

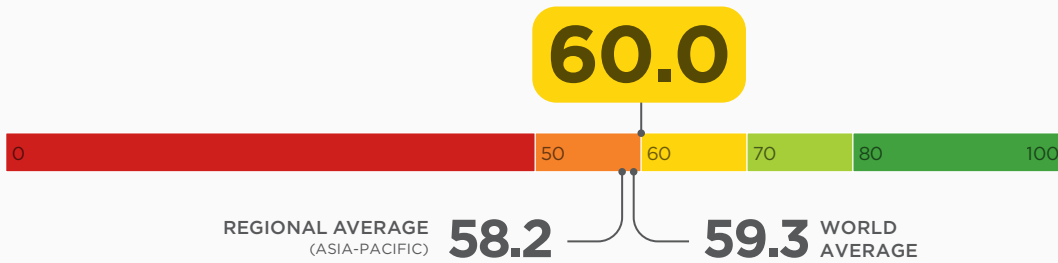
WORLD RANK: 82	REGIONAL RANK: 17
ECONOMIC FREEDOM STATUS: MODERATELY FREE	

TONGA

Tonga's economic freedom score is 60.0, making its economy the 82nd freest in the 2023 *Index*. Its score has decreased by 0.8 point from last year. Tonga is ranked 17th out of 39 countries in the Asia-Pacific region, and its overall score is above the world and regional averages.

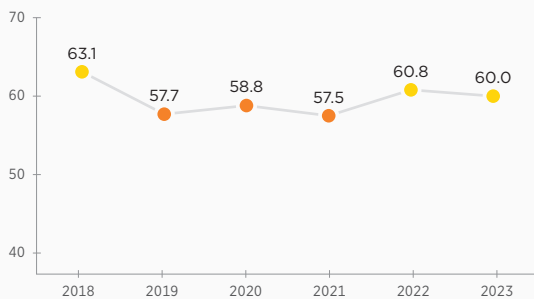
The economic foundations for the kingdom's long-term development remain weak. Tonga's corruption score is below the world average, and its overall judicial system remains inefficient and lacking in transparency. A lack of commitment to opening markets holds back investment growth and thwarts the emergence of a dynamic private sector.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): +5.9

RECENT FREEDOM TREND



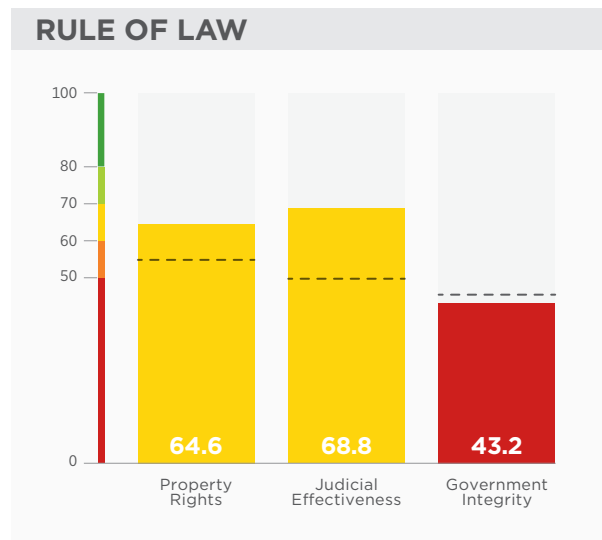
QUICK FACTS

- POPULATION:** 0.1 million
- GDP (PPP):** \$0.6 billion
-0.7% growth in 2021
5-year compound annual growth 0.9%
\$6,482 per capita
- UNEMPLOYMENT:** 3.1%
- INFLATION (CPI):** 1.4%
- FDI INFLOW:** \$1.7 million
- PUBLIC DEBT:** 47.5% of GDP

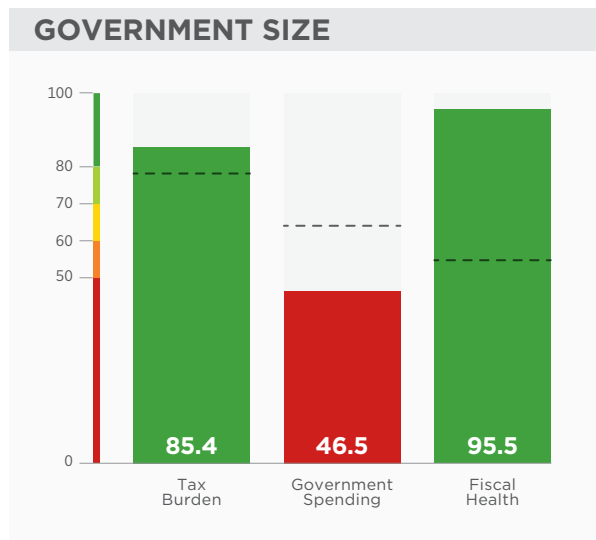
2021 data unless otherwise noted. Data compiled as of September 2022

BACKGROUND: The Kingdom of Tonga withdrew from British protection to become fully independent in 1970. The royal family of King Tupou VI, hereditary nobles, and a few other landholders control its politics. Tonga held its first elections in 2010 under a newly formed constitutional monarchy. After his death, Prime Minister 'Akilisi Pohiva was replaced by Pohiva Tu'i'onetoa, who was succeeded in turn by political independent Siaso Sovaleni following the 2021 general elections. Tonga's economy depends on such agricultural products as squash, vanilla beans, and yams as well as tourism and exports of fish. Emigrants' remittances account for nearly one-third of GDP.

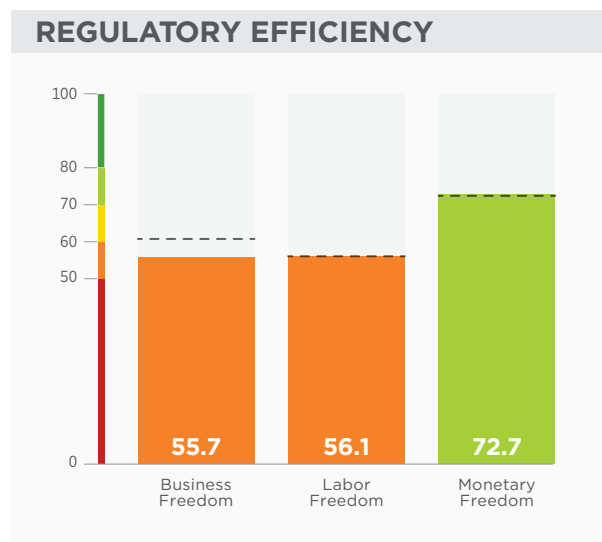
12 ECONOMIC FREEDOMS | TONGA



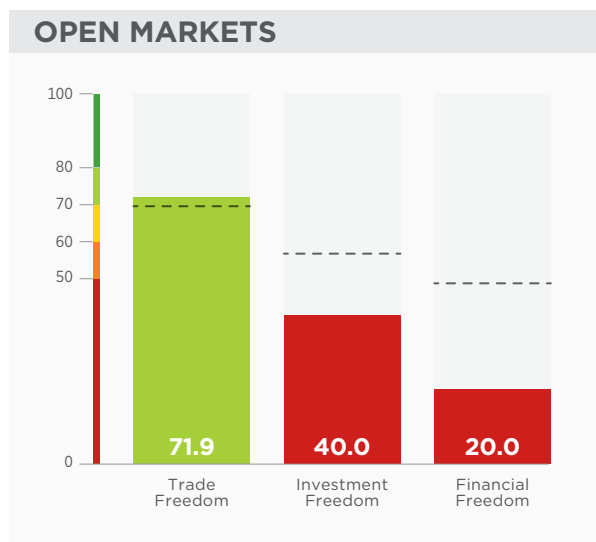
The overall rule of law is relatively well respected in Tonga. The country's property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is below the world average.



The top individual and corporate tax rates are, respectively, 20 percent and 25 percent. The tax burden equals 20.9 percent of GDP. Three-year government spending and budget balance averages are, respectively, 42.2 percent and 2.5 percent of GDP. Public debt equals 47.5 percent of GDP.



Regulatory codes are relatively sound, but implementation of regulations remains ineffective. Although minimum capital is needed to establish a business, the process can be time-consuming. Labor codes are favorable to labor market flexibility, but informal labor is considerable. Inflationary pressure continues.



The trade-weighted average tariff rate is 6.6 percent, and nontariff barriers further raise the cost of trade. Many investment activities are stringently regulated. The legal system impedes efficient lending, and the lack of reliable information on creditworthiness increases credit costs. There are no capital markets.