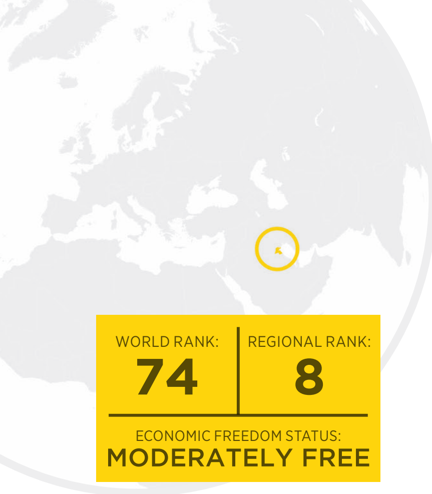


WORLD RANK: **74**

REGIONAL RANK: **8**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

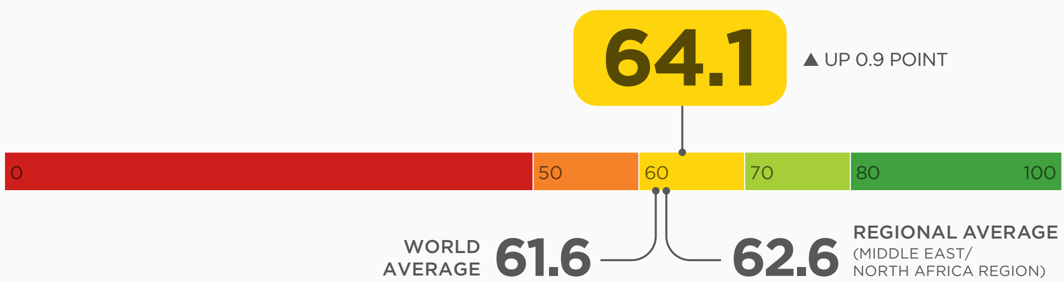
KUWAIT

Kuwait's economic freedom score is 64.1, making its economy the 74th freest in the 2021 *Index*. Its overall score has increased by 0.9 point, primarily because of an improvement in **judicial effectiveness**. Kuwait is ranked 8th among 14 countries in the Middle East and North Africa region, and its overall score is above the regional and world averages.

The Kuwaiti economy has been in the moderately free category since the beginning of its *Index* scoring in 1996. To expand economic freedom, the government would have to rein in government spending and make significant reforms to strengthen the rule of law, curb corruption, and reduce the bloated and inefficient bureaucracy. Efforts to improve the relatively poor business and investment climate are needed as well.

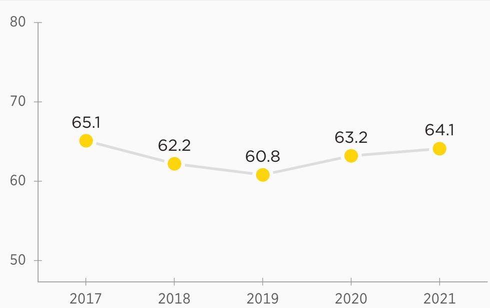
IMPACT OF COVID-19: As of December 1, 2020, 881 deaths had been attributed to the pandemic in Kuwait, and the economy was forecast to contract by 8.1 percent for the year.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): –2.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
4.2 million

GDP (PPP):
$308.7 billion
0.7% growth in 2019
5-year compound annual growth 0.2%
$51,912 per capita

UNEMPLOYMENT:
2.2%

INFLATION (CPI):
1.1%

FDI INFLOW:
$104.4 million

PUBLIC DEBT: 11.6% of GDP

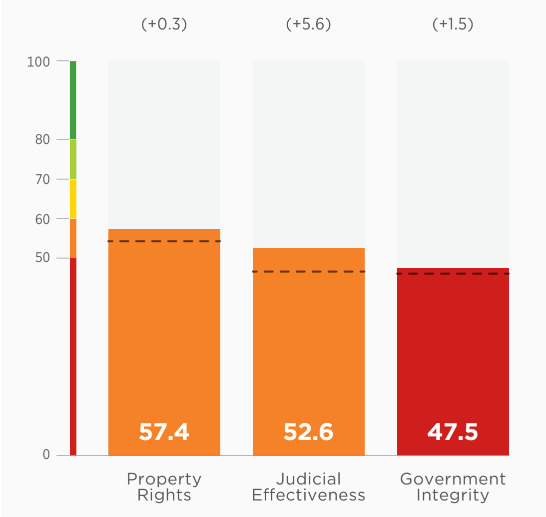
2019 data unless otherwise noted. Data compiled as of September 2020

BACKGROUND: The former British protectorate of Kuwait is a constitutional monarchy and has been ruled by the al-Sabah dynasty since the 18th century. Emir Sabah al-Ahmad al-Jabr al-Sabah's repression of growing opposition from Islamists and tribal populists since 2012 has led to protests. In the 2020 elections, 24 of the National Assembly's 50 seats went to candidates belonging to or leaning toward the opposition, up from 16 in the 2016 elections; 31 of the candidates (none of whom are women) are new to the assembly. This big change could encourage new efforts to implement economic reforms. 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.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

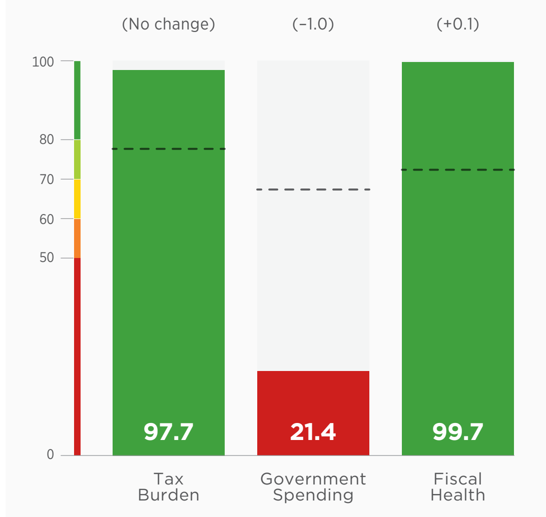
12 ECONOMIC FREEDOMS | KUWAIT

RULE OF LAW



The state controls most of Kuwait's land. However, because of a weak titling and registration system, the government is not fully aware of what it owns, and this contributes to a misallocation of resources. In general, citizens of non–Gulf Cooperation Council countries may not own land. The legal system is poorly developed, and the emir appoints all judges. Corruption is pervasive, especially among the ruling elites.

GOVERNMENT SIZE

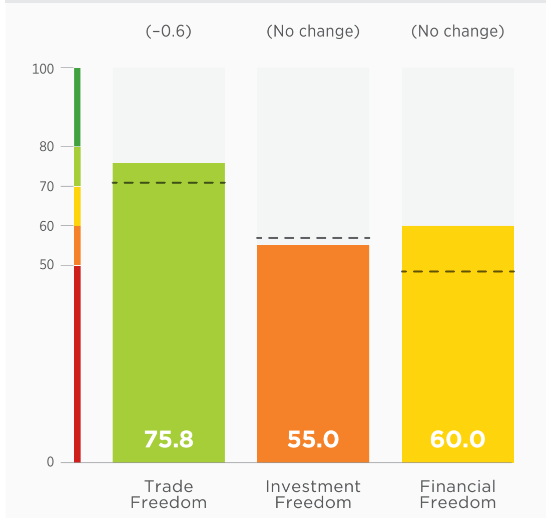


Individual income is not taxed. Foreign-owned firms and joint ventures are the only businesses that are subject to the flat 15 percent corporate income tax. The overall tax burden equals 1.4 percent of total domestic income. Government spending has amounted to 51.2 percent of total output (GDP) over the past three years, and budget surpluses have averaged 6.7 percent of GDP. Public debt is equivalent to 11.6 percent of GDP.

REGULATORY EFFICIENCY

Kuwait has eliminated redundant procedures involved in obtaining a commercial license and has simplified online company registration. Getting electricity is now easier. Many Kuwaiti nationals are reluctant to take private-sector jobs, preferring to work for the government. Instead of reducing very high subsidies, the government is likely to maintain them through deficit spending.

OPEN MARKETS



Kuwait has three preferential trade agreements in force. The trade-weighted average tariff rate is 4.6 percent, and 55 nontariff measures are in effect. The economy benefits from openness to foreign investment, although some sectors are not open. A modern financial regulatory system facilitates and welcomes portfolio investment. The banking sector remains well capitalized, and a more dynamic capital market is evolving.