

# VANUATU

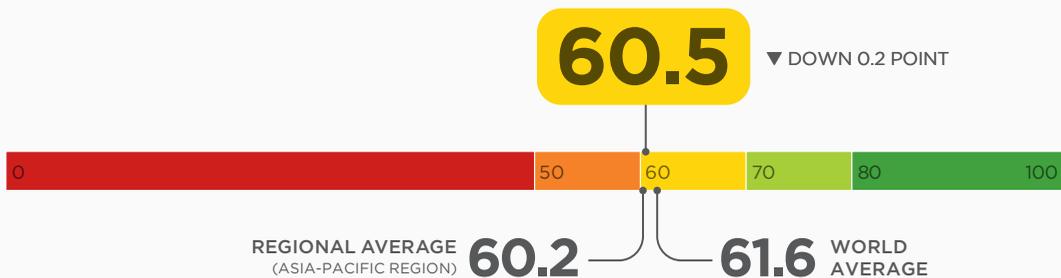
Vanuatu's economic freedom score is 60.5, making its economy the 97th freest in the 2021 *Index*. Its overall score has decreased by 0.2 point, primarily because of a decline in **property rights**. Vanuatu is ranked 18th among 40 countries in the Asia-Pacific region, and its overall score is above the regional average but below the world average.

The economy of Vanuatu nearly fell back into the ranks of the mostly unfree this year. The government could establish greater economic freedom more securely if it took steps to improve the business climate, reform the judicial system, open the financial sector to more competition, and fight corruption more energetically.

**IMPACT OF COVID-19:** As of December 1, 2020, no deaths had been attributed to the pandemic in Vanuatu, but the economy was forecast to contract by 8.3 percent for the year.



## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): +2.1

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
0.3 million

**GDP (PPP):**  
\$0.9 billion  
2.9% growth in 2019  
5-year compound annual growth 2.8%  
\$3,274 per capita

**UNEMPLOYMENT:**  
4.4%

**INFLATION (CPI):**  
2.1%

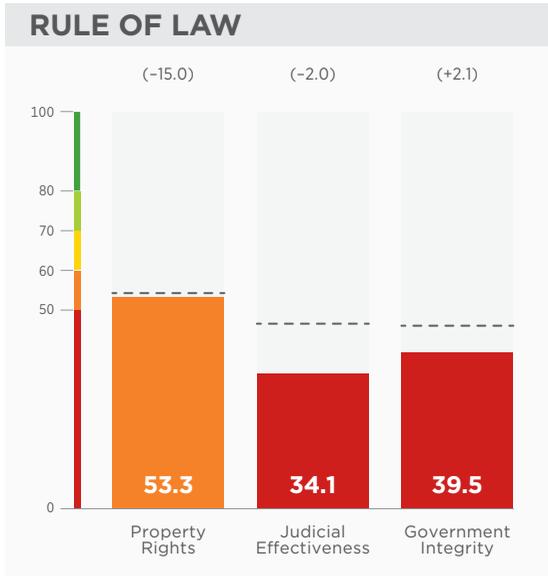
**FDI INFLOW:**  
\$41.0 million

**PUBLIC DEBT:**  
50.7% of GDP

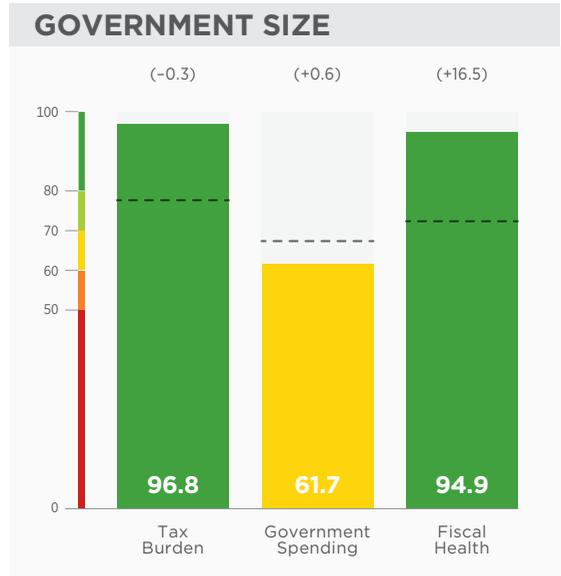
2019 data unless otherwise noted. Data compiled as of September 2020

**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. President Tallis Obed Moses has held office since 2017, and Prime Minister Bob Loughman was elected to office in 2020. Vanuatu is heavily dependent on agriculture, particularly subsistence farming, and tourism, which comprises 40 percent of the economy. Having barely recovered from 2015's destructive Cyclone Pam, which had a devastating impact on tourism, Vanuatu was struck by the Category 5 Cyclone Harold in April 2020.

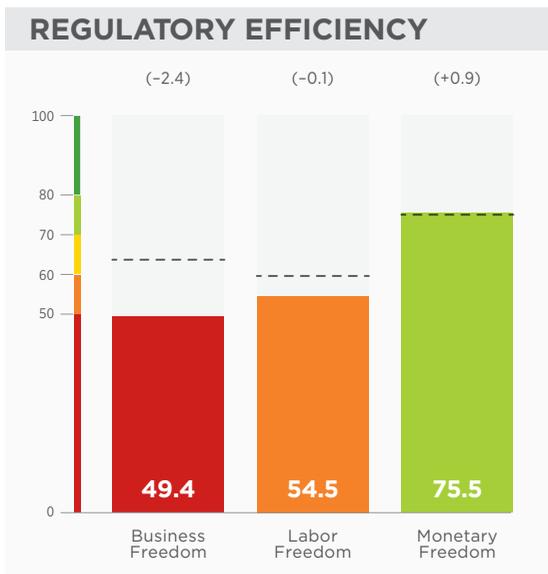
# 12 ECONOMIC FREEDOMS | VANUATU



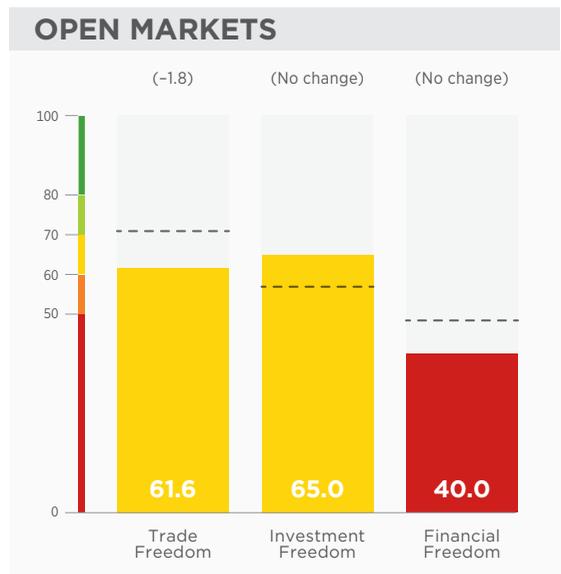
Although Vanuatu’s legal framework generally supports property rights, enforcement is slow. Irregularities and government corruption often affect land deals. The judiciary is largely independent but lacks the resources to retain qualified judges and prosecutors. According to the World Bank’s 2020 *Doing Business* survey, enforcement of contracts requires an average of 430 days. Factionalism continues to undermine political stability, making the government vulnerable to corruption.



Vanuatu imposes no individual or corporate income tax. Taxes include a value-added tax. The overall tax burden equals 18.0 percent of total domestic income. Government spending has amounted to 35.7 percent of total output (GDP) over the past three years, and budget surpluses have averaged 3.9 percent of GDP. Public debt is equivalent to 50.7 percent of GDP.



The costs involved in starting a business and obtaining electricity have increased. The trend in business freedom has been downward since 2009. Rigid and outmoded labor codes put a lid on the formal labor market. The country continues to subsidize poorly managed and money-losing state-owned enterprises in such sectors as agriculture (especially copra production), airports, banking, and broadcasting.



Vanuatu has three preferential trade agreements in force. The simple average tariff rate is 9.2 percent, and customs requirements and other nontariff barriers further impede trade flows. Most business activities are open to foreign investment, but state-owned enterprises dominate such sectors as broadcasting and transport. Access to financing remains poor, and less than 15 percent of rural adults have access to formal banking services.