	63.2	62.1	65.2	65.4	64.6	64.4
Turkmenistan	N/A	N/A	N/A	35.0	36.1	37.6	41.8	43.2	51.3	50.7	47.6	43.8	43.0	43.4	44.2	42.5	43.6	43.8	42.6	42.2	41.4	41.9	47.4	47.1	48.4	46.5
Uganda	62.9	66.2	66.6	64.7	64.8	58.2	60.4	61.0	60.1	64.1	62.9	63.9	63.1	63.8	63.5	62.2	61.7	61.9	61.1	59.9	59.7	59.3	60.9	62.0	59.7	59.5
Ukraine	39.9	40.6	43.5	40.4	43.7	47.8	48.5	48.2	51.1	53.7	55.8	54.4	51.5	51.0	48.8	46.4	45.8	46.1	46.3	49.3	46.9	46.8	48.1	51.9	52.3	54.9
United Arab Emirates	N/A	71.6	71.9	72.2	71.5	74.2	74.9	73.6	73.4	67.2	65.2	62.2	62.6	62.6	64.7	67.3	67.8	69.3	71.1	71.4	72.4	72.6	76.9	77.6	77.6	76.2

INDEX OF ECONOMIC FREEDOM SCORES, 1995–2020

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
United Kingdom	77.9	76.4	76.4	76.5	76.2	77.3	77.6	78.5	77.5	77.7	79.2	80.4	79.9	79.4	79.0	76.5	74.5	74.1	74.8	74.9	75.8	76.4	76.4	78.0	78.9	79.3
United States	76.7	76.7	75.6	75.4	75.5	76.4	79.1	78.4	78.2	78.7	79.9	81.2	81.2	81.0	80.7	78.0	77.8	76.3	76.0	75.5	76.2	75.4	75.1	75.7	76.8	76.6
Uruguay	62.5	63.7	67.5	68.6	68.5	69.3	70.7	68.7	69.8	66.7	66.9	65.3	68.4	67.9	69.1	69.8	70.0	69.9	69.7	69.3	68.6	68.8	69.7	69.2	68.6	69.1
Uzbekistan	N/A	N/A	N/A	31.5	33.8	38.1	38.2	38.5	38.3	39.1	45.8	48.7	51.5	51.9	50.5	47.5	45.8	45.8	46.0	46.5	47.0	46.0	52.3	51.5	53.3	57.2
Vanuatu	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	58.4	56.4	56.7	56.6	56.6	59.5	61.1	60.8	67.4	69.5	56.4	60.7
Venezuela	59.8	54.5	52.8	54.0	56.1	57.4	54.6	54.7	54.8	46.7	45.2	44.6	47.9	44.7	39.9	37.1	37.6	38.1	36.1	36.3	34.3	33.7	27.0	25.2	25.9	25.2
Vietnam	41.7	40.2	38.6	40.4	42.7	43.7	44.3	45.6	46.2	46.1	48.1	50.5	49.8	50.4	51.0	49.8	51.6	51.3	51.0	50.8	51.7	54.0	52.4	53.1	55.3	58.8
Yemen	49.8	49.6	48.4	46.1	43.3	44.5	44.3	48.6	50.3	50.5	53.8	52.6	54.1	53.8	56.9	54.4	54.2	55.3	55.9	55.5	53.7	N/A	N/A	N/A	N/A	N/A
Zambia	55.1	59.6	62.1	62.7	64.2	62.8	59.5	59.6	55.3	54.9	55.0	56.8	56.2	56.2	56.6	58.0	59.7	58.3	58.7	60.4	58.7	58.8	55.8	54.3	53.6	53.3
Zimbabwe	48.5	46.7	48.0	44.6	47.2	48.7	38.8	36.7	36.7	34.4	35.2	33.5	32.0	29.5	22.7	21.4	22.1	26.3	28.6	35.5	37.6	38.2	44.0	44.0	40.4	43.1

METHODOLOGY

The *Index of Economic Freedom* focuses on four key aspects of the economic and entrepreneurial environment over which governments typically exercise policy control:

- **Rule of law,**
- **Government size,**
- **Regulatory efficiency,** and
- **Market openness.**

In assessing conditions in these four categories, the *Index* measures 12 specific components of economic freedom, each of which is graded on a scale from 0 to 100. Scores on these 12 components of economic freedom, which are calculated from a number of sub-variables, are equally weighted and averaged to produce an overall economic freedom score for each economy.

The following sections provide detailed descriptions of the formulas and methodology used to compute the scores for each of the 12 components of economic freedom.

RULE OF LAW

Property Rights

The property rights component assesses the extent to which a country's legal framework allows individuals to acquire, hold, and utilize private property, secured by clear laws that the government enforces effectively. Relying on a mix of survey data and independent assessments, it provides a quantifiable measure of the degree to which a country's laws protect private property rights and the extent to which those laws are respected. It also assesses the likelihood of state expropriation of private property.

The more effective the legal protection of property is, the higher a country's score will be. Similarly, the greater the chances of government expropriation of property are, the lower a country's score will be.

The score for this component is derived by averaging scores for the following five sub-factors, all of which are weighted equally:

- Physical property rights,
- Intellectual property rights,
- Strength of investor protection,
- Risk of expropriation, and
- Quality of land administration.

Each of these sub-factors is derived from numerical data sets that are normalized for comparative purposes using the following equation:

$$\text{Sub-factor Score}_i = 100 \times (\text{Sub-factor}_{Max} - \text{Sub-factor}_i)/(\text{Sub-factor}_{Max} - \text{Sub-factor}_{Min})$$

where Sub-factor_i represents the original data for country *i*, Sub-factor_{Max} and Sub-factor_{Min} represent the upper and lower bounds for the corresponding data set, and $\text{Sub-factor Score}_i$ represents the computed sub-factor score for country *i*.

For a few countries, comparable data were not available for every sub-factor. In those cases, a score was computed for the missing sub-factor based on the relative percentile ranking of that country on the other sub-factors.

Sources. The *Index* relies on the following sources in assessing property rights: World Economic Forum, *World Competitiveness Report*; World Bank, *Doing Business*; and Credendo Group, *Country Risk Assessment*.

Judicial Effectiveness

Well-functioning legal frameworks are essential for protecting the rights of all citizens against unlawful acts by others, including governments and powerful private parties. Judicial effectiveness requires efficient and fair judicial systems to ensure that laws are fully respected and that appropriate legal actions are taken against violations. The score for the judicial effectiveness component is derived by averaging scores for the following three sub-factors, all of which are weighted equally:

- Judicial independence,
- Quality of the judicial process, and
- Favoritism in obtaining judicial decisions.

Each of these sub-factors is derived from numerical data sets that are normalized for comparative purposes using the following equation:

$$\text{Sub-factor Score}_i = 100 \times (\text{Sub-factor}_{Max} - \text{Sub-factor}_i)/(\text{Sub-factor}_{Max} - \text{Sub-factor}_{Min})$$

where Sub-factor_i represents the original data for country *i*, Sub-factor_{Max} and Sub-factor_{Min} represent the upper and lower bounds for the corresponding data set, and $\text{Sub-factor Score}_i$ represents the computed sub-factor score for country *i*.

For a few countries, comparable data were not available for every sub-factor. In each of these cases, a score was computed for the missing sub-factor based on the country's relative percentile ranking on the other sub-factors.

Sources. The *Index* relies on the following sources in assessing judicial effectiveness: World Economic Forum, *World Competitiveness Report*, and World Bank, *Doing Business*.

Government Integrity

Corruption erodes economic freedom by introducing insecurity and coercion into economic relations. Of greatest concern is the systemic corruption of government institutions and decision-making by such practices as bribery, extortion, nepotism, cronyism, patronage, embezzlement, and graft. The lack of government integrity caused by such practices reduces public trust and economic vitality by increasing the costs of economic activity.

The score for this component is derived by averaging scores for the following five sub-factors, all of which are weighted equally:

- Irregular payments and bribes,
- Transparency of government policymaking,
- Absence of corruption,
- Perceptions of corruption, and
- Governmental and civil service transparency.

Each of these sub-factors is derived from numerical data sets that are normalized for comparative purposes using the following equation:

$$\text{Sub-factor Score}_i = 100 \times (\text{Sub-factor}_{Max} - \text{Sub-factor}_i)/(\text{Sub-factor}_{Max} - \text{Sub-factor}_{Min})$$

where Sub-factor_i represents the original data for country *i*, Sub-factor_{Max} and Sub-factor_{Min} represent the upper and lower bounds for the corresponding data set, and $\text{Sub-factor Score}_i$ represents the computed sub-factor score for country *i*.

For a few countries, comparable data were not available for every sub-factor. In each of these cases, a score was computed for the missing sub-factor based on the country's relative percentile ranking on the other sub-factors.

Sources. The *Index* relies on the following sources in assessing government integrity: World Economic Forum, *World Competitiveness Report*; World Justice Project, *Rule of Law Index*; Transparency International, *Corruption Perceptions Index*; and TRACE International, *The Trace Matrix*.

GOVERNMENT SIZE

Tax Burden

Tax burden is a composite measure that reflects marginal tax rates on both personal and corporate income and the overall level of taxation (including direct and indirect taxes imposed by all levels of government) as a percentage of gross domestic product (GDP). The component score is derived from three quantitative sub-factors:

- The top marginal tax rate on individual income,
- The top marginal tax rate on corporate income, and
- The total tax burden as a percentage of GDP.

Each of these numerical variables is weighted equally as one-third of the component score. This equal weighting allows a country to achieve a score as high as 67 based on two of the factors even if it receives a score of 0 on the third.

Tax burden scores are calculated with a quadratic cost function to reflect the diminishing revenue returns from very high rates of taxation. The data for each sub-factor are converted to a 100-point scale using the following equation:

$$\text{Tax Burden}_{ij} = 100 - \alpha\,(\text{Factor}_{ij})^2$$

where Tax Burden_{ij} represents the tax burden in country *i* for factor *j*; Factor_{ij} represents the value (a percentage expressed on a scale of 0 to 100) in country *i* for factor *j*; and α is a coefficient

set equal to 0.03. The minimum score for each sub-factor is zero, which is not represented in the printed equation but was used because it means that no single high tax burden will make the other two sub-factors irrelevant.

As an example, in the 2020 *Index*, Ireland has a top marginal tax rate of 41.0 percent on individual income and 12.5 percent on corporate income, which yields a score of 49.6 for the individual side and 95.3 on the corporate side. Ireland's overall tax burden as a portion of GDP is 22.8 percent, yielding a score of 84.4 for that factor. When the three factors are averaged together, Ireland's overall tax burden score becomes 76.4.

Sources. The *Index* relies on the following sources for information on tax rate data, in order of priority: Deloitte, *International Tax and Business Guide Highlights*; International Monetary Fund, *Staff Country Report*, "Selected Issues and Statistical Appendix," and *Staff Country Report*, "Article IV Consultation"; PricewaterhouseCoopers, *Worldwide Tax Summaries*; countries' investment agencies; other government authorities (embassy confirmations and/or the country's treasury or tax authority); and Economist Intelligence Unit, *Country Commerce* and *Country Finance*.

For information on tax burden as a percentage of GDP, the primary sources are Organisation for Economic Co-operation and Development data; Eurostat, Government Finance Statistics data; African Development Bank and Organisation for Economic Co-operation and Development, *African Economic Outlook*; International Monetary Fund, *Staff Country Report*, "Selected Issues," and *Staff Country Report*, "Article IV Consultation"; Asian Development Bank, *Key Indicators for Asia and the Pacific*; United Nations Economic Commission for Latin America, *Economic Survey of Latin America and the Caribbean*; and individual contacts from government agencies and multinational organizations such as the IMF and the World Bank.

Government Spending

The government spending component captures the burden imposed by government expenditures, which includes consumption by the state and all transfer payments related to various entitlement programs.

No attempt has been made to identify an optimal level of government spending. The ideal level will vary from country to country, depending on factors that range from culture to geography to level of economic development. At some point, however, government spending becomes an unavoidable burden as growth in the size and scope of the public sector leads inevitably to misallocation of resources and loss of economic efficiency. Volumes of research have shown that excessive government spending that causes chronic budget deficits and the accumulation of public debt is one of the most serious drags on economic dynamism.

The *Index* methodology treats zero government spending as the benchmark. As a result, underdeveloped countries, particularly those with little government capacity, may receive artificially high scores. However, such governments, which can provide few if any public goods, are likely to receive low scores on some of the other components of economic freedom (such as property rights, financial freedom, and investment freedom) that measure aspects of government effectiveness.

Government spending has a major impact on economic freedom, but it is just one of many important components. The scale for scoring government spending is nonlinear, which means that government spending that is close to zero is lightly penalized while government spending that exceeds 30 percent of GDP leads to much worse scores in a quadratic fashion (for example, doubling spending yields four times less freedom). Only extraordinarily high levels of government spending (for example, over 58 percent of GDP) receive a score of zero.

The equation used to compute a country's government spending score is:

$$GE_i = 100 - \alpha\,(Expenditures_i)^2$$

where GE_i represents the government expenditure score in country *i*, $Expenditures_i$ represents the average total government spending at all levels as a percentage of GDP for the most recent three years, and α is a coefficient to control for variation among scores (set at 0.03). The minimum component score is zero.[1]

In most cases, the *Index* uses general government expenditure data that include all levels of government such as federal, state, and local. In cases where data on general government spending are not available, data on central government expenditures are used instead.

For a number of countries, particularly developing countries, statistics related to government spending as a percentage of GDP are subject to frequent revisions by data sources such as the IMF.

Sources. The *Index* relies on the following sources for information on government intervention in the economy, in order of priority: Organisation for Economic Co-operation and Development data; Eurostat data; African Development Bank and Organisation for Economic Co-operation and Development, *African Economic Outlook*; International Monetary Fund, *Staff Country Report*, "Selected Issues and Statistical Appendix," *Staff Country Report*, "Article IV Consultation," and *World Economic Outlook Database*; Asian Development Bank, *Key Indicators for Asia and the Pacific*; African Development Bank, *The ADB Statistics Pocketbook*; official government publications of each country; and United Nations Economic Commission for Latin America, *Economic Survey of Latin America and the Caribbean*.

Fiscal Health

Widening deficits and a growing debt burden, both of which are caused by poor government budget management, lead to the erosion of a country's overall fiscal health, and deteriorating fiscal health is associated with macroeconomic instability and economic uncertainty.

Debt is an accumulation of budget deficits over time. In theory, debt financing of public spending could make a positive contribution to productive investment and ultimately to economic growth. However, mounting public debt driven by persistent budget deficits, particularly spending that merely boosts government consumption or transfer payments, often undermines overall productivity growth and leads ultimately to economic stagnation rather than growth.

The score for the fiscal health component is based on two sub-factors, which are weighted as follows in calculating the overall component score:

- Average deficits as a percentage of GDP for the most recent three years (80 percent of score) and
- Debt as a percentage of GDP (20 percent of score).

The equation used to compute a country's fiscal health score is:

$$\text{Sub-factor Score}_i = 100 - \alpha\,(\text{Sub-factor}_i)^2$$

where Sub-factor $Score_i$ represents the deficit or debt score in country *i*; Sub-$factor_i$ represents the factor value as a portion of GDP; and α is a coefficient to control for variation among scores (set at 2 for deficit and 0.01 for debt). The minimum sub-factor score is zero.

In most cases, the *Index* uses general government deficit and debt data that include all levels of government such as federal, state, and local. In cases where such general government data are not available, data on central government expenditures are used instead.

For a number of countries, particularly developing countries, statistics related to budget balance as a percentage of GDP are subject to frequent revisions by data sources such as the IMF.

Sources. The *Index* relies on the following sources for information on government intervention in the economy, in order of priority: International Monetary Fund, *World Economic Outlook Database*, *Staff Country Report*, "Selected Issues and Statistical Appendix," and *Staff Country Report*, "Article IV Consultation"; Asian Development Bank, *Key Indicators for Asia and the Pacific*; African Development Bank, *The ADB Statistics Pocketbook*; Economist Intelligence Unit, Data Tool; and official government publications of each country.

REGULATORY EFFICIENCY

Business Freedom

The business freedom component measures the extent to which the regulatory and infrastructure environments constrain the efficient operation of businesses. The quantitative score is derived from an array of factors that affect the ease of starting, operating, and closing a business.

The business freedom score for each country is a number between 0 and 100, with 100 indicating the freest business environment. The score is based on 13 sub-factors, all of which are weighted equally, using data from the World Bank's *Doing Business* report:

- Starting a business—procedures (number);
- Starting a business—time (days);
- Starting a business—cost (% of income per capita);
- Starting a business—minimum capital (% of income per capita);
- Obtaining a license—procedures (number);[2]
- Obtaining a license—time (days);
- Obtaining a license—cost (% of income per capita);
- Closing a business—time (years);
- Closing a business—cost (% of estate);
- Closing a business—recovery rate (cents on the dollar);
- Getting electricity—procedures (number);
- Getting electricity—time (days); and
- Getting electricity—cost (% of income per capita).[3]

Each of these sub-factors is converted to a scale of 0 to 100, after which the average of the converted values is computed. The result represents the country's business freedom score in comparison to the business freedom scores of other countries.

Each sub-factor is converted to a scale of 0 to 100 using the following equation:

$$\text{Sub-factor Score}_i = 50 \times (\text{Sub-factor}_{average}/\text{Sub-factor}_i)$$

which is based on the ratio of the country data for each sub-factor relative to the world average, multiplied by 50. For example, on average worldwide, it takes 20.25 days to start a business. Zimbabwe's 32 days to start a business is a sub-factor value that is worse than the average, resulting in a ratio of 0.63. That ratio multiplied by 50 equals the final sub-factor score of 31.6.

For the five countries that are not covered by the World Bank's *Doing Business* report, business freedom is scored by analyzing business regulations based on qualitative information from reliable and internationally recognized sources.[4]

Sources. The *Index* relies on the following sources in determining business freedom scores, in order of priority: World Bank, *Doing Business*; Economist Intelligence Unit, *Country Commerce*; U.S. Department of Commerce, *Country Commercial Guide*; and official government publications of each country.

Labor Freedom

The labor freedom component is a quantitative measure that considers various aspects of the legal and regulatory framework of a country's labor market, including regulations concerning minimum wages, laws inhibiting layoffs, severance requirements, and measurable regulatory restraints on hiring and hours worked, plus the labor force participation rate as an indicative measure of employment opportunities in the labor market.[5]

Seven quantitative sub-factors are equally weighted, with each sub-factor counted as one-seventh of the labor freedom component:[6]

- Ratio of minimum wage to the average value added per worker,
- Hindrance to hiring additional workers,
- Rigidity of hours,
- Difficulty of firing redundant employees,
- Legally mandated notice period,
- Mandatory severance pay, and
- Labor force participation rate.

In constructing the labor freedom score, each of the seven sub-factors is converted to a scale of 0 to 100 based on the following equation:

$$\text{Sub-factor Score}_i = 50 \times (\text{Sub-factor}_{average}/\text{Sub-factor}_i)$$

where country *i* data are calculated relative to the world average and then multiplied by 50. The seven sub-factor scores are then averaged for each country, yielding a labor freedom score in comparison to other countries.

The simple average of the converted values for the seven sub-factors is computed to obtain the country's overall labor freedom score.

For the five countries that are not covered by the World Bank's *Doing Business* report, the labor freedom component is scored by looking at labor market flexibility based on qualitative information from other reliable and internationally recognized sources.[7]

Sources. The *Index* relies on the following sources for data on labor freedom, in order of priority: World Bank, *Doing Business*; International Labour Organization, *Statistics and Databases*; World Bank, *World Development Indicators*; Economist Intelligence Unit, *Country Commerce*; U.S. Department of Commerce, *Country Commercial Guide*; and official government publications of each country.

Monetary Freedom

Monetary freedom combines a measure of inflation with an assessment of various government activities that distort prices. Price stability without microeconomic intervention is the ideal state for the free market.

The score for the monetary freedom component is based on two sub-factors:

- The weighted average inflation rate for the most recent three years and
- A qualitative judgment about the extent of government manipulation of prices through direct controls or subsidies.

The weighted average inflation rate for the most recent three years serves as the primary input into an equation that generates the base score for monetary freedom. The extent of price controls is then assessed as a penalty deduction of up to 20 points from the base score. The two equations used to convert inflation rates into the final monetary freedom score are:

$$\text{Weighted Avg. Inflation}_i = \theta_1 \text{Inflation}_{it} + \theta_2 \text{Inflation}_{it-1} + \theta_3 \text{Inflation}_{it-2}$$

$$\text{Monetary Freedom}_i = 100 - \alpha \sqrt{\text{Weighted Avg. Inflation}_i} - \text{PC penalty}_i$$

where θ_1 through θ_3 (thetas 1–3) represent three numbers that sum to 1 and are exponentially smaller in sequence (in this case, values of 0.665, 0.245, and 0.090, respectively); Inflation_{it} is the absolute value of the annual inflation rate in country *i* during year *t* as measured by the Consumer Price Index; α represents a coefficient that stabilizes the variance of scores; and the price control (PC) penalty is an assigned value of 0–20 penalty points based on the extent of price controls.

The convex (square root) functional form was chosen to create separation among countries with low inflation rates. A concave functional form would essentially treat all hyperinflations as equally bad, whether they were 100 percent price increases annually or 100,000 percent, whereas the square root provides much more gradation. The α coefficient is set to equal 6.333, which converts a 10 percent inflation rate into a monetary freedom score of 80.0 and a 2 percent inflation rate into a score of 91.0.

Sources. The *Index* relies on the following sources for data on monetary policy, in order of priority: International Monetary Fund, *International Financial Statistics Online*; International Monetary Fund, *World Economic Outlook* and *Staff Country Report*, "Article IV Consultation"; Economist Intelligence Unit, ViewsWire and Data Tool; various World Bank country reports; various news and magazine articles; and official government publications of each country.

OPEN MARKETS

Trade Freedom

Trade freedom is a composite measure of the extent of tariff and nontariff barriers that affect imports and exports of goods and services. The trade freedom score is based on two inputs:

- The trade-weighted average tariff rate and
- A qualitative evaluation of nontariff barriers (NTBs).

Different imports entering a country can (and often do) face different tariffs. The weighted average tariff uses weights for each tariff based on the share of imports for each good. Weighted average tariffs are a purely quantitative measure and account for the calculation of the base trade freedom score using the following equation:

$$\text{Trade Freedom}_i = 100(\text{Tariff}_{max} - \text{Tariff}_i)/(\text{Tariff}_{max} - \text{Tariff}_{min}) - \text{NTB}_i$$

where Trade Freedom$_i$ represents the trade freedom in country *i*; Tariff$_{max}$ and Tariff$_{min}$ represent the upper and lower bounds for tariff rates (%); and Tariff$_i$ represents the weighted average tariff rate (%) in country *i*. The minimum tariff is naturally 0 percent, and the upper bound was set at 50 percent.

We determine the extent of NTBs in a country's trade policy regime using both qualitative and quantitative information. Restrictive rules that hinder trade vary widely, and their overlapping and shifting nature makes their complexity difficult to gauge. The types of NTBs considered in our scoring include:

- **Quantity restrictions**—import quotas; export limitations; voluntary export restraints; import–export embargoes and bans; countertrade; etc.
- **Regulatory restrictions**—licensing; domestic content and mixing requirements; sanitary and phytosanitary standards (SPSs); safety and industrial standards regulations; packaging, labeling, and trademark regulations; advertising and media regulations.
- **Customs restrictions**—advance deposit requirements; customs valuation procedures; customs classification procedures; customs clearance procedures.
- **Direct government intervention**—subsidies and other aid; government industrial policies; government-financed research and other technology policies; competition policies; government procurement policies; state trading, government monopolies, and exclusive franchises.

In addition, where possible, we consider and report the number of nontariff measures in force as calculated by the World Trade Organization.

As an example, Israel received a trade freedom score of 86.2. By itself, Israel's trade-weighted average tariff rate of 1.9 percent would have yielded a score of 96.2, but the evaluation of NTBs in Israel resulted in a 10 point deduction from that score.

Gathering tariff statistics to make a consistent cross-country comparison is a challenging task. Unlike data on inflation, for instance, some countries do not report their weighted average tariff rate or simple average tariff rate every year.

To preserve consistency in grading the trade freedom component, the *Index* uses the most recently reported weighted average tariff rate for a country from our primary source. If another reliable source reports more updated information on the country's tariff rate, this fact is noted, and the grading of this component may be reviewed if there is strong evidence that the most recently reported weighted average tariff rate is outdated.

The most comprehensive and consistent information on weighted average applied tariff rates is published by the World Bank. When the weighted average applied tariff rate is not available, the *Index* uses the country's average applied tariff rate; when the country's average applied tariff rate is not available, the weighted average or the simple average of most favored nation (MFN) tariff rates is used.[8] In the very few cases where data on duties and customs revenues are not available, data on international trade taxes or an estimated effective tariff rate are used instead. In all cases, an effort is made to clarify the type of data used in the corresponding write-up for the trade freedom component.

Sources. The *Index* relies on the following sources in determining scores for trade policy, in order of priority: World Bank, *World Development Indicators*; World Trade Organization, *Trade Policy Review*; Office of the U.S. Trade Representative, *National Trade Estimate Report on Foreign Trade Barriers*; World Bank, *Doing Business*; U.S. Department of Commerce, *Country Commercial Guide*; Economist Intelligence Unit, *Country Commerce*; World Economic Forum, *The Global Enabling Trade Report*; and official government publications of each country.

Investment Freedom

In an economically free country, there would be no constraints on the flow of investment capital. Individuals and firms would be allowed to move their resources into and out of specific activities, both internally and across the country's borders, without restriction. Such an ideal country would receive a score of 100 on the investment freedom component of the *Index*.

In practice, however, most countries have a variety of restrictions on investment. Some have different rules for foreign and domestic investment. Some restrict access to foreign exchange. Some impose restrictions on payments, transfers, and capital transactions. In some, certain industries are closed to foreign investment.

The *Index* evaluates a variety of regulatory restrictions that typically are imposed on investment. Points, as indicated below, are deducted from the ideal score of 100 for each of the restrictions found in a country's investment regime. It is not necessary for a government to impose all of the listed restrictions at the maximum level to eliminate investment freedom. The few governments that impose so many restrictions that they total more than 100 points in deductions have had their scores set at zero.

Investment Restrictions

National treatment of foreign investment

- No national treatment, prescreening — 25 points deducted
- Some national treatment, some prescreening — 15 points deducted
- Some national treatment or prescreening — 5 points deducted

Foreign investment code

- No transparency and burdensome bureaucracy — 20 points deducted
- Inefficient policy implementation and bureaucracy — 10 points deducted
- Some investment laws and practices nontransparent or inefficiently implemented — 5 points deducted

Restrictions on land ownership

- All real estate purchases restricted — 15 points deducted
- No foreign purchases of real estate — 10 points deducted
- Some restrictions on purchases of real estate — 5 points deducted

Sectoral investment restrictions

- Multiple sectors restricted — 20 points deducted
- Few sectors restricted — 10 points deducted
- One or two sectors restricted — 5 points deducted

Expropriation of investments without fair compensation

- Common with no legal recourse — 25 points deducted
- Common with some legal recourse — 15 points deducted
- Uncommon but does occur — 5 points deducted

Foreign exchange controls

- No access by foreigners or residents — 25 points deducted
- Access available but heavily restricted — 15 points deducted
- Access available with few restrictions — 5 points deducted

Capital controls

- No repatriation of profits; all transactions require government approval — 25 points deducted
- Inward and outward capital movements require approval and face some restrictions — 15 points deducted
- Most transfers approved with some restrictions — 5 points deducted

A maximum of 20 additional points may be deducted for security problems, a lack of basic investment infrastructure, or other government policies that inject a considerable degree of uncertainty and indirectly burden the investment process and limit investment freedom.

Sources. The *Index* relies on the following sources for data on capital flows and foreign investment, in order of priority: official government publications of each country; U.S. Department of State, *Investment Climate Statements*; Economist Intelligence Unit, *Country Commerce*; Office of the U.S. Trade Representative, *National Trade Estimate Report on Foreign Trade Barriers*; World Bank, *Investing Across Borders*; Organisation for Economic Co-operation and Development, *Services Trade Restrictiveness Index*; and U.S. Department of Commerce, *Country Commercial Guide*.

Financial Freedom

Financial freedom is an indicator of banking efficiency as well as a measure of independence from government control and interference in the financial sector. State ownership of banks and other financial institutions such as insurers and capital markets reduces competition and generally lowers the level of access to credit.

In an ideal banking and financing environment characterized by a minimum level of government interference, independent central bank supervision and regulation of financial institutions are limited to enforcing contractual obligations and preventing fraud. Credit is allocated on market terms, and the government does not own financial institutions. Financial institutions provide various types of financial services to individuals and companies. Banks are free to extend credit, accept deposits, and conduct operations in foreign currencies. Foreign financial institutions operate freely and are treated the same as domestic institutions.

The *Index* scores an economy's financial freedom by looking at five broad areas:

- The extent of government regulation of financial services,
- The degree of state intervention in banks and other financial firms through direct and indirect ownership,
- Government influence on the allocation of credit,
- The extent of financial and capital market development, and
- Openness to foreign competition.

These five areas are considered to assess an economy's overall level of financial freedom that ensures easy and effective access to financing opportunities for people and businesses in the economy. An economy's financial freedom is assigned an overall score on a scale of 0 to 100 according to the following criteria:

- **100—No government interference.** Government oversight is limited solely to the enforcement of contractual obligations and preventing fraud.

- **90—Minimal government interference.** Regulation of financial institutions is minimal but may extend beyond enforcing contractual obligations and fraud prevention to capitalization or reserve requirements.
- **80—Nominal government interference.** Government ownership of financial institutions is a small share of overall sector assets. Financial institutions face almost no restrictions on their ability to offer financial services.
- **70—Limited government interference.** Credit allocation is influenced by the government, and private allocation of credit faces almost no restrictions. Government ownership of financial institutions is sizeable. Foreign financial institutions are subject to few restrictions.
- **60—Moderate government interference.** Banking and financial regulations are somewhat burdensome. The government exercises ownership and control of financial institutions with a significant share of overall sector assets. The ability of financial institutions to offer financial services is subject to some restrictions.
- **50—Considerable government interference.** Credit allocation is significantly influenced by the government, and private allocation of credit faces significant barriers. The ability of financial institutions to offer financial services is subject to significant restrictions. Foreign financial institutions are subject to some restrictions.
- **40—Strong government interference.** The central bank is subject to government influence, its supervision of financial institutions is heavy-handed, and its ability to enforce contracts and prevent fraud is weak. The government exercises active ownership and control of financial institutions with a large minority share of overall sector assets.
- **30—Extensive government interference.** Credit allocation is influenced extensively by the government. The government owns or controls a majority of financial institutions or is in a dominant position. Financial institutions are heavily restricted, and bank formation faces significant barriers. Foreign financial institutions are subject to significant restrictions.
- **20—Heavy government interference.** The central bank is not independent, and its supervision of financial institutions is repressive. Foreign financial institutions are discouraged or highly constrained.
- **10—Near-repressive.** Credit allocation is controlled by the government. Bank formation is restricted. Foreign financial institutions are prohibited.
- **0—Repressive.** Supervision and regulation are designed to prevent private financial institutions from functioning. Private financial institutions are nonexistent.

Sources. The *Index* relies on the following sources for data on banking and finance, in order of priority: Economist Intelligence Unit, *Country Commerce* and *Country Finance*; International Monetary Fund, *Staff Country Report*, "Selected Issues," and *Staff Country Report*, "Article IV Consultation"; Organisation for Economic Co-operation and Development, *Economic Survey*; official government publications of each country; U.S. Department of Commerce, *Country Commercial Guide*; Office of the U.S. Trade Representative, *National Trade Estimate Report on Foreign Trade Barriers*; U.S. Department of State, *Investment Climate Statements*; World Bank, *World Development Indicators*; and various news and magazine articles on banking and finance.

GENERAL METHODOLOGICAL PARAMETERS

Period of Study. For the current *Index of Economic Freedom*, scores are generally based on data for the period covering the second half of 2018 through the first half of 2019. To the extent

possible, the information considered for each variable was current as of June 30, 2019. It is important to understand, however, that some component scores are based on historical information. For example, the monetary freedom component uses a three-year weighted average rate of inflation from January 1, 2016, through December 31, 2018.

Equal Weight. In the *Index of Economic Freedom*, the 12 components of economic freedom are weighted equally so that the overall score will not be biased toward any one component or policy direction. It is obvious that the 12 economic freedoms interact, but the exact mechanisms of this interaction are not clearly definable: Is a minimum threshold for each one essential? Is it possible for one to maximize if others are minimized? Are they dependent or exclusive, complements or supplements?

These are valid questions, but they are beyond the scope of our fundamental mission. The purpose of the *Index* is to reflect the economic and entrepreneurial environment in every country studied in as balanced a way as possible. The *Index* has never been designed specifically to explain economic growth or any other dependent variable; that is ably done by researchers elsewhere. The raw data for each component are provided so that others can study, weight, and integrate as they see fit.

Using the Most Currently Available Information. Analyzing economic freedom annually enables the *Index* to include the most recent information as it becomes available country by country. A data cutoff date is used so that all countries are treated fairly. As described above, the period of study for the current year's *Index* considers all information as of the last day of June of the previous year (in this case, June 30, 2019). Any new legislative changes or policy actions effective after that date have no positive or negative impact on scores or rankings.[9]

DEFINING THE COUNTRY PAGES "QUICK FACTS"

Each country page includes "Quick Facts," a statistical profile that includes the country's main economic and demographic indicators. 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 in interpreting changes in these figures over time, as PPP conversion rates are subject to regular revision by the International Monetary Fund and the World Bank. In order to provide accurate estimates of annual and five-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: 2018 data from International Monetary Fund, *World Economic Outlook Database*, April 2019. 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*, April 2019. The secondary source for GDP data is Economist Intelligence Unit, Data Tool. 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 currency units. Annual percent changes are year-on-year. The primary source is International Monetary Fund, *World Economic Outlook Database*, April 2019. 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 average annual growth: The average growth rate measured over a specified period of time. The five-year annual growth rate is measured using data from 2014 to 2018 based on real GDP growth rates. The primary source is International Monetary Fund, *World Economic*

Outlook Database, April 2019. 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*, April 2019; World Bank, *World Development Indicators Online*; U.S. Central Intelligence Agency, *The World Factbook 2019*; 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, *World Employment Social Outlook: Trends 2019*.

Inflation: The annual percent change in consumer prices as measured for 2018 (or the most recent available year). The primary source for 2018 data is International Monetary Fund, *World Economic Outlook Database*, April 2019. Secondary sources are Economist Intelligence Unit, Data Tool; Asian Development Bank, *Asian Development Outlook 2019*; 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 2018 U.S. dollars, reported in millions. Data are from United Nations Conference on Trade and Development, *World Investment Report 2019*.

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 2018 data are International Monetary Fund, *World Economic Outlook Database*, April 2019; International Monetary Fund, "Article IV Consultation" *Staff Country Reports*, 2015–2019; and a country's statistical agency.

COMMONLY USED ABBREVIATIONS

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

ECOWAS: Economic Community of West African States, an economic union of 15 West African countries including Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea–Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

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.

GCC: Gulf Cooperation Council, a political and military alliance of six Middle Eastern countries including Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

IMF: International Monetary Fund, established in 1945 to help stabilize countries during crises; now includes 189 member countries.

OECD: Organisation for Economic Co-operation and Development, an international organization of developed countries, founded in 1948; now includes 36 member countries.

OECS: Organization of Eastern Caribbean States, self-described as an "International Inter-governmental Organisation dedicated to economic harmonisation and integration, protection of human and legal rights, and the encouragement of good governance among independent and non-independent countries in the Eastern Caribbean," consisting of Antigua and Barbuda,

Commonwealth of Dominica, Grenada, Montserrat, the Federation of Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, the British Virgin Islands, and Anguilla.

OPEC: Organization of Petroleum Exporting Countries, self-described as an "intergovernmental organization of 15 oil-exporting developing nations that coordinates and unifies the petroleum policies of its Member Countries," which include Algeria, Angola, Ecuador, Equatorial Guinea, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, the Republic of the Congo, Saudi Arabia, the United Arab Emirates, and Venezuela.

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 October 2019, the WTO included 164 member economies.

ENDNOTES

1. The maximum sub-factor score of 100 is assigned to balanced budgets or budget surpluses.
2. Obtaining a license indicates the necessary procedures, time, and cost involved in getting construction permits.
3. Infrastructure services such as roads, water, and power supplies are critical to an economy's overall business climate. Among the key infrastructures, according to a recent World Bank study, securing electricity connection is often considered the most important aspect of facilitating private business. In an effort to measure business freedom more comprehensively, the 2016 *Index* adopted three sub-factors related to "getting electricity." Although the overall impact of this methodological refinement is minimal, the reader is urged to exercise caution in comparing business freedom scores over time.
4. The five countries that are not covered by the World Bank's *Doing Business* study are Cuba, North Korea, Liechtenstein, Macau, and Turkmenistan.
5. The assessment of labor freedom dates from the 2005 *Index* because of the limited availability of quantitative data before that time. In the 2016 *Index*, the labor freedom measurement added labor force participation rates to its sub-factors. According to the International Labour Organization, the labor force participation rate is defined as "a measure of the proportion of a country's working-age population that engages actively in the labour market, either by working or looking for work; it provides an indication of the size of the supply of labour available to engage in the production of goods and services, relative to the population at working age." See "KILM 1. Labour Force Participation Rate," in International Labour Organization, *Key Indicators of the Labour Market, Eighth Edition* (Geneva: International Labour Office, 2014), p. 29, http://kilm.ilo.org/2011/download/kilmcompleteEN.pdf. In light of the labor freedom assessment's being refined with the addition of labor force participation rates, the reader is urged to use caution in comparing labor freedom scores over time.
6. The first six sub-factors specifically examine labor regulations that affect "the hiring and redundancy of workers and the rigidity of working hours." For more detailed information on the data, see "Employing Workers," in World Bank, *Doing Business*, http://www.doingbusiness.org/MethodologySurveys/EmployingWorkers.aspx. Reporting only raw data, the *Doing Business 2011* study discontinued all of the sub-indices of "Employing Workers": the difficulty of hiring index, the rigidity of hours index, and the difficulty of redundancy index. For the labor freedom component of the 2014 *Index*, the three indices were reconstructed by *Index* authors according to the methodology used previously by the *Doing Business* study.
7. See note 4, *supra*.
8. MFN is now known as permanent normal trade relations (PNTR).
9. Given the fact that the *Index* is published several months after the cutoff date for evaluation, more recent events cannot be factored into the scores. As in past editions, however, such events may be noted in the text. The impact of policy changes and macroeconomic statistics available since the second half of 2019 has not affected the rankings for the 2020 *Index* but almost certainly will show up in scores for the next edition.

MAJOR WORKS CITED

The 2020 *Index of Economic Freedom* relies on data from multiple internationally recognized sources to present a representation of economic freedom in each country that is as comprehensive, impartial, and accurate as possible. The following sources provided the primary information for analyzing and scoring the 12 components of economic freedom. In addition, the authors and analysts used supporting documentation and information from various government agencies and sites on the Internet, news reports and journal articles, and official responses to inquiries. All statistical and other information received from government sources was verified with independent, credible third-party sources.

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